

COMPOSITE INSURER

ACE Arabia: Focusing on the corporate sector

ACE Arabia has the necessary financial capacity and know-how to serve the Kingdom's sophisticated corporate lines, says **Mr Syed Umer Ali Shah**, Managing Director.

In April, ACE Arabia, a new Saudi co-operative insurer, floated 40% of its SAR100 million capital (US\$27 million) in an IPO which was oversubscribed by more than 1135% – a sign of the public's confidence in the company and the Kingdom's insurance industry.

Eyeing the corporate lines

ACE Arabia had a fruitful 2008 with premium income exceeding SAR190 million (US\$50 million), a growth of 16% y-o-y, and a combined ratio of around 70%. "We are mostly active in the property & casualty business where ACE Arabia, backed by the ACE Bahrain regional office and our long-standing agency agreement with the Elkhareji Group, is able to serve the market's different corporate lines," Mr Shah pointed out. ACE INA International Holding has a 30% stake, and another 30% belongs to Elkhareji Group and partners. The remaining share was floated in the IPO.

He added that the company has a limited exposure to motor and medical lines which account for around 22% of the overall portfolio, one of the smallest in that specific market. "These lines offer cash premium in the market but tapping into these businesses requires the relevant infrastructure. Since we have good capacity in our property, marine, and casualty or liability businesses, we write larger risks in these areas.

"With the partnership between ACE Arabia and ACE Bahrain to build capacity in the market, we have been able to gain a good lead in the major property and energy business in the country. Our focus remains on the corporate side of the market."

At the same time, the company is keeping the door open to expand its personal lines business. "These are, of course, in our interest, but they require certain technical expertise. At the moment, our main expertise and experience is in corporate lines, which is why we stand out in that market against our competitors."

Other lines which the company is working on include banker blanket bonds, D&O and other financial products.

Opportunities in KSA

There are great prospects for the Saudi insurance market, as seen by growth in 2008. "This is the largest regional market and it is going to flourish; the impact of the financial crisis has not been seen here and there are expectations for the sector to keep growing, driven by the compulsory lines in the meantime. However, as soon as the market develops, there are very good opportunities for other lines to expand as well. For example, when the mortgage law is activated, the public will start considering products from the credit lines and the related housing covers."

He also pointed out that Saudi Arabia is the only GCC

country which has a majority of indigenous population of over 16 million, with over 50% of them under 30. "This opens large windows of opportunities for the insurance industry and makes the market an ideal one compared to others in the region."

He added that a good deal of projects have been re-opened for tender as the cost of commodities have fallen, "so even if there are some delays in the market, we will see many projects taking off over the next two years, such as the railway between Mecca and Medina."

To deal with the lack of local talent, ACE Arabia has been investing generously in training its staff both locally and abroad. In addition, he said that the company is also investing in creating a conducive environment for female employees. "These young women can be truly helpful in handling certain tasks in the industry and we are interested in building up this area through training and recruitment."

Taking the test

Despite the potential of the market, companies need to be prudently managed in order to reap real success. Mr Shah said: "There is quite a good amount of liquidity in the market, but it needs the right people and prudent management. This is the biggest challenge and test now with the diminishing returns on investments.

"We need to efficiently manage our underwriting profits to ensure sustainability. The market is no doubt booming, but success depends upon the insurance companies' performance within the next few years."



Mr Syed Umer Ali Shah

1 Saudi Riyal = 0.27 US Dollar