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INTRODUCTION TO THE MARKET

The MENA region has long been viewed as a key emerging market for the (re)insurance industry. To date, however, the Middle East has garnered much of the attention from international – and regional – players who want to capitalise on the high-growth emerging markets while the growth in developed markets moves at a markedly slower pace. But what of North Africa?

The evolution faced by this region over the past five years, through the catalyst of political unrest, has earned it front-page headlines and the glare of the world's media. It has also afforded North Africa the attention of the international (re) insurance industry, as despite the turmoil faced by the region, these changes give rise to unique opportunities for those firms with an appetite for risk.

"Those who have the risk appetite and want to delve into these markets, provided they can be selective and manage their exposures in a proper matter, can reap some excellent returns," UIB chief executive George Kabban explains. "They can leverage their capacity in a way where scarcity of supply serves their ability to charge an adequate return for exposing their capital."

With the combined written premiums of Algeria, Egypt, Libya, Morocco and Tunisia falling just short of $8bn, and an average insurance penetration of 1.364%, there is definitely room for growth in North Africa.

Of course, this cluster of countries is not a homogeneous group. With varying levels of stability, potential for growth, and long-term reward, each offers its own blend of opportunity and challenge. For instance, with Morocco and Libya at opposite ends of the risk scale, both countries are appealing but for very different reasons.

"Each of these countries presents opportunities and challenges, investors just need to gauge their risk appetite and their reward expectations," Kabban says.

While there can be profit in silver linings, to deny the challenges posed by political unrest, young governments and idiosyncratic regulation would be foolhardy. Stability in the region cannot be taken for granted and the volatile nature brings even North Africa's growing population under scrutiny.

"North Africa as a whole, in contrast to Europe or the US, has a young and growing population, which presents both opportunities and challenges. Opportunities in the sense that the number of consumers is growing at the more rapid pace than most other parts of the world, and for the long term that presents opportunities," Kabban says.

"In the current circumstances, however, population growth is not experiencing commensurate economic growth, which means higher rates of unemployment, and therefore fertile ground for civil unrest."

It's also important to remember that this region is still developing and therefore is susceptible to further change. ACE general manager, UAE, Mark Quinn, explains that the reasoning behind decisions made today may not necessarily stand the test of time. For example, prior to the Arab Spring Libya may have been viewed as a stable, 'safe-bet' country of choice for international firms setting up shop in the region. In the past five years, Libya and other 'hotspots' have been overlooked as political unrest and terrorism continues to rage today across numerous North African countries.

Quinn adds: "[North Africa is] one of those markets that is continually evolving, and it's a very difficult market in respect of the variances across the region." ►

▶ Quinn also highlights the substantial geographic size of North Africa and points out that this highlights the “number of different characteristics” you are likely to face operating in the region.

Still, North Africa promises great reward for those entering the region – as well as the many international and regional firms that are already there and looking to expand – particularly as North Africa’s approach to insurance matures.

According to ACE’s regional construction manager John Ambrose, in the past North African countries had not insured their assets, but this has changed. “Now I think there’s a push towards buying insurance for some of the operational assets that have been there for some time, such as power assets. This has basically opened up a lot of markets, especially in Libya where there’s more of a state-control environment. Now more and more private markets have access to that country, so it will bring in a lot more opportunities for us to target.”

Though the influx of international firms, and contractors, brings investment into North Africa, there is still one noticeable area that is not being nurtured: talent. Ambrose believes that contractors and (re)insurers alike have a tendency to both import talent and in the case of contractors send business home.

“In North Africa we’ve seen a lot of different contractors coming in – it’s quite common when you have a growth potential in a particular market. We’re seeing a lot more contractors coming in from the Korean, European and Latin American markets. These contractors, however, tend to take business back to their respective countries. So for instance, if there’s a Korean contractor, there’s a tendency to take that insurance business back to the Korean markets and the region loses out.”

The fear is there will be a vacuum of talent if these international firms were to relocate.

North Africa has the potential to offer opportunities to those on both sides of the table, and both sides, internationally or no, add to the swirl of challenges. Ultimately, without the right appetite for risk, there will be no-one at the table. ◆

ALGERIA

Algeria sits in the middle of the pack when it comes to North Africa. It faced relatively little turmoil during the Arab Spring and has had few waves of change since.

OPPORTUNITIES

Aon Benfield chief executive MENA and Turkey Ahmed Rajab says: “Algeria has a promising market emerging in all fields of insurance.

CHALLENGES

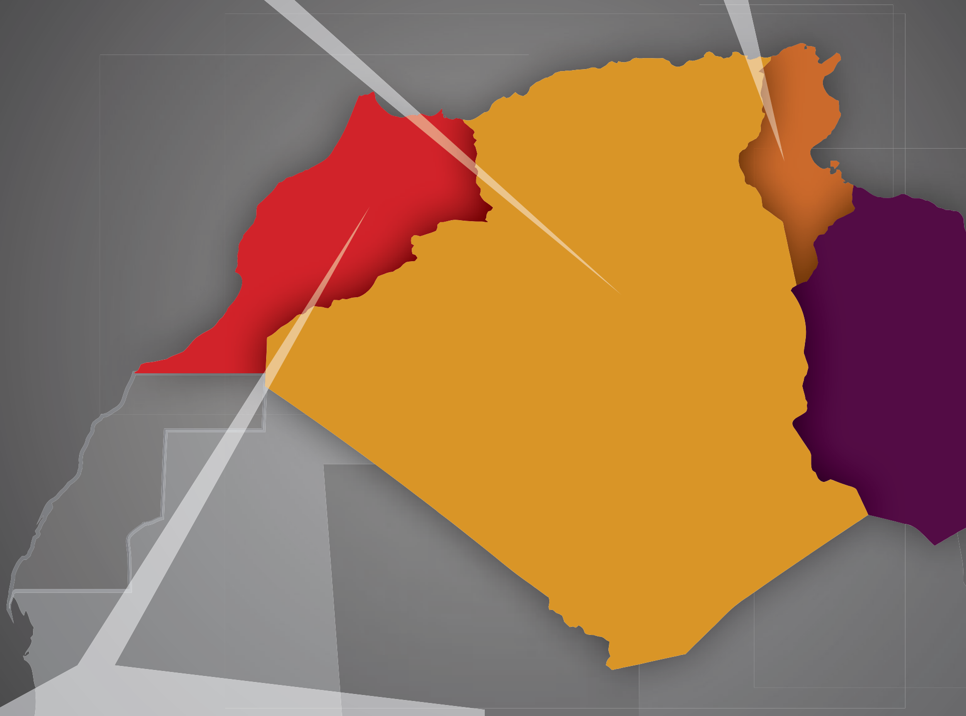
Ahmed Rajab adds: “Algeria is a market where legal cessions still exist. Each risk in Algeria should be ceded up to 50% to CCR Algeria.”

TUNISIA

The recent acts of terror in Tunisia have punctuated this nation’s continued need to strive for stability. Tunisia has a strong culture for insurance, and despite having relatively low written premiums ($933m in 2013), its premiums per capita are second highest in the region at $84.88.

CHALLENGES

Rajab says: “Government investment is very limited so there is a very limited amount of insurance that can be done with the exception of personal lines. So you’ve got limited lines, but a saturated market.”



MOROCCO

According to global law firm Linklaters, Morocco is the third largest insurance market within the Arab world after the UAE and Saudi Arabia. The insurance market has been developing at least at twice the rate of the local economy – around 9% per annum.

OPPORTUNITIES

Morocco is perceived as having a greater degree of stability and has been an attractive option for those taking tentative steps into North Africa. Also, a relatively recent evolution within Morocco is the Casablanca Finance Centre, which supports Morocco’s positioning.

CHALLENGES

While the majority of Morocco’s treaty reinsurance goes to big companies already established in the region, the true limitations come from the facultative operation.

LIBYA

Libya has felt the biggest impact from political unrest and this is reflected in written premiums. However, with Libya's abundant natural resources and significant GDP, those with steely resolve will explore this country with the view of long-term investment.

OPPORTUNITIES

Ambrose says: "Libya is one of the sleeping giants in that region. When the situation stabilises we're bound to see a lot of investment in that part – particularly in the fresh chemical oil refinery segment, infrastructure, housing and the healthcare sectors, and power generation."

CHALLENGES

With the change in government in 2012 came talk of investment. Unfortunately, with ongoing political turmoil this has not trickled down as intended. Furthermore, the continued unrest has resulted in limited access to the country, which has made operating in Libya impractical. Kabban says: "There's a scarcity of capacity, and that also has an impact on pricing. In some cases reinsurers are unwilling to take on risks in Libya no matter what the price. At the moment we believe there is just enough capacity to cover the mega risks. Whereas in other North African countries there is a surplus of capacity available."

EGYPT

Some would argue that the Mubarak regime favoured dictatorship, nevertheless, Egypt has made a power transition without too large a power vacuum, and retained tremendous opportunities for regional and international firms.

OPPORTUNITIES

With development on the rise in Egypt, construction emerges as a key line of interest. ACE regional construction manager – MENA John Ambrose says: "The Suez Canal development project is being issued by the government, and the new Cairo city that is being planned by the government. These are good signs of investment and improvement in that market."

EXPERT VIEW / MOJGAN KHOSHABI

MANAGING DIRECTOR, MENA, ACE

The Arab Spring and ongoing tensions in the region have hit the economy in North Africa and the Middle East hard. GDP [gross domestic product] growth has slowed down, unemployment has risen and there is high inflation in many of the countries in North Africa. To counter the situation, some countries are attempting to introduce and implement new reforms, which should bring new investment and economic diversification. The road to recovery will be slow, but the long-term opportunities remain strong and these reforms will help to create jobs and overcome some of the key economic challenges that these countries are facing.

Construction presents the biggest opportunity for ACE to bring its specialist expertise to bear in the North African (re) insurance markets, particularly infrastructure projects such as schools, universities, hospitals, hotels and water desalination plants. There remains a need to improve infrastructure in North African countries and some national governments are currently planning or have actually started working on these projects.

The area where we are supporting brokers and cedants is the general property business, which should continue to be attractive. We believe that, with our high levels of capacity at ACE, we can make a significant contribution here. More specifically, terrorism and political violence insurance is another area of opportunity. We think that this will develop in the near future because of the increase in terrorism threats in the region. ACE has terrorism expertise available on the ground to help the local market to start looking more closely at this side of business. The third area is what I call the casualty-based products, by which I mean both financial lines and general liability insurances, which offer significant potential opportunity as globalisation continues and the focus on corporate governance in the region grows.

We opened our operation in Tunisia in 2013. To make such ventures successful, companies must make sure that they fully understand the market, its culture and the legal requirements of that market. They must also make sure that they set up a local presence in the region. Actually opening up in the region may prove very different from just writing regional business from your head office.

Companies must also incorporate a team of skilled people. To ensure success when we opened in Tunisia, we employed a team who understood the local market and who spoke the local language. Add this approach to ACE's focused investment and specialist expertise in the lines that I mentioned and we double the formula for success.

"To make such ventures successful, companies must make sure that they fully understand the market"

DR SHERIF SAMY CHAIRMAN, EGYPTIAN FINANCIAL SERVICES AUTHORITY

SHAPING THE FUTURE OF EGYPT'S INSURANCE REGULATION

The head of Egypt's financial watchdog talks about Egypt's economic indicators, why sound regulation is the key to attracting investment, and the authority's plans for the insurance industry

Sherif Samy is a busy man. As the chairman of Egypt's Financial Services Authority (EFSA) he has ultimate responsibility for insurance regulation in North Africa's largest insurance market. In an exclusive interview with Jack Grocott, Dr Samy discusses how the regulator is shaping the country's legislation, why he wants to improve communication with insurers, and regional regulatory harmonisation.

***Jack Grocott:* Egypt has been defined by political instability and the Arab Spring in recent years. How has the country attempted to recover and challenge perceptions that it is not a good place to do business?**
Sherif Samy: From the inside, life goes on. Businesses are operating and markets are buzzing, with the exception of tourism due to the geopolitical situation and security concerns. With the higher rate of initial public offerings in the stock market, which so far in 2015 has already exceeded the previous four years combined, and the number of acquisitions witnessed by the market, I believe a significant number of investors see Egypt as a good place to do business. Obviously there is much more to be done to attract more investment. This will be achieved by accelerating the regulatory changes in some areas and simplifying red tape, land allocation and licensing.

***JG:* What's on the horizon in terms of incoming insurance regulation for Egypt and your plans for the role of the EFSA in the insurance industry?**
SS: A new insurance law is definitely needed – after 34 years the current law is rather outdated. We are in the final stage of drafting a new law, in consultation with the industry. This will take into account new distribution channels, microinsurance, and address takaful and healthcare, in addition to third party administrators. It should also strengthen governance, and the qualifications and roles of boards and committees.

***JG:* What is the incentive to introduce more stringent regulation if your neighbouring countries don't? To what extent is this being tackled in the region?**
SS: Regulation is a national interest in the first place: it aims to achieve financial stability and risk management, while protecting consumers and promoting competition. We cannot get into the game of reducing regulation for those seeking regulatory arbitrage. That applies to insurance, capital markets or other non-banking financial services that we oversee. Having said that, it does not mean we do not seek the regulation to be clear, simple to understand and to reflect best practice and international guidelines, namely the International Association of Insurance Supervisors' insurance core principles.

***JG:* A common criticism of financial regulation around the world is that it often surprises the market when it is published. What is being done to improve communication between insurers and the EFSA in Egypt?**
SS: Usually regulators are not very well liked, however we try to mitigate this as much as possible. Over the past two years, since I joined the EFSA, we have consulted with the industry through the federation of insurance companies and the brokers association. One of the first decisions the current board made was to form an Insurance Advisory Committee that has company heads, experts, brokers and actuaries as members.

***JG:* What is the likelihood of harmonisation for insurance regulation across North Africa?**
SS: [Harmonisation] is always a target that some will aim to achieve. However I am not sure it's going to happen soon, or whether it may be detrimental to the development of national markets in that region. As the regulations develop and become more aligned with international best practices, however, they will come much closer. ◆

DR SHERIF SAMY PRÉSIDENT, AUTORITÉ DES SERVICES FINANCIERS ÉGYPTIENS

CONSTRUIRE LE FUTUR CADRE RÉGLEMENTAIRE ÉGYPTIEN

Le directeur de l'autorité de surveillance financière égyptienne évoque les indicateurs économiques, la nécessité de disposer d'un cadre réglementaire robuste et les projets pour le secteur de l'assurance

L'agenda de Sherif Samy est bien rempli. En tant que président de l'EFSA (Autorité des services financiers égyptiens), il oriente la réglementation du plus grand marché de l'assurance d'Afrique du Nord. Durant cet entretien exclusif avec Jack Grocott, Sherif Samy nous indique comment le régulateur façonne la réglementation et pourquoi il veut améliorer le dialogue avec les assureurs et harmoniser la réglementation régionale.

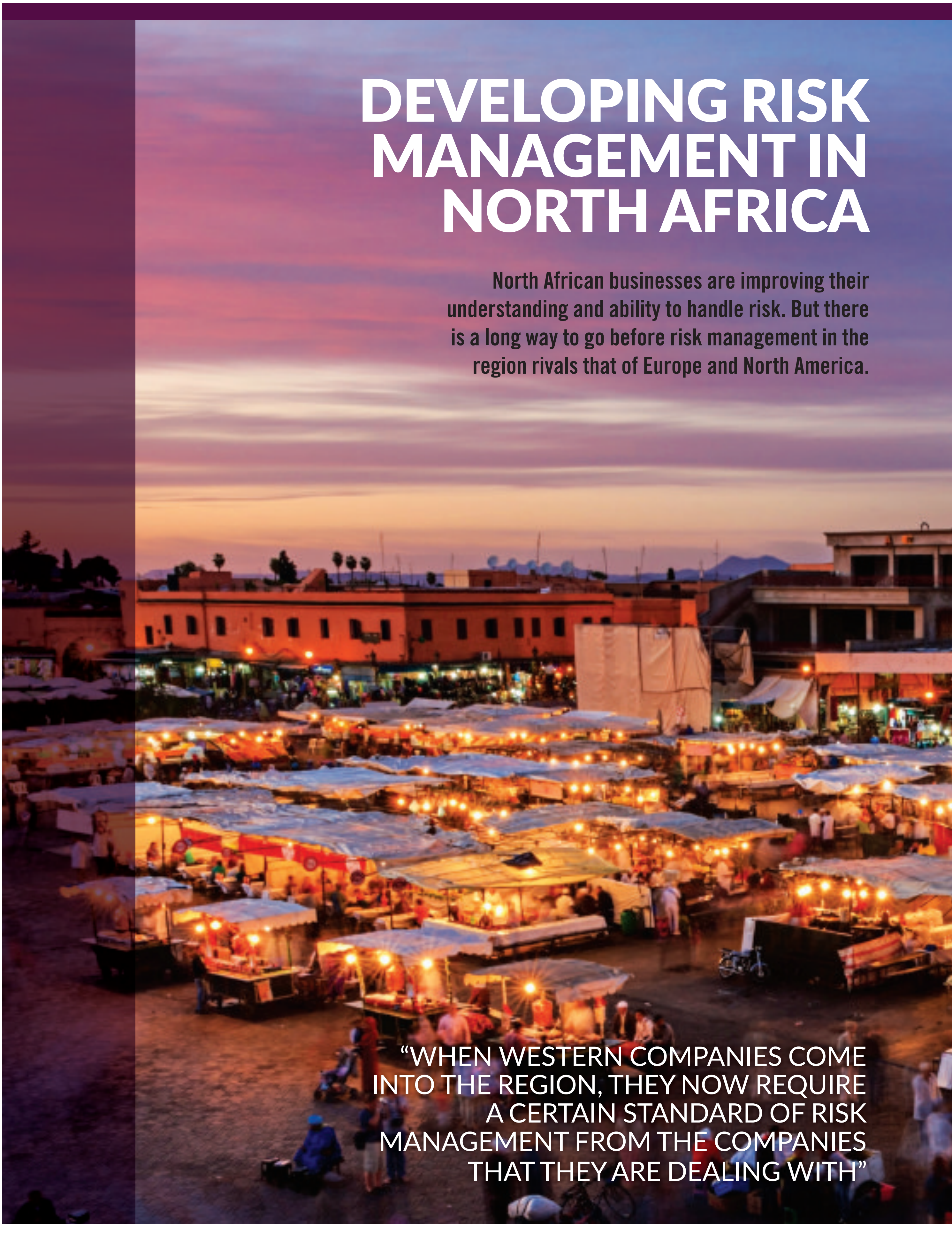
***Jack Grocott:* Ces dernières années, l'Égypte a été marquée par une période d'instabilité et par le Printemps arabe. Comment le pays cherche-t-il à changer la perception des investisseurs et à les rassurer ?**
Sherif Samy: En interne, la vie continue. Les entreprises tournent et les marchés sont en effervescence – à l'exception du tourisme, qui a été impacté par les facteurs géopolitiques et les questions de sécurité. Le nombre d'introductions en bourse depuis janvier 2015 dépasse celui des quatre dernières années cumulées et les acquisitions vont bon train. Je suis convaincu qu'un grand nombre d'investisseurs voient l'Égypte comme un marché attractif. Bien sûr, il nous reste encore du travail à abattre pour attirer encore davantage d'investissements. Cela passera justement par une évolution de la réglementation, par des simplifications administratives et des changements dans l'allocation des terrains ou les octrois de licences.

***JG:* Quels changements la nouvelle réglementation de l'assurance apportera-t-elle ? Et quels sont les projets de l'EFSA pour le secteur de l'assurance ?**
SS: La réglementation des assurances doit absolument évoluer – après 34 ans de bons et loyaux services, elle commence à dater. Nous peaufinons le nouveau cadre réglementaire, après consultation du secteur. Nous prenons désormais en compte les nouveaux canaux de distribution et la microassurance, traitons la question du takaful, de la santé et des tiers administrateurs. Ce cadre renforce la gouvernance et les responsabilités des conseils d'administration.

***JG:* Pourquoi vous doter d'un cadre réglementaire plus contraignant si les pays voisins ne font pas de même ? Que font les nations voisines ?**
SS: La réglementation est conçue en priorité dans l'intérêt national. Elle promeut la stabilité financière et le risk management tout en protégeant les consommateurs et en favorisant la concurrence. Nous ne voulons pas jouer le jeu de la déréglementation au profit des arbitrages réglementaires. Cela s'applique à l'assurance, aux marchés de capitaux et aux autres services non financiers que nous suivons. Ceci étant, nous souhaitons que la réglementation soit claire, facile à comprendre et qu'elle reflète les bonnes pratiques et les directives internationales, notamment les principes de l'International Association of Insurance Supervisors.

***JG :* On reproche souvent aux cadres réglementaires financiers de prendre les marchés par surprise lorsqu'ils sont finalement dévoilés. Comment gérez-vous les communications entre l'EFSA et les assureurs égyptiens ?**
SS : Le rôle du régulateur est souvent peu apprécié, mais nous tâchons d'aplanir les difficultés. Depuis que j'ai rejoint l'EFSA, il y a deux ans, nous menons des consultations avec ce secteur économique par le biais de la fédération des assureurs et l'association des courtiers. L'une de nos premières décisions a été de créer un comité consultatif réunissant des chefs d'entreprise, des experts, des courtiers et des actuaires.

***JG :* Va-t-on vers une harmonisation de la réglementation des assurances en Afrique du Nord ?**
SS : Ça reste un objectif pour certains d'entre nous, mais je doute qu'on y parvienne rapidement et je ne sais pas si cette harmonisation pourrait nuire au développement des marchés nationaux. Quoi qu'il en soit, les réglementations s'alignent de plus en plus sur les bonnes pratiques internationales, alors la tendance est clairement à la convergence. ◆



DEVELOPING RISK MANAGEMENT IN NORTH AFRICA

North African businesses are improving their understanding and ability to handle risk. But there is a long way to go before risk management in the region rivals that of Europe and North America.

“WHEN WESTERN COMPANIES COME INTO THE REGION, THEY NOW REQUIRE A CERTAIN STANDARD OF RISK MANAGEMENT FROM THE COMPANIES THAT THEY ARE DEALING WITH”

Risk management is starting to develop as a serious discipline in North Africa and large businesses operating there are moving to embrace global standards.

One of the main factors driving an increased awareness of risk management is the region's economic diversification which has involved partnerships with US or European brands.

When western companies come into the region, they now require a certain standard of risk management from the companies that they are dealing with.

"There is a building pressure on companies that want to partner with western brands that they will have to develop their approach to risk management," says Paddy Lord, managing director at Control Risks.

As a result, North African businesses are improving their understanding and ability to deal with risk. But this is a process that takes time, as well as serious investment in both people and training.

"Companies need to invest in more sophisticated staff and give them the mandate necessary to make their presence felt," says Neal R. Brendel, partner at law firm K&L Gates.

"Businesses need to be talking to the kind of sophisticated brokers and risk advisors who can identify risks and suggest customised ways of addressing them."

Further support is coming from the French risk managers' association AMRAE which is working hard to develop risk management standards and practice in French-speaking countries across North Africa through its Francophone initiative [see p8].

As part of this, it is undertaking an ongoing series of regional meetings and educational training programmes.

"We are supporting risk management in French-speaking countries through conferences that will look in great detail at best practices in risk management, mitigation and prevention techniques and the latest risk trends," says immediate past AMRAE president Gilbert Canameras.

"Although the events primarily target risk managers, they are open to the wider industry, insurers and brokers for instance, as these professionals will also be able to offer knowledge and expertise.

"We are also offering structured training through the Associate in Risk Management programme. Some of this training will be conducted as part of our Massive Open Online Course (MOOC) programme."

One of the biggest obstacles to change for business is the widespread lack of transparency and it can be difficult for firms to find out exactly who they are dealing with – and crucially whether or not they would be deemed a 'government official' for FCPA purposes.

"The US has expanded its jurisdiction in a lot of ways and this added complexity presents a real risk," says Brendel.

There are also other significant strategic risks that cannot be ignored. Conflict and terrorism are serious concerns in some markets, and the heightened volatility and unpredictability in evidence since the Arab Spring began in 2010 means companies need to be hyper-aware of political risk.

Understanding how the political tides are moving is also essential to avoid reputational damage. "You need to know who you are dealing with and how this could impact on your reputation," says Lord. "We don't necessarily need to be talking about war zones here… you need to understand who your partners are and what exposure they have to business and politics as a whole."

It is also crucial to remember that a fast-changing political environment can be a dangerous place to be – there have been several major evacuations of foreign expats from Libya since 2011. Businesses need to be able to get their people out fast, if necessary. "Places like Libya… are experiencing very serious security situations," says Lord.

North Africa can present significant risks but for those companies able to take these on, the opportunity is there to be part of genuine regional growth. ◆

TUNISIA:
HOPE BLIGHTED BY TROUBLE

Many consider that the Arab Spring began when a 26 year-old Tunisian street vendor called Mohamed Bouazizi set himself on fire on 17 December 2010 in protest at the confiscation of his wares and his humiliation by a municipal official. His public suicide would come to send ripples across the region, cause the Tunisian government to fall and usher in the only real success story to emerge from that period of tumult.

While Libya, Algeria and Egypt struggle, Tunisia was named as The Economist's 'Country of the Year' in 2014 as it adopted a new, more enlightened constitution, and celebrated successful parliamentary and presidential polls.

However, real incomes have remained stagnant since the revolution and there are major challenges ahead in attracting foreign investors.

The most significant risk to business stems from the threat of growing extremism and terrorism.

Terror attacks on tourists at the beach resort of Sousse in June 2015 and also at a museum in Tunis three months earlier left 60 people dead and demonstrated in the most horrific way the level of this risk in Tunisia which threatens to grow with the spread of ISIS across the North Africa region.

There are fears that the spillover of extremism, especially from Libya but also from Algeria, could further take root among Tunisia's disaffected. This could impact on Tunisia's economic development and lead to a more authoritarian form of government.

RAISING THE REGIONAL PROFILE OF RISK MANAGEMENT

The French risk managers' association AMRAE is leading the way to raise the profile of risk and risk management across the region.

During the 2014 annual AMRAE Rencontres in Deauville, France, the association launched a club for French speaking countries involved in risk management. Africa is its first campaign to help develop the risk profession.

Led by AMRAE vice president Marc de Pommereau and assisted by Gilbert Canameras, the association's immediate past president, the club was set up to carry out three main objectives:

- Strengthen the risk management culture in French-speaking countries in [North] Africa;
- Provide education and support the development of risk managers' skills;
- Share risk management practices and identify areas of common interest.

"When one speaks about the African market, it is necessary to recognise that there is not a single Africa but countries of Africa with different levels of development," says Canameras. This is something that France and its businesses are better placed to understand most.

There is a long history of commercial links between France and many parts of North and West Africa which stretch back around 400 years.

Trading connections continue to exist, as does a shared a common language.

And, while risk management is beginning to develop in Africa, AMRAE is working hard to encourage links and improve understanding across a number of French-speaking countries.

In November 2014, Francophone Club Risk Management held its first conference in Morocco, attracting more than 100 senior risk managers.

It has subsequently been looking to build on the success of the organisation across the region.

Brigitte Bouquot, who in May succeeded Canameras as president of AMRAE, is now a prominent figure in the organisation's push to improve understanding around risk in parts of the African continent and also to help raise standards.

"In a global world, risk management preserves a cultural dimension," says Bouquot, who is also director of insurance and risk management at aerospace group Thales. "AMRAE wants to radiate its know-how through its sphere of influence. As risk managers must be international in their outlook on risk on a daily basis, so too must AMRAE."

While the development of risk culture varies between French-speaking countries in Africa, some are clearly more advanced than others, according to de Pommereau.

"There is a strong demand to formulate and develop best practices and standards for risk management in Morocco and Tunisia," he says.

"Large Moroccan companies like OCP, Maroc Telecom or ONEE have teams of risk managers. A preoccupation with good analysis of risks is entering the culture of management of the companies as well as the installation of rules of good governance.

"The French-speaking Club of the Management of Risks and Insurances' [Francophone] will support the development of this risk culture." ◆

QUESTIONS TO ASK WHEN CONSIDERING A MULTINATIONAL INSURANCE PROGRAMME COVERING AFRICAN RISKS

1 When considering your insurance needs, do you know which markets don't permit non-admitted insurance and where you may require local policies (for example, Tunisia, Algeria, Egypt and Morocco)?

2 When designing your programme, are you aware of local rules around exporting risk and any requirements for the risk to be retained by a national reinsurer? This has become more common in the region over the last few years, for example Algeria, Nigeria, Morocco, and most CIMA countries[1].

3 Are there 'cash before cover' rules that could impact your programme and require the premium allocation to your local subsidiary to be defined prior to inception? Across North Africa and the CIMA region, the rules are quite diverse and application of them can vary.

4 Do local tariffs, or minimum rating guidelines, apply in the countries relevant to your programme? This may impact your ability to allocate multinational programme premiums in such countries, for example in Zambia, Uganda and Botswana.

5 Is your insurer able to provide innovative solutions to emerging risk? For example, local forms may not be readily available for some specialty lines such as terrorism, directors and officers and environmental liability.

6 Does your multinational insurer's network cover the whole of Africa or is it limited to, for example, South Africa and major North African economies?

7 How financially strong is the local insurance company your master insurer has partnered with in a given territory? You may wish to explore on what basis your multinational insurer audits the financials of their local partner.

8 Is the limit locally available sufficient to cover your exposures and are you comfortable that your local policy limits are reasonable when measured against the local insurance company's standing?

9 Does your insurer take a consistent approach to claims handling with local claims teams or partners providing support on the ground? In a diverse region such as Africa, it is important to be clear about the service standards you will receive and to check they are equivalent to other regions covered by your programme.

10 Can you monitor and report on your multinational programme in real time and does your insurer's technology platform cover programmes and policies for the African region?

[1]CIMA, the 'Conférence Interafricaine des Marchés d'Assurances' is a regional organisation of the insurance industry for 14 countries in Francophone Africa. It includes Benin, Burkina Faso, Cameroon, Central African Republic, Congo, Ivory Coast, Gabon, Guinea, Equatorial Guinea, Mali, Niger, Senegal, Chad and Togo.

REHAUSSER LE PROFIL DU RISK MANAGEMENT EN AFRIQUE DU NORD

L'AMRAE, association qui fédère les risk managers français, cherche à renforcer la visibilité du risque et des techniques de risk management en Afrique du Nord.

En 2014, l'AMRAE, association des risk managers français, a créé un club destiné aux pays francophones. L'Afrique est ainsi le premier continent où l'AMRAE cherche à promouvoir la profession.

Sous la houlette de Marc de Pommereau, vice-président de l'AMRAE, et avec le soutien de Gilbert Canameras, ancien président, ce club a été conçu pour remplir trois fonctions :

- Renforcer la culture du risk management dans les pays francophones d'Afrique du Nord;
- Proposer des formations et soutenir le développement des compétences;
- Échanger les bonnes pratiques et identifier les domaines d'intérêt communs.

Quand on parle du "marché africain", on occulte le fait qu'il n'y a pas "une Afrique" mais un ensemble de pays au niveau de développement très varié, avance Gilbert Canameras. La France et ses entreprises sont mieux placées que quiconque pour comprendre cela.

La France entretient des rapports commerciaux avec de nombreux pays d'Afrique du Nord et de l'Ouest depuis fort longtemps – parfois 400 ans.

Ces liens commerciaux persistent, de même que la communauté de langue.

Le risk management commence à se développer en Afrique et l'AMRAE travaille d'arrache-pied pour que des liens se tissent et que les connaissances soient diffusées dans certains pays francophones.

En novembre 2014, le Club Francophone du Risk Management a réuni plus d'une centaine de risk managers de haut niveau pour sa première conférence au Maroc.

Le club essaie de se développer en s'appuyant sur le succès remporté par l'association dans la région.

Brigitte Bouquot a succédé en mai dernier à Gilbert Canameras en tant que présidente de l'AMRAE : elle soutient l'engagement de l'association, qui cherche à mieux comprendre le risque dans certaines régions d'Afrique et à relever le niveau.

Dans un monde globalisé, le risk management conserve une dimension culturelle, avance Brigitte Bouquot, qui est également directrice des assurances et de la gestion des risques du groupe aérospatial Thales. L'AMRAE veut diffuser son savoir-faire dans sa sphère d'influence. L'optique des risk managers se doit d'être internationale au quotidien: il en va de même pour l'AMRAE.

Pour Marc de Pommereau, si le développement de la culture du risque varie d'un pays africain francophone à l'autre, certaines nations ont visiblement pris de l'avance.

Au Maroc et en Tunisie, il existe une forte demande pour la création et la diffusion de normes et de bonnes pratiques dans le domaine du risk management, dit-il.

De grandes compagnies marocaines telles qu'OCP, Maroc Telecom ou ONEE ont des équipes de risk management. La culture de ces entreprises s'imprègne désormais des notions d'analyse du risque et de bonne gouvernance.

Le Club Francophone du Risk Management et de l'Assurance soutiendra le développement de cette culture du risque. ◆

LES ÉLÉMENTS À PRENDRE EN COMPTE POUR LA CONCEPTION D'UN PROGRAMME D'ASSURANCE DESTINÉ À L'AFRIQUE DU NORD

1 Pour vos besoins en assurance, y a-t-il des pays où les assurances non-admitted ne sont pas autorisées (et qui exigent des polices locales comme en Tunisie, en Algérie, en Égypte et au Maroc, par exemple)?

2 Lors de la conception de votre programme, savez-vous s'il y a un cadre réglementaire portant sur l'exportation du risque ou l'obligation de recourir à un réassureur national? Cette exigence est de plus en plus courante dans la région, notamment en Algérie, au Nigeria, au Maroc et dans la plupart des pays du CIMA [2].

3 Existe-t-il une obligation de "cash before cover" (subordonnant la prise d'effet du contrat au paiement de la prime par le souscripteur) qui pourrait impacter votre programme? Cela vous obligerait à affecter les primes au niveau de votre filiale locale avant la date de début de couverture, et à vous assurer de son plein accord. Les pays de la zone CIMA et d'autres pays d'Afrique du Nord sont concernés, mais l'application de ces règles peut varier.

4 Y a-t-il des taxes locales ou des directives imposant certains critères de notation dans les pays couverts par votre programme ? Cela peut avoir un effet sur votre capacité à affecter les primes des programmes multinationaux dans des pays comme la Zambie, l'Ouganda ou le Botswana.

5 Votre assureur est-il capable de proposer des solutions innovantes pour les risques émergents (par exemple, des lignes spécialisées telles que le terrorisme, la responsabilité des dirigeants ou la responsabilité environnementale)? Si de telles solutions sont proposées, le texte des polices émises localement est-il une couverture spécifique au risque concerné, ou est-ce une police standard Responsabilité Civile ou Dommage à laquelle a été ajouté un volet traitant plus spécifiquement du risque émergent devant être couvert?

6 Le réseau de votre assureur couvre-t-il toute l'Afrique ou est-il restreint, par exemple, à l'Afrique du Sud et aux pays d'Afrique du Nord?

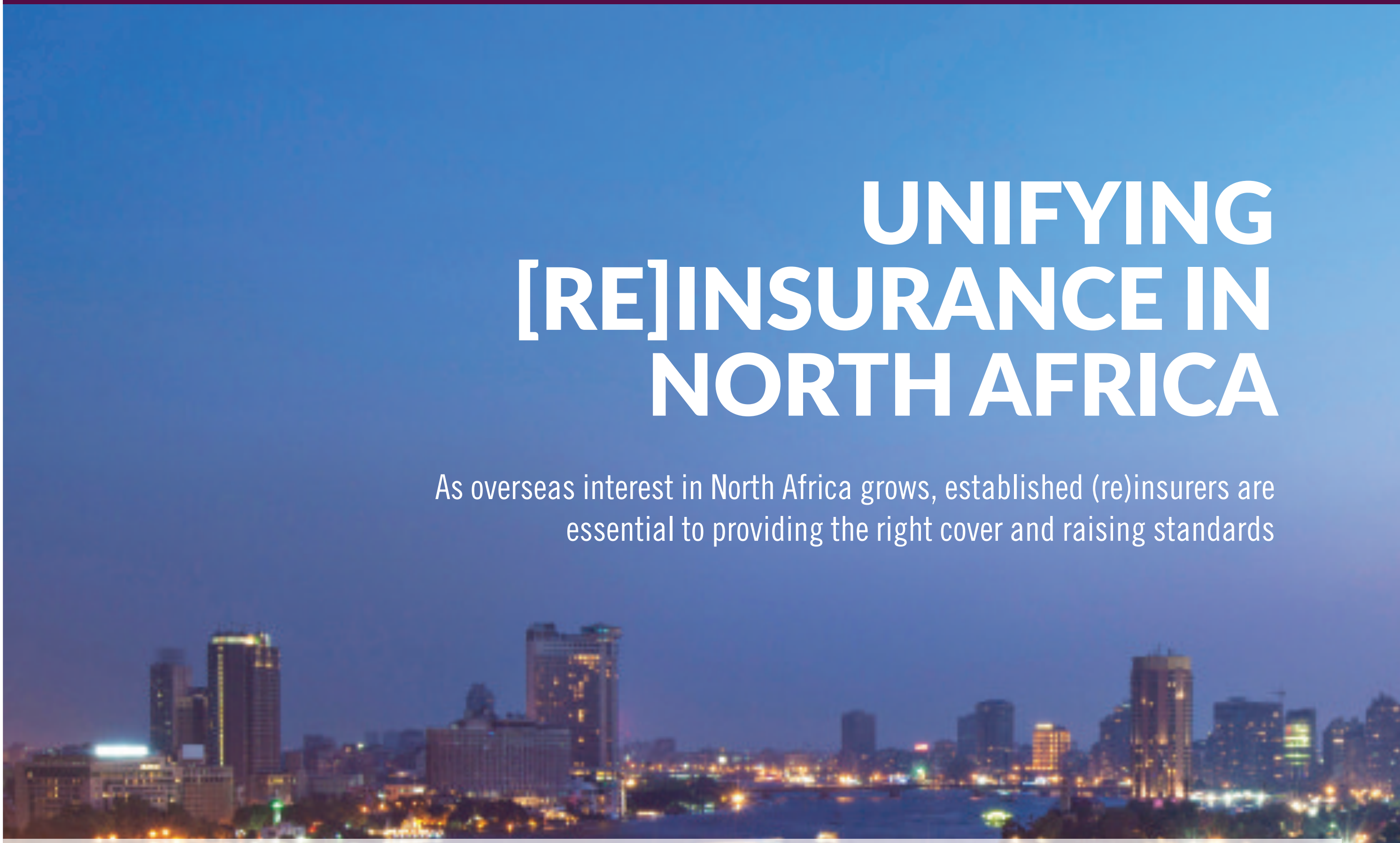
7 Sur un territoire donné, quelle est la solidité financière de l'assureur local que votre assureur a choisi en tant que partenaire? Quelles sont les méthodes utilisées par votre assureur pour évaluer la solidité financière de ses partenaires par pays? Quel est le niveau de contrôle opéré par votre assureur et la régularité de ces contrôles ?

8 Les capacités disponibles au plan local sont-elles suffisantes pour couvrir votre exposition? Les plafonds de garantie proposés cadrent-ils réellement avec le profil de l'assureur local utilisé?

9 L'approche de votre assureur en matière de traitement des sinistres (par ses équipes locales ou par le biais de partenaires présents sur le terrain) est-elle homogène? L'Afrique est une mosaïque de pays très différents : il est important de bien cerner le niveau de service que l'on recevra et de vérifier que celui-ci est cohérent avec les autres régions couvertes par vos programmes.

10 Pouvez-vous suivre vos programmes multinationaux en temps réel? La plateforme technologique de votre assureur couvre-t-elle aussi les polices émises en Afrique?

[2] La CIMA (Conférence Interafricaine des Marchés d'Assurances) est un organisme régional regroupant les acteurs du secteur de l'assurance dans 14 pays d'Afrique : Bénin, Burkina Faso, Cameroun, Congo, Côte d'Ivoire, Gabon, Guinée, Guinée Équatoriale, Mali, Niger, République centrafricaine, Sénégal, Tchad et Togo.



UNIFYING [RE]INSURANCE IN NORTH AFRICA

As overseas interest in North Africa grows, established (re)insurers are essential to providing the right cover and raising standards

North Africa, as part of the MENA region, is seen as a high-growth insurance market and a growth opportunity for many international (re)insurance companies. Some have been operating in the region for a while, but the market has seen a big influx in the last five years.

This influx could be seen as simple diversification, but how much of it is due to falling profitability from the prolonged soft market and low investment opportunities in international (re)insurers' heartland markets?

The area clearly has potential. The North Africa region currently has low insurance penetration compared to other parts of the world, but this is expected to change.

Companies are interested in North Africa due to the opportunities presented by the region's growing middle class, as well as the increase in construction, power and energy projects.

While demand for personal lines insurance is currently low, good growth in gross domestic product (GDP) will lead to an increase in uptake. For example, Egypt's GDP grew at 4% last year, while demand is also predicted to increase for financial lines insurance such as directors and officers liability.

Aon Benfield Middle East & North Africa chief executive Ahmed Rajab thinks that the main driver of overseas (re)insurance interest in the region is a search for diversification.

He said: "My view is that international companies must diversify their exposure and their source of revenue.

"Before looking at whether the market is hard or soft they must have diversification of risks," he said.

Clyde & Co partner Wayne Jones says that the opportunities of the North Africa market are one factor luring international firms, particularly brokers, to the region, but adds that the growth the region has undergone means that it is now too big to be served from overseas.

"In the past the reinsurance needs of those markets are likely to have been served by the overseas hubs," he explained.

Jones adds that many companies have felt the need to expand directly into emerging markets such as North Africa for several reasons.

"The first is that it is seen as a market that is likely to grow," he says. "The second is that you can't just rest on your laurels. The third is that there is a growing need on the technical and business front for companies to get more understanding of the type of business that they are doing and reinsuring."

Some of the interest in the region is a fact-finding mission from these firms, he adds.

ACE general manager for Tunisia Kamal Kaabi says he believes that the presence of international firms in the region is a logical evolution for their businesses.

"It also gives them potential access to other parts of Africa," he said. "The aim is to make a profit, and contrary to misconceptions, Africa can be a profitable place to do business."

Overseas interest in North Africa is also caused by the ability to expand easily from that location, Kaabi adds.

Using Tunisia and Morocco as examples, Kaabi said: "Many companies that want to establish in North Africa set up in Tunisia or Morocco. They want to be closer to their clients but have a link to people in other North African and Arab countries."

Businesses looking to expand in the market are a wide mix of firms, Kaabi said.

"Apart from the brokers established here there is a lot of reinsurance input in the region from their offices in Europe, and the brokers in London are coming here too," he said.

Jones believes that the future of overseas interest in North Africa could include more Lloyd's players, as "with the setting up of the Lloyd's platform in Dubai I think a lot of firms setting up in the Middle East have North Africa in their sights too".

But if rates in international reinsurance markets harden and profit margins in North Africa begin to look less appealing, will overseas reinsurance firms begin to turn their backs on the region?

Rajab thinks not. "I don't think the interest would decrease if the international market were to harden," he says.

This international interest is good for the future development and discipline of the North African (re)insurance market overall, Kaabi adds.

"At the end of the day it is in the interests of the region," he said. "(Incoming reinsurers) are not really competing with the local reinsurers. They often focus on things that the local reinsurers cannot provide or won't quote on."

Further, Kaabi notes that international reinsurers also have a role to play in raising professional standards in the area.

"They are working on training people and introducing new products," he explained. "They have experience worldwide, and this can add value. The local market should not see the international companies as competitors. I think it should be a synergy between them all."

Jones also believes that overseas interest in North Africa is there to stay. "I don't think it will change the interest at all," he says.

The future of this issue will also see a more unified reinsurance market across Africa, Rajab says.

"What we see is more and more South African players who are trying to build a bridge with North Africa. That will take another two or three years to materialise, but we are seeing this happening." ◆

EXPERT VIEW / NIKHIL SOMAN

REGIONAL FINANCIAL LINES UNDERWRITING MANAGER, MENA, ACE

One of the side-effects of the global financial crisis was an increase in the potential exposures company directors find themselves up against. In the immediate wake of the fallout, investors in many companies, especially in the banking and financial services sectors, were left nursing substantial losses, resulting in a spate of lawsuits from disgruntled shareholders. Although the Middle East & North Africa (MENA) remained relatively untouched by such actions, all the signs point to a change on the way. MENA has not traditionally been a litigious market. There has always been an interest in D&O as an innovative product for the global market but regionally it was often regarded as a lower priority. But this seems to be changing, rapidly. Insureds who were buying D&O for some years are now actively seeking the benefits of the cover and the level of awareness has resulted in claims being reported under this product segment very recently. While awareness of the need for D&O is undoubtedly increasing, there is an ongoing need to get the market to better understand the benefits of D&O propositions.

To us at ACE, the crucial next step is to simplify what can be a complex product that can have ramifications across multiple jurisdictions in MENA and around the globe, through new wordings and more clarity on the type of cover companies are getting. Although we operate predominantly as a reinsurer in this region, we work closely with insurers, brokers and clients, keeping abreast of changes to legislation in local and international jurisdictions to ensure that our cover for insurers is closely aligned to the evolving needs of their clients. D&O policies need to be able to respond to litigation in all territories and jurisdictions where the insured company has operations or interests, including its overseas jurisdictions. While it is still common in the region for a decision to purchase insurance primarily to be made on a lowest price basis, we strive, where possible, to extend ACE's global expertise to the decision makers to fully understand what is covered and what the exclusions mean.

The North African region has shown signs of emerging economies especially Morocco, Algeria and Tunisia. Egypt is still settling with the political crisis and the demand for financial lines covers seems to be at the bottom of the order. Foreign investments in North African countries is triggering demand for financial lines covers such as D&O and Single Project PI from sectors such as Pharmaceuticals and engineering / construction companies.

"While awareness of the need for D&O is undoubtedly increasing, there is an ongoing need to get the market to better understand the benefits of D&O propositions"

TERRORISM & POLITICAL VIOLENCE: THE FIGHT GOES ON

Terrorism and political violence is not a new danger in North Africa. But events of the past five years has shown the value of having the right cover

Terrorism is not a new risk. For many decades, political violence has been a reality in Europe, from the IRA to the Red Brigades. But what has changed since the 9/11 attacks on the United States mainland in 2001 has been the introduction of a new level of intensity, audaciousness and geographical reach – as well as a vastly increased willingness to hit civilian targets such as businesses and other 'soft' targets.

More recently, the rise of ISIS in the Middle East has not only given radical Islamism a renewed and brutally effective vigour, but it has also introduced a tactical shift away from large-scale attacks such as the Madrid train bombings towards the kind of 'lone wolf' attacks visited on Lee Rigby in London and the offices of Charlie Hebdo in Paris.

"Political violence and terrorism are increasing in frequency and ferocity," says Piers Gregory, head of terrorism underwriting, ACE European Group.

"There are almost no markets anywhere that can be considered truly risk-free. And as companies become increasingly globalised in their operations, ensuring worldwide cover is now an essential task for risk managers," Gregory added.

The success of ISIS in repeatedly placing terrorist atrocities at the top of the news agenda has been fed by a rise in political instability across the MENA region following the Arab Spring. This has provided recruits and access to weapons and afforded it a remarkable freedom to operate in areas where state and security apparatus have

TIME LINE:

POLITICAL UNREST

DEC 2010 - TUNISIA
University graduate sets himself on fire in Sidi Bouzid in protest against unemployment. This unleashes rioting; 338 are killed

JAN 2011 - ALGERIA
Rioting in the streets due to unemployment and increased food prices

FEB 2011 - EGYPT
Two million protestors assemble at Tahrir Square, Cairo; 750,000 in Alexandria, and a million in El Mansoura

FEB 2011 - ALGERIA
President Abdelaziz orders protest ban and police beat back protesters

FEB 2011 - MOROCCO
Thousands rally in Rabat and other cities calling for political reform and a curbing of the king's powers

FEB 2011 - LIBYA
Calls go out on Facebook for peaceful demonstrations in Libya against Gaddafi

FEB 2011 - TUNISIA
Ben Ali's Prime Minister, Mohamed Ghannouchi, forced to resign. He is replaced by Beji Caid Essebsi

MAR 2011 - LIBYA
UN Security Council authorises a no-fly zone over Libya

JUL 2011 - MOROCCO
King Mohammed is victorious in a referendum on a reformed constitution he proposed to placate "Arab Spring" protests

AUG 2011 - LIBYA
Rebels swarm Gaddafi's compound in Tripoli, Gaddafi goes into hiding and his family flee to Algeria

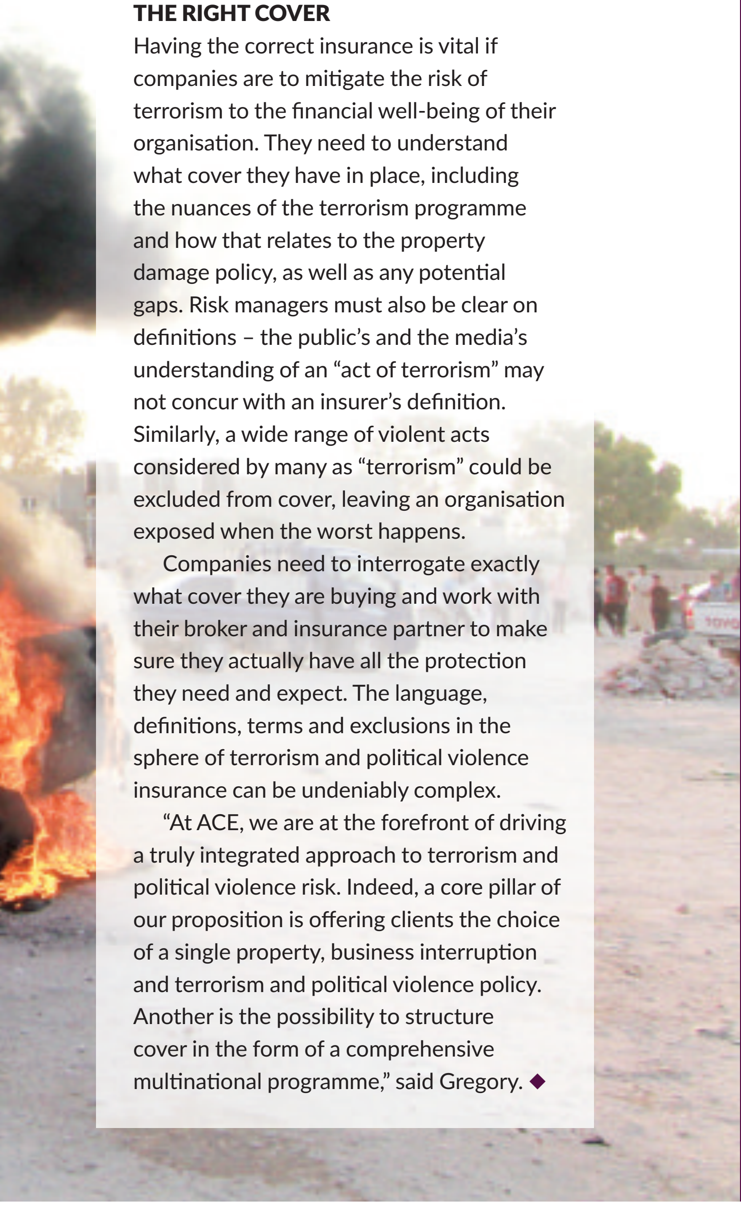
SEP 2011 - ALGERIA
Algeria passes sweeping media reforms, ending a state monopoly on the broadcast sector

OCT 2011 - LIBYA
Col Gaddafi is captured and killed

OCT 2011 - TUNISIA
Tunisia's first free election is announced - Muslim Brotherhood-linked Ennahda party wins most seats in constituent assembly

FEB 2012 - EGYPT
The Muslim Brotherhood wins nearly half the seats in Egypt's lower house

retreated or been removed, leading to turmoil across Libya, Yemen, Egypt and Syria.



THE RIGHT COVER

Having the correct insurance is vital if companies are to mitigate the risk of terrorism to the financial well-being of their organisation. They need to understand what cover they have in place, including the nuances of the terrorism programme and how that relates to the property damage policy, as well as any potential gaps. Risk managers must also be clear on definitions – the public's and the media's understanding of an "act of terrorism" may not concur with an insurer's definition. Similarly, a wide range of violent acts considered by many as "terrorism" could be excluded from cover, leaving an organisation exposed when the worst happens.

Companies need to interrogate exactly what cover they are buying and work with their broker and insurance partner to make sure they actually have all the protection they need and expect. The language, definitions, terms and exclusions in the sphere of terrorism and political violence insurance can be undeniably complex.

"At ACE, we are at the forefront of driving a truly integrated approach to terrorism and political violence risk. Indeed, a core pillar of our proposition is offering clients the choice of a single property, business interruption and terrorism and political violence policy. Another is the possibility to structure cover in the form of a comprehensive multinational programme," said Gregory. ◆

CASE STUDY / TERRORIST ATTACK

AMENAS, ALGERIA, 2013

The vulnerability of overseas assets to political violence was brutally illustrated on 16 January 2013, when al-Qaeda-linked terrorists attacked the Tigantourine gas facility near In Amenas, close to the Algerian border with Libya, taking expats and other workers hostage.

The gas facility was run by Norwegian firm Statoil, BP and Algerian company Sonatrach. Although the occupation was brought to an end after four days, when Algerian special forces stormed the plant, 40 foreign hostages, an Algerian security guard and 29 militant fighters were killed.

"We learned a lot from the attack," says Statoil security manager Adrian Fulcher. "Five of the 40 employees who lost their lives were from Statoil. Following the attack, the board of Statoil set up an independent investigation to look into the events surrounding the attack and make recommendations for improvements in the areas of security and risk assessment."

Among the areas picked out for improvement were organisation and capabilities, risk management and collaboration and networks.

Statoil has long experience of managing staff in politically unstable environments and is well aware of the risk manager's role in this context. "They need to take account of a broader range of factors than they would in a more stable environment," says Fulcher. "The 'human factor' and cultural aspects of the assignment are critically important. They must be confident that staff assigned to politically unstable environments have the experience and temperament to take effective decisions in a context of uncertainty and volatility."

Clear risk management processes must lead to action on mitigations based on the best understanding available of the threat environment. "The better you understand the threats, the better you can tailor your mitigations and manage the risks," says Fulcher.

The key is to avoid becoming complacent, he adds. "If you think you really understand what is going on in a politically unstable environment, you're probably wrong," says Fulcher. "You need to keep checking assumptions, looking for new information, keeping a range of options open. And when you see the situation changing, act. Don't be a spectator."

FEB 2012 - LIBYA
Gaddafi supporters take to the streets of Benghazi, while protesters are attacked by pro-government security forces

MAY 2012 - MOROCCO
Tens of thousands take part in Casablanca trade union rally accusing prime minister Benkirane of failing to deliver on reforms

JUN 2012 - EGYPT
Morsi takes the oath for the presidential office

NOV 2012 - EGYPT
Widespread protests begin after Morsi brings in laws that make his decisions immune from judicial review

FEB 2013 - TUNISIA
Opposition leader Chokri Belaid assasinated, triggering deadly protests, bringing down the Prime Minister Hamadi Jebali

MAY 2013 - LIBYA
New law bans Gaddafi-era officials from holding public office

JUL 2013 - EGYPT
Morsi is deposed following protests. The Chief Justice of the Supreme Constitutional Court Adly Mansour replaces Morsi

JUL 2013 - EGYPT
Clashes between Morsi supporters and Army - Dozens killed.

AUG 2013 - EGYPT
Security forces take action against the protestors using armoured vehicles and bulldozers

OCT 2013 -TUNISIA
A suicide bomber blows himself up on a beach in the resort town of Sousse, leaving no victims

JUL 2013 -TUNISIA
Suspected jihadists kill 15 soldiers in the Mount Chaambi region

DEC 2013 -TUNISIA
Essebsi wins Tunisia's first free presidential election

DEC 2013 -LIBYA
Libya experiences what is believed to be its first suicide attack - a car bomb attack in Benghazi

JUN 2014 -LIBYA
UN staff pull out of Libya, embassies shut, and foreigners are evacuated. Tripoli international airport destroyed by fighting

OCT 2014 -LIBYA
Islamic State extremist militia seizes control of port of Derna in eastern Libya

JUNE 2015 -TUNISIA
Thirty-eight people,were killed when an armed gunman attacked a hotel in the Tunisian beach resort of Sousse

AMIG'S EL-ZOHEIRY ON INSURANCE CHALLENGES AND OPPORTUNITIES

The boss of Arab Misr Insurance Group talks to **Jack Grocott** about the vibrant North African insurance market and the opportunities awaiting those exploring Egypt and beyond

***Jack Grocott:* What do you see as the biggest opportunities in the North African insurance markets?**
Alaa El Zoheiry: I see two lines of business as big opportunities in the North African insurance markets, taking this to include Egypt, Libya, Morocco, Algeria and Tunisia. These are medical insurance and personal lines, by which I mean life and motor. Egypt has seen growth of 21% during the first quarter for life premiums compared to last year. Morocco, Algeria, and Tunisia will likely see similar rates of growth in these lines.

Microinsurance is another big opportunity, particularly in Morocco and Egypt where microfinance companies are really growing. Egypt has just finalised the microfinance legislation and as a result we're seeing a lot of microfinance companies come onto the scene.

***JG:* What impact is local and regional political instability having on the insurance markets and the companies that serve them?**
AZ: I believe that the instability has actually been responsible for some growth in the insurance market.

This is because people have seen how the insurance market in Egypt and Tunisia responded positively to the uprisings by paying a lot of the claims that arose after the revolution. In Egypt, the insurance market paid almost 1bn Egyptian pounds of claims. Tunisia has also paid a lot out. This increased people's confidence in insurance and they increasingly saw it as a solution to help them move back to the situation they were in before the claims arose.

Now that Egypt's economy is picking up, we are expecting the growth in GDP [gross domestic product] to be 4% this year. For Tunisia as well, GDP is set to grow by about 2.5%. In Egypt, there are a lot of projects in the pipeline and a lot of overseas investors are putting money into these projects – particularly in real estate and renewable energy. Egypt has a population of 90 million; Algeria has a population of more than 40 million. Both countries have populations that are big enough to spend money and get revenue. All of these factors are positive. As stability increases, this will help the insurance market to grow.

***JG:* What one aspect of the Egyptian and regional insurance markets do you think needs addressing and why?**
AZ: If I had to choose one it would be regulation. We need more effective regulation aimed at making it easier for insurance companies gain market penetration. For instance, in Egypt insurance cannot be sold over the internet. As many as 60% of Egyptians use the internet in some form. If the insurance legislation is flexible and provides a platform for insurance companies to sell products over the internet it would grow the market exponentially. It's also important for the buyers who can find it difficult to get the products they want at the moment.

Insurance companies are pushing for this to happen, and the good news is that the Egyptian authorities are working on changing a big part of the Egyptian insurance law, which could open the door for selling insurance over the internet to be put on the agenda. Hopefully the new law will come into force by the end of this year or the start of next year.

If I could also single out another factor, I believe that insurance awareness should be increased. This is the responsibility of insurance companies, who need to go out to the media more, letting people know what we are doing and why insurance is important. We also need to increase interest in microinsurance by putting together products for those who can't afford to buy the really high-end insurance products.

***JG:* What are the biggest risks facing multinational insurers operating in the region?**

AZ: North Africa has a lot of multinational players who have been in the region for a long time, which is a good sign. But the risk is that multinational players can be inflexible and often they don't make the effort to adapt to the local landscape. I would caution these companies against working 100% by the rules, regulations and codes of their mother companies and failing to what I would term 'Egyptionalise' their products. Multinationals need to understand the local mentality and the legal environment they're working in, then put together their products according to that.

Egyptians won't go to a company just because it's well-known in the wider international market. Doing business the same way it's being done in the mother company without trying to understand local needs is really a big risk.

Another piece of advice for foreign corporates looking to expand into the region: make sure that people from the local market are leading these companies. This is the big mistake we see most multinationals fall into: they prefer to employ somebody from the mother company. These people come to Egypt knowing they're coming for a short period, maybe five years, and that's it. They're not really motivated to do anything. We've seen this a lot: big names aren't really achieving good results because whoever leads the company is not really coping with the market. When multinationals decide to source talent from the local people they do much better. ◆

EXPERT VIEW / GHASSAN WAZEN

HEAD OF NORTH AFRICA, ACE GROUP

North Africa has been through some challenging times in recent years. The impact of the Arab Spring continues to reverberate around the region, as well as the wider Middle East.

Protests against the Islamist government in Tunisia continue, while the Muslim Brotherhood was ousted from Egyptian government in 2013. And while Libya has seen the end of Gaddafi's long dictatorship, it has been far from stable since.

Despite the many challenges faced in North Africa, the region offers numerous exciting opportunities. The North African insurance market is still in its infancy and accounts for less than half a percent of total world premiums and its contribution to gross domestic product is still below international standards. Insurance penetration rates are low but estimates suggest that this rate will double in the next five years as companies take advantage of the huge demand for infrastructure projects as well as exploitation of new oil and gas fields. At ACE, we are helping develop some of the region's largest projects through our high capacity and expertise in construction and power.

Despite the plethora of opportunities in North Africa, there are also significant risks of doing business that companies need to be aware of. At ACE, we know many companies have concerns over the ever-present threat of political violence and terrorism and so we have been particularly active in this area, working with clients eager to take advantage of the region's opportunities while at the same time developing effective risk management processes. We think that this will develop in the near future because of the increase in political violence and terrorism threats in the region. ACE has political violence and terrorism expertise available on the ground to help local market to start looking at this side of business.

"Despite the plethora of opportunities in North Africa, there are also significant risks of doing business that companies need to be aware of"

FACING THE CHALLENGES

Two of the continent's leading brokers scan North Africa's risk horizon and also assess the state of risk management in the region

DAVID VINES,
HEAD OF RISK ENGINEERING AT AON SOUTH AFRICA

***Q:* Are risks to the construction and engineering a significant problem?**
A: Inadequate infrastructure and services are a big problem - continual power is not always available, nor is water. The poor state of the roads and severe traffic congestion in cities is also problematic. From the physical risk perspective, the threat posed by fire is high due to inadequate water supplies or poorly designed fire protection.

***Q:* How do your risk manager clients describe the state of risk management in North Africa? How embedded is it in regional firms?**
A: Local risk management is fair to good with management awareness and buy-in generally present. Global companies have more control over in-country operations with many enforcing their global standards for risk management, although in some instances global standards and benchmarking is not always practicable or equitable for many local reasons.

***Q:* How can risk management be improved in the region?**
A: There could definitely be more utilisation of skills transfer from experienced risk management global consultants such as Aon. One word of caution is that exchange rates have an overbearing negative impact on the willingness to purchase such skills.

***Q:* How can European firms better manage their risks in North Africa?**
A: In many cases firms can do more to improve their management and monitoring of the risk management process in-country, which has room for improvement in the majority of instances. ◆

***Q:* Based on conversations with have had with your risk manager clients, what would you say are the top risks in North Africa?**
A: Civil unrest, uncertain monetary issues and political instability. For foreign companies the situation can be complex. Retaining employees; paying for equipment from local accounts; getting the equipment in and out of the country; maintaining plants in accordance with manufacturers warranties – all of these things can be impediments to good risk management practice.

***Q:* How do your risk manager clients describe the state of risk management in North Africa? How embedded is it in regional firms?**
A: In some countries risk management is a well-practiced part of a company's ongoing systems. This can be particularly true where the assets are of national importance, such as oil and gas. Awareness of risk management throughout the region is raised and is at a level that was not seen previously. Certainly there is considerably more interest in pursuing "best practice" mentality in the region.

***Q:* How can European firms better manage their risks in North Africa?**
A: Understanding the local situation is vital. It is also imperative to be aware of the logistical issues likely to crop up and have in place flexible alternatives. Companies should avoid conducting business unless the background and ramifications are clearly understood.

Ensuring good local relationships is extremely helpful. Understanding that the rules can change quickly and being able to adapt to them is key.

But, above all, we would recommend patience and common sense in abundance – and then more of the same. ◆

PEREGRINE TOWNELEY
CEO, MENA AT JLT GROUP

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