

Rasheed Mohammed Al Maraj: Toward a more integrated Arab insurance market

Address by His Excellency Rasheed Mohammed Al Maraj, Governor of the Central Bank of Bahrain, at the General Arab Insurance Federation General Conference 2008, Manama, 26 February 2008.

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Your Highness Sheikh Khalifa Bin Salman Al Khalifa, the Prime Minister, Your Excellencies, Ladies and Gentlemen

I am pleased to welcome Your Highness to the opening session of the 27th General Arab Insurance Federation Conference. I am also honored to express my most sincere thanks and appreciation to Your Highness for the kind patronage of this important event.

The care and attention which Your Highness granted to the financial sector in the Kingdom of Bahrain, has always reflected the pioneering role and relentless efforts exerted by Your Highness in the further development of this vital sector, as one of the key segments of the national economy. Please accept our heartily thanks for the blessed efforts of Your Highness, as we have always opted for your guidance and support to further develop the financial sector in the Kingdom of Bahrain.

I also welcome the participants and guests wishing them a pleasant stay in Bahrain, and success in their endeavors.

It goes without doubt that the presence of this large number of distinguished Arab and foreign insurance companies shall give this conference a new positive dimension, and constitutes a qualitative leap in exploring the best methods to develop the Arab insurance businesses, in order to cope with the immense developments observed by Arab economies.

I also wish to extend my thanks and appreciation to the organizers for their excellent preparations of this vitally important conference, which is truly one of the significant regional and international activities in which over 1000 leading elite participants are taking part.

Ladies and Gentlemen,

Today's conference is being held under the title "Toward a more integrated Arab Insurance Market". The agenda reflects topics important to all industry players and the CBB. The development of the insurance industry in Bahrain has continued its growth in line with the CBB's strategic objectives. The financial services sector in Bahrain accounts for 27% of the country's GDP.

Following the assumption of the supervisory and regulatory responsibilities for the insurance sector in August 2002, the Central Bank of Bahrain viewed this as an opportunity to undertake several initiatives, aimed at creating a qualitative regulatory framework for the further development of the insurance sector.

The CBB issued directives and regulations in line with international standards as promulgated by the International Association of Insurance Supervisors (IAIS) while at the same time keeping in mind recognized international insurance practices.

Standards focusing on capital adequacy and solvency and key areas of corporate governance are now an integral part of the insurance regulatory framework in place for all insurance firms and brokers operating in the Kingdom.

The establishment of international standards and their implementation has bolstered Bahrain's reputation as a regional centre where sound practices prevail. This has encouraged many insurance and reinsurance firms to choose Bahrain as a base.

The Central Bank of Bahrain has also put in place a framework allowing for the establishment of captive insurance firms. This initiative by the CBB is the first of its kind in the Middle East region, aiming to fulfill the insurance needs of major industrial, oil, and service firms that seek to establish their own insurance companies. Bahrain succeeded in 2006 in attracting Tabreed Company as the first captive insurance company, licensed in the GCC.

The lack of a specialised centre in the region aimed at fostering the development of the captives market led to the CBB's initiative in this regard.

Furthermore, Bahrain has also attracted takaful and retakaful insurance businesses, who are benefiting from the well structured regulatory environment. The CBB benefited from its successful experience in the field of Islamic banking, supporting the successful implementation of sound regulatory framework for takaful businesses. There are several common areas shared by takaful and Islamic banking. In addition, the CBB identified the need by Islamic banks to transact with takaful firms to meet their insurance requirements.

Bahrain is a founder and an active member in many of the Islamic financial standards committees. These committees are a reflection of the market realities and the need for change in an evolving industry. There is a strong demand by clients for takaful products, at a time when firms rendering such services in the Arab market are still relatively few.

Ladies and Gentlemen,

The theme of today's conference is of special significance considering the global challenges faced by the Arab insurance markets to integrate, and work towards consistency in legislations. It also lays the foundations for insurance companies to enter new markets and stimulate integration to pave the way towards one Arab insurance market that is capable of competing globally.

I am grateful to Bahrain's insurance community for its substantial contributions and sincere efforts, and again wish to thank the organizers and participants in this important conference wishing you all successful and fruitful deliberations to further contribute in developing the integration of the Arab insurance industry.