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ta'ameen Qatar

Your link to Qatar's insurance industry

Insurance in Qatar's Construction Boom

Managing complex construction risks

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Contents

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Doha seems to be the city of opportunities with a promising future – all geared up to stage the FIFA. Qatar is judiciously using its hydrocarbon rich capital to invest in infrastructure and is constantly being analysed by the rest of the world, which is plotting its stupendous growth against time.

With the rise in the economy and the level of construction that is currently happening in Qatar, the state is going through a major facelift. Looking closely at the construction sector, what transpires is the amount of risks, which are heavily insured and is thus boosting the insurance sector. Currently, the insurance uptake in Qatar is around 1.2 percent. Hopefully, with the increasing participation of the insurers, reinsurers and the rising awareness of the population, the future for the sector looks promising. But is Qatar looking around the corner to make the sector as robust as it is in the West? Q

01

01 Sudesh Shankar/
publisher

Standing the test of time?

Qatar is making steady and calculated progress in the path of sustainable development, visionary leadership and is surely moving the needle with all its technological advances amidst a global backdrop of sovereign debts and the prevailing Eurozone crisis.

Though we hear of Qatar being highly attractive and competitive from a contractor's point of view, there are a few teething challenges, which the market seems to be faced with.

Giving shape to novel ideas, the architects and the designers are making optimum use of their creativity to change the skyline of the peninsular state, which is partly evident from the towers of the West Bay. Yet, amidst so much buzz and bustle, there seems to be need for more disciplined commercial management to curb any chances of delay in smooth delivery of these projects, which are 'time-critical.' Besides that, flexibility of planned projects, time-to-time evaluation of which client functions to outsource or build in house, is what needs to be decided prudently. Delivering megaprojects in time without incurring unnecessary costs and inflation is what Qatar needs to concentrate on. Not just that, but delay in delivering projects due to bottleneck supply chain concerns also looms at large.

02

Changes to delegation of Authority to speed up decision-making and efficiency of capital spend is also an area which needs further focus. Increased collaborative efforts not just from the contractors, developers or the architects, but more so from every stakeholder is what is required-especially knowing that the country's ability to deliver 'nothing but the best' would be tested against time. Organisations and contractors have to evolve, adapt and work in partnership to deliver something as magnanimous to change the perception of the country and reconstruct the entire state from scratch. Q

02 Sinchita Mukherjee/
editor

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NEWS AND DEALS

News from Qatar

Qatar 2022 Supreme Committee and the US Embassy in Qatar lead joint trade

The Qatar 2022 Supreme Committee and the US Embassy in Qatar began a joint trade mission to the Western United States to tour sporting venues, visit infrastructure projects, research innovative, sustainable energy technologies and build mutually beneficial partnership opportunities for US companies as Qatar prepares to host the 2022 FIFA World Cup™.

Commercial ties between Qatar and the United States have expanded at a rapid pace over the last seven years, with trade volumes growing from USD 738 million in 2003 to USD 4.03 billion in 2011.

The delegation led by the secretary general of the Qatar 2022 Supreme Committee, Hassan Al Thawadi and Susan Ziadeh, US Ambassador to the State of Qatar, met with Antonio Villaraigosa, the Mayor of Los Angeles, to discuss areas of mutual interest including infrastructure, green technologies, trade and investment.

In the meeting, the Mayor announced that he would lead a reciprocal trade and investment mission to Qatar later this year.

Secretary general Al Thawadi and Ambassador Ziadeh expressed confidence that the trade mission would deepen the vital economic relationship between Qatar and the US and generate economic growth and high quality investment for both countries.

The secretary general delivered a presentation to over a hundred American companies on the business opportunities the 2022 FIFA World Cup Qatar™ presents to the West Coast and the US, as a whole, at a briefing organised by the US-Qatar Business Council and the National US Arab Chamber of Commerce.

During his preliminary remark, Hassan Al Thawadi said, "We are here in the US – a country that is very well known for nurturing and incubating innovative spirits, releasing them and creating great success stories whether on an individual basis or organisationally – in order to build mutually reciprocal partnerships with companies who are interested in using the 2022 FIFA World Cup Qatar™ as a platform to target a market of 300 million consumers across the Middle East and the Arab World."

"Moreover, we are not here to just reach out to the world's largest corporations, but companies that can add true value to Our Vision and join us on Our Journey to 2022 and beyond," he added.

With site visits to the Rose Bowl, the Home Depot Centre, Staples Centre and the to-be-constructed Farmers Field, the technical department of the Committee researched redevelopment, entertainment, culture and legacy ideas that can be applied to stadiums in Qatar.

Qatar richest country in the world

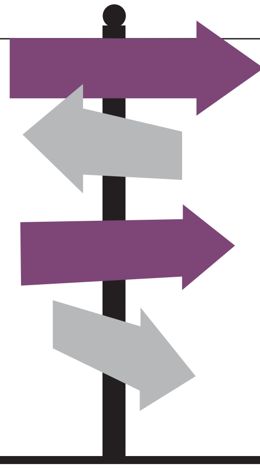
Qatar retained its ranking as the world's richest country in 2012, with its per capita income soaring to an incredible USD 106,000, while Qatar Investment Authority (QIA), with assets of USD 115 billion, was ranked 12th among sovereign wealth funds in the world.

Qatar emerged as the world's wealthiest country in 2010 with a per capita income of USD 88, 559, having overtaken Luxembourg and continued with its top ranking the next year (2011).

Washington-based Institute for International Finance (IIF) has reported that Qatar's per capita GDP at Purchasing Power Parity (PPP) was USD 106,000 (QR 387,000) in 2012, helping the country retain its ranking as the world's wealthiest nation. The IIF said Luxembourg came a distant second with nearly USD 80,000 and Singapore third with per capita income of about USD 61,000. Norway, which came in fourth, had a per capita GDP at PPP USD 54,000 that was almost half of that of Qatar.

01 **Hassan Al Thawadi**/
secretary general of Qatar 2022 Supreme Committee

02 **Susan Ziadeh**/
US Ambassador to the State of Qatar



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The IIF put Qatar's GDP at USD 182 billion in 2012 and said it had climbed to an all-time high due to soaring gas exports and high oil prices. Its population stood at 1.8 million in 2012. The Governor of Qatar Central Bank, H. E. Sheikh Abdullah bin Saud Al Thani, said that the country's GDP was USD 191.78 billion last year.

Qatar and Australia arbitration centres' agreement to boost investment

Investment between Australia and Qatar is set to increase following an agreement signed between the Qatar Chamber / Qatar International Centre for Conciliation and Arbitration (QICCA) and the Australian Centre for International Commercial Arbitration (ACICA).

The ACICA / Qatar Chamber partnership has been welcomed by multinationals that operate in Qatar at a time when the Gulf states are experiencing rapid development and expansion in preparation for Qatar 2022.

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ACICA president and Clayton Utz, head of Major Projects and International Arbitration, Professor Doug Jones AO, said: "The agreement recognises the demand in the Gulf region to opt for cost effective legally binding resolution of disputes, which may arise in cross border transactions."

"Many of the world's leading international companies from industries such as insurance, building and construction, mining, oil and gas, shipping, banking and financial services are increasingly referring matters to arbitration to resolve commercial disputes."

"Underlying the arbitration process is the agreement allowing parties to negotiate aspects of the nominated process to resolve their dispute. Experience tells us this flexibility is an attractive component for parties who operate in the GCC region."

President of the Committee for Conciliation and Arbitration and Board Member of the Qatar Chamber, H. E. Abdulrahman Abduljaleel Abdulghani, said: "The agreement will provide Australian and Qatari trade entities a risk minimisation strategy to ensure major projects are completed in a timely fashion, thus protecting and growing investments in both countries."

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CBQ acquires majority stake in Alternatifbank in Turkey

Commercial Bank of Qatar (CBQ) announced that it has agreed to acquire a 70.84 percent shareholding in Alternatifbank (ABank) from Anadolu Endustri Holding A.S. for two times the book value on 30 June 2013; the book value of ABank on 31 December 2012 was TL 585 million (USD 328 million). The acquisition remains subject to relevant regulatory approval and is expected to complete in the second half of 2013. As part of the transaction, CBQ will also launch a public tender offer to acquire the 4.16 percent of ABank's shares held in the public domain.

H. E. Abdullah Bin Khalifa Al Attiyah, chairman of CBQ said, "We are delighted to have agreed the terms of the acquisition for a majority stake in ABank. Qatar and Turkey continue to strengthen their relationship, which will benefit the new partnership between CBQ and ABank, enabling both banks to continue to grow and thrive; we look forward to working together with the Anadolu group and ABank."

03 **H. E. Sheikh Abdullah bin Saud Al Thani/**

The Governor of Qatar Central Bank

04 *President of the Committee for Conciliation and Arbitration and Board Member of the Qatar Chamber, H. E. Abdulrahman Abduljaleel Abdulghani*

05 **CBQ/**

Doha, Qatar


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Insurance in the Qatar Construction Boom

Much has been written about Qatar's construction market and its ever increasing order-book of projects, delivering to the 2022 'time-critical' programmes and to the 2030 National Vision. Less has been published about the innovation and the complexity of these projects, the risks that they entail and particularly the importance of the insurance sector in managing these risks. Julie Tuck, Managing Associate, Dentons & Co. shares her insight on these aspects.


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Innovation and Insurance:

The complexity of design and engineering in Qatar's projects seems to know no bounds. From the air-conditioned iconic soccer stadia, to the miles of metro-tunnelling under one of the fastest developing and hottest high-rise cities in the world, the architects and engineers are stretching their technical skills to deliver the innovation that Qatar demands.

But innovation brings risks and risks should be managed. Insurance is one of the key tools in a risk management strategy and the Qatar insurance sector has an important role to play. Now more than ever before in Qatar, there is potential for the insurance sector to work with the organisations in procuring and delivering the projects, to help them identify, allocate, manage and mitigate the risks that inevitably arise with such innovative projects.

Insurance and Construction Contracts:

Construction projects involve many risks, most of which can and should be insured. Each party in the project carries his own particular risks, which can often be insured individually or jointly. Building contractors carry risks such as defective workmanship and materials or risks causing material damage at the construction site. There are risks of personal injury to workers or to third parties and risks of damage to neighbouring property or other property of third parties.

Once risks have been identified in a project, the building contract is the primary tool for allocating the risks and liabilities between the parties, for example:

- Which insurances should be taken out to cover the risks;
- What levels of insurance are required (including possibly the maximum levels of 'excess' or 'deductibles' under the policies);
- Who is responsible for putting the policies in place and paying the premiums; and
- How long the policies should be maintained for.

However, bearing in mind the innovation of Qatar's projects, it is particularly important to consider the risks and potential liabilities of the professional consultants, who are involved.

Risks and Liabilities:

Defective Design:

One of the key risks in a construction project and long-term viability of a structure, is defective design. If a structural defect or more seriously a collapse is due to a fault with the design or with the suitability of specified materials, then the designing architect or engineer may be professionally liable for the consequences. This risk can be covered by Professional Indemnity (PI) insurance, which covers the compensation that a designer is liable to pay if he is found to have been negligent (i.e. has failed to use the relevant professional skill and care) in preparing the design.

Decennial Liability:

In addition to the potential contractual liabilities which are commonly insured, Qatar as a civil law jurisdiction imposes an additional statutory liability risk that is very difficult to insure. The Civil Law of Qatar (Law No. 22 of 2004) Article 711(1) provides that contractors and designers jointly:

"… guarantee for ten years the total or partial collapse or fault in the buildings … even if the collapse or the fault has resulted from a defect in the land itself, or the employer has approved the defective buildings … and this guarantee shall cover whatever defects … which threaten its sturdiness and safety."

Further, under Article 715 of the same law, any clause in a contract which purports to exclude or limit this liability, will be void.

So there is a joint risk for designers and contractors regarding the 'collapse or fault' in a structure. From an insurance perspective, this is seen as a potential 'no fault' liability which, together with the inability to contractually limit the amount of the liability, makes this an extremely difficult risk to insure.

01 Julie Tuck/
Managing Associate, Dentons & Co.

Other professional risks:

The success of a project relies not only on the design of the structure by the architects and engineers. Great reliance is also placed on the advice of many other consultants, for example:

- geotechnical reports identify sub-surface risks and dictate how piling is placed or how underground structures are carried out;
- project or programme managers and cost consultants provide critical professional advice, which can have a significant impact on the project delivery and viability.

Insurances mandated by Qatari Law:

To cover the inherent risks in construction and engineering, Qatar law requires certain insurances to be taken out. The Executive Regulations for Law No. (19) of 2005 (known as the 'Engineering Law') contain some insurance requirements for 'engineers.' Importantly, this term extends far more widely than the professions commonly referred to as 'engineers'; it covers broadly almost any consultant offering professional advice in connection with a construction or an engineering project.

To establish an International Engineering Office in Qatar, the Engineering Law requires: "an unconditional pledge ratified from the related Qatari Embassy, declaring that the office will: …insure the office, employees and engineering works implemented by the office at one of the Qatari insurance companies."

To establish a local engineering office in Qatar, the Engineering Law requires specific levels of insurance depending on the category of registration sought. A 'Category A' licence requires PI insurance of no less than QAR 500,000, whilst a 'Category B' and a 'Category C' licence each require cover of at least QAR 1,000,000 and QAR 2,000,000 respectively.

The insurances for a local engineering office must also be taken out with one of the Qatari insurance companies and must be maintained for at least 3 years following completion of the project: "In order to guarantee the compensation for damages arising from negligence and professional errors and defects that might appear during the indicated period." This extended cover makes sense considering the point made below regarding the 'claims made' basis of PI insurance.

In addition to these basic requirements for PI, it is common for responsible 'project clients' to require far more detailed provisions in their contracts regarding PI for their consultants.

PI insurance in contracts:

The issues listed above, which are to be considered for insurances in construction contracts apply very much to PI insurance in professional consultancy agreements. However for PI, particular attention should be given to how long the policy should be maintained for.

"PI is sometimes overlooked and believed that it is for liability rather than for loss or damage. The consultant is insured in case he is found liable for professional negligence and the cover is provided on a 'claims made' basis."

PI is sometimes overlooked and believed that it is for liability rather than for loss or damage. The consultant is insured in case he is found liable for professional negligence and the cover is provided on a 'claims made' basis (a claim is raised against the policy in place at the time that the liability arises, not at the time that the negligent act was carried out).

As design defects in structures typically become apparent some years after the project is completed, it is important that the insurance clauses in the contract require PI to be maintained for several years after project completion.

A common misconception is that the consultant's liability under the consultancy agreement is somehow automatically limited by the cover of the insurance required. This is not the case. The parties may agree in the contract to expressly link the liability cap to the insurance cover; but if they don't do this, the liability could well be far higher than the required insurance.

Insurance brokers and advisers:

If liability arises, the insured consultant may be indemnified under the policy taken out to comply with the contract. However, if the consultant's liability is not covered, or not covered in full, (either because the liability is above the amount of the required policy cover; or different to the kind of risk covered by the policy) then the consultant will need to meet that 'excess liability' from his own pocket.

Consultants would therefore be well advised to take advice from brokers, insurance advisers and lawyers to know:

- What legal and liability risks arise for their business under the contracts they are entering into; and
- Whether the insurances taken out to comply with the contracts are sufficient to cover these risks.

Where it is identified that the risks to the consultant exceeds the insurance cover required in the contract, the consultant should consider taking out additional insurance for his own benefit, to cover the 'excess' risk. It is particularly important to remember this point when considering the types of liability which can arise under Qatar law and which cannot be limited in the contract.

The insurance industry has wide international expertise and experience of the risks with innovative and complex construction and engineering projects. Standard and bespoke insurance products (such as 'project' or 'inherent defect' policies) can be procured to help manage risks in major projects like the ones facing Qatar today. There are great opportunities for the insurance sector to help Qatar achieve its vision for 2022, 2030 and beyond. **Q**

Decennial Liability: A Contractor's Adversary

Decennial liability is a strict form of liability imposed by law on construction contractors and design professionals for the total or partial collapse of buildings they designed or constructed, or for the discovery of latent structural defects that imperil the safety or stability of such buildings, for a period of ten years after their completion and handover. Hani Al Naddaf, Partner and Head of Dispute Resolution and Sarah Kelly, Associate, Al Tamimi & Company speak about the nuances of the product and its uniqueness.

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01 **Hani Al Naddaf/**
Partner & Head of Dispute, Al Tamimi & Company

02 **Sarah Kelly/**
Associate, Al Tamimi & Company

Concept, origin and rationale:

The concept of *responsabilité décennale* originated in the French Civil Code and evolved from a desire to protect building owners, who could not ordinarily possess the technical expertise to identify defects in design or in construction at the point of delivery of a project, particularly when defects were latent.

Benefits to owners, risks for contractors:

Decennial liability offers more security to real estate investors than collateral warranties, which will only be triggered by breach or negligence on the part of the contractor. Furthermore, the breadth of the pool of potential defendants lessens the risk that an owner or investor would be left out of pocket in the event that defects are discovered after one of the parties involved in the construction is adjudged insolvent. Many civil law jurisdictions worldwide – including most Middle Eastern countries – have codified decennial liability in their civil laws; the position in Qatar is set out at Articles 711 to 715 of the Civil Code (Law No. 22 of 2004).

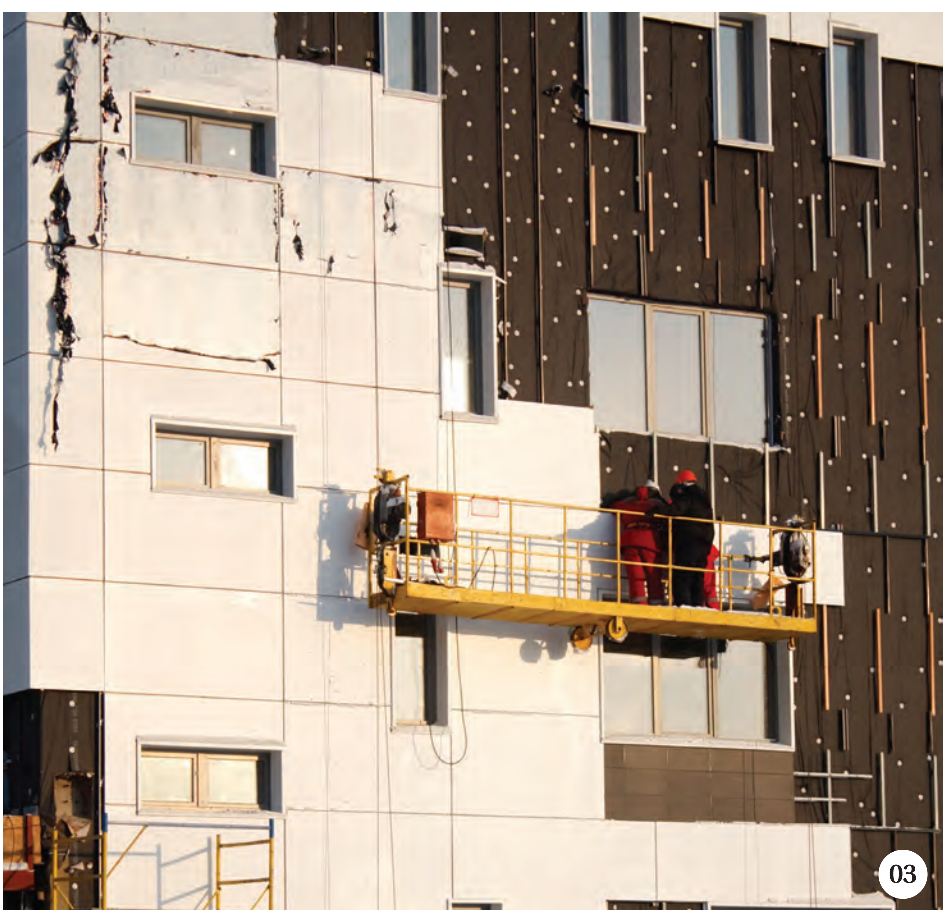
Despite the topicality of this issue and notwithstanding the high levels of commercial sophistication and industry experience, foreign contractors entering the Qatari market are often ignorant of the potentially devastating implications of decennial liability. Accustomed to standard forms of contract such as FIDIC or JCT and being obliged to address issues arising during the defects liability period following practical completion, contractors may not realise that their existing risk management structures are often insufficient to cover their potential exposure under decennial liability, nor have the significant cost of insuring against that risk been priced into their tender for the works in Qatar. Where the contract and the structure it produces are of high value, the application of decennial liability could pose a catastrophic threat to the liquidity of even the most prominent international contractors.

Projects covered:

Decennial liability applies to all buildings and fixed installations constructed in Qatar. While contracts having a Qatari State entity as employer will in most instances be subject to local law (including decennial liability), the position is less clear when parties have chosen to have their contract governed by the laws of another jurisdiction – which may not recognise the concept of decennial liability or may not consider it to be of mandatory application.

Parties responsible:

Depending on the type of defect and the extent of their respective involvements in a particular project, decennial liability can apply to main contractors, design consultants (architects) and those acting in a supervisory capacity (such as engineers and project managers).



As liability is imposed on a joint basis, the building owner can proceed against any or all of the parties involved for the full amount of the claim. Accordingly, if one such party becomes insolvent, the other(s) will shoulder the burden of making good all damage incurred by the owner as a result of the defect(s).

However, a design consultant having no involvement in the execution or supervision of the works will be liable only for defects attributable to his design. Architects who undertake to approve a contractor's shop drawings should be mindful of the risk that such activities may represent involvement in contract administration. Similarly, contractors will be excused from liability for pure design defects, but only where those defects would not have been apparent to a competent contractor exercising due diligence in the performance of his obligations.

Contractors or project consultants may not seek to avoid the imposition of decennial liability on the basis that fault in relation to the relevant defect(s) lies with a sub-contractor or sub-consultant.

Owner's options:

Building owners with a claim for decennial liability may demand specific performance by the contractor or designer to repair or rebuild the structure or the damaged part thereof. Alternatively, with the permission of the Court (required in all but urgent cases), the owner could opt to perform the necessary remedial work (or engage a third party to do so) and recover the monies expended from the original contractor or designer. As such, actual loss and any loss of profit incurred will always be recoverable, provided same is a direct and foreseeable consequence of the defect(s) at the time of entering into the contract – for example, personal injuries

03 *If the contractor carries out repairs to any defect discovered during that initial ten-year period, his liability in respect of that element of the structure, will remain in force for a further ten years from completion of those remedial works.*

suffered by a building's occupant as a result of its collapse or a retail outlet's loss of profit due to temporary closure.

Burden of proof:

The occurrence of damage or discovery of a defect generates an automatic presumption of liability and there is no onus on the owner or the employer to prove fault or negligence on the part of the contractor.

Limitation or waiver of liability:

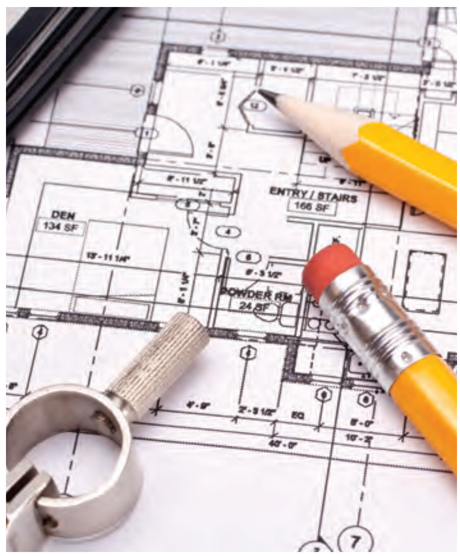
As decennial liability is a mandatory provision of Qatari law, any contractual attempt to limit its scope or exclude or waive its application will be void and unenforceable as a matter of public policy. However, in accordance with general principles of Qatari law, once the collapse occurs or the defect is discovered – and the right to claim for the resulting damage has crystallised – the building owner can then validly waive that right.

Liability and prescription periods:

The liability period commences at project handover and runs for the lesser of ten years or the intended life cycle of the building or structure. If various individual elements of a project are capable of being operated independent of one another – as may be with regard to a power plant consisting of a number of generators constructed on a phased basis – decennial liability will attach to each part separately; if they are linked, the ten year period will begin to run from the delivery of the final phase.

The prescription period for filing claims on the basis of decennial liability in Qatar is three years from the date of occurrence of the collapse or actual discovery of the defect. Thus, in theory, a contractor or consultant could find himself facing a claim under decennial liability some thirteen years after practical completion of the works.

If the contractor carries out repairs to any defect discovered during that initial ten-year period, his liability in respect of that element of the structure, which required repair or reinforcement, will remain in force for a further ten years from completion of those remedial works.



Salient points:

Decennial liability attaches notwithstanding the collapse or defect resulted from geotechnical deficiencies, such as poor soil quality or subsidence. Contractors are therefore advised to carry out thorough site investigations prior to commencing work.

The building owner's approval or supervision of the design or method of construction or acceptance of delivery of the building (even with knowledge of the existence of defects) will not protect the contractor unless he can establish that the owner has technical knowledge or industry experience equal or better than his own. Thus, if faced with persistent instructions from an employer to perform the work in a manner which the contractor knows or believes to be ill-advised, the latter should refrain from acquiescing to the former's demands, as the employer's consent will not necessarily protect the contractor from the imposition of decennial liability later on.

No liability will attach where the damage to the building or structure was caused by an extraneous event, such as an event of force majeure.

Managing risks:

In France and Egypt, on whose Civil Codes Qatar's law is modelled, specific insurance for decennial liability is mandatory and failure to carry appropriate cover is punishable by law; this is not the case in Qatar, where insurance requirements are primarily governed by the contract. However, in light of the risks outlined, contractors and consultants who consider entering the Qatari market should be acutely aware of any shortcomings in the scope of the protection offered by their existing insurance policy.

Of particular concern to architects and engineers is that fact that traditional Professional Indemnity insurance policies are usually invoked where there is negligence on the part of the insured – rather than having a broader 'legal or civil liability' trigger – and thus do not cover decennial liability.

Contractors looking to add decennial liability to the list of risks insured under their standard Contractors' All Risks policy may be met with hefty upwards adjustment of their premium, in addition to higher deductibles, extended limitation and exclusion clauses and stricter reporting requirements. Project-specific cover may be available, but often at a prohibitive cost and on the condition that the insurer becomes intimately involved with activities on site during the currency of the works. There have been some developments in recent years in relation to the availability of latent defects insurance; contractors availing of such cover should ensure that it is properly maintained for the full period of liability.

Harmonisation of the approaches of different jurisdictions to liability for latent defects would provide greater certainty for construction industry participants, reduce the need for extensive collateral warranties and drive down the cost of insuring against such liability, whilst weeding out serial offenders from the market. Q

OBSTRUCTION IN CONSTRUCTION? NOT ANYMORE...

Bilal Qadoura, ACII, Senior Manager – Distribution Channels, SEIB Insurance & Reinsurance Company LLC elaborates on DSU insurance and how it could avoid delays in deliveries of Qatar's construction projects.

Please tell us about yourself, have you always been a part of the (re)insurance industry?

I started my career with Middle East Insurance Company in Jordan, where I filled the position of a property insurance underwriter.

In 2006, I moved to Aon Risk Solutions, to provide insurance and reinsurance intermediary and risk consultancy services for the MENA region out of their hub office in Bahrain.

In the end of 2012, I came to Qatar after joining SEIB Insurance and Reinsurance Company ('SEIB') to take on the management of key accounts and brokers' relations.

Please tell us about the inception of SEIB in Qatar.

SEIB is a Qatari company licensed and regulated by Qatar Financial Centre Regulatory Authority and is a joint project between local and international partners.

After its incorporation in the end of 2009, SEIB actively commenced its operations by following the company's vision of contributing to the overall development of Qatar's insurance market.

So far, we have been successful in achieving the planned milestones and we continue to have a positive outlook for the future of Qatar's insurance industry.

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01 *Bilal Qadoura, ACII, Senior Manager – Distribution Channels, SEIB Insurance & Reinsurance Company LLC*

Focussing on DSU insurance, please tell us how is the demand for the product in the State of Qatar?

Delay in Start-Up ('DSU') or as some may interchangeably call it Advanced Loss of Profit ('ALOP') is relatively new when compared to other lines such as fire or marine insurance. For this reason, many do not understand DSU. Also because of its inherited complex and technical nature, it is not purchased in Qatar very often.

Observing the other GCC countries that have had a construction boom in the recent past, we identified the growing interest and need in obtaining DSU protection. In many cases, DSU has become a standard insurance requirement – as a contractual obligation or as an adopted best practice and is predominantly procured by mid to large-sized projects.

Moving closer to the 2022 FIFA World Cup Qatar and Qatar National Vision 2030, we anticipate and are seeing signs that Qatar is likely to be heading towards replicating the same experience of its fellow GCC neighbours.

What is OCIP and CCIP?

Owner Controlled Insurance Program ('OCIP') and Contractor Controlled Insurance Program ('CCIP') are commonly known as 'wrap-up' programs.

The purpose of using a wrap-up package policy is to have a single project party (the project owner or contractor) to purchase all insurances required and cover all involved parties to the extent of their rights and interest in that particular project.

OCIP Vs. CCIP was and remains a hot topic with pros and cons to be weighed primarily by project developers.

Historically, project owners preferred to absolve themselves from the burden of managing the project insurances and have commonly passed this responsibility onto the main project contractors.

As the market developed, project owners were intrigued to look more closely at the benefits and pitfalls of having a CCIP and came to realise the importance of retaining control over the project insurances as part of a holistic approach to risk management. This is evident by the shift towards the OCIP concept.

By design, DSU covers fit well into an OCIP, where the principal and their financiers are the main beneficiaries of the cover. Hence the emerging need for DSU protection has helped expedite the transition from CCIP to OCIP structures.

Contractors can also benefit from a standalone cover that compensates them for extra expenses they are bound to bear due to delays that trigger a DSU cover. The cover is called Contractors Extra Expenses insurance and may be purchased on a stand-alone basis.

Qatar Airways has filed USD 600 million claims against Lindner Depa Interiors (LDI) for delay in opening the new Doha international airport. What is your opinion on the same?

Before addressing this question, I need to mention that SEIB did not have direct involvement in this project and our forthcoming opinion is based on the particulars of the case that were made available on the public domain.

Reading different statements issued by each party, it seems that the delay was either a result of denying the contractor LDI "full access to the project site for the first nine months of the 16-month project," as claimed by LDI or that the contractor "had failed to complete the project in time," denoting poor performance as alleged by Qatar Airways.

Either way, the proximate causes for consequential losses incurred would not be covered under the scope of a standard DSU policy.

"Delay in Start-Up ('DSU') or as some may interchangeably call it Advanced Loss of Profit ('ALOP') is relatively new when compared to other lines such as fire or marine insurance. For this reason, many do not understand DSU. Also because of its inherited complex and technical nature, it is not purchased in Qatar very often."

02

02 *Doha International Airport*

03

Following this incident, we received few enquiries about *'Denial of Access'* clause (an extension to Business Interruption policies for operational facilities) and whether the principal would have been compensated in this case for loss of anticipated revenues under such insurance.

Denial of Access is defined as *"Insurance cover that compensates for loss caused by restriction or prevention of access to a business place due to fire or other damage to nearby structure(s) or access road(s) or demolition thereof."*

As a rule of thumb, DSU insurance would protect against consequential financial losses due to delay in project completion following an event that triggers physical damage insurance policy (be it project cargo policy, 'construction all risks,' sabotage and terrorism cover etc).

To exemplify, if a water pipe bursts while testing the airport facilities and causes damage to the interior fittings or fixtures and if such damage is covered under the construction all risks policy, then a DSU cover would be triggered to compensate the project company i.e. New Doha International Airport for any loss of anticipated revenue during the period that is needed to fix such damages and handover the facility.

03 *DSU insurance would protect against consequential financial losses due to delay in project completion following an event that triggers physical damage insurance policy.*

Does DSU cover the entire life cycle of a project? Does it cover delay in commencement of a project due to supply chain bottlenecks or regulatory issues?

The cover should incept at the commencement of project works and continue through the entire construction period. The term of the cover may be extended if the project suffers delays that affect the estimated commercial operations or guaranteed handover date- whether such delays are caused by insurable or uninsurable incidents (for eg. anticipated delays from work change orders).

DSU cover expiry date must align with the inception of Business Interruption cover when the project moves from the construction into the operations phase to ensure a dovetail transition with no gaps that may impair the cover effectiveness.

Special attention is given to projects with phased handover – where details of each phase needs to be discussed at an early stage with the insurers to have a clear mutual understanding of when the cover seizes to provide protection and when a Business Interruption cover needs to kick in.

Delays that are purely attributable to regulatory issues such as withholding of licenses or delay in award dates are excluded from the scope of a standard DSU cover.

What are the exclusions of the DSU cover?

Given DSU cover is not commonly traded in this market, it is even more crucial to ensure DSU insurance buyers are aware of what protection the cover actually provides and its limitations.

The policy form or wording dictates the scope of cover and there are different variations in the market and different basis of cover for DSU insurance (eg. gross profit Vs. fixed costs or debt service basis).

'Caveat emptor'… Let the buyer beware:

No one enjoys reading the fine prints of an insurance policy. That is why we always encourage people to seek the advice of an insurance company while purchasing policies. Representatives or insurance consultants – whichever the case may be are more than happy to clarify any areas of ambiguity or concern.

Some exclusions of DSU insurance cover, which are common among varying DSU policies offered, are enlisted as under:

- Non-performance, liquidated damages and penalties, late delivery of equipment
- Redesigning, expanding or improving projects
- Inadequate funding, loss of feedstock
- Cancellation of licenses, embargoes

"DSU cover expiry date must align with the inception of Business Interruption cover when the project moves from the construction into the operations phase to ensure a dovetail transition with no gaps that may impair the cover effectiveness."

The fact that the market is still in its soft cycle and has been that way for almost a decade now, has dropped its shadows on the philosophy of technical pricing for the construction insurance market. This has invariably pushed many insurance companies to make compromises on the scope of the cover. Now the approach has become more conservative and thus restrictive cover alternatives at a friction of the standard cover cost is more viable to keep up with the ongoing trend of price-driven decision making methodology. This also helps to compete with the price-oriented segment of the market.

DSU is typically used for projects owned and financed by private entities. Given that in this region projects are typically owned and financed by the Government or affiliated entities, is DSU still used?

It is important to observe the developmental course of the construction boom in the region to have a better understanding of the potential demand for DSU insurance cover in the State of Qatar.

Taking KSA and the UAE as examples, the demand for DSU insurance cover has exponentially inclined as those economies began to divert more towards Public Private Partnership (PPP) and Private Finance Initiates (PFI) procurement alternatives.

Government funded projects may equally reap the benefits of DSU insurance protection. However, basis past experiences, they almost never opt for it as they usually rely on their government's strong financial credit worthiness to protect against financial risk exposures associated with the projects.

Developers with mixed ownership structures (and more so the private sector) have seen the benefits of securing DSU insurance cover and accordingly are investing more in DSU to provide further relief to their balance sheets as no balance sheet can absorb spikes in losses due to delay in delivery of projects! Q

04 *No one enjoys reading the fine prints of an insurance policy.*

QATAR: Well positioned for strong growth

The Qatari insurance market has grown at a steady rate in recent years and is expected to outpace most of its neighbours in the coming years. Sinchita Mukherjee takes a closer look at A.M. Best's report on Qatar.

01 *Sinchita Mukherjee, deputy editor, **ta'ameen Qatar** & **Premium** magazine*

Unification of regulatory bodies:

Laws passed for creating a new regulatory regime and the unification of the insurance regulatory bodies will assist improved regulation and governance across the market, which may create a robust regulatory platform for insurance awareness and ultimately lead to growth.

Role of the QFC:

Since 2005, insurers have had the option to be licensed under the independently operated Qatar Financial Centre (QFC), which is considered to have one of the better-regulated regimes in the GCC. The QFC was established to create an onshore centre accessible to regional markets operating under the more robust Qatar Financial Centre Regulatory Authority (QFCRA). It conforms to sound regulatory practice and international standards.

Takaful window:

The QFCRA has also made specific provisions recognising Takaful as a separate type of insurance in its regulatory regime in the Prudential Insurance Rule-book (PINS). Rules for Takaful operators have also been set out by the QFCRA in the Islamic Finance Rulebook.

Market overview:

Insurance premium as a percentage of Gross Domestic Product (GDP) was one of the lowest in the GCC at just 0.6 percent highlighting both the potential and the challenges for growth of the Qatari insurance market (Exhibit 1).

Growth drivers:

Energy prices are currently above government forecasts, which enable infrastructure development and raise the demand for insurance. Furthermore, the Qatari government is continuing its capital spending on building infrastructure in an attempt to diversify the country's economic base away from the energy sector.

Economy:

Qatar's economy has experienced a very rapid growth over the past few years, with GDP increasing by 16.7 percent in 2010, 14.1 percent in 2011 and an estimated 6.3 percent in 2012. Economic growth is expected to moderate to 4.9 percent in 2013, although spending on infrastructure is anticipated to continue. Economic development is expected to rise further for hosting the 2022 FIFA World Cup.

Health insurance:

The proposed introduction of universal compulsory medical insurance by 2014 would provide another substantial boost to the market, though most of the growth is likely to be absorbed by a newly formed national health insurer.

The Supreme Council of Health (SCH) is introducing a national health insurance plan to be rolled out in stages by 2014. The proposed programme would initially include Qatari nationals, before being extended to the private sector, expatriates and tourists. The state would provide coverage for its citizens, with companies responsible for its expatriate staff.

Mandatory health insurance is expected to prompt significant growth for the young private health insurance sector. Compulsory healthcare coverage should provide opportunities to Qatari insurers, although a prudent underwriting approach will be needed to write this product profitably. Despite the limited number of companies offering healthcare products, underwriting can still be challenging given the increasing competition and high level of medical claims inflation.

Lines of business:

The insurance market is largely driven by non-life related risks. (Exhibit 2).

Commercial risks:

Commercial risks are heavily reinsured into the international market, with most direct writers either fronting this line or retaining less than 10 percent of premiums.

Motor:

On a net basis, the main line of business retained in Qatar is motor followed by medical. Tariffs for Motor Third Party Liability (MTPL) are set by the insurance regulator, which monitors market performance and adjusts rates accordingly. Profitability for MTPL tends to be at the borderline. Companies cross-subsidise with comprehensive products, which are priced in the open market.

However, it produces low margins compared to that of other business lines that benefit from material inward reinsurance commissions.

Energy & Construction:

Given Qatar's insurance market is focused heavily on the energy and construction sectors, insurers must manage high value and volatile risks effectively. This leads to low retention levels and a dependence on international reinsurance markets for support, which can lead to significant levels of counterparty credit risk and potentially higher costs driven by international market forces.

Retention levels:

Retention levels have continued to increase, from approximately 35 percent in 2006 to more than 50 percent in 2011. Drivers for the increase in retention include a change in the business mix of many insurers stemming from the growth of medical business and companies gradually accepting greater responsibility for underwriting risks as they gain more expertise.

Challenges:

Qatar has seen a marked increase in participants following the establishment of the QFC as many regional and international companies have established a presence through subsidiaries or branches. In total, there are 26 insurers and one reinsurer licensed to operate in Qatar, compared to 20 entities in 2010.

Competition:

Although along with the opportunities, increased competition is expected, which

EXHIBIT 1

GULF COOPERATION COUNCIL COUNTRIES – KEY FACTS (2011) (USD MILLIONS)

	Insurance Premiums				Premium Penetration (%of GDP)				No. of Companies*	
Country	Life	Non-Life	Total	Population (millions)	GDP (USD billions)	Life	Non-Life	Total	Insurers	Reinsurers
Bahrain	$130	$442	$572	1.1	$25.9	0.5%	1.7%	2.2%	30	7
Kuwait	153	666	819	3.7	161.0	0.1	0.4	0.5	32	2
Oman	121	612	733	3.1	72.7	0.2	0.8	1.0	22	1
Qatar	54	997	1,050	1.8	173.5	0.0	0.6	0.6	26	1
KSA	241	4,693	4,934	28.2	597.1	0.0	0.8	0.8	32	1
UAE	1,278	5,236	6,514	5.4	342.0	0.4	1.5	1.9	61	1

* 2012. Sources: International Monetary Fund: World Economic Outlook Database, October 2012: Swiss Re Sigma No. 3/2012; A.M. Best research

may place greater pressure on companies' technical performances. Insurers face the challenge of growing their franchises in a competitive environment while maintaining profitability. The capital strength of primary insurers remains robust. However, the ability to service these capital levels may be difficult.

The market is dominated by Qatar Insurance Company (QIC), which underwrites more than 50 percent of the premium in Qatar. More recently, QIC has expanded internationally through the formation of Q-Re, which has high ambitions to penetrate the international reinsurance market. In addition, there have been plans for Al Koot Insurance and Reinsurance Company – a former captive of Qatar Petroleum to become a reinsurer. In this environment, international players tend to focus on writing specific risks or lines of business and in particular, the larger commercial and energy risks.

Risk management:

The most important factor for many domestic insurers is their ability to effectively manage the accumulation and concentration of risks. It is important that companies understand their exposures and mitigate these risks effectively. Therefore, direct writers must ensure that a strong panel of reinsurers supports them in order to reduce counter party credit risk, particularly for facultative exposures that can be substantial.

Market realisation:

The performance of Qatar's leading six insurers, which represent more than 80 percent of total premiums, shows that the market and companies are profitable. The analysis is based on the annual reports of QIC, Qatar General Insurance and Reinsurance Company, Al Koot, Doha Insurance Company, Al Khaleej Takaful Group and Qatar Islamic Insurance Company.

The data that examines domestic business only, show the market's estimated combined ratio has increased consistently in recent years, but remained at very profitable levels below 84 percent from 2006 to 2011. This is not an indication of reduced competition or have better underwriting performance in the market. It is a direct result of the high cessions of energy and commercial risks and the impact of reinsurance commissions, which result in depressing companies' expense ratios.

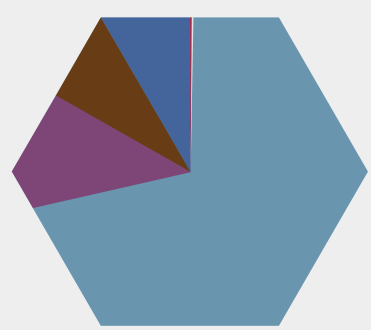
Underwriting:

The rise in the estimated market combined ratio from 78 percent in 2006, to 84 percent in 2011, reflect largely increased expenses and higher acquisition costs. There has been an increase in medical business and a rise in the proportion of retained business. Despite increased competition, the leading insurers' loss ratio remained below 70 percent during the six-year period, showing marginal improvement in the past few years. It fell from 70 percent in 2006 to 62 percent in 2011, which illustrates the market's prudent approach towards underwriting.

EXHIBIT 2

QATAR NON-LIFE – MARKET SHARE BY LINES OF BUSINESS (2011)

(QAR MILLIONS)



	Market Share (%)
Property (includes Energy)	70.8
Marine, Aviation & Transit	13.2
Motor	8.8
Miscellaneous	7.1
Workers' Compensation	0.1
Non-Life Personal Accident & Healthcare	0.1

Source: Axco Global Statistics

Proportional to Non-Proportional business:

Expenses increased to 26 percent by 2011, from 16 percent in 2006, although these were offset by negative acquisition costs reflecting the high inward reinsurance commissions and relatively low commission expenses due to direct business. Acquisition costs deteriorated marginally in 2011. Reinsurers have reduced commission payments and introduced sliding scale commissions related to profitability. They also have offered less favourable commissions across the GCC in recent years, resulting in a general movement towards higher retention levels for local companies. In addition, there has been a gradual shift from proportional to non-proportional business, which changes the business mix and reduces overall commission costs for reinsurers, encouraging higher retention levels for local participants.

Investment yields:

While Qatar's investment markets have suffered less than its GCC counterparts, investment income has been restricted in recent years by the depressed equity, real estate markets and low interest rates. Insurers face a prolonged period of low investment yields, which may make it difficult for some Qatari insurers to achieve their return-on-equity targets and will reinforce the need to focus on prudent underwriting.

ERM:

Enterprise risk management (ERM) frameworks for some companies have evolved over the years. While this shift is in the right direction, insurers need to continue developing internal ERM capabilities and processes, in particular with reference to capital management. Compared to international peers, ERM in Qatar requires further development. Q

QATAR: Well positioned for strong growth

The Qatari insurance market has grown at a steady rate in recent years and is expected to outpace most of its neighbours in the coming years. Mahesh Mistry, Director, Analytics, A.M. Best gives a synopsis of the Qatari insurance market and talks about the opportunities, which could be tapped into.

01 *Mahesh Mistry, Director, Analytics, A.M. Best*

Unification of regulatory bodies:

Laws passed for creating a new regulatory regime and the unification of the insurance regulatory bodies will assist improved regulation and governance across the market, which may create a robust regulatory platform for insurance awareness and ultimately lead to growth.

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CAPTIVE INSURANCE IN THE GCC – A SMALL HIGH-POTENTIAL MARKET

Akshay Randeva, Director, Strategic Development, Qatar Financial Centre Authority talks to ***ta'ameen Qatar*** to give an overview of the captive market and suggests reforms, which need to be addressed to have a better risk profile for companies domiciled in the Middle East.

Why use Captive Insurance?

The Gulf insurance sector generates annual premiums of more than USD 15 billion, with the bulk of these premium payments originating from the corporate sector. Instead of transferring risks to conventional insurers, companies could use captive insurance, which is a form of corporate self-insurance, involving the creation of a legal entity to insure the risks of the parent company or group of companies. The most important motivation behind captive insurance is to reduce the total cost of risk and achieve a greater control over the corporate risk profile.

Advantage of Captives over Conventional Insurance:

Companies who operate captives are shifting the focus from traditional risk transfer via conventional commercial insurance to active corporate risk portfolio steering. More specifically, this implies the retention of high frequency or low severity risks complemented by risk prevention and mitigation measures. Mid-frequency or mid-severity risks, which can be diversified within the corporate risk portfolio, are self-insured via captives. This approach is potentially attractive because under captive insurance schemes, the pricing of risk is based upon individual loss performances rather than being based on volatile external market conditions, i.e. the ups and downs of (re)insurance rates.

01 *Akshay Randeva, Director, Strategic Development, Qatar Financial Centre Authority*

Captive owners also benefit from easy access to highly competitive reinsurance markets, combined with bespoke wordings and provision of cover, often unavailable in primary insurance markets (e.g. supply chain risk cover). Only low frequency or high severity catastrophe risks, which cannot be managed in a capital-efficient way are transferred to (re)insurers.

Captives on a global stage:

The global captive insurance industry is a multinational business, with almost 6000 captive insurance firms (up from about 2500, since last 20 years) and an estimated global volume of captive insurance premiums of USD 55 billion – which is less than ten percent of the world's commercial insurance premium volume.

US corporations account for more than 50 percent of the world's captive insurance volume. The bulk of premiums typically cover liability, workers' compensation, commercial auto and healthcare risks.

Captives in the Middle East:

In the Middle East, the concept of captives is still in its infancy. Only a small number of firms in the region have set up captive insurers over the last decade. Currently, there are ten captives owned by the GCC companies, with seven of them being domiciled in Bahrain, Dubai and the State of Qatar.

Reasons for Unfamiliarity:

Lack of awareness of alternative risk transfer mechanisms in general and the concept of captives in particular are arguably the biggest single impediment to captive growth. However, captives are beginning to be considered by the GCC-based corporations as a viable solution for their insurance requirements and as an integral part of their overall risk strategy. According to MEED, close to 150 companies in the GCC generate annual revenues of more than USD 500 million. Not only that, but almost 300 companies employ more than 5000 staff, which simply helps to exemplify the immense potential, which could be very significant.

Alternative methods of Risk transfer:

Several factors are encouraging companies in the region to consider alternative ways of transferring risks. Firstly, double digit growth rates and economic diversification strategies have led to greater complexity in business and associated risks, strengthening the case for solutions which help optimise the total cost of risks as well as risk control and loss prevention.

Secondly, infrastructure spending is increasing to a large extent. In Qatar alone,

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the total spending on infrastructure is expected to reach USD 250 billion up to 2022. Huge and complex mega projects call for increasingly sophisticated insurance and risk management solutions.

Thirdly, previously owned state assets and roles are being privatised, which generates demand for commercial insurance solutions, possibly including captive schemes. In this context, a number of countries have now introduced compulsory healthcare insurance.

Experts predict a significant increase in self-retained medical schemes set up in response to compulsory healthcare schemes.

And fourthly, transparency and governance requirements from shareholders are growing as an increasing number of companies get listed on regional stock exchanges. This heightened scrutiny promotes the development of corporate risk management frameworks.

State of Affairs in Qatar:

Qatar is well placed to capitalise on this growing trend. Its geographical location, close political ties across the globe, economic dynamism and world-class regulatory environment makes it a highly attractive domicile for both developed and emerging world captives.

Qatar Financial Centre (QFC) is a fully onshore platform with access to the domestic market and it offers a first-rate legal environment based on English Common Law, highly competitive tax rules, an independent judiciary for QFC-licensed firms and cost-efficient operating conditions. More specifically, the QFC captive insurance regime is one of the most developed regulatory regimes in the region and offers captive parents a wide variety of options based on the captives' ownership structure and underwriting focus.

Conclusion:

Against this backdrop, we believe that the Middle East in general and Qatar in particular are set to become an increasingly attractive captive domicile for global companies whose centre of gravity moves further East. The central location of the region will certainly appeal to those companies who consider realigning their captive insurance strategy with the changing nature of their sales markets, value and supply chains. Q

02 *Qatar Financial Centre*

SPORTS AND INSURANCE

Professor Peter Fricker, Chief Sports Medicine Advisor to the President of Aspire Zone Foundation, Doha flew out specifically to Dubai for the seminars organised by the Australian Trade Commission for Australia Unlimited UAE 2013. He spoke to ***ta'ameen Qatar*** to share his opinion on the link between Sports and Insurance.

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Please share your thoughts on the importance of the FIFA World Cup 2022 for the development of the medical sector in the State of Qatar.

As an observer, I can see a lot of good work being done by Aspetar Orthopaedic and Sports Medicine Hospital, through its National Sports Medicine Program and its 'Football Excellence' program, to enhance the skills of the medical service providers to our footballers in Qatar. I have no doubt that the World Cup will see many of these clinicians working to support the services to be provided to the international footballers in 2022.

01 *Professor Peter Fricker, Chief Sports Medicine Advisor to the President of Aspire Zone Foundation, Doha*

What according to you are the areas that need to be emphasised on or looked at while staging the event from a risk management perspective?

In a generic sense, player safety and the safety of referees, spectators and support staff (including volunteers) is paramount. Heat and humidity are of course front line considerations, together with appropriate access to fluids, food, safe, comfortable transport and accommodation. Beyond these, are the issues of maintaining a doping free competition, a high standard of refereeing and great customer service for spectators.

Do you think the FIFA World Cup 2022 would open doors to greater awareness towards health insurance and athlete insurance?

I would like to think each and every match, training session and competition promotes better approaches to the care of players and officials – including the provision for access to first class healthcare.

Qatar is heavily promoting sports activities by declaring National Sports Day on the 12th of February. Do you think that the nationals of Qatar are interested in maintaining a regular fitness regime?

I have been impressed at the take up of physical activity and sport by Qataris (as well as resident expats) in recent times. I believe the foundation of the National Sports Day was an inspired initiative and will serve the country well. I am optimistic that this direction will continue and will produce benefits in the long term.

What are the common types of sports related injuries that occur at such mega events?

Fortunately injuries are infrequent, but the usual complaints are around muscle soreness, minor strains and sprains and tiredness from enthusiastic participation.

The Emir of Qatar puts a lot of stress on the importance of sports and its significance in the lives of individuals and communities. Do you think Qatar is increasingly trying to promote itself as one of the sports capitals of the World after London, NY and Rio de Janeiro?

There is no doubt that Qatar is becoming a recognised centre for world-class events. There are many sports capitals around the world now given the legacy of Olympic games and World Cups around the globe. I think NY may have been overtaken already by cities across Asia, Australia and Europe. Q

QATAR: CATALYSING CHANGES IN INSURANCE AWARENESS...

Elie Hanna, General Manager at AIG Qatar, speaks to ***ta'ameen Qatar*** about facts, figures and the increasing awareness of insurance in the Qatari market.

01

According to you, which line of insurance remains under penetrated in the State of Qatar?

Insurance penetration in Qatar is generally low and stands at about 1.2 percent when compared to the Western world. Hence, one would expect various lines of business to be under penetrated.

Based on our experience, the following lines of insurance remain under penetrated in the Qatari market:

Consumer Insurance:

- Home insurance (property and content)and Personal Accident

Commercial Insurance:

- Directors and Officers Liability
- Professional Indemnity – other than the PI single project architect and engineers, which is a compulsory requirement.
- Cyber Risks
- Public Liability: organisations could be considered to be under insured Vs. the actual exposure to liabilities.
- Small to Medium Enterprises – as a segment, across all lines of business (Property, Liability, Workmen compensation etc.)

01 *Elie Hanna, General Manager at AIG Qatar*

02 *West Bay, Doha*

Considering most premiums are related to engineering and construction, how much of the risk is actually ceded to the reinsurers?

In Qatar, reinsurance cession varies by line of business. Whilst motor and medical insurance retentions remain on the higher side, other lines of business retention including fire, engineering and construction remain generally low.

Based on the latest market results, we could assume that on an average, about 45 to 50 percent of the overall Gross Premium is ceded to reinsurers. However, in general, we have seen an increased level of local retention, which is an indicator of improved risk taking and change in business mix.

What is recall liability insurance? Are manufacturing companies in Qatar mandated to purchase the product?

AIG product recall insurance policies cover defective consumer goods and contaminated products. The cover meets the cost of physically withdrawing the defective product from store shelves, customers, warehousing or other distribution channels and associated transportation. It also covers ancillary costs of advertising, overtime, hiring additional staff or storage space, replacement and disposal costs.

Product recall also covers:

- Defense costs for any litigation directly caused as a result of the recall or any damage or injury resulting thereof.
- Lost profits – loss of gross profit that would have been expected had the loss not occurred or increased working costs incurred to avoid a fall in sales figures.
- Additional advertising or marketing strategies like special offers to regain or recover market share are covered to up to 25 percent of the insured amount.
- Recall consultancy services even before a loss.
- Post-loss consultancy expertise.

Our understanding is that product recall insurance is not compulsory in the State of Qatar.

What are the factors, which you feel, could affect or enhance growth in the insurance sector for 2013?

In my opinion, Qatar's insurance market is on a growth trajectory mainly as a result of the government and public spending and infrastructure growth to support the 2022 FIFA World Cup and 2030 National Vision of Qatar.

However, various factors could affect the level of growth in the upcoming few years. To name a few, they could be as follows:

- Introduction of compulsory insurance (medical insurance).
- Improved role of risk managers in large organisations.
- Key role of insurers in improving risk awareness and introducing products based on the need of the local market.
- Growing affluent population
- Improved insurance awareness of the SME segment.

As an insurer, what is AIG doing to raise the profile of insurance in Qatar?

At AIG, we strive to raise the profile of the insurance industry in all countries we operate in. This includes Qatar for sure. Our main agenda is to bring innovation to the insurance market through our range of products and distribution strategies.

We consider that the key priority of any insurer is to listen to the client and cater to the needs of the market. This is why we have introduced a number of new insurance products such as Cyber Risks, Trade credit and others.

We also believe that educating and supporting our customers and key partners is a critical contributor to the success of the insurance industry. This is why we have organised workshops and seminars in the market. Most recently, we have organised a joint seminar in Doha to discuss directors and senior management liability and how insurance can mitigate these risks.

Additionally, we have participated in the Multaqa event hosted by the Qatar Financial Centre (QFC) in which, we have hosted round table discussions with industry leaders to discuss the key issues facing the MENA market. **Q**

TRIUMPHANT TAHA ON TRAVEL AND TOURISM

Sinchita Mukherjee from ***ta'ameen Qatar*** speaks to CEO of Regency Travel and Tours, Mr. Tareq Abdullatif Taha to learn about Qatar's ambitious plans to place itself on the world map to be the 'choicest' destination for business and leisure trips.

01

What does the future hold for tourism in Qatar for the next nine years?

The future for tourism in Qatar seems to be very promising. Qatar is rich in culture and is proud of its heritage. There are unlimited things, which visitors and expats residing in Qatar could get involved in. In my opinion, Qatar offers adventurous thrill to suit every traveller's needs.

Having unwavering dedication towards heritage, what kind of travellers is Qatar looking to attract?

We are looking to attract families from the GCC, Europe, Asia, North and South America and rest of the world. People who are interested in sports, shopping, museums, culture, seminar and education, heritage, education, exhibition, medical tourism will be very happy to have their demands met in Qatar.

We are tapping into the leisure market and are very strong in inbound tourism. We are working very closely with Saudi Arabia, Oman, Kuwait and the UAE. Here I would like to add that we are keen on focusing primarily on 'quality tourism'.

As the growing population continues to thrive in anticipation of the 2022 FIFA World Cup, how is Qatar strategising to accommodate the FIFA audience?

Qatar is investing in building state-of-the-art stadia, infrastructure, activity centres, restaurants, cultural and heritage villages like Katara, traditional souqs like Souq Waqif and sports cities like Aspire Zone to showcase to the rest of the world. We have recently launched a product called '101 things to do in Qatar', which as the name suggests, has a lot to offer for inbound travel.

Please give us a comment on why you would rate Qatar to be the world's safest destination? Does it mean that one would not have to purchase travel insurance to visit Qatar?

Qatar is one of the world's safest destinations to visit because of very infrequent incidents of crime and robbery. Not only that, but independent or female travellers are also well protected.

People in Qatar are well educated and are aware of the importance of travel insurance. As accidents happen without prior knowledge, most of the embassies across the world now make it mandatory to purchase travel insurance when applying for a tourist visa. You could loose your luggage, it could be misplaced or you could break valuable items during transit, which is what travel insurance covers.

How is the market for travel insurance in the State of Qatar?

As service providers and as a part of our service module, we educate our clients and explain the benefits of the product while booking their tickets or hotel reservations. There is a growing need for travel insurance as people are now travelling more frequently to distant places-be it for business or for pleasure. Q

01 *Mr. Tareq Abdullatif Taha, CEO, Regency Travel and Tours*


* مرجع مؤشر فوربس للأعباء
الضريبية والإصلاح لعام 2008
بيئة اقتصادية من الدرجة الأولى
لمؤسسات الأعمال
قطر، هي نقطة الانطلاق المثلى للأعمال التجارية الناجحة. فبفضل لوائحه التنظيمية عالمية المستوى والالتزام بسيادة القانون على نحو يتسم بالأمان والشفافية، ساهم مركز قطر للمال في أن تصبح قطر الدولة الأكثر نشاطاً وحيوية على المستوى الاقتصادي في المنطقة، والنقطة الأمثل للدخول إلى أسواق المنطقة والانتشار فيها. وبمقدور مركز قطر للمال أن يقدم المساعدة لمؤسستك في أن تصبح جزءاً من هذه المنظومة الناجحة. حيث يمكن الاستفادة من أدنى معدلات الضريبة المفروضة على مستوى العالم*، وامتلاك الأصول بنسبة 100%، واسترداد كافة الأرباح، والعمل في بيئة تجارية داخلية تشهد ازدهاراً مضطرداً. انضم الآن إلى مسيرة النجاح.
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