

---

# Brokers should evolve

---

Source: Middle East Insurance Review | Feb 2024

---



The enormous potential in MENA attracts newcomers to open offices and offer their services; however, reinsurance brokers must evolve, improve their tools and assume a greater role in developing the industry, says **LINK Insurance Brokers' Mr Jihad Ghanem**.

By Osama Noor

The (re)insurance industry has become more complicated compared to a decade ago. This is seen in new socioeconomic and political developments, the emergence of new risks such as cyber and other tech-related risks and an increased frequency and severeness of Nat CAT, said LINK Insurance Brokers CEO Jihad Ghanem.

“There is notable accumulation of risks which are not being addressed today,” he said. “The existing systems are becoming obsolete. Distribution, as an example, has taken a new shape.”

## **A welcoming environment**

MENA has witnessed an increase in the number of brokers lately, including a proliferation of MGAs, which reflects a remarkable growth seen in the insurance industry in the region, said Mr Ghanem.

Besides an encouraging environment regulatory regimes offer for setting up brokerage companies or MGAs in the region, a major supporting factor for the increase in the number of (re)insurance intermediaries is the greater need for reinsurance.

“The share of business ceded to reinsurers in the region is considered amongst the highest worldwide, which explains the need for capacity and, thereby, justifies the role of brokers,” he said.

Existing brokers are growing, which signals that there are opportunities for newcomers, he said. “This is positive as long as every player, existing and new, contributes to the growth story of the pie – making the reinsurance pie bigger than it used to be.”

Moreover, having new entrants would incentivise existing ones to improve their services, produce innovative ideas and invest in their human and technological capabilities, he said.

### **Market dynamics**

Despite having newcomers, market forces will play its role and consolidation is afoot, said Mr Ghanem. "There will be consolidation and M&A deals. This is inevitable across the whole chain and has been happening recently at the reinsurance level with MGAs and brokers and at the direct players' level."

But while M&A is happening, new companies are jumping in. "Thus, the potential of the region is what drives this trend, particularly in the GCC. Despite all the challenges reinsurers are experiencing globally, we still see new capacity willing to come in. The brokers' role is to bridge this gap and to find more capacity for the insurance industry," he said.

Yet, brokers need to evolve and embrace modern tools to remain sustainable. He said, "Historically, relationships played a major role in the broker's business, especially in the Middle East. Now, more reliance is being placed on technology and other means of communication. In our region, business continues to be relationships-driven but it is not enough. Relationships can open the door to doing business but they are not enough to achieve sustainability. Costs are increasing tremendously which necessitates developing broker's techniques."

### **The power of specialisation**

As the map of risks has expanded significantly to include new risks which require paying more attention to details, brokers need to specialise to achieve efficiency, said Mr Ghanem. "Specialisation is important for brokers to be able to add value to their business partners, particularly in areas requiring deep data analysis and proper assessment, where reinsurers are counting on the expertise of the broker to save time and propose unique solutions backed by technical analysis; justifying the role of an intermediary in the deal."

Specialising is the best strategy for reinsurance brokers going forward. "There is a very wide range of insurance lines and several fields that require specialisation. The broker is not required to handle all lines. This is neither effective nor efficient. In conjunction with this, investing in technology is essential. Combining market knowledge with technical expertise and technology should yield favourable results."

Brokers and all existing stakeholders in the insurance industry will continue to exist and play a major role despite technological advancements, he said. "The insurance industry will continue to exist and evolve, especially with the emergence and latest advancement in technology, which is bringing solutions, challenges and opportunities to the industry at the same time."

### **Regional brokers**

Sizable brokers including international brokers often leverage their volumes with reinsurers to secure higher margins, said Mr Ghanem. "However, today, as capacity providers' margins are thinning, reinsurers become more reluctant to comply and more inclined to offer their support to brokers, especially the regional ones, which can add value from an analytical, administrative, relational or technological standpoint. Reinsurers would then price and provide the capacity for each risk based on its own merit only."

He said that sometimes size brings complications. "Decision making becomes much longer with sizable operations especially if the business model is centralised. Therefore, this is one advantage of a small boutique (broker) who enjoys a supplier structure and can respond quickly and efficiently, especially when it comes to processing and accounting."

LINK has made investments in InsurTech companies to support its business model which has considerable involvement in personal lines requiring technological support to provide clients with suitable solutions. He said the broker is keen to expand its footprint and contribute to the growth of the regional insurance industry. M

<https://www.meinsurancereview.com/Magazine/ReadMagazineArticle/aid/47858/Brokers-should-evolve>