

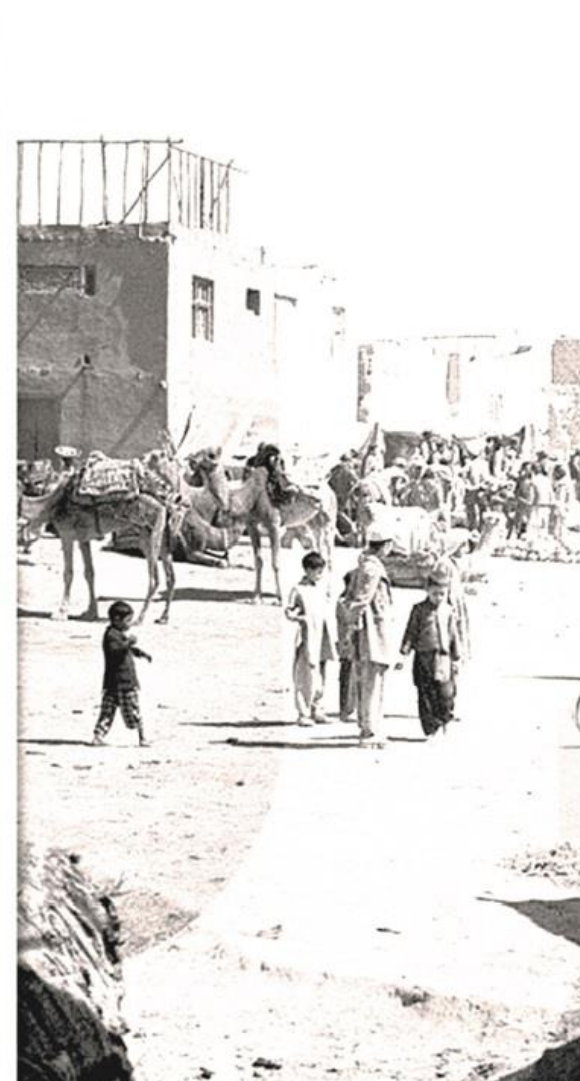
AZ RE, AZERBAIJAN

FUAD KULIYEV, CHAIRMAN

DUBAI WORLD INSURANCE CONGRESS 2019

FEBRUARY 2019

RIGHT AT THE CENTRE OF THE SILK ROAD



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AZERBAIJAN – THE FIGURES

- ▶ **POPULATION** 9.900.000 OF WHICH 2.300.000 IN BAKU
- ▶ **GDP** \$ 47.000.000.000 (AZN 79.8 bln) – GROWN BY 20 TIMES SINCE 1995
- ▶ **ECONOMY** INDUSTRY 54%; SERVICES 40%; AGRI 6%.
SOCAR, BP AND 11 OTHER OIL COMPANIES OPERATE IN OIL SECTOR. 55% OF THE TERRITORY IS AGRICULTURAL. TOURISM GREW AT 30% IN 2017
- ▶ **GROWTH** 2018: AVERAGE - 1.40%, NON-OIL– 1.6%, OIL SECTOR– 0.6%
- ▶ **UNEMPLOYMENT** 5%
- ▶ **INFLATION** 2.3%
- ▶ **INTEREST RATES** 7% TO 11% FOR LOCAL CURRENCY (AZN)
- ▶ **TRADING PARTNERS** ITALY, RUSSIA; TURKEY; CHINA; USA
- ▶ **FOREIGN DEBT** 22% OF GDP

AZERBAIJAN – THE ECONOMY

- ▶ BIG IMPROVEMENT IN ECONOMY 2017 AND 2018 AFTER OIL CRISIS
- ▶ OIL AND GAS BASED ECONOMY AND NEW GAS FIELD (SHAH DENIZ) RECENTLY STARTED PUMPING VIA SCP AND TANAP PIPELINE TO TURKEY AND WEST
- ▶ ENCOURAGEMENT TO DIVERSIFY THE ECONOMY – AGRICULTURAL INCENTIVES AND CHEAP MANAT ENCOURAGES TOURISM
- ▶ BAKU HOLDS ANNUALLY FORMULA ONE GP; HELD REGIONAL OLYMPICS IN 2015 AND ISLAMIC GAMES IN 2017, REGULARLY HOLDS WORLDWIDE SPORTING EVENTS
- ▶ NOT AFFECTED BY RECENT TURKISH ECONOMIC PROBLEMS
- ▶ 20% OF AZERBAIJAN TERRITORY UNDER OCCUPATION BY ARMENIA
- ▶ 2018 SAW A LANDMARK AGREEMENT BETWEEN CASPIAN NATIONS (AZERBAIJAN, IRAN, KAZAKHSTAN, RUSSIA, TURKMENISTAN) IN HOW TO SHARE THE CASPIAN SEA



AZERBAIJAN – BELT AND ROAD INITIATIVE

▶ **CROSS-ROAD**

AZERBAIJAN IS THE CROSS ROADS OF THE EAST-WEST SILK ROAD, AND ALSO THE ONLY COUNTRY WHICH BORDERS BOTH RUSSIA AND IRAN

▶ **1998**

BAKU INTERNATIONAL CONFERENCE KICKED OFF THE GREAT SILK ROAD INITIATIVE INVOLVING EURASIAN AND EUROPEAN COUNTRIES

▶ **2015**

SIGNING OF MEMORANDUM WITH CHINA ON SILK ROAD ECONOMIC BELT

▶ **2017**

OPENING OF THE BAKU – TIBLISI – KARS RAILWAY

▶ **TRANSPORT HUB**

NORTH – SOUTH TRANSPORT CORRIDOR NOW LINKS RUSSIA AND NORTH EUROPE AND AZERBAIJAN, IRAN, PAKISTAN, AND INDIA

▶ **ALAT PORT**

NEW ALAT PORT STARTED OPERATION AND FREE TRADE ZONE IN THE PORT AREA IS UNDER CONSTRUCTION

▶ **2018**

SIGNING OF THE CONVENTION OF LEGAL STATUS OF CASPIAN A MAJOR STEP FORWARD

AZERBAIJAN – THE INSURANCE MARKET

- ▶ **MARKET PREMIUMS** 2017 US\$ 330.000.000
2018 US\$ 430.000.000
- ▶ **SPLIT** 46% LIFE/ 17% MOTOR/ 12% PROPERTY/ 13%
MEDICAL-P.A.
COMULSORY LINES REDUCED FROM 36% TO 26%
- ▶ **NEW ACTIVITIES** AGRICULTURE INSURANCE FUND ESTABLISHING –
INITIALLY SMALL; COMPULSORY MEDICAL SCHEME
ROLLED OUT IN 2018 – NOW CLASSIFIED AS SOCIAL
SECURITY
- ▶ **AVG. LOSS RATIO** 45% (33% IN 2018)
- ▶ **COMPOSITION
MARKET SHARE** 21 DOMESTICALLY OWNED COMPANIES – TOP 10 HAVE
87% WHICH UP FROM 80% IN 2017
- ▶ **PENETRATION** 1% AND \$ 43 PER HEAD
- ▶ **NATURAL PERILS** EARTHQUAKE – ABSHERON PENINSULAR

AZRE– THE COMPANY

- ▶ **ESTABLISHED** 2007
- ▶ **MARJET SHARE** 40%, NO COMPULSORY CESSION
- ▶ **SUBSIDIARIES** QALA INSURANCE, QALA LIFE
- ▶ **RATING** B+ (FSR) AND BBB- (ICR) BY A.M.BEST
- ▶ **GWP** USD 45 MLN
- ▶ **EQUITY** USD 55 MLN
- ▶ **ROE** 20%
- ▶ **CAPACITY** FACULTATIVE - USD 17.5 MLN.
TREATY – USD 1 MLN.
- ▶ **TARGET MARKETS** TREATY BUSINESS FROM CIS, MIDDLE EAST AND AFRICA

AZERBAIJAN – THE ROLE OF THE REINSURER

- ▶ MARKET IS RATHER WELL CAPITALISED AND REGULATED
- ▶ WE NOTED THAT BETWEEN 1995 AND 2003, 22 OF THE TOP 40 GLOBAL REINSURERS HAD CEASED TO OPERATE!
- ▶ APART FROM CONSOLIDATION WE ARE UNAWARE OF ANY REGIONAL REINSURERS WHO HAVE STOPPED.
- ▶ AZ RE'S ROLE IS TO REMAIN THE REINSURER OF CHOICE FOR THE MARKET, PROVIDING STABILITY, SECURITY AND TAILOR MADE SOLUTIONS
- ▶ COST RATIOS OF THE SMALLER REGIONAL REINSURER ARE ALWAYS HIGHER THAN THOSE OF GLOBAL PLAYERS BUT THESE ARE OFFSET BY HIGHER QUALITY BUSINESS
- ▶ HOWEVER, THE GLOBAL REINSURER HAS ITS ROLE TO PLAY IN OUR MARKET THE CAT AND ENERGY FIELDS AND IN BRINGING INNOVATIVE PRODUCTS – NOTE THAT ALL REINSURERS MUST BE AUTHORISED BY THE REGULATOR (FIMSA)
- ▶ WE LOOK TO CONSTRUCTIVE PARTNERSHIPS WITH GLOBAL REINSURERS TO HELP DEVELOP OUR MARKET

AZERBAIJAN – SUMMARY

- ▶ THE ECONOMY IS GROWING AGAIN, NOW AT 1.4% AND ACCELERATING
- ▶ THE INSURANCE MARKET IS GROWING AT 30% IN LOCAL CURRENCY
- ▶ THE MARKET IS DEFINITELY UNDER-INSURED
- ▶ AWARENESS IS GROWING
- ▶ NEW PROJECTS E.G. BELT AND ROAD
- ▶ NEW LINES OF BUSINESS E.G. AGRO AND MEDICAL
- ▶ MARKET IS PROFITABLE

- THANK YOU VERY MUCH -