

REINSURANCE



How can the insurance industry contribute to Arab national security?

Much like the rest of the world, the Arab region suffers from the impact of climate change, including heatwaves, droughts and floods. GAIF's Mr Chakib Abouzaid shares his insights.



The earthquake that struck Syria in the first half of this year, the tropical storms hitting Oman and the latest being Shahin wildfires in Algeria, Morocco, Syria and Lebanon and the floods that affected Sudan, not to mention the wave of drought and desertification in most of our countries, all indicate the necessity of mitigating the catastrophic effects of these types of risks.

The insurance industry can contribute to Arab national security by providing comprehensive insurance coverage to protect against climate-related risks. This includes developing specialised insurance products for farmers to safeguard their livelihoods, establishing mechanisms to insure against natural disasters and collaborating with government agencies and international organisations to raise

awareness, enhance preparedness and build resilience to climate-change impacts. By doing so, the insurance industry can play a significant role in reducing the socio-economic vulnerabilities associated with climate change in the Arab region.

Based on the national experiences in our Arab countries, we have a foundation to build upon in order to enhance the level of protection and narrow the insurance gap across all nations.

The General Arab Insurance Federation (GAIF) launched a programme, 'Natural Catastrophes: for an Arab Insurance Initiative' in October 2022. This initiative aims to address the challenges posed by natural disasters in the Arab region and promote cooperation among Arab countries in disaster risk reduction.

Climate change in the Arab region

With rising temperatures and water scarcity, Arab countries are increasingly exposed to the risk of drought.

The most affected populations by climate change are found in developing countries, including those in the Arab world. The United Nations emphasises that these countries require \$1tn annually to mitigate the negative impacts of climate change.

A report by Greenpeace predicts that 80% of densely populated cities

List of countries by natural disaster risk (2011-2022)



Very High High Average Low Very low

| Rank | Country | Risk | Rank | Country | Risk |
|------|-------------|-------|------|---------|-------|
| 1 | Philippines | 46.82 | 15 | Yemen | 24.26 |
| 2 | India | 42.31 | 101 | Germany | 3.92 |
| 3 | Indonesia | 41.46 | 184 | Bahrain | 0.95 |
| 4 | Colombia | 38.37 | 192 | Andorra | 0.26 |
| 5 | Mexico | 37.55 | | Monaco | 0.26 |
| 14 | Somalia | 35.49 | | | |

Source: WorldRiskReport 2022, Ruhr University Bochum (RUB) & Bündnis Entwicklung Hilft

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in the MENA region will suffer from heatwaves and temperatures in some region of the Middle East and Gulf countries could exceed 60°C in the future due to high emissions of greenhouse gases.

Due to their desertic or semi-desertic nature, Arab countries are facing increasing challenges.

The agricultural sector constitutes an important economic activity in many Arab countries, providing food needs and contributing to the supply of raw materials for various industries. It also absorbs a significant portion of the workforce in Arab countries.

Agricultural production contributes around 5.2% of the Arab national income, but this proportion varies. For instance, agriculture represents 36.6% of the Syrian GDP, 12.0% in Morocco, 17.2% in Yemen and 13% in Algeria.

A study by Greenpeace indicates that Egypt is expected to face a decrease in agricultural crop yields ranging from 10% to 60% due to rising temperatures, water scarcity and increased salinity of irrigation water.

Iraq is also expected to lose 20% of its freshwater due to a temperature increase of just one degree by 2050.

Similarly, Morocco has lost approximately two-thirds of its palm trees in oasis due to drought waves over the last century, estimated at around 14m palm trees. This has become a national security threat, exacerbating the food gap in Arab countries, which reached about \$33.6bn in 2018, despite some countries being producers of agricultural products in North Africa and the Levant.

The most important Nat CAT in the Arab region

| Country | EQ | | Floods | | Drought & Extreme heat** | | Cyclones | | Wildfire | |
|---------|------|--------------------------------|--------|--------------------------------|--------------------------|--------------------------------|----------|--------------------------------|-----------|--------------------------------|
| | Year | Economic Losses (Billion USDs) | Year | Economic Losses (Billion USDs) | Year | Economic Losses (Billion USDs) | Year | Economic Losses (Billion USDs) | Year | Economic Losses (Billion USDs) |
| Algeria | 1980 | 5,200 | | | | | | | 2010-2019 | 11 |
| Egypt | 1992 | 1,200 | | | | | | | | |
| Jordan | | | | | 1992 | 400 | | | | |
| Morocco | 1960 | 290 | | | 1999 | 900 | | | 2022 | 69 |
| Lebanon | | | | | | | 1992 | 155 | | |
| Oman | | | | | | | 2007 | 4,000 | | |
| Sudan | | | 2020 | 3-4 | | | 2021 | 1,900 | | |
| Syria* | 2023 | 45 | | | | | | | | |
| Tunisia | | | 1990 | 243 | | | | | 2021 | 64 |
| Yemen | | | 1996 | 1,200 | | | | | | |

* February 6th earthquakes in Turkey & Syria ** The small percentage related to Drought is due to the limited available information

Long-term effects of climate change in Tunisia and the Republic of Yemen are expected to lead to a cumulative decrease in household income of around \$1.8bn (6.8% of GDP) and \$5.7bn (23.9%) respectively over the next 30 to 40 years.

Natural disasters in the Arab region

“Changing the approach to natural disasters strengthens state cohesion and social solidarity.” - David Auguste

While the global number of disasters has almost doubled since the 1980s, the average number of natural disasters in the Middle East and North Africa has tripled during the same period.

The Global Assessment Report for Disaster Risk Reduction in 2011 noted that while flood-related deaths worldwide have been decreasing since 2000, they are still increasing in the Middle East, North Africa and some other regions.

Egypt hosted the COP27 Climate

Summit last year, leading to the creation of a fund to compensate ‘loss and damage’ experienced by developing countries due to climate change. The need for insurance coverage for individuals was recognised.

Insurance covered \$132bn worldwide in losses from natural disasters in 2022 (according to a Sigma report, January 2023). In the first quarter of 2023, insurance covered around \$15bn in losses.

The humanitarian and economic disaster caused by earthquakes hitting Türkiye and Syria in February 2023 resulted in economic losses estimated at about \$45bn for Syria and Turkey. The latest managed to cover some of these losses due to its mandatory earthquake insurance system, unlike Syria.

Arab states’ efforts in dealing with natural disasters vary, including individual insurance policies in Algeria, collective funds in Morocco and emergency funds in Oman.

GAIF is striving to find a common Arab solution for disaster protection. Mutualisation, shared information, catastrophe modelling and collaboration between Arab reinsurers and direct insurance companies are some proposed approaches.

GAIF has taken the initiative to promote this concept and participated in meetings of the Arab League to coordinate disaster risk reduction efforts. It stands ready to contribute to Arab initiatives that enhance disaster response capabilities, protect lives and property and achieve sustainable development.

Mr Chakib Abouzaid is GAIF secretary general.

