



“It is kind of fun to do the impossible”



## Insurance Update

### July Review

#### Global news

##### Implications of Iranian sanctions relief for the energy industry and global business development

The easing of the sanctions regime agreed under the comprehensive joint plan of action agreed on 14<sup>th</sup> July 2015 will have a tremendous effect on the Iranian energy industry and present considerable opportunities for foreign investment and business development.

As part of the recent agreement of Iran with the six largest global powers, USA agreed to unblock Iranian assets and oil money. The amount was estimated to be between 100-150 billion USD. The EU will end the embargo on Iranian imports once Iran complies with the agreement obligations.

Sanctions against Iran’s oil industry are expected to be lifted by late November.

With between 10% and 18% of world’s oil and gas reserves respectively, Iran has the potential of becoming a major force in the energy market. Even with the current production infrastructure, Iran has the capability of producing 3,500,000 barrels a day, but it can increase oil production by 500,000 barrels shortly after sanctions are lifted and expects to be able increase production by 1,000,000 barrels per day in the medium term.



Two Iranian oil companies (Petropars Operations and Management and Petropars Resources Engineering) have already been removed from the EU sanction list. As a result of the improving political climate, major foreign companies have expressed their interest in future cooperation with Iran.

It is estimated that future investment of 185 billion USD will be required in the Iranian energy industry within the next 5 years. There are also plans to develop national petrochemical, gas, mining and construction sectors.

The improving situation shows that there is great future potential for companies from various sectors, including insurance. With increasing production capabilities and export activities, new energy, construction, liability and cargo transfer risks will need to be covered. It will be interesting to observe how reinsurance market is going to unfold.

## Russian news

### Growth trends and other peculiarities of the Russian (re)insurance markets



The growth of Russian reinsurance market will surpass the growth of Russian insurance market; despite the strain of sanctions on the national economy both the insurance and reinsurance sectors are going to show positive growth. The forecast, which assumes sanctions will remain at the same level, predicts that in 2015 insurance market will grow by 6-9%, whereas reinsurance market will increase by 11-13% and

will total to 54 billion RUB.

Even if the negative sanctions scenario occurs and Russian insurance market growth rate will slow down to 1-2%, Russian reinsurance market will still grow by 6-8% and will total to 52 billion RUB. These results have been published by Expert Ra, the Russian rating agency, in their recent market study.

Interestingly, around 90% of the increase in reinsurance premium will come from overseas. The reason for this is believed to be not only falling local currency but also active promotion of Russian reinsurance capacity in the foreign markets. Due to the increase in inwards reinsurance premiums from overseas the growth rate of the reinsurance market has increased from 5.7% in 2013 to 8.3% in 2014.

The increase in inwards reinsurance premiums between 2013 and 2014 was 25% with largest increase in premiums from Europe (46,9%). For the same period, an increase in inward reinsurance premiums from Asia region totaled to 37,7%.

In terms of outward reinsurance, there have also been interesting developments. The amount of reinsurance premiums ceded abroad have been rising and totaled to 101,4 billion RUB or 73% in 2014 (as reported by Xprimm reports). To compare, in 2013 the amount of premiums ceded abroad totaled to 83,2 billion RUB, indicating continuing interest in foreign reinsurance capacities.

## Company news

### Upcoming busy conference season

The (re)insurance industry is preparing for another busy “conference season”. This year, Challenge Group is planning to cover larger geographical grounds, including conferences in Europe, Asia, Africa and Latin America. Apart from the traditional meetings in Monte Carlo in September and Baden-Baden in October, there are several new exciting events Challenge Group is looking forward to.



The season will start with the Organization of East and South African Insurers Conference in Mauritius on 23<sup>rd</sup>-26<sup>th</sup> of August. This year the Conference’s theme will be “Extending the Frontiers of Insurability in African Markets”. This will be the first time Challenge Group is attending OESAI Conference, yet we have high expectations.

This year, Challenge Group will also be sponsoring an International Underwriting Association seminar dedicated to Catastrophe Risk Management held on September 30<sup>th</sup> in London, United Kingdom. The discussions will touch European windstorm model, climate change and cyber risks.

Right after that FIDES (Federacion Interamericana de Empresas de Seguros) will start on October 25<sup>th</sup> in Chile. We are looking forward to further development of our Latin American business relations.

The season will be concluded with the 13<sup>th</sup> Singapore International Reinsurance Conference on 2<sup>th</sup>-4<sup>th</sup> of November which from year to year presents great networking opportunities and helps us to strengthen our presence in the region.

We wish you to have a productive conference season and we would be happy to see you at any of the events!

### Challenge Group teambuilding



Challenge Group believes that it is very important to invest into its people and help them unite as a team. Loyal to its traditions, this year Challenge Group has organized a teambuilding trip to Volga river, Russia, where new members of the team were welcomed into the family. It was a pleasure to see people from the Russian, English and Malaysian offices joining for the teambuilding exercises, which included cooking, fishing and participating in various sporting challenges.

A few days at the country side not only helped to bond and relax, but also discuss business matters together as a Group.

Enjoyable and uniting trip is a tradition the Group keeps up steadily from year to year. This is one of our secrets of successful and effective work.

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### Challenge Group attended IIF-2015 in Germany

On 22-23 June, the Chairman of Challenge Group, Charles Catt attended International Insurance Forum-2015 in Munich, Germany. This year the Forum's topic was "Property insurance in a Stormy Era".

During the two day conference, 20 speakers from different regions in Europe and Near East shared professional experience in terms of Property Nat Cat (re)insurance, including challenges, opportunities and recent industry trends. The discussions and reports were focused on Nat Cat protection gap in the young European insurance markets, the adequacy of the Nat Cat models as well as the availability and affordability of the property insurance products.

The event also presented a great opportunity for networking with other professionals from the industry.



Contact **Challenge group** team if you need any help with insurance, reinsurance, agricultural expertise and assessment, compliance function or alternative risk management solutions (captive programs)

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