

September 2022

# Howden Insight



[www.howdengroup.com/ae-en](http://www.howdengroup.com/ae-en)

## Energy Update

The impact of recent events on the downstream energy insurance industry in the Middle East and North African region.

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**HOW POLITICAL  
RISK & CLIMATE CHANGE  
ARE IMPACTING  
THE INSURANCE INDUSTRY?**






# About Howden:

Howden's broking operations in the UAE were established in 2008, when Howden Broking Group acquired a local broker and started its operations as Howden Insurance Brokers. In 2019, we reinforced our position in Abu Dhabi with the acquisition of Howden Guardian who have a great reputation and market presence built over 22 years.

Today, we are a team of 165+ in the UAE. We have developed a formidable reputation as one of the leading independent brokers, assisting corporations and individuals. We have offices in Dubai & Abu Dhabi, and DIFC.

We believe that an approach based on specialized teams with real industry insight is the key driver for innovative solutions and quality client service.

In short, our teams operate in your world. We know your sector and speak your language.



# Message from the editor's team

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## Geopolitical risk and Climate change focus- What is the right strategy?

In a constant changing environment, geopolitical risks and climate change are at the center of professional and political discussions. Geopolitical risks have a direct impact on the global economy and affect populations, and business.

Businesses are seeking to be more responsible by anticipating risks and changing their strategy to minimize risks impact by implementing an ESG strategy in order to be more sustainable. Products proposed in Insurance industry are evolving in line with ESG initiative and It is the responsibility of all to manage the current and emerging risks.

There is no control on geopolitical risk or emerging risks but we can proactively anticipate and limit their effect with the right strategy and insurance cover.

Sincerely,

Howden Insight Editorial Team

To contact us : [enquiries@howdenuae.com](mailto:enquiries@howdenuae.com)

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# Message from our Leadership Team

■ Atıncı Yılmaz | Howden Regional CEO, Turkey, The Middle East and Africa



## "We put sustainability at the center while designing products and services"

These are challenging times. We face new and big risks that concern the entire world and thus, the insurance industry. Think the rapid increase of the world population, the completion of the industrial revolution or the increasing use of fossil fuels and carbon-emission into the atmosphere. Yes, global warming and climate change are making the headlines on a daily basis.

We noticed that small and large companies in every sector are keenly aware of this and understand that sustainable development plays an important role in their future. In fact, they know very well that companies play a key role in making a change. The insurance industry is equally aware of this and while designing products and services, sustainability is put at the center. With this, we show that insurance is not only

an optional financial support tool, but has a much wider scope that deals with the uncertainties of life, taking risks, continuation of trade and the survival of countries' economies.

Important issues that threaten the future of humanity and the world such as depletion of natural resources, air pollution, and great forest fires, make alarm bells ring around the world. As Howden Group, we hear these bells loud and clear. We believe that we need to go beyond habits, behavior patterns and current ways of thinking we have today. We must think about the future and design projects, implementing them with working groups that include our employees.

■ Sajith Kumar | Howden UAE CEO



## Growing Stronger – Globally, regionally and locally...

At the outset, I would like to thank all of you for your support and connection with Howden Insight. I am enjoying this medium to communicate with our partners and clients and thank you all for the warmth and undeterred support to Howden.

The theme of this edition is the changing landscape of Political risks and Climate change and their impact on the industry. You will find some fascinating write-ups on the subject in this edition.

Howden has been growing stronger globally, regionally and locally. We all were in Istanbul recently for our regional conference where we had the opportunity to hear our leaders presenting our vision for the next 5 years. I can proudly say: 'the best is yet to come'.

With the acquisition of TigerRisk Partners, we are now a business of scale and global reach with a unique combination of nimbleness and strong specialty focus.

Our aim is to find people who bring innovation to the table and challenge the status-quo. Globally, Howden has invested in a new capital advisory and placement business for financial institutions and corporates: HowdenCAP led by Mary O Connor. The launch of the division is in direct response to clients' needs for increasingly complex insurance and investment solutions to optimize capital and achieve strategic goals.

The new proposition will blend the skills and experience of those with backgrounds in banking, law and 'Big-Four' consultancy with the breadth and depth of insurance specialisms. It shows how innovative we are and how we travel the extra miles to meet our clients' needs.

We continue to stay relevant for our partners and clients and thank you for your keen interest in partnering with Howden.

# Howden Group creates new \$30bn force in global broking through landmark TigerRisk deal

In what is a truly transformational milestone for the Group, we have signed an agreement to acquire TigerRisk Partners, the leading independent reinsurance, risk and capital advisory business. Together, Howden RE and TigerRisk Partners will create a fresh alternative of real scale for clients and reinsurance talent, creating a new force in reinsurance broking.

Read more: <https://lnkd.in/ggV5iyD5>

“TigerRisk has been the standout business and innovator in reinsurance and capital markets and the decision to join forces is a game-changer.”

David Howden  
CEO

// howden



## Ukraine war and cyber resilience combine to temper global ransomware activity

The past three years have seen colossal change in the Cyber insurance market. Ransomware incidents increased almost 400% at their peak, causing severely limited insurance capacity and triple-digit rate increases. But there could be light at the end of the tunnel. In our latest report, A Hard Reset 2.0, we analyse the major cyber developments of the last 12 months – including the fallout from the war in Ukraine – and assess how the insurance market has performed through this period of flux.

Download the report now: <https://lnkd.in/gckdjRyJ>

Thank you to CrowdStrike, Guidewire Software, KYND and X Cyber Group (XCyber®) for their contributions.

CYBER INSURANCE:  
A HARD RESET 2.0

DOWNLOAD REPORT

// howden



## Directors' & Officers' Liability Insurance 2022 Outlook: 'Light on the horizon'

Read now



Our inaugural Directors' and Officers' (D&O) Liability Insurance report, 'Light on the horizon', analyses our very own in-house data, alongside the developing risks and claims trends associated with the D&O market such as ESG, Cyber, Russia, and a potential rise in insolvencies.

With plateauing premium prices and increased insurer appetite, D&O insurance, which was the first policy bound by Howden back in 1994, is becoming more favourable to the insurance buyer.

Mary O'Connor joins Howden to launch capital advisory business | Howden Broking ([howdengroup.com](http://howdengroup.com))



# Howden TMEA Regional Conference



**On 22nd June 2022, Howden TMEA hosted its 2nd Regional Conference in Eternal city of Istanbul.**

**The conference focused on bringing together Howden Group, Howden TMEA and Howden One Leaders to**

**network as well as discuss the Global and Regional group strategies.**

**Thank you to our colleagues, partners and sponsors for making the conference an outstanding success.**



## HowdenCAP to bring new approach to capital solutions in response to the changing needs of financial institutions and corporate clients

On 4 July, 2022, London - Howden, the international insurance broker, has announced the appointment of Mary O'Connor as CEO of HowdenCAP, its new capital, advisory and placement business for financial institutions and corporates. The launch of the division is in direct response to clients' needs for increasingly complex insurance and investment solutions to optimise capital and achieve strategic goals.

Under O'Connor's leadership, the business will bring a fresh approach to solutions at the convergence of the insurance and capital markets space to corporate clients and all non-(re)insurance industry clients in the financial services sector, including private equity, banking and asset management. The new proposition will for the first time at scale, blend the skills and experience of those with backgrounds in banking, law and 'Big-Four' consultancy with the breadth and depth of insurance specialisms.

O'Connor has joined from KPMG, where she held the position of Acting CEO. Prior to this, she held the role of Head of Clients and Markets, having joined KPMG in 2018 as Chief Risk Officer.

O'Connor spent the previous six years at Willis Towers Watson as Head of Client, Industry and Business Development, and Global Head of Financial Institutions. O'Connor will report to José Manuel González, CEO, Howden Broking.

Howden's advisory arm will house its market-leading Mergers & Acquisitions practice, which specialises in Warranty & Indemnity insurance, its Global Credit Solutions and Surety practices, and specialists in regulatory capital, risk weighted assets, private equity, insolvency, tax, credit and structured finance. The highly skilled and multi-disciplinary team has a proven track record of creating tailored solutions for Financial Institutions and Corporate clients.

HowdenCAP is creating a unique, next generation consultancy and by expanding the traditional insurance structures, it will help equip companies to meet the increasingly challenging macro-economic environment. The formation of HowdenCAP follows Howden's recent announcement to acquire TigerRisk Partners, the risk, capital and strategic advisor to the global insurance markets, to create a standout reinsurance advisory business.

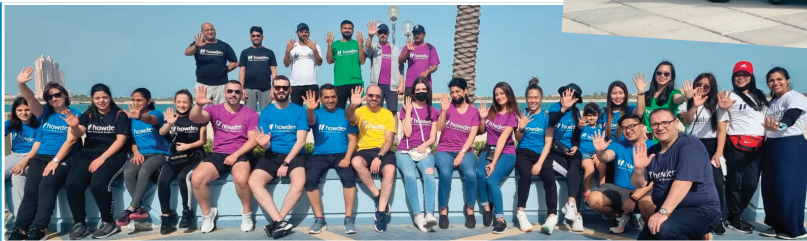
# Group Giving week 2022

Howden in UAE had a very exciting GLOBAL GROUP GIVING WEEK. Howden in Dubai started our 'Giving' by contributing to the Meals of about 1000+ workers in a camp. We further organized several collaborative team events like "ART IT UP" Challenge, "CRICKET FOR A CAUSE" Tournament, "GGGW Breakfast Cafe", "GGGW Lunchroom" & "GGGW Afternoon Juice Bar".

One of our colleagues - Rezin Abdullah, volunteered to assist the players at the Badminton Para Olympics.

Howden Guardian-Abu Dhabi participated in a challenge "10,000 for 10,000". Each member of our Team accomplished 10,000 steps on Abu Dhabi Corniche to unlock our donation of AED 10,000 (~USD 2,725) to the Reach Campaign. This program is initiated by the UAE President- HH Sh. Mohammed Bin Zayed Al Nahyan, to help several African nations fight Neglected Tropical Diseases (NTD) including River Blindness and Lymphatic Filariasis.

To end the week on a High, we held a Closing ceremony wherein we gave away prizes to the winners as well as we hosted a Raffle draw! Together, we make a difference.



### 10,000 for 10,000

We have accomplished 10,000 steps on Abu Dhabi Corniche walk to unlock AED 10,000 donation to reach campaign fund to help fight NTD across African countries. We are proud to be in the community that help millions to secure a brighter future.



# THE IMPACT OF THE RUSSIA-UKRAINE WAR ON THE ENERGY INSURANCE INDUSTRY

**T**he Russian/Ukrainian war is adding further strain to post-pandemic struggling economies, and countries across the globe are feeling the impact. Energy prices are peaking to their highest levels in nearly a decade and supply is being called into question. This has prompted political leaders to rethink their energy plans, to revisit their strategic reserves and to forge alternative plans that are at odds with the drive to curb greenhouse gas emissions and decarbonise their economies.

Far from pushing countries to accelerate their transition to renewables, the political urgency to reduce dependency on Russian energy has in fact driven many countries to double-down on their use of fossil-fuels. For example, concerns over energy security are driving up coal imports as nations race to shore up fossil fuel supplies. Some countries are even calling to delay emission reduction efforts, shelving plans to meet net-zero carbon emissions as the need to protect their energy supplies takes precedence. Furthermore, establishing the infrastructure required for renewables is no quick fix and requires a lot of investment as well as time to build. Delays will also be likely as key components face supply-chain issues. For instance,



**Hala E. Long**  
Executive Director  
Howden Specialty  
DIFC



**Richard Mockett**  
Senior Executive  
Officer - Howden  
Specialty DIFC

Ukraine is the world's largest supplier of a group of chemical elements known as "noble gases" that are used to make semiconductor chips which are used in renewables machinery. What does this mean for the Middle East and North Africa? As Europe is looking to reduce their dependency on Russian gas, Qatar has been able to step up as an alternative source of supply, appearing ready to bridge the gap in the LNG supply chain for

various European countries and enable them to reduce their dependency on Russian gas. However, this may prove to be a short-term solution because of the EU's determination to reduce overall gas consumption as well as the hesitance to make large scale investments in new fossil fuels projects (such as LNG-terminals) that will delay the transition to clean energy.

The region's other key players, Saudi Arabia and the UAE, are taking a cautious approach to increasing oil production, tempering their response to global requests for them to raise output at a faster rate and continuing to endorse the inclusion of Russia as a member of the OPEC+ energy alliance. This neutrality means that production has remained in line with





original OPEC+ plans to only steadily increase oil production from the levels agreed at the height of the Covid pandemic, overlooking any need to meet increased demand as a result of the decision by some countries to ban Russian oil imports. When it comes to geopolitical strategies, each country in the Middle East and North Africa is different and the challenges faced by one may not be the same for the other. It is fair to say though, that all have to act carefully to maintain strategic partnerships with the United States and the European Union, whose financial and diplomatic support they need. At the same time, many of the GCC states strive to maintain an open trade relationship with Russia, whom they have aligned with much closer on key security matters as well as various projects across the Middle East and North Africa.

Now, how does this relate to the downstream Insurance Industry? It was clear from the start of 2022 that the downstream market had plateaued in terms of a hardening of terms and conditions. Many reinsurers had started pushing for increased shares on profitable (loss free) business, often at the expense of pricing, as multi-year deals with pre-agreed single digit rate reductions became more common. This was primarily driven by the desire to protect existing or increased line sizes. The sanctions imposed on Russian (re)insurers following the invasion of Ukraine has only exacerbated the situation, as many international (re)insurers scramble to plug holes in their budgets caused by the sudden and unforeseen removal of (re)insurance income from the Russian energy sector.

Lost premiums have been estimated to range anywhere between USD200 – USD300m for the energy insurance market alone, prompting some (re)insurers to aggressively pursue increased income elsewhere in order to fill the shortfall. Whether this leads to a sharp reversal in the hardening of terms and conditions seen throughout the pandemic remains to be seen, but it might bear the hallmarks of a new (soft) market cycle.

Various underwriters are now looking to also apply a Territorial Exclusion clause on all policies going forward, which excludes the territories of Russia, Ukraine and Belarus. This is expected to sit alongside the existing Sanctions clause that is commonly applied to most property all risk policies, and whilst the relevance of the exclusion may be minimal to those clients that do not have operations connected with the referenced territories, the intention is to exclude any and all cover for locations or values based within Russia, Ukraine and Belarus.

Another factor that is hard to overlook is the fluctuation of oil & gas prices in the global energy markets due to, at least in part, the continued turmoil and uncertainty following Russia's invasion of Ukraine. Even prior to the conflict, there had been a steady rise in hydrocarbon prices as demand caught up (and outpaced) supply, bouncing back from the pandemic slump. However, the cost of oil severely spiked at the start of the invasion and some energy companies took this opportunity to increase production and maximize their returns. Higher pricing for oil has been a welcomed outcome for energy underwriters, as an increase in fossil fuel activity from their existing clients consequently leads to higher business interruption (BI) margins and ultimately equates to higher BI premiums. These higher premiums have given reinsurers some means to offset the loss of their Russian income. However, with the ongoing rolling lockdowns in China affecting many major cities in the country (as of the time of writing), the outlook for global demand is once again volatile and severe price fluctuation seems to be the new norm.

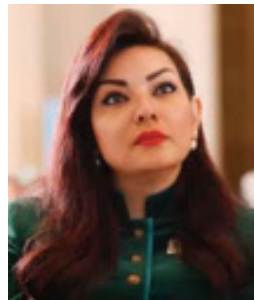
Finally, many energy companies - including those in the Middle East - are increasingly aware of the threat of cyberattacks on their operations. The growing use of cyberwarfare as a component of the confrontation in Ukraine has made companies more vigilant of the potential threats to their own systems and the catastrophic consequences that could result from a cyber-attack. The energy industry is vulnerable to cyber-attacks due to its importance to national security and infrastructure, making it a prime target for nation states, terrorists and activists. We have seen examples of cyber-attacks unfold with targets across the globe including, but not limited to, previous malware attacks on national oil companies and a ransomware attack that shut down a major U.S. oil and gas pipeline last summer. Awareness is now increasing and so too is demand for stand-alone cyber products that offer protection in the event of losses due to a cyber-related event.

It is clear that the downstream energy industry in the Middle East and North Africa is not immune from recent economic and political events happening in other parts of the world. This too is true from an insurance perspective, as geopolitical factors shape future risk exposures as well near term underwriting conditions. Yet in the long run, the MENA region may have a key role to play in stabilizing the outcome of events that have erupted elsewhere but affect them nevertheless.



# CLIMATE CHANGE & UAE INSURANCE MARKET

**T**he race to respond to climate change is on. Businesses must contribute, and Howden is committed to make a difference in the community and the environment based on putting “People First” and by implementing a strong environmental, social, and corporate governance (ESG) strategy in order to achieve what we do best: think outside the box to create valuable risk transfer solutions. In November, David Howden, the founder of Howden Group, spoke during COP26 at the World Climate Summit in Glasgow, Scotland, about the role insurance can play in unlocking private capital to respond to the increasing number of natural disasters devastating lives and livelihoods. Earlier this year I was invited by the United Nations to represent the Howden Group on Climate Change at Expo2020, and it was a pleasure to meet the Ambassador of Humanity, Michael Haddad, and all the amazing people who are making a difference, today and tomorrow.



**Author:**  
**Rasha Moukayed**  
Managing Director  
Howden Guardian

Howden Broking Group Foundation has committed to support the Nature Conservancy for the past two years, and the corporation supports carbon offsets to compensate for our group’s emissions. We are beginning the journey here in the United Arab Emirates.

The UAE’s Net Zero by 2050 strategic initiative is designed to achieve net-zero emissions in the next twenty-five years, making it the first nation to do so in the Middle East and North Africa (MENA). As the country enters a new 50-year cycle of growth and development, the UAE initiative aligns with the Paris Agreement to reduce greenhouse gas (GHG) emissions and limit the rise in global temperature to 1.5 C, and is encouraging other countries to work toward the same goals.

The UAE government is leading a seismic shift in the economy where insurance has a vital role to play by helping manage the risks, building resilience, and unlocking capital to support game-changing projects. Forward-thinking organizations are adjusting their respective business models to reduce emissions while ensuring growth based on principles of sustainability.

Howden Broking Group’s ESG program approach has three pillars: using insurance as a solution to the major challenges in the world; being a quality-driven and responsible business through diversity and inclusion and significantly reducing our carbon footprint; and giving back to our communities through volunteering, raising awareness, and contributing money through our foundation and our employee fundraising.

We’re now getting our own house in order, working with partners and suppliers to collect carbon emissions data; together we can work toward carbon neutrality and eventually set a net zero science-based target. As an example, for the past two years we have planted mangrove trees, aligning ourselves with the UAE ambition of planting 100 million mangrove trees by 2030. This year, we are working with the Carbon Trust to verify the Group’s FY21 emission data to certify carbon neutrality/PAS2060. The challenge is to collect the emissions data and report accurate information to offset it. We began collecting data



## TIMELINE OF THE UAE'S CLIMATE ACTION



@MOCCAUEAE #UAENetZero www.moccae.gov.ae

on water, electricity, paper, business airline travel, and fuel consumption.

The Howden climate risk and resilience team was launched in 2021, focused on risk transfer products that help to accelerate and de-risk the move toward a low carbon economy, and to help mitigate the results of climate change. Three examples of how we are tackling climate change:

### ENABLING THE TRANSITION TOWARD A LOW CARBON ECONOMY

Projects to support the transition to clean energy are expensive and there are often significant barriers to financing such projects. We help remove financial roadblocks through various means, including smart use of credit insurance that can play the same role as an early investor would. The result: raising the level of confidence around the project and the security of the investment.



### TRANSFORMING DISASTER RELIEF FUNDING MODELS

Humanitarian organizations are facing funding shortfalls. The UN reports that the disaster relief funding gap in 2020 was nearly \$20bn. Our response is to create risk transfer products to ensure things that would have never been insurable previously. Our “catastrophe bonds” allow organizations to pre-fund disaster relief, delivering finance into disaster zones faster than was possible before.

### INCREASING CONFIDENCE IN CARBON OFFSETS

Buying carbon offsets is mandated for some industries, optional for others, at least in the short term. Howden is the first broker to design insurance protection against this, working with energy companies in the regulated California market to ensure they are not invalidated during periodic audits.

We have recently observed transition in attitude among our clients regarding corporate responsibility to address the global climate crisis in their business practices. An increasing number of clients ask to see our In-Country Value Certificate and outline Howden’s approach to climate change. Companies can improve competitiveness and influence in the growing ESG movement. It requires a shift in mindset, an understanding of our approach to help build sustainable clients, and improvement of the client’s emission credentials as part of the wider value chain.

Leaders must find new ways of thinking about financial risk transfer to build sustainable businesses and contribute responsibly to the local and global economies. Why wait when you can make a difference today?



# IMPORTANCE OF RISK MANAGEMENT TO PROTECT ASSETS FOR HIGH NET WORTH INDIVIDUALS

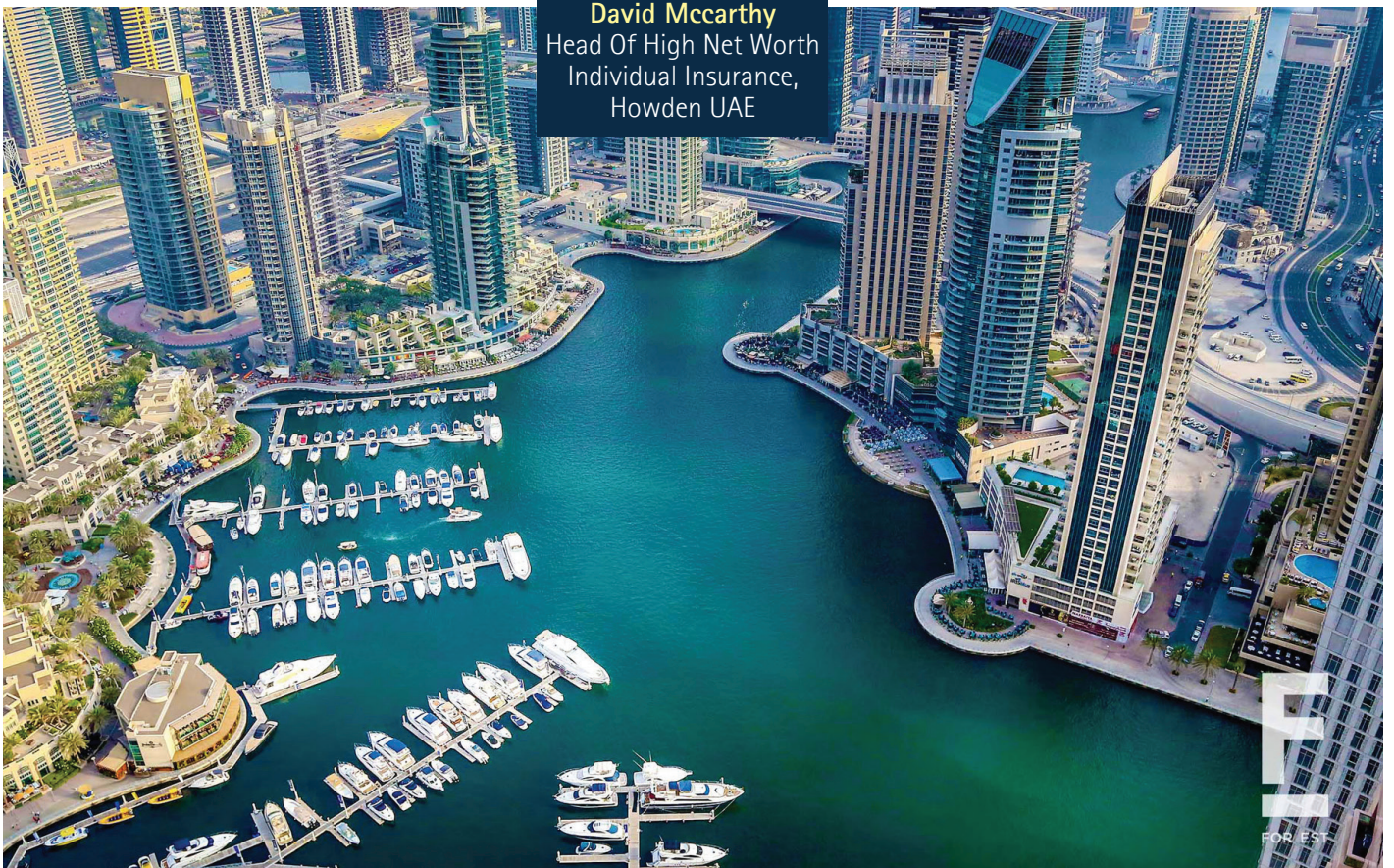
**B**uilding on a highly successful High Net Worth (HNW) practice across Europe Howden in the UAE have launched the local HNW individual practice. With the high demand and continuous growth of HNW individuals within the UAE, combined with our expertise in Europe we are excellently positioned to meet clients' needs in the UAE, whilst offering the best suitable

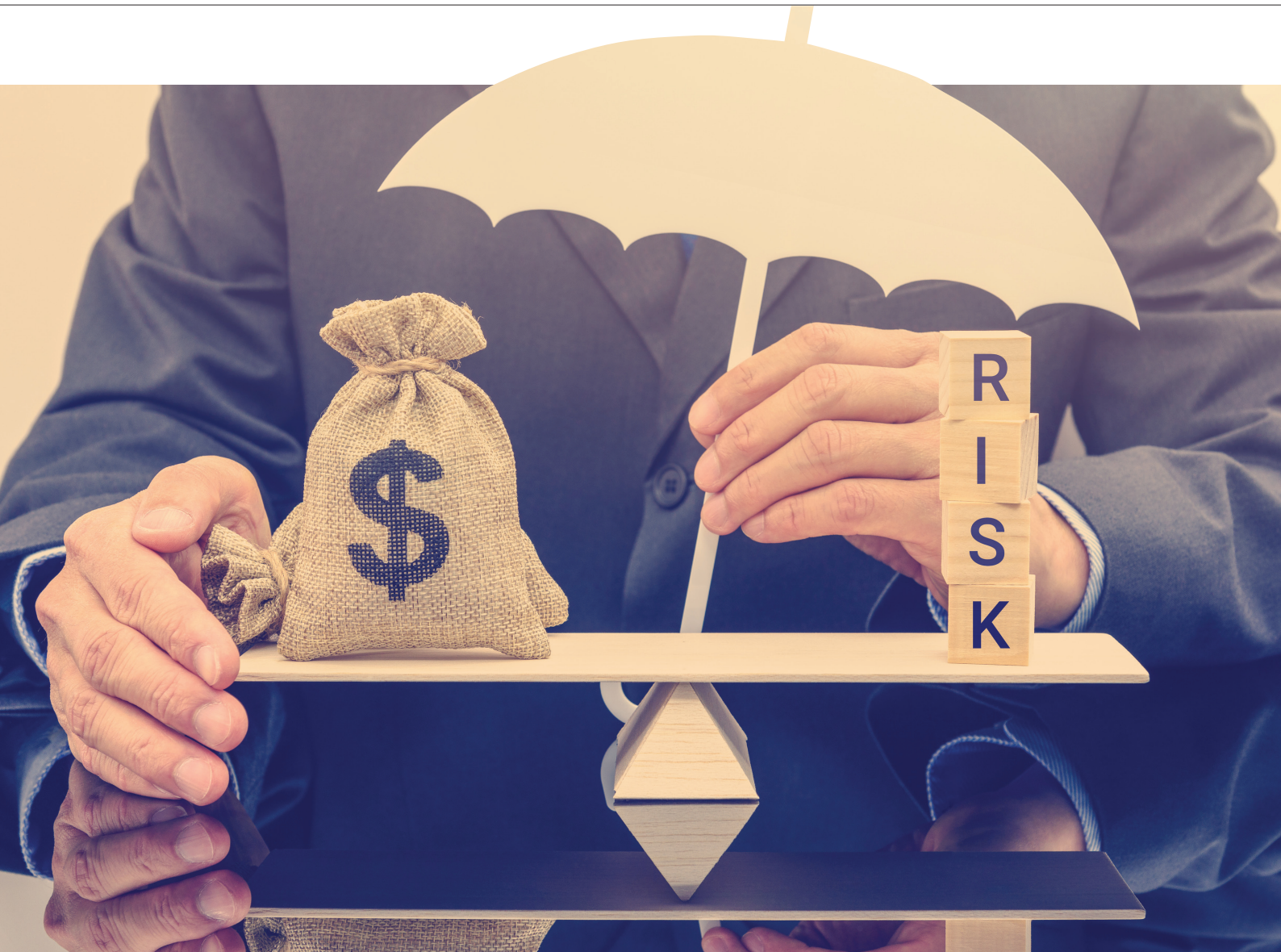


**David McCarthy**  
Head Of High Net Worth Individual Insurance, Howden UAE

cover protecting our clients most prized assets. The practice is being lead by David McCarthy, who joined Howden Dubai in April, coming from a specialized NHW brokerage in Ireland, where he worked for the last 8 years. Building on his expert knowledge and expertise we able to offer bespoke and personalized insurance solutions.

The number of ultra-HNW individuals (> \$30 million) in the Middle East is expected to increase





by 24.6% in the next five years to reach almost 330,000, with the region expected to remain the fourth largest wealth hub in the world. With its stunning high-rise architecture and enviable lifestyle, Dubai, a regional leading professional business hub and world-class tourism hotspot, is often seen as the ultimate destination for HNW individuals. The UAE is the wealthiest nation in across the Middle East, with Dubai topping the list as the richest city; according to a report by New World Health, Dubai boasts over 165,000 millionaires, 2,480 multi-millionaires and 12 billionaires. This concentration of wealth comes with a whole range of safety, asset and liability risks. Building on our international and local insurance relationships we are able to design and deliver solutions that are well tested and at the same time creative and innovative to meet the demand of the ever-increasing market.

We at Howden feel it is a necessity to protect our clients most prized assets, rather than face a financial loss in the event of a calamity. We strive to take away complexity, whilst ensuring comprehensive coverage is in place. We understand that clients

need to keep insurance costs at a minimum. That's why we research, (re)design, and negotiate policies with selected A rated insurers to arrange the best cover at the most cost effective premiums. We take upon ourselves to obtain a good understanding of our clients' needs that are often sophisticated giving the evolving wealth they hold. Through our HNW division we provide a personalized service with attention for detail. Not only when we secure the insurance, but more importantly in times of losses. We work closely with selected A rated insurers to offer comprehensive cover for cars, helicopters, planes, equine, home, contents, including fine art and jewellery.

**Clearly we don't overlook the well-being of our clients and their family members. To this end we provide bespoke premium medical insurance protection, including USA coverage. As part of our trusted advisory role for HNW individuals we work closely with highly reputable specialized firms who offer security services, valuations and estate-planning.**

# CONNECTED TO MORE

We go the extra mile to solve the most difficult challenges for our clients.

We provide a range of specialist insurance solutions to clients around the world.

We combine the strength of a global business with the personal touch of a group with employee ownership at its heart.

It's our business, so delivering the best solutions for our clients is personal to us.

## Howden Broking Group

**\$14.5bn**

USD premium  
FY 21 GWP

**10,500+**

Professionals

**45**

Countries

 howden



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on our social media  
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HowdenTMEA

