



Qatar  
FINANCIAL CENTRE  
AUTHORITY

# INSURANCE



## INTRODUCTION

The Qatar Financial Centre Authority was established in 2005 to support the diversification of the economy, and to bring added depth and breadth to Qatar's financial sector and that of the region as a whole.

As part of Qatar's National Vision for 2030, the QFC Authority is pursuing a thorough approach by focusing on the creation of a global business hub for the insurance industry with a strategic focus on reinsurance and captives insurance, both of which have significant growth potential in the Middle East. The QFC Authority offers direct access to emerging market returns with developed market risks.

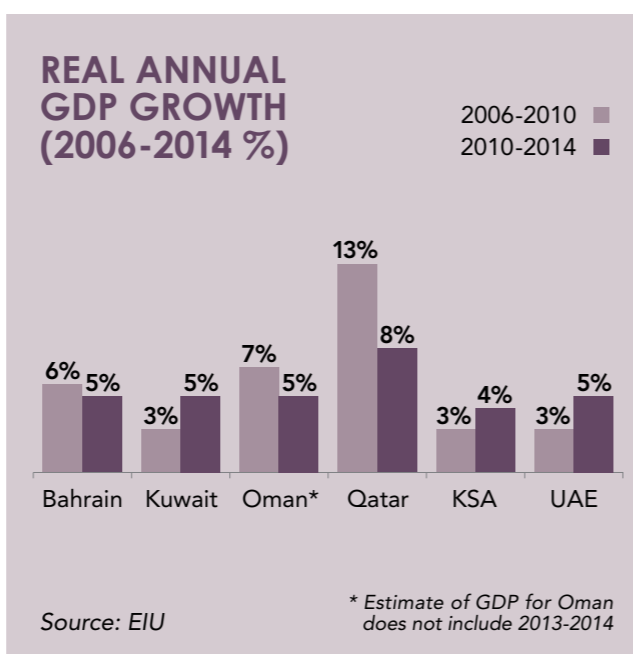
## ROBUST ECONOMIC FUNDAMENTALS

Qatar's continued economic growth is creating real and sustained opportunities for new entrants, both local and international, to play a big part in the insurance sector's development – increasing the benefits of competition, contributing to raising overall market standards, and increasing market efficiency.

The GCC aggregate GDP is estimated at US\$ 1,042bn for 2010, ranking it amongst the 20 largest economies in the world. Moreover, GCC real GDP grew by 3.9% per annum between 2006 and 2010, despite the global financial crisis, and significantly faster than the world average of 1.8% during the same period.

Qatar was the fastest growing country in the GCC over this period with a real annual growth rate of 13%. Forecasts indicate that the GCC economy will grow by 4.9% per annum between 2010 and 2014, with Qatar registering the greatest growth of 8% per annum.

This overall growth is fueled by extensive infrastructure investments coupled with growing populations and incomes, underpinning a dramatic increase in large scale insurable assets in the region.



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Qatar's gas reserves, the third largest in the world, together with its oil reserves are estimated to be worth US\$ 16.7 trillion assuming a price of US\$ 95 a barrel of oil equivalent (BOE).

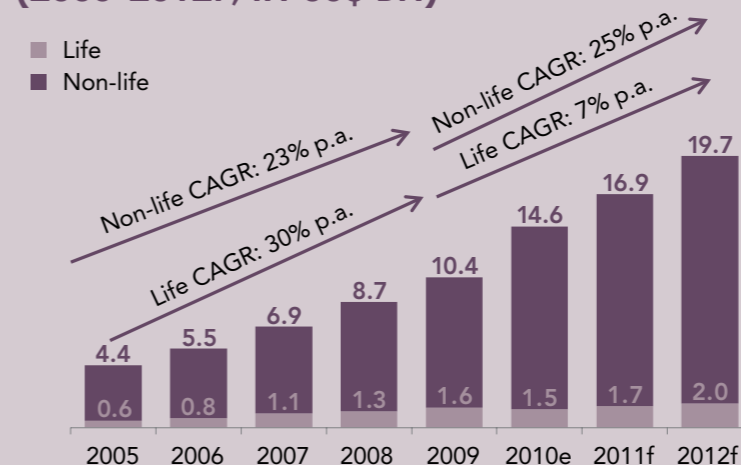
There is currently an estimated US\$ 759 billion worth of infrastructure projects underway across the GCC and

planned investment in public and private projects across the GCC already amount to US\$ 796 billion.

This strong economic backdrop and market development represents a wealth of opportunities for both captives and reinsurers seeking to enter this emerging and dynamic market.

## GROWTH POTENTIAL

### GCC INSURANCE PREMIUMS BY TYPE (2005-2012F, IN US\$ BN)



Source: Swiss Re, Central Bank of Bahrain, Business Monitor International

Total gross written premiums have risen significantly across the GCC over the past four years. In 2010, the GCC insurance market was estimated to be worth US\$ 16.1 billion, a 345% growth over 2009. The non-life segment of the market accounts for 93% of total premiums, with the life segment accounting for the remainder.

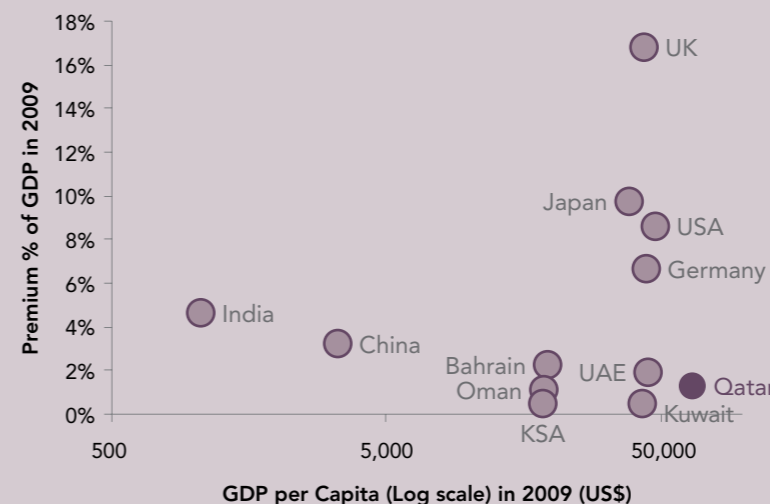
Between 2005 and 2009, non-life insurance premiums grew by 23% per annum whilst life insurance premiums grew by 30% per annum.

Over the same period, Qatar registered an impressive 25% growth per annum.

Despite the significant premium growth in both life and non-life insurance, penetration levels remain low, particularly in Qatar, which indicates high growth potential in these segments.

## THE OPPORTUNITY

### INSURANCE PENETRATION LEVELS (PREMIUMS VS GDP GROWTH, 2009)



Source: World Bank

In short, much of the growth in the insurance sector is being driven by the rapid expansion of the economy in the region and more specifically, Qatar.

Forecasts suggest the GCC insurance sector will grow to over US\$ 20 billion by 2012, a 22% annual growth rate.

**GRAPH: Low penetration and density rates suggest major growth potential of the GCC insurance market**

The penetration rate in the GCC region is on the rise, having increased from 0.73% in 2000 to 0.94% in 2009. However, this is still far lower than the global average of 6.9%.

The potential of the insurance market across the GCC, and Qatar in particular, is evident when insurance penetration levels are compared against countries with similar GDPs per capita.

## INSURANCE DENSITY PER CAPITA 2009



“ While product diversity remains limited to industrial risks in the region, all major lines of business, such as marine, aviation and transit and property classes are experiencing considerable premium growth. ”

“ On a country by country basis, Qatar has the highest cession rate in the GCC at 57%. ”

“ The global captives market is dominated by the North American industry which account for 64 per cent of captives. ”

### REINSURANCE

The promise of GCC reinsurance markets: High cession rates and rapid growth of primary business. The aggregate GCC cession rate was 46 per cent in 2009, translating into a non-life reinsurance volume of around US\$ 4.8 billion. Although declining, cession rates remain considerably higher than other countries of similar wealth.

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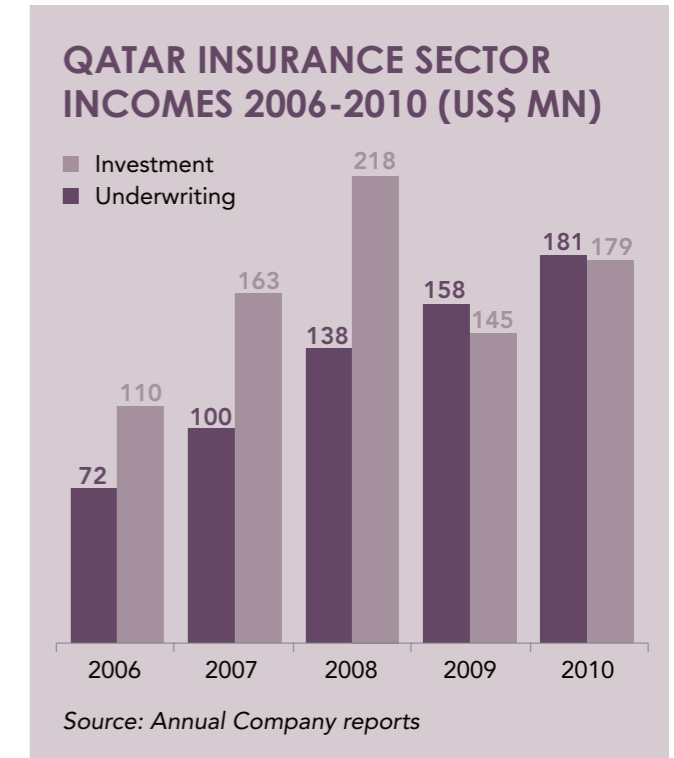
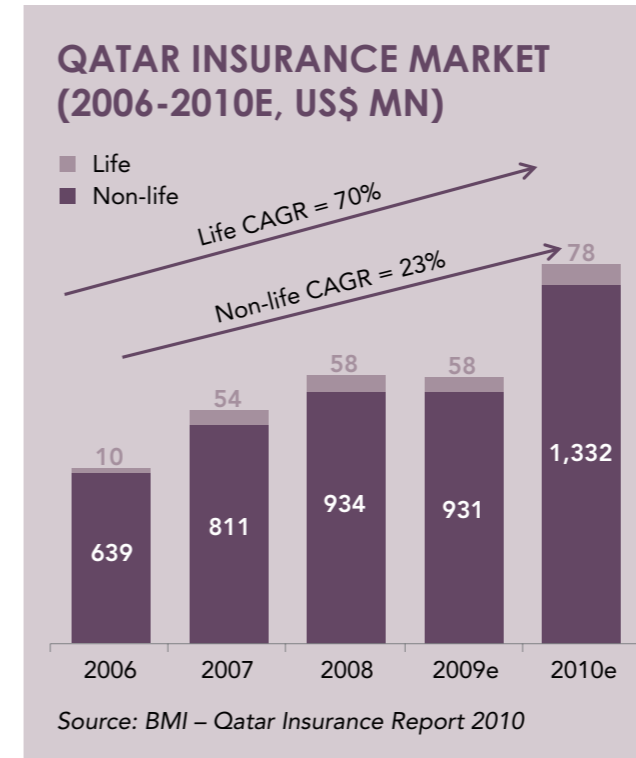
Many international names such as AXA, Marsh, Alico and Allianz are already established in Qatar alongside major local firms including Qatar Insurance Company, Qatar General, Al Khaleej, Doha Insurance Company and Qatar Islamic Insurance.

### CAPTIVES

The global captives market is dominated by the North American industry which account for 64 per cent of captives. However, in recent years the number of captives in the UK and Europe has grown substantially. Property and General Third Party captives represent the largest segments, accounting for 22% and 20% respectively, and these all point to the growth opportunities in the undeveloped markets of the GCC.

While product diversity remains limited to industrial risks in the region, all major lines of business, such as marine, aviation and transport and property classes are experiencing considerable premium growth. Clients in the form of maturing local companies and foreign investors are continuing to spur the demand for more sophisticated insurance products and Alternative Risk Transfer mechanisms such as captives.

GRAPH: Qatar's insurance industry has grown substantially over the past few years



### TAKAFUL INSURANCE

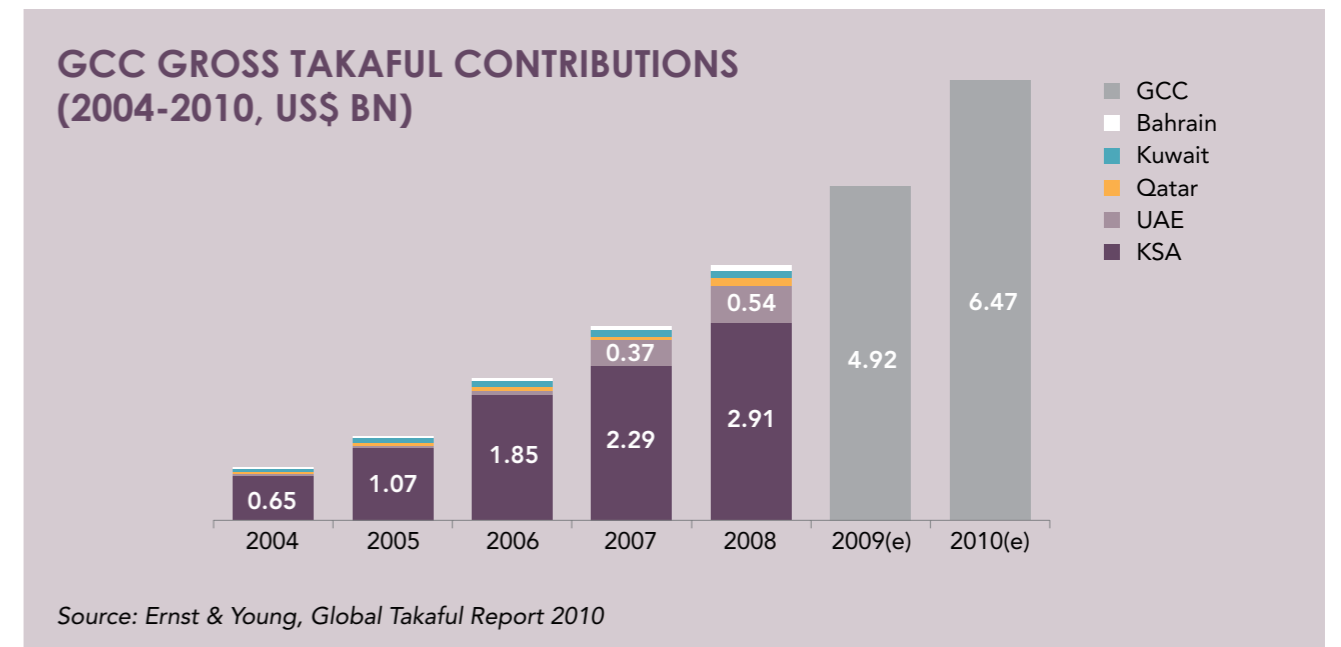
In recent years Takaful insurance has gained significant prominence across the GCC as the industry looks for new products.

Takaful insurance is a Shari'a compliant method for risk sharing by pooling individual contributions for the benefit of all subscribers. The global market remains at an early stage of development and was estimated at US \$8.3 billion in 2008.

The GCC market accounted for US \$3.7 billion in 2008 and is estimated to be worth US\$6.5 billion in 2010.

GCC Takaful premium growth has been impressive, reaching 135% in the UAE, 69% in Bahrain and 50% in Qatar per annum between 2005 and 2008.

Analysts predict that from 2010 to 2020 Islamic Shari'a compliant practices and Takaful will move to the mainstream.



## STABLE BUSINESS ENVIRONMENT

Qatar's economy is one of the fastest growing, yet most stable in the world with its growth underpinned by the country's huge hydrocarbon wealth and steady political and economic stewardship.

With an AA rating, Qatar has one of the world's highest sovereign ratings which are also amongst the highest in the Gulf Cooperation Council.

Qatar is considered politically stable and low risk due to the population's strong trust in the wise leadership of the government, a safe and secure environment and a good distribution of the country's wealth among the population. The State of Qatar in its National Vision for 2030 is committed to the diversification of the economy, including the development of financial services, for the benefit of future generations.

In terms of the business environment, Qatar is regarded as highly competitive. According to the Global Competitiveness Report 2010-11, Qatar is the 17th most competitive nation in the world, the highest ranking in the Middle East.

The financial services industry in Qatar is growing and, along with other services including real estate, is now the largest contributor to Qatar's economy (more than 12% of GDP at the end of 2009) after the hydrocarbon industry.

With a national emphasis on education, Qatar's pool of graduates as well as financial services professionals at all career levels is one of the most qualified and mobile in the region. Central to continuing education and knowledge transfer within the financial services industry is the Qatar Finance and Business Academy (QFBA). Through its partnership with the Qatar Foundation

and the QFC Authority, QFBA provides learning solutions for entry-level to senior executive professionals in essential financial disciplines within the sectors of banking, asset management, capital markets, insurance and financial services leadership.

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Qatar is also at the forefront of supporting and developing technologies that enable the industry. To date no financial services hub has developed a truly world class trading platform for the insurance industry. Qatarlyst, in partnership with the QFC Authority, is an innovative system offering secure connectivity between existing trading partners across the globe. Initially focused on the placement of reinsurance, re-Takaful and insurance contracts, it will soon include additional functionalities covering claims handling and accounting information.

## WORLD CLASS JURISDICTION

“ All entities operating within the QFC can be 100% foreign-owned.

The QFC Authority has created a regulatory and legal environment that is the equal of many recognised and long established jurisdictions.

All entities operating within the QFC can be 100% foreign-owned. Base capital requirements are US\$10 million and US\$20 million for direct insurers and reinsurers, respectively.

### Permitted activities

- Insurance
- Reinsurance
- Captive Insurance
- Islamic Insurance (Takaful and Re Takaful)
- PCC
- (Re) Insurance Intermediation
- Insurance Management

### Base capital required

- Direct: \$10m
- Reinsurer: \$20m
- Class1 Captive: \$150,000
- Class2 Captive: \$1m
- Class3 Captive: \$250,000
- PCC (Non-cellular): \$50,000
- Insurance intermediaries: \$250,000 – \$500,000

## QFCA REGULATIONS

Unlike other regional centres, the QFC does not impose any restrictions on insuring domestic risks within Qatar. Subject to obtaining the necessary approvals, authorised firms are fully permitted to conduct insurance business with retail customers.

In addition, under the regulations:

- Civil and commercial disputes may be brought before the QFC Civil and Commercial Court (in English), with laws adapted from major financial jurisdictions across the world.
- There are no restrictions for QFC institutions on dealing in any currency.
- The QFCA has its own employment and sponsorship rules which run parallel to that operating in the greater State of Qatar.
- Qatarisation does not apply in QFC. There are no restrictions on the number and/or percentage of expatriate workers employed by companies in QFC.

## PREMIUM INFRASTRUCTURE

Subject to availability, QFC offers its members highly sought after office infrastructure in its own premises which comprise two office towers in West Bay.

Alternatively, subject to approval, members can choose to locate their offices anywhere in Qatar. Premium office space is readily available.

## TAX REGIME

The QFC Authority operates a transparent tax regime which is extremely attractive to companies seeking to use the authority's strategic focus on reinsurance and captives.

The QFC Authority levies a tax of up to 10% on profits – this tax is applicable on locally sourced profits of permanent establishments in Qatar.

There are in place tax exemptions for reinsurance business, captive insurance companies, and special purpose vehicles.

Importantly, there is no insurance premium tax nor are there any personal income taxes, indirect taxes, withholding taxes, capital gains taxes or dividend taxes.

Qatar has signed double-taxation treaties with 37 countries. Further tax treaties are under various stages of finalisation and unilateral tax relief applies with several countries including the US, the UK and Japan.

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For more details please visit our website [www.qfc.com.qa](http://www.qfc.com.qa) or write to us at [reinsurance@qfc.com.qa](mailto:reinsurance@qfc.com.qa) or [captives@qfc.com.qa](mailto:captives@qfc.com.qa)

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