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GAIIF calls for united front to overcome odds

Dignitaries at the opening ceremony of the 31st GAIIF General Conference in Beirut yesterday rallied the Arab insurance industry towards closer integration in order to respond to the challenges facing the MENA region.



Minister for Economy & Trade in Lebanon, Dr Alain Hakim (left), who attended on behalf of Prime Minister Tammam Salam, called for closer cooperation between insurance bodies in various Arab countries to assist each other in capacity building.

"I call on the spirit of Arab nationalism in the insurance industry to help the sector grow further by sharing experiences and expertise with one other."

He noted that current economic and political challenges facing the region are hampering the ability of the Lebanese insurance sector to achieve its maximum potential. Thus, he reiterated the government's commitment to support the industry so that it can carry out its constructive role in society.

"There is undoubted correlation between economic growth and insurance sector growth, so Lebanon considers it very important to assist insurance companies in fostering a viable environment, create jobs and achieve sustainable development."

Some of the measures to assist the local industry include the completion of an earthquake impact study and its effect on the economy and insurance players; as well as facilitating mergers to help the insurance sector consolidate, he said.

Support from all stakeholders

Delivering his welcome address, Mr Assaad Mirza, Representative of the Lebanese insurance market to GAIIF, reiterated the Lebanese insurance industry's faith in the government's continued support, although the adoption of a new insurance law would fast track the industry's bid to achieve its ambitions, he said.

"We have a lot of hope and trust in the Ministry of Economy and Trade to support our work despite the difficulties facing the current government. The insurance sector will require enhanced competency to achieve the quantum leap to be ready for the development of the oil and gas sector in Lebanon."

He added: "The GAIIF conference is a good opportunity and platform to gather and share experiences to benefit one another."

Ability to overcome odds

Meanwhile, GAIIF Secretary-General Mr Abdul Khaliq R Khalil (right), said the Arab insurance sector is capable of turning current challenges into opportunities for the industry.



"I'm convinced that every challenge brings with it opportunities which can allow the industry to achieve better growth and profitability. But it requires the right controls in the market and also training and development of employees.

"As an organisation, GAIIF provides an opportunity to tackle the growing challenges together."

Cooperation is vital

Mr Reda Fathy, President, GAIIF Executive Committee, said that national and regional challenges currently facing the Arab world puts more responsibility on insurers to manage and reduce risks in the market.

In calling for greater collaboration amongst insurers in the region, Mr Fathy proposed the formation of a cooperation and dispute settlement entity within GAIIF to advise and mediate over conflicts between insurance and reinsurance companies in the market.

He also proposed the establishment of an Arab rating company to meet the specific needs of insurers in the MENA region.



Mr Reda Fathy (left), President, GAIIF Executive Committee, and Mr Assaad Mirza (right), Representative of the Lebanese market to GAIIF, in a symbolic handover as Lebanon assumes the GAIIF chairmanship from Egypt.



Fasten your seat belts: Industry faces strong winds of change

The seat belt sign is on as the insurance industry is being buffeted by turbulence from all directions – economic, financial, geopolitical and regulatory. However, there are enough opportunities for companies to steer themselves away from the headwinds, said Mr Denis Kessler (right), Chairman of SCOR.



“I believe the tailwinds will be stronger than the headwinds and, if one is smart enough to pilot his company, crosswinds can be avoided”, he said while using the analogy of a rough flight to describe the current difficult times.

Some of the headwinds include the low and unprecedented negative interest rate environment and the quantitative easing programme of some major central banks, excess capacity, and rife competition resulting in insurers being paid less to take on more risks amid weak global growth.

New risks, new opportunities

On the positive side, tailwinds include an ever-expanding traditional risk universe to include new risks created by technology, the major protection gap existing in the region and crises in the public sector leading to risk transfer to the private sector.

These winds of change are full of opportunities for the insurance



sector, which can step in to take advantage by meeting life insurance needs and closing gaps in Nat CATs.

Be proactive

“Don’t bet on the macroeconomic situation, bet on yourself,” Mr Kessler told the audience. He added that insurance could be a catalyst of growth and could also provide job opportunities in MENA.

“Bougez vos derrières!” quipped Mr Kessler in his native French, urging insurers to “move their bottoms” to react in a positive way to the crosswinds of disruption, consolidation and regulation.

He said insurers needed to harness technology to improve business processes, at both the company and industry levels. This will increase tools that can be shared by market participants, reduce costs and increase the efficiency of underwriting and risk carrying.

Fostering innovation could also be helped by the right talent management and attracting the best and brightest. “They will fuel the industry with new ideas – give them a chance!” he said.

Mr Kessler ended his speech with one additional wish. “When I come back in say 2022, I dream that MENA countries would have a common regulatory regime. We did it in Africa, and it has helped in the expansion of the market.”

Tapping on opportunities in the new world

After years of talking prices and market share, the insurance industry is finally waking up and entering an exponential innovation curve, and MENA insurers should leverage on this trend to bring the region’s industry to the next level of growth, said Mr Bernd Kohn (right), Munich Re’s Chief Executive for Middle East and Africa, speaking on the reinsurer’s positive outlook for the region.



While he noted that the region is full of growth opportunities, driven by demographics, he said that traditional products like motor, fire, CAT risks have a low entry barrier and are constantly attracting new players and bringing margins down. In order to stay ahead, insurers should look to innovate and differentiate themselves given the opportunities created by a new risk landscape.

Innovate by meeting modern needs

He said the future risk landscape would require new solutions in areas like cyber, non-damage business interruption, food safety, pandemics, regulatory, political risks, water crises, obesity and longevity, among others. And even if the industry currently lacked data to price new products for these risks, it could not ignore them.

“We have to find ways to ring-fence it and organise the risk trans-

fers for them, because these are the exposures which really matter,” he said.

Mr Kohn said that even for traditional lines such as motor, the rise of connected and autonomous vehicles may mean shifts in liability. The shared driving economy means that many find that they no longer need a car if they rely on new services like Uber, and thus these trends will change motor insurance dramatically.

Endless opportunities

Another big emerging risk is cyber, with the cyber element appearing virtually everywhere from cars, supply chains and smart homes, said Mr Kohn. There are an estimated 70 million cyber crime incidents annually, amounting to economic losses of about US\$500 billion.

Reputation risk is also a very complex issue where the industry can develop more solutions, he said. Other areas to look into include pandemics, where new data and computer power have enabled some pandemic modelling and found patterns in how pandemics happen.

“Although there is potential in the MENA region, returns will not come from the investment side...you have to somehow escape the commoditised part of the game. This is the way to stay relevant, and it needs a lot of energy and dedication from the top of the organisation,” said Mr Kohn.



Digital health insurance: Fighting or joining the disruptors?



Health insurance accounts for a quarter of Middle Eastern insurance premiums. In combination with an astounding adoption of technology and an IT-savvy young generation, there is some potential for new business models in the region's health insurance space, argues Dr Kai-Uwe Schanz of Dr. Schanz, Alms & Company.

The word "disruption" is now almost universally used, to an extent that it might lose all meaning. Today, no doubt, digital products threaten to erode the foundations of traditional business models, even those which are still generally viewed as successful by investors and considered effective by customers.

Due to its multi-faceted nature, healthcare delivery is particularly prone to disruption across the value chain. Recent examples include social support mechanisms, Uber-like telemedicine providers, risk selection vehicles and drug adherence advisors.

In the Middle East as well, where health insurance accounts for about a quarter of the total insurance market place, there are opportunities for digitally led healthcare innovation, on the back of strong affluent mid-market growth, a rapidly growing number of active mobile social users and some of the world's highest diabetes prevalence rates.

In order to capture this potential or – bluntly speaking – defend their relevance, health insurers need to invest heavily in non-traditional models around newly emerging online and offline ecosystems. These investments should focus on improving the client experience, managing costs, offering navigation services for clients in complex ecosystems and harnessing Big Data.

Benefits of new models

The client experience is still hampered by unmet needs such as access to quality care (for example, the option of specialist appointment booking) and basic information on available services and products. New technologies also allow health insurers to improve customer relationship management on the back of an increased proximity to, and frequency of interaction with customers.

Another major area of promise is cost management through digitally enabled disease prevention and management. Digital device integration allows to track and reward physical activity, for example, with positive effects on mortality, health and lifestyle. New technologies can also be applied to the management of chronic diseases. Wearables and devices with connectivity to smartphone platforms enable

rewards for risk-conscious behaviour and the early detection of evolving claims.

The increasingly complex network of online and offline players in the healthcare space puts a particular premium on value-added navigation services. Based on their comprehensive understanding of policyholders, insurers could position themselves as providers of guidance and advice. These services not only add to customer convenience, but can also help guide clients to quality healthcare with the best cost-benefit characteristics.

And, last but not least, Big Data. Much has been said and written about its potential in insurance. In the health sector, in particular, there are enticing opportunities, based, for example, on electronic health records, more dynamic underwriting, a better customisation of offers and data gathering from the electronic health ecosystem.

This digital journey is expected to translate into a much different and enhanced value proposition of health insurers. Rather than primarily absorbing catastrophic or non-catastrophic losses, the health insurer of the future will have to be able to select the best clients and to provide them with access to quality care as part of a seamless and convenient experience, manage (clients') choice of providers, enable personal health management and reduce out-of-pocket expenses.

Be aware of the pitfalls

However, as professional risk managers, insurers need to beware of potential pitfalls. One example is reputational risk as insurers engage with new and unfamiliar players across a very sensitive value chain. In addition, as Big Data facilitates "cherry-picking", customers with less attractive risk characteristics could fall by the wayside. Under such a scenario, a massive legal and regulatory backlash could painfully curtail insurers' operating degrees of freedom.

In sum, the digital transformation requires different skills, people and mind-sets within incumbent insurance companies. Failures and setbacks are inevitable and need to be discovered and addressed fast. Disruptive competitors are out there, ready to deprive insurers' of their most valuable asset: the ownership of the client relationship.

In order to hold its own, the insurance industry certainly needs to forge partnerships with some of the disruptors. But why not launch "counter-attacks" by invading adjacent industries in the healthcare space, bringing to bear insurers' core competencies such as a strong capital base able to absorb volatility, a superior capability of turning data into insight and proven management skills?

Dr Kai-Uwe Schanz is Chairman, Dr. Schanz, Alms & Company AG, Zurich.





Good times by the bay

The 31st GAIF General Conference got off to a wonderful start as delegates attended the welcome cocktail at the impressive Zaitunay Bay, overlooking the Beirut Marina. Friendships were renewed once again as GAIF participants immersed themselves in a grand Lebanese welcome.



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