

# What's next?

Market leaders share their predictions for 2021.

By Zuhara Yusoff

The global reinsurance sector outlook remains stable, according to AM Best in its latest market segment report published on 7 December. Positive pricing momentum, combined with tighter terms and conditions, as well as improving market discipline driven by the historically low interest rate environment and limited alternative investment opportunities are some of the factors contributing to this stable outlook.

Closer to home, the recession in the region is expected to be short-lived, with recovery starting in mid-2021 supported by fiscal stimulus and higher oil prices, according to Swiss Re in its annual outlook and review of the Middle East (re)insurance markets.

However, there are risks to the outlook, cautioned the global reinsurer, citing factors such as the resurgence in COVID-19 cases, new government lockdown measures

in response, and lower-for-longer oil prices should global demand only recover slowly.

Meanwhile, S&P's outlook for the insurance sector in the GCC is stable, with key contributing factors such as robust capital adequacy seen in 80% of its rated insurers, ongoing strong technical profitability in many EMEA non-life insurance markets and COVID-19-related claims limited to some industrial line writers.

However, the rating agency said a negative outlook could be triggered by capital market volatility cutting into earnings and capital buffers, a slowdown in premium collections and increased bad debt provisions, and slower GWP growth due to weaker economic conditions and fiercer competition.

Against this backdrop, *MEIR* asked some leaders in the region what they think is in store for the industry in 2021.

## Hardening rates, improved conditions create opportunities for regional reinsurers

"The market has been soft for many years. In the last 18 to 24 months there has been a hardening of certain classes of business and now, we have seen a hardening of rates in almost every line of business we write. We believe that COVID-19 will intensify and prolong the hardening of rates we had started to witness before the pandemic. We expect to see these improved conditions continue in 2021 and beyond. This creates plenty of opportunities for reinsurance companies in the Middle East region.

"IGI's exposure to COVID-19-related claims has been manageable and we are well-positioned to take advantage of hardening rates and the continued positive price momentum. We recently started to write US excess and surplus line business, and we are expanding our marine insurance business with the launch of marine cargo.

"However, despite these opportunities, we are still in the midst of one of the most challenging renewals seasons in decades. The COVID-19 pandemic is an unprecedented event for the insurance industry and is resulting in an

increasing number of coverage questions between clients and their insurers. Thus, the market is seeing an increased amount of claims notifications. This does not necessarily mean that the claims will materialise across the industry. We are also anticipating some difficulties in premium collection as the economic situation worsens and clients are impacted.

"With so much uncertainty around the pandemic and the pressures on the economy, clients are looking for security and stability from their insurer. IGI has a unique track record of continuous, sustainable and successful growth, including in the Middle East where the company started 20 years ago. If you are a trusted adviser to a client and able to provide solutions at a time when they are desperately needed, that is when a company can demonstrate its true value and cement relationships."

**Mr Henri Labat**, senior executive officer, IGI Dubai



## Focus on InsurTech to cater to changing customer profile

"Challenges include interest on deposits not generating the yields they did in the past, which will reduce overall investment returns as many insurers allocate a high amount of cash.

"Receivables/collections are also becoming more and more challenging given the overall state of the economies. Further, growth will be affected given the cut expected in government expenditure."

"Going forward, the industry needs to shine the light on

InsurTech, and continue to learn to pivot from old methods as we learn to operate amidst a COVID-19 environment, as well as to cater to our ever-changing customer profile (millennials and Gen Z) by matching the customers' digital demands through innovation. In addition, I expect to see more market consolidation."

**Dr Abdulla Sultan**, CEO, Bahrain Kuwait Insurance Company



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### New regulation bodes well for life segment

“I believe that the life insurance sector is still poised for major improvements in 2021, notably in the UAE considering the now applicable life regulations recently issued by the Insurance Authority. From introduction of further controls over distribution channels including cap on commissions or further disclosures to clients, we foresee a most needed shift in this sector.

“Although this may result in some distributors withdrawing from this sector, this will make the market sounder with increased service and value to the client and, at the same time, increased profitability for insurers over the long term. This is a win-win situation which will help consolidation of a slowly maturing market and allow life insurance penetration growth. Importantly, this will help increase customer trust towards the life insurance market

in the region, as we suffer more from lack of trust than lack of awareness.

“Innovation and disruption through technology coupled with great customer service will ultimately be the differentiating factors among life insurers of the future as already witnessed throughout the challenging COVID-19 year. This is precisely where Oman Insurance is investing as evidenced by our win at the 7th Middle East Insurance Industry Awards for Digital Initiative of the Year.”

**Mr Emmanuel Deschamps**,  
head of reinsurance, ERM, actuarial,  
data & individual life,  
**Oman Insurance Company**



### Opportunities remain bright for reinsurance brokers

“The reinsurance market is undergoing accelerated change with the hardening of reinsurance prices in over a decade. The MENA region is in line with global trends.

“Regional reinsurance brokers in MENA continue to anticipate a lot of challenges in 2021, related to the effects of COVID-19 on all aspects of the insurance sector and in particular the tourism industry.

“The expectation for an economic slowdown, reduction in government spending, lack of new investments and the geopolitical situation are all constraints facing the growth in the reinsurance market and more economy of scale by insurance companies and clients.

“Despite all these uncertainties, reinsurance brokers consider that opportunities in the MENA region remain bright. The current hardening cycle in the reinsurance market implies that the rates will increase. The decision of some reinsurers to close their operations in the region or withdraw from certain lines of business has altered the dynamics and reduced the oversupply of reinsurance capacity.

“Moreover, the potential increase in insurance penetration remains one of the most attractive characteristics of the MENA markets. New legislation in different parts of the region will trigger growth through compulsory lines, consequently helping to grow the reinsurance premiums.

“Furthermore, the strong support from local governments and regulators is important to introduce programmes to stimulate the economy, along with more stringent regulations towards stronger and better capitalised insurers.

“Finally, many governmental projects and huge investments have been put on hold and are expected to be reactivated in 2021 to boost the economy, which in turn will contribute to growing the business of reinsurance brokers.”

**Mr Joe Asmar**, executive director,  
**Chedid Re**



### Stay focused on purpose and value

“The pandemic has had a profound effect on how we live our lives, but has also highlighted how even in adversity, the human race is capable of resilience and great invention. For the insurance industry, this is an opportunity to move forward, modernise our ways of working and provide novel solutions that meet our clients’ changing needs.

“We are entering a period where insurance will come under more scrutiny on how it offers value for money. As professionals in the industry it is important we engage with our clients to highlight, through our enhanced analytics, risk management capabilities, and insurance solutions, the value we provide.

“Following the pandemic but also unprecedented political uncertainty as well as rapid technological advancement, it is understandable that the concept of ‘emerging risk’ has become the new normal; as brokers and risk advisers, it is our responsibility to ensure our clients understand their – often amorphous, complex and intertwined – exposures.

“The new normal brings a multitude of challenges; it has highlighted the need to focus on digital transformation of our

operations as well as the need to provide easy-to-use interactive platforms that allow clients to understand and manage their risk. It has also highlighted the need for the industry to address the issues of (up)skilling staff for the future.

“We need to move towards life-long learning to ensure our staff capabilities remain relevant whilst offering careers that attract and retain young talent. Finally, it has amplified the need to define purpose. More than ever before, the current pandemic situation has shown that purpose provides us with a lens through which we can understand the ‘why’.

“A clearly articulated purpose allows us to perform at a higher and more sustainable level. As we slowly move forward from the recent turbulent times and look forward to the future, our sense of purpose as an industry, a company, and even as individuals within the insurance ecosystem, will define the insurance sector for the remainder of the decade.”

**Mr Christos Adamantiadis**, CEO,  
**Marsh MEA**



## COVER STORY – 2021 OUTLOOK

**Offer wellness from a holistic point of view**

“The on-going pandemic has highlighted potential gaps and deficiencies in the current construct of insurance plans. People are now more aware and informed of their needs, only to realise that some plans lack coverage and regional consistency at the moment. For example, companies have realised that certain plans cover pandemics, while other plans cover telehealth and other services across different countries. Right now, there’s a lack of comprehensive plans in the region that include wider coverage across countries. This is a great opportunity for insurers to approach wellness from a holistic point of view and offer affordable, extensive plans that provide everyone with access to care wherever they are.

“That said, this also poses a challenge as the market is very competitive and saturated. While the cut-throat competition presents an opportunity and drives innovation in the market, it also brings forth the task to differentiate yourself by offering value and quality healthcare. However, in the long run, the market will only prosper as the competitiveness will encourage insurers to

come together and work towards plans that will ensure that everyone has access to affordable, sustainable, and quality health plans.

“The telehealth conversation and the relative importance associated with telehealth has significantly increased due to the behavioural changes in the population. It has now become a necessity for customers to have access to telehealth services. I would say that this is another key area for growth for insurers to tap into.

“Overall, right now the biggest need and opportunity in the market is for all healthcare players in the ecosystem to come together and play a role in creating access to quality and sustainable healthcare. We have equal responsibility and our success is deeply interdependent. We are all cogs in the machine, and for the machine to function properly, all parts need to work in harmony with each other.”

**Ms Leah Cotterill**, chief distribution officer, **Cigna Middle East and Africa**

**Takaful poised for growth as more customers pursue ethical solutions**

“Despite the headwinds caused by the pandemic crisis, the UAE takaful market, which is the largest market for Islamic insurance in the region after Saudi Arabia, has remained largely resilient. Not only did takaful operators deliver robust performances in 2020 but in some instances, they even outperformed their conventional counterparts.

“Although takaful operators still account for a relatively modest part of the UAE’s overall insurance market, their penetration has seen steady growth in recent years. And the market is poised for further growth in 2021 catalysed by an increasing number of businesses and consumers who are keen to pursue ethical solutions to ensure they are financially protected every step of the way, especially as they cope with prolonged uncertainty.

“In the coming year, the takaful industry is expected to go through a number of changes prompted by rapid digital transformation, regulatory developments and recovery measures. If we can take something positive out of the recent challenging experiences, it is how this is helping our industry innovate and evolve – creating opportunities for those players that are committed to being innovative

in their client outreach and engagement.

“For one, digital acceleration is inevitable especially in the area of customer interface, so digital offerings are no longer a ‘nice to have’ but the most sought-after capability today.

“Another opportunity for Islamic insurers to capitalise on is in attracting and converting customers who typically favour conventional products. This can be achieved through constant education and raising awareness of the benefits associated with takaful that include fairness, transparency, the ethos of risk-sharing and distribution of surpluses to policyholders. All these advantages present a massive opportunity for takaful operators to gain a meaningful foothold in the market and attract a much wider customer base.

“As the economic landscape evolves, we remain confident in our ability and commitment to protect our customers through any crisis and contribute to the UAE takaful market’s overall growth.”

**Mr Parvaiz Siddiq**, CEO, **Islamic Arab Insurance Company (SALAMA)**

**Innovation crucial in building a strong future**

“The pandemic has put new obstacles in front of us, and we will continue to be tested in the future. We need to be robust and innovative in order to stay relevant and to exceed the expectations of our people and clients.

“It is imperative that those in the Middle East insurance industry work together to ensure business continuity and reliable support. Working in the new normal has been an adjustment, but successfully transforming is what will lead to long-term success.

“Innovation, motivation and tenacity are paramount to building a strong future, new revenue streams and more alliances. We are excited to see what the future holds and look forward to being part of many more successful years ahead.”

**Mr Christian Gregorowicz**, CEO, **Allianz Partners MEA & NEXtCARE**, global head of TPA & MPM



## COVER STORY – 2021 OUTLOOK

### Employee benefits to plug savings gap among expatriate workers

“Three key themes will define the region’s employee benefits landscape in 2021:

- More flexibility for expatriates – progressive approaches to help both employers and employees will gain traction, building on the DIFC’s Employee Workplace Savings (DEWS) scheme.
- A long-term savings mind-set – in conjunction with the UAE’s initiatives to encourage expatriates to stay longer, new regulations to enhance transparency and value in financial services will create a stronger culture of financial preparedness. For financial advisers, this provides a new customer segment focused on long-term savings opportunities.
- Digitalisation – more innovation via digital tools and processes will make it easier and more transparent for individuals to control their financial future.

“Since February 2020, DEWS has shown the way forward for workplace schemes to meet mandatory end-of-service benefit (EoSB) liabilities for 1,100-plus DIFC companies, while also helping more than 18,000 employees grow their savings pots gradually, over time.

“Given COVID-19, this was timely. The economic shockwaves from the pandemic highlighted the ever-growing savings shortfall among expatriate employees.

“In underscoring the importance of ensuring expatriates are financially prepared for their future, the DIFC initiative aligns with global retirement savings standards. This also makes it a viable pilot for the rest of the UAE – and the region – to foster a culture of long-term financial planning driven by discipline and consistency in how employees save via regulated solutions. It is also apt for employers with an open-ended liability towards EoSB.

“Inevitably, this not only requires access to the right solutions; it also relies on efficiency and transparency in the form of digital enablement to deliver on customer expectations.

“More broadly, a progressive workplace savings plan across the UAE will reinforce Dubai’s reputation as a global business hub in 2021. Such schemes also sync with the vision of many governments across the region to ensure financial resilience and stability.”

**Ms Reena Vivek**, senior executive officer, **Zurich Workplace Solutions**



### Professional qualifications will be sought after

“Challenges create resilience, encourage innovation and often bring about positive change. The COVID-19 pandemic and its impact have firmly demonstrated the importance of professional qualifications for advisers, so that consumers and businesses can have complete confidence and trust in their advice.

“We will see more organisations investing in CPD for their employees, and more advisers becoming aware of how accredited qualifications from a professional body like the Chartered Insurance Institute assist in forging their career pathway.

“In addition, as some companies restructure and reorganise themselves in the aftermath of these unprecedented times, they will be on a mission to employ advisers who have invested in their career/themselves, who possess these globally recognised qualifications, as opposed to advisers who don’t.”

**Ms Gaenor Jones**, regional director, **Chartered Insurance Institute (Middle East)**



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