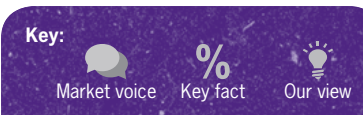


# Strategic dilemmas in insurance



*“Most people don’t decide to get into insurance, they fall into it by chance”*

**ZERO**

There are no insurance companies in the top 50 of the Universum league of the world’s most attractive employer

Islamic insurance know as takaful is also expected to be an important growth area. Economic growth in the UAE and GCC could result in an increase in demand for takaful. The demand for such Islamic insurance products seems to have high potential for growth but is currently at a low base, creating the possibility of rapid growth in volumes.

*“The days of major cost reduction programmes are over. This is a cost shaving world”*

**30%** There are twice as many outsourcing contracts globally as in 2006 but their total value is only 30% higher<sup>5</sup>

The confidence of the industry in the ability of M&A deals to create significant cost savings is at an all time low

IT spend is more directed towards use of data for pricing and cross-selling, and less towards cost optimisation - so it’s getting harder

*“The real issue here is culture. Without that - the right one - we might as well give up”*

**53%** The financial services industry is trusted 53% lower than any other sector, except media<sup>4</sup>

There is a tension between insurers desire for regulatory convergence and regulators accountability to national governments

Because boards faltered in the run-up to the global financial crisis, regulators are very focused on governance

The UAE insurance industry is going through a fundamental change in regulation. The question arises whether individual insurance companies have the appropriate risk management infrastructure in place to manage this transition.

**The dilemma**

How does a necessarily conservative and slowly-evolving industry make itself attractive to its future people?

The central functions of insurers have become significantly more complex over the last decade, particularly in the risk and financial control areas. This is driving cultural change

Millennials want two things from companies: a sound public purpose, and global mobility with a local face. Insurers offer both and still remain unattractive employers for the young

*“The most important area of concern is the impact of long term low interest rates on our capital base”*

**95%** of European insurance executives think that Solvency II will increase consolidation<sup>2</sup>

Solvency II and other enterprise risk management regulations will drive convergence of capital structures pushing innovation into distribution

Insurance linked securities are a genuine innovation in insurance and are disrupting conventional reinsurance business models

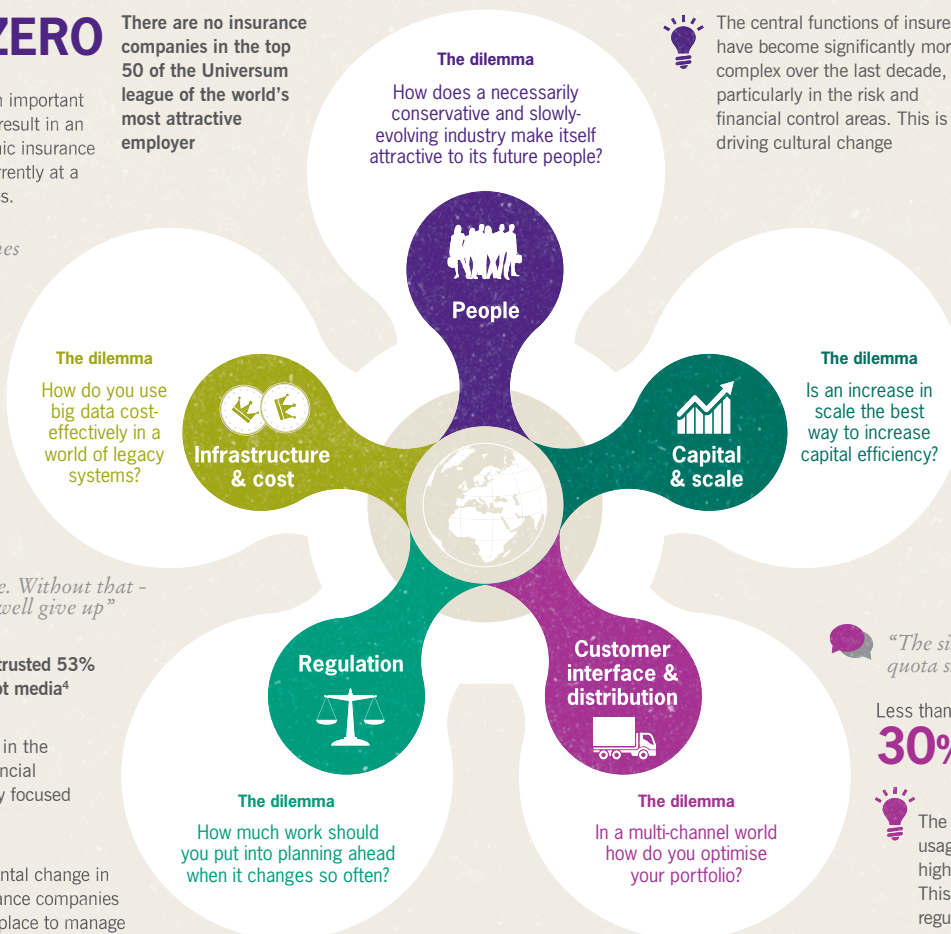
Insurance penetration per head in the UAE is relatively low compared to some of the more mature markets in the West. As a result, room for growth is large but with fierce competition spread across a large number of firms and brokers, some consolidation in the industry is inevitable.

*“The single biggest threat to our business is the quota share deals being done by the major brokers”*

Less than **30%** of insurance customers globally are having positive experiences.<sup>3</sup>

The penetration of internet usage and purchase is much higher for single products: This will continue, for both regulatory and pricing reasons

Will direct distribution stage a comeback in developed markets as internet allows customers to assess prices pre-sale?



**The dilemma**  
How do you use big data cost-effectively in a world of legacy systems?

**Infrastructure & cost**

**Capital & scale**

**The dilemma**  
Is an increase in scale the best way to increase capital efficiency?

**Customer interface & distribution**

**The dilemma**  
In a multi-channel world how do you optimise your portfolio?

**Regulation**

**The dilemma**  
How much work should you put into planning ahead when it changes so often?