

Strategic dilemmas in insurance





"Most people don't decide to get into insurance, they

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



How does a necessarily conservative and slowlyevolving industry make itself attractive to its future people?

People

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

The dilemma

Is an increase in

scale the best

way to increase

capital efficiency?

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

of European insurance executives think that Solvency II will increase consolidation²



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



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"

30% of insurance customers globally are having positive experiences.³



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?



fall into it by chance?

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

> "The days of major cost reduction programmes are over. This is a cost shaving world

There are twice as many outsourcing contracts globally as in 2006 but their total value is only 30% higher⁵

low base, creating the possibility of rapid growth in volumes.



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 financial services industry is trusted 33 lower than any other sector, except media4

"The real issue here is culture. Without that -

the right one - we might as well give up'

Because boards faltered in the

crisis, regulators are very focused

run-up to the global financial

The financial services industry is trusted 53%

The dilemma

How do you use big data costeffectively in a world of legacy systems?

nfrastructure & cost





The dilemma

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

The dilemma

Customer

interface & distribution

Capital

& scale

In a multi-channel world how do you optimise vour portfolio?



governments

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.

on governance



There is a tension between insurers desire for regulatory

convergence and regulators

accountability to national

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- 1. Universum The World's Most Attractive Employers 2015 (www.universumglobal.com)
- 2. Professor Mike Adams, University of Bath, for Grant Thornton (Un-published paper)
- 3. CapGemini World Insurance Report 2015 (www.worldinsurancereport.com)
- 4. Edelman Trust Barometer 2015 (www.edelman.com/insights/intellectual-property/2015-edelman-trust-barometer)
- 5. ISG Outsourcing Index 3rd quarter 2015 (www.isg-one.com/web/research-insights/isg-outsourcing-index)