

# The insurance wake-up call: developing better customer outcomes

*An eminent panel of experts assembled to debate the future of the insurance industry in the Middle East. Educating the HNW customer base as to the best products and structuring fair, client-friendly solutions are both opportunities and challenges, especially when life insurance and critical illness cover are yet to gain much traction.*

*These were the topics discussed:*

- *How can we help clients and understand their needs? How does the product offering need to develop?*
- *What's the opportunity for insurance companies to thrive as wealth management develops?*
- *Why don't more people buy life insurance and critical illness cover?*
- *What has to happen for the industry to dramatically increase and move forward?*
- *The business model for IFAs is obviously changing rapidly. How will we all deal with more transparency, fee disclosure and the changing economics of how you get paid?*
- *Who will have what licence?*
- *What do we need to do to make the market more professional?*
- *Competency assessment, training and development. Lipstick on a pig or a genuine effort?*
- *If you can ONLY sell on your platform licenced funds that have been approved by ESCA - what does that mean?*
- *If products have a different compensation structure - how will you make this transition and who won't survive the pain?*
- *Will the type of products sold change? With increased focus on protection, critical illness, general insurance and employee benefits?*
- *You could argue RDR in the UK has been a disaster - few advisers left and the people who need advice don't get it. So why are we doing this?*

## PANEL SPEAKERS

- **Walter Jopp**, Chief Executive Officer, Middle East, Zurich International Life
- **Philip Cernik**, Chief Marketing Officer, Middle East & Africa, Friends Provident International
- **Graham Morrall**, Global Sales and Marketing Director, Hansard International
- **Timothy Searle**, Chairman, Globaleye
- **Philip Story**, Head of Distribution, EMEA, Investors Trust
- **James Ferguson**, Senior Financial Planner, Guardian Wealth Management



WALTER JOPP  
Zurich International Life



TIMOTHY SEARLE  
Globaleye

**D**URING THE PANEL AT THE MIDDLE EAST Wealth Management Forum, Hubbis asked the audience what career advice they might give to a close friend’s university age daughter. A mere 4% said follow a career as an insurance agent, the same number as said take up arms as a crypto-currency trader. Does this mean the old insurance company life insurance model is dead?

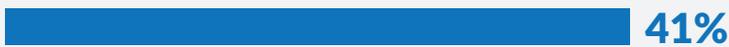
The panel of experts did not believe this to be the case, but the debate highlighted a number of key conclusions, firstly that the established ‘brand name’ players must adapt, secondly that nimbler competitors can fight for a larger share of what is a market with considerable growth potential.

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**MODERN, SMALLER, ADAPTABLE, GROWTH FOCUSED COMPANIES WITH A SLIGHTLY HIGHER RISK TOLERANCE HAVE HUGE ADVANTAGES OVER THE OLDER, LEGACY PLAYERS.**

**DOES THIS INDUSTRY TODAY CREATE OUTCOMES THAT ARE IN THE LONG-TERM BEST INTEREST OF THE CLIENT?**

Yes



No



Source: Hubbis Middle East Wealth Management Forum 2018

huge advantages over the older, legacy players,” said one expert. “There is less pressure for immediate revenue generation to satisfy the short-term nature of shareholder dividend requirements. There is a longer-term view. They have new IT systems and products that are modern, transparent and adaptable. On the commission front, they are behaving in the way the regulators and markets want, rather than feeding the brokers what they want.”

Countering this argument, another panellist agreed that while there are numerous challenges facing the established names in the insurance sector in the UAE, but also numerous opportunities.

“With penetration rates currently so low,” he said, “the industry is in a critical phase of analysing what it must do to improve the product range and distribution. Greater professionalism and transparency are essential, especially in a time when regulators are ever more inquisitive and demanding.”

Training and education are essential for the sales force, and accurate explanation of the structures and benefits are vital for the clients to engage more fully with insurance.

This was borne out when Hubbis asked the audience the question, ‘Do we need to raise competency and professional standards in this industry?’ A whopping 100% of people said yes.

“The value of life insurance, illness protection, employee benefit insurance and other solutions need to be more clearly explained and more accurately structured by better qualified people,” said one panellist.

“At the same time there is a major regulatory evolution taking place in this part of the world,” said a leading insurance expert. “The Insurance Authority is reacting to feedback from customers and the aim is to redress the balance between the customer, the intermediary and the life company.”

The way they are doing this, he explained, is by increasing transparency, by demanding documentation that is clear and easy to understand, and by improving educational standards of the advisors.



GRAHAM MORRALL  
Hansard International

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One suggestion from the panel was ‘testing’ of the insurance advice, as practised in Singapore, by regulator-approved ‘secret shoppers’. “There is nothing like that in the UAE yet, so although many advisers, sales people and bankers talk a good story, the reality can be very different. There is considerable pressure for many sources to hit revenue targets.”

But one expert warned against too much regulatory interference. “Many would argue that RDR in the UK has been a disaster, as there are few advisers left and the people who need advice do not get it, so why should the UAE want to follow the RDR path?”

And one panellist warned that although regulators are pushing the market towards better outcomes for clients, sometimes they get things somewhat wrong. “They can reduce the choice for consumers and sometimes, as we have seen in Hong Kong, it goes badly wrong and the customers end up with fewer advisers, less choice and therefore higher cost products.”

Insurers need access to high quality fund managers with whom they can have solid, deep relationships and whereby the fund managers can provide the support to the insurers and their distribution partners, according to an insurance specialist.

But a critical member of the panel wondered whether this really meant that the larger insurers could claw back retrocession fees from these big fund managers. “There is grave concern and mistrust over retrocessions as the fees paid back to life companies by the asset managers who run their funds are far from transparent.”

But leading fund managers working with leading insurers appears to be a solid ‘brand’ combination for the industry and for clients. “At the end of the day it is about our brand protection and ensuring the customer achieves the ends they expect,” said another specialist. “Anyway, the reality is the insurance sector will not be able to keep retrocessions in the future due to new regulations being rolled out.”

There are genuine concerns over the regulation of funds and the costs of registration. “We raised a concern with the UAE Securities & Commodities



PHILIP STORY  
Investors Trust

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Authority [ESCA] recently that if the regulation goes through as is proposed, everybody will have to buy authorised funds. But HNW clients should be able to buy anything they want, they do not need the regulator overseeing them. We have asked for ESCA to actually look more widely at the interests of wealthier investors, who in part actually drive this industry.”

Another panellist agreed. “Speaking to some of the fund managers, we hear that the more expensive funds are the ones getting regulatory approval by ESCA,” he said. “But very few ETFs are getting registered, because why would anyone pay quite a lot of money to get an ETF registered? But the net result is a reduction of client choice for the cheaper cost of entry funds.” ■



JAMES FERGUSON  
Guardian Wealth Management

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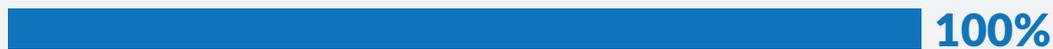


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**DO WE NEED TO RAISE COMPETENCY AND PROFESSIONAL STANDARDS IN THIS INDUSTRY?**

Yes



No



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