

# UAE key market for Zurich in the Middle East

*Global insurance giant targets growth to exploit low penetration rate as regulatory tightening looms*

**INTERNATIONAL INSURANCE HEAVYWEIGHT** Zurich Life is set to make a concerted push into the Middle East market, citing a perceived gap in the sector, according to Walter Jopp, CEO of Global Life, Middle East and Africa for the Swiss-headquartered player.

Jopp said: “There is a dire need for more insurance cover in the Middle East; life insurance penetration is extremely low at 0.6 per cent in this market, and that is a gap we want to exploit. That 0.6 per cent is signifi-

cantly lower than other developing markets, so we think there is still a definite scope for growth here.

“In terms of the economics of the UAE, infrastructure spending is still going ahead, and we are seeing large residential developments being finished off and that will see expats come here to work and establish themselves.

“This leads us to believe that in the medium- to- long term, it is still a relatively good market to be in. It offers potential to a company like Zurich and for us it’s a good place to be.”

Simon Price, Head of Transformation & Strategy, added: “We have been in the UAE since 1989 and since 1986 we have been a licensed provider in Bahrain, so this is a decision that has not been taken lightly.

“We have had licences far longer than most of our competitors and we have a market-leading position, so we’re number one or number two depending on which distribution channel we look at, but overall, we’re one of the key, if not the key player in this market.

“We have significant scale, we have significant back books and we have long-term distribution agreements with some of the key distributors in this market and actually the market economics and the demographics look really positive going forward.”

Both industry veterans recognise that along with UAE infrastructure changes there is almost a tidal wave of regulatory moves and government initiatives that will impact on the insurance industry in general.

The UAE is about to introduce value added tax (VAT)



WALTER JOPP  
Zurich International Life

in January next year with tandem moves planned by the country's Insurance Authority (IA) to establish transparency and disclosure rules for the banking and insurance industries.

However, Jopp has no fears about the double hit after reviewing draft versions of the IA's proposals. "From our perspective, we are confident that the Insurance Authority has taken industry feedback on board and we fully expect a final draft of the regulation to be issued shortly. We know that from our conversations with the IA, they've taken the feedback on board and they are very keen to get these regulations implemented."

The new regulations will govern how insurance companies should behave and disclose their products and how advisors should be acting and conducting themselves when doing business. There will also be regulations in terms of the amount of collateral and cash that brokerages need to lodge with the IA.

This has been put in place by the IA to ensure that companies are viable entities and have enough capital

**THERE IS A DIRE NEED FOR MORE INSURANCE COVER IN THAT AREA; LIFE INSURANCE PENETRATION IS EXTREMELY LOW AT 0.6 PER CENT IN THIS MARKET.**

to trade and meet their commitments, which, according to industry experts, will mean that a number of smaller advisory firms may no longer find it viable to continue or may not have the necessary capital to meet the requirements.

Despite this downside, Jopp is in favour of the eagerly-awaited regulations coming into force.

"I welcome the new regulations and I support them. I think it's all very much part of the evolution of this market and, without being patronising, the maturing of this market.

"I think it is a good thing for everybody involved; insurers, advisors and clients. When you get these changes, it creates waves in the market and everybody is frankly trying to work out where it will be best for them, and that has led to some advisors switching employers.

"Consolidation will happen in this market and I

## Planning ahead

### ZURICH EXECUTIVES WALTER JOPP AND SIMON PRICE

have set a strategy for their assault on the UAE market, with both believing that the template can be replicated in other sectors due to its high concentration on proposition and digital input.

Price said: "The main priority for us is really about getting the right proposition into the market going forward. The real challenge for us, or real focus, is to identify what are the products that clients will need in this market as we go forward.

"This will probably be different to what we do today, so a key focus for us is making sure we have the right proposition in place, and the right road map, over the right period of time to deliver that to the market. The core focus for us is making sure we deliver products that people value and are willing to pay a premium for that value."

Price also sees the impact of digital technology being crucial going forward. "Digital enables individuals to be more informed on the choices they make, especially for investors and in the insurance industry. As new regulations come into force, distribution channels will have to become increasingly more effective and will have to increase productivity.

"The digital process we are seeing in other markets, using things like robo-advisor and better analysis tools, will become more prevalent in this market over time. I think that will be driven by sheer economics, and also be driven by consumer demand and over time we will see that emerge in this market." ■

think you will see the good quality advisors, the ones that can demonstrate their value to customers and can adapt their models, will survive. People will join some of the bigger advisory firms because there will be a flight towards scale and the ones that can survive the next two- or- three years. These will be years of change and they will be rocky. There will be ups and downs until the market stabilises again.

"We have seen that in the in the UK and in Australia as regulatory changes happen. There is a period of uncertainty, but the bigger advisory firms are financially strong and stable, they're able to survive."

## Preparing for the future

**AS A MAJOR WORLD INSURANCE PLAYER**, Zurich Life recognises that it must lead by example and has set various initiatives in place to fulfil that role within various segments of the market.

“We are playing our part as a major global insurer to educate both advisors and customers on what the impending changes to the insurance industry will be,” Zurich Middle East CEO, Walter Jopp, said.

“I think as an insurance company we have to remain relevant, we have to keep adapting and changing our models, so the sort of things that we are trying to focus on is ensuring that customers get what they want and need. We try to make advisors’ jobs easier and to make sure that they advise customers correctly, and that they do it in a way that is cost effective,” Jopp added.

“The use of technology in terms of how they advise, how they do their fact finding, how they apply for business through companies like Zurich is the type of technology that we are investing in now, but from an advisor’s point of view, they have to be more holistic in the future; they all have to have different revenue streams and different ways of servicing their customers, that will keep them in business and make them relevant to their clients.

“We are seeing banks using more technology and getting more involved in the bancassurance space, and we are seeing that developing well in this market. If IFA firms are going to continue to be relevant and provide the important service that they do today, they are going to have to be more holistic in their approach.” ■

Price echoed that sentiment by adding: “I think there is going to be a period of change, but I think our view is medium- to- long term and see this as a very good market to be in. There will be lots of opportunities as there are a lot of untapped markets and untapped customers in the UAE. I think the regulatory change will have an effect in the short term, but the opportunity still exists for the right companies that make the right changes. The life insurance business in the UAE is something that we are absolutely committed to.” ■

