



Middle East Insurance Industry

Beyond COVID-19

Implications and priorities

As the world emerges from the COVID-19 pandemic, insurers' strategic focus is now turning to what the competitive landscape will look like in the aftermath, what it means for their business, and how to come out in front. If you're an insurance leader, focusing on key priorities will help you to be stronger and more resilient in the post-crisis world.

The novel coronavirus continues to cast a long shadow on societies, economies and businesses worldwide. As an insurer, your immediate imperatives have been business continuity and customer and employee support. The industry has generally responded well, enabling remote work and addressing immediate capital questions.

Even in the pre-COVID era, the growth rates in most of the Middle East insurance markets have been subdued over the last few years, primarily due to the slowdown in the economy and lower oil prices. On the supply side, industry continued to face the issue of fragmentation and lack of scale, resulting in ever-increasing challenges around profitability.

It's too early to gauge the impact on premiums / top-line and profitability, however, just like other segments of the economy, the insurers will be impacted as a result of the economic slowdown emanating post-COVID; unprecedented low oil prices; and delays / postponement of projects and scheduled events e.g. UAE Expo 2020. Another area that may have a significant impact is investment income due to lower interest rates; subdued equity markets; and drop in real estate rentals and valuation.

On the positive side, claims incidents in some lines e.g. motor / industrial coverage, should reduce significantly due to government imposed lockdowns. We are already seeing some insurers ploughing such savings into a pool, that is being used to offer premium reliefs / special discounts and loyalty rewards.

Now, as insurers learn to manage through the immediate crisis and governments begin to tentatively ease restrictions, two key considerations emerge. The first is operational: how to prepare your organisation for the return to work in this 'new normal.' Although this will be a new and difficult challenge, it should be resolvable in the near term. The other, and in many ways trickier, thing you'll need to do is to determine what the mid- to long-term implications of the crisis are and how you should respond strategically.

As insurers work through the strategic implications of COVID-19 for their business, there are six dimensions that should be considered, as shown in Figure 2.

Strategy adjustments should be done with COVID-19 progression scenarios in mind, and in consideration of the challenges for the insurance sector. To make decisions, you should be armed with the best available data regarding health impacts modelling, as well as the projected economic impacts of government stimulus packages.



Figure 1: Management attention dashboard

Source: PwC analysis

Can you align your COVID-19 responses to your strategy?

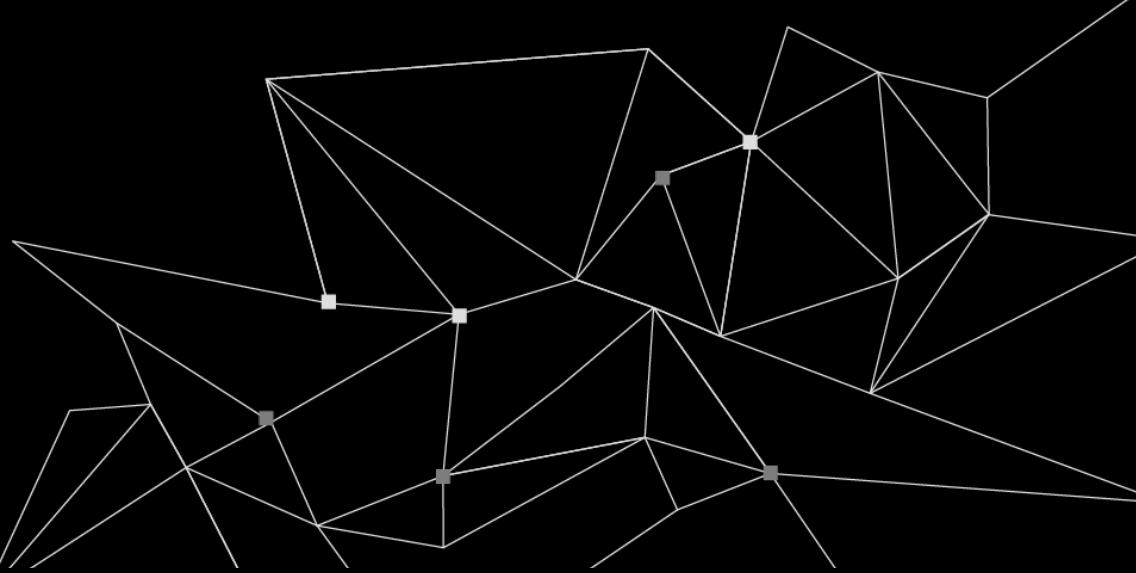
From disrupted value chains, through to workforce anxiety, all aspects of business are being impacted by the current crisis. Insurers are being forced to adopt a range of immediate (and often unprecedented) responses just to keep business running as usual. These actions will vary depending on which sector of the insurance industry you operate in, as well as according to your business' situation.

Of all the dimensions outlined in Figure 2, the biggest questions revolve around the strategic agenda for your business. When taking any action (around clients, employees, financial management or other stakeholders) you should also ask: Can your responses to COVID-19 be aligned to your strategy or will it require a change in intent?

<p> COVID-19 and strategic impact</p> <p>Can responses to COVID-19 be tightly aligned to broader strategic actions? Could the crisis accelerate necessary strategic actions, or does it make it more difficult to carry out those actions? Are portfolio actions underpinning your strategy at risk because of COVID-19?</p>	<p> Active financial management</p> <p>What is the overall financial health of your company? How will COVID-19 impact your ability to meet budgets and maintain financial health? What processes and plans are in place to ensure you can react dynamically to virus progression scenarios? Will government or others provide financial or other support? Will COVID-19 require you to change market guidance and will it impact dividend payouts?</p>	<p> Vulnerable clients</p> <p>Do you have clients who are particularly vulnerable to COVID-19, and could your response to the crisis accentuate impacts on these clients? Will those client impacts harm your long-term business outlook? Is COVID-19 an opportunity to deliver on your promise and live your purpose (i.e. providing cover when clients need it most)?</p>
<p> Disrupted value chain</p> <p>Is COVID-19 disrupting your value chain and, if so, to what extent? Can you deliver your products and services in the same way? Do your distribution channels work as before? Is your infrastructure strained and vulnerable?</p>	<p> Workforce and community impact</p> <p>Is COVID-19 disrupting your workforce to a significant extent? Are employees significantly impaired in carrying out their jobs? Are you able to balance your obligations to the enterprise and shareholders with your obligations to your staff? Are you managing staff anxiety relating to job security, vulnerable loved ones, and societal connections?</p>	<p> Regulatory and government intervention and the role of industry bodies</p> <p>Are there regulatory constraints affecting your COVID-19 response? How has the government stimulus package (state and federal) impacted your business? Should you be engaging with regulators more proactively on set issues? Can you help maintain solvency for those who need it? What role can you play in forging an industry path on pandemic coverage in the future?</p>

Figure 2: COVID-19 and strategy alignment – Key questions to ask?

Source: PwC analysis



How the industry is responding

Insurer responses to the situation have been swift, reflecting a need to stabilise market positions. Several initiatives have already been introduced in the Middle East markets, such as premium discounts; extended terms; additional coverage; or waiver of limitations on some products. Regulators have offered extensions to regulatory deadlines / reporting requirements. As noted in Figure 3, we can expect to see further industry announcements, in line with global industry initiatives.

COVID-19 and strategic impact	Active financial management	Vulnerable clients
Insurer responses to COVID-19 so far		
<ul style="list-style-type: none"> Automatic cover for essential item delivery, income protection insurance for COVID-19 affected customers Automatic car insurance 'Foreign Use Extension' extended 60 days for customers isolating overseas 'Social and Domestic use only' car insurance automatically extended for work travel during COVID-19 Investment in digital tools e.g. home insurance RealTime Review video chat and guided photo capture 	<ul style="list-style-type: none"> Post balance sheet disclosure commentary to account for COVID-19 impacts e.g. regarding more exaggerated sensitivities and impact on goodwill impairments etc. / no dividend payout guidelines 	<ul style="list-style-type: none"> Financial support packages e.g. delayed premium increases for six months Prioritised supplier payments for SMEs, working to reduce payment terms to no more than 15 days Underwriting changes (e.g. modified terms for customers experiencing COVID-19 symptoms upon application) Extended payment dates and customer penalties wiped (e.g. for payment plan delays up to two billing cycles)
Disrupted value chain	Workforce and community impact	Regulatory and government intervention and the role of industry bodies
Insurer responses to COVID-19 so far		
<ul style="list-style-type: none"> Suspension of policies (e.g. travel insurance sales) and discounted car insurance policies Discounted/free roadside assist, discounts for online application Home and auto customers pay what they can afford - no minimum amount (balance distributed across subsequent bills) Rebates or term extensions on motor insurance policies 	<ul style="list-style-type: none"> Action plans in place to ensure all staff remain working securely from remote locations Claims health and safety e.g. live video assessments with suppliers Guarantees to continue to pay full-time and part-time employees who can't work remotely with shelter-in-place orders 	<ul style="list-style-type: none"> Early savings access e.g. government supported early access to superannuation Delaying or suspension of regulatory change programs / monitoring or scheduled reviews

Figure 3. Insurers responses so far (Middle East & worldwide)

Source: PwC analysis

Emerging stronger - where insurers should focus?

COVID-19 might as well prove to be the disruptive catalyst for the insurance industry, where the insurers will have to start thinking out of the box and challenge the status-quo.

Consolidation; digitalisation; re-engineering the operating models; cost optimization; capital efficiency; new revenue streams and business models built around alliances and partnerships, are few of the strategic priorities the insurers will have to carefully evaluate to navigate through this difficult period and stay relevant in the post-COVID era.

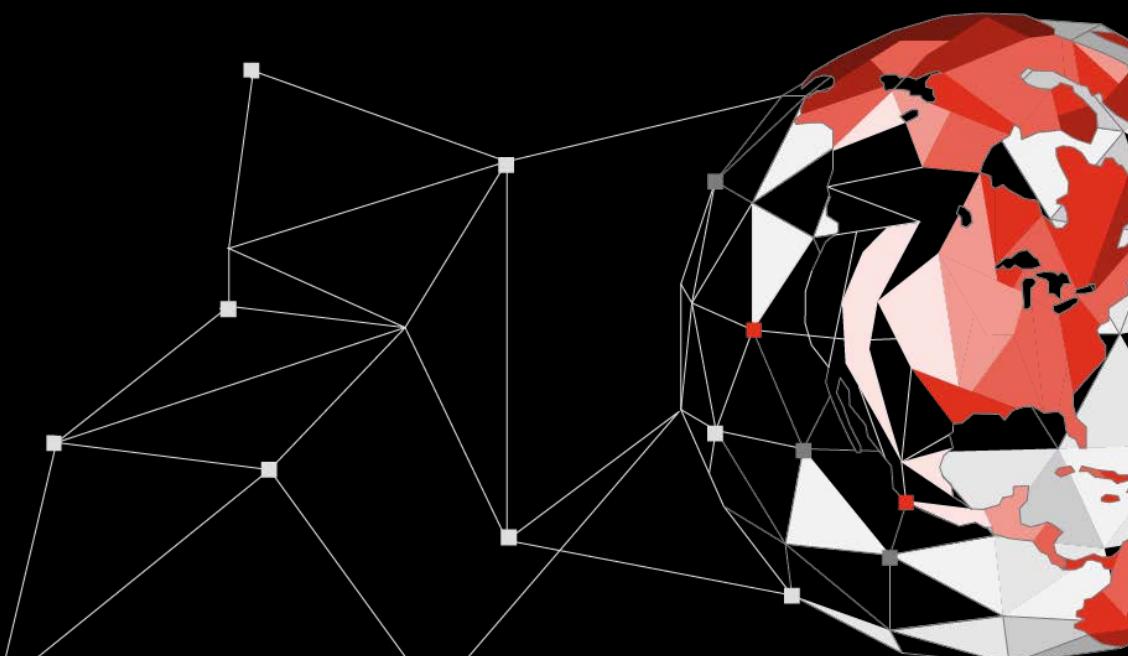
So where to from here? Middle Eastern insurers have already shown the ability to successfully mobilise in the face of the COVID-19 situation - see figure 4. The next step is to stabilise operations, before a period of strategizing really kicks in. And those insurers that can align their COVID-19 response to their long-term strategy would emerge stronger.

	Wave 1 - Immediate (1-4 weeks)	Wave 2 - Medium term (2-3 months)	Wave 3 - Long term (3+ months)
Focus Areas	Mobilize <ul style="list-style-type: none"> Health and safety Crisis Management / business continuity Workforce / Mobility Financial reporting / disclosure <ul style="list-style-type: none"> Incomplete and shifting information Stakeholder engagement Workforce safety Financial market uncertainty Ability to work efficiently/ with regulatory requirements 	Stabilise <ul style="list-style-type: none"> Operational continuity Credit/market risk management Liquidity, capital management Client/ customer support <ul style="list-style-type: none"> Ability of customer to pay obligations Liquidity Workforce stabilisation Regulatory deadlines Default management 	Strategise <ul style="list-style-type: none"> Long term business model Operational transformation M&A Disputes and claims <ul style="list-style-type: none"> Adapting to the new normal Recovery and growth strategy Changing regulatory environment Change/reaffirm/accelerate strategic intent Align on implications for customers and shareholders Align capital portfolio priorities

Figure 4. Prepare, respond and emerge stronger

Source: PwC analysis

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Contact us to find out more

The insurance team at PwC Middle East has access to data and global best practices that can help in providing operational stability and guide the strategic implications of the world we are collectively facing. Our purpose is to build trust in society and solve important problems. Get in touch to find out more.



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