



Insurance in the Middle East – Emerging Markets, Challenges and Solutions

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The insurance sector is a new focal point for countries in the Middle East, and especially significant as research shows that the sector can contribute to both financial and economic development.¹ Demographic changes in the latter half of the twentieth century and the growth of economic prosperity since 2002 have contributed to countries in the region building greater interest in risk mitigation through insurance. Underwriting activity in markets across the region is estimated to expand at double-digit growth rates until 2012, accelerating the trend from the past five years. Mandatory insurance schemes for health and motor covers are leading drivers of the growth of premiums.

The field of providers is fragmented and industry structures are heterogeneous across the Middle East countries, and in turn, international insurance companies have started to express greater interest in the region, which despite the recent growth rate still remains one of the world's least developed insurance markets – or one with the greatest implied potential for insurance growth.

The sector faces a combination of significant challenges and great opportunities, which has increased the attention investors pay to insurance markets and operators. Without neglecting the seriousness of the challenges it has to navigate, growth is the medium and long-term outlook for this industry.

A wide range of factors have influenced the slow development of the industry in the region:

- Life and Non-Life premiums, as well as assets, are very low relative to expected levels given per capita income and demographic characteristics
- Absence of mandatory insurance in key areas
- The predominant presence of the administration in some countries
- Gaps in regulation and supervision

- Unsupportive tax regimes
- Fragmented market structures
- A chronic lack of suitably skilled people
- Absence of products that conform to cultural / religious preferences, especially in the case of life insurance

The lack of development of the insurance sector is a matter of concern, as the sector is known to play an important role in financial and economic development. Key recommendations to accelerate the development of the sector include:

- Wider introduction of mandatory insurance lines that have clear positive externalities
- Continuing the privatization process for government owned insurers
- Employing non-capital techniques to force rationalization of insurance sectors with too many small and inefficient players
- Removing tax distortions
- Taking steps to stabilize motor third-party liability markets (typically the largest line of business)
- Strengthening reporting and disclosure, regulating banc-assurance
- Improving consumer protection, further developing Takaful long-term insurance ('Family Insurance')
- Establishing regional centers of excellence for skills development

WNS Global Services, a leading provider of Insurance services and transformation offerings has reached out to the Middle East Insurance sector with a range of solutions to tackle the slow development of the insurance sector in the region, in a market where Insurers are looking for innovative ways to gain a competitive edge.

¹ Policy Research Working Paper, World Bank, March 2011.



The business environment in the Middle East is challenging these insurance companies to secure, manage, and analyze customer information, make better decisions faster, and communicate to customers with greater speed and accuracy.

In order to stay competitive, insurance companies must control costs. They need to achieve greater efficiencies in managing the vast amount of information that runs their businesses. At the same time, customer service representatives as well as customers themselves require timely access to information on-the-go in order to meet their ever-changing needs.

To strengthen their market position, insurance companies must focus on streamlining operations, reducing costs and correcting technological deficiencies while maximizing the value of existing systems and information.

The WNS Approach

The following two case studies provide situations where our clients have engaged us to provide them with recommendations and support their management teams' needs in order to transform their current operating model.

Case Study 1: Reduction in costs, improved performance and managing business variability

The challenges faced by the industry in recent times had adversely impacted the client's operating profits. This led their management team to re-think the business strategy, bring in innovative ideas and some best practices already implemented in global markets, to run efficient operations with tighter measurement controls and insights. WNS conducted a consulting assignment to identify key gaps vis-à-vis global practices and suggest short to medium term solutions.

Scope

- Understand and document high-level processes on an 'As-is' basis across 9 product lines and 15 branch operations
- Identify opportunities and provide recommendations on business processes, procedures and systems
- Understand current IT landscape and provide recommendations on system / workflow changes / tools
- Conduct a detailed 'Risk-and-Fit' assessment to determine outsourcing feasibility of processes
- Provide a high-level 'To-be' state by identifying tasks that can be outsourced versus the activities to be retained

Challenges

- Difficulty in keeping pace with an Industry that is expected to grow at 15 percent CAGR over the next five years
- Anticipation of tighter controls, compliance and regulation by the government authorities
- Lack of customer 'touch points' that are critical for successful renewals, specially for profitable customer segments
- Lack of domain expertise in customer contact center to resolve customer queries
- Paper-based environment leading to multiple handoffs, loss of documents and manual processing

The WNS Solution

The WNS team suggested recommendations keeping in mind the client situation and appetite for change:

Reduce Operating Costs

- **Provide up-front savings to fuel investments in process and technology innovation:** Deploy digitization and WNS in-house workflow solution
- **Global Operating Model:** Leverage WNS operations in low-cost geographies

Improve Performance and Manage Business Variability

- Create Shared Services Center (SSC) with deep domain and functional expertise; leverage WNS SSC Maturity Model to drive standardization, rationalization and consolidation
- Predictable and sustainable performance through tightly governed SLA framework
- Embed analytics and drive business insights

Benefits Delivered

- One third-party vendor strategy for non-core activities; anticipated reduction by 50 percent in employee costs through labor arbitrage and enhanced productivity
- Digitization and Workflow (scanning and indexing) solution enabled reduction in paperwork and duplication efforts, manual intervention and inter-department hand-offs
- Centralized contact center and tele-sales for different product lines provided a one-stop-shop solution for customers, leading to improved sales (up-sell / cross-sell), customer service and retention
- Superior quality controls, five percent reduction anticipated in leakage and claims spend



Case Study 2: Strategizing for the business and improving the market positioning

The Islamic retail finance industry has grown significantly in the last couple of years. With significant liquidity in the Middle East market, the emerging economies and growing awareness about Sharia-compliant products, the Takaful industry is expected to witness a 15-30 percent growth with the market size estimated to be in range of USD 2.5 billion to 3.5 billion. WNS conducted a consulting assignment to re-define the company's strategy and improve its market positioning.

Scope

- Assess the current operating model and identify gaps and risks in existing processes
- Identify improvement opportunities and provide recommendations on processes and systems
- Provide a recommended end-state operating model and develop a road map to reach the end-state operating model
- Provide market intelligence on local Kuwaiti Insurance market as well as share best practices in insurance across globe

Challenges

- Immature insurance market with very limited publicly available information and regulations
- Price-sensitive market where risk assessment practices are influenced by client and focus on volumes
- Takaful products are usually costlier to service than the traditional products
- A relatively young organization with challenges around accuracy of market intelligence available

The WNS Solution

- Evaluated the entire existing operating model, IT infrastructure and accounting practices and shared the strengths, gaps and findings with the business
- Benchmarked existing processes with best practices across the globe, keeping in mind unique cultural differences, for example, risk assessment model, standardization of product clauses and dual language wordings, keeping in mind the non-local population
- Provided key recommendations to the business around people, processes and technology, along with a road map depending on time required to implement and business priorities, for example, sales and customer retention strategy and increasing point of presence by using different communication mediums effectively

Benefits Delivered

- Advocated strong risk assessment and control framework, which could underwrite risks effectively and reduce loss ratios by 5 percent from 40 percent
- Defined consistent practices and procedures across the organization, which could help in leveraging CRM data to increase market share
- Ensured that the organization was aligned towards the customer and was well-prepared to withstand challenge from multinational companies
- Guaranteed data integrity and alignment of existing MI to keep track of key KPIs and provided business intelligence
- Provided clear sales strategy with improved focus on customer retention improving it by at least 10-15 percent

To learn more, please write to us at marketing@wns.com