Media release

MENA insurance markets resilient despite economic and geopolitical headwinds

Zurich and Doha, 7 March 2017 – According to the MENA Insurance Pulse, published by Dr. Schanz, Alms & Company, the insurance markets of the Middle East and North Africa are expected to weather the region's continued economic slowdown and geopolitical instability. 76% of the senior executives polled for this annual study, believe that insurance premiums will outgrow the region's GDP over the next 12 months. Survey participants are particularly bullish about personal lines business, which benefits from expanding compulsory insurance requirements as well as pricing support from regulatory action. In commercial lines price adequacy, especially in property business, has improved in response to more frequent fire losses although executives anticipate continued headwinds from slowing economic growth and fiscal tightening.

The 5th edition of the MENA Insurance Pulse provides another authoritative overview of the current state and future prospects of the region's US$ 54 billion primary insurance markets. The survey is based on in-depth interviews with 40 senior executives of regional and international (re)insurance companies and intermediaries operating in the region. Launched today in Doha, Qatar, the study was supported by the Qatar Financial Centre, AIG, Chedid Re, Oman Insurance Company, Peak Re and Trust Re.

"The MENA insurance markets continue to grow faster than the underlying economies," says Dr. Kai-Uwe Schanz, author of the study as well as Chairman and Partner at Dr. Schanz, Alms & Company. "According to the insurance executives whom we interviewed, the region's insurance markets strongly benefit from the continued expansion of compulsory schemes and the most recent momentum towards higher prices. Going forward, the region's low insurance penetration, defined as premiums as a share of GDP which stand at just a quarter of the global average, is the key growth opportunity offered by the MENA markets."

"The Qatar Financial Centre proudly co-presents the 5th edition of the MENA Insurance Pulse," says Yousuf Mohamed Al-Jaida, Chief Executive Officer and Board Member of the Qatar Financial Centre. "As lead sponsor of this year's research report, the QFC demonstrates its commitment to the insurance industry, which in Qatar is set to play a key role in our transition to a knowledge-based and diversified economy with deeper and broader domestic capital markets."

The Pulse found that 54% and 86% of executives polled view current prices in MENA commercial and personal lines business, respectively, as being at or above the average of the past three years – a major improvement in sentiment, against 11% and 74%, respectively, in the previous year. 70% and 89%, respectively, expect commercial and personal lines rates to remain stable or increase further over the next 12 months, which indicates an improved outlook for commercial lines and slightly deteriorating expectations for personal lines. Commercial and regulatory pressure for higher or at least stable prices is expected to continue.

Only 33% - virtually unchanged from the previous year - of respondents expect market concentration to increase over the next 12 months. The relatively comfortable capitalisation of domestic companies in conjunction with family ownership continue to present major obstacles to mergers and acquisitions. However, going forward, it will become more difficult for domestic insurers to raise the additional capital potentially needed to meet new risk-based capital requirements. In addition, as reinsurers insist on higher retentions, an increasing number of shareholders with limited risk appetite is expected to withdraw from insurance companies.

The Pulse also found that 60% - up from 47% - of respondents expect the market share of foreign primary insurers to remain stable over the next 12 months. The share of those anticipating a reduction in foreign market share has decreased slightly from 36% to 32%. Interviewees continue to mention some high-profile market exits and retrenchment programmes as a result of significant underwriting losses and a perceived deterioration of the market outlook. These moves are expected to favour domestic and regional market leaders. Also, some local insurers have stepped up their game, both in terms of underwriting capacity and expertise.

A copy of the report can be downloaded at: pulse.schanz-alms.com

About us
Founded in 2008 and domiciled in Zurich, Dr. Schanz, Alms & Company Ltd supports its clients in researching and analysing their business environment, developing and implementing a distinct strategic profile and effectively communicating with their key stakeholders. We focus on organisations from the financial services industry. Our global services proposition is based on the firm's partners' in-depth sector expertise and senior management experience gained in Asia, the Middle East and Europe. For further information please visit www.schanz-alms.com.

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