MIDDLE EAST

The education challenge


Yassir Albaharna

A lack of understanding of insurance in the Middle East is the main challenge facing insurers and reinsurers wishing to write business in the region, according to Yassir Albaharna, chief executive officer of Bahrain-based reinsurer Arab Insurance Group (Arig). He describes the limited awareness of insurance among the Arab population as "the number one constraint in the region".

"We need to increase the transparency, and increase the awareness of the importance of the insurance industry. This is the time for us to try to rethink how we can extend our business to a larger population," Albaharna told the *IIS Reporter*.

According to Albaharna the awareness – and take-up – of insurance in the Middle East has improved over the past 10 years. This has been helped by the introduction of compulsory third-party motor insurance in all six Gulf Cooperation Council (GCC) countries and the gradual privatisation of health insurance in the region.

"I believe in the region medical will be the new class of business," says Albaharna. "It is being made compulsory over here in many of the GCC countries. Because the burden of health costs on the governments is so huge they wanted to privatise it. Many insurance companies are eyeing this as a goldmine in the future."

However, Albaharna says there are still stereotypes of insurance – and a resentment of compulsory lines – which persist in the Middle East. "You are dealing with a sensitive element in the societies, because people have been reluctant to pay insurance on the motor side, but if they want to drive their cars they have to have it so that we can protect third parties – it's the same thing on the medical," he says.

Another barrier insurers in the region need to deal with is the lack of education about their business. "We don't have universities or colleges that teach insurance – they probably have one course on risk management or overall principles of insurance but not many emphasise the insurance aspect," Albaharna explains.

In addition, there are still religious issues to be addressed. Despite the introduction of takaful, insurance is still seen by many Muslims as being contrary to the teachings of Islam. "There is a misconception in my opinion that Islam is not a religion which advocates insurance," says Albaharna. "To the contrary, Islam advocates a lot of insurance because it's the principle of mutuality, where the fortunes of a few are being catered for by the fortunes of many."

Albaharna says it is the job of primary insurers to educate their clients and market their products effectively. This, in turn will bring more business to reinsurers in the region. "We don't want to overstep our position and go directly and market ourselves to the public at large – you have to respect the channels over here," he says.

But he adds that Arig is part of federations such as the Bahrain Insurance Association, the International Insurance Society, the General Arab Insurance Federation, and the Federation of Afro-Asian Insurers and Reinsurers, which all aim to promote insurance in the Middle East.

However, he says more needs to be done by the primary companies. "Companies have not addressed [the religious issue] or tried to change people's minds," says Albaharna. "Or they have addressed it in not so aggressive ways. No-one is making sure there is proper conversion and proper acceptance [of the insurance product]."

NEWS IN BRIEF

Moving into emerging markets is more challenging than it might first seem, according to Stephen Packard, director at Deloitte. In a Tuesday panel entitled Successful Business Strategies for Insurers Entering and Growing in Emerging Markets, Packard warned that companies cannot simply take their existing operating model and apply it in an emerging market.

He said: "Even seasoned industry professionals may find themselves faced with a whole set of challenges that they are ill-prepared to confront, in looking at emerging market opportunities."

These include business risks that could be personally damaging to the executives responsible for starting the new businesses.

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