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“PRODUCT INNOVATION”

Innovating and Creating Solutions
Tailored to Specific Market Needs in
the Middle East

(A Literature Review)

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Introduction

- MENA countries have been showing positive economic growth over the last decade (Suter and Keller, 2013).
- However, the insurance market in the region is still far from reaching its maximum potential. (Swiss re, 2007; Feyen et. al, 2010; Erlbeck et. al, 2011; EY, 2014).
- One possible reason is due to lack of market driven or market oriented product innovation (Dirrheimer and Jaffer, 2013; Remli et.al, 2013).

Market Orientation, Innovation and Performance

- In general, an analysis of literature reveals that there is a positive correlation between market orientation, innovation and performance (Han et al., 1998; Hurley and Hult, 1998; Lado and Olivares, 2001; Ellis, 2006; Huhtala et.al, 2010).
- Market driven firms are able to quickly respond to the market needs by producing innovative products and services that fit the market needs and at the same time meet the firms' commercial and financial objectives (Lukas & Ferrel, 2000).

Insurance Market in the Middle East

- Insurance penetration rate is **relatively lower** than other regions and other emerging markets. For example, Malaysia has 4 times higher insurance penetration rate than the GCC (**Wilis, 2014; EY, 2014**).
- Life insurance still remains far from its potential. This is mainly due to the misconception about life insurance which is perceived to be **questioning the religious values as well as the lack of awareness among public** on the potential benefits of insurance (**Hidayat, 2013; Suter and Keller, 2013**).
- High Net worth Individual is an important segment in the region especially in the GCC (**Trade Arabia News, 2011**).

Insurance Market in the Middle East

- The race for the region's financial hub featured by investor friendly regulation has made **harder competition** within insurance industry (**Suter and Keller, 2013**).
- Lack of talents has been attracting foreign professional to the regions insurance industry, but it is still inadequate to support industry growth. Therefore, **knowledge and expertise deficit** exist throughout the region (**Lester, 2011; IFN 2014**).
- Risk management culture is still at infancy stage (**Hidayat, 2013**).

Insurance requirements in the Middle East

- More knowledge, expertise and talents (Lester, 2011; IFN 2014).
- Educating public on the benefits of insurance. More public awareness campaign is needed (Hidayat, 2013)
- Improved regulation policies which are not only investor friendly but also ensuring customers protection (Suter and Keller, 2013).
- More aggressive research and development (R&D) on Shariah compliant alternatives (Takaful & Retakaful) (Suter and Keller, 2013).



How to build a more authoritative value proposition in the MENA insurance markets?

Linking up offered solutions with the region's needs, culture and values such as (EY 2013; Hidayat 2013; Suter and Keller, 2013):

1. Shariah compliant solution (Takaful)-**Product innovation**
2. Tailor-made products for High Network Individual
3. Microinsurance or microtakaful for resource poor countries
4. More Bancassurance or Bancatakaful arrangements

How to build Customers' 'Trust'?

- Effective regulation and supervision (Suter and Keller, 2013).
- Providing channel for the public to contribute in controlling the industry (e.g. channel to report any dispute).

CONCLUSION

- There is a lot of untapped potentials in the MENA region for insurance players.
- However, there are several challenges that need to be overcome through market oriented innovation in order to successfully penetrate the market.
- Shariah Compliant Alternative (Takaful), Bancatakaful and Microtakaful are believed to be the key success factors for insurance companies operating in the region.

THANK YOU
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