

May 2021

Life Comes First: Prioritizing Family Protection in the UAE

Financial attitudes and preparedness among families in the UAE reveal shifts in the customer mindset and protection gaps they are facing.



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Foreword

In 2021, the resilience and success of families residing in the UAE exemplify the peace and prosperity of the region, a beacon for both financial and human progress. But while these residents have an awareness of their family's priorities and their need for financial protection, security, and stability, they don't always have access to or fully understand insurance and financial products best suited to their needs.

Conducted in October 2020 and February 2021, MetLife's research on the financial attitudes and preparedness of families in the UAE comes at a time when most residents believe they are either not adequately insured or unsure if their insurance would cover an eventuality, such as job loss or serious illness.

Now, there is a sense of immediacy to improve financial preparedness and confidence as protecting family remains residents' number-one priority and demand from insurance companies. We believe it is MetLife's responsibility as a financial services and insurance organization to educate residents in the UAE who have knowledge gaps in these areas.

As we take a closer look at key findings from our UAE market study, we're reminded of our enduring need for protection and to prioritize what is most important in life. Residents in the UAE need opportunities to build familiarity with products that will boost their economic security and confidence in their families' future well-being. Only then can we begin making the right decisions about life's most important aspects: family, stability, prosperity, and personal health.



Note: This report includes findings from a 2,000-respondent survey of residents in the UAE which includes UAE Citizens. The demographics, nationalities, and social classes of respondents are representative of the overall census of adults in the UAE.

Key Findings

52%

The results of the survey show roughly half of residents in the UAE are financially optimistic—however, less than half (39%) believe they are financially stable.



47%

Nearly half are not financially prepared to face an unfortunate incident of any kind—including loss of life, sudden disability, or critical illness.



84%

In the event of an income loss, the vast majority cannot maintain their standard of living for more than 2 months.



41%

Less than half (41%) have access to savings or other assets to sustain themselves.



77%

The vast majority of respondents are fairly concerned (27%) or extremely concerned (50%) about job security.



Key Findings

41%

Nearly half acknowledge they need to do more to fulfill their future requirements in life; young people (38 years or younger) are the greatest among them.



78%

The vast majority of respondents claim “protecting family from unforeseen circumstances” (78%) and “family not worrying about income if something happened to me” (75%) are top financial priorities.



60%

Most respondents believe they are either not adequately insured or are unsure whether their insurance would cover an eventuality.



67%

Among respondents who had an accident that resulted in a disability, 67% experienced a life-changing financial impact for themselves or their families as a result.



45%

Under half of respondents feel confident about their emotional recovery and under half (45%) feel confident about their mental recovery from unexpected life events.



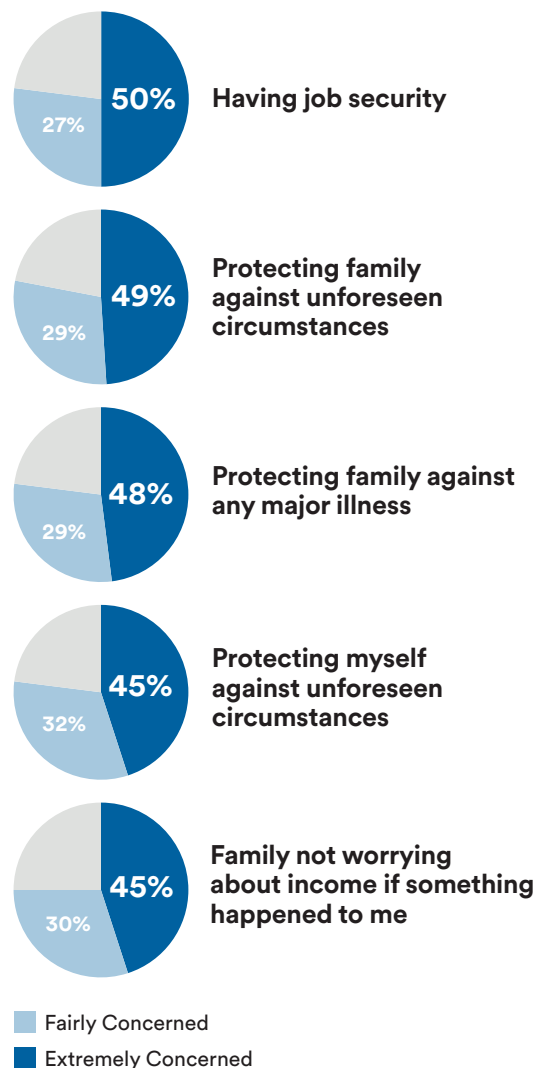
The State of Financial Security Among Families in the UAE

Residents of UAE are concerned about job security and the long-term financial wellness of their loved ones as it relates to their jobs. Among all financial wellbeing issues in the study, job security is the absolute highest, where 50% of respondents are “extremely concerned” and an additional 27% are fairly concerned.”

Job security even impacts the other most-cited financial and wellbeing concerns in the study, including protecting family against unforeseen circumstances and protecting family against any major illness, where nearly half are “extremely concerned” in each case—49% and 48% respectively.

Most of these respondents are earners themselves. And among those adults in the UAE who are currently employed, 90% are either fully or partially provide for other family members, such as their children, parents, or spouses. The trends concerning dependents vary by demographic, but it remains that the disruption of a single family-members’ income poses serious financial risk to their loved ones.

Top 5 Financial and Wellbeing Concerns for UAE respondents.



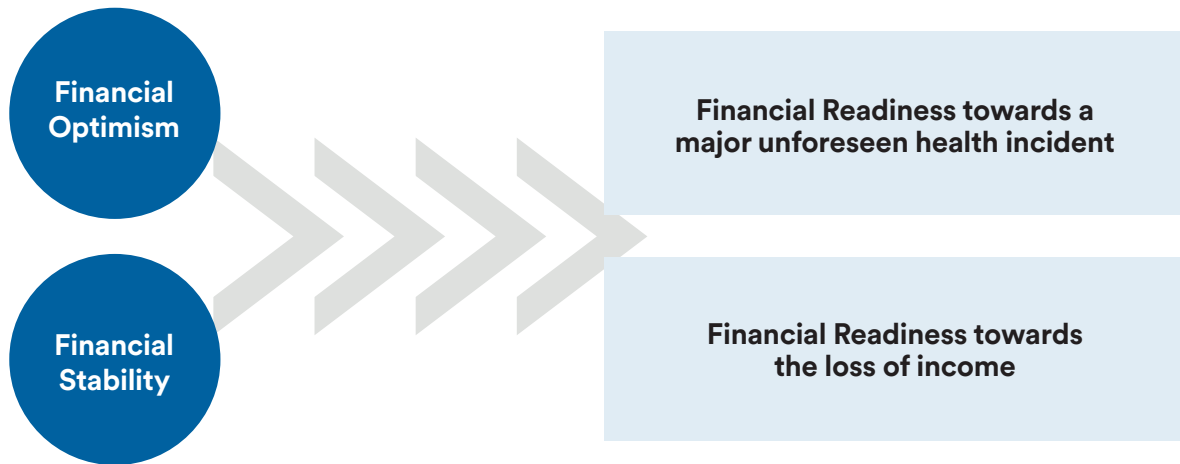


Sudden loss of income has ‘awakened’ some UAE residents to their growing need for financial protection from unexpected life events.

Among nonworking people, many are not working because they have some nonpaying occupation, such as a homemaker or housewife, and they depend on a loved one for income. However, many nonworking adults actively looking for a job recently lost a job due to COVID-19, indicating an abrupt and

anticipated loss of familial income. Notably, this sudden loss of income has ‘awakened’ them—as we continue, you will notice a shift in priorities as well as a growing need for protection from unexpected life events.

Benchmarking Financial Optimism



Despite these concerns, adults in the UAE remain optimistic about their financial futures. But that confidence doesn't necessarily coincide with financial preparedness.

We analyzed sentiment among adults in the UAE via a quantitative deep dive into the perceptual feelings of financial optimism and financial stability. We also analyzed how these are interconnected with the factual evidence of financial readiness towards big life eventualities, such as major unforeseen health incidents or the loss of income.

The general sentiment in the UAE does not reflect much financial stability, indicating there is a discrepancy between financial optimism and actual preparedness. The results clearly show low financial readiness towards unforeseen events among adults in the UAE. Although half of respondents are financially optimistic—they “feel in control” of their financial futures—less than half are particularly stable financially.

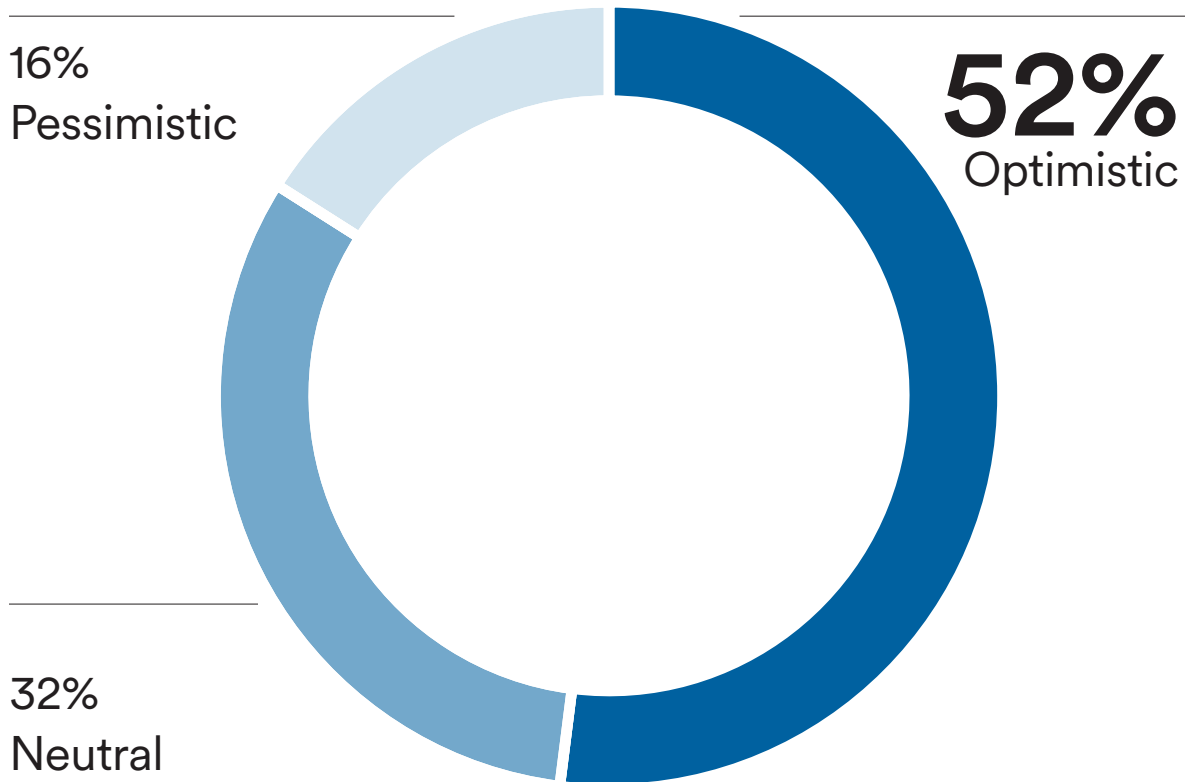
Most adults in the UAE cannot financially confront a major unfortunate event, for example, such as the critical illness or job loss of a householder earner.

In the event of income loss, 84% of adults in the UAE cannot maintain their standard of living for more than 2 months. Less than half have savings to sustain themselves in these circumstances.

Despite a lack of preparedness, adults in the UAE are motivated by key drivers for life insurance policies and other long-term financial investments. Their cash savings for a major eventuality are indicative of this, as well as their desire to protect their families, pay off liabilities such as debt, and improve how they manage their personal finances.

These same key drivers are driving their optimism about their financial futures. A multiple regression analysis of the data shows that, among adults in the UAE, 52% qualify as being financially optimistic—good money

management, sufficient savings to face an incident, and being financially confident that they can make the right decisions align with a sense of control and optimism about their financial futures.



Attitudes that drive Financial Optimism

- ✓ Good money management
- ✓ Being financially confident that can take the right decisions
- ✓ Sufficient savings to face an incident
- ✓ Not afraid of taking risks
- ✓ More knowledgeable regarding finance and insurance
- ✓ Trusts financial services companies

Benchmarking Real Financial Stability

Positive sentiments aside, adults in the UAE have room for improvement in terms of their financial habits.

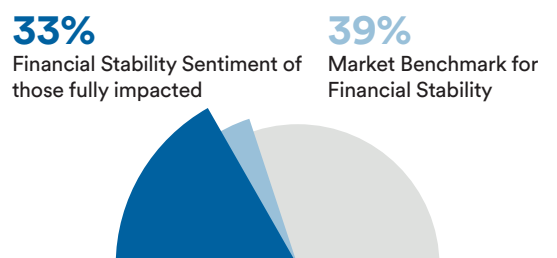
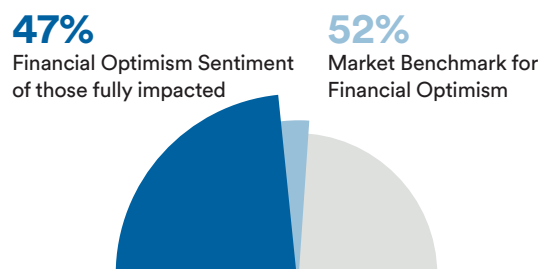
An analysis of behaviors that best represent financial stability shows that only 39% display the behavior of a financially stable person.

Attitudes that drive Financial Stability

- ✓ Ability to handle a major unexpected expense
- ✓ Doing enough to fulfil future life requirements
- ✓ Good money management
- ✓ Sufficient savings to face an incident
- ✓ Enough financial resources to cover more than the immediate requirements
- ✓ Being financially confident that they can make the right decisions
- ✓ Consistently saving every month

With regard to life's inevitabilities, respondents were asked to highlight those that most concern them and those that they believe they are currently financially prepared. Unfortunately, the majority cannot financially confront a major unfortunate event, while the sentiments among those are significantly lower than what could be considered a "safe" level of preparedness. Nearly half are not financially prepared to face any unfortunate incident at all.

For example, when asked what actions they would take should they or their spouses suddenly lose their household income, less than half (41%) would have access to savings to



spend in order to sustain themselves. Among those who would be “fully impacted” in the case of income loss—those who would lose their standards of living almost immediately—sentiments about their financial optimism and stability dropped under the 47% and 33% benchmarks, respectively.

Respondents’ optimism therefore exceeds their financial stability. For example, 52% of adults in the UAE claim their long-term financial security is very important to them—the top financial and life attitude in the study, and a great indicator of their optimism for the future. 41% believe they need to do more than what they are doing to fulfill their future requirements in life—the second-most-common agreed upon statement among 14 other sentiments measured in the study.

52%

of adults in the UAE claim their long-term financial security is very important to them

41%

believe they need to do more than what they are doing to fulfill their future requirements in life

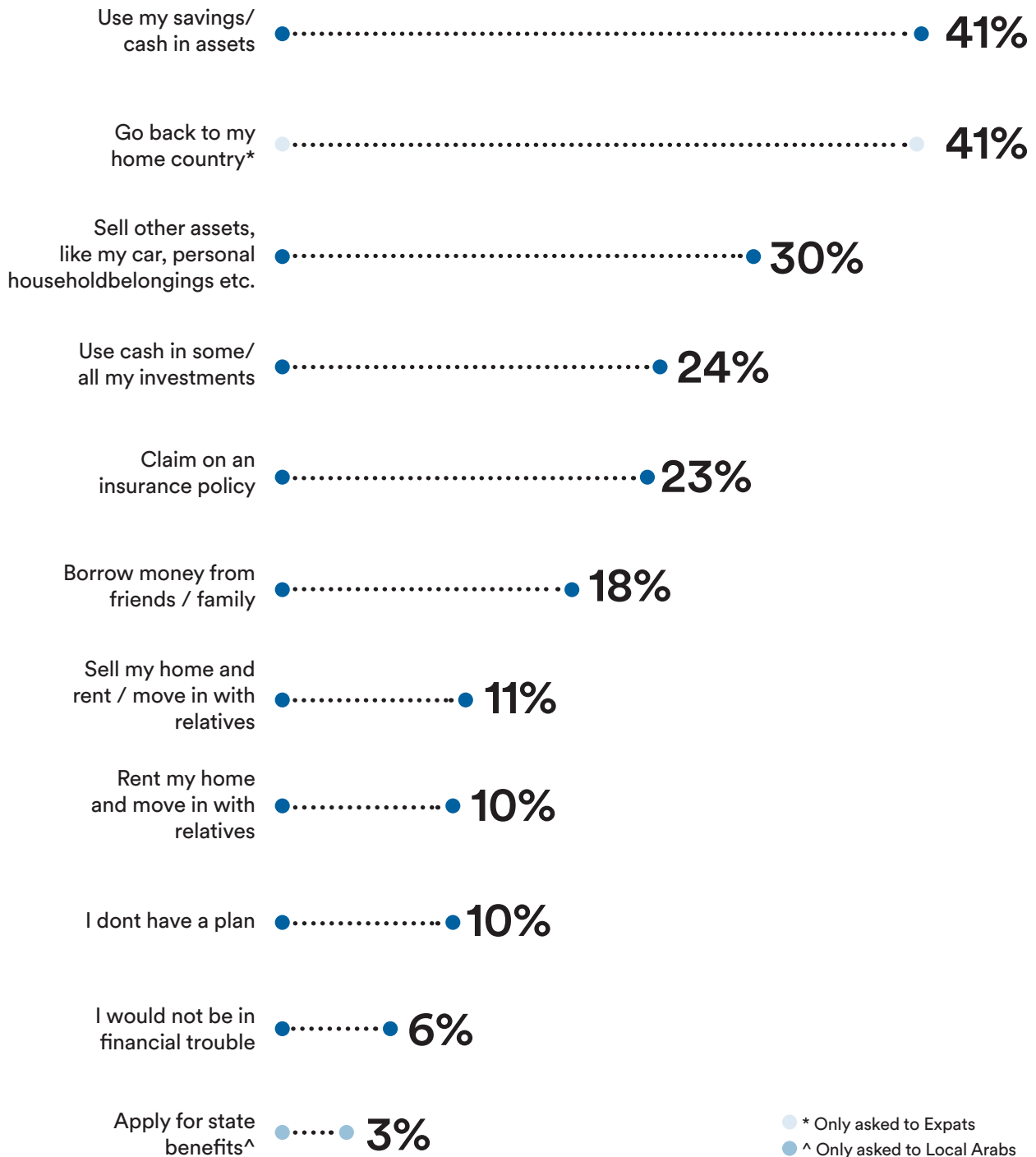
Adults in the UAE have an appetite for improved financial preparedness. Financial services companies can focus on those positive attitudes as they partner with customers to help them bridge preparedness gaps.

Already, 36% of adults in the UAE evaluate all their options thoroughly before deciding to choose one—the third-most-commonly agreed upon statement. They can help align those decision makers with the right financial products for them.

In the event of income loss due to either an accident or illness, most adults in the UAE would spend from their savings—or go so far as repatriation to their home countries—as coping methods. However, 10% have no plan in place at all, and the vast majority would not be able to maintain the same standards of living for more than 2 months. Many would not be able to maintain themselves using their savings at all.

Meanwhile, roughly one in four (23%) would claim an insurance policy because of a loss of income due to an accident or illness—the most popular option that does not include dissolving an investment or saving or making drastic lifestyle changes such as repatriation, borrowing money, or selling a home. Indeed, if more of the UAE population had appropriate insurance policies in place—especially among those most concerned about job security and those who would suffer the “full impact” of income loss—financial optimism and peace of mind would be much more achievable, as well as real financial security in the face of unavoidable life incidents.

What would happen in the case of income loss?



Key Takeaways: The State of Financial Security Among Families in the UAE

There is reason for concern for families in the UAE: Only 39% appear to be financially secure, despite 52% being financially optimistic about their futures. Job security is tenuous due to the actual likelihood of disruptions, increasing families' vulnerability to income loss and sudden medical expenses.

Nonetheless, these disconnects between perception and real financial preparedness suggests open-mindedness; they are opportunities to develop optimal financial preparedness where currently there is none.



Coverage Sufficiency for Health Eventualities

It is fortunate that 77% of all respondents claim to be in good or very good health. Nonetheless, underinsurance is a key risk among these families.

Most adults in the UAE admit they are either inadequately insured or unsure whether their insurance would cover one of life's eventualities, such as critical illness, the loss of a loved one, or some other financial calamity.

One is only adequately insured if, once facing an eventuality, the person's insurance completely covers all expenses incurred or reimburses that person's out-of-pocket expenses in full later. A unique breakdown of respondents' answer choices indicates the severity of this risk.

A full 60% of respondents are either not adequately insured or are unsure of whether their insurance would cover an eventuality.

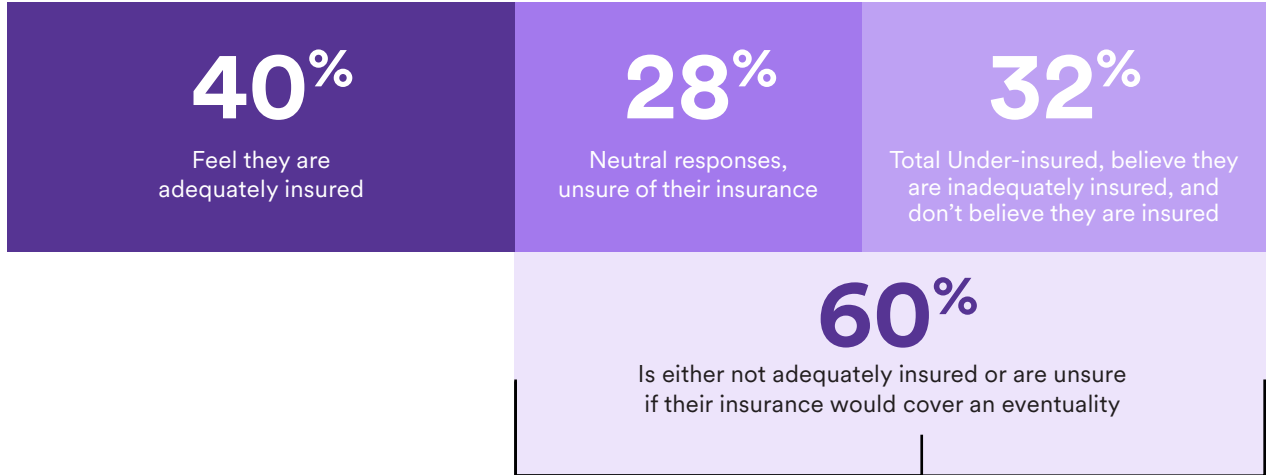
The implication is that most adults in the UAE are one of three types:

- 1 They are unprepared for eventualities.
- 2 They are not sure how to prepare for eventualities.
- 3 They are unfamiliar with the insurance coverage they have.

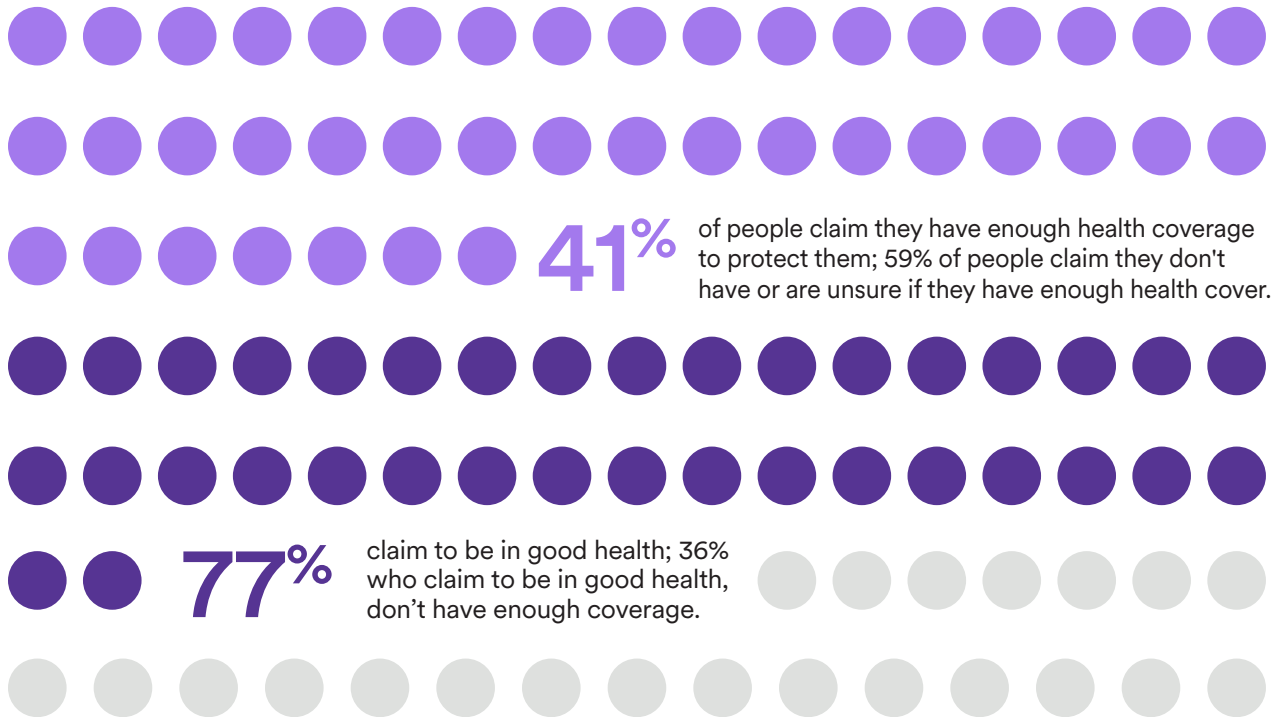
At the very least, they cannot enjoy the peace of mind that comes with complete preparedness. Findings about respondents' sentiments reveal only 41% feel they have enough health coverage to protect them and their families from unforeseen circumstances.

There is great potential for the insurance industry to grow and for underinsured customers to become optimally insured. Insurance companies that invest in education can help customers bridge their coverage gaps and ensure they are prepared for life's eventualities.

Of the total UAE population



But misconceptions of health and coverage are prevalent



Confidence of Sufficient Coverage

There is a false perception among respondents that a corporate medical card protects them from every eventuality. Among those with medical coverage, 55% believe they are accurately covered, but only 30% are actually covered based on an eventuality. “Knowledge gaps” of this kind prevent residents from seeking out financial products they need, despite the prevailing desire among them to improve their long-term financial security.

“There is a false perception among respondents that a corporate medical card protects them from every eventuality.”

A closer look at one segment of the study reveals more details about confidence levels among respondents—in this case, those who have already faced some eventuality in the past three years. For each of the eventualities measured, a majority of respondents claim they

only then realized they did not have adequate insurance coverage to face the eventuality.

Perhaps the most dramatic shortcomings are among those who experienced an accident resulting in total disability. In each case, a majority was faced with hidden costs (62%), disappointment in their existing policy (60%), and a life-changing financial impact on themselves and their families (67%).

Equally as revealing are how adults faced with mental rather than physical issues had greater difficulty with their levels of coverage. Among respondents facing an issue of a psychological nature, 70% did not have adequate coverage—the most frequent claim of this issue among any of the eventualities measured. Within this group, 67% had to seek out options to pay for treatments themselves.

It is also notable that most respondents are not confident in their ability to mentally or emotionally recover from unexpected life events: fewer than half (45%) feel confident about their emotional recovery and fewer than half (45%) feel confident about their mental recovery should they experience these

challenges. Mental and emotional recovery can include “hidden costs” adults in the UAE don’t consider throughout their recovery journey—these are not exclusive to health eventualities, but both are important to consider.

In some cases, these shortcomings represent misjudgments on the part of individuals with regard to the importance of sufficient coverage. Indeed, it is those instances where the eventuality resulted in a disability where the insured were most often able to afford

their treatments, and most often facing disappointment or hidden fees, suggesting over-emphasis of their policies on these particular types of eventualities.

But this lack of financial literacy and insufficient investment is indicative of a knowledge gap between insurance companies and the individuals who stand to benefit—one that is as much the responsibility of insurance companies as the individuals they serve.

Those with a medical insurance plan or an individual insurance plan

55%

believe they are actually covered

30%

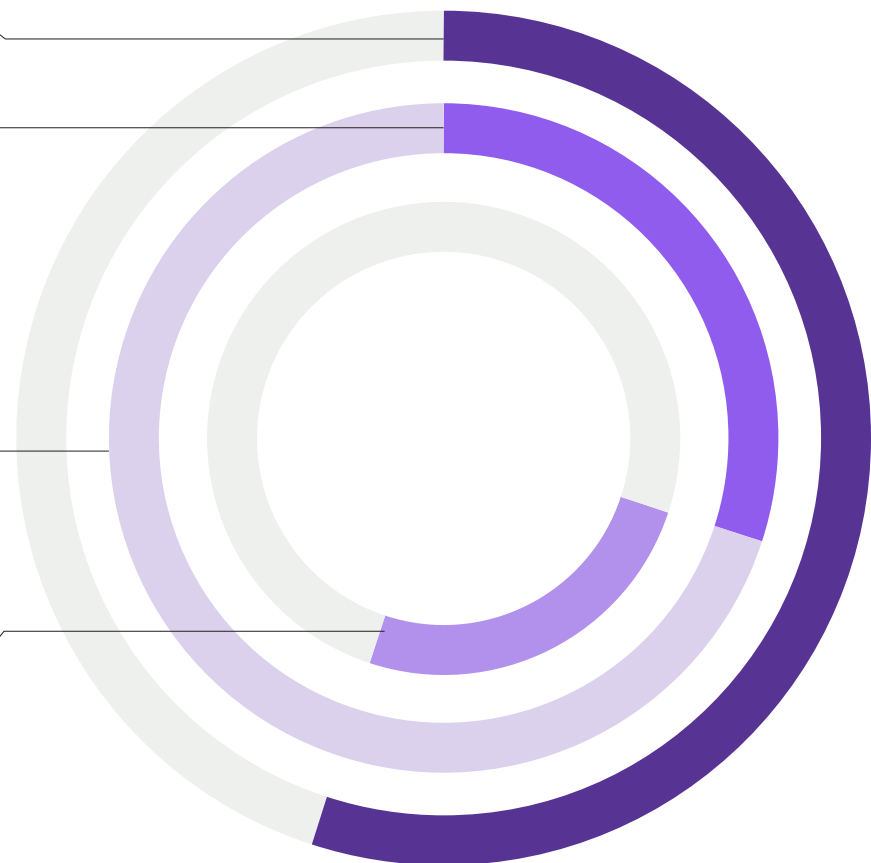
are actually covered based on their eventuality

70%

total actual underinsurance

25%

gap between the reality and the perception



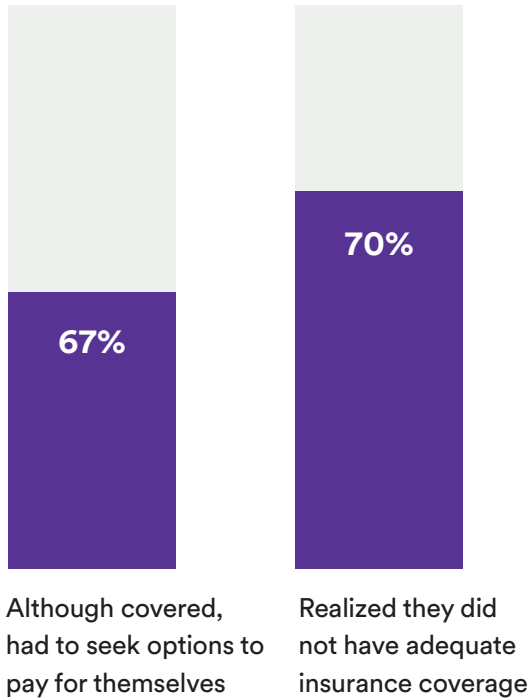
Of the people that had an accident that resulted in a disability

62% were impacted by hidden costs found in their small print

60% were disappointed in their existing policy

67% had a life changing financial impact on themselves or their families

People that had an issue of psychological nature



45%

Only 45% of people feel confident about the emotional recovery from unexpected life events

45%

Only 45% of people feel confident about the mental recovery from unexpected life events

40%

Only 40% of people feel confident about the financial recovery from unexpected life events

Key Takeaways: Coverage Sufficiency for Health Eventualities

Adults in the UAE face serious personal liabilities in the event of a critical illness, an accident, or a disability, all of which can cause a loss of income.

Respondents lack both coverage and the peace of mind that comes with sufficient coverage, either due to underinsurance, financial illiteracy, or both.

A knowledge gap exists between adults in the UAE and the insurance products that stand to help them. Companies must help improve customers' financial literacy and simplify complex insurance terms.



Aligning Family Needs With the Right Financial Products

COVID-19 caused lower spends on investments and future financial growth as residents in the UAE prioritized an increase in cash savings to survive the crisis period. When asked how their spending, saving, or investing behavior had changed with regard to financial behaviors during this time, most had been building up savings in lieu of taking risks such as investing in business, property, or loans for large purchases. Meanwhile, 36% were building up savings in case of a financial crisis at a “bigger amount,” triggered by their awareness that nothing is certain. Although many would use personal savings a way to protect themselves, for the vast majority, it isn’t enough; there is still an impetus to explore real insurance solutions.

But these trends are more indicative of already existing habits among adults in the UAE. In terms of how they distribute their income in a normal month, adults in the UAE direct roughly half towards necessities like rent, groceries, financial payments, and utility bills on average.

Only 4% of income is dedicated to insurance products, even as roughly one-quarter is attributed to other savings investments—including bank savings accounts, investment savings, and remittances abroad.

Respondents acknowledge this lack of sufficient coverage. A majority are worried about protecting their families and also describe it as their top financial priority. But protecting family and dependents appears to be a key need gap in the market currently, with most policy owners claiming that their current policies do not meet their needs in this aspect.

“A majority are worried about protecting their families and also describe coverage as their top financial priority”

Putting the Wellbeing of Family Members First

Now, adults in the UAE are prioritizing specific protections for family members—against financial uncertainties, but also against accidental and health crises themselves.

A closer look at respondents' insurance priorities puts the scope of their goals into perspective. They seek less transactional solutions; rather, they seek solutions that provide lifestyle and living benefits for them and their families.

Among the insurance policy features measured in the study, the “ability to include your immediate family (spouse and children or parents if not married) into your plan” ranks among the top responses.

Notably, respondents prioritize their and their family members' overall wellbeing, not just their financial wellbeing in the event of a crisis. “Preventative health services to avoid long-term medical issues” is a top feature customers want in a protection product

“They seek less transactional solutions but rather ones that provide lifestyle and living benefits for them and their families.”

as well. Adults in the UAE therefore take a holistic approach to purchasing insurance products, where all aspects of their families' wellbeing factor into their decisions including preventative, diagnosis, and treatment benefits, to name a few.

There is a clear correlation between financial concerns, wellbeing concerns, and the top needs for owning insurance represented in the study. Insurance companies have a responsibility to help customers make the necessary connections and realize the financial protections they want and need.

Top Financial and Wellbeing concerns (showing extremely and fairly concerned)

78% Protecting the family against unforeseen incidents

77% Having job security

77% Protecting family against any major illness

77% Protecting myself against unforeseen circumstances

76% Protecting family by covering medical costs from serious illness

Top reasons for owning insurance

36% Protecting myself against unforeseen circumstances

35% Makes me feel financially secure

35% Protecting my family against unforeseen circumstances

33% To help make a more secure future for my family

33% Protect my family by covering medical (from major illness)

31% Gives me peace of mind

Key Takeaways: Aligning Family Needs with the Right Financial Products

Despite reduced spending on investments and future financial growth during the the COVID-19 pandemic, limited spending on insurance products is a long-term trend that has created need gaps among adults in the UAE.

Respondents also prioritize insurance products that support preventative health services to avoid long-term medical issues. They want policies that do more to protect their families—not just from financial losses in the event of a medical emergency, but by preventing medical emergencies themselves.



Conclusion: Next Steps to a More Secure Financial Future

Adults in the UAE continue to prioritize alternative financial investments in lieu of insurance policies that might provide financial protection when they need it most—not to mention peace of mind throughout their lives. This is due in part to a lack of financial literacy, which impacts their ability to choose insurance products right for them and to understand the insurance policies they already have. Too often, adults in the UAE miss out on the policies they actually need, leading to disappointment in actual coverage when tragedy strikes and exacerbating existing disillusionment with insurance.

However, growing interest among adults in the UAE ages 38 years and younger alongside widespread acknowledgement of the necessity of coverage bodes well for the future of insurance and the families it protects.

At MetLife, we make it our aim to educate our customers and the broader population about insurance opportunities. As we develop a deeper understanding of our customers' and UAE residents' motivations, we can create better policies to fit their needs, then bridge the knowledge gap between these policies and the individuals who stand to benefit.

With the pressures of the day-to-day, it is easy for people to get distracted from what is important; their lives, their loved ones, and the future. At MetLife, we are here to

support our customers so that their **Life Comes First**. With over 150 years of expertise in protection, we enable our customers to live with a secure financial future. Therefore, our collective efforts here in the UAE involve the transformation of financial practices and insurance solutions to better contribute to the lives of generations to come.

“At MetLife, we make it our aim to educate our customers and the broader population about insurance opportunities”



About this report:

The data used and found in this report is taken from MetLife Gulf's October 2020 and February 2021 customer research conducted in the UAE.

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