Gallagher

Insurance | Risk Management | Consulting

Middle East and Africa Insurance Market Update

2024 Overview and 2025 Outlook

About Gallagher

Gallagher is one of the world's largest insurance brokerage, risk management, and consulting firms — helping you meet your future with confidence.

Founded by Arthur J. Gallagher in Chicago in 1927, Gallagher has grown to be one of the top three insurance brokers in the world. With significant international reach, our organisation employs more than 53,000 people globally in more than 130 countries. Through our worldwide operations and partnerships, Gallagher is helping international businesses of all sizes with their (re)insurance, risk management, and advisory needs.

We have a reputation for doing the right thing, earned day by day for nearly a century, and bring an unmatched level of experience and industry knowledge to our clients, finding the best solutions and delivering a world-class service.

Across the Middle East and Africa, Gallagher offers clients a dedicated Specialty, Facultative, and Treaty service. Operating from the Dubai International Financial Centre (DIFC), our team comprises of market-leading talent with expertise across various sectors. In the region, we are partnered with ACE Gallagher, a long-established insurance/reinsurance broker with 70 years of experience in the Kingdom of Saudi Arabia, Bahrain, the United Arab Emirates, Oman, Kuwait, Lebanon, and Greece.

By leveraging Gallagher's global network and ACE Gallagher's regional expertise, we are uniquely positioned to bridge the gap between East and West, facilitating seamless connections and delivering unparalleled value to our clients.

Our values are core to our culture, all with one purpose: To help you face your future with confidence.

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Welcome to the Gallagher Market Report for the MEA region

The Gallagher Market Report for the MEA region 2025 offers a comprehensive analysis of the evolving insurance and reinsurance landscape across the Middle East and Africa (MEA).

The MEA region is poised for economic and (re)insurance market growth in 2025, driven by diversification efforts, infrastructure investments, and rising demand for insurance and reinsurance solutions. With ambitious national visions in the Middle East and growing industrialisation across key African markets, the region presents opportunities for (re)insurers to support client investments.

This report dives into the key trends, developments, and strategic initiatives shaping the MEA insurance market, providing actionable insights for stakeholders. Partnering with brokers who offer a blend of local expertise and global reach is crucial for businesses aiming to balance growth with risk resilience in the year ahead.

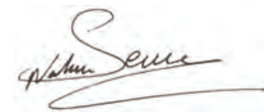
Many MEA countries are making strides towards becoming digital economies, creating regulatory environments that encourage innovation, and investing in smart cities and other digital infrastructure.

From an insurance market perspective, the outlook is positive:

- The GCC insurance sector is seeing large investments from international brokers, while (re)insurers seen departing the market in 2019/2020 are returning, adding to the significant capacity available in the regional market and creating further choice for clients.
- The markets are poised for growth in 2025, driven by digital innovation, regulatory changes, and increasing demand for tailored solutions.

There are, however, challenges to overcome:

- In the Middle East — 2024 brought social, economic, and geopolitical challenges to the region. Regional conflicts, climate concerns, and the urgent need for sustainable practices are driving a more sophisticated approach to risk management and insurance.
- In Africa — Markets remain highly fragmented, and there are stricter regulations, increased capital requirements, and unstable macroeconomic conditions in several African countries.



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Middle East

The Middle East, particularly the Gulf Cooperation Council region, is undergoing significant transformation, as countries focus on delivering their vision for a less oil-dependent future. This change is shaping the demand for risk and insurance solutions.

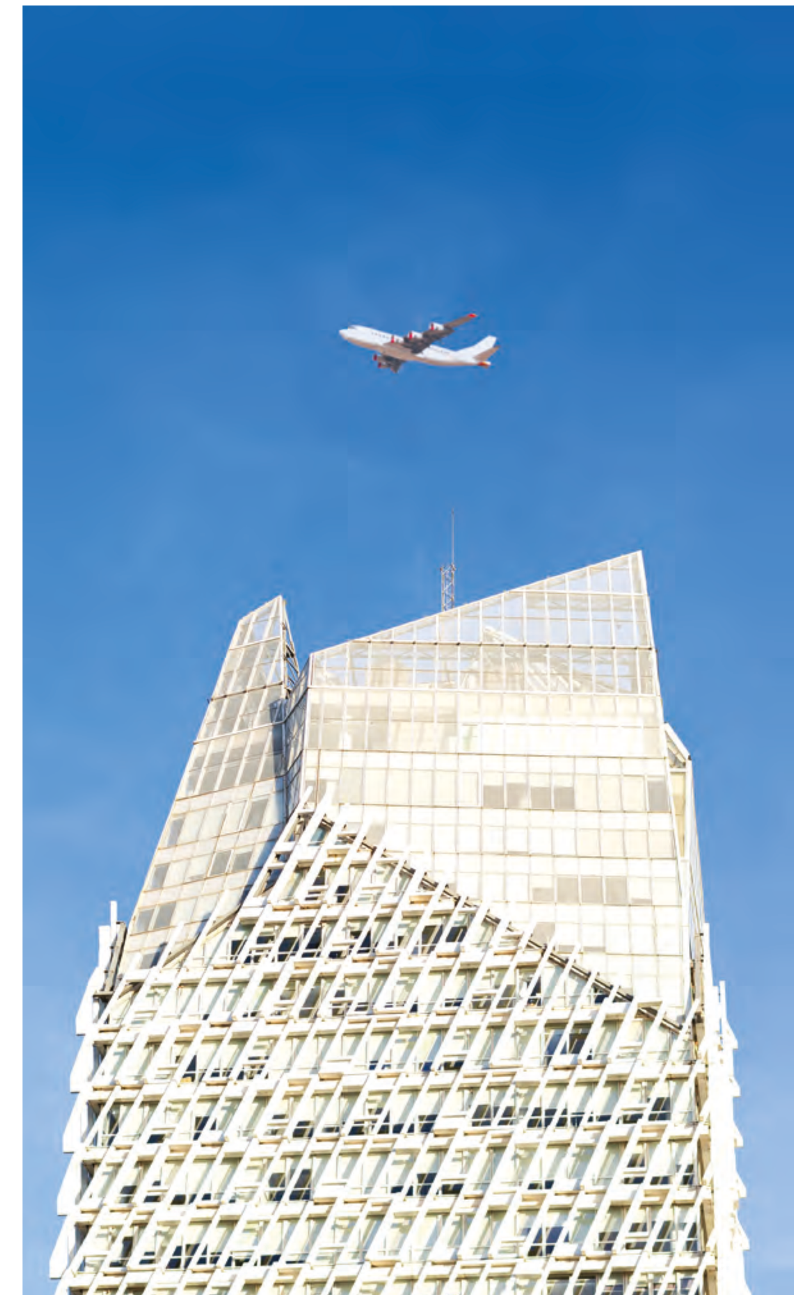
GDP growth in the region continues to exceed the global average, driven primarily by substantial infrastructure investments, particularly in the construction, transportation, and water sectors. Additionally, according to a report by Knight Frank, Saudi Arabia's Vision 2030 has led to real estate and infrastructure projects worth nearly USD1 trillion, with infrastructure spending accounting for about USD300 billion.[1]

Africa

With 11 of the world's 20 fastest-growing economies, Africa is expected to maintain its position as the second fastest-growing economic region after Asia. The continent's economic and insurance growth is underpinned by increased public investments in critical infrastructure and supportive regulatory environments.

Looking ahead, increased mandatory retentions via compulsory cessions to local (re)insurers are designed to retain more premiums within local markets. Such efforts should support the financial stability of the local insurance industry and create jobs.

[1] https://www.knightfrank.com/research/article/2021-08-26-saudi-vision-2030-has-resulted-in-close-to-us1-trillion-of-real-estate-and-infrastructure-projects-



KEY INSIGHTS

- Expected continuation of current trends: increased competition among (re)insurers and most buyers receiving more favourable renewal terms.
- Outcome of the ongoing claims relating to the Russia/Ukraine conflict expected in the 1st quarter of 2025. Insurers and (re)insurers reactions following the outcome of these claims remain unknown, with the potential quantum of the losses yet to be determined.

Aerospace

The aerospace market is split into four subsectors consisting of:

Manufacturers/Infrastructure	Airlines
Space	General Aviation

Whilst all four sectors form part of the overarching aerospace market, each segment has its own unique trading conditions/coverage/capacity at any given time.

Key observations in 2024

AIRLINE SECTOR

Current market dynamics for airline risks are delicately balanced, with renewals set against an increasingly familiar backdrop of market uncertainty, losses, and heightened global volatility. However, capacity remained plentiful in 2024, and there was a broad softening of rates — typically single- to double-digit decreases.

As demand also increased, premiums in most segments remained relatively stable despite the increased competition. The Aviation War sector cooled from the steep price hikes of recent years, and Hull War rates have flattened; similarly, AVN52 (War Liability) pricing was flat.

GENERAL AVIATION (GA) SECTOR

This subsector came under more competitive pressure with rate decreases firmly into double figures. The average general aviation risk typically had lower limits and lower hull values, and therefore, (re)insurers typically had greater amounts of capacity to deploy on each risk.

These dynamics created overcapacity in the market, putting downward pressure on pricing, which was good news for clients. At the same time, there was also an expansion of cover, with buyers enjoying broader terms and conditions for less premium spend.

MANUFACTURERS AND INFRASTRUCTURE SECTOR

This sector experienced a period of relative calm as capacity providers managed the continuation of 'softer' market conditions throughout 2024.

Though positive for insurance buyers, the market uncertainties have done little to calm the current combination of overcapacity and a drive from (re)insurers for top-line premium growth. Insurer senior management and capital providers continue to push for underwriters to maintain income levels, adding to competitive pressures in the sector.

SPACE SECTOR

In the wake of severe losses over recent years, this sector is experiencing very different market conditions from the others. Claims totalling around USD2 billion since December 2022 have resulted in significant rate increases from (re)insurers and the exit of several key insurance markets.[2]

However, for technically attractive risks with manageable sums insured, we have seen sufficient capacity being available and competition between (re)insurers, proving the market is still able to deploy effective risk appetite and deliver products that meet the needs of many space insurance buyers.

As seen in 2019/2020 and 2023/2024, pricing in the space sector is driven primarily by capacity availability and underwriting performance. Any further underwriting losses may, therefore, result in the consolidation and prolonging of the current hardening market.

Current state of the market

During the last few weeks of December, there were a number of unfortunate airline losses. However, we retain a cautious outlook with several factors in play, not least Russia/Ukraine litigation. Until there is more clarity, and assuming there are no fresh major losses/market events, we expect a continuation of current trends with increased competition among (re)insurers and most buyers experiencing improved renewal results year on year.

Risk differentiation and having a well-prepared strategy will remain critical.

[2] https://www.insuranceinsider.com/article/2duili5m0lcjzv21k19ts/london-market/space-insurance-rates-rocket-as-major-losses-and-capacity-contraction-hit

Looking to 2025

Looking to 2025 and beyond, there are a number of key themes and questions to consider.

Risk assessment and management

How would a severe loss or market event in 2025 affect the market?

Insurer/Reinsurer year-end 2024 results — how will this affect capacity in 2025?

How can we enhance our risk assessment models to account for emerging technologies like electric vertical take-off and landing (eVTOL) aircraft and autonomous aircraft?

What specific risks do new entrants in the aerospace sector pose, and how can we tailor our coverage solutions to address these?

Are our current pricing strategies adequate to reflect the unique risks associated with geopolitical factors in the MEA region?

Market demand and product innovation

How can we leverage technology (e.g., AI and data analytics) to better understand client needs and streamline claims processing?

In what ways can we improve our product offerings for the growing general aviation market, particularly in underserved regions?

Collaboration and partnerships

Are there opportunities for collaboration with local governments or aerospace companies to strengthen our market presence?

How can we partner with technology providers to enhance our underwriting capabilities and improve risk management strategies?

Regulatory landscape

What regulatory changes are anticipated in 2025, and how can we prepare our business models accordingly?

How can we advocate for policies that support the growth of the aerospace sector while ensuring that risk is adequately managed?

Sustainability and environmental impact

How can we align underwriting practices with sustainability goals, especially considering the aviation sector's environmental footprint?

What incentives can we offer clients who adopt sustainable and environmentally friendly technologies or practices?

Key themes for 2025 and beyond

Low-cost carriers fuelling demand for smaller aircraft: Particularly in high-growth markets, low-cost carriers are stoking demand for smaller aircraft. This aligns with Boeing's forecast of a long-term need for around 3,000 new jets to support economic expansion in the region. As new entrants and technology advancements become more prominent, (re)insurers will need to focus on providing coverage solutions that address the unique risks of smaller aircraft in MENA.

Active space programmes in the UAE and the Kingdom of Saudi Arabia: Both countries have ambitious missions lined up. The UAE's projects include the Emirates Mission to the Asteroid Belt, with a projected launch in 2028. Such initiatives are expected to create new demand for space-related insurance products and heighten the overall risk profile in the region. MEA (re)insurers will need greater underwriting expertise and capacity.

Operational disruption: There is a growing exposure to global flight disruption, particularly at the region's hub airports. This includes disruption emanating from geopolitical tension, cyber attacks and safety incidents. Delays in delivery of new aircraft could affect airlines' operational timelines and financial planning.

Rising aircraft maintenance costs: Aircraft and materials have become more complex and costly to repair due to inflation, more expensive, high-tech materials and equipment, as well as supply chain disruptions. This could drive up claims and drive (re)insurers to adjust aviation hull and liability terms and pricing.

Emerging cyber risks: Growing reliance on digital systems for flight management is making aviation businesses more susceptible to cyber attacks. As a result, demand is growing for cyber insurance coverage and cyber risk management expertise.

Environmental pressure: With enhanced scrutiny of the aviation sector's carbon footprint and the growing trend of climate-related litigation, (re)insurers are factoring sustainability risks into Directors' & Officers' (D&O) liability policies. Amid concerns around 'greenwashing', underwriters are looking for a robust and auditable approach to ESG and for evidence that green credentials are not overstated.

Airport infrastructure risks: The need for upgraded airport infrastructure, particularly in emerging markets, poses additional insurance risks due to ageing facilities and increased demand. As flash flooding in the region in 2024 demonstrated, the potential impact of extreme weather on airport infrastructure needs to be factored in.

Social inflation: Rising litigation costs because of high jury awards, especially in the US, can lead to increased premiums and the need for underwriters to recalibrate for heightened legal risks and the potential for severe financial losses. This environment calls for (re)insurers to adopt more sophisticated risk assessment models, incorporating social inflation trends.

Losses from Russian exposure: Many lessors have been unable to repossess aircraft leased to Russian airlines, with the planes trapped due to regulatory barriers. Insurers and (re)insurers providing coverage for lessors' aircraft portfolios are continuing to manage claims that have yet to be fully resolved or recovered. In 2025, some of these losses may finally be resolved.

Emerging technologies and innovation: As the aerospace industry introduces new technologies, such as Urban and Advanced Air Mobility, insurers and (re)insurers will face challenges in risk assessment. This could lead to more conservative pricing to cover potential unknowns if the industry takes off.

Reinsurance pricing pressures: All the above dynamics could result in increased reinsurance pricing pressures. In addition, the global reinsurance market may see some constraints in capacity, with some reinsurers unwilling to take on high-risk aerospace portfolios.

Climate-related events, which are often covered by reinsurers under catastrophe reinsurance policies, could lead to underwriters adjusting pricing to manage increased exposure from turbulence, severe storms, and other losses.

While these factors may to some extent have already been affecting underwriting sentiment in 2024, rating trends into 2025 are likely to remain susceptible to change depending on how things play out and new developments in the coming months.

There is a general expectation that the remainder of 2024 and the start of 2025 will see increased competition in the market, except for space insurance and reinsurance, as (re)insurers seek to hit premium targets.

Whilst the trend outlook for 2025 within general aviation remains somewhat the same as the previous 12 months, history tells us that the market will react quickly to a shock. Therefore, in the event of any significant claims or a reduction in capacity, the market could adjust quickly.

KEY INSIGHTS

- The MEA insurance landscape has quickly moved toward a buyers' market.
- The region has experienced some larger losses on renewable energy projects.
- An influx of managing general agents (MGAs) is expected to continue to enhance competition throughout 2025 and beyond.

Energy, Power & Renewables

Key observations in 2024

The energy insurance market has navigated the intricate dynamics that resulted from social, economic, and geopolitical challenges in the region, echoing the difficulties of previous years. We saw an increase in demand from energy companies for insurance coverage as emerging risks continued to come to the forefront of their minds, reflecting the evolving landscape of risk management awareness in the region.

At the same time, advancements in technology across all forms of energy infrastructure are reshaping the market. These technological innovations are not only enhancing operations but also introducing new risks that at times need to be addressed through tailored insurance solutions, which the market may or may not have been prepared for.

The energy insurance market has demonstrated resilience, adapting to shifting demands and responding to market needs. As a result, we witnessed a notable shift in the balance of power within the insurance landscape, moving toward what increasingly became a buyers' market. (Re)insurers were compelled to enhance and differentiate their offerings and competitiveness to attract good quality business, reflecting a broader trend in the industry that emphasised innovation and flexibility to respond to the unique challenges clients faced in the region.

Current state of the market

Capacity trends

While there have been no notable capacity withdrawals, new market entrants — company markets and MGAs — are looking to further diversify their global books by focusing on the region. Last year's profits, alongside a favourable reinsurance treaty renewal season, have led to increased capacity and appetite. The resulting competitive environment has meant some markets are choosing to take on risks they may not have entertained in the past.

However, a recent period of increased losses, largely due to severe weather events, may continue to have an impact on the capacity available. While (re)insurers continue to pile in with support, they are taking a more cautious stance, particularly given the increased frequency of natural catastrophes. While traditionally considered to be a non-catastrophe-exposed region, claims activity in recent years is prompting a re-evaluation by (re)insurers.

For fossil-fuel-based projects and the downstream sector, (re)insurers continue to be increasingly selective, driven by both Environmental, Social, and Governance (ESG) pressures and heightened risk assessment measures.

Renewables are seeing a boost in capacity as (re)insurers look to prioritise sustainable and green energy projects within their wider portfolios.

For conventional power, there is no real threat to the established market leaders in the region. (Re)insurers are more focused on negotiating increased line sizes for preferred businesses rather than competing directly against the incumbent markets. There have been some new ventures into the market, including private equity-funded entities, but these are not expected to add to the existing competitive tensions for some time.

Loss trends

The region has experienced some larger losses on renewable energy projects. The recent floods and extreme temperatures in parts of the UAE and the Kingdom of Saudi Arabia have resulted in an increased frequency of energy claims, particularly on solar photovoltaic (PV) and Concentrated Solar Power (CSP) projects exposed to heavy rain and flooding. Whilst the final quantum of these anticipated large losses is yet to be determined and finalised, it is not likely to have a material impact on the insurance rating environment.

The record-high losses in 2022 and 2023 set a challenging claims environment for energy (re)insurers; however, from the tail end of 2024 and into 2025, we have seen a significant reduction in the number and quantum of claims globally. This has resulted in a broad return to good profitability for most (re)insurers. Despite this, (re)insurers continue to monitor their operational risk portfolio closely, especially for assets exposed to concentrated losses or natural catastrophe risks, as well as poorly engineered risks, all of which will continue to face underwriting scrutiny.

Pricing trends

Downstream	
Stable or decreasing rates for high-quality risks	↔ ↘
Significant rate increases for higher-risk clients	↑

In 2024, the downstream energy markets have experienced significant rate reductions. The region has seen many recent renewals (in the past six months) ending up with rate reductions between 15% and 30% year on year. This resulted in a swathe of signings down at key, large regional renewals, with markets looking to book and increase their income on different layers or new businesses in order to make up for the shortfall in the forecast budget.

This trend follows several years of heightened pricing due to a variety of factors, including:

- Higher number of historical catastrophe losses relating to NatCat and fires, with business interruption (BI) claims bearing the majority of the losses and exposure for (re)insurers.
- A period of high inflation is resulting in significant supply chain disruption that has resulted in increased replacement lead times and resultant costs incurred, more prominent on BI losses.

The current reinsurance rating movements for the downstream energy sector generally reflect the following trends:

- **Stable or decreasing rates for high-quality risks:** Clients with well-engineered, low-risk profiles and robust risk management practices are seeing modest, single- to double-digit decreases in premiums. This trend underscores the market's recognition of effective risk management and well-maintained assets.
- **Significant rate increases for higher-risk clients:** Clients with poor claims records, adverse or lack of ESG positions, or inadequate risk management are facing double-digit increases in premiums. This increase reflects the market's heightened scrutiny of these factors, which are priced in uncertainty and impact risk assessment.

Overall, these movements are influenced by the specific risk profile of each asset, but the general trend indicates a differentiated approach to pricing based on risk quality and risk management practices.

On the whole, the softening rating market environment will present opportunities for downstream energy companies, especially in well-risk-managed and well-engineered accounts. Despite increasing competition in the market, detailed risk management strategies continue to be important. Clients are encouraged to collaborate with brokers and (re)insurers to address cost and coverage efficiencies where possible.

Most well-risk-managed buyers experience stable or marginally reduced rates unless there is a significant market event that throws out the current equilibrium.

Power and Utilities	
Conventional Power — slight rate decreases	↘
Thermal Coal Power — steady rates, opportunities for income	↔
Renewables — slight rate decrease for small to mid accounts	↘

Rates for power and utility buyers remain steady, with modest signs of stabilisation with single-figure reductions now available compared to the sharp hikes seen in recent years. Factors such as inflation, increased claim severity, and a focus on renewable energy projects continue to drive up premium costs, although traditional rate increases have eased off significantly.

In 2024, the coal insurance market faced continued challenges as (re)insurers' ESG pressures ramped up, driving up capital costs and leading to capacity restrictions. While most regional (re)insurers didn't change their pricing for coal materially, up or down, many (re)insurers, particularly those domiciled in Europe, reduced or fully withdrew from coal underwriting due to changing climate policies and increased shareholder expectations. Despite these challenges, the coal market pricing stabilised, and these risks still offer a great opportunity for (re)insurers with the appetite.

Renewable energy projects, like wind and solar, have seen slightly steeper premiums, early single-digit increases due to unique operational and weather-related risks and the fact that no real historical claims data has been available for (re)insurers to accurately rate the risks, particularly in the MEA region. The claims events noted above have contributed to pricing increases, particularly on solar PV and SCV projects, which have seen some of the largest losses in the space regionally.

While single-digit rate increases were expected, most renewable energy clients experienced slightly better pricing terms in 2024 compared to previous years. This reflects (re)insurers' continued interest in underwriting more clean energy projects with an abundance of capacity both regionally and globally still available.

Upstream	
Stable or decreasing rates	↔ ↘

Compared to 2023, the 2024 reinsurance treaty renewal season was decidedly benign, with most markets seeing flat renewals or small increases in their reinsurance treaty protections. The frequency of large losses has reduced, and the market is now viewed as being less volatile, similar to the changes in the downstream sector. All in all, this is lending itself to a more beneficial pricing environment for buyers.

Overall, 2024 saw a rebalancing of rate movements, which was expected to continue softening in the buyer's favour. Most well-risk-managed buyers experienced stable or marginally reduced rates unless a significant market event disrupted the equilibrium.

Looking to 2025

2025 is shaping up to be an interesting year for reinsurance. During the Monte Carlo Rendez-Vous and Baden-Baden renewal discussions, most treaty (re)insurers conceded that the trends in 2024 were set to continue: a softer market cycle resulting in less pressure on upward premium trends or capacity restrictions. This news will promote a more competitively priced market for direct insureds and reinsurance buyers, as these costs typically cascade down from (re)insurers.

The market is prepared for growth, with premiums adapting to an evolving risk landscape across a wide range of energy-related risks and sub-sectors. Continued innovation in risk management and the adoption of more robust risk engineering practices are likely to gain prominence, as the region continues to mature following 'international best practice', and this aims to significantly influence risk assessment, pricing, and capacity for clients in the region.

A stronger focus on sustainability will emerge, driven by more robust and practical ESG standards, with (re)insurers expecting greater accountability from clients as this avenue continues to become an ever-pertinent area of focus in the market. In our opinion, this dynamic environment will continue to benefit buyers across the energy spectrum, from traditional oil and gas firms to emerging renewable energy projects. We anticipate that the market will continue to favour buyers well into 2025, especially if the current low loss activity persists and there are no major regional loss events that distort this equilibrium.

We anticipate an increase in regional capacity across all energy lines of business, with the exception of power generation primarily linked to thermal coal assets, which remains constant. There will be heightened capacity for well-risk-maintained and engineered assets in both upstream and downstream sectors, while demand for power remains steady, with no new market leaders expected.

Many companies are establishing or re-establishing underwriting authority in the region, shifting away from the previous move to centralisation in London or other headquarters. This move aims to promote agile underwriting practices and foster greater competition among markets. Lloyd's in the Dubai International Finance Centre (DIFC) will continue to draw significant interest from various MGAs seeking to operate within this growing platform across specialty lines.

This influx is expected to enhance competition throughout 2025 and beyond, as these firms work to expand their portfolios and market presence in core energy segments — all resulting in great benefit to insurance buyers.

There will be heightened capacity for well-risk-maintained and engineered assets in both upstream and downstream sectors, while demand for power remains steady, with no new market leaders expected.

Key themes for 2025 and beyond

- **ESG:** There is no definitive market consensus; however, some major European (re)insurers have taken a firm stance. Therefore, it is essential to monitor how their positions influence future market capacity and rating, especially within specific sub-sectors of the energy market.
  Key questions here are: (1) as the demand for renewable energy within the region continues to rise, should ESG be integrated into the underwriting methodology, and (2) how will the commitment of insureds to ESG be assessed?
  Also, there is a growing need for expanded coverage of pollution and regulatory penalties.

- **Business interruption volatility (BI):** This coverage continues to attract scrutiny across the industry. The launch of the LMA 5515A Clause, which incorporates a Partial Loss Adjustment Factor, is viewed as a strategy for (re)insurers to further reduce uncertainties surrounding potential claims. Clients can effectively address this issue by consistently providing detailed and regularly updated accounts of their BI values but need to bear in mind the challenges of doing so.

- **Contingent business interruption (CBI):** CBI and the requirement for coverage seem to be growing as businesses and their supply chains become more interconnected. Clients need to fully understand the extent of the exposures, and brokers should help them clearly define their key customers and suppliers within the policy to ensure adequate and comprehensive coverage. As these exposures to third parties increase, we expect (re)insurers to continue to closely scrutinise the level of cover offered.

- **Independent asset valuations:** (Re)insurers expect clients to have undertaken recent revaluation exercises to ensure their asset values are accurately represented in a globally inflationary context following COVID-19, although inflation is beginning to ease at an equally rapid pace. We have seen that many clients continue to engage reputable, independent valuation firms for this purpose, which is favourably received by the market. In instances where no recent valuation has been conducted and underinsurance is suspected, (re)insurers may impose either an average or a rating load to compensate for this potential shortfall. There is a need to account for insureds who do not have up-to-date valuations through average and occurrence limits of liability clauses with recovery limitations tied to reported values.

- **Risk engineering:** Ongoing review and compliance with any outstanding recommendations that remain from previous risk engineering surveys is a key focus for (re)insurers as the technology in the region continues to age. (re)insurers are still very mindful of ageing plants/investment in assets/maintenance and inspections, so information on CAPEX, turnarounds, health, safety, environment, finances, customers, and suppliers remains an important consideration in how the assets continue to function.

- **Cyber threats:** The impact of cyber risks on the energy insurance market has become increasingly significant, with rising geopolitical tension and nation-state-sponsored cyber activities further complicating the risk landscape. Cyber incidents are growing in frequency and sophistication, so energy companies must collaborate closely with (re)insurers to generate applicable and innovative offerings to better address cyber and AI-related risks. (Re)insurers are adapting and evolving their policies to offer clearer coverage provisions and restrictions and to address the complexities of the risks.

- **Natural catastrophes (NatCat):** Such events are increasing in the region, with large financial consequences following floods in late 2023 and early 2024. It is important to determine how to price for more frequent and severe natural disasters and extreme weather events and how insureds will be supported to deal with these new exposures. Implications include:
  - Increased reinsurance costs: As insurers face higher claims, they often pass on the increased risk to reinsurers. This can lead to higher reinsurance premiums and stricter terms.
  - Restrictions on capacity and availability: Persistent or severe flooding can affect the availability and capacity of reinsurance, potentially leading to reduced coverage options or higher costs.

KEY INSIGHTS

- Cyber risk has become a clear priority.
- Competition across all lines is taking the market into a soft cycle and driving rates down.
- There is a need for clients to understand and challenge their Financial Lines programme to ensure it is adequate for their risk.

Financial Lines

Key observations in 2024

In both emerging and established markets throughout the Middle East, we witnessed accelerated growth and an increasing sophistication among clients seeking to understand more about Financial Lines solutions or ascertain the adequacy of their programmes.

We saw cyber risk become a clear priority, largely driven by the Board. A survey in Clyde & Co's Global Directors' and Officers' Liability Report 2024 in the Middle East identified cyber exposure events as three of the top five risks facing their business. Such exposures included cyber attacks, data loss, and regulatory breaches.

The region saw a frequency of crime and cyber claims, with many companies targeted due to a perceived lack of controls and employee training regarding phishing and social engineering. This was particularly evident in the financial services sector, where attacks were typically financially motivated by malicious actors seeking to steal funds or extort banks through the threat of a denial-of-service attack or the release of data exfiltrated from a ransomware breach.

In supporting our clients with risk assessments, quantification, and insurance programme design, we noted the interplay of all Financial Lines products with cyber risk. This drove a need to align the insurance programme and demand in the corporate sector for products such as crime, which cover theft and financial loss arising from computer fraud and could be extended to cover losses arising from cyber risks, including business-email compromise, phishing, social engineering and impersonation fraud.

For management themselves, legislative changes across the region aimed to hold individuals accountable for mismanagement, which led to heightened exposure of directors and managers. Significantly, any agreement by the company to absolve a manager or director of personal liability is void. This must be interpreted to include an indemnification provision; therefore, without D&O insurance, their personal assets are at risk.

Recent claims are helping to focus attention on this risk, including, most notably, the Muscat Court of Appeal's award in favour of a large, listed cement manufacturer of a USD130 million judgement against its former CEO and members of the executive management and board in relation to alleged material misrepresentation in the company's financial reports, which also prompted an investigation by the Capital Market Authority.

Current state of the market

Following a hard market cycle in 2020–2022, which was accelerated by concerns around the pandemic and its impact on companies in all sectors, the market has stabilised.

Rates and capacity

The increased client demand for Financial Lines solutions, along with the inflated premium rates driven by the prior hard market, has attracted capacity to the region. This has created a vibrant regional market, with competition across all lines driving rates down.

The market is largely formed by an ever-increasing number of international (re)insurers with branches in the region. This is supported by (re)insurers underwriting from across Asia, Europe and London, seeking growth and looking to the Middle East for opportunities.

As an emerging trend, we are seeing local (re)insurers seeking to retain a larger share of risk. This reduces the available order to the international market, which contributes to downward pressure on rates through competition.

There is currently sufficient capacity for all lines except, in certain cases, cyber-physical, where the risk and value for large industrial clients can exceed the market's capability.

Wordings

Except for cyber, the region largely uses policy wordings developed in London. Certain 'market standard' policies are recognised and used as a base for financial service clients and core products, such as D&O. These base wordings are adapted or endorsed as required for the insured.

During the hard market cycle, we saw (re)insurers seeking to include tighter policy wording and more restrictive clauses. We still see evidence of this now when reviewing D&O policies for new clients, where exclusions for claims arising from insolvency and cyber are still present, along with exclusions for claims brought by major shareholders.

However, this is beginning to change. Along with the stabilisation of the market with respect to pricing, we are seeing greater flexibility from underwriters to offer broader coverage. This is through the removal of exclusions and restrictions applied during the harder market cycle and a willingness to support enhanced cover for emerging risks, such as social engineering and digital assets.

With respect to cyber, there is no common or 'market standard' policy, and each primary insurer will quote based on their wording, which will be specific to their product offering and breach response service. The latter may be an internal service within the insurer or via a third-party provider.

While the core covers are largely the same, each policy will differ in how it operates and in certain coverage features, for example, with respect to system failure, interruption caused by system breach or failure at outsourced service providers, hardware replacement, betterment and reputational harm.

Importance of localisation

In the Middle East, greater care is required to ensure the policy is appropriate for the region. This is particularly important for D&O policies that specifically exclude criminal acts and coverage for fines and penalties.

While D&O (re)insurers do not intend to protect someone who has intentionally committed a criminal act, we must recognise that in the region, any breach of law, such as mismanagement under company law, would be considered a criminal act. Without an appropriate policy, the director or manager would be personally exposed.

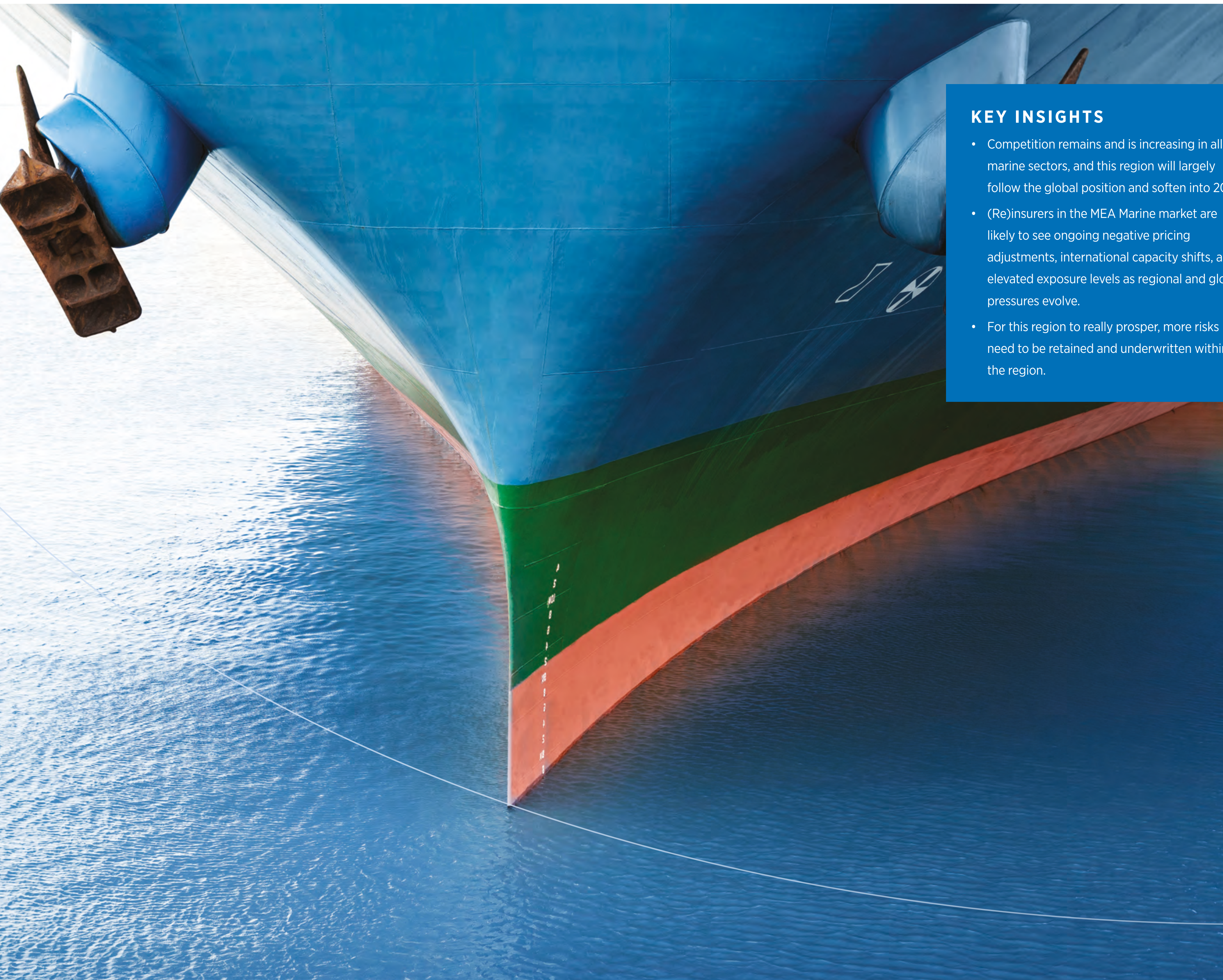
Further rate reductions are available and driven primarily by competition and an abundance of capacity.

Looking to 2025

We forecast the trend in average rate changes seen in 2024 to continue into 2025. Further rate reductions are available and driven primarily by competition and an abundance of capacity.

A favourable market position creates an excellent environment for meeting client expectations, whether optimising price and cover or creating solutions for emerging risks.

Clients are still required to focus on understanding and challenging their Financial Lines programme to ensure it is adequate for their risk, including the assessment and quantification of cyber risk and alignment of insurance to incident response plans.



KEY INSIGHTS

- Competition remains and is increasing in all marine sectors, and this region will largely follow the global position and soften into 2025.
- (Re)insurers in the MEA Marine market are likely to see ongoing negative pricing adjustments, international capacity shifts, and elevated exposure levels as regional and global pressures evolve.
- For this region to really prosper, more risks need to be retained and underwritten within the region.

Marine

Key observations in 2024

PROTECTION AND INDEMNITY (P&I)

Club investments bounced back in 2024, with underwriting performance producing a surplus in 2023/2024, with an average market combined ratio of 95.4%, compared to 97.6% in the previous year, 2022/2023. A third of the P&I market returned funds to members in 2024.

However, it is important to recognise that the room for error on a purely technical basis across the market remained marginal. The trailing seven-year market combined ratio average was running above the breakeven amount of 100%.

While investment income could support overall financial stability, it did not directly improve the combined ratio. Therefore, the focus is likely to remain on improving the technical result into next year.

The pool environment in 2022 and 2023 sat below average expectations. The first half of 2024 saw an increase in pool-retained claims, while their share of the pool came in at well below average levels, with back-to-back low levels of pool activity in both 2022 and 2023.

At Gallagher, we expect the clubs to take a softer approach to renewals and lower premium increases in 2025. The range of premium increases is expected to be between 2.5% and 7.5% moving forward; however, a general increase is usually the starting point of any renewal negotiation.

The pervasive influence of the 'parallel fleet' and 'dark fleet' continued to cause concern. This is a growing network of vessels with links to Iran, Russia, and other nations subject to Western sanctions. While dark fleets are made up of vessels that take steps to obscure their identities, origins, and destinations of their cargo, parallel fleets operate in the open with an aim to stay outside of the reach of Western sanctions.[3]

[3] "Dark Fleet Update: A "Parallel Fleet" Is Developing, and There Is No Way to Reverse It." *Nordisk Skibsrederforening*. Accessed 29 Nov. 2024.

HULL/WAR

In the first half of 2024, the Hull and Machinery insurance market remained relatively static with the looming possibility of a slight softening. Managing general agent (MGA) activity continues to increase. New entrants, such as AI Marine, which began underwriting on 1 January 2024, are bringing additional capacity to bear and pursuing ambitious growth targets.

These factors are bringing competition back to the market, leading to inevitable downward pressure on rating, especially for the most well-regarded fleets and sought-after tonnage types. In the second half of 2024, softening is becoming more prevalent, with rates/conditions/claims service, and client bonuses all coming into play as competition heightens. Technical rates are still considered inadequate, but the rating environment is generally healthier following a few years of hardening.

The ongoing conflict in the Middle East is keeping war rates in the Red Sea high. The loss environment is highly volatile, with luck playing a part in who picks up the claims.

Claims activity has seen some big losses. For example, the MV Dali, which caused the collapse of the Francis Scott Key Bridge in Baltimore after a collision on 26 March 2024, the Lürssen Shipyard Fire in Rendsburg in July 2024, and Hurricanes Beryl, Helene, and Milton, all of which affected the market.

CARGO MARKET

Competition has returned. New capacity has reintroduced competitive forces into the market, exerting downward pressure on premium rates. However, this is not a return to the soft market conditions seen in 2017. New entrants include four London cargo MGA markets opening and/or waiting to open, with new Lloyd's entries in Q4 2024 and early 2025.

Claims continued to be a concern in the first half of 2024. While the Baltimore Bridge collision dominated the headlines for the marine insurance market, the level of attritional claims remains worrying. Even with claims activity as it stands, the premium in the market is sufficient for most entities to survive such losses unless a company is involved in all of them.

2024 has seen disruptions to supply chains, from changes in shipments through the Red Sea to US port strikes. This has led to new exposures for cargo underwriters, such as an increase in heavy weather losses during shipments being rerouted.

Current state of the market

Globally, premiums for marine insurance segments have increased over the past years for reasons specific to each market. If there was a common denominator, it would be simple negative underwriting results. High claims costs due to high vessel values and rising repair costs — as inflation has risen — have undoubtedly contributed.

The Middle East market, even with local (re)insurers, largely follows suit, as many accounts rely on international leads to offer terms. The cargo sector has seen growth alongside a steady rise in global trade, with the Middle East benefiting from its strategic position in maritime trade. Activity within the Kingdom of Saudi Arabia has contributed greatly to the regional blossoming of the cargo market. Competition remains and is increasing in all marine sectors, and this region will largely follow the global position and continue to soften into 2025.

War rates are high in the Red Sea, but traffic is very much reduced from normal levels. Claims activity is volatile, and even with higher rates, it is questionable whether premium levels are adequate for large losses as and when they materialise.

At the same time, there is rising global demand for tonnage to meet trade requirements. Whether marine companies can afford to indefinitely divert trade routes around the Cape of Good Hope, adding substantially to journey times and distances, is uncertain. More stability is required.

Claims activity is volatile, and even with higher rates, it is questionable whether premium levels are adequate for large losses as and when they materialise.

In the Middle East market, capacity for Hull and Cargo has remained constant, which is unfortunately not at the levels many people may want. P&I/libs continue to be largely outsourced to international markets. For this region to really prosper, more risk retention is required, and a stronger footprint of underwriting withheld onshore is needed.

At present, the market remains beholden to external rating dynamics and has an overreliance on fronting arrangements for risk-averse earnings.

Looking to 2025

For 2025, (re)insurers in the MEA Marine market are likely to see ongoing negative pricing adjustments, international capacity shifts, and elevated exposure levels as regional and global pressures evolve. These trends emphasise the need for careful risk assessments and a close working relationship with brokers and clients alike.

Innovation is always key in a more competitive market, and local (re)insurers should be looking at each risk on its own merits.

The MEA region will continue to see growth, driven by substantial regional investments in infrastructure, port expansion, and regional trade developments. Investments in key infrastructure, such as the Suez Canal expansion and the Kingdom of Saudi Arabia's Vision 2030 port initiatives, will intensify marine activities, resulting in heightened demand for marine insurance.

This will be mostly internationally driven, but the MEA will look to accommodate and participate in local risks where there is opportunity. Expanding trade routes also elevate the need for cargo insurance, particularly for high-value goods and project cargo moving through the region.

The need for yacht insurance will expand, and the region needs to look to accommodate this regionally rather than rely purely on international markets for larger tonnage.

The increase in port infrastructure and vessel traffic introduces higher operational risks, including port congestion, navigational hazards, and supply chain delays, requiring (re)insurers to adapt coverage and pricing models. Extended port delays can affect cargo timelines, influencing (re)insurers to reevaluate risk assessments and coverage terms.

As the entire industry modernises, digital technology integration is becoming essential. Smart ports equipped with AI-driven analytics, IoT, and blockchain are helping reduce human error, fraud, and inefficiencies but also introduce new cybersecurity risks. The new age of technological sophistication in the maritime sector is exciting but brings risk, which is currently underestimated.

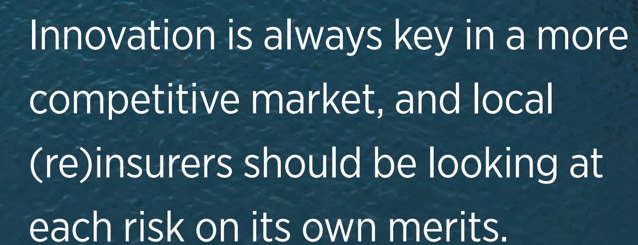
As brokers, we work with (re)insurers to explore coverage solutions for cyber threats and digital infrastructure, alongside traditional risks. This shift requires an advanced approach to risk assessment that factors in both physical and digital risks.

With growing pressure to align with sustainability standards, ports and shipping companies in MEA are adopting eco-friendly initiatives like emissions reduction and clean fuel alternatives. Marine (re)insurers can support clients in managing risks associated with this transition.

Regulatory shifts such as environmental restrictions, emissions reporting, and international sanctions affect risk profiles and coverage needs. (Re)insurers must stay ahead of regulatory changes that impact liability and compliance costs. In addition, there will be increased demand for specialised covers related to pollution and remediation costs.

Instability in certain MEA countries heightens the risk of supply chain disruption, a resurgence of piracy, and political interference. This will lead to a greater demand for policies covering cargo and transport delays. Coverage models that address these uncertainties can provide (re)insurers with a competitive edge.

The demand for supply chain and business interruption insurance is rising as companies seek coverage for risks across increasingly complex and vulnerable global supply chains.



KEY INSIGHTS

- In the region, 2024 saw an increasing number of transactions incorporating insurance solutions.
- The region previously experienced its first paid claim, and more are expected.
- Now is the best time for clients to buy as prices are at historic lows and coverage is broad.

Mergers and Acquisitions

Key observations in 2024

The global M&A boom from H2 2020 through H1 2022 was followed by a sharp downturn in 2023, marked by the lowest deal volume in over a decade. However, despite initial political and economic factors, after an upturn in Q3 2023, 2024 shaped into a year of modest M&A recovery — with Pitchbook estimating a year-on-year 27.6%+ increase in deal value and a 13.3%+ rise in deal count.[4]

In contrast to global trends, private equity deal activity in the region grew in 2023 from both a deal value and deal count perspective. M&A activity continued to thrive in 2024, drawing investments in sectors such as energy, technology, and financial services.

Clients in the region benefitted from the softening pricing of Warranty and Indemnity (W&I) insurance globally, which reached historic lows in 2024.

Whilst M&A insurance remained in its infancy in the region, the landscape evolved. 2024 saw an increasing number of transactions incorporating insurance solutions, the entry of new M&A brokers, and two underwriters with plans to establish M&A insurance underwriting capabilities in the Dubai International Financial Centre (DIFC) to service the region by early 2025.

[4]https://pitchbook.com/news/reports/q3-2024-global-ma-report

Current state of the market

M&A insurance remained in a soft market with historically low prices. Pricing in the region aligns more closely with the London market than the more expensive market in the US, unless the deal involves a US element.

Globally, there have been mixed pricing pressures that led to a stabilisation of rates towards the end of 2024. Upward pressures included loss history and deal volume rebound. Downward pressures included new insurer entrants adding to the abundance of capacity. Deal volumes, though increased from 2023, were still below the full normal range, so supply was competitive. The market agrees that a correction is due, but the timing of that remains to be seen.

M&A insurance coverage is broader than what a buyer would otherwise have recourse to from a seller, and coverage has continued to expand in the soft market. Within the region, there are certain warranties that will not be covered by insurers, such as anti-bribery and anti-corruption warranties. However, as underwriters grow comfortable with the region, we expect certain exclusions to be dropped.

An area of marked difference is tax. Underwriters have typically been reluctant to provide coverage on tax matters in the region given factors such as limited or non-existing tax regimes. The tax landscape is changing with the introduction of value-added tax, excise tax, and corporate tax in certain countries, so is underwriters' consideration from a coverage perspective.

The previous global slowdown in M&A activity, combined with the region's M&A activity insulation, prompted insurers to seek more opportunities within the region, fuelling an increase in M&A insurers able to write regional deals to a panel of 20+ markets.

2024 saw several new MGAs writing M&A insurance, including Devonshire Underwriting, Sands Point Risk, and ANV, which were joined by Chubb re-entering the international M&A insurance market. The main impact of these new entrants on the region is that they are exerting additional downward pressure on rates. Notably, Liberty suspended litigation coverage following large losses. This included one of the market's largest-ever judgement preservation insurance claims.

Whether or not loss experience will counter the impact of additional capacity in the M&A insurance space remains to be seen. Globally, claims severity is rising. Euclid reports that one-third of claim payments in 2023 exceeded USD10 million, showing a steady increase since 2020.[5] Liberty also noted that the post-COVID-19 M&A surge has driven up claims, despite an overall market slowdown. The data from 2024 is expected to convey the same story.

In 2023, the first claim in the region emerged. It involved a UAE-based buyer and target operating across the Middle East. The insurer quickly processed the claim, settling within eight days. While Gallagher is not aware of any claims being formally reported in 2024, we are aware of a significant potential claim under review by an insurer.

[5] https://euclidtransactional.com/2023-claims-year-in-review/?utm_source

Looking to 2025

The 2024 M&A rebound seemingly mirrors historical recoveries in 2007–2008 and 2001–2002, suggesting a sustained positive outlook into 2025. These market cycles have a direct influence on W&I insurance, especially with regard to pricing.

Two underwriters from two different insurers are expected to be operational in the DIFC by early 2025. As the volume of regional deals continues to grow in 2025 and beyond, we expect more insurers to write this line of business and more underwriters to establish a physical presence.

There are now 20+ insurers looking to write Middle East M&A transactions.

KEY INSIGHTS

- Political violence is likely to increase in 2025. Companies should prepare for more diverse and less predictable threats.
- Demand for political violence insurance is growing steadily.
- The sector is seeing more nuanced products that address specific MEA challenges.

Political Violence

Key observations in 2024

The global election super-cycle in 2024, with 40% of the world voting, raised the threat of political violence. This necessitated (re)insurers to reassess their risk models and adapt coverage strategies to manage exposure effectively.

Also, across the globe, civil unrest risks were higher, and there were ongoing interstate conflicts, including those in Russia/Ukraine and the Middle East, which also disrupted global markets.

In 2024, political violence ranked at number eight amongst the global list of business concerns — the highest it has been for years.

Within the MEA Region, 2024 saw ongoing conflicts in Gaza, Israel, and Lebanon, as well as the neighbouring states, leading to significant changes in the business and insurance environments. Due to this, clients witnessed rising insurance/reinsurance premiums.

However, regions with fewer recent incidents saw more competitive pricing as (re)insurers sought growth and diversification amidst a more uncertain geopolitical backdrop.

Looking to 2025, there are several trends we expect to see:

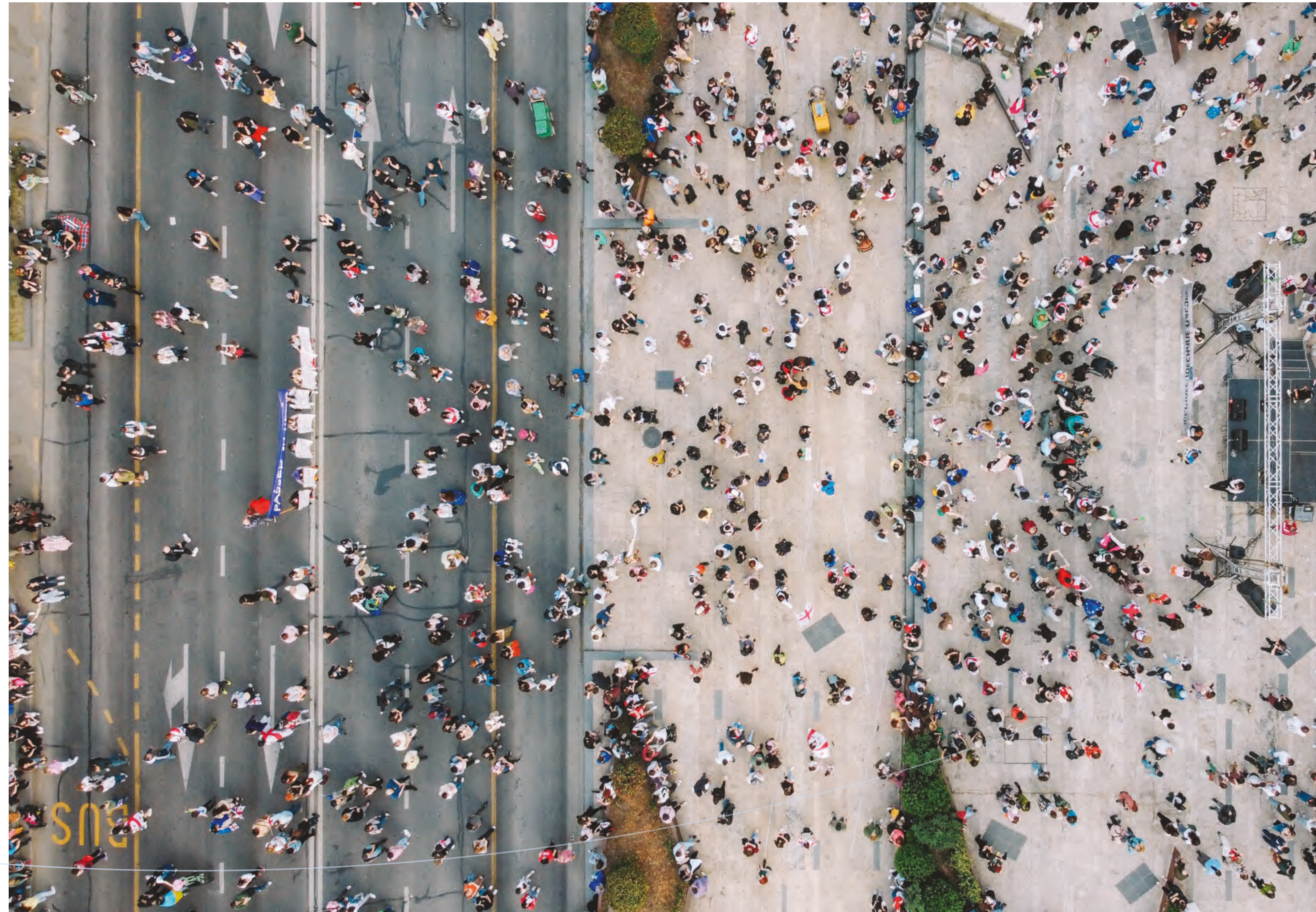
The expected end to a hardening market may be delayed as political violence (re)insurers face a tough season of reinsurance renewal negotiations.

Rates are expected to see moderate increases in 2025 as geopolitical instability and economic uncertainties persist in parts of the region. However, improved risk assessment capabilities might lead to more tailored pricing, potentially stabilising rates in lower-risk areas.

Capacity is expected to remain robust, fuelled by increased competition from several new entrants keen to underwrite risks in the MEA region. This competition is likely to introduce additional capacity, particularly in emerging markets where demand for political violence coverage is growing.

Regional government initiatives to subsidise or provide a (re)insurance backstop in the highest-risk zones could help expand coverage availability. Partnerships between (re)insurers and governments may continue to grow, fostering pooled resources to better distribute risk.

Rates are expected to see moderate increases in 2025 as geopolitical instability and economic uncertainties persist in parts of the region.



KEY INSIGHTS

- A construction boom is underway across the MEA region, led by multi-trillion-dollar megaprojects and smart cities.
- The influx of new capacity from international insurers and MGAs is increasing competition.
- Underwriters consider each project on its own merit while paying greater attention to natural peril risks, cyber exposures, and the quality of workmanship.

Power and Construction

Key observations in 2024

MIDDLE EAST

In 2024, the MEA region experienced a construction boom across multiple sectors and industries. Mega-projects like NEOM City, the Red Sea, and Amaala were ongoing in **the Kingdom of Saudi Arabia**. To date, the value of property and infrastructure projects announced since **the Kingdom of Saudi Arabia** rolled out its National Transformation Plan in 2016 crossed USD1.25 trillion, according to real estate agency Knight Frank.[6]

In 2024, there were further announcements of **the Kingdom of Saudi Arabia** advancing major transportation projects, including expansions in railways, airports, and road networks, as part of its Vision 2030 Strategy.

The **UAE**'s project pipeline was valued at USD590 billion in early 2024.[7] It covered residential developments, mixed-use projects, and major cultural landmarks like the Louvre Abu Dhabi Residences and Saadiyat Beach Developments.
Focus areas included smart city initiatives, renewable energy, and sustainability.

Oman, meanwhile, is set to develop green hydrogen initiatives with investments exceeding USD30 billion.[8] The projects aim to leverage the country's renewable energy capacity and will roll out in phases through 2030.

AFRICA

Several nations, including **Egypt**, **Nigeria,** and **Kenya**, are prioritising infrastructure and housing projects to support growing urban populations. Konza Technopolis is **Kenya's** smart city, with a projected cost of USD14.5 billion. The city is envisioned as a hub for technology, science, and education.

Many African nations are forging ahead with the development of renewable energy. **Morocco** and **Egypt** are leading developers with many announced projects and several other African nations have a significant pipeline for renewable energy projects.

[6] https://www.knightfrank.com/research/article/2021-08-26-saudi-vision-2030-has-resulted-in-close-to-us1-trillion-of-real-estate-and-infrastructure-projects-
[7] https://www.khaleejtimes.com/business/middle-east-project-pipeline-value-exceeds-3-9-trillion-in-2024
[8] https://solarquarter.com/2023/10/17/omans-30-billion-investment-leading-the-way-in-hydrogen-economy-and-clean-energy/

New capacity brings fresh competition

Despite some regional tensions and conflicts, many countries are achieving exceptional growth and development, buoyed by supportive government policies and growing populations.

This presents an excellent opportunity for construction (re)insurers to achieve premium income growth. Global and regional (re)insurers are keen to participate in MEA construction projects, with the available capacity steadily increasing.

Multiple international (re)insurers are establishing or expanding underwriting centres and capabilities within the region, including Chubb and HDI in recent months. We have also seen an increase in available capacity from managing general agents (MGAs). Internationally, the potential for premium income growth is well recognised, with many international (re)insurers devoting considerable resources and capacity to writing MEA construction business.

Going forward, this should lead to increased competition between (re)insurers, resulting in downward pressure on pricing, providing more competitive premiums and broader coverage for the benefit of the ultimate insurance buyer.

Current state of the market

Construction insurance and reinsurance in MEA markets face specific challenges tied to natural catastrophe exposures, developing technologies, and workmanship quality.

Natural perils:
While relatively low on seismic activity, extreme heat and flooding events pose risks to construction projects. Severe flash floods, like those experienced in 2022 (mainly in Kalba, Fujairah, and Ras al Khaimah) and again in August 2023 and April 2024 (across the UAE), have prompted (re)insurers to reassess their risk modelling. It is recognised that as countries such as the Kingdom of Saudi Arabia, UAE, and Oman continue to develop previously sparsely populated areas, there is a lack of reliable historical data for natural perils.

In Africa, Senegal and the Ivory Coast face risks from rising sea levels and flooding due to their coastal locations. The impact of tropical cyclones in West Africa is also a growing concern.

Libya is vulnerable to desertification and occasional flooding, which are exacerbated by poorly maintained infrastructure. In Egypt, natural peril risks include Nile River flooding and the potential for sandstorms, which particularly affect projects in the New Administrative Capital and along the Red Sea coast.

(Re)insurers are demanding higher premiums to account for increasing natural peril exposures in the MEA region and expect developers to incorporate more robust designs for such risks.

Developing technologies:
The introduction of new construction materials and smart building technologies increases complexity and liability in claims. The UAE and the Kingdom of Saudi Arabia are leading in adopting these technologies for sustainable buildings, but the lack of historical data creates uncertainty for (re)insurers, impacting underwriting.

Cyber risks associated with smart building technologies are emerging as a significant exposure and are evolving exceptionally fast. These risks are something that both developers and contractors must consider at all stages of the project's development.

Workmanship and quality assurance:
The shear volume and pace of construction projects in the region brings about supply risks and not least the availability of experienced labour. The use of inexperienced labour can lead to quality and workmanship issues resulting in a higher frequency and severity of claims.

All parties are also aware of the impact supply risks may have on a project and can easily cause delays and cost overruns. Alternative supplies are also not necessarily readily available due to the high demand or may not be of a similar quality to the original prescribed. Supply risk is also compounded by the ongoing conflicts within the region, resulting in longer and more costly transportation. Issues such as substandard materials and errors in execution can lead to defects, which can lead to costs and time-consuming losses, not all of which are insured.

Looking to 2025

The current construction boom represents an excellent opportunity for (re)insurers to achieve their sought-after premium income growth. Looking ahead, this should translate into a softening of pricing in the insurance and reinsurance market, resulting in improved terms and conditions, including the competitiveness of premiums for construction insurance buyers.

(Re)insurers do, however, have a number of concerns that could impact the deployment of their capacity and the depth and length of the softer market cycle.

With the increasing number and scale of developments within the region, it has become evident that historical weather data and modelling are inaccurate and incomplete. This is resulting in more frequent and severe natural catastrophes and weather events than anticipated.

Developers are designing their projects in accordance with local codes and regulations, which are often based on inaccurate or incomplete data, resulting in projects not being built to withstand the actual weather events occurring. Developers and designers need to take this into consideration when designing their projects and look to build additional resilience. Such investments can help projects stand out in the market, attracting more favourable pricing, terms, and conditions.

For certain sectors, next-generation technology is being developed and deployed at such a rapid pace that (re)insurers are concerned that the insurance is being relied upon to fund research and development of more prototypical technology and construction methods. The reinsurance industry has seen multiple claims arising from such scenarios and has already implemented more restrictive terms and conditions.

Therefore, developers must ensure they can demonstrate (to the (re)insurer's satisfaction) that they and the original equipment manufacturer have undertaken robust due diligence. This includes stringent quality assurance and quality control (QA/QC) during the design, planning, manufacturing, and installation process.

Lastly, amid the ongoing construction boom, there is growing concern about the availability of experienced and quality contractors. Developers can allay (re)insurers' fears by undertaking stringent due diligence during the contractor selection process, together with a detailed QA/QC process during construction. Explaining your enhanced contractor selection and subsequent monitoring to (re)insurers helps set your project apart.

With the MEA construction boom expected to continue into 2025, and with (re)insurers looking for premium income growth, the construction (re)insurance market should continue to soften for the benefit of the ultimate insurance buyer, although recent global events such as the fires in California could impact pricing.

To achieve the most benefit from a more competitive market, the insurance buyer must distinguish their project from the many other projects currently under development by ensuring that (re)insurers' concerns are considered and positively addressed. This is where the role of the broker can make a difference, ensuring projects are presented accurately with submissions detailing risk management and quality assurance attributes to achieve optimal pricing and coverage.

Amid the ongoing construction boom, there is growing concern about the availability of experienced and quality contractors.

Property and Heavy Industry

KEY INSIGHTS

- Capacity will continue to increase, and (re)insurers will compete harder for well-managed and profitable business.
- Quality of risk and positive differentiation are key to achieving market-beating results.
- There will remain a continued focus on supply chains and business continuity contingent business interruption (CBI) exposures and accurate new replacement value declarations.

Key observations in 2024

MIDDLE EAST

The largest loss event for the year was the storm in Q2 in the UAE and Oman. In 48 hours, roughly twice the annual average rainfall overwhelmed drainage and caused extensive flooding across the two countries. Current loss estimates range from USD2.9 billion to USD3.4 billion, the majority falling to property classes of business.

In response, Dubai has announced a USD8 billion project, Tasreef, (to begin in 2025) to enhance its drainage systems, boosting capacity seven-fold and enabling up to 20 million cubic metres of water to be drained per day.

Despite this large loss, the Gulf Cooperation Council (GCC) (re)insurers recorded a year-on-year increase in after tax profits in Q2, coming on top of a year-on-year increase in Q1. At the time of writing the combined ratio across the GCC has seen a minor deterioration of around 1% to 97%.

These headline figures are nuanced: while overall profits have increased, a number of (re)insurers in the UAE have seen their profits decrease or have recorded a loss. In the Kingdom of Saudi Arabia, despite a large increase in H1 profits, over half of the (re)insurers recorded a year-on-year decline in underwriting results, indicating increased competition is starting to erode profits.

Consolidation via merger or acquisition among smaller (re)insurers, particularly in the Kingdom of Saudi Arabia and the UAE, is expected to continue due to increasing competitive pressures and regulatory demands on solvency requirements.

AFRICA

The African insurance market reached USD87 billion in 2023 and is forecast to grow to USD150 billion[9] by 2032 at a compound annual growth rate of 6.3%.

Current insurance penetration is around 2% of GDP, well below the global average of 7%,[10] indicating a significant opportunity for expansion driven by population growth, an expanding middle class with more financial literacy, digital insurance platforms, and increased urbanisation.

Southeast Africa was once again impacted by deadly natural catastrophe events in 2024, with significant damage due to Cyclone Chido in Mayotte, Mozambique, Malawi, and Zimbabwe in December. Meanwhile, the UN's OCHA requested USD7.7 billion to fund the humanitarian response to devastating 2024 floods in west and central Africa.[11]
The low penetration of insurance across the region continues to drive a significant protection gap.

Local (re)insurers have strong, well-established treaties enabling them to retain more risk in-country with cessions out of country reducing, especially on low-risk accounts.

[9] https://www.imarcgroup.com/africa-insurance-market
[10] https://fsdafrica.org/blog/insuretechs-will-reshape-the-insurance-sector/?utm_sourc
[11] https://reliefweb.int/topic/west-and-central-africa-floods-2024?utm_source

Current state of the market

MIDDLE EAST

The Middle East is increasingly seen as an international insurance hub, with reduced reliance on external capacity and expertise from London in particular. Insurance centres, including the Dubai International Financial Centre (DIFC), offer a critical mass of market participants and service providers.

Capacity remained abundant for property risks in the Middle East. Local (re)insurers have strong, well-established treaties enabling them to retain more risk in-country with cessions out of country reducing, especially on low-risk accounts. This capacity reduces for heavy industry risks; however, capacity remains substantial and is growing.

The region remains relatively benign in terms of NatCat risk, heightening its attractiveness to international (re)insurers seeking to diversify their books of business. There are seasonal storms, however, and increased government investment and oversight should reduce the economic and insured impact of these events.

The practice of co-insurance between local (re)insurers has become more prevalent, also helping to drive the increased retention of risks within the region. Middle East-based (re)insurers are now confidently using their strong balance sheets to expand their underwriting territorial remit outside of the region and, in some cases, globally to diversify their portfolios and gain access to new sources of premium income.

Regulation drives greater underwriting discipline

New regulation, from the likes of SAMA in the Kingdom of Saudi Arabia, introducing greater underwriting discipline has improved profitability and reduced reliance on cash flow underwriting. Compulsory cessions to the National Reinsurer have reduced outward reinsurance cessions.

These changes in regulation and behaviours are purposefully designed to keep more premium in the country to support the growth of the regional insurance sector and are strong indicators of a thriving market.

The Middle East has the beginnings of a thriving Captive insurance industry, with three active Captive domiciles in the region, each with favourable regulatory environments. Local captive legislation enables the formation of a range of risk retention vehicles, including single parent captives and protected cell companies (PCCs), with further incentives including favourable tax regimes and expertise in Takaful (Shariah-compliant) finance.

All of these factors are not lost on the international broking community, which is investing in its local and joint venture operations to provide more expertise and a broader range of services in the region. Brokers are seeking to support clients as they take a more sophisticated approach to risk management and insurance by offering risk engineering and consulting services in addition to traditional placement and advice.

In summary, the prevailing trends are contributing to an expansion of (re)insurance capacity in the region, which is beneficial to clients.

AFRICA

Africa requires consistent and stable access to (re)insurance capacity to support the economic growth forecast. In comparison to the Middle East market, however, there is an insurance capacity shortfall across the African continent, although this is not evenly spread and is subject to fluctuations.

In recognising that insurance can play a vital role in supporting economic development and stability, many African governments are creating more supportive regulatory environments for the insurance industry, focusing on transparency, solvency, and consumer protection, collaborating with international bodies and adhering to global standards.

A strengthening regional insurance sector, combined with greater consumer protections creating increased trust, will continue to encourage investment, growth, and development across Africa and increase insurance penetration, providing opportunities for both insurance buyers and sellers.

However, for a period, while capacity continued to grow in 2024, it remained volatile, and this trend could quickly reverse depending on the appetites and loss experience of local carriers.

This lack of stable traditional (re)insurance capacity is opening up the market to alternative risk capacity, notably parametric, which has been successfully deployed in Morocco (earthquake), southern Africa (electricity pricing) and Mozambique (cyclone), for instance. Parametric solutions enable rapid and efficient payment of losses, without the need to adjust the claim, allowing business activities to be resumed as quickly as possible post loss.

Looking to 2025

MIDDLE EAST

Treaty renewals in the Middle East saw varied outcomes increases, based on the location, timing, and the development of external events.

In the UAE, the flood event in April, with losses now around the USD3 billion mark (up from some initial market estimates of USD800 million in June), impacted the treaty renewal season. The renewal season of 1 January has been based on the revised loss estimates and price increases. A reduction in event limits and increases in insurer net retentions across Property and Motor treaties are expected.

The UAE treaties that renewed on 1 July 2024, based upon much smaller estimates, should expect to see similar treatment on 1 July 2025 to align with the 1 January renewals.

Oman is subject to minimum rates imposed a few years back, so pricing will remain stable; however, capacity is expected to continue its gradual decline as (re)insurers look to limit their exposures.

Outside the UAE, treaty renewals are expected to remain stable, with premium rates largely flat. There is still a large supply of capacity seeking to write Middle Eastern NatCat treaties (to diversify international portfolios). Oman may see a slight reduction in capacity, but it is already subject to minimum rates imposed a few years back and, apart from that, is expected to be stable.

With Hurricane Milton losses expected to fall below USD50 billion at the time of writing, the direct influence of this loss on Middle Eastern NatCat treaties renewals is expected to be minimal.

For treaty renewals with no exposure to CAT, pricing will depend on the performance of the underlying portfolios. Not affected proportional treaties should renew largely flat, though we do expect some increase in excess of loss if priorities remain low and exposure increases.

In the Kingdom of Saudi Arabia, continuing market reform will see an increase of compulsory treaty cessions to Saudi Re (the National Reinsurer) on a first-refusal basis from 25% in 2024 to 30% in 2025.

A new directive issued by the Saudi Insurance Authority mandates that from 1 January 2025, not less than 30% of any facultative reinsurance must be first shown to the licensed reinsurers in Saudi Arabia, again on a first right of refusal basis, before being reinsured outside of Saudi Arabia.

What this translates to for clients in the Middle East is a continuation of the conditions seen at the beginning and end of 2024.

Capacity will remain abundant with a slight increase in 2024 as (re)insurers look to deploy larger lines on profitable business and new capacity continues to enter the market, increasing competition. We expect a continuation of exploratory visits from (re)insurers with no physical presence in the region as they evaluate the upside opportunity of opening local offices.

There is historical evidence to suggest that (re)insurers, where they can, may try to absorb any treaty changes for well-managed and loss-free accounts and continue to offer discounts to remain competitive and retain their participation in the face of increased competition. However, we expect them to pass on a cost increase to those clients with loss-hit accounts and/or extreme weather exposures, particularly where competition for the business is lower.

The exception is on NatCat deductibles, where (re)insurers will seek to apply a consistent methodology to reduce the impact of future losses on their net retentions and treaties.

There will remain a continued focus on supply chains, contingent business interruption exposures, and accurate new loss replacement value declarations, supported by recognised valuations. Where values have not been updated for some time, clients can expect average clauses to be applied if they are not already in place.

As always, top-tier clients and those who can positively differentiate themselves will attract greater insurer competition and will be better placed to achieve competitive terms and to negotiate coverage enhancements.

Well-managed and loss-free accounts will benefit from (re)insurers' focus on competitiveness, securing discounts and favourable terms despite evolving treaty conditions.

AFRICA

African NatCat exposure, while currently small, is growing as extreme weather events grow in frequency and severity. Data available to model predictive loss estimates is currently light, so uncertainty loads are inherently built into African NatCat treaty renewal pricing.

Despite uncertain models, the African treaty business is nevertheless in demand as (re)insurers look to diversify their portfolios away from 'peak zones', with particular interest from Bermudan treaty reinsurers.

Even though there is arguably more capacity available for African NatCat Treaties, we expect a flat renewal season.

For African non-NatCat treaty renewals, we also expect broadly flat renewals. Although there may be more capacity vying for this business in 2025, Africa presents reinsurers with higher-than-average volatility in the form of civil unrest (strikes, riots, and civil commotion), currency fluctuations, and political risks, which must be priced for.

For clients in Africa, capacity will increase for large, profitable (re)insurance companies, while others may see their capacity absorbed directly by African reinsurers. As capacity is still prone to fluctuation, pricing will remain broadly flat.

Conclusion

As we look towards 2025, the insurance and reinsurance landscape in the MEA region is poised for significant evolution. This dynamic environment presents both challenges and opportunities for cedants, reinsurers, and clients alike.

In this rapidly evolving risk landscape, Gallagher stands out as a trusted partner, offering deep industry knowledge and a proactive, client-focused approach to risk management. We understand the complex challenges facing the MEA region and are committed to delivering tailored solutions that are responsive to industry shifts and aligned with each client's strategic objectives.

Gallagher's expertise ensures our clients benefit from comprehensive intelligence on natural perils, cyber threats, emerging risks, and regulatory changes. These insights are complemented by strategies designed to support business continuity and growth, along with bespoke risk financing solutions.

For further discussion or to explore any of your risk management and insurance needs, please reach out to our dedicated specialists. Their contact information can be found on the final page of this report.

Our capabilities

In the Dubai International Financial Centre (DIFC), Gallagher offers clients Specialty, Facultative, and Treaty business solutions.

Aerospace

WE OFFER INSURANCE SOLUTIONS FOR:
- Data analytics
- The latest insurance insights
- Aviation contract review
- Emergency response planning and crisis communication
- Risk management initiatives

WHO WE WORK WITH:
- Airlines
- Manufacturing and infrastructure
- General aviation
- Lessors and financiers
- Space

Cyber

WE OFFER INSURANCE SOLUTIONS FOR:

Response costs
- Legal and regulatory costs
- IT security and forensic costs
- Crisis communication costs
- In the event of privacy breach: Notification, credit monitoring and other management costs
- In the event of extortion: Ransom payments and related costs

Recovery costs
- Rectification fees, costs, and expenses

Liability
- Legal and professional expenses
- Compensation, damages, and other amounts the company becomes liable to pay
- Regulatory fines and penalties, including data protection fines
- PCI fines, penalties, and assessments

Financial loss
- Business interruption, including loss of income and increased cost of working
- Theft of money

Risk consultancy and management tools
- Cyber Risk Assessment
- Gallagher Cyber Defence Centre, including:
  - Vulnerability Scanning
  - Cybersecurity Training Webinars
  - Gallagher Cyber Risk Matters Newsletter
  - Threat Intelligence Webinars
  - Virtual Cybersecurity Officer

WHO WE WORK WITH:
- Construction
- E-Commerce
- Education
- Financial institutions
- Government
- Healthcare/Medical
- Hotels/Hospitality
- Manufacturing
- Professional services
- Restaurants
- Retail
- Telecoms
- Utilities

Energy, Power & Renewables

WE OFFER INSURANCE SOLUTIONS FOR:

Upstream energy
- Exploration and production (Onshore and Offshore)
- Physical damage
- Loss of hire
- Control of well
- Seepage and pollution
- Business interruption
- Loss of production income
- Third-party liabilities
- Offshore construction
- Delay in start-up
- War, terrorism, and political risks
- Decommissioning
- Protection and indemnity
- Offshore and onshore contractors facilities business

Midstream and downstream energy
- Property damage (all risks)
- Machinery breakdown
- Business interruption
- Contingent business interruption
- Increased cost of working
- Critical natural catastrophe
- Third-party liability

Energy, Power & Renewables (continued)

- Sabotage and terrorism, and political risks
- Weather derivatives
- Offshore and onshore contractors facilities

Power generation (conventional and renewable)
- Property damage (all risks)
- Critical natural catastrophe cover
- Sabotage and terrorism
- Machinery breakdown
- Business interruption
- Contingent business interruption
- Third-party/excess liabilities
- Weather risk parametrics (wind/solar/hydro)
- Cyber risks
- OEM warranty backstop (solar, BESS, wind)

WHO WE WORK WITH:
- Power generation companies
- Renewable energy companies
- Institutional investors
- Oil and gas companies
- Contractors
- Project developers
- Joint ventures
- Financiers

Financial Lines

WE OFFER INSURANCE SOLUTIONS FOR:

Corporations, including but not limited to:
- Private companies
- Public companies
- Family-owned companies
- Regional or international

Financial Institutions, including but not limited to:
- Banks (retail and investment)
- Private equity, investment, and asset management firms
- FinTech and digital asset companies
- Insurance companies
- Stock exchanges
- Sovereign wealth funds

WHO WE WORK WITH
- Crime/banker's blanket bond (BBB)
- Professional indemnity (PI)
- Directors' & Officers' (D&O) liability, including
- Public offering of securities insurance (POSI)
- Privacy and network security (Cyber)
- Employment practices liability

Marine

WE OFFER INSURANCE SOLUTIONS FOR:
- Hull and machinery, increased value, war risks, loss of hire, equipment all risks, business interruption, kidnap and ransom cover, mortgagees interest, shipyard construction and conversion risk, marine cyber, charterers default, innocent owners
- Owners P&I, FD&D, and extended covers; charterers liability and damage to hull; offshore P&I and mou covers
- All risks protection, including transit for superyachts, yachts, small boats, and tenders to include hull, P&I, crew, piracy and war, cyber, K&R, and builders risk
- Cargo stock throughput (stp), excess inventory, project cargo, containers, cargo claims
- Terminal operators, marina operators, and port authorities for liability risks, property and handling equipment risks, and revenue stream (business interruption) risks
- Ship repairers, shipyard liabilities, tug, barge, and vessel liabilities, professional indemnity for ship managers, marine surveyors
- All risks container physical loss and damage, third-party liability, cargo liability, and consequential loss; bespoke solutions for container owners, lessors, and operators

WHO WE WORK WITH:
- Ship owners and managers
- Charterers
- Yacht owners, managers, and crewing agents
- Shipyards and dry docks
- Cargo operators and traders
- Ports and terminal operators
- Marine surveyors
- Freight forwarders and logistics providers
- Container lessors

Mergers and Acquisitions

WE OFFER INSURANCE SOLUTIONS FOR:

- Insurance due diligence
- Warranty and Indemnity (W&I) insurance
- International tax insurance
- Litigation and contingent risk insurance
- Environmental insurance
- Intellectual property (IP)
- Title insurance

WHO WE WORK WITH:

- Corporations
- Sovereign wealth funds
- Private equity
- Real estate funds
- Family offices
- Individual sellers
- Lawyers
- Accountants
- Corporate finance

Political Violence

WE OFFER INSURANCE SOLUTIONS FOR:

- Terrorism and political violence perils
- Loss of attraction
- Kidnap, ransom, and extortion
- Political risks

WHO WE WORK WITH:

All types of clients, ranging from small, single-asset locations to companies with international exposure, including but not limited to:

- Banks
- Energy, power, and renewables
- Retail/Commercial
- Airports
- Construction and mining
- Telecom
- Hospitality

Power and Construction

WE OFFER INSURANCE SOLUTIONS FOR:

- Political Violence/Sabotage and Terrorism
- Risk identification and allocation
- Contractual analysis and consulting
- Public private partnership/Project finance specialists
- Construction all-risks (CAR)/erection all-risks (EAR)
- Midterm CAR/EAR cover
- Contractors' plant and equipment
- Civil engineering completed risks
- Delay in start-up/advance loss of profits
- Environmental/pollution liability
- Operational all risks and business interruption
- General/third-party liability
- Project cargo and cargo delay in start-up
- Pre-handover operational cover (Engineering Standstill Risk Insurance)
- Inherent defect insurance (IDI)/decennial liability

WHO WE WORK WITH:

- International developers and owners
- Regional developers and owners
- Regional and international contractors
- Governments and local authorities
- Financiers

Property and Heavy Industry

WE OFFER INSURANCE SOLUTIONS FOR:

- Property damage (all risks, fire & perils)
- Plant & machinery breakdown
- Business interruption/loss of profit (gross profit, gross revenue, increased cost of working, loss of rent)
- Non-damage business interruption
- Global/regional programmes as well as multiple/single locations in one territory
- Proportional & non-proportional (layered) programmes
- Captive reinsurance
- Multi-year and structured deals

WHO WE WORK WITH:

- Property owners, developers, and management companies
- Religious, government, and educational entities
- Hospitals
- Shopping centres and retail parks
- Hospitality, hotels, restaurants, entertainment venues
- Infrastructure (e.g., water, ports)
- Transportation (e.g., rail, airports)
- Telecommunications
- Warehousing and distribution
- Food and beverage
- Industrial manufacturing: all types, low to high hazard risk (e.g., aluminium, steel, cement, desalination plants, paint, paper, plastics)
- Mining (all types)

Special Risks

WE OFFER INSURANCE SOLUTIONS FOR:

Casualty

We handle a wide range of commercial operations, including, but not limited to:

- E&P oil and gas operations (onshore and offshore)
- Construction (onshore and offshore) energy and non-energy
- Coal and mining
- Petrochemicals
- Renewable energy
- Pharmaceutical products
- Electricity production and distribution
- Hotel and leisure industry

Professional indemnity/errors and omissions

- Accountants
- Consulting architects and engineers
- Design and build contractors
- IT/Computer consultants
- Real estate agents, surveyors, and property managers
- Insurance intermediaries
- Management consultants
- Marketing and media consultants
- Lawyers
- Technology companies

Medical malpractice and clinical trials

- Public and private hospitals
- Specialist hospitals
- Medical centres
- Pharmacies
- Pharmaceutical companies
- Clinics

contingency and event cancellation

- Promoters
- Production companies
- Event organisers
- High-net-worth individuals, families, and entertainment superstars

Treaty Services

Gallagher Re specialists can assist with expertise-driven knowledge and advice in multiple areas and lines of business, such as:

- Traditional reinsurance
- Parametric reinsurance
- Cat bonds
- Nat cat schemes
- Actuarial and financial modelling
- Catastrophe analytics
- Claims
- Contract wordings
- Customised solutions
- Enterprise risk management
- Global client services
- Insurtech
- Insurance linked securities and capital markets
- Market security
- Premium payments & accounting
- Strategic and financial advisory

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Gallagher

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