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Conditions are Testing, but MENA Reinsurance Capacity Remains Dynamic and Abundant

AM Best expects companies' rating fundamentals to remain resilient against the backdrop of challenging economic and political conditions.

Principal Takeaways

- Strong topline growth reported at year-end 2024, supported by favourable reinsurance pricing momentum, economic inflation, mandatory cessions and new business opportunities, particularly infrastructure-related risks.
- Reinsurance capacity for the region remains plentiful and dynamic, sourced through large global reinsurers, regionally domiciled reinsurers, and carriers domiciled across Africa and Asia.
- Regional reinsurers are continuing to adapt pricing and modelling capabilities in response to elevated natural catastrophe losses in recent years.
- The impact of individual operational challenges and difficult economic landscapes, particularly for those domiciled in non-oil producing countries, are reflected in the wide range of credit ratings among reinsurers in the region.

Market conditions present both challenges and opportunities for reinsurers domiciled in the Middle East and North Africa (MENA) region. Increased natural catastrophe activity, volatile oil prices, heightened geopolitical tension, increased public debt burdens, and high inflation are some of the hurdles MENA reinsurers are currently navigating.

However, despite a turbulent operating landscape, the region remains attractive for reinsurers with new capacity entering the market. Reinsurance opportunities remain plentiful despite high risk factors, benefitting from positive pricing momentum and growing primary insurance markets.

Pricing remains firm, broadly reflecting global market responses to elevated claims inflation and the recent higher frequency of both large man-made losses and weather-related events. The hard reinsurance pricing environment, as well as strong underwriting discipline and refined risk appetites, continue to benefit market participants, although local macroeconomic factors and geopolitical dynamics are increasingly influential.

Geopolitical risk escalated significantly in early 2025, with heightened regional security tensions influencing insurer and reinsurer country risk assessments. Thus far, it is expected that direct impacts to the insurance industry will largely be limited by war exclusions and narrowly defined policy triggers. Reinsurers may remain vigilant and guard against geopolitical volatility where possible through asset and underwriting diversification, maintaining adequate liquidity buffers, and continuously reviewing their respective appetites for high-risk assets.

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Exhibit 1
MENA Reinsurance – Investment Yield and Return on Equity, 2022-2024
(%)

			Investment Yield				Return on Equity			
AMB #	Company Name	Country	2022	2023	2024	3yr Avg	2022	2023	2024	3yr Avg
89190	Arab Reinsurance Co. SAL	Lebanon	2.5	2.9	3.6	3.0	4.5	2.7	4.7	4.0
90777	Compagnie Centrale de Réassurance	Algeria	5.1	5.4	5.4	5.3	13.9	14.9	14.7	14.5
78849	Hannover Re Takaful B.S.C. (c)	Bahrain	-3.1	0.5	4.3	0.6	1.6	29.2	6.0	12.3
85585	Kuwait Reinsurance Co. K.S.C.P.	Kuwait	3.2	4.5	5.1	4.3	12.4	14.4	16.5	14.4
85454	Milli Reasurans Turk Anonim Sirketi	Turkey	28.1	41.5	40.7	36.8	24.1	44.1	44.9	37.7
93609	Oman Reinsurance Co. SAOC	Oman	4.3	4.1	4.6	4.3	4.9	7.4	8.4	6.9
90005	Saudi Reinsurance Co.	Saudi Arabia	0.5	3.4	3.4	2.4	7.6	11.5	34.4	17.8
84052	Atlantic Re[1]	Morocco	3.1	3.5	N/A	3.3	10.9	6.7	N/A	8.8
83349	Société Tunisienne de Réassurance	Tunisia	7.3	8.2	9.2	8.2	9.1	8.5	9.4	9.0

N/A: Year-end 2024 financial statement not yet available
IFRS 17 figures (for applicable reporters) from 2022
1: Formerly Société Centrale de Réassurance
Sources: BESTLINK
Best's Financial Suite - Global, AM Best data and research

Elevated Natural Catastrophe Losses Drive Continued Rate Hardening and Greater Underwriting Discipline

Natural catastrophe volatility in the region is increasingly notable, with the February 2023 earthquakes in Türkiye and Syria, as well as the April 2024 UAE pluvial flood event. This resulted in significant industry losses and a reassessment of the region's natural catastrophe risk exposures, which for some risks like flood were previously underappreciated in arid climates. The recent increase in natural catastrophe events has placed upward pressure on reinsurance pricing, particularly for property, engineering, and energy lines of business that are heavily ceded to the reinsurance market.

Moreover, reinsurers have responded by tightening terms and conditions, raising attachment points, reducing profit commissions and event limits, and increasing retentions to higher return periods at renewals in 2024. AM Best notes that these trends have continued into 2025, albeit at a reduced level. These measures reflect a strategic shift towards protecting underwriting margins against heightened catastrophe risk and inflationary loss cost pressures. Improving pricing adequacy and underwriting discipline have contributed to stronger combined ratios and improved returns on equity for many reinsurers across the region (see **Exhibit 1**).

The growing frequency of natural catastrophe events has underscored the importance of enhanced pricing models and risk assessment tools for regional reinsurers. Companies are increasingly investing in their internal modelling capabilities and leveraging third-party catastrophe models to ensure appropriate risk selection and pricing adequacy. Nevertheless, their ability to compete with global reinsurers remains constrained by their limited scale, narrower access to proprietary modelling tools, and lower levels of geographic diversification.

An opportunity for MENA reinsurers includes government-backed natural catastrophe schemes which have emerged as an important mechanism to address the growing protection gap and to manage market-wide volatility in North Africa and Türkiye. Algeria, Morocco, and Türkiye have established mandatory catastrophe insurance schemes, with the latter two schemes triggered and functioning effectively in 2023 following severe events. Given the success of the existing schemes, discussions on the rollout of similar schemes in other countries continue to gain momentum. These programmes often require mandatory cessions to local reinsurers, boosting premium volumes and helping to stabilise underwriting results by distributing catastrophe risks across a wider base.

Overall, while the sustained hard reinsurance market has benefitted MENA reinsurers by allowing them to re-price business at more adequate levels, the heightened frequency of catastrophe losses continues to pose a challenge. Effective management of pricing adequacy, reserving, and exposure controls will remain key determinants of underwriting profitability and balance sheet resilience in the near to medium term, particularly as climate risks and economic inflation evolve across the region.

Diverging Economic Conditions to Impact Reinsurance Markets

No one size fits all for reinsurers across the region, namely performance and financial strength is not homogenous across market players. Companies face distinct economic challenges—with some countries in the region facing high public debt burdens, sovereign debt downgrades and high inflation, which ultimately influences their business strategies. Lebanon, Tunisia, and Egypt continue to face economic strain, while Türkiye's macroeconomic stabilisation remains fragile. Reinsurers with concentrated operations, underwriting exposures, and/or asset portfolios in these markets are more vulnerable to financial and operating pressure.

Oil price fluctuations also drive diverging operating conditions across the region, with several MENA economies remaining reliant on revenues from the hydrocarbon sector to drive economic growth. Times of stable and high oil prices have allowed hydrocarbon exporting countries to outpace global economic growth, with insurance markets in these economies benefitting from government spending, particularly on infrastructure megaprojects that drive premium growth and reinsurance cessions from primary insurers. However, recent oil price fluctuations have been noted, driven by trade tension following the announcement of US "reciprocal" tariffs, and combined with OPEC+ output hikes, weakening Chinese consumption and geopolitical tensions. Further fluctuations in oil prices could have an impact on the region's reinsurers should sustained falls in the price of oil impact the economies of the region, including the governments' spending power, and in turn insurable risks in the market.

Dynamic and Abundant Reinsurance Capacity

Despite said challenges, there is no shortage of reinsurance capacity available to be deployed in the region. While international interest in the MENA reinsurance market fluctuates year on year, driven by regional performance and broader global market trends, the market remains desirable, and a steady stream of new capital is readily available. The open and liberal market environment in MENA, with few regulatory restrictions on reinsurance provision, ensures that competition remains strong.

The shape of the reinsurance market is highly varied with capacity available from global reinsurers, regional players, and carriers based across Africa and Asia. The shape of the reinsurance market is changing with greater opportunity for domestic reinsurers through mandatory cessions. Since January 1, 2025, insurers in Saudi Arabia are required to offer at least 30% of cessions to domestic reinsurers (this includes domestic insurers holding a reinsurance license). Mandatory cessions create a leading advantage for domestic reinsurers to capture a larger share of their local reinsurance markets. Although it remains to be quantified what impact this will have on the profitability of reinsurers, positive topline impacts are expected.

In recent years, a growing number of the region's primary insurers have sought to participate in the reinsurance market on an inward facultative basis or through more formalised structures such as Takaful windows or subsidiaries. It should be noted inward facultative business is intended to diversify underwriting portfolios and grow revenues, and AM Best notes that it has historically introduced underwriting losses and volatility for some insurers. This underscores the need for disciplined risk selection and technical pricing capabilities.

MENA Reinsurers – Rating Considerations

AM Best's credit ratings of reinsurers domiciled in the region encompass Financial Strength Ratings (FSR) of "C++" through to "A". The wide range in FSRs is evidence of the varied nature of the MENA reinsurance markets, with diverging country risk conditions across the region having an important impact on creditworthiness.

Over the past year, three companies' Long-Term Issuer Credit Ratings have been upgraded (see **Exhibit 2**), and one company's outlook has improved from Stable to Positive. The drivers of the actions vary by company, with some reflecting improvements in their balance sheet strength and others better operating performance trends.

AM Best defines country risk as the risk that country-specific factors could adversely affect an insurer's ability to meet its financial obligations. Countries are placed into one of five tiers, ranging from Country Risk Tier 1 (CRT-1), denoting a stable environment with the least amount of risk, to Country Risk Tier 5 (CRT-5) for countries that pose the most risk and, therefore, the greatest challenge to an insurer's financial stability, strength, and performance. The MENA region encompasses countries assessed between CRT-3 and CRT-5.

AM Best's ratings on MENA-domiciled reinsurers incorporate the operational challenges and deteriorating country risk landscapes in several countries. A high level of economic, financial system and political risk is prevalent in several of the region's countries.

Exhibit 2
MENA Reinsurers – AM Best-Rated Companies
Ratings as of August 19, 2025

AMB #	Company Name	Country	Long-Term Issuer Credit Rating (ICR)	Financial Strength Rating (FSR)	ICR & FSR Action	ICR & FSR Outlook	Rating Effective Date
89190	Arab Reinsurance Co. SAL	Lebanon	bb	B	Affirmed	Stable	19-Aug-25
90777	Compagnie Centrale de Réassurance	Algeria	bbb-	B+	Affirmed	Stable	19-Sep-24
85585	Kuwait Reinsurance Co.K.S.C.P.	Kuwait	a	A	Upgraded	Stable	17-Jul-25
85454	Milli Reasurans Turk Anonim Sirketi	Türkiye	b	C++	Upgraded	Positive[2]	6-Aug-25
84052	Atlantic Re[1]	Morocco	bbb	B++	Affirmed	Stable	12-Feb-25
83349	Société Tunisienne de Réassurance	Tunisia	bb	B	Affirmed	Stable	18-Jun-25

1: Formerly Société Centrale de Réassurance
2: ICR: Positive. FSR: Stable
Sources: BESTLINK
Best's Financial Suite - Global, AM Best data and research

Exhibit 3
MENA Reinsurers – AM Best-Rated Companies – Assessments
As of August 6, 2025

AMB #	Company Name	BCAR @ VaR 99.6	BCAR Level	Balance Sheet Strength Assessment	Operating Performance Assessment	Business Profile Assessment	Enterprise Risk Management Assessment
89190	Arab Reinsurance Co. SAL	36%	Strongest	Strong	Adequate	Limited	Marginal
90777	Compagnie Centrale de Réassurance	58%	Strongest	Very Strong	Strong	Neutral	Marginal
85585	Kuwait Reinsurance Co.K.S.C.P.	71%	Strongest	Very Strong	Strong	Neutral	Appropriate
85454	Milli Reasurans Turk Anonim Sirketi	-20%	Weak	Weak	Adequate	Neutral	Marginal
84052	Atlantic Re[1]	34%	Strongest	Strong	Strong	Neutral	Appropriate
83349	Société Tunisienne de Réassurance	31%	Strongest	Strong	Adequate	Limited	Marginal

1: Formerly Société Centrale de Réassurance
Sources: BESTLINK
Best's Financial Suite - Global, AM Best data and research

AM Best-rated MENA reinsurers tend to demonstrate the strongest levels of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), reflective of significant capital buffers relative to their risk exposures (see **Exhibit 3**).

Overall, AM Best expects companies' rating fundamentals to remain resilient against the backdrop of challenging economic and political conditions.

Growing Takaful Market Increases Potential Demand for Retakaful Capacity

Retakaful (Islamic reinsurance) capacity has underserved the market for many years, with operators failing to gain traction and capitalise on the growing Islamic insurance sector. While operational challenges have troubled retakaful operators in the past, the demand for retakaful products remains and opportunities are plentiful for dynamic market participants.

Recent years have seen a notable shift in market dynamics, with a growing proportion of capacity offered through branches and retakaful windows of conventional reinsurers (such as the retakaful windows established by Société Centrale de Réassurance and Oman Re). Such arrangements can allow reinsurers to leverage from their existing conventional operations, creating efficient and lean models whilst better serving policyholders through an expanded product offering. In addition, this strategy avoids the many hurdles experienced by standalone retakaful operators who have failed to establish sustainable operating models in the region due to high capital requirements and a lack of economies of scale. Capital efficient models also provide the ability to service the growing reinsurance demands of the takaful market.

AM Best expects conventional reinsurance capacity to remain a key feature of retakaful panels going forward. The recent establishment of primary takaful regulation and operators in several North African countries—such as Morocco and Algeria—demonstrates the increasing demand for takaful products, and is indicative of the general support by consumers of the segment. If successful, recent initiatives should ultimately generate more contributions that would increase the demand for retakaful capacity.

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BEST'S MARKET SEGMENT REPORT

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