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Operating Performance of UAE Insurers Remains Resilient Despite Unprecedented Rains

Insurers will need to develop expertise in modelling potential loss exposures

Principal Takeaways

- Listed insurers in the UAE reported growth of 21% in insurance revenue based on 2024 year-end results, driven by material improvements in premium rates (specifically for motor and property business) and M&A activity.
- International reinsurers have carried most of the burden of the largest UAE pluvial flood event in 75 years with a total estimated insured loss in the range of USD 2.9 billion to USD 3.4 billion.
- Profits after tax show a positive trend for more than half of the listed insurers, with an overall increase of 12% despite severe rain losses.
- The results of the top five insurers account for over 85% of the market's total earnings, further exacerbating the divide between the largest and smallest market participants.

Insurers in the United Arab Emirates—and their international reinsurance partners—are waking up to the natural catastrophe exposures in the region after severe rains in April 2024, which impacted full-year earnings.

In general, the market considers earthquakes as the most significant and probable natural disaster, with companies using probable maximum loss (PML) estimates for these exposures to inform reinsurance purchase and set their risk appetite.

However, given the changing nature and frequency of weather-related events in the region, AM Best expects that insurers will need to develop expertise in modelling other potential loss exposures.

Guy Carpenter estimated the insured loss for the rains at USD 2.9 billion to USD 3.4 billion as at September 2024, most of which was picked up by international reinsurers.

Property damage was the line of business most severely hit by the rains, followed by engineering. Motor losses are estimated to be around 10% of the total insured losses.

AM Best considers the reinsurance programmes in place were appropriately structured to absorb the losses, resulting in relatively modest net retained losses for insurers. Moreover, it was unsurprising, given the magnitude of the loss, that counter-party credit risk related to reinsurance recoverables temporarily increased significantly for listed insurers. This risk was partially offset given that the reinsurance panels of local insurers are generally of solid financial strength.

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As a result, reinsurance renewal costs for UAE insurers have risen, in the form of higher reinsurance premium rates and/or reduced profit commissions, prompting primary carriers in the country to impose premium rate increases on direct business.

Although, the losses in net terms were manageable, AM Best observed that the gross reported losses were in some cases greater than the PML estimates provided by AM Best-rated companies as part of its interactive rating process.

Technical Results Showing First Signs of Improvement

Notwithstanding the insured rain losses, early evidence—based on year-end 2024 results—suggests that there has been a positive reversal in the underwriting performance of listed insurers in the UAE, with insurance service results having shown considerable improvement.

The technical profitability of local insurers, particularly on higher retained lines like motor and medical, has been under significant competitive pressure in recent years, primarily due to a lack of risk-based pricing. The removal of premium discounts on mandatory motor from August 2023 has seen visible positive results in the insurers' 2024 technical performance. The material losses on a gross basis from the rain events led to further strengthening of motor premium rates across the market, which should support solid technical performance prospectively.

Medical business continues to underperform for many insurers, mainly due to an overly competitive environment and the effects of claims inflation and high utilisation. AM Best has observed that some of the insurers operating in this segment saw a reduction in revenue because of their application of stricter underwriting policies, which in some cases led to the non-renewal of large, loss-making corporate accounts.

With the January 2025 expansion of the mandatory medical insurance programme from Abu Dhabi and Dubai to the Northern Emirates, some insurers, particularly those with strong brands in the area, may achieve strong topline growth and benefit from improved economies of scale.

AM Best anticipates that medical insurance will drive solid topline growth, with low claims utilisation in its initial years. However, as insureds become more familiar with the benefits, claims utilisation is likely to increase and lead to weaker loss ratios.

It is also important to note that the insurance pool used for other Ministry of Human Resources and Emiratisation (MOHRE) mandated products such as the Workers Protection Program and the Involuntary Loss of Employment, are now offering a Northern Emirates medical product although it is not compulsory to buy from the consortium.

Commercial lines of business such as property and engineering continue to rely on ceding and profit commissions as they are heavily reinsured. International reinsurers have enjoyed several years of solid operating performance in the UAE, which has been considered relatively catastrophe benign. However, AM Best understands that following the 2024 rain events, insurers noted a marginal reduction in inward reinsurance profit commissions on renewal, with some also reporting changes to their reinsurance structure as well as increases in reinsurance costs.

Overall, insurance service results in 2024 showed a 14% increase compared to the previous year, aligning with AM Best's general expectations given the corrective measures taken by the industry in terms of risk management and improvement in technical pricing.

The Market's Drivers of Growth

Merger and acquisition (M&A) activity contributed to growth during 2024. Two notable acquisitions were from Abu Dhabi National Insurance Company (ADNIC) and Sukoon Insurance (Sukoon), both among the highest contributors in terms of insurance revenue.

In April 2024, ADNIC completed its acquisition of 51% of Allianz Saudi Fransi to geographically diversify its portfolio and strengthen its position in the Gulf region. In September, Sukoon completed its acquisition of the UAE life insurance portfolio of Chubb Tempest Life Reinsurance, reflecting its strategy to strengthen its presence in the life insurance segment. Orient Insurance (Orient), the market leader in the UAE, also publicly announced its plans to further expand its presence in Egypt as well as enter new markets including Saudi Arabia, Kuwait, and Australia.

The market experienced growth of 21% in insurance service revenues. Revenues reached AED 37.2 billion in 2024, increasing from AED 30.7 billion in the previous year. Overall, 21 out of 27 listed companies reported revenue growth, continuing a long-term trend of market expansion. Consistent with previous years, the largest players continue to dominate the market, with the top five contributing 66% of total insurance revenue (see **Exhibit 1**).

ADNIC reported the highest overall year-on-year growth in revenue on account of the consolidation impact from the acquisition of Allianz Saudi Fransi, making it comfortably the second-largest listed insurer in the country. The company increased its insurance revenue by AED 2.5 billion in 2024 amounting to a 55% increase from the previous year.

Despite ADNIC's inorganic growth, Orient remains the market leader (albeit with a narrow gap) (see **Exhibit 2**). Orient reported insurance revenues of AED 7.6 billion backed by a growth rate of 19% from the previous year. AM Best attributes this to a steady growth of Orient's medical and non-life premiums, as well as the contribution from its takaful and international subsidiaries.

Overall, takaful companies reported growth of 9% in takaful revenue (equivalent to insurance revenue for conventional insurers), driven by Orient Takaful and Takaful Emarat.

The Market's Profitability and Who Gets the Credit

Listed insurers reported a modest increase in aggregate net profits of approximately 12% to AED 2.0 billion (2023: AED 1.8 billion), with 15 out of 27 companies reporting a year-on-year increase in their net income (see **Exhibit 3**).

Profitability is primarily driven by the top and mid-tier segments of the market, with the top five contributing approximately 85% of total profits. While the concentration of profits among the top insurers has decreased in recent years, they still account for a significant share. This is reflected in the continued benefits they gain from economies of scale, which allow them to thrive in the competitive market. Initiatives like MOHRE-mandated products further increase market share dispersion due to the exclusivity of the insurance pool, which imposes minimum credit rating requirements on its participants.

AM Best notes that Salama and Sukoon Takaful experienced a complete turnaround in performance in 2024, achieving a profit growth of over 100%. The volatility in profits was primarily driven by fluctuations in investment income and underwriting performance.

In contrast, Al-Sagr National Insurance Company (PSC) experienced a substantial increase in claims in its general and motor lines of business, translating into an underwriting loss of AED 114.8 million

Exhibit 1

United Arab Emirates – National Insurers – Insurance Revenue, 2024

(AED thousands)

Rank	Company Name	2023	2024
1	Orient Insurance PJSC	6,372,115	7,596,370
2	Abu Dhabi National Insurance Co. P.J.S.C.	4,640,858	7,175,927
3	Sukoon Insurance (formerly Oman Insurance Co.)	4,644,425	5,412,729
4	Dubai Insurance Co. (P.S.C.)	2,149,804	2,989,716
5	Al Buhaira National Insurance Co. P.S.C.	1,190,642	1,448,902
6	Emirates Insurance Co. P.S.C.	1,133,944	1,348,153
7	Al Ain Alahlia Insurance Co.	1,429,385	1,140,701
8	Islamic Arab Insurance Co. (Salama)	1,111,005	1,046,378
9	Al-Sagr National Insurance Co. P.S.C.	917,297	976,466
10	National General Insurance Co. (P.J.S.C.)	745,786	874,018
11	Watania International Holding PJSC (formerly Dar Al Takaful PJSC)	954,363	869,585
12	Orient UNB Takaful PJSC	639,820	867,587
13	Abu Dhabi National Takaful Co. P.S.C.	672,454	756,906
14	United Fidelity Insurance Co. P.S.C.	566,162	606,963
15	Union Insurance Co. P.S.C.	633,537	591,417
16	Ras Al-Khaimah National Insurance Co. P.S.C.	464,373	504,065
17	Dubai National Insurance & Reinsurance P.S.C.	448,353	469,122
18	Al Fujairah National Insurance Co. P.S.C.	282,184	420,631
19	Takaful Emarat - Insurance (P.S.C.)	228,705	420,288
20	Al Wathba National Insurance Co. (PJSC)	284,649	376,325
21	Al Dhafra Insurance Co. P.S.C.	320,618	346,290
22	Alliance Insurance (P.S.C.)	305,026	327,523
23	Insurance House P.S.C.	242,947	297,661
24	Sukoon Takaful (formerly Arabian Scandinavian Insurance Co. (PLC))	126,584	121,616
25	Hayah Insurance Co. (formerly AXA Green Crescent)	88,944	94,242
26	Dubai Islamic Insurance & Reinsurance Co. (Aman) P.S.C.	69,983	50,555
27	Sharjah Insurance Co. P.S.C.	21,461	32,070
	Total	**30,685,424**	**37,162,206**

Note: The top five insurers contributed 66% of insurance revenue in 2024.

Sources: BESTLINK

Abu Dhabi Securities Exchange, Dubai Financial Market and AM Best data and research

(from a positive AED 6.4 million in 2023). Investment income was only able to partially offset underwriting losses.

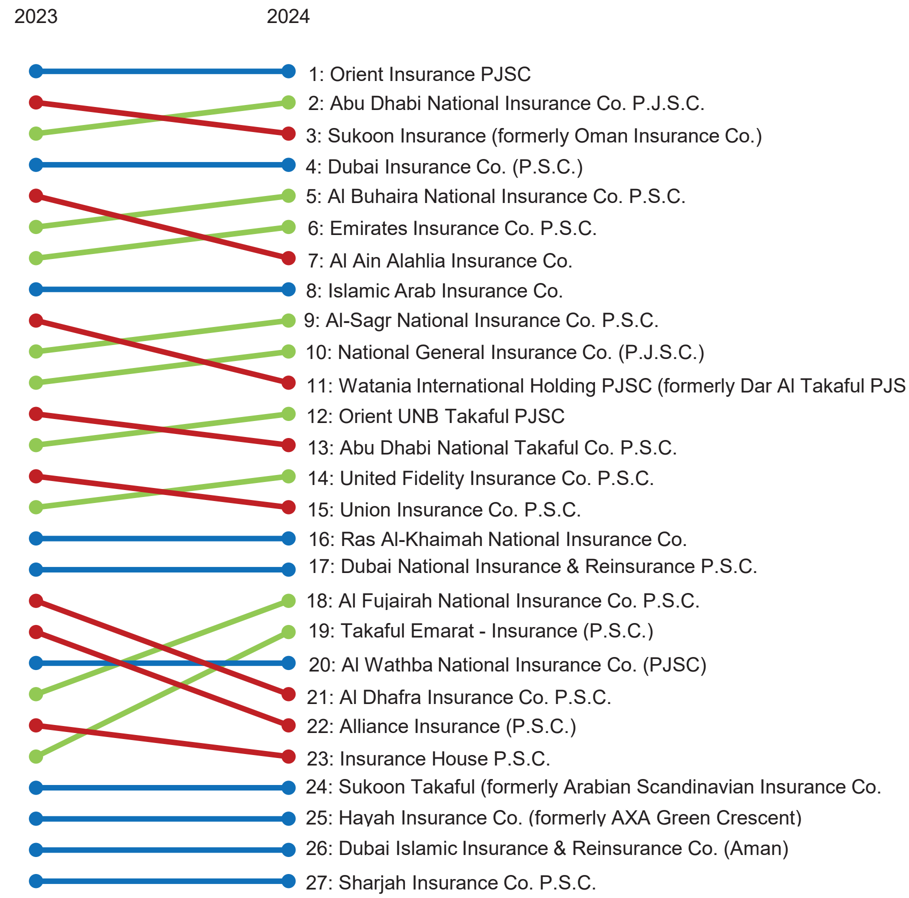
The market generated an aggregated return on equity (ROE) of 9.1% in 2024 (up from 8.8% in the prior year), and largely in line with the five-year weighted average of 9.3%. The takaful segment in particular has shown a meaningful turnaround during the period, highlighted by an aggregate ROE of 11.8% in 2024 (up from -3.4% in the prior year).

The market's profitability was also impacted by the introduction of corporation tax during the year. Nevertheless, positive rate strengthening, improved risk management and robust investment returns led to a combined higher profit from last year for the listed entities.

AM Best notes that investment returns continued to drive overall profitability in 2024, with the majority of insurers reporting higher investment incomes year-on-year.

Exhibit 2

United Arab Emirates – National Insurers – Change in Ranking, 2023-24



Note:
Change in rankings based on Insurance Service Revenue.
Sources: BESTLINK
Abu Dhabi Securities Exchange, Dubai Financial Market and AM Best data and research

Solvency Concerns Leading to Further Consolidation?

Due to the challenging market conditions and increasing operational and compliance costs, some of the companies have struggled to achieve the required regulatory solvency ratios in 2024.

According to the latest available data, six listed companies were in breach of their regulatory solvency requirements. These insurers collectively account for 12% of the total 2024 insurance revenue.

Three of the six companies reported a negative solvency ratio, raising significant concerns over their short-term ability to satisfy their financial obligations. The deteriorating conditions for these companies will likely either result in further regulatory intervention or market consolidation in the short to medium term.

In addition to the solvency challenges, companies have incurred additional costs in order to comply with the recent flurry of additional insurance regulations particularly focused on governance, risk management, and anti-money laundering (AML). As a result, although there have been some visible improvements in risk management capabilities, small and medium-sized insurers have often found it challenging to fully comply with the extensive regulatory requirements, and this too may also drive M&A activity.

UAE Insurance Industry Resilient Amid Regional Conflict

Despite the proximity to regional conflicts, the UAE's insurance industry remained largely resilient. While some insurers did increase rates for marine and war risks due to higher reinsurance costs, overall exposure has been limited, with minimal disruption.

Latest estimates from the International Monetary Fund suggest that the UAE economy is expected to grow by 5.1% in 2025 driven by robust domestic activity. Growth in the economy's non-hydrocarbon

IFRS 17 – A Fresh Perspective

In 2025, the majority of the listed insurers in the UAE have been able to produce financial statements reported under IFRS 17. AM Best has noted that some restatements of prior year figures have also been seen, although this was not entirely unexpected given the complexity and evolving interpretation of the standard.

The industry has been adapting to changes in the key metrics to measure performance, most prominently, the replacement of gross written premiums with insurance revenue.

Another subtle change for the companies using Premium Allocation Approach (PAA) to measure their insurance contracts was the treatment of reinsurance commissions. These were earlier used to offset expenses and are now netted off against reinsurance premium. This change in treatment has resulted in different combined ratios, with differences further heightened by the introduction of risk adjustment and the discounting of liabilities under the new standard.

Companies selling long-term life insurance policies have found that the change has been more complicated as IFRS 17 has made an attempt to provide detailed disclosures regarding the profitability of long-term contracts in the form of metrics such as the contractual service margin and loss component.

AM Best notes that after two years of implementation of IFRS 17, the internal budgeting for most insurers and regulatory reporting for all insurers continues to be under IFRS 4. At the time of writing, the regulator has not yet communicated any firm timeline regarding a complete shift to IFRS 17 for regulatory reporting purposes.

However, AM Best expects that the market will gain a deeper understanding of the new accounting standard over time and will be able to evaluate their business using the key performance indicators under IFRS 17.

sector has benefitted from healthy tourism, as well as increased interest in the construction, manufacturing and financial services sectors.

Following considerable efforts under the AML/combatting the financing of terrorism (CFT) strategy and action plan, in February 2024, the UAE was no longer subject to the Financial Action Task Force's increased monitoring process. Ensuring compliance with new AML requirements put a considerable cost and resource strain on local insurers, particularly for those smaller players.

As an oil exporting country, the economy remains vulnerable to changes in energy prices. This remains a key factor in determining the level of government spending and public investment in infrastructure projects, which typically present lucrative opportunities for domestic insurers. Given volatility in crude oil prices, particularly following the recent announcement of U.S. trade tariffs, AM Best notes that a prolonged drop could lead to negative adjustments in government spending, which may slow economic growth and affect the demand for non-life insurance products. Nevertheless, the UAE actively continues to diversify its economy, reduce its reliance on oil revenue and develop renewable energy sources, which should support insurable risk opportunities prospectively.

Exhibit 3

United Arab Emirates – National Insurers – Net Profit, 2024

(AED thousands)

Rank	Company Name	2023	2024
1	Orient Insurance PJSC	636,107	731,223
2	Abu Dhabi National Insurance Co. P.J.S.C.	401,163	419,458
3	Sukoon Insurance (formerly Oman Insurance Co.)	257,390	266,828
4	Dubai Insurance Co. (P.S.C.)	141,890	132,302
5	National General Insurance Co. (P.J.S.C.)	74,879	127,500
6	Emirates Insurance Co. P.S.C.	126,293	110,752
7	Abu Dhabi National Takaful Co. P.S.C.	103,042	83,085
8	Orient UNB Takaful PJSC	50,121	65,367
9	Dubai National Insurance & Reinsurance P.S.C.	47,120	53,544
10	Al Dhafra Insurance Co. P.S.C.	41,303	38,380
11	Union Insurance Co. P.S.C.	-2,479	38,307
12	Al Wathba National Insurance Co. (PJSC)	177,089	36,799
13	Alliance Insurance (P.S.C.)	51,060	27,180
14	Al Fujairah National Insurance Co. P.S.C.	-7,979	25,025
15	Islamic Arab Insurance Co. (Salama)	-139,327	24,589
16	Sukoon Takaful (formerly Arabian Scandinavian Insurance Co. (PLC))	-76,530	18,987
17	Ras Al-Khaimah National Insurance Co. P.S.C.	14,541	15,439
18	Watania International Holding PJSC (formerly Dar Al Takaful PJSC)	13,474	13,280
19	Sharjah Insurance Co. P.S.C.	16,207	5,009
20	Hayah Insurance Co. (formerly AXA Green Crescent)	-5,698	4,645
21	Takaful Emarat - Insurance (P.S.C.)	-12,426	11,162
22	Dubai Islamic Insurance & Reinsurance Co. (Aman) P.S.C.	1,109	-18,251
23	Insurance House P.S.C.	-41,975	-19,691
24	Al Ain Alahlia Insurance Co.	34,604	-27,946
25	Al Buhaira National Insurance Co. P.S.C.	-132,762	-36,927
26	United Fidelity Insurance Co. P.S.C.	-17,432	-64,404
27	Al-Sagr National Insurance Co. P.S.C.	6,449	-114,845
	Total	**1,757,232**	**1,966,797**

Sources: BESTLINK

Abu Dhabi Securities Exchange, Dubai Financial Market and AM Best data and research.

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