Things are looking (mostly) good for general insurance

The UAE's general insurance sector continues to perform well on the back of the country's growing economy and most indicators suggest that this is set to continue for a while. We spoke to three CEOs to get a better understanding of the main factors shaping the market.

By Amir Sadiq

Mr Ahmad Idris

Mr Martin Rueegg

Mr Abdulla Al Nuaimi

The UAE general insurance sector bounced back strongly after COVID-19 and while it looks to have carried that momentum through to the last year, macroeconomic headwinds have put a a dampener on everything.

"The UAE general insurance sector robustly adjusted to the emerging post-pandemic insurance risk framework. On the product lines addressing consumer needs, we are witnessing a consistent return to pre-pandemic insurance utilisation patterns whilst in the product lines targeting commercial needs, we see a significant shift to higher rated strongly capitalised providers," Abu Dhabi National Insurance Company (ADNIC) former CEO Ahmad Idris told Middle East Insurance Review (MEIR).

Speaking to MEIR, NLGIC Group CEO Martin Rueegg said, "The market has observed some fluctuation in car insurance premiums although this now feels back on track as we observe changing customer behaviour and an upwards adjustment of prices to pre-pandemic levels."

Dubai National Insurance CEO Abdulla Al Nuaimi said, "Top line growth has been good but there is pressure on bottom line in view of low rates and increasing inflation. General lines did well but medical and motor are under pressure owing to competition and low rates."

M&A to continue, bodes well for industry

The UAE general insurance market has seen heightened M&A activity in recent times. Mr Rueegg expects this trend to continue, and that it will only serve to benefit the industry.

The GCC market is ripe for market consolidation, bringing with it opportunities for local and international players alike. Not only does it allow insurers to manage their capital adequacy netter, optimise their business operations and improve profits, it also supports local governmental and regulatory visions of achieving a sophisticated insurance market driven by innovation, he said.

"From what the industry has observed, M&A activity can usher in more investments in new technologies and business operations, creating more growth opportunities. The trend that we are seeing augurs well for the development of the insurance industry as a whole."

NLGIC Group itself is the product of a merger in 2022 between RSA Middle East and NLGIC.

Meanwhile, local news sources have suggested that a mega merger may be on the cards in 2023, with three major insurance companies reportedly in talks to form what could be the largest insurance entity in the market. No further details, including the names of the companies involved, were available at time of writing.

Insurance for EVs

The use of electric vehicles (EVs) has been increasing in the UAE, with EV numbers rising rapidly. "As the UAE pushes more towards its sustainability goals and renewable energy, the market for electric and hybrid cars will increase in size. The country has implemented a number of initiatives to help encourage electric car adoption," said Mr Idris.

Insurers seem to be alive to this trend and working alongside regulators, many have begun introducing more comprehensive coverage in the past few years with the aim of reducing the cost, he said.

"Currently, many insurance companies in the UAE are offering insurance coverage for electric cars. As we continue to grow and gather more claims experience with more data on pattern of claims, cost of repair, and other relevant factors, we will be better equipped to understand and identify the risks associated with this segment. This, in turn, will help improve underwriting process and offer efficient pricing of insurance premiums," said Mr Rueegg.

Repair costs for EVs, however, are still very high. To address this, Mr Al Nuaimi said that insurers have already approached dealers to cut the cost of repairs, given how EVs represent the future of the industry.

Cyber surge incoming

Cyber risk is a high priority and has been for some time considering the rapid of digitalisation thanks to the pandemic. And while the current take-up of cyber insurance in the UAE and the wider region is not particularly high, it is expected to grow rapidly.

"While digitalisation offers numerous advantages, it has also led to a surge in cyber crime incidents, resulting in an increased demand for cyber insurance, which is expected to grow at a CAGR of 25% by 2026," said Mr Rueegg.

"Our role as an insurer is to instil confidence in people to live a life fully prepared for the unexpected and developing our product to meet these evolving risks is a critical part of this. Cyber insurance is expected to grow not only in the commercial lines but also in personal lines for individuals in the coming years and remains an important area of exploration so that we can continue to provide our customers peace of mind."

Mr Idris said, "Cyber attacks are becoming an increasing threat to both individuals and corporations alike. Cyber insurance is already provided in the UAE, and we expect to see an increase in policy adoption by corporations particularly."

At the same time, Mr Al Nuaimi pointed out that there are few reinsurers currently supporting cyber insurance in the UAE.

Looking ahead

On the whole, all three CEOs agreed that good things are in store for the general insurance sector in the UAE.

"The future of the insurance industry is bright and shall grow in view of the booming economy and mandatory insurance covers," said Mr Al Nuaimi, adding that stringent regulations, healthy competition and a few reforms like cash before cover, knock for knock agreement and control on cost in the health sector is still required.

"With the country's impressive GDP growth, unmatched digital adoption rate and a government dedicated to sustainable and diversified growth, we are looking at a prime location to nurture a thriving insurance sector over the next one to two years," said Mr Rueegg. He also highlighted a few factors that will shape the development of the sector, the first of which is data analytics.

"In a highly competitive environment where pricing plays a major role, understanding risk has never been more important. That's why investment in data analytics is becoming essential. By better understanding customer needs and preferences, insurance companies can improve their risk profiling, underwriting practices and pricing," he said.

"Next on the list is talent investment. As new risks such as cyber risks and natural calamities emerge, it's crucial to attract and retain the right talent and expertise. These experts will be able to adapt to the changing risk environment, bring new innovations to the table and create new value propositions for existing product offerings.

"Finally, efficient supply chain management will be essential to maintaining profitability and achieving sustainable growth in the general insurance sector. With customers' behaviours continuing to evolve in the post-pandemic world, it's more important than ever to streamline operations and ensure smooth delivery of products and services."

Mr Idris also stressed the need to keep up with changes. "As we move further into 2023 and beyond, the insurance sector will continue evolving with several opportunities and challenges that will shape the industry in the near future," he said.

"Factors such as the impact of climate change, inflation, rapid progress of AI and the increase in cyber threats will require insurers to be prepared in a rapidly changing landscape. It is important for companies to stay ahead of the curve, position themselves for success and continue to serve their customers with the best possible products and services," he said.