

Middle East outlook

Regulation, economic diversification and digital innovation boost insurance industry growth

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Executive summary

The economy in the Middle East and Pakistan region will grow by around 2.8% this year.

We estimate that total insurance premiums in the region will increase by 5.4% in real terms in 2025...

...led by the non-life sector (premiums up by an estimated 6%). Industry profits, however, will likely be modest.

The outlook for insurance business is positive, boosted by regulatory support, and ongoing economic diversification and digitisation/innovation.

Rising exposure to extreme weather events calls for increased focus on risk mitigation and risk transfer.

We expect the economy of the Middle East and Pakistan (MEP) region to demonstrate resilience as the world navigates a period of heightened uncertainty characterised by policy shifts, trade disputes and geopolitical tensions. We forecast that the region's gross domestic product (GDP) will grow by 2.8% in 2025, supported by gradual unwinding of oil production cuts. That said, global economic slowdown, due in large part to US trade and policy uncertainties, poses downside risk to our growth outlook. With respect to the US, we expect a significant stagflationary shock and see a high likelihood of recession this year, with spillover effects to the rest of the world.

Improved economic performance and MEP governments' diversification efforts foster a favourable growth environment for the insurance industry in the region. Motor and health remain the largest lines of business, but growing investments in real estate, infrastructure, tourism and technology have expanded the risk pools for other insurance segments such as property and engineering. We expect the total premiums in the region to grow by 5.4% in real terms this year, after peaking at 8.7% in 2024.

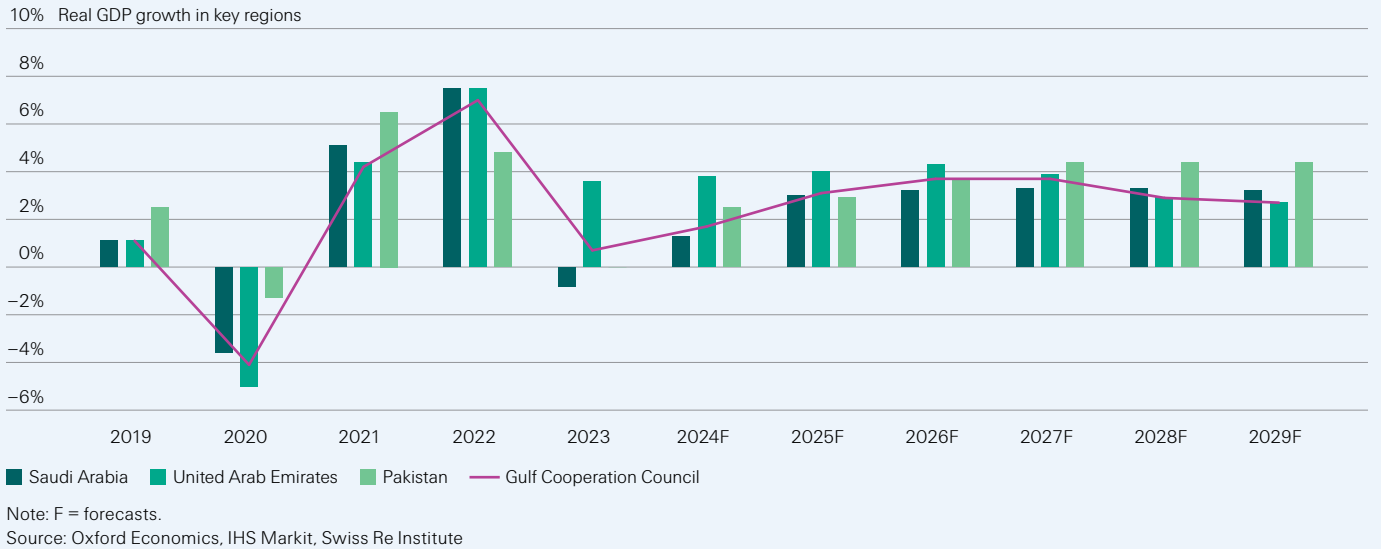
Non-life business will be the main driver, with continued expansion of mandatory health covers in key markets such as Saudi Arabia and the UAE, and rising healthcare costs and premium rate adjustments for natural catastrophe exposed portfolios in the UAE. Additionally, momentum in the construction and tourism sectors is creating new insurance opportunities. We estimate that non-life premiums will grow by 6% in real terms this year, after a 7.8% gain in 2024, and see life premium volumes rising by 2% in real terms in 2025. Though insurance premium volumes overall are rising, industry profitability is set to remain modest, in our view, due to intensifying price-based competition, particularly in the motor segment, and rising health claims. Additionally, a decline in interest rates and financial volatility could exert pressure on investment income, this in the life sector also.

The medium-term outlook for insurance business in the MEP region is promising, supported by resilient economic growth, favourable regulatory developments, growing urbanisation and technological advancements. An expanding population and growing financial awareness present significant growth potential for the life sector in particular. Increasing competition and regulatory solvency requirements will help drive consolidation among smaller insurers, particularly in Saudi Arabia and the UAE. Adoption of technologies such as automation and artificial intelligence (AI) is reshaping the future of region's insurance industry, presenting potential for gains in operational efficiency and personalisation. That said, rapid digitalisation across the region brings increased scope for cyberattacks. The level of cyber risk and cost of data breach reached record levels in 2024, and the continued expansion of the digital technology sector is opening new attack surface. With generally low insurance penetration, the region has a significant cyber protection gap. We note too that pricing for cyber insurance in the region is declining due to expanding capacity.

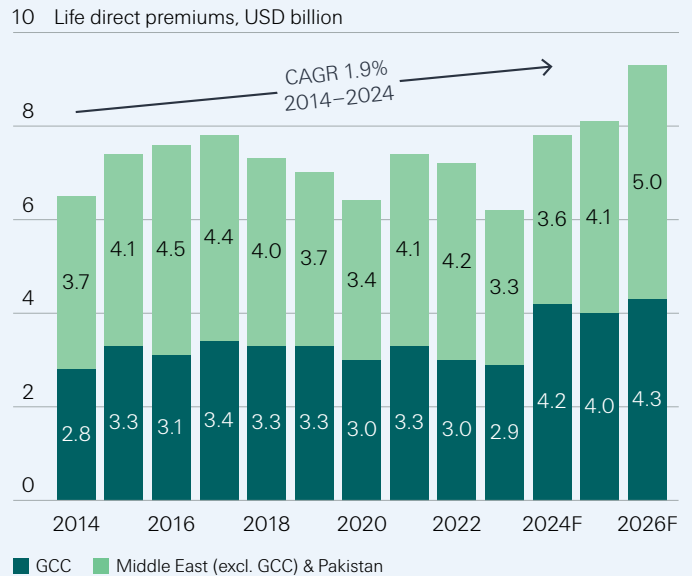
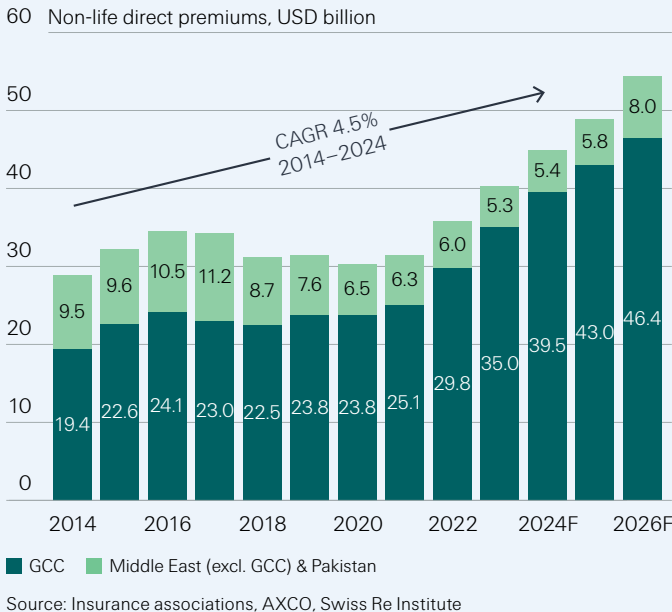
With economic growth and rising urbanisation, the region's exposure to extreme weather events has also increased. Record-breaking rainfall in mid-April 2024 across the UAE, Oman and surrounding countries resulted in economic losses of USD 8 billion, of which USD 3 billion were covered by insurance. With a changing climate, floods and heatwaves are likely to become more frequent in the future. The rising vulnerability of the region to extreme weather events underscores the importance of adaptation and mitigation to reduce the scale of loss potential from the outset. The role played by the re/insurance industry is to absorb the losses emanating from the residual risks. Investment in engineered solutions such as improved drainage, land-use planning and early warning systems will help build resilience against these events.

Key takeaways

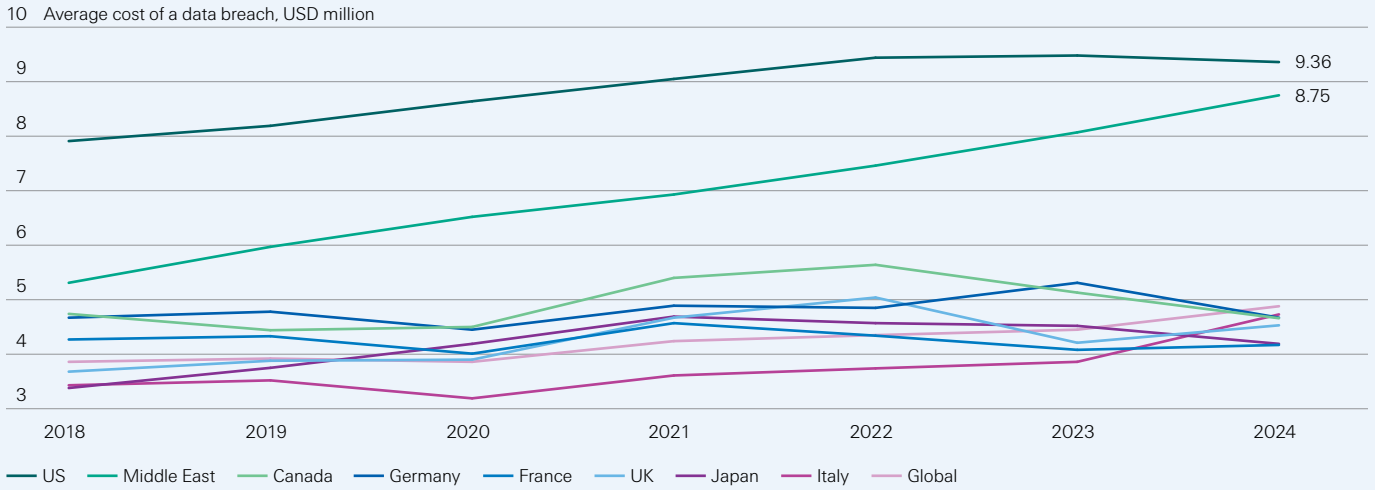
GDP growth in the Middle East and Pakistan region will likely be supported by a gradual recovery in oil output levels and resilience in the non-oil sectors of economies.



The outlook for the insurance industry is positive amid rising economic growth and a supportive regulatory environment.

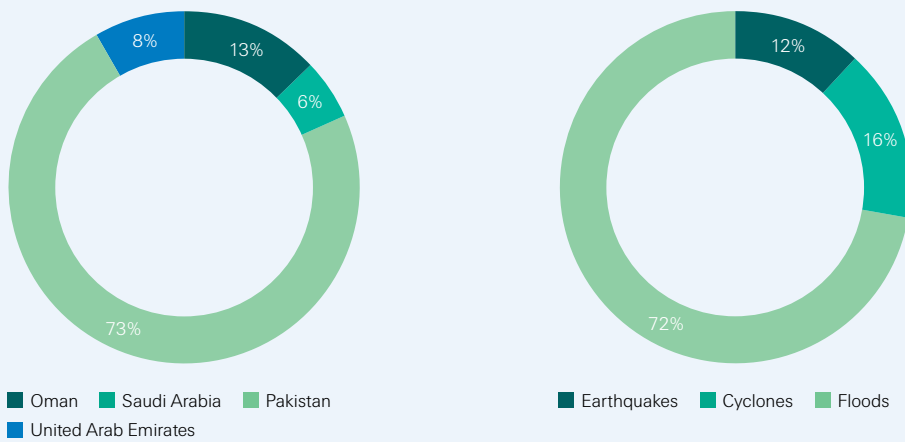


Rapid digital transformation in the region has increased the attack surface that cyber criminals can target. The average cost of a data breach has risen steadily over recent years.



Source: Cost of a Data Breach studies from IBM and Ponemon Institute

The region is not immune to natural catastrophes: GCC member states and Pakistan are exposed to economic losses from multiple “wet” perils such as floods and cyclones.



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