

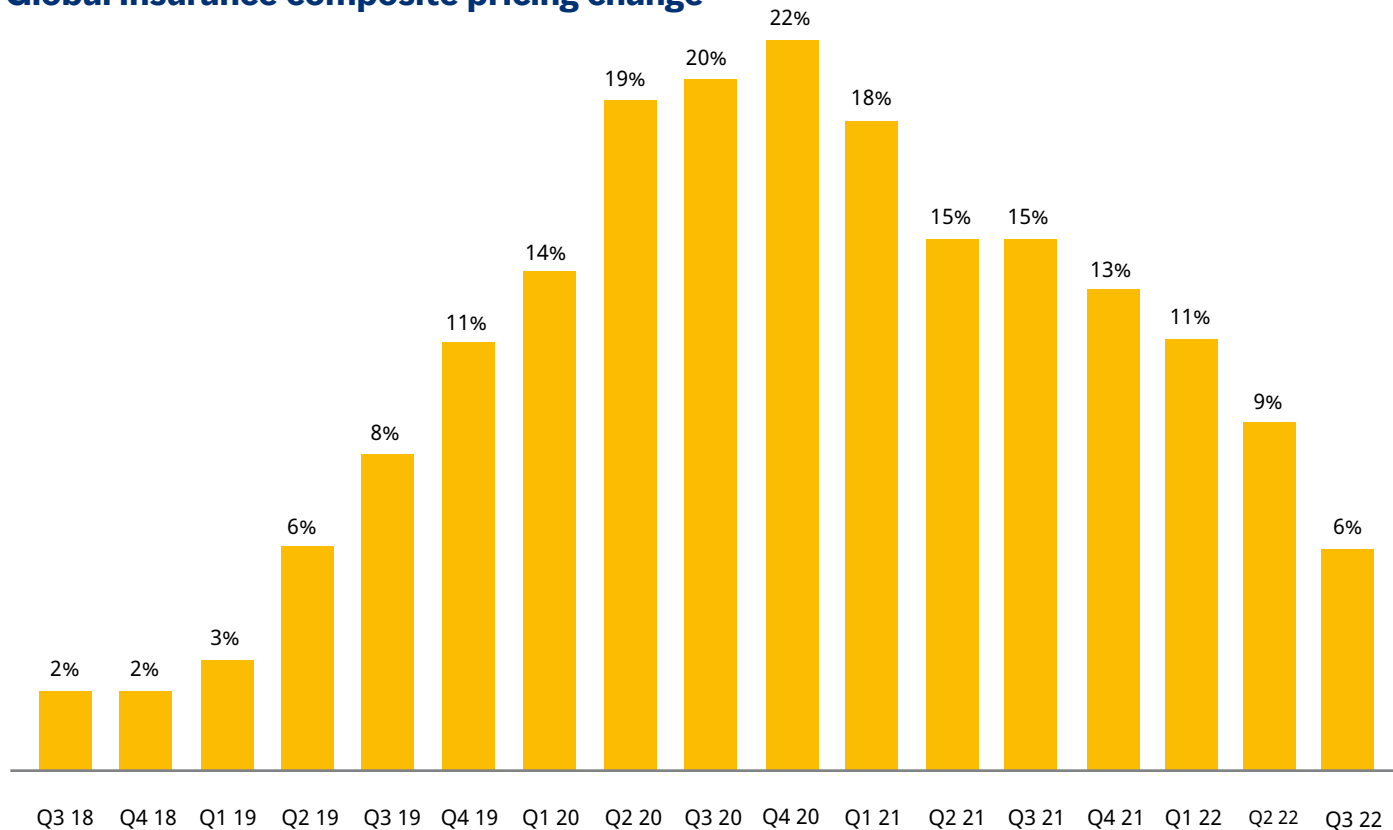
Insurance Market Pricing: Middle East and Africa

Third Quarter 2022



Global commercial insurance prices rose 6% in the third quarter of 2022, according to the *Marsh Global Insurance Market Index* (see Figure 1). The pace of rate increases slowed for the seventh consecutive quarter; global composite increases peaked at 22% in the fourth quarter of 2020.

01| Global Insurance composite pricing change



Source: Marsh Specialty and Global Placement

The third quarter was the twentieth consecutive in which composite pricing rose globally, continuing the longest run of increases since the inception of the index in 2012.

In the Middle East and North Africa (MENA) region, local insurers generally are not able to act as a leader on large insurance programs due to limited local capacity, and are typically dependent on the reinsurance market. In the third quarter, some reinsurers acted to capture new business. Multiple reinsurers are reviewing possibilities to start underwriting from the Dubai International Finance Centre (DIFC).

Across Africa pricing increases were experienced in the third quarter. Property price increases are tracking with global averages and the casualty market is still challenging in line with global trends. Markets are imposing wording restrictions around suppliers, customers and utilities this quarter which has seen a marked increase in these restrictions across the market.

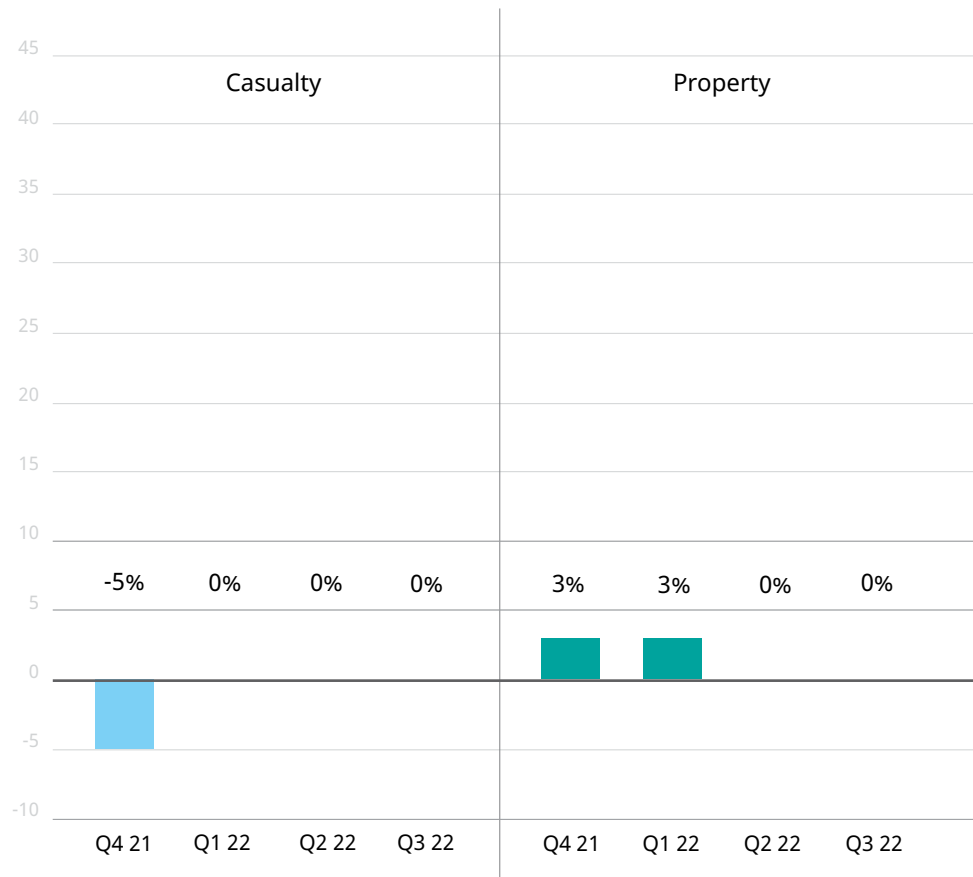
Regionally, composite pricing increases for the third quarter were as follows:

- US: 5%.
- UK: 7%.
- Continental Europe: 6%.
- Latin America and the Caribbean: 5%.
- Asia: 2%.
- Pacific: 5%.

*Note: All references to pricing and pricing movements in this report are averages, unless otherwise noted. For ease of reporting, we have rounded all percentages regarding pricing movements to the nearest whole number.

Middle East and North Africa Reinsurance Pricing Trends

02| Regional Index: MENA Casualty and Property



Casualty

Casualty underwriting appetite from reinsurers generally increased in the third quarter due to new insurers entering the market, as well as regional dynamics, including a low number of claims. The increase in casualty insurance capacity within the region is also influenced by the less litigious legal environment involving Sharia law.

Other highlights included:

- Insurers continued to increase their emphasis on underwriting information, as opposed to market experience, as the basis for decisions on capacity deployment.
- Insurer capacity for larger risks continued to be challenging. Some insureds restructured program layers, leading to increased dependence on support from international markets. Large organizations with loss limits in excess of USD250 million typically required support from outside of the region.
- Pricing was stable for higher program limits and exposures, although foreign capacity pushed some pricing higher.

Property

Property insurance pricing in MENA was relatively stable in the quarter due to low exposure to catastrophe (CAT) events such as earthquakes, hurricanes, and flooding (barring cyclonic activity in Oman and recent flooding in Saudi Arabia, Qatar, and the UAE). Other highlights included:

- Property insurance capacity was generally available in the quarter, although some carriers limited the deployment of their maximum capacity.
- Risk quality and claims performance continued to be determining factors for insurers.
- Coinsurance transactions continued as an alternative to facultative reinsurance. New entrants into the market added capacity, which, along with low claims activity, drove underwriting appetite, despite two recent large losses at shopping malls in Saudi Arabia and Egypt.
- There was increased interest in political violence insurance, for which pricing generally increased, driven by low levels of capacity.



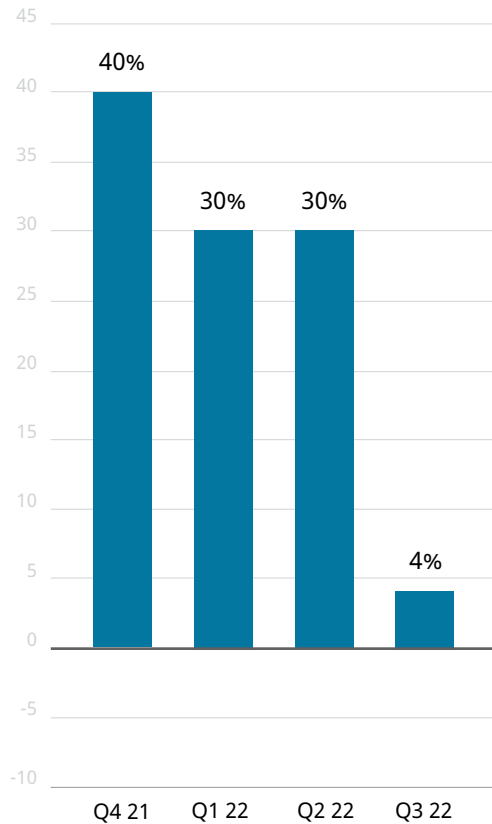
Understanding the MENA Insurance Market

Large insurance programs in MENA are generally placed via the reinsurance market, which follows changes similar to the international market. This is due to local insurers typically not being able to act as the leader on large insurance programs, due to limited capacity. Therefore, large and/or more complex risks are more dependent on the reinsurance market



Financial and Professional Lines

03| Regional Index: MENA Financial and Professional Lines



After several years of increases, pricing in the directors and officers (D&O) liability market levelled off in the third quarter amid greater competition from insurers, bringing opportunities to evaluate and optimise current placement structures.

The cyber insurance market was again challenging. However, toward the end of the third quarter the rate of increases moderated and, similar to D&O coverage, insurers showed signs of again growing their portfolios.

South Africa

04| MEA Country Index: South Africa



Insurance pricing in South Africa is heavily risk dependent. In some instances, international markets are more competitive than local markets.

Casualty: General liability pricing increases stabilized in the third quarter.

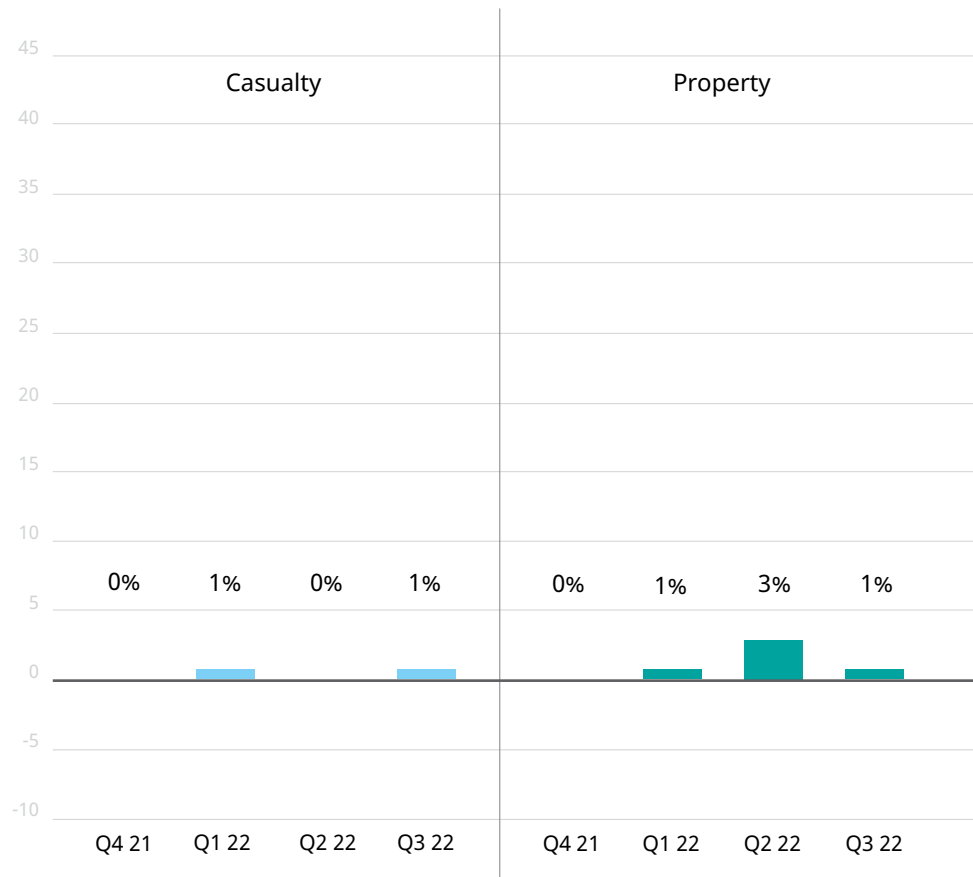
- Capacity for large limits remained challenging.
- Auto liability remained stable.

Property: Capacity remained a challenge in the third quarter. Risk management and high quality information was a key focus for underwriters.

- Clients generally experienced increased deductibles and higher rating applied to risks in CAT regions.
- Insurers applied differential terms and conditions to risks they perceived to be in CAT-exposed regions, including Kwa Zulu Natal for flooding risk.
- Insurers expressed concern regarding the potential for “total grid failure” as Eskom continued load shedding. More insurers excluded business interruption due to total grid failure across electricity, gas, water, and telecommunications.

Namibia

05| MEA Country Index: Namibia



Casualty: Casualty pricing increased an average of 1% in the third quarter.

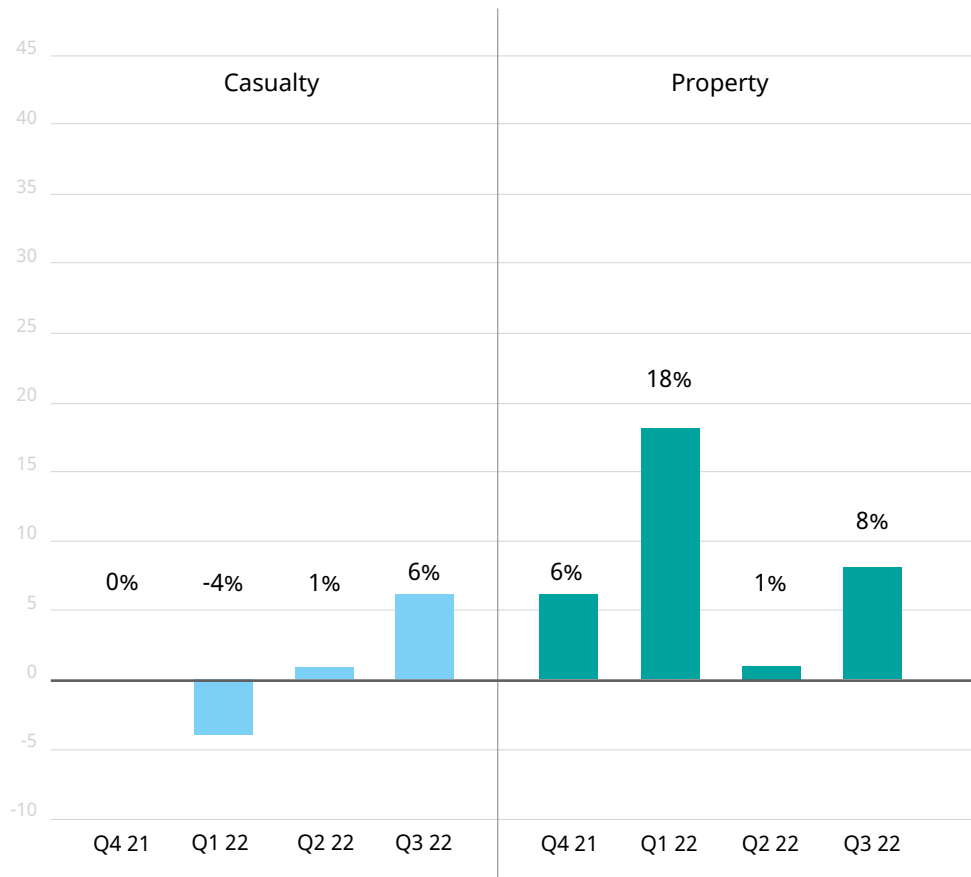
- The cost and availability of replacement motor parts in Namibia is a challenge due to supply chain issues brought on by the COVID-19 pandemic and exchange rate increases.
- The auto liability market was more active as tourism continued to recover.

Property: Namibia experienced an increase in large fire claims over the last two years.

- Reinsurance treaty rates have increased in 2022, some in excess of 40%.

Uganda

06| MEA Country Index: Uganda



Casualty: Auto liability insurance pricing remained stable as market pricing is regulated.

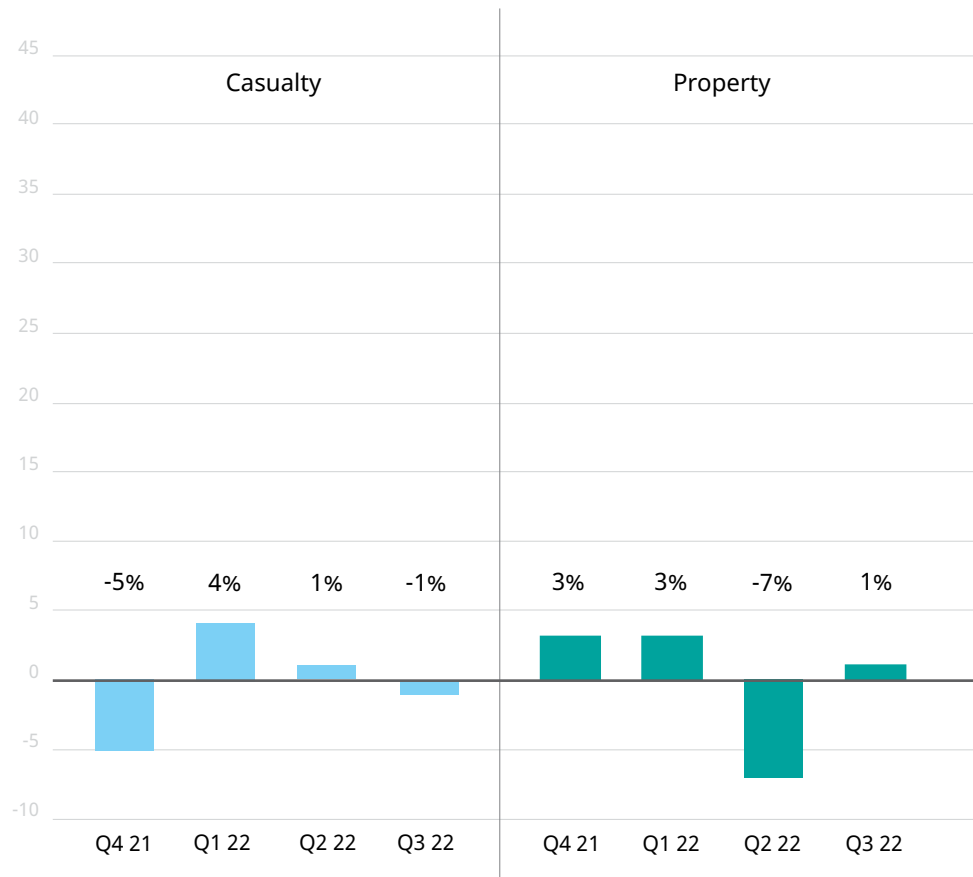
- The industry implemented a system for synchronization of records between the police, Uganda Revenue Authority, and insurers to help with confirmation of motor insurance uptake.
- The law governing statutory motor cover is under review by parliament to try and improve the third party liability benefits.
- Auto liability coverage has experienced increased demand due to oil and gas investment in the region as it is a key coverage required for contracting.

Property: The property insurance market was stable in the third quarter as market pricing is regulated.

- For large and complex property risks there has been a change in reinsurers' uptake due to flood claims, including the introduction of various conditions and subjectivities.

United Arab Emirates

07| MEA Country Index: UAE



Casualty: Overall, casualty insurance pricing remained stable in the third quarter.

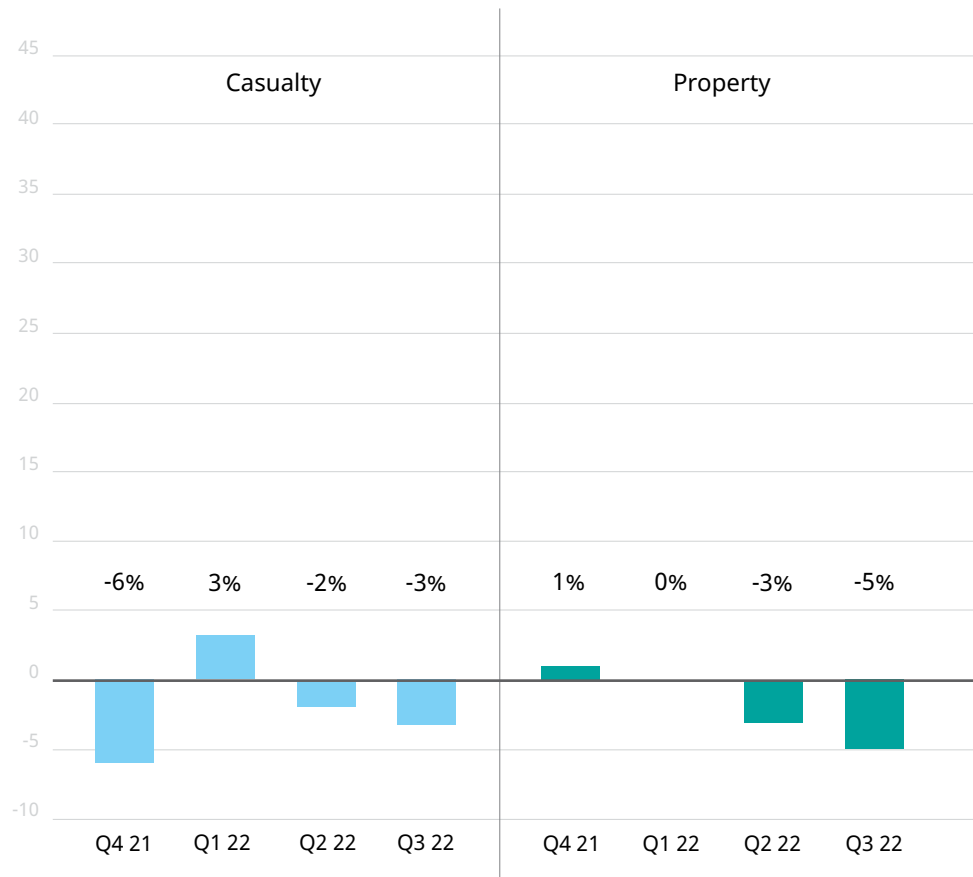
- Workers' compensation and employers' liability coverage experienced increased competition from insurers, in some cases leading to pricing decreases.
- Pricing for motor liability was generally stable, although inflation and the impact of supply chain constraints on repair costs were beginning to have an impact.
- Pricing for public and products liability coverages was generally stable.

Property: Property pricing and insurer capacity in the third quarter remained generally stable.

- The scale of global property losses in 2022 will be watched for potential impact on upcoming reinsurance treaty renewals.
- Increases in declared values due to inflationary pressures caused capacity issues for some insurers. Insurers scrutinized business interruption calculations in light of recent inflation.
- Some insureds saw the return of long-term agreements.

Saudia Arabia

08| MEA Country Index: Saudi Arabia



Casualty: Increased capacity drove pricing reductions in most casualty lines in the third quarter.

Property: The property insurance market continued to stabilize, with limited pricing increases for CAT risks, driven in part by an increase in local capacity.

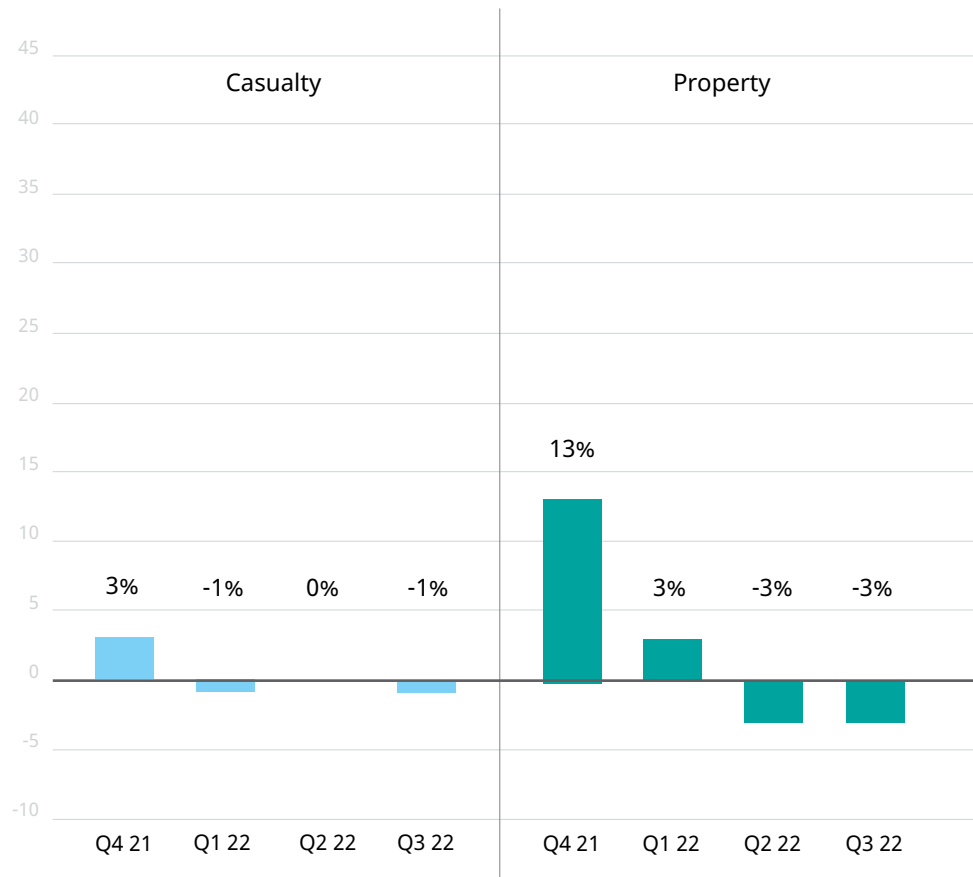
- Pricing for non-CAT risks generally declined due to increased competition among local insurers.

Other trends included:

- D&O pricing for non-financial sectors improved in the quarter; for the financial sector, D&O pricing stabilized.
- Cyber insurance pricing continued to increase, and demand rose from large companies.
- New products continue to be introduced as insurers broaden their offerings. Saudi Central Bank (SCB) started approving new products for insurers in a shorter timescale, which could help insurers develop new portfolios and serve wider requirements from clients and brokers. Products including event cancellation, cyber, drone, and parcel were more commonly available.
- Construction projects increased significantly following the slowdown during the COVID-19 pandemic. Major developers generally are moving to an owner-controlled insurance program (OCIP) approach.
- The merger of Walaa Cooperative Insurance Company and SABB Takaful concluded, while Gulf Union Alahlia signed a merger agreement with Al Sagr Cooperative.
- M&A within the insurance sector is likely to continue as smaller insurers continue to post losses.

Qatar

09| MEA Country Index: Qatar



Casualty: Worker's compensation and employer's liability pricing remained generally stable in the third quarter. An increase in payrolls and the number of employees helped drive rate reductions for some.

- Most insurers were not offering long-term agreements on casualty lines.
- General third party liability (TPL) pricing remained stable; clients with good loss records typically experienced rate reductions.
- Motor liability rates remained generally flat; clients with poor loss history continued to see above average increases.

Property: Clients with effective risk mitigation, superior risk profiles, and clean loss records typically benefited with lower rates and the ability to attract competition, often leading to enhanced coverage conditions.

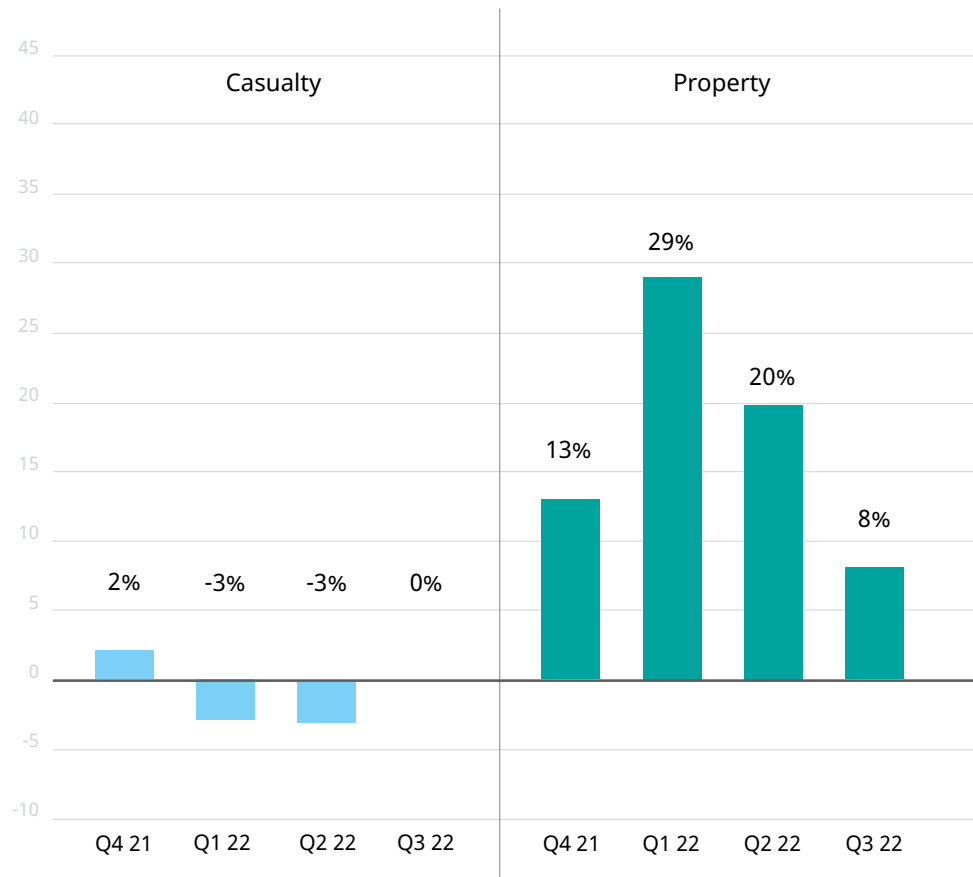
- Local insurers generally supplied additional capacity on property coverage and shared the risk with other local insurers through facultative arrangements.
- Contingent business interruption coverage continued to be challenging; insurers typically maintained or increased deductible levels.
- The pace of property pricing increases slowed compared to 2021; however, clients with significant losses generally experienced increases.
- Inflation remained a concern, and some larger organizations pursued valuation exercises.
- Insurers offered long-term contracts to some organizations at renewal, typically for a three-year period.

Other trends:

- Local insurers may be willing to deploy additional capacity on casualty lines.
- Some insurers offered terms for cyber, D&O, and professional indemnity (PI) coverages for lower limits, which typically was not available in recent years.
- In general, for financial and professional insurance lines, local market capacity was limited and followed the trends of regional/international markets.

Oman

10| MEA Country Index: Oman



Casualty: Pricing in the casualty insurance market remained flat in the third quarter, with no significant changes in excess coverage.

- Public and product liability coverage continued to be a mandated insurance for government and large corporate contracts.
- Insurers were generally reluctant to provide long-term contracts owing to limited capacity and other underwriting factors.
- Increased limits for auto liability continued to be mandatory in government contracts, with a minimum limit of USD5 million despite the statutory required limit of USD390,000.

Property: Oman is increasingly experiencing the impacts of climate change. Oman has experienced changes in climatic conditions over the past three to five years, resulting in significant losses and challenges for the property insurance market.

- Consultations continued between insurers and the regulator, Capital Market Authority, to find an appropriate mechanism to implement a mandatory insurance scheme to cover natural disasters for fixed properties.
- Capacity remained limited in local markets in the quarter.
- Risk aware clients that concentrated on effective risk mitigation and improving their risk profile typically saw flat renewals in the quarter, with no significant impacts on deductibles and coverage.
- City-based assets with clean loss records that were more dependent on facultative reinsurance support generally experienced flat pricing at renewal.
- Pricing for assets with significant losses and/or coastal exposures typically experienced pricing increases in the range of 10% to 15%, compared to increases of 15% to 25% in recent quarters.

Other trends:

- Decennial liability coverage is gaining more attention, and is becoming part of government contracts.

Egypt

Casualty: Casualty insurance lines, including employers' liability and motor, faced some pricing increases due to inflation in the third quarter.

- Insurers offered long-term agreements to some casualty clients.

Property: Clients with CAT exposures continued to face challenges in securing capacity; however, there was some softening in pricing.

- Clients with poor loss histories continued to see above average increases.
- Clients were affected by inflation and the devaluation of Egyptian currency to the US dollar.
- Inflation is becoming a concern as claim loss amounts escalate beyond insurers' expectations.
- Insurers offered long-term agreements to some property clients.

Other trends:

- Delays in some construction projects are possible due to economic instability caused by the impact of currency devaluation and inflation in parallel with Russia-Ukraine conflict.

Bahrain

Casualty: Pricing in the casualty market was stable in the third quarter.

- Pricing in the public liability market remained stable and consistent.
- For worker's compensation and employer's liability coverage, insurers typically offered marginal discounts at renewal.
- Pricing for motor insurance was generally stable.

Property: Property pricing in the quarter typically increased marginally.

- Underwriters continued to scrutinize declared values to ensure they were written on reinstatement value basis.
- Obtaining capacity for CAT risks was challenging.



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