Regulatory shifts an opportunity for reinsurance brokers

Shifts in regulations have paved the way for market growth and risk sophistication, among other benefits, for the reinsurance segment in the Middle East, contributing to a more sustainable and resilient sector. According to Chedid Re's Mr Elie Abi Rached, this translates to opportunities for reinsurance brokers, who can leverage the increasing number of compulsory insurance lines introduced by regulators across the region.

By Sarah Si

Over the past year, several trends in the Middle East emerged that are "redefining reinsurance market dynamics – and naturally, related brokerage activities", according to Chedid Re global operations CEO Elie Abi Rached.

A regulatory shift

One major development Mr Abi Rached pointed out was the increased regulatory push for local reinsurer participation.

"Some markets are mandating the adoption of local cession requirements, ensuring that a portion of risks is retained domestically," he said.

"This has created new opportunities but has also raised concerns around capacity and risk-bearing capabilities within local markets. At the same time, global credit ratings assessments are reinforcing a 'new normal' in reinsurance pricing, with stricter policy terms and higher premiums, particularly for CAT-exposed markets."

Drivers of the shift

Mr Abi Rached noted that the April 2024 events in the UAE validated the shift, driving market-wide repricing.

As a result, due to other extreme weather events, Nat CAT modelling has been made a focal point, "prompting insurers and reinsurers to refine their risk assessment tools", he said.

In Chedid Re, Mr Abi Rached said investments in advanced modelling capabilities reflect this shift, and service offerings are "continuously [optimised] to meet evolving risk realities".

In April 2024, rainstorms and flash floods affected most of Bahrain, Oman and the UAE, among other countries, as a result of thunderstorms, according to Guy Carpenter's CAT Resource Center Post Event Report on the Gulf Floods.

In the UAE, the report stated that up to 259mm of rain fell and more than 1,500 flights were delayed or cancelled.

Regulatory challenges and opportunities

When asked what some regulatory challenges or opportunities Chedid faced in the Middle East as a reinsurance broker were, Mr Abi Rached first said that shifts in regulations "[paved] the way for market growth, risk sophistication and enhanced protection for policyholders, all of which ultimately contribute to a more sustainable and resilient reinsurance sector."

On this front, he called opportunities and challenges "two sides of the same coin" that need to be addressed with a great deal of agility and specialisation.

An essential development was the increasing number of compulsory insurance lines introduced by

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regulators across the region, he said.

This development could be leveraged as an opportunity, he said, citing Chedid Re as an example. The company is taking the chance to play a proactive role in supporting market adaptation by structuring tailored products aligned with regulatory requirements to enable clients to navigate these changes effectively, according to Mr Abi Rached.

The Middle East's broader regulatory transformation is also translating into a greater need for increased compliance, risk management and operational excellence, he said.

As markets mature, "effective governance will be crucial for business continuity and sustainability", he said.

Mr Abi Rached cited Saudi Arabia's regulatory evolution as an example, saying that when the Saudi Central Bank – then the Saudi Arabian Monetary Authority (SAMA) – first opened the market, it required an exceptionally rigorous compliance framework for insurance operations.

"Today, with the Insurance Authority, there is a clear opportunity to refine and enhance these regulations further, applying even more stringent requirements in critical operational areas," he said.

According to Mr Abi Rached, regulatory transitions come with their fair share of challenges, particularly in optimising governance structures, aligning frameworks and entity remits and cascading implementation at a nationwide level – even more so in large and fragmented markets. But these challenges are par for the course in any market that is witnessing rapid economic transformation".

Other shifts

"From a macroeconomic perspective, most GCC states continue to drive non-oil diversification, with investments channelled toward infrastructure and tourism," Mr Abi Rached said.

"This has fuelled demand for specialised insurance solutions, while rising claim costs, inflation and increased climate risks have added pressure on underwriting profitability."

He also said that the adoption of IFRS17 has introduced new financial reporting complexities, requiring insurers and reinsurers to integrate ultimate loss ratios into their calculations, further reshaping underwriting approaches.

"InsurTech and digitalisation are also gaining momentum, with AI and automation transforming how risks are assessed, policies are underwritten and claims are processed," said Mr Abi Rached.

"As insurers increasingly shift toward data-driven decision-making, reinsurance brokers must stay ahead by integrating technology into their service models."

Similarly, he highlighted that cyber security is becoming a top priority, with regulatory frameworks across the region evolving to address growing digital risks.

He said, "Looking ahead, the market is expected to see continued consolidation as regulatory advancements push for stronger, more capitalised players."

Adapting to a changing market

When asked what some initiatives Chedid Re has undertaken to adapt to a changing market and stiffer terms, Mr Abi Rached first pointed out his company's portfolio diversification strategy, which is central to resilience planning with product and service innovations aligned with the evolving needs of clients, markets and regulatory landscapes.

Secondly, he indicated investments in talent specialisation and governance, risk and compliance to strengthen internal expertise and his company's ability to support clients in increasingly complex risk environments.

"At the heart of this approach is our commitment to continuously enhancing our capabilities, know-how and reach. As risks become more intricate, we have ramped up our investments in talent specialisation – whether that is in specific disciplines, sectors, geographic markets, or niche verticals where these areas intersect," he said.

As broking in the reinsurance sector is "moving far beyond transactional value", according to Mr Abi Rached, he said specialisation, particularly in clients' industries and risk environments, will be the "differentiator between 'hard sell' providers and long-term partners".