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Challenges for the UAE insurance broking market and why a strategy is essential

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About the author

The author of this paper has 33 years' experience across all forms of insurance, including health insurance, in many countries. His last 10 years have been specifically focused on health system financing in developing countries in the Middle East and Africa. The author's work has included working for a "Big 4" advisory firm, a GCC government and providing *pro bono* advice to other regulators in the Middle East and Africa. He has also provided advisory and consulting services in health system financing and regulation to clients of global consulting companies.

Limitations on scope

This paper focuses primarily on the insurance broking market of the United Arab Emirates (UAE), the most competitive insurance market of the countries that form the Arabian Gulf Cooperation Council (GCC).

Accreditation

All views expressed and statements made in this paper (unless otherwise specifically referenced) are those of its author.

Introduction

The insurance broking market in the United Arab Emirates, as in many countries, is facing change and challenge. The number of challenges are more than ever ranging from the impact of regulatory changes to technology challenges as well as changing consumer expectations.

Yet the number of licensed insurance broking companies has stayed steady from 2017 until 2024, remaining around the 160 level. This may be interpreted as meaning that all brokers continue to trade. However, this overall figure takes no account of the exit of companies and the entry of new ones which are both significant numbers. This suggests that some insurance brokers are either unable to survive or exit the Central Bank register either voluntarily or by having their license revoked.

So, while the overall number of brokers has remained steady, challenges have clearly had an impact on the ability of some to stay in business whilst others have sought new licenses to enter the market. At a time when there are new Insurance Broker regulations now in force and set against the opportunities for more agile and more well capitalised insurance brokers to take advantage of advances in technology I believe that we will see greater pressure on brokers to cease trading with a slowing of new entrants. I therefore predict a downturn in the number of insurance brokers on the Central Bank register over the next 2 or 3 years.

Some might say that one answer to the survival question is for smaller brokers to merge which may provide some economies of scale. This is not an unreasonable supposition. Others might say that market consolidation might occur by way of acquisition of one insurance broker by another, but in reality why would an insurance broker buy another to acquire its client base when it could simply attract (attack) that client base directly by offering better terms and servicing?

Regardless of the direction of the numbers remaining in business what insurance brokers must now do to not only survive but to thrive is to develop a comprehensive and flexible business strategy to deal with the challenges which I will address in the next section.

18 challenges facing insurance brokers

The following list is in no particular order of impact and some of the challenges will have a larger or smaller impact on individual insurance brokers based upon factors such as size, capitalization, market share, strength of client relationships, talent acquisition and retention, current use of technology and business lines offered.

1. Complex regulatory environment

Being a federation of 7 emirates, the UAE presents market participants with a complicated regulatory environment. The general rule is that federal level laws take precedence, but where a particular area of business activity has no federal law applying to it then individual emirates can make their own laws and regulations which often exhibit differences. The emirates that tend to make their own laws in the absence of federal laws are mainly Abu Dhabi and Dubai, occasionally Sharjah. The other emirates of Ajman, Umm al Quwain, Fujairah and Ras al Khaimah generally follow federal laws.

The position is further complicated (based on these different laws and regulations) by the fact that some business lines, particularly health insurance are regulated by some emirate level regulators such as Department of Health – Abu Dhabi (DOH) and Dubai Health Insurance Corporation (DHIC, part of Dubai Health Authority). This results in different licensing requirements for brokers selling health insurance in these two emirates.

2. Introduction of new regulations

For many years, new laws and regulations affecting the insurance sector were few and far between. However, in more recent years, particular after the Federal Insurance Authority was subsumed within the Central Bank of the UAE (CBUAE) in 2021, we have seen a new insurance law and the following new insurance broking regulations, the latter taking effect in February 2025.

Regulation of financial services in the Middle East develops some considerable time after similar developments in western financial systems but often follows a similar pattern in terms of design. Insurance brokers should therefore plan for further possible regulation in areas such as commission disclosure, factfinding (KYC) rules, professional qualification requirements and even continuing professional education for advisers.

3. Regulatory reporting

The new insurance broker regulations have set requirements for a greater degree of reporting. Whilst the regulations allow some latitude for smaller brokers with fewer resources the reporting requirements will continue to be extended to all.

4. Inconsistent regulatory enforcement

Less of a challenge and more of a frustration is the extent to which regulators apply an “even hand” when it comes to enforcement. Sometimes this is due to regulators simply being unaware of violations. Reputable insurance brokers should therefore have an active “whistleblowing” function to report misdemeanours they may discover.

5. Commission controls

Commission controls are not new in the region but can appear from time to time quite unexpectedly. Insurance brokers should be prepared to deal with these. They can appear in two forms: either a cap on commission percentages payable on specific lines of business or, less frequently, a minimum commission percentage.

6. Maintaining capital adequacy

Whilst not a problem for many brokers, some of the smaller ones will need to monitor their position as part of their business strategy.

7. Over-supplied insurance market

Undoubtedly the UAE insurance market is oversupplied for the size of the population and the economy. There have consistently been around 60 licensed insurance companies (about half of which are branches of foreign insurers). The impact for the insurance broking market is both good and bad. On one hand, it means that brokers can always find a good deal for their clients but on the other hand it can have an adverse effect on client loyalty in a market where price is always a key influencer in purchasing decisions.

The lack of premium regulation also means that some insurers can continue to “buy” business at unsustainably low premiums which results in poor customer service. It also provides an environment for unscrupulous brokers to convince clients of other brokers to switch not only insurer but also broker.

A system of premium regulation, particularly in the largest lines of health and motor, that provides flexibility for insurers to price at sustainable levels will go a long way to overcoming these issues. Unfortunately, regulators seem reluctant to address this.

8. Unsustainable pricing

This is in large part covered in the previous paragraph. The real challenge for brokers is how to manage their client portfolios in such an environment in a way that enables them to provide insurance solutions from companies which can provide a reasonably priced premium but who can also sustain an acceptable level of customer service.

9. Client budgets and expectations

There is a common perception in UAE that “price is everything” and this perception also persists in the world of insurance. Many clients buy insurance grudgingly, particularly where the line of business is a mandatory one such as employee health insurance. Some clients will therefore always seek the lowest premium, often at

the expense of benefit levels or service quality. Some clients may also expect brokers to share commissions whilst some brokers themselves will offer to do so in order to win business. This can mean that brokers will receive such a small amount of commission that they do not provide an adequate client service after the initial sale.

10. Changing consumer expectations

Consumers expectations have also been changing with clients expecting better service levels, more tailored products and enhanced “add-on” benefits or incentives to choose a particular product.

11. Demand for faster, online servicing

Linked to changing consumer expectations is the increasing requirement for faster quotation turnaround times, instant quotations, online purchasing and online processing of renewals and of claims.

12. Changing distribution channels

There have always been broker intermediated sales whilst at the same time insurance companies selling directly through their own sales representatives. A number of insurers now also sell through banks. Brokers have always faced this challenge. However, technology is now making it easier for insurers to sell directly, online. It has also facilitated the rise of so-called “aggregator” platforms comparing multiple products quickly (although more often than not on price alone). In the UAE these “aggregator” platforms are generally a distribution channel for licensed brokers who may operate the platform alone or with the assistance of a third party providing the technology.

13. Enhancing customer loyalty

Several of the challenges mentioned here make client retention more difficult which itself becomes a challenge for insurance brokers. Brokers need to design and deliver services that will keep the client with them for the longer term.

14. Achieving digital transformation

The need for digital transformation has been talked about for many years yet many in the insurance world and brokers in particular have been slow to adopt. Understanding what is meant by digital transformation is critical. The concept consists of two related but distinct elements: digitization is the conversion of information from analog into digital form, while digitalization transforms operational processes using digital technology. Both obviously involve costs which should be seen as an investment into the future resilience and continuation of a business.

15. Harnessing artificial intelligence

The digitalization process has been vastly enhanced by the algorithms embedded in AI-enabled processes. However, having clean data at a granular level is essential for such processes to operate efficiently and produce reliable outcomes.

The number of companies claiming to employ AI-enabled processes is probably many times more than those that actually do. There are also thousands of individuals and businesses selling their AI “solutions” yet the solutions are not actually solutions until the processes have been applied to your complete datasets in order to provide any meaningful outputs.

There are also different forms of AI which make it harder for insurance brokers to decide which is right for them.

16. Lack of resources to upgrade technology

Unless a very large broker or one which is part of a global company, brokers often find the cost of upgrading technology prohibitive. The challenge comes in the form of both upgrading hardware as well as upgrading

systems and other software. The convergence of internet, VOIP, mobile and chatbots makes the task even more complex and sometimes more costly. However, investment in such technology is critical to the future survival of many brokers.

17. Talent acquisition and retention

Insurance broking has always been and largely remains a “people” business with in-person interactions between client and adviser being an important part of the relationship. In a world of increasing mobility acquiring the right talent and retaining them becomes a more significant challenge. But this challenge extends beyond the role of adviser into operational roles and the people a broker company needs to keep the business running smoothly as well as, increasingly, regulatory compliance.

18. Education and training

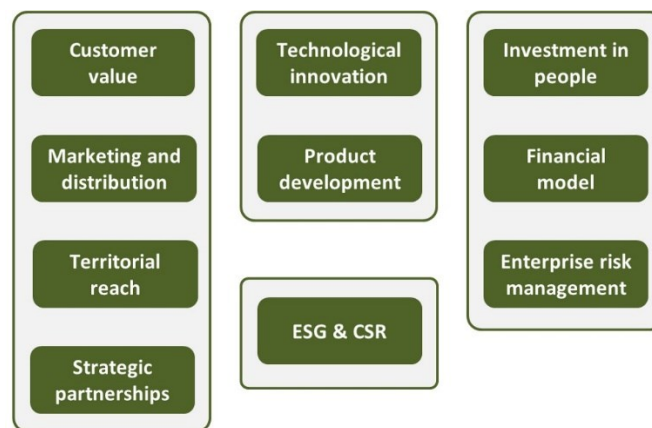
Linked to talent acquisition and retention is education and training as well as the requirements of regulators in this area. Brokers who invest in education and training will not only enhance the capabilities of their advisers but also assist in retention as well as satisfy any regulatory requirements in terms of professional qualifications and continuing professional development.

How a well-developed strategy addresses the challenges

Firstly, it should be understood that there is a difference between “strategy” and “strategic objectives”. The latter is “what” you are trying to achieve, the former is the guidance document that describes “how” you will achieve the objectives.

The Consilient Consultancy Limited has a unique approach to strategy design. Firstly, most managers and strategists talk of “pillars” of strategy but pillars are not interconnected. This is also known as the “silo approach” to building a strategy. We choose the term “elements” of strategy because all elements are interconnected. It is this “interconnectedness” which should be the core of modern commercial strategy.

Secondly, we have 10 “elements” of strategy which are divided into externally focused, internally focused, supportive and transcendent. Under externally focused there are 4 elements, namely, customer value, marketing and distribution, territorial reach and strategic partnerships. Internally focused elements are 3 in number being investment in people, financial model and enterprise risk management. Supportive consists of 2 elements: technological innovation and product development while transcendent involves ESG and CSR.



Thirdly, we identify the main challenges facing a business and see which of the “10 elements” can be applied in a strategic manner in order to overcome or mitigate the challenges. We then conduct a gap analysis to compare the current strategy of the business and the extent to which it is fit for purpose to overcome the challenges. The gap analysis then enables us to work with your teams to develop all the required elements of strategy in order to build a cohesive overall strategy where all the elements are interconnected.

The limitations of an internally developed strategy

It is a fact of human nature that we will always prioritise self-preservation. This is no different in business. Different heads of department or C-suite executives will have specific responsibilities. The success of one department may rely upon the success of another or the success of one department may be adversely impacted by the activities of another. This leads to individuals acting in a manner of “self-interest” and not necessarily for the greater good of the organisation as a whole.

This is why I advise against companies asking individual departments or functions to devise their “part” of the strategy since this is done in isolation leading to a strategy with elements that are not connected or related to others. The result is an unworkable strategy. This is the “silo effect”.

Instead, I advise working with departments and functions to devise a strategy that accounts for all of the challenges to and demands upon the business. This consultative as well as collaborative approach ensures that the knowledge and experience of business managers is taken into consideration but in a way that accounts for the desired “interconnectedness” of the 10 elements of strategy.

How we are helping

My business can assist insurance brokers with an initial understanding of how well any existing strategy addresses the main challenges faced by the business. This involves understanding your business and operating model. We conduct a gap analysis to identify areas where the existing strategy needs improvement or addition. We then make recommendations as to the priority areas to be addressed in redefining your strategy. Should you wish to proceed to the next stage we will then work with you and your teams to develop a comprehensive, relevant and adaptable overarching business strategy to help the business not only survive but thrive.

We are already working with a large UAE insurance broker but we are limiting this service to a small number of companies.

--- *Robin Ali*