DAC BEACHCROFT

United Arab Emirates
Predictions 2027



Missile interception losses to test the limits of property war exclusions in UAE

The 2026 conflict between the United States and Iran brought property war exclusions into sharp focus across the Middle East, with coverage litigation expected to follow in 2027. Despite most missiles and drones being intercepted, debris fell on residential and commercial areas, including prominent Dubai locations. Whether losses are presented under property or political risk policies remains uncertain. For property insurers, the key issue is whether damage from interception debris was "caused by war". UAE Federal courts generally focus on the relevant cause of loss rather than applying the common law doctrine of proximate cause. Outcomes will depend on the exclusion wording, governing law and evidence linking the damage to the interception or underlying hostile military activity. Insurers should preserve evidence of the incident and causal sequence and assess exclusions against the facts. On balance, UAE Federal courts may treat the missile launch and interception as a single chain of war-related events, giving insurers strong grounds to apply a properly incorporated war exclusion. These claims are also likely to drive closer scrutiny of causal language at future renewals.

2027 renewals to expose gaps between terrorism and war cover across Middle East

2027 renewals are expected to drive demand for broader war cover, revised aggregates and sub-limits, and clearer wording for missiles, drones and interception debris risks. The political violence market came under significant pressure in 2026. Marsh Re estimates that Middle East war, terrorism and political violence losses will exceed $2 billion against annual premiums of about $2.5 billion, putting the class on course for its first loss-making year. Premiums have already risen across parts of the region. Recent conflict has underlined the practical distinction between terrorism cover and full war cover. Many businesses in the region have historically purchased terrorism and sabotage cover without extending protection to war risks. As a result, whether an incident is classified as terrorism or war may determine whether a major claim is paid or declined. Coverage may also be tested where losses arise from airspace closures, supply chain disruption or interrupted trade routes, as such losses may not satisfy the physical damage requirements of traditional political violence policies. Insurers and brokers should ensure customers clearly understand where terrorism cover ends and war cover begins.

Broker misconduct comes under intensifying scrutiny in Dubai

Broker liability and misconduct are expected to remain under intense judicial and regulatory scrutiny in 2027. In Qatar General Insurance & Reinsurance Company QSPC v Emrgent Risk Solutions Limited, the Dubai International Financial Centre (DIFC) Court issued its first reported judgment on broker liability in placing reinsurance and retrocession cover. The Court held that the broker had failed to follow its client's instructions and inform it of a material cancellation, awarding more than 6.2 million Qatari riyals. The judgment clarified DIFC law on duties, causation, loss of chance and damages. Regulatory scrutiny is also increasing. In January 2026, the Dubai Financial Services Authority fined Ed Broking (MENA) Limited and sanctioned a senior broker for misleading conduct involving 'grossing up' facultative reinsurance premiums without the cedants' knowledge, to increase commissions. The Dubai Court of Cassation then ordered a regional broker to disgorge $17.8 million for similar conduct involving Yemeni war risks. Disgorgement is likely uninsurable under professional indemnity policies. Grossing up may also provide reinsurers with grounds to allege misrepresentation or non-disclosure, potentially jeopardising reinsurance recoveries. Given indications that the practice may be more widespread, regulators are expected to investigate further and could launch a thematic market review of broker remuneration and placement practices.

UAE regulatory investigations set to drive D&O exposure

Regulatory investigations are expected to increase across both the onshore and offshore UAE markets in 2027. While the Dubai Financial Services Authority remained active in 2026, attention in 2027 is expected to shift increasingly towards the onshore regulatory landscape. The Capital Market Authority, which replaced the Securities and Commodities Authority on 1 January 2026, has extensive enforcement powers, including substantial penalties for disclosure failures. The UAE Central Bank is also likely to maintain its focus on anti-money laundering enforcement as the UAE prioritises remaining off the Financial Action Task Force grey list. This attention is expected to increase investigations and defence costs under D&O policies, particularly where directors and companies face parallel enquiries. Investigation and legal expenses are expected to account for a growing proportion of D&O losses, increasing demand for pre-claim inquiry cover and enhanced Side A protection. Questions about separate representation and allocation of defence costs may arise at an earlier stage of claims. Coverage for regulatory fines remains an area of uncertainty. Although many policies respond only where legally permitted, the position under onshore UAE law is largely untested. Insurers should therefore take a cautious approach to whether, and to what extent, penalties are insurable.

For further information or enquiries, please contact:

Michael Ducker
Partner
mducker@dacbeachcroft.com

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Geopolitical tensions will reprice Gulf risk

The UAE is expected to continue attracting investment, talent and international businesses in 2027, reinforcing its position as a leading commercial and financial hub. However, rising regional tensions and the risk of further escalation involving Iran are expected to prompt businesses, investors and insurers to reassess the geopolitical assumptions underlying cross-border trade and investment in the Gulf. As companies use the UAE as a platform for transactions and operations across the wider region, concerns about disruption to shipping routes, energy infrastructure, supply chains and payment flows are expected to drive increased demand for trade credit and political risk insurance. Underwriters are likely to place greater emphasis on accumulation risk, geopolitical exposure and scenario planning, while insureds seek broader protection against contract frustration, payment default and political interference. The result is likely to be a repricing of Gulf risk, not because the region is becoming less attractive, but because its growing economic importance increases the potential impact of geopolitical shocks.

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