Insurance Contracts, Unified Motor Policies and Insurance Dispute Resolution

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Overview

The United Arab Emirates (UAE) insurance sector has undergone a significant legislative shift. Federal Decree-Law No. 48/2023 On the Regulation of Insurance Activities which regulated insurance activities, was repealed by Federal Decree-Law No. 6/2025 Concerning the Central Bank and the Regulation of Financial Institutions, Activities, and Insurance Business, a single consolidated statute placing banking and insurance under the supervision of the Central Bank of the UAE (CBUAE). The substantive rules of the insurance contract itself, however, remain governed by Federal Decree-Law No. 25/2025 Issuing the Civil Transactions Law, while motor insurance is standardised by the unified motor vehicle policies issued under Insurance Authority Board of Directors' Decision No. 25/2016 Pertinent to Regulation of the Unified Motor Vehicle Insurance Policies.

This Practice Note addresses four areas of practical importance namely:

- The legal framework governing insurance contracts and their parties, including conditions the law treats as void.
- The rights of injured third parties under the Unified Motor Vehicle Insurance Policy Against Third Party Liability issued pursuant to the Regulation of Unifying Motor Vehicle Insurance Policies according to Insurance Authority Board of Directors' Decision No. 25/2016.
- The scope of, and exclusions to, the Unified Motor Vehicle Insurance Policy Against Loss and Damage issued pursuant to the Regulation of Unified Motor Vehicle Insurance Policies according to Insurance Authority Board of Directors' Decision No. 25/2016.
- The mandatory route for insurance disputes through the Banking and Insurance Disputes Resolution Unit (Sanadak) and the insurance dispute resolution committees before any court action.

Definitions

- *Beneficiary:* The person who acquires rights under the policy, originally or by lawful transfer.
- *CBUAE:* The Central Bank of the United Arab Emirates.
- *Insured:* The party who concluded the policy and bears the obligation to pay the premium.
- *Insurer:* The insurance company licensed by the CBUAE issuing the policy.
- *Sanadak:* The Banking and Insurance Disputes Resolution Unit, an independent unit with legal personality.
- *UAE:* United Arab Emirates.

Practical Guidance

The insurance contract and parties

Insurance is a contract whereby the insurer undertakes to pay the insured, or a beneficiary in whose favour the insurance is stipulated, a sum of money, an annuity, or any other financial compensation upon the occurrence of the insured event or risk, in consideration of premiums paid by the insured.

Whenever a claim is drafted, three parties must be kept carefully apart:

- The insurer: Must be licensed by the CBUAE, whether a UAE-incorporated company or a foreign insurer operating through a branch or agent. A policy issued by an unlicensed company is void, though an injured party acting in good faith retains the right to compensation.
- The insured: The party who concluded the policy and bears the obligation to pay the premium.
- The beneficiary: The person who acquires rights under the policy, originally or by lawful transfer, and may be entirely different from the insured (e.g., a life-policy beneficiary or a bank holding a mortgage over the vehicle).

Points often overlooked

Language

Policies issued in the UAE must, as a rule, be drawn up in Arabic (a translation may be attached). Certain policies may be exempted provided an Arabic translation is submitted if the CBUAE so requests. In practice, the Arabic text prevails before courts and committees.

Endorsements are part of the policy

A coverage analysis is incomplete without reading every endorsement.

Void conditions

Federal Decree-Law No. 25/2025 voids certain policy conditions, notably forfeiture clauses based on breaches that had no bearing on the occurrence of the insured event, and any arbitrary condition of that nature (e.g., mere rejection based on late reporting that had no effect on the insurance company’s ability to deal with the claim).

Subrogation

Once the insurer pays (unless otherwise agreed), it steps into the insured's shoes against the wrongdoer (or any party who might be responsible to the insured) to the extent of what it paid. Admitting liability or settling with a third party without the insurer's consent puts the insured's own coverage at risk.

Limitation

Claims arising from an insurance contract are time-barred after short period of time (usually three years for car accidents).

The Unified Motor Vehicle Insurance Policy Against Third Party Liability: A direct claim against the insurer

While the default position in insurance that only an insured or beneficiary may claim under the policy, the Unified Motor Vehicle Insurance Policy Against Third Party Liability gives the injured third party a direct right of action against the insurer for damage caused by the insured vehicle. The insurer cannot raise against the injured party the defences it could otherwise raise against its own policyholder. Key coverage limits include:

- Bodily injury to third parties: The insurer's ceiling is whatever the court awards, including judicial costs (excluding fines), payable as soon as the judgment becomes enforceable.
- Death of a spouse, parent or child (family of the insured or driver): Capped at AED 200,000 per deceased. For injury with disability, compensation is pro-rated to that amount, plus medical treatment expenses.
- Property damage: Capped at AED 2,000,000 per accident regardless of the number of victims, including the cost of towing the damaged vehicle to the workshop.
- Medical expenses: The insurer must settle all treatment costs with medical providers and issue a letter of undertaking where treatment is ongoing.
- Ambulance fee: AED 6,770 per injured person to the ambulance or medical transport provider, even for persons excluded from the basic cover.

Repair rules protect the victim. Vehicles less than one year old are repaired at agency (dealership) workshops with brand-new original parts and zero depreciation. Older vehicles are repaired at workshops suitable for the make and year using original parts of equivalent grade, with the works guaranteed and the victim entitled to an inspection by an accredited testing body. Glass, brake systems, steering components and seat belts are always replaced new, with no depreciation. A vehicle is treated as a total loss where damage exceeds 50% of its market value on the day of the accident or where the chassis or fixed structural parts require cutting, pulling or welding. In both cases the insurer pays the market value at the time of the accident, the salvage passes to the insurer, and the victim bears no ownership-transfer costs.

Procedurally, the accident should be notified in writing as soon as possible. Compensation may not be refused merely for late notification supported by an acceptable excuse. The insured must never admit liability, make an offer, or pay anything without the insurer's written approval. Claims are time-barred three years from the victim's knowledge of the damage and of the person responsible. Disputes over damage or market value are resolved by a licensed loss adjuster appointed at the insurer's expense. The policy does not apply outside the UAE and excludes natural disasters, war and civil commotion, and work-related injuries of the insured's employees absent additional cover.

The Unified Motor Vehicle Insurance Policy Against Loss and Damage: What “comprehensive” actually covers

The Unified Motor Vehicle Insurance Policy Against Loss and Damage covers loss or damage to the insured vehicle in a defined set of cases namely:

- Collision, impact, overturning and any accidental event.
- Fire, external explosion, self-ignition and lightning.
- Theft and burglary.
- Deliberate acts by third parties.

After an accident, the insurer must either repair the vehicle to its pre-accident condition, pay the loss in cash by agreement, or replace it in a total loss unless the insured opts for cash.

Total-loss formula

Where the vehicle is lost, proven irreparable, or repair costs exceed 50% of its insured value, compensation is based on the insured value agreed at inception, less depreciation of 20% per annum pro-rated from the start of the insurance period to the date of the accident (fractions counted). Inflating or understating the insured value at issuance therefore carries a real price later.

Deductibles

A basic deductible applies by vehicle category and value, no more than AED 350 for private vehicles worth up to AED 50,000 up to AED 4,500 for heavy transport (over three tonnes), buses, and construction or agricultural vehicles (Schedule 3 of the Unified Motor Vehicle Insurance Policy Against Loss and Damage). An additional deductible, capped as a percentage of the compensation, applies at 10% where the driver is under 25, 10% for taxis and public vehicles, 15% for sports and modified vehicles, and 20% for rental vehicles. Where several rates apply to one accident, only the highest rate is applied.

Exclusions

Exclusions include:

- Indirect loss and diminution in value after repair.
- Mechanical or electrical breakdown not caused by an accident.
- Tyre damage alone without damage to the vehicle.
- Off-road use without an endorsement.
- Use outside the geographical scope without an extension.
- Natural disasters (floods, storms), war and civil commotion unless additional cover is purchased by endorsement for an extra premium.

Admitting fault for an accident the insured did not cause may forfeit cover altogether, because that admission destroys the insurer's right to recover from the real wrongdoer.

Insurer's recourse

The insurer may recover what it paid from the insured or the driver where:

- The insurance was procured by false statements or concealment of material facts.
- The vehicle was used outside the declared purpose or overloaded with cargo or passengers, if that was the direct cause of the accident.
- The driver held no valid licence for the vehicle class (unless an expired licence was renewed within 30 days of the accident).
- The driver was under the influence of drugs, alcohol or impairing medication.
- The accident was intentional.
- The violation amounted to a felony or intentional misdemeanour.
- An uninsured trailer caused the accident.

It is noted that insurer’s recourse does not affect the ability of third-party to claim its damages from the insurance. It just allows the insurance to claim whatever coverage or cost they pay to such third party from the insured, and to avoid covering the insured, their immediate family members, and employees.

Cancellation

The insurer may cancel for serious reasons on 30 days' written notice (with notice to the regulator), refunding the premium pro-rata for the unexpired period. The insured may cancel on seven days' notice, with a refund per the short-period schedule (80% within the first month, then 70%, 50%, 30%, and nothing beyond 10 months), provided no claims were paid and none are pending for which the insured was at fault. The policy terminates automatically upon total loss and deregistration.

The mandatory dispute route: Insurer, Sanadak, committee and Court of Appeal

Article 148(8) of Federal Decree-Law No. 6/2025 is explicit in that no lawsuit arising from insurance contracts, business or services is admissible unless the dispute has first been presented to the committees formed under Article 148(8) of Federal Decree-Law No. 6/2025. Proceeding straight to court will almost certainly result in an inadmissibility ruling. The route, step by step is as folows:

- Complain to the insurer first: The company must process the claim in accordance with the policy and applicable legislation and issue a decision. Any total or partial rejection must be reasoned in writing (Article 148(3) of Federal Decree-Law No. 6/2025). The written response is a core exhibit in the complaint file.
- File with Sanadak: Complaints are filed in writing through Sanadak's electronic system with supporting documents (complainant details, subject and requests, supporting evidence), pursuant to Federal Administrative Decision No. 10-A/1/2024 On the Competence, Powers, Work System and Fees of the Insurance Disputes Settlement and Resolution Committees.
- The insurer's clarifications: Sanadak requests clarifications from the insurer.
- Referral to the committee: If the complainant contests the clarifications, the file is referred to the competent committee, with notice of the referral number, date and committee.

Certain matters fall outside the committees' jurisdiction and go straight to court or arbitration such as:

- Urgent and interim orders and precautionary attachments.
- Disputes already before the courts prior to the regime's entry into force.
- Disputes subject to an arbitration clause.
- Insurance subrogation claims (insurer verse insurer recovery).

- Claims between insurance companies or with insurance-related professionals.

Fees

Quantified disputes attract a fee of 4% of the claim value (minimum AED 100, maximum AED 30,000) and unquantified disputes attract a flat fee of AED 3,000.

Decisions and appeals

Committee decisions carry the force of a writ of execution and are notified by registered mail, e-mail, or remote communication technology. Under Articles 148(6)-148(7) of Federal Decree-Law No. 6/2025, committee decisions are final and enforceable against insurance companies in disputes not exceeding AED 100,000 (raised from AED 50,000 under the repealed Federal Decree-Law No. 48/2023). Where the dispute exceeds AED 100,000, either the institution or the concerned party may appeal to the competent Court of Appeal within 30 days of the decision's issuance or knowledge thereof, failing which the appeal is inadmissible. The appeal transfers the dispute as it stood before the appealed decision and only to the extent appealed. No new claims are admitted, and further procedures follow Federal Decree-Law No. 42/2022 On the Promulgation of the Civil Procedure Law.

Practical takeaways

- Before signing any policy: Check that the insurer is genuinely licensed, read the endorsements before the main body, pin down exactly who the beneficiary is, never admit liability after an accident before speaking to the insurer, and watch the three-year limitation period.
- For injured third parties: Use the three strong cards provided by the Unified Motor Vehicle Insurance Policy Against Third Party Liability, namely the direct claim against the insurer, compensation limits that cannot be contracted down (any such agreement is void), and the right to a technical inspection after repair.
- For comprehensive cover: Read the agreed insured value, the deductibles schedule, and the exclusions list. Most comprehensive insurance disputes turn on these three clauses, not on whether the accident happened.
- For disputes: Follow the statutory chain (insurer, then Sanadak, then the committee, then (above AED 100,000) the Court of Appeal). Skipping any link may cost the entire case.

Related Content

Legislation

- Federal Decree-Law No. 6/2025 Concerning the Central Bank and the Regulation of Financial Institutions, Activities, and Insurance Business
- Federal Decree-Law No. 25/2025 Issuing the Civil Transactions Law
- Federal Decree-Law No. 42/2022 On the Promulgation of the Civil Procedure Law
- Federal Administrative Decision No. 10-A/1/2024 On the Competence, Powers, Work System and Fees of the Insurance Disputes Settlement and Resolution Committees

Regulations

- Insurance Authority Board of Directors' Decision No. 25/2016 Pertinent to Regulation of the Unified Motor Vehicle Insurance Policies
- Unified Motor Vehicle Insurance Policy Against Third Party Liability issued pursuant to the Regulation of Unifying Motor Vehicle Insurance Policies according to Insurance Authority Board of Directors' Decision No. 25/2016
- Unified Motor Vehicle Insurance Policy Against Loss and Damage issued pursuant to the Regulation of Unified Motor Vehicle Insurance Policies according to Insurance Authority Board of Directors' Decision No. 25/2016

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Areas of expertise

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Biography

Ahmed is a seconded lawyer recognised as a leading practitioner in the UAE and Egypt, with experience across local, regional and international law firms and in-house at a multinational group. His practice covers complex contentious and transactional matters, including cross-border disputes, litigation and arbitration, corporate transactions, restructurings, governance and commercial agreements. He advises clients across the banking, insurance, construction, hospitality and oil and gas sectors and represents clients before courts and arbitral tribunals.

He also advises on trusts, foundations, tax structures and Islamic finance. With extensive cross-border experience, he has provided expert evidence to foreign courts on UAE and Egyptian law and contributed to legal and regulatory developments in Egypt and the DIFC. Fluent in Arabic and English, he is known for his practical, commercial approach and sound judgment.

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Biography

Abdelmaguid Fouad is a legal professional with over a decade of experience in litigation, commercial law and legal advisory work. Admitted to the Egyptian Bar Association, he has built extensive experience in dispute resolution, corporate law and

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Prior to joining ADG Legal, Abdelmaguid worked with leading law firms in Alexandria, developing his experience in litigation, legal strategy and legal research. His areas of expertise include Litigation & Dispute Resolution in Egypt and the UAE, Insurance & Compensation Disputes, Legal Research & Academic Writing, and Legal Strategy. Fluent in Arabic and English, he brings strong analytical skills, sound legal judgement and a practical approach to complex matters.

Notes

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