

SHMACONSULTING



Growth Through Knowledge

Insurance Industry

Qatar

2021

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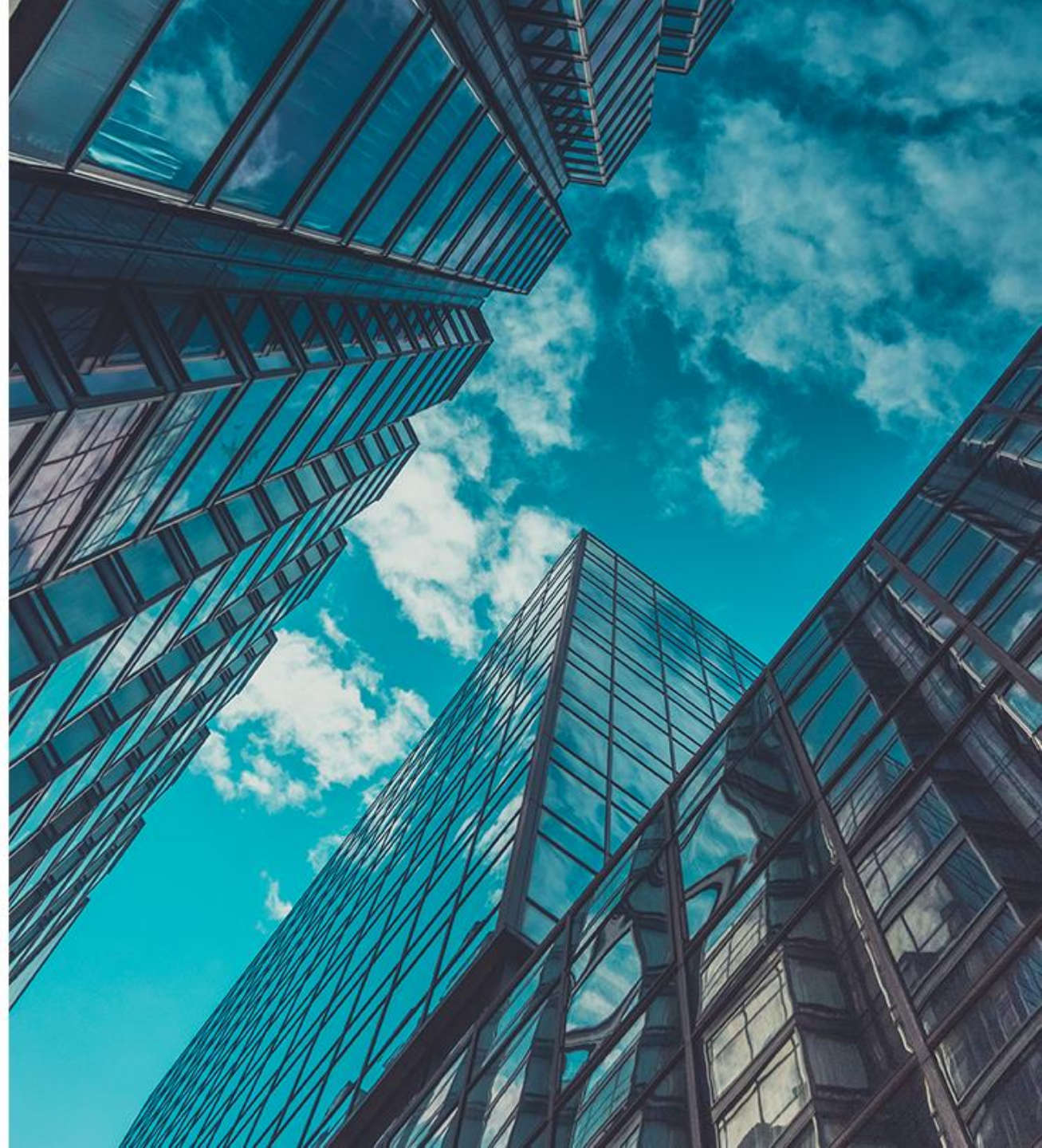
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About Us

SHMA Consulting first offered actuarial services relating to insurance in Saudi Arabia in 2003, and currently provides actuarial services to 8 companies in Saudi Arabia, 11 insurance companies in the UAE, and other insurance companies in the GCC (Kuwait, Oman, Qatar, and Bahrain).

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997. We are currently engaged with some of the biggest names in the UAE Insurance Sector, including, ADNIC, ADNTC, Orient, etc.

We provide a range of services to our valued business partners across the globe including Europe, the Middle East, Southeast Asia, and the Far East. Our specialty services include financial reporting, product and business development, and enterprise risk management. In addition, our firm provides expert personnel outsourcing for allowing organizations to engage in full-time consulting for long-term cost effectiveness.

Life Insurance

- IFRS, statutory, & embedded valuations
- Product development, pricing, & reserving
- Experience studies
- Advising on agency & broker compensation structures, reinsurance arrangements, underwriting policies, and capital adequacy.

- Actuarial reserving and certifications
- Underwriting and pricing solutions
- Data and predictive analytics
- Advising on reinsurance arrangements, underwriting, and claims practices
- Profitability and capital adequacy analysis

General Insurance

Retirement Benefits

- Valuations for financial reporting
- Advise on benefit design and cost benefit analysis
- Pension benefits administration
- Benefit communication material
- Provident fund maintenance software and audit of retirement schemes and funds

- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

ERM and Capital Modeling

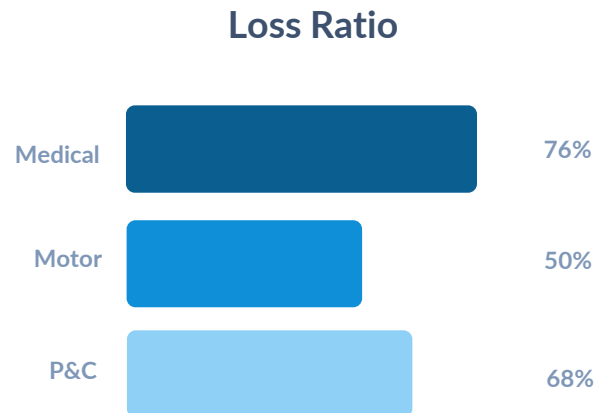
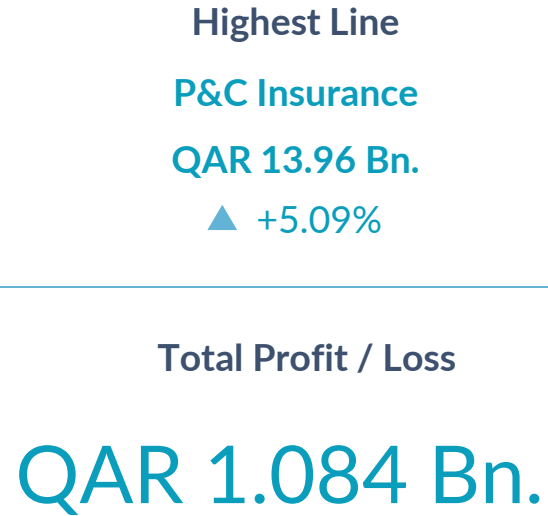
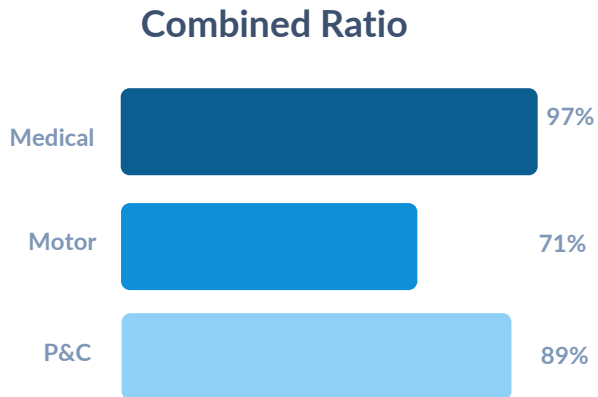
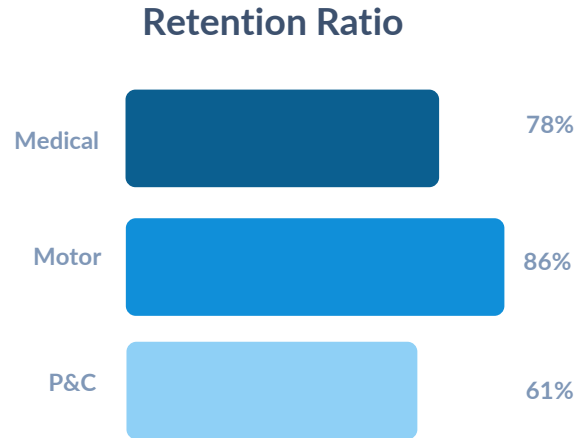


Our Services

Limitations and Disclaimers

- ❖ The data used for the preparation of this report has been collected from Qatar Stock Exchange (QSE).
- ❖ The data represented in this report was gathered from publicly available information and the financial statement released by the company.
- ❖ The information, materials and opinions presented in this report are for general information purposes only, are not intended to constitute legal or other professional advice and should not be relied on or treated as a substitute for specific advice relevant to particular circumstances. Although, we make reasonable efforts to update the information in this report.

Performance Highlights



Total Gross Written Premium
QAR 16.27 Bn.

▲ +4.55%



Total Assets
QAR 59.76 Bn.

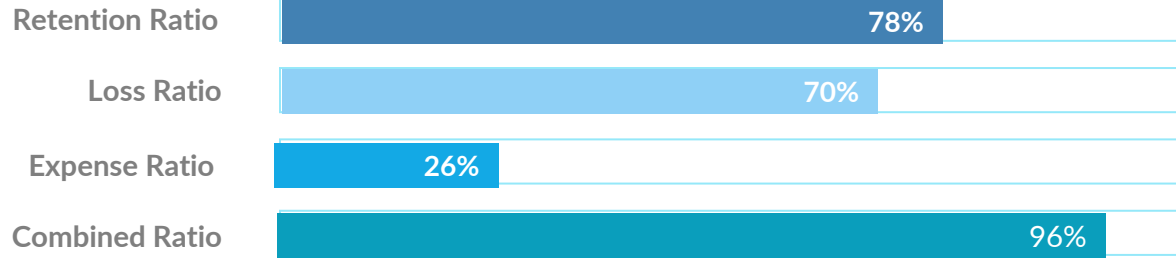
▲ +3.35%

Industry Highlights

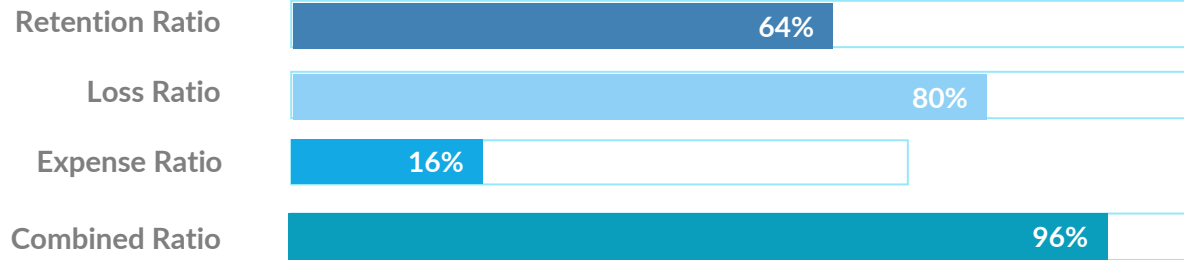
- ❖ QLM Life & Medical Insurance Company QPSC (QLM), the leading life and medical insurance company in Qatar, announced that it obtained the required regulatory approvals for the admission of its shares to trading on the Qatar Exchange. Trading in QLM's shares commenced on Wednesday, 13 January 2021, under the ticker (QLMI). QLM's issued share capital is QAR 350,000,000, comprising 350,000,000 shares of a nominal value of QAR 1.00 per share.
- ❖ Oman Reinsurance has been approved by the Qatari authorities to launch its branch at the Qatar Financial Center (QFC) based in Doha. The new entity starts operating in Q2 2021 and writes facultative and treaty businesses from both local and dedicated international markets.
- ❖ The Qatari government imposes compulsory health insurance on expatriates and visitors. The new law stipulates that health care services in Qatar's public and private facilities shall only be provided upon the presentation of an insurance certificate by all non-nationals. This initiative follows the introduction of compulsory health insurance in the UAE and Kuwait in 2020.
- ❖ AM Best upgrades Qatar Islamic Insurance Group's (QIIG) financial strength rating to 'A-' from 'B++'. The long-term credit rating was raised to "a-" from "bbb+". The outlook for both ratings shifted from positive to stable. The rating agency justifies its decision by the strength of QIIG's balance sheet, its operational performance and its effective enterprise risk management.
- ❖ Doha Bank Assurance Company, a subsidiary of Doha Bank, is now called Sharq Insurance, effective as of 31 August 2020.
- ❖ Qatar Insurance Industry (QIC) recorded a 3.6% increase in its turnover in 2021. As of December 2021, the net profit reached 630 Million QAR (172.1 Million USD), which is a strong increase of 400% compared to 126 Million QAR (34.3 Million USD) recorded during the same period of 2020.
- ❖ William Malloy has been appointed as Chairman of the Board of Qatar Re.

Industry Benchmarks

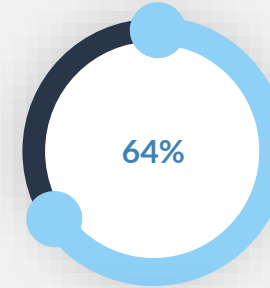
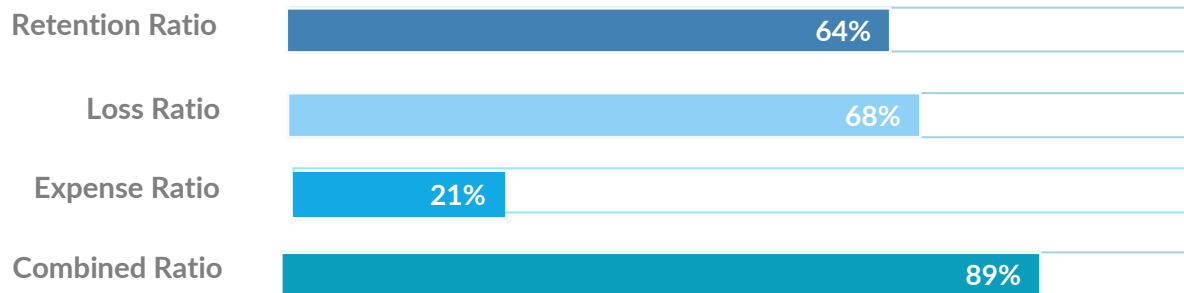
2019



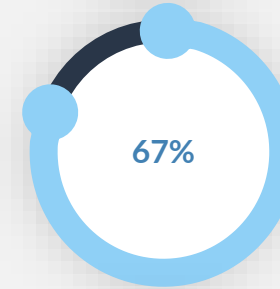
2020



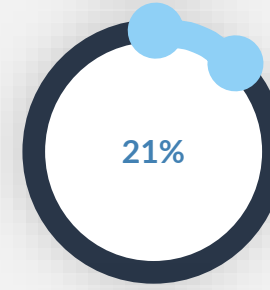
2021



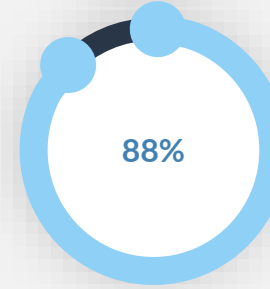
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio

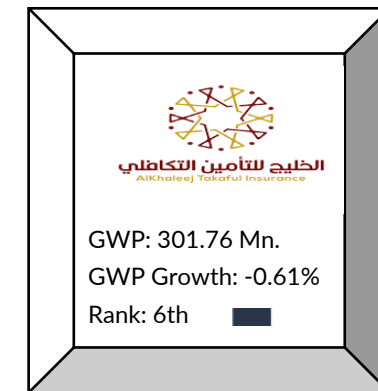
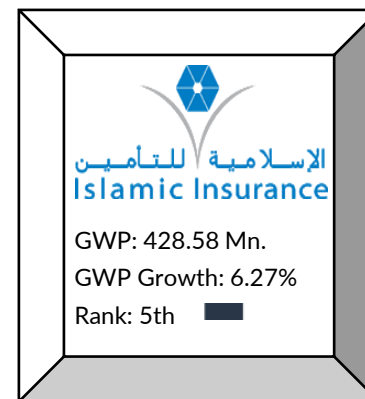
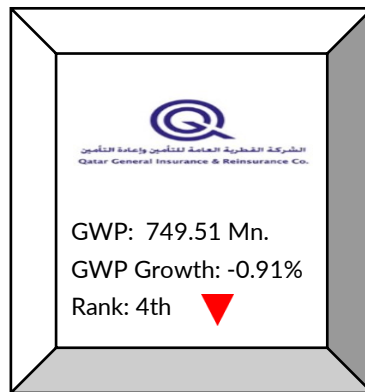
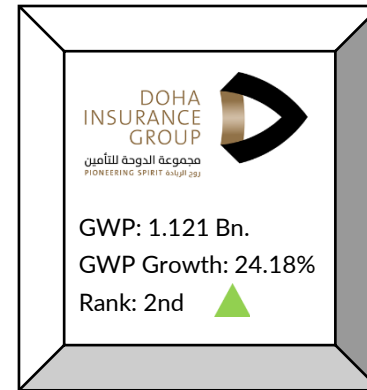
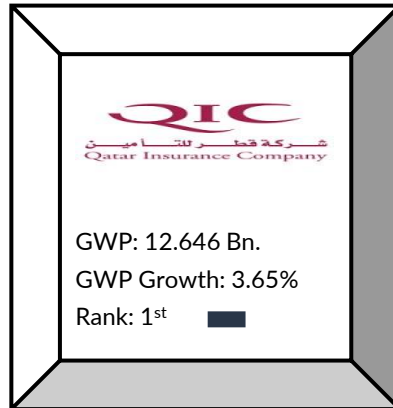


Weighted Average Combined Ratio

Impact of COVID-19

- ❖ The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.
- ❖ On March 11, 2020, the World Health Organization (WHO) declared the Coronavirus (COVID-19) outbreak as a pandemic in recognition of its rapid spread across the globe. Governments all over the world took steps to contain the spread of the virus. The insurers are closely monitoring the situation and have activated their business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.
- ❖ The insurers may be impacted by any policies, practices, laws, or regulations introduced by governments that require or compel insurers to defer insurance premiums, pay claims in relation to COVID-19 losses which would not otherwise be payable under the relevant policy or in the normal course of business. The extent of the impact on our business and results of operations is largely dependent on the evolving future developments and the actions taken globally to address its impact.
- ❖ Qatar's economy undoubtedly experienced some challenges throughout 2020 and the first half of 2021 due to the dual shock of the drop in oil prices and the impact of the pandemic, which led to an overall decline in economic output of -3.7%.

Gross Premium and Ranking



“ Gross Written Premium for P&C was the highest for the years 2019, 2020 and 2021 and the lowest for Motor. The difference in the Gross Written Premiums for all lines of business is negligible, with a minor increase in all lines of business. ”

”

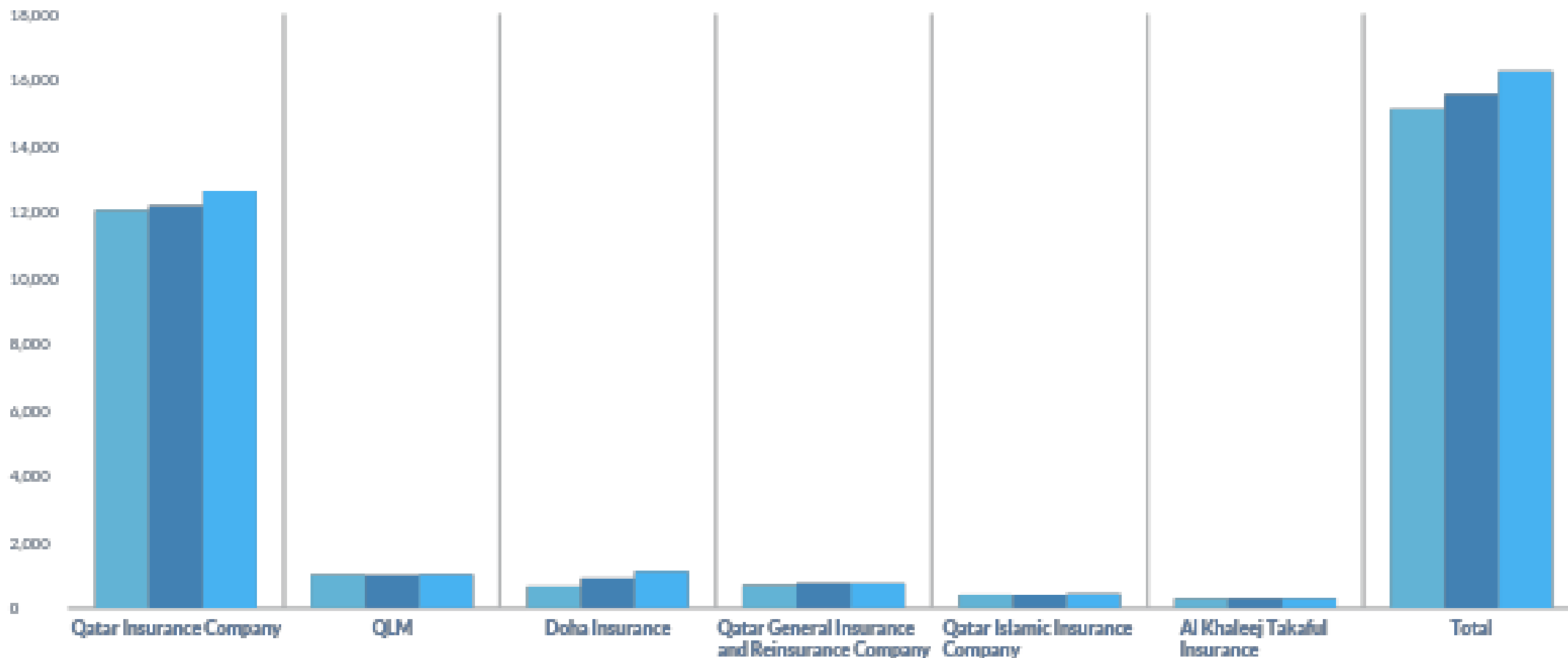
Market Share Proportion



Gross Premium

(QAR 000's)

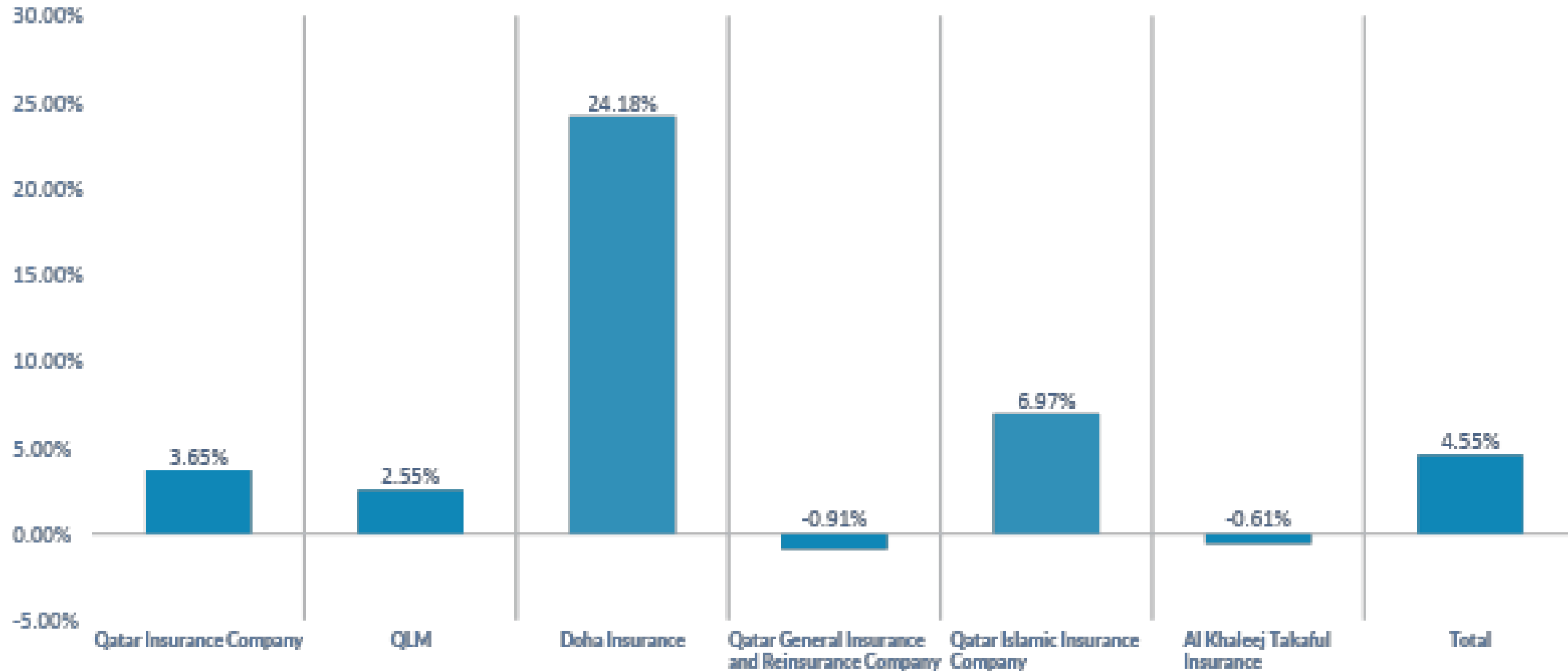
2019 2020 2021



Qatar Insurance Company was able to capture about 80% of the market in 2019, 2020 and 2021, while Al Khaleej Takaful Insurance had a share of only 2%. In addition to this, Gross Premium was not significantly different when compared to 2020.



Gross Premium – Growth

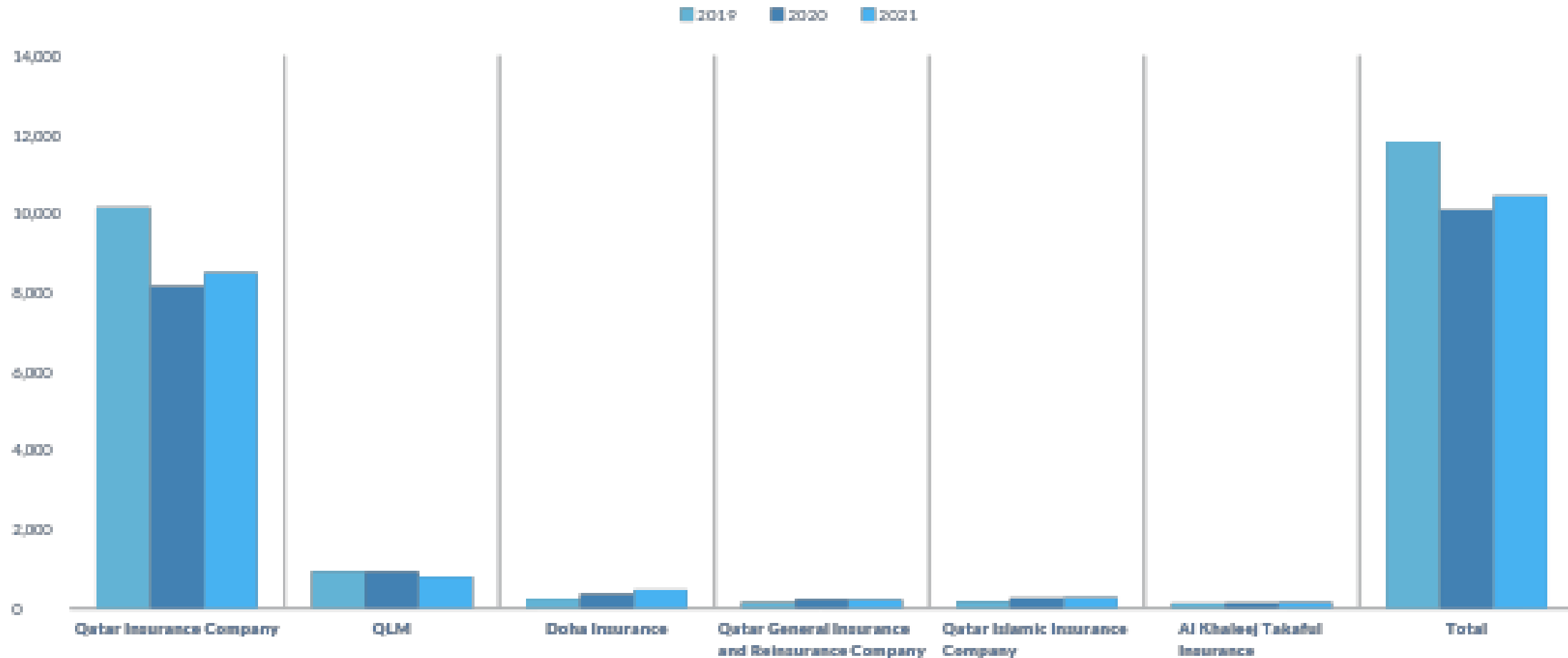


Doha Insurance experienced growth in its Gross Written Premiums (24.18%), while Qatar General Insurance and Reinsurance Company experienced the highest decrease in its Gross Written Premiums (-0.91%).



Net Premium

(QAR 000's)

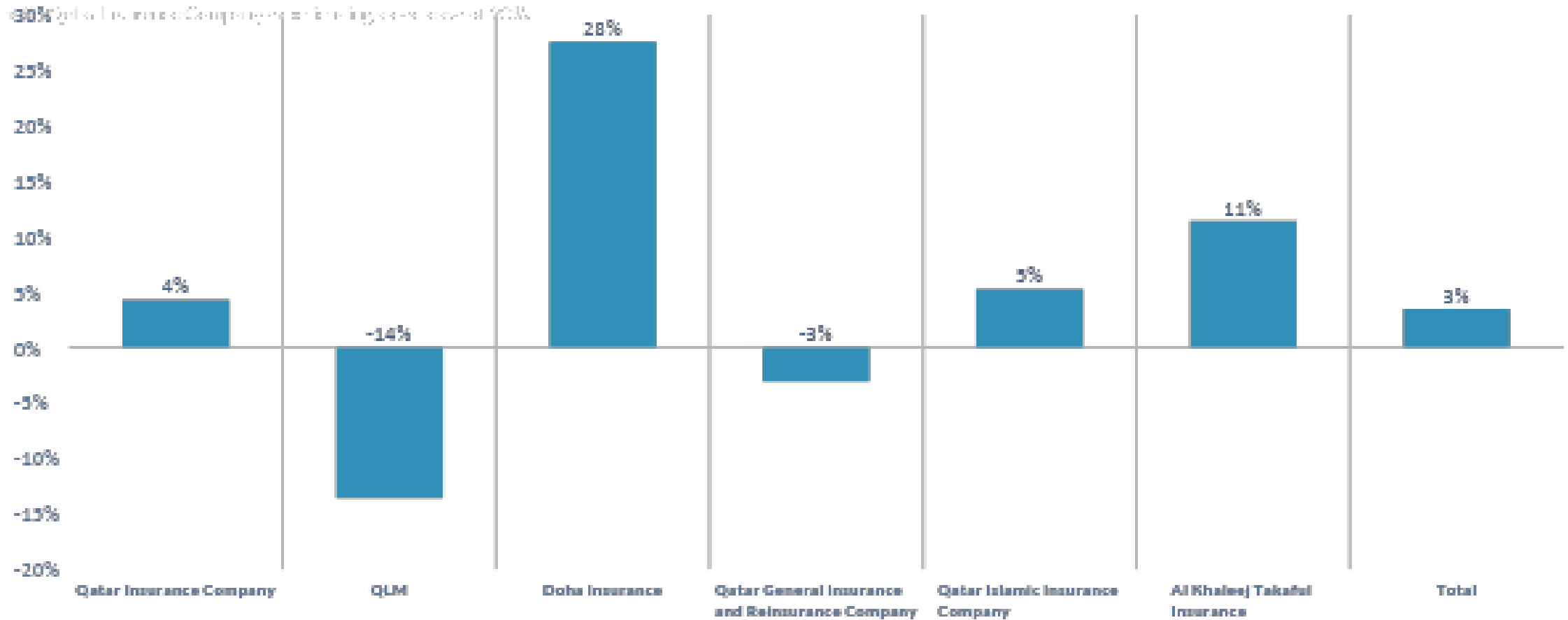


“

Just as in the case of Gross Written Premium, the highest Net Premium was for Qatar Insurance Company for all years, with a Net Premium of 8 Billion for 2020 and 8.5 Billion for 2021.

”

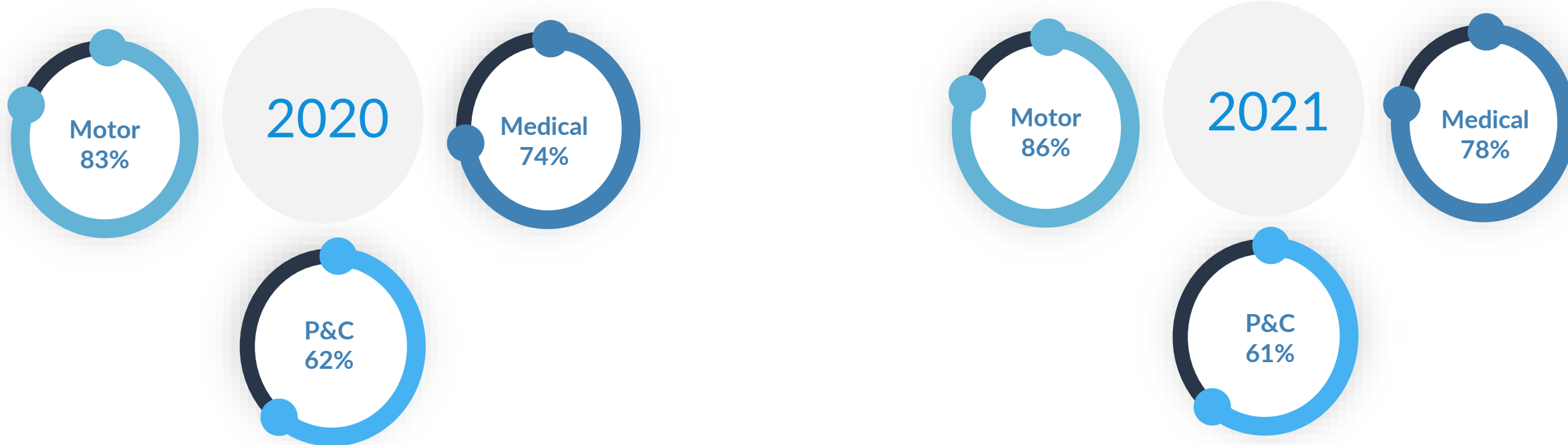
Net Premium – Movement



“ QLM and Qatar General Insurance and Reinsurance Company experienced a decrease in their Net Business with a decrease of 14% and 3%, respectively, while all other companies experienced an increase with Al Khaleej Takaful Insurance Company increasing by 11% and Doha Insurance increasing by 28%. ”

”

Retention Ratios



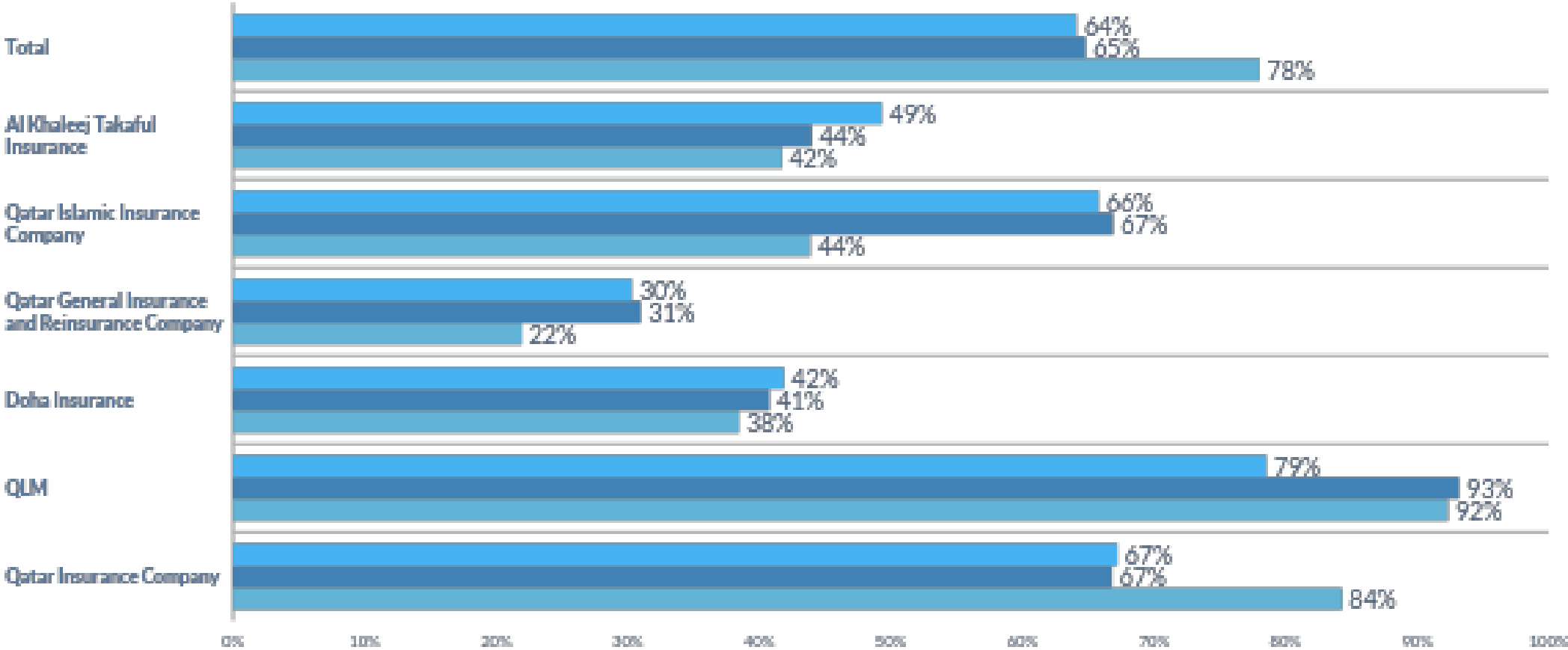
“

The Retention Ratio for the medical line increased by 4%, while there was no significant change in the Retention Ratio of Motor and P&C for the year 2021. The retention ratio for all lines of business is greater than 50%.

”

Retention Ratios

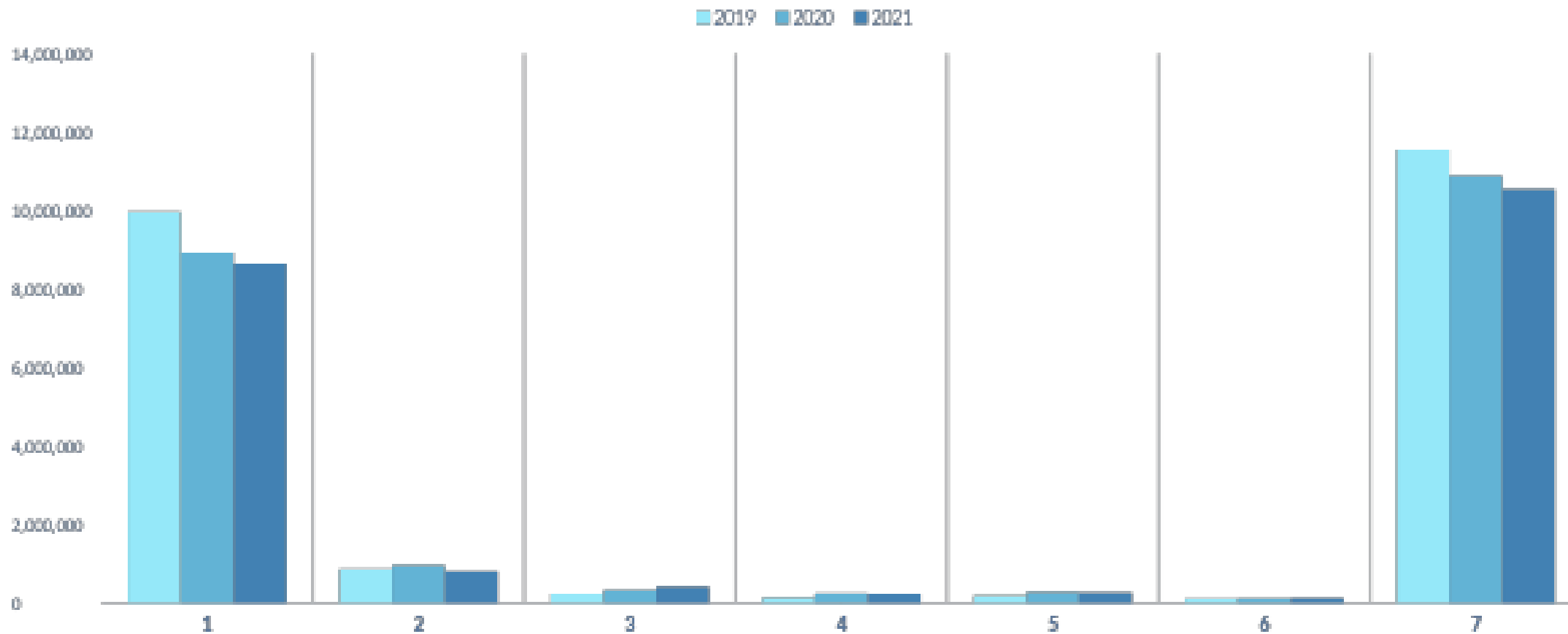
■ 2019 ■ 2020 ■ 2021



“ QLM retained most of its business for all years, while Qatar General Insurance and Reinsurance Company ceded most of its business, with a Retention of 22%, 31% and 30% for the years 2019, 2020 and 2021, respectively. Retention Ratio decreased significantly for Qatar Insurance Company and QLM, while the Retention Ratio remained approximately the same for all other Insurance Companies. ”

Net Earned Premium

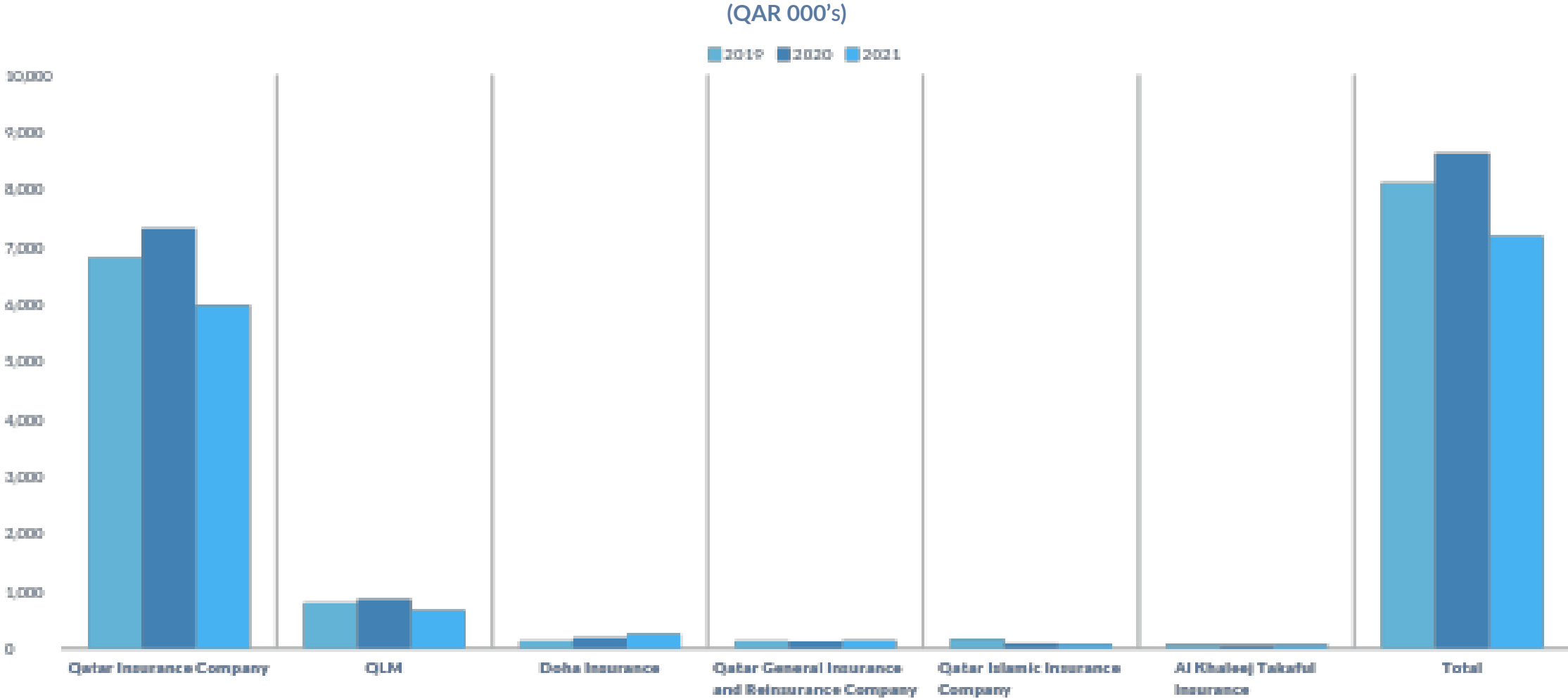
(QAR 000's)



Net Earned Premium was the highest for Qatar Insurance Company and the lowest for Al Khaleej Takaful Insurance for both years (2020 and 2021). Net Earned Premium did not significantly differ in 2021 compared to 2020, with only Qatar Insurance Company experiencing a decrease of 268 Million (-3%). Doha Insurance experienced an increase of about 26%.

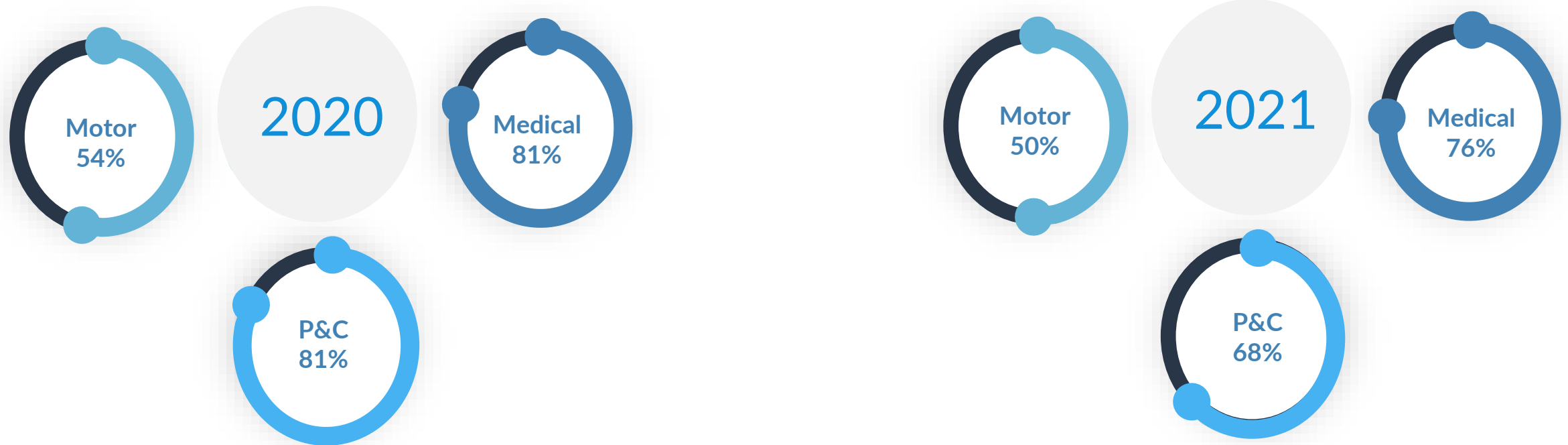


Net Incurred Claims



“ Net Incurred Claims increased for three of the companies and decreased for the remaining three companies. Qatar Islamic Insurance Company experienced a decrease of about 13%, while Qatar Insurance Company experienced a decrease of 18%. ”

Loss Ratio

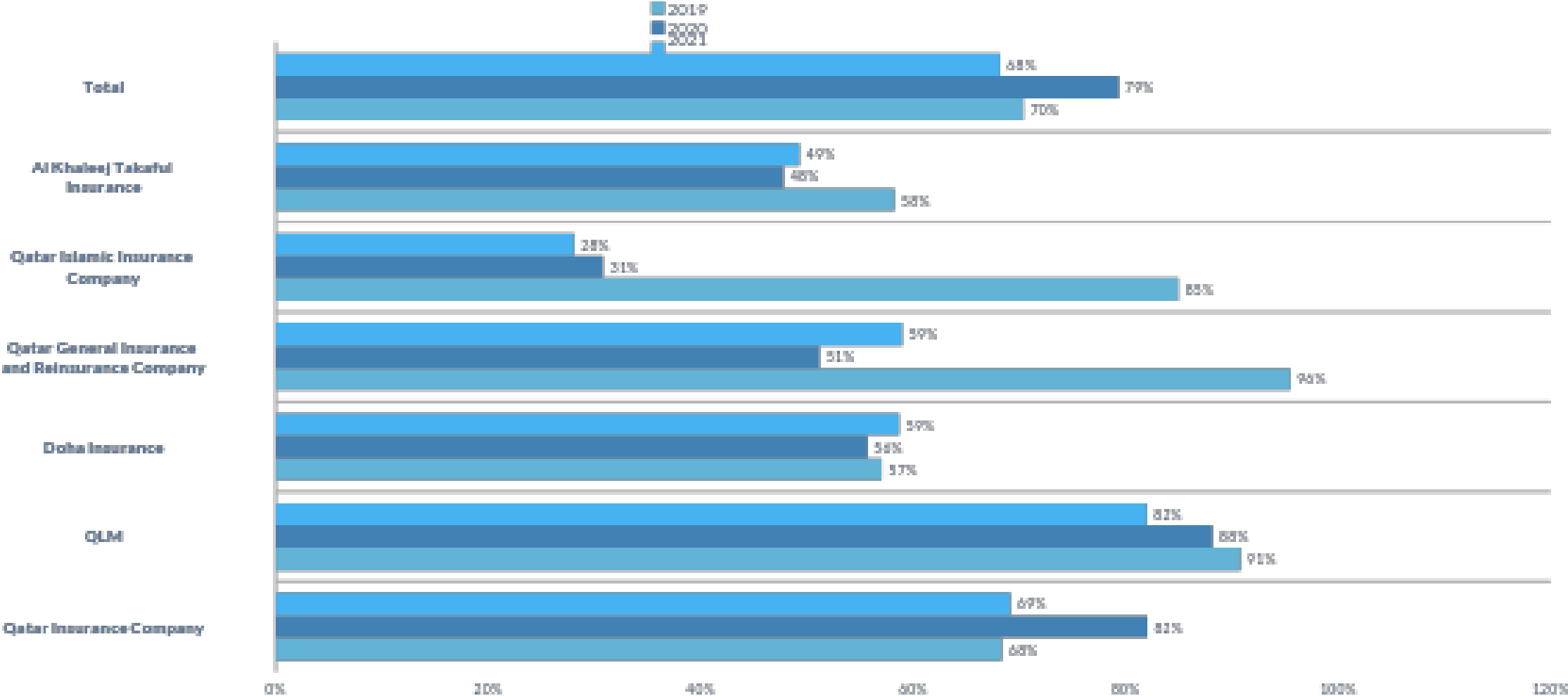


“

Loss Ratios changed significantly between 2020 and 2021, with a decrease in the Loss Ratio for the P&C of about 13%, while the Loss Ratio for medical decreased from 81% to 76%. The motor line of business experienced a negligible decrease of only 4%.

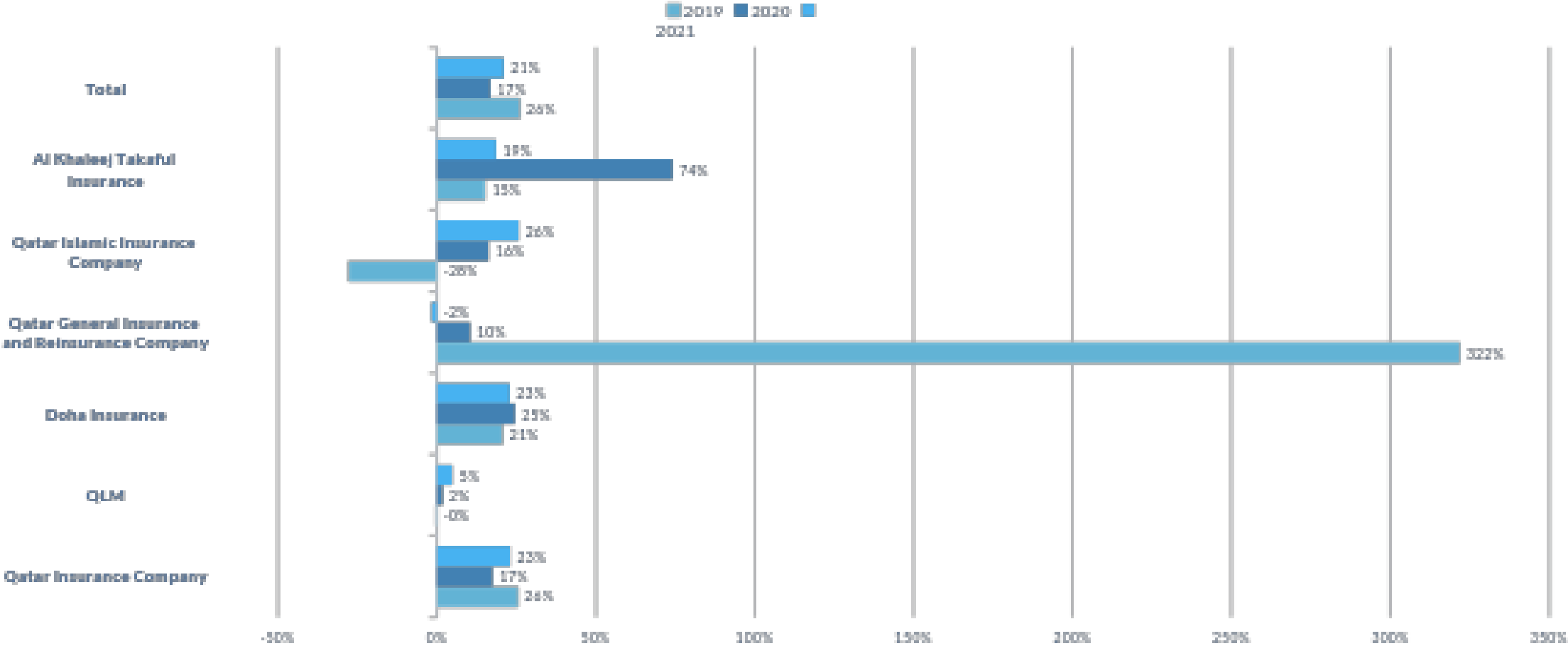
”

Loss Ratio



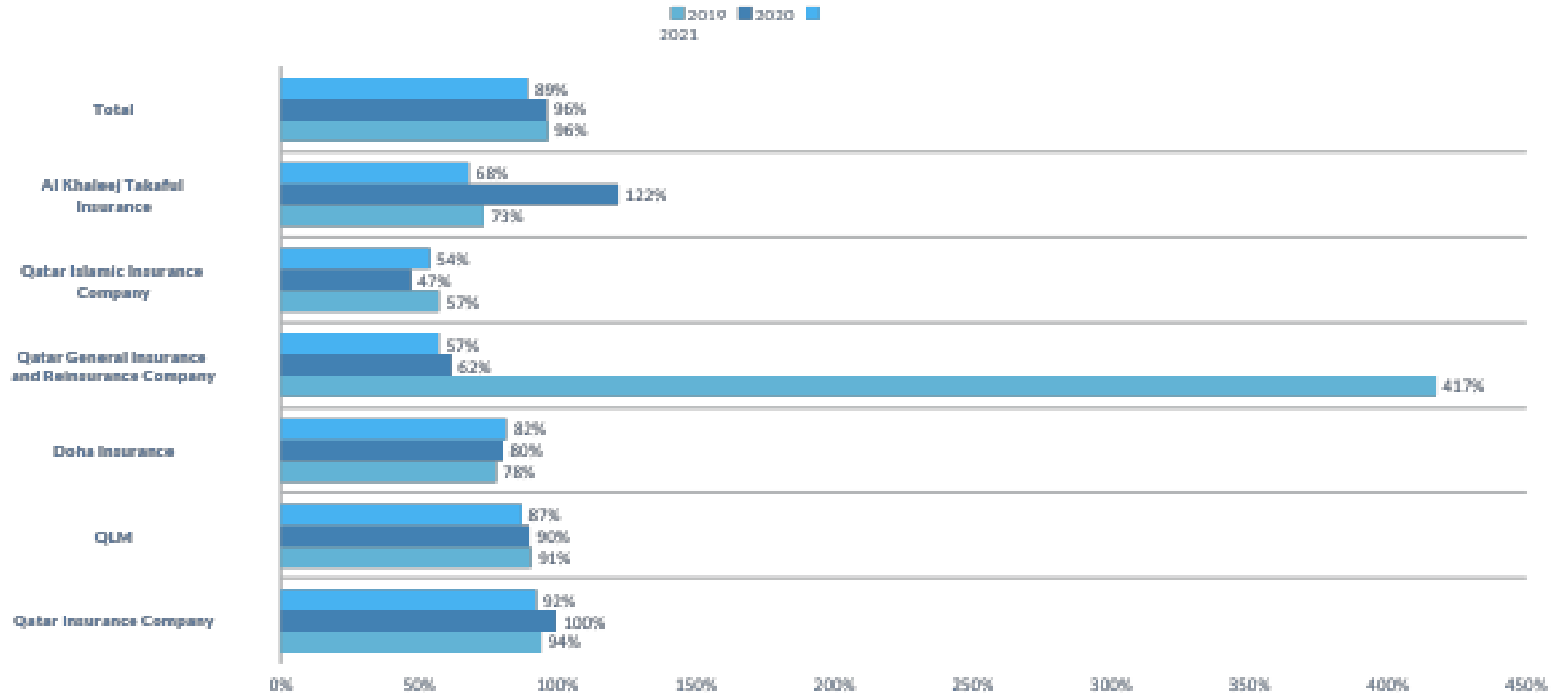
“ Loss Ratios changed significantly for all the companies except Doha Insurance. The Loss Ratio decreased by 46% for Qatar General Insurance and Reinsurance Company in 2020 and increased by 8% in 2021 for Qatar Insurance Company, the Loss Ratio increased by 14% in 2020 and decreased by 13% in 2021. ”

Expense Ratio



“ Qatar General Insurance and Reinsurance Company had a very high Expense Ratio of about 322% in 2019, but it was able to reduce it to 10% in 2020, and then to -2% in 2021. In 2021, Al Khaleej Takaful experienced a decrease of about 55% in its Expense Ratios. From 2020 to 2021, the Expense Ratio for Al Khaleej Takaful Insurance decreased by 55%, bringing the Loss Ratio to 19%. There was no other major change in the Expense Ratios. ”

Combined Ratios

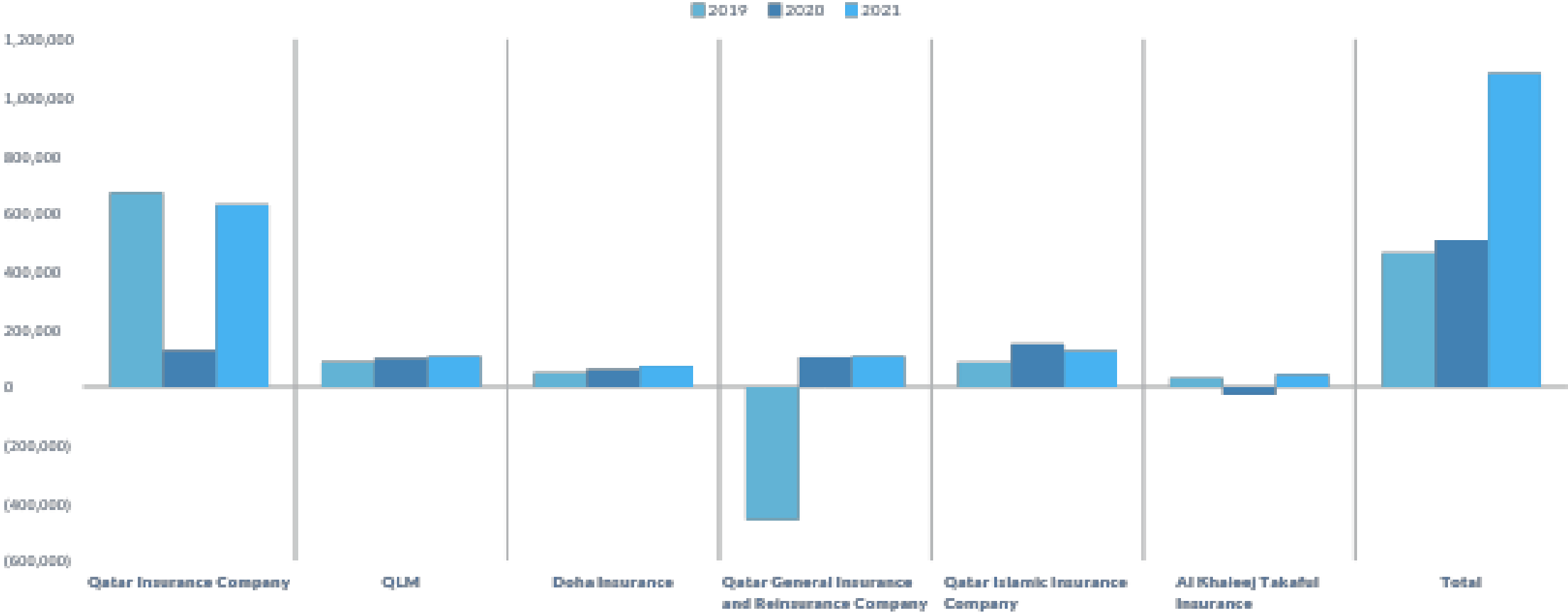


Qatar General Insurance and Reinsurance Company's Combined Ratio was very high (417%) in 2019, largely due to the high Expense Ratio, as discussed before. The Combined Ratio for all the remaining companies for the year 2019 remained below 100% in 2021. In 2020, Qatar General Insurance and Reinsurance Company was able to improve its position in both years 2020 and 2021, and Al Khaleej Takaful Insurance experienced a decrease in its Combined Ratio of about 54%, bringing its Combined Ratio to 68%.



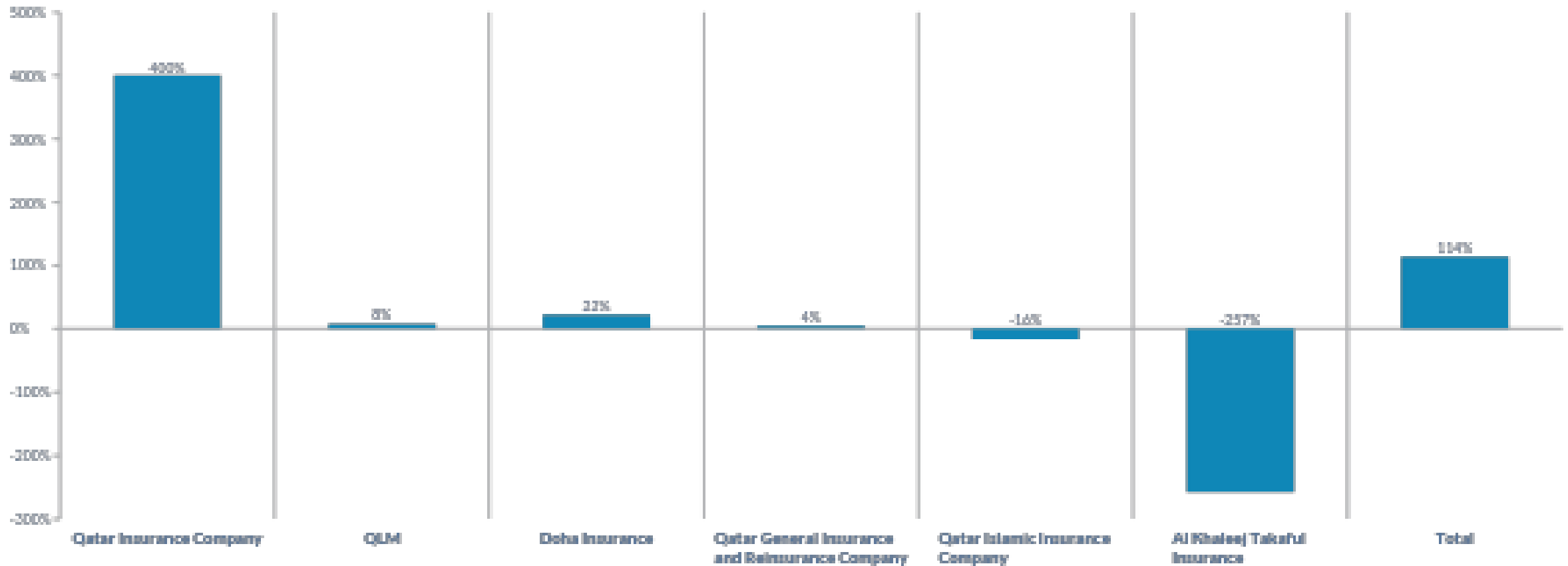
Net Profit/Loss (After Tax)

(QAR 000's)



“ All the companies had a Net Profit except Qatar General Insurance and Reinsurance Company in 2019. In 2020, all companies except Al Khaleej Takaful Insurance had a Net Profit. In 2021, all companies had a Net Profit. Qatar Insurance company’s position worsened in 2020, as can be seen by a decrease of 550 Million. However, QIC managed to increase its profits to 630 Million. The highest Net Profit was for Qatar Insurance Company in 2019, and the lowest was for Qatar General Insurance and Reinsurance Company. In 2020, the highest Net Profit was for Qatar Islamic Insurance Company (149 Million), and the lowest was for Al Khaleej Takaful Insurance. In 2021, the highest Net Profit was for Qatar Insurance Company (630 Million), and the lowest was for Al Khaleej Takaful Insurance. ”

Net Profit/(Loss) (After Tax) - Movement

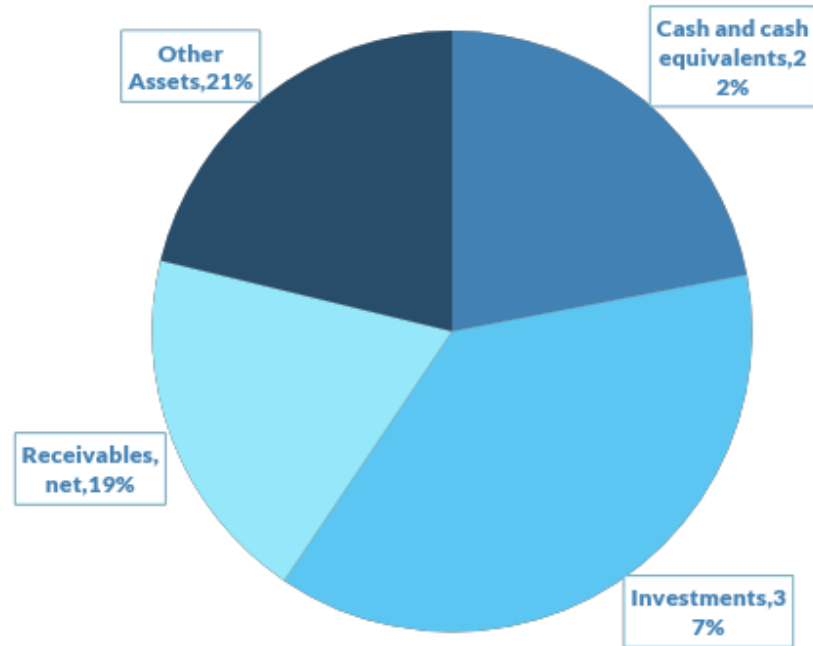


Qatar Insurance Company's performance greatly improved compared to other companies as they experienced an increase of 400% in their Net Profit. Al Khaleej Takaful Insurance and Qatar Islamic Insurance Company experienced a significant decrease in their Net Profit.

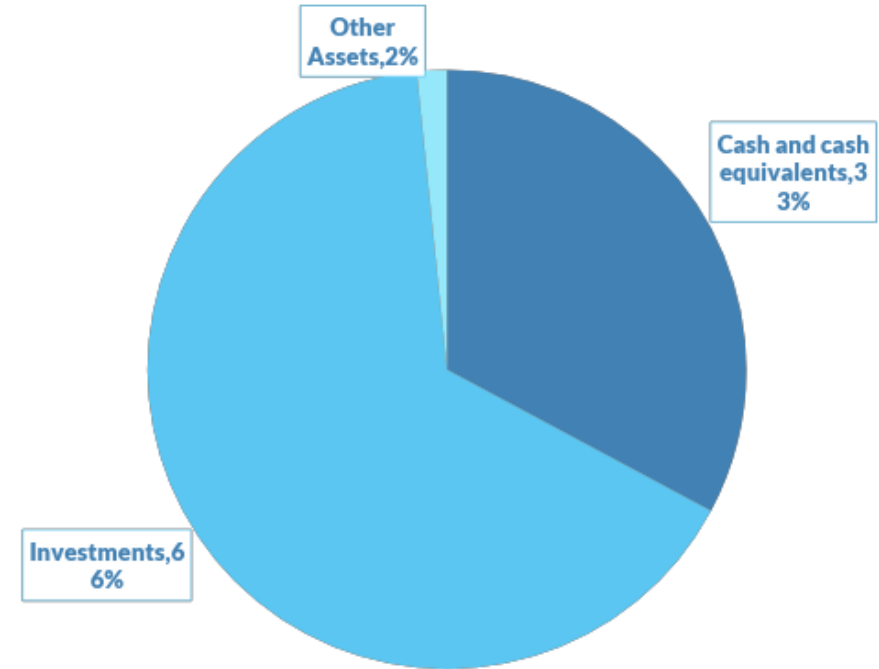


Asset Classification - Aggregate

Policyholder asset classification



Shareholder asset classification

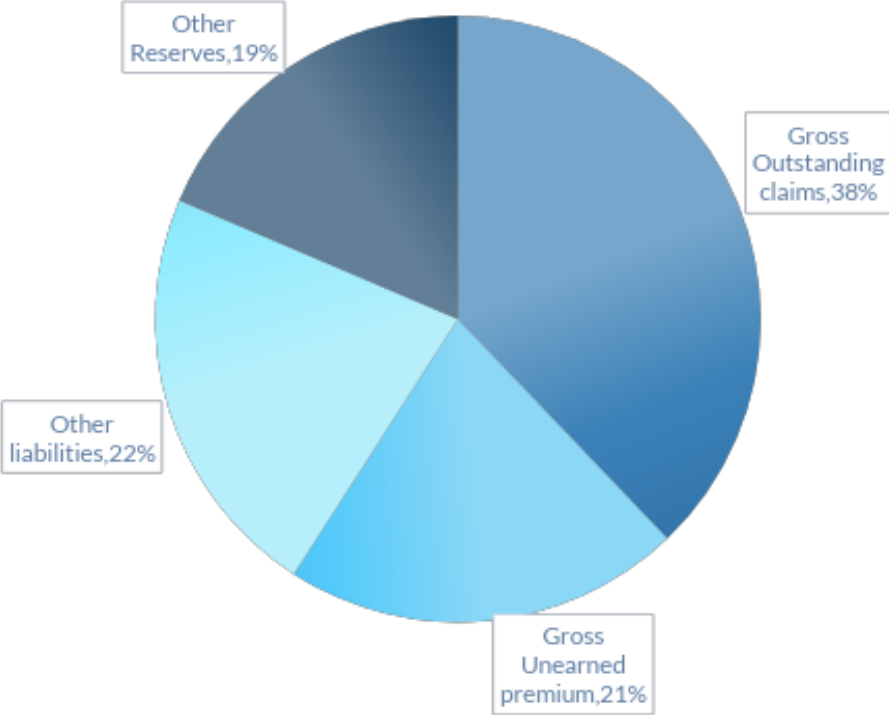


About 38% of Policyholder Assets relate to Investments, 19% to Receivables, 22% to Cash and Cash Equivalents, and 21% to Other Assets. For Shareholder Assets, 65% of the Assets are related to Investments, 33% to Cash and Cash Equivalent, and 2% to Other Assets. Investments constitute most of the part of the Policyholder and Shareholder Assets.

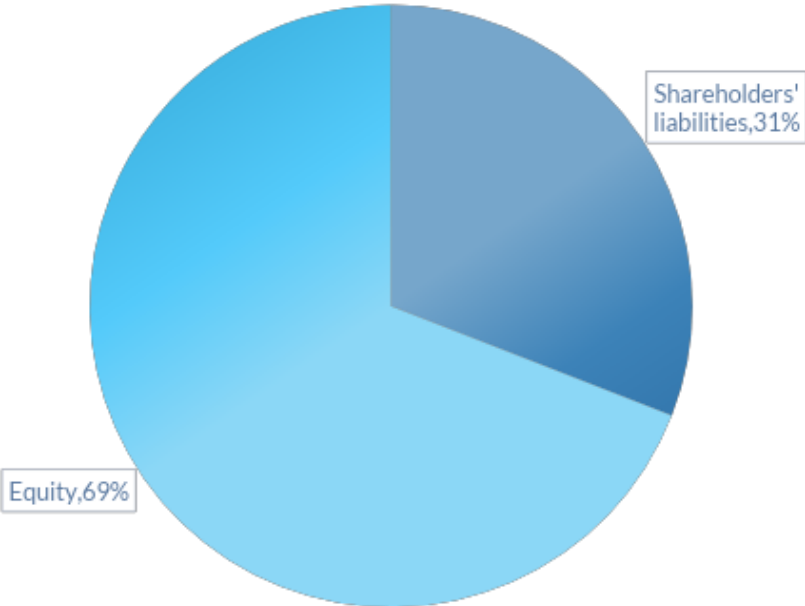


Liability and Equity Classification - Aggregate

Policyholder liability classification

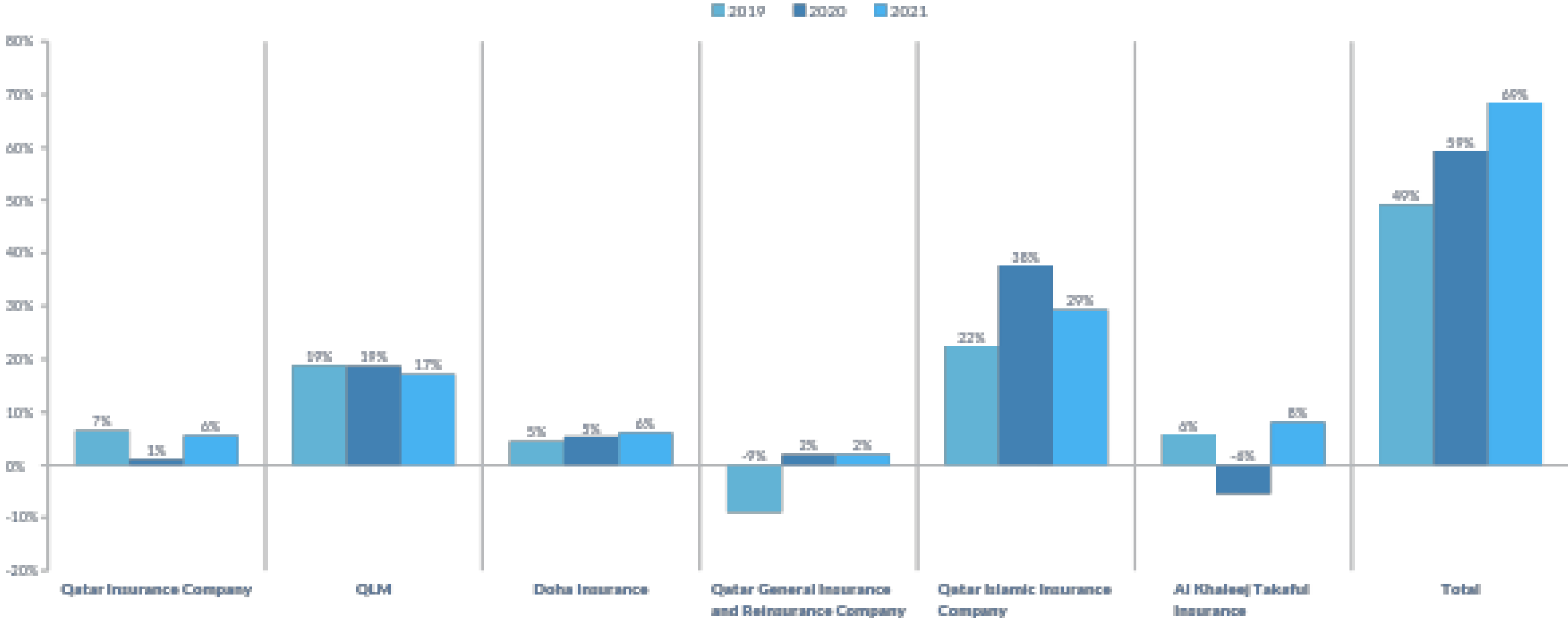


Shareholder liability classification



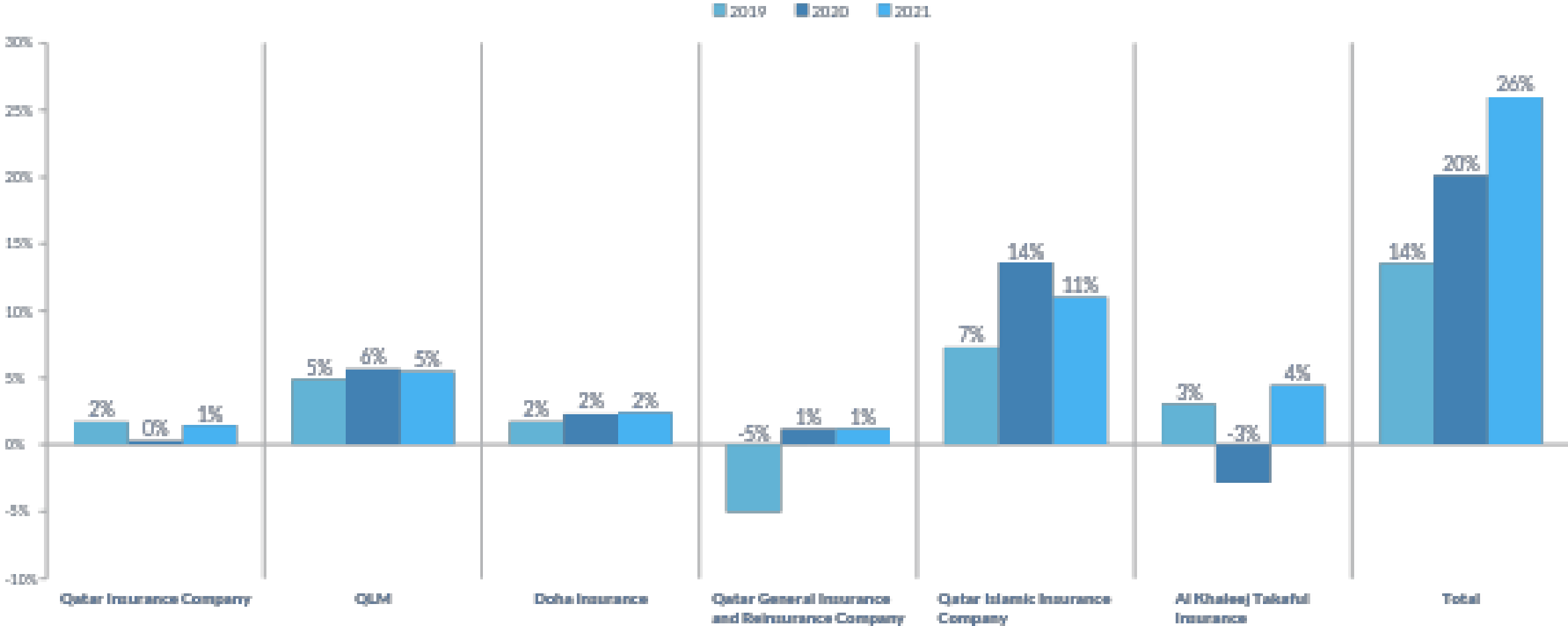
“ About 68% of the Assets are financed by Liabilities, and about 32% are financed by Equity. Moreover, Gross Outstanding Claims constitute (38%) of the Total Liabilities. ”

Return on Equity (ROE)



“ The Return on Equity ratio essentially measures the Rate of Return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. Return on Equity for QLM and Doha Insurance remained constant for 2019 and 2020 (19% and 5%, respectively). Qatar Islamic Insurance company was able to utilize its equity better than the remaining companies in 2019 and further improved its performance in 2020 by increasing ROE by 16% and decreasing by 9% in 2021., although still being the highest in terms of ROE. Al Khaleej Takaful Insurance was having a positive ROE in 2019. However, ROE decreased by 12% in 2020 and again increased by 14% in 2021. ”

Return on Asset (ROA)



“ Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. The highest Return on Assets was for Qatar Islamic Insurance Company (14% in 2020, 11% in 2021, and 7% in 2019). The lowest ROA for 2019 was for Qatar General Insurance and Reinsurance Company (-5%), while the lowest ROA for 2020 was for Al Khaleej Takaful Insurance (-3%). All the companies had a positive ROA in 2022, with the lowest being 1% for both Qatar Insurance Company and Qatar General Insurance and Reinsurance Company. ”



Meet the Team

Ali Zeeshan ASA, AIA, APSA,
Manager

Zaid Bin Muzammil
Senior Consultant

Inam Elahi
Actuarial Analyst

Aisha Ishfaq
Actuarial Analyst

Rida Hanif
Data and Research Trainee

Hiba Ibad
Data and Research Trainee

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Hiba Ibad
Data and Research Trainee

SHMACONSULTING

Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Qatar for the Year-End 2021. We have a dedicated and talented pool of individuals to bring you industry insights in the form of this report.

We welcome your feedback on the analysis presented in this report.



<https://www.linkedin.com/company/shma-consulting/>



www.shmaconsulting.com

About Us

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997.



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