

The logo for SHMA CONSULTING is displayed in a bold, white, sans-serif font. The letters 'S', 'H', 'M', 'A', 'C', 'O', 'N', 'S', 'U', 'L', 'T', 'I', 'N', 'G' are all in white, while the letter 'M' is highlighted in a light blue color. The background features a dark blue gradient with a faint, glowing tree-like structure composed of many small blue dots and lines, and a vertical silhouette of a skyscraper on the left side.

SHMA CONSULTING

Growth Through Knowledge

Insurance Industry

United Arab Emirates

2021

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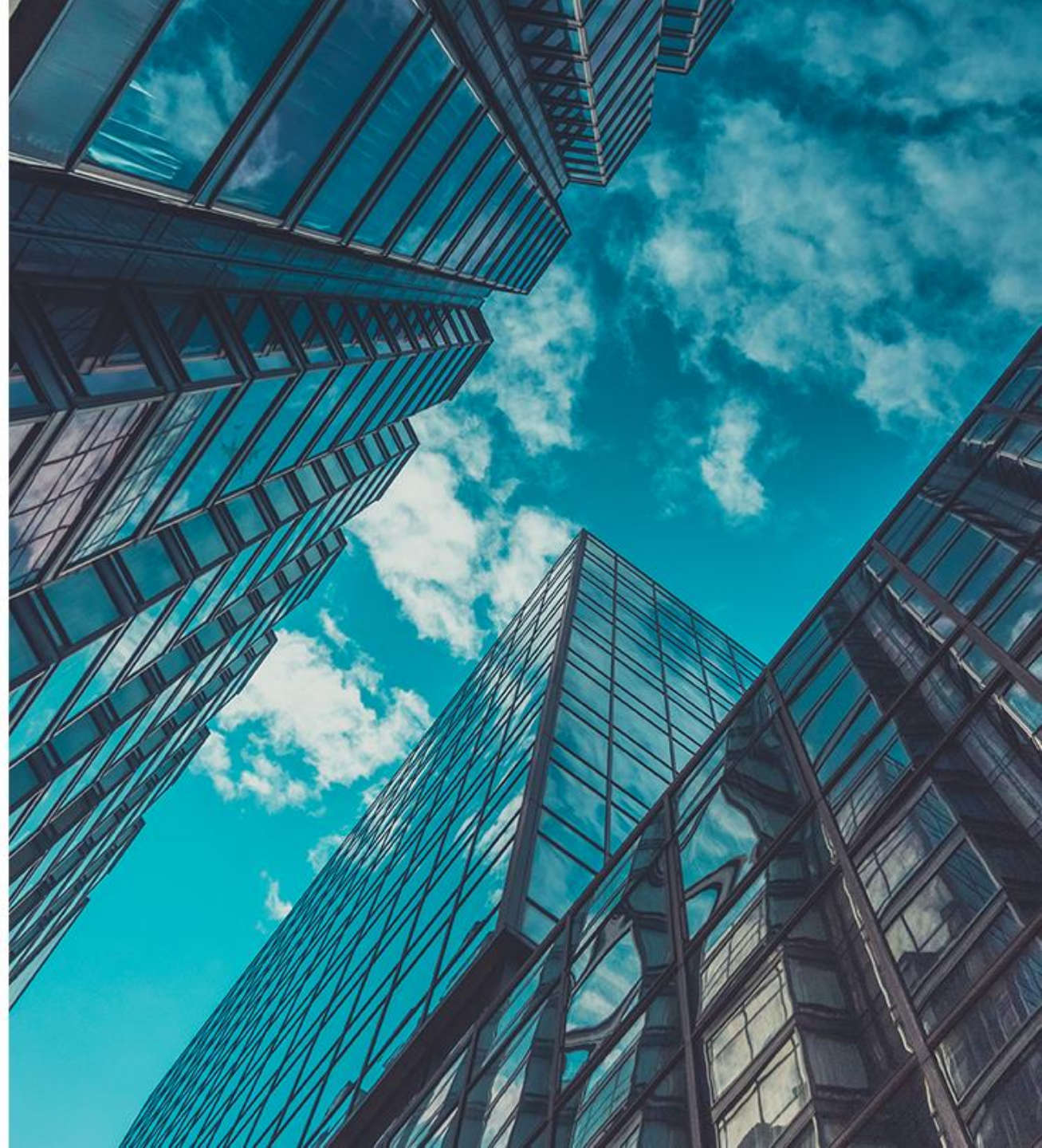
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About Us

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.

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



Our Services

- 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

- 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

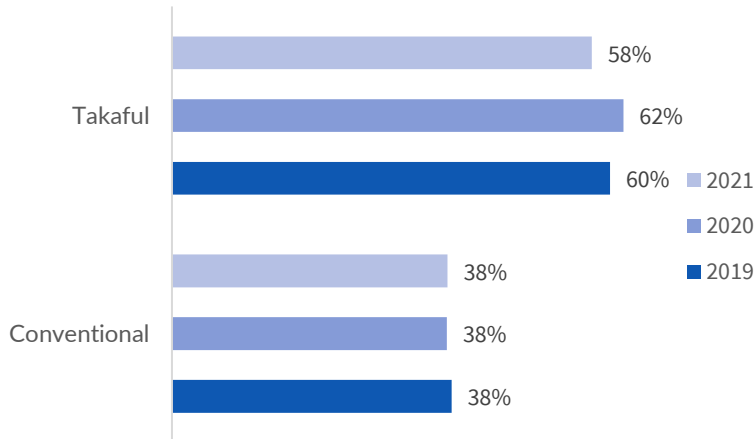
ERM and Capital Modeling

Limitations and Disclaimers

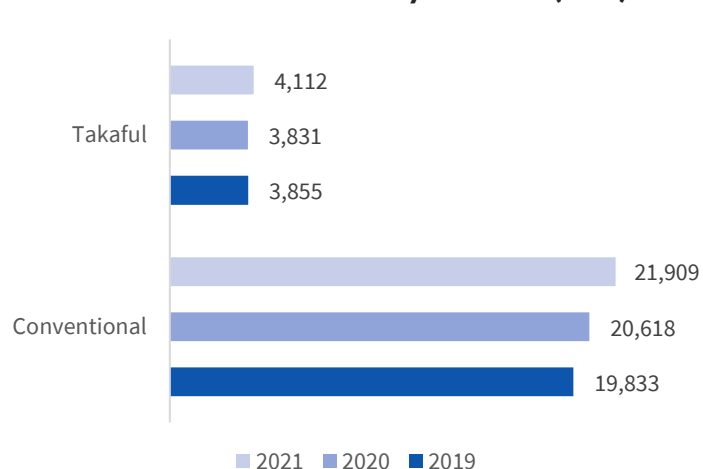
- ❖ The data used for the preparation of this report has been collected from Abu Dhabi Security Exchange and Dubai Financial Market. The data was extracted from the financial statements of the listed companies. Reliance is placed on the figures provided in the Company's Financial Reports. SHMA Consulting will accept no liability for loss directly or indirectly from your use of this document.
- ❖ For those takaful companies where the breakup of the items between policyholder and shareholder is not provided in the main statement of financial position, the accompanying notes have been used to acquire the split. The balance sheet figures in the main statement can be slightly different than the amounts in the notes. However, the difference is immaterial and has no impact on our analysis. For takaful companies, the net profit/(loss) shown in the report is related to the shareholder only.
- ❖ This Industry report is intended to provide general information only; we are not providing actuarial, investing, accounting, business, financial, legal, tax, or other professional advice or services through it. This research is not intended to replace professional advice or services, nor should it be used to make any decisions or take any actions that may damage your finances or business.
- ❖ The content of this industry report published by SHMA Consulting provides information to the general public and the insurance sector. The objective of this report is to use our professional research and experience to bring compliance and information sharing to the industry.
- ❖ We have used 29 listed companies in our analysis which includes 9 Takaful and 20 Conventional Insurance Companies.
- ❖ We have excluded Al Khazna Insurance from all of our analyses, as it had not published its financials for YE 2021 as of the compilation date.

Performance Highlights

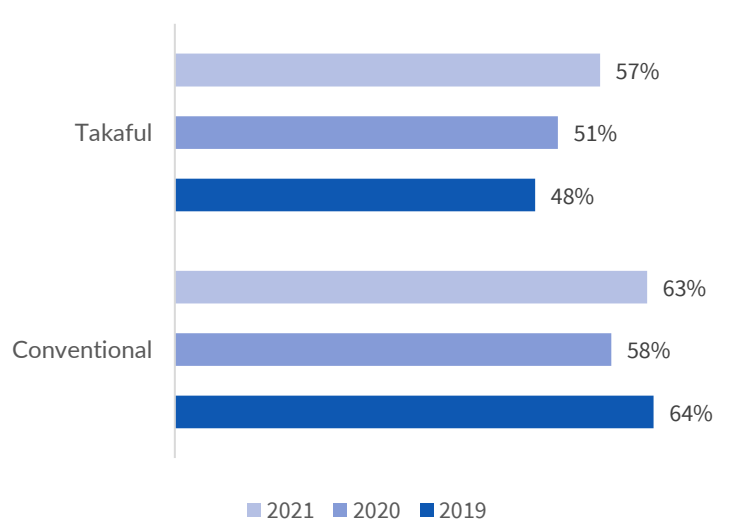
Retention Ratios



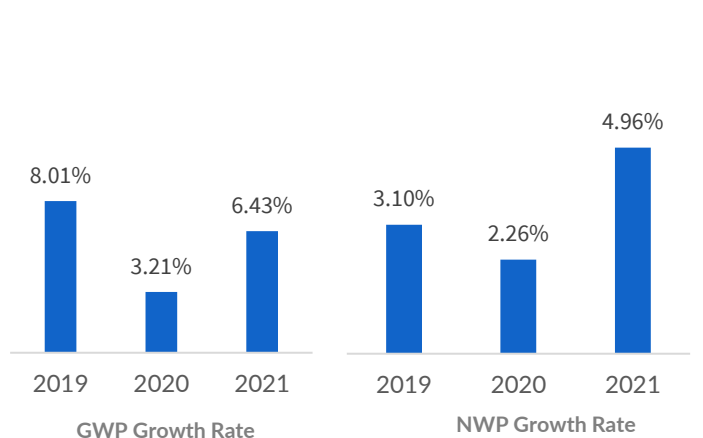
Gross Premium by Sector (Mn)



Loss Ratios



Premium Growth Rate



Total Profit / (Loss)
AED 1.92 Bn



Total Gross Written Premium

AED 26.02 Bn

▲ +6.43%

Total Assets



AED 62.40 Bn

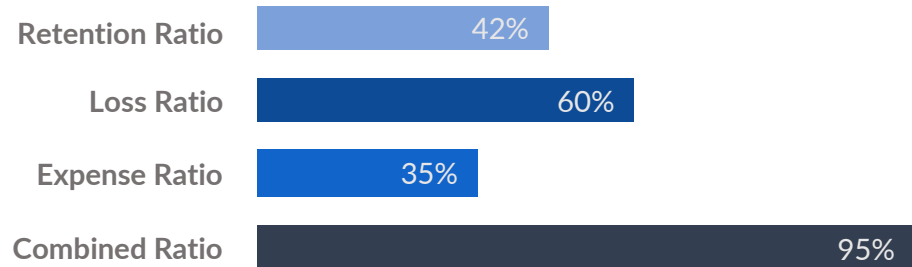
▲ +7.15%

Industry Highlights

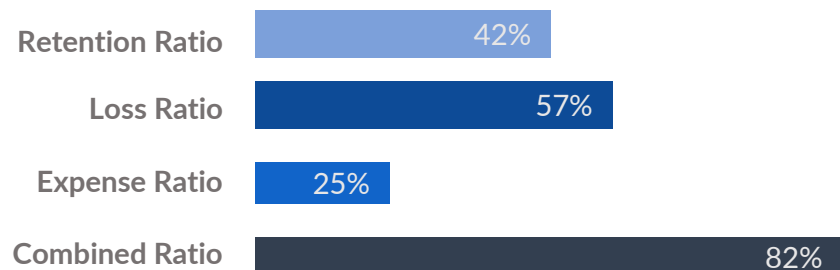
- ❖ Insurance Companies in the United Arab Emirates are now regulated by the Central Bank of UAE (CBUAE), which started taking responsibility for Insurance Regulation from the Insurance Authority effectively from January 2021.
- ❖ The shareholders' return on equity of the listed insurance companies remained stable at around 10% in 2021.
- ❖ The Ministry of Finance announced that a federal corporate tax of 9% will be introduced in the UAE on business profits effective on 1 June 2023.
- ❖ The UAE government will now follow a Monday to Friday work week, with Friday being a half-day – resulting in a 4.5-day working week.
- ❖ All actuarial reports (Financial condition report (FCR), Pricing reports, Underwriting performance review reports, Solvency recovery plans, Life products, and distribution) must be accompanied by relevant QACs.
- ❖ Oman Insurance has signed an agreement with Generali on 23 February 2022 to acquire its life insurance business in the UAE.

Industry Benchmarks

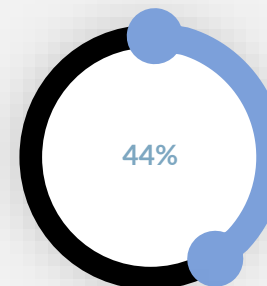
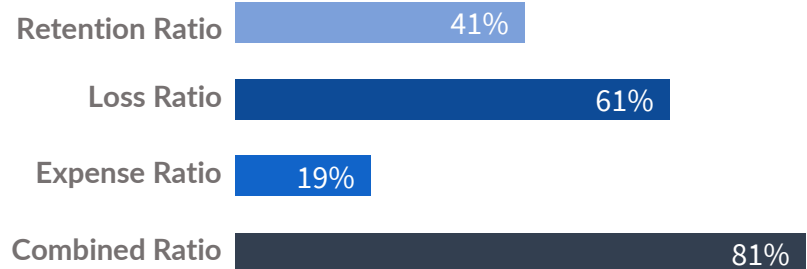
2019



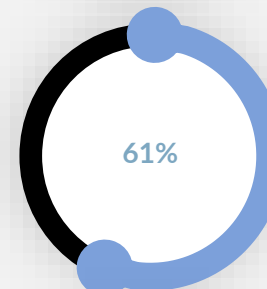
2020



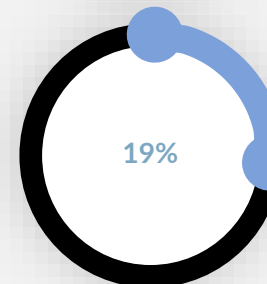
2021



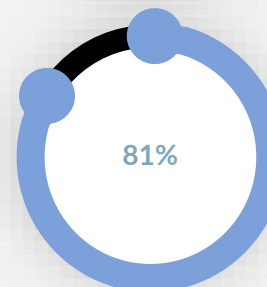
Weighted Average Retention Ratio



Weighted Average Loss Ratio



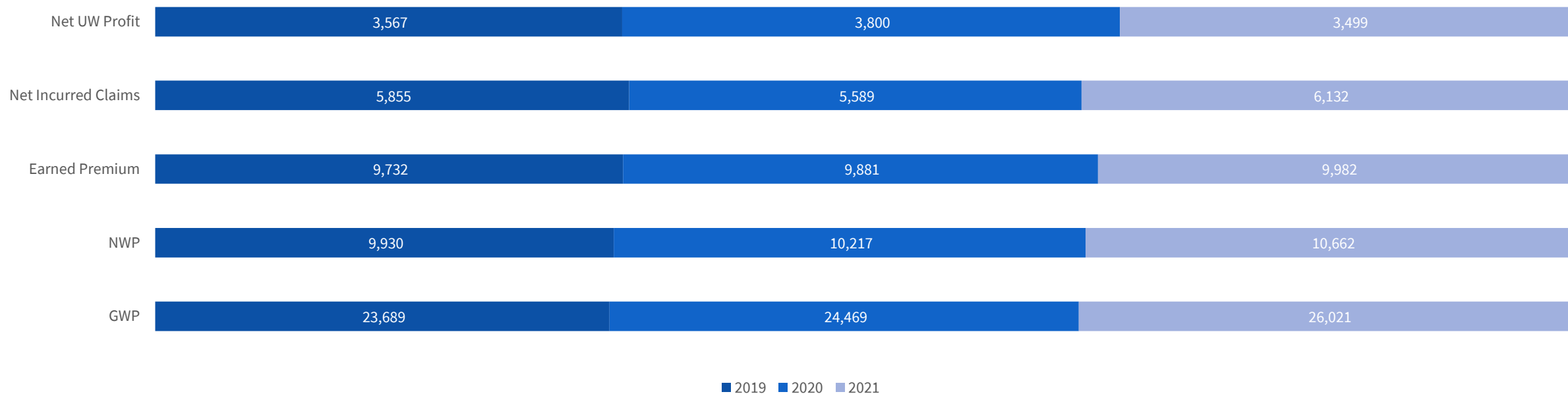
Weighted Average Expense Ratio



Weighted Average Combined Ratio

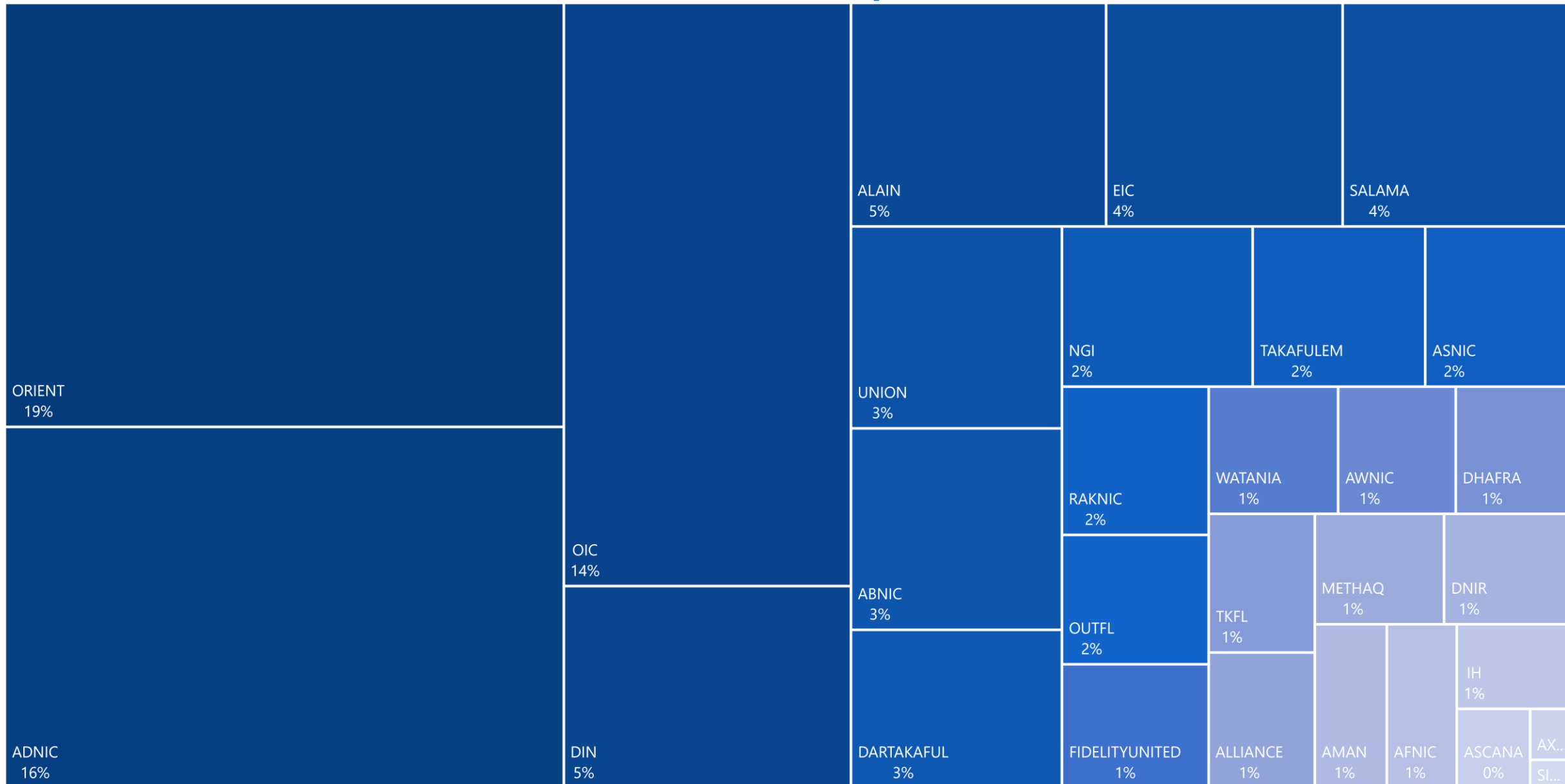
Aggregate Performance

AED MILLIONS



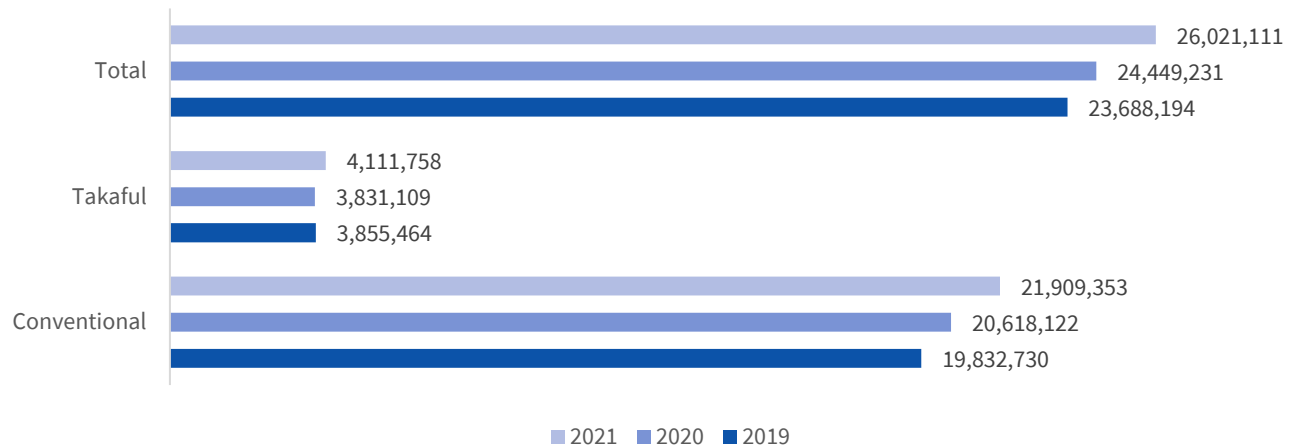
GWP grew by 6.43% and NWP grew by 4.96%. The Net Underwriting Profit in 2021 decreased by about 8.70% when compared to 2020. As the Net Incurred Claims increased, it is evident that the Loss Ratio for the year 2021 decreased, as the Net Earned Premium has not increased up to that level.

Market Share Proportion

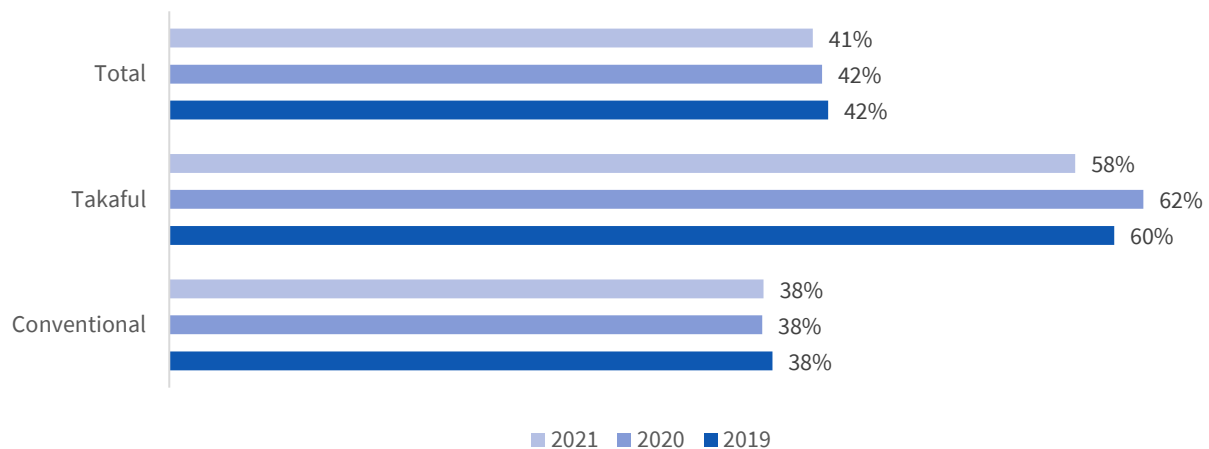


Gross Written Premium and Rankings

GWP



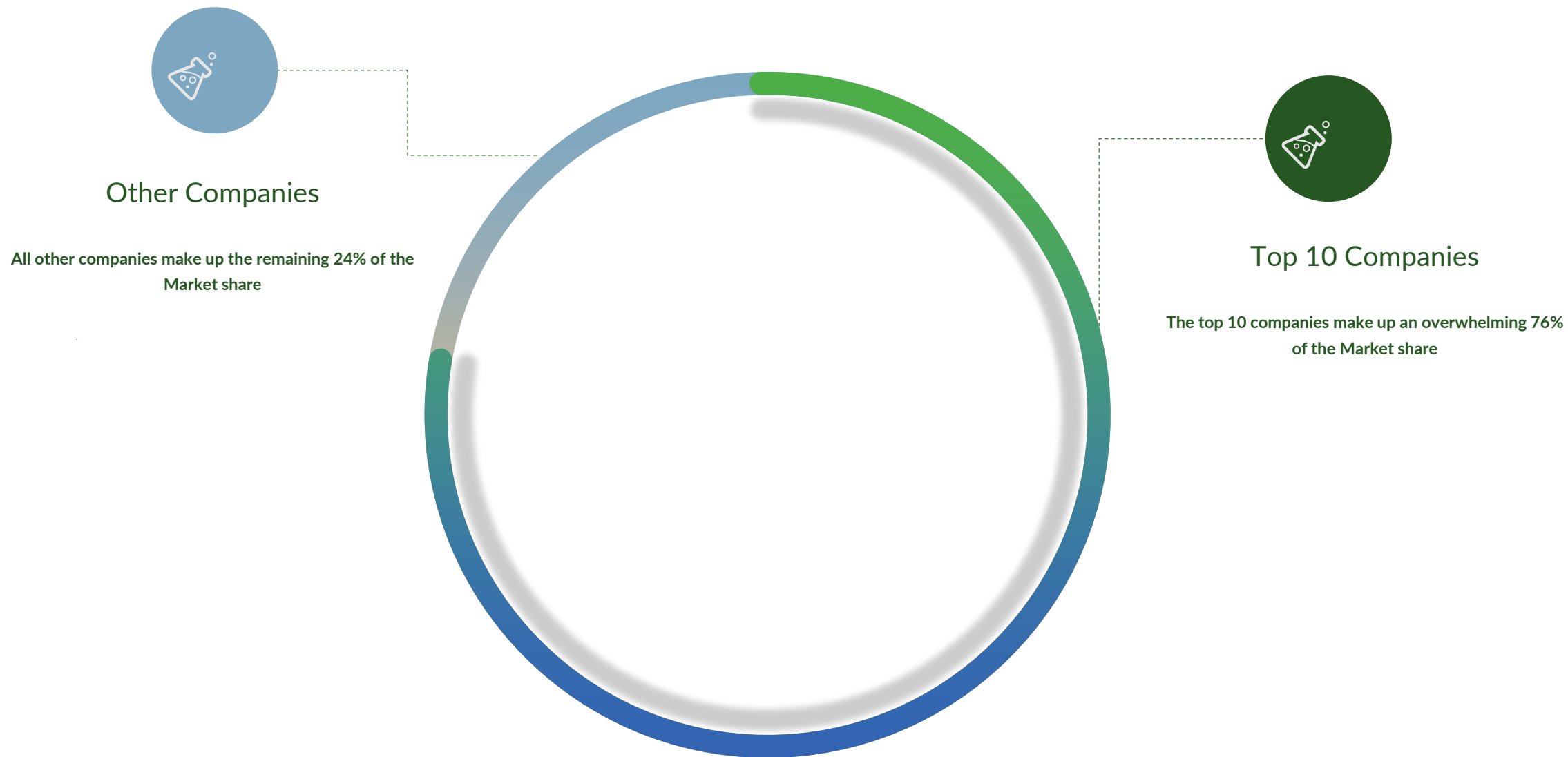
Retention Ratios



1. Orient Insurance —	17. Watania ▲
2. ADNIC —	18. Al Wathba ▲
3. Oman Insurance —	19. Al Dhafra ▲
4. Dubai Insurance ▲	20. ADNTC ▼
5. Al Ain Ahlia ▼	21. Alliance ▼
6. Emirates Insurance —	22. Methaq ▲
7. Salama ▼	23. DNIR ▼
8. Union Insurance ▲	224. AMAN ▲
9. Al Buhaira ▼	25. Al Fujairah ▼
10. Dar Takaful ▲	26. Insurance House —
11. NGI —	27. ASCNA —
12. Takaful Emarat ▼	28. AXA Green —
13. ASNIC —	29. Sharjah Insurance —
14. Ras Alkhaima ▼	
15. Orient UNB ▲	
16. United Fidelity —	

Premium Composition

Top 10 vs Other Companies



Other Companies

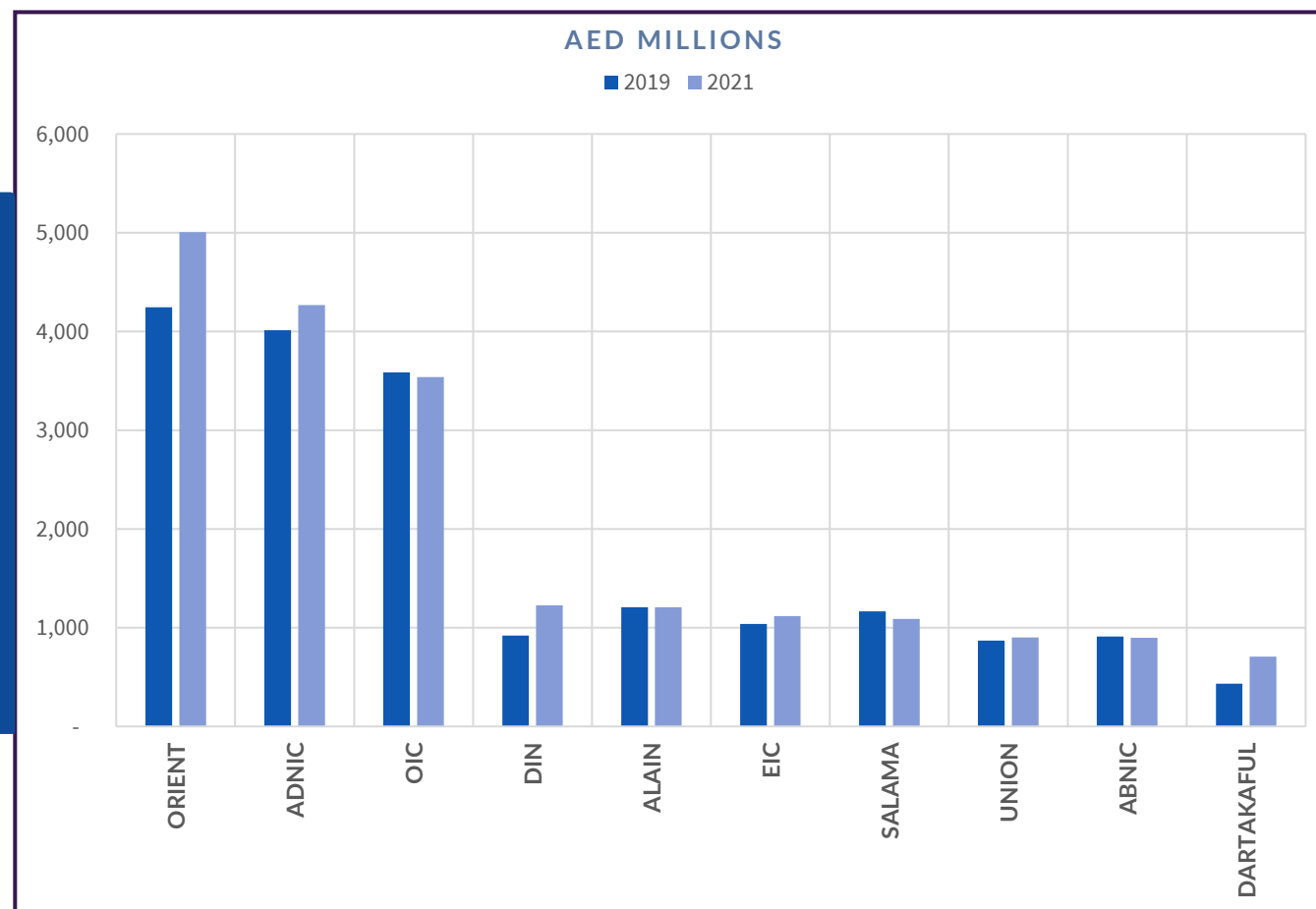
All other companies make up the remaining 24% of the Market share

Top 10 Companies

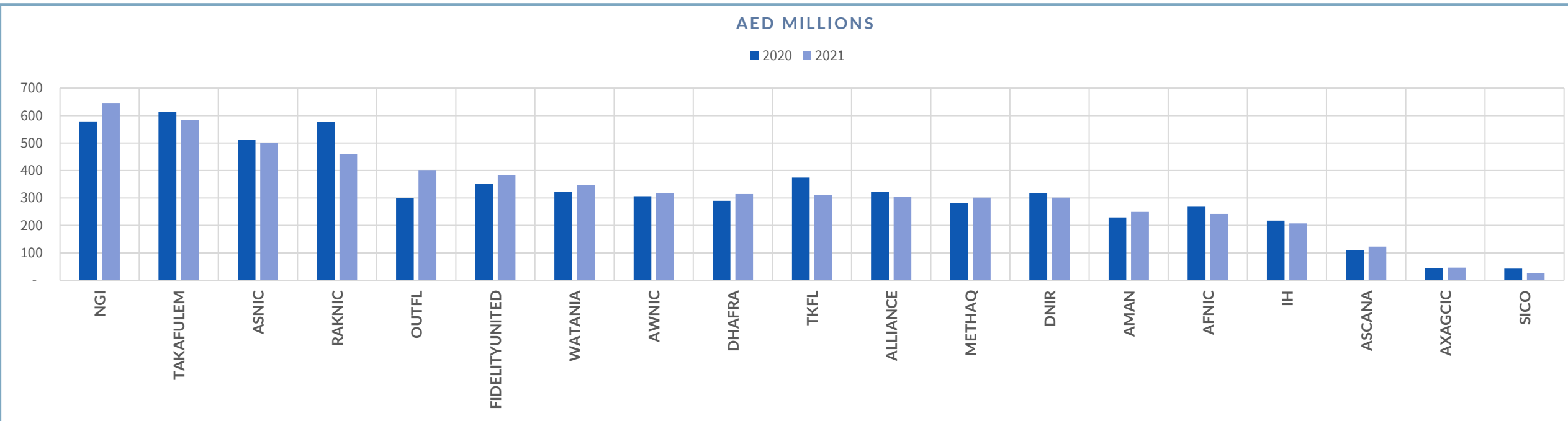
The top 10 companies make up an overwhelming 76% of the Market share

Gross Written Premium - Top 10 Companies

Orient captured the biggest Market Share of 17% in 2020 and 19% in 2021 followed by ADNIC with 16% for the years 2020 and 2021, respectively. The smallest Market Share was for Dar Takaful, 3% for 2021.

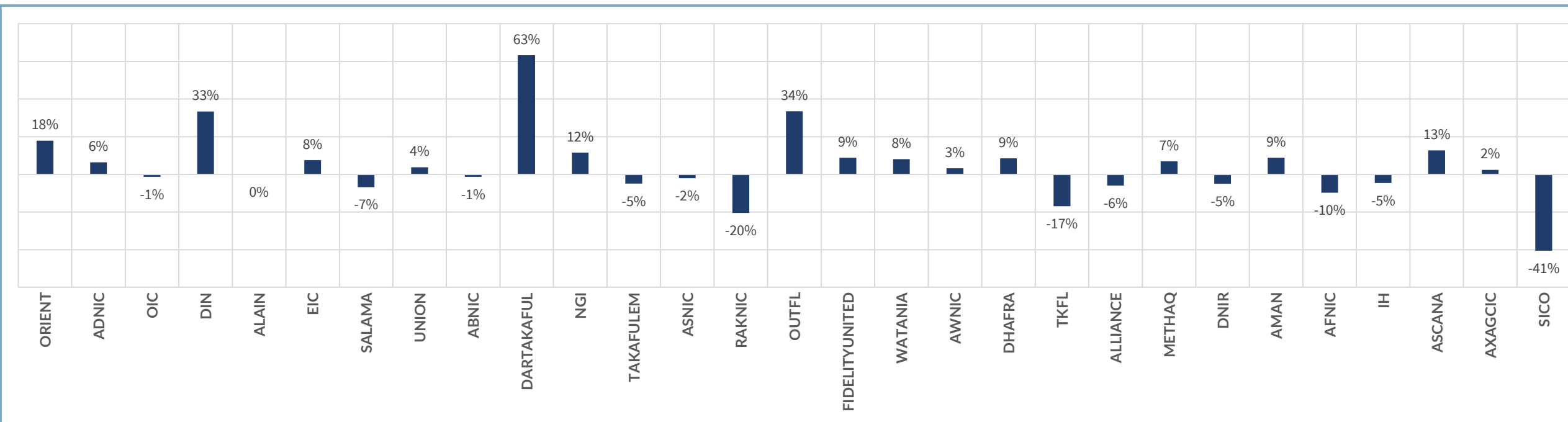


Gross Written Premium - Other Companies



NGI and Takaful Emarat have the biggest Market Share in 2021, while SICO had the smallest Market Share in 2021. RAKNIC and SICO experienced a decrease in their Market Share while Orient UNB Takaful experienced a significant increase in their Gross Written Premium in 2021.

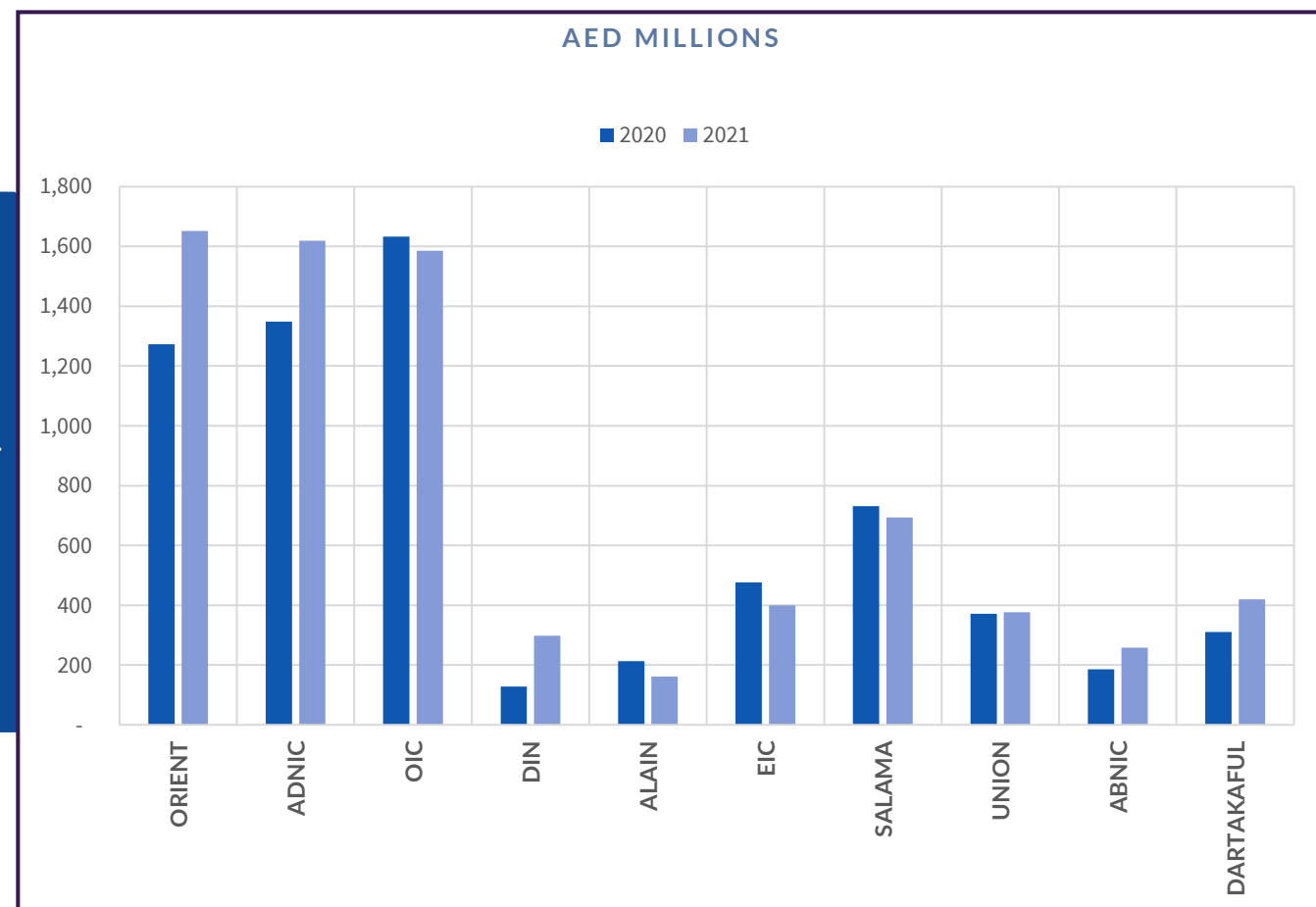
Gross Written Premium – Movement



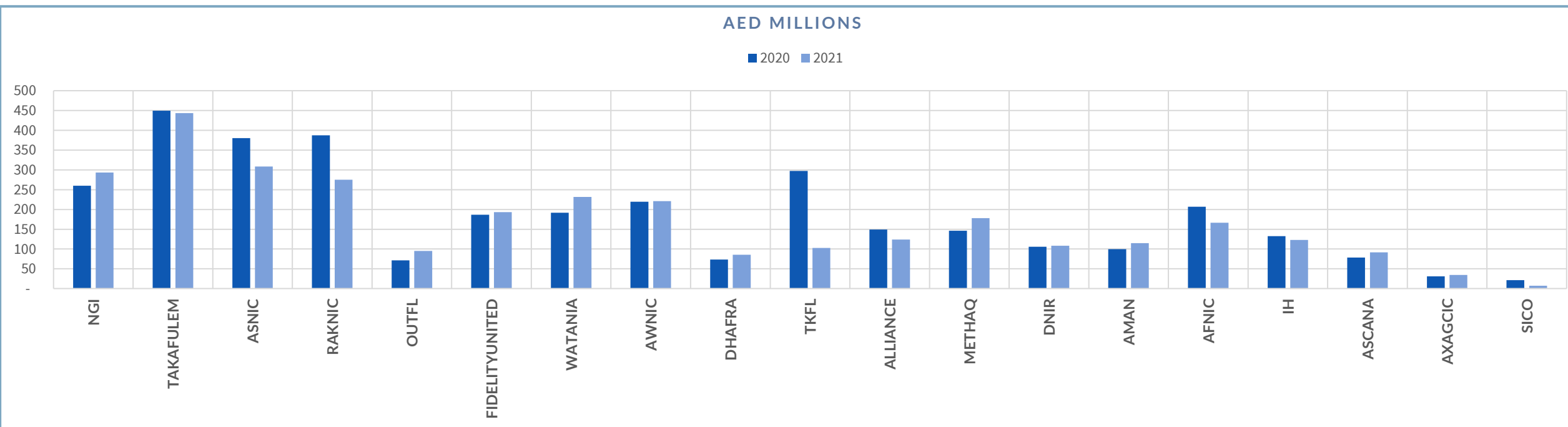
16 out of 29 companies showed an increase in Gross Written Premium in 2021. The highest growth rate in 2021 was exhibited by DarTakaful, which was 63%. Second highest growth showed by Orient UNB Takaful which was 34%, while the largest decrease in business was reflected by SICO depicting a decline of 41%.

Net Written Premium - Top 10 Companies

Orient had the highest Net Written Premium of 1.651 billion, followed by ADNIC with 1.618 billion for the year 2021. The top 10 companies amounted to 7.464 billion in the insurance industry in 2021.

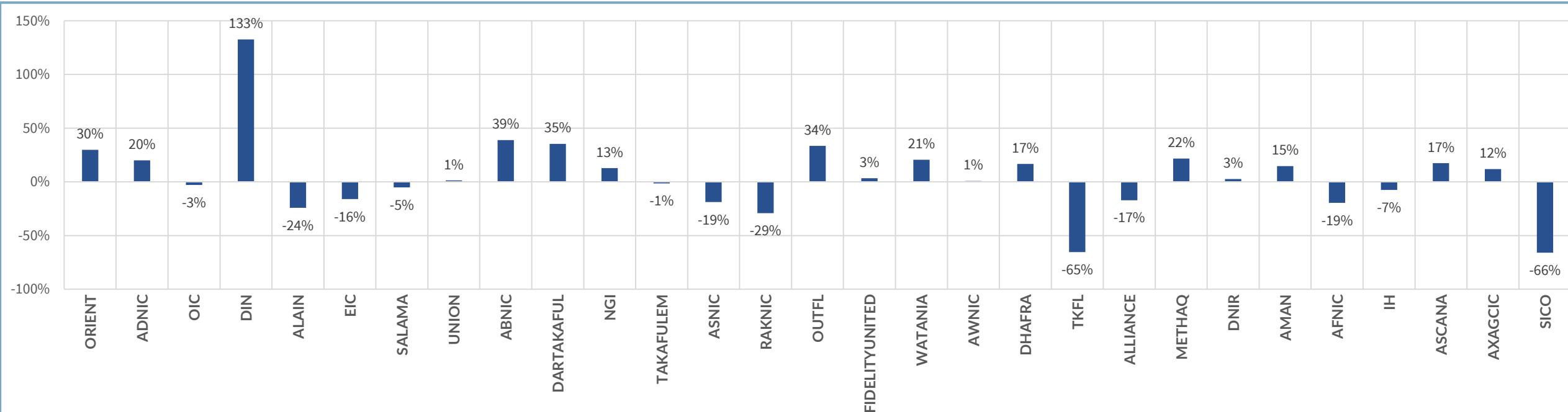


Net Written Premium - Other Companies



Among the remaining companies, the highest Net Written Premium for the year 2021 was of Takaful Emarat (AED 443 million), while the lowest was for SICO. For 2020, the highest Net Written Premium was for Takaful Emarat (449 million), while the lowest was for SICO (21 million).

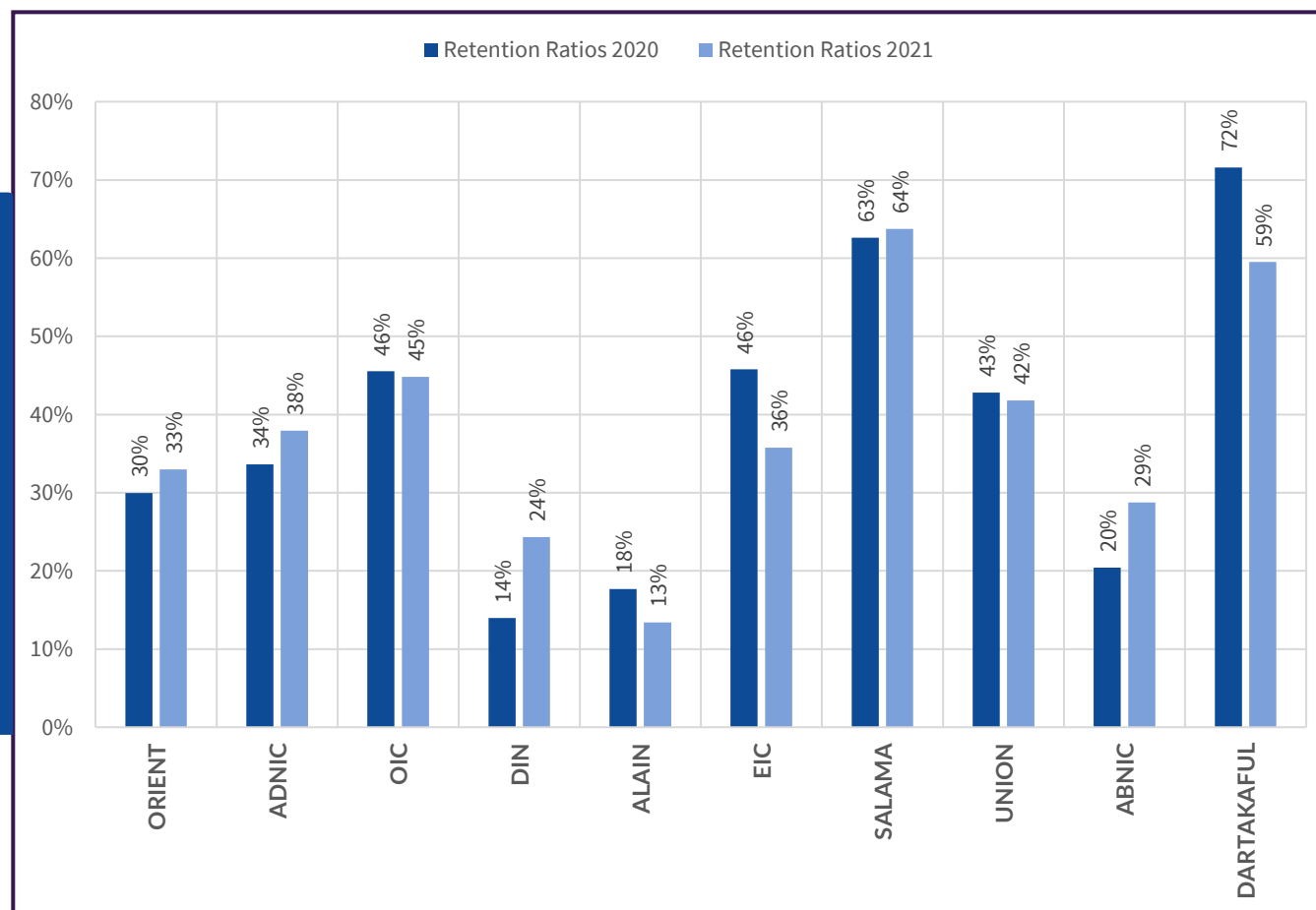
Net Written Premium - Movement



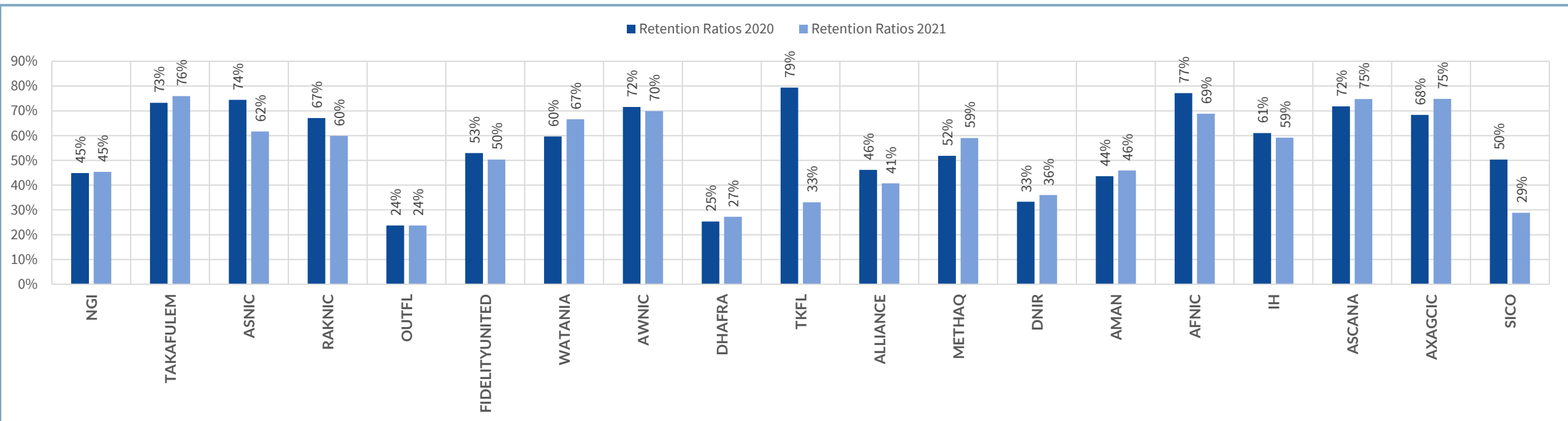
Net Written Premium grew the most for DIN (133%) and declined the most for SICO (-66%). Approximately 12 companies experienced a decline in their NWP, while the remaining companies experienced an increase.

Retention Ratios - Top 10 Companies

In 2020, DarTakaful had the highest Retention Ratio (72%), while DIN had the lowest Retention Ratio of 14%. In 2021, SALAMA had the highest Retention Ratio of 64%, while the lowest was for ALAIN (13%). Retention Ratios were stable for most of the companies, with the highest change being 12% for DarTakaful. In addition to this, it can also be noted that Retention Ratios for ALAIN, DIN and ABNIC were significantly lower than the other top 10 companies.

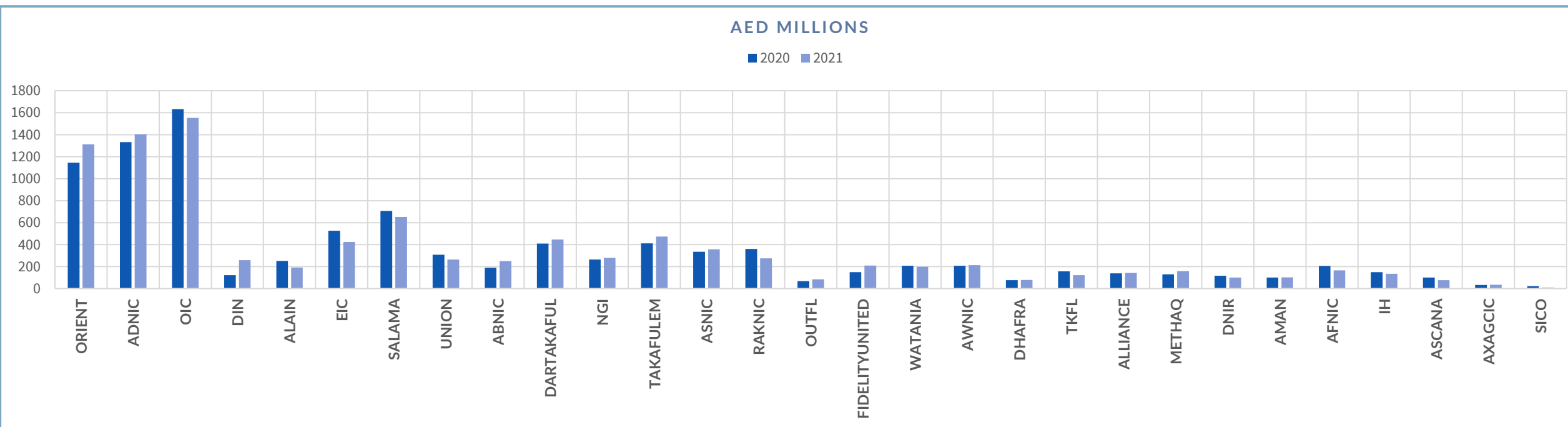


Retention Ratios - Other Companies



On an aggregate basis, the weighted average Retention Ratio is 44%. The highest Retention Ratio being 76% for Takaful Emarat and the lowest being 24% for Orient UNB for the year 2021. The Retention Ratios for TKFL, ASNIC, and SICO decreased by 46%, 12%, and 21% respectively. For all other companies, the Retention Ratios do not vary greatly.

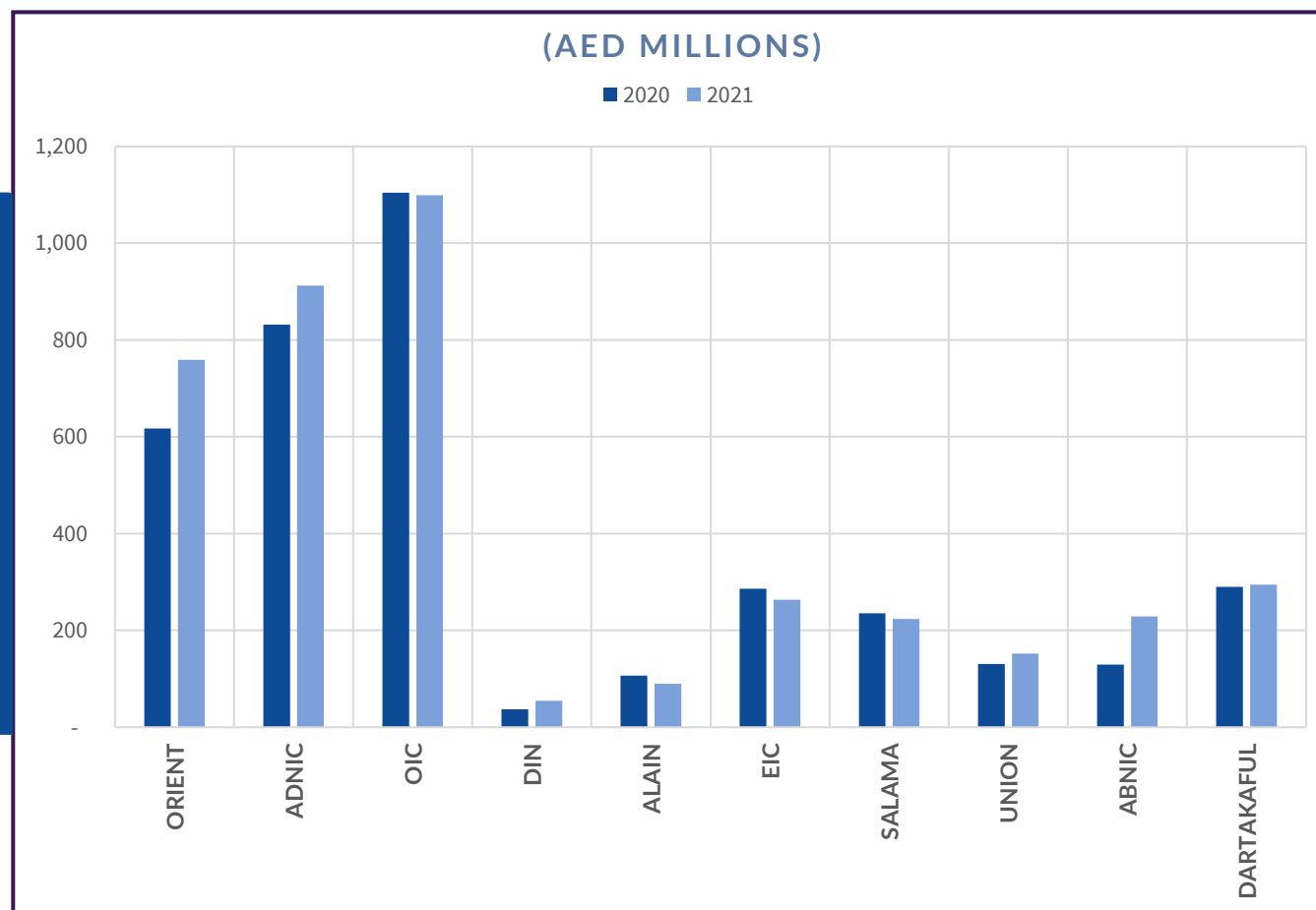
Net Earned Premium



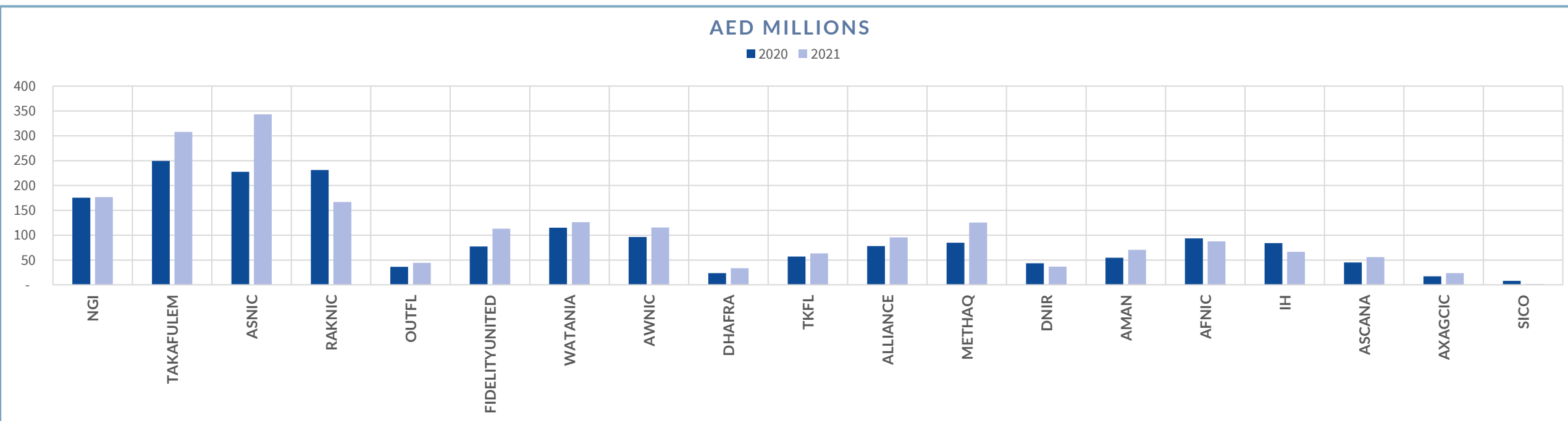
The highest Net Earned Premium is for OIC in both the years, followed by ADNIC, while the lowest is for SICO. As shown, DIN experienced the highest growth rate in the year 2021 (112%), while SICO decreased by 55% in 2021.

Net Incurred Claims - Top 10 Companies

OIC had the highest Net Incurred Claims of 1,104 million and 1,098 million in 2020 and 2021, respectively, while DIN had the lowest Net Incurred Claims of 37 million and 54 million in 2020 and 2021, respectively.



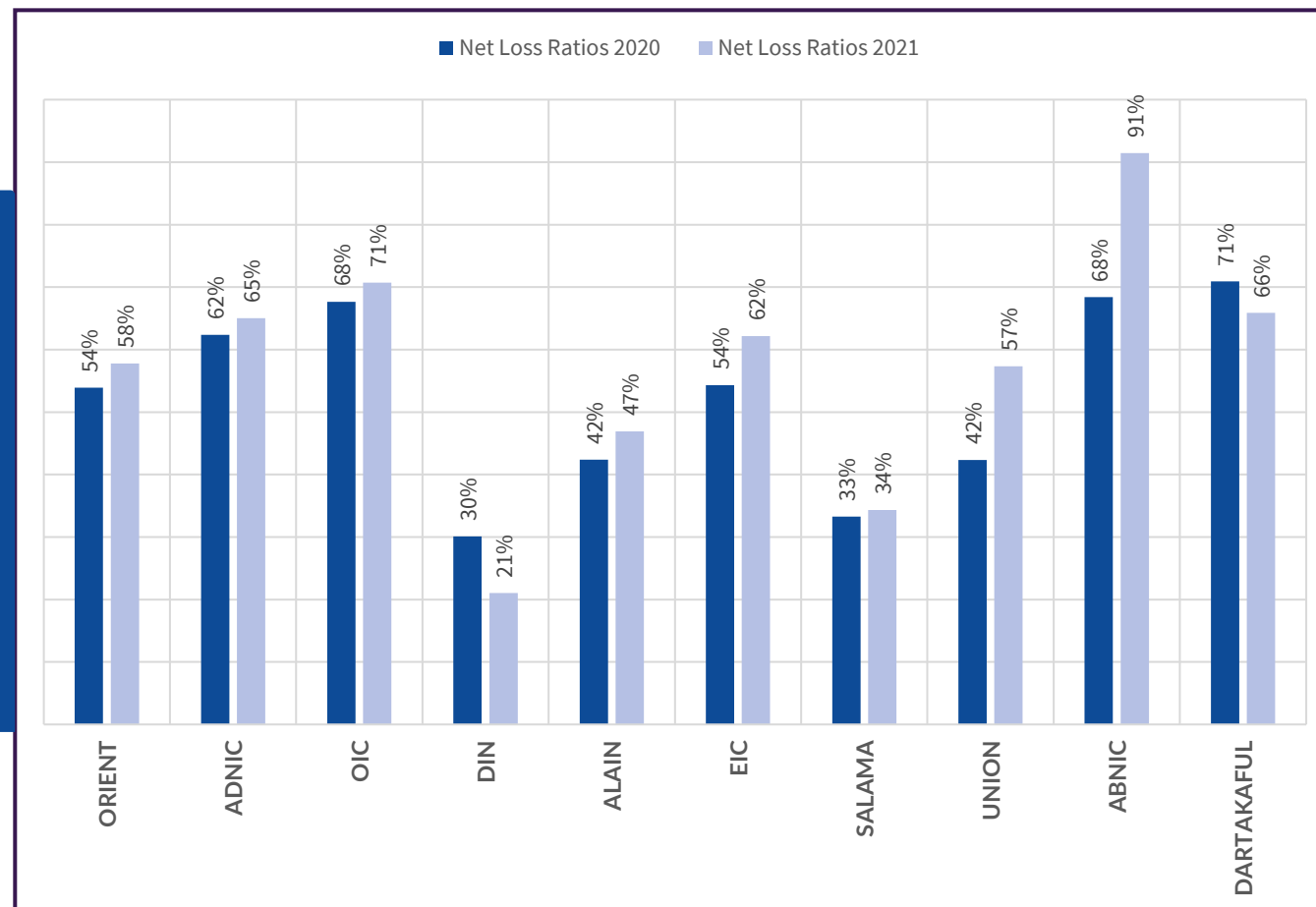
Net Incurred Claims - Other Companies



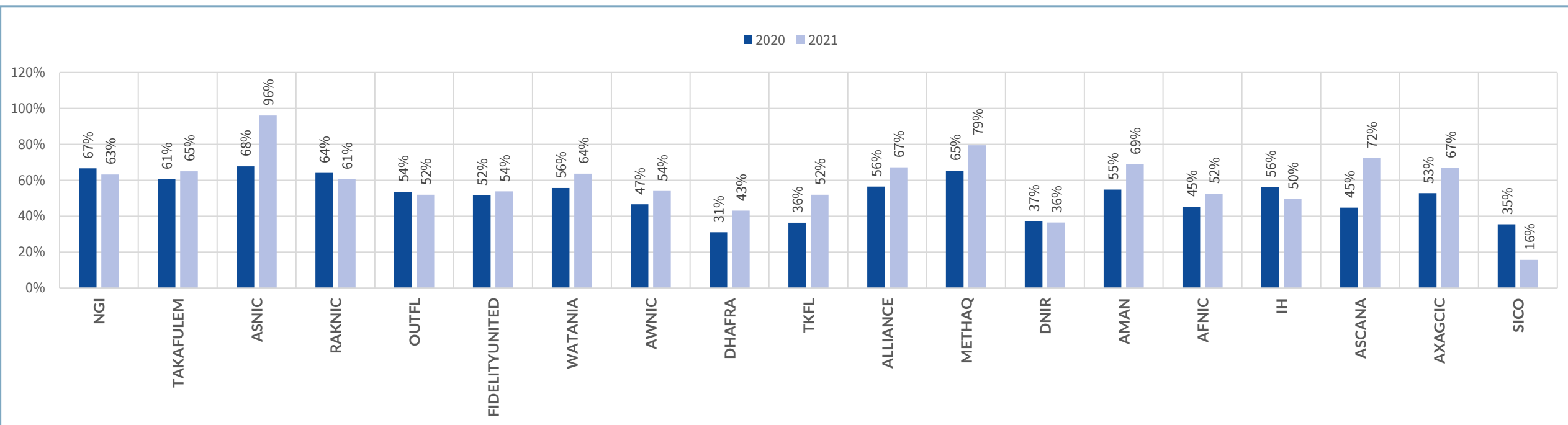
ASNIC had the highest Net Incurred Claims of 343 million and SICO had the lowest Net Incurred Claims of 1.59 million in 2021. Net Incurred Claims increased for most of the companies.

Loss Ratios - Top 10 Companies

The highest Loss Ratio in 2020 was for DarTakaful being 71% and lowest was for DIN, being 30%. For the year 2021, Loss Ratio was the highest for ABNIC (91%), with the lowest being 21% for DIN. The Loss Ratios usually increased for most of the top 10 companies, with the largest increase of 23% for ABNIC. Loss Ratio only decreased for DIN, with the decrease being 9%.



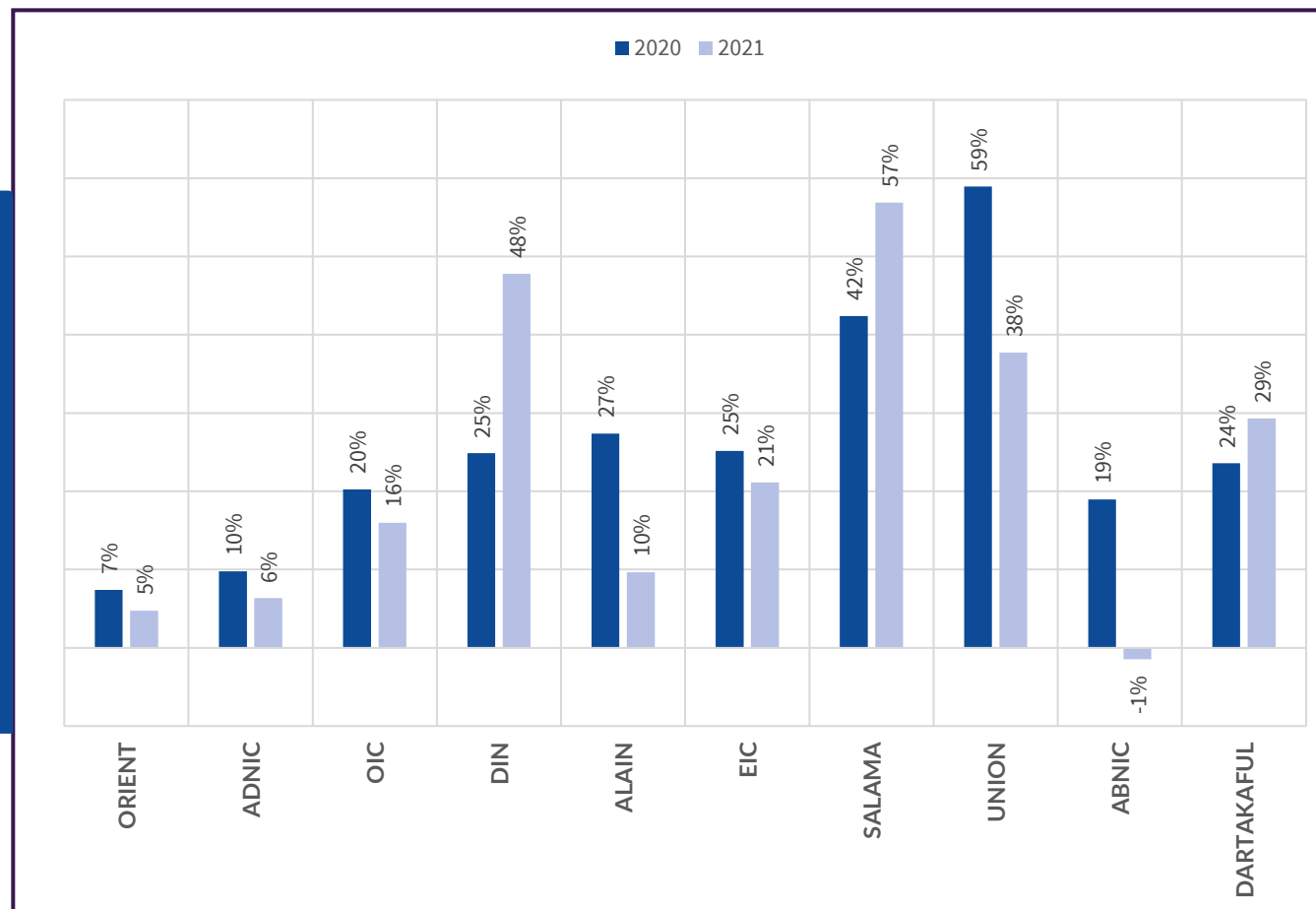
Loss Ratios - Other Companies



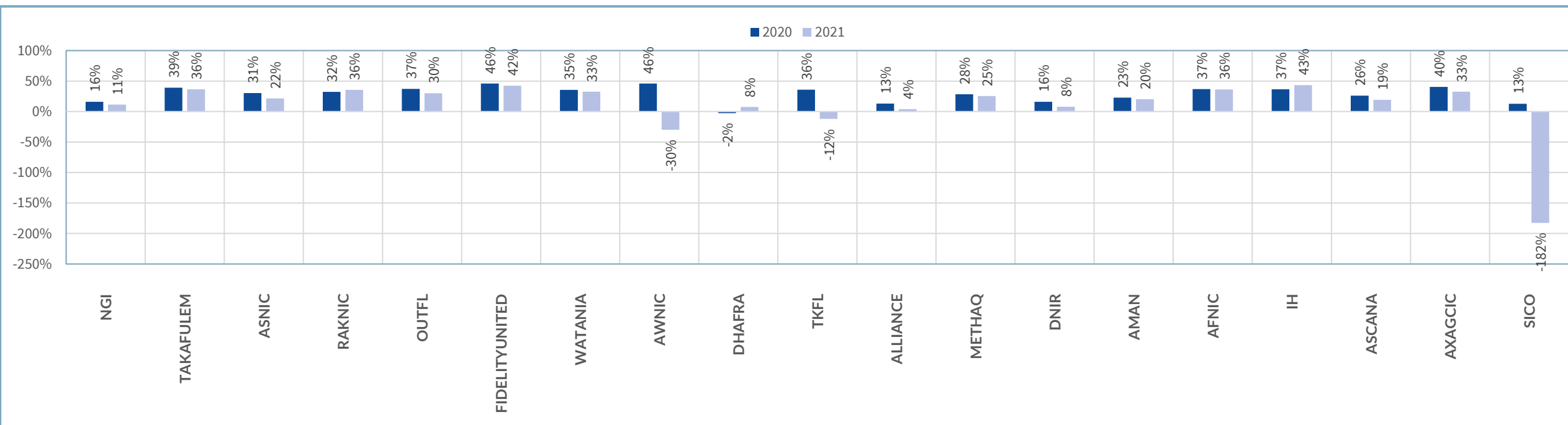
The Loss Ratios for other companies have been summarized in the above chart. For the year 2020, the highest Loss Ratio was for ASNIC (68%), and the lowest was for Dhafra (31%). For the year 2021, the highest Loss Ratio was for ASNIC (96%) and lowest was for SICO (16%).

Expense Ratios - Top 10 Companies

For 2020, Expense Ratio was the highest for UNION (59%) and the lowest for Orient (7%). For 2021, SALAMA had the highest Expense Ratio (57%), while ABNIC had the lowest Expense Ratio (-1%). For most companies the Expense Ratio increased, especially in the case of DIN and SALAMA, which increased by 23% and 15%, respectively.



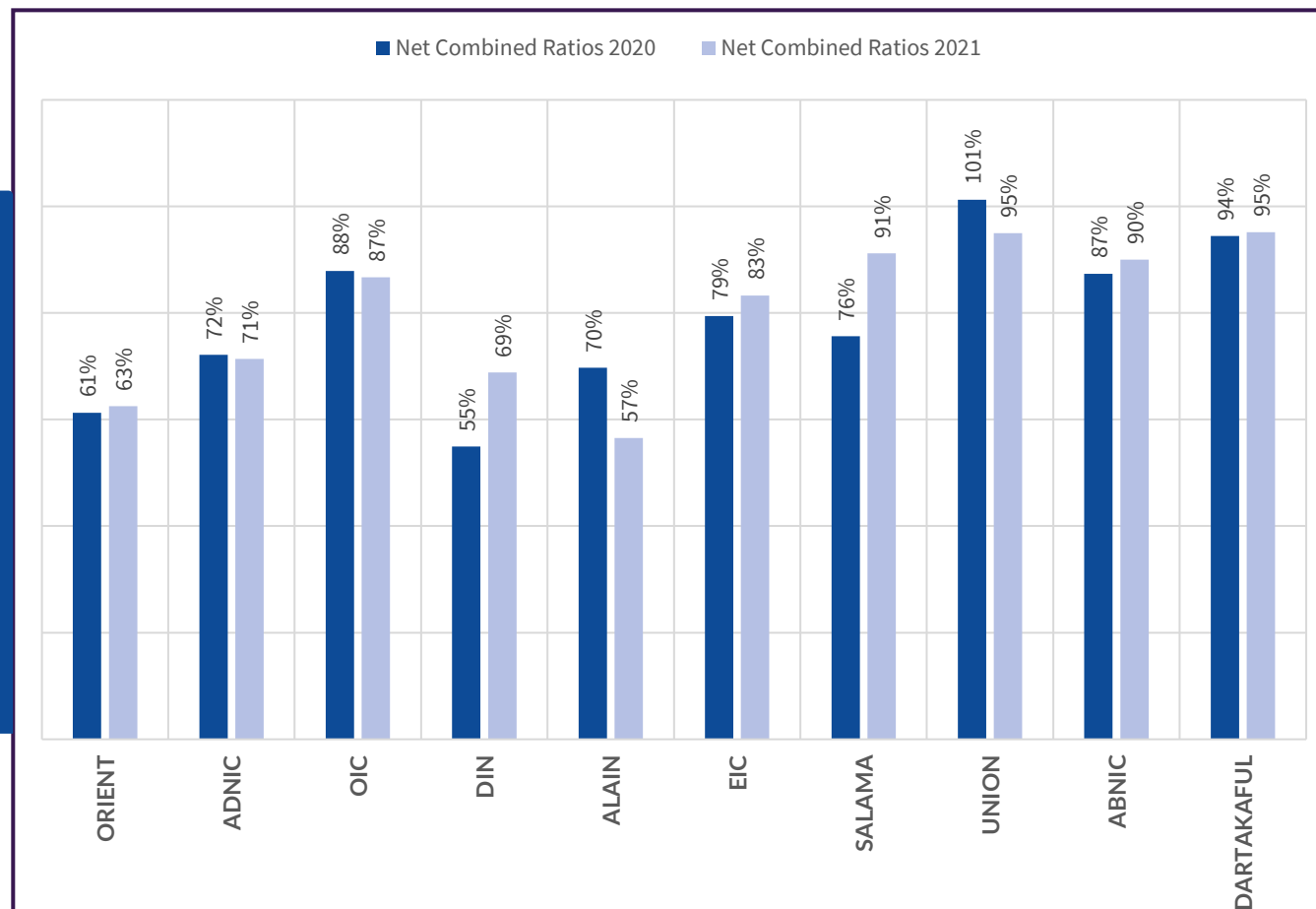
Expense Ratios - Other Companies



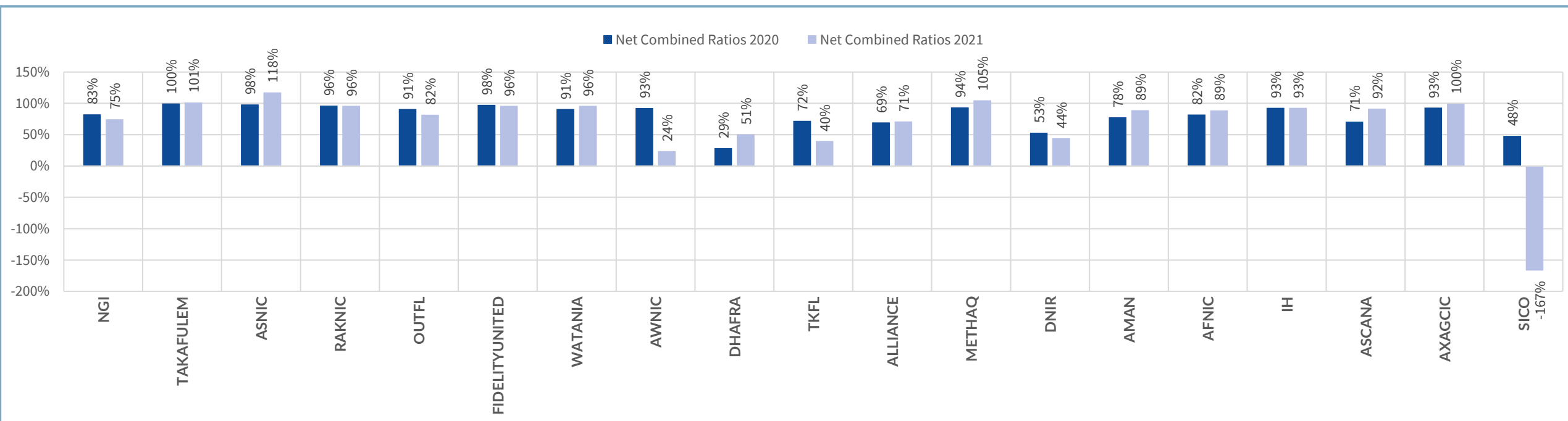
The highest Expense Ratio in 2020 was for AWNIC and Fidelity United (46%), and the lowest was for DHAFRA (-2%). For 2021, the highest Expense Ratio was for Insurance House (43%) and the lowest was for SICO (-182%), which is due to high investment and commission income of 24 million.

Combined Ratios - Top 10 Companies

Net Combined Ratios were high in 2020 with UNION having a Combined Ratio of 101%. Combined Ratios increased for most of the top 10 companies. For the year 2021, the highest Combined Ratio was for DarTakaful (95%) and the lowest was for Orient (63%). The difference between the Combined Ratios of 2020 and 2021 were very insignificant.



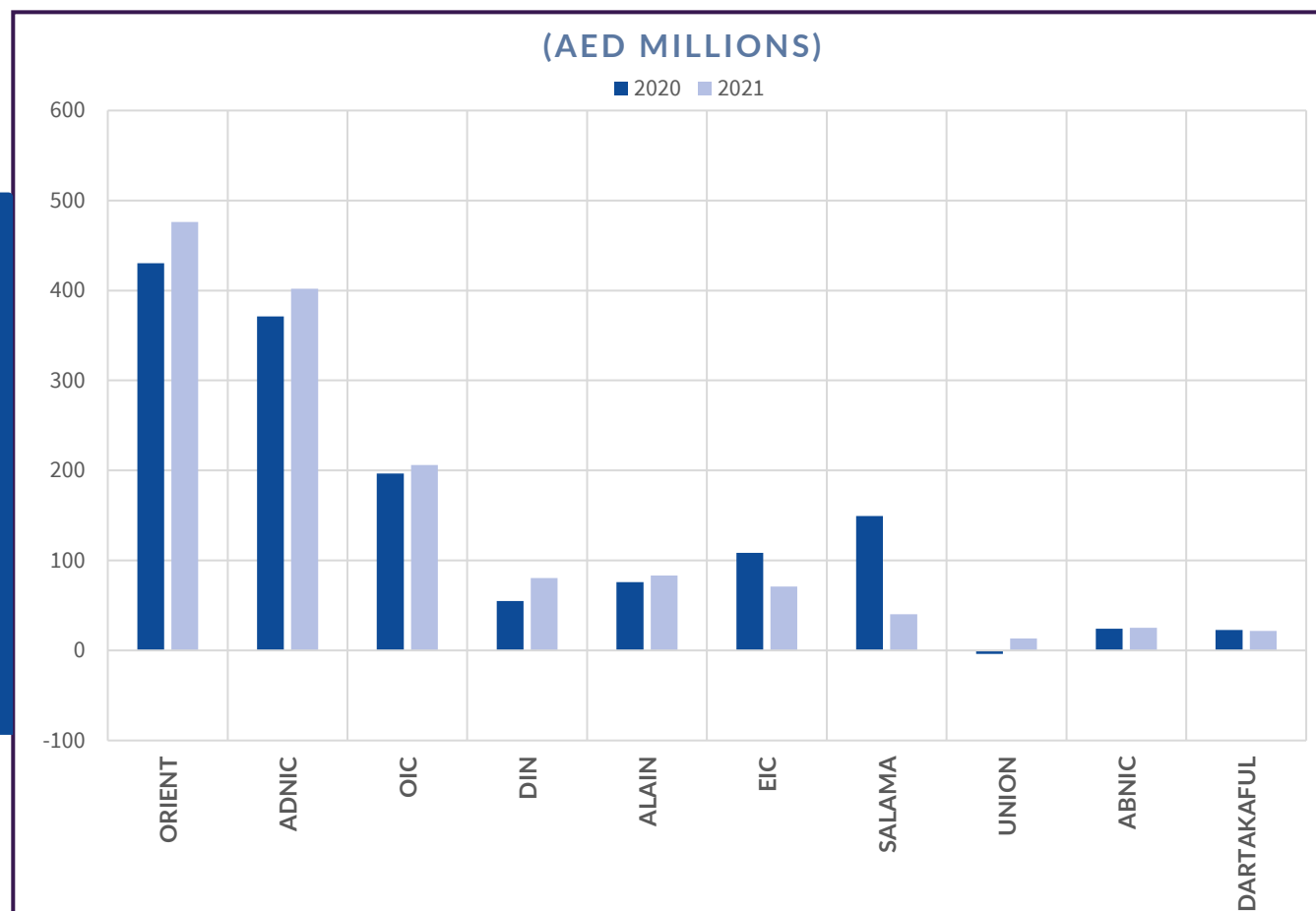
Combined Ratios - Other Companies



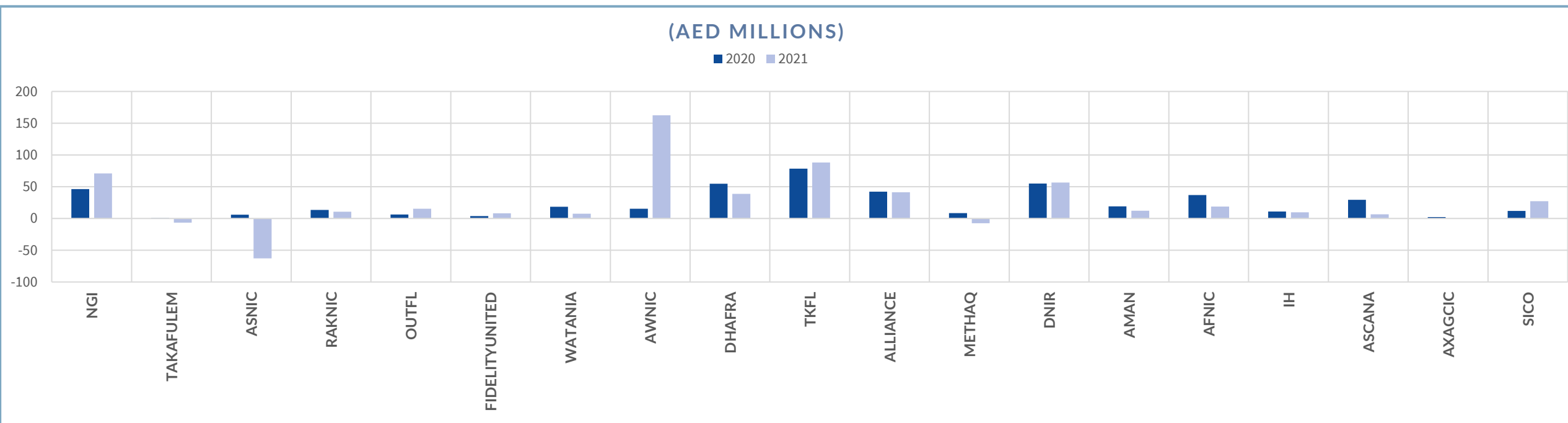
Combined Ratios for most of the other companies were lower than 100% in both years, with the lowest Combined Ratio being -167% for SICO. The Combined ratio for AWNIC and SICO decreased by 69% and 215% respectively.

Net Profit and Loss - Top 10 Companies

Orient had the highest Net Profit in year 2020 and it was further able to increase it from 430 million to 476 million, retaining its position. Union had a Net Loss in 2020, however, it was able to increase its Net Profit to 13.21 million in 2021. All companies experienced an increase in their Net Profits except EIC, Salama, and DarTakaful.

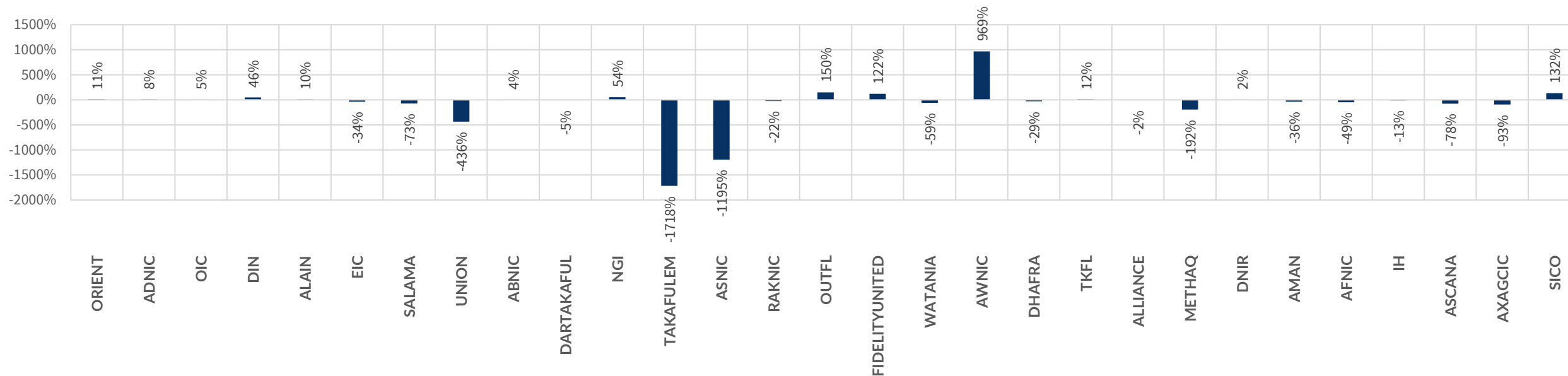


Net Profit and Loss - Other Companies



Awnic had the highest Net Profit of 162 million in 2021, which was 15 million in 2020. The highest Net Loss was for ASNIC of 62 million in 2021.

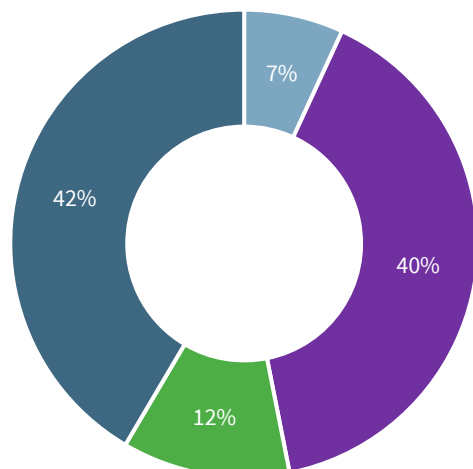
Net Profit and Loss - Movement



Net Profit has shown an increase of 1.5% in year 2021. The highest increase was experienced by Awnic of about 969%. ASNIC had a Net Loss of 63 million in 2021, thus the movement is shown by a negative sign.

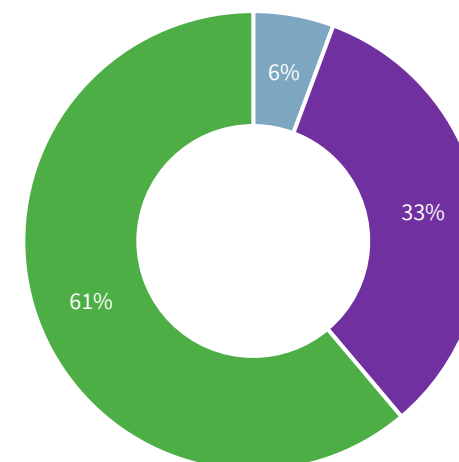
Asset Classification - Aggregate

Policyholder Asset Classification



■ Cash and cash equivalents ■ Investments ■ Receivables, net ■ Other Assets

Shareholder Asset Classification

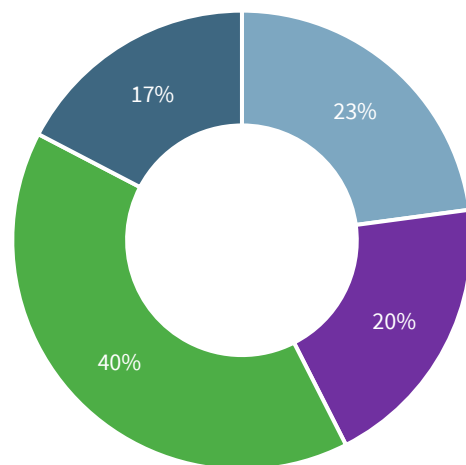


■ Cash and cash equivalents ■ Investments ■ Other Assets

Most of the policyholder assets were kept as Other Assets (42%), while the remaining assets were kept as Investment (40%), Cash (7%) and Receivables (12%). 33% of the Shareholder Assets were kept as investments and 61% as Other assets, with cash constituting about 6% of the shareholder's assets..

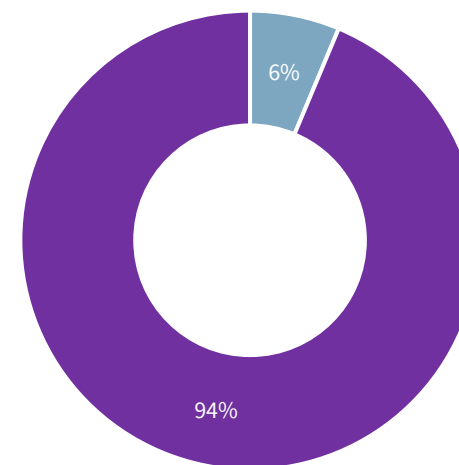
Liability & Equity Classification - Aggregate

Policyholder Liability Classification



■ Gross Loss Reserves ■ Gross Unearned premium ■ Other liabilities ■ Other Reserves

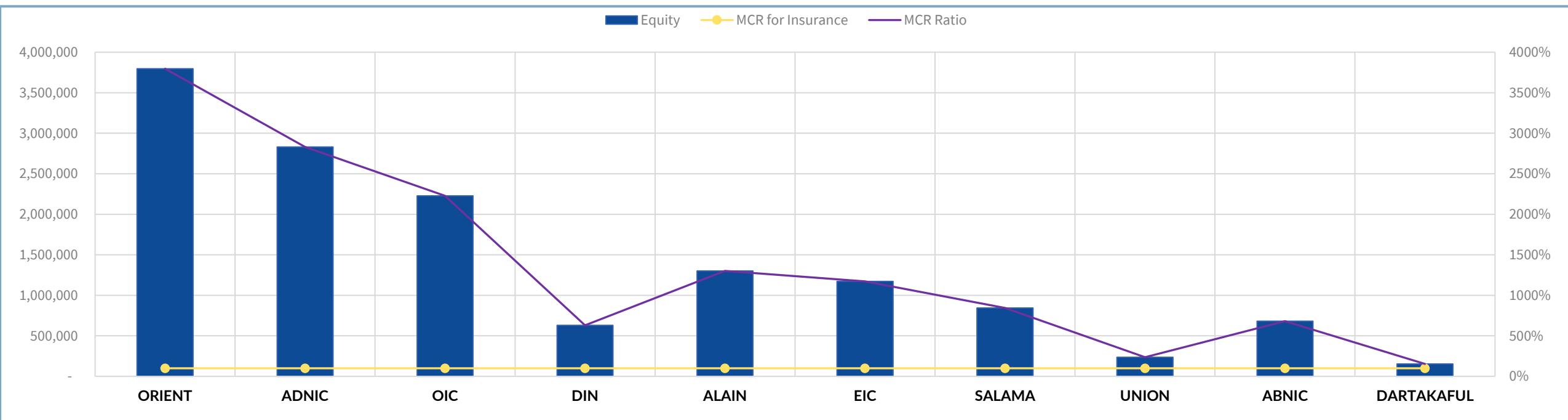
Shareholder Liability & Equity Classification



■ Shareholders' liabilities ■ Equity

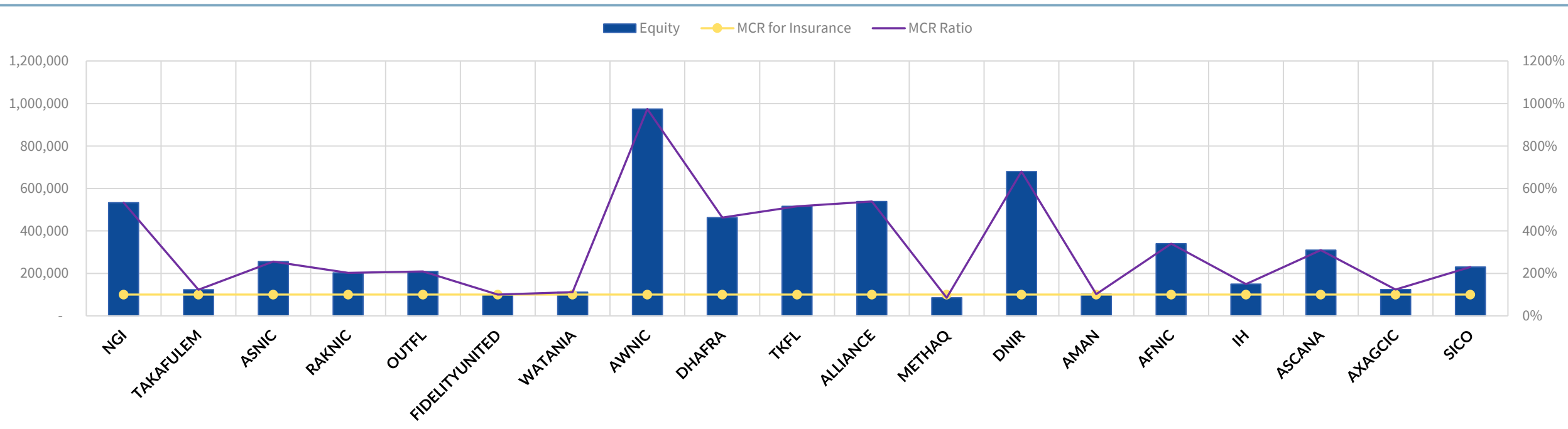
Policyholder Liabilities consist of 23% Gross Loss Reserves, 20% of Gross Unearned Premium, and 40% of Other Liabilities. In addition to this, Equity as a percentage of Total Assets is about 32%.

Solvency Analysis – Top 10 Companies



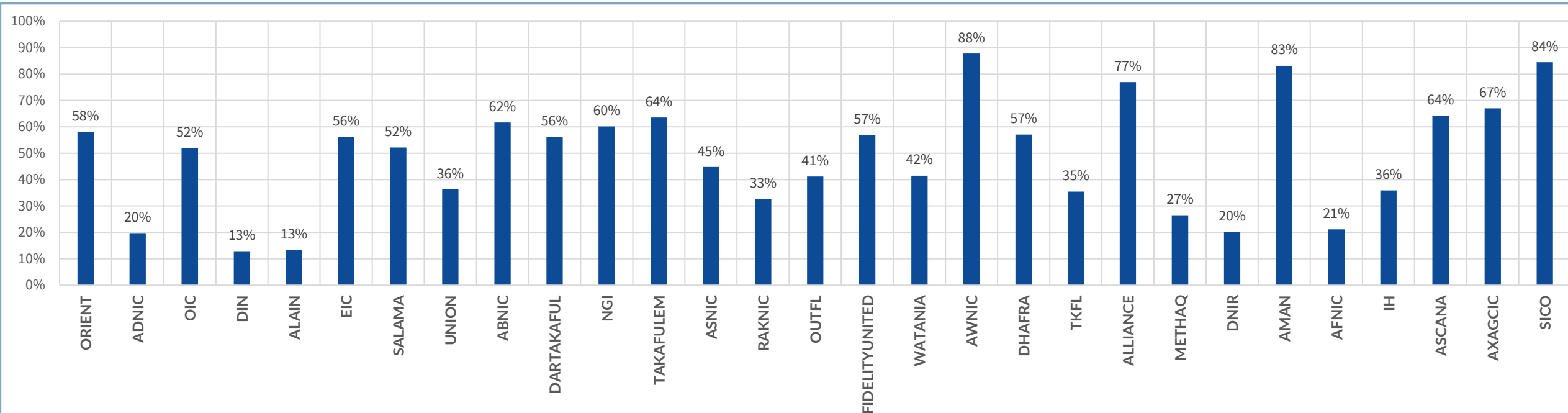
Equity values illustrated above are based on Booked Value and do not include the Asset Admissibility Adjustment, accounting for which would likely result in lower Equity.

Solvency Analysis - Other Companies



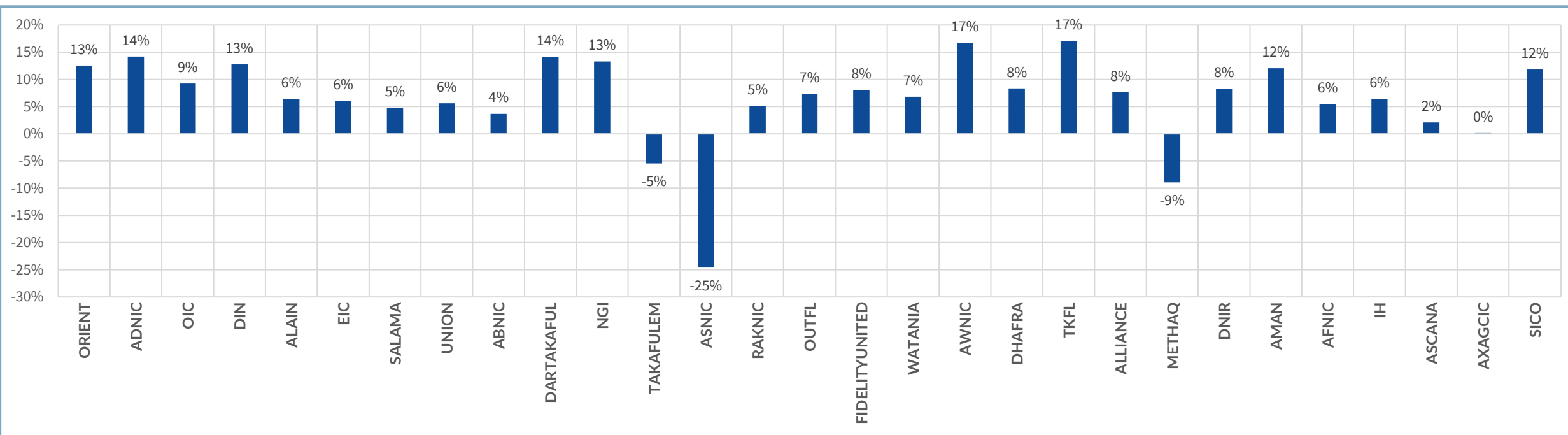
Equity values illustrated above are based on Booked Value and do not include the Asset Admissibility Adjustment, accounting for which would likely result in lower Equity.

Proportion of Invested Assets



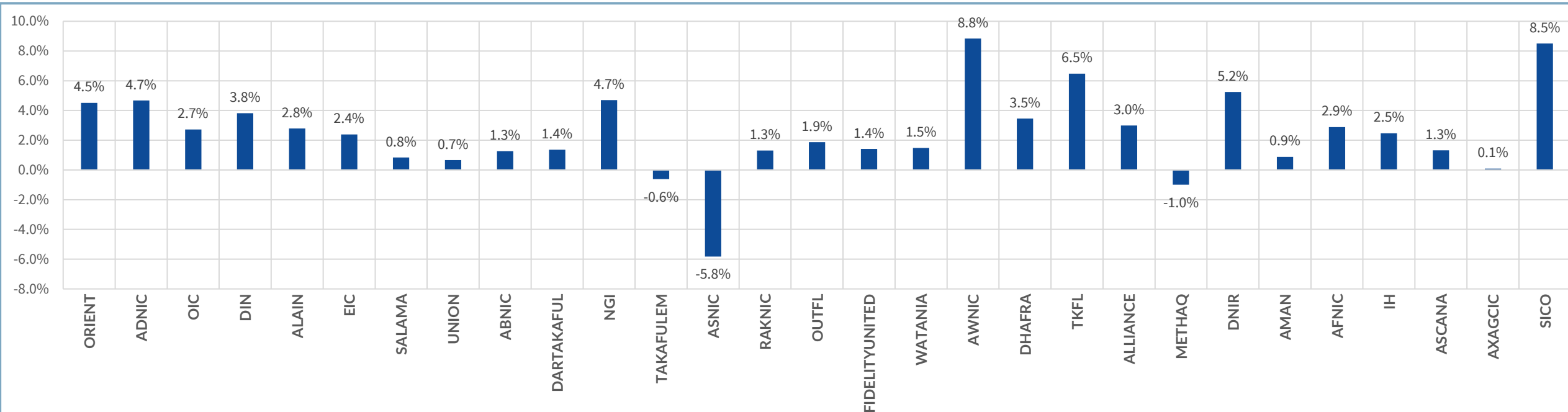
For most companies, Invested Assets along with Cash constitutes more than 50% of the Total Assets. The highest Invested to Total Assets Ratio is for Awnic (88%), while the lowest is for Din of about 13%.

Return on Equity (ROE)



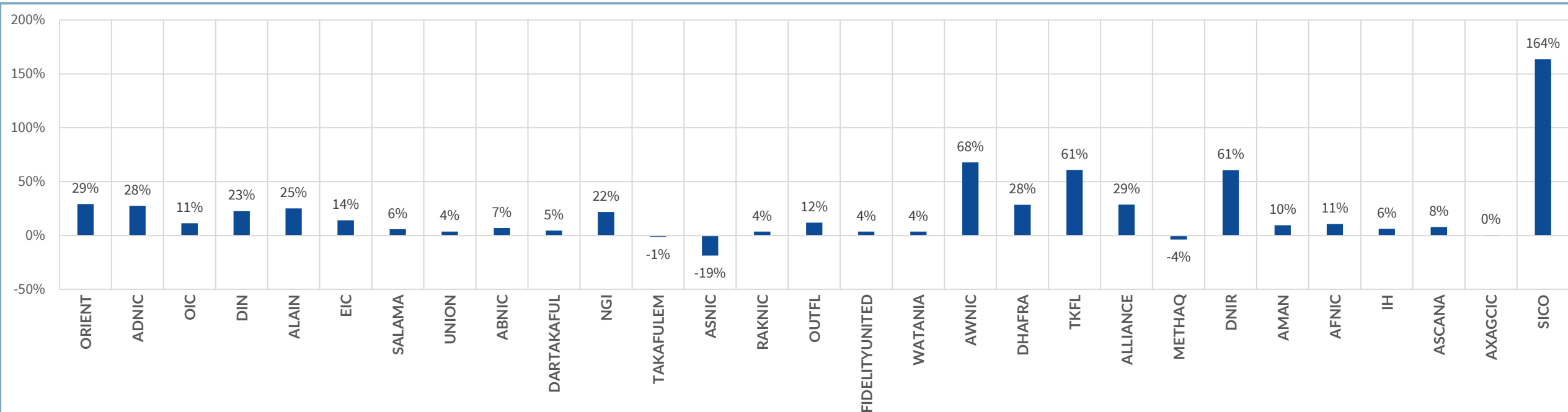
The Return On Equity Ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholding. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest Return on Equity was for TKFL and AWNIC of about 17%. Return on Equity was negative (-25%) for ASNIC.

Return on Asset



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. Awnic and SICO were able to earn the highest Return on Assets of around 8.8% and 8.5% respectively, while Asnic earned the highest Negative Return on Assets of 5.8%.

Net Profit Margins



Net Profit Margin measures how much Net Income or Profit is generated as a percentage of Revenue. SICO had the highest Net Margin (164%) suggesting that claims and expenses were very low. The lowest Net Margin was for ASNIC (-19%).

Appendix A: Listed Insurance Companies in UAE

Company Name	Symbol	Conventional / Takaful
ORIENT Insurance PJSC	ORIENT	Conventional
Abu Dhabi National Insurance	ADNIC	Conventional
Oman Insurance Company (P.S.C.)	OIC	Conventional
Al Ain Ahlia Insurance Co.	ALAIN	Conventional
Islamic Arab Insurance Company	SALAMA	Takaful
Emirates Insurance Co.	EIC	Conventional
Dubai Insurance Co, PSC	DIN	Conventional
Al Buhaira National Insurance	ABNIC	Conventional
Union Insurance Company	UNION	Conventional
Takaful Emarat (PSC)	TAKAFULEM	Takaful
National General Insurance Company P.J.S.C	NGI	Conventional
Ras Al Khaimah National Insurance Co.	RAKNIC	Conventional
Al Sagr National Insurance Company	ASNIC	Conventional
Dar Al Takaful	DARTAKAFUL	Takaful
Abu Dhabi National Takaful Co.	TKFL	Takaful

Company Name	Symbol	Conventional / Takaful
United Fidelity Insurance Company	FIDELITYUNITED	Conventional
Alliance Insurance	ALLIANCE	Conventional
National Takaful Company (Watania)	WATANIA	Takaful
Dubai National Insurance & Reinsurance	DNIR	Conventional
Al Wathba National Insurance Co.	AWNIC	Conventional
Orient UNB Takaful PJSC	OUTFL	Takaful
Al Dhafra Insurance Co.	DHAFRA	Conventional
Methaq Takaful Insurance Company	METHAQ	Takaful
Al Fujairah National Insurance	AFNIC	Conventional
Dubai Islamic Insurance and Reinsurance Co.	AMAN	Takaful
Insurance House	IH	Conventional
Arabian Scandinavian Insurance - Takaful	ASCANA	Takaful
AXA Green Crescent Insurance	AXAGCIC	Conventional
Sharjah Insurance Company	SICO	Conventional



Meet the Team

Zeeshan Ali ASA, AIA, APSA,
Manager

Zaid Bin Muzammil
Senior Consultant

Noman Usman
Assistant Manager

Rida Hanif
Data & Research Trainee

Hiba Ibad
Data & Research Trainee

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Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – United Arab Emirates 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.



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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.



info@shmaconsulting.com
P.O. Box 340505, Dubai, UAE



+971 56 183 1095, +971 52 831 4612