



Insurance Industry

United Arab Emirates

First Half of 2021



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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 08 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 and Capital Modeling

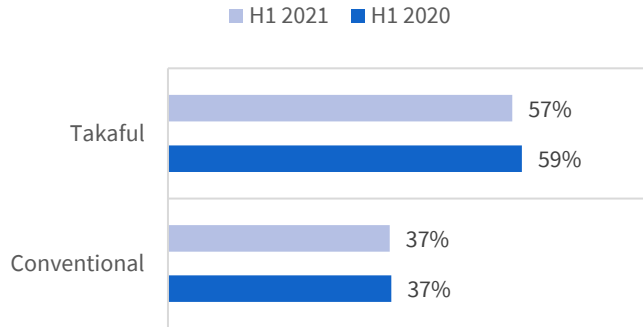
- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

Limitations and Disclaimers

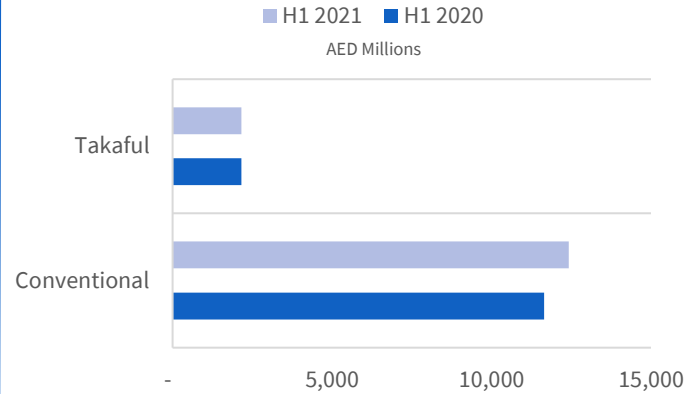
- ❖ The data used for the preparation of this report has been collected from Abu Dhabi Security Exchange and Dubai Financial Market. The data was extracted from the financial statements of the listed companies. Reliance is placed on the figures provided in the Company's Financial Reports. SHMA Consulting 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 from 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 insurance sector. The objective of this report is to use our professional's research and experience to bring compliance and information sharing to the industry.
- ❖ We have used 28 listed companies in our analysis which includes 09 Takaful and 19 Conventional Insurance Companies.
- ❖ We have excluded Union Insurance and Al Khazna Insurance from all of our analysis as it was not published its financials for Q2 – 2021 as of the compilation date.

Performance Highlights

Retention Ratios



Gross Written Premium

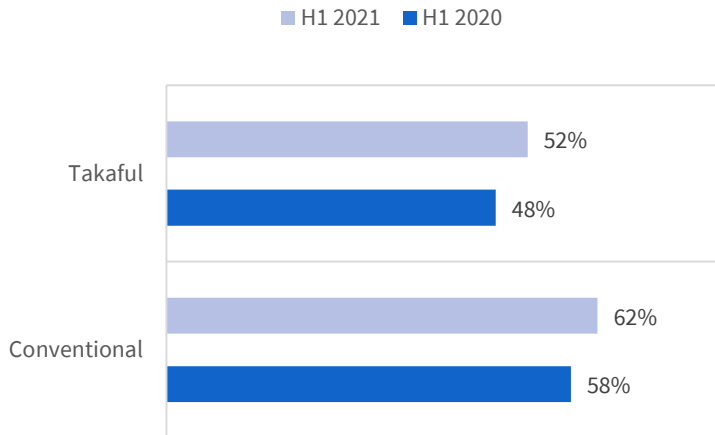


Total Gross Written Premium

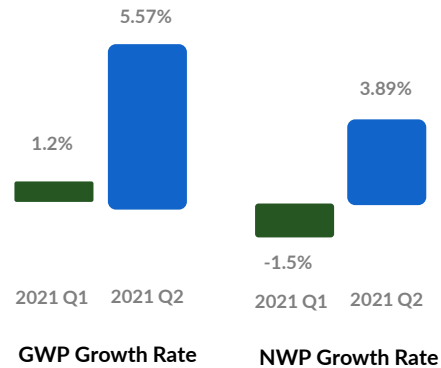
AED 14.6 Bn

▲ +5.57%

Loss Ratios



Premium Growth Rate



Total Profit / (Loss)

AED 1.16 Bn

▲ +24.86%



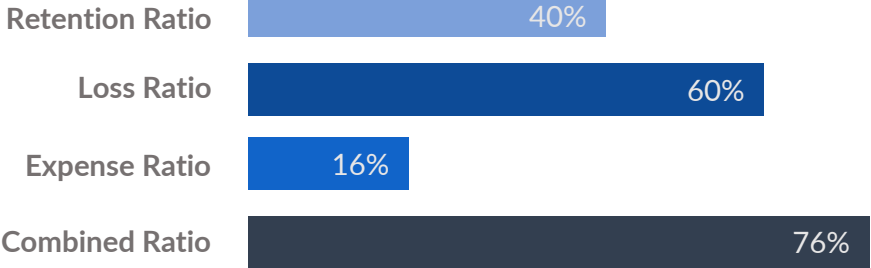
Total Asset
AED 62 Bn

Industry Highlights

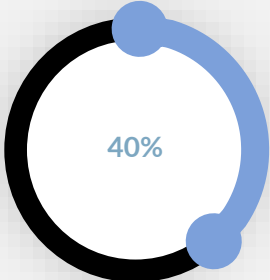
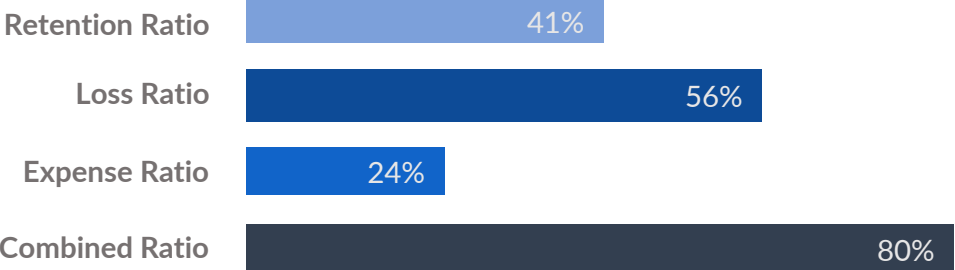
- ❖ Insurance Companies in the United Arab Emirates are now regulated by the Central Bank of UAE (CBUAE), which started taking responsibility for Insurance Regulation from the Insurance Authority effectively from January 2021.
- ❖ The Insurance Industry observed some ups and downs in the year 2020, such as insurers moving away from capitation schemes to fully insured schemes. Through Circular 17 of 2020 for the Cessation of Violating Practices dated 2 June 2020, the Insurance Authority alerted insurance companies and third-party claims administrators of their respective legal obligations under the current insurance regulatory and legal framework and to cease certain practices, which are in violation of the regulatory and legal framework. As a result, capitation schemes related to the health insurance business in the UAE are unlawful and all insurance agents, authorized and licensed entities, such as TPAs, must immediately cease the operation of such schemes, meaning insurance companies are gradually eliminating the third-party role.
- ❖ In addition, the Industry finally saw a merger and acquisition activity with the acquisition of Noor Takaful Company by Dar Takaful. Following the purchase, DAT's presence is expected to strengthen in the industry which. Also, disinvestment by SALAMA led to a one-off boost in net profits for the listed companies. During this time, the investment markets have improved significantly from the position that boosted total comprehensive income for the insurance companies.
- ❖ In March 2021, Orient Insurance PJSC (Al Futtaim Group) acquired an additional 49% of the shares and voting interests in Orient UNB Takaful PJSC (Orient UNB). As a result, the Group's equity interest in Orient UNB increased from 35% to 84%, obtaining control of Orient UNB.
- ❖ Emirates NBD Bank is selling its entire stake of 15.19% in the capital of National General Insurance (NGI) to Dubai Investments. The transaction is valued at 71 million AED (19.3 million USD). In April 2021, the bank had already sold 21.53% of NGI's capital to Dubai Investments. The investment company now holds 45.18% of the Emirati insurer's capital against the 8.46% it owned previously.
- ❖ Oman Insurance Company is launching an online underwriting service for life insurance policies. The new product is intended for the company's partners Mashreq Bank and AFIA Insurance Brokerage Services.
- ❖ China Export and Credit Insurance Corporation (Sinasure) is establishing its first office in the Middle East. The Chinese insurer has chosen the Dubai International Financial Centre (DIFC) as its center of activities in the region.
- ❖ The Emirates Insurance Association (EIA) is offering Emirati insurers the opportunity to take part in a digital platform for motor claims settlement. The initiative will help solve the difficulties of debt collection and simplify the recourse between insurance companies.

Industry Benchmarks

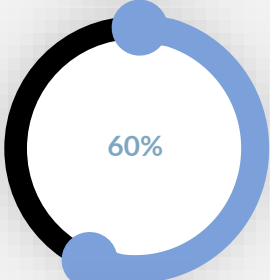
H1 2021



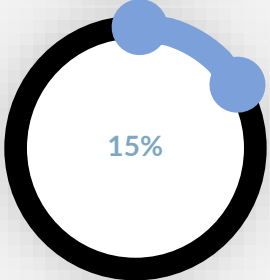
H1 2020



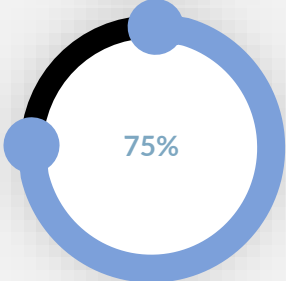
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio

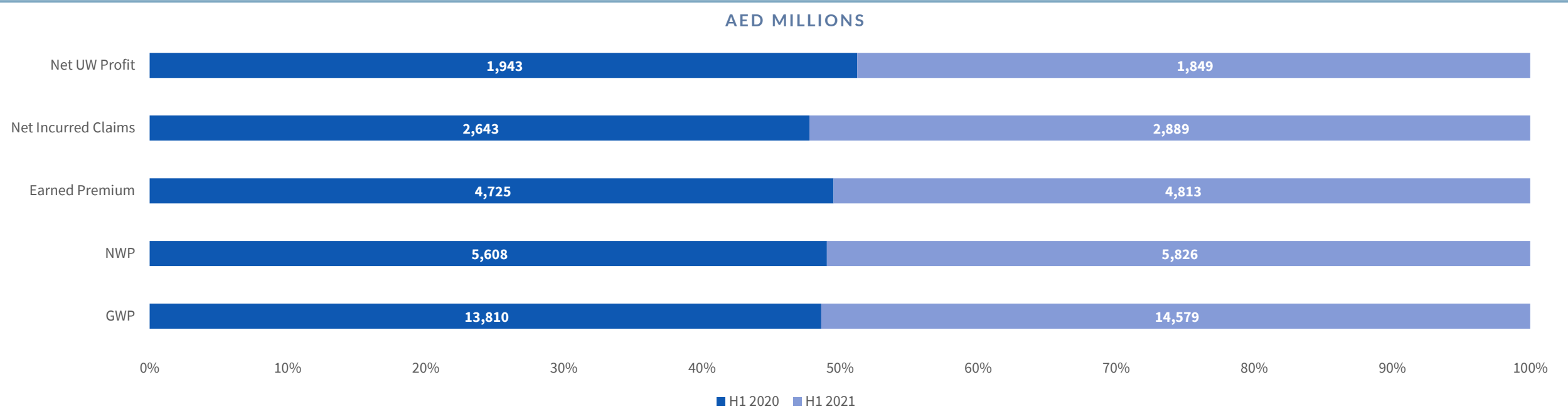


Weighted Average Combined Ratio

Impact of COVID-19

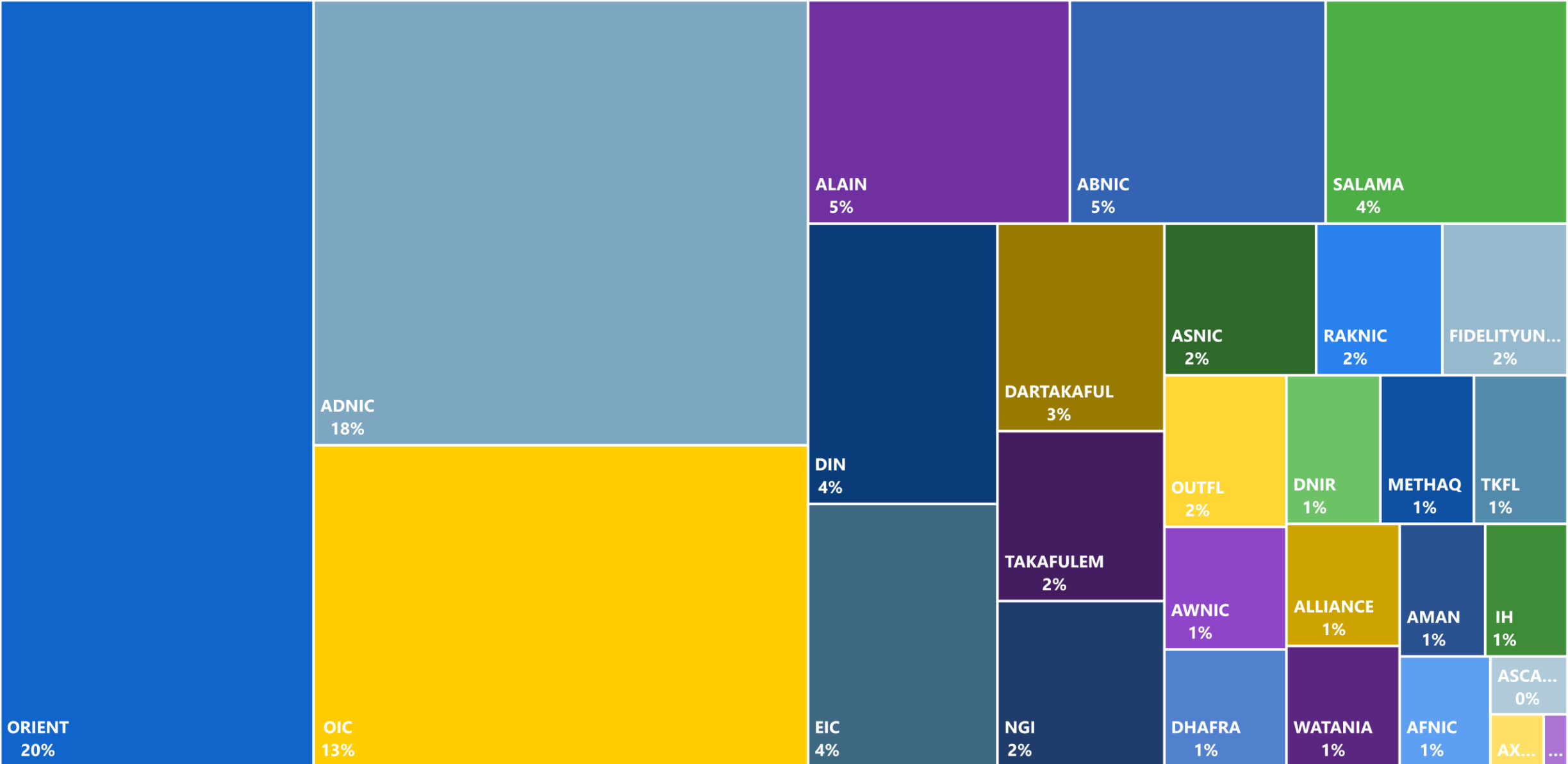
- ❖ The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.
- ❖ On 11 March 2020, 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. Coronavirus (COVID-19) outbreak has also affected the GCC region, including the United Arab Emirates. As the UAE economy struggles to resume normal business post COVID-related restrictions that were in place during the second quarter of the year 2020, the insurance industry managed to maintain positive growth in the year 2020, showing the resilience of the UAE Insurance Industry.
- ❖ In response to the spread of the COVID-19 virus in the Country, new services will come into play this year, such as vaccinations for the disease and potential increased wellness offerings for employers who have staff returning to an office or production environment. These services will increase the healthcare cost, which will form the backbone for health insurance pricing. Other tangible effects of the pandemic on the overall insurance industry include changes to underwriting policies and procedures, disruption in sales targets, increase in claims cost – and some cases reduction in the premiums.

Aggregate Performance



GWP and NWP increased by 5.57% and 3.89%, respectively. The net underwriting profit in H1 2021 decreased by about 5% when compared to H1 2020. Further, the net incurred claims increased, and the Net Earned Premium decreased in H1 2021.

Market Share Proportion

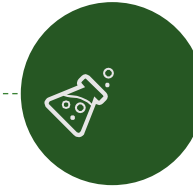


Premium Composition Top 10 vs Other Companies



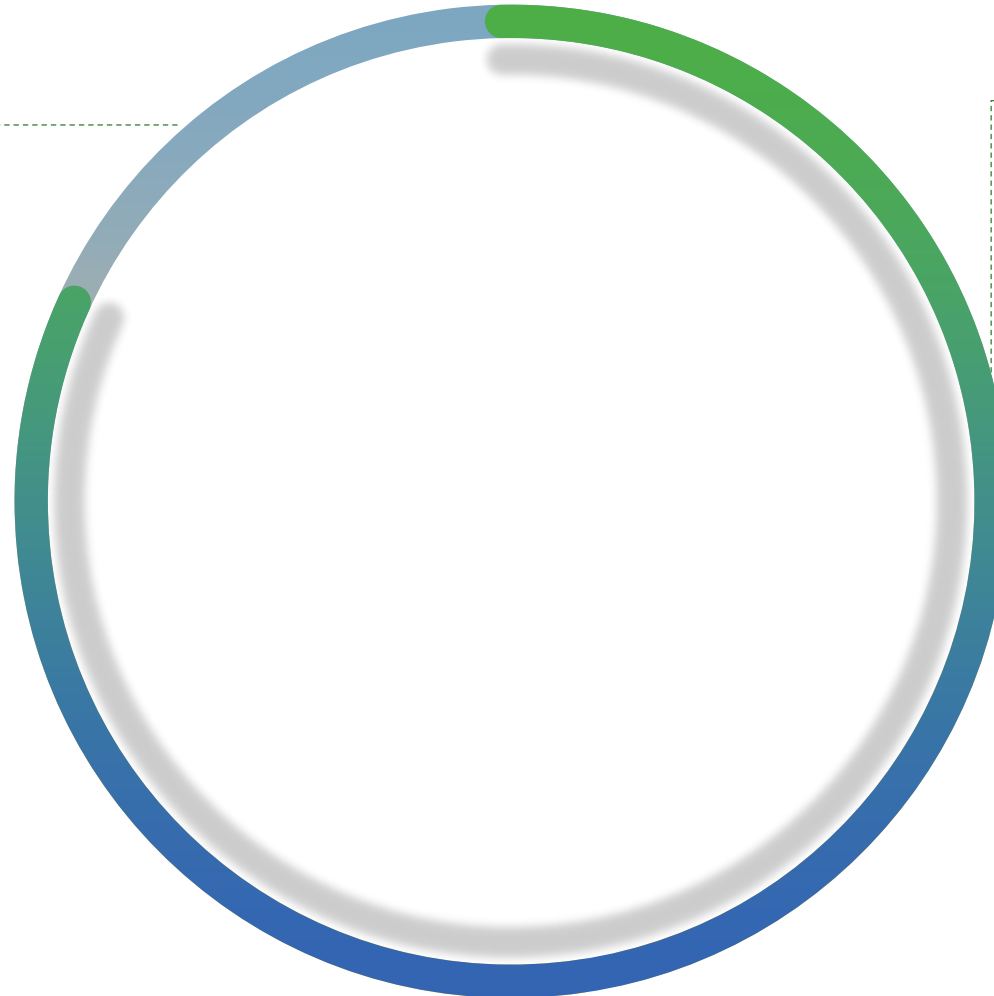
Other Companies

All other companies make up the remaining 21% of the market share.



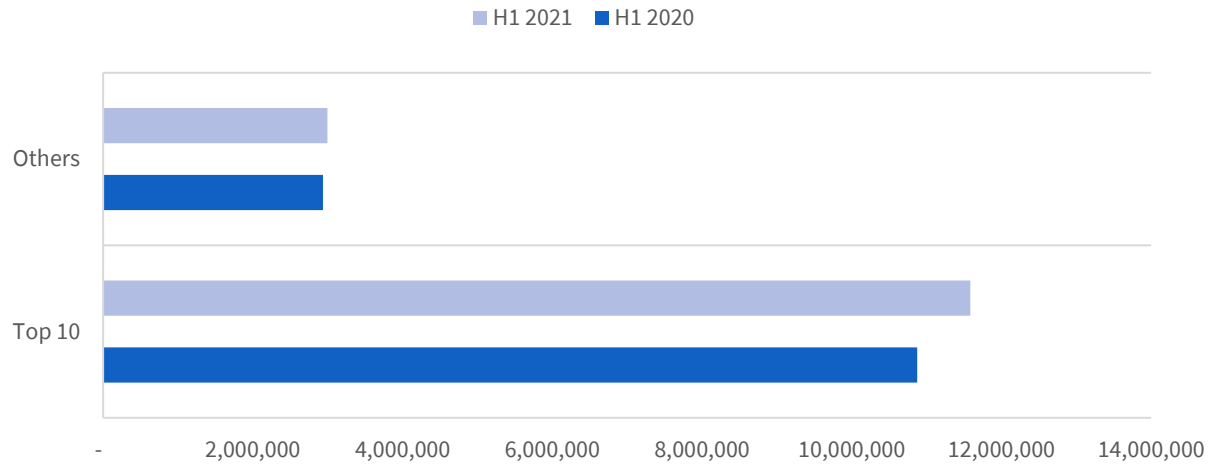
Top 10 Companies

The top 10 companies make up an overwhelming 79% of the market share.

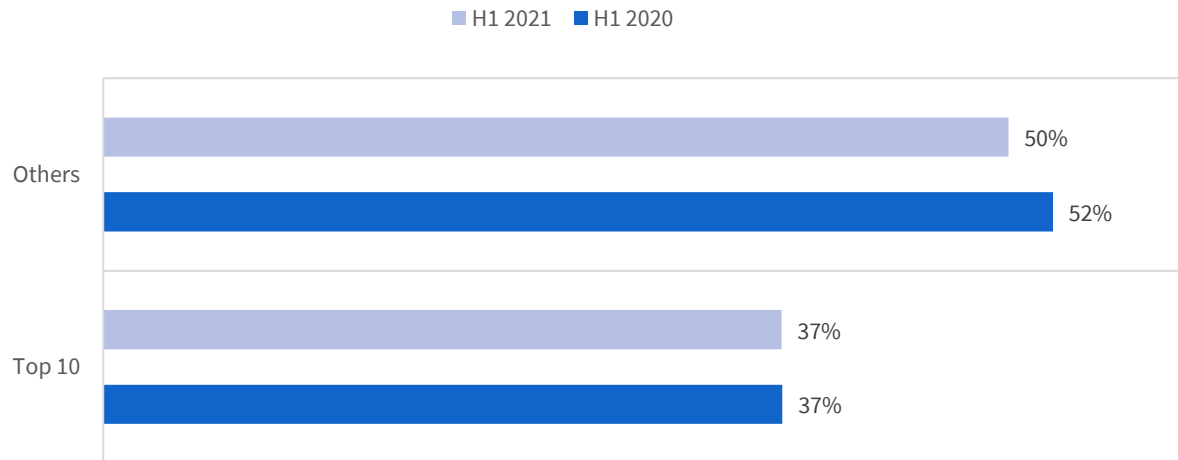


Gross Written Premium and Rankings

Gross Written Premiums (AED 000's)



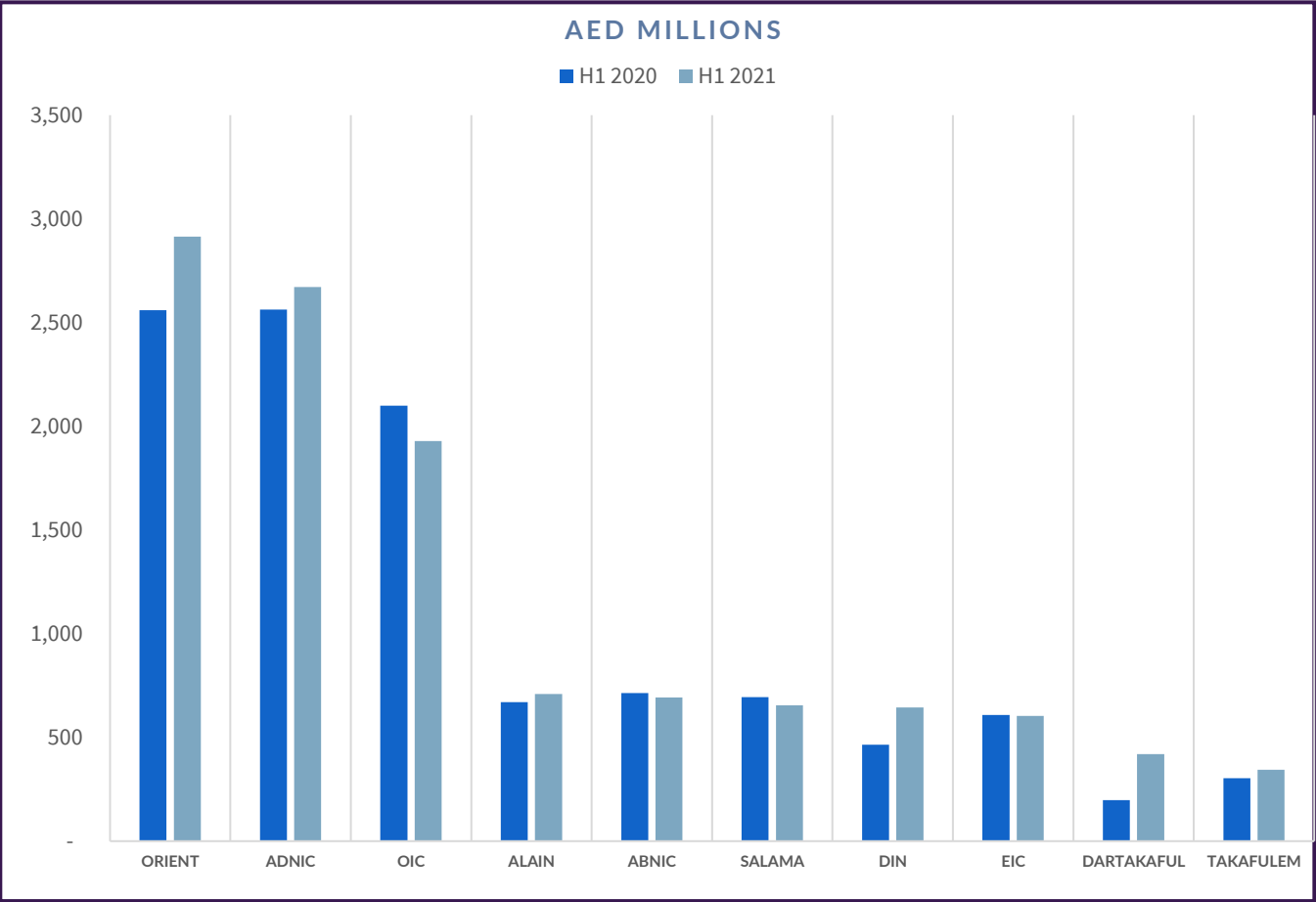
Retention Ratios



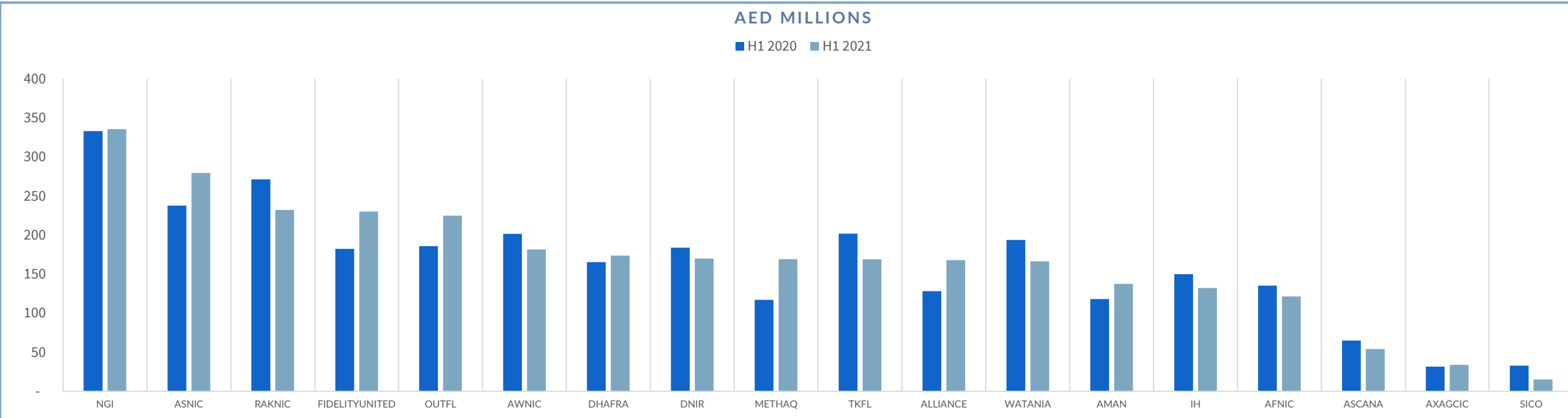
1. Orient	▲
2. ADNIC	▼
3. Oman Insurance	—
4. ABNIC	▼
5. Al Ain	▲
6. Salama	▼
7. DIN	▲
8. EIC	▼
9. Dar Takaful	▲
10. Takaful Emarat	—
11. NGI	▼
12. ASNIC	—
13. RAKNIC	▼
14. United Fidelity	▲
15. Orient UNB	▲
16. Awnic	▼
17. Dhafra	▲
18. DNIR	—
19. Methaq	▲
20. TKFL	▼
21. Alliance	▲
22. WATANIA	▼
23. AMAN	▲
24. Insurance House	▼
25. AFNIC	▼
26. Arabian Scand	—
27. AXA Green	▲
28. Sharjah Insurance	▼

Gross Written Premium - Top 10 Companies

Orient captured the biggest market share of 20%, followed by ADNIC (18%) for H1 2021. The smallest market share (for the Top 10) is for TAKAFUL-EM (2%) for H1 2021. The top 10 companies contributed AED 11.59 billion in the industry as of H1 2021.

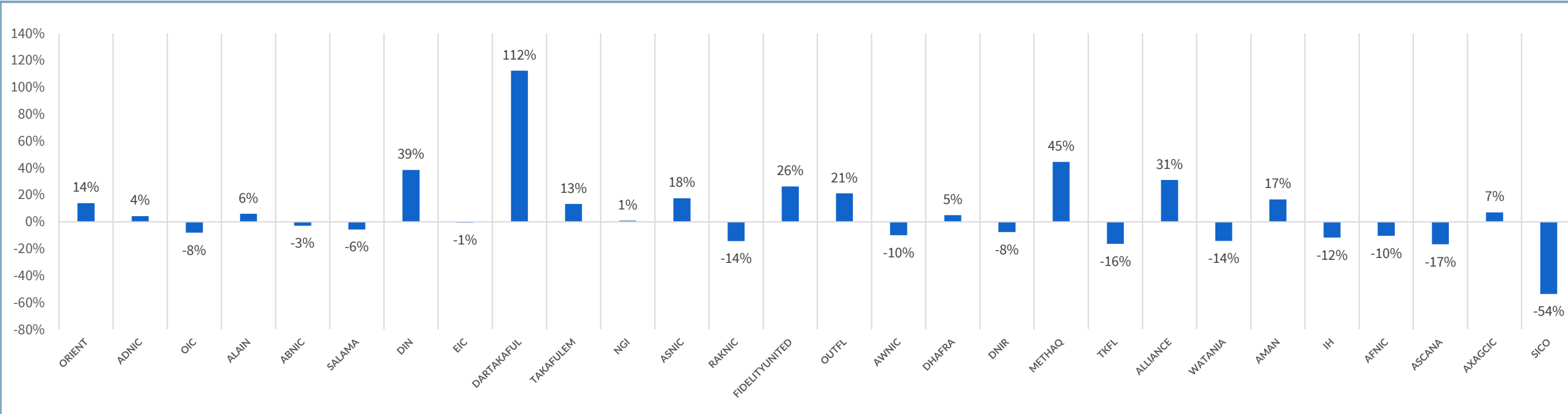


Gross Written Premium – Other Companies



Among the other companies, National General Insurance has the biggest market share in H1 2021, while SICO had the smallest market share in H1 2021. Also, SICO, TKFL and RAKNIC experienced a significant decrease in their market share, while Alliance and Methaq experienced a significant increase in their Gross Written Premium in H1 2021.

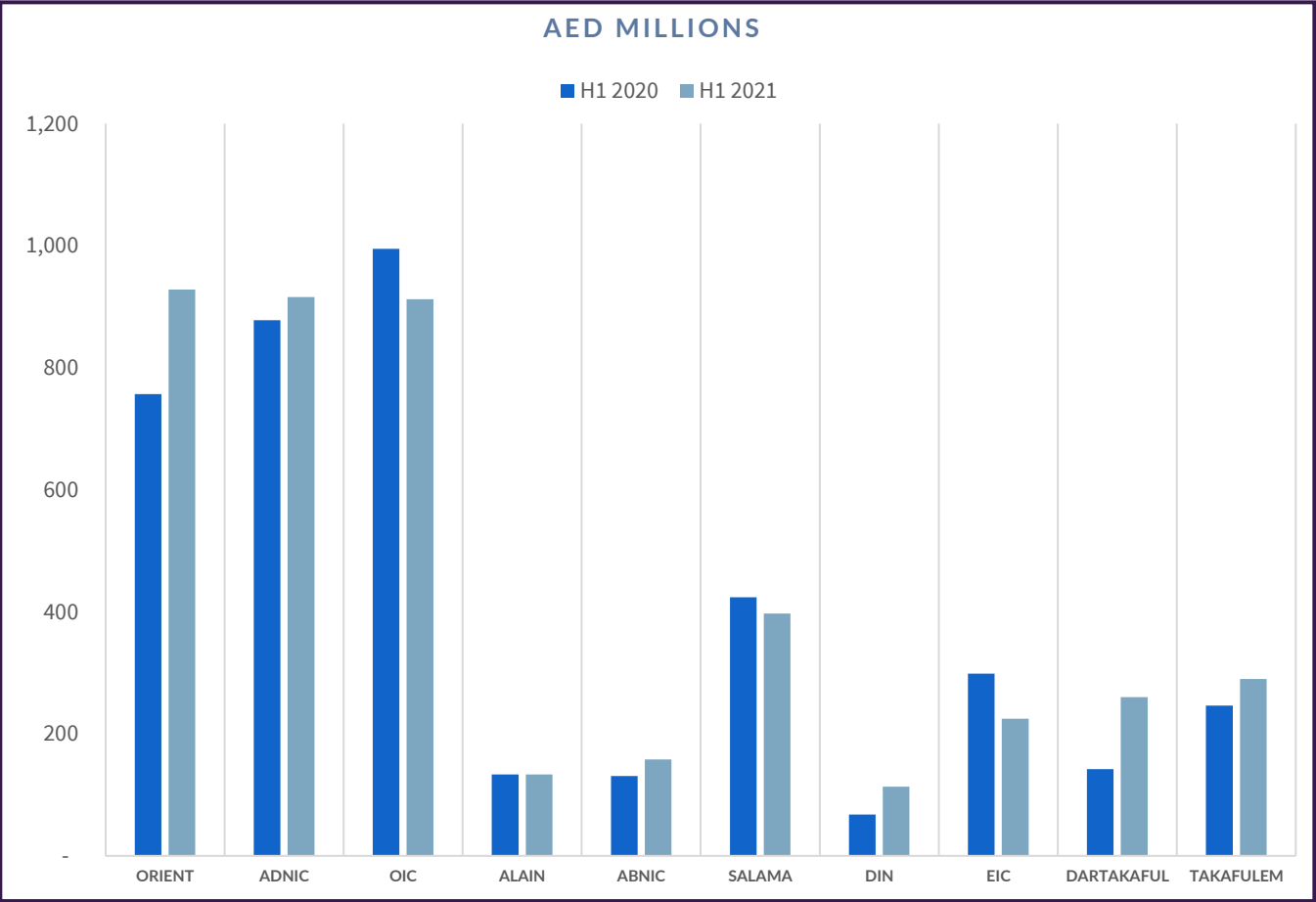
Gross Written Premium – Movement



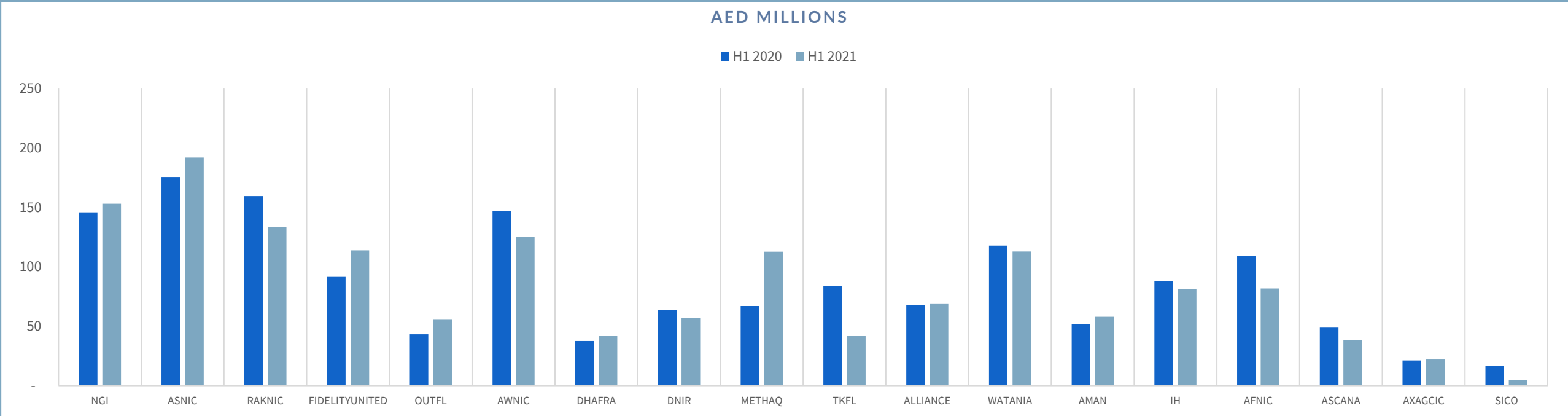
13 out of 28 companies showed a decrease in Gross Written Premium in H1 2021. The highest growth rate in H1 2021 was exhibited by DAR Takaful which was 112%. The second highest growth was shown by Methaq, which was 45%, while the largest decrease in business was reflected by SICO depicting a decline of 54%. The range of movement in Gross Written Premium for the top 10 companies is narrow when compared to the range of movement for the remaining company, indicating that the top 10 companies have a more stable business.

Net Written Premium - Top 10 Companies

Orient had the highest Net Written Premium of 928 million, followed by ADNIC with 916 million for the H1 2021. The top 10 companies amounted to 4.33 billion in the insurance industry in H1 2021.

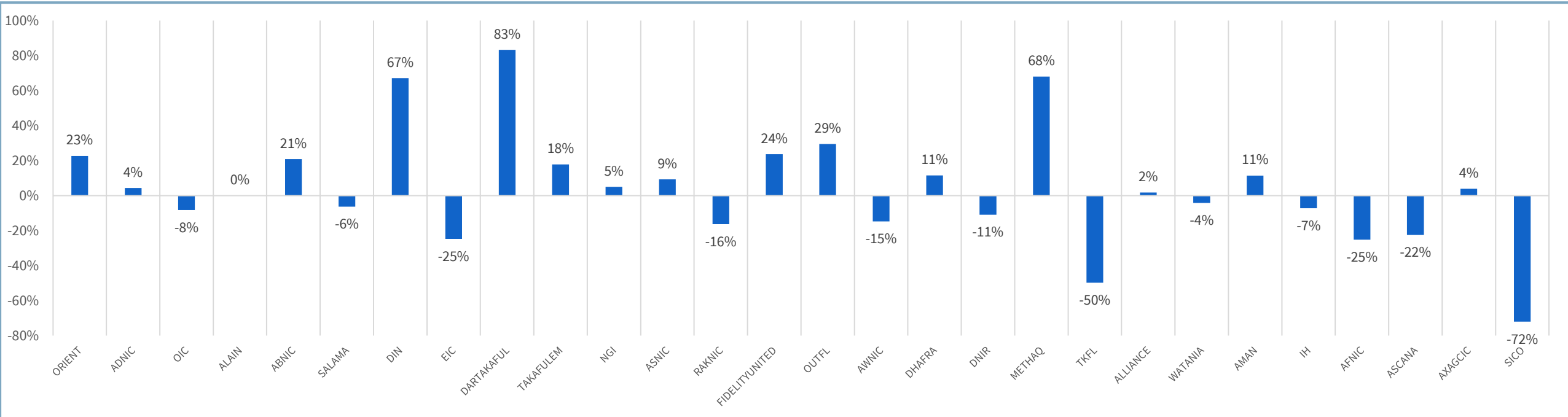


Net Written Premium - Other Companies



Among the remaining companies, the highest Net Written Premium for H1 2021 was of ASNIC (AED 192 million), while the lowest was for SICO.

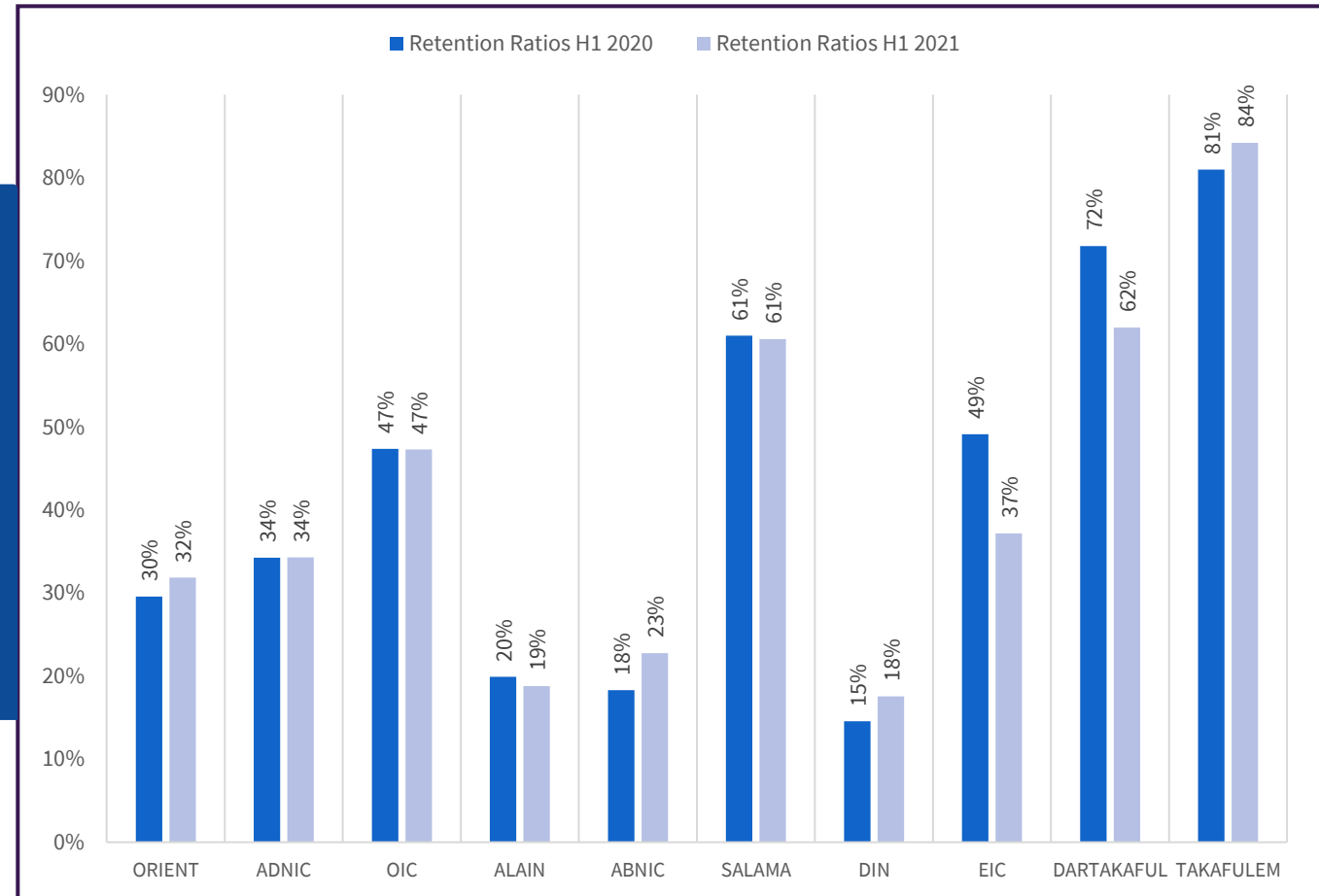
Net Written Premium – Movement



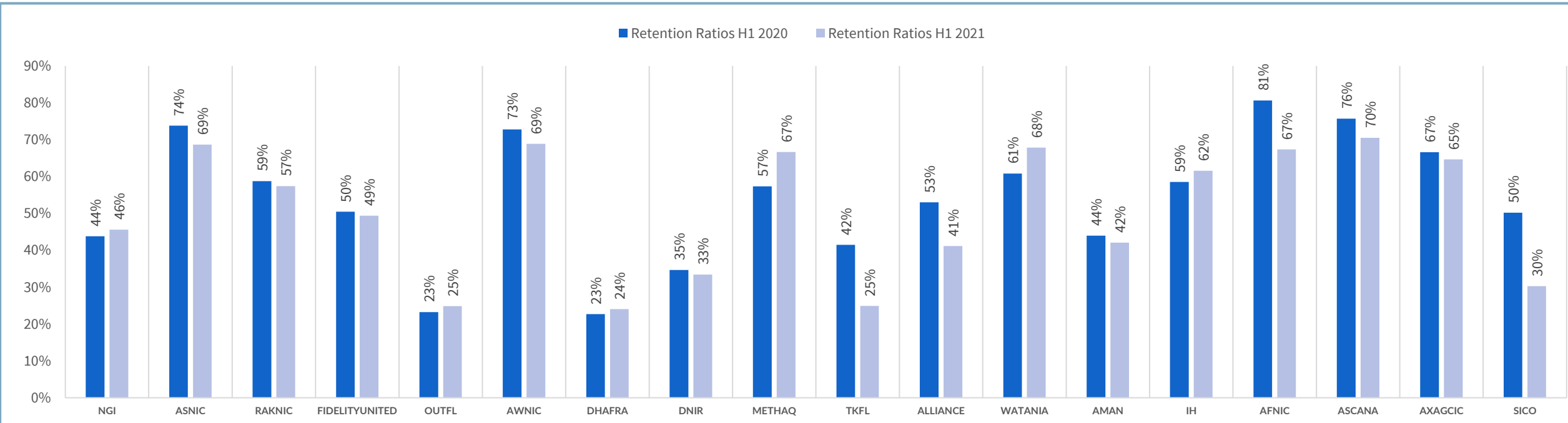
Net Written Premium grew the most for DAR Takaful (83%) and the highest declined for SICO (-72%). The range of movement in the net written premium was narrow for the top 10 companies when compared to the remaining companies.

Retention Ratios - Top 10 Companies

TAKAFUL-EM had the highest retention ratio in both, the first half 81% in H1 2020 and 84% in H1 2021, while DIN had the lowest retention ratio of 18% in H1 2021. Retention ratios were stable for most of the companies, with the highest change being a 12% decrease for EIC. In addition to this, it can also be noted that retention ratios for ALAIN, ABNIC and DIN were significantly lower than the other top 10 companies.

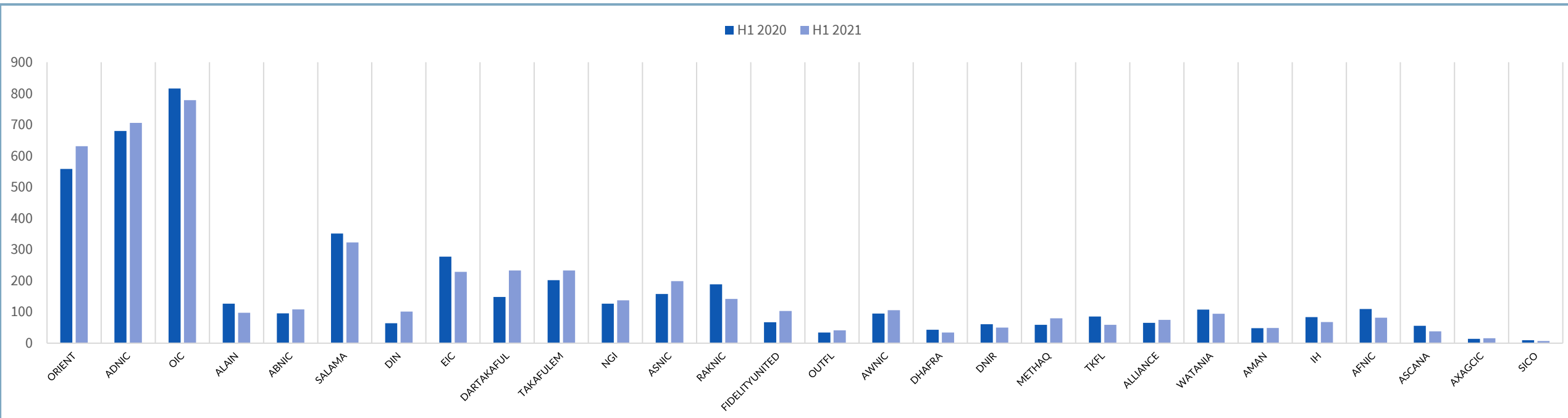


Retention Ratios - Other Companies



On an aggregate basis, the weighted average retention ratio is 40%. Among the other companies, the highest retention ratio being 70% for ASCANA, and the lowest being 24% for Dhafra for the H1 2021. For all other companies, the retention ratios do not vary greatly except for AFNIC and SICO, which experienced a decline of 14% and 20%, respectively.

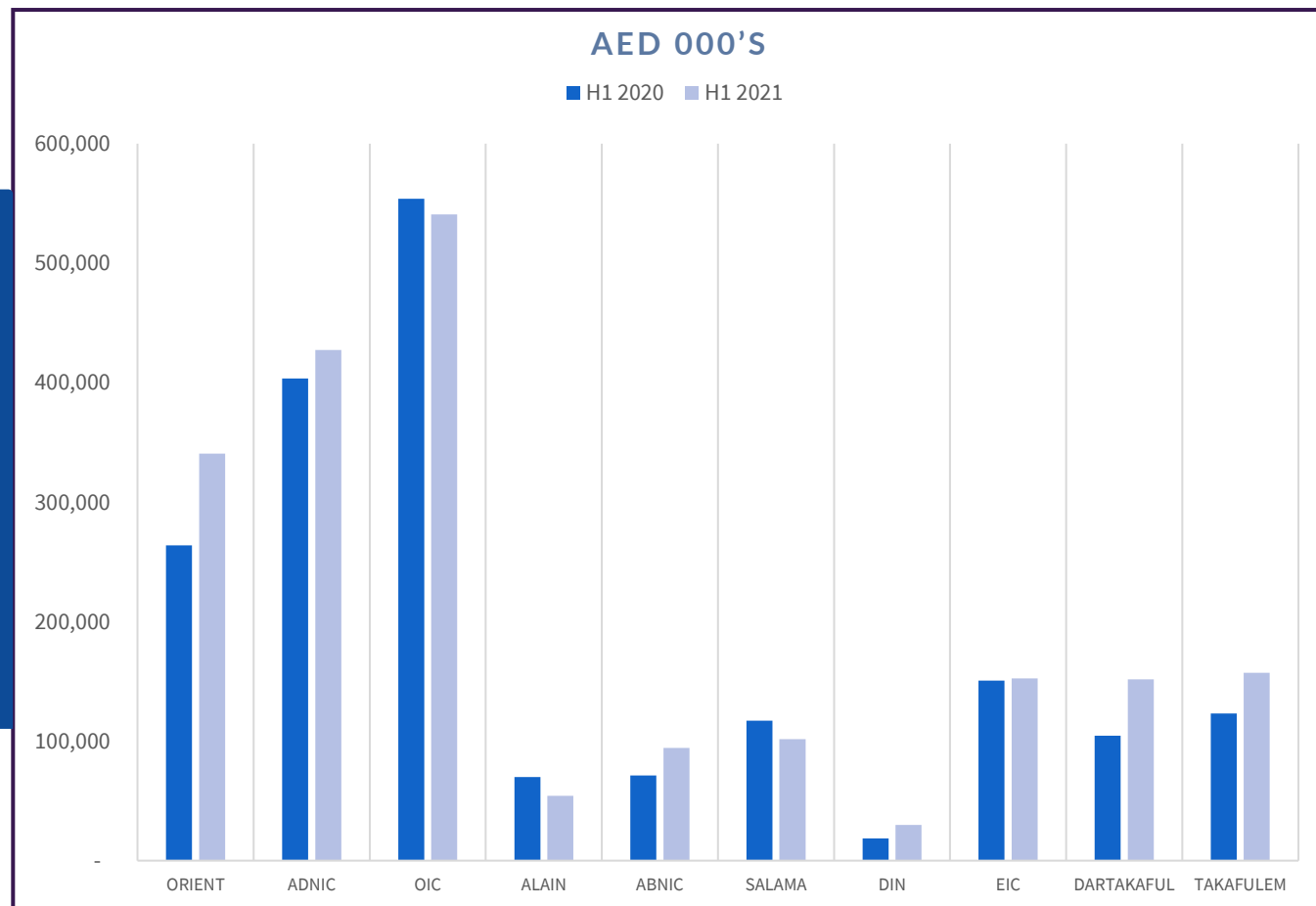
Net Earned Premium



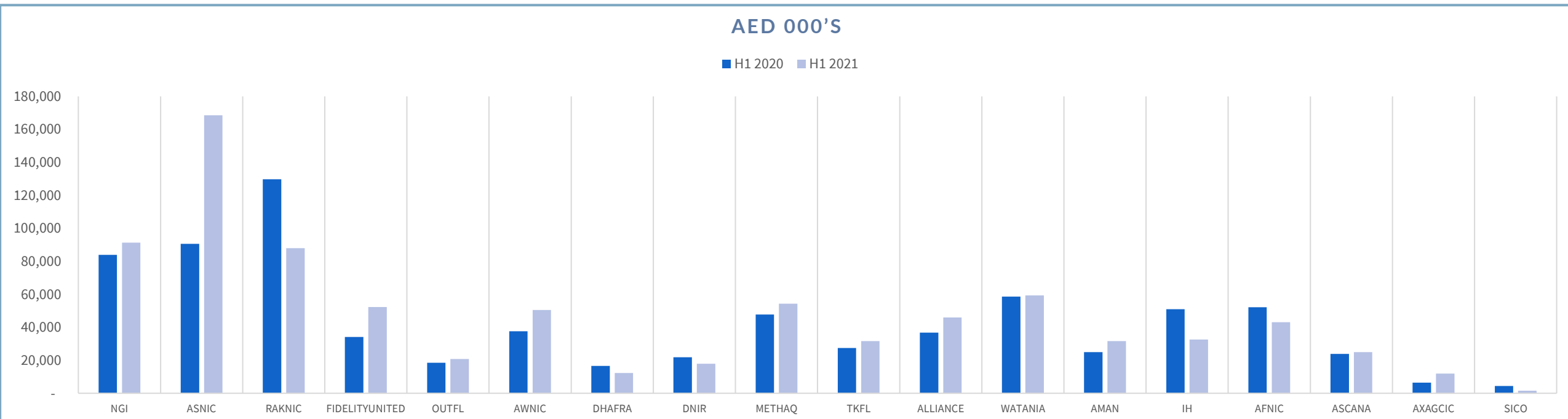
The highest Net Earned Premium is for OIC in both the years followed by ADNOC, while the lowest being for SICO. As shown, DARTAKAFUL experienced the highest positive growth rate in H1 2021. The top 10 companies amounted to 3.44 billion (about 71%) of Net Earned Premiums in H1 2021.

Net Incurred Claims - Top 10 Companies

OIC had the highest net incurred claims of 554 million and 541 million in H1 2020 and H1 2021, respectively, whereas DIN had the lowest net incurred claims of 19 million and 30 million in H1 2020 and H1 2021, respectively.



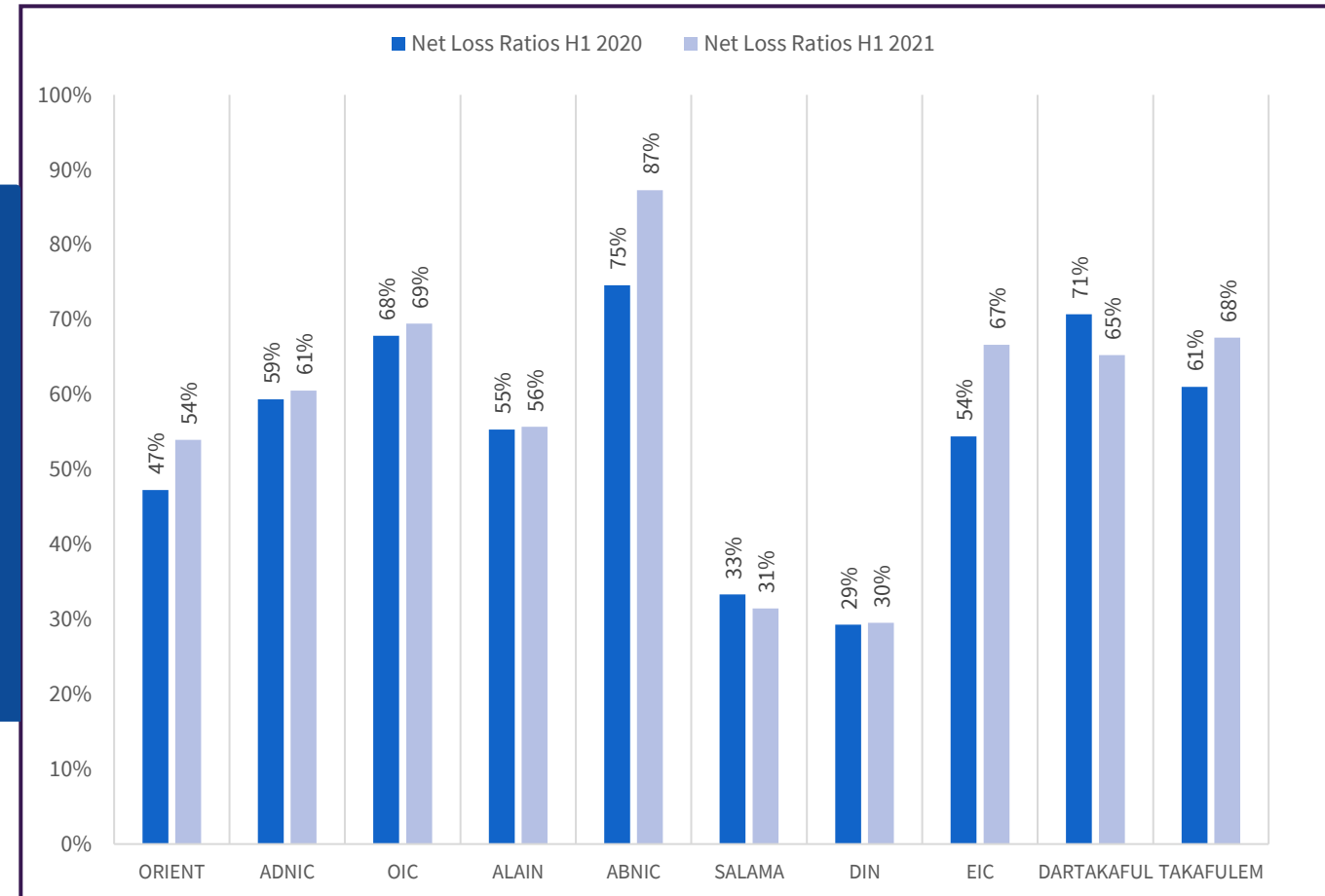
Net Incurred Claims - Other Companies



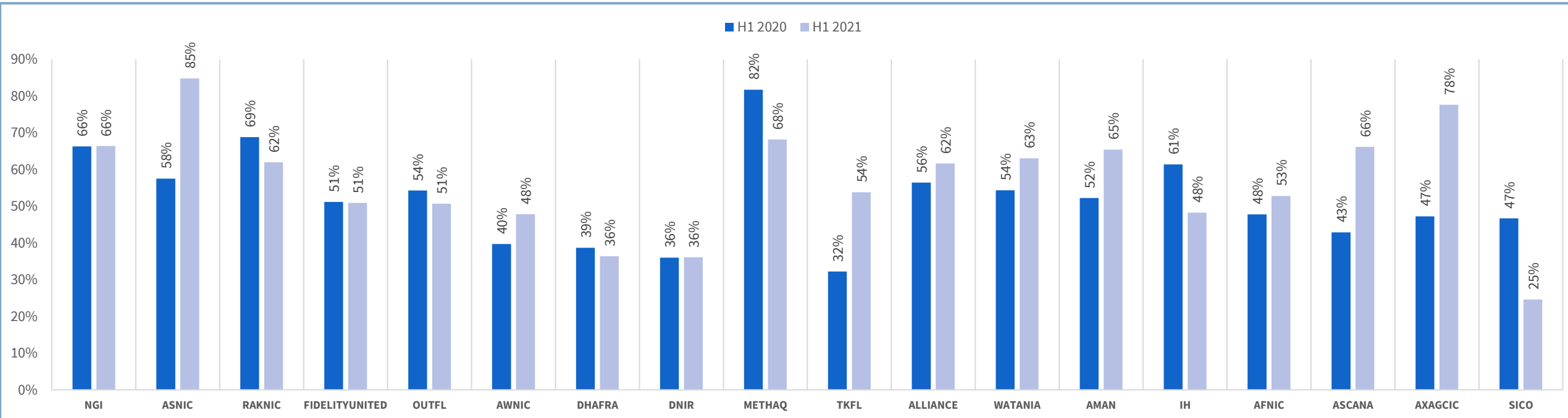
ASNIC had the highest net incurred claims of 168 million in H1 2021, while SICO had the lowest net incurred claims of 4 million and 1 million in H1 2020 and H1 2021, respectively.

Loss Ratios - Top 10 Companies

For H1 2020 and H1 2021, the highest loss ratio was for ABNIC, being 75% and 87%, respectively, while the lowest was for DIN, being 29% and 30%, respectively.



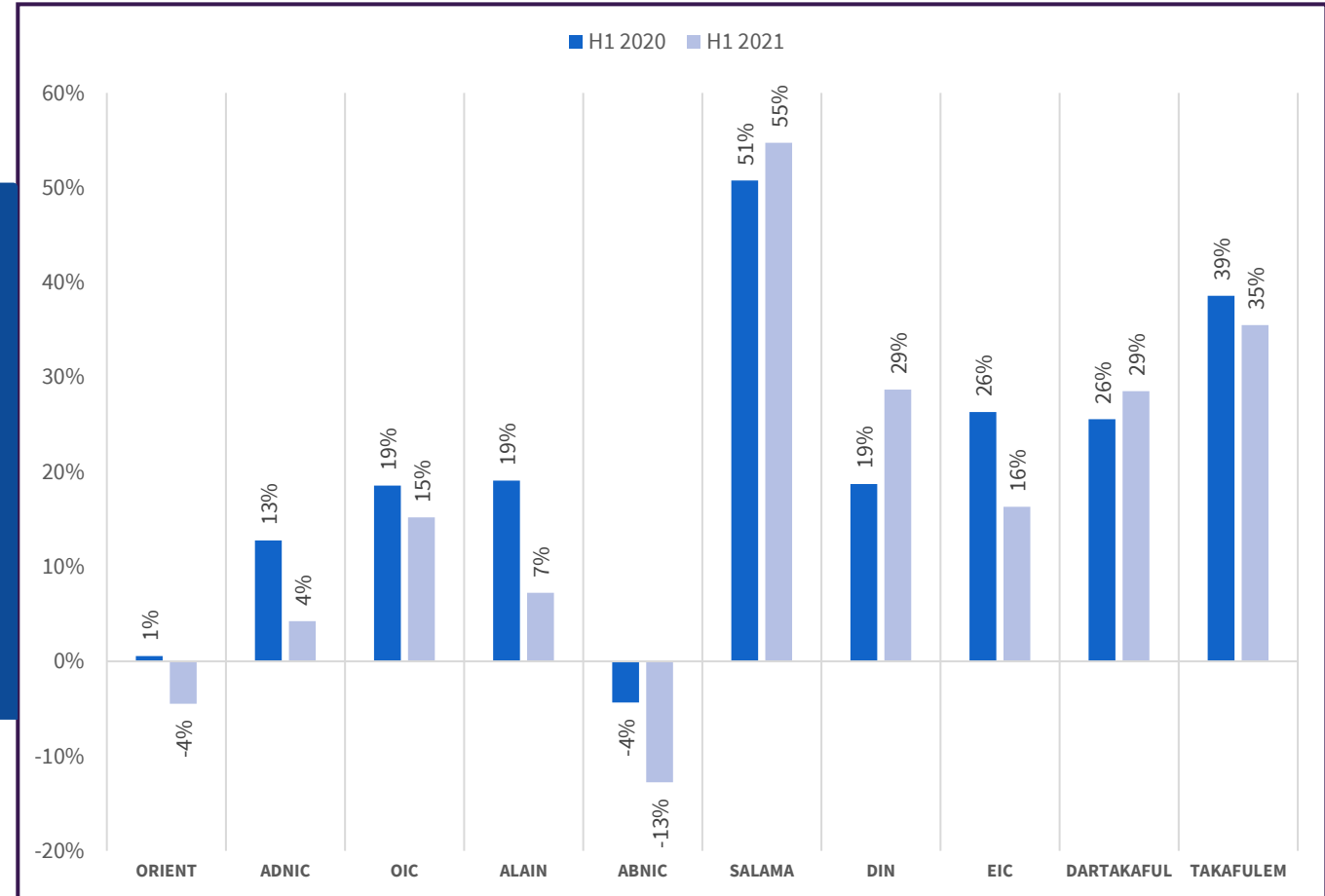
Loss Ratios - Other Companies



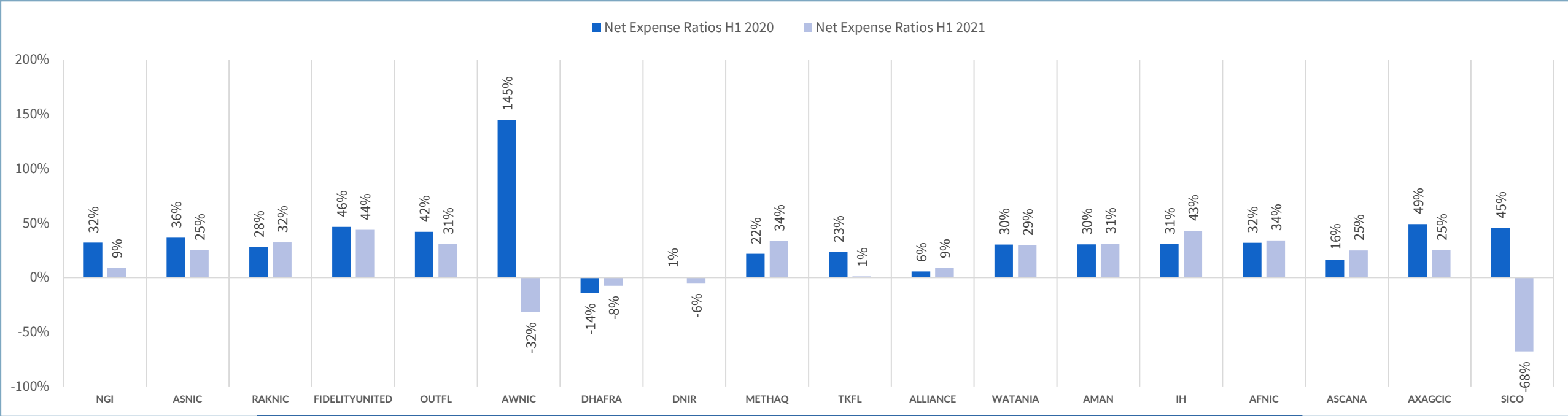
The loss ratios for other companies have been summarized in the above chart. For H1 2020, the highest loss ratio was for the Methaq (82%) and the lowest for TKFL (32%). For H1 2021, the highest loss ratio was observed for ASNIC (85%) and the lowest for SICO (25%).

Expense Ratios - Top 10 Companies

For H1 2021, the expense ratio was the highest for Salama (55%) and the lowest for ABNIC (-13%). For H1 2020, Salama had the highest expense ratio (51%), while ABNIC and Orient had negative expense ratios (4%).



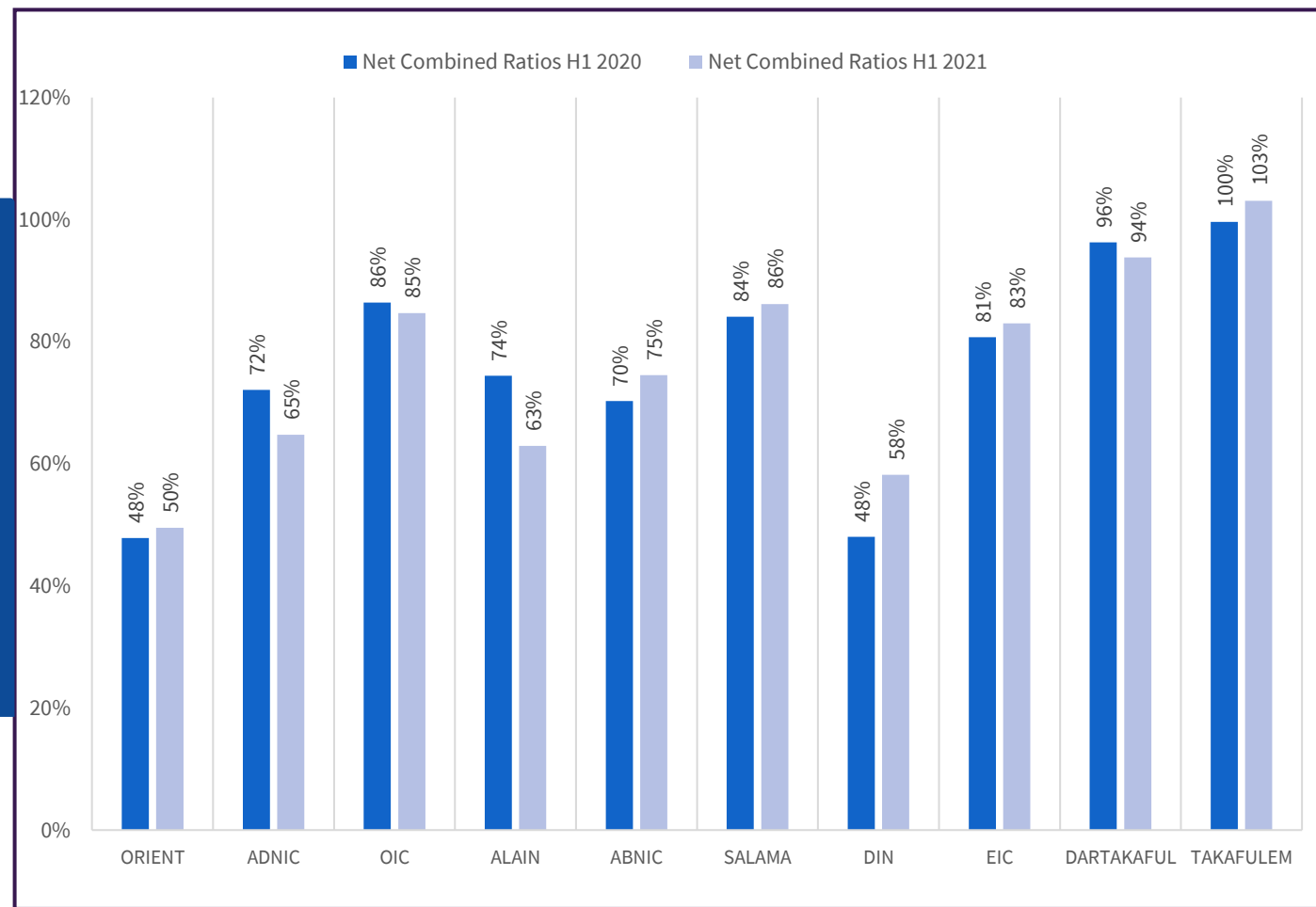
Expense Ratios - Other Companies



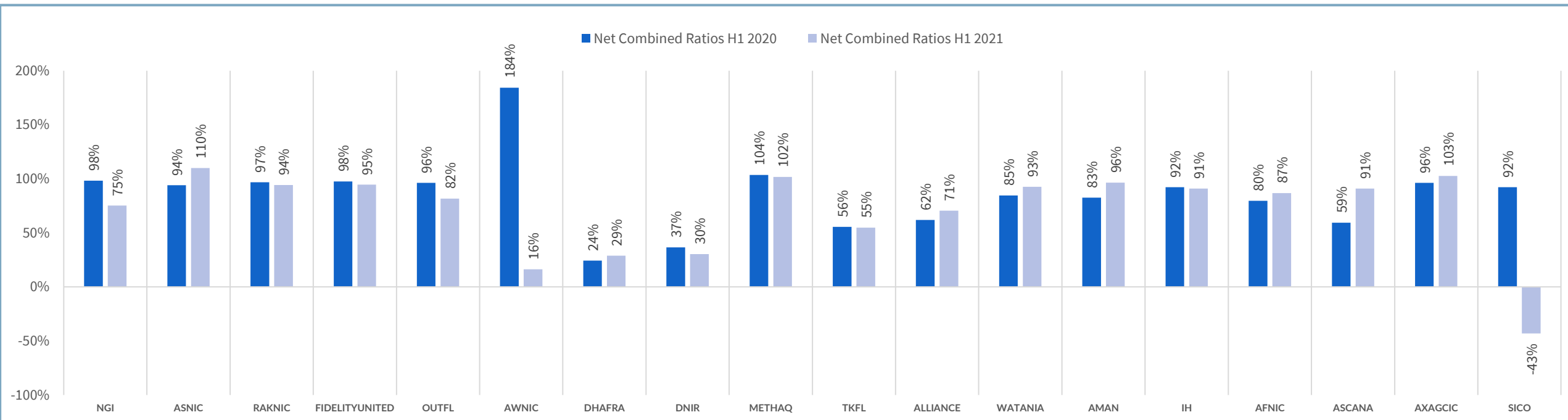
The highest expense ratio in H1 2020 was for Awnic (145%), followed by AXAGCIC (49%), and was the lowest for DHAFRA (-14%). For H1 2021, the highest expense ratio was for Fidelity United (44%), and the lowest was for SICO (-68%). Awnic, DHAFRA, DNIR and SICO had a negative expense ratio for H1 2021. The weighted average expense ratios for H1 2021 culminates to be 15%.

Combined Ratios - Top 10 Companies

For the H1 2020, the highest combined ratio was for TAKAFUL-EM (100%) and the lowest for Orient and DIN (48%). Net combined ratios were high in H1 2021, with TAKAFUL-EM having a combined ratio of 103% and DARTAKAFUL having a combined ratio of 94%. Combined ratios increased for 6 of the top 10 companies. The difference between the combined ratios of H1 2020 and H1 2021 was not very significant.



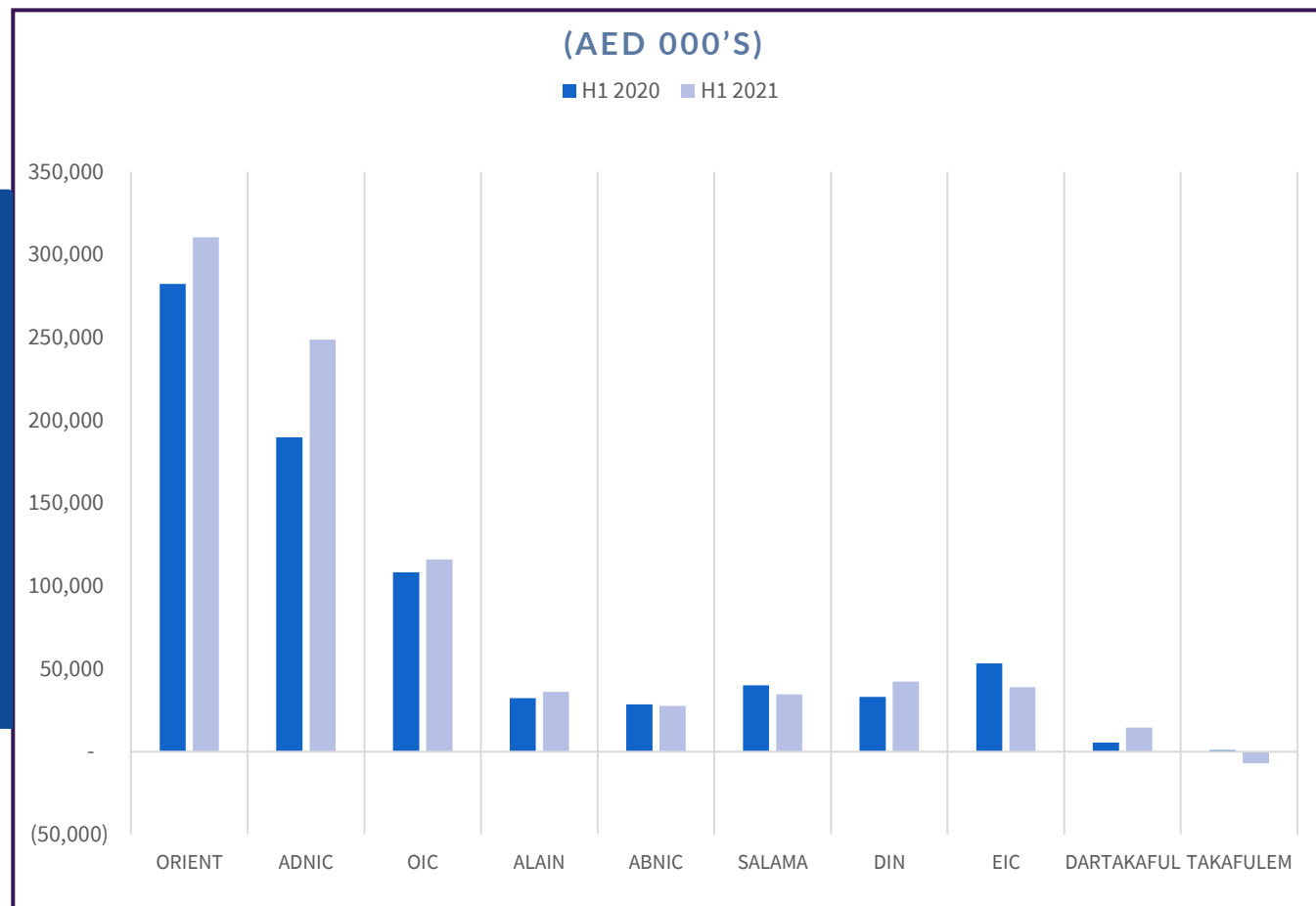
Combined Ratios - Other Companies



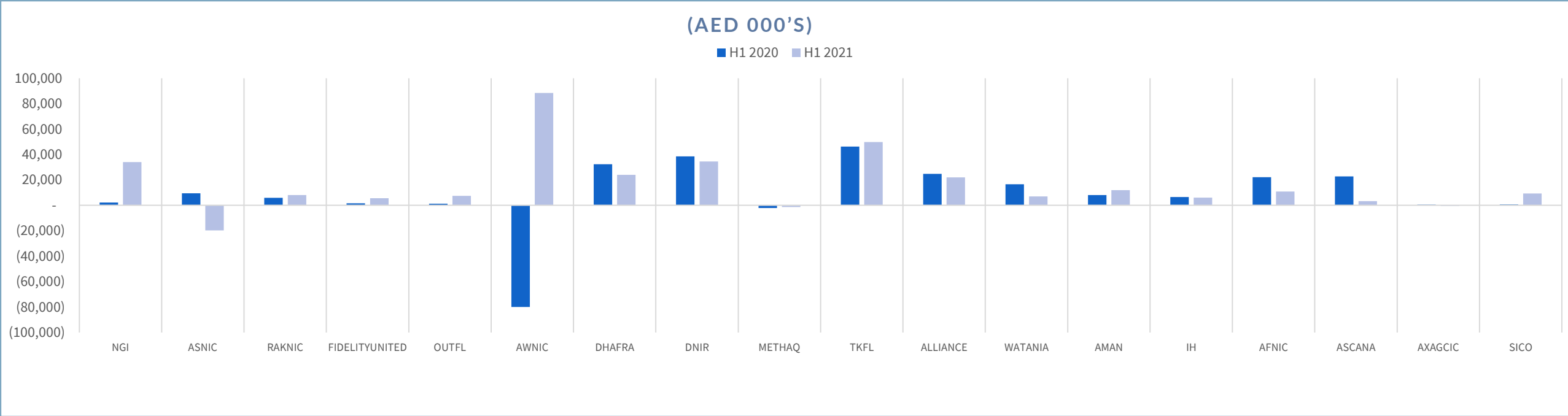
The combined ratio for most of the other companies was lower than 100% in both quarters. ASNIC had a combined ratio of 94% in H1 2020, and it increased to 110% in H1 2021. The lowest combined ratio was for Awnic, which decreased from 184% to 16% in H1 2021.

Net Profit and Loss - Top 10 Companies

Orient had the highest net profit in H1 2020, and it was further able to increase it from 282 million to 310 million, retaining its position. Among the top 10 companies, the lowest net profit was for Takafulem, which experienced a net loss of 7.1 million in H1 2021.

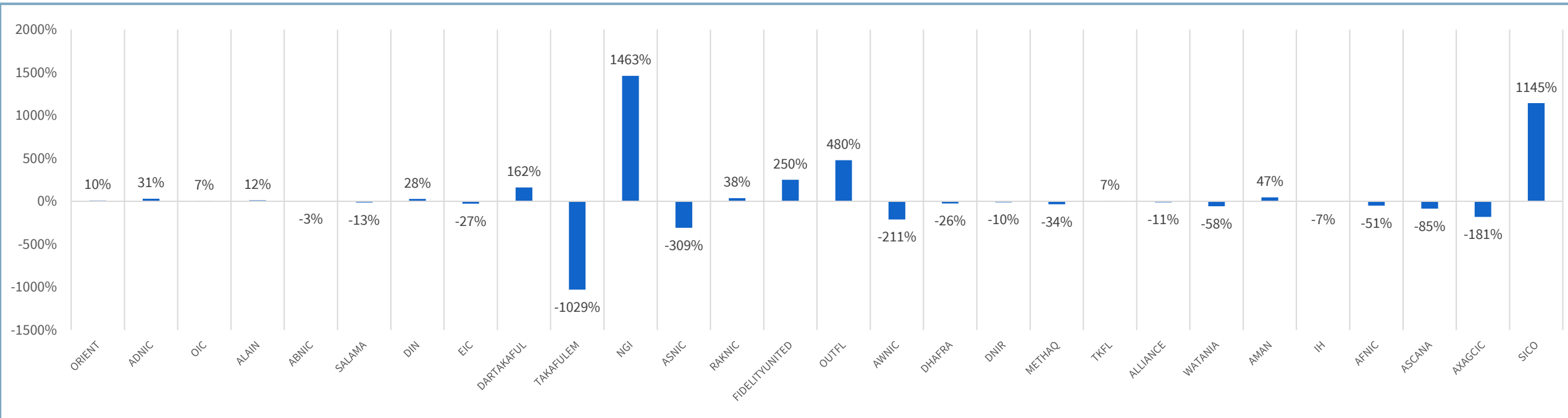


Net Profit and Loss - Other Companies



TKFL had the highest net profit of 46 million in H1 2020, and AWNIC had the highest net profit of 88 million in H1 2021. AWNIC has shown a tremendous improvement by increasing its net profit by 168 million, moving from a loss of 80 million in H1 2020, and to a profit of 88 million in H1 2021. The highest net loss was for ASNIC in H1 2021.

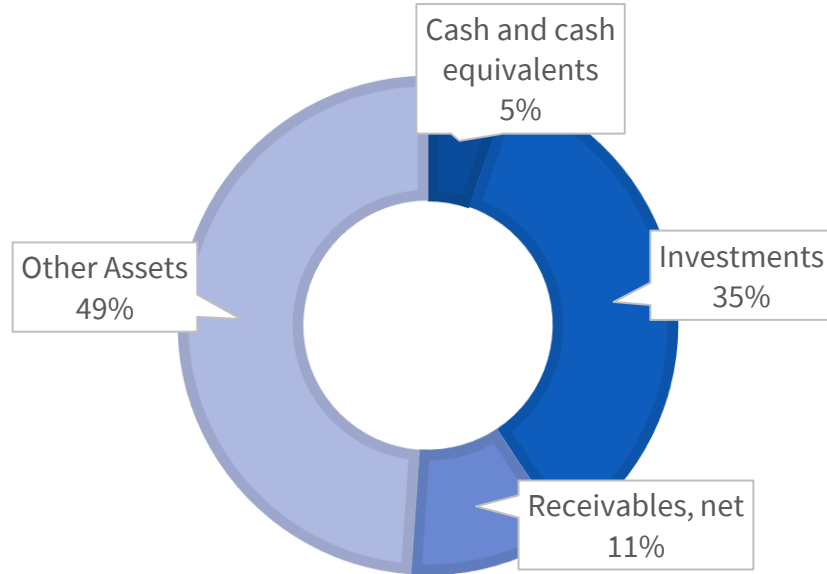
Net Profit and Loss - Movement



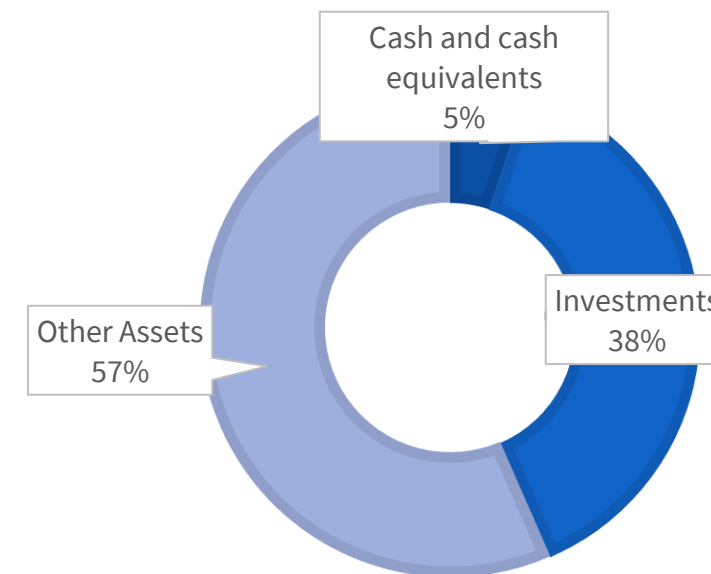
Net profit has shown an overall increase of 25% in H1 2021. The highest movement was experienced by NGI of about 1463%, with profits amounting to AED 34 million in H1 2021. TAKAFUL-EM experienced a huge decline in its net profit of about 10.29 times. AWNIC had a net loss in H1 2020, which turned to a net profit in H1 2021.

Asset Classification - Aggregate

POLICYHOLDER ASSET CLASSIFICATION



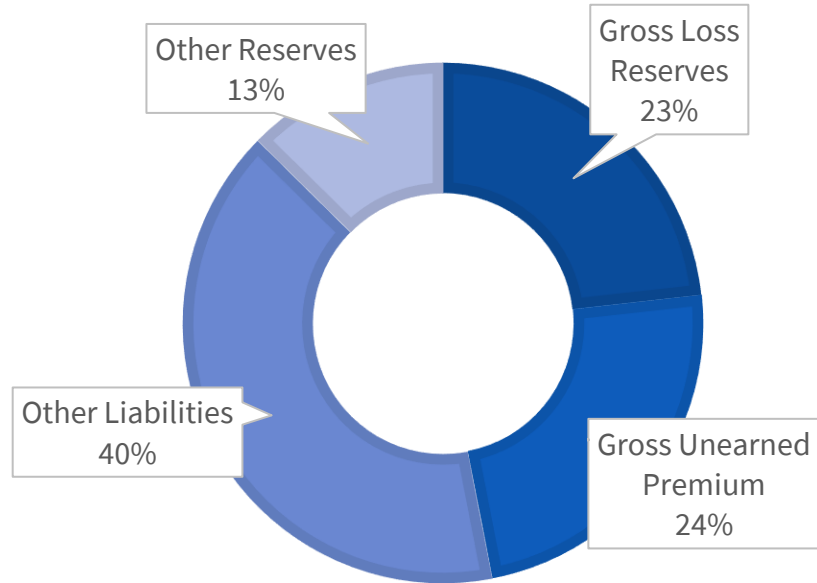
SHAREHOLDER ASSET CLASSIFICATION



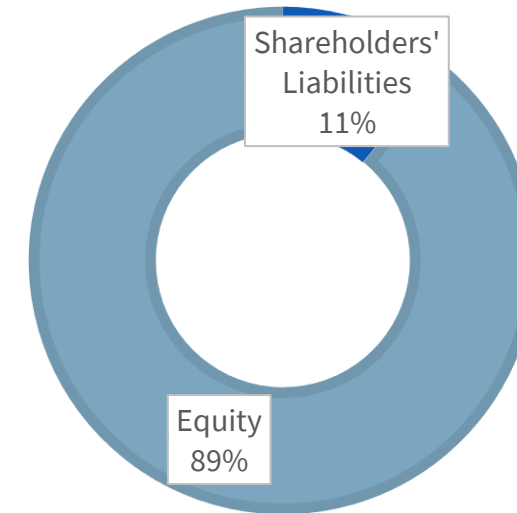
Most of the policyholder assets were kept as Other Assets (49%), while 35% were kept as Investments, 11% as Receivables and 5% as Cash. 38% of the Shareholder Assets were kept as investments, 5% as Cash and 57% as Receivables.

Liability & Equity Classification - Aggregate

POLICYHOLDER LIABILITY CLASSIFICATION

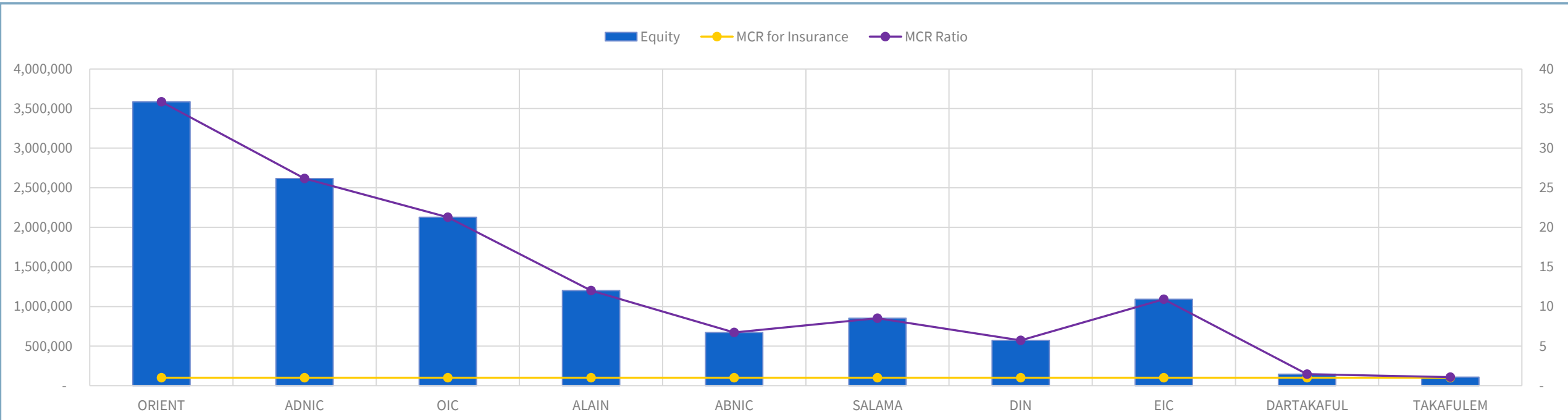


SHAREHOLDER'S LIABILITY AND EQUITY



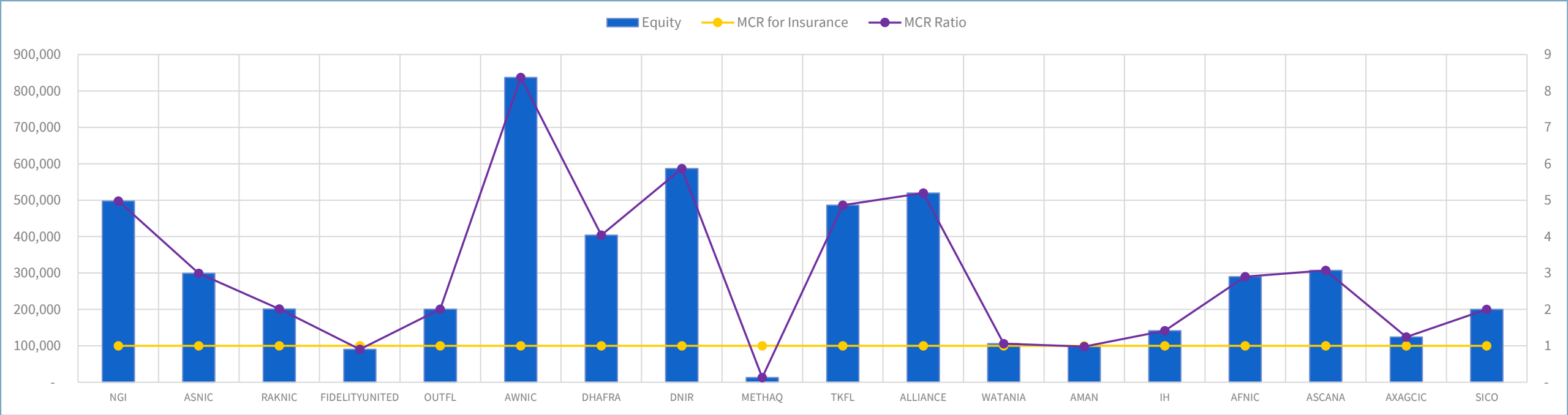
Policyholder liabilities consist of 23% gross loss reserve, 24% of the gross unearned premium and 40% of other liabilities. In addition to this, Equity as a percentage of total assets is about 30%

Solvency Analysis - Top 10 Companies



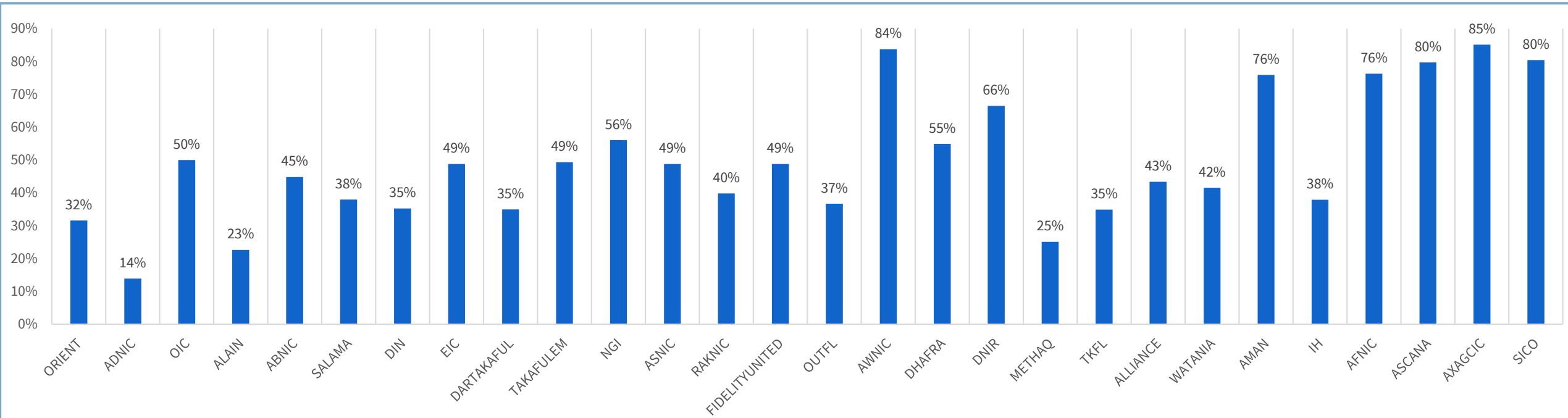
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Solvency Analysis - Other Companies



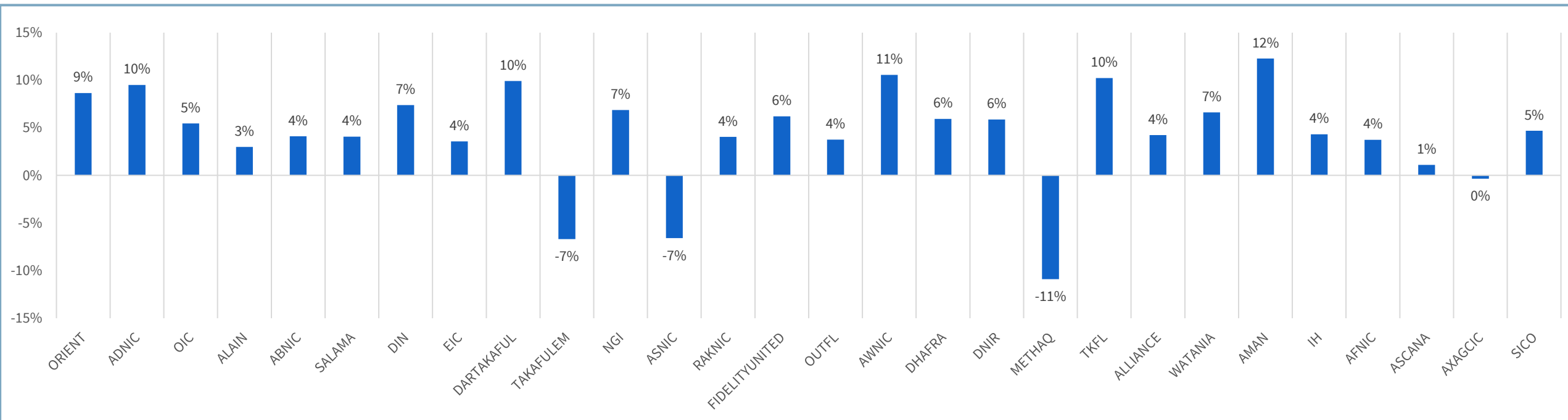
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Proportion of Invested Assets



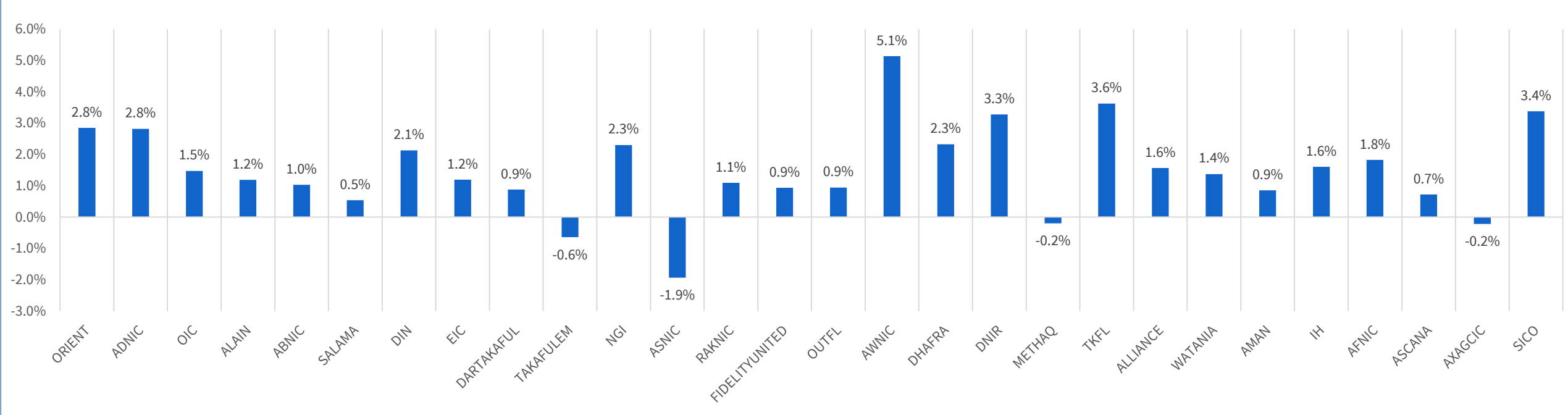
For most of the companies, invested assets along with cash constitute less than 50% of the total assets. The highest invested to total assets ratio is for AXAGCIC (85%), while the lowest is for ADNIC of about 14%.

Return on Equity (ROE)



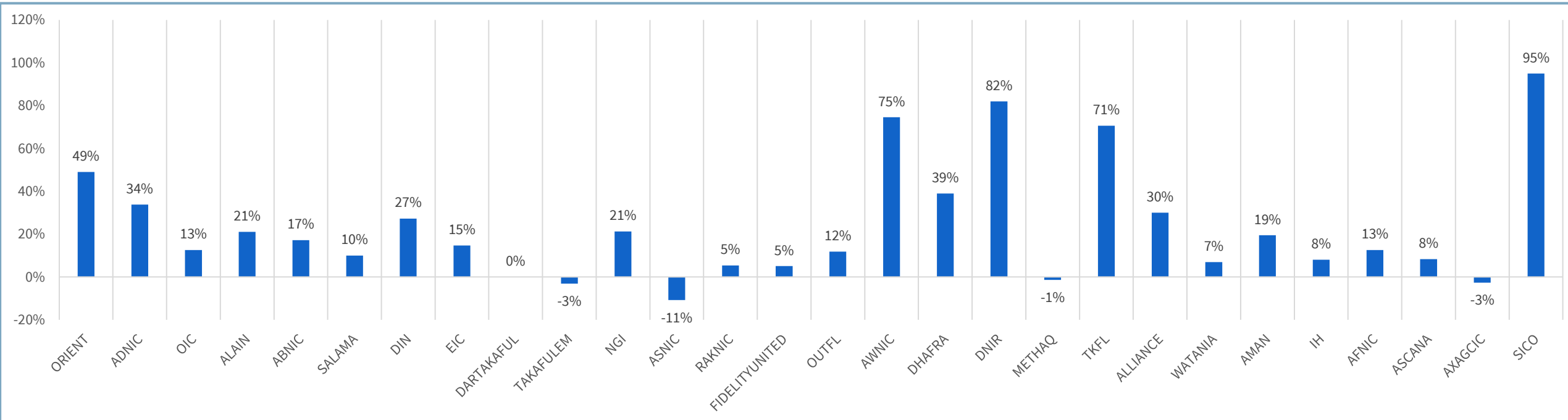
The Return On Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest Return on Equity was for AMAN of about 12%, suggesting that AMAN was able to utilize the investments received from the shareholders better than other companies. Return on Equity was negative (-11%) for Methaq.

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 was able to earn the highest Return on Assets of around 5.1%, while Asnic earned the highest negative return on its Assets of about -1.9%.

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 (95%), suggesting that claims and expenses were very low. The lowest net margin was for ASNIC (-11%).

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 Alahlia 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
Takaful Emarat (PSC)	TAKAFUL-EM	Takaful
National General Insurance Company P.J.S.C	NGI	Conventional
Ras Alkhaima 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 Compnay	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



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Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – United Arab Emirates for the First Half of 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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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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