



Insurance Industry
United Arab Emirates
First Quarter 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

- 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

Our Services

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

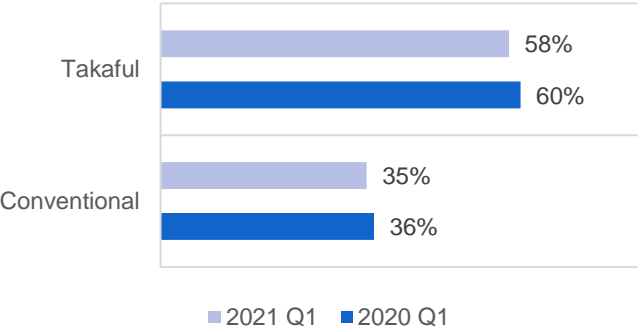
ERM and Capital Modeling

Limitations and Disclaimers

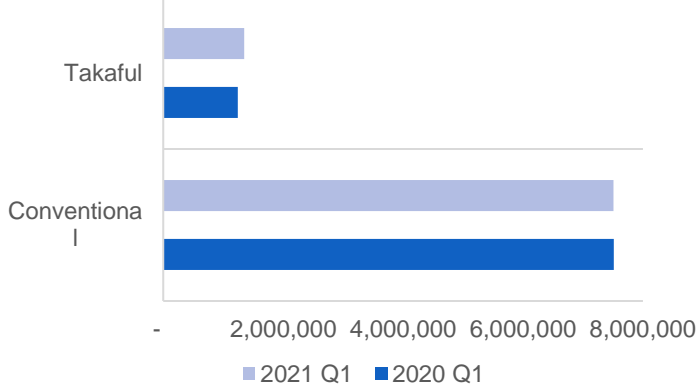
- ❖ The data used for the preparation of this report has been collected from Abu Dhabi Security Exchange and Dubai Financial Market. The data was extracted from the financial statements of the listed companies. Reliance is placed on the figures provided in the Company's Financial Reports. SHMA Consulting 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 29 listed companies in our analysis which includes 09 Takaful and 20 Conventional Insurance Companies. Al Khazna Insurance Company has been excluded from our analysis as the financials were not published as of the data compilation of this report.

Performance Highlights

Retention Ratios



Gross Premium by Sector (Mn)

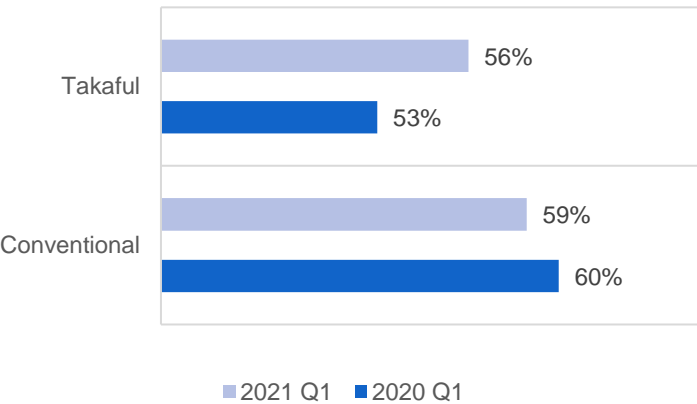


Total Gross Written Premium

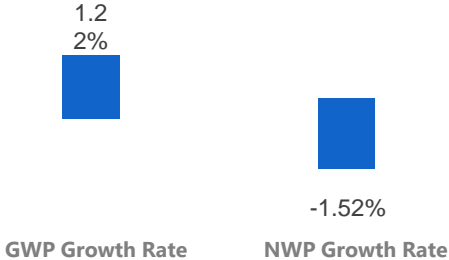
AED 8.86 Bn

▲ +1.22%

Loss Ratios



Premium Growth Rate



Total Assets

AED 63.02 Bn

▲ +7.23%

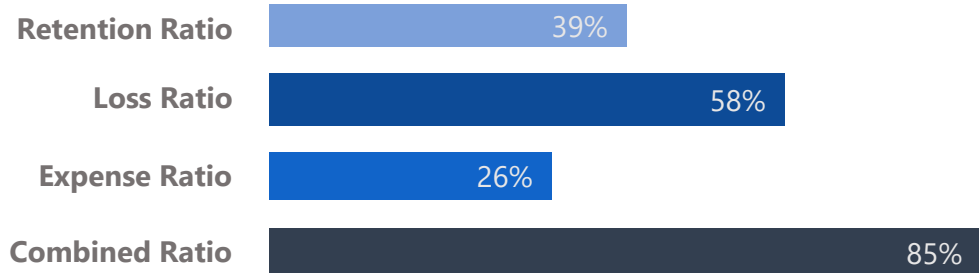
Total Profit / (Loss)
AED 690.56 Mn

Industry Highlights

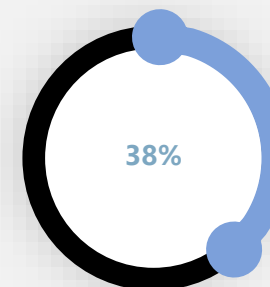
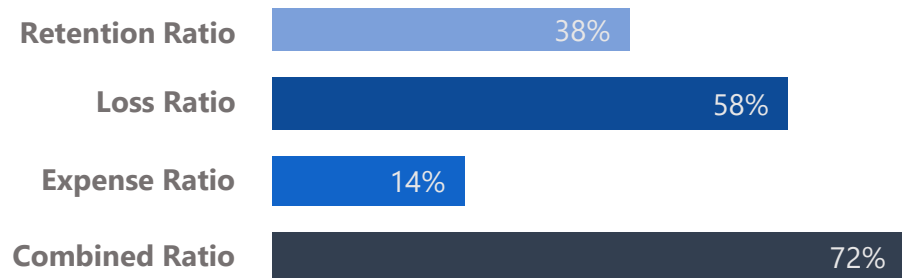
- ❖ Insurance Companies in the United Arab Emirates are now regulated by the Central Bank of UAE (CBUAE), which started taking responsibility for Insurance Regulation from the Insurance Authority effectively from January 2021.
- ❖ The Insurance Industry observed some ups and downs in the year 2020, such as insurers moving away from capitation schemes to fully insured schemes. Through Circular 17 of 2020 for the Cessation of Violating Practices dated 02 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 violate 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 Al Takaful. Following the purchase, DAT's presence is expected to strengthen in the industry. 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.
- ❖ 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 AED 71 million (USD 19.3 million). 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 (Sinosure) 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

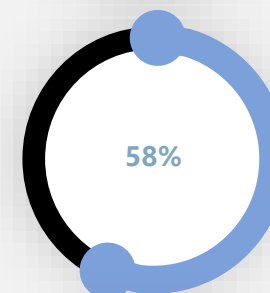
2020 Q1



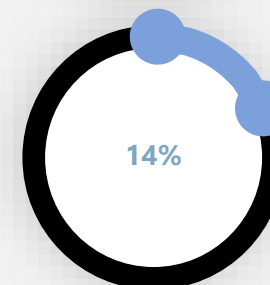
2021 Q1



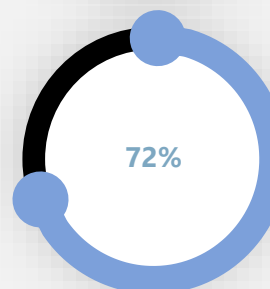
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio



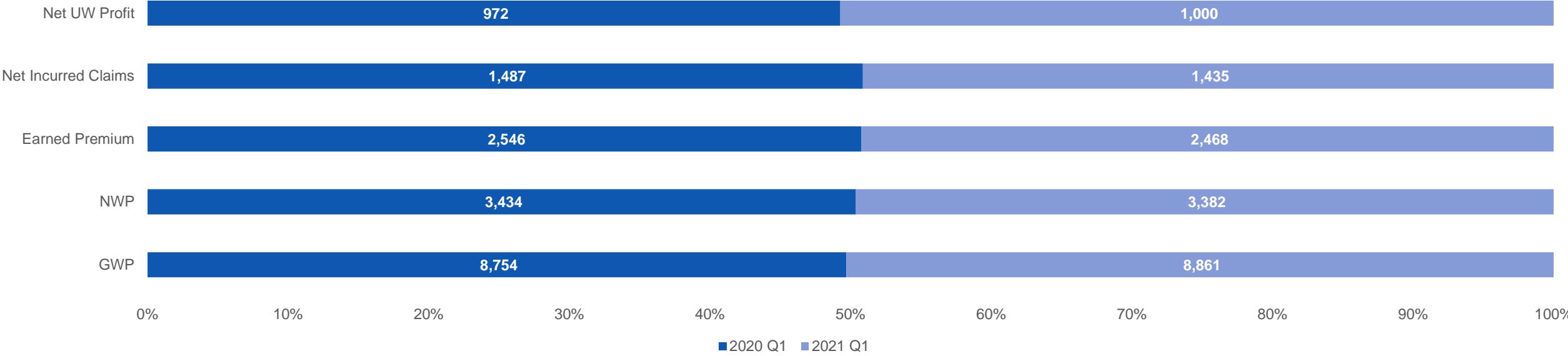
Weighted Average Combined Ratio

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.

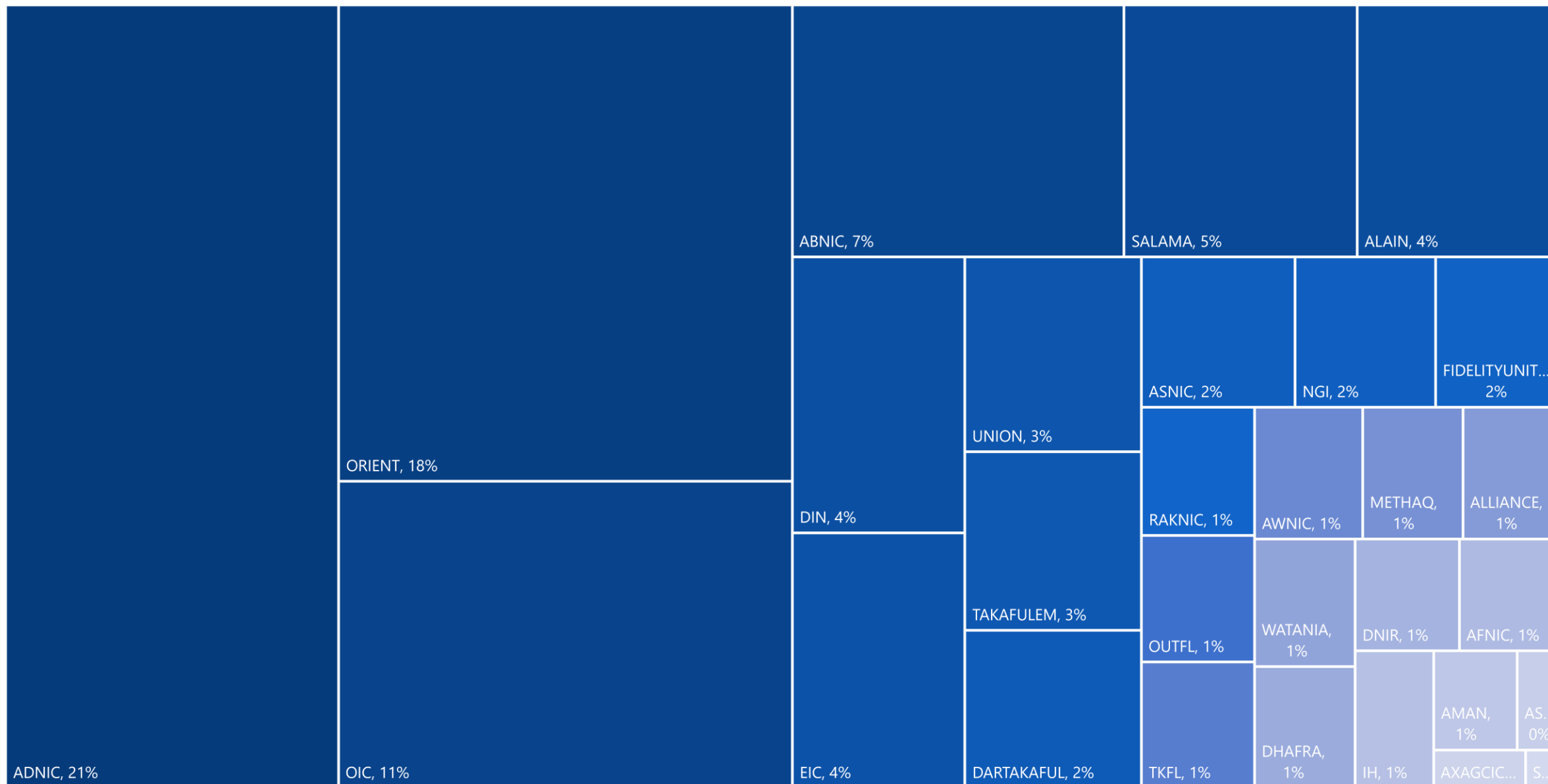
Aggregate Performance

AED MILLIONS



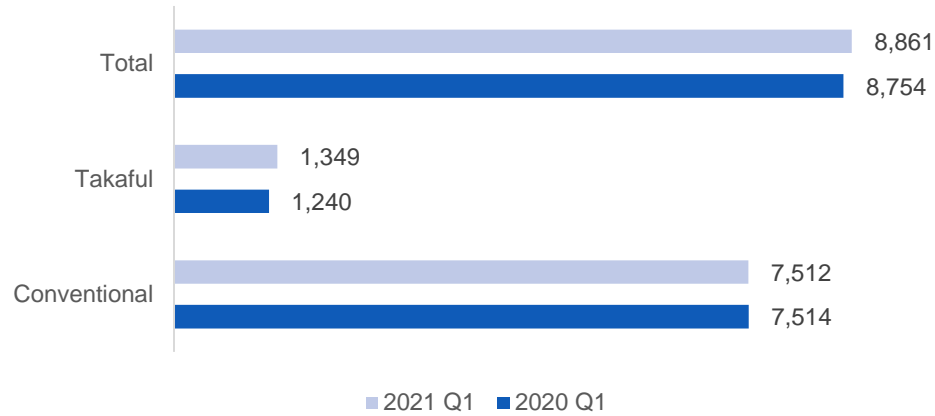
GWP grew by 1.22%, and NWP decreased by 1.52%. The net underwriting profit in Q1 2021 increased by about 2.93% when compared to Q1 2020. Further, the net incurred claims and the net earned premium decreased in Q1 2021.

Market Share Proportion

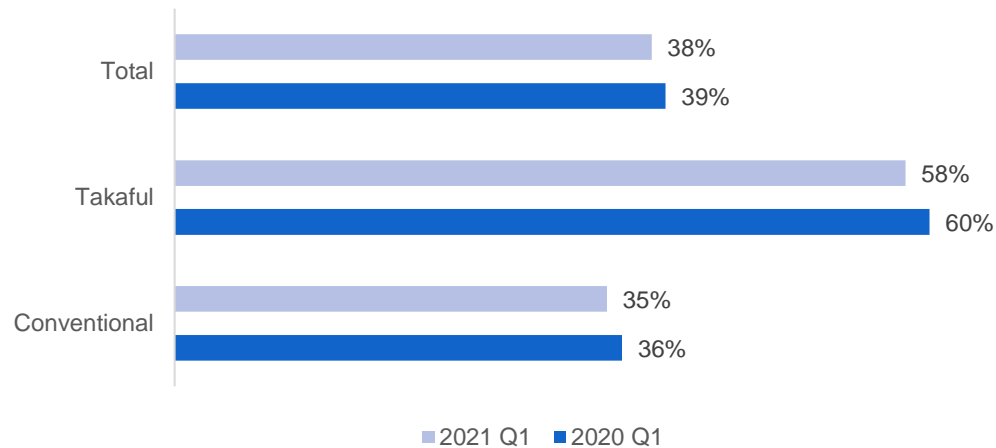


Gross Written Premium and Rankings

GWP AED (Millions)

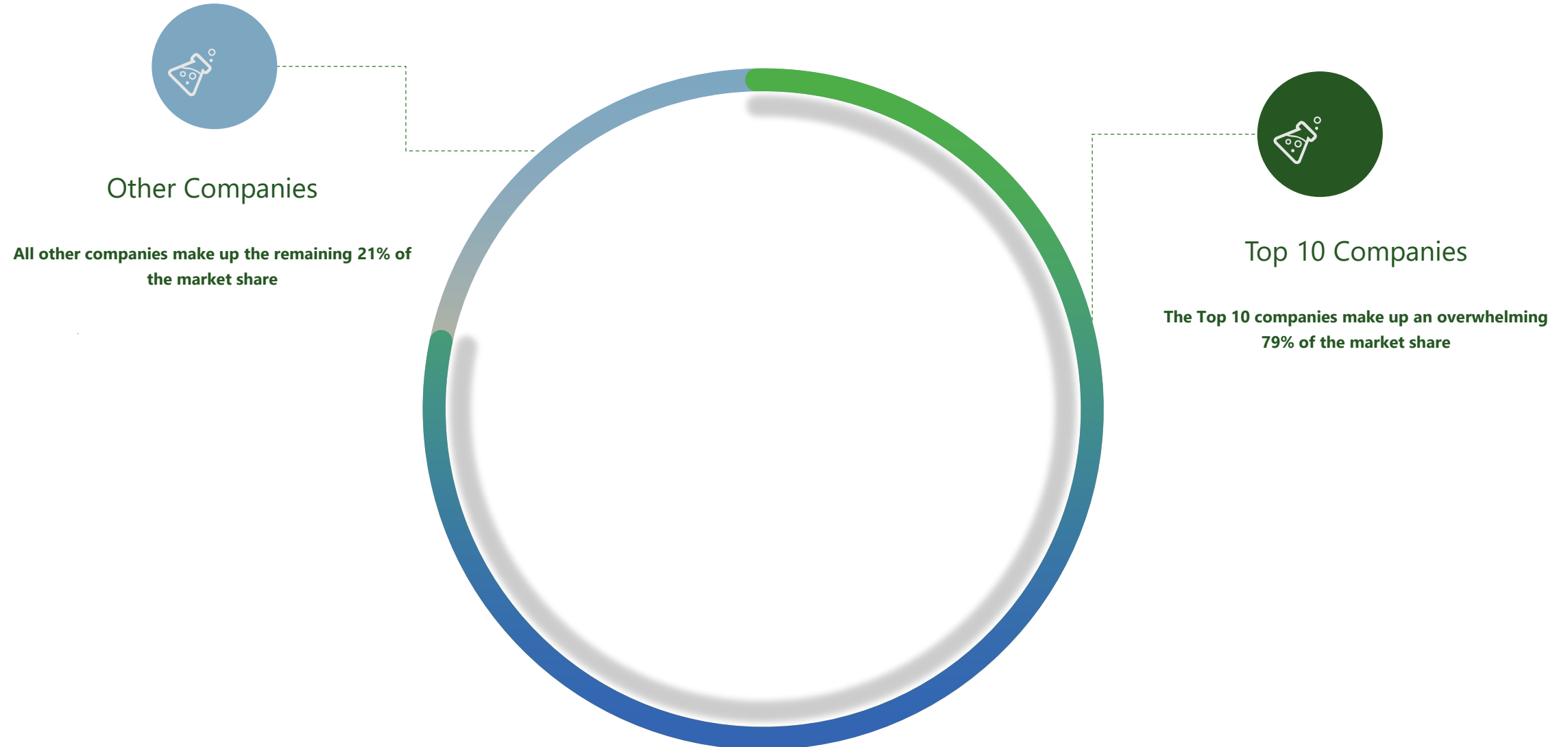


Retention Ratios



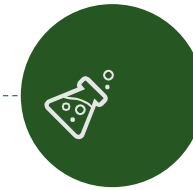
1. ADNIC	—	17. ADNTC	—
2. Orient	—	18. Awnic	▼
3. Oman Insurance	—	19. Methaq	▲
4. ABNIC	—	20. Alliance	▲
5. Salama	—	21. WATANIA	▼
6. Al Ain	—	22. Dhafra	▲
7. DIN	▲	23. DNIR	▼
8. EIC	▼	24. AFNIC	▼
9. Union Insurance	—	25. Insurance House	▼
10. Takaful Emarat	—	26. AMAN	—
11. Dar Takaful	▲	27. Arabian Scand	—
12. ASNIC	—	28. AXA Green	▲
13. NGI	▼	29. Sharjah Insurance	▼
14. United Fidelity	▲		
15. RAKNIC	▼		
16. Orient UNB	▲		

Premium Composition Top 10 vs Other Companies



Other Companies

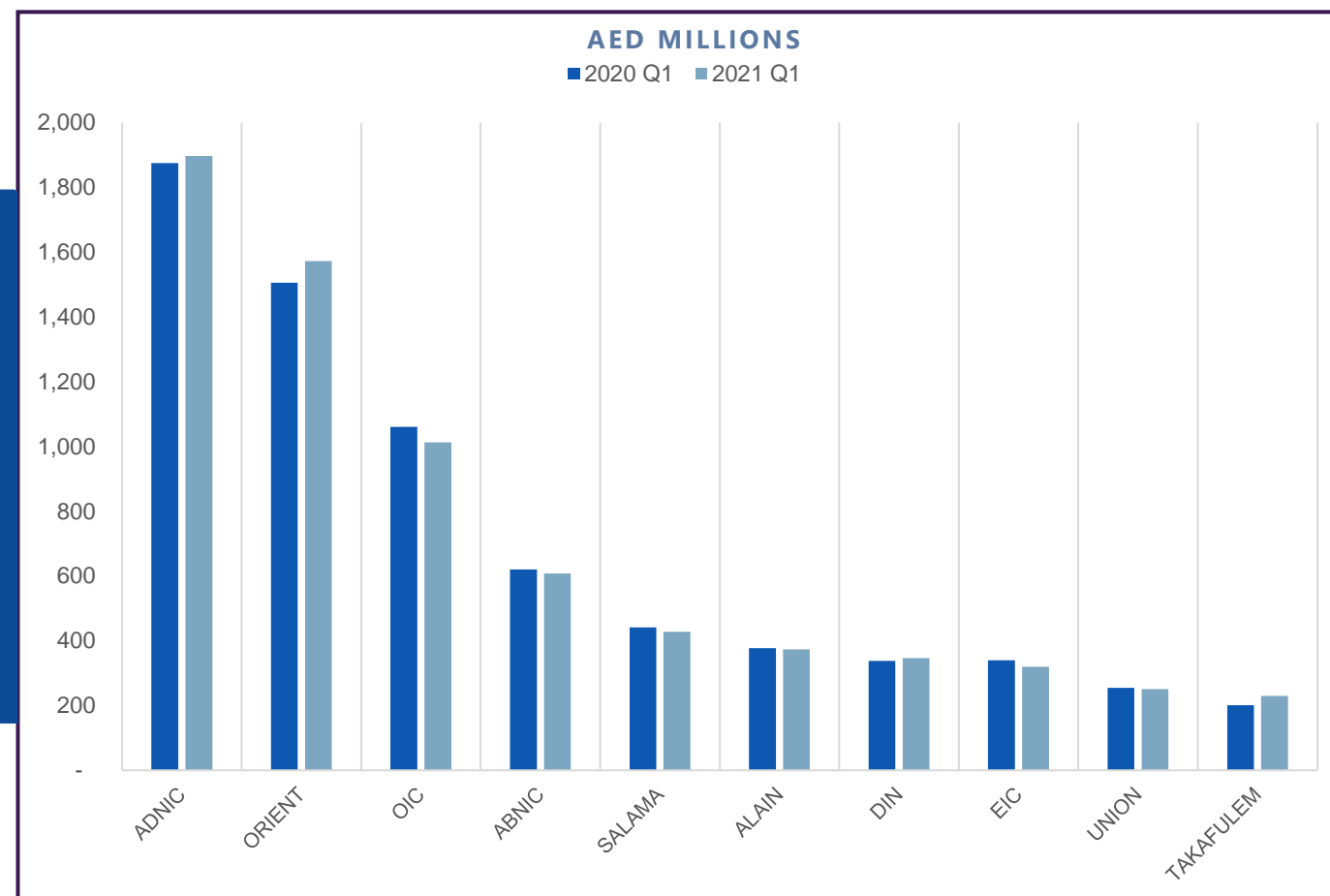
All other companies make up the remaining 21% of the market share



Top 10 Companies

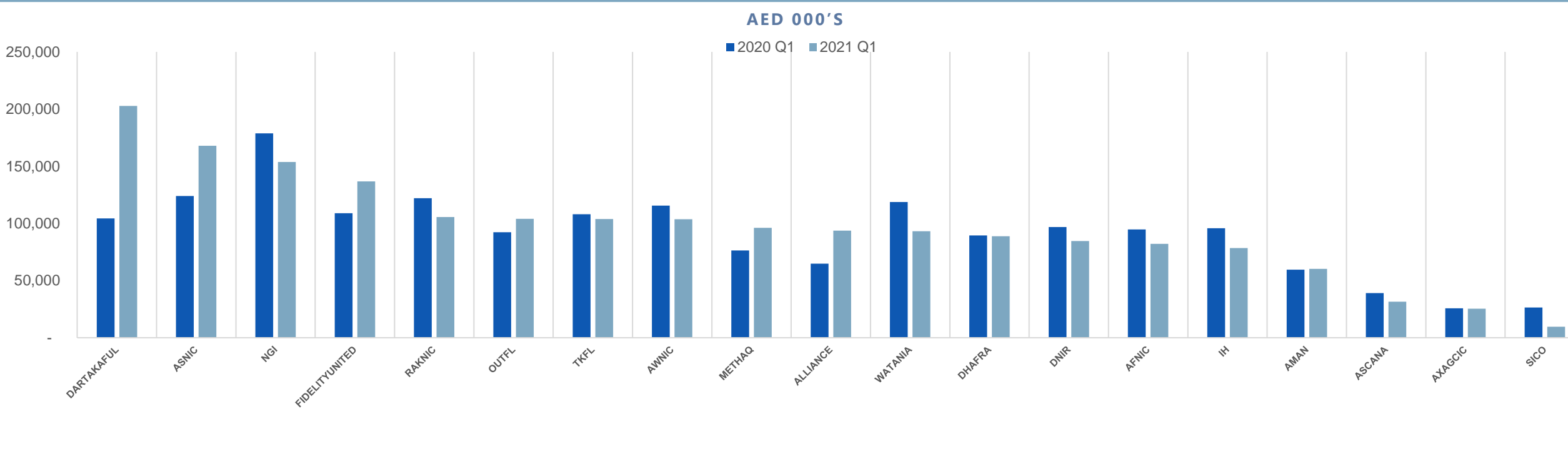
The Top 10 companies make up an overwhelming 79% of the market share

Gross Written Premium – Top 10 Companies



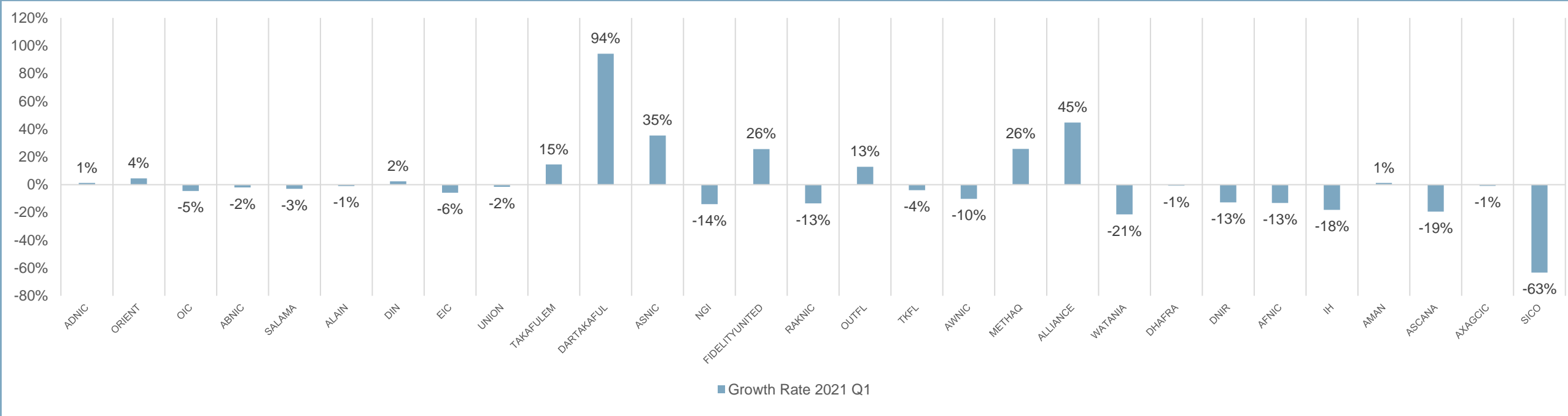
ADNIC captured the biggest market share of 21% in Q1 2020 and Q1 2021, followed by Orient with 17% for Q1 2020 and 18% for Q1 2021. The smallest market share was for Takaful Emarat (3%) for Q1 of 2020 and 2021.

Gross Written Premium – Other Companies



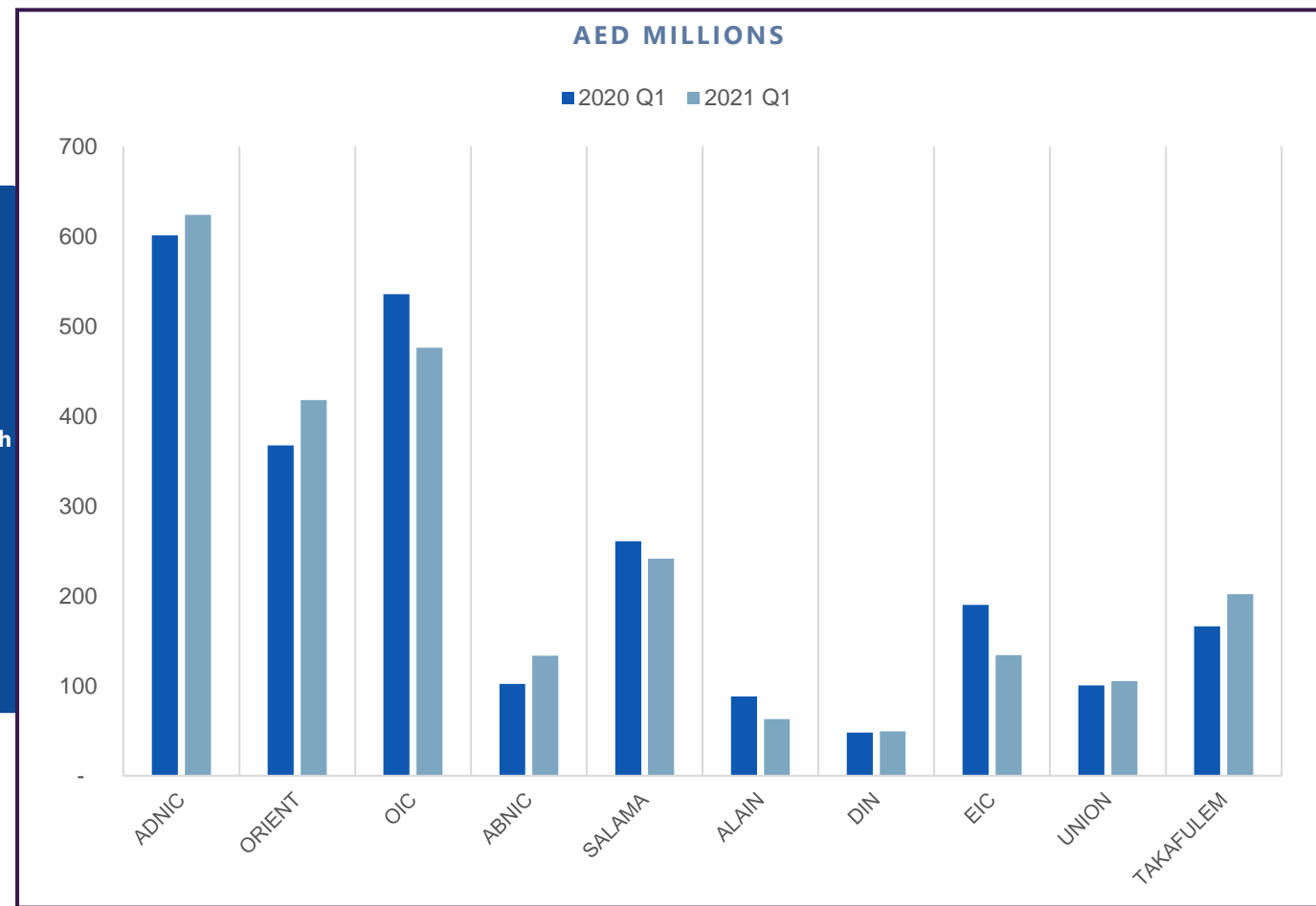
DAR Takaful has the biggest market share in Q1 2021, while SICO had the smallest market share in Q1 2021. Also, SICO, IH and AFNIC experienced a significant decrease in their market share, while DAR Takaful and ASNIC experienced a significant increase in their Gross Written Premium in Q1 2021.

Gross Written Premium – Movement



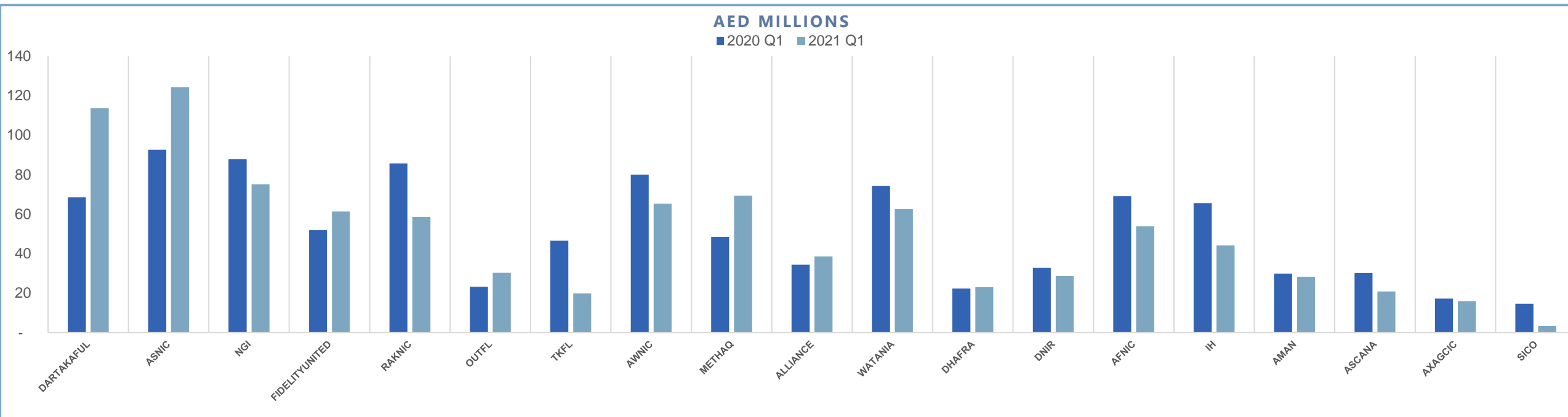
11 out of 29 companies showed an increase in Gross Written Premium in Q1 2021. The highest growth rate in Q1 2021 was exhibited by DAR Takaful which was 94%. Second, the highest growth showed by Alliance Insurance was 45%, while the largest decrease in business was reflected by SICO, depicting a decline of 63%. 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



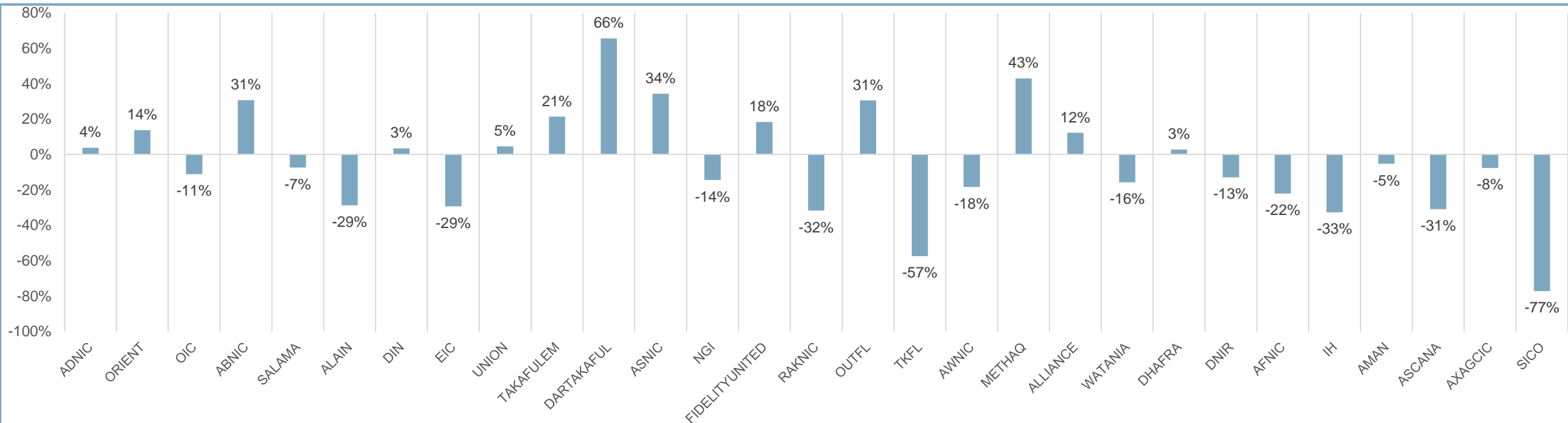
ADNIC captured the highest market share of 18% in Q1 2020 and Q1 2021, followed by OIC with 16% for Q1 2020 and 14% for Q1 2021.

Net Written Premium – Other Companies



Among the remaining companies, the highest net written premium for Q1 2021 was ASNIC (AED 124 million), while the lowest was for SICO.

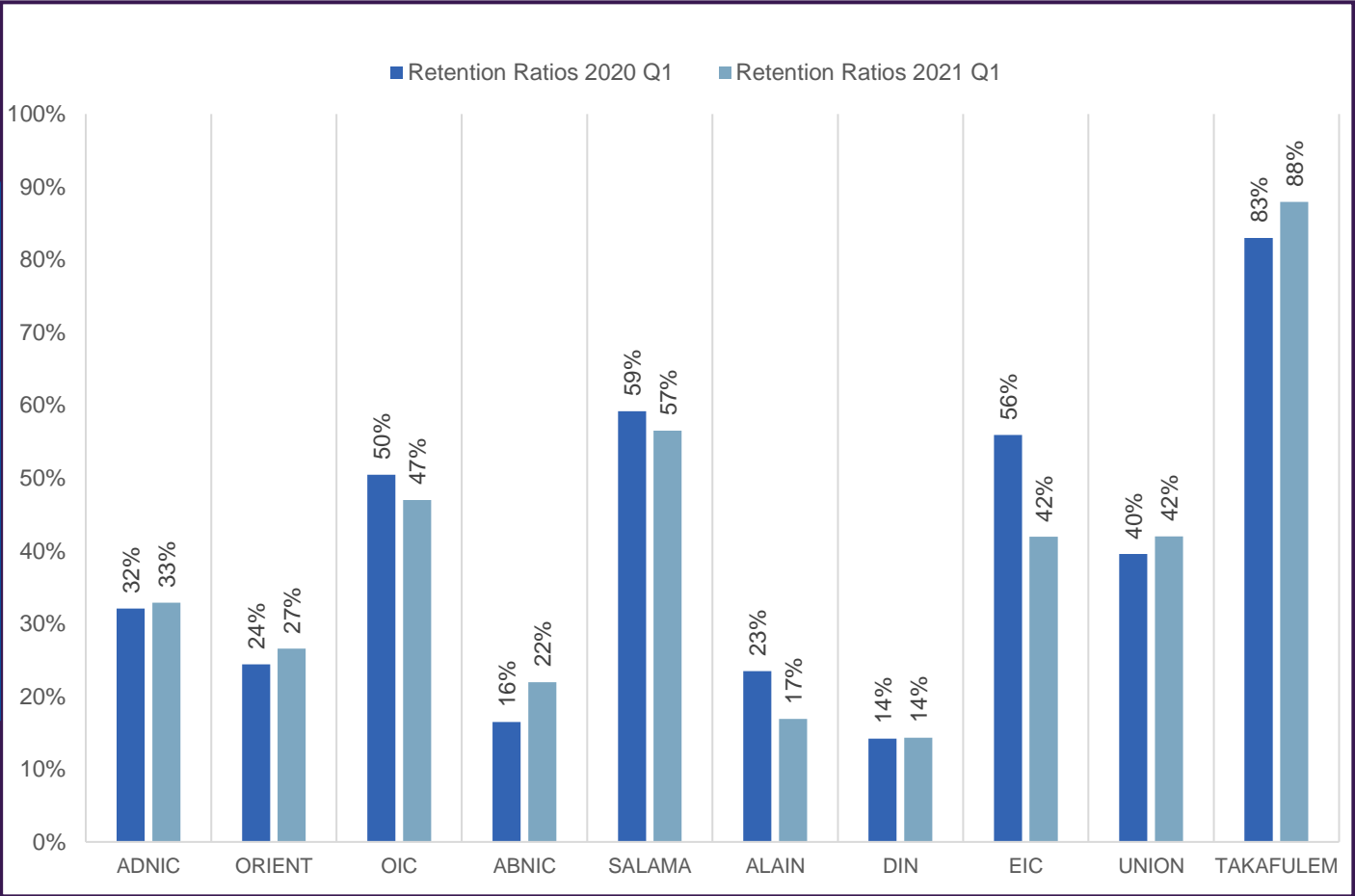
Net Written Premium – Movement



Net Written Premium grew the most for DAR Takaful (66%), and the highest declined for SICO (-77%). 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 Emarat had the highest retention ratio in both quarters, 83% in Q1 2020 and 88% in Q1 2021, while DIN had the lowest retention ratio of 14% in Q1 2020 and Q1 2021. Retention ratios were stable for most of the companies, with the highest change being a 14% decrease for EIC. In addition to this, it can also be noted that retention ratios for ALAIN, Orient and ABNIC were significantly lower than the other top 10 companies.

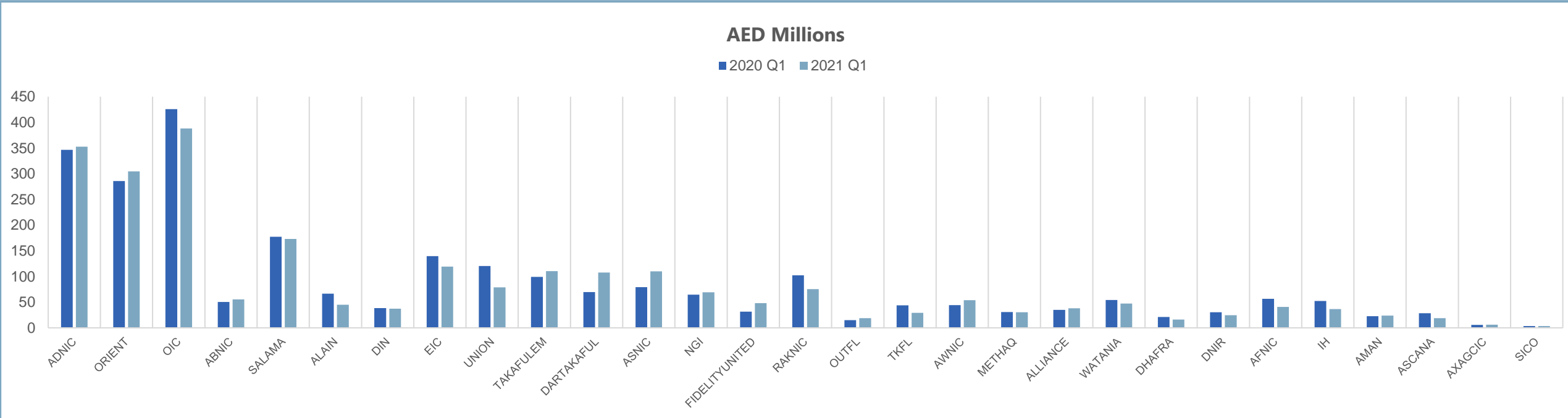


Retention Ratios - Other Companies



On an aggregate basis, the weighted average retention ratio is 38%. The highest retention ratio is 74% for ASNIC, and the lowest being 19% for ADNTC for Q1 2021. For all other companies, the retention ratios do not vary greatly.

Net Earned Premium



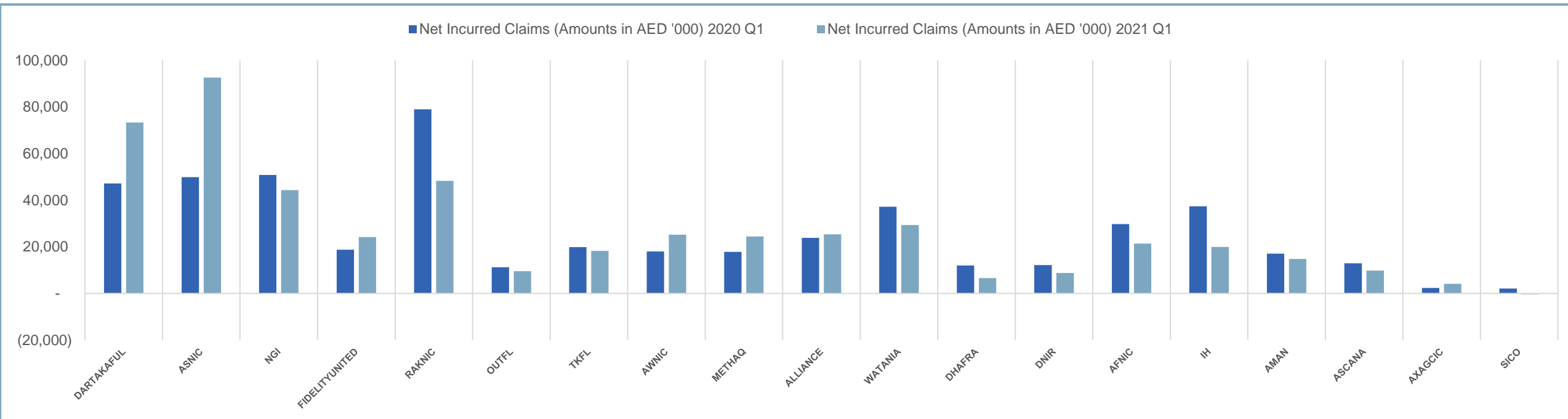
The highest Net Earned Premium is for OIC in both the years followed by ADNIC, while the lowest being for SICO. As shown, DARTAKAFUL experienced the highest positive growth rate in Q1 2021.

Net Incurred Claims - Top 10 Companies

OIC had the highest net incurred claims of 288 million and 264 million in Q1 2020 and Q1 2021, respectively, whereas DIN had the lowest net incurred claims of 10 million and 9 million in Q1 2020 and Q1 2021, respectively. Net Incurred Claims remain almost same for SALAMA.



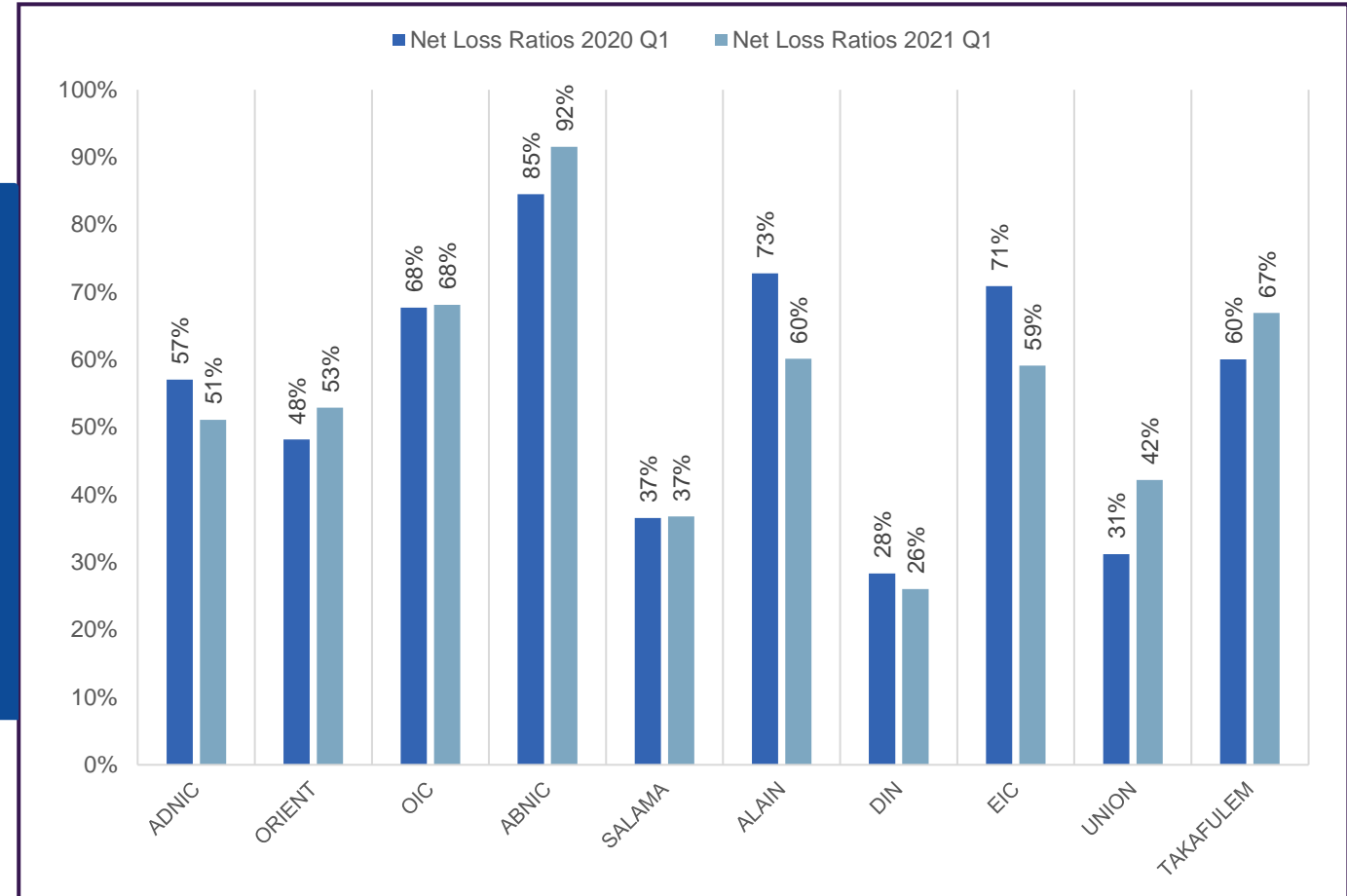
Net Incurred Claims - Other Companies



RAKNIC had the highest net incurred claims of 78 million in Q1 2020, and ASNIC had the highest net incurred claims of 92 million in Q1 2021. SICO had the lowest net incurred claims in Q1 2020 and Q1 2021.

Loss Ratios - Top 10 Companies

The highest loss ratio for Q1 2020 was for ABNIC being 85%, and the lowest was for DIN, being 28%. For Q1 2021, the loss ratio was the highest for ABNIC 92%, with the lowest being 26% for DIN.



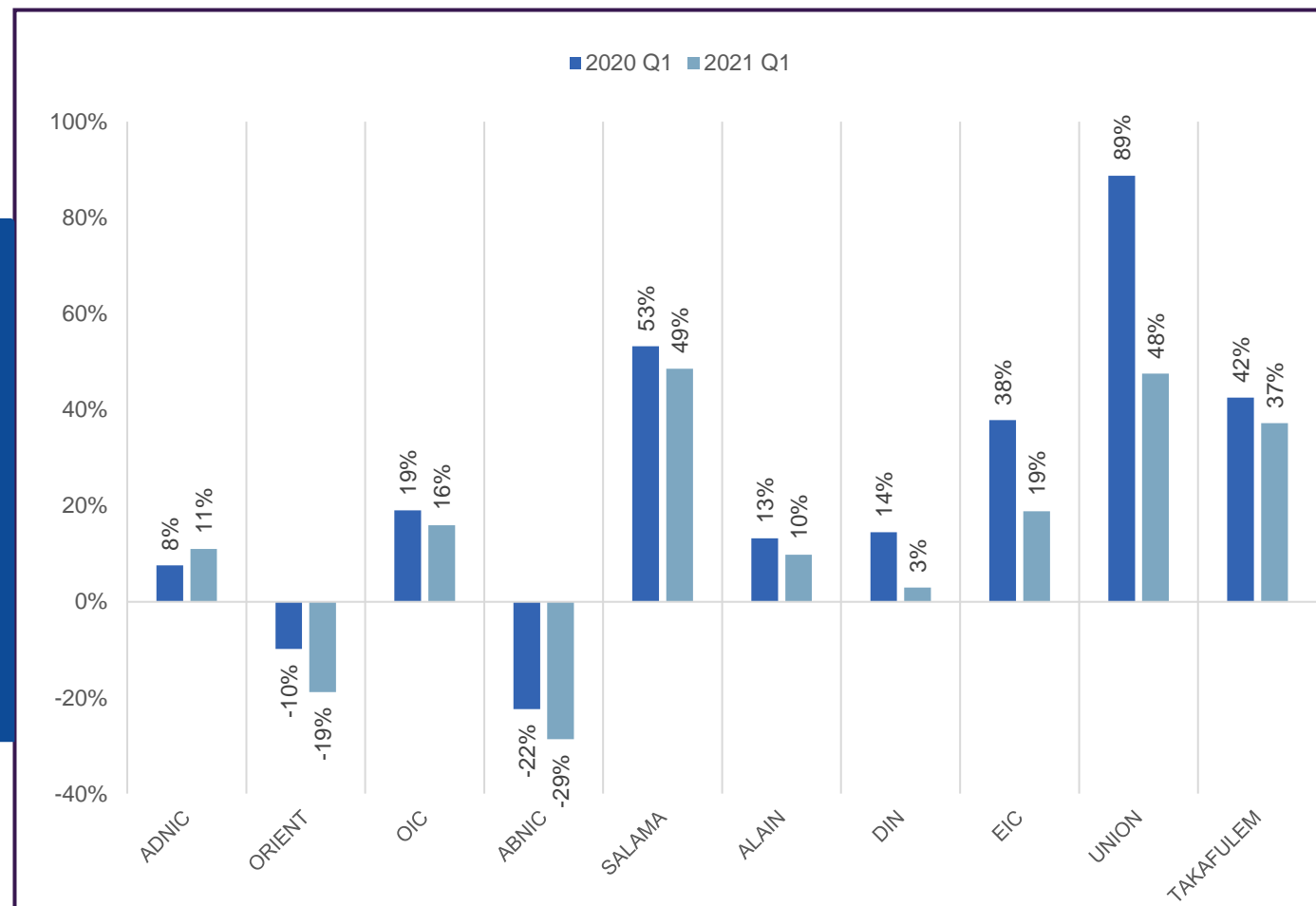
Loss Ratios – Other Companies



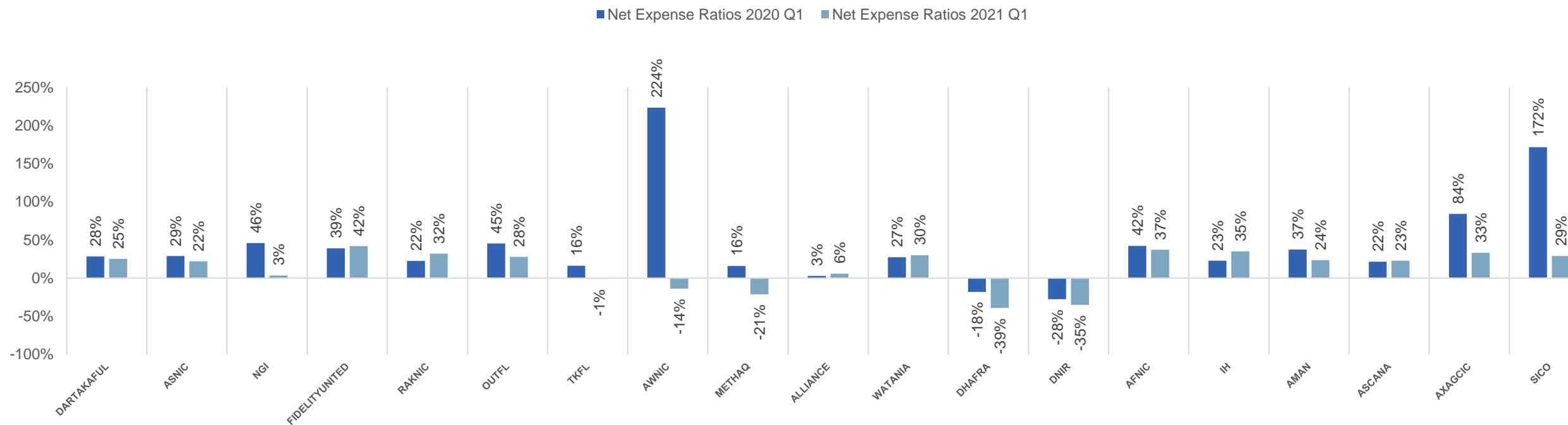
The loss ratios for other companies have been summarized in the above chart. For Q1 2020, the highest loss ratio was for the NGI (79%) and the lowest for AXA GCIC (39%). For Q1 2021, the highest loss ratio was observed for ASNIC (84%) and the lowest for SICO (-9%).

Expense Ratios - Top 10 Companies

For Q1 2020, Expense ratio was the highest for Union (89%) and the lowest for Orient and ABNIC. For Q1 2021, SALAMA had the highest expense ratio (49%), while ABNIC had the lowest expense ratio. In addition to this, Union was able to reduce its expense ratio by 41%.



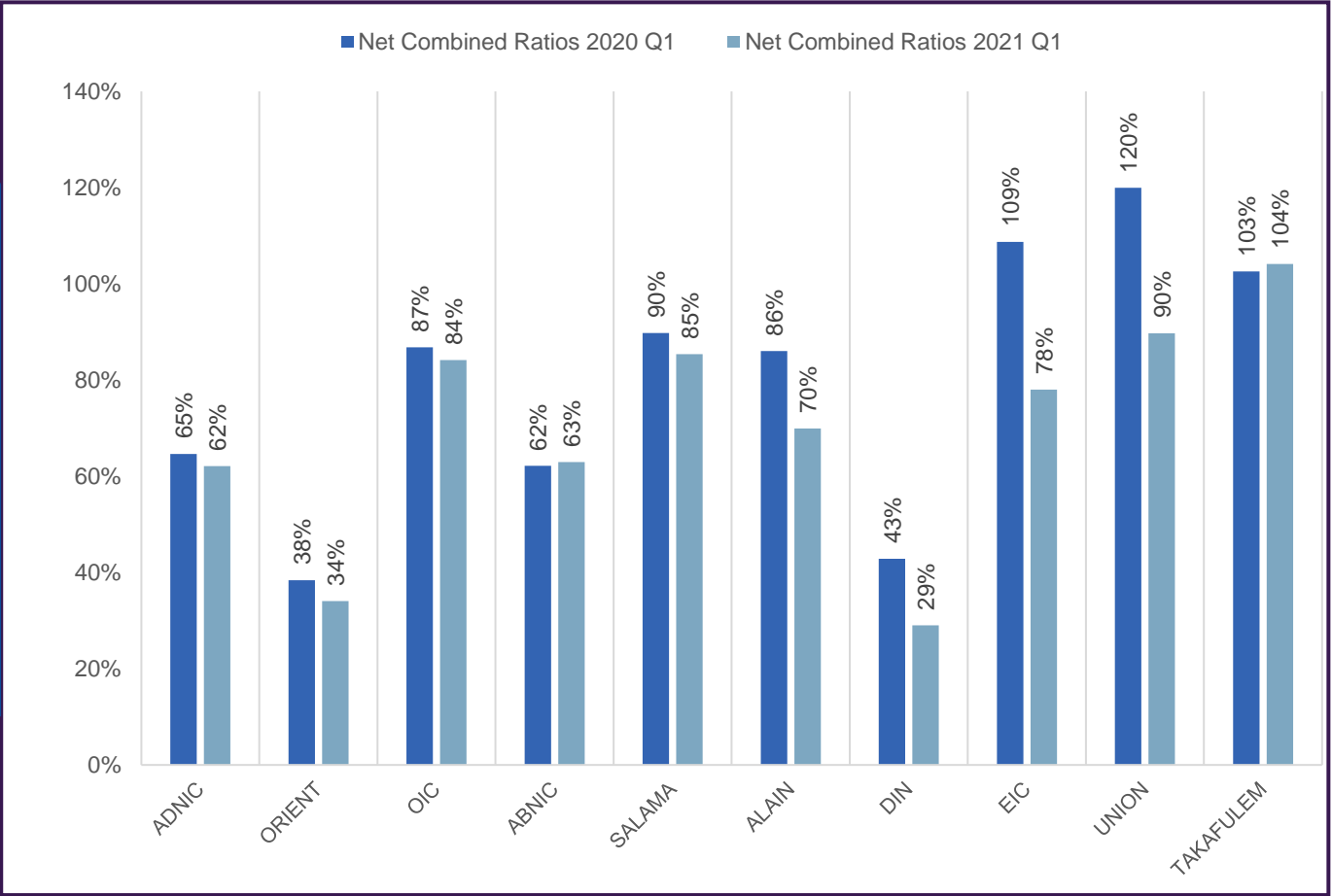
Expense Ratios - Other Companies



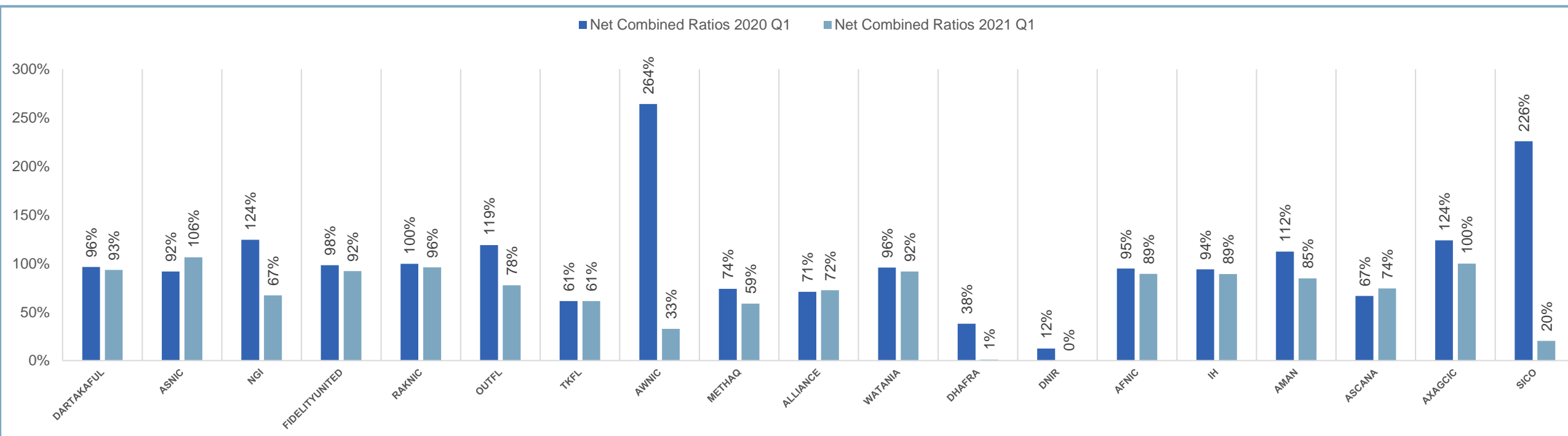
The highest expense ratio in Q1 2020 was for AWNIC (224%), followed by SICO (172%), and was the lowest for DNIR (-28%). For Q1 2021, the highest expense ratio was for United Fidelity (42%), and the lowest was for DHAFRA (-39%).

Combined Ratios - Top 10 Companies

For Q1 2020, the highest combined ratio was for UNION (120%) and the lowest for Orient (38%). Net Combined Ratios were high in Q1 2021, with TAKAFULEM having a combined ratio of 104%. Combined ratios declined for most of the top 10 companies. The difference between the Combined ratios of Q1 2020 and Q1 2021 was very insignificant.



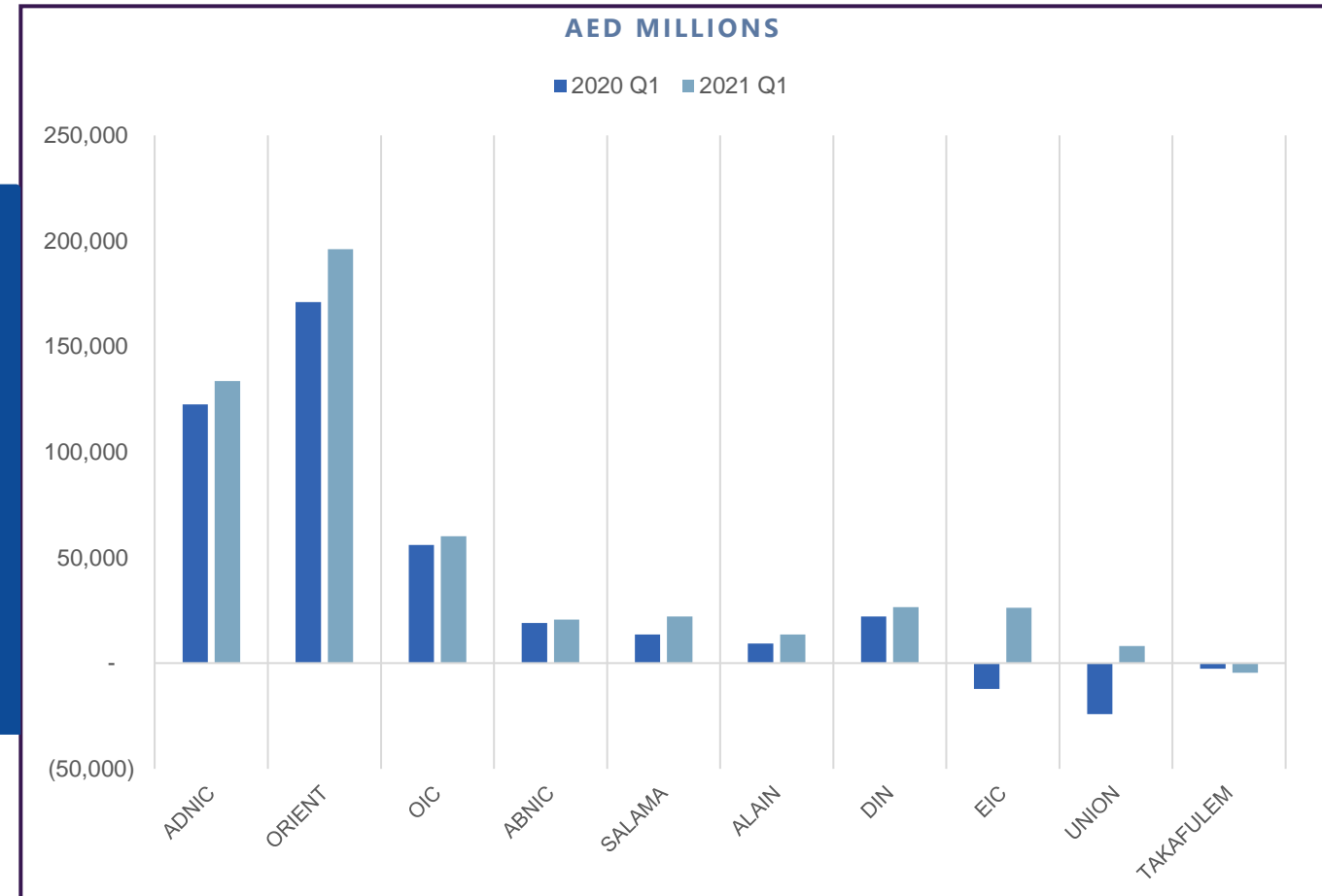
Combined Ratios - Other Companies



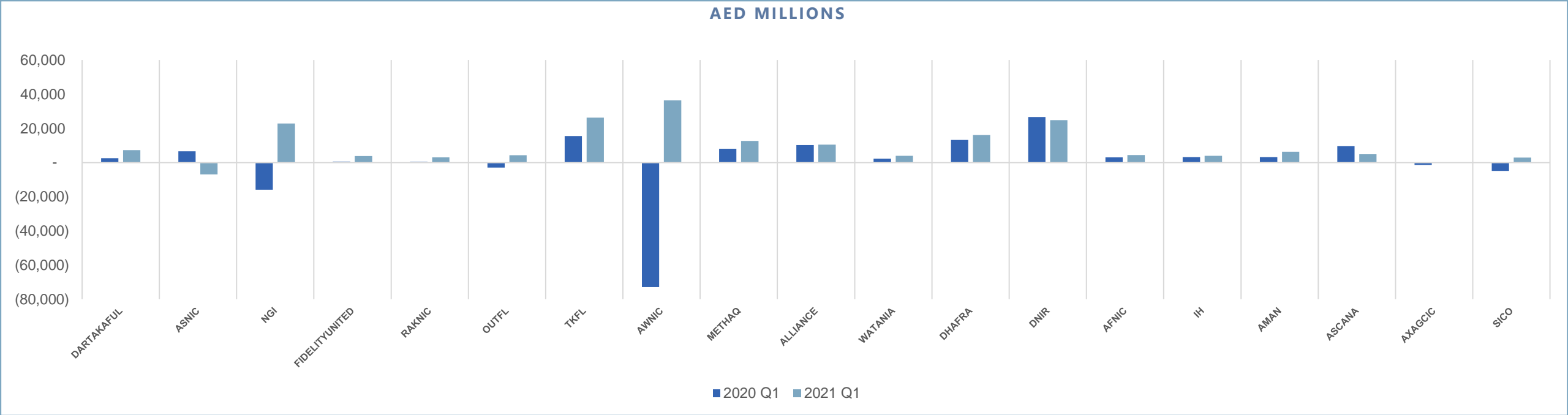
Combined ratio for most of the other companies were lower than 100% in both quarters. AWWIC had a combined ratio of 264% in Q1 2020, and it decreased to 33% in Q1 2021. The lowest combined ratio was for DNIR for both quarters.

Net Profit/(Loss) - Top 10 Companies

Orient had the highest Net Profit in Q1 2020, and it was further able to increase it from 171 million to 196 million, retaining its position. EIC and Union had a net loss in Q1 2020, however, it was able to increase its net profit in Q1 2021. All companies except Takaful Emarat experienced an increase in their Net Profits.

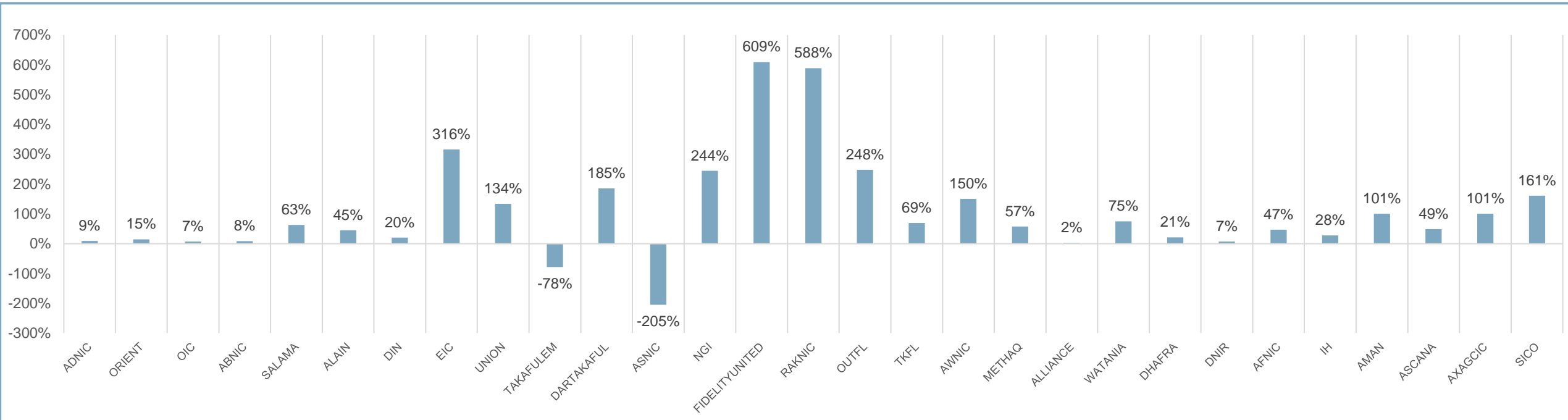


Net Profit and Loss - Other Companies



DNIR had the highest Net Profit of 26 million in Q1 2020, and AWNIC had the highest 36 million in Q1 2021. The highest net loss was for AWNIC in Q1 2020.

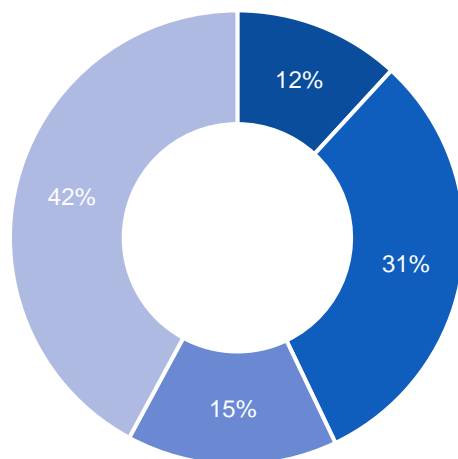
Net Profit and Loss - Movement



Net Profit has shown an increase of 81% in Q1 2020. The overall decrease in Net Profits during Q1 2020 is majorly due to the Net loss of 72 million by Awnic. The highest movement was experienced by Fidelity United of about 600%. Awnic had a net loss in Q1 2021, which turned to a net profit in Q1 2021.

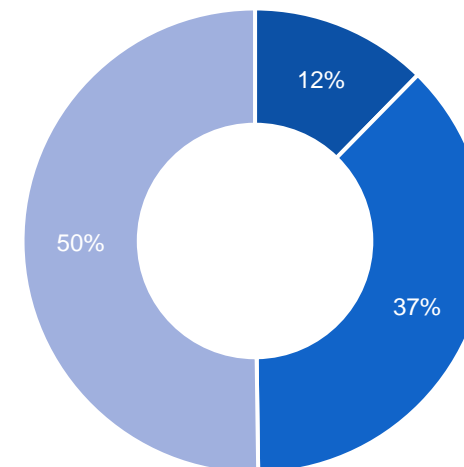
Asset Classification - Aggregate

POLICYHOLDER ASSET CLASSIFICATION



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

SHAREHOLDER ASSET CLASSIFICATION

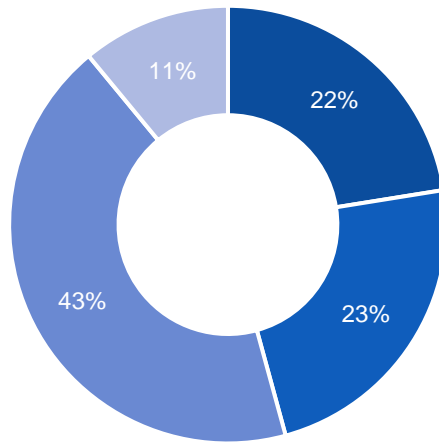


■ Cash and cash equivalents ■ Investments ■ Other Assets

Most of the policyholder assets were kept as other assets (42%) while 37% of the Shareholder Assets were kept as investments.

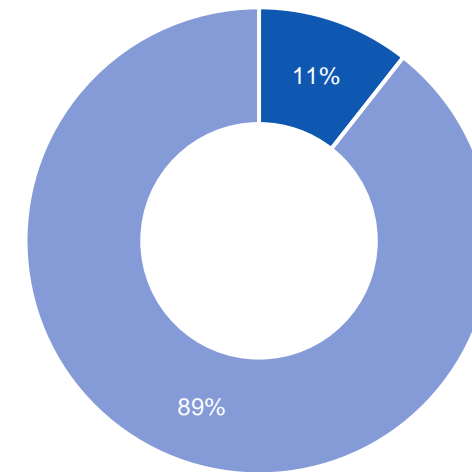
Liability & Equity Classification - Aggregate

POLICYHOLDER LIABILITY CLASSIFICATION



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

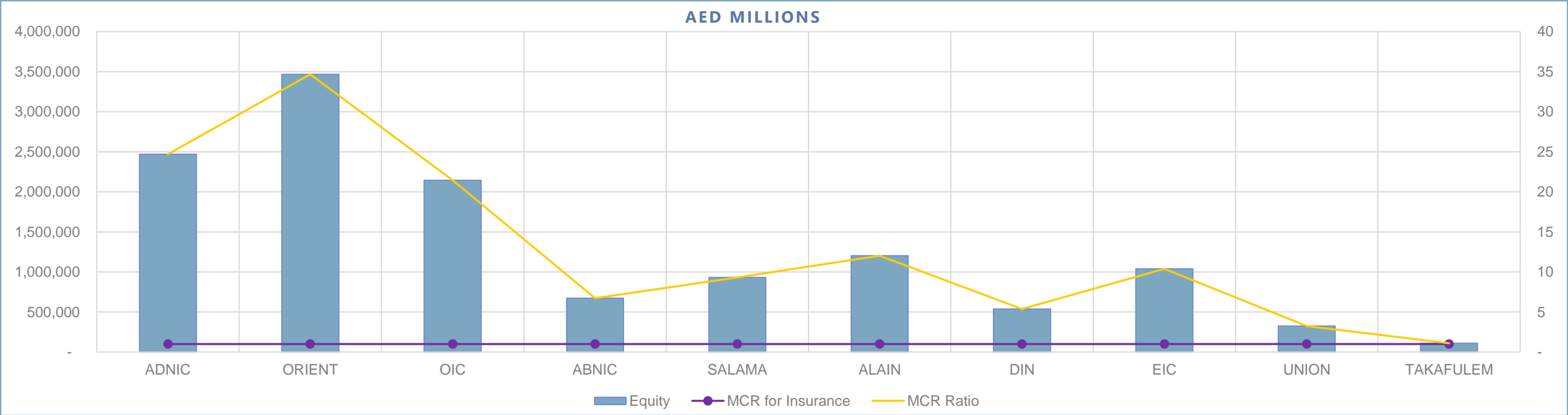
SHAREHOLDER LIABILITY AND EQUITY CLASSIFICATION



■ Shareholders' liabilities ■ Equity

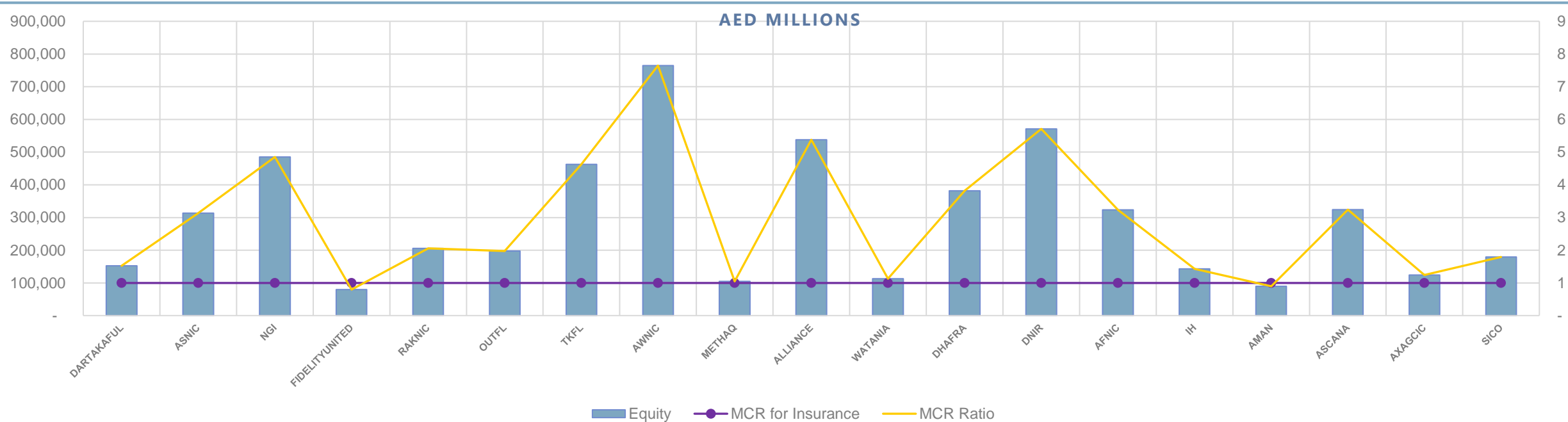
Policyholder liabilities consist of 22% gross loss reserve, 23% of the gross unearned premium, and 43% of other liabilities. In addition to this, Equity as a percentage of total assets is about 29%.

Solvency Analysis – Top 10 Companies



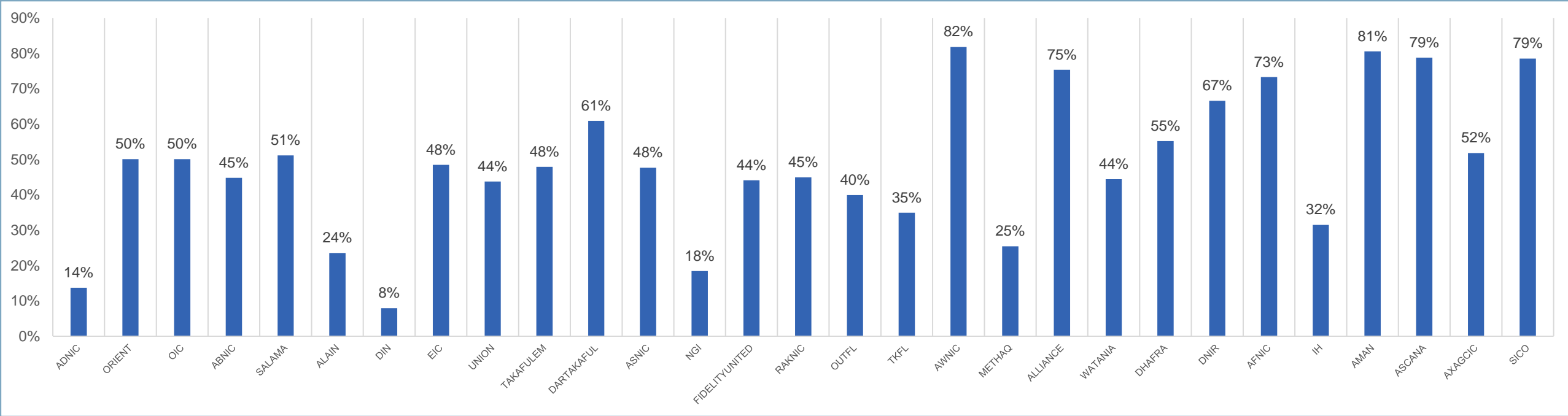
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Solvency Analysis – Other Companies



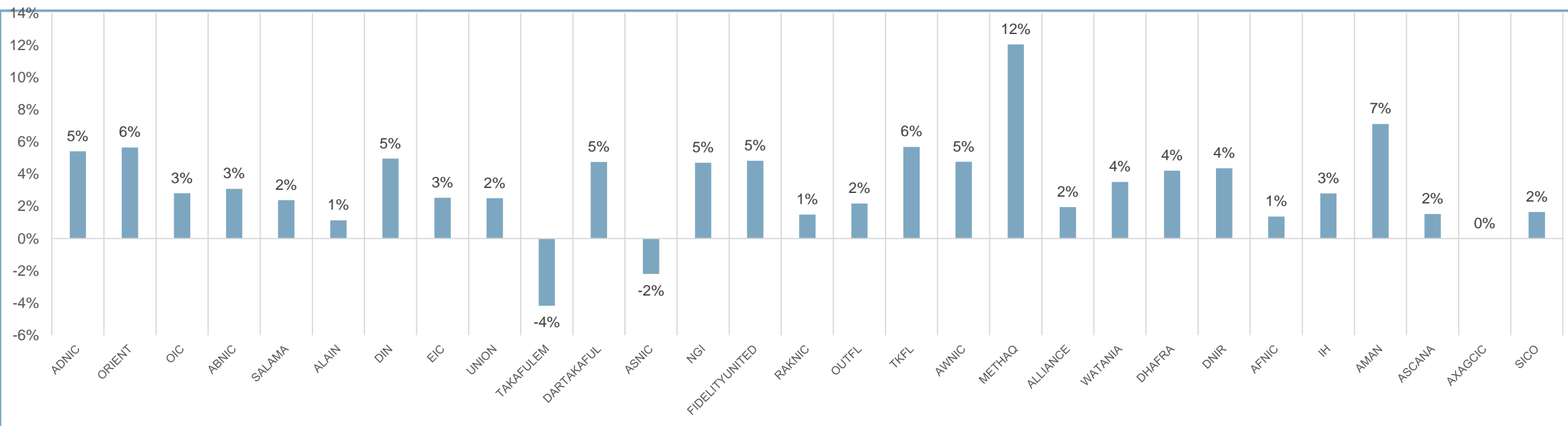
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Proportion of Invested Assets



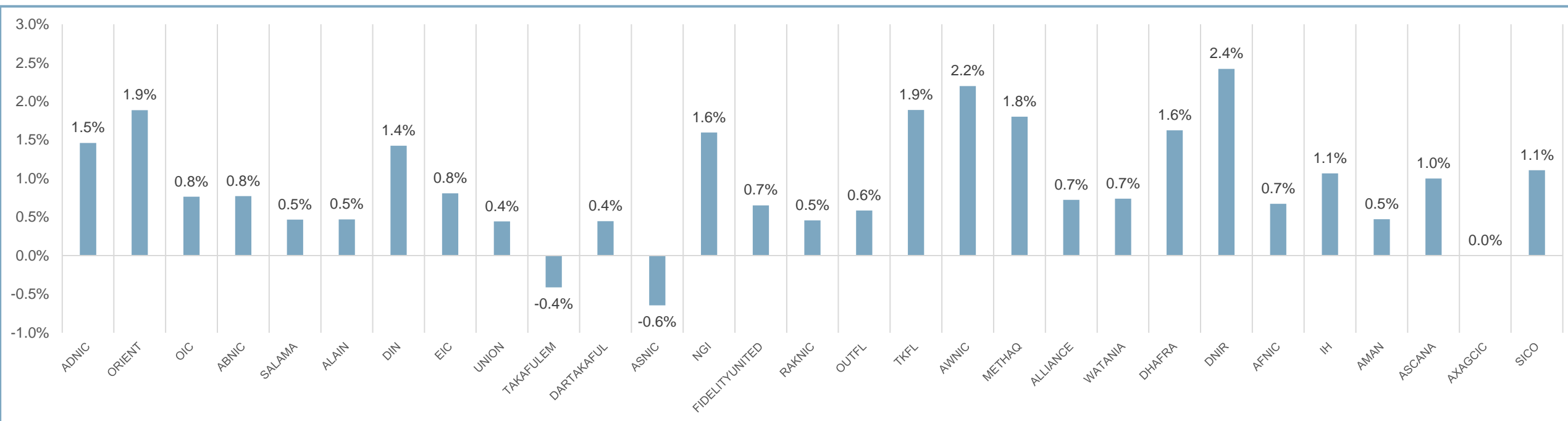
For most companies, invested assets along with cash constitute more than 50% of the total assets. The highest invested to total assets ratio is for Awnic (82%), while the lowest is for DIN of about 8%.

Return on Equity (ROE)



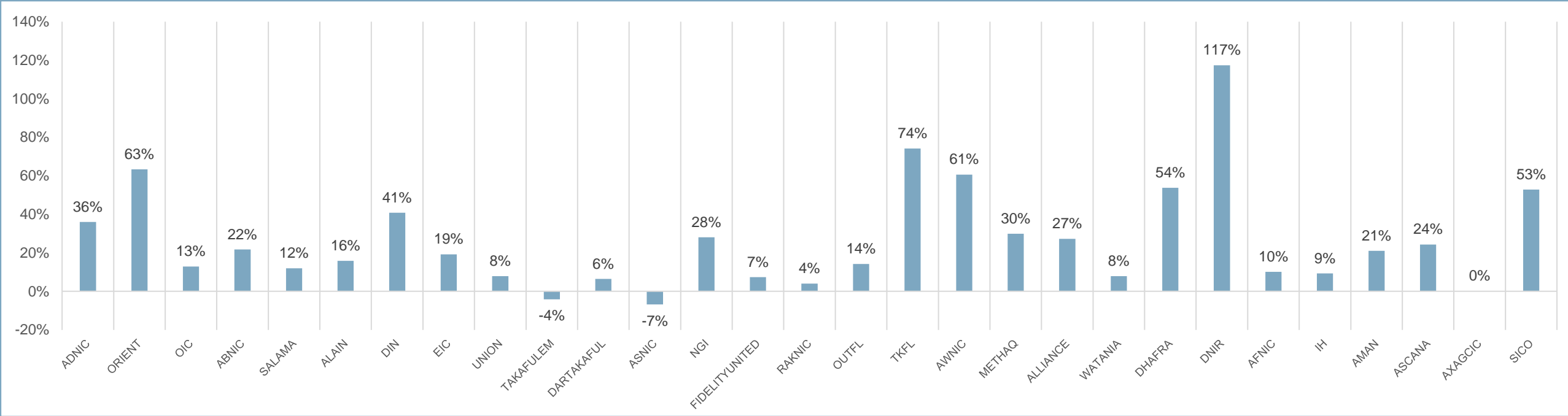
The Return On Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest Return on Equity was for Methaq of about 12%, suggesting that Methaq was able to utilize the investments received from the shareholders better than other companies. Return on Equity was negative (-4%) for Takaful Emarat.

Return on Assets



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. DNIR and Awnic were able to earn the highest Return on Assets of around 2%, while ASNIC earned the highest negative return on Assets.

Net Profit Margins



Net profit margin measures how much net income or profit is generated as a percentage of revenue. DNIR had the highest Net Margin (117%), suggesting that claims and expenses were very low. The lowest net margin was for ASNIC (-7%).

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
Union Insurance Company	UNION	Conventional
Takaful Emarat (PSC)	TAKAFULEM	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	DARTAKAFU L	Takaful
Abu Dhabi National Takaful Co.	TKFL	Takaful

Company Name	Symbol	Conventional / Takaful
United Fidelity Insurance Company	FIDELITYUNITE D	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



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Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – United Arab Emirates for the first quarter 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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