



Insurance Industry
United Arab Emirates

■ Q3 2021

TABLE OF CONTENTS



SHMA Consulting

- About Us.....3
- Our Services.....4
- Limitation and Disclaimers.....5



Performance Summary

- Performance Highlights.....6
- Industry Highlights.....7
- Industry Benchmark.....8
- Impact of Covid.....9
- Aggregate Performance.....10



Market Share & Premium

- Market Share.....11
- Premium Composition.....12
- Gross Written Premium.....14
- Net Written Premium.....17
- Premium Retention Ratio.....20
- Net Earned Premium.....22



Claims and Ratios

- Net Incurred Claims.....23
- Loss Ratio.....25
- Expense Ratio.....27
- Combined Ratio.....29



Profitability Analysis

- Net Profit/(Loss).....31
- Asset, Liability and Equity Classification.....34
- Solvency Analysis.....36
- Proportion of Invested Assets.....38
- Return on Assets and Equity.....39
- Net Profit Margin.....41





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 various 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
- Advising 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

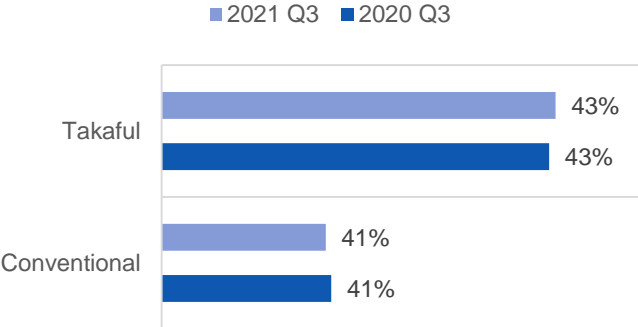
ERM and Capital Modeling

- 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

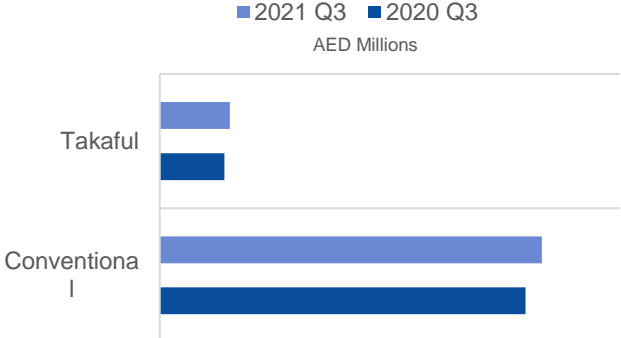
Limitations and Disclaimers

- ❖ 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 than the amounts in the notes. However, the difference is immaterial and have 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 services or advice 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 research and experience to bring compliance and information sharing to the industry.
- ❖ We have used 28 listed companies in our analysis which includes 9 Takaful and 19 Conventional Insurance Companies.
- ❖ We have excluded Union Insurance and Al Khazna Insurance from all of our analysis as they have not published their financials for Q3 – 2021 as of the compilation date.

Retention Ratios



Gross Written Premium

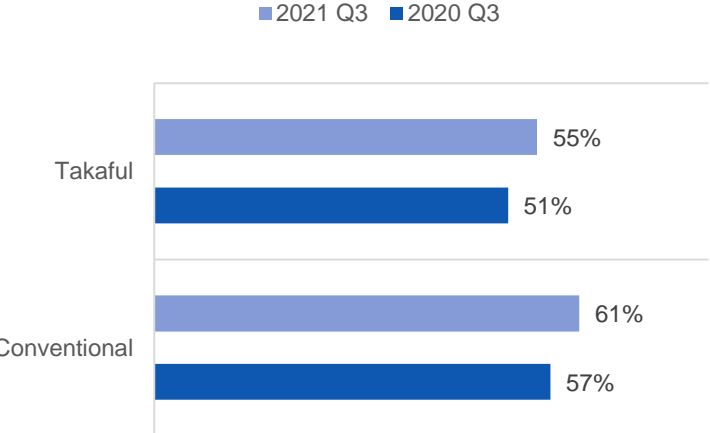


Total Gross Written Premium

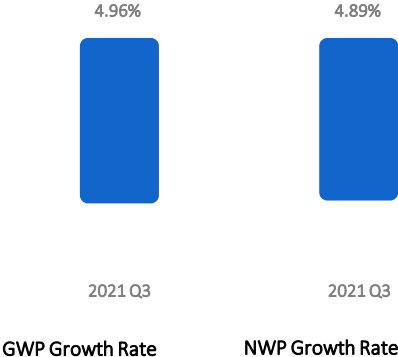
AED 19.6 Bn

▲ +4.96%

Loss Ratios



Premium Growth Rate



Total Profit / (Loss)

AED 1.55 Bn

▼ -2%

Total Asset
AED 59 Bn

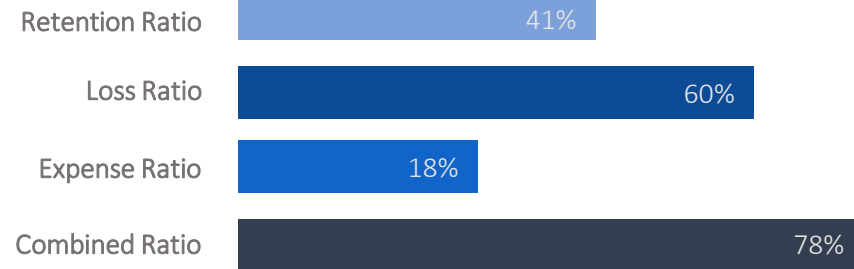


Industry Highlights

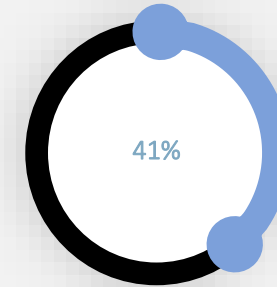
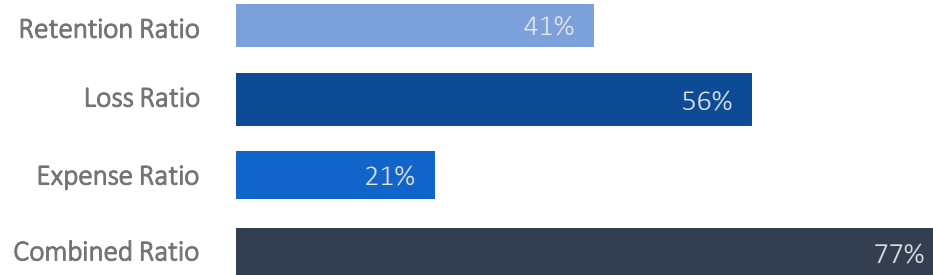
- ❖ Insurance Companies in United Arab Emirates are now regulated by the Central Bank of UAE (CBUAE), which started taking responsibility for insurance regulation from the Insurance Authority effectively from January 2021.
- ❖ The insurance industry observed some ups and downs in the year 2020 such as insurers moving away from capitation schemes to fully insured schemes. Through Circular 17 of 2020 for the Cessation of Violating Practices dated 2nd 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 (DAT). Following the purchase, DAT's presence is expected to strengthen in the industry. Furthermore, 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 (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

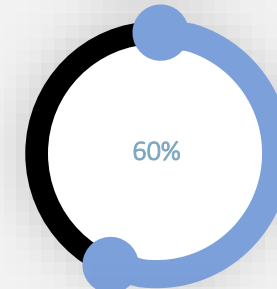
Q3 2021



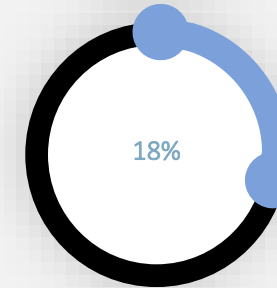
Q3 2020



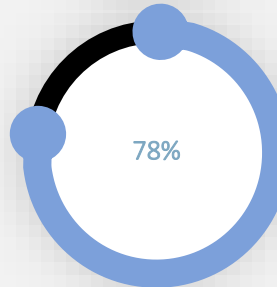
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio



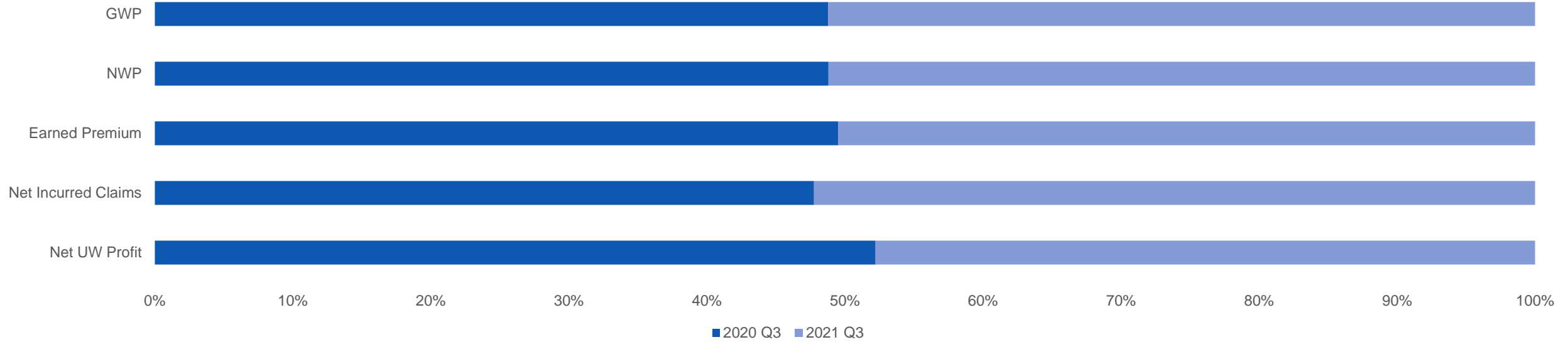
Weighted Average Combined Ratio

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. The 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 a 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 virus 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 in some cases reduction in the premiums.

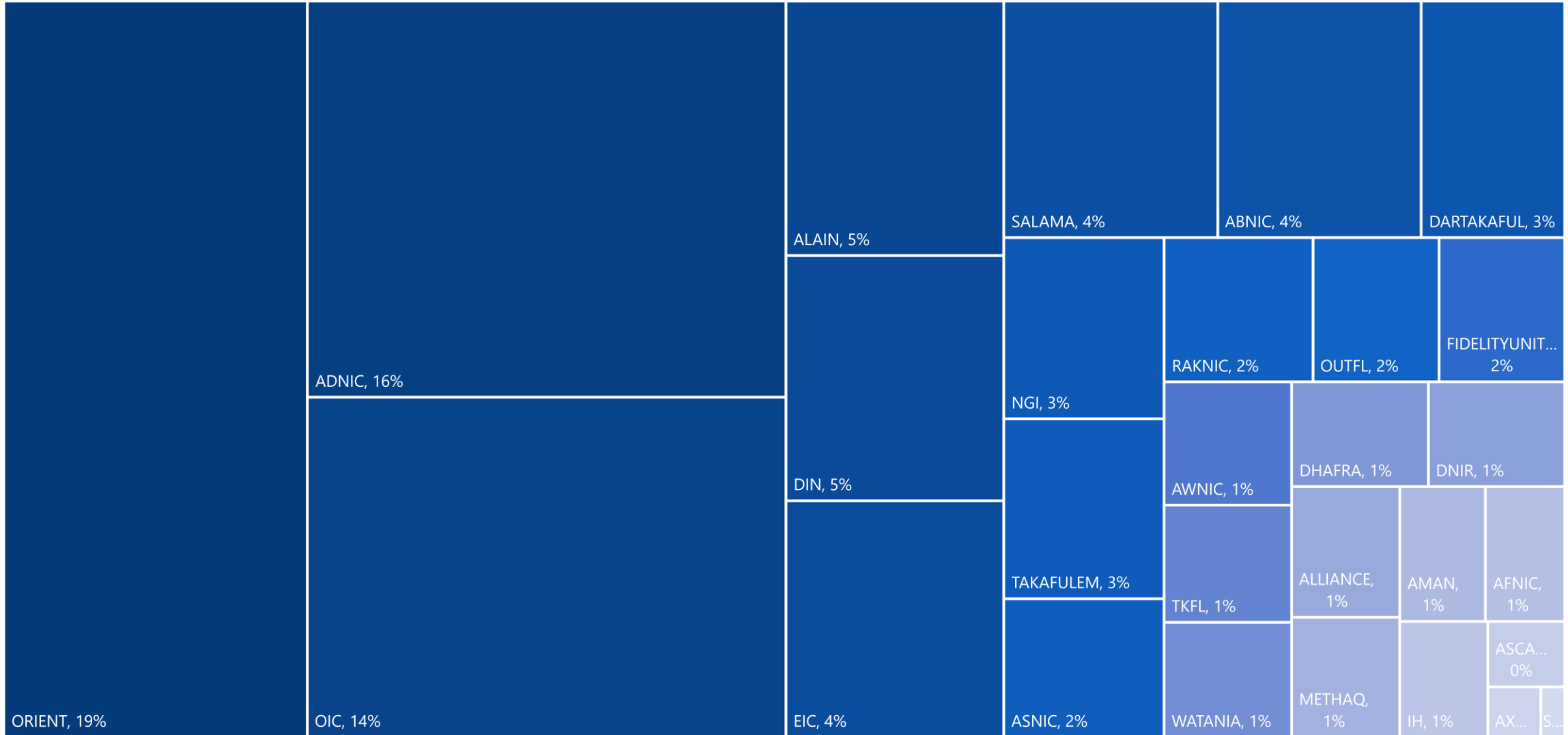
Aggregate Performance

AED MILLIONS

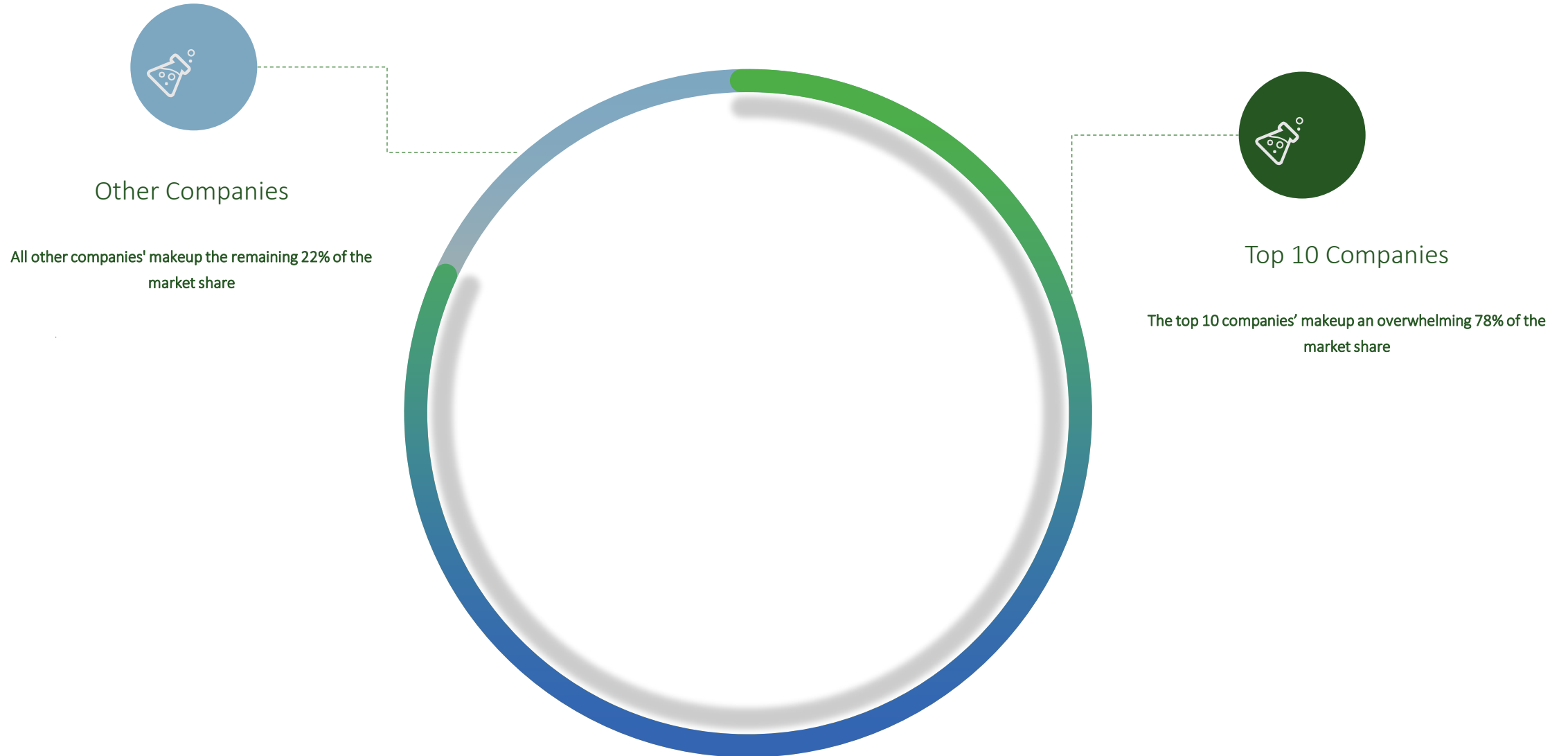


GWP and NWP increased by 4.96% and 4.89% respectively. The net underwriting profit in Q3 2021 decreased by about 8.48% when compared to Q3 2020. Further, the net incurred claims and net earned premium increased in Q3 2021.

Market Share Proportion

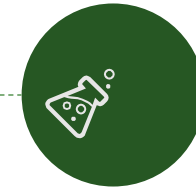


Premium Composition Top 10 vs Other Companies



Other Companies

All other companies' makeup the remaining 22% of the market share

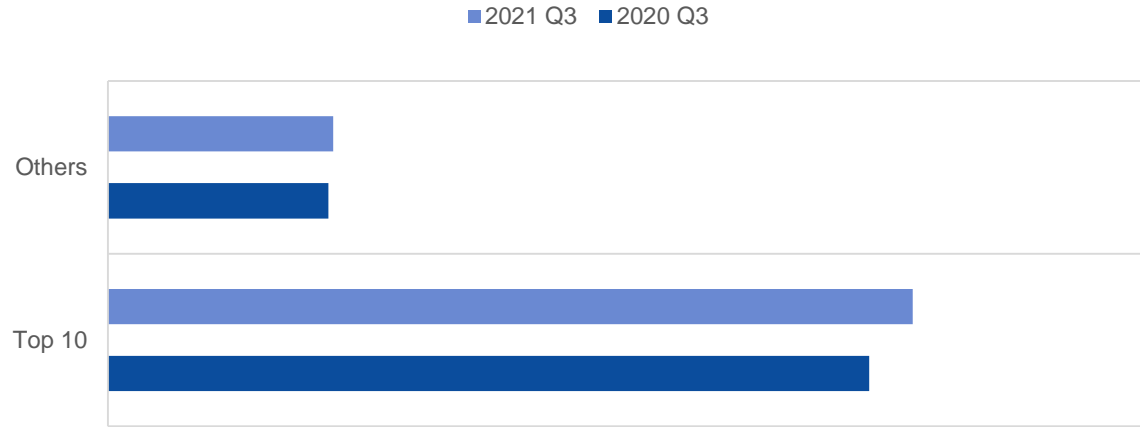


Top 10 Companies

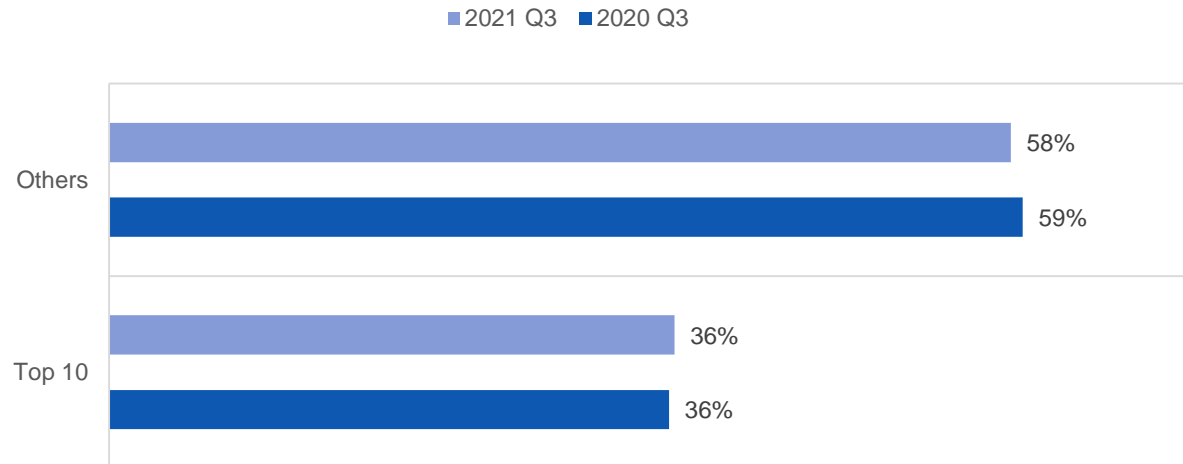
The top 10 companies' makeup an overwhelming 78% of the market share

Gross Written Premium and Rankings

Gross Written Premiums (AED 000's)



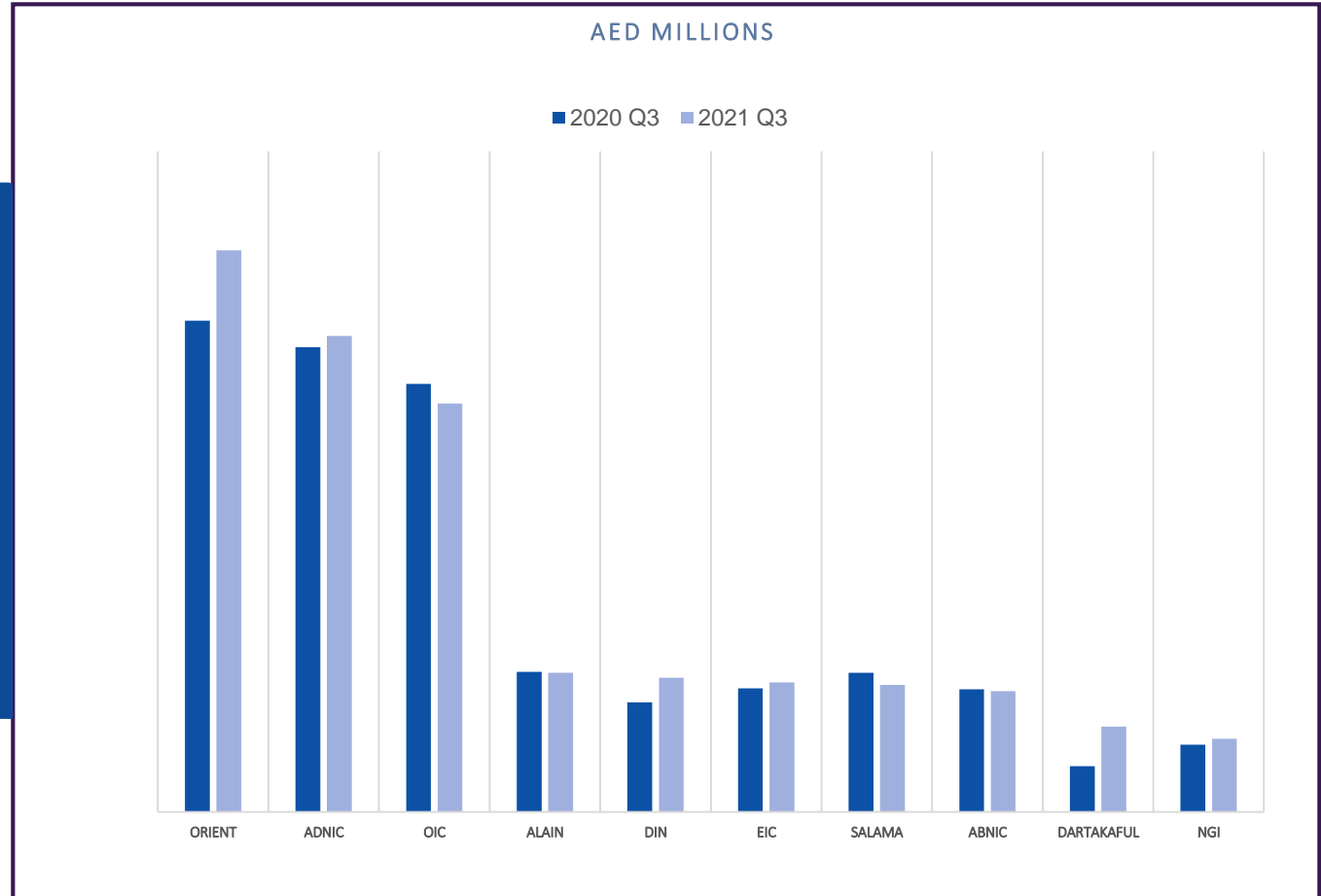
Retention Ratios



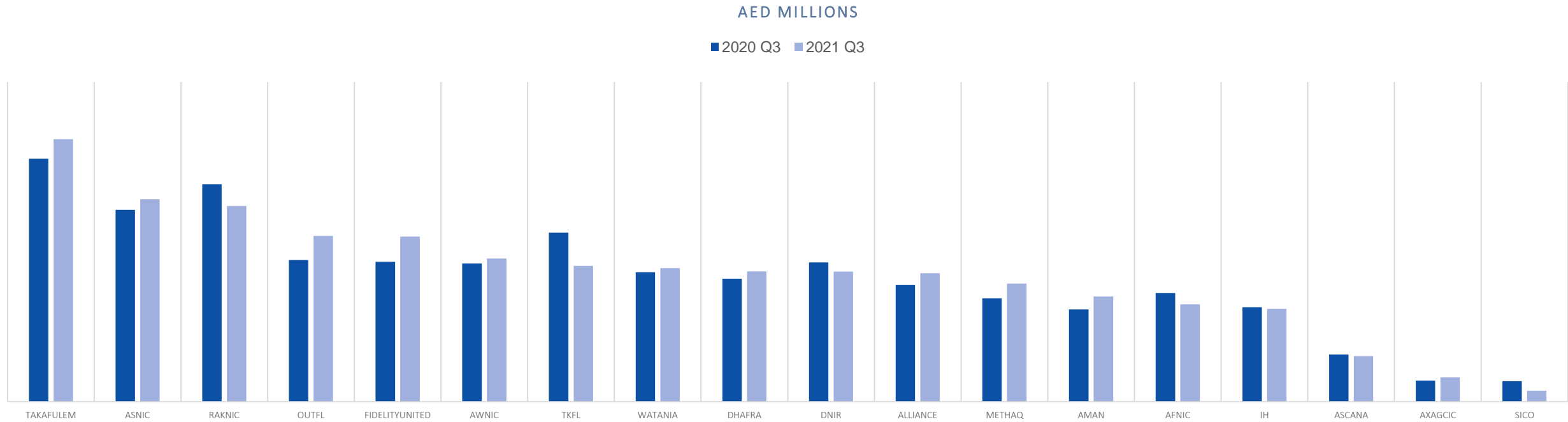
| | | | |
|---------------------|---|-----------------------|---|
| 1. Orient | — | 17. TKFL | ▼ |
| 2. ADNIC | — | 18. WATANIA | ▲ |
| 3. Oman Insurance | — | 19. Dhafra | ▲ |
| 4. Al Ain | — | 20. DNIR | ▼ |
| 5. DIN | ▲ | 21. Alliance | — |
| 6. EIC | — | 22. Methaq | ▲ |
| 7. Salama | ▼ | 23. AMAN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

Gross Written Premium – Top 10 Companies

Orient captured the biggest market share of 19%, followed by ADNIC (16%) for Q3 2021. The smallest market share (for the Top 10) is for NGI (3%) for Q3 2021. The top 10 companies contributed AED 15.36 billion in the industry as of Q3 2021.

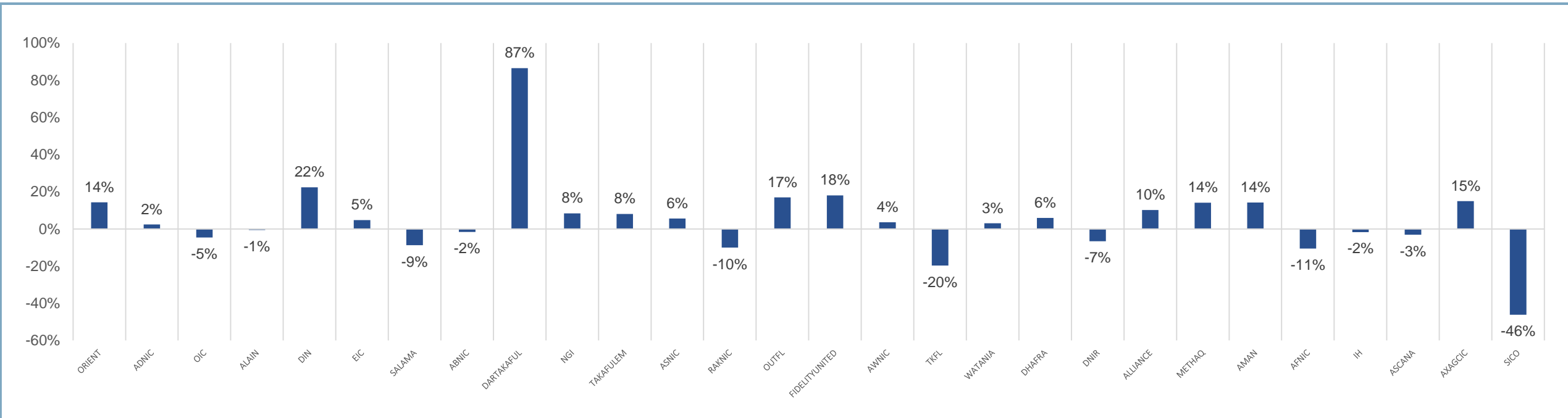


Gross Written Premium – Other Companies



Among the other companies, Takafulem has the biggest market share in Q3 2021, while SICO had the smallest market share in Q3 2021. Ten out of the remaining eighteen companies experienced an increase in their Gross Written Premium in Q3 2021.

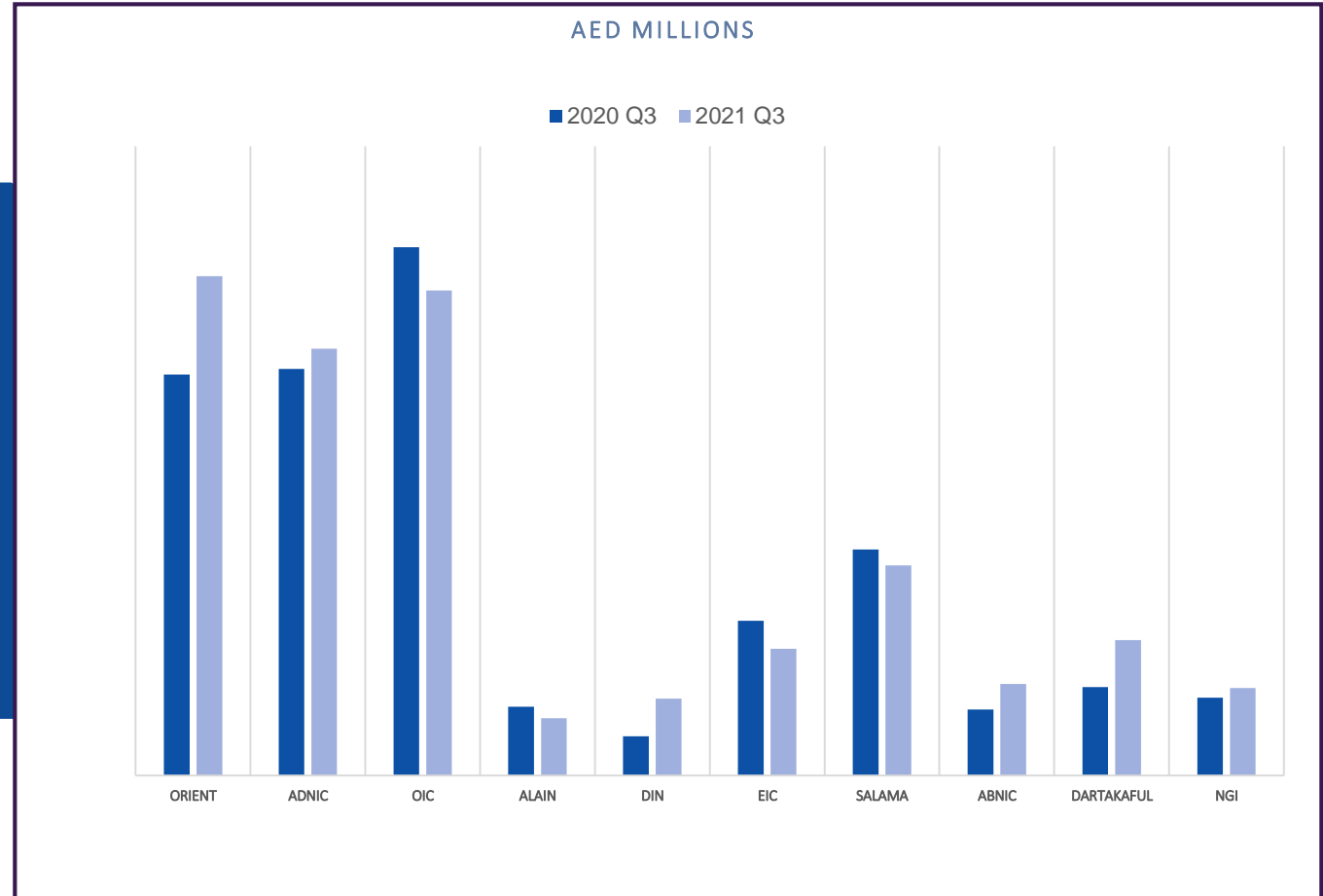
Gross Written Premium – Movement



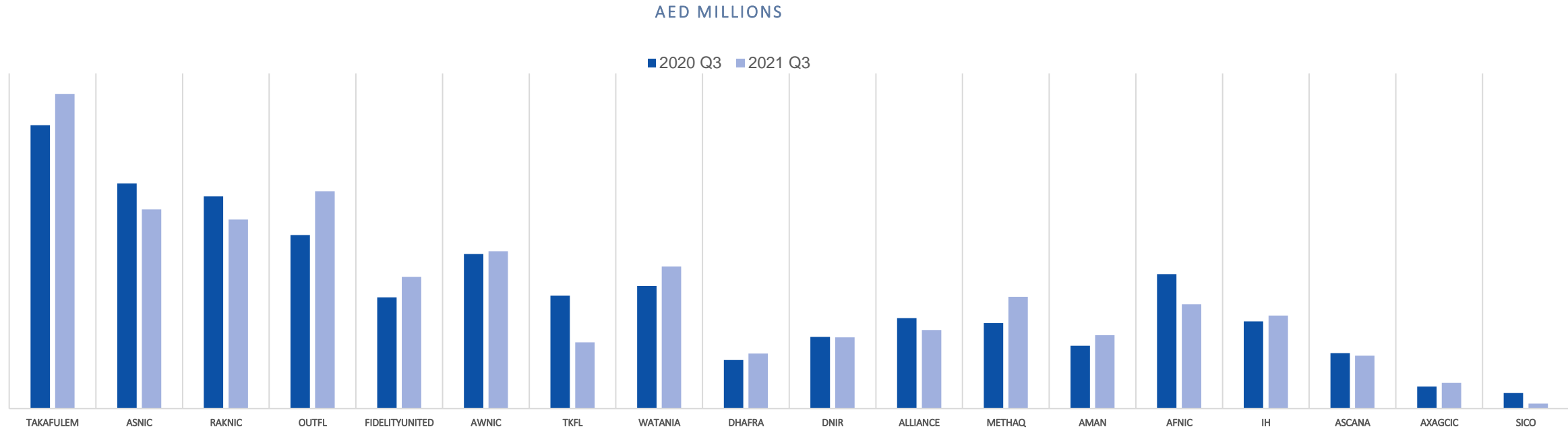
A total of 10 out of 28 companies showed a decrease in Gross Written Premium in Q3 2021. The highest growth rate in Q3 2021 was exhibited by Dar Takaful which was 87%. Second highest growth was shown by DIN which was 22%, while the largest decrease in business reflected by SICO depicting a decline of 40%. 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 1,270 million followed by OIC with 1,234 million for the Q3 2021. The top 10 companies amounted to 5.59 billion in the insurance industry in Q3 2021.

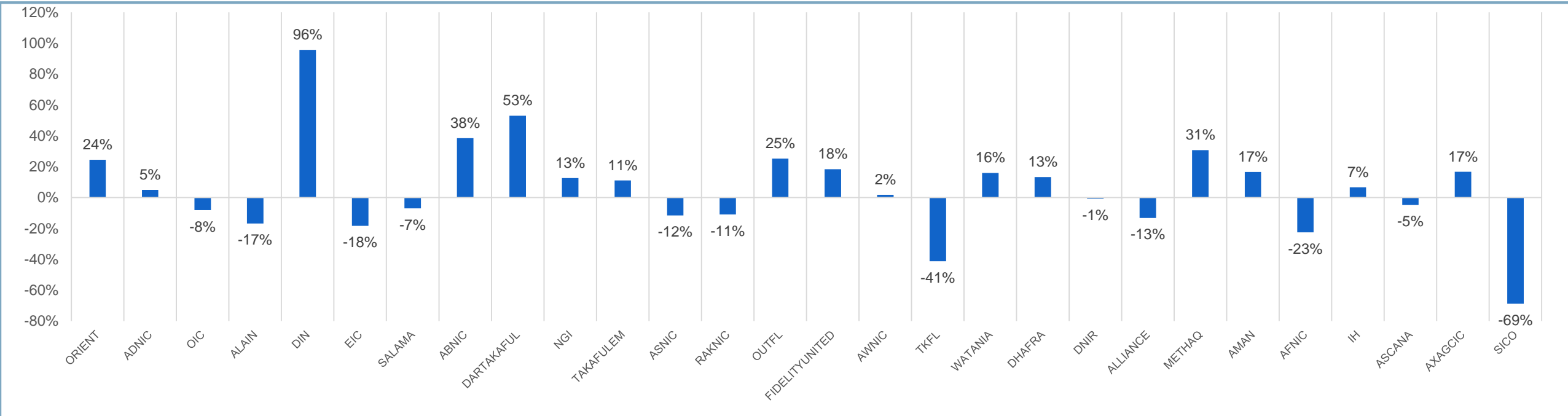


Net Written Premium – Other Companies



Among the remaining companies, the highest Net Written Premium for Q3 2021 was of Takafulem (AED 375 million) while the lowest was for SICO.

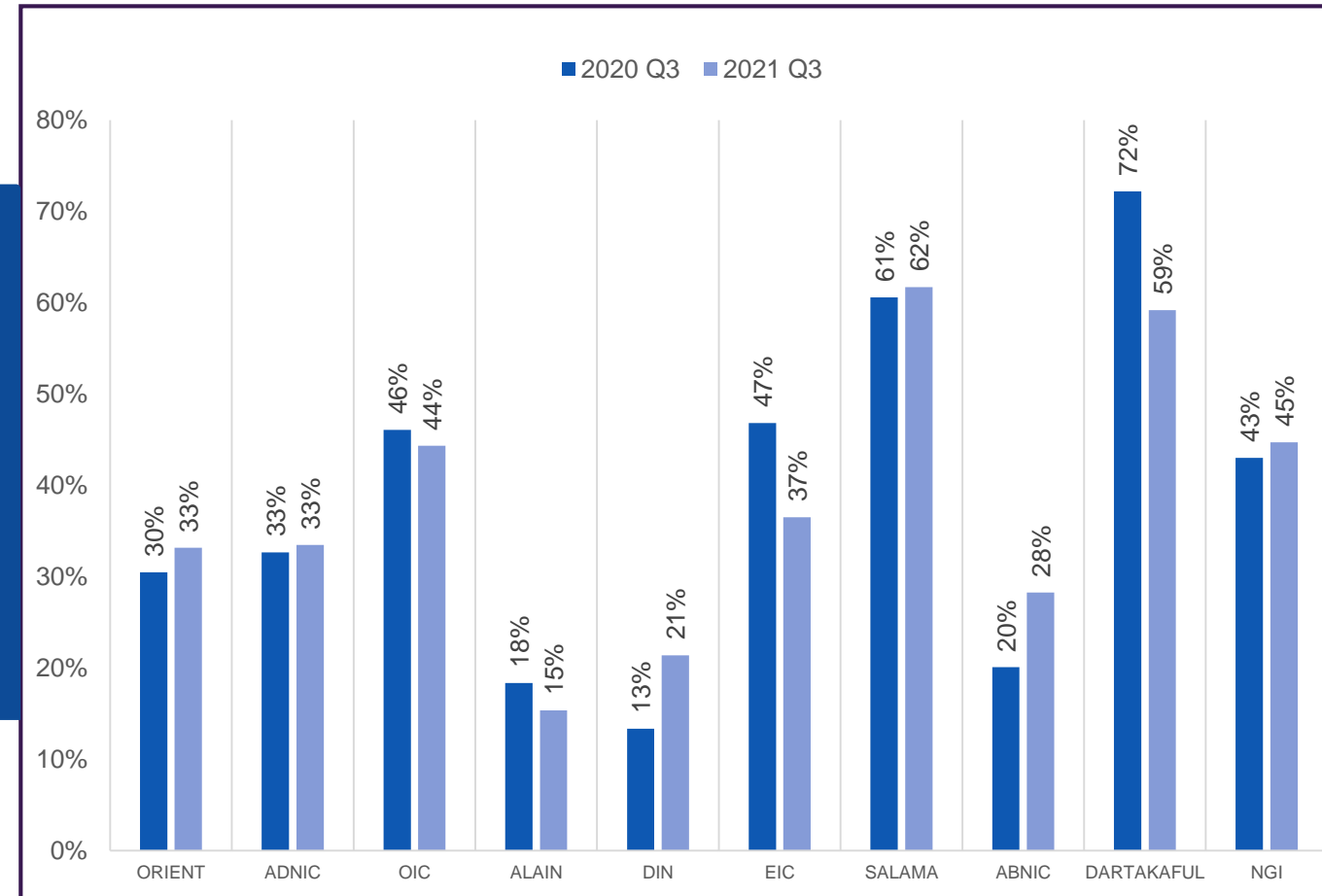
Net Written Premium – Movement



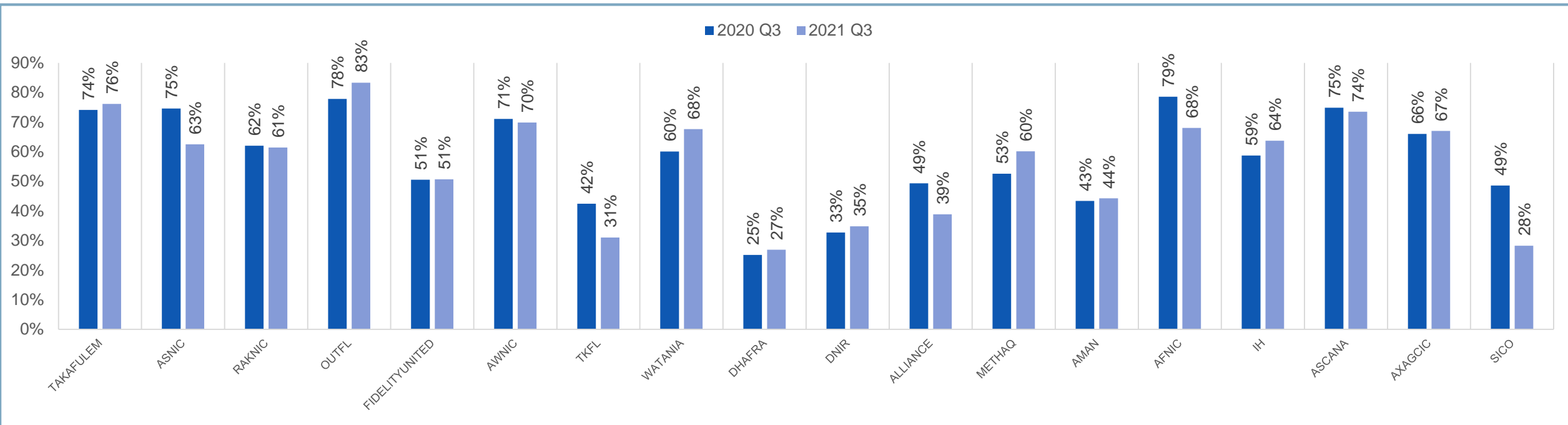
Net Written Premium grew the most for DIN (96%) and the highest declined for SICO (-69%). The range of movement in the Net Written Premium was narrow for the top 10 companies when compared to the remaining companies.

Retention Ratios - Top 10 Companies

Salama had the highest retention ratio in Q3 2021 (61%) while Dar Takaful had the highest retention in 2021 Q3 (72%). ALAIN had the lowest retention ratio of 15% in Q3 2021. Retention ratios were stable for most of the companies, with the highest change being 13% decrease for Dar Takaful. 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.

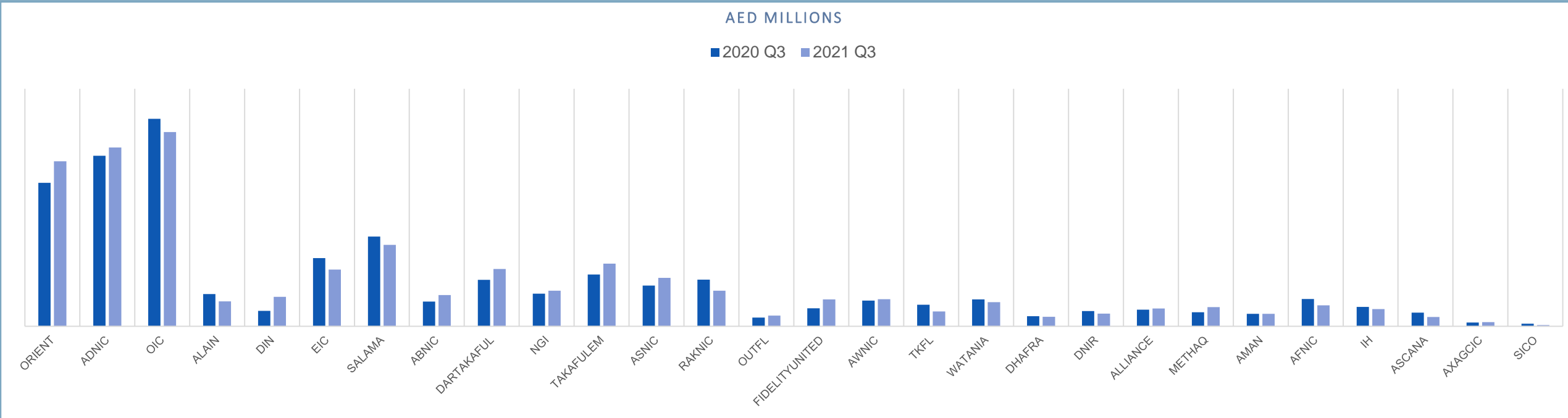


Retention Ratios - Other Companies



On an aggregate basis, the weighted average retention ratio is 40%. Among the other companies, the highest retention ratio being 83% for OUTFL and the lowest being 27% for Dhafra for the Q3 2021. For all other companies, the retention ratios does not vary greatly except for AFNIC and SICO which experienced a decline of 11% and 21% respectively.

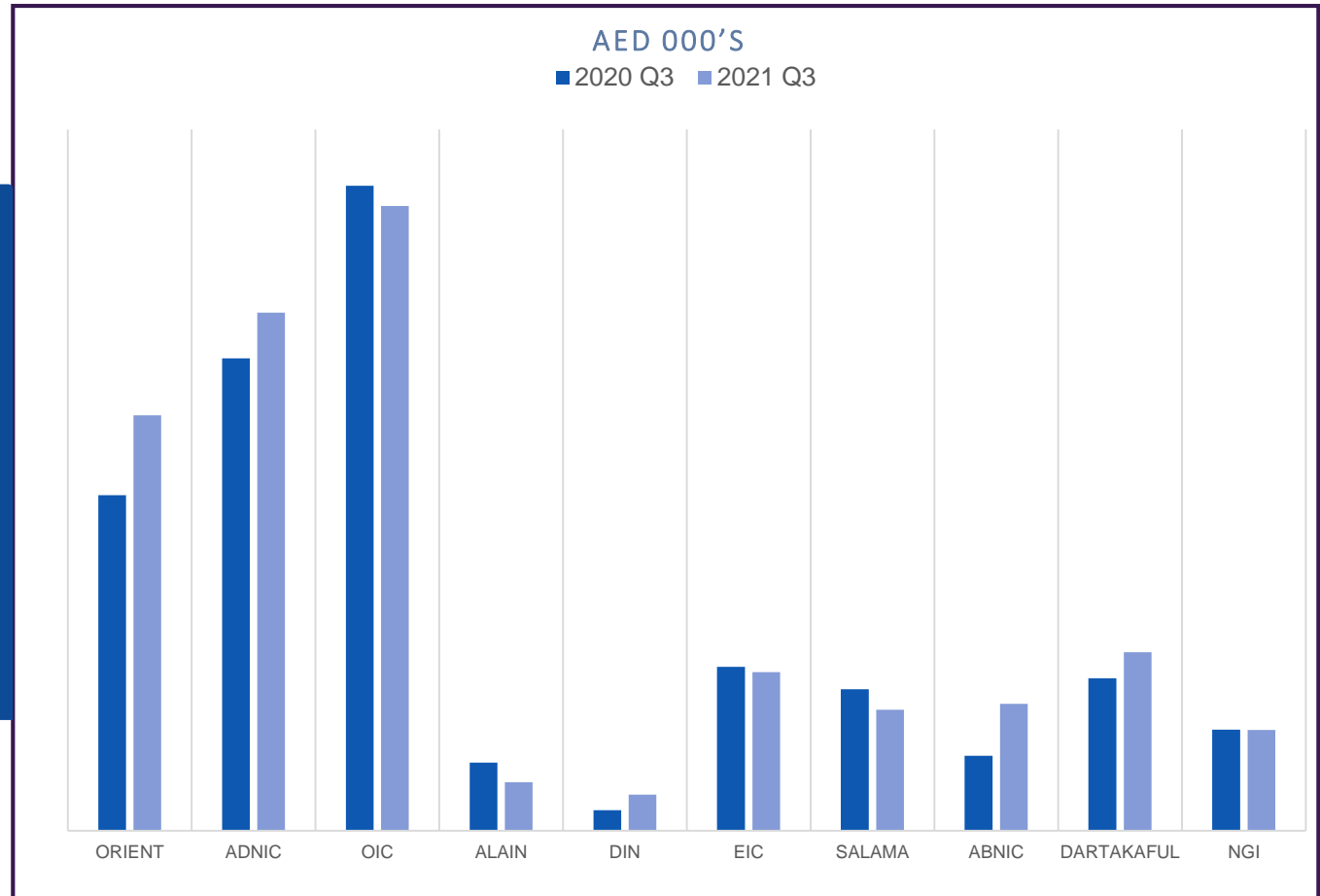
Net Earned Premium



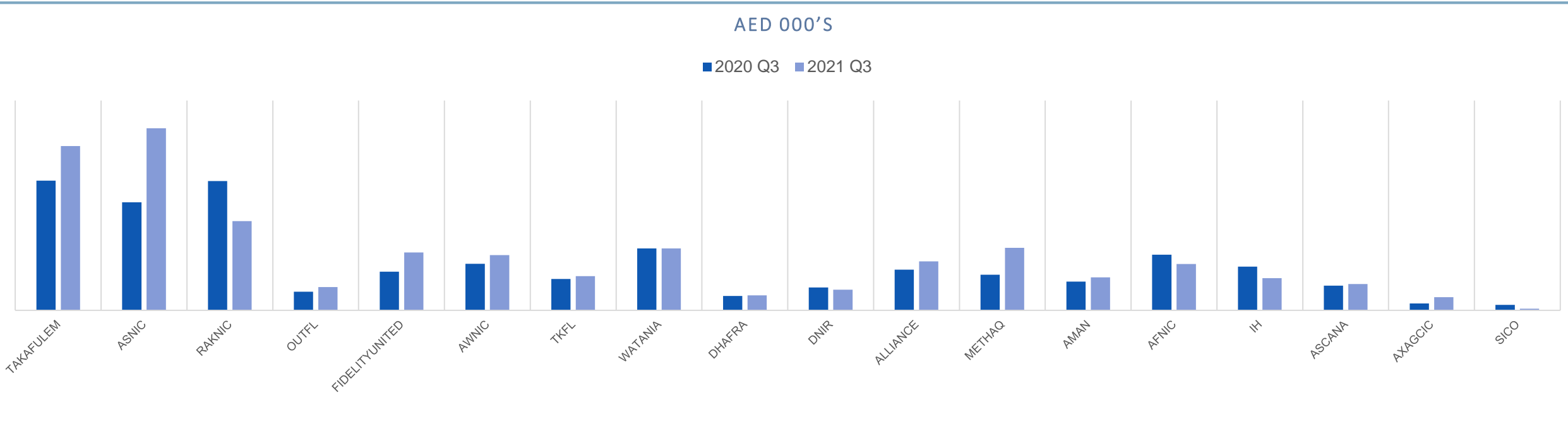
The highest Net Earned Premium is for OIC in both the years followed by ADNIC while the lowest being for SICO. The top 10 companies amounted to 5.04 billion (about 70%) of Net Earned Premiums in Q3 2021.

Net Incurred Claims - Top 10 Companies

OIC had the highest net incurred claims of 828 million and 801 million in Q3 2020 and Q3 2021, respectively, whereas DIN had the lowest net incurred claims of 27 million and 47 million in Q3 2020 and Q3 2021, respectively.



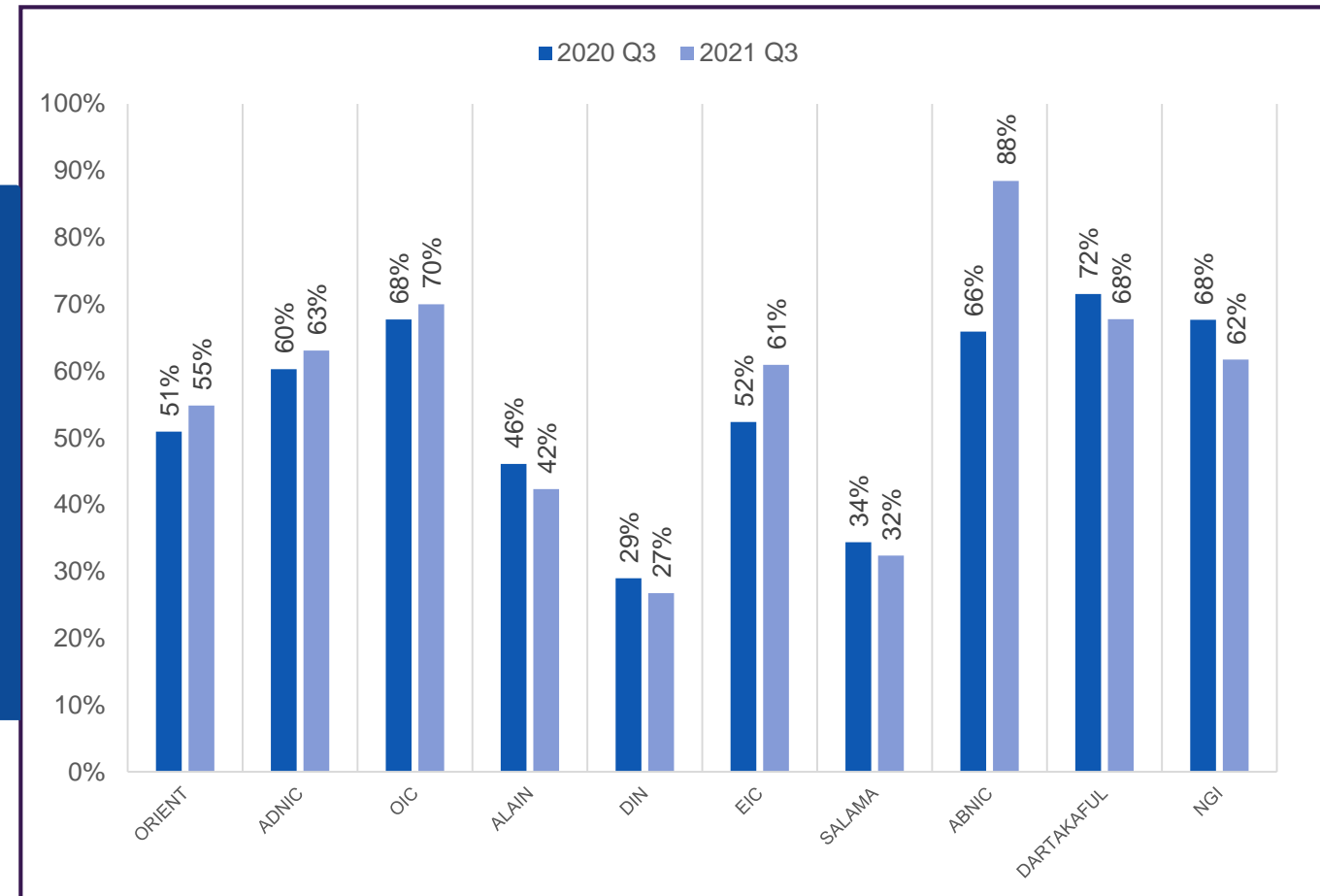
Net Incurred Claims - Other Companies



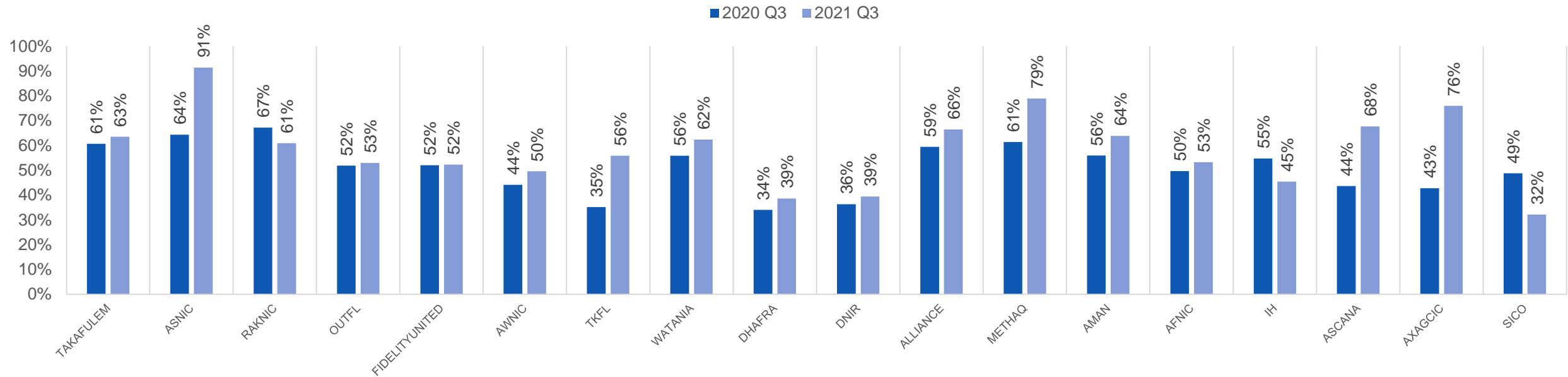
ASNIC had the highest net incurred claims of 260 million AED in Q3 2021, while SICO had the lowest net incurred claims of 8 million and 2 million in Q3 2020 and Q3 2021, respectively.

Loss Ratios - Top 10 Companies

For Q3 2020, the highest loss ratio was for Dar Takaful (72%) while for Q3 2021, the highest loss ratio was for ABNIC (88%). The lowest loss ratio was for DIN, being 29% and 27% respectively.



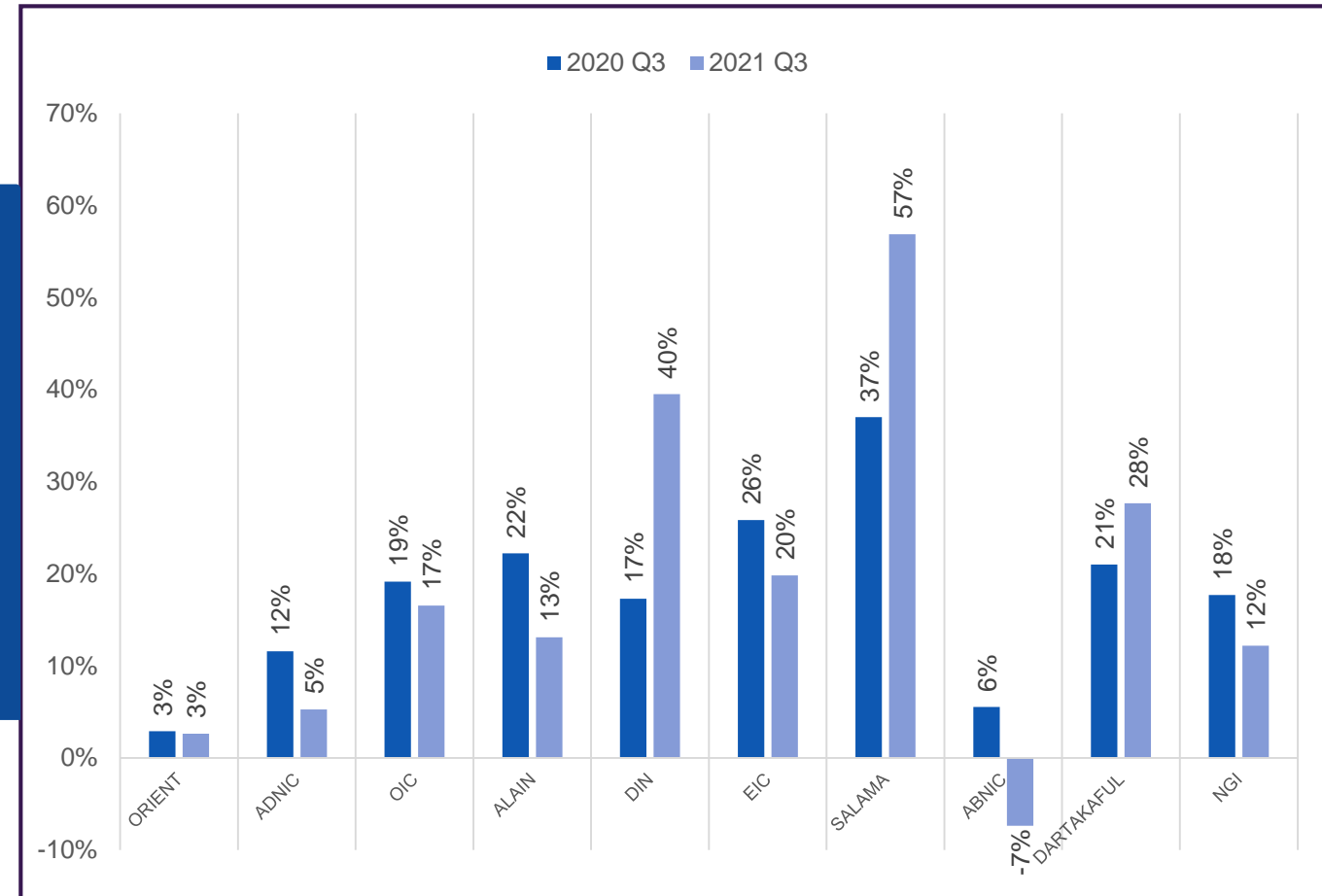
Loss Ratios – Other Companies



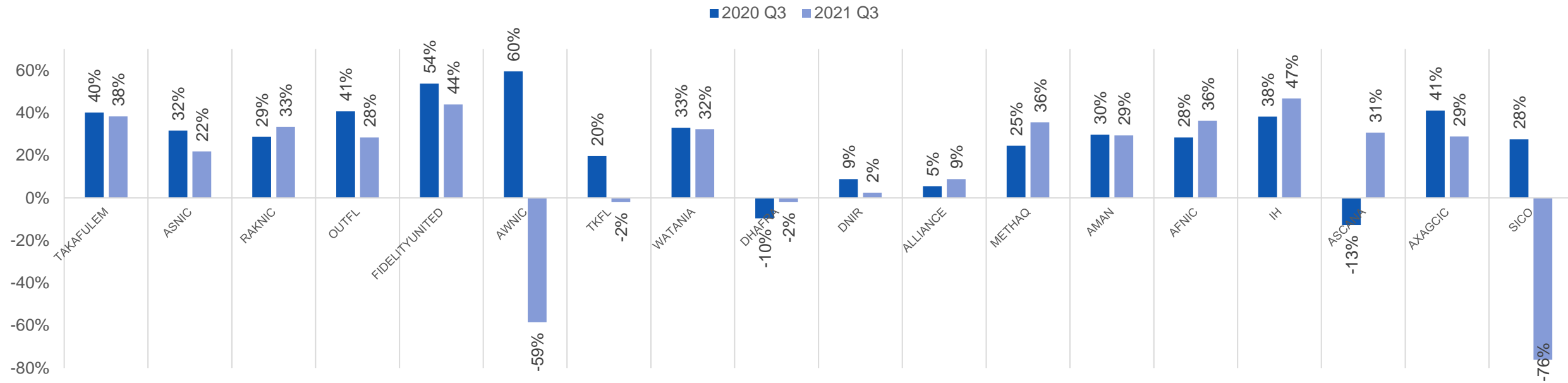
The loss ratios for other companies has been summarized in the above chart. For Q3 2020, the highest loss ratio was for the Raknic (67%) and the lowest for Dhafra (34%). For Q3 2021, the highest loss ratio was observed for ASNIC (91%) and lowest for SICO (32%).

Expense Ratios - Top 10 Companies

For Q3 2021, the expense ratio was the highest for Salama (57%) and the lowest for ABNIC (-7%). For Q3 2020, Salama had the highest expense ratio (37%), while Orient had the lowest expense ratio at 3%.



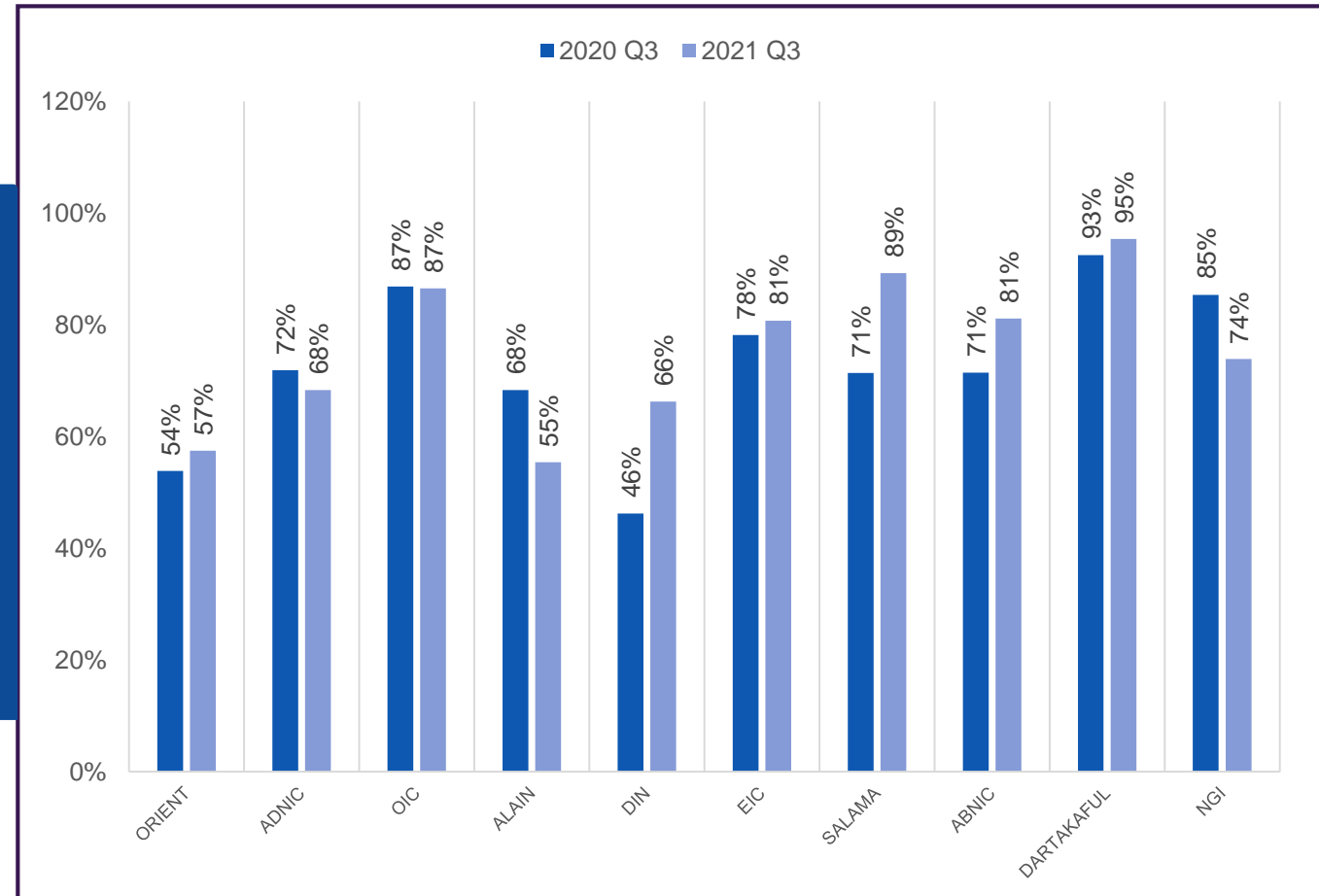
Expense Ratios - Other Companies



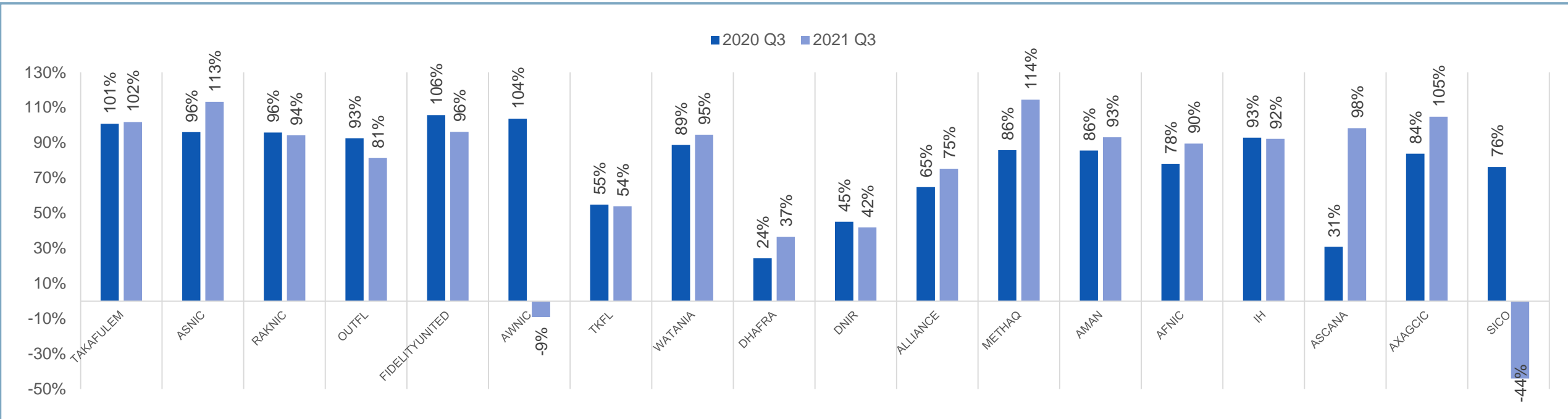
The highest expense ratio in Q3 2020 was for Awnic (60%), followed by Fidelity United (54%), and the lowest was for Ascana (-13%). For Q3 2021, the highest expense ratio was for IH (47%) and the lowest was for SICO (-76%). Awnic, Dhafra, TKFL and SICO had a negative expense ratios for Q3 2021. The weighted average expense ratios for the Q3 2021 culminates to be 15%.

Combined Ratios - Top 10 Companies

For Q3 2020, the Highest Combined Ratio was for Dar Takaful (93%) and the lowest for DIN (46%). Net Combined Ratios were high in Q3 2021 with Dar Takaful having a combined ratio of 95%. Combined ratios increased for 6 of the top 10 companies. The difference between the Combined ratios of Q3 2020 and Q3 2021 were not very significant except for DIN which experienced an increase of 20%.



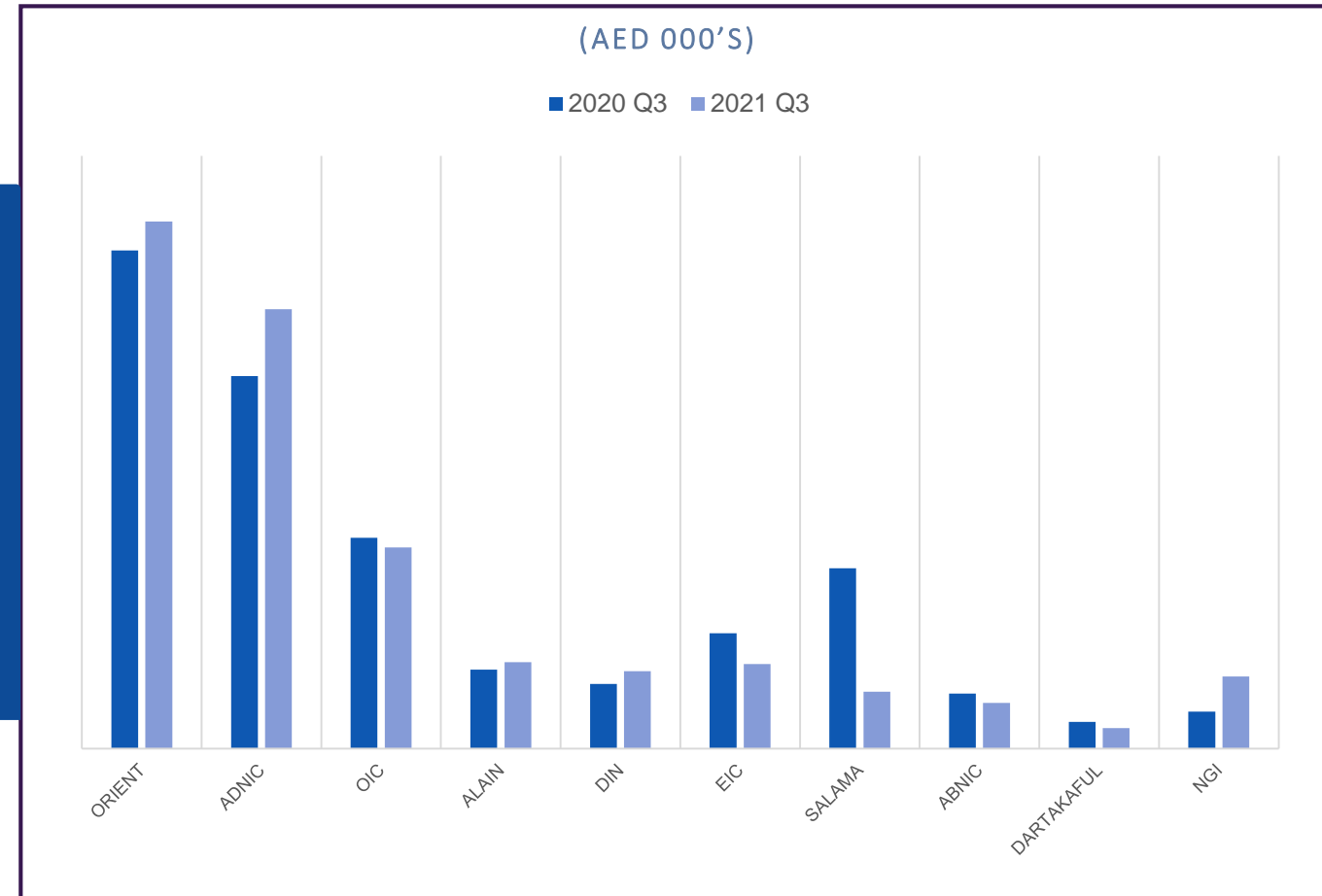
Combined Ratios - Other Companies



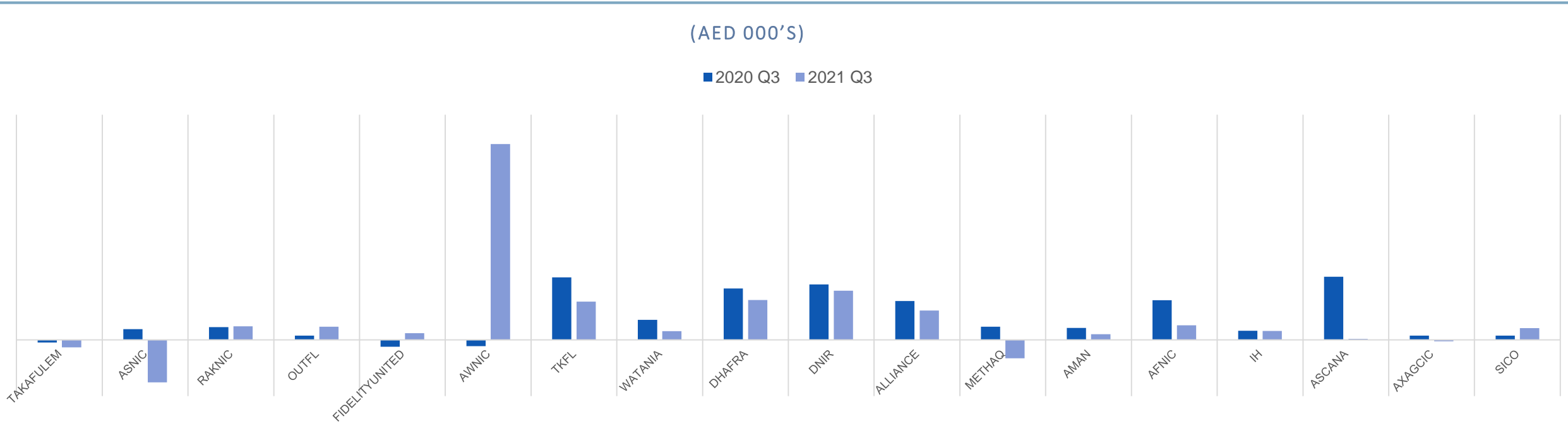
Combined ratios for most of the other companies were lower than 100% in both quarters. Methaq had a combined ratio of 86% in Q3 2020 and it increased to 114% in Q3 2021. The lowest combined ratio was for Awnic which decreased from 104% to -9% in Q3 2021.

Net Profit and Loss - Top 10 Companies

Orient had the highest net profit in Q3 2020, and it was further able to increase it from 378 million AED to 400 million, retaining its position. Among the top 10 companies, the lowest net profit was for Dar Takaful which experienced a net loss of 15.5 million in Q3 2021.

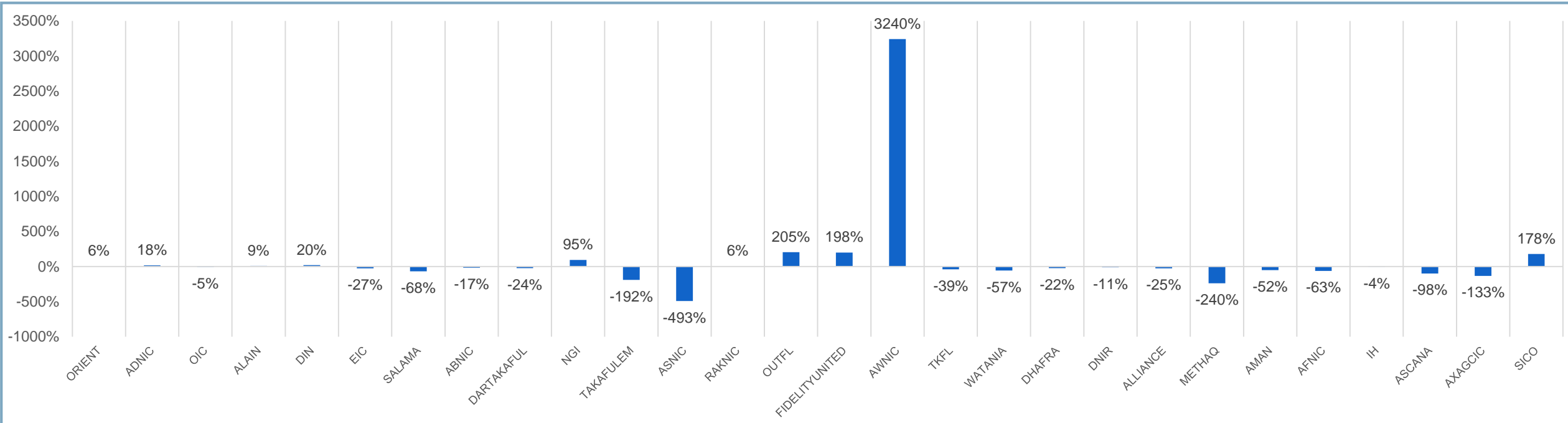


Net Profit and Loss - Other Companies



ASCANA had the highest net profit of 56 million in Q3 2020 and Awnic had the highest net profit of 174 million in Q3 2021. Awnic has shown a tremendous improvement by increasing their net profit by 179 million, moving from a loss of 5.5 million in Q3 2020 to a profit of 174 million in Q3 2021. The highest net loss was for ASNIC in Q3 2021.

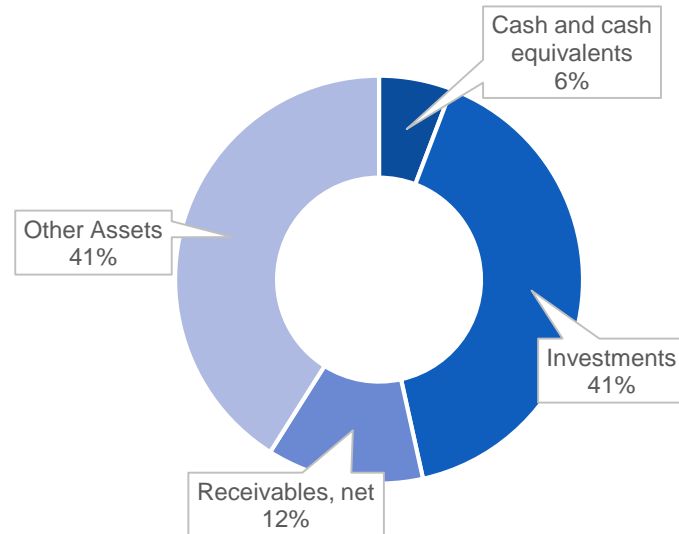
Net Profit and Loss - Movement



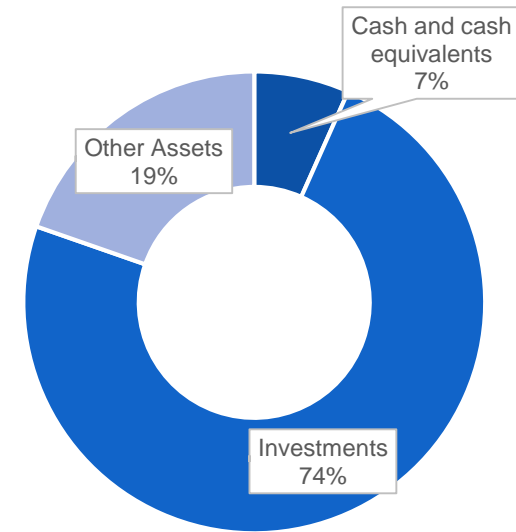
Net profit has shown an overall decrease of 2% in Q3 2021. The highest movement was experienced by Awnic of about 3240% with profits amounting to AED 174 million in Q3 2021. Asnic experienced a huge decline in its net profit of about 5 times. Awnic had a net loss in Q3 2020 which turned to a net profit in Q3 2021.

Asset Classification - Aggregate

POLICY HOLDER ASSET CLASSIFICATION



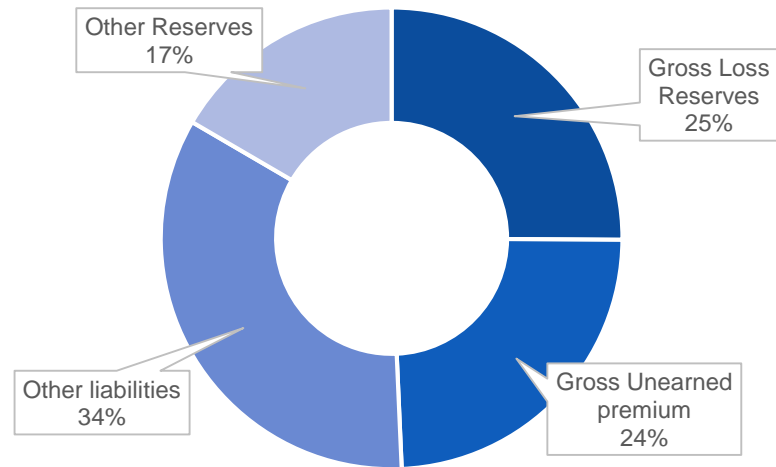
SHARE HOLDER ASSET CLASSIFICATION



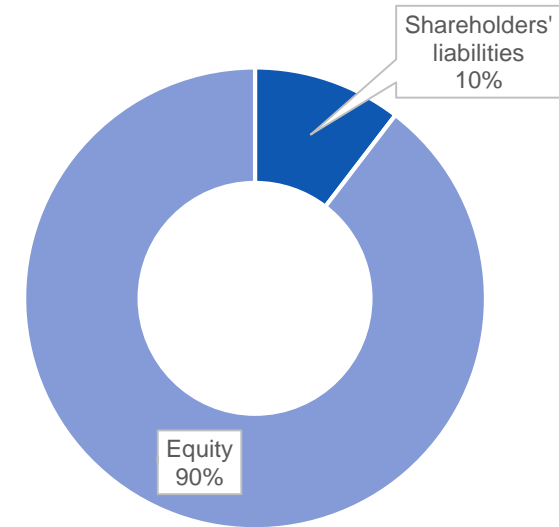
Most of the policyholder assets were kept as other assets (41%) and investments (41%) while the remaining were kept as receivables (12%) and 5% as cash. Up to 74% of the shareholder assets were kept as investments, 7% as cash and 19% as other assets.

Liability & Equity Classification - Aggregate

POLICYHOLDER LIABILITY CLASSIFICATION

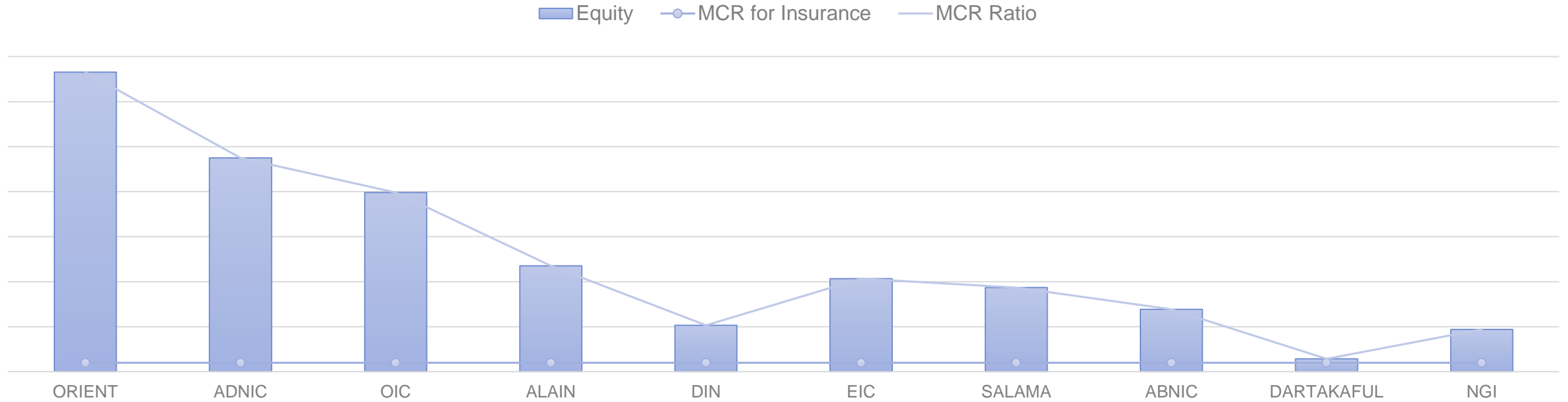


SHARE HOLDER LIABILITY CLASSIFICATION



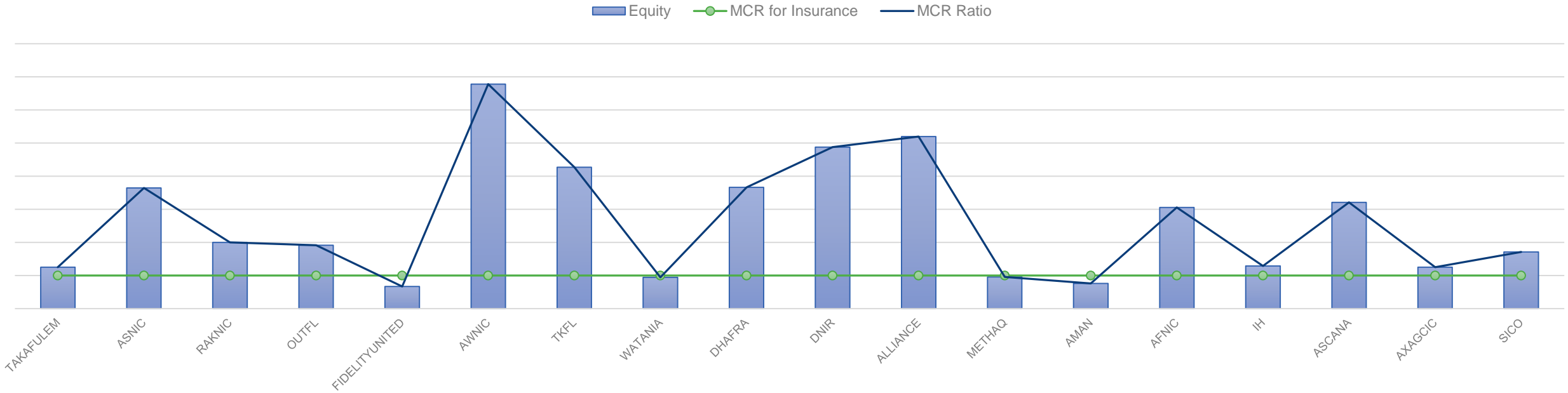
Policy holder liabilities consist of 25% gross loss reserve, 24% of gross unearned premium and 34% of other liabilities.

Solvency Analysis – Top 10 Companies



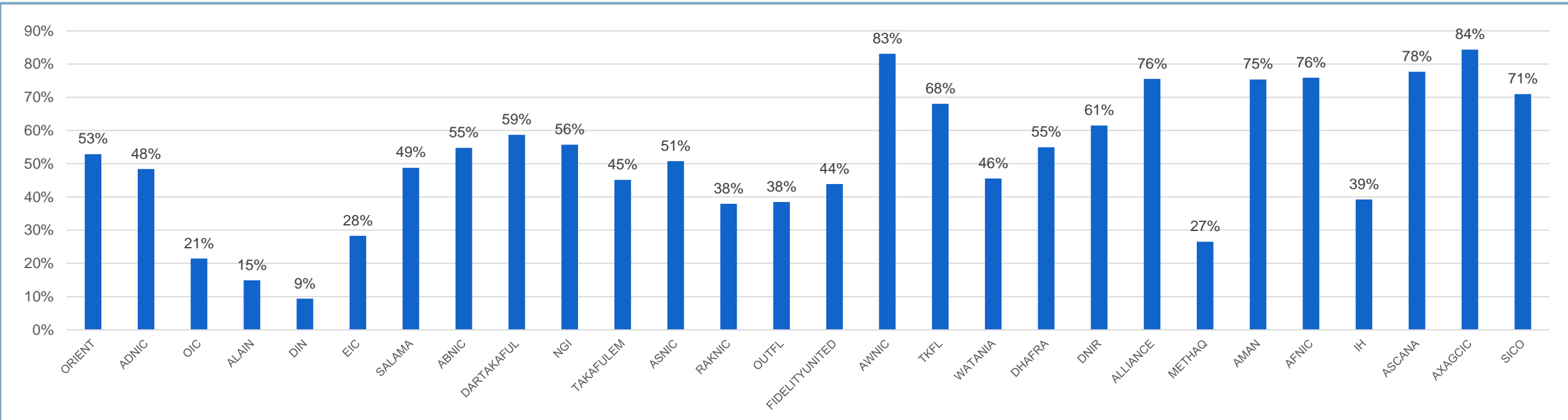
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Solvency Analysis – Other Companies



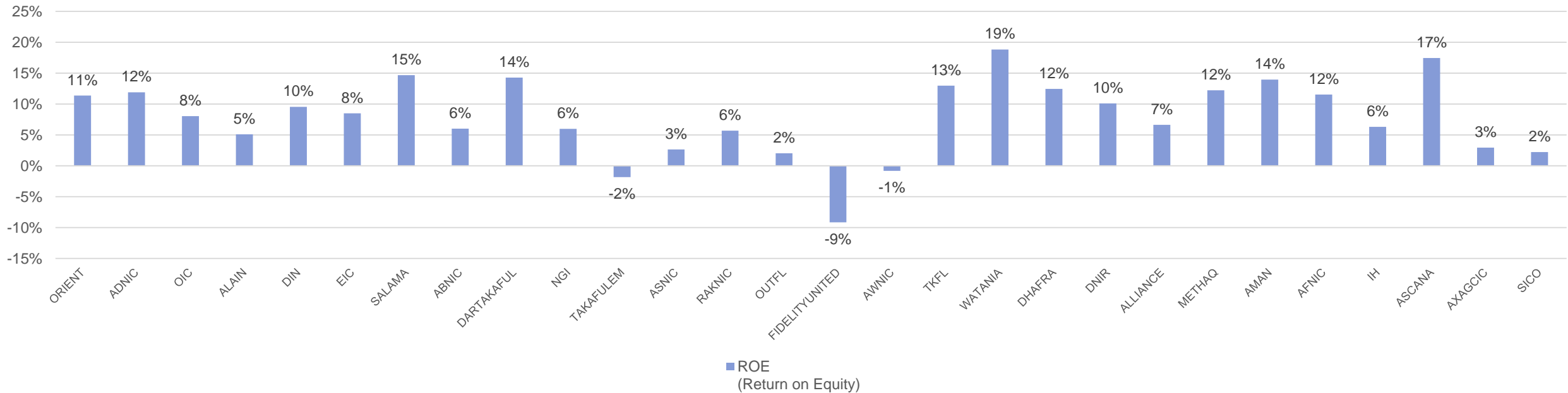
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Proportion of Invested Assets



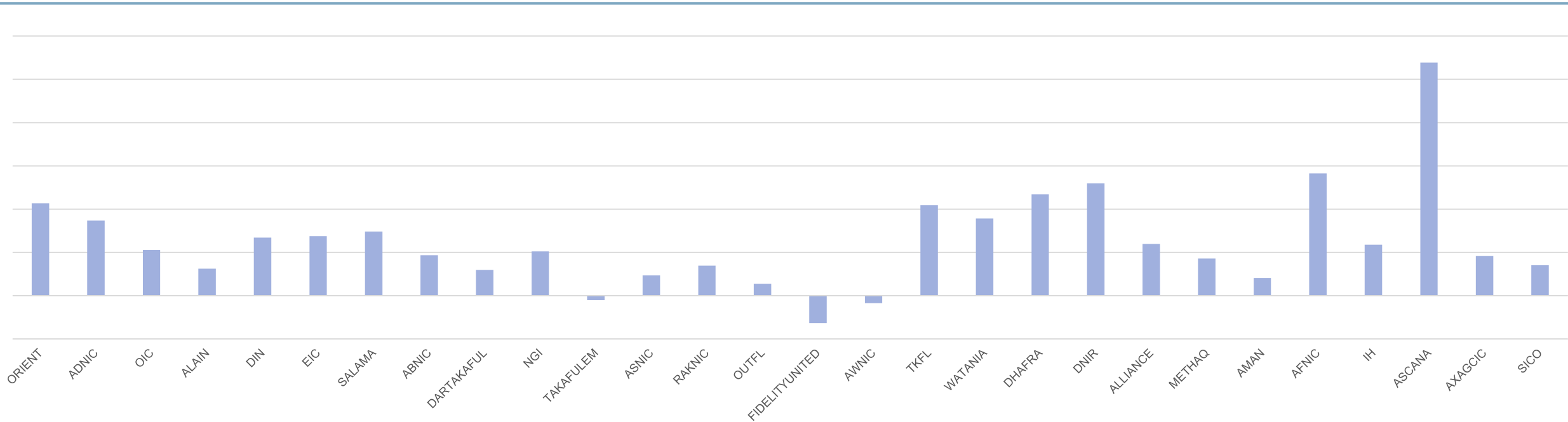
For most of the companies, invested assets along with cash constitutes about less than 50% of the total assets. The highest invested to total assets ratio is for AXAGCIC (84%) while the lowest is for DIN at about 9%.

Return on Equity (ROE)



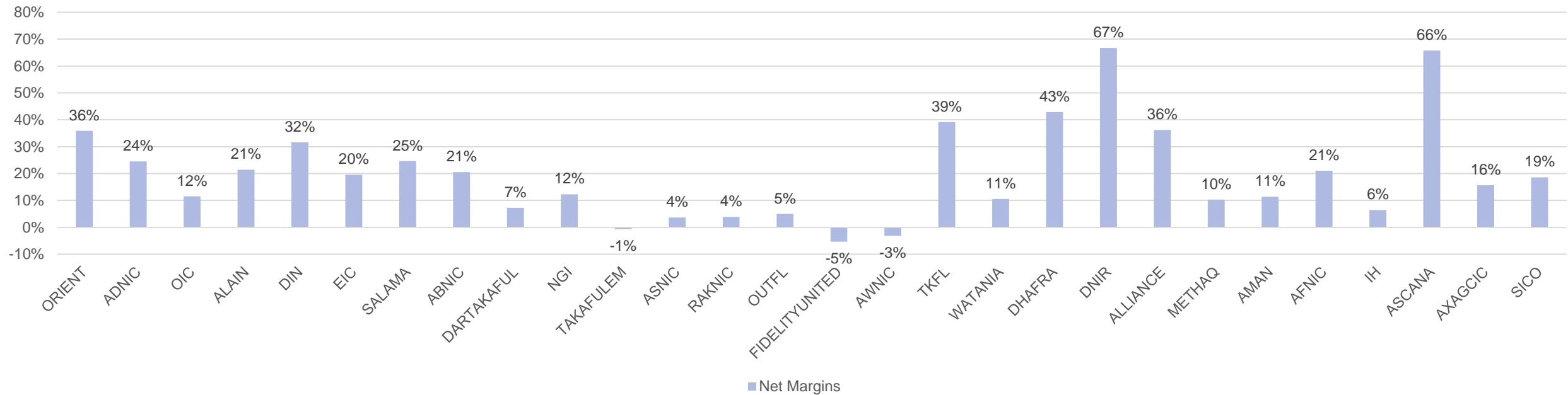
The Return on Equity (ROE) ratio essentially measures the rate of return that the owners of the common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest ROE was for Watania of about 19%, suggesting that Watania was able to utilize the investments received from the shareholders better than other companies. ROE was negative (-9%) for Fidelity United.

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. ASCANA was able to earn the highest Return on Assets of around 10.8% while Fidelity United earned the highest negative ROA of about -1.3%.

Net Profit Margins



Net Profit Margin measures how much net income or profit is generated as a percentage of revenue. DNIR had the highest (67%) suggesting that claims and expenses were very low. The lowest net margin was for Fidelity United (-5%).

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 | 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 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 |



Meet the Team

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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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