



Insurance Industry
United Arab Emirates

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■
■

2020



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About Us

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

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

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

Life Insurance

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

Retirement Benefits

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

Our Services

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

General Insurance

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

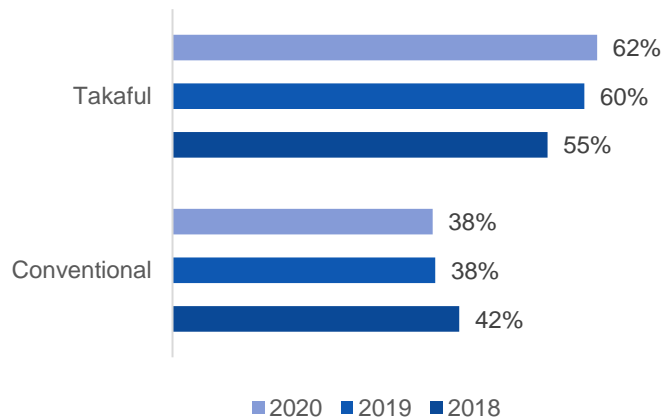
ERM and Capital Modeling

Limitations and Disclaimers

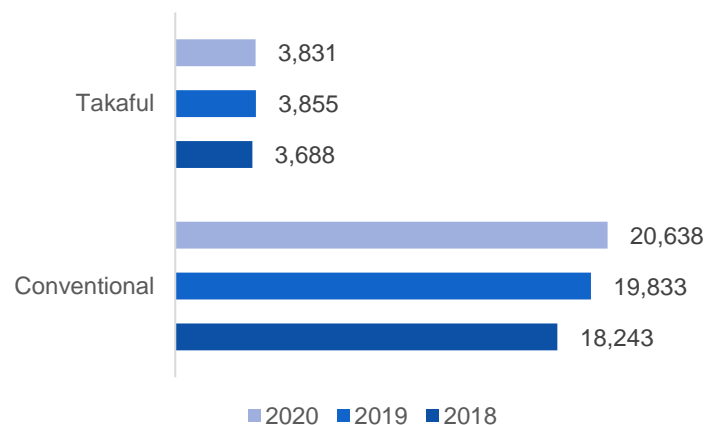
- ❖ The data used for the preparation of this report has been collected from Abu Dhabi Security Exchange and Dubai Financial Market. The data was extracted from the financial statements of the listed companies. Reliance is placed on the figures provided in the Company's Financial Reports. SHMA Consulting will accept no liability for loss directly or indirectly from your use of this document.
- ❖ For those takaful companies where the breakup of the items between policyholder and shareholder is not provided in the main statement of financial position, the accompanying notes have been used to acquire the split. The balance sheet figures in the main statement can be slightly different than the amounts in the notes. However, the difference is immaterial and has no impact on our analysis. For takaful companies, the net profit/(loss) shown in the report is related to the shareholder only.
- ❖ This Industry report is intended to provide general information only; we are not providing actuarial, investing, accounting, business, financial, legal, tax, or other professional advice or services through it. This research is not intended to replace professional advice or services, nor should it be used to make any decisions or take any actions that may damage your finances or business.
- ❖ The content of this industry report published by SHMA Consulting provides information to the general public and 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 30 listed companies in our analysis which includes 9 Takaful and 21 Conventional Insurance Companies.

Performance Highlights

Retention Ratios



Gross Premium by Sector (Mn)

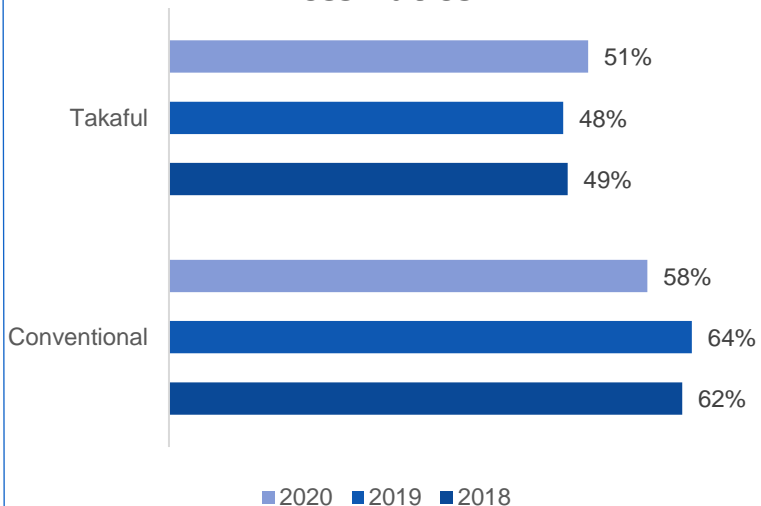


Total Gross Written Premium

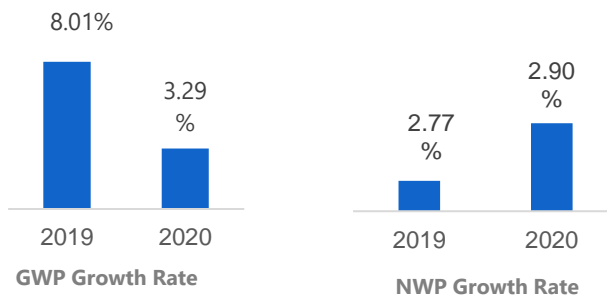
AED 24.47 Bn

▲ +3.29%

Loss Ratios



Premium Growth Rate



Total Profit / (Loss)

AED 1.82 Bn

Total Assets



AED 58.76 Bn

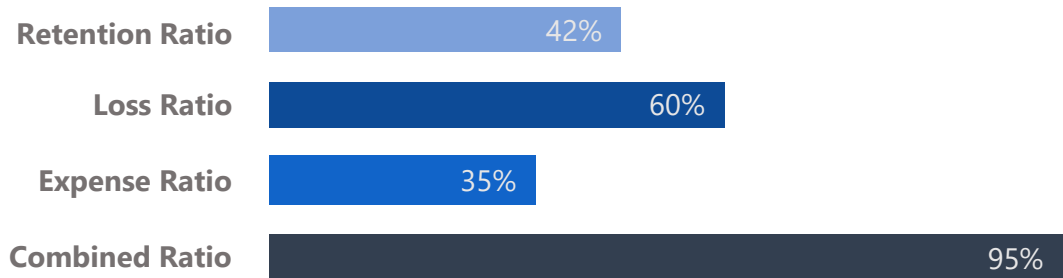
▲ +4.71%

Industry Highlights

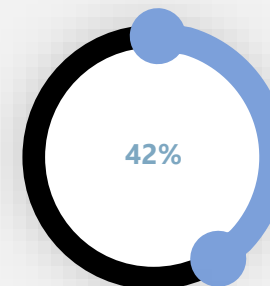
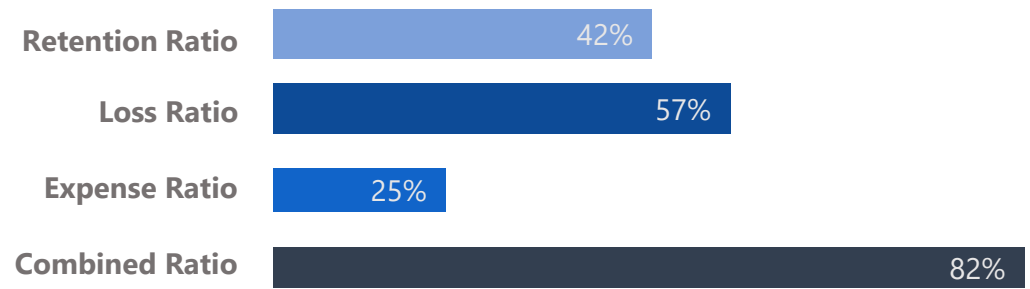
- ❖ Insurance Companies in United Arab Emirates are now regulated by the Central Bank of UAE (CBUAE), which started taking responsibility for Insurance Regulation from the Insurance Authority effectively from January 2021.
- ❖ The Insurance Industry observed some ups and downs in the year 2020 such as 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. 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 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

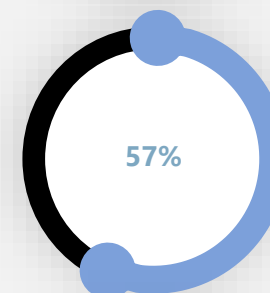
2019



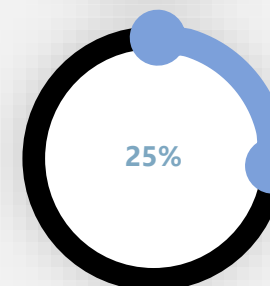
2020



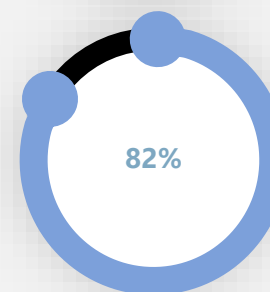
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio

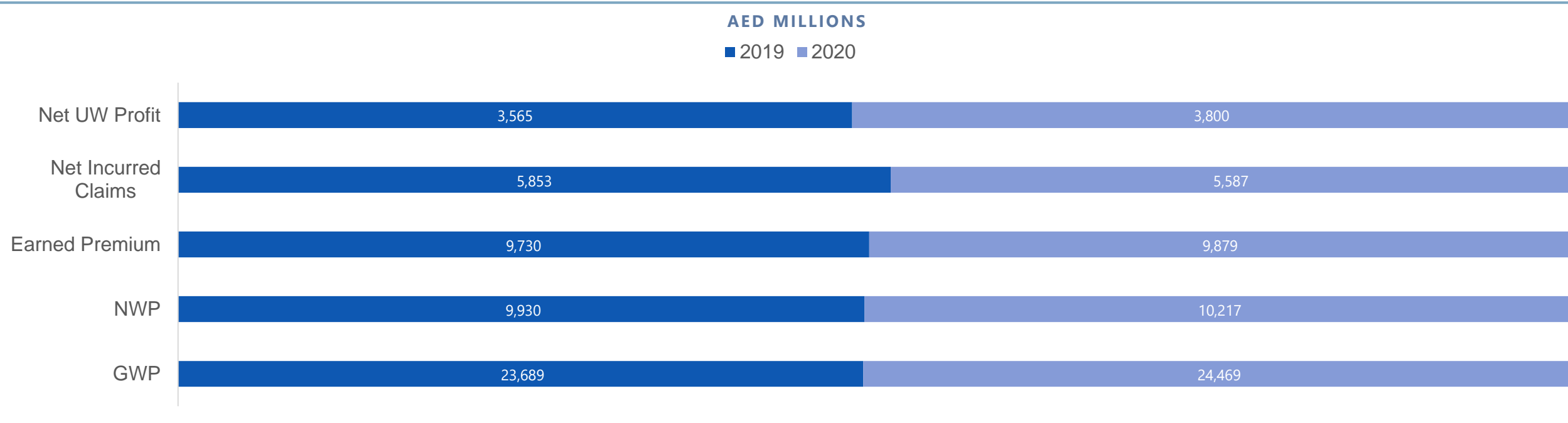


Weighted Average Combined Ratio

Impact of Covid-19

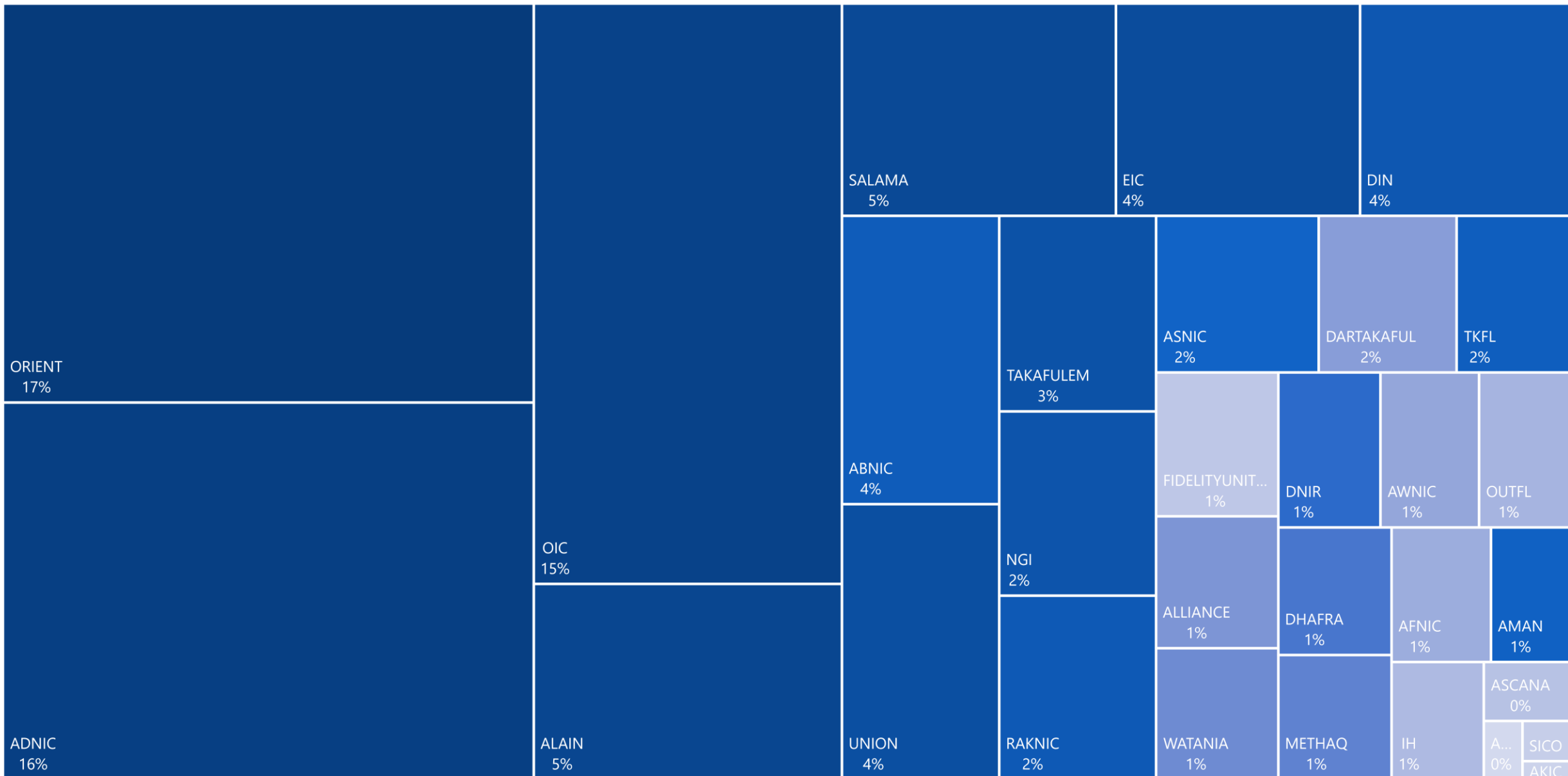
- ❖ The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements, and consumption have been materially impacted by the pandemic.
- ❖ On 11 March 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 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 in some cases reduction in premiums.

Aggregate Performance



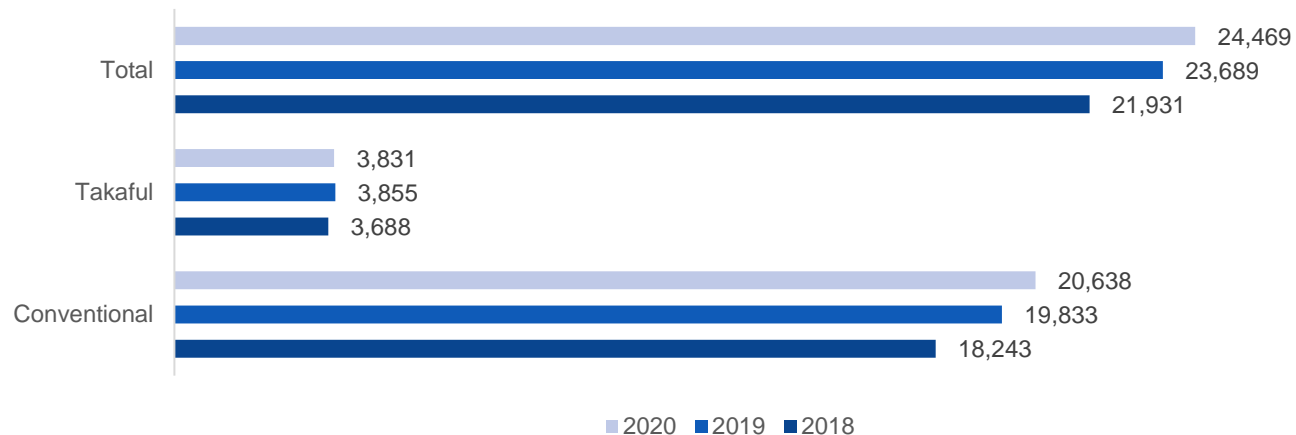
GWP grew by 3.29% and NWP grew by 2.90%. The net underwriting profit in 2020 increased by about 6.59% when compared to 2019. As the net incurred claims decreased and the net earned premium increased, it is evident that the loss ratio for the year 2020 decreased as shown previously.

Market Share Proportion

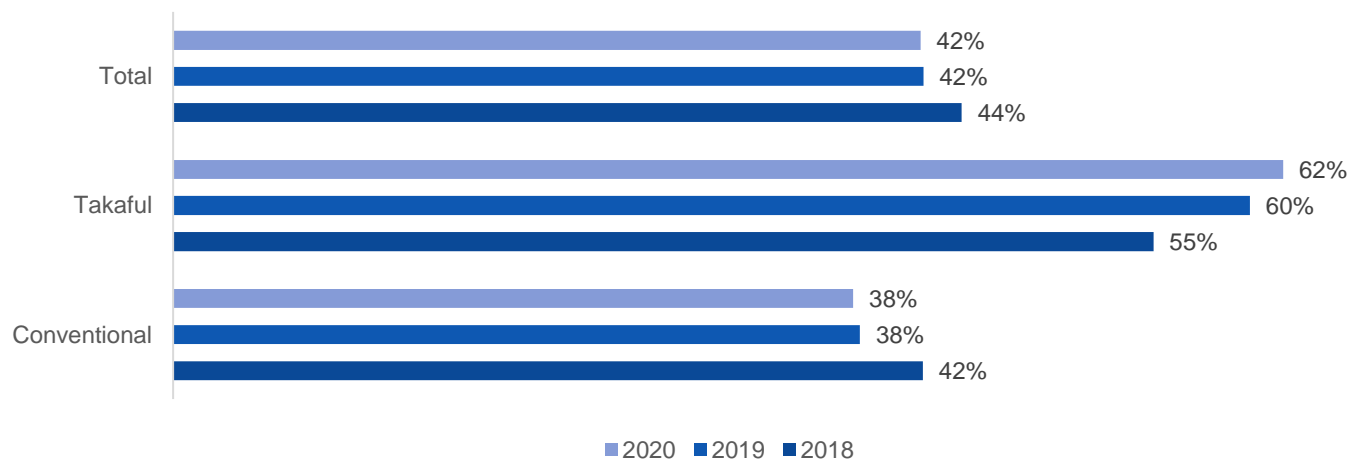


Gross Written Premium and Rankings

GWP (AED Millions)

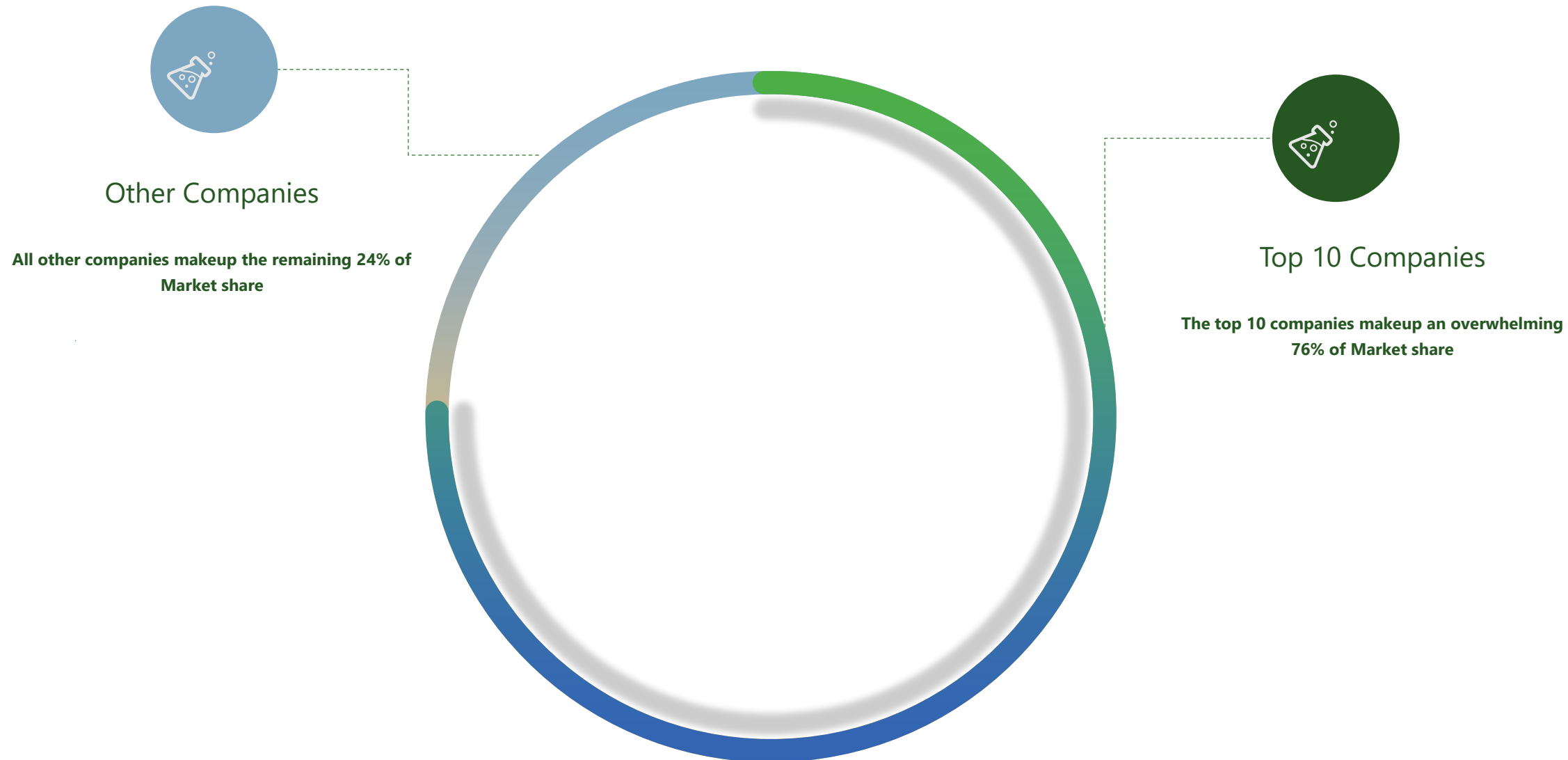


Retention Ratios



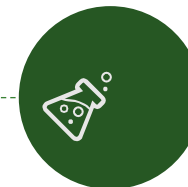
1. Orient Insurance —	17. Alliance ▲
2. ADNIC —	18. Watania ▼
3. Oman Insurance —	19. DNIR ▼
4. Al Ain Alahlia —	20. Al Wathba ▲
5. Salama ▲	21. Orient UNB ▲
6. Emirates Insurance ▼	22. Al Dhafra ▼
7. Dubai Insurance —	23. Methaq ▼
8. Al Buhaira ▲	24. Al Fujairah ▼
9. Union Insurance ▼	25. AMAN ▼
10. Takaful Emarat —	26. Insurance House ▼
11. NGI ▲	27. Arabian Scand —
12. Ras Alkhaima ▼	28. AXA Green —
13. ASNIC ▲	29. Sharjah Insurance —
14. Dar Takaful ▲	30. Al Khazna —
15. ADNTC ▼	
16. United Fidelity ▲	

Premium Composition Top 10 vs Other Companies



Other Companies

All other companies makeup the remaining 24% of Market share

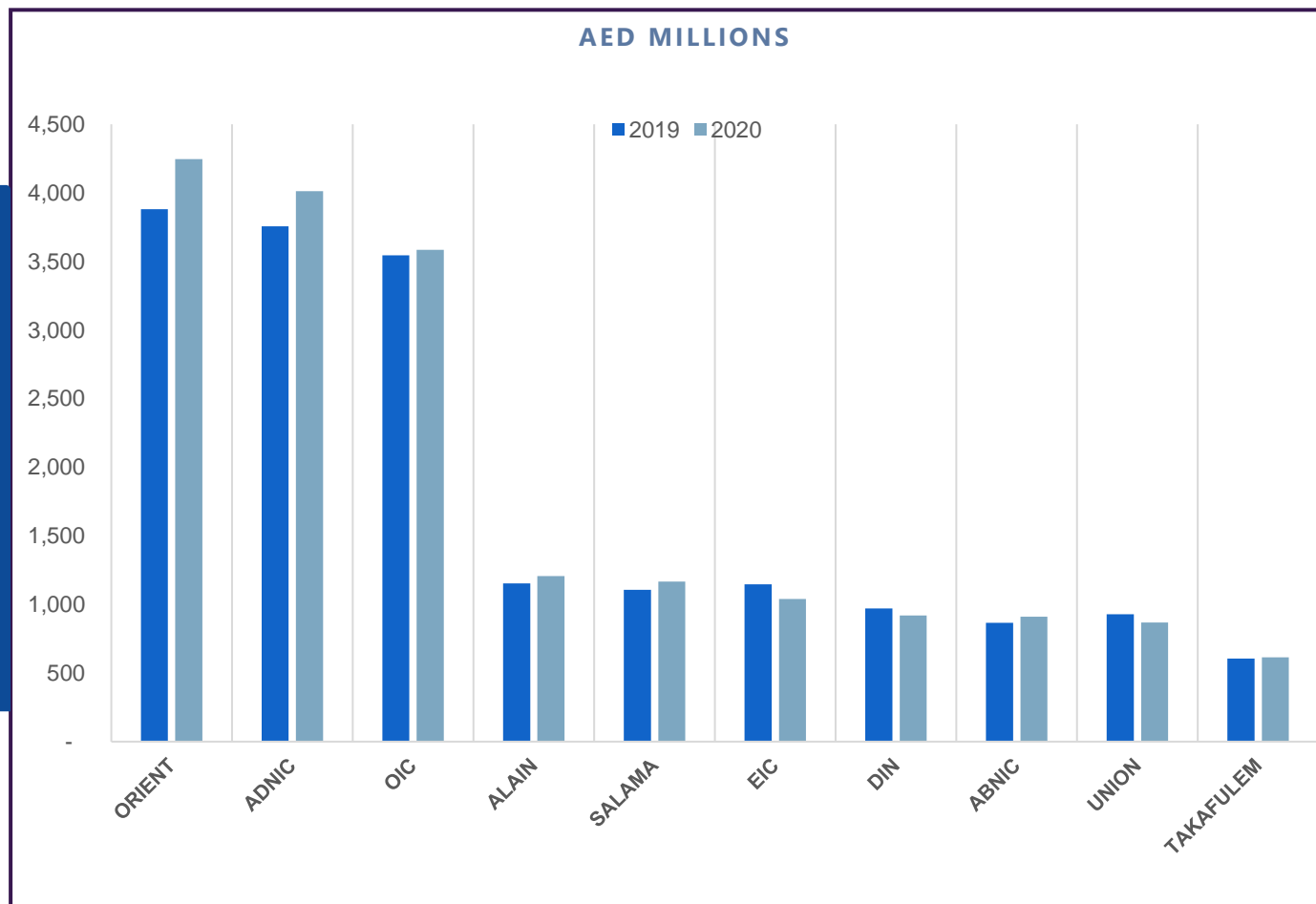


Top 10 Companies

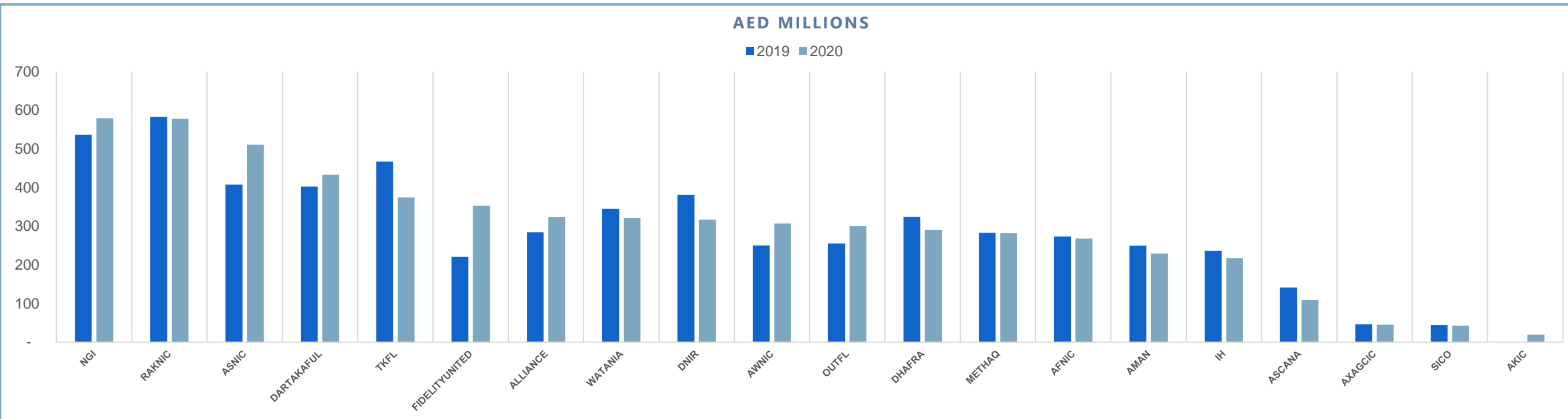
The top 10 companies makeup an overwhelming 76% of Market share

Gross Written Premium – Top 10 Companies

Orient captured the biggest market share of 16% in 2019 and 17% in 2020, followed by ADNIC with 16% for the years 2019 and 2020 respectively. The smallest market share was for Takaful Emarat (3%) for 2019 and for 2020.

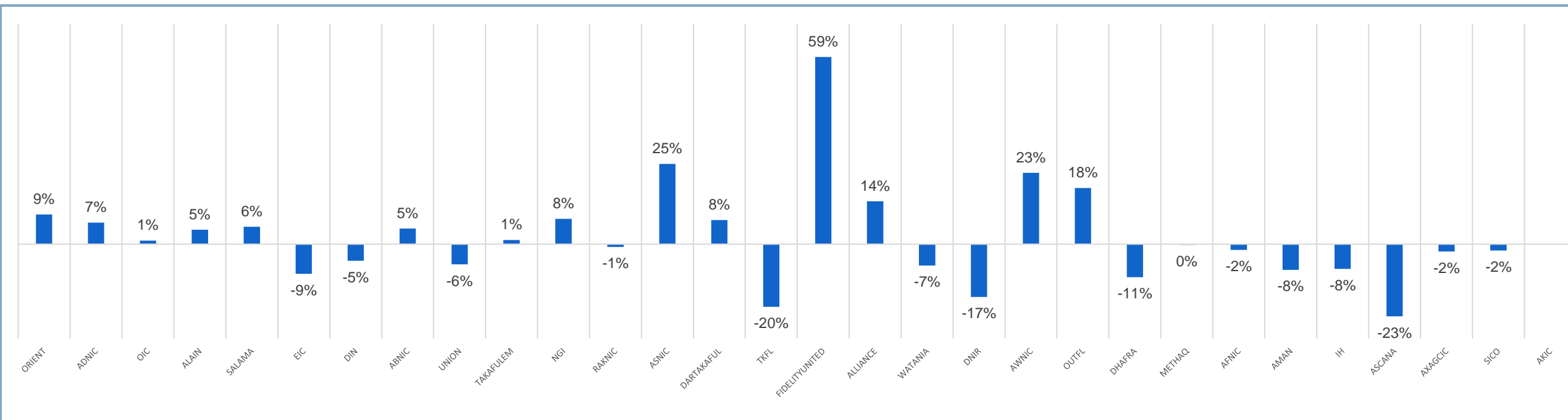


Gross Written Premium – Other Companies



NGI and RAKNIC have the biggest market share in 2020, while AKIC had the smallest market share in both, 2019 and 2020. DNIR experienced a decrease in its market share while Fidelity United and AKIC experienced a significant increase in their gross written premium in 2020.

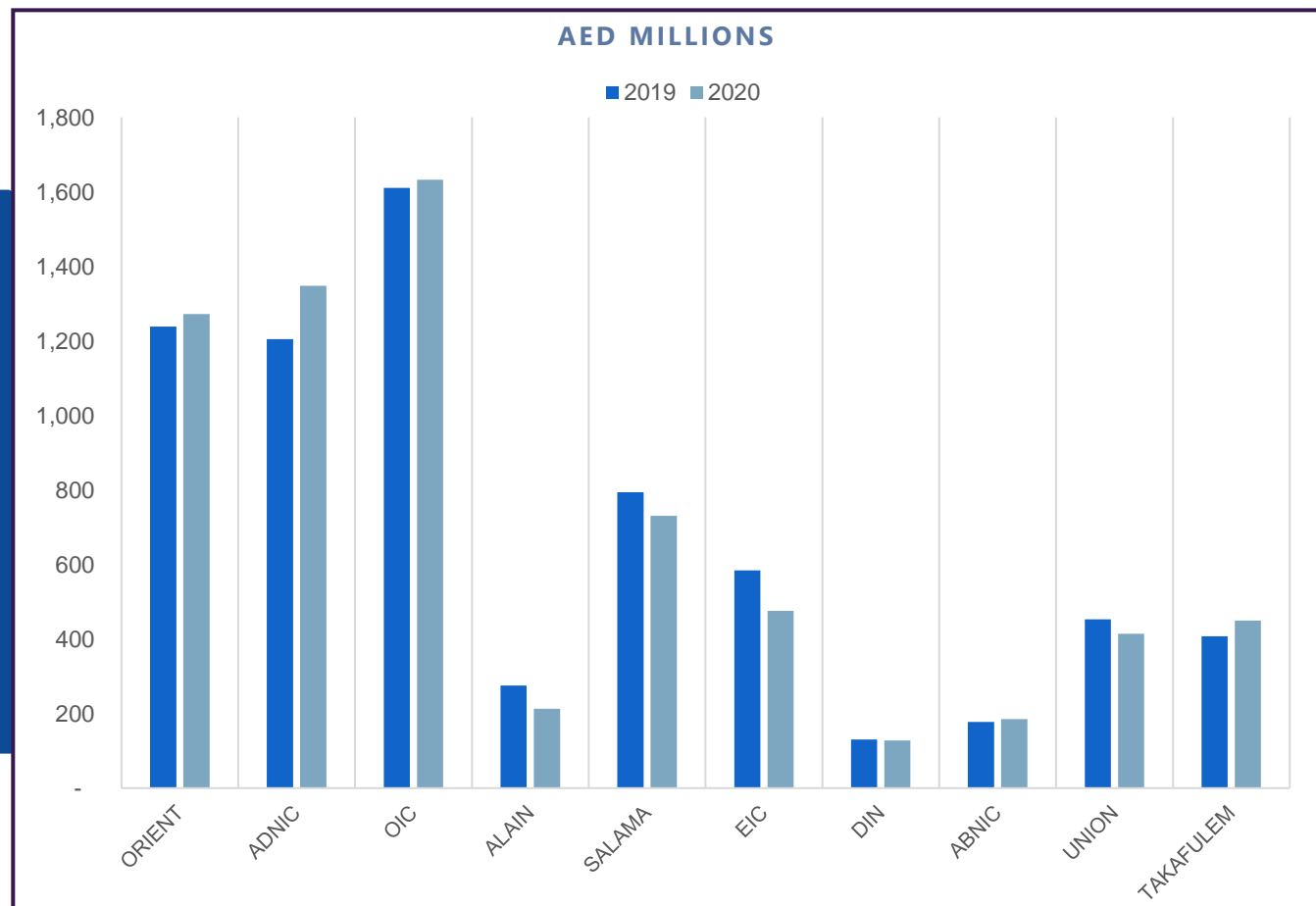
Gross Written Premium – Movement



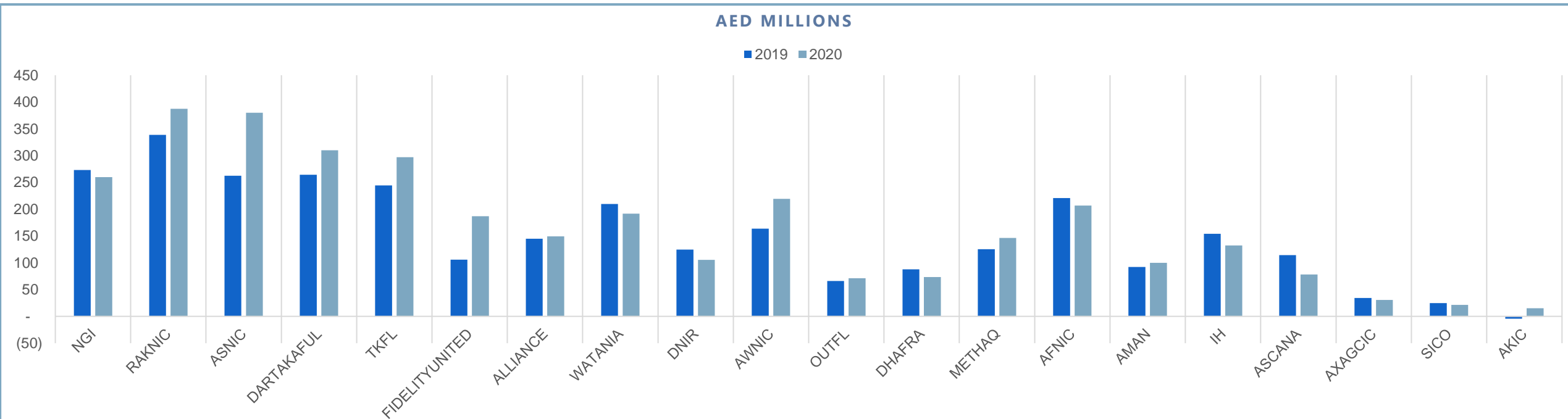
15 out of 30 companies showed an increase in gross written premium in 2020. The highest growth rate in 2020 was exhibited by AKIC which was 4466% (excluded from the presentation), because their operations were suspended for most of 2019. The second highest growth showed was by United Fidelity which was 59%, while the largest decrease in business reflected by ASCANA depicting a decline of 23%. 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 companies, indicating that the top 10 companies have a more stable business.

Net Written Premium – Top 10 Companies

OIC captured the highest market share of 16% in years 2019 and 2020, followed by ADNIC with 12% for the year 2019 and 13% for the year 2020.

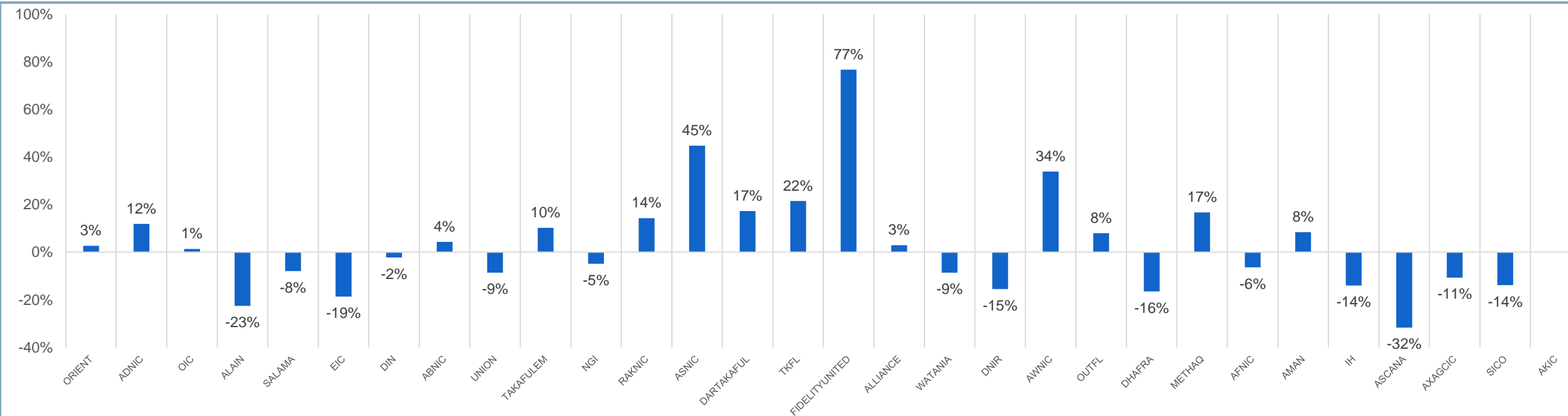


Net Written Premium – Other Companies



Among the remaining companies, the highest net written premium for the year 2019 was of RAKNIC (AED 339 million) while the lowest was for AKIC. For 2020, the highest net written premium was for RAKNIC (387 million) while the lowest was for Al Khazna (15 million).

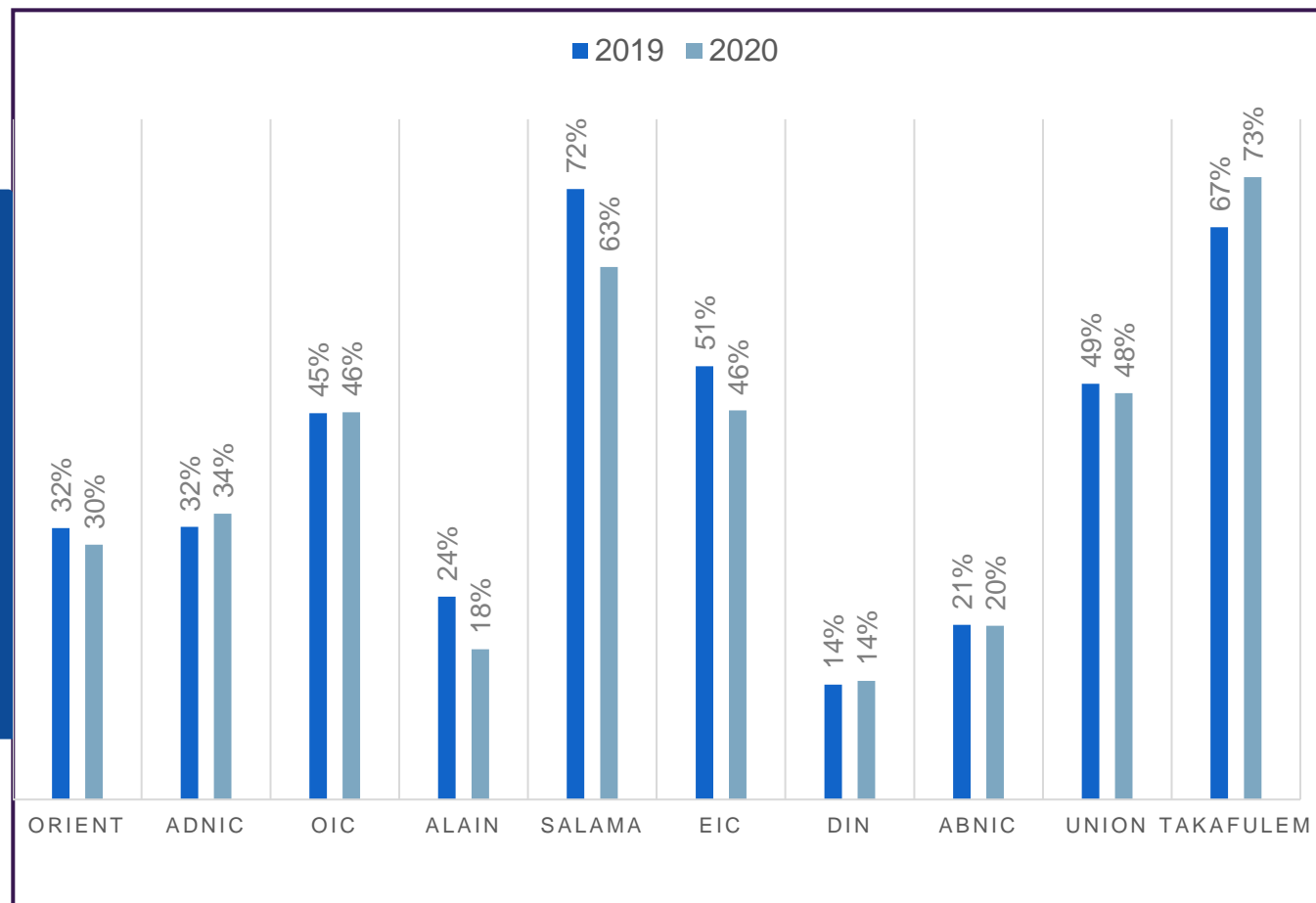
Net Written Premium – Movement



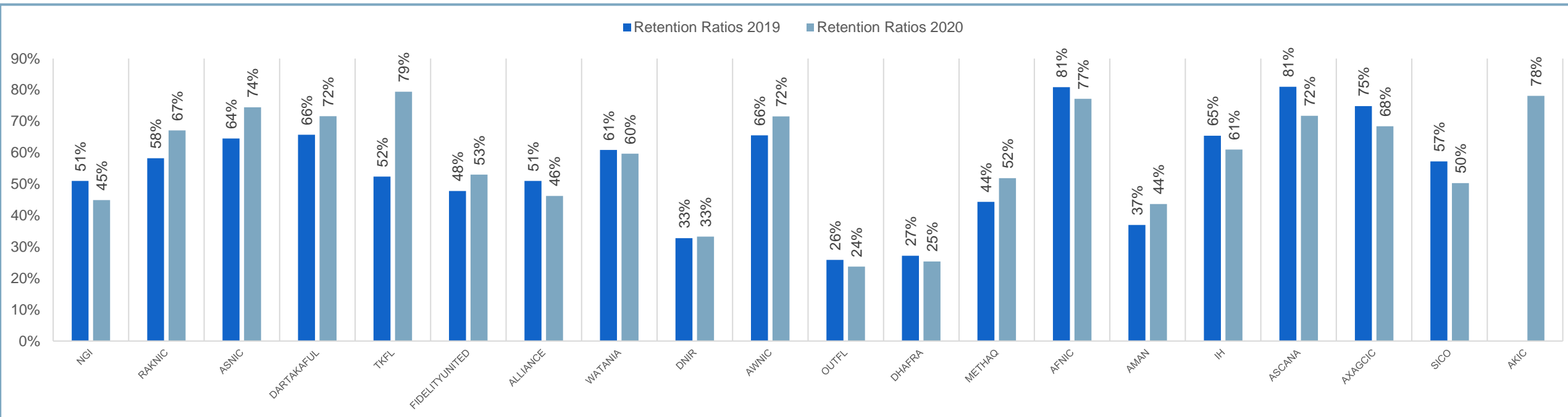
Net written premium grew the most for United Fidelity (77%) and the highest declined for ASCANA (-32%). Net written premium for United Fidelity increased drastically because of the increase in its retention ratio which increased to 53%. The range of movement in the net written premium was narrow for the Top 10 companies when compared to the remaining ones.

Retention Ratios - Top 10 Companies

In 2019, SALAMA had the highest retention ratio (72%) while DIN had the lowest retention ratio of 14%. In 2020, TAKAFULEM had the highest retention ratio of 73% while the lowest was for DIN (14%). Retention ratios were stable for most of the companies, with the highest change being 9% for SALAMA. In addition to this, it can also be noted that retention ratios for ALAIN, DIN, and ABIC were significantly lower than the other top 10 companies.

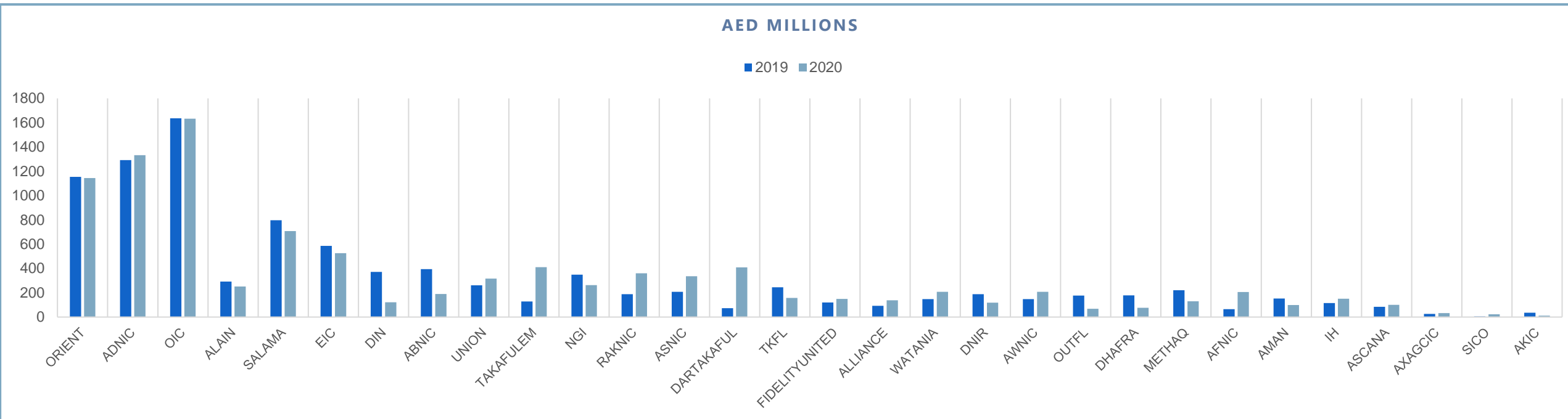


Retention Ratios - Other Companies



On an aggregate basis, the weighted average retention ratio is 42%. The highest retention ratio being 79% for TKFL and the lowest being 24% for Orient UNB for the year 2020. Retention ratio for TKFL increased by 27% while ASCANA had its retention ratio decreased by 9%. For all other companies, the retention ratios did not vary greatly.

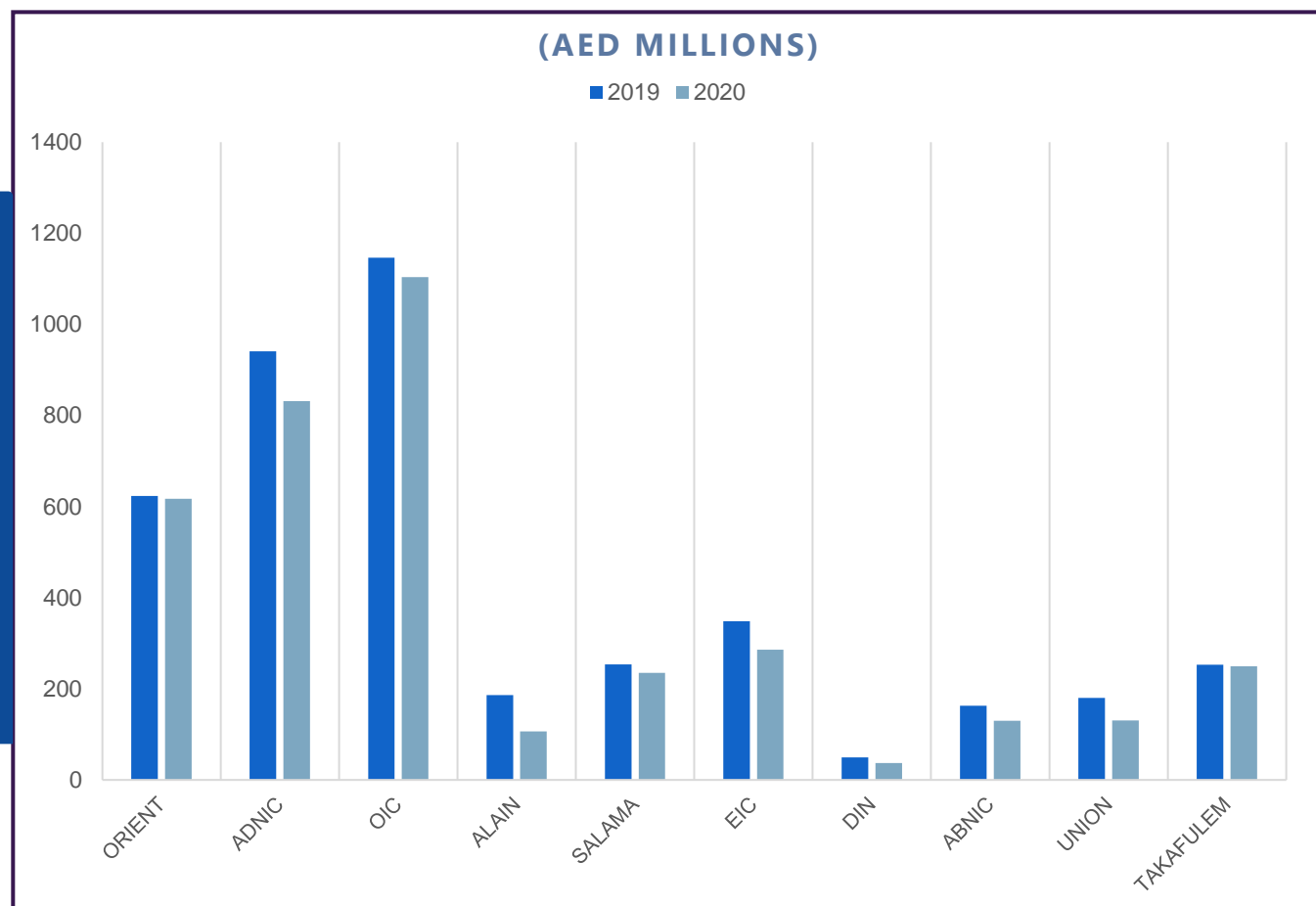
Net Earned Premium



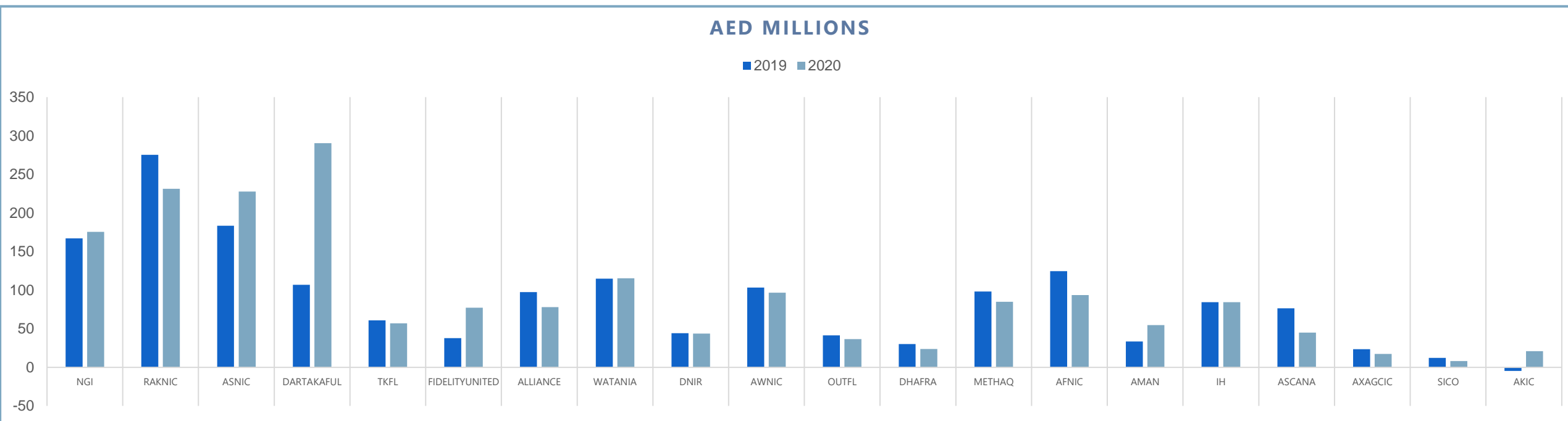
The highest net earned premium is for OIC in both the years followed by ADNIC, while the lowest being for Al Khazna. As shown, DARTAKAFUL experienced the highest positive growth rate in the year 2020 (468%), while DIN decreased to one-thirds of its net earned premium in 2019.

Net Incurred Claims - Top 10 Companies

OIC had the highest net incurred claims of 1,147 million and 1,104 million in 2019 and 2020, respectively, while DIN had the lowest net incurred claims of 49 million and 37 million in 2019 and 2020, respectively. Net incurred claims remain almost the same for Takaful Emarat, while for all the other top 10 companies, net incurred claims decreased.

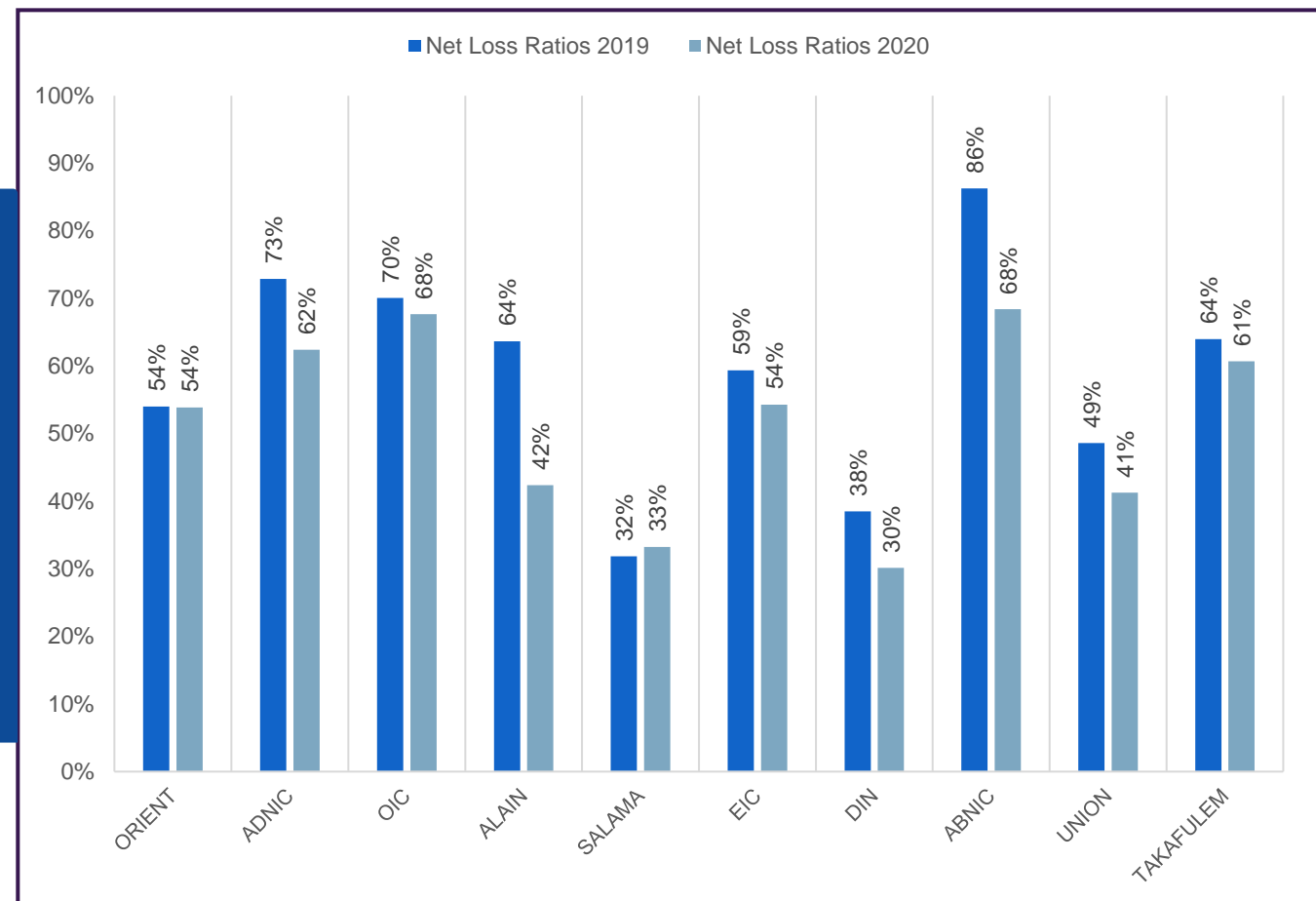


Net Incurred Claims - Other Companies



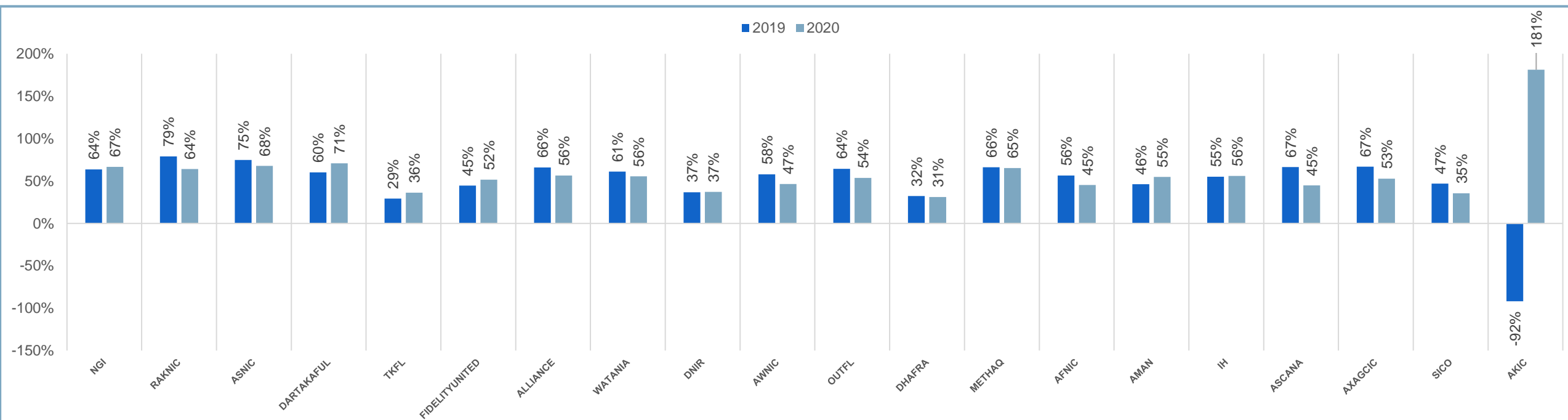
RAKNIC had the highest net incurred claims of 275 million in 2019 and DARTAKAFUL had the highest net incurred claims of 290 million in 2020. AKIC had the lowest net incurred claims in 2019 and SICO had the lowest in the year 2020.

Loss Ratios - Top 10 Companies



The highest loss ratio for 2019 was for ABNIC being 86% and lowest was for SALAMA, being 32%. For the year 2020, loss ratio was the highest for OIC and ABNIC (68%), with the lowest being 30% for DIN. The loss ratios usually decreased for most of the top 10 companies, with the largest reduction being 21% for Al Ain. Loss ratio only increased for SALAMA with the increase being 1%.

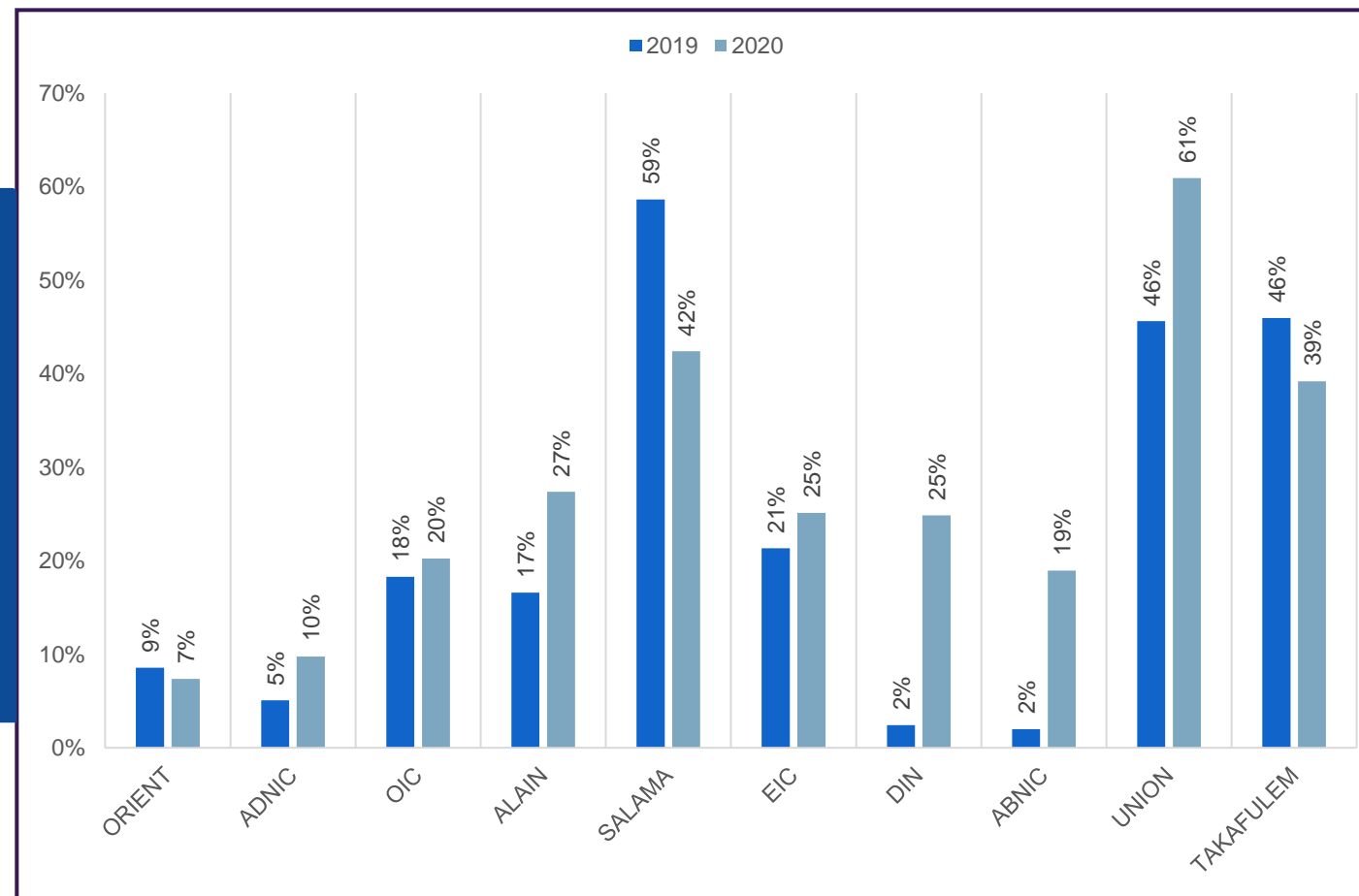
Loss Ratios – Other Companies



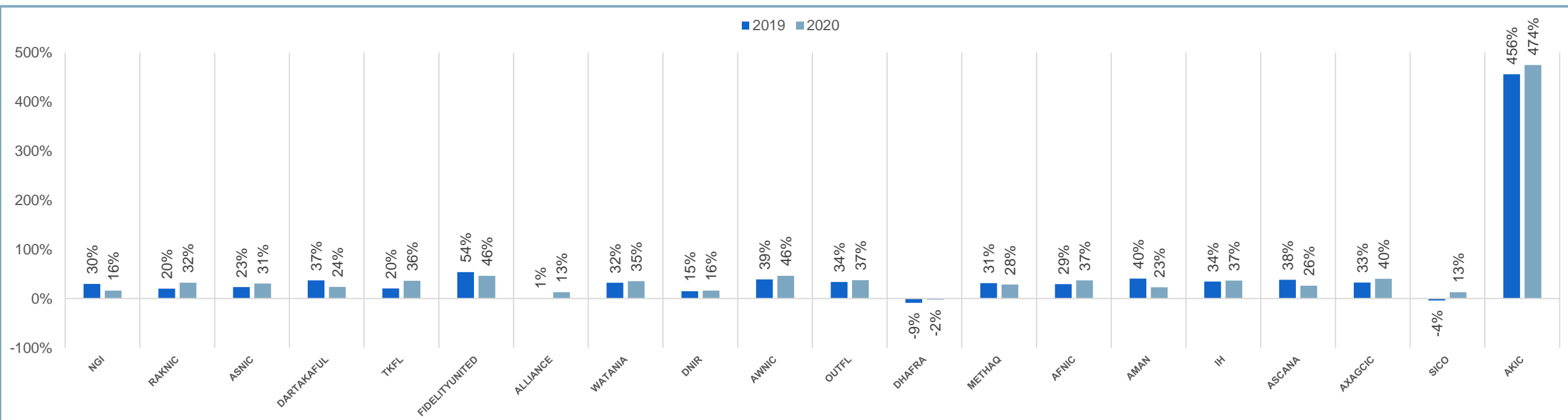
The loss ratios for other companies has been summarized in the above chart. For the year 2019, the highest loss ratio was for the RAKNIC (79%) and the lowest being for Al Khazna (-92%). For the year 2020, the highest loss ratio was of Al Khazna (181%) and lowest was for Dhafra (31%).

Expense Ratios - Top 10 Companies

For 2019, expense ratio was the highest for SALAMA (59%) and the lowest for DIN and ABNIC (2%). For 2020, UNION had the highest expense ratio (61%), while ORIENT had the lowest expense ratio. For most of the companies the expense ratio increased, especially in the case of DIN and ABNIC which increased by 23% and 17%, respectively. In addition to this, SALAMA was able to reduce its expense ratio by 17%.



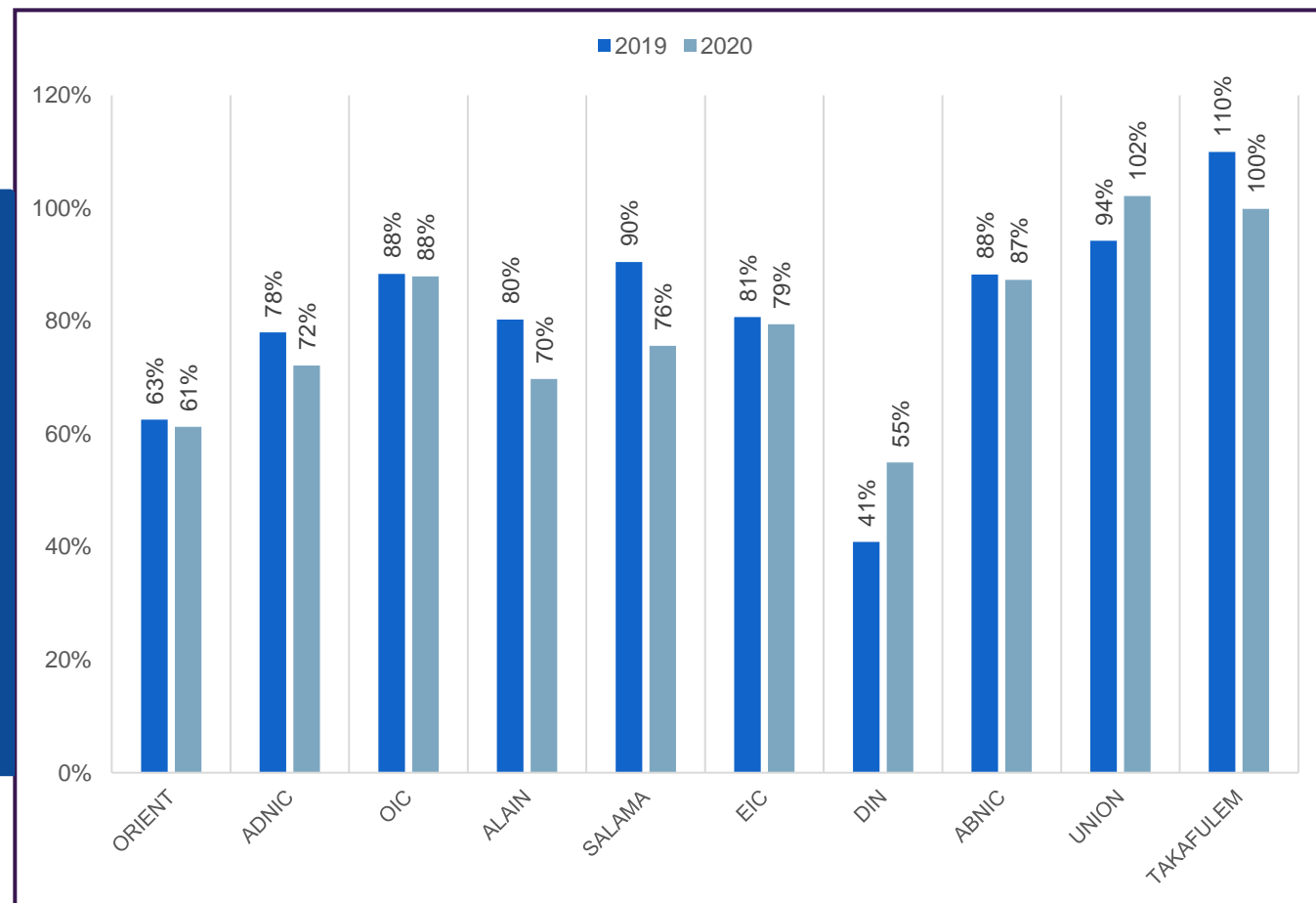
Expense Ratios - Other Companies



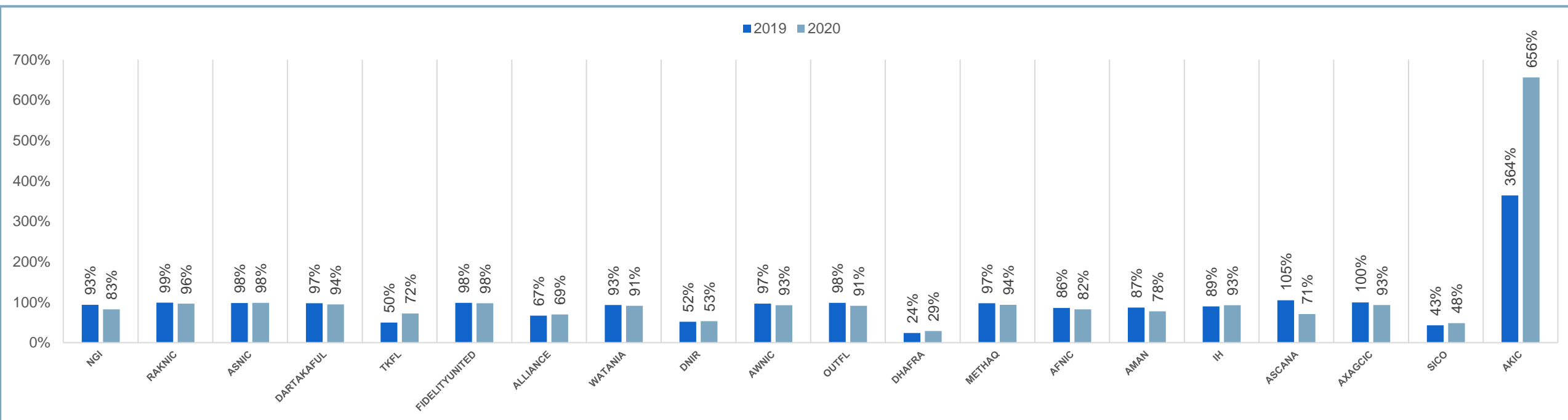
The highest expense ratio in 2019 was for Al Khazna (458%) followed by AMAN (40%), and the lowest was for SHAFRA (-9%). For 2020, the highest expense ratio was for Al Khazna (474%) and the lowest was for DHAFRA(-2%).

Combined Ratios - Top 10 Companies

For the year 2020, the highest combined ratio was for UNION(102%) and the lowest was for DIN (55%). Net combined ratios were high in 2019 with TAKAFULEM having a combined ratio of 110%. Combined ratios declined for most of the top 10 companies. The difference between the Combined ratios of 2019 and 2020 were very insignificant.

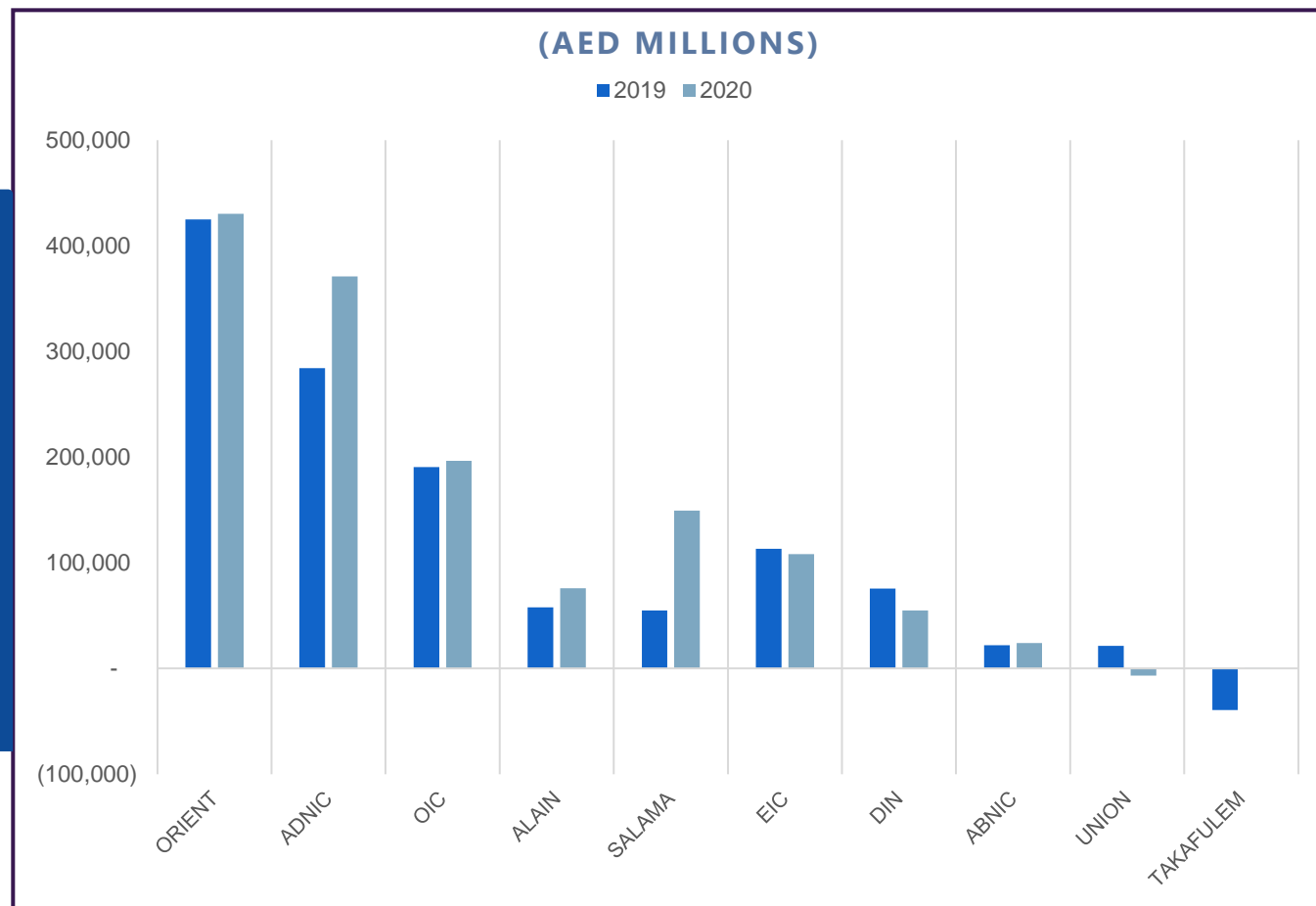


Combined Ratios - Other Companies



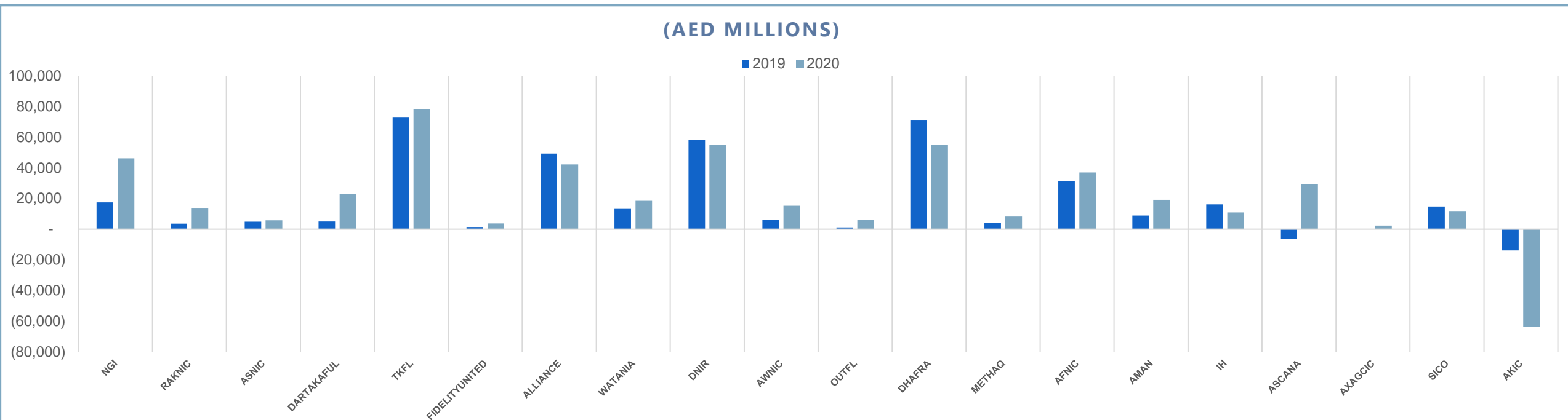
Combined ratio for most of the other companies were lower than 100% in both years. Al Khazna had a combined ratio of 364% in 2019 and it increased to 656% in 2020. The lowest combined ratio was for DHAFRA being 24% in 2019 and 29% in 2020.

Net Profit and Loss - Top 10 Companies



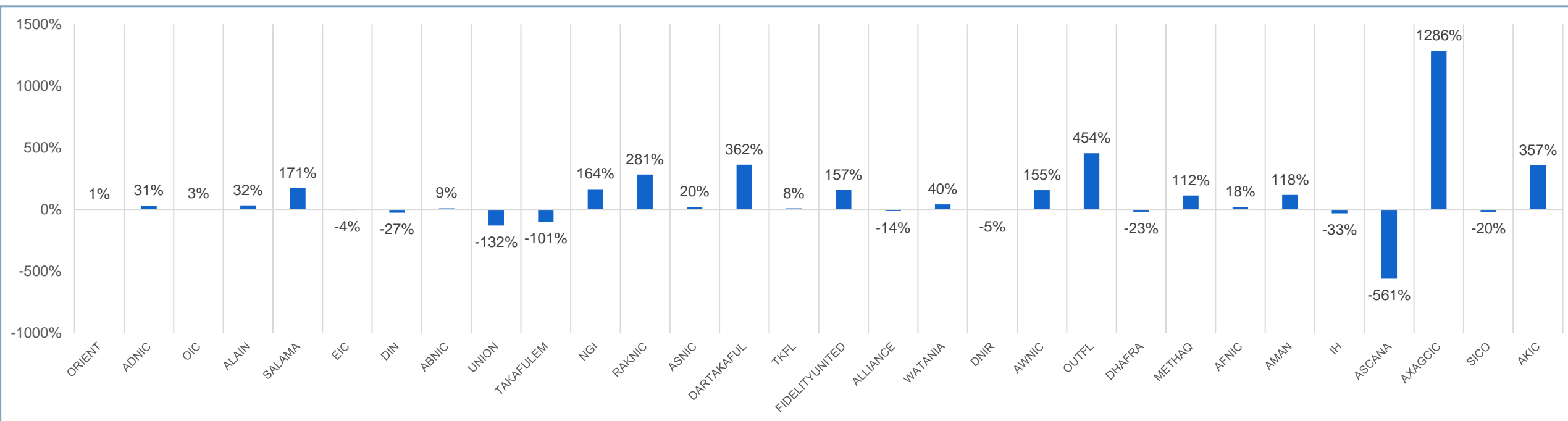
Orient had the highest net profit in year 2019 and it was further able to increase it from 425 million to 430 million, retaining its position. Takaful Emarat had a net loss in 2019, however, it was able to increase its net profit to 0.413 million in 2020. All companies except DIN, EIC, and Union experienced an increase in their net profits.

Net Profit and Loss - Other Companies



ADNTC (TKFL) had the highest net profit of 73 million in 2019 and 78 million in 2020. The highest net loss was for Al Khazna in 2019 and in 2020.

Net Profit and Loss - Movement

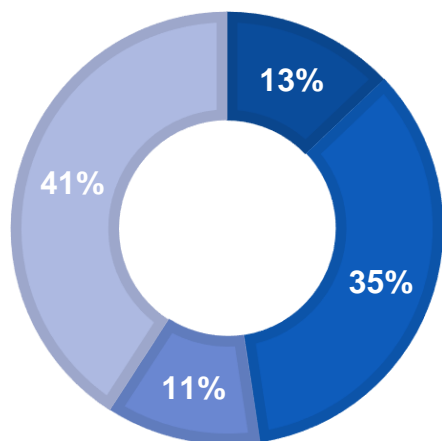


Net profit has shown increase of 19% in year 2020. The increase in net profits during the year 2020 is majorly due to the favorable claims experience, primarily for motor and medical insurance resulting from COVID – 19 related restrictions. The highest movement was experienced by AXAGCIC of about 1286%. ASCANA had a net loss in 2019 which turned to a net profit in 2020, thus the movement is shown by a negative sign.

Asset Classification - Aggregate

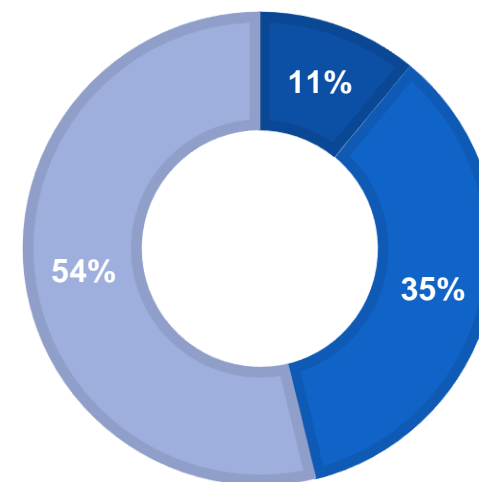
POLICYHOLDER'S ASSET CLASSIFICATION

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



SHAREHOLDER'S ASSET CLASSIFICATION

- Cash and cash equivalents
- Investments
- Other Assets

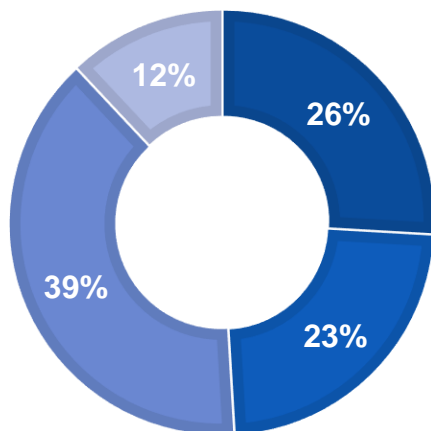


Most of the policyholder assets were kept as other assets (41%), while 35% of shareholder assets were kept as investments.

Liability & Equity Classification - Aggregate

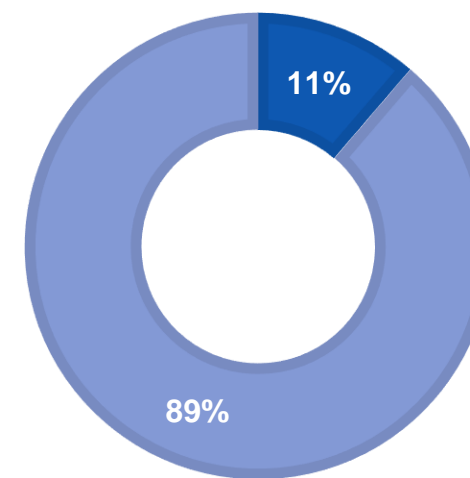
POLICYHOLDER'S LIABILITY CLASSIFICATION

- Gross Loss Reserves
- Gross Unearned premium
- Other liabilities
- Other Reserves



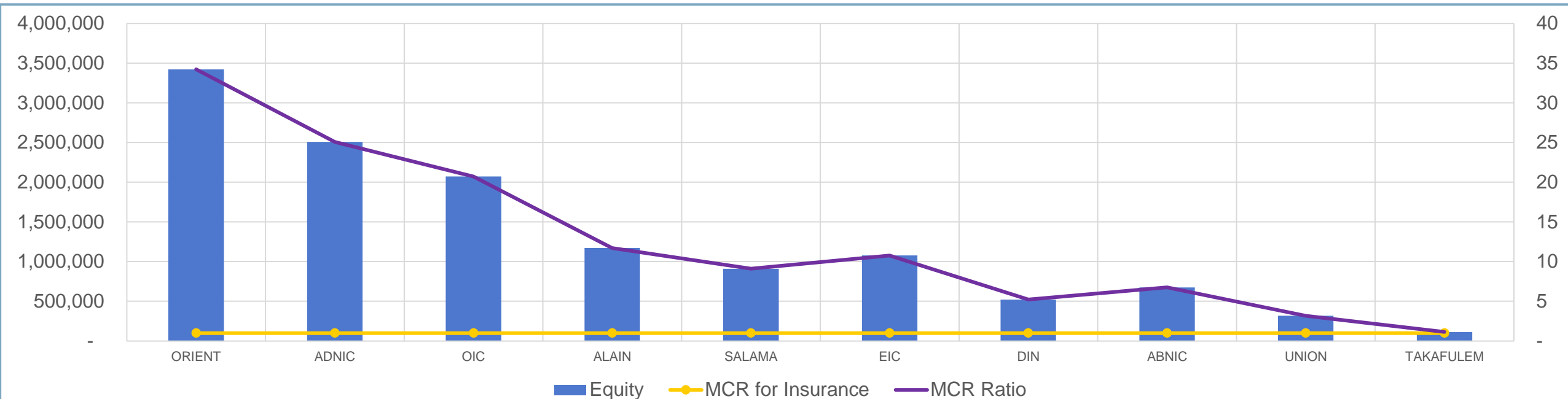
SHAREHOLDER'S LIABILITY AND EQUITY CLASSIFICATION

- Shareholders' liabilities
- Equity



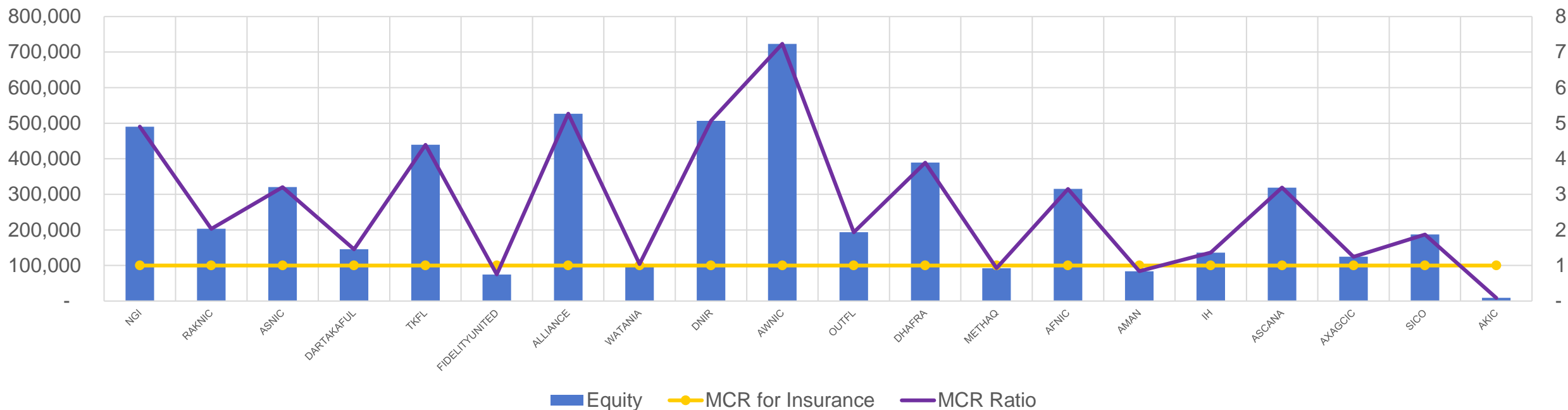
Policyholder liabilities consists of 26% gross loss reserve, 23% of gross unearned premium, and 39% of other liabilities. In addition to this, equity as a percentage of total assets is about 29%.

Solvency Analysis – Top 10 Companies



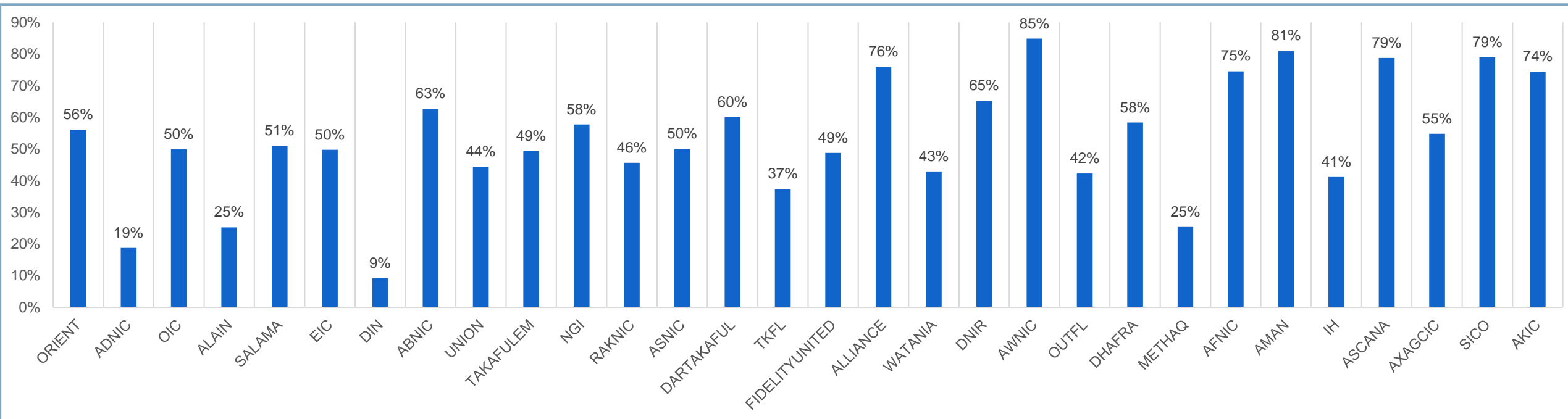
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Solvency Analysis – Other Companies



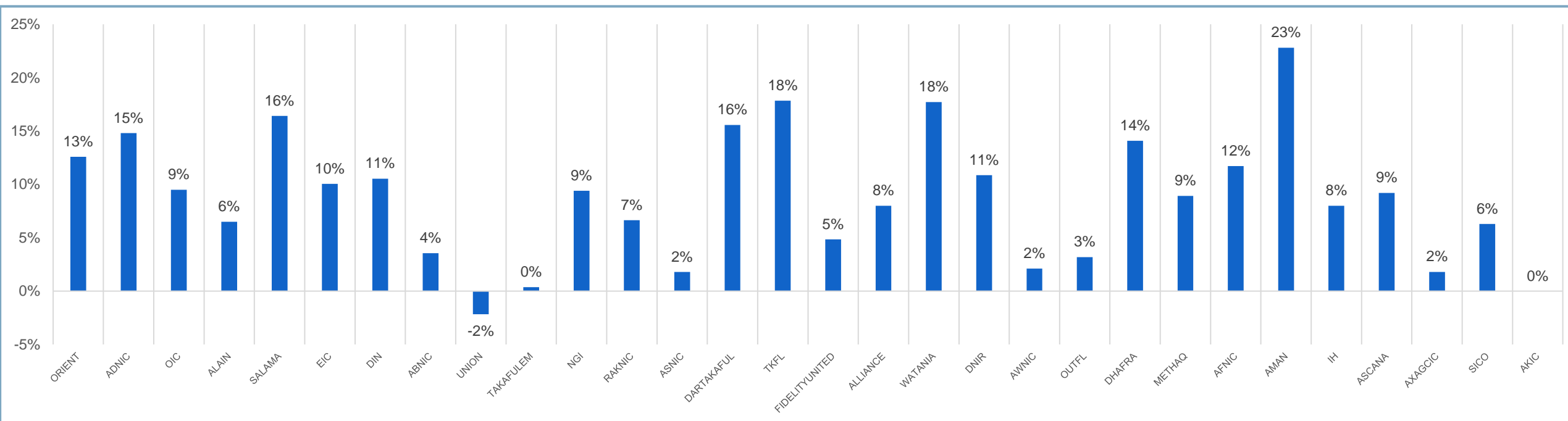
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Proportion of Invested Assets



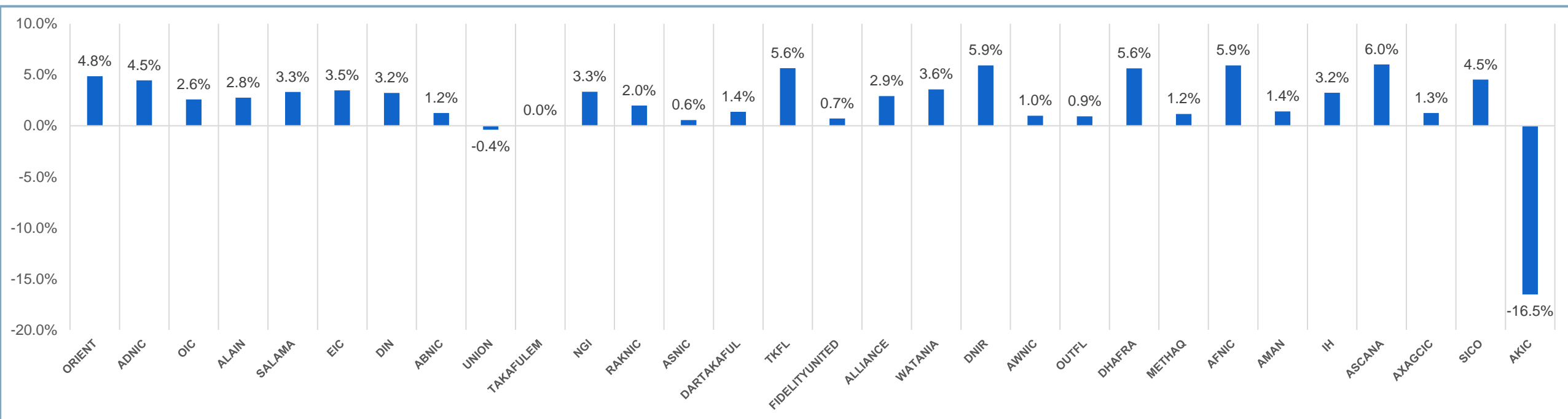
For most of the companies, invested assets along with cash constitutes more than 50% of the total assets. The highest invested to total assets ratio is for Awnic (85%), while the lowest is for Din of about 9%.

Return on Equity (ROE)



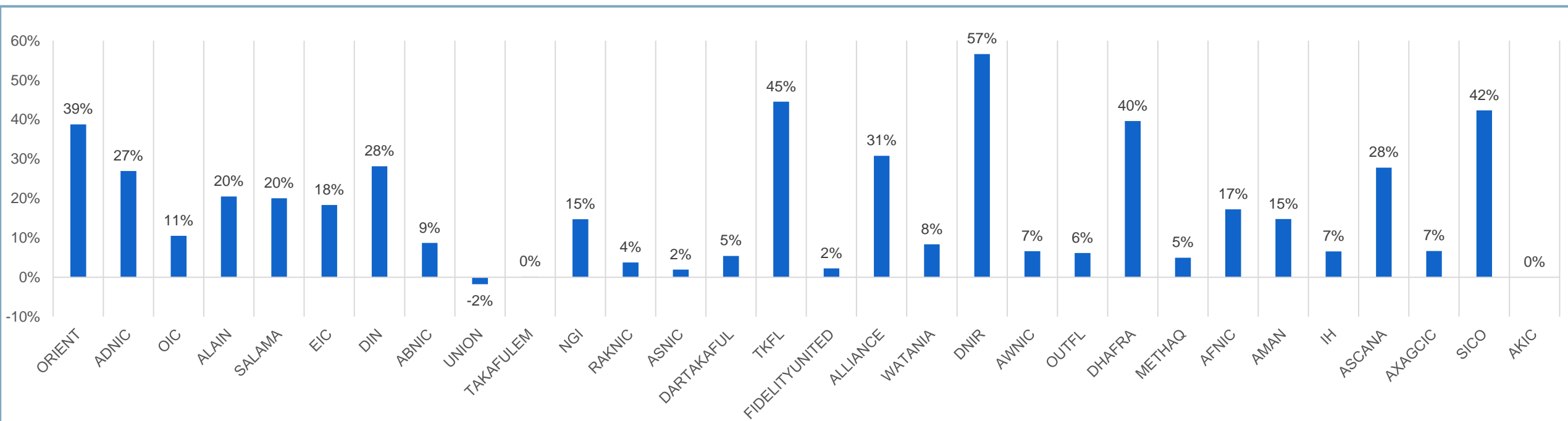
The return on equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest return on equity was for AMAN of about 23%, suggesting that AMAN was able to utilize the investments received from the shareholders better than other companies. Return on equity was negative (-2%) for Union.

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. DNIR, ASCANA, and AFNIC was able to earn the highest return on assets of around 6%, while AKIC earned the highest negative return on assets of 16.5%.

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 (57%), suggesting that claims and expenses were very low. The lowest net margin was for Union Insurance (-2%).

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 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
Al Khazna Insurance Co.	AKIC	Conventional



Meet the Team

Zeeshan Ali ASA, AIA, APSA,
Manager

Zaid Muzammil
Senior Consultant

Noman Usman
Assistant Manager

Shahadat Walli
Senior Actuarial Analyst

Bilal Shakir
Senior Actuarial Analyst

Muhammad Umar
Senior Actuarial Analyst

Inam Elahi
Actuarial Analyst

Aisha Ishfaq
Actuarial Analyst

Kashmayen Karim
Actuarial Analyst

Muhammad Maaz Ahmed
Actuarial Trainee

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Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – United Arab Emirates for the Year-End 2020. We have a dedicated and talented pool of individuals to bring you industry insights in the form of this report.

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



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www.shmaconsulting.com

About Us

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



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



+971 56 183 1095, +971 52 831 4612