

SHMACONSULTING

Growth Through Knowledge

Insurance Industry
United Arab Emirates
Q2, 2022

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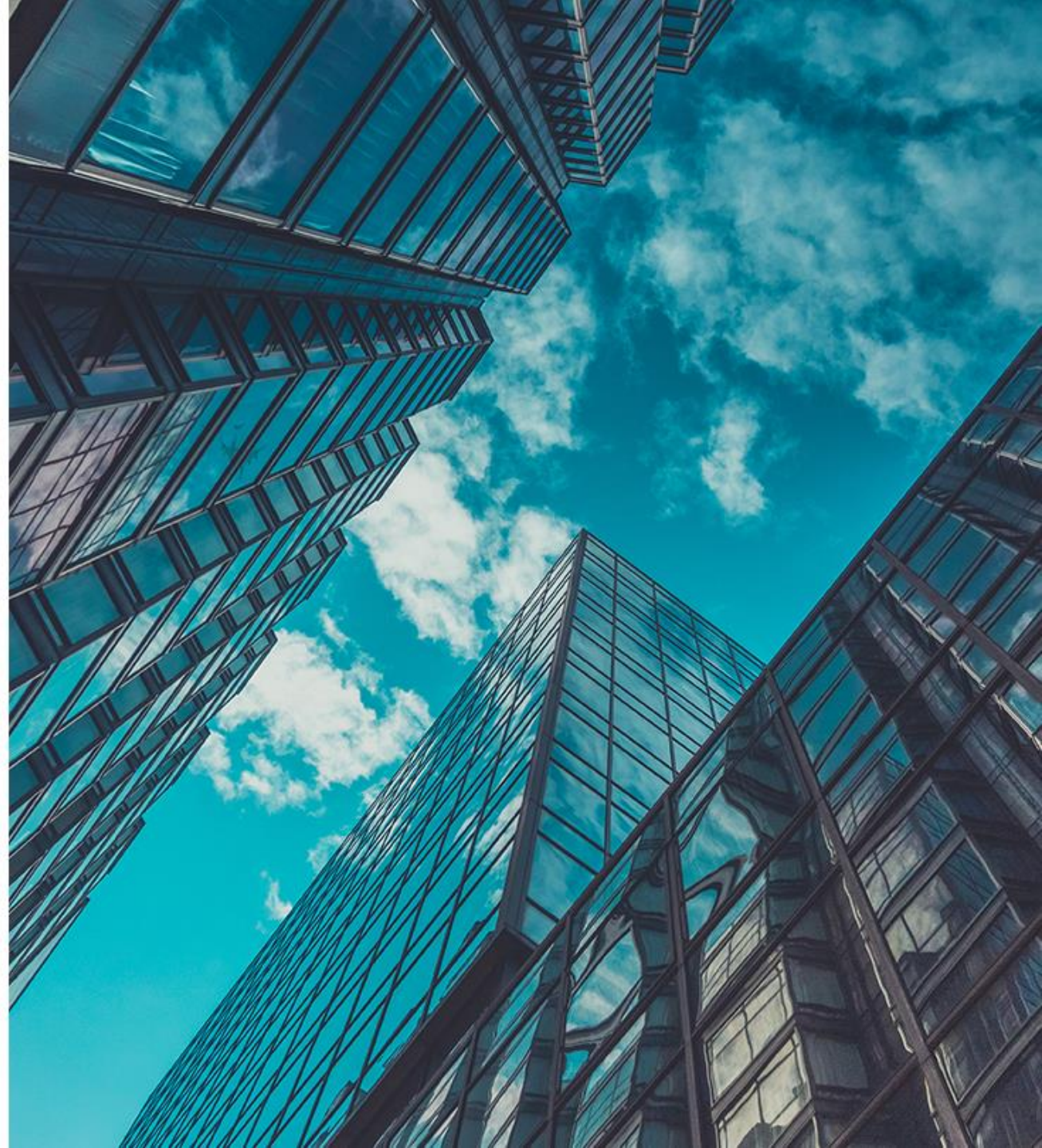
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About Us

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

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

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

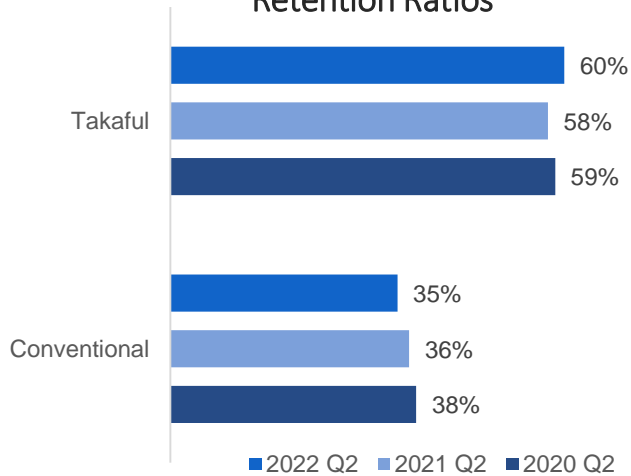
Our Services

Limitations and Disclaimers

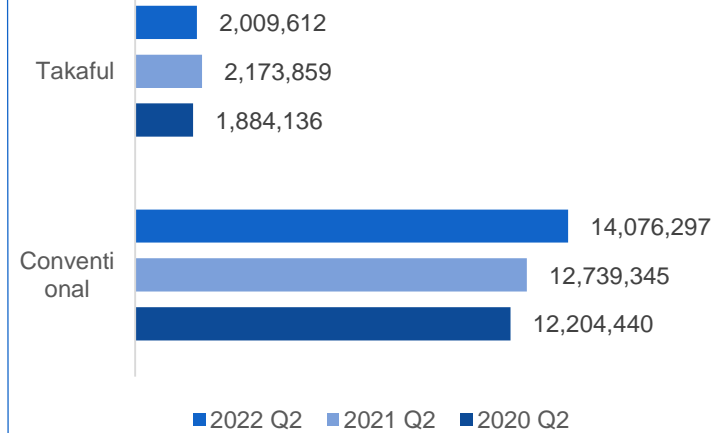
- ❖ The data used for the preparation of this report has been collected from Abu Dhabi Security Exchange and Dubai Financial Market. The data was extracted from the financial statements of the listed companies. Reliance is placed on the figures provided in the Company's Financial Reports. SHMA Consulting 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 provide information to the general public and insurance sector. The Objective of this report is to use our professional's research and experience to bring compliance and information sharing to the industry.
- ❖ We have used 28 listed companies in our analysis, which includes 8 Takaful and 20 Conventional Insurance Companies.

Performance Highlights

Retention Ratios



Gross Premium by Sector (Mn)

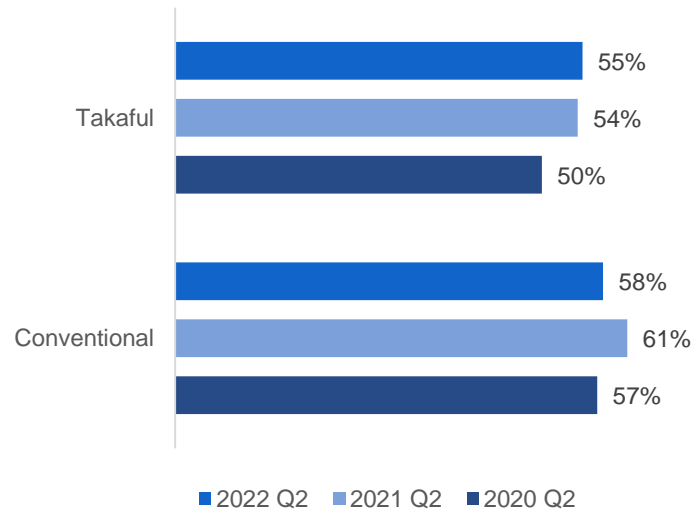


Total Gross Written Premium

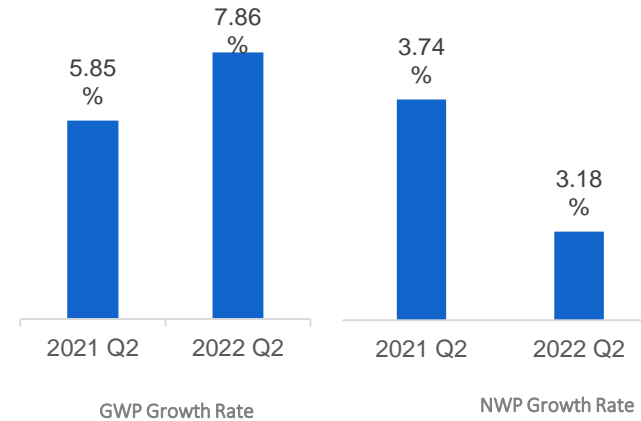
AED 16.08 Bn

▲ +7.32%

Loss Ratios



Premium Growth Rate



Total Profit / (Loss)

AED 837.21 Mn

Total Assets



AED 64.85 Bn

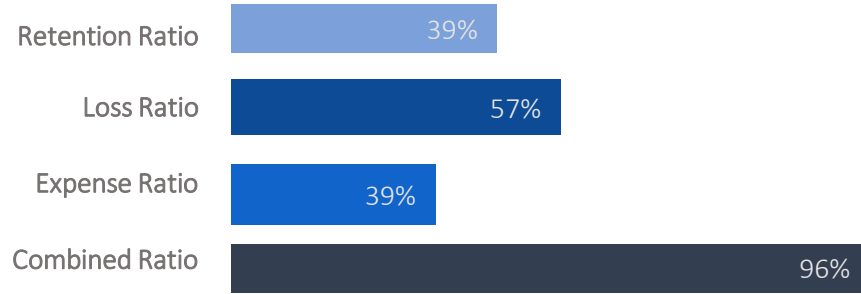
▲ +2.95%

Industry Highlights

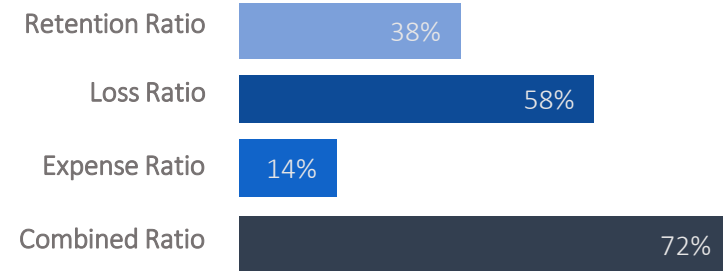
- ❖ The shareholders' Return on Equity of the listed insurance companies remained stable in H1 2022.
- ❖ Al Khazna and Watania had not published their financials for Q2 – 2022 as of the compilation of this report. Hence, they are not included in our analysis.
- ❖ The ministry of finance announced that a federal corporate tax of 9% will be introduced in the UAE on business profits, effective on 1 June 2023.
- ❖ The UAE government will now follow a Monday to Friday work week, with Friday being a half day – resulting in a 4.5-day working week.
- ❖ All actuarial reports (Financial Condition Report (FCR), Pricing reports, Underwriting performance review reports, Solvency recovery plans, Life products, and distribution) must be accompanied by relevant QACs.
- ❖ Abu Dhabi-listed AXA Green Crescent has changed its name to HAYAH Insurance Company following approval from local regulators. The change follows AXA's exit from the Middle East in September 2021.

Industry Benchmarks

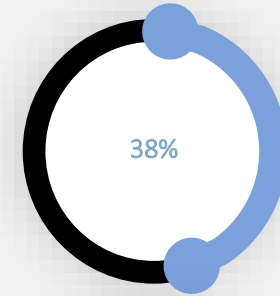
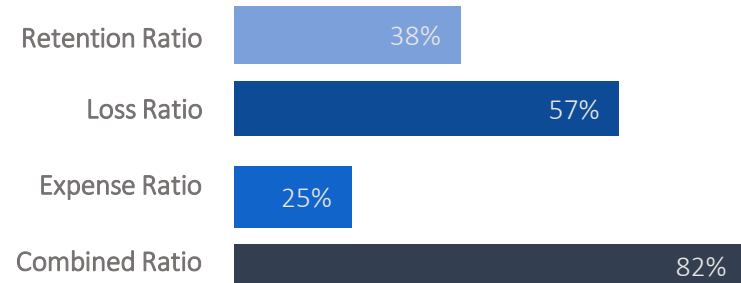
2020 Q2



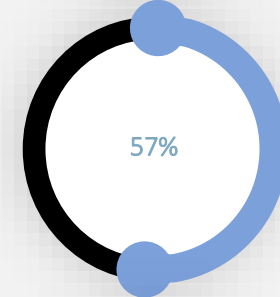
2021 Q2



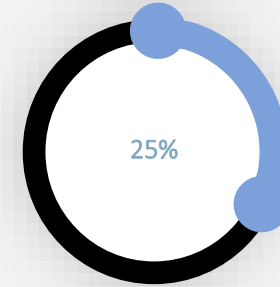
2022 Q2



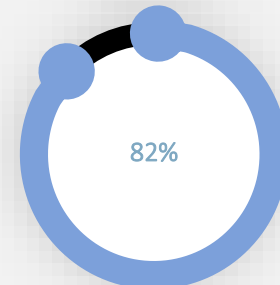
Weighted Average Retention Ratio



Weighted Average Loss Ratio

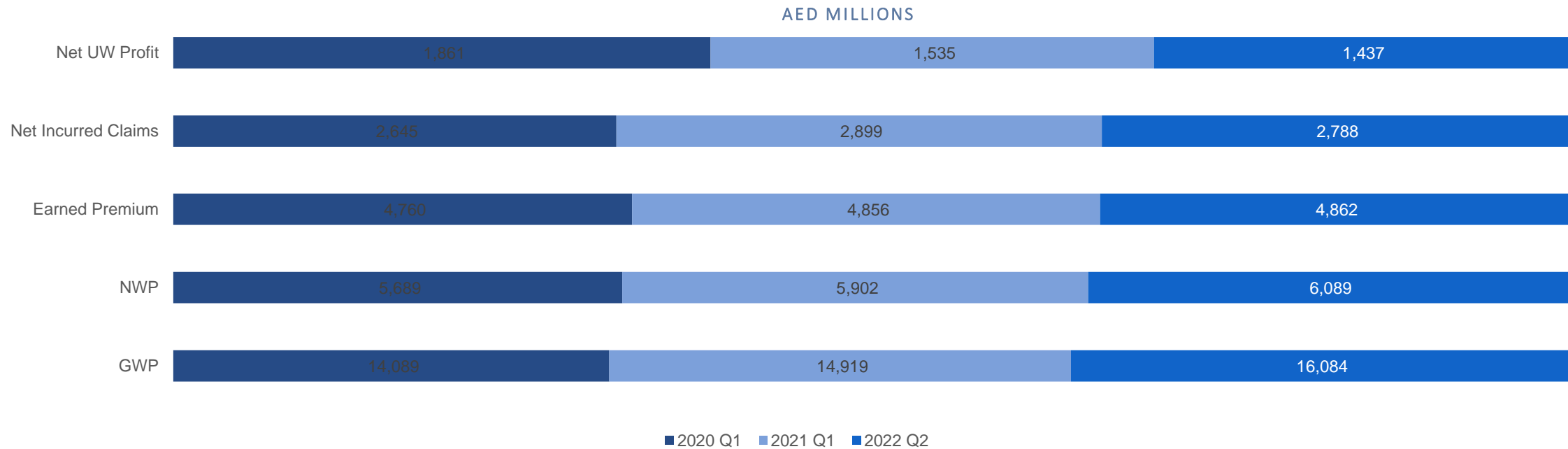


Weighted Average Expense Ratio



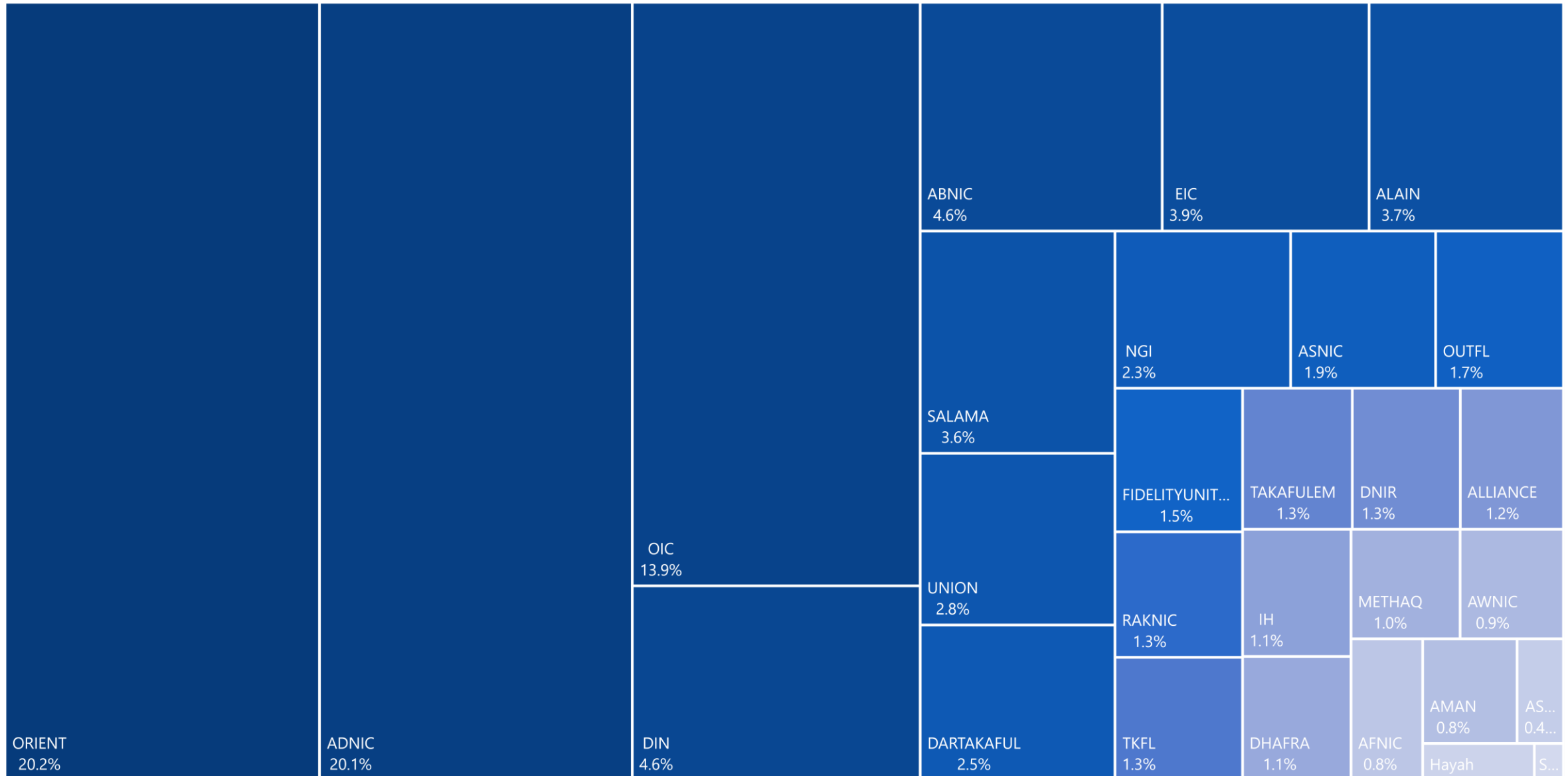
Weighted Average Combined Ratio

Aggregate Performance

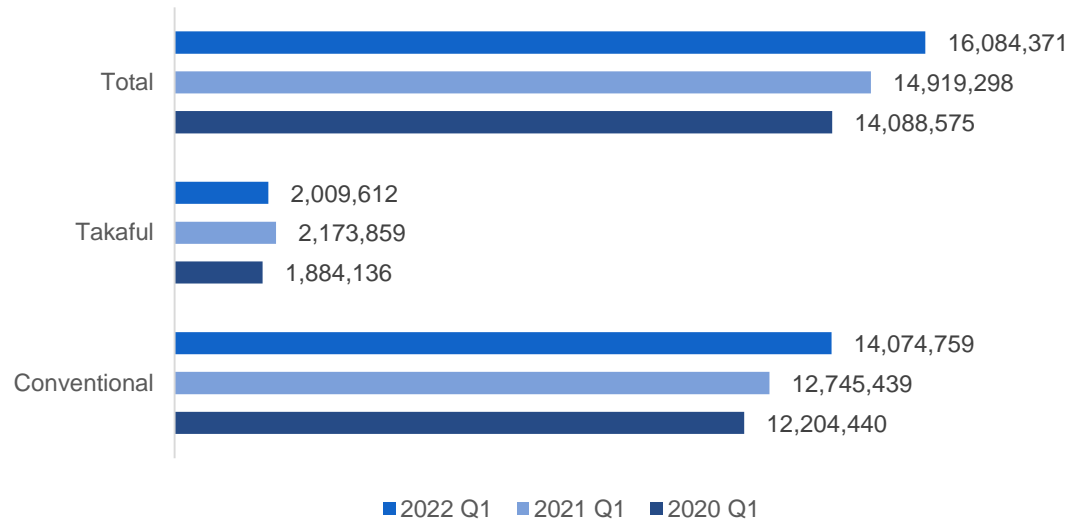


The Gross Written Premium by the listed companies grew by 8% for the first half of 2022. Net Written Premium grew by 3%. In the first half of 2022, the total GWP amounted to AED 16 billion, while it was 15 billion in the first half of last year.

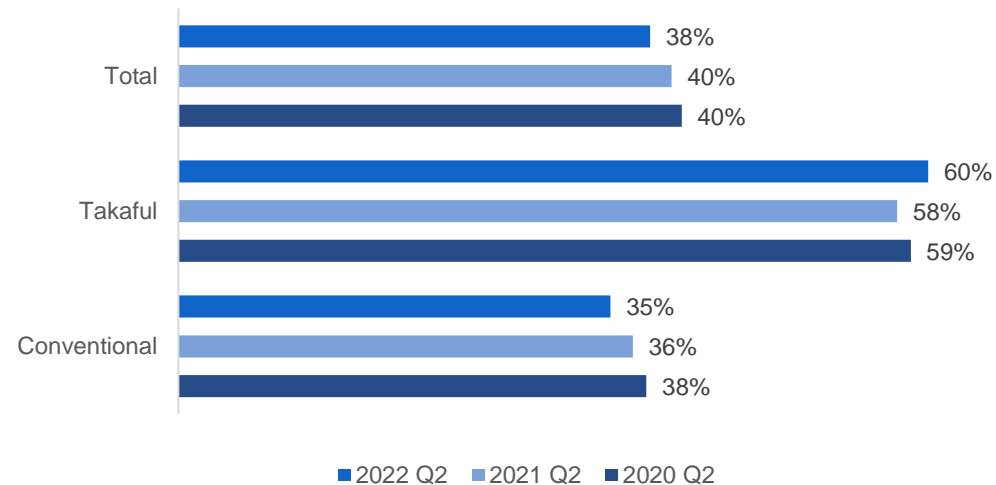
Market Share Proportion



Gross Written Premium and Rankings

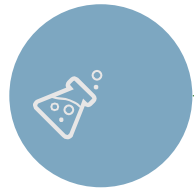
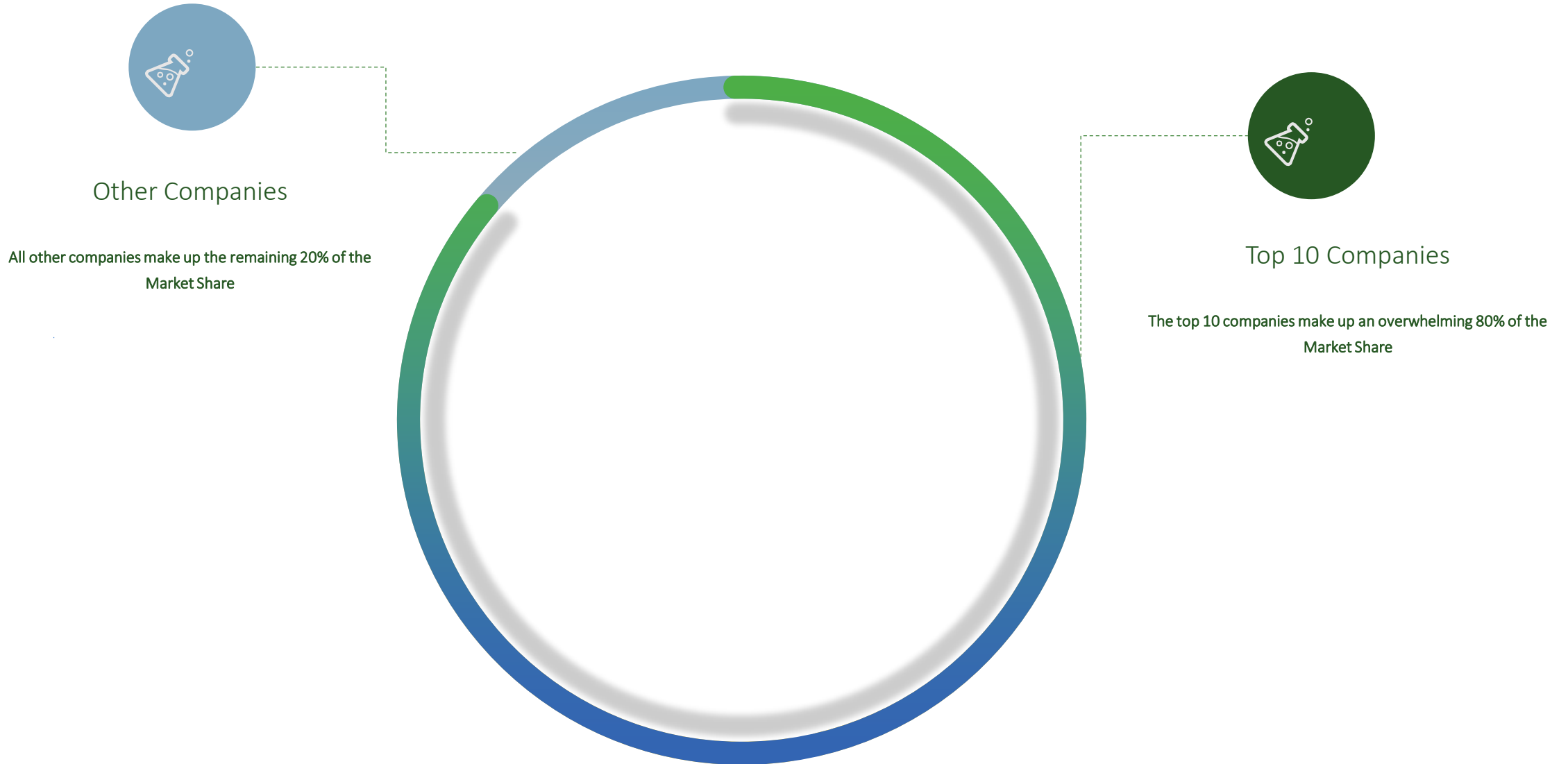


Retention Ratio



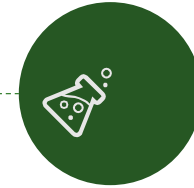
1. Orient	—	18. DNIR	▲
2. ADNIC	—	19. Alliance	▲
3. Oman Insurance	—	20. Insurance House	▲
4. DIN	▲	21. Al Dhafra	▼
5. ABNIC	—	22. Methaq	▼
6. Emirates Insuranc	▲	23. Al Wathba	▼
7. Al Ain	▼	24. AMAN	▼
8. SALAMA	▼	25. Al Fujairah	—
9. Union Insurance	—	26. ASCANA	—
10. Dar Takaful	—	27. HAYAH	—
11. NGI	▲	28. SICO	—
12. ASNIC	▲		
13. OUTFL	▲		
14. United Fidelity	▲		
15. Raknic	▼		
16. TKFL	▲		
17. Takaful Emarat	▼		

Premium Composition Top 10 vs Other Companies



Other Companies

All other companies make up the remaining 20% of the Market Share

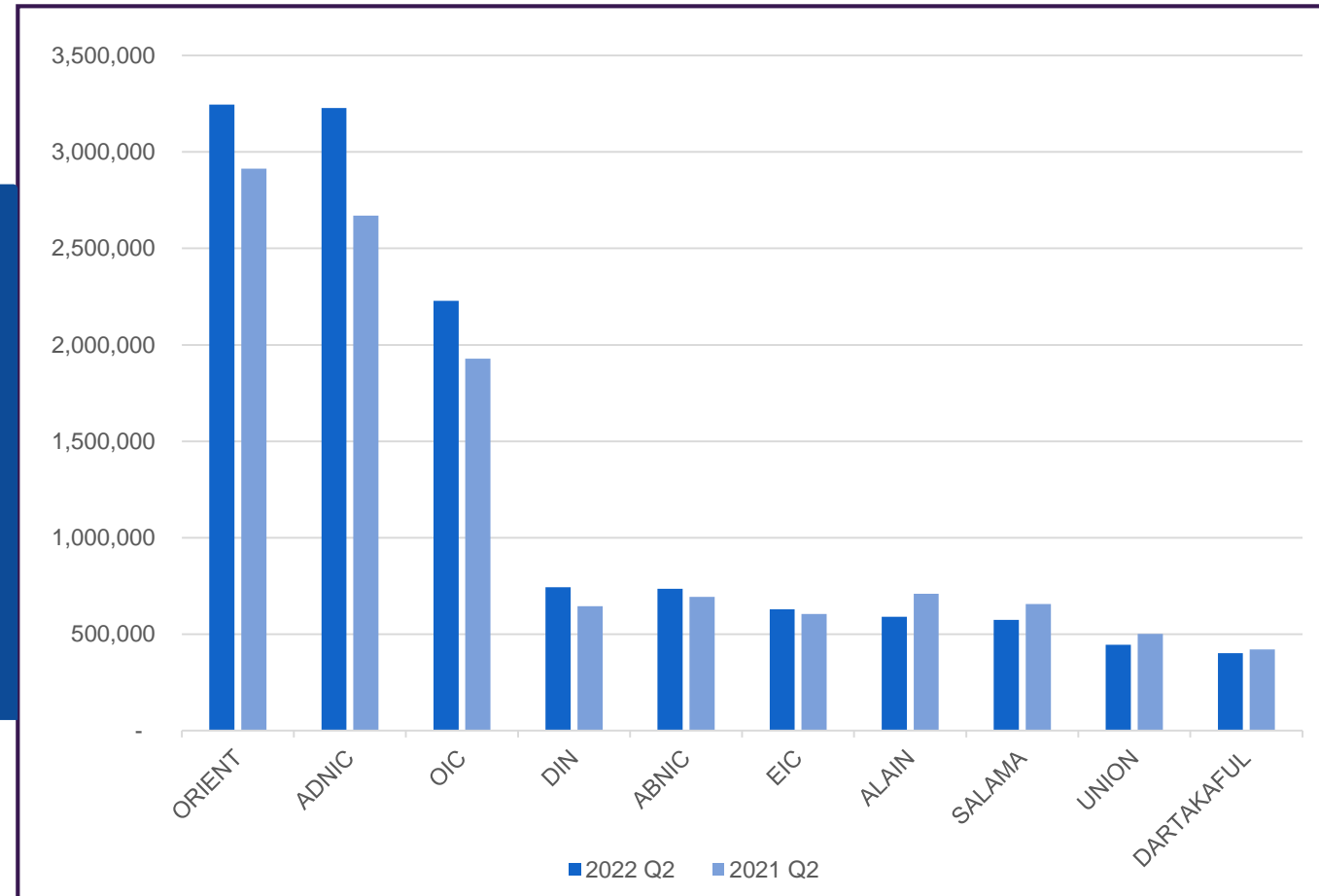


Top 10 Companies

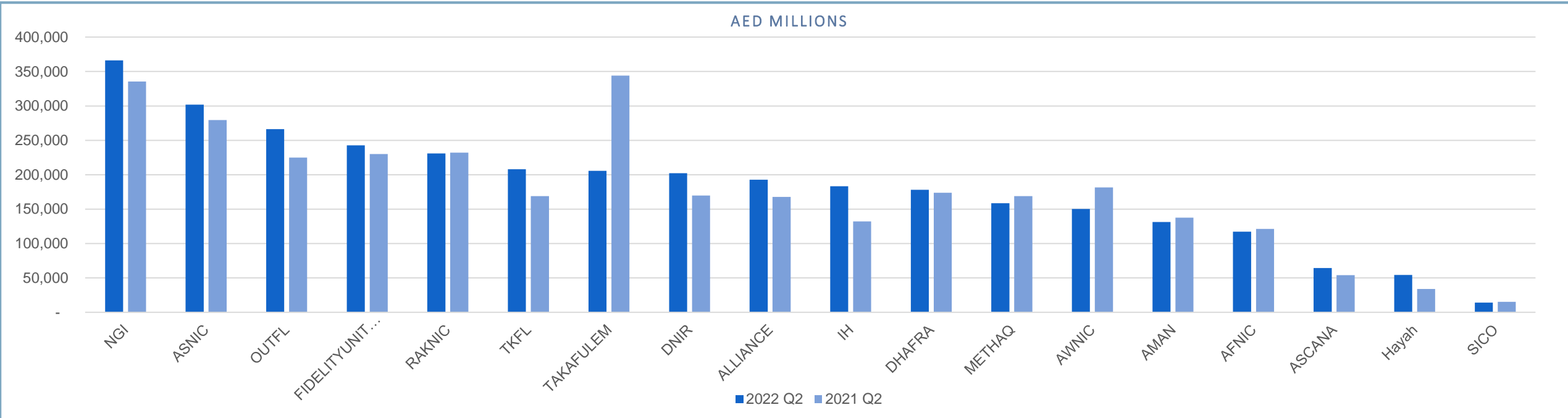
The top 10 companies make up an overwhelming 80% of the Market Share

Gross Written Premium – Top 10 Companies

ORIENT and ADNIC captured the biggest market share with a GWP of about (3 billion) for both companies in the first half of 2022, while the lowest is for DARTAKAFUL with a GWP of about 4 million. The top 10 companies contributed 80% market share, amounting to AED 12.8 billion in the industry as of H1 2022.

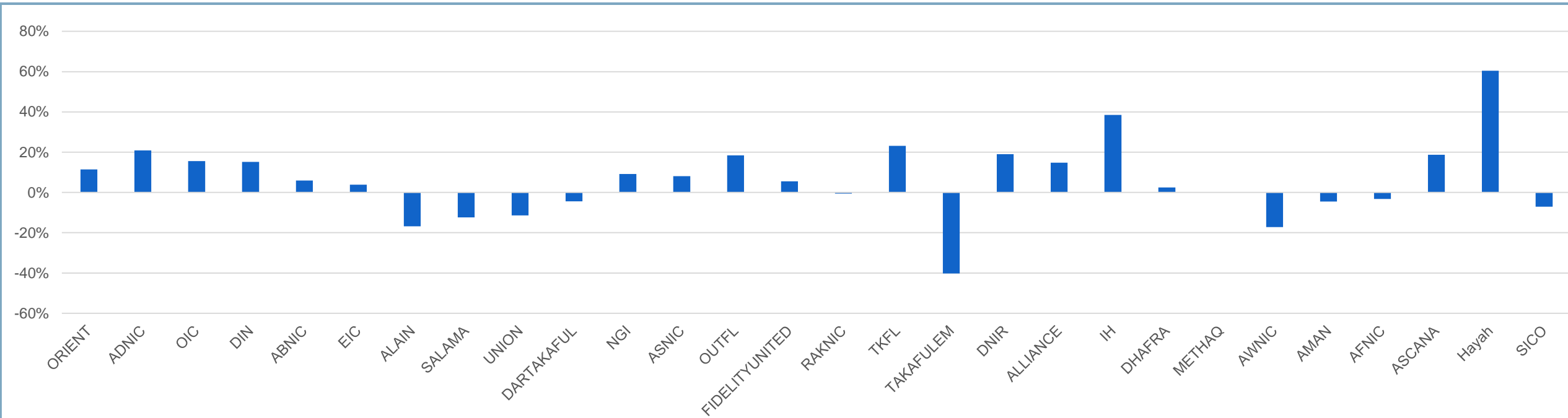


Gross Written Premium – Other Companies



Other than the top 10 companies, NGI has the biggest GWP of about 366.2 million for H1 2022, while SICO had the smallest GWP of about 14.1 million. TAKAFULEM experienced a significant decrease from AED 344 million in H1 2021 to AED 205 million in H1 2022, whereas IH experienced a significant increase from AED 132.2 million to AED 183.1 million in H1 2022. Other companies contributed 20% market share, which amounted to AED 3.2 billion for H1 2022.

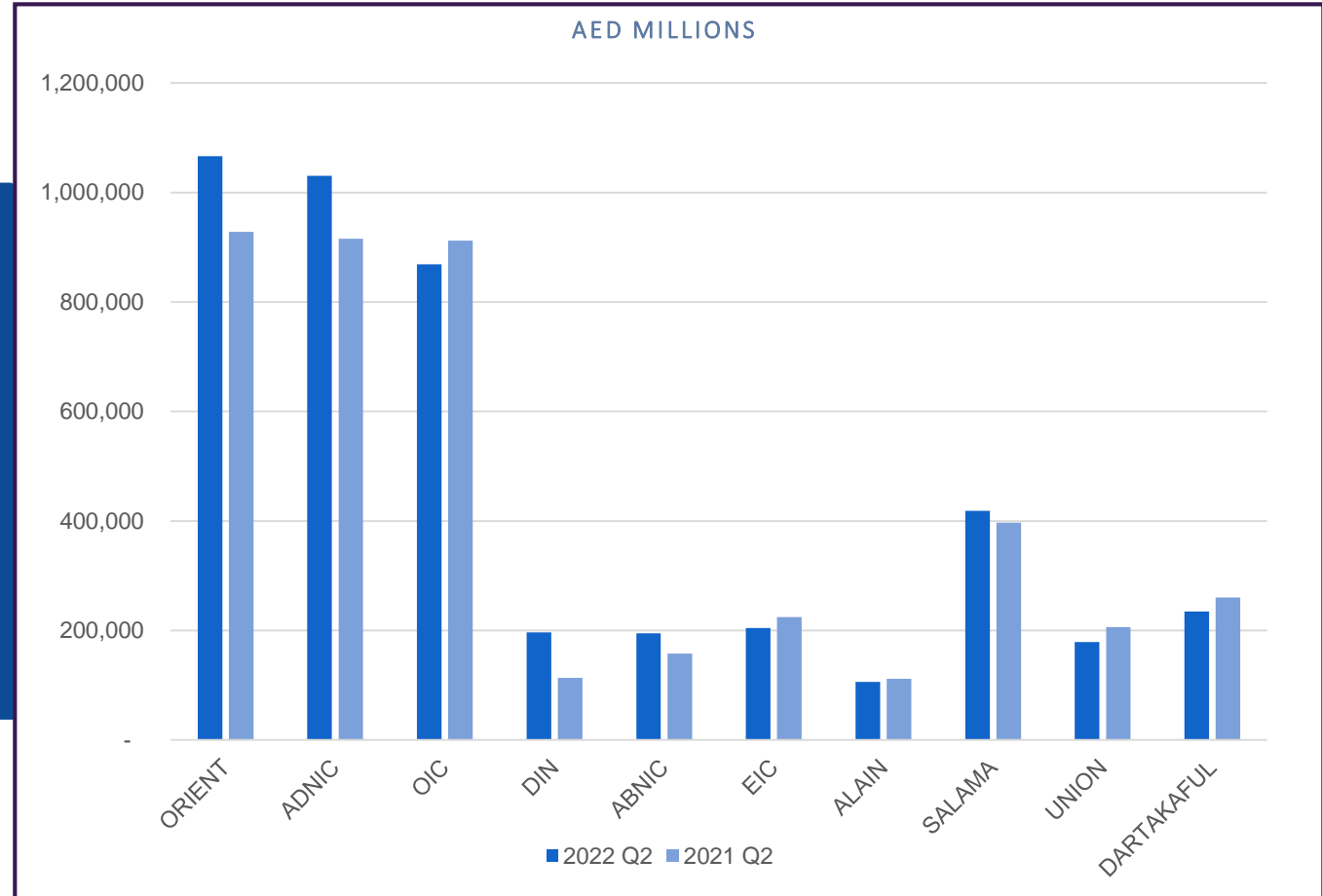
Gross Written Premium – Movement



Overall, out of 28 companies, 16 experienced an increase in Gross Written Premium in the first half of 2022, while the remaining experienced a decrease. The highest GWP growth rate during H1 2022 was exhibited by HAYAH at about 60%, while TAKAFULEM experienced a drop of 40%.

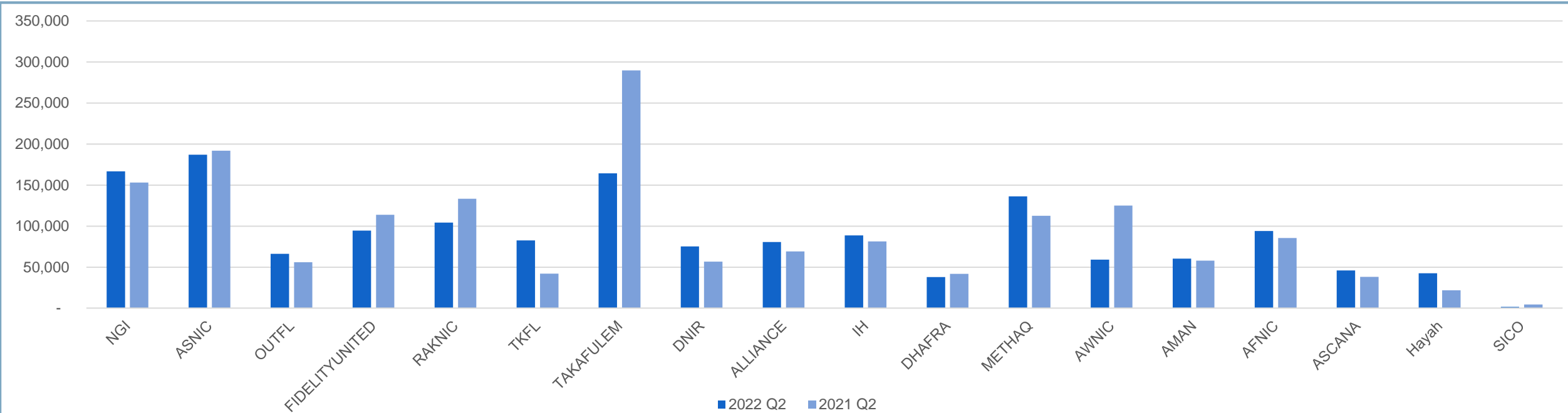
Net Written Premium – Top 10 Companies

Orient captured the highest NWP amounted to 1 billion during H1 2021, while the lowest was for ALAIN of about 106 million. Orient had the highest market share and maintain its top rank along with ADNIC. UNION experienced a decline of about -13%.



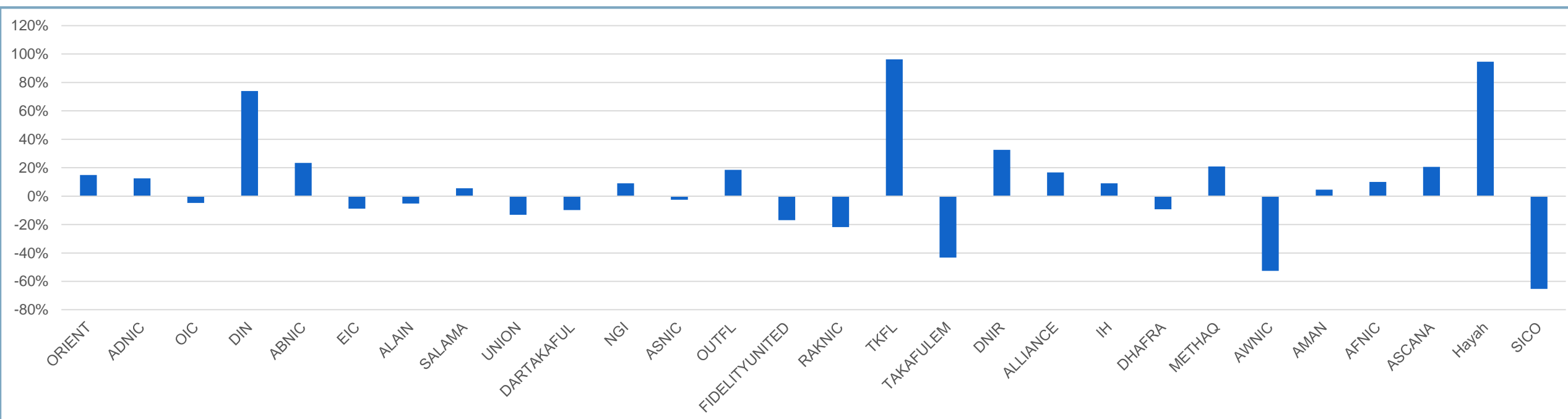
Net Written Premium – Other Companies

AED MILLIONS



Among the remaining companies, the highest Net Written Premium for H1 2022 was ASNIC (187 million), while the lowest was for SICO (1.6 million). For H1 2021, the highest Net Written Premium was for Takaful Emarat (289.7 million), while the lowest was for SICO (4.6 million).

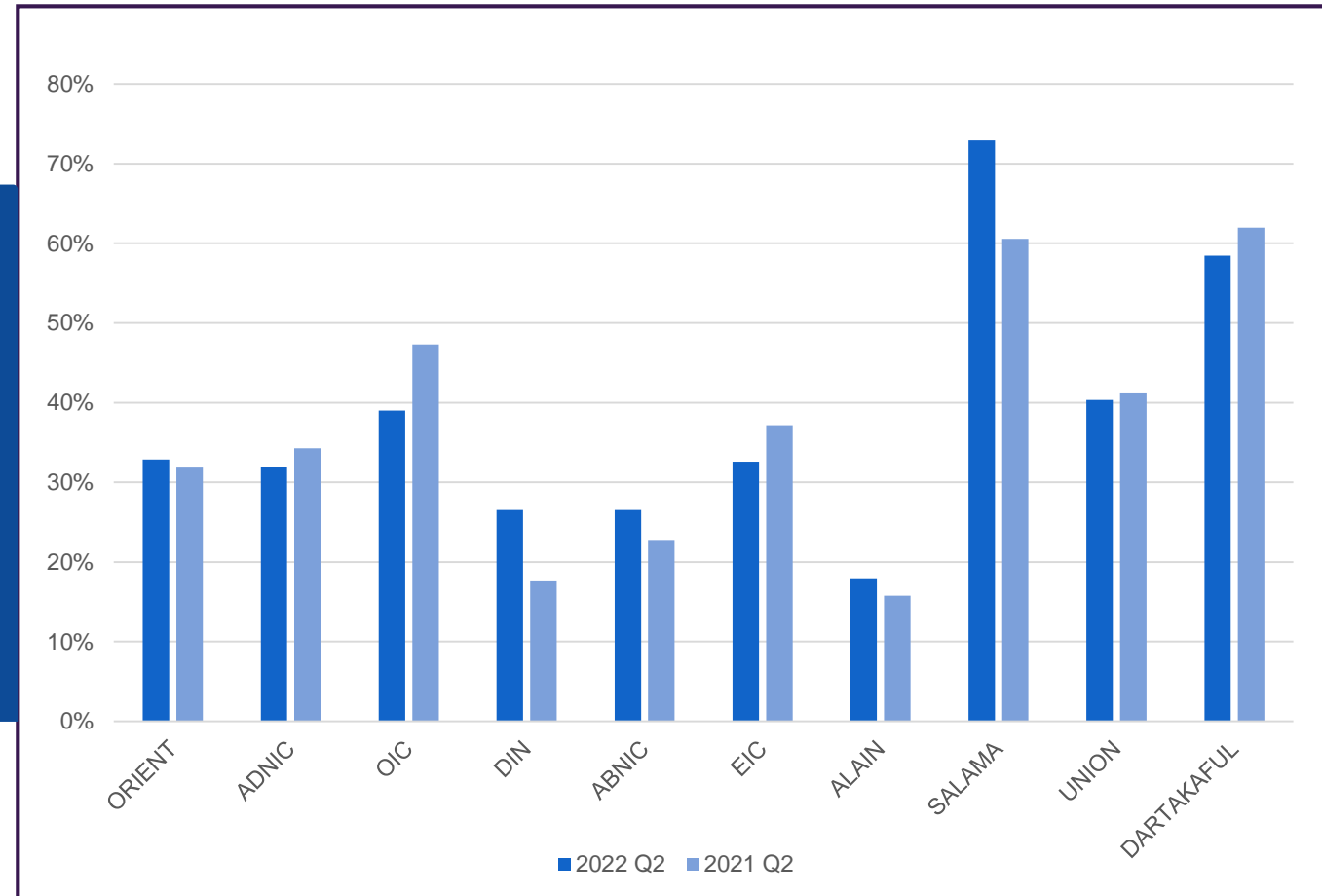
Net Written Premium – Movement



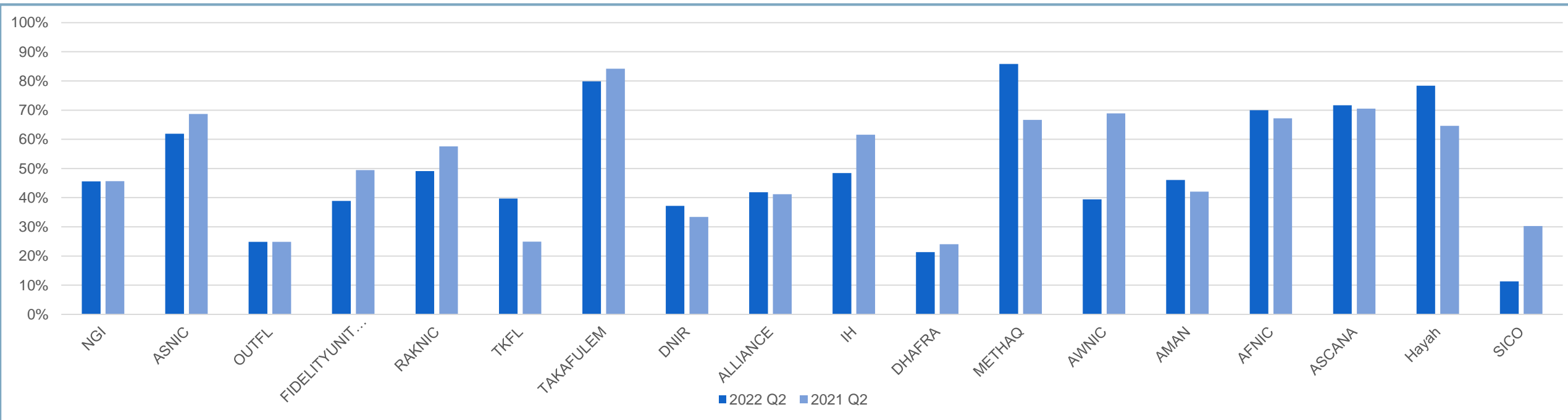
Net Written Premium grew the most for TKFL (96%), and the highest declined for SICO (-65%).

Retention Ratios - Top 10 Companies

In H1 2021, DARTAKAFUL had the highest Retention Ratio (62%), while DIN had the lowest Retention Ratio of 18%. For H1 2022, SALAMA had the highest Retention Ratio of 73%, while the lowest was for ALAIN (18%). Retention ratios were stable for most of the companies, with the highest change being 73% for SALAMA. In addition to this, it can also be noted that Retention Ratios for OIC and EIC were significantly lower than the other top 10 companies.

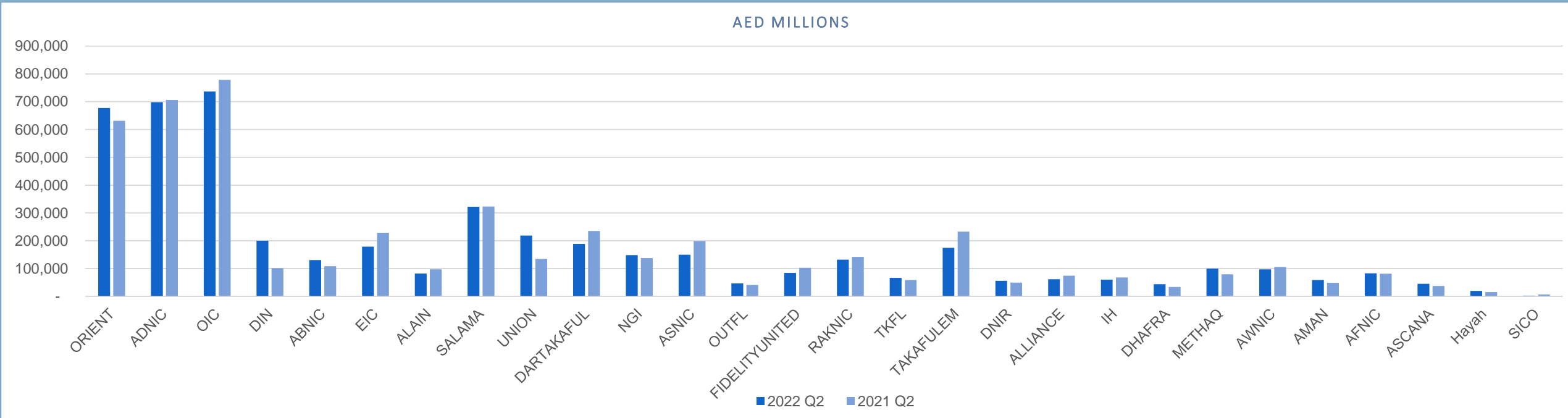


Retention Ratios - Other Companies



On an aggregate basis, the weighted average Retention Ratio is 38%. MEHTAQ experienced immense growth with a Retention Ratio of 86% and the lowest Retention Ratio being 11% for SICO during H1 2022. The Retention Ratio for AWNIC decreased by -29% and increased by 19% for MEHTAQ during H1 2022. For all other companies, the Retention Ratios do not vary greatly.

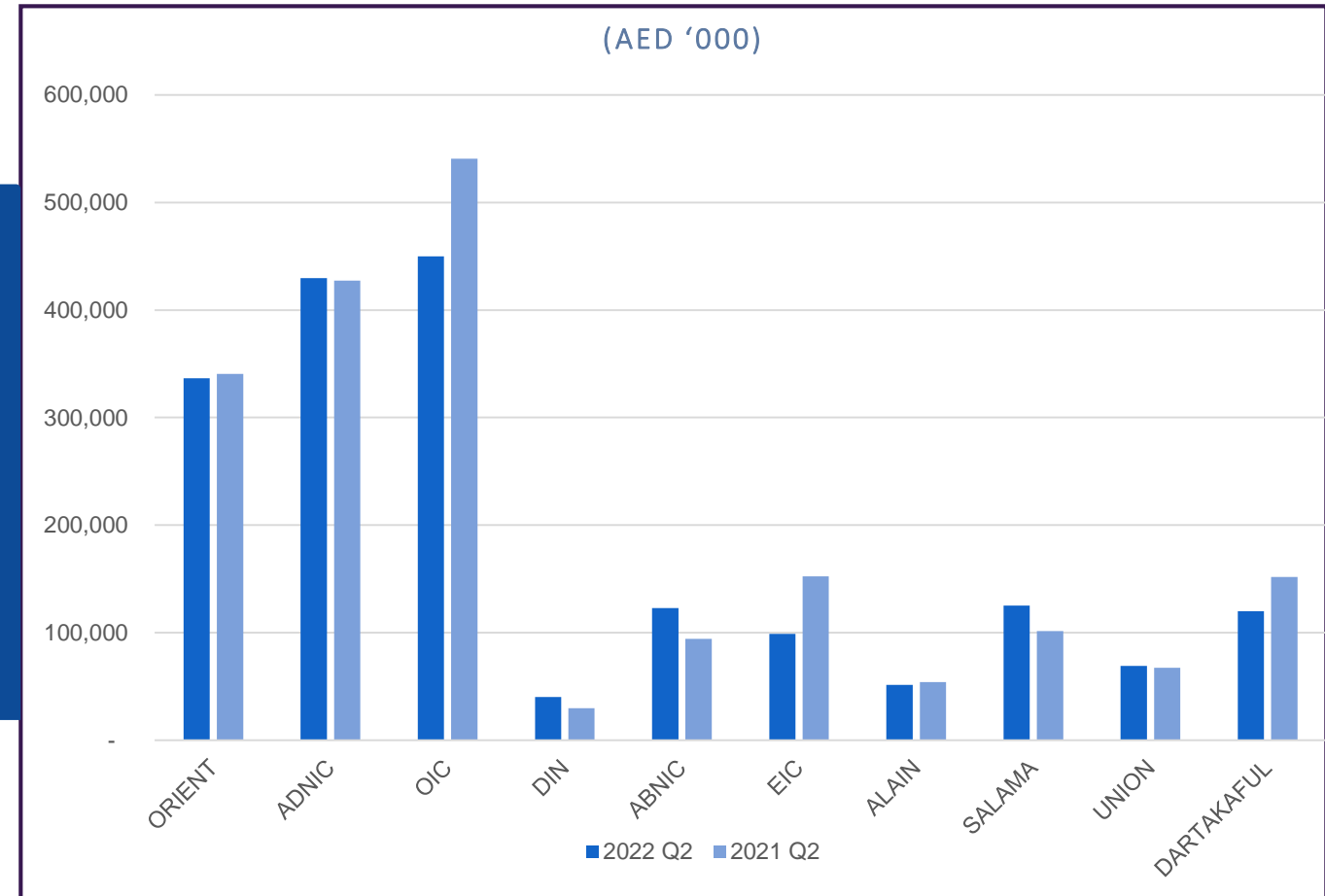
Net Earned Premium



The highest Net Earned Premium is for OIC in both years, followed by ADNIC, while the lowest is for SICO. As depicted, DIN displayed an immense growth of about 98%, while the major decline was exhibited by SICO of -58% during H1 2022. The total Net Premiums earned by all companies amounted to AED 5 billion during the first half of 2022.

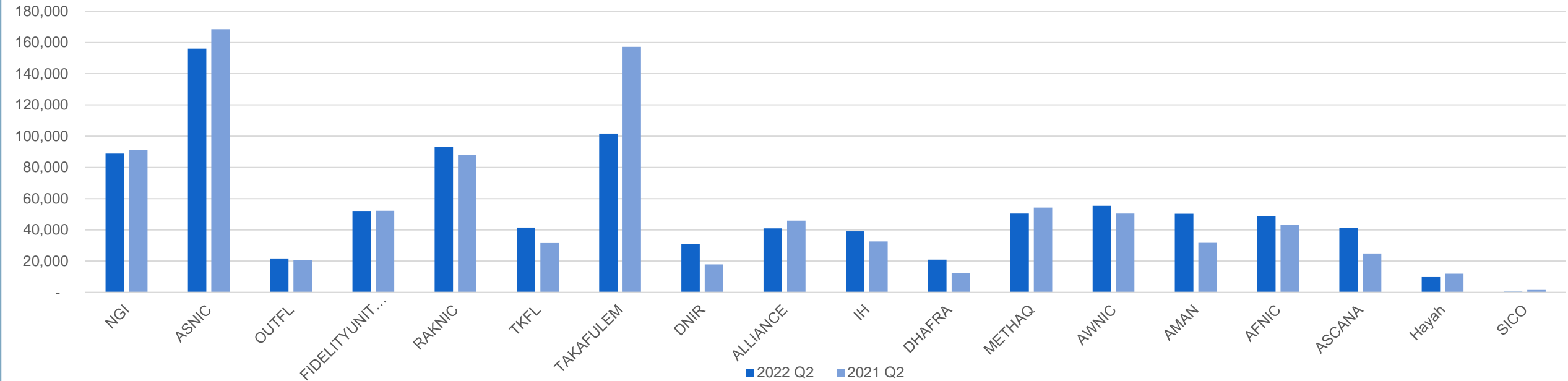
Net Incurred Claims - Top 10 Companies

OIC had the highest Net Incurred Claims of 450 million and 541 million in H1 2022 and H1 2021, respectively, whereas DIN had the lowest Net Incurred Claims of 40 million and 30 million in H1 2022 and H1 2021, respectively.



Net Incurred Claims - Other Companies

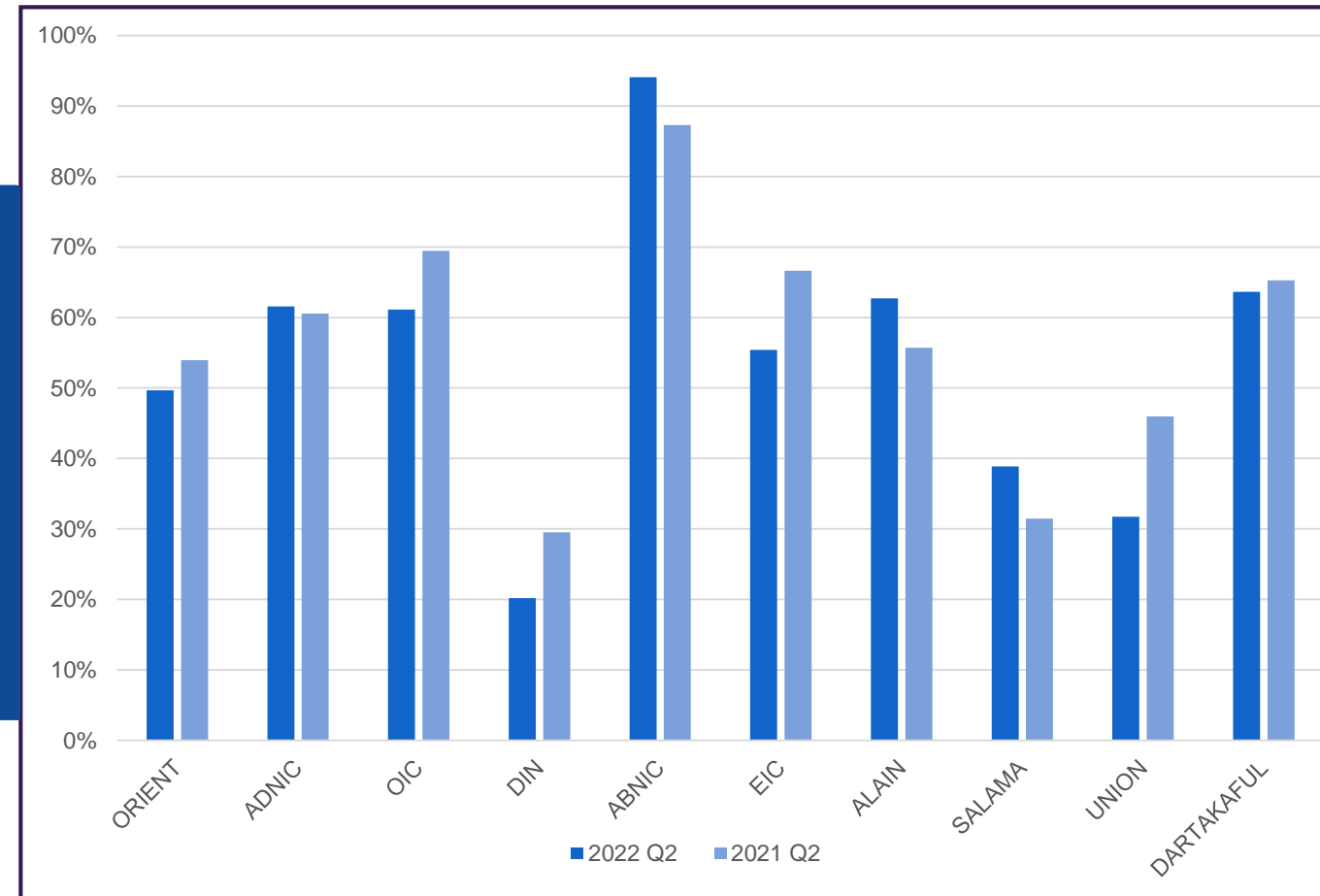
AED '000



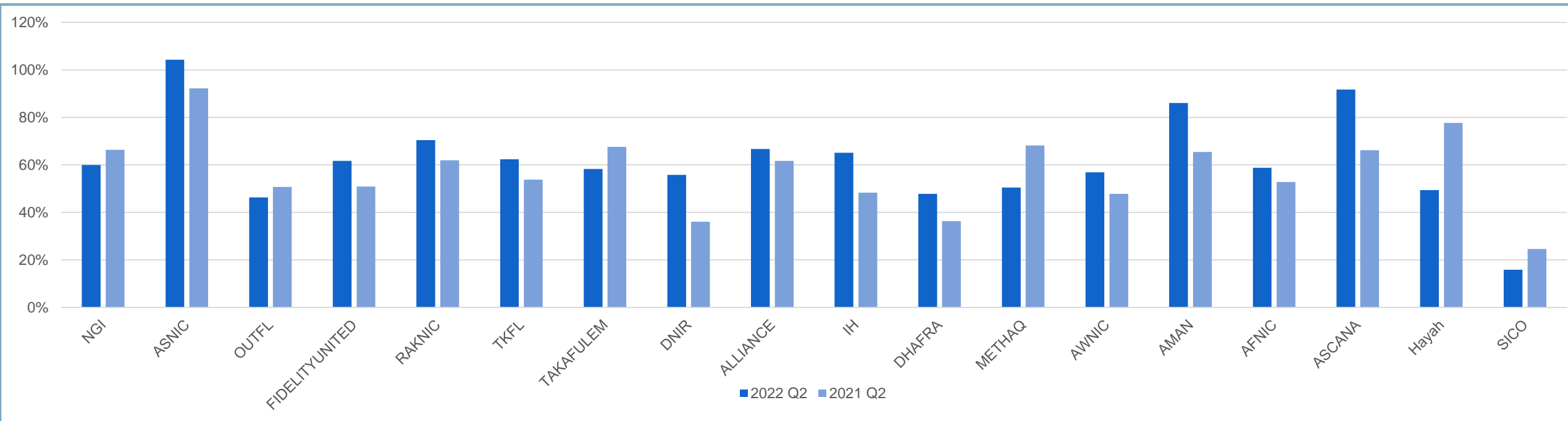
ASNIC had the highest Net Incurred Claims of 156 million, and SICO had the lowest Net Incurred Claims in H1 2022.

Loss Ratios - Top 10 Companies

The highest Loss Ratio for H1 2021 was for ABNIC being 87%, and the lowest was for DIN being 30%. For H1 2022, the Loss Ratio was the highest for ABNIC (94%), with the lowest being 20% for DIN. The Loss Ratios decreased for most of the top 10 companies. Loss Ratios only increased for ADNIC, ABNIC, ALAIN and SALAMA.



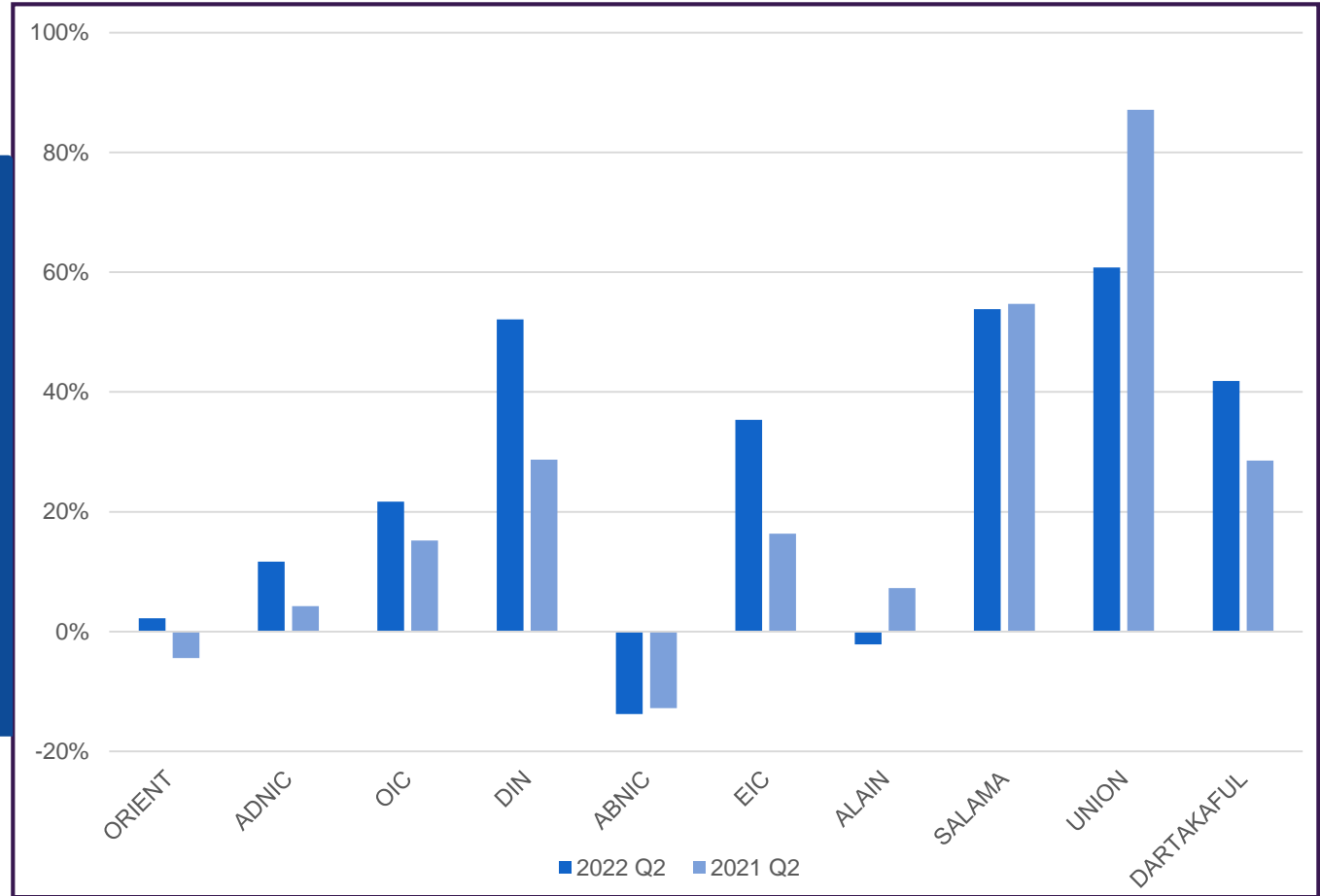
Loss Ratios – Other Companies



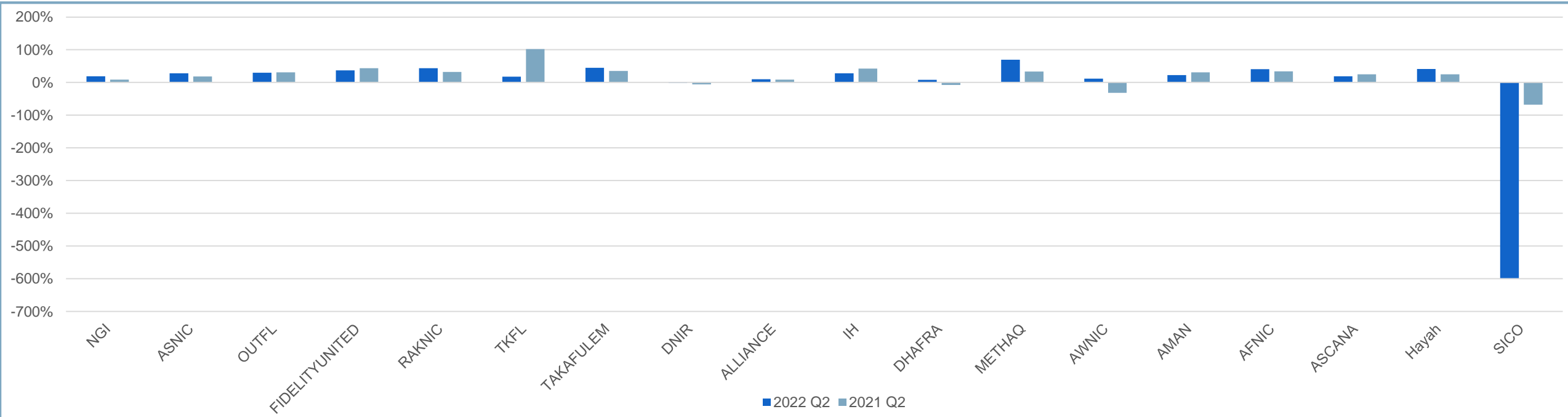
The Loss Ratios for other companies have been summarized in the above chart. For H1 2021, the highest Loss Ratio was for the ASNIC (92%), and the lowest was for SICO (25%). For H1 2022, the highest Loss Ratio was for ASNIC (104%), and the lowest was for SICO (16%).

Expense Ratios - Top 10 Companies

For H1 2021, the Expense Ratio was the highest for UNION (87%) and the lowest for ABNIC (-13%). For H1 2022, UNION had the highest expense ratio (61%), while ABNIC had the lowest Expense Ratio (-14%). For most companies, the Expense Ratio increased, especially in the case of the DIN Expense Ratio at 52%, which increased by 23%.



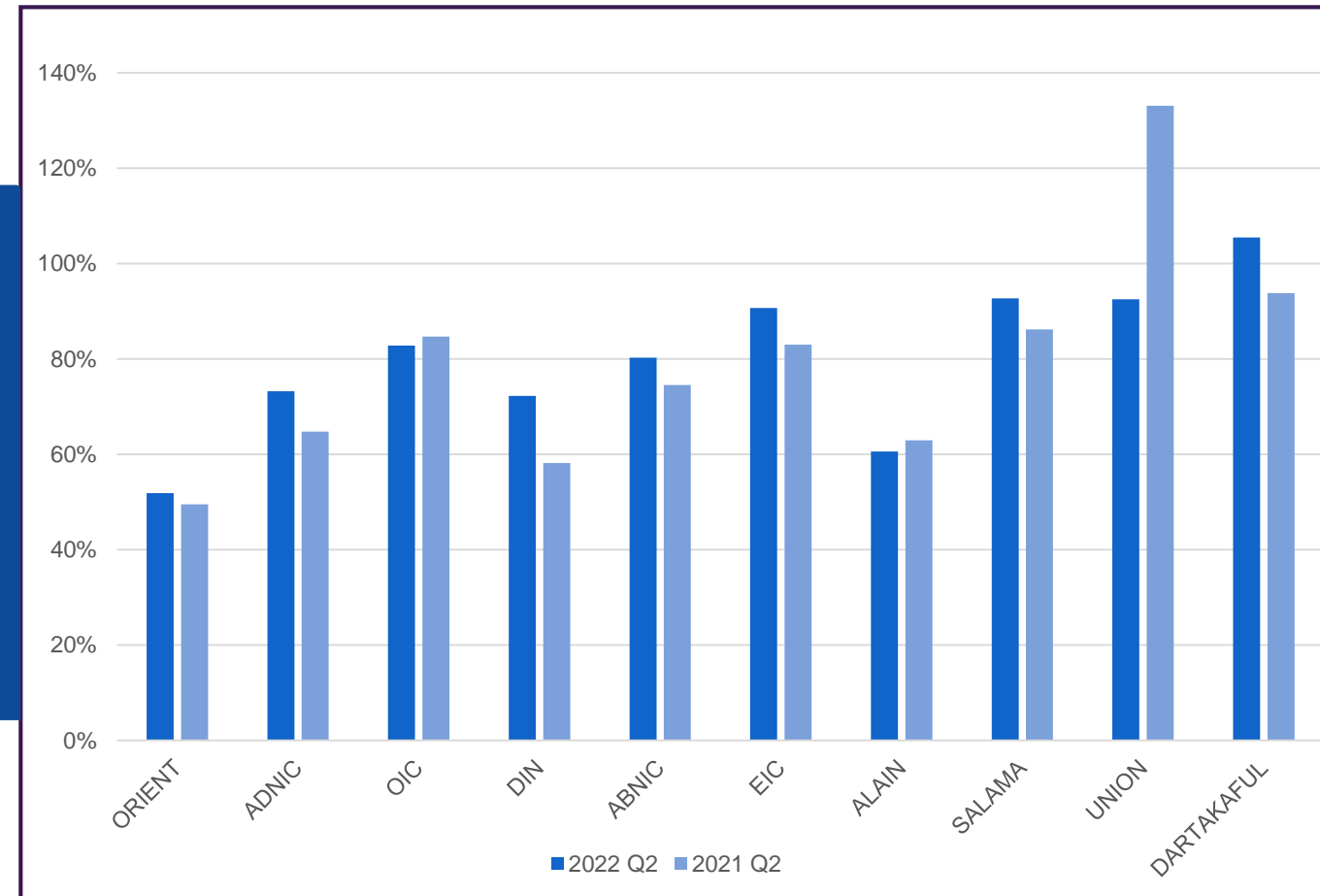
Expense Ratios - Other Companies



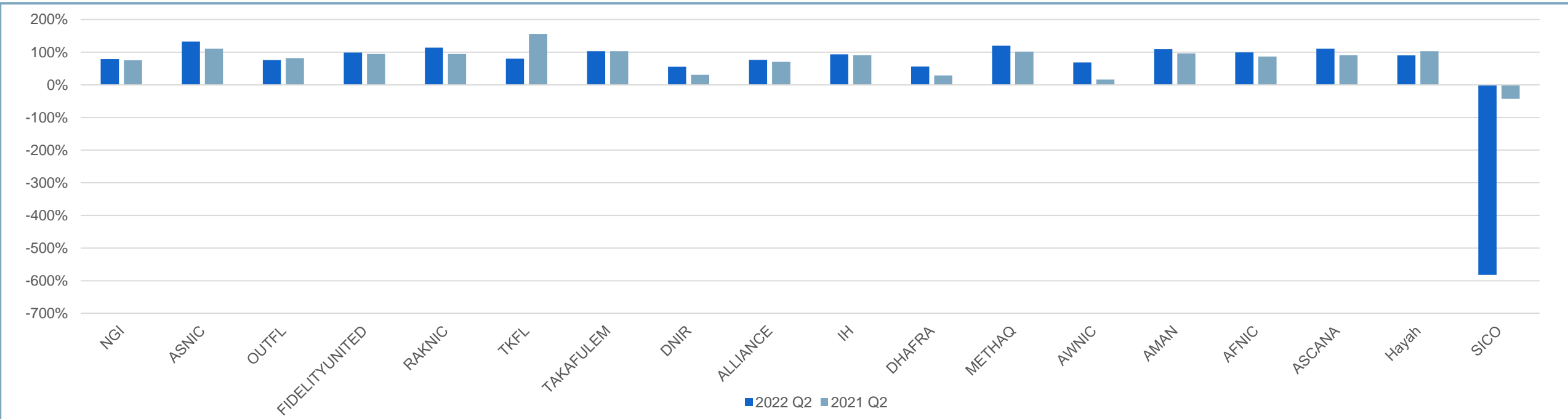
Of other top 10 companies, the highest Expense Ratio for H1 2021 was for TKFL (102%), and the lowest was for SICO (-68%). For H1 2022, the highest Expense Ratio was for METHAQ (70%), and the lowest was for SICO (-598%).

Combined Ratios - Top 10 Companies

For the H1 2021, the highest Combined Ratio was for Union (133%), and the lowest was for ORIENT (50%). Net Combined Ratios were high in H1 2022, with DARTAKAFUL having a Combined Ratio of 105%, and the lowest was for ORIENT at 52%. Combined Ratios increased for most of the top 10 companies except OIC, ALAIN and Union. Also, the difference between the Combined Ratios of UNION was very significant. Although, for other companies, the difference does not vary on a larger scale.



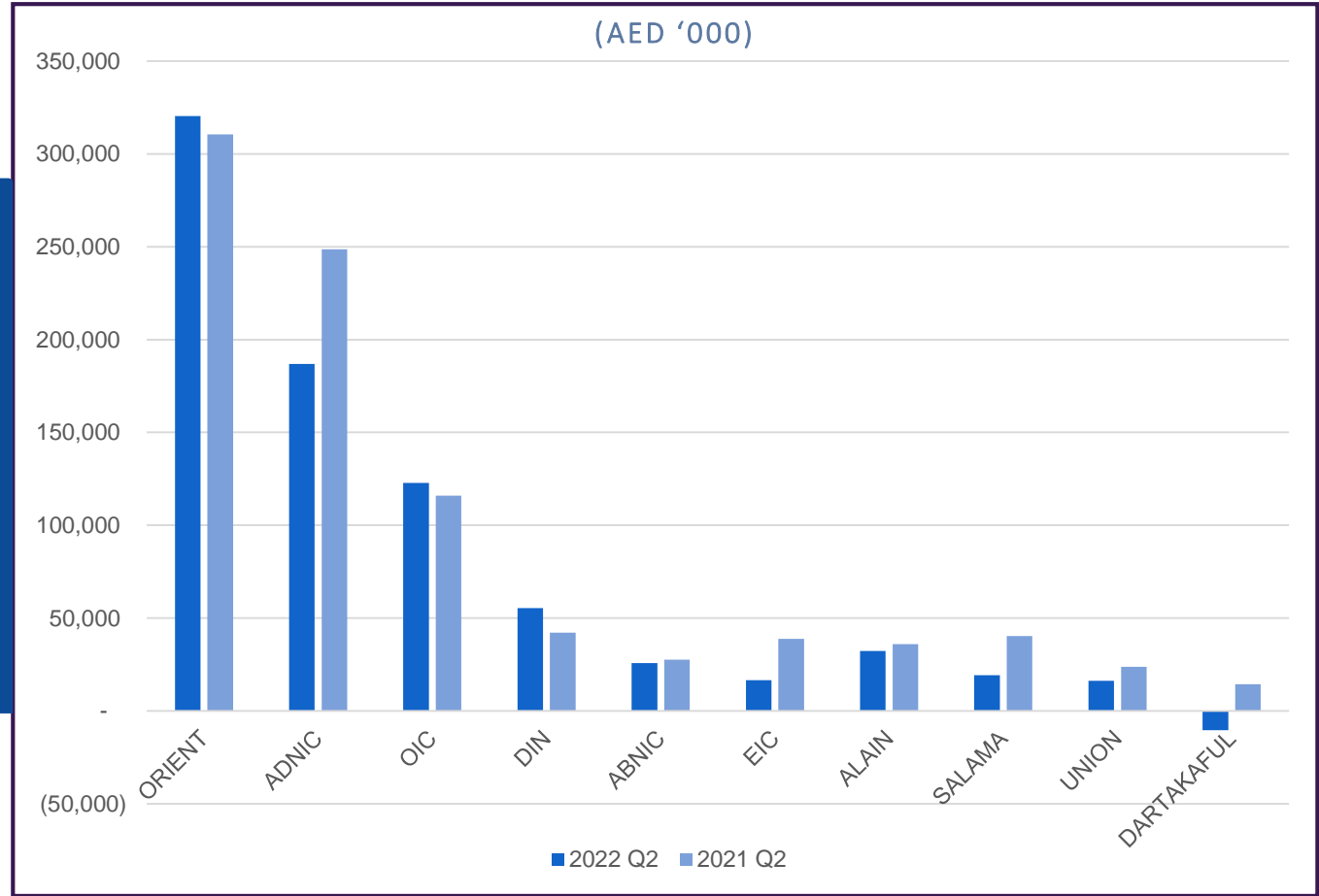
Combined Ratios - Other Companies



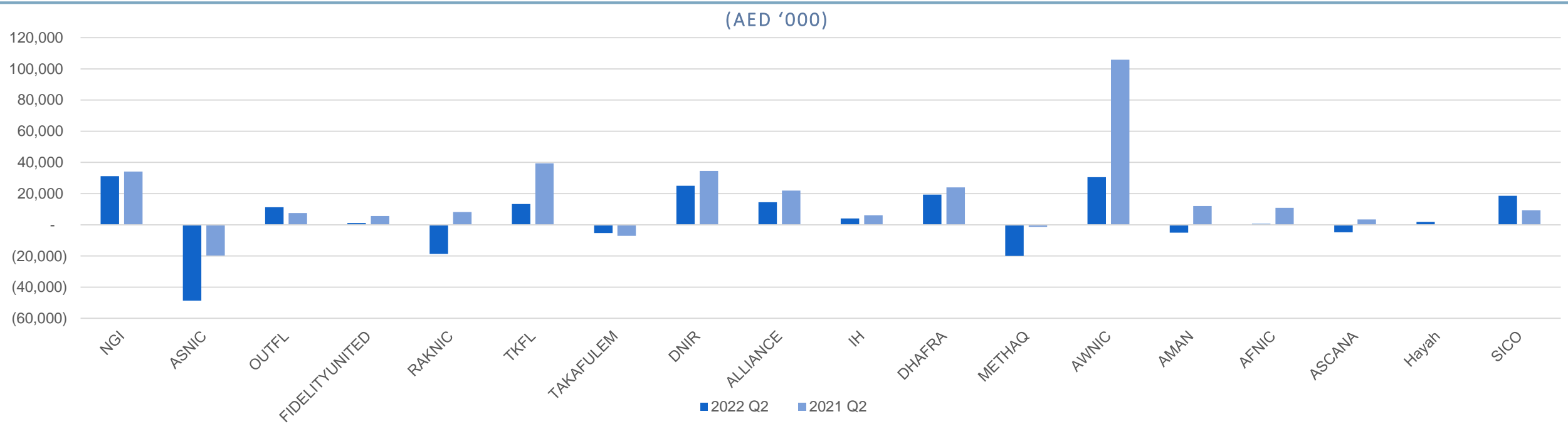
The highest Combined ratio for H1 2022 was 132% which was 111% in H1 2021, and the lowest Combined Ratio was for SICO being -582% in H1 2022.

Net Profit and Loss - Top 10 Companies

Orient and OIC continue to maintain their ranks from H1 2021. Orient had the highest Net Profit in H1 2021, and it was further able to increase it from 310.4 million to 320.3 million in H1 2022, retaining its position. Overall, out of the top 10 companies, DARTAKAFUL, SALAMA, ADNIC, and EIC experienced a major decline, while DIN experienced a major increase of 31% during H1 2022. The profit for the top 10 companies is recorded to be AED 785.3 million.

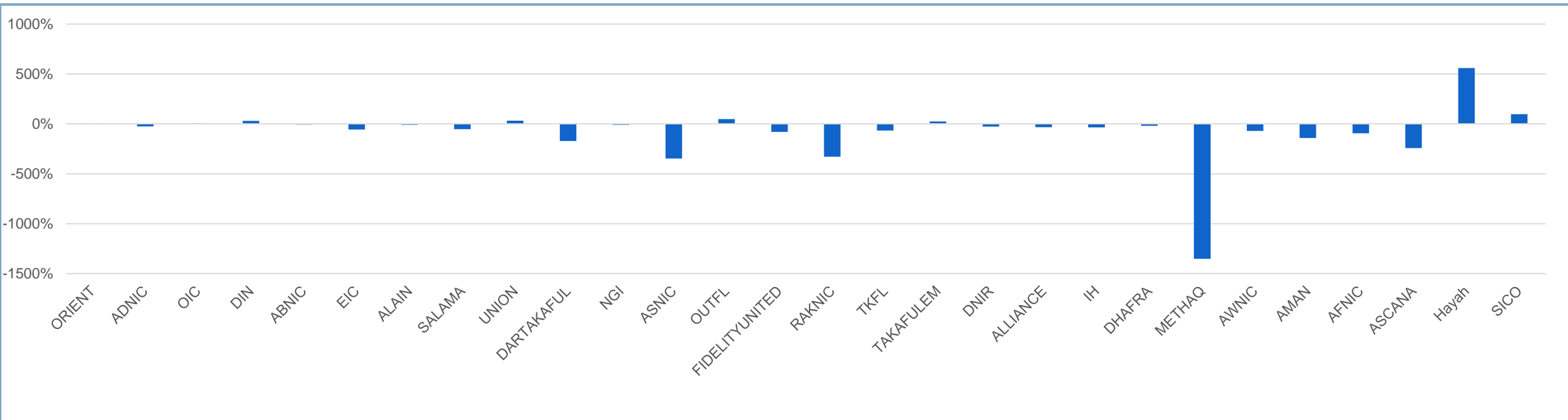


Net Profit and Loss - Other Companies



During the period H1 2022, from other than top 10 companies NGI had the highest net profit of about 31.1 million and lowest was for ASNIC of about (-48.6 million). OUTFL, TAKAFULEM, HAYAH and SICO experienced increase in their net profit in H1 2022. Overall, 7 out of 28 listed companies displayed decrease in their net profit in H1 2022 as compared to same period of last year's net profits.

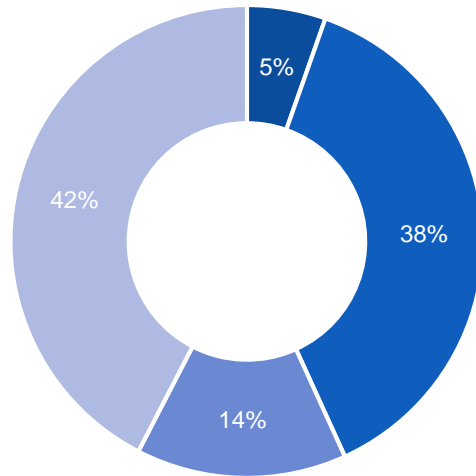
Net Profit and Loss - Movement



Total Net Profit generated for the first quarter of 2022 was 0.8 billion, it has shown decline of about 30% for H1 2022 as compared to H1 2021. The highest growth was experienced by HAYAH of 560% with a profit of AED 1.9 million, while MEHTAQ had a major decline of about -1352% for H1 2022.

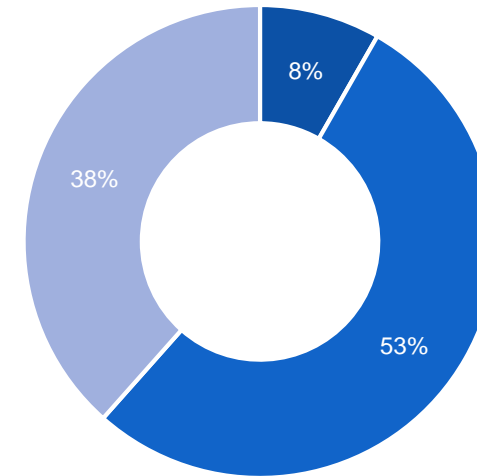
Asset Classification - Aggregate

Policyholder Asset Classification



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

Shareholder Asset Classification

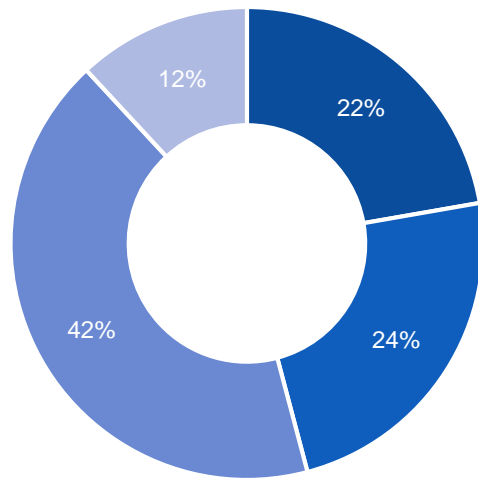


■ Cash and cash equivalents ■ Investments ■ Other Assets

Most of the Policyholder Assets were kept as Other Assets (42%), while the remaining assets were kept as Investment (38%), Cash (5%) and (14%). 53% of the Shareholder Assets were kept as investments and 38% as Other Assets, with cash constituting about 8% of the Shareholder's Assets.

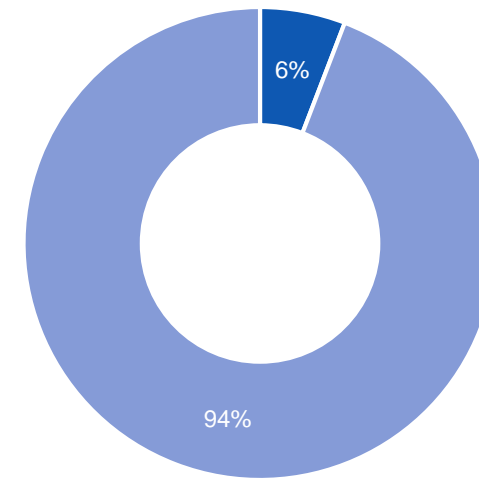
Liability & Equity Classification - Aggregate

POLICYHOLDER LIABILITY CLASSIFICATION



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

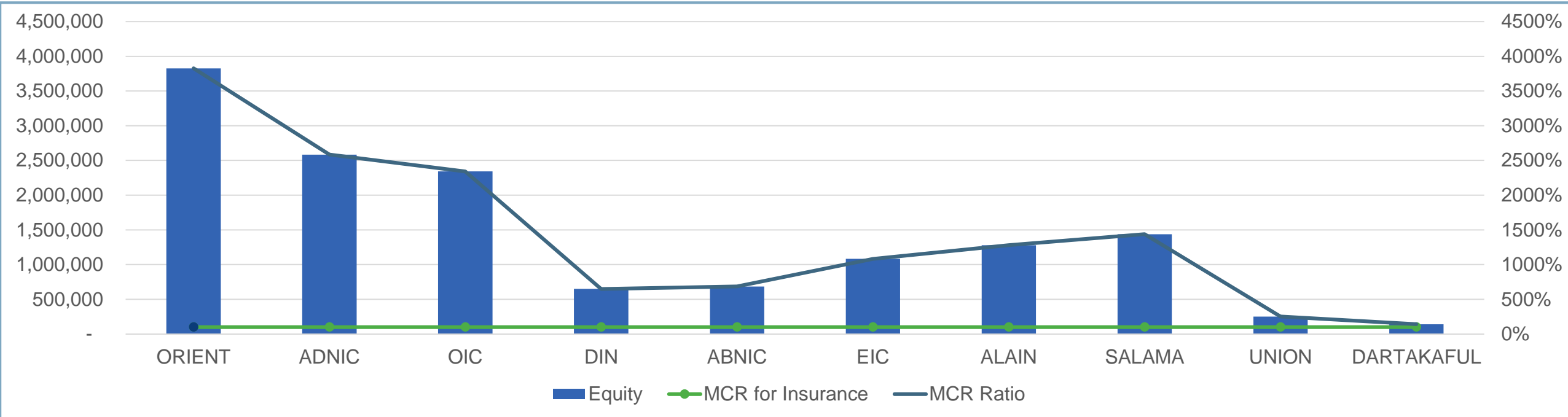
SHAREHOLDER LIABILITY & EQUITY CLASSIFICATION



■ Shareholders' liabilities ■ Equity

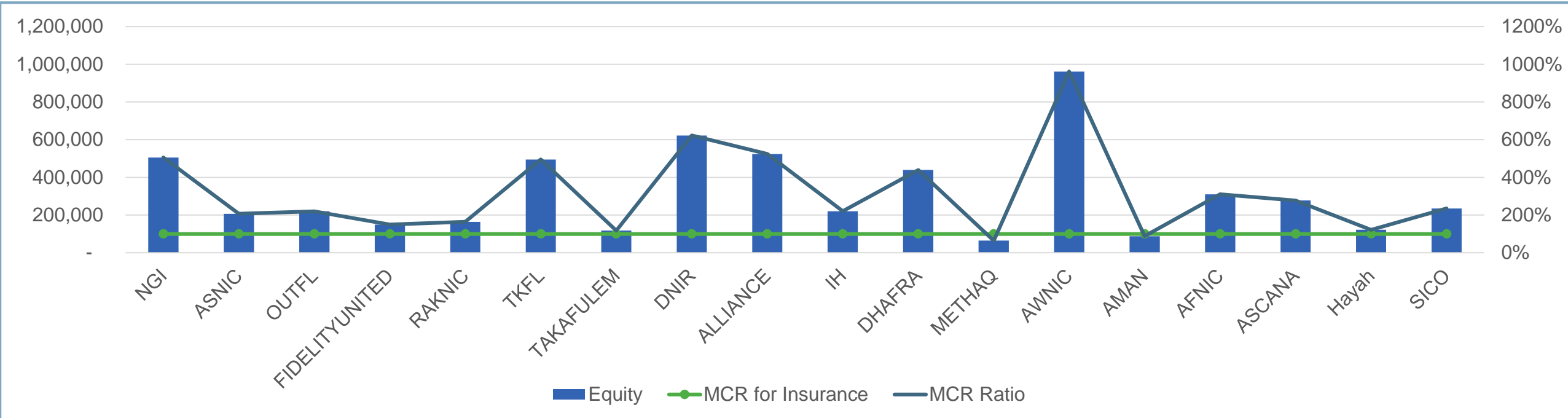
Policyholder Liabilities consist of 22% Gross Loss Reserve, 24% of the Gross Unearned Premium, and 42% of Other Liabilities. In addition to this, Equity as a percentage of total assets is about 94%.

Solvency Analysis – Top 10 Companies



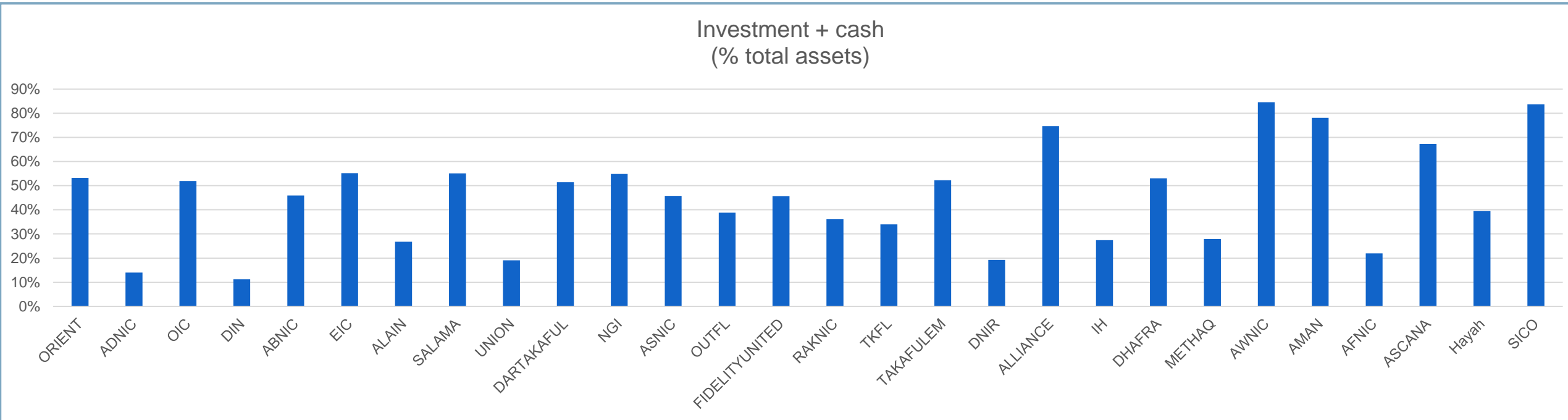
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Solvency Analysis – Other Companies



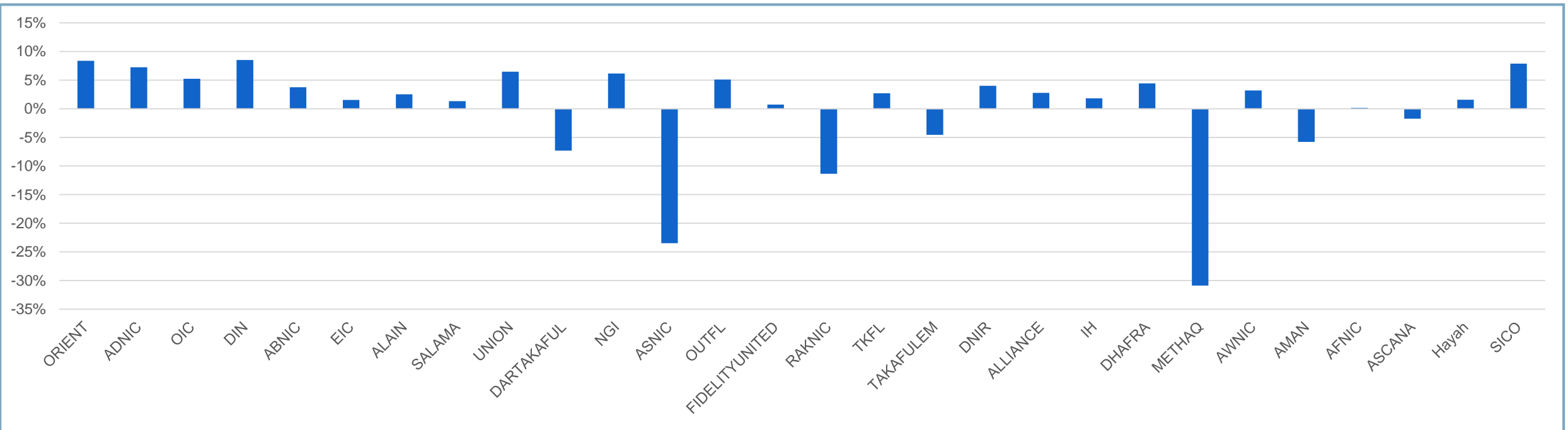
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Proportion of Invested Assets



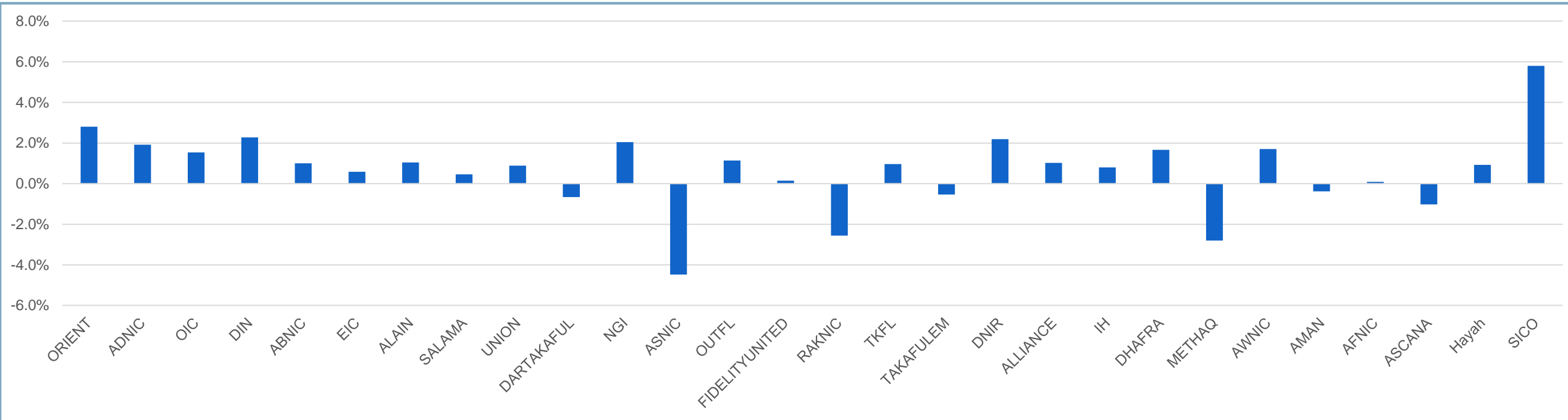
For most of the companies, invested assets along with cash constitutes about less than 50% of the total assets. The highest invested to total assets ratio is for Awnic (85%) while the lowest is for Din of about 11%.

Return on Equity (ROE)



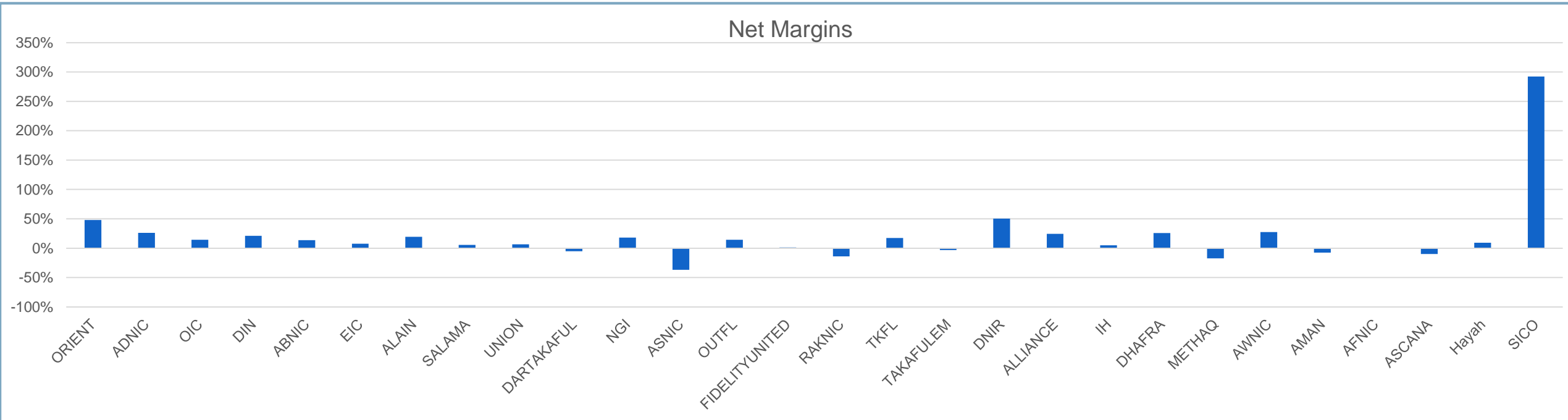
The Return On Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest Return on Equity was for DIN at about 9%. The highest negative Return on Equity was for METHAQ at about -31%.

Return on Asset (ROA)



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. SICO was able to earn the highest Return on Assets of around 5.8%, while ASNIC earned the highest negative Return on Assets of -4.5%.

Net Profit Margins



Net Profit Margin measures how much net income or profit is generated as a percentage of revenue. SICO had the highest Net Margin (292%), suggesting that claims and expenses were very low. The lowest Net Margin was for ASNIC (-37%).

Appendix A: Listed Insurance Companies in UAE Used in our Report

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
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
Al Fujairah National Insurance	AFNIC	Conventional
Dubai Islamic Insurance and Reinsurance Co.	AMAN	Takaful
Insurance House	IH	Conventional
Arabian Scandinavian Insurance - Takaful	ASCANA	Takaful
HAYAH Insurance Company	HAYAH	Conventional
MEHTAQ Takaful Insurance	MTIC	Takaful
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 Q2 2022. 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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