



BADRI

# Performance Analysis of UAE Insurance Companies (including Branches) for the Year Ended Dec 31, 2017

June 18, 2018

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies and branches of foreign insurance companies operating in UAE (subsequently referred to as Branches) for the year ended December 31, 2017. The data has been extracted from 2017 year-end financial statements of those companies which were publicly listed. For branches, the financials published in different newspapers have been relied upon. While we have tried to ensure accuracy in the data input and evaluation process, in view of the natural scope for human and/or mechanical error, either at input or during analysis, we accept no liability whatsoever for any loss or damage resulting from errors, inaccuracies or omissions affecting any part of this publication. If you come across an error or have a query, do write to us.
- In certain cases, we needed to combine certain items together for comparison purposes. E.g. Where XOL Reinsurance Premium has been shown separately we have added it to Reinsurance Premium expense and deducted from Net Earned Premium.
- Some figures for 2016 as shown in this analysis differ from the ones shown in our report compiled as at Dec 31, 2016. This is because of restatements of financials and the exclusion (inclusion) of some branches for which the financials were not available (available) in 2017.
- Due to limited information we are unable to segregate between life and non-life. Once all companies start publishing financial statements with this level of segregation, this can be done.
- The list of companies and branches is provided on the next pages

# Listed Insurance Companies

Sr. No.	Symbol	Name	Market	Sr. No.	Symbol	Name	Market	Sr. No.	Symbol	Name	Market
1	AAAIC	Al Ain Al Ahlia Insurance Co.	ADX	11	DARTAKAFUL	Dar al Takaful (Takaful House)	DFM	21	ORIENT	Orient Insurance PJSC	DFM
2	ABNIC	Al Buhaira National Insurance Company	ADX	12	DHAFRA	Al Dhafra Insurance Co.	ADX	22	RAKNIC	Ras Al Khaimah National Insurance Co.	ADX
3	ADNIC	Abu Dhabi National Insurance Co.	ADX	13	DIN	Dubai Insurance Co , PSC	DFM	23	SALAMA	Islamic Arab Insurance Company	DFM
4	AFNIC	Al Fujairah National Insurance Co.	ADX	14	DNIR	Dubai National Insurance & Reinsurance Co.	DFM	24	SICO	Sharjah Insurance Company	ADX
5	AKIC	Al Khazna Insurance Co.	ADX	15	EIC	Emirates Insurance Co.	ADX	25	TAKAFUL-EM	Takaful Emarat (PSC)	DFM
6	ALLIANCE	Alliance Insurance	DFM	16	GCIC	Green Crescent Insurance Company	ADX	26	TKFL	Abu Dhabi National Takaful Co. PJSC	ADX
7	AMAN	Dubai Islamic Insurance and Reinsurance Co.	DFM	17	IH	Insurance House P.S.C	ADX	27	UIC	United Insurance Co.	ADX
8	ASCANA	Arabian Scandinavian Insurance Co.	DFM	18	METHAQ	Methaq Takaful Insurance Co.	ADX	28	UNION	Union Insurance Company	ADX
9	ASNIC	Al Sagr National Insurance Company	DFM	19	NGI	National General Insurance Company	DFM	29	WATANIA	National Takaful Company	ADX
10	AWNIC	Al Wathba National Insurance Co	ADX	20	OIC	Oman Insurance Company (P.S.C.)	DFM	30	OUTFL	Orient UNB Takaful PJSC	DFM

# Branches (and unlisted Companies)

Sr. No.	Name	Remarks	Sr. No.	Name	Remarks	Sr. No.	Name	Remarks
1	Adamjee Insurance Company Ltd.	Included	12	Saudi Arabian Insurance Company	Included	23	State Life Insurance Corporation of Pakistan	Included
2	Arabia Insurance	Included	13	Life Insurance Corporation (International) B.S.C.	Included	24	Assicurazione Generali	Included
3	Tokio Marine and Nichido Fire Insurance Company Ltd.	Included	14	The Oriental Insurance Company	Included	25	Noor Takaful General PJSC	Not Included
4	Royal and Sun Alliance Insurance	Included	15	AXA Gulf	Included	26	Noor Takaful Family PJSC	Not Included
5	Qatar Insurance Company	Included	16	Zurich Life Insurance Company Ltd.	Included	27	Al Hilal Takaful P.S.C	Not Included
6	Zurich Insurance Middle East S.A.L.	Included	17	Friend Provident International	Included	28	General Insurance Corporation of India	Not Included
7	Mitsui Sumitomo Insurance Company Ltd.	Included	18	Iran Insurance Company	Included	29	The Mediterranean & Gulf Insurance and Reinsurance Company	Not Included
8	American Home Insurance Company	Included	19	Jordan Insurance Company	Included	30	New India Assurance Company Limited	Not Included
9	MetLife	Included	20	Chubb Tempest Life Reinsurance Ltd.	Included	31	Emirates Retakaful Limited	Not Included
10	National Life and General Insurance Company	Included	21	Qatar General Insurance and Reinsurance Company	Included	32	Arab Insurance Group	Not Included
11	Al Ittihad Al Watani	Included	22	Zurich International Life	Included	33	Malaysia Re Ltd.	Not Included



Premiums

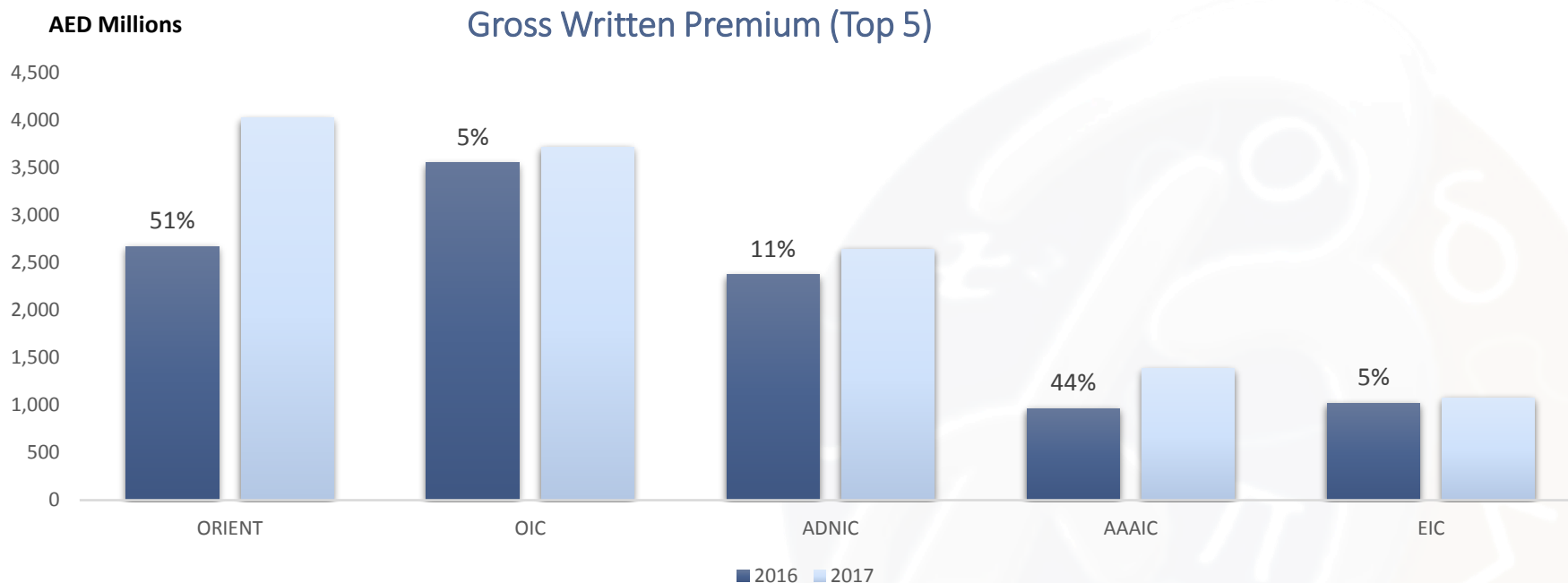
Profitability

Technical Provisions

Loss Combined & Expense Ratio

Return on Equity

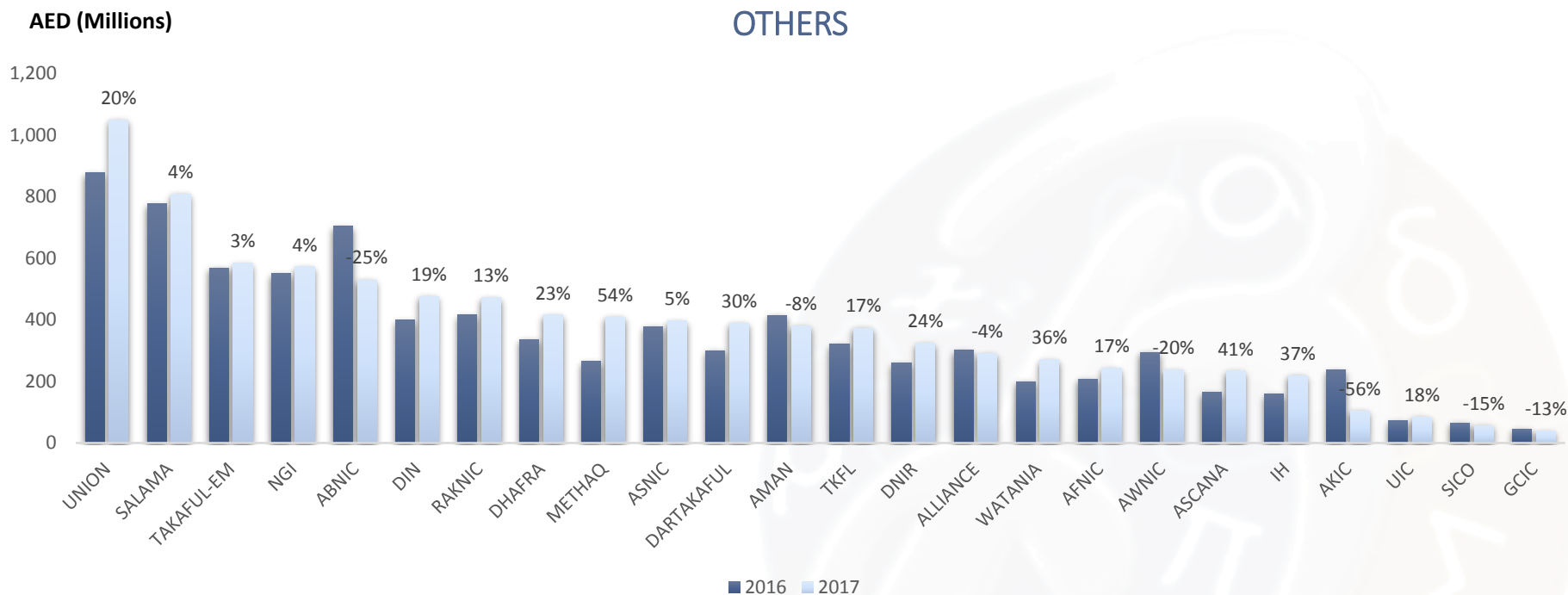
Conclusion



➤ Total Gross premiums written by the listed insurance companies in 2017 amounted to **AED 21.9 billion**, as compared to the premium written in the last year 2016 is **AED 18.9 billion**, which shows a growth of 16%.

➤ The top 5 companies had a combined premium of **AED 12.9 billion** for the year 2017 as compared to **AED 10.6 billion** for 2016; their market share has increased from **56%** to **59%**. This growth has been driven by a substantial growth in Orient's Gross premiums by 51% as compared to 2016.

# Gross Written Premium – Listed Companies

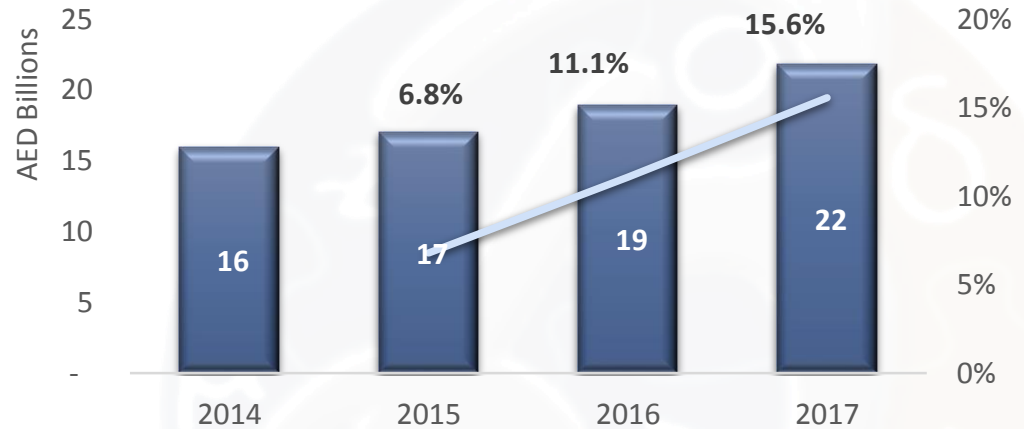


➤ The highest growth of 2017 was shown by METHAQ with an increase of **54%** in premium in comparison to the year 2016. The biggest decline over the same year was shown by AKIC with a decrease of **56%** compared to the year 2016.

➤ Overall, of the 30 listed companies, 22 recorded a growth in premium volumes as compared to the previous year, while 7 companies saw premiums plummet; for OUTFL growth was omitted because it commenced operations in mid-2017.

“ For the 30 listed companies the GWP grew from AED 18.9 billion in 2016 to AED 21.9 billion in 2017, an increase of 15.6% while the growth rate for 2016 and 2015 was 11% and 6.8% respectively. ”

## Growth - 4 Year Trend

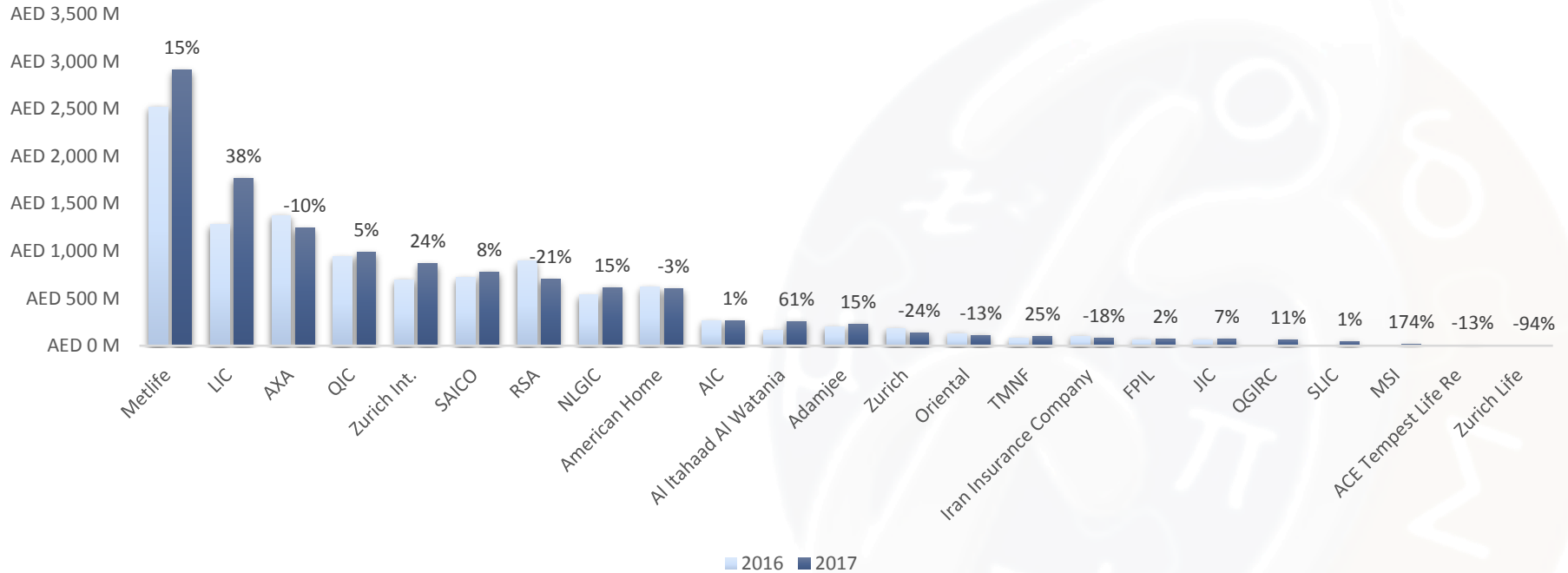



Two key drivers in the growth in 2017:

1. Increase in Motor rates after implementation of Unified Motor policy which introduced a system of minimum and maximum tariff and new benefits. Even the minimum tariffs in many cases were materially higher than the existing rates.
2. Completion of the roll out of mandatory health insurance in Dubai.



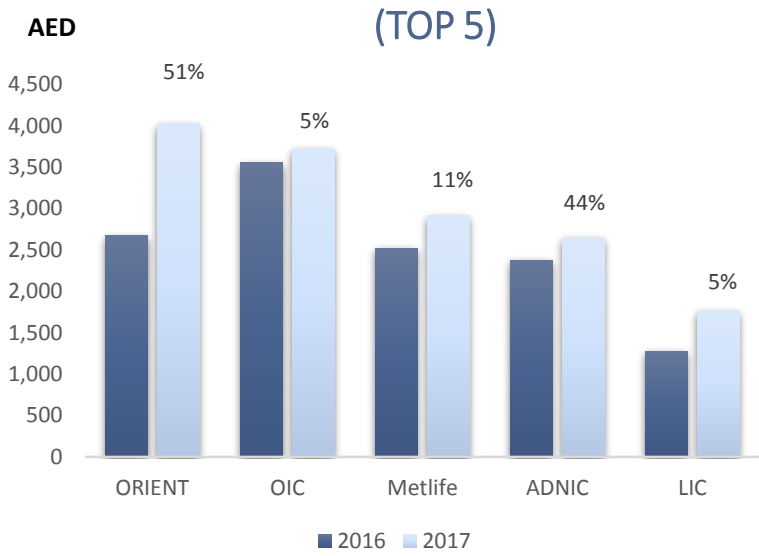
## For Branches



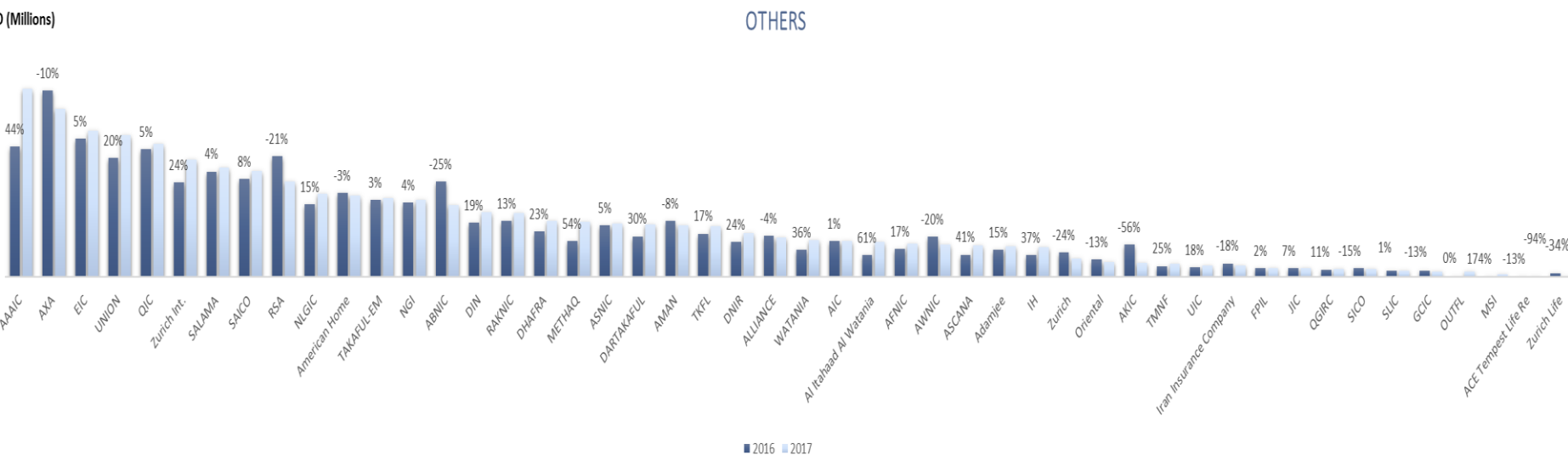

 Total premiums written, by the foreign branches, for the year 2017 amounted to **AED 11.9 billion**, as compared to the premium written in 2016 of **AED 11.0 billion** which shows a growth of **8.7%**.


 The top 5 branches had a combined premium of **AED 7.8 billion** for the year 2017 as compared to a combined premium of **AED 7.0 billion** in year 2016. Market share for Top 5 branches in 2017 is around **65%** of total gross written premium for branches (2016: **61%**).

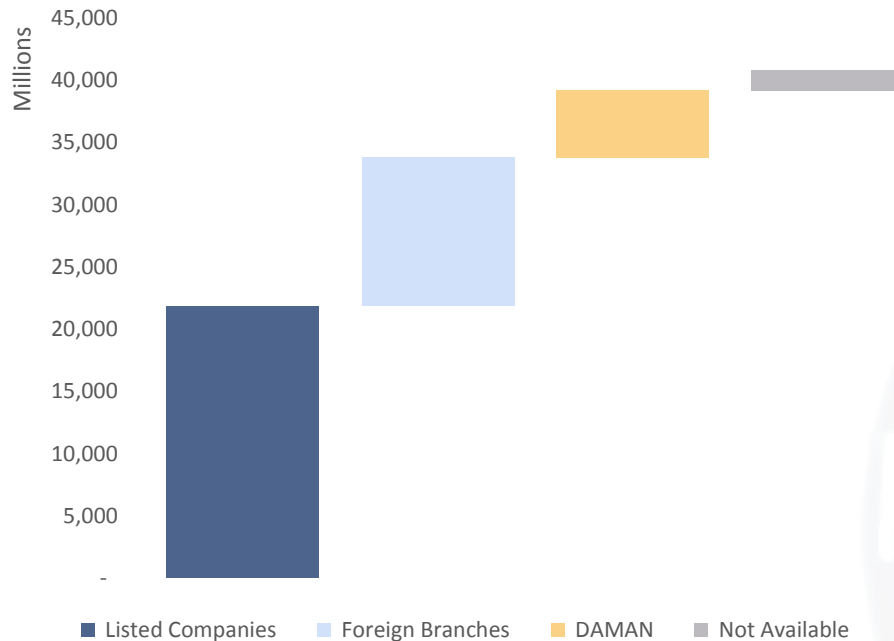
# Gross Written Premium – Combined



- Total premiums written for all listed insurance companies and branches, for the year 2017 amounted to **AED 33.8 billion**, as compared to the premium written in 2016 of **AED 29.9 billion** which shows a growth of **13%**.
- The top 5 companies had a combined premium of **AED 15 billion** for the year 2017 as compared to **AED 12.4 billion** for 2016 and their market share has gone up from **42% to 45%**.
- As seen from the graph, out of the top 5 companies, 2 are branches and out of the top 15, 8 are branches. This clearly reflects that foreign branches have a significant presence in the UAE insurance market



# Estimating Total Market Volume



↪ The Total Market Volume is estimated to be **AED 41 billion**. The financials were used for the Listed Companies and Foreign Branches in the graph above while for Daman and 'Not Available' segments, an estimation was applied as explained.

↪ **Daman:**  
As per HAAD Statistics of 2016, Daman covered 543,666\* enhanced members at an average premium of **AED 6,161**. The Basic premium and Enhanced premium worked out to **AED 1.3 billion** and **AED 3.3 billion** respectively. Growing both these values by 5% gives **AED 4.9 billion** for 2017. Assuming 10% of their business comes from non-HAAD sources their total GWP for 2017 works out to **AED 5.4 billion**. This excludes Thiqa.

↪ **Missing Financials:**  
Also, for the missing information pertaining to foreign branches and local unlisted companies, we've assumed that they comprise of 5% of the listed companies plus branches.

\* HAAD statistics of 2015 showed Daman having 576,664 members with average premium of AED 7,142 while the value of number of members for 2015 in 2016 report is 522,022. The average premium in 2016 report is lower than 2015 report also. That is why we are assuming flat growth for Daman.

↪ The total premium is estimated to be **AED 41 billion** in 2017 as compared to the estimated premium of **AED 37 billion** for 2016. The breakup is provided below:

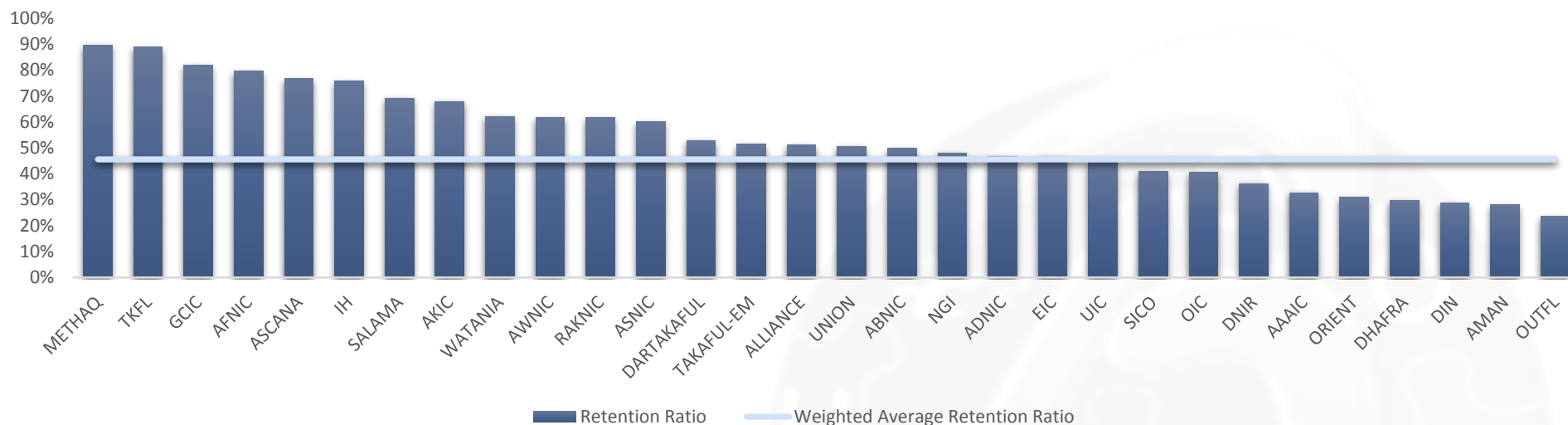
Particulars	GWP 2017 (AED in Millions)	GWP 2016 * (AED in Millions)	Growth
Listed Companies	21,852	18,821	16%
Foreign Branches	11,922	11,547	3%
Daman (Estimated) **	5,391	5,350	1%
Estimate of the Companies whose financials are not available to us	1,689	1,518	11%
<b>Total</b>	<b>40,854</b>	<b>37,238</b>	<b>10%</b>

\* The GWP for 2016 is taken from our report as at December 31, 2016

\*\* This is just an estimate based on HAAD reports and certain assumptions

The above is just an estimation and the actual number may vary.

# Retention Ratio – Listed Companies

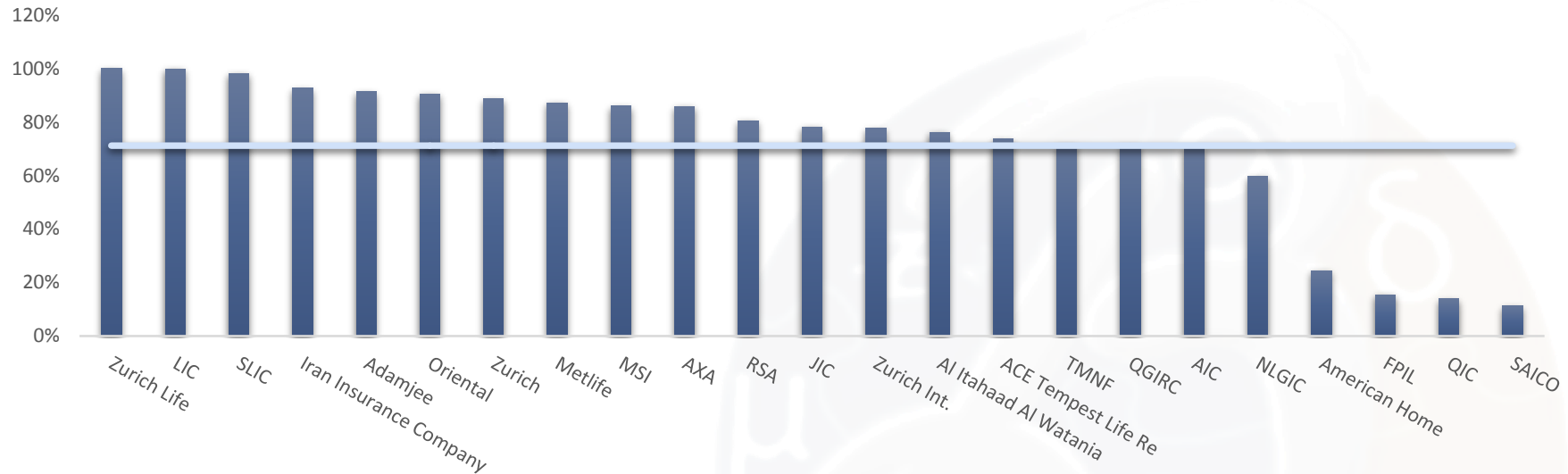


➤ The highest retention ratio for the year 2017 of **90%** is reflected by METHAQ, whereas the lowest retention ratio of **23%** is reflected by OUTFL.

➤ The weighted average retention ratio for listed companies was at **46% (2016 : 47%)**. This shows that the companies have decreased their risk retention in 2017.

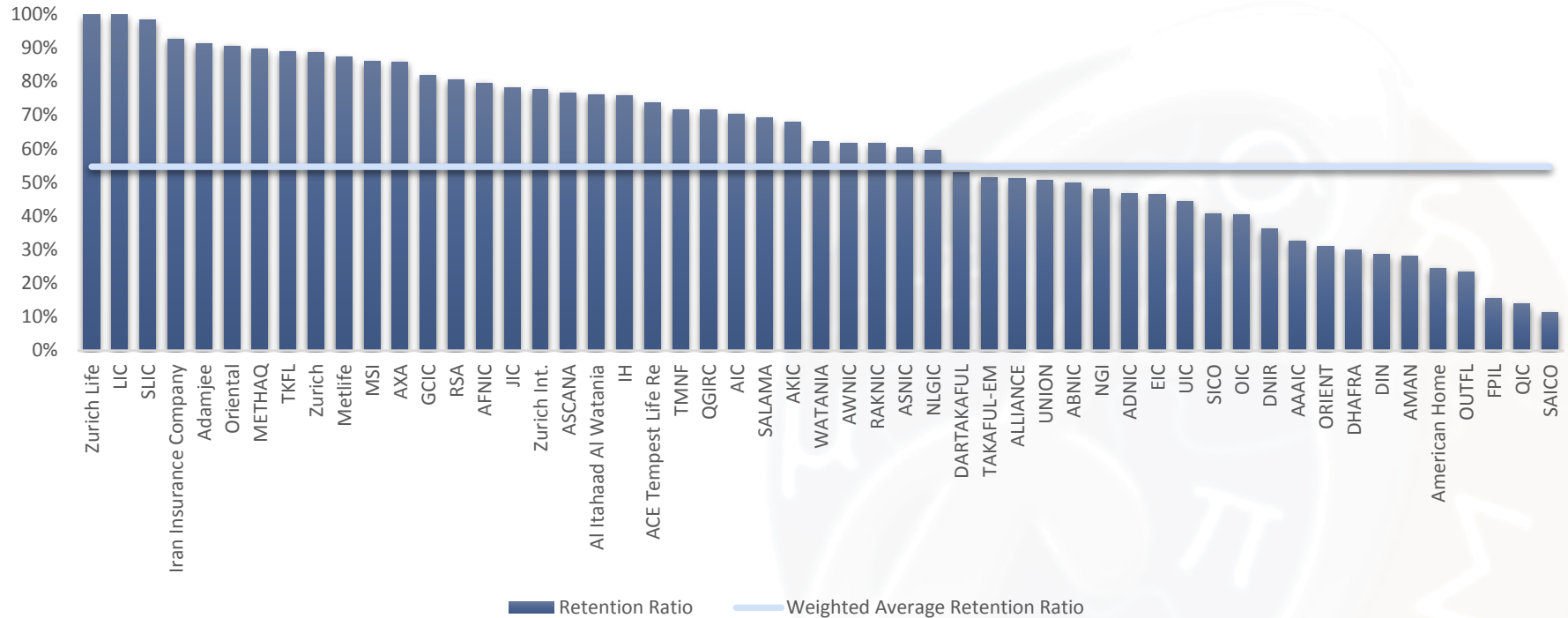
➤ The retention ratios have been calculated as a ratio of net written premium to gross written premium.

➤ Although there may be exceptions, Retention ratios are generally reflective of the lines of business being underwritten; Motor and Medical generally tend to have high retention ratios, while commercial lines such as Aviation, Engineering and Fire tend to have lower retentions. Also, since this analysis does not segregate life and non-life business, the companies writing higher volumes of life, especially IL and PA, would also tend to show higher retention levels.



- The highest retention ratio for the year 2017 of **100%** is reflected by Zurich Life, whereas the lowest retention ratio of **11%** is reflected by SAICO.
- The weighted average retention ratio for foreign branches was at **71% (2016 : 74%)**.
- Some branches have reinsurance arrangements through their head office. Since we have used the numbers as published in financials, this may be distorting the actual retention ratios
- The retention ratios have been calculated as a ratio of net written premium to gross written premium.

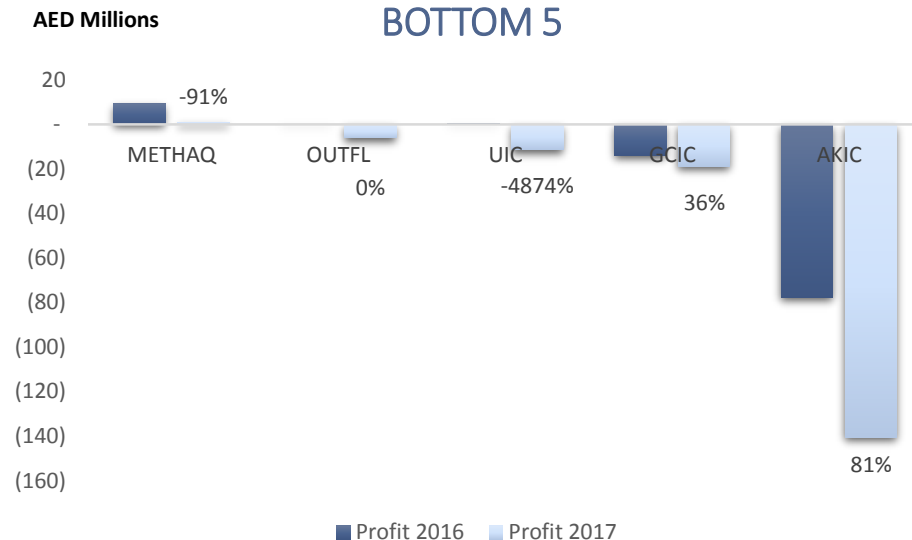
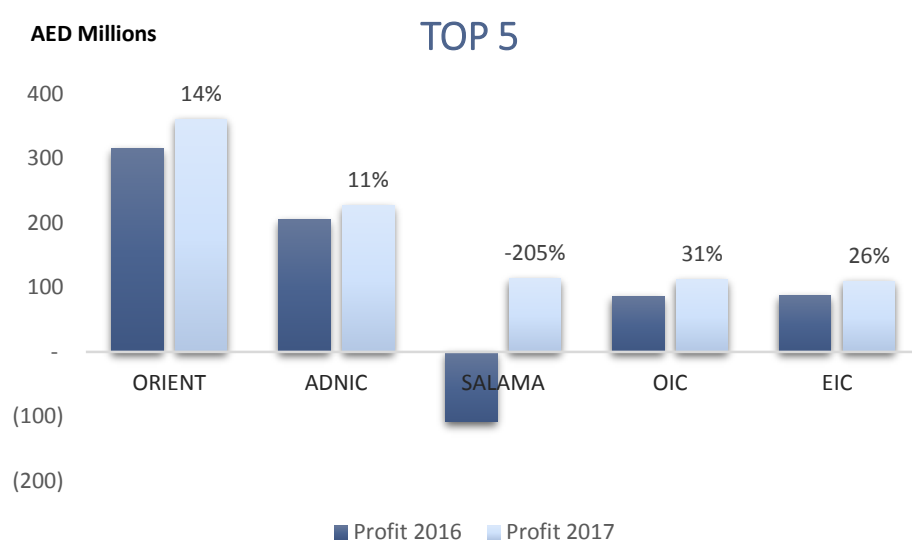
# Retention Ratio – Combined



➤ The highest retention ratio for the year 2017 of **100%** is reflected by Zurich Life, whereas the lowest retention ratio of **11%** is reflected by SAICO.

➤ The weighted average retention ratio for listed companies is **46%** and branches is **71%** making the overall weighted average retention ratio **55% (2016 : 57%)**. This shows that generally the branches retain more as compared to local companies

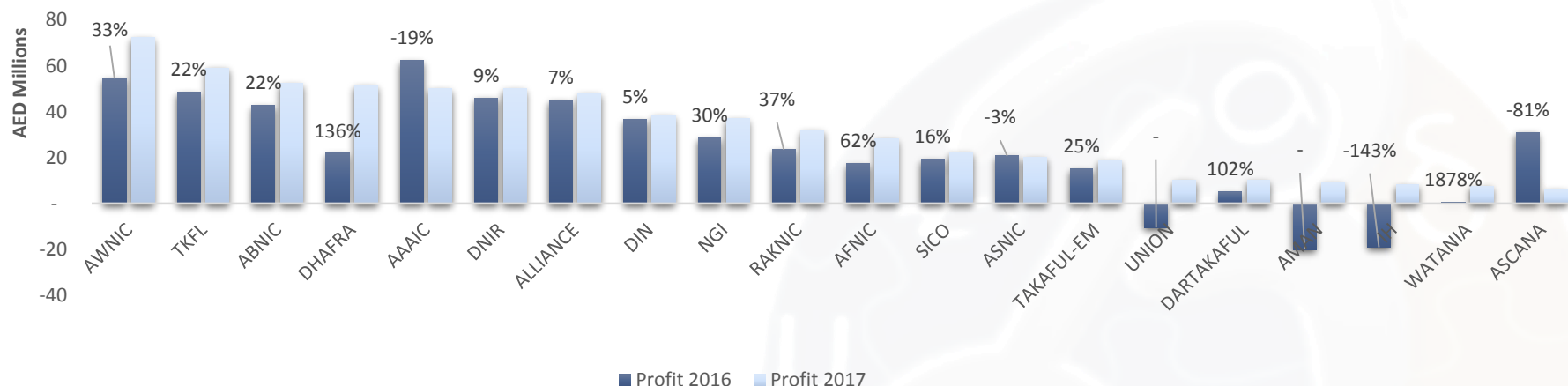
# Profit before Tax 2017 – Listed Companies



- ORIENT booked the highest profit during 2016 and 2017 of **AED 316 million** and **AED 361 million** respectively.
- SALAMA displayed a contrasting change in fortunes as compared to the last year. SALAMA registered a profit of **AED 114 million** in 2017 from a loss of **AED 109 million**. This was mainly attributable to a sharp reduction in Loss Ratios.
- AKIC booked the highest loss of **AED 141 million** as compared to the loss of **AED 78 million** in 2016.



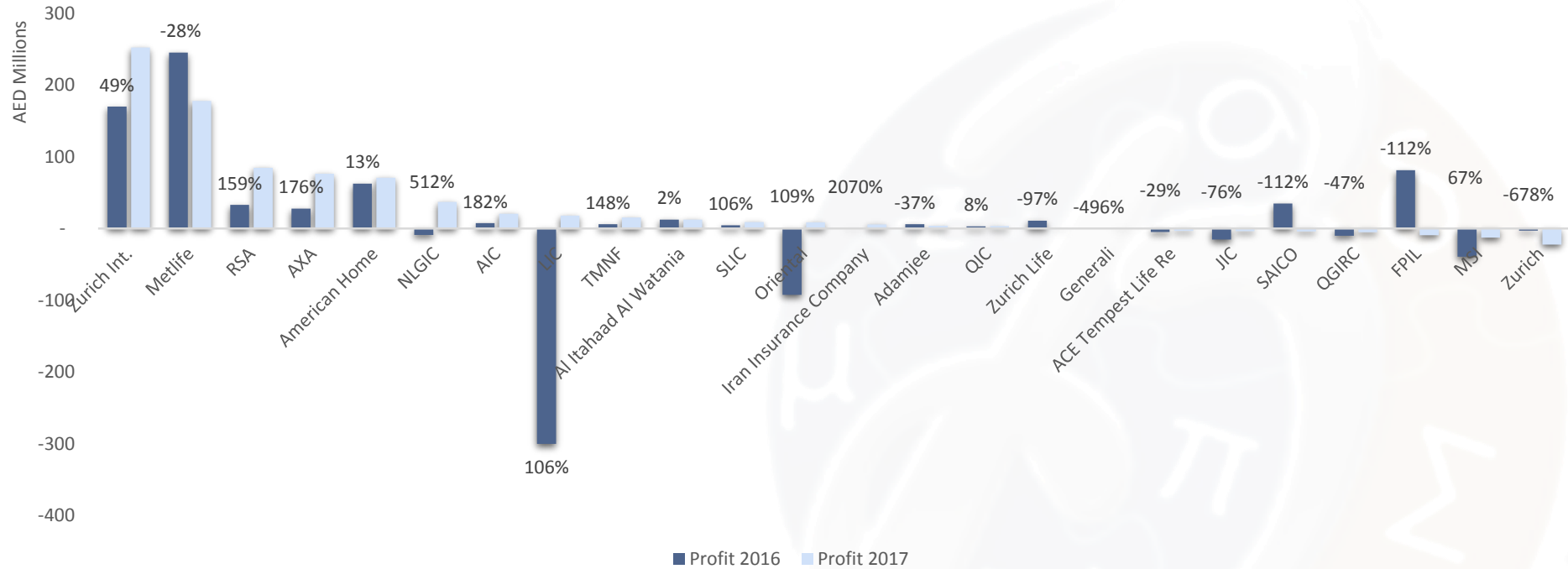
## Profit (Other)



- Total profit generated for 2017 amounted to **AED 1.4 billion** compared to 2016 **AED 971 million** (restated).
- 4 out of the 30 companies posted losses in 2017, as compared to 6 companies being loss making in 2016. Two companies booked a loss during both periods.
- The highest growth in profit in 2017 from prior year was shown by WATANIA with an increase of 1,878% i.e. from a profit of **AED 0.3 million** to a profit of **AED 7.6 million**.
- The highest increase in loss in 2017 from prior year was shown by UIC with a change of 4,874% i.e. from a profit of **AED 0.2 million** to a loss of **AED 11.3 million**.

# Profit before Tax 2017 – Branches

Branch Profit

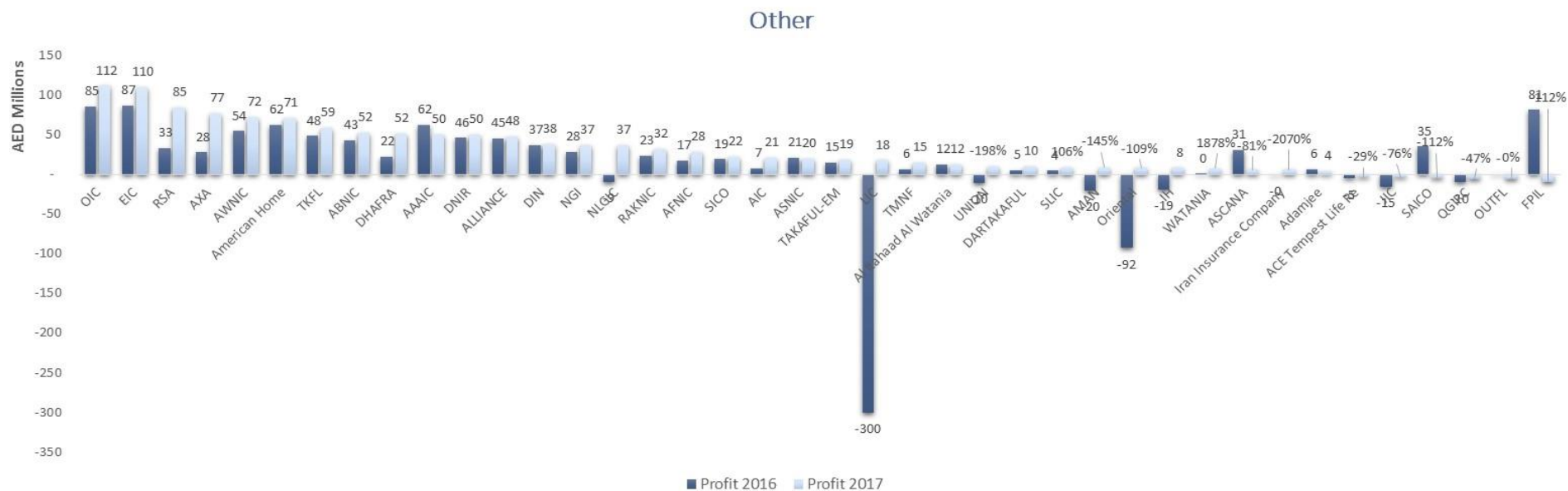
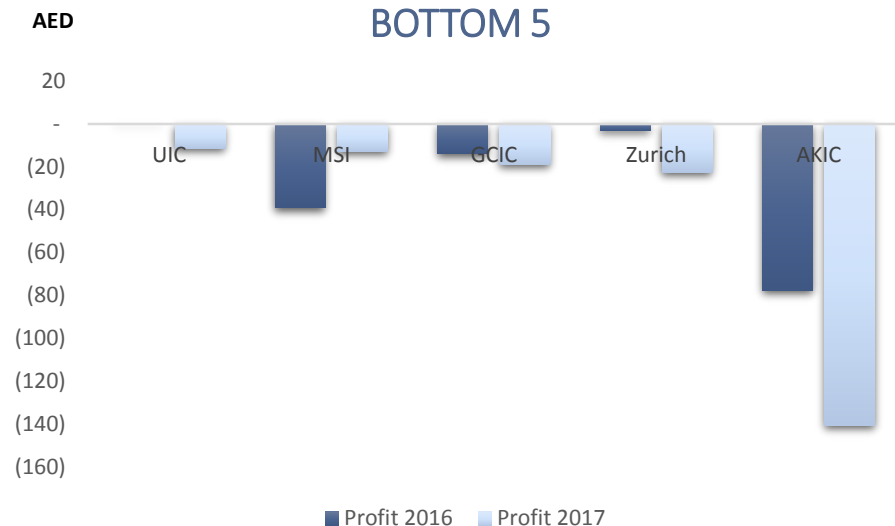


➤ Total Profit generated by the Foreign Branches for the year 2017 amounted to **AED 735 million** compared to the profit of the corresponding period of 2016 of **AED 230 million** (restated) which shows an increase of **220%**. This increase is amplified because LIC and Oriental posted very high losses in 2016. The percentage growth in profit from 2016 to 2017 excluding those two works out to **14%**.

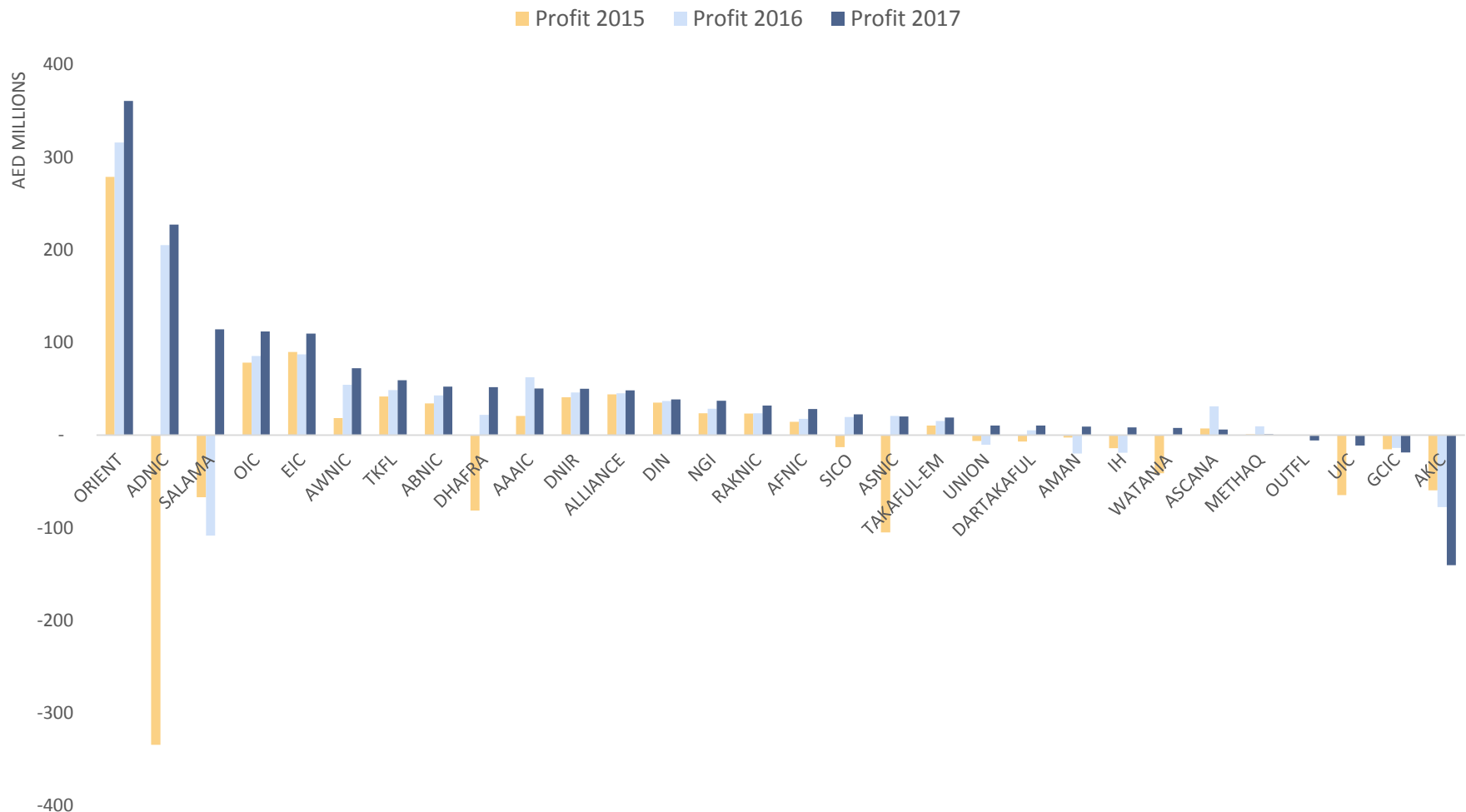
➤ The highest profit is recorded by Zurich International Life Ltd of **AED 252 million** while the highest profit growth is generated by Iran Insurance Company of **2,070%**.

➤ 8 out of 24 branches made a loss this year of which 5 recorded losses in both 2017 and 2016.

# Profit before Tax 2017 – Combined



# Profit before Tax for 3 Years – Listed Companies



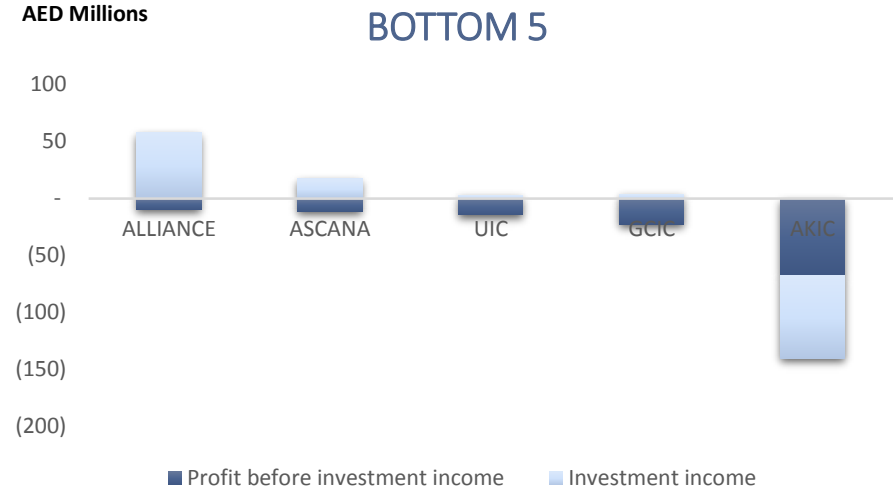
➤ The above shows the ranking for companies based on their total profits over the last three years, in order to show the stability of returns.

# Premium Benchmarked on the basis of Profitability

Company/ Branch	Ranking		Indic	Company/ Branch	Ranking		Indic
	Gross Premium	Profit			Gross Premium	Profit	
ORIENT	1	1	→	TKFL	27	12	↑
OIC	2	6	↓	DNIR	28	16	↑
Metlife	3	4	↓	ALLIANCE	29	17	↑
ADNIC	4	3	↑	WATANIA	30	36	↓
LIC	5	27	↓	AIC	31	24	↑
AAAIC	6	15	↓	Al Itahaad Al Watania	32	29	↑
AXA	7	9	↓	AFNIC	33	22	↑
EIC	8	7	↑	AWNIC	34	10	↑
UNION	9	30	↓	ASCANA	35	37	↓
QIC	10	40	↓	Adamjee	36	39	↓
Zurich Int.	11	2	↑	IH	37	35	↑
SALAMA	12	5	↑	Zurich	38	53	↓
SAICO	13	46	↓	Oriental	39	34	↑
RSA	14	8	↑	AKIC	40	54	↓
NLGIC	15	20	↓	TMNF	41	28	↑
American Home	16	11	↑	UIC	42	50	↓
TAKAFUL-EM	17	26	↓	Iran Insurance Compan	43	38	↑
NGI	18	19	↓	FPIL	44	49	↓
ABNIC	19	13	↑	JIC	45	45	→
DIN	20	18	↑	QGIRC	46	47	↓
RAKNIC	21	21	→	SICO	47	23	↑
DHAFRA	22	14	↑	SLIC	48	32	↑
METHAQ	23	41	↓	GCIC	49	52	↓
ASNIC	24	25	↓	OUTFL	50	48	↑
DARTAKAFUL	25	31	↓	MSI	51	51	→
AMAN	26	33	↓	ACE Tempest Life Re	52	44	↑
				Zurich Life	53	42	↑
				Generali	54	43	↑

Of the top 10 companies by Premium volume, 7 have a lower rank when benchmarked on the basis of profitability. However, listed companies like Orient, ADNIC, OIC and EIC and branches like MetLife, AXA and Zurich seem to have built up large and profitable books of business.

# Profit Analysis – Listed Companies



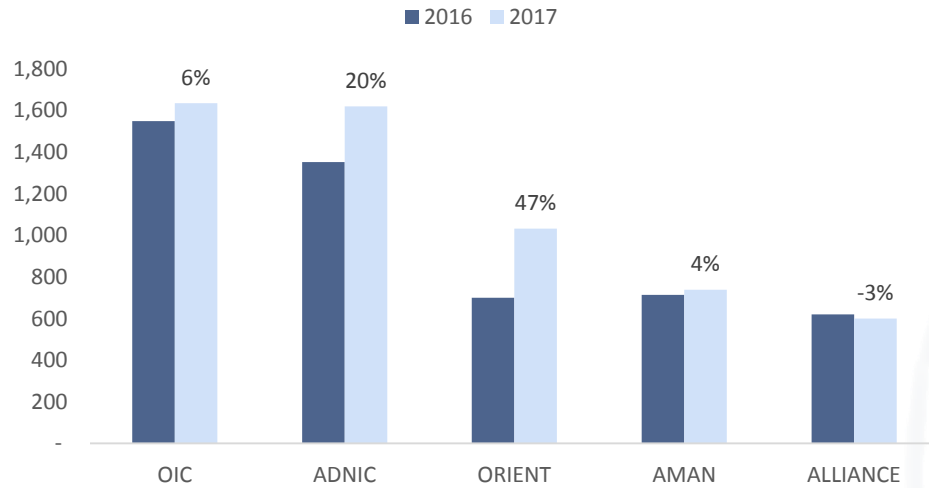
# Profit Composition 2017 – Listed Companies

## Profit Composition - UW Profit and Investment Income



AED Millions

## Net Technical Provisions - Top 5

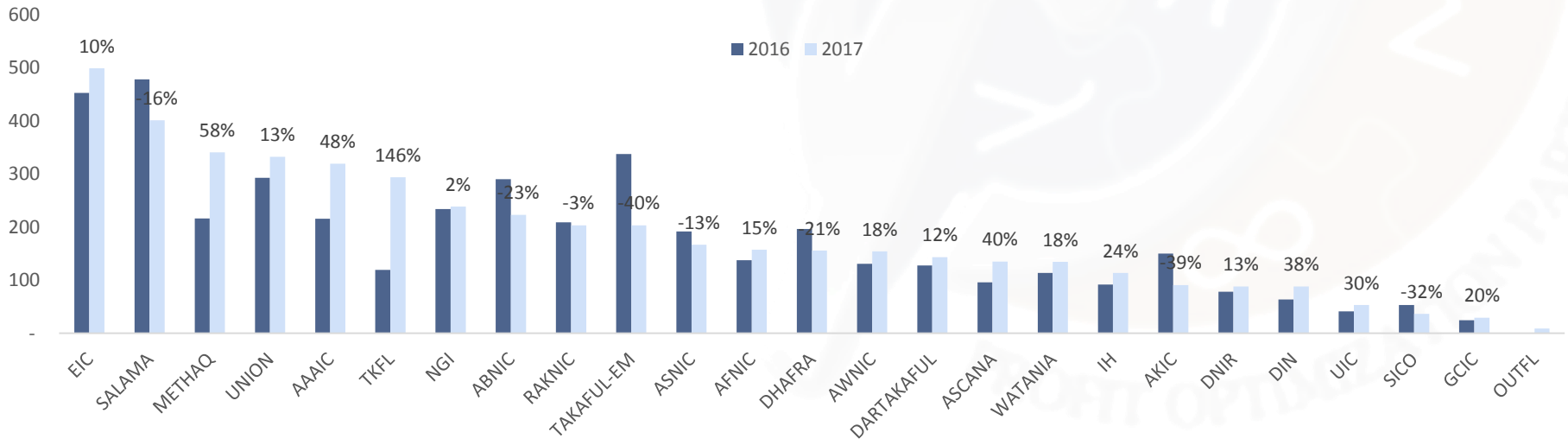


↪ Total net reserves as at December 2017 grew by 10% as compared to the net reserves as at December 2016

↪ OIC in terms of booking technical provisions retains its highest rank, and though the sequence is slightly changed eight out of top 10 companies remain the same.

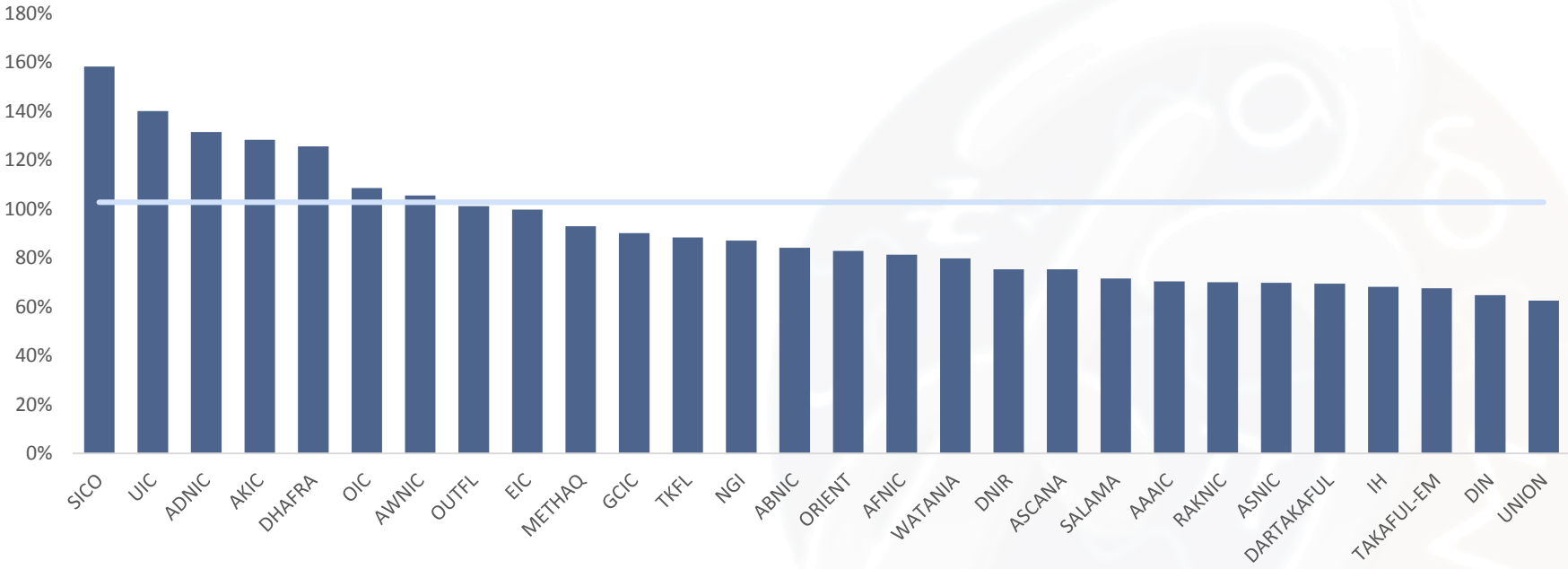
AED Millions

## Net Technical Provisions - Others



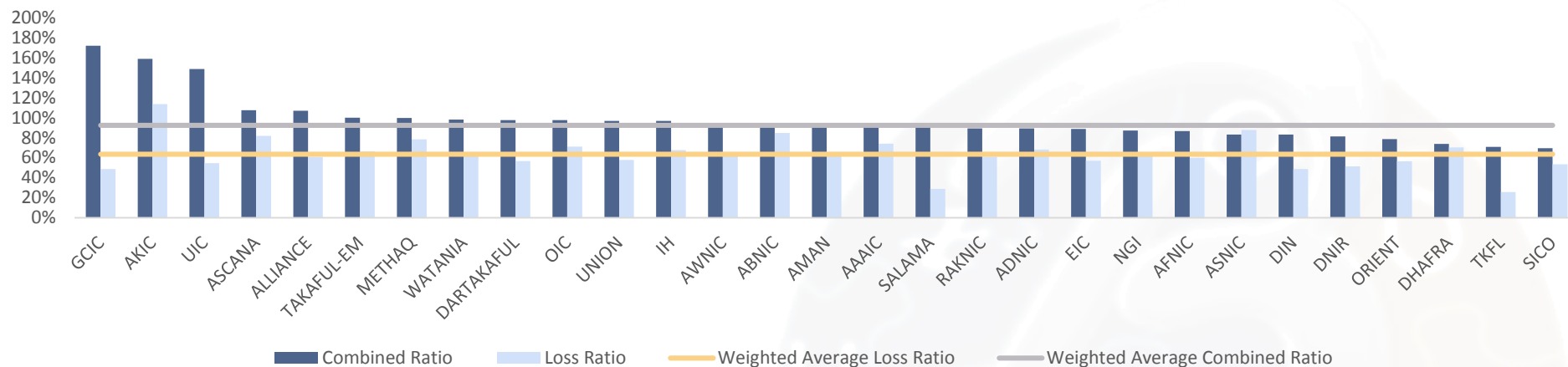


Listed Companies



 Aman and Alliance Insurance were observed to be outliers due to their Individual life mathematical reserve amounting to **AED 641 million** and **AED 570 million** respectively. Its proportion of Individual life mathematical reserve over net reserves is around **87%** and **95%** respectively which presents a big proportion in comparison to other life companies who have large portfolio of Individual life business. Hence they have been excluded from the above analysis.

## Loss and Combined Ratios



Weighted Average loss ratio was **63%** (2016: 71%, 2015 81%) and weighted average combined ratio was **92%** (2016: 98%, 2015: 100%). The ratios have been improving over the past two years.

The highest combined ratio of 2017 is **172%** reflected by GCIC and the lowest combined ratio is of SICO at **69%**. SICO had the second highest combined ratio in 2016, and hence this reflects a significant improvement.

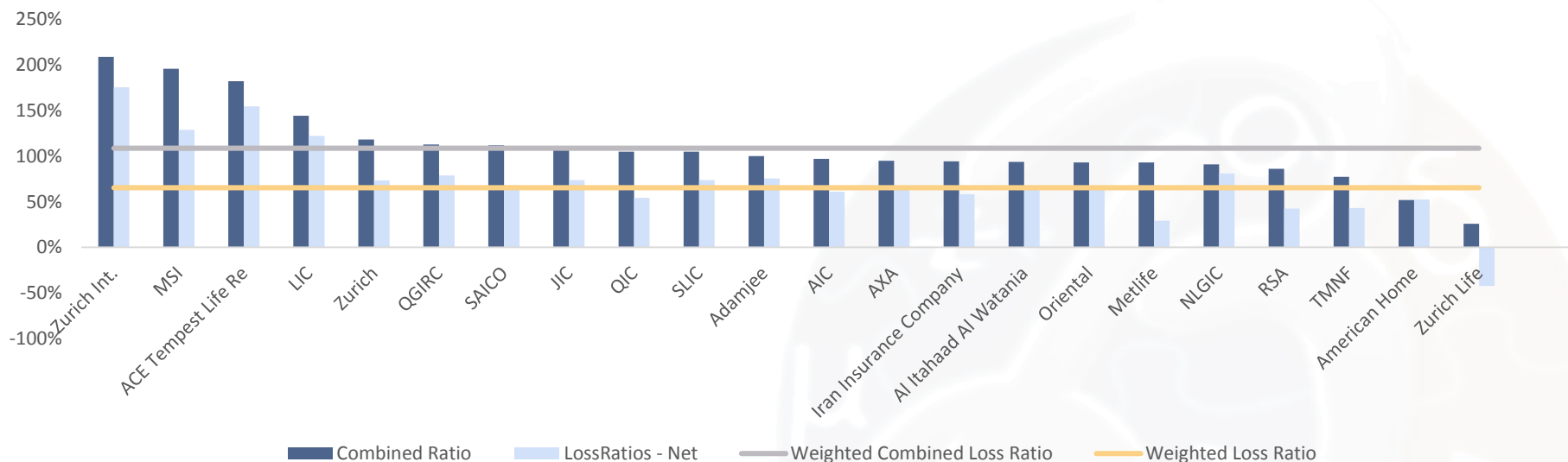
OUTFL is omitted from the above chart as an outlier with Combined Loss ratio of 880%.

For Takaful companies we have consolidated the Policyholders and Shareholders P&L for comparative purposes.

A company is deemed to be profitable from an underwriting perspective if the Combined Ratio is below 100%. Two companies that are making underwriting losses are still booking overall profit due to investment income. Insurance companies need to concentrate on underwriting profits as that is their primary function. The new pricing regulations are a step in that direction.

# Loss and Combined Ratio – Branches

For Branches Loss Ratio and Combined Ratio



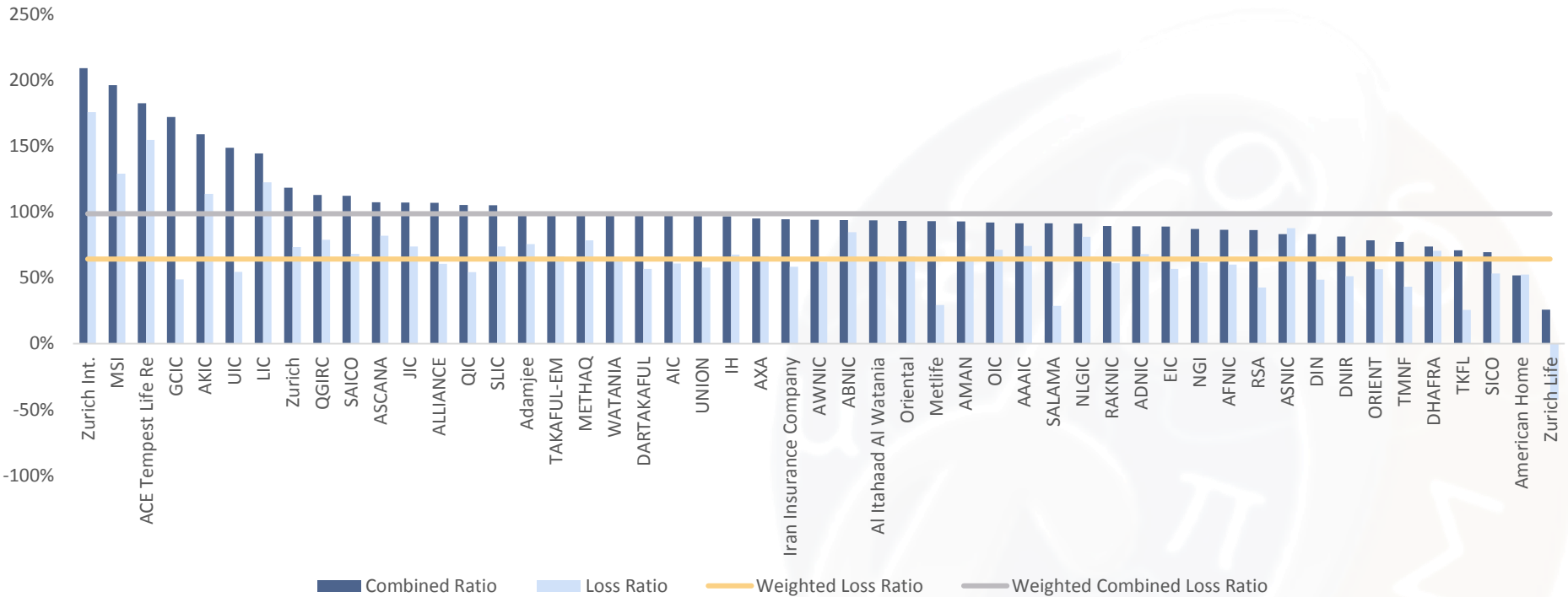
Weighted Average loss ratio was **65% (2016: 62%)** and weighted average combined ratio was **109% (2016: 101%)**

The highest combined ratio of 2017 is **917%** reflected by Friend Provident (primarily a life company and ratio is not valid) and has been removed from the graph as it distorts the data.

The second highest combined ratio is **209%** reflected by Zurich International and the lowest combined ratio is of Zurich Life at **26%**.

Loss Ratio is Net Incurred Claims / Net Earned Premium and Combined Ratio is (Net Incurred Claims + Net Commission + Expenses) / Net Earned Premium.

# Loss and Combined Ratio – Combined



➤ Weighted Average loss ratio is **64% (2016: 67%)** and weighted average combined ratio is **99% (2016: 99%)**.

➤ OUTFL and Friend Provident are excluded as their loss and combined ratios are too high and thus distort the graph scale. Their volume is small and therefore excluding them does not change the weighted average loss and combined ratios.

# G&A Expense Ratio – Listed Companies

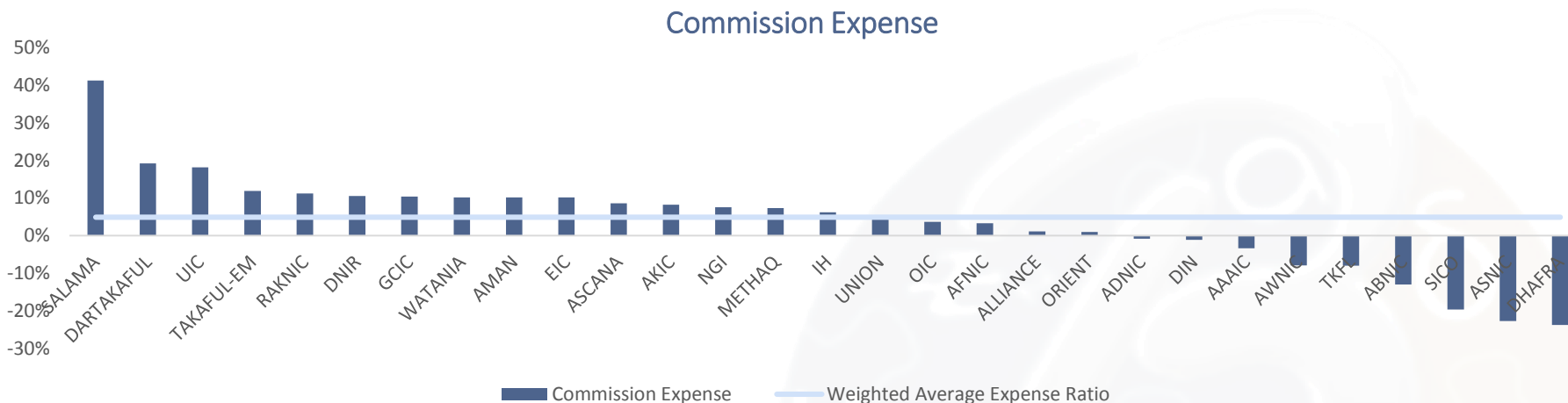


➤ The highest expense ratio for December 31, 2017 of **1,018%** is reflected by OUTFL which is omitted from the analysis as it distorts the graph scale. The second highest expense ratio is **112%** which is reflected by GCIC (a large portion of this is due to termination of one project which was capitalized earlier) and the lowest expense ratio of **14%** is reflected by MEHTAQ. Weighted Average expense ratio was at **23% (2016 : 24%)**.

➤ As may be expected, larger companies that have extensive business scale have lower expense ratio, as they have sufficient business to absorb the cost base.

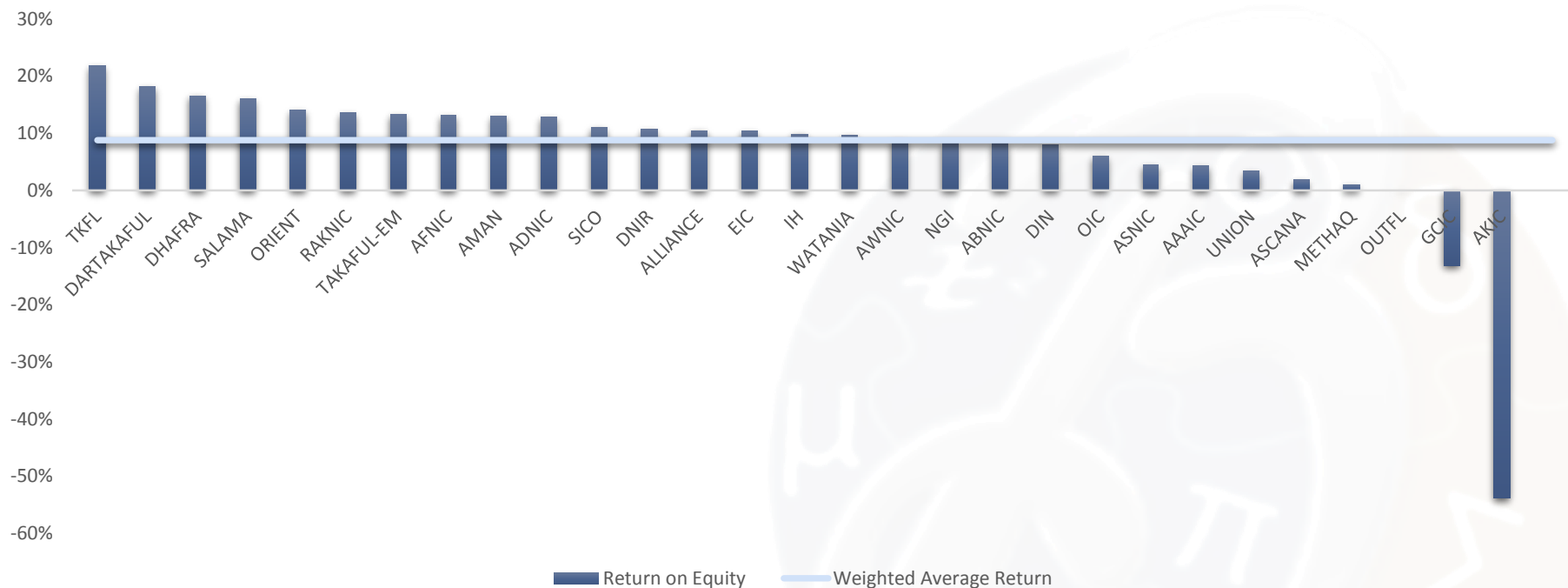
➤ The expense ratios have been calculated as a ratio of general and admin expenses to net earned premium. For Takaful companies we have used the same for comparative purposes and ignored the wakala fees (as wakala fees is a positive in one account and a negative in the other).

# Commission Expense – Listed Companies



- The highest commission expense ratio of **41%** is reflected by SALAMA, whereas the lowest commission expense ratio of **-24%** is reflected by DHAFRA. Weighted Average commission expense ratio was at **5%**.
- OUTFL was found to be an outlier with commission expense ratio of **118%** and thus removed from the chart above for presentation purposes. The weighted average commission expense remains at **5%** inclusive or exclusive of OUTFL.
- The commission expense considered is ratio of net commission (commissions paid less commissions earned) to net earned premiums; a negative ratio signifies that the commissions earned outweigh the commissions paid. In UAE market, it is common practice for companies to cede out large proportion of commercial lines business and benefit from the reinsurance commissions, which is also evidenced by the low net commission ratio. It is felt that there is an inherent need to optimize reinsurance arrangements so that companies can benefit from underwriting profitable business without passing the risk and reward to reinsurers and just acting as fronting partners; at the same time not effecting their solvency position.

# Return on Equity – Listed Companies



↪ The highest return on equity for 2017 is **22%** is shown by TKFL, whereas the lowest return on equity of **-54%** is reflected by **AKIC**. UIC has been removed from the graph above to avoid distortions (UIC had a loss for the period and a negative opening equity, leading to a skewed ROE).

↪ Weighted average return on equity for 2017 was at **8.8% (2016: 6.4%)**.

↪ The return on equity have been calculated as a ratio of net profit of 2017 to total shareholder's equity as at the beginning of 2017.

- Total premiums written, by the listed insurance companies, in 2017 amounted to **AED 21.9 billion**, as compared to the premium written in 2016 which is **AED 18.9 billion** which shows a growth of **16%**. Total premiums written, by the foreign branches, for the year 2017 amounted to **AED 11.9 billion**, as compared to the premium written in 2016 of **AED 11.0 billion** which shows a growth of **9%**. We have estimated the total written premium of the insurance industry for the year 2017 to be **AED 41 billion** as compared to **AED 37 billion** in 2016 showing a growth of around 10%.
- Total Profit for all listed insurance companies for the year 2017 amounted to **AED 1.38 billion**, which, compared to 2016 is a growth of 40%. Total Profit generated by the Foreign Branches for the year 2017 amounted to **AED 735 million** compared to the profit of the corresponding period of 2016 of **AED 230 million** which shows an increase of **220%**.
- Summary and comparison of Premium, Profit, Loss and Combined Ratios is shown below:

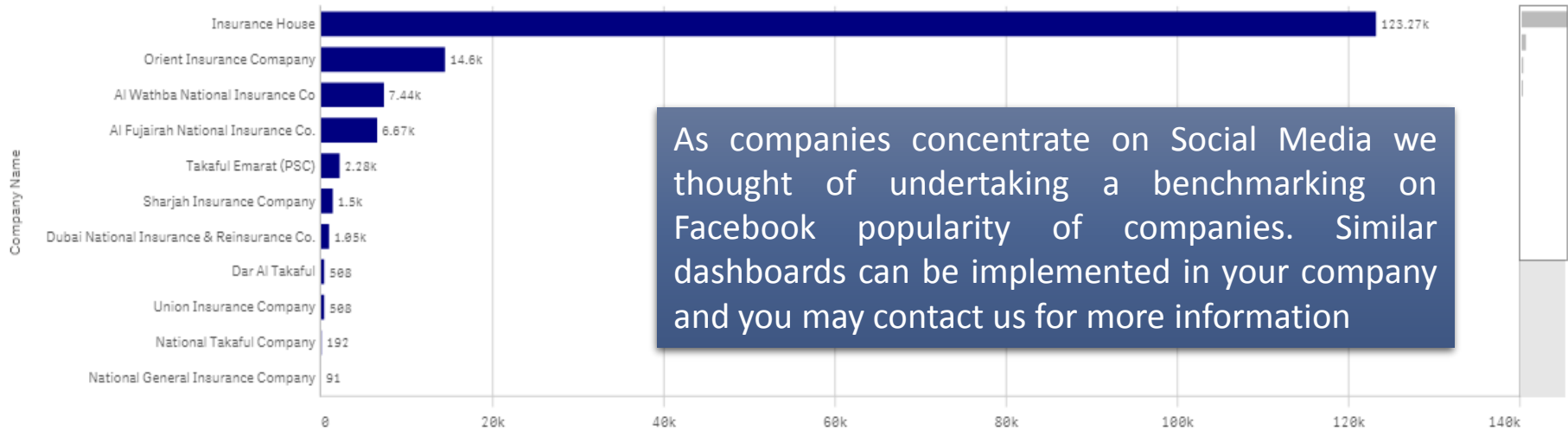
Particulars	Listed Companies			Branches		
	2017	2016	Growth	2017	2016	Growth
Gross Premium (AED Millions)	21,852	18,908	↑	11,922	10,971	↑
Profit (AED Millions)	1,379	971	↑	735	230	↑
Loss Ratio	63%	71%	●	65%	62%	●
Combine Ratio	92%	98%	●	109%	101%	●

- While the loss ratios for the branches and listed companies are close to each other, the expense ratios for branches are comparatively higher and hence the combined ratios for Branches are higher in comparison to the listed companies. The LRs have improved for the listed Companies as compared to 2016, however, for Branches the LRs have increased.



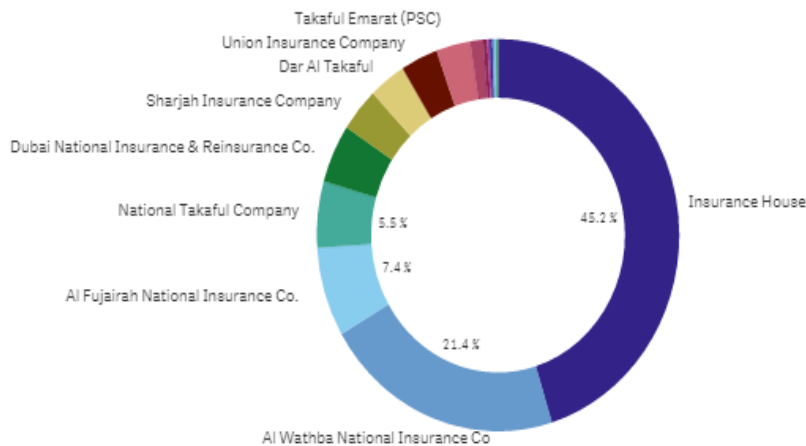
# Social Media Reviews – Based on Facebook

No of Likes

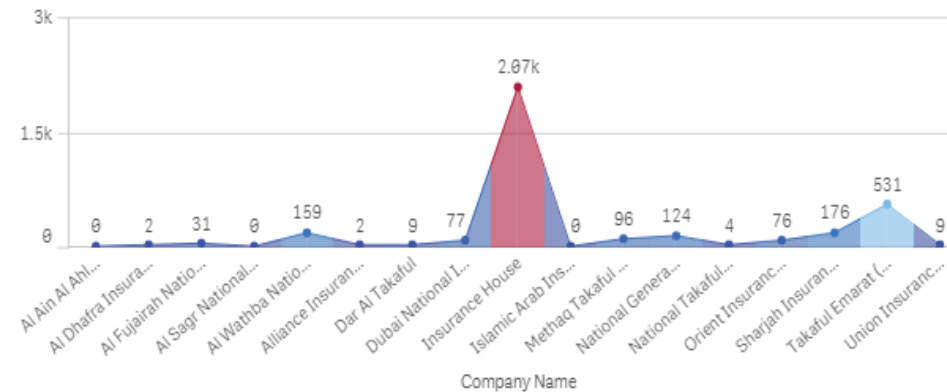


As companies concentrate on Social Media we thought of undertaking a benchmarking on Facebook popularity of companies. Similar dashboards can be implemented in your company and you may contact us for more information

No of Post By Company



No of Comments



Badri Management Consultancy is proud to have been awarded the **Actuarial/Risk Management Consultancy Services** provider of the year at the MENAIR Insurance Awards 2016 and 2018

<https://www.eiseverywhere.com/ehome/287766/678811/>

<https://www.eiseverywhere.com/ehome/142580/325377/>



# *FEEDBACK*

We are sharing this analysis with our customers and other industry professionals and would appreciate any feedback that you might have.

Also do let us know what other analysis / research reports would be of interest to you.

## CONTACT



2107 SIT Towers,  
PO Box 341486,  
Dubai Silicon Oasis,  
Dubai, UAE

Phone: +971-4-3207-250

Fax: +971-4-3207-260

[info@badriconsultancy.com](mailto:info@badriconsultancy.com)



[www.badriconsultancy.com](http://www.badriconsultancy.com)