

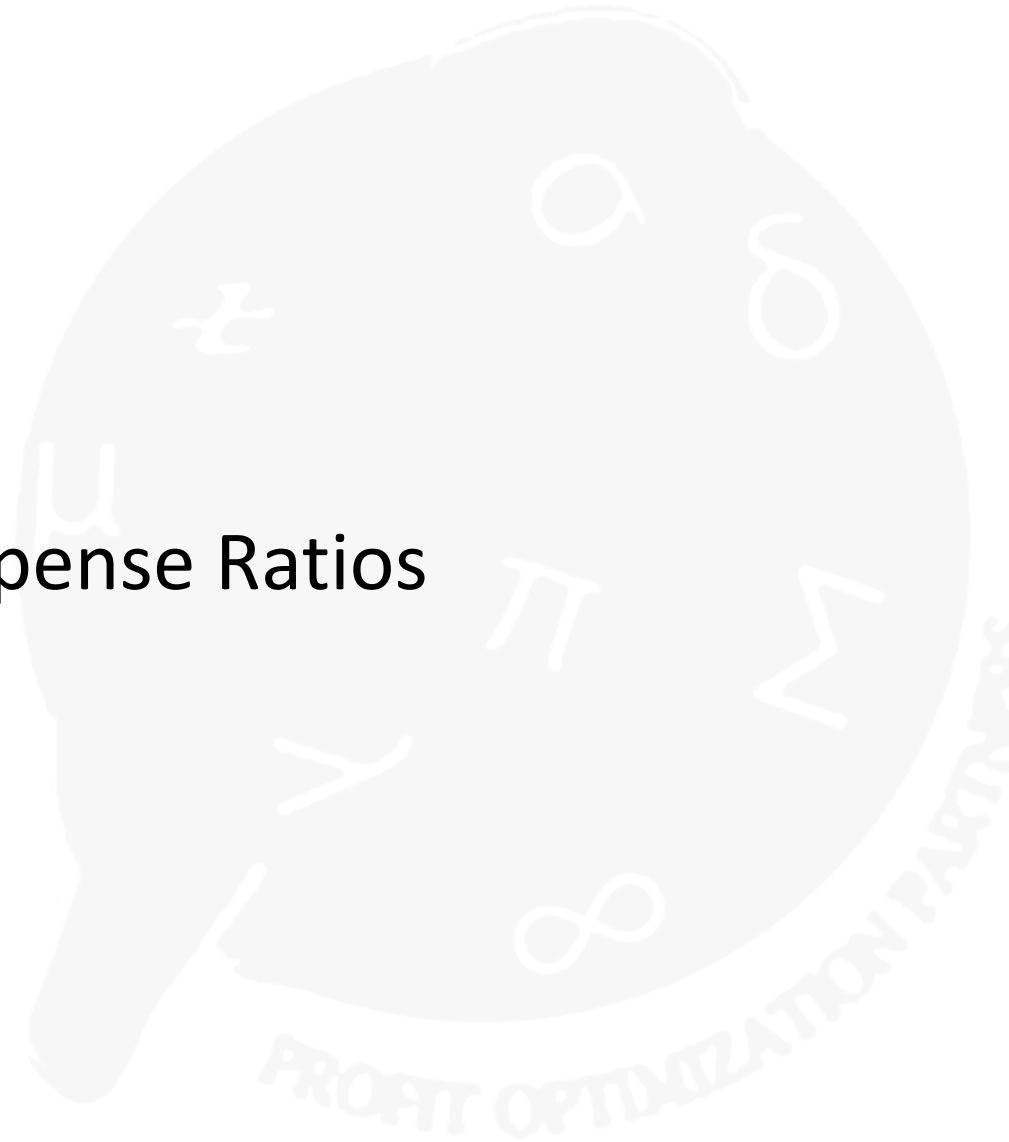


BADRI
MANAGEMENT CONSULTANCY
ACTUARIES | RISK MANAGERS



Performance Analysis of UAE Listed Insurance Companies for 3 Quarters ended Sep 30, 2015
November 2015

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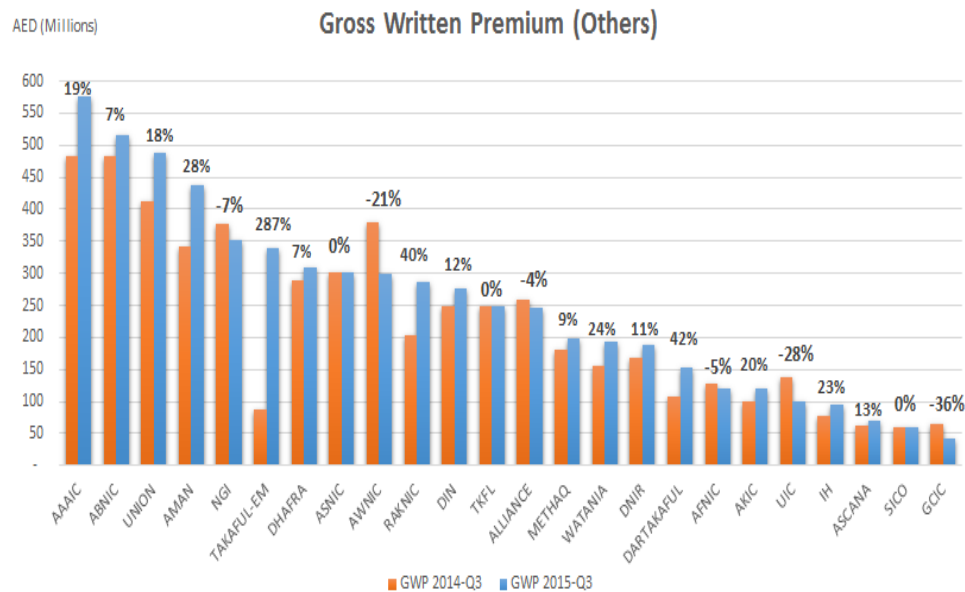
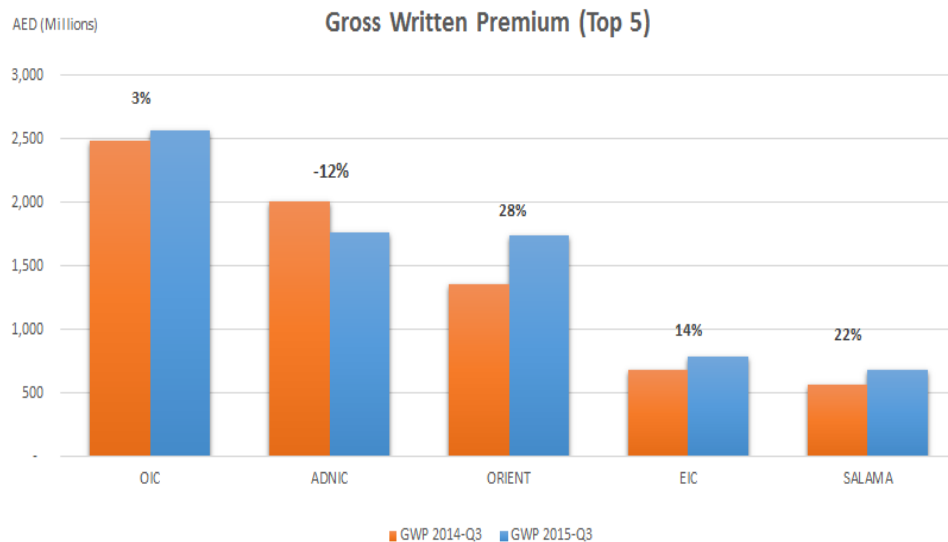
Introduction



- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies of UAE for 3 quarters ended September 30, 2015. The data has been extracted from third quarter 2015 financial statements of those companies which were publicly available. 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.
- The list of companies used is shown below:

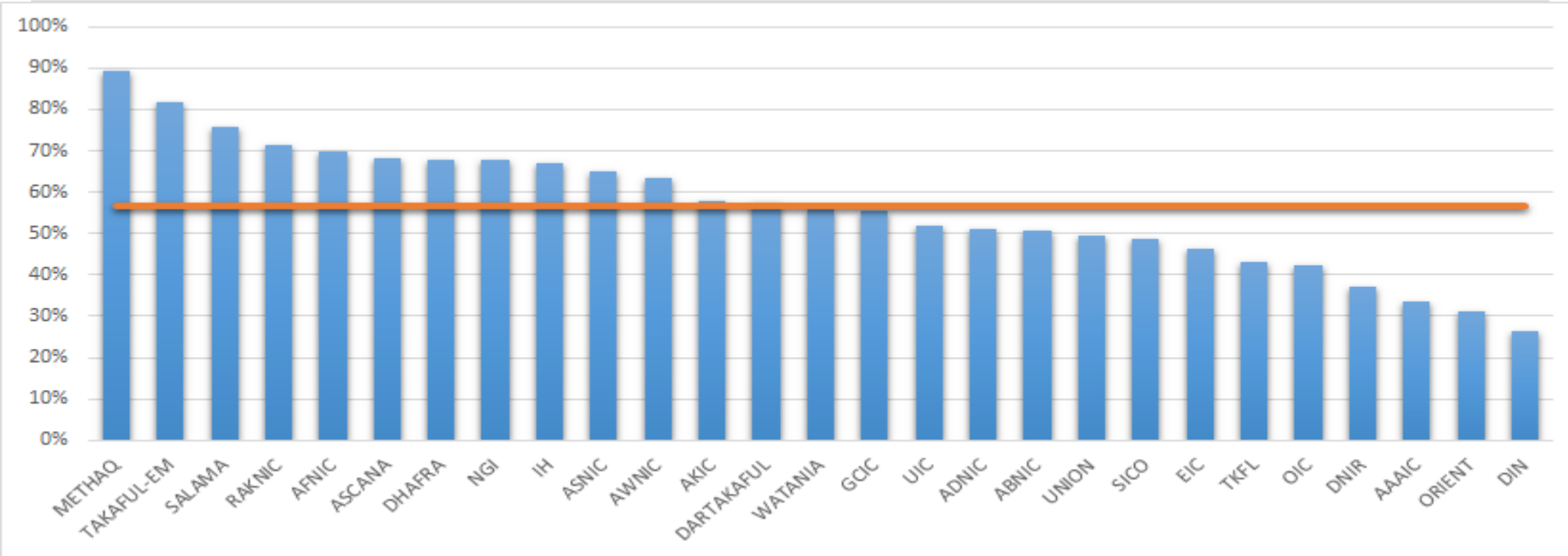
Sr. No.	Symbol	Name	Market	Sr. No.	Symbol	Name	Market	Sr. No.	Symbol	Name	Market
1	AAAIC	Al Ain Al Ahlia Insurance Co.	ADX	11	DARTAKAFUL	Dar al Takaful (Takaful House)	DFM	21	ORIENT	Orient Insurance PJSC	DFM
2	ABNIC	Al Buhaira National Insurance Company	ADX	12	DHAFRA	Al Dhafra Insurance Co.	ADX	22	RAKNIC	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				

Gross Written Premium



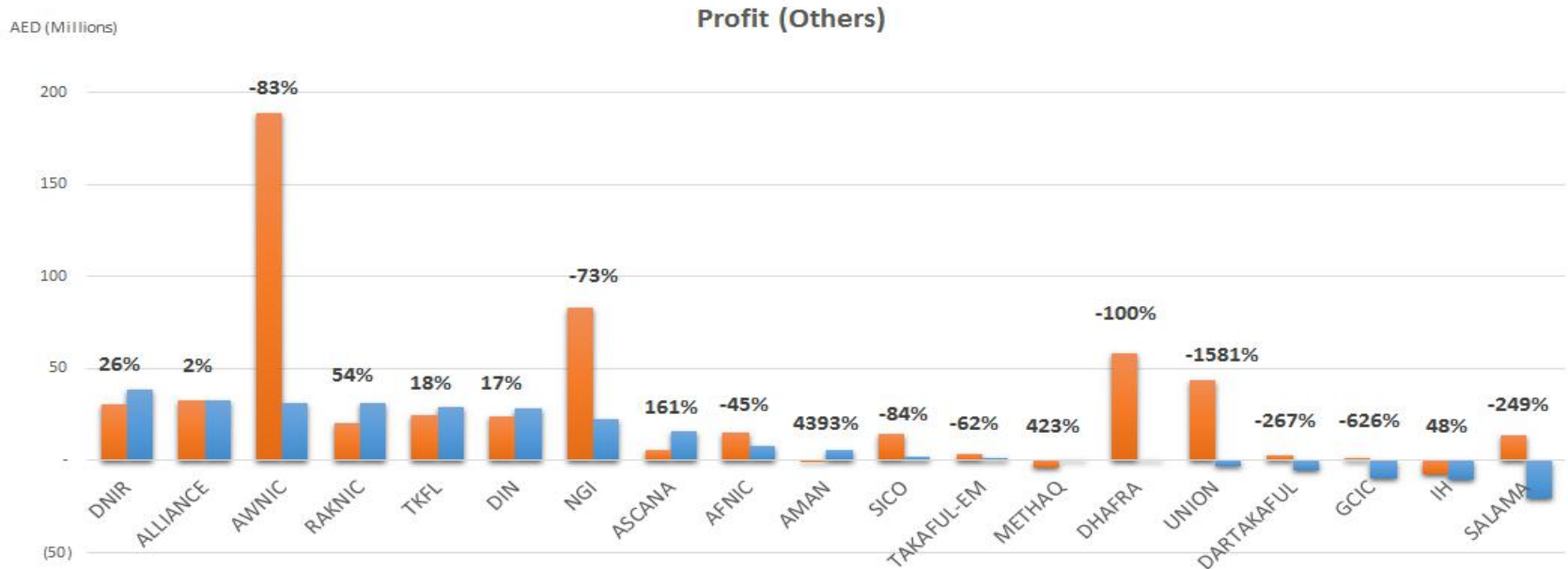
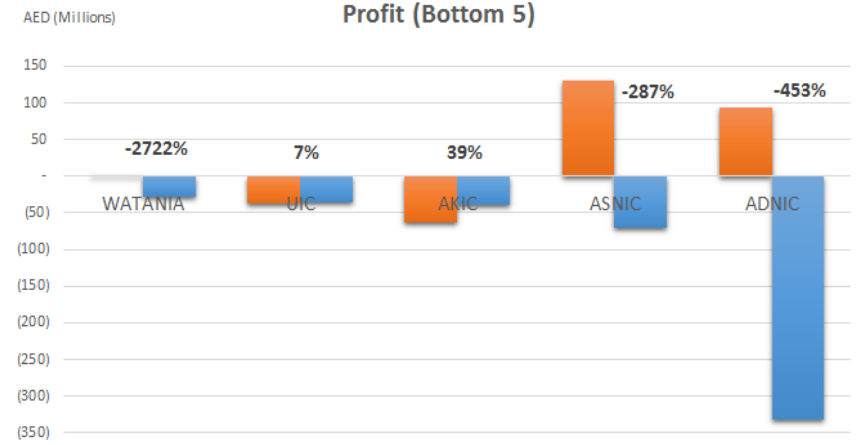
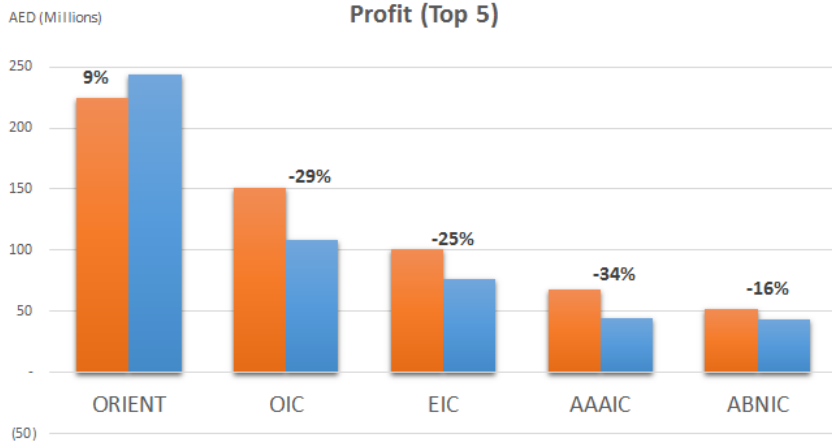
- Total premiums written, by the listed insurance companies, in the nine months of 2015 amounted to **AED 13.6 billion**, as compared to the premium written in the corresponding period of 2014 of **AED 12.5 billion** which shows a growth of 9%.
- The top 5 companies had a combined premium of **AED 7.5 billion** for nine months of 2015 as compared to **AED 7.1 billion** for 2014 and their share has gone down marginally from 57.0% to 55.6%.
- The highest growth was shown by TAKAFUL-EM with an increase of 287% from Sep 30, 2014 i.e. from AED 88 million for first nine months of 2014 to AED 339 million for 2015 primarily due to growth in Medical.
- The highest decline was shown by GCIC with a decrease of 36% i.e. from AED 66 million for nine months of 2014 to AED 42 million for nine months of 2015.

Retention Ratio



- The highest retention ratio for the nine months of 2015 of **89%** is reflected by METHAQ, whereas the lowest retention ratio of **27%** is reflected by DIN.
- The average retention ratio was at 57%.
- The retention ratios have been calculated as a ratio of net written premium and gross written premium.

Profit for the period

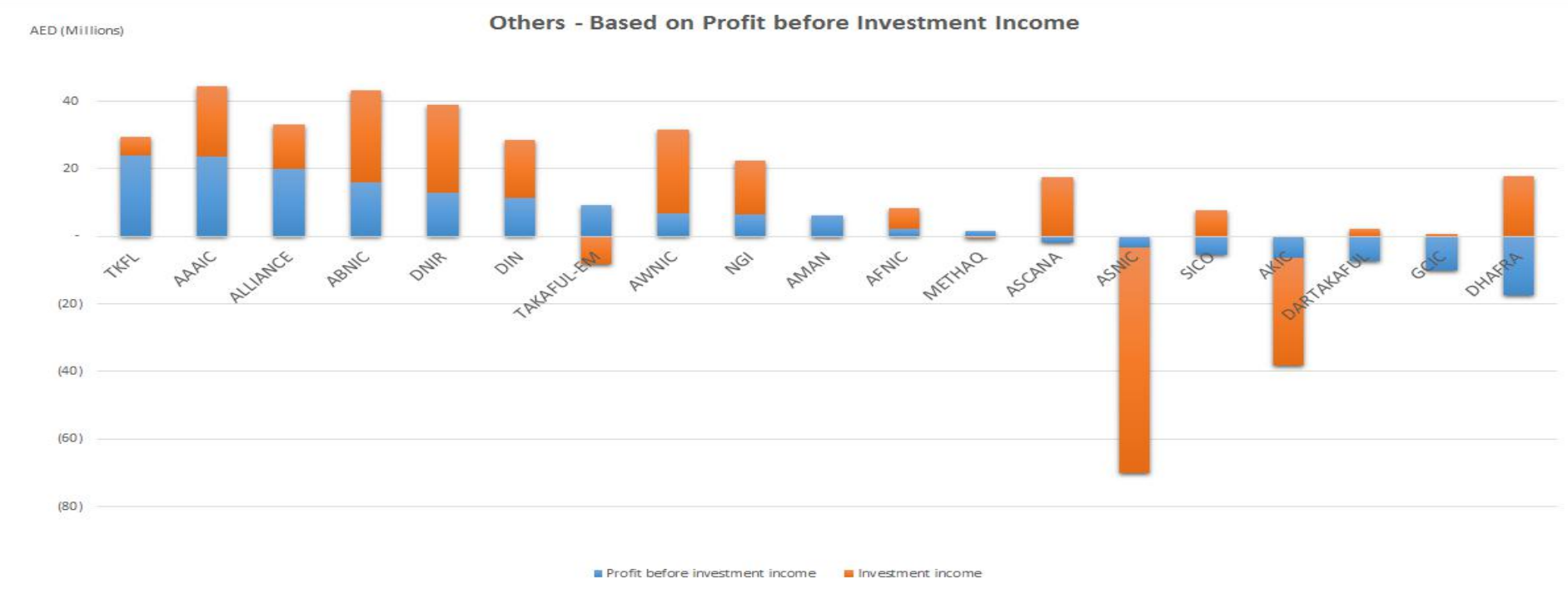
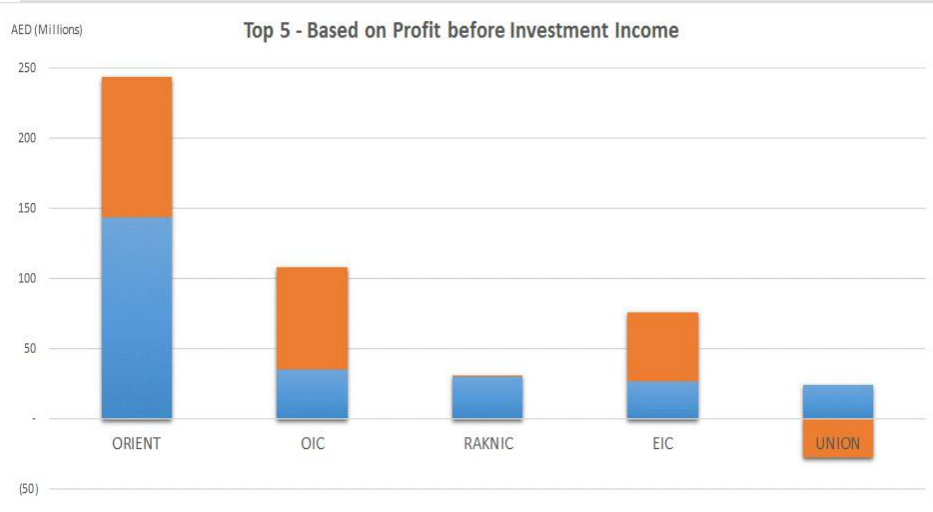


■ Profit 2014-Q3 ■ Profit 2015-Q3

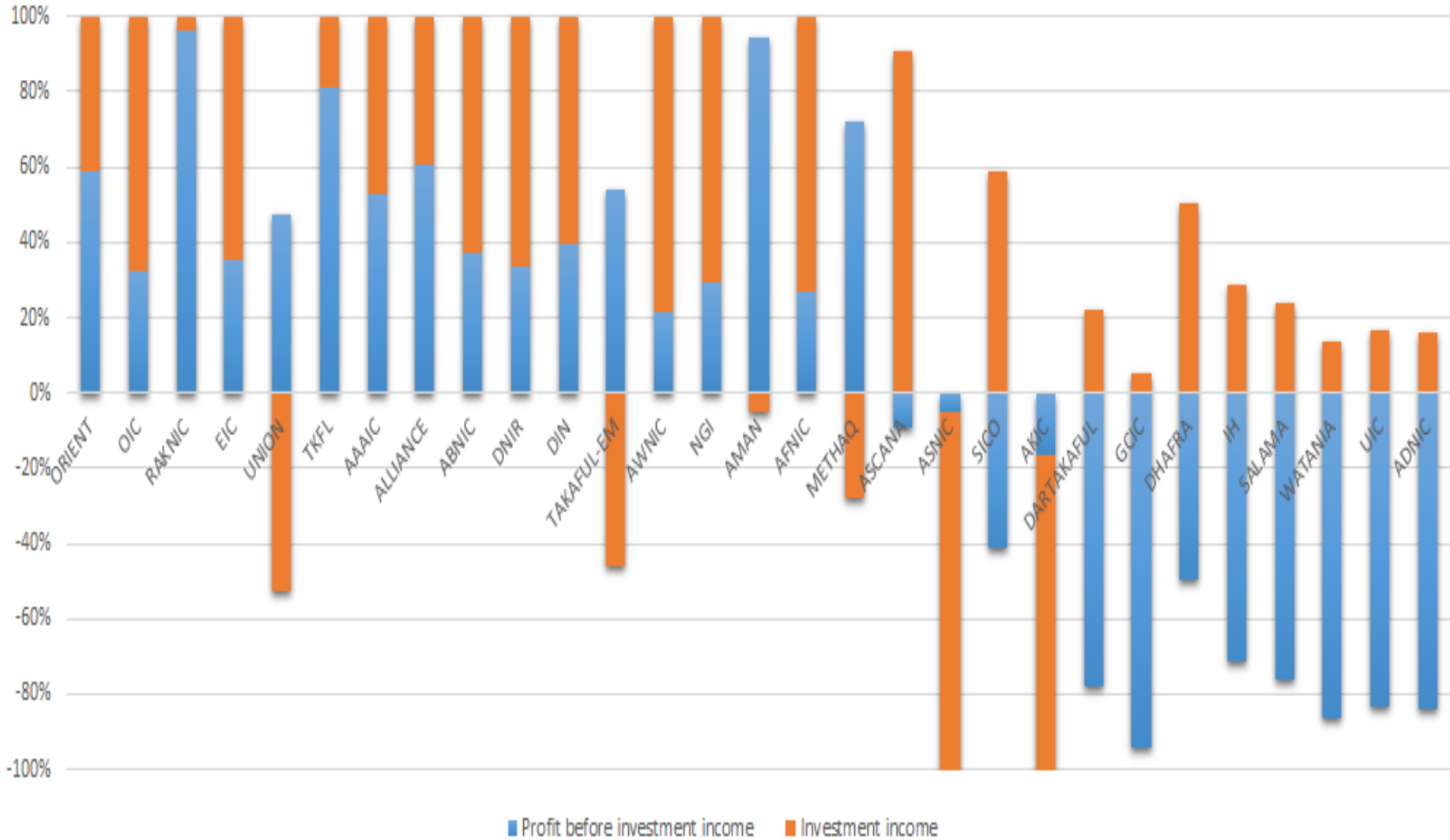
Profit for the period

- Total profit/loss generated for the nine months of 2015 amounted to **AED 215 million** compared to the profit of the corresponding period of 2014 of **AED 1,276 million** which shows a reduction of 83%. A large component of this reduction is due to ADNOC and without ADNOC the profit went from **AED 1,183 million** to **AED 546 million** or a **reduction of 54%**.
- As at Jun 30, 2015, the profit amounted to **AED 234 million** which means that overall the listed companies made a loss in the third quarter.
- As we see the implementation of the Financial Regulations, we expect many companies to increase their reserves.
- ORIENT booked the highest profit of **AED 244 million** as compared to **AED 224 million** as at Sep 30, 2014.
- ADNOC booked the highest loss of **AED 331 million** as compared to a profit of **AED 94 million** as at Sep 30, 2014. The main reason for this was strengthening of reserves and after the release of new regulations, it is likely that other companies will follow suit and increase reserves.
- The highest growth in profit, from Sep 30, 2014, was shown by AMAN with an increase of 4393% i.e. from a loss of **AED 138 thousand** to a profit of **AED 5.9 million**.
- The highest growth in loss, from Sep 30, 2014, was shown by WATANIA with a decrease in profit of 2722% i.e. from a profit of **AED 1.0 million** to a loss of **AED 27.5 million**.
- The following slides show the company wise comparison of investment income and profit before investment income.

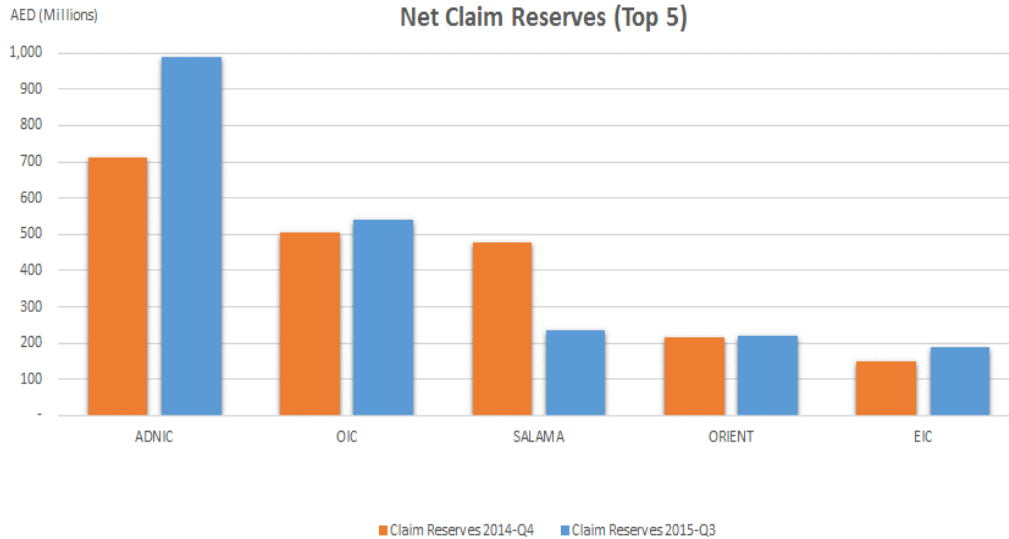
Profit Before and After Investment Income



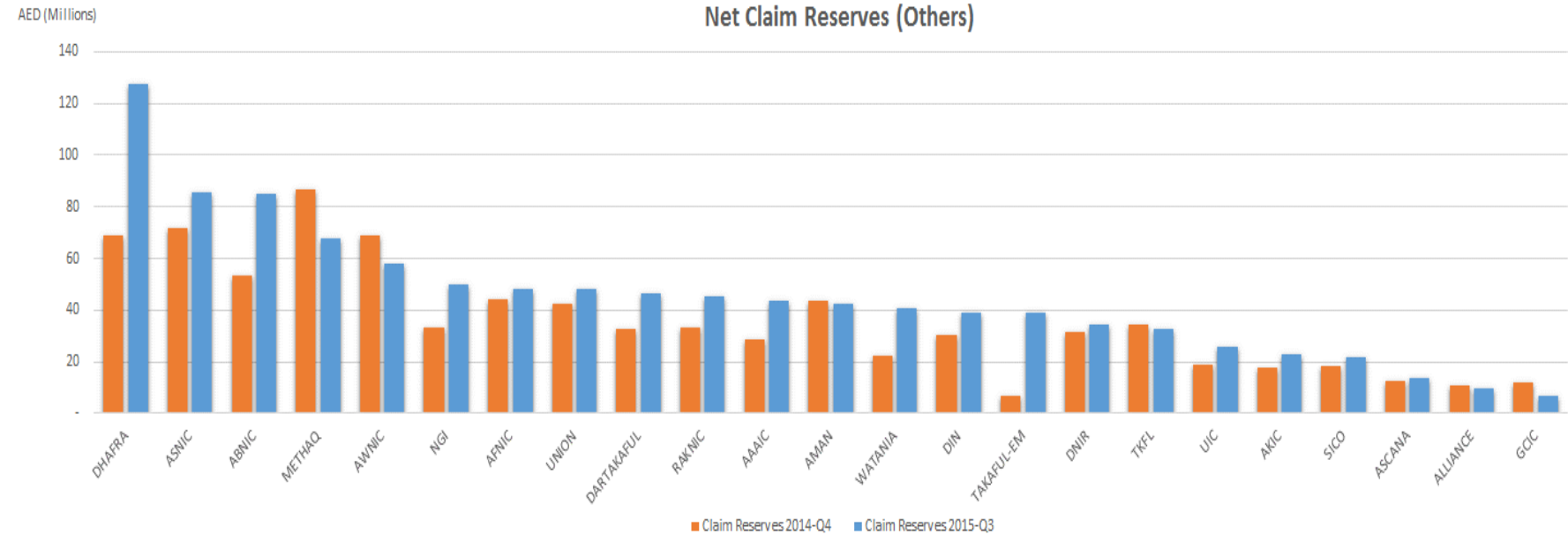
Mix of Profit Before and After Investment Income



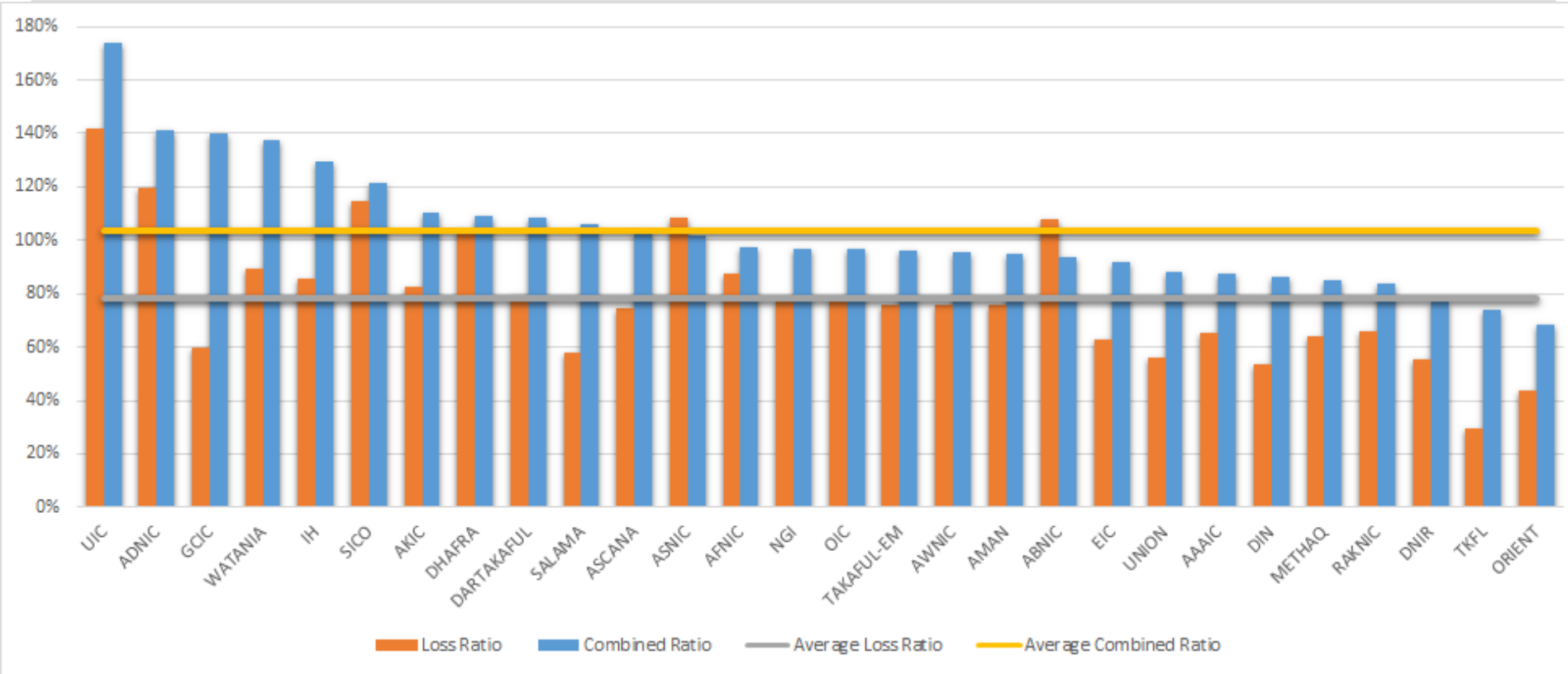
Net Claim Reserves



- Total net claim reserves for the nine months of 2015 grew by 11% as compared to Dec 2014. Note: Reserves breakdown for all companies was not available in their financials.
- We expect this trend to continue as the deadline for compliance with the new regulations comes closer and have already seen companies increase their reserves.

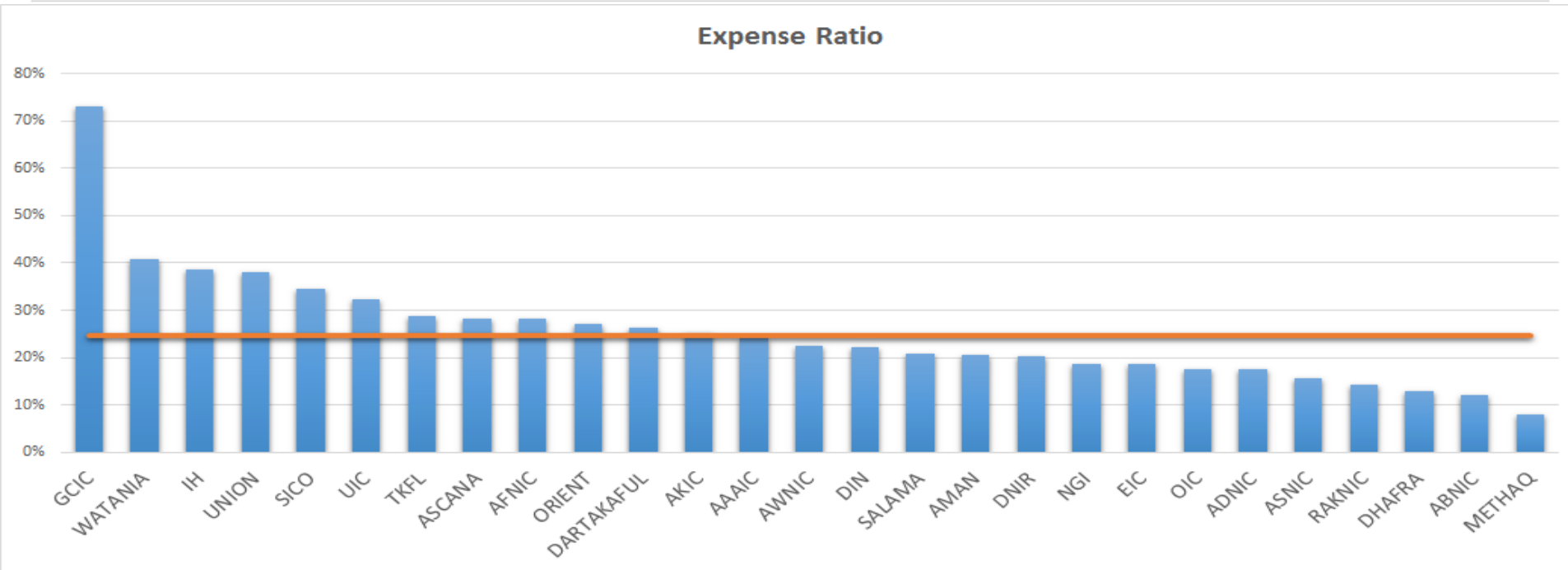


Loss and Combined Ratios



- Average loss ratio for all companies analyzed was 78% and average combined ratio was 103%.
- The highest combined ratio for the nine months of 2015 of **174%** is reflected by UIC and the lowest combined ratio is of Orient at **69%**.
- For Takaful companies we have consolidated the Policyholders and Shareholders P&L for comparative purposes. Loss Ratio is $\text{Net Incurred Claims} / \text{Net Earned Premium}$ and Combined Ratio is $(\text{Net Incurred Claims} + \text{Net Commission} + \text{Expenses}) / \text{Net Earned Premium}$.

Expense Ratio



- The highest expense ratio for nine months of 2015 of **73%** is reflected by GCIC, whereas the lowest expense ratio of **8%** is reflected by METHAQ.
- Average expense ratio was at 25%.
- 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).

Return on Equity

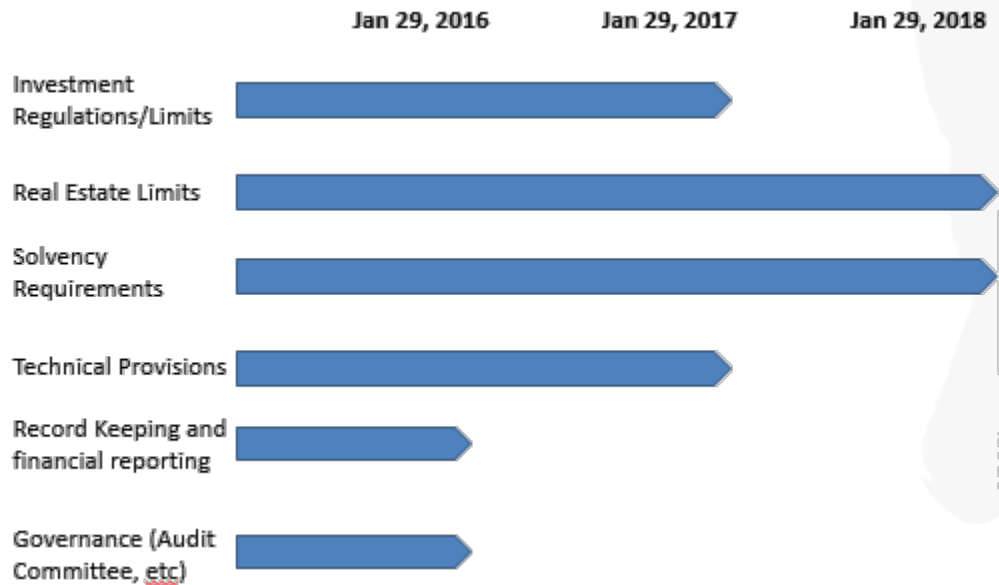
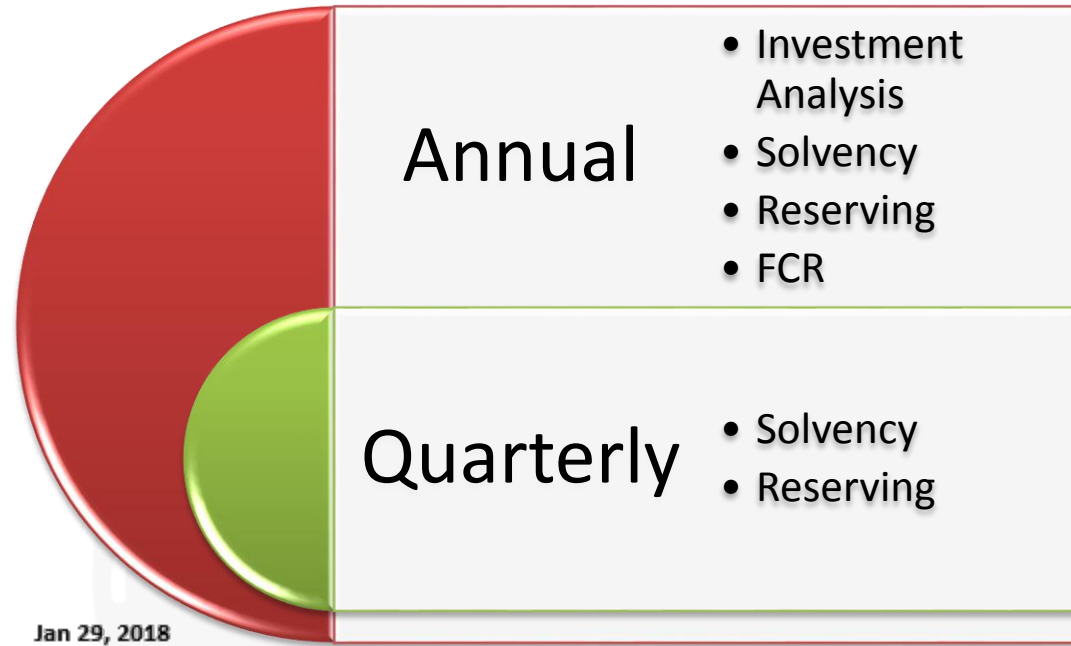


- The highest return on equity for nine months of 2015 of **14%** is shown by TKFL and RAKNIC, whereas the lowest return on equity of **-45%** is reflected by UIC.
- Average return on equity was at -1%.
- The return on equity have been calculated as a ratio of net profit to total shareholder's equity as at the beginning of 2015

- Total premiums written, by the listed insurance companies, in the nine months of 2015 amounted to **AED 13.6 billion**, as compared to the premium written in the corresponding period of 2014 of **AED 12.5 billion** which shows a growth of 9%. The premium retention ratio was at 57%.
- Average loss ratio for all companies analyzed was 78% and average combined ratio was at 103%.
- Average expense ratio for the companies analyzed was 25%.
- Total profit/loss generated for the nine months of 2015 amounted to **AED 215 million** compared to the profit of the corresponding period of 2014 of **AED 1,276 million** which shows a reduction of 83% and the average return on equity was -1%.

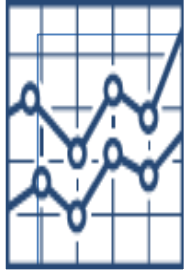
Actuarial Requirements

The new Financial Regulations make it mandatory for insurance companies (including branches) to assign a registered actuary. On the right you can see the areas which require actuarial validation and the time lines are shown below:

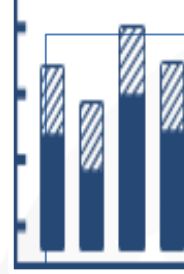


We are currently working with many companies in helping them implement these regulations.

Other support that we can provide



Developing ERM Framework



Analytics and Dashboards



Optimizing Use of Capital



Capital Modelling and Stress Testing



Motor / Medical – Pricing and Portfolio Optimization



Fraud Investigations



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.

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