BADRI

Performance Analysis of UAE Listed Insurance Companies for Nine Months ended September 30, 2017

INTRODUCTION

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the *Listed Insurance Companies* of UAE for the nine months ended September 30, 2017. The data has been extracted from third quarter 2017 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.

- Some of the companies have restated their financials, as a result of implementation of new Financial Regulations for Insurance Companies whereas other companies have decided to absorb the part / whole impact in the current year. For companies who have restated, the restated profit/loss for 2017 and 2016 have been used for analysis purposes.

- Due to limited information we are unable to segregate between life and non-life. Once companies start publishing financial statements as per the new Financial regulations this can be done.

- The list of companies is provided on the next pages. The data of the newly listed company, OUTFL, has been omitted for fair comparison purpose with previous years.

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.(Data Not Available)	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 P.J.S.C. .(Data Not Used)	DFM

Summary – The UAE Insurance Market

- The industry figures as shown in the table below are driven by the top 4 companies that makeup 53% of the UAE Insurance industry premium.

INDUSTRY ANALYSIS				
	Q3 2016	Q3 2017	Change %	Indic
Gross Written Premium(AED Million)	14,532	16,665	15%	↑
Profit (AED Million)	778	1,170	50%	↑
Weighted Average Loss Ratio	72%	63%	-9%	↑
Weighted Average Retention Ratio	47%	45%	-2%	↓
Weighted Combined Loss Ratio	96%	91%	-5%	↑
Weighted Average Return on Equity	5%	8%	3%	↑

- The UAE Insurance market has experienced a positive change from last year.

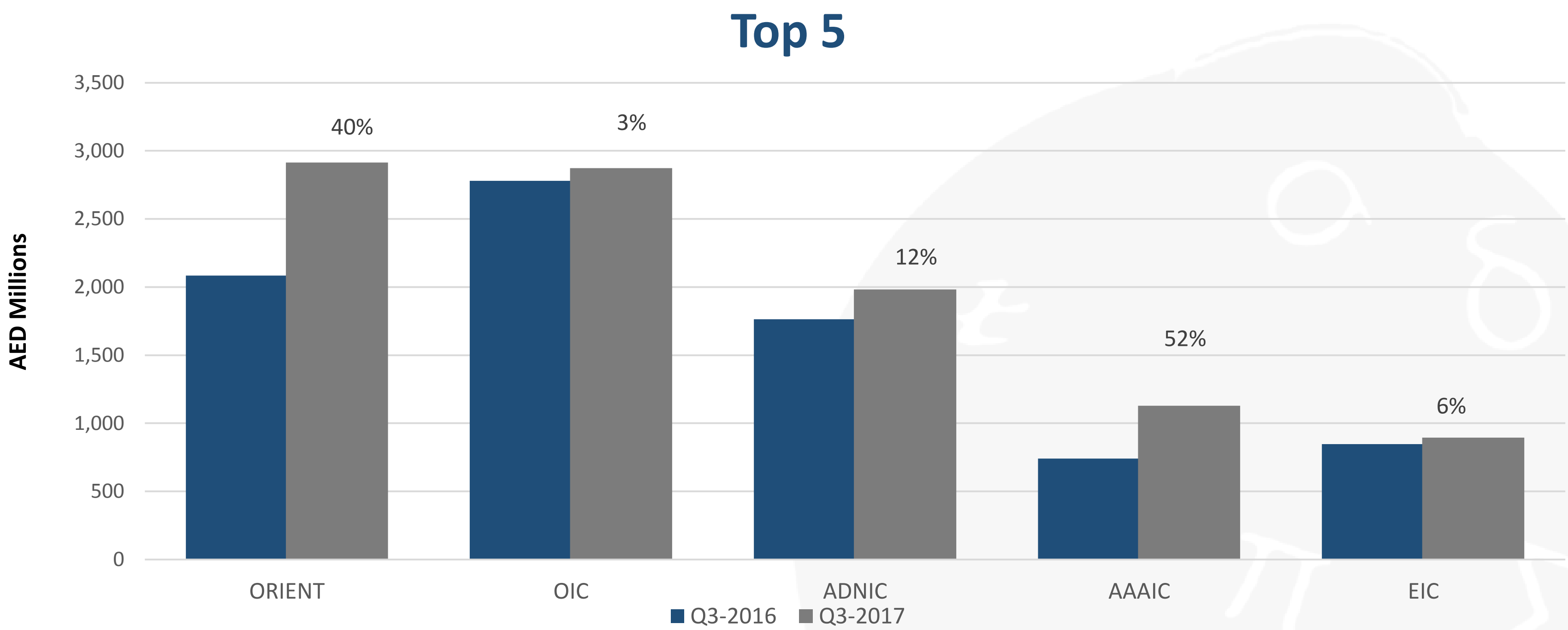
- Key reasons for the improvement in Loss Ratios are higher premiums as a result of:
  - Actuarial Pricing Reviews being carried for the first time in UAE in Q2 2016, and
  - Introduction of a unified motor policy along with minimum tariff

Additionally, companies are becoming more conscious about profitability and loss ratios due to continuous monitoring under the new financial regulations

BADRI

- Premiums
- Profitability
- Technical Provisions
- Loss Combined & Expense Ratio
- Return on Equity
- Social Media Benchmarking

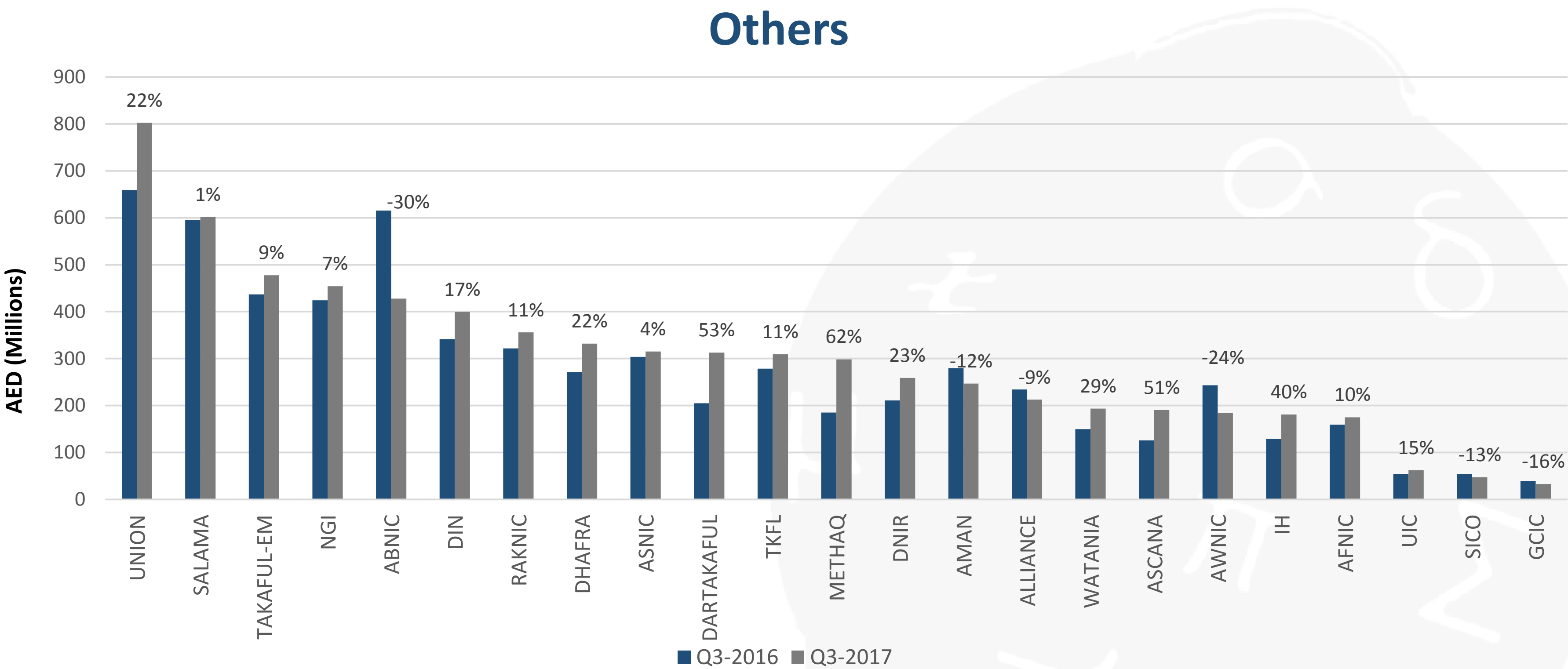
Gross Written Premium



- Total Gross premiums written by the listed insurance companies, in the first nine months of 2017 amounted to **AED 16.7 billion**, as compared to the premium written corresponding period of 2016 is **AED 14.5 billion**, which shows a growth of **14.7%**.

- The top 5 companies had a combined premium of **AED 9.7 billion** for first nine months of 2017 as compared to **AED 8.2 billion** for 2016; their market share has marginally increase from **56.5%** to **58.8%**.

Gross Written Premium



The highest growth over the first nine months of 2017 was shown by METHAQ with an increase of **62%** in premiums compared to the corresponding period of 2016. The biggest decline over the same period was shown by ABNIC with a decrease of **30%** compared to the corresponding period in 2016.

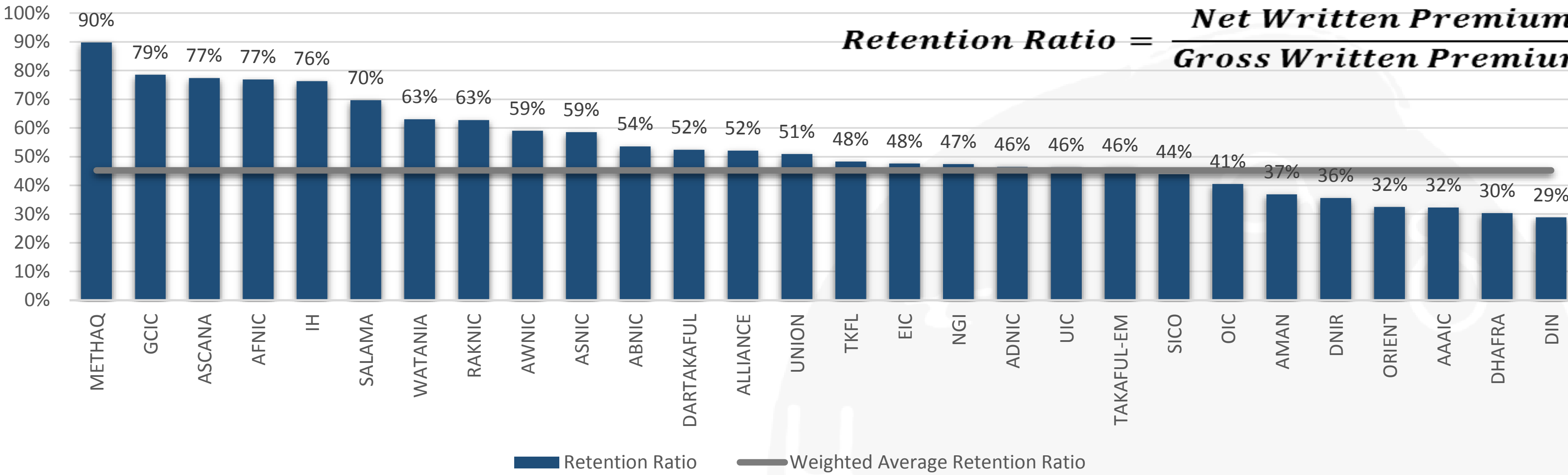
Overall, of the 28 listed companies, 22 recorded a growth in first nine months of 2017 in premium volumes as compared to the previous period, while 6 companies saw premiums plummet.

Gross Written Premium

"For the 28 listed companies the GWP grew from AED 13.3billion to AED 14.5 billion in first nine months of 2016 with a increase of 9.4%, and from AED 14.5 billion to AED 16.7 billion in corresponding period of 2017 with an increase of 14.7%"

Retention Ratio

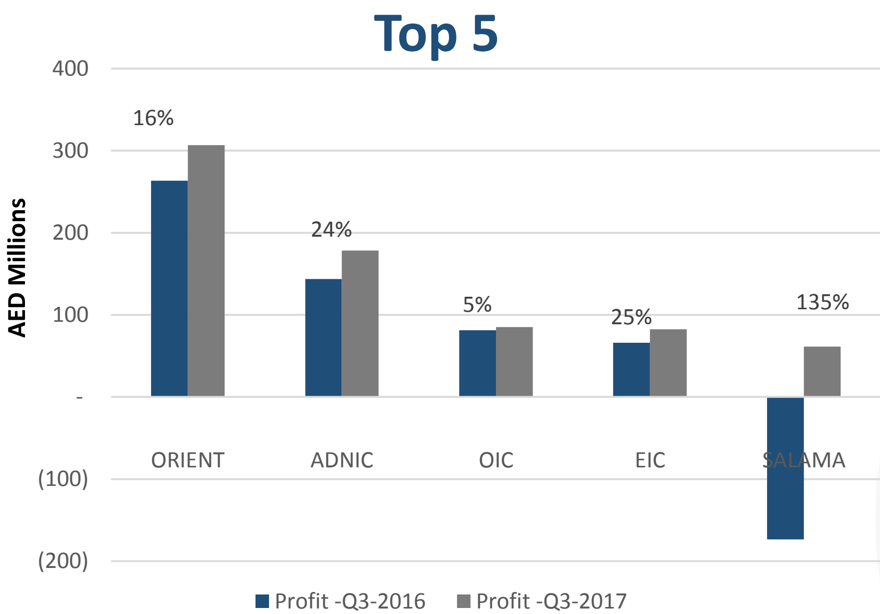
$$Retention\ Ratio = \frac{Net\ Written\ Premium}{Gross\ Written\ Premium}$$

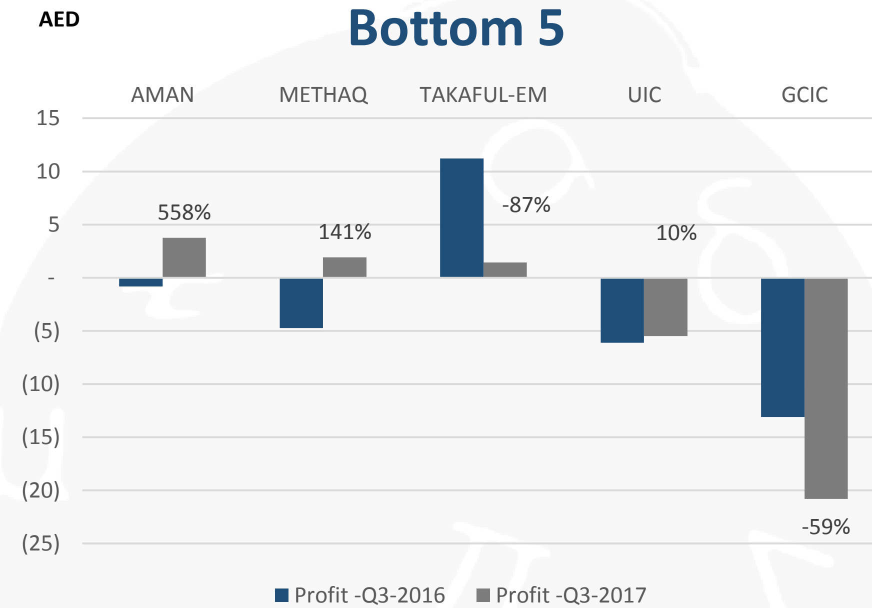


- The highest retention ratio for first nine month of 2017 of **90%** is reflected by METHAQ, whereas the lowest retention ratio of **29%** is reflected by DIN.
- The weighted average retention ratio for listed companies was at ***45% (2016 Q3 : 47%)**.
- The retention ratios have been calculated as a ratio of net written premium to gross written premium.
- Retention ratios vary immensely by the Line 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. Therefore, the above graph has a portfolio mix bias.

***2017 excludes the data for AKIC**

Profit(Before Tax) 2017 Q3

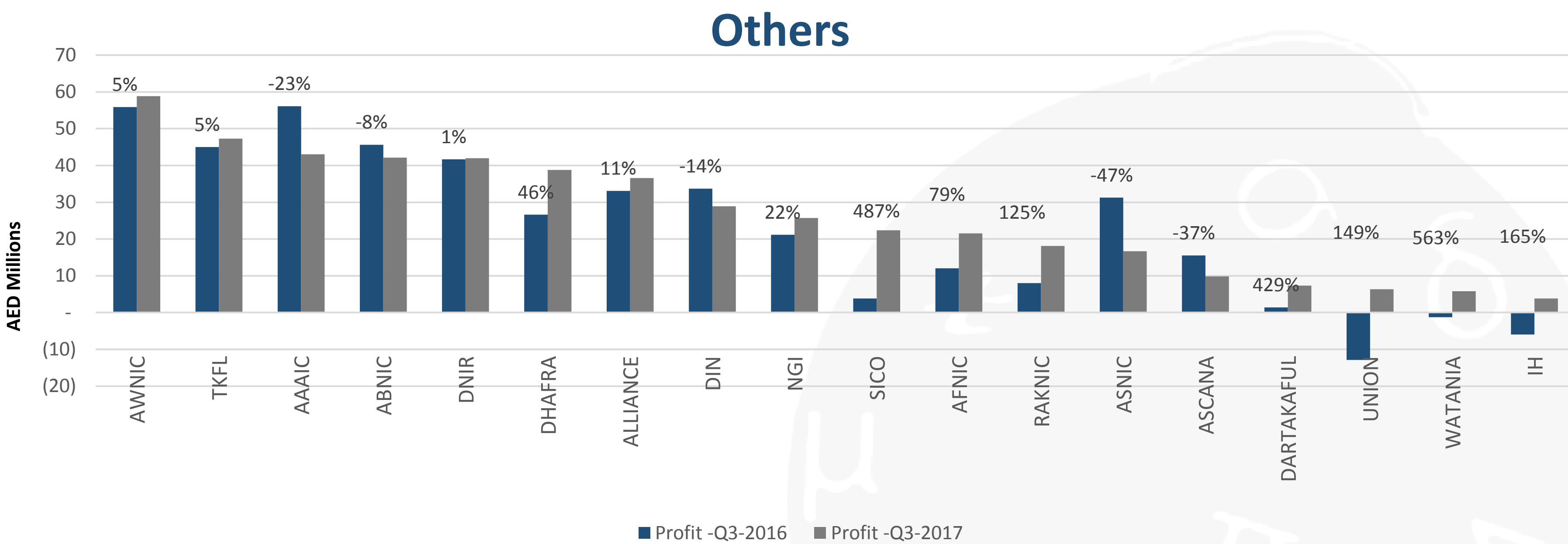




ORIENT booked the highest profit during first nine months of 2017 of **AED 307 million** as compared **AED 263 million** in the corresponding period of 2016.

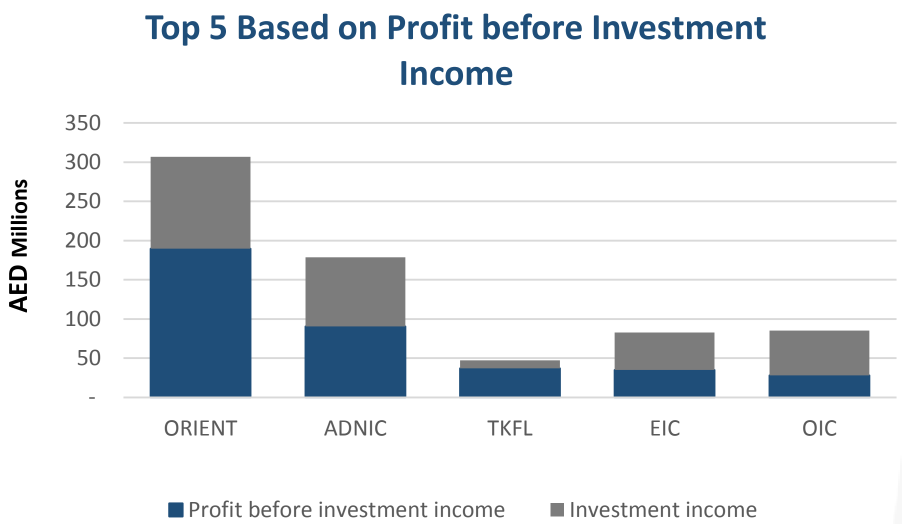
GCIC booked the highest loss of **AED 21 million** in first nine months of 2017 as compared to the loss of **AED 13 million** in the corresponding period of 2016.

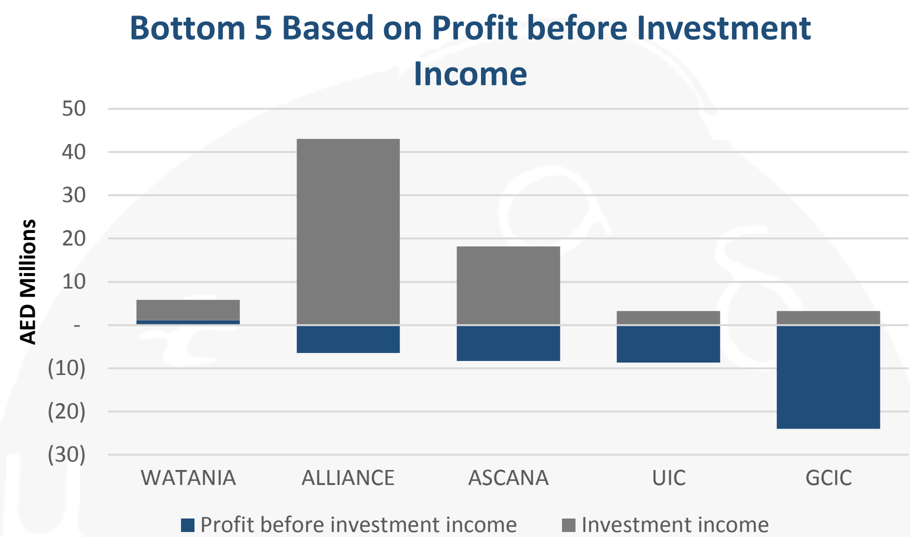
Profit 2017 Q3

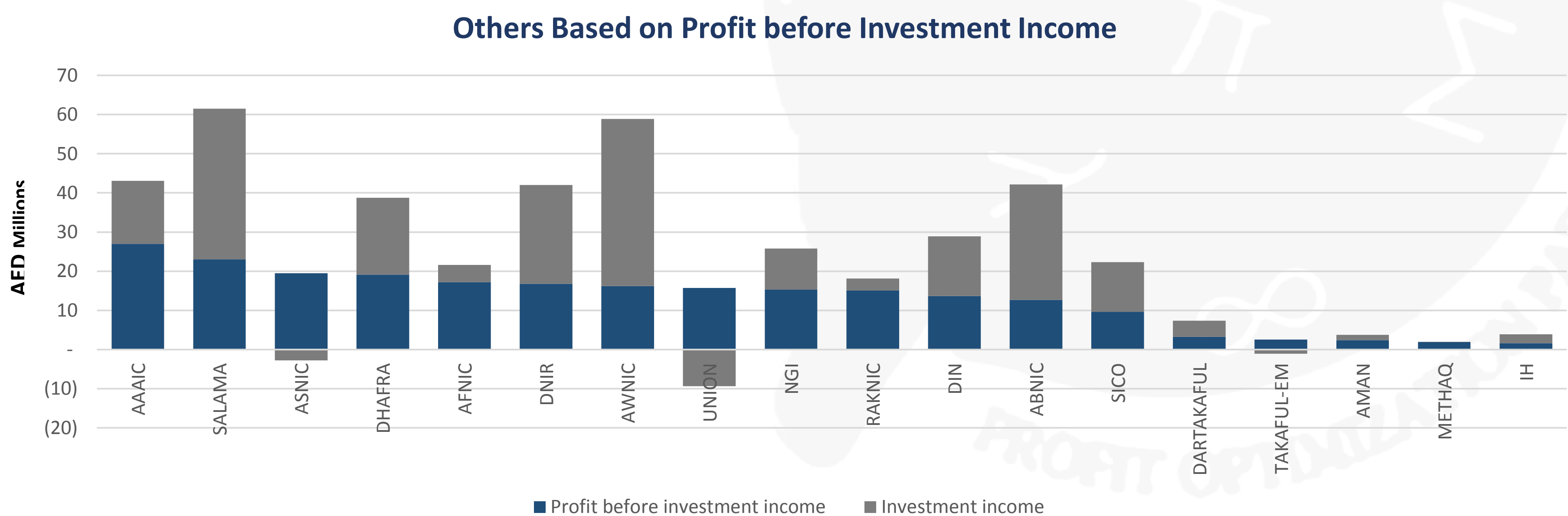


- Total profit generated for the first nine months of 2017 amounted to **AED 1,170 million** compared to a profit of **AED 778 million (restated)** in the corresponding period of 2016 which shows an increase of around **50.4%**.
- 2 out of the 28 companies posted losses in first nine months of 2017, as compared to 8 companies being loss making in the corresponding period of 2016.
- Out of the 6 companies that moved from loss to a profit in 2017, SALAMA experienced a drastic change as compared to the corresponding period last year. This affects the numbers significantly due to the volume of business of the company. SALAMA registered a profit of AED 61 million in first nine months of 2017, moving from a loss of AED 173 million in corresponding period of 2016.

Profit Before and After Investment Income

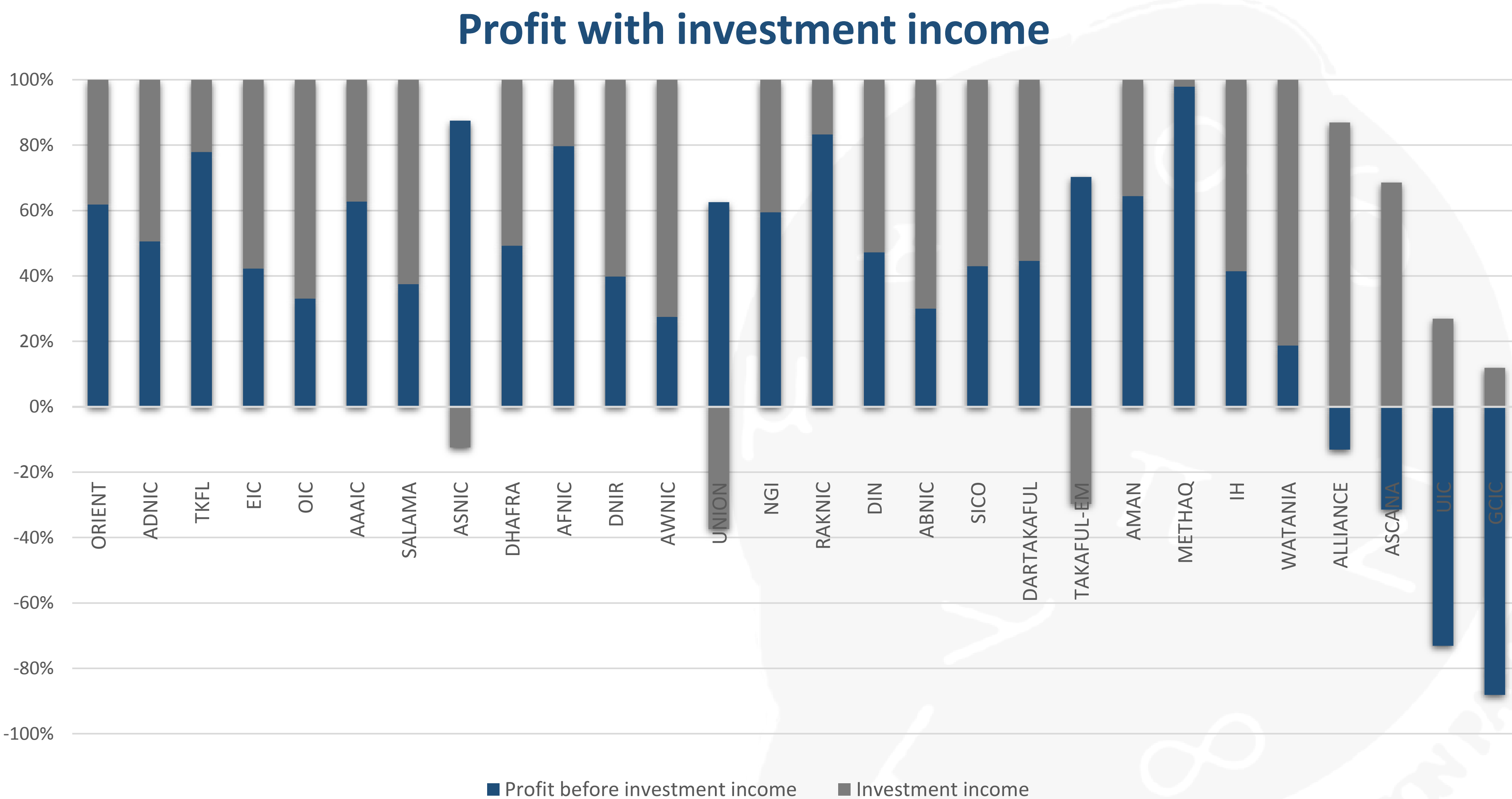






Profit Composition Before and After Investment Income

BADRI



Premium Benchmarked on the basis of Profitability

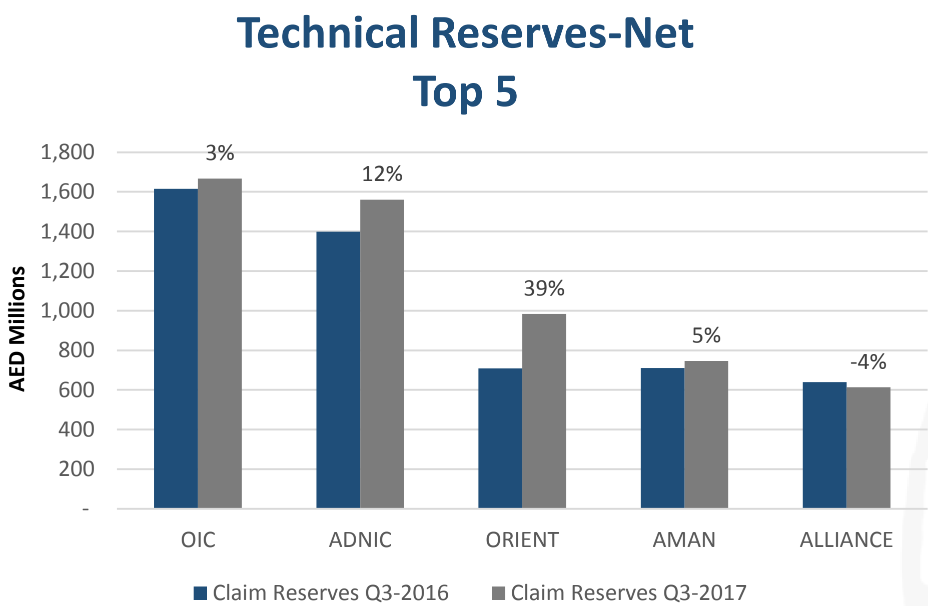
BADRI

Company/ Branch	Ranking		Indic
	Gross Premium	Profit	
ORIENT	1	1	→
OIC	2	3	↓
ADNIC	3	2	↑
AAAIC	4	8	↓
EIC	5	4	↑
UNION	6	21	↓
SALAMA	7	5	↑
TAKAFUL-EM	8	26	↓
NGI	9	14	↓
ABNIC	10	9	↑
DIN	11	13	↓
RAKNIC	12	17	↓
DHAFRA	13	11	↑
ASNIC	14	18	↓

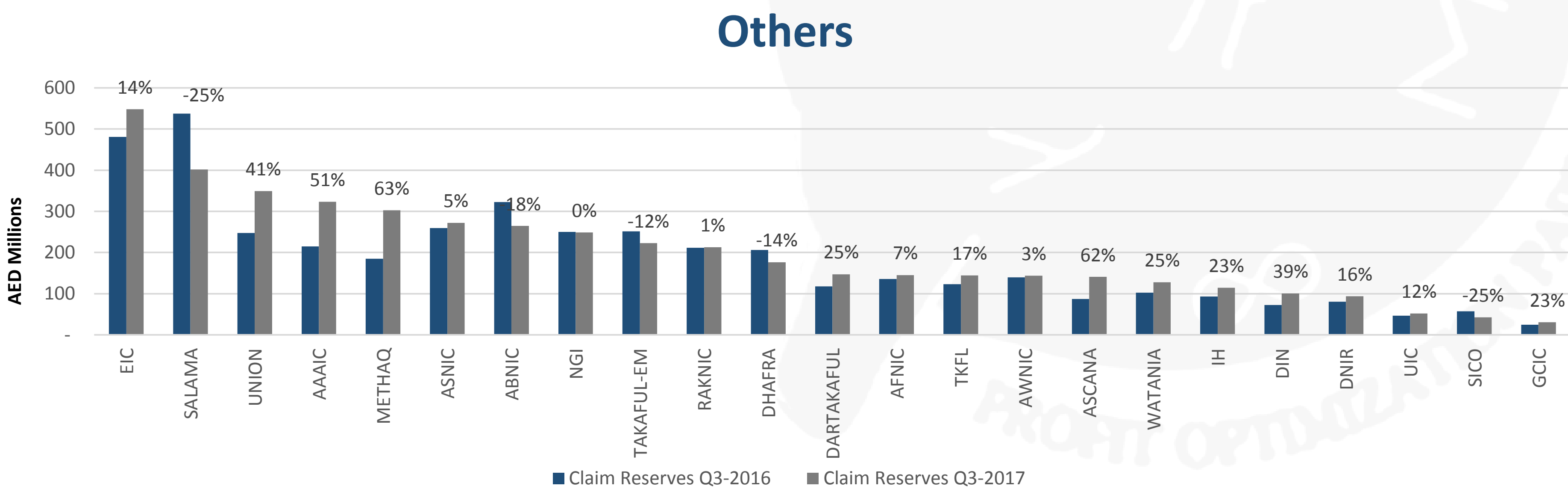
Company/ Branch	Ranking		Indic
	Gross Premium	Profit	
DARTAKAFUL	15	20	↓
TKFL	16	7	↑
METHAQ	17	25	↓
DNIR	18	10	↑
AMAN	19	24	↓
ALLIANCE	20	12	↑
WATANIA	21	22	↓
ASCANA	22	19	↑
AWNIC	23	6	↑
IH	24	23	↑
AFNIC	25	16	↑
UIC	26	27	↓
SICO	27	15	↑
GCIC	28	28	→

Of the top 10 companies by Premium volume, 3 fall out of top 10 when benchmarked on the basis of profitability. On the flip side AWNIC, TKFL and DNIR seem to have built up large and profitable books of business.

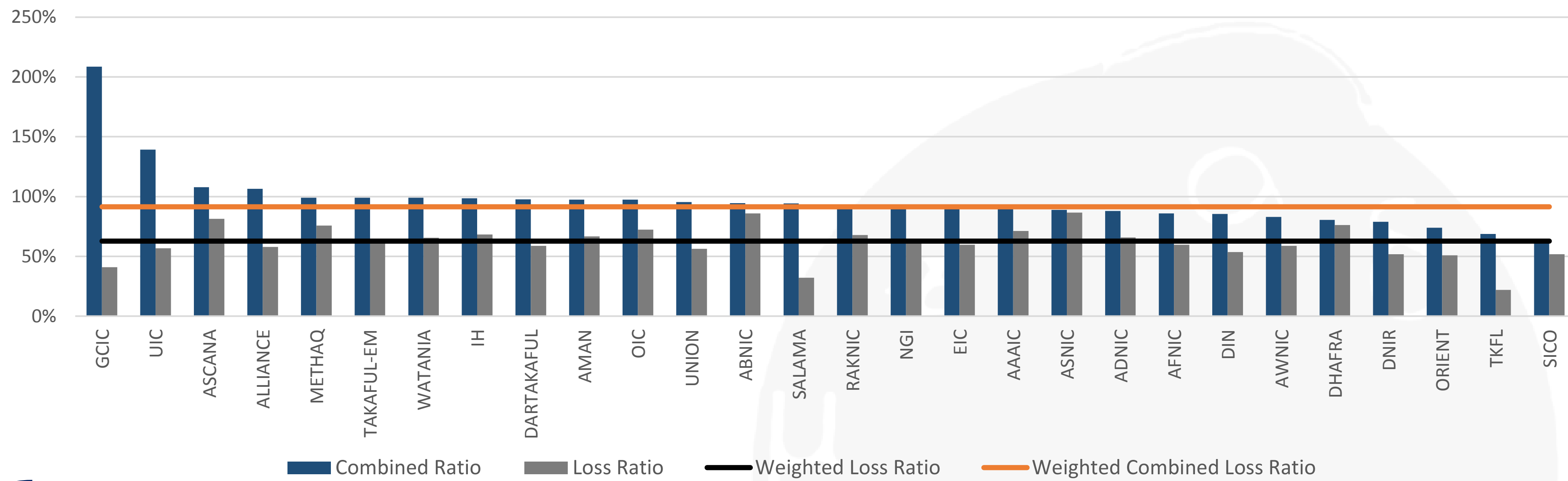
Technical Provisions – Listed Companies



- Total net reserves as at Sep-2017 grew by 9% as compared to the net reserves as at Sep-2016
- OIC in terms of booking technical provisions retained their rank, and though the sequence is slightly changed, 7 out of top 10 companies remained the same.
- The restatement of previous reserves by some companies is unlikely to have an impact on the value of change in reserves.

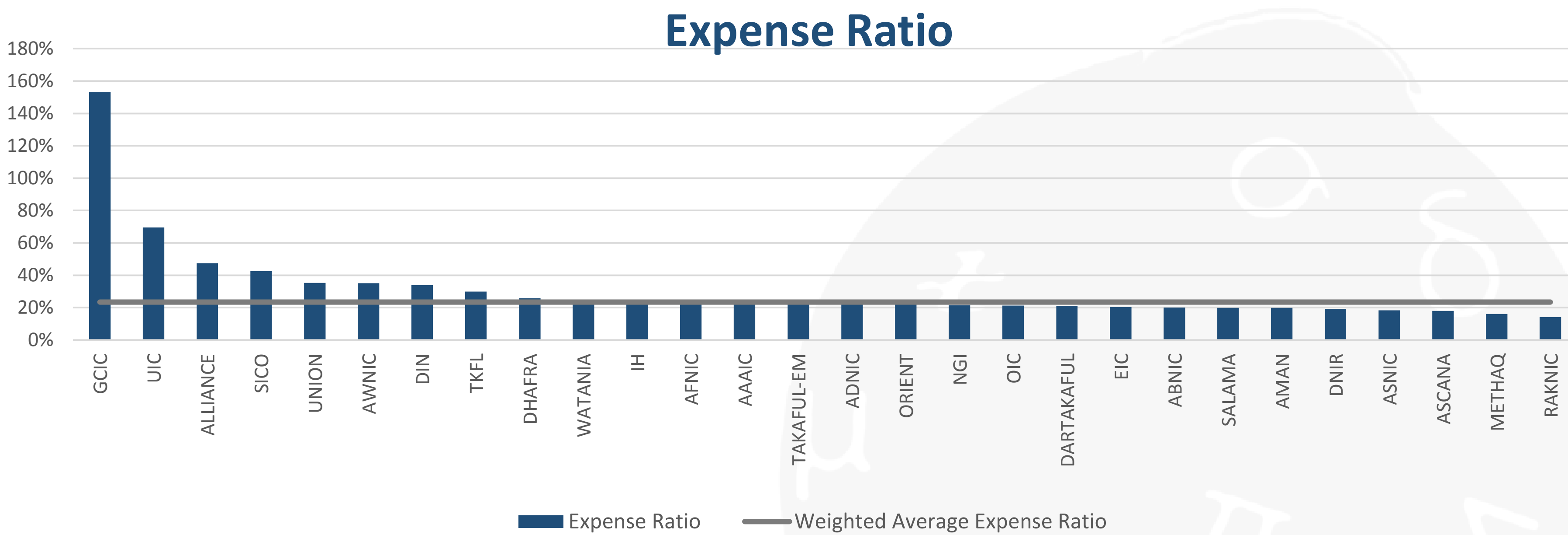


Loss and Combined Ratio – Listed Companies



- Weighted Average loss ratio was **63**% **(2016 Q3: 72%)** and weighted average combined ratio was **91% (2016 Q3:96%)**
- The highest combined ratio of 2017 Q3 of **209%** is reflected by GCIC and the lowest combined ratio is of SICO at **62%.**
- 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%. **2** of the 4 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.

G&A Expense Ratio



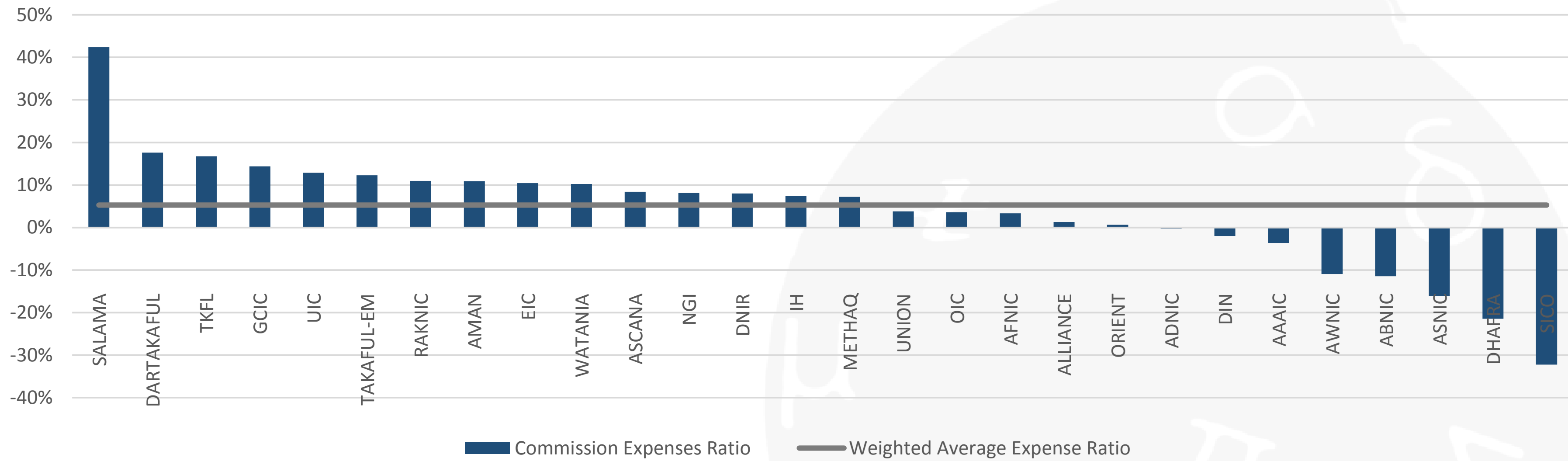
- The highest expense ratio for the first nine months ended Sep 30, 2017 of **153% (2016 Q3: 82%)** is reflected by GCIC, whereas the lowest expense ratio of **14% (2016 Q3 : 13%)** is reflected by RAKNIC. Weighted Average expense ratio was at **23% (2016 Q3: 22%)**.

- As may be expected, larger companies that have 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

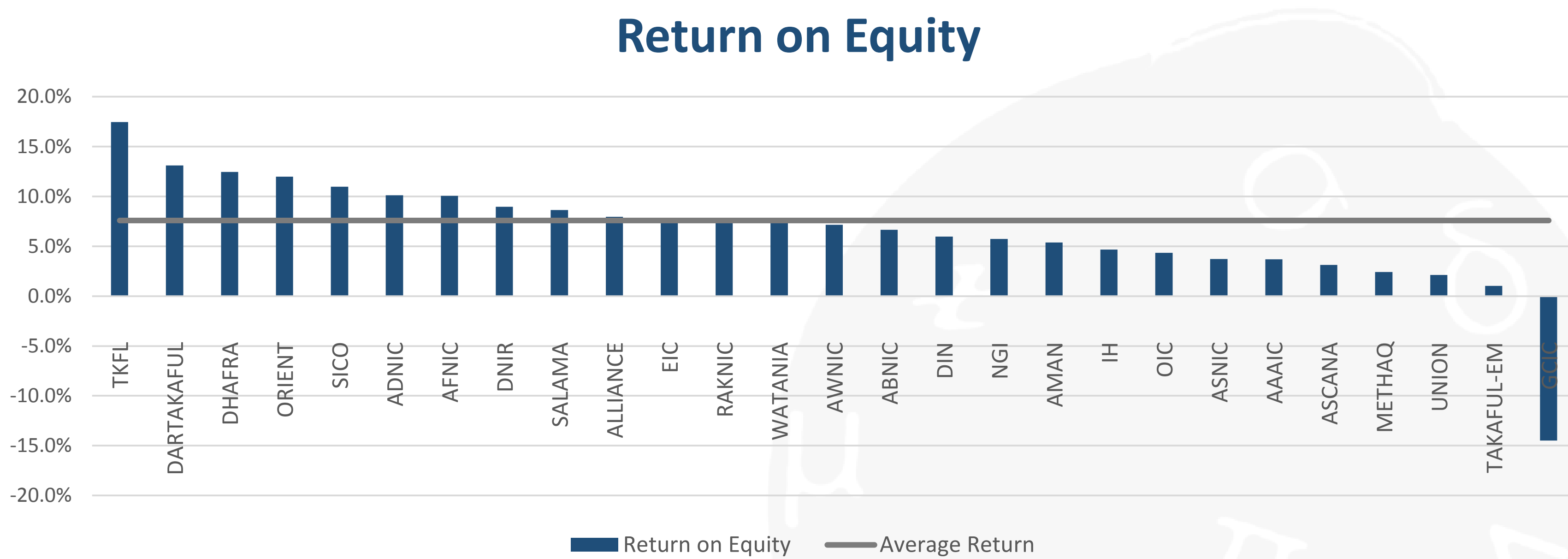
$$\textit{Commission Expense Ratio} = \frac{\textit{Net Commissions}}{\textit{Net Earned Premium}}$$



- The highest commission expense ratio is **42%** is reflected by SALAMA **(2016 Q3 :34%**), whereas the lowest expense ratio of **-32%** is reflected by SICO**(2016 Q3 :-22%**). Weighted Average expense ratio was at **4%**.

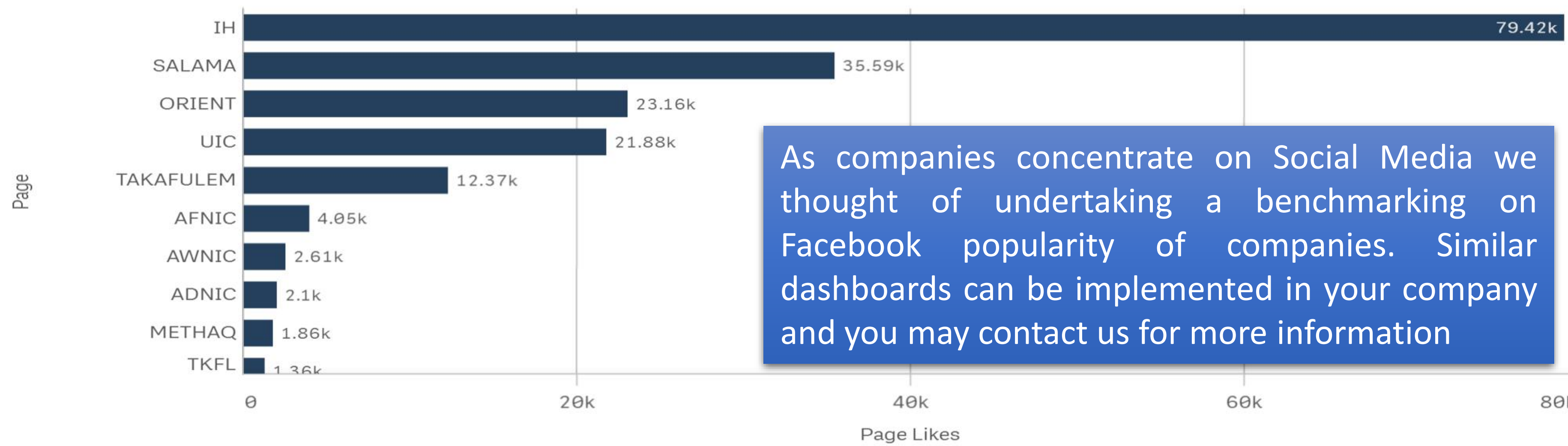
- The commission expense considered is the net commission (commissions paid less commissions earned); a negative ratio signifies that the commissions earned outweigh the commissions paid. In UAE market, it is common practice for companies to cede large proportions of commercial lines business and benefit from the reinsurance commission, which is also evident by the low net commission ratios. 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 Q3 is **17.5%** as shown by TKFL, whereas the lowest return on equity of **-14.5%** is reflected by **GCIC**.
- Weighted average return on equity was at **7.6%**.
- The return on equity have been calculated as a ratio of net profit of nine months of 2017 to total shareholder's equity as at the beginning of 2017.
- UIC has been removed from the analysis due to negative equity at the beginning of 2017.

Social Media – Benchmarking based on Facebook



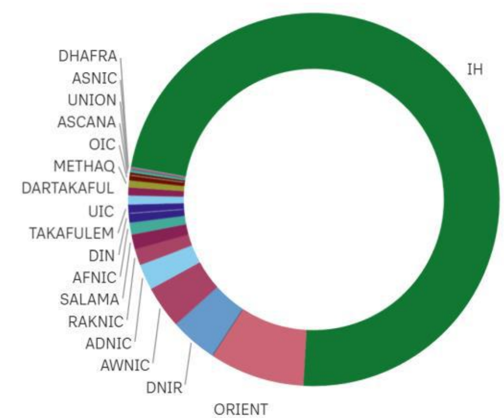
As companies concentrate on Social Media we thought of undertaking a benchmarking on Facebook popularity of companies. Similar dashboards can be implemented in your company and you may contact us for more information

Data as of 17th of October 2017

Sentiment Analysis by Company

Company/Page	Positive Comments	Neutral Comments	Negative Comments
Totals	**35**	**588**	**7**
IH	28	319	2
AWNIC	4	14	1
ADNIC	1	22	0
AFNIC	1	1	0
ASNIC	1	1	0
DARTAKAFUL	0	2	4
ORIENT	0	114	0
TAKAFULEM	0	42	0
TKFL	0	39	0
SICO	0	19	0
RAKNIC	0	6	0

Talking About Counts by Company



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

www.badriconsultancy.com