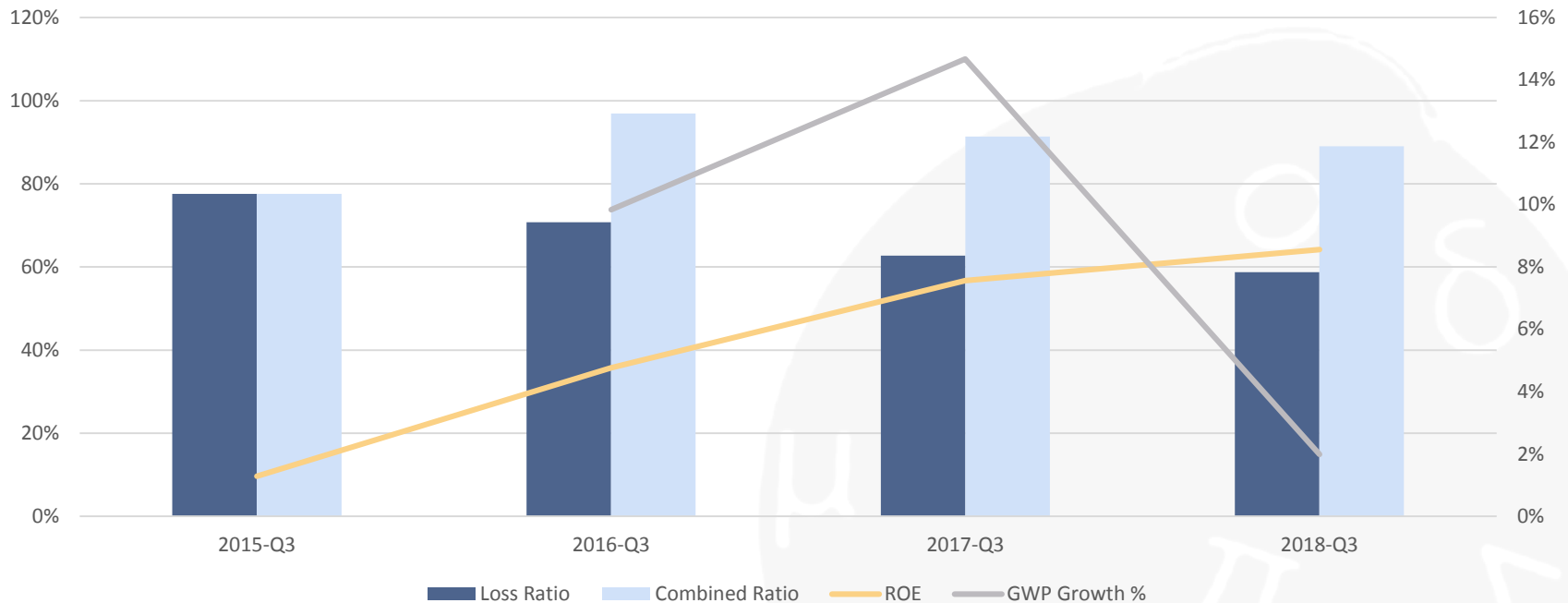




BADRI



Performance Analysis of UAE Listed Insurance
Companies for Nine Months ended September 30, 2018
November 15, 2018



➤ The listed Companies in UAE reported a profit of AED 1,420 million in nine months of 2018 as compared to AED 1,092 million in 2017 and AED 778 million in 2016. This translates to a CAGR of 35%. The loss ratio plummeted from 71% in Q3-2016 to 63% in Q3-2017 to 59% in Q3-2018.

➤ The Insurance Industry as represented by the 30 listed companies covered in the analysis presents a positive outlook.

➤ The declining trend in loss ratio has supported an increasing Return on Equity observed over the 4 year period.



Premiums

Profitability

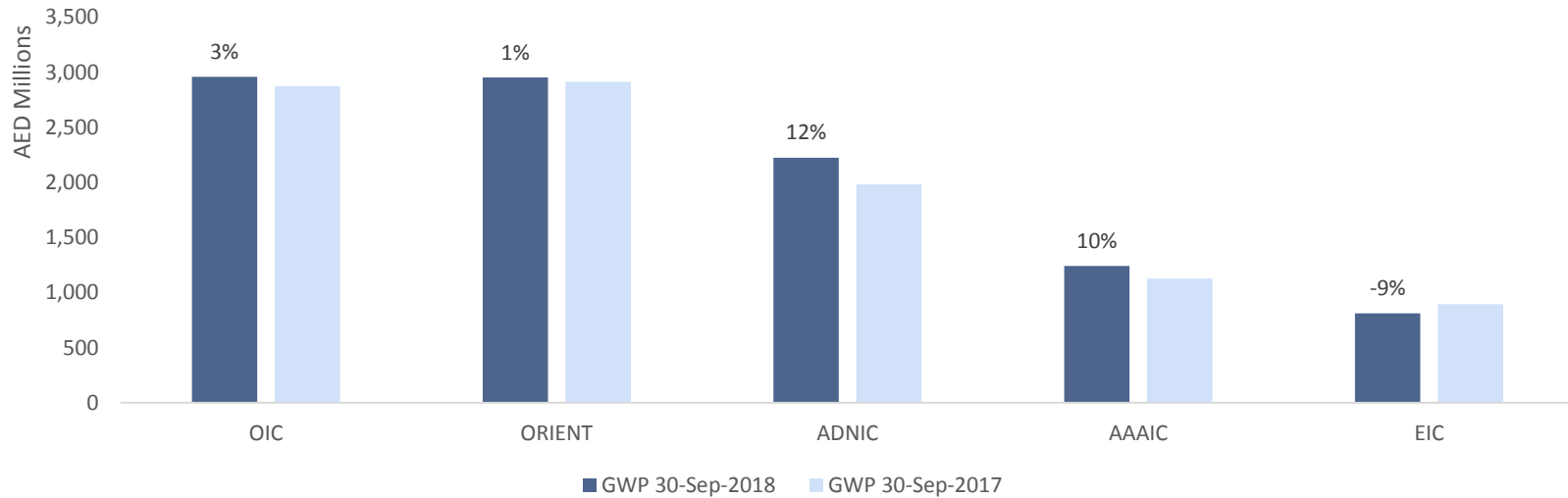
Technical Provisions

Loss Combined & Expense Ratio

Return on Equity

Conclusion

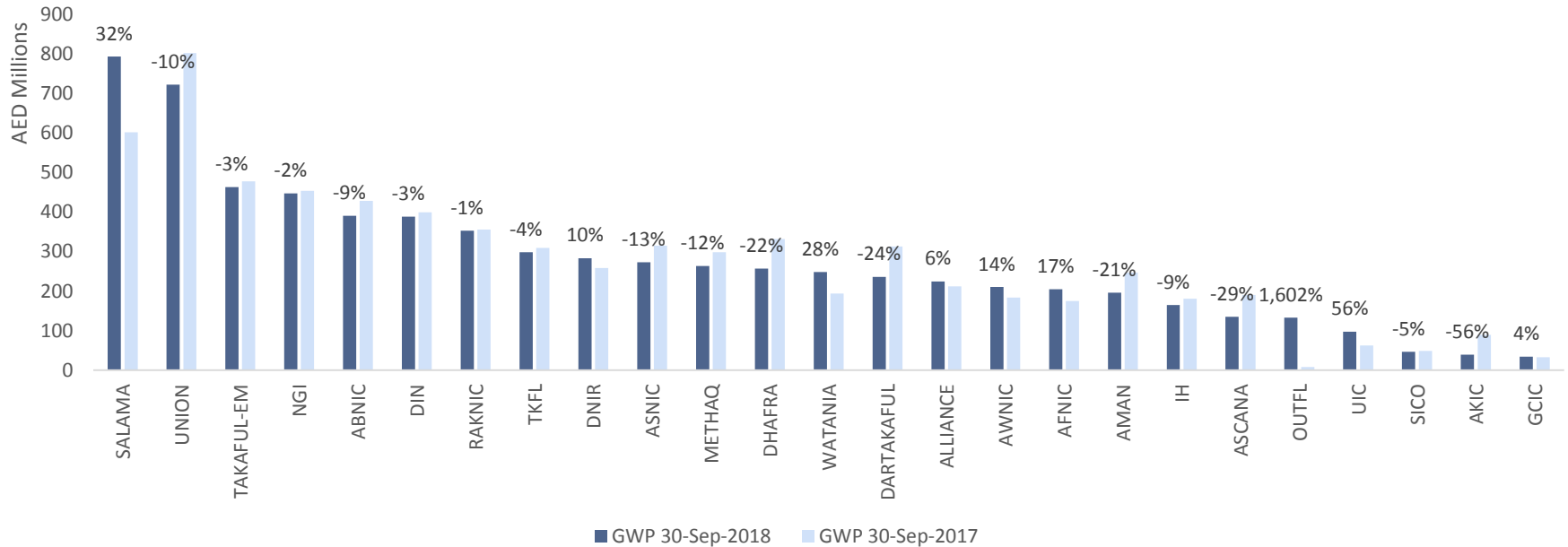
TOP 5





➤ Total Gross premiums written by the listed insurance companies, in the nine months of 2018 amounted to **AED 17.1 billion**, as compared to the premium written corresponding period of 2017 is **AED 16.8 billion**, which shows a growth of **2%**.

➤ The top 5 companies had a combined premium of **AED 10.2 billion** for nine months of 2018 as compared to **AED 9.7 billion** for 2017, a growth of **4%** while their market share has marginally increased by **1%**.

Others

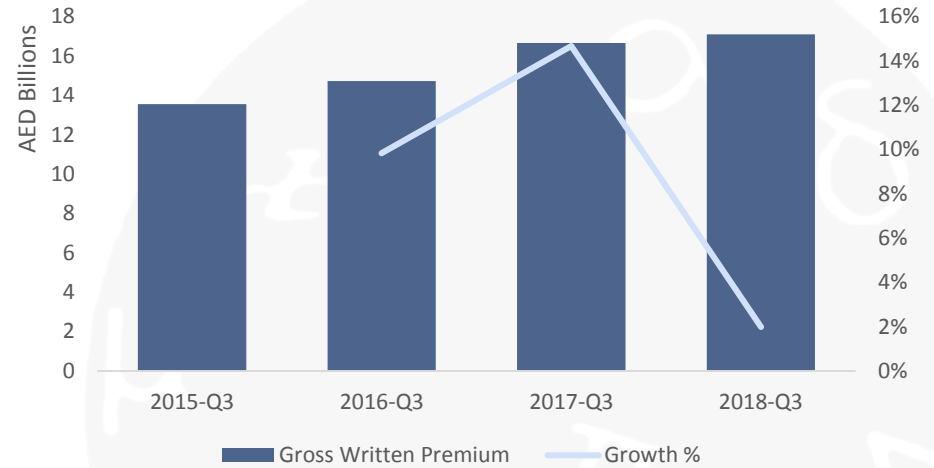


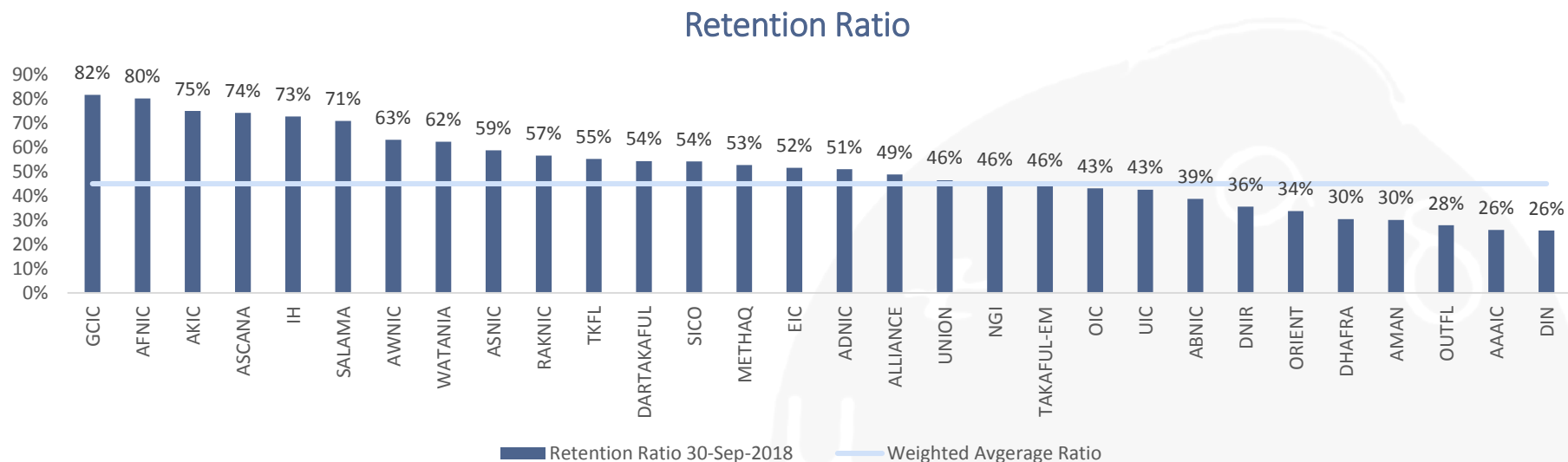

 The highest growth over the nine months of 2018 was shown by UIC, among the companies that operated throughout 2017, with an increase of **56%** in premiums compared to the corresponding period of 2017. The biggest decline over the same period was shown by AKIC with a decrease of **56%** as compared to 2017.


 Overall, of the 30 listed companies, 13 recorded a growth in nine months premium volumes as compared to the previous period, while 17 companies saw premiums plummet.

“ For the listed companies the GWP grew from AED 14.7 billion to AED 16.8 billion in the nine months of 2017 with an increase of 14.7%, and from AED 16.8 billion to AED 17.1 billion in corresponding period of 2018 with an increase of 2.0% ”

Growth - 4 Year Trend





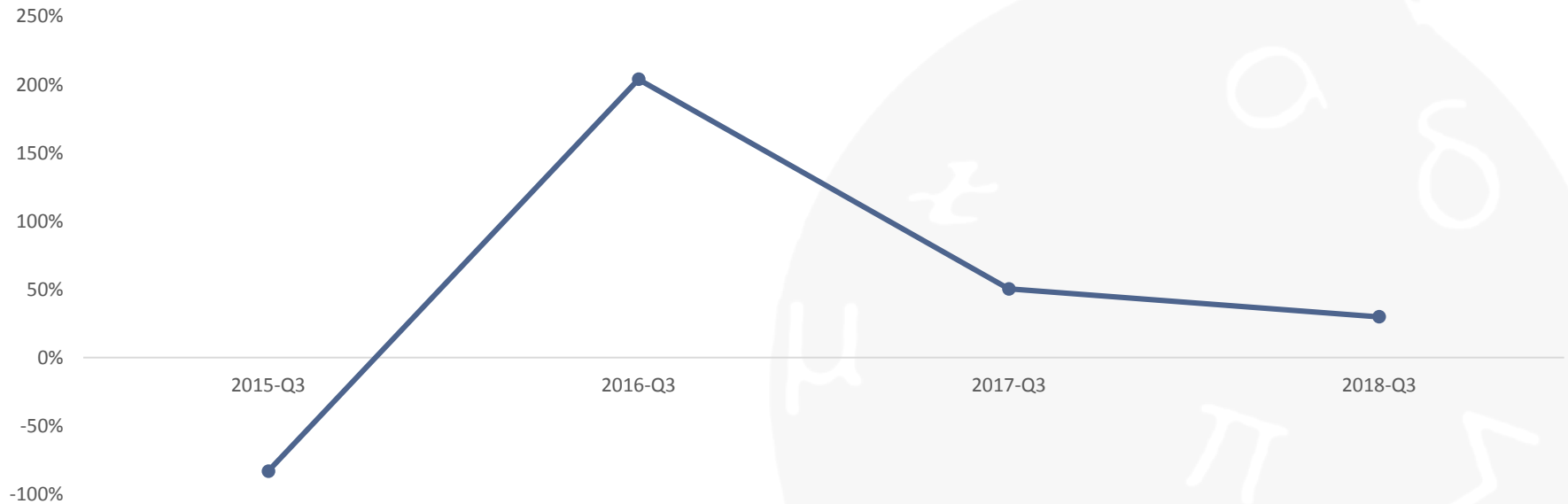
➤ The highest retention ratio for the nine months of 2018 of **82%** is reflected by GCIC, whereas the lowest retention ratio of **26%** is reflected by DIN.

➤ The weighted average retention ratio for listed companies was at **45% (Q3-2017 : 45%)**.

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

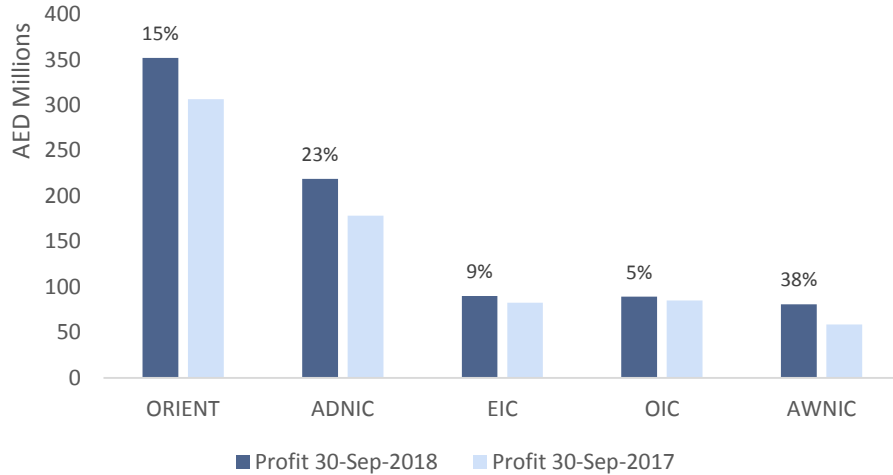
➤ Although there may be exceptions, Retention ratios are generally reflective of the lines of business being underwritten; Motor and Medical generally tend to have high retention ratios, while commercial lines such as Aviation, Engineering and Fire tend to have lower retentions. Also, since this analysis 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.

Profit Growth 4 year Trend



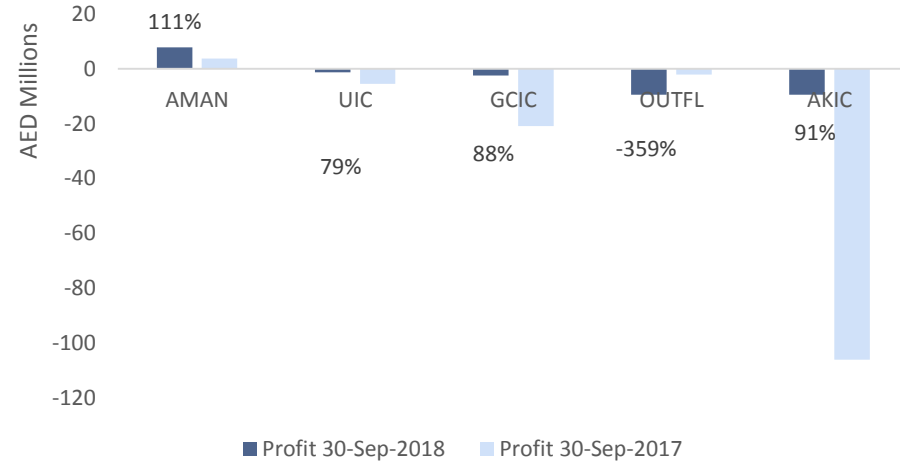
- 2016 Q3 experienced a sharp growth in profits as compared to 2015 Q3.
- Since 2016 Q3, the profit growth has been on a declining trend although it has remained positive throughout the last 3 years.

TOP 5



ORIENT booked the highest profit during the nine months of 2018 of **AED 352 million** as compared to the corresponding period of year 2017 of **AED 307 million**.

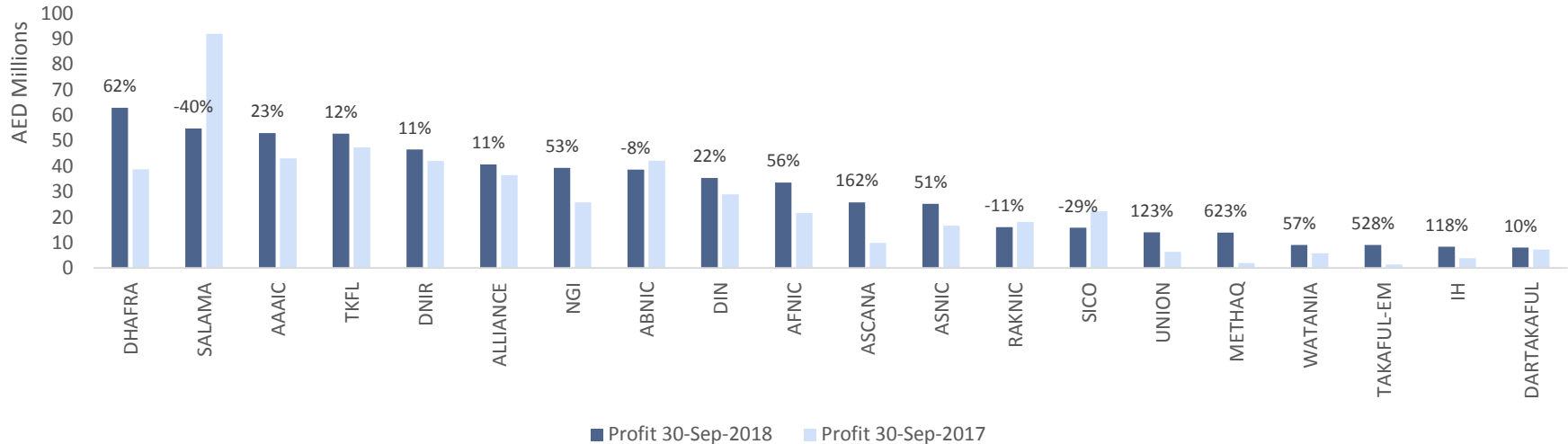
BOTTOM 5



AKIC booked the highest loss of **AED 9.4 million** during the nine months of 2018 as compared to the loss of **AED 106 million** in the corresponding period of year 2017.

AKIC showed major improvement with a drop in loss of **91%** as compared to the corresponding period of last year.

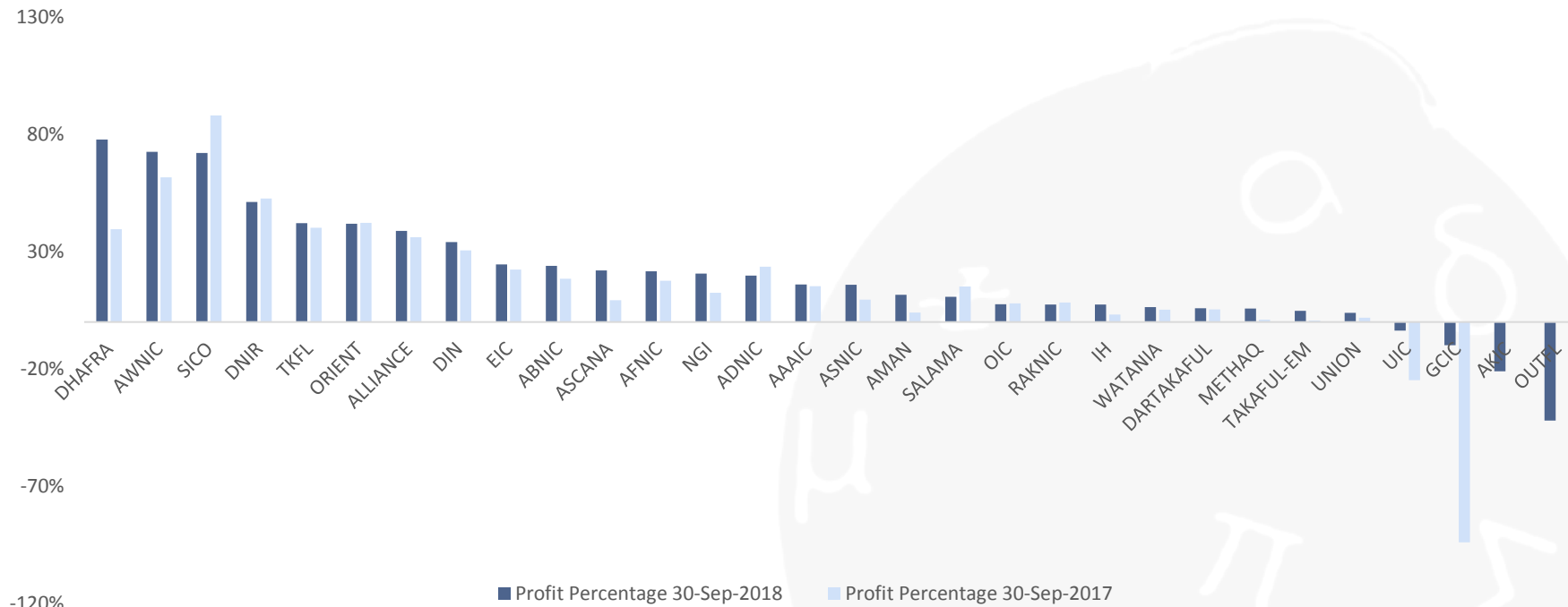
Others



➤ Total profit generated for the nine months of 2018 amounted to **AED 1,420 million** compared to the profit of the corresponding period of 2017 of **AED 1,092 million** which shows an increase of around **30.0%**.

➤ 4 out of the 30 companies posted losses in the nine months of 2018 amounting to approx. **AED 22 million**, as compared to 4 companies being loss making in the corresponding period in 2017 with **AED 134 million**.

Profit as a Percentage of NEP



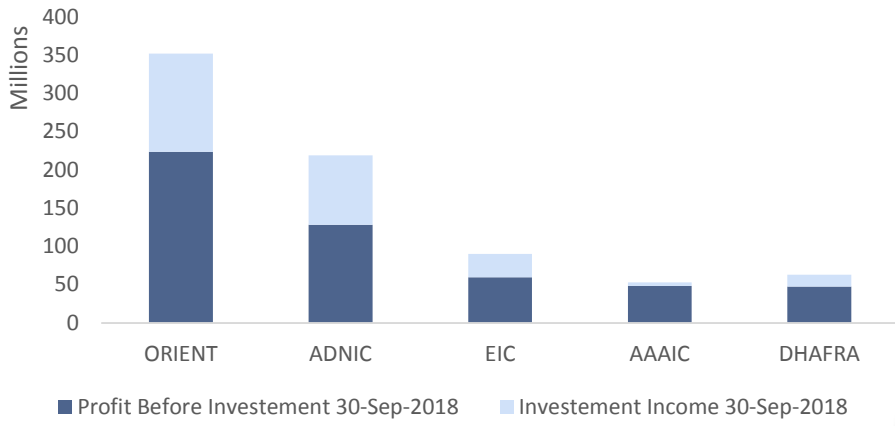
➤ In this chart, profitability of Companies on every unit of Net Earned Premium is compared.

➤ DHAFRA has produced the highest ratio of **78%** while OUTFL produced the lowest ratio of **-42%**.

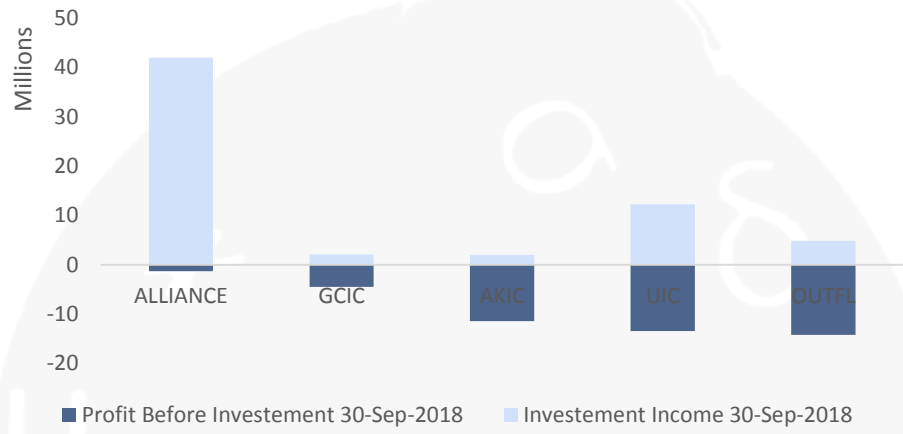
Profit Before and After Investment Income



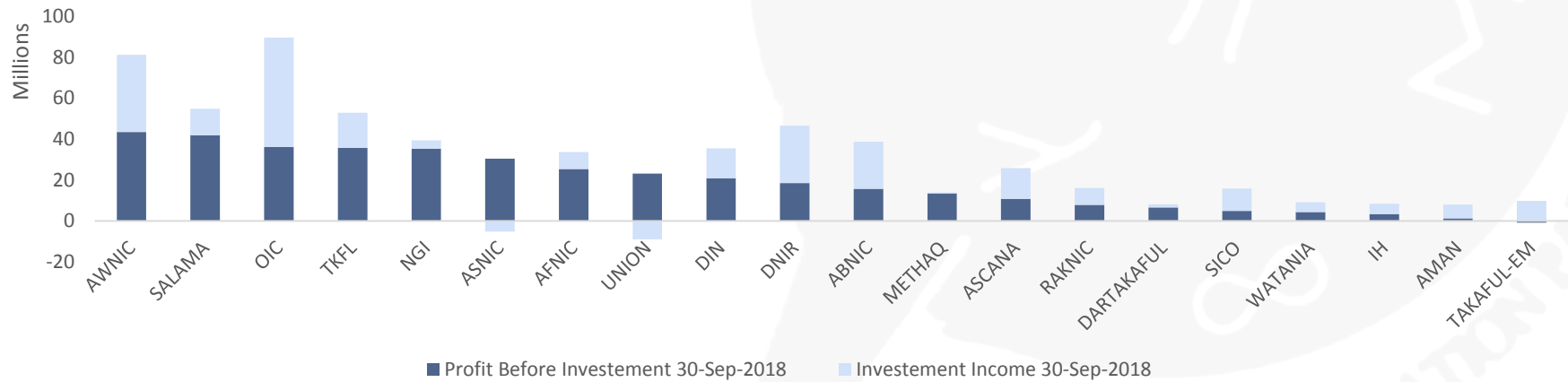
TOP 5



BOTTOM 5

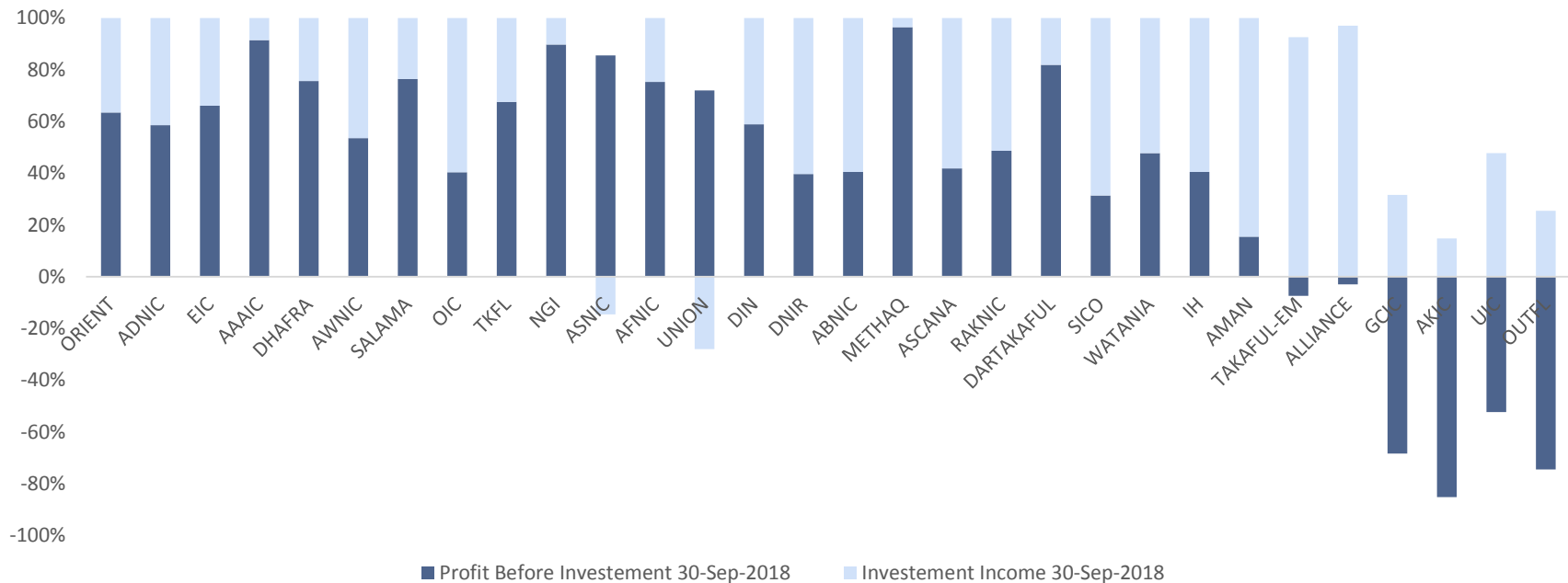


Others



The above is sorted by profit before investment income.

Profit Composition - UW and Investment Income



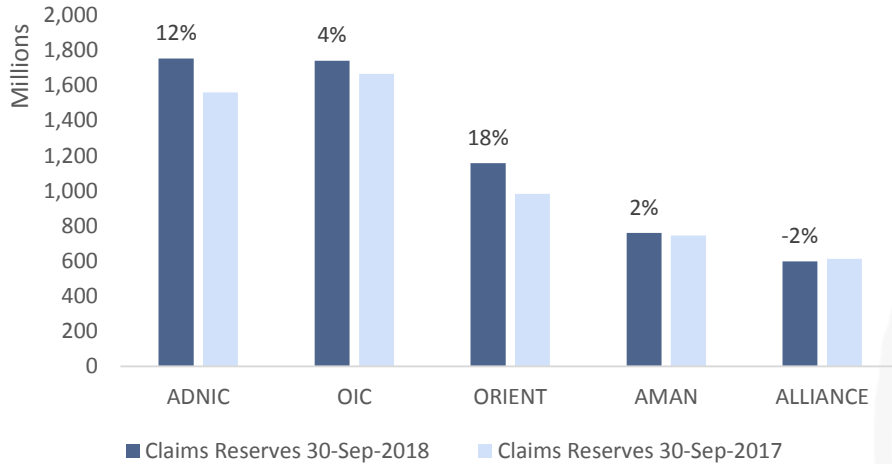
Premium Benchmarked on the basis of Profitability

Company	Ranking		Indic
	Gross Premium	Profit	
OIC	1	4	↓
ORIENT	2	1	↑
ADNIC	3	2	↑
AAAIC	4	8	↓
EIC	5	3	↑
SALAMA	6	7	↓
UNION	7	20	↓
TAKAFUL-EM	8	23	↓
NGI	9	12	↓
ABNIC	10	13	↓
DIN	11	14	↓
RAKNIC	12	18	↓
TKFL	13	9	↑
DNIR	14	10	↑
ASNIC	15	17	↓

Company	Ranking		Indic
	Gross Premium	Profit	
METHAQ	16	21	↓
DHAFRA	17	6	↑
WATANIA	18	22	↓
DARTAKAFUL	19	25	↓
ALLIANCE	20	11	↑
AWNIC	21	5	↑
AFNIC	22	15	↑
AMAN	23	26	↓
IH	24	24	→
ASCANA	25	16	↑
OUTFL	26	29	↓
UIC	27	27	→
SICO	28	19	↑
AKIC	29	30	↓
GCIC	30	28	↑

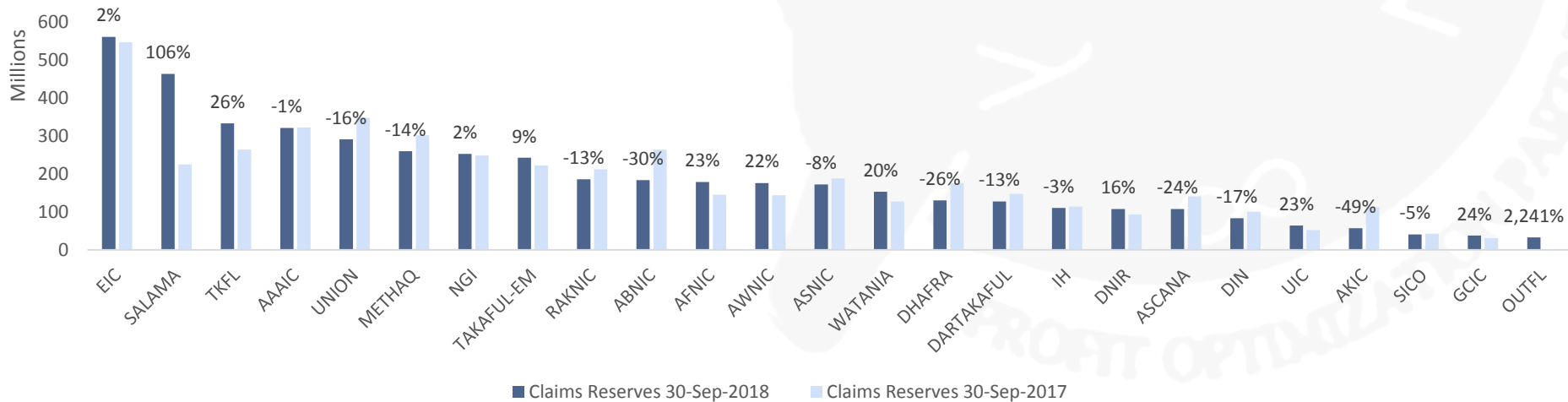
Of the top 10 companies by Premium volume, 7 have a lower rank when benchmarked on the basis of profitability. On the flip side ORIENT, ADNIC and EIC seem to have built up large and profitable books of business.

Net Technical Provisions



↻ Total net reserves as at Sep-2018 grew by 5% as compared to the net reserves as at Sep-2017

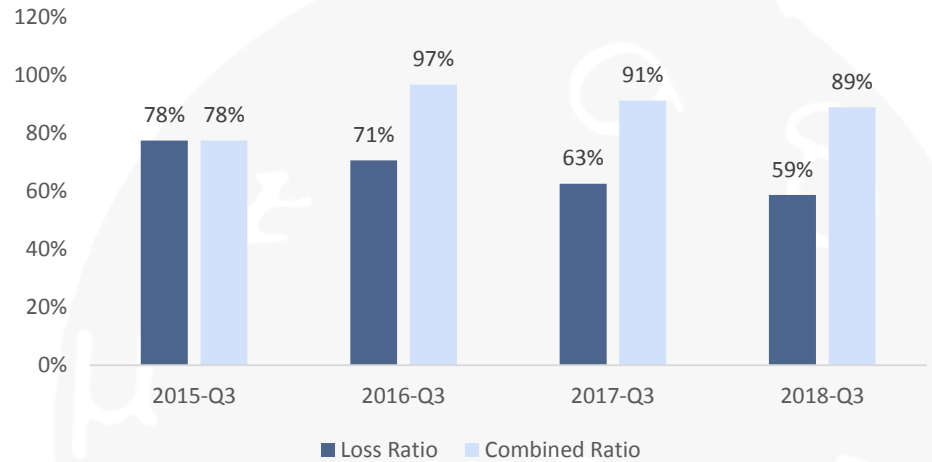
Net Technical Provisions - Others



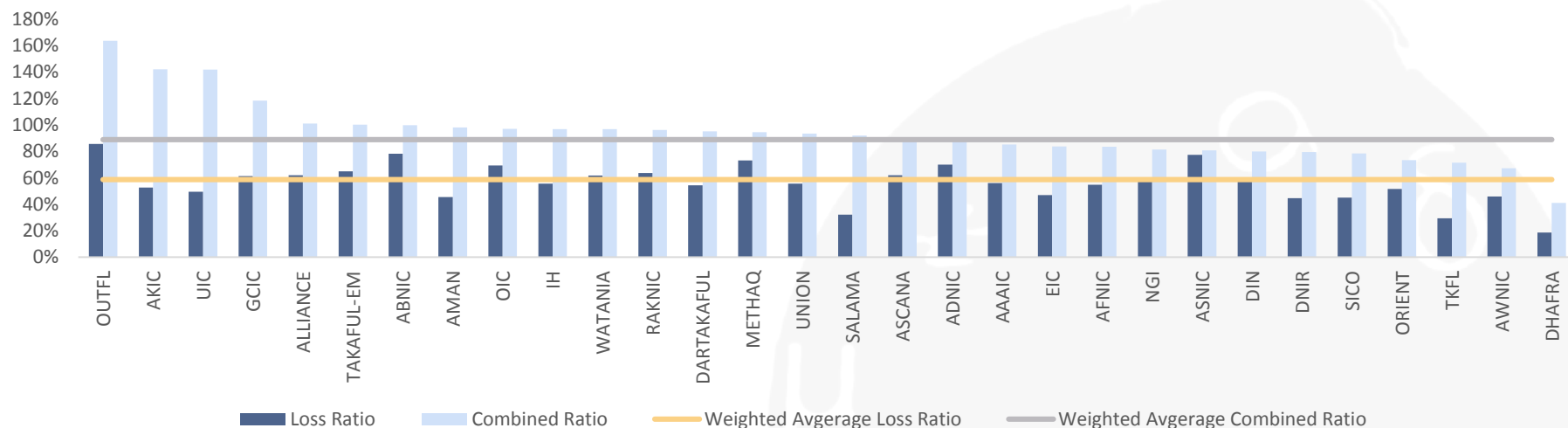
↪ Weighted Average loss and combined ratio depicts a decreasing trend over the 4 year period.

↪ In the nine months of 2018, weighted average loss ratio was **59% (Q3-2017: 63%)** and weighted average combined ratio was **89% (Q3-2017: 91%)**.

Loss and Combined Ratio 4- year Trend



Loss & Combined Ratio



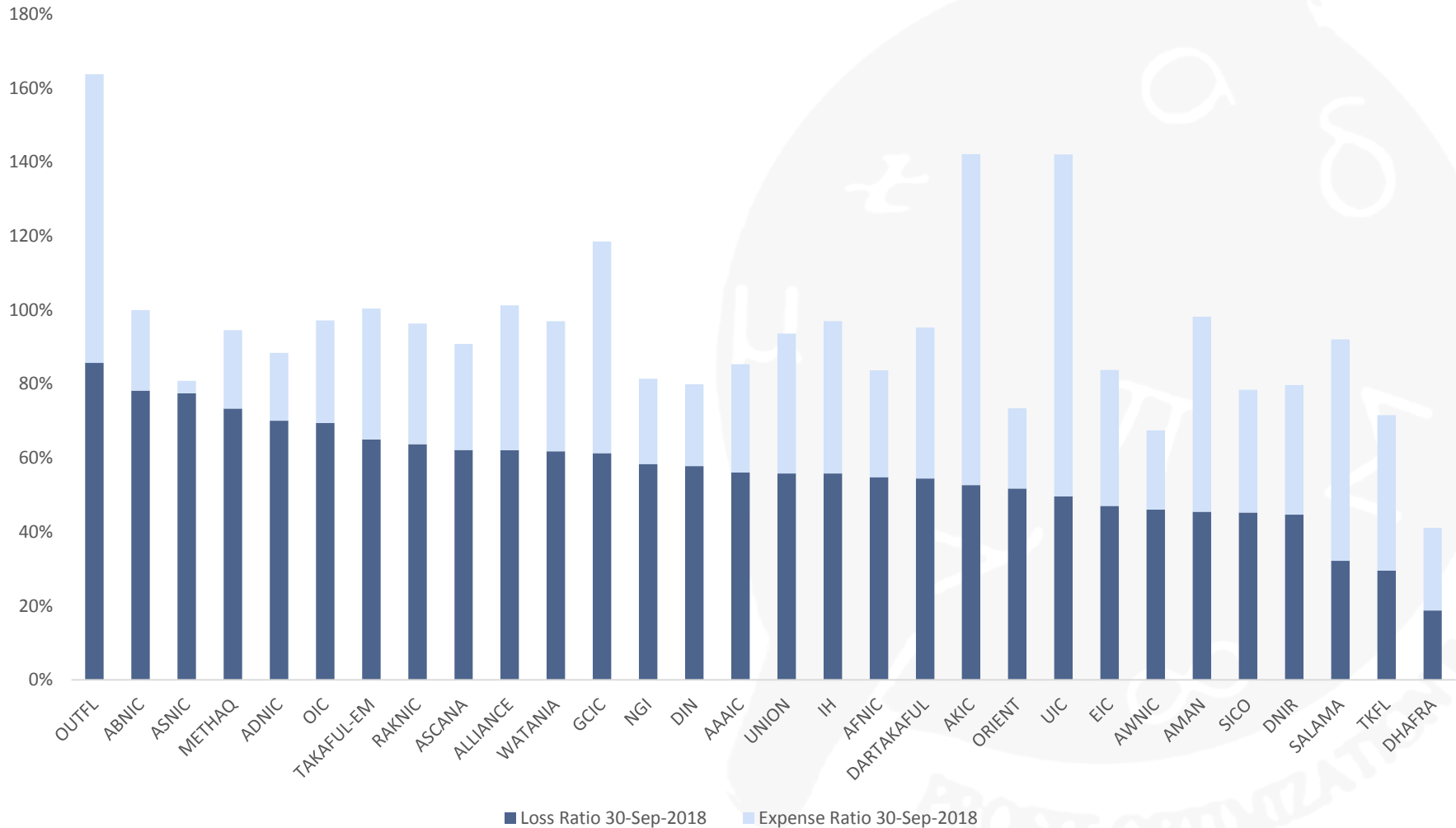
The highest combined ratio of nine months to 2018 is **164%** is reflected by OUTFL and the lowest combined ratio is of DHAFRA at **41%**.

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

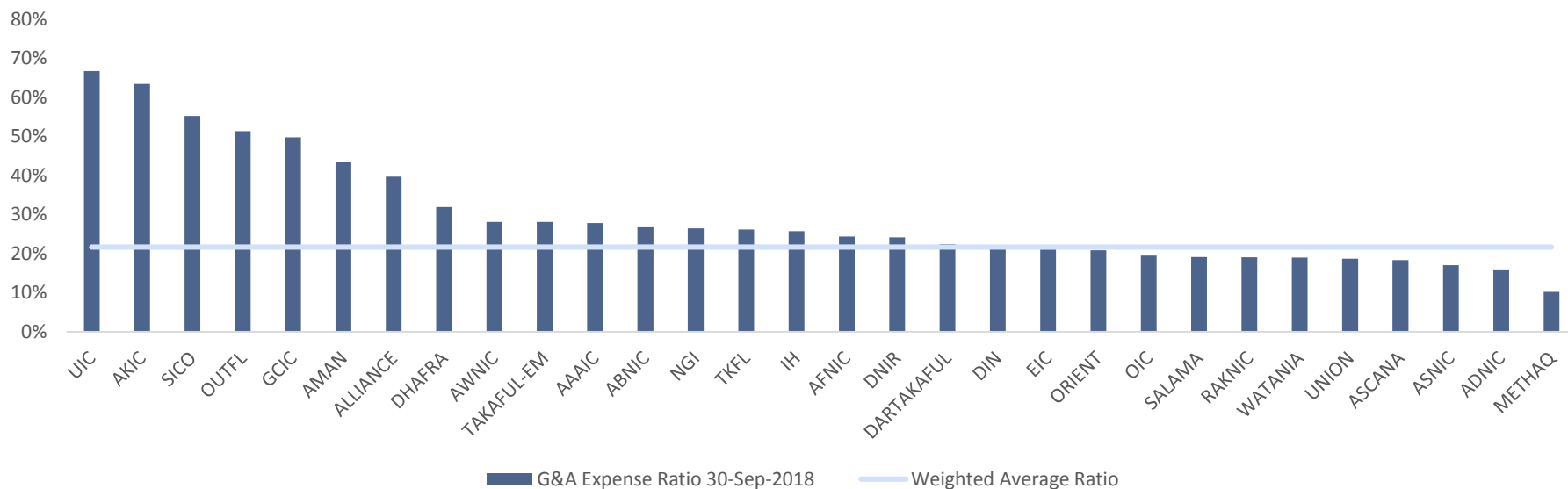
A company is deemed to be profitable from an underwriting perspective if the Combined Ratio is below 100%. **3** companies that are making underwriting losses are still booking overall profit due to investment income. Insurance companies need to concentrate on underwriting profits as that is their primary function. The new pricing regulations are a step in that direction.

Combined Ratio Breakup – Listed Companies

Loss and Expense Ratio



G&A Expense Ratio



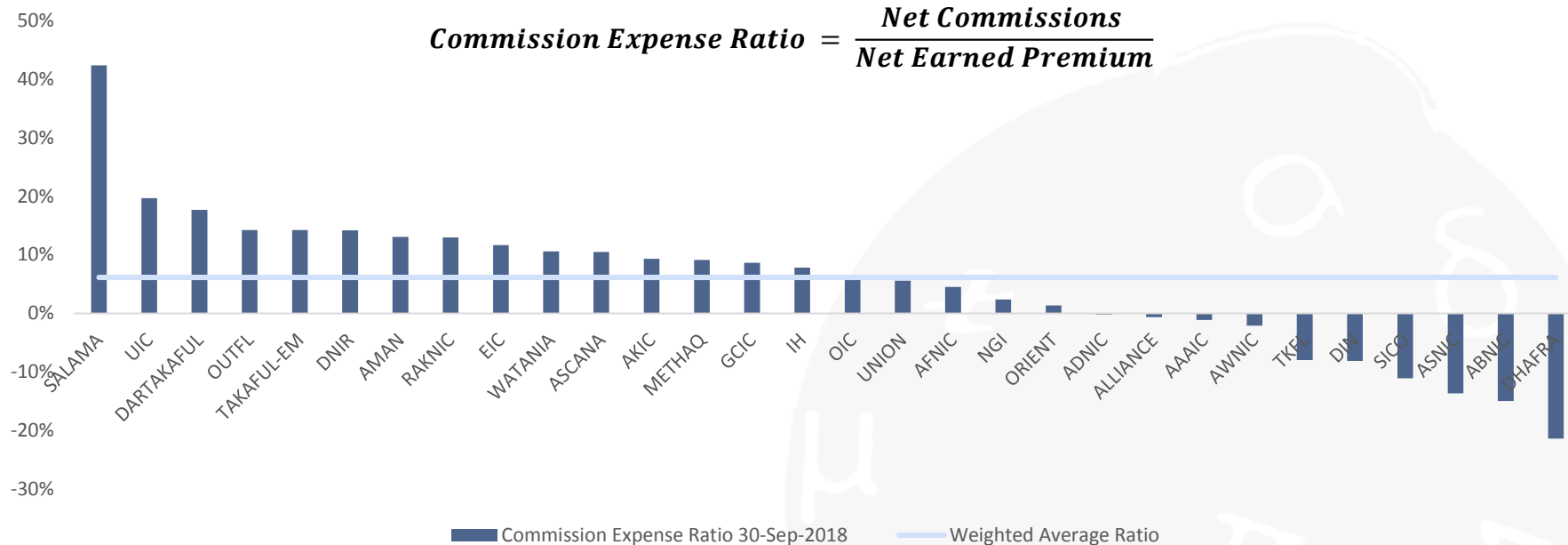
➤ The highest expense ratio for the nine months ended 2018 of **67%(Q3-2017: 153%)** is reflected by UIC, whereas the lowest expense ratio of **10%(Q3-2017 : 14%)** is reflected by MEHTAQ. Weighted Average expense ratio was at **22%(Q3-2017: 23%)**.

➤ 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

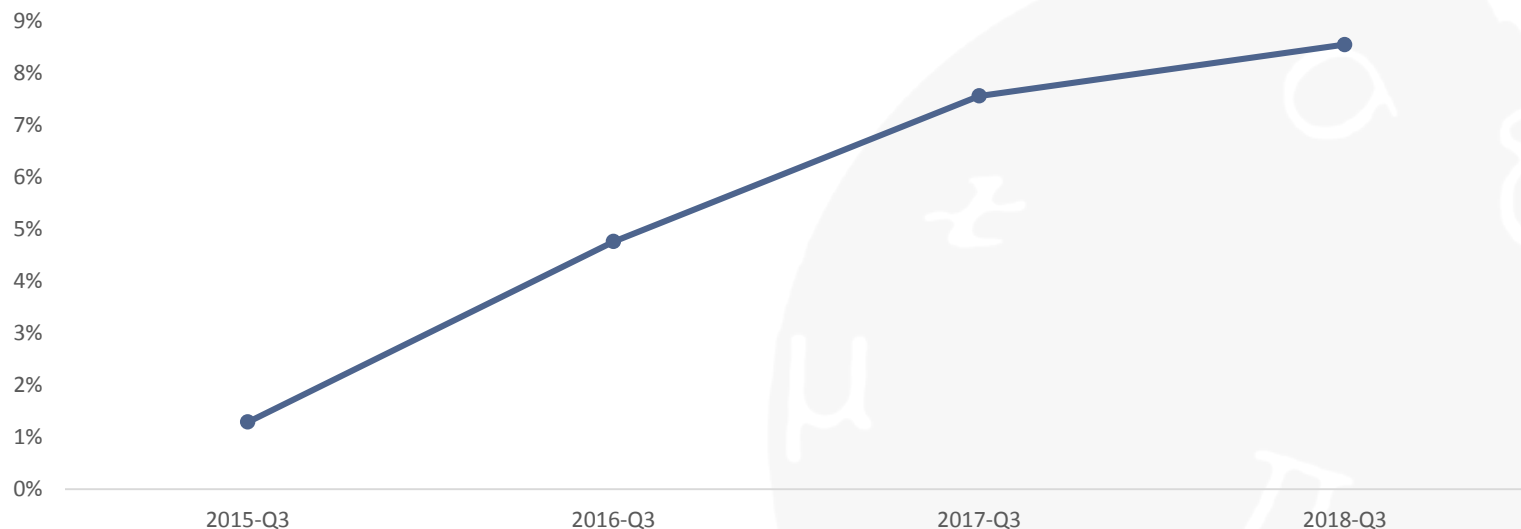
$$\text{Commission Expense Ratio} = \frac{\text{Net Commissions}}{\text{Net Earned Premium}}$$



➤ The highest commission expense ratio in the nine months to 2018 of **42%** is reflected by SALAMA, whereas the lowest expense ratio of **-21%** is reflected by DHAFRA. Weighted Average expense ratio was at **6%**.

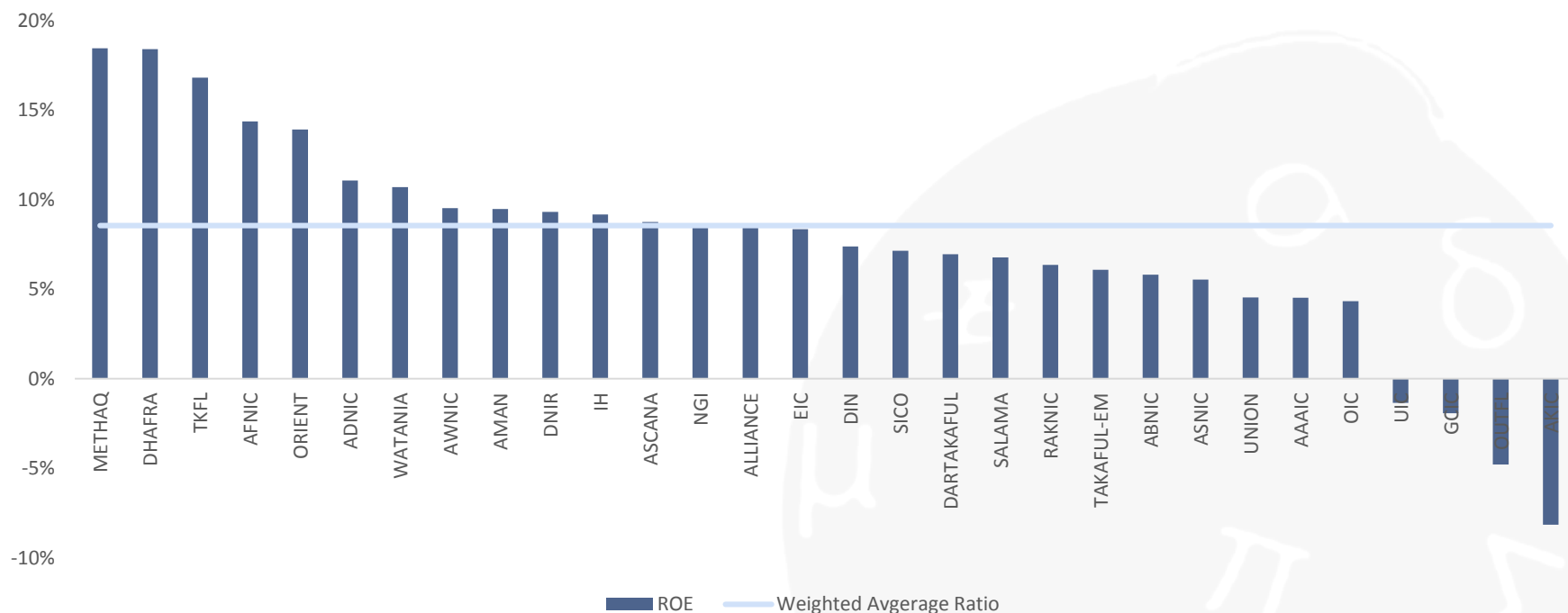
➤ The commission expense considered is the net commission (commissions paid less commissions earned); a negative ratio signifies that the commissions earned outweigh the commissions paid. In UAE market, it is common practice for companies to cede out large proportion of commercial lines business and 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 4 year Trend



- The shareholders of the listed Insurance Companies have experienced a steadily increasing Return on Equity over the 4 year period. The weighted average return on equity was at **8.6%** during nine months to 2018 as compared to **7.6%** during 2017.

Return on Equity – Listed Companies



➤ The highest return on equity for nine months to 2018 is **18%** is shown by MEHTAQ, whereas the lowest return on equity of **-8%** is reflected by **AKIC**.

➤ Weighted average return on equity was at **8.6%**.

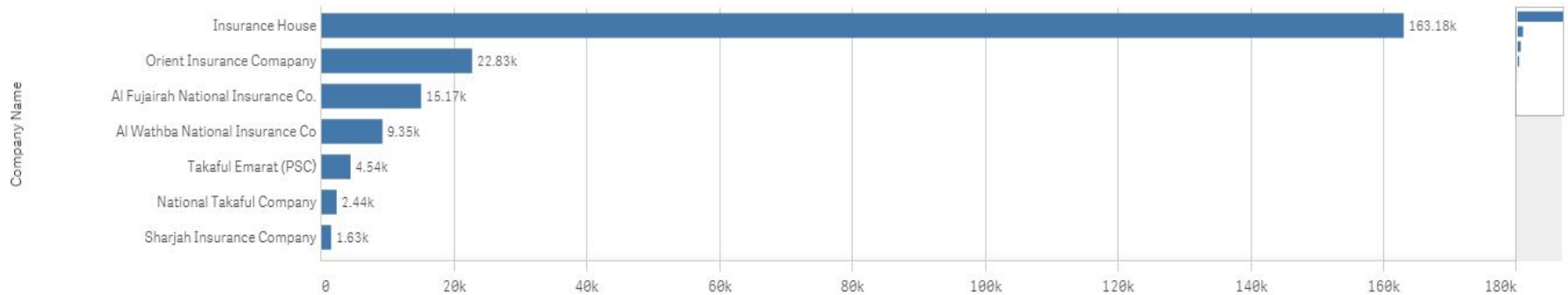
➤ The return on equity have been calculated as a ratio of net profit of nine months of 2018 to total shareholder's equity as at the beginning of 2018.

- ↪ Total premiums written, by the listed insurance companies, in the nine months of 2018 amounted to **AED 17.1 billion**, as compared to the premium written in the corresponding period of 2017 of **AED 16.8 billion** which shows a growth of **2.0%**. The average premium retention ratio was at **45%**.
- ↪ Total Profit, by the listed insurance companies, in the nine months of 2018 amounted to **AED 1,420 million**, compared to the profit of the corresponding period of 2017 of **AED 1,092 million** which shows a growth of **30.0%**.
- ↪ The weighted average return on equity was **8.6%**. This is an increase from **7.6%** weighted average return on equity in 2017.
- ↪ Average loss ratio for all companies analyzed was **59%** and average combined ratio was at **89%**. This is an improvement from 2017 where the loss and combined ratio averaged to **63%** and **91%** respectively.

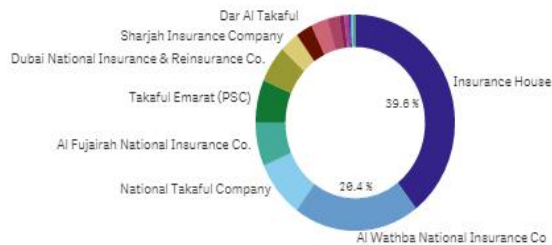
Social Media Reviews – Based on Facebook

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

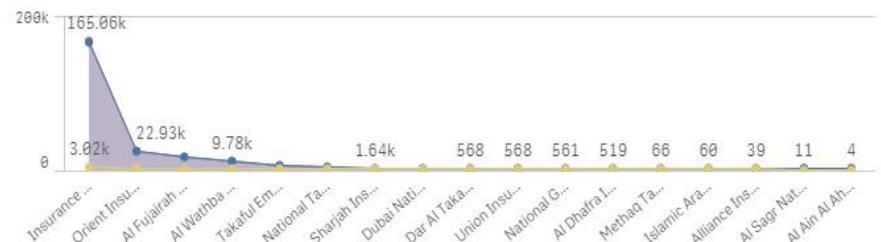
No. of Likes



No. of Post By Company



No. of Post By Type



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

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



- 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, 2018. The data has been extracted from nine month ended 2018 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 all 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.

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

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.

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