



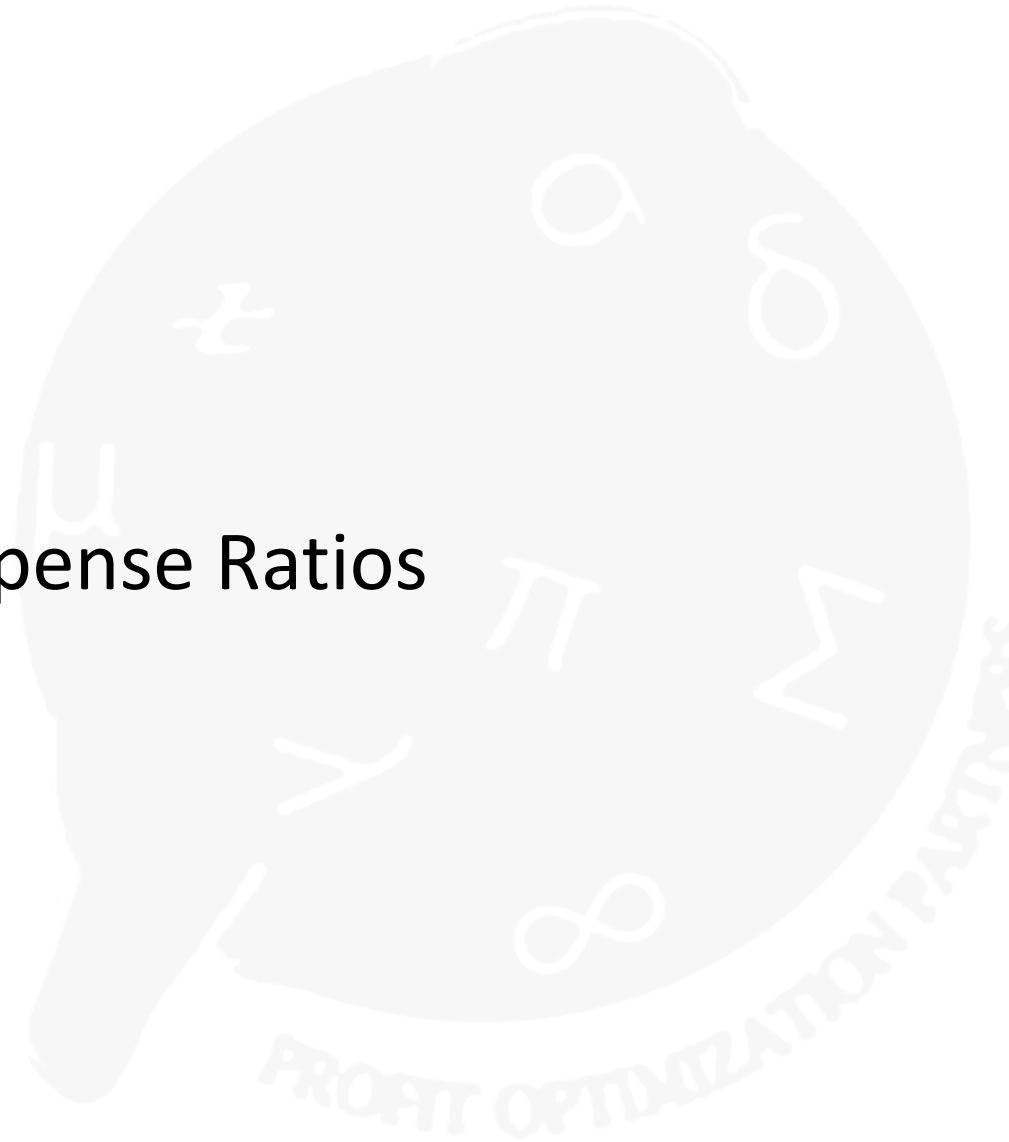
BADRI
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Performance Analysis of UAE Insurance Companies (including Branches) for the Year Ended Dec 31, 2015

June 2016

1. Introduction
2. Premiums
3. Profitability
4. Technical Provisions
5. Loss, Combined & Expense Ratios
6. Return on Equity
7. Conclusion



- 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, 2015. The data has been extracted from 2015 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 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 2015 and 2014 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 and branches is provided on the next page.

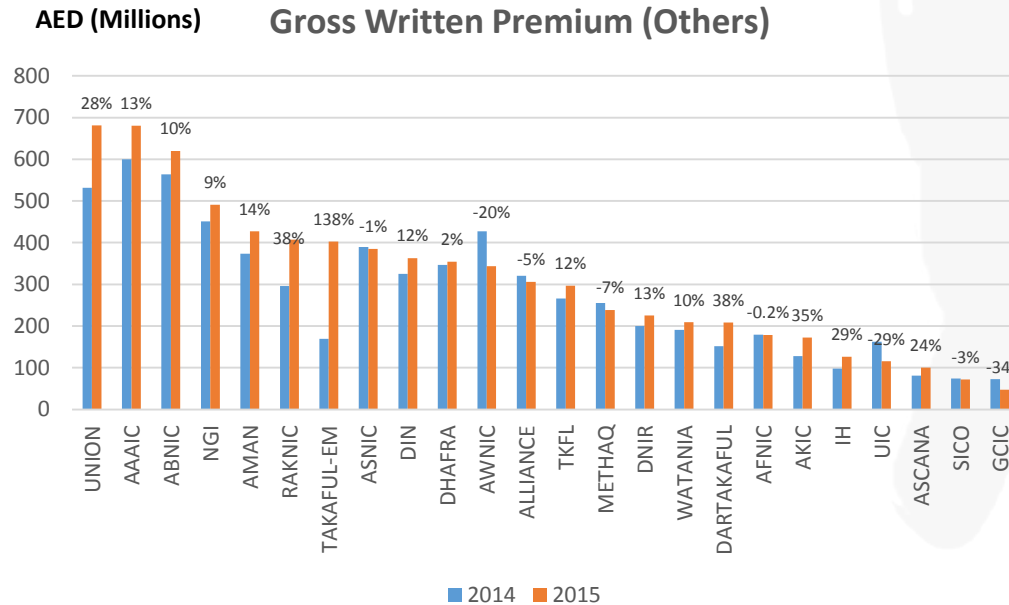
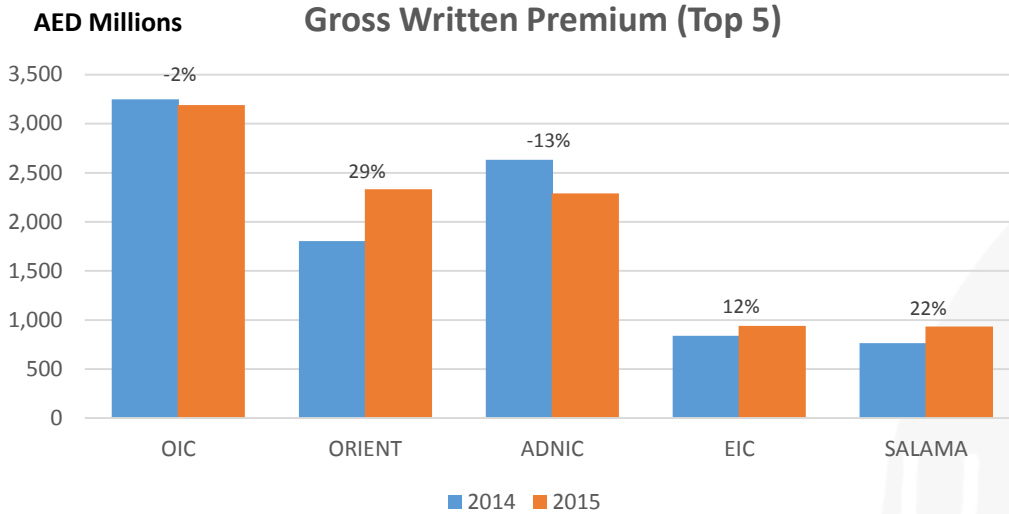
Introduction

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

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

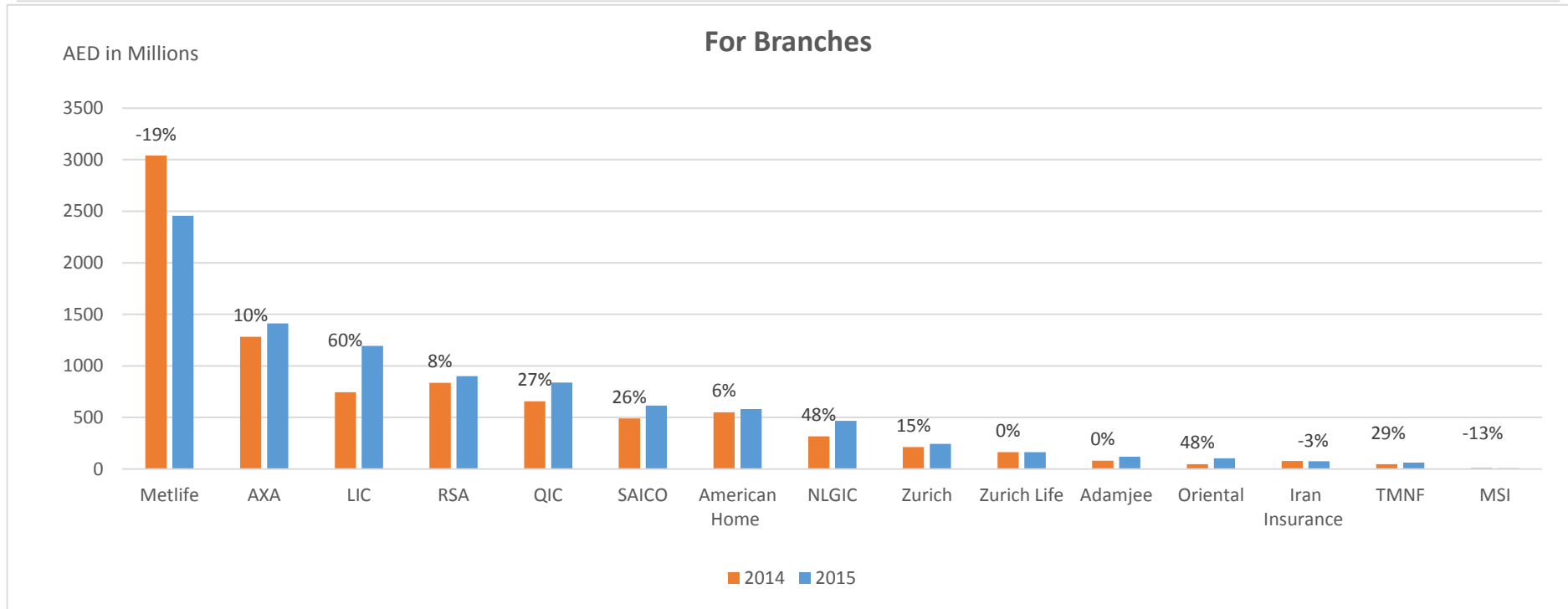
- The information from ARIG, GIC, Emirates Retakaful Limited and Malaysia Re has not been used as these are doing reinsurance business.
- The information from Daman, Al-Hilal Takaful, Noor Takaful Family and Noor Takaful General has not been shown as the accounts were not published.

Gross Written Premium – Listed Companies



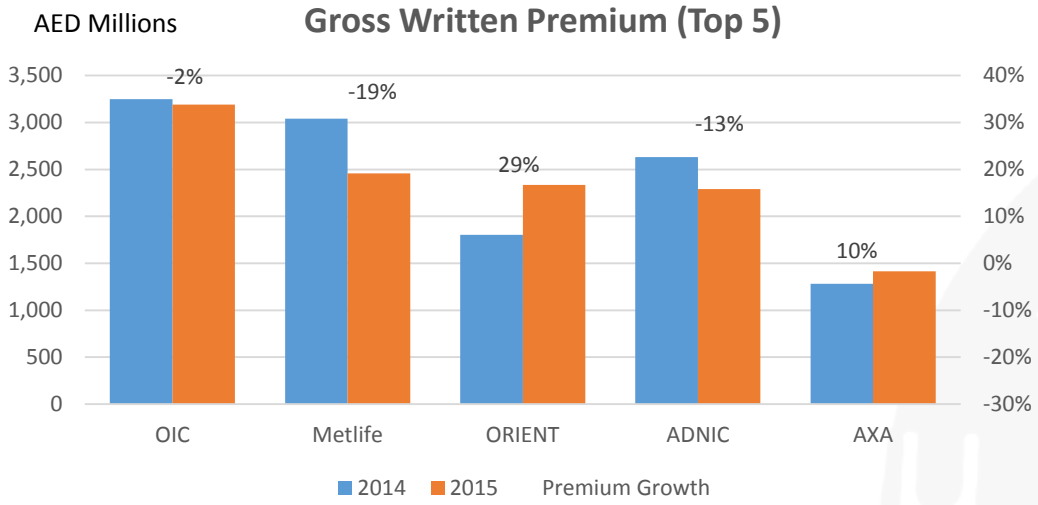
- Total premiums written, by the listed insurance companies, for the year 2015 amounted to **AED 17.1 billion**, as compared to the premium written in the corresponding period of 2014 of **AED 15.9 billion** which shows a growth of **7.5%**.
- The top 5 companies had a combined premium of **AED 9.7 billion** for the year 2015 as compared to **AED 9.3 billion** for 2014 and their market share has gone down marginally from **58.3%** to **56.5%**.
- The highest growth was shown by TAKAFUL-EM with an increase of **138%** for the year of 2015 in comparison to the year 2014.
- The highest decline was shown by GCIC with a decrease of 34% i.e. from AED 72.3 million for the year 2014 to AED 47.4 million for the year 2015.

Gross Written Premium – Branches

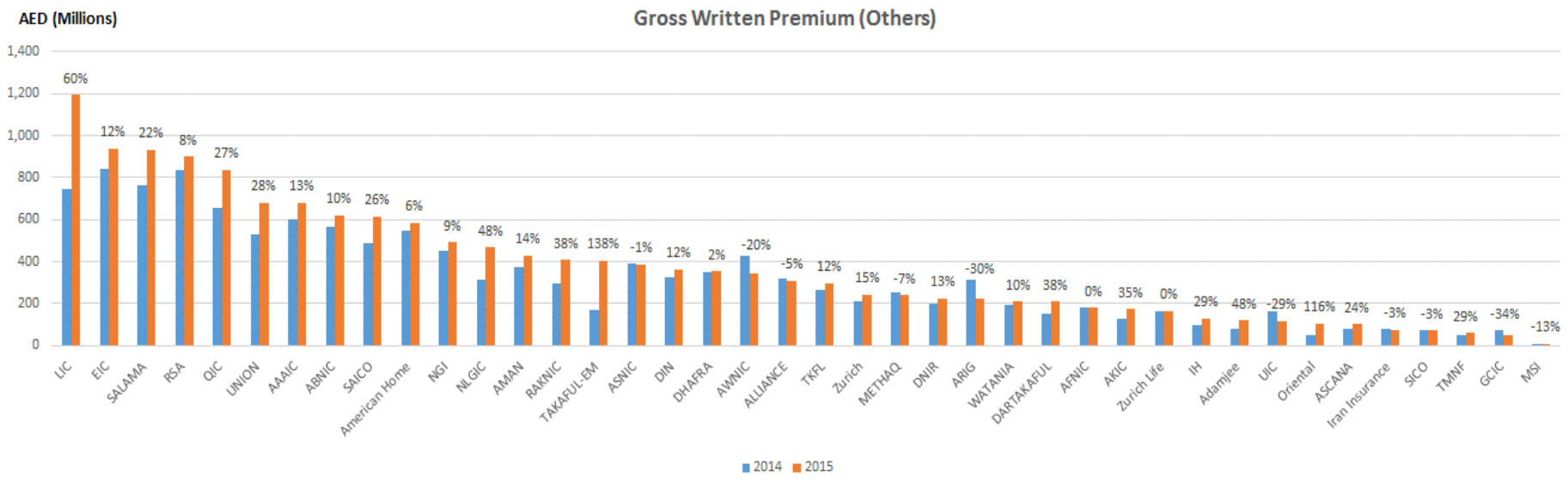


- Total premiums written, by the foreign branches, for the year 2015 amounted to **AED 9.2 billion**, as compared to the premium written in the corresponding period of 2014 of **AED 8.6 billion** which shows a growth of **8.0%**.
- The top 5 branches had a combined premium of **AED 6.8 billion** for the year 2015 which comprises around **74%** of total gross written premium for branches.

Gross Written Premium – Combined



- Total premiums written for all insurance companies and branches, for the year 2015 amounted to **AED 26.4 billion**, as compared to the premium written in the corresponding period of 2014 of **AED 24.5 billion** which shows a growth of **7.7%**.
- The top 5 companies had a combined premium of **AED 11.7 billion** for the year 2015 as compared to **AED 12.0 billion** for 2014 and their market share has gone down marginally from **48%** to **44%**.
- As seen from the graph, out of the top 5 companies, 2 are branches and out of the top 10, 5 are branches. This clearly reflects that foreign branches have a significant presence in the UAE insurance market.



Estimating Total Market Volume



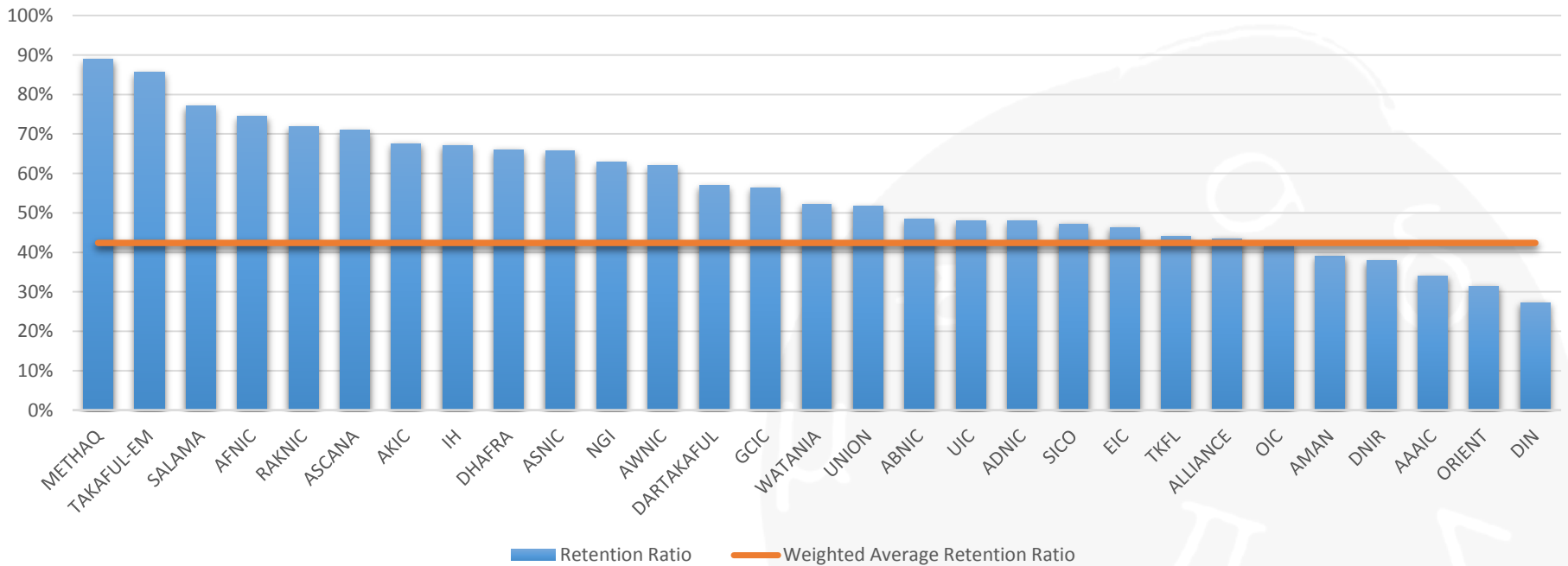
- Daman:
 - As per HAAD Statistics of 2013, DAMAN covered **596,056** members at an average premium of **AED 4,450** under the enhanced plan. Assuming a 10% growth per annum and assuming that 85% of their portfolio comes from Abu Dhabi, their premium for 2015 has been estimated as **AED 3.8 billion**. Here we are only considering the enhanced plan of Daman and not basic and Thiqat
- 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 plus branches.

Gross Written Premium – Combined

- Therefore, the total premium is estimated to be **AED 31.5 billion**. The breakup is provided below:

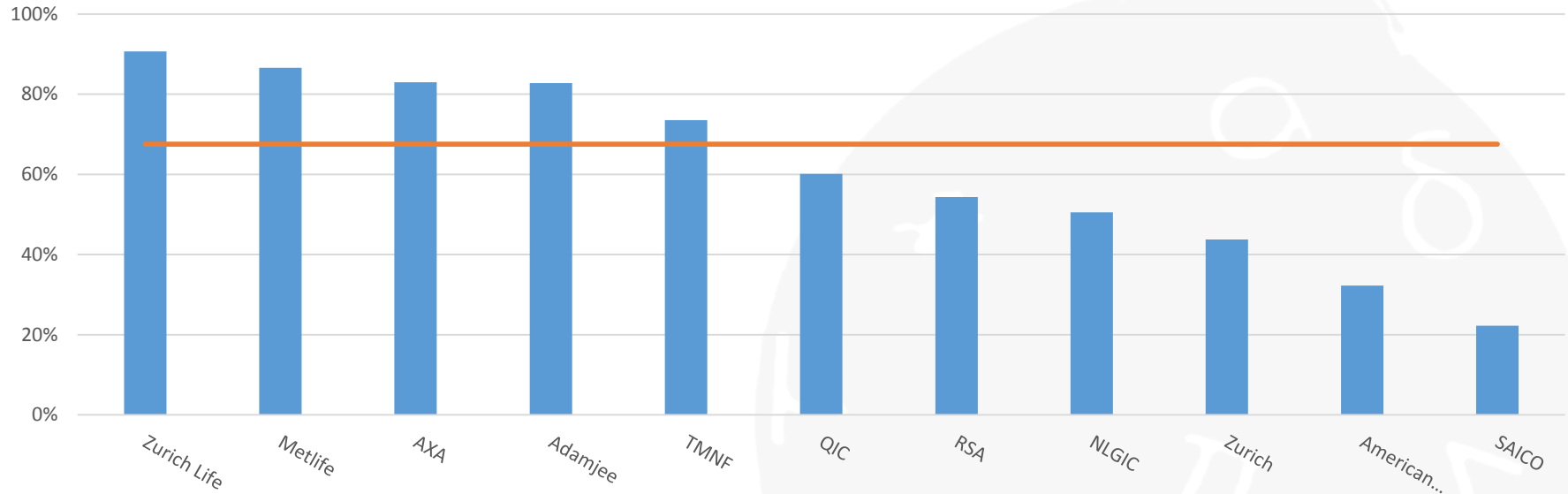
Particulars	Gross Premium (AED in Millions)
Listed Companies	17,138
Foreign Branches	9,239
DAMAN	3,800
Estimate for the Companies whose financials are not available with us	1,319
Total	31,496

Retention Ratio – Listed Companies



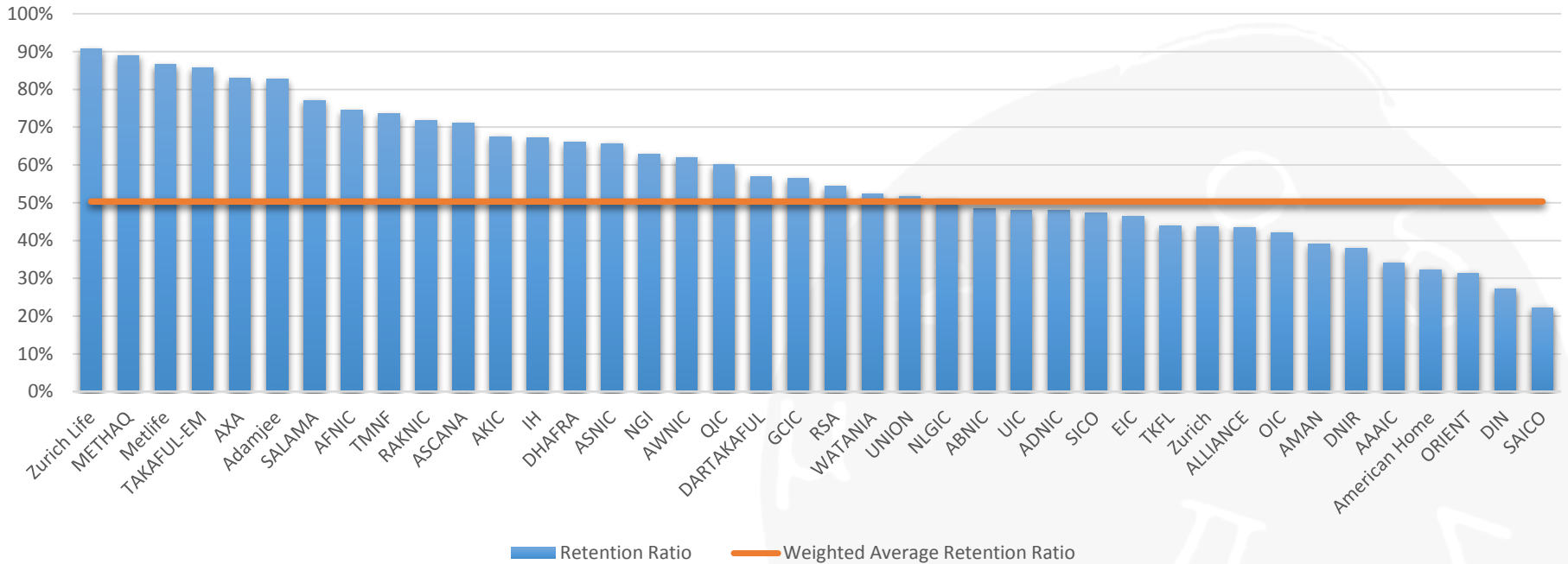
- The highest retention ratio for the year 2015 of **89%** is reflected by METHAQ, whereas the lowest retention ratio of **27%** is reflected by DIN.
- The weighted average retention ratio for listed companies was at **42%**.
- The retention ratios have been calculated as a ratio of net written premium to gross written premium.

Retention Ratio – Branches



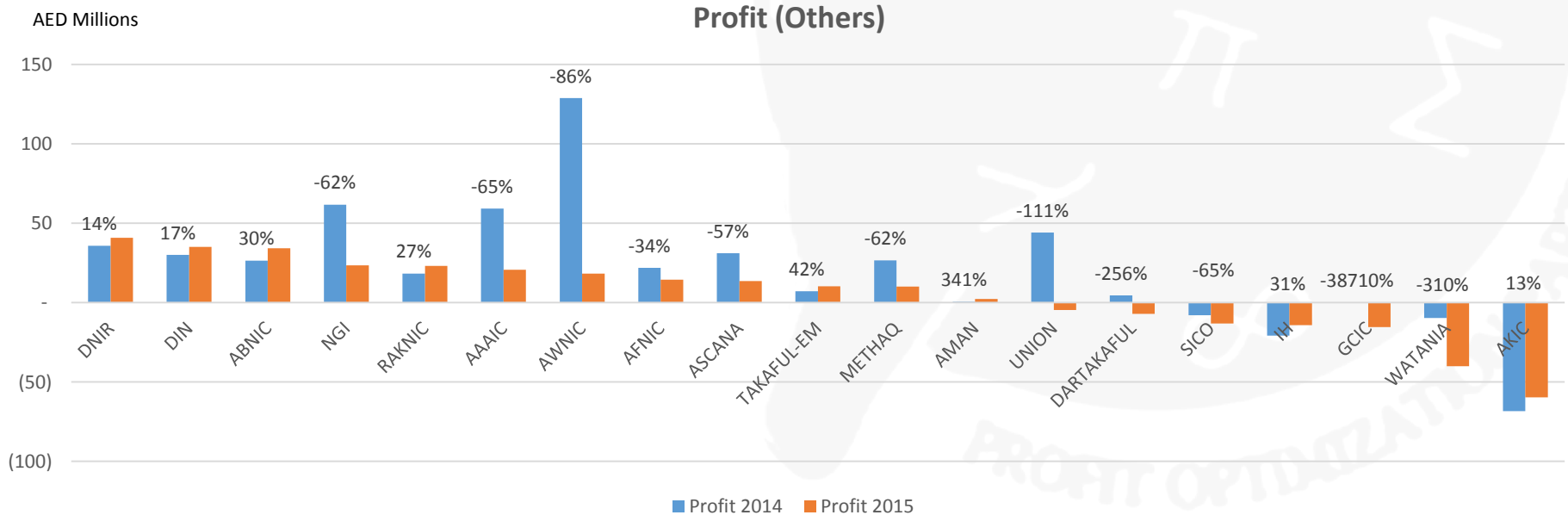
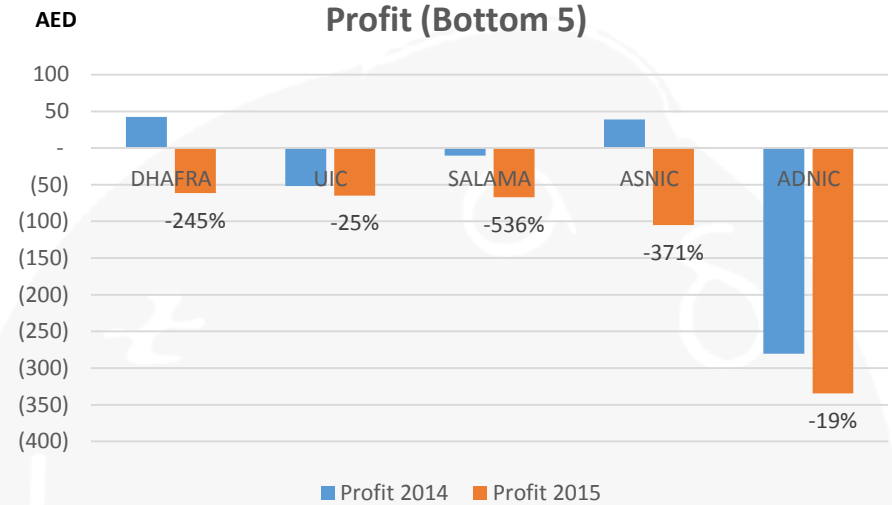
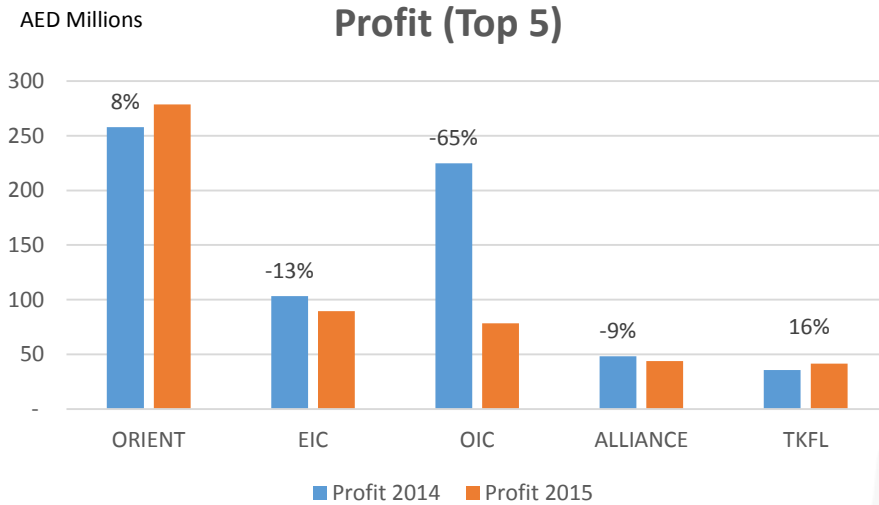
- The highest retention ratio for the year 2015 of **91%** is reflected by Zurich Life, whereas the lowest retention ratio of **22%** is reflected by SAICO.
- The weighted average retention ratio for foreign branches was at **67.5%**.
- MSI, LIC, ORIENTAL and Iran Insurance reflected a **100%** retention ratio and we have excluded them from the retention analysis.
- The retention ratios have been calculated as a ratio of net written premium to gross written premium.

Retention Ratio – Combined



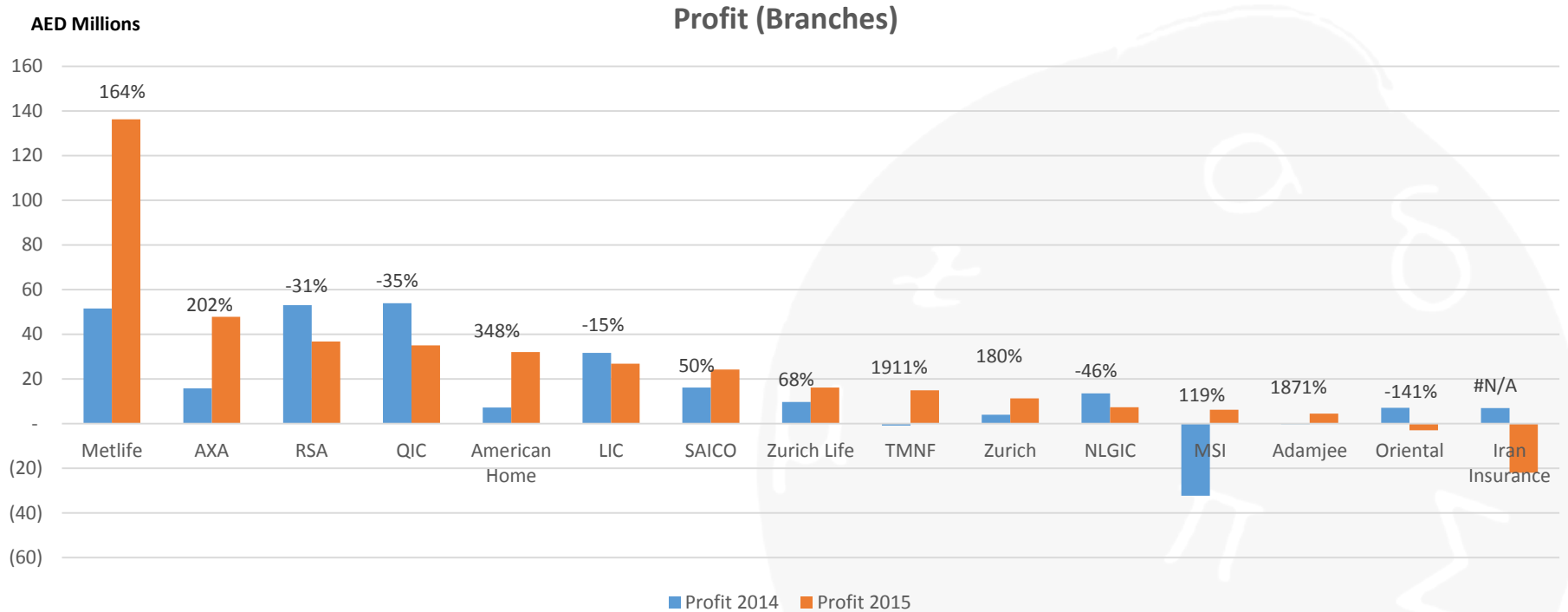
- The highest retention ratio for the year 2015 of **91%** is reflected by Zurich Life, whereas the lowest retention ratio of **22%** is reflected by SAICO.
- The weighted average retention ratio for listed companies is 42% and branches is 67.5% making the overall combined ratio to **50.3%**. This shows that generally the branches retain more as compared to local companies.

Profit (Before Tax) for the period 2015 – Listed Companies



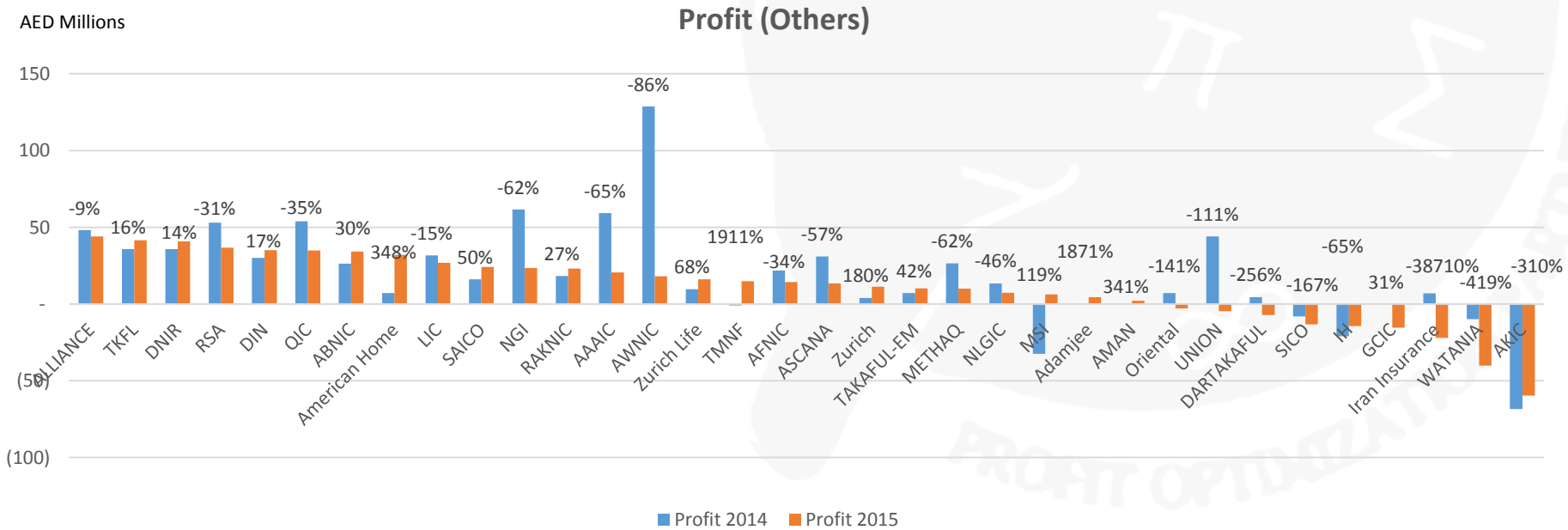
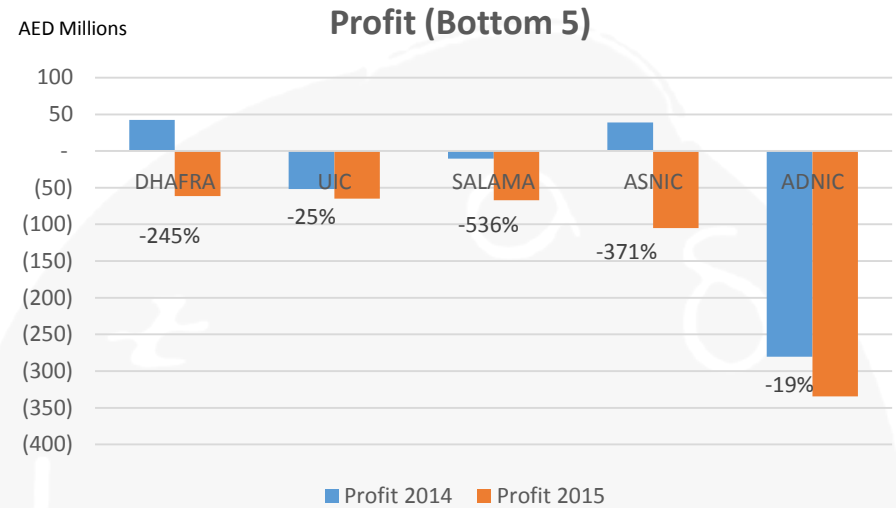
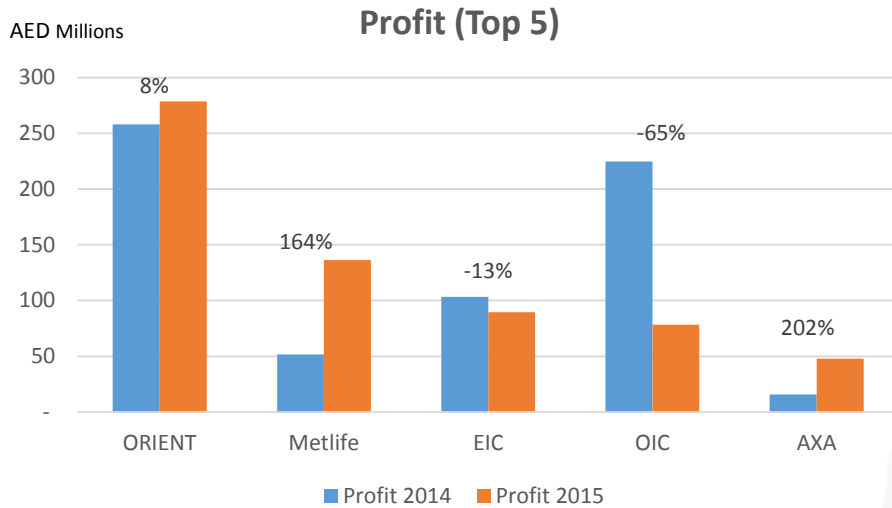
- Total loss generated for the year 2015 amounted to **AED 9.7 million** compared to the profit of the corresponding period of 2014 of **AED 797.1 million** which shows a reduction of **101%**. A large component of this reduction is due to ADNOC and without ADNOC the profit went from **AED 1,077 million** to **AED 325 million** or a **reduction of 69%**.
- As at Sep 30, 2015, the profit amounted to **AED 215 million** which means that overall the listed companies made a loss in the 4th quarter.
- All companies have to be compliant with the Financial regulations with regards to reserving by year end 2016. Therefore we expect many companies to increase their reserves this year and this strain on profitability will continue.
- ORIENT booked the highest profit of **AED 279 million** as compared to **AED 258 million** as at Dec 31, 2014. ADNOC booked the highest loss of **AED 335 million** as compared to a loss of **AED 280 million** as at Dec 31, 2014.
- The highest growth in profit, from Dec 31, 2014, was shown by AMAN with an increase of 341% i.e. from a profit of **AED 0.5 Million** to a profit of **AED 2.2 million**.
- The highest growth in loss, from Dec 31, 2014, was shown by GCIC with a decrease in profit of 3800% i.e. from a profit of **AED 40 thousand** to a loss of **AED 15 million**.

Profit for the period 2015 – Branches



- Total profit generated by the Foreign Branches for the year 2015 amounted to **AED 374 million** compared to the profit of the corresponding period of 2014 of **AED 237 million** which shows a growth of **58%**.

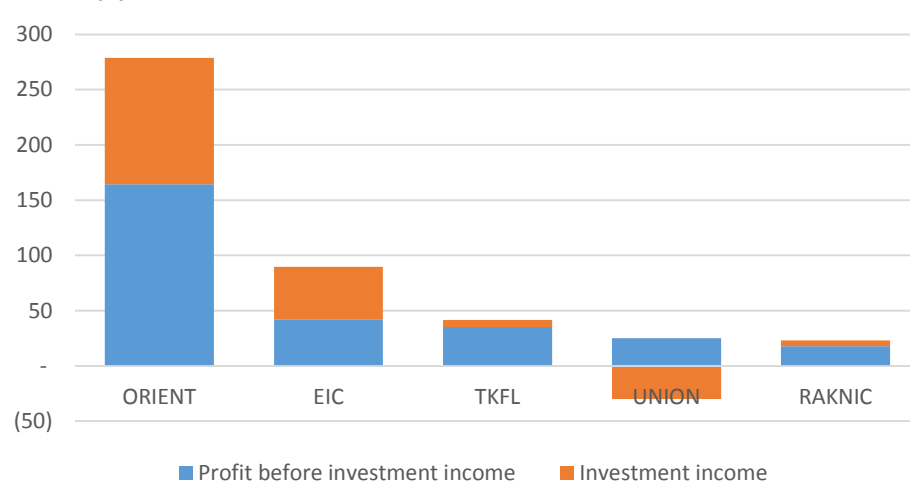
Profit (Before Tax) for the period 2015 – Combined



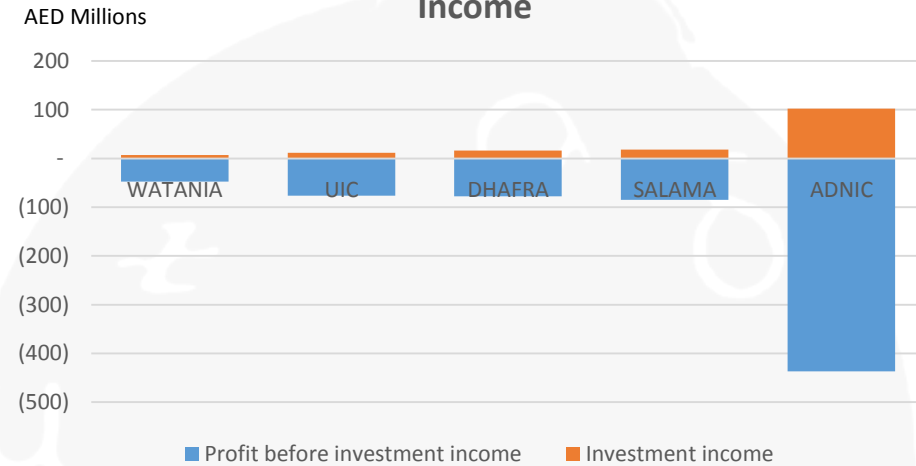
Company/ Branch	Ranking		Indic	Company/ Branch	Ranking		Indic
	Gross Premium	Profit			Gross Premium	Profit	
OIC	1	4	↓	DIN	22	10	↑
Metlife	2	2	→	DHAFRA	23	40	↓
ORIENT	3	1	↑	AWNIC	24	19	↑
ADNIC	4	44	↓	ALLIANCE	25	6	↑
AXA	5	5	→	TKFL	26	7	↑
LIC	6	14	↓	Zurich	27	24	↑
EIC	7	3	↑	METHAQ	28	26	↑
SALAMA	8	42	↓	DNIR	29	8	↑
RSA	9	9	→	WATANIA	30	38	↓
QIC	10	11	↓	DARTAKAFUL	31	33	↓
UNION	11	32	↓	AFNIC	32	22	↑
AAAIC	12	18	↓	AKIC	33	39	↓
ABNIC	13	12	↑	Zurich Life	34	20	↑
SAICO	14	15	↓	IH	35	35	→
American Home	15	13	↑	Adamjee	36	29	↑
NGI	16	16	→	UIC	37	41	↓
NLGIC	17	27	↓	Oriental	38	31	↑
AMAN	18	30	↓	ASCANA	39	23	↑
RAKNIC	19	17	↑	Iran Insurance	40	37	↑
TAKAFUL-EM	20	25	↓	SICO	41	34	↑
ASNIC	21	43	↓	TMNF	42	21	↑
				GCIC	43	36	↑
				MSI	44	28	↑

Of the top 10 companies by Premium volume, 6 have a lower rank when benchmarked on the basis of profitability. ADNIC and SALAMA especially would languish right at the bottom of that stack. On the flip side, Orient and EIC seem to have built up large and profitable books of business, while MNC branches Metlife and AXA also have high volume/profitable business.

Top 5 Based on Profit before Investment Income

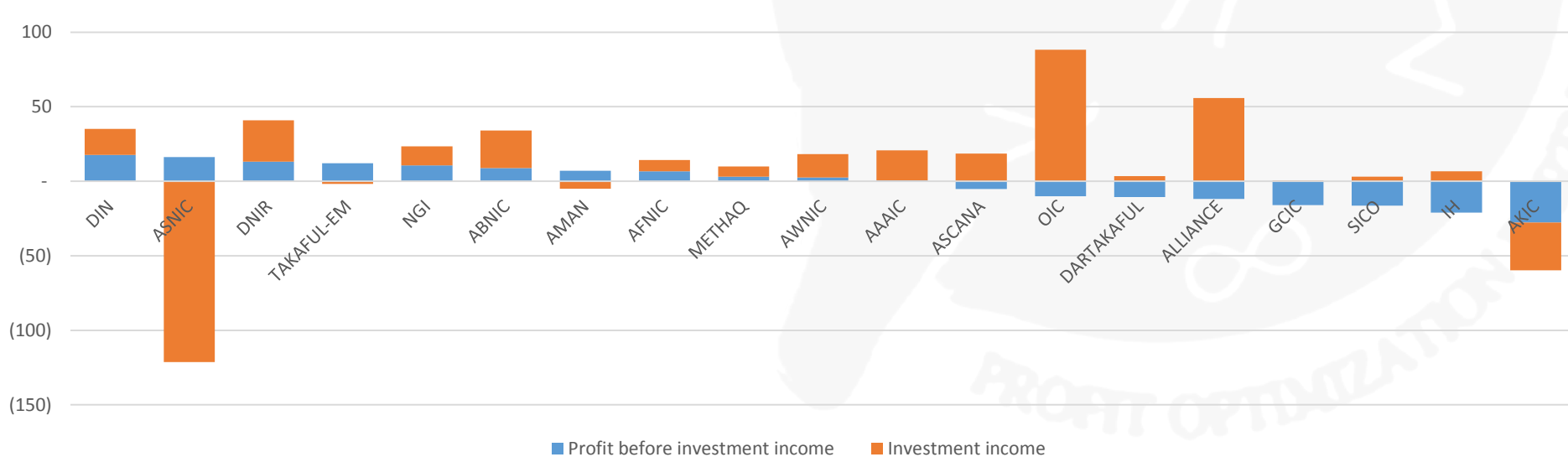


Bottom 5 Based on Profit before Investment Income

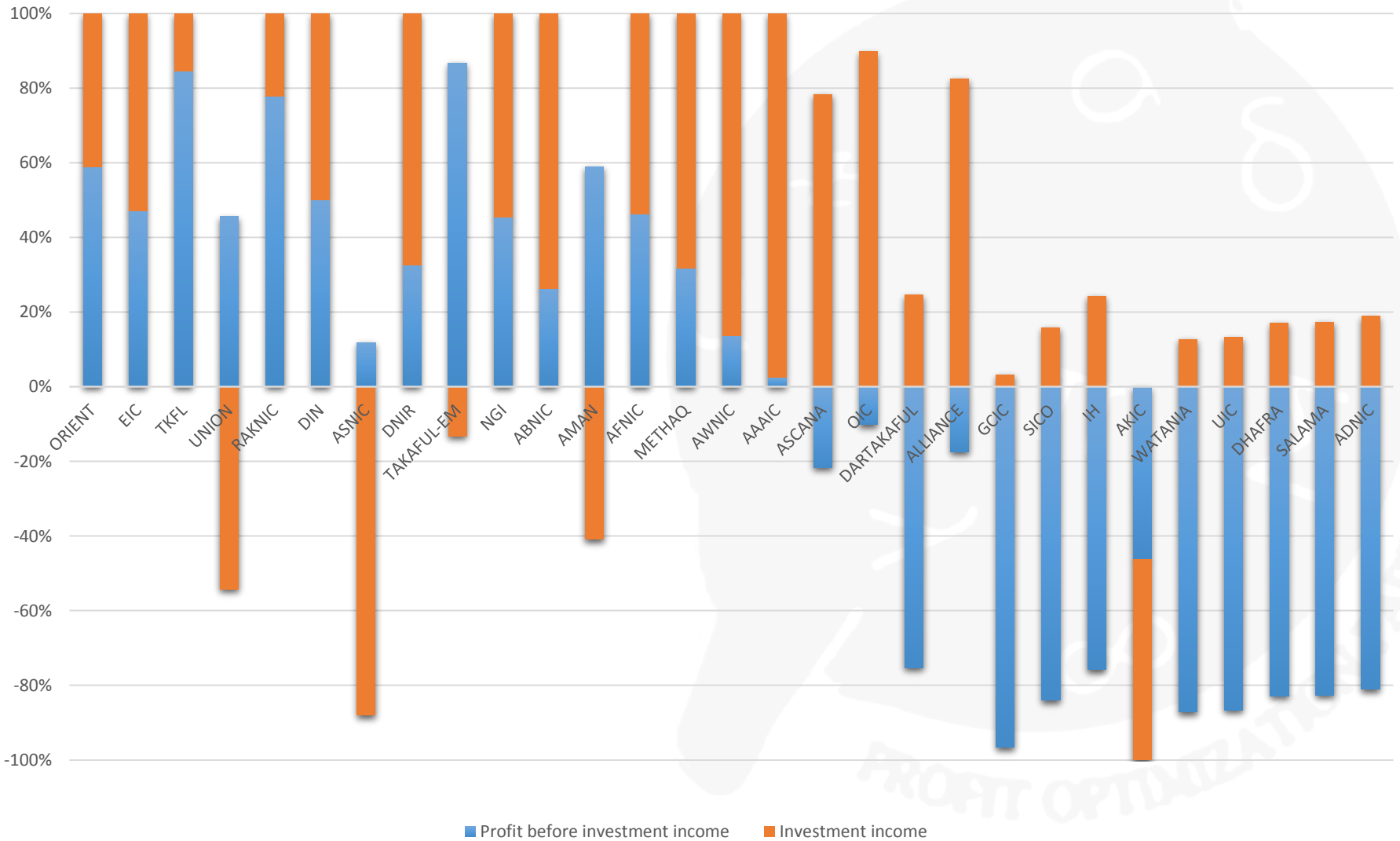


AED Millions

Others Based on Profit before Investment Income

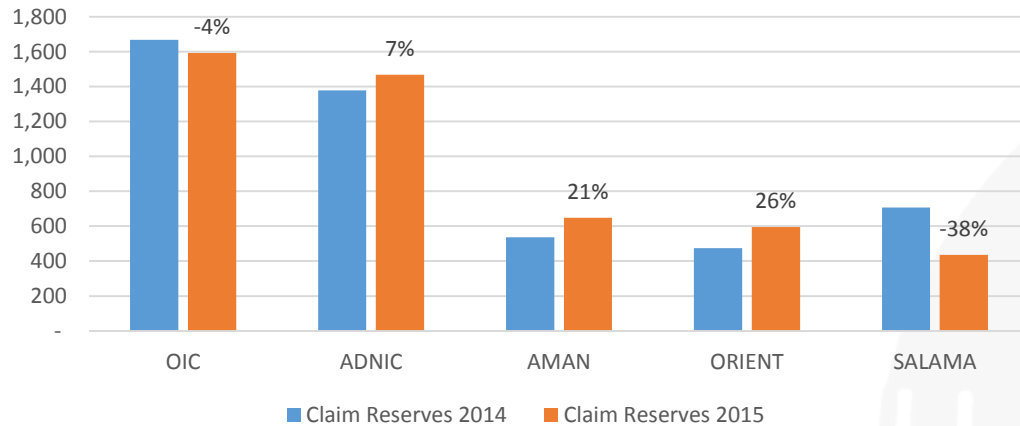


Profit with investment income



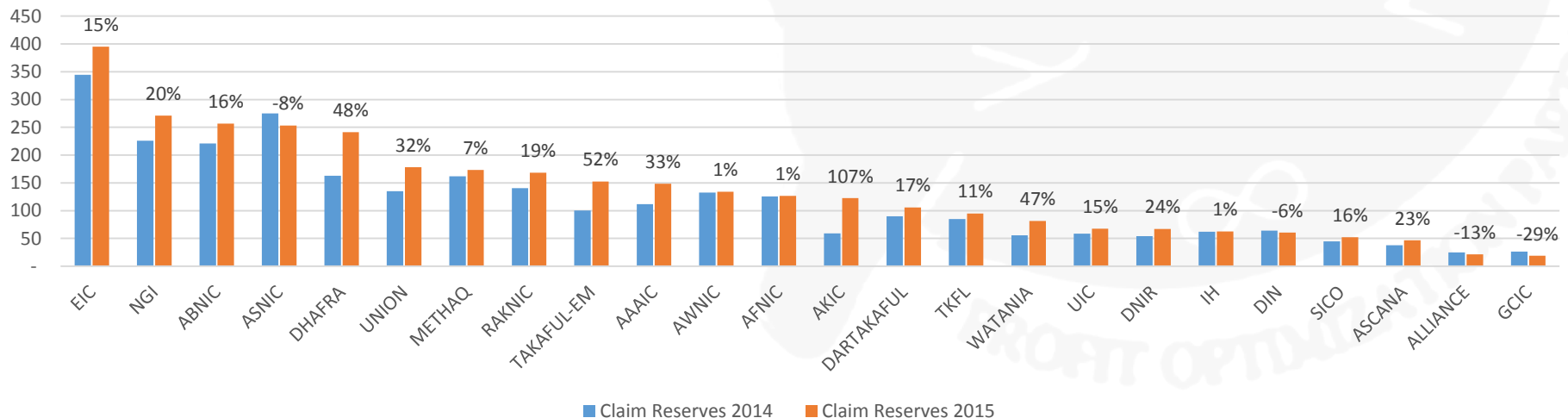
Technical Provisions – Listed Companies

AED Millions **Top 5 - Net Technical Provisions**

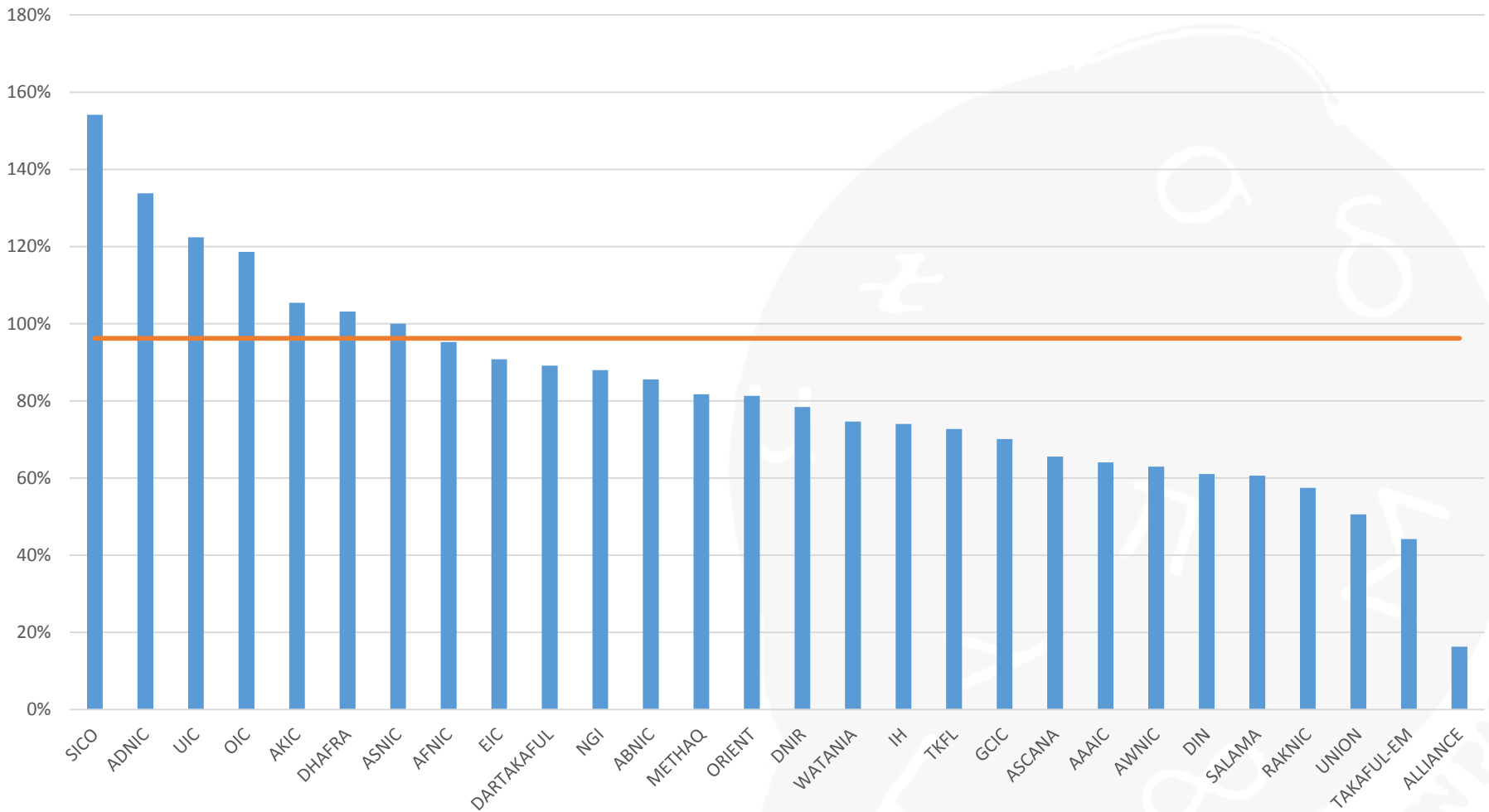


- Total net reserves for the year 2015 grew by **6.33%** as compared to Dec 2014.
- For companies which have restated their prior years, the impact of change in reserves may have been neutralized due to the opening reserves being in accordance with the new regulations also.
- We expect this trend to continue as the deadline for compliance with the new regulations comes closer and have already seen companies increase their reserves.

AED Millions **Others - Net Technical Provisions**

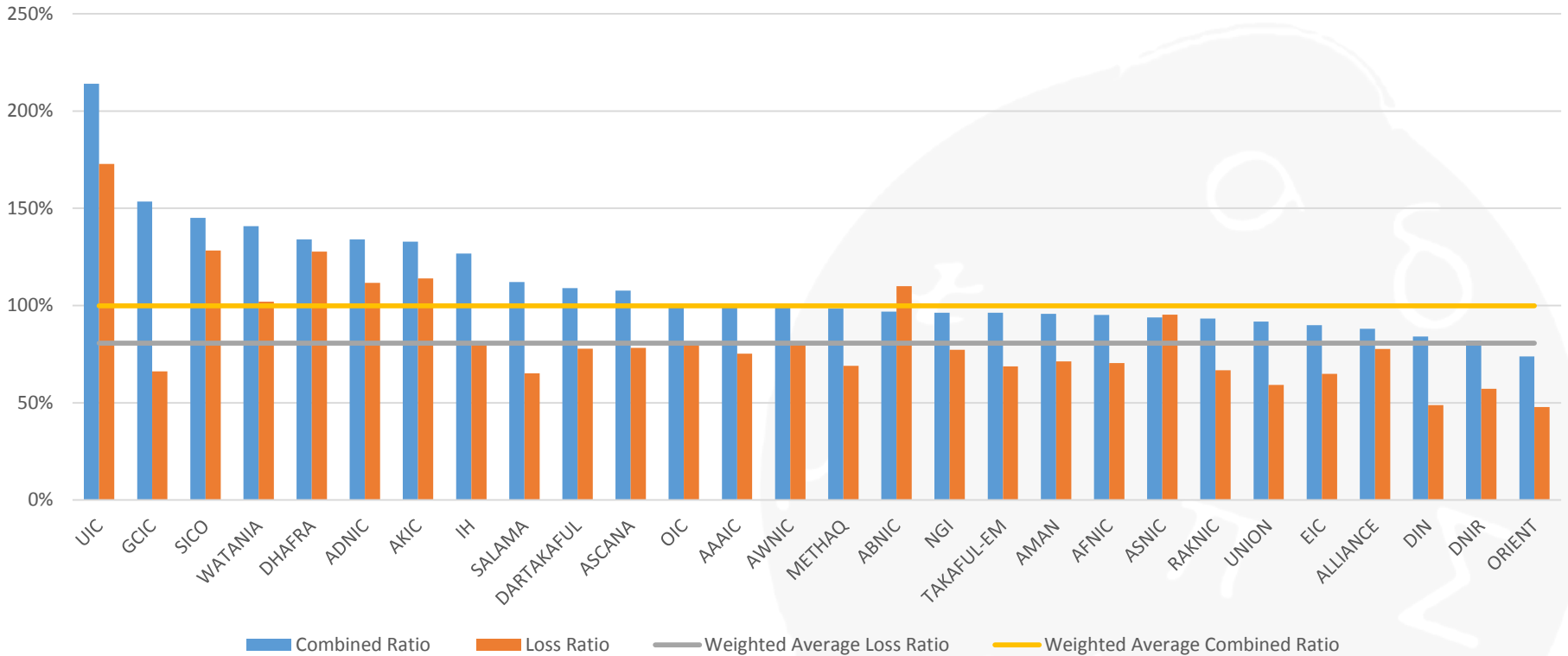


Net Reserves as a proportion of Net Written Premium – Listed Companies



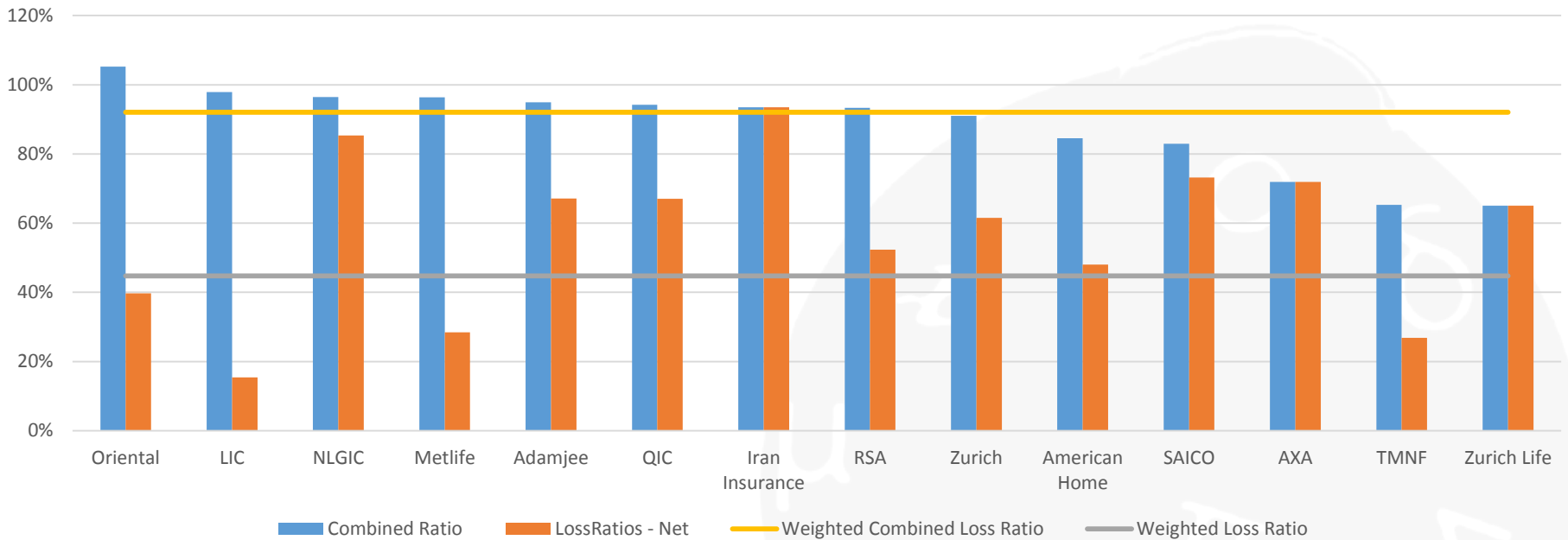
- Aman insurance was reflected as an outlier due to its unit linked reserve amounting to **AED 556 million**. Its proportion of unit linked reserves over net reserves is around **86%** which presents a big portion in comparison to other life companies who have unit linked policies.

Loss and Combined Ratio – Listed companies



- Weighted Average loss ratio for local companies analyzed was **81%** and weighed average combined ratio was **100%**.
- The highest combined ratio for the year 2015 of **214%** is reflected by UIC and the lowest combined ratio is of Orient at **74%**.
- For Takaful companies we have consolidated the Policyholders and Shareholders P&L for comparative purposes.
- 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 Ratios – Branches



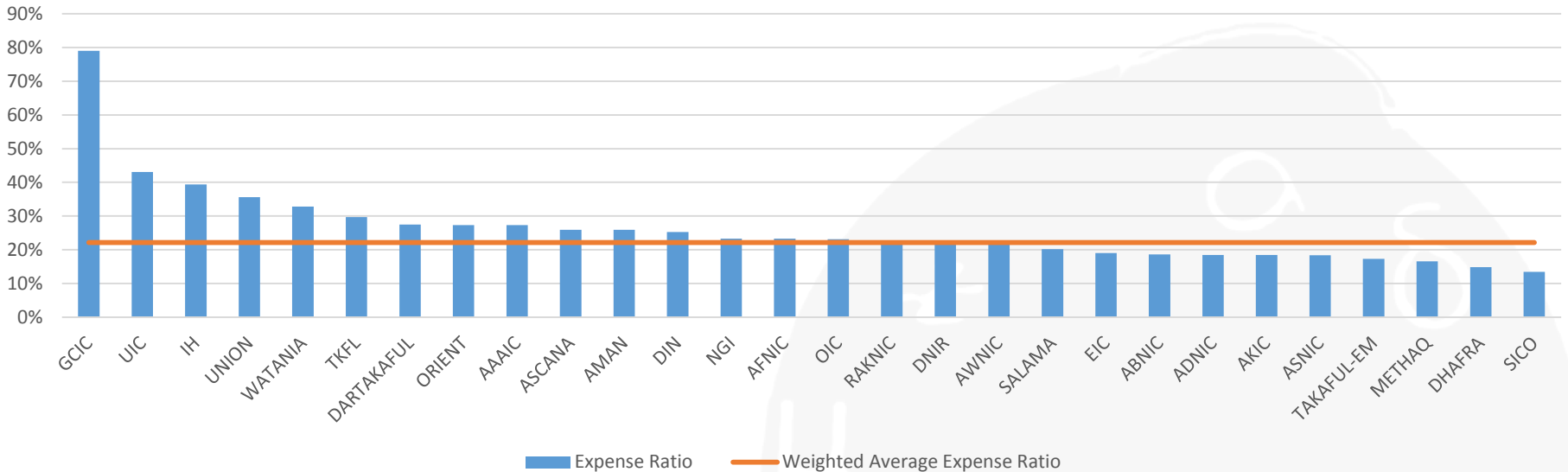
- Weighted Average loss ratio for branches analyzed was **45%** and weighed average combined ratio was **92%**.
- The highest combined ratio for the year 2015 of **105%** is reflected by Oriental and the lowest combined ratio is of TMNF and Zurich Life at **65%**.
- For AXA, the information collected did not reflect Net Earned Premium. Therefore, we've used Net Written Premium instead of Net Earned Premium for AXA.
- 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 $(\text{Net Incurred Claims} + \text{Net Commission} + \text{Expenses}) / \text{Net Earned Premium}$.

Loss and Combined Ratios – Combined BADRI



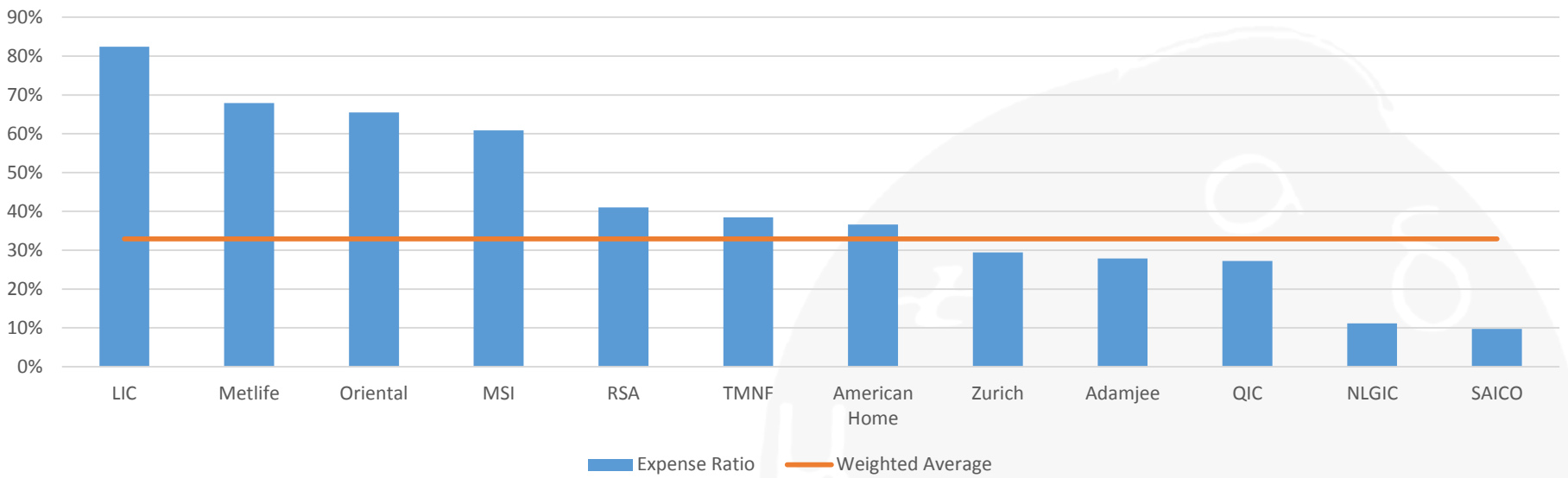
- Weighted Average loss ratio for all companies analyzed was **70%** and weighed average combined ratio was **84%**.
- The highest combined ratio for the year 2015 of **214%** is reflected by UIC and the lowest combined ratio is of TMNF and Zurich Life at **65%**.

Expense Ratio – Listed Companies



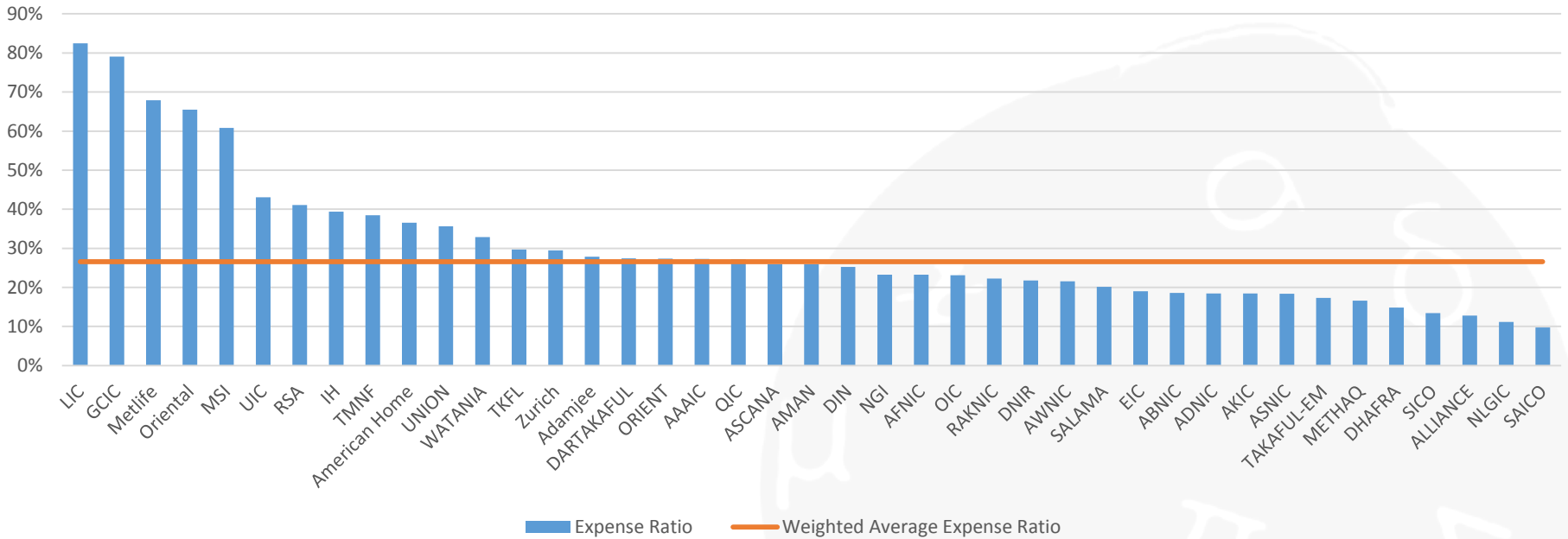
- The highest expense ratio for the year 2015 of **89%** is reflected by GCIC, whereas the lowest expense ratio of **13%** is reflected by SICO.
- Weighted Average expense ratio was at **22%**.
- GCIC expense ratio is **89%** which is pretty anomalous, it is due to the fact that there is a **50%** reduction in their written premium as compared to year 2014, however their admin and other expenses remain same.
- 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).

Expense Ratio – Branches



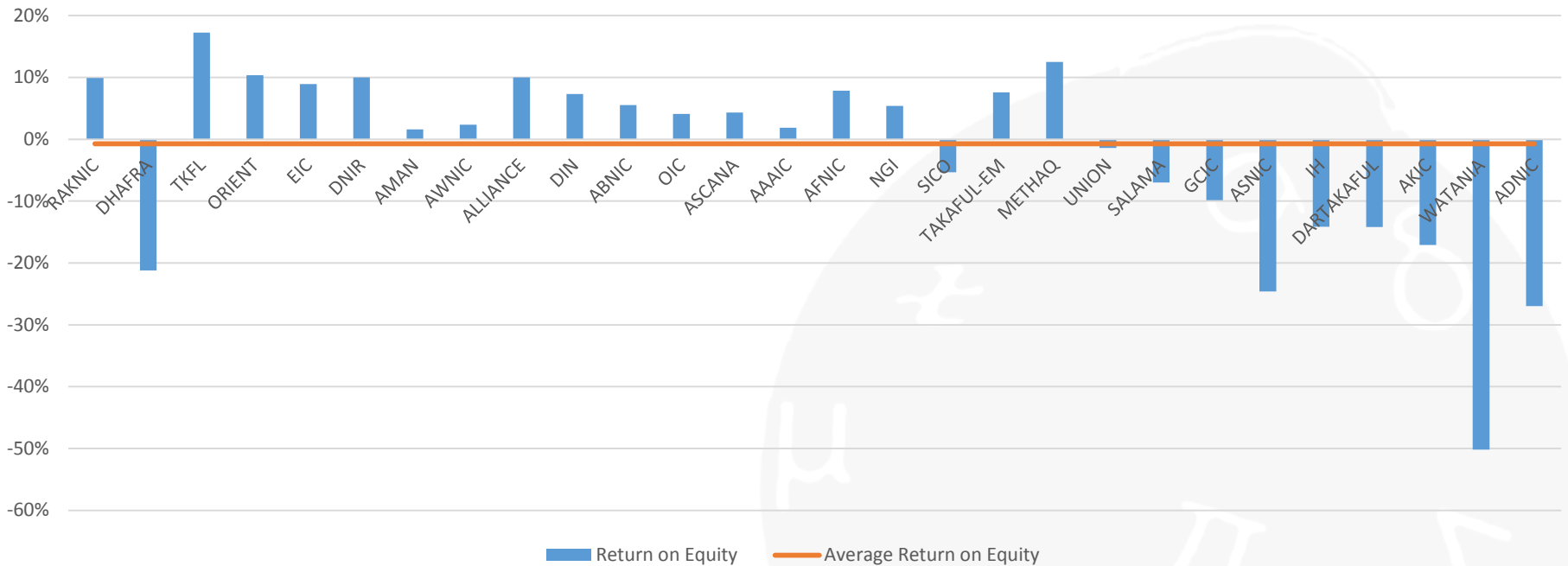
- The highest expense ratio for the year 2015 of **82%** is reflected by LIC, whereas the lowest expense ratio of **10%** is reflected by SAICO.
- Weighted Average expense ratio was at **32.5%**.
- The expense ratios have been calculated as a ratio of general and admin expenses to net earned premium. 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).

Expense Ratio – Combined



- The highest expense ratio for the year 2015 of **82%** is reflected by LIC, whereas the lowest expense ratio of **10%** is reflected by SAICO.
- Weighted Average expense ratio was at **26%**.

Return on Equity – Listed Companies



- The highest return on equity for year 2015 of **17%** is shown by TKFL, whereas the lowest return on equity of **-50%** is reflected by WATANIA.
- Average return on equity was at **-0.7%**.
- The return on equity have been calculated as a ratio of net profit to total shareholder's equity as at the beginning of 2015.
- We have excluded the outlier UIC (**ROE -3527%**) for our analysis purpose to keep market average in line.

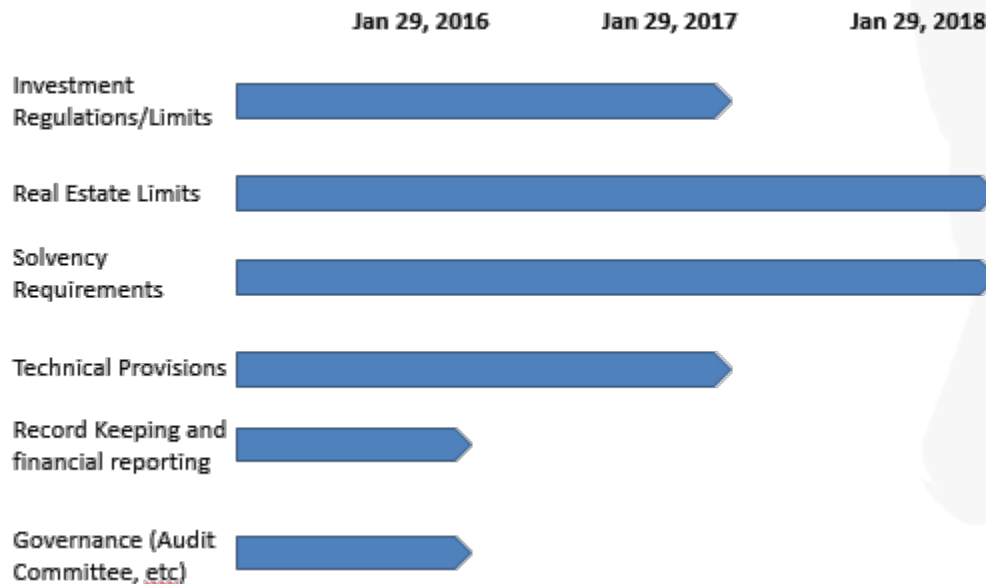
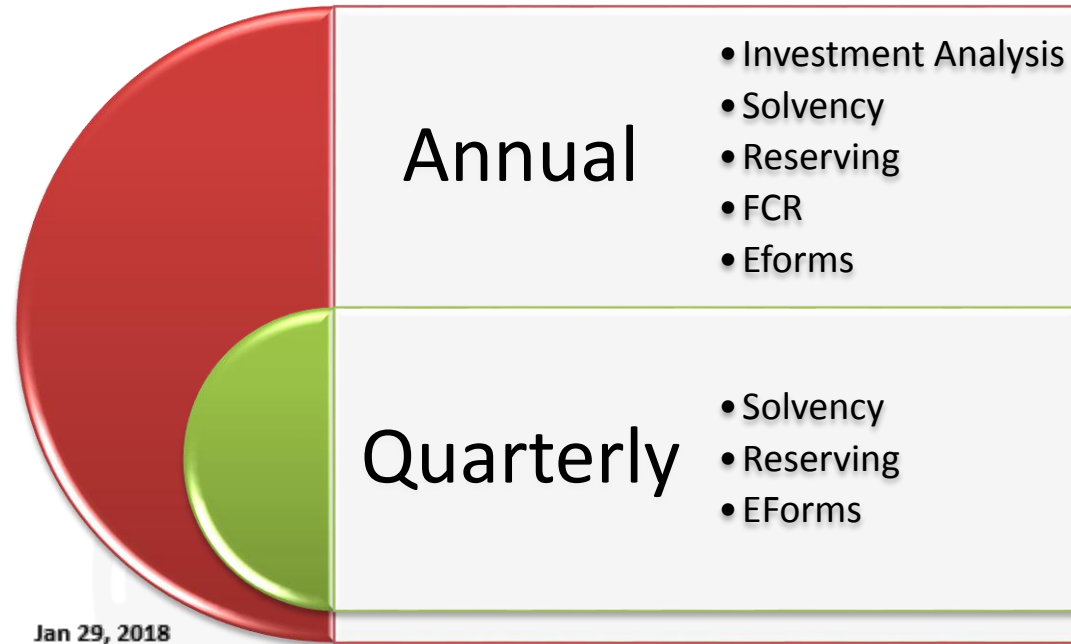
- Total premiums written for all listed insurance companies for the year 2015 amounted to **AED 17.1 billion**, reflecting a growth of 7.5% from 2014. Total premium for foreign branches for the year 2015 amounted to **AED 9.2 billion**, reflecting a growth of 8.0% from 2014. We've estimated the total premium for DAMAN and missing information pertaining to foreign branches to be **AED 3.8 billion** and **AED 1,319 million** respectively. Therefore, the total written premium of the insurance industry for the year 2015 works out to **AED 31.5 billion**.
- Weighted average loss ratio for all companies analyzed was **70%** and average combined ratio was at **84%**. Weighted Average expense ratio for the companies analyzed was **26%**.
- Total loss for all listed insurance companies for the year 2015 amounted to **AED 9.7 million**, reflecting a reduction of 101% from 2014. Total profit for foreign branches for the year 2015 amounted to **AED 374 million**, reflecting a growth of 58% from 2014. Therefore, the total profit for the year 2015 works out to **AED 364.3 million**.
- Summary of Premium, Loss and Combined Ratios is shown below:

Particulars	AED in Millions	
	Listed Companies	Branches
Gross Premium	17,138	9,239
Loss Ratio	81%	45%
Combined Ratio	100%	93%

- The loss and combined ratios show that foreign branches show better profitability as compared to local companies.

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:



As per Circulars 4 and 9 of 2016 from Insurance Authority, all the companies had to provide Actuarial Reserving Certification. As per Circular 11 of 2016, all the companies have to perform a pricing review for all the non-life lines of business.

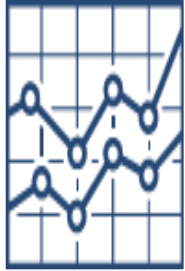
We are currently working with many companies in helping them implement these regulations.

- Insurance Authority has recently released its Board Decision No. 21 of 2016, which is a follow up on its earlier Board Decision No. 11 of 2016.
- Both these circulars relate to the Actuarial review of the Pricing Policies applied by companies for Property and Liability Insurance. The requirement is summarized in the table below:

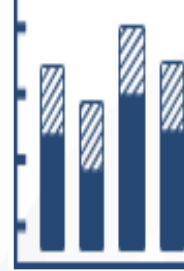
Timeline	Requirement	Full Actuarial Pricing Review	Underwriting Performance Review
Based on 30th June data, to be submitted no later than 1st September		Motor and Medical Lines of business	All Other Lines except Motor and Medical
Based on 31st December data, to be submitted no later than 1st March		NA	All Lines of business

- The first Full Actuarial Pricing Review for Motor and Medical lines, along with the Underwriting performance review for all other lines, is due for submission to the Insurance Authority by 1st September 2016.

Other support that we can provide



Developing ERM Framework



Analytics and Dashboards



Automation of E-forms



Motor / Medical – Pricing and Portfolio Optimization



Optimizing Use of Capital



Capital Modelling and Stress Testing



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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