



BADRI



**Performance Analysis of UAE Insurance Companies
(including Branches) for the Year Ended Dec 31, 2016**



INTRODUCTION

- **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, 2016. The data has been extracted from 2016 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 2016 and 2015 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 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				

Branches

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	General Insurance Corporation of India	Not Included
2	Arab Insurance Group	Included	13	Life Insurance Corporation (International) B.S.C.	Included	24	Noor Takaful Family PJSC	Not 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	Al Hilal Takaful P.S.C	Not Included
5	Qatar Insurance Company	Included	16	Zurich Life Insurance Company Ltd.	Included	27	State Life Insurance Corporation of Pakistan	Not Included
6	Zurich Insurance Middle East S.A.L.	Included	17	Friend Provident International	Included	28	The Mediterranean & Gulf Insurance and Reinsurance Company	Not Included
7	Mitsui Sumitomo Insurance Company Ltd.	Included	18	Iran Insurance Company	Included	29	New India Assurance Company Limited	Not Included
8	American Home Insurance Company	Included	19	Jordan Insurance Company	Included	30	Emirates Retakaful Limited	Not Included
9	MetLife	Included	20	ACE Tempest Life Reinsurance Ltd.	Included	31	Assicurazione Generali	Not Included
10	National Life and General Insurance Company	Included	21	Qatar General Insurance and Reinsurance Company	Included	32	Malaysia Re Ltd.	Not Included
11	Al Ittehad Al Watani	Included	22	Zurich International Life	Included			



Premiums

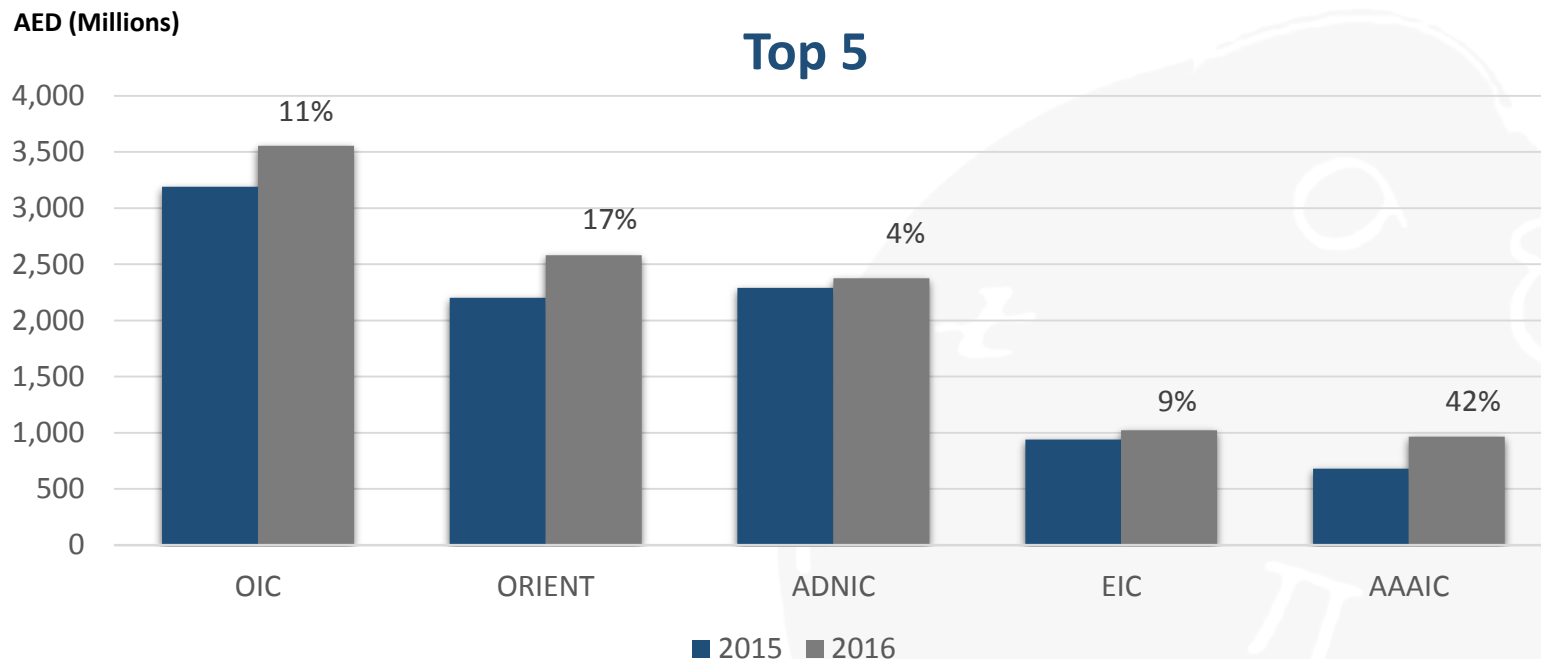
Profitability

Technical Provisions

Loss Combined & Expense Ratio

Return on Equity

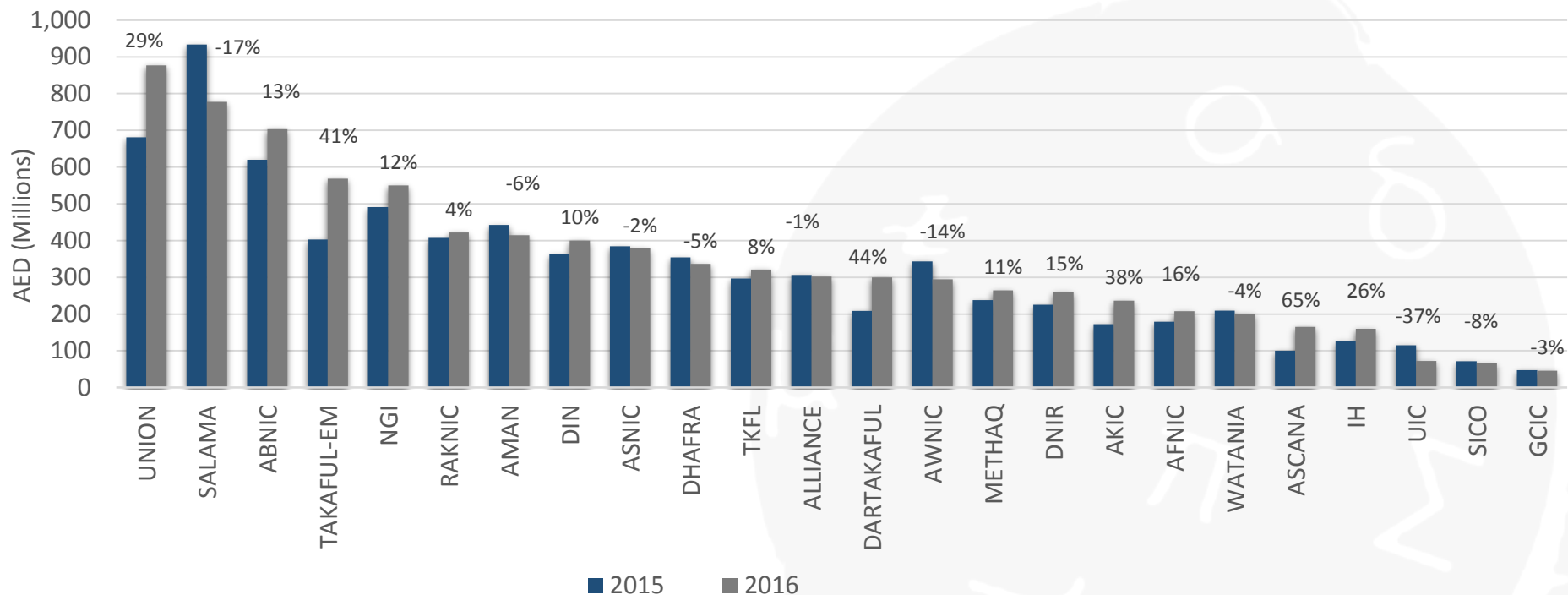
Conclusion





➤ Total Gross premiums written by the listed insurance companies in 2016 amounted to **AED 18.8 billion**, as compared to the premium written in the last year 2015 is **AED 17.0 billion**, which shows a growth of 10.6%.

➤ The top 5 companies had a combined premium of **AED 10.5 billion** for the year 2016 as compared to **AED 9.3 billion** for 2015; their market share has marginally increase from **54.6%** to **55.8%**.

Others

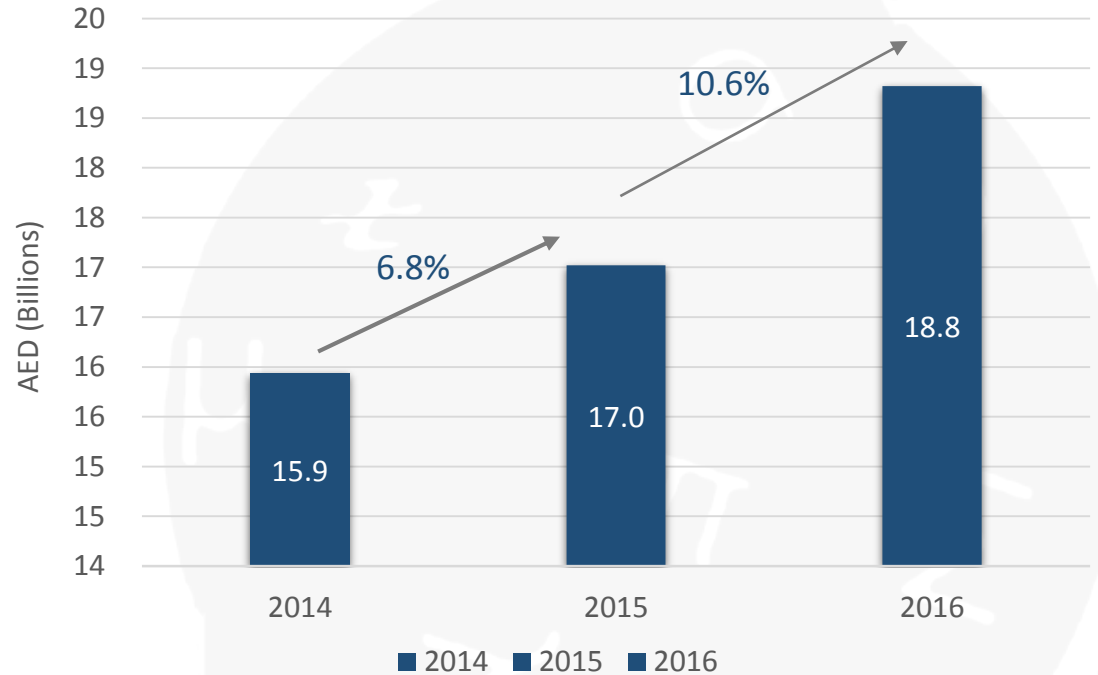



 The highest growth of 2016 was shown by ASCANA with an increase of **65%** in premiums in comparison to the year 2015. The biggest decline over the same year was shown by UIC with a decrease of **37%** compared to the year 2015.

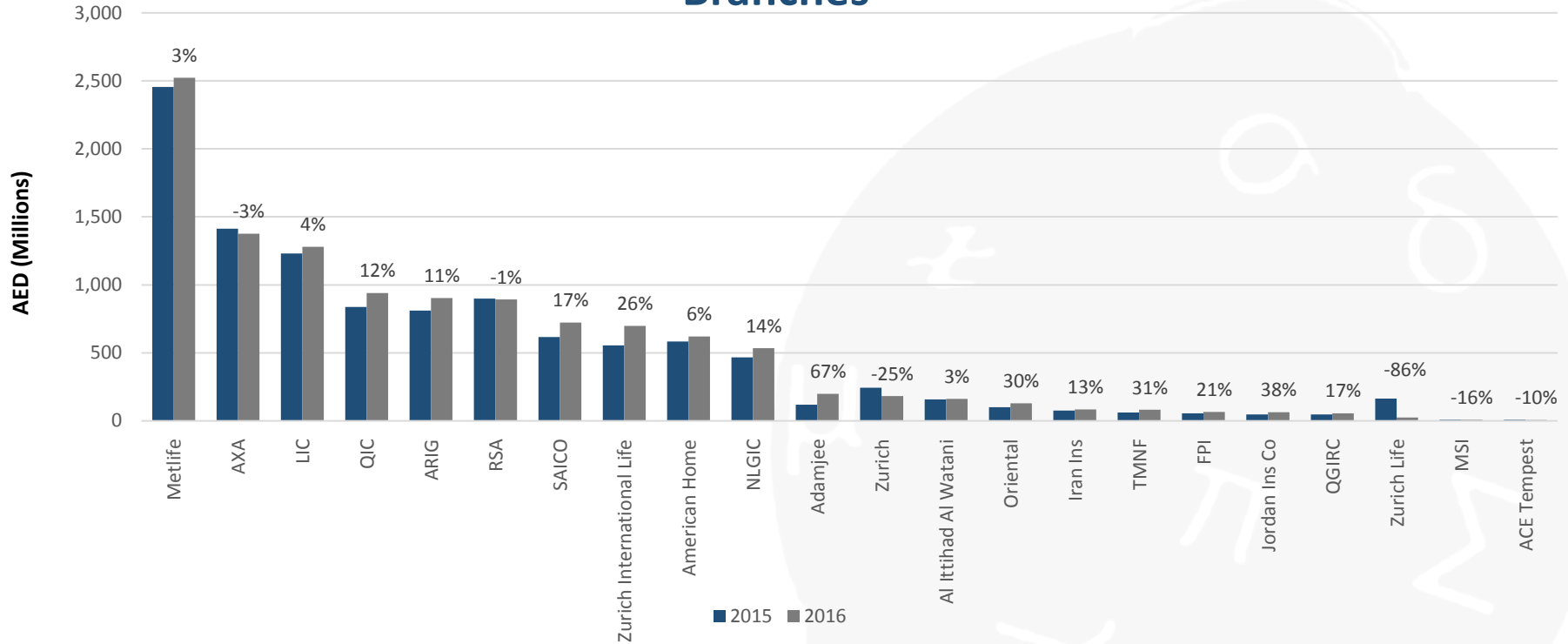

 Overall, of the 29 listed companies, 19 recorded a growth in premium volumes as compared to the previous year, while 10 companies saw premiums plummet.

“ For the 29 listed companies the GWP grew from AED 15.9 billion to AED 17.0 billion in 2015 with a increase of 6.8%, and from AED 17.0 billion to AED 18.8 billion in 2016 with an increase of 10.6% ”

Growth – 3 Year Trend



Branches

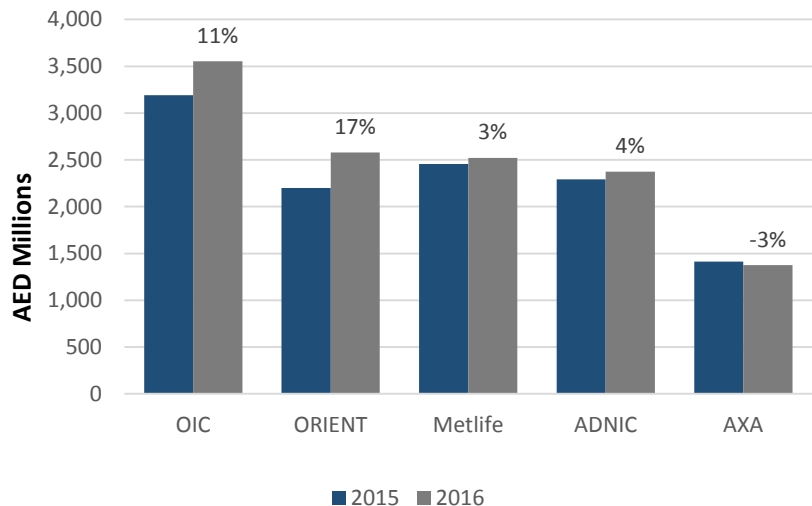


Total premiums written, by the foreign branches, for the year 2016 amounted to **AED 11.55 billion**, as compared to the premium written in 2015 of **AED 10.95 billion** which shows a growth of **5.5%**.

The top 5 branches had a combined premium of **AED 7.0 billion** for the year 2016 as compared to combined premium of **AED 6.7 billion** in year 2015. Market share in 2016 is around **61%** of total gross written premium for branches.

Gross Written Premium – Combined

Top 5

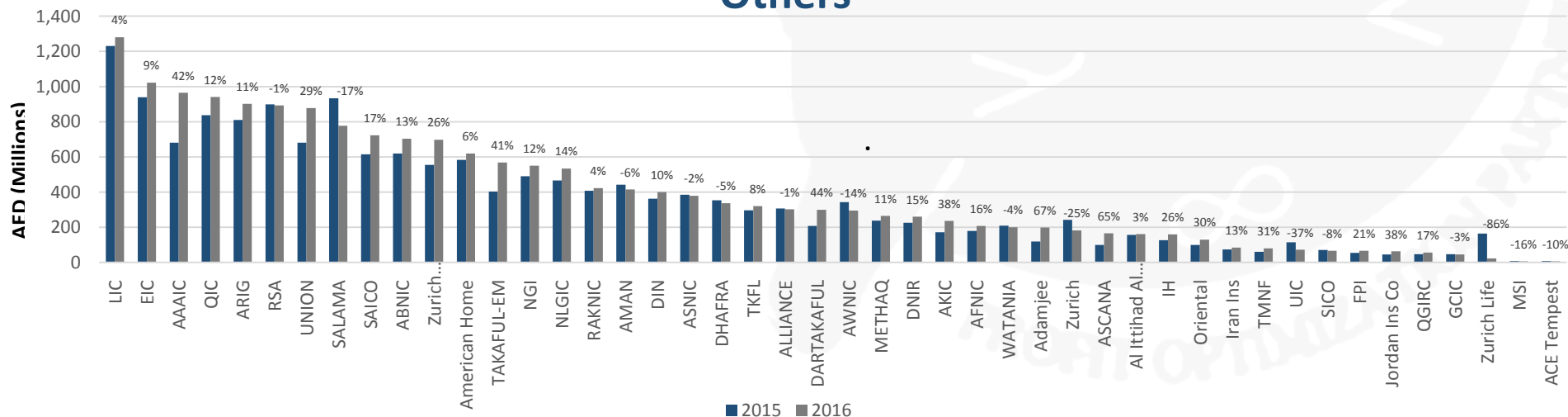


Total premiums written for all listed insurance companies and branches, for the year 2016 amounted to **AED 30.4 billion**, as compared to the premium written in 2015 of **AED 27.9 billion** which shows a growth of **8.6%**.

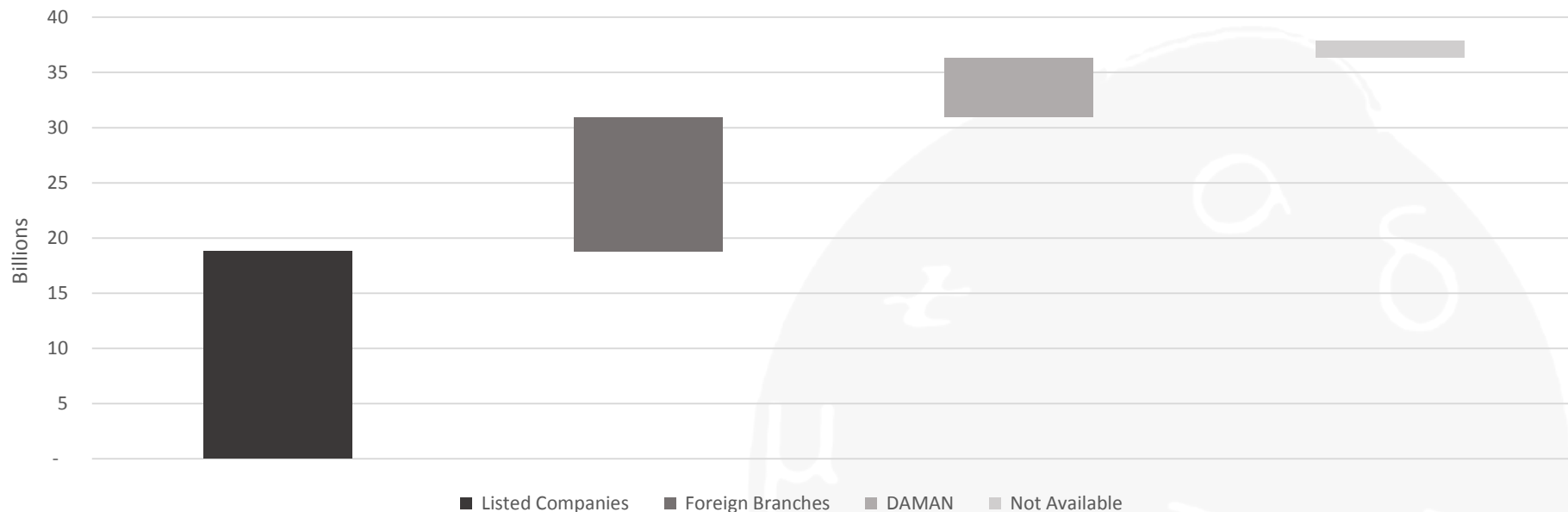
The top 5 companies had a combined premium of **AED 12.4 billion** for the year 2016 as compared to **AED 11.5 billion** for 2015 and their market share has gone down marginally from **41.3%** to **40.8%**.

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

Others



Estimating Total Market Volume



Daman:

As per HAAD Statistics of 2015, Daman covered 576,664 enhanced members at an average premium of **AED 7,142**. The average premium in 2013 report was **AED 4,450**. As the growth of average premiums seem quite high we have assumed the average premium of 2015 to be 90% of the value given in the report. This gives the Enhanced premium to be **AED 3.7 billion** in 2015. The basic premium works to **AED 0.88 billion**. Growing both these values by 5% we get **AED 4.8 billion** for 2016. Assuming 10% of their business comes from non-HAAD sources their total GWP for 2016 works out to **AED 5.4 billion**. This excludes Thiqa.



Missing Financials:

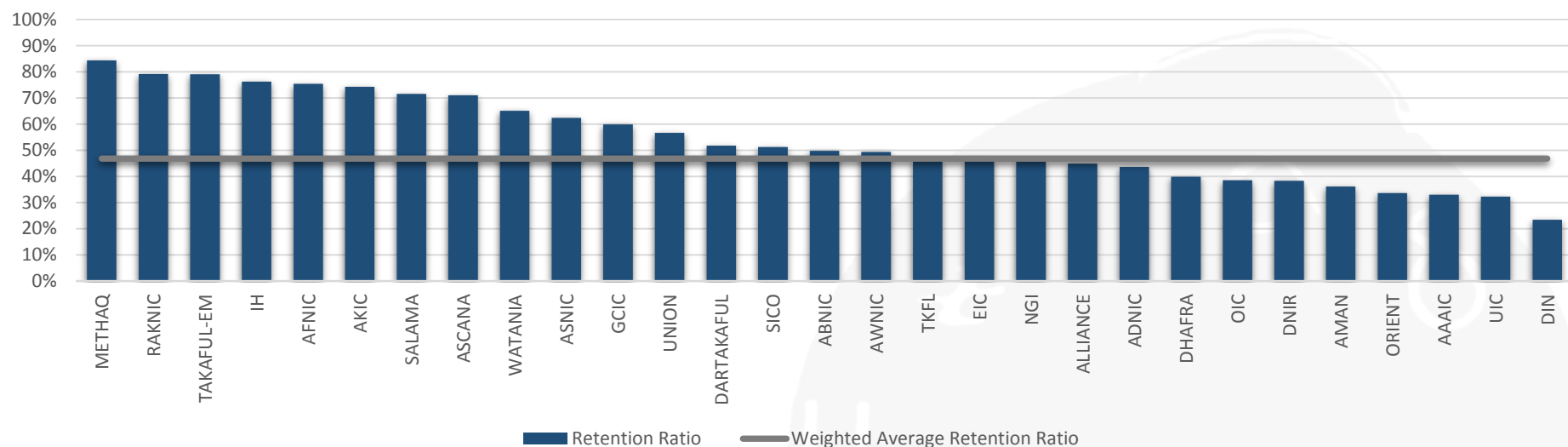
Also, for the missing information pertaining to foreign branches and local unlisted companies, we've assumed that they comprise of 5% of the listed companies plus branches.

Therefore, the total premium is estimated to be **AED 37.2 billion** in 2016 as compared to the estimated premium of **AED 31.5 billion** in 2015 which shows a growth of **18%**. The breakup is provided below:

Particulars	Gross Premium of 2016 (AED in Millions)	Gross Premium of 2015 (AED in Millions)	Growth (%)
Listed Companies	18,821	17,138	10%
Foreign Branches	11,547	9,239	25%
DAMAN (Estimated) *	5,350	3,800	41%
Estimate for the Companies whose financials are not available with us	1,518	1,319	15%
Total	37,238	31,496	18%

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

Retention Ratio – Listed Companies



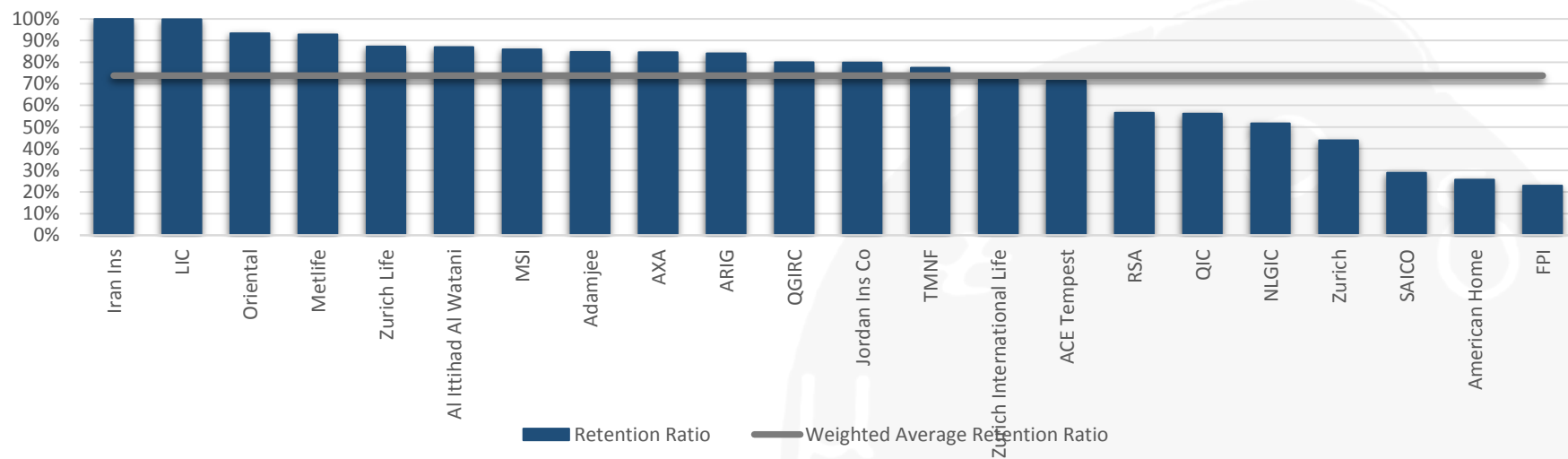
➤ The highest retention ratio for the year 2016 of **84%** is reflected by METHAQ, whereas the lowest retention ratio of **23%** is reflected by DIN.

➤ The weighted average retention ratio for listed companies was at **47% (2015 : 42%)**.

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

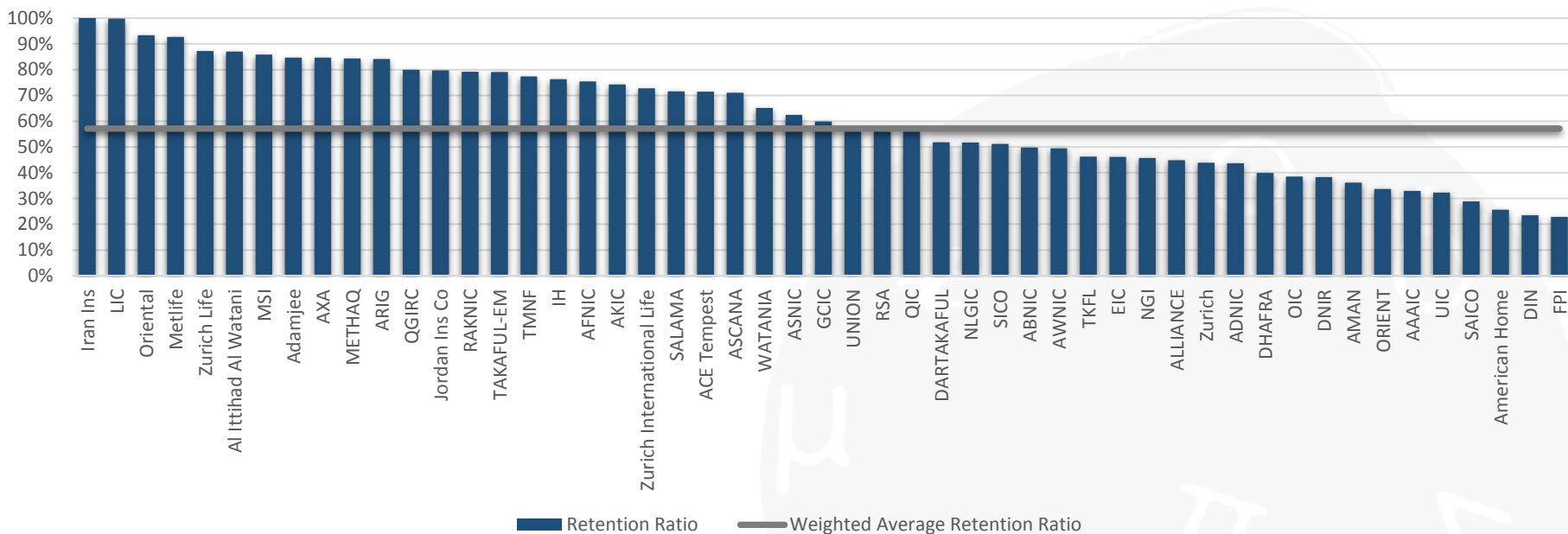
➤ Although there may be exceptions, Retention ratios are generally reflective of the lines of business being underwritten; Motor and Medical generally tend to have high retention ratios, while commercial lines such as Aviation, Engineering and Fire tend to have lower retentions. Also, since this analysis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

Retention Ratio – Branches



- The highest retention ratio for the year 2016 of **100%** is reflected by Iran Insurance, whereas the lowest retention ratio of **23%** is reflected by FPI.
- The weighted average retention ratio for foreign branches was at **74%** (2015 : **68%**).
- Some branches have reinsurance arrangements through their head office while some branches have large fronting portfolios. Since we have used the numbers as published in financials, both these cases may be distorting the actual retention ratios
- The retention ratios have been calculated as a ratio of net written premium to gross written premium.

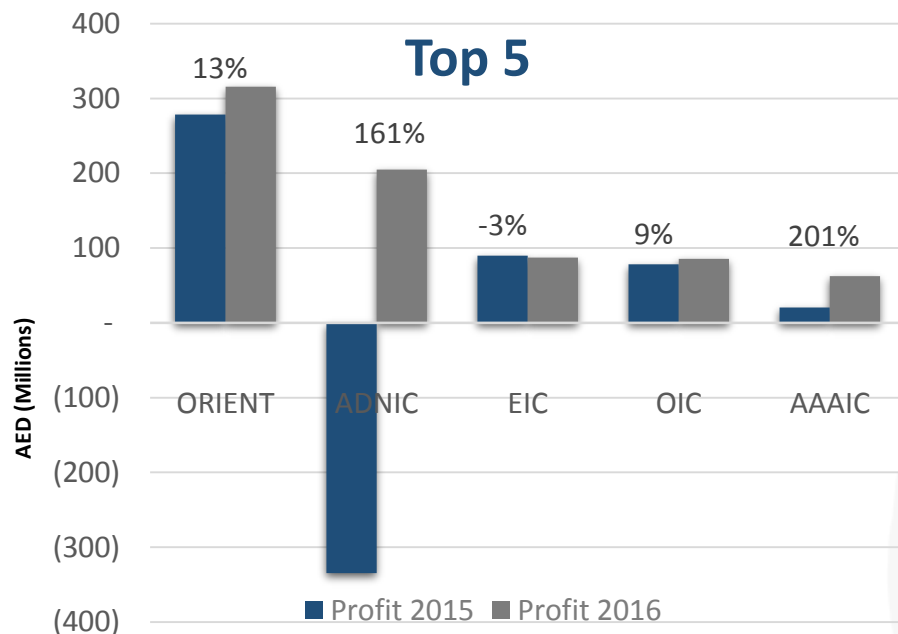
Retention Ratio – Combined



↪ The highest retention ratio for the year 2016 of **100%** is reflected by Iran Insurance, whereas the lowest retention ratio of **23%** is reflected by FPI.

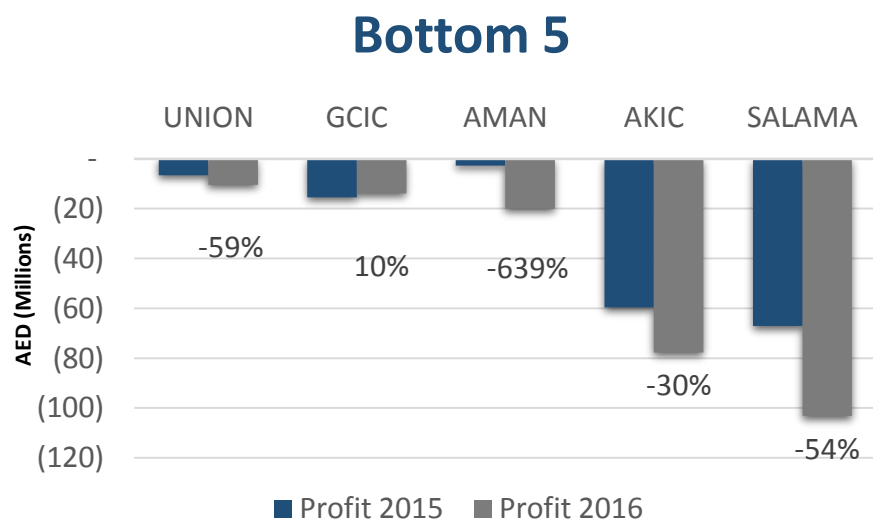
↪ The weighted average retention ratio for listed companies is **47%** and branches is **74%** making the overall combined ratio to **57% (2015 : 50%)**. This shows that generally the branches retain more as compared to local companies.

Profit 2016 – Listed Companies



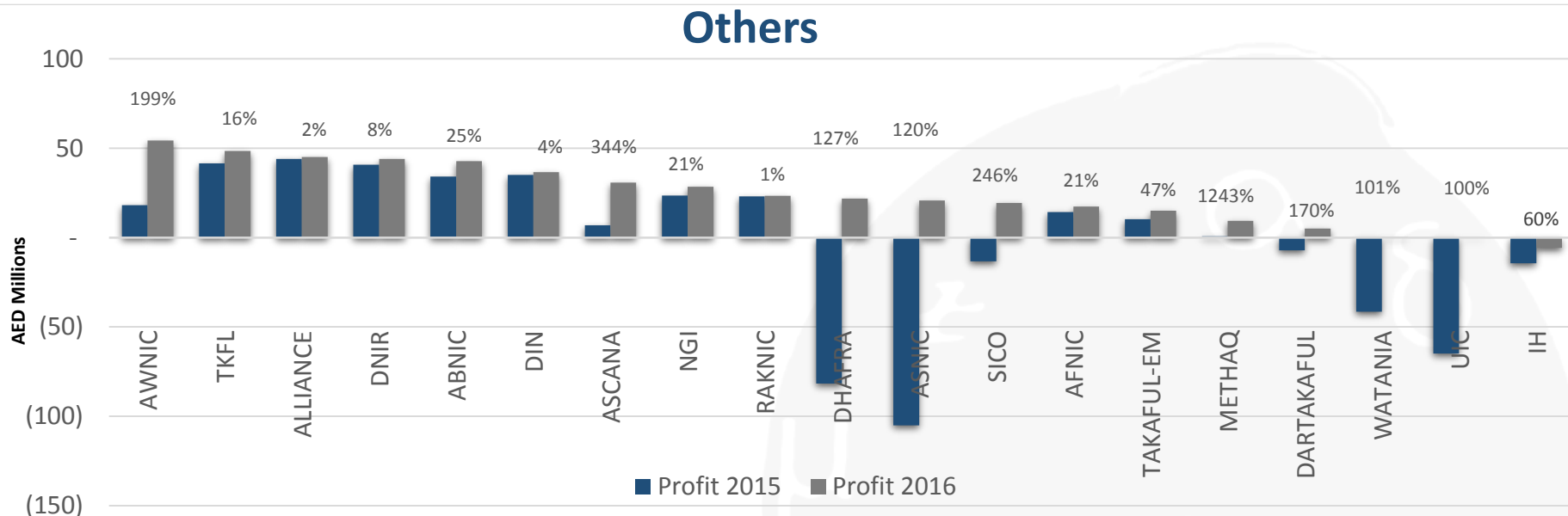
ORIENT booked the highest profit during 2015 and 2016 of **AED 279 million** and **AED 316 million** respectively.

ADNIC displayed contrasting change in fortunes as compared to the last year, which effects the numbers significantly. ADNIC registered a profit of AED 205 million from a loss of AED 334 million which is due to decrease in retention ratio which shows that more business ceded towards reinsurer. While on the other hand their claim management practices have improved from the previous year.



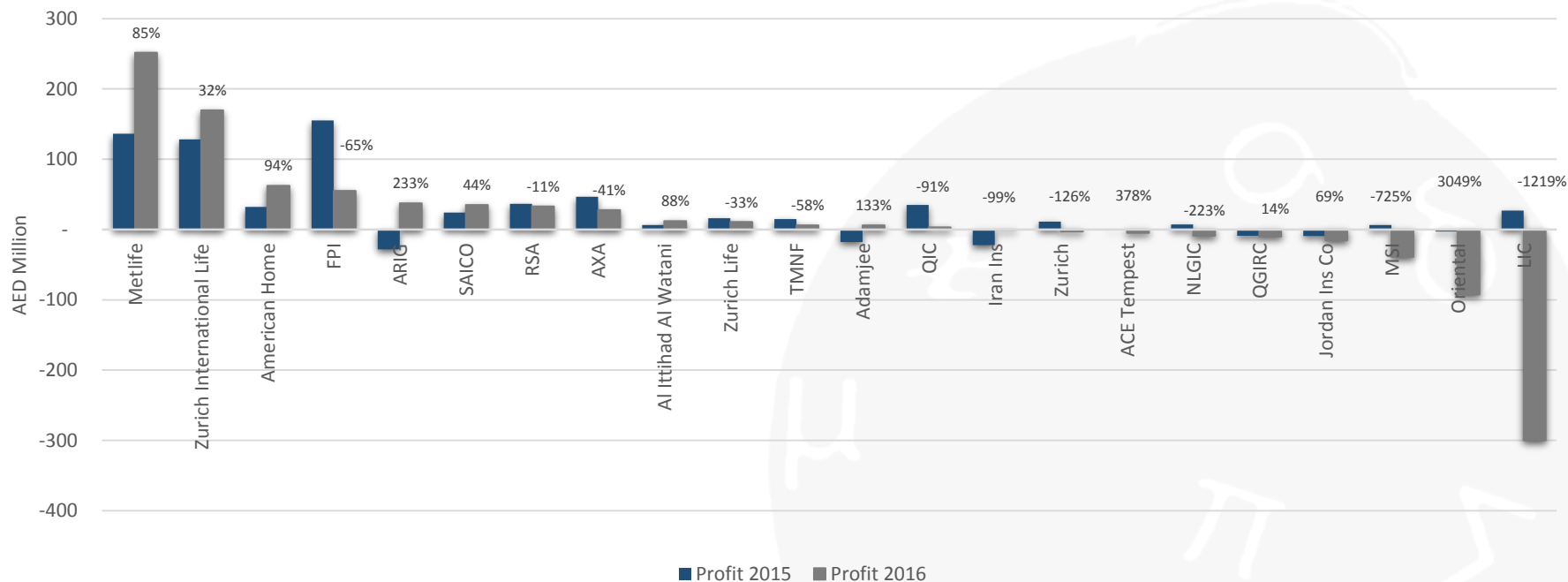
SALAMA booked the highest loss of **AED 103 million** as compared to the loss of **AED 67 million** in 2015.

Profit 2016 – Listed Companies



- Total profit generated for 2016 amounted to **AED 988 million** compared to the loss of the 2015 of **AED 54 million** (restated).
- 6 out of the 29 companies posted losses in 2016, as compared to 13 companies being loss making in 2015. Six companies booked a loss during both periods.
- The highest growth in profit in 2016 from prior year was shown by METHAQ with an increase of 1243% i.e. from a profit of **AED 0.7 million** to a profit of **AED 9.3 million**.
- The highest increase in loss in 2016 from prior year was shown by AMAN with a change of 639% i.e. from a loss of **AED 2.7 million** to a loss of **AED 20 million**.

Profit 2016 – Branches

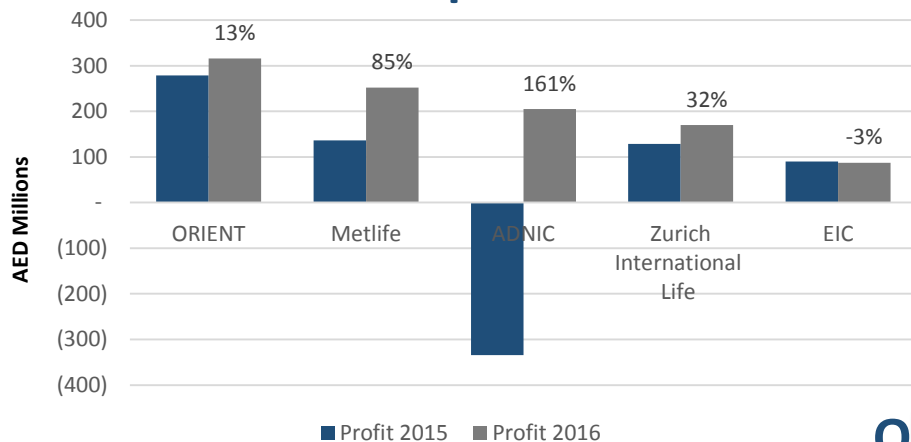


➤ Total Profit generated by the Foreign Branches for the year 2016 amounted to **AED 236 million** compared to the profit of the corresponding period of 2015 of **AED 593 million** which shows a reduction of **60%**.

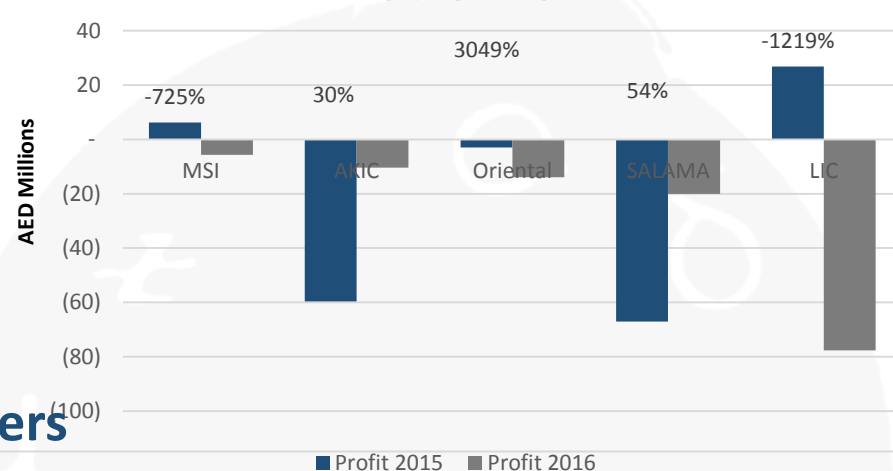
➤ LIC and Oriental booked large losses in year 2016. If we consider the branches without LIC and Oriental, then other branches have reported a 10% growth in profits YoY.

Profit 2016 – Combined

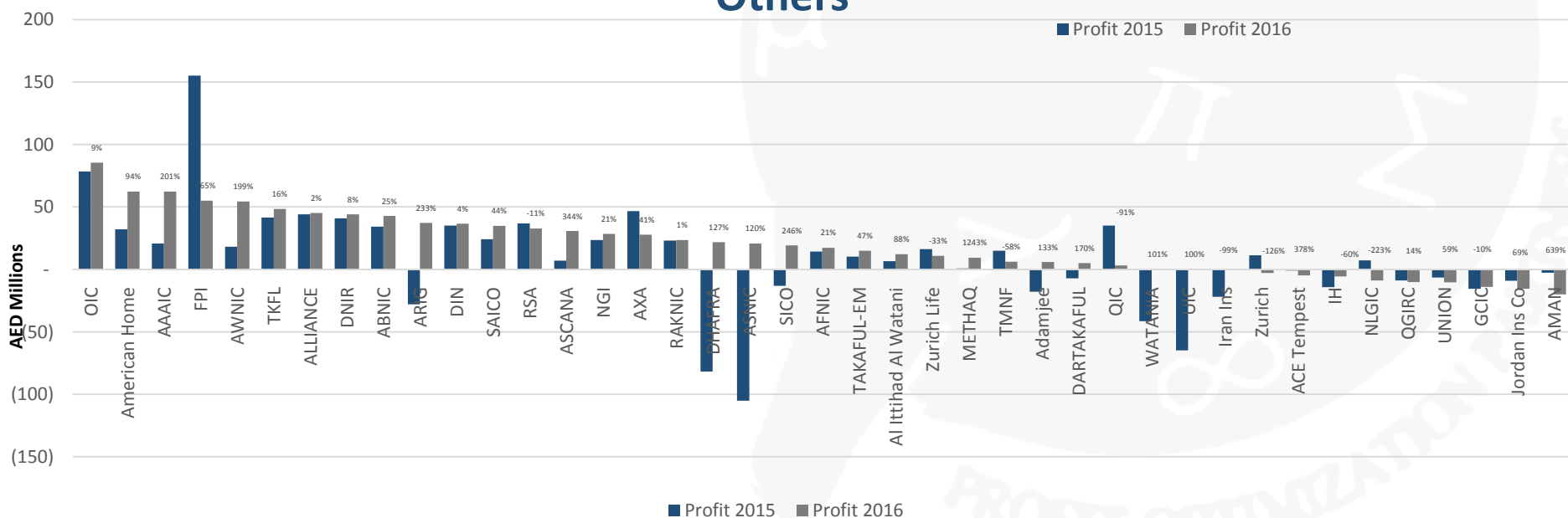
Top 5



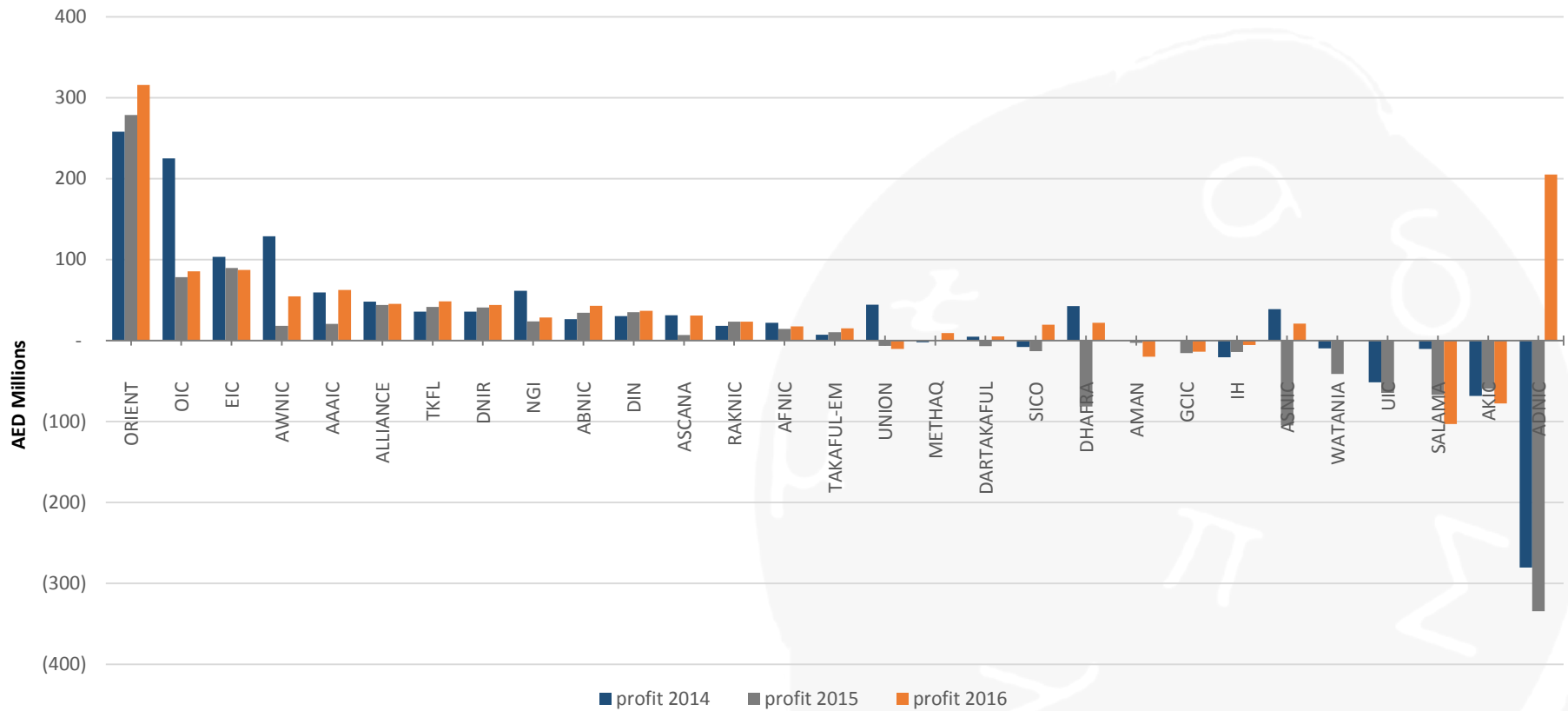
Bottom 5



Others



Profit 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
	Gross Premium	Profit	
OIC	1	6	↓
ORIENT	2	1	↑
Metlife	3	2	↑
ADNIC	4	3	↑
AXA	5	21	↓
LIC	6	51	↓
EIC	7	5	↑
AAAIC	8	8	→
QIC	9	34	↓
ARIG	10	15	↓
RSA	11	18	↓
UNION	12	43	↓
SALAMA	13	50	↓
SAICO	14	17	↓
ABNIC	15	14	↑
Zurich International Life	16	4	↑
American Home	17	7	↑
TAKAFUL-EM	18	27	↓
NGI	19	20	↓
NLGIC	20	41	↓
RAKNIC	21	22	↓
AMAN	22	46	↓
DIN	23	16	↑
ASNIC	24	24	→
DHAFRA	25	23	↑
TKFL	26	11	↑

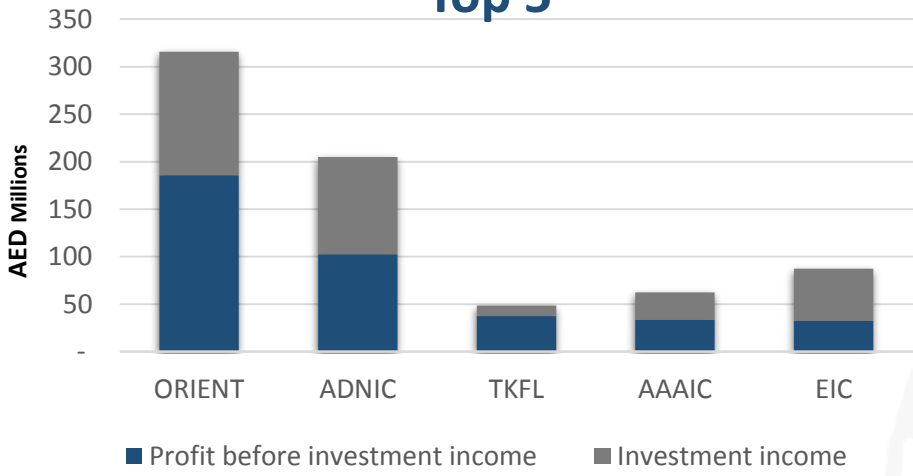
Company/Branch	Ranking		Indic
	Gross Premium	Profit	
ALLIANCE	27	12	↑
DARTAKAFUL	28	33	↓
AWNIC	29	10	↑
METHAQ	30	30	→
DNIR	31	13	↑
AKIC	32	48	↓
AFNIC	33	26	↑
WATANIA	34	35	↓
Adamjee	35	32	↑
Zurich	36	38	↓
ASCANA	37	19	↑
Al Ittihad Al Watani	38	28	↑
IH	39	40	↓
Oriental	40	49	↓
Iran Ins	41	37	↑
TMNF	42	31	↑
UIC	43	36	↑
SICO	44	25	↑
FPI	45	9	↑
Jordan Ins Co	46	45	↑
QGIRC	47	42	↑
GCIC	48	44	↑
Zurich Life	49	29	↑
MSI	50	47	↑
ACE Tempest	51	39	↑

Of the top 10 companies by Premium volume, 5 have a lower rank when benchmarked on the basis of profitability. On the flip side, Orient, MetLife, ADNIC, EIC and AAAIC seem to have built up large and profitable books of business. ADNIC's results have been volatile year on year, although during this period, it is right up there on both counts.

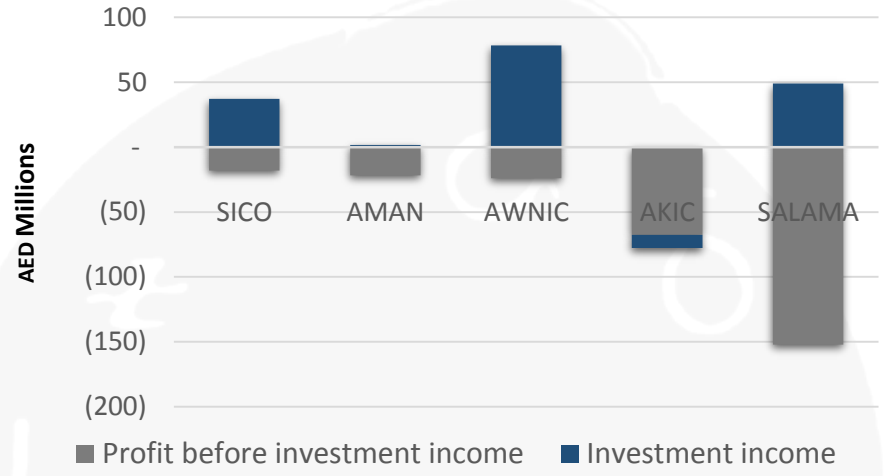
Profit Analysis – Listed Companies



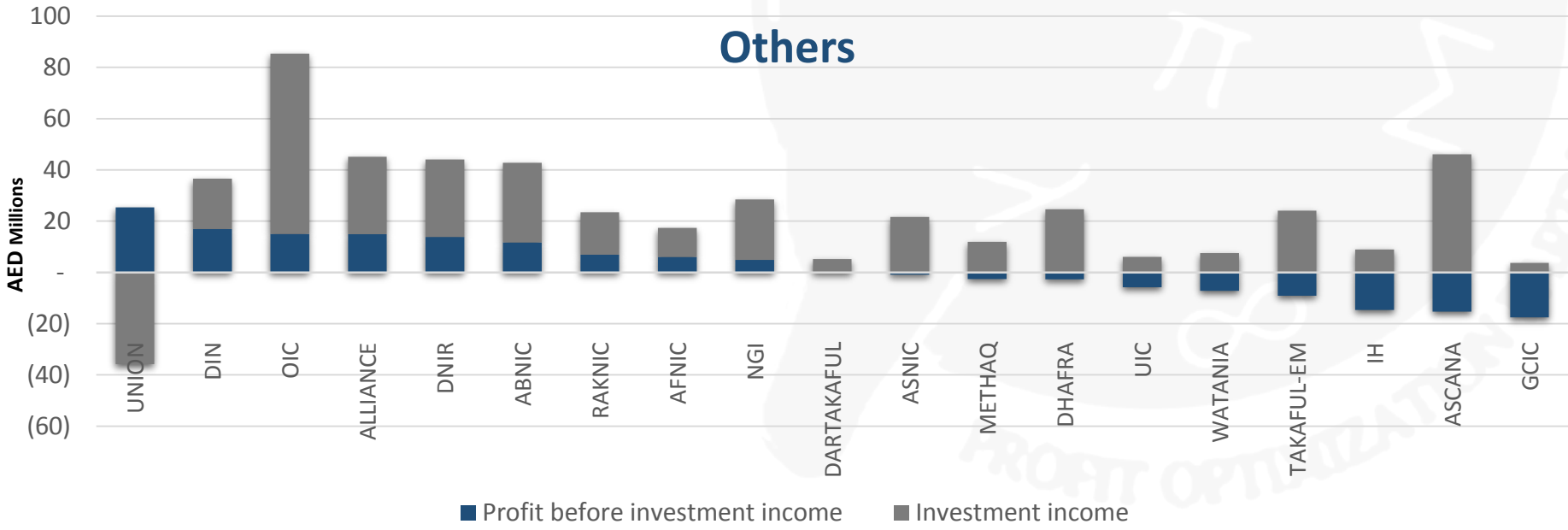
Top 5



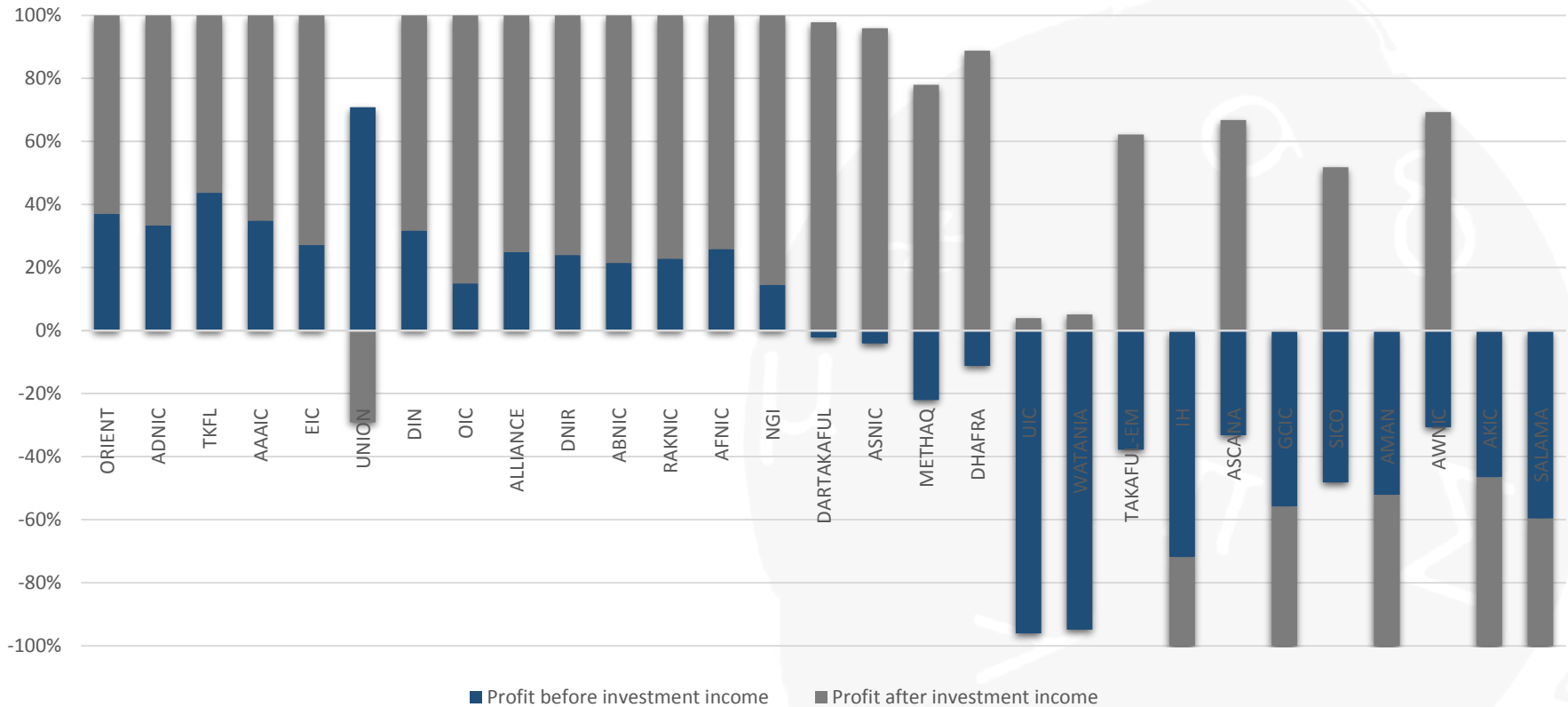
Bottom 5



Others



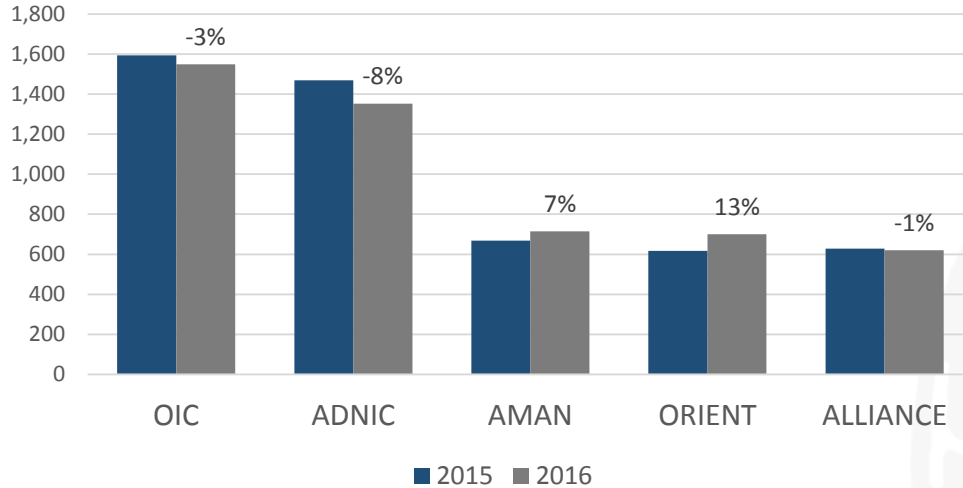
Profit Composition Before and After Investment Income



Technical Provisions – Listed Companies

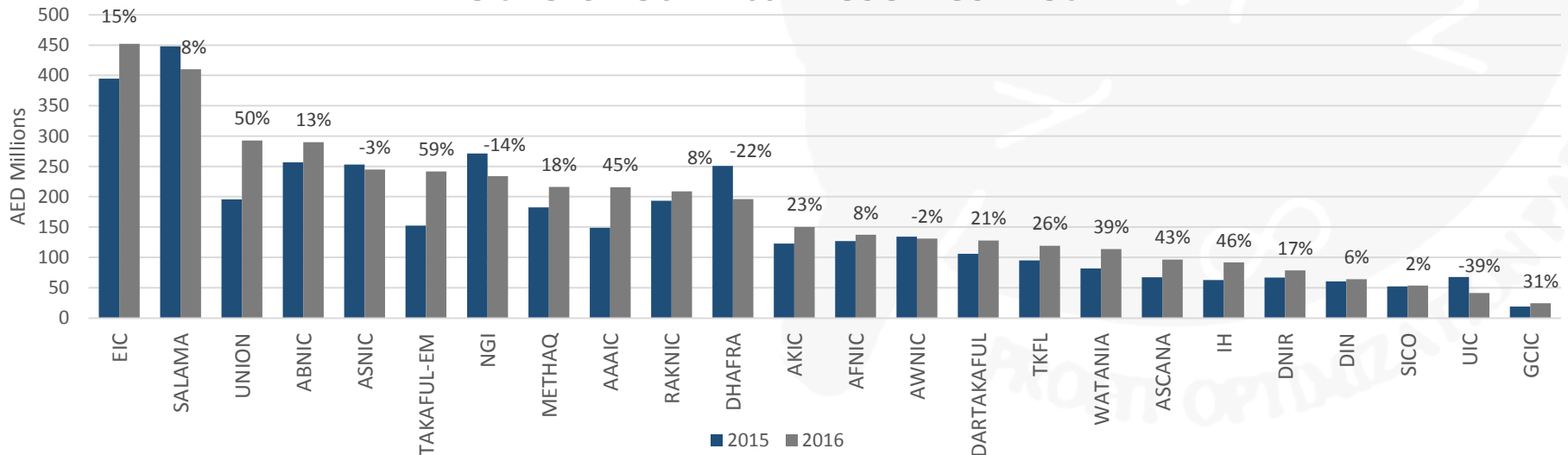
AED Millions

Technical Reserves-Net

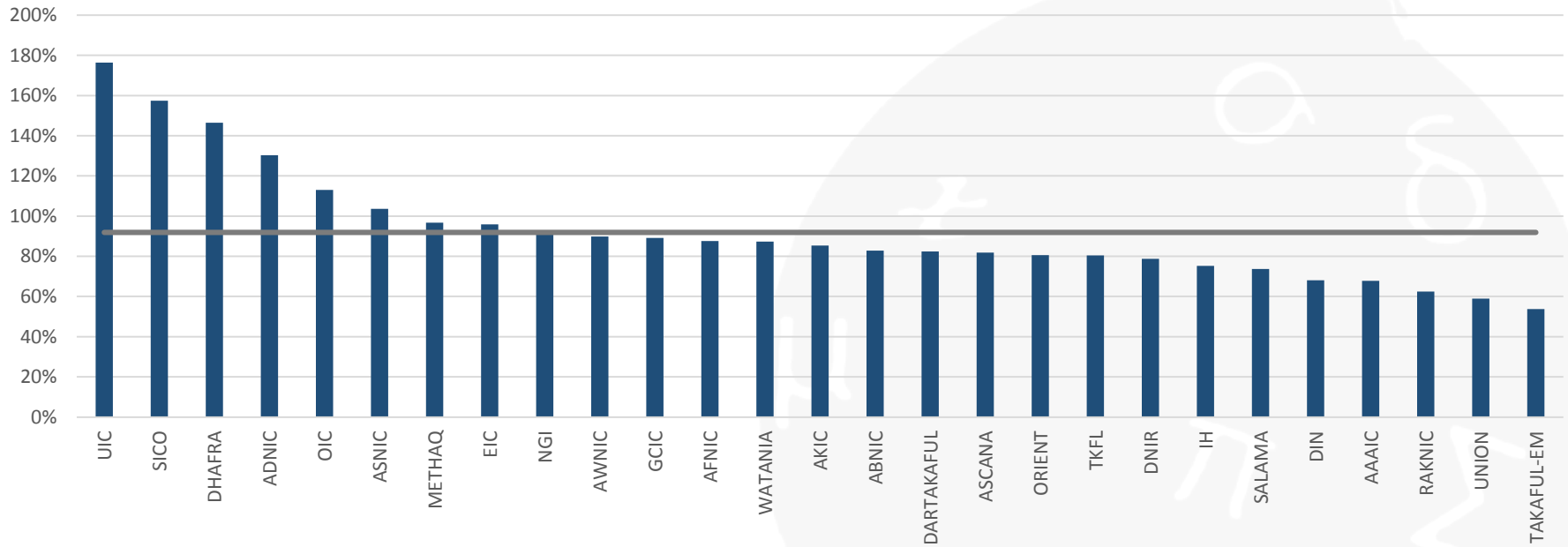


- Total net reserves as at Dec-2016 grew by 4% as compared to the net reserves as at Dec-2015
- OIC in terms of booking technical provisions retain their rank, and though the sequence is slightly changed nine out of top 10 companies remain the same.
- For companies which have restated their prior years, the impact of change in reserves may have been neutralized due to the opening reserves being in accordance with the new regulations also.

Others Technical Reserves-Net

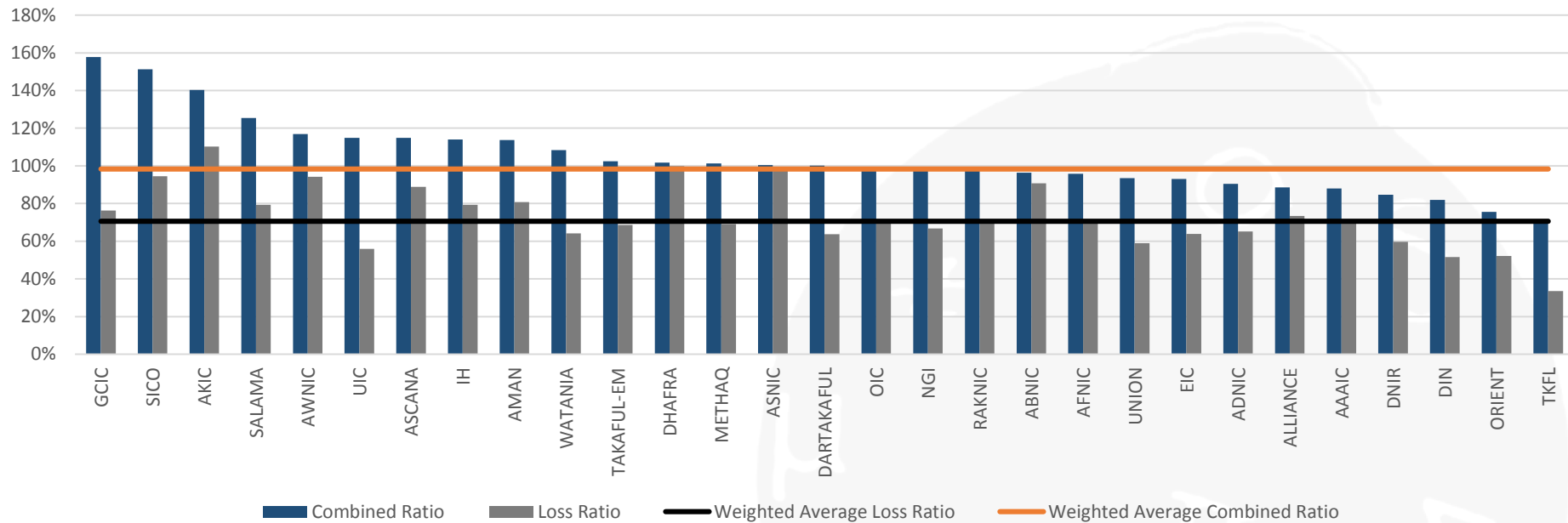


Listed Companies



➤ Aman and Alliance insurance was reflected as an outlier due to its Individual life mathematical reserve amounting to **AED 595 million** and **AED 597 million** respectively. Its proportion of Individual life mathematical reserve over net reserves is around **84%** and **96%** respectively which presents a big proportion in comparison to other life companies who have large portfolio of Individual life business.

Loss and Combined Ratio – Listed Companies



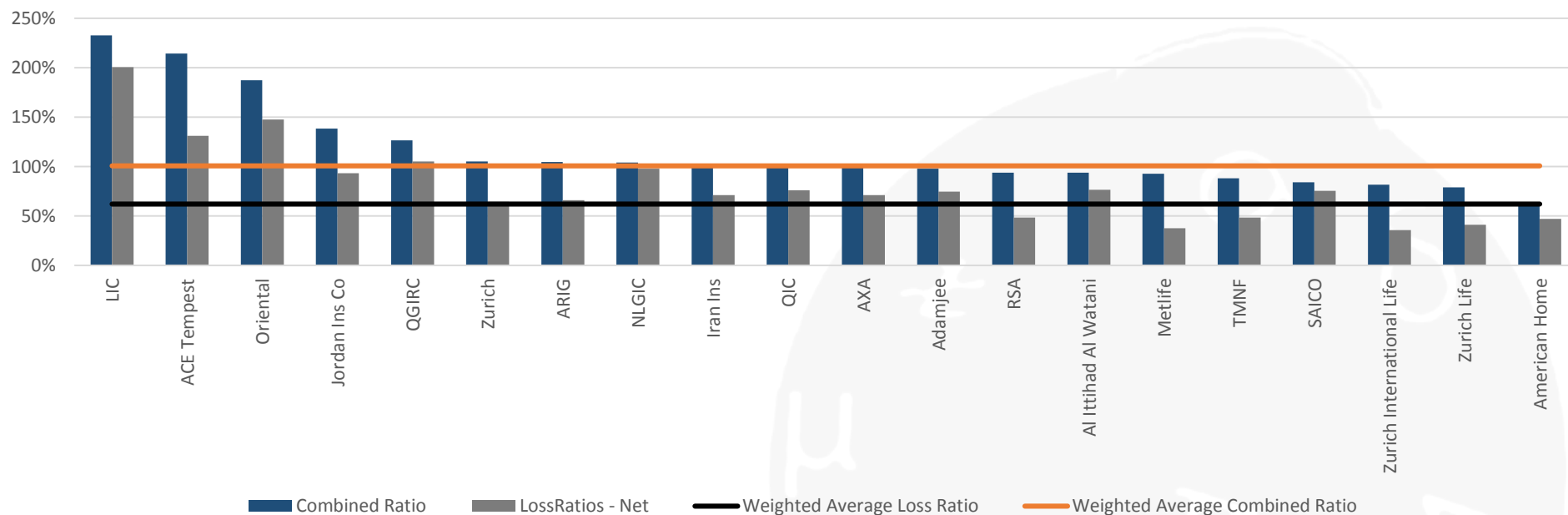
Weighted Average loss ratio was **71% (2015: 81%)** and weighted average combined ratio was **98% (2015:100%)**

The highest combined ratio of 2016 is **158%** is reflected by GCIC and the lowest combined ratio is of TKFL at **71%**.

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%. Fifteen 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



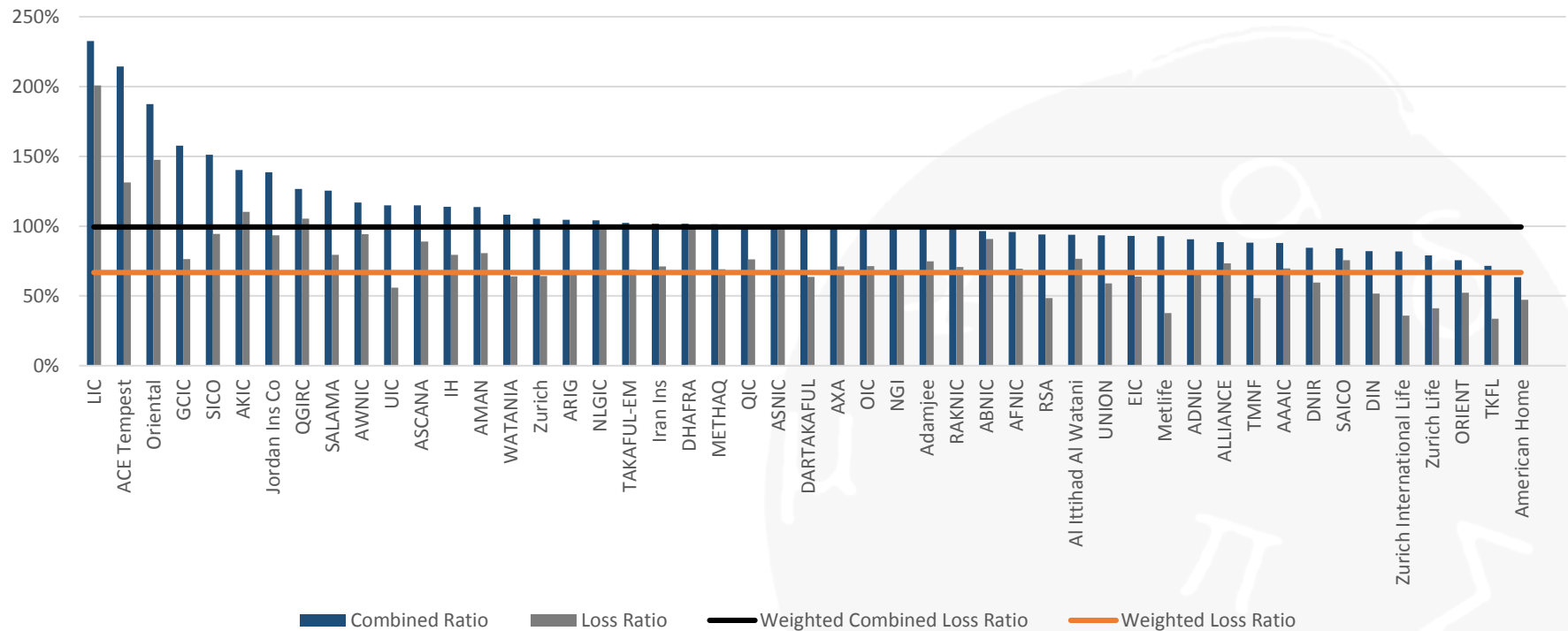
Weighted Average loss ratio was **62% (2015:45%)** and weighted average combined ratio was **101% (2015: 92%)**

The highest combined ratio of 2016 is **233%** is reflected by LIC and the lowest combined ratio is of American Home at **63%**.

We have excluded MSI and FPI because their loss and combined ratios are too high which distorts the graph scale, although their volumes are small . By including these branches the Weighted Average loss ratio was **69%** and weighted average combined ratio was **102%**.

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

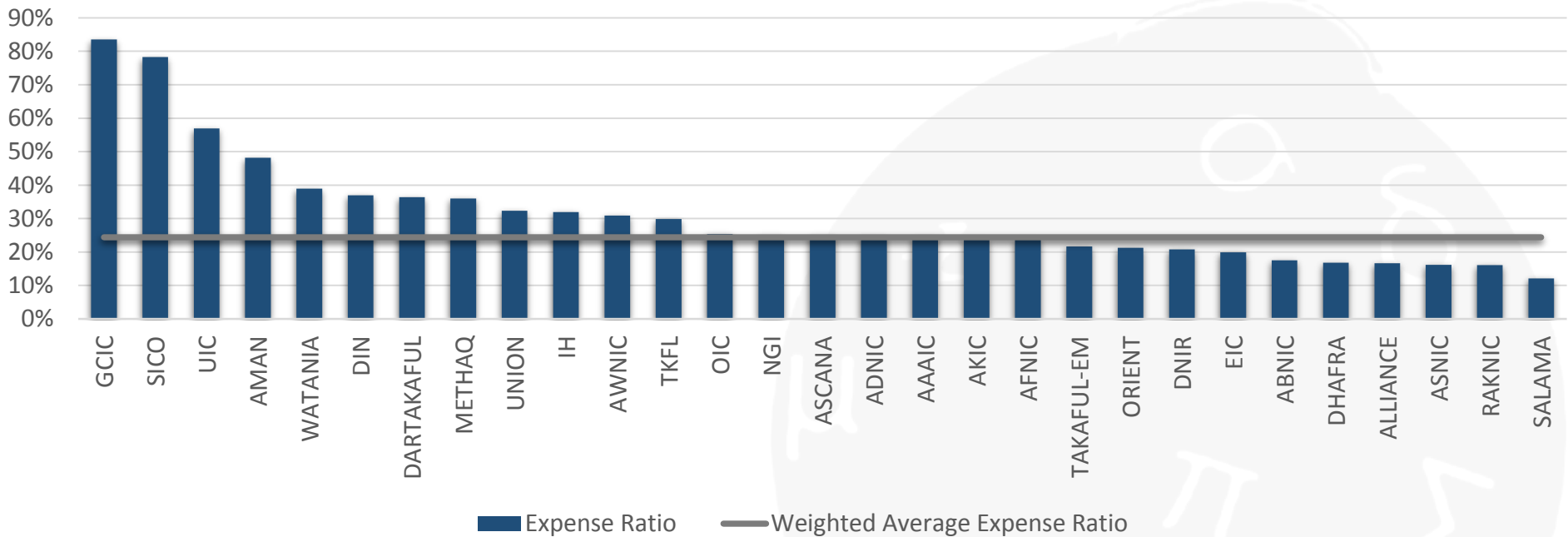


Weighted Average loss ratio was **67% (2015 : 70%)** and weighted average combined ratio was **99% (2015 : 84%)**.

The highest combined ratio of 2016 is **233%** is reflected by LIC and the lowest combined ratio is of American Home at **63%**.

We have excluded MSI and FPI because their loss and combined ratios are too high which distorts the graph scale, although their volumes are small. By including these branches the Weighted Average loss ratio was **70%** and weighted average combined ratio was **100%**.

G&A Expense Ratio – Listed Companies

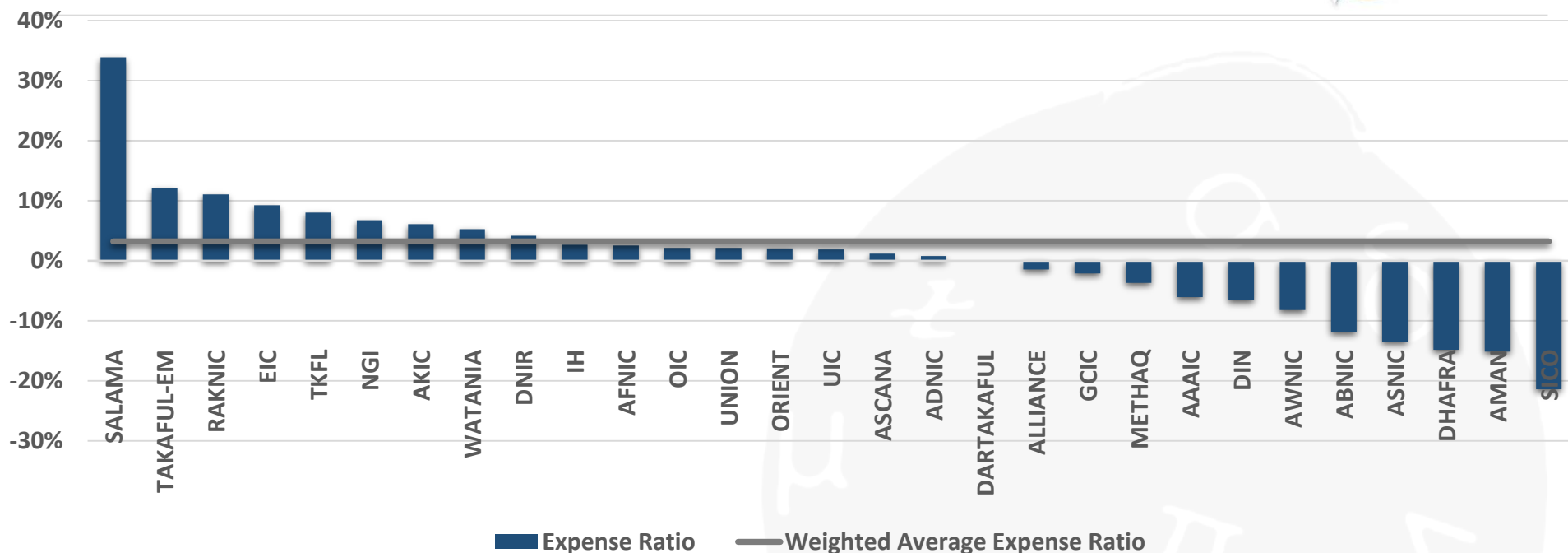


➤ The highest expense ratio for Dec 31, 2016 of **84%** is reflected by GCIC, whereas the lowest expense ratio of **12%** is reflected by SALAMA. Weighted Average expense ratio was at **24% (2015 : 22%)**.

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

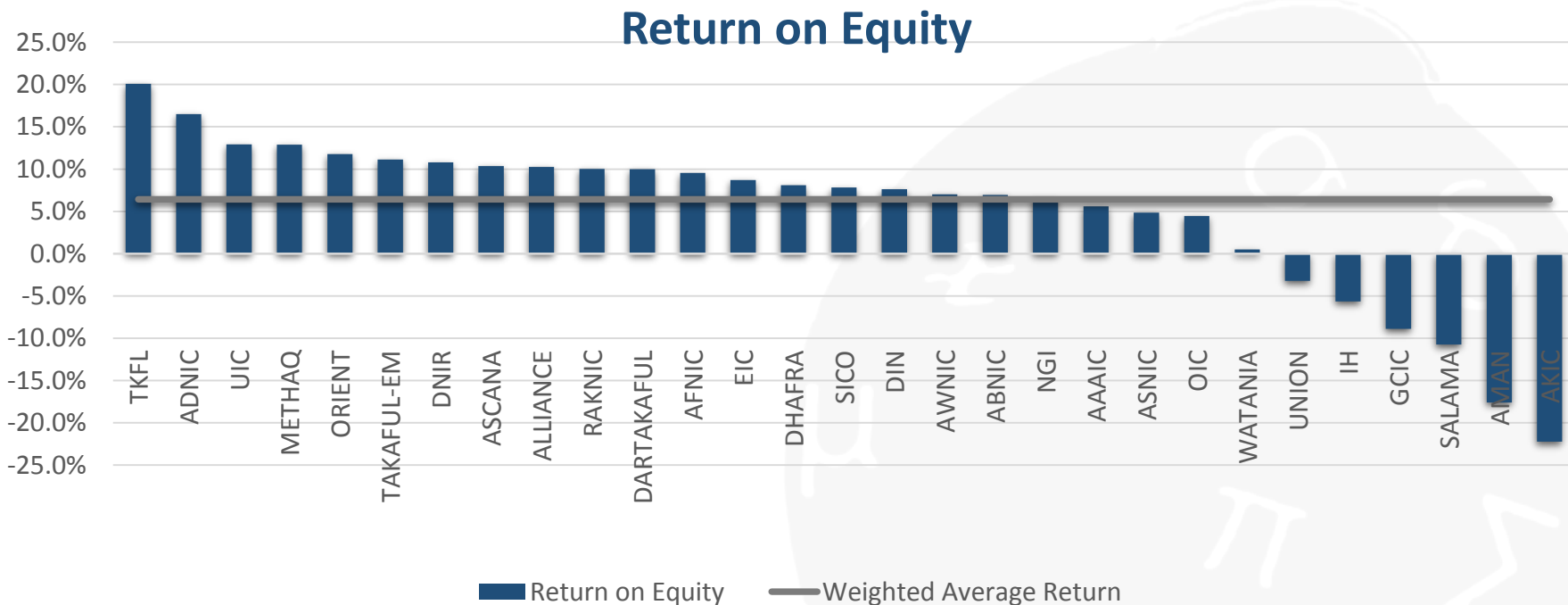
➤ The expense ratios have been calculated as a ratio of general and admin expenses to net earned premium. For Takaful companies we have used the same for comparative purposes and ignored the wakala fees (as wakala fees is a positive in one account and a negative in the other).

Commission Expense – Listed Companies





➤ The highest commission expense ratio of **34%** is reflected by SALAMA, whereas the lowest expense ratio of **-21%** is reflected by SICO. Weighted Average expense ratio was at **3%**.


➤ 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.



- The highest return on equity for 2016 is **20%** is shown by TKFL, whereas the lowest return on equity of **-22%** is reflected by **AKIC**.
- Weighted average return on equity was at **6.4%**.
- The return on equity have been calculated as a ratio of net profit of 2016 to total shareholder's equity as at the beginning of 2016.

-  Total premiums written, by the listed insurance companies, in 2016 amounted to **AED 18.8 billion**, as compared to the premium written in 2015 which is **AED 17.0 billion** which shows a growth of **10.6%**. Total premium for foreign branches for the year 2016 amounted to **AED 11.5 billion**, reflecting a growth of 5.5% from 2015. We've estimated the total premium for DAMAN and missing information pertaining to foreign branches and unlisted insurance companies to be **AED 5.4 billion** and **AED 1.5 billion** respectively. Therefore, the total written premium of the insurance industry for the year 2016 works out to **AED 37.2 billion**.
-  Total Profit for all listed insurance companies for the year 2016 amounted to **AED 988 million**, compared to the loss of the 2015 of **AED 54 million** (restated). Total profit generated by the foreign branches for the year 2016 amounted to **AED 236 million** compared to the profit of the corresponding period of 2015 of **AED 593 million** which shows a reduction of **60%**.
-  Summary of Premium, Loss and Combined Ratios is shown below:

Particulars	AED in Millions		
	Listed Companies	Branches	Total
Gross Premium	18,821	11,547	30,368
Profit	988	236	1,223
Loss Ratio	71%	62%	67%
Combined Ratio	98%	101%	99%

-  While the loss ratios for the branches are lower, the combined ratios show that local companies show better profitability as compared to foreign branches.

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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