BADRI

Performance Analysis of UAE Listed Insurance Companies for Half Year ended June 30, 2017

INTRODUCTION

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the *Listed Insurance Companies* of UAE for the half year ended June 30, 2017. The data has been extracted from second 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.

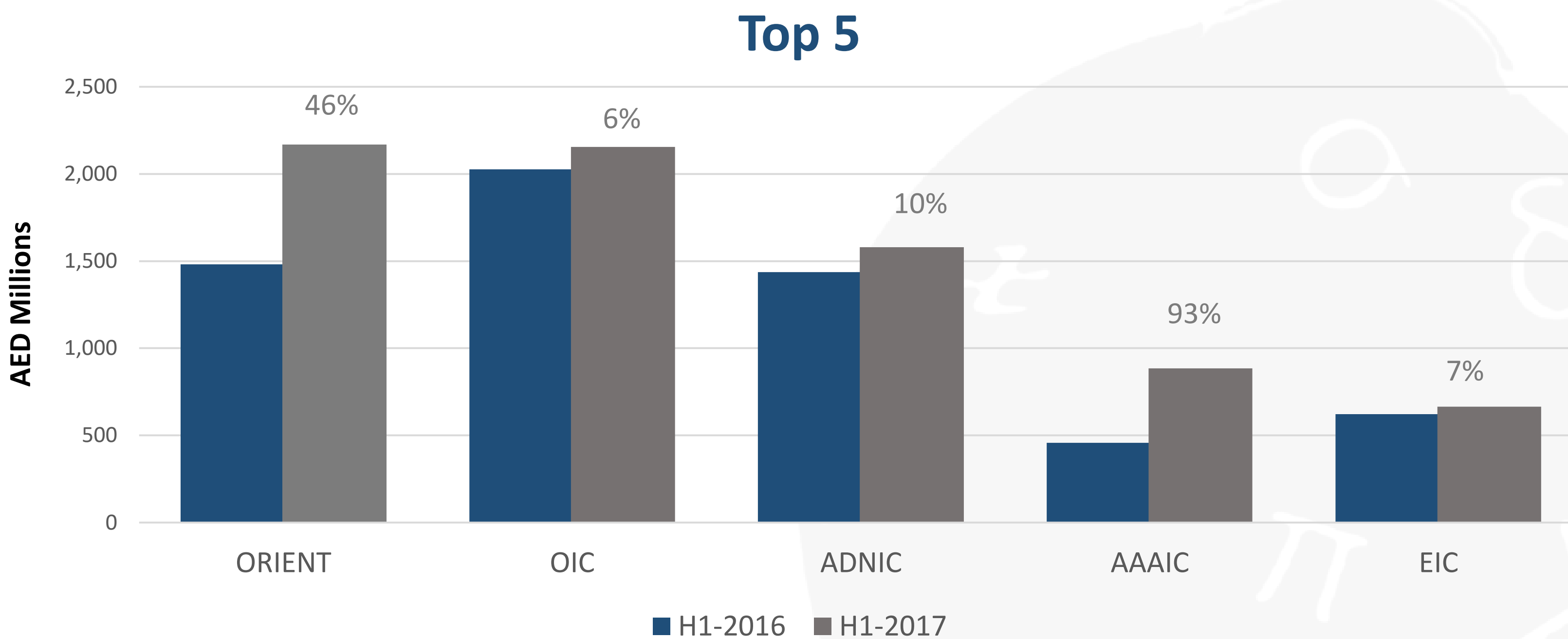
- The list of companies is provided on the next pages

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				

- Premiums
- Profitability
- Technical Provisions
- Loss Combined & Expense Ratio
- Return on Equity
- Conclusion

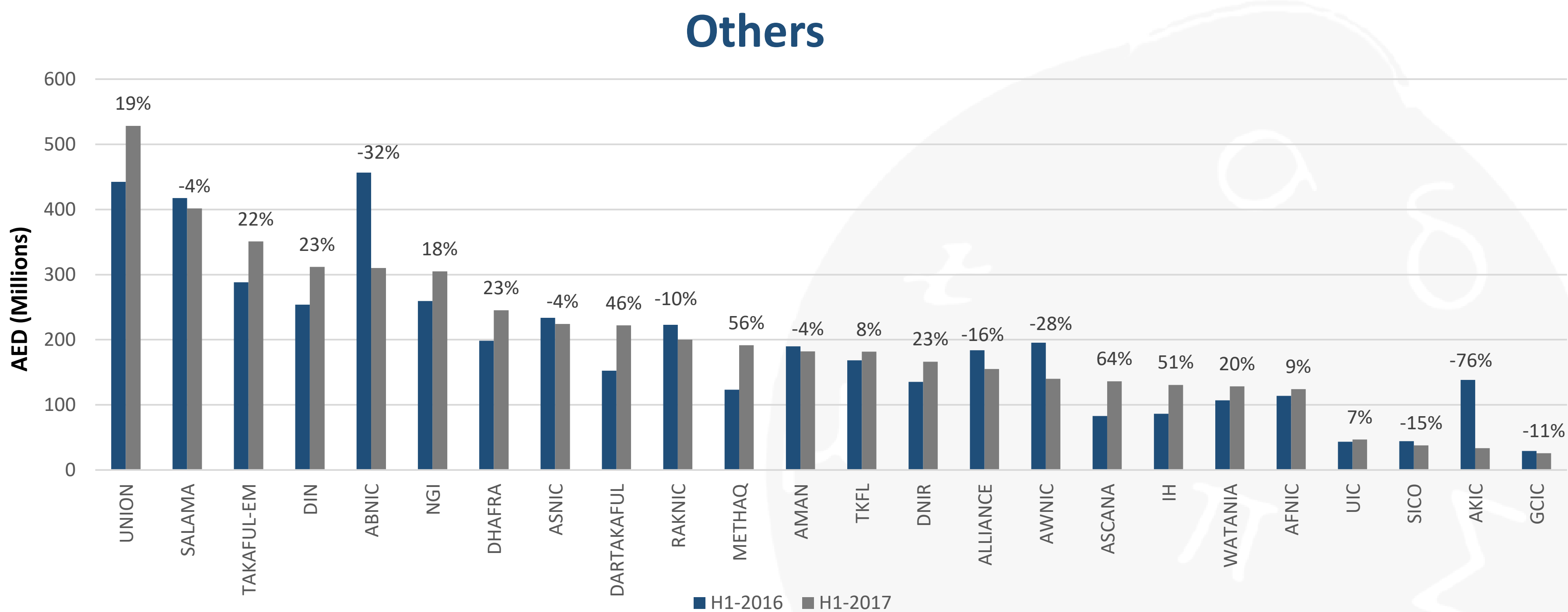
Gross Written Premium



- Total Gross premiums written by the listed insurance companies, in the six month of 2017 amounted to **AED 12.2 billion**, as compared to the premium written corresponding period of 2016 is **AED 10.6 billion**, which shows a growth of 15.5%.

- The top 5 companies had a combined premium of **AED 7.5 billion** for six months of 2017 as compared to **AED 6.0 billion** for H1- 2016; their market share has marginally increase from **56.9%** to **60.9%**.

Gross Written Premium



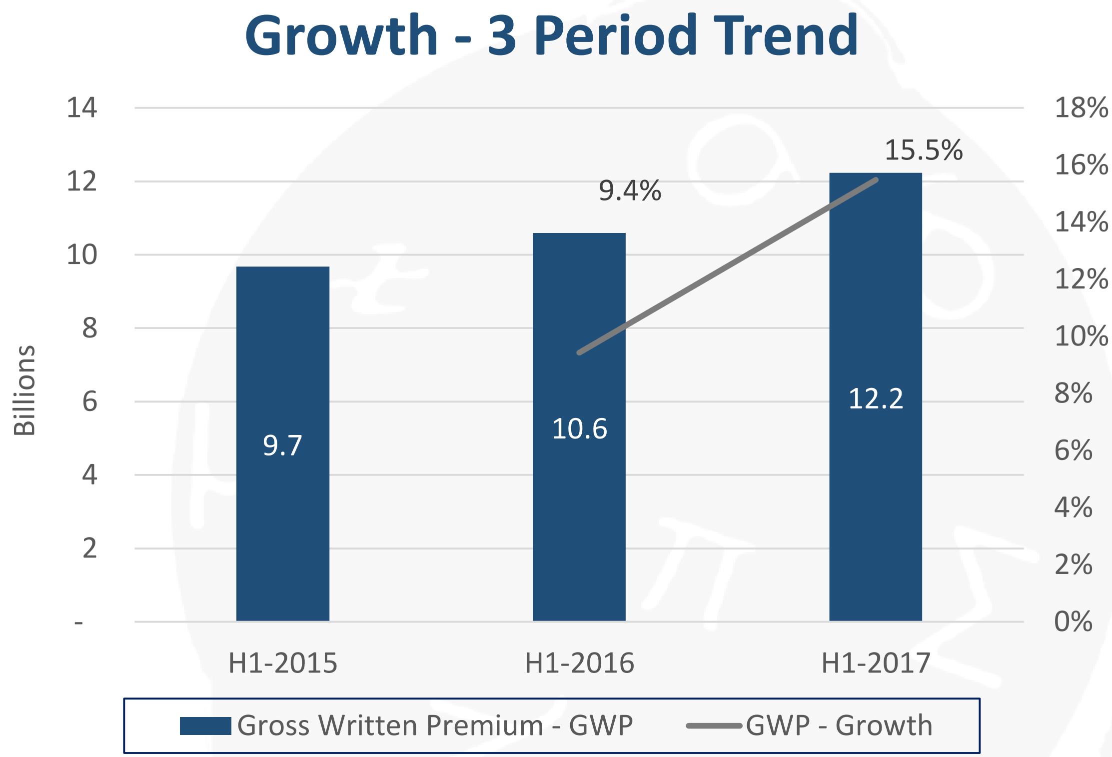
The highest growth over the first half of 2017 was shown by ASCANA with an increase of **64%** in premiums compared to the first half of 2016. The biggest decline over the same period was shown by AKIC with a decrease of **76%** compared to the corresponding period in 2016.

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

Gross Written Premium

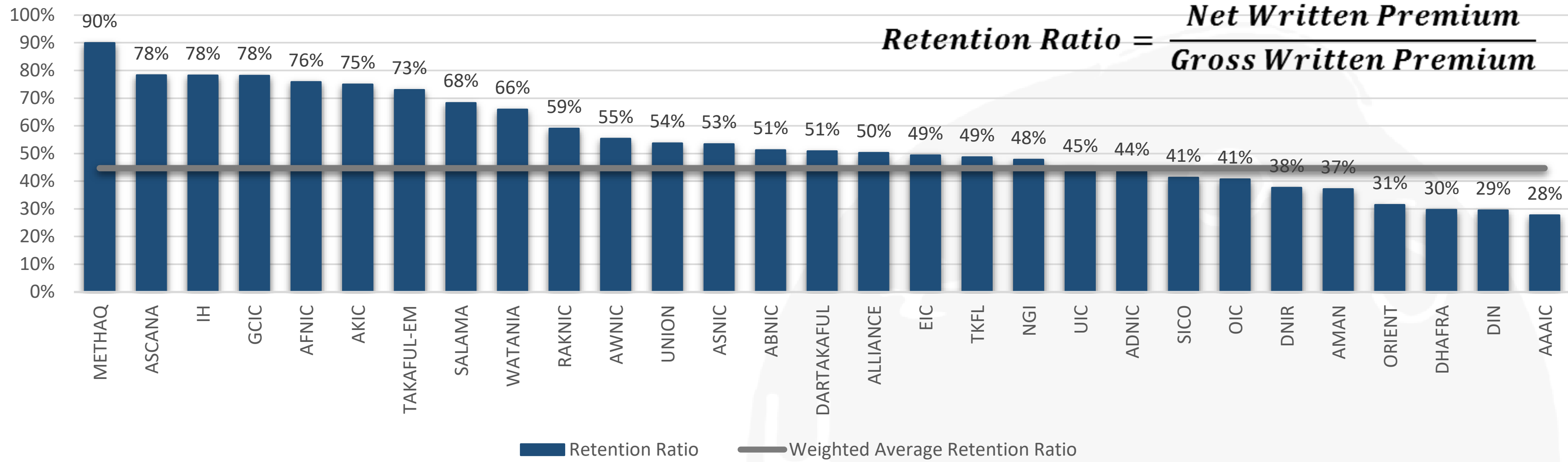
BADRI

"For the 29 listed companies the GWP grew from AED 9.7billion to AED 10.6 billion in first half of 2016 with a increase of 9.4%, and from AED 10.6 billion to AED 12.2 billion in corresponding period of 2017 with an increase of 15.5%"



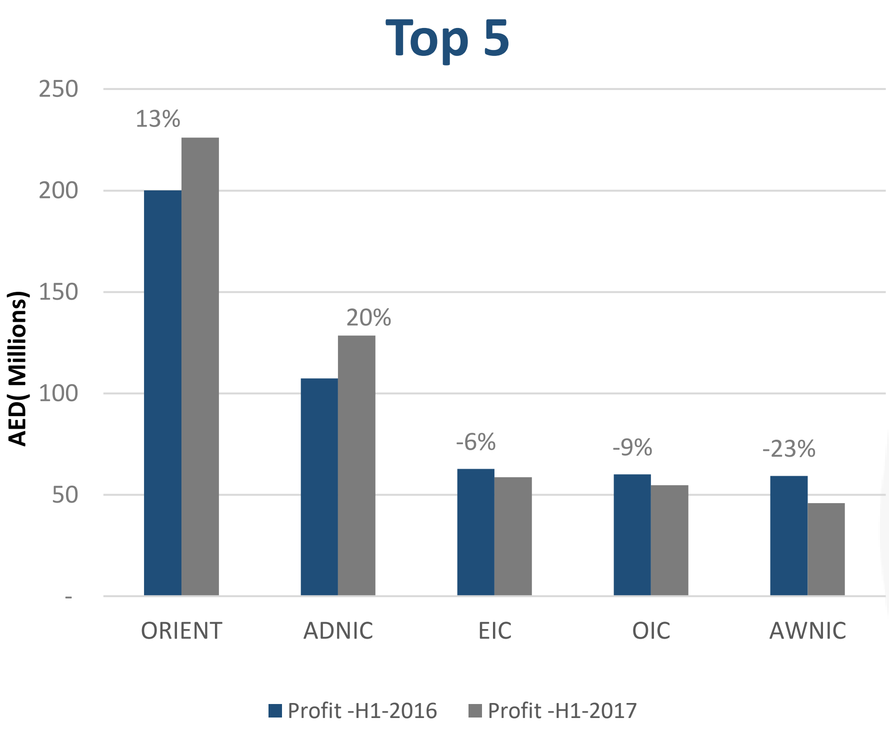
Retention Ratio

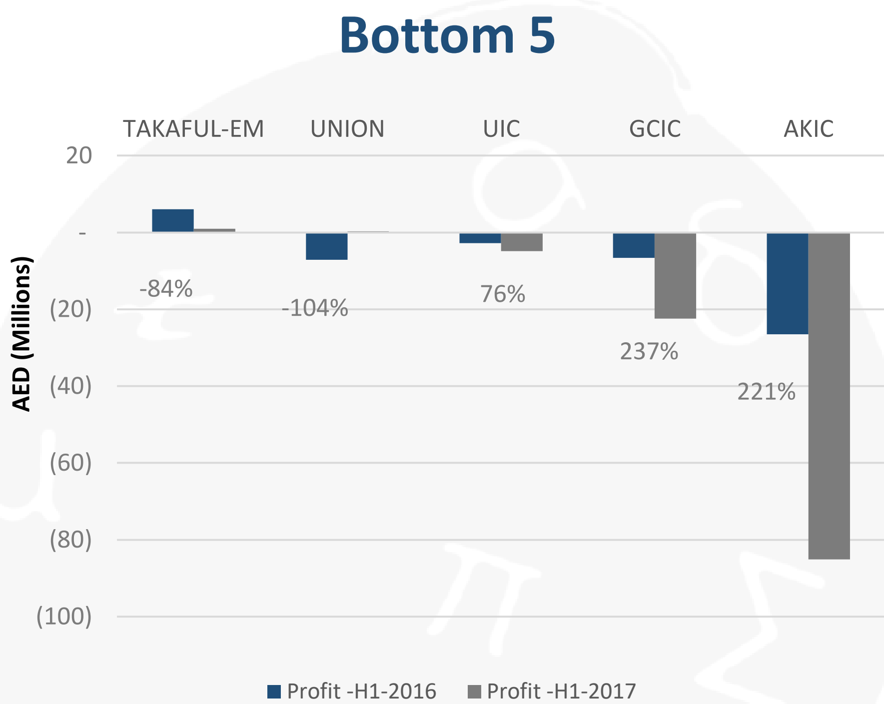
$$\text{Retention Ratio} = \frac{\text{Net Written Premium}}{\text{Gross Written Premium}}$$



- The highest retention ratio for six month of 2017 of **90%** is reflected by METHAQ, whereas the lowest retention ratio of **28%** is reflected by AAAIC.
- The weighted average retention ratio for listed companies was at **45% (H1-2016 : 46%)**.
- 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(Before Tax) H1-2017

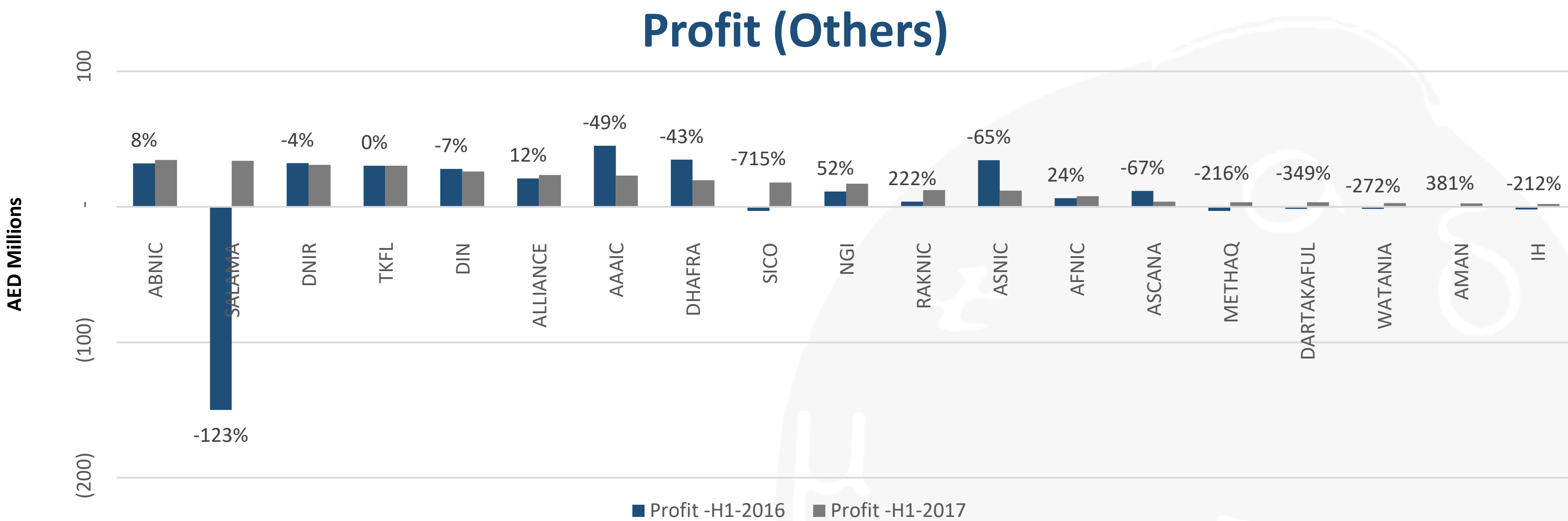




ORIENT booked the highest profit during first half of 2017 of **AED 226 million** as compared to the corresponding period of year 2016 of **AED 200 million** .

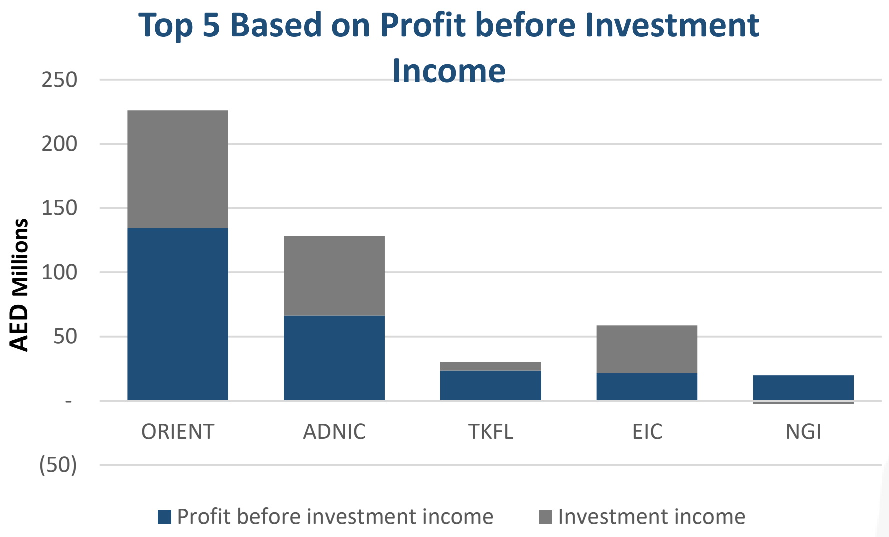
AKIC booked the highest loss of **AED 85 million** in first half of 2017 as compared to the loss of **AED 26 million** in the corresponding period of year 2016.

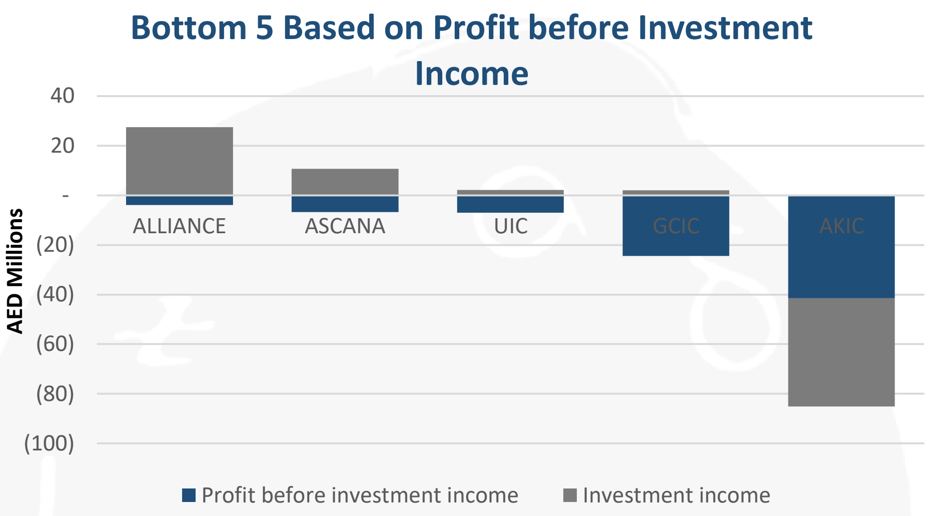
Profit H1-2017

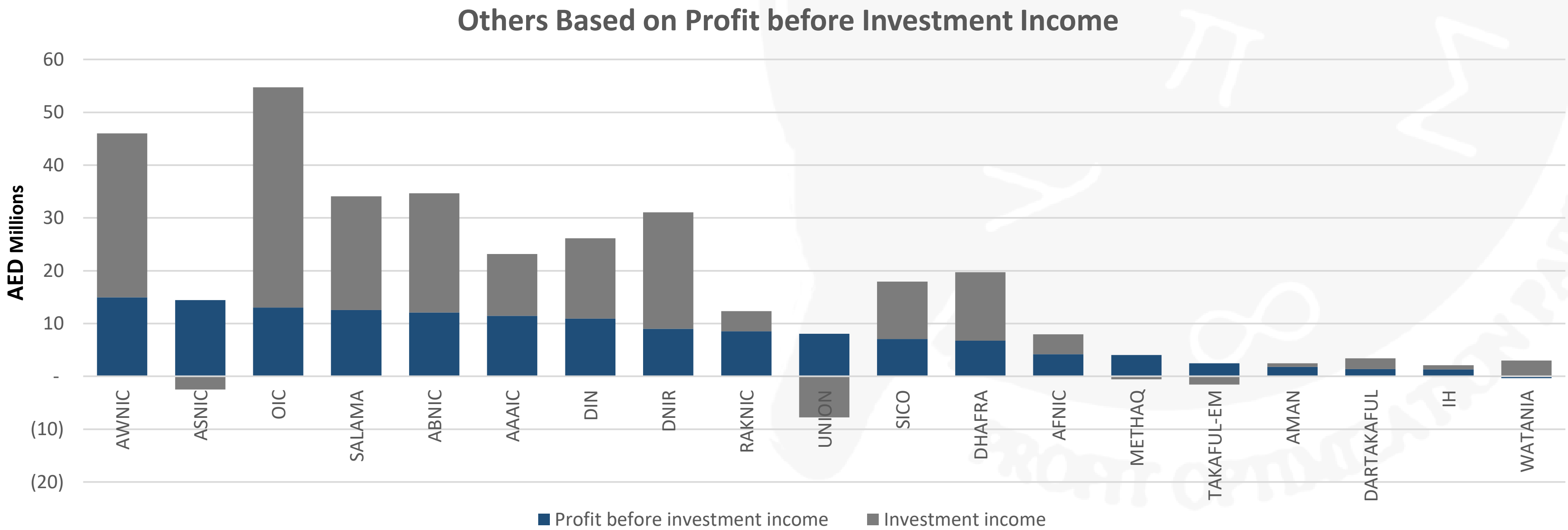


- Total profit generated for the first half of 2017 amounted to **AED 711 million** compared to the profit of the corresponding period of 2016 of **AED 584 million(restated)** which shows an increase of around **21.7%**.
- 3 out of the 29 companies posted losses in H1-2017, as compared to 10 companies being loss making in the corresponding period in 2016 . While 3 companies are loss making in both periods.
- One company displayed contrasting change in fortunes as compared to the corresponding period last year, which effects the numbers significantly due to the scale of volumes of both. SALAMA registered a profit of AED 34 million in H1-2017, moving from a loss of AED 150 million in H1-2016.

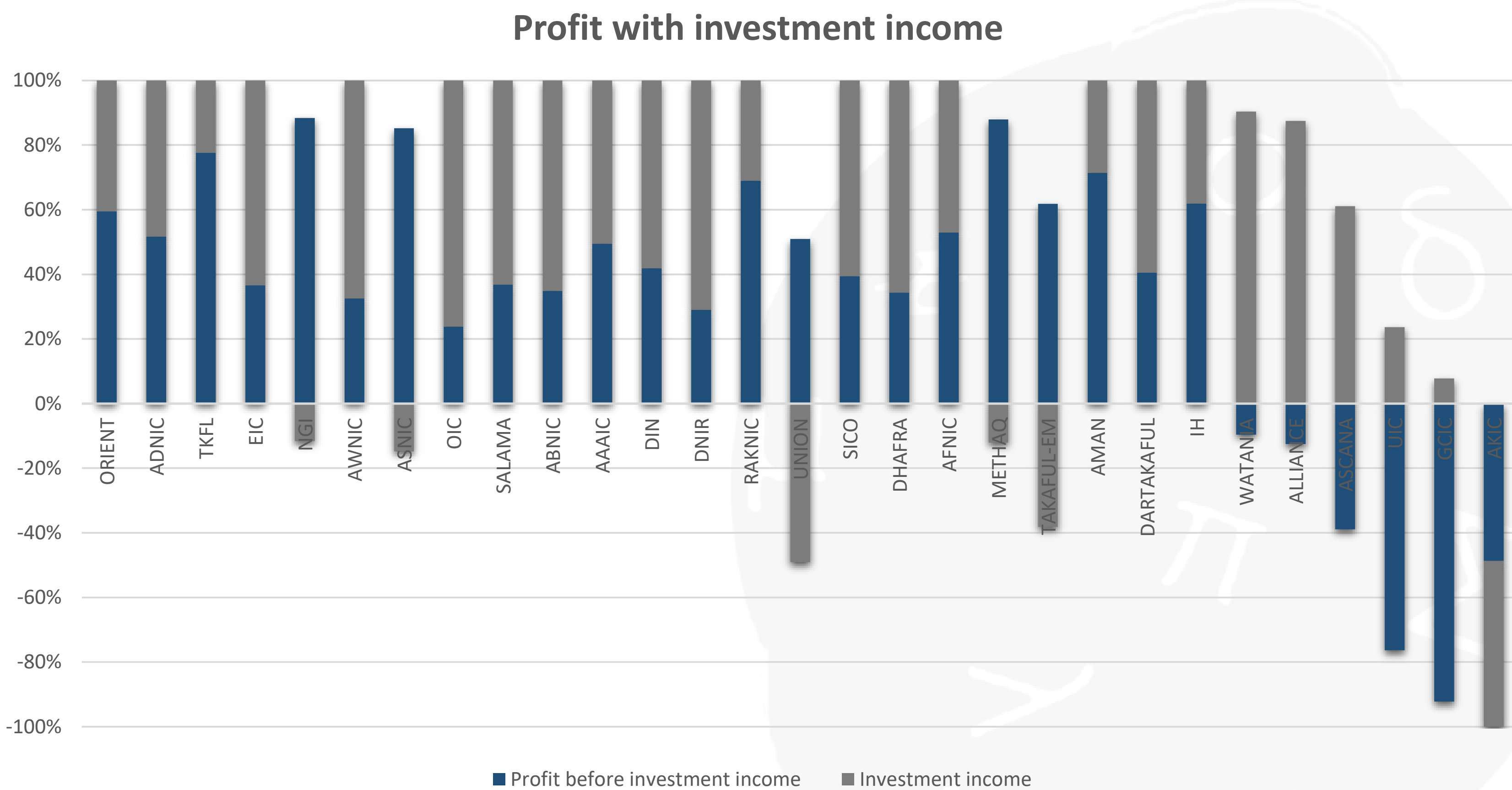
Profit Before and After Investment Income







Profit Composition Before and After Investment Income



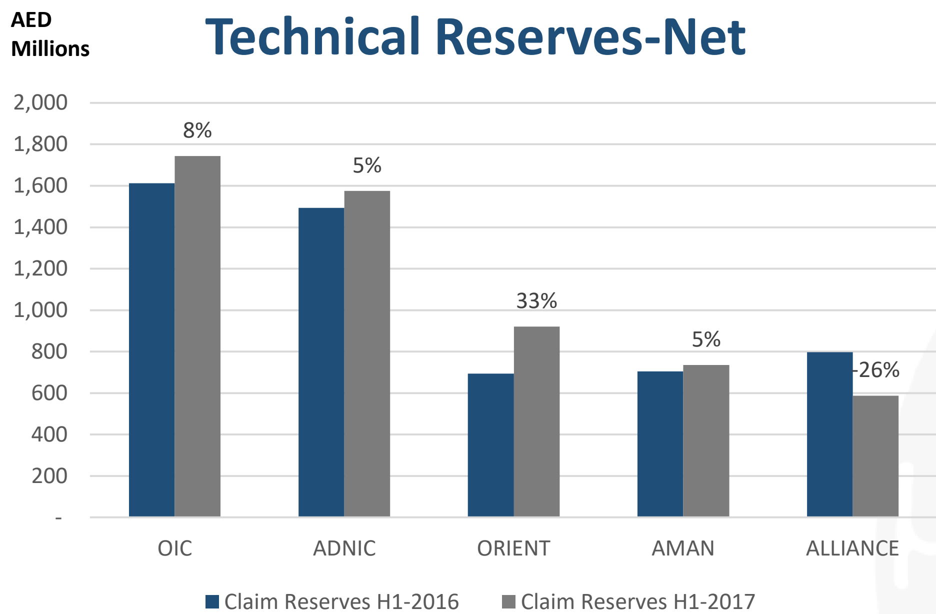
Premium Benchmarked on the basis of Profitability

Company/ Branch	Ranking		Indic
	Gross Premium	Profit	
ORIENT	1	1	→
OIC	2	4	↓
ADNIC	3	2	↑
AAAIC	4	12	↓
EIC	5	3	↑
UNION	6	26	↓
SALAMA	7	7	→
TAKAFUL-EM	8	25	↓
DIN	9	10	↓
ABNIC	10	6	↑
NGI	11	15	↓
DHAFRA	12	13	↓
ASNIC	13	17	↓
DARTAKAFUL	14	21	↓
RAKNIC	15	16	↓

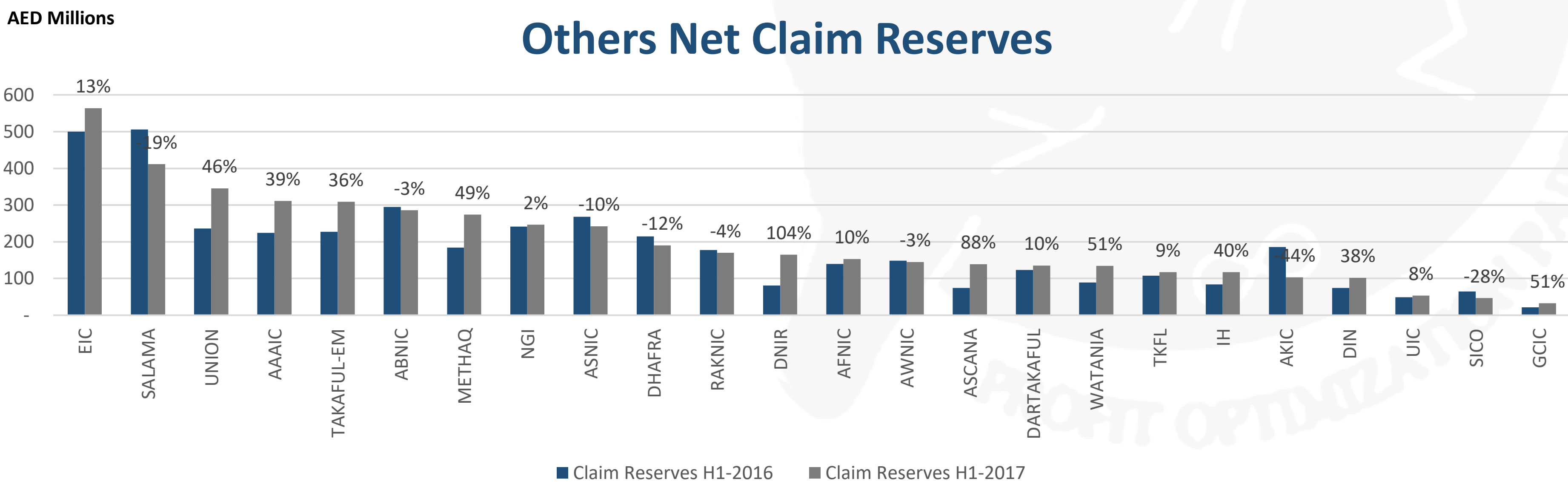
Company/ Branch	Ranking		Indic
	Gross Premium	Profit	
METHAQ	16	20	↓
AMAN	17	23	↓
TKFL	18	9	↑
DNIR	19	8	↑
ALLIANCE	20	11	↑
AWNIC	21	5	↑
ASCANA	22	19	↑
IH	23	24	↓
WATANIA	24	22	↑
AFNIC	25	18	↑
UIC	26	27	↓
SICO	27	14	↑
AKIC	28	29	↓
GCIC	29	28	↑

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

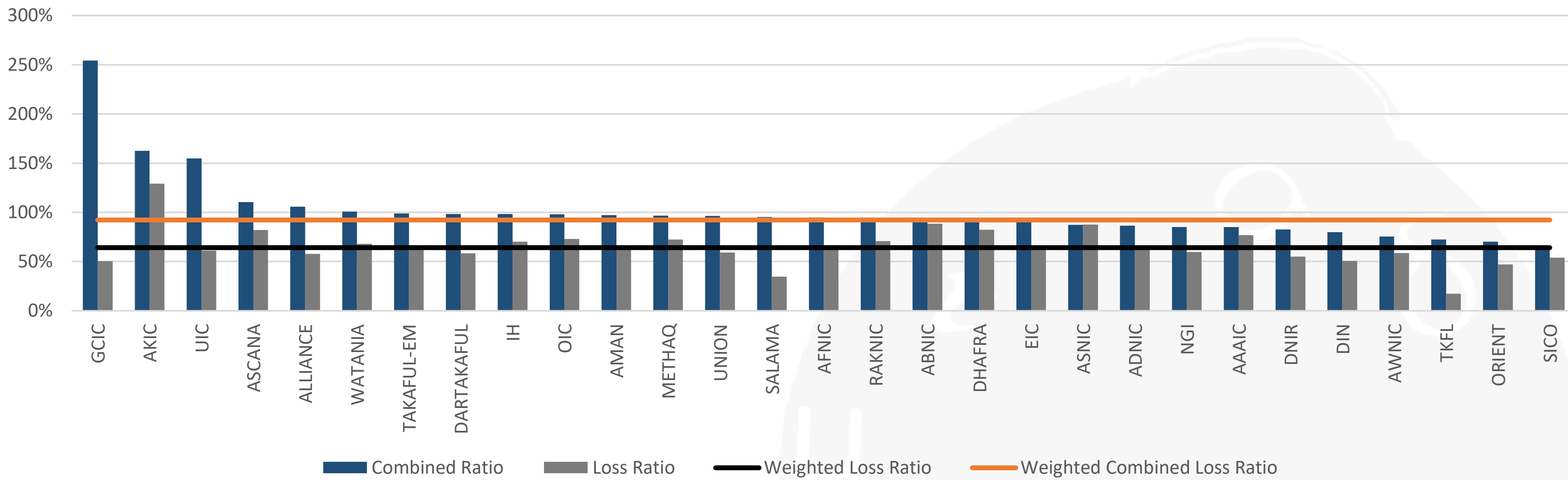
Technical Provisions – Listed Companies



- Total net reserves as at Jun-2017 grew by 7% as compared to the net reserves as at Jun-2016
- OIC in terms of booking technical provisions retain their rank, and though the sequence is slightly changed 7 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.



Loss and Combined Ratio – Listed Companies



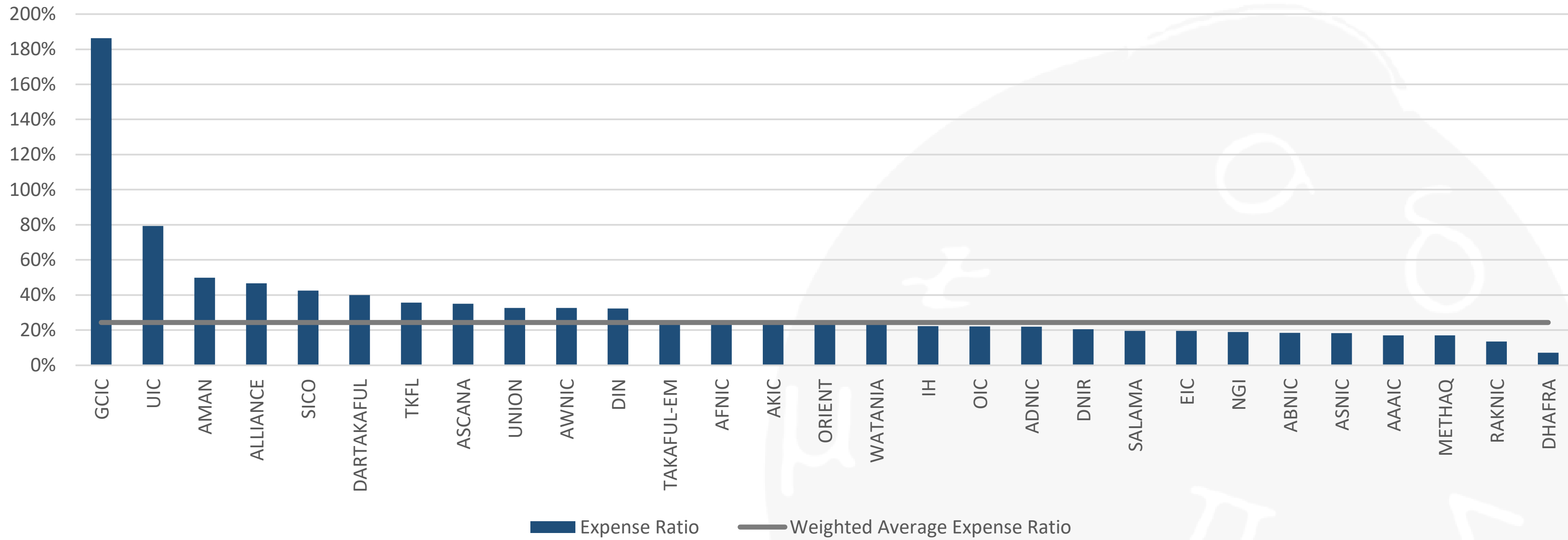
- Weighted Average loss ratio was **64%** **(H1-2016: 73%)** and weighted average combined ratio was **92% (H1-2016:98%)**

- The highest combined ratio of H1-2017 is **254%** 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%. **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.

G&A Expense Ratio



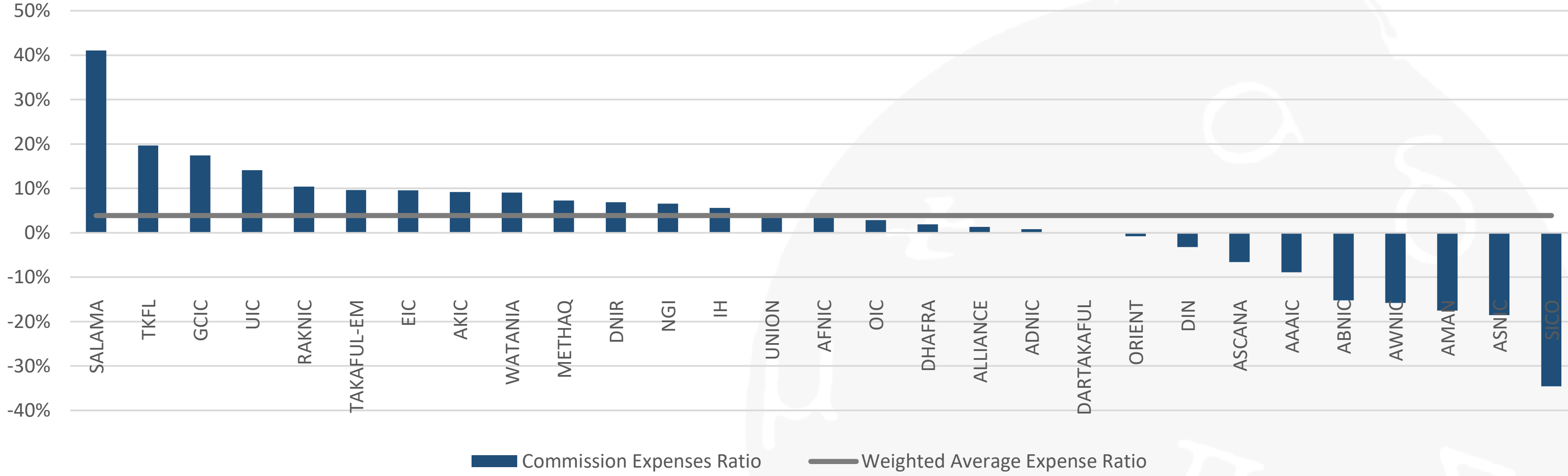
- The highest expense ratio for the six months ended June 30, 2017 of **186%(H1-2016 : 99%)**. **)** is reflected by GCIC, whereas the lowest expense ratio of **7%(H1-2016 : 11%)** is reflected by DHAFRA. Weighted Average expense ratio was at **24%(H1-2016 : 22%)**.

- 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

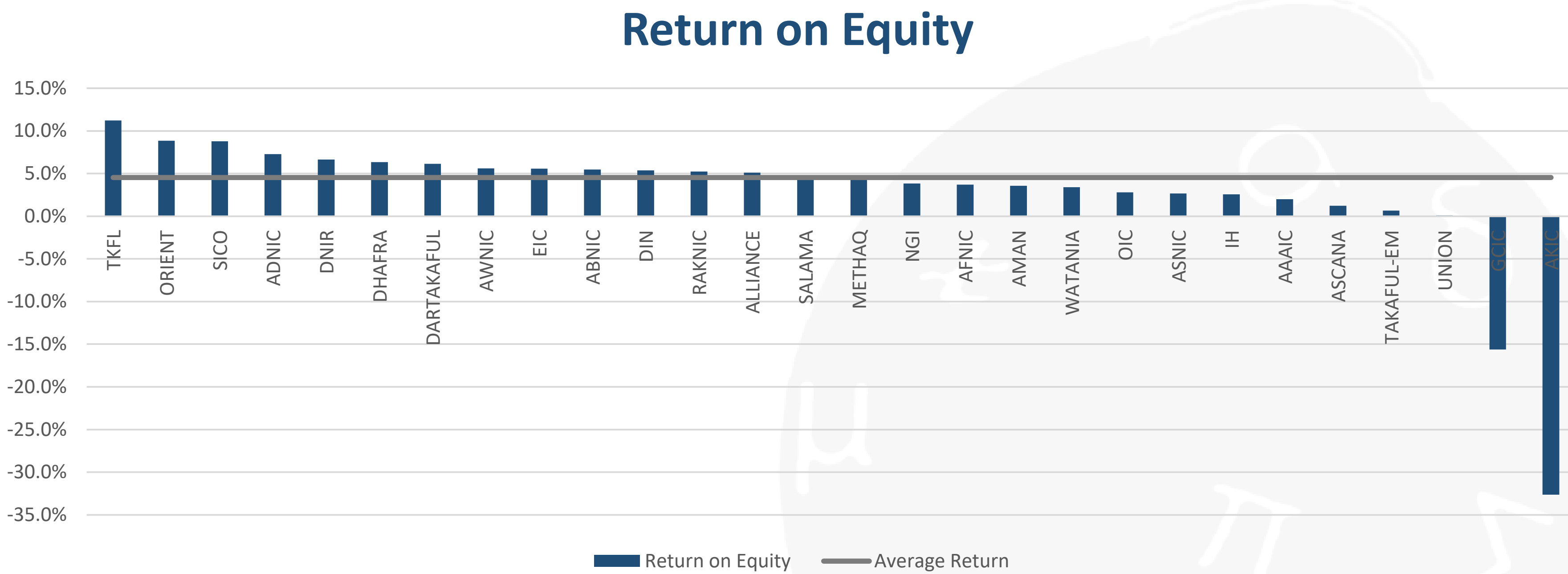
$$\textit{Commission Expense Ratio} = \frac{\textit{Net Commissions}}{\textit{Net Earned Premium}}$$



- The highest commission expense ratio June 30, 2017 of **41%** is reflected by SALAMA(**H1-2016:33%**), whereas the lowest expense ratio of **-35%** is reflected by SICO. 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 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 – Listed Companies



- The highest return on equity for half year 2017 is **11%** is shown by TKFL, whereas the lowest return on equity of **-33%** is reflected by **AKIC**.
- Weighted average return on equity was at **4.6%**.
- The return on equity have been calculated as a ratio of net profit of six month of 2017 to total shareholder's equity as at the beginning of 2017.

Conclusion

- Total premiums written, by the listed insurance companies, in the six months of 2017 amounted to **AED 12.2 billion**, as compared to the premium written in the corresponding period of 2016 of **AED 10.6 billion** which shows a growth of **15.5%**. The average premium retention ratio was at **45%.**

- Total Profit, by the listed insurance companies, in the six months of 2017 amounted to **AED 711 million**, compared to the profit of the corresponding period of 2016 of **AED 584 million** (restated). which shows a growth of **21.7%**.

- The weighted average return on equity was 4.6%.

- Average loss ratio for all companies analyzed was 64% and average combined ratio was at 92%.

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