PERFORMANCE ANALYSIS OF UAE INSURANCE COMPANIES (INCLUDING FOREIGN BRANCHES) FOR THE YEAR 2019

PREPARED BY

BADRI

8 JUNE. 2020

BADRI

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Solution architects strengthening our partners to optimize performance

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TABLE OF CONTENTS

HIGHLIGHTS FROM 2018 REPORT

AED 40 Billion

GROSS PREMIUMS WRITTEN

Estimated gross premiums written in the industry in 2018.

55%

RETENTION RATIO

The weighted average retention ratio for listed companies & branches was at 55%.

AED 1.9 Billion

PROFIT

Estimated profit for listed companies and branches amounted to AED1.9 billion in 2018.

62%

LOSS RATIO

Weighted Average loss ratio was 62% for listed companies and branches.

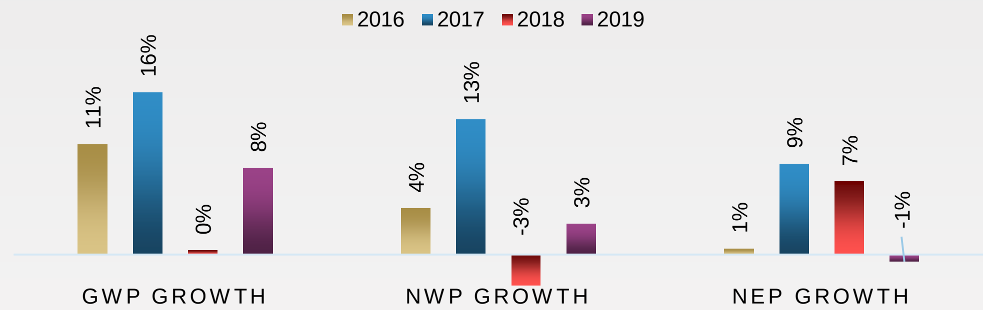
8%

RETURN ON EQUITY

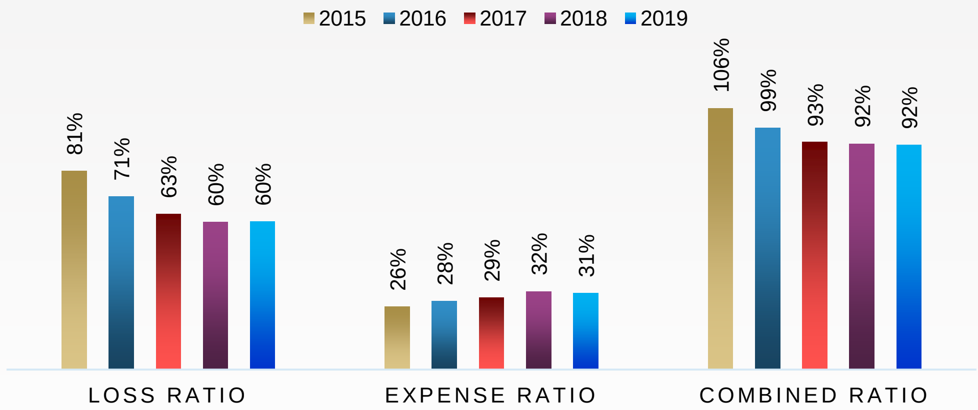
Weighted average return on equity for 2018 was at 8%

PERFORMANCE RATIOS – LISTED COMPANIES

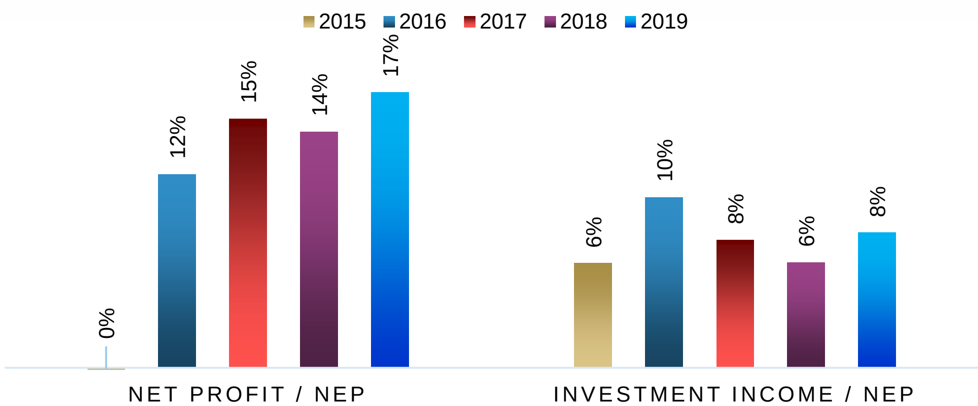
GROWTH RATIOS



MANAGEMENT COST RATIOS

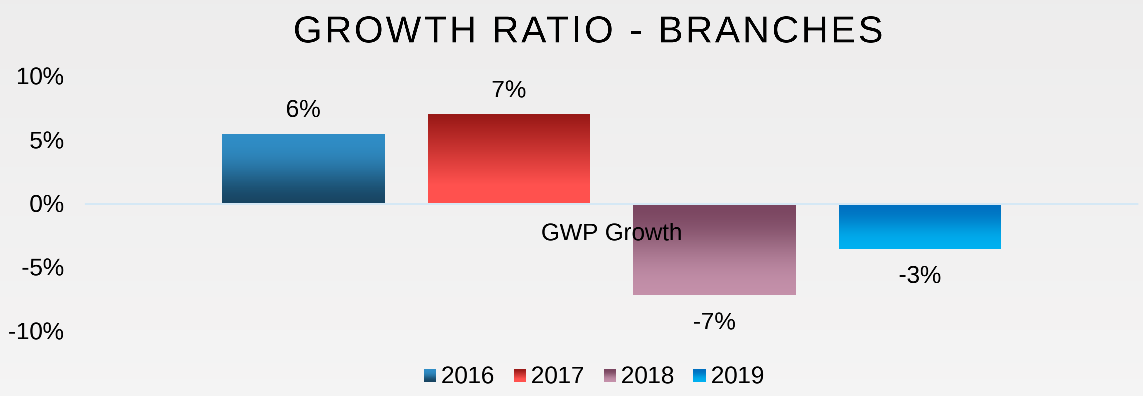


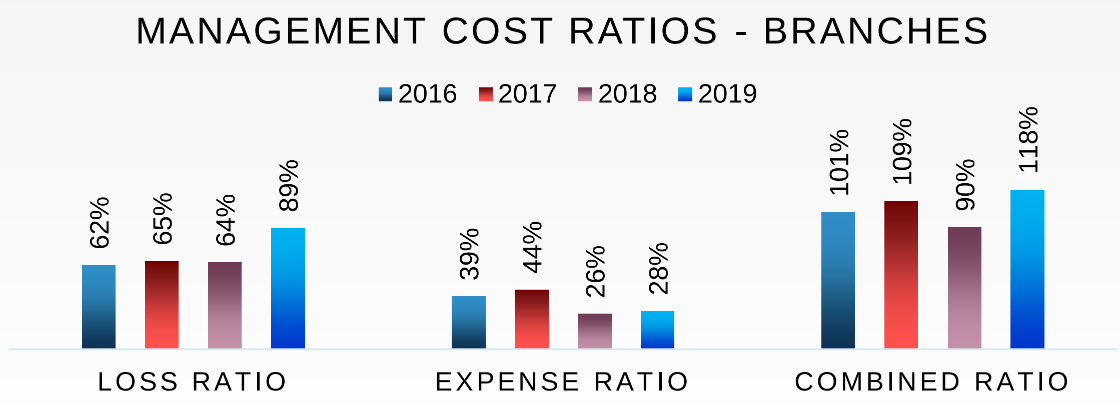
EARNING RATIO

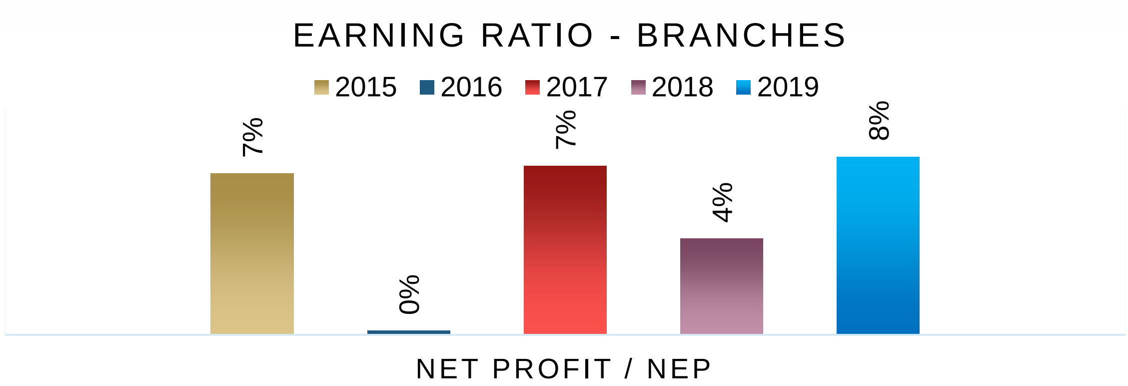


The listed companies in the Insurance Industry of UAE experienced growth in top line during 2019. The gross loss and combined ratios have stabilized while net profit as a proportion of NEP is at a 4-year high of 17%, of which 8% is contributed by investment income.

PERFORMANCE RATIOS – BRANCHES

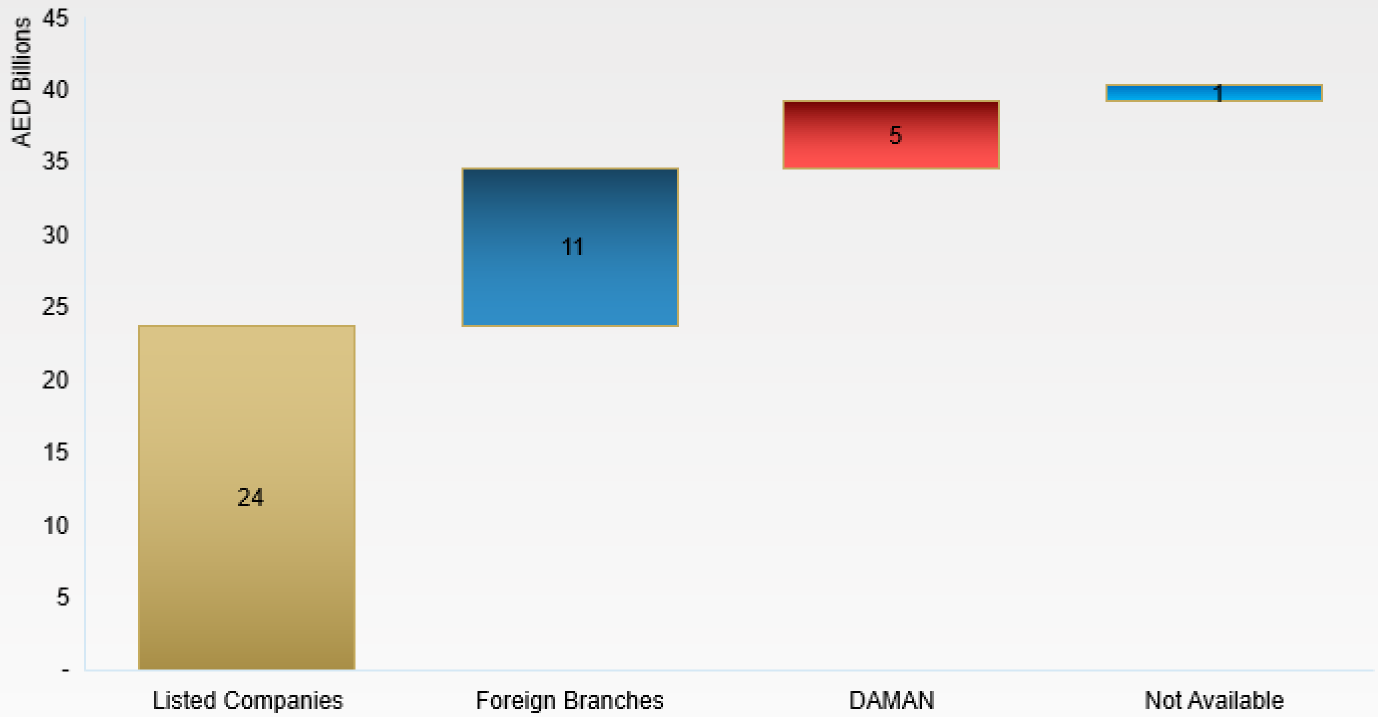






Branches on the other hand have experienced declining business growth in the last two years. During 2019, the loss ratio amongst the branches experienced a sharp increase. Nevertheless, the net profit as a proportion of NEP has almost doubled from 4% in 2018 to 8% in 2019.

INDUSTRY VOLUME ESTIMATION



The analysis presented herein for 2019 is based on 30 listed Insurance Companies and 22 Foreign Insurance branches operating in UAE.

The total premium for the Industry is estimated to be AED 40 billion in 2019 reflecting a growth of 1% from the estimates of 2018. The listed Companies comprise of 59% of the gross premium of the total estimated industry volume.

The total written premium for 2019 of the Insurance Companies and branches considered in this review is estimated to be AED 34.5 billion. While the Listed Companies reflected a growth of 8%, a 3% decline was observed in the branches for 2019 compared to 2018.

Based on the premium estimations of the past five years, the CAGR of the Industry from 2015-19 is computed to be 8%.

Some of the above presented numbers are an approximation and the actual numbers may vary.

ESTIMATING TOTAL MARKET VOLUME

The financials published were used for the listed Companies and Foreign branches, while for Daman and Not Available segments, an estimation was applied.

DAMAN:

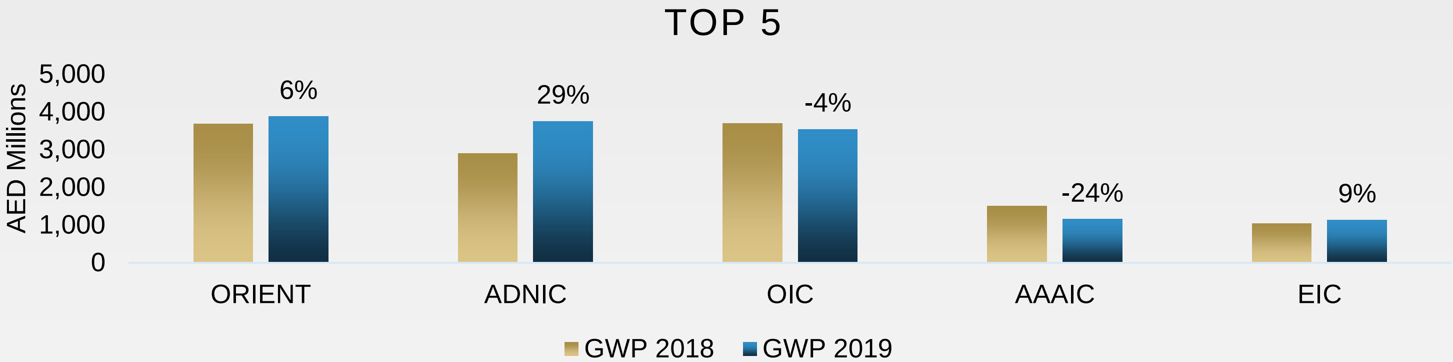
As per HAAD Statistics of 2017 (subsequent reports not available publicly), Daman covered 553,297 enhanced members at an average premium of AED 5,918. The Basic and Enhanced premium worked to be AED 1 billion and AED 3 billion respectively. A compound growth of 2% is assumed on 2017 to evaluate an approximation for 2019 business after analyzing the trends from 2015-2017 premiums growth from HAAD report.

It is assumed that 5% of business comes from Non-HAAD sources, providing total GWP for 2019 to be AED 4.8 billion. This excludes Thiqa.

Missing Financials:

The missing segment pertains to Foreign Branches and Local Unlisted companies whose financials were unavailable. These are assumed to make up 3% of the listed companies plus branches premium.

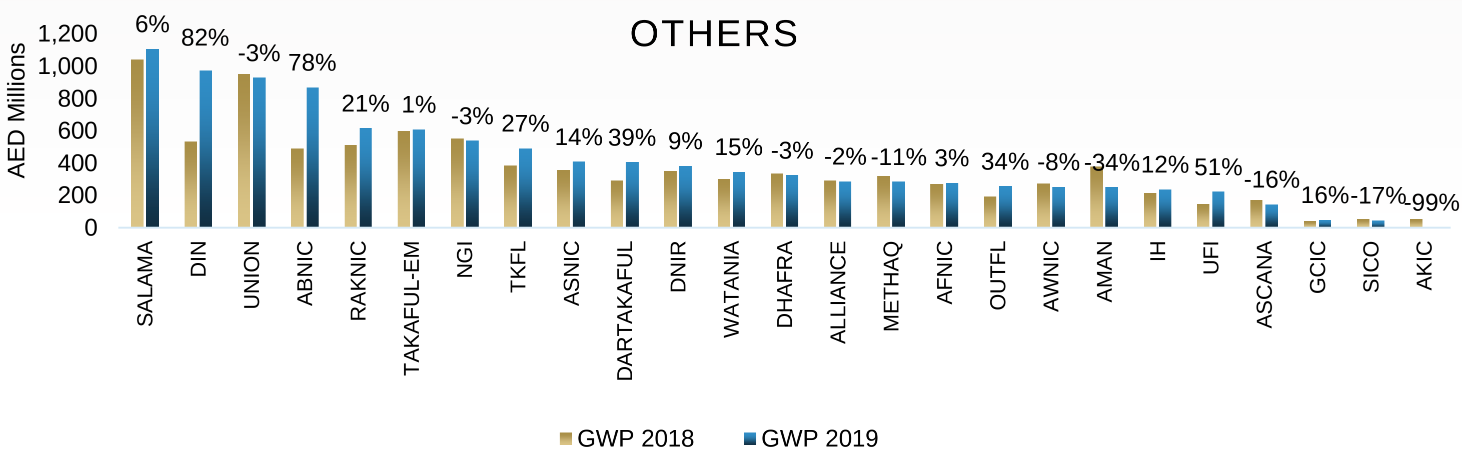
GROSS WRITTEN PREMIUMS - LISTED COMPANIES



Total Gross premium written by the listed insurance companies amounted to AED 23.7 billion during 2019, depicting a growth of 8% from last year.

The market share of the top 5 companies in terms of the gross premium reduced from 59% in 2018 to 57% this year. The combined premium of the top 5 companies adds up to AED 13.5 billion for 2019.

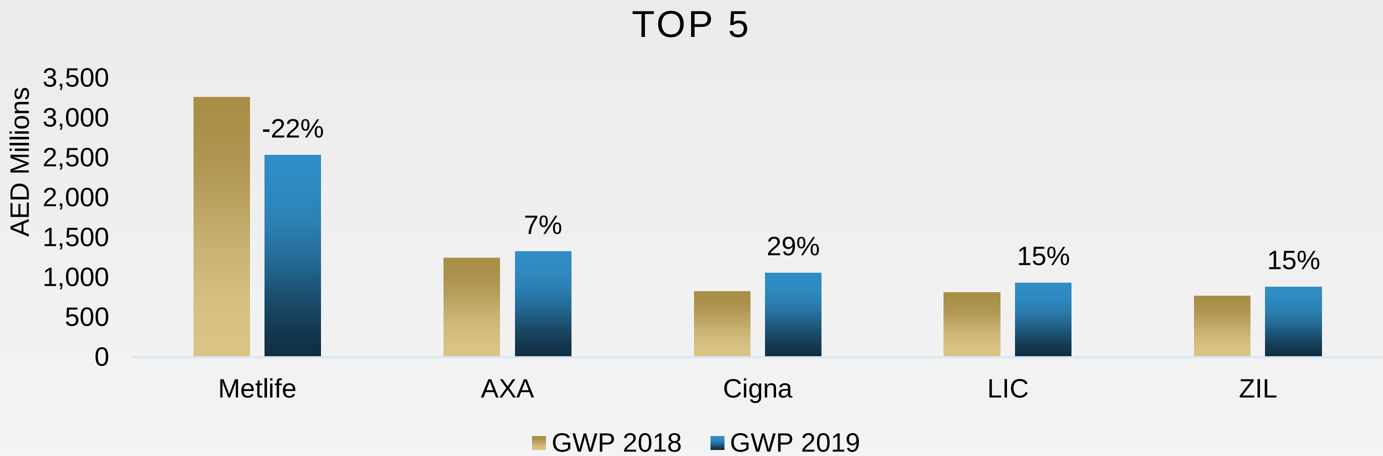
Orient, secured top rank with the highest written premium while, OIC moved down to 3rd position in 2019 from 1st in 2018.



The highest growth for 2019 was exhibited by DIN with 82% growth from the corresponding period of 2018. For the third consecutive year, the biggest decline in written business was reflected by AKIC, from AED 52 million to AED 429 thousand (99% decline). AKIC was barred from issuing insurance policies for all lines of business by the IA till late 2019. Excluding outlier AKIC, the listed companies reflect a business growth of 9% from 2018.

Overall, of the 30 listed Companies, 18 companies displayed an increase in premiums over previous period, while 12 companies saw premium decline.

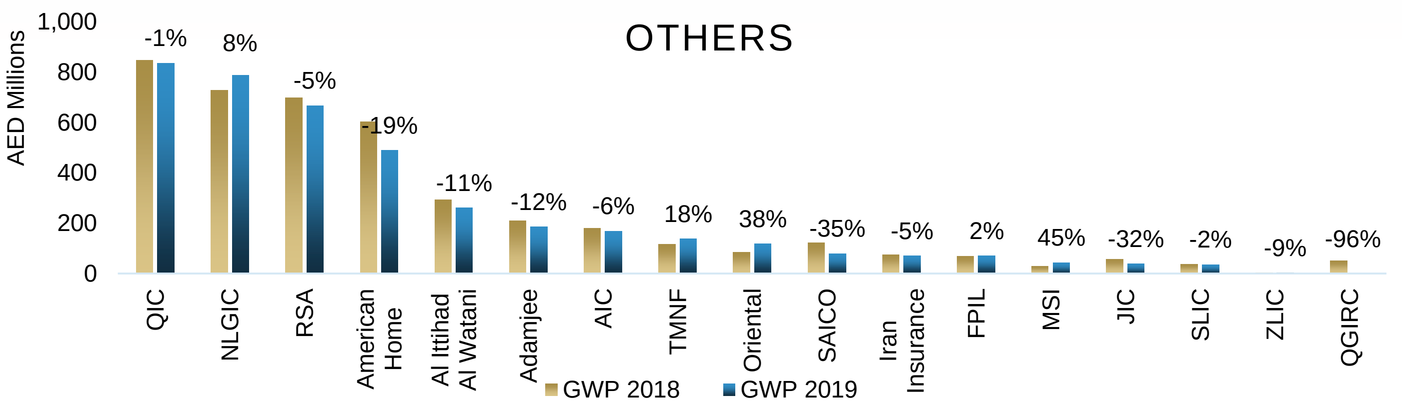
GROSS WRITTEN PREMIUMS - BRANCHES



Total premiums written by the foreign branches included in the review for the year ended 2019, accumulates to AED 10.7 billion, as compared to the premium written in 2018 of AED 11.1 billion reflecting a decline of 3%.

The top 5 branches of 2019 recorded a combined premium of AED 6.7 billion, contributing 63% of share in the gross premium written for branches (2018: 62%).

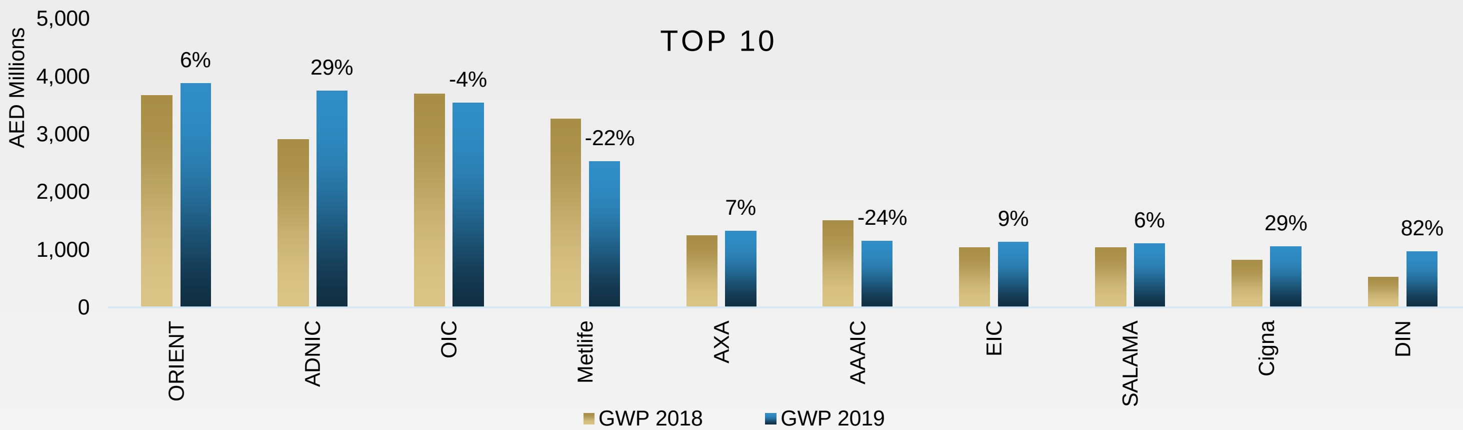
The positions of the branches have remained almost identical from 2018 except for QIC which moved to 6th rank by gross written premiums from 3rd, pushing ZIL in the top 5 amongst the branches.



The highest growth in gross business written within the branches for the year 2019 is reflected by MSI of 45% while the major drop in premiums is exhibited by QGIRC of 96% from AED 51 Million in 2018 to AED 2 Million in 2019.

Metlife has recorded a significant drop of AED 730 Million in premiums in 2019 which has significantly influenced the overall decline of 3% for branches.

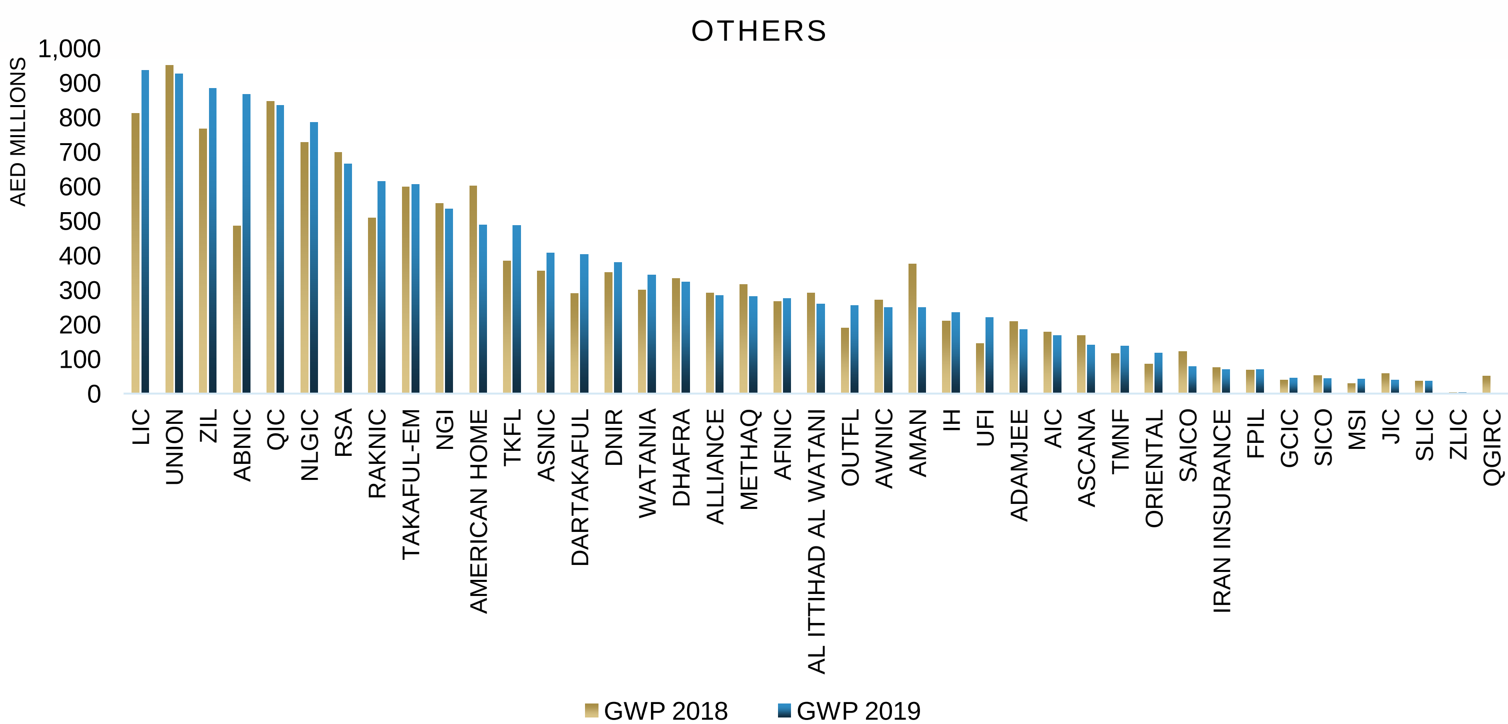
GROSS WRITTEN PREMIUMS - COMBINED



Total premiums written for all the listed Companies and Branches considered under this review, for the year 2019 amounted to AED 34.5 billion with a growth of 4.3% from 2018.

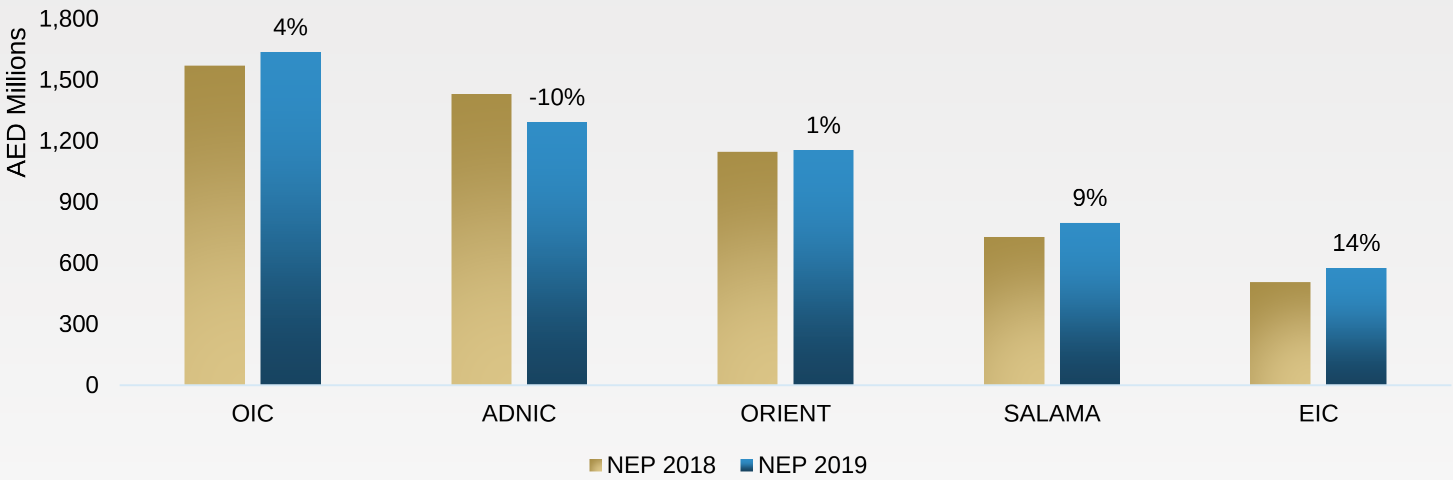
The top 10 companies had a combined premium of AED 20.5 billion, which makes up 59% of the gross written premium for the year 2019.

Only three of the top 10 companies by premium volume are branches, while 6 of the top 15 are branches, which reflects that the weightage of foreign branches has reduced from 2018 (8 of top 15). Nevertheless, foreign branches continue to hold a significant presence in the UAE market.



NET EARNED PREMIUMS - LISTED COMPANIES

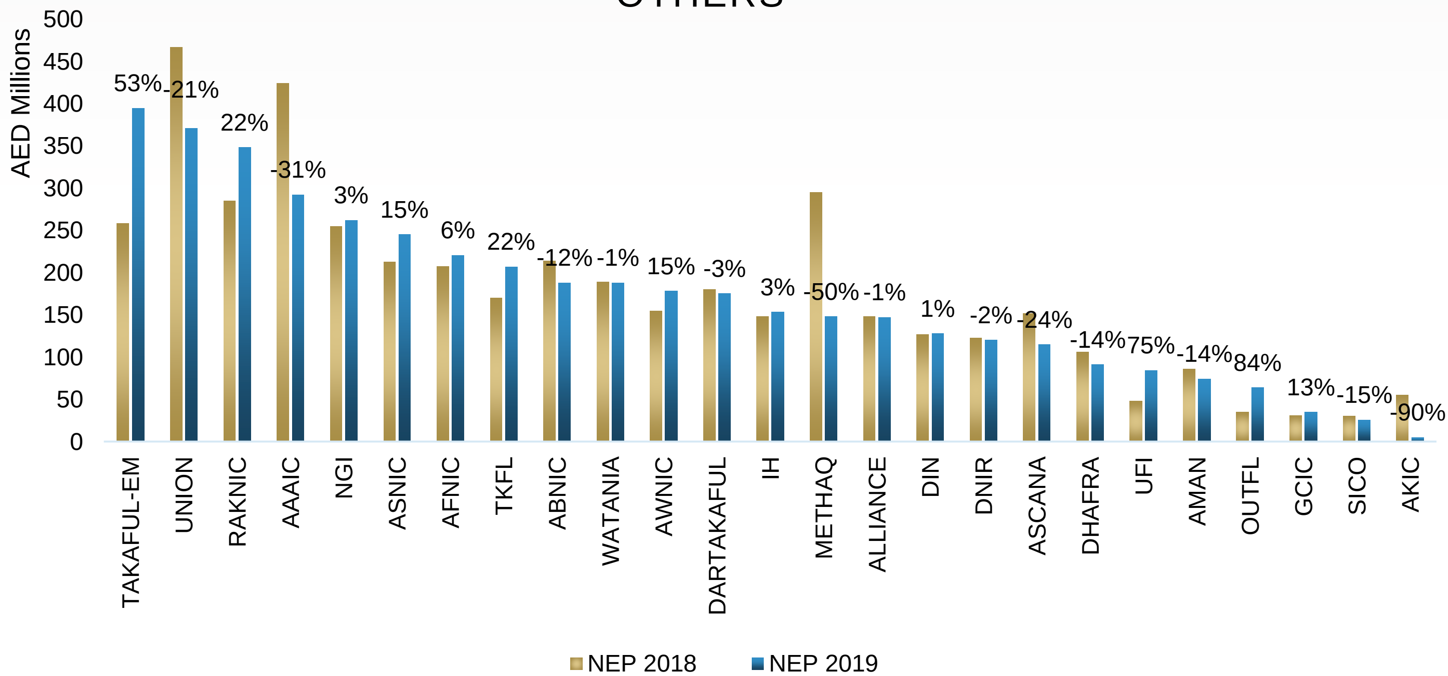
TOP 5



The total net premiums earned by the listed insurance companies amounted to AED 9.7 billion, a decrease of 0.7% from AED 9.8 billion from the corresponding period of 2018.

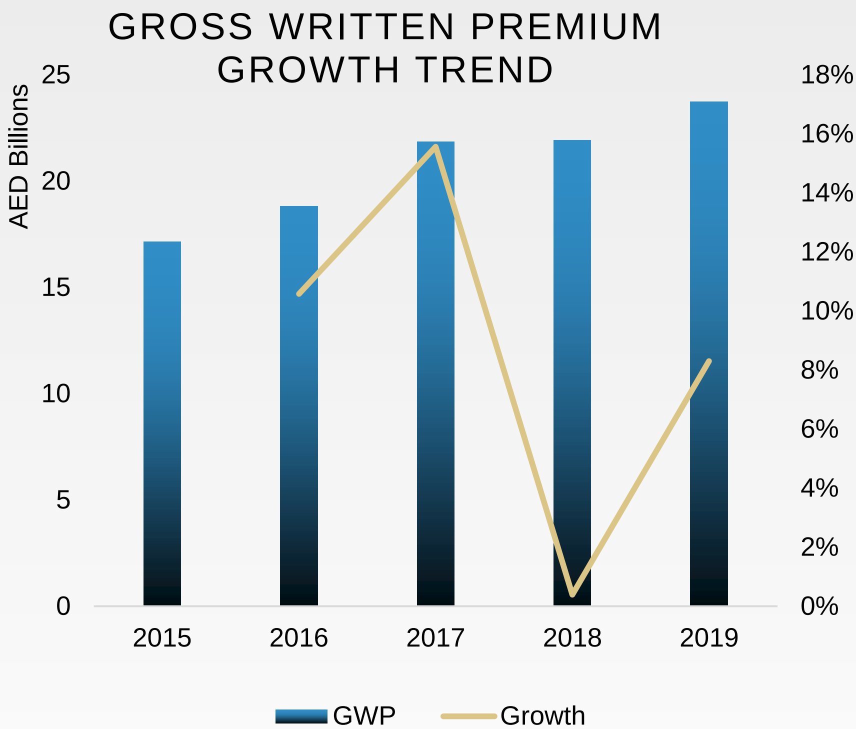
The earned premiums of top 5 companies amounted to AED 5.4 billion which accounts for 56% of the market share of 2019 (2018: 55%).

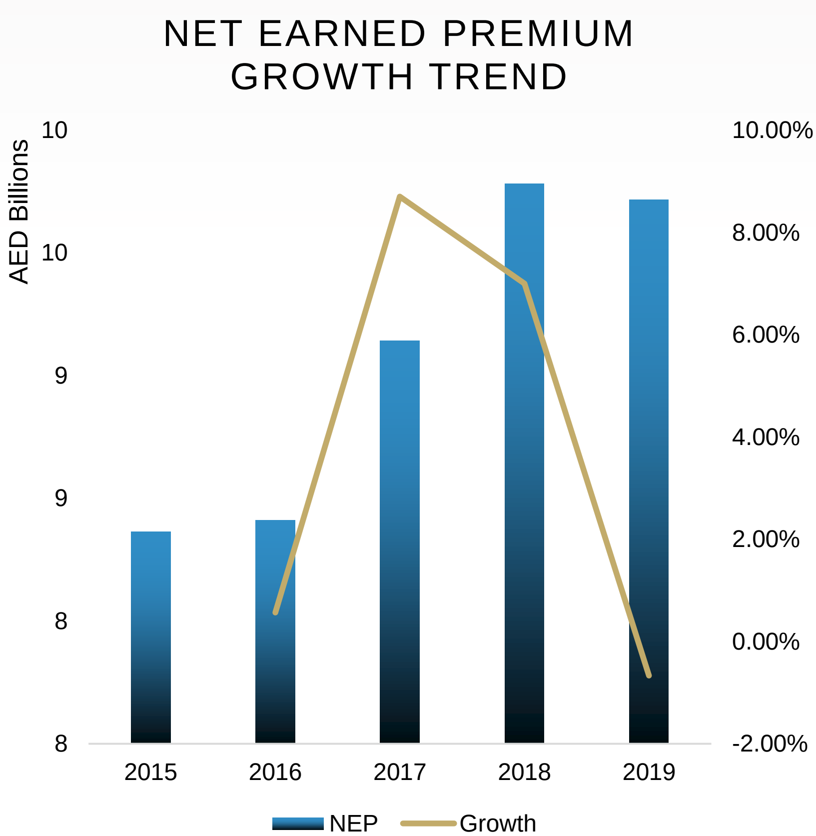
OTHERS



The highest growth for the period 2019 was reflected by OUTFL with a growth of 84% from the corresponding period of 2018, while the biggest decline in net earned premiums was exhibited by AKIC.

PREMIUMS TREND





The gross written premium of the listed companies in the Industry has exhibited increasing trends except for FY 2018, which indicated an insignificant growth of 0.4%.

The highest growth over the last 5 year period was witnessed in 2017 due to IA imposed minimum tariffs for Motor LOB that were materially higher than the existing rates and new benefits for the Industry.

The historical performance of Net Earned Premiums for the Listed Companies of Insurance Industry have exhibited identical trends to that of gross written premiums with highest growth recorded for the year 2017 for similar reasons.

The business written by the listed companies in the Emirates is mainly short-term and is earned on pro-rata basis, therefore, the significant growth of GWP in 2017 is reflected in both, 2017 and 2018 financial years for net earned premiums. The negligible growth of GWP in 2018 is reflected in 2019 with a decline in net earnings by 0.7%.

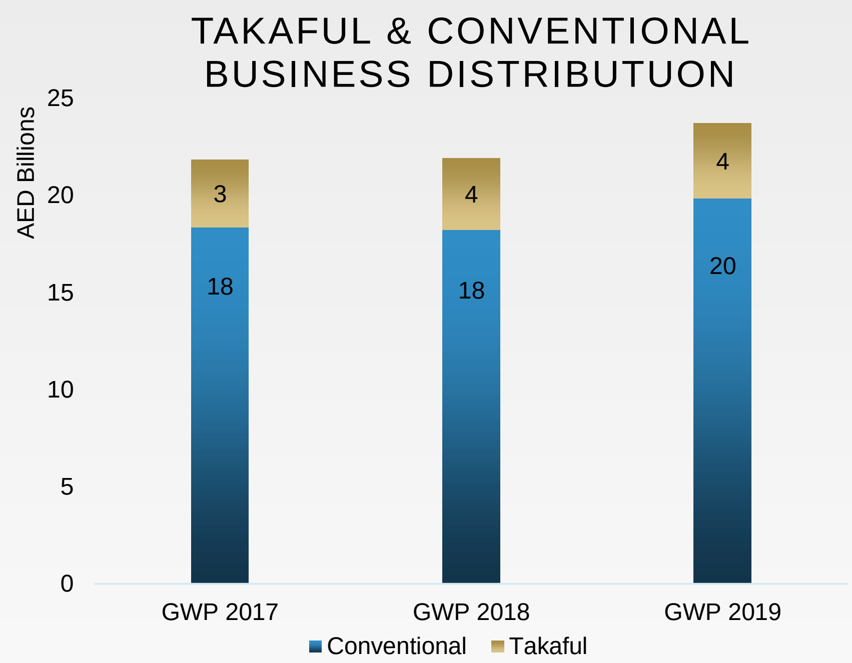
CONVENTIONAL VS TAKAFUL – LISTED COMPANIES

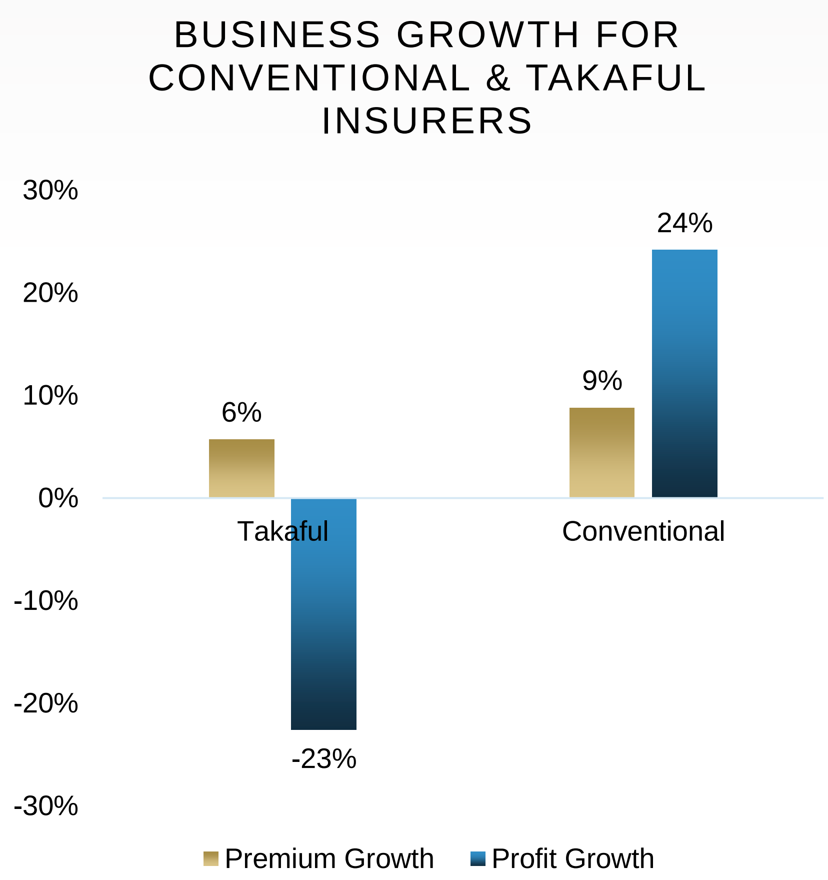
Out of 30 listed insurance companies, 9 operate as Takaful Insurers in the UAE market.

The business written by the Takaful companies contributed 16% of the total written business for listed insurance companies in year 2019 (2018: 17%, 2017: 16%).

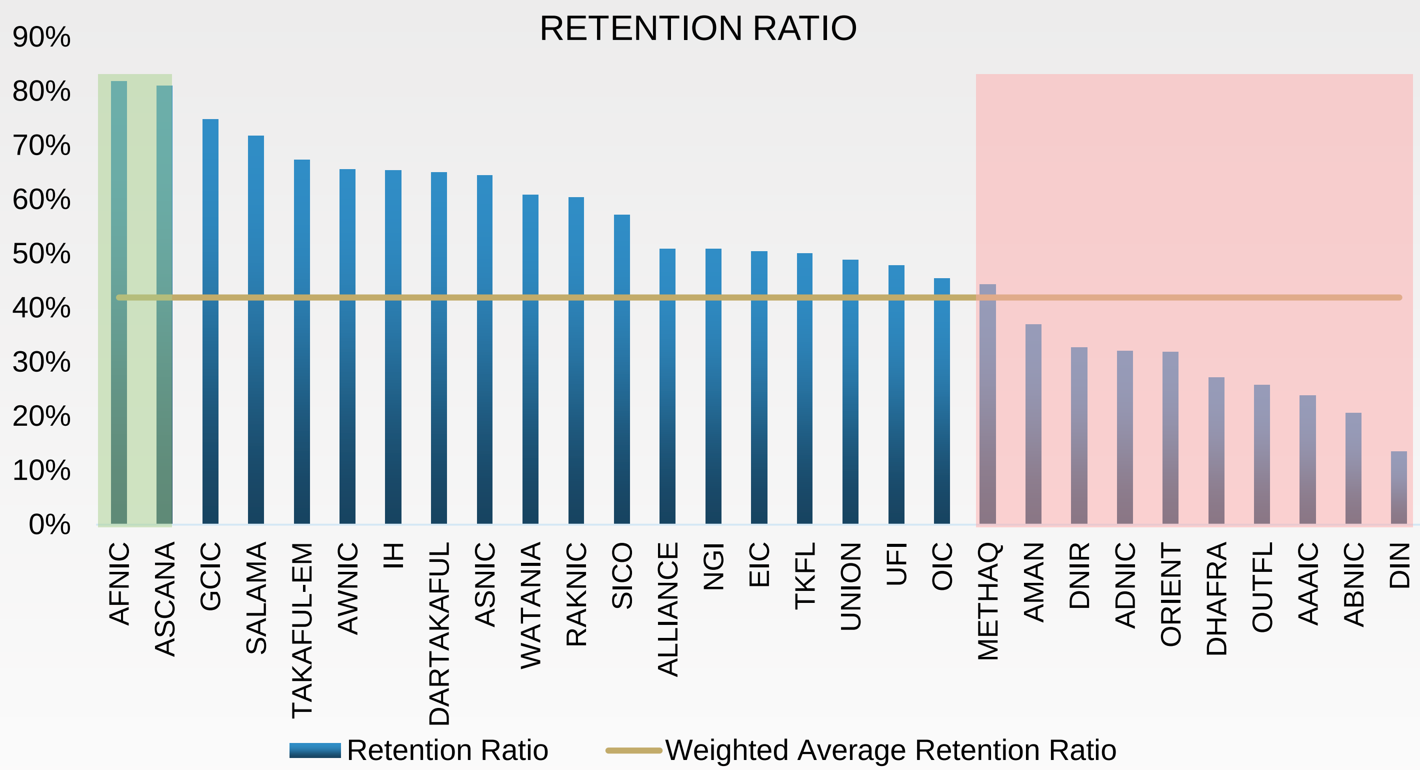
The growth in business written by the Takaful insurers has remained stable at 6% in FY 2019 (2018: 6%). While the shareholder profits for Takaful Insurers reflected a decline of 23% when compared with the corresponding period of 2018 which was also a decline of 4% when compared with 2017.

Conventional Insurers have observed a significant growth in terms of both gross business and profits by 9% (2018: -1%) and 24% (2018: 5%) respectively.





RETENTION RATIO – LISTED COMPANIES



The retention ratio has been calculated as a ratio of net written premiums to gross written premium.

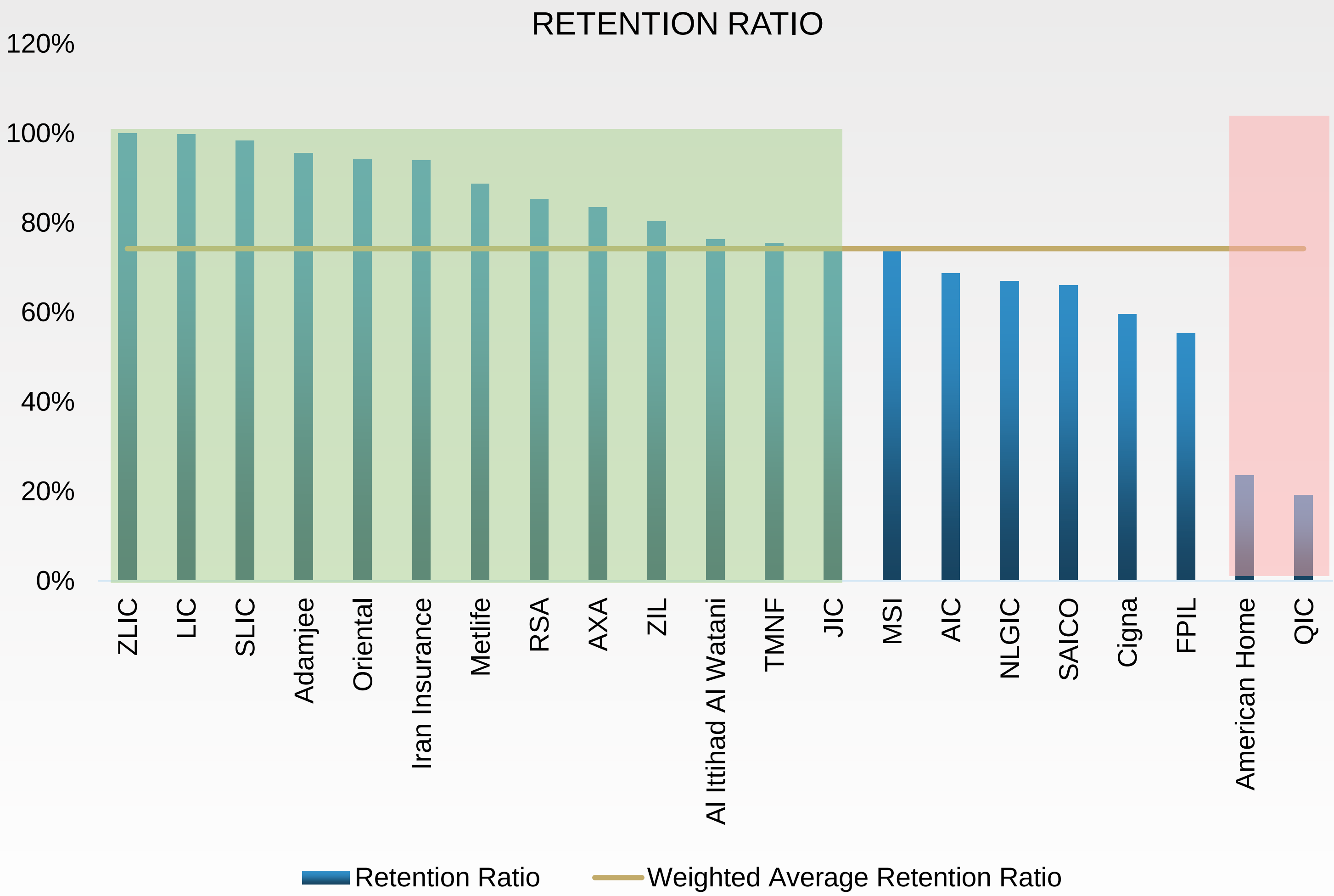
The weighted average retention ratio for the listed companies of UAE for 2019 was recorded at 42% which has exhibited a declining trend historically with 2018 at 44%, 2017 at 46% and 2016 at 47% .

As per the IA benchmark the recommended range for retention ratio is above 45%, while the prefered range is above 75%. The red zone reflects the companies falling in critical zone which is below 45%

The highest retention of 82% for the year 2019 is reflected by AFNIC followed by ASCANA with 81% while the lowest of 14% was reflected by DIN after excluding AKIC, which is acting as an outlier with retention of -975% to avoid distortion in the presentation.

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

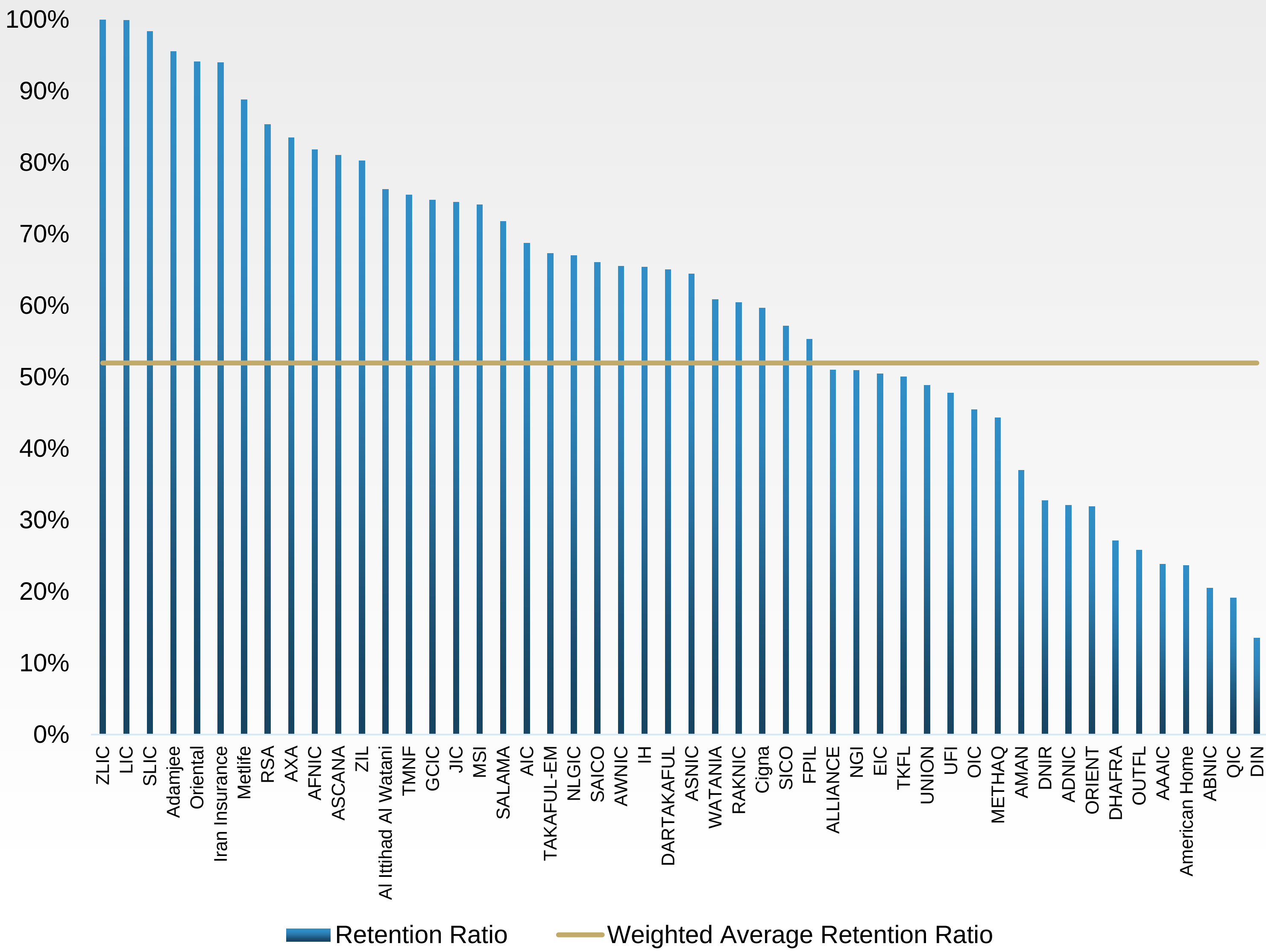


The weighted average retention ratio for foreign branches stood at 74% (2018: 77%, 2017, 71% and 2016: 74%). The highest retention ratio for the year 2019 of 100% is reflected by ZLIC and LIC consecutively for the past 3 years, whereas the lowest retention ratio of 19% is reflected by QIC after excluding QGRIC, which was acting as an outlier with a retention of -128%.

Oriental and Cigna observed a significant shift in the retained business in 2019 when compared with 2018. Oriental moved 5 spaces up from 85% in 2018 to 94% in 2019 whereas Cigna moved from 6th rank to 18th from retaining 92% in 2018 to 60% in 2019.

A few branches have reinsurance arrangements through their head office which are not reflected in the books of the UAE based branch. Since we are using the financial numbers as published by the UAE branches of these companies, this would be distorting the actual retention ratios.

RETENTION RATIO – COMBINED



The weighted average retention ratio for the year 2019 for listed companies is 42% and branches is 74% making the overall weighted average retention ratio 52% (2018: 55%, 2017: 55% and 2016: 57%).

12 out of top 15 highly retained insurers are branches and this indicates that generally the branches retain more as compared to local companies. However, some branches have reinsurance arrangements with their head office outside of the books in the UAE. As the UAE published financials of the branches are used, the retention ratios may be distorted.

PROFIT BEFORE TAX - LISTED COMPANIES TREND

The public listed insurance companies have experienced an increasing trend in profits over the years. A sizeable growth was observed in 2017 when compared to 2016 after the IA implemented minimum tariffs.

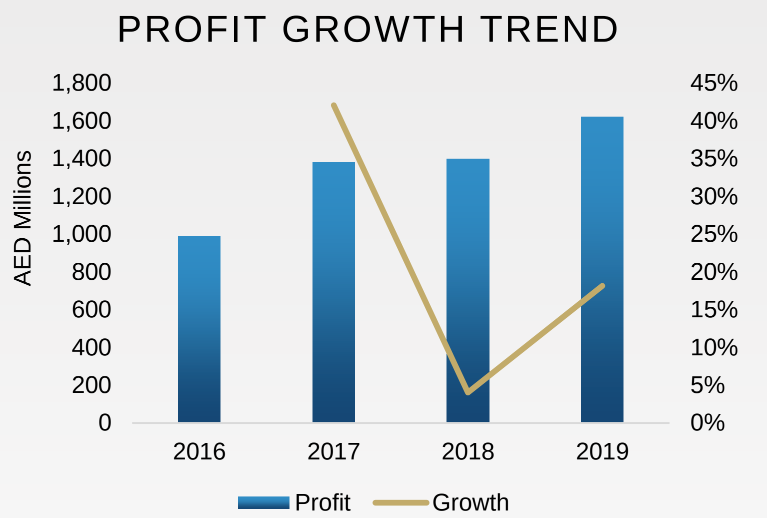
ORIENT secured the top rank in terms of recording highest profits consecutively for 4 years with profits amounting to AED 432 million in 2019, an increase of 7% from 2018 (AED 405 million).

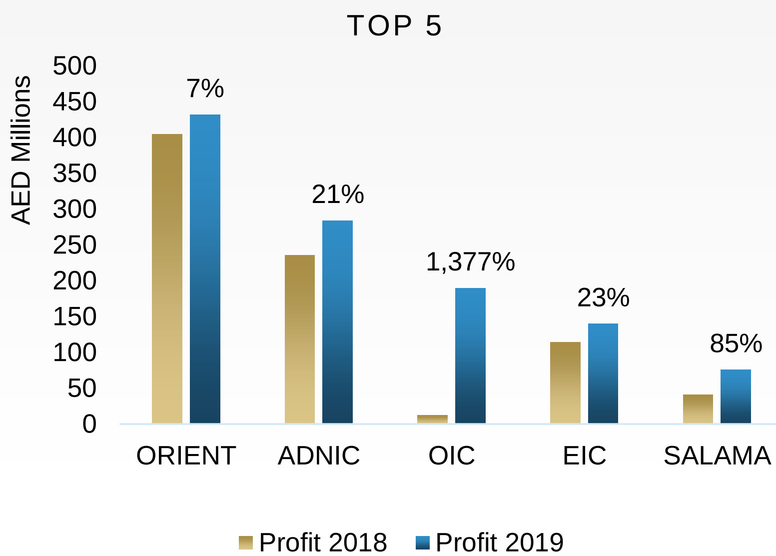
The profit for the TOP 5 companies accumulates to AED 1.1 billion taking 69% share of the listed insurance companies of UAE profit.

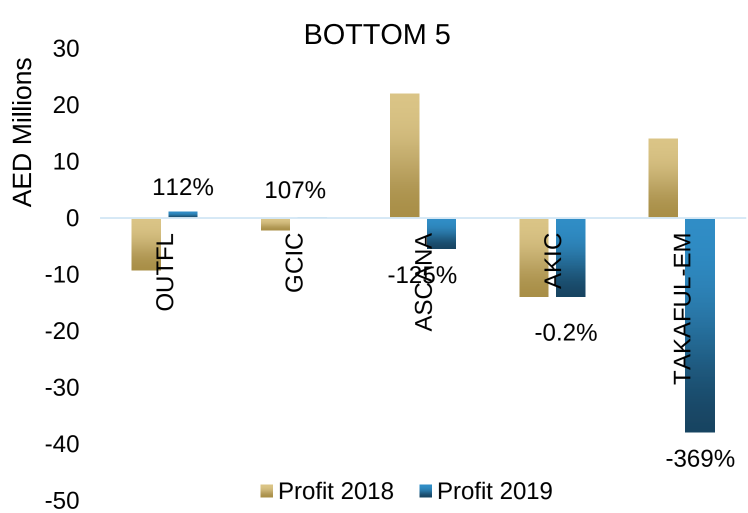
OIC has moved from bottom 10 in 2018 back into the top 5 Companies in 2019 with a significant profit growth of 1,377%.

For the year 2019, the insurance companies have witnessed significant shifts in terms of profits when compared with the corresponding period of 2018.

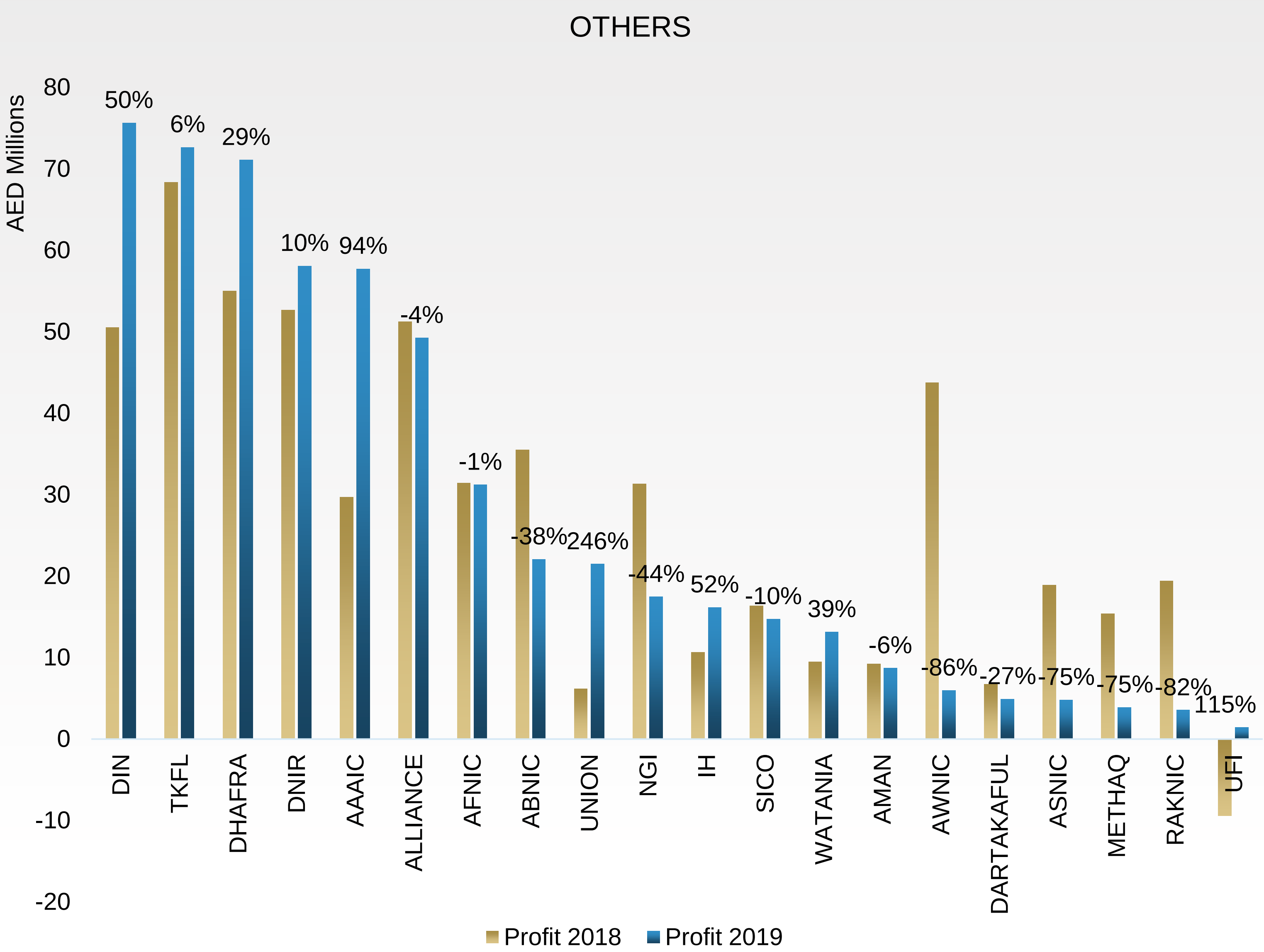
Takaful-EM and ASCANA witnessed a decline of 369% and 125% respectively and moved their books from profitable to loss making in 2019 mainly emanating from Insurance activities. In contrast, OUTFL and UFI recorded profits this year, mainly resulting from investment activities.







PROFIT BEFORE TAX - LISTED COMPANIES TREND



Total profit generated for 2019 amounted to AED 1.6 billion, a considerable growth of 18% when compared with AED 1.4 billion in 2018.

The highest growth in profits was recorded by OIC, a growth of 1,377%, from AED 13 Million profit in 2018 to AED 190 Million in 2019. The biggest decline was witnessed for Takaful-EM of 369%, from a profit of AED 14 Million in 2018 to a loss of AED 37 Million in 2019.

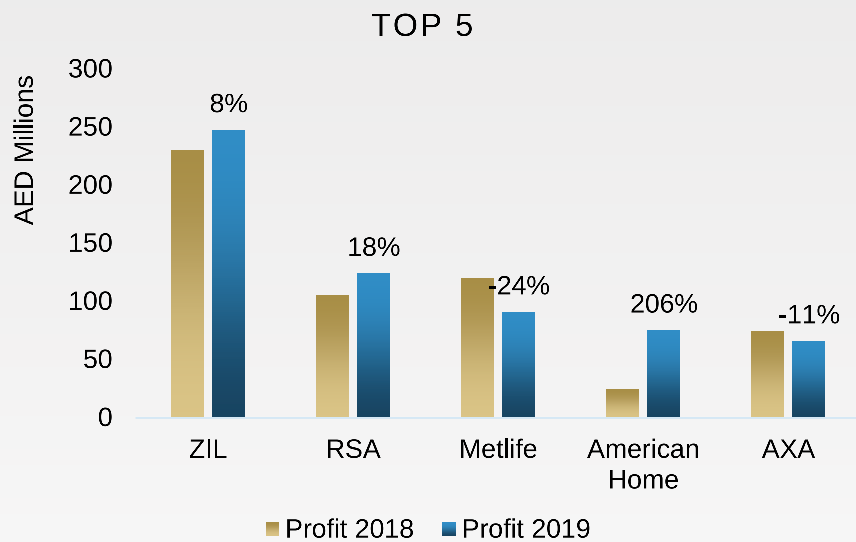
It is observed that 3 out of the 30 listed companies posted losses in 2019. Of the remaining 27 companies that posted profits, 3 of them had loss making books in 2018.

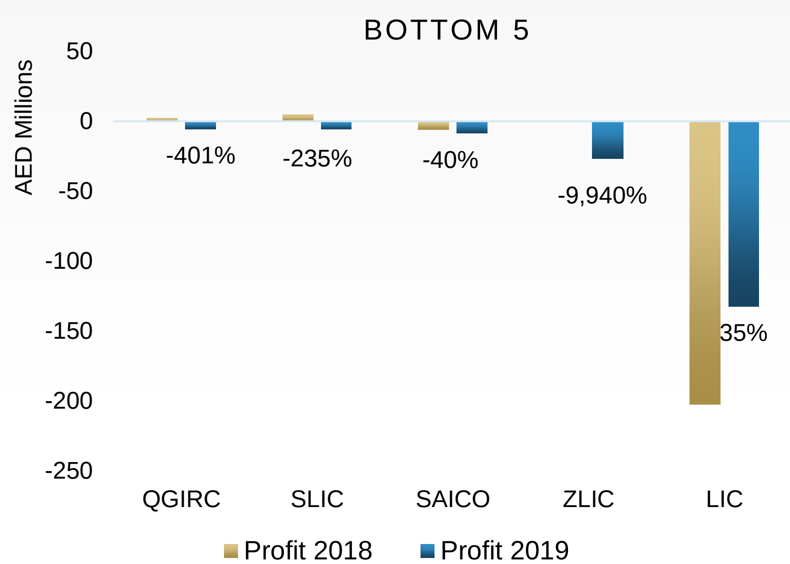
PROFIT BEFORE TAX – BRANCHES

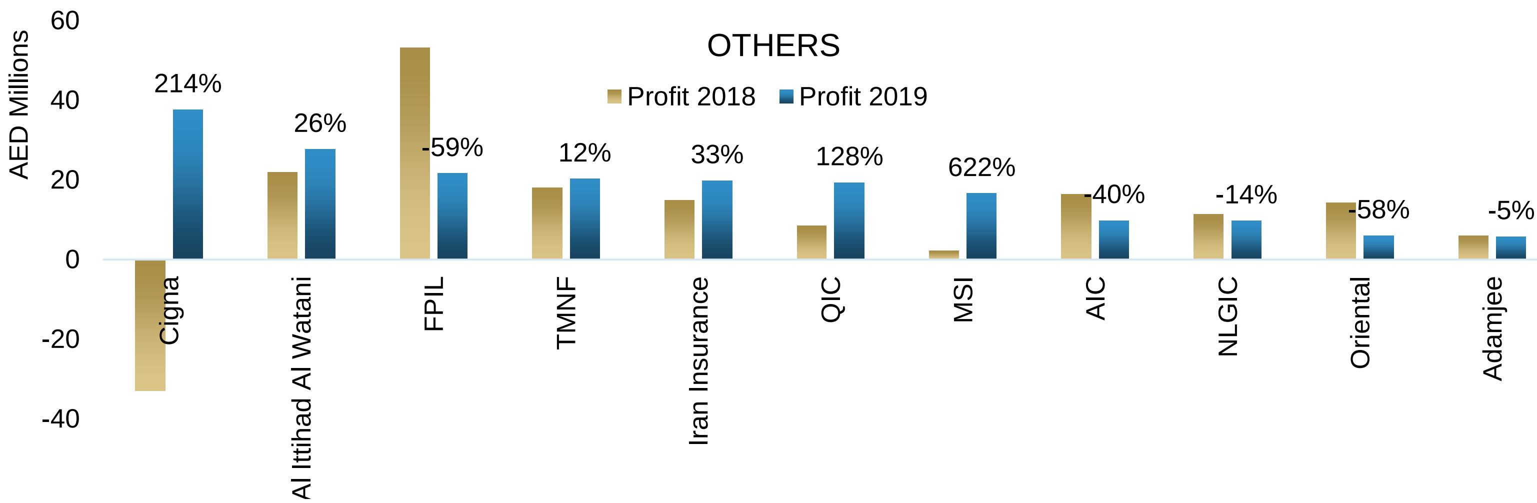
Total Profit generated by the Foreign Branches for the year 2019 amounted to AED 621 million reflecting a growth of 26% when compared with the corresponding period of 2018 which stood at AED 491 million.

The highest profit growth is recorded by MSI of 622% from AED 2 Million in 2018 to AED 16.6 Million while the biggest decline is witnessed for ZLIC of 9,940%.

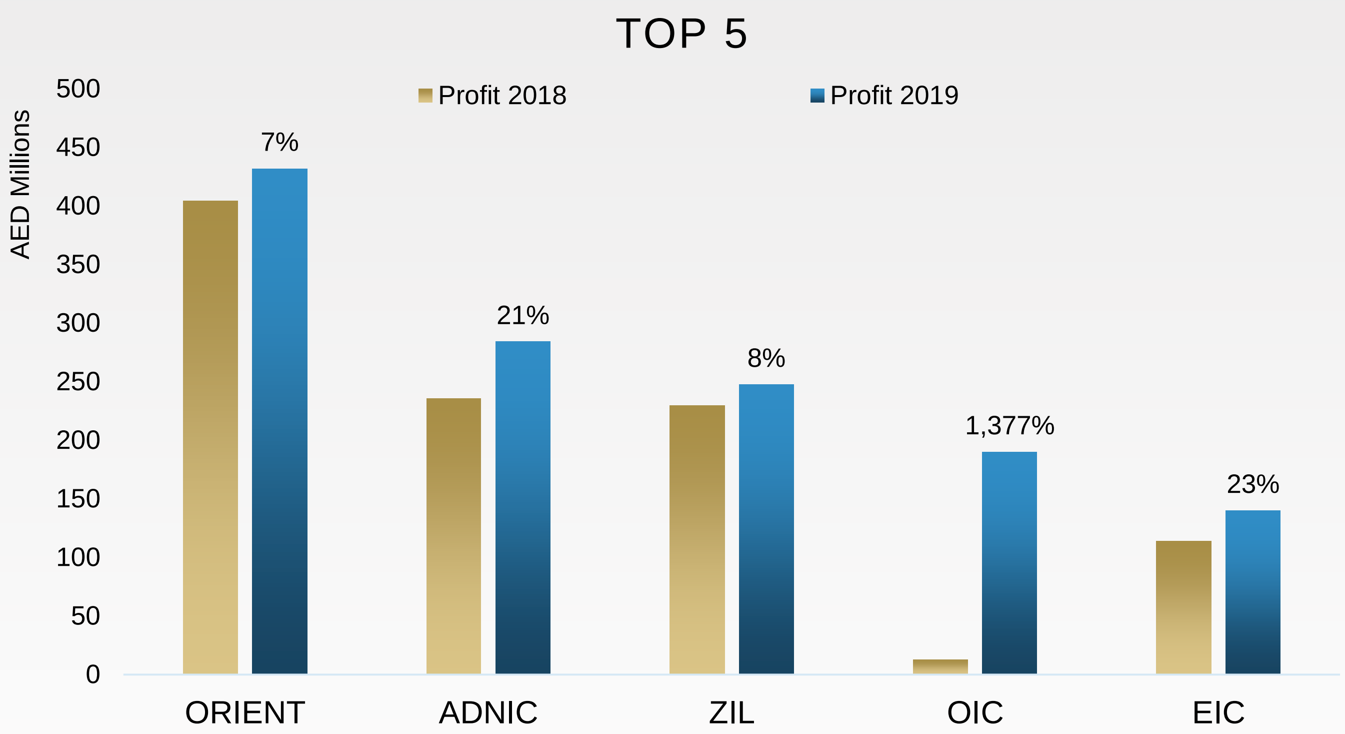
5 out of 22 branches made a loss this year of which 2 had losses last year as well.

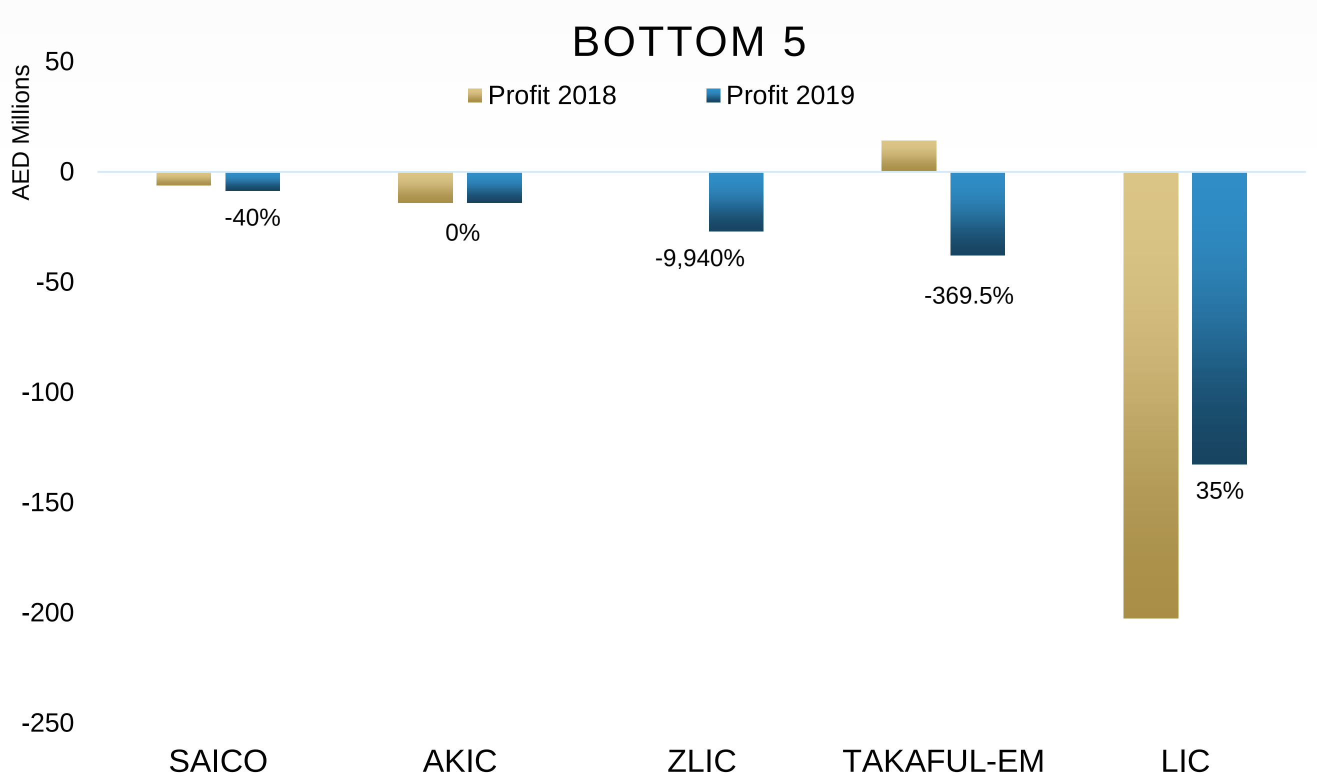






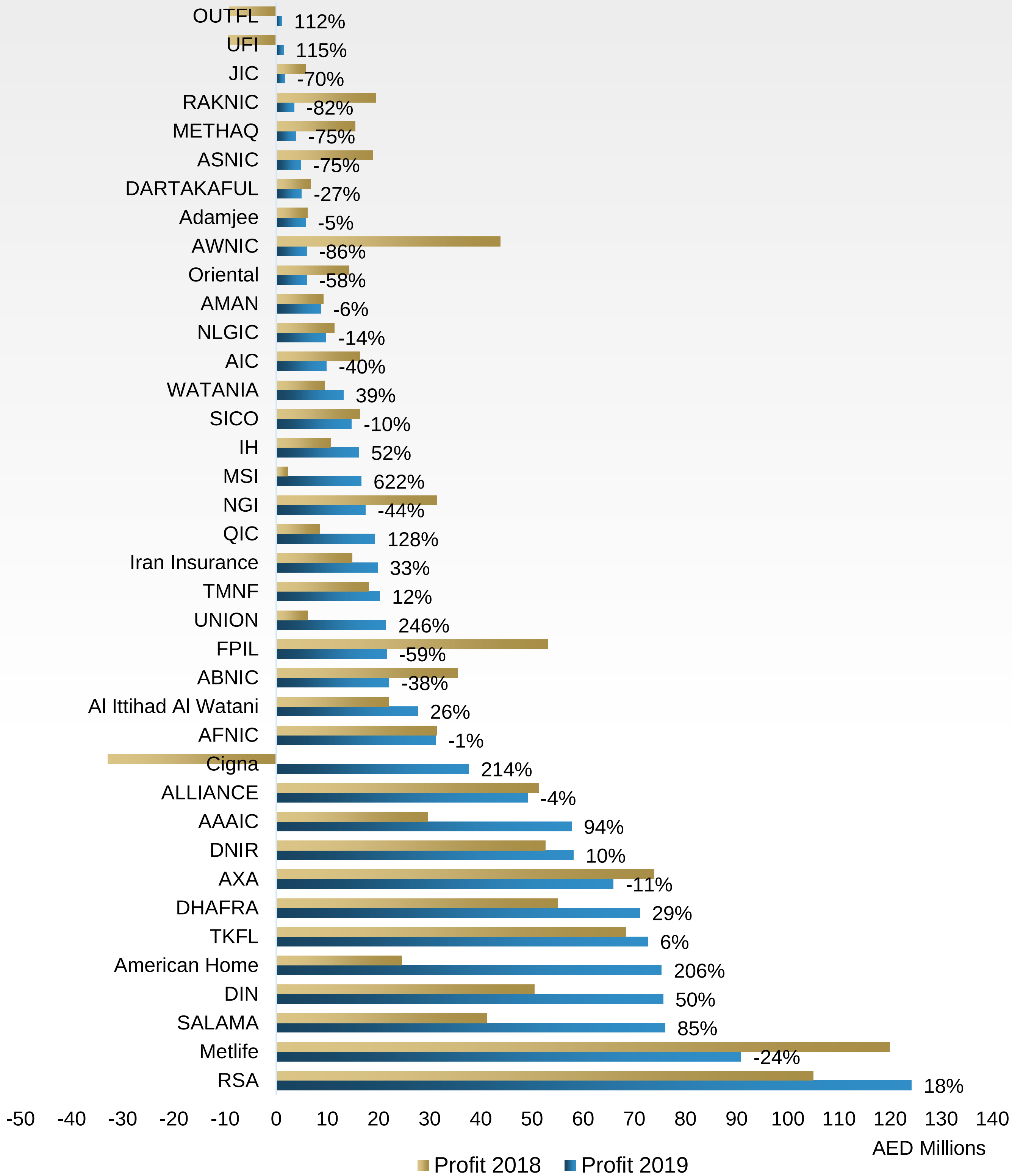
PROFIT BEFORE TAX – COMBINED





PROFIT BEFORE TAX – COMBINED

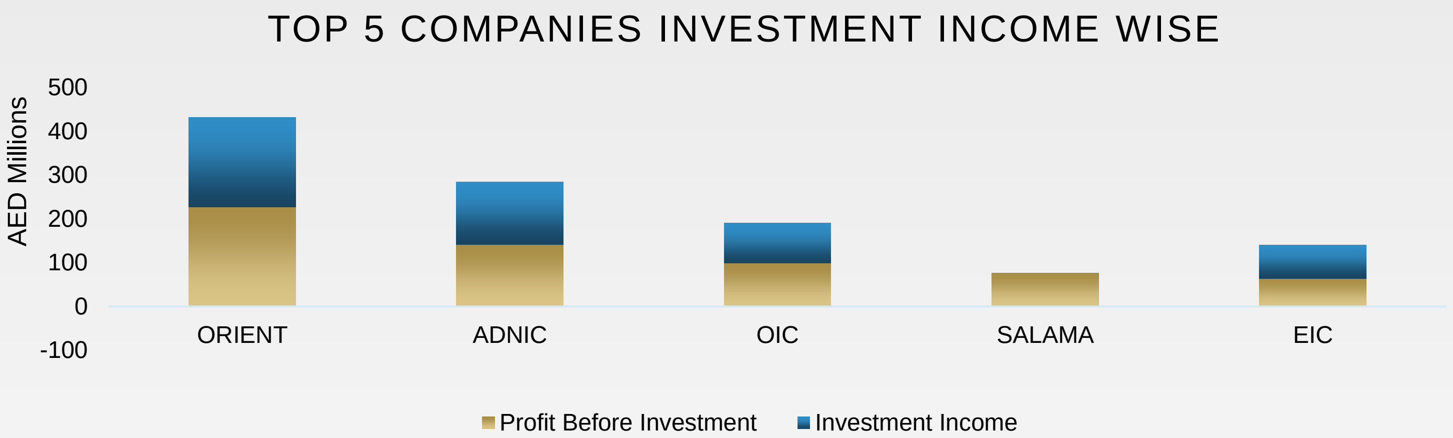
OTHERS

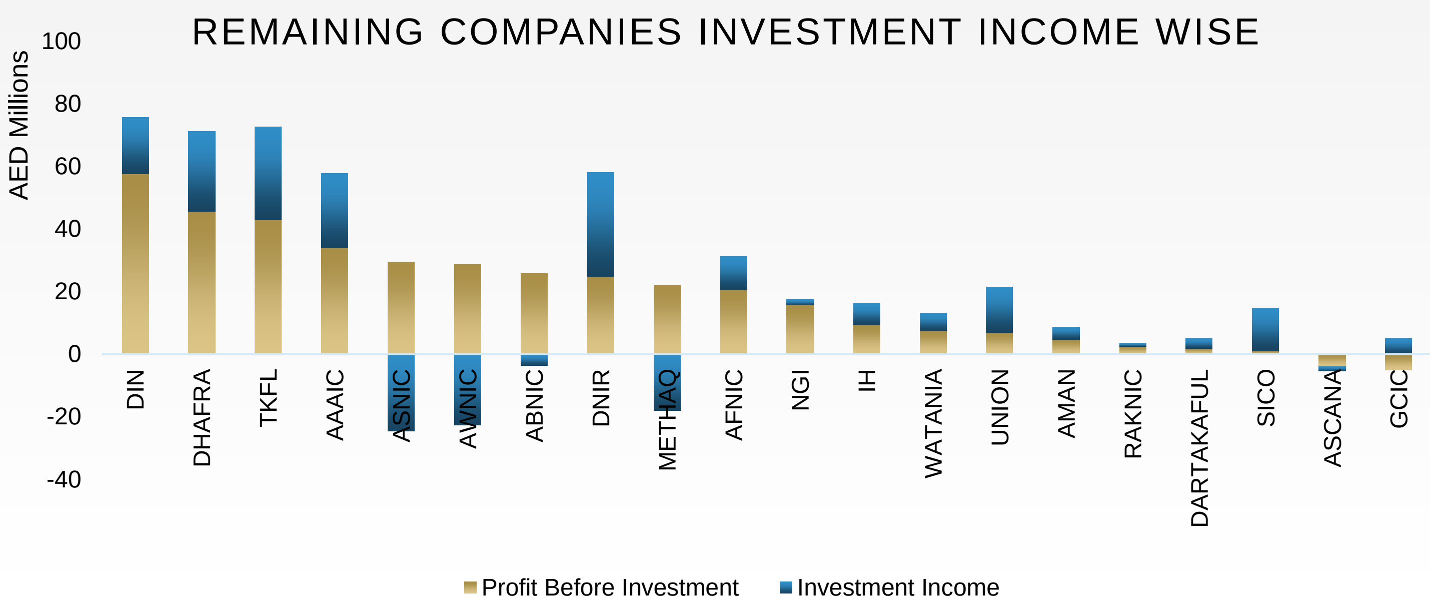


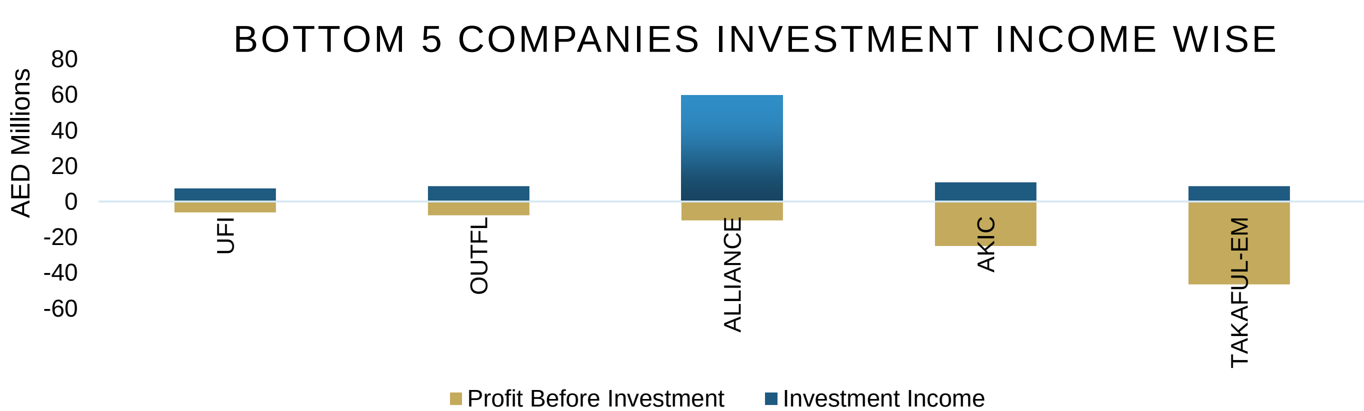
PROFIT BEFORE TAX – 3 YEAR TREND FOR LISTED COMPANIES

The above is sorted with reference to the combined net profits and shows the ranking for the companies based on their total profits over the last three years, in order to compare stability of returns. Orient is significantly ahead of the industry when it comes to the 3-year profitability.

PROFIT ANALYSIS – LISTED COMPANIES



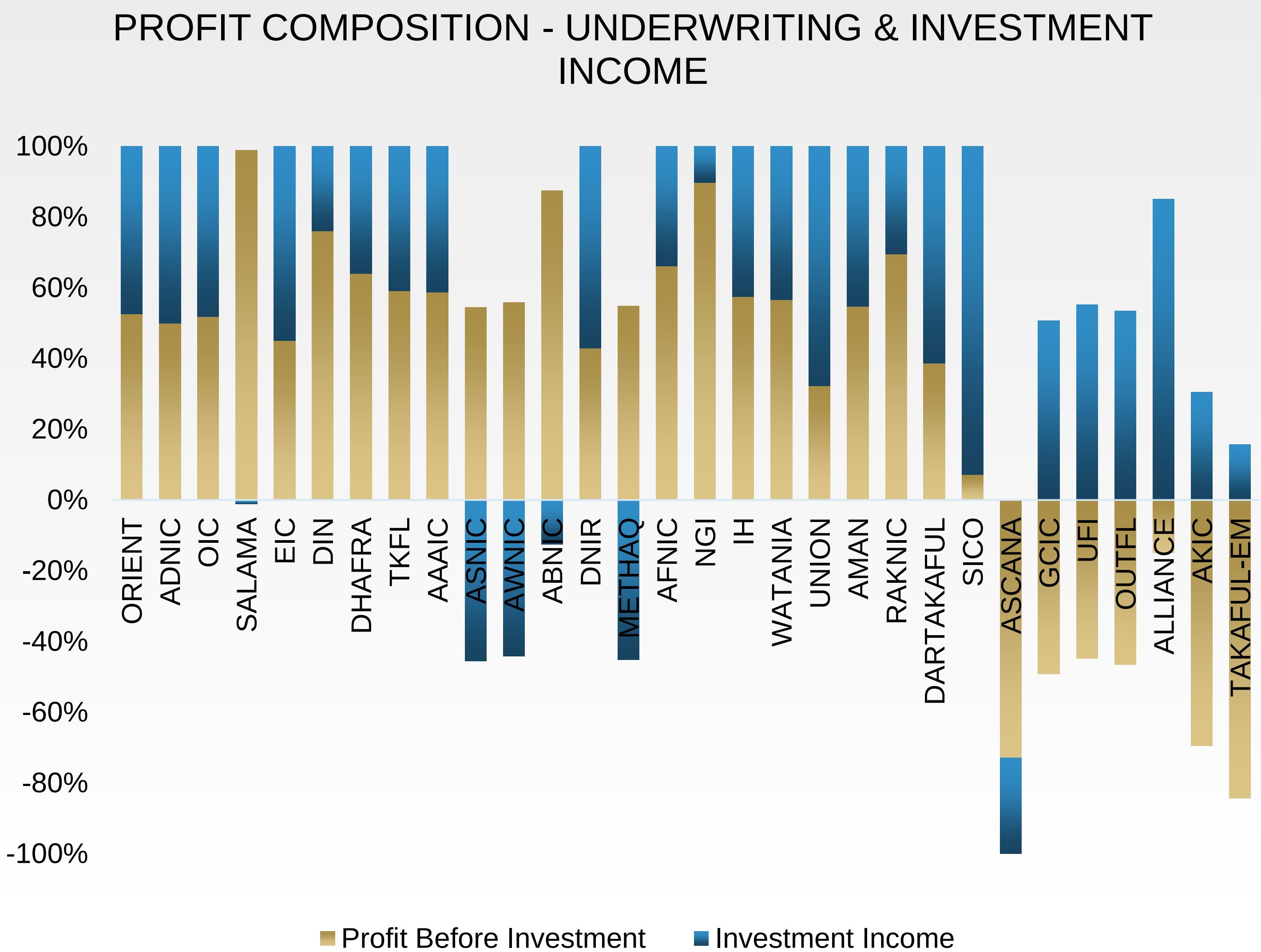




The above is sorted by profits before investment income.

Investment Income has contributed in generating profits for most of the listed Companies during 2019.

PROFIT COMPOSITION 2019 – LISTED COMPANIES



It can be observed that insurance companies that recorded losses from their underwriting business were able to minimize the impact from investment income.

This shows that there is a room for improvement in underwriting strategies in the market because the primary source for generating profits for insurance companies is expected to be from insurance activates.

The underwriting performance was the sole driver of profits for SALAMA in 2019.

PREMIUM BENCHMARKED ON THE BASIS OF PROFITABILITY

Company	Ranking		Indic
	Gross Premium	Profit	
ORIENT	1	1	→
ADNIC	2	2	→
OIC	3	4	↓
Metlife	4	7	↓
AXA	5	13	↓
AAAIC	6	15	↓
EIC	7	5	↑
SALAMA	8	8	→
Cigna	9	17	↓
DIN	10	9	↑
LIC	11	52	↓
UNION	12	22	↓
ZIL	13	3	↑
ABNIC	14	20	↓
QIC	15	25	↓
NLGIC	16	32	↓
RSA	17	6	↑
RAKNIC	18	40	↓
TAKAFUL-EM	19	51	↓
NGI	20	26	↓
American Home	21	10	↑
TKFL	22	11	↑
ASNIC	23	38	↓
DARTAKAFUL	24	37	↓
DNIR	25	14	↑
WATANIA	26	30	↓
DHAFRA	27	12	↑
ALLIANCE	28	16	↑
METHAQ	29	39	↓
AFNIC	30	18	↑
Al Ittihad Al Watani	31	19	↑
OUTFL	32	43	↓
AWNIC	33	35	↓
AMAN	34	33	↑
IH	35	28	↑
UFI	36	42	↓
Adamjee	37	36	↑
AIC	38	31	↑
ASCANA	39	45	↓
TMNF	40	23	↑
Oriental	41	34	↑
SAICO	42	48	↓
Iran Insurance	43	24	↑
FPIL	44	21	↑
GCIC	45	44	↑
SICO	46	29	↑
MSI	47	27	↑
JIC	48	41	↑
SLIC	49	47	↑
ZLIC	50	50	→
QGIRC	51	46	↑
AKIC	52	49	↑

Of the top 10 Companies by gross business written, 5 have a lower rank when benchmarked on the basis of profitability.

Orient, ADNIC, OIC, MetLife, EIC, SALAMA and DIN have all built up sizeable and profitable portfolios.

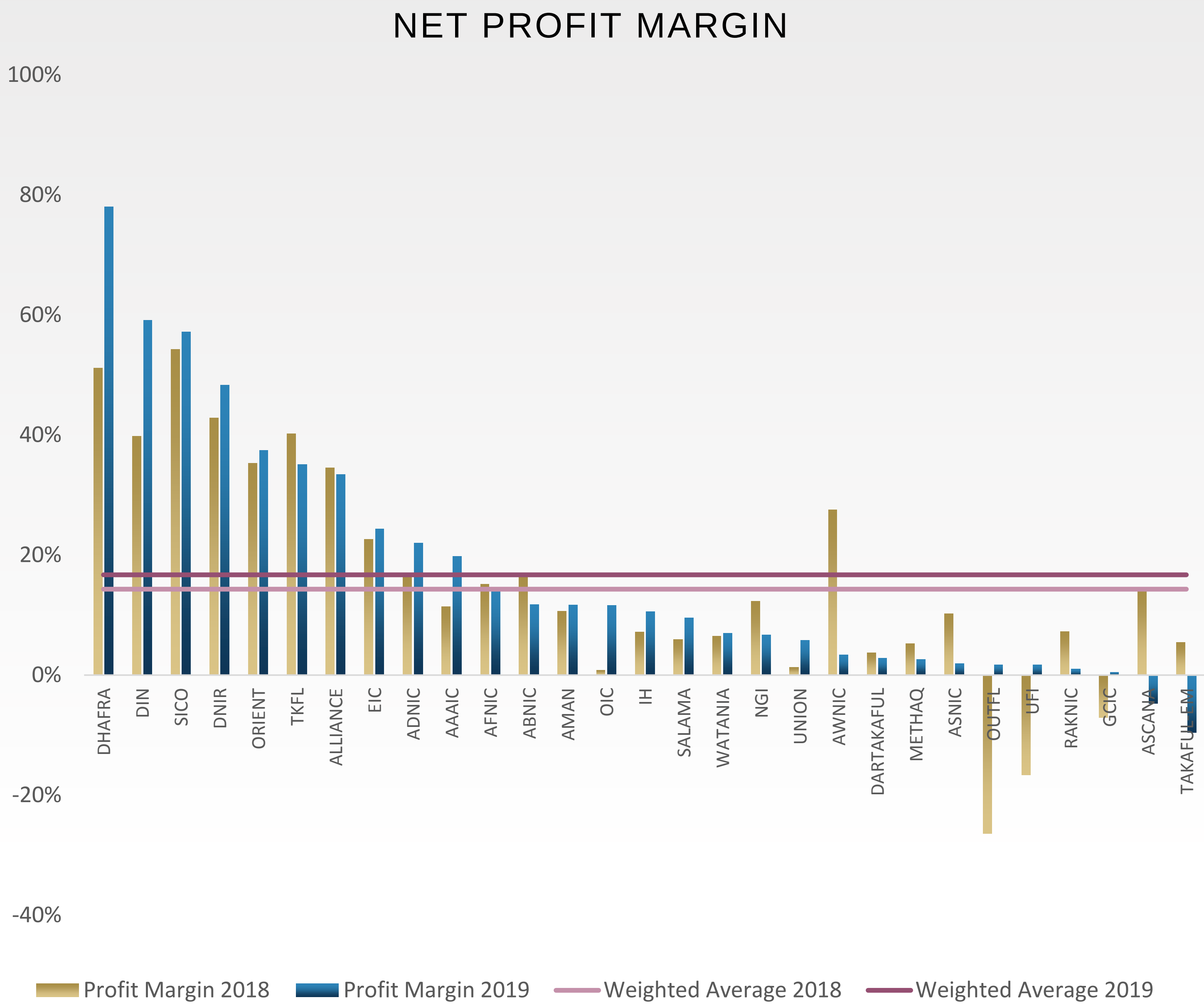
Cigna has shown significant improvement profitability benchmarking from the year ended 2018, where its profit ranking was 53rd compared to 17th rank in 2019.

Branches like ZIL, RSA and American Home stands out of Top 10 business writing insurers however, secure ranks amongst TOP 10 profit booking Insurance Companies.

PREMIUMS & PROFIT ANALYSIS - LISTED COMPANIES

The summary of premium and profitability growth from the corresponding period of 2018 for the Listed Companies is illustrated above. Companies exhibiting premium and profitability growth rate outside of the +-50% and +-100% range are capped respectively.

EARNING RATIOS – LISTED COMPANIES



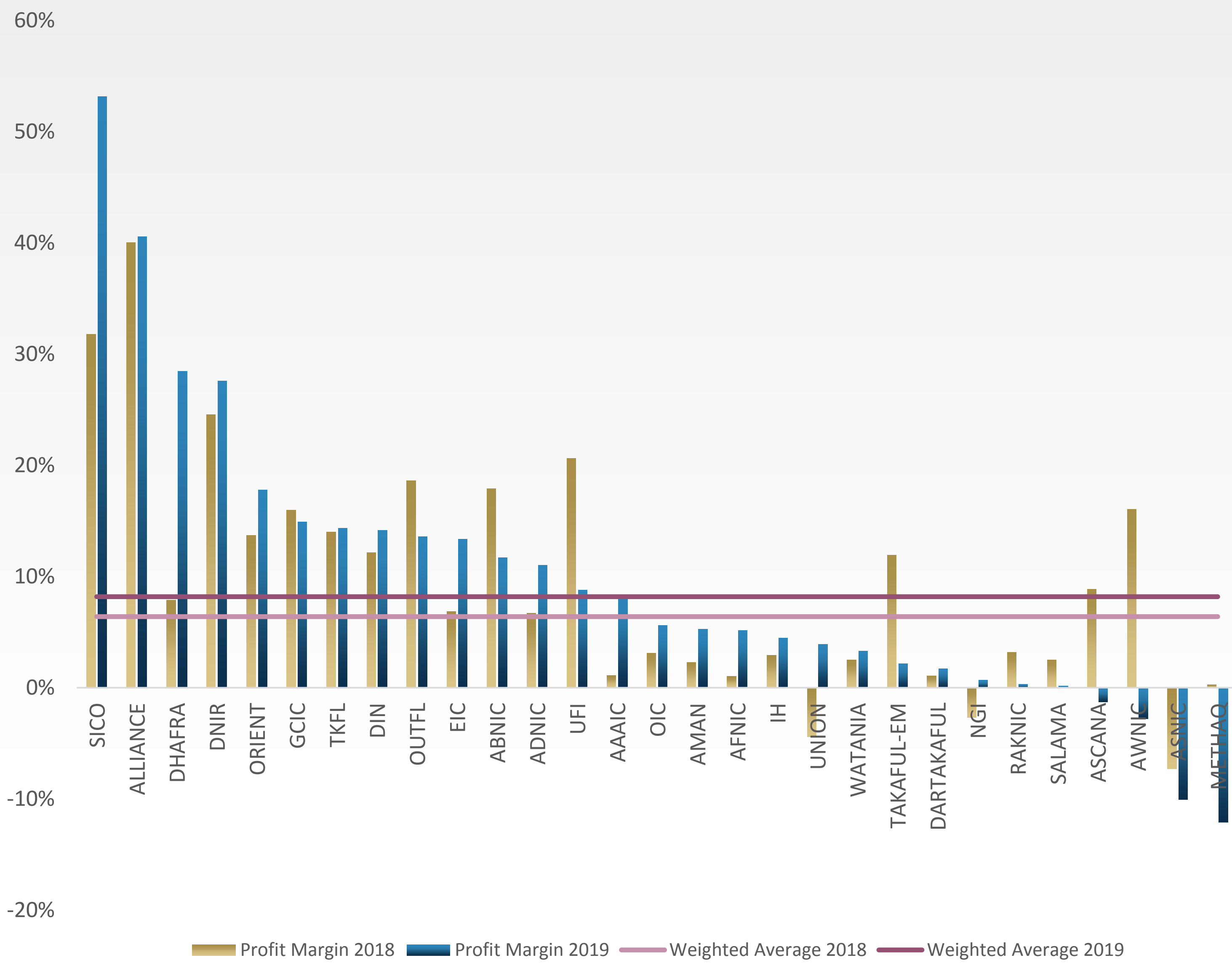
Profit Margin is computed as net profit on every unit of net earned premium.

AKIC had extraordinarily low profit margin of -264% in 2019 and is excluded from the presentation above. The highest margin of 78% is depicted by DHAFRA while lowest of negative 10% is demonstrated by TAKAFUL-EM for 2019 after excluding AKIC.

The weighted average net profit margin for the year 2019 stood at 17% exhibiting an increase from 14% recorded in 2018.

EARNING RATIOS – LISTED COMPANIES

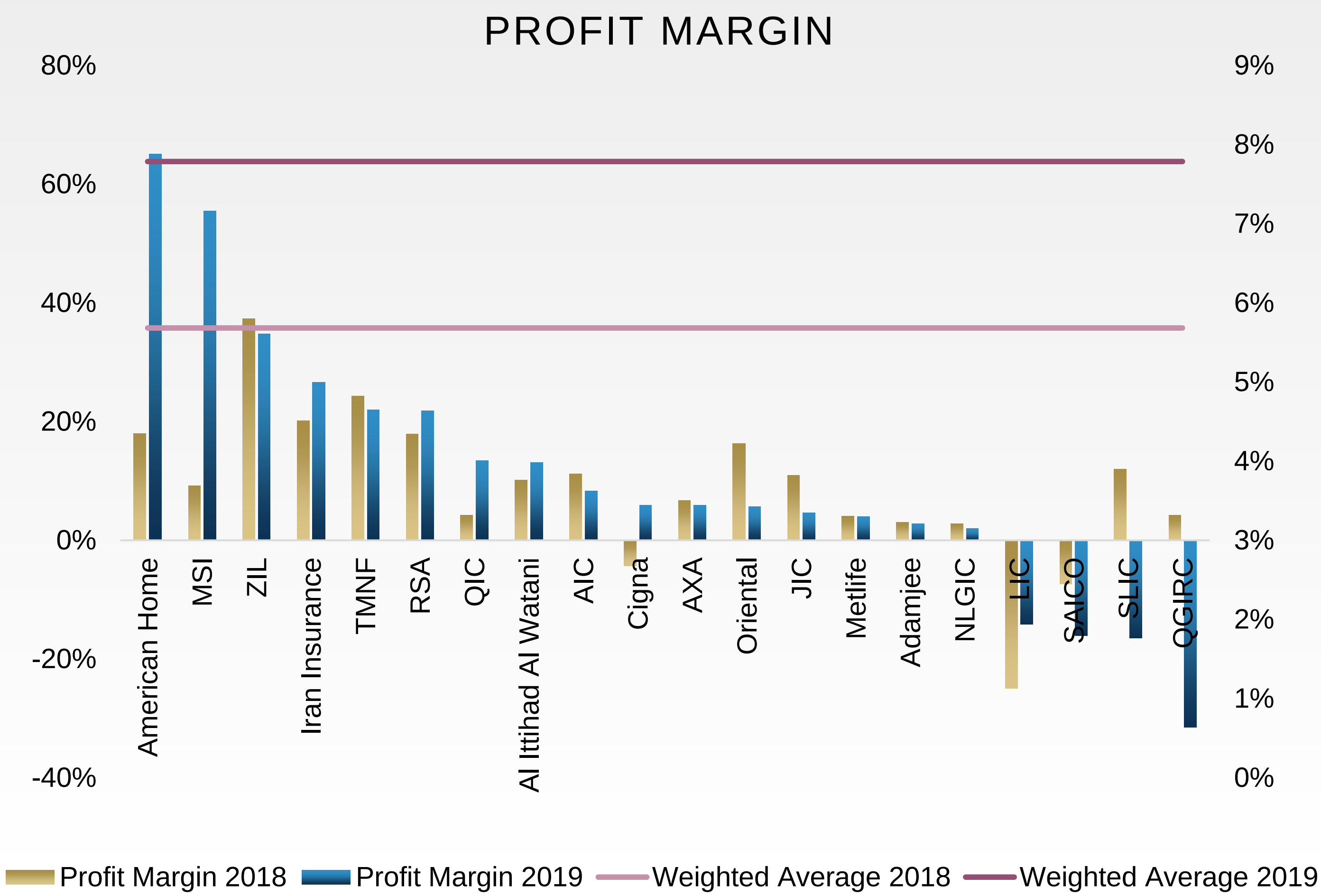
PROFIT MARGIN FROM INVESTMENT INCOME



Profit Margin from Investment income is computed as Investment Income on every unit of net earned premium.

The weighted average profit margin from investment activities for the year 2019 works out to be 8%, exhibiting an increase from 6% recorded in 2018. SICO recorded the highest profit margin from investment income and hence mounting to the top position.

EARNING RATIOS – BRANCHES

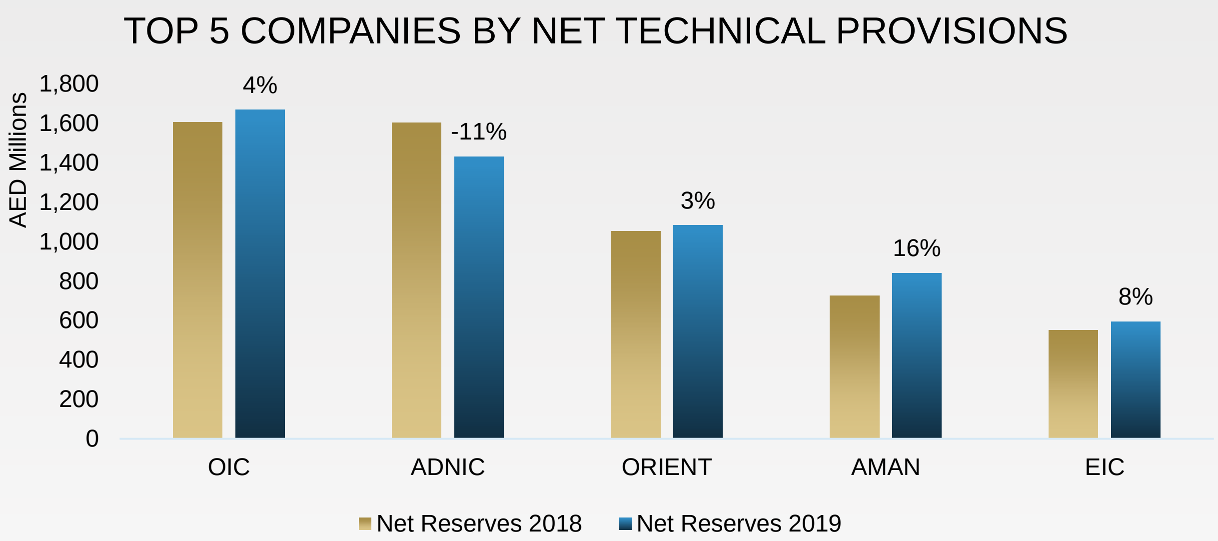


The weighted average Earning Ratio for the Foreign branches operating in UAE is recorded at 8% for 2019.

QGIRC and ZLIC had exceptionally low profit margins in 2019 while FPIL recorded the highest profit margin of 235% in 2018 and therefore excluded from the chart above.

The highest profit margin of 65% is reflected by American Home while the lowest margin of negative 16% is depicted by SLIC for the year 2019 after excluding outliers.

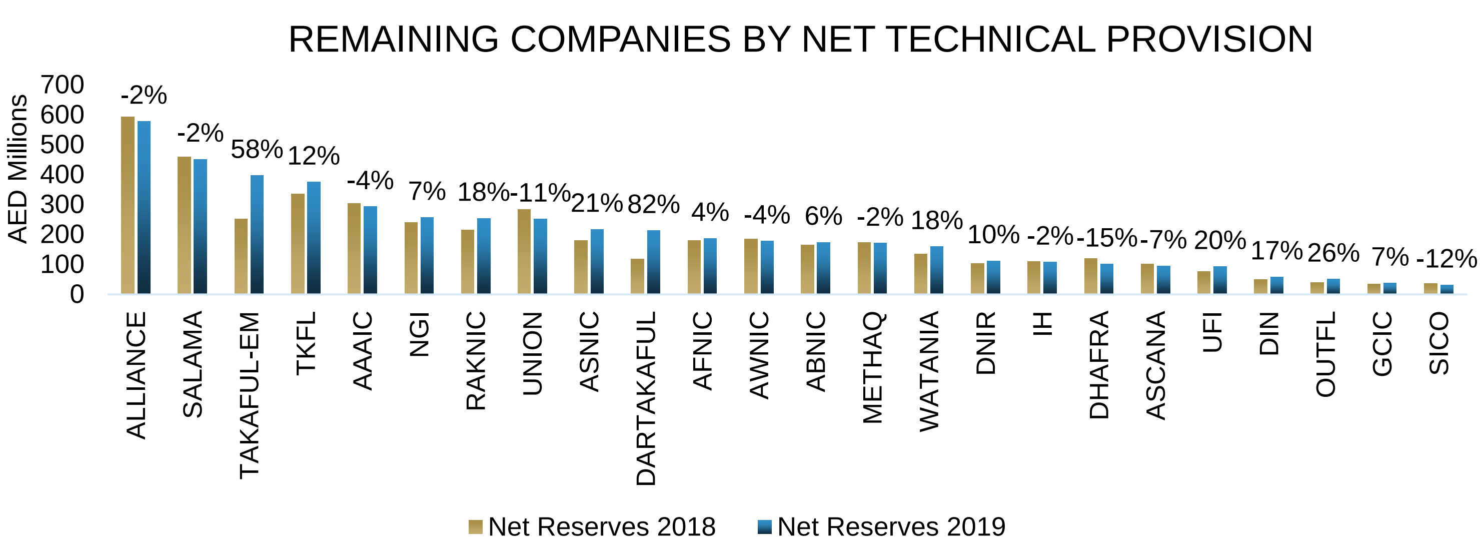
NET TECHNICAL PROVISIONS – LISTED COMPANIES



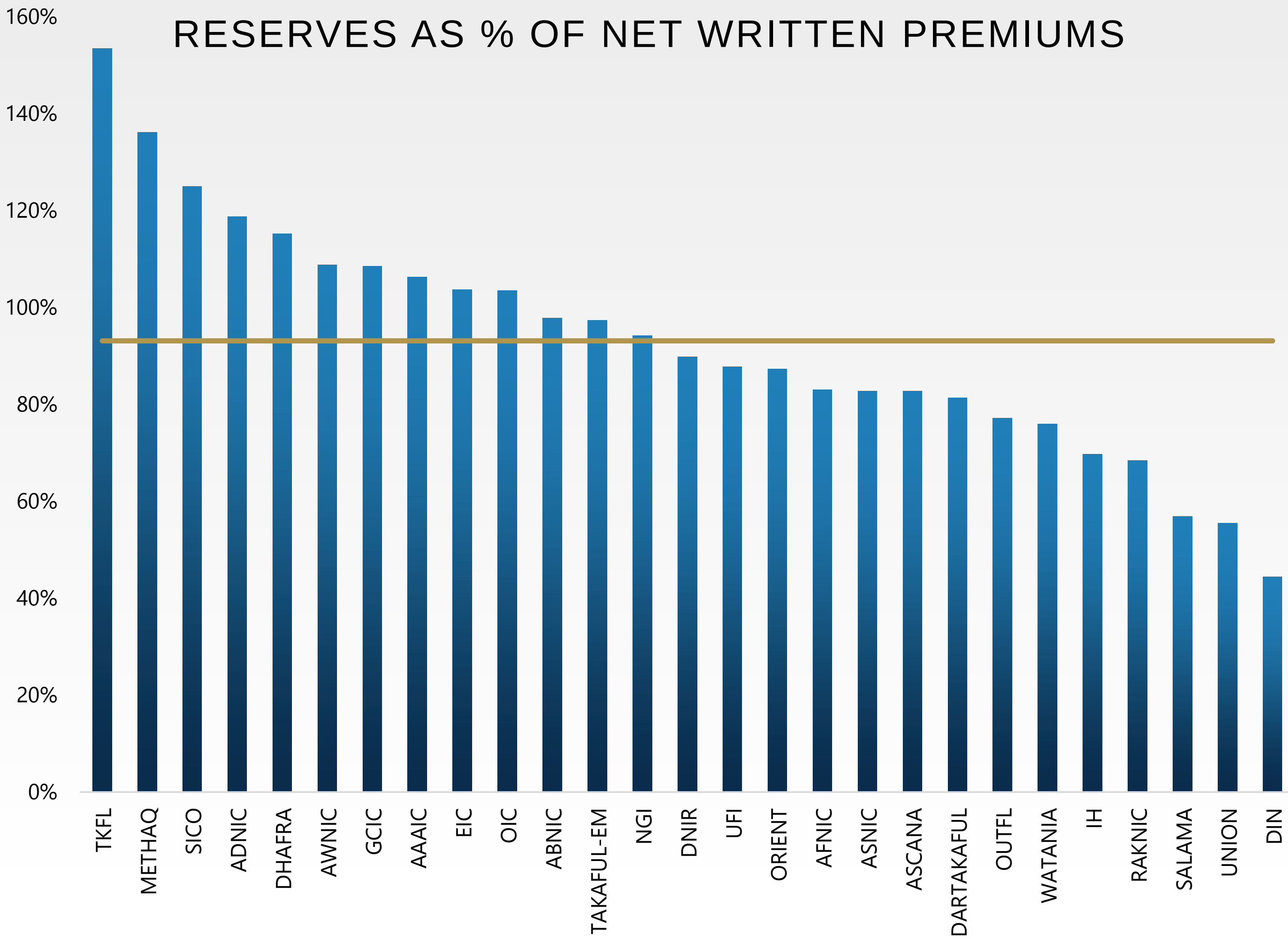
The Net Technical Reserves as at year end 2019 increased by 4% when compared with the corresponding period of 2018.

Net reserves for OIC grew by 4% and secured the highest rank, retaining its position from 2018 and 2017. Although the sequence is slightly changed, 8 out of the top 10 companies remain the same.

Since AKIC was banned from Insurance activities till late 2019, it has resulted in significant reduction of 86% in Net insurance reserves for AKIC. Therefore, it is excluded from the chart.



NET RESERVES AS A PERCENTAGE OF NET WRITTEN PREMIUMS – LISTED COMPANIES

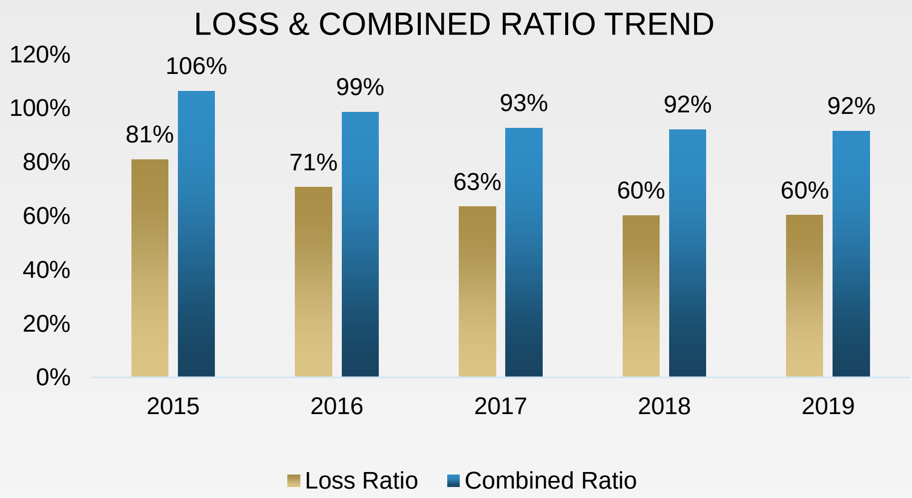


Aman and Alliance insurance were observed to be outliers and excluded from the above analysis due to their Individual Life Mathematical reserves amounting to AED 751 million and AED 550 million respectively.

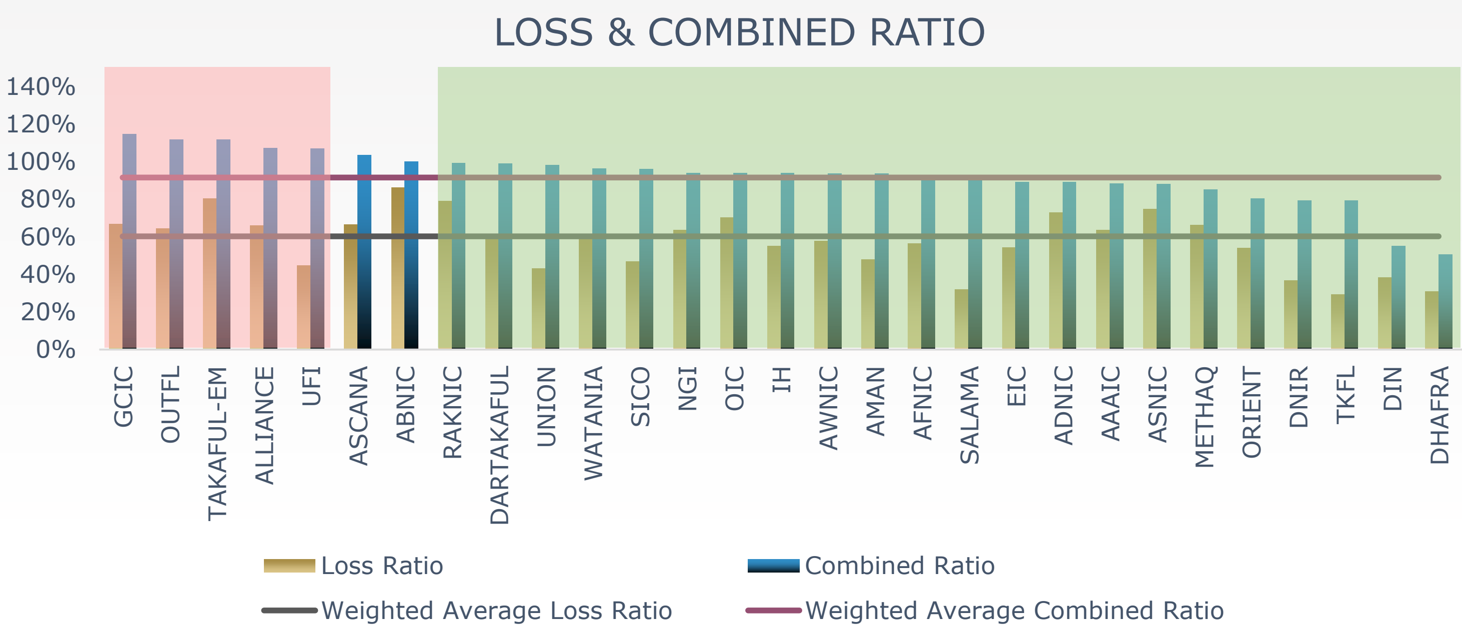
The proportion of individual Life mathematical reserves to net reserves is 89% and 95% for Aman and Alliance respectively, which represents a relatively significant proportion in comparison to other life companies who have large portfolio of individual life business.

In addition, AKIC due to its exceptionally low volume of business in 2019, was also excluded from this analysis.

LOSS & COMBINED RATIO – LISTED COMPANIES



The Loss and Combined ratio exhibited a decreasing trend over the years which has stabilized during 2019.



The weighted average loss and combined ratio for the listed companies stood at 60% and 92% respectively, with GCIC bearing the highest combined ratio of 114% after excluding AKIC, an outlier. The lowest combined ratio was experienced by DHAFRA of 50%.

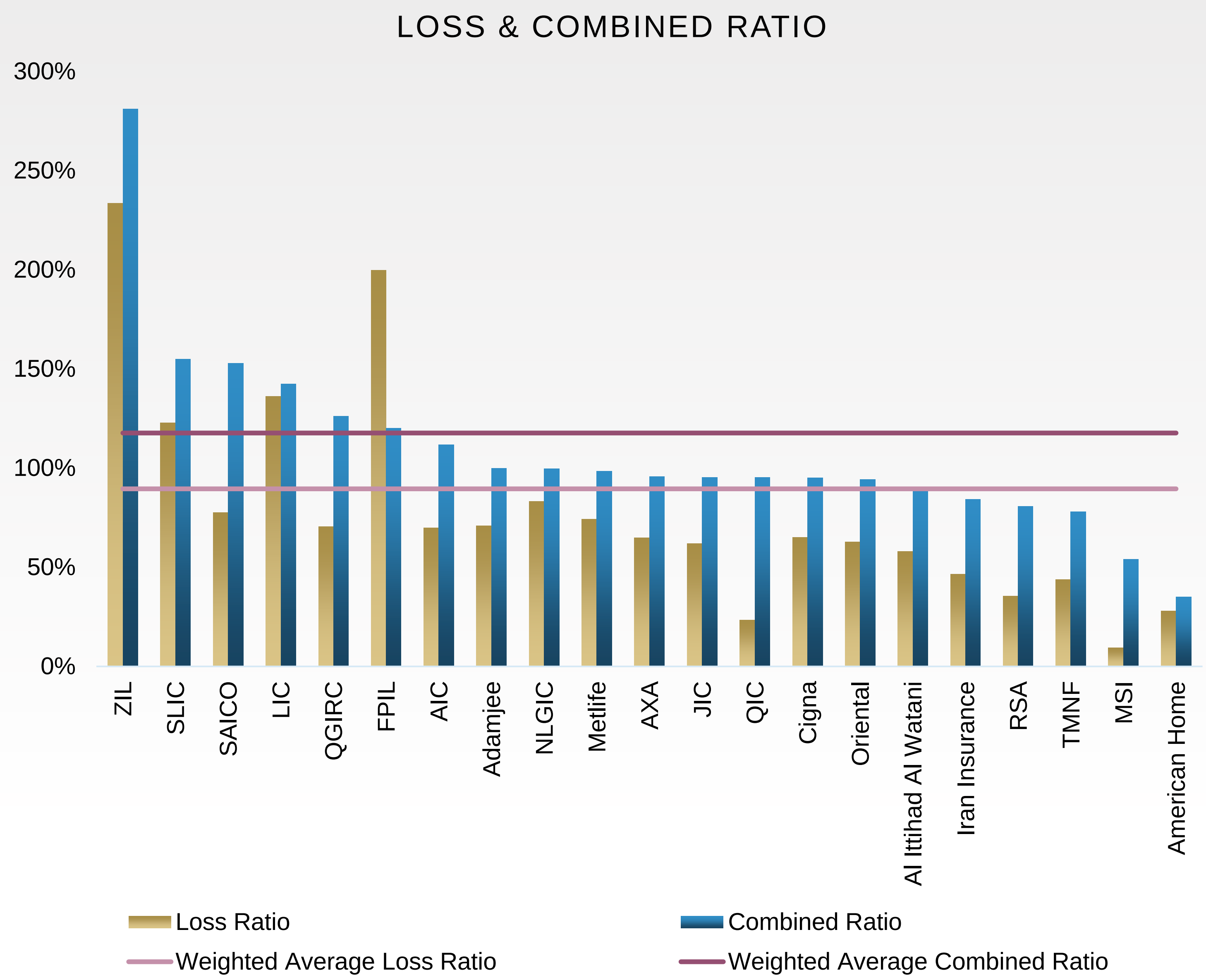
For Takaful companies we have consolidated the Policyholders and Shareholders P&L for comparative purposes.

A company is deemed profitable from an underwriting perspective if the combined ratio is well below 100%, thus the companies falling in green zone are considered profitable from their underwriting activities.

Loss ratio is computed as Net Claims Incurred over Net Earned Premium

Combined ratio is calculated as ratio of Net Claims Incurred along with the expenses and net commissions over Net Earned Premium

LOSS & COMBINED RATIO – BRANCHES

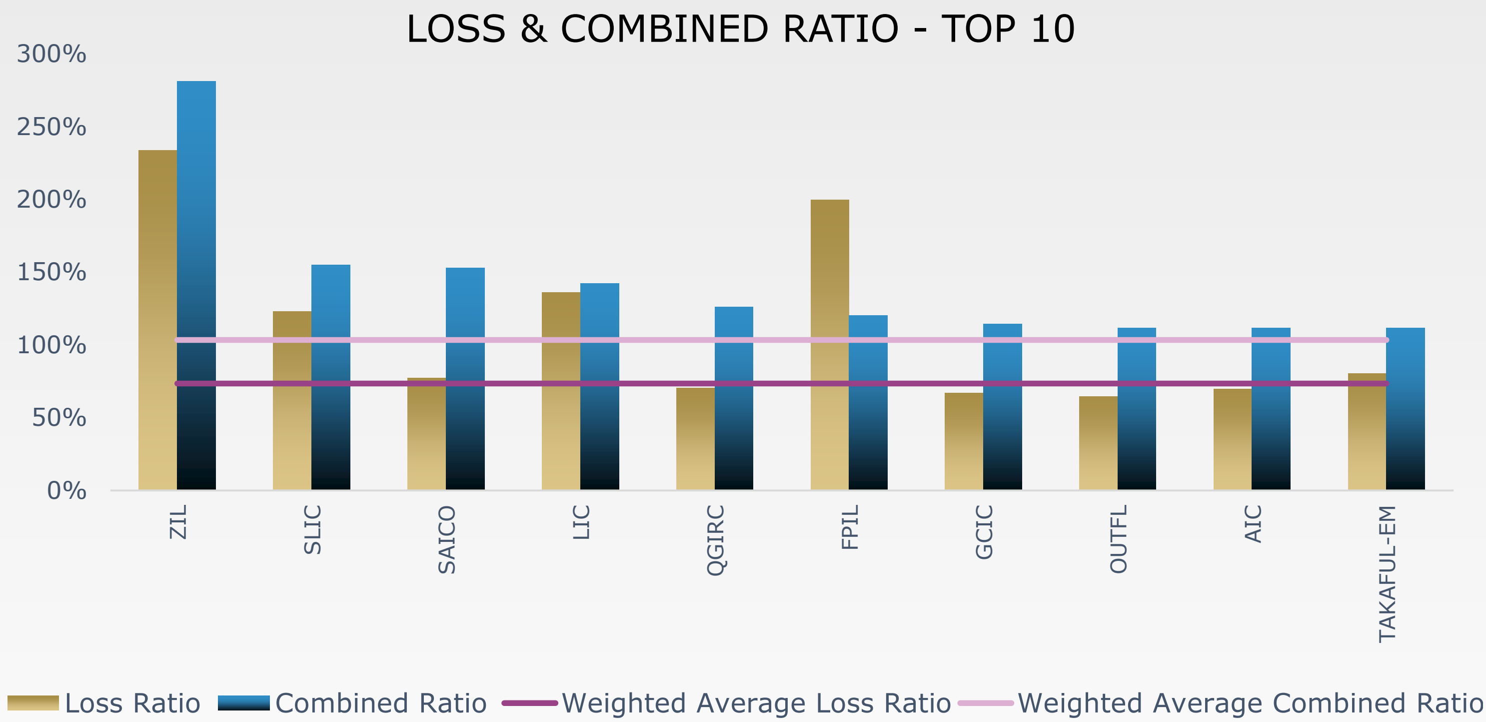


The weighted average loss ratio for the Foreign Branches in the UAE worked out to be 89%, while the weighted average combined ratio stood at 118%.

The highest loss and combined ratio of 2019 is reflected by ZLIC of 1,020% and 1,088% respectively and has been excluded from the analysis as it was distorting the presentation.

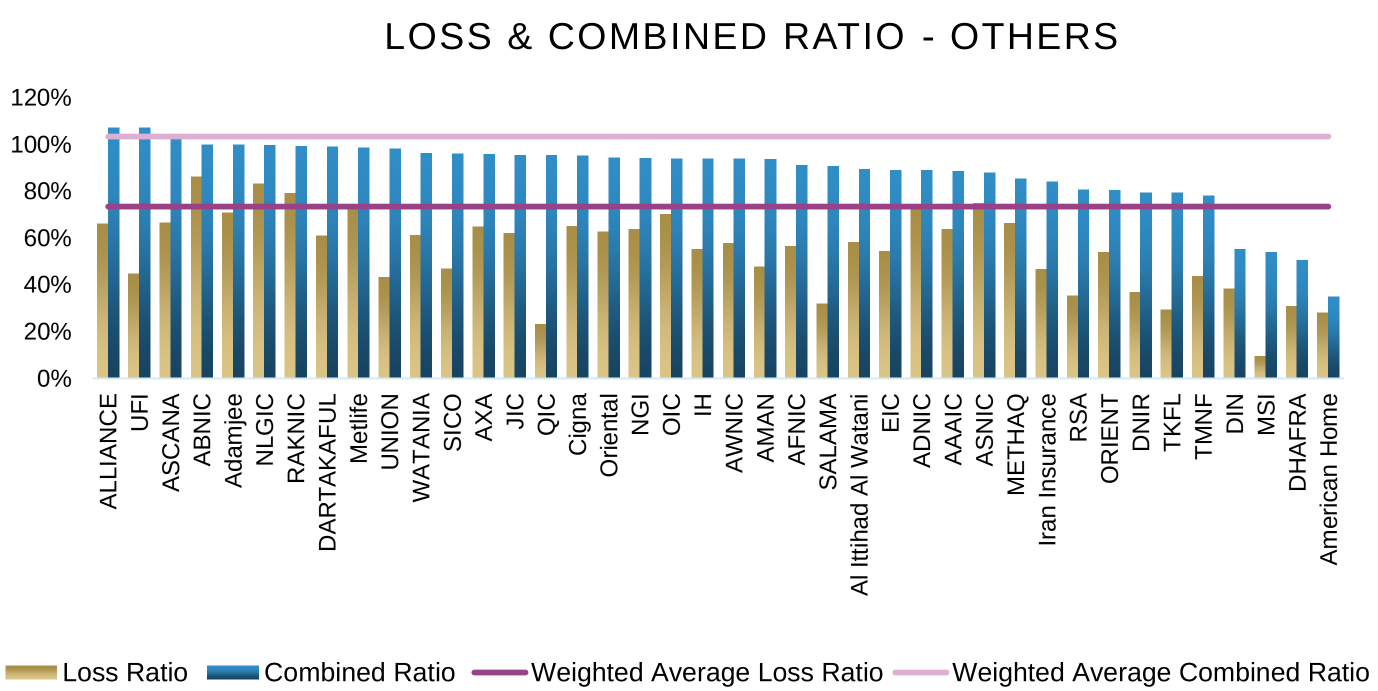
The second highest combined ratio of 281% is reflected by ZIL whereas the lowest combined ratio of 35% is recorded by American Home.

LOSS & COMBINED RATIO – COMBINED



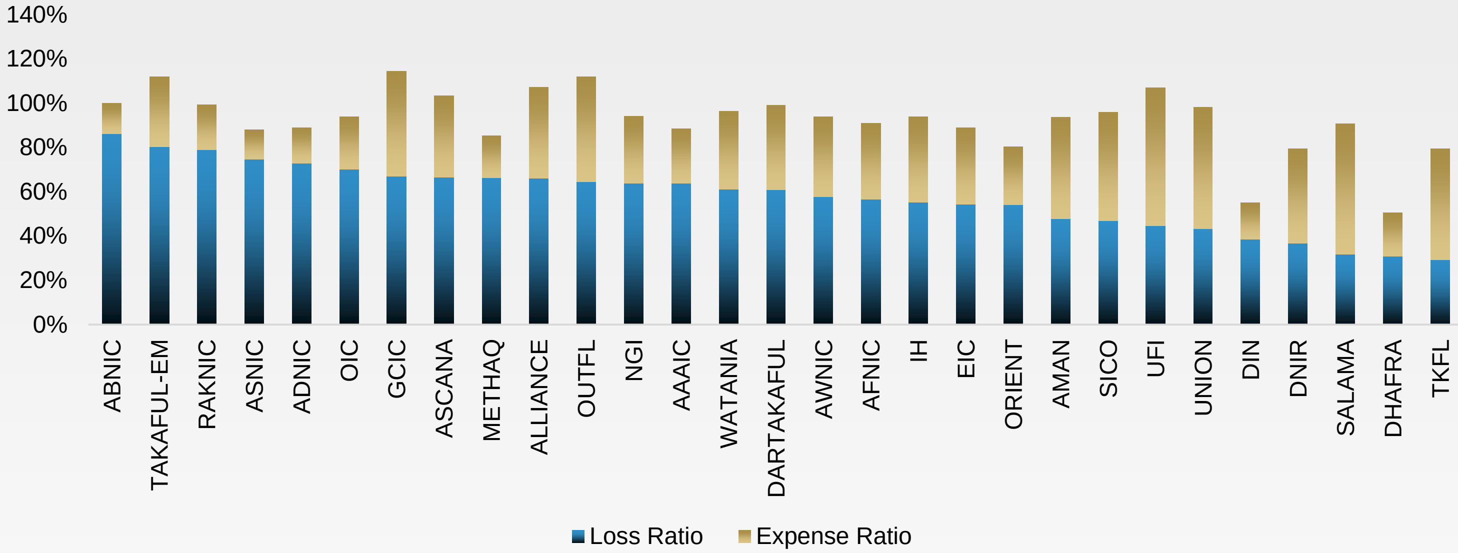
The weighted average loss ratio of the listed companies and branches stood at 73% while the weighted average combined ratio is recorded to be 103%.

ZLIC and AKIC being outliers are removed from the presentation.



LOSS & EXPENSE RATIO

LISTED COMPANIES

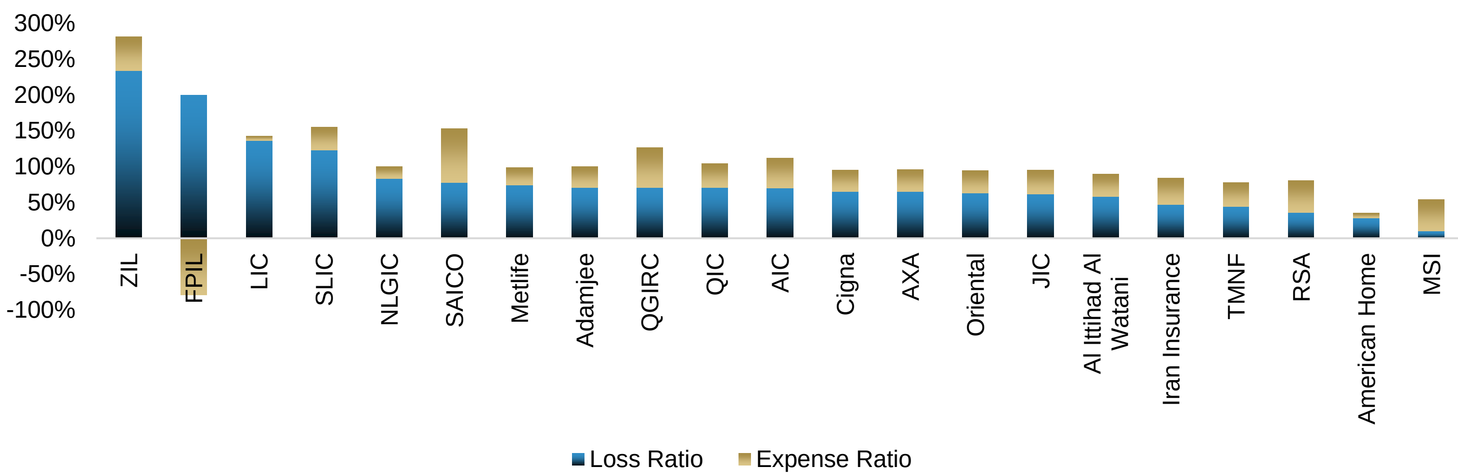


It is observed that few companies have low loss ratios, but the expenses push the combined ratio above the 100% mark.

UFI and ALLIANCE loss ratios well below 100%, however, the expenses push the combined ratio above 100% resulting in an underwriting loss for the Company.

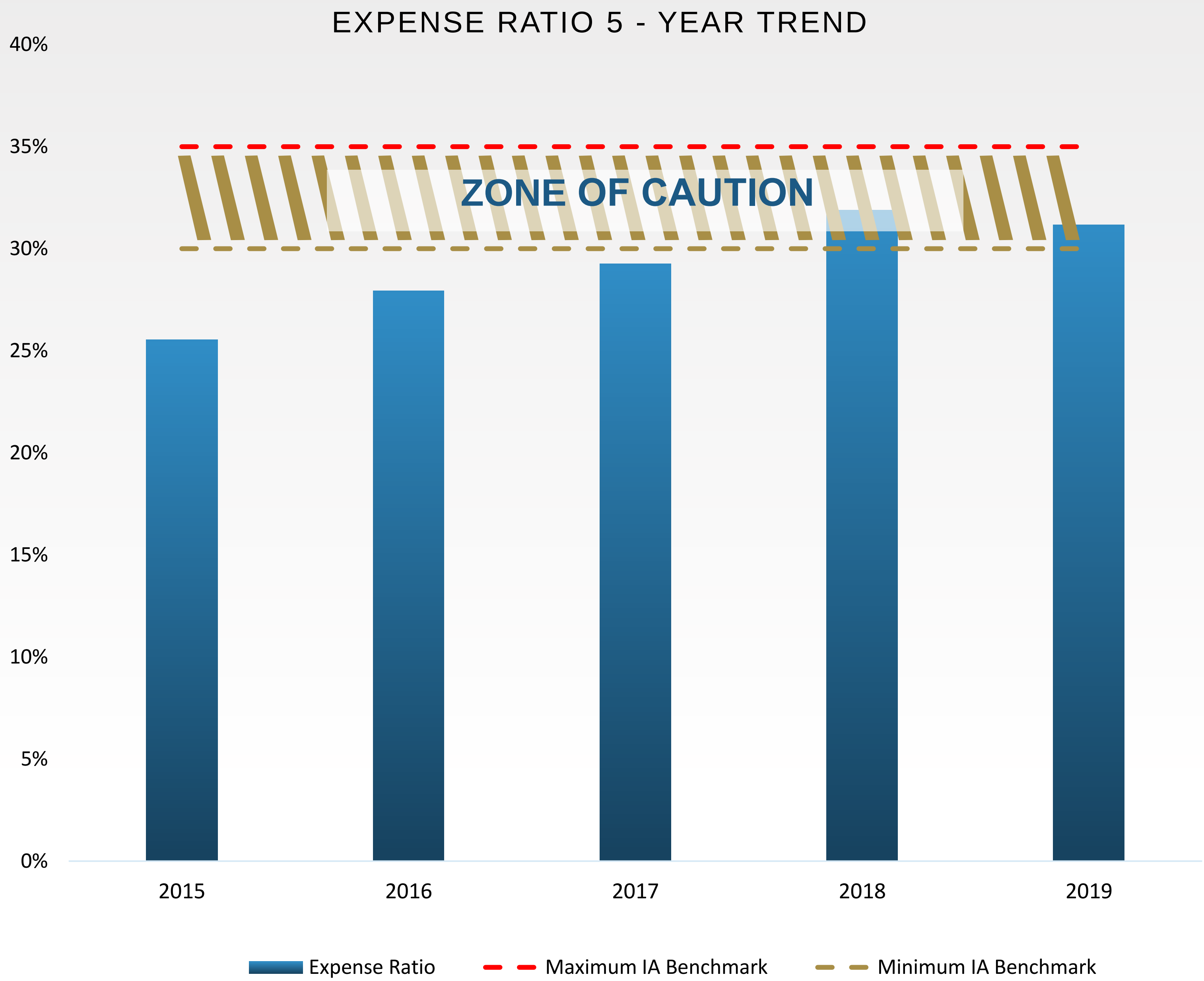
AKIC has been excluded from this analysis since it was barred from underwriting activities by the IA.

BRANCHES



The above are sorted in terms of loss ratio.

EXPENSE RATIO – LISTED COMPANIES

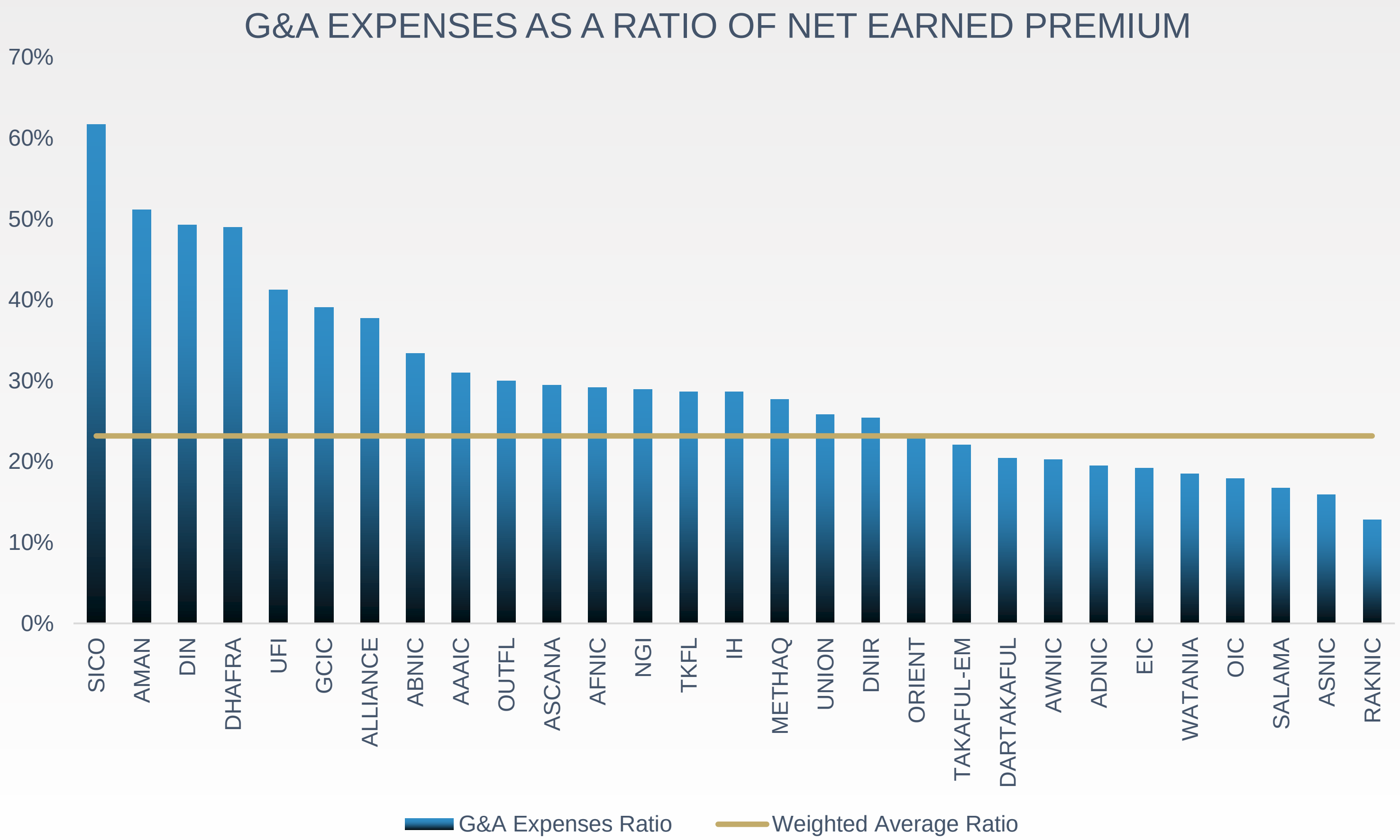


The expense ratio for the listed companies has witnessed a gradually increasing trend up to 2018. During 2019, a slight drop to 31% is observed from 32% in 2018.

The expense ratio during 2018 and 219 has increased beyond the optimal region as defined by the IA and moved into the cautious zone.

The expense ratio is computed as all the expenses net of commissions recorded for the period by the listed companies including other operational expenses as a proportion of net earned premium.

EXPENSE RATIO – LISTED COMPANIES



The weighted average General & Administrative expense ratio of the industry for 2019 works out to be 23%. (2018: 22%, 2017: 23% and 2016: 24%)

The highest expense ratio of 62% for the period 2019 is reflected by SICO after excluding AKIC. The lowest expense ratio of 13% is reflected by RAKNIC.

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

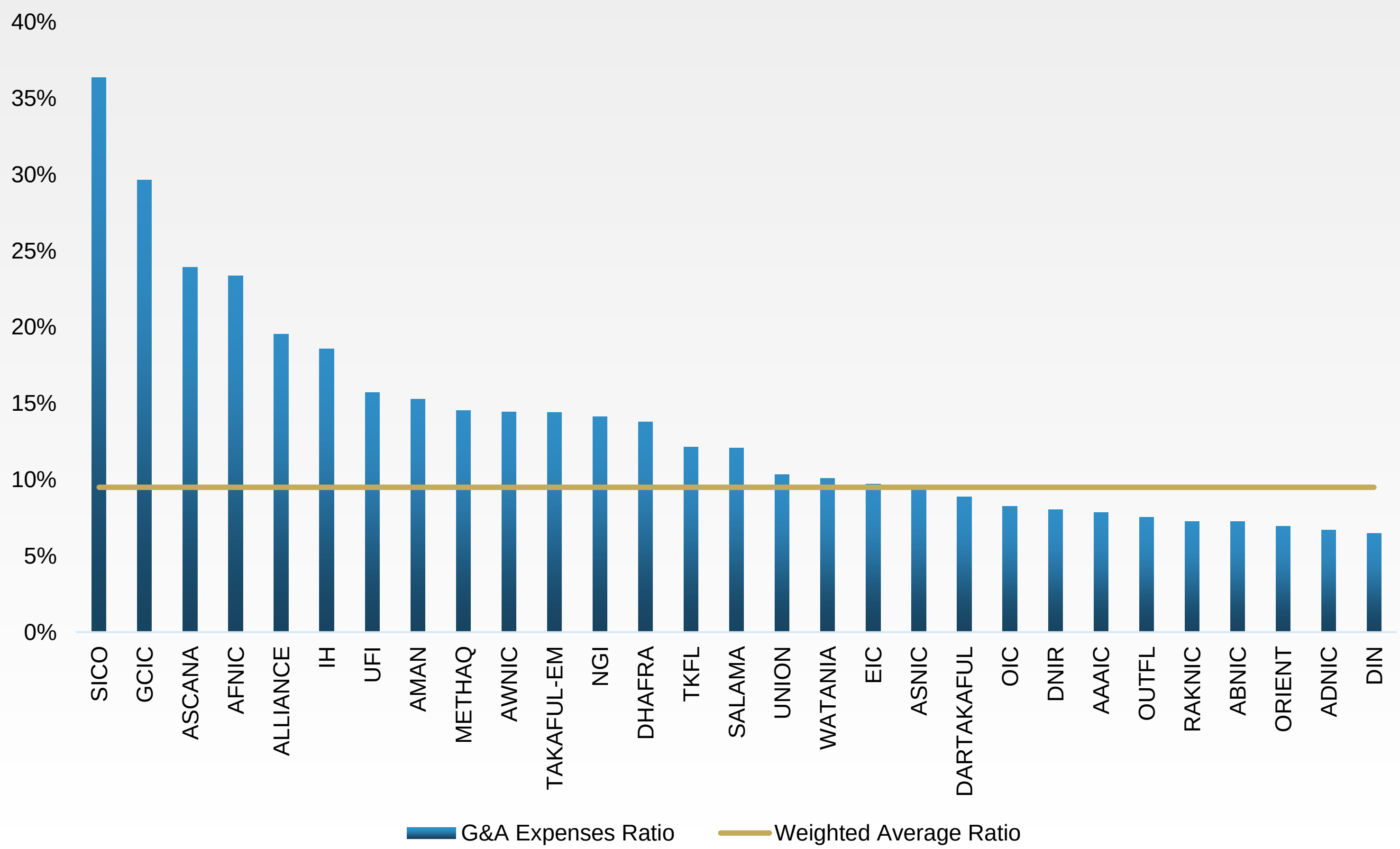
The expense ratio is worked out as:

Expense Ratio = General and administrative expense / Net Earned Premium

For Takaful companies, same has been used for comparative purposes and Wakala fees is ignored, as Wakala fees is positive in one account and negative in the other.

EXPENSE RATIO – LISTED COMPANIES

G&A EXPENSES AS A RATIO OF GROSS WRITTEN PREMIUM



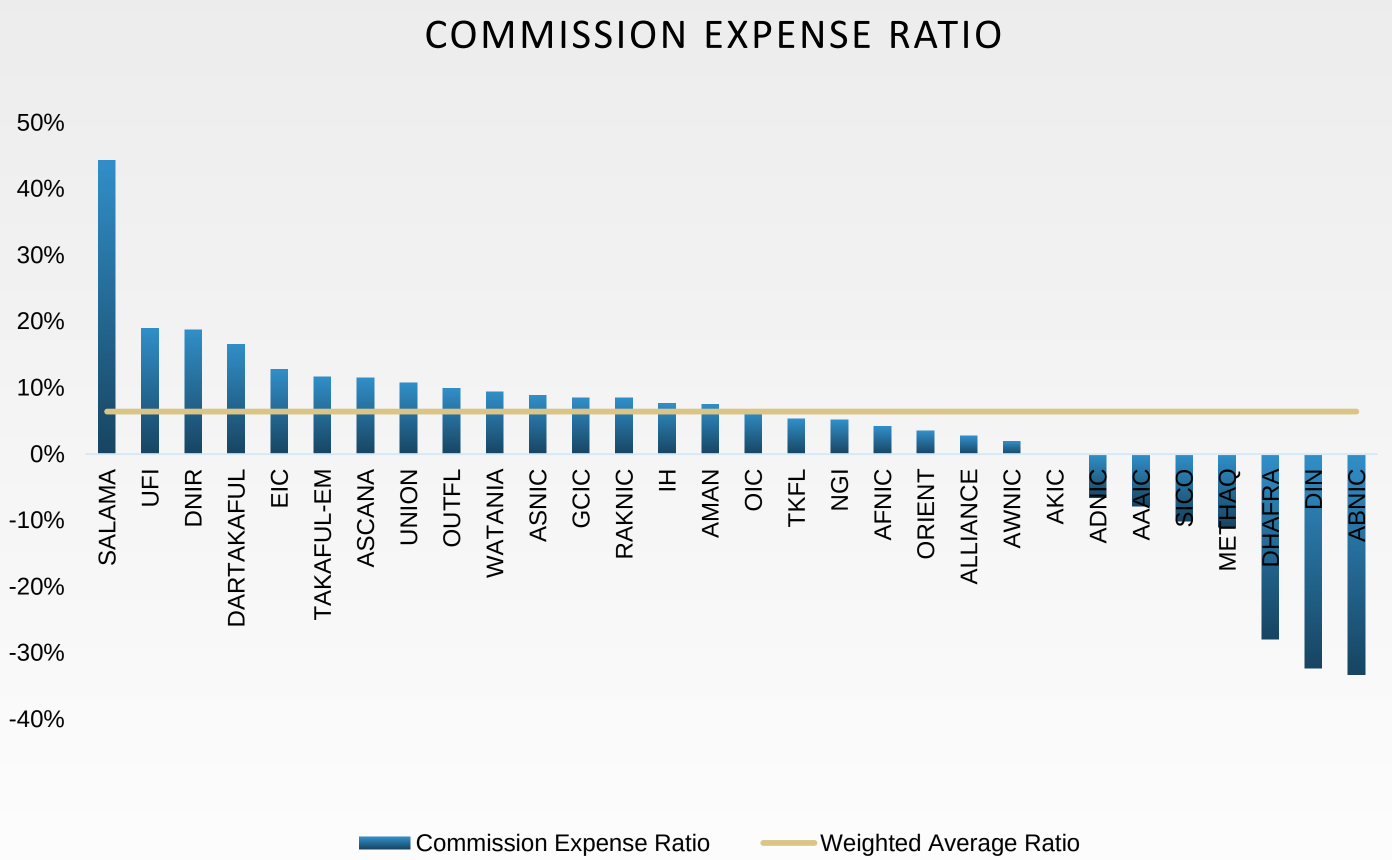
The highest expense ratio of 36% for the period 2019 is reflected by SICO after excluding AKIC. The lowest expense ratio of 6% is exhibited by DIN. The weighted average G&A expense ratio of the industry for 2019 works out to be 9%. It is commonly believed that G&A expense ratio should be analyzed on the basis of gross written premium for the Company hence, the same is included in our analysis.

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

The expense ratio is worked out as:

Expense Ratio = General and administrative expense / Gross Written Premium

EXPENSE RATIO – LISTED COMPANIES



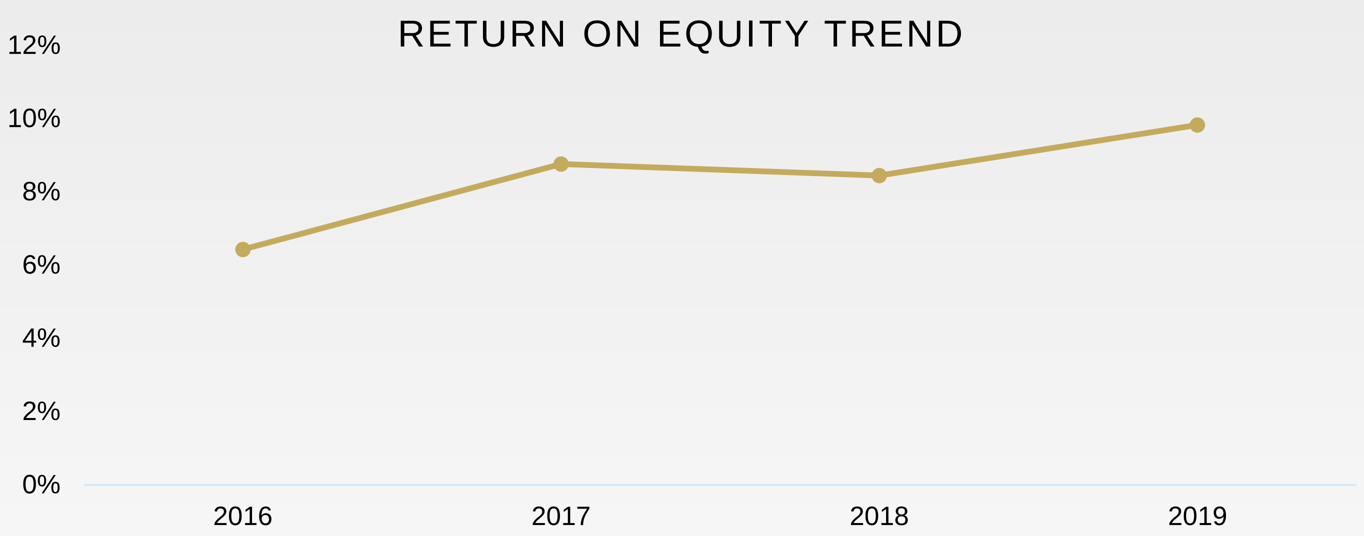
Among the listed companies, the highest commission ratio of 44% for the year end 2019 is depicted by SALAMA whereas the lowest commission ratio is reflected by ABNIC with a ratio of negative 33%

The weighted average commission ratio of the listed companies is recorded to be 6%.

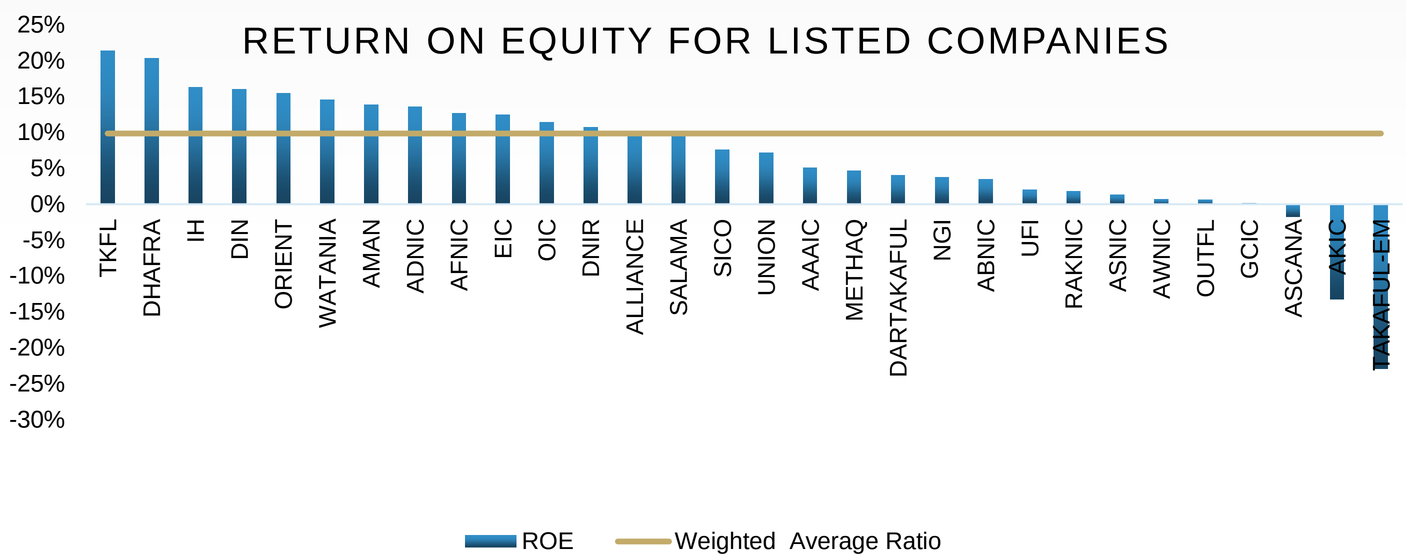
The commission expense considered is the net commission (commissions paid less commissions earned); a negative ratio signifies that the commissions earned outweigh the commissions paid. In UAE, it is common practice for the companies to cede out large proportion of commercial lines business and benefit from the reinsurance commissions, which is also evident 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 re-insurers and just acting as fronting partners; at the same time not effecting their solvency position.

RETURN ON EQUITY – LISTED COMPANIES TREND



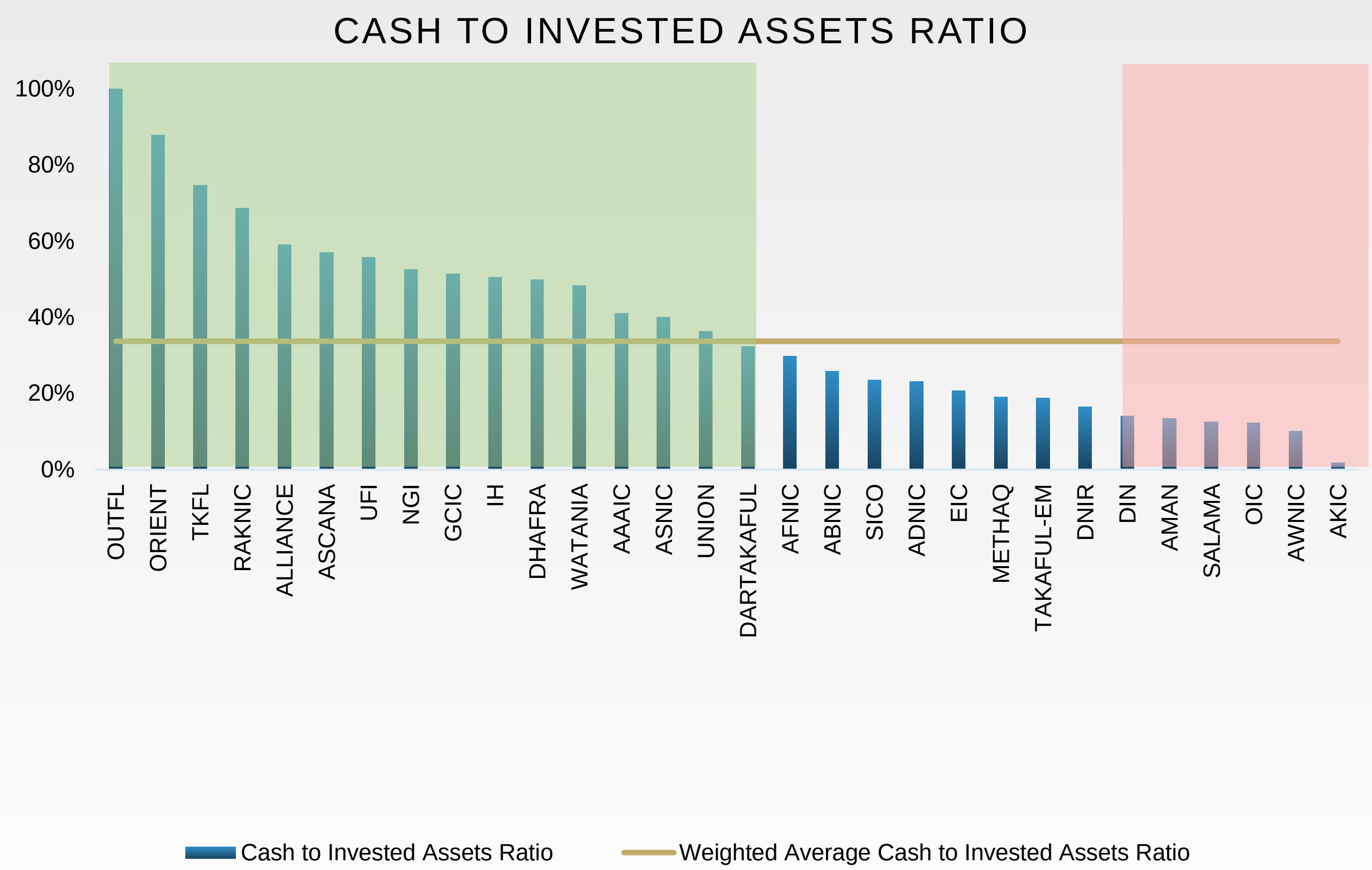
The shareholders of the listed insurance companies have experienced an increasing trend in return on equity in the last 4 years except for the year 2018 which only had a slight reduction.



The weighted average return on equity for the listed companies in the UAE stood at 10% with TKFL depicting the highest return on equity of 21%, Takaful-EM on the other hand, observed to have the lowest returns.

The return on equity is calculated as a ratio of net profit recorded for the period ending 2019 to a total of shareholder’s equity at the beginning of the period.

CASH TO INVESTED ASSETS – LISTED COMPANIES

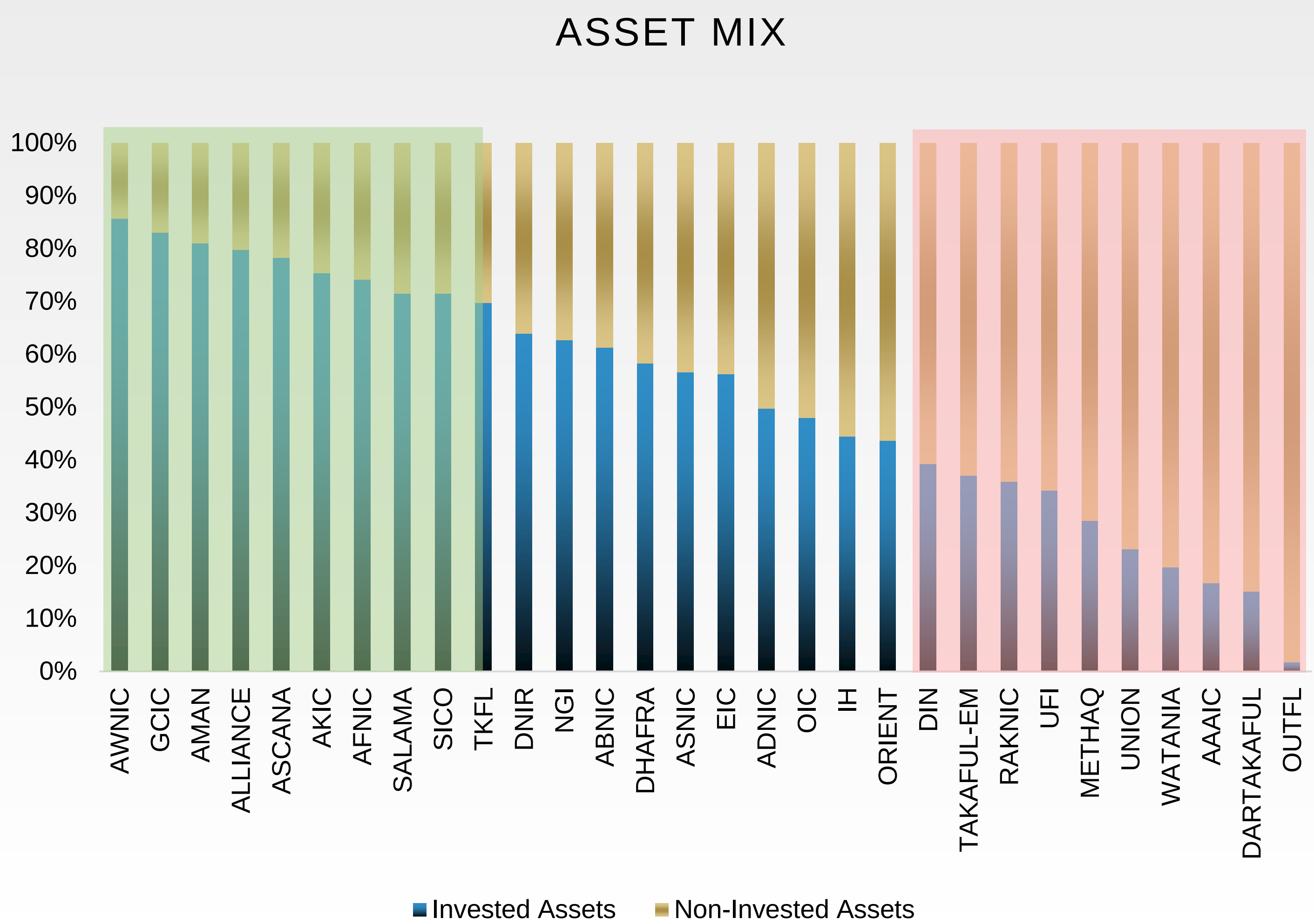


The cash to invested assets of the industry averaged around 34% for the listed companies of UAE. OUTFL exhibited the highest ratio of cash and deposit to its total invested assets. The lowest ratio was produced by AKIC.

The cash to invested assets ratio has been taken as the ratio of cash & deposits to total invested assets.

As per the IA benchmarks, the cash to invested assets ratio for the companies should not fall below 5% of the total invested assets while the optimal area is beyond 50%. However, the weighted average for the Industry stand at 34%for the listed companies of UAE.

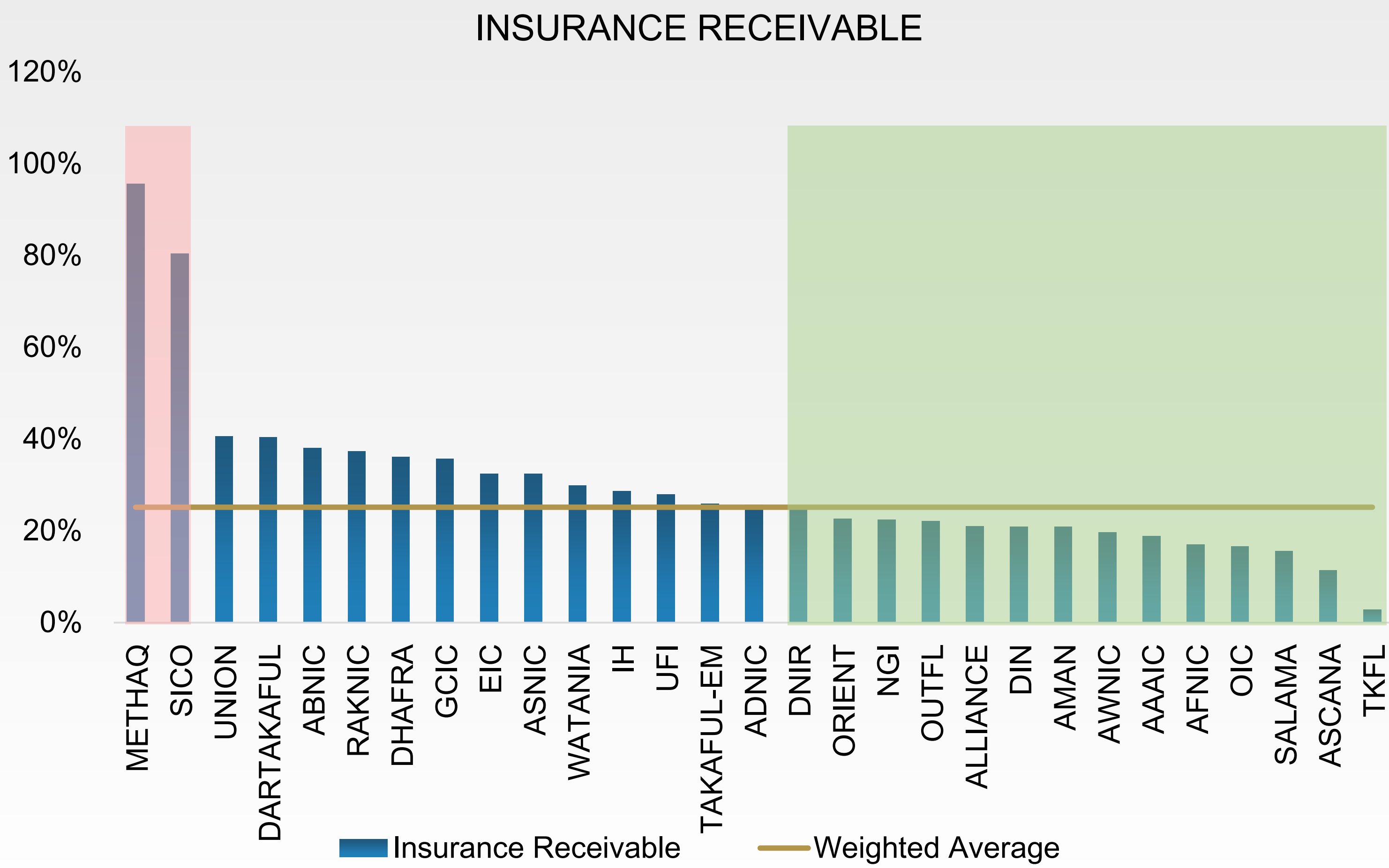
ASSET MIX – LISTED COMPANIES



The prescribed range for Invested assets to total assets is 40% - 70% as per the Insurance Authority, where the companies falling in critical range of below 40% are under red zone.

The Asset Mix compares the proportion of invested assets and non invested assets of the listed companies in UAE insurance industry for the period ended 2019. AWNIC has the highest proportion of 86% of their assets invested, while the OUTFL has only invested 2% of their assets.

INSURANCE RECEIVABLES – LISTED COMPANIES



The insurance receivables are computed as a ratio of Insurance receivables of the company over gross written premium of last 12 months.

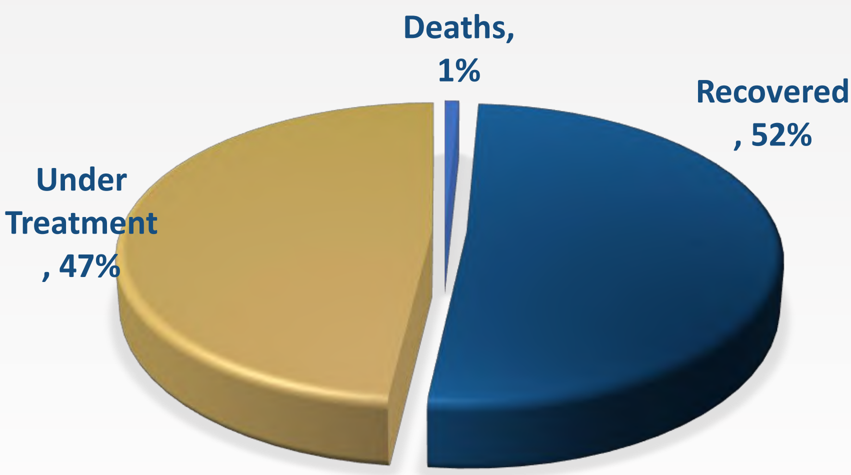
The highest receivable ratio of 96% is reflected by MEHTAQ whereas the lowest receivables have been observed for TKFL.

AKIC has been omitted from the above analysis to avoid distortion in the presentation.

The weighted average insurance receivables of the listed companies of UAE stood at 25% (2018: 27%), reflecting the Industry as a whole is within the safe zone and only 2 companies lies in the critical area with more than 45% of their GWP as receivables.

OUTLOOK FOR INSURANCE INDUSTRY UNDER THE PANDEMIC

The novel virus spread in late 2019 and early 2020 worldwide, with the first infected case reported on January 29, 2020 within UAE, and the first two deaths reported due to the cause on March 21, 2020. The Government of UAE took actions in this regard and imposed a state-wise curfew. The reported cases within the UAE as at June 1, 2020 stand at 35,192[1]. The chart below presents the observed mortality and recovery rates among the infected population:



The UAE's public health centers are actively participating to control the increasing number of cases by offering free check-ups where coronavirus symptoms are evident[2].

The CEO of Dubai Heath Insurance Corporation also said that it is essential for the employers to renew the health covers of their employees and comply with the mandatory Health Insurance scheme, which is the basic need of employees, in line with Law#11 of 13[3].

Post the outbreak of the COVID-19, the Dubai Health Authority (DHA) and the Ministry of Health and Protection (MOHAP) issued circular to the health facility providers that all COVID cases should be treated as emergency cases and facilities should assort the cases into two divisions; Insured and Non-Insured. Where the person does not own health coverage, the suspected/ confirmed patient will not bear any cost of the treatment at any facility[4].

The curfew in the Emirates has impacted day to day life of the residents of UAE along with an impact on the business with fluctuations in interest rates, low investment returns and extra costs to enable operations from home. Declining oil prices has further added to the pressure on the UAE economy.

1. https://en.wikipedia.org/wiki/Template:COVID-19_pandemic_data/United_Arab_Emirates_medical_cases#cite_note-1
2. https://u.ae/en/information-and-services/justice-safety-and-the-law/handling-the-covid-19-outbreak/2019-novel-coronavirus
3. https://gulfnews.com/uae/health/coronavirus-dubai-employers-must-renew-health-insurance-of-employees-1.71076787
4. https://www.khaleejtimes.com/coronavirus-outbreak/coronavirus-cases-in-uae-to-be-treated-free-of-cost-insurance-not-necessary--

OUTLOOK FOR INSURANCE INDUSTRY UNDER THE PANDEMIC

While this report covers business volumes and performance for insurance companies in UAE up to December 31, 2019, this report is being finalized in June 2020 when the COVID 19 situation has significantly impacted the global economy, including the insurance industry. Hence, we have considered below some of the regulatory and other changes impacting the UAE Insurance companies.

Regulatory Changes

The Insurance Authority of UAE is taking proactive measures to estimate the quantitative impact of the pandemic on the Insurance Industry. The Insurance Companies were prompted to submit the estimated impact on their solvency position as of March 31, 2020, for four different scenarios of lockdown extension. The scenarios requested are as below:

Lockdown till April 30, 2020
Lockdown till May 31, 2020
Lockdown till June 30, 2020
Lockdown till September 30, 2020

The Regulator has provided an ease in this critical situation to the Insurance Companies by extending the regulatory submissions deadlines for year-end 2019 and the first quarter of 2020.

As a token of appreciation, the insurance authority allowed Insurance Companies to provide up to 50% discount on the Motor Insurance premium to the frontline workers and other groups of society performing actively in the UAE. In Addition, the Insurance Authority also decided to grant partial refund of the premiums for the valid Motor vehicle Insurance policies or reducing the premium from the minimum level when renewing the insurance policy in proportion to the period of the sterilization[5].

Impact on the Insurance Industry

Generally, the impact has taken many forms, including reduced business activities leading to a drop in topline business, fluctuations in interest rates, low investment returns or investment losses, delayed reporting and settlement of claims, and changes in claims frequency and severity based on the class of business. The impact of the outbreak is expected to be first realized in Q2 of 2020.

5. https://www.insuredr.com/2020/04/25/uae-insurance-authority-up-to-50-discounts-approved-on-motor-insurance/

OUTLOOK FOR INSURANCE INDUSTRY UNDER THE PANDEMIC

Since the nationwide restriction was imposed in late March, the business in the second quarter is expected to be adversely impacted. The resulting liquidity issues in the economy may cause insurance receivables to spike up, increasing the credit risk of the Companies.

The UAE insurance sector's main focus areas have been Medical and Motor business accounting for 51% and 17% respectively of the Insurance premium of the National Companies as per the annual report of 2018 published by the Insurance Authority. The loss ratios experience in Motor segment are expected to move favorably due to restrictions in movements however, the refunds or reductions in insurance premiums might off-set the favorable impact.

While the current loss ratio for the Medical line may show improvements as the COVID-19 related costs are born by the government however, the experience going forward is uncertain considering the postponement of Non-COVID treatments which might lead to critical conditions on later dates.

In addition, the Insurance Industry is adversely exposed to claims from event cancellation, business interruption or Travel risk as a result of pandemic, which may pull down the bottom-line for the Industry from Insurance activities.

The Life business in UAE Insurance sector accounts to 8% of the premiums for National Companies as per the 2018 annual report published by the Insurance Authority. The Life Insurance sector is exposed to the increased mortality resulting from the pandemic. As mentioned earlier, the mortality rate so far in the UAE is approximated at 0.8%. Therefore, the situation necessitates conducting portfolio reviews where the exposure of the portfolio falls in the critical ages.

Apart from the above, the sector has also incurred costs to digitalize the operations and systems for continuity of the business and maintain the customer satisfaction. In contrast, there have been salary cuts and staff redundancies within the industry to cope with the declining economic conditions. The Companies are struggling to contain expenses in line with the potentially reduced top line. As a result, the increasing trend in expense ratio observed over the past few years excluding 2019 is likely to continue.

OUTLOOK FOR INSURANCE INDUSTRY UNDER THE PANDEMIC

The other areas of concern is the volatile financial sector, affecting the investment returns for the Insurance Companies. The outbreak has also compelled the underwriters to go through the terms and conditions of the covers provided for pandemic clauses.

There may be other areas of potential impact that are still uncertain which will be realize over time. Nevertheless, the pandemic has also brought into light the new products that the insurance industry can target and has put pressure on the Companies to enhance the operations and refine their underwriting clauses to improve the general efficiency of the industry.

5 https://www.insuredr.com/2020/04/25/uae-insurance-authority-up-to-50-discounts-approved-on-motor-insurance/

CONCLUSION

Total Gross premiums written by the listed insurance companies in 2019 amounted to AED 23.7 billion, exhibiting a growth of 8% from last year.

Total Gross premiums written by the foreign branches, for the year 2019 amounted to AED 10.7 billion, as compared to 2018 which stood at AED 11 billion. This reflects a decline for branches of 3% which was driven by a significant decline of AED 730M from Metlife business in 2019.

The total written premium of the insurance industry for the year 2019 is estimated to be AED 40 billion reflecting an overall growth of 1% for the industry.

The total Profit for listed insurance companies for the year 2019 amounted to AED 1.6 billion and for foreign branches AED 620 million as compared to 2018 which was at AED 1.4 billion for listed companies and AED 491 million for branches.

The overall profits for Companies and Branches combined exhibited a significant growth of 20% recording AED 2.2 billion in profits for 2019 from AED 1.8 billion in 2018.

The year 2019 has presented positive trends in terms of both top line and bottom line for the Insurers operating in the UAE.

QUICK TAKEAWAY POINTS

INDUSTRY ESTIMATED GWP GROWTH TIMELINE

2015	2016	2017	2018	2019
AED 31bn	AED 37bn	AED 41bn	AED 40bn	AED 40bn

Highest Growth in Profit by **MSI** at **82%**

Highest Growth in GWP Recorded by **DIN** at **622%**

Highest ROE by **TKFL** at **21%**

Highest Retention Recorded by **ZLIC & LIC** at **100%**

Highest GWP recorded by **ORIENT** at **3.88bn**

Highest Earned Premium by **OIC** at **1.63bn**

Highest Investment Income recorded by **ORIENT** at **226.7mn**

INDUSTRY ESTIMATED PROFIT GROWTH TIMELINE

2015	2016	2017	2018	2019
AED 0.4bn	AED 1.2bn	AED 2.1bn	AED 1.9bn	AED 2.2bn

COMPANIES INCLUDED IN THE ANALYSIS

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

Branches - Unlisted Companies		
Sr. No.	Symbol	Name
1	Adamjee	Adamjee Insurance Company Ltd.
2	AIC	Arabia Insurance
3	TMNF	Tokio Marine and Nichido Fire Insurance Company Ltd.
4	RSA	Royal and Sun Alliance Insurance
5	QIC	Qatar Insurance Company
6	Cigna	Cigna
7	MSI	Mitsui Sumitomo Insurance Company Ltd.
8	American Home	American Home Insurance Company
9	MetLife	MetLife
10	NLGIC	National Life and General Insurance Company
11	Al Ittihad Al Watani	Al Ittihad Al Watani
12	SAICO	Saudi Arabian Insurance Company
13	LIC	Life Insurance Corporation (International) B.S.C.
14	Oriental	The Oriental Insurance Company
15	AXA	AXA Gulf
16	ZLIC	Zurich Life Insurance Company Ltd.
17	FPIL	Friends Provident International
18	Iran Insurance	Iran Insurance Company
19	JIC	Jordan Insurance Company
20	QGIRC	Qatar General Insurance and Reinsurance Company
21	ZIL	Zurich International Life
22	SLIC	State Life Insurance Corporation of Pakistan

About our team

UAE/Oman Acturial 22 Staff	KSA Acturial 15 Staff	Medical 5 Staff
Business Intelligence 10 Staff	End of Service 7 Staff	HR Consulting 2 Staff

7 Support and admin staff

Total Strength = 68

Disclaimer

- 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, 2019. The data has been extracted from the 2019 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, given 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 for comparison purposes. For example, 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 figures for 2018, as shown in this analysis differ from the ones shown in our report compiled as of December 31, 2018. This is because of the restatements of financials and the exclusion (inclusion) of some branches for which the financials were not available (available) in 2018.
- Due to limited information, we are unable to segregate between life and non-life. Once all companies start publishing financial statements with this level of segregation, this can be done.

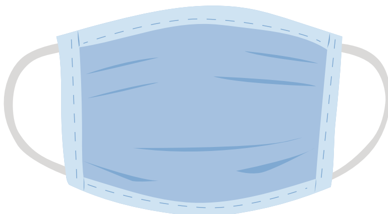
BADRI

SOME SAFETY TIPS FROM TEAM BADRI

You're braver than you believe and stronger than you seem, and smarter than you think - so follow guidelines & stay safe.

Take extra care of Hygiene

Don't forget to wear protective mask



Avoid touching eyes, nose and mouth

Maintain safe distance

CONTACT US!

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FEEDBACK

Badri Management Consultancy is proud to present the 2019 report. We have a dedicated team that is working to bring you research reports. Our doors are open for feedback, and we welcome them. Feel free to inquire about the report.

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