UAE INSURANCE COMPANIES (INCLUDING FOREIGN BRANCHES) PERFORMANCE ANALYSIS FOR YEAR ENDED 2021

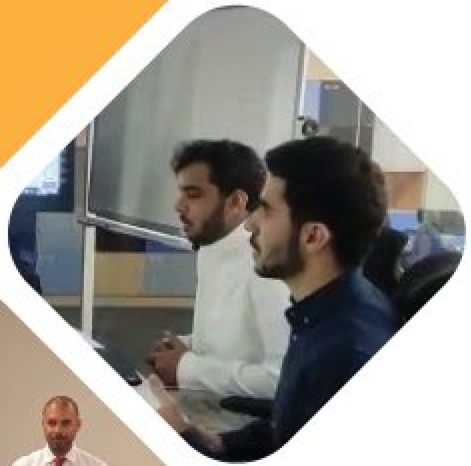
June 20, 2022

BADRI

BADRI KSA receives license approval by SAMA

We are pleased to announce that Badri for Actuarial Services is now licensed by the Saudi Central Bank (SAMA) to provide actuarial services within the Kingdom of Saudi Arabia.

Through our new office in Riyadh, we very much look forward to continuing our investment in the development of Saudi actuarial talent, the insurance sector and extending our values of partnership to the insurance industry across the Kingdom.



About BADRI Management Consultancy

Badri Management Consultancy is the fastest growing Actuarial Consulting Firm in the Middle East, recognized for its collaborative approach to working with its clients as Profit Optimizing Partners. We are serving as Appointed Actuary for over 20 companies in the GCC. In addition, we are providing other services including IFRS17 Implementations, Development of ERM Framework, Specialized services for Medical Insurance and TPAs, Business Intelligence solutions and End of Service Benefits Valuations.

VISION

Solution architects strengthening our partners to optimize performance

MISSION

We help our clients be the best version of themselves by fostering partnerships, challenging norms and providing cutting edge solutions. We inspire our people to constantly evolve and chase excellence with integrity in a diverse, exciting and growth-oriented culture.

CORE VALUES

INTEGRITY
We uphold the highest standards of integrity in all our actions by being professional, transparent and independent.

CHASING EXCELLENCE
Through our empowered teams, we raise the bar by challenging norms to provide cutting edge solutions to our partners.

FOSTERING PARTNERSHIPS
We foster partnerships with all our stakeholders through collaboration, empathy and adaptability.

BREEDING EXCITEMENT
We value our people and create an exciting environment for them to develop.

GROWTH-CENTRIC
We believe in creating a vibrant culture through continuous personal and professional growth of our people, while also growing the business.

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Overview of 2021

AED 41 Billion
(AED 39 Billion in 2020)
Gross Premiums Written
Gross premiums estimated for the insurance industry for 2021.

50%
(49% in 2020)
Retention Ratio
The weighted average retention ratio of the industry.

AED 2.5 Billion
(AED 2.8 Billion in 2020)
Profit
Estimated profits by Companies and Branches.

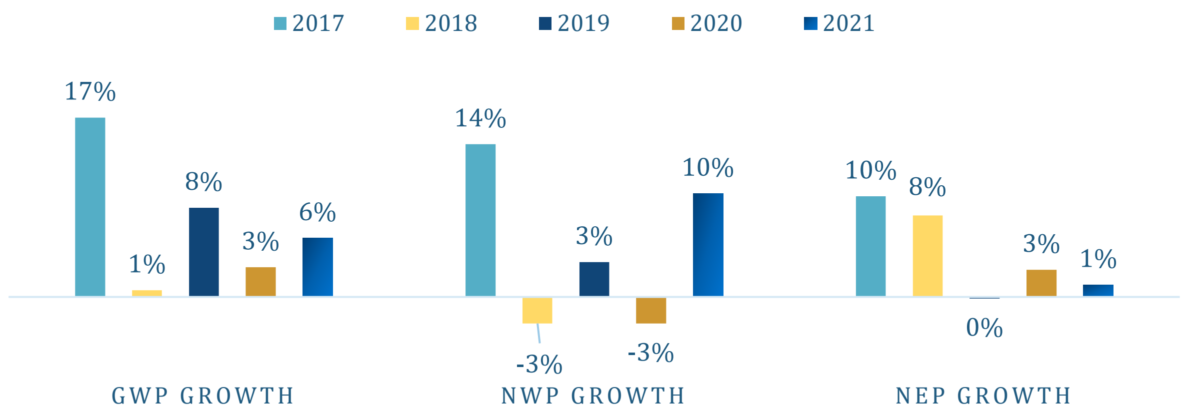
73%
(68% in 2020)
Loss Ratio
Weighted Average loss ratio recorded for UAE insurance Industry.

11%
(11% in 2020)
Return on Equity
Weighted average return on equity by Listed Companies.

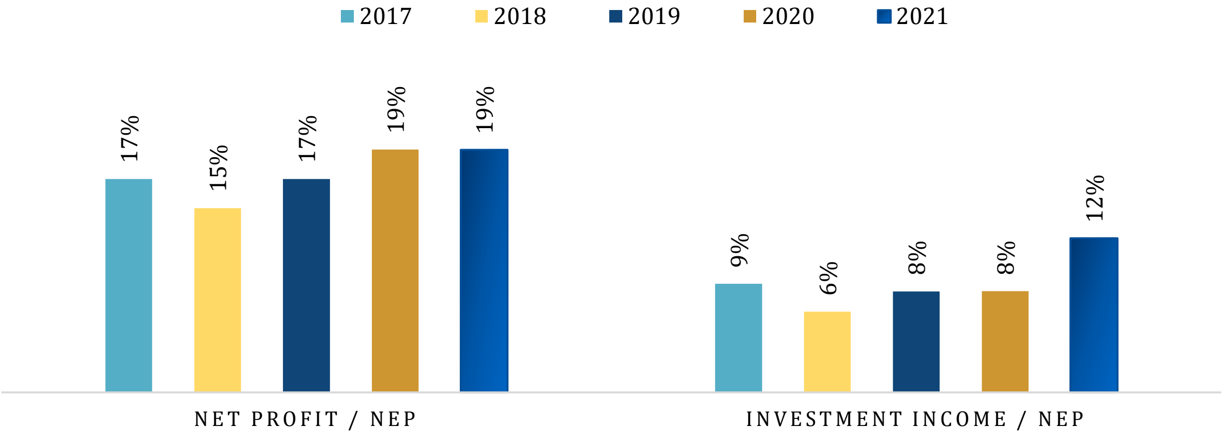
Performance Ratios – Companies

Year 2021 saw a 6% growth in GWP for listed companies as the industry and the economy as a whole recovers from the effects of the pandemic. The investment Earnings Ratio (Investment Income to NEP) increased from 8% to 12% as investment markets rallied from the covid shocks. Loss ratios have increased by 5% while expense ratios have maintained at similar levels.

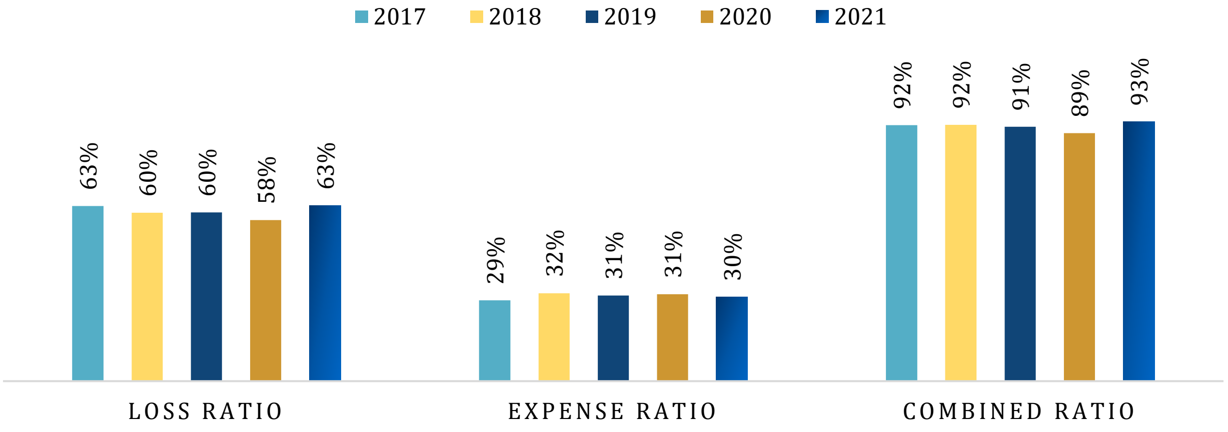
GROWTH RATIOS



EARNING RATIOS

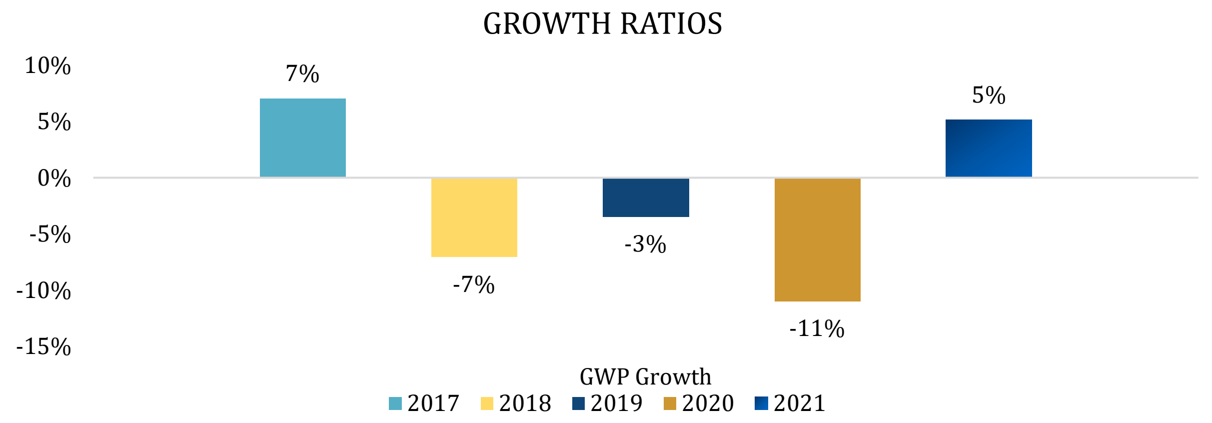


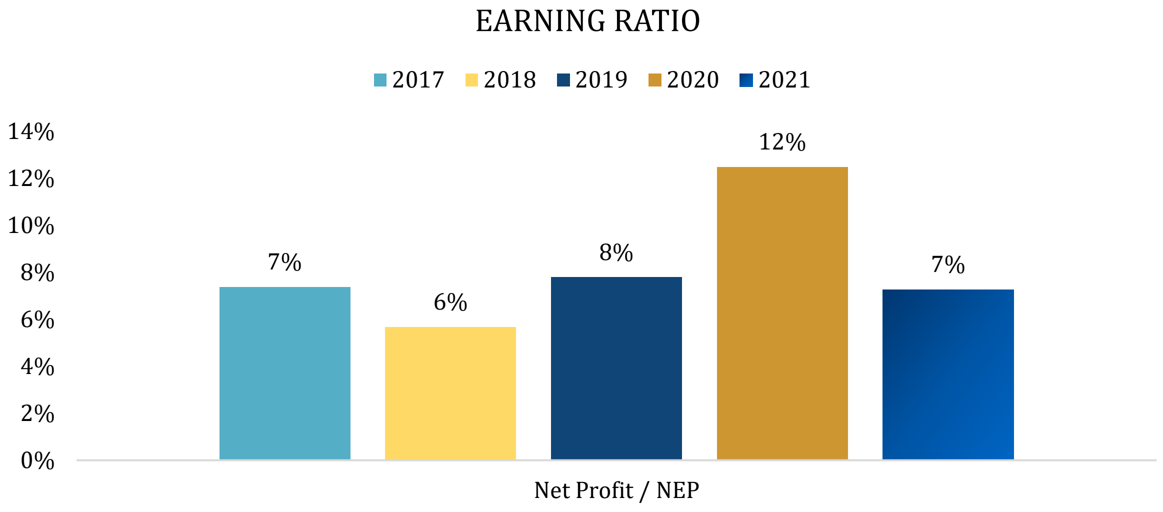
MANAGEMENT COST RATIOS

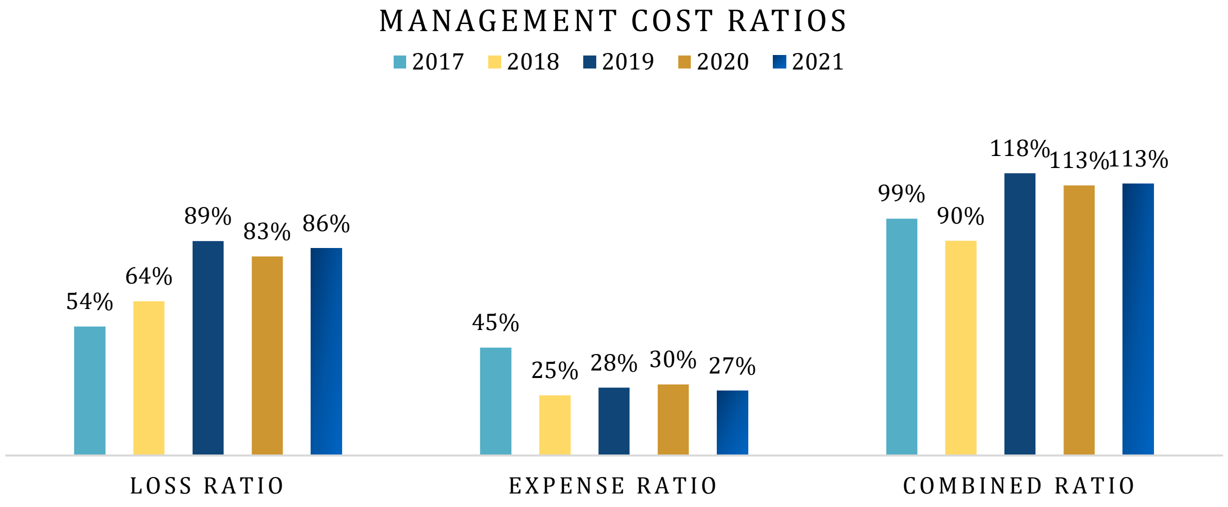


Performance Ratios – Branches

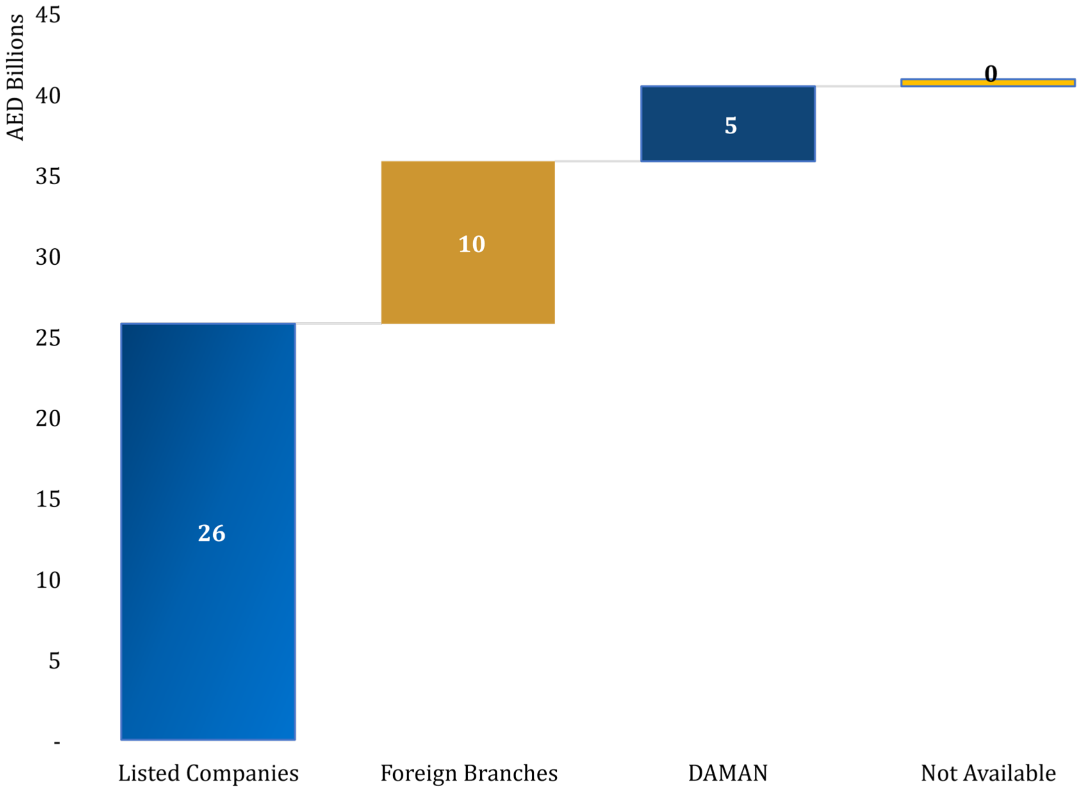
The foreign Branches operating in the Emirates had been experiencing a continuous decline in business since 2018, however, this trend was halted in 2021 as the top line grew by 5%. The loss ratio has slightly increased in 2021, however, an improvement in expense ratio of a similar magnitude was observed. The Earning ratio (Profit as a proportion of Earned Premium) for the Branches has decreased from 12% in 2020 to 7% in 2021.







Industry Volume Estimation



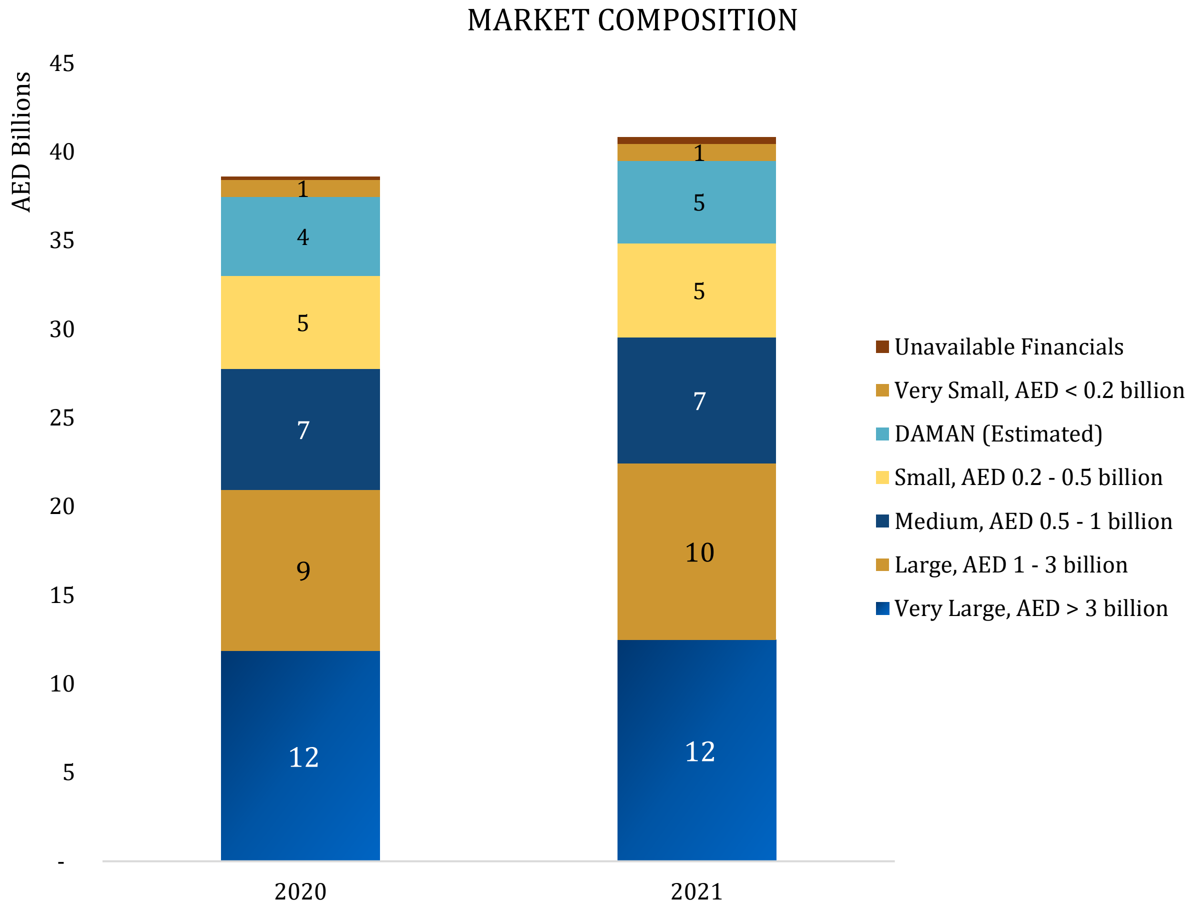
The total market volume is estimated to be **AED 41 Billion**. The financials published were used for the listed Companies and Foreign branches, while for Daman and Not Available segments, an estimation was applied.

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 0.25% is applied for the 2018 to 2021 period. This is based on the average industry growth in the similar period.

It is assumed that 5% of business comes from Non-HAAD sources, providing total GWP for 2021 to be AED 4.6 billion. This excludes Thiqa.

Missing Financials:
The missing segment pertain to local unlisted companies and some branches whose financials were unavailable. These are assumed to make up 1% of the listed companies plus branches premium. This assumed percentage is increased from our last publications considering that fewer branches' data was available this year at the time of compilation of this report.

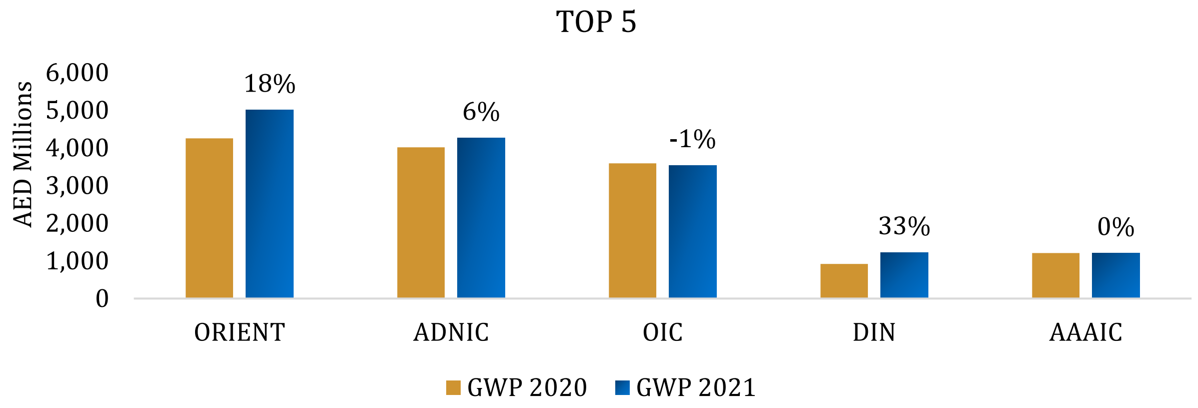
Estimating Total Market Volume

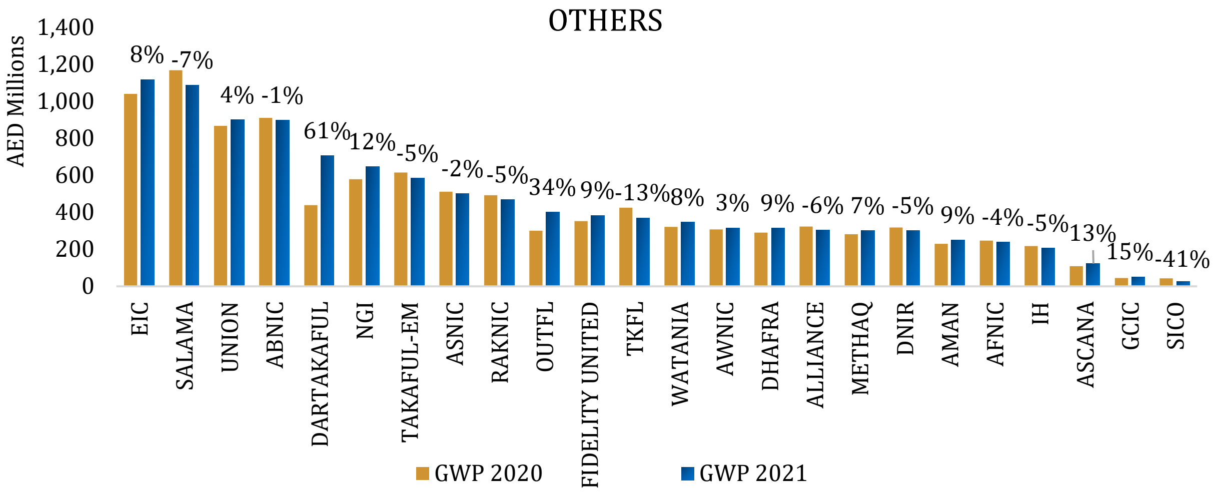


The Gross Written Premiums for 2020 are taken from our release of December 31, 2020.

As per the Annual Report of Insurance Sector published by CBUAE for 2020, the industry premiums aggregated to AED 42 billion whereas our projected numbers were around 39 billion. The main cause of the difference in the industry estimates is believed to be emanating from different treatment of savings/investment component of premium in the financials versus the regulatory forms (eforms). We believe that the report produced by CBUAE is based on eforms, while we have used publicly available financials. Some companies do not show such premiums as part of gross premiums in the financials, however, in the eforms these are added to the topline premiums.

Gross Written Premiums - Companies





The total GWP for the listed insurance companies amounted to AED 25.8 billion for the year ended 2021 as compared to AED 24.4 billion recorded in 2020. This reflects a growth of 6% from 2020 and is higher than the 3% annual growth observed last year during the pandemic. as the industry exhibited signs of recovery. During March 2021, ORIENT obtained controlling interest of OUTFL and has since started reporting the group's consolidated numbers. Since acquisition, OUTFL contributed AED 332 million of GWP to ORIENT's financials. The industry numbers are adjusted for duplicate reporting of OUTFL's topline.

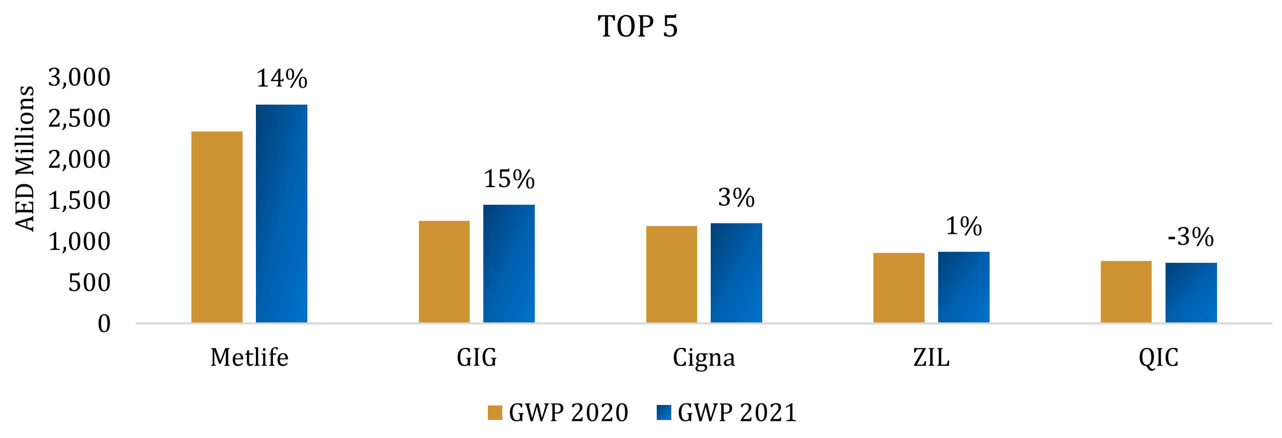
ORIENT's growth of 18% would drop to 10% if we exclude the premiums received from OUTFL. Nevertheless, ORIENT would still hold the top position in terms of GWP even when OUTFL contribution is excluded.

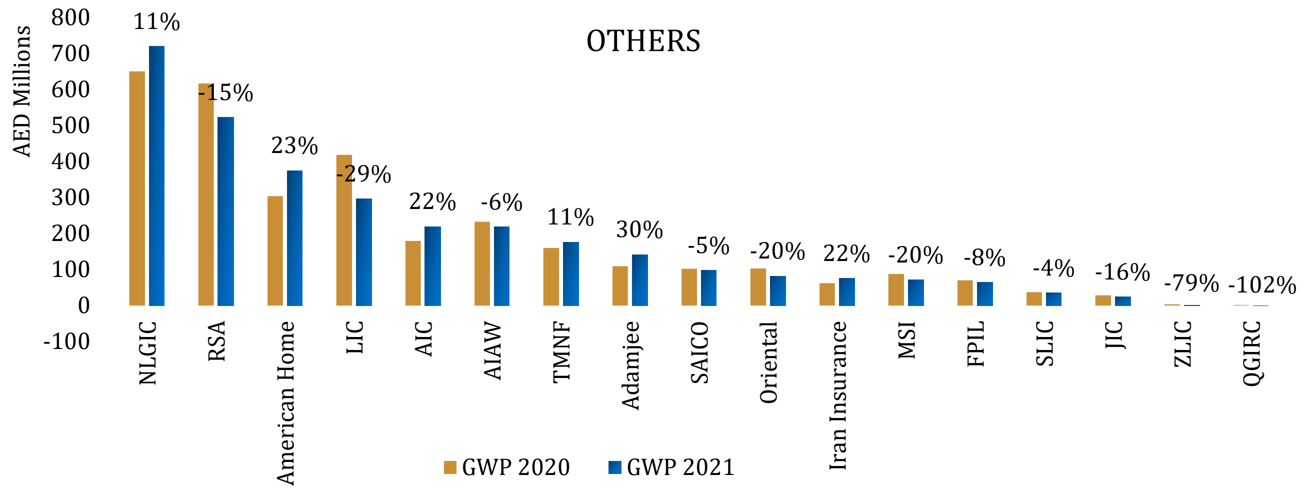
The market share of the top 5 companies in terms of the gross premium increased by 1% to 58% in 2021, from 57% in 2020. The collective premium of the top 5 companies is AED 15.2 billion this year. DIN has made it to the top 5 in 2021, while top 3 companies remain unchanged in their position from 2020 with ORIENT again being on the top in the market in terms of highest written premium from three consecutive years.

The highest growth in 2021 was exhibited by DARTAKAFUL with 61% growth from 2021 while SICO depicted the biggest decline of 41% in business when compared to year end 2020.

Overall, 16 of the 29 listed Companies displayed an increase in premiums while the remaining 13 experienced a decrease their business growth.

Gross Written Premiums - Branches





The 22 branches covered in this report have recorded business of AED 10.1 billion. The overall business has grown by 5% when compared with the year end 2020, which recorded about AED 9.6 billion of written business for the same branches.

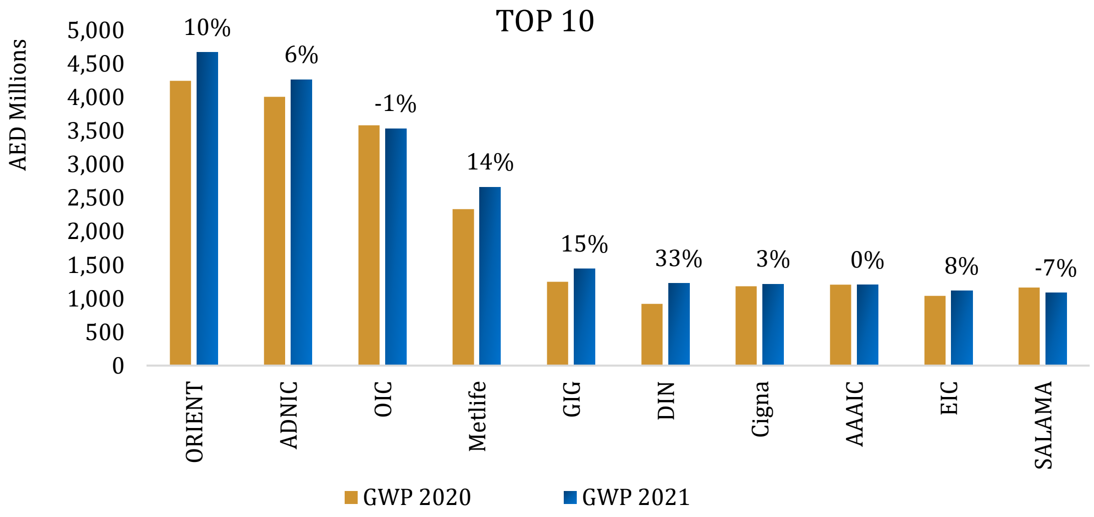
The top 5 branches recorded a combined premium of AED 6.9 billion, making up to 69% of the total business volume recorded by the branches in this year.

The positions of the Top 5 branches have remained similar to last year where, the top 4 branches exhibited growth in their business during 2021 while QIC experienced a decline in its business written.

Adamjee has recorded the highest growth of about 30% in gross business written among the branches for the year 2021 and on the contrary, ZLIC has observed the lowest growth of negative 79% (excluding QGIRC).

Overall, only 10 out of 22 branches reflected growth in premiums when compared with the year end 2020.

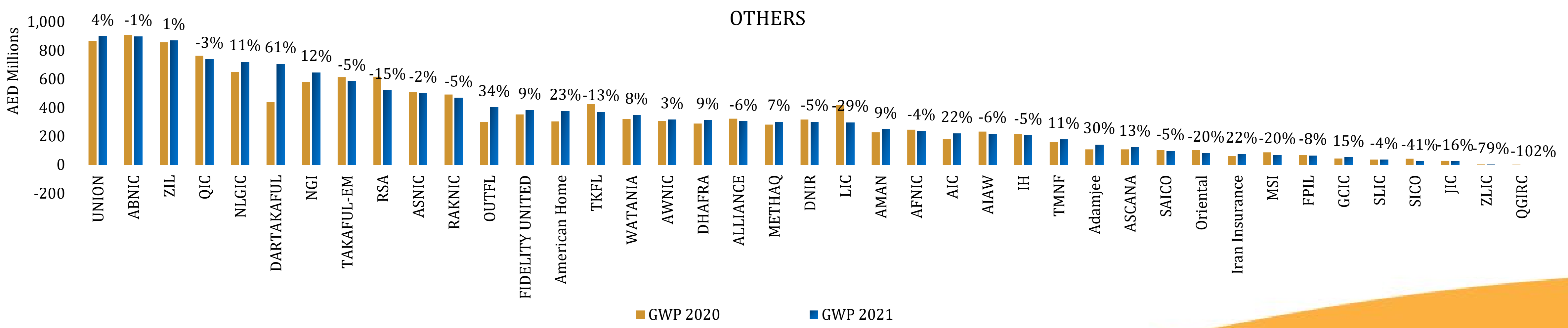
Gross Written Premiums - Combined



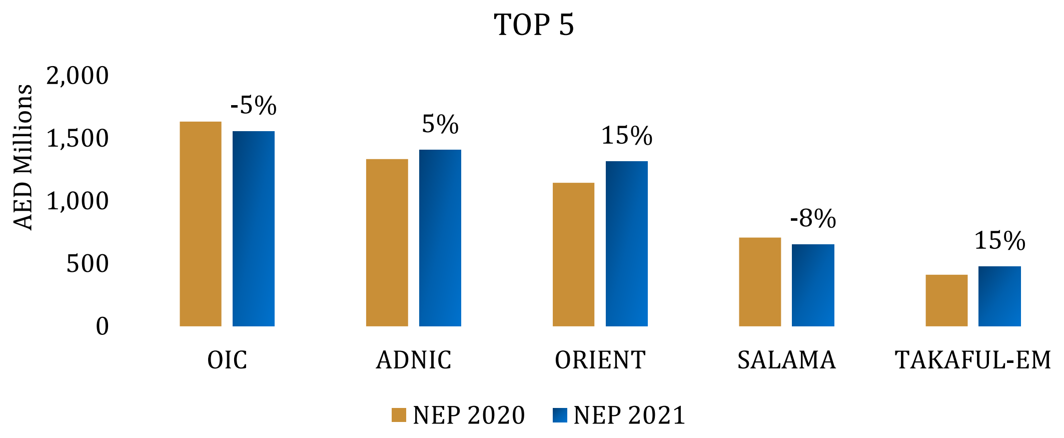
Total premiums written for all the listed Companies and Branches considered in this review, for the year 2021 aggregated to AED 35.8 billion depicting a growth of about 5% from 2020. The AED 35.8 billion is composed of AED 25.8 billion (72%) from companies and AED 10.1 billion (28%) from branches.

The top 10 companies including branches had a combined premium of AED 22.8 billion, which contributed 63% of the total gross written premium for the year 2021.

Three of the top 10 and 6 of the top 15 companies by premium volume are foreign branches, indicating that they continue to hold a significant presence in the UAE market.



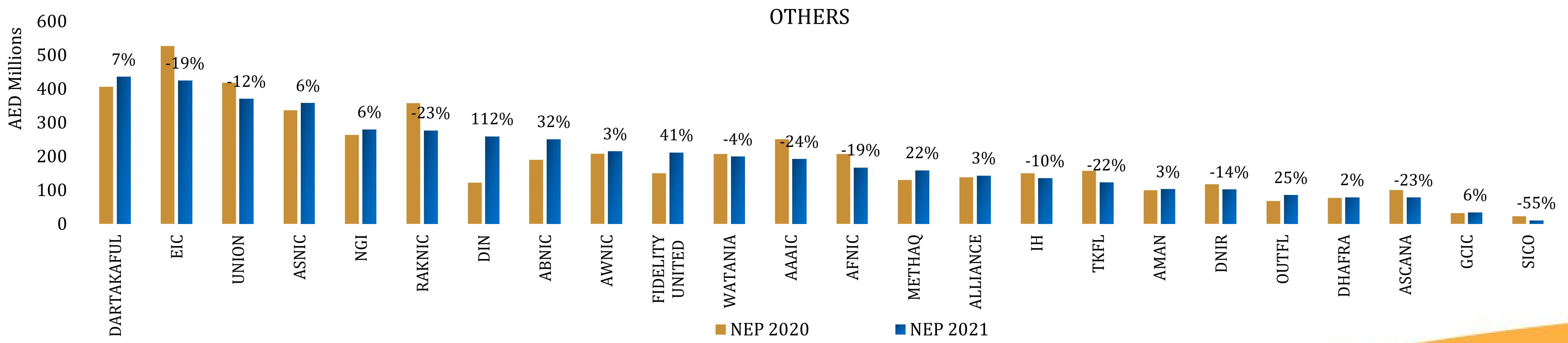
Net Earned Premiums - Companies



The total Net Premiums earned by the insurance companies amounted to AED 10.1 billion, an increase of 1% when compared with the year end 2020 which recorded AED 10.0 billion of Net Earned Premiums.

The top 5 companies net earned premiums sums up to AED 5.4 billion, reflecting the market share of 54% for year ended 2021. This contribution has increased by 2% when compared with 2020's net earned premium of the top 5 companies.

As depicted, DIN experienced an immense growth in the year 2021 of about 112% since it has also recorded a 33% growth in its written business. On the other hand, the biggest decline in net earned premiums was exhibited by SICO of negative 55%.

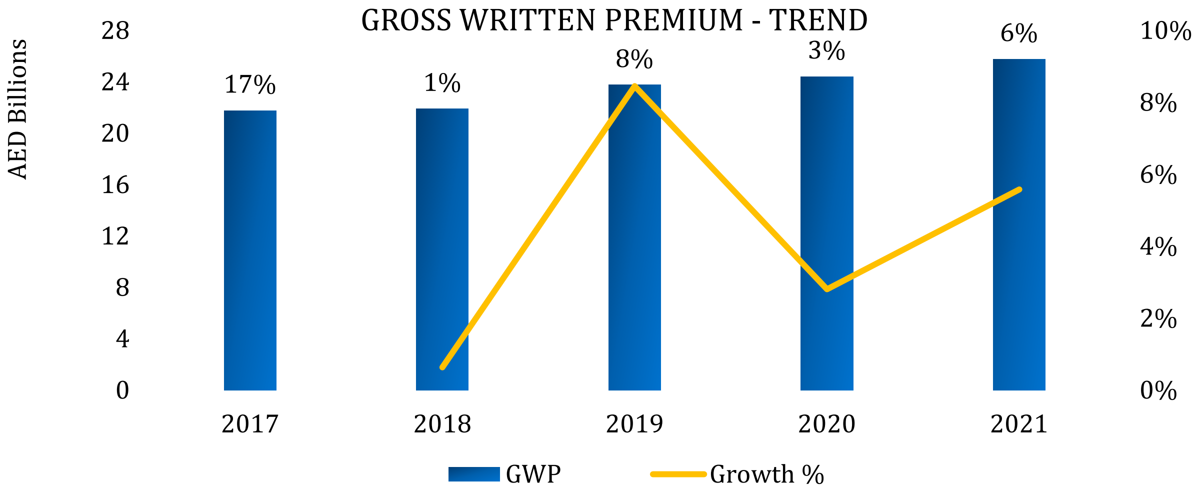


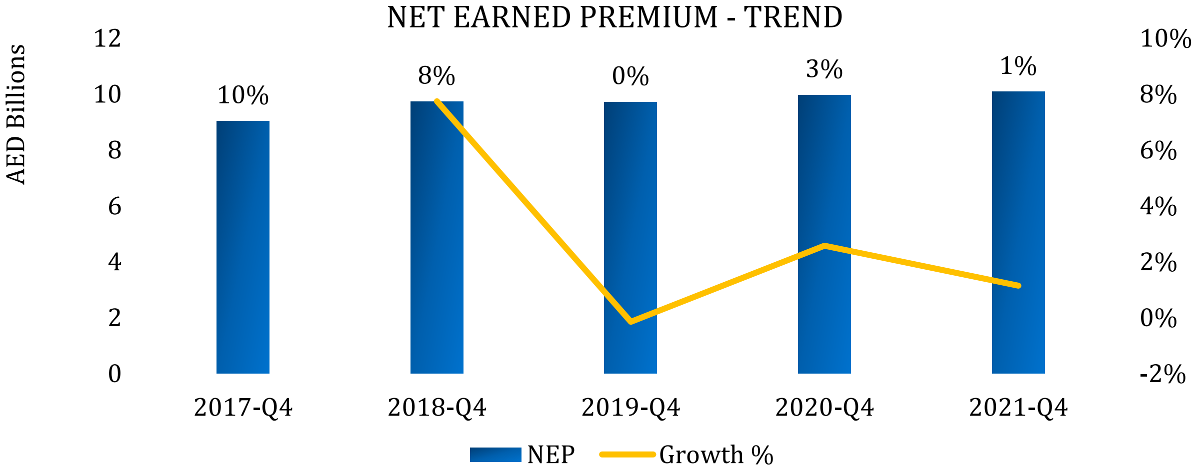
Premiums Trend – Companies

As depicted, the growth of 6% in premiums of listed companies reflects the insurance industry and the economy as a whole recovering from the COVID-19 pandemic and returning to pre-pandemic trends.

The historical performance of Net Earned Premiums have exhibited identical trends to that of gross written premiums for similar reasons, albeit with a year lag as business is earned over the next one year for the short-term business, that makes up majority of the industry premium of UAE market.

As portrayed, the Net earned premium growth is observed to be 1% in 2021 when compared with the year end 2020.





Conventional Vs Takaful – Companies

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

In 2021, Takaful companies' market share was recorded to be 16% of the total business written by the listed insurance companies operating in the Emirates.

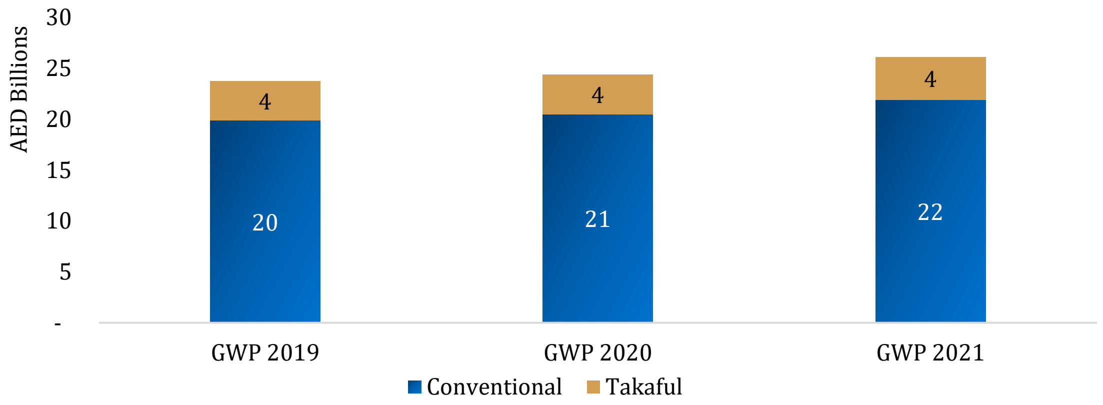
For Takaful insurers, the written business grew by 7% (0% growth in YE2020) when compared with last year, with contributions amounting to AED 4.2 billion in 2021 (2020: AED 3.9 billion). 3 out 9 Takaful companies demonstrated decrease in their topline.

On the other hand, the consolidated profits for Takaful Insurers reflected a decrease of 48% in the year 2021 when compared with the profits generated in 2020. Only 2 (OUTFL and TKFL) out of 9 Takaful insurers demonstrated growth in their profits, whereas two companies reported losses in their bottomline.

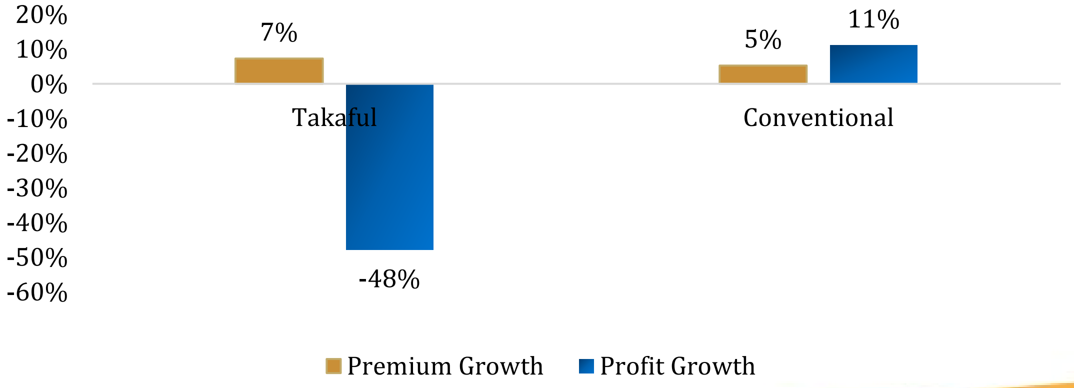
For Conventional Insurers, the GWP growth is observed to be 5% for the year ended 2021 (3% in 2020) while on the other hand, the profit growth has increased to 11% as compared to the growth of 4% recorded in 2020.

It is worth mentioning that the significant decline in profits for Takaful companies is observed by SALAMA, this is because SALAMA had an exceptional increase in their profit resulting from selling its SALAMA KSA shares during 2020. Nonetheless, if we remove those one-off transactions the negative 48% would drop down to negative 35%.

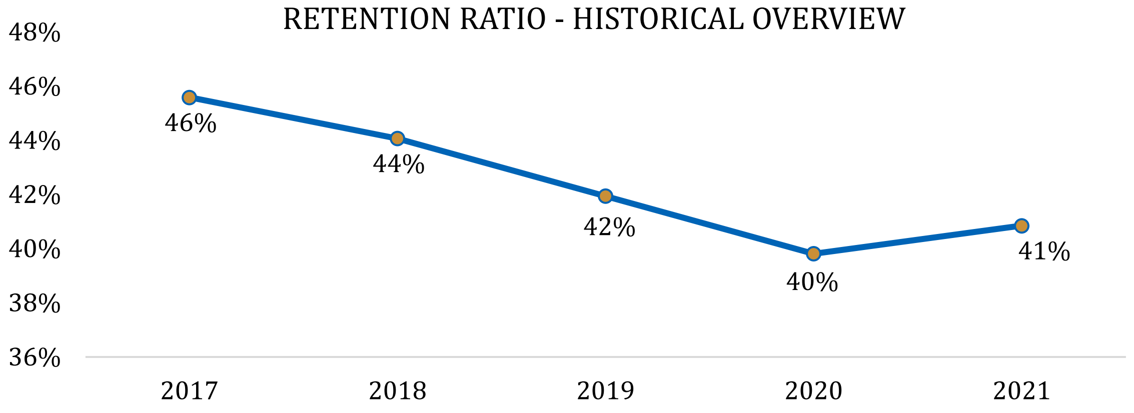
TAKAFUL & CONVENTIONAL BUSINESS DISTRIBUTION

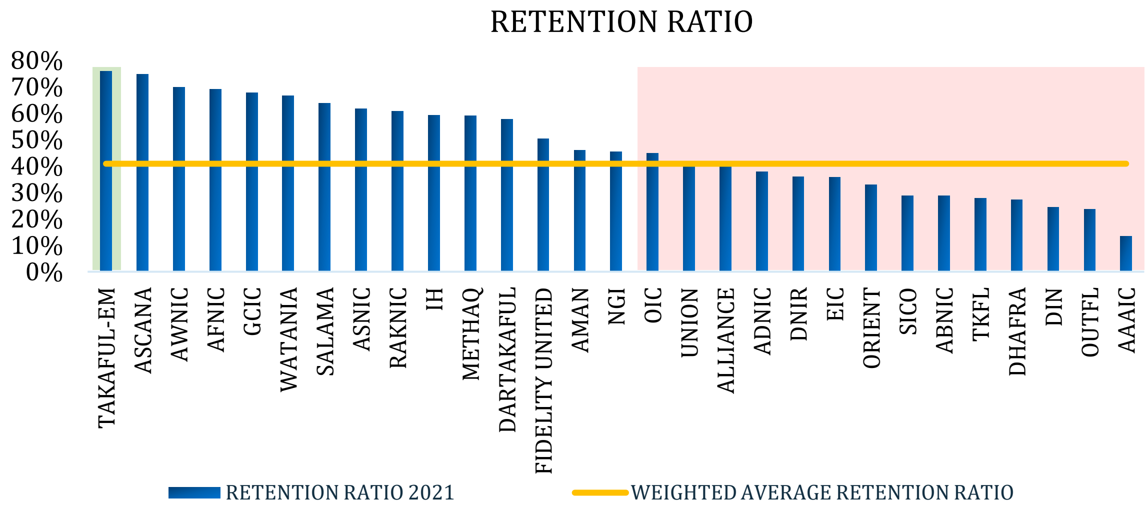


BUSINESS GROWTH FOR CONVENTIONAL & TAKAFUL INSURERS



Retention Ratio – Companies





The weighted average Retention Ratio for 2021 was recorded to be 41% for the companies, halting the declining trend observed from the historical trends (2020: 40%, 2019: 42%, 2018: 44%, 2017: 46%).

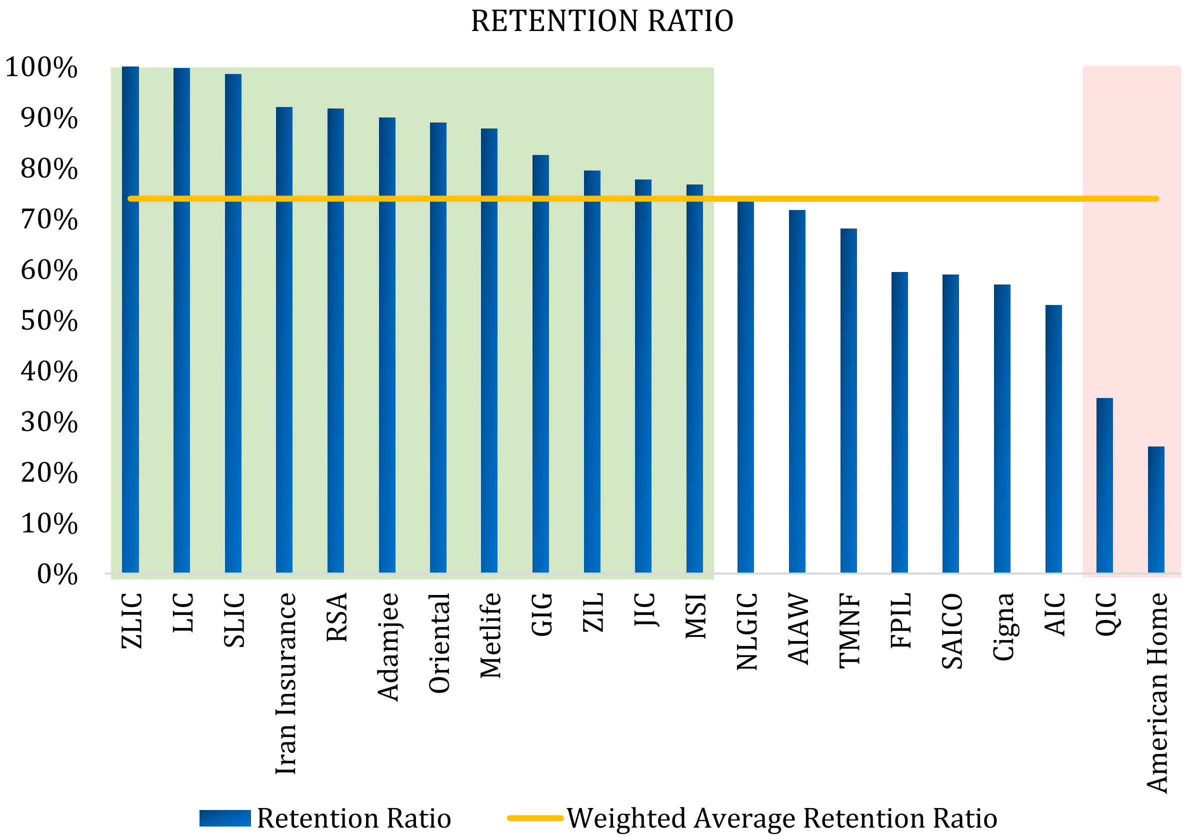
The highest retention was displayed by TAKAFUL-EM; retaining 76% of their business while the lowest retention of 13% is reflected by AAAIC.

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

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.

- *The retention ratio is calculated as a ratio of net written premiums to gross written premium.*

Retention Ratio – Branches

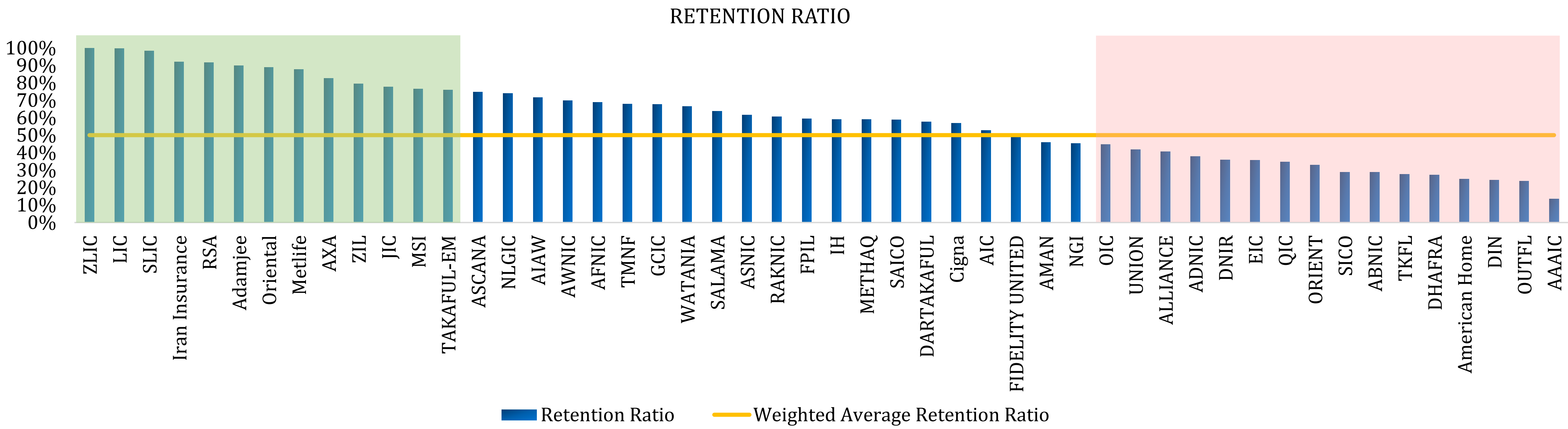


Among the branches operating in the Emirates, ZLIC and LIC recorded the highest retention ratio of 100% for the year 2021, while the lowest retention ratio of 25% is reflected by American Home.

The weighted average retention ratio for foreign branches included in this review stood at 74%.

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

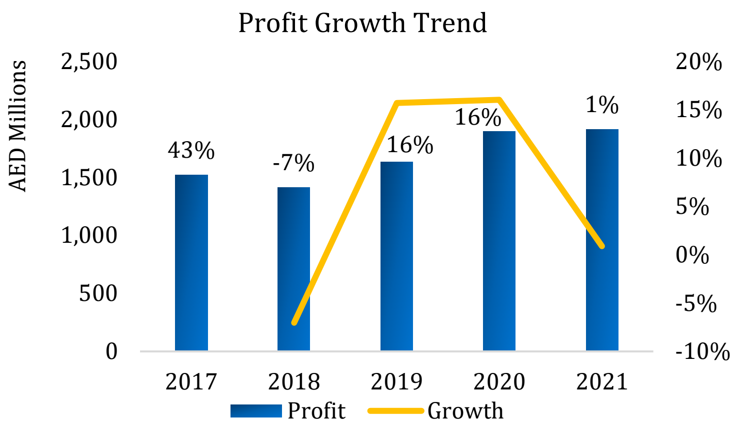


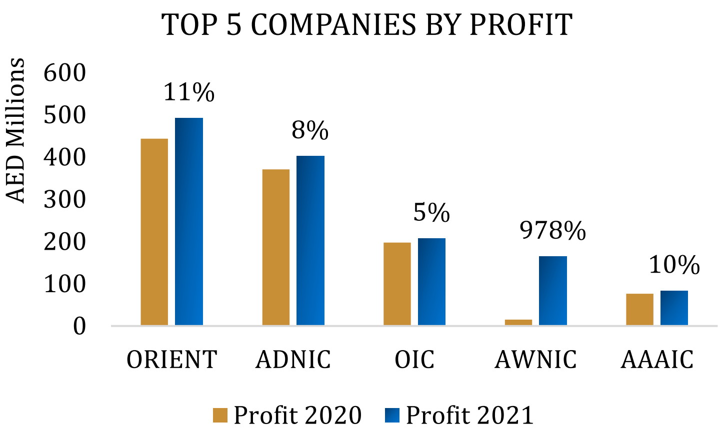
The overall weighted average retention ratio for the industry is estimated to be 50% for the year 2021 (Listed companies: 41% and Branches: 74%).

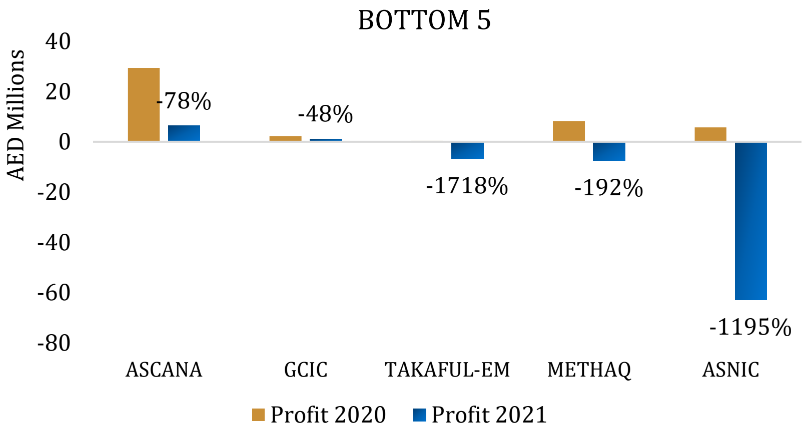
12 out of top 15 highly retained insurers are branches, hence, this indicates that generally the branches retain more as compared to local companies. However, some branches have reinsurance arrangements with their head office outside of the books in the UAE. As the UAE published financials of the branches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

The highest retention of 100% is depicted by ZLIC and LIC, whereas the lowest retention ratio is reflected by AAAIC with 13%.

Profit Before Tax - Companies







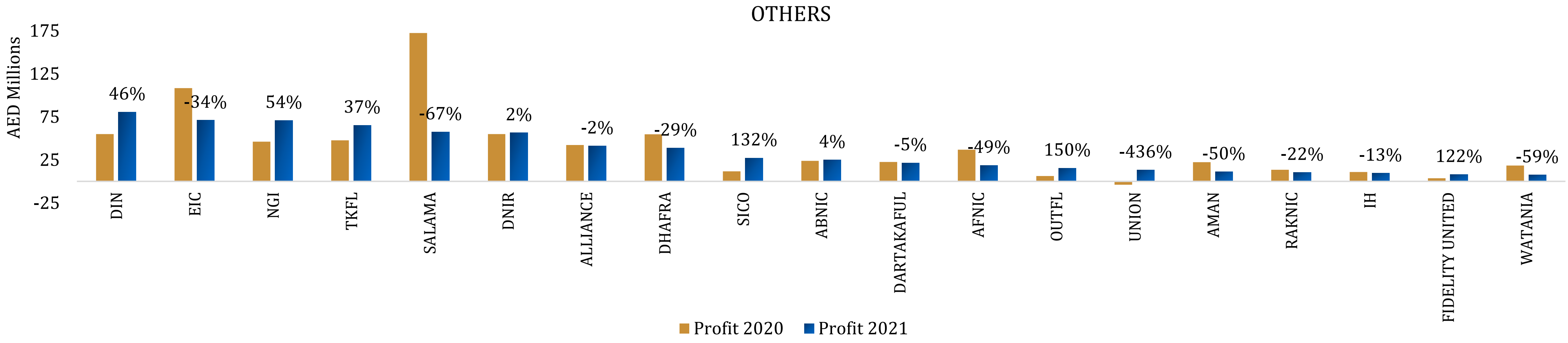
A growth of about 1% in profits is observed for the companies in 2021. However, if we remove ASNIC having losses of AED 62.9 million, the growth percentage soars up to 5%. On the contrary, if we remove the very high profits from AWNIC, the overall profit growth plummets to negative 7%.

The profit for the TOP 5 companies was AED 1.3 billion, reflecting a contribution of 70% of market's profit share of the insurance companies in the Emirates.

ORIENT, ANDIC and OIC have maintained their ranks from last year. The highest growth in profits was recorded by AWNIC, a growth of 978%, from generating AED 15 million of profit in 2020 to AED 164 million in 2021. On the contrary, the biggest decline for the period was witnessed by ASNIC. The increase in profits for AWNIC can be attributed to the huge investment income of AED 158 million realized in 2021.

ORIENT continues to maintain its top rank in terms of recording the highest profit consecutively for 6 years straight with profits amounting to AED 492 million in 2021, an increase of 11% from 2020 (AED 443 million). This includes profit contribution by OUTFL.

Profit Before Tax - Companies



Similar to adjustment made for GWP, the total profits by the listed companies were also adjusted for duplicate reporting of OUTFL's profit since acquisition of controlling interest by ORIENT. The listed companies have generated profits totaling to AED 1.91 billion when compared with AED 1.90 billion of profits recorded in 2020. SALAMA recorded a massive profit in 2020 which comprises of one-off gains via divesting SALAMA KSA shares.

Following 2020 where all the companies were able to generate profits as a result of lower claim frequency due to the COVID enforced lockdowns, the industry moved towards normality in 2021 as such not all the companies were able to record profits. 3 of 29 companies posted losses in 2021 while 13 companies witnessed a growth in their profits.

As of year 2021, UNION has restated its financials for the period ended 2020 after some rectifications that impacted its year end 2020 profit. For 2020, their profits have converted into losses, reducing from of AED 6.6 million (of profit) to AED 3.9 million (of loss). Nonetheless, they have shown a great comeback with a profit growth of 436% in 2021 when compared with last year.

For Takaful companies we have consolidated the Policyholders and Shareholders profit/loss for comparative purposes.

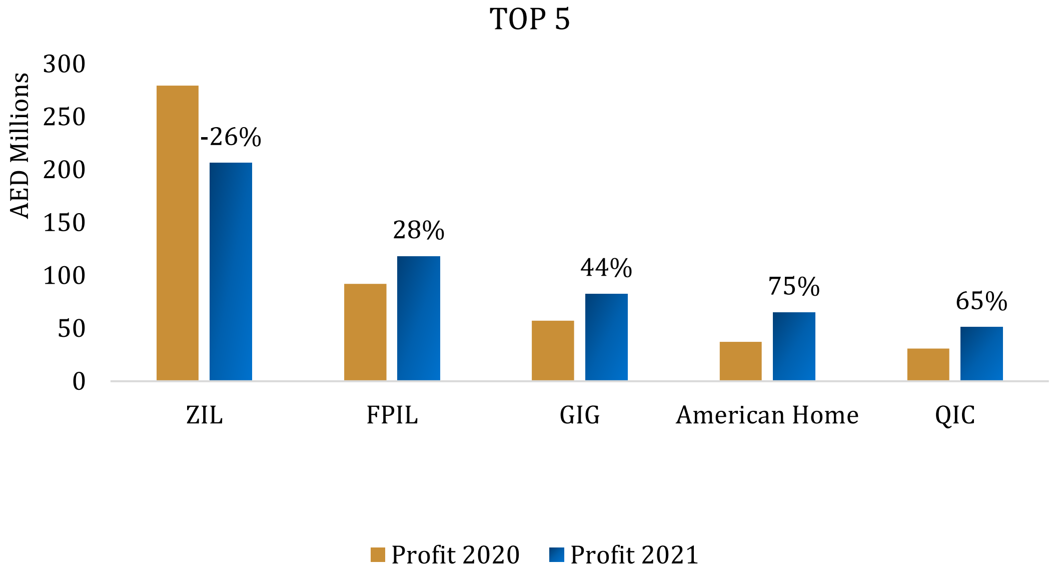
Profit Before Tax – Branches

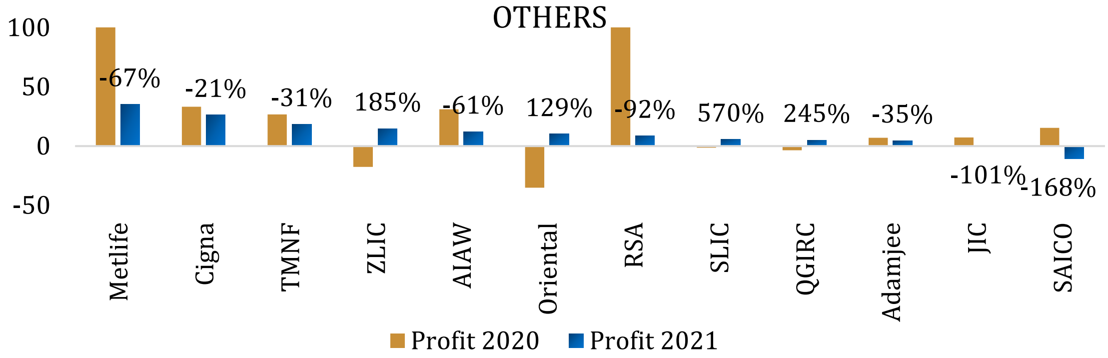
The Foreign Branches, after a tremendous performance in 2020 observed a decline of the about the same scale, recording a negative profit growth of 39% in 2021 which was positive 42% in 2020, hence reflecting the positive impact of COVID had on the insurance sectors in UAE. The Branches realized an aggregate profit of AED 538 million in 2021 (2020: AED 881 million)

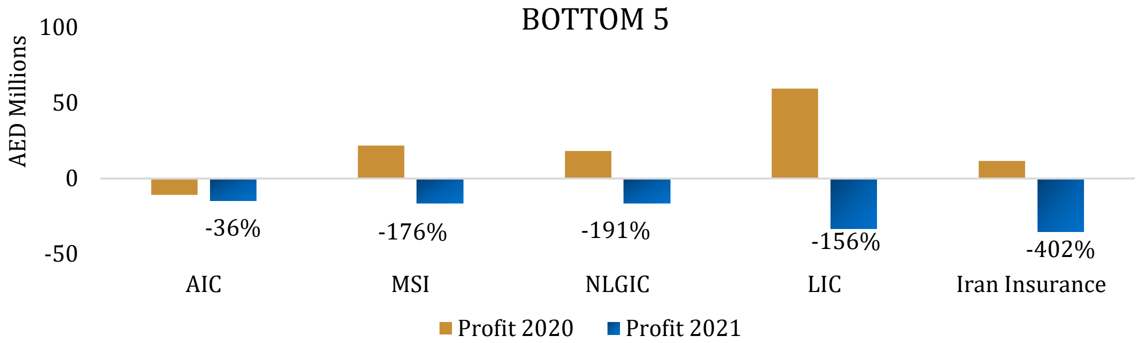
Despite having decline of 26% in profits, ZIL is still on the top sustaining its position from last year. FPIL has jumped to second rank after being at 4th in 2020. MetLife, RSA and LIC have fallen out of the top 5, while GIG, American Home and QIC have ascended.

The highest growth rate was exhibited by SLIC of 570% as it turned around losses of AED 1.2 million in 2020 into profits of AED 5.6 million in 2021. SLIC has restated its financials for the period ended 2020. In terms of absolute change in profit, Oriental was the biggest mover as it recorded a profit of AED 10 million after posting losses of AED 35 million in 2020 .The biggest percentage decline was displayed by Iran Insurance.

7 out of 22 branches realized a loss this year. On the other hand, 4 branches booked profits after posting losses last year.



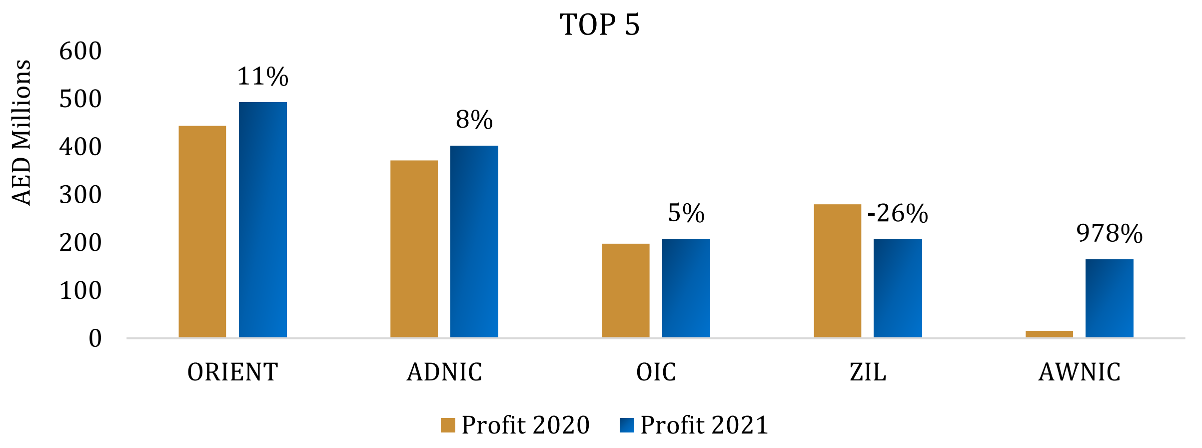


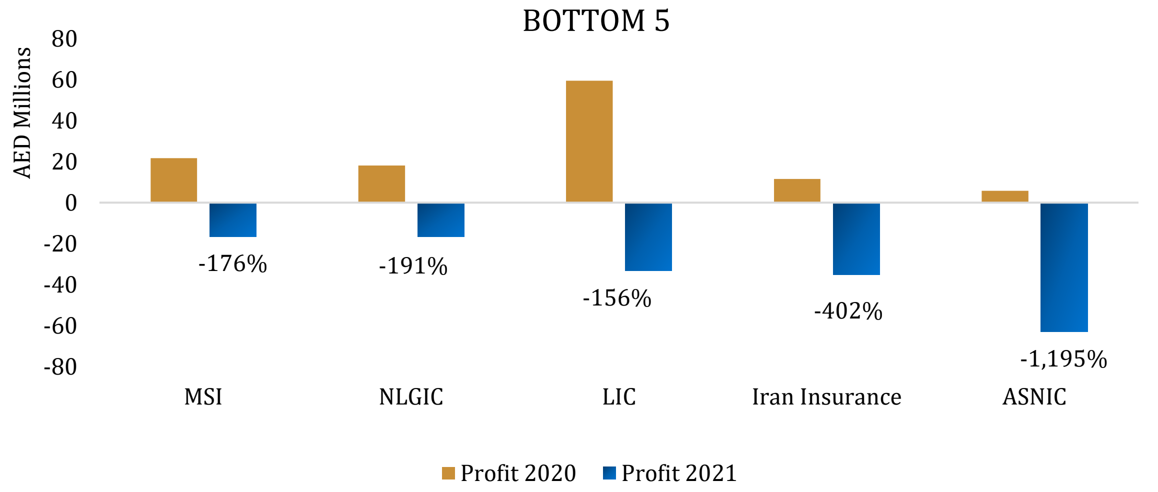


Profit Before Tax – Combined

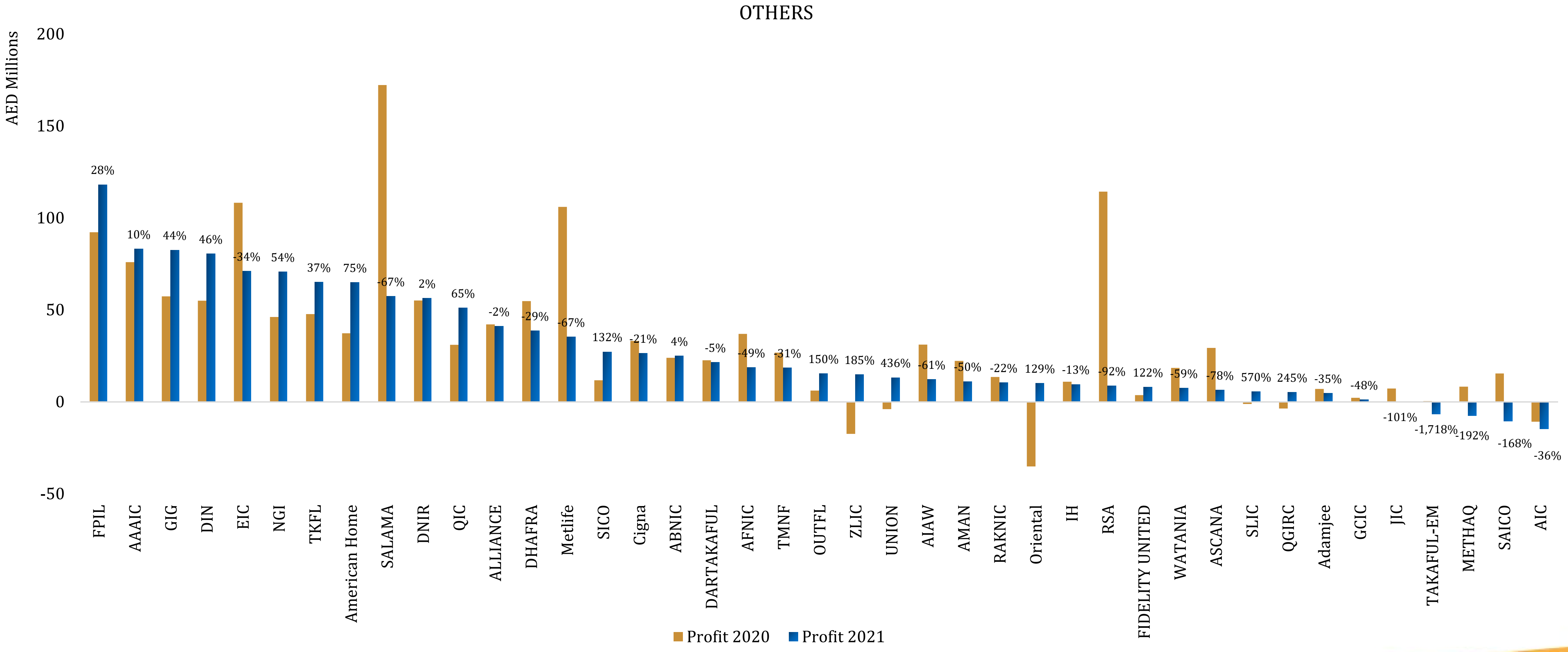
The combined profit for the industry (listed companies & branches) aggregates to AED 2.5 billion for the year ended 2021, depicting a negative growth of 12% from YE 2020 with profits amounting to AED 2.8 billion.

ZIL is the only Branch making into Top 5 while others are all listed Companies, although it has dropped one place from 3rd to 4th.

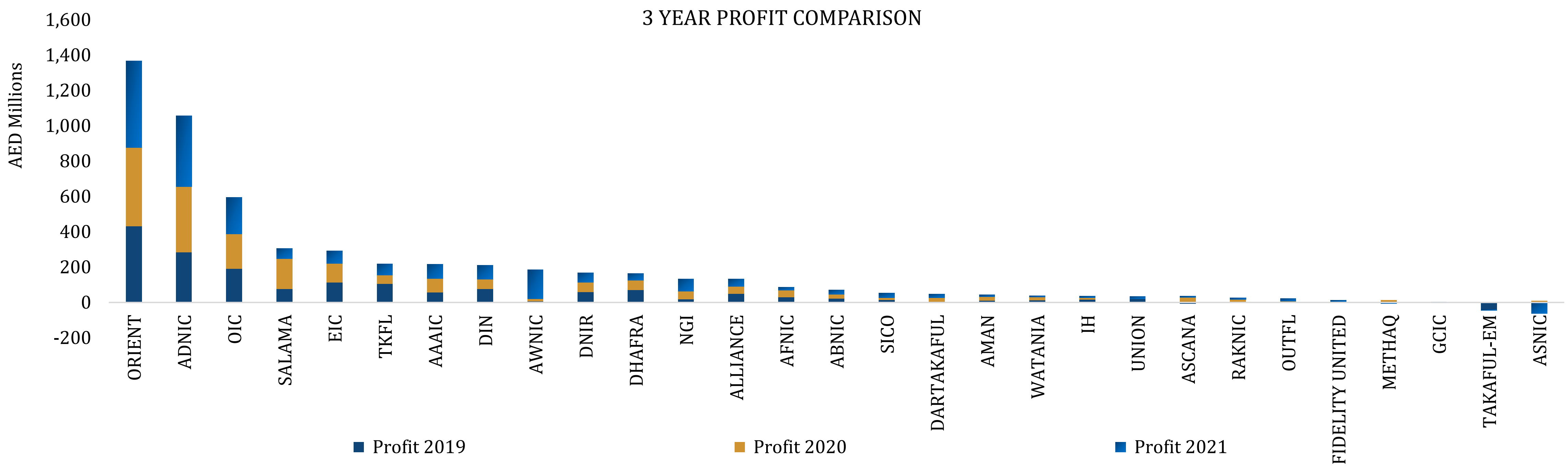




Profit Before Tax – Combined

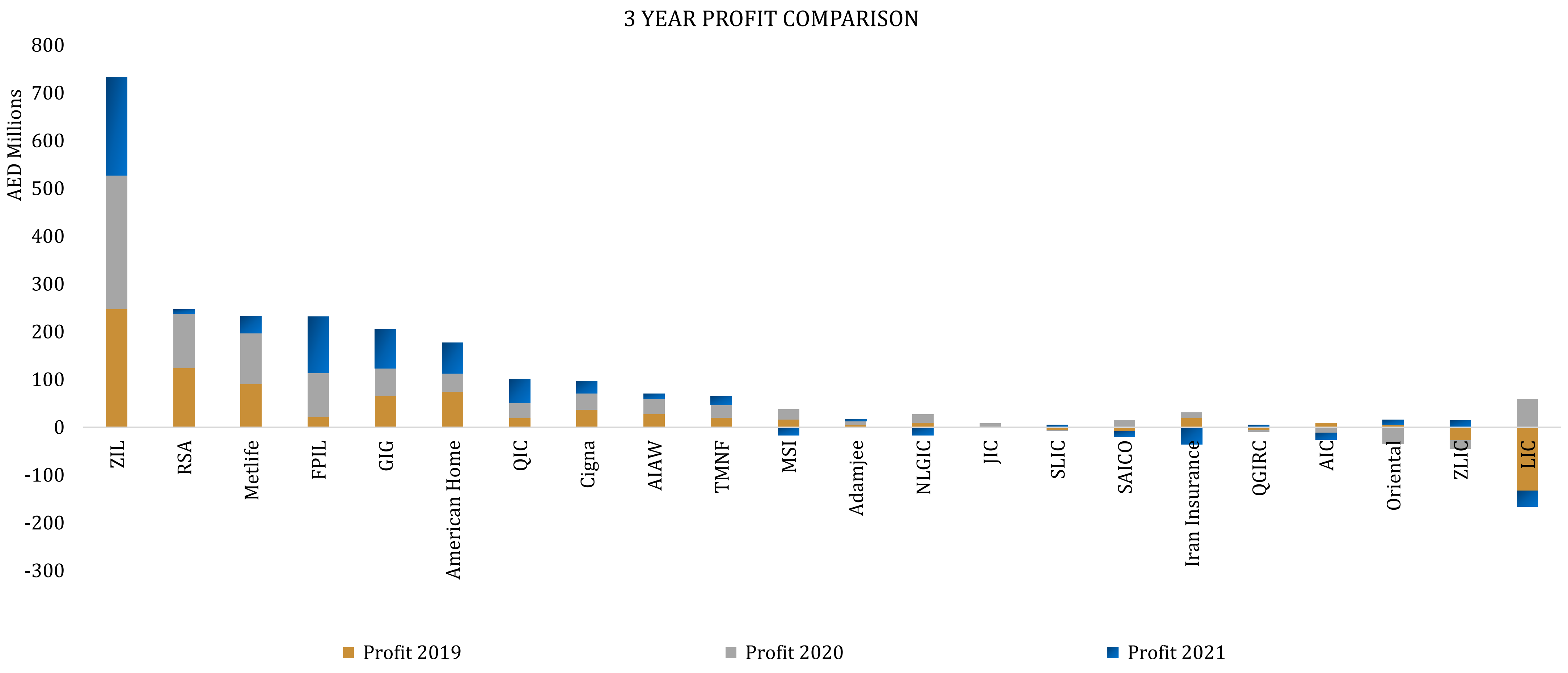


Profit Before Tax – 3 Year Trend For Companies

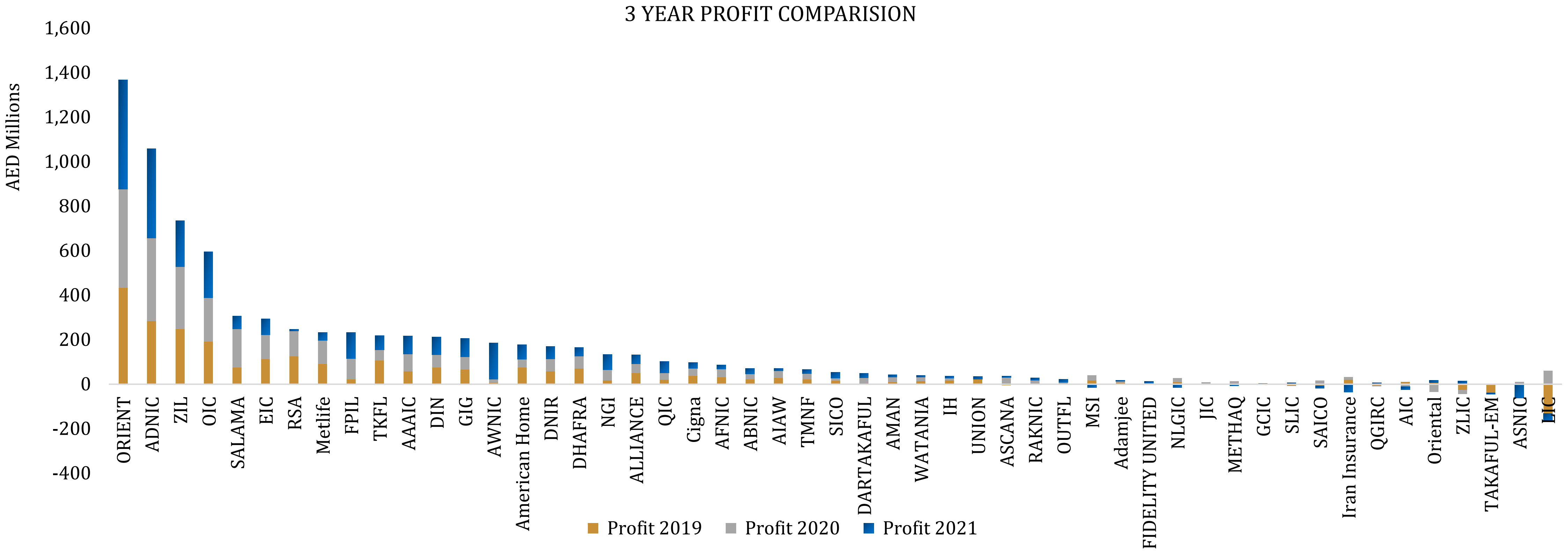


The above is sorted with reference to the combined net profits and shows the ranking for the companies based on their total profits over the last three years, in order to compare stability and consistency of returns. The Top 3 companies maintain their dominance on a 3-year combined basis as well. Orient is significantly ahead of the industry.

Profit Before Tax – 3 Year Trend For Branches

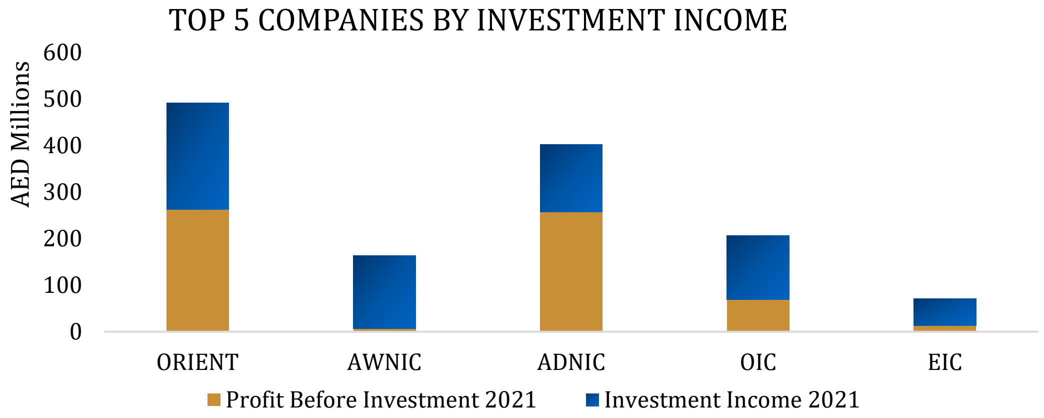


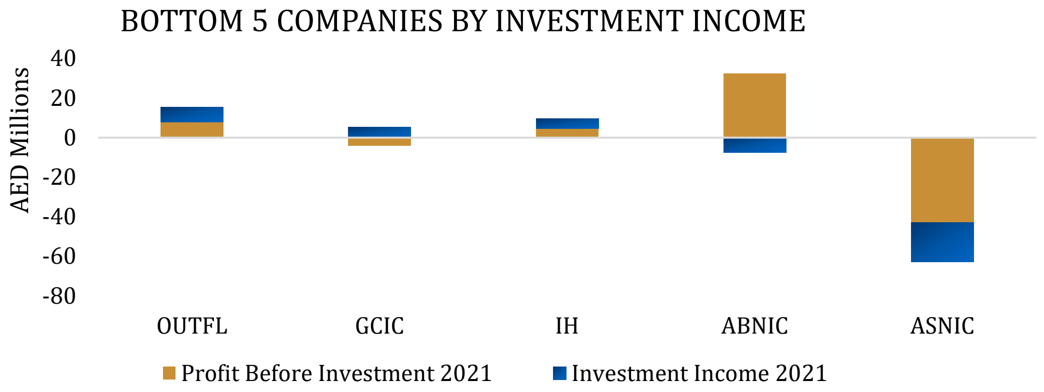
Profit Before Tax – 3 Year Trend Combined

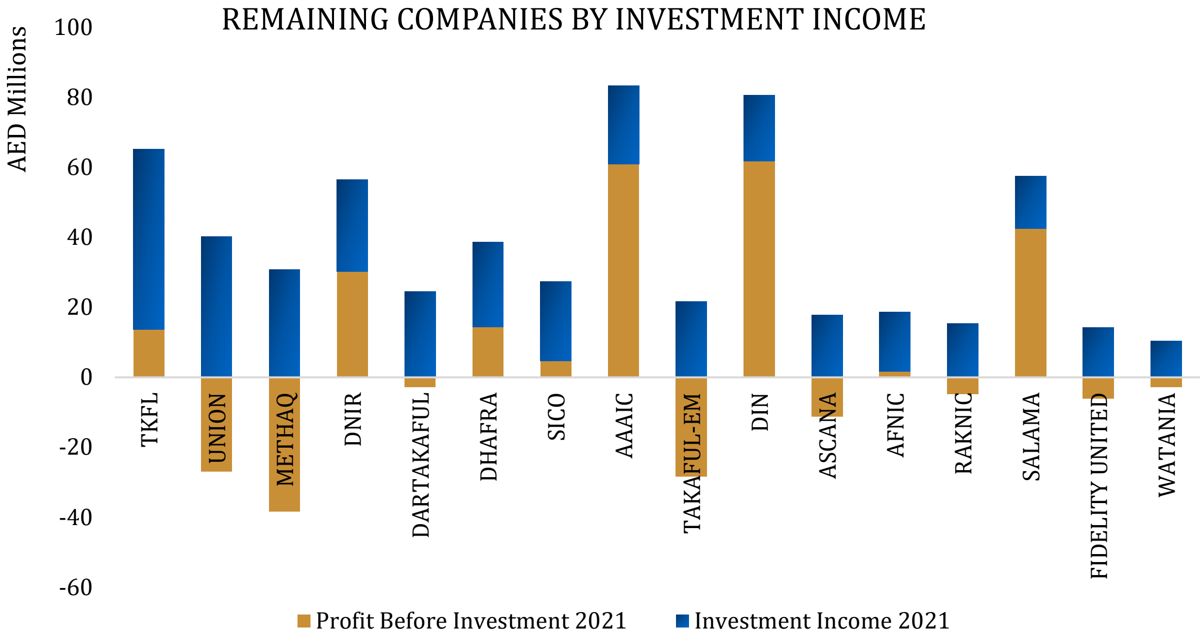


On a 3-year combined basis view, ZIL overtakes OIC and stands at 3rd place. 4 out of the top 10 companies by cumulative profits made over the last 3 years are branches.

Profit Analysis – Companies



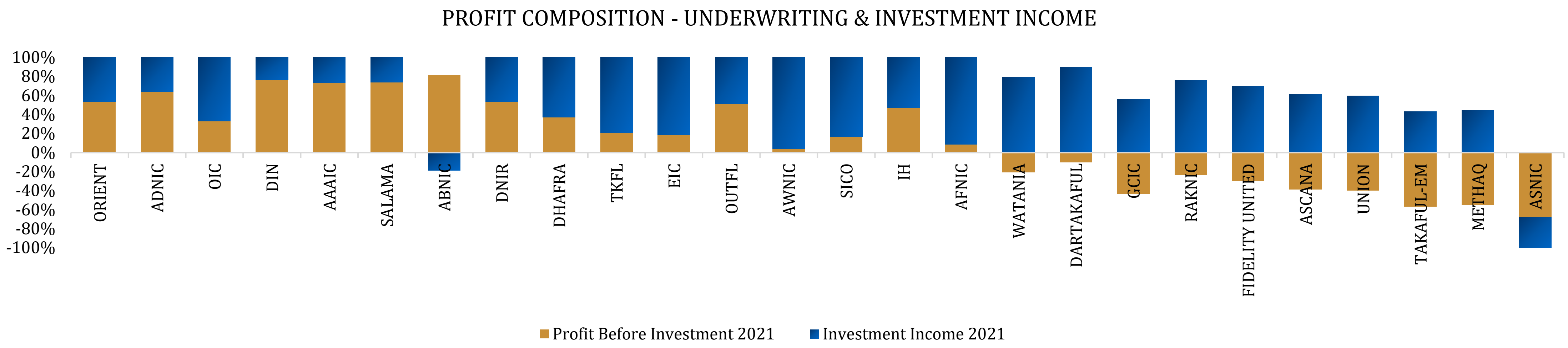




The analysis above is sorted by investment income.

Out of 26 companies in this analysis 10 have witnessed deficit in their Underwritings while 2 companies have witnessed losses in their investments.

Profit Composition 2021 – Companies



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

21 out of the 29 listed companies have a higher contribution to profits from investments as compared to underwriting, meaning their investment income is higher than underwriting profits before investment income. This shows that there is a room for improvement in underwriting strategies in the market and companies should target underwriting income to be their primary source for generating profits.

Investment Income contributes a significant role in underwriting activities for Companies writing considerable Life business and since the financials are not segregated into Life and Non-life business segment, the performance is presented on overall Company level. Therefore, for the companies writing significant top line through Life portfolio like NGI, AMAN and ALLIANCE; these are excluded from this review as the results might not reflect the accurate comparative review.

Premium Benchmark On The Basis Of Profitability

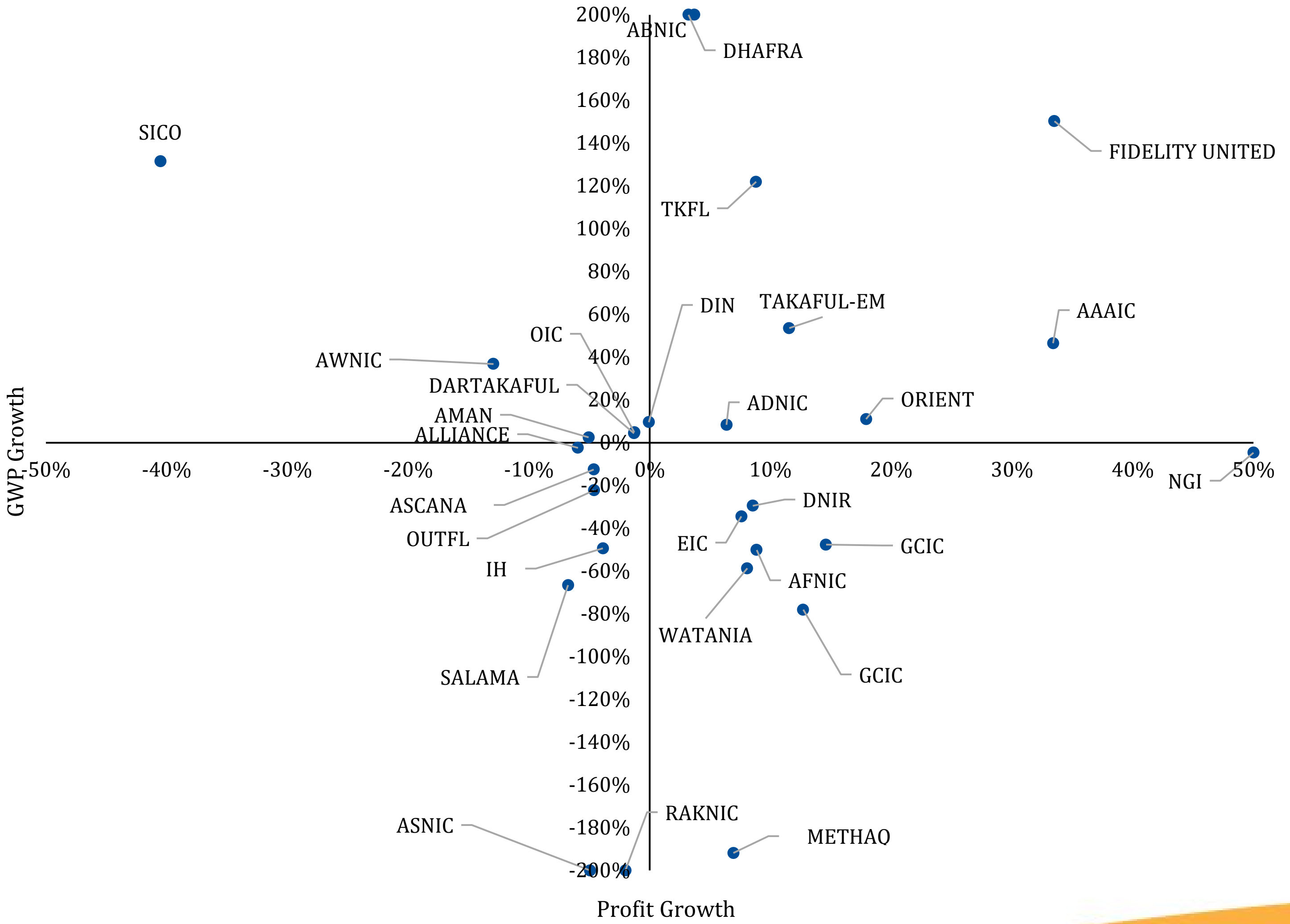
Company	Ranking		Indic
	Gross Premium	Profit	
ORIENT	1	1	→
ADNIC	2	2	→
OIC	3	4	↓
Metlife	4	8	↓
GIG	5	13	↓
DIN	6	12	↓
Cigna	7	21	↓
AAAIC	8	11	↓
EIC	9	6	↑
SALAMA	10	5	↑
UNION	11	31	↓
ABNIC	12	23	↓
ZIL	13	3	↑
QIC	14	20	↓
NLGIC	15	38	↓
FIDELITY UNITED	16	37	↓
NGI	17	18	↓
TAKAFUL-EM	18	49	↓
RSA	19	7	↑
ASNIC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

The Chart is sorted by Gross Premium and represents the company's movement based on their profitability.

Out of the top 10 companies by GWP, 6 companies remain in the top10 position by profitability.

Premiums & Profit Analysis - Companies

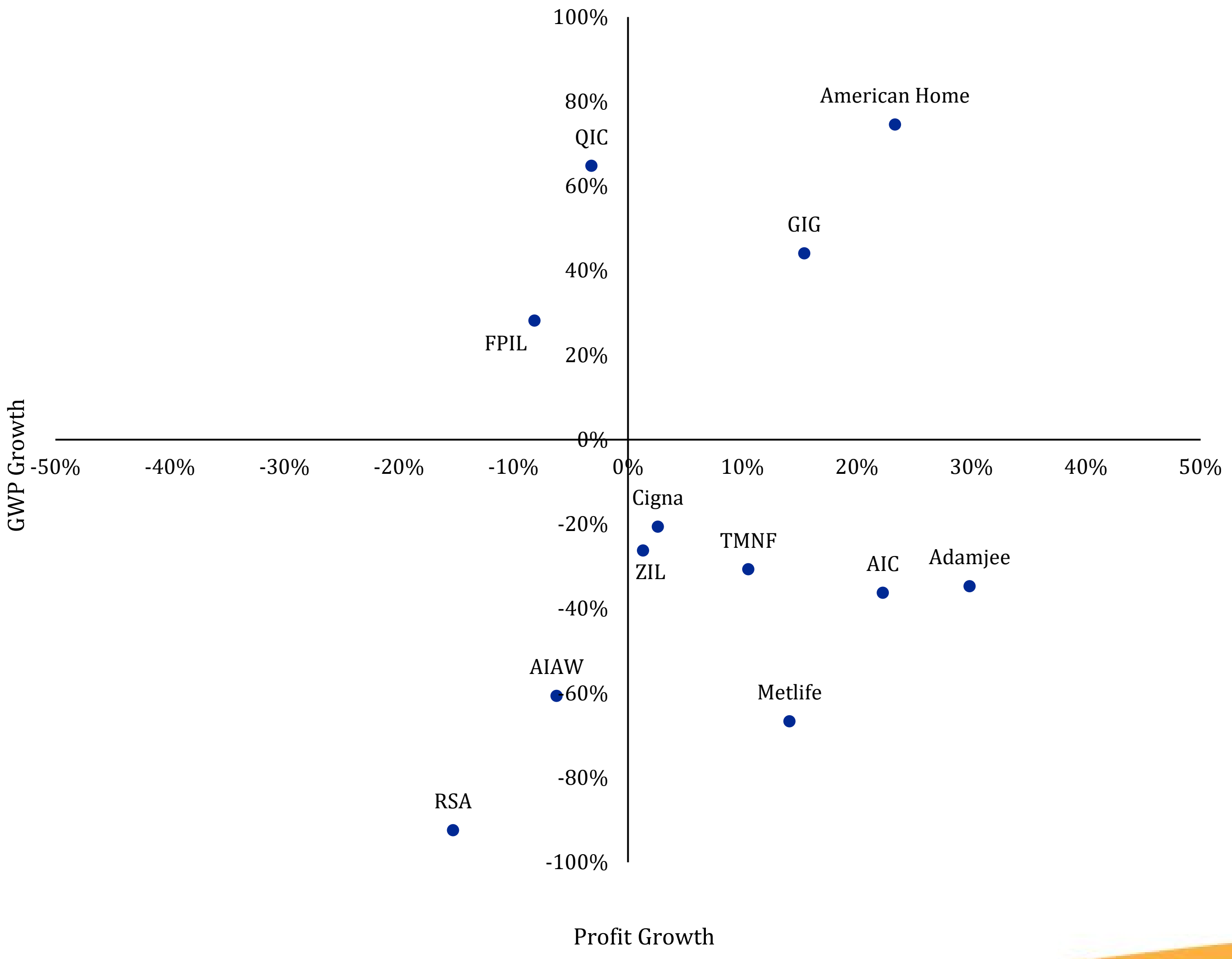
The summary of premium and profitability growth in the year 2021 from year end 2020 is illustrated above. Companies exhibiting premium and profitability growth rate outside of the +-50% and +-200% range are capped, respectively.



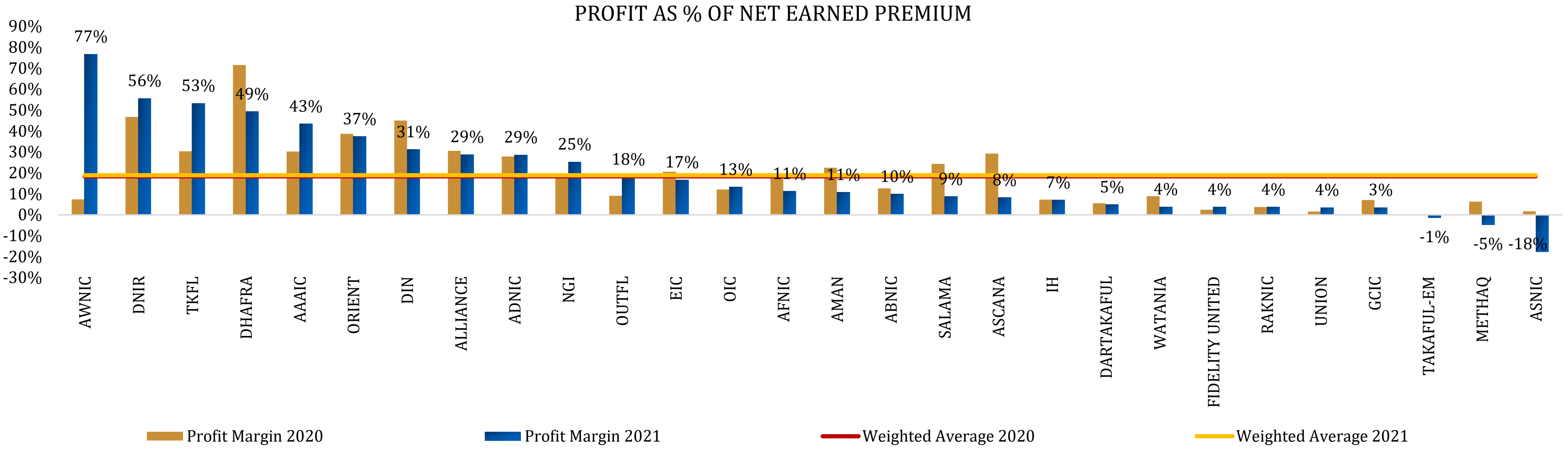
Premiums & Profit Analysis - Branches

The summary of premium and profitability growth in the year 2021 from year end 2020 is illustrated. Branches exhibiting premium and profitability growth rate outside of the +-50% and +-100% range are capped, respectively.

Only 5 branches are present in the 1st quadrant, depicting positive performance in terms of business and profitability growth.



Earning Ratios – Companies

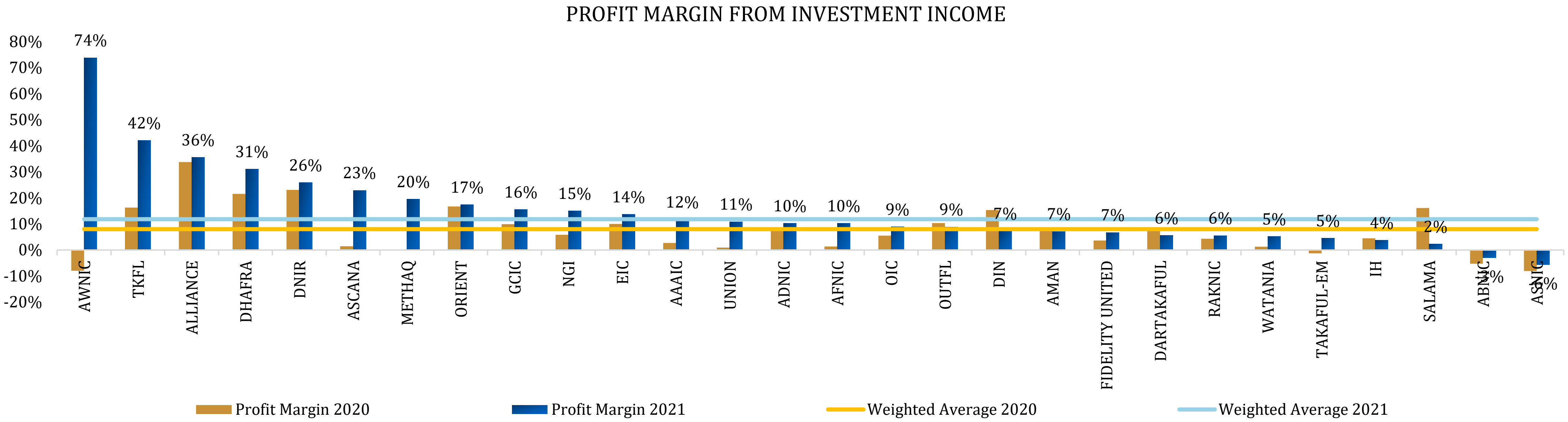


The weighted average net profit margin for the year 2021 has remained stable at 19% (2020: 18%).

The highest margin of 77% is depicted by AWNIC, after excluding SICO which exhibited a profit margin of 267% and hence distorting the presentation above; on the other hand, negative 18% is the lowest margin exhibited by ASNIC for the year 2021.

❖ *Profit Margin is computed as net profit (before tax) on every unit of net earned premium.*

Earning Ratios – Companies

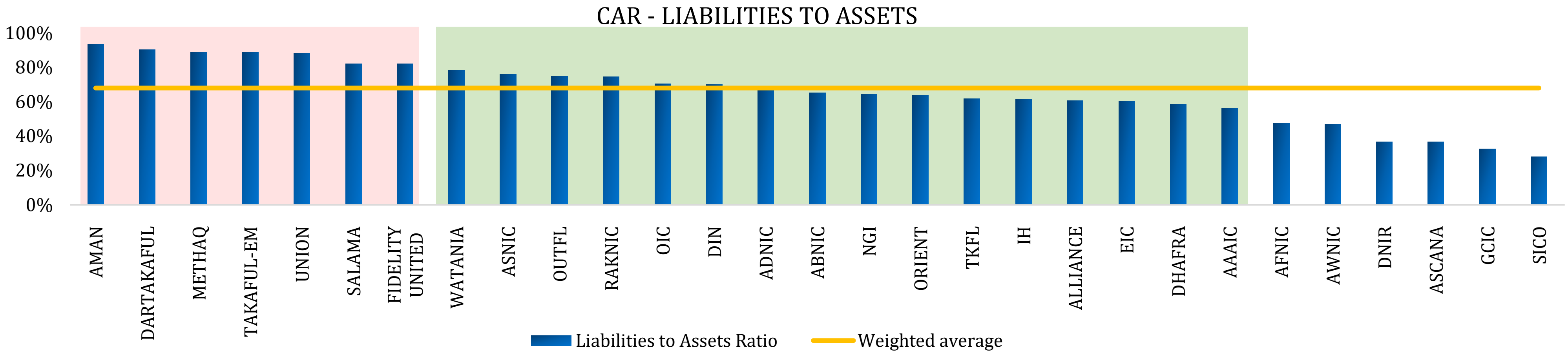


The weighted average profit margin from investment activities for the year ended 2021 stood at 12%, portraying an increase when compared with 2020 which was 8%.

SICO recorded the highest profit margin of 222% from investment income, therefore it was excluded from the above chart as it was distorting the presentation. This is then followed by AWNIC with a commendable profit margin of 74% from return on investments, recovering from negative 8% recorded in 2020.

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

Capital Adequacy Ratio



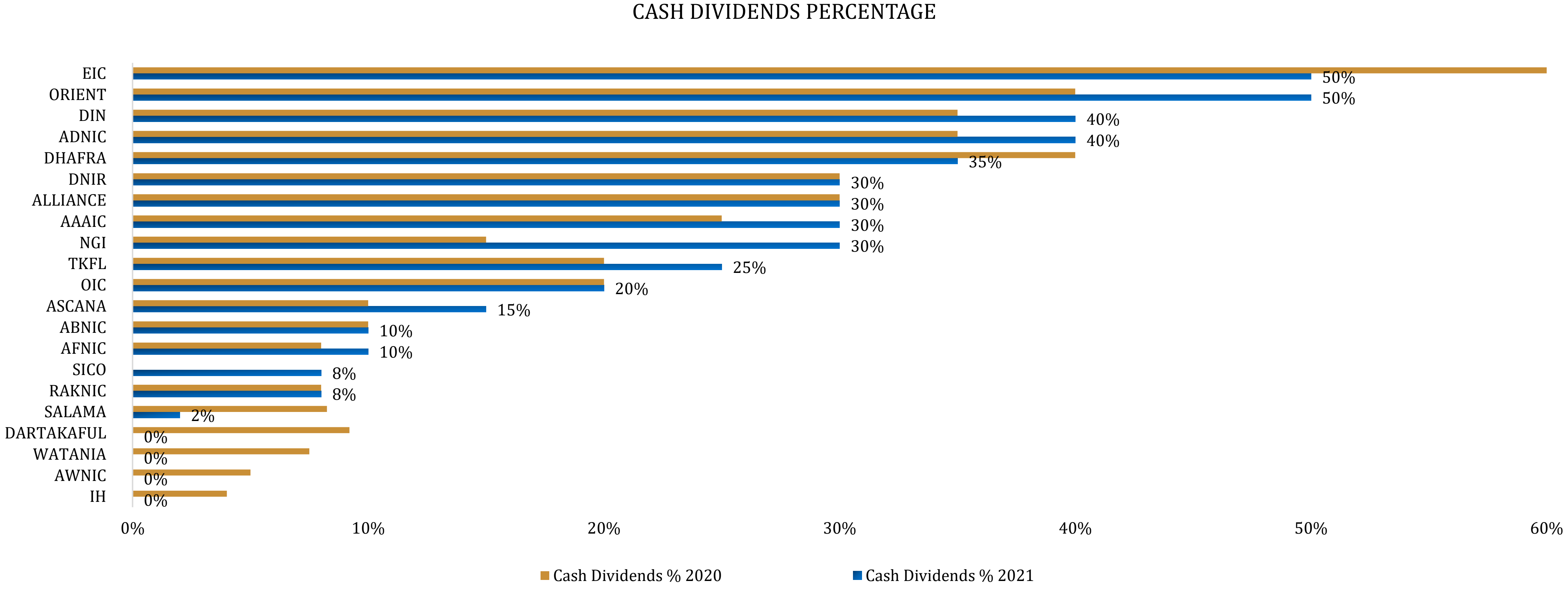
The Capital Adequacy Ratio (CAR) indicates how much a company is capable to absorb any unexpected risks, hence depicting a company's financial position to meet policyholders' liabilities. Therefore, a higher ratio indicates that the companies' liabilities are on the higher side. As per the CBUAE threshold, the red zone indicates an alarming scenario for the company while the green zone is between 50% to 80%.

Capital Adequacy Ratio (CAR) is calculated as a ratio between total liabilities and total assets of a company.

Majority of the companies have demonstrated a favorable ratio. 16 out of the 29 listed companies analyzed fall in the green zone, 6 are in the caution area while 7 are in the red zone.

The Takaful companies may have inter-fund receivables and payables inflating the assets and liabilities. Total assets and liabilities as per the financials are used without removing these common balances as the CBUAE threshold is applicable on the value inclusive of these balances.

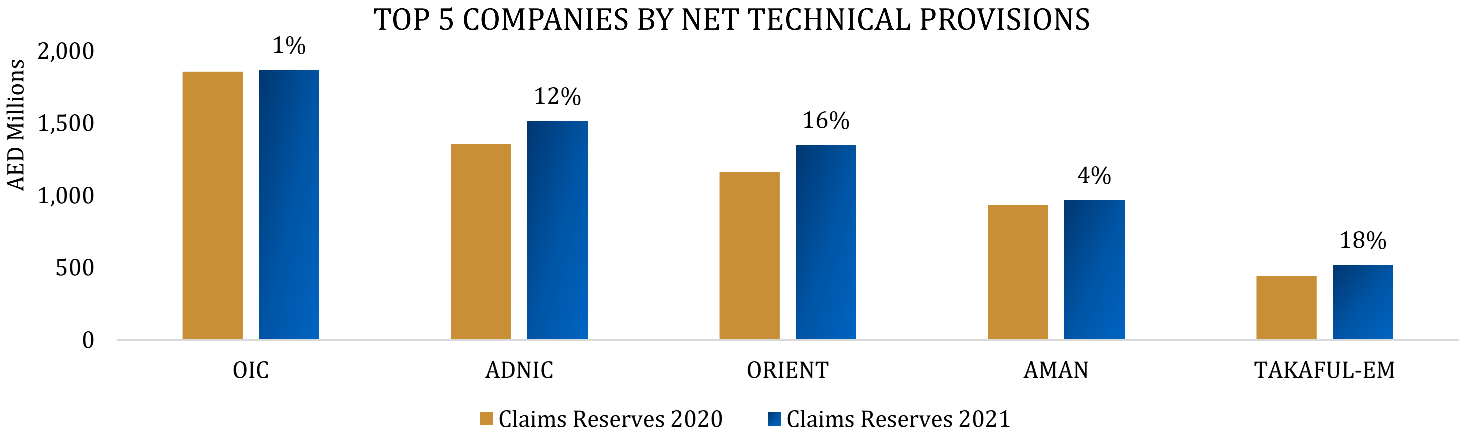
Cash Dividends

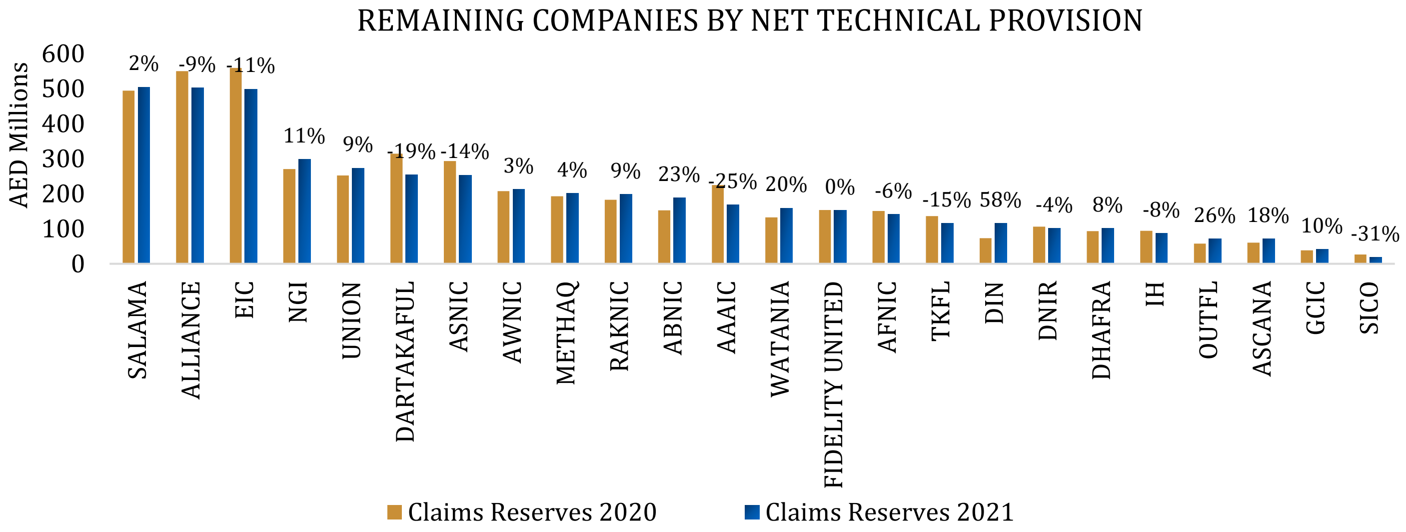


The above chart portrays the cash dividends percentage of Share Capital by listed companies in UAE. EIC, despite the decline in their Bottom line, paid out the highest dividend percentage along with ORIENT.

20 out of 29 companies have posted their dividends statistics as of the compilation of this report and the same are included in this analysis.

Net Technical Provisions – Companies





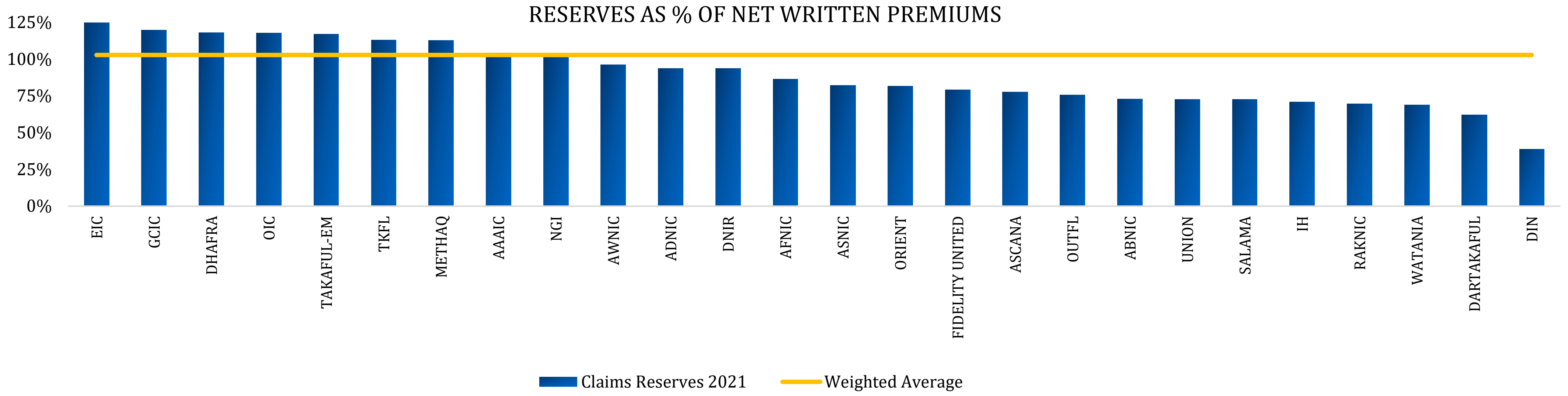
As at year ended 2021, the Net Technical Reserves have shown a growth of 4% when compared with reserves booked in 2020.

The position of the top 4 companies remains the same as was in 2020, however TAKAFUL-EM has moved up to the 5th position replacing EIC.

OIC secured the highest rank in terms of booking net technical provisions, exhibiting an increase of 1% in the reserves booked by the company.

The major change in reserves was depicted by DIN and SICO, where DIN has increased their net reserves by 58% while SICO has decreased their net reserves by 31% when compared with the year end 2020. The can be the result of business shift in both of these companies, where DIN experienced immense growth of 33% in their business while SICO observed a decrease of 41% in their topline.

Net Reserves as a Percentage of Net Written Premiums – Companies



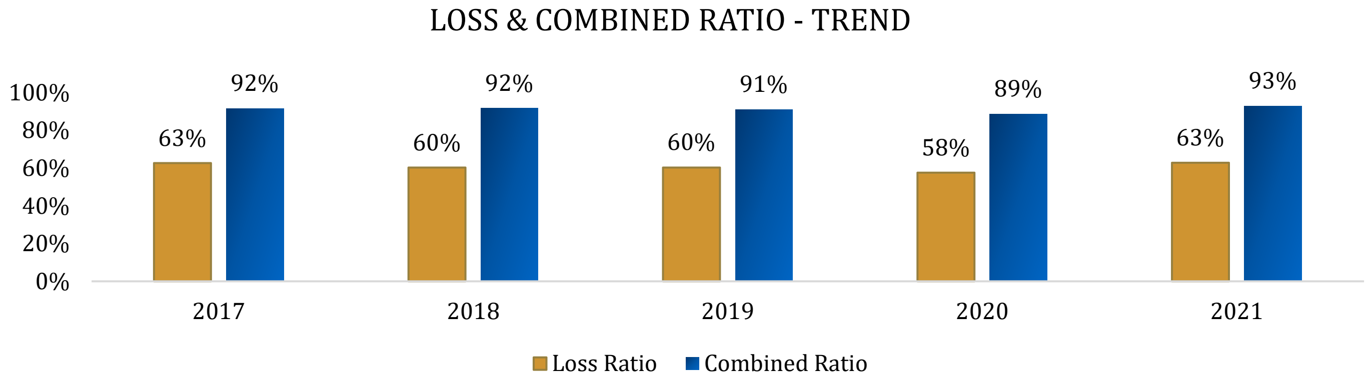
AMAN, ALLIANCE, and SICO were observed to be outliers, and thus excluded from the above analysis. AMAN and ALLIANCE booked Individual Life Mathematical reserves amounting to AED 863 million and AED 478 million, respectively, whereas SICO reflected a 251% proportion of NWP in their reserves.

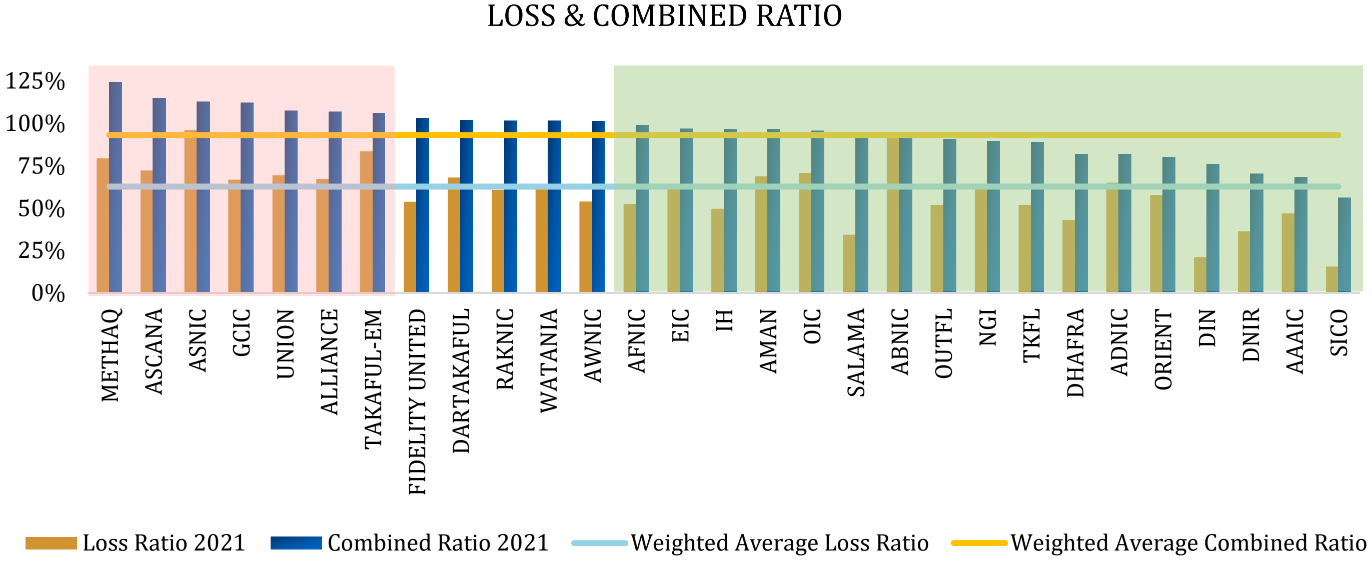
The weighted average net reserves to net premium ratio is recorded to be 103%, however, the ratio drops to 91% if we exclude the outliers.

Apart from the outliers mentioned above, the highest ratio of 125% is exhibited by EIC reflecting that the net reserves booked by the company are in excess of the business retained for the year. On the other hand, the lowest ratio of 39% is depicted by DIN.

❖ *The ratio above is calculated as a ratio of net reserves booked over the business retained by the company.*

Loss & Combined Ratio – Companies





Insurance companies had experienced a drop in their loss ratios during 2020, owing to pandemic related lockdowns and reduced activity, However, the loss ratio for 2021 has risen to levels above those seen in 2019, while expense ratio is at similar levels. The weighted average loss and combined ratio for 2021 culminates to be 63% and 93% respectively.

METHAQ recorded the highest combined ratio of about 124% whereas the lowest combined ratio of 56% was depicted by SICO.

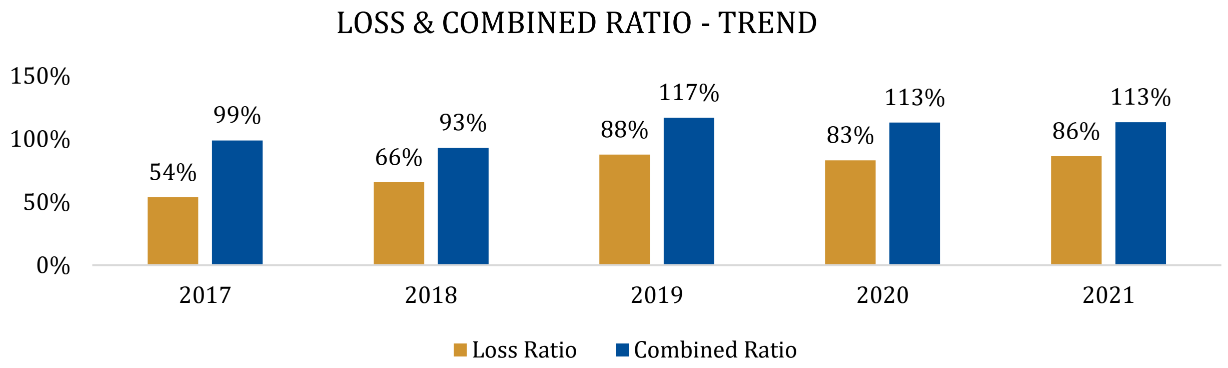
The weighted average loss and combined ratio stood at 63% and 93% respectively.

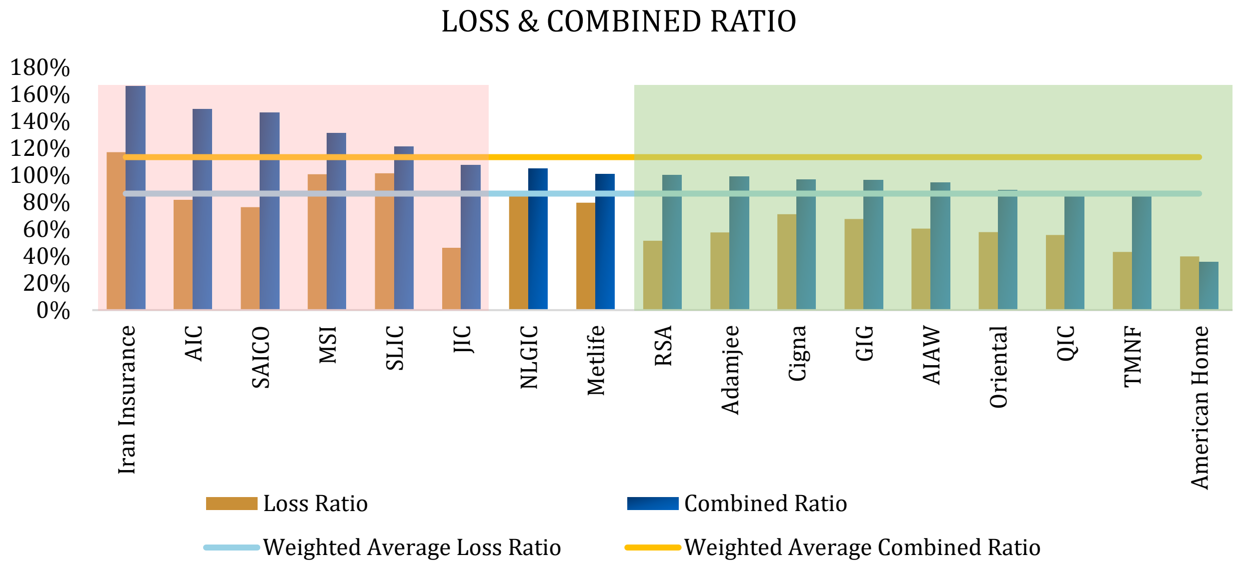
For Takaful companies we have consolidated the Policyholders and Shareholders P&L for comparative purposes.

A company is deemed profitable from an underwriting perspective if the combined ratio is 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





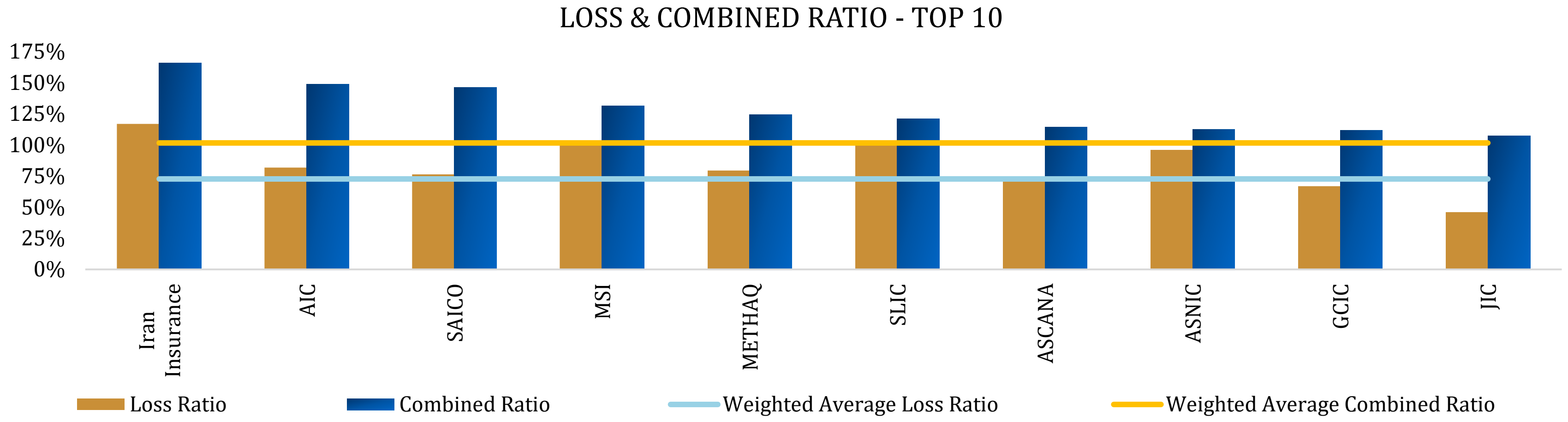
For year ended 2021, the weighted average loss ratio for the Foreign Branches in the UAE worked out to be 86%, while the weighted average combined ratio stood at 113%. Both these indicators are lower than the values observed for branches in 2019, and hence the trend for branches is different to that observed for the listed companies.

The highest combined ratio for 2021 is reflected by QGIRC of 2,828% while the lowest combined ratio is exhibited by FPIL of negative 327%, hence they have been excluded from the analysis as they would distort the presentation.

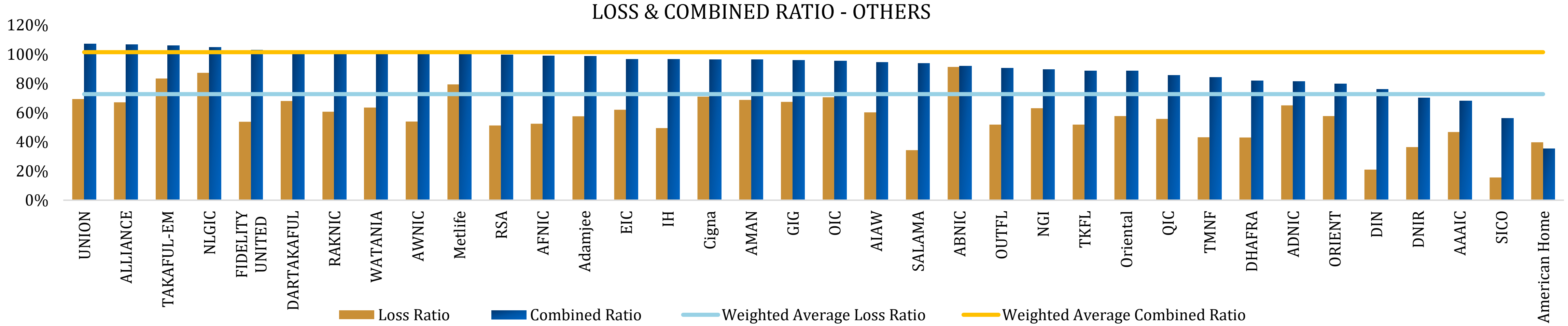
We have also excluded the branches concentrating in long term life business with savings products from this analysis for comparative purposes.

Apart from the outliers mentioned above, the highest combined ratio is reflected by Iran Insurance of 166% whereas the lowest combined ratio of 35% is recorded by American Home.

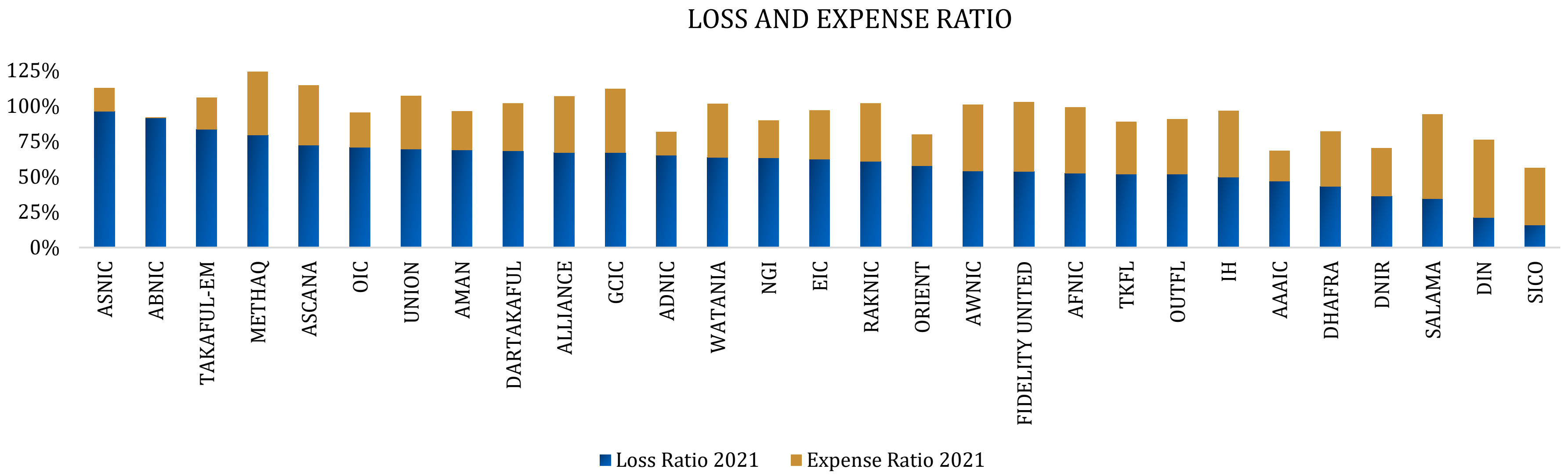
Loss & Combined Ratio – Combined

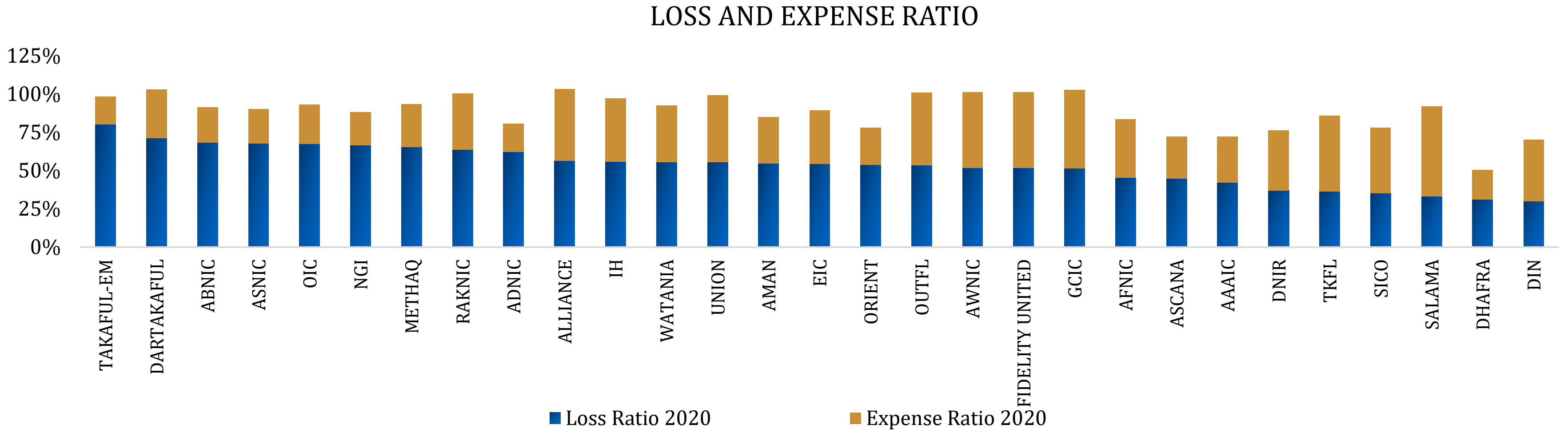


The weighted average loss ratio of the listed companies and branches stood at 73% while the weighted average combined ratio is recorded to be 102%.



Loss & Expense Ratio - Companies





12 out 29 companies included in this analysis have experienced the combined ratio of above 100%. It is observed that few companies have low loss ratios, but the expenses push the combined ratio nearly to 100%.

As can be seen, Fidelity United and AWNIC have lower loss ratios in 2021 but the expenses push the combined ratio above 100% resulting in an underwriting loss for the Company.

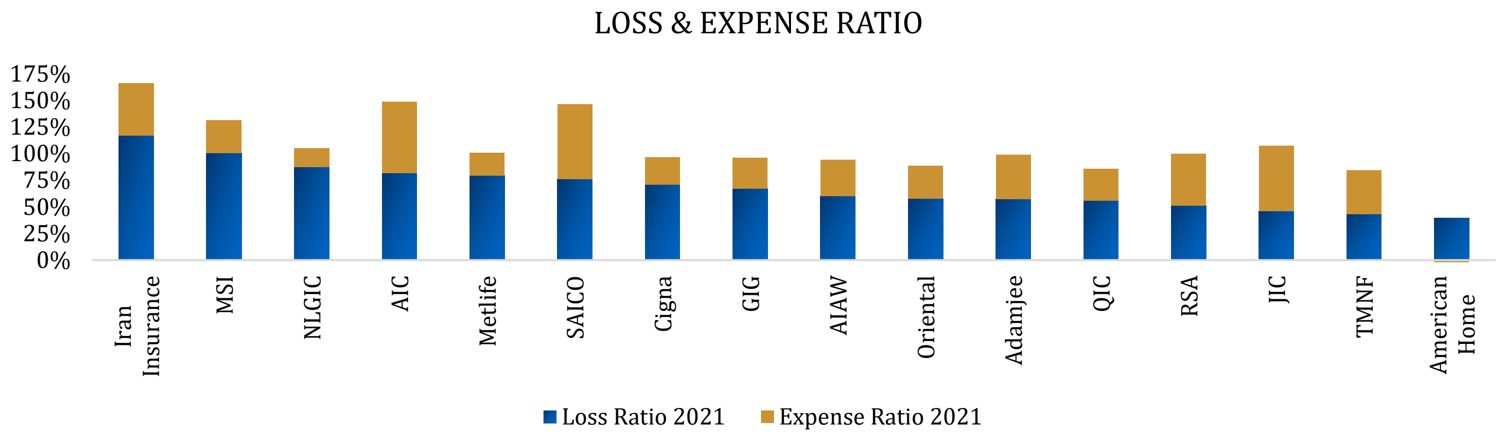
Loss & Expense Ratio - Branches

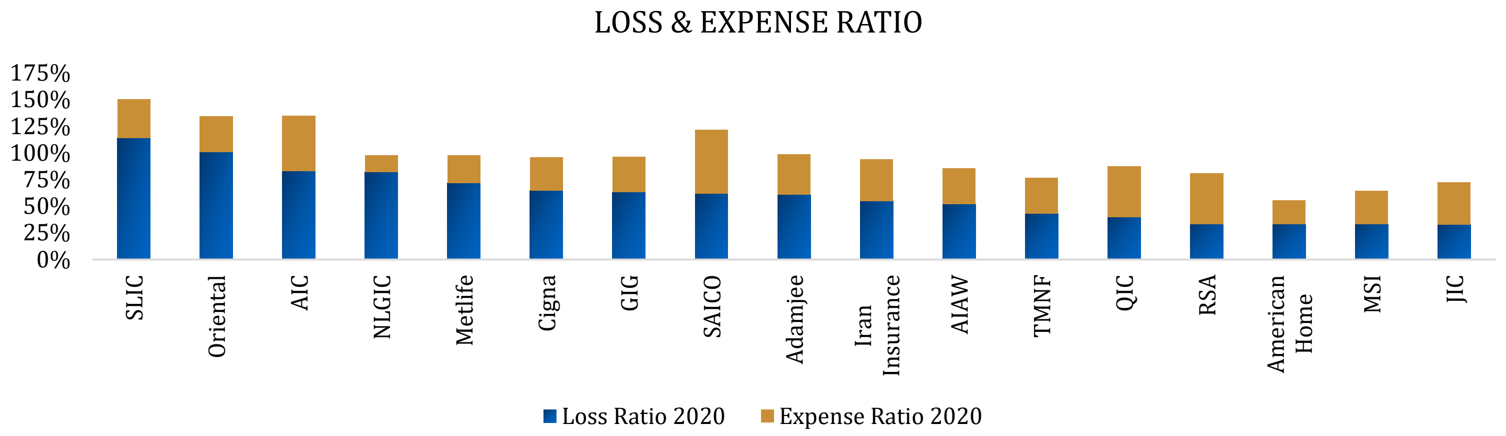
QGIRC is excluded from the presentation as its combined ratio was significantly higher than the rest.

The loss ratio of companies concentrating in long term life savings products can be misleading as changes in unit/mathematical reserves is considered as claims cost for the year. Therefore, companies known to be concentrating in such business are excluded from the above graph.

As depicted, Iran Insurance experienced the highest loss ratio of 117% while its expense ratio is 49% hence yielding a combined ratio of 166%.

The graphs are sorted with respect to the loss ratios.



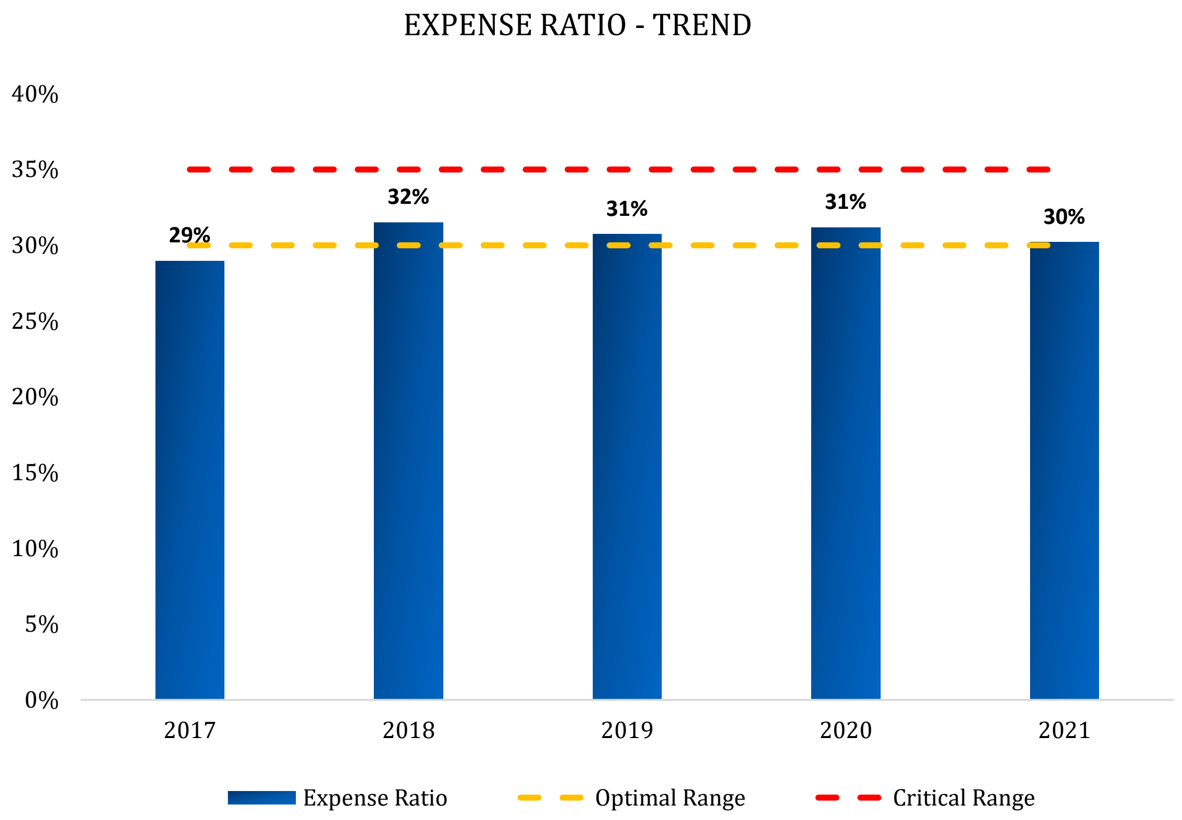


Expense Ratio – Companies

As portrayed, the industry average expense ratio experienced by the listed companies has been fairly consistent hovering around the 31%-32% range in the past 3 years and declined further to 30% for 2021.

The CBUAE has provided the industry with benchmark expense ratio where the optimal range is below 30% while expenses above 35% are not preferred and actions should be taken to bring them within the defined ranges.

- ❖ *The expense ratio is computed as the G&A expenses plus the net commissions (commissions paid less commissions earned) along with other operational expenses and income recorded for the period by the companies as a proportion of net earned premiums*



Expense Ratio – Companies

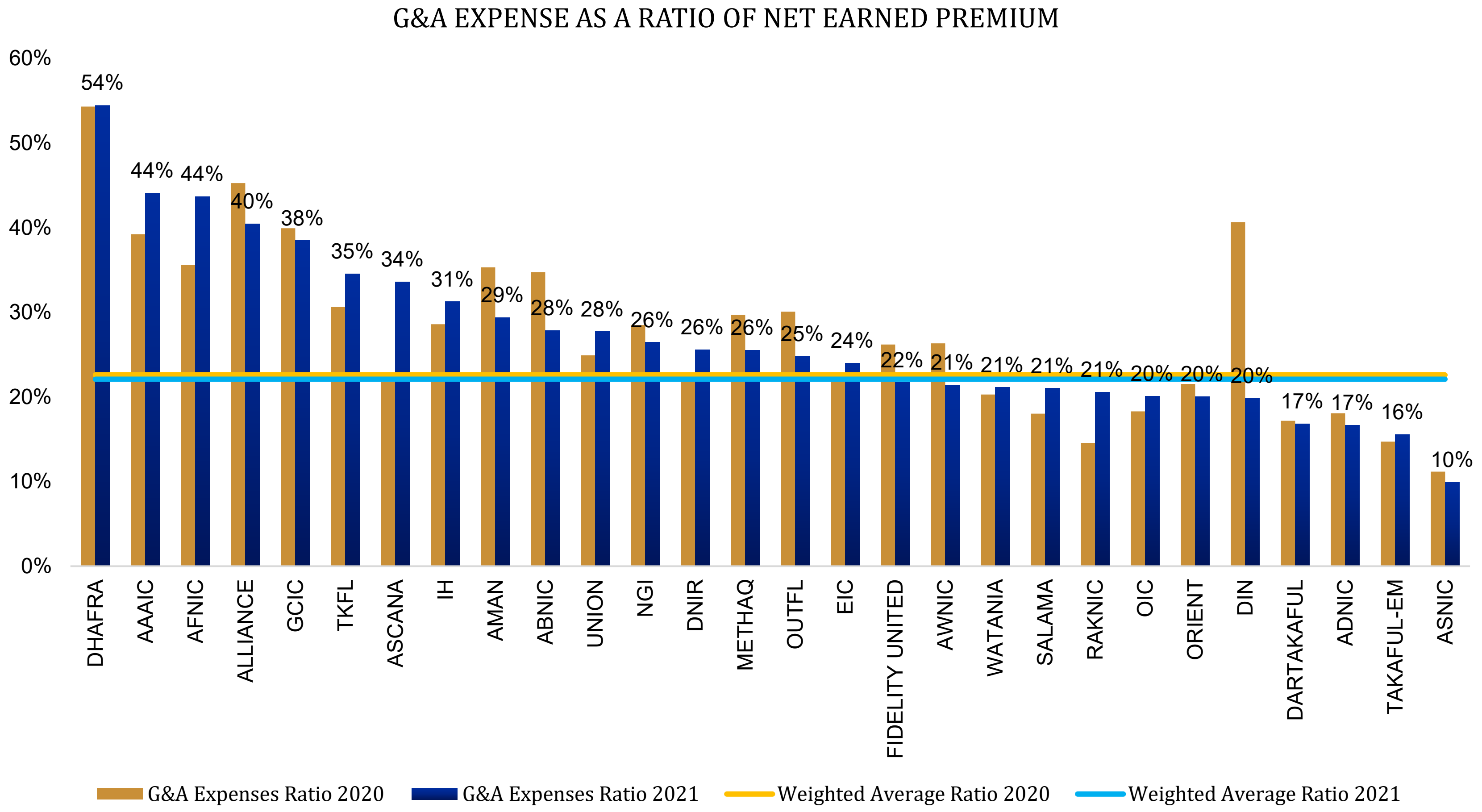
The weighted average General & Admin expense ratio of the industry for the year 2021 works out to be 22% which has shown a marginal improvement as compared to the ratio of 23% recorded in 2020.

The highest expense ratio for the year 2020 is depicted by SICO of about 83% and hence excluded from the presentation as it was distorting the graph, whereas the lowest expense ratio of 10% is exhibited by ASNIC.

- *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 – Companies

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.

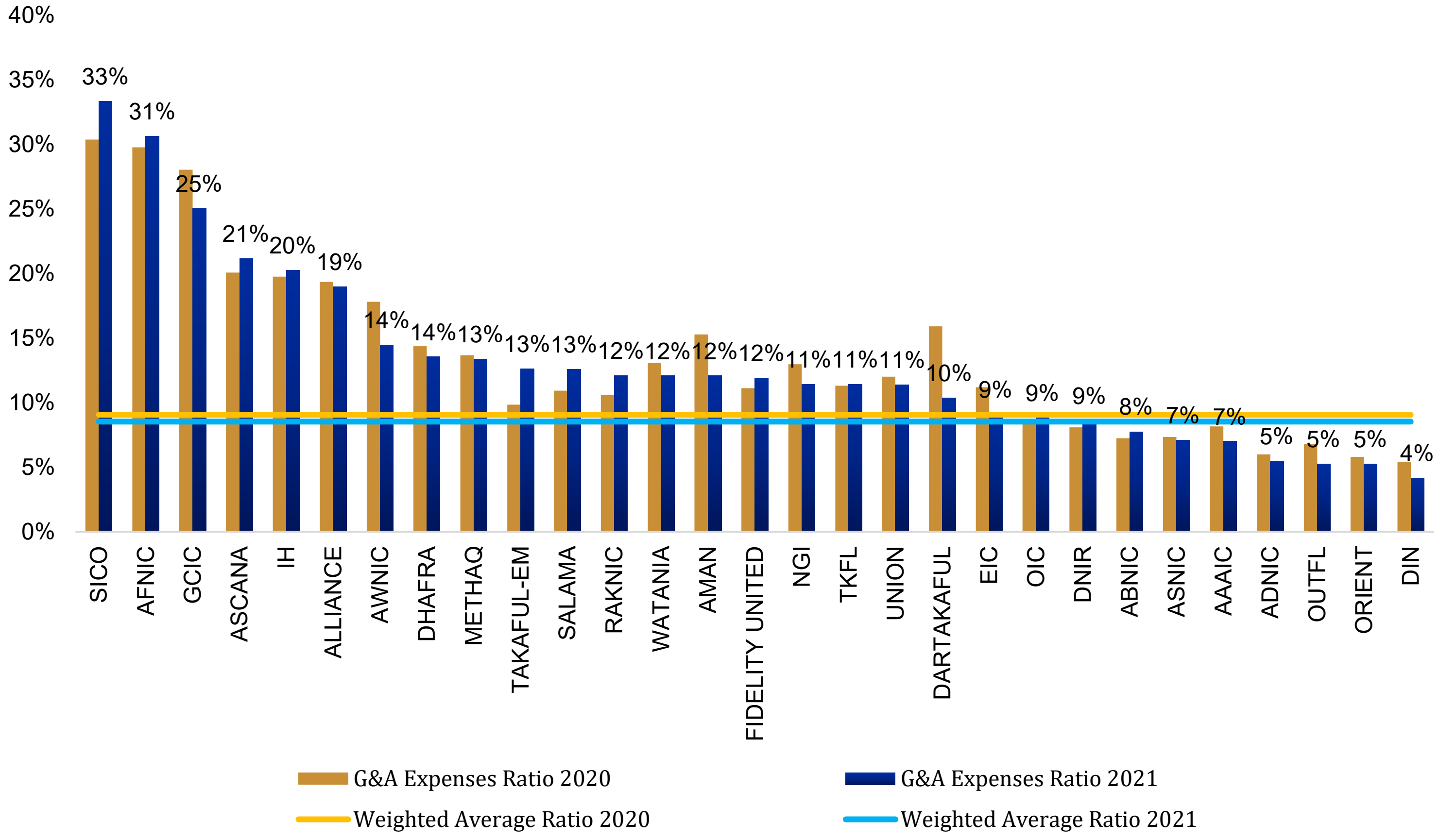
The weighted average General & Administrative expense ratio (as a proportion of Gross Written Premium) of the industry for the year 2021 stood at 9%, which has remained stable when comparing with 8% in 2020.

The highest expense ratio of 33% is reflected by SICO while the lowest expense ratio of 4% is reflected by DIN.

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

G&A EXPENSE AS A RATIO OF GROSS WRITTEN PREMIUM



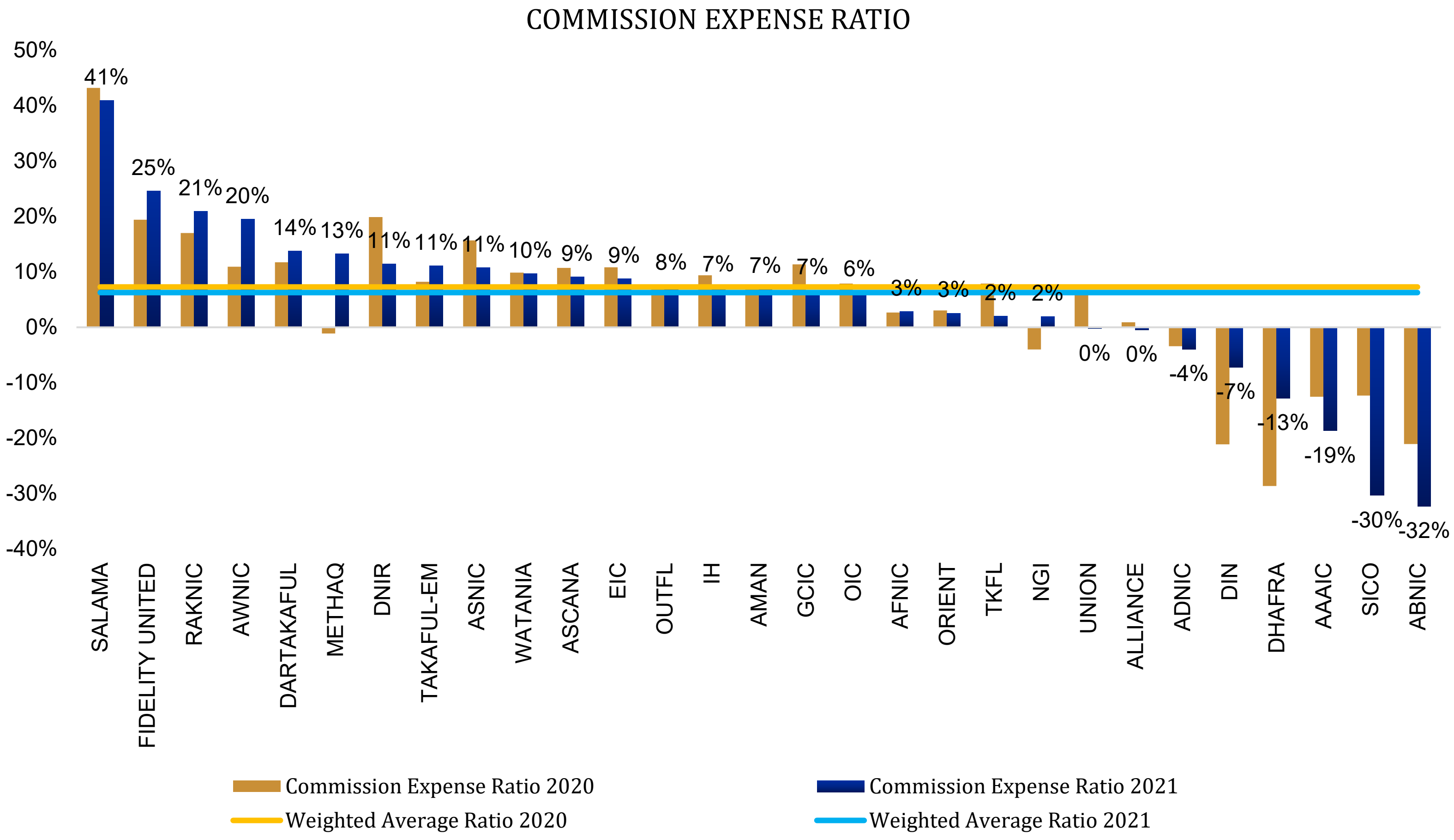
Commission Ratio – Companies

The highest commission ratio of 41% for the period 2021 is depicted by SALAMA whereas the lowest commission ratio is reflected by ABNIC with a ratio of negative 32%

The weighted average commission ratio is recorded to be 6% (2020: 7%)

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 – Companies Trend

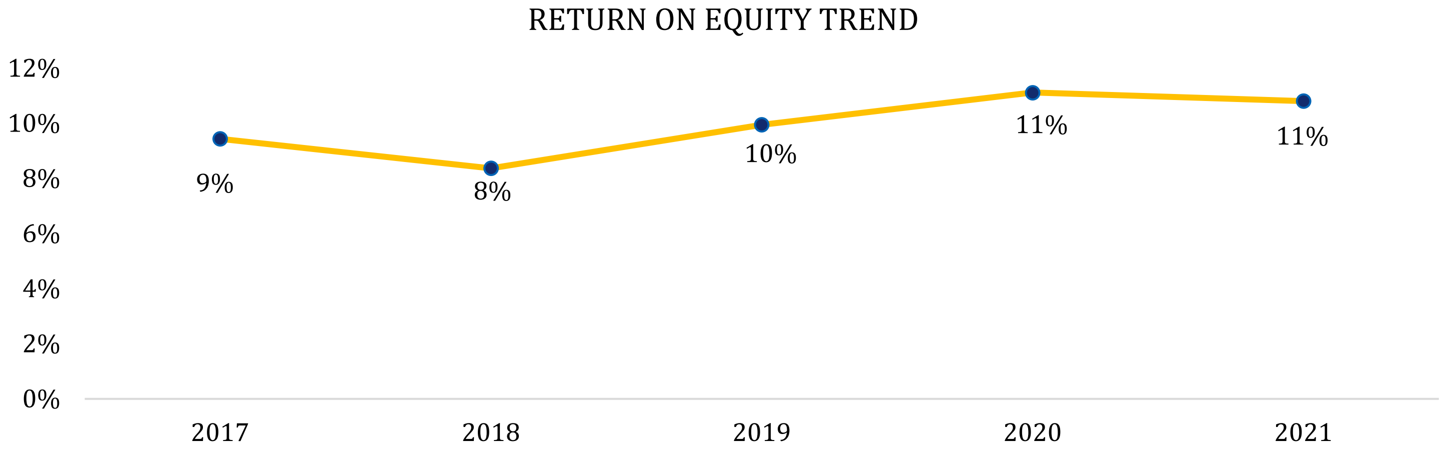
The shareholders of the listed insurance companies have experienced an increasing trend in return on equity since 2018.

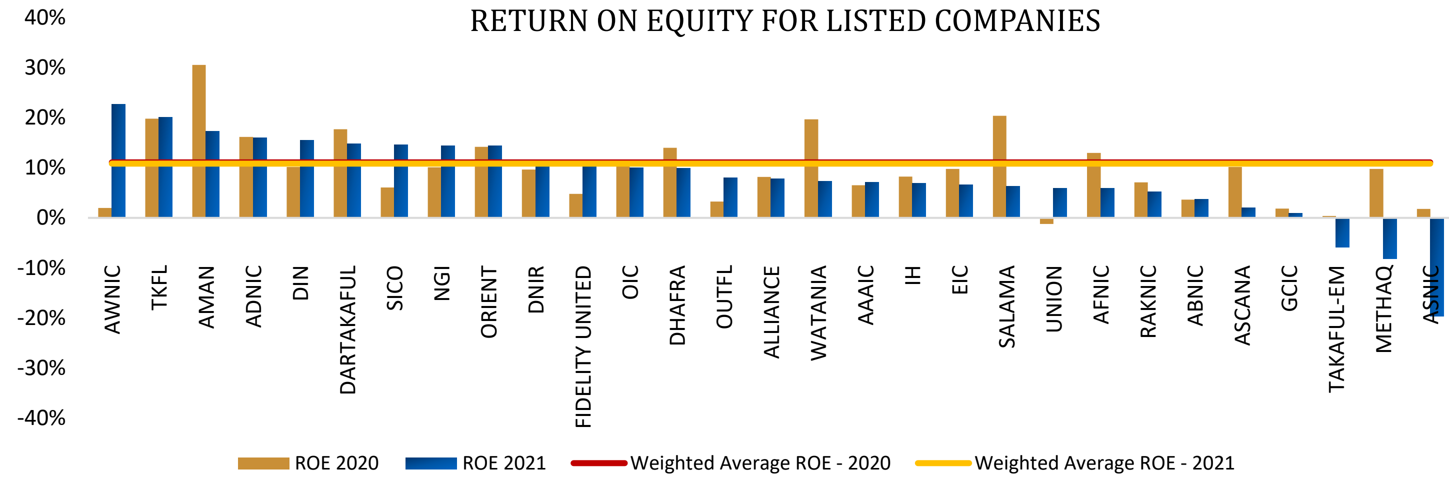
The weighted average return on equity recorded to be 11% for the year ended 2021.

In 2021, the highest return on equity of 23% is depicted by AWNIC (2020: 2%); followed by TKFL at 20% (2020: 20%). ASNIC on the other hand, observed to have the lowest returns of negative 20%.

For takaful companies while we have combined shareholder and policyholder profits in other analysis, for the purpose of ROE calculations, only the shareholder profits as per the financial statements are considered.

- *The Return on Equity is calculated as a ratio of rolling 12 months net profit (before tax) to total of shareholder's equity at the beginning of the period 2021.*

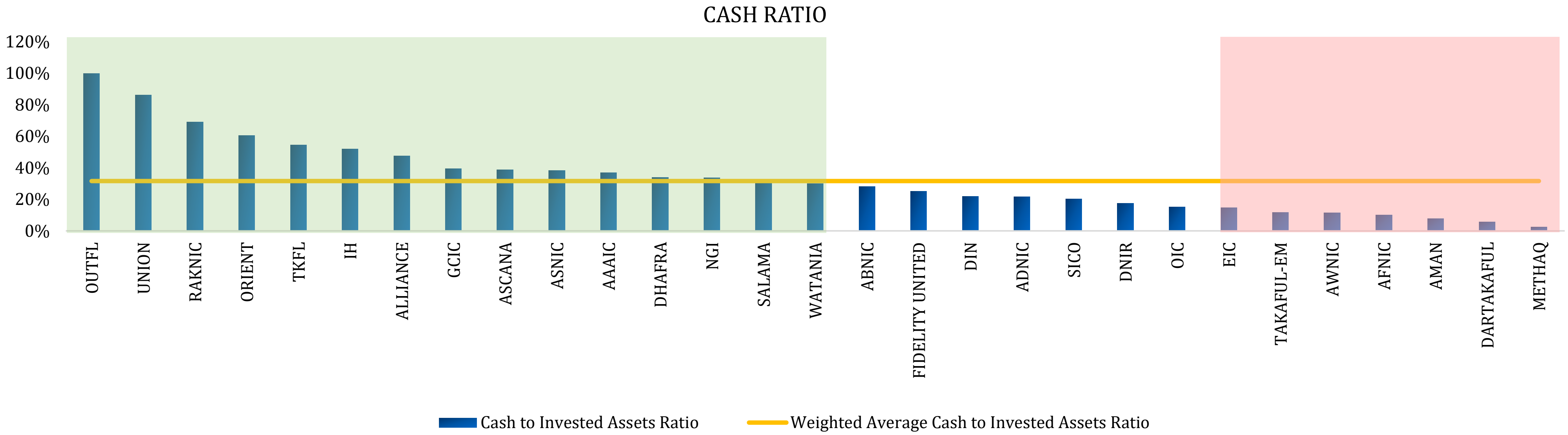




Earning Per Share Companies

Company	EPS 2020	EPS 2021
ORIENT	82.850	91.600
ALLIANCE	42.140	41.120
AFNIC	27.750	14.040
OUTFL	3.080	7.710
AAAIC	5.070	5.550
TKFL	0.780	0.880
AWNIC	0.070	0.790
DIN	0.510	0.770
ADNIC	0.650	0.700
DNIR	0.480	0.490
EIC	0.720	0.470
NGI	0.310	0.470
OIC	0.420	0.450
DHAFRA	0.550	0.390
SICO	0.090	0.200
DARTAKAFUL	0.151	0.144
ABNIC	0.100	0.100
RAKNIC	0.110	0.090
IH	0.090	0.080
FIDELITY UNITED	0.029	0.065
AMAN	0.085	0.054
WATANIA	0.120	0.050
UNION	(0.012)	0.040
ASCANA	0.190	0.040
SALAMA	0.126	0.034
AXAGCIC	0.011	0.006
TAKAFUL-EM	0.003	(0.045)
METHAQ	0.055	(0.050)
ASNIC	0.020	(0.300)

Cash To Invested Assets – Companies



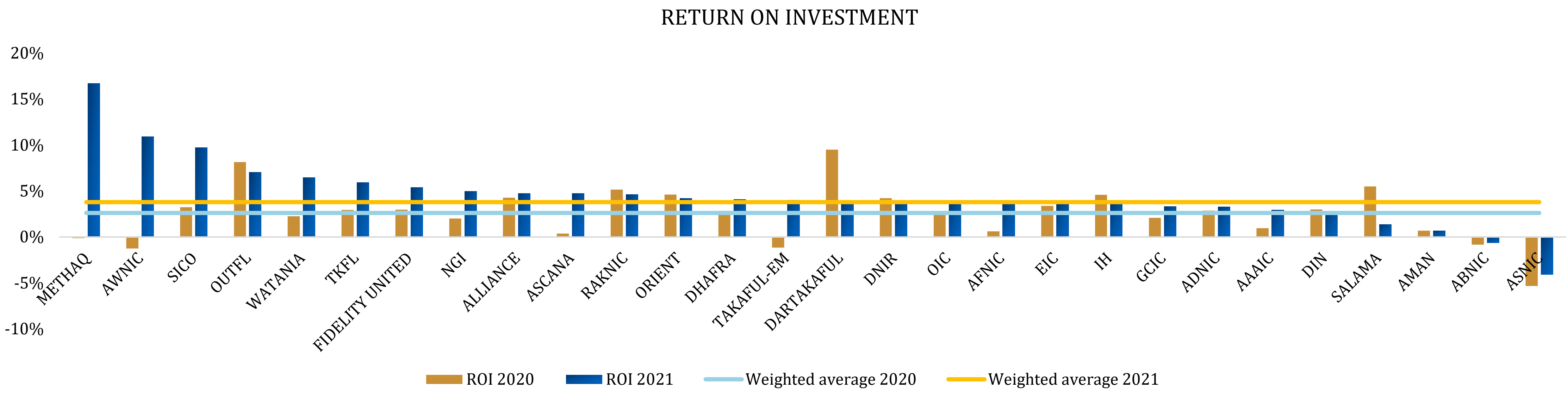
The weighted average cash to invested assets ratio is observed to be around 32% for year end 2021, a slight decrease in the ratio when compared with last year's ratio of 34%

OUTFL has all of its invested assets maintained as cash, hence depicting a 100% cash ratio, while the lowest ratio is observed to be at 2% by METHAQ.

As per the CBUAE benchmarks, the cash to invested assets ratio for the companies should not fall below 15% of the total invested assets while the optimal area is beyond 30%.

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

Return on Investments - Companies



The weighted average Return on investments recorded for listed companies is observed to be 4% for the year ended 2021 (2020: 3%).

The highest return on investments is recorded by METHAQ of 17% (2020: -0.1%) whereas the lowest returns is observed by ASNIC of -4% (2020: -5%).

As can be seen above, the higher returns observed in DARTAKAFUL and SALAMA for the year 2020 are mainly due to the M&A activity with the acquisition of Noor Takaful and selling of shares, respectively. These one-off gains have soared their investments income as evident from the above.

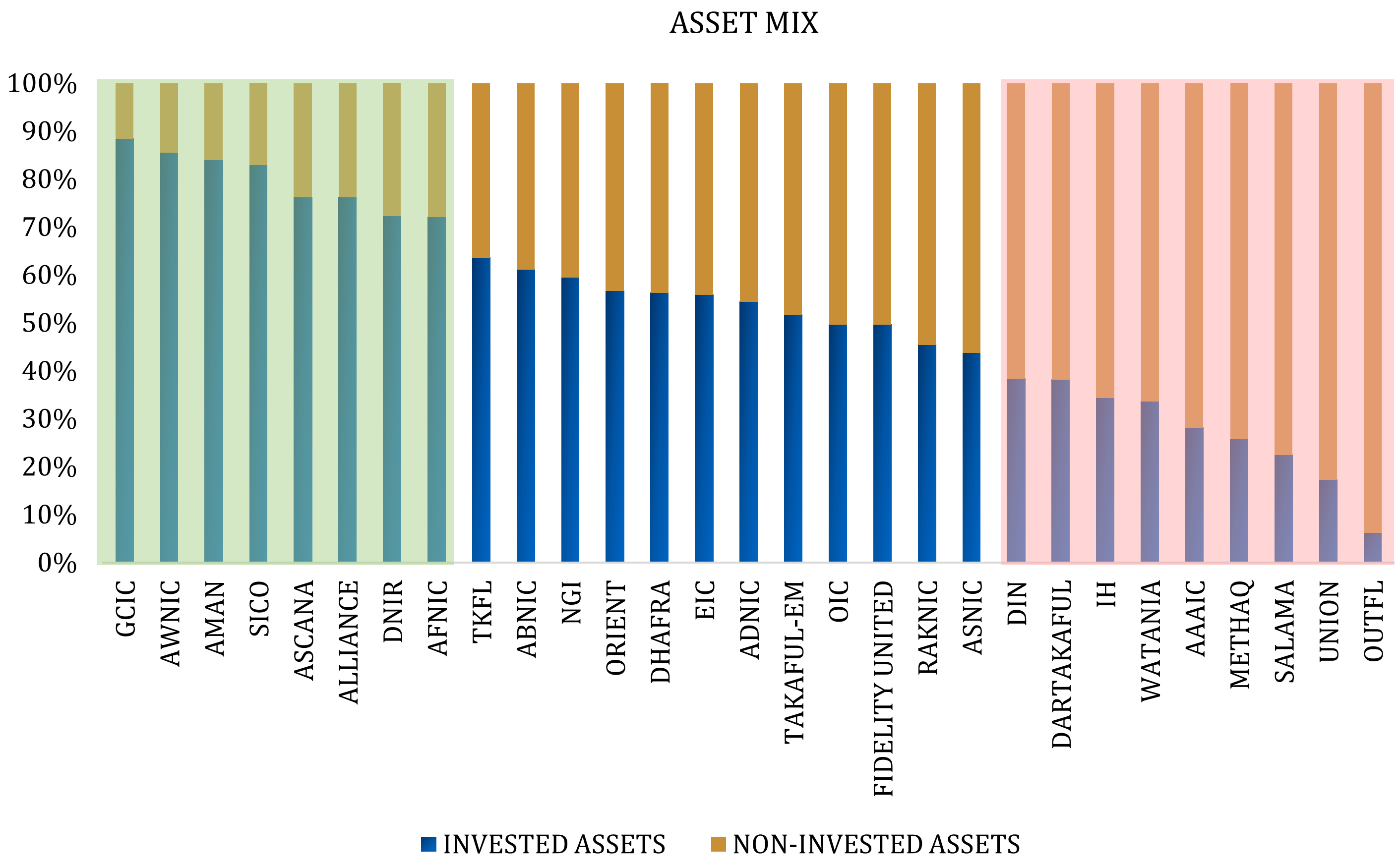
❖ *The Return on Investment is computed as the ratio of investment income to the average invested assets at the beginning and end of period.*

Invested Assets to Total Assets – Companies

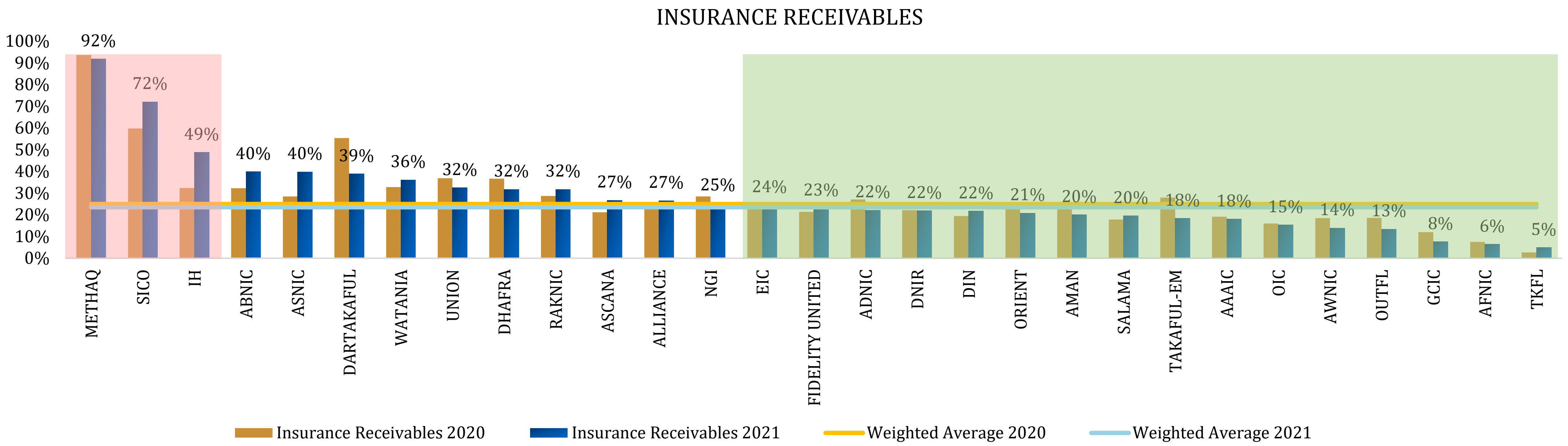
Asset Mix compares the proportion of invested assets and non invested assets for the year 2021.

GCIC has the highest proportion of 88% of their assets invested, while OUTFL has only invested 6% of their assets.

The prescribed range for Invested assets to total assets as per CBUAE is greater than 70%. 40% - 70% is the zone of caution and companies falling in critical range of below 40% are under red zone..



Insurance Receivables – Companies

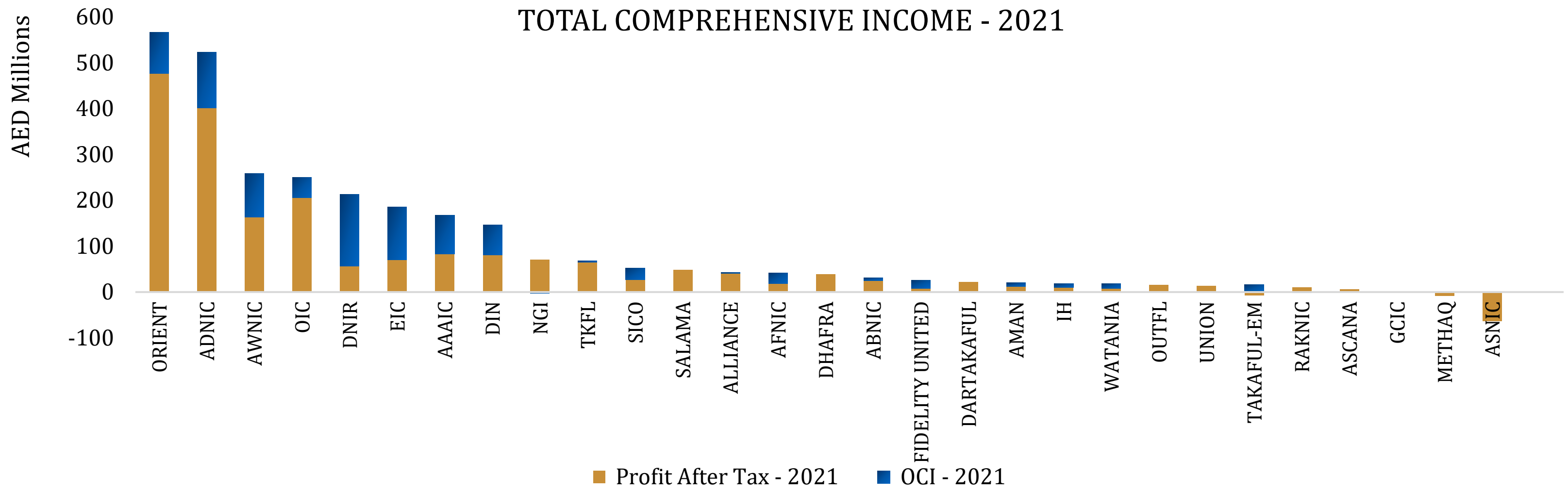


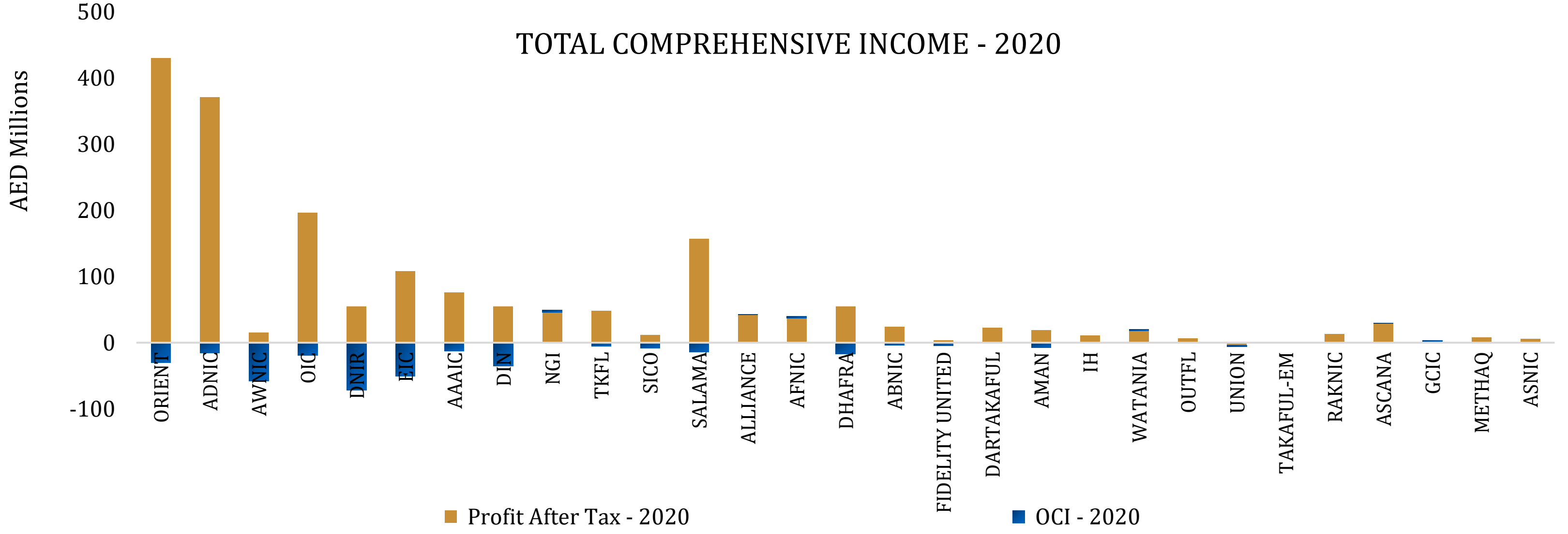
The highest receivable ratio of 92% is reflected by METHAQ whereas the lowest receivables of 5% have been observed for TKFL.

The prescribed range for insurance receivables as a proportion of gross written premium is less than 25% while above 45% as per the Central Bank of UAE is the red zone.

The weighted average insurance receivables stood at 23% (down from 25% as at YE2020), reflecting the Industry as a whole is within the safe zone with 3 companies falling in the critical area with more than 45% of their GWP as receivables. The highest receivable ratio of 92% is reflected by METHAQ whereas the lowest receivables of 5% have been observed for TKFL.

Total Comprehensive Income - Companies





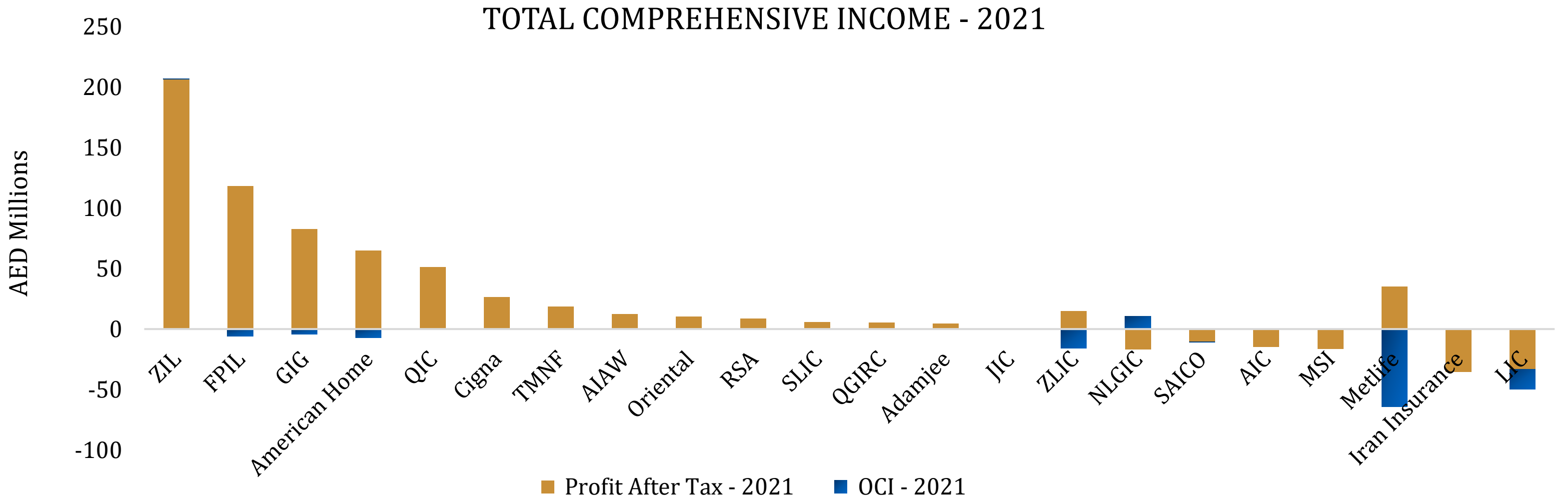
The Total Comprehensive Income for year ended 2021 displayed an immense growth of 84% when compared with the corresponding period of 2020, as investment markets rebounded following the downturn in 2020 in the aftermath of the pandemic which caused a number of companies to book investment related losses on their Other Comprehensive Income in 2020.

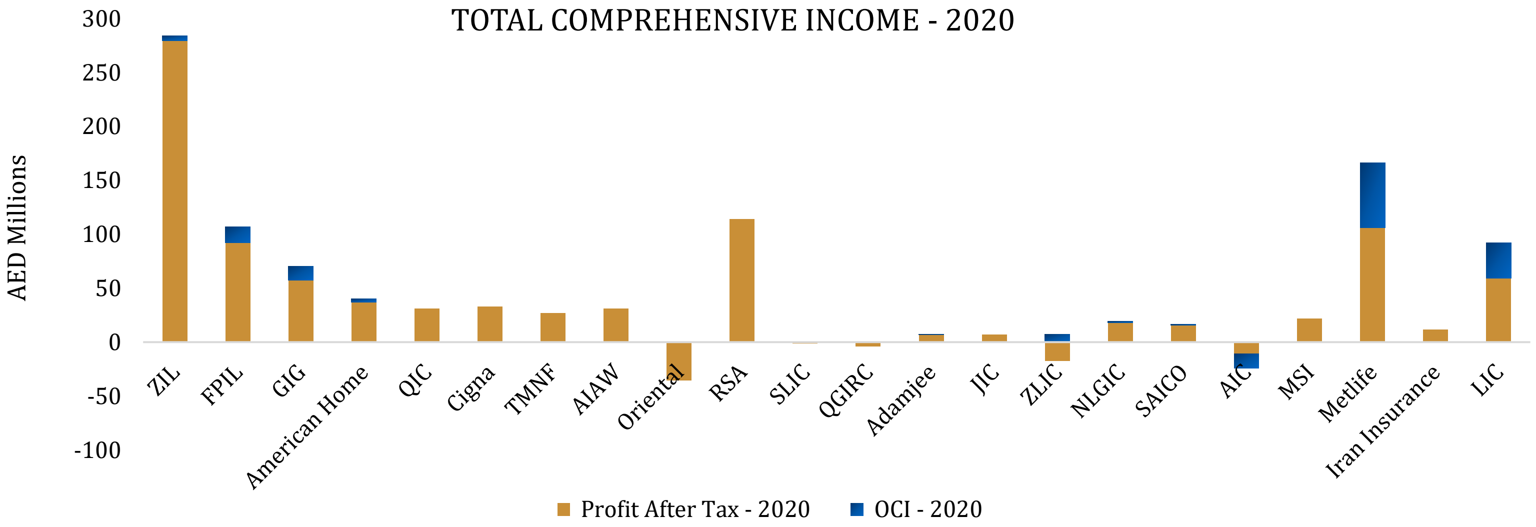
Only 3 out of 29 companies in this analysis have shown losses in their OCI, as compared to 18 companies having losses on their OCI statements in 2020.

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

The Total Comprehensive Income is the sum of the Profit After Tax and the Other Comprehensive Income (OCI).

Total Comprehensive Income - Branches





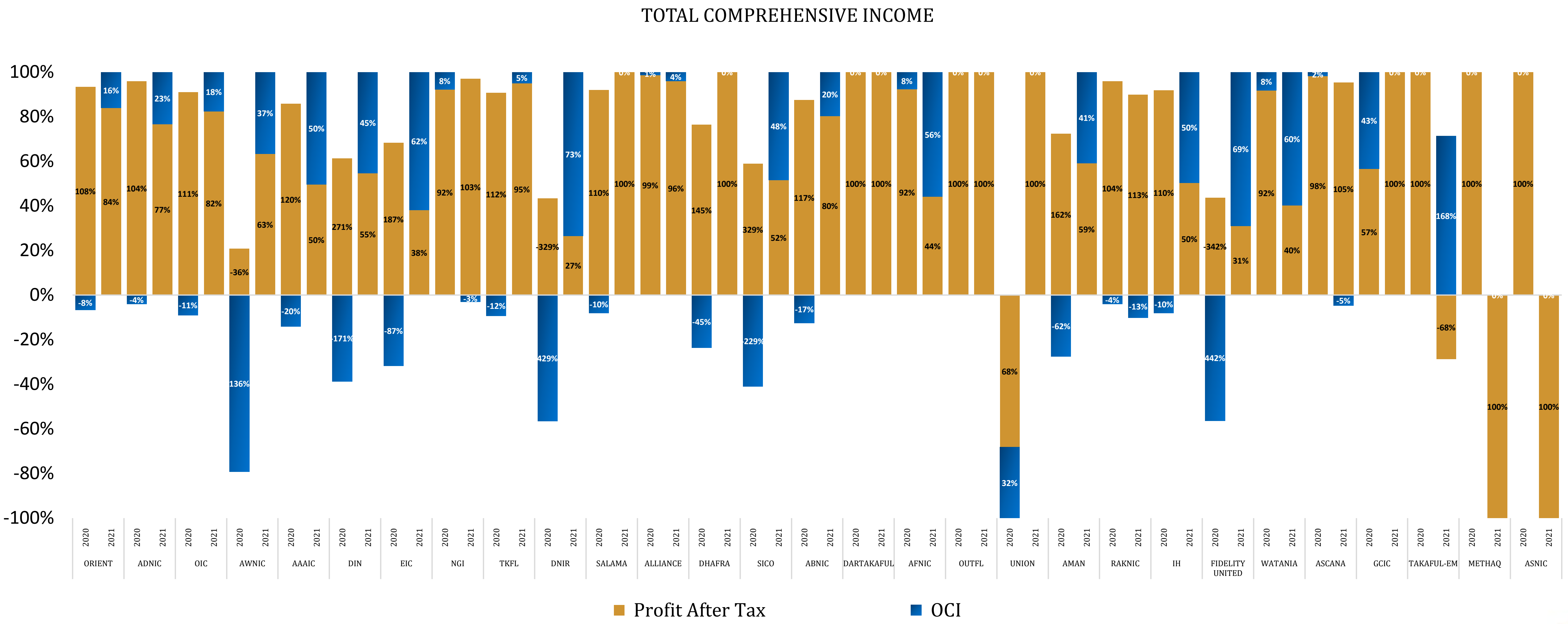
On the contrary to the performance of companies, the Branches operating in UAE observed a significant decline of 57% in their Total Comprehensive Income statement in the year end 2021 when compared with 2020.

The biggest loss for the period was recorded by LIC with total comprehensive loss of about AED 50 million in the year 2020 depicting a decline of 154% from its TCI of 2020.

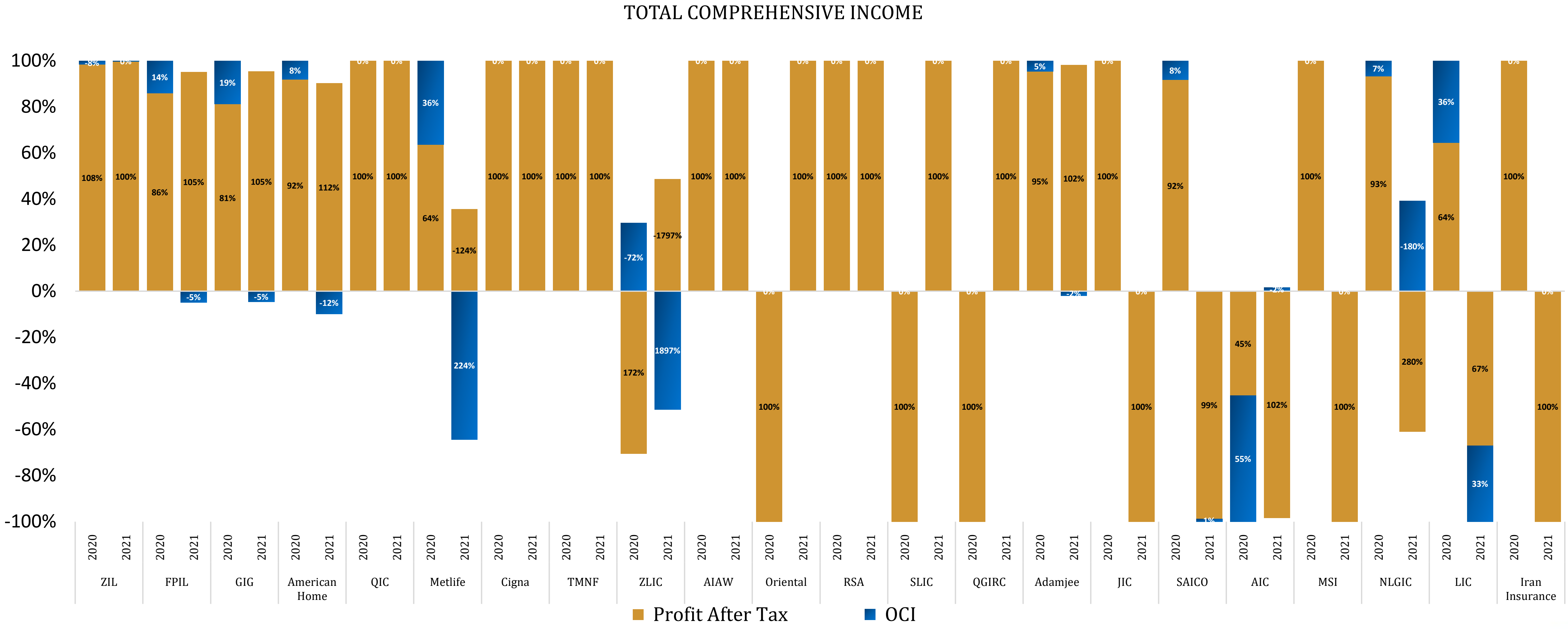
13 out of 22 branches included in this analysis, faced decline on their Total Comprehensive Income account as compared to the previous year.

Interestingly, only AIC recorded losses on their OCI statement in 2020, while other posted profits; however, in 2021, the results are now quite opposite for almost all the branches covered, as can be observed from the graph.

Total Comprehensive Income - Companies



Total Comprehensive Income – Branches



Net Profit Breakdown

Particulars	Q4-2021 AED billion	Q4-2020 AED billion	Variance AED billion
Companies			
Total UW Profit	0.7	1.1	(0.4)
Investment Income	1.2	0.8	0.4
Total Net Profit	1.9	1.9	0.0
Branches			
Total UW Profit	(1.0)	(0.9)	(0.1)
Investment Income	1.5	1.8	(0.2)
Total Net Profit	0.5	0.9	(0.3)
Total			
Total UW Profit	(0.2)	0.3	(0.5)
Investment Income	2.7	2.5	0.2
Total Net Profit	2.5	2.8	(0.3)

Conclusion - *Top line is vanity, bottom line is sanity*

The UAE Insurance Industry recorded an overall growth of 6% in GWP for 2021 (as per our estimates), as GWP increased to AED 41 billion from AED 39 billion in 2020. Listed companies recorded a growth of 6% in GWP, 16 out of the 29 companies contributed to this growth, while 13 companies saw a reduction in premiums. The largest decline came from Salama in absolute terms. The Branches also witnessed a growth in premiums overall of 5% for 2021, although 12 of the 22 branches covered witnessed a decline in GWP.

The profits for the companies covered fell from AED 2.8 billion in 2020 to AED 2.5 billion in 2021. The UW profits reduced by AED 0.5 billion while investment income increased by AED 0.2 billion. The top listed 5 companies, all of which showed healthy growth in profits contributed to 70% of the profits of listed companies (or equivalently 55% of the total industry profits). A large part of these profits was driven by AWNIC which was a new entrant into the Top 5 due to realized investment income of AED 158m leading to an increase of 978% in its profit figures compared to 2020. On the other hand, ASNIC acted as the biggest drain on profits this year, as it rounded up the year with a loss of AED 63m. The Foreign Branches, after a tremendous performance in 2020 observed a decline of about the same scale in 2021, hence bringing the profits back to pre-COVID levels. ZIL, in particular, saw its profits reduce by 26% in 2021, but it was still able to maintain top spot for profits in the Branches category. Overall, 3 of the 29 listed companies and 7 of the 22 branches covered booked a loss in 2021.

It was observed that insurance companies which recorded deficit from their underwriting business were able to minimize this impact due to profitable performance of their investment portfolios. 21 out of the 29 listed companies had a higher contribution to profits coming from investments compared to underwriting.

Interestingly, 4 out of the top 10 profitable companies (listed and branches) were not in the top 10 for premiums written. This goes to show that top line and bottom-line performance does not necessarily go hand in hand. As we have seen in the past “Top line is vanity, bottom line is sanity”.

The loss ratio for the industry saw a deterioration this year compared to 2020 which also resulted in the Combined Ratio of 102% (2021: 99%) implying an overall loss-making underwriting performance by the industry. 12 out of 29 listed companies and 11 out of 22 branches had a combined ratio in excess of 100%.

Despite the above, the return on equity for the industry remained stable at 11%.

As the claim frequencies increased post Covid we saw a pressure on the underwriting results. The actual impact could have been dampened further but was shored up by reserve releases as prudence built during Covid times was released and the industry moves towards best estimate reserving due to IFRS17. Pressure on the performance and higher investments in technology has led to consolidations/mergers and few more deals expected during the year 2022. The time has come that the industry goes back to fundamentals. Companies need to stop focusing on getting business by competing on price only and focus on all the levers available like underwriting, risk selection, better claims management, operational efficiency etc.

Key Take Points

INDUSTRY GWP GROWTH TIMELINE

2017	2018	2019	2020	2021
AED 41bn	AED 40bn	AED 40bn	AED 39bn	AED 41bn
45bn	44bn	44bn	43bn	

INDUSTRY PROFIT GROWTH TIMELINE

2017	2018	2019	2020	2021
AED 2.1bn	AED 1.9bn	AED 2.2bn	AED 2.8bn	AED 2.5bn
2.2bn	2.0bn	2.6bn	2.9bn	

Highest Growth in Profit by AWNIC at 978%

Highest Growth in GWP Recorded by DARTAKAFUL at 61%

Highest ROE by AWNIC at 23%

Highest Retention Recorded by ZLIC at 100%

Highest GWP recorded by ORIENT at 5bn

Highest Net Earned Premium Growth by DIN at 111%

Highest Investment Income recorded by ORIENT at 263mn

- **The numbers in black font are extracted from CBUAE/IA annual reports**

Companies Included in the Analysis

Listed Insurance Companies			
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	ALLIANCE	Alliance Insurance	DFM
6	AMAN	Dubai Islamic Insurance and Reinsurance Co.	DFM
7	ASCANA	Arabian Scandinavian Insurance Co.	DFM
8	ASNIC	Al Sagr National Insurance Company	DFM
9	AWNIC	Al Wathba National Insurance Co	ADX
10	DARTAKAFUL	Dar al Takaful (Takaful House)	DFM
11	DHAFRA	Al Dhafra Insurance Co.	ADX
12	DIN	Dubai Insurance Co , PSC	DFM
13	DNIR	Dubai National Insurance & Reinsurance Co.	DFM
14	EIC	Emirates Insurance Co.	ADX
15	GCIC	Green Crescent Insurance Company	ADX
16	IH	Insurance House P.S.C	ADX
17	METHAQ	Methaq Takaful Insurance Co.	ADX
18	NGI	National General Insurance Company	DFM
19	OIC	Oman Insurance Company (P.S.C.	DFM
20	ORIENT	Orient Insurance PJSC	DFM
21	OUTFL	Orient UNB Takaful 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	FIDELITY UNITED	United Fidelity Insurance (PSC)	ADX
28	UNION	Union Insurance Company	ADX
29	WATANIA	National Takaful Company	ADX

Branches Included in the Analysis

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

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 end of 2021. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report. For branches, the financials published in different newspapers have been relied upon.

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- Some of the figures for 2020, as shown in this analysis differ from the ones shown in our report compiled as of December 31, 2020. This is because of the restatements of financials and the exclusion (inclusion) of some branches and companies for which the financials were not available (available).

About Our Team

UAE/Oman Actuarial	KSA Actuarial	Medical	IFRS-17
30 staff	16 staff	9 staff	11 staff
Business Intelligence	**End of Service**	**HR Consulting**	**Support Functions**
9 staff	7 staff	3 staff	18 staff

Total Strength
103

Our Team

Hatim Maskawala

Ali Bhuriwala

Navin Ghorawat

Hamzah Bokhari

Subhan Naeem

Hassan Athar

Our Feedback

Badri Management Consultancy is proud to present UAE's Insurance Industry Performance analysis Q4 2021. 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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