BADRI

Year End

2022

UAE Listed Insurance Companies Performance Analysis

Date: **April 11, 2023**

About **BADRI**

Award winning strategic partner to the insurance industry with our 130+ talented staff in KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

Our MIIA **Awards**

- Strategic Partner to the Industry 2022
- Strategic Partner to the Industry 2021
- Strategic Partner to the Industry 2020

What We Can Do **For You!**

Actuarial **Consultancy**

- Appointed Actuary
- End of Services
- General & Life Actuarial
- IFRS 17
- Pricing, Reserving & Capital

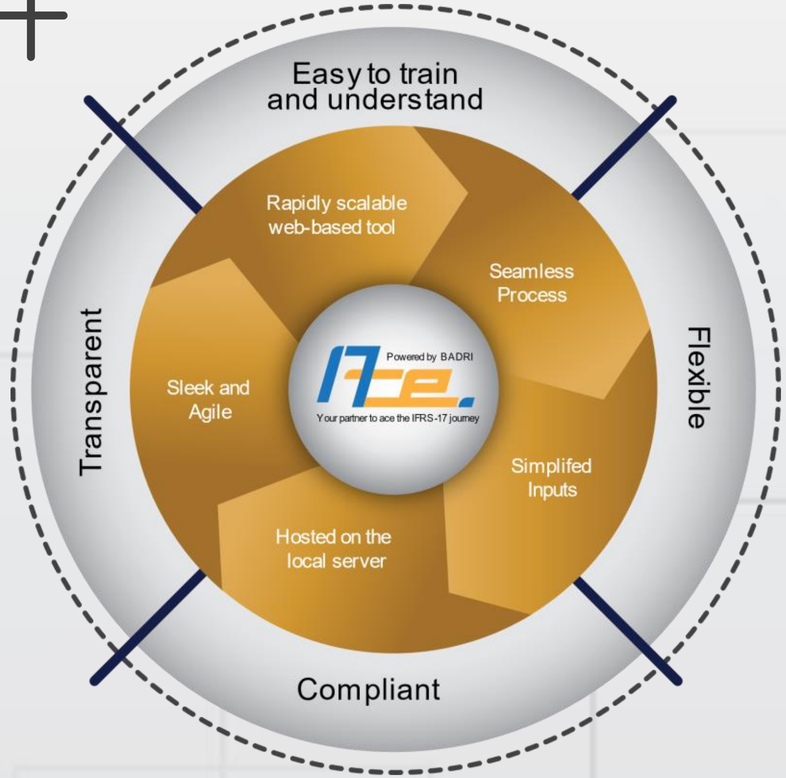
Strategic **Consultancy**

- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition

Technology **Consultancy**

- Digitalization
- Business Intelligence
- Data Governance
- Big Data & Analytics
- IFRS 17 Systems
- Actuarial Systems

IFRS 17



Ace 17

ACE-17, our flagship IFRS 17 calculation engine, provides a seamless and cost-effective solution to generate the IFRS 17 financials and disclosures, saving your time and effort in your IFRS 17 reporting processes. Users can move through an intuitive, fully transparent, and flexible calculation process that is built to generate all the reporting requirements to deliver the IFRS 17 financial statements.

Financial Services

Our professional and dedicated team possess the expertise in financial services domain and offer wide range of services. Our core services are:

- IFRS Implementation
- Reconciliation Services
- MIS Reporting
- Backlog Accounting
- Loan Staff (Outsource)

Reconciliation Services

- Improve collections from insurance companies/ brokers and customers by reconciling the statement of account on regular basis.
- Accurate reporting of LRC and LIC balances. As currently most businesses struggled to isolate their receivables, payables, and commission from their net position.
- Reduce risk of error and compliance with regulation/ standard.

Loan Staff

- Availability of Qualified and competent staff immediately.
- No lengthy hiring process as no change in the headcount.
- Benefit from a consultant's knowledge of the market.
- Cost containment.

About BADRI

Driven by the passion to further the use of actuarial skills in the MENA region, Badri was established in the UAE. Since then, the company has expanded exponentially and now has offices in Dubai, Riyadh, Karachi, and Lahore.

Today, our 130+ talented staff spread across KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

We specialize in General, Life & Health Insurance / Takaful and provide customized solutions by using the latest analytical tools. We also provide IFRS17, ERM, Capital Modelling, and Big Data Analytics services to our clients.

Our Achievements

BADRI Management Consultancy has recently won awards from InsureTek and MENAIR in the category of Corporate Risk Manager & Best Actuarial Consultancy Firm for 2023 respectively. It is in recognition of our efforts in creating an efficient risk management environment and a framework that could assist companies in formulating effective business strategies.

These awards inspire initiatives towards Product Innovation, Corporate Social Responsibility & Long-Term Sustainability. These awards are the reflection of the trust and loyalty of our esteemed clients, and the hard work and dedication of all our people at Badri.

We have started many new trends like regular research reports and industry workshops and training with the intention of raising the level of transparency and technical expertise within the industry. We consider ourselves as solution architects strengthening our partners to optimize performance and winning these prestigious awards means we are going in the right direction.

Thank you, InsureTek, MENAIR and the judges, for acknowledging all the efforts put in behind the scenes.

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

01 Integrity

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

02 Chasing Excellence

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

03 Fostering Partnerships

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

04 Breeding Excitement

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

05 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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2022 Highlights

Gross Premiums Written

Gross Premiums for the listed insurance companies

AED 29 Billion
(AED 26 Billion in 2021)

Retention Ratio

The weighted average retention ratio of the listed insurance companies.

38%
(41% in 2021)

Profit

Profit for listed insurance companies.

AED 1.5 Billion
(AED 1.9 Billion in 2021)

Loss Ratio

Weighted Average loss ratio recorded for UAE
listed insurance companies.

62%
(63% in 2021)

Return on Equity

Weighted average return on equity by Listed insurance Companies.

8%
(11% in 2021)

Industry GWP Growth Timeline

2018	2019	2020	2021	2022
AED 22bn	AED 24bn	AED 24bn	AED 26bn	AED 29bn

Industry Profit Growth Timeline

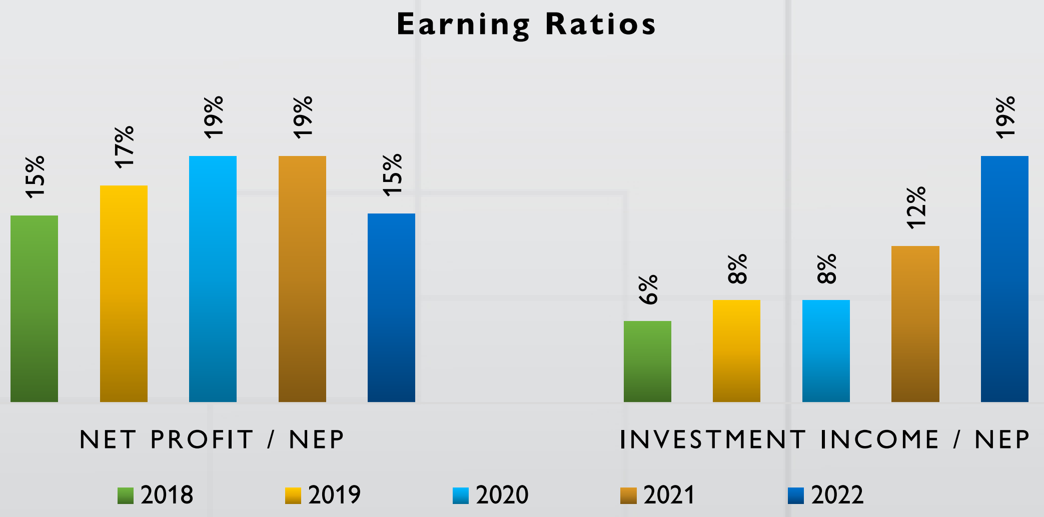
2018	2019	2020	2021	2022
AED 1.4bn	AED 1.6bn	AED 1.9bn	AED 1.9bn	AED 1.5bn

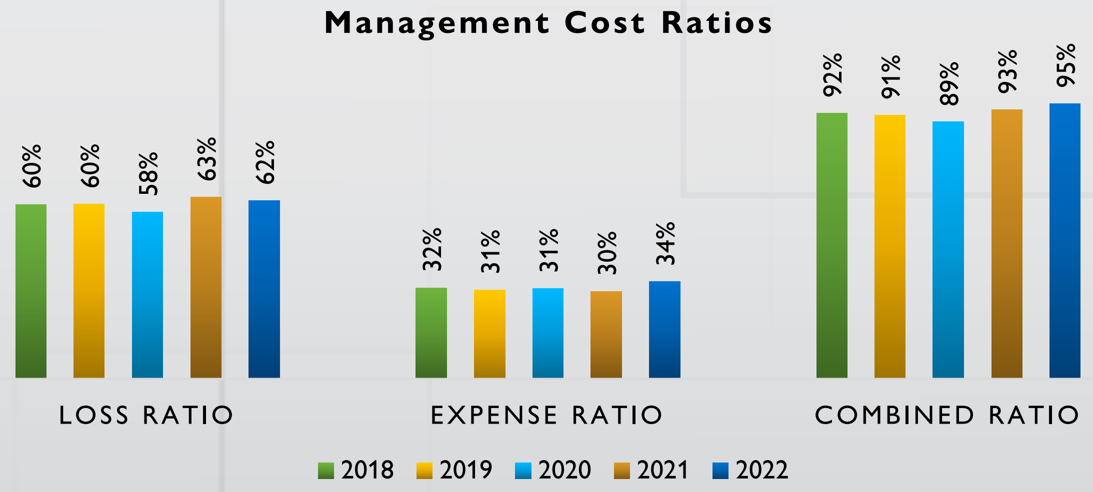
Performance Ratios

Listed companies in the UAE experienced an 11% increase in their topline in the year 2022.

The return on investments has gone up from 12% in 2021 to 19% in 2022, while the Profit Earning ratio has decreased from 19% in 2021 to 15% in 2022.

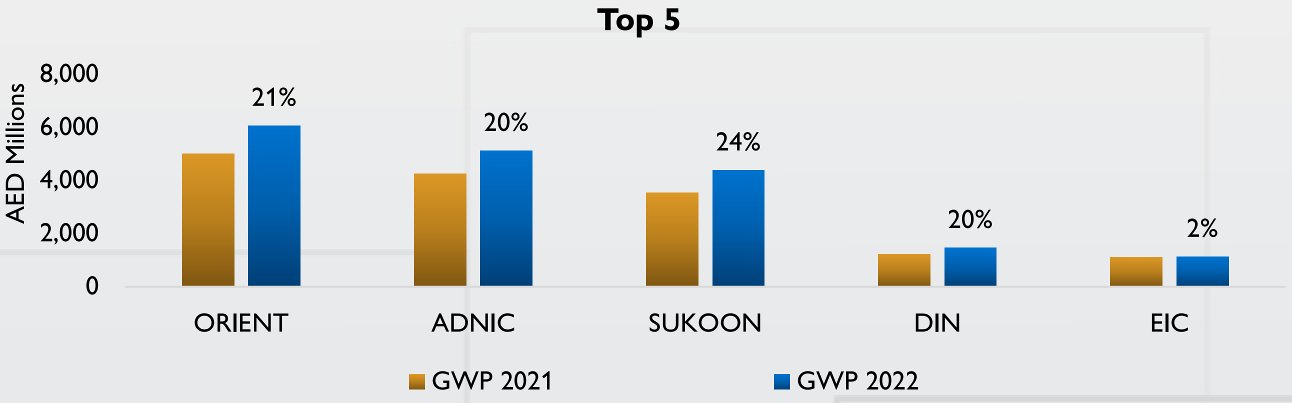
The loss ratio has slightly decreased from 63% in 2021 to 62% in 2022, but the expense ratio has increased from 30% in 2021 to 34% in 2022.

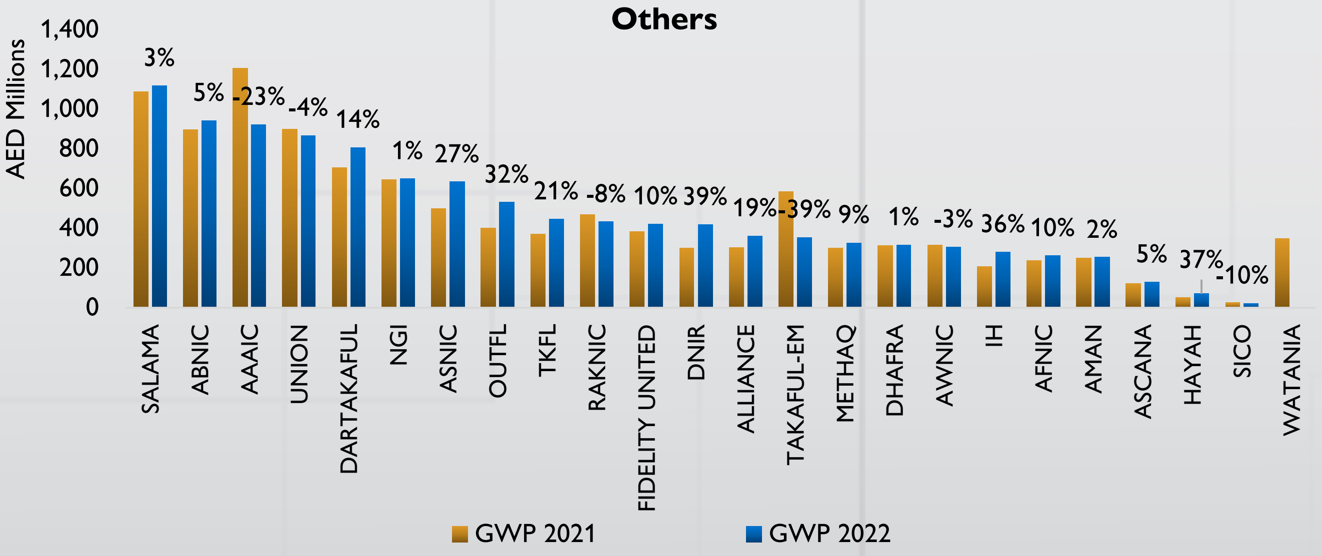




Premium

Gross Written **Premiums**





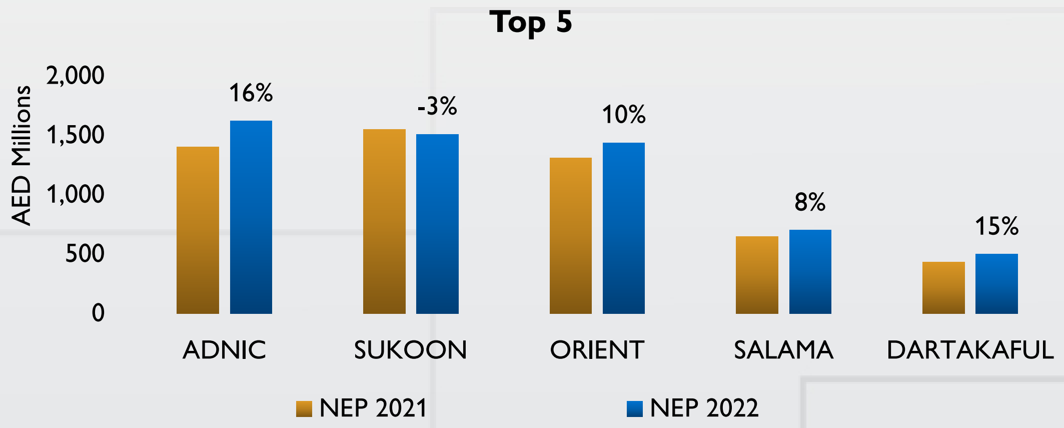
In 2022, listed companies in the UAE recorded a gross premium written of AED 29 billion, reflecting an 11% increase compared to the premium amount of AED 26 billion during the corresponding period in the previous year.

It is worth noting that the graph shows the gross written premium (GWP) of AED 26 billion for the year 2021, which includes the numbers of WATANIA. Following the merger between DARTAKAFUL and WATANIA on July 1, 2022, the values of the combined entity are represented by DARTAKAFUL's figures. However, to present a comprehensive view of the data, the graph also displays WATANIA's 2021 values.

The collective premium share of the top 5 companies accumulates to AED 18 billion in 2022. This share was AED 15 billion in 2021. Hence, depicting that the share has increased by 5% from 58% as of 2021.

Overall, out of the 28 listed companies, 22 demonstrated growth in premiums, whereas the remaining 6 experienced a decline in their business growth.

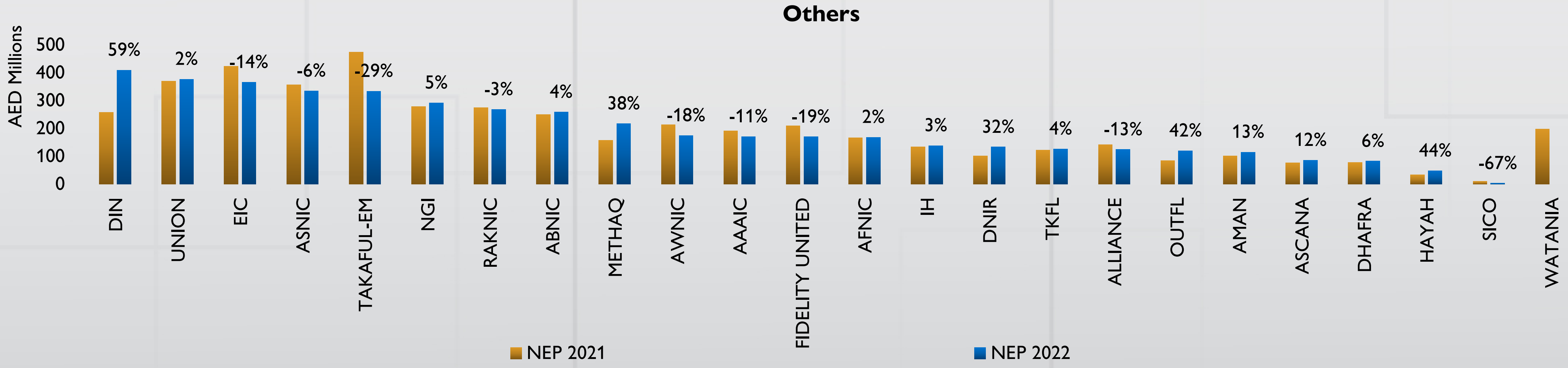
Net Earned Premiums



The UAE insurance industry witnessed a 2% increase in net earned premiums, with the total amounting to AED 10.3 billion in 2022 compared to AED 10.1 billion in the previous year.

Among the top 5 companies, the net earned premiums totaled AED 5.8 billion in 2022, reflecting a market share of 56%, which is 3% higher than the top 5 companies' net earned premium in 2021.

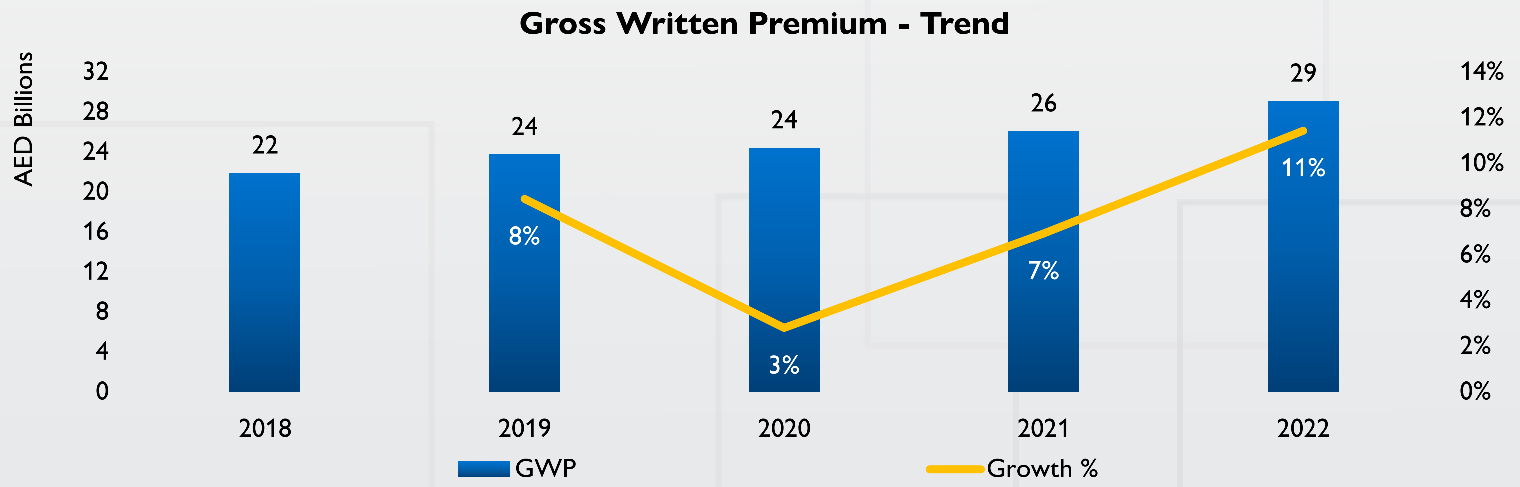
As illustrated, DIN witnessed a remarkable growth of approximately 59% in 2022, with a corresponding 20% increase in written business. Conversely, SICO experienced the most significant decline in net earned premiums with a negative growth rate of 67%.

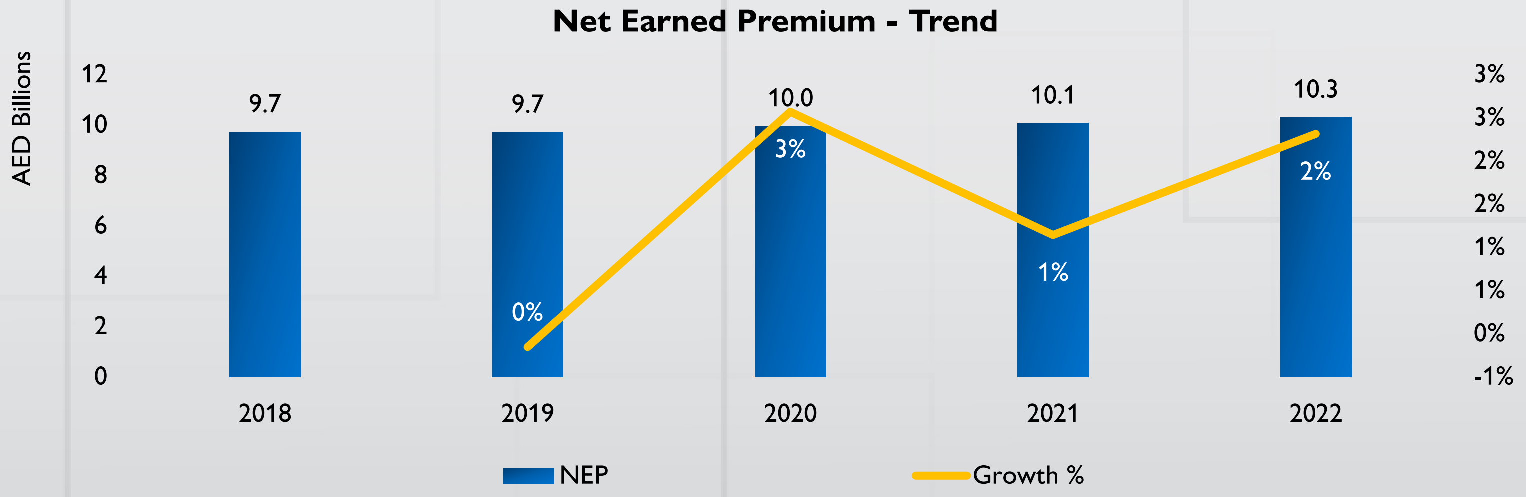


Premium **Trends**

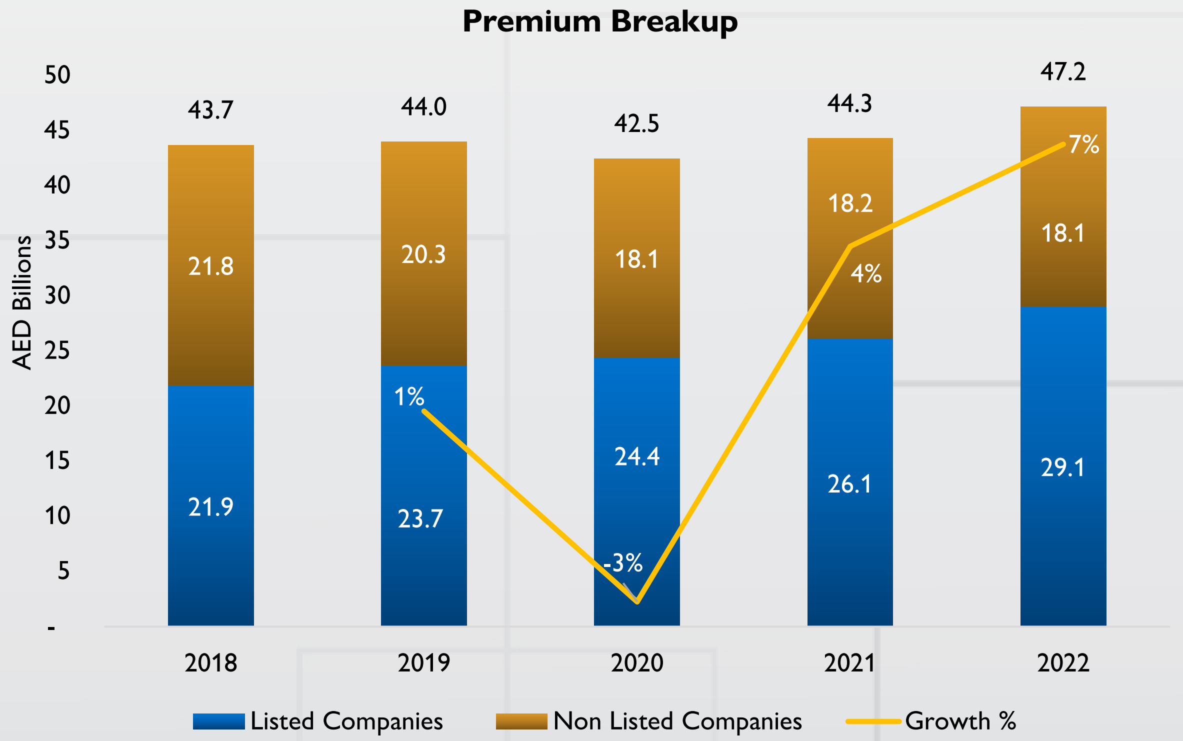
The insurance industry in the UAE is showing signs of improvement, as evidenced by the increasing trend in gross written premiums. In 2022, the industry experienced an 11% growth rate compared to 7% in 2021.

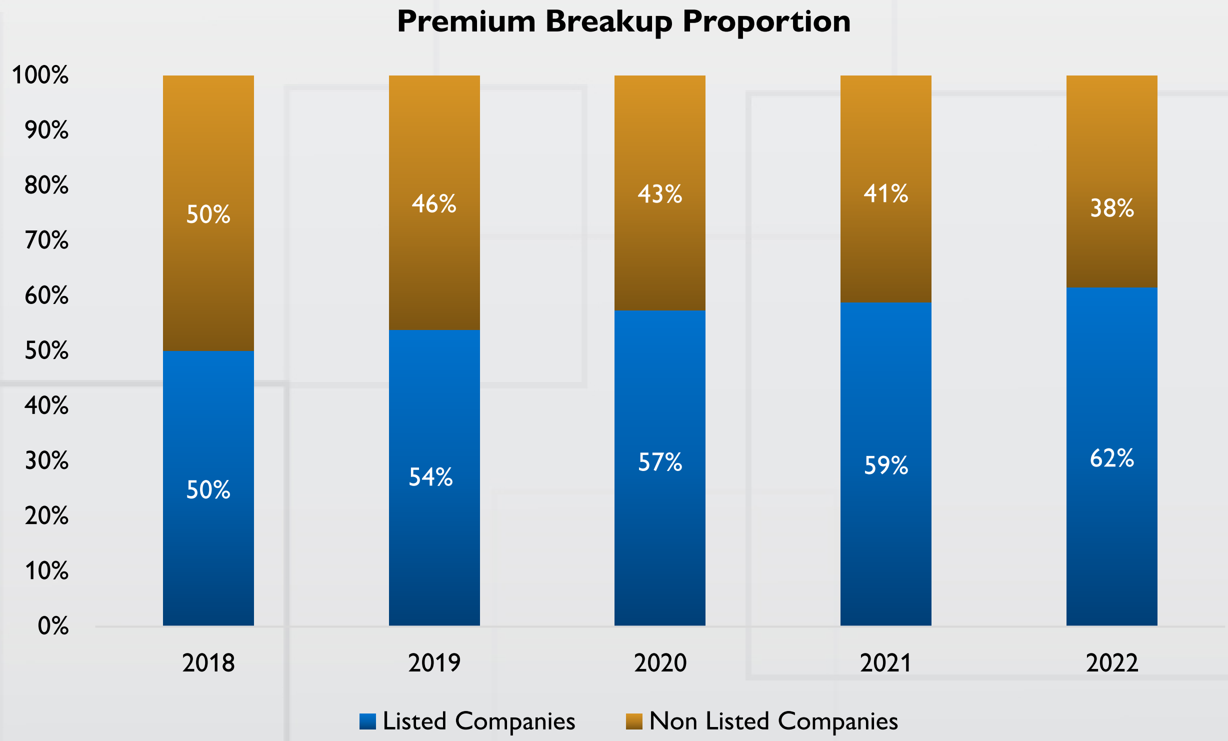
Additionally, there was a 2% increase in net earned premiums in 2022 compared to the previous year.





Premium **Trends**





Total market numbers from 2018 to 2021 are extracted from CBUAE reports, for 2022 the numbers are taken from Middle East Insurance Review website which quotes values from CBUAE for year 2023. The listed companies' numbers are taken from BADRI reports.

Over the past five years we have seen listed companies increase their share from 50% to 62% which is a large shift.

Conventional Vs **Takaful**

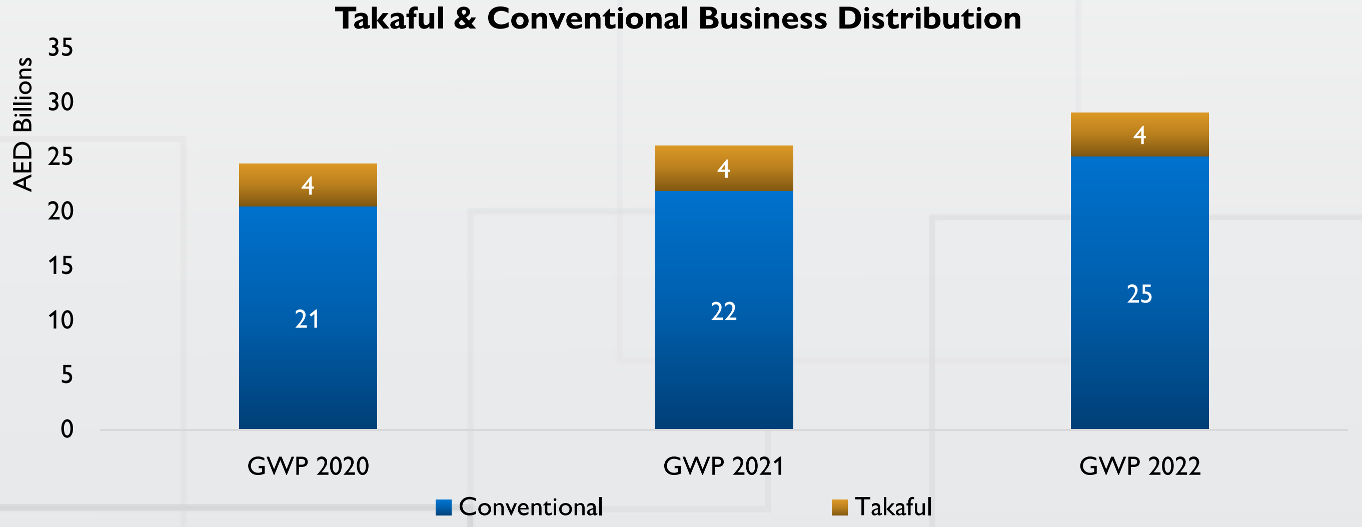
There are 29 listed insurance companies in the UAE, with 8 of them operating as Takaful Insurers.

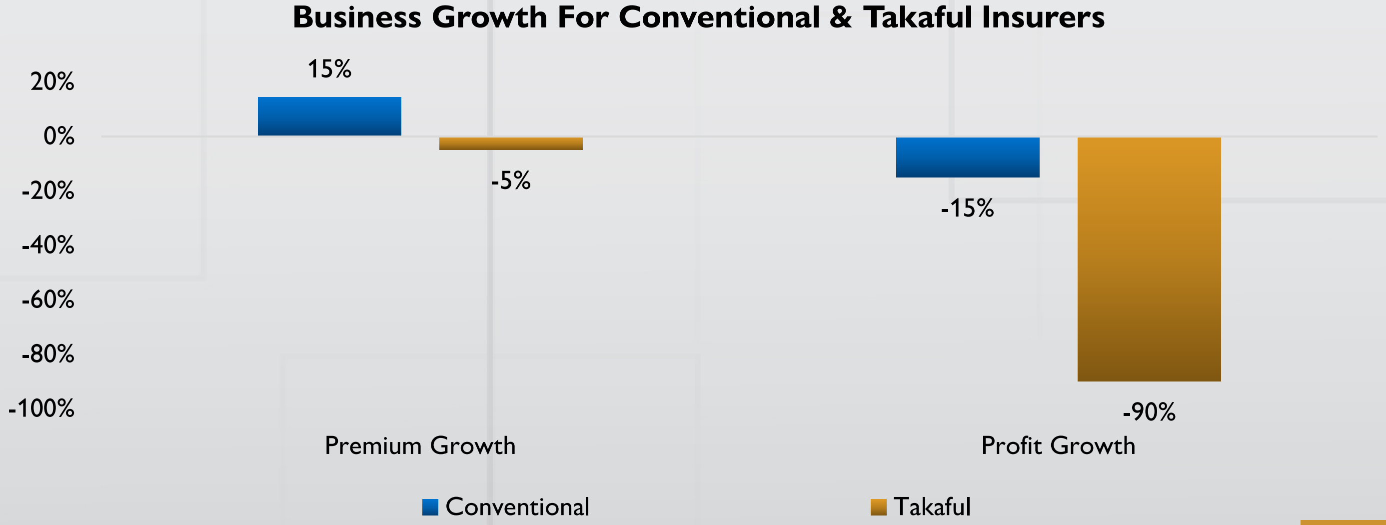
In 2022, Takaful companies accounted for a market share of 14% of the total business written by the listed insurance companies in the Emirates.

However, for Takaful insurers, written business declined by 5% in 2022, amounting to AED 3.9 billion (2021: AED4.2 billion), as compared to a growth of 7% in 2021, with 7 out of 9 Takaful companies experiencing a decrease in their topline.

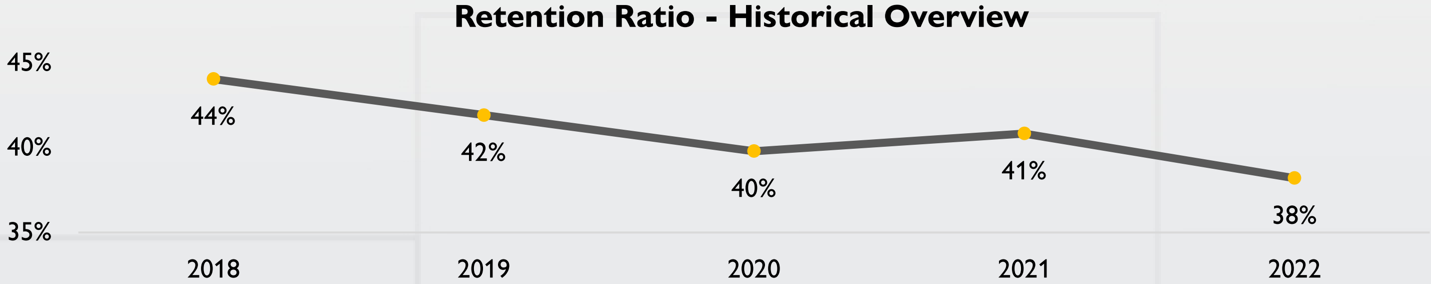
Furthermore, consolidated profits for Takaful Insurers decreased by 90% in 2022, with only 3 out of 9 companies demonstrating growth in their profits, while 3 companies reported losses in their bottom line.

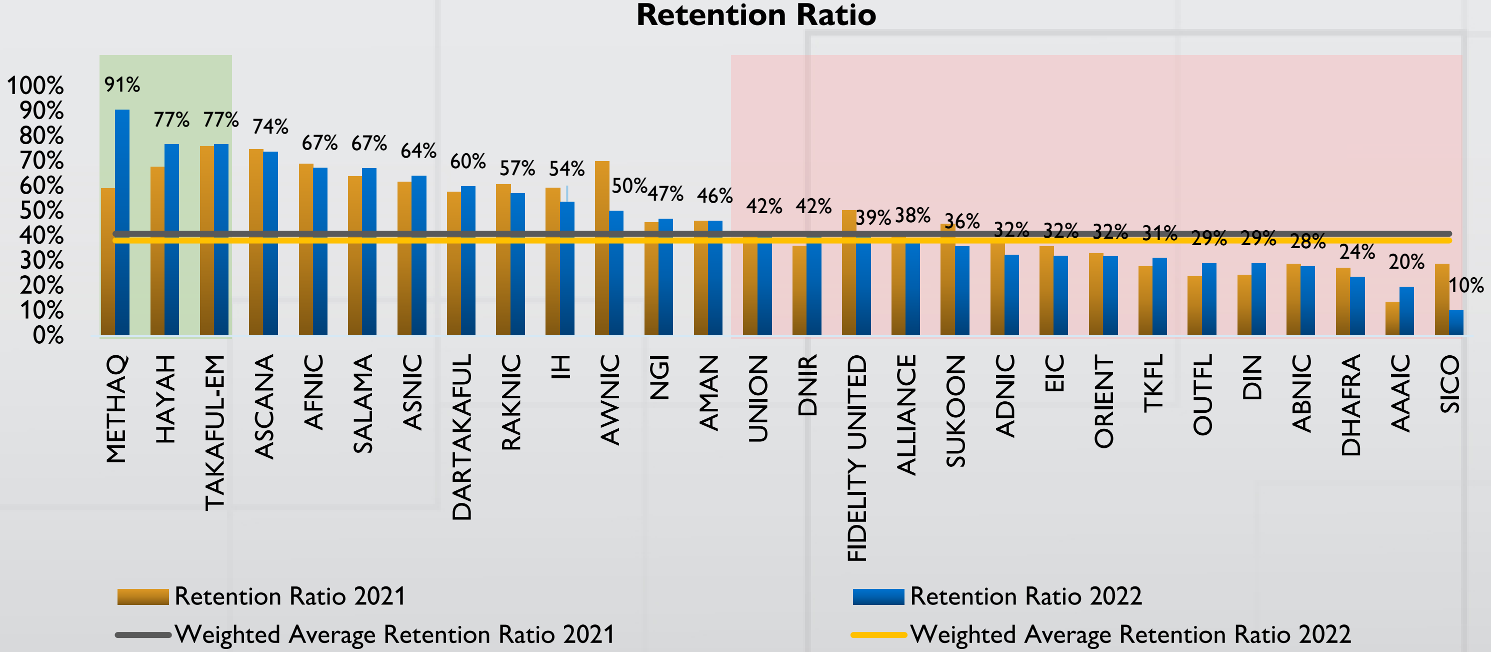
For Conventional Insurers, the Gross Written Premium (GWP) growth was observed to be 15% in 2022, as compared to 7% in 2021. However, profit growth has decreased to 15%, compared to the growth of 11% recorded in 2021.





Retention Ratio





The weighted average Retention Ratio for 2022 was recorded to be 38%(2021: 41%).

The highest retention was displayed by METHAQ; retaining 91% of their business while the lowest retention of 10% is reflected by SICO.

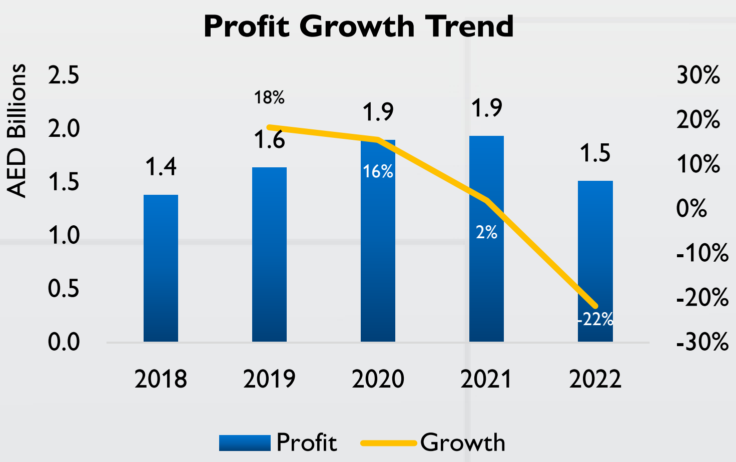
As per the CBUAE benchmark the recommended range for retention ratio is above 45%, while the preferred range is above 75%. The red zone reflects the companies falling in critical range which is below 45%.

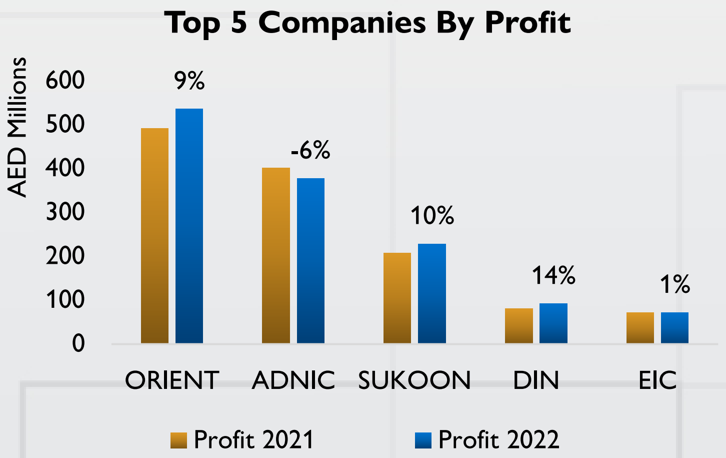
Although there may be exceptions, Retention ratios are generally reflective of the lines of business being underwritten; Motor and Medical generally tend to have high retention ratios, while commercial lines such as Aviation, Engineering and Fire tend to have lower retentions. Also, since this analysis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

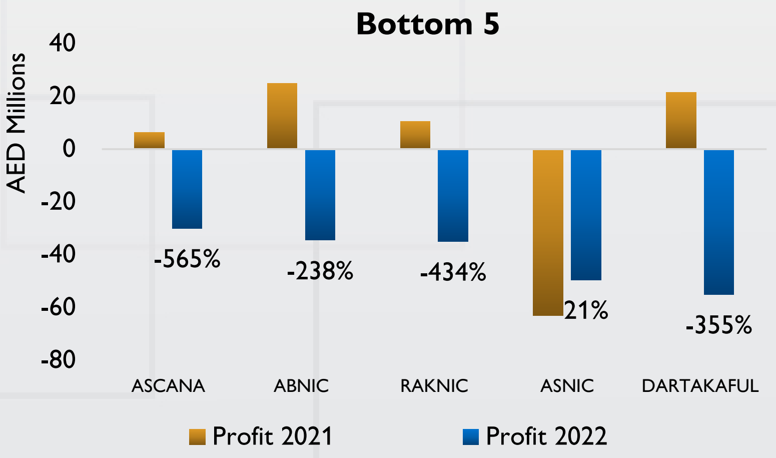
- *The retention ratio is calculated as a ratio of net written premiums to gross written premium.*

Profitability

Profit **Before Tax**





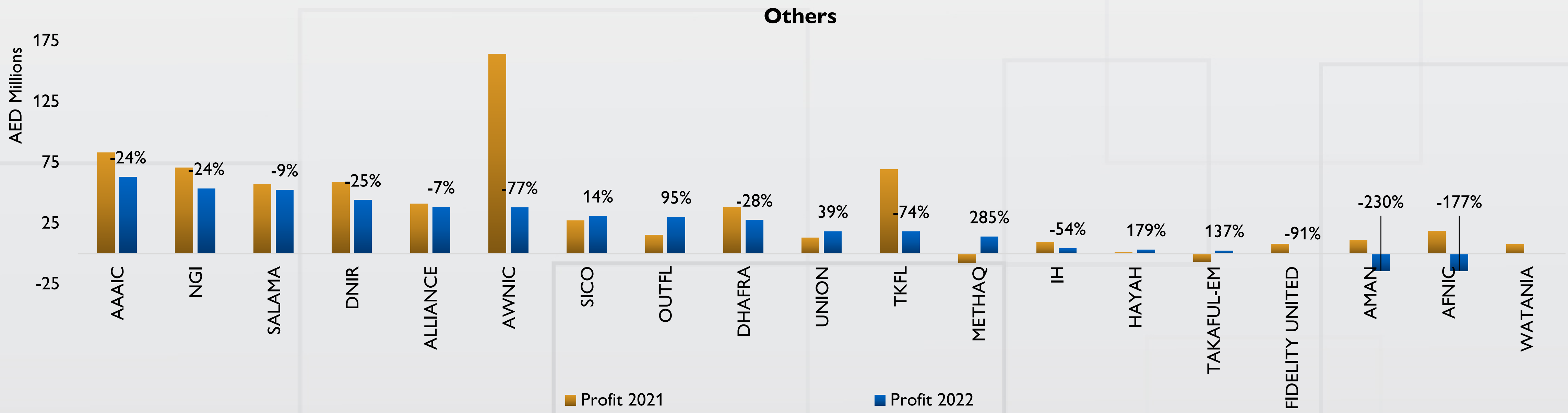


In 2022, there was a decrease of approximately 22% in profits for companies in the Emirates. The top 3 companies contributed AED 1.1 billion, which accounted for 75% of the total profit share in the insurance market.

ORIENT, ANDIC, and SUKOON have retained their positions from the previous year. ASCANA experienced the largest decline in profits during the period. AWNIC's profit drop can be attributed to a reduction in investment income, which was affected by a substantial sum of AED 158 million realized in 2021.

For 7 consecutive years, ORIENT has held the top position for achieving the highest profit, with AED 536 million in 2022, a 9% increase from the previous year (AED 492 million).

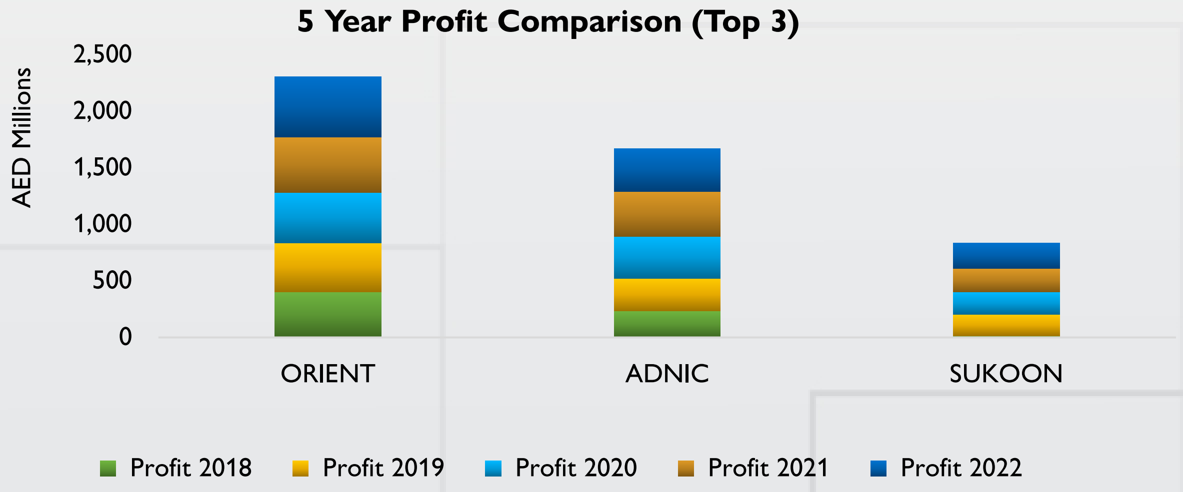
Profit Before Tax



The listed companies have generated profits totaling to AED 1.5 billion when compared with AED 1.9 billion of profits recorded in 2021. The Profit for 2021 also includes WATANIA as portrayed in the graph. As DARTAKAFUL has taken over WATANIA from July 2022, however it is separately included in this analysis only for the period of 2021 for comparative purposes.

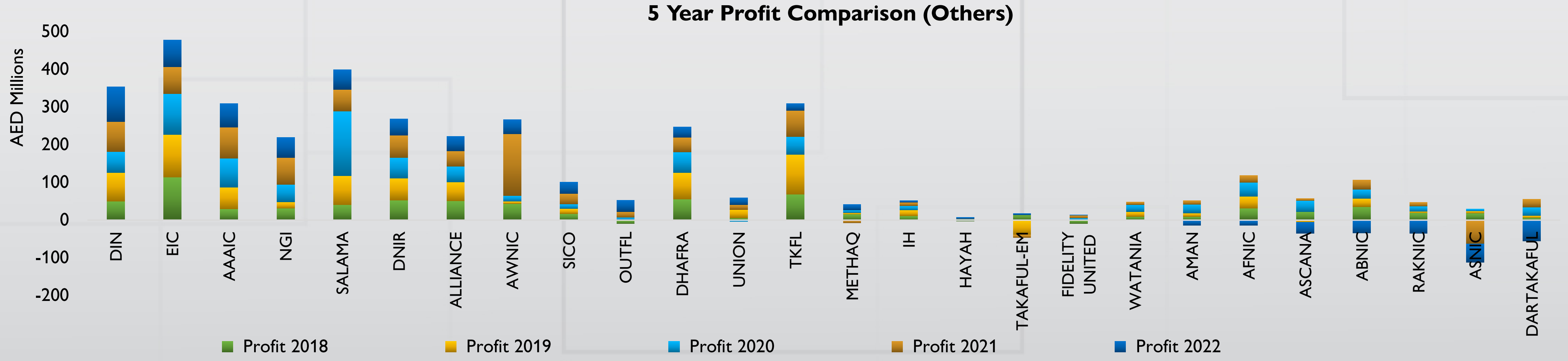
For Takaful companies we have consolidated the Policyholders and Shareholders profit/loss for comparative purposes.

Profit Before Tax – 5 Year Trend For



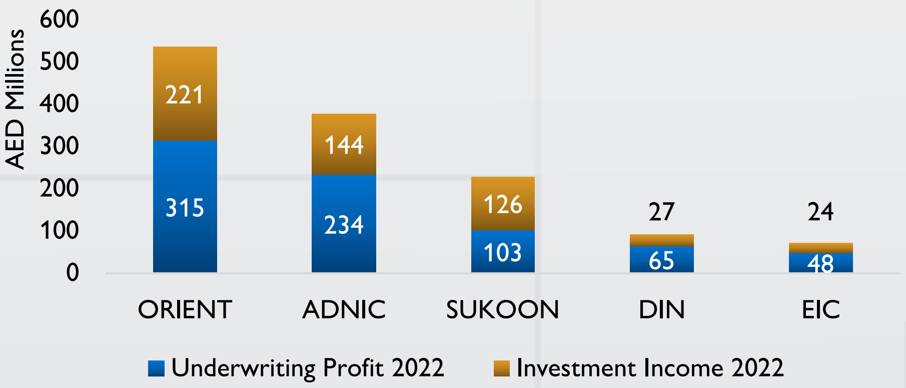
The Top 3 companies maintain their dominance on a 5-year combined basis as well. Orient is significantly ahead of the industry.

Graphs are sorted on the basis of Profit 2022



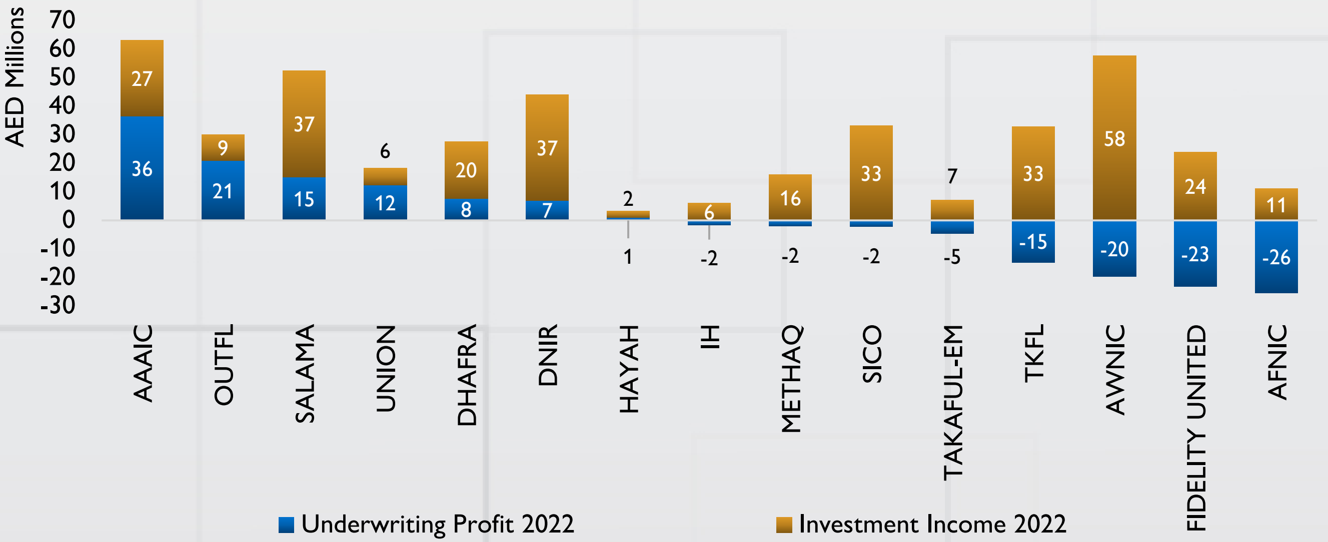
Profit Analysis

Top 5 Companies By Underwriting Profit



Bottom 5 Companies By Underwriting Profit

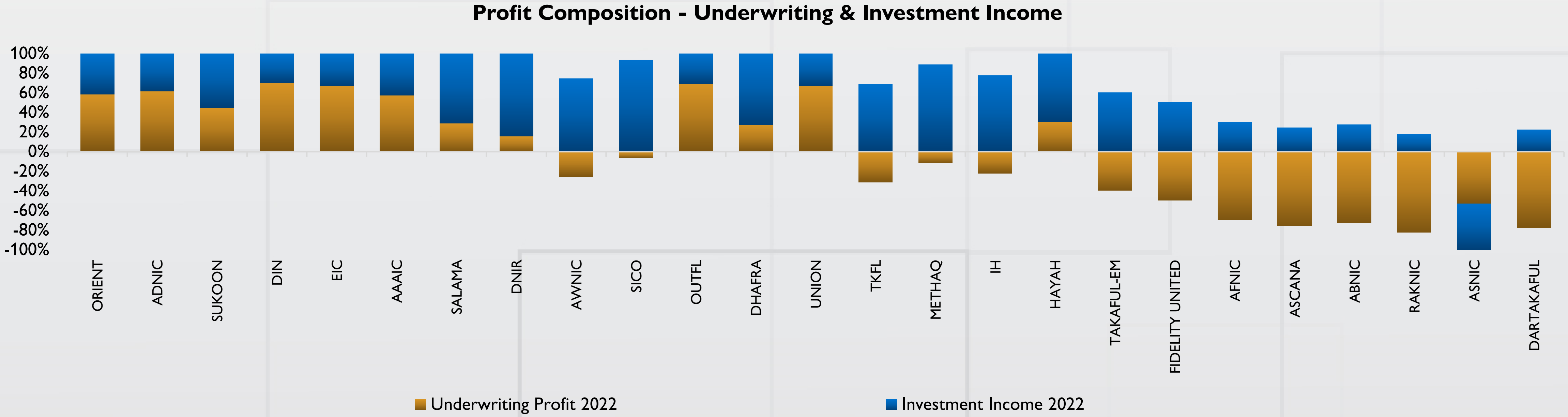
Remaining Companies By Underwriting Profit



The analysis above is sorted by Underwriting income.

Out of 25 companies in this analysis 13 have witnessed deficit in their Underwriting while 1 company have witnessed losses in its investments.

Profit Composition 2021



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

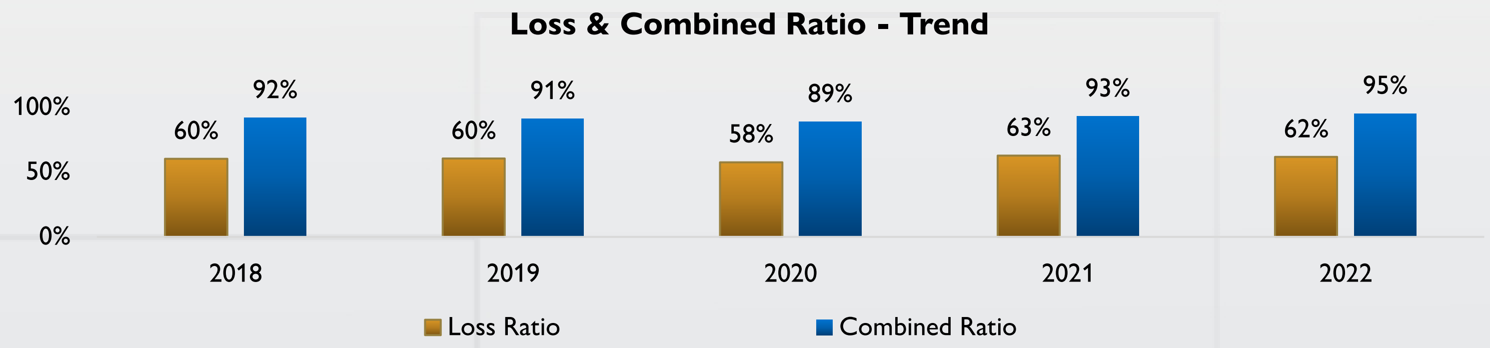
Out of the 28 companies listed, 19 have a higher proportion of profits generated from investments rather than underwriting. This indicates that there is potential for improvement in underwriting strategies within the market, and companies should focus on making underwriting income their primary source of profit generation.

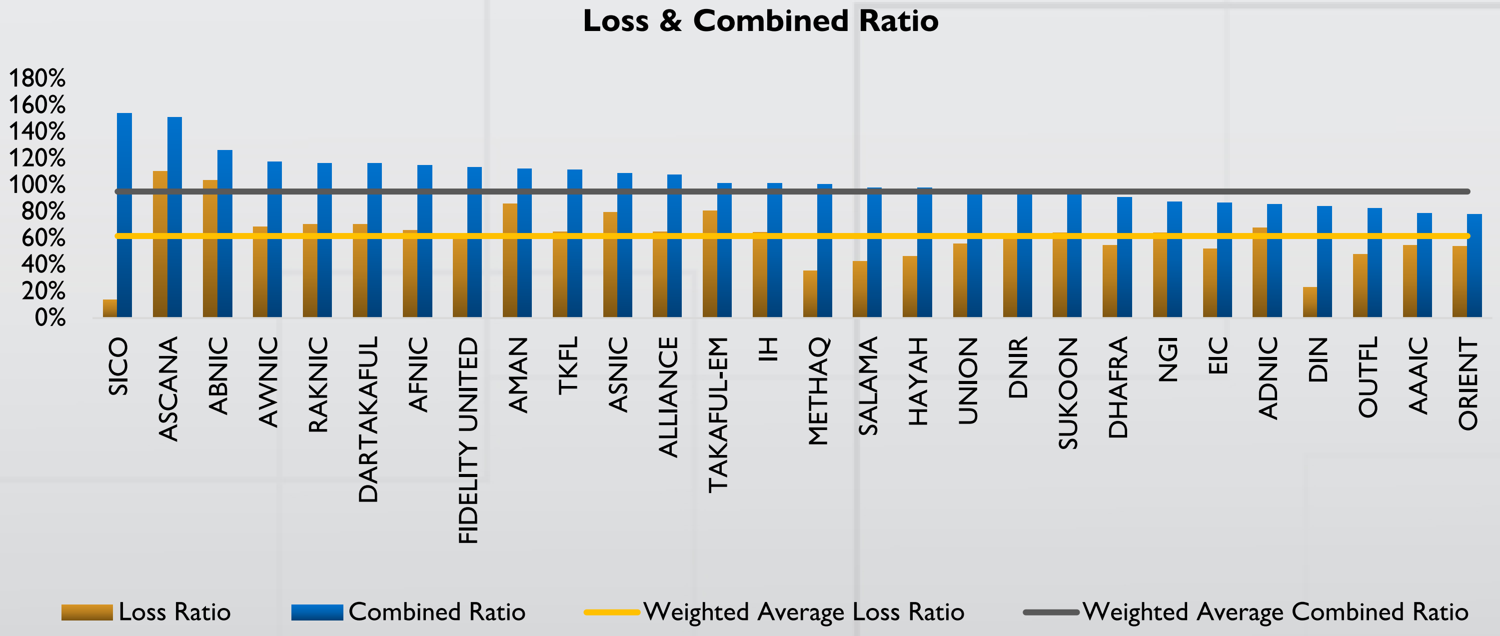
For companies that write a substantial amount of Life business, investment income plays a crucial role in their underwriting activities. However, since the financials are not separated into Life and Non-life segments, the overall performance is presented at the company level. Therefore, companies such as NGI, AMAN, and ALLIANCE, which generate a significant top line through their Life portfolio, are excluded from this review. This is because their results may not provide an accurate comparative analysis.

Net Profit Breakdown

Particulars	2018 AED billion	2019 AED billion	2020 AED billion	2021 AED billion	2022 AED billion	Variance 2021-2022 AED billion
Top 3 Companies						
UW Profit	0.5	0.5	0.6	0.6	0.7	0.1
Investment Income	0.3	0.4	0.4	0.5	0.5	(0.0)
Total Profit	0.8	0.9	1.0	1.1	1.1	0.1
Others						
UW Profit	0.4	0.4	0.5	0.1	-0.1	(0.3)
Investment Income	0.3	0.3	0.4	0.7	0.5	(0.2)
Total Profit	0.6	0.7	0.9	0.8	0.4	(0.5)
Total Listed Companies						
UW Profit	0.8	0.9	1.1	0.7	0.5	(0.2)
Investment Income	0.6	0.7	0.8	1.2	1.0	(0.2)
Total Profit	1.4	1.6	1.9	1.9	1.5	(0.4)

Loss & Combined Ratio





The combined ratio for 2022 was 95%, indicating that while the loss ratios decreased, the expense ratios increased, resulting in a weighted average loss of 62%

SICO recorded the highest combined ratio of about 154% whereas the lowest combined ratio of 78% was depicted by ORIENT.

The weighted average loss and combined ratio stood at 62% and 95% respectively.

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

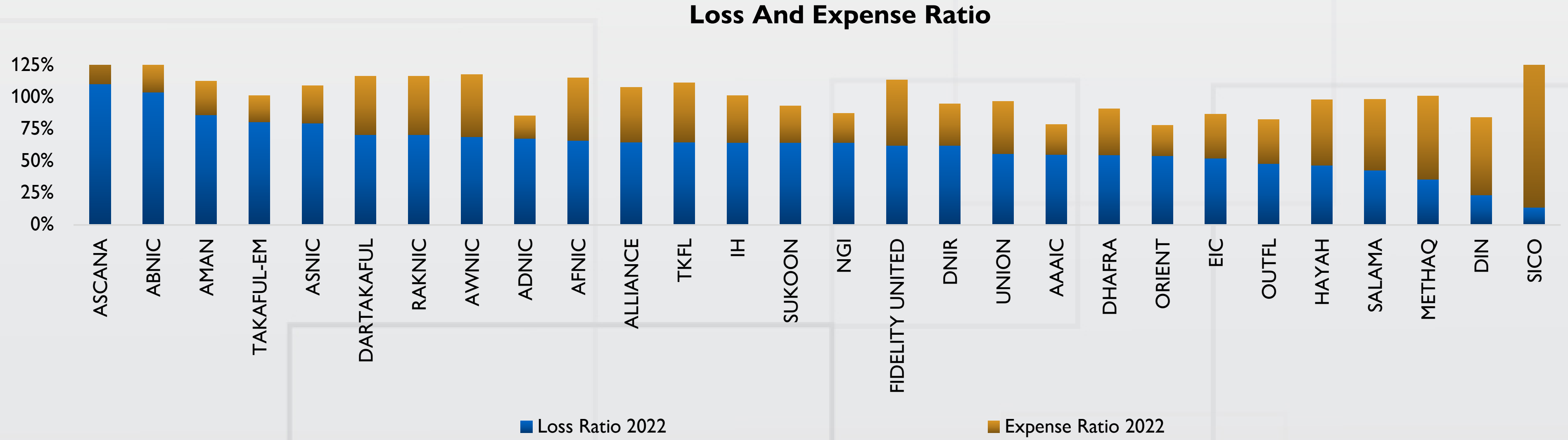
If a company's combined ratio is less than 100%, it is considered profitable in terms of underwriting. This means that companies falling within the green zone are considered profitable due to their underwriting activities.

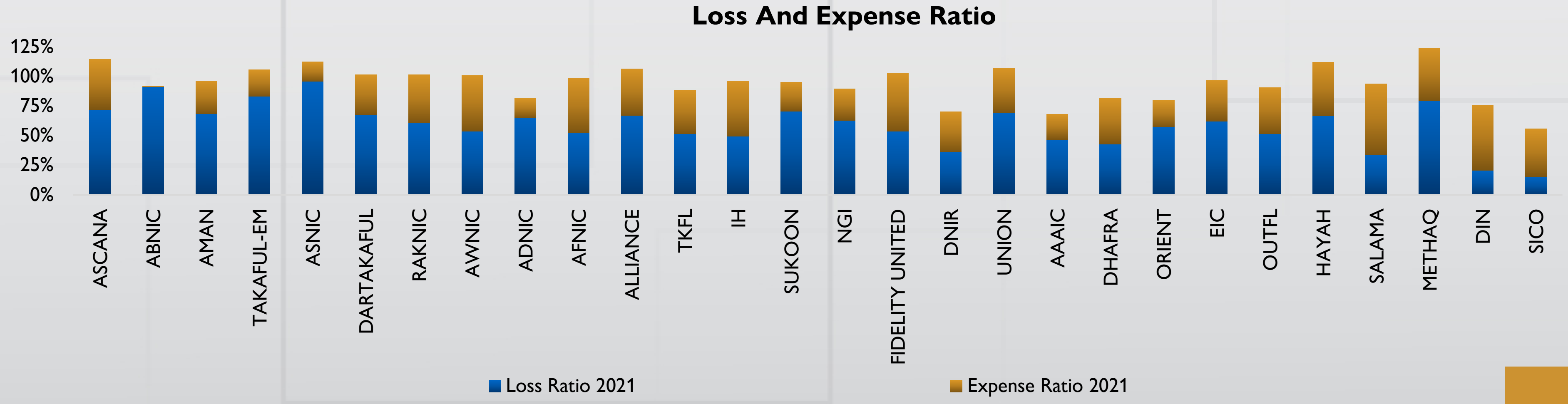
- *Loss ratio is computed as Net Claims Incurred over Net Earned Premium*
- *Combined ratio is calculated as ratio of Net Claims Incurred along with the expenses and net commissions over Net Earned Premium*

Loss & Expense Ratio

15 out 28 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, SICO has lower loss ratios in 2022 but the expenses push the combined ratio above 100% resulting in an underwriting loss for the Company.



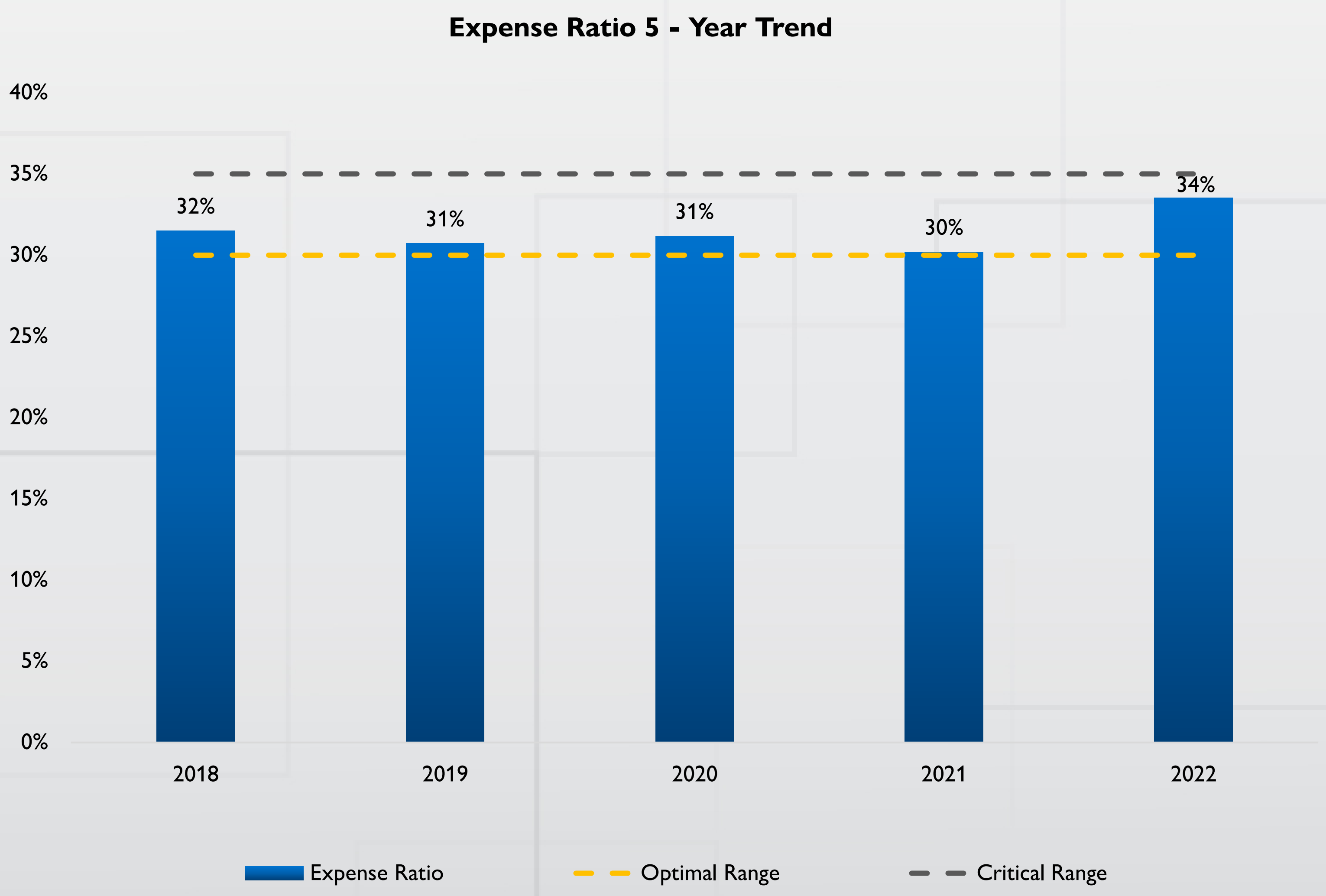


Expense **Ratio**

As portrayed, the industry average expense ratio experienced by the listed companies has been fairly consistent hovering around the 31%-34% range in the past 5 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

The weighted average General & Admin expense ratio of the industry for the year 2022 works out to be 22% which has shown stability as compared to the ratio of 22% recorded in 2021.

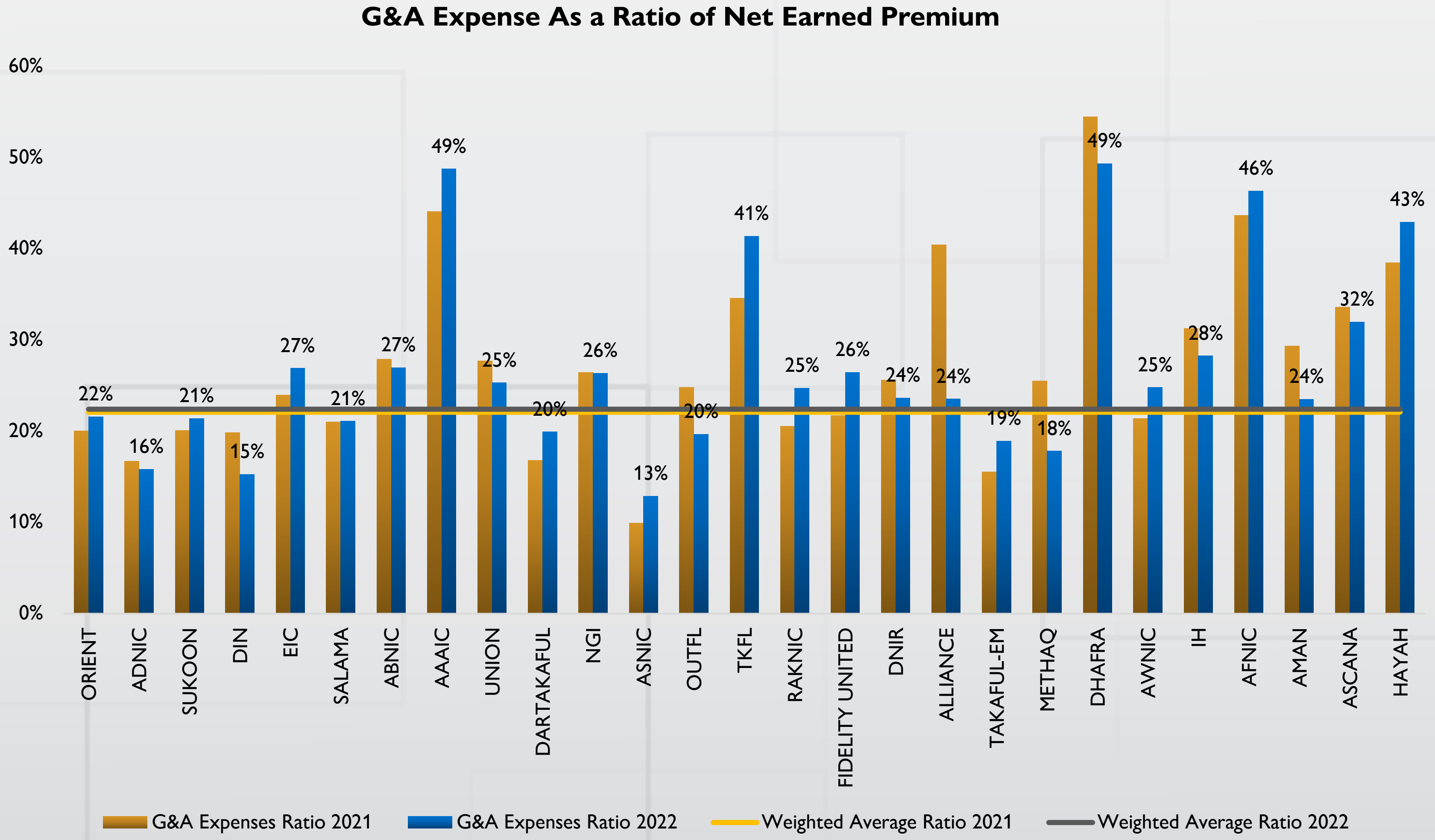
The highest expense ratio for the year 2021 is depicted by SICO of about 219% and hence excluded from the presentation as it was distorting the graph, whereas the lowest expense ratio of 13% is exhibited by ASNIC.

❖ *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

Graph is sorted on the basis of GWP 2022



Expense Ratio

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 2022 stood at 8%, which has remained stable when comparing with 9% in 2021.

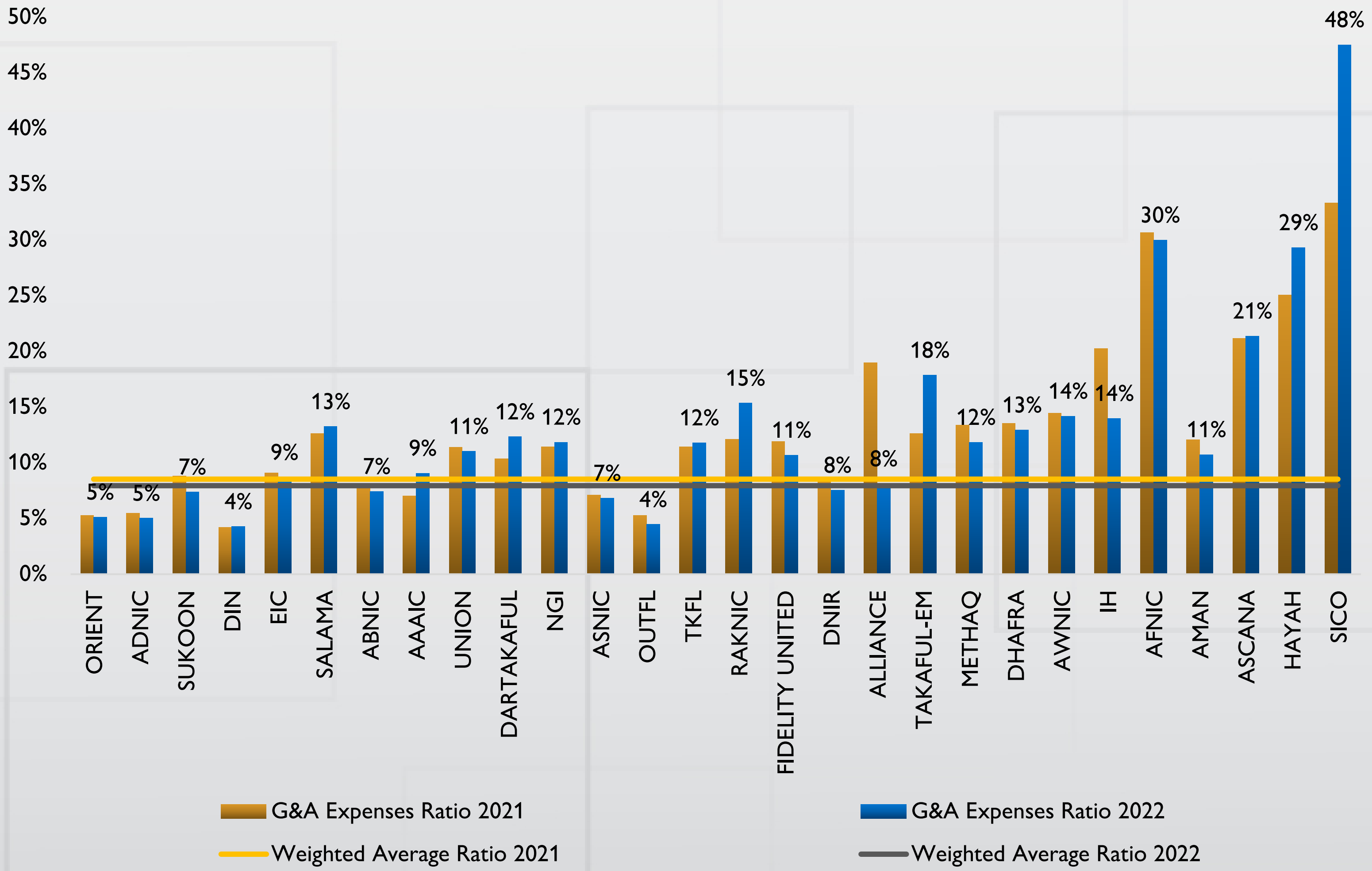
The highest expense ratio of 48% is reflected by SICO while the lowest expense ratio of 4% is reflected by DIN.

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

Graph is sorted on the basis of GWP 2022

G&A Expense As a Ratio of Gross Written Premium



Commission Ratio

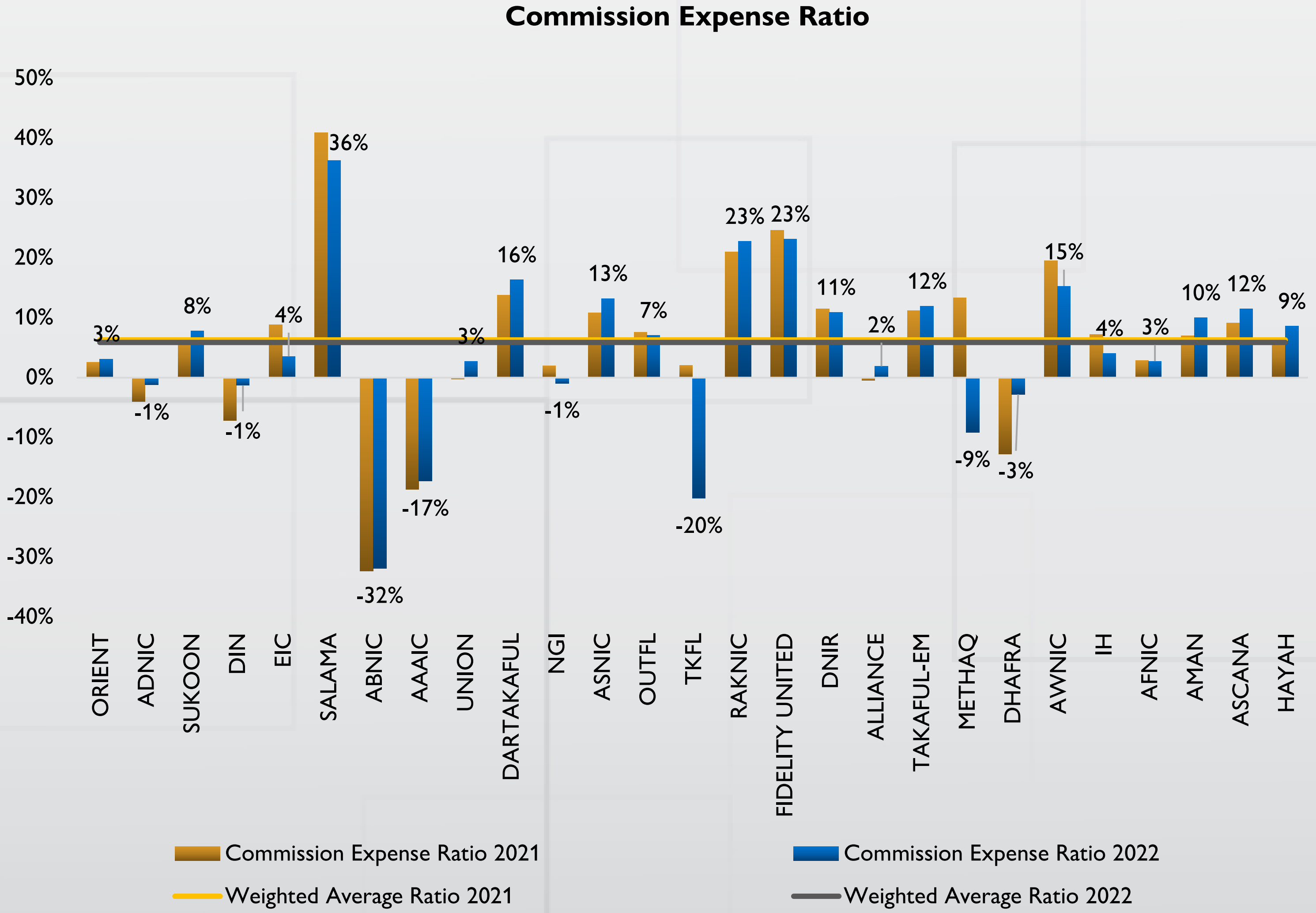
The highest commission ratio of 36% for the period 2022 is depicted by SALAMA whereas the lowest commission ratio is reflected by SICO with a ratio of negative 82%, hence excluded from the presentation as it was distorting the graph.

The weighted average commission ratio is recorded to be 6% (2021: 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.

Graph is sorted on the basis of GWP 2022



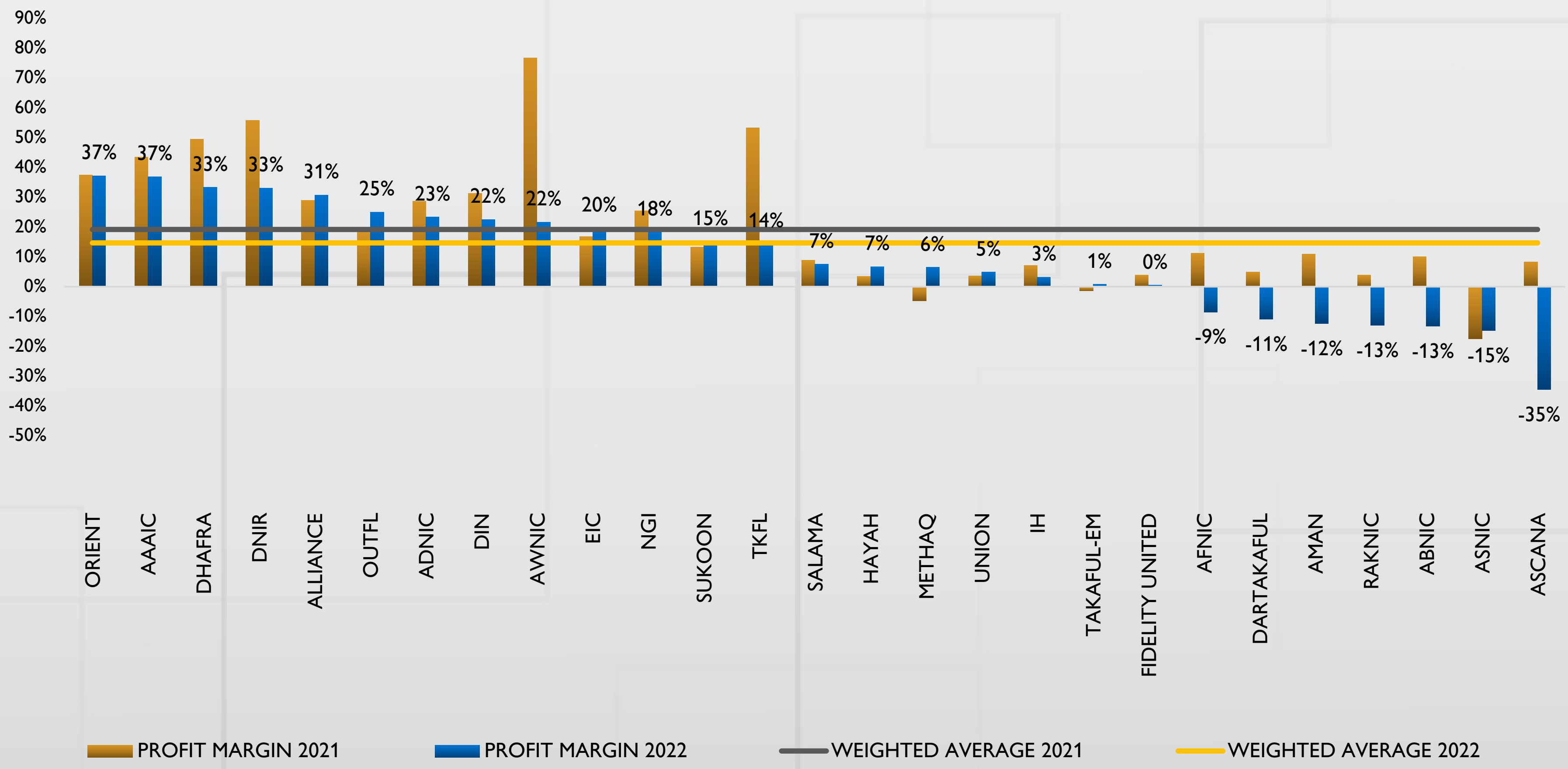
Earning Ratios

The weighted average net profit margin for the year 2022 has declined to 15% (2021: 19%).

The highest margin of 37% is depicted by ORIENT, after excluding SICO which exhibited a profit margin of 624% and hence distorting the presentation above; on the other hand, negative 35% is the lowest margin exhibited by ASCANA for the year 2022.

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

Profit As % of Net Earned Premium



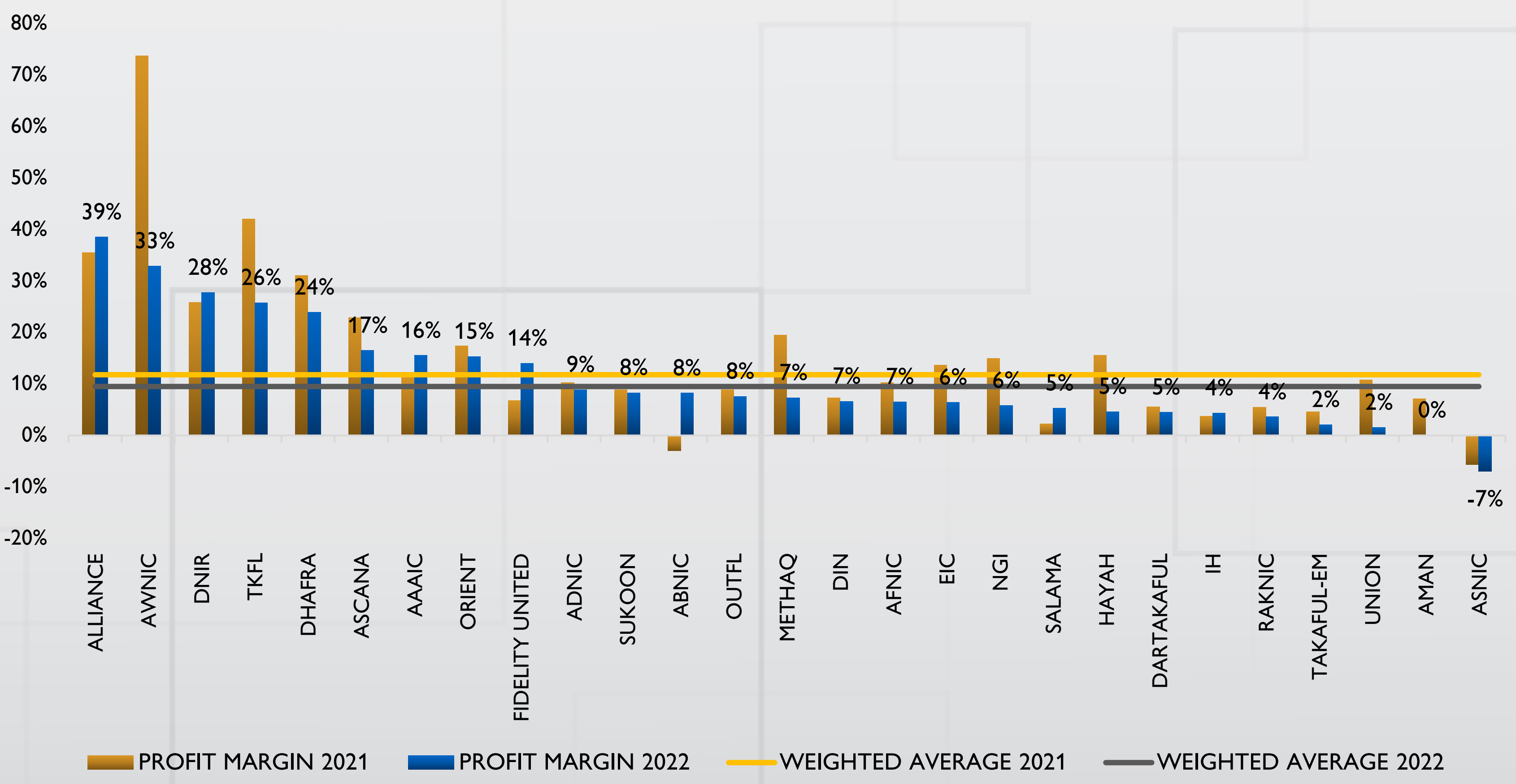
Earning Ratios

The weighted average profit margin from investment activities for the year ended 2022 stood at 9%, portraying a decrease when compared with 2021 which was 12%.

SICO achieved a remarkably high profit margin of 668% from investment income, resulting in its exclusion from the above chart to prevent distortion of the presentation. ALLIANCE, on the other hand, displayed an impressive recovery, achieving a profit margin of 39% from return on investments, bouncing back from the 36% recorded in 2021.

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

Profit Margin From Investment Income



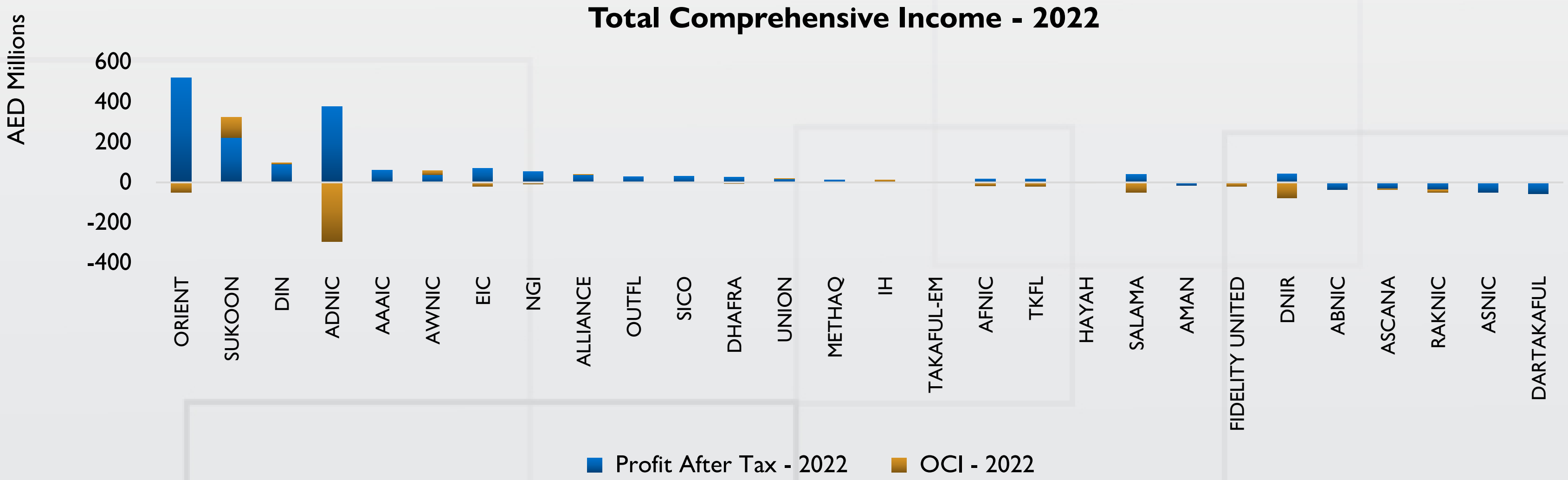
Total Comprehensive Income

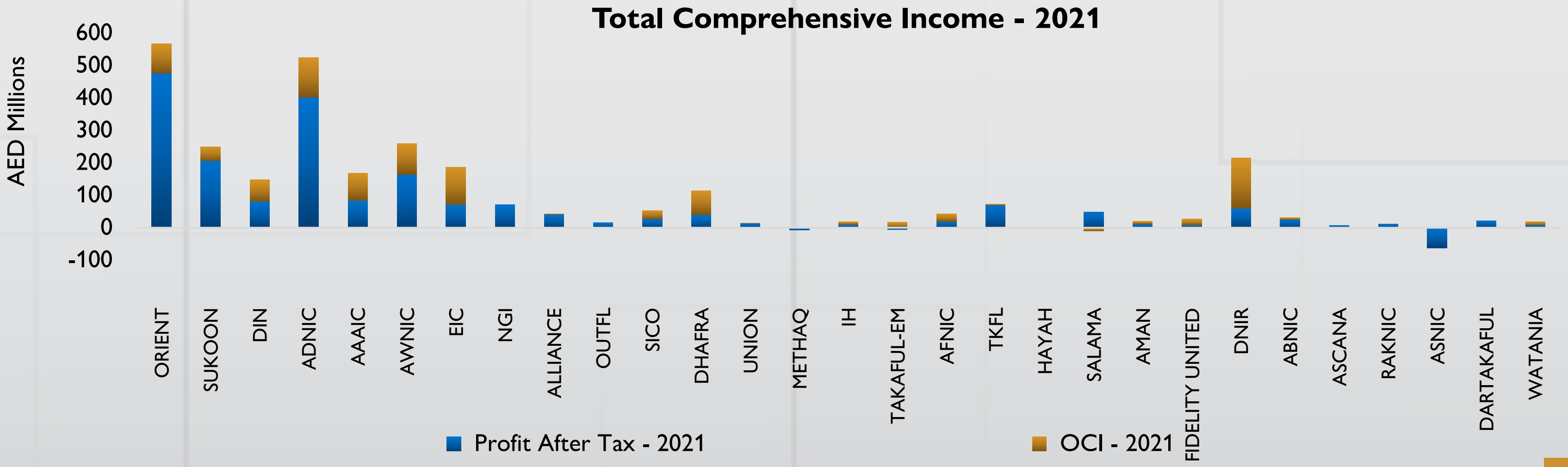
The Total Comprehensive Income for year ended 2022 displayed an immense decline of 63% when compared with the corresponding period of 2021, as inflation hit the global market hard this year. The investment portfolios have been the biggest casualty of the uncertainty that has dominated in 2022.

Only 15 out of 28 companies in this analysis have shown losses in their OCI, as compared to only 3 companies having losses on their OCI statements in 2021.

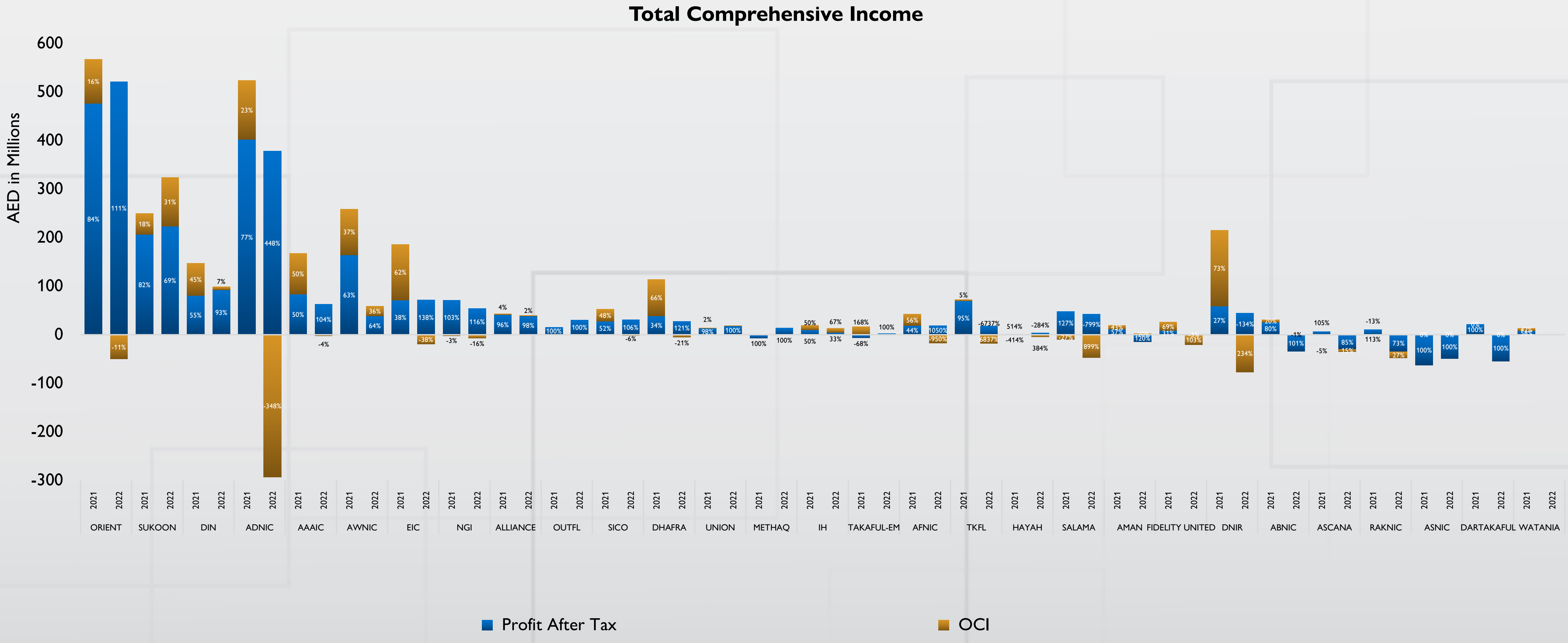
For Takaful companies we have consolidated the Policyholders and Shareholders P&L for comparative purposes.

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





Total Comprehensive Income



Earning Per Share Companies

Company	EPS 2021	EPS 2022
ORIENT	91.60	102.11
ADNIC	0.70	0.66
SUKOON	0.45	0.48
DIN	0.77	0.87
EIC	0.47	0.48
SALAMA	0.03	0.02
ABNIC	0.10	(0.14)
AAAIC	5.55	4.21
UNION	0.04	0.06
DARTAKAFUL	0.08	0.21
NGI	0.47	0.36
ASNIC	(0.30)	(0.20)
OUTFL	7.71	15.04
TKFL	0.84	0.17
RAKNIC	0.09	(0.29)
FIDELITY UNITED	0.07	0.01
DNIR	0.51	0.38
ALLIANCE	41.12	38.42
TAKAFUL-EM	(0.05)	0.02
METHAQ	(0.05)	0.09
DHAFRA	0.39	0.28
AWNIC	0.79	0.18
IH	0.08	0.04
AFNIC	14.04	(10.84)
AMAN	0.05	(0.05)
ASCANA	0.04	(0.19)
HAYAH	0.01	0.02
SICO	0.18	0.21

Premium Benchmark On **The Basis Of Profitability**

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

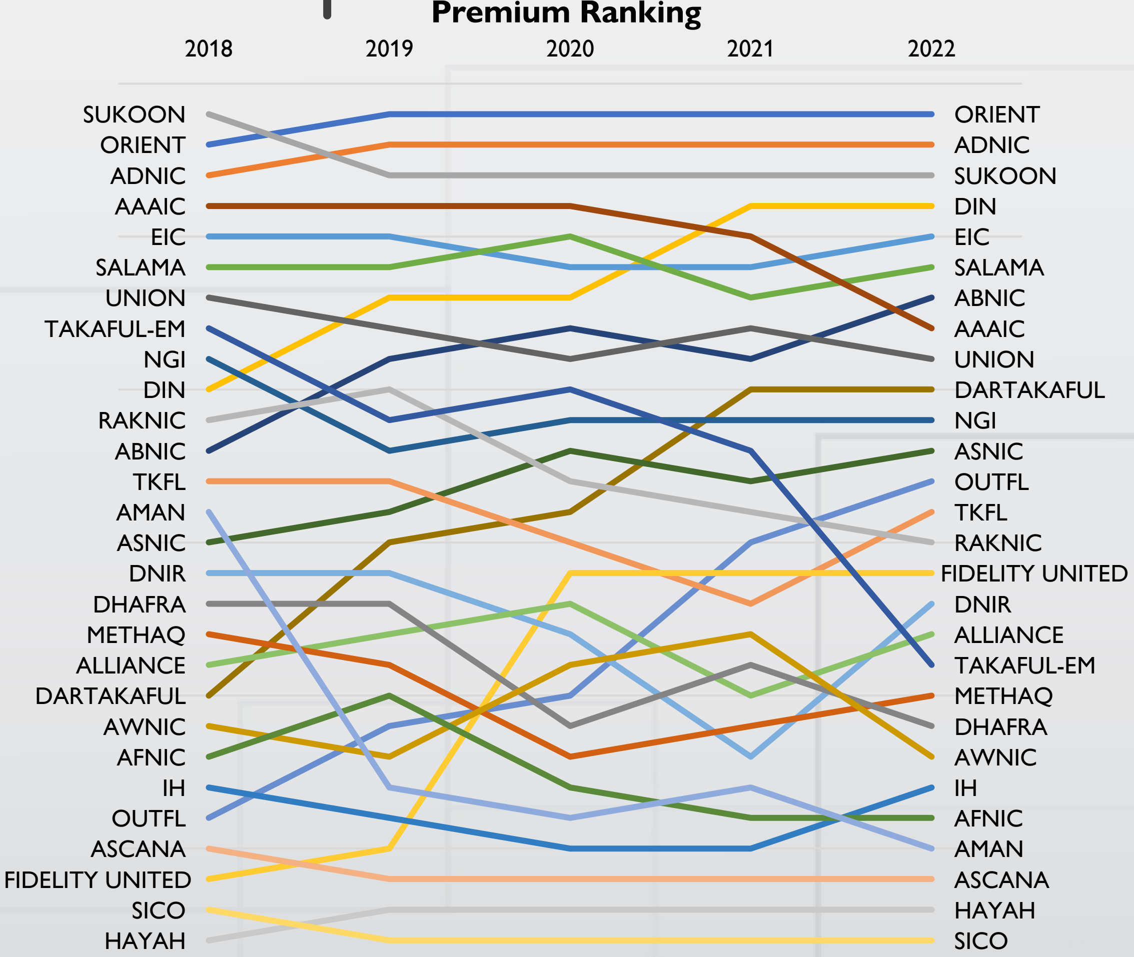
Out of the top 10 companies by GWP, 7 companies remain in the top10 position by profitability.

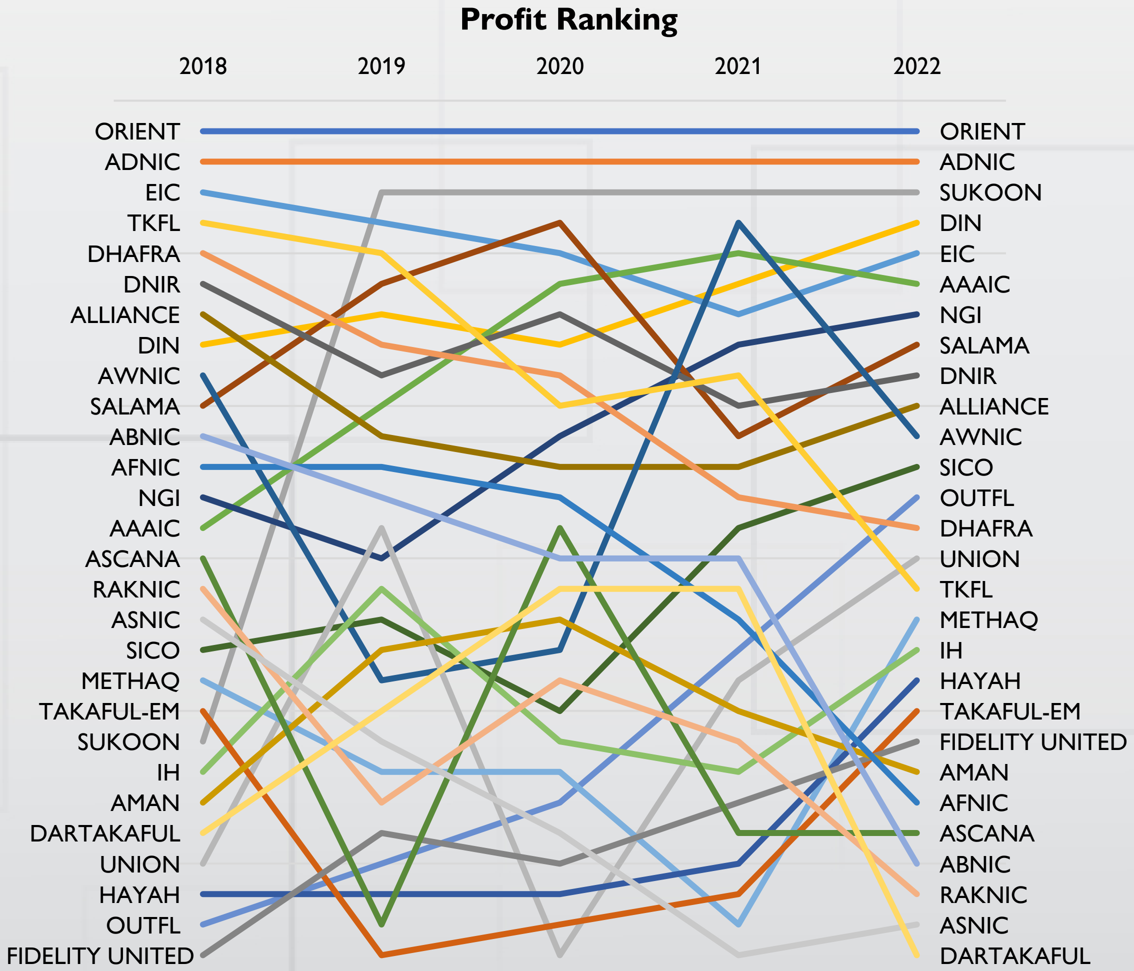
The arrows in the indicator column shows that whether the rank of Top line is lower or higher than the rank of Bottom line for the respective company.

Company	Ranking		Indic.
	Gross Premium	Profit	
ORIENT	1	1	→
ADNIC	2	2	→
SUKOON	3	3	→
DIN	4	4	→
EIC	5	5	→
SALAMA	6	8	↓
ABNIC	7	26	↓
AAAIC	8	6	↑
UNION	9	15	↓
DARTAKAFUL	10	22	↓

Company	Ranking		Indic.
	Gross Premium	Profit	
NGI	11	7	↑
ASNIC	12	28	↓
OUTFL	13	13	→
TKFL	14	16	↓
RAKNIC	15	27	↓
FIDELITY UNITED	16	21	↓
DNIR	17	9	↑
ALLIANCE	18	10	↑
TAKAFUL-EM	19	20	↓
METHAQ	20	17	↑
DHAFRA	21	14	↑
AWNIC	22	11	↑
IH	23	18	↑
AFNIC	24	24	→
AMAN	25	23	↑
ASCANA	26	25	↑
HAYAH	27	19	↑
SICO	28	12	↑

Year Wise Ranking

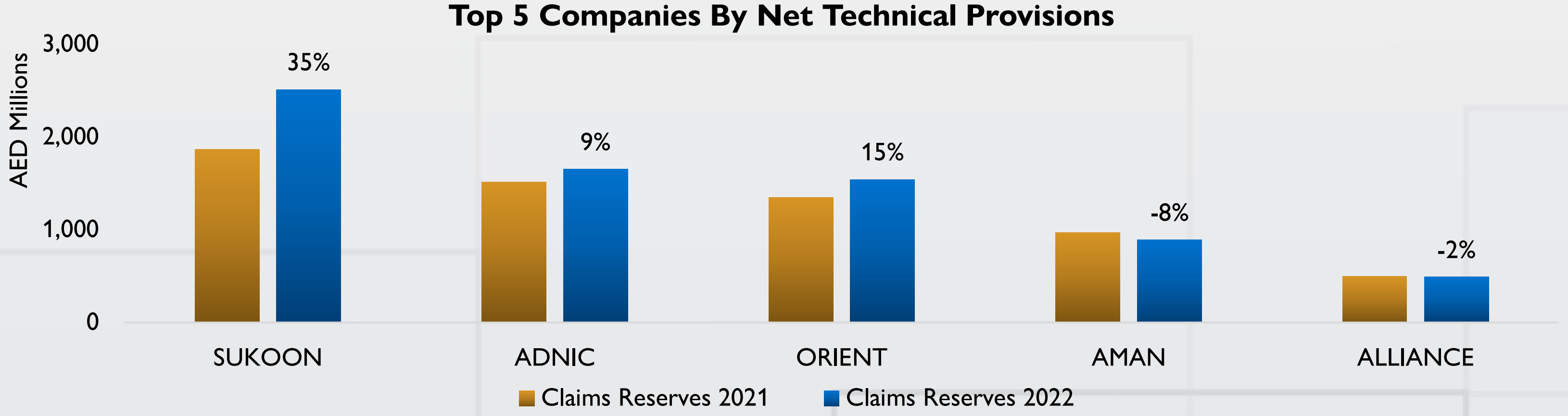


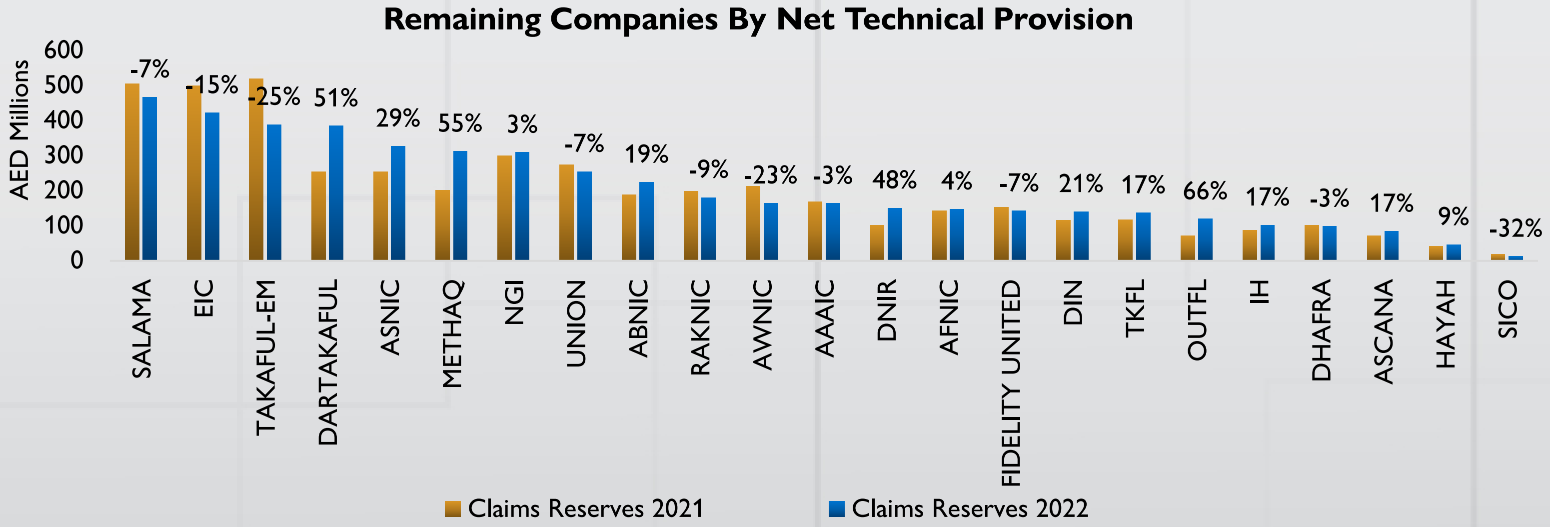


This slide shows the ranking of each company by premium and profits over a five-year duration. While the premium chart is relatively stable with limited crisscrossing the one showing profits depicts a lot of volatility. To some extent it shows the short-term approach that some of the market players have followed to either grow top line while sacrificing profitability.

Capital & Liabilities

Net Technical Provisions





As at year ended 2022, the Net Technical Reserves have shown a growth of 8% when compared with reserves booked in 2021.

The top 4 companies remains the same as was in 2021 however ALLIANCE has moved up to the 5th position replacing TAKAFUL-EM

SUKOON secured the highest rank in terms of booking net technical provisions, exhibiting an increase of 35% in the reserves booked by the company.

The major change in reserves was depicted by OUTFL where they have increased their net reserves by 66% when compared with 2021.

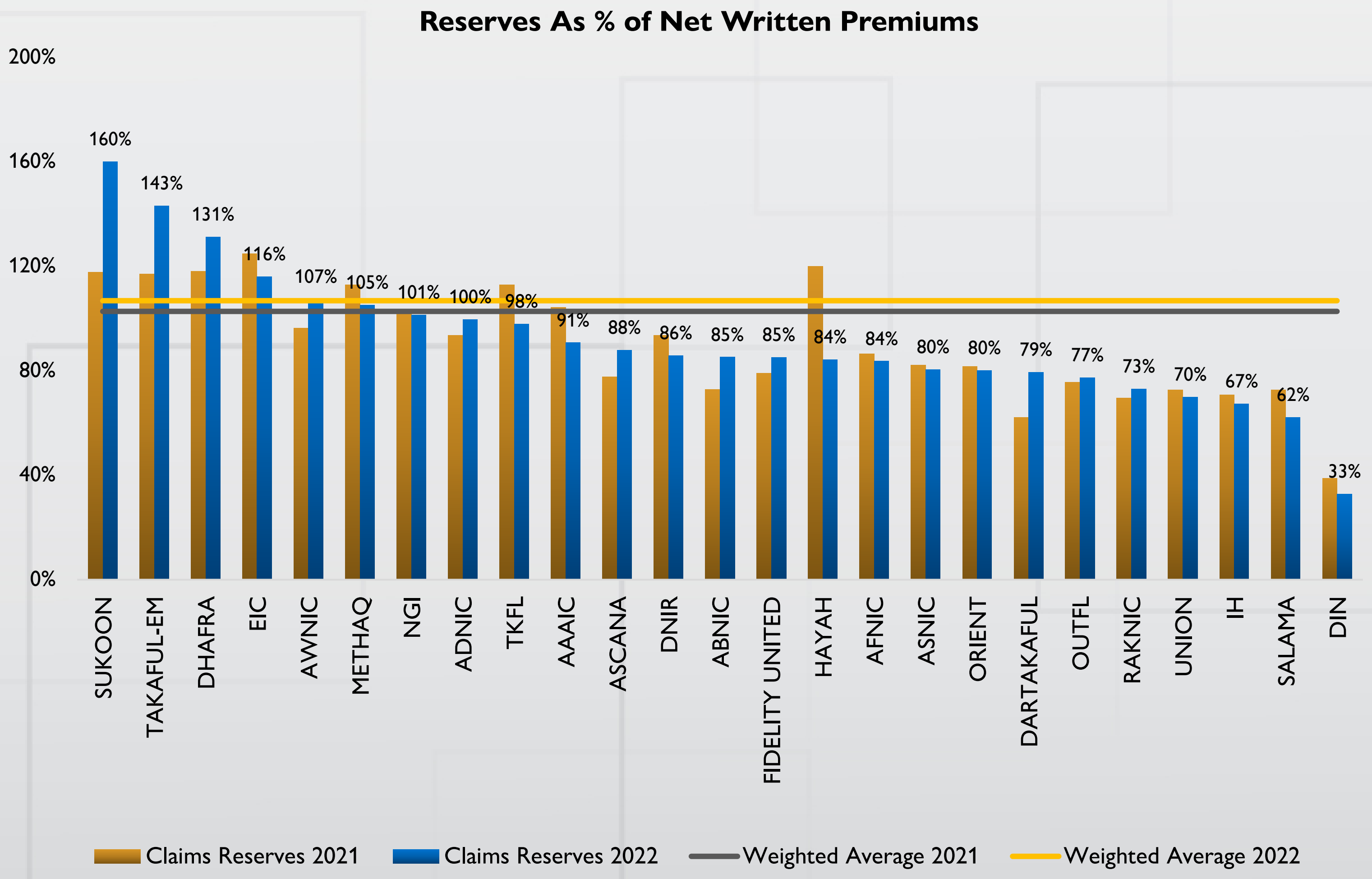
Net Reserves as a Percentage of Net **Written Premiums**

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 893 million and AED 491 million, respectively, whereas SICO reflected a 538% proportion of NWP in their reserves.

The weighted average net reserves to net premium ratio is recorded to be 107%, however, the ratio drops to 97% if we exclude the outliers.

Apart from the outliers mentioned above, the highest ratio of 160% is exhibited by SUKOON 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 33% is depicted by DIN.

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



Return on Equity **Trend**

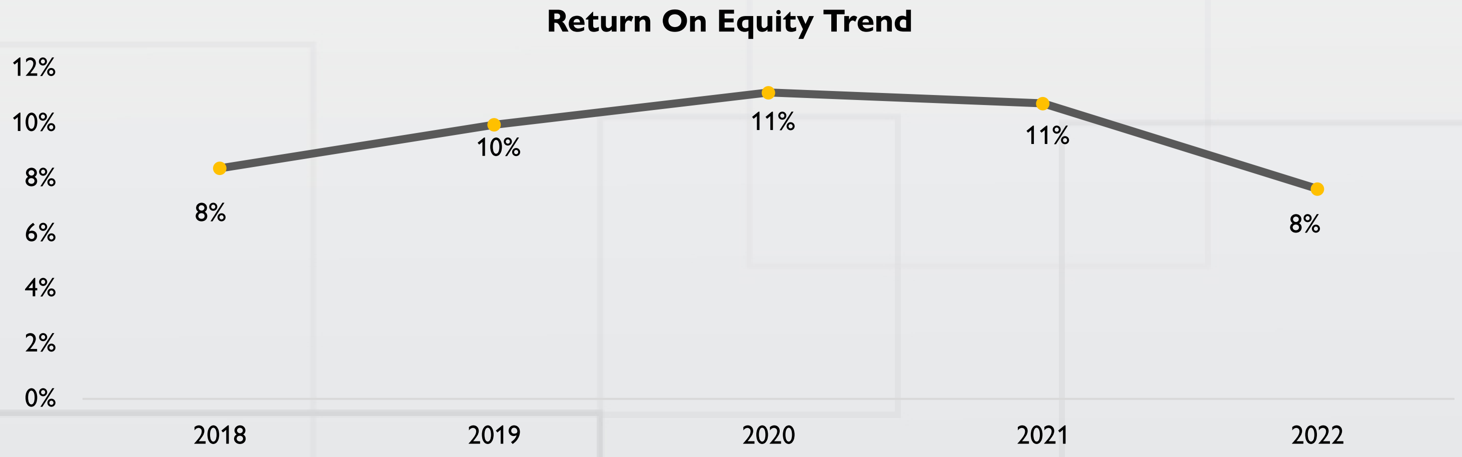
Between 2018 and 2020, there was an upward trend in the return on equity for shareholders in listed insurance companies. However, for 2021, the trend has reversed and is now headed in a downward direction.

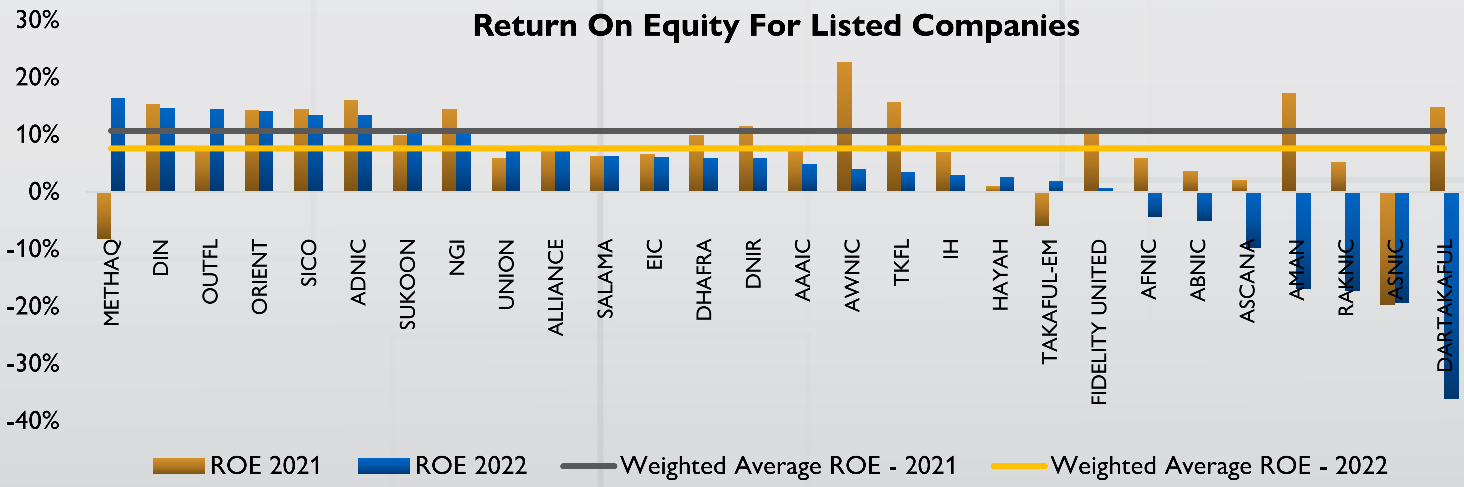
The weighted average return on equity recorded to be 8% for the year ended 2022.

In 2022, the highest return on equity of 16% is depicted by METHAQ (2021: -8%); followed by DIN at 15% (2021: 15%). DARTAKAFUL on the other hand, observed to have the lowest returns of negative 36%.

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 2022.*





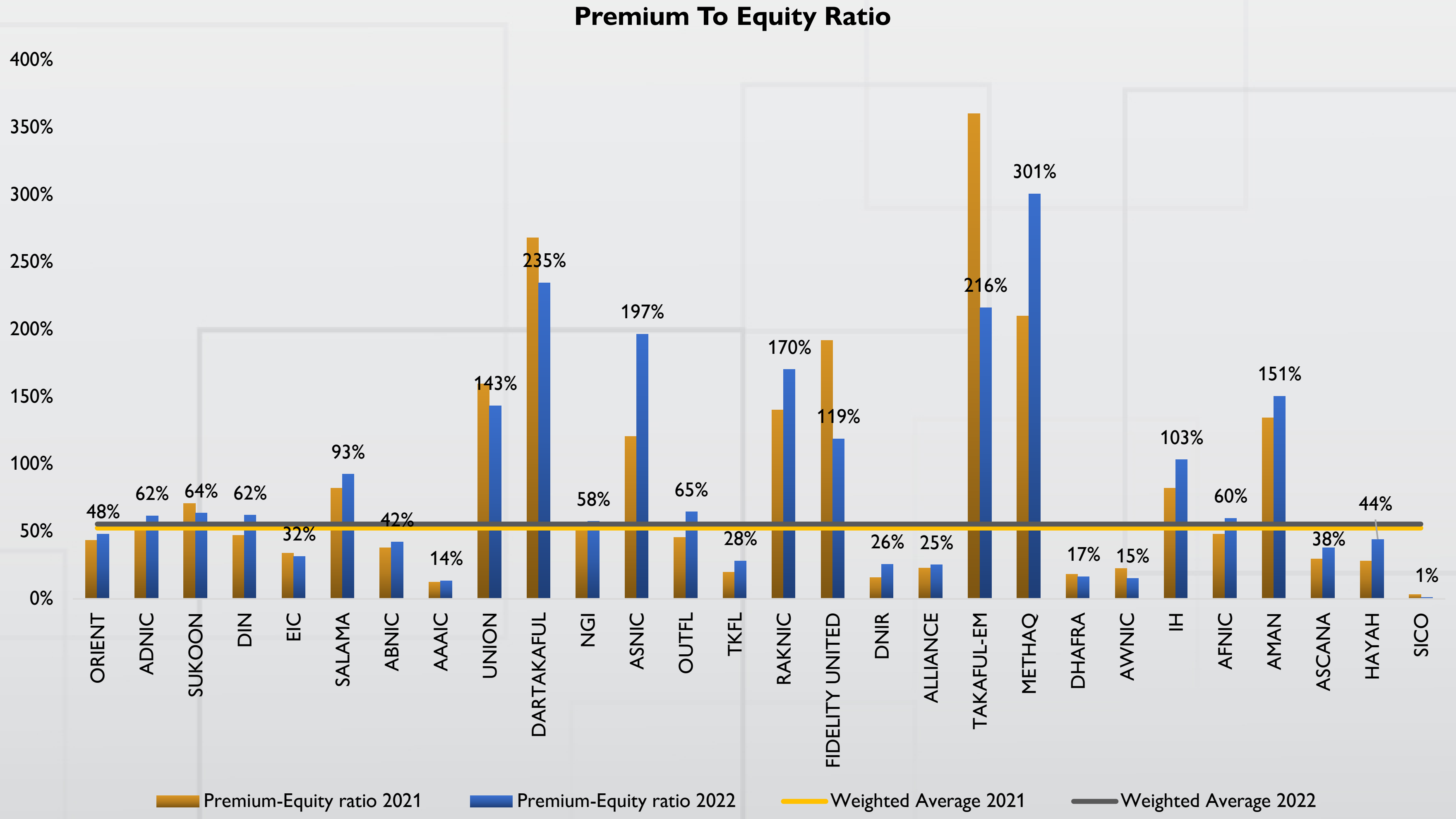
Premium To **Equity**

The highest Premium to Equity ratio for 2022 is 301% depicted by METHAQ. The lowest ratio of 1% is reflected by SICO.

Weighted average Premium to Equity ratio for 2022 is 56% (2022: 53%).

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium for 2022 to Total Equity as at Dec 31, 2022. It represents the premium that pertains to each amount of equity held by the companies.

Graph is sorted as per decreasing trend of GWP 2022.



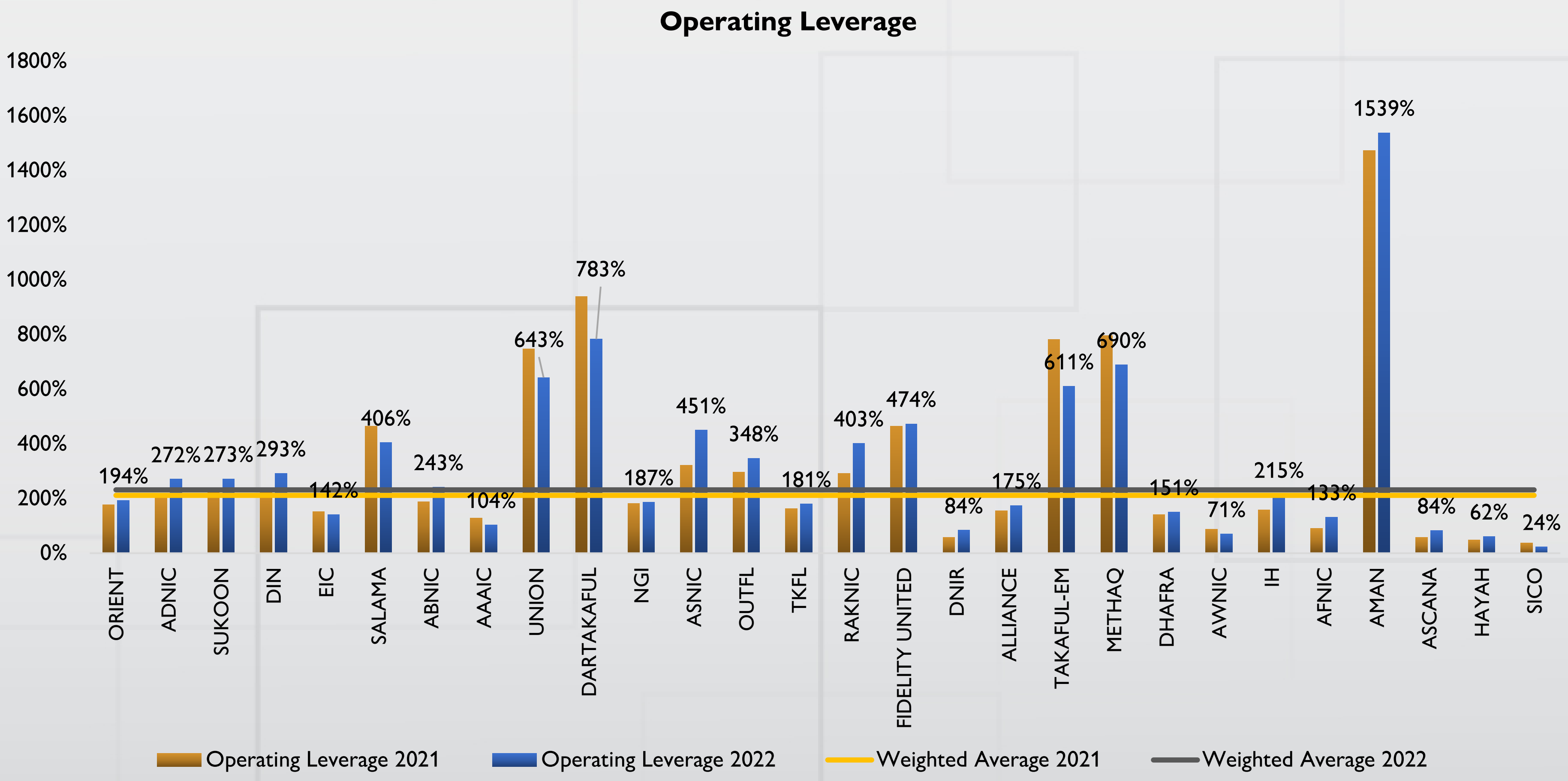
Operating **Leverage**

The highest Operating leverage ratio for 2022 is 1539% shown by AMAN , whereas the lowest of 24% is reflected by SICO.

For 2022, the weighted average Operating leverage ratio for the market is at 232% (2021: 212%).

The Leverage ratio is calculated by taking the proportion of Total Liabilities at Dec 31, 2022, to Net equity of the Company at Dec 31, 2022.

Graph is sorted as per decreasing trend of GWP 2022.



Capital Intensity **Ratio**

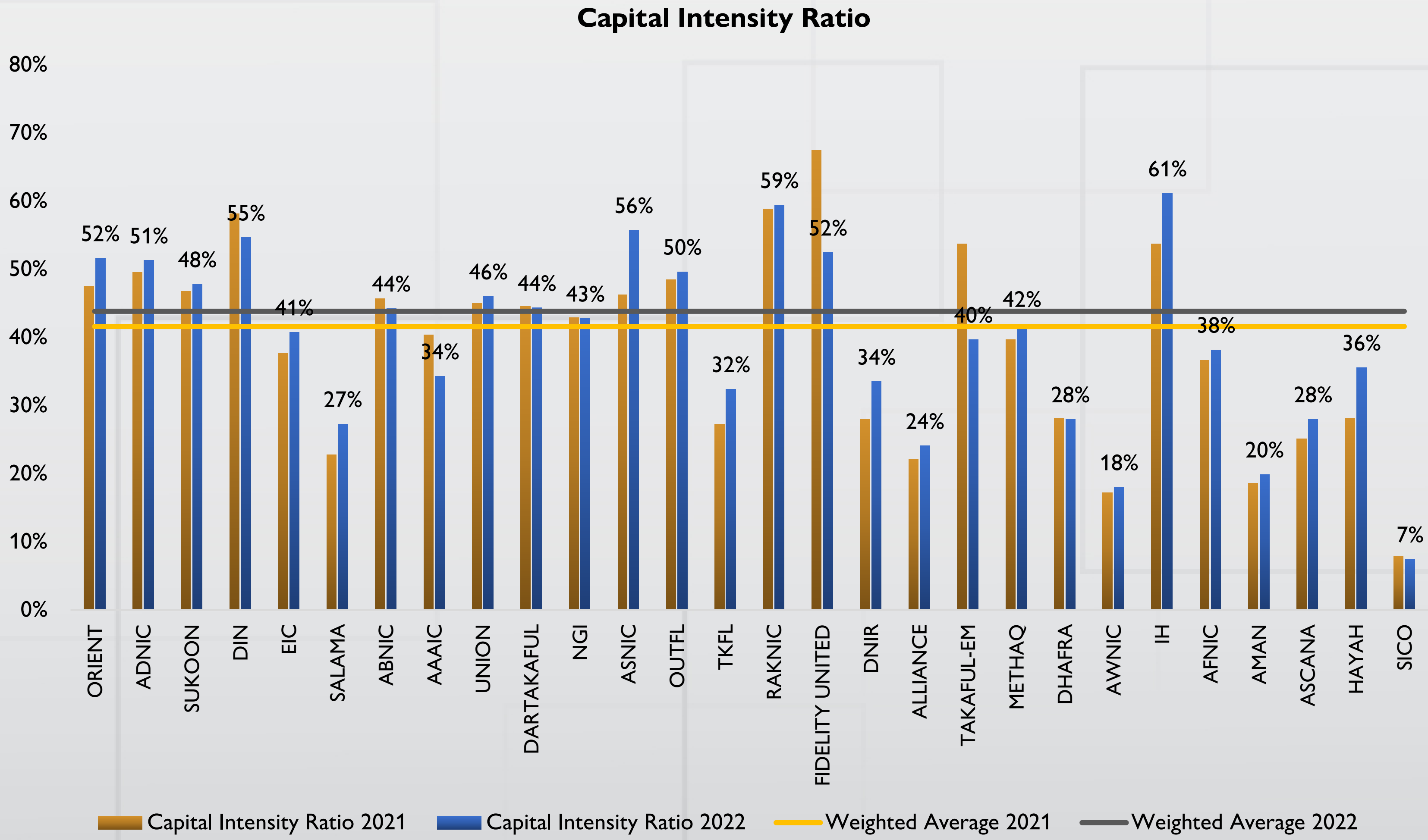
Capital Intensity Ratio shows how much business does a company generates. That is, the premium written per AED invested in the company. A high CIR shows that per AED invested, the company can maximize gross written premium.

It is calculated by taking a proportion of gross written premium for 2022 to Total Assets as at Dec 31, 2022

The Industry weighted Average Capital Intensity ratio for 2022 is 44% (2021: 42%).

IH attains highest CIR of 61% whereas, lowest of 7% CIR is attained by SICO.

Graph is sorted as per decreasing trend of GWP.



Solvency Ratio

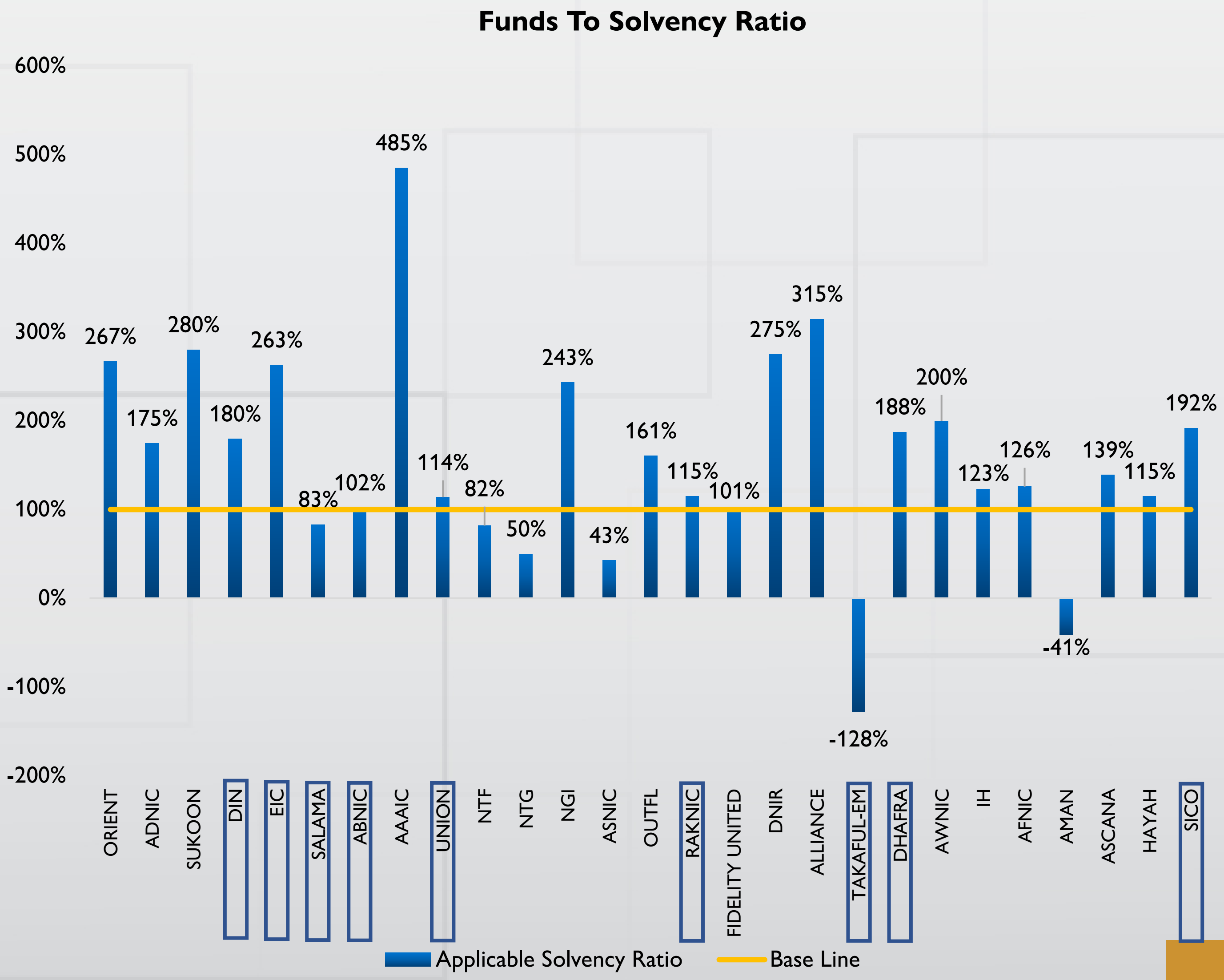
This is the first time CBUAE strictly mandated all companies to publish their solvency positions. If the latest position was not available, then the one at previous quarter end should be published. There has been concerns in the market with regards to some companies operating while have less than 100% solvency margin. Minimum 100% is required by CBUAE. The solvency ratio is a metric used to assess an insurance company's capacity to fulfill its long-term financial commitments. It measures the company's ability to provide compensation to policyholders in case of unexpected losses or unfavorable economic conditions.

AAAIC has the highest ratio of 485%, whereas AMAN has the lowest ratio of -41%.

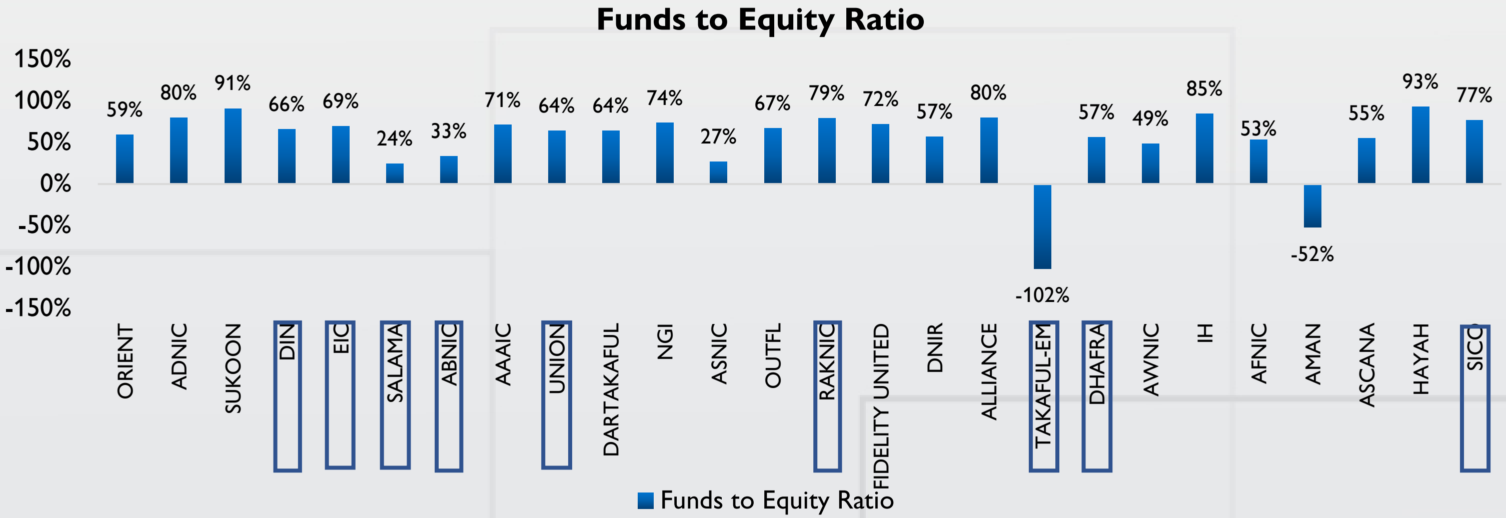
Two companies are not included in the graph due to the unavailability of their data.

Companies highlighted by the box are those which have published their solvency numbers as at Dec, 2022, while the others have published as at Sep, 2022.

Graph is sorted as per decreasing trend of GWP. Solvency Ratio has been computed as Own Funds / Applicable Solvency Measure. The Applicable Solvency Measure is higher of MCR, SCR and MGF.



Solvency **Analysis**



There are 3 solvency measures which are applicable to Companies in UAE – Solvency Capital Requirement (SCR), Minimum Capital Requirement (MCR) and Minimum Guarantee Fund (MGF). For each company, the higher of the three applies. The following shows the number of companies and the Applicable Solvency Meaure which applies:

Applicable Solvency Measures	
Measures	Count
Solvency Capital Requirement (SCR)	16
Minimum Capital Requirement (MCR)	10
Minimum Guarantee Fund (MGF)	0
Not Available	2

The chart above shows ratio of Basic Own Funds to Equity. The difference between Own Funds and Equity is of Inadmissible Assets. The Companies which have a higher ratio has shown effective diversification and asset structuring. As long as the Company's solvency ratio is above 100%, a lower Own Funds to Equity ratio might reflect an investment strategy which seeks to maximize returns and deviating from the prescribed minimum limits. Another reason for a lower ratio could be inadmissible receivables, which has become a concern in the industry.

HAYAH has the highest ratio at 93% while TAKAFUL-EM has the lowest at -102%.

Companies highlighted by the box are those which have published their solvency numbers as at Dec, 2022, while the others have published as at Sep, 2022.

The Basic Own Funds to Equity Ratio can be calculated using the following formula:
Basic Own Funds to Equity Ratio = Basic Own Funds / Equity
Difference between Basic Own Funds (and Own Funds as shown in previous page) is of Ancillary Own Funds.

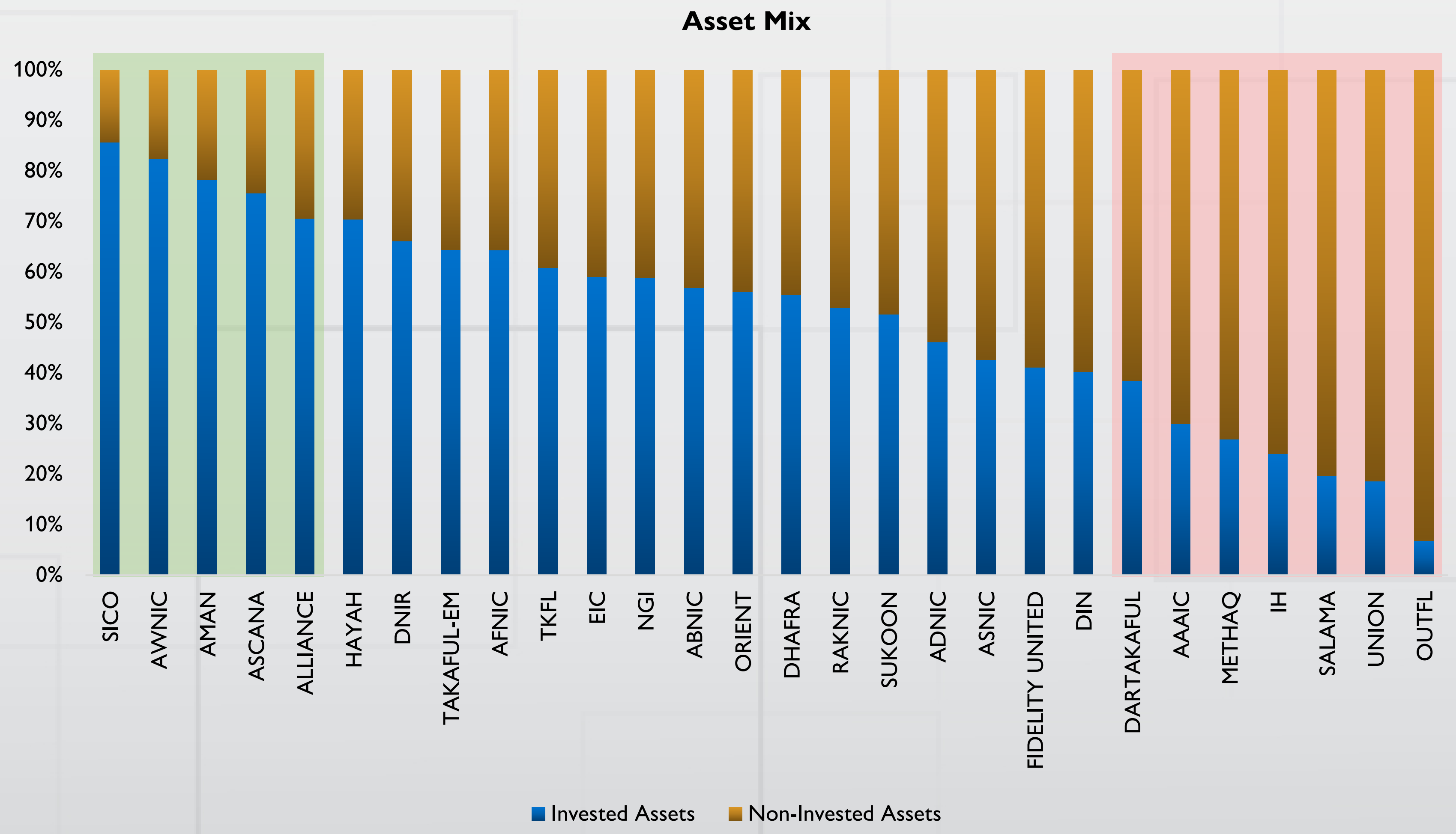
Assets

Invested Assets to **Total Assets**

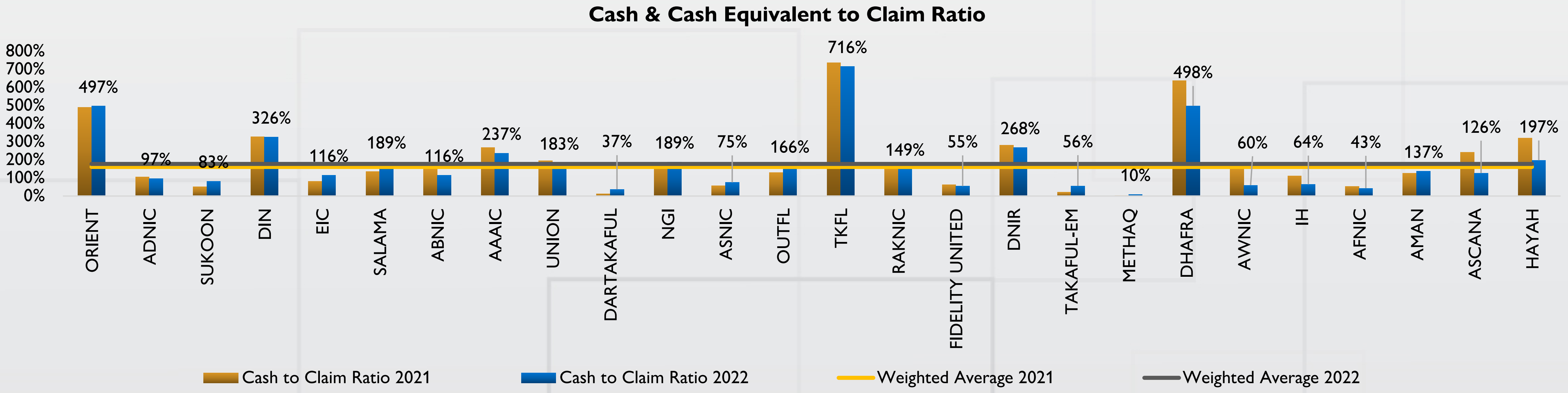
Asset Mix compares the proportion of invested assets and non invested assets for the year 2022.

SICO has the highest proportion of 86% of their assets invested, while OUTFL has only invested 7% 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..



Cash To Claims **Ratio**

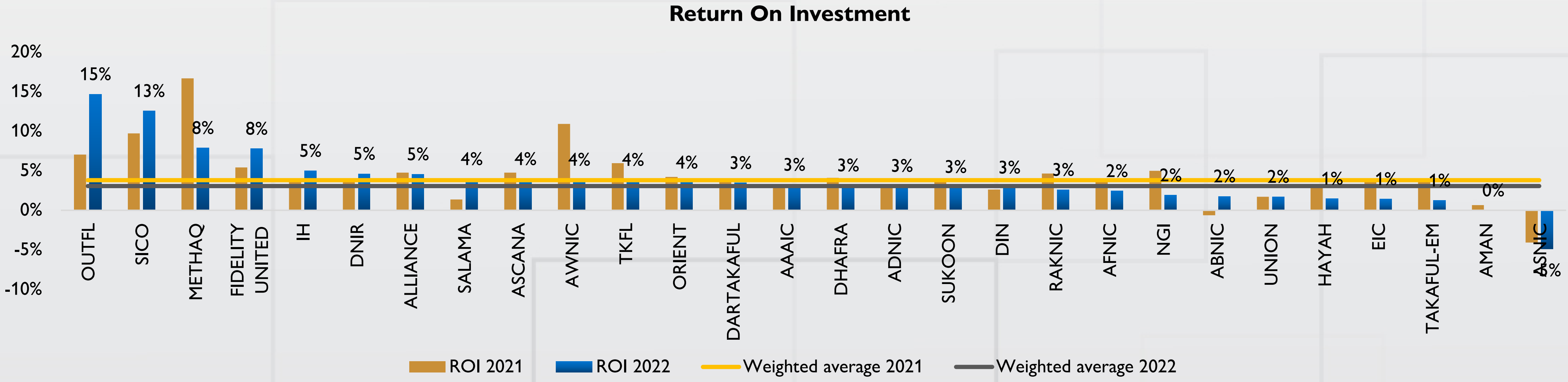


The weighted average cash to claim ratio is observed to be around 177% for year end 2022, a slight increase in the ratio when compared with last year's ratio of 160%

ALLIANCE and SICO depicted the highest ratio of 2194% and 996% respectively, being the outliers, they have been removed from the graph to keep it presentable. The lowest ratio is observed to be at 10% by METHAQ.

❖ *The cash to claim ratio has been taken as the ratio of cash & deposits to net paid claims.*

Return on **Investments**

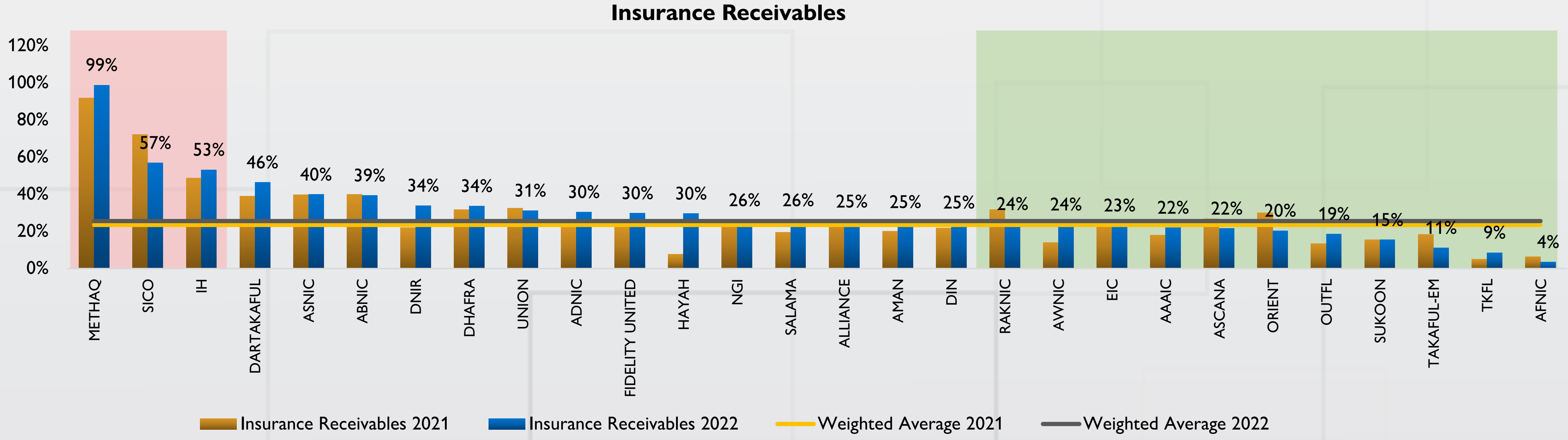


The weighted average Return on investments recorded for listed companies is observed to be 3% for the year ended 2022 (2021:4%).

The highest return on investments is recorded by OUTFL of 15% (2021: 7%) whereas the lowest returns is observed by ASNIC of -5% (2021: -4%).

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

Insurance Receivables

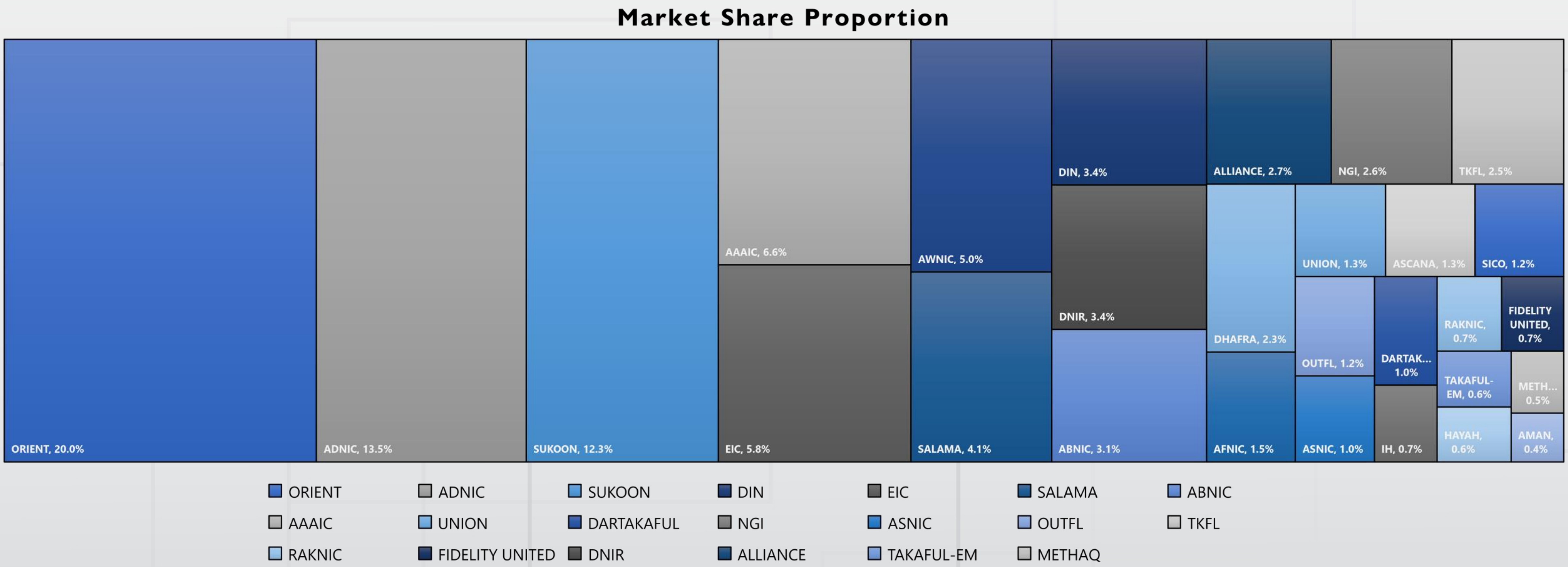


The highest receivable ratio of 99% is reflected by METHAQ whereas the lowest receivables of 4% have been observed for AFNIC.

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 26% (down from 23% as at YE2021), 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.

Market Proportion



❖ The Tree map shows the Market share of each Company based on its Total Equity as at Dec 31, 2022.

Conclusion

The top-line of the listed insurance companies operating in the Emirates grew by 11% as the premiums written increased to AED 29 billion from last year's figure of AED 26 billion. This growth was primarily driven by conventional insurers, while Takaful insurers experienced a decline in contributions.

Although the loss ratio has remained steady at 62%, the combined ratio has risen from 93% in 2021 to 95% in 2022. This increase is attributed to higher expense ratios, which have reached levels not seen in the past five years, resulting in the highest combined ratio for the insurance industry over the same period. The combination of reduced investment returns and higher expenses has put a strain on profitability.

Despite a positive performance in terms of revenue, there has been a considerable decrease in profits for the company. In 2022, profits dropped to AED 1.5 billion, a 22% decline from the AED 1.9 billion recorded in 2021. This trend is even more alarming when we exclude the top 3 companies in terms of profitability from the analysis, as we observe a significant 56% decrease in profits for the rest of the industry. In 2022, the industry (apart from top 3) saw profits of AED 371 million, down from AED 833 million in 2021. This is a cause for serious concern.

The company's Return on Equity (ROE) declined from 11% in 2021 to 8% in 2022. In addition, the Earnings Ratio, which is calculated as the Net Profit divided by the Net Earned Premium, was observed to be 15% in 2022, marking the lowest figure for the past four years.

During the period under review, more than half of the listed companies, specifically 15 out of 28, had a combined ratio exceeding 100%. Furthermore, 7 out of the 28 listed companies had a negative Return on Equity (ROE) for the same period.

This year end the publication of Solvency position was mandated. Out of 28 companies, 8 companies have solvency ratios greater than 200% while 5 have solvency ratios below 100%. 2 companies have not disclosed their solvency position. Out of the companies analyzed, three of them have received a qualified opinion in their financial statements concerning their ability to continue operating and remaining solvent.

The insurance industry has faced a challenging 2022, with global market turmoil and rising inflation impacting their operations in two significant ways. Firstly, the subdued investment performance has resulted in a drop in investment income. Secondly, a highly competitive market coupled with claims inflation and rising expenses has led to a drop in underwriting profits. In summary, insurers have been hit hard by a combination of factors beyond their control in 2022.

It is essential for companies to shift their focus away from solely competing on price to increase their top line. Although the personal lines market is highly price sensitive, the financial performance of the past year has demonstrated that lowering tariffs without considering risk exposure is an unsustainable long-term strategy. Instead, companies must concentrate on all the available levers, such as underwriting, risk selection, better claims management, and operational efficiency, to improve their overall performance. It is crucial to adopt a more holistic approach to ensure long-term sustainability and profitability in the insurance industry.

Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies for the year end of 2022. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.

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- Due to the availability of limited information, we were unable to segregate further. Once all companies start publishing preliminary reports with a uniform level of segregation, this can be done.

- AKIC has been excluded from all analysis since they were not published as of the compilation of this report.

Listed Insurance Companies

Logos	Sr. No.	Symbol	Name	Market
شركة العين الأهلية للتأمين Al Ain Ahlia Insurance Co.	1	AAAIC	Al Ain Al Ahlia Insurance Co.	ADX
شركة البحيرة الوطنية للتأمين Al-Buhaira National Insurance Co.	2	ABNIC	Al Buhaira National Insurance Company	ADX
ADNIC	3	ADNIC	Abu Dhabi National Insurance Co.	ADX
AFNIC AL FUJAIRAH NATIONAL INSURANCE CO	4	AFNIC	Al Fujairah National Insurance Co.	ADX
Alliance Insurance	5	ALLIANCE	Alliance Insurance	DFM
AMAN	6	AMAN	Dubai Islamic Insurance and Reinsurance Co.	DFM
ASCANA - TAKAFUL Your Trusted Insurer Since 1978	7	ASCANA	Arabian Scandinavian Insurance Co.	DFM
الصقر للتأمين AL SAGR INSURANCE	8	ASNIC	Al Sagr National Insurance Company	DFM
شركة الوثبة الوطنية للتأمين ALWATHBA NATIONAL INSURANCE CO	9	AWNIC	Al Wathba National Insurance Co	ADX
دار التكافل Dar Al Takaful	10	DARTAKAFUL	Dar al Takaful (Takaful House)	DFM
	11	DHAFRA	Al Dhafra Insurance Co.	ADX
دبي للتأمين DUBAI INSURANCE CARE & COMMITMENT SINCE 1970	12	DIN	Dubai Insurance Co , PSC	DFM

Companies Included in the Analysis

Listed Insurance Companies

Logos	Sr. No.	Symbol	Name	Market
	13	DNIR	Dubai National Insurance & Reinsurance Co.	DFM
	14	EIC	Emirates Insurance Co.	ADX
	15	HAYAH	HAYAH Insurance Company (formerly known as GCIC)	ADX
	16	IH	Insurance House P.S.C	ADX
	17	METHAQ	Methaq Takaful Insurance Co.	ADX
	18	NGI	National General Insurance Company	DFM
	19	SUKOON	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

Companies Included in the Analysis

Invest In Your **Team**

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We take a personalized approach in ensuring that the solutions provided to you are in line with your company strategy to help you achieve your business goals through sustainable HR practices.

Since our inception in 2014, we have been recognized as Executive search leaders across multiple industries in the MENA region. métier’s seasoned professionals focus on your HR transformation, while you focus on your business.

Our Competitive Edge

- Improving Workplace Productivity
- Increasing Value Through People
- Inspiring Partnerships

Our Service Offerings

- Strategic HR Consulting
- Digital HR Solutions
- Talent Acquisition Services
- Training Solutions

Financial Services

Accounting and financial services is one of our core offerings . At Badri, we adopt a customized, responsive, and personal approach towards clients and offer a range of services to assist our clients in getting through complex accounting and corporate matters. With several years of professional experience, across multiple disciplines and sectors such as financial services, manufacturing, trading, hospitality, transportation, we consider ourselves to be the first choice of our existing and prospective clients. Our multidisciplinary approach allows us to provide services beyond actuarial and data analytics we are known for. Our value-added services are:

Financial Services

- IFRS Implementation
- Account Reconciliation Services
- Accounts Receivable and Payable Cleaning-up Services
- Financial Due Diligence
- Virtual CFO Services
- MIS Reporting
- Outsourced Services

Business Management Consultancy

- Policies and Procedure Review
- Post Implementation Review
- Market Intelligence

Other Services

- Tax Advisory Services
- Internal Audit Service
- Internal Controls Over Financial Reporting Services (ICoFR) Implementation
- Code of Corporate Services

About Our Team

Directors	5 Staff		
UAE/ Oman Actuarial	32 Staff	Medical	6 Staff
KSA Actuarial	31 Staff	IFRS 17	16 Staff
Business Intelligence	9 Staff	HR Consultancy	2 Staff
End of Services	6 Staff	Financial Services	2 Staff
Support & Admin	24 Staff	Data Science	1 Staff

Total Strength 134

Our Feedback

Badri Management Consultancy is proud to present UAE's Insurance Industry Performance analysis Q4 2022. 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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