

MARKET MONITOR - UAE

PRELIMINARY INSURANCE DISCLOSURES

*THE UAE INSURANCE INDUSTRY RETURNS TO PROFITABILITY & ACCELERATES ITS OVERALL GROWTH
IN 2016 AFTER A CHALLENGING 2015*

2016

February
2017

Table of Contents

Market Overview	1
Regulatory Updates	5

The Gross Written Premium (GWP), Net Profit and the Shareholder's Equity for the 28 listed insurance companies are shown in Exhibit 1.

The other 32 companies operating in UAE are not listed and hence excluded from this report.



Gross written premiums have risen by 10.2% to AED 18.8b in 2016, compared to 7.6% growth in 2015

Nineteen of the 28 companies showed an increase in GWP in 2016 over 2015, with the other nine experiencing a decrease in GWP.

The top 4 companies in terms of GWP kept their rank from 2015 to 2016, but Al Ain Al Ahlia broke into the top 5 with a strong performance in 2016. As seen in Exhibit 2, the biggest rank gain in 2016 was achieved by Dar Al Takaful and the biggest rank loss happened to National Takaful.

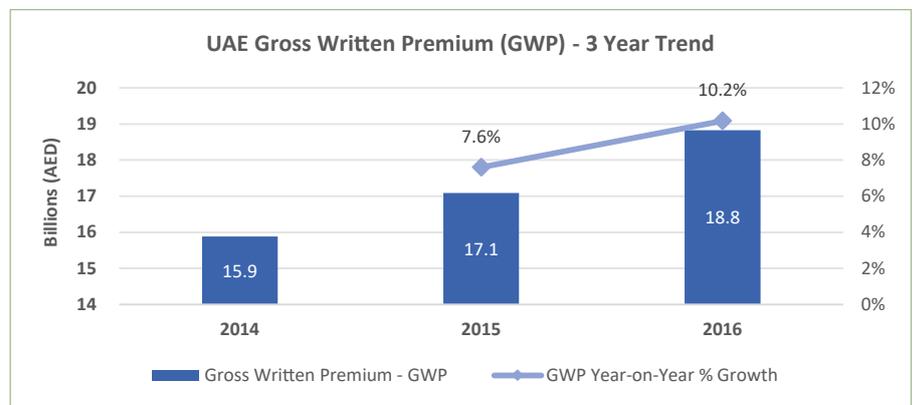


U/W Profit reversed the trend in 2016 with 119% increase to AED 1,192m over the 2015-2016 period, compared to -27% in 2014-2015

Market Overview

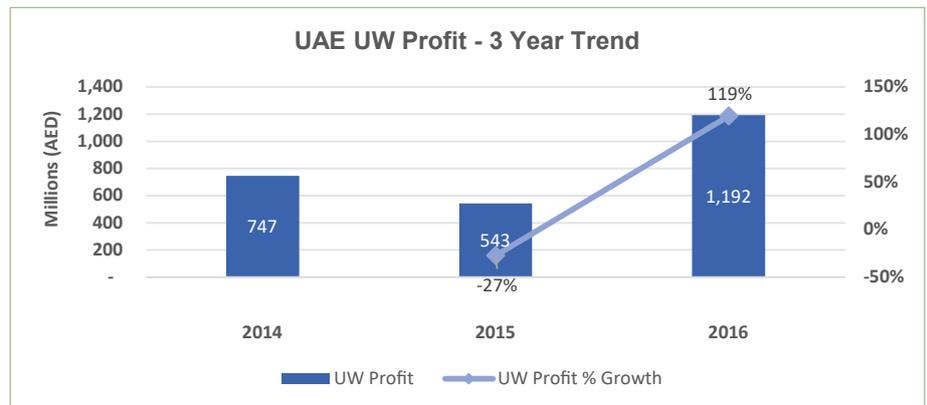
The UAE insurance market returned to profitability and accelerated its overall growth in 2016. Based on the preliminary disclosures of the UAE insurance companies listed on the Abu Dhabi Securities Exchange and Dubai Financial Market (DFM), the gross written premium grew by 10.2% during 2016, up from an increase of 7.6% in 2015. For the 28 listed companies in our study, the GWP grew from AED 15.9b in 2014, to AED 17.1b in 2015 and AED 18.8b in 2016.

Graph 1 - Gross Written Premium (AED Billions)



The underwriting profit increased significantly in 2016 to AED 1,192m, compared to AED 543m in 2015, an increase of 119% in 2016 compared to a decrease of 27% in 2015.

Graph 2 - Underwriting Profit (AED Millions)



On a net profit basis, the industry showed even more improvement achieving a net profit of AED 898m for 2016, compared to a net loss of AED 136m in 2015, an increase of 759% in 2016 compared to a decrease of 116% in 2015.



Net Profit has shown a 759% increase to AED 898m over the 2015-2016 period, compared to -116% in 2014-2015

Only 5 of 28 listed companies had a net loss during 2016, compared to 12 companies in 2015.

Orient Insurance and Abu Dhabi National Insurance Company (ADNIC) led the overall profitability of the insurance sector in UAE during 2016. Islamic Arab Insurance and Al Khazna suffered the largest losses during 2016.

As a result of strong profitability, 19 of 28 companies experienced an increase in shareholder's equity, with the total for the 28 companies increasing by 2.7% during 2016.

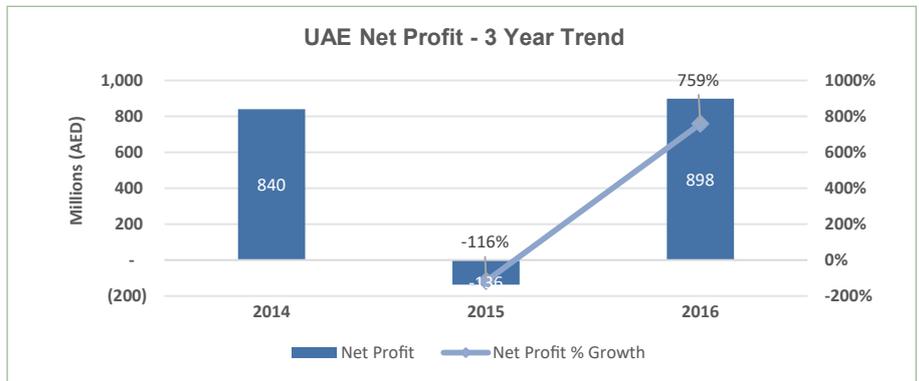
The improvement in results during 2016 is attributed to a range of factors including improvement in pricing for certain lines of business, increases in medical business, stronger regulations and enhanced technical awareness including higher level of actuarial input.

We are unable to comment on the investment performance due to limited information disclosed at preliminary stage.



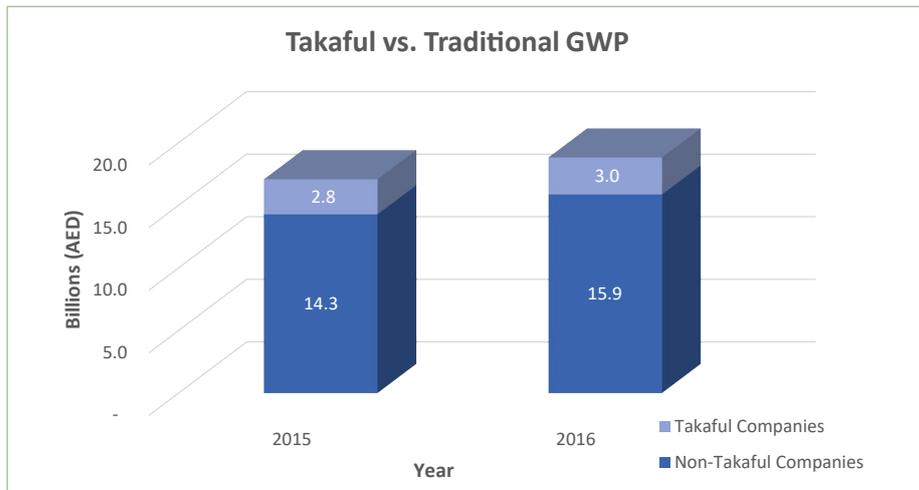
Shareholder's Equity increased 2.7% to AED 15.7b over the 2015-2016 period, compared to -6.6% in 2014-2015

Graph 3 - Net Profit (AED Millions)



Both traditional and Takaful companies saw growth in their top line premiums in 2016, but the growth rate of 11.1% for the traditional players outpaced the Takaful operators with a more modest growth of 5.5%. Total GWP for traditional companies now stands at AED 15.9b compared to AED 3.0b for Takaful operators.

Graph 4 - Takaful vs Traditional GWP



The return to profitability also added to Shareholder's Equity with a year over year increase of 2.7% in 2016 compared to a decrease of 6.6% in 2015. The total Shareholder's Equity for the 28 companies grew from AED 15.3b to AED 15.7b at year end 2016.

Graph 5 - Shareholder's Equity (AED Billions)

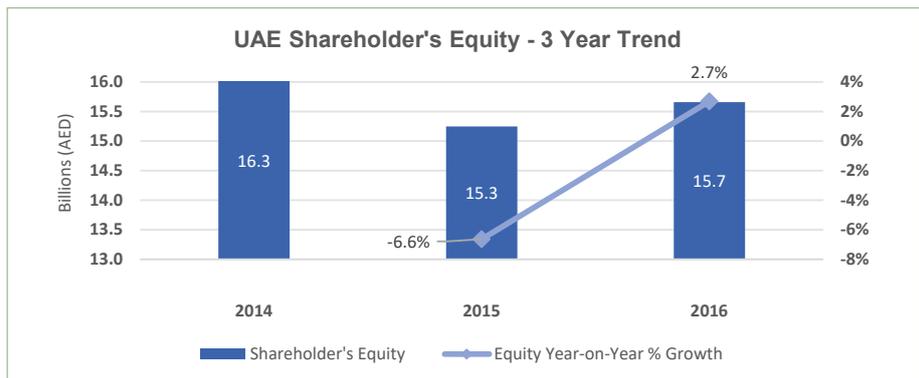


Exhibit 1

GWP, Underwriting Profit, Net Profit and Shareholder's Equity (AED Millions)

Insurance Company	Gross Written Premium		Underwriting Profit		Net Profit		Shareholder Equity	
	2016	2015	2016	2015	2016	2015	2016	2015
Oman Insurance	3,555.3	3,190.0	105.9	30.3	78.9	81.2	1,957.1	1,914.9
Orient Insurance	2,673.1	2,333.7	347.6	335.6	313.8	272.0	2,556.8	2,684.4
Abu Dhabi National Insurance	2,375.5	2,290.7	342.6	(228.9)	205.0	(334.5)	1,765.5	1,241.2
Emirates Insurance	1,021.9	938.8	124.6	124.3	87.2	89.6	1,052.7	1,003.6
Al Ain Al Ahlia Insurance	964.2	680.5	104.4	61.3	62.3	20.7	1,165.1	1,115.5
Union Insurance	877.1	681.1	24.5	24.1	(20.4)	(4.7)	305.8	342.0
Islamic Arab Insurance	777.6	933.3	(98.3)	56.2	(179.9)	(162.8)	705.9	959.3
Al Buhaira National Insurance	690.2	613.2	25.2	21.4	57.7	34.1	645.3	614.8
Takaful Emarat	568.2	408.8	64.9	42.1	15.0	10.2	142.0	135.0
National General Insurance	550.0	490.9	17.6	21.4	28.4	23.5	447.9	435.1
Ras Al Khaimah National Insurance	422.0	407.5	24.6	42.4	23.4	23.1	234.8	233.4
Dubai Islamic Insurance & Reinsurance	414.5	442.8	(35.4)	5.9	(37.1)	1.8	101.7	143.6
Dubai Insurance	400.2	363.0	23.9	23.4	36.6	35.1	484.6	479.9
Al Sagr National Insurance	378.8	384.8	39.4	65.6	20.7	(105.0)	447.8	427.1
Al Dhafra Insurance	336.3	354.0	29.3	(64.0)	23.8	(81.7)	313.0	269.7
Alliance Insurance	301.7	306.2	38.9	33.1	45.1	44.0	459.9	439.2
Dar Al Takaful	300.0	208.3	32.9	19.6	5.1	(7.1)	55.8	50.4
Al Wathba National Insurance	294.8	343.4	(22.5)	7.4	55.1	18.2	823.3	774.8
Abu Dhabi National Takaful	268.1	264.1	77.0	71.0	49.1	41.6	271.1	240.9
Methaq Takaful Insurance	264.7	238.3	(23.2)	(15.9)	3.7	(3.5)	81.9	80.0
Dubai National Insurance & Reinsurance	260.1	225.4	36.4	34.5	44.0	40.8	466.7	407.4
Al Khazna Insurance	236.8	172.1	(69.6)	(36.3)	(82.2)	(59.7)	267.1	349.4
Al Fujairah National Insurance	207.9	180.9	14.3	12.9	18.0	14.3	215.2	182.2
National Takaful - Watania	200.2	209.4	(14.1)	(49.6)	0.4	(41.4)	79.2	80.0
Arabian Scandanavian National Insurance	165.4	100.3	(30.9)	(17.5)	30.7	6.1	316.6	296.8
Insurance House	159.8	126.5	18.8	9.9	(5.7)	(14.3)	95.8	101.1
United Insurance	96.7	128.1	(4.7)	(75.3)	0.2	(64.8)	(0.8)	1.8
Sharjah Insurance	67.8	73.6	(1.8)	(11.5)	19.3	(13.2)	203.7	246.9
Total	18,828.8	17,089.6	1,192.2	543.2	898.4	(136.4)	15,661.4	15,250.3

Based on the preliminary disclosures of the UAE insurance companies listed on the Abu Dhabi Securities Exchange and Dubai Financial Market (DFM). 5 companies have their final results audited. The rest of the results are based on unaudited financials.

Exhibit 2

Premium Ranks by Company

Insurance Company	Market Share		Market Share Rank		
	2016	2015	2016	2015	Change
Oman Insurance	18.9%	18.7%	1	1	0
Orient Insurance	14.2%	13.7%	2	2	0
Abu Dhabi National Insurance	12.6%	13.4%	3	3	0
Emirates Insurance	5.4%	5.5%	4	4	0
Al Ain Al Ahlia Insurance	5.1%	4.0%	5	7	2
Union Insurance	4.7%	4.0%	6	6	0
Islamic Arab Insurance	4.1%	5.5%	7	5	-2
Al Buhaira National Insurance	3.7%	3.6%	8	8	0
Takaful Emarat	3.0%	2.4%	9	11	2
National General Insurance	2.9%	2.9%	10	9	-1
Ras Al Khaimah National Insurance	2.2%	2.4%	11	12	1
Dubai Islamic Insurance & Reinsurance	2.2%	2.6%	12	10	-2
Dubai Insurance	2.1%	2.1%	13	14	1
Al Sagr National Insurance	2.0%	2.3%	14	13	-1
Al Dhafra Insurance	1.8%	2.1%	15	15	0
Alliance Insurance	1.6%	1.8%	16	17	1
Dar Al Takaful	1.6%	1.2%	17	22	5
Al Wathba National Insurance	1.6%	2.0%	18	16	-2
Abu Dhabi National Takaful	1.4%	1.5%	19	18	-1
Methaq Takaful Insurance	1.4%	1.4%	20	19	-1
Dubai National Insurance & Reinsurance	1.4%	1.3%	21	20	-1
Al Khazna Insurance	1.3%	1.0%	22	24	2
Al Fujairah National Insurance	1.1%	1.1%	23	23	0
National Takaful - Watania	1.1%	1.2%	24	21	-3
Arabian Scandanavian National Insurance	0.9%	0.6%	25	27	2
Insurance House	0.8%	0.7%	26	26	0
United Insurance	0.5%	0.7%	27	25	-2
Sharjah Insurance	0.4%	0.4%	28	28	0

Regulatory Updates

- The UAE Insurance Authority (IA) has issued a new vehicle insurance tariff system that has taken effect from 1st January 2017. The new tariff system stipulates minimum and maximum premium rates for third-party and own damage policies, depending on the vehicle type. As a result of the new tariffs, vehicle insurance premiums are expected to increase for certain vehicle types. The system will still continue to provide the insurance companies with the freedom to price the motor vehicle insurance policies based on their respective experiences using actuarial methodologies.
- In December, 2016 the IA issued draft regulations for Life insurance and Family Takaful business that is expected to have a significant impact on the industry. It includes, among other measures, banning upfront high levels of commissions and better policyholder disclosures. Industry feedback at a meeting with the IA in January 2017 is expected to lead to more fine tuning of the draft regulations before they are ultimately approved by the IA Board. Stay tuned for new updates.
- The IA has required all insurance companies in the UAE to complete the underwriting performance review for all Property and Liability lines of business by 1 March 2017.
- Continuing the new financial reporting regime started in 2015, all financial reports and requirements are due by April 30 again this year, but several items without specific deadlines in 2015 were added to the April 30 deadlines in 2016.
- The deadline for applications for cover under Dubai's mandatory health insurance scheme has been extended, the Dubai Health Authority (DHA) has announced. The new deadline has been extended to 31st March 2017.
- More new regulations are expected during the course of 2017, so watch out for this space!

For further information, please contact dubai@milliman.com or:



Safder Jaffer, FIA

Managing Director
 Milliman LLC, Dubai
Safder.jaffer@milliman.com



Milliman

Unit 809, Level 8
Liberty House, DIFC
Dubai, United Arab Emirates

+971 4 386 6990 Office
+971 50 557 7470 Mobile

milliman.com