

UAE INSURANCE INDUSTRY REPORT

2022

PRELIMINARY

BASED ON PRELIMINARY RESULTS FOR YEAR-END 2022

Business volumes continued to increase as the industry continues its recovery from the COVID-19 pandemic; however profits reduced in 2022 compared to 2021 due to competitive pressures.



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The Gross Written Premium, Net Profit, and the Shareholders' Equity for the 29 listed insurance companies are shown in Exhibit 1.

National Takaful Company (Watania) merged with Dar Al Takaful in July 2022. Watania is no longer individually listed and hence will not be publishing individual financial statements going forward.

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



The market experienced a higher growth in revenue in 2022 compared to 2021, due to continued recovery from the COVID-19 pandemic.”

22 of the 29 companies demonstrated an increase in GWP from 2021 to 2022. Orient Insurance Company continued to lead with the highest GWP, while Abu Dhabi National Insurance Company (ADNIC) and Oman Insurance Company retained the second and third positions respectively.

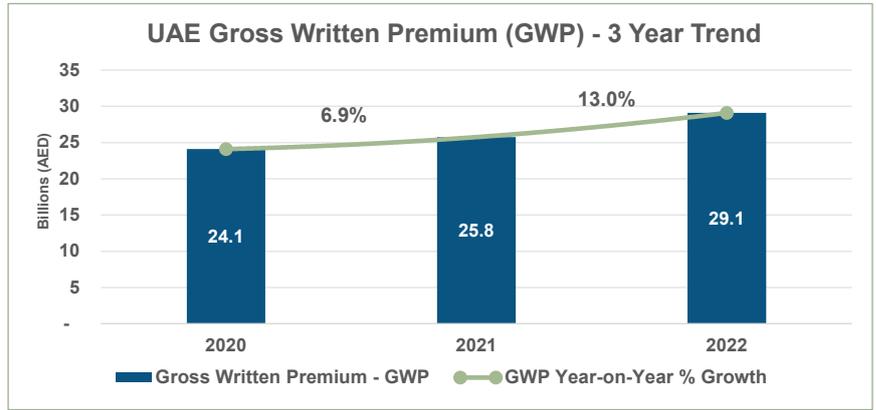


Net Profit has dropped 23.2% to AED 1,519m during 2022, compared to a rise of 9.1% in 2021. The decrease in the net profits during 2022 is primarily driven by increased claims activity which was not supplemented by a corresponding increase in premiums.”

Market Overview

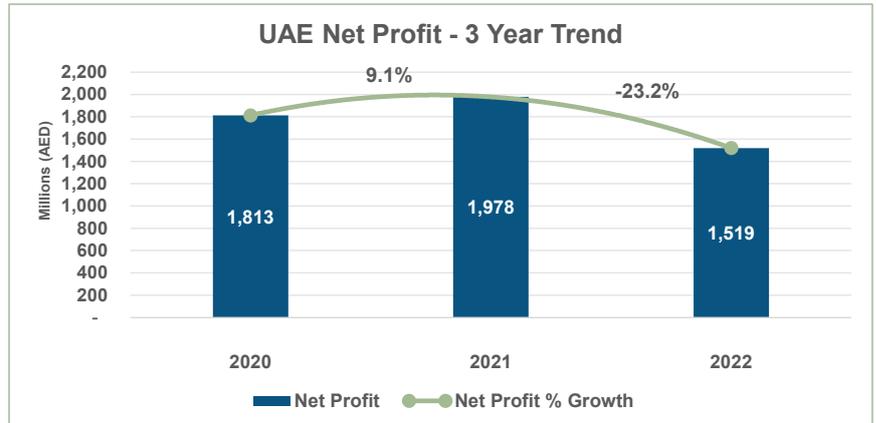
In 2022, the UAE insurance market saw an overall decrease in profitability for the first time after continuous growth in profits over the past five years. However, the insurance market continues to see premium growth for the sixth consecutive year. Based on the preliminary disclosures (24 companies) and audited reports (5 companies) of the UAE insurance companies listed on the Abu Dhabi Securities Exchange (ADX) and Dubai Financial Market (DFM), the Gross Written Premium (GWP) grew by 13.0% to AED 29.1b in 2022 following an increase of 6.9% in 2021. The increase in premiums is due to an increase in population and strong economic growth due to increase in oil prices and tourism.

Graph 1 – Gross Written Premium (AED Billions)



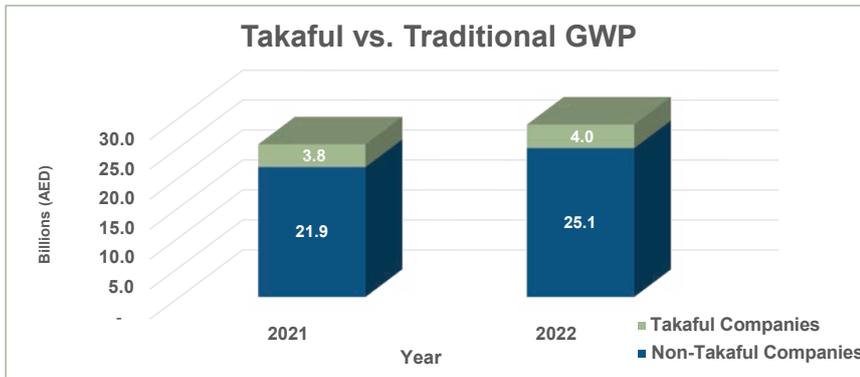
On a net profit basis, the industry's results fell, achieving a net profit of AED 1,519m for 2022, compared to a net profit of AED 1,978m in 2021, a decrease of 23.2%. The profit reductions are due to increase in frequency and severity of claims (high inflation) which was not supplemented by a corresponding increase in premiums. Two of the companies that experienced large fall in profits are Al Wathba National Insurance Company and Al Khazna Insurance Company. Further, some companies booked losses in 2022 reversing their profitable positions during 2021.

Graph 2 – Net Profit (AED Millions)



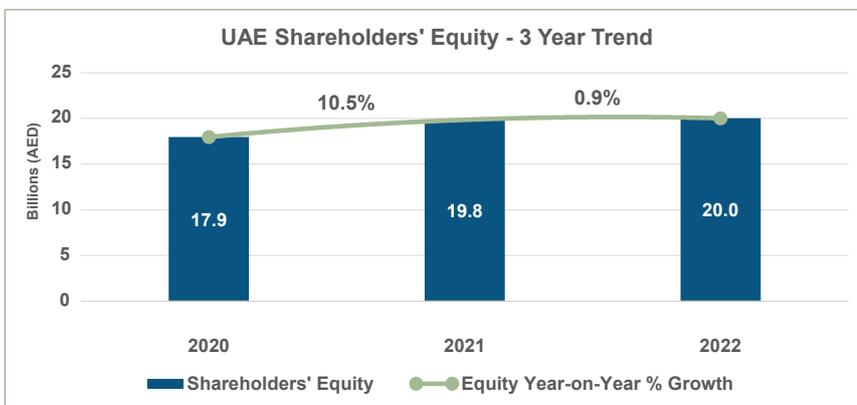
Takaful companies witnessed growth in their top line in 2022 of 3.8% in comparison to a 14.6% increase for the traditional players. Total GWP for Takaful operators now stands at AED 4.0b compared to AED 25.1b for traditional companies. The overall profits for Takaful companies fell by 92% in comparison to 2021.

Graph 3 – Takaful vs Traditional GWP



The Shareholders' Equity remained stable with a slight increase of 0.9% from 2021 to 2022 compared to a 10.5% increase from 2020 to 2021. The total Shareholders' Equity for the 29 companies grew from AED 19.8b in 2021 to AED 20.0b at year-end 2022.

Graph 4 – Shareholders' Equity (AED Billions)



7 of 29 listed companies ended the year with a net loss for 2022, compared to 3 companies posting a loss in 2021.

Orient Insurance Company, Abu Dhabi National Insurance Company (ADNIC) and Oman Insurance Company continued to lead the overall profitability of the insurance sector in the UAE in 2022, maintaining the top 3 positions respectively. 11 out of the 29 companies showed an improvement in their results from 2021.

Orient Insurance Company showed the highest increase in GWP and net profit from 2021.

Dar Al Takaful and Al Sagr National Insurance Company were the two companies to record the highest net losses during 2022.

5 out of the 8 Takaful operators made profits in 2022. Arabian Scandanavian National Insurance Company, Dar Al Takaful and Dubai Islamic Insurance and Reinsurance company which were profitable in 2021 incurred losses in 2022.

14 of the 29 companies experienced an increase in Shareholders' Equity, with the total for the 29 companies having a growth of 0.97% during 2022.



In line with the growth in GWP, Shareholders' Equity continued to show growth for the sixth consecutive year."



The net profit ratio for all companies is converging to the 4% to 6% range in general, however, 5 companies achieved a profit ratio of 10% and above.”

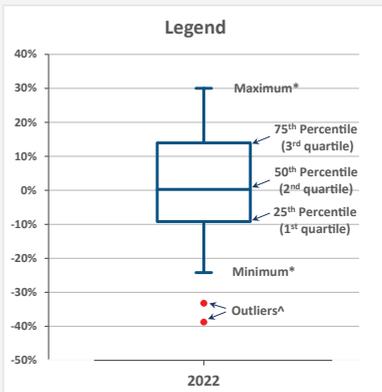
It is important to note that companies are not consistent in reporting their financial results. For example, some companies subtract general expenses to reach their underwriting profit while others do not. This makes industry comparisons difficult and can cause misleading indications of profitability for some companies. Hence, we have not included a comparison of underwriting profits of the companies in our report.

The market shows a negative trend for the growth in profitability. However, the gap in the profit margins between the 1st and 3rd quartile has decreased slightly indicating decreased volatility.

The return on Shareholders' Equity has been positive for most companies except for 7 companies with negative return on Shareholders' Equity in 2022 compared to only 3 in 2021. The gap between the 1st and 3rd quartile for the return on Shareholders' Equity has also increased compared to 2021, implying increased volatility in the results.



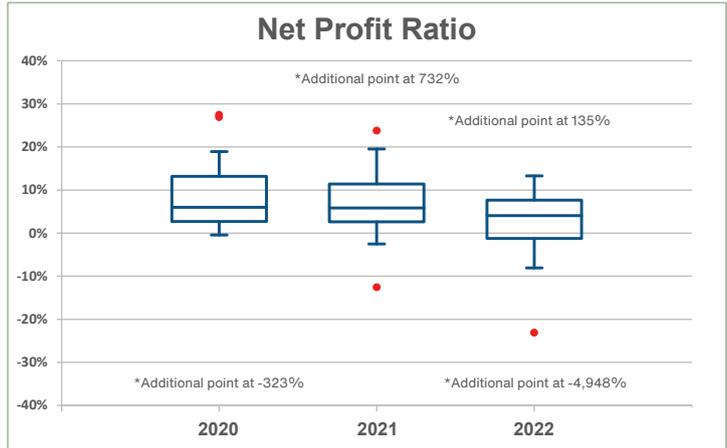
The market return on Shareholders' Equity is 8% for 2022 year-end results compared to 10% for 2021.”



* Largest / smallest value within 3 times the range from the 25th to 75th percentiles.

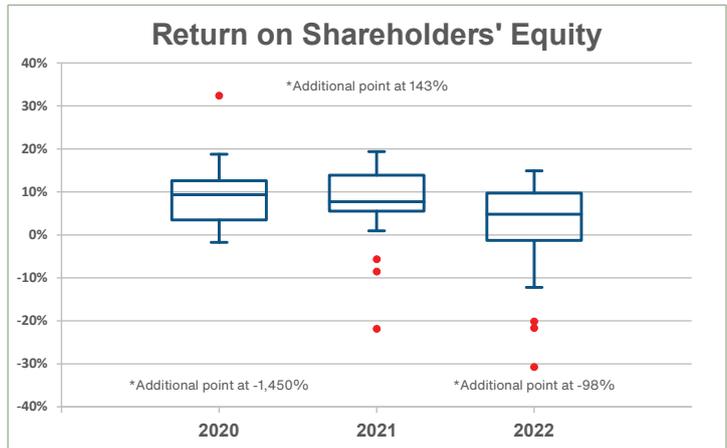
^ Values outside 3 times the range from the 25th to 75th percentiles.

Graph 5 – Distribution of Net Profit Ratio



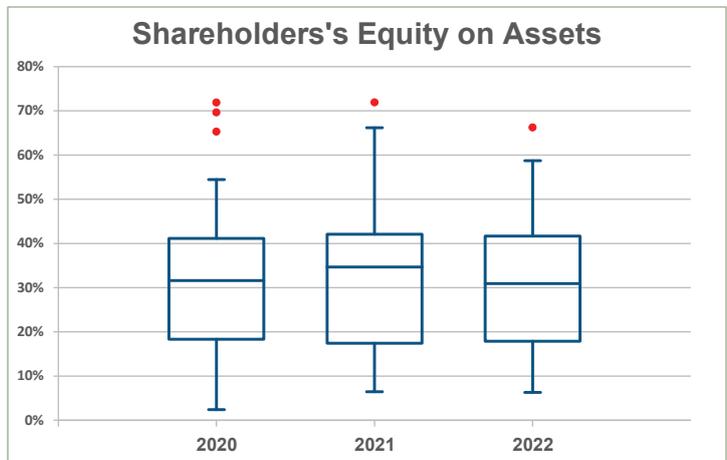
$Net\ Profit\ Ratio = Net\ Profit / Gross\ Written\ Premium$

Graph 6 – Distribution of Return on Shareholders' Equity



$Return\ on\ Equity = Net\ Profit / Average\ Equity$

Graph 7 – Distribution of Shareholders' Equity to Assets



$Shareholders'\ Equity\ on\ Assets = Shareholders'\ Equity / Assets$

Exhibit 1

GWP, Net Profit and Shareholders' Equity (AED Millions)

INSURANCE COMPANY	GWP		NET PROFIT		SHAREHOLDERS' EQUITY	
	YE 2022	YE 2021	YE 2022	YE 2021	YE 2022	YE 2021
Orient Insurance	6,071	5,008	521	476	3,998	3,796
Abu Dhabi National Insurance Company	5,125	4,267	378	402	2,688	2,831
Oman Insurance Company (Audited)	4,390	3,539	224	206	2,461	2,229
Dubai Insurance Company (Audited)	1,469	1,226	92	81	684	630
Emirates Insurance Company	1,136	1,118	72	71	1,150	1,173
Islamic Arab Insurance Company	1,118	1,088	45	62	745	767
Al Buhaira National Insurance Company	943	898	20	25	676	681
Al Ain Al Ahlia Insurance Company (Audited)	923	1,206	63	83	1,317	1,301
Union Insurance Company	868	900	19	13	255	235
Dar Al Takaful	808	706	(55)	22	206	152
National General Insurance Company	650	646	54	71	529	533
Al Sagr National Insurance Company	634	500	(50)	(63)	206	256
Orient UNB Takaful	531	401	30	15	239	209
Abu Dhabi National Takaful Company	447	370	18	88	494	516
Ras Al Khaimah National Insurance Company	433	469	(35)	10	145	203
United Fidelity Insurance Company	422	384	1	8	140	101
Dubai National Insurance & Reinsurance Company	419	301	44	59	682	750
Alliance Insurance	362	304	38	41	548	539
Takaful Emarat	354	584	4	(7)	127	123
Methaq Takaful Insurance Company	327	302	14	(8)	98	85
Al Dhafra Insurance Company	317	315	34	39	457	463
Al Wathba National Insurance Company	306	316	41	164	999	974
Insurance House (Audited)	281	207	4	10	146	149
Al Fujairah National Insurance Company	262	237	(16)	19	295	339
Dubai Islamic Insurance & Reinsurance Co.	254	249	(10)	12	80	87
Arabian Scandanavian National Insurance Company	130	123	(30)	6	252	310
Axa Green Crescent Insurance Company	83	52	3	1	125	122
Sharjah Insurance Company	23	25	31	27	249	230
Al Khazna Insurance	1	6	(35)	44	19	52
TOTAL	29,089	25,750	1,519	1,978	20,007	19,835

Please Note:

- As per 2022 audited statements, 2021 results for some companies have been restated due to change in accounting policies or reclassification of certain line items. Furthermore, 2021 results in the 2022 preliminary reports have changed for some companies. Hence, we have used the most recent published figures above.
- For the Companies which do not show a bifurcation for policyholders' fund and Shareholders' Equity, we have taken the Total Equity as Shareholders' Equity for the above comparison.
- For the Companies where the Preliminary Financial Results did not provide Gross Written Premium explicitly, Revenue has been used for the above comparison.

Exhibit 2

Market share by GWP - ranked by Company

INSURANCE COMPANY	MARKET SHARE		MARKET SHARE RANK		
	YE 2022	YE 2021	YE 2022	YE 2021	CHANGE
Orient Insurance	20.9%	19.4%	1	1	0
Abu Dhabi National Insurance Company	17.6%	16.6%	2	2	0
Oman Insurance Company (Audited)	15.1%	13.7%	3	3	0
Dubai Insurance Company (Audited)	5.1%	4.8%	4	4	0
Emirates Insurance Company	3.9%	4.3%	5	6	+1
Islamic Arab Insurance Company	3.8%	4.2%	6	7	+1
Al Buhaira National Insurance Company	3.2%	3.5%	7	9	+2
Al Ain Al Ahlia Insurance Company (Audited)	3.2%	4.7%	8	5	-3
Union Insurance Company	3.0%	3.5%	9	8	-1
Dar Al Takaful	2.8%	2.7%	10	10	0
National General Insurance Company	2.2%	2.5%	11	11	0
Al Sagr National Insurance Company	2.2%	1.9%	12	13	+1
Orient UNB Takaful	1.8%	1.6%	13	15	+2
Abu Dhabi National Takaful Company	1.5%	1.4%	14	17	+3
Ras Al Khaimah National Insurance Company	1.5%	1.8%	15	14	-1
United Fidelity Insurance Company	1.5%	1.5%	16	16	0
Dubai National Insurance & Reinsurance Company	1.4%	1.2%	17	22	+5
Alliance Insurance	1.2%	1.2%	18	20	+2
Takaful Emarat	1.2%	2.3%	19	12	-7
Methaq Takaful Insurance Company	1.1%	1.2%	20	21	+1
Al Dhafra Insurance Company	1.1%	1.2%	21	19	-2
Al Wathba National Insurance Company	1.1%	1.2%	22	18	-4
Insurance House (Audited)	1.0%	0.8%	23	25	+2
Al Fujairah National Insurance Company	0.9%	0.9%	24	24	0
Dubai Islamic Insurance & Reinsurance Co.	0.9%	1.0%	25	23	-2
Arabian Scandanavian National Insurance Company	0.4%	0.5%	26	26	0
Axa Green Crescent Insurance Company	0.3%	0.2%	27	27	0
Sharjah Insurance Company	0.1%	0.1%	28	28	0
Al Khazna Insurance	0.0%	0.0%	29	29	0

Regulatory updates

The CBUAE had conducted the annual workshops for the industry in December 2022 for setting out the reporting requirements and timelines for 2023, which is followed up by the annual notice no. 729 dated 10th February 2023.

During the meeting, the CBUAE stressed on the importance of the business plans and financial reporting, and hence companies are therefore encouraged to continue making improvements for their upcoming business planning and financial reporting season.

The key messages from the CBUAE were:

- **Business Plans (for 2023)** are required to be submitted to the CBUAE on or before 30 April 2023 and should include the projected income statement, balance sheet, cash flow statement and solvency position for the year 2023, comparing these with the actuals for 2020, 2021 and 2022 at a minimum. The submitted plan should be a comprehensive document and should include the business strategy of the company, external and internal factors affecting this strategy and major risks identified by the company along with the risk mitigation strategy.
- **All actuarial reports** (Financial condition report (FCR), Pricing reports, underwriting performance review reports, Solvency recovery plans, Life products and distribution) must be accompanied by relevant QACs.
- **Financial Condition Reports (FCRs)** should include an assessment of how the audit qualifications impact the company's financial position.
- **Underwriting review and Pricing reports** for Takaful companies must include an analysis comparing Wakala fees charged by Line of Business against the actual expenses being incurred, with a recommendation for the level of Wakala fees.
- **Solvency Recovery plans (for insolvent companies).** There is continued focus on solvency from the CBUAE. Solvency Recovery Plans should realistically demonstrate that the Company is expected to become solvent as per the required timelines of Section (2) Article (8) of the Financial Regulations. The Plan should be certified by the appointed actuary of the company and its board of directors, before being submitted to the CBUAE. The plan should be clear with respect to the actions and their timelines and should have sensitivity analysis with probable consequences.
- **Auditing Issues: The CBUAE raised concerns about financial statements, in particular:**
 - Format of financial statements not in compliance with Appendix-1 of financial statements
 - Disclosure on solvency position which are missing from the financial statements
 - Assets recognized on the balance sheet when not actually owned by the company
 - Overstatement of receivables
 - Inadequate governance around related party transactions
 - Incorrect presentation of Qard Hassan loan (for takaful companies)
 - Other issues identified in the eForms

- **Agreed Upon Procedures (AUP) for reviewing eForms:** The CBUAE has provided guidance to the auditors with respect to the enhancement of their agreed upon procedures report, to ensure quality control is maintained after IFRS 17 is implemented. These AUPs are necessary because companies will be reporting on two different bases: IFRS 17 for general purpose accounting (which will be audited as normal for financial statements) and for regulatory reporting companies are required to continue using the current reporting basis supported by the eForms (which will be subjected to the AUPs).
- **External Audit Opinion on Internal Controls over financial reporting (ICFR):** The CBUAE requires the companies to provide an external audit opinion on ICFR for year-end 2023 financial statements. The CBUAE expects that companies while implementing IFRS 17 will restructure and redesign the internal processes and underlying controls. However, the CBUAE still requires a Management Assessment Report to be submitted on 30th April 2023 to demonstrate continuous progress.

Some of the other regulatory updates include:

- CBUAE issued Notice No. CBUAE/BSO/2022/4639, titled “**Corporate Governance Regulation and Standards for Insurance Companies**” dated 16 November 2022. The CBUAE intends to ensure effective governance mechanism in the overall insurance sector. Companies are required to study the new regulations in detail and submit a gap analysis to the CBUAE including a detailed remediation plan which will be approved by the CBUAE.
- CBUAE issued Notice No. CBUAE/BSO/2022/4697, titled “**Dividend Announcement and Profits Repatriation Approval Process**” dated 21 November 2022, providing guidance on the pre-requisites for dividend distribution to the shareholders by insurance companies and profits repatriation from a foreign branch to the parent company.
- CBUAE issued Notice No. CBUAE/BSO/2022/4803, titled “**Regulation Regarding Takaful Insurance**”, dated 29 November 2022. The objective of the Regulation is to establish minimum requirements that Takaful insurance companies must comply with in relation to their Takaful insurance activities and businesses.





Market Developments & Updates

IFRS 17 related updates

The first IFRS17 financial statements are expected from Q1 2023. IFRS 17 implementation has been a major challenge for many insurance companies and is expected to be one of the major focus areas for the Insurance Industry in the UAE being the quality of the auditing work performed during 2023.

Companies are reminded that the CBUAE has clarified approach for adopting IFRS 17 in the UAE. As required by UAE Law, companies will use IFRS 17 for general purpose accounting starting from 1 January 2023. For regulatory reporting, however, companies are required to continue using the current reporting basis supported by the eForms. CBUAE will continue to monitor the quality of audited IFRS 17 general purpose financial statements for the foreseeable future as it considers whether to adopt IFRS 17 for regulatory reporting as well. This approach was well-received by the industry as it provides clarity of approach, removes regulatory risks, is not inconsistent with other developed insurance markets which also have more than one valuation basis (for example, Europe has IFRS4 for those entities that are not required to report on an IFRS17 basis, IFRS17 for those entities that are required to report on an IFRS17 basis and Solvency II for regulatory reporting for all entities) and it aligns with other developments like ICFR.

Health industry updates across the UAE

Update on the impact of Covid-19:

The local impact of the Covid-19 pandemic has reduced with most restrictions across the UAE, including the mask mandate, being lifted towards the end of 2022. The number of tests performed as well as the number of daily cases in the country have reduced significantly as mandatory testing requirements for both local offices and international travel have reduced. The increase in cases in China following the sudden lifting of Covid-related restrictions in December 2022 may result in an increase in case numbers globally, however the impact of this is still uncertain.

Other health updates:

DUBAI

DHA: External Circular GC 10-2022: DRG Implementation for Eye Hospitals & Eye Centers

Dubai Health Authority issued a circular in November advising registered eye hospitals and eye centres that full DRG reimbursement would be implemented with effect from January 2023. This announcement followed the suspension of DRG reimbursement for these facilities with effect from April 2002. A new set of relative weights was also shared with the market.

Source:

<https://www.isahd.ae/content/docs/GC%2010-2022.pdf>

ABU DHABI

DoH: Circular No. (2022/242): Payment for Quality Program for Thiqa and Basic Healthcare Providers Networks

The Department of Health, Abu Dhabi issued a circular in November advising that Daman would be commencing stakeholder engagement to develop a pay-for-quality reimbursement mechanism for the Basic and Thiqa programmes. This initiative supports DoH's objective of implementing value-based healthcare in the Emirate.

Source:

<https://www.doh.gov.ae/-/media/694028A394F8432684FDDFC0C125DFF0.ashx>

DoH: Circular No. (2022/241): Updated Procedures regarding the Increase in Usage Rate

The Department of Health, Abu Dhabi, issued Circular 241 which requires health insurance companies to report providers with excess utilization of services compared to other providers to DoH. The insurance company should inform the concerned provider of their findings and should then submit the evidence to DoH. The healthcare provider should inform the relevant doctor of the findings. If there is sufficient evidence to prove excess utilization then fines or penalties may be levied against the responsible parties.

Source:

<https://www.doh.gov.ae/-/media/DC1E0A6AE3A649E5B51ADF35A64CB96.ashx>

Motor industry updates across the UAE

The motor industry has seen a drop in profitability in 2022 due to higher loss ratio and commission ratio. The high loss ratio is resulting from heavy discounts on the rates charged (COVID-19 related discounts being continued by the companies) as well as an increase in claims' frequency and severity due to the vehicle activity on the roads (returning to pre-covid levels). Further, the claim severity has seen an increase due to high inflation which has resulted in higher cost of spare parts and vehicle repair. The Companies have started to relook at the pricing and underwriting strategy in light of the reduction in profitability in the last two years.

Mergers and acquisitions

- Dar al Takaful and National Takaful Company (Watania) merged to form one of the leading national (Takaful) Islamic Insurance providers in the UAE in July 2022.

As a part of the merger completion process, trading in Watania shares on Abu Dhabi Securities Exchange (ADX) ceased as of the closing of the trading session on 15 June 2022 and the company officially delisted from the ADX on 30 June 2022. The merger certificate was issued by the Securities and Commodities Authority (SCA).

The merged company started trading on the DFM as DARTAKAFUL, from 4 July 2022.

Source:

<https://www.zawya.com/en/press-release/companies-new/s/dar-al-takaful-and-watania-complete-merger-aeqsnwic>

- Takaful Emarat was expected to be merged with Islamic Arab insurance company. However, the planned merger has been called off. Further, the two companies will be proceeding with exploring options for 'alternative arrangements' which may include acquiring the takaful operations of Takaful Emarat and not the assets of the company.

Source:

<https://gulfnews.com/business/banking/uae-insurers-salama-and-takaful-emar-at-call-off-merger-talks-1.1676528204215>

- In the weeks to come, Dubai Islamic Insurance and Reinsurance Company (AMAN) is progressing towards making an exit from the insurance space. The Company is expected to give itself a makeover as an investment firm. Furthermore, in October 2022, there had been an initial agreement between AMAN and Abu Dhabi National Takaful Company to acquire Aman's individual life takaful portfolio.
- Islamic Arab insurance company confirmed that its Board approved the acquisition of Dubai Islamic Insurance & Reinsurance Company's non-life portfolio which will include its motor, non-motor, medical and group life insurance business. This is expected to go ahead in the first quarter of 2023, subject to the approval of the regulators.

Source:

<https://www.zawya.com/en/islamic-economy/islamic-finance/salama-eyes-272mIn-gross-written-contributions-with-aman-acquisition-mlo7oalq>



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