

Financial Analysis of Reported Earnings  
As of 30 June 2015  
UAE National Insurance & Takaful Companies

19 August 2015

## EXECUTIVE SUMMARY

Taha Actuaries & Consultants examined the Financial Statements of twenty nine (29) listed, locally incorporated, National companies as of 30 June 2015. Those Financial Statements form the basis for this mid-year report.

Eight (8) Takaful Companies and twenty one (21) Conventional Insurance Companies make up the mix of those twenty nine companies, of which we had two special cases:

- (i) Arabian Scandinavian Insurance Company was converted from a conventional insurance company to a Takaful company operating under the name “Arabian Scandinavian Insurance Company P.L.C – Takaful – ASCANA Insurance”, effective 2015. For consistency in the comparison of the figures between current and previous periods, we added ASCANA to the Takaful companies list throughout the periods under review.
- (ii) Alliance Insurance did not report their condensed statement of income with the same disclosures as the other insurers did. As a result, the percentages and totals calculated in this report with this respect exclude Alliance’s figures.

While we will try to compute trends and ratios for the market in general that comprises all companies, we need to point out that Takaful numbers and ratios are going to be greatly affected by one Takaful company, Islamic Arab Insurance Co. (SALAMA) that constitutes 31% of Gross Takaful premium down from 37% as of the first half of 2014. On the other hand, Conventional companies are affected by three large players: Abu Dhabi National Insurance Company (ADNIC), Oman Insurance Company (OMAN), and Orient Insurance Company (ORIENT).

Total Gross Premium (GP) for the above mentioned twenty nine companies as of 30 June 2015 was AED 9.42 billion which is 8% higher than GP as of 30 June 2014. However, totals and averages hide the variation between companies and sectors: Gross Premium for Conventional companies increased from AED 7.61 billion, as of 30 June 2014, to AED 7.99 billion, as of 30 June 2015, a 5% increase. Gross Premium for Takaful companies also increased from AED 1.11 billion as of 30 June 2014 to AED 1.44 billion as of 30 June 2015, a 29% increase.

As of 30 June 2015, these twenty nine companies possessed AED 41.48 billion of Assets in total against Liabilities of AED 24.79 billion. As compared to year-end of 2014, Assets increased by 5.8% while Liabilities increased by 10.3%. Share Capital remained the same at AED 2.19 billion for Takaful companies, and AED 4.29 billion for Conventional insurance companies. Equity, on a consolidated basis, experienced a slight decrease of less than 0.3%,

from AED 16.74 billion as at 31 December 2014 to AED 16.69 billion as of 30 June 2015. However, the total's stability is deceiving since nine (9) Conventional companies increased their Equity for the first half of 2015, while the other twelve (12) Conventional companies decreased their Equity. Similarly, four (4) Takaful companies increased their Equity during the first half of 2015, and the rest have decreased their Equity. The average variation by sector is a 3.2% decrease in Equity for Takaful Companies and a 0.2% increase for Conventional Insurers.

Three (3) Conventional and six (6) Takaful companies are at higher risk as their Equity is below their Share Capital level. Equity as percentage of Assets on average is higher for Conventional companies (42%) compared to their Takaful counterparts (33%). However, this ratio decreased from 44% as of year-end 2014 for Conventional companies and it also decreased from 35% for Takaful companies.

The industry's half-year Return on Assets is 0.5%, Return on Share Capital is 3.3% and Return on Equity is 1.3%. As compared to 30 June 2014, total Net Profits declined significantly for the market at a consolidated basis, with a decrease of 77%. This large decline in the Net Profit is mainly driven by the drop in the financial results of the following companies: Abu Dhabi National Insurance Company (ADNIC), Al Sagr National Insurance Company (ASNIC), and Al Wathba National Insurance Company (AWNIC). Seven (7) Conventional companies and three (3) Takaful companies reported negative Net Profit as of the first half of 2015.

In total, Takaful companies are relying less on reinsurance (and/or Retakaful) than Conventional companies. The average reinsurance ratio in the first half of 2015 is almost at the same level as in the first half of the year before, for both Conventional and Takaful companies. However, this ratio changed significantly up or down for individual companies. Additionally, there are varying levels of reinsurance ratios for Conventional and Takaful companies, ranging from 31% to 73%. For Takaful companies, the range is from 9% to 59%.

We calculated Claims Loss Ratios for each company in the list on Gross and Net of Reinsurance basis. Claim Loss Ratio is defined as follows:

$$\text{Loss Ratio} = \frac{\text{Claims Incurred}}{\text{Premiums Earned}}$$

At a consolidated basis, the spread between the Net Loss ratio (82%) and Reinsurance Loss ratio (52%) is relatively high as of the first half of 2015. Taha concludes that, in total, Reinsurance is not being used effectively to hedge the risk for those companies, especially since this has been a trend for several years. Of course there are variations between the companies, and for some, the picture is more complicated when you consider other factors,

such as commission. However, we believe that with actuarial modeling, most of the companies could improve their bottom line with reinsurance optimization.

The industry, on the whole, incurred 6% more General and Administrative Expenses as of the first half of 2015 compared to the first half of 2014. However, the net expense ratio stayed almost stable at 22%, due to the increase of 6% in Net Premium for the same period. Conventional companies increased their General and Administrative Expenses by 5%, while Takaful companies increased their General and Administrative Expenses by 10%.

Net Commission of Takaful companies decreased by 5% as of 30 June 2015, still remaining negative. In contrast, for Conventional companies, there's an increase of 54% in their Net Commission for the first half of 2015, while the figure remained positive.

All the above are market trends and totals on a consolidated basis. However, totals can hide a lot of the interesting details and variations between companies. For a better understanding of the particulars of each company, please read our more detailed analysis below.

## INTRODUCTION

Insurance and Takaful companies operating in the UAE are legally structured as either National companies or as branches of foreign companies. In this analysis, Taha Actuaries & Consultants, will focus on financial statements of twenty nine (29) listed, locally incorporated, National companies, out of which eight (8) are Takaful companies. Arabian Scandinavian Insurance Company – Takaful (ASCANA-TAK) has moved from a Conventional company to a Takaful Company beginning the first quarter of 2015. Our analysis uses the data from financial statements, as of 30 June 2015. The statements were downloaded from one of the following websites:

- Dubai Financial Market ([www.dfm.ae](http://www.dfm.ae))
- Abu Dhabi Securities Exchange ([www.adx.ae](http://www.adx.ae))

Unfortunately, the data for branches of foreign companies or the non-listed locally incorporated National companies is not available publically. Hence, those companies are not included in this analysis.

For uniformity and comparison between Conventional and Takaful companies, we referred to *Contribution as Premium*, and to *Retakaful as Reinsurance* throughout the report.

Our analysis will cover the major aspects of each company's financial statement, including:

- Reporting and analyzing key figures of the Balance Sheet such as, Assets, Liabilities, Share Capital and Equity

- Calculating the ratio of Net Profit to these key Balance Sheet numbers
- Analyzing important numbers from the Income Statement and presenting both Underwriting results and Net Profit for the period compared to first half of 2014
- Presenting a Reinsurance Analysis which compares Reinsurance Premium to Gross Premium
- Reporting on General and Administrative Expenses and Net Commission as of the first half of 2015 compared to the first half of 2014.

For these analyses, we have presented consolidated figures for all Conventional companies and Takaful companies separately. These total figures could act as benchmarks for any of the companies to compare their performance to that of the industry.

## BALANCE SHEET HIGHLIGHTS

Table 1a provides figures of Assets and Liabilities for Conventional companies whose Financial Statements are listed on one of the above mentioned websites. The figures provided are company-wide values as of 30 June 2015 and 31 December 2014.

As of 30 June 2015, Assets of Conventional companies have increased by 6.1% and Liabilities by 10.7%, when compared to the figures as of 31 December 2014. The largest percentage increase in Assets during the first half is 17.5%, reported by Ras Al Khaimah National Insurance Company (RAKNIC). Three (3) Conventional companies – Green Crescent Insurance Company (GCIC), Insurance House (IH), and Sharjah Insurance Company (SICO) – reported decreases in both their Assets and Liabilities. Two other companies – Al Khazna Insurance Company (AKIC) and United Insurance Company (UIC) – reported decreases in Assets of 4% and 1.7% respectively but an increase in Liabilities of 3.5% and 8% respectively.

Table 1a

**Financial Statement Analysis of UAE National Conventional Companies**

Balance Sheet Highlights as of 30 June 2015

Figures in AED million

Name of Company	Assets			Liabilities		
	Jun-15	Dec-14	% Change	Jun-15	Dec-14	% Change
Abu Dhabi National Insurance Company PSC	5,829	5,556	4.9%	4,467	3,921	13.9%
Al Ain Ahlia Insurance Co. P.S.C.	1,977	1,885	4.9%	792	688	15.1%
Al Buhaira National Insurance P.S.C.	1,790	1,769	1.2%	1,103	1,117	-1.3%
Al Dhafra Insurance Company P.S.C.	932	855	9.0%	520	450	15.6%
Al Fujairah National Insurance Company P.S.C.	446	429	3.9%	230	214	7.2%
Al Khazna Insurance Company P.S.C.	844	879	-4.0%	477	461	3.5%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	1,423	1,402	1.5%	809	739	9.5%
Al Wathba National Insurance Company PJSC	1,405	1,390	1.1%	548	517	6.0%
Alliance Insurance P.S.C.	1,306	1,214	7.6%	885	793	11.6%
Orient Insurance Company PJSC and its subsidiaries	4,921	4,315	14.0%	2,269	2,049	10.7%
Dubai Insurance Company (PSC)	896	793	13.0%	390	316	23.4%
Dubai National Insurance & Reinsurance P.S.C.	705	663	6.2%	268	241	11.3%
Emirates Insurance Company P.S.C.	2,210	2,018	9.5%	1,081	922	17.2%
Green Crescent Insurance Company PJSC	232	240	-3.2%	64	67	-4.2%
Insurance House P.S.C	231	259	-10.8%	118	140	-15.6%
National General Insurance Co. (P.S.C.)	976	970	0.6%	515	485	6.3%
Oman Insurance Company P.S.C. and Subsidiaries	6,371	6,023	5.8%	4,369	4,020	8.7%
Ras Al Khaimah National Insurance Company P.S.C.	616	524	17.5%	386	298	29.4%
Sharjah Insurance Company P.S.C.	443	466	-4.9%	141	153	-7.5%
Union Insurance Company P.S.C.	982	890	10.3%	640	533	20.0%
United Insurance Company P.S.C.	279	284	-1.7%	223	206	8.0%
<b>Total Conventional Companies</b>	<b>34,814</b>	<b>32,824</b>	<b>6.1%</b>	<b>20,294</b>	<b>18,329</b>	<b>10.7%</b>

Table 1b

**Financial Statement Analysis of UAE National Takaful Companies**

Balance Sheet Highlights as of 30 June 2015

Figures in AED million

Name of Company	Assets			Liabilities		
	Jun-15	Dec-14	% Change	Jun-15	Dec-14	% Change
Abu Dhabi National Takaful Company PSC	638	632	0.9%	419	420	-0.2%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	408	414	-1.5%	97	92	5.0%
Dar Al Takaful PJSC	303	244	24.0%	248	188	32.1%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	642	584	9.9%	507	459	10.5%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	3,535	3,592	-1.6%	2,358	2,353	0.2%
Methaq Takaful Insurance Company PSC	370	352	5.1%	278	261	6.7%
National Takaful Company (Watania) PJSC	416	343	21.0%	309	223	38.6%
Takaful Emarat - Insurance (PSC)	357	232	53.9%	281	158	78.6%
<b>Total Takaful Companies</b>	<b>6,668</b>	<b>6,395</b>	<b>4.3%</b>	<b>4,498</b>	<b>4,153</b>	<b>8.3%</b>
<b>All Companies</b>	<b>41,483</b>	<b>39,218</b>	<b>5.8%</b>	<b>24,792</b>	<b>22,483</b>	<b>10.3%</b>

Table 1b provides figures of Assets and Liabilities for Takaful companies as of 30 June 2015 and 31 December 2014. During the first half of 2014, Assets and Liabilities of Takaful companies increased by 4.3% and 8.3%, respectively. Two Takaful companies – Arabian Scandinavian Insurance Company (ASCANA) and Islamic Arab Insurance Company (SALAMA) – reported slight decreases in Assets of 1.5% and 1.6% respectively but an increase in Liabilities of 5% and 0.2% respectively. Meanwhile, Takaful Emarat - Insurance (TAKEM) reported the highest increase in both Assets (53.9%) and Liabilities (78.6%), a big difference in percentage wise but almost the same amount (AED 125 million vs. 123 million).

Table 2a provides detail on Share Capital and Equity for Conventional companies as of 30 June 2015 and 31 December 2014

Share Capital remained unchanged for the Conventional companies during the first half of 2015. In total, Share Capital of Conventional companies stands at AED 4.29 billion.

Total Equity for Conventional companies is AED 14.52 billion which provides a cushion to the industry in the event a payout to fulfill Liabilities exceeds the allotted amount. When compared to the 31 December 2014 figure, total Equity for Conventional companies increased slightly by 0.2% in the first half of 2015, despite Equity for twelve (12) Conventional companies decreasing over this period. The decrease in Equity for the twelve conventional companies was greatly offset by the increase in Equity of 17% by Orient Insurance Company (OIC), also reporting the highest Equity among all companies industry-wide amounting to AED 2.65 billion as of the first half of 2015.



Table 2a

## Financial Statement Analysis of UAE National Conventional Companies

Balance Sheet Highlights as of 30 June 2015

Figures in AED million

Name of Company	Share Capital			Equity		
	Jun-15	Dec-14	% Change	Jun-15	Dec-14	% Change
Abu Dhabi National Insurance Company PSC	375	375	0%	1,363	1,634	-17%
Al Ain Ahlia Insurance Co. P.S.C.	150	150	0%	1,185	1,196	-1%
Al Buhaira National Insurance P.S.C.	250	250	0%	687	651	5%
Al Dhafra Insurance Company P.S.C.	100	100	0%	413	406	2%
Al Fujairah National Insurance Company P.S.C.	100	100	0%	216	215	1%
Al Khazna Insurance Company P.S.C.	420	420	0%	366	418	-12%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	230	230	0%	614	663	-7%
Al Wathba National Insurance Company PJSC	207	207	0%	857	873	-2%
Alliance Insurance P.S.C.	100	100	0%	422	422	0%
Orient Insurance Company PJSC and its subsidiaries	500	500	0%	2,652	2,266	17%
Dubai Insurance Company (PSC)	100	100	0%	506	477	6%
Dubai National Insurance & Reinsurance P.S.C.	116	116	0%	437	423	3%
Emirates Insurance Company P.S.C.	135	135	0%	1,129	1,097	3%
Green Crescent Insurance Company PJSC	100	100	0%	168	173	-3%
Insurance House P.S.C	120	120	0%	113	119	-5%
National General Insurance Co. (P.S.C.)	150	150	0%	461	485	-5%
Oman Insurance Company P.S.C. and Subsidiaries	462	462	0%	2,001	2,004	0%
Ras Al Khaimah National Insurance Company P.S.C.	110	110	0%	230	226	2%
Sharjah Insurance Company P.S.C.	138	138	0%	302	313	-4%
Union Insurance Company P.S.C.	331	331	0%	343	357	-4%
United Insurance Company P.S.C.	100	100	0%	56	78	-28%
<b>Total Conventional Companies</b>	<b>4,293</b>	<b>4,293</b>	<b>0%</b>	<b>14,521</b>	<b>14,495</b>	<b>0.2%</b>

Table 2b

**Financial Statement Analysis of UAE National Takaful Companies**

Balance Sheet Highlights as of 30 June 2015

Figures in AED million

Name of Company	Share Capital			Equity		
	Jun-15	Dec-14	% Change	Jun-15	Dec-14	% Change
Abu Dhabi National Takaful Company PSC	100	100	0%	219	212	3%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	154	154	0%	311	322	-3%
Dar Al Takaful PJSC	100	100	0%	55	56	-3%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	226	226	0%	134	125	8%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	1,210	1,210	0%	1,176	1,239	-5%
Methaq Takaful Insurance Company PSC	150	150	0%	92	92	0%
National Takaful Company (Watania) PJSC	150	150	0%	106	120	-12%
Takaful Emarat - Insurance (PSC)	100	100	0%	76	75	2%
<b>Total Takaful Companies</b>	<b>2,190</b>	<b>2,190</b>	<b>0%</b>	<b>2,170</b>	<b>2,241</b>	<b>-3.2%</b>
<b>All Companies</b>	<b>6,483</b>	<b>6,483</b>	<b>0%</b>	<b>16,691</b>	<b>16,736</b>	<b>-0.3%</b>

Table 2b above provides values for Share Capital and Equity for Takaful Companies as of 30 June 2015 and 31 December 2014.

Share Capital of Takaful companies remained unchanged as of the first half of 2015. Islamic Arab Insurance Co. (SALAMA) still possesses the highest amount of Share Capital of all companies industry-wide, with holdings of AED 1.21 billion. Compared to December 2014, total Equity for Takaful companies decreased by 3.2%.

## BALANCE SHEET RATIOS AND RETURNS

Table 3a presents Equity as Percentage of Assets for Conventional companies as of 30 June 2015 and 31 December 2014. The table also shows half-year return for Conventional companies on Assets, Share Capital and Equity for the first half of 2015.

Equity as Percentage of Assets tells us how much assets a company holds over and above their liabilities. The higher the ratio, the lower the risk the company possesses. The consolidated ratio for Conventional companies is 42% for the first half of 2015. For the majority of companies, the ratio remained fairly stable between 31 December 2014 and 30 June 2015, experiencing only minor changes during the period.

Return on Assets is calculated by dividing Net Profit by average assets during the period under review. Return on Assets for all Conventional Companies, on a consolidated basis, is 0.7%. Seven (7) companies, namely Abu Dhabi National Insurance Company (ADNIC), Al Khazna Insurance Company (AKIC), Al-Sagr National Insurance Company (ASNIC), Green Crescent Insurance Company (GCIC), Insurance House (IH), Union Insurance Company (UNION) and United Insurance Company (UIC), experienced negative return on Assets. The remainder of the Conventional companies showed a Return on Assets ranging from 0.7% to 4.3%.

Return on Share Capital explains how efficiently a company utilizes its capital. This ratio is calculated by dividing Net Profit by average Share Capital during the period under review. Return on Capital for all conventional companies, on consolidated basis, is 5.1% for the first half of 2015. Seven (7) companies, namely Al Ain Ahlia Insurance Co. (ALAIN), Al Dhafra Insurance Company (DHAFRA), Al Wahtba National Insurance Company (AWNIC), Orient Insurance Company (ORIENT), Dubai Insurance Company (DIN), Dubai National Insurance & Reinsurance (DNIR), and Emirates Insurance Company (EIC), reported a Return on Capital of 20% or more.

Return on Equity is calculated by dividing Net Profit by average equity during the period under review. Industry-wide, Conventional companies' Return on Equity is 1.5% for the first half of 2015. Al Dhafra Insurance Company (DHAFRA), Orient Insurance Company (AOIC), Dubai National Insurance & Reinsurance (DNIR), Emirates Insurance Company (EIC), and Ras Al Khaimah National Insurance Company (RAKNIC) have all shown Return on Equity of 6% or more.

Table 3a

### Financial Statement Analysis of UAE National Conventional Companies Balance Sheet Ratios and Returns

Figures in AED million

Name of Company	Equity as % of Assets		Net Profit	Half-Year Return on		
	Jun-15	Dec-14	Q2 2015	Assets	Share Capital	Equity
Abu Dhabi National Insurance Company PSC	23%	29%	(299)	-5.2%	-79.7%	-19.9%
Al Ain Ahlia Insurance Co. P.S.C.	60%	63%	44	2.3%	29.0%	3.7%
Al Buhaira National Insurance P.S.C.	38%	37%	34	1.9%	13.5%	5.0%
Al Dhafra Insurance Company P.S.C.	44%	47%	35	4.0%	35.5%	8.7%
Al Fujairah National Insurance Company P.S.C.	49%	50%	8	1.8%	7.8%	3.6%
Al Khazna Insurance Company P.S.C.	43%	48%	(45)	-5.2%	-10.7%	-11.5%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	43%	47%	(25)	-1.8%	-11.0%	-4.0%
Al Wathba National Insurance Company PJSC	61%	63%	48	3.4%	23.3%	5.6%
Alliance Insurance P.S.C.	32%	35%	N/A	N/A	N/A	N/A
Orient Insurance Company PJSC and its subsidiaries	54%	53%	188	4.1%	37.7%	7.7%
Dubai Insurance Company (PSC)	57%	60%	26	3.1%	26.1%	5.3%
Dubai National Insurance & Reinsurance P.S.C.	62%	64%	29	4.3%	25.4%	6.8%
Emirates Insurance Company P.S.C.	51%	54%	83	3.9%	61.2%	7.4%
Green Crescent Insurance Company PJSC	72%	72%	(5)	-2.2%	-5.1%	-3.0%
Insurance House P.S.C	49%	46%	(6)	-2.4%	-4.8%	-5.0%
National General Insurance Co. (P.S.C.)	47%	50%	17	1.7%	11.1%	3.5%
Oman Insurance Company P.S.C. and Subsidiaries	31%	33%	83	1.3%	18.0%	4.2%
Ras Al Khaimah National Insurance Company P.S.C.	37%	43%	20	3.5%	18.0%	8.7%
Sharjah Insurance Company P.S.C.	68%	67%	9	2.0%	6.7%	3.0%
Union Insurance Company P.S.C.	35%	40%	(7)	-0.8%	-2.2%	-2.1%
United Insurance Company P.S.C.	20%	27%	(17)	-5.9%	-16.6%	-24.9%
<b>Total Conventional Companies</b>	<b>42%</b>	<b>44%</b>	<b>220</b>	<b>0.7%</b>	<b>5.1%</b>	<b>1.5%</b>

Table 3b presents Equity as Percentage of Assets for Takaful companies as of 30 June 2015 and 31 December 2014. The table also shows Return for Takaful companies on Assets, Share Capital and Equity. For Takaful companies, the ratio of Equity as Percentage of Assets is 33% as of 30 June 2015 compared to 42% for Conventional companies.

Table 3b

### Financial Statement Analysis of UAE National Takaful Companies Balance Sheet Ratios and Returns

Figures in AED million

Name of Company	Equity as % of Assets		Net Profit	Half-Year Return on		
	Jun-15	Dec-14	Q2 2015	Assets	Share Capital	Equity
Abu Dhabi National Takaful Company PSC	34%	34%	18	2.8%	17.8%	8.3%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	76%	78%	13	3.2%	8.4%	4.1%
Dar Al Takaful PJSC	18%	23%	(3)	-1.1%	-3.0%	-5.3%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	21%	21%	7	1.2%	3.1%	5.4%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	33%	34%	(31)	-0.9%	-2.6%	-2.6%
Methaq Takaful Insurance Company PSC	25%	26%	0	0.1%	0.2%	0.4%
National Takaful Company (Watania) PJSC	26%	35%	(14)	-3.7%	-9.3%	-12.3%
Takaful Emarat - Insurance (PSC)	21%	32%	1	0.4%	1.3%	1.7%
<b>Total Takaful Companies</b>	<b>33%</b>	<b>35%</b>	<b>(9)</b>	<b>-0.1%</b>	<b>-0.4%</b>	<b>-0.4%</b>
<b>All Companies</b>	<b>40%</b>	<b>43%</b>	<b>211</b>	<b>0.5%</b>	<b>3.3%</b>	<b>1.3%</b>

For Takaful companies, Returns on Assets, Share Capital and Equity for the period are -0.1%, -0.4%, and -0.4% respectively, on a consolidated basis. The negative returns are due to a negative Profit for the whole group of Takaful companies. Three (3) companies – Dar Al Takaful (DARTAK), Islamic Arab Insurance Company (SALAMA), and National Takaful Company (Watania) – reported negative net profits. For the rest of the Takaful companies, slight positive net profits were reported on an individual basis.

## INCOME STATEMENT - NET PROFIT

Table 4a presents different Income Statement figures for Conventional companies as of 30 June 2015 and 30 June 2014.

Conventional companies registered 3% increase in their Net premiums Earned and 21% increase in their Net Incurred Claims, from 30 June 2014 to 30 June 2015. There are significant variances across companies for both Net Premium Earned and Net Incurred Claims. For Net Premium Earned, there are decreases of 50% to increases of 93%. For Net Incurred Claims, there are decreases of 62% to increases of 131%.

Table 4a

### Financial Statement Analysis of UAE National Conventional companies Income Statement - Net Profit

Figures in AED million

Name of Company	Net Premium Earned			Net Incurred Claims			Net Underwriting Income			Net Profit		
	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change
Abu Dhabi National Insurance Company PSC	662	732	-9%	867	557	56%	(234)	162	-245%	(299)	104	-386%
Al Ain Ahlia Insurance Co. P.S.C.	135	132	2%	87	81	7%	55	59	-6%	44	65	-33%
Al Buhaira National Insurance P.S.C.	145	113	29%	161	122	33%	36	33	11%	34	31	8%
Al Dhafra Insurance Company P.S.C.	148	130	14%	123	86	42%	33	46	-26%	35	44	-20%
Al Fujairah National Insurance Company P.S.C.	57	60	-5%	51	55	-8%	17	15	9%	8	4	99%
Al Khazna Insurance Company P.S.C.	38	20	93%	32	14	131%	4	8	-45%	(45)	(44)	-1%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	128	108	19%	145	99	46%	15	32	-52%	(25)	84	-130%
Al Wathba National Insurance Company PJSC	102	100	3%	79	85	-7%	27	21	28%	48	151	-68%
Alliance Insurance P.S.C.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Orient Insurance Company PJSC and its subsidiaries	321	259	24%	132	111	19%	196	176	11%	188	170	11%
Dubai Insurance Company (PSC)	62	54	14%	31	27	17%	24	19	25%	26	24	11%
Dubai National Insurance & Reinsurance P.S.C.	37	37	-2%	19	20	-6%	16	16	-3%	29	21	38%
Emirates Insurance Company P.S.C.	234	212	10%	133	122	9%	73	69	6%	83	89	-8%
Green Crescent Insurance Company PJSC	17	34	-50%	10	26	-62%	6	7	-3%	(5)	(0.2)	-2665%
Insurance House P.S.C	41	31	31%	35	23	52%	4	6	-23%	(6)	4	-238%
National General Insurance Co. (P.S.C.)	130	159	-18%	105	128	-18%	26	25	6%	17	40	-59%
Oman Insurance Company P.S.C. and Subsidiaries	700	709	-1%	561	521	8%	140	145	-4%	83	121	-31%
Ras Al Khaimah National Insurance Company P.S.C.	112	76	47%	66	55	19%	35	16	118%	20	6	233%
Sharjah Insurance Company P.S.C.	17	19	-11%	18	30	-39%	4	(4)	201%	9	13	-27%
Union Insurance Company P.S.C.	130	98	33%	71	50	43%	69	58	19%	(7)	24	-131%
United Insurance Company P.S.C.	48	74	-35%	60	81	-26%	(11)	(8)	-45%	(17)	(16)	-3%
<b>Total Conventional Companies</b>	<b>3,264</b>	<b>3,154</b>	<b>3%</b>	<b>2,785</b>	<b>2,294</b>	<b>21%</b>	<b>537</b>	<b>898</b>	<b>-40%</b>	<b>220</b>	<b>935</b>	<b>-76%</b>

Actuarially speaking, we like to compare Net Premium Earned to Net Incurred Claims. While most companies reported their numbers in this way, some companies showed their numbers without specifying the change in unearned premiums or change in outstanding claims. As in our previous reports, we assumed for the sake of consistency that all Net Premiums are Net Earned and all Net Claims are Net Incurred Claims.

Taha's definition of Net Underwriting Income is the income of the company before all expenses and investment income are considered. Some companies report Net Underwriting Income before any expenses, while some others report it after accounting for expenses, either underwriting expenses only or all expenses in total. Thus, in order to be able to make fair comparisons, we excluded all expenses from Net Underwriting Income (except Commission expenses) and added them later for the calculation of Net Profit. As a result, while the Net Profit will match each company's reported financials, Net Underwriting Income might not.

Net Underwriting Income demonstrates the skill that a company has in running its core business: insurance underwriting. For Conventional companies on a consolidated basis, the total Net Underwriting Income as of 30 June 2015 is AED 537 million, a 40% decrease year-on-year. This high decrease is mainly driven by the relatively large reduction in the net underwriting income of Abu Dhabi National Insurance Company (ADNIC) from AED 162 million as of 30 June 2014 to AED -234 million as of 30 June 2015.

Net Profit is one of the most important indicators on an Income Statement. On a consolidated basis, Conventional companies had AED 220 million in Net Profit as of 30 June 2015, compared to AED 935 million as of 30 June 2014, a decrease of 76%. This substantial decline in the Net Profit is mainly driven by the drop in the financial results of the following companies: Abu Dhabi National Insurance Company (ADNIC), Al Sagr National Insurance Company (ASNIC), and Al Wathba National Insurance Company (AWNIC).

Table 4b

**Financial Statement Analysis of UAE National Takaful companies**  
**Income Statement - Net Profit**

Figures in AED million

Name of Company	Net Premium Earned			Net Incurred Claims			Net Underwriting Income			Net Profit		
	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change
Abu Dhabi National Takaful Company PSC	59	61	-3%	20	26	-25%	46	42	10%	18	15	18%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	30	28	8%	22	16	42%	9	12	-25%	13	(4)	462%
Dar Al Takaful PJSC	56	37	51%	44	24	84%	10	10	-1%	(3)	3	-217%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	78	70	12%	62	52	20%	20	19	7%	7	(2)	521%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	336	336	0%	213	216	-1%	26	39	-32%	(31)	(11)	-194%
Methaq Takaful Insurance Company PSC	94	129	-27%	61	122	-50%	21	(11)	291%	0	(7)	105%
National Takaful Company (Watania) PJSC	60	38	58%	51	28	84%	6	7	-22%	(14)	2	-772%
Takaful Emarat - Insurance (PSC)	141	38	271%	99	16	520%	25	14	80%	1	3	-58%
<b>Total Takaful Companies</b>	<b>854</b>	<b>736</b>	<b>16%</b>	<b>571</b>	<b>499</b>	<b>15%</b>	<b>163</b>	<b>131</b>	<b>25%</b>	<b>(9)</b>	<b>(0)</b>	<b>-8476%</b>
<b>All Companies</b>	<b>4,117</b>	<b>3,891</b>	<b>6%</b>	<b>3,356</b>	<b>2,793</b>	<b>20%</b>	<b>700</b>	<b>1,029</b>	<b>-32%</b>	<b>211</b>	<b>935</b>	<b>-77%</b>

Table 4b presents different Income Statement figures for Takaful companies as of 30 June 2015 and 30 June 2014.

Takaful companies experienced a 16% increase in their Net Premiums Earned and a 15% increase in their Net Incurred Claims, from 30 June 2014 to 30 June 2015.

On a consolidated basis, Net Underwriting Income for Takaful companies increased from AED 131 million as of 30 June 2014 to AED 163 million as of 30 June 2015.

Five (5) Takaful companies reported positive Net Profit while three (3) reported Net Losses. On a consolidated basis, Takaful companies reported a negative Net Profit of AED 9 million as of 30 June 2015.



## REINSURANCE RATIOS

Table 5a summarizes reinsurance activities of Conventional companies and compares their performance for the first half of 2015 with the first half of 2014.

Gross Premium increased by 5% and Reinsurance Premium increased by 7%, on a consolidated basis for all Conventional companies year-on-year. Reinsurance Premium as a percentage of Gross Premium has slightly increased to 54% on 30 June 2015 from 53% on 30 June 2014. Among all the Conventional companies, Al Ain Ahlia Insurance Company (ALAIN), Orient Insurance Company (ORIENT), and Dubai Insurance Company (DIN) have the highest ratios of Reinsurance Premium as Percentage of Gross Premium, ranging from 68% to 73%, as of 30 June 2015.

Table 5b summarizes reinsurance activities of the Takaful companies and compares their performance as of 30 June 2015 with that of 30 June 2014.

For Takaful companies, Gross Premium and Reinsurance Premium increased by 29% and 25% respectively, year-on-year. Reinsurance Premium as a percentage of Gross Premium has slightly decreased to 34% on 30 June 2015 from 35% on 30 June 2014. Among all the Takaful companies, Abu Dhabi National Takaful Company (ADNTC) has the highest ratio of Reinsurance Premium as Percentage of Gross Premium at 59%, as of 30 June 2015. The same ratio for Methaq Takaful Insurance Company (METHAQ) was only 9% for the same period. As of 30 June 2015, Takaful companies in total have lower Re-Takaful levels (34%) than their Conventional counterparts (54%).

Table 5a

## Financial Statement Analysis of UAE National Conventional companies

## Reinsurance Ratios

Figures in AED million

Name of Company	Gross Premium			Reinsurance Premium			Reins Prem as % of Gross Prem	
	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change	Jun-15	Jun-14
Abu Dhabi National Insurance Company PSC	1,402	1,547	-9%	693	828	-16%	49%	54%
Al Ain Ahlia Insurance Co. P.S.C.	463	364	27%	322	238	36%	70%	65%
Al Buhaira National Insurance P.S.C.	335	290	15%	184	183	1%	55%	63%
Al Dhafra Insurance Company P.S.C.	240	204	18%	75	73	2%	31%	36%
Al Fujairah National Insurance Company P.S.C.	88	89	-2%	27	29	-6%	31%	32%
Al Khazna Insurance Company P.S.C.	74	55	36%	29	29	-1%	39%	53%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	224	210	6%	79	91	-13%	35%	43%
Al Wathba National Insurance Company PJSC	241	312	-23%	87	144	-40%	36%	46%
Alliance Insurance P.S.C.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Orient Insurance Company PJSC and its subsidiaries	1,210	941	29%	829	659	26%	68%	70%
Dubai Insurance Company (PSC)	214	197	9%	155	132	17%	73%	67%
Dubai National Insurance & Reinsurance P.S.C.	119	117	2%	70	72	-2%	59%	61%
Emirates Insurance Company P.S.C.	589	474	24%	313	223	40%	53%	47%
Green Crescent Insurance Company PJSC	32	52	-39%	15	26	-43%	48%	51%
Insurance House P.S.C	63	58	8%	22	16	32%	35%	28%
National General Insurance Co. (P.S.C.)	224	277	-19%	69	75	-8%	31%	27%
Oman Insurance Company P.S.C. and Subsidiaries	1,809	1,815	0%	1,075	968	11%	59%	53%
Ras Al Khaimah National Insurance Company P.S.C.	206	153	35%	76	51	49%	37%	33%
Sharjah Insurance Company P.S.C.	46	47	-3%	24	28	-14%	52%	58%
Union Insurance Company P.S.C.	331	295	12%	169	141	20%	51%	48%
United Insurance Company P.S.C.	75	116	-36%	37	41	-11%	49%	35%
<b>Total Conventional companies</b>	<b>7,985</b>	<b>7,613</b>	<b>5%</b>	<b>4,349</b>	<b>4,048</b>	<b>7%</b>	<b>54%</b>	<b>53%</b>

Table 5b

## Financial Statement Analysis of UAE National Takaful companies

## Reinsurance Ratios

Figures in AED million

Name of Company	Gross Premium			Reinsurance Premium			Reins Prem as % of Gross Prem	
	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change	Jun-15	Jun-14
Abu Dhabi National Takaful Company PSC	139	158	-12%	81	92	-11%	59%	58%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	48	44	11%	18	16	15%	38%	36%
Dar Al Takaful PJSC	115	65	76%	51	23	120%	45%	36%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	164	134	23%	86	64	34%	52%	48%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	450	408	10%	122	102	19%	27%	25%
Methaq Takaful Insurance Company PSC	137	148	-7%	13	12	9%	9%	8%
National Takaful Company (Watania) PJSC	166	110	50%	72	62	15%	43%	57%
Takaful Emarat - Insurance (PSC)	217	45	380%	38	13	182%	17%	30%
<b>Total Takaful Companies</b>	<b>1,436</b>	<b>1,112</b>	<b>29%</b>	<b>481</b>	<b>385</b>	<b>25%</b>	<b>34%</b>	<b>35%</b>
<b>All Companies</b>	<b>9,421</b>	<b>8,725</b>	<b>8%</b>	<b>4,830</b>	<b>4,433</b>	<b>9%</b>	<b>51%</b>	<b>51%</b>

## LOSS RATIOS

Table 6a shows Gross, Reinsurance and Net Loss Ratios for Conventional companies.

Gross Loss Ratio is calculated by dividing Gross Incurred Claims by Gross Earned Premium. Reinsurance Loss Ratio is calculated by dividing Reinsurance Incurred Claims by Reinsurance Earned Premium. Finally, Net Loss Ratio is calculated by dividing Net Incurred Claims by Net Earned Premium.

For Conventional companies, Net Loss Ratio is considerably higher than Reinsurance Loss Ratio: 85% versus 51%, respectively, as of 30 June 2015. This shows that Conventional companies are not using reinsurance in an optimal way.

Table 6a

**Financial Statement Analysis of UAE National Conventional companies  
Loss Ratios**

Name of Company	Gross Loss Ratio		Reinsurance Loss Ratio		Net Loss Ratio	
	Jun-15	Jun-14	Jun-15	Jun-14	Jun-15	Jun-14
Abu Dhabi National Insurance Company PSC	127%	57%	121%	33%	131%	76%
Al Ain Ahlia Insurance Co. P.S.C.	30%	37%	19%	25%	65%	62%
Al Buhaira National Insurance P.S.C.	77%	77%	49%	58%	111%	108%
Al Dhafra Insurance Company P.S.C.	N/A	N/A	N/A	N/A	83%	67%
Al Fujairah National Insurance Company P.S.C.	83%	79%	68%	42%	89%	93%
Al Khazna Insurance Company P.S.C.	64%	60%	40%	53%	83%	69%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	75%	61%	42%	33%	113%	92%
Al Wathba National Insurance Company PJSC	71%	76%	62%	67%	77%	86%
Alliance Insurance P.S.C.	N/A	N/A	N/A	N/A	N/A	N/A
Orient Insurance Company PJSC and its subsidiaries	36%	28%	35%	24%	41%	43%
Dubai Insurance Company (PSC)	56%	47%	58%	46%	51%	49%
Dubai National Insurance & Reinsurance P.S.C.	42%	40%	45%	38%	51%	53%
Emirates Insurance Company P.S.C.	44%	40%	30%	18%	57%	58%
Green Crescent Insurance Company PJSC	69%	76%	85%	78%	56%	75%
Insurance House P.S.C	74%	122%	34%	280%	85%	73%
National General Insurance Co. (P.S.C.)	55%	55%	34%	46%	81%	81%
Oman Insurance Company P.S.C. and Subsidiaries	53%	53%	46%	45%	80%	74%
Ras Al Khaimah National Insurance Company P.S.C.	40%	60%	21%	72%	59%	73%
Sharjah Insurance Company P.S.C.	96%	95%	85%	39%	108%	159%
Union Insurance Company P.S.C.	43%	38%	42%	45%	55%	51%
United Insurance Company P.S.C.	116%	92%	106%	43%	124%	110%
<b>Total Conventional companies</b>	<b>62%</b>	<b>51%</b>	<b>51%</b>	<b>38%</b>	<b>85%</b>	<b>73%</b>

Table 6b shows Gross Loss Ratio, Reinsurance Loss Ratio and Net Loss Ratio for Takaful companies.

The Net Loss ratio of 67% for Takaful Companies is, similarly, higher than the Reinsurance Loss Ratio of 58% for the first half of 2015, showing also that reinsurance is not used optimally. However, the gap is smaller for Takaful Companies as compared to their Conventional counterparts.

**Table 6b**

**Financial Statement Analysis of UAE National Takaful companies  
Loss Ratios**

Name of Company	Gross Loss Ratio		Reinsurance Loss Ratio		Net Loss Ratio	
	Jun-15	Jun-14	Jun-15	Jun-14	Jun-15	Jun-14
Abu Dhabi National Takaful Company PSC	50%	54%	63%	65%	33%	42%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	68%	50%	56%	40%	74%	56%
Dar Al Takaful PJSC	82%	64%	87%	63%	79%	65%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	59%	70%	41%	66%	80%	74%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	89%	146%	58%	156%	63%	64%
Methaq Takaful Insurance Company PSC	65%	93%	72%	63%	65%	95%
National Takaful Company (Watania) PJSC	57%	55%	62%	54%	84%	72%
Takaful Emarat - Insurance (PSC)	65%	37%	36%	28%	70%	42%
<b>Total Takaful Companies</b>	<b>71%</b>	<b>95%</b>	<b>58%</b>	<b>86%</b>	<b>67%</b>	<b>68%</b>
<b>All Companies</b>	<b>64%</b>	<b>57%</b>	<b>52%</b>	<b>43%</b>	<b>82%</b>	<b>72%</b>

## EXPENSES AND NET COMMISSION

Table 7a presents figures for General and Administrative Expenses, Net Commission, and Expense Ratio for all of the Conventional companies included in the study. Net Commission is equal to the difference between commission income from the reinsurers and commission expenses incurred by the companies. Expense ratio is defined as the ratio of general and administrative expenses over the net premium earned for the period.

On a consolidated basis, Conventional companies incurred 5% more in Expenses and 54% more in Net Commission when comparing figures as of 30 June 2014 and 30 June 2015. However, the experience per company varies.

Expense Ratio for Conventional companies increased to 22% of their net premium earned as of 30 June 2015, compared to 21% in the same period in 2014. In general, companies with larger premium volume were able to benefit from the economies of scale, and hence, able to achieve relatively lower Expense Ratios. However, this was not the case for all of the companies, as the ratio differs by company. Al Dhafra Insurance Company (DHAFRA) reported the lowest expense ratio of 12% as of 30 June 2015. The highest expense ratio for the period is 70%, and is reported by Green Crescent Insurance Company (GCIC).

Table 7a

## Financial Statement Analysis of UAE National Conventional Companies

## Expenses and Net Commission

Figures in AED million

Name of Company	General and Administrative Expense			Net Commission			Expense Ratio	
	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change	Jun-15	Jun-14
Abu Dhabi National Insurance Company PSC	125.1	122.7	2%	(29.4)	(12.9)	-128%	19%	17%
Al Ain Ahlia Insurance Co. P.S.C.	32.5	29.2	11%	7.6	8.3	-9%	24%	22%
Al Buhaira National Insurance P.S.C.	20.8	17.5	18%	52.8	41.7	26%	14%	16%
Al Dhafra Insurance Company P.S.C.	17.2	17.4	-2%	8.5	2.4	250%	12%	13%
Al Fujairah National Insurance Company P.S.C.	16.5	15.0	10%	10.4	10.8	-4%	29%	25%
Al Khazna Insurance Company P.S.C.	16.1	15.7	3%	(2.1)	1.9	-216%	42%	79%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	20.1	19.2	5%	31.8	23.3	37%	16%	18%
Al Wathba National Insurance Company PJSC	23.6	20.7	14%	3.6	6.7	-46%	23%	21%
Alliance Insurance P.S.C.	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Orient Insurance Company PJSC and its subsidiaries	87.0	80.5	8%	7.2	28.2	-75%	27%	31%
Dubai Insurance Company (PSC)	9.8	9.9	-2%	(6.5)	(8.5)	24%	16%	18%
Dubai National Insurance & Reinsurance P.S.C.	10.4	10.1	3%	(2.6)	(1.6)	-64%	28%	27%
Emirates Insurance Company P.S.C.	41.3	38.7	7%	(28.5)	(21.3)	-34%	18%	18%
Green Crescent Insurance Company PJSC	12.1	15.6	-22%	(1.2)	(2.1)	44%	70%	45%
Insurance House P.S.C	15.6	15.1	4%	(1.8)	(2.7)	36%	38%	49%
National General Insurance Co. (P.S.C.)	27.0	25.1	8%	1.7	(5.9)	129%	21%	16%
Oman Insurance Company P.S.C. and Subsidiaries	144.1	145.8	-1%	1.3	(42.0)	103%	21%	21%
Ras Al Khaimah National Insurance Company P.S.C.	18.5	13.9	33%	(10.9)	(4.6)	-136%	17%	18%
Sharjah Insurance Company P.S.C.	6.3	6.1	4%	5.9	6.7	-12%	37%	32%
Union Insurance Company P.S.C.	52.7	42.4	24%	9.7	9.9	-2%	41%	43%
United Insurance Company P.S.C.	14.0	13.3	5%	0.7	(0.5)	255%	29%	18%
<b>Total Conventional Companies</b>	<b>711</b>	<b>674</b>	<b>5%</b>	<b>58</b>	<b>38</b>	<b>54%</b>	<b>22%</b>	<b>21%</b>

Table 7b

## Financial Statement Analysis of UAE National Takaful Companies

## Expenses and Net Commission

Figures in AED million

Name of Company	General and Administrative Expense			Net Commission			Expense Ratio	
	Jun-15	Jun-14	% Change	Jun-15	Jun-14	% Change	Jun-15	Jun-14
Abu Dhabi National Takaful Company PSC *	17.2	16.2	6%	N/A	N/A	N/A	29%	26%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	9.4	9.0	4%	0.8	(0.6)	247%	31%	33%
Dar Al Takaful PJSC	13.6	11.7	16%	(2.1)	(3.0)	31%	24%	32%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	27.3	22.9	19%	(4.1)	(6.0)	31%	35%	33%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	97.1	92.4	5%	(96.9)	(82.0)	-18%	29%	27%
Methaq Takaful Insurance Company PSC	14.4	16.4	-13%	(11.5)	(17.6)	34%	15%	13%
National Takaful Company (Watania) PJSC	18.1	12.7	42%	(3.5)	(3.1)	-14%	30%	33%
Takaful Emarat - Insurance (PSC)	14.7	11.9	24%	N/A	N/A	N/A	10%	31%
<b>Total Takaful Companies</b>	<b>212</b>	<b>193</b>	<b>10%</b>	<b>(117)</b>	<b>(112)</b>	<b>-5%</b>	<b>25%</b>	<b>26%</b>
* Commission paid figure not available separately								
<b>All Companies</b>	<b>923</b>	<b>867</b>	<b>6%</b>	<b>(59)</b>	<b>(75)</b>	<b>21%</b>	<b>22%</b>	<b>22%</b>

Table 7b shows figures for General and Administrative Expenses, Net Commission, and Expense Ratio for Takaful companies. Takaful companies, on a consolidated basis, reported an increase of 10% in General and Administrative Expenses as of the first half of 2015, compared to the same period in 2014; however, only Methaq Takaful Insurance Company (METHAQ) reported decreases of the General and Administrative Expense during the same period. Net Commission by Takaful companies is 5% lower year-on-year, and still remain a negative figure. The expense ratio in total for Takaful companies is equal to 25% as of 30 June 2015.



## CONCLUSION

We have reviewed the first half of 2015 financial statements for twenty-nine (29) Conventional and Takaful companies and compared the figures to the first half of 2014. It is important to note that the industry's Net Profit decreased substantially for all the companies at a consolidated basis for the period under review. Seven (7) Conventional and three (3) Takaful companies reported negative net profits during the period.

Net Premium Earned and Net Claims Incurred increased for both Conventional and Takaful Companies during the period under review, but the increase in the Net Claims Incurred were substantially higher than the increase in the Net Premium Earned, this is one of the main reasons of the drop in the net profit of the market on a consolidated basis for the period under review.

In addition, we identified the industry's less than optimal use of reinsurance which leads us to conclude that the insurance companies need to reexamine their reinsurance programs and bring them in line with their claims experience.

Conventional and Takaful companies also reported higher expenses for the period. Meanwhile, Net Commission dropped for Takaful Companies, but increased for Conventional Companies, as of the first half of 2015.

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We hope this report and analysis is of value to you and your companies. Please provide any feedback using the contact details below:

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