

Financial Analysis of Reported Earnings
As of 31 December 2015
UAE National Insurance & Takaful Companies

22 May 2016

EXECUTIVE SUMMARY

Taha Actuaries & Consultants examined the financial statements of twenty-nine (29) listed, locally incorporated, National companies as of 31 December 2015. These financial statements form the basis for this year-end report and the results reflected below.

The companies we reviewed included eight (8) Takaful Companies and twenty-one (21) Conventional Insurance Companies, of which we had the following special cases:

1. 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 from 2015. For consistency in the comparison of the figures between current and previous periods, we added ASCANA to the Takaful companies list throughout the period under review.
2. Islamic Arab Insurance Co. (SALAMA) and its subsidiaries is a Takaful company but it reports its financials similar to the conventional companies. In our report, we included SALAMA under the Takaful list.

The Takaful analysis is greatly affected by one Takaful company, Islamic Arab Insurance Co. (SALAMA), which constitutes 33% of Gross Takaful premium. Similarly, the Conventional analysis is affected mainly by three large players: Abu Dhabi National Insurance Company (ADNIC), Oman Insurance Company (OMAN), and Orient Insurance Company (ORIENT).

Our analysis is based solely on the data disclosed by the companies on their financial statements. It is important to note that the majority of the companies are not following the exact format of the financials mandated by the new Insurance and Takaful regulations. Due to this incompliance with the reporting requirements, providing standardized figures for all the companies in the market was not an easy task, especially that many accounts reported by the companies are not explained in the financial statements. For this report, however, we tried to follow the format stipulated in the regulations, to the extent possible.

In addition, due to each company’s different reporting formats, our calculated results may vary with actual disclosed results unless the company is following the reporting format stipulated by the regulator. For example, we calculated the Net Underwriting Income as the income before operating expenses, as required in appendix 1 of the Financial Regulations; however, this will not match the Net Underwriting Income available in the financials of the companies that did not follow the unified appendix 1 of the Financial Regulations. Another important example is the Net Takaful Income that might not match with the accounts with the same name available in the

financials of the Takaful companies, as no Takaful company is currently following the appendix 1 of the Financial Regulations for financial reporting.

We faced a delay in publishing this report due to two reasons:

- One listed company was late in publishing its financials for the period, as compared to the other companies.
- We wanted to include the results of the branches of Foreign companies in this report to present a more comprehensive view of the insurance market. However, as of the publication of this report, we were not able to collect the data for all the companies. We opted to publish our standard market report now, with a possible comprehensive market follow up at a later stage.

There were several trends observed at the end of 2015 which were noted in previous quarters, as well as some new trends. They are all detailed below:

1. Large Number of Companies with Losses

Nine (9) out of twenty-one (21) Conventional insurance companies have recorded Net Losses as of 31 December 2015, amounting to a total loss of **AED 673 million**. The Net Profit for the same companies as of 31 December 2014 amounted to a loss of **AED 304 million**. The table below shows the details for those companies.

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

Figures in AED million

Name of Company	Net Profit	
	Dec-15	Dec-14
Abu Dhabi National Insurance Company PSC	(335)	(280)
Al Dhafra Insurance Company P.S.C.	(61)	42
Al Khazna Insurance Company P.S.C.	(60)	(68)
Al-Sagr National Insurance Company P.S.C. and its subsidiary	(105)	39
AXA Green Crescent Insurance Company PJSC	(15)	0
Insurance House P.S.C	(14)	(21)
Sharjah Insurance Company P.S.C.	(13)	(8)
Union Insurance Company P.S.C.	(5)	44
United Insurance Company P.S.C.	(65)	(52)
Total Conventional Companies with Losses	(673)	(304)

For Takaful companies, four (4) out of eight (8) companies recorded Net Losses as of year-end 2015, amounting to a total loss of **AED 215 million**. The same four (4) companies recorded Net Profits for the same period in 2014 of **AED 29 million**.

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

Figures in AED million

Name of Company	Net Profit	
	Dec-15	Dec-14
Dar Al Takaful PJSC	(7)	5
Islamic Arab Insurance Co. (Salama) and its subsidiaries	(163)	37
Methaq Takaful Insurance Company PSC	(4)	(2)
National Takaful Company (Watania) PJSC	(41)	(10)
Total Takaful Companies with losses	(215)	29

In total, Net recorded losses for the market were **AED 124 million** as of 31 December 2015, compared to **AED 814 million** in Net Profits as of 31 December 2014. This equates to around an AED 938 million decrease in profits between the two periods.

2. Lower Profit – Even for Companies Who Achieved Profit

Conventional companies who achieved Net Profit as of 31 December 2015 achieved it at a significantly lower rate than in previous years for the same period.

Twelve (12) out of twenty-one (21) Conventional insurance companies have recorded Net Profits as of 31 December 2015, amounting to a total profit of **AED 697 million**. Net Profits for the same companies as of year-end 2014 amounted to **AED 1,015 million**. Only five (5) out of the twelve (12) companies show an increase in their Net Profits year-on-year.

Financial Statement Analysis of UAE National Conventional companies

Income Statement - Net Profit

Figures in AED million

Name of Company	Net Profit	
	Dec-15	Dec-14
Al Ain Ahlia Insurance Co. P.S.C.	21	59
Al Buhaira National Insurance P.S.C.	34	26
Al Fujairah National Insurance Company P.S.C.	14	22
Al Wathba National Insurance Company PJSC	18	129
ALLIANCE INSURANCE (PSC)	44	48
Orient Insurance Company PJSC and its subsidiaries	272	252
Dubai Insurance Company (PSC)	35	30
Dubai National Insurance & Reinsurance P.S.C.	41	36
Emirates Insurance Company P.S.C.	90	103
National General Insurance Co. (P.S.C.)	24	62
Oman Insurance Company P.S.C. and Subsidiaries	81	229
Ras Al Khaimah National Insurance Company P.S.C.	23	18
Total Conventional Companies with profits	697	1,015

In total, Takaful companies who made a profit experienced a decrease in profit year-on-year due to the decrease in profit recorded for Arabian Scandinavian Insurance Company (PLC) -Takaful (ASCANA). Of the Takaful companies, four (4) out of eight (8) recorded Net Profits as of year-end 2015, amounting to **AED 67 million**. Net Profits for the same companies as of year-end 2014 amounted to **AED 74 million**.

Financial Statement Analysis of UAE National Takaful companies

Income Statement - Net Profit

Figures in AED million

Name of Company	Net Profit	
	Dec-15	Dec-14
Abu Dhabi National Takaful Company PSC	42	36
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	13	31
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	2	0
Takaful Emarat - Insurance (PSC)	10	7
Total Takaful Companies with profits	67	74

3. Reduction in Investments and Other Income

Investments and Other Income (I&OI), as of 31 December 2015, decreased sharply when comparing to the same period in 2014. Sixteen (16) out of twenty-one (21) Conventional companies showed a decrease in their I&OI year-on-year. The total I&OI for the Conventional companies which showed a decrease in this category as of year-end 2015 amounts to **AED 179 million**, compared to **AED 699 million** for the same companies as of year-end 2014.

Financial Statement Analysis of UAE National Conventional Companies

Investment and Other Income and Return on Assets

Figures in AED million

Name of Company	Investment and Other Income	
	Dec-15	Dec-14
Abu Dhabi National Insurance Company PSC	102.0	106.4
Al Ain Ahlia Insurance Co. P.S.C.	20.1	48.3
Al Dhafra Insurance Company P.S.C.	16.1	26.9
Al Fujairah National Insurance Company P.S.C.	7.7	12.5
Al Khazna Insurance Company P.S.C.	(18.6)	(52.0)
Al-Sagr National Insurance Company P.S.C. and its subsidiary	(121.4)	28.3
Al Wathba National Insurance Company PJSC	15.7	122.0
Dubai Insurance Company (PSC)	17.9	18.5
Emirates Insurance Company P.S.C.	47.5	63.9
AXA Green Crescent Insurance Company PJSC	0.6	14.2
Insurance House P.S.C	6.7	14.7
National General Insurance Co. (P.S.C.)	9.5	75.1
Oman Insurance Company P.S.C. and Subsidiaries	88.3	142.8
Ras Al Khaimah National Insurance Company P.S.C.	5.2	8.4
Sharjah Insurance Company P.S.C.	0.3	27.9
Union Insurance Company P.S.C.	(29.9)	22.3
United Insurance Company P.S.C.	11.8	18.9
Total Conventional Companies	179	699

Six (6) out of eight (8) Takaful companies showed a decrease in Investment and Other Income. The total I&OI recorded for those Takaful companies as of year-end 2015 amounts to **AED 39 million**, compared to **AED 110 million** for the same companies as of year-end 2014.

Financial Statement Analysis of UAE National Takaful Companies

Investment and Other Income and Return on Assets

Figures in AED million

Name of Company	Investment and Other Income	
	Dec-15	Dec-14
Abu Dhabi National Takaful Company PSC	4.7	9.9
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	19.5	30.3
Dar Al Takaful PJSC	3.0	13.7
Methaq Takaful Insurance Company PSC	6.8	30.9
National Takaful Company (Watania) PJSC	6.7	11.5
Takaful Emarat - Insurance (PSC)	(1.3)	13.3
Total Takaful Companies	39	110

4. Response to New Regulation

Abu Dhabi National Insurance Company (ADNIC) declared during the year-end of 2015 that they further increased their technical reserves, and in year 2016, they are planning to take measures to strengthen their Capital.

During 2015, Ras Al Khaimah National Insurance Company (RAKNIC) declared a change of their Unearned Premium Reserve (UPR) calculation and the same adjustments were made retrospectively.

AXA Green Crescent Insurance Company (AXAGCI) revealed in their statements that the reason for reduction in their business is due to a selective and conservative underwriting strategy.

Emirates Insurance Company P.S.C (EIC) are relying on Actuarial advice for pricing and reserving from this year onwards.

Dubai National Insurance and Reinsurance Company (DNIR) booked reserves as of year-end 2015 based on Actuarial estimates.

National General Insurance Company (NGI) reported that the Company is fully compliant with the regulations on technical provisions.

We also noticed that seven (7) companies restated their comparative figures for year-end 2014, with an increase in their insurance contract liabilities for year-end 2014.

In September 2015, a number of companies met to discuss the “pricing” profitability, or lack thereof, experienced in the Motor portfolio. The general consensus is that Motor is losing; however, there is no will to address the unprofitability of Motor in a consistent way. As of 31 December 2015, we noticed that six (6) companies have booked Unexpired Risk Reserve (URR). We cannot tell for which lines of business, however, we assume that at least some of the URR is for Motor.

We believe that the new regulation will help the Insurance and Takaful market in the UAE achieve better results, have more control over their underwriting, and lead to profits in the near future. The companies who are the leaders in implementing the regulations will benefit greatly by being ahead of the curve. Accordingly, we recommend the following, with actuarial help:

- The new Financial Regulation stipulates the maintenance of adequate and actuarially-certified Technical Reserves every quarter, starting year-end 2015.
- Companies should know their vulnerabilities to risks via analysis of the risks facing them and implementation of Enterprise Risk Management (ERM).
- Companies should start strengthening their underwriting and pricing, especially for Motor and Medical.

- Proper Underwriting and risk management of low frequency, high severity lines of business, such as Fire and Engineering.
- Modeling of their Reinsurance contracts to ensure maximum utilization.

Findings & Recommendations

Below is an overview of the findings of our analysis of the financial statements of the twenty-nine (29) listed, locally incorporated, National companies as of 31 December 2015. We would be happy to discuss any of our findings and recommendations with you.

- Total Gross Premium (GP) for the above mentioned 29 companies, as of 31 December 2015, was AED 17.15 billion, an increase of 8% as compared to GP as of 31 December 2014. However, totals and averages hide the variation between companies and sectors: Gross Premium for Conventional companies increased from AED 13.69 billion, as of 31 December 2014, to AED 14.32 billion, as of 31 December 2015, a 5% increase. Gross Premium for Takaful companies increased from AED 2.26 billion, as of 31 December 2014, to AED 2.83 billion, as of 31 December 2015, a 25% increase.
- As compared to 31 December 2014, total Net Profits declined significantly for both Conventional and Takaful companies, with a decrease of 97% and 242% for Conventional and Takaful, respectively. Nine (9) Conventional companies and four (4) Takaful companies reported negative Net Profit as of year-end 2015.
- As of 31 December 2015, the 29 companies possessed a total of AED 42.02 billion in Assets against Liabilities of AED 26.51 billion. As compared to year-end 2014, Assets increased by 5.1% while Liabilities increased by 12.7%. Share Capital increased slightly by 2%, from AED 6.48 billion as of year-end 2014 to AED 6.63 billion as of year-end 2015. Equity experienced a decrease of 5.9%, from AED 16.48 billion, as at 31 December 2014, to AED 15.51 billion, as of 31 December 2015. The average variation by sector is a 7.7% decrease in Equity for Takaful companies and a 5.6% decrease for Conventional insurers.
- Four (4) Conventional and six (6) Takaful companies are at higher risk as their Equity is below their Share Capital level. Equity as a percentage of Assets is higher, on average, for Conventional companies (39%) compared to their Takaful counterparts (29%). However, this ratio decreased from 43% as of year-end 2014 for Conventional companies and from 33% for Takaful companies. The industry's Return on Assets is -0.3%, Return on Share Capital is -1.9%, and Return on Equity is -0.8%.

- In total, Takaful companies are relying less on reinsurance (and/or Retakaful) than Conventional companies. The average reinsurance ratio in 2015 for Takaful companies decreased by 4.6%, while for Conventional companies, the ratio increased by 5.9%. This ratio changed significantly up or down for individual companies. Additionally, there are varying levels of reinsurance ratios for Conventional companies, ranging from 25% for Al Fujairah National Insurance Company P.S.C. (AFNIC) to 73% for Dubai Insurance Company (DIN), the highest in the market. Similarly, for Takaful companies, the range is from 11% for Methaq Takaful Insurance Company (METHAQ) to 63% for Dubai Islamic Insurance & Reinsurance Co. PSC (AMAN).
- While the accounts available in the new P&L template required by the regulator do not allow us to calculate the gross and the reinsurance claims loss ratios. We only calculated the Net Claims Loss Ratios for each company. Net Claims Loss Ratio is defined as follows:

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

The Net Claims Loss Ratio for all companies increased from 79% as of year-end 2014 to 81% as of year-end 2015. Takaful companies registered a better Net Claims Ratio of 68%, compared to 85% by the Conventional companies in total.

- The industry, as a whole, incurred 8% more General and Administrative Expenses and Other expenses as of year-end 2015 compared to the same period in 2014. However, the Net Expense Ratio stayed almost stable at 23%, due to the increase of 8% in Net Premium over the same period. Conventional companies increased their General and Administrative Expenses and Other Expenses by 3%, while Takaful companies increased their General and Administrative Expenses and Other Expenses by 32%.
- For Conventional companies, there was an increase of 32% in their Net Commission during 2015.
- We noticed that many companies restated the previous year's comparative figures, hence, year-end 2014 figures available in this report are different from the year-end 2014 figures available in the report that we published in the previous year. The companies that restated their accounts are the following: Al Fujairah National Insurance Company P.S.C. (AFNIC), Al-Sagr National Insurance Company P.S.C. and its subsidiary (ASNIC), Al Wathba National Insurance Company PJSC (AWNIC), National General Insurance Co. (P.S.C.) (NGI), Ras Al Khaimah National Insurance Company P.S.C (RAKNIC), Sharjah Insurance Company P.S.C.(SICO), Dubai Islamic Insurance & Reinsurance Co. (Aman)

(PSC), Al Buhaira National Insurance Company P.S.C (ABNIC), Emirates Insurance Company P.S.C (EIC), and Islamic Arab Insurance Co. and its subsidiaries (SALAMA).

- We also analyzed Investment and Other Income, i.e., the Other Income not related to underwriting activities and including the finance costs, of the industry during the period under review. The industry as a whole experienced a decrease of 52% compared to the same period in 2014. Conventional companies' Investment and Other Income decreased by 54%, while Takaful companies observed a decrease of 39% as of year-end 2015, as compared to year-end 2014.

We calculated Investment and Other Income Ratios for each company for the years 2014 and 2015. The Ratio is defined as follows:

$$\text{Investment and Other Income Ratio} = \frac{\text{Investment and Other Income}}{\text{Net Premiums Earned}}$$

Based on the above, the ratio for the year 2015 for the whole industry comes to 6.1%, whereas the same calculation for the year 2014 works out to 13.8%.

Our findings summarized 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 in 2015. Our analysis uses the data from financial statements which were downloaded from one of the following websites:

- Dubai Financial Market (www.dfm.ae)
- Abu Dhabi Securities Exchange (www.adx.ae)

Unfortunately, the data for branches of Foreign Companies or the non-listed locally incorporated National companies are either not available or not easily available publically. Hence, these 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 under review and as compared to year-end 2014.
- Reporting on General and Administrative Expenses and Net Commission as of year-end 2015 and compared to year-end 2014.

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

INCOME STATEMENT - NET PROFIT

Table 1a presents different Income Statement figures for Conventional companies as of 31 December 2015 and 31 December 2014.

Conventional companies registered a 3% increase in their Net Premiums Earned and a 6% increase in their Net Incurred Claims, from 31 December 2014 to 31 December 2015. There are significant variances between companies for both Net Premium Earned and Net Incurred Claims. For Net Premium Earned, there are decreases of 49% to increases of 59%. For Net Incurred Claims, there are decreases of 52% to increases of 122%.

Table 1a

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	
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change	Dec-15	Dec-14
Abu Dhabi National Insurance Company PSC	1,285	1,482	-13%	1,435	1,563	-8%	(189)	(117)	-62%	(335)	(280)
Al Ain Ahlia Insurance Co. P.S.C.	223	210	6%	167	148	13%	61	70	-12%	21	59
Al Buhaira National Insurance P.S.C.	287	226	27%	315	255	24%	62	56	11%	34	26
Al Dhafra Insurance Company P.S.C.	228	198	15%	291	155	87%	(44)	51	-187%	(61)	42
Al Fujairah National Insurance Company P.S.C.	135	136	0%	95	95	0%	38	39	-3%	14	22
Al Khazna Insurance Company P.S.C.	71	46	53%	83	37	122%	(12)	13	-194%	(60)	(68)
Al-Sagr National Insurance Company P.S.C. and its subsidiary	269	223	20%	256	223	15%	66	51	28%	(105)	39
Al Wathba National Insurance Company PJSC	214	211	1%	173	167	4%	48	57	-14%	18	129
ALLIANCE INSURANCE (PSC)	134	140	-4%	104	107	-2%	33	36	-8%	44	48
Orient Insurance Company PJSC and its subsidiaries	627	496	26%	299	235	27%	336	309	9%	272	252
Dubai Insurance Company (PSC)	109	103	6%	54	53	1%	45	36	26%	35	30
Dubai National Insurance & Reinsurance P.S.C.	73	70	5%	42	39	7%	34	37	-7%	41	36
Emirates Insurance Company P.S.C.	418	386	8%	271	249	9%	124	118	6%	90	103
AXA Green Crescent Insurance Company PJSC	30	58	-49%	20	41	-52%	8	14	-44%	(15)	0.0
Insurance House P.S.C	78	71	11%	63	72	-12%	10	(6)	267%	(14)	(21)
National General Insurance Co. (P.S.C.)	280	302	-8%	219	258	-15%	72	41	76%	24	62
Oman Insurance Company P.S.C. and Subsidiaries	1,399	1,454	-4%	1,116	1,063	5%	313	375	-17%	81	229
Ras Al Khaimah National Insurance Company P.S.C.	271	170	59%	181	102	76%	78	55	42%	23	18
Sharjah Insurance Company P.S.C.	36	27	35%	46	61	-24%	(2)	(24)	92%	(13)	(8)
Union Insurance Company P.S.C.	304	221	38%	180	117	53%	133	111	21%	(5)	44
United Insurance Company P.S.C.	73	120	-39%	122	166	-27%	(47)	(44)	-8%	(65)	(52)
Total Conventional Companies	6,542	6,351	3%	5,533	5,207	6%	1,168	1,276	-8%	24	711

We followed the same definition of Net Underwriting Income as available in the template mandated by the regulator which defines the Net Underwriting Income as **the income of the company before all expenses and investment income are considered**. As mentioned previously, not all the companies are following the mandated template; some companies report Net Underwriting Income before any expenses, while others report it after accounting for expenses, either underwriting expenses only or all expenses in total. Thus, as we have followed the regulator's template, the companies not following the regulator's template for financials will have numbers different from the Net Underwriting Income in their financials. 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 31 December 2015 is AED 1.17 billion, an 8% decrease year-on-year. There are several companies with significant reductions in their Net Underwriting Income, and five (5) companies are even negative.

Net Profit is one of the most important indicators on an Income Statement. On a consolidated basis, Conventional companies had AED 24 million in Net Profit as of 31 December 2015, compared to AED 711 million as of 31 December 2014, a decrease of 97%. On an individual basis, the majority of the Conventional companies showed significant decreases in their Net Profit while a few others showed slight improvements year-on-year. On the other hand, nine (9) out of twenty-one (21) Conventional companies reported negative Net Profit as of 31 December 2015 as detailed in Table 1a above.

Table 1b

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 Takaful Income			Net Profit	
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change	Dec-15	Dec-14
Abu Dhabi National Takaful Company PSC	121	121	0%	34	46	-26%	99	86	15%	42	36
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	66	56	18%	52	35	50%	22	19	13%	13	31
Dar Al Takaful PJSC	117	82	42%	93	56	65%	39	33	18%	(7)	5
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	158	134	18%	119	111	7%	70	52	35%	2	0
Islamic Arab Insurance Co. (Salama) and its subsidiaries	700	545	29%	456	297	53%	56	97	-42%	(163)	37
Methaq Takaful Insurance Company PSC	200	254	-21%	138	196	-30%	65	59	10%	(4)	(2)
National Takaful Company (Watania) PJSC	116	73	59%	118	54	116%	2	23	-89%	(41)	(10)
Takaful Emarat - Insurance (PSC)	320	98	226%	220	54	306%	100	44	127%	10	7
Total Takaful Companies	1,797	1,363	32%	1,229	849	45%	453	413	10%	(147)	104
All Companies	8,339	7,714	8%	6,762	6,057	12%	1,621	1,690	-4%	(124)	814

Table 1b presents different Income Statement indicators for Takaful companies as of 31 December 2015 and 31 December 2014.

Takaful companies experienced a 32% increase in their Net Premiums Earned and a 45% increase in their Net Incurred Claims, from 31 December 2014 to 31 December 2015.

On a consolidated basis, Net Takaful Income for Takaful companies increased significantly from AED 413 million as of 31 December 2014 to AED 453 million as of 31 December 2015. Islamic Arab Insurance Co. and its subsidiaries (SALAMA) and National Takaful Company (WATANIA) reported decreases in Net Takaful income of 42% and 89%, respectively, from 31 December 2014 to 31 December 2015.

Half of the Takaful companies reported positive Net Profit. On a consolidated basis, Takaful companies reported a negative Net Profit of AED 147 million as of 31 December 2015, compared to the Net Profit of AED 104 million for the same period in 2014. This decrease is mainly driven by the significant negative Net Profit of Islamic Arab Insurance Company (SALAMA).

GROSS AND REINSURANCE PREMIUM

Table 2a summarizes reinsurance activities of Conventional companies and compares their performance as of 31 December 2015 with that of 31 December 2014.

Gross Premium increased by 5% and Reinsurance Premium increased by 11%, on a consolidated basis for all Conventional companies year-on-year. Reinsurance Premium as a percentage of Gross Premium has increased to 54% as of 31 December 2015 from 51% as of 31 December 2014. Among the Conventional companies, Orient Insurance Company (ORIENT), Al Ain Ahlia Insurance Company (ALAIN), Dubai Insurance Company (DIN), and Dubai National Insurance and Reinsurance (DNIR) have the highest ratios of Reinsurance Premium as Percentage of Gross Premium, ranging from 62% to 73%, as of 31 December 2015.

Table 2b summarizes reinsurance activities of the Takaful companies and compares their performance as of 31 December 2015 with that of 31 December 2014.

For Takaful companies, Gross Premium and Reinsurance Premium increased by 25% and 20% respectively, year-on-year. Reinsurance Premium as Percentage of Gross Premium slightly decreased from 36% to 35% for the same period. Among all the Takaful companies, Dubai Islamic Insurance & Reinsurance Co. (PSC) (AMAN) has the highest ratio of Reinsurance Premium as a Percentage of Gross Premium at 63%, as of 31 December 2015. The same ratio for Methaq Takaful Insurance Company (METHAQ) was only 11% for the same period. As of 31 December 2015, Takaful companies in total have lower Retakaful levels (35%) than their Conventional counterparts (54%).

Table 2a

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	
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change	Dec-15	Dec-14
Abu Dhabi National Insurance Company PSC	2,291	2,631	-13%	1,193	1,200	-1%	52%	46%
Al Ain Ahlia Insurance Co. P.S.C.	680	600	13%	448	392	14%	66%	65%
Al Buhaira National Insurance P.S.C.	620	564	10%	320	323	-1%	52%	57%
Al Dhafra Insurance Company P.S.C.	354	347	2%	120	120	1%	34%	35%
Al Fujairah National Insurance Company P.S.C.	179	179	0%	45	46	-2%	25%	26%
Al Khazna Insurance Company P.S.C.	172	128	35%	56	60	-7%	32%	47%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	385	390	-1%	132	151	-13%	34%	39%
Al Wathba National Insurance Company PJSC	343	427	-20%	131	206	-36%	38%	48%
ALLIANCE INSURANCE (PSC)	306	321	-5%	173	181	-4%	57%	56%
Orient Insurance Company PJSC and its subsidiaries	2,334	1,802	29%	1,600	1,259	27%	69%	70%
Dubai Insurance Company (PSC)	363	325	12%	265	213	24%	73%	66%
Dubai National Insurance & Reinsurance P.S.C.	225	200	13%	140	130	8%	62%	65%
Emirates Insurance Company P.S.C.	939	840	12%	504	409	23%	54%	49%
AXA Green Crescent Insurance Company PJSC	47	76	-38%	21	33	-37%	44%	43%
Insurance House P.S.C	127	98	29%	42	27	54%	33%	28%
National General Insurance Co. (P.S.C.)	491	451	9%	183	133	37%	37%	30%
Oman Insurance Company P.S.C. and Subsidiaries	3,190	3,249	-2%	1,846	1,670	11%	58%	51%
Ras Al Khaimah National Insurance Company P.S.C.	408	296	38%	115	86	34%	28%	29%
Sharjah Insurance Company P.S.C.	72	74	-3%	38	43	-12%	53%	58%
Union Insurance Company P.S.C.	681	532	28%	329	265	24%	48%	50%
United Insurance Company P.S.C.	115	162	-29%	60	62	-4%	52%	38%
Total Conventional companies	14,322	13,691	5%	7,759	7,008	11%	54%	51%

Table 2b

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	
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change	Dec-15	Dec-14
Abu Dhabi National Takaful Company PSC	297	295	0%	166	168	-1%	56%	57%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	100	81	24%	29	25	17%	29%	31%
Dar Al Takaful PJSC	208	151	38%	92	51	79%	44%	34%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	443	379	17%	279	248	12%	63%	66%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	933	764	22%	213	183	17%	23%	24%
Methaq Takaful Insurance Company PSC	238	226	6%	26	19	39%	11%	8%
National Takaful Company (Watania) PJSC	209	191	10%	100	116	-14%	48%	61%
Takaful Emarat - Insurance (PSC)	403	169	138%	79	12	557%	20%	7%
Total Takaful Companies	2,832	2,257	25%	985	823	20%	35%	36%
All Companies	17,154	15,948	8%	8,745	7,831	12%	51%	49%

LOSS RATIOS

Table 3a shows Net Claims Loss Ratios for Conventional companies. As mentioned before, Loss Ratio is calculated by dividing Net Incurred Claims by Net Earned Premium.

For Conventional companies, Net Loss Ratio increased to 85% as of 31 December 2015 versus 82% as of 31 December 2014.

Table 3a

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

Name of Company	Net Loss Ratio	
	Dec-15	Dec-14
Abu Dhabi National Insurance Company PSC	112%	105%
Al Ain Ahlia Insurance Co. P.S.C.	75%	71%
Al Buhaira National Insurance P.S.C.	110%	113%
Al Dhafra Insurance Company P.S.C.	128%	78%
Al Fujairah National Insurance Company P.S.C.	70%	70%
Al Khazna Insurance Company P.S.C.	117%	80%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	95%	100%
Al Wathba National Insurance Company PJSC	81%	79%
ALLIANCE INSURANCE (PSC)	78%	76%
Orient Insurance Company PJSC and its subsidiaries	48%	47%
Dubai Insurance Company (PSC)	49%	51%
Dubai National Insurance & Reinsurance P.S.C.	57%	56%
Emirates Insurance Company P.S.C.	65%	64%
AXA Green Crescent Insurance Company PJSC	66%	70%
Insurance House P.S.C	81%	102%
National General Insurance Co. (P.S.C.)	78%	85%
Oman Insurance Company P.S.C. and Subsidiaries	80%	73%
Ras Al Khaimah National Insurance Company P.S.C.	67%	60%
Sharjah Insurance Company P.S.C.	128%	228%
Union Insurance Company P.S.C.	59%	53%
United Insurance Company P.S.C.	167%	138%
Total Conventional companies	85%	82%

Table 3b shows the Net Claims Ratio for Takaful companies.

For Takaful companies, Net Loss Ratio increased to 68% as of 31 December 2015 versus 62% as of 31 December 2014. The loss ratios of Takaful companies have been lower than their counterpart Conventional companies.

Table 3b

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

Name of Company	Net Loss Ratio	
	Dec-15	Dec-14
Abu Dhabi National Takaful Company PSC	28%	38%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	78%	62%
Dar Al Takaful PJSC	79%	68%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	75%	82%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	65%	55%
Methaq Takaful Insurance Company PSC	69%	77%
National Takaful Company (Watania) PJSC	102%	75%
Takaful Emarat - Insurance (PSC)	69%	55%
Total Takaful Companies	68%	62%
All Companies	81%	79%

BALANCE SHEET HIGHLIGHTS

Table 4a provides figures of Assets and Liabilities for the Conventional companies in our analysis. The figures provided are company-wide values as of 31 December 2015 and 31 December 2014.

As of 31 December 2015, Assets of Conventional companies have increased by 5.3%, and Liabilities by 13.6%, compared to the figures as of 31 December 2014. The largest percentage increase in Assets, as of the year-end 2015, is 32.52%, reported by Orient Insurance Company PJSC and its subsidiaries (ORIENT). The highest relative increase in Liabilities, as of year-end 2015, is 48%, also reported by Orient Insurance Company PJSC and its subsidiaries. Six (6) Conventional companies – Al Buhaira National Insurance P.S.C. (ABNIC), Al Fujairah National Insurance Company P.S.C. (AFNIC), Al-Sagr National Insurance Company P.S.C. and its subsidiary (ASNIC), AXA Green Crescent Insurance (AXAGCI), Sharjah Insurance Company (SICO), and United Insurance Company P.S.C. (UIC) – reported decreases in both their Assets and Liabilities. Four (4) other companies – Al Dhafra Insurance Company P.S.C.(DHAFRA), Al Wathba National Insurance Company PJSC (AWNIC), Emirates Insurance Company P.S.C. (EIC), and Insurance House P.S.C (IH) – reported decreases in Assets but an increase in Liabilities.

Table 4a

Financial Statement Analysis of UAE National Conventional Companies

Balance Sheet Highlights as of 31 Dec 2015

Figures in AED million

Name of Company	Assets			Liabilities		
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change
Abu Dhabi National Insurance Company PSC	5,604	5,556	0.9%	4,363	3,921	11.3%
Al Ain Ahlia Insurance Co. P.S.C.	2,024	1,885	7.4%	908	688	32.0%
Al Buhaira National Insurance P.S.C.	1,749	1,799	-2.8%	1,134	1,217	-6.8%
Al Dhafra Insurance Company P.S.C.	832	855	-2.7%	542	450	20.6%
Al Fujairah National Insurance Company P.S.C.	426	436	-2.2%	244	254	-3.7%
Al Khazna Insurance Company P.S.C.	904	879	2.9%	555	461	20.3%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	1,263	1,408	-10.3%	836	853	-1.9%
Al Wathba National Insurance Company PJSC	1,313	1,390	-5.5%	538	517	4.0%
ALLIANCE INSURANCE (PSC)	1,266	1,228	3.1%	827	807	2.5%
Orient Insurance Company PJSC and its subsidiaries	5,718	4,315	32.5%	3,033	2,049	48.1%
Dubai Insurance Company (PSC)	938	798	17.6%	458	321	42.8%
Dubai National Insurance & Reinsurance P.S.C.	677	663	2.1%	270	241	12.2%
Emirates Insurance Company P.S.C.	1,990	2,061	-3.4%	986	964	2.3%
AXA Green Crescent Insurance Company PJSC	218	241	-9.5%	62	68	-10.0%
Insurance House P.S.C	243	259	-6.3%	142	140	1.3%
National General Insurance Co. (P.S.C.)	1,119	969	15.4%	684	516	32.5%
Oman Insurance Company P.S.C. and Subsidiaries	6,163	6,143	0.3%	4,248	4,140	2.6%
Ras Al Khaimah National Insurance Company P.S.C.	657	524	25.5%	424	298	42.3%
Sharjah Insurance Company P.S.C.	389	457	-14.8%	143	157	-9.4%
Union Insurance Company P.S.C.	1,113	890	25.0%	771	533	44.6%
United Insurance Company P.S.C.	295	375	-21.3%	294	298	-1.5%
Total Conventional Companies	34,902	33,132	5.3%	21,461	18,892	13.6%

Table 4b

Financial Statement Analysis of UAE National Takaful Companies

Balance Sheet Highlights as of 31 Dec 2015

Figures in AED million

Name of Company	Assets			Liabilities		
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change
Abu Dhabi National Takaful Company PSC	697	632	10.2%	456	420	8.6%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	438	414	5.7%	125	92	36.2%
Dar Al Takaful PJSC	324	254	27.7%	274	197	38.7%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	1,148	1,032	11.2%	1,012	907	11.6%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	3,359	3,592	-6.5%	2,326	2,353	-1.2%
Methaq Takaful Insurance Company PSC	357	352	1.4%	277	261	6.4%
National Takaful Company (Watania) PJSC	357	357	-0.2%	276	237	16.7%
Takaful Emarat - Insurance (PSC)	439	232	89.1%	304	158	93.2%
Total Takaful Companies	7,119	6,865	3.7%	5,051	4,624	9.2%
All Companies	42,021	39,997	5.1%	26,512	23,516	12.7%

Table 4b provides figures of Assets and Liabilities for Takaful companies as of 31 December 2015 and 31 December 2014. As of year-end 2015, Assets and Liabilities of Takaful companies increased by 3.7% and 9.2%, respectively. One Takaful company experienced a decrease in both Assets and Liabilities, Islamic Arab Insurance Co. (SALAMA). Meanwhile, Takaful Emarat - Insurance (TAKEM) reported the highest increase in both Assets and Liabilities.

Table 5a provides detail on Share Capital and Equity for Conventional companies as of 31 December 2015 and 31 December 2014.

In total and as of year-end 2015, Share Capital of Conventional companies stands at AED 4.39 billion. Only one Conventional company, namely AXA Green Crescent Insurance (AXAGCI) increased its capital from AED 100 million as of 31 December 2014 to AED 200 million as of 31 December 2015.

Total Equity for Conventional companies is AED 13.44 billion, providing 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 decreased by 5.6% by year-end 2015. The majority of the Conventional companies recorded a decrease in equity year-on-year, while only five (5) Conventional companies recorded an increase in equity year-on-year. Orient Insurance Company (ORIENT) reported the highest Equity among all companies industry-wide, amounting to AED 2.68 billion as of year-end 2015.

Table 5a

Financial Statement Analysis of UAE National Conventional Companies

Balance Sheet Highlights as of 31 Dec 2015

Figures in AED million

Name of Company	Share Capital			Equity		
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change
Abu Dhabi National Insurance Company PSC	375	375	0%	1,241	1,634	-24%
Al Ain Ahlia Insurance Co. P.S.C.	150	150	0%	1,115	1,196	-7%
Al Buhaira National Insurance P.S.C.	250	250	0%	615	582	6%
Al Dhafra Insurance Company P.S.C.	100	100	0%	290	406	-29%
Al Fujairah National Insurance Company P.S.C.	100	100	0%	182	182	0%
Al Khazna Insurance Company P.S.C.	420	420	0%	349	418	-16%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	230	230	0%	427	556	-23%
Al Wathba National Insurance Company PJSC	207	207	0%	775	873	-11%
ALLIANCE INSURANCE (PSC)	100	100	0%	439	422	4%
Orient Insurance Company PJSC and its subsidiaries	500	500	0%	2,684	2,266	18%
Dubai Insurance Company (PSC)	100	100	0%	480	477	1%
Dubai National Insurance & Reinsurance P.S.C.	116	116	0%	407	423	-4%
Emirates Insurance Company P.S.C.	135	135	0%	1,004	1,097	-8%
AXA Green Crescent Insurance Company PJSC	200	100	100%	157	173	-9%
Insurance House P.S.C	120	120	0%	101	119	-15%
National General Insurance Co. (P.S.C.)	150	150	0%	435	453	-4%
Oman Insurance Company P.S.C. and Subsidiaries	462	462	0%	1,915	2,004	-4%
Ras Al Khaimah National Insurance Company P.S.C.	110	110	0%	233	226	3%
Sharjah Insurance Company P.S.C.	138	138	0%	247	300	-18%
Union Insurance Company P.S.C.	331	331	0%	342	357	-4%
United Insurance Company P.S.C.	100	100	0%	2	78	-98%
Total Conventional Companies	4,393	4,293	2%	13,441	14,240	-5.6%

Table 5b

Financial Statement Analysis of UAE National Takaful Companies

Balance Sheet Highlights as of 31 Dec 2015

Figures in AED million

Name of Company	Share Capital			Equity		
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change
Abu Dhabi National Takaful Company PSC	100	100	0%	241	212	13%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	154	154	0%	312	322	-3%
Dar Al Takaful PJSC	100	100	0%	50	56	-11%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	226	226	0%	135	125	8%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	1,210	1,210	0%	1,033	1,239	-17%
Methaq Takaful Insurance Company PSC	150	150	0%	80	92	-13%
National Takaful Company (Watania) PJSC	150	150	0%	80	120	-33%
Takaful Emarat - Insurance (PSC)	150	100	50%	135	75	81%
Total Takaful Companies	2,240	2,190	2%	2,067	2,241	-7.7%
All Companies	6,633	6,483	2%	15,509	16,481	-5.9%

Table 5b above summarizes the Share Capital and Equity for Takaful Companies as of 31 December 2015 and 31 December 2014.

In total, as of year-end 2015, Share Capital of Takaful companies stands at AED 2.24 billion. Only one Takaful company, namely Takaful Emarat Insurance (PSC) (TAKEM) increased its capital from AED 100 million as of 31 December 2014 to AED 150 million as of 31 December 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 7.7%, totaling AED 2.07 billion as of 31 December 2015. Five (5) companies reported an increase in their equity during the period.

BALANCE SHEET RATIOS AND RETURNS

Table 6a presents Equity as Percentage of Assets for Conventional companies as of 31 December 2015 and 31 December 2014. The table also shows the yearly return for Conventional companies on Assets, Share Capital and Equity as of year-end 2015.

Equity as Percentage of Assets tells us how much in assets a company holds over and above their liabilities. The higher the ratio, the lower the risk the company possesses, everything else being equal. The consolidated ratio for Conventional companies is 39% as of 31 December 2015. For the majority of companies, the ratio decreased between 31 December 2014 and 31 December 2015 with United Insurance Company (UIC) reporting the highest decrease of 20%. Seventeen (17) out of twenty-one (21) companies reported a decrease in Equity as Percentage of Assets during the period, while the remaining four (4) showed slight increases.

Return on Assets is calculated by dividing Net Profit by average assets for the period under review. Return on Assets for all Conventional Companies, on a consolidated basis, is 0.1%. Nine (9) companies experienced negative return on Assets ranging from -0.5% to -19.3%. The remainder of the Conventional companies showed a Return on Assets ranging from 1.1% to 6.1%.

Return on Share Capital explains how efficiently a company utilizes its capital. This ratio is calculated by dividing Net Profit by average Share Capital for the period under review. Return on Capital for all Conventional companies, on a consolidated basis, is 0.5% for year-end 2015. Abu Dhabi National Insurance Company (ADNIC) reported the highest negative Return on Capital of -89.2%, while Emirates Insurance Company (EIC) reported the highest Return on Capital of 66.4%. The remainder of the companies reported a Return on Share Capital in the range of -64.8% to 54.4%.

Return on Equity is calculated by dividing Net Profit by Average Equity for the period under review. Industry-wide, Conventional companies' Return on Equity is 0.2% as of year-end 2015. The highest negative return on Equity shown during the period is by United Insurance Company (UIC) of -163.4%, while Orient Insurance Company PJSC (ORIENT) and its subsidiaries reported the highest Return on Equity of 11%. The remainder of the companies reported a Return on Equity in the range of -23.3% to 10.2%.

Table 6a

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	Yearly Return on		
	Dec-15	Dec-14	YE 2015	Assets	Share Capital	Equity
Abu Dhabi National Insurance Company PSC	22%	29%	(335)	-6.0%	-89.2%	-23.3%
Al Ain Ahlia Insurance Co. P.S.C.	55%	63%	21	1.1%	13.8%	1.8%
Al Buhaira National Insurance P.S.C.	35%	32%	34	1.9%	13.7%	5.7%
Al Dhafra Insurance Company P.S.C.	35%	47%	(61)	-7.3%	-61.4%	-17.7%
Al Fujairah National Insurance Company P.S.C.	43%	42%	14	3.3%	14.3%	7.9%
Al Khazna Insurance Company P.S.C.	39%	48%	(60)	-6.7%	-14.2%	-15.6%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	34%	39%	(105)	-7.9%	-45.7%	-21.4%
Al Wathba National Insurance Company PJSC	59%	63%	18	1.3%	8.8%	2.2%
ALLIANCE INSURANCE (PSC)	35%	34%	44	3.5%	44.0%	10.2%
Orient Insurance Company PJSC and its subsidiaries	47%	53%	272	5.4%	54.4%	11.0%
Dubai Insurance Company (PSC)	51%	60%	35	4.0%	35.1%	7.3%
Dubai National Insurance & Reinsurance P.S.C.	60%	64%	41	6.1%	35.3%	9.8%
Emirates Insurance Company P.S.C.	50%	53%	90	4.4%	66.4%	8.5%
AXA Green Crescent Insurance Company PJSC	72%	72%	(15)	-6.7%	-10.3%	-9.4%
Insurance House P.S.C	42%	46%	(14)	-5.7%	-11.9%	-13.0%
National General Insurance Co. (P.S.C.)	39%	47%	24	2.3%	15.7%	5.3%
Oman Insurance Company P.S.C. and Subsidiaries	31%	33%	81	1.3%	17.6%	4.1%
Ras Al Khaimah National Insurance Company P.S.C.	35%	43%	23	3.9%	21.0%	10.1%
Sharjah Insurance Company P.S.C.	63%	66%	(13)	-3.1%	-9.6%	-4.8%
Union Insurance Company P.S.C.	31%	40%	(5)	-0.5%	-1.4%	-1.4%
United Insurance Company P.S.C.	1%	21%	(65)	-19.3%	-64.8%	-163.4%
Total Conventional Companies	39%	43%	24	0.1%	0.5%	0.2%

Table 6b presents Equity as Percentage of Assets for Takaful companies as of 31 December 2015 and 31 December 2014. The table also shows Return on Assets, Share Capital and Equity. For Takaful companies, the ratio of Equity as Percentage of Assets is 29%, as of 31 December 2015, compared to 39% for Conventional companies.

Table 6b

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	Yearly Return on		
	Dec-15	Dec-14	YE 2015	Assets	Share Capital	Equity
Abu Dhabi National Takaful Company PSC	35%	34%	42	6.3%	41.6%	18.3%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	71%	78%	13	3.2%	8.7%	4.2%
Dar Al Takaful PJSC	16%	22%	(7)	-2.5%	-7.1%	-13.4%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	12%	12%	2	0.2%	1.0%	1.7%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	31%	34%	(163)	-4.7%	-13.5%	-14.3%
Methaq Takaful Insurance Company PSC	22%	26%	(4)	-1.0%	-2.3%	-4.1%
National Takaful Company (Watania) PJSC	22%	34%	(41)	-11.6%	-27.6%	-41.3%
Takaful Emarat - Insurance (PSC)	31%	32%	10	3.0%	8.2%	9.7%
Total Takaful Companies	29%	33%	(147)	-2.1%	-6.7%	-6.8%
All Companies	37%	41%	(124)	-0.3%	-1.9%	-0.8%

For Takaful companies, Return on Assets, Share Capital and Equity for the period are -2.1%, -6.7%, and -6.8% respectively, on a consolidated basis. The negative returns are due to Net losses for the whole group of Takaful companies. It can be seen above that the results are mostly driven by Islamic Arab Insurance Company (SALAMA), as they reported high negative profit.

EXPENSES AND NET COMMISSION

Table 7a presents figures for General and Administrative Expenses and Other Expenses, Net Commission, and Expense Ratio for all of the Conventional companies included in the study. General and Administrative Expenses and Other Expenses includes all expenses and taxes, excluding only any explicit finance costs related to investments. 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 and Other Expenses over the Net Premium earned for the period.

On a consolidated basis, Conventional companies incurred 6% more in Expenses and 32% more in Net Commission when comparing figures as of 31 December 2014 and 31 December 2015. However, the experience per company varies.

The Expense Ratio for Conventional companies maintained a value of 23% of their Net Premium earned as of 31 December 2015. In general, companies with larger premium volume were able to benefit from the economies of scale, and hence, were able to achieve relatively lower Expense Ratios. However, this was not the case for all of the companies, as the ratio differs for each. Al Dhafra Insurance Company (DHAFRA) reported the lowest Expense Ratio of 15%, as of 31 December 2015. The highest Expense Ratio for the period is 73%, reported by AXA Green Crescent Insurance (AXAGCI).

Table 7a

Financial Statement Analysis of UAE National Conventional Companies

Expenses and Net Commission

Figures in AED million

Name of Company	G&A Expenses and Other expenses			Net Commission			Expense Ratio	
	Dec-15	Dec-14	% Change	Dec-15	Dec-14	% Change	Dec-15	Dec-14
Abu Dhabi National Insurance Company PSC	247.2	270.4	-9%	(48.8)	(46.1)	-6%	19%	18%
Al Ain Ahlia Insurance Co. P.S.C.	60.7	58.8	3%	6.0	8.1	-26%	27%	28%
Al Buhaira National Insurance P.S.C.	53.2	43.9	21%	90.7	84.9	7%	19%	19%
Al Dhafra Insurance Company P.S.C.	33.8	35.1	-4%	19.3	7.6	154%	15%	18%
Al Fujairah National Insurance Company P.S.C.	31.5	30.0	5%	(1.9)	(1.3)	-44%	23%	22%
Al Khazna Insurance Company P.S.C.	28.9	29.4	-2%	(0.3)	3.7	-109%	41%	63%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	49.3	40.6	21%	53.1	51.5	3%	18%	18%
Al Wathba National Insurance Company PJSC	46.0	49.9	-8%	7.6	12.0	-37%	22%	24%
ALLIANCE INSURANCE (PSC)	25.9	25.9	0%	3.2	2.9	9%	19%	19%
Orient Insurance Company PJSC and its subsidiaries	177.8	156.8	13%	8.2	47.7	-83%	28%	32%
Dubai Insurance Company (PSC)	27.5	24.1	14%	(10.9)	(14.4)	24%	25%	23%
Dubai National Insurance & Reinsurance P.S.C.	21.2	20.8	2%	(2.2)	1.3	-271%	29%	30%
Emirates Insurance Company P.S.C.	82.2	78.2	5%	(22.3)	(20.1)	-11%	20%	20%
AXA Green Crescent Insurance Company PJSC	23.6	27.7	-15%	(2.5)	(3.8)	34%	79%	47%
Insurance House P.S.C	32.0	29.7	8%	(5.1)	(4.3)	-19%	41%	42%
National General Insurance Co. (P.S.C.)	58.2	54.6	7%	12.1	(3.3)	466%	21%	18%
Oman Insurance Company P.S.C. and Subsidiaries	320.1	288.7	11%	(21.9)	(63.6)	66%	23%	20%
Ras Al Khaimah National Insurance Company P.S.C.	60.3	45.4	33%	(11.7)	(12.5)	6%	22%	27%
Sharjah Insurance Company P.S.C.	11.5	11.5	0%	8.3	9.8	-16%	32%	43%
Union Insurance Company P.S.C.	108.1	88.8	22%	9.6	7.2	32%	36%	40%
United Insurance Company P.S.C.	29.4	26.9	9%	1.2	1.8	-33%	40%	22%
Total Conventional Companies	1,529	1,437	6%	92	69	32%	23%	23%

Table 7b

Financial Statement Analysis of UAE National Takaful Companies

Expenses and Net Commission

Figures in AED million

Name of Company	G&A Expenses and Other expenses			Expense Ratio	
	Dec-15	Dec-14	% Change	Dec-15	Dec-14
Abu Dhabi National Takaful Company PSC *	35.9	30.8	17%	30%	25%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	18.1	18.5	-2%	27%	33%
Dar Al Takaful PJSC	27.9	25.1	11%	24%	30%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	56.9	48.2	18%	36%	36%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	193.0	169.7	14%	28%	31%
Methaq Takaful Insurance Company PSC	28.3	28.5	-1%	14%	11%
National Takaful Company (Watania) PJSC	30.9	28.5	8%	27%	39%
Takaful Emarat - Insurance (PSC)	30.6	19.5	57%	10%	20%
Total Takaful Companies	422	369	14%	23%	27%
* Commission paid figure not available separately					
All Companies	1,950	1,806	8%	23%	23%

Table 7b shows figures for General and Administrative Expenses and Other Expenses (related to shareholders' fund) and Expense Ratio for Takaful companies. Takaful companies, on a consolidated basis, reported an increase of 8% in General and Administrative Expenses and Other Expenses as of year-end 2015, compared to the same period in 2014; The Expense Ratio in total for Takaful companies decreased to 23% from 27%, year-on-year.

INVESTMENT AND GAINS

Table 8a presents figures for Investment and Other Income (Other Income not related to Underwriting activities including finance costs) and Investment and Other Income Ratio for all of the Conventional companies included in the study. Investment and Other Income Ratio is defined as the ratio of Investment and Other Income over the Net Premium earned for the period.

On a consolidated basis, Conventional companies' income decreased by 54% from 31 December 2015 when comparing figures as of 31 December 2014. Sixteen (16) out of twenty-one (21) companies reported a decrease in their annual income on Investment and Others. Three (3) companies, namely Al Khazna Insurance Company (AKNIC), Al-Sagr Insurance Company (ASNIC) and Union Insurance Company (UNION), reported a negative return on Investment and Other Income.

The Investment and Other Income Ratio for Conventional companies is calculated to be 6.2% of their Net Premium earned as of 31 December 2015, compared to 14.1% for the same period in 2014. The individual results for Conventional companies vary broadly, from a negative ratio of 45% to a positive ratio of 45%. Al-Sagr National Insurance Company (ASNIC) reported a negative income of -45% for year-end 2015 from a positive income of 13% reported at year-end 2014.

Table 8a

Financial Statement Analysis of UAE National Conventional Companies

Investment and Other Income and Return on Assets

Figures in AED million

Name of Company	Investment and Other Income			Investment and Other Income Ratio	
	Dec-15	Dec-14	% Change	Dec-15	Dec-14
Abu Dhabi National Insurance Company PSC	102.0	106.4	-4%	8%	7%
Al Ain Ahlia Insurance Co. P.S.C.	20.1	48.3	-58%	9%	23%
Al Buhaira National Insurance P.S.C.	25.2	14.5	74%	9%	6%
Al Dhafra Insurance Company P.S.C.	16.1	26.9	-40%	7%	14%
Al Fujairah National Insurance Company P.S.C.	7.7	12.5	-38%	6%	9%
Al Khazna Insurance Company P.S.C.	(18.6)	(52.0)	64%	-26%	-112%
Al-Sagr National Insurance Company P.S.C. and its subsidiary	(121.4)	28.3	-529%	-45%	13%
Al Wathba National Insurance Company PJSC	15.7	122.0	-87%	7%	58%
ALLIANCE INSURANCE (PSC)	60.6	59.7	1%	45%	43%
Orient Insurance Company PJSC and its subsidiaries	114.3	100.0	14%	18%	20%
Dubai Insurance Company (PSC)	17.9	18.5	-4%	16%	18%
Dubai National Insurance & Reinsurance P.S.C.	27.6	19.7	40%	38%	28%
Emirates Insurance Company P.S.C.	47.5	63.9	-26%	11%	17%
AXA Green Crescent Insurance Company PJSC	0.6	14.2	-96%	2%	24%
Insurance House P.S.C	6.7	14.7	-54%	9%	21%
National General Insurance Co. (P.S.C.)	9.5	75.1	-87%	3%	25%
Oman Insurance Company P.S.C. and Subsidiaries	88.3	142.8	-38%	6%	10%
Ras Al Khaimah National Insurance Company P.S.C.	5.2	8.4	-38%	2%	5%
Sharjah Insurance Company P.S.C.	0.3	27.9	-99%	1%	104%
Union Insurance Company P.S.C.	(29.9)	22.3	-234%	-10%	10%
United Insurance Company P.S.C.	11.8	18.9	-38%	16%	16%
Total Conventional Companies	407	893	-54%	6.2%	14.1%

Table 8b

Financial Statement Analysis of UAE National Takaful Companies

Investment and Other Income and Return on Assets

Figures in AED million

Name of Company	Investment and Other Income			Investment and Other Income Ratio	
	Dec-15	Dec-14	% Change	Dec-15	Dec-14
Abu Dhabi National Takaful Company PSC	4.7	9.9	-53%	4%	8%
Arabian Scandinavian Insurance Company (PLC) - Takaful (ASCANA)	19.5	30.3	-36%	29%	54%
Dar Al Takaful PJSC	3.0	13.7	-78%	3%	17%
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)	20.3	18.0	13%	13%	13%
Islamic Arab Insurance Co. (Salama) and its subsidiaries	42.0	40.1	5%	6%	7%
Methaq Takaful Insurance Company PSC	6.8	30.9	78%	3%	12%
National Takaful Company (Watania) PJSC	6.7	11.5	-42%	6%	16%
Takaful Emarat - Insurance (PSC)	(1.3)	13.3	-109%	0%	14%
Total Takaful Companies	102	168	-39%	5.7%	12.3%
All Companies	509	1,061	-52%	6.1%	13.8%

Table 8b shows figures for Investment and Other Income (related to shareholders' fund) and Investment and Other Income Ratio for Takaful companies. Takaful companies, on a consolidated basis, reported a decrease of 39% as of year-end 2015, compared to the same period in 2014. The Investment and Other Income Ratio in total for Takaful companies decreased to 5.7% from 12.3%, year-on-year.

CONCLUSION

Taha Actuaries & Consultants reviewed the financial results as of year-end 2015 for twenty-nine (29) Conventional and Takaful companies and compared the figures to year-end 2014. It is important to note that the industry's Net Profit decreased substantially for both Conventional and Takaful companies for the period under review. Nine (9) Conventional and four (4) Takaful companies reported negative Net Profits during the period.

Net Premium Earned and Net Claims Incurred increased for both Conventional and Takaful Companies, but the increase in the Net Claims Incurred was higher than the increase in the Net Premium Earned.

Conventional and Takaful companies also reported higher expenses for the period, while maintaining the same Expense Ratios.

Investments Income decreased substantially for both Takaful and Conventional Companies.

We tried to collect the financials of branches of foreign companies in order to provide a full analysis of the insurance industry; however, we were not able to get them for all companies. If the companies can either share their data, or if anyone else can share the financials published in the newspapers, we would be happy to issue a comprehensive report at a later date.

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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