

AM Best's MENA Insurance Market Briefing - Dubai

Agenda – Insurance Market Briefing

10:00 Welcome and Introductory Comments

Nick Charteris-Black, Managing Director, Market Development – EMEA

10:05 Regional Insurance Trends

Alex Rafferty, Associate Director, Analytics

10:50 Regional Rating Benchmarking

Mahesh Mistry, Senior Director, Credit Rating Criteria, Research & Analytics

11.30 Coffee Break

11:45 Regional Reinsurance Trends

Alex Rafferty, Associate Director, Analytics

12:30 M&As and Regulation

Vasilis Katsipis, General Manager – MENA, South & Central Asia

13.15 Networking Lunch

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MENA Insurance Market Trends

Alex Rafferty – Associate Director, AM Best

AM Best's Insurance Market Briefing – MENA

Wednesday, 27 October 2021

Discussion Outline

Regional Insurance Trends

- AM Best's Market Segment Outlook for the region's insurance markets
- COVID-19 impact on regional insurance markets
- Market trends into 2021

Market Segment Outlook

GCC – Negative

GCC Market Segment Outlook Maintained Negative

Headwinds

Persisting COVID-19-driven uncertainty; risk of further oil price volatility maintain economic pressures across the region

Expectations of strains on premium growth and development opportunities

Pricing adequacy concerns amid intense market competition

Financial market fluctuations and depressed real estate valuations

Liquidity pressures and potential for delays in cash collection

GCC Market Segment Outlook Maintained Negative

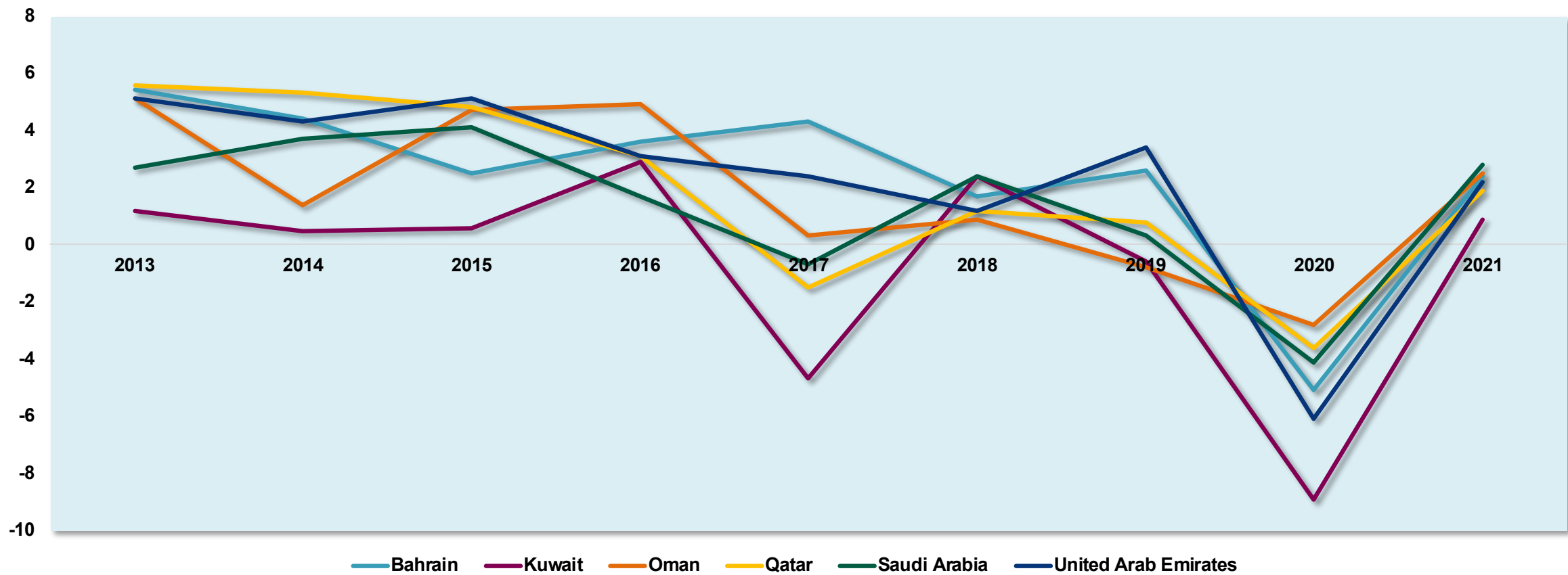
Headwinds	Tailwinds
Persisting COVID-19-driven uncertainty; risk of further oil price volatility maintain economic pressures across the region	Insurers generally well capitalised; proving resilient to shock scenarios
Expectations of strains on premium growth and development opportunities	Recovering economic conditions
Pricing adequacy concerns amid intense market competition	Tightening regulatory oversight and control
Financial market fluctuations and depressed real estate valuations	Some easing of regional geopolitical tensions
Liquidity pressures and potential for delays in cash collection	Opportunities for market consolidation; M&A

MENA Regional Insurance Economic Indicators

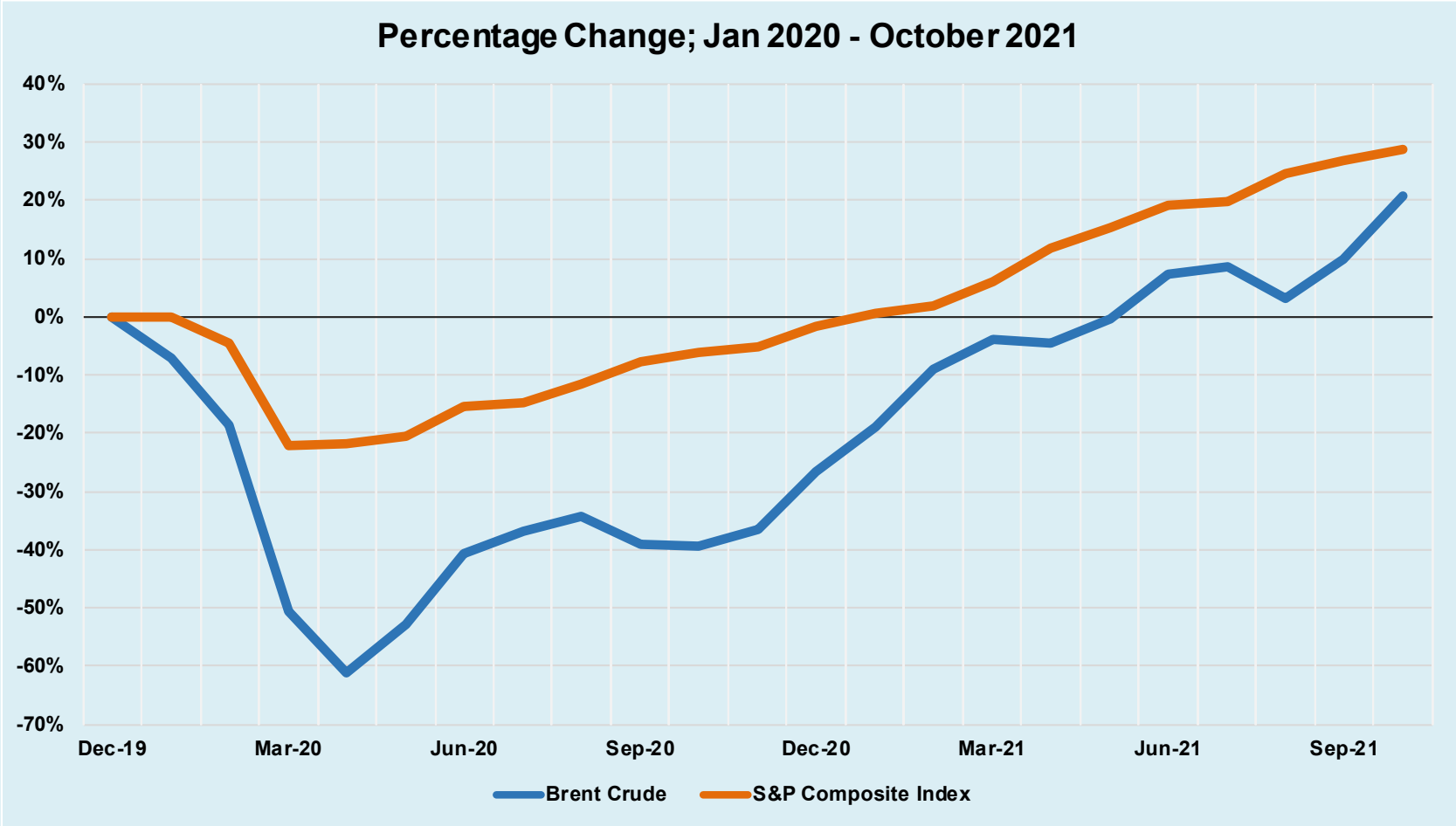
GCC Economic Overview

Average GDP Growth (%)

Challenging economic environment; recovery projected

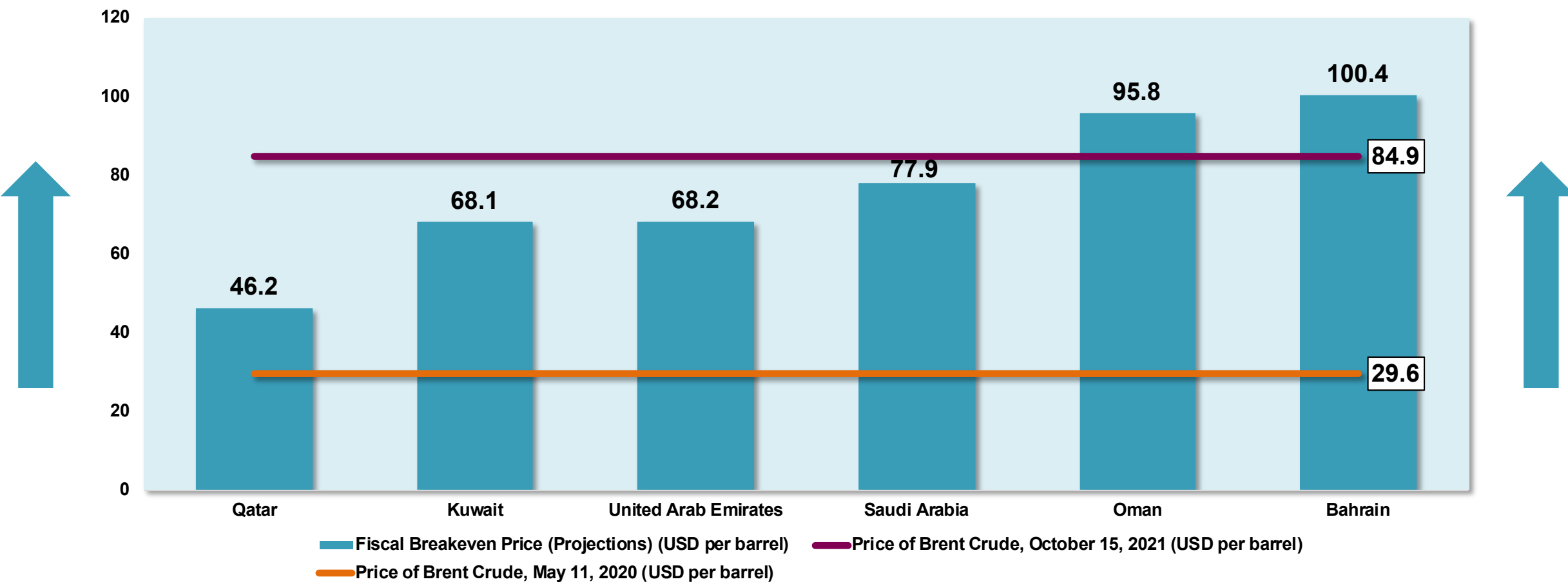


GCC Economic Overview



Recovering Oil Price Alleviating Fiscal Pressures

GCC – Fiscal Breakeven Price, 2021



MENA Regional Insurance Balance Sheet Resilience

Balance Sheet Resilience to Shocks

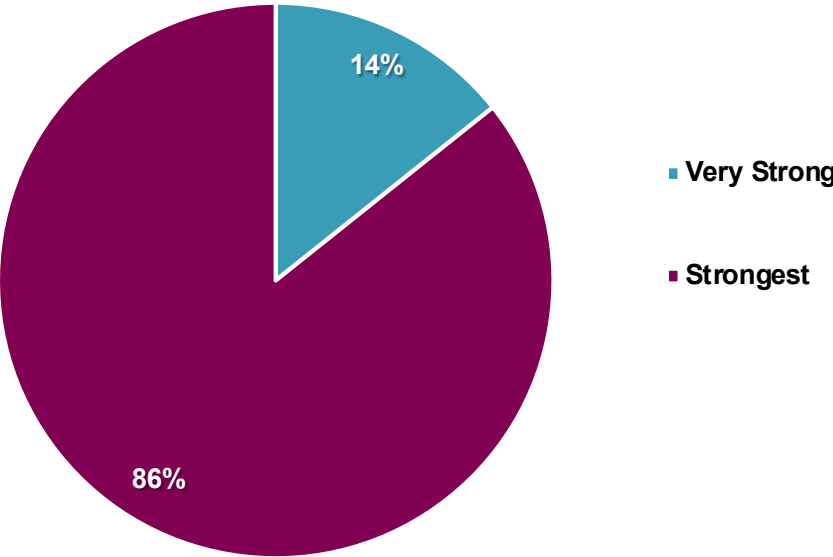
Well capitalised balance sheets

- Strongest risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), for over 80% of rated GCC insurers

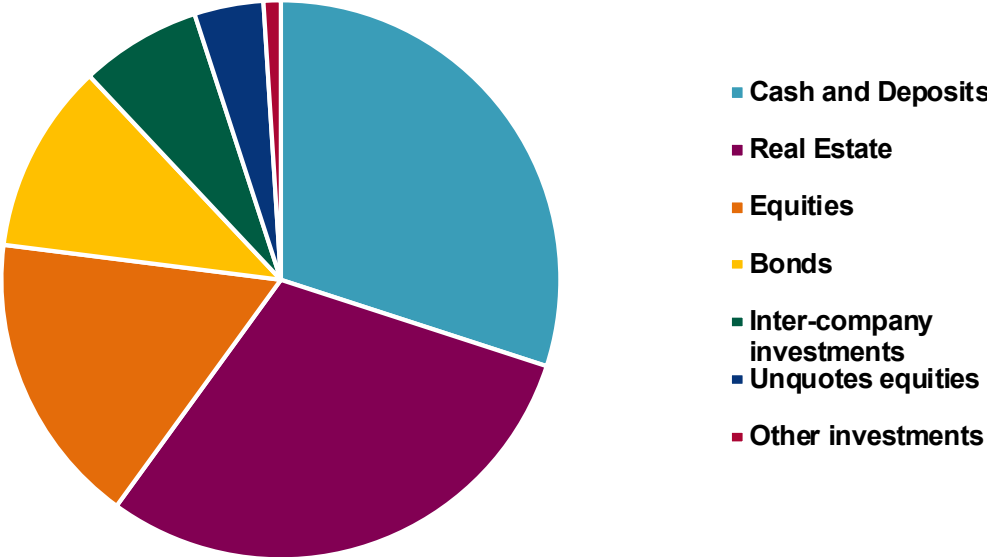
Asset risk remains high

- Elevated asset mix weighting to real estate and equity investments
- Real estate valuations subject to uncertainty

BCAR Assessment – GCC Rated Insurers

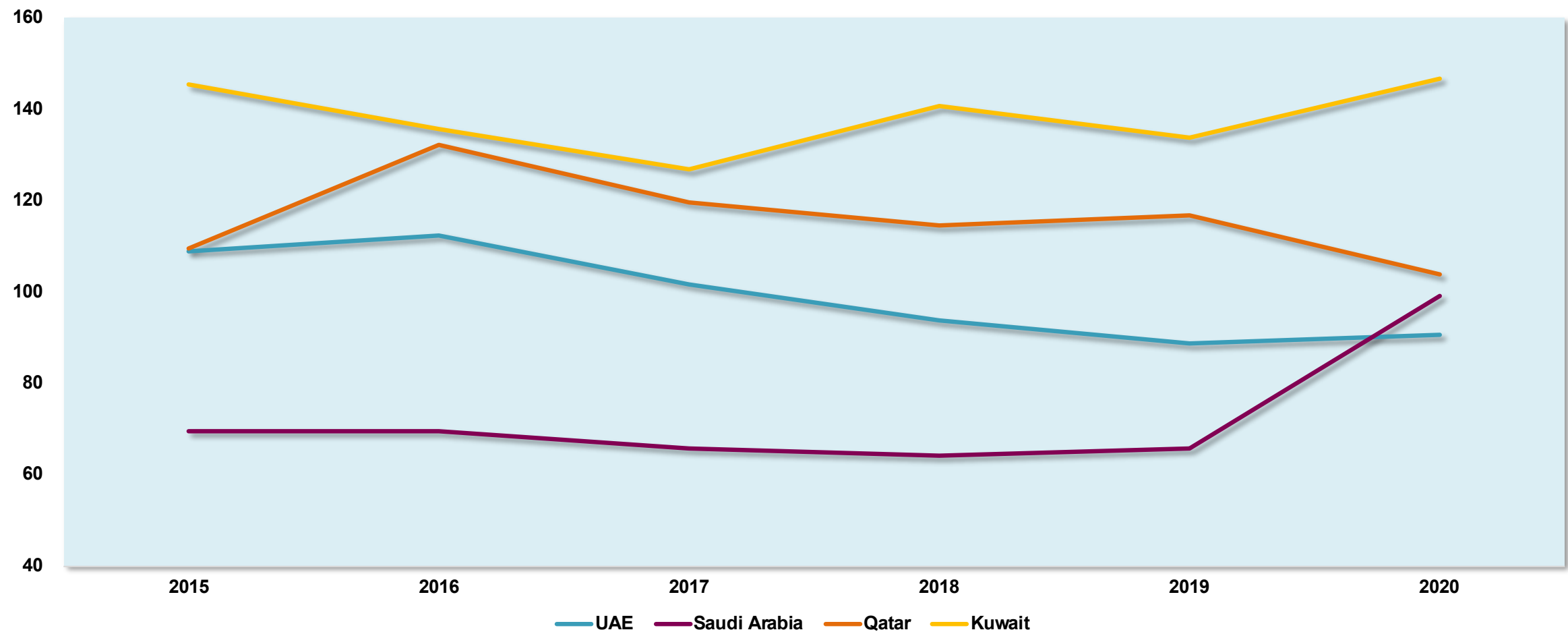


GCC Insurers – Asset Mix



Debtor Recoverability – A Mixed Picture

Average Debtor Days (2015-2020)



MENA Regional Insurance Performance Trends

Pandemic Performance Impacts – 2020

Strains	Positives
• Economic slowdown impacting premium growth opportunities • Reduction in consumer demand for insurance over 2020 • Exacerbated already intense competitive conditions • Investment return volatility • Bad debt provisioning	• Loss ratio benefits: - Lower motor claims frequency - Reduced medical utilisation

Performance Trends into 2021

Premium rate competition is persisting

Rebounding economic activity...

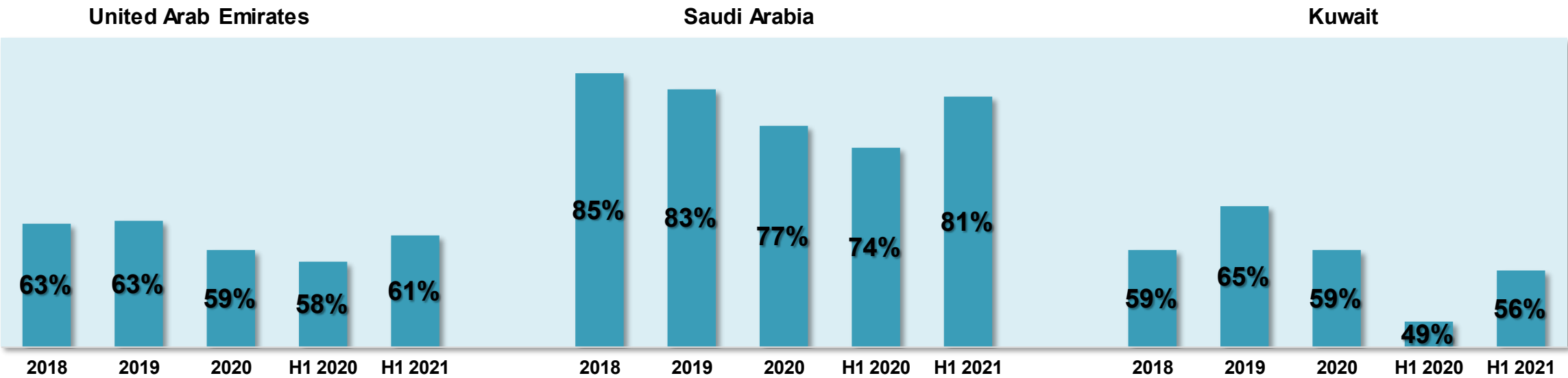
... contributing to total market premium growth

... and normalising claims activity!

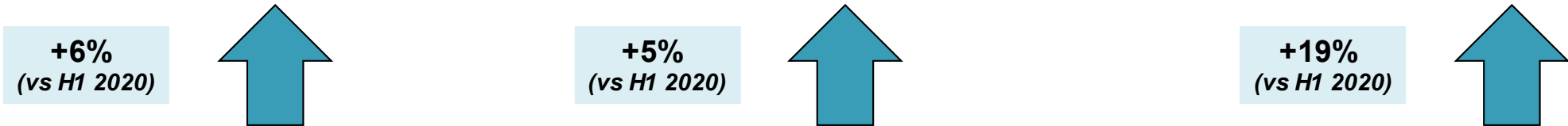
Overall operating performance remaining resilient, buoyed by stronger investment markets

Performance Trends into 2021

Loss Ratios by Regional Insurance Market (2018 – H1 2021)

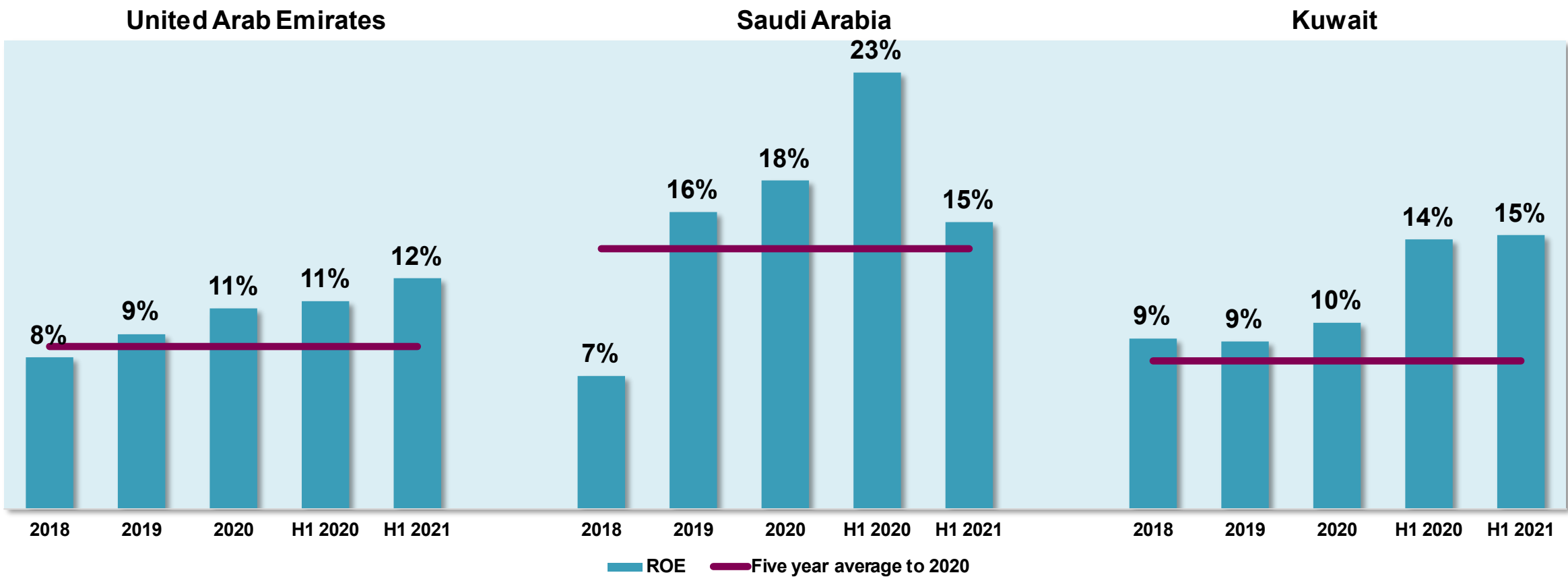


Gross Written Premium Growth (H1 2021)



Performance Trends into 2021

Return on Equity Ratios by Regional Insurance Market (2018 – H1 2021)



Looking Ahead

Cautious on underwriting performance outlook – pricing adequacy

Rebounding economic activity... potential for volatility remains

Competitive market conditions set to persist

M&A activity on the rise

Pandemic response accelerating digitalisation and modernisation agendas

**Q
&
A**

Alex Rafferty
Associate Director,
Analytics –
AM Best

MENA Benchmarking

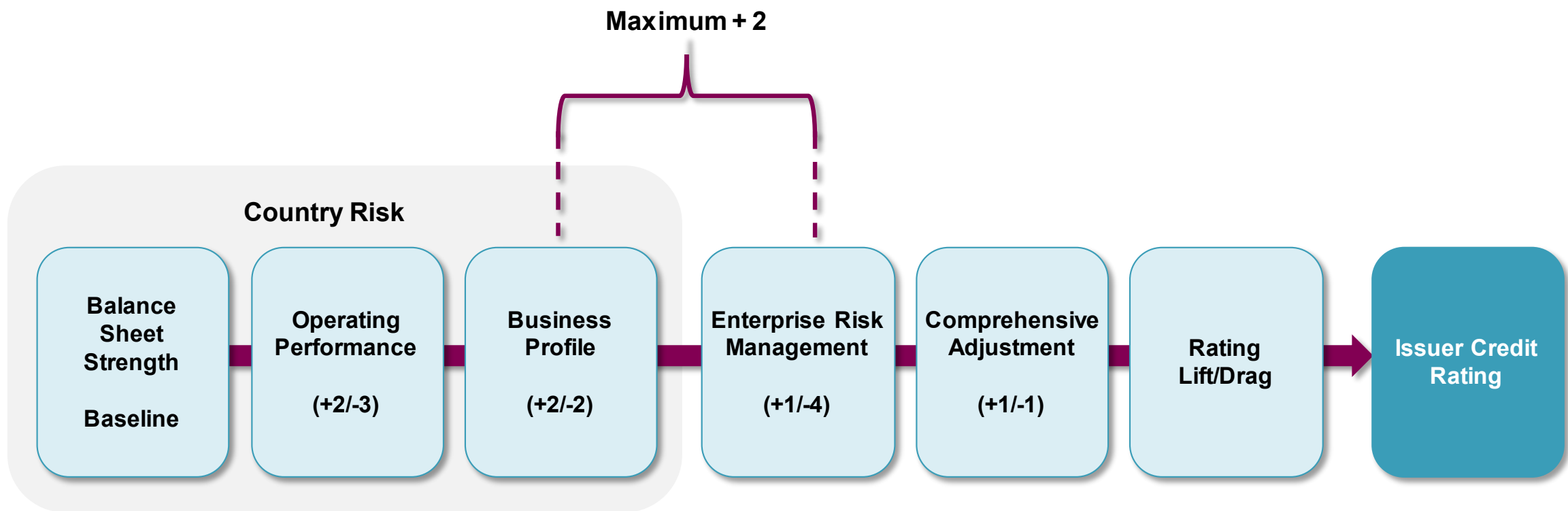
Mahesh Mistry – Senior Director, Criteria Research & Analytics

AM Best's Insurance Market Briefing – MENA

Wednesday, 27 October 2021

Building Block Approach

AM Best's Rating Process



Volatility is linked to risk appetite and can affect both Balance Sheet Strength and Operating Performance.
Volatility outside expectations or peer group may be a concern.

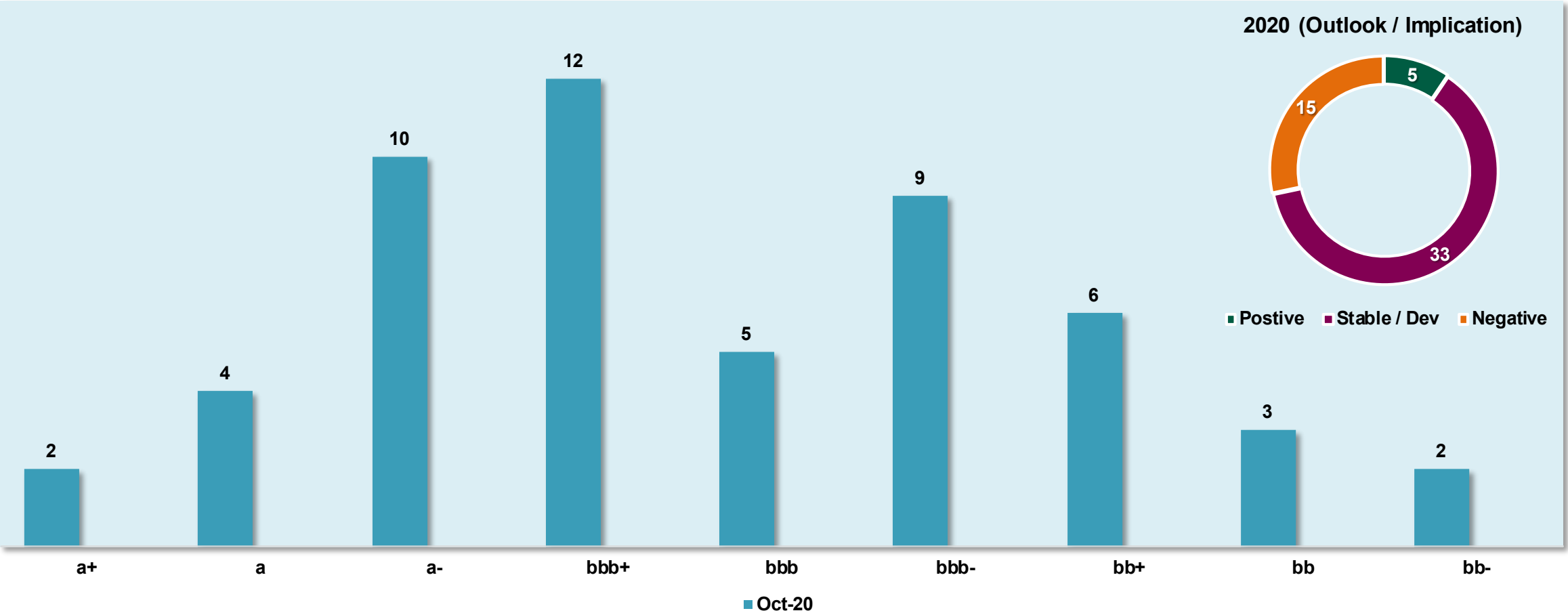
Rating Translation Table

FSR	Long-Term ICR
A++	aaa, aa+
A+	aa, aa-
A	a+, a
A-	a-
B++	bbb+, bbb
B+	bbb-
B	bb+, bb
B-	bb-
C++	b+, b
C+	b-
C	ccc+, ccc
C-	ccc-, cc

- Issuer Credit Rating (ICR): opinion regarding the relative future credit risk of an entity
- Financial Strength Rating (FSR): opinion regarding an insurer's financial strength and ability to meet ongoing insurance policy and contract obligations

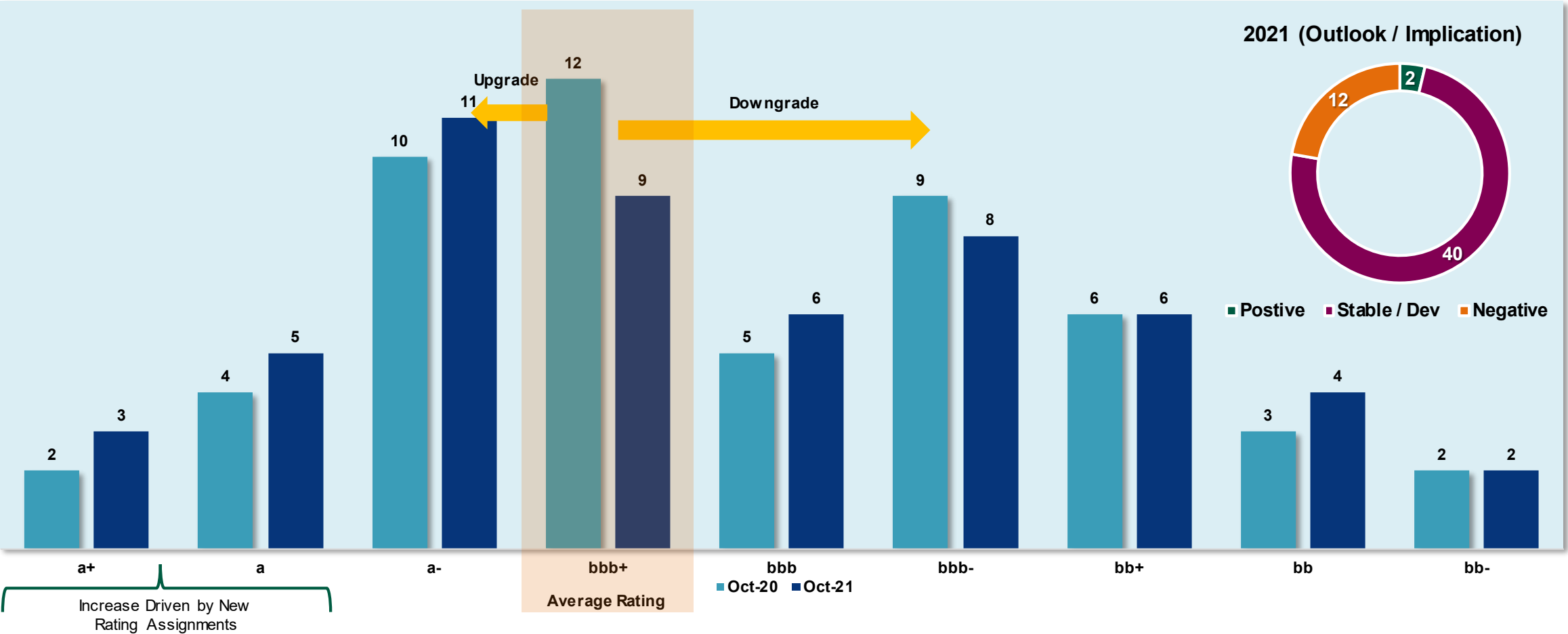
MENA Ratings Distribution (October 2020)

MENA Rating Distribution



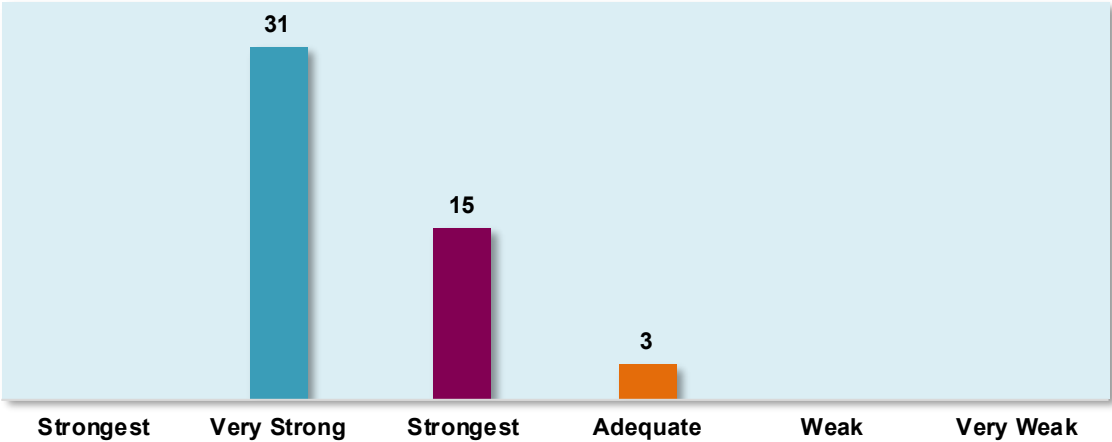
MENA Ratings Distribution (October 2021)

MENA Rating Distribution

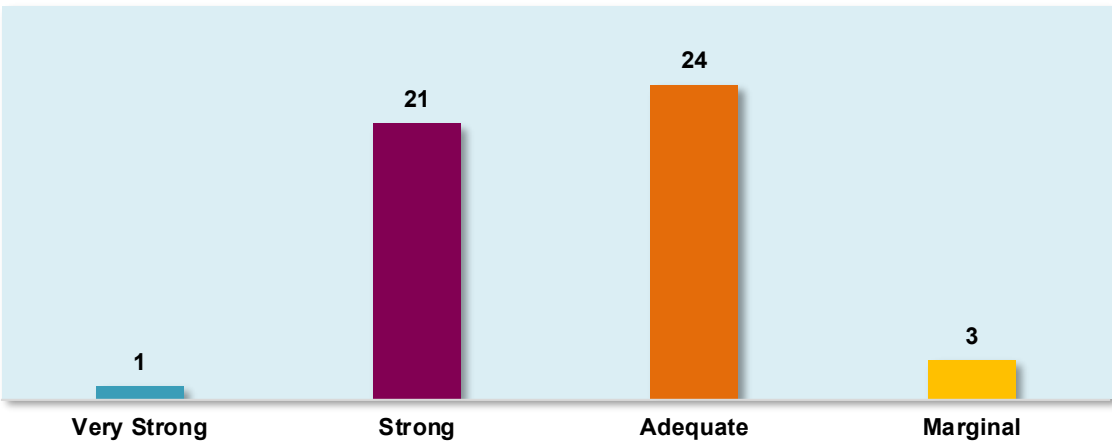


Distribution by Building Block

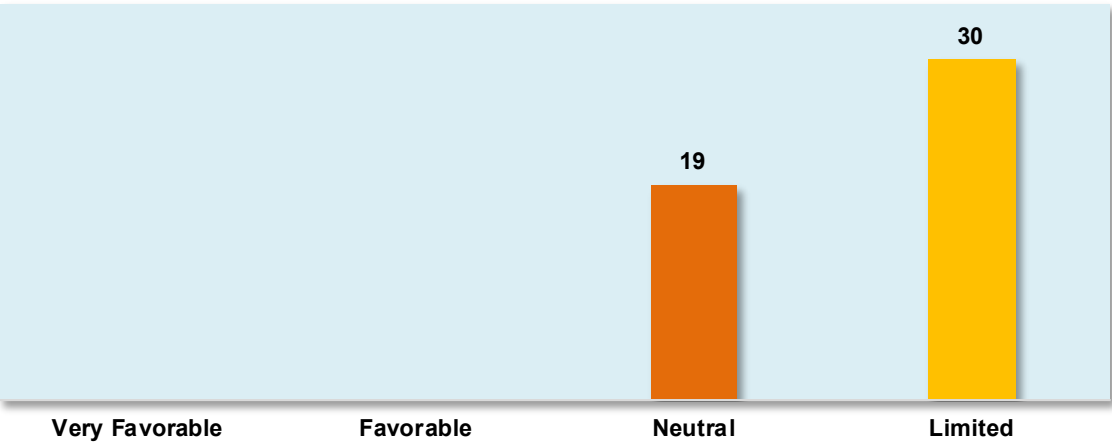
Balance Sheet Strength



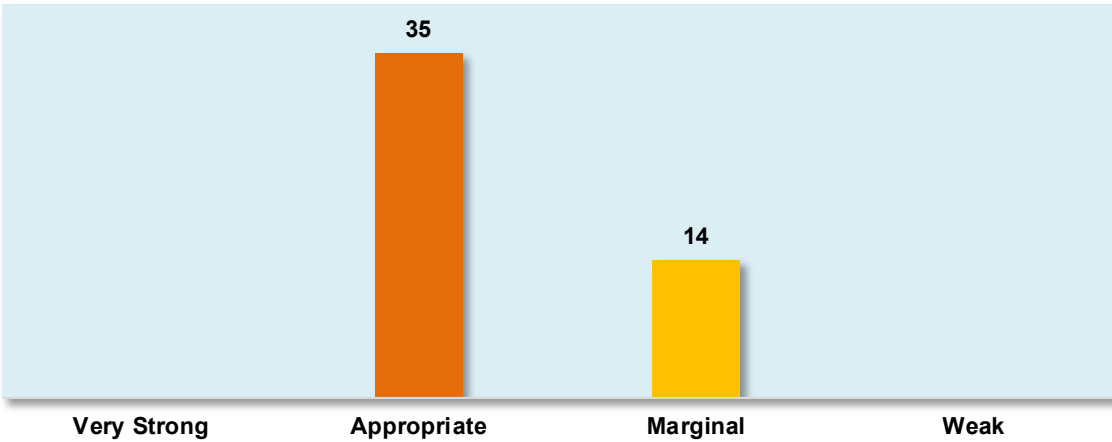
Operating Performance



Business Profile



Enterprise Risk Management



Country Risk – Gradual Downward Trend

Country	CRT	Economic Risk	Political Risk	Financial System Risk	Movement
UAE	3	Low	Moderate	Low	
Qatar	3	Moderate	Moderate	Moderate	
Saudi Arabia	3	Moderate	Moderate	Moderate	
Kuwait	3	Moderate	High	Moderate	
Oman	4	High	Moderate	High	Moved to CRT4 in 2018
Bahrain	4	High	Moderate	High	Moved to CRT4 in 2015
Turkey	4	High	High	High	
Morocco	4	High	High	High	
Jordan	4	High	High	High	
Tunisia	5	Very High	High	High	Moved to CRT5 in 2020
Egypt	5	High	High	Very High	Moved to CRT5 in 2011
Algeria	5	High	Very High	Very High	
Lebanon	5	Very High	Very High	Very High	

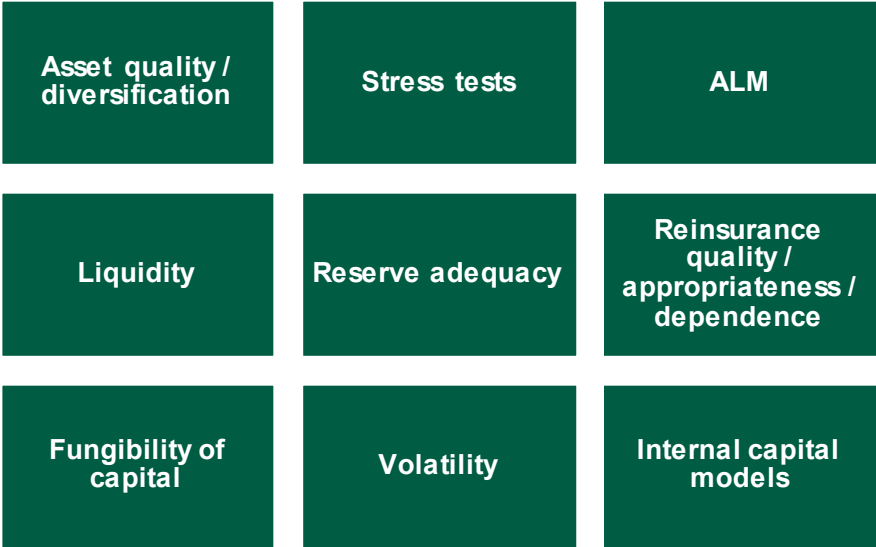
Balance Sheet Strength Assessment



BCAR = $\frac{(\text{Available Capital} - \text{Net Required Capital})}{\text{Available Capital}} \times 100$

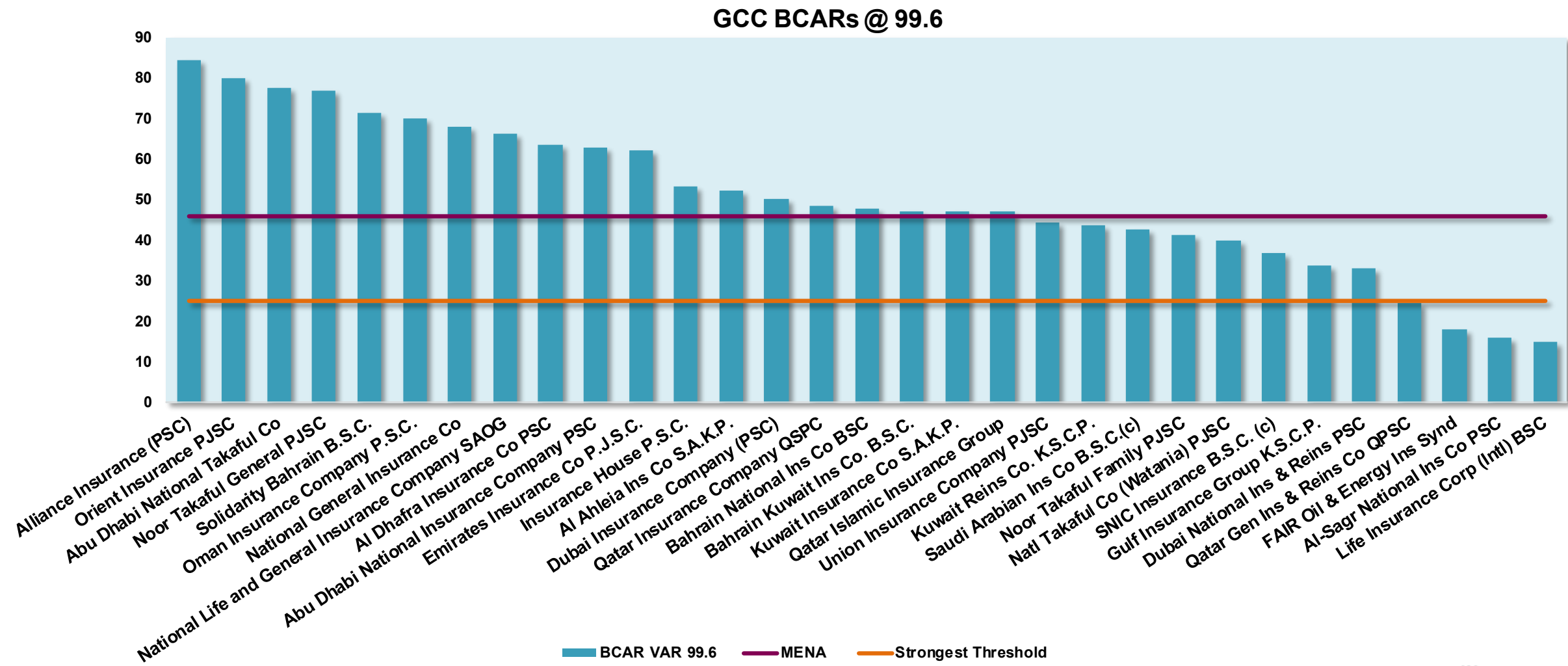
Four scores corresponding to the 95%, 99%, 99.5% and 99.6% confidence level; translates to a BCAR assessment:

VaR Level (%)	BCAR	BCAR Assessment
99.6	> 25 at 99.6	Strongest
99.6	> 10 at 99.6 & ≤ 25 at 99.6	Very Strong
99.5	> 0 at 99.5 & ≤ 10 at 99.6	Strong
99	> 0 at 99 & ≤ 0 at 99.5	Adequate
95	> 0 at 95 & ≤ 0 at 99	Weak
95	≤ 0 at 95	Very Weak



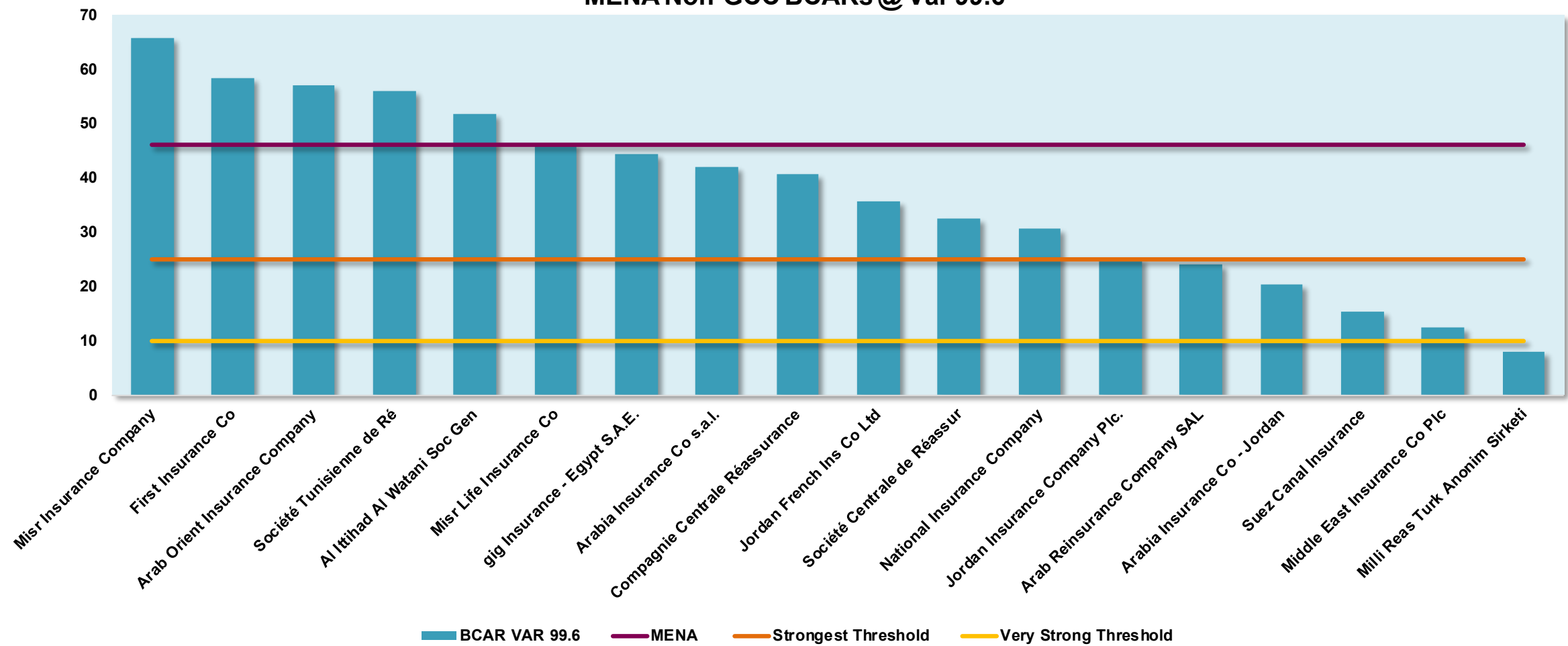
* Typically companies with < 20 million USD capital & surplus are not eligible for the strongest category

GCC BCAR Assessments



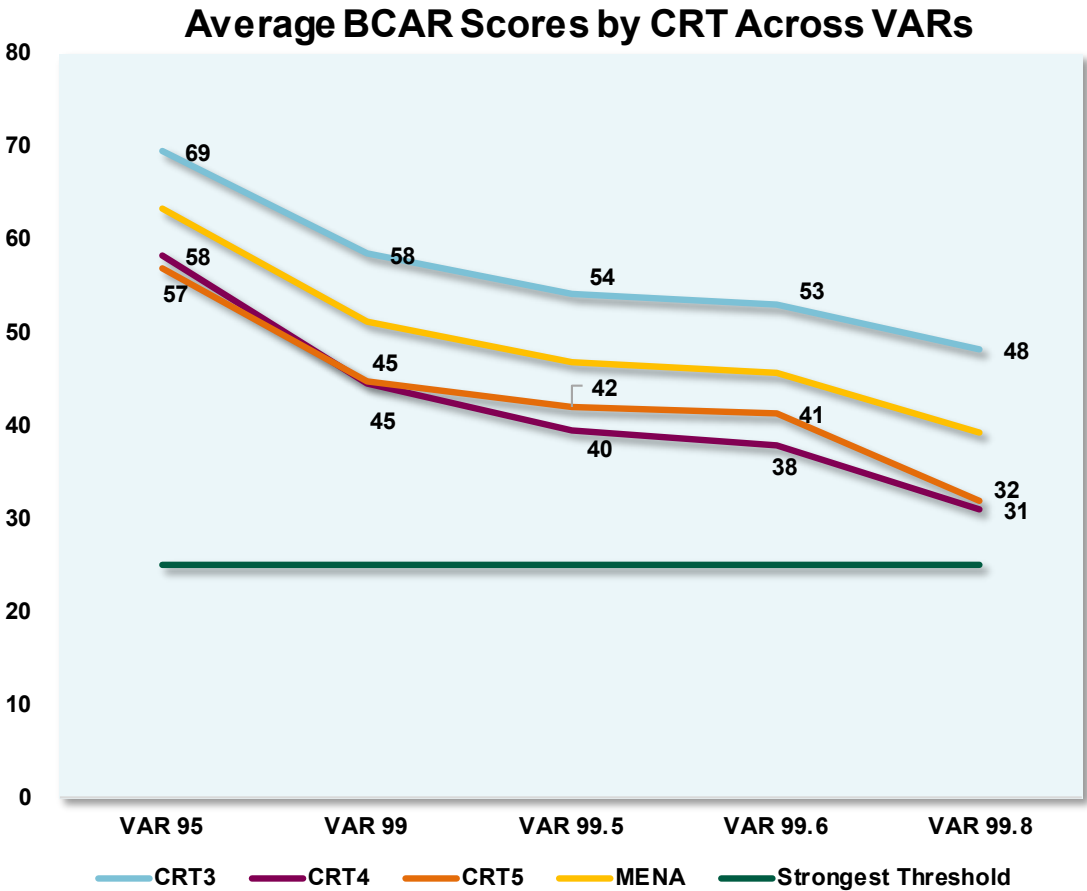
MENA Non-GCC BCAR Assessments

MENA Non-GCC BCARs @ Var 99.6

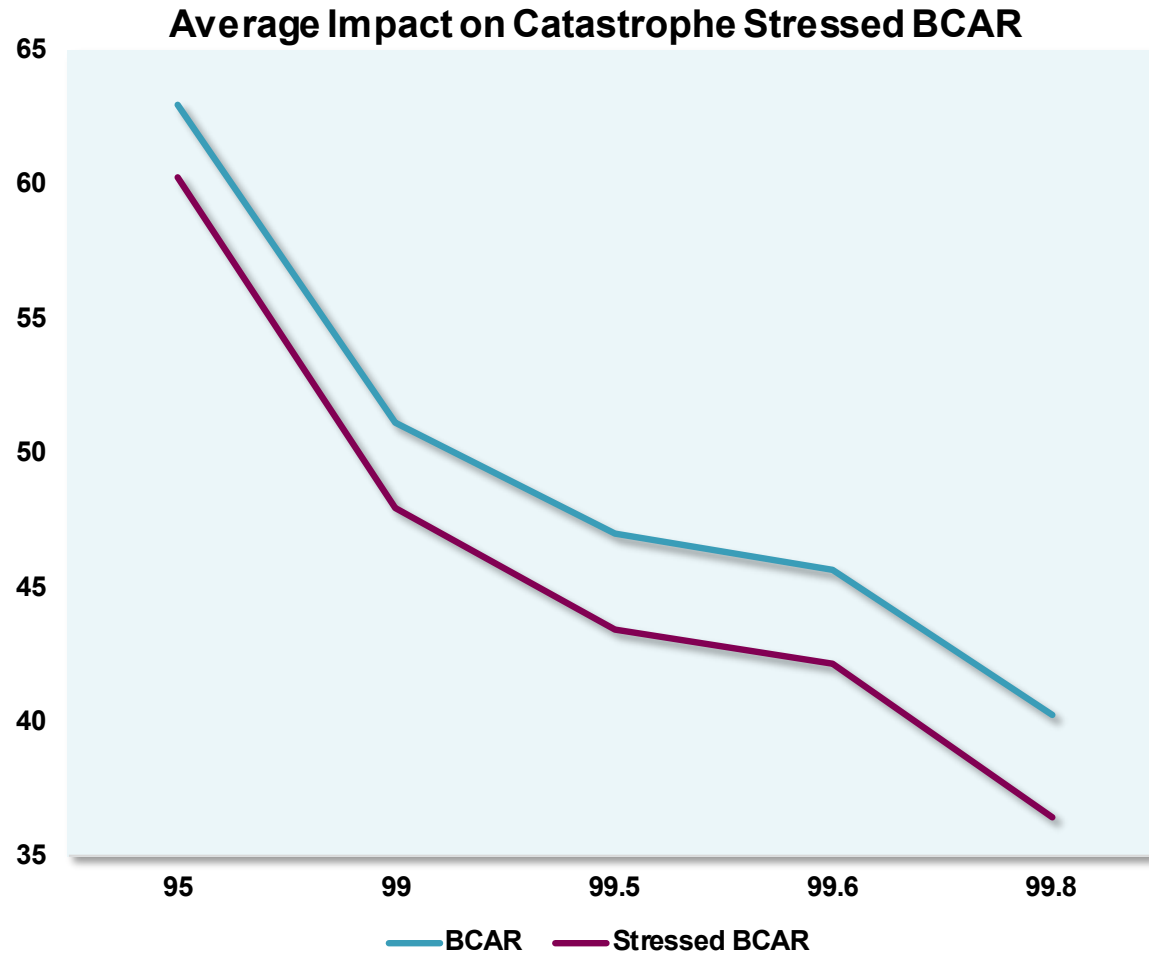


Relationship Between Balance Sheet Strength and BCAR

Balance Sheet Strength	BCAR						
	Strongest	Very Strong	Strong	Adequate	Marginal	Weak	Very Weak
Strongest	-	-	-	-	-	-	-
Very Strong	63%	-	-	-	-	-	-
Strong	20%	10%	-	-	-	-	-
Adequate	-	4%	2%	-	-	-	-
Marginal	-	-	-	-	-	-	-
Weak	-	-	-	-	-	-	-
Very Weak	-	-	-	-	-	-	-



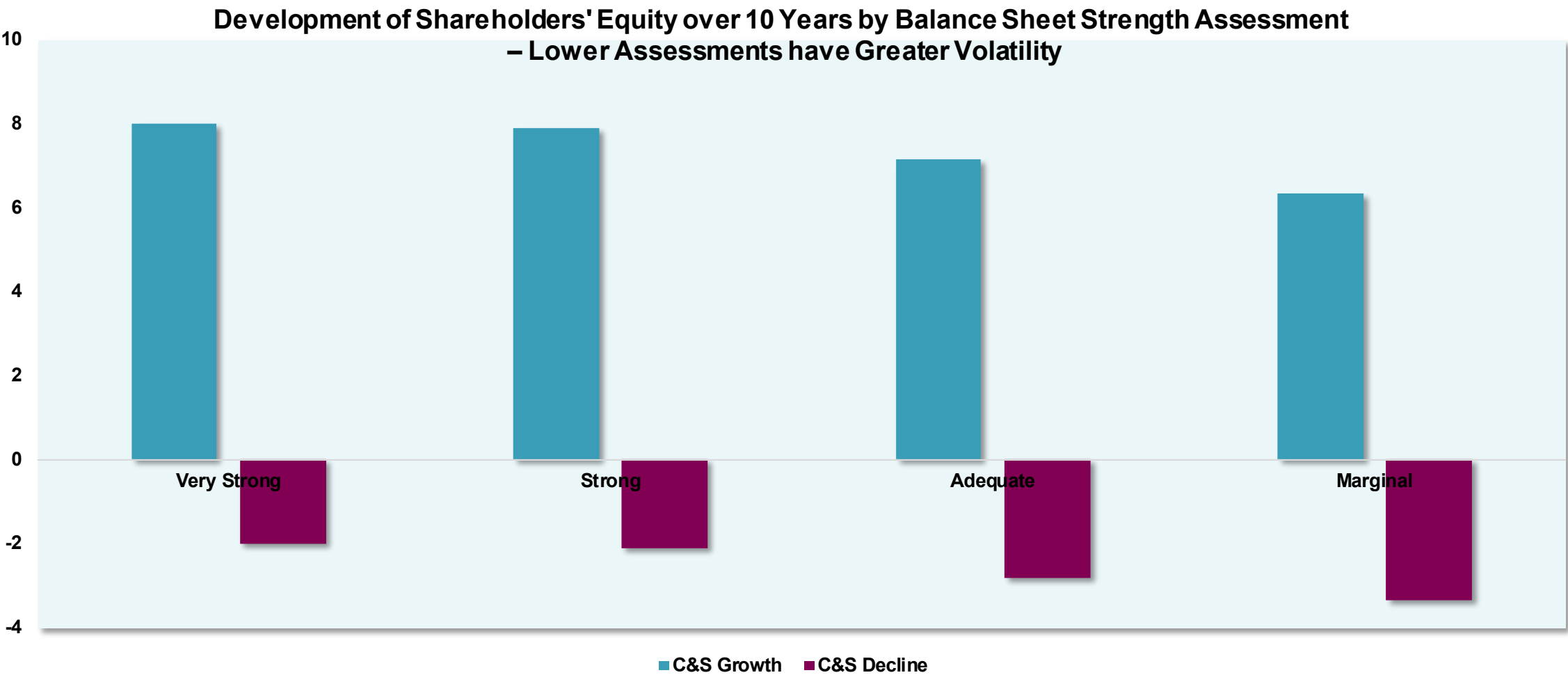
Stress Testing Capital Adequacy



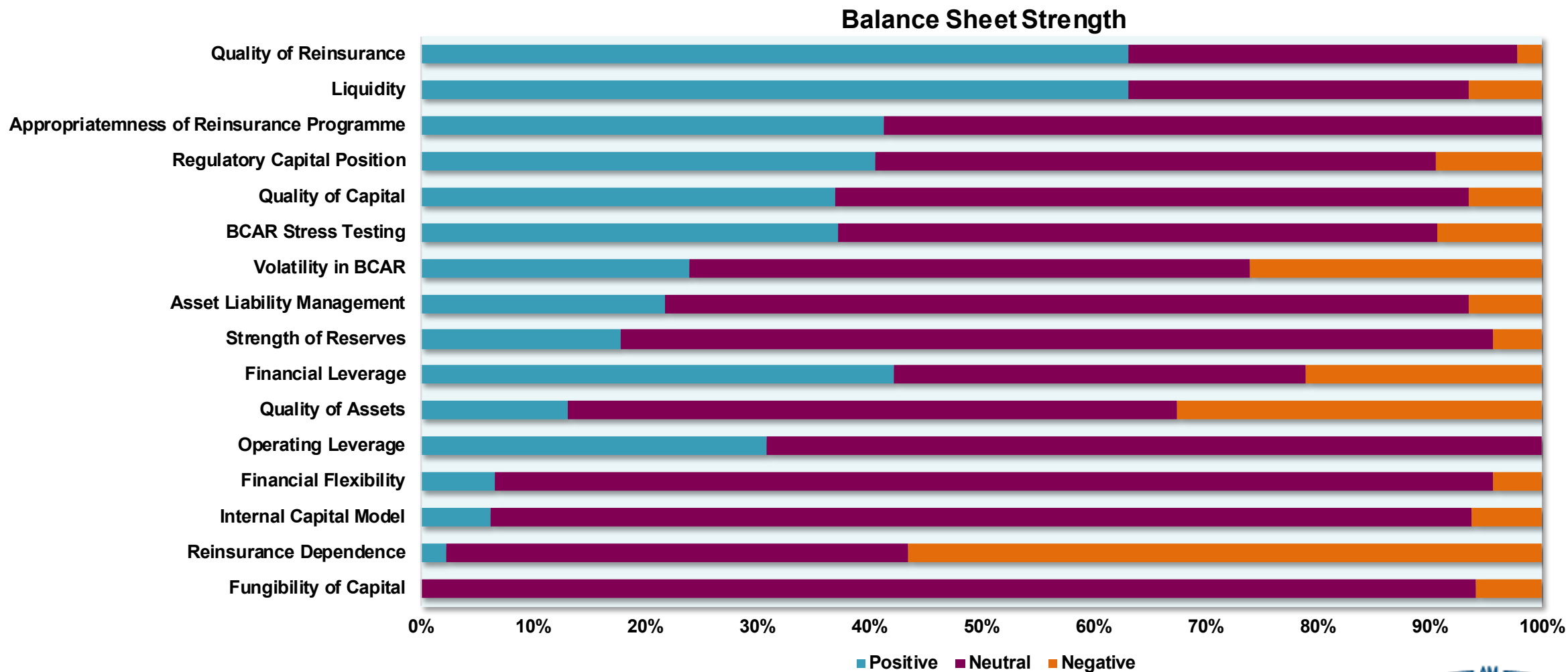
Stress Testing

- Limited impact from catastrophe stress, largely due to low exposure of Nat Cats in some GCC territories.
- **Other stresses** may be more important and have a greater impact on capital adequacy:
 - Investment shock (higher risk assets and concentration)
 - Single risk losses
 - Reinsurance failure
 - Sufficiency of reserves
 - Economic stresses

Development of Shareholders' Equity



Balance Sheet Strength – Components



Operating Performance



Underwriting Performance

- Loss Ratio
- Expense Ratio
- Combined Ratio

Investment Ratio

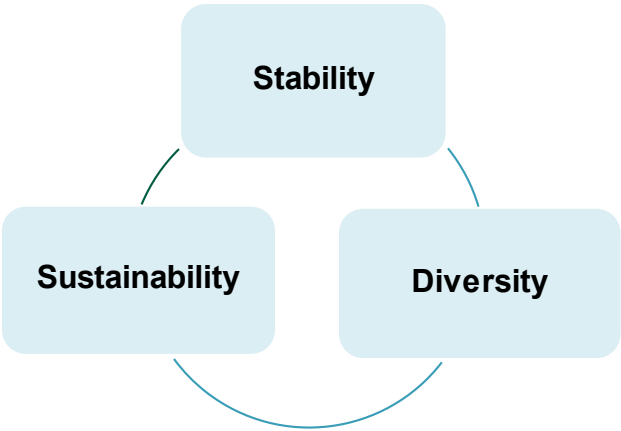
- Net Yield
- Pre-Tax Total Return

Total Operating Earnings

- Pre-Tax ROR
- Operating Ratio
- Operating ROE

Operating Performance

(+2/-3)

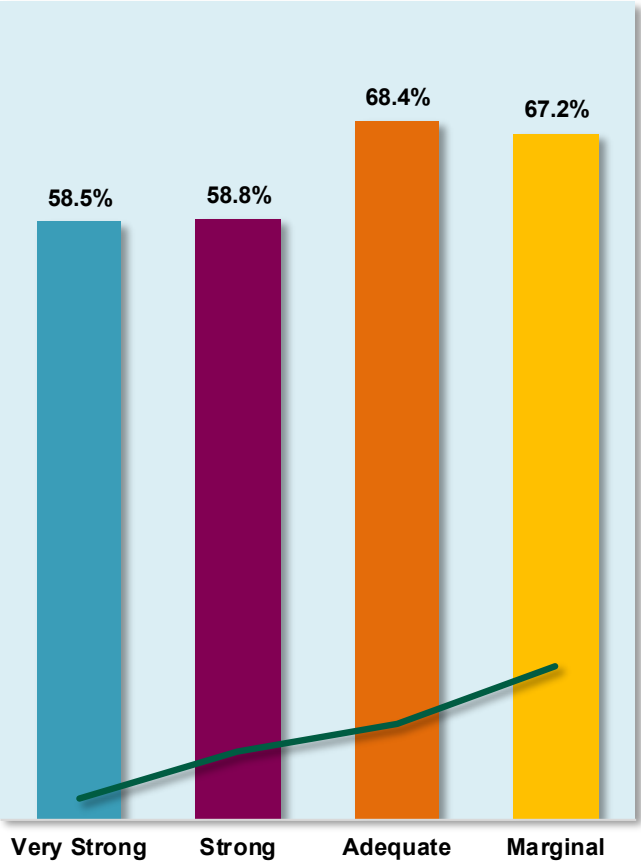


Assessment
Very Strong +2
Strong +1
Adequate 0
Marginal -1
Weak -2
Very Weak -3

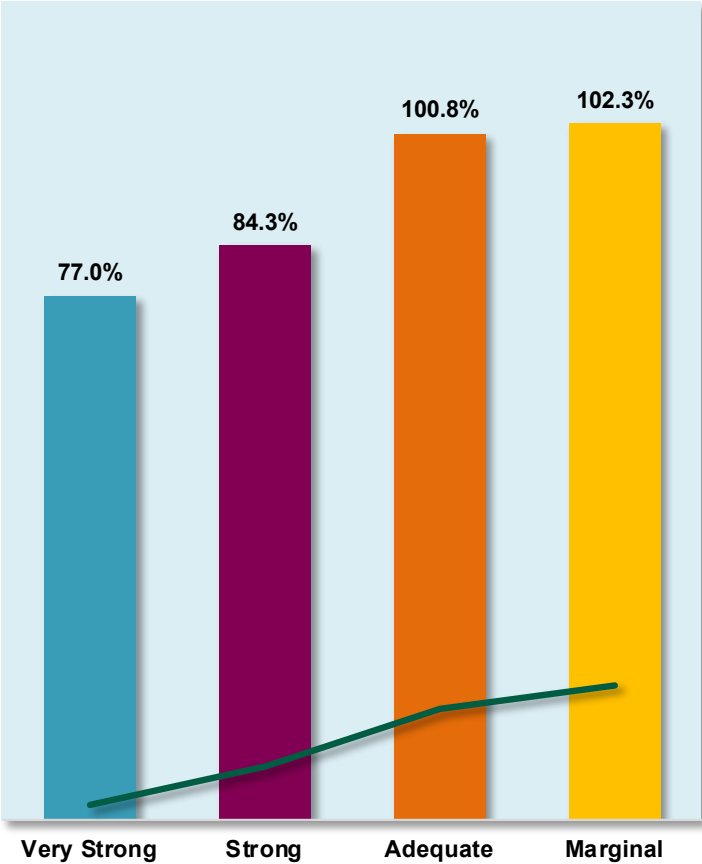


Operating Performance (Financial Ratios & Volatility)

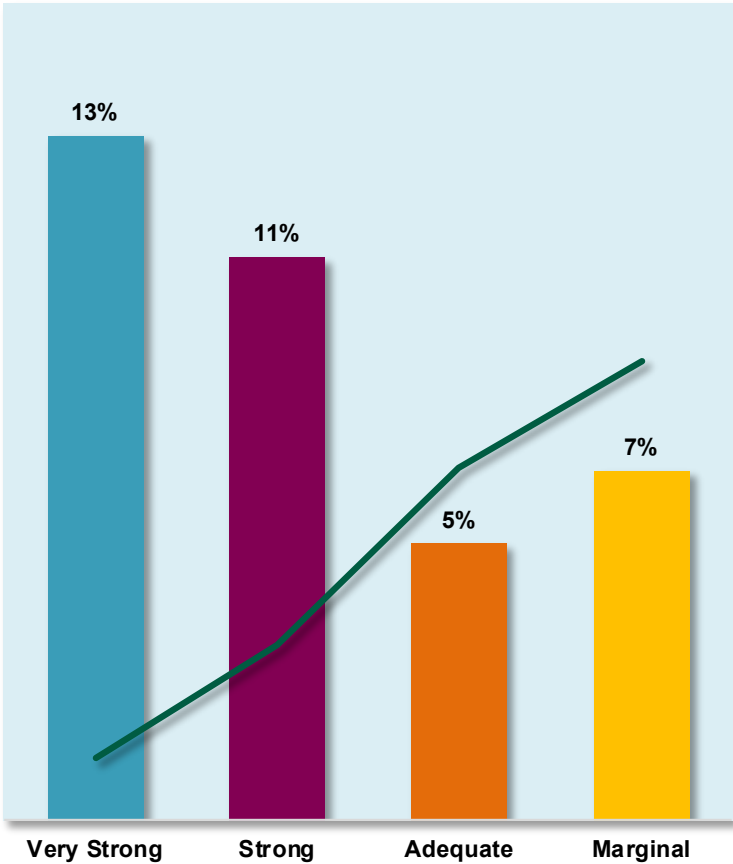
5-Yr Ave Loss Ratio



5-Yr Ave Combined Ratio



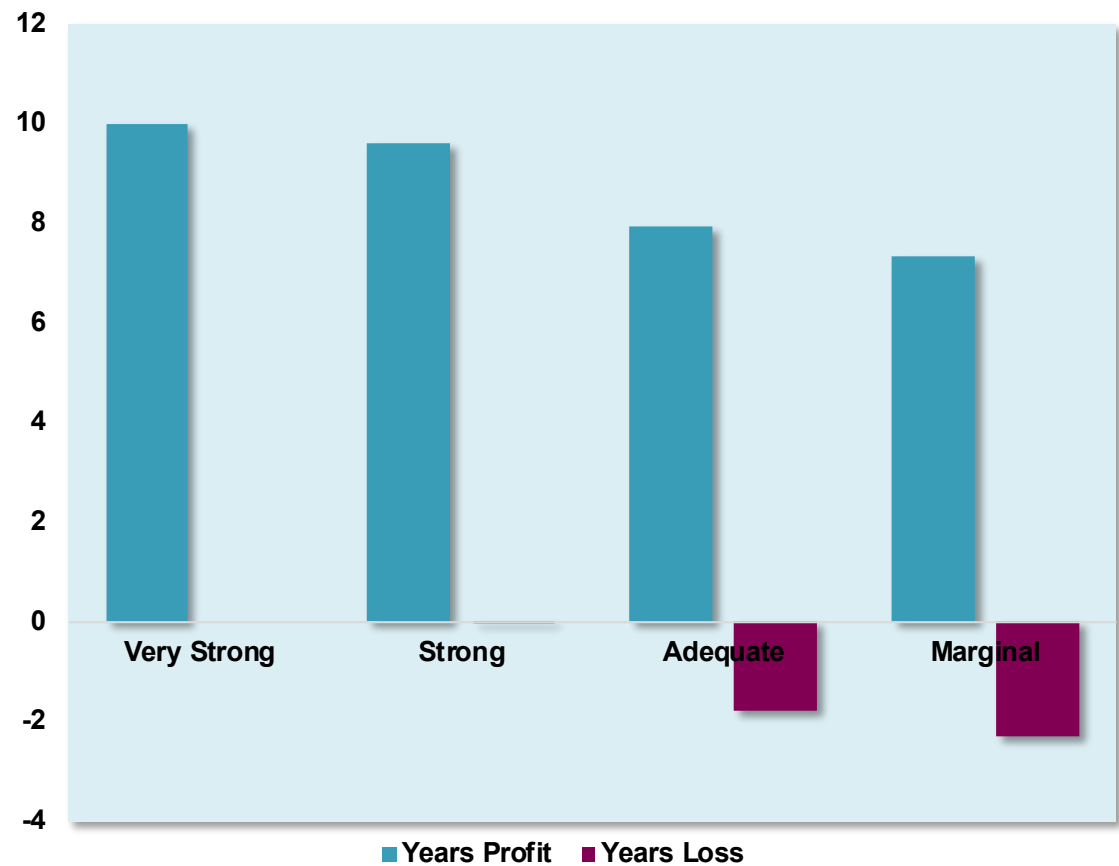
5-Yr Ave ROE



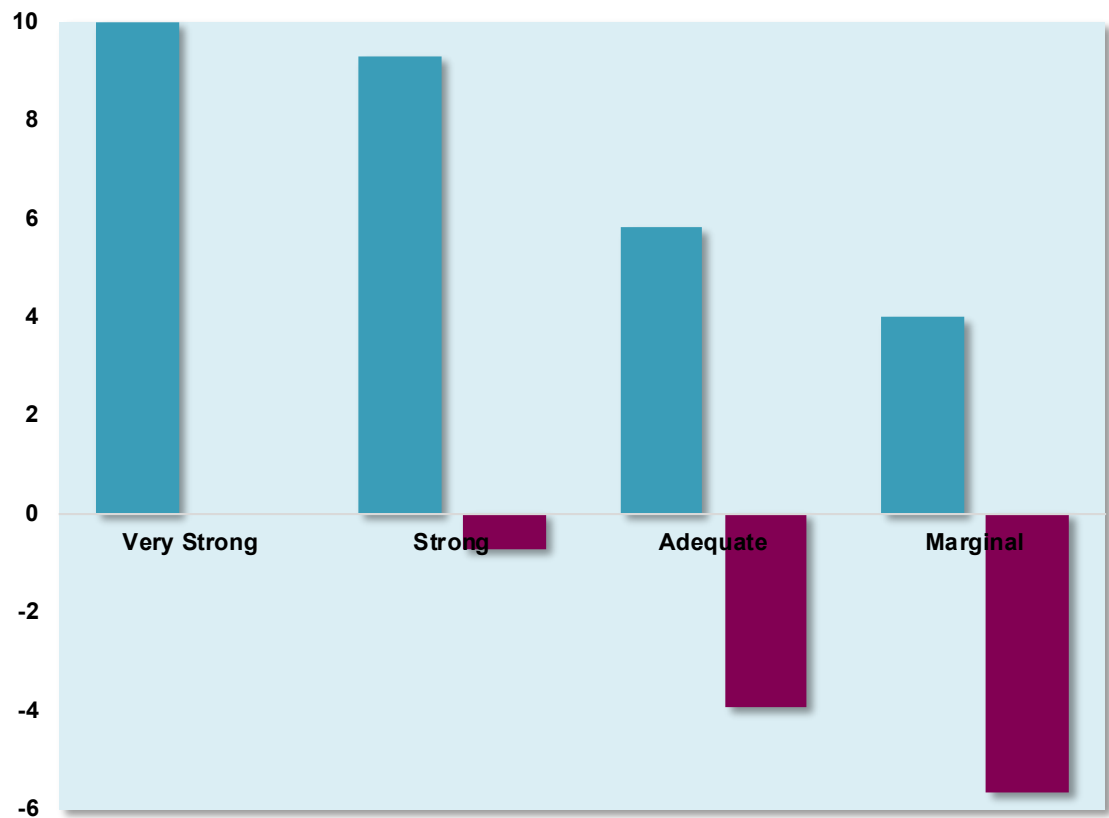
Operating Performance Assessments

Operating Performance (Financial Ratios & Volatility)

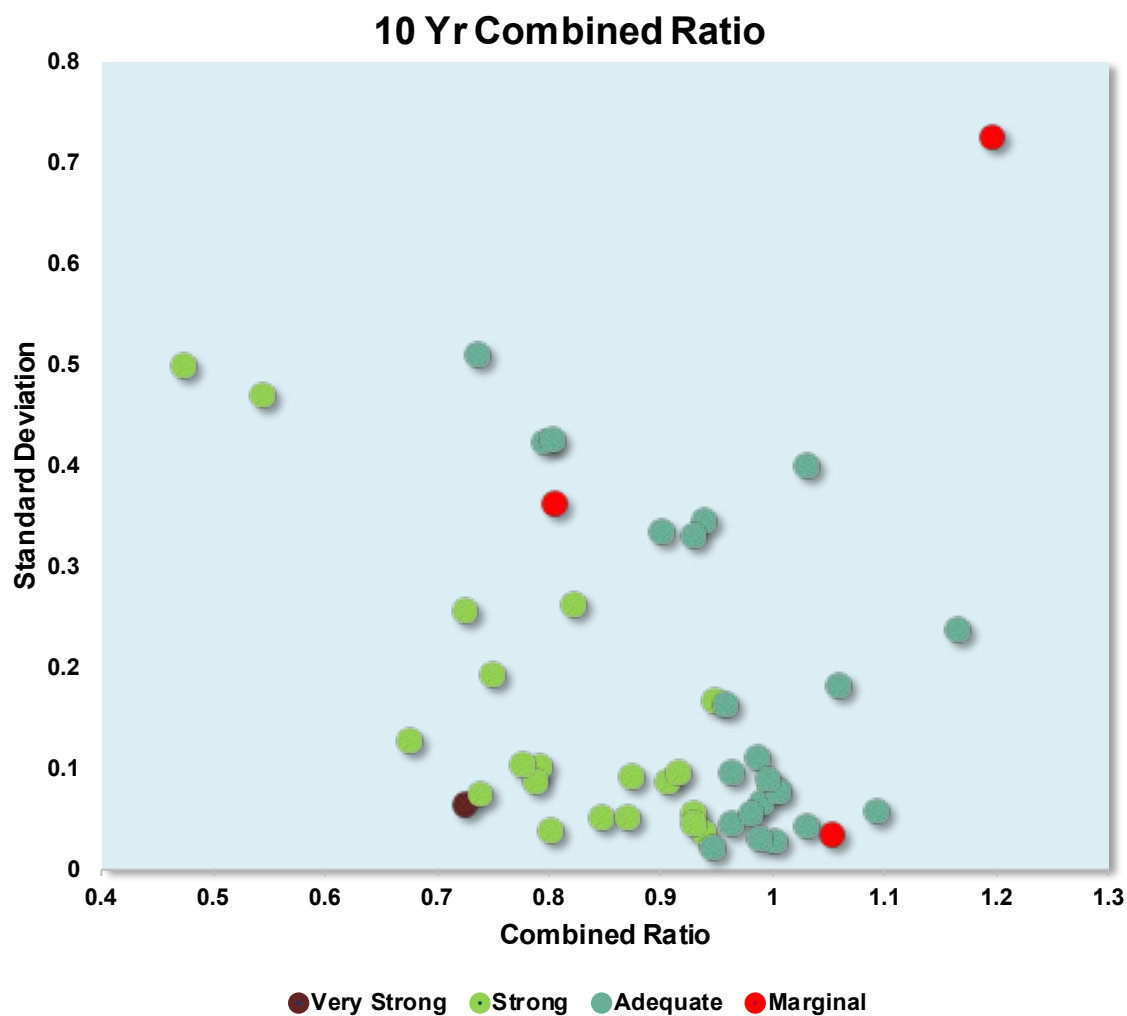
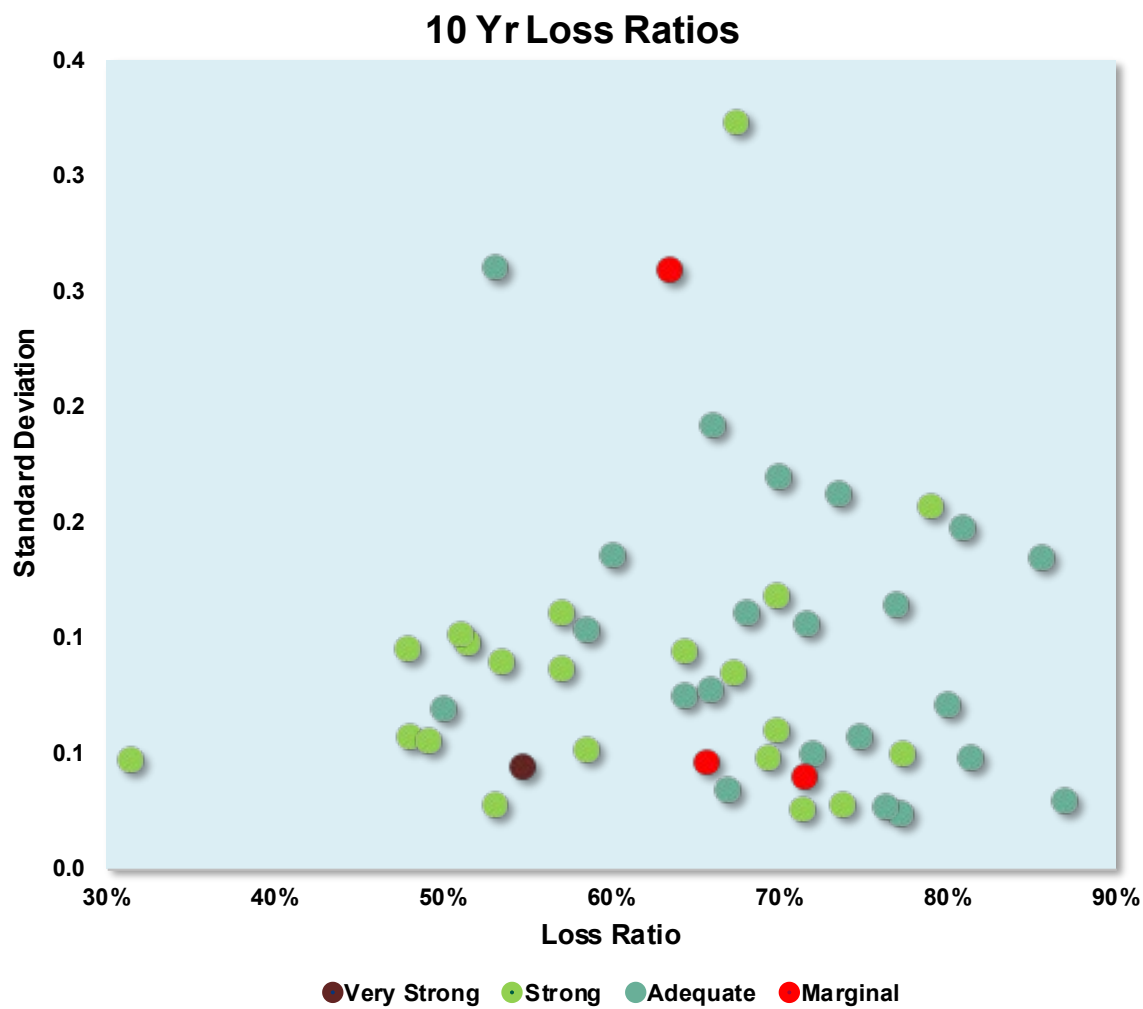
Stability of Earnings over 10 Year Period by Operating Performance Assessment



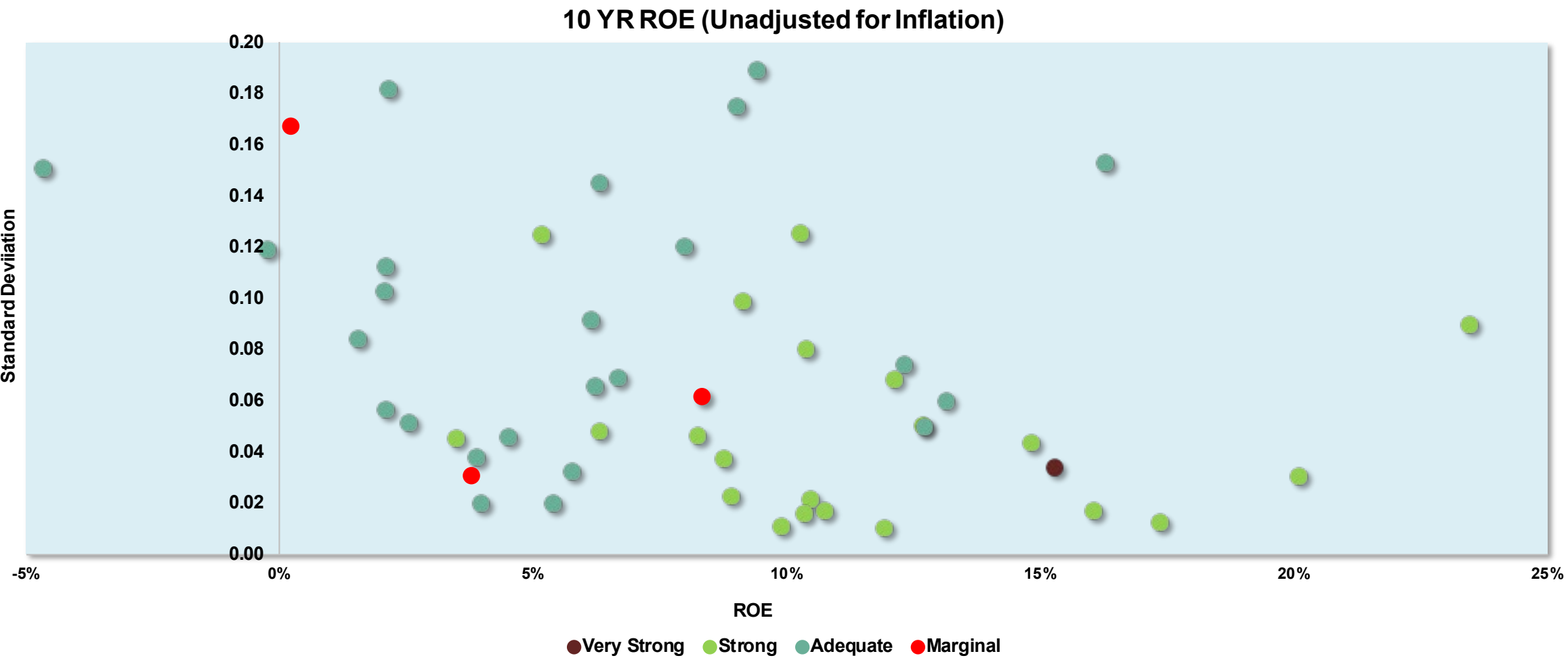
Stability of Technical Profit Over 10 Year Period by Operating Performance Assessment



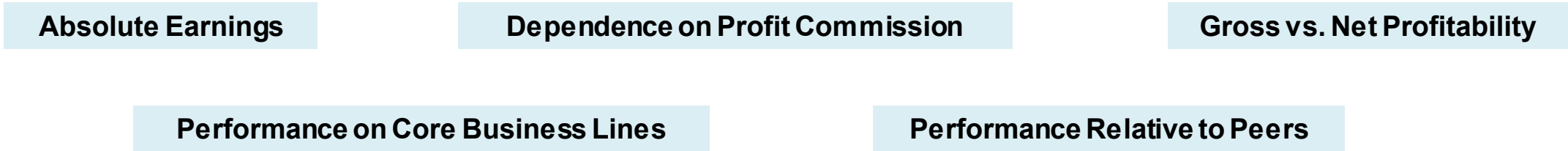
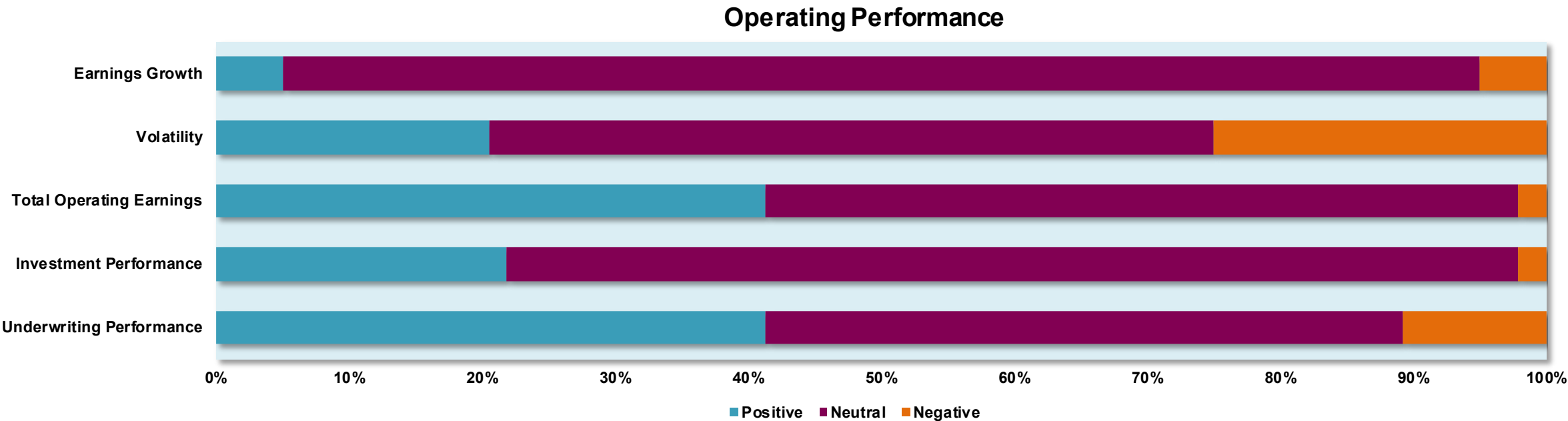
Financial Performance by Company



Financial Performance by Company



Operating Performance – Components



Business Profile



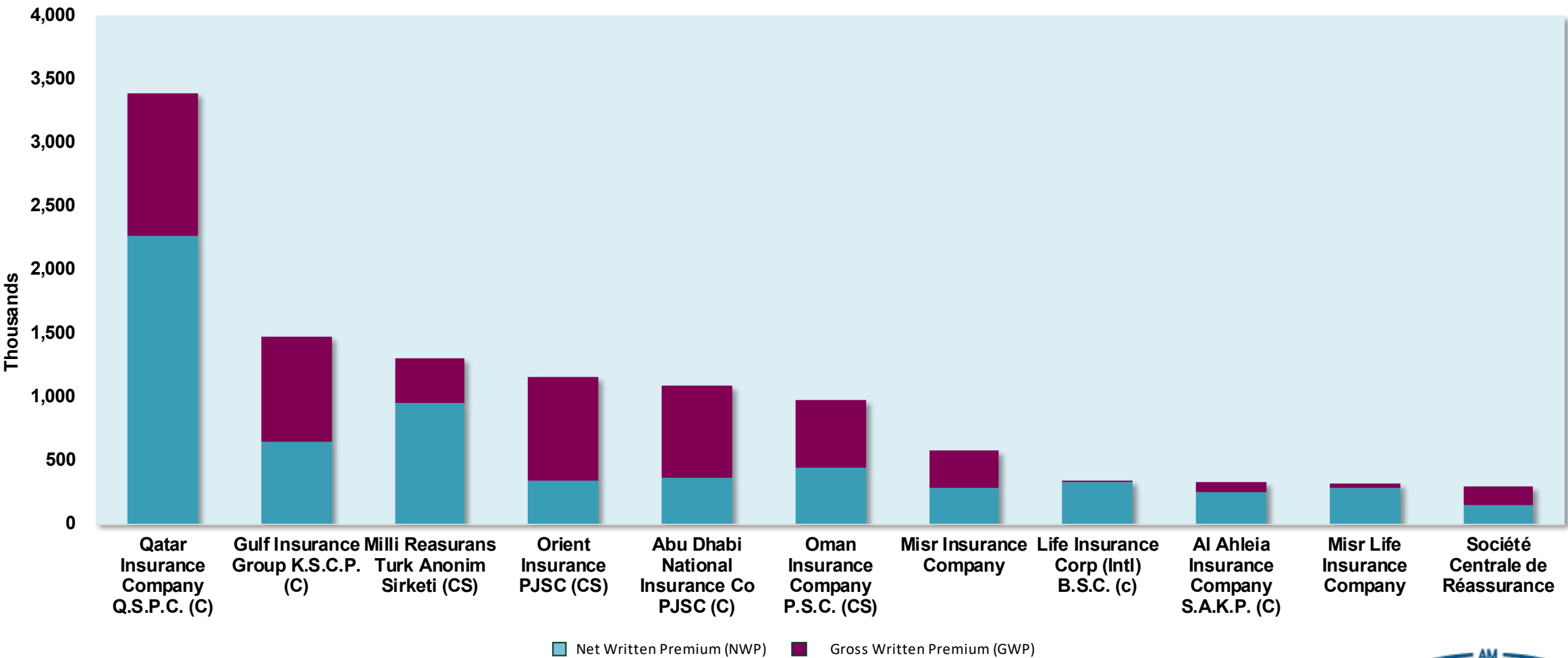
Business profile is a qualitative component that directly affects the quantitative measures.

Business Profile Review Components	
Product/Geographic Concentration	Product Risk
Market Position	Degree of Competition
Pricing Sophistication & Data Quality	Management Quality
Regulatory, Event, Market and Country Risks	Distribution Channels
Innovation	

Business Profile (+2/-2)
Assessment
Very Favorable +2
Favorable +1
Neutral 0
Limited -1
Very Limited -2

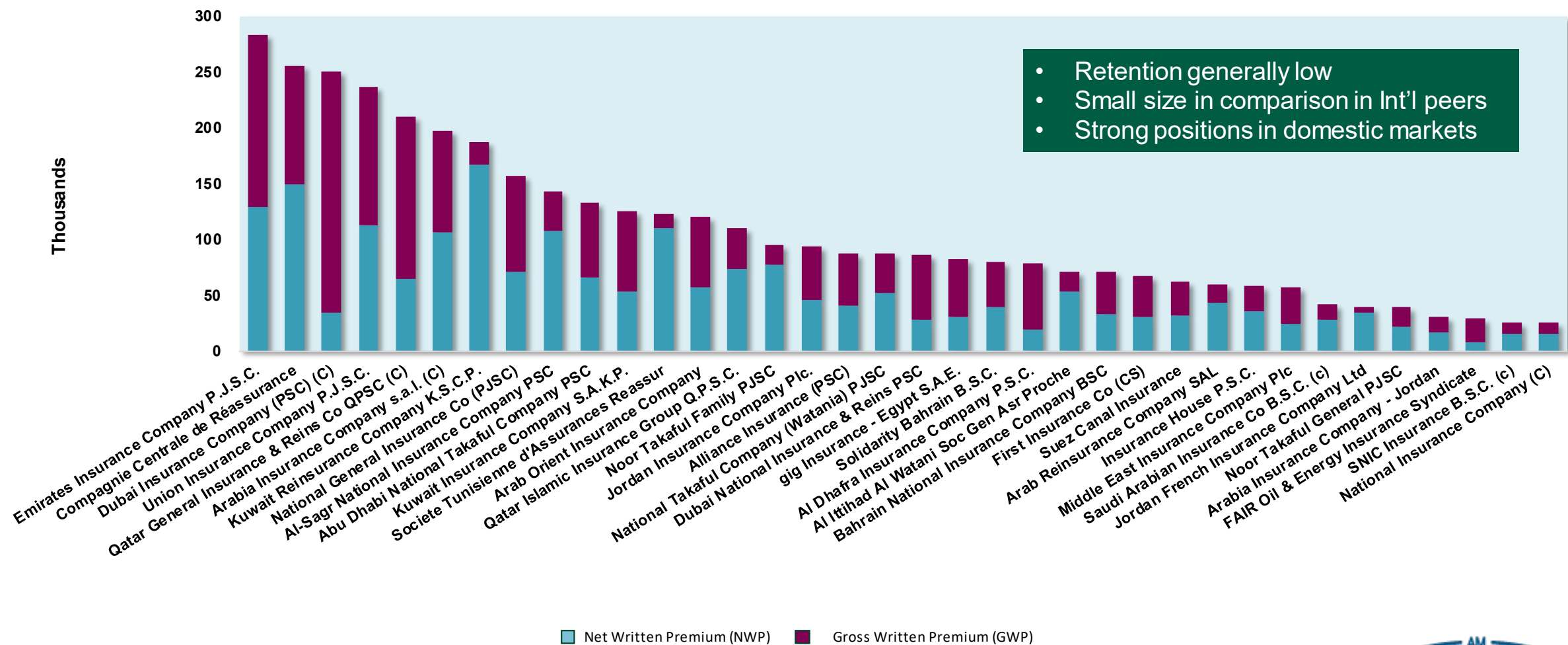
Business Profile Assessments

Largest Re/Insurers – Neutral Assessment



Business Profile Assessments

Others – Neutral to Limited

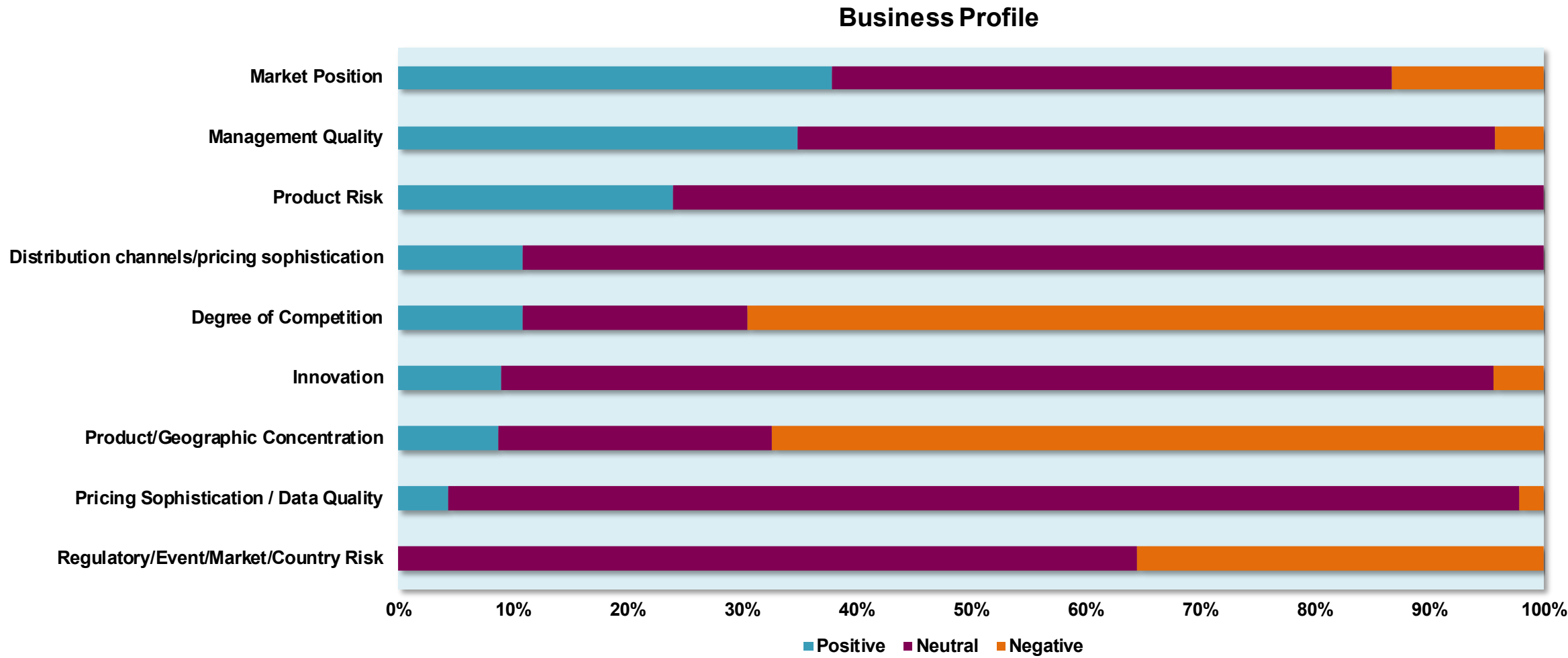


Is Growing Top Line Worth It?

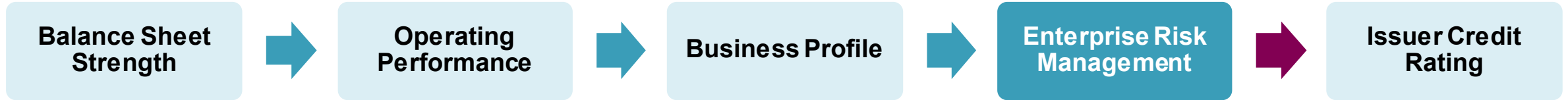
% Growth over 10 Yr Period (in USDs) Against Operating Performance Assessment



Business Profile - Components



Enterprise Risk Management (ERM)



ERM assessment considers: risk management framework, risk management capabilities in light of risk profile, and overall ERM.

Framework Assessment Components
Risk Identification and Reporting
Risk Appetite and Tolerances
Stress Testing and Non-Modelled Risks
Risk Management and Controls
Governance and Risk Culture

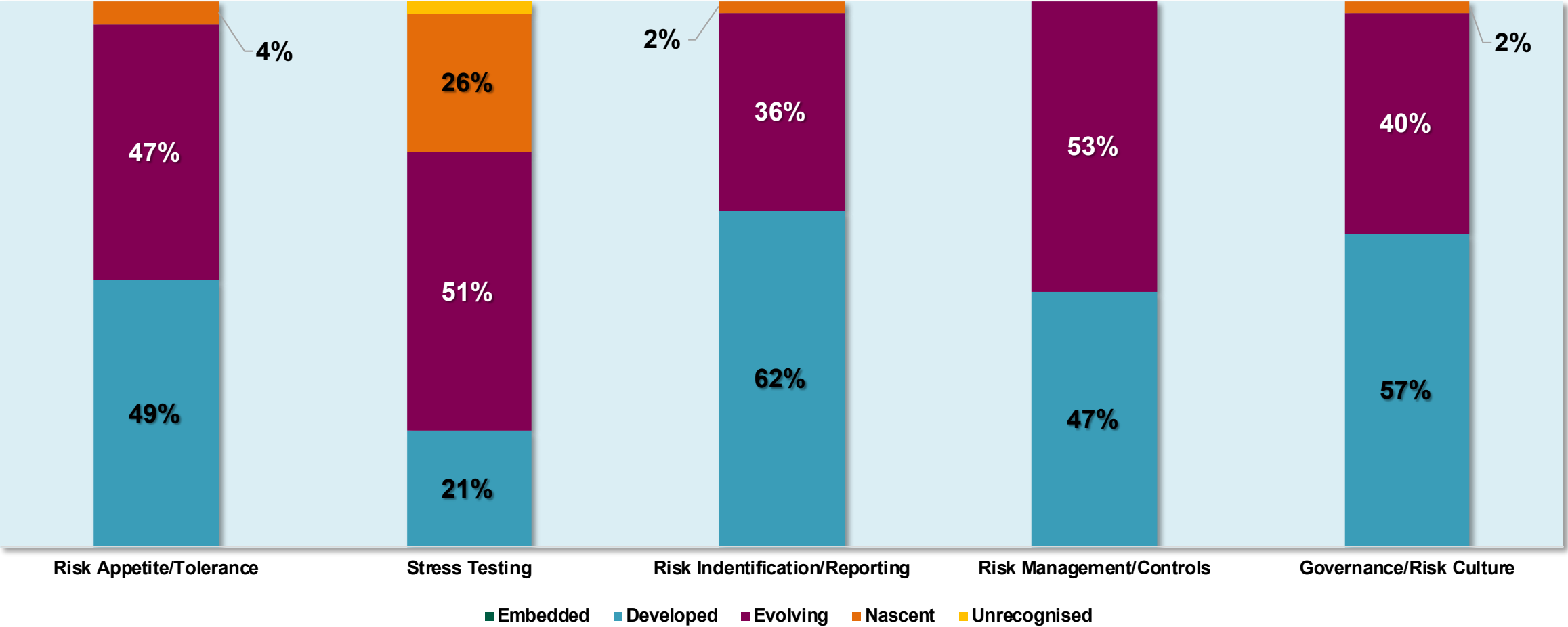
Risk Evaluation Review Components	
Product & Underwriting Risk	Operational Risk
Reinsurance Risk	Concentration Risk
Legislative/Regulatory/Judicial/Economic Risk	Investment Risk
Reserving Risk	Liquidity & Capital Management Risk

Enterprise Risk Management
(+1/-4)

Assessment
Very Strong +1
Appropriate 0
Marginal -1
Weak -2
Very Weak -3/4

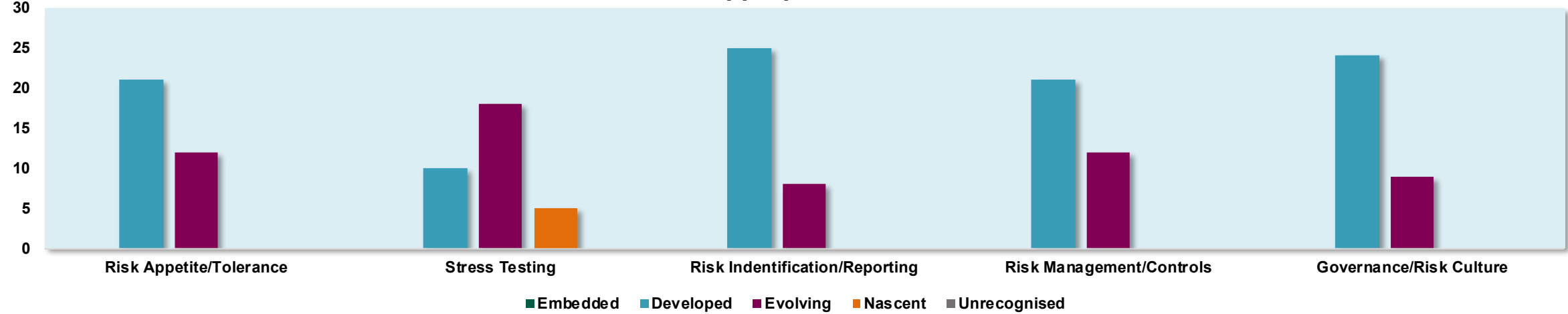
MENA Framework Evaluations

MENA ERM Framework Evaluation

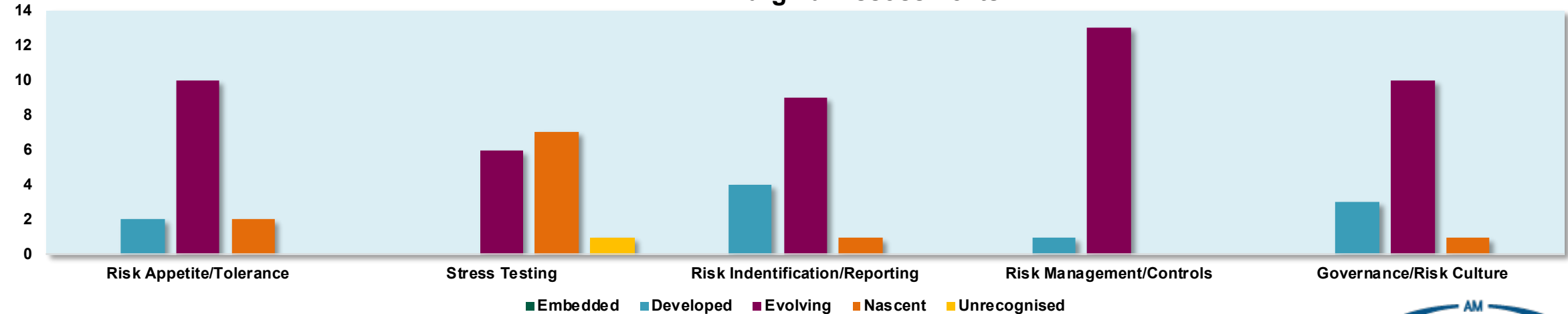


MENA Framework Assessments by Category

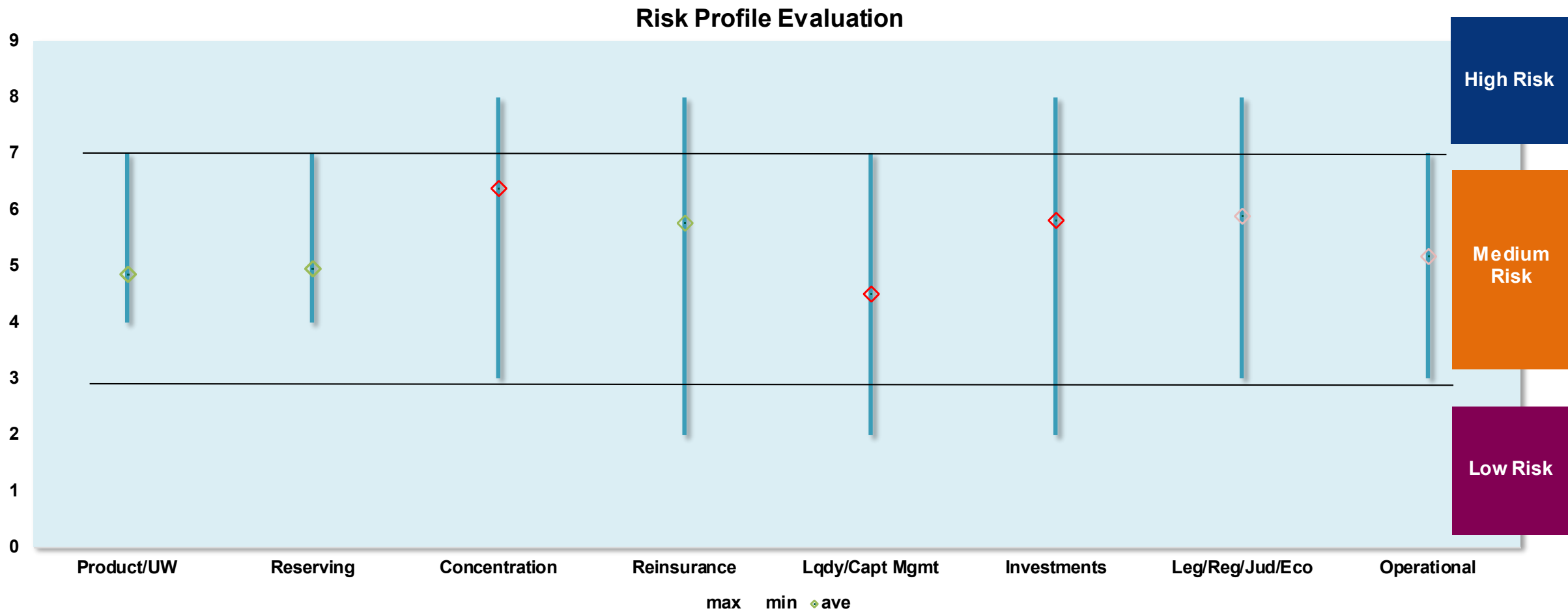
MENA ERM Appropriate Assessments



MENA ERM Marginal Assessments



Risk Profile Assessment



Green Diamond – Risk Capability in line with Risk Profile, **Red Diamond** – Risk Capability Weaker than Risk Profile

Final Remarks

Main strengths of MENA companies ratings are Balance Sheet Strength and Operating Performance

Benchmarking is important – viewed from different angles (market, regional, int'l, product line, building block, etc.)

Volatility exists for all companies subject to their risk appetite

Risk management is crucial in managing volatility, stresses and shocks

Emerging risks (pandemic, cyber, CATs, ESG) can change volatility

Performance outside of expectations or peer group may be a concern

**Q
&
A**

Mahesh Mistry
Senior Director,
Criteria Research &
Analytics

MENA Regional Reinsurance Market Trends

Alex Rafferty – Associate Director, AM Best

AM Best's Insurance Market Briefing – MENA

Wednesday, 27 October 2021

Discussion Outline

- Global Reinsurance
 - AM Best's Market Segment Outlook
 - Performance
 - Capital
- MENA Regional Insurance
 - Market dynamics
 - Performance

Global Reinsurance Market Stable Outlook

Global Reinsurance Market Outlook – Stable

Headwinds

Claims uncertainty: COVID-19, secondary perils, social inflation

Risk modelling challenges; Emerging risks in a more interconnected world: e.g. cyber

**New capital continues to enter the segment;
Low interest rates**

Limited investment alternatives

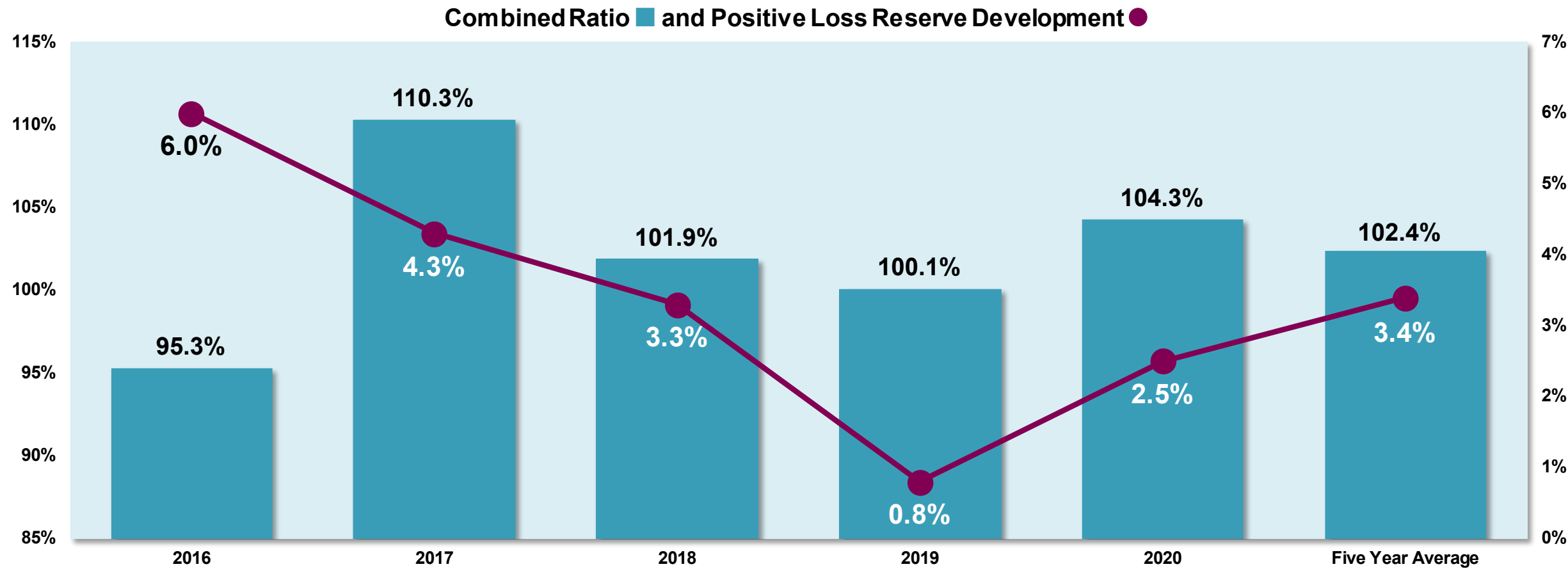
Risk of a smaller role for the (re)insurance segment in an evolving economy

Global Reinsurance Market Outlook – Stable

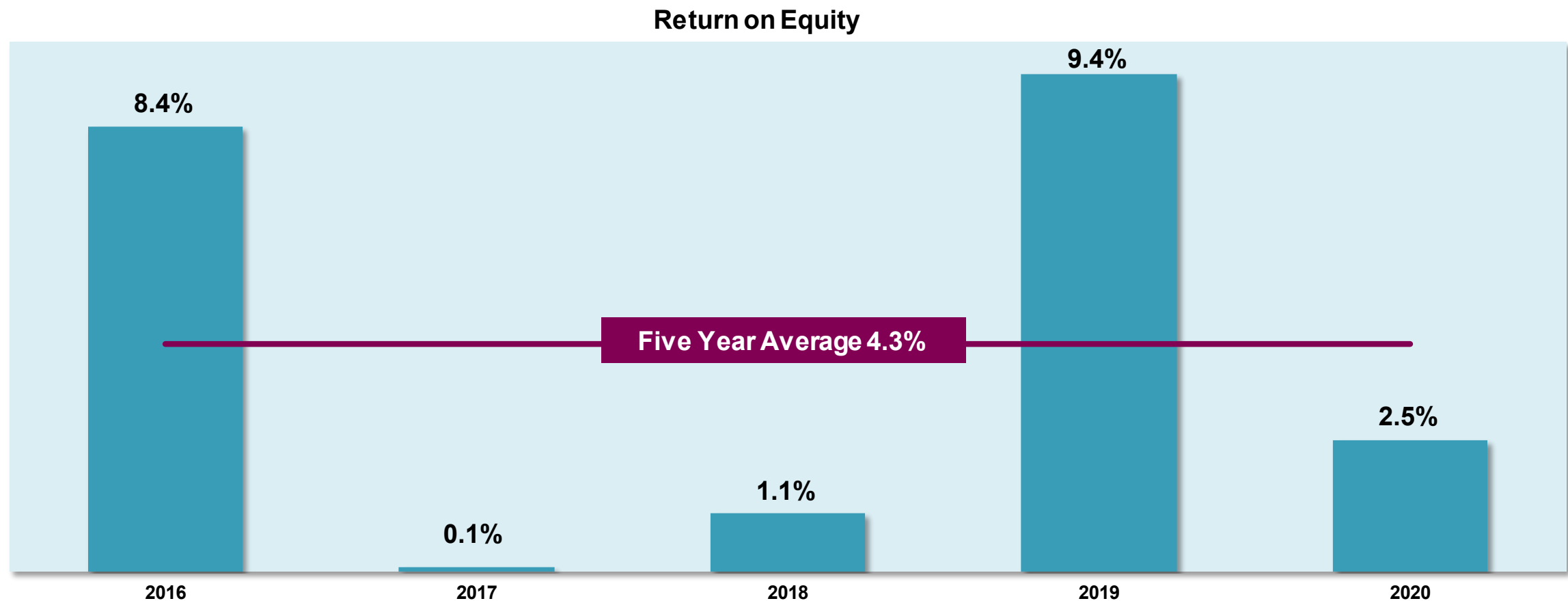
Headwinds	Tailwinds
Claims uncertainty: COVID-19, secondary perils, social inflation	Positive pricing trends; Focus on underwriting discipline
Risk modelling challenges; Emerging risks in a more interconnected world: e.g. cyber	Reinsurers seem to start to meet their cost of capital
New capital continues to enter the segment; Low interest rates	Disciplined, limited impact from new entrants
Limited investment alternatives	Segment remains well capitalised; Closer convergence with ILS markets
Risk of a smaller role for the (re)insurance segment in an evolving economy	Global reinsurance one of the most innovative segments

Global Reinsurance Market Performance

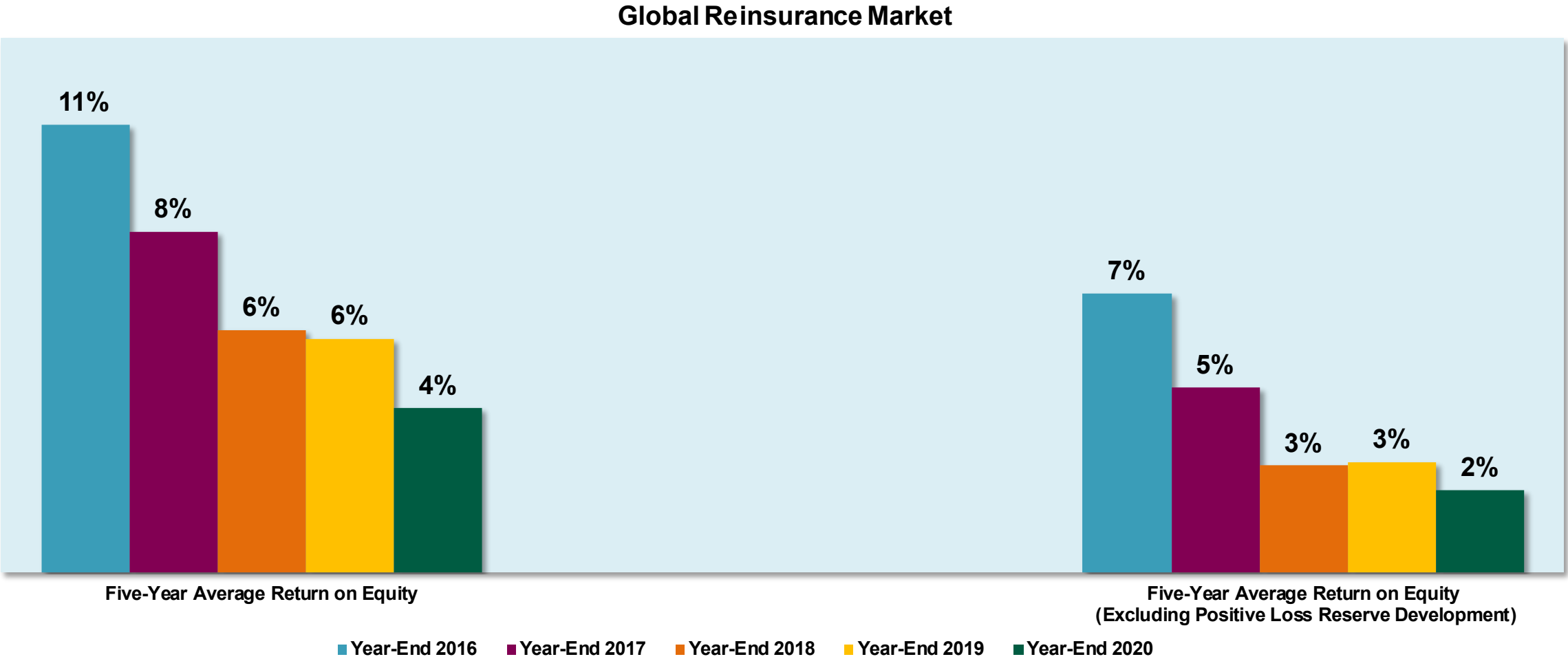
Global Reinsurance Market Performance



Global Reinsurance Market Performance



Global Reinsurance Market Performance



Global Reinsurance Market – Market Well Capitalised

A stacked bar chart illustrating the revenue composition of a company from 2012 to 2021P. The chart features two data series: 'Traditional' revenue, represented by teal bars, and 'Third-Party' revenue, represented by maroon bars stacked on top of the traditional revenue. The total revenue for each year is displayed in bold black text above each bar. The 'Traditional' revenue values are shown in black text within the teal bars, and the 'Third-Party' revenue values are shown in white text within the maroon bars. The x-axis labels are years from 2012 to 2021P, and the y-axis represents revenue in millions of dollars, with a scale from 0 to 500.

Year	Traditional	Third-Party	Total
2012	292	19	311
2013	320	48	368
2014	340	60	400
2015	332	68	400
2016	345	75	420
2017	345	87	432
2018	341	95	436
2019	394	88	482
2020	429	88	517
2021P	441	91	530



MENA Regional Reinsurance Market

Improving Regional Reinsurance Market Conditions....



BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage™

August 31, 2021

Reinsurance rates began to firm in 2020, a trend that has continued through 2021

MENA Reinsurance: Improving Market Conditions Signal Change for Region's Reinsurers

Following several years of persisting soft market conditions, pricing and terms in the Middle East and North Africa (MENA) are turning in favour of the region's reinsurers. The MENA reinsurance market has long suffered from weak pricing driven by ample supply, creating challenging operating conditions for the region's reinsurers. The current market hardening, partly a bi-product of global reinsurance trends, and partly in response to regional underwriting performance strains, is a clear tailwind for reinsurance providers in the region.

However, challenges persist for MENA regional reinsurers. Ample capacity remains in the market, and the resultant competition may curtail the extent to which the region's reinsurers are able to leverage firming market conditions. Furthermore, the economic fall-out from the COVID-19 pandemic adds to the challenges faced by reinsurers operating in the region.

Reinsurance Capacity in the MENA Region

Available reinsurance capacity in the MENA region comes from many sources, with global reinsurers, regionally domiciled players, as well as reinsurance groups from Africa and Asia all operating in the market.

For certain international participants, the appetite to deploy capital in the MENA region is in part driven by the diversification offered, with the region overall exposed to a low level of catastrophic risk. For others, and reinsurers domiciled in the region, it provides growth opportunities, often in following participations on programmes led by international markets.

The composition of capacity has been dynamic in recent periods. Several regional and international players have withdrawn from the market, often because they have struggled to generate sufficient returns. Over the past several years, reinsurance market conditions across

Hardening reinsurance market

Underwriting discipline focus

Market composition

Recovering economic conditions

... But Challenges Remain



BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage™

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Ample capacity remains

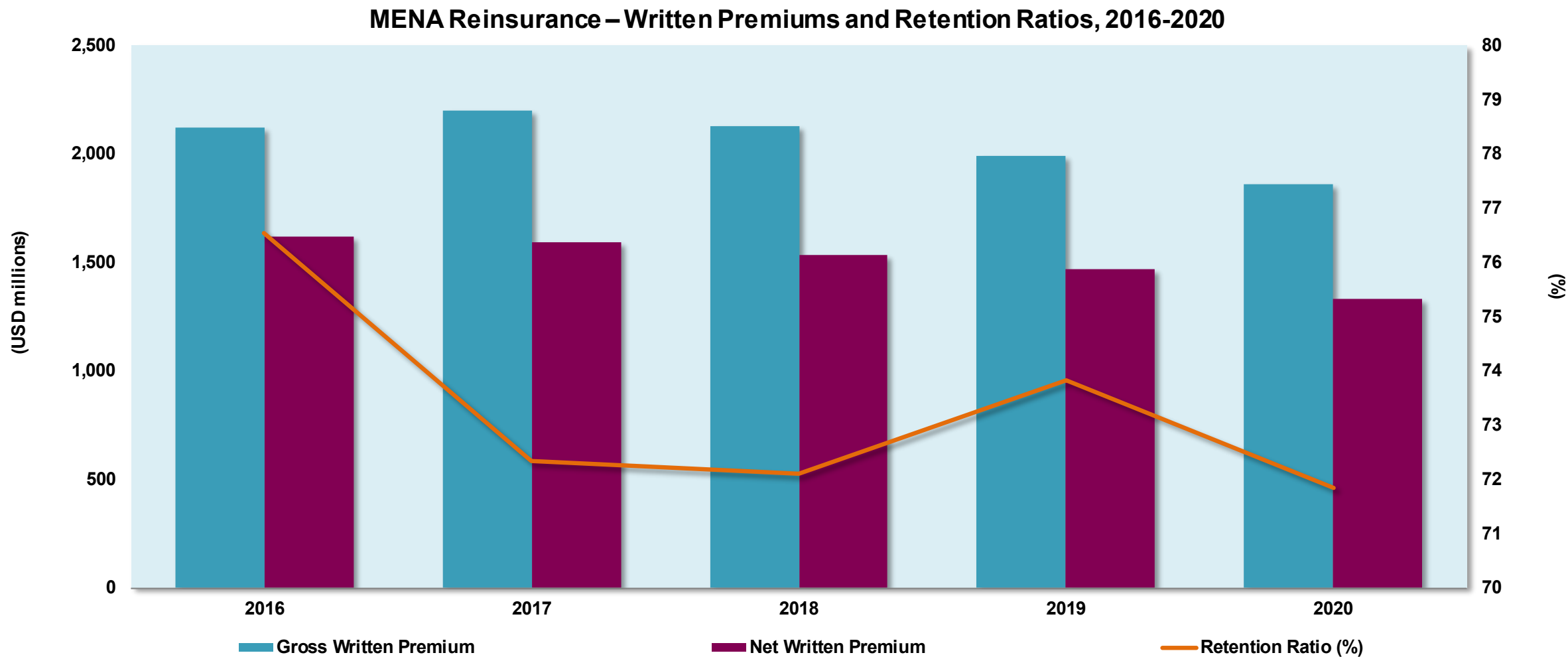
COVID-19 uncertainties persist

Large / catastrophe losses

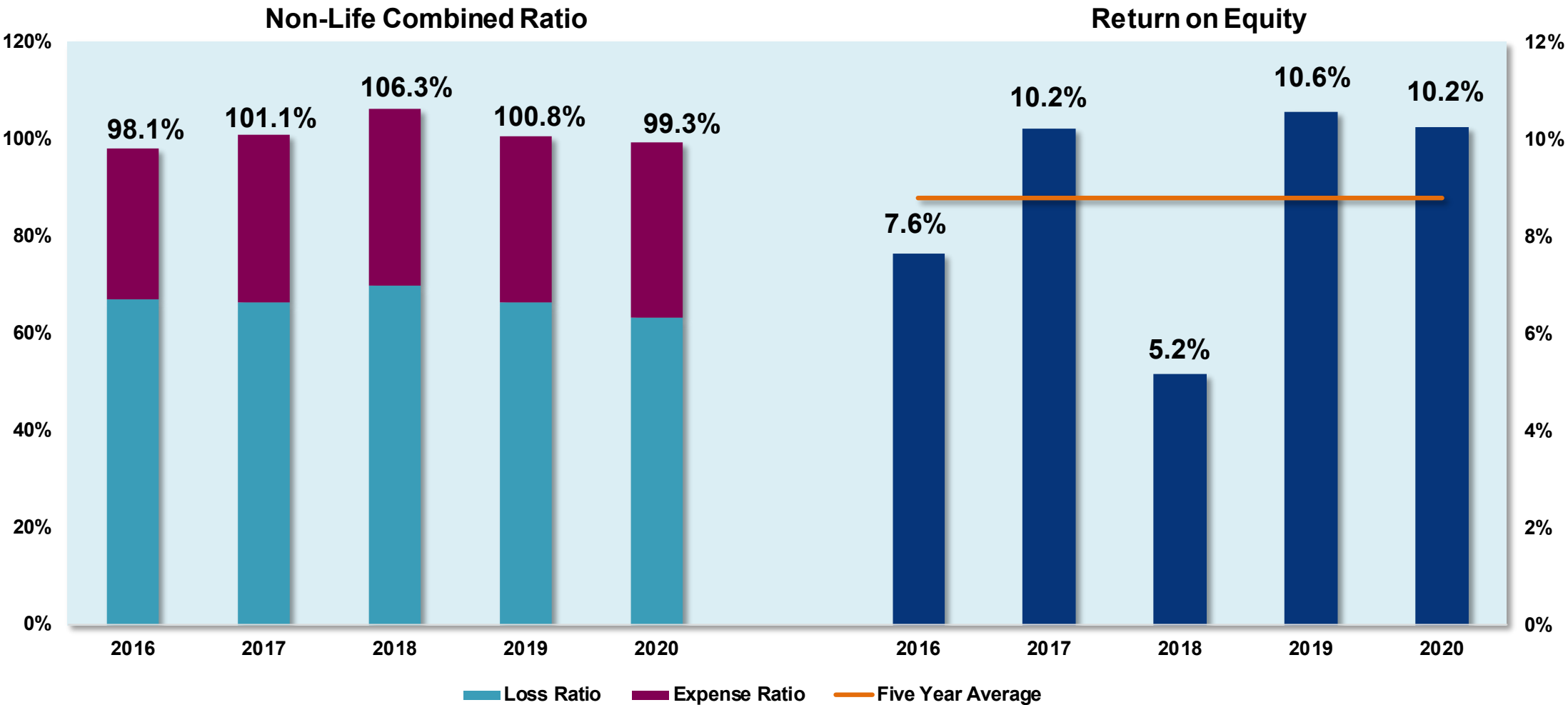
Country risk a credit factor

MENA Regional Reinsurance Market Performance

MENA Regional Reinsurers – Written Premium



MENA Regional Reinsurers – Performance



First Half 2021 Snapshot

Gross Written Premium



+29%
(vs H1 2020)

Net Loss Ratio



78%
(vs 70% H1 2020)

MENA Regional Reinsurance Market Country Risk

MENA Reinsurance – Country Risk A Credit Factor

Regional Summary – MENA

- Oil-exporting countries rebounding with help of oil price recovery
- Economic recovery sensitive to COVID-19 vaccination rates
- Increasing national debt burdens in response to COVID-19 pressures a longer-term headwind
- Economic maneuverability divergent across the region
- Political instability weighs on the regional outlook
- Many currencies pegged to USD – reduces FX volatility; limits monetary policy response to economic headwinds



AM Best Country Risk Tier - MENA			
Algeria	5	Oman	4
Bahrain	4	Qatar	3
Egypt	5	Saudi Arabia	3
Jordan	4	Tunisia	5
Kuwait	3	Turkey	4
Lebanon	5	UAE	3
Morocco	4		

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&
A**

Alex Rafferty
Associate Director,
Analytics –
AM Best

Regulation and M&A – The UAE Case

Vasilis Katsipis – General Manager, Market Development

AM Best's Insurance Market Briefing – MENA

Wednesday, 27 October 2021

Three Key Questions

Is the UAE insurance market congested?

Would consolidation improve market conditions?

Is regulation a way to encourage M&A?

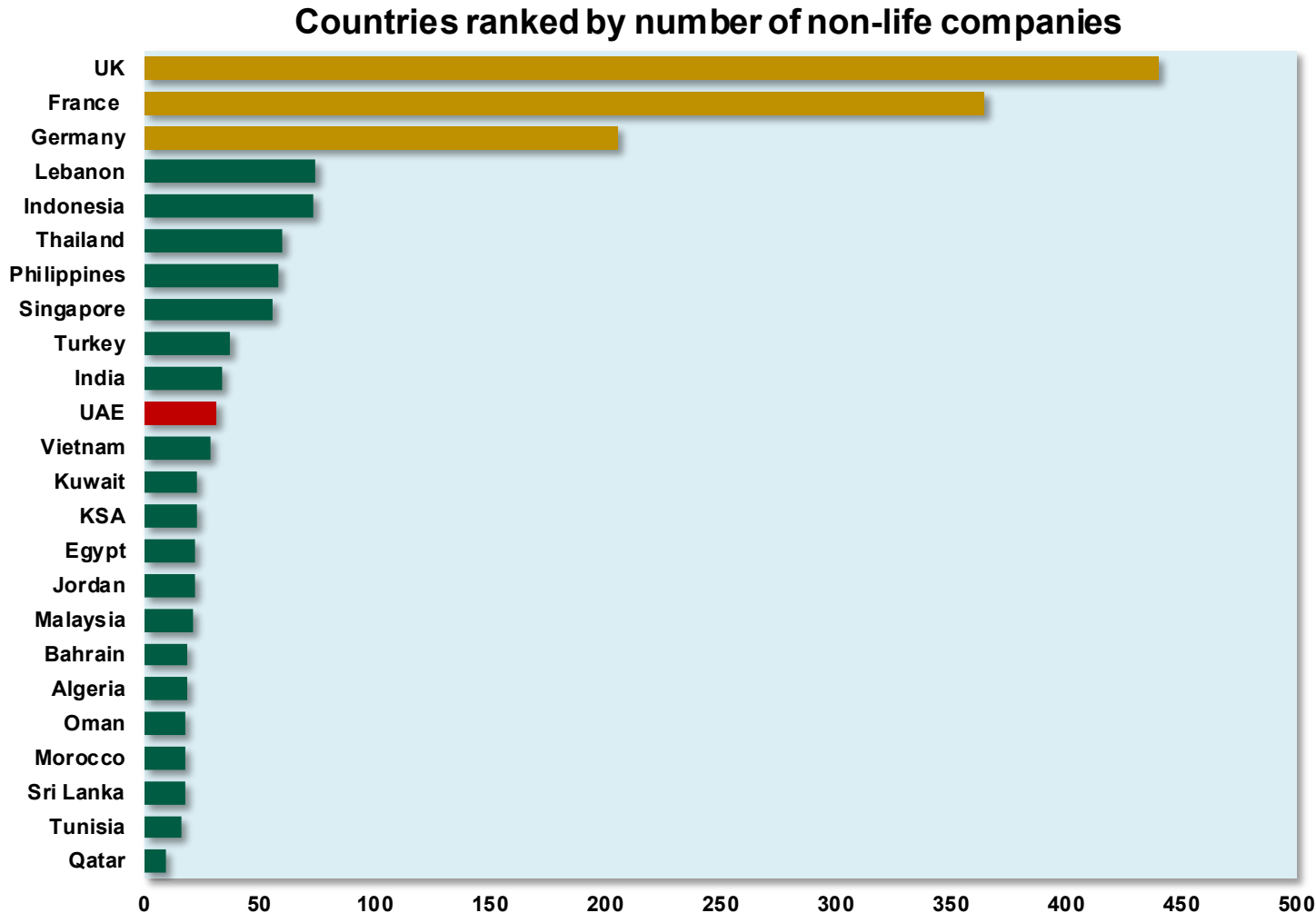
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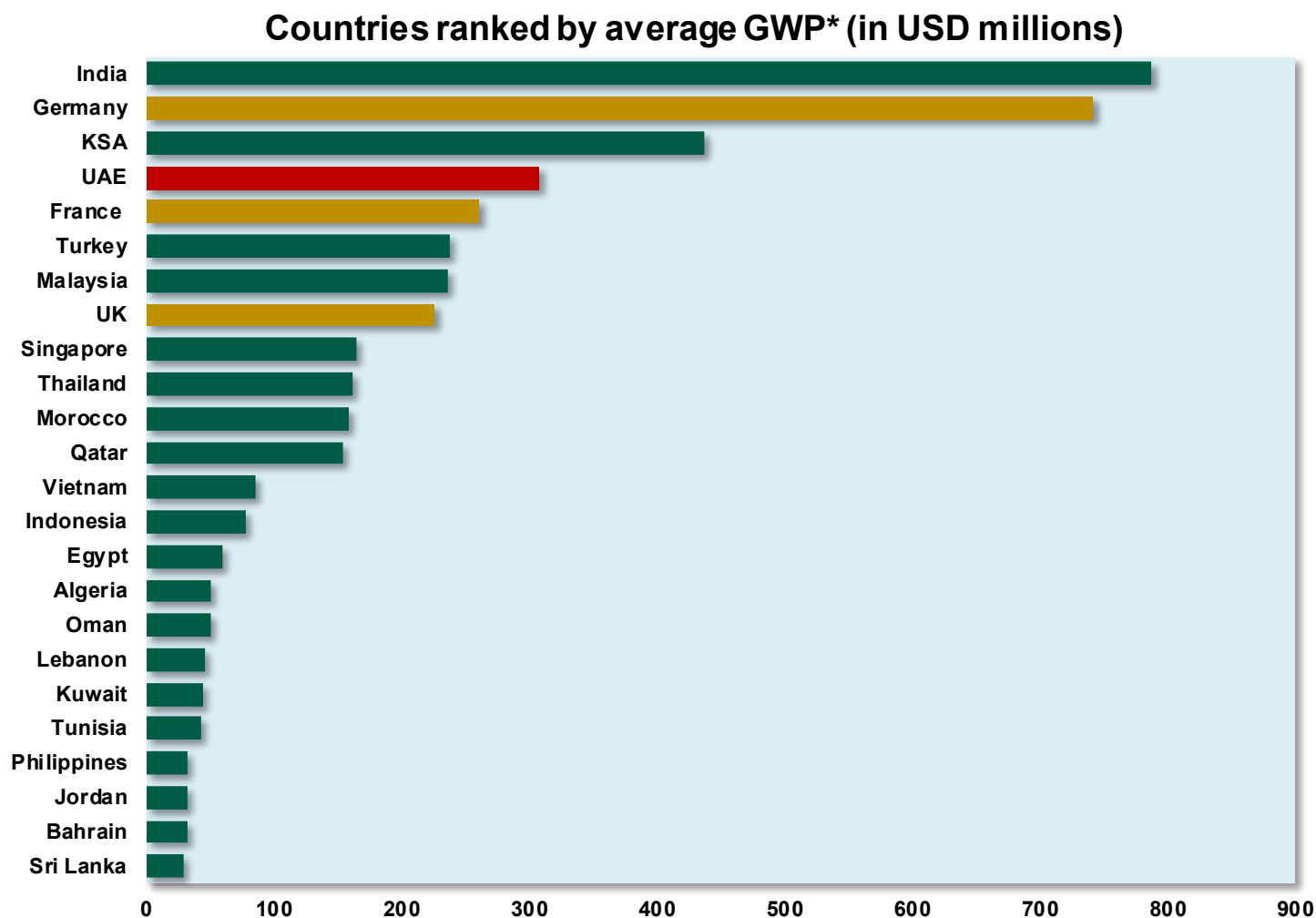
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Great Variance Among Insurance Markets



- Mature markets have far more non-life insurance companies operating
- Great variance among emerging markets with regulation, business opportunities, local practices and historical reasons being the main drivers of the numbers of companies
- UAE seems to have relatively high number of non-life insurance companies
- Should number of companies be proportional to the size of the insurance market?

Picture is Different When Taking into Account GWP

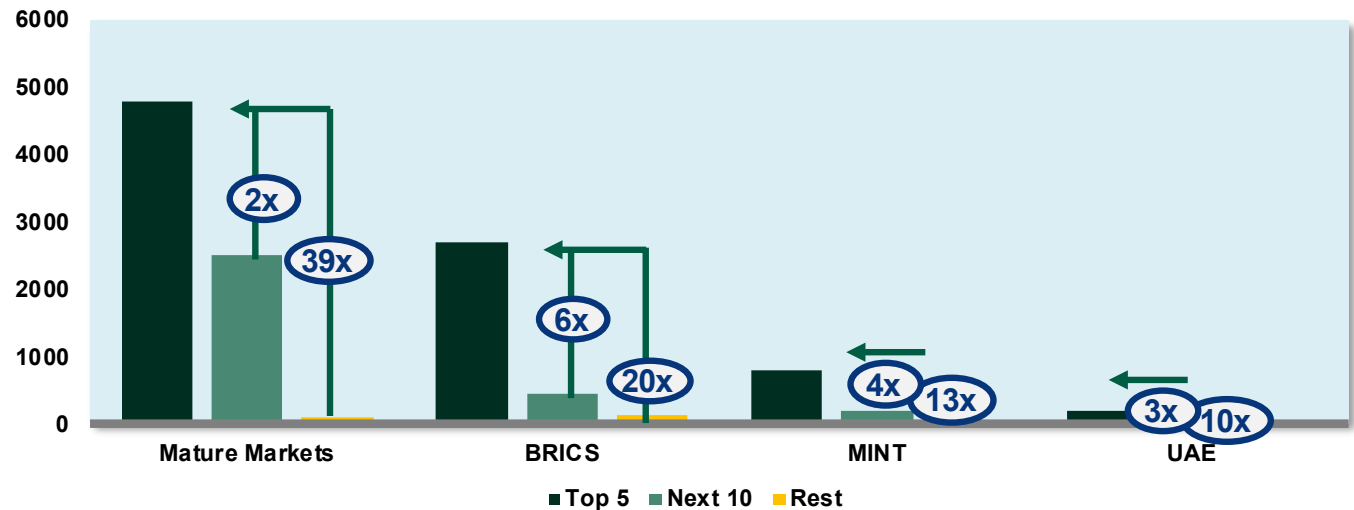


*Average GWP = Total GWP / Number of non-life companies

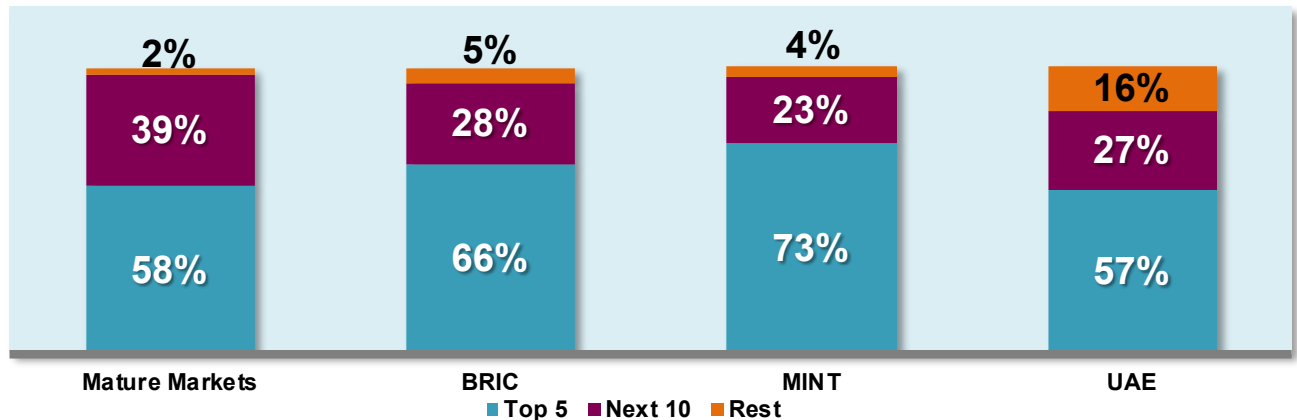
- Barriers to entry exist in several markets
- Resulting in higher concentration in certain markets
- Mature markets are more competitive than indicated given the existence of a few very large insurers
- On this metric the UAE seems very concentrated – only India and KSA seem to have a more barriers to entry

Lack of Specialisation Intensifies Competition in Smaller Markets

Average GWP by market position



Market share by segment



- Relative size of segments varies by market
- In emerging markets the gap between larger and smaller companies is directly related to the size of the market
- Competition in smaller emerging markets more intense
- UAE has the highest market share among smallest companies

Three Key Questions

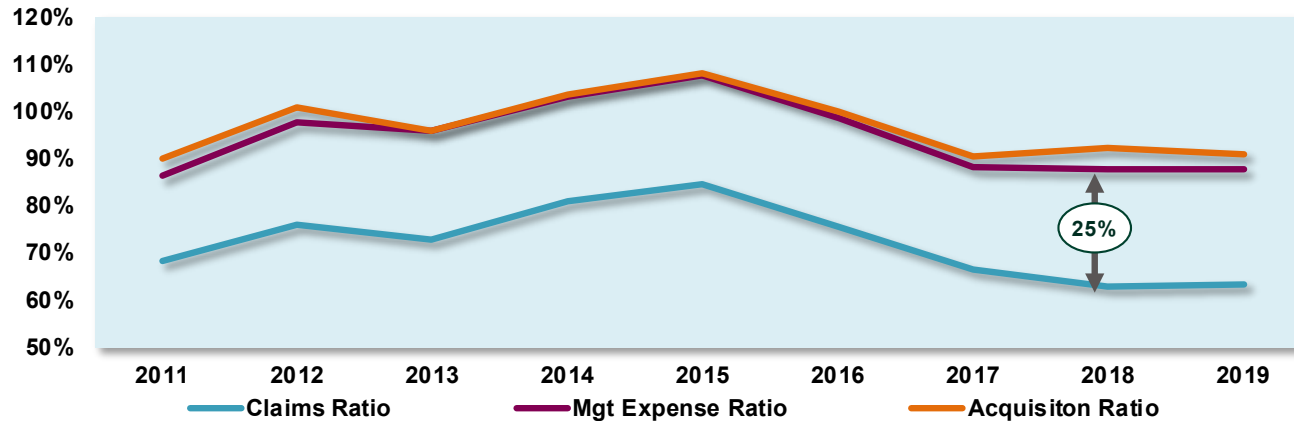
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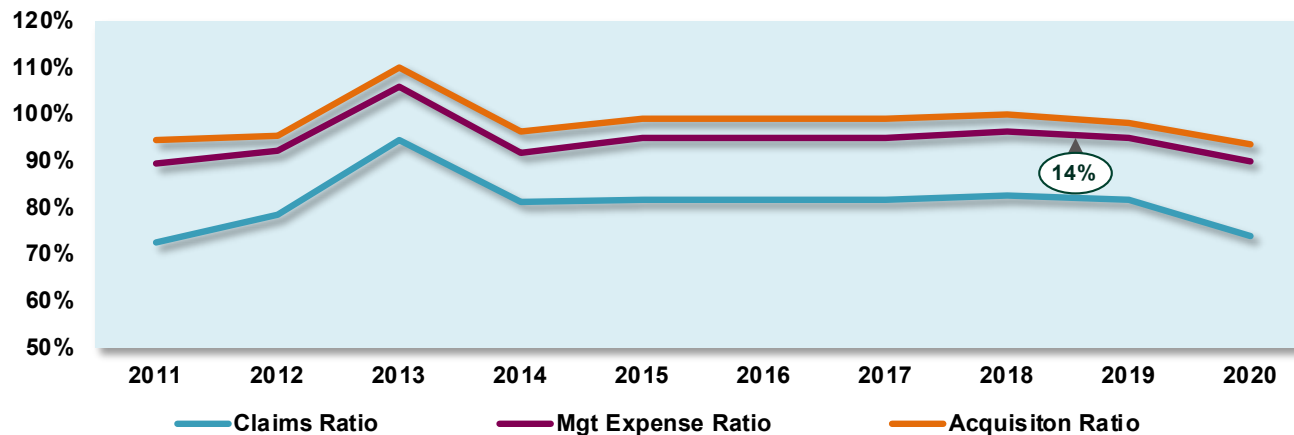
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UAE Insurance Market: Profitability Based on Atypical Fundamentals

UAE Combined Ratio Composition



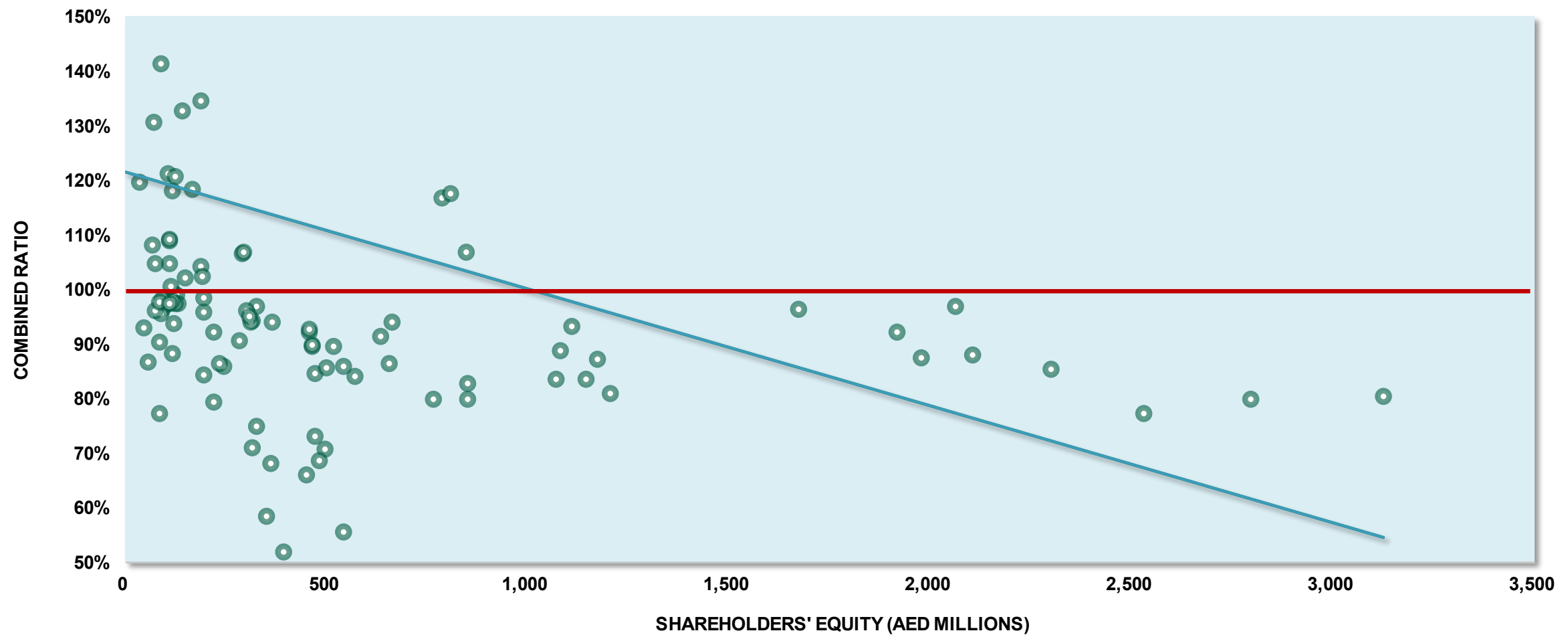
KSA Combined Ratio Composition



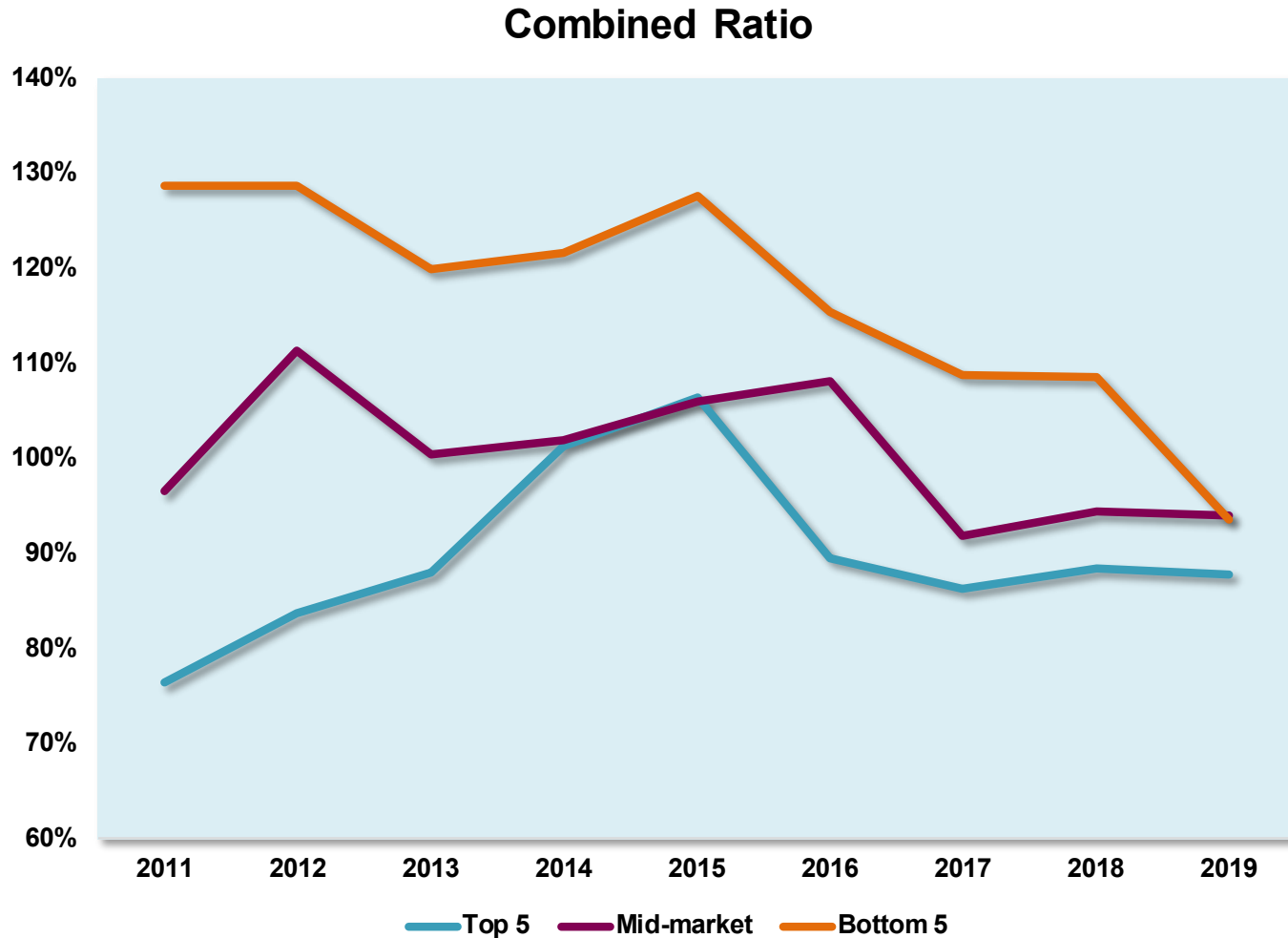
- For seven out of the last 10 years the UAE market has been technically profitable
- Claims ratio has been particularly low for most years
- Expense ratio of 25% is too high and cannot be explained by lack of economies of scale
- Very low acquisition ratio points to importance of reinsurance commissions
- Reinsurance capacity and counterparty credit risk is critically important

Relationship Between Capitalisation and Technical Profitability

UAE Shareholders' Equity and Combined Ratio



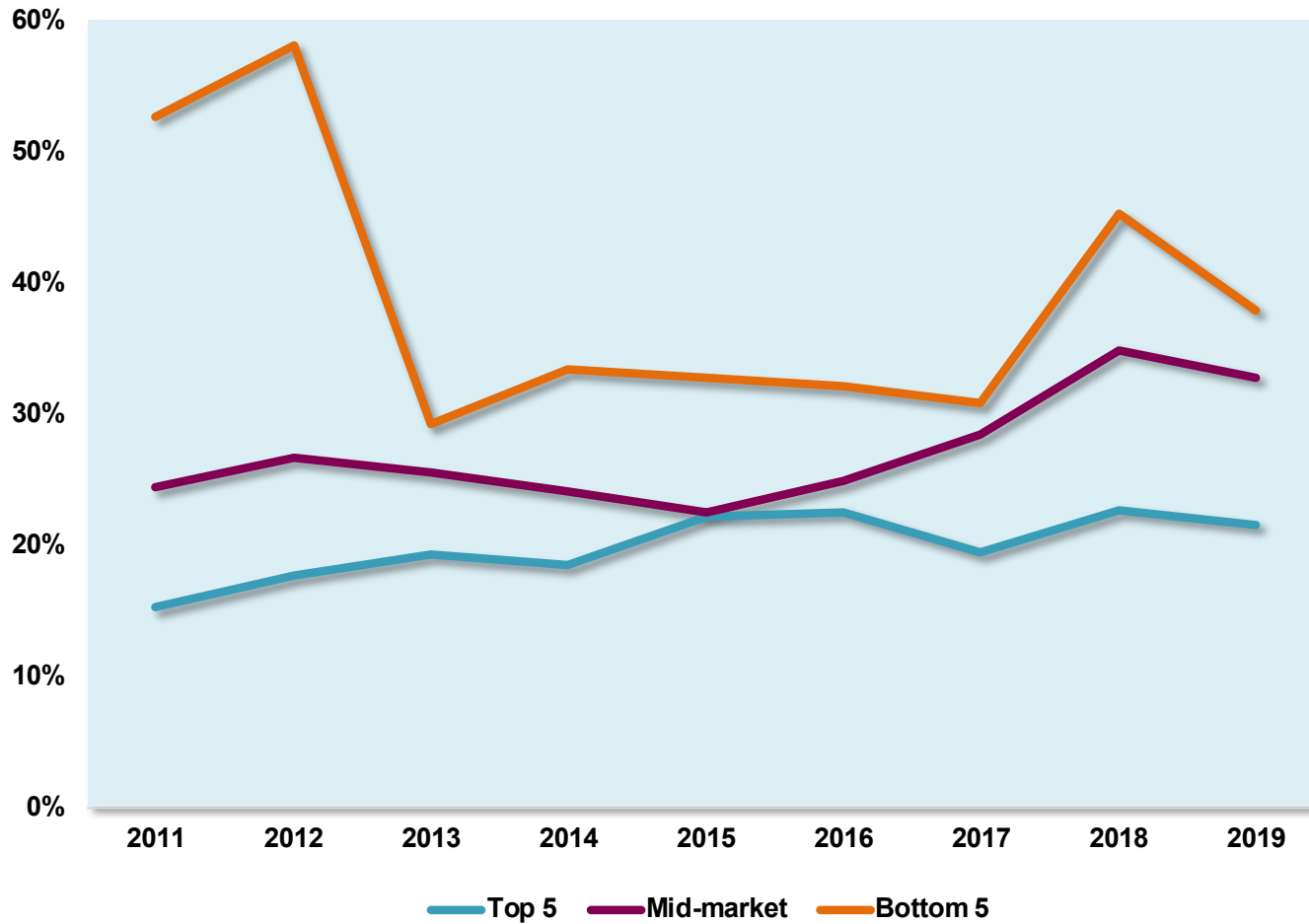
Difference in Operating Performance Among Market Segments



- The five largest (and better capitalised companies) consistently outperform the rest of the market
- The five worst capitalised companies started producing technical profits in 2019
- While consistently underperforming compared to the market, these companies have been improving their technical profitability

Difference in Operating Performance Among Market Segments

Operating Expense Ratio



- Underperformance of weakest capitalised companies is mostly explained by higher expense ratio
- Management expenses are consistently higher by 5-6 percentage points from the mid-market segment – pointing to lack of economies of scale
- Acquisition expenses also higher by 6-7 percentage points – pointing to lower reinsurance commissions

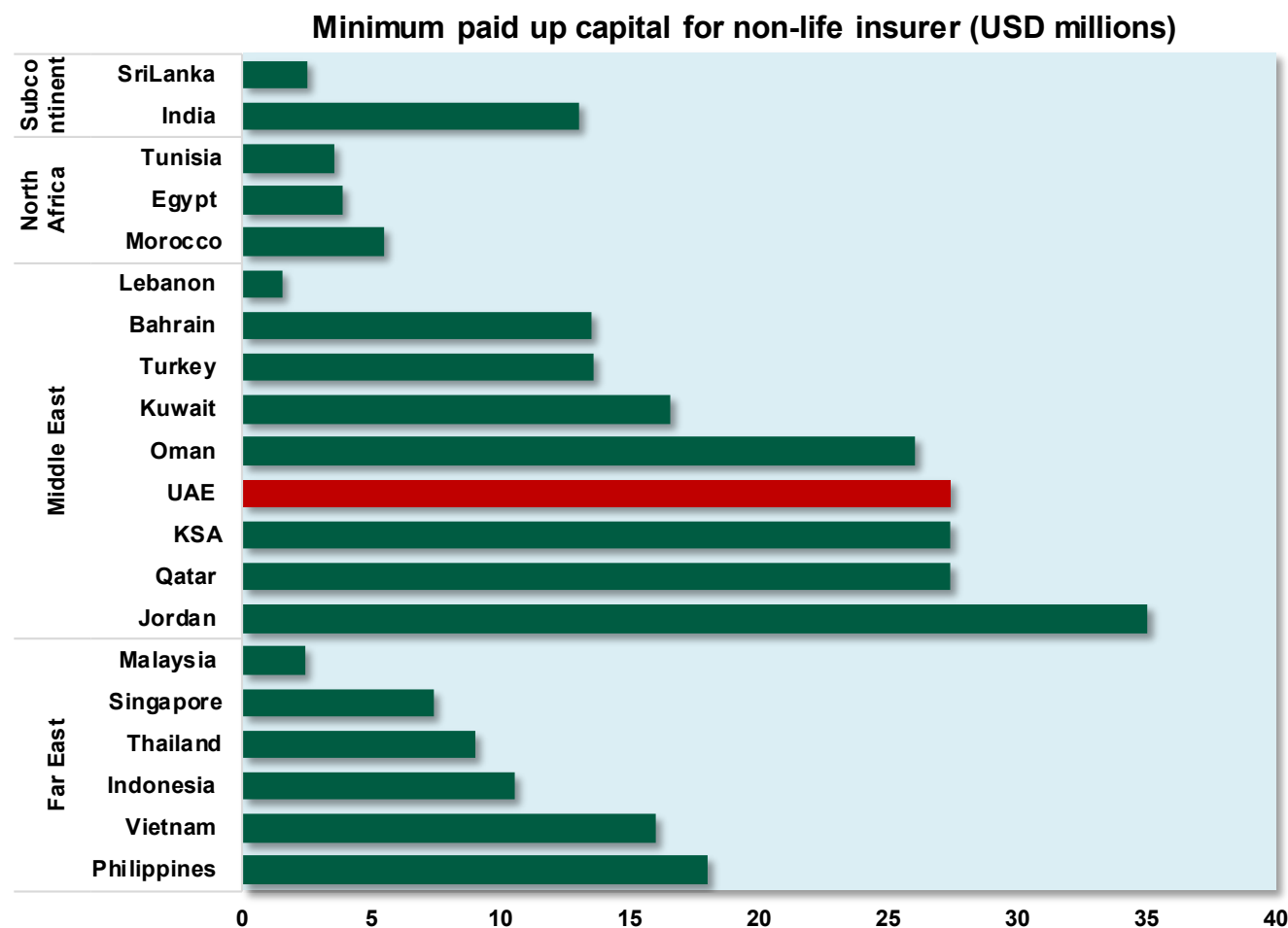
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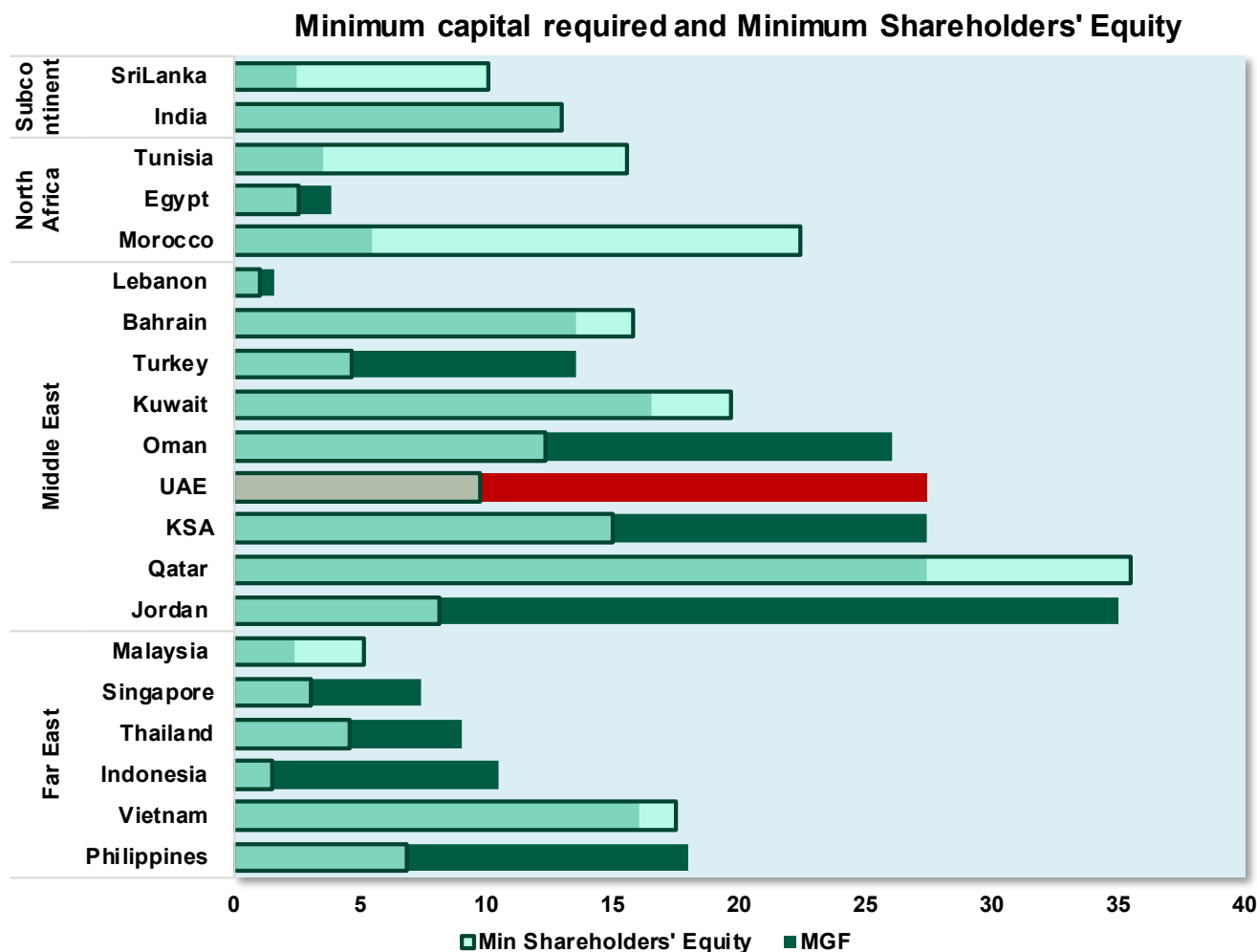
Is regulation a way to encourage M&A?

Minimum Capital Required for Non-Life Insurers



- Great variance of minimum capital among national markets
- By and large Middle East and the GCC have high levels of minimum capital
- UAE requirements are in the higher levels among Middle Eastern markets
- However, for the majority of the Far Eastern markets capital requirements are defined by the solvency margin which is based on RBC
- What happens in practice?

Some Companies Operate with Below Mandated-Minimum Capital



- In reality available capital dips below the minimum on several occasions
- Often this is related to companies that are in run-off, where that is allowed
- UAE seems to have one of the highest shortfalls
- Minimum capital requirement can only be the starting point of an insurer's capitalization and RBC is paramount

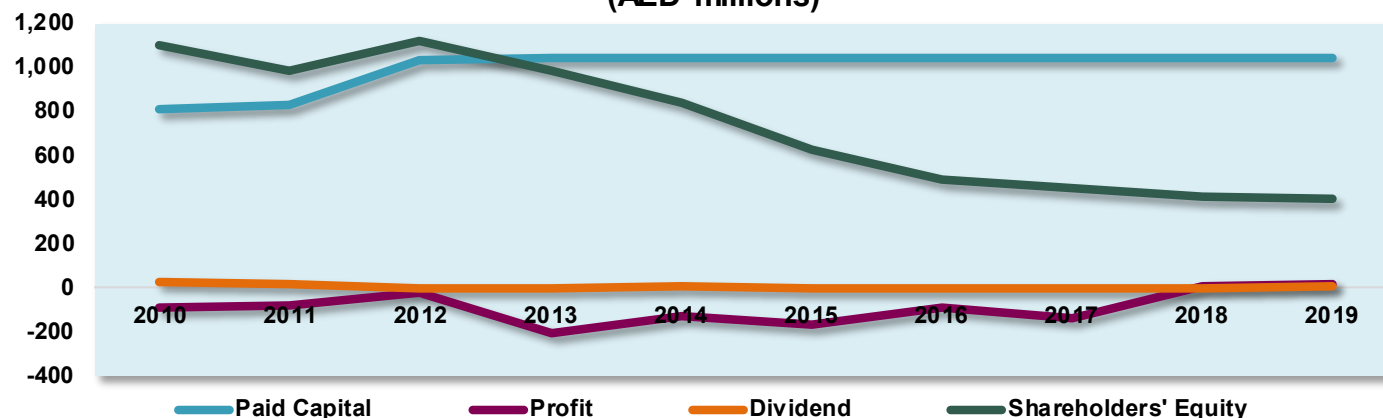
Minimum Shareholders' Equity Capital Limits Could Drive M&A

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Technical Profit										
Company A	✖	✖	✖	✖	✖	✖	✖	✖	✖	✖
Company B	✖	✖	✖	✖	✖	✖	✖	✓	✓	✓
Company C	✖	✖	✖	✖	✖	✓	✓	✓	✓	✓
Company D			✖	✖	✖	✖	✖	✓	✓	✓
Company E	✓	✖	✖	✖	✖	✖	✖	✖	✖	✖
Operating Profit										
Company A	✖	✓	✓	✖	✖	✖	✖	✖	✖	✖
Company B	✓	✖	✓	✖	✓	✖	✖	✓	✓	✓
Company C	✖	✖	✖	✓	✖	✓	✓	✓	✓	✓
Company D			✖	✖	✖	✖	✓	✓	✓	✓
Company E	✓	✖	✖	✓	✖	✖	✓	✖	✖	✓
Dividend Payment										
Company A	✖	✓	✖	✖	✖	✖	✖	✖	✖	✖
Company B	✓	✓	✖	✖	✖	✖	✖	✖	✖	✖
Company C	✓	✖	✖	✖	✖	✖	✖	✖	✖	✖
Company D			✖	✖	✖	✖	✖	✖	✖	✓
Company E	✓	✓	✖	✖	✓	✖	✖	✖	✖	✖
Movement in Shareholders' Equity										
Company A	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓
Company B	↑	↓	↑	↓	↑	↓	↓	↓	↓	↓
Company C	↑	↓	↑	↑	↓	↓	↑	↑	↑	↑
Company D			↓	↓	↓	↓	↓	↑	↑	↑
Company E	↑	↓	↓	↓	↑	↓	↓	↑	↓	↑

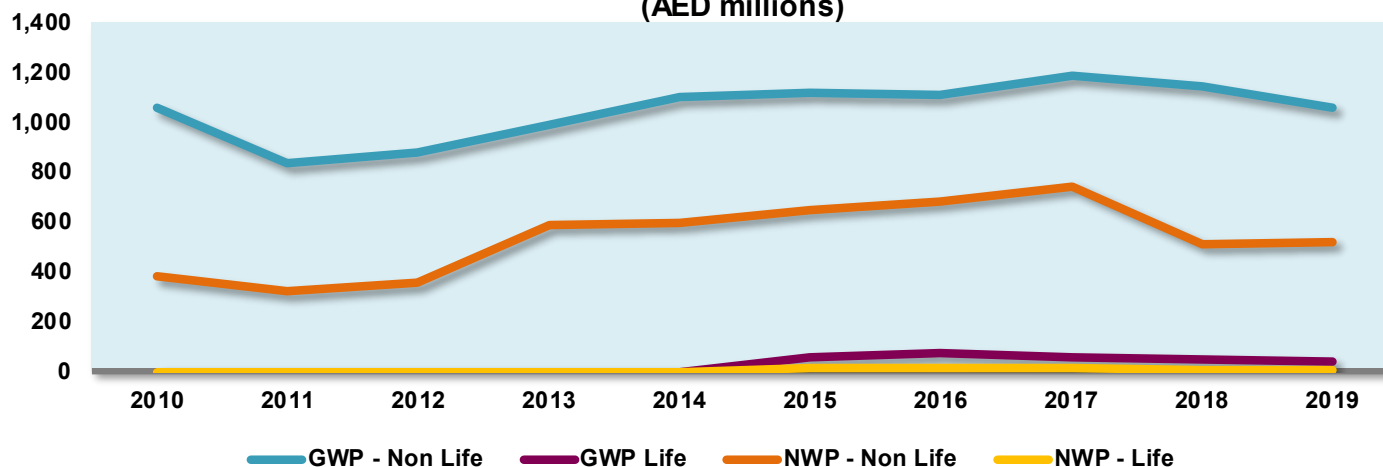
- Some are turning into technical profitability
- Investments support turn around
- Shareholders cannot be happy with performance
- Most have been operating with Shareholders' Equity below minimum capital required for years

What If Scenario – Merger of Five Lowest Capitalised Companies

Consolidated Paid Up Capital and Shareholders' Equity of 5 companies
(AED millions)



Consolidated Premiums of 5 companies
(AED millions)



- Shareholders may expect return of capital. AED 300m assuming Shareholders' Equity equates minimum capital required
- Question:
 - Is AED 100m capital and surplus reasonable for such a company – similar companies in the market would have 10x its equity?
- Merged entity could be just outside the top-five positions
- Economies of scale could result in improvement of 17 percentage points in combined ratio (assuming the new entity operates at the market-average expense ratio)
- Questions:
 - Is it reasonable to assume that this can be run at market average?
 - What are new shareholders' expectations?

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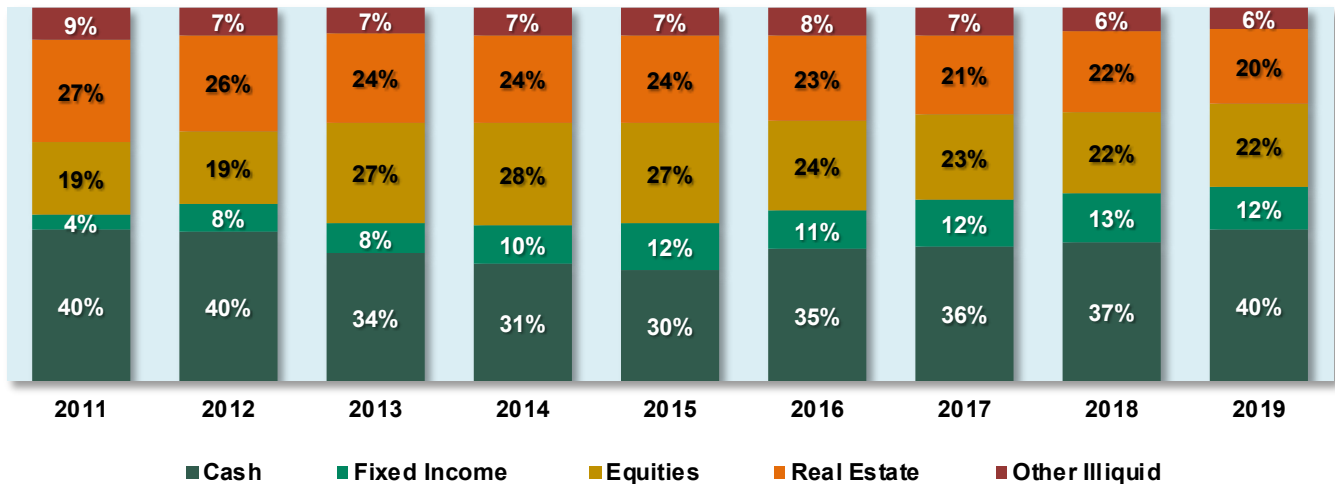
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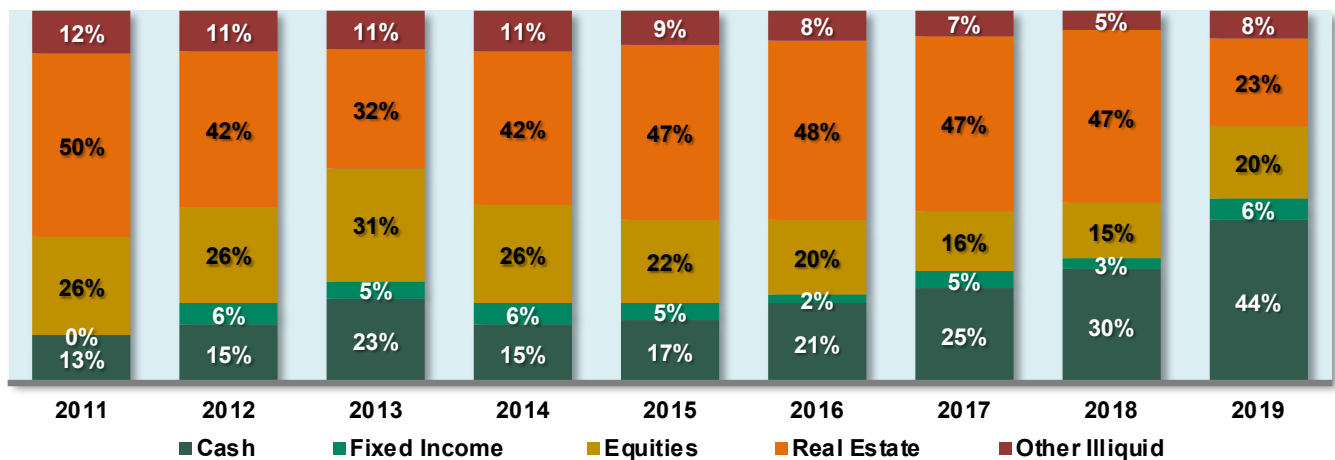
Final thoughts

Regulation Seems to Have Helped De-Risk Investments

Asset allocation UAE

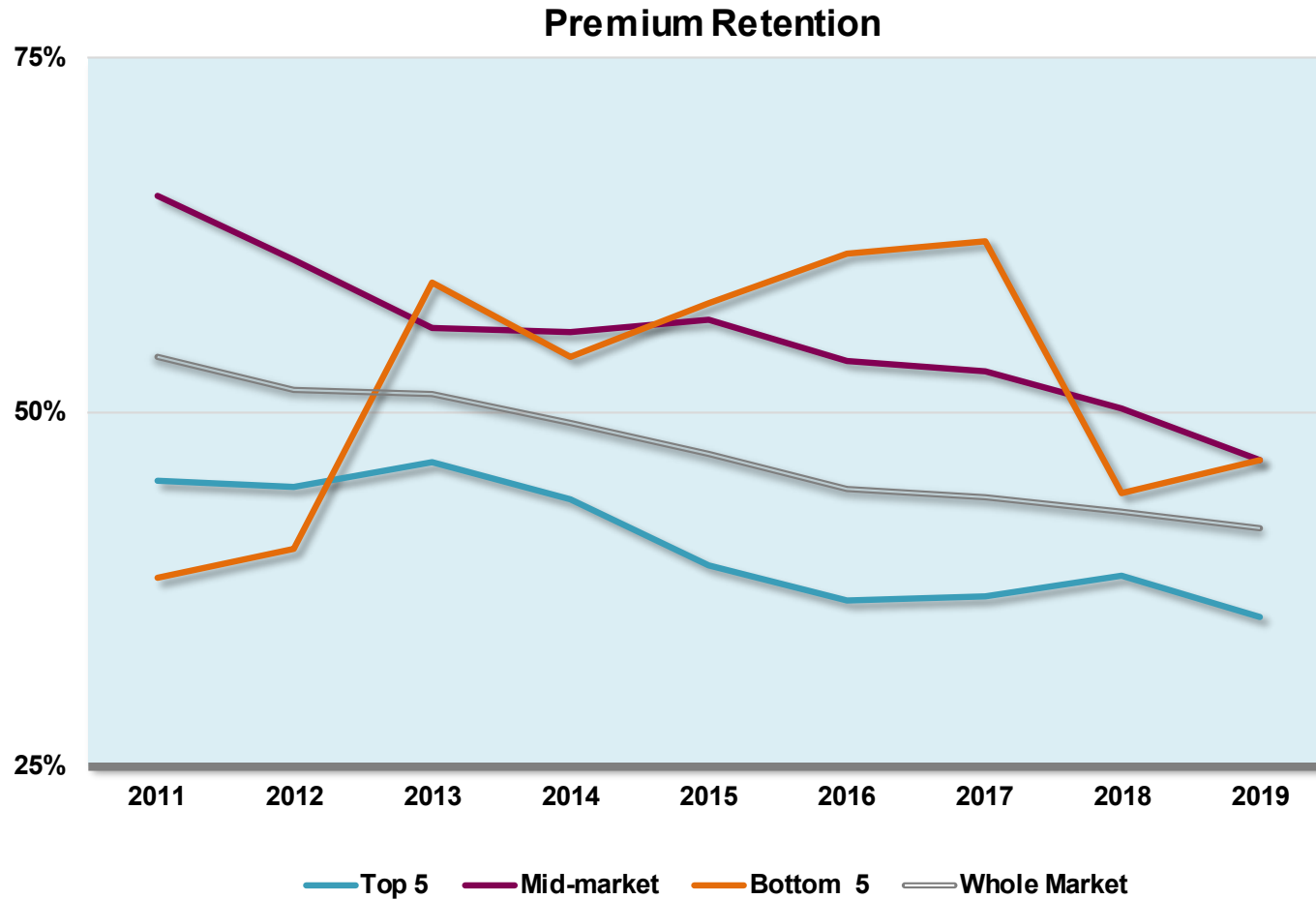


Asset allocation - Bottom 5



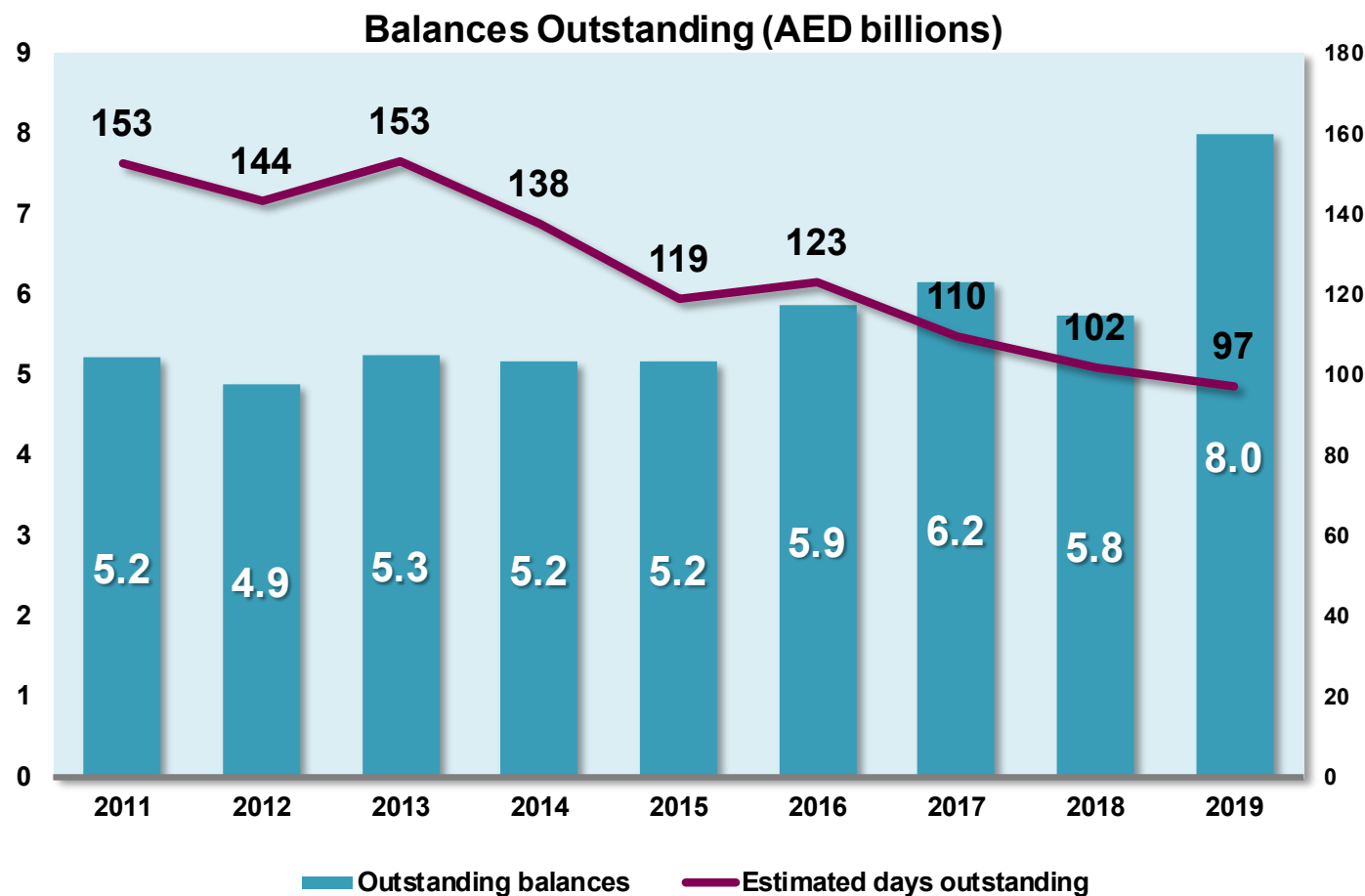
- Relative de-risking of investment portfolios with illiquid assets dropping by 10 percentage points in 10 years
- This is significant considering the lack of options in fixed income market
- Cash is the most significant asset class
- However, most of the de-risking is coming from lower ranking companies
- Indications that the de-risking is a result of regulatory pressure (through reduction of admissible assets) rather than companies' ERM review

... But Has Had no Impact on Reinsurance



- Under solvency regime, admissibility of reinsurance on solvency margins is limited
- Despite this, retention levels have been declining consistently and now is at 42% for the whole market
- Top five companies in the market retain 1/3 of the business written

... While IFRS Adoption has Helped Reduce Outstanding Balances



- UAE market still has one of the longest periods in MENA that premiums remain uncollected
- In anticipation of implementing IFRS17 companies had to implement IFRS9 impacting (impairing) long outstanding balances
- Outstanding balances still remain outstanding for more than three months
- Several companies have seen their shareholder equity impacted because of write-downs

Concluding Remarks

- Robust governance rules are essential, especially in cases where the owners run the company
- Application of all regulations at times is more critical than new regulations
- Waivers of regulations on the weak points of the market – e.g. reinsurance sessions and investments – may prove counterproductive in the long run
- While ERM is central to the current regulatory provisions, it still seems peripheral to companies' focus

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Vasilis Katsipis
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AM Best

AM Best's MENA Insurance Market Briefing - Dubai