



# Insurance Insight - UAE

Volume 1

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Covid-19 and the  
insurance industry

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Roadmap for IFRS 17

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H1'20 financial  
performance

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From our global desk

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***About Insurance Insight***

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*Insurance Insight is a quarterly publication which provides an overview of major developments shaping the UAE's insurance industry. We seek to provide you with an engaging compilation of performance metrics and key trends relevant to the industry.*



# Covid-19 and the insurance industry

**Insurance authorities have announced additional economic stimulus packages and issued circulars covering precautionary and preventive measures in the UAE. There are several prominent trends emerging from the pandemic:**

- Disruption in business activities has weakened market performance, leading to a rise in **premium settlement delays** and the **risk of default**
- Soaring rates of infection are changing customer preferences, increasing the **penetration of term life insurance** in the region
- **Amendment of the motor insurance policy** by the UAE Insurance Authority and a **decline in volume** of insurance claims is resulting in a **decrease in car insurance premium prices**
- **A rise in travel insurance prices** with the sudden increase in demand due to recommencement of air travel

However, insurers have identified opportunities to build resilience during these times by:

- Offering **flexible insurance plans** covering benefits, pricing and payments that cater to the **cost optimization budgets** of companies and individuals
- Focusing on **improving digital and smart services**, as customers are becoming more accustomed to greater accessibility offered by insurers
- **Reducing cost of services** and **introducing preferential products** for the healthcare workforce

“ Insurers will be assessing operational areas with a high concentration of human capital. These include call centers, claims and shared-service centers which will aid organizations in determining the degree of disruption experienced by the business. Insurers will look to digital transformation to become more agile, responsive and connected. This situation is prompting a significant shift in how we work, including greater incorporation of technology, with long-term changes in the way companies operate post Covid-19. ”

Adil Abid  
Head of Insurance  
KPMG in the UAE and Oman



“ What do Covid-19 challenges mean in terms of the future impact on insurance companies? Much depends on the nature of the intersection in each country between insurers, customers/distributors and regulators/governments and complex interplays in each national market between what insurers have traditionally offered, what customers expect, and the stance of regulators and authorities. A number of trends and issues have crystallized during this challenging period, and become clearly identifiable. ”

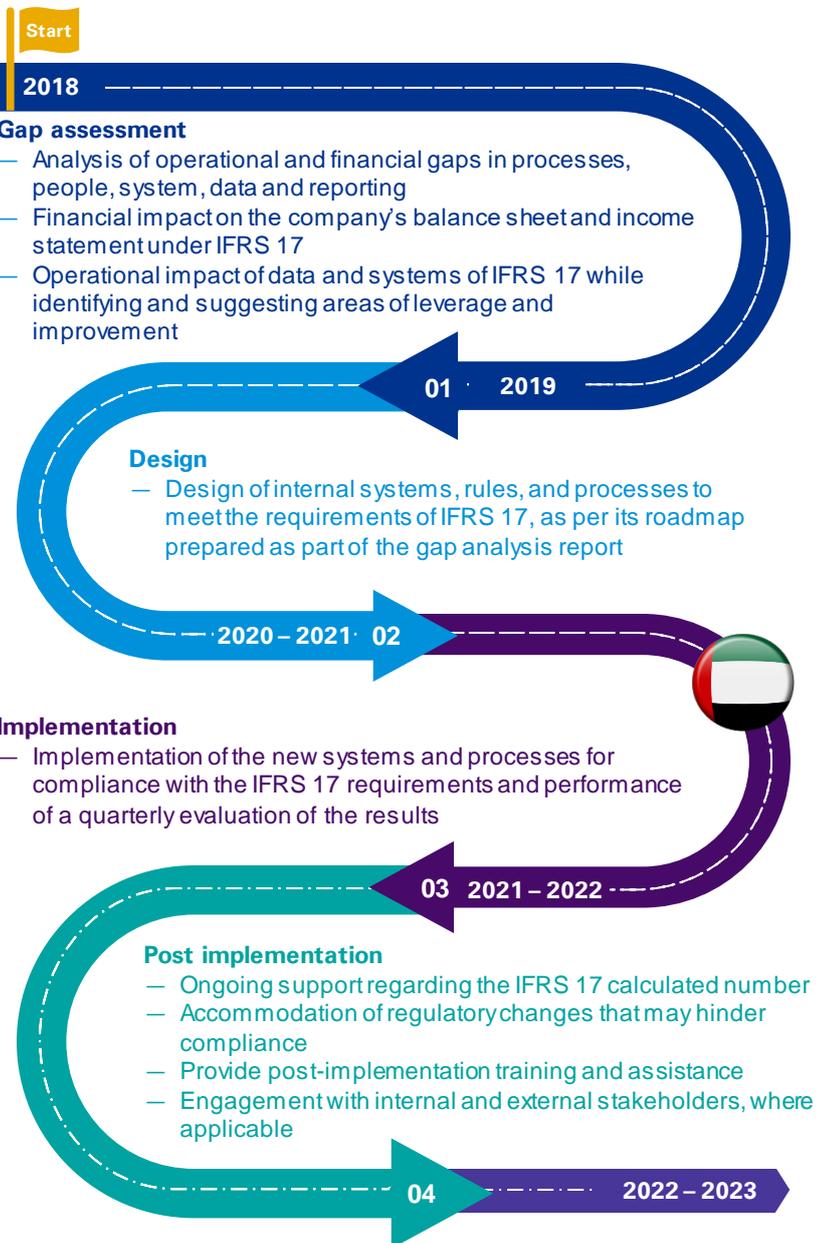
Abbas Basrai  
Head of Financial Services  
KPMG in the UAE and Oman



# Roadmap for IFRS 17

## Status of the IFRS 17 journey for insurance companies in the UAE

The revised effective date of IFRS 17 is now 1 January 2023.



 In the UAE, most insurance companies have completed their financial and operational impact assessment and have already started with the design phase of their IFRS 17 journey.

“ There is a lot to do between now and 1 January 2023. Insurers need to make sure they have appropriate data, robust and tested systems in place, and a transition plan – these are just a few key areas that need to be ready by that effective date. It’s time to get IFRS 17 implemented. For those who are well into their IFRS 17 journey, what was already a long-haul journey just got longer – making cost control an even greater challenge. ”



Anay Srivastava  
Director, Advisory Services  
KPMG in the UAE and Oman

## Internal Audit IFRS 17 brochure



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# Half year 2020 results snapshot



**Net profit after tax decreased by 4.0% to**  
 **USD 187.0 million**

**Gross written premium (GWP) increased by 6.4% to**  
 **USD 2.9 billion ↑**

**Total assets increased by 8.3% to**  
 **USD 12.1 billion ↑**

**Insurance receivables increased by 36.5% to**  
 **USD 1.6 billion ↑**

**Average premium retention ratio decreased by 1.9% pts to**  
 **39.0% ↓**

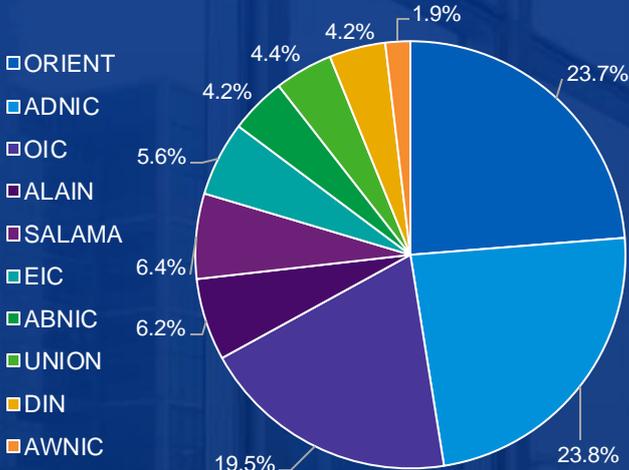
**Average loss ratio decreased by 11.3% pts to**  
 **49.7% ↓**

1. Representation includes top 10 listed UAE insurance companies based on total assets as of 30 June 2020
2. Net profit after tax, GWP, average premium retention ratio and loss ratio movements are in comparison to H1 2019
3. Total assets and insurance receivables movements are in comparison to YE 2019, as published in the H1 2020 financial statements
4. Currency conversion rate used:
  - a) UAE dirham (AED)/USD [2020: 0.2722, 2019: 0.2722]

# UAE insurance companies as of 30 June 2020 (1/2)

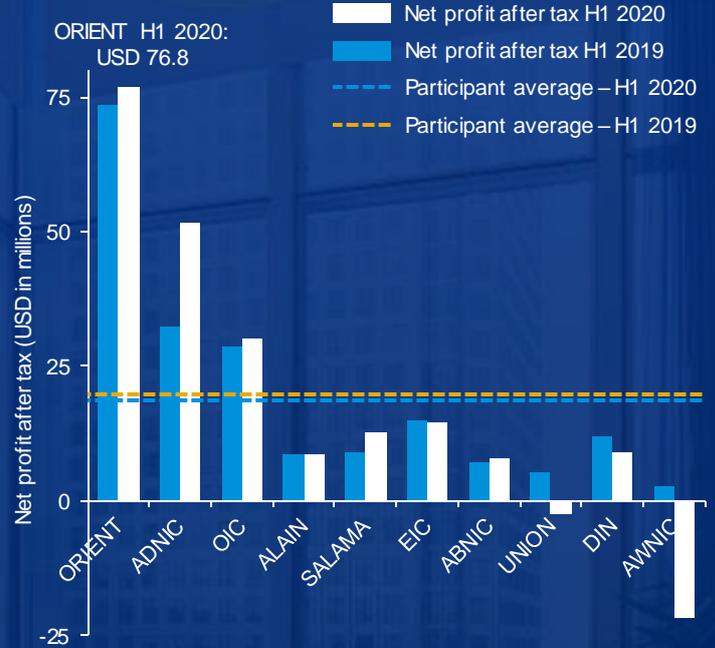
## GWP market share H1 2020 (all companies)

Total GWP – USD 2.9 billion

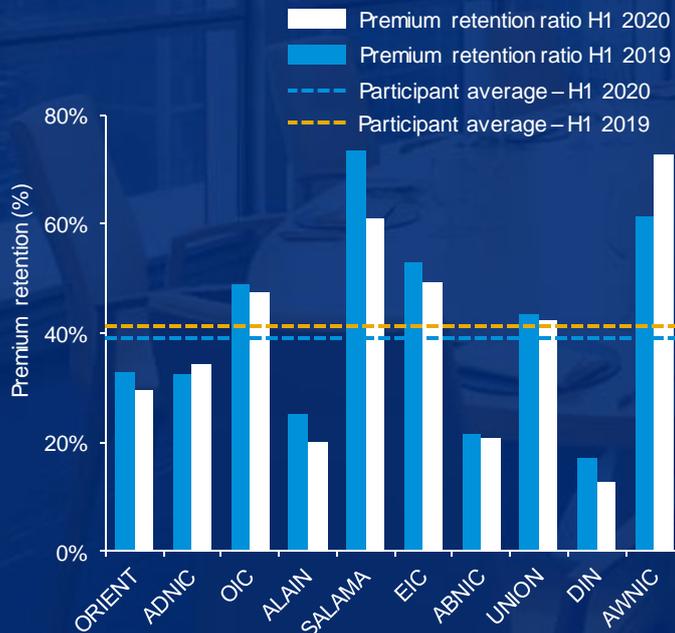


\*Representation includes top 10 insurance companies in the UAE based on total assets as of 30 June 2020

## Net profit after tax



## Premium retention ratio\*\*



## Loss ratio\*\*



### Legend:

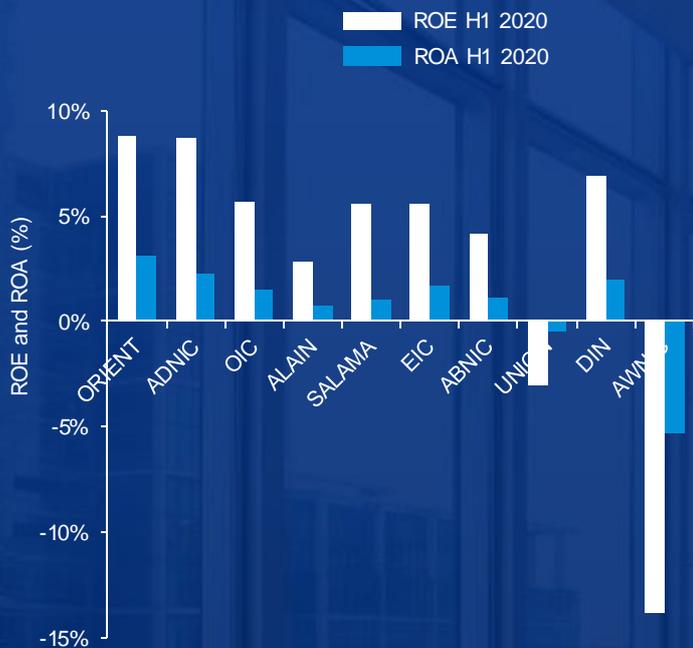
Orient Insurance Company	<b>ORIENT</b>
Abu Dhabi National Insurance Company	<b>ADNIC</b>
Oman Insurance Company	<b>OIC</b>

Al Ain Al Ahlia Insurance Company	<b>ALAIN</b>
Islamic Arab Insurance Company	<b>SALAMA</b>
Emirates Insurance Company	<b>EIC</b>

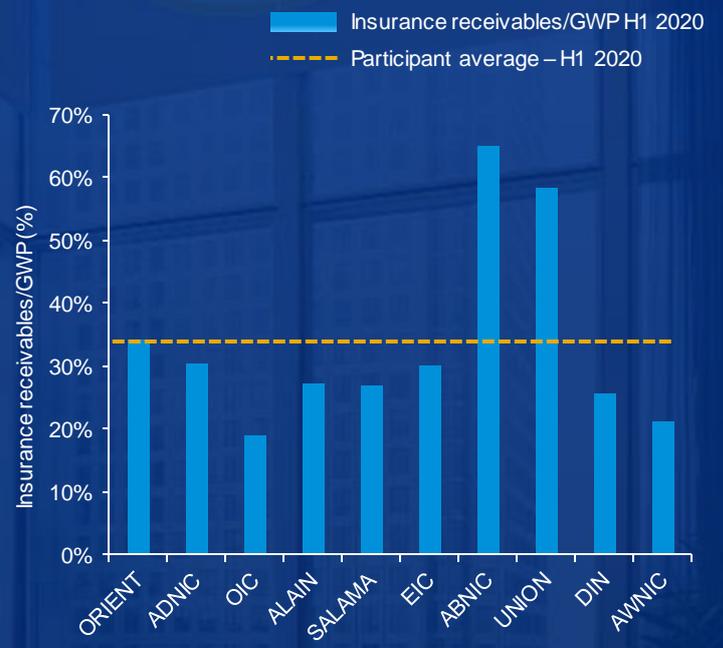
Al Buhaira National Insurance Company	<b>ABNIC</b>
Union Insurance Company	<b>UNION</b>
Dubai Insurance Company	<b>DIN</b>
Al Wathba National Insurance Company	<b>AWNIC</b>

# UAE insurance companies as of 30 June 2020 (2/2)

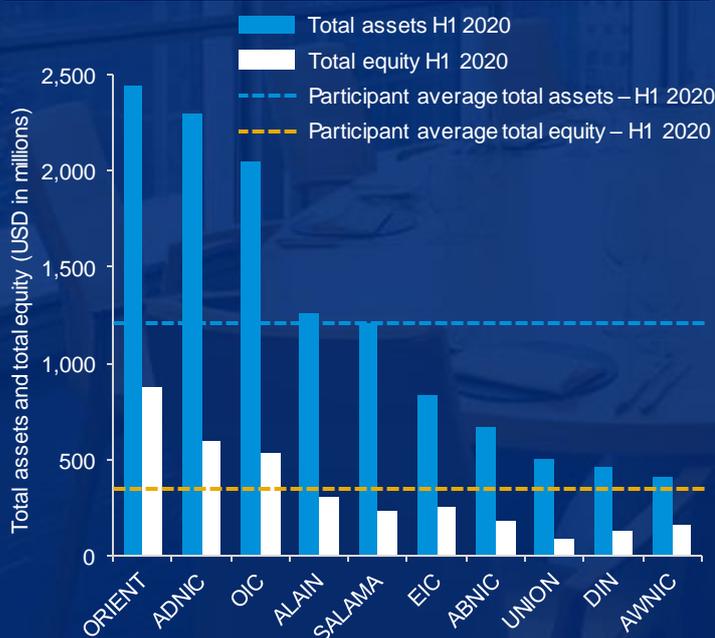
## ROE and ROA\*\*



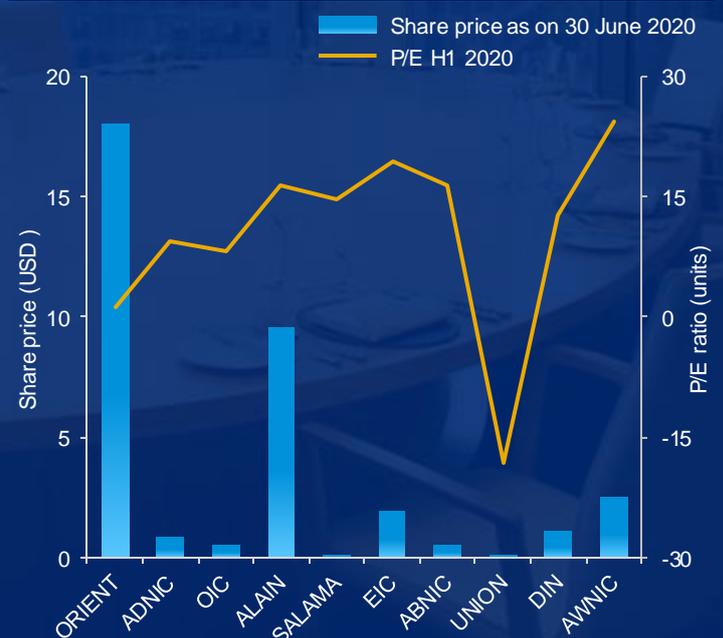
## Insurance receivables/GWP\*\*



## Total assets and total equity



## Share price and price earnings ratio\*\*



### Glossary

\*\* **Premium Retention Ratio** is calculated by netting reinsurance premium only from gross written premium. **Loss ratio** is calculated by dividing net claims incurred to net earned premium. **ROE** is the ratio of net income after income tax to total equity as of 30 June 2020. **ROA** is the ratio of net income after income tax to total assets as of 30 June 2020. **Insurance receivables/GWP** is ratio of insurance receivables over gross written premium of last 12 months. **P/E ratio** is calculated as the closing share price as of 30 June 2020 quoted on EPS.

# From our global desk

In this edition, we explore the importance of adapting to the changing landscape and discuss macro trends impacting the insurance industry. We also cover the effect of Covid-19 in accelerating digitalization and facilitating innovation in insurance.

## A new way of looking at climate risk for physical assets



New models for an ESG-aware financial system

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## New reality for insurance



The seven macro themes impacting insurers

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# KPMG blogs

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## IFRS 17 – Final amendments are out now



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## Accelerating digital transformation



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