GCC Insurance Industry

December 13, 2017

ALPEN CAPITAL

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Glossary

Insurance: A mechanism of contractually shifting burdens of pure risks by pooling them

Gross written premium: Total premium written and assumed by an insurer before deductions for reinsurance and ceding commissions for a policy that has already become effective

Insurance penetration: Gross written premium measured as a percentage of gross domestic product

Insurance density: Gross written premium measured per capita

Net written premium: Gross written premium less reinsurance ceded plus reinsurance assumed

Net Earned Premium: Total premiums collected over a period that have been earned based on the ratio of the time passed on the policies to their effective life

Cession rate: The percentage of written premium transferred to a reinsurer by a primary insurer (ceding company)

Retention rate: The percentage of written premium retained by a primary insurer

Net underwriting profit/(loss): Excess/deficit of premium earned after providing for all expenses directly attributable to underwriting activities and excluding investment income

Claims ratio: Net claims incurred as a percentage of net earned premium

Expense ratio: Underwriting and administrative expenses as a percentage of net earned premium

Combined ratio: The sum of claims ratio and expense ratio. A combined ratio of less than 100 indicates an underwriting profit

Investment returns: Calculated by dividing gross investment income over investments in securities, affiliates and property

Takaful: Follows Islamic religious principles such as bans on interest and pure monetary speculation. Here, risk is pooled among policyholders rather than being borne entirely by the company

Bancassurance: Involves the distribution of insurance products through the banking channel

Bancatakaful: Involves the distribution of Islamic insurance/ Takaful products through the banking channel

"Oman's insurance sector is poised to register strong growth over the medium term spearheaded by health insurance which is being made compulsory for all private workers in 2018. Rising awareness amongst nationals, growing urbanisation and establishment of sharia compliant takaful companies will drive growth in life insurance in the near term. Other growth drivers include continuing economic diversification and infrastructure development and growth of small & medium enterprises sector. Recent regulatory changes increasing the minimum capital base for all insurers has positive connotations. The UAE insurance market's long term growth prospects also remain positive. A spike in the number of construction and infrastructure projects, expected ahead of major events such as the World Expo 2020 are set to stimulate the industry in the long-term. Apart from above, law requiring compulsory health insurance for all Dubai residents, which was implemented in 2015 is expected to be a key driver for the industry.

One key challenge facing the sector is the shortage of skilled workforce and high attrition rates. There is need to put in place infrastructure to train and develop local talent pool for the insurance sector. Certain regulatory restrictions on investments specially in fixed income asset class need to be reviewed to encourage companies to make more investments in Bonds / Sukuk and other fixed income securities. Going forward, we see technology playing a key role in the way insurance is marketed to individuals with smart phones and social media likely to emerge as primary marketing channels lowering acquisition costs in the process. We are also seeing regulators focusing on increasing customer awareness about their rights by stipulating that insurance companies provide more details and transparency in their marketing & policy documentation. New rules relating to actuarial driven pricing being implemented in some countries will enhance the overall health of the sector. These positive trends bode well for the sector both in terms of instituting healthy growth levels as well as improving the financial strength of insurance firms."

S. Venkatachalam

Chief Executive Officer

National Life & General Insurance Co. SAOG, Oman

"As the UAE seeks to change course from oil-reliance and move towards a more diversified economy, the country is taking great innovative strides, not only in sectors like logistics and transportation, linked to its traditional role of a trading hub, but also other high-growth sectors such as tourism & hospitality, healthcare, education, high-tech and renewable energy. The success of such ambition rides on the confidence of reliable local insurers, their financial stability, broad risk appetite and ability to support national aspirations with solid insurance protection. The insurance industry here, and in the region, is well-equipped to support such plans and will continue to retain a positive outlook for the way ahead.

Several intertwining factors pave the way for future success in the insurance field – the indispensable technological advancements that digitalization, AI and blockchain promise; a redefined HR outlook seeking agile talent for tailored roles; data driven underwriting; robust risk management frameworks.

The industry grapples with the sea of transformation that comes with new but necessary regulations, disruptive technology and ever-evolving risk. Combating these challenges, and securing long-term profitability, can only come from collaboration and connected ecosystems."

Christos Adamantiadis

Chief Executive Officer

Oman Insurance Co., UAE

"We are quite optimistic about the prospects of GCC insurance industry. While the rapid growth of recent past may no longer be available, we believe that the Insurance industry in the GCC is entering a more mature phase where good companies delivering value differentiation with cost discipline are going to stand out from the rest. This presents an opportunity for the winners to create a lot of shareholder value in the years to come. In addition, comparatively lower insurance penetration and density, vis-à-vis global markets signal further room for organic growth in almost all countries. Key areas such as healthcare, savings, pension and public housing are likely to witness increased participation from the private sector which will necessarily open up more opportunities for related insurance products and services.

The sector, however is not devoid of challenges. Development of life insurance remains an area of concern, but with the wider reshaping of GCC economies, it is a space that is likely to see increased traction. Low interest rates and an abundance of capital, chasing increasingly scarce good quality investment opportunities has affected insurance markets globally with similar effects being felt in the GCC. On the one hand, it has pushed market rates down for protection products across categories, thereby reducing underwriting margins. On the other hand, returns on investment assets have been impacted with lower yields on fixed income portfolio which constitutes the bulk of total investments assets for most prudent companies. Certain markets in the GCC are facing overcrowding with a large number of operators competing on price and selling undifferentiated products leading to commoditization and its attendant negative implications for the industry.

A visibly important recent trend in the GCC Insurance industry has been the beginning of consolidation where larger and stronger companies are increasingly acquiring or initiating merger with weaker/smaller operators. Insurance Industry regulators across GCC are also greatly supportive of these market consolidation maneuvers as it leads to natural rationalization of industry dynamics and aids overall industry growth and profitability. These developments will have a positive impact on the Insurance industry and aid the growth of the sector in the GCC."

Ashraf Bseisu

Group Chief Executive Officer

Solidarity Group, Bahrain

"The GCC Insurance Industry is expected to have a healthy growth for the next 3 years; most of the growth is expected from the compulsory Medical Insurance which is being introduced by countries across the region. By 2018/2019 all the GCC countries are expected to make Medical Insurance compulsory. The introduction of compulsory medical insurance will drive the industry for the next 3 years in terms of Premium growth.

Climate change is likely to be a key factor in "Risk Pricing" in the region. The impact of Climate change on Insurance market is not articulated well. The impact of natural catastrophe can be significant given the low risk retention in the region. Large claims in the wake of hurricanes Harvey, Irma, Maria, and the Mexico earthquakes will have significant impact for the Re-Insurers and going forward it could impact Re-Insurance rates. If the Climate change specialists are to be believed these events will recur at more frequent intervals than in the past.

There is also a good scope for private pension plan in GCC region. Historically the dependence on government for social security is likely to undergo a change. There is a potential for private insurance player to set up private pension plans in the region. The one other area of growth is Takaful Insurance. The penetration of life insurance in the region has been very low given the fact that life insurance is considered as "haram". Family Takaful product offer protection in a sharia compliant manner. Appropriate marketing of family Takaful products could significantly increase life insurance penetration in the region.

In my opinion there is significant potential for a regional re-insurance company. Given the size of Insurance business in the region, the capital structure of companies, risk retention levels and potential for growth it will be a great business opportunity to set up a regional Re-Takaful entity."

O. G. Ravishankar

General Manager

Takaful Oman Insurance SAOG, Oman

"The GCC insurance sector has demonstrated resilience amidst a decelerating economy, highlighting the industry's growth prospects notwithstanding the impact of constrained fiscal, business and consumer spending. Implementation of mandatory health insurance and risk-based pricing in the major markets of the UAE and Saudi Arabia, respectively helped to keep the growth prospects of the Insurance industry in the GCC intact. A growing population base and revenue diversification efforts of the GCC Governments have also aided the growth of the industry. The sector is witnessing a major overhaul of the regulatory framework, as the governments are deploying efficient and stringent guidelines to make the insurance sector globally competitive.

The GCC insurance sector remains underpenetrated and this presents immense opportunities for the industry backed by favorable demographics and strengthening government regulations. The evolving regulatory landscape especially is making the GCC insurance market more competitive. The GCC insurance sector has started showing signs of consolidation, with the trend gathering momentum particularly in Saudi Arabia and the UAE.

The sector does face short-term challenges in the backdrop of reduced public and business spending. Guidelines strengthening capitalization levels, making health insurance mandatory and linking premium pricing to risks will be the major forces aiding growth. Further, technology-driven innovation, consumer-centric strategies and product diversification would provide an upside.

The GCC Insurance industry is stepping into the next phase of growth, fueled by the expanding consumer base, rising insurance awareness, economic revival and infrastructure developments. Further, the maturing and stringent regulatory environment is likely to create strong, stable and sustainable business models and together present a bright outlook for the sector."

Rohit Walia

Executive Chairman

Alpen Capital (ME) Limited

1. Executive Summary

The GCC insurance sector maintains resilient growth, given the significant penetration gap compared to the advanced economies. The progress is evident from the growth in premiums and profitability, high competition and enhanced regulatory framework. Short-term challenges do persist in the backdrop of reduced public and business spending. Nevertheless, developing regulations, favorable demography and economic diversification present a bright outlook for the sector. Guidelines strengthening capitalization levels, making health insurance mandatory and linking premium pricing to risks will be the major forces aiding growth. Further, technology-driven innovation, consumer-centric strategies and product diversification would provide an upside.

1.1 Scope of the Report

This report is an update to Alpen Capital's GCC Insurance Industry Report dated October 13, 2015. It showcases the current state of the insurance industry across the GCC nations while presenting the recent trends, growth drivers and challenges. The report also provides an outlook of the industry until 2021. It profiles some of the prominent insurance providers in the region while evaluating their financial and market valuation metrics.

1.2 Sector Outlook

- The GCC insurance market is projected to grow at a CAGR of 10.9% from US$ 26.2 billion in 2016 to US$ 44.0 billion in 2021. The growth is likely to be moderate in 2017, as the industry players are adapting to the new regulations amidst increasing competition and recovering economic activity. Nevertheless, growing population, economic diversification and country-specific regulations to strengthen the insurance sector are the factors that will present underwriting opportunities going ahead.
- During the forecast period, insurance markets in the UAE and Oman are anticipated to grow at the fastest annualized average pace of 12.1%, followed by Saudi Arabia at 10.5%. The share of UAE and Oman are likely to expand and that of others may contract.
- The insurance markets in the UAE and Saudi Arabia are estimated at US$ 18.1 billion and US$ 16.4 billion in 2021.
- Between 2016 and 2021, the non-life insurance market is expected to grow at a rapid CAGR of 11.7% to US$ 39.8 billion in view of the new regulations improving pricing of insurance policies, an anticipated revival in the economy, mandatory covers and rising healthcare costs. Life insurance market is projected to grow at an annual average rate of 5.3% led by rising population and risk awareness.
- Insurance penetration in the GCC is forecasted to expand from 1.9% in 2016 to 2.5% in 2021, while the density is likely to grow at a CAGR of 8.4% to US$ 729.6.

1.3 Key Growth Drivers

- In view of the low oil price environment, economic diversification efforts have intensified in the GCC to build a sustainable economy. This has given a boost to construction activities across sectors, with the total active projects estimated at US$ 2.4 trillion. Completion of such projects is likely to create a large base of insurable assets, thus providing underwriting opportunities to insurance firms.
- Mandatory health insurance has boosted the GWP in the UAE in recent years and in Saudi Arabia in the past. A gradual implementation of such law in the other GCC countries is likely to steer industry growth, as health insurance business accounts for ~40% of the GCC insurance market.
- The GCC insurance market is becoming competitive with its evolving regulatory landscape. Regulations such as risk-based capital reporting and actuarial-led pricing are likely to improve the financial strength and market conduct of the firms and build stronger business models in the long term.

- A growing population (comprising young and working people), rising urbanization and high disposable incomes are the factors driving demand for life and non-life insurance products in the GCC. The consumer base is set to grow further, with an anticipated addition of 6.5 million people by 2021.
- As a large number of people in the GCC are Muslims, demand for Takaful insurance has been on the rise in the region. Family Takaful, in particular, has significant opportunities, given the underpenetrated life insurance market.
- In view of high cession rates in the GCC and financial as well as tax incentives offered by autonomous financial centers in Dubai and Qatar, foreign reinsurance and management firms are attracted to these centers to lend their underwriting capabilities. As the business base grows, new reinsurers are likely to set up branches in these hubs and support the advancement of the insurance sector.

1.4 Key Challenges

- Fall in oil prices and the ensuing austerity measures have disrupted economic activity in the GCC and subsequently the underwriting business.
- The GCC insurance sector is intensely competitive as well as concentrated, with the top five insurers in each GCC country, barring Bahrain, accounting for over 60% of the market. Moreover, a less diversified product portfolio has led to price competition in motor and medical insurance lines and hence, high loss ratios.
- The GCC insurers are challenged by a shortage of skilled workforce as well as high staffing cost and attrition rates. Inability to hire the candidates with requisite skills could affect the growth of the sector.
- Insurance firms in the UAE, Qatar and Kuwait have high exposure to equity and real estate investments, making them prone to economic shocks. As a result, Investment income of many such insurers has declined in the recent years.
- The insurers are likely to face an increase in operating cost in the short term, as they will have to make operational changes to comply with the new regulations.
- Each country is making an attempt to improve regulations, however, there is a dire need for the regulations to be homogenous.
- Diplomatic rift between Qatar and other GCC states leading to severance of trade and economic ties is likely to have a negative impact on the insurance sector.

1.5 Key Trends

- The GCC insurance sector has started showing signs of consolidation, with the trend gathering momentum particularly in Saudi Arabia and the UAE due to stringent reserving and solvency practices.
- Regulators have collaborated with insurance companies to educate the consumers on protection against risks. Further, new risks such as cyber risk and political risk are emerging and hence the related insurance covers.
- The sector is witnessing an improving investment exposure to debt instruments. This is mainly due to increasing sovereign bond issuances and regulations imposing investment limits.
- Insurance sold through banks is increasing, as the banks seek new income sources amid low interest rates and slow credit offtake.
- Earlier the focus was on pricing and reducing distribution cost, however rising competition and use of smartphones have put customers at the center. In addition, the rapidly evolving and changing technologies are influencing the entire insurance value chain, right from product development to distribution.
- Insurance aggregators are entering the market to take advantage of the expanding premiums and digital consumer.

The industry is stepping into the next phase of growth, fueled by the expanding consumer base, rising insurance awareness, economic revival and infrastructure developments. Further, the maturing and stringent regulatory environment is likely to create strong, stable and sustainable business models.

2. The GCC Insurance Industry Overview

The GCC insurance sector has demonstrated resilience against the decelerating economy, highlighting the industry's strength and potential amidst constrained fiscal, business and consumer spending

The GCC insurance sector has demonstrated resilience against the decelerating economy, highlighting the industry's strength and potential amidst constrained fiscal, business and consumer spending. The factors that empowered the industry during the slowdown were the implementation of mandatory health insurance and risk-based pricing in the major markets of the UAE and Saudi Arabia, respectively. These growth drivers are in addition to growing base of population and revenue diversification efforts. The sector is witnessing a major overhaul of the regulatory framework, as the governments are deploying efficient and stringent guidelines to make the insurance sector globally competitive. Consequently, the penetration levels, although low, have been rising while offering ample opportunities for conventional as well as Islamic insurance providers.

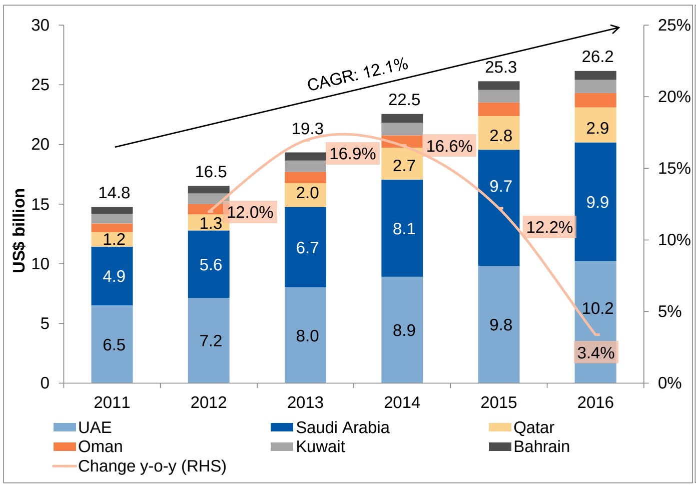
Life and Non-life Insurance

The GCC insurance market grew at a rapid CAGR of 12.1% from US$ 14.8 billion in 2011 to US$ 26.2 billion in 2016

Measured by gross written premium (GWP), the GCC insurance market grew at a rapid CAGR of 12.1% from US$ 14.8 billion in 2011 to US$ 26.2 billion in 2016[1] (see Exhibit 1). Rising population, expanding construction activity, mandatory lines of business (particularly medical and motor insurance) and improving regulatory environment were the key enablers of growth. The correction in oil prices and ensuing contraction of the oil-based economies has slowed down the GWP growth in 2016. Nevertheless, it seems to be a short-term impact, as the long-term fundamentals appear upbeat.

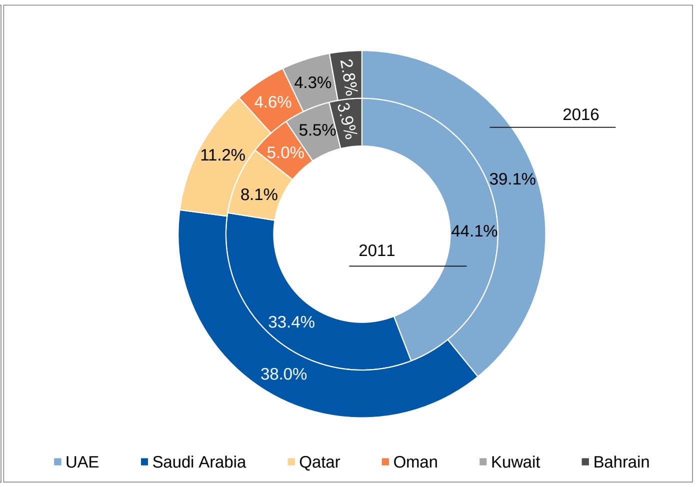
UAE and Saudi Arabia retained their positions as two of the largest insurance markets in the GCC, accounting for 39.1% and 38.0% of the region's GWP in 2016, respectively (see Exhibit 2). The composition is justified by the population concentration in these countries. However, measured by annualized growth in the last five years, GWP in Qatar and Saudi Arabia grew at the fastest pace of 19.0% and 15.0%, respectively. While growth in Qatar was steered by developments ahead of the FIFA World Cup 2022 and rising inflow of expatriates, the growth in Saudi Arabia was led by mandatory insurance lines and the introduction of actuarial pricing. Shares of the other markets contracted, however, the annualized growth rates were strong ranging between 5.3% and 10.3%. Even though the share of UAE declined by 5.0 percentage points (ppts), the market grew by US$ 3.7 billion on an absolute basis boosted by the rollout of mandatory health insurance in Dubai.

Exhibit 1: GCC Insurance Market Size (based on GWP)



Source: Swiss Re

Exhibit 2: Country-wise Share of GCC Insurance Market



Source: Swiss Re

[1] Source: "World Insurance Reports", Swiss Re

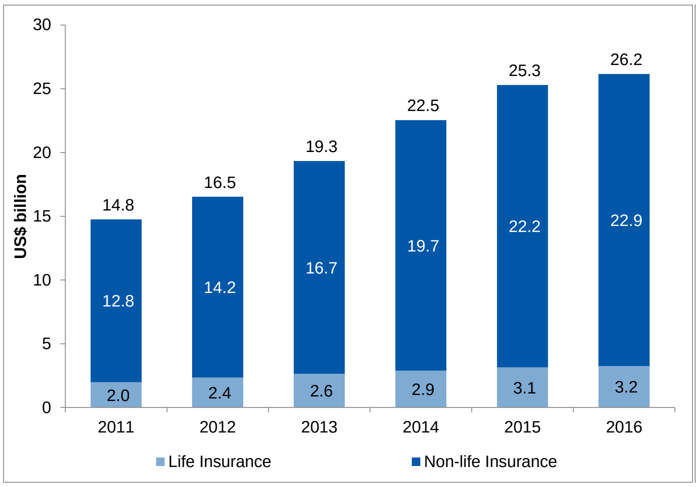
Non-life insurance segment at US$ 22.9 billion constituted 87.6% of the total insurance premiums written in the GCC in 2016

The prominent business lines in the GCC insurance market are motor, health and property/fire. Accordingly, non-life insurance segment at US$ 22.9 billion constituted 87.6% of the total insurance premiums written in the GCC in 2016[2] (see Exhibits 3 and 4). The segment GWP grew at a CAGR of 12.4% from 2011 led by an expansion in the medical and motor insurance lines that form more than 70% of the non-life premiums[3]. While motor insurance is compulsory across the GCC, medical insurance is currently mandatory only in Saudi Arabia and the major Emirates of the UAE. Oman is in the process of rolling out mandatory health insurance in a phased manner and the other countries may follow the suit soon. Nonetheless, expatriates in the GCC purchase a medical policy or are covered by their employers to safeguard against the high healthcare costs. Due to the high composition of non-life, the developments in this segment portray the overall picture of the GCC insurance market.

Life insurance is a small component of the GCC insurance sector, due to the generous social welfare schemes bestowed on the nationals

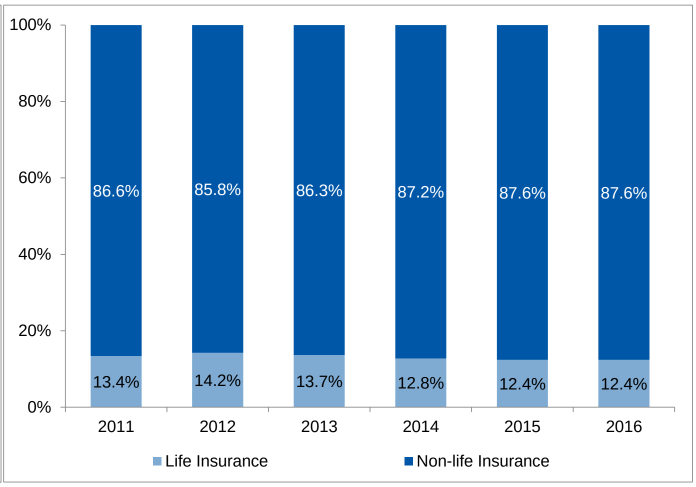
Life insurance is a small component of the GCC insurance sector, unlike the global markets where the segment is either larger or similar to the size of non-life. This is mainly due to the generous social welfare schemes bestowed on the nationals by the states. Additionally, the low awareness and cultural reservations on mortality-based insurance products are limiting demand. The product is largely popular amongst the expatriates, who invest in life insurance to take care of adversities. Driven by demand from the increasing expatriate population, the life insurance GWP grew at a CAGR of 10.4% between 2011 and 2016 to reach US$ 3.2 billion. Life insurance market in the UAE is the largest (75.6% of GCC life insurance GWP) as well as the fastest growing in the GCC (CAGR of 13.9% between 2011 and 2016). However, the overall share of life segment has been declining due to the rapid increase in non-life insurance lines.

Exhibit 3: Segment-wise GCC Insurance Market Size



Source: Swiss Re

Exhibit 4: Proportion of the GCC Insurance Segments



Source: Swiss Re

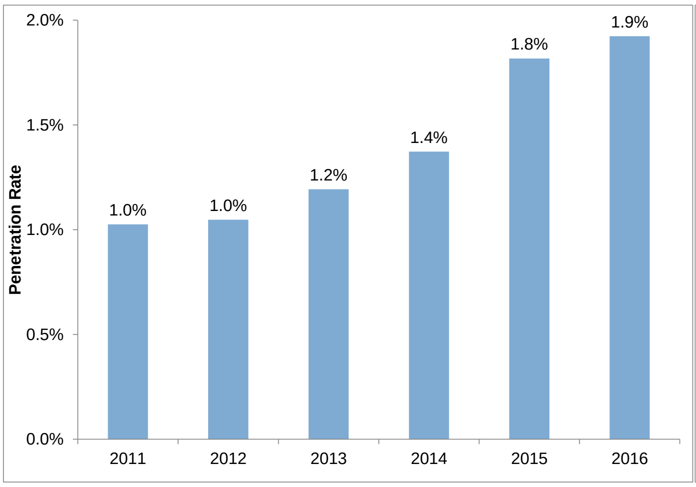
[2] Source: "World Insurance Reports", Swiss Re
[3] Based on the composition of non-life insurance reported by respective insurance authorities of the GCC countries

An Underpenetrated Insurance Industry

At an average of 1.9% in 2016, the GCC insurance sector is underpenetrated compared to 3.2% in the emerging markets and 6.3% globally

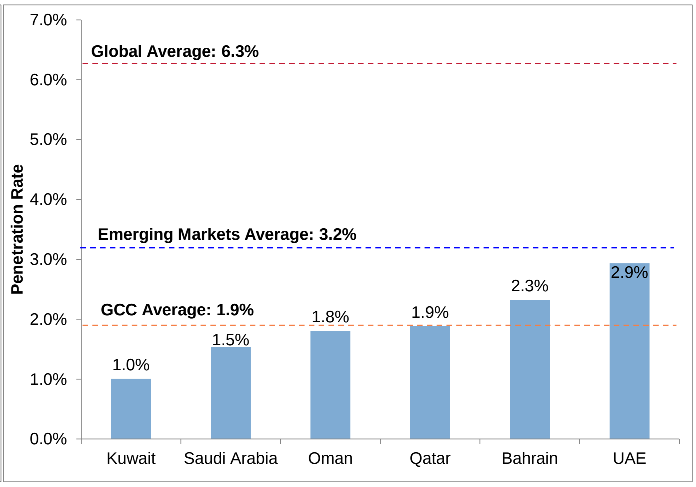
Despite the high growth trajectory, the GCC insurance sector remains underpenetrated. At an average of 1.9% in 2016, the penetration level is way below 3.2% in the emerging markets and 6.3% globally[4] (see Exhibits 5 and 6). Within the region, the UAE (at 2.9%) and Bahrain (at 2.3%) have high penetration rates. This is due to a high composition of expatriates and diversified economy, creating demand for life and non-life insurance products. At 1.0%, Kuwait has the lowest penetration due to its relatively underdeveloped non-life insurance market. At low penetration rates, the GCC insurance sector presents immense opportunities backed by favorable demographics and strengthening government regulations. The rising penetration level depicts the industry's potential.

Exhibit 5: Trend in Insurance Penetration in the GCC



Source: Swiss Re, IMF

Exhibit 6: Country-wise Insurance Penetration



Source: Swiss Re, IMF

High Density due to a Low Base of Population

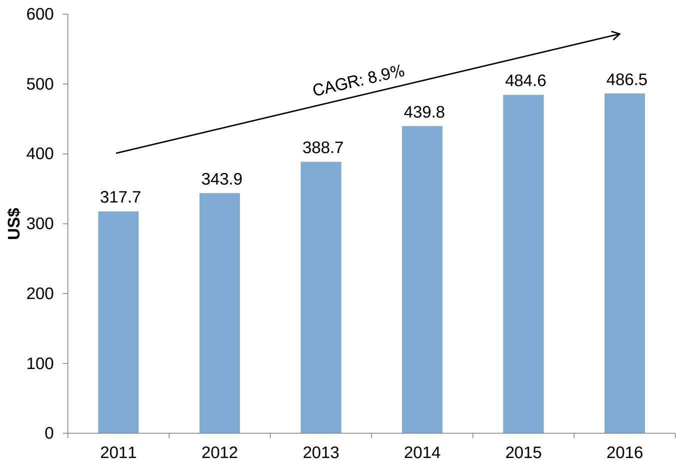
The density varies considerably amongst the constituent countries, with Kuwait having the lowest at US$ 263.9 and Qatar commanding the highest at US$ 1,121.5 in 2016

In line with the trend in GWP, the average insurance density in the GCC grew at a CAGR of 8.9% between 2011 and 2016 to US$ 487.3[4] (see Exhibit 7). The density varies considerably amongst the constituent countries, with Kuwait having the lowest at US$ 263.9 and Qatar commanding the highest at US$ 1,121.5 in 2016 (see Exhibit 8). Qatar, the UAE and Bahrain have high-density levels mainly due to the concentration of expatriates, who have propelled demand for motor and medical insurance lines. In fact, the density in the UAE and Qatar are above the global average of US$ 638. This is also due to the high per capita income in these countries. However, the low-density levels in the other nations have diluted the GCC average, which is lower than the world.

The average insurance density in the GCC is higher than the Emerging Market average of US$ 149 primarily on account of the low population base in the GCC as compared to the populous emerging markets. Additionally, the average per capita income in the emerging markets is low compared to the GCC resulting in lower spending on insurable assets such as property and motor. Despite the high density level, a growing population base offers significant room for growth to the insurance sector.

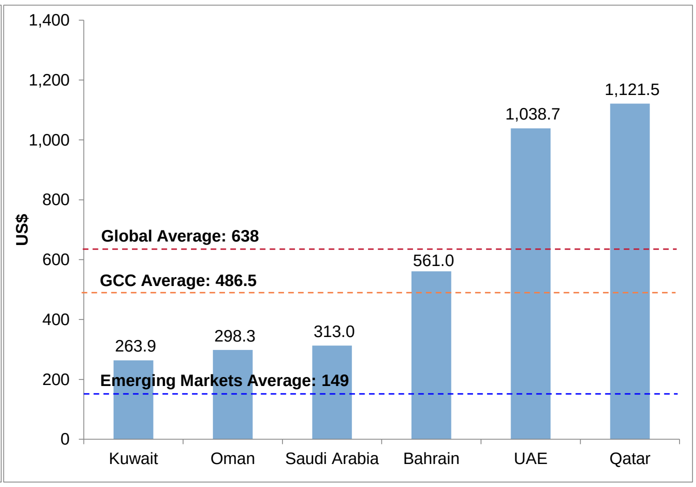
[4] Source: "World Insurance in 2016", Swiss Re; "World Economic Outlook Database", IMF, October 2017

Exhibit 7: Trend in Insurance Density in the GCC



Source: Swiss Re, IMF

Exhibit 8: Country-wise Insurance Density



Source: Swiss Re, IMF

Takaful Insurance

Takaful is a form of Islamic insurance, wherein policyholders mutually insure each other, thus playing the dual roles of insured as well as insurer. This type of insurance mainly abides by the Sharia principles and hence, a popular product in countries with a majority of Islam followers. Takaful is a budding sub-sector in the GCC insurance space. The GCC-based Takaful insurers adopt a wakala or mudarabah or a hybrid model (a combination of the two). The mudarabah model is based on the principle of sharing the risks as well as the profits between the operator and the policyholder. Under the wakala model, the Takaful operator only acts as an agent or a trustee for the policyholders, with their role confined to managing the fund for an upfront fee. The policyholders are the sole beneficiary of the underwriting results.

At an estimated US$ 11.5 billion in 2015, the region's Takaful market has grown at a CAGR of 18.0% from 2012 and accounts for nearly 44% of the overall insurance sector

The GCC region dominates the global Takaful industry, by representing 77.2% of the world's Takaful GWP in 2015[5]. At an estimated US$ 11.5 billion, the region's Takaful market has grown at a CAGR of 18.0% from 2012 and accounts for nearly 44% of the GCC insurance sector[6]. Preference towards Sharia-compliant financial solutions and an expanding non-life market are the factors aiding growth. Saudi Arabia is the largest Takaful market in the region with a GWP of US$ 9.7 billion (see Exhibit 9). The market size is same as that of the overall insurance industry in the Kingdom, as all the domestic insurance firms follow a cooperative model, which requires being Sharia-compliant. The Takaful markets in the other countries are relatively small with a market size of less than US$ 1 billion. At 0.5% in 2015, the penetration level of Takaful insurance in the GCC is much lower than the conventional insurance sector. This presents significant opportunities for Islamic insurers. There are about 40 Takaful players in the region, excluding Saudi Arabia that is home to 35 Sharia-compliant insurance companies. The market appears overcrowded in view of several companies competing for the petite size of premiums.

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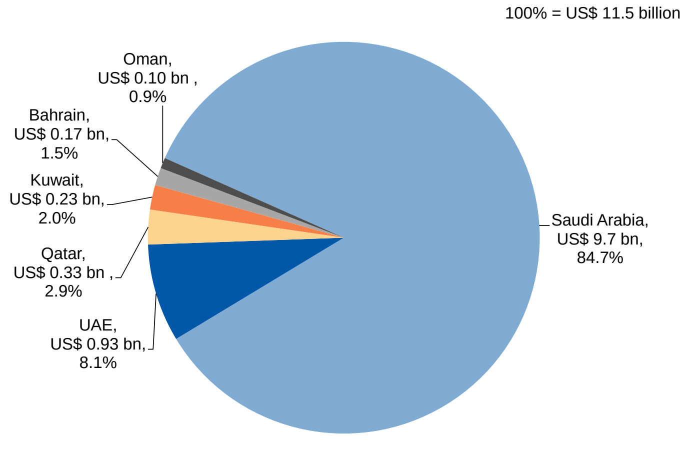
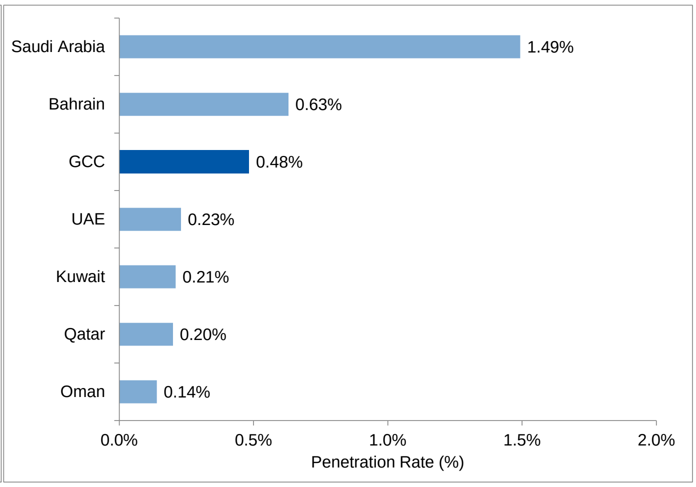
[5] Source: "Global Takaful Report 2017", Milliman Research, July 2017
[6] Source: "Global Takaful Report 2017", Milliman Research, July 2017; Swiss Re

Exhibit 9: Country-wise GCC Takaful Market (2015)



Source: Milliman Research, Swiss Re

Exhibit 10: GCC Takaful Penetration Rates (2015)



Source: Milliman Research, Swiss Re, IMF

The Takaful providers faced a slowdown in premiums during 2016. However, the listed Takaful players reported pre-tax net income of US$ 683 million during the year, a substantial increase from US$ 274 million in the previous year[7]. This is mainly a reflection of the performance in Saudi Arabia, wherein players benefited from the implementation of actuarial pricing ensuing into a rise in pricing of motor premiums. A relatively small size, less diverse business and short tenure of experience compared to the conventional players, places the Takaful insurers at a higher degree of risk to economic deceleration.

The Takaful industry is developing, given the low penetration levels and a maturing regulatory framework

The Takaful industry is developing, given the low penetration levels and a maturing regulatory framework. Insurance regulators in the UAE, Bahrain, Oman and the independent financial hubs of Dubai International Financial Centre (DIFC) and Qatar Financial Centre (QFC) have introduced regulations specific to the Takaful industry. Qatar (excluding QFC) is redrafting its regulatory framework to include specific laws for the Takaful sector. Kuwait in its new insurance law draft has also set specific rules for the sector. In November 2016, the UAE Insurance Authority capped the wakala and mudarabah fee on annual renewable policies at 35% of GWP and investment income[8]. Such new regulations aim at standardizing processes, developing corporate governance, strengthening technical provisions and protecting the interest of policyholders.

Reinsurance

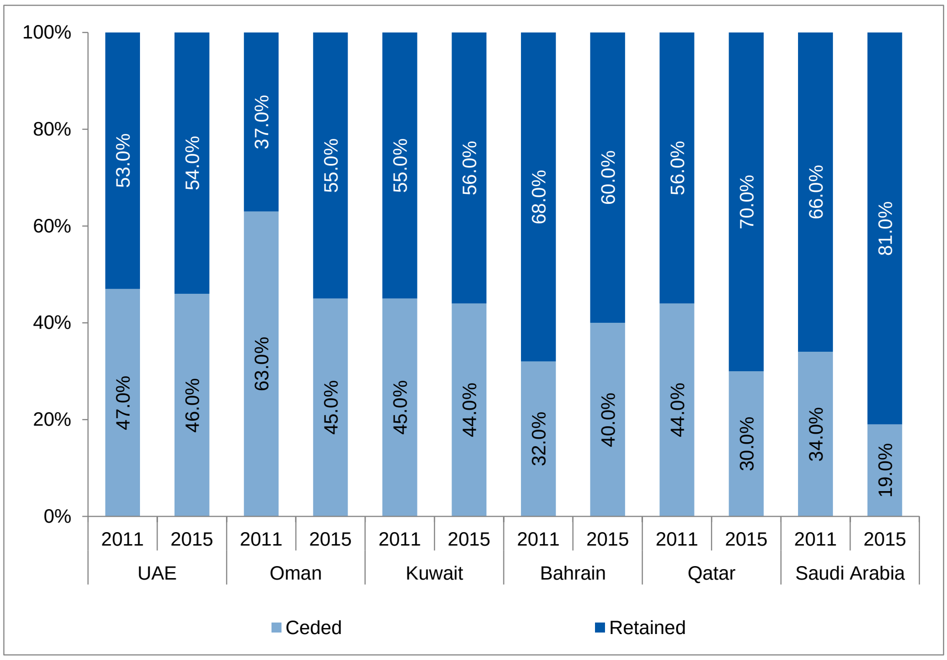
In the GCC, on an average 37.3% of non-life insurance premiums are ceded to reinsurers, which is significantly high compared to global average of 8%

In the GCC, on an average 37.3% of non-life insurance premiums are ceded to reinsurers, which is significantly high compared to the global average of 8%[9]. The high dependence on reinsurers is due to lack of expertise and low risk appetite of the local companies in underwriting large hydrocarbon projects. Based on the cession rate, the GCC non-life reinsurance market amounted to US$ 8.6 billion in 2015. Except for Qatar and Saudi Arabia, the other countries had cession rates above 40% in 2015 (see Exhibit 11). The rates have declined across the countries, barring Bahrain, due to growing proportion of

[7] Source: "Slowdown in GCC takaful sector expected to linger", Gulf News, August 6, 2017
[8] Source: "Global Takaful Report 2017", Milliman Research, July 2017
[9] Source: "MENA Reinsurance Barometer 2016", Qatar Financial Centre Authority

motor and medical insurance lines, which have low cession rates. Commercial insurance lines command a high rate due to the large risk involved and lack of technical expertise.

Exhibit 11: Proportion of Non-life Insurance Premium Ceded to Reinsurers



Source: Qatar Financial Centre Authority

A decline in cession rates, alongside slowing down of large commercial and infrastructure projects, have affected the performance of GCC-based reinsurers

A decline in cession rates, alongside slowing down of large commercial and infrastructure projects, have affected the performance of GCC-based reinsurers. Moreover, the reinsurance market is witnessing overcapacity, with local as well as international companies competing for the high-ceded premiums. Intense competition is putting pressure on renewal rates, thus affecting the underwriting margins of reinsurers. Nevertheless, this looks a short-term impact and the long-term appears convincing due to the low insurance penetration, need for underwriting expertise on large projects and limited exposure to catastrophe risk. Most of the reinsurers are international firms focusing on conventional reinsurance, underwriting large commercial risks and providing expertise as well as capital. Family Takaful, engineering, construction and energy are the key areas offering business potential for reinsurance firms in the region.

2.1 Country-wise Insurance Market Overview

Non-life insurance markets across the GCC countries are expanding, driven by an active regulatory environment. Enforcement of actuarial pricing in Saudi Arabia, mandatory health insurance in Dubai and a unified motor pricing mechanism in the UAE were the key developments fueling the insurance markets. Such factors helped the industry tide over the rough economic weather, which affected premium volumes in other business lines. The insurance profitability picture varied across the countries. Profitability in the large markets of the UAE and Saudi Arabia was backed by the new regulations. On the other hand, the small markets, except Bahrain, witnessed a decline in net income due to price competition and low premium growth.

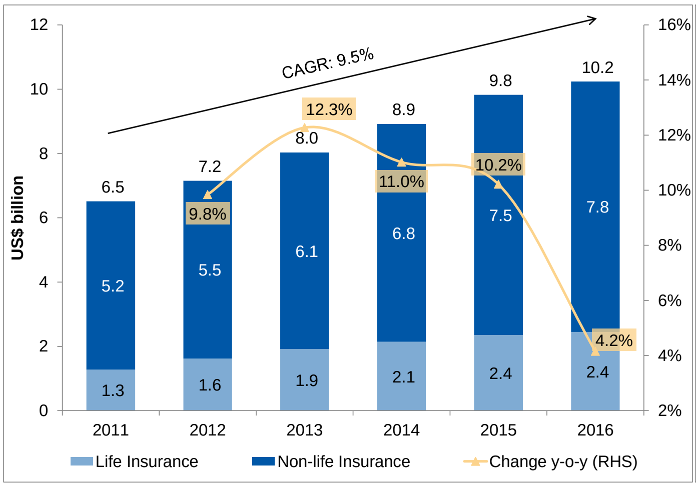
UAE

The UAE registered GWP of US$ 10.2 billion in 2016, translating into a CAGR of 9.5% from US$ 6.5 billion in 2011

The UAE is the largest insurance market in the GCC and ranked 39th globally based on GWP[10]. A well-diversified economy, a growing base of population, introduction of new forms of insurance and an overhaul of the regulatory environment have been auguring growth for the domestic insurance industry. The country registered GWP of US$ 10.2 billion in 2016, translating into a CAGR of 9.5% from US$ 6.5 billion in 2011[10] (see Exhibit 12). After registering a strong increase during 2012 to 2015, the growth slowed down in 2016 due to the challenging economic conditions. The trend was a reflection of weakness in both the life and non-life insurance segments. However, a high growth compared to the overall economy underlines the sector's strength.

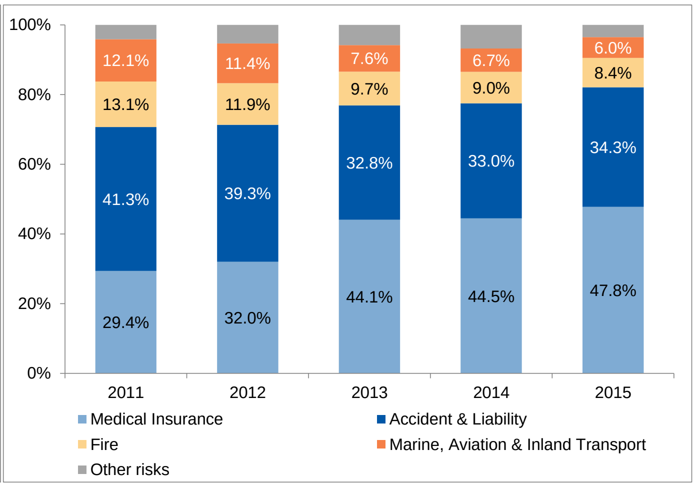
Similar to the trend in the Middle East, non-life insurance formed the largest part (over three-fourths) of GWP in the UAE[10]. However, in terms of annualized growth between 2011 and 2016, life insurance premiums grew at a faster rate of 13.9% compared to 8.3% in the non-life segment. The robust growth in the life business is supported by demand from the expanding expatriate community and issue of single premium investment products through banks. Growth in the non-life business is attributed to the phased rollout of compulsory health insurance in Dubai since January 2014 and increasing use of private healthcare. Consequently, the share of medical insurance has expanded by 18.4 ppts between 2011 and 2015 to 47.8%[11]. Medical and accident & liability are the main insurance lines collectively accounting for over 80% of the non-life insurance market (see Exhibit 13) and more than 60% of the total insurance market in the country. During the period, medical insurance business grew at a CAGR of over 20%, while other lines either grew by low single-digit or declined. While Abu Dhabi introduced mandatory health insurance more than a decade ago and Dubai implemented it in 2014, the other Emirates may follow the practice soon. This is likely to lend a push to the overall insurance market in the country.

Exhibit 12: Segment-wise Insurance GWP in the UAE



Source: Swiss Re

Exhibit 13: Composition of Non-life Insurance in the UAE



Source: UAE Insurance Authority

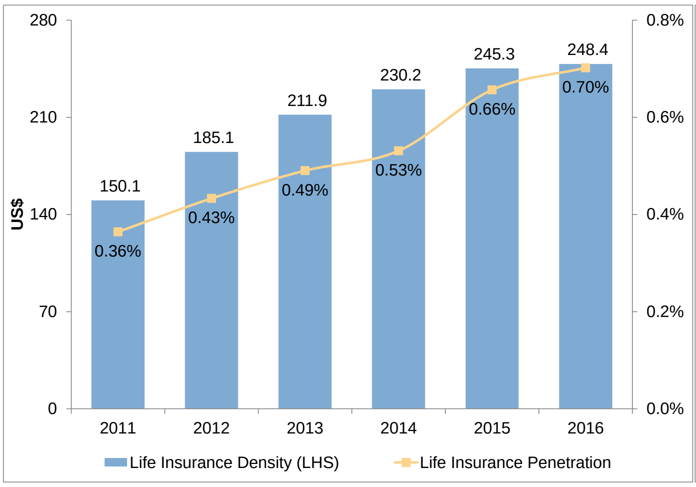
Note: 2016 figures are not published

[10] Source: World Insurance report series, Swiss Re
[11] Source: "Annual Report for the Insurance Sector of the UAE - 2015", UAE Insurance Authority

The UAE had the highest life and non-life insurance penetration in the region at 0.7% and 2.2%, respectively, in 2016

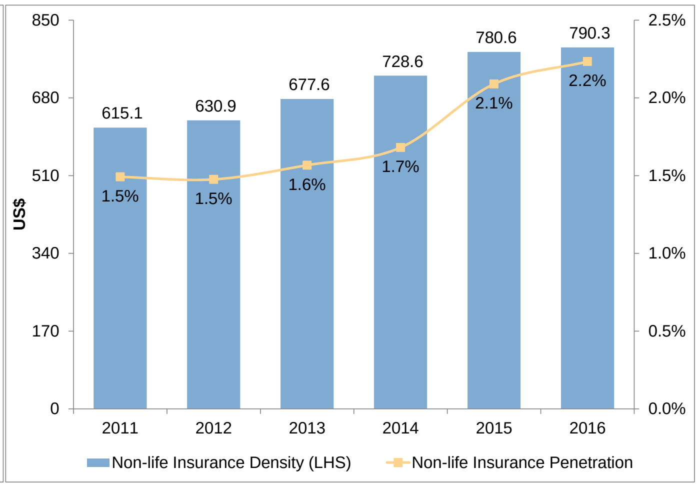
The UAE had the highest life and non-life insurance penetration in the region at 0.7% and 2.2%, respectively, in 2016[12] (see Exhibits 14 and 15). However, the rates are lower than the global averages of 3.5% and 2.8%, respectively. The rates have been steadily increasing in the last five years in line with the rising GWP. Life insurance density has also increased gradually to reach US$ 248.4 in 2016, which is much higher than the emerging market average of US$ 80 but below the global average of US$ 353. Life insurance is popular among the expatriates, who are knowledgeable about its benefits and consider it as an important part of their investment avenues. As expatriates prefer to purchase policies from their homegrown companies operating in the UAE, foreign insurance providers account for 79.4% of the life insurance GWP in the country[13]. The policy is not so essential for the nationals, as they are covered under the state welfare programs. Moreover, the awareness about such products is low amongst the residents. A vibrant business environment, huge infrastructure developments and compulsory motor and health covers have resulted in the non-life density growing at an annual average of 5.1% since 2011 to US$ 790.3 in 2016. The level is much higher than the global average of US$ 285.

Exhibit 14: Life Insurance Density and Penetration in the UAE



Source: Swiss Re, IMF

Exhibit 15: Non-life Insurance Density and Penetration in the UAE



Source: Swiss Re, IMF

The insurance sector in the Emirates is fragmented and highly competitive with the presence of 61 insurance providers, comprising 34 national and 27 foreign companies

The insurance sector in the Emirates is fragmented and highly competitive with the presence of 61 insurance providers, comprising 34 local and 27 foreign companies[14]. Of the national players, 11 firms offer Takaful insurance. Financial performance of the 30 listed insurers, accounting for more than half of the country's GWP, improved in 2016 and 9M 2017[15]. The consolidated GWP grew by 9.9% y-o-y to US$ 5.4 billion in 2016 and by 12.5% y-o-y to US$ 4.7 billion in 9M 2017. Growth was driven by the implementation of mandatory medical insurance and the tariff rise in motor insurance. Oman Insurance Co., Orient Insurance, Abu Dhabi National Insurance Co., Emirates Insurance Co. and Al Ain Ahlia Insurance Co. accounted for 53.2% of the GWP in 2016, highlighting greater industry concentration at the top. The insurance sector returned to profits, as the combined ratio[16]

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[12] Source: "World Insurance in 2016", Swiss Re; IMF
[13] Source: "Annual Report of Insurance Sector of the UAE", Insurance Authority of UAE, 2015
[14] Source: "Annual Report on the UAE Insurance Sector 2015", Insurance Authority of the UAE
[15] Source: Swiss Re, Thomson Reuters Eikon
[16] A combined ratio below 100% indicates that a firm is generating underwriting profit, while a ratio above 100% indicates that it is incurring underwriting loss

improved from 105% in 2015 to 99% in 2016[17]. The UAE insurance companies posted a net profit of US$ 245.5 million in 2016 compared to a loss of US$ 51.5 million in the previous year[18]. The profitability boosted further with 9M 2017 witnessing a net income of US$ 306.9 million, an increase of 56.7% y-o-y. While the top line expansion was driven by the regulatory reforms, the profitability was boosted by an increase in net investment income, which represented more than 90% of the bottom line. A new regulation passed in this year was the introduction of a unified motor policy effective January 1, 2017, providing increased insurance cover. As part of the policy, the government set new tariffs for third-party vehicle insurance, resulting in as much as 40% rise in premiums of certain vehicle models[19]. With motor insurance contributing about 30% of premium income in the UAE, the new tariff assisted in the expansion of overall industry GWP.

The regulatory framework in the UAE has been transforming the sector. In early 2015, UAE Insurance Authority, the sector's independent regulator, introduced several measures such as improved financial reporting standards, independent actuarial sign-offs, risk management & controls and reserving and solvency requirements. The regulations also put caps on equity and real estate investment of insurers to optimize their risk exposure. Further, the authority directed composite insurers to report their life and non-life businesses separately for effective regulation of the distinct lines. The authority is also spreading knowledge about insurance products by conducting seminars, conferences and campaigns. In November 2016, the authority released a new life consultation paper stating regulations that could change the way life insurance products are priced and sold in the country[20]. The move is to align the regulations in the life segment with those in the developed markets. Industry operators are required to provide their feedback on the paper by November 2017. Such regulations are likely to take the industry to the next level and open up significant opportunities for insurance providers and intermediaries.

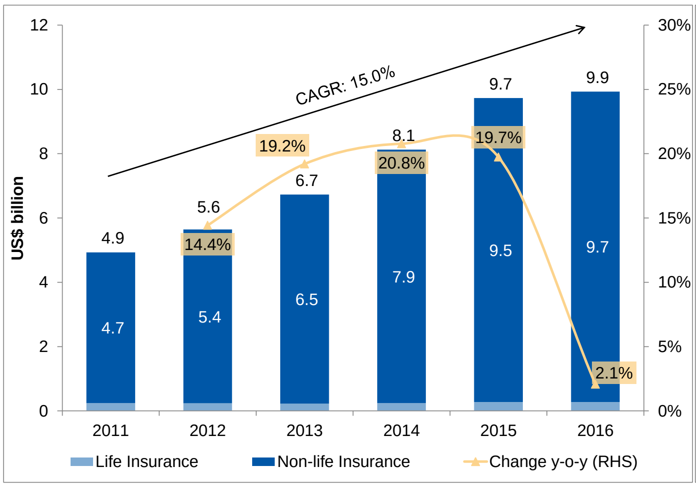
Saudi Arabia

The insurance market in Saudi Arabia is the second largest in the GCC and grew at a CAGR of 15.0% in the last five years to US$ 9.9 billion in 2016

The insurance market in Saudi Arabia is the second largest in the GCC. The GWP grew at a CAGR of 15.0% in the last five years to US$ 9.9 billion in 2016[21] (see Exhibit 16), driven by growth in compulsory insurance lines – medical and motor. Additionally, a large and growing base of population, increasing awareness of insurance benefits and rising number of vehicles have backed GWP growth. Motor and health were the key insurance lines, contributing 86.0% to the total non-life insurance GWP (see Exhibit 17) and nearly 84% to overall sector GWP[22]. These business lines grew at annualized rates of 13.9% and 25.4%, respectively, between 2011 and 2016. Growth was stimulated by the enforcement of actuarial pricing in 2013. However, the overall industry growth decelerated in 2016 owing to the oil price meltdown and its repercussions on business activities and infrastructure spending. Reduced employment levels affected health insurance volumes, a major contributor to the sector. GWP in commercial lines of engineering, marine, energy, property/fire, accidents & liability and aviation also declined during the year.

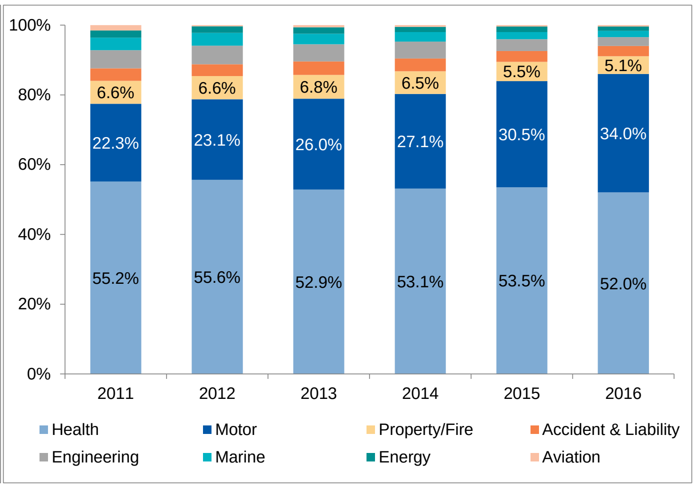
[17] Source: "UAE Insurers Report Profits Amid Regulatory Pressure", S&P Global Ratings, April 17, 2017
[18] Source: Thomson Reuters Eikon
[19] Source: "UAE car insurance costs increase by up to 40%", The National, March 14, 2017
[20] Source: "Abu Dhabi new standards make insurance sector more competitive", Oxford Business Group
[21] Source: World Insurance report series, Swiss Re
[22] Source: "The Saudi Insurance Market Report 2016", Saudi Arabian Monetary Authority (SAMA)

Exhibit 16: Segment-wise Insurance GWP in Saudi Arabia



Source: Swiss Re

Exhibit 17: Composition of Non-life Insurance in Saudi Arabia

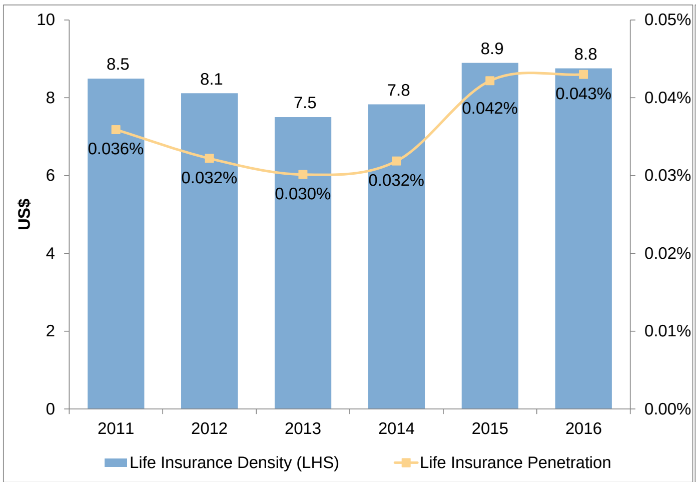


Source: SAMA

Penetration of non-life insurance has been increasing over the years in line with rising motor and health insurance businesses

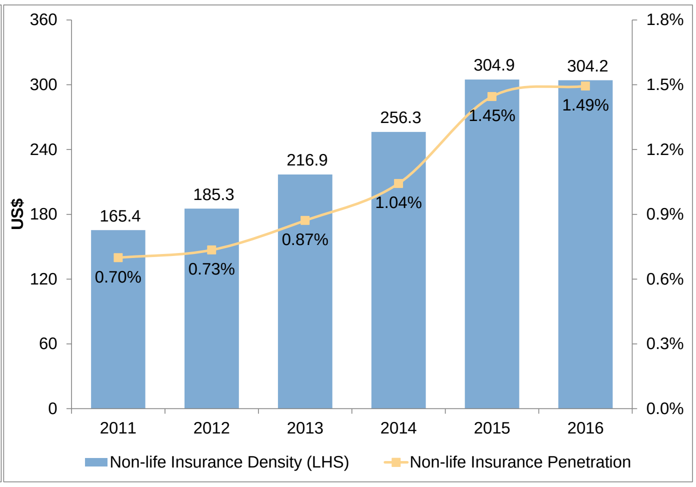
Life insurance premiums continued to remain a miniscule part of the total GWP[23], due to the lack of awareness and product innovation coupled with the Kingdom's generous welfare programs for the nationals. Accordingly, the penetration and density levels of life insurance are extremely low (see Exhibit 18). Life insurance is almost absent amongst the retail segment and is primarily availed as group schemes. Penetration of non-life insurance has been increasing over the years in line with rising motor and health insurance businesses. There is ample room for growth, as the penetration rate of 1.5% is much lower than the advanced economies. The density of non-life insurance increased at a rapid CAGR of 13.0% in the last five years, but remained almost flat in 2016 (see Exhibit 19), mirroring the trend in GWP.

Exhibit 18: Life Insurance Density and Penetration in Saudi Arabia



Source: Swiss Re, IMF

Exhibit 19: Non-life Insurance Density and Penetration in Saudi Arabia



Source: Swiss Re, IMF

[23] Source: World Insurance report series, Swiss Re

The insurance market in Saudi Arabia is highly concentrated, with the top five players holding 64.0% of the GWP in 2016

The domestic industry is intensely competitive with 35 licensed insurers and reinsurers[24] contending for the nearly US$ 10 billion of gross premiums. The industry is also highly concentrated, with the top five players holding 64.0% of the GWP in 2016[25]. During 2016, the insurance industry[26] posted a substantial 152.1% y-o-y jump in net profit to US$ 627.7 million led by lower claims ratio and increase in investment income. The top two insurers – Company for Cooperative Insurance (CCI or Tawuniya) and Bupa Arabia for Cooperative Insurance Co. (BUPA) – contributed nearly 60% to the net profit in 2016. GWP growth during the year was meager due to fall in demand for health and general insurance products. The deceleration continued in 9M 2017, wherein the GWP dropped by 1.4% y-o-y to US$ 7.5 billion. During the period, net profit also fell by 15.6% to US$ 380.8 million, but this was mainly due to the substantial increase in losses of Mediterranean and Gulf Cooperative Insurance and Reinsurance Co. (MGCI). The loss was attributed to lower net underwriting results arising out of drop in net premiums and increase in bad debts provisions. The company's accumulated losses reached 19.5% of its capital as on September 30, 2017[27]. Barring this company, the overall industry's net profit grew by 14.8% y-o-y. The implementation of prudent reserving and a pricing mechanism in 2013 to move away from market-based pricing has improved the overall sector profitability. However, the industry may undergo consolidation, in view of the accumulated losses of some insurers. Companies like Malath Cooperative Insurance & Reinsurance Co. and Allied Cooperative Insurance Group as well as Gulf Union Cooperative Insurance and Al Ahlia for Cooperative Insurance have filed an intent to conduct due diligence in preparation for merger[28]. The regulator, SAMA, has also tightened its purview over the insurers by directing them to review and restructure businesses. The authority has been suspending several motor insurers from issuing new policies until the companies resolve customer complaints and address claims management. Moreover, in March 2017, Sanad Cooperative Insurance Co. applied for voluntary liquidation after losing over half of its capital. Many insurers have also filed an intent to raise capital to meet the solvency requirements. Such activity and stringent regulatory oversight will ensure prudent practices and strengthen the industry. Overall, the insurance sector in the Kingdom seems to be benefiting from the active regulations that improved tariffs, capitalization and profitability.

The insurance sector in the Kingdom seems to be benefiting from the active regulations that improved tariffs, capitalization and profitability

Qatar

Qatar is the fastest growing insurance industry in the GCC, registering a CAGR of 19.7% in the GWP to reach US$ 2.9 billion in 2016 from US$ 1.2 billion in 2011

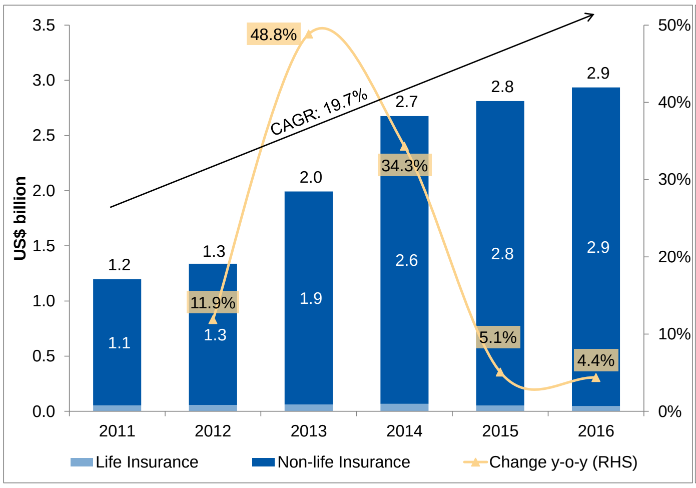
Qatar is the fastest growing insurance industry in the GCC, registering a CAGR of 19.7% in the GWP to reach US$ 2.9 billion in 2016 from US$ 1.2 billion in 2011[29] (see Exhibit 20). The high growth period was mainly during 2011-2014 backed by a period of elevated oil prices and the ensuing investments on economic expansion and infrastructure developments in preparation for the FIFA World Cup 2022. With the drop in oil prices, the GWP growth has moderated in the last couple of years.

Motor and fire/theft are the key business lines, accounting for 35.4% and 23.5% of the country's insurance GWP in 2016[30] (see Exhibit 21). The share of motor insurance has been increasing, supported by rising sale of vehicles and mandatory car insurance policy. Health insurance is a part of the 'Other' category and is not a major part of the GWP, unlike the other GCC countries. Nevertheless, the government is working on introducing a

[24] Source: "Financial Stability Report 2017", Saudi Arabian Monetary Authority (SAMA)
[25] Source: Thomson Reuters Eikon
[26] Performance of 33 publicly listed insurance companies in Saudi Arabia
[27] Source: Tadawul
[28] Source: "Saudi insurers eye merger route out of losses, insolvency", Argaam, May 2, 2017
[29] Source: World Insurance report series, Swiss Re
[30] Source: "Banks and Insurance", Ministry of Development Planning and Statistics of Qatar

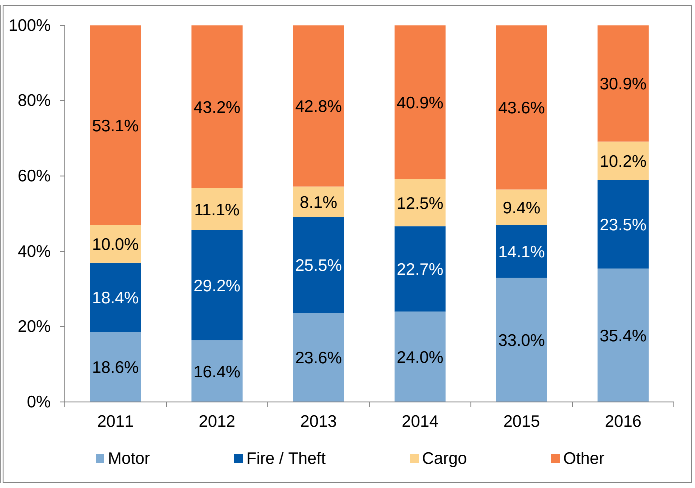
mandatory health insurance scheme for expatriates and visitors. This is likely to drive the insurance sector, alongside rapid urbanization and infrastructure developments.

Exhibit 20: Segment-wise Insurance GWP in Qatar



Source: Swiss Re

Exhibit 21: Composition of Insurance in Qatar

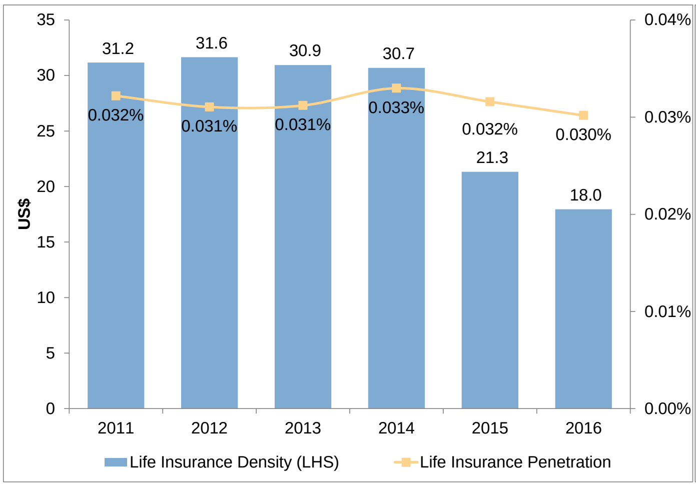


Source: Ministry of Development Planning and Statistics of Qatar

Non-life insurance remains the key segment accounting for 98.4% of the total insurance GWP in Qatar

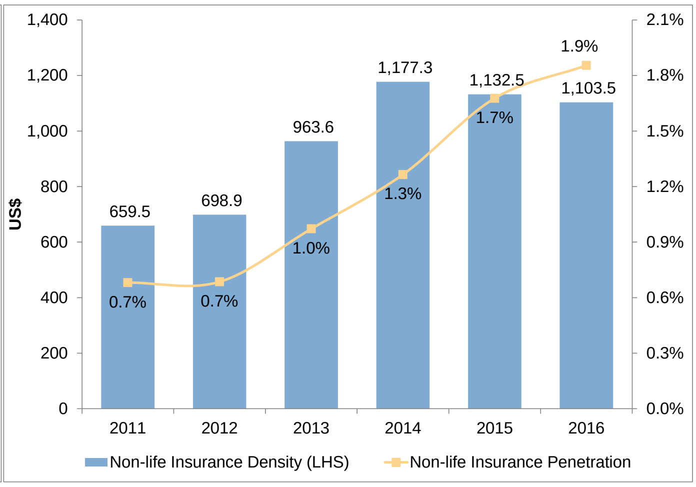
Life insurance segment in Qatar is underdeveloped, with a negligible penetration rate of 0.03% and density of US$ 18.0 (see Exhibit 22). While the penetration rate has remained range bound, the density has declined in the last two years owing to the fall in premiums. Non-life insurance remains the key segment accounting for 98.4% of the total insurance GWP. Expanding at an annualized rate of 20.4% between 2011 and 2016, the non-life insurance market is growing rapidly in the country. Subsequently, the penetration level has risen from 0.7% in 2011 to 1.9% in 2016 (see Exhibit 23) and the density at an annual average of 10.8% during the period.

Exhibit 22: Life Insurance Density and Penetration in Qatar



Source: Swiss Re, IMF

Exhibit 23: Non-life Insurance Density and Penetration in Qatar



Source: Swiss Re, IMF

The insurance sector in Qatar is highly concentrated with the top five players holding about 80% of the country's GWP

The country is home to 12 insurance companies, of which 8 are local and rest are branches of foreign companies[31]. Of these, eight are conventional insurance players and remaining Takaful providers. Additionally, the QFC, an onshore global financial hub, hosts 15 insurers, of which 10 are from the MENA region. Like its neighboring countries, the insurance sector in Qatar is highly concentrated with the top five players – Qatar Insurance Co., Qatar General Insurance and Reinsurance Co., Doha Insurance Co., Qatar Islamic Insurance Co., and Al Khaleej Takaful Group – holding about 80% of the country's GWP[32]. With a high fragmentation at the bottom level, the small players are facing intense competition. Foreign insurance companies do not have a major presence in Qatar; however, the local insurers have established substantial operations overseas. In fact, Qatar Insurance Co., the largest domestic insurer, earns a large part of its premium income from international operations.

Collectively, GWP of the top five companies increased by 31.4% y-o-y in 2016 to US$ 3.1 billion and 13.8% y-o-y during 9M 2017 to US$ 2.6 billion[33]. The GWP of these companies is inclusive of their international operations and hence higher than the total country's GWP. However, net profit remained under pressure as it declined by 36.4% y-o-y to US$ 385.2 million in 2016 and 56.3% y-o-y to US$ 119.9 million in 9M 2017, primarily due to fall in investment income and losses booked by Qatar Insurance Co. in Q3 2017 on account of the natural disasters in Americas.

On the regulatory front, Qatar Central Bank (QCB) – the insurance industry regulator – introduced an Insurance Law in April 2016. The law stipulates the minimum capital requirements, actuarial reviews, governance rules, reserving and investment limits, risk management and other controls. According to the new law, listed insurance companies are required to hold a capital of more than QAR 100 million (US$ 27.4 million[34]) or as per the risk-based capital (RBC) requirements. Unlisted insurance companies need to hold a capital above the figure set by the QCB or as per RBC requirement. The regulations may strain the financials of companies in the near term; however, it seems beneficial for the industry's growth over the long run.

Oman

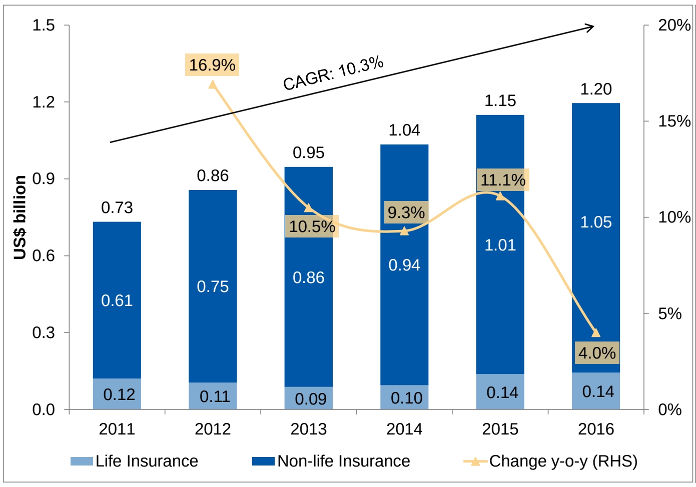
The insurance sector in Oman grew at an average annualized rate of 10.3% between 2011 and 2016 to US$ 1.2 billion

The insurance sector in Oman grew at an average annualized rate of 10.3% between 2011 and 2016 to US$ 1.2 billion[35] (see Exhibit 24), the third fastest growth in the GCC. The expanding market is mainly attributed to the rapid rise in the health insurance segment. The share of health insurance in non-life GWP grew from 18.1% in 2013 to 30.3% in 2016[36] (see Exhibit 25), on the back of increasing use of healthcare facilities and growing awareness about the benefits of insurance among the people. Moreover, the subscriptions have increased ahead of the forthcoming mandatory health insurance in the country. However, the largest business line continues to be motor insurance representing over 40% of the non-life GWP due to compulsory third-party policy requirement. The share of property insurance business has dropped over the years owing to a slowdown in construction activity. Other key business lines of marine and engineering also witnessed a decline in the last couple of years due to a lackluster business climate. Consequently, the non-life GWP – making up 88.0% of the total insurance GWP – grew at a CAGR of 11.4% between 2011 and 2016[35]. On the other hand, the life segment grew at a slow pace of

[31] Source: "Financial Stability Review 2016", Qatar Central Bank
[32] Source: "Insurance Opportunities in the Middle East", EY
[33] Source: Thomson Reuters Eikon
[34] Converted at exchange rate of 0.274
[35] Source: World Insurance report series, Swiss Re
[36] Source: "Insurance Market Index 2015-2016", Capital Market Authority of Oman

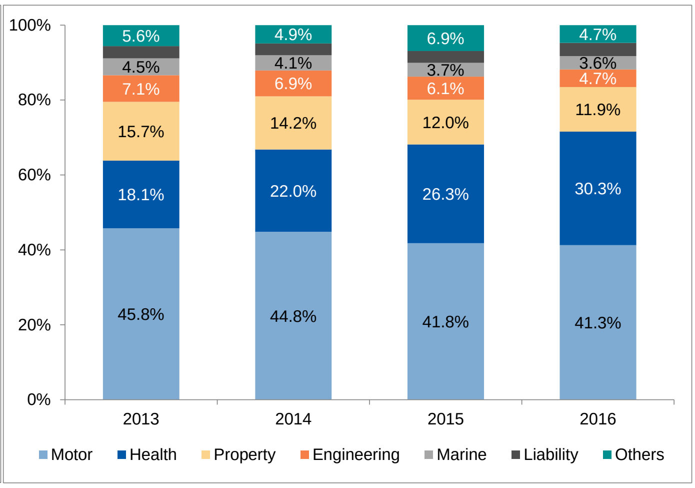
3.5% and formed a small portion of the insurance market. During 2016, growth in life segment slowed due to severances in the construction industry resulting in less life insurance contributions for employees.

Exhibit 24: Segment-wise Insurance GWP in Oman



Source: Swiss Re

Exhibit 25: Composition of Non-life Insurance in Oman

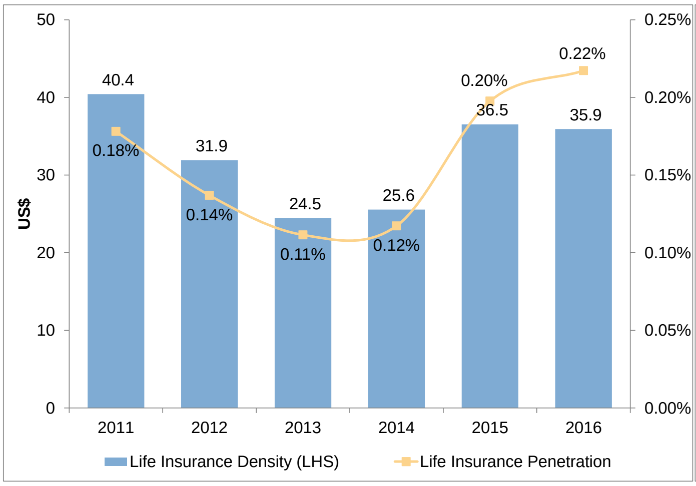


Source: Capital Market Authority of Oman

An increase in GWP amidst the fall in GDP has led to an increase in the penetration of life and non-life insurance segments

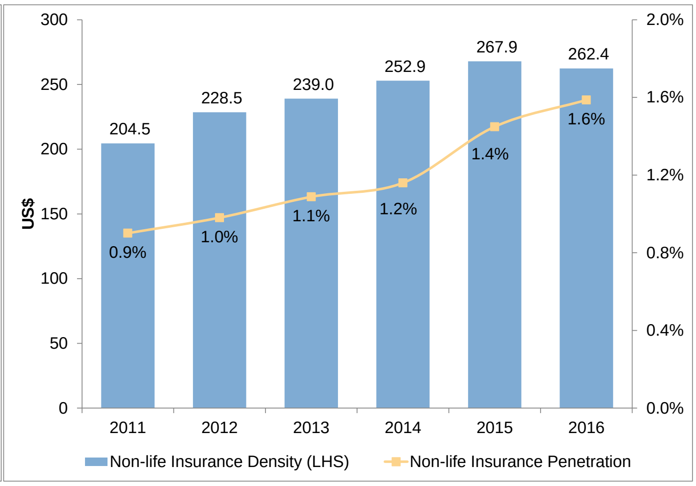
An increase in GWP amidst the fall in GDP has led to an increase in the penetration of life and non-life insurance segments[37] (see Exhibits 26 and 27). Life insurance penetration and density witnessed a substantial jump in 2015. Although the levels are much lower than the advanced economies, the expansion in penetration and density underlines the demand for life insurance from the expatriate community. The segment is likely to grow in the coming years with the rise of family Takaful, alongside, the enactment of new Takaful framework in March 2016. On the non-life side, the density increased by 5.1% annually to US$ 262.4 in 2016 and penetration expanded from less than 1% in 2011 to 1.6% in 2016. The increase is driven by the insurance awareness drive undertaken by the government.

Exhibit 26: Life Insurance Density and Penetration in Oman



Source: Swiss Re, IMF

Exhibit 27: Non-life Insurance Density and Penetration in Oman



Source: Swiss Re, IMF

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[37] Source: World Insurance report series, Swiss Re

During 2016, more than half of the GWP in Oman came from the top four players

Oman's insurance industry comprises 11 national companies, of which two are Takaful providers, and 11 foreign companies[38]. A substantial jump in life insurance premiums and a moderate growth in non-life premiums of foreign companies were the major factors driving the country's insurance GWP in 2016. On the other hand, the life insurance GWP of national insurance providers declined. More than half of the country's GWP in 2016 came from the top four players – National Life Insurance and General (22%), Dhofar Insurance (12%), Axa Insurance (11%) and Oman United Insurance (9%). The consolidated GWP of listed insurance companies (Dhofar Insurance Co., Muscat Insurance Co., Oman United Insurance Co. and Takaful Oman Insurance), reported a decline in during 2016 and 9M 2017[39]. The decline in consolidated GWP was on account of a reduction in underwriting business reported by Dhofar Insurance Co, the second largest insurer in the country, as a result of intense competition and pricing pressures. Nevertheless, the company has been reducing its net loss, resulting in the industry (consolidated net income of the listed companies) returning to profits in 2016 and 9M 2017.

The insurance industry in Oman went through major regulatory changes since 2014, aimed at strengthening the capital base of insurers and developing the industry

The insurance industry in Oman went through major regulatory changes since 2014, aimed at strengthening the capital base of insurers and developing the industry. According to the new amendments to insurance law in August 2014, the Capital Market Authority doubled the minimum capital requirements for local insurance companies from US$ 12.9 million to UD$ 25.9 million[40]. Further, the companies have to convert themselves into public joint stock companies, by divesting 25% of their promoters' holdings through initial public offerings. Such regulations are expected to improve transparency and provide the firms access to additional funds. In March 2016, the regulator introduced the Takaful Insurance Law, to bring the Sharia-compliant insurers in line with the conventional insurance sector. They will have to abide by the same regulations implemented for the larger industry. In September 2017, the regulator received the approval of ministers to introduce mandatory health insurance for private sector expatriates from 2018[41]. To be implemented in stages, this move is set to expand the country's insurance sector.

Kuwait

Kuwait is one of the smallest and least developed insurance sectors in the GCC with an industry equivalent to only 1% of the GDP

Kuwait is one of the smallest and least developed insurance sectors in the GCC with an industry equivalent to only 1% of the GDP[42]. Measured by GWP, the sector grew at a CAGR of 6.4% to US$ 1.12 billion in 2016 from US$ 0.82 billion in 2011 (see Exhibit 28). The growth in premiums remained volatile during the period, with a decline in 2015 and a rebound in 2016. Life insurance segment accounted for 16.4% of the total GWP and grew at an annual average of 3.6% during the five-year period. Non-life GWP grew at a faster pace of 7.0%, but the growth was to an extent subdued by a fall in 2015. Due to mandatory third-party motor insurance, motor is the largest insurance line accounting for nearly 30% of the country's GWP[32]. Health and life are the other key segments.

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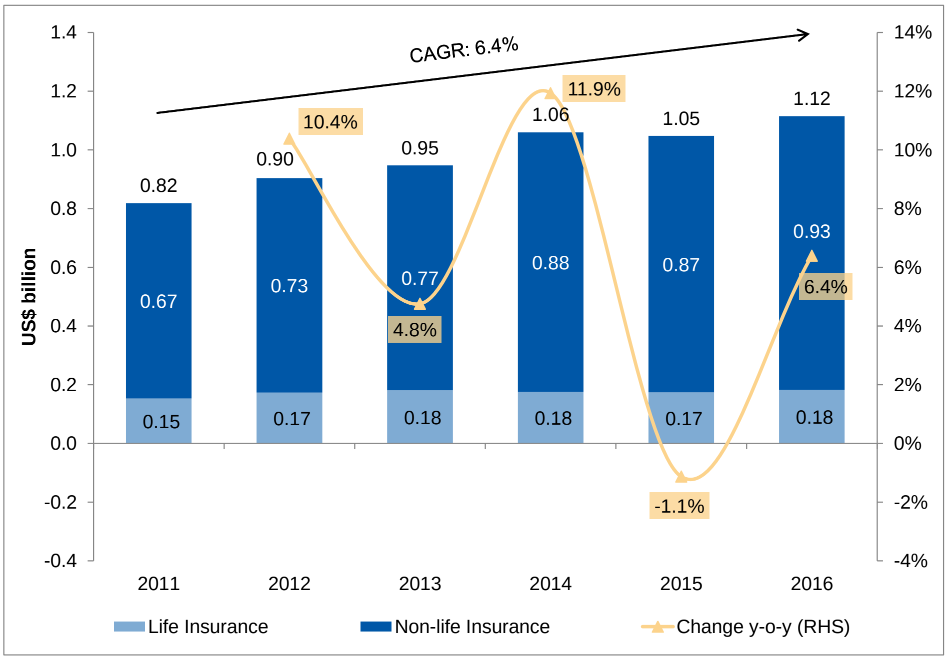
[38] Source: "Insurance Market Index 2015-2016", Capital Market Authority of Oman
[39] Source: Thomson Reuters Eikon
[40] Source: "Insurance Opportunities in the Middle East", EY
[41] Source: "Govt nod for Mandatory Healthcare Insurance for expats in Oman", Ministry of Information of Oman, September 27, 2017
[42] Based on overall insurance penetration level; Source: World Insurance report series, Swiss Re

Exhibit 28: Segment-wise Insurance GWP in Kuwait

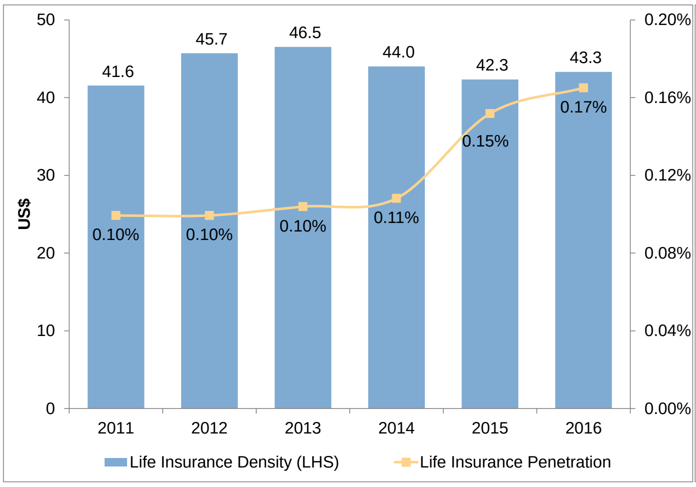


Source: Swiss Re

Life and non-life insurance density in Kuwait have remained volatile in the last three years and stood at US$ 43.3 and US$ 220.6 in 2016

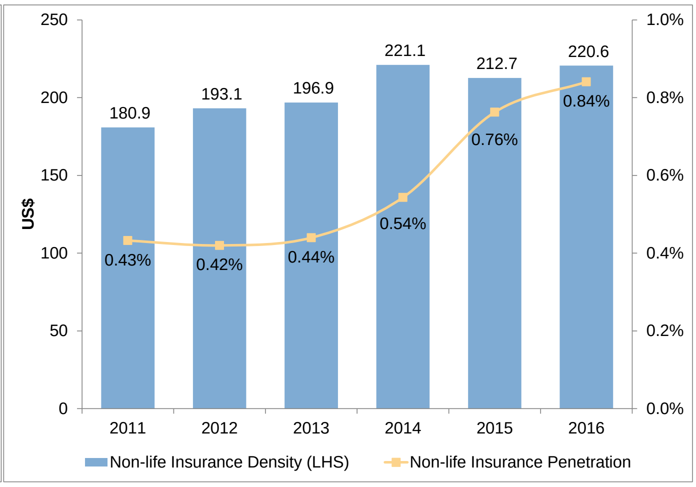
Life and non-life insurance density in Kuwait have remained volatile in the last three years and stood at US$ 43.3 and US$ 220.6 in 2016[43] (see Exhibits 29 and 30). Penetration levels of the segments showed an increase, but this is largely due to a drastic drop in the country's GDP. A growing base of population and recouping economy presents a large opportunity for the insurance players to penetrate the market, given the present low penetration levels.

Exhibit 29: Life Insurance Density and Penetration in Kuwait



Source: Swiss Re, IMF

Exhibit 30: Non-life Insurance Density and Penetration in Kuwait



Source: Swiss Re, IMF

[43] Source: World Insurance report series, Swiss Re

A presence of 23 local players and 10 foreign companies in the small insurance market has led to intense competition

A presence of 23 local players and 10 foreign companies[44] in the small insurance market has led to intense competition. Limited regulatory purview and permission to hold 100% ownership have attracted many foreign insurers, including Takaful providers. Nevertheless, domestic firms lead the insurance industry with the top five local players accounting for more than 56% of the country's GWP.

The five listed insurance players[45] – Al Ahleia Insurance Co., Kuwait Insurance Co., Warba Insurance Co., Gulf Insurance Group and Kuwait Reinsurance Co. – posted a combined GWP of US$ 1.2 billion during 2016, an increase of 10.3% y-o-y[46]. The premiums are higher than the country's total GWP, as the major player Gulf Insurance Group has a presence across the region. Al Ahleia Insurance Co. and Gulf Insurance Group posted an increase in GWP, while the others registered a decline during the year due to the challenging economic environment. On the profitability front, the collective net profit of the five insurers dropped by 37.0% y-o-y to US$ 74.4 million. All the companies reported a drop due to a price war, which affected their underwriting performance. Nevertheless, during 9M 2017 the companies' GWP and net profit expanded annually by 40.0% and 53.8%, respectively[47]. The improvement in premiums was led by a substantial growth in Gulf Insurance Group. Similarly, Kuwait Reinsurance Co. and Kuwait Insurance Co. led the expansion in net profit.

The regulatory framework – controlled by the Ministry of Commerce and Industry – in Kuwait is relatively underdeveloped compared to its neighboring countries. The government is looking at implementing a new insurance law and setting up an autonomous body to regulate the industry. Moreover, in a move to reduce its burden of health costs, the members of parliament have proposed introduced of mandatory health insurance for visitors[48]. Such developments are likely to set a progressive path for the insurance sector.

Bahrain

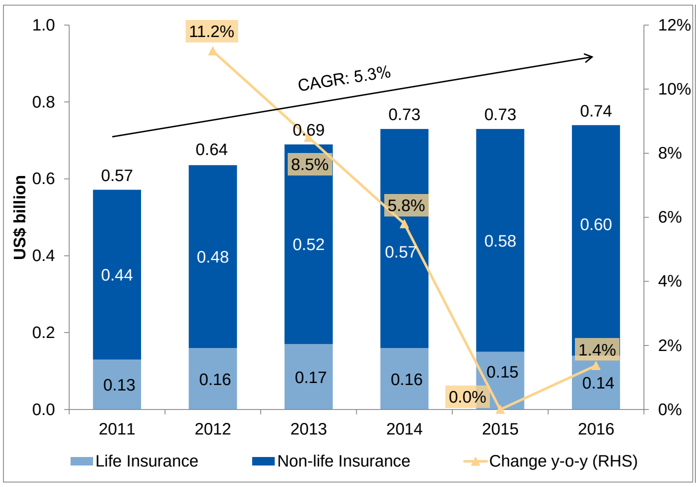
With a GWP of US$ 0.74 billion in 2016, Bahrain has the smallest insurance industry in the GCC

With a GWP of US$ 0.74 billion in 2016, Bahrain has the smallest insurance industry in the GCC[49] (see Exhibit 31). Also, the growth has been the slowest in the region at a CAGR of 5.3% since 2011. The GWP has remained almost unchanged in the last three years, signifying an inactive market. Life insurance premiums declined during the period and accounted for less than 20% of the total insurance market. Non-life insurance premiums grew at a CAGR of 6.3% between 2011 and 2016 and formed the largest part (81.1%) of the industry. Growth in this segment was led by a rapid rise in the motor and medical insurance premiums[50]. Subsequently, their respective shares in the total non-life GWP expanded by 2.3 ppts to 35.8% and 7.2 ppts to 28.2% in 2016 (see Exhibit 32). Mandatory third-party motor insurance and a high composition of expatriates who purchase medical insurance to take care of the high healthcare cost validate the high composition of these business lines. Medical insurance is likely to get a boost in anticipation of regulatory changes to make health insurance mandatory for expatriates. Takaful insurance has a strong base in Bahrain, with a share of 22% in the country's total insurance GWP in 2016[50]. Its contribution is mainly high at over 30% each in medical and motor business

[44] Source: "Insurance market expected to remain fragmented", Middle East Insurance Review, October 25, 2015
[45] Excludes Takaful companies
[46] Source: Thomson Reuters Eikon
[47] Excluding Warba Insurance Co.
[48] Source: "Kuwait MPs propose mandatory health insurance for visitors", Zawya, June 17, 2017
[49] Source: World Insurance report series, Swiss Re
[50] Source: "Insurance Market Review", Central Bank of Bahrain

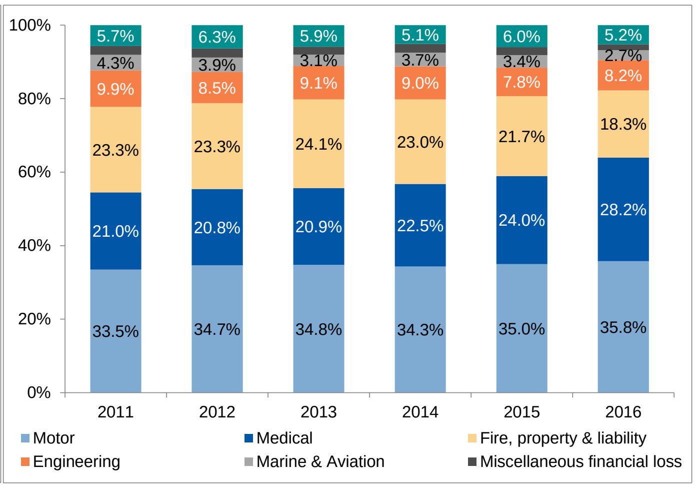
lines. Insurance premiums written by Takaful providers grew at a CAGR of 6.6% in the five years to BHD 60.4 million (US$ 164.4 million[51]) in 2016.

Exhibit 31: Segment-wise Insurance GWP in Bahrain



Source: Swiss Re

Exhibit 32: Composition of Non-life Insurance in Bahrain

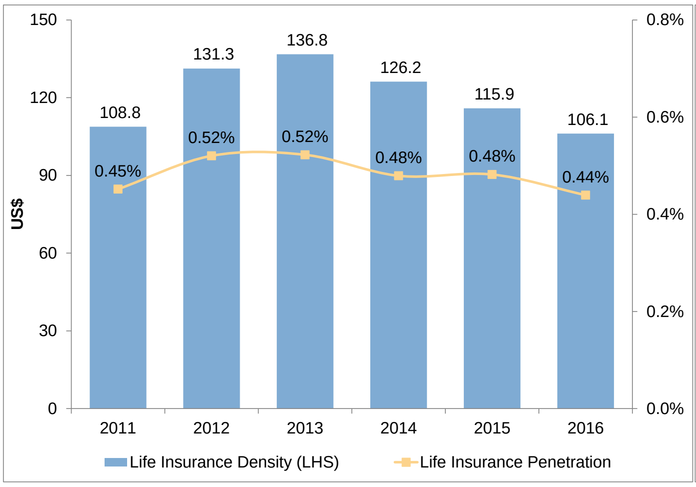


Source: Central Bank of Bahrain

Despite being a small market by size, the total insurance penetration and density in Bahrain are higher than the regional average

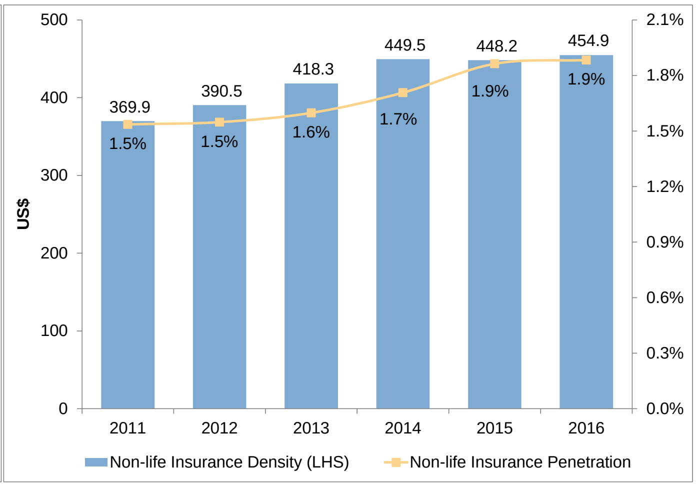
Despite being a small market by size, the total insurance penetration and density in Bahrain are higher than the regional average[52]. Life and non-life insurance penetration rates at 0.44% and 1.9%, respectively, in 2016 (see Exhibits 33 and 34) are the second highest in the GCC. However, penetration and density in the life insurance segment have dropped after 2013 with fall in premiums, mainly in the family Takaful category. On the other hand, non-life penetration and density have been growing supported by new businesses and rising number of expatriates.

Exhibit 33: Life Insurance Density and Penetration in Bahrain



Source: Swiss Re, IMF

Exhibit 34: Non-life Insurance Density and Penetration in Bahrain



Source: Swiss Re, IMF

[51] Converted at exchange rate of 2.720
[52] Source: World Insurance report series, Swiss Re

Competition is intense in the insurance industry of Bahrain, but the market is not concentrated, unlike its other counterparts

The country's insurance industry is home to 36 insurance firms, of which 25 are locally incorporated including six Takaful providers and two each reinsurer and retakaful firms[53]. Foreign insurance providers comprised eight conventional insurers and three reinsurers. The competition is intense, but the market is not concentrated, unlike its other counterparts. The top five players account for only 39.4% of the total GWP and no insurance provider has a market share of over 10%[53]. While the collective GWP of the insurance companies grew at a moderate pace of 1.4% y-o-y to US$ 740.0 million in 2016, net profit expanded by 41.1% y-o-y to BHD 34.0 million (US$ 92.5 million[54]). The bottom-line expansion was fueled by a substantial rise in investment income, even as the sector reported an underwriting loss of BHD 18.7 million (US$ 50.9 million) during the year (compared to a profit in the previous year). The rise in claims and expenses affected the profitability of insurers and hence, a decline in the sector's loss ratio.

The sector's regulatory framework is one of the most developed in the region and the first to introduce a law for Takaful providers. The Central Bank of Bahrain (CBB) – the insurance sector regulator – in cooperation with Bahrain Insurance Association are spreading awareness about insurance products and imparting the required skills through training sessions. The CBB strides to enhance the sector's regulatory structure to align it with the international financial standards.

[53] Source: "Insurance Market Review 2016", Central Bank of Bahrain
[54] Converted at exchange rate of 2.720

3. The GCC Insurance Industry Outlook

3.1 Forecasting Methodology

This report provides an outlook of the GCC insurance industry in terms of the market size (by GWP) of life and non-life insurance in each constituent country through 2021.

The factors considered for the projections include:

- Population, Inflation and GDP from IMF (last updated October 2017)
- Historical life and non-life insurance GWP from Swiss Re

The methodology adopted for projecting the market size is as below:

- Life insurance – Density x Population, where the life insurance density across the countries is forecasted based on inflation.

- Non-life insurance – Penetration x GDP, where non-life insurance penetration is projected using a combination of statistical technique and macro variables. To capture the impact of economic slowdown on the GWP, the non-life insurance penetration in 2017 has been assumed to remain constant in most of the countries and to decline in Saudi Arabia and Oman based on the actual performance of companies in the interim. Further, the long-term forecasts have been arrived at using regression analysis, as the statistical technique has shown a strong correlation with GDP in the past ten years. In a couple of countries, the growth in penetration has been linked directly to GDP projections to factor in country-specific risks.

Note: We have introduced market forecasts for 2021 in this report, alongside the interim forecasts from 2017. Our interim forecasts are below that in Alpen Capital's GCC Insurance Industry report dated October 13, 2015. This variation is broadly due to the revised macro projections by IMF, updated base numbers of insurance industry size and changing industry dynamics.

Macro Assumptions

- The GCC population is projected to grow at a CAGR of 2.3% to reach 60.3 million in 2021 from 53.8 million in 2016.
- The region's GDP at current prices is anticipated to grow at an annual average rate of 5.3% from US$ 1,360.0 billion in 2016 to US$ 1,761.7 billion in 2021. Although the revised growth is stronger compared to that used in our last report, IMF's projections of absolute GDP has reduced.
- The average general inflation rate in the region is expected to range between 1.6% and 3.7% during the forecast period.

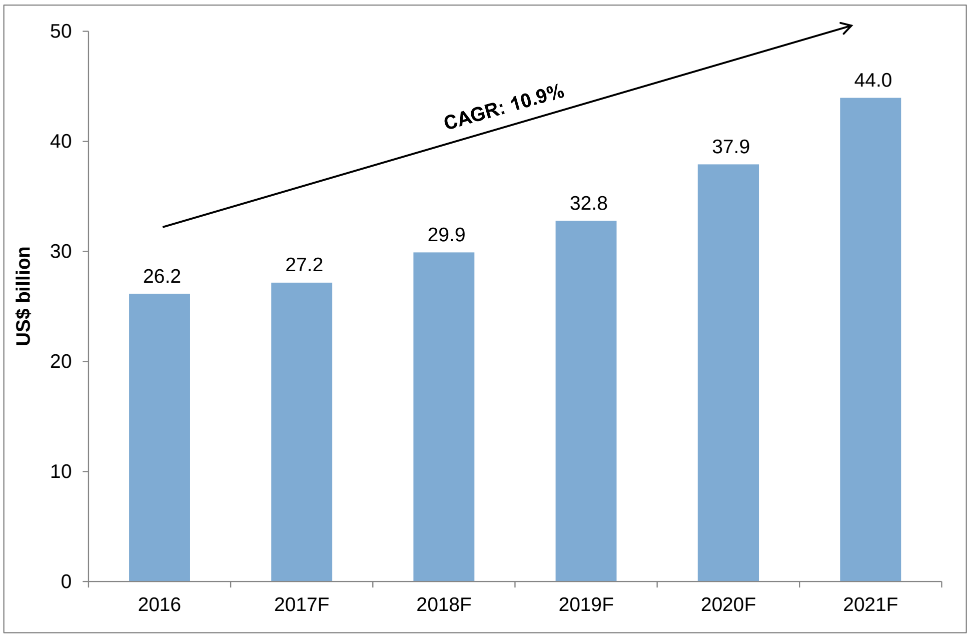
3.2 GCC Insurance Market Forecast

The GCC insurance market is projected to grow at a CAGR of 10.9% from US$ 26.2 billion in 2016 to US$ 44.0 billion in 2021

The GCC insurance market is projected to grow at a CAGR of 10.9% from US$ 26.2 billion in 2016 to US$ 44.0 billion in 2021 (see Exhibit 35). This projection is based on existing fundamentals of the industry and economic outlook. The projections are below the estimates presented in Alpen Capital's GCC Insurance Industry Report published on October 13, 2015, mainly due to the repercussions of oil price meltdown and the following revision in GDP by IMF. Nevertheless, economic diversification efforts and a gradual recovery in oil prices are the factors that will present underwriting opportunities. Additionally, the drivers vary across the GCC countries, as the regulators undertake measures to develop their respective insurance sectors.

The growth in GWP is likely to be moderate in 2017, as the industry players are adapting to the new regulations amidst increasing competition and recovering economic activity. On one hand, increased capitalization requirement and actuarial pricing are improving the financial performance of insurers and on the other hand, the regulations are encouraging consolidation activity.

Exhibit 35: GCC Insurance Market Size Forecast



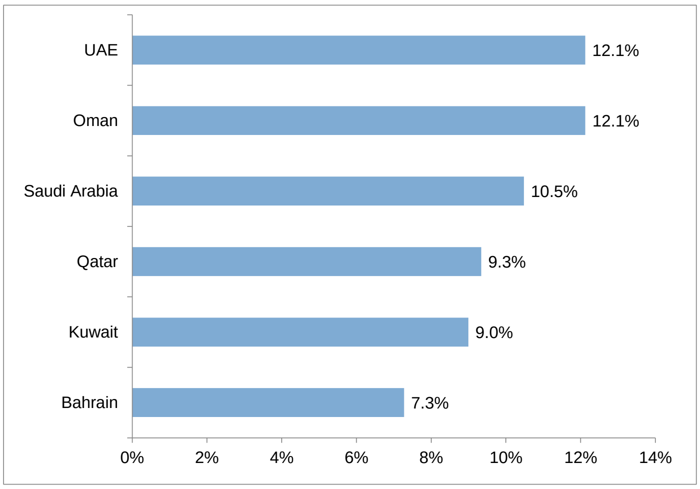
Source: Alpen Capital, Swiss Re, IMF
Note: F – Forecast

Country-wise Growth Forecast

Between 2016 and 2021, insurance markets in the UAE and Oman are anticipated to grow at the fastest annualized average pace of 12.1%

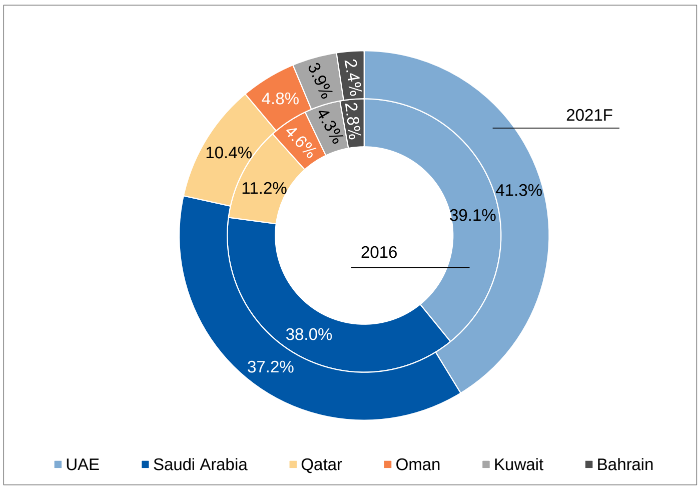
Between 2016 and 2021, insurance markets in the UAE and Oman are anticipated to grow at the fastest annualized average pace of 12.1%, followed by Saudi Arabia at 10.5% (see Exhibit 36). The premium growth in Oman is likely to be driven largely by the introduction of mandatory health insurance and that in the UAE by new motor insurance pricing regulation. Additionally, macro factors like population growth, infrastructure developments and revival of business activity will aid growth across the countries. While the market rankings of the countries are not expected to change through 2021, the share of UAE and Oman are likely to expand and that of others may contract (see Exhibit 37).

Exhibit 36: Insurance Market Growth (CAGR: 2016 – 2021F)



Source: Alpen Capital, Swiss RE, IMF

Exhibit 37: Contribution to the GCC Insurance Market



Source: Alpen Capital, Swiss RE, IMF

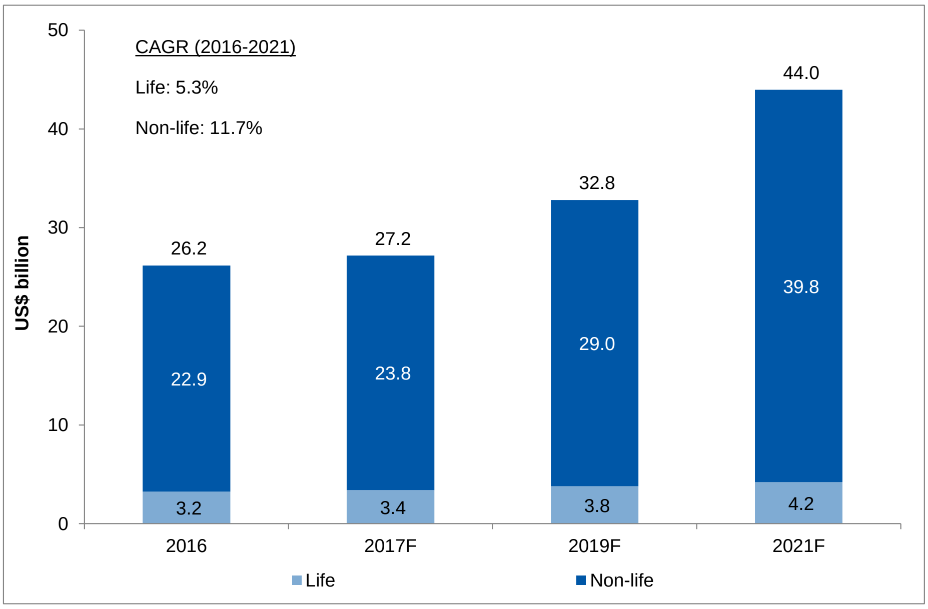
Note: F – Forecast

Life and Non-life Insurance Forecast

The non-life insurance market is expected to grow at a rapid CAGR of 11.7% between 2016 and 2021 to US$ 39.8 billion

In view of the new regulations improving the pricing of insurance policies, an anticipated revival in the economy, mandatory covers and rising healthcare costs, the non-life insurance market is expected to grow at a rapid CAGR of 11.7% between 2016 and 2021 (see Exhibit 38). At US$ 39.8 billion in 2021, the segment will comprise 90.4% of the total insurance market, an increase of 2.8 ppts from 2016. On the other hand, growing population and awareness of life insurance products in the region is likely to aid growth in the life segment. During the forecast period, the life insurance GWP is projected to grow at an annual average rate of 5.3% to US$ 4.2 billion. The growth rates across the countries are likely to be in the range of 3.9% and 6.5%, with the fastest growth anticipated in Oman in line with its expected population increase.

Exhibit 38: GCC Life and Non-life Insurance Segments Growth Forecast



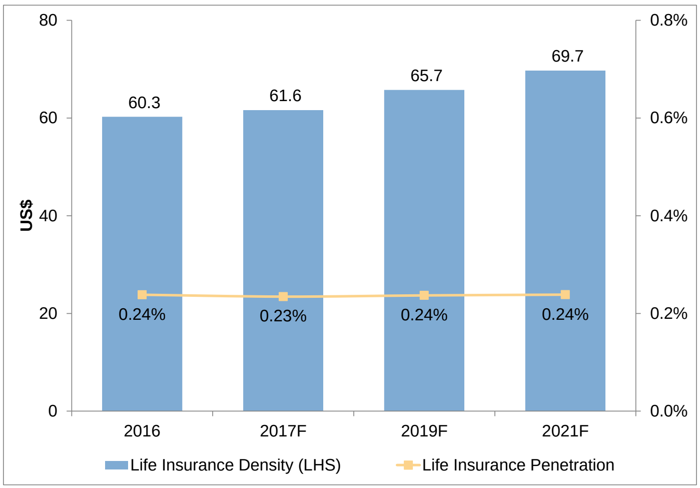
Source: Alpen Capital, Swiss RE, IMF

Note: F – Forecast

Insurance penetration in the region is forecasted to expand from 1.9% in 2016 to 2.5% in 2021

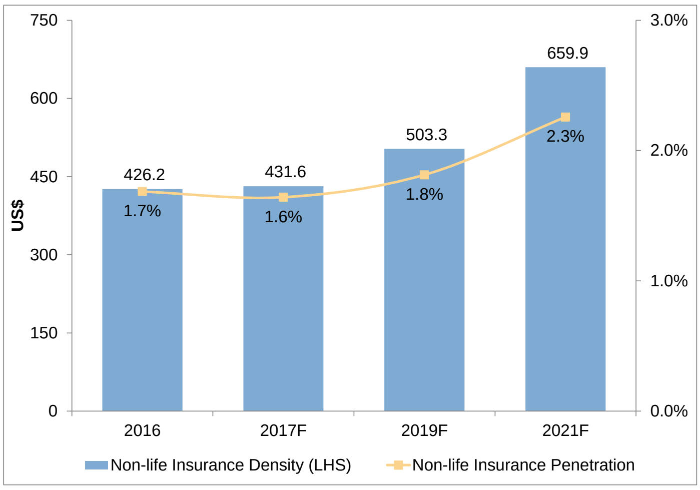
Insurance penetration in the region is forecasted to expand from 1.9% in 2016 to 2.5% in 2021. The expansion is driven by an improvement in penetration of non-life insurance to 2.3%, while that of life insurance is expected to remain stable at 0.24%. (see Exhibits 39 and 40). The penetration rates continue to remain below the international average, presenting immense scope of growth. Insurance density in the region is anticipated to increase at a CAGR of 8.4% to US$ 729.6, of which life insurance density is projected at US$ 69.7 and non-life density at US$ 659.9.

Exhibit 39: Forecast of Life Insurance Density and Penetration in the GCC



Source: Alpen Capital, Swiss RE, IMF
Note: F – Forecast

Exhibit 40: Forecast of Non-life Insurance Density and Penetration in the GCC



Source: Alpen Capital, Swiss RE, IMF
Note: F – Forecast

3.3 Country-wise Market Size Forecast

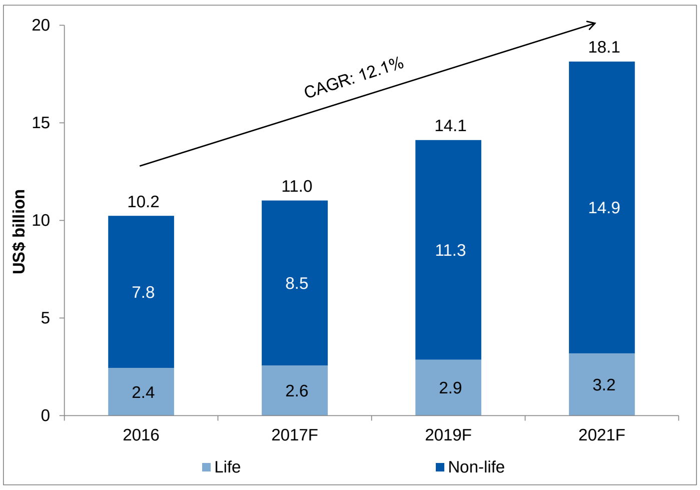
UAE

The UAE insurance market is estimated to reach US$ 18.1 billion in 2021, registering a CAGR of 12.1% from 2016

The UAE insurance market is estimated to reach US$ 18.1 billion in 2021, registering a CAGR of 12.1% from 2016 (see Exhibit 41). The non-life segment is estimated to grow at the fastest pace of 13.9% in the region led by the introduction of new vehicle insurance tariffs in 2017, mandatory health cover, population growth and large-scale project developments ahead of the Expo 2020. Motor insurance line is set to benefit from the upward revision in pricing and property insurance business line is gaining demand after the recent incidences of fire in high-rise buildings[55]. Most of the households in the country lack property risk cover, thus presenting a huge potential for underwriting business. Based on the aforementioned prospects, insurance penetration in the region is forecast to improve to nearly 4% and density to US$ 1,589.0 by 2021(see Exhibit 42).

[55] Source: "Seven in ten UAE residents still lack home insurance", Gulf News, July 13, 2017

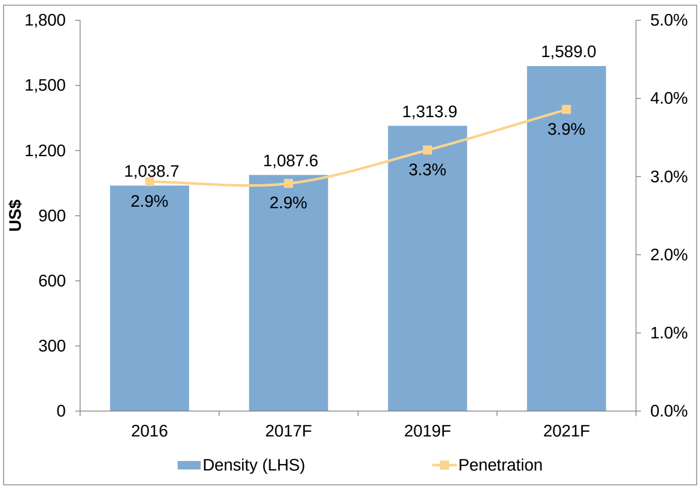
Exhibit 41: Forecast of Insurance Market in the UAE



Source: Alpen Capital, Swiss RE, IMF

Note: F – Forecast

Exhibit 42: Forecast of Density and Penetration in the UAE



Source: Alpen Capital, Swiss RE, IMF

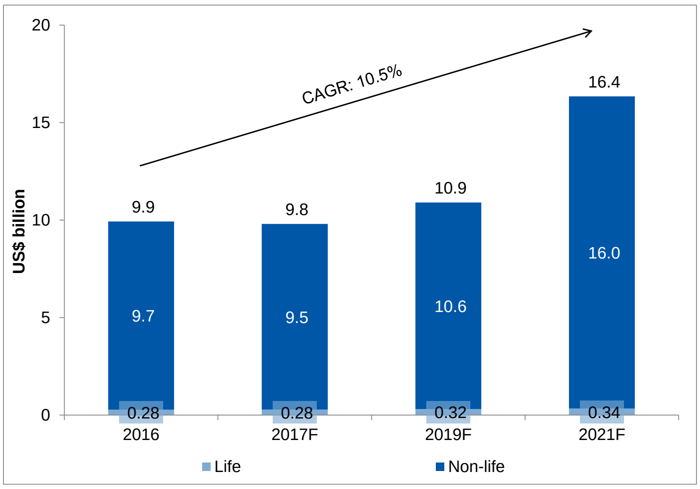
Note: F – Forecast

The insurance industry in Saudi Arabia is projected at US$ 16.4 billion in 2021, indicating an annual average growth of 10.5% from 2016

Saudi Arabia

The insurance industry in Saudi Arabia is projected at US$ 16.4 billion in 2021, indicating an annual average growth of 10.5% from 2016 (see Exhibit 43). The projections are below the estimates in Alpen Capital's GCC Insurance Industry Report on October 13, 2015. The downward revision is due to the deceleration in economic activity, socio-political instability, falling health insurance premiums (representing more than half of the industry) and the tight regulatory oversight on the insurers' business performance. Such developments may slow down underwriting business in the short-term. Nevertheless, industry consolidation and a revival in economic conditions are likely to strengthen the sector. Health insurance business will be supported by the full implementation of comprehensive mandatory medical insurance. Non-life segment GWP is anticipated to grow at an annual average of 10.6% during the forecast period. Consequently, insurance penetration and density in the country is expected to remain under pressure until 2019, before embarking on a high growth trajectory to reach 2.1% and US$ 466.6, respectively, in 2021 (see Exhibit 44).

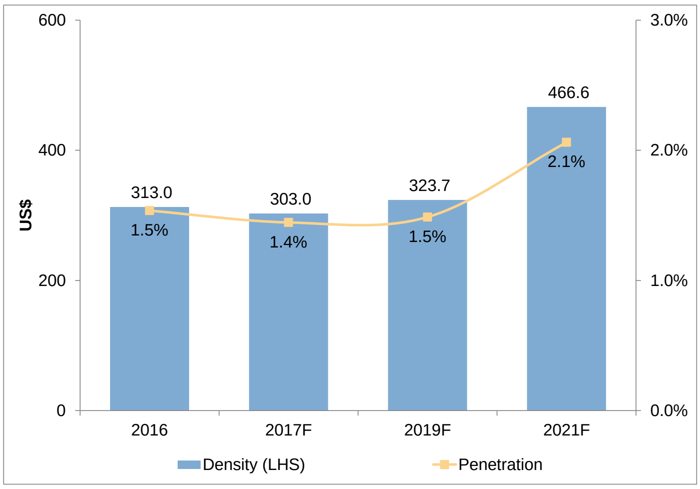
Exhibit 43: Forecast of Insurance Industry in KSA



Source: Alpen Capital, Swiss RE, IMF

Note: F – Forecast

Exhibit 44: Forecast of Density and Penetration in KSA



Source: Alpen Capital, Swiss RE, IMF

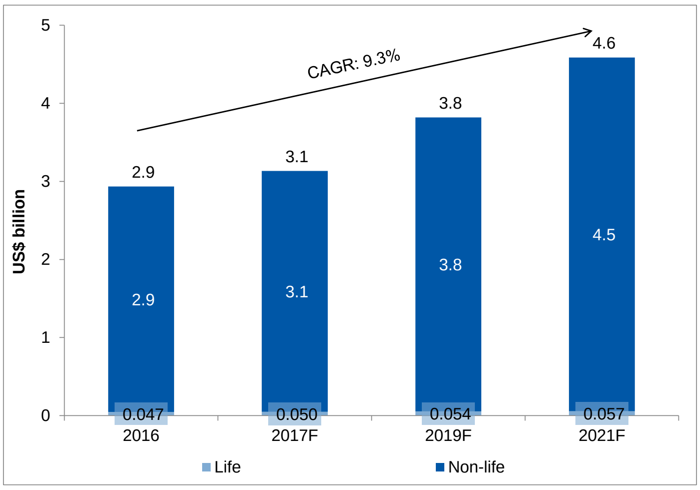
Note: F – Forecast

Qatar

From US$ 2.9 billion in 2016, the insurance sector in Qatar is anticipated to grow at a CAGR of 9.3% to US$ 4.6 billion in 2021

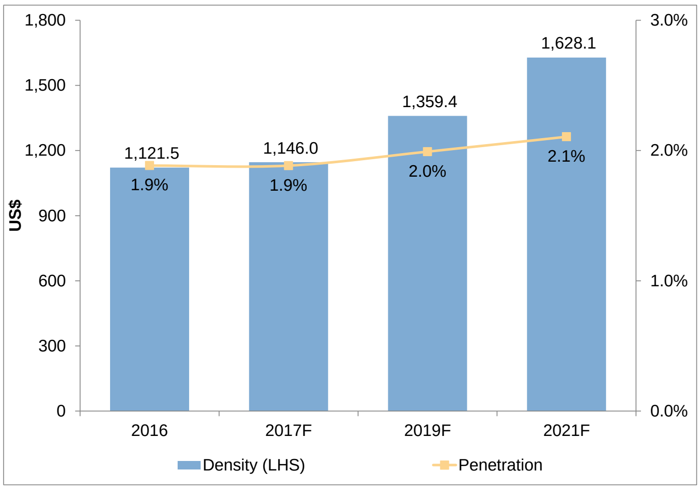
From US$ 2.9 billion in 2016, the insurance sector in Qatar is anticipated to grow at a CAGR of 9.3% to US$ 4.6 billion in 2021 (see Exhibit 45). The projected growth is slower than the historic five-year growth rate as well as the projections in Alpen Capital's previous insurance report. This is in view of the ongoing diplomatic tensions between Qatar and the other GCC members, leading to the imposition of economic sanctions and withdrawal of investments from the domestic market. Moreover, intense competition and low demand in the motor insurance business, the largest insurance line, is likely to constrain growth. Despite the challenges, the country, backed by the world's largest natural gas reserves, is investing heavily in infrastructure projects to diversify its economy and host the FIFA World Cup in 2022. This is likely to expand the underwriting base for commercial lines. On the other hand, rising expatriate population while supporting the economic development will boost demand for personal insurance lines. Accordingly, insurance penetration in Qatar is forecasted to grow steadily to 2.1% and density at an annual average of 7.7% to US$ 1,628.1 by 2021 (see Exhibit 46).

Exhibit 45: Forecast of Insurance Industry in Qatar



Source: Alpen Capital, Swiss RE, IMF
Note: F – Forecast

Exhibit 46: Forecast of Insurance Density and Penetration in Qatar



Source: Alpen Capital, Swiss RE, IMF
Note: F – Forecast

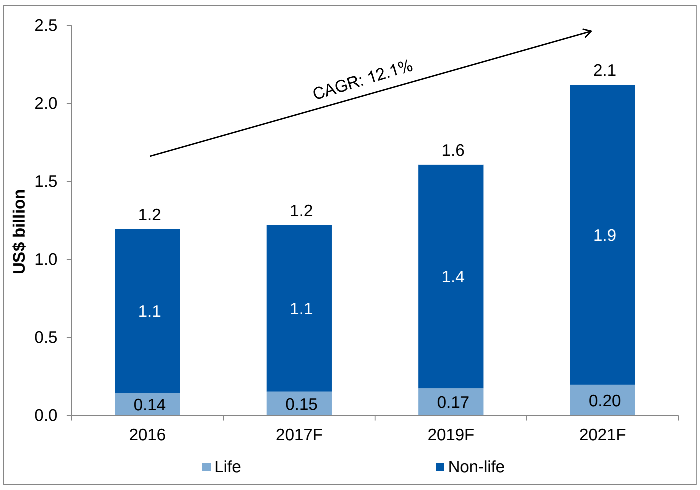
Oman

The insurance market in Oman is projected at US$ 2.1 billion in 2021, translating into a five-year CAGR of 12.1%

The insurance market in Oman is projected at US$ 2.1 billion in 2021, translating into a five-year CAGR of 12.1% (see Exhibit 47). Growth in life segment is expected to be the highest and that in non-life the second highest in the region, supported by rising population (+3.1% annualized average growth), implementation of mandatory health insurance from 2018[56] and wider economic development. The country is witnessing a series of construction projects in logistics, ports, railways and tourist attractions in a bid to diversify revenue sources. Such developments will increase the scope of underwriting activity in the years to come. Additionally, the insurance regulator's order to double capitalization levels will improve the risk-taking ability of the insurers and thereby expand underwriting business. Given the developments, insurance penetration and density in the country is projected to reach 2.4% and US$ 453.1 by 2021 (see Exhibit 48).

[56] Source: "Health insurance mandatory for private sector in Oman from next year", Times of Oman, September 26, 2017

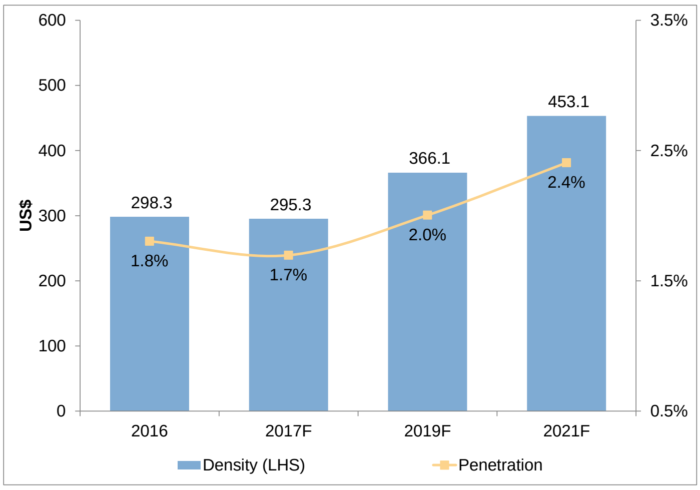
Exhibit 47: Forecast of Insurance Industry in Oman



Source: Alpen Capital, Swiss RE, IMF

Note: F – Forecast

Exhibit 48: Forecast of Density and Penetration in Oman



Source: Alpen Capital, Swiss RE, IMF

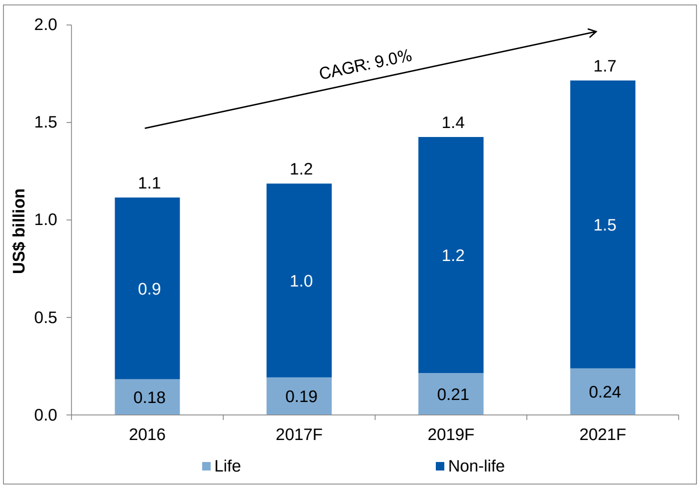
Note: F – Forecast

Kuwait

The insurance sector in Kuwait is expected to reach US$ 1.7 billion in 2021, registering a CAGR of 9.0% from 2016

The insurance sector in Kuwait is expected to reach US$ 1.7 billion in 2021, registering a CAGR of 9.0% from 2016 (see Exhibit 49). At 1.01% the country has the lowest penetration rate in the GCC and subsequently it is likely to experience a strong growth in both life and non-life segments. The industry penetration rate is projected at 1.12% and density at US$ 353.9 in 2021 (see Exhibit 50). Factors that would drive the market include rising population and disposable income, evolving regulatory environment and spending on infrastructure projects. A new insurance law is being drafted, which is likely to include the establishment of an independent regulator and new capital adequacy norms, among others[57]. Improvement in legislation coupled with the proposed introduction of mandatory health insurance for visitors will provide a much-needed fillip to the sector.

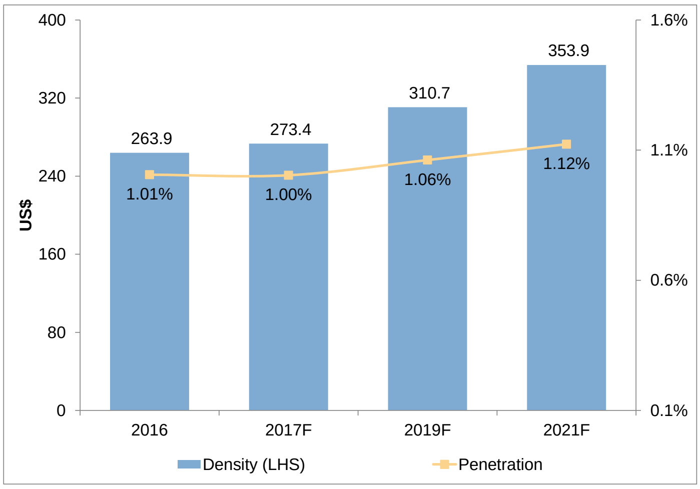
Exhibit 49: Forecast of Insurance Industry in Kuwait



Source: Alpen Capital, Swiss RE, IMF

Note: F – Forecast

Exhibit 50: Forecast of Density and Penetration in Kuwait



Source: Alpen Capital, Swiss RE, IMF

Note: F – Forecast

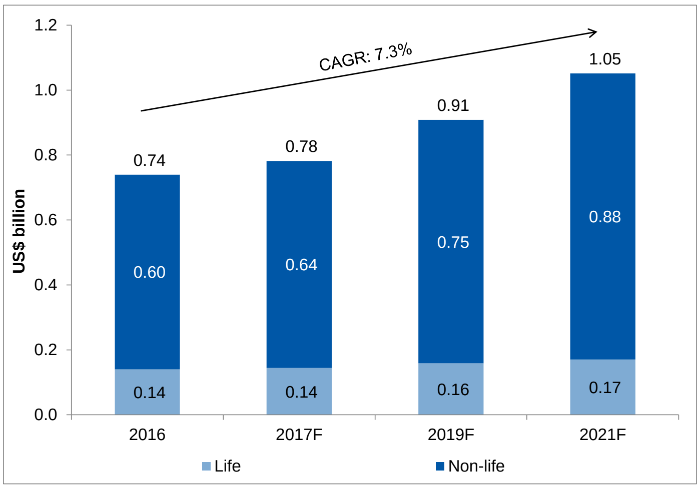
[57] Source: "Kuwait: New insurance law is 75% finalized", Middle East Insurance Review, September 20, 2016

Bahrain

The insurance industry in Bahrain is projected to grow at an annual average of 7.3% to US$ 1.05 billion in 2021

The insurance industry in Bahrain is projected to grow at an annual average of 7.3% from US$ 0.74 billion in 2016 to US$ 1.05 billion in 2021 (see Exhibit 51). Growth in life insurance is likely to be aided by an anticipated rise in population and that in non-life will be driven by revenue diversification efforts, improving business activity and spending on healthcare. Further, a possible introduction of mandatory health insurance, which is under consideration[58], will give a boost to the sector. Subsequently, by 2021, the insurance penetration in the country is anticipated to reach 2.7% and density is estimated to grow at an annualized average of 5.2% to US$ 721.6 in 2021 (see Exhibit 52).

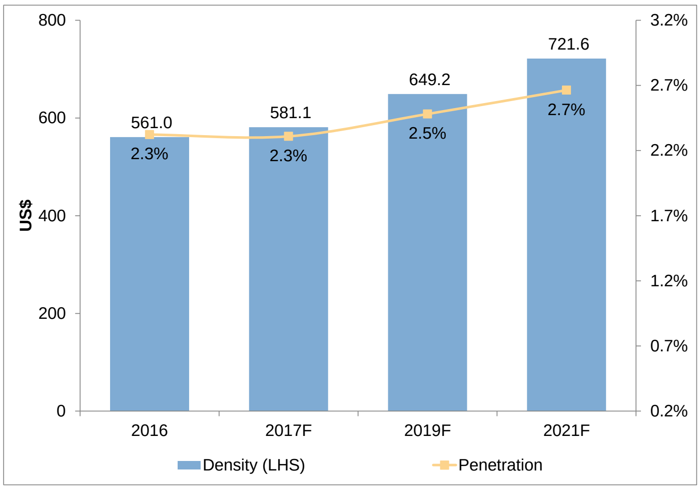
Exhibit 51: Forecast of Insurance Industry in Bahrain



Source: Alpen Capital, Swiss RE, IMF

Note: F – Forecast

Exhibit 52: Forecast of Insurance Density and Penetration in Bahrain



Source: Alpen Capital, Swiss RE, IMF

Note: F – Forecast

[58] Source: "Bahrain: Mandatory health insurance plan moves nearer legislation", Asia Insurance Review, June 21, 2016

4. Growth Drivers

Economic Diversification

Revenue diversification efforts have intensified, resulting in an increase in construction activities across the region and thereby creating a large base of insurable assets

The round of oil price meltdown since the second half of 2014 has widened the fiscal deficits of the energy-dependent GCC economies. A consequent cut in fiscal budgets and implementation of austerity measures, alongside an economic slowdown resulting in job losses, have derailed consumer and business spending. Amidst such a backdrop, economic diversification efforts have intensified to build a sustainable economy. Revenue diversification is a key agenda in the long-term development plans of the GCC nations. The diversification strategies focus on the expansion of sectors such as tourism, transport, financial services and logistics. The government is also encouraging participation of private sector to fund and develop large projects. As a result, the region is witnessing a spate of construction activities related to infrastructure, retail, hospitality, tourist attractions and commercial complexes. The developments have gathered steam particularly in the UAE and Qatar, as they get ready to host their respective mega international events of Expo 2020 and FIFA World Cup 2022. At the start of September 2017, the total value of active construction projects in the GCC reached US$ 2.4 trillion[59]. Completion of such projects is likely to create a large base of insurable assets, thus providing new underwriting opportunities to insurance companies.

Moreover, expanding non-oil sectors coupled with stimulus measures are likely to revive and strengthen the GCC economies. This is likely to translate into an improvement in the purchasing power of people and augment business activities, thus expanding the potential market for insurers.

Mandatory Health Insurance

Compulsory health insurance in the other GCC countries is either under consideration or in the preliminary stages of implementation

Health insurance business line, accounting for nearly 40% of the GCC insurance market[60], is set to witness a swift growth in the coming years, owing to the directives making medical covers compulsory. In the past, the introduction of compulsory motor insurance had led to a rapid growth in the overall sector premiums in the region[61]. A similar growth trend is being observed in recent years in the UAE following the introduction of mandatory health scheme. While Abu Dhabi was the first Emirate to introduce the scheme in 2006, Dubai completed the final phase of compulsory health insurance scheme in March 2017. Buoyed by the implementation, health insurance GWP in the UAE grew at a CAGR of over 20% between 2011 and 2015[62]. Saudi Arabia has a mandatory health scheme in place, but the coverage of nationals in the private sector is low. To address this and reduce the state's burden of cost of healthcare treatments taken abroad, the Council of Cooperative Health Insurance announced a Unified Health Insurance Policy for the private sector in July 2016[63]. According to the policy, private companies have to provide health insurance to all employees and their dependents. The implementation of its final phase began in April 2017. Compulsory health insurance in the other GCC countries is either under consideration or in the preliminary stages of implementation. Oman is set to implement mandatory health insurance for all private sector employees in phases from 2018[64]. In

[59] Source: "Value of ongoing GCC construction projects at $2.4 trn", Saudi Gazette
[60] Based on the composition of non-life insurance reported by respective insurance authorities of the GCC countries
[61] Source: "Compulsory insurance spurs growth in MENA", MENA Insurance CEO Club
[62] Source: "World Insurance Report 2016", Swiss Re
[63] Source: "Regulatory Update: GCC Health Insurance Sector", Clyde & Co., October 24, 2016
[64] Source: "Health insurance mandatory for private sector in Oman from next year", Times of Oman, September 26, 2017

Qatar, the ministries of public health and finance along with the central bank have formed a committee to study the possibility of introducing a new mandatory health insurance scheme. In Kuwait, mandatory health cover is being proposed for visitors[65].

The gradual implementation of compulsory health insurance programs across the region is likely to present strong growth avenues for insurers. Further, the growing cost of healthcare and rising prevalence of lifestyle-related diseases is pushing the overall medical spending and hence, cost of insurance.

Regulatory Reforms

Even as the regulatory developments are at various stages in each constituent country, the region altogether is moving towards risk-based capital reporting and actuarial-led reserving

The GCC insurance market is becoming competitive with its evolving regulatory landscape. Even as the regulatory developments are at various stages in each constituent country, the region altogether is moving towards risk-based capital reporting and actuarial-led reserving. Prudent and actuarial reserving will lead to adequate pricing of premiums and ease price competition in the industry. Saudi Arabia was the first to bring in reforms by introducing a new insurance law in 2013. The law covered regulations pertaining to prudent reserving and actuarial-based pricing regime, which assisted in profitability improvement of the industry. In 2014, Oman directed insurers to double their minimum capital requirement and list on the Muscat Securities Market within three years[66]. The move aims at ensuring transparency and providing insurers access to capital. The UAE implemented several new guidelines for the insurance sector in 2015 including actuarial certifications, solvency-based capital controls, proper reserving, better governance and re-alignment of the investment portfolio. While these regulations are currently putting pressure on the industry profitability, in the long-term they are likely to assist in improving insurer's credit profiles and asset quality. At the same time, the other regulations such as mandatory health cover and an upward revision of motor insurance premiums are aiding growth. In March 2016, Qatar Central Bank issued a new law stating governance principles and operating guidelines for the insurers. It covered topics related to licensing, regulations and controls, risk-based capital requirements and actuarial reporting. Kuwait is also soon likely to come out with a new insurance law, the draft of which is under consideration.

The developing regulatory environment in these countries is likely to improve the market conduct and create sustainable business models. In the short-term, the firms are likely to face operational challenges and high costs to comply with the regulatory requirements. However, the long-term financial strength of the companies is set to improve and align with some of the best international practices.

[65] Source: "Kuwait MPs propose mandatory health insurance for visitors", Gulf News, June 15, 2017
[66] Source: "Oman's insurance market set to benefit from new rules",

Favorable Demographics

A growing population, largely comprising young and working people, increasing number of women in the workforce and rising urbanization are the factors driving demand for insurance products

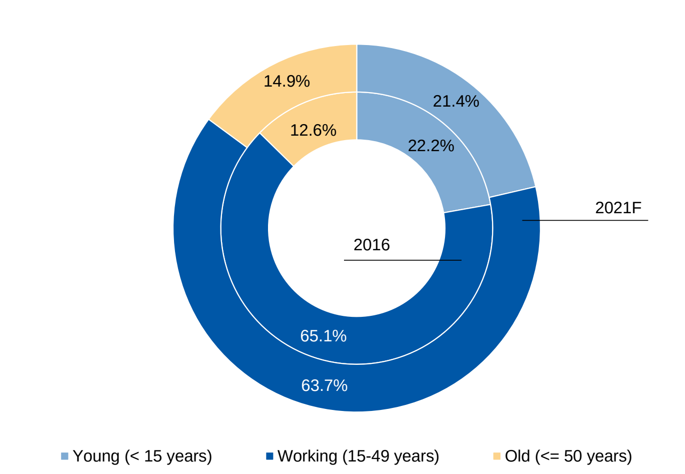
The demographic profile continues to be one of the major driving forces of the GCC insurance sector. A growing population, largely comprising young and working people, increasing number of women in the workforce and rising urbanization are the factors driving demand for life and non-life insurance products. The participation of women in the workforce is increasing in the region, particularly in Saudi Arabia. In September 2017, the Kingdom issued a decree permitting women to drive[67]. Such developments are likely to increase the demand for motor and health insurance products. Expatriates account for more than half of the GCC population, with the UAE and Qatar having a high concentration of above 85%[68]. Demand for personal insurance lines such as life, motor, health and property is also high among expatriates, as they are accustomed to the concept of insurance as a risk mitigation tool.

The sector is also benefiting from a large number of young and working people armed with high purchasing power. This has fueled demand for automobiles and residential properties and hence, the need for related insurance covers. The locals and expatriates in the region also purchase credit insurance for personal loans, car loans and home loans to cover their outstanding debt in adversities like loss of a job, sudden disability or death. Moreover, the young generation (including the citizens) is becoming knowledgeable of the benefits of owning an insurance scheme because of high social media usage and taking up of higher education abroad. The working class continues to remain the core consumer category and as they age, demand for life and medical insurance is likely to expand even further. Nearly 15% of the GCC population is projected to be over 50 years by 2021 compared to about 13% in 2016[69] (see Exhibit 53).

The region is likely to witness an addition of 6.5 million people by 2021

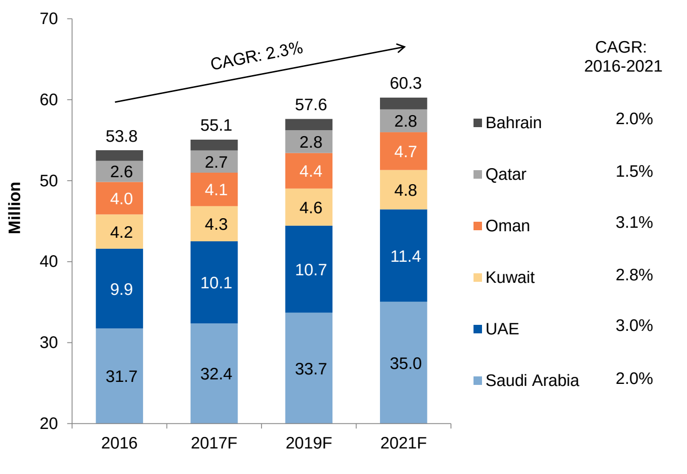
The consumer base is only set to grow further, with an anticipated addition of 6.5 million people by 2021[70], translating into a CAGR of 2.3% from 2016 (see Exhibit 54). The growth will be supported by inflow of expatriates and improving birth rates and life expectancy.

Exhibit 53: Population Age Distribution



Source: United Nations Population Division
Note: F – Forecast

Exhibit 54: GCC Population Forecast



Source: IMF – October 2017
Note: F – Forecast

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[67] Source: "Saudi king issues decree allowing women to drive", Zawya, September 26, 2017
[68] Source: Gulf Labour Market and Migration
[69] Source: "World Population Prospects: The 2017 Revision", United Nations Population Division
[70] Source: "World Economic Outlook Database", IMF, October 2017

Rising Demand for Takaful Products

As a large number of people in the GCC are Muslims, demand for financial solutions based on the Sharia principles has been on the rise in the GCC

As a large number of people in the GCC are Muslims, demand for financial solutions based on the Sharia principles has been on the rise in the GCC. The region is the world's largest Takaful insurance market hosting over 70 Islamic insurance providers with combined premiums of US$ 11.5 billion[71]. While the Takaful business is a sizeable market in Saudi Arabia, it is gradually gaining ground in the other GCC states. The business opened up in Oman in 2014, with the issue of policies by the country's first Takaful firm Al Madina Takaful. At present, there are two national players in this sub-sector, which registered direct premiums of OMR 42.1 million (US$ 109.3 million[72]) in 2016, nearly double of that in 2014[73]. The significant growth substantiates the market potential of Takaful products.

Within the Takaful space, family Takaful has significant opportunities, given the underpenetrated life insurance market

Within the Takaful space, family Takaful has significant opportunities, given the underpenetrated life insurance market. Rising awareness of Islamic products as a financial planning and protection tool is driving growth in the sub-segment. The distribution of such products is being channeled largely through banks, which are being offered as a part of financial planning solutions. The channel, also known as Bancatakaful, has become popular due to its cost-effective and efficient distribution model. The banks along with Takaful firms are offering bundled and tailor-made products to suit the needs of the residents. Family Takaful premiums in the region grew at a CAGR of 13% between 2012 and 2015[71]. The GCC-based Takaful firms also have immense cross-border opportunities in the general Takaful insurance space, especially in Africa having a large proportion of Islam followers being uninsured.

Onshore Financial Centers

With the low premium retention rates across the region, foreign firms have established presence in DIFC and QFC to lend their underwriting capabilities to local firms

Insurance companies operating in the onshore financial centers in the GCC continue to support the overall industry expansion. DIFC and QFC are the two financial hubs, which are home to a number of insurers, reinsurers and intermediaries. These financial centers attract foreign as well as regional companies to benefit from the excellent infrastructure and operating environment, sophisticated regulatory and legal framework and a range of financial incentives. With no restrictions on foreign ownership, currency and capital repatriation, DIFC and QFC are ideal destinations for companies looking to establish their presence in the expanding GCC insurance industry. A large part of the insurance business in the DIFC is reinsurance activity. With low premium retention rates across the region, foreign firms are attracted to these hubs and lend their underwriting capabilities to local firms. Moreover, the financial centers also have insurance captives of regional diversified companies, which are established to underwrite the risks in their various businesses. The insurance companies have a large and growing underwriting base in these centers, owing to the region's robust trade activity and burgeoning SME businesses. In addition to increasing the scope of insurance capacity in the GCC, DIFC and QFC have brought in international insurance expertise and best practices into the region. An increasing number of international reinsurance and insurance management firms are looking to enter the region's underpenetrated conventional and Takaful insurance market. Such companies are likely to set up branches in the financial centers and thus, support the industry advancement. In September 2016, Coface Group, a credit insurance company, obtained a

[71] Source: "Global Takaful Report 2017, Milliman Research, July 2017
[72] Converted at exchange rate of 2.597
[73] Source: "insurance Market Index 2015-2016", Capital Market Authority of Oman

license from DIFC to provide insurance management and intermediation services[74]. Also, given the shortage of skilled insurance executives, the local insurers will continue to be reliant on the expertise of reinsurers in these financial hubs for underwriting large projects.

[74] Source: “Coface strengthens UAE presence with new DIFC insurance licence”, Khaleej Times, September 7, 2016

5. Challenges

Economic Slowdown

Fall in oil prices and the subsequent austerity measures undertaken to shore up revenue and curtail expenses have disrupted economic activity in the GCC

Fall in oil prices and the subsequent austerity measures undertaken by the governments to shore up revenue and curtail expenses have disrupted economic activity in the GCC. Trimmed government spending, deregulated energy prices and reduced subsidies have affected consumers as well as businesses. Moreover, a slowdown in sectors such as energy and construction have led to job losses and pay cuts, thus affecting the overall consumer sentiments. Given such developments, the GCC insurance industry is witnessing a slowdown in underwritings. As consumers refrain from making discretionary purchases, sales of vehicles and property have dropped and hence, the demand for related insurance products. On the other hand, constrained government and corporate spending are affecting commercial insurances lines of property, engineering, marine and aviation. To bring in fiscal stability and build a sustainable economy, the governments are studying the possibility of implementing tax reforms such as value added tax (VAT). While the UAE has announced the implementation of VAT from January 2018[75], the other countries may follow the practice gradually. Introduction of this tax is likely to suppress the consumer and corporate spending in the short term.

Intense Competition

With nearly 200 insurers competing for a pie of US$ 26.2 billion worth of premiums, the insurance sector in the GCC appears overcrowded

With nearly 200 insurers competing for a premiums pie of US$ 26.2 billion[76], the insurance sector in the GCC is overcrowded. Moreover, the market is concentrated, with the top five insurers in each GCC country, barring Bahrain, accounting for more than 60% of the market. As a result, the fragmentation at the bottom level is high with several small companies competing for the remaining market share. Adding to the competition is the less diversified product portfolio. Subsequently, motor and medical insurance lines are facing intense price competition and hence, high loss ratios. The market is likely to witness consolidation, as small players have a tough time complying with the new regulations like actuarial reserving and minimum capital requirement amidst a recuperating economy. Large players have an edge, due to their scale of operations and capacity to win high-risk and high-value contracts.

Shortage of Skilled Manpower

The GCC insurers are not only challenged by shortage of skilled workforce but also by high staffing cost

Shortage of skilled workforce is a challenge inhibiting the growth of many sectors in the GCC. With dependency on human resource, the insurance industry is not immune to this challenge. The expansion of GCC insurance sector is dependent on the hiring of executives with knowledge of insurance products, underwriting and claims management. Despite several insurance programs being offered at educational institutes, the available pool of locals with insurance expertise is low, as the preference for other lines of education is high. Given such a scenario, the insurance companies are largely dependent on expatriates to fill the gap. However, with intensified nationalization efforts and the introduction of related costs/fees, insurance companies have to bear high employee

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[75] Source: UAE Ministry of Finance

[76] Source: World Insurance Report series, Swiss Re; Statistical organizations and insurance authorities of GCC member countries

acquisition and salary costs. Consequently, the insurers are not only challenged by a shortage of skilled workforce but also by high staffing cost. The shortage has also led to high attrition rates, as competitors lure experienced professionals with attractive packages. Demand for experienced staff is set to increase, as the industry needs skilled executives for complying with the new regulatory changes. Inability to hire the candidates with requisite skills could affect the operations of the insurance companies. Due to the hiring challenge, the industry is also dependent on the expertise of reinsurance companies by ceding them a high underwriting premium. This has exposed the local insurers to international counterparty risk and legal complexities.

Exposure to Risky Assets

Income from investments has declined in the last couple of years due to the volatility in equity markets caused by the economic slowdown

Investment returns are an important part of insurers' profits. Income from investments has declined in the last couple of years due to the volatility in equity markets caused by the economic slowdown. Insurance firms in the UAE, Qatar and Kuwait have 71.9%, 43.5% and 38.5% of their respective assets in the form of equity and real estate investments[77]. Such a large exposure to high-risk investments has made them susceptible to market and economic shocks. Moreover, the real estate investments are largely concentrated in the domestic markets, thus vulnerable to the falling property prices. This is particularly applicable to insurers in the UAE and Qatar, wherein the exposure to real estate is high. In view of the prevailing weakness in the economy, the investment returns from such riskier assets are low and thus impacting the profitability of the insurers. However, with regulations capping investment in risky asset classes and a budding bond market, the insurers are slowly turning to debt investments.

Operational Challenges

The GCC insurers are likely to face operational challenges in the short term as they adapt to the changing regulatory environment

The GCC insurers are likely to face operational challenges in the short term as they adapt to the changing regulatory environment. While the regulations are overall a positive factor for the companies, the transition phase is going to be cumbersome. Insurers have to review contracts and prices of products, invest in staff training and revamp financial and other operational processes. Subsequently, the companies may witness pressure on margins due to the costs incurred to remain compliant with new policies amidst slowing growth in premiums. Nevertheless, in the process, the insurance industry may develop cost-cutting measures and operational changes that would create a sustainable and profitable business model. The forthcoming introduction of the VAT is also likely to strain the operating environment of the insurance firms. VAT may also create an inflationary situation and increase the overall operating costs of the companies.

[77] Source: SAMA, UAE Insurance Authority, Qatar Central Bank, Capital Market Authority of Oman, Central Bank of Bahrain, Annual Reports of Companies in Kuwait

Lack of Standardized Regulations

The regulatory landscape in the GCC insurance sector is heterogeneous, with the policies and requirements varying amongst the countries

The regulatory landscape in the GCC insurance sector is heterogeneous, with the policies and requirements varying amongst the countries. While the UAE has adopted a risk-based capital practice for insurers, Saudi Arabia and Bahrain are following a solvency framework. Actuarial reserving has been adopted in the UAE and Saudi Arabia, whereas the other counterparts are yet to implement it. The degree of effectiveness also differs, with the regulators being highly active in the UAE and Saudi Arabia while the effectiveness and activity are low in other countries. Each country is making an attempt to improve regulations, however, there is a dire need for the regulations to be homogenous. Many large local insurers have a business presence across the region and foreign insurers generally look at the GCC countries as one big market. To facilitate a level playing ground for all the insurers, the GCC countries need to harmonize as well as modernize their insurance regulations by adopting best international practices.

Socio-Political Risks

The diplomatic rift between Qatar and other GCC members leading to severances of economic and trade ties is likely to have negative implications on the insurance sector

The diplomatic rift between Qatar and other GCC members leading to severance of economic and trade ties is likely to have negative implications on the insurance sector. The impact is likely to be seen largely on the equity and real estate investments of Qatar-based insurers. As Gulf investors pull out investments from the country, the local insurers are likely to see a fall in returns. Large Qatar-based firms are also in the process of selling off their assets in the other member countries. Moreover, restrictions on airspace and sea transportation are likely to suppress economic activity in Qatar. Consequently, the overall scope of underwriting business may contract. While the insurers in Qatar are well capitalized to absorb the volatility in equity and real estate markets, a prolonged conflict with the member nations is likely to have an adverse impact on the insurance sector. Moreover, the region is mostly perceived as one collective market by international investors. A rift between the members and a likely split of the GCC council could affect investor sentiments and thus foreign investments into the countries.

On the other hand, an anti-corruption drive undertaken in November 2017 has led to geopolitical instability in Saudi Arabia. The crackdown involved arrests of more than 200 people including the members of royal family, senior officials and businessmen, alongside freezing of over 2,000 bank accounts[78]. Such developments may lead to capital flight from the country and dent consumer spending at times when the country is passing through a low oil price environment.

[78] Source: “Foreigners still net sellers of Saudi stocks in wake of corruption crackdown”, Zawya, November 26, 2017; “The Economic Risks Of Saudi Arabia's $100B Corruption Crackdown”, Forbes, November 9, 2017

6. Trends

Growing Consolidation

The GCC insurance sector has started showing signs of consolidation following the strengthening regulatory landscape

The GCC insurance sector has started showing signs of consolidation following the strengthening regulatory landscape. The trend is gathering momentum particularly in Saudi Arabia and the UAE due to stringent reserving and solvency requirements. Additionally, slow economic activity and intense competition have left small insurance companies struggling for scale and profitability. At the same time, large players are scouting for valuable small insurers to gain market share and expand the business. Foreign companies looking to enter the GCC region are also likely to undertake the inorganic route, as the countries limit the issue of new licenses. While Saudi Arabia has limited the grant of a new license, the UAE has stopped issuing licenses to protect the overall industry profitability. In such a backdrop, companies with streamlined operations and improving loss and expense ratios can be attractive targets.

The insurance regulator in Saudi Arabia is likely to come up with new regulations to significantly increase minimum capital with an aim of creating few strong players

Several insurers in Saudi Arabia have accumulated losses due to a history of price wars and solvency issues. MGCI, one of the largest insurers in the GCC, is the most stressed with large accumulated losses[79]. With many other players reporting accumulated losses, SAMA has in the recent years worked closely with the management of such companies to help them restructure their business and become profitable. The regulator is also likely to come up with new regulations to increase minimum capital significantly and improve risk controls. The aim is to create few strong players in the insurance market. The insurance regulator in Oman has also triggered consolidation by doubling the minimum capital requirement. The move is likely to improve local insurers' economies of scale and underwriting capability. In the UAE, consolidation is likely to take place in the life segment, as stringent regulations alongside low penetration are impacting the profitability.

Rising Consumer Awareness

The regulators have collaborated with insurance companies to educate the consumers on protection against risks

Low consumer awareness is the major factor inhibiting the growth of insurance industry in the GCC. Nevertheless, the regulators have collaborated with insurance companies to educate the consumers on protection against risks. The Central Bank of Bahrain in association with the Bahrain Insurance Association conducts 'Insurance Week' on an annual basis, to educate the locals about the significance of insurance products and services. The Capital Market Authority of Oman has also been conducting comprehensive awareness sessions on the insurance sector. The Insurance Authority of the UAE has held aggressive awareness campaigns across the country using multimedia and exhibitions[80]. They have used visual and printed media in TV and cinemas while circulating artistic brochures with awareness messages.

Moreover, the increased frequency of natural catastrophic events, terrorism events and cyber threats have given rise to the demand for related insurance covers. Recently, there have been instances of flood damage in Saudi Arabia and fire losses in high-rise buildings in the UAE. Due to lack of risk cover, several people and businesses have suffered losses. The Arab Spring in the past also caused massive losses to businesses and resulted in spreading awareness about political risk insurance. Such catastrophic events have emphasized the need for asset protection amongst the people.

[79] Source: "Saudi Arabia preparing tougher rules for insurers – sources", Reuters, October 11, 2017
[80] Source: "UAE Insurance Sector, The Complete Guide", Wealth Monitor, December 1, 2016

Improving Investments in Debt Markets

Although the trend towards bond investments is moving slowly, it is likely to pick up in view of the volatility in equity market and a lackluster real estate sector

The GCC insurance sector has traditionally been overweight on equity and real estate investments, due to low interest rate environment and a less active bond market. Insurers in the UAE, Qatar and Kuwait have high exposure to equity and real estate, while those in Saudi Arabia and Oman invest in money market instruments or fixed bank deposits. Nevertheless, the trend seems to be changing with improving exposure to debt instruments. This is mainly due to increasing sovereign bond issuances and regulations imposing investment limits. There has been a spike in the issue of conventional bonds as well as Sukuk by the regional governments, as they raise funds to reduce fiscal deficits and finance development projects. The GCC bond market is valued at nearly US$ 300 billion and is estimated to expand further on account of high yields[81]. In the UAE, the Insurance Authority has set limits for exposure to different asset classes, with that in equity and real estate limited to 30% while 100% investment is allowed in UAE sovereign bonds[82]. Although the trend towards bond investments is moving slowly, it is likely to pick up in view of the volatility in equity market and a lackluster real estate sector. During 2016, bonds accounted for 11% of investments made by listed insurers in the UAE[83].The exposure is substantially low compared to 70% in Europe. As insurers invest in debt securities, their investment income is likely to gain stability and provide guaranteed returns.

Rising Potential of Bancassurance

Insurance sold through banks is increasing with the banks seeking new income sources amid low interest rates and slow credit offtake

Unlike the developed economies, bancassurance accounts for a very small part of the GCC insurance distribution. Nevertheless, insurance sold through banks is increasing with the banks seeking new income sources amid low interest rates and slow credit offtake. In the UAE, bancassurance business has grown at an annual rate of 12%-15%[84] and accounts for about 40% of insurance premiums sold in the country[85]. Although the composition is low in the other GCC insurance markets, bancassurance has become an attractive as well as profitable business for banks and insurance providers. The model provides insurers access to a large base of customers and cost benefits, as the fees paid to banks for selling policies is lower compared to the high cost of hiring direct agents. Moreover, banks are able to sell the policies by bundling them with a mortgage or personal loan. The banks are also including insurance as a part of wealth management portfolio. Foreign insurers have tied up with international banks to lure the expatriate community, who prefer to continue the association even after moving out of the country. Thus, foreign insurers along with international banks dominate the bancassurance space in the GCC. The growth is to an extent constrained by limited regulations. Thus, implementation of favorable regulations and improvement in marketing capabilities of banks would drive growth in the bancassurance business.

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[81] Source: “A clear case of growth for regional insurers”, Gulf News, July 9, 2017
[82] Source: “The Insurance Authority issues Financial Regulations to Traditional and Takaful Insurance Companies”, Insurance Authority of UAE, February 2015
[83] Source: “Insurers motivated into investing in bonds”, Asia Insurance Review, May 25, 2017
[84] Source: “Banks are the new insurance brokers”, The National, February 25, 2015
[85] Source: “Opportunities for insurance distribution innovation in Gulf increasing, says expert”, Out-law.com

Changing Consumer Dynamics

Earlier the focus was on pricing and reducing distribution cost, however rising competition and use of smartphones have put customers at the center

The GCC insurers are taking interest in improving the consumer experience. Earlier the focus was on pricing and reducing distribution cost, however rising competition and use of smartphones have put customers at the center. In an increasingly digital and connected ecosphere with access to ample information, customers have become well informed and demanding. Moreover, preferences have changed drastically mainly driven by the millennial generation[86]. Millennials represent a large part of the GCC population, with the median age in the region ranging between 29 and 33 years[87]. These young cohorts have grown up in a digital world and are constantly connected to their peers and sharing information. The generation prefers to go online to buy a policy, review premium/claim statements, make inquiries and find the best insurance covers. Moreover, they desire a personalized experience and a fast and straightforward service. Consequently, the insurers are developing customer-centric strategies and adopting an omnichannel model[88] to engage with these tech-savvy customers. The insurers are looking at establishing a presence across multiple touch points like social media websites, mobile apps and online websites to interact with the customers as well as build their brand image. Apart from the technology and consumer-driven strategies, the companies are focusing on providing quality consumer service as a means to differentiate themselves from competitors. Moreover, the use of smartphones and need for personalized solutions have led to innovative insurance distribution platforms like online websites of insurers, on-demand usage-based insurtech startups, online peer-to-peer startups and insurance management sites for small businesses. While this trend is majorly seen in developed countries, the GCC insurers may soon familiarize themselves with the new models to expand business.

Technological Advancements

The rapidly evolving and changing technologies are influencing the entire insurance value chain, right from product development to distribution

The rapidly evolving and changing technologies are influencing the entire insurance value chain, right from product development to distribution. Analytics, digitization, platform architecture and Internet of Things are some of the key technologies altering the insurance business models. While such developments are disrupting the operational framework, they are also enabling insurers to generate additional premiums, optimize costs, improve efficiency, engage with customers, increase governance and identify risks.

The abundant consumer data being generated every second by the constantly connected digital world is helping companies decipher consumer needs, preferences and patterns. The data is gathered through connected devices such as smartphones, smartwatches, smart fridges, telematics in cars and sensors at home. Data from these devices combined with analytics assist in gathering insights and pricing of premiums. For instance, telematics[89] fitted in cars is a popular tool being used by motor insurance firms to seek real-time information on driving behavior. The data enables the insurers to offer right priced and usage-based policies and helps consumers in improving driving behavior and paying low premiums. Similarly, telematics and connected devices are opening new areas of business in health insurance (by assessing fitness data from wearable devices) and property/fire insurance (by accessing data provided by smart home devices and sensors).

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[86] Those born between 1982 and 2004 – as defined by Investopedia
[87] Source: United Nations Population Division
[88] An Omnichannel model provides a seamless experience for customers due to the integration of multiple digital channels with back end operations like customer service centers
[89] Telematics is the integrated use of communications and information technology to transmit, store and receive information from telecommunications devices to remote objects over a network

Analytical tools such as claims and fraud analytics are also supporting insurers' profitability.

While such technologies are largely popular in the US and the UK insurance sectors, the adoption is in its nascent stage in the GCC. In 2016, Qatar Insurance Company was the first to introduce telematics-enabled motor insurance by linking pricing model to driving behavior[90]. The UAE Insurance Authority is encouraging innovation by considering applications from new insurance firms that can offer innovative products and services[91]. The authority also plans to launch a laboratory for innovations to facilitate technological developments. Although the region is home to international players who have adopted such technologies in other countries, they have refrained from bringing such developments to the region possibly due to differences in regulatory regime and consumer preferences. However, the low insurance penetration and less product diversification offer immense opportunities. Presently, the technology investments are more focused on automation, simplifying claims processing, reducing costs and enhancing customer experience. Nevertheless, as the industry looks for sustainable business models, adoption of technology across insurance operations will be the key to opening new frontiers for growth.

Advent of Insurance Aggregators

Insurance aggregators are entering the market to take advantage of the expanding premiums and digital consumer

Insurance aggregators are entering the market to take advantage of the expanding premiums and digital consumer. The aggregators have simplified the insurance policy hunt by offering quotes from multiple insurers at one place. By offering a user-friendly and transparent platform, the comparison sites have helped insures expand their distribution reach. While the trend is seen in the UAE, the aggregators are looking at entering the other GCC markets. Souqalmal.com, Comapreit4me.com, Bayzat and Nexus Advice are the notable insurance aggregators in the UAE. According to a survey conducted by Souqalmal.com, 90% of respondents in the UAE were in favor of renewing car insurance policy online. While this shows the business potential, the aggregators have in actual reported strong growth in business. Launched in March 2016, Compareit4me.com has been able to sell insurance policies worth US$ 1.5 million per month and aims to reach US$ 5 million per month by end-2017[92]. The aggregator has raised US$ 9 million from multiple funding rounds to establish insurance comparison platform across the Middle East. Similarly, Souqalmal.com has raised US$ 10 million in Series B funding to expand its regional presence and increase its offline service offering[93].

[90] Source: "QIC Insured launches "Pay How You Drive" car insurance", Qatar Insurance Group, March 30, 2016
[91] Source: "UAE:Insurance Authority emphasises innovation", Asia Insurance Review, October 10, 2017
[92] Source: "Compareit4me raises $3.5m in latest funding phase", Gulf News, May 24, 2017
[93] Source: "Souqalmal.com raises $10m in Series B funding with investment from UK's GoCompare", The National, October 3, 2017

7. Merger and Acquisition (M&A) Activities

The M&A activity in the GCC insurance sector has picked up in the last couple of years, as companies are looking for strategic expansion or mergers to form stronger entities

The M&A activity in the GCC insurance sector has picked up in the last couple of years, as companies are looking for strategic expansion or mergers to form stronger entities. In addition to intraregional deals, the region witnessed several cross-border acquisitions, wherein overseas insurers acquired stakes in local companies to penetrate the market. Regional players also made a few strategic investments in foreign companies to diversify geographic presence. Based on the disclosed value of transactions, the largest deal during the period under review is the ongoing acquisition of an additional 8% interest in BUPA by The British United Provident Association Ltd. for US$ 244 million (see Exhibit 55). Once complete, the acquirer will own 34.3% interest in the Saudi Arabia based insurer. There are two other mergers waiting for completion in the Kingdom's insurance sector including Gulf Union Cooperative Insurance Co. with Al Ahlia for Cooperative Insurance Co. and Allied Cooperative Insurance Group with Malath Cooperative Insurance & Reinsurance Co. Another notable transaction in the industry was the acquisition of 67.3% interest in Takaful International Co. BSC by Bahrain Kuwait Insurance Co. (BKIC) through multiple deals during 2015-2017. The deal activity in the GCC insurance sector is expected to spruce up, as companies seek to strengthen scale and financial position in a competitive and stringent regulatory environment.

Exhibit 55: Major M&A Deals in the GCC Insurance Industry

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ Million)	Percent Sought (%)	Sales# Multiple (x)
The British United Provident Association Ltd.*	UK	Bupa Arabia for Cooperative Insurance Co.	Saudi Arabia	2017	244	8%	1.5
Gulf Union Cooperative Insurance Co. SJSC*	Saudi Arabia	Al Ahlia for Cooperative Insurance Co. SJSC	Saudi Arabia	2017	171	N/A	3.1
Al Ahleia Insurance Co. SAKP	Kuwait	Kuwait Reinsurance Co. KSC	Kuwait	2015	61	61.4%	0.9
Gulf Insurance Group KSCP	Kuwait	AIG Sigorta AS	Turkey	2017	48	100%	N/A
Saudi British Bank JSC	Saudi Arabia	SABB Takaful Co.	Saudi Arabia	2017	31	32.5%	2.5
Solidarity Group Holding BSC	Bahrain	Al Ahlia Insurance Co. BSC	Bahrain	2016	28	71.4%	N/A
Saudi Reinsurance Co.*	Saudi Arabia	Probitas Holdings (Bermuda) Ltd.	Bermuda	2017	25	49.9%	N/A
Investor Group	N/A	Falcon Insurance Co. SAOC	Oman	2016	6	20.4%	N/A
Bahrain Kuwait Insurance Co. BSC	Bahrain	Takaful International Co. BSC	Bahrain	2017	6	3.6%	3.8
Bahrain Kuwait Insurance Co. BSC	Bahrain	Takaful International Co. BSC	Bahrain	2015	5	30.2%	0.5
Bahrain Kuwait Insurance Co. BSC	Bahrain	Takaful International Co. BSC	Bahrain	2017	4	22.8%	0.4
Dimah Capital Investment Co. KSC	Kuwait	Tazur Takaful Insurance Co. KSCC	Kuwait	2015	2	30.0%	1,220
Bahrain Kuwait Insurance Co. BSC	Bahrain	Takaful International Co. BSC	Bahrain	2015	2	10.8%	0.4
Qatar Insurance Co. SAQ*	Qatar	Qatari Unified Bureau Insurance WLL	Qatar	2016	2	5.0%	N/A
Doha Insurance Co. QSC*	Qatar	Qatari Unified Bureau Insurance WLL	Qatar	2016	2	5.0%	N/A

Source: Thomson Reuters Eikon

*Note: *Deals pending completion (as on December 7, 2017); #Based on LTM sales as on the date of deal announcement*

Exhibit 55: Major M&A Deals in the GCC Insurance Industry (Continued…)

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ Million)	Percent Sought (%)	Sales# Multiple (x)
Cigna Corp	US	Zurich Insurance Middle East SAL	UAE	2017	N/A	100%	N/A
Arabia Insurance Co. SAL	Lebanon	Falcon Insurance Co. SAOC	Oman	2017	N/A	100%	N/A
Allied Cooperative Insurance Group SJSC*	Saudi Arabia	Malath Cooperative Insurance & Reinsurance Co. SJSC	Saudi Arabia	2017	N/A	N/A	N/A
Asia Capital Reinsurance Group Pte Ltd.	Singapore	ACR Retakaful Holdings Ltd.	UAE	2017	N/A	80%	N/A
Gulf Insurance Group KSCP	Kuwait	Turins Sigorta AS	Turkey	2016	N/A	90%	N/A
Chedid Capital SAL	Lebanon	Al Manara Insurance Services Co. Ltd.	UAE	2016	N/A	75%	N/A
Artex Risk Solutions Inc.*	US	Insurance-linked securities and insurance management business of Kane Group Ltd.	Bahrain	2016	N/A	N/A	N/A
Gulf Insurance Group KSCP*	Kuwait	Egyptian Life Takaful Co.	Egypt	2015	N/A	N/A	N/A
Ahli United Bank BSC	Bahrain	Legal & General Gulf BSC	Bahrain	2015	N/A	50%	N/A
International Financial Advisors KPSC	Kuwait	First Takaful Insurance Co. KSCC	Kuwait	2015	N/A	49.2%	N/A
Saham Finances SA	Morocco	Elite Insurance & Reinsurance Brokerage Co.	Saudi Arabia	2015	N/A	30%	N/A
Al Madina Insurance Co. SAOG*	Oman	Vision Insurance SAOC	Oman	2015	N/A	N/A	N/A
Al Wathba National Insurance Co. PSC	UAE	Vision Capital Brokerage Co. LLC	UAE	2015	N/A	100%	N/A
Dimah Capital Investment Co. KSC	Kuwait	Tazur Co. BSC	Bahrain	2015	N/A	20%	N/A

Source: Thomson Reuters Eikon

*Note: *Deals pending completion (as on December 7, 2017); #Based on LTM sales as on the date of deal announcement*

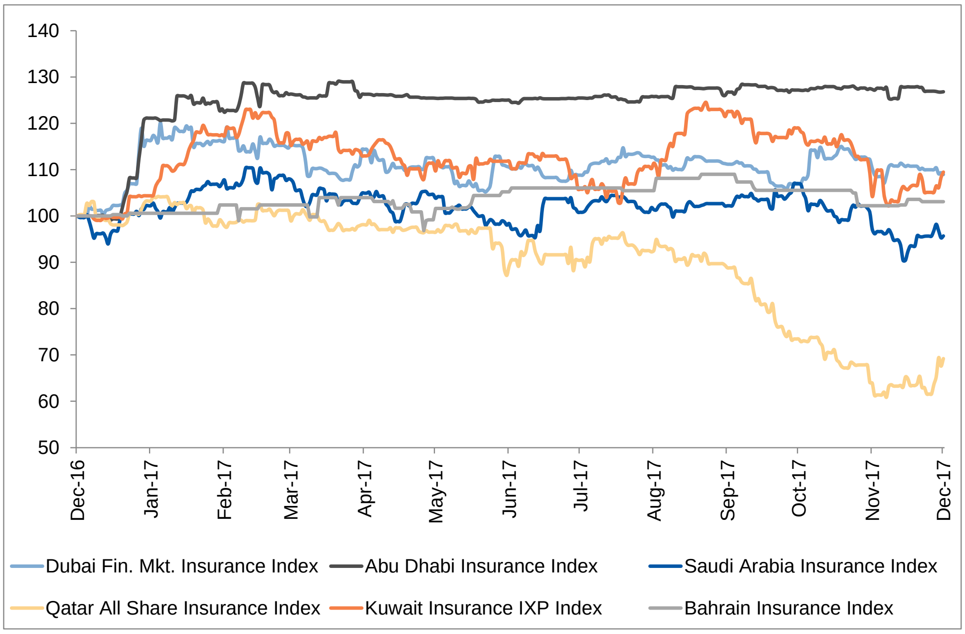
8. Financial and Valuation Analysis

Stock Market Performance

In the last 52 weeks ended December 7, 2017, the insurance indices in the GCC have been volatile and posted mixed annual returns

The insurance indices in the GCC mirror the industry performance and outlook in respective countries. In the last 52 weeks ended December 7, 2017, the insurance indices in the GCC have been volatile and posted mixed returns[94] (see Exhibit 56). During the period, the insurance indices in Abu Dhabi, Dubai and Kuwait posted high returns of 26.8%, 9.0% and 9.5%, respectively. The index in Bahrain gave low single-digit return of 3.1%. At the same time, the indices in Saudi Arabia and Qatar gave negative returns of 4.3% and 30.8%, respectively. The decline in Qatar is due to the severed diplomatic and transport links, compelling investors to pull out investments from the country.

Exhibit 56: GCC Insurance Indices Performance



Source: Bloomberg, Boursa Kuwait (as on December 7, 2017)

UAE – The Largest Insurance Market Posted Healthy Returns

Oman Insurance Co., Abu Dhabi National Insurance and Arab Insurance Group outperformed the broader insurance indices

Led by favorable regulations such as mandatory health insurance, actuarial pricing and new motor tariffs, the insurance indices in the UAE outperformed its counterparts. Oman Insurance Co., Abu Dhabi National Insurance and Arab Insurance Group outperformed the broader insurance indices in the UAE in the last 52 weeks posting respective annual returns of 28.6%, 55.0% and 51.5% (see Exhibit 57). On the other hand, Emirates Insurance Co. gave almost flat returns and Al Ain Ahlia Insurance posted negative returns of 30.9%. The fall in Al Ain Ahlia Insurance corresponds to its decline in underwriting profits and net investment income, resulting in a nearly 50% y-o-y drop in net profit during H1 2017[95].

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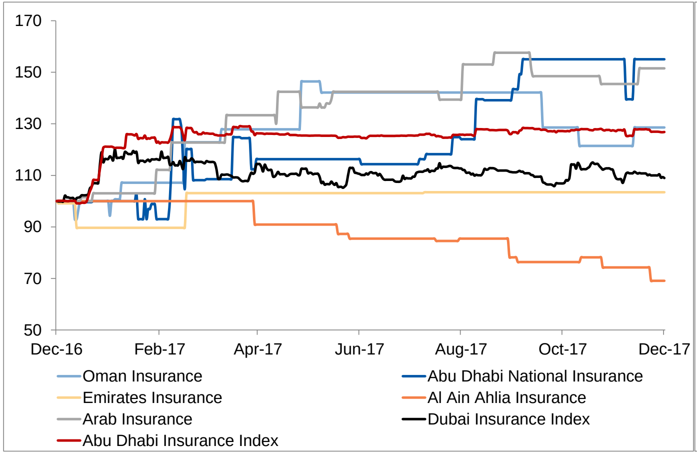
[94] Source: Bloomberg
[95] Source: Al Ain Ahlia Insurance Financial report

Saudi Arabia – Negative Price Returns of BUPA and MGCI Dilute the Index Performance

BUPA and MGCI underperformed the Saudi Arabia Insurance Index

During the 52 weeks ended December 7, 2017, BUPA and MGCI underperformed the Saudi Arabia Insurance Index, as their share prices dropped by 30.5% and 56.7%, respectively (see Exhibit 58). Both the companies reported a drop in profitability during the nine months ended September 2017. MGCI has failed to meet the solvency requirements due to accumulated losses and is restructuring its capital and business. The steep decline in share prices of these stocks has diluted the broader insurance index. In contrast, the share prices of Al Rajhi Co. for Cooperative Insurance, Malath Cooperative Insurance Co. and CCI increased by 72.9%, 5.1% and 2.8%, respectively in the last 52 weeks. The robust increase in Al Rajhi Co. for Cooperative Insurance is attributed to steady growth in underwriting business and significant increase in the net income during 9M 2017[96]. Malath Cooperative Insurance Co. saw spikes during the second half of 2017, as the company initiated studies to explore the feasibility of merger with Allied Cooperative Insurance Group.

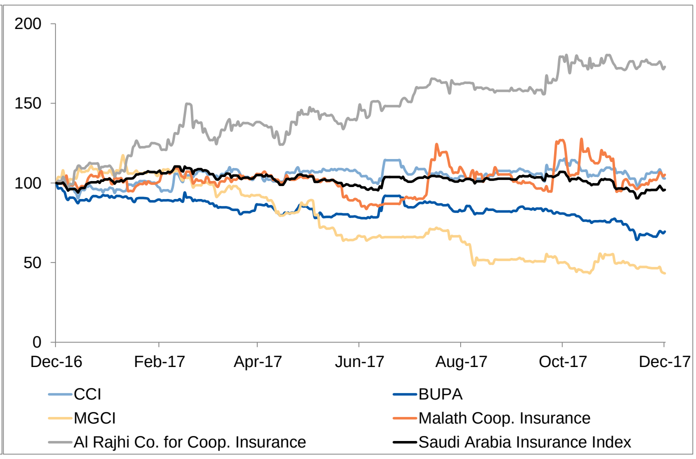
Exhibit 57: Share Price Performance of Top Five Insurers in the UAE



Source: Bloomberg (as on December 7, 2017)

Note: The companies are selected based on GWP in 2016; Orient Insurance is excluded due to no trading activity

Exhibit 58: Share Price Performance of Top Five Insurers in Saudi Arabia



Source: Bloomberg (as on December 7, 2017)

Note: The companies are selected based on GWP in 2016

[96] Source: Tadawul

8.1 Financial Performance

BUPA posted the highest ROE in the last three years, whereas Dhofar Insurance Co. gave negative returns

In this section, we have analyzed the latest three-year financial performance of 19 listed insurance companies in the GCC (see Exhibit 59). For analysis, we have selected the top players in the constituent countries based on the size of premiums and assets. The selected companies are a mix of conventional as well as Islamic insurance providers and a fair representation of each GCC country according to their market size. BUPA posted the highest ROE in the last three years, whereas Dhofar Insurance Co. (DIC) gave negative returns.

Exhibit 59: Financial Performance of the Selected Insurance Companies in the GCC

Company Name	Country	Short Form	Market Cap (US$ Million)	GWP 2016 (US$ Million)	GWP (2-yr CAGR %)	Net Profit (2-yr CAGR %)	Cession Rate (3-yr avg. %)	ROE (3-yr avg. %)
Abu Dhabi National Insurance Co.	UAE	ADNI	408.4	646.8	-5.0%	NM	47.4%	-8.2%
Al Ain Ahlia Insurance Co.	UAE	AAIC	155.2	262.6	26.8%	2.5%	67.8%	4.1%
Al Rajhi Company for Cooperative Insurance	KSA	ARCC	634.1	519.7	43.6%	138.6%	23.7%	18.9%
Arab Insurance Group	UAE	ARIG	86.9	245.4	-11.8%	-23.4%	15.1%	2.7%
Bahrain Kuwait Insurance Co.	Bahrain	BKIC	90.9	111.7	2.9%	-17.9%	69.3%	9.5%
Bupa Arabia for Cooperative Insurance Co.	KSA	BUPA	2,122.3	2,117.0	17.6%	44.7%	10.5%	38.5%
Company for Cooperative Insurance	KSA	CCI	3,088.8	2,148.1	13.9%	14.4%	20.9%	28.5%
Dhofar Insurance Co.	Oman	DIC	103.9	143.5	-7.2%	NM	59.2%	-19.2%
Doha Insurance Co.	Qatar	DICO	182.1	141.6	-1.7%	-3.3%	73.0%	8.9%
Emirates Insurance Co.	UAE	EIC	245.0	278.2	10.3%	-8.2%	54.8%	8.9%
Gulf Insurance Group	Kuwait	GINS	432.9	704.0	7.5%	-2.9%	48.3%	15.0%
Mediterranean and Gulf Cooperative Insurance and Reinsurance Co.	KSA	MGCI	287.0	851.8	-14.9%	-40.9%	16.8%	0.0%
National General Insurance Co.	UAE	NGIN	88.2	149.8	10.5%	-32.0%	41.0%	8.5%
Oman Insurance Co. PSC	UAE	OIC	226.3	968.1	4.6%	-40.0%	58.0%	6.8%
Oman United Insurance Co.	Oman	OUIS	91.9	100.2	-3.4%	6.6%	45.9%	13.6%
Orient Insurance	UAE	ORI	90.3	702.7	19.7%	10.7%	72.0%	11.8%
Qatar General Insurance & Reinsurance Co.	Qatar	QGIR	1,158.6	173.0	1.1%	-51.2%	68.6%	12.2%
Qatar Insurance Co.	Qatar	QIC	3,262.4	2,659.6	39.8%	1.6%	18.8%	17.1%
Takaful Emarat Insurance	UAE	TKFE	82.1	154.7	118.1%	44.6%	22.4%	10.2%
Consolidated				*13,078.6*	*13.0%*	*-0.2%*	*31.4%*	
Average				*688.3*	*8.6%*	*-5.9%*	*43.9%*	*9.9%*
High				*2,659.6*	*43.6%*	*44.7%*	*73.0%*	*38.5%*
Low				*100.2*	*-14.9%*	*-51.2%*	*10.5%*	*-19.2%*

Source: Thomson Reuters Eikon

Notes: Last updated December 7, 2017; NM – Not Meaningful; Figures in red indicate below GCC average performance and those in green suggest performance at par with or above GCC average; Figures highlighted in grey are outliers and hence excluded from the GCC average

GWP – Up

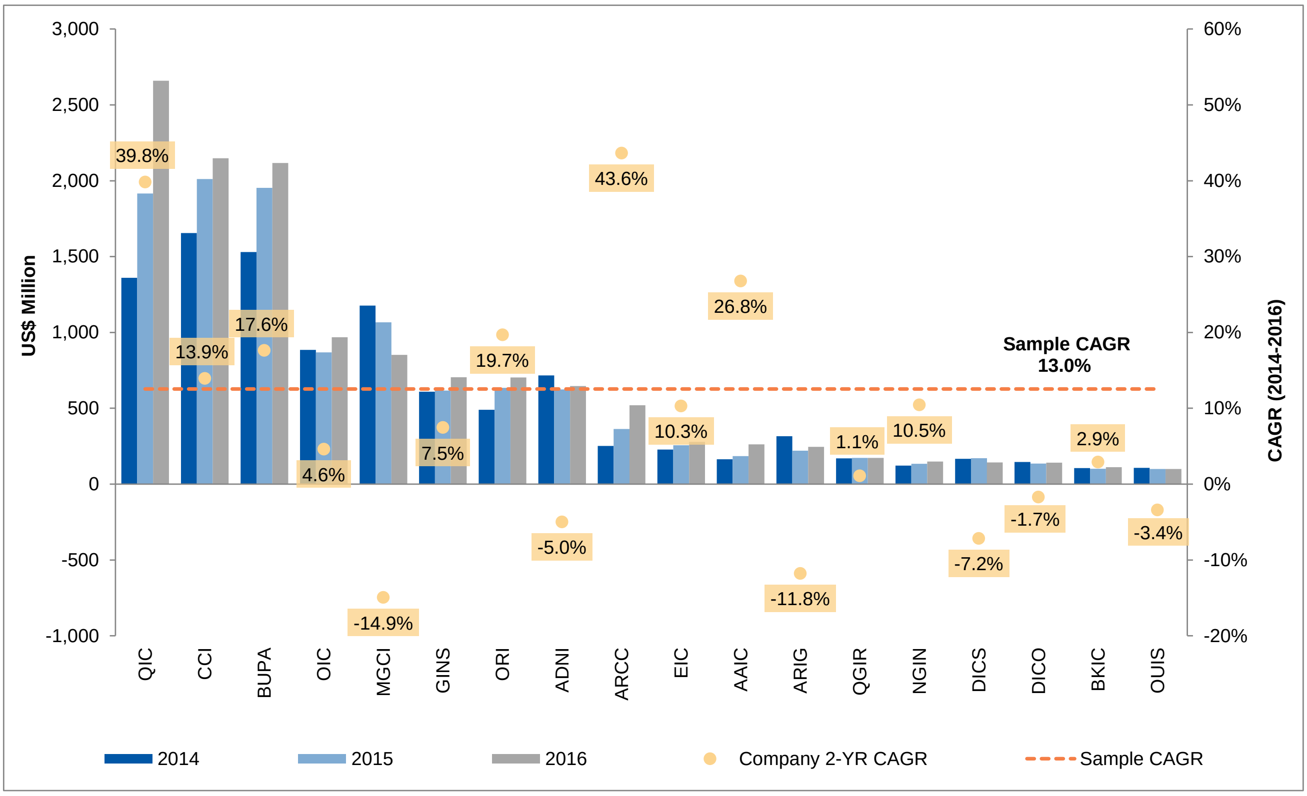
Consolidated GWP of the selected insurance companies in the GCC stood at US$ 13.1 billion in 2016, signifying a CAGR of 13.0% from 2014

Consolidated GWP of the selected insurance companies in the GCC stood at US$ 13.1 billion in 2016, signifying a CAGR of 13.0% from 2014 (see Exhibit 60). Most of the companies registered growth despite the economic slowdown. The trend continued during 9M 2017 with the peers reporting a consolidated annual growth of 12.5%.

Qatar Insurance Co. (QIC) and Saudi Arabia-based BUPA and CCI are the largest listed insurance providers in the region, collectively accounting for over half of the sample GWP in 2016. Owing to their scale of operations, these players outperformed the peer average growth. However, the Takaful providers – Takaful Emarat Insurance (TKFE) and Al Rajhi Co. for Cooperative Insurance (ARCC) – were the top performers with CAGRs of 118.1% and 43.6%. Being an outlier, TKFE is excluded from the sample average. Investments in strengthening distribution channels and expansion of products coupled with the mandatory health insurance requirement in the UAE were the factors that boosted the premiums of TKFE[97]. Growth in ARCC was driven by a swift increase in motor insurance premiums.

On the other hand, MGCI, Abu Dhabi National Insurance Co. (ADNI) and a handful of small insurance providers reported a decline in GWP. The premiums of MGCI have declined in the last two years. In contrast, GWP of ADNI dropped only in 2015 due to the adoption of a strategy of underwriting only selective policies, after which the premiums grew in 2016. Small players are facing challenges in growing their underwriting business, given the high level of competition and economic slowdown.

Exhibit 60: Trend in GWP (2014-2016)



Source: Thomson Reuters Eikon

[97] Source: Company press releases and annual reports

Cession Rate – Stable

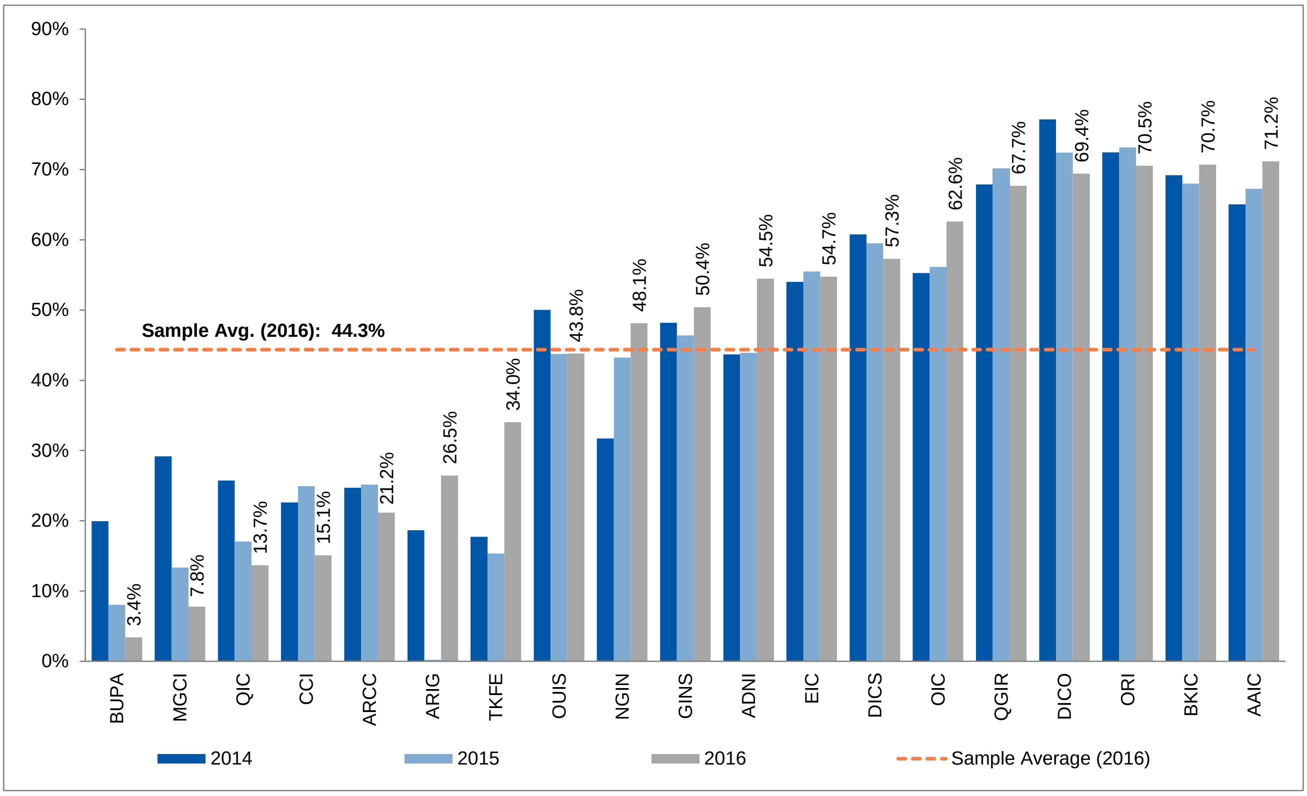
The dependency on reinsurance players continues to remain high in the GCC, with the cession rates of the select insurance players averaging at 44.3% in 2016

The dependency on reinsurance players continues to remain high in the GCC, with the cession rates of the select insurance players averaging at 44.3% in 2016 (see Exhibit 61). The rate has remained almost unchanged compared to that in 2014, as half of the companies reported an increase in ceded premiums and others reduced dependency on reinsurers.

Most of the insurers had cession rates above the peer average in 2016. BUPA leads the pack with the lowest cession rate of 3.4%, mainly due to the low risk involved in underwriting health insurance, the company's only line of business. With a similar business line, MGCI also had a low cession rate of 7.8%. Retention rates of both the companies have increased substantially in the last two years, indicating their growing risk-taking capabilities. The select set of Islamic insurance providers also had cession rates below the peer average, because of regulatory requirements as well as few re-Takaful prospects.

Most of the companies in the UAE and Qatar have low retention ratios probably because of the availability of expertise of foreign reinsurers located in DIFC and QFC. Orient Insurance (ORI), BKIC and Al Ain Ahlia Insurance Co. (AAIC) had high cession rates of above 70% amongst the sample.

Exhibit 61: Trend in Cession Rate (2014-2016)



Source: Thomson Reuters Eikon

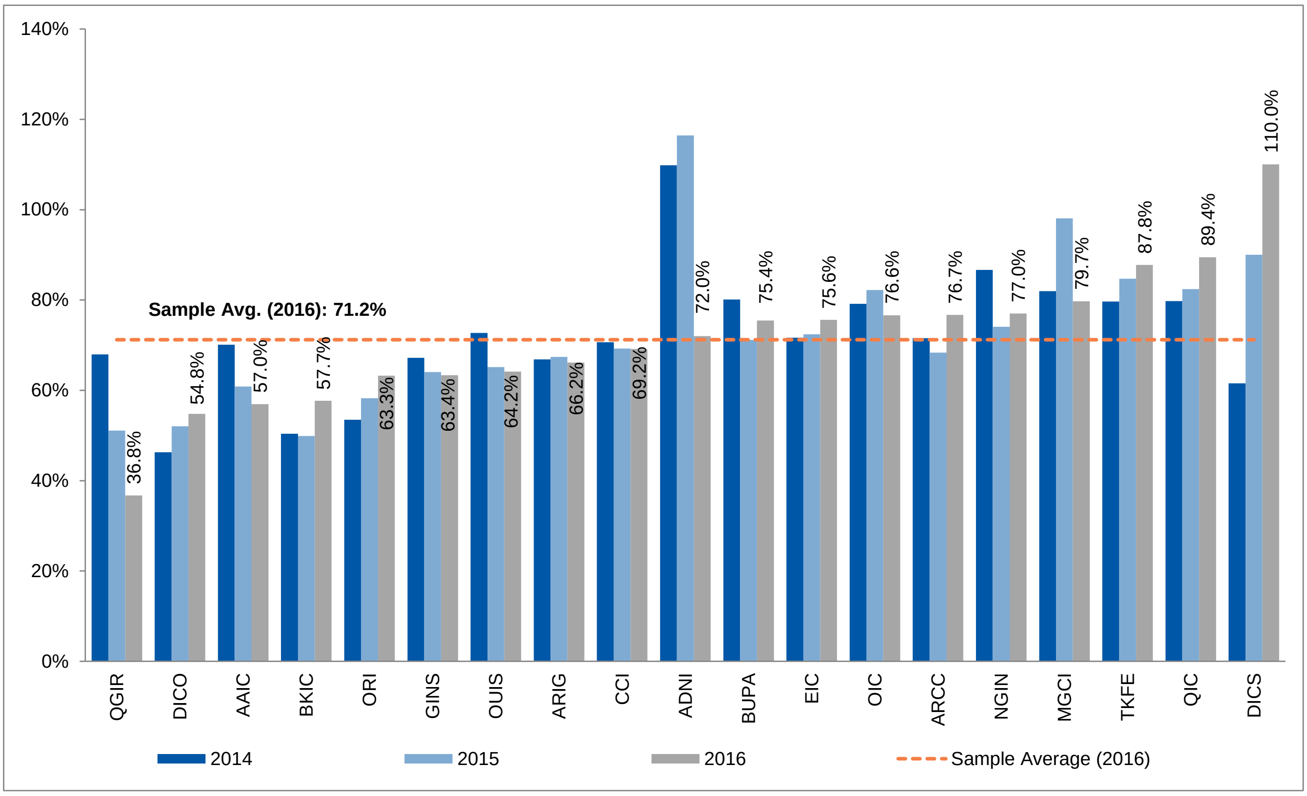
Claims Ratio – Down

Claims ratio is a key indicator of the profitability of an insurer, as it measures the total claims paid by an insurer against the actual premiums earned. A low ratio signifies insurers' ability to underwrite premiums higher than the amount paid in claims. At the same time, a high ratio reflects that the company's premiums are not enough to cover claims. Companies with high claims ratio could experience financial trouble, leading to losses.

Average claims ratio of the select insurance players in the GCC stood at 71.2% in 2016

Average claims ratio of the select insurance players in the GCC stood at 71.2% in 2016 (see Exhibit 62). During the year, the overall claims incurred by the companies increased by 14.9% y-o-y, however, a faster rise in premiums led to a slight drop in claims ratio. Qatar General Insurance & Reinsurance Co. (QGIR) and ADNI witnessed a substantial drop in claims paid during 2016, resulting in low claims ratio. With a low claim ratio, ADNI managed to report strong underwriting profit during 2016, compared to a loss in the last couple of years. QGIR had the lowest ratio among the peers, indicating high profitability. At the same time, DIC was the underperformer with a ratio of 110.0%. The company undertook an internal audit of claim files to check the accuracy of outstanding reserves, which resulted in an increase in outstanding claims[98]. Subsequently, the company reported underwriting losses, particularly in motor and fire & general accident insurance businesses.

Exhibit 62: Trend in Claims Ratio (2014-2016)



Source: Thomson Reuters Eikon, Alpen Capital

[98] Source: Company annual report

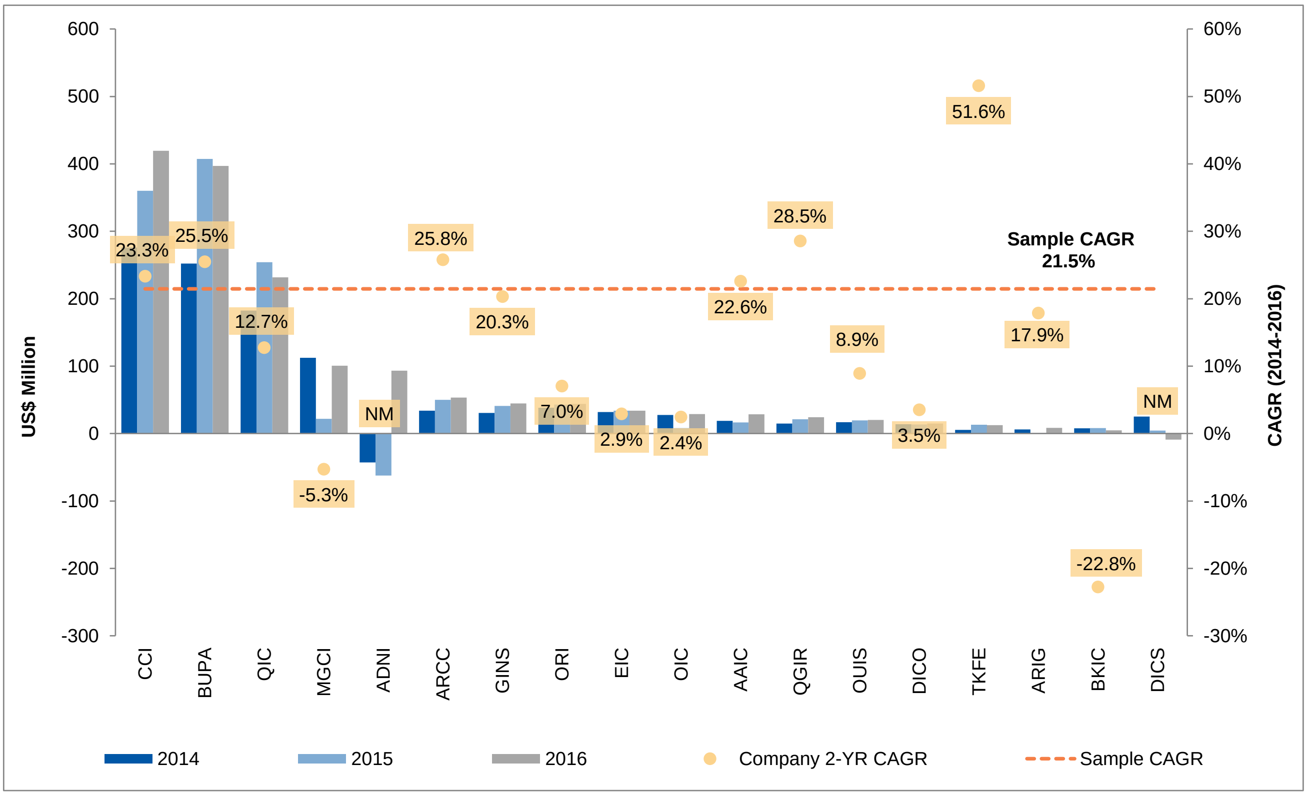
Net Underwriting Profit – Up

Consolidated net underwriting profit of the select insurance companies grew at a CAGR of 21.5% from US$ 1.1 billion in 2014 to US$ 1.6 billion in 2016

Consolidated net underwriting profit of the selected insurance companies grew at a CAGR of 21.5% from US$ 1.1 billion in 2014 to US$ 1.6 billion in 2016[99]. The top three providers accounted for 67.6% of the underwriting results during the year. The increase in profits is mainly attributed to the improvement in claims ratio and low expenses. Adoption of risk-based pricing model, implementation of mandatory health covers and strategies to boost business have enabled insurance companies to report strong profits, despite the economic slowdown.

The highest annualized average growth in underwriting profit was registered by TKFE at 51.6% (see Exhibit 63), as the company's profits doubled in 2015 led by a significant increase in underwriting activity. On the other hand, the underwriting results of BKIC and MGCI declined during the period on account of increase in claims incurred. While BKIC witnessed a decline in 2016, MGCI reported a significant drop in 2015 after which it improved drastically in 2016. ADNI reported a turnaround in 2016 after posting underwriting losses in the previous two years. DICS was the only company to report underwriting losses in 2016, reflective of its high claim ratio.

Exhibit 63: Trend in Net Underwriting Result (2014-2016)



Source: Thomson Reuters Eikon, Alpen Capital

Note: National General Insurance Co. has been excluded, as its CAGR is extraordinary at 194.4%

[99] Source: Thomson Reuters Eikon; National General Insurance Co. has been excluded, as the CAGR in underwriting profits is extraordinary at 194.4%

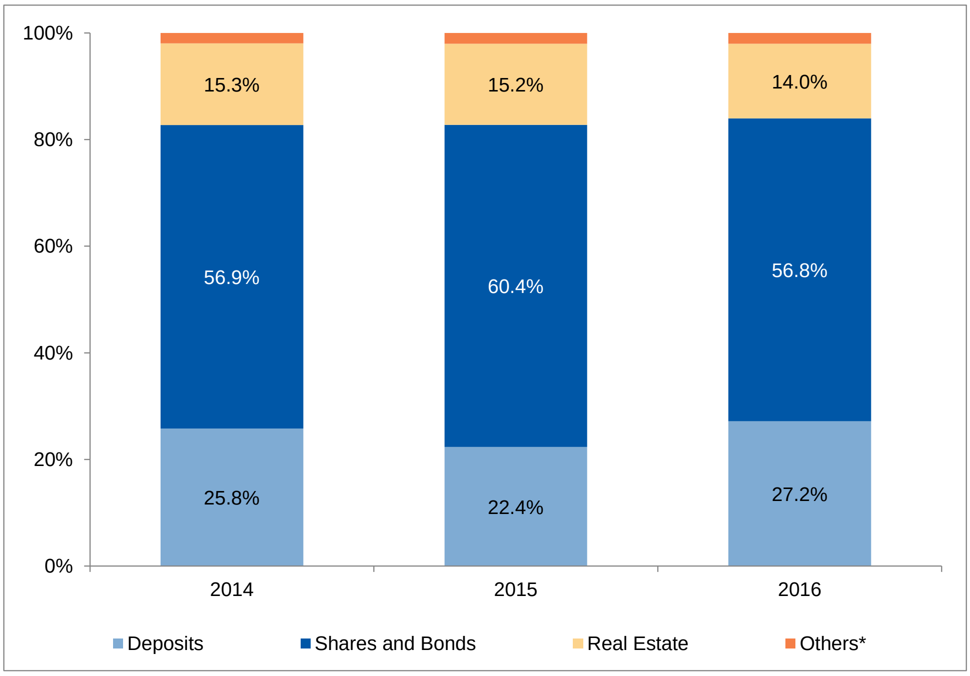
Investment Mix and Return

Return on investments is an important source of income for the insurance companies, given the low profitability in core business and a competitive environment. Insurance companies in the region, particularly the UAE and Qatar, have invested in high-risk asset classes of equity and real estate to earn high returns. However, the trend is changing as the regulator in the UAE has capped the limit in each investment avenue. Moreover, with rising interest rate and sovereign bond issuances, insurance companies are being attracted to the fixed income market.

As of end-December 2016, shares and bonds accounted for 56.8% of the total investments made by the selected insurance companies

As of end-December 2016, shares and bonds[100] accounted for 56.8% of the total investments made by the select insurance companies (see Exhibit 64). The composition has declined from 60.4% in the previous year, as the investments in cash and bank deposits increased. The drop underlines the strategy to shift investments in safe havens and protect earnings from the market volatility. Real estate accounted for 14.0% of the total investments by end-2016, which has also declined. At more than 70%, ARCC, Arab Insurance Group, BUPA, CCI, Emirates Insurance Co. and Oman United Insurance Co. had high exposure to shares and bonds. QGCI has invested US$ 1.7 billion or 76.2% of its investments in the real estate market. ARCC and BUPA have substantially increased their investments in shares and bonds, while Orient Insurance and TKFE have reduced it significantly and shifted them to deposits.

Exhibit 64: Investment Mix of Select Insurance Players



Source: Thomson Reuters Eikon, Company Reports, Alpen Capital
** Includes investments in affiliates*

Excluding cash and bank deposits, the overall investments by the selected set of companies have grown at an annual average rate of 13.9% between 2014 and 2016 to US$ 12.5 billion. Nearly 70% of the investment is represented by the top four insurance

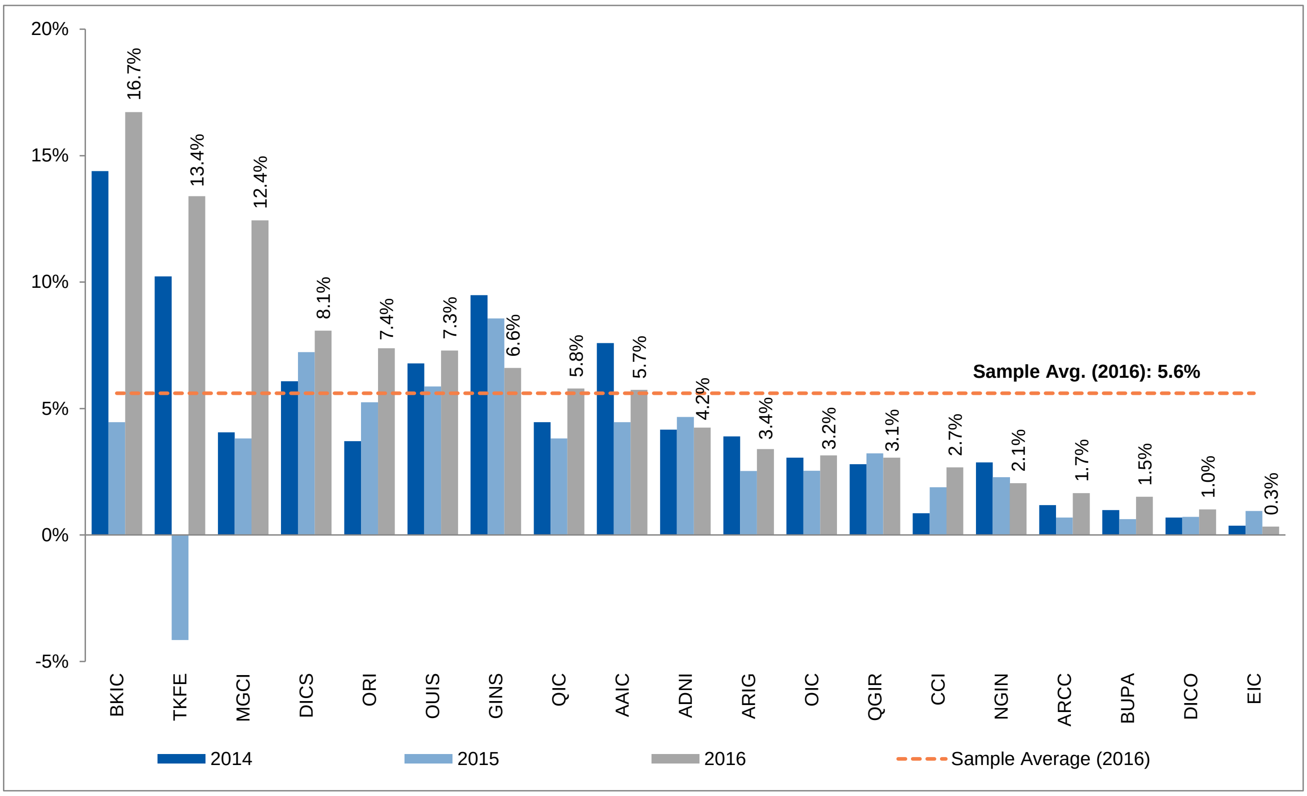
[100] The split into equity and fixed income is not available consistently across the companies

players, QIC, QGIR, CCI and BUPA. Investments made by ARCC, BUPA, QIC and TKFE have increased substantially, as the companies looked to expand their investment income.

Return on investments of the peers averaged 5.6% in 2015, higher than the three-year average of 4.5%

Return on investments of the peers averaged 5.6% in 2016 (see Exhibit 65), higher than the three-year average of 4.5%. During the year, BKIC and TKFE reported high and volatile return on investments at 16.7% and 13.4%, respectively. Net investment income of BKIC grew substantially in 2016, as the company restructured its investment portfolio and booked profit on the sale of some of the investments. The company also reported a profit from associates as compared to a loss in the previous year. The increase in returns of TKFE is because of high investment income from fixed deposits, the sale of investments at fair value and a substantial increase in fair value of investments. Ten of the selected set of companies underperformed the peer average, while others reported returns above the industry average. Returns of most of the companies have been low due to volatile equity market and lackluster real estate environment.

Exhibit 65: Trend in Return on Investments (2014-2016)



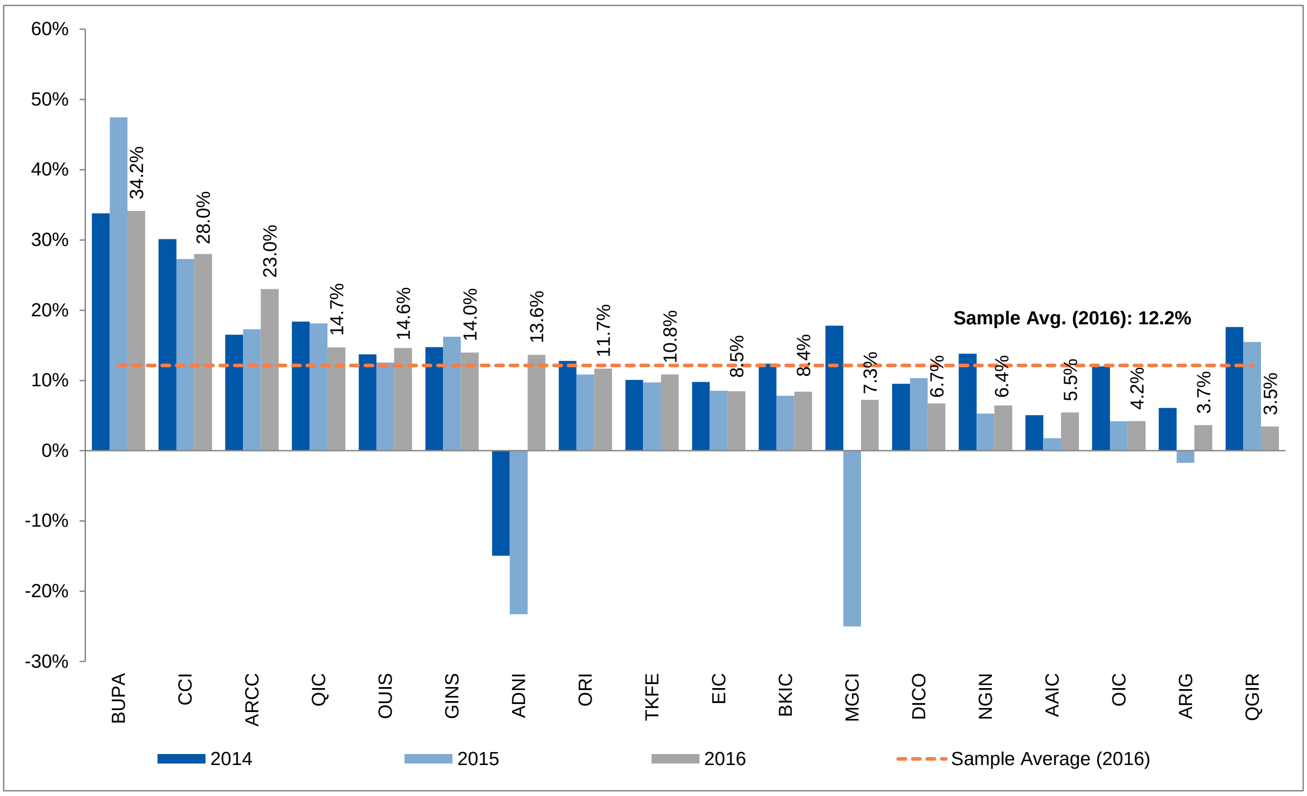
Source: Thomson Reuters Eikon

Return on Average Equity

The average ROE of the select peers remained volatile during 2014 and 2016, with returns improving to 12.2% in 2016 after a fall in 2015 to 9.1%

The average ROE of the select peers remained volatile during 2014 and 2016, with returns improving to 12.2% in 2016 after a fall in 2015 to 9.1% (see Exhibit 66). Net profit of most of the peers dropped in 2015 due to weak investment income, changes in technical reserving and intense competition. Nevertheless, the industry returned to profits in 2016 driven by the boost in health insurance premiums in the UAE and adoption of actuarial pricing in Saudi Arabia. The returns during 2016 varied drastically among the peers, ranging between 3.5% and 34.2%. BUPA gave the highest return on the back of high retention rates. However, the return has dropped in line with the increase in claims. ROE of QGIR also dropped drastically from 2014 as its net profit has almost halved due to low income from investments. DICS was excluded from the analysis, due to negative returns led by high claims ratio and resultant underwriting losses.

Exhibit 66: Trend in Return on Average Equity (2014-2016)



Source: Thomson Reuters Eikon

Note: Excluded DICS from the above chart as it is an outlier with negative returns

8.2 Valuation Analysis

In this section, we have analyzed the valuation ratios of the select insurance companies in the GCC. We have used the P/E, P/B and Market Capitalization/GWP multiples to measure the attractiveness of the stocks.

The GCC-based insurance companies are currently trading at an average P/E multiple of 12.0x and P/B multiple of 1.7x

The GCC-based insurance companies are trading at an average P/E multiple of 12.0x and P/B multiple of 1.7x[101] (see Exhibit 67). Among the selected set of companies, QGIR and TKFE have exceptionally high PE multiples. The high ratio of QGIR is mainly due to the drop in profits led by losses in last two quarters from the natural catastrophes in the Americas. Excluding these outliers, QIC commands the highest P/E multiple of 18.3x on the back of the results of its subsidiary QGIR. On the other hand, Orient Insurance Co. has the lowest P/E at 0.9x. Due to an exceptionally low multiple, the company is excluded from the industry average P/E multiple. Barring this, Arab Insurance Group has the lowest P/E multiple of 7.9x. Measured by P/B multiple, the insurance companies in Saudi Arabia appear pricey at above 3.0x. Orient Insurance Co. is trading at a significant discount to the peer average. Orient Insurance with the lowest valuation ratios appears attractive, considering its three-year average ROE of 11.8%.

[101] Source: Bloomberg (as on November 8, 2017)

The select peers average market capitalization to GWP multiple stood at 0.75x, which has declined in the last two years. The drop is mainly due to the constrained underwriting business activity. Most of the companies are trading below or near to the average valuation multiples. At current multiples, the companies in Saudi Arabia are more aggressively valued than the insurance companies in other GCC countries. Valuations could be beneficially impacted in view of the underpenetrated insurance market coupled with the underwriting potential arising from revenue diversification efforts and changes in insurance regulations.

Exhibit 67: Key Valuation Ratios of Insurance Companies in the GCC

Company Name	LTM		Current Market Cap /GWP in 2016 (x)
	P/E Ratio (x)	P/B Ratio (x)	
Abu Dhabi National Insurance Co.	8.9	0.8	0.63
Al Ain Ahlia Insurance Co.	11.6	0.5	0.59
Al Rajhi Co. for Cooperative Insurance	14.3	4.3	1.22
Arab Insurance Group	7.9	0.3	0.35
Bahrain Kuwait Insurance Co.	13.3	1.0	0.81
Bupa Arabia for Cooperative Insurance Co.	15.8	3.5	1.00
Company for Cooperative Insurance	15.2	3.9	1.44
Dhofar Insurance Co.	NM	2.4	0.72
Doha Insurance Co.	8.7	0.7	1.29
Emirates Insurance Co.	8.6	0.9	0.88
Gulf Insurance Group	13.2	1.6	0.61
Mediterranean and Gulf Cooperative Insurance and Reinsurance Co.	NM	5.7	0.34
National General Insurance Co.	9.5	0.7	0.59
Oman Insurance Co.	10.1	0.4	0.23
Oman United Insurance Co.	11.9	1.3	0.92
Orient Insurance	0.9	0.1	0.13
Qatar General Insurance & Reinsurance Co.	66.4	0.7	6.70
Qatar Insurance Co.	18.3	1.3	1.23
Takaful Emarat Insurance	57.0	2.3	0.53
Average	**12.0**	**1.7**	**0.75**
Median	**11.8**	**1.0**	**0.68**
High	**18.3**	**5.7**	**1.44**
Low	**7.9**	**0.1**	**0.13**

Source: Bloomberg

Notes: Last updated December 7, 2017; NM – Not Meaningful; Figures in red indicate below GCC average performance and those in green suggest performance at par with or above GCC average; Figures highlighted in grey are outliers and hence excluded from the GCC average

Country Profiles

UAE

Key Growth Drivers

- **Demography:** Growing population and high per capita income are fueling demand for vehicles, housing and healthcare and hence, the need for related insurance covers. Between 2016 and 2021, IMF has projected the population to grow at a CAGR of 3.0% and GDP per capita at 3.1%.
- **Infrastructure Developments:** At the end of September 2017, there were over 11,000 active construction projects worth US$ 805 billion in the UAE. The projects span across various sectors, as the country progresses towards economic diversification and hosting the World Expo 2020 event. The completion of such projects will translate into a wide base of insurable assets.
- **Regulations:** The sector is transforming with implementation of new regulations such as mandatory health insurance, risk-based capital requirement, investment limits and new vehicle insurance tariff. Such laws are aiding growth in premiums as well as improving asset quality, profitability and governance. The Insurance Authority has launched a Strategic Plan 2017-2021, aimed at ensuring growth, enhancing competitiveness, modernizing legislation and training nationals in the sector.

Recent Industry Developments

- In November 2017, Orient Insurance Co. in association with Allianz Partners launched an international health insurance product. The plan is designed for the expatriate community in Dubai to cover medical expenses for day care as well as inpatient treatments undertaken across the globe.
- During a Mediclinic Healthcare Management Conference held in Dubai in October 2017, the Director of health funding in Dubai Health Authority (DHA) stated plans to implement an emergency insurance for visitors and expansion of residents' essential basic packages in 2018.
- In July 2017, the Insurance Authority of the UAE increased the ceiling of foreign ownership in a local insurance company to 49% from 25% earlier. This amendment was undertaken to develop the local insurance market.
- In April 2017, a senior official of DHA divulged plans to implement a Refined Diagnostic Related Group payment model in Dubai from 2018. The model is a new billing system to ensure easy and transparent insurance payments.

Source: Thomson Reuters Eikon, UAE Insurance Authority, BNC Network

Macro-economic Indicators

Indicators	Unit	2016	2017F	2021F
GDP growth at current prices	%	-2.6	8.6	5.4
GDP per capita, at current prices	US$	35,383.9	37,346.1	41,182.1
Population	mn	9.9	10.1	11.4
Inflation	%	1.8	2.1	2.3
Insurance penetration	%	2.9	2.9	3.9
Insurance density	US$	1,038.7	1,087.6	1,589.0

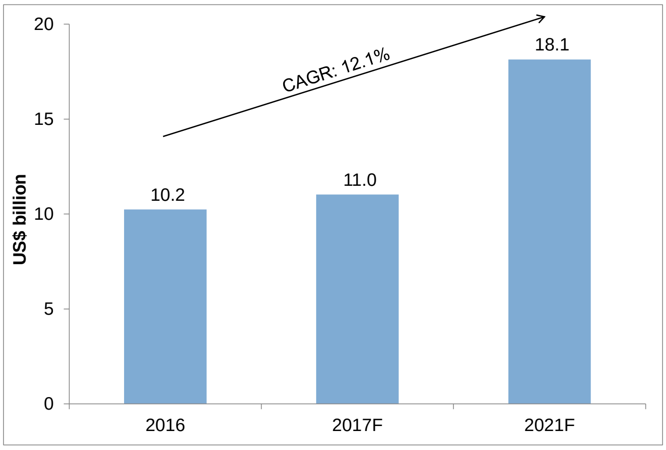
Source: IMF – October 2017, Swiss Re, Alpen Capital
Note: F – Forecast

Key Players

Company	GWP in 2016 (US$ mn)
Abu Dhabi National Insurance Co. PSC	646.8
Al Buhaira National Insurance Co. PSC	191.5
Al-Sagr National Insurance Co.	103.1
Dubai Insurance Co. PSC	109.0
Emirates Insurance Co. PSC	278.2
National General Insurance Co. PSC	149.8
Oman Insurance Co. PSC	968.1
Orient Insurance PJSC	702.7
Ras Al Khaimah National Insurance Co. PSC	114.9
Union Insurance Co. PSC	238.8

Source: Thomson Reuters Eikon

Forecast of Insurance Industry



Source: Swiss Re, Alpen Capital
Note: F – Forecast

Saudi Arabia

Key Growth Drivers

- **Demography:** With an insurance density of US$ 313, half of the average in the world, the Kingdom has a large base of uninsured people. This coupled with rising urbanization and a growing proportion of tech-savvy youngsters, working women and expatriates present a vast opportunity for insurers to expand conventional and Islamic insurance business.
- **Economic Diversification:** With a slowdown in oil prices and ensuing impact on economic activity, the government is focusing on revenue diversification and encouraging private investments. This is likely to result in an increase in construction and business activities across the region and create demand for insurance products.
- **Regulations:** SAMA has been actively and strictly managing the domestic insurance industry, while issuing regulations on actuarial-led pricing, reserve setting and expansion of health insurance coverage. This has enabled growth in premiums and improvement in profitability. The regulator plans to increase capitalization levels and improve risk controls in a bid to encourage consolidation. This is likely to enhance the ability of insurers to undertake high-risk underwriting projects.

Recent Industry Developments

- In November 2017, Capital Market Authority approved the request of Saudi Re for Cooperative Reinsurance Co. SJSC (Saudi Re) to reduce its capital from SAR 1 billion to SAR 810 million.
- In October 2017, Allianz SE through its subsidiary, Allianz Europe BV, entered into an agreement to acquire 18.5% interest in Allianz Saudi Fransi Cooperative Insurance Co. The transaction value is estimated at US$ 21.7 million, representing 3.7 million shares at a price of US$ 5.9 per share. The deal once closed will increase the total shareholding of Allianz Group to 51% and enable it to expand operations in Saudi Arabia.
- In September 2017, Saudi Re entered into a shareholding agreement to acquire 49.9% interest in Probitas Holdings (Bermuda) Ltd. for US$ 25 million.
- In December 2016, SAMA instructed insurance companies to provide a discount to policyholders of motor insurance based on the number of years of no claims.

Source: Thomson Reuters Eikon, SAMA, Zawya

Macro-economic Indicators

Indicators	Unit	2016	2017F	2021F
GDP growth at current prices	%	-1.2	5.0	4.3
GDP per capita, at current prices	US$	20,365.0	20,957.2	22,636.7
Population	mn	31.7	32.4	35.0
Inflation	%	3.5	-0.2	2.1
Insurance penetration	%	1.5	1.4	2.1
Insurance density	US$	313.0	303.0	466.6

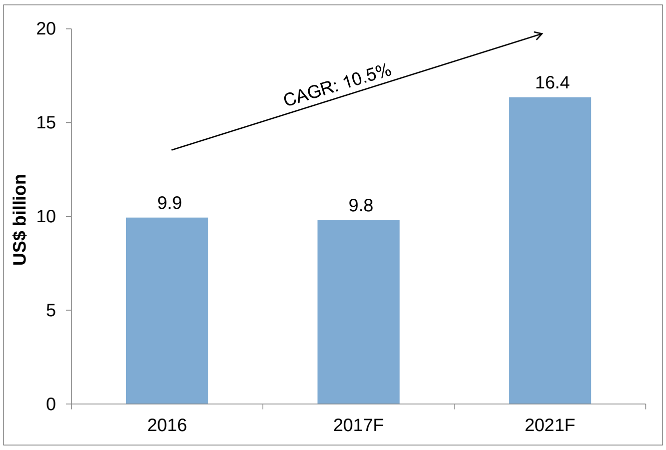
Source: IMF – October 2017, Swiss Re, Alpen Capital
Note: F – Forecast

Key Players

Company	GWP in 2016 (US$ mn)
AXA Cooperative Insurance Co. SJSC	307.7
Bupa Arabia for Cooperative Insurance Co. SJSC	2,117.0
Company for Cooperative Insurance SJSC	2,148.1
SABB Takaful Co. SJSC	58.0
Saudi Re for Cooperative Reinsurance Co. SJSC	262.8
The Mediterranean and Gulf Cooperative Insurance and Reinsurance Co.	851.8
United Cooperative Assurance	218.5
Walaa Cooperative Insurance Co. SJSC	271.0

Source: Thomson Reuters Eikon

Forecast of Insurance Industry



Source: Swiss Re, Alpen Capital
Note: F – Forecast

Qatar

Key Growth Drivers

- **Demography:** The country's population has grown at a fast pace of 8.6% between 2011 and 2016 to 2.6 million and is expected to grow at a CAGR of 1.5% until 2021. The growth is driven by increasing number of expatriate workers moving in for job prospects. Rising population, comprising the young and working, will continue to drive the demand for health, motor, property and other retail insurance products.
- **Per capita income:** The IMF has projected Qatar's GDP per capita to increase at a CAGR of 5.4% between 2016 and 2021. Efforts to diversify revenue and a gradual recovery in oil prices are likely to result in an increase in disposable income of one of the world's wealthiest countries. This will add to the demand for general insurance products.
- **Infrastructure Developments**: Strategic plans to diversify economy have given rise to construction activities related to infrastructure, commercial and retail projects and hosting of FIFA World Cup in 2022. Such projects are likely to increase the base of assets available for underwriting.
- **Regulations:** In 2016, Qatar Central Bank issued new regulations for insurers on licensing, controls, accounting, risk management and actuaries reports. The new laws also stipulated minimum capitalization levels and limits on risky asset classes. Such regulations will improve solvency of the companies and build a sustainable industry.

Recent Industry Developments

- In November 2017, Qatar Insurance Co. managed to renew its branch license in Abu Dhabi. This development is a respite from the company's earlier claim, about a couple of months back, of closing down the branch due to failure in obtaining license amidst the diplomatic rift.
- In March 2017, Qatar Reinsurance Co. Ltd, a subsidiary of Qatar Insurance Co., raised US$ 450 million through an issue of perpetual bonds at an initial coupon rate of 4.95% per annum. The funds will be utilized for financing future growth.
- In March 2016, Qatar Central Bank ordered listed insurance companies to hold a capital of more than US$ 27.4 million or a risk-based capital.

Source: Thomson Reuters Eikon, Qatar Re, Qatar Central Bank, Media Reports

Macro-economic Indicators

Indicators	Unit	2016E	2017F	2021F
GDP growth at current prices	%	-5.4	6.8	6.5
GDP per capita, at current prices	US$	59,513.9	60,811.9	77,311.2
Population	mn	2.6	2.7	2.8
Inflation	%	2.7	0.9	2.3
Insurance penetration	%	1.9	1.9	2.1
Insurance density	US$	1,121.5	1,146.0	1,628.1

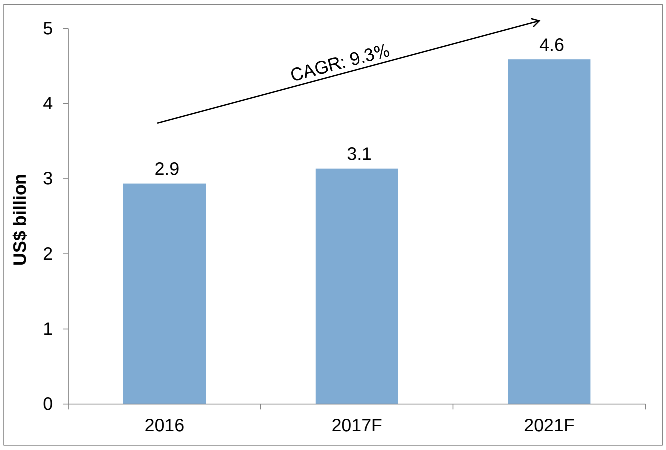
Source: IMF – October 2017, Swiss Re, Alpen Capital
Note: F – Forecast

Key Players

Company	GWP in 2016 (US$ mn)
Al Khaleej Takaful Group QSC	82.8
Doha Insurance Co. QSC	141.6
Qatar General Insurance and Reinsurance Co. SAQ	173.0
Qatar Insurance Co. SAQ	2,659.6
Qatar Islamic Insurance Co. QSC	64.5

Source: Thomson Reuters Eikon

Forecast of Insurance Industry



Source: Swiss Re, Alpen Capital
Note: F – Forecast

Oman

Key Growth Drivers

- **Demography:** The country is set to witness the region's fastest growth in population, as IMF has projected a CAGR of 3.1% between 2016 and 2021. An expanding consumer base, alongside rising urbanization rate, is lending a push to the underwriting business of personal insurance lines.
- **Mandatory Health Insurance:** Oman is set to implement mandatory health insurance for the private sector in a phased manner starting January 2018. The Minister of Health stated that presently only 9% of nationals and 10% of expatriates in the private sector are insured. Thus, the implementation is likely to swell the size of insurance business in the country.
- **Regulations:** In addition to the health insurance plan, the regulator has stipulated an increase in minimum capital requirement and need for listing on stock exchange. Moreover, the regulator has been increasing the insurance awareness amongst the people. Such moves will strengthen the financials and lead to advancement of the sector.
- **Construction Activities:** Substantial construction projects are underway in Oman as part of its revenue diversification plan. Logistics, ports, tourism and railways are the areas witnessing most of the construction activity, augmented by increasing investments by private sector. The insurance sector stands to benefit from the expanding scope of insurable assets.

Recent Industry Developments

- In November 2017, Dhofar Insurance Co. held a board meeting to bring down its accumulated losses by restructuring its capital. The company plans to halve the paid-up capital to US$ 26 million and float rights issue of 20 million shares and US$ 12.9 million mandatory convertible bonds.
- In October 2017, the Capital Market Authority of Oman introduced the agricultural insurance policy. To be implemented in three phases, the policy will also cover livestock, fisheries, poultry, date farming and bee-keeping in the later stages.
- In October 2017, the OMR 4 million (US$ 10.4 million*) IPO of Oman Qatar Insurance Co. was oversubscribed by 1.4 times.

Macro-economic Indicators

Indicators	Unit	2016	2017F	2021F
GDP growth at current prices	%	-5.1	8.5	4.8
GDP per capita, at current prices	US$	16,535.1	17,406.0	18,826.4
Population	mn	4.0	4.1	4.7
Inflation	%	1.1	3.2	3.2
Insurance penetration	%	1.8	1.7	2.4
Insurance density	US$	298.3	295.3	453.1

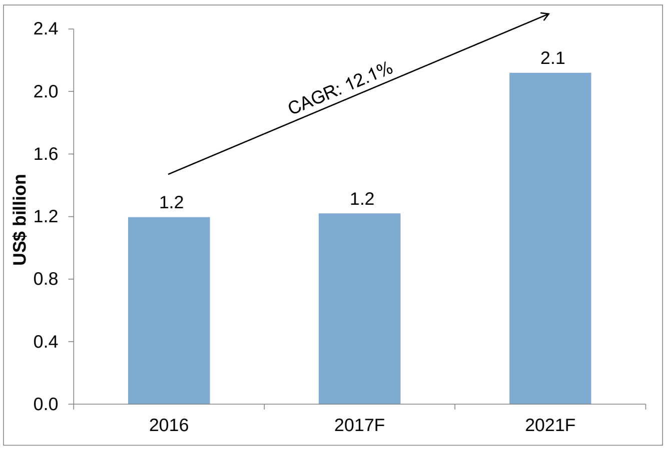
Source: IMF – October 2017, Swiss Re, Alpen Capital
Note: F – Forecast

Key Players

Company	GWP in 2016 (US$ mn)
Dhofar Insurance Co. SAOG	143.5
National Life & General Insurance Co. SAOC	262.8
Oman United Insurance Co. SAOG	100.2
Takaful Oman Insurance SAOG	38.7

Source: Thomson Reuters Eikon

Forecast of Insurance Industry Size



Source: Swiss Re, Alpen Capital
Note: F – Forecast

* Converted at exchange rate of 2.589
Source: Thomson Reuters Eikon, Times of Oman

Kuwait

Key Growth Drivers

- **Demography:** Population in Kuwait is projected to grow at a CAGR of 2.8% between 2016 and 2021 (Source: IMF). A growing consumer base coupled with rapid urbanization and high per capita income will drive demand for housing, automobiles and healthcare. This creates an environment conducive for growth of the insurance industry.
- **Economic Diversification:** Kuwait has embarked on a revenue diversification plan, which will see high participation of the private sector in infrastructure and housing projects. The country is likely to develop infrastructure projects worth US$ 15.6 billion in 2017-18 and plans to provide 12,000 housing units annually through 2030. Such projects are set to offer significant underwriting opportunities for insurers.
- **Regulations:** Even though not much active like its regional counterparts, the regulatory framework in Kuwait's insurance sector is set to change. The much delayed draft of a new insurance law is likely to complete by end of the year and may include requirements for higher capital and establishment of an independent regulator. A favorable framework will provide a boost to the country's insurance sector.

Recent Industry Developments

- From October 1, 2017, the Health Ministry in Kuwait increased the fees for health care services offered to foreigners and people not covered under health insurance scheme.
- In June 2017, the Members of Parliament have proposed introduction of mandatory health insurance for visitors to cover their treatment costs. This was in view of several foreigners coming into the country to avail the inexpensive treatments.
- In May 2017, the country's largest insurance firm, Gulf Insurance Group, fully acquired AIG Sigorta AS, a Turkey-based non-life insurance company, for a sum of US$ 47.9 million. The target reported GWP of US$ 86.8 million in 2016.

Source: Thomson Reuters Eikon, Kuwait Infrastructure Week, Middle East Insurance Review

Macro-economic Indicators

Indicators	Unit	2016	2017F	2021F
GDP growth at current prices	%	-3.3	6.7	6.8
GDP per capita, at current prices	US$	26,244.8	27,236.7	31,516.6
Population	mn	4.2	4.3	4.8
Inflation	%	3.5	2.5	2.7
Insurance penetration	%	1.0	1.0	1.1
Insurance density	US$	263.9	273.4	353.9

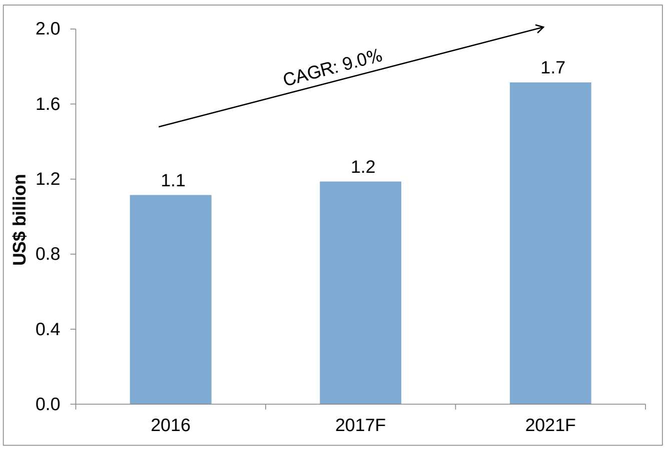
Source: IMF – October 2017, Swiss Re, Alpen Capital
Note: F – Forecast

Key Players

Company	GWP in 2016 (US$ mn)
Al-Ahleia Insurance Co. SAKP	202.3
Gulf Insurance Group KSCP	704.0
Kuwait Insurance Co. SAKP	120.9
Kuwait Reinsurance Co. KSCP	111.6
Warba Insurance Co. KSC	115.2

Source: Thomson Reuters Eikon

Forecast of Insurance Industry Size



Source: Swiss Re, Alpen Capital
Note: F – Forecast

Bahrain

Key Growth Drivers

- **Demography:** Bahrain's population and GDP per capita at current prices are forecasted to grow at annualized average rates of 2.0% and 2.3%, respectively, between 2016 and 2021 (Source: IMF). The growing base of consumers and increase in their disposable income is likely to foster demand for insurance products.
- **Infrastructure Developments:** Construction activity in Bahrain continues to expand supported by public as well as private investments. Ongoing projects span across rail, road, affordable housing, tourist attractions, utilities, logistics and manufacturing activities. Such developments in a bid to diversify the economy bode well for the growth of the insurance industry.
- **Takaful Insurance:** Representing 22.2% of the insurance sector in 2016, the Takaful insurance segment in Bahrain has grown swiftly. The increase was particularly in family Takaful, due to rising awareness and demand for investment-linked products. The insurance regulator is likely to come out with new regulations for the Takaful segment, which is likely to enhance the industry growth.
- **Mandatory Health Insurance:** The country is considering implementation of a compulsory national health insurance scheme in years to come. Once implemented, the scheme will provide a significant boost to the overall insurance premiums.

Recent Industry Developments

- In June 2017, BKIC acquired 36.3% stake in Takaful International Co. (TIC) to take its total holding to 67.3%. Subsequently, TIC's financials were consolidated with that of BKIC, resulting in a significant increase in the latter's GWP.
- In March 2017, Arab Insurance Group received a license from Dubai Financial Services Authority to open a reinsurance unit, Arig Insurance Management, in DIFC.
- In December 2016, Solidarity Group Holding acquired 71.4% interest in Al Ahlia Insurance Co. for US$ 27.8 million. The deal is likely to strengthen the group's Takaful insurance business in Bahrain as well as the wider region.
- In October 2016, Al Salam Bank entered into a strategic agreement with TIC to distribute the company's Islamic insurance products through the bank's branches in Bahrain.

Source: Thomson Reuters Eikon, Central Bank of Bahrain

Macro-economic Indicators

Indicators	Unit	2016	2017F	2021F
GDP growth at current prices	%	2.4	6.3	3.8
GDP per capita, at current prices	US$	24,146.2	25,169.6	27,096.5
Population	mn	1.3	1.3	1.5
Inflation	%	2.8	0.9	1.5
Insurance penetration	%	2.3	2.3	2.7
Insurance density	US$	561.0	581.1	721.6

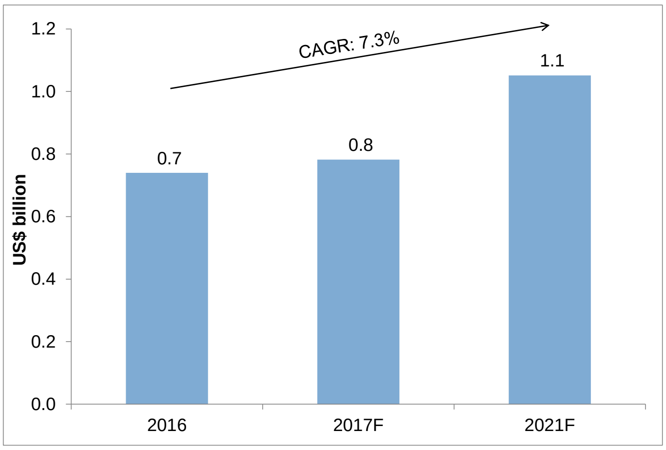
Source: IMF – October 2017, Swiss Re, Alpen Capital
Note: F – Forecast

Key Players

Company	GWP in 2016 (US$ mn)
Al Ahlia Insurance Co. BSC	35.9
Arab Insurance Group BSC	245.4
Bahrain Kuwait Insurance Co. BSC	111.7
Bahrain National Holding Co. BSC	75.4

Source: Thomson Reuters Eikon

Forecast of Insurance Industry Size



Source: Swiss Re, Alpen Capital
Note: F – Forecast

Company Profiles

ALPEN CAPITAL

Abu Dhabi National Insurance Co. PSC (Publicly Listed) UAE

Company Description

Incorporated in 1972, Abu Dhabi National Insurance Co. PSC (ADNIC) provides life and non-life insurance services in the areas of property, motor, personal accident, aviation, engineering and construction. The company has four branches and 11 service as well as sales centers in the UAE. ADNIC also has recently opened a representative office in the UK to provide reinsurance services in commercial sectors.

Business Segments/Product Portfolio

- **Commercial:** This segment contributed 50.4% to the company's GWP during 9M 2017. The products offered under this segment include:
  - **Aviation:** Insurance plans covering all risks in the aviation sector such as hull war, hangar keepers' liability and loss of license.
  - **Engineering & Construction:** Includes covers for contractors against loss/damage of plant, equipment, machinery and sabotage, among others.
  - **Energy (Oil & Gas) Onshore & Offshore:** Offers plans providing coverage of construction activities and operational assets against various internal and external risks.
  - **Property:** Plans covering properties against risks related to fire, burglary, terrorism and political violence.
  - **Marine Hull:** Insurance plans for all types of vessels such as general cargo, oil tankers, LPG carriers and tugs.
  - **Marine Cargo:** Plans providing insurance for cargo against risks of loss or damage during transit by air, sea and land.
- **Consumer:** Accounting for the remaining 49.6% of the GWP during 9M 2017, this business segment includes insurance plans related to home, life, medical, motor, personal watercraft, personal accident, travel and wedding. The key products are
  - **Medical:** Offers various medical insurance plans to corporations and individuals for covering medical expenses.
  - **Life:** Provides term-life and personal accident coverage.
  - **Motor:** Offers comprehensive and third party liability insurance products for vehicles of individuals as well as corporate.

Recent Developments/Future Plans

- In October 2017, ADNIC opened a representative office in London to offer reinsurance services in the industrial sectors in the UK. The business will be conducted under ADNIC International Ltd. This expansion is the first step towards the company's strategy to develop cross-border business.

Source: Company website

Current Price (US$)	1.09

Price as on December 07, 2017

Stock Details	
Bloomberg ticker	ADNIC UH
52 week high/low	1.09/0.65
Market Cap (US$ mn)	408.4
Enterprise value (US$ mn)	367.9
Shares outstanding (mn)	375.0

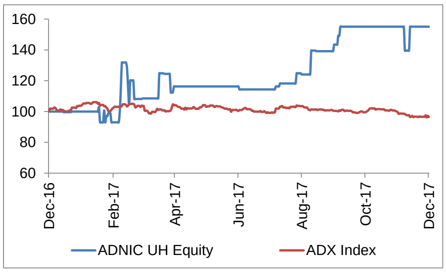
Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	20.6	5.6
6M	65.7	17.9

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	6.0	8.9
P/B (x)	0.6	0.8
Market Cap/GWP	0.4	0.6
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Abu Dhabi Investment Council	23.80%
Al Otaibah (Khalaf Bin Ahmed)	10.11%
Al Nahyan	5.30%
Al Dhabi Investment, LLC	5.12%
Others	55.67%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	623.7	646.8	*3.7*	480.0	540.0	*12.5*
Net Written Premium	349.9	294.5	*-15.8*	215.7	205.7	*-4.6*
Net Underwriting Profit / (Loss)	-62.3	93.3	*-249.7*	68.7	65.1	*-5.3*
Margin (%)	-10.0	14.4		14.3	12.1	
Net Profit / (Loss)	-91.1	55.8	*-161.3*	39.1	48.6	*24.4*
Margin (%)	-14.6	8.6		8.1	9.0	
Return on Equity (%)	-23.3	13.6		13.0	13.2	
Return on Assets (%)	-6.0	3.4		3.2	3.7	

Source: Thomson Reuters Eikon

Al Ahlia Insurance Co. BSC (Publicly Listed) Bahrain

Company Description

Founded in 1976, Al Ahlia Insurance Co. BSC (AAIC) provides various insurance plans such as home, motor, medical and commercial lines. The company operates through a network of six branches in Bahrain. AAIC is a subsidiary of Solidarity Group Holding BSC, a group of companies offering Islamic insurance products in Bahrain, Saudi Arabia, Luxemburg and Jordan.

Business Segments/Product Portfolio

- **Individual & Family:**
  - **Home Protection Plan:** Covers risks to property from fire, lightning and explosion, earthquake and volcanic eruption, among others.
  - **Motor Insurance:** Provides covers against car repairing, third party damage and death or injury in an accident.
  - **Personal Accident:** Provides insurance against death and permanent, partial or total disability caused due to an accident.
  - **Medical Insurance:** Offers various health insurance plans such as Elite Gold, Elite, Riaya and Himaya for corporates and individuals.
  - **Travel Insurance:** Provides cover for hospitalization, medical evacuation, etc. in case of an unexpected illness/injury while travelling.
  - **Yachts & Pleasure Boats:** Provides insurance against destruction of boats in events like sabotage and terrorism.
- **Commercial & Corporate:**
  - **Property/General Accident:** The policies offered include fire, special perils and theft insurance, which covers building/premises, fixtures, fittings, etc.
  - **Engineering:** Covers risk related to loss or property damage, boiler explosion, machinery breakdown and others.
  - **Marine:** Offers plans to cover cargo and hull against any loss or damage during shipment of goods or accidental loss.
  - **Medical & Life:** Offers group medical insurance, group life assurance and credit life assurance plans.
  - **Motor:** Provides comprehensive and third party liability insurance to both corporate and individuals.
  - **Miscellaneous Insurances:** AAIC also offers policies related to glass insurance, sabotage & terrorism and deterioration of stock.

Recent Developments/Future Plans

- In July 2017, AAIC proposed to acquire 100% of Solidarity General Takaful BSC against a share swap ratio of 2.5:1. For the merger, AAIC shall convert into a Takaful provider. The merger is expected to complete in December 2017.

Source: Company website

Current Price (US$)	0.58

Last traded on September 11, 2017

Stock Details	
Bloomberg ticker	AHLIA BI
52 week high/low	0.58/0.58
Market Cap (US$ mn)	35.8
Enterprise value (US$ mn)	0.2
Shares outstanding (mn)	61.9

Source: Bloomberg

Average Daily Turnover

	BHD	US$
3M	35.9	95.2
6M	28.7	76.1

Source: Bloomberg

Share Price Chart

Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	467.1	NM
P/B (x)	1.1	1.0
Market Cap/GWP	1.2	1.0
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Solidarity Group Holding BSC	71.46%
Taqi Mohamed ALBaharna	5.75%
Others	22.79%
Total	**100.00%**

Source: Bahrain Bourse

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**H1 2016**	**H1 2017**	***Change y-o-y (%)***
Gross Written Premium	29.0	35.9	*23.9*	19.0	19.6	*2.9*
Net Written Premium	14.7	22.6	*54.0*	11.8	8.9	*-24.0*
Net Underwriting Profit / (Loss)	3.8	3.7	*-1.7*	2.9	-0.04	*-101.3*
Margin (%)	13.0	10.3		15.0	-0.2	
Net Profit / (Loss)	-1.7	0.1	*NM*	1.7	0.2	*-85.8*
Margin (%)	-5.7	0.2		8.7	1.2	
Return on Equity (%)	-4.4	0.2		9.3	1.3	
Return on Assets (%)	-2.2	0.1		4.4	0.6	

Source: Thomson Reuters Eikon

Al Buhaira National Insurance Co. PSC (Publicly Listed) UAE

Company Description

Founded in 1978, Al Buhaira National Insurance Co. PSC (Al Buhaira) offers insurance services in various areas such as engineering, liability, group life, medical, home, marine, aviation, motor and property. The insurance business is conducted through nine branches in the UAE. Additionally, the company invests in economic projects through a wholly owned subsidiary, Al Buhaira Economic Investments Establishment.

Business Segments/Product Portfolio

- **General Insurance:** This is the major business segment of the company, accounting for 98.1% of the GWP during 9M 2017. Products offered include:
  - **Property:** Plans providing covers for property from the risk of accidental physical loss or damage caused by fire, flood, lightning, flood, terrorism and sabotage among others.
  - **Motor:** Provides coverage to motor from personal accident, third party property damage, natural disaster, car replacement in case of an accident and other such risks for corporate and individual.
  - **Aviation:** Coverage from risk of loss/damage to the hull of the aircraft, hull war and personal accident cover for the third parties and passengers.
  - **Marine:** Covers marine cargo from the risk involved during transportation.
  - **Medical:** Includes health risk covers for individual and corporate.
  - **Engineering:** Includes plans covering risks of contractors, erection, plant & machinery, machinery breakdown and deterioration of stock, among others.
  - **Energy:** Provides a range of insurance covers across upstream and midstream activities in the oil & gas sector.
  - **Others:** The other insurance products offered include third-party liability, worker's compensation, fidelity guarantee, personal accident, travel, home, yacht and contingency risks.
- **Life Assurance:** This segment comprises the business of group life insurance policies for organizations.
- **Investments:** This segment includes the investments made by the company in term deposits with banks, properties and equity securities.

Source: Company website

Current Price (US$)	0.60

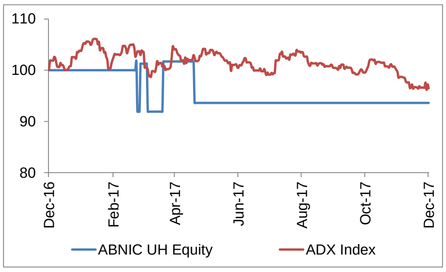
Price as on December 07, 2017

Stock Details	
Bloomberg ticker	ABNIC UH
52 week high/low	0.65/0.59
Market Cap (US$ mn)	149.7
Enterprise value (US$ mn)	222.7
Shares outstanding (mn)	250.0

Source: Bloomberg

Note: The information on average daily turnover is not available

Share Price Chart



Source: Bloomberg

Valuation Multiples	2016	LTM
P/E (x)	13.8	13.9
P/B (x)	0.9	0.8
Market Cap/GWP	0.8	1.1
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Investment Group Pvt. Ltd	27.71%
Al Thani Abdullah	13.46%
Al Qassimi Faisal	12.34%
Al Nabulsi Suha Elmi Fawzi	9.29%
Others	37.20%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	168.8	191.5	*13.4*	167.5	116.6	*-30.4*
Net Written Premium	78.0	88.1	*12.9*	70.5	62.1	*-11.9*
Net Underwriting Profit / (Loss)	4.2	5.8	*37.9*	5.3	5.3	*1.2*
Margin (%)	2.5	3.0		3.2	4.6	
Net Profit / (Loss)	9.3	11.6	*25.2*	12.4	11.5	*-7.6*
Margin (%)	5.5	6.1		7.4	9.9	
Return on Equity (%)	5.7	6.8		9.2	8.8	
Return on Assets (%)	1.9	2.4		3.2	3.0	

Source: Thomson Reuters Eikon

ALPEN CAPITAL

Al-Sagr National Insurance Co. (Publicly Listed) UAE

Company Description

Founded in 1979, Al-Sagr National Insurance Co. (ASNIC) is engaged in the provision of life and non-life insurance services. The operations are carried out primarily in the UAE through a network of seven branches and a head office. Additionally, ASNIC conducts insurance activities in Jordan through its subsidiary Jordan Emirates Insurance Co. (94.0% stake) and in Saudi Arabia via its affiliate Al Sagr Cooperative Insurance Co. (26.0% stake). ASNIC is the insurance arm of Gulf General Investment Co., a UAE-based investment holding company.

Business Segments/Product Portfolio

- **General Insurance:** ASNIC earned 96.0% of GWP during the nine months ended September 2017 from general insurance plans. The products offered include,
    - **Property Insurance:** Offers cover against all risks related to a property, including risks of fire & allied perils, burglary, business interruption, etc.
    - **Engineering Insurance:** Plans covering risks of material damage, loss of profit due to machinery breakdown and other risks of contractors.
    - **Liability Insurance:** Includes workmen's compensation, public liability, products liability and professional liability insurance plans, which covers risk of accidental loss or damage to third party and injuries to employees.
    - **Marine Cargo:** Plans to insure cargo from the risk of physical loss or damage during transit by land, sea or air.
    - **Marine Hull:** Plans to insure various types of vessels from the risk of loss or damage caused by perils of sea.
    - **Motor Insurance:** Offers third party liability and comprehensive motor insurance policies.
    - **Medical Insurance:** Offers health insurance plans to individual and corporate to cover hospitalization charges, doctor's fees, physiotherapy and other such medical expenses.
    - **Travel:** Insurance against personal accident and loss of baggage during travelling or cancelled/delayed flight.
    - **Miscellaneous:** The company also provides insurance plans of personal accident, neon sign, plate glass, money, fidelity guarantee and credit.
- **Life Insurance:** The company offers life policies to individuals.

Recent Developments/Future Plans

- In September 2017, A.M. Best maintained its rating of 'B+' (Good) on the financial strength and 'bbb-'on long-term issuer credit of ASNIC. The outlook was revised to stable from negative, following the reduced ownership of Gulf General Investment Co. to below 50%, providing independence to the Board for decision making.

Source: Company website, Bloomberg

Current Price (US$)	1.24

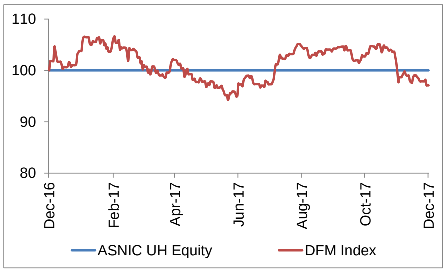
Price as on December 07, 2017

Stock Details	
Bloomberg ticker	ASNIC UH
52 week high/low	1.24/1.24
Market Cap (US$ mn)	284.9
Enterprise value (US$ mn)	253.8
Shares outstanding (mn)	230.0

Source: Bloomberg

Note: The information on average daily turnover is not available

Share Price Chart



Source: Bloomberg

Valuation Multiples	2016	LTM
P/E (x)	50.6	188.1
P/B (x)	2.3	2.3
Market Cap/GWP	2.8	2.7
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Gulf General Investment	47.09%
Abdullah Omran Taryam	9.47%
Near East Investment Co. LLC	8.75%
Enmaa Al Emarat for General Trading Co.	7.50%
Others	27.19%
Total	**100.00%**

Source: Company website, Dubai Financial Market, Thomson Reuters Eikon

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	104.8	103.1	*-1.5*	82.7	85.8	*3.8*
Net Written Premium	73.2	68.0	*-7.1*	52.3	47.5	*-9.2*
Net Underwriting Profit / (Loss)	17.9	10.7	*-40.0*	10.9	14.0	*28.1*
Margin (%)	17.1	10.4		13.2	16.3	
Net Profit / (Loss)	-28.5	5.7	*-120.1*	8.6	4.6	*-46.5*
Margin (%)	-27.2	5.6		10.4	5.4	
Return on Equity (%)	-21.3	4.8		8.2	5.0	
Return on Assets (%)	-7.9	1.7		3.2	1.8	

Source: Thomson Reuters Eikon

Bahrain Kuwait Insurance Co. BSC (Publicly Listed) — Bahrain

Company Description

Formed in 1975, Bahrain Kuwait Insurance Co. B.S.C. (BKIC) deals in life as well as non-life insurance business through its three branches and an office in Bahrain and one office in Kuwait. BKIC also offers Islamic insurance products through its subsidiary, Takaful International Co. BSC (TIC). BKIC is a 56.1% subsidiary of Gulf Insurance Group KSCP (GIG), one of the largest insurance groups in Kuwait. BKIC is amongst the founding members of United Insurance Co. and Gulf Assist in Bahrain.

Business Segments/Product Portfolio

- **Fire and General Insurance:** BKIC offers covers for risks related to fire, accident and engineering, medical, group life and special contingency. The company derived around 47% of its revenue during 9M 2017 from this segment. The products offered include:
    - **Home Insurance:** Covers loss to property by accidental fire, domestic explosions, storm, flood, theft, falling of aircraft, etc.
    - **Life Insurance:** Includes a decreasing term life insurance and a level term life insurance (based on fixed sum and time).
    - **Travel Insurance:** Coverage against risks during travel including medical expense, accident, loss of cash and trip cancellation.
    - **Health Insurance:** Medical insurance covers for treatment required during a hospital stay, day visit and critical illness.
- **Motor:** The company provides car insurance for third party liability, accidental collision or overturning, fire, external explosion, theft, etc. This segment contributed 48% to the company's topline during 9M 2017.
- **Marine and Aviation:** Under this segment, the company offers cover against risks of marine cargo, hull and aviation.
- **Family Takaful:** Offers Islamic insurance policies to cover risks of group life, education, protection, savings and others. During 9M 2017, this segment accounted for 2% of the company's revenue.

Recent Developments/Future Plans

- In October 2017, A.M. Best affirmed the company's financial strength with 'A' (Excellent) rating and a stable outlook.
- During H1 2017, BKIC increased its stake in TIC by acquiring an additional 26.3% stake for a sum of about US$ 10 million. With a 67.3% interest, the full consolidation of TIC helped BKIC strengthen its financials as well as market position.

Source: Company website

Current Price (US$)	1.27

Last traded on November 28, 2017

Stock Details	
Bloomberg ticker	BKIC BI
52 week high/low	1.46/1.27
Market Cap (US$ mn)	90.9
Enterprise value (US$ mn)	-26.8
Shares outstanding (mn)	71.5

Source: Bloomberg

Average Daily Turnover ('000)

	BHD	US$
3M	0.2	0.5
6M	0.1	0.3

Source: Bloomberg

Share Price Chart

Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	15.0	13.3
P/B (x)	1.3	1.0
Market Cap/GWP	1.0	0.6
Dividend yield (%)	N/A	N/A

Source: Bloomberg, Alpen Capital

Shareholding Structure	
Gulf Insurance Co.	56.12%
Warba Insurance Co. KSCP	13.33%
Bank of Bahrain & Kuwait	6.82%
Others	23.73%
Total	**100.00%**

Source: Bahrain Bourse

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	101.1	111.7	*10.5*	80.6	111.2	*37.9*
Net Written Premium	32.4	32.7	*1.1*	25.9	43.3	*67.3*
Net Underwriting Profit / (Loss)	8.0	4.7	*-41.8*	4.8	4.0	*-16.8*
Margin (%)	7.9	4.2		5.9	3.6	
Net Profit / (Loss)	7.2	7.6	*5.6*	7.0	6.2	*-11.9*
Margin (%)	7.1	6.8		8.7	5.6	
Return on Equity (%)	7.8	8.4		10.4	9.1	
Return on Assets (%)	2.5	2.8		3.7	2.3	

Key Comments

- *During the nine months ended September 2017, BKIC reported GWP of US$ 111.2 million, an increase of 37.9% y-o-y mainly led by the consolidation of Takaful International Co. from the second quarter. The consolidation was a result of BKIC's stake increase in Takaful International Co. through the inorganic route.*
- *However, an increase in net claims and substantial rise in unearned premium reserves resulted in a 16.8% y-o-y drop in underwriting profit to US$ 4.0 million during 9M 2017.*

Source: Thomson Reuters Eikon, Company Filings

Dhofar Insurance Co. SAOG (Publicly Listed) — Oman

Company Description

Incorporated in 1989, Dhofar Insurance Co. SAOG (DIC) is engaged in the provision of insurance and reinsurance services in life and non-life segments. The company's general insurance product range includes covers related to construction, energy, motor, travel, engineering and health. DIC conducts business through 44 branches across Oman.

Business Segments/Product Portfolio

The company reports revenue under two main segments – General Business and Life, of which 89.6% of the company's GWP during 9M 2017 is contributed by the General Business segment. Below are the key product categories offered by DIC.

- **Construction Insurance:** Includes plans for general contractors, specialty contractors and design professionals.
- **Energy Insurance:** Includes insurance related to property, boiler, machinery, environmental and management liability.
- **Engineering Insurance:** Comprises covers related to all risks of contractors, electronic equipment and loss due to machinery breakdown.
- **Health Insurance:** Includes various medical insurance plans for inpatient and outpatient treatments.
- **Life Insurance:** Coverage against risk of death.
- **Marine Cargo Insurance:** Includes insurance for cargo, hull & machinery, yachts & pleasure crafts and other marine liabilities.
- **Motor Insurance:** Includes third party liability for damage or loss due to accident.
- **Oil and Petrochemical Insurance:** Includes insurance for onshore and offshore property and mobile drilling units.
- **Personal Accident Insurance:** Includes covers for risk of death and permanent disability due to various accidents.
- **Property Insurance:** Coverage against fire & allied perils, terrorism, all risk related to property and comprehensive machinery (fire) for insured assets.
- **Travel Insurance:** Insurance protection during leisure holidays, business trip and long stay abroad.
- **Workmen's Compensation Insurance:** Plans for employers to insure their employees against risk of death and permanent or temporary disability.

Recent Developments/Future Plans

- DIC in its board meeting held during November 2017 decided to restructure its capital to reduce its accumulated losses. For the same, the company intends to halve the paid-up capital to US$ 26 million and float a rights issue of 20 million shares and US$ 12.9 million mandatory convertible bonds.

Source: Company website, Thomson Reuters Eikon

Current Price (US$)	0.52

Price as on December 07, 2017

Stock Details	
Bloomberg ticker	DICS OM
52 week high/low	0.54/0.52
Market Cap (US$ mn)	103.9
Enterprise value (US$ mn)	100.3
Shares outstanding (mn)	200.0

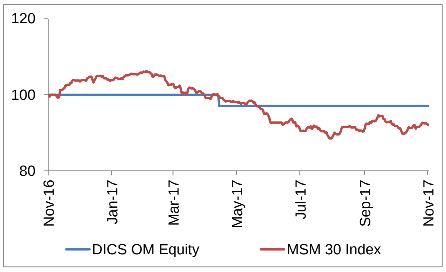
Source: Bloomberg

Average Daily Turnover

	OMR	US$
3M	N/A	N/A
6M	1.7	4.4

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	NM	NM
P/B (x)	2.3	2.4
Market Cap/GWP	0.7	0.9
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Dhofar Intl. Dev. & Invst. Hldg.	35.05%
Rakhyout	15.06%
Qatar General Insurance & Reinsurance Co. QPSC	6.45%
Abu Nahl	6.31%
Others	37.13%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	170.1	143.5	*-15.6*	118.6	93.7	*-21.0*
Net Written Premium	68.8	61.3	*-11.0*	48.3	47.3	*-2.1*
Net Underwriting Profit / (Loss)	4.6	-8.8	*-290.8*	4.7	6.6	*39.5*
Margin (%)	2.7	-6.1		4.0	7.0	
Net Profit / (Loss)	-26.1	-17.8	*-31.9*	-16.8	-2.1	*-87.7*
Margin (%)	-15.4	-12.4		-14.2	-2.2	
Return on Equity (%)	-33.5	-33.1		-27.6	-4.8	
Return on Assets (%)	-7.3	-6.1		-7.0	-1.0	

Source: Thomson Reuters Eikon

Doha Insurance Group QPSC (Publicly Listed) Qatar

Company Description

Formed in 1999, Doha Insurance Group QPSC (DIC) offers insurance and re-insurance services in the areas of motor, travel, aviation, fire and health, among others. The company operates the business through its head office and four branches in the country.

Business Segments/Product Portfolio

- **Personal:**
  - **Car Insurance:** Provides third party liability and comprehensive motor insurance plans, which covers risk of theft, physical damage to the car and injury to other people in the event of an accident. DIC provides roadside assistance in case of a breakdown and warranty solution for vehicles.
  - **Yacht Insurance:** Covers risk of damage or loss caused to a boat or its machinery and trailer.
  - **Travel Insurance:** Covers risks related to accidents and loss of baggage and credit cards while travelling.
- **Corporate:**
  - **Aviation Insurance:** Provides coverage to commercial aviation operations, individual aircraft owners and commercial businesses.
  - **Engineering Insurance:** Insurance coverage for businesses dealing in heavy equipment and machineries against risks related to loss or damage.
  - **Fire Insurance:** Offers a range of fire insurance plans for residential, industrial, commercial and SME properties. Plans include burglary and theft, workmen's compensation, business interruption and personal accident.
  - **Health Insurance:** Provides health insurance plans for employees of an organization to cover from risks of accidental death and disability.
  - **Marine Insurance:** Offers marine cargo and hull & machinery insurance plans that provide cover from risks of damage to shipment from maritime perils.
  - **Motor Insurance:** Provides insurance covers for bus, minibus, coaches and car fleet of corporate.
  - **Travel Insurance:** Offers insurance policies related to risks of accidental death, passport loss, emergency medical expense and delayed departure while travelling.

Recent Developments/Future Plans

- In September 2017, A.M. Best affirmed the company's financial strength as well as long-term issuer credit with a rating of 'A-' (Excellent).

Current Price (US$)	3.64

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	DOHI QD
52 week high/low	5.27/3.22
Market Cap (US$ mn)	182.1
Enterprise value (US$ mn)	60.5
Shares outstanding (mn)	50.0

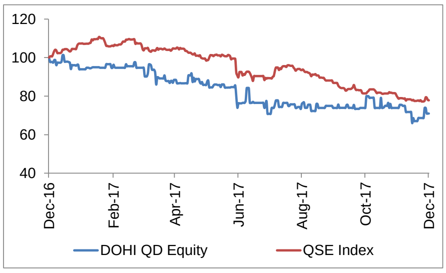
Source: Bloomberg

Average Daily Turnover ('000)

	QAR	US$
3M	25.1	6.8
6M	47.4	12.8

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	12.6	8.7
P/B (x)	0.9	0.7
Market Cap/GWP	1.8	1.2
Dividend yield (%)	3.3	N/A

Source: Bloomberg

Shareholding Structure	
Lamak Allahadows	7.55%
Others	92.45%
Total	**100.00%**

Source: Bloomberg

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	135.7	141.6	*4.3*	112.0	120.4	*7.5*
Net Written Premium	37.4	43.3	*15.7*	32.2	38.4	*19.1*
Net Underwriting Profit / (Loss)	13.6	14.8	*8.7*	11.6	5.5	*-52.2*
Margin (%)	10.0	10.4		10.4	4.6	
Net Profit / (Loss)	30.5	19.8	*-34.9*	8.3	9.5	*15.3*
Margin (%)	22.5	14.0		7.4	7.9	
Return on Equity (%)	10.3	6.7		3.8	4.4	
Return on Assets (%)	6.9	4.6		2.5	2.7	

Source: Thomson Reuters Eikon

Dubai Insurance Co. (PSC) (Publicly Listed) UAE

Company Description

Founded in 1970, Dubai Insurance Co. (PSC) (DIC) provides insurance and reinsurance services through two offices in the UAE. The company offers general insurance, individual life and group life insurance products. The company also invests in properties and securities through its wholly owned subsidiary Vattaun Ltd.

Business Segments/Product Portfolio

- **General Insurance:** Accounting for 44.7% of the GWP during 9M 2017, the general insurance segment offers:
  - **Marine Insurance**: Plans offering covers for cargo and hull against the loss or damage in transit or due to perils of sea.
  - **Motor Insurance:** Provides comprehensive motor insurance plans for trucks and vehicle fleet of corporates. For individuals, the company offers third party liability as well as comprehensive car insurance policies.
  - **Property Insurance:** Includes various plans to protect property against fire & allied perils, burglary, lightning, business interruption and sabotage & terrorism.
  - **Specialty Lines:** Provides insurance products like cyber liability, jewelers block, public offering security and warranty/indemnity.
  - **Liability:** Offers insurance covers for public, product and third party liabilities.
  - **Other Personal Lines:** The company also offers insurance related to home, travel and pleasure craft for individuals.
- **Medical & Life Insurance:** Contributing 55.3% to the company's Insurance Premium during 9M 2017, this segment includes policies related to life and medical insurance for individuals and groups.

Recent Developments/Future Plans

- In June 2017, DIC's credit rating was upgraded by A.M. Best from 'B++' (Good) to 'A-' (Excellent) based on its technical performance, strong capitalization and improving enterprise risk management.

Source: Company website

Current Price (US$)	0.91

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	DIN DB
52 week high/low	1.01/0.79
Market Cap (US$ mn)	91.2
Enterprise value (US$ mn)	92.7
Shares outstanding (mn)	100.0

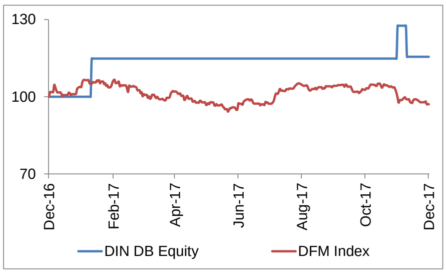
Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	13.1	3.6
6M	6.6	1.8

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	8.3	10.5
P/B (x)	0.6	0.7
Market Cap/GWP	0.72	0.73
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Al Rostamani (Abdul Wahed)	16.99%
Barrah Investment Co.	16.47%
Mohammed & Obaid Al Mulla	8.45%
Bati Obeid Bati Al Mulla	8.27%
Al Futtaim (Abdullah Hamad Majed)	7.20%
Others	42.62%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	98.8	109.0	*10.3*	93.1	108.8	*16.9*
Net Written Premium	29.9	25.6	*-14.4*	21.2	26.2	*23.7*
Net Underwriting Profit / (Loss)	6.4	6.5	*2.2*	5.4	5.0	*-6.6*
Margin (%)	6.5	6.0		5.8	4.6	
Net Profit / (Loss)	9.1	9.5	*4.6*	9.2	7.9	*-14.1*
Margin (%)	9.2	8.7		9.9	7.2	
Return on Equity (%)	7.0	7.2		9.1	8.0	
Return on Assets (%)	4.1	3.5		4.5	3.3	

Source: Thomson Reuters Eikon

Emirates Insurance Co. PSC (Publicly Listed) UAE

Company Description

Formed in 1982, Emirates Insurance Co. PSC (EIC) is engaged in the provision of insurance and reinsurance services across various business lines. The reinsurance business is operated by Emirates International, the international division of EIC located in Dubai International Financial Center. The insurance activities are carried out by EIC through its head office and six branches in the UAE.

Business Segments/Product Portfolio

- **Underwriting of General Insurance Business:** This segment contributed 94.9% to the company's GWP during the nine months ended September 2017. The business segment comprises of the below plans.
  - **Commercial:** The insurance plans offered include property, engineering, employee benefits, motor, financial, liability, package, marine & aviation, oil & gas and terrorism/political violence.
  - **Individuals:** The company offers individual insurance plans related to motor, home, healthcare and yacht & pleasure craft.
  - **Emirates International:** This division provides reinsurance services in areas of marine, energy, property & engineering facultative and non-marine treaty.
- **Investments:** Under this business segment, the company reports the investments in marketable equity securities, funds, properties, bonds, term deposits with banks and other securities.

Recent Developments/Future Plans

- In October 2017, the company's financial strength was rated 'A-' by S&P Global Ratings based on its strong financial risk profile, capital and earnings.
- In July 2017, the company's financial strength was affirmed the rating of 'A-' (Excellent) by A.M. Best on account of its strong risk-adjusted capitalization and a good track record of technical and operating performance.

Current Price (US$)	1.63

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	EIC UH
52 week high/low	1.63/1.42
Market Cap (US$ mn)	245.0
Enterprise value (US$ mn)	223.7
Shares outstanding (mn)	150.0

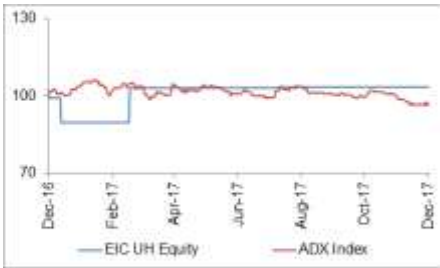
Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	0.3	0.1
6M	9.8	2.7

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	9.0	8.6
P/B (x)	0.7	0.9
Market Cap/GWP	0.76	0.84
Dividend yield (%)	9.6	N/A

Source: Bloomberg

Shareholding Structure	
Al Mazuri Investments	15.12%
Al Dhabi Investments	12.81%
Abu Dhabi Investment Council	11.81%
Others	60.26%
Total	**100.00%**

Source: Company website

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	255.6	278.2	*8.9*	230.6	243.8	*5.7*
Net Written Premium	113.8	125.9	*10.7*	94.5	100.6	*6.5*
Net Underwriting Profit / (Loss)	33.8	33.9	*0.2*	23.8	30.1	*26.5*
Margin (%)	13.2	12.2		10.3	12.3	
Net Profit / (Loss)	24.4	23.7	*-2.7*	18.0	22.5	*25.0*
Margin (%)	9.5	8.5		7.8	9.2	
Return on Equity (%)	8.5	8.5		8.4	10.7	
Return on Assets (%)	4.4	4.1		4.0	4.6	

Key Comments

- EIC reported a GWP of US$ 243.8 million during 9M 2017, translating into an increase of 5.7% y-o-y. While the company witnessed increase in premiums in most of the business lines, the motor segment was the key contributor to growth.
- Further, the company was able to reduce its loss ratio by improving claims management in the domestic business. Consequently, the underwriting profit expanded by 26.5% y-o-y to US$ 30.1 million during the 9M 2017.
- EIC registered a marginal increase in operating expenses during the period on account of enhanced information technology security, increase in employees, provision for government fees and increase in bank charges due to rise in usage of credit cards by customers.
- Nevertheless, buoyed by the expansion in underwriting business, the company reported a 25.0% y-o-y growth in net profit to US$ 22.5 million during 9M 2017.

Source: Thomson Reuters Eikon, Company Filings

Gulf Insurance Group KSCP (Publicly Listed) Kuwait

Company Description

Founded in 1962, Gulf Insurance Group KSCP (GIG) provides life as well as non-life insurance services both in the Takaful and conventional form. The group conducts business in Saudi Arabia, Kuwait, the UAE, Bahrain, Syria, Iraq, Jordan, Lebanon, Algeria and Turkey through a network of over 50 branches and over 1,000 consultants. The business operations are conducted through 6 associates and 10 subsidiaries, of which the ones in the GCC include Gulf Insurance and Reinsurance Co., BKIC, Alliance Insurance PSC and Buruj Cooperative Insurance Co.

Business Segments/Product Portfolio

- **General Risk Insurance:** GIG provides general insurance covers to individuals and businesses. The products offered include marine and aviation, motor vehicles, property, engineering and general accidents plans for individuals and businesses. The plans provide financial protection against possible losses to an asset or damage due to an accident. Motor insurance is the largest business contributing 62.5% to the segment revenue during 9M 2017, followed by general accident at 14.4%. Overall, the general risk insurance segment accounted for 49.3% of the group revenue during 9M 2017.
- **Life and Medical Insurance:** Under this segment, the group provides medical insurance, long-term life covers and savings plans. Products offered include whole life insurance, term insurance, unitized pensions, pure endowment pensions, group life and disability, credit life (banks), group medical and unitized pensions. Medical insurance is the key business, accounting for 43.2% of the group's revenue in 9M 2017.

Recent Developments/Future Plans

- In July 2017, S&P Global Ratings revised its rating on GIG to 'A-' from 'BBB+' with a stable outlook. The upward revision was basis the group's capability to generate income from diverse sources and pay off its obligations competently.
- In June 2017, A.M. Best affirmed the group and its subsidiary, Gulf Insurance and Reinsurance Co., with 'A' (Excellent) rating for its financial strength and 'a' for long-term issuer credit.
- In May 2017, GIG acquired 100% stake in AIG Sigorta AS, a Turkish non-life insurer, for a sum of US$ 47.9 million. With five regional offices of the target, the acquisition helped GIG expand presence in Turkey.

Current Price (US$)	2.31

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	GINS KK
52 week high/low	3.15/1.65
Market Cap (US$ mn)	432.9
Enterprise value (US$ mn)	492.6
Shares outstanding (mn)	187.0

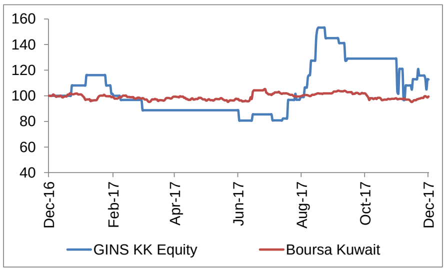
Source: Bloomberg

Average Daily Turnover ('000)

	KWD	US$
3M	757.4	2,507.8
6M	5,173.4	17,128.4

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	10.0	13.2
P/B (x)	1.5	1.6
Market Cap/GWP	0.6	0.4
Dividend yield (%)	6.0	N/A

Source: Bloomberg

Shareholding Structure	
Kuwait Project Co. Holding KSCP	44.04%
Company Fairfax Middle East Ltd.	41.43%
Others	14.53%
Total	**100.00%**

Source: Boursa Kuwait

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	617.5	704.0	*14.0*	492.0	801.3	*62.9*
Net Written Premium	331.0	349.0	*5.4*	245.5	327.9	*33.6*
Net Underwriting Profit / (Loss)	40.9	44.5	*8.8*	38.1	19.5	*-49.0*
Margin (%)	6.6	6.3		7.8	2.4	
Net Profit / (Loss)	46.9	39.7	*-15.2*	35.1	26.5	*-24.5*
Margin (%)	7.6	5.6		7.1	3.3	
Return on Equity (%)	16.2	14.0		16.0	12.3	
Return on Assets (%)	4.5	3.9		3.8	2.3	

Source: Thomson Reuters Eikon

National General Insurance Co. PJSC (Publicly Listed) UAE

Company Description

Formed in 1980, National General Insurance Co. PJSC (NGI) provides life and general insurance services across the UAE. The company carries out insurance activities through its head office and eight branches in the UAE. Additionally, the company has partnered with Hannover Re, Generali, CCR Re and SCOR for reinsurance activities. The major shareholders of the company are Emirates NBD and Commercial Bank of Dubai, which are amongst the largest banks in Dubai.

Business Segments/Product Portfolio

- **General:** Contributing 89.6% to the company's GWP during 9M 2017, the general segment offers insurance covers in various areas as mentioned below.
  - **Medical:** Offers various health insurance plans for individuals and group to cover expenses in case of medical treatments.
  - **Motor:** Provides motor insurance policies to cover against damage due to flood, storm, theft and accident.
  - **Property:** Offers various plans to protect property against fire and perils, business interruption, burglary, etc. The plans include office multi cover, all risks of property and strata insurance policies.
  - **Engineering:** Covers risks related to contractor's plant & machinery, boiler and pressure vessel, electronic equipment and other operations of contractors.
  - **Casualty:** Offers insurance plans like workmen's compensation, professional indemnity, haulers and directors & officer's liability.
  - **Others:** The company offers many other insurance policies related to personal accident, fidelity guarantee, medical malpractice, travel, credit, jewelers block, computer crime and cyber liability.
- **Life Assurance:** This segment includes plans on savings & investment, protection, mortgage/loan, personal accident and life assurance for individuals and corporates.

Recent Developments/Future Plans

- In March 2017, the company's financial strength was rated 'A-' (Excellent) by A.M. Best based on the enhanced risk-adjusted capitalization and underwriting performance.

Current Price (US$)	0.59

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	NGI UH
52 week high/low	0.65/0.45
Market Cap (US$ mn)	88.2
Enterprise value (US$ mn)	10.4
Shares outstanding (mn)	150.0

Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	N/A	N/A
6M	0.6	0.2

Source: Bloomberg

Share Price Chart

Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	9.7	9.5
P/B (x)	0.8	0.7
Market Cap/GWP	0.5	0.6
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Emirates NBD PJSC	36.72%
Commercial Bank of Dubai	17.75%
Mohammed Saleh Ali Naqi Alzarouni	10.95%
Dubai Investments PJSC	8.46%
Mohammed Omar Bin Haider	8.07%
Others	18.05%
Total	**100.00%**

Source: Dubai Financial Market, Thomson Reuters Eikon

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	133.7	149.8	*12.0*	115.5	123.7	*7.0*
Net Written Premium	75.9	77.7	*2.3*	59.4	56.3	*-5.3*
Net Underwriting Profit / (Loss)	5.8	4.8	*-17.8*	4.2	6.8	*62.0*
Margin (%)	4.4	3.2		3.6	5.5	
Net Profit / (Loss)	6.4	7.7	*21.0*	5.8	7.0	*20.7*
Margin (%)	4.8	5.2		5.0	5.7	
Return on Equity (%)	5.3	6.4		6.2	7.7	
Return on Assets (%)	2.3	2.4		2.4	2.7	

Source: Thomson Reuters Eikon

National Life & General Insurance Co. SAOC (Privately owned) Oman

Company Description

Founded in 1995, National Life & General Insurance Co. SAOC (NLGI) offers life and general insurance products including medical, individual life, motor, fire and accident, among others. The insurance business is conducted through a network of 16 branches and a head office in Oman and two branches in the UAE. The company is a subsidiary (97.9%) of Oman International Development and Investment Co. SAOG, a large investment holding company having presence across diversified sectors.

Business Segments/Product Portfolio

- **Life Insurance:**
  - **Corporate:** The company offers group life, group medical, workmen's compensation and group credit life insurance plans to corporate clients.
  - **Individual:** Offers various plans related to medicine, credit life, education savings, wedding savings, saving plus, money back, term assurance, mortgage protection, domestic help and supplementary benefits.
- **General Insurance:**
  - **Corporate:** The company's general insurance product range includes motor fleet, fire, engineering, liability, marine, accident, air-craft and other aviation insurances, yacht & pleasure crafts, bankers blanket bond, property, office, computers/electronics equipment, money, jewelers block, factory/plant erection, machinery, boiler explosion, workmen's compensation, group personal accident, marine cargo, professional indemnity, general & products liability and directors & officers liability insurance plans.
  - **Individual:** For individuals, the company offers motor, home and travel insurance plans.

While above are the products, the company's main business segment is Life and Medical, accounting for 90.3% of the company's GWP during the first half of 2017.

Recent Developments/Future Plans

- In November 2017, NLGI entered into an agreement to acquire Inayah TPA LLC, a third-party medical claims administrator based in the UAE. The acquisition will provide NLGI with in house claims processing ability and thus save on costs related to claims management.
- In November 2017, NLGI received the license to conduct insurance business in Kuwait.
- To adhere with the regulations stipulating local insurance companies to go public, NLGI came out with an IPO in October 2017. The issue offering 66.2 million shares, 25% of its paid-up capital, to raise US$ 55 million closed on November 22, 2017. The offer proceeds will be available entirely to the selling shareholders and the stock will list on December 6, 2017 on Muscat Securities Market.
- During H1 2017, the company earned GWP of OMR 68.4 million (US$ 177.6 million*), an increase of 21.0% y-o-y. Net underwriting profit of the company went up substantially from US$ 9.7 million in H1 2016 to US$ 23.8 million in H1 2017. The jump was on account of claim control measures and change in insurance premium pricing by improving the underwriting process of loss making schemes. As a result, the company's net profit also grew multifold to US$ 12.2 million during the half-year period.
- In April 2017, A.M. Best rated the company's financial strength 'B++' (Good) and long-term issuer credit 'bbb'. The rating has remained unchanged with a stable outlook. The rating was based on an increase in capital base after an OMR 16 million (US$ 41.6 million*) rights issue in 2016.

* Converted at exchange rate of 2.597

Source: Company website, IPO Prospectus, A.M. Best, Muscat Daily

Oman Insurance Co. PSC (Publicly Listed) UAE

Company Description

Founded in 1975 and headquartered in Dubai, Oman Insurance Co. PSC (OIC) offers life and general insurance plans across different categories such as motor, health, personal accident, aviation and marine. The company operates through a network of 13 branches in the UAE and one each in Oman and Qatar. OIC is the insurance arm of Mashreq Bank PSC.

Business Segments/Product Portfolio

- **General Insurance:** Accounting for 52.8% of the GWP during nine months ended September 2017, this business segment comprises of the below products.
  - **Property:** Includes plans insuring properties from fire and general accidents.
  - **Motor:** Includes third party liability and comprehensive covers for individuals and car fleet insurance for corporate.
  - **Marine:** Offers plans covering marine cargo, hull and energy insurance.
  - **Aviation:** Includes plans related to aircraft hull, crew person accident, airline fleet, airport operator's liability and cargo.
  - **General accident:** Includes insurance plans against accidents affecting areas of travel, home, businesses and engineering activities.
- **Life Insurance:** This business segment contributed 47.2% to the company's GWP during 9M 2017. The plans reported under this segment include,
  - **Individual Life:** Offers term insurance, critical illness, unit linked and whole plans for individuals. The company also offers investment-linked products including workplace savings & retirement plans.
  - **Group Life & Personal Accidents:** Includes life and accident plans for large corporations, SMEs and banks.
  - **Medical:** Provides various health insurance plans for individuals as well as businesses.

Recent Developments/Future Plans

- In September 2017, the company's financial strength rating was reaffirmed to 'A-' with a stable outlook by S&P Global Ratings. The rating was based on the company's leading market position, improved operating performance and wide distribution network.
- In September 2017, OIC started offering individual life insurance policies online. For convenience of choice, the company introduced term insurance and critical illness plans.

Current Price (US$)	0.49

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	OIC UH
52 week high/low	0.56/0.35
Market Cap (US$ mn)	226.3
Enterprise value (US$ mn)	162.5
Shares outstanding (mn)	461.9

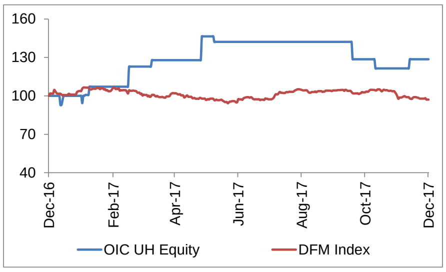
Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	69.7	19.0
6M	42.8	11.6

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	8.2	10.1
P/B (x)	0.3	0.4
Market Cap/GWP	0.18	0.23
Dividend yield (%)	7.1	N/A

Source: Bloomberg

Shareholding Structure	
Mashreq Bank	63.94%
Others	36.06%
Total	**100.00%**

Source: Dubai Financial Market

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	868.6	968.1	*11.5*	756.7	782.2	*3.4*
Net Written Premium	381.0	362.0	*-5.0*	269.7	292.9	*8.6*
Net Underwriting Profit / (Loss)	8.2	28.8	*249.6*	21.5	18.0	*-16.2*
Margin (%)	0.9	3.0		2.8	2.3	
Net Profit / (Loss)	22.0	22.0	*-0.1*	22.3	22.5	*0.9*
Margin (%)	2.5	2.3		2.9	2.9	
Return on Equity (%)	4.2	4.2		5.7	5.7	
Return on Assets (%)	1.3	1.2		1.6	1.5	

Source: Thomson Reuters Eikon

Oman United Insurance Co. SAOG (Publicly Listed) — Oman

Company Description

Established in 1985, Oman United Insurance Co. SAOG (OUIC) is primarily engaged in the provision of insurance and reinsurance services. The business is conducted through its head office, 12 branches and 24 agencies in Oman. Additionally, the company carries out repairs and maintenance of automobiles.

Business Segments/Product Portfolio

The company has two reporting segments - General and Life. The General segment, accounting for 84.3% of revenue during 9M 2017, includes insurance of motor, fire, marine cargo and hull, accident, workmen compensation, engineering and aviation. The life business segment includes individual life plans, group life and medical plans. It contributed 15.7% to revenue during 9M 2017. Below are the details of services offered under these segments.

- **Personal Insurance:** Insures personal properties such as car, boat and personal possessions. The plans are offered for car, home, domestic servants, personal accident/travel.
- **Small Business:** Covers shop, office, hotel and tradesman for risks related to damage and burglary.
- **Corporate Insurance:** Covers auto dealerships, property owners, contractors, clinics & medical facilities, professionals, marine & transit and other enterprises for risks related to damage, loss of rent, business interruption, etc.
- **Bancassurance:** Offers group plans such as life, home & car policies for employees of a large government or private organization or customers of a bank.
- **Life & Medical:** Offers individual and group plans, which covers life as well as medical in case of any accidents.

Recent Developments/Future Plans

- In May 2017, S&P Global Ratings confirmed a 'BBB' rating for the financial strength of OUIC. However, the outlook was revised to negative from stable due to the Sovereign downgrade.

Current Price (US$)	0.92

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	OUIS OM
52 week high/low	1.09/0.79
Market Cap (US$ mn)	91.9
Enterprise value (US$ mn)	78.6
Shares outstanding (mn)	100.0

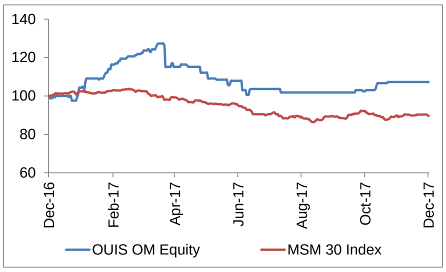
Source: Bloomberg

Average Daily Turnover ('000)

	OMR	US$
3M	21.0	54.5
6M	14.4	37.3

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	7.9	11.9
P/B (x)	1.1	1.3
Market Cap/GWP	0.8	0.9
Dividend yield (%)	9.3	N/A

Source: Bloomberg

Shareholding Structure	
Sayyid Salim Bin Nassir Al Busaidi & Family and Group	35.00%
Others	65.00%
Total	**100.00%**

Source: Company Website

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	100.6	100.2	*-0.4*	82.2	80.5	*-2.1*
Net Written Premium	56.6	56.3	*-0.5*	43.4	44.9	*3.4*
Net Underwriting Profit / (Loss)	19.7	20.2	*2.4*	16.0	17.5	*9.8*
Margin (%)	19.6	20.1		19.4	21.8	
Net Profit / (Loss)	8.6	10.5	*22.5*	11.1	8.4	*-25.1*
Margin (%)	8.6	10.5		13.6	10.4	
Return on Equity (%)	12.6	14.6		21.0	15.4	
Return on Assets (%)	3.4	4.1		5.8	4.0	

Key Comments

- *Despite an increase in underwriting profit during the 9M 2017, OUIC reported a decline in net profit by 25.1% y-o-y to US$ 8.4 million. The decline is attributed to a fall in net investment income, as the company's investments are largely exposed to the volatility in Muscat Securities Market and Qatar Stock Exchange*.

Source: Thomson Reuters Eikon, Company Filings

Orient Insurance PJSC (Publicly Listed) UAE

Company Description

Founded in 1980, Orient Insurance PJSC (ORI) provides life and general insurance services through 10 branches and a head office in the UAE, two branches in Oman and one in Bahrain. In addition to these, the company has one subsidiary each in Syria, Egypt, Sri Lanka and Turkey conducting conventional and Takaful insurance activities. ORI is a part of the Al-Futtaim Group, a Dubai-based conglomerate with business operations in more than 30 countries.

Business Segments/Product Portfolio

ORI reports its insurance business under two segments, Life Insurance and General Insurance. The general category accounted for 90.2% of the company's GWP during 9M 2017. Below are the various insurance plans offered by the company to individuals and corporate consumers.

- **Commercial Insurance:** The insurance plans offered to organizations are in the areas of property, engineering, public & product liability, marine, money, fidelity guarantee, jewelry, contingency, workmen's compensation, group life, credit, group medical, motor fleet and professional indemnity.
- **Personal Insurance:** For the individuals, ORI offers policies related to life, travel, motor, personal accident, guaranteed asset protection and medical (individual/family).

Apart from these, the company is also engaged in cash management and investment activities.

Recent Developments/Future Plans

- In July 2017, A.M. Best affirmed the rating of 'A' (Excellent) for the financial strength of the company, based on technical performance, strong risk-adjusted capitalization and domestic business performance.
- S&P Global Ratings have also confirmed the rating of 'A' for the long-term counterparty and insurer financial strength of the company.

Current Price (US$)	18.05

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	ORIENT UH
52 week high/low	18.05/18.05
Market Cap (US$ mn)	90.3
Enterprise value (US$ mn)	35.4
Shares outstanding (mn)	5.0

Source: Bloomberg

Note: The stock is not traded due to closed shareholding

Share Price Chart

Source: Bloomberg

Valuation Multiples	2016	LTM
P/E (x)	1.1	0.9
P/B (x)	0.13	0.14
Market Cap/GWP	0.13	0.10
Dividend yield (%)	30.2	N/A

Source: Bloomberg

Shareholding Structure	
Al-Futtaim Development Services	90.00%
Al-Futtaim Private Co. LLC	5.00%
Al-Futtaim Private Ltd.	5.00%
Total	**100.00%**

Source: Dubai Financial Market, Bloomberg

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	635.4	702.7	*10.6*	567.8	793.6	*39.8*
Net Written Premium	170.6	207.0	*21.4*	150.4	197.6	*31.4*
Net Underwriting Profit / (Loss)	43.1	44.1	*2.3*	33.6	41.2	*22.4*
Margin (%)	6.8	6.3		5.9	5.2	
Net Profit / (Loss)	71.9	82.4	*14.6*	68.6	81.6	*18.9*
Margin (%)	11.3	11.7		12.1	10.3	
Return on Equity (%)	10.8	11.7		12.9	16.0	
Return on Assets (%)	5.4	5.1		5.7	5.9	

Source: Thomson Reuters Eikon

Qatar Insurance Co. SAQ (Publicly Listed) Qatar

Company Description

Established in 1964, Qatar Insurance Co. SAQ (QIC) provides insurance, reinsurance, real estate and financial advisory services. The company conducts its business through 30 subsidiaries based out of Qatar, the UAE, Oman, Kuwait, the UK, Switzerland, Bermuda, Singapore, Malaysia and Malta. QIC earns more than 70% of its GWP from international operations conducted through its fully-owned subsidiaries, Qatar Reinsurance Co. Ltd., Antares Holdings Ltd. and QIC Europe Ltd.

Business Segments/Product Portfolio

- **Direct Insurance:** This is the principal business of QIC, under which the company offers insurance products such as medical, car, home, travel, boat, personal accident, energy, marine & aviation and property. The business is conducted through eight branches in Qatar, four in Oman, two in the UAE and one in Kuwait.
- **Reinsurance:** This business is led by Qatar Reinsurance Co. Ltd., established in 2009 and headquartered in Bermuda. The subsidiary is a global multiline reinsurer. The business is conducted through branches in Dubai and Zurich, a services firm in Doha and representative offices in London and Singapore.
- **Specialty Insurance:** Operated by Antares Holdings Ltd., a specialist insurer and reinsurer operating in the Lloyd's London Insurance market. The business was acquired by QIC in 2014 and is now expanding in Asia.
- **Life & Medical:** Managed by the company's subsidiary – Q Life & Medical – this business comprises life and medical insurance solutions offered in Qatar.
- **Asset Management:** Managed by a subsidiary – QIC Asset Management, this is the investment division of QIC handling proprietary investments and other funds of third party clients.
- **Real Estate:** QIC Real Estate is the company's real estate arm, engaged in the trading of and investments in real estate assets across the GCC.

Recent Developments/Future Plans

- Oman Qatar Insurance Co. (QIC's subsidiary conducting direct insurance business in Oman) made a public issue of 25 million shares during September 6 to October 5, 2017. The IPO was oversubscribed 1.4 times and the stock started trading on Muscat Securities Market from October 19, 2017.
- In June 2017, the Board of QIC decided to initiate a stock split in the ratio of 1:10 to increase the liquidity and thereby the nominal value of shares.
- In June 2017, QIC's financial strength rating of 'A' was confirmed by S&P Global Ratings with a stable outlook.

Current Price (US$)	11.76

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	QATI QD
52 week high/low	21.26/9.94
Market Cap (US$ mn)	3,262.4
Enterprise value (US$ mn)	2,239.2
Shares outstanding (mn)	277.3

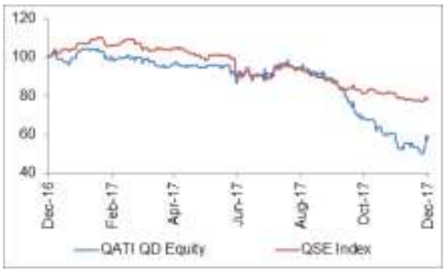
Source: Bloomberg

Average Daily Turnover ('000)

	QAR	US$
3M	4,034.9	1,092.7
6M	3,722.4	1,008.0

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM	2017E
P/E (x)	18.9	18.3	22.1
P/B (x)	2.5	1.3	1.5
Market Cap/GWP	2.1	1.1	N/A
Dividend yield (%)	1.8	N/A	1.8

Source: Bloomberg

Shareholding Structure	
Government of Qatar	13.96%
Qatari Royal Family & Associates	10.89%
Others	75.15%
Total	**100.00%**

Source: Company Presentation

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	1,916.4	2,659.6	*38.8*	1,884.2	2,203.0	*16.9*
Net Written Premium	1,589.6	2,296.1	*44.4*	1,587.1	1,734.8	*9.3*
Net Underwriting Profit / (Loss)	254.3	231.7	*-8.9*	150.9	-27.7	*-118.4*
Margin (%)	13.3	8.7		8.0	-1.3	
Net Profit / (Loss)	286.7	284.0	*-0.9*	195.2	83.7	*-57.1*
Margin (%)	15.0	10.7		10.4	3.8	
Return on Equity (%)	18.1	14.7		13.9	4.6	
Return on Assets (%)	5.3	3.9		4.1	1.4	

Key Comments

- During the nine months ended September 2017, QIC reported a 16.9% y-o-y increase in GWP to US$ 2,203.0 million. The growth was primarily driven by increase in premiums in the international subsidiaries.
- However, the company booked a net underwriting loss of US$ 27.7 million during 9M 2017 on account of insured market losses from the natural catastrophes in Americas. Qatar Reinsurance Co. Ltd. and Antares Holdings Ltd. had a sizeable exposure to such events, leading to a net loss of US$ 174 million. The performance during the period was also affected by the UK government's decision to cut the Ogden discount rate, which had an impact on the UK motor insurance market.
- With an increase in net investment income and cost control measures, the company managed to reduce the impact on net profit. During 9M 2017, the company's net profit dropped by 57.1% y-o-y to US$ 83.7 million.

Source: Thomson Reuters Eikon

ALPEN CAPITAL

Ras Al Khaimah National Insurance Co. PSC (Publicly Listed) — UAE

Company Description

Founded in 1974, Ras Al Khaimah National Insurance Co. PSC (RAK) provides life assurance, saving plans and non-life insurance products. The business is conducted through its head office and three branches in Ras Al Khaimah, Dubai and Abu Dhabi. RAK is a subsidiary (79.2%) of National Bank of Ras Al Khaimah PJSC (or the RAK Bank), in which the government of Ras Al Khaimah owns a 52.8% stake.

Business Segments/Product Portfolio

- **Underwriting:** This segment comprises the insurance activities of the company. Below are the plans offered under this segment for corporate and individuals.
    - **Group Life and Medical Insurance:** This is the largest product line contributing 72.3% to the company's GWP during 9M 2017. Products offered include individual and group life and health plans.
    - **Engineering, Fire, General Accidents and Others:** Accounting for 21.4% of the GWP during 9M 2017, this business segment includes insurance plans related to all risks in engineering projects, buildings, home and travel.
    - **Motor:** Offers both comprehensive and third party liability insurance products to individuals. This product line accounted for 5.3% of the premiums earned by RAK during the nine months ended September 2017.
    - **Marine:** Offers insurance plans for marine hull, cargo and individuals. This product contributed less than 1% to the company's GWP.
- **Investments:** The company earns income from investments into marketable equity securities, term deposits with bank, properties, trading and other securities.

Recent Developments/Future Plans

- In May 2016, RAK in partnership with International Medical Group launched MediGlobal, a new health insurance product for the expatriates in the UAE. It will cover three plans – MediElite, MediSelect and MediEssentials.
- In February 2016, RAK and Aster DM Healthcare introduced ARISE - a family protection plan covering life and hospitalization needs of non-residents Indians in the UAE. While the plan will initially be provided in the UAE, the company plans to launch it in other GCC markets going ahead.

Current Price (US$)	1.00

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	RAKNIC DH
52 week high/low	1.12/1.00
Market Cap (US$ mn)	110.5
Enterprise value (US$ mn)	39.1
Shares outstanding (mn)	110.0

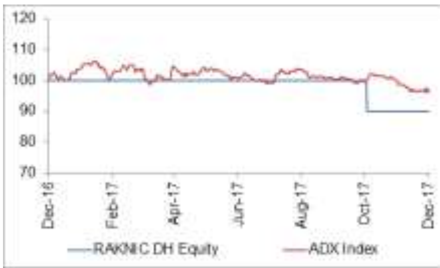
Source: Bloomberg

Average Daily Turnover

	AED	US$
3M	112.5	30.6
6M	57.1	15.6

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	19.5	11.9
P/B (x)	1.9	1.7
Market Cap/GWP	1.0	0.9
Dividend yield (%)	2.4	N/A

Source: Bloomberg

Shareholding Structure	
National Bank of Ras Al-Khaimah	79.23%
Al Naeem (Ahmed Isa Ahmed)	12.76%
Others	8.01%
Total	**100.00%**

Source: Thomson Reuters Eikon, Bloomberg

Source: Company website, Media reports

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	111.0	114.9	*3.5*	87.9	96.8	*10.2*
Net Written Premium	73.7	87.8	*19.2*	64.4	59.4	*-7.8*
Net Underwriting Profit / (Loss)	11.5	6.7	*-42.1*	4.1	6.2	*52.3*
Margin (%)	10.4	5.8		4.6	6.4	
Net Profit / (Loss)	6.3	6.4	*1.3*	2.2	4.9	*125.4*
Margin (%)	5.7	5.5		2.5	5.1	
Return on Equity (%)	10.1	10.0		4.5	10.2	
Return on Assets (%)	3.9	3.4		1.6	3.1	

Source: Thomson Reuters Eikon

Takaful Oman Insurance SAOG (Publicly Listed) — Oman

Company Description

Formed in 2014, Takaful Oman Insurance SAOG (TAOI) provides general and family Takaful insurance plans in Oman through a network of six branches. TAOI offers a range of insurance lines such as motor, marine cargo, hotel, health and property.

Business Segments/Product Portfolio

- **Group Family Takaful Plan**: Provides coverage against risk of death or disability.
- **Group Health Takaful Plan**: Provides coverage from risk of illness, accident, etc.
- **Group Creditor Takaful Plan**: Provides debt protection in case of death or disability of the creditor seeking bank finance.
- **Motor Insurance Takaful:** Offers comprehensive as well as compulsory third party motor insurance that covers risks of damage, burglary or accidental collision.
- **Property All Risk Takaful:** Covers property from fire and natural disasters.
- **Fidelity Guarantee:** Covers employer from risk of loss of money/goods due to betrayal or dishonesty of employees.
- **Erection All Risk Takaful:** Coverage against damage to plant & machinery at the time of installation, commissioning and testing.
- **Contractor's Plant & Equipment Takaful:** Covers contractors from loss or damage to their property due to accident or other external factors.
- **Contractor's All Risk Takaful:** Covers contractors from damage to civil works.
- **Personal Accident Takaful:** Provides protection to business from accidental damage to third parties.
- **Workermen's Compensation Takaful:** Protects business against employee's death, injury or illness due to work related exposure.
- **Marine Cargo Takaful:** Covers freight from risk of damage while transportation.
- **Domestic Helper Takaful Plan:** Coverage against risk of death, permanent disability, illness and medical expenses of a domestic helper.
- **Travel Takaful Plan:** Covers risk related to loss of money, personal belongings, documents, etc. while travelling.
- **Fire and Perils:** Covers property against losses/damages caused due to fire, lightning, earthquake, storm, flood and aircraft damage.
- **Money:** Coverage against theft or loss of money while travelling, damage to safes and strong rooms.
- **Public Liability:** Covers the legal liability claims against insured by a third party during business activities.
- **Hotel Takaful:** Covers hotels and resorts from risk of material damage, accidental breakage of glass, business interruption, money insurance and others.

Source: Company website

Current Price (US$)	0.43

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	TAOI OM
52 week high/low	0.47/0.42
Market Cap (US$ mn)	42.9
Enterprise value (US$ mn)	42.2
Shares outstanding (mn)	100.0

Source: Bloomberg

Average Daily Turnover ('000)

	OMR	US$
3M	13.2	36.1
6M	9.2	23.9

Source: Bloomberg

Share Price Chart

Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	6.4	7.8
P/B (x)	1.3	1.1
Market Cap/GWP	1.2	1.1
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Oman Int. Dev. & Investment Co.	17.35%
Al Khonji Holding LLC .	15.01%
Bank Alkhair BSC	15.00%
Oman Investment Corp SAOC	10.00%
Oman National Investment Dev.	10.00%
Others	32.64%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	20.1	38.7	*92.6*	31.9	33.3	*4.2*
Net Written Premium	9.6	19.7	*106.3*	19.0	21.1	*11.0*
Net Underwriting Profit / (Loss)	2.7	-2.1	*-176.6*	1.0	-4.0	*-519.8*
Margin (%)	13.6	-5.4		3.0	-12.0	
Net Profit / (Loss)	4.4	7.1	*61.9*	5.5	3.9	*-29.4*
Margin (%)	22.0	18.5		17.3	11.7	
Return on Equity (%)	16.5	22.0		21.4	14.0	
Return on Assets (%)	13.2	14.1		12.6	10.4	

Key Comments

- During the nine months ended September 2017, the company's net profit decreased by 29.4% y-o-y to US$ 3.9 million due to the reduction of wakala fee rates.

Source: Thomson Reuters Eikon, Company Filings

The Mediterranean and Gulf Coop. Ins. & Reins. Co. (Publicly Listed) Saudi Arabia

Company Description

Incorporated in 2006, The Mediterranean and Gulf Cooperative Insurance and Reinsurance Co. (MGCI) is engaged in the provision of cooperative insurance and reinsurance business in Saudi Arabia. The company conducts its business through four branches and several point of sales spread across the country. MGCI is a subsidiary of Medgulf Group, one of the largest insurance and reinsurance companies in the Middle East. The parent has operations in Saudi Arabia, the UAE, Bahrain, Lebanon, Turkey, Jordan and the UK.

Business Segments/Product Portfolio

- **Medical:** The company offers group and individual health plans covering hospitalization, surgical operations, consultations, medicines and lab tests. This is the key business segment, accounting for 68.7% of the company's GWP during 9M 2017.
- **Motor:** The company provides both third party liability and comprehensive motor insurance covers. This business line contributed 18.1% to the company's GWP during 9M 2017.
- **Others:** Accounting for 13% of the GWP during 9M 2017, this business segment includes premiums from other general insurance and group life covers. The other general insurance products offered by the company include covers related to aviation & air transportation, employer's liability, engineering, risk of infidelity act for employers, marine shipping & craft hulls, money, personal accident, professional liability and property among others.

Recent Developments/Future Plans

- In October 2017, SAMA issued a letter to MGCI to comply with the solvency margin requirement by December 31, 2017, failing which the operations will be suspended. After multiple discussions with the regulator where MGCI disclosed its inability to meet the deadline, the management has submitted a revised business plan to improve the solvency gradually by exiting unprofitable accounts and reinsurance of medical business. The plan is pending for approval by SAMA.
- In September 2017, the regulator approved a reduction of MGCI's share capital by 60.0% to SAR 400 million (US$ 106.6 million*) in order to reduce the accumulated losses and comply with the regulatory requirements. Consequently, the accumulated losses reached 19.5% of the capital.
- SAMA permitted MGCI to issue new motor insurance policies with effect from March 5, 2017. The company was prohibited from issuing new motor insurance policies in November 2016 due to non-compliance in settling claims.

Current Price (US$)	7.18

Price as on December 7, 2017

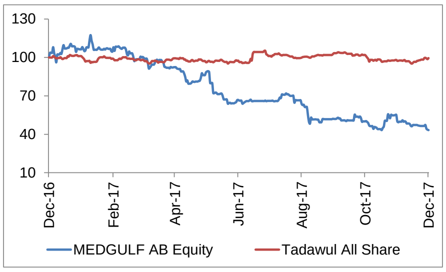
Stock Details	
Bloomberg ticker	MEDGULF AB
52 week high/low	19.48/3.37
Market Cap (US$ mn)	287.0
Enterprise value (US$ mn)	266.8
Shares outstanding (mn)	40.0

Source: Bloomberg

Average Daily Turnover ('000)	SAR	US$
3M	9,046.7	2,411.8
6M	7,481.5	1,994.6

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples	2016	LTM
P/E (x)	39.8	NM
P/B (x)	2.8	5.7
Market Cap/GWP	0.8	0.4
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Mediterranean & Gulf Insurance & Reinsurance Co.	40.50%
The Saudi Investment Bank	19.00%
Others	40.50%
Total	**100.00%**

Source: Thomson Reuters Eikon

* Converted at exchange rate of 0.27

Source: Company website

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	1,067.0	851.8	*-20.2*	702.9	577.7	*-17.8*
Net Written Premium	924.5	785.5	*-15.0*	602.9	471.1	*-21.9*
Net Underwriting Profit / (Loss)	21.9	100.8	*360.0*	81.7	34.2	*-58.2*
Margin (%)	2.1	11.8		11.6	5.9	
Net Profit / (Loss)	-69.7	18.0	*-125.9*	14.8	-120.0	*-909.3*
Margin (%)	-6.5	2.1		2.1	-20.8	
Return on Equity (%)	-25.0	7.3		7.5	-84.6	
Return on Assets (%)	-4.7	1.3		1.3	-12.7	

Key Comments

- During 9M 2017, the company's GWP and underwriting profit declined by 17.8% and 58.2% y-o-y due to drop in business activity and net loss ratio.
- The company increased the doubtful debt provisioning during the period towards receivables from policyholders, reinsurance and related parties. Moreover, MGCI reported a drop in net investment income and wrote off a discontinued ERP system during 9M 2017.
- Consequently, the company reported a net loss of US$ 120.0 million during 9M 2017 as compared to a profit of US$ 14.8 million during 9M 2016.

Source: Thomson Reuters Eikon, Company Filings

Union Insurance Co. PJSC (Publicly Listed) UAE

Company Description

Formed in 1998, Union Insurance Co. PJSC (UIC) is engaged in the provision of life and non-life insurance services in various areas such as motor, health, travel, home and marine. The company has eight offices, including the head office, in the UAE. For reinsurance activities, UIC has partnered with international reinsurers such as Generali, Hannover Re, Lloyds, QBE Europe, SCOR and Swiss Re.

Business Segments/Product Portfolio

- **General Insurance:** Contributing 76.5% to the company's GWP during 9M 2017, the General Insurance segment offers several plans for individuals and corporate.
  - **Motor:** Plans providing cover for vehicles in the event of personal accident, repair at garage and emergency medical expenses.
  - **Health:** Provides health insurance plans for individuals and corporates to protect against chronic conditions, work related accidents, dental treatment and inpatient and outpatient treatments.
  - **Property:** Provides policies to insure property from the risk of fire & lightning, storm, flood, aircraft damage and others.
  - **Engineering:** Provides insurance against machinery breakdown, deterioration of stocks, electronic equipment and all other risks of contactors.
  - **Marine:** Offers insurance for marine cargo, hull and other liabilities.
  - **Aviation:** Coverage against risk of crew personal accident, aircraft hull & liability, loss of license, hangar keepers & premises liabilities.
  - **Others:** The company also offers insurance in the areas of energy, travel, home and income protection.
- **Life Assurance:** This segment accounted 23.5% of the GWP during 9M 2017. This segment offers various individual and group life insurance policies.

Recent Developments/Future Plans

- In January 2017, A.M. Best maintained its rating of 'B++' (Good) on the company's financial strength to reflect its technical profitability, risk-adjusted capitalization and solid business profile.
- In December 2016, UIC appointed Etisalat to manage its core IT network infrastructure.
- In November 2016, UIC entered into a strategic partnership with Migration Cover, a company offering specialty insurance products for expats, Visa holders and migrants. Through this collaboration, UIC will launch Expat Protect, a comprehensive insurance product covering repatriation, employment advocacy and travel needs of expatriates in the UAE.

Source: Company website

Current Price (US$)	0.49

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	UNION UH
52 week high/low	0.51/0.46
Market Cap (US$ mn)	161.3
Enterprise value (US$ mn)	140.6
Shares outstanding (mn)	330.9

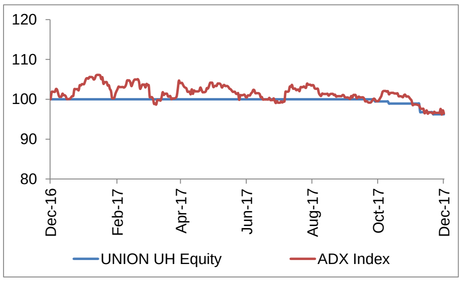
Source: Bloomberg

Average Daily Turnover ('000)

	AED	US$
3M	35.6	9.7
6M	18.1	4.9

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	N/A	181.4
P/B (x)	2.1	2.0
Market Cap/GWP	0.7	0.6
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Invest AD	22.12%
Al Sari Family	15.85%
Al Hosani (Salem Abdulla Salem)	15.48%
Falcons Gulf Gen. Trading Co.	14.32%
Gulf General Investment Co.	8.79%
Others	23.44%
Total	**100.00%**

Source: Thomson Reuters Eikon

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	185.4	238.8	*28.8*	179.4	218.4	*21.8*
Net Written Premium	77.9	105.4	*35.2*	76.9	94.6	*23.0*
Net Underwriting Profit / (Loss)	9.5	10.5	*10.1*	17.1	7.4	*-56.6*
Margin (%)	5.1	4.4		9.5	3.4	
Net Profit / (Loss)	-1.8	-2.8	*59.5*	-2.7	1.7	*-162.8*
Margin (%)	-1.0	-1.2		-1.5	0.8	
Return on Equity (%)	-1.9	-3.3		-4.1	2.7	
Return on Assets (%)	-0.7	-0.8		-1.1	0.5	

Key Comments

- During the nine months ended September 2017, UIC reported a net profit of US$ 1.7 million as compared to a loss of US$ 2.7 million during the same period last year. The turnaround is attributed to the company's stringent policy, selectivity in businesses and controls in underwriting operations.

Source: Thomson Reuters Eikon, Company Press Release

ALPEN CAPITAL

United Cooperative Assurance Co. (Publicly Listed) — Saudi Arabia

Company Description

Incorporated in 2008, United Cooperative Assurance Co. (UCA) offers insurance and reinsurance services across various business lines such as aviation, engineering, motor and health. The company operates through its seven branches in Saudi Arabia.

Business Segments/Product Portfolio

- **Motor:** Accounting for 33.2% of the GWP during 9M 2017, this segment includes comprehensive and third party liability motor insurance products.
- **Medical Insurance:** Plans covering medical costs, medicines and all other medical supplies and services. This segment contributed 6.4% to the company's GWP during 9M 2017.
- **Energy:** Under this segment, the company offers various insurance products across the oil & gas operations. During 9M 2017, this segment contributed 16.5% to GWP.
- **Engineering:** Offers plans covering all risks of contractors, plant & machinery, engineering and machinery breakdown. During 9M 2017, the segment contributed 29.5% to GWP.
- **Others:** The other insurance plans offered by the company include,
  - **Aviation:** Plans to protect the operation of aircraft and risks involved in aviation.
  - **Trade Credit:** Plans offered to suppliers (service providers, manufacturers, trading companies) for coverage against risk of non-payment of accounts receivable.
  - **General Accidents:** Offers fidelity, money, personal accident and other such plans.
  - **Marine:** Offers marine hull and cargo insurance plans that cover risks of damage to hull/machinery and other marine related risks.
  - **Property:** Offers property insurance against fire, special perils and business interruption.

Recent Developments/Future Plans

- SAMA lifted the ban on the company for issuing new motor insurance policies effective September 7, 2016. The prohibition was imposed from June 21, 2016 due to non-compliance with the regulatory requirements on settlements of motor insurance claims and customers' complaint processing.

Current Price (US$)	3.29

Price as on December 7, 2017

Stock Details	
Bloomberg ticker	UCA AB
52 week high/low	4.35/3.07
Market Cap (US$ mn)	161.1
Enterprise value (US$ mn)	159.9
Shares outstanding (mn)	49.0

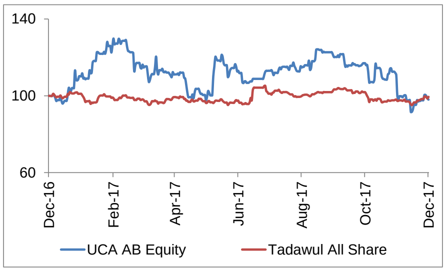
Source: Bloomberg

Average Daily Turnover ('000)

	SAR	US$
3M	4,401.2	1,173.4
6M	5,687.9	1,516.4

Source: Bloomberg

Share Price Chart



Source: Bloomberg

Valuation Multiples

	2016	LTM
P/E (x)	6.4	8.5
P/B (x)	1.7	1.4
Market Cap/GWP	0.8	1.0
Dividend yield (%)	N/A	N/A

Source: Bloomberg

Shareholding Structure	
U.C.A Insurance Co.	32.50%
Others	64.50%
Total	**100.00%**

Source: Company website

Source: Company website, Bloomberg

Financial Performance						
US$ Million	**2015 YE Dec**	**2016 YE Dec**	***Change y-o-y (%)***	**9M 2016**	**9M 2017**	***Change y-o-y (%)***
Gross Written Premium	339.1	218.6	*-35.5*	179.3	127.1	*-29.1*
Net Written Premium	197.1	168.3	*-14.6*	138.9	39.3	*-71.7*
Net Underwriting Profit / (Loss)	15.7	62.1	*295.1*	60.0	45.0	*-25.0*
Margin (%)	4.6	28.4		33.5	35.4	
Net Profit / (Loss)	-14.1	26.6	*-288.4*	23.6	15.9	*-32.7*
Margin (%)	-4.2	12.2		13.2	12.5	
Return on Equity (%)	-23.6	29.2		31.4	19.3	
Return on Assets (%)	-3.3	5.7		6.2	4.5	

Source: Thomson Reuters Eikon

Alpen Capital

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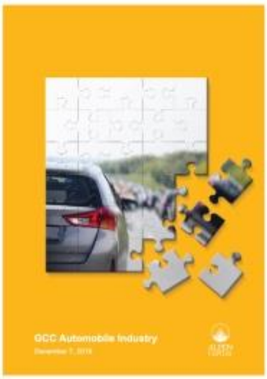

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