GCC Insurance Industry

July 1, 2013

Alpen Capital was awarded the "Best Research House" at the Banker Middle East Industry Awards 2011 and 2013

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Glossary

Gross written premium: Total premium written and assumed by an insurer before deductions for reinsurance and ceding commissions

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

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

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

Net underwriting profit: Excess of premium earned after providing for all expenses directly attributable to underwriting activities, and excluding investment income

Claims ratio: Calculated on the sum of insurance benefits and claims, insurance benefits and claims recovered from reinsurers, and outstanding claims divided by net premium earned

Expense ratio: The percentage of premium used to pay all the costs of acquiring, writing, and servicing insurance and reinsurance

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

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

Commission ratio: Calculated on net commission as a percentage of net written premium

Net written premium to equity: Represents the solvency risk faced by an insurer by comparing written premium with the level of shareholders' capital.

Bancassurance: Involves distribution of insurance products through the banking channel

"While the UAE insurance industry is already saturated with many players, there is a strong growth potential due to low levels of insurance penetration as compared to more mature markets. The products sold in the region lack sophistication which provides significant scope for the companies operating the sector; if they can successfully design and market the right products. I see pension programs as a must, in the near future, to boost needed employee benefits and bring useful liquidity to the local financial market. As the market matures, I also expect consumers to become more discerning about the insurance company they choose to partner with.

The region has its challenges in terms of potential political risks in some countries and weak insurance regulatory framework. However, on an overall basis, the insurance sector has a positive outlook and it can comfortably sustain double digit growth figures. Attractiveness of the sector, coupled with the freeze on issuance of new licenses, could see international and regional players taking the acquisition route to enter the market."

Patrick Choffel

CEO

Oman Insurance Company

"The outlook of insurance sector in general is linked to overall economic health. Given the positive economic outlook for the GCC region as a whole, the future of the regional insurance industry remains buoyant. For Oman, substantial planned outlays by the Government on infrastructure development over the next 2-3 years will mean more business in general for the local insurance industry. One of the biggest challenges for the Insurance sector in Oman is the declining insurance spreads due to a combination of hardening reinsurance terms and lower premium rates. Another challenge for the Insurance sector is to find ways of developing the Life Insurance business which today forms only 15% of total insurance business written in the region. Going forward, continuing government spending, rationalization of investment norms and enhancing medical insurance penetration will aid growth."

Ravi Shankar

CEO

Oman United Insurance Company

"The insurance industry is probably one of the few sectors in Oman that was not impacted by the financial slowdown. In fact, the sector has seen good growth across the region. However, there still exists a lot of growth potential given the low penetration ratios. We believe that going forward the focus of insurance companies will continue to be on motor insurance given the capital base as well as on medical insurance which in our opinion has room to grow. The opening of Takaful insurance in Oman has been a fairly recent development and provides ample opportunities for growth.

Some challenges do exist namely, improving the technical underwriting capability of insurance companies and the shortage of qualified personnel. There is stiff competition and given the number of insurance companies in each country, insurance rates have been softening. Nevertheless, SME is being given a lot of emphasis in the region and insurance for micro credit will emerge over a period. Overall our outlook for the sector remains positive."

O.G Ravishankar

CFO

ONIC Holding

"We have a positive outlook for the insurance sector. The massive investments in infrastructure in Qatar will drive the business growth for the insurance industry. The main challenges that we face are product development and knowledge transfer, lack of pricing sophistication stemming from lack of standardized data sets and increasing competition within a fragmented industry. Currently, most of the insurance companies in the region are exposed to property insurance which in turn is dependent on the size of insurable assets. However, infrastructure development coupled with increasing technology and pricing sophistication will provide new growth avenues for this sector. Further, increasing professionalism along with an increase in client knowledge on risk transfer mechanisms will also aid growth."

Sandeep Nanda

Executive Vice President

Qatar Insurance Company

"During the last decade, the insurance industry in the GCC has experienced steady growth on the back of economic development, population expansion, improved regulatory environment, and increased product awareness. In our view, implementation of compulsory health insurance programs in different jurisdictions has been a key growth driver for the insurance industry. However, penetration levels remain low when compared with more developed markets. Low insurance penetration, despite strong underlying growth drivers, continues to offer ample opportunities to insurers in the GCC such as a growing Takaful market and other innovative offerings. We believe that the GCC insurance industry continues to remain an attractive investment opportunity especially for foreign companies looking to enter the GCC markets by way of JVs or acquisitions given the recent level of interest generated in the M&A space. The region's insurance sector is also expected to structurally mature going forward, in line with positive regulatory developments and efforts by some players towards attaining greater operational scale and efficiency. Our outlook for the sector remains positive."

Rohit Walia

Executive Chairman

Alpen Capital

1. Executive Summary

In the last 10 years, insurance industry in the Gulf Cooperation Council (GCC) has experienced steady growth on the back of economic development, population expansion, improved regulatory environment, and increased product awareness. The major force behind the industry's strength in recent years has been the implementation of compulsory health insurance schemes in various jurisdictions. Despite past performance, the sector is still relatively underdeveloped and key market indicators trail the world average by a large margin. However, it continues to evolve, and strength of fundamental industry drivers suggests solid growth prospects. Islamic insurance is seen as a vital means of increasing acceptance and awareness in the region.

1.1. Scope of the Report

This report is an update of Alpen Capital's 2011 GCC Insurance Industry report. It identifies some of the key traits of the insurance industry in the Gulf to present a holistic overview, while outlining the structure and development of the market in each regional country. The report also discusses major growth drivers of the industry, and delves into the key challenges and emerging trends pertaining to it. Based on the expected strength of major market determinants, a quantitative outlook of the GCC insurance industry has been provided for facilitating an evaluation of future opportunities. Additionally, this report includes profiles of some of the major insurance players in the region.

1.2. Industry Outlook

- Insurance industry in the Gulf is projected to expand at a compounded annual growth rate (CAGR) of 18.1% between 2012 and 2017 to reach a size of US$ 37.5 billion. The non-life insurance segment is expected to outperform the life segment during this period.
- Overall insurance penetration in the GCC is expected to improve from 1.1% in 2012 to 2.0% in 2017, while insurance density is anticipated to more than double during this period.
- Saudi Arabia may surpass the United Arab Emirates (UAE) as the largest insurance market in the region going forward, while Oman is expected to outgrow Kuwait by a small margin to become the fourth largest market in 2017.
- The Saudi insurance industry is seen as a major driver behind growth of the GCC insurance industry. Most of the remaining markets are also expected to witness a double-digit CAGR between 2012 and 2017.

1.3. Key Growth Drivers

- Demographic factors like an expanding population base, large representation of foreigners, and increasing life expectancy are expected to have a positive impact on demand of insurance products in the Gulf.
- Government investments in various sectors for promoting economic diversification are likely to provide new underwriting opportunities. Further, expansion of income levels and low median age of residents suggests a strong propensity for acquiring personal assets.
- Implementation of compulsory health insurance programs in different jurisdictions is likely to create strong growth avenues for insurers. The impact of new vehicle sales growth is also expected to cascade on the insurance industry.
- Recent political and catastrophic events are likely to create increased awareness about the benefits of insurance, and make enterprises more proactive in insuring their properties and personnel.
- Regulatory framework and operational parameters of the Takaful market are expected to undergo positive changes as the practice evolves further. New and innovative offerings may generate higher demand for family Takaful products.
- Business and financial hubs like Dubai International Financial Centre (DIFC) and Qatar Financial Centre (QFC) have significantly contributed to the growth of the

regional insurance industry. These centers are home to a number of insurance and reinsurance companies, and insurance intermediaries.

1.4. Key Challenges

- Insurance industry in the Gulf is currently over-crowded as a number of domestic and international companies serve the limited sized market. Competition is particularly intensive in personal insurance lines like motor and medical.
- The insurance sector in many countries is being regulated by rules set out several decades ago. Further, there is a wide range of regulatory discrepancies across the region.
- Industry-wide profit margin in the GCC has been on a downtrend for the last several years, primarily reflecting diminishing profitability in technical operations, an inefficient operating model and low scalability, and falling investment yields.
- The insurance sector faces severe shortage of skilled local workforce. This has, in turn, affected the underwriting and risk-bearing capabilities of companies while increasing their operating overheads.
- Awareness about insurance and its benefits remains low among the typical GCC consumers and small and medium businesses. Many fail to recognize insurance as an effective means of wealth protection, savings, and security.
- Prolonged global economic uncertainty has posed substantial challenges to insurance companies by creating volatility in investment values and returns. Further, due to the Eurozone's debt crisis, demand for marine insurance may remain muted.
- The Arab uprising has heightened concerns of overall political instability in the Middle East region. Recurrence of such events may disrupt the general business and investment climate, and cause a sudden spike in insurance-related claims.

1.5. Trends

- Foreign insurers are expected to further augment their presence in the Gulf as they benefit from higher technical know-how, distribution capabilities, customer orientation, and financial strength.
- Enterprise Risk Management (ERM) is still in the development phase in the region. However, insurance companies are increasingly sensing the need of having more robust and systematic risk management processes for the future.
- The proposed unified insurance scheme for automobiles may bring about some standardization in insurance rates across the region. It may also pave way for more unification measures within the insurance sector.
- Modern distribution channels like Bancassurance and online policy approvals are increasingly becoming popular. Islamic banks are likely to emerge as an important medium in the marketing and sales of family Takaful products.
- In efforts to generate assured returns and mitigate volatility in investment income, the regional insurance companies have increased their investments in relatively low-risk instruments while reducing their exposure to equities.
- The concept of captive insurance, although still at a nascent stage in the GCC, is exhibiting a strong growth potential as economic development and expanding business operations increase the complexity and quantum of risks. Further, with a number of construction projects being undertaken, insurance companies may see a robust growth in demand for issue of surety bonds.

Low insurance penetration, despite strong underlying growth drivers, continues to offer ample opportunities to insurers in the GCC. The region's insurance sector is also expected to structurally mature going forward, in line with positive regulatory developments and efforts by some players towards attaining greater operational scale and efficiency.

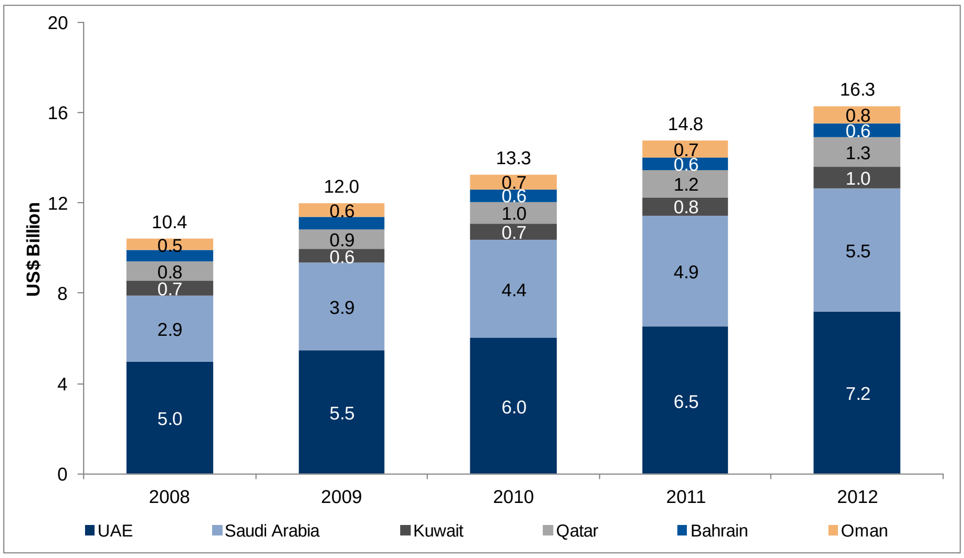
2. GCC Insurance Industry Overview

2.1 GCC Insurance Market Overview

Combined GWP in the GCC amounted to US$ 16.3 billion in 2012, having grown at a CAGR of 11.8% since 2008

The GCC economy has expanded at a healthy rate over the last decade and made significant progress in a number of sectors such as petrochemicals, real estate, infrastructure, and telecommunications. The insurance industry in the region has also experienced steady growth on the back of this economic development, improved regulatory environment, and increased product awareness. The major force behind the industry's strength in recent years has been the implementation of compulsory health insurance schemes in various jurisdictions or initial demand in anticipation of such schemes. Combined gross written premium (GWP) in life and non-life segments in the GCC amounted to US$ 16.3 billion in 2012, having grown at a CAGR of 11.8% since 2008[1] (see Exhibit 1). However, the region accounted for only 0.4% of the world market, which was valued at US$ 4,612.5 billion in 2012. The UAE and Saudi Arabia dominated the regional market, representing nearly 80% of GWP. A reasonable size of population, largely composed of expatriates and a receptive local community, makes the UAE the largest insurance market in the Gulf.

Exhibit 1: Size and Composition of the GCC Insurance Industry



Source: Swiss Re, Alpen Capital

Insurance penetration in the Gulf was 1.1% in 2012, close to one-sixth of the global average

Despite robust growth, the insurance sector in the Gulf is still underdeveloped and key market indicators trail the world average by a large margin. Insurance penetration was 1.1% in 2012 (see Exhibit 2), close to one-sixth of the global average[2]. Bahrain, despite having the highest penetration in the region of 2.3%, significantly lagged behind developed countries such as the US, the UK, and Germany. Major developing countries and some Middle East counterparts also had a higher insurance penetration ratio than most of the GCC nations. Insurance density further corroborates the low levels of insurance coverage in the Gulf. Although the region compared favorably against India, Jordan, and Lebanon, it substantially lagged behind the industrialized economies (see Exhibit 3). Within the GCC,

[1] Source: "World Insurance in 2012", Swiss Re, June 2013; Alpen Capital
[2] Source: "World Insurance in 2012", Swiss Re, June 2013; International Monetary Fund; Alpen Capital

the UAE had the highest insurance density of nearly US$ 1,300 compared to the regional average of US$ 367.3.

Exhibit 2: Insurance Penetration in the GCC and Other Economies

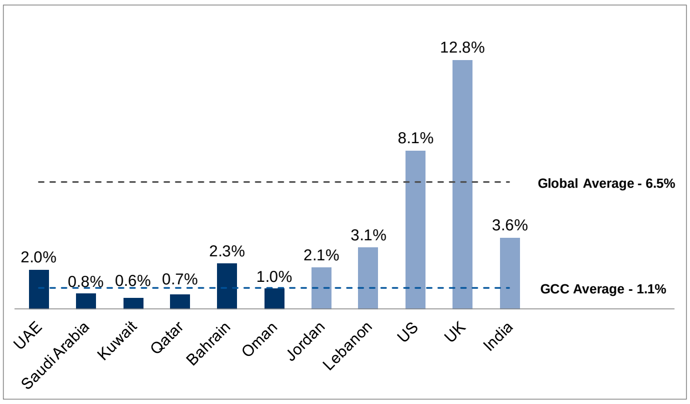
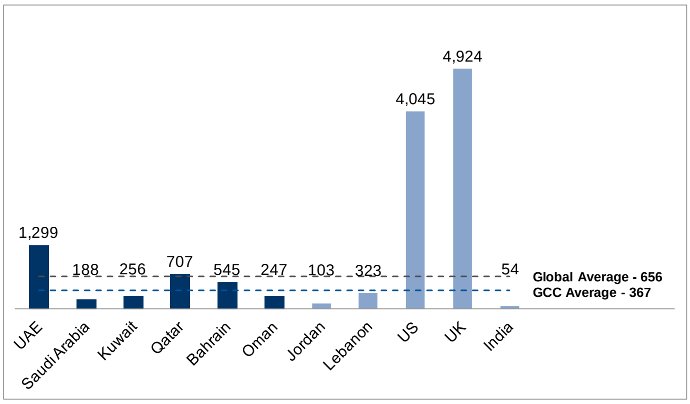


Exhibit 3: Insurance Density (US$) in the GCC and Other Economies



Source: Swiss Re, International Monetary Fund, Alpen Capital

The insurance sector in the Gulf is fragmented and highly competitive

With a large number of service providers, both private and listed, the insurance sector in the Gulf is fragmented and highly competitive. Many of these companies function more as insurance brokers rather than actual bearers of risk due to the general shortage of requisite talent and inability to underwrite large amounts.

Reinsurance

Reinsurance segment in the GCC has experienced substantial traction in the past few years, largely in line with growth in the primary insurance market. Moreover, insurance markets in the Gulf are still in the emerging phase as compared to the comparatively mature Western markets. They continue to exhibit a sustainable growth trend despite the ongoing global financial uncertainties.

Retention rates among primary insurance providers in the region are low

Retention rates among primary insurance providers in the region are low and they normally cede a considerable amount of risk to reinsurance companies, primarily in the commercial insurance business lines. This can be attributed to competitive pricing pressures and shortage of technical expertise in these businesses. Medical insurance business has also shown higher cession levels than the traditional life insurance. While reinsurance reduces the risks and volatility in the insurers' portfolios, companies are also encouraged due to high commission paid by reinsurers in some cases. On the other hand, life insurance segment in the region typically displays a low demand for reinsurance, reflecting lower insurance penetration and perceived risks in this segment.

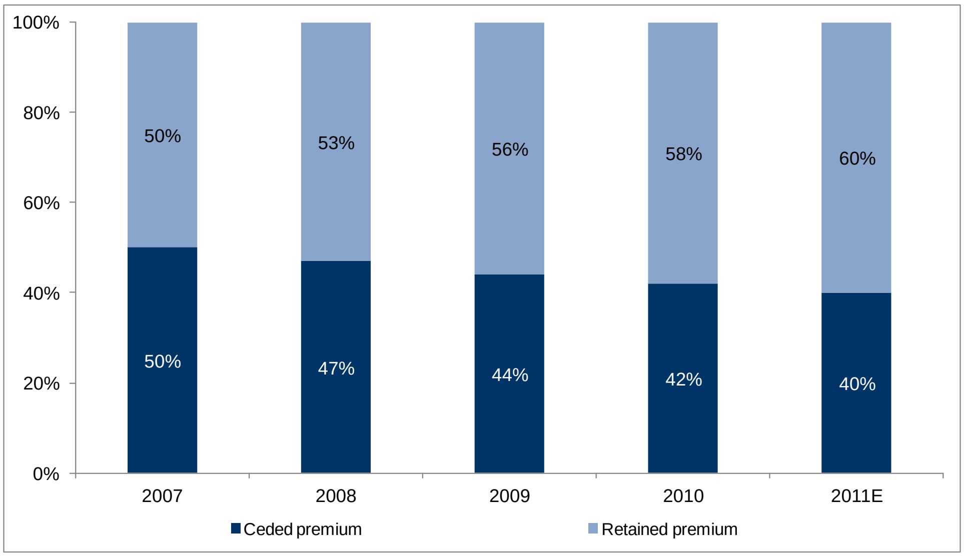
Although cession rates have fallen in recent times, they continue to remain higher than in most parts of the world

Insurers were believed to have ceded around 40% of non-life insurance premiums to reinsurance companies in 2011[3] (see Exhibit 4). Although cession rates have fallen in recent times, they continue to remain higher than in most parts of the world. Cession rate in the US and UK was 26.0% and 18.5% respectively in 2011, while the average rate in 15 countries[4] of the European Union was 11.5%[5]. The decline in cession rates lately can be mainly attributed to the considerable expansion of personal lines such as motor and health

[3] Source: "GCC Reinsurance Barometer", Qatar Financial Centre Authority, September 2012
[4] Countries include Belgium, France, Italy, Luxembourg, Netherlands, Germany, Denmark, Ireland, UK, Greece, Spain, Portugal, Austria, Sweden, and Finland
[5] Source: www.stats.oecd.org

insurance, which typically exhibit lower cession rates than the relatively riskier commercial lines. Nevertheless, the core insurance business model in the region continues to rely heavily on commissions and investment income.

Exhibit 4: Proportion of Non-life Insurance Premium Ceded in the GCC

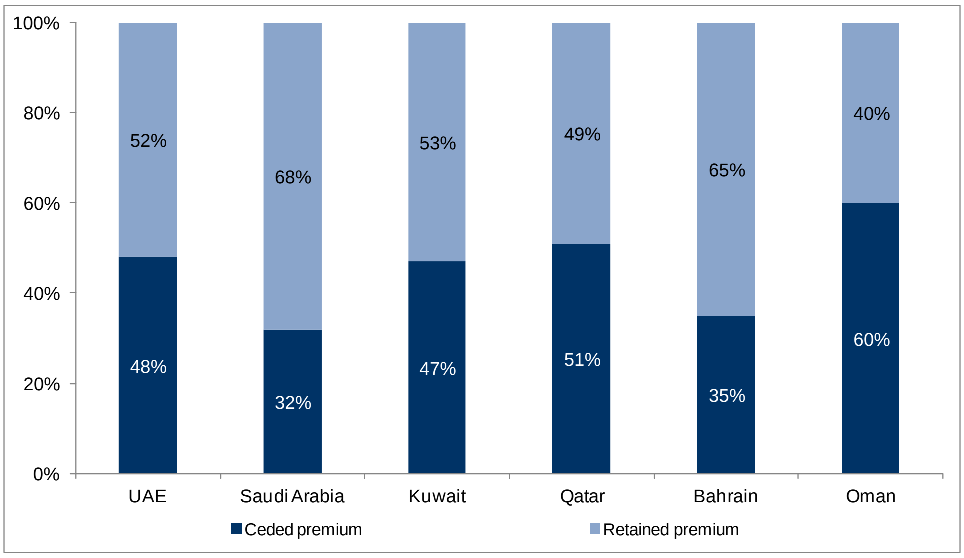


Source: "GCC Reinsurance Barometer", Qatar Financial Centre Authority, September 2012
Note: E – Estimated

Oman and Qatar had the highest cession rates in the Gulf in 2011, while Saudi Arabia had the lowest

Among the Gulf countries, Omani insurance companies were believed to have ceded the highest proportion of their non-life underwriting risks to the reinsurance segment in 2011 (see Exhibit 5). Qatar also had a relatively low retention rate given the high share of premium from high-risk engineering, energy, and other commercial projects. In contrast, Saudi Arabia had the lowest cession rate in the region. This is attributable to regulations stipulating minimum retention threshold for local insurers, coupled with a significant share of health insurance in the overall industry. Health insurance is retained by primary insurance companies to a higher degree compared to the commercial lines.

Exhibit 5: Proportion of Non-life Insurance Premium Ceded in the GCC Countries (2011E)



Source: "GCC Reinsurance Barometer", Qatar Financial Centre Authority, September 2012

All the GCC countries have at least one domestic reinsurance company, which lends support to the primary insurance industry

All the GCC countries have at least one domestic reinsurance company, which lends support to the primary insurance industry. Opportunities in the Gulf reinsurance segment have not only captured the attention of a number of local and regional players, but have also attracted many international companies seeking diversification beyond their traditional markets into regions exposed to relatively lower catastrophic risks. While the role of domestic reinsurance companies is vital in maintaining order within the local industry set-up, large portions of commercial risks are generally ceded to international reinsurance players. In comparison to the primary insurance companies, retention rates among reinsurance companies are higher.

Foreign Insurance Companies

International players have established a sizeable presence in the GCC, primarily in the life and reinsurance segments

The representation of foreign insurance companies was limited in the GCC until a few years back due to entry restrictions and market regulations. However, the regional countries have eventually opened up their markets for international players, who have established a sizeable presence primarily in the life and reinsurance segments. This is because domestic insurance firms have been traditionally less focused on the life segment due to religious factors attached to it and the presence of a large blue-collared expatriate workforce for whom life insurance is not a priority. The presence of foreign insurers is seen as a positive sign for the progress of the industry as it ushers in greater expertise and raises the operational benchmarks for domestic players. Expatriates may tend to have a higher preference for insurance products from international companies due to their brand identity and reliability factor. Thus, the sizeable percentage of affluent expatriate population present in the GCC is an attractive proposition for foreign companies.

Regulatory Authorities

The scope of insurance regulations and their level of maturity vary across the region

The insurance industry is regulated by a government body in each of the Gulf countries, although the scope of regulations and their level of maturity vary across the region. While the UAE has a dedicated supervisory body called the UAE Insurance Authority, the industry is regulated by an existing financial services regulator in other GCC countries such as the Capital Market Authority in Oman, Saudi Arabian Monetary Agency (SAMA) in Saudi Arabia, and the central banks in Bahrain and Qatar. The Ministry of Commerce and Industry oversees the insurance sector in Kuwait. The insurance business within DIFC and QFC in Dubai and Qatar respectively, the specialized financial service hubs, is supervised by an independent framework set up by the designated regulatory bodies in these zones.

Investment Mix

Exposure to local equities and property assets is estimated at around 45% and 35% respectively of the total assets under management in the region

Insurance companies in the region rely significantly on income from financial investments to meet their liabilities and augment profitability. However, the industry largely lacks a well-defined asset liability management strategy for controlling risks emerging from market volatility and ensuring sufficient liquidity. Most of the insurance firms tend to adopt an aggressive and high risk/return strategy with significant investible funds being placed in the local equity and property markets. Exposure to local equities and property assets is estimated at around 45% and 35% respectively of the total assets under management in the region[6]. In contrast, leading global insurance companies typically have a diversified investment portfolio primarily composed of fixed income instruments and international assets. Lackluster and volatile equity and real estate markets have negatively impacted the investment yields of insurers in the GCC, which is believed to be one of the key reasons for decline in their profitability levels since 2007.

Distribution Channels

The degree of utilization of different distribution channels is primarily inclined in favor of traditional means

The degree of utilization of different distribution channels for insurance products is mainly inclined in favor of traditional means such as brokers and direct selling agents appointed by insurance companies. Bancassurance, which is a popular medium of selling insurance products in several mature insurance markets across the globe, has so far seen restricted progress in the GCC due to insufficient training, improper incentives structure, and regulatory issues.

Life Insurance

Majority of the Gulf residents have so far abstained from taking a life cover

From being virtually non-existent in countries like Saudi Arabia and Qatar, the life insurance market has been expanding over the last few years

Although the GCC residents have a high per capita income in general, which is a major determinant for the size of life insurance segment, majority of the residents have so far abstained from taking a life cover. Apart from the sensitivities attached with the concept of taking life insurance within the region, the fact that a large percentage of the residing expatriates are blue-collared workers and have limited capacity to avail insurance has restricted the segment's growth. Further, the affluent expatriate population generally prefers to take life insurance schemes in their home countries. These factors have collectively restricted the life insurance segment's contribution to 13%-14% of the overall insurance market in the Gulf (see Exhibit 6). Subsequently, life insurance penetration in 2012 was 0.1% and life insurance density was US$ 49.2, in comparison to a penetration of 0.9% and density of US$ 318.0 in the non-life insurance segment. In the global context, where the life insurance segment contributes a larger proportion to the total premium, the GCC landscape presents a contradictory picture. Nevertheless, from being virtually non-existent in countries like Saudi Arabia and Qatar, the life insurance market has been expanding over the last few years. Development and acceptance of life insurance products compliant with Islamic principles and increasing awareness about the benefits of insurance have gradually brought about a change in the market dynamics in the region.

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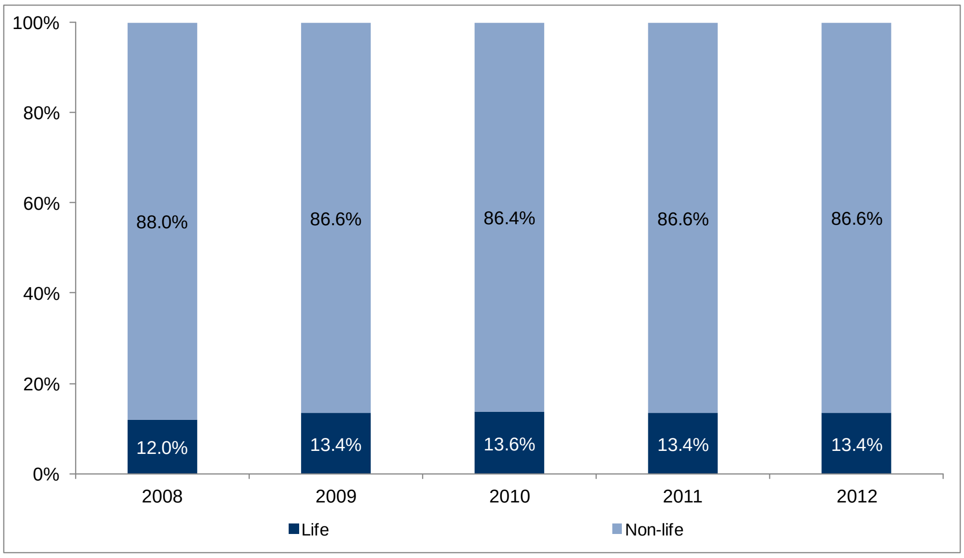
[6] Source: "GCC Insurers at the Crossroads in 2012: Rebound or Collapse", A.T Kearney, 2012

Exhibit 6: Breakdown of Life and Non-life Insurance Segments in the GCC



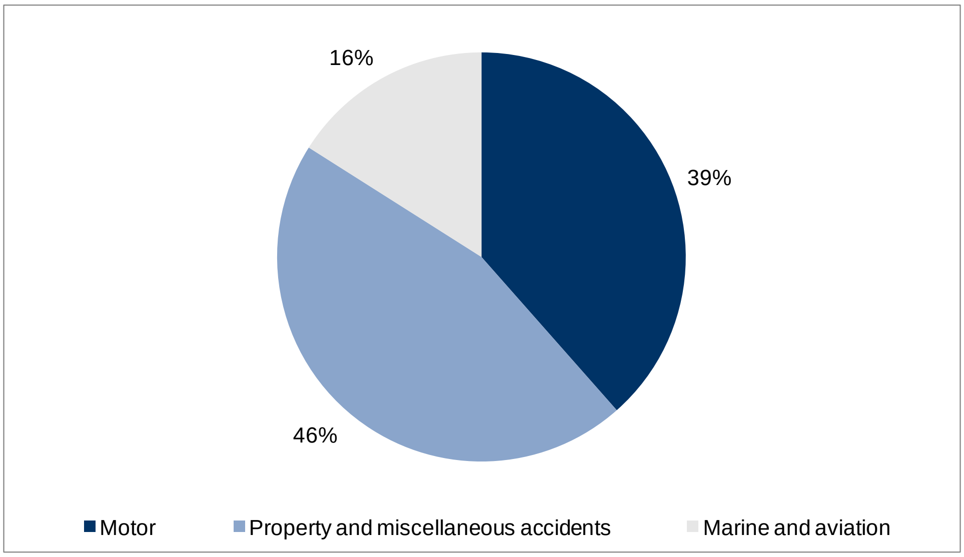
Source: Swiss Re, Alpen Capital

Non-life Insurance

Motor, health, and property insurance are the key segments within non-life insurance

In the non-life insurance segment, motor and health insurance have been among the briskly expanding insurance lines, and are now commanding a significant share in the segment (see Exhibit 7). The key factor behind the growth of these lines is the enactment of regulations in various GCC countries that make motor and health insurance covers mandatory for residents. Property insurance is also a key segment within the non-life insurance business, supported by the considerable pace and magnitude of real estate and infrastructure development being undertaken in the region.

Exhibit 7: Composition of Non-life Insurance Segment in the GCC (2010)



Source: "GCC Insurance Barometer", Qatar Financial Centre Authority, May 2012

Notes: 1) 2010 is the latest year for which the relevant data is available

2) The property and miscellaneous accidents business includes health insurance

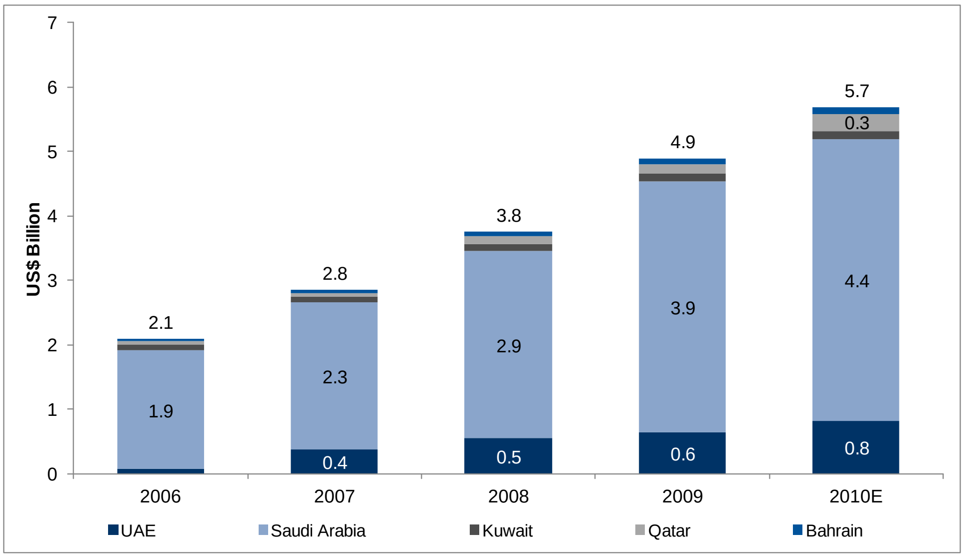
Takaful Market

Takaful insurance, which has its roots in the Islamic principle of Al-Takaful, follows the concepts of mutual cooperation and risk-sharing. The ultimate aim is not to generate profits, but to ensure well-being of the society. The Takaful market comprises general (non-life) and family (life) segments, and is considered a part of the broader insurance industry in this report, alongside conventional insurance. The market has been gaining prominence within the Islamic community around the world due to the common belief that conventional insurance products do not conform to certain religious principles.

The Takaful market size in the Gulf was expected to grow to over US$ 7.8 billion by the end of 2012

The Takaful market in the GCC, measured in terms of gross contribution, was estimated at US$ 5.7 billion in 2010, having expanded at an annual average rate of 28.4% since 2006[7] (see Exhibit 8). It accounted for nearly 70% of Takaful market worldwide, and Saudi Arabia contributed 76.9% to the regional market during the year. The Takaful market size in the Gulf was expected to grow to over US$ 7.8 billion by the end of 2012.

Exhibit 8: Size and Breakdown of the GCC Takaful Market by Countries



Source: "The World Takaful Report 2012", Ernst & Young, April 2012

Note: 1) 2010 is the latest year for which the relevant data is available

2) Data for Oman is not available

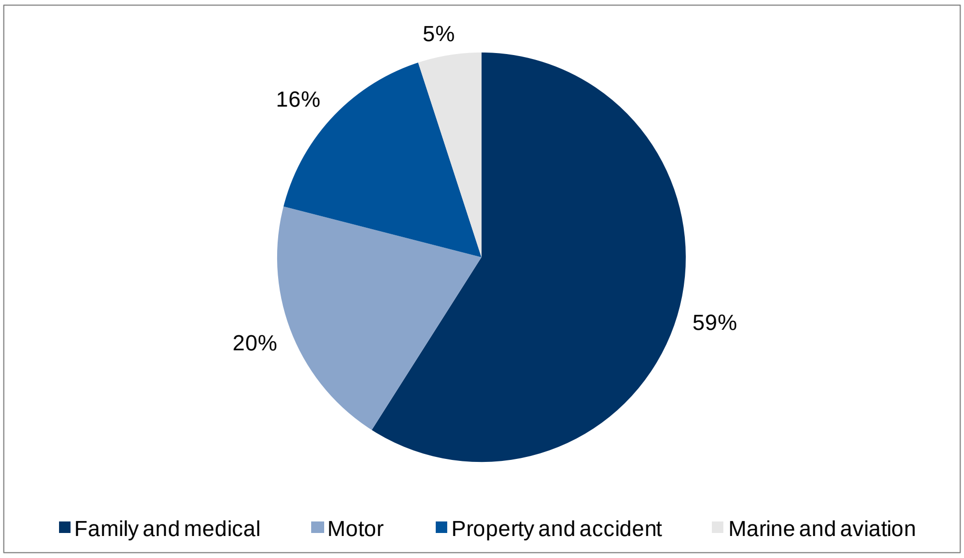
3) E – Estimated

General Takaful constitutes a large part of the GCC Takaful market, with family Takaful making only a small contribution

General Takaful constitutes a large part of the GCC Takaful market, with family Takaful making only a small contribution (~5%). Thanks to the compulsory medical insurance regulations implemented in Saudi Arabia and Abu Dhabi, the medical segment currently represents the largest slice of the general Takaful business, followed by the motor segment (see Exhibit 9).

[7] Source: "The World Takaful Report 2012", Ernst & Young, April 2012

Exhibit 9: Composition of General Takaful Business in the GCC and Levant (2010E)



Source: "The World Takaful Report 2012", Ernst & Young, April 2012

Notes: 1) Since Levant is a relatively smaller Takaful market compared to the GCC, the above composition is believed to be a close representation of the market breakdown in the Gulf

2) 2010 is the latest year for which the relevant data is available

The UAE, Bahrain, and the autonomous financial hubs of DIFC and QFC have introduced regulations specifically for the Takaful market

While the Takaful industry across the GCC is experiencing strong progress, development of a related supervisory framework varies substantially between the constituent countries. The UAE, Bahrain, and the autonomous financial hubs of DIFC and QFC have introduced regulations specifically for the Takaful market. In contrast, Kuwait, Qatar (excluding QFC), and Oman do not have an explicit rulebook for governing the market so far. Saudi Arabia has a common legislation applicable to both conventional and Takaful companies. The kingdom prescribes the cooperative model for all the insurance companies, which has a few variations from the Takaful model followed in other parts of the world. However, this report does not make any distinction between the two models due to their close linkages and coexistence within Saudi Arabia. Governments across the GCC region have identified the immense growth potential of the Takaful sector, and have been introducing positive changes in the regulatory landscape. Oman is soon expected to announce a new set of regulations applicable to the Takaful market.

Intensive competition is a dominant feature of the region's Takaful sector landscape. Apart from their peers, Takaful operators compete with a large number of conventional insurance companies. Additionally, evolving laws and shortage of specialized expertise amplify the challenges for these companies.

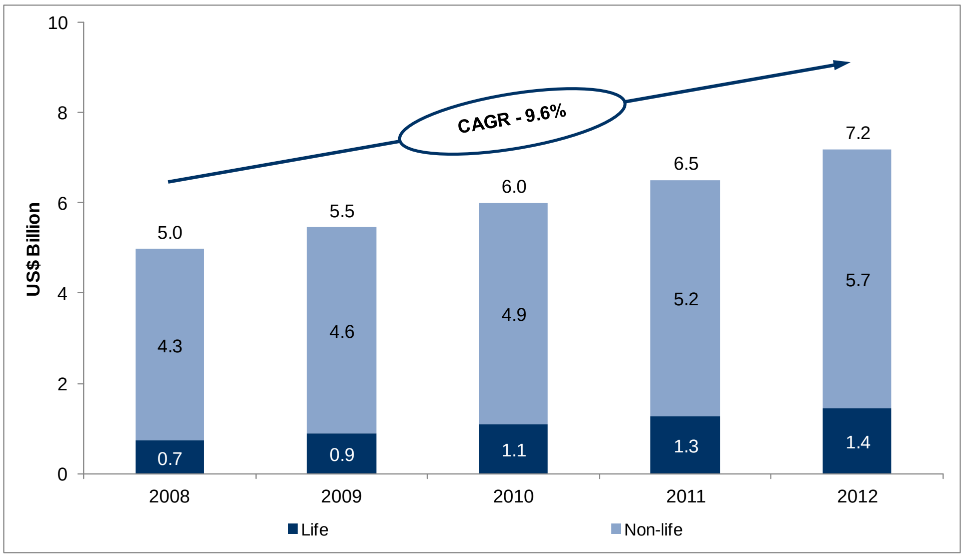
2.2 The UAE Insurance Market

Valued at US$ 7.2 billion in 2012, the UAE is the largest insurance market in the GCC

The UAE is the largest insurance market in the GCC, accounting for 44.1% of the region's GWP in 2012[8]. It expanded at an annual average growth rate of 9.6% between 2008 and 2012 to reach a size of US$ 7.2 billion (see Exhibit 10). Although the UAE has one of the most developed life insurance markets in the region, the non-life segment continues to contribute bulk of the industry premium. However, in the recent years, growth rate of the life insurance segment has been notably higher than that of the non-life segment.

[8] Source: "World Insurance in 2012", Swiss Re, June 2013

Exhibit 10: Growth and Composition of Insurance Industry in the UAE



Source: Swiss Re

Insurance penetration and density in the UAE compared favorably against the regional averages in 2012

In 2012, total life and non-life insurance penetration and density in the UAE were 2.0% and US$ 1,298.8 respectively (see Exhibits 11 and 12). Both of these key industry indicators compared favorably against the GCC averages. The gap between life insurance penetration and non-life insurance penetration has narrowed since 2009, reflecting a deceleration in demand growth of non-life products possibly induced by the global financial crisis and regional debt problems.

Exhibit 11: Insurance Penetration in the UAE

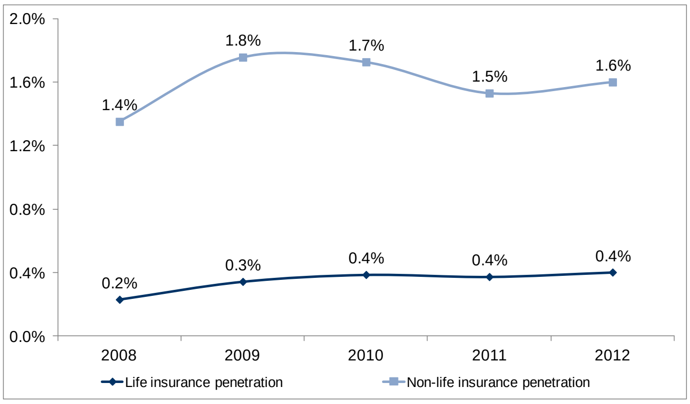
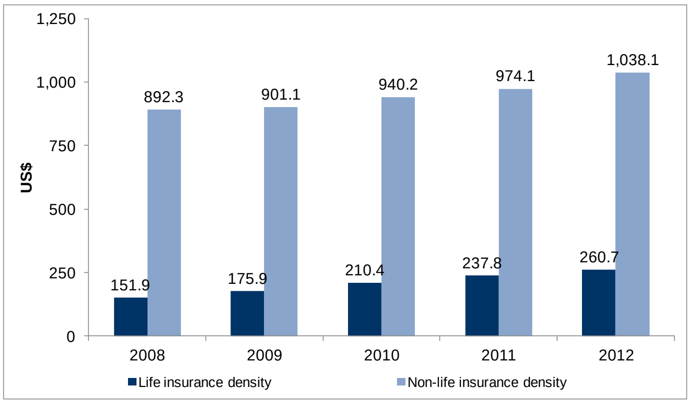


Exhibit 12: Insurance Density in the UAE



Source: Swiss Re, International Monetary Fund, Alpen Capital

Property and motor insurance are major non-life business lines in the UAE

Property and motor insurance are the major non-life business lines in the UAE. Although negatively impacted by the global financial crisis, the property insurance segment holds a significant potential in the personal and commercial markets. The growing affluence among locals boosts their investments in real estate and large scale infrastructure projects continue to be conceived and developed, both of which require insurance coverage. Motor insurance is mandatory in the country, which makes this insurance line a thriving business due to the high levels of car ownership and continued growth of the automobile sector. On the other hand, life insurance in the UAE is largely dependent on expatriate population residing in the country since majority of locals exhibit some level of resistance in taking a life policy due to religious beliefs. However, increasing availability and demand for Shariah-compliant products such as Takaful provide encouraging prospects for the life insurance segment in the country.

There were a total of 63 insurance companies operating in the country in 2012, comprising 61 primary insurers and 2 reinsurers

The insurance sector in the UAE is largely dominated by publicly listed companies, many of which have a majority government-holding. Regulations require the UAE insurance companies to be registered as public joint stock companies and get listed on the Dubai Financial Market or Abu Dhabi Securities Exchange[9]. Government-owned unlisted entities, private companies, and branches of foreign firms make up rest of the market participants. There were a total of 63 insurance companies operating in the country in 2012, comprising 61 primary insurers and 2 reinsurers[10]. Oman Insurance Co., Abu Dhabi National Insurance Co., and Orient Insurance Co. are among the leading insurance companies in the UAE.

The UAE Insurance Authority has imposed a number of stipulations to restrict the entry of foreign players into the insurance market

The UAE Insurance Authority has imposed a number of stipulations to restrict the entry of foreign players into the insurance market. These include allowing only those companies to set up branches that had, in the past, obtained a license for operating in the UAE. In other words, the authority would not allow new foreign insurers to enter the market by setting up branch operations. Further, the licensed foreign company needs to show that it would offer new products that are not currently present in the market or justify that the market has a higher need for existing coverage. Foreign companies also need a local sponsor to open branches. With all these restrictions in place, the most convenient way for overseas players to set up presence in the UAE market is through a stake acquisition in a domestic insurance provider up to the maximum permissible limit of 25%.

Foreign insurers registered in the DIFC operate as offshore companies and are permitted to have 100% foreign ownership

Another option for foreign insurance companies to establish a footprint in the UAE is by operating as an offshore company registered in the DIFC. Such companies are not required to follow the civil and commercial laws applicable elsewhere in the country. They are regulated by the Dubai Financial Services Authority, which permits 100% foreign ownership in entities. While the DIFC-based companies cannot retail insurance products in other parts of the UAE outside the free zone, they are allowed to directly offer insurance cover on risks based within the DIFC and in other GCC countries.

Some primary insurance providers in the UAE cede their entire risk profile to reinsurers

Primary insurance providers in the UAE rely significantly on the reinsurance segment, with some players ceding their entire risk profile to reinsurers. The restrictions on DIFC-based foreign companies for offering insurance products in the domestic market has created a significant amount of reinsurance capacity as several international players have set up reinsurance operations in the free zone for gaining access to the local market.

Distribution of insurance products is largely managed by traditional channels such as brokers and agents. In 2011, there were 11 insurance agents and 170 brokers operating in the country[11]. Bancassurance is underdeveloped in the UAE as compared to some of the other well-developed insurance markets due to legal uncertainty surrounding such arrangements in the past. However, it is now becoming increasingly popular. In Dubai particularly, Bancassurance has witnessed strong growth with most of the banks partnering with insurance companies to offer a range of products.

2.3 The Saudi Arabian Insurance Market

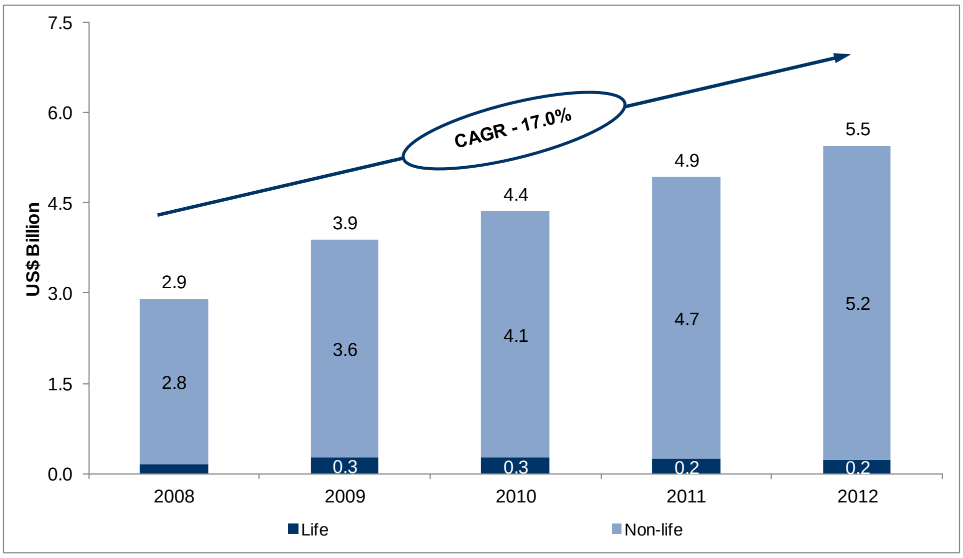
Insurance sector in Saudi Arabia has experienced a robust rate of growth over the past few years, primarily attributed to a set of structural reforms implemented by the

[9] Source: "Foreign Investment in the UAE insurance sector", www.linklaters.com, November 29, 2011
[10] Source: "The UAE maintains insurance market hub status, despite economic slowdown", A.M Best, May 6, 2013
[11] Source: 2011 Annual Report, UAE Insurance Authority

The insurance industry in Saudi Arabia grew from US$ 2.9 billion in 2008 to US$ 5.5 billion in 2012

government in 2005. Prior to this period, the insurance industry framework in the kingdom was highly unregulated. Subsequently, the industry grew from US$ 2.9 billion in 2008 to US$ 5.5 billion in 2012, registering a CAGR of 17.0% and outperforming rest of the GCC[12] (see Exhibit 13). The Saudi Arabian market is the second-largest in the Gulf, representing 33.5% of the regional GWP in 2012. Mandatory health insurance regulations launched by the government in 2006 have also fuelled demand for insurance products in the kingdom.

Exhibit 13: Growth and Composition of Insurance Industry in Saudi Arabia



Source: Swiss Re

Low insurance penetration and density make Saudi Arabia one of the least mature markets in the GCC

In 2012, insurance penetration in Saudi Arabia was 0.8% and density was US$ 188.1 (see Exhibits 14 and 15), making it one of the least mature markets in the GCC. The life insurance segment has remained severely undeveloped due to a significant influence of religious beliefs on the population. Non-life insurance density, despite being the lowest in the region, has expanded at a strong pace since 2008.

Exhibit 14: Insurance Penetration in Saudi Arabia

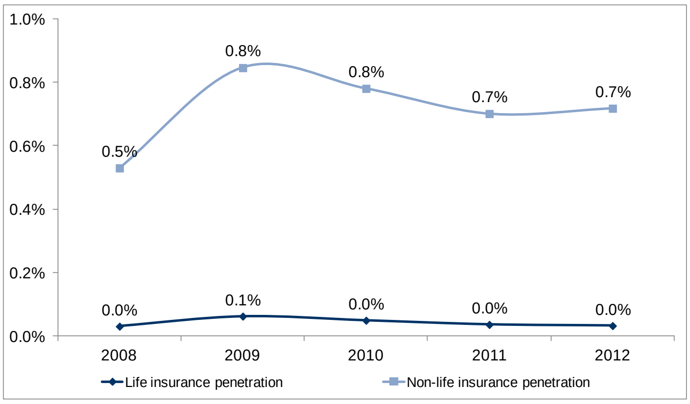
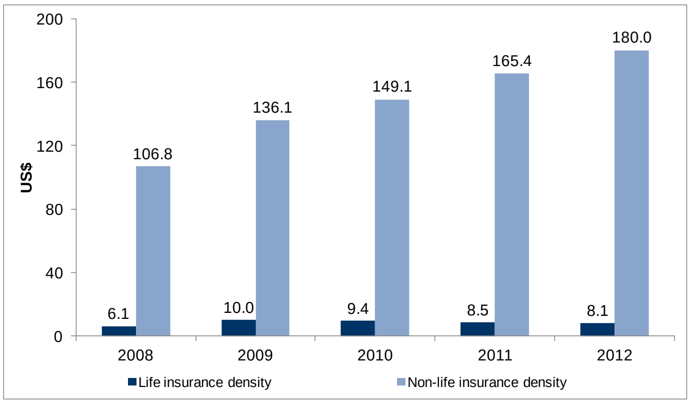


Exhibit 15: Insurance Density in Saudi Arabia



Source: Swiss Re, International Monetary Fund, Alpen Capital

[12] Source: Swiss Re, Alpen Capital

In the pre-regulatory years, Saudi Arabia had a number of insurance companies operating as unregulated offshore entities

In the pre-regulatory years, the sector consisted of a number of insurance companies operating as offshore entities outside the scope of regulations, alongside the then government-owned Company for Cooperative Insurance (Tawuniya). Thereafter, SAMA, the central bank of Saudi Arabia, was assigned the responsibility of supervising the insurance industry and the Cooperative Insurance Companies Control Law was implemented. Consequently, a series of regulations were imposed, which ended the operations of offshore companies by requiring them to obtain a license from SAMA for operating in Saudi Arabia. Only the well-organized and financially sound companies were able to sustain in the new regulatory environment.

In December 2012, there were a total 33 insurance and reinsurance companies operating in Saudi Arabia

Besides adhering to the licensing guidelines, insurance companies in Saudi Arabia have to follow a stringent set of rules. All the companies are required to list on the Saudi Stock Exchange and adhere to the Islamic law. SAMA has stipulated all insurance operators in the kingdom to follow a cooperative business model, thus setting it apart from other regional insurance markets. In December 2012, there were a total 33 insurance and reinsurance companies operating in Saudi Arabia, and another two companies were approved to be established[13]. The sector also comprised of 64 licensed insurance brokers. With the top five companies accounting for more than 60% of the total market premium in 2012, the insurance industry in Saudi Arabia is concentrated at the top end but highly fragmented at the bottom. Subsequently, majority of the players have been loss-making with only the large ones being able to remain profitable. Competition is the strongest in health and motor insurance businesses. Tawuniya, Mediterranean & Gulf Insurance & Reinsurance Co., and Bupa Arabia for Cooperative Insurance Company are the three largest insurance players in Saudi Arabia.

Health insurance accounted in excess of 50% of the total GWP in 2012

There is a minuscule demand for traditional life insurance products in Saudi Arabia. As in other parts of the Gulf, the non-life insurance segment leads the life insurance segment, albeit with a wider margin. Non-life GWP accounted for over 95% of the overall industry premium in 2012, within which health and motor insurance were the major business lines. Health insurance accounted in excess of 50% of the total GWP, while motor insurance was next in line with a share of around 22%[14]. Health insurance is mandatory for all expatriates and locals employed in the private sector, and motor insurance is also a regulatory requirement. Due to its significant oil resources and strong economic growth, Saudi Arabia is typically associated with large energy and infrastructure projects. However, the impact of these projects does not percolate fully onto the domestic insurance sector since several large business houses tend to have their captive insurance operations incorporated outside Saudi Arabia. These captive operations reinsure the underwriting risks associated with their respective parent groups in the international market, thus bypassing the kingdom's insurance sector altogether.

Retention ratio in engineering and property/fire businesses is significantly lower than in motor and health lines

Saudi Reinsurance Company is the only reinsurance provider operating in Saudi Arabia. The primary insurance operations, especially in the engineering, property, energy, and aviation business lines, are excessively dependent on the reinsurance sector for covering the underwriting risks. Retention ratio in the engineering and property/fire insurance businesses was low at 15.4% and 15.1% respectively in 2012. It was even lower in the aviation segment at 3.6% and energy segment at 1.9%. However, high retention rates in the motor and health businesses skewed the non-life insurance retention ratio to 75.4%. High cession rates in a number of product lines suggest a low ability and expertise for underwriting large commercial risks. As part of the government's efforts to improve the retention rates among insurance companies, newly licensed companies are stipulated to maintain a retention ratio of at least 30%.

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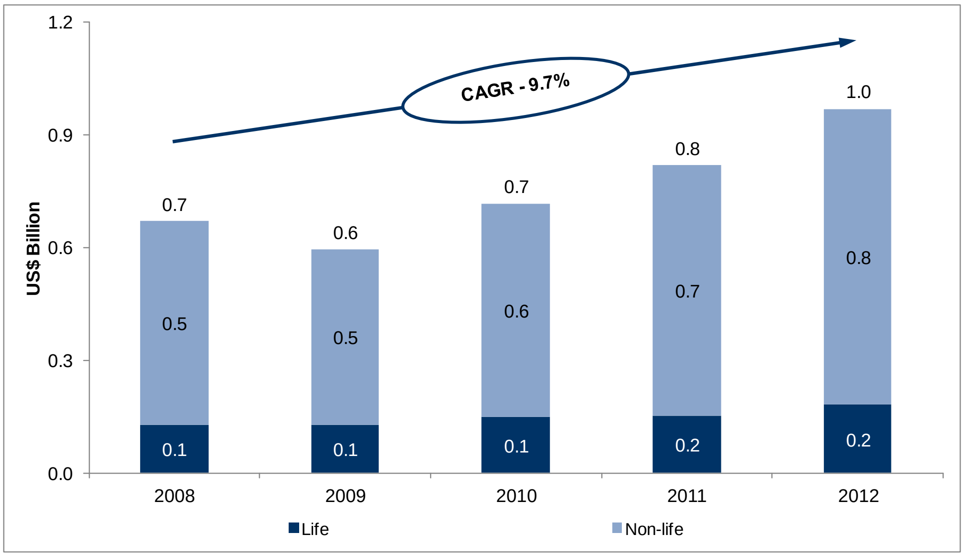
[13] Source: www.sama.gov.sa
[14] Source: "The Saudi Insurance Market Report", SAMA, May 29, 2013

2.4 The Kuwaiti Insurance Market

Kuwait's insurance market is one of the smallest in the Gulf, valued at US$ 970 million in terms of GWP in 2012

Kuwait's economy is among the least diversified in the Middle East, having achieved limited expansion beyond the traditional hydrocarbons sector so far. Hence, in line with rest of the financial services sector, insurance industry in the country also remains largely underdeveloped. Its insurance market is one of the smallest in the Gulf, valued at US$ 970 million in terms of GWP in 2012[15] (see Exhibit 16). Since 2008, the sector has grown at a four-year CAGR of 9.7%. The sector has experienced a steady expansion over the last few years, except in 2009, when weakness in the non-life insurance segment led the overall market to shrink by 11.0% year-on-year (y-o-y). Growing revenues from the oil industry, government spending on infrastructure development, and an increasing population base are the key factors aiding the general uptrend in the Kuwaiti insurance industry.

Exhibit 16: Growth and Composition of Insurance Industry in Kuwait



Source: Swiss Re

Overall insurance penetration in Kuwait was 0.6% in 2012, lowest in the GCC

Overall insurance penetration in Kuwait was 0.6% in 2012 (see Exhibit 17), which was the lowest in the GCC. Insurance density during the same period was US$ 256.3 (see Exhibit 18). However, the life insurance segment represents close to 20% of the entire insurance industry in the country, which is higher than the regional average.

[15] Source: "World Insurance in 2012", Swiss Re, June 2013

Exhibit 17: Insurance Penetration in Kuwait

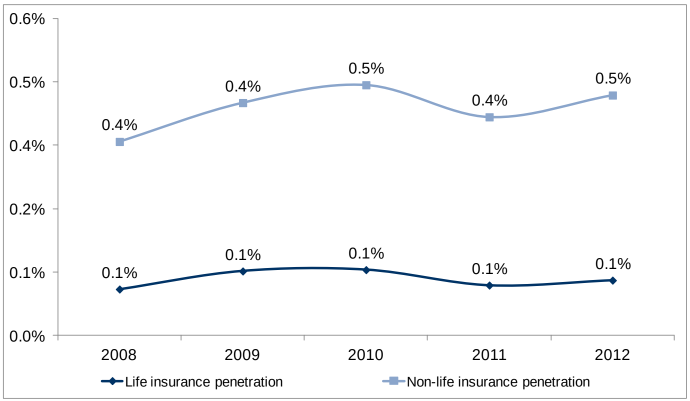
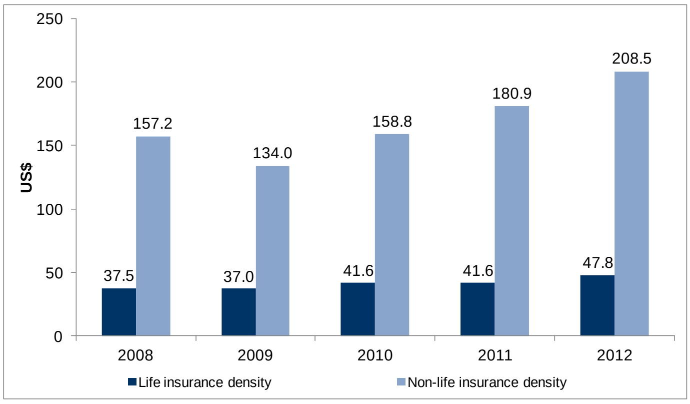


Exhibit 18: Insurance Density in Kuwait



Source: Swiss Re, International Monetary Fund, Alpen Capital

The insurance regulatory environment in Kuwait lacks the required oversight and modernization

The insurance regulatory environment in Kuwait lacks the required oversight and modernization to foster a strong industry evolution. Insurance Department within the Ministry of Commerce and Industry is the regulatory authority, and Law No. 24 of 1961 is the main set of governing regulations. However, with the objective of improving the supervisory system, the regulator brought about certain amendments to the law in 2011 including an increase in the minimum capital requirements and higher threshold for retention rates. Kuwait is also contemplating a comprehensive overhaul of the insurance regulatory mechanism in the near future.

Despite growth of Islamic insurance, the Kuwaiti insurance market is still to achieve a satisfactory scale

Compulsory lines of insurance like motor and health insurance are the major segments of the non-life insurance market. Medical insurance is compulsory for the large expatriate population in Kuwait, while all vehicles are required to be insured. These two insurance lines, along with the life insurance segment, constituted over 60% of the total insurance premium in 2011[16]. Despite proliferation of Islamic insurance products, the insurance market has not yet managed to achieve a satisfactory scale in Kuwait. The country's social security system under which the government provides a range of benefits to all the citizens is seen as a major impediment in the growth of the life insurance segment.

There are a total of 34 insurance service providers in the country comprising 23 domestic and 11 foreign companies

Low entry barriers coupled with a loose regulatory mechanism, alongside strong macroeconomic indicators and low insurance penetration, have led to the entry of a number of new insurance companies in the market since 2000, primarily in the Takaful segment. This has intensified competition in the Kuwaiti insurance industry. Currently, there are a total of 34 insurance service providers in the country comprising 23 domestic companies including two reinsurers, and 11 foreign companies. Foreign investors are permitted to hold a 100% ownership in their insurance operations in Kuwait pursuant to the Direct Foreign Capital Investment Law. However, branches of non-Kuwaiti companies are typically subject to stricter regulations than the local insurance companies. The country has a lesser proportion of publicly-listed insurers in the market, as compared to the UAE and Saudi Arabia, due to absence of any specific regulatory requirement for stock market listing. Operations of most of the Kuwaiti insurance companies are focused on the domestic market.

The industry is dominated by a few large companies, and the top five players – Gulf Insurance, Al-Ahleia Insurance, Kuwait Insurance, Warba Insurance, and American Life Insurance – control around 60% of the market[16]. The smaller companies have been able to

[16] Source: "Survival of the fittest", www.insurancemena.com, July 1, 2012

capture only about 1%-2% of the market share. This has led to intense price competition, especially in the motor business line. Distribution of insurance products is primarily undertaken through the conventional channels including direct marketing, insurance brokers, and agencies.

High cession rates remain an inherent characteristic of the Kuwaiti insurance industry

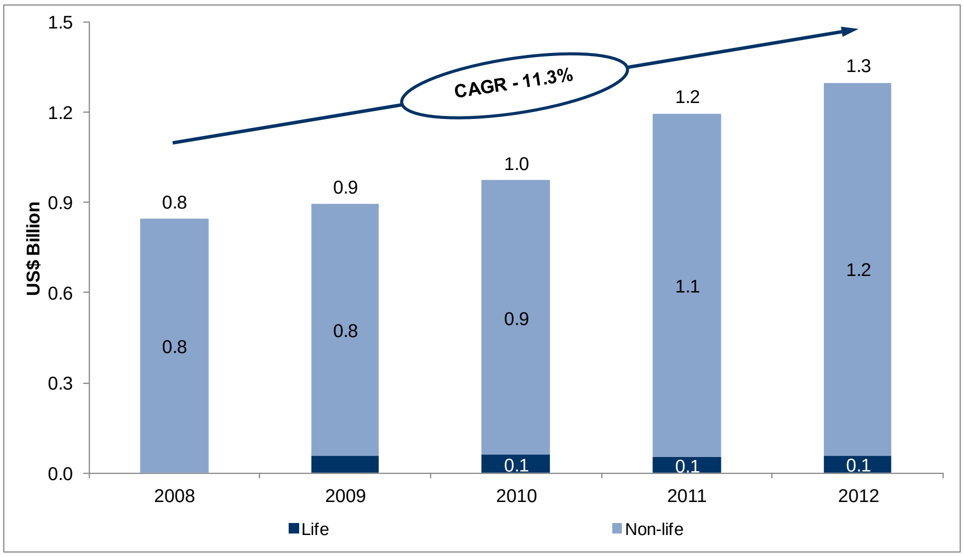
High cession rates remain an inherent characteristic of the Kuwaiti insurance industry. However, personal insurance lines are ceded to a lesser extent as compared to the commercial lines such as property, marine, engineering, energy, and aviation. Heavy reliance of primary insurance companies on the reinsurance segment indicate the region-wide traits of low industry capitalization, inadequate underwriting skills, low exposure to catastrophic risks, and attractive commission rates.

2.5 The Qatari Insurance Market

Qatar's insurance industry expanded at an annual average growth rate of 11.3% between 2008 and 2012 to US$ 1.3 billion

Until 2006, Qatar trailed behind Kuwait in terms of total GWP in the insurance industry. By 2012, the country's insurance industry was worth US$ 1.3 billion (see Exhibit 19), larger than the Kuwaiti market by over 30%[17]. The Qatari market outperformed its closest GCC counterpart (Kuwait) and expanded at an annual average growth rate of 11.3% between 2008 and 2012. This industry growth can be attributed to a combined impact of economic progress, substantial focus on infrastructure development, increasing population, and compulsory insurance regulations.

Exhibit 19: Growth and Composition of Insurance Industry in Qatar



Source: Swiss Re

Life insurance market in Qatar has evolved to a perceptible size only since 2009

Insurance penetration in Qatar was 0.7% in 2012 (see Exhibit 20), only slightly above that in Kuwait. Since 2009, it has declined significantly as the overall GDP growth outpaced the rate of expansion of the insurance industry. However, insurance density at US$ 706.9 was significantly higher than that of Kuwait (see Exhibit 21). The life insurance market has evolved to a perceptible size only since 2009, before which almost the entire insurance premium in the country was contributed by the non-life segment. Even as the life insurance market accounted for less than 5% of the total industry in 2012, Qatar stood favorably in terms of overall insurance density as compared to the GCC average due to a sizeable

[17] Source: "World Insurance in 2012", Swiss Re, June 2013

non-life insurance sector. In fact, the country presents a contrasting picture of insurance density between the life and non-life segments at the regional level. While it had the second-lowest density in the life insurance segment in 2012, it ranked second from the top in non-life insurance density.

Exhibit 20: Insurance Penetration in Qatar

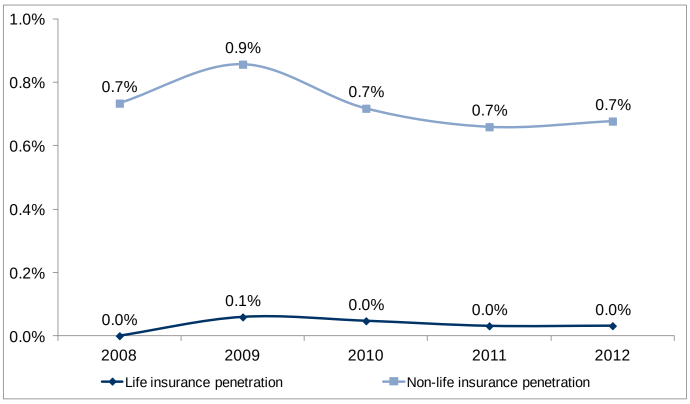
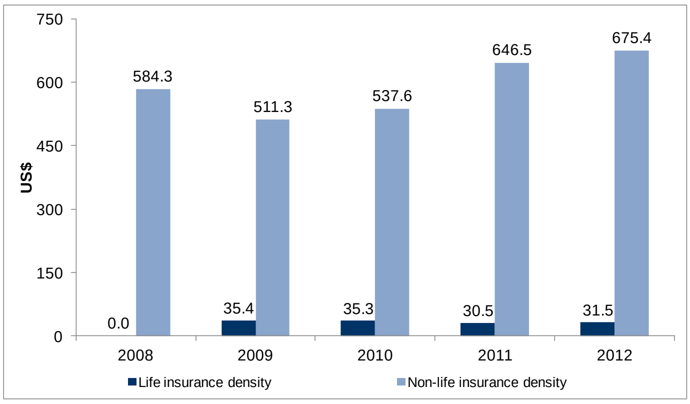


Exhibit 21: Insurance Density in Qatar



Source: Swiss Re, International Monetary Fund, Alpen Capital

In December 2012, the Emir of Qatar passed the Law of the Qatar Central Bank and the Regulation of Financial Institutions

Until recently, the Qatari insurance sector was regulated by the insurance law of 1966, which imposed a number of restrictions such as permitting only a national insurer to insure properties within Qatar, restricting foreigners from operating as insurance agents or owning such entities, and requiring all Qatari insurance companies to be established as joint stock companies completely owned by nationals[18]. In December 2012, the Emir of Qatar passed the Law of the Qatar Central Bank and the Regulation of Financial Institutions. Although the new law fell short of creating a single regulator for monitoring all banks, insurance, and financial services companies located within the geographical boundaries of Qatar, it paved the way for such a possibility in the future. The law also transferred the responsibility of licensing and supervision of all insurance companies, reinsurance companies, and insurance intermediaries from the Ministry of Business and Trade onto Qatar Central Bank. Qatar Central Bank is expected to publish further details on the new regulatory structure for the insurance industry in due course.

Unlike the DIFC-based companies, entities based within QFC are permitted to seek direct insurance business throughout Qatar

The government had established QFC in 2005 to boost growth of the financial services industry and foreign investments in the country. By offering an investment friendly environment, the zone provides a conduit to foreign insurance companies for establishing a footprint in the country. Many of these players are active in the reinsurance business. However, unlike the DIFC-based companies, entities based within QFC are permitted to seek direct insurance business throughout Qatar. Insurance companies operating out of QFC continue to be independently regulated by Qatar Financial Centre Authority, outside the purview of Qatar Central Bank.

Energy, marine, and construction are the major lines of insurance in Qatar given its robust hydrocarbons sector

Energy, marine, and construction are the major lines of insurance in Qatar given its robust hydrocarbons sector, and are likely to remain prominent in the foreseeable future. Third-party motor insurance is compulsory, and the segment accounts for a large portion of the personal non-life insurance market. It is the most competitive business line, generating low margins for the service providers. Currently, health insurance does not constitute a large slice of the industry as it does in some of the other GCC markets. Government benefits through provision of free and subsidized healthcare for nationals and expatriates

[18] Restrictions on foreign ownership in insurance companies were partly relaxed in 2008

respectively has curtailed growth of this segment. Other personal lines of insurance like property and life have also experienced a slow progress due to high social spending and influence of cultural beliefs. Nevertheless, with the Supreme Council of Health expected to implement a compulsory medical insurance program for all nationals, expatriates, and visitors in Qatar starting 2014, the health insurance segment is likely to see a higher industry representation in the future. The life insurance segment also remains highly underdeveloped, and the principal market for conventional life products is the large composition of expatriate residents in Qatar.

Currently, there are 27 licensed insurance and reinsurance companies in the country

Qatar's insurance industry consists of a relatively fewer players than other GCC countries, thus making the market more concentrated particularly at the top. Currently, there are 27 licensed insurance and reinsurance companies in the country. Government sponsored projects are mainly covered by domestic companies. Subsequently, the market is largely controlled by these companies, with Qatar Insurance Company holding a dominant position and representing over 50% of GWP in the country[19].

Motor and medical insurance are the two businesses retained to the highest extent in Qatar

Given the majority contribution of commercial lines in the overall insurance premium and lack of necessary expertise, the primary insurance players in Qatar rely heavily on reinsurance companies to cover risks. Most of the insurance companies either cede their entire premium or retain less than 10%. The country has one of the highest cession rates in the region, and large international companies have emerged as key players in the reinsurance market. Motor and medical insurance are the two businesses retained to the highest extent in Qatar. Nevertheless, over the years, retention rates of primary insurers have increased due to change in product mix in favor of health insurance products and improvement in the level of expertise.

Use of Bancassurance as a distribution medium has so far been low, but is gradually gaining momentum

Distribution of insurance products in Qatar is primarily through the direct channel and intermediaries account for approximately 25% of total premium written, especially in the personal business lines[20]. The use of Bancassurance as a distribution medium has so far been low, but is gradually gaining momentum. Not only are insurance companies collaborating with banks for selling insurance products, but banks are also starting to use insurance companies as a sales medium. In April 2013, Qatar National Bank was reported to be launching a new Bancassurance product, which integrates a savings plan and insurance cover, to be distributed through MetLife Alico[21].

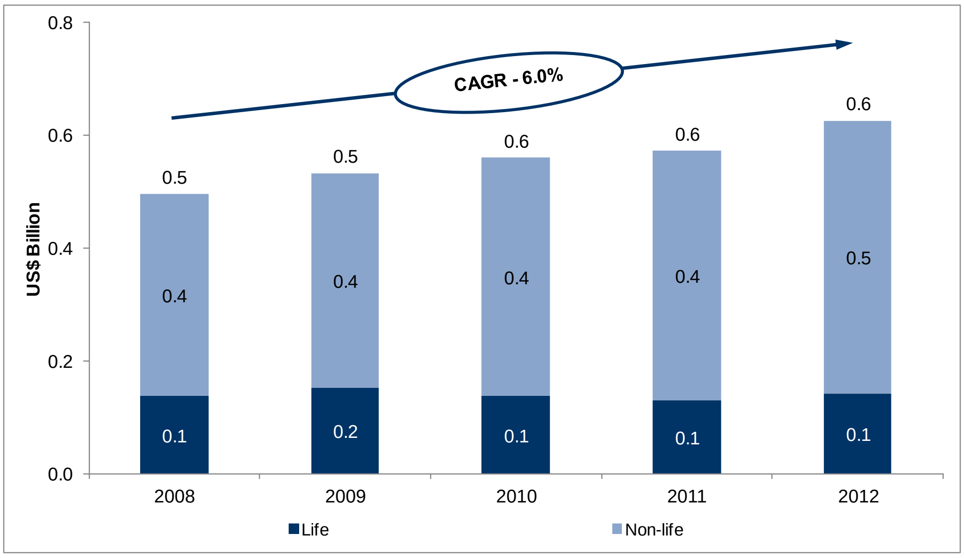
2.6 The Bahraini Insurance Market

Bahrain is the smallest but the most developed insurance market in the Gulf

Bahrain is the smallest but the most developed insurance market in the Gulf. It expanded at a CAGR of 6.0% between 2008 and 2012 to reach US$ 627 million[22] (see Exhibit 22), aided by economic and infrastructure growth, a strong increase in the population base, higher consumer awareness, and increasing demand for certain non-life insurance lines. The pace of growth decelerated considerably in 2010 and 2011 with political uncertainty in the country likely to have partially restrained the industry's performance during this period. Although the industry picked up momentum in 2012, the overall historical growth rate between 2008 and 2012 has trailed the GCC average (~12%) by a wide margin.

[19] Source: "Qatar's Insurance Market is Well-Positioned for Strong Growth", A.M Best Company, March 25, 2013
[20] Source: Standard and Poor's Ratings Services, September 13, 2012
[21] Source: "QNB to launch a new Bancassurance product", www.qnb.com.qa, April 20, 2013
[22] Source: Swiss Re

Exhibit 22: Growth and Composition of Insurance Industry in Bahrain



Source: Swiss Re

Bahrain led its Gulf counterparts in both life and non-life insurance penetration

Bahrain has managed to build a mature framework within the entire financial services industry given that it was one of the earliest economies in the Gulf to have initiated diversification beyond the hydrocarbons sector. This is reflected on the country's insurance penetration of 2.3% in 2012 (see Exhibit 23), which was the highest in the region. Bahrain led its Gulf counterparts in both life and non-life insurance penetration. Its insurance density, at US$ 543.9, was also reasonably higher than the GCC average (see Exhibit 24). However, the slowdown in industry growth in the recent years has had a negative impact on these parameters.

Exhibit 23: Insurance Penetration in Bahrain

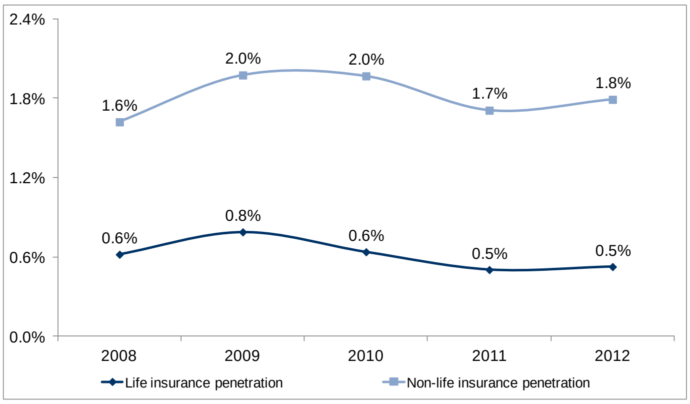
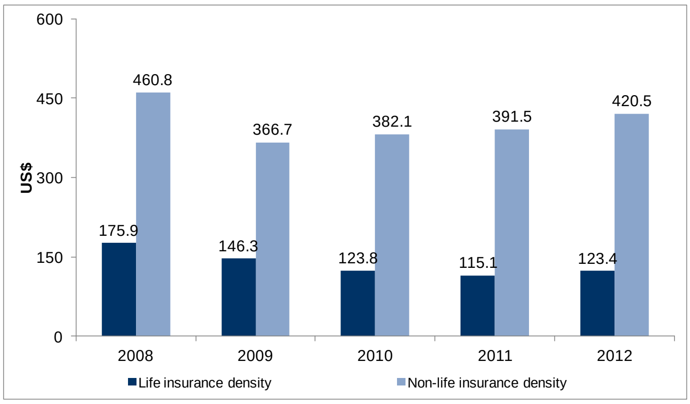


Exhibit 24: Insurance Density in Bahrain



Source: Swiss Re, International Monetary Fund, Alpen Capital

Bahrain is among the few jurisdictions in the Gulf to have dedicated regulations in place for the Takaful sector

Bahrain's insurance regulator is its central bank, which functions on the basis of well laid-out rules and regulations, thus facilitating a healthy operating environment for companies. Although smaller in terms of absolute market size, the country is considered a major hub for Islamic insurance given the large footprint of Takaful companies and a progressive framework that supports strong governance and innovation. Bahrain is among the few jurisdictions in the Gulf to have dedicated regulations in place for the Takaful sector. Other such jurisdictions include the UAE, DIFC, and QFC.

Life insurance segment in Bahrain is well-developed and accounted for 22.6% of total GWP in 2012

Relative to most parts of the GCC, the life insurance segment in Bahrain is well-developed and accounted for 22.6% of total GWP in 2012. Life insurance was first offered in the country in the early 1960's, and the awareness about such products and their advantages has multiplied since then. However, the biggest component of the overall insurance market in Bahrain is the motor insurance business, which represented more than a quarter of the industry premium in 2011[23]. Bahrain also follows a mandatory motor insurance policy, thus justifying the segment's prominent representation.

Major factor attributable to the meteoric rise in medical insurance demand is the government's plans to make it compulsory

Demand for fire, property & liability and medical insurance lines has expanded at a swift pace over the recent years, and their contribution to the overall premium reflects this trend. Contribution of the fire, property & liability segment increased from 14.0% in 2007 to 18.0% in 2011, while that of the medical segment expanded from 10.5% to 16.2% during the same period. A major factor attributable to the meteoric rise in medical insurance demand in the country is the government's plans to make it compulsory for employers to cover their employees under a health insurance plan. Many companies have already started purchasing such policies in anticipation of an imminent regulatory directive. Further, a general increase in popularity of medical insurance has also supported the market's expansion. Prospects of the segment look strong as the Bahraini government may soon bring mandatory health insurance into law, possibly starting by bringing all expatriates under coverage.

The domestic sector consisted of a total of 38 insurance companies in 2011, including 27 local and 11 foreign

The domestic sector consisted of a total of 38 insurance companies in 2011 including 27 local and 11 foreign, operating in the conventional and Takaful, primary and reinsurance segments. Portfolios of the overseas insurance companies, which operate by establishing branches in Bahrain, are typically inclined in favor of non-life premium products. In general, personal lines such as motor and health insurance products with local and international insurers experience robust demand. Domestic companies dominate the Bahraini insurance market, with a share of 76.2% in 2011. Bahrain Kuwait Insurance Company had the largest share of 11.1% while the top five players represented 43.5% of total GWP, suggesting that the competitive landscape in the country is relatively well-balanced.

Bahrain houses a number of entities operating as offshore insurance business primarily in Saudi Arabia

Bahrain has a high representation of nationals in the sector (over 60% in 2011), which sets it apart from other GCC countries. Being a regional financial center, Bahrain houses a number of entities providing insurance services outside the country. Majority of such entities carry out offshore business in Saudi Arabia. However, regulatory changes during recent years have prompted many companies to change their scope of operations to focus within Bahrain and become domestic insurance providers. On the other hand, many companies relocated their entire operations from Bahrain to Saudi Arabia. Subsequently, the number of insurance companies licensed to provide services outside Bahrain dropped from 53 in 2007 to 37 in 2011.

Due to a well-developed market and regulatory structure, Bahrain has one of the lowest cession rates in the Gulf

In the last few years, the number of conventional and Islamic reinsurance companies in Bahrain has been increasing, in line with expansion in the primary insurance segment. At the end of 2011, seven reinsurance companies were operating in the country. A strong reinsurance segment is imperative for ensuring stability of a small insurance market like Bahrain, as small-sized primary insurers may find it difficult to underwrite large risks without having the cushion of reinsurance. However, due to a well-developed market and regulatory structure, the country has one of the lowest cession rates in the Gulf. In 2011,

[23] Source: "Insurance Market Review 2011", Central Bank of Bahrain

cession rates were lowest in the life and motor lines, but highest in the fire, property & liability segment.

Bahrain had pioneered the use of Bancassurance for distribution of insurance products way back in 2000

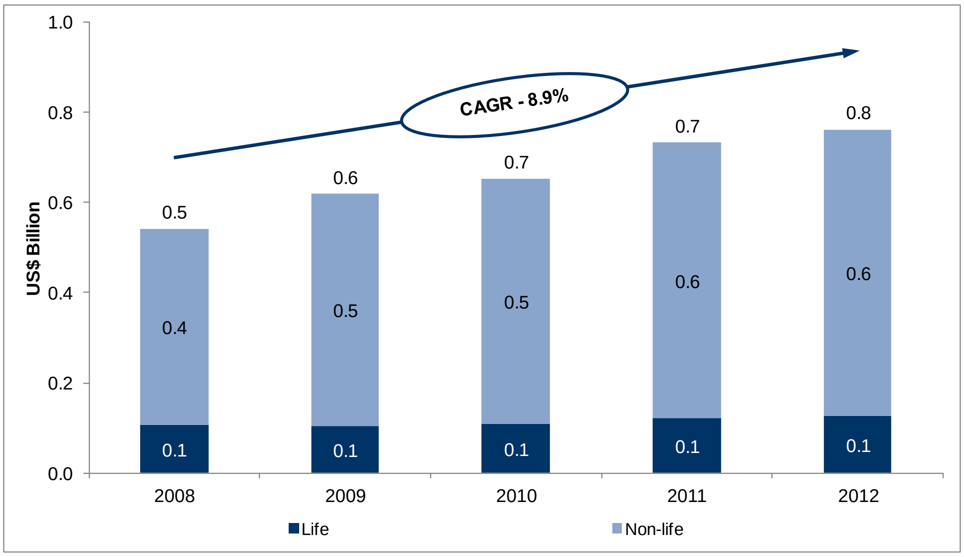
At the end of 2011, there were 33 licensed insurance brokers operating in Bahrain. Most of these entities catered solely to the non-life segment while a few others offered services in both life and non-life markets. The country had pioneered the use of Bancassurance for distribution of insurance products way back in 2000. However, the concept is still a long way away from displacing the traditional channels as the most preferred distribution medium.

2.7 The Omani Insurance Market

Oman is one of the smallest insurance markets in the GCC, characterized by a largely underdeveloped structure

Oman is one of the smallest insurance markets in the GCC, characterized by a largely underdeveloped industry backdrop. The market expanded at an annual average growth rate of 8.9% between 2008 and 2012, below the average regional growth, to reach a size of US$ 762 million[24] (see Exhibit 25). The sector is largely aided by increasing activity in the country's construction and infrastructure industries. Subsequently, the insurance industry has been primarily driven by the non-life segment over the past few years. Like many other GCC governments, the Omani public sector also allocated large spending budgets towards promoting social security and well-being among its citizens. With the recent social unrest in the region, the government has further intensified its efforts to preempt such events in the future. High public spending is believed to have partially depressed development of the country's insurance industry as the residents are less likely to opt for personal insurance, especially when popularity of such products is inherently low.

Exhibit 25: Growth and Composition of Insurance Industry in Oman



Source: Swiss Re

Given the small size of the life insurance segment in Oman, penetration and density in the segment are low

Given the small size of the life insurance segment in Oman, penetration and density in the segment are low, compared to regional counterparts like the UAE and Bahrain. Insurance density in the non-life segment in 2012 was also below the GCC average. Overall,

[24] Source: Swiss Re

insurance penetration in the country was 1.0%, while the density was US$ 247.1 in 2012 (see Exhibits 26 and 27).

Exhibit 26: Insurance Penetration in Oman

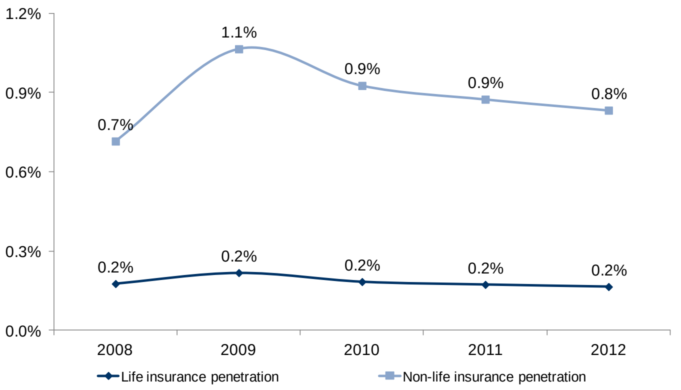
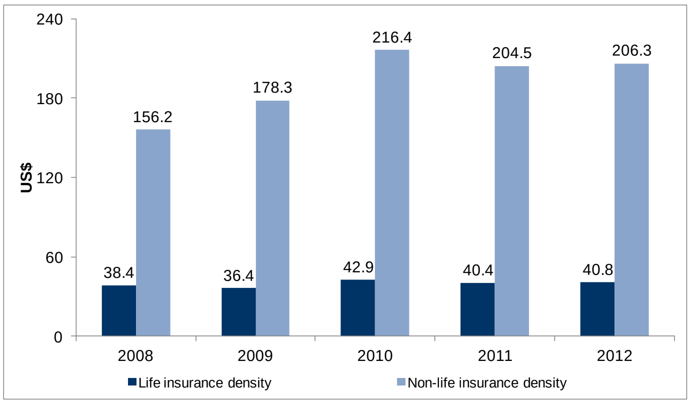


Exhibit 27: Insurance Density in Oman



Source: Swiss Re, International Monetary Fund, Alpen Capital

The insurance regulatory framework in Oman is in the process of being updated

The Capital Market Authority is the insurance regulatory body in Oman, which oversees the industry in accordance with guidelines set under the Insurance Companies Law enacted over three decades back. However, the insurance regulatory framework in the country is in the process of being updated, and new regulations for the conventional insurance and Takaful markets are likely to be implemented in the near future. This is expected to have a positive impact on the overall market structure, and bring the legislative environment closer to international standards.

The largest segment of the insurance industry in Oman is the motor insurance business

The largest segment of the insurance industry in Oman is the motor insurance business, which accounted for over 40% of the total GWP in 2012[25] due to mandatory insurance requirements. However, the segment's representation in the overall market has declined over the years as other segments like property and medical have grown at a faster rate. The medical insurance line is the second-largest segment, followed by the property segment. Both these segments are expected to experience strong growth in the future due to government policies favoring implementation of a compulsory health insurance program and strong infrastructure development to achieve greater economic diversification.

Omani insurance market is served by 23 active insurance companies, including 22 primary insurers and one reinsurer

Despite its small size, the Omani insurance market is served by 23 active insurance companies[26], including 22 primary insurers and one reinsurer, making it highly competitive and over-crowded. The primary insurance players include 11 domestic companies and as many foreign players, who operate in the country through partnerships or by setting up branches. While established companies have a sizeable domination in the market, newer entrants have struggled to capture a meaningful presence so far. The top four insurance players jointly account for over half of the country's insurance premium written. Dhofar Insurance Company leads the sector with a share of nearly 20%. Expected introduction of the new Takaful licensing laws may attract new companies into the market, while existing conventional insurance companies may also expand into the Islamic insurance segment. This can further intensify competition unless Takaful products are able to access the market opportunities which have remained untapped so far.

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[25] Source: "Quarterly Bulletin for Insurance Sector", Capital Market Authority, 4Q 2012
[26] Source: "Oman's Market Offers Opportunities; Fierce Competition Remains", A.M Best Company, April 1, 2013

Retention rates are the highest in individual life and motor segments

At 60%, Oman had the highest cession rate in the Gulf. Local primary insurance providers typically have lower retention rates than their foreign counterparts. Retention rates are the highest in individual life and motor segments, and the lowest in the property business. Oman Reinsurance Company, the only domestic reinsurance company operating in Oman, competes for business with other reinsurance players in the international market.

3. GCC Insurance Industry Outlook

In each of the last 10 years, the GCC insurance market has consistently experienced a double-digit growth rate to grow to over five times in size over the period. The pace of expansion was the strongest during the middle years, when the market surged by more than 20% annually. Although the momentum has partially receded since then, the sector continues to evolve and expand. Fundamental indicators suggest strong growth prospects of the largely underpenetrated Gulf insurance sector as population and economic growth, government measures, and increased awareness fuel demand. The market may return to a higher growth trajectory in the coming years.

3.1 Forecasting Methodology

Outlook for the GCC insurance industry is based on our projections of GWP in the life and non-life insurance segments in each constituent country. These projections were arrived at using statistical techniques that enabled us to combine the impact of historical relationship between key industry determinants and their expected future trend.

Life insurance is typically viewed as a means of financial security and savings. Subsequently, demand for such products tends to increase with the rise in personal income levels, since it translates into higher financial resources to be allocated towards security and financial well-being. Hence, our forecasts for the life insurance segment in the GCC factor in the expected changes in insurance density, due to variations in income level, and the population base.

On the other hand, a large part of demand for non-life insurance is a function of broader macroeconomic activities. Non-life insurance covers risks on a diverse range of assets including real estate, automobiles, capital goods, infrastructure developments, and traded goods. Incremental investments in such assets generally tend to track the overall economic performance of a country. Subsequently, our forecasts for the non-life insurance segment in the GCC incorporate the effects of expected growth in insurance penetration due to overall economic development.

3.2 Key Assumptions

- Total GDP at current market prices in US$ to expand at a CAGR of 4.2% between 2011 and 2017.
- GDP per capita at current market prices in US$ to grow at a CAGR of 1.7% during the same period.
- Regional population base to increase from 43.3 million in 2011 to 49.9 million in 2017.

Basis for these assumptions has been derived from the widely-tracked World Economic Outlook (WEO) Database published bi-annually by the International Monetary Fund.

3.3 Market Forecasts

In 2012, the GCC insurance sector is estimated to have increased by 10.4% y-o-y to US$ 16.3 billion

Actual GWP in the GCC insurance sector in 2011 was below the previous estimates presented in Alpen Capital's 2011 GCC Insurance Industry report, primarily reflecting underperformance of the non-life segment. Although the segment continued to experience strong momentum during the year, the pace of growth was slower than expected. In 2012, the insurance sector expanded by 10.4% y-o-y to US$ 16.3 billion as both the life and non-life segments grew at a similar rate. However, the industry size in 2012 was also below the previous projection.

Subsequently, the five-year growth forecasts for the GCC insurance market have been revised lower from Alpen Capital's 2011 GCC Insurance Industry report in anticipation of slower growth in the life segment and smaller historical base of the non-life segment. However, outlook of the non-life segment remains robust as anticipated previously.

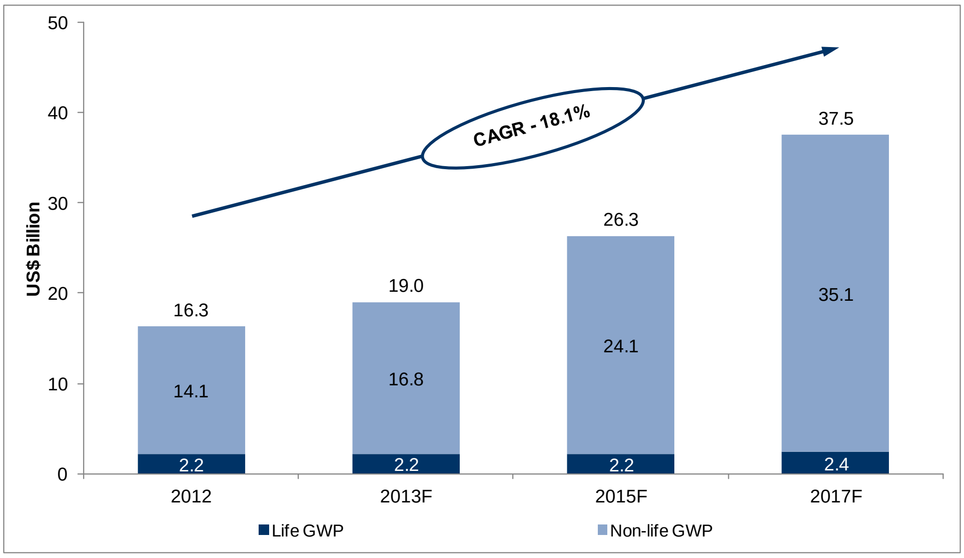
The insurance industry is projected to expand at a CAGR of 18.1% between 2012 and 2017 to US$ 37.5 billion

The insurance industry in the Gulf is projected to expand at a CAGR of 18.1% between 2012 and 2017 to reach a size of US$ 37.5 billion (see Exhibit 28), split between life (US$ 2.4 billion) and non-life (US$ 35.1 billion) segments. The life insurance segment is expected to grow at an annual average rate of around 2% during this period. However, the non-life segment is forecast to expand at a much higher rate of 20.0% annually, thus increasing its share in the regional market from an 86.6% in 2012 to 93.6% in 2017.

Non-life insurance segment is likely to benefit from strong momentum of construction and infrastructure activities

Growth projection for the life insurance segment in the Gulf is primarily in view of the increasing population base. Subsequently, the segment's growth is likely is be closer to the expansion rate of population. Further, premiums under all life insurance policies may not necessarily require renewal every year, which partially restricts the segment's size. In contrast, the non-life insurance segment is likely to benefit from the strong momentum of construction and infrastructure activities. A vast portion of oil revenues in the GCC countries is being diverted to the development of the non-oil segment for supporting economic diversification. This is giving a strong impetus to the construction sector, and in turn, to the region's non-life insurance segment. Moreover, higher penetration of medical insurance and growth of motor insurance due to new vehicle sales are also likely to aid the segment's growth.

Exhibit 28: Expected Growth and Composition of the GCC Insurance Industry



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

Insurance penetration in the GCC is expected to improve from 1.1% in 2012 to 2.0% in 2017

Overall insurance penetration in the GCC is expected to improve from 1.1% in 2012 to 2.0% in 2017 (see Exhibit 29), as industry growth comfortably exceeds the pace of GDP expansion. Non-life insurance penetration, which is likely to surge from 0.9% to 1.9% during the period, is seen as the main driving factor.

By 2017, insurance density in the Gulf is anticipated to more than double from the 2012 level as increased number of people and businesses avail insurance cover. Industry-wide density is likely to increase from US$ 367.3 in 2012 to US$ 751.4 in 2017 (see Exhibit 30).

However, the gap between density in the life insurance and non-life segments is projected to widen substantially, going forward.

Exhibit 29: Expected Insurance Penetration in the GCC

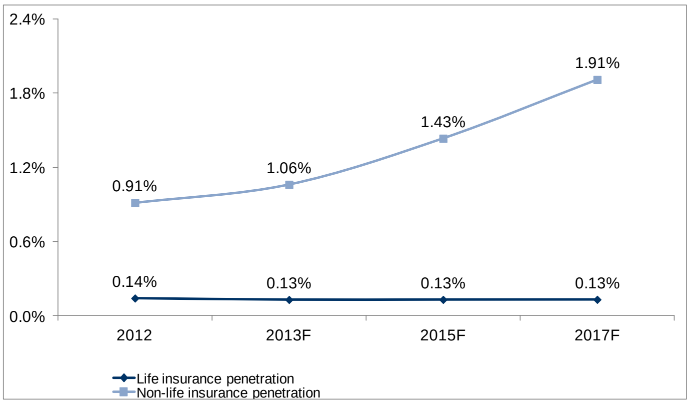
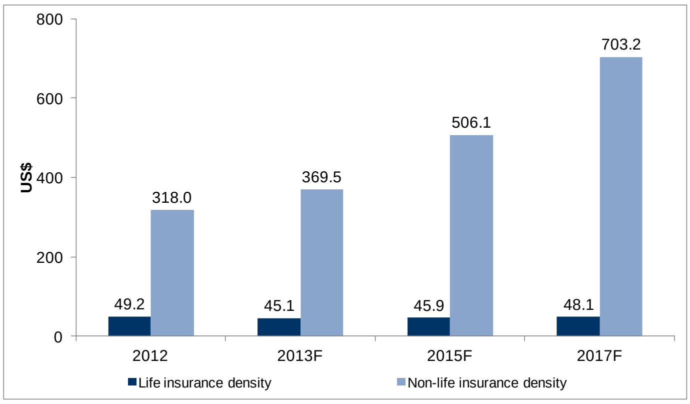


Exhibit 30: Expected Insurance Density in the GCC

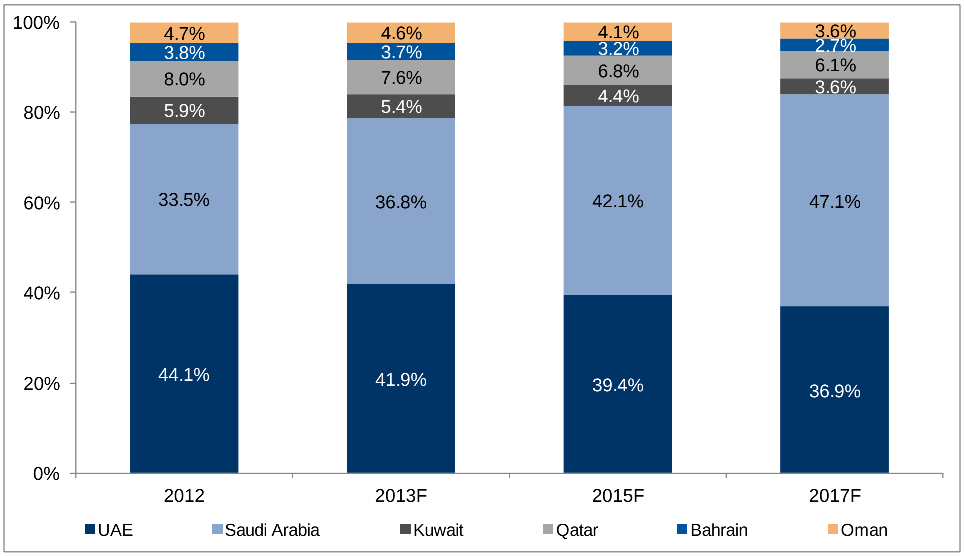


Source: Swiss Re, International Monetary Fund, Alpen Capital
Note: F – Forecast

Saudi Arabia may surpass the UAE as the largest insurance market in the Gulf during the forecast period

During the forecast period, ranking of the GCC countries in terms of GWP contribution to the regional insurance industry is likely to see some alterations. While the UAE and Saudi Arabia may continue to remain the two largest insurance markets, the former may lose the top spot (see Exhibit 31). Qatar would remain the third largest market; however, Oman is expected to surpass Kuwait by a small margin and take the fourth place in 2013. Bahrain is projected to remain the smallest insurance market in the Gulf.

Exhibit 31: Expected Country-wise Composition of the GCC Insurance Industry



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

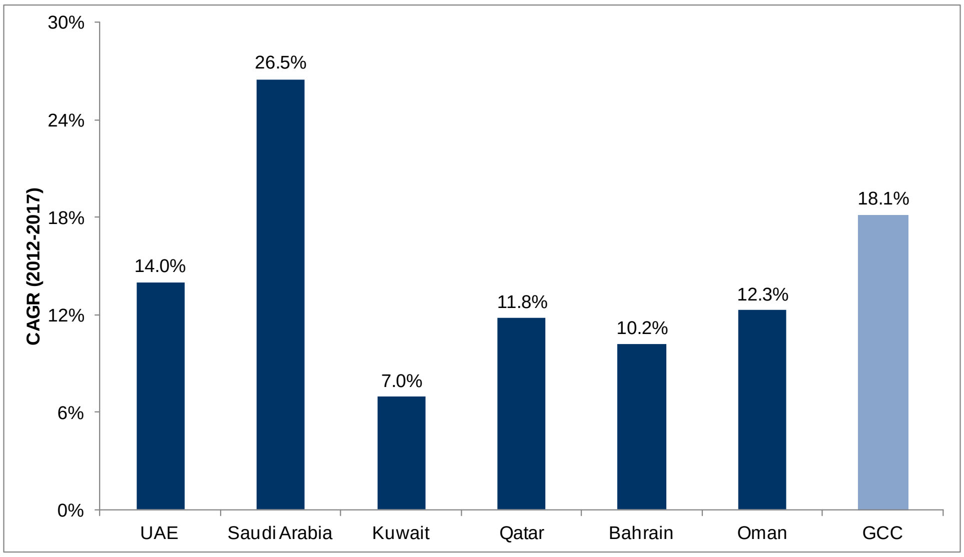
The Saudi insurance industry is anticipated to expand at a CAGR of 26.5% between 2012 and 2017

In line with the trend in the recent years, the Saudi insurance industry is seen as a major driver behind growth of the Gulf's insurance industry going forward. It is anticipated to expand at a CAGR of 26.5% between 2012 and 2017 (see Exhibit 32). Future demand for

Most of the remaining markets are expected to witness a double-digit CAGR between 2012 and 2017

insurance products in the country is likely to be supported by infrastructure development, thriving economic activities, population growth, increased awareness, and an expanding Takaful market. Although lower than the GCC's benchmark rate, most of the remaining countries are expected to witness a double-digit CAGR in their respective insurance markets between 2012 and 2017. On the other hand, the insurance sector in Kuwait is forecast to expand at a relatively slower rate, particularly during early years of the forecast period. This is attributable to restrained economic growth, weakness in oil prices, small population, and regulatory uncertainty as the country awaits new insurance legislation.

Exhibit 32: Expected Growth of Insurance Industry in the GCC Countries



Source: Alpen Capital

4. Growth Drivers

Favorable Demography

Number of inhabitants in the Gulf is forecast to expand at a CAGR of 2.4% between 2012 and 2017 to reach nearly 50 million

Total population base of the GCC has grown by more than 40% over the last ten years to 44.4 million in 2012[27]. As noted in Alpen Capital's 2013 GCC Pharmaceutical Industry report, higher life expectancy, robust economic growth, shortage of local workforce, and attractive employment opportunities are the major factors contributing to the expansion of population in the region. Growing influx of foreigners over the years has led to the growth of expatriate population surpassing that of local residents, and foreigners now form 70%-90% of the population in the UAE, Kuwait, and Qatar. The number of inhabitants in the Gulf is forecast to expand at a CAGR of 2.4% between 2012 and 2017 to reach nearly 50 million (see Exhibit 33). An expanding population characterized by a strong representation of foreigners, many of whom are accustomed to the concept of insurance, offers a large window of growth opportunity for the region's insurance industry. However, further penetration into the expatriate community would entail a change in market preference from insurers in home countries to those in the resident countries. This may require the regional insurers to create a stronger brand identity and provide attractive offerings.

Higher life expectancy and ageing of population are also expected to have a positive impact on the GCC insurance sector

At the same time, life expectancy of the population, in general, is also trending upwards. While the youth constitute a significant portion of total residents, demographic constitution of the GCC is gradually shifting towards a higher average median age. As a result, the population aged 60 years and above is expected to see a strong growth in the long-term and expand from 1.9 million in 2012 to 17.8 million in 2050[28]. In most of the Gulf countries, this section is projected to account for more than a quarter of all residents by 2050 (see Exhibit 34). A higher life expectancy and ageing of population is also expected to have a positive impact on the demand of insurance products in the GCC.

Exhibit 33: Population Growth in the GCC

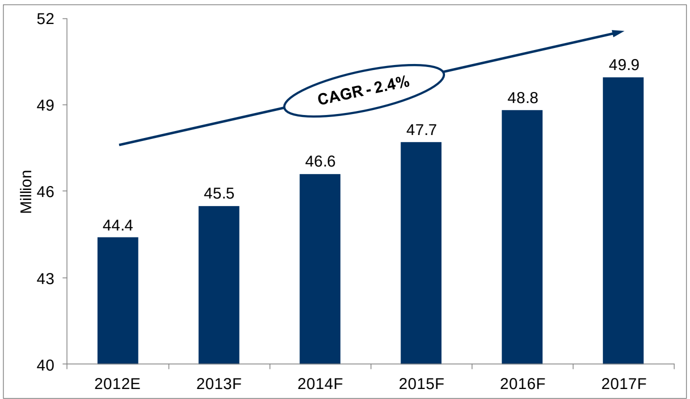
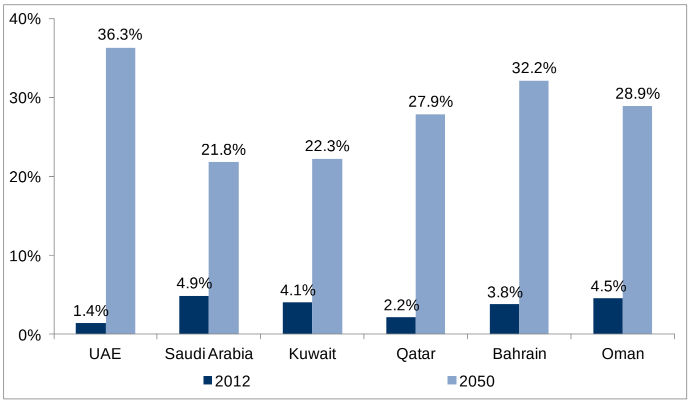


Exhibit 34: Population Aged 60 Years and Above as a Percentage of Total Population



Source: International Monetary Fund, United Nations Population Division
Note: E – Estimated, F – Forecast

Economic Development

The GCC region has experienced robust economic development over the years primarily on increasing exports of oil and gas products required for fuelling the growing world

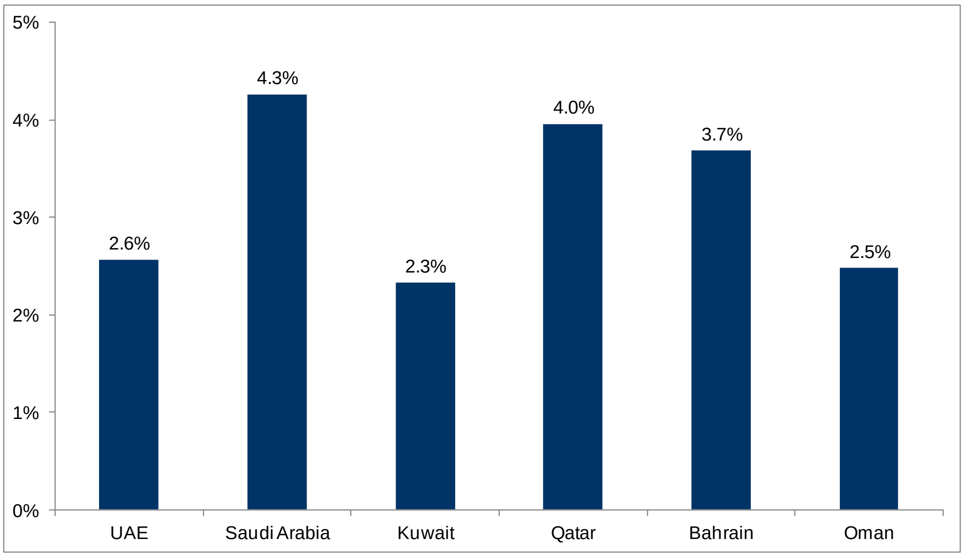
27 Source: World Economic Outlook Database, International Monetary Fund, April 2013
28 Source: "Population Ageing and Development 2012", United Nations Population Division

economy, coupled with sustained government spending on large infrastructure projects and social welfare. Apart from the hydrocarbons sector, activities across other industries in the region have also experienced strength.

Between 2012 and 2017, GDP per capita (PPP) in all the Gulf countries is projected to experience a positive growth of 2%-4%

In the recent years, the GCC economy has faced hurdles in the form of global economic slowdown, political uncertainty, lower oil demand, and overheating of the real estate sector. However, despite these concerns, medium- to long-term outlook of the region remains positive on large fiscal surpluses, government-sponsored stimulus measures, and favorable monetary policies. Sustained economic growth is, in turn, likely to support expansion of the general income levels of people. Between 2012 and 2017, GDP per capita at purchasing power parity (PPP) in all the Gulf countries is projected to experience a positive growth of 2%-4%[29] (see Exhibit 35). This, alongside a median age of less than 30 years in most of the countries, suggests a strong propensity of residents to spend on automobiles and residential properties, translating into demand for related insurance products.

Exhibit 35: GDP per Capita (PPP) Growth in the GCC Countries (2012-2017)



Source: International Monetary Fund, April 2013

Total value of construction and infrastructure projects announced or under development in the GCC was estimated at US$ 1.9 trillion

Investments in the GCC hydrocarbons sector continue to remain strong, with contracts worth US$ 39.4 billion awarded in 2012[30]. Investments in the energy sector between 2010 and 2015 are valued US$ 470 billion, with the oil and gas sector accounting for over 80%. Further, governments across the region are spending heavily on investing in infrastructure, construction, retail, tourism, and other sectors to promote economic diversification. Total value of construction and infrastructure projects announced or under development in the Gulf was estimated at US$ 1.9 trillion[31]. These investments are likely to create a growing base of insurable assets of large values, thus providing new underwriting opportunities to insurance companies.

The pace of growth of insurance premiums in the Gulf is forecast to outpace that of GDP in view of the current low levels of insurance penetration.

[29] Source: World Economic Outlook Database, International Monetary Fund, April 2013
[30] Source: “GCC Oil and Gas Industry Overview 2013”, Ventures Middle East, January 2013
[31] Source: “2013 Outlook – Light at the end of the Tunnel?”, Gulf Investment Corporation, January 2013

Compulsory Insurance Lines

Past industry statistics reveal that implementation of government directives regarding compulsory medical and motor insurance in some GCC countries have fuelled a strong growth of these insurance lines in the respective jurisdictions. Moreover, other insurance markets also tend to witness above-average growth in anticipation of such policies being introduced in the near future, as governments in all the Gulf countries are focusing on reducing their public healthcare burden by bringing maximum number of residents under insurance coverage.

Mandatory medical insurance programs are likely to be introduced in Dubai and Qatar in the near future

Medical insurance schemes for local and expatriate residents having already been introduced in some Gulf countries, and such programs are under consideration or in the preliminary stages of implementation in some other countries. The UAE has been deliberating on health insurance laws for several years now, and medical insurance has already been made mandatory for expatriates and nationals in Abu Dhabi. Such regulations may soon become a reality in other Emirates starting with Dubai. Further, Qatar has already launched a plan to cover its entire population under a national health insurance program by 2014. Implementation of compulsory health insurance programs in select areas of the GCC in the near future, and eventually across the entire region, is likely to create strong growth avenues for insurers in the health insurance segment. Further, a widespread prevalence of lifestyle-related diseases is anticipated to push overall healthcare spending higher.

Motor insurance segment is likely to benefit from the strong growth in new vehicle sales in the region

Obtaining third-party motor insurance is also compulsory in all the Gulf nations. Hence, growth of the motor insurance segment is likely to mirror the trend of new vehicle sales, which posted strong growth in most parts of the region in 2012. Outlook of the automobile market in the GCC is optimistic, and the impact of new vehicle sales growth is expected to cascade on the insurance industry.

Apart from these two major insurance lines, there are other insurance types which are compulsory in certain GCC countries like workman's compensation and professional liability.

Higher Awareness

Recent political and catastrophic events are likely to create increased awareness about the benefits of insurance

In a broad sense, voluntary demand for insurance products in the GCC is weak, not only in the personal business lines but also in commercial lines. However, recent political and catastrophic events are likely to create increased awareness about the benefits of insurance. Estimates of International Monetary Fund put combined losses to GDP of Libya, Egypt, Tunisia, Syria, Yemen, and Bahrain in 2011 due to the Arab uprising at US$ 20.6 billion, while the cost to government finances in these countries was estimated at US$ 35.3 billion[32]. Although intensity of political uncertainty in the Middle East and North Africa (MENA) region has subsided from its peak, sporadic Incidents continue to take place. Such events and the associated losses have heightened the levels of risks and losses associated with operating businesses in the GCC. In turn, this has made enterprises more proactive in insuring their properties and personnel, and may even induce them to purchase insurance plans with higher coverage and premium.

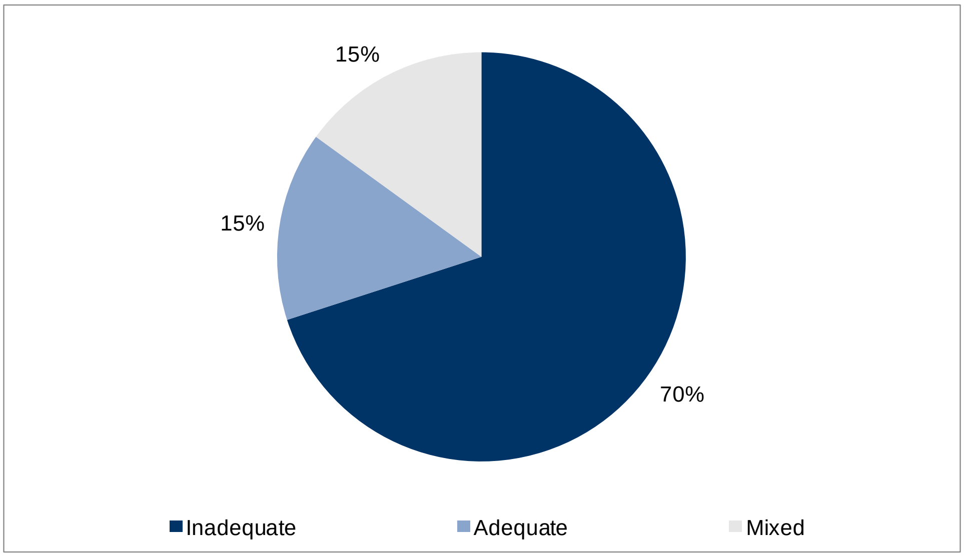
It is believed that exposure of the Gulf countries to natural catastrophes such as cyclones and floods is generally underestimated

It is believed that exposure of the Gulf countries to natural catastrophes such as cyclones and floods is generally underestimated. Due to a small history of such events and insufficient availability of related data, relevant quantitative models and rating tools are not

[32] Source: "The Arabian Spring and its Impact on MENA Economies", Ventures Middle East, December 2011

well-developed. A survey[33] conducted in 2012 revealed that levels of cover against natural disasters in both retail and commercial insurance lines in the Gulf were perceived to be inadequate by 70% of respondents (see Exhibit 36).

Exhibit 36: Level of Natural Catastrophe Protection



Source: "GCC Insurance Barometer", Qatar Financial Centre Authority, May 2012

Recent natural occurrences and events induced by mankind have prompted more businesses to insure themselves

Recent natural occurrences like the floods in Saudi Arabia in 2009 and 2011, cyclones such as Gonu (2007) and Phet (2010) in Oman, and even events induced by mankind like the 9/11 attacks and aviation disasters have prompted more businesses to insure themselves against such potential risks. Structural improvements in quantitative inputs and methodology of risk assessment may help to bridge the gap between the estimated and realistic risk levels in the future.

Growth of Shariah-compliant Life Insurance Products

The Takaful segment is a vital means for increasing acceptance and awareness of insurance in the Gulf

Majority of native population in the GCC has been reluctant to purchase life insurance due to religious beliefs that categorize conventional insurance products as being against the Shariah principles. In such as scenario, the Takaful industry is a vital means of increasing acceptance and awareness of insurance in the Gulf, and thus, a channel for leveraging the ample opportunities offered in the relatively untapped market. Although the family Takaful business in the GCC exhibited strong growth between 2007 and 2009, the momentum declined significantly over the next two years even as the global family Takaful market continued to experience traction[34]. Legislative uncertainty in the region is seen as the main factor impeding growth of the sector. Nevertheless, the UAE market continued to expand in size despite weakness in other regional markets. The UAE and Saudi Arabia together represented approximately 90% of the family Takaful sector in the Middle East and Africa in 2011.

Role of the Takaful sector in increasing acceptability for insurance in the Gulf is recognized strongly

Role of the Takaful sector in increasing acceptability for insurance in the Gulf is recognized strongly, and the regulatory framework and operational metrics specific to this market is likely to undergo positive changes as the industry evolves. Eventually, new and innovative

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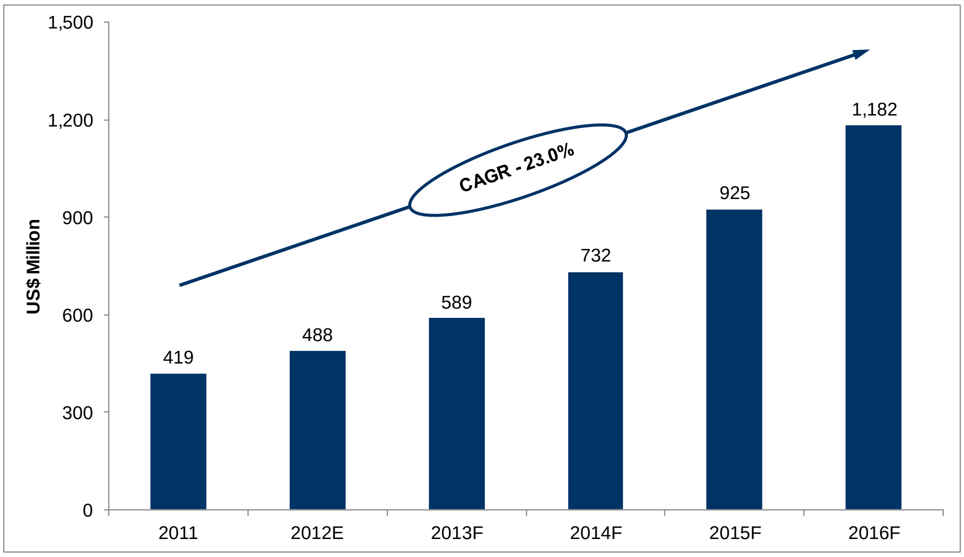
[33] The survey, which covered executives from 20 active companies in the region, was conducted by the Qatar Financial Centre Authority as a part of its study "GCC Insurance Barometer" released in May 2012

[34] Source: "The Global Family Takaful Report 2013", Milliman

The Takaful market in the Middle East and Africa is expected to grow at a CAGR of 23.0% between 2011 and 2016 to US$ 1.2 billion

product offerings are expected to generate higher demand for family Takaful products in the Gulf. The sector is expected to launch a strong recovery, and grow at a CAGR of 23.0% between 2011 and 2016 to US$ 1.2 billion (see Exhibit 37). The brisk rate of expansion in the family Takaful segment is likely to help in improving the overall life insurance penetration and density in the GCC. It is believed that Islamic banking, which has now developed a strong footprint in the region, would play a key role in helping Takaful providers to reach a large audience through the Bancatakaful channel (Islamic variant of Bancassurance).

Exhibit 37: Growth of Family Takaful Market in the Middle East and Africa



Source: The Global Family Takaful Report 2013, Milliman
Note: E – Estimated, F – Forecast

Dedicated Financial Centers

Establishment of business and financial hubs have made a significant contribution to the growth of the insurance industry

Establishment of business and financial hubs has made a significant contribution to the growth of the insurance industry in the GCC. At the forefront are the DIFC in Dubai and QFC in Doha, which were launched in 2004 and 2005 respectively. These financial centers endeavor to provide a high-standard infrastructure and operating environment, sophisticated regulatory and legal framework, and a range of financial incentives to domestic and international companies. By permitting 100% foreign ownership and imposing no currency restrictions, DIFC and QFC have become an ideal destination for companies looking to establish their presence in the expanding GCC insurance industry. The centers are home to a number of insurance and reinsurance companies, and insurance intermediaries.

Some of the leading regional and foreign insurance companies operating in DIFC include AIG, Allianz, Gulf Reinsurance, Royal & Sun Alliance, Swiss Re, Takaful Re, and Zurich Insurance. Likewise, in QFC, global giants such as AXA, Marsh and Zurich Insurance operate alongside major domestic companies including Q-Re, SEIB Insurance and Reinsurance, Qatar General Insurance and Reinsurance, and Qatar Islamic Insurance.

DIFC and QFC have paved the way for bringing international expertise and best practices into the regional market

Apart from adding to the available insurance and reinsurance capacity in the GCC, DIFC and QFC have paved the way for bringing international expertise and best practices into the regional market and contributed immensely to the structural progress of the industry.

5. Challenges

Intensive Competition

Competition is particularly intensive in personal insurance lines like motor and medical

Insurance industry in the Gulf is currently over-crowded as a number of domestic and international companies serve the limited sized market. Resultantly, many participants fail to reach a reasonable scale of operations, and create a fragmented market structure where a large number of small companies compete for business. This typically drives the industry players to price their products lower in an attempt to gain market share. Competition is particularly intensive in personal insurance lines like motor and medical. Recently established and smaller companies bear most of the brunt, which severely hampers their profitability and return on assets. At the same time, low levels of penetration and immense potential for growth continue to attract newer companies. While the market is due for consolidation, a relatively less stringent regulatory framework has so far not compelled companies towards merger and acquisition (M&A) transactions. With lower capitalization requirements and minimal restrictions on ceding the proportion of risks to reinsurers have meant that relatively smaller and inexperienced players continue to operate independently.

Most of the market participants surveyed in 2012 did not foresee a market consolidation over the coming 12-24 months

Most of the market participants who were part of the survey by the Qatar Financial Centre Authority in 2012 did not foresee a market consolidation over the coming 12-24 months. This was based on the belief that local insurance companies were comfortably capitalized and there was little pressure from shareholders for deal-making. However, 40% of the respondents did anticipate a more concentrated market as a result of higher profitability pressures and regulatory developments.

Inadequate Industry Regulations

The insurance sector in some countries is being regulated by rules set out several decades ago

Development of the regulatory environment in the Gulf's insurance sector is considered inadequate. Some of the major deficiencies sighted in the framework are a less sophisticated solvency regulation, low transparency standards, and insufficient guidelines to regulate investments of insurers[35]. The insurance sector in some countries is being regulated by rules set out several decades ago, which lack the required level of modernization. In the UAE and Qatar, two different sets of regulations co-exist, one within the financial center and the other applicable to domestic market outside the financial center. Furthermore, there is a wide range of regulatory discrepancies across the region, with an effective and well-developed supervision in place in Bahrain while an old insurance law structure still prevalent in Kuwait and Oman. In order to correct these inadequacies, efforts are being made to upgrade the insurance regulatory regime in some countries.

Declining Profitability

Profitability in the GCC insurance industry declined from 27.9% in 2007 to 9.0% in 2011

Profitability in the GCC insurance industry has been on a downtrend for the last several years, having declined from 27.9% in 2007 to 9.0% in 2011 even as the overall market size grew[36]. Companies in Kuwait experienced the maximum profitability erosion, while Qatari companies were the least impacted (see Exhibit 38). The overall softness in profit margins is primarily attributable to diminishing profitability in technical operations, an inefficient operating model and low scalability, and falling investment yields.

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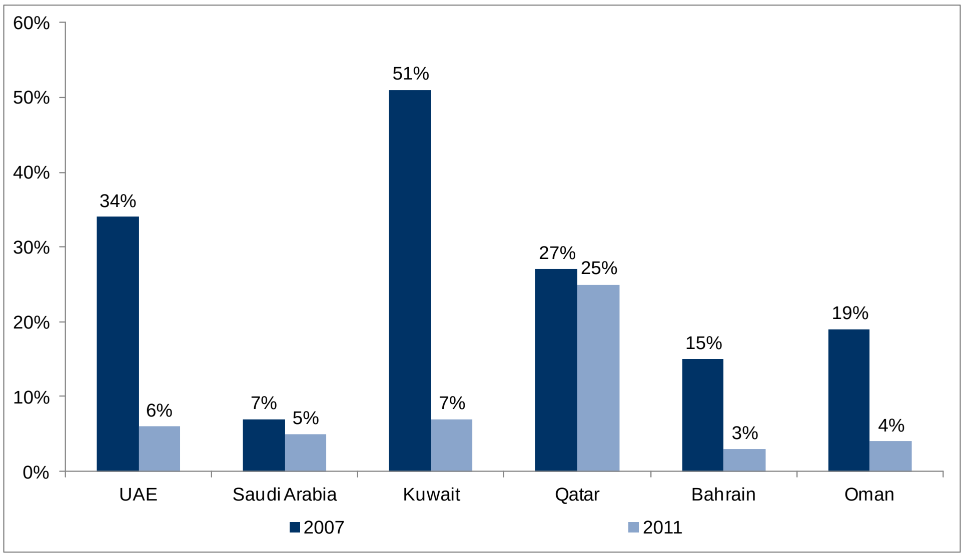
[35] Source: "GCC Insurance Barometer", Qatar Financial Centre Authority, May 2012
[36] Source: "GCC Insurers at the Crossroads in 2012: Rebound or Collapse", A.T Kearney, 2012

Exhibit 38: Profitability Trend of Insurance Companies in the GCC Countries



Source: A.T Kearney, 2012

Note: Profitability is measured in terms of net profit and calculated as a percentage of GWP

There is strong need for all the insurance providers to reassess their operating models

If the profit margins continue to decline further, this could provide acquisition opportunities especially with global players entering the market. While this may mean lower competition, it is not likely to reinstate the industry profitability by itself. There is strong need for all the insurance providers to reassess their operating models to halt further profitability erosion and possibly achieve margin expansion. A number of companies have realized this, and have started to overhaul their business models and focus on efficiency improvements.

Shortfall in Required Expertise in the Region

Apart from Bahrain, local insurers in all other Gulf countries rely heavily on expatriates

Significant dependence on reinsurance may increase counterparty risk and legal complexities for primary insurers

Like many non-energy industries in the GCC, the insurance sector also faces severe shortage of skilled local workforce. Domestic expertise is limited across all the major faculties including general management, risk management, underwriting, and management of claims. Apart from Bahrain, local insurers in all other Gulf countries rely heavily on expatriates. This has meant increased operating overheads due to high employee acquisition and salary costs. Moreover, a comparatively high attrition rate among the foreign employees makes it difficult for employers to maintain a stable workforce. This has, in turn, affected the underwriting and risk-bearing capabilities of local insurance companies, many of whom are left to function merely as insurance brokers and front companies ceding their entire underwriting premium to reinsurance companies. Such significant dependence on reinsurance is not desirable for primary insurers as it may increase counterparty risk and legal complexities in recovering reinsured claims. Many local primary insurance players even depend significantly on foreign reinsurance protection. In the event of tightening in the international reinsurance market, those insurance companies can suffer severely and lose market share.

Nearly all the respondents surveyed by the Qatar Financial Centre Authority in 2012 were of the opinion that the insurance industry in the GCC lacked local technical skills, leading to excessive reliance on expatriates. However, this may not be entirely due to non-availability of required skills among locals. Industry’s low popularity, unattractive compensation structure, and less emphasis on developing talent were sighted as major factors inducing domestic workforce to opt for an alternative career.

Low Popularity

Insurance is seen as a redundant expense rather than an effective means of wealth protection, savings, and security

Although having increased significantly over the years, awareness about insurance products and their benefits remains low among the typical GCC consumers and small and medium businesses. Many continue to regard insurance as a redundant expense rather than an effective means of wealth protection, savings, and security. Several enterprises purchase insurance products only to meet their contractual requirements. Majority of local residents choose support from family members or social security schemes of the governments over insurance plans and retirement schemes. General belief that the concept of conventional insurance, life insurance is particular, does not conform to the principles set down under the Shariah law also plays a major role in restricting popularity of insurance. While Takaful is seen as an important means for increasing insurance penetration, regulatory impediments and inadequate product offerings have so far restrained the sector from achieving the desired growth rate in the Gulf.

Efforts of the GCC governments such as implementing mandatory insurance laws, initiating and backing market awareness campaigns, and launching large infrastructure projects are the key to increasing adoption and awareness of insurance in the region. Certain recent events like the political instability and natural calamities have also been able to draw people's attention towards the benefits of insurance.

Global Economic Uncertainty

Prolonged global economic uncertainty has volatility in asset values and returns of insurance companies

Prolonged global economic uncertainty has led to a slowdown in economic growth and fluctuations in investment markets across the world, including the Gulf countries. This has posed substantial challenges to the GCC-based insurance companies, who have been traditionally having a significant share of investment income in their overall profits, due to volatility in asset values and returns. As noted earlier, low investment returns have created a large dent in the industry's bottom-line even as pricing pressures continue to persist. With the Eurozone, a key economic partner of the Gulf region, engulfed in a major debt crisis, demand for marine insurance may remain muted. Moreover, economic slowdown within the Gulf markets can also have a negative bearing on certain non-life insurance lines.

Political Scenario

Heightened political uncertainty can have a two-fold negative impact on the insurance industry's stability

After the Arab uprising in the MENA region, geopolitical risks have started featuring prominently among the top threats to the Gulf's insurance industry. Although the uprising had a limited manifestation on the GCC countries, it has heightened concerns of overall political instability in the Middle East region. Recurrence of such events in the future may disrupt the general business environment while dampening the investment climate, apart from causing a sudden spike in claims made on insurance and reinsurance companies. Thus, heightened political uncertainty can have a two-fold negative impact on the insurance industry's stability.

In one way, increased political uncertainty has also created a new opportunity for insurance providers in the region by creating higher political risk awareness. This has led to increased demand for political risk cover. However, the segment has not yet evolved to a notable stature as the size of actual cover purchased is small. Additionally, the political risk protection market is undermined by non-availability of comprehensive insurance offerings. The GCC insurance companies need to identify this demand-supply gap in a timely manner to capitalize on the new window of opportunity.

6. Trends

Increasing Competition from Foreign Players

The acute underpenetration and low exposure to catastrophic risks in the GCC insurance market are the primary attributes that have attracted several overseas companies, some of which are facing a threat of saturation in their traditional markets. Strong presence of expatriates and government support to foreign investors also aided the cause of these insurers. Subsequently, although domestic companies continue to occupy majority of the market share, international companies have managed to attain a reasonable footprint in the regional insurance sector.

Foreign insurers are expected to further augment their presence in the Gulf

Foreign insurers are expected to further augment their presence in the Gulf as they benefit from higher technical know-how, distribution capabilities, customer orientation, and financial strength. An expanding expatriate base is also seen as a vital factor in boosting the market share of these insurance companies, since the expatriate community can have a preference for services of service providers from their home countries. International players may also capitalize on the existing competitive pressures and acquire a few domestic insurance companies under a wave of industry consolidation in the GCC, going forward.

Focus on ERM

ERM is an enterprise-wide mechanism for risk management, which aids an organization in assessing different types of risks applicable to all the processes, operations, products, and stakeholders. An effective ERM program can influence the probability and outcome of risks transpiring, and benefit organizations by facilitating a platform for making well-informed strategic decisions.

Growing number of insurance companies across the world are setting up ERM models to effectively manage risks, maintain the optimum risk-reward balance, and enhance shareholders' value. In view of increasing economic considerations coupled with higher regulatory and rating oversight on the sector, insurers need to adopt a robust ERM program to ensure better controls and well-informed decisions.

ERM is still in the development phase in the GCC with most insurance companies having an unstructured system of risk assessment

Insurance companies in the Western world generally have a well-defined and efficient risk management program. In some countries, adoption of strong ERM practices has been made into a regulatory requirement. In contrast, ERM is still in the development phase in the GCC with most insurance companies having an unstructured system of risk assessment, especially with respect to their investments. Further, understanding of the concept of risk-based capital adequacy is also limited. Small size of a typical insurance provider in the region has meant less necessity for development of an elaborate ERM program.

Insurance firms are increasingly sensing the need to have more robust and systematic risk management processes

However, insurance firms in the Gulf are increasingly sensing the need to have more robust and systematic risk management processes in place for the future. Growing intensity of natural, political, and economic risks emphasize the significance of being informed and equipped to effectively manage these uncertainties. Subsequently, the ERM systems of some companies in the region have advanced over the years, and the trend is likely to continue over the coming years.

Adoption of a Unified Insurance System

Recently, the GCC announced its intention of implementing a unified insurance scheme for automobiles in the region. A preliminary draft of the proposed scheme was approved by

A unified insurance system may bring about some level of standardization in insurance rates across the region

the Gulf Insurance Federation in February 2013. Under the proposed policy, a motor insurance policy purchased in any one Gulf country would be valid throughout the region. As a result, this will discard the need for buying a separate third-party insurance cover while driving into another country within the GCC, which is currently the practice followed. Motor insurance premiums vary from one country to another, primarily due to the disparities in assessment of risks and compensation systems. A unified insurance system may bring about some level of standardization in insurance rates across the region. Thus, the proposed scheme is likely to have a profound impact on the dynamics within the motor insurance line given the high mobility of residents from one country to another and the fact that third-party motor insurance represents a large part of the overall insurance industry in the Gulf. Region-wide motor insurance plans are expected to be launched later this year.

While, the new scheme may bring about some amount of rationalization in consumer expenditure by eliminating dual costs, it is likely to impact the size of motor insurance business. However, if proved beneficial from the perspective of overall regional collaboration, it may pave way for more unification measures within the region's insurance sector.

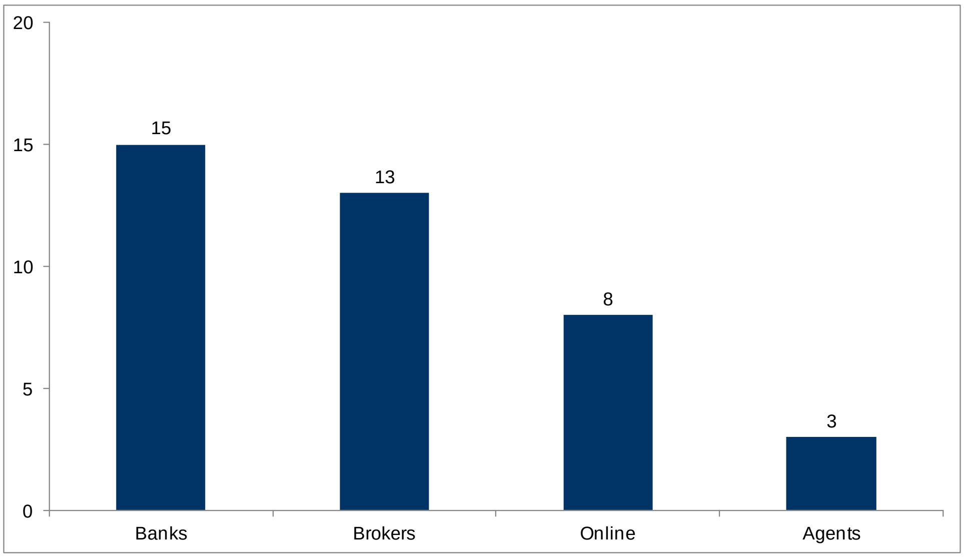
Proliferation of Bank and Broker Distribution Channels

Modern channels like Bancassurance and online policy approvals are increasingly becoming popular

As noted in Alpen Capital's 2011 GCC Insurance Industry report, agents, brokers, and direct sales are the traditional distribution channels used by insurance companies in the region. However, modern channels like Bancassurance and online policy approvals are increasingly becoming popular. About 75% of market participants surveyed by the Qatar Financial Centre Authority in 2012 mentioned Bancassurance to be one of the fastest growing distribution channels in the GCC over the next couple of years. Bancassurance is expected to gain a majority share in the distribution of life insurance products. Islamic banks, in particular, are likely to emerge as an important medium in the marketing and sales of family Takaful products. The practice, which was pioneered in the region by multinational insurers, is increasingly finding acceptance among domestic companies. An easy access to the existing customer base of banks minimizes the need of establishing a relatively cost intensive direct distribution network.

About 65% of the survey participants were also optimistic on the use of brokers as a medium for distribution in the GCC insurance industry (see Exhibit 39). This section of intermediaries is anticipated to establish a strong foothold, particularly in the commercial insurance lines due to their strong product expertise besides growing acceptance.

Exhibit 39: Number of Mentions of Insurance Distribution Channels as Fastest Growing in the GCC



Source: "GCC Insurance Barometer", Qatar Financial Centre Authority, May 2012

Changing Investment Mix

Exposure of regional insurers to relatively low-risk instruments like debt securities has increased moderately

Traditionally, investment mix of insurance companies in most of the GCC countries has been primarily inclined in favor of equities and real estate. Both these asset classes belong to the high-risk/high-return category and subsequently, have experienced considerable volatility since the global economic crisis. This, in turn, has resulted in fluctuations in earnings and profitability of companies. Equity and real estate assets continue to dominate the investment portfolio of insurance companies in the Gulf. However, exposure to relatively low-risk instruments like debt securities has increased moderately in efforts to generate assured returns and mitigate volatility in investment income. On the other hand, representation of equities in the overall investment portfolio has shrunk noticeably.

Companies in the UAE expanded their investments in deposits and possibly in bonds since 2007

An analysis of the investment mix of insurance companies in the UAE and Saudi Arabia in the last few years clearly shows the shift from equity market (see Exhibits 40 and 41). Further, the Saudi insurers augmented their investments in debt securities over the last two years, and companies in the UAE expanded their investments in deposits and possibly in bonds since 2007. However, insurers in both the countries increased their real estate investments over the last few years. While shares and real estate account over 60% of total investments of the UAE companies, their counterparts in Saudi Arabia have a significantly lower exposure to these assets at around 10%.

Exhibit 40: Investment Mix of UAE Insurance Companies*

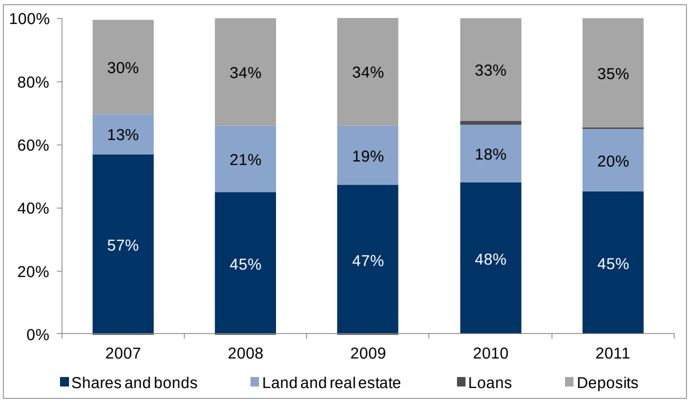
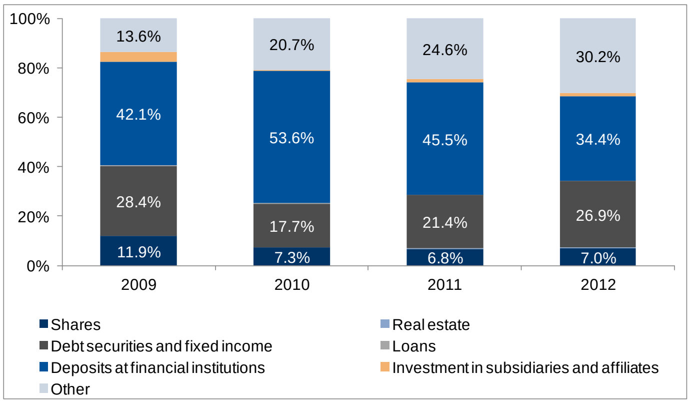


Exhibit 41: Investment Mix of Saudi Insurance Companies



Source: UAE Insurance Authority, SAMA
*Note: * - Latest data available is for 2011*

Emerging Industry Areas

1. Captive Insurance Model

Captive insurance is a practice followed worldwide, whereby a company or business group forms a separate legal entity primarily for insuring its risks, thus creating a corporate self-insurance model. Such a model ensures lower cost of placing risks and higher control over the risk profile as compared to the conventional insurance approach. In many cases, captive insurance companies may partially insure risks of unrelated third parties. Globally, there are nearly 6,000 captive insurance entities underwriting an estimated premium of US$ 55 billion[37].

Captive insurance segment is exhibiting a strong growth potential on increased complexity and quantum of risks

The concept of captive insurance is still at a nascent stage in the GCC and the number of such firms are currently limited than that in many developed regions. However, the segment is exhibiting a strong growth potential as economic development and expanding business operations in the Gulf increase the complexity and quantum of risks. At the same time, awareness and requirements for developing high standards of transparency and corporate governance have amplified. This is encouraging the application of innovative approaches for transferring corporate risk portfolio.

The GCC governments are also encouraging the growth of captive insurance sector

Thus, a strong pipeline of commercial and infrastructure projects, an evolving risk management system, and increasing participation of the private sector underscore the potential of the captive insurance sector in the Gulf. To complement these captive insurance opportunities is the huge international reinsurance capacity available through the numerous multinational players operating in the region. The GCC governments are also encouraging the growth of captive insurance sector. DIFC and QFC offer a regulatory, operating, and tax framework which is appealing to such players. Subsequently, businesses are increasingly acknowledging the advantages of setting up a captive insurance arm.

2. Surety Bonds Market

A surety bond protects its beneficiary from counterparty risks arising as a result of default or insolvency of principal to the extent of the bond's limit. It is similar to a bank guarantee,

[37] Source: Qatar Financial Centre Authority

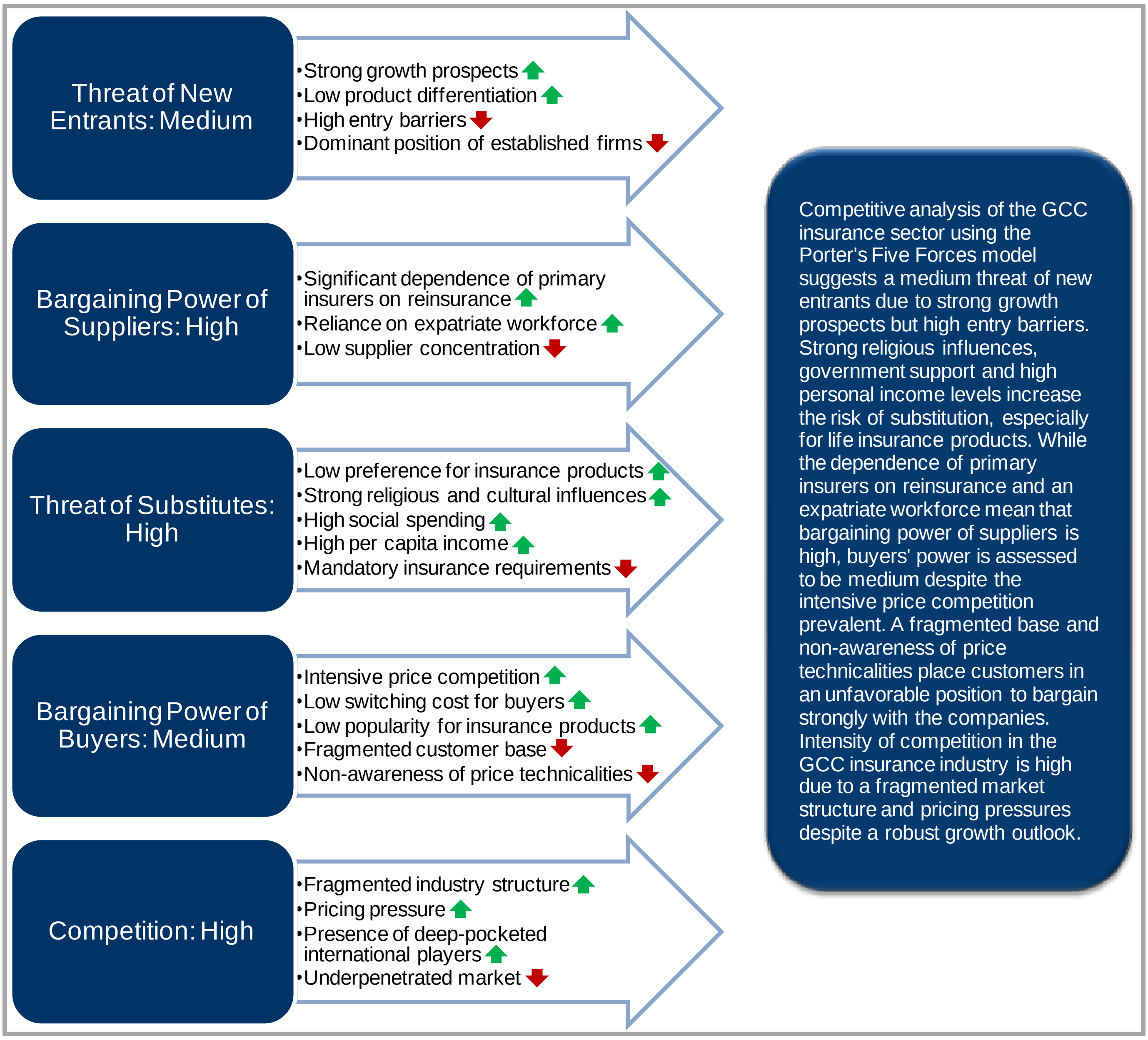
but with certain distinguishing features in terms of type of risk covered and when the underlying obligation can be evoked. Although both provide protection against losses, a surety bond is distinct from a typical insurance contract since it involves three parties – the principal who agrees to perform certain acts or obligations, the obligee who depends on the principal for fulfillment of such obligations, and the surety who may be an insurance company guaranteeing the agreed performance of principal. The surety receives premium from the principal for providing this guarantee, and is liable to fulfill the specified task or compensate the obligee financially in the event of principal's failure. However, the surety has a legal right to recover the loss payment. Further, unlike conventional insurance where the underwriting risks may be transferred to other parties, a surety emphasizes on risk mitigation by following a stringent pre-qualification process before issuing the bond. Surety bonds are commonly used in construction projects, and are a legal requirement for contractors executing federal public work contracts in the US.

Surety bonds gained some popularity during the global financial crisis and slowdown in Dubai's real estate sector

In the GCC, size of the surety bonds market is miniscule as banks primarily provide guarantee on performance of construction contracts. However, surety bonds gained some popularity during the global financial crisis and slowdown in Dubai's real estate sector. With a number of ambitious infrastructure and real estate projects being undertaken, insurance companies in the region may see a growth in demand for surety bonds. Guarantee provided by insurers would enable contractors to establish new lines of credit and bonds, while retaining their credit lines with banks separately. A well-defined legislation, which is common in many advanced economies, would play a major part in popularizing surety bonds in the Gulf.

7. Porter's Five Forces Model

Exhibit 42: Competitiveness of the GCC Insurance Market



Source: Alpen Capital

Note: ⬆ - Indicates that the factor is increasing the intensity of a particular force

⬇ - Indicates that the factor is decreasing the intensity of a particular force

8. M&A Activities

M&A activities over the recent years have been mainly focused on building footprint in overseas markets or making investment gains

The number of insurance companies in the GCC has grown considerably over the last decade, and despite substantial competition and low profitability, industry consolidation is yet to gain momentum. Many of the M&A transactions announced in the sector since 2011 were stake acquisitions by non-insurance companies rather than strategic transactions between insurance players (see Exhibit 43). Further, most of the deals were cross-border transactions. This indicates that M&A activities over the recent years have been mainly focused on building footprint in overseas markets or making investment gains, rather than strengthening core business position in the domestic market.

Kuwait's Gulf Insurance Company acquired stake in three insurance companies across the Middle East in 2011-2012

Largest M&A transaction in the GCC insurance industry in the last 2-3 years was the Lebanon-based Lutfi El-Zein Group's leveraged buy-out of an undisclosed stake in Mediterranean & Gulf Insurance & Reinsurance Co. for US$ 400 million. Gulf Insurance Company of Kuwait was the most active insurance player during the period after acquiring stake in three insurance companies across the Middle East region, albeit in relatively smaller deals. Mediterranean & Gulf Insurance & Reinsurance Group emerged as the most sought after acquisition candidate. In June 2013, Oman National Investment Corporation announced the acquisition of a 7.5% stake in Takaful Oman, the country's first Takaful company.

Exhibit 43: Major M&A Deals in the GCC Insurance Sector

Acquirer	Acquirer's Country	Target Company	Target's Country	Year	Consideration (US$ million)
Lutfi El-Zein Group	Lebanon	Mediterranean & Gulf Insurance & Reinsurance Co.	Saudi Arabia	2011	400.0
Qatar Holding*	Qatar	Qatar Insurance Company	Qatar	2013	264.6
ORIX Corporation*	Japan	Mediterranean and Gulf Insurance and Reinsurance – Bahrain	Bahrain	2013	200.0
International Finance Corp.*	US	Mediterranean & Gulf Insurance & Reinsurance Co.	Saudi Arabia	2012	124.0
Gulf Insurance Company	Kuwait	Alliance Insurance	UAE	2012	24.1
Kuwait International Bank*	Kuwait	Ritaj Takaful Insurance Company	Kuwait	2013	6.0
Qatar First Investment Bank	Qatar	National Takaful Insurance Co.	UAE	2011	4.4
Gulf Insurance Company	Kuwait	Dar El Salam Insurance	Iraq	2011	3.4
Gulf Insurance Company	Kuwait	Syrian Kuwaiti Insurance Company	Syria	2011	0.1
Oman National Investment Corporation Holding	Oman	Takaful Oman SAOG	Oman	2013	N/A
Oman Insurance Company	UAE	Dubai Group Sigorta	Turkey	2012	N/A
HSBC Private Equity Middle East	UAE	NAS United Healthcare Services	UAE	2012	N/A
Abraaj Group	UAE	UAP Holdings	Kenya	2012	N/A

Source: Zawya, Bloomberg, media reports

*Note: * - Deal pending completion (status as on June 28, 2013)*

9. Financial Performance and Valuation

1.1 Financial Performance[38]

Financial performance of the insurance sector in the GCC was evaluated based on a sample of 18 companies

For evaluating financial performance of the insurance sector in the GCC, 18 prominent conventional insurance and Takaful companies were shortlisted to compile a representative sample (see Exhibit 44). Out of these companies, seven were selected from the UAE given its substantial share in the regional industry, three each were shortlisted from Saudi Arabia, Qatar and Oman, and one each from Bahrain and Kuwait. Discussion of all the financials under this section pertains to these sample companies only.

Exhibit 44: Sample of Insurance Company Selected

Company Name	Country	Abbreviation used in this Section
Abu Dhabi National Insurance Company	UAE	ADNIC
Al Buhaira National Insurance Company	UAE	ABNIC
Bahrain National Holding Company	Bahrain	BNHC
Company for Cooperative Insurance	Saudi Arabia	TAWUNIYA
Dhofar Insurance Company	Oman	DIC
Emirates Insurance Company	UAE	EIC
Gulf Insurance Company	Kuwait	GIC
Mediterranean & Gulf Cooperative Insurance & Reinsurance Co.	Saudi Arabia	MEDGULF
National General Insurance Company	UAE	NGIC
Oman Insurance Company	UAE	OIC
Oman National Investment Corporation Holding	Oman	ONI
Oman United Insurance Company	Oman	OUIC
Orient Insurance Company	UAE	OI
Qatar General Insurance and Reinsurance Company	Qatar	QGIRC
Qatar Insurance Company	Qatar	QIC
Qatar Islamic Insurance Company	Qatar	QIIC
Ras Al Khaimah National Insurance Company	UAE	RAKNIC
United Cooperative Assurance Company	Saudi Arabia	UCA

Source: Alpen Capital

Note: The companies highlighted in grey are primarily engaged in providing Islamic insurance solutions

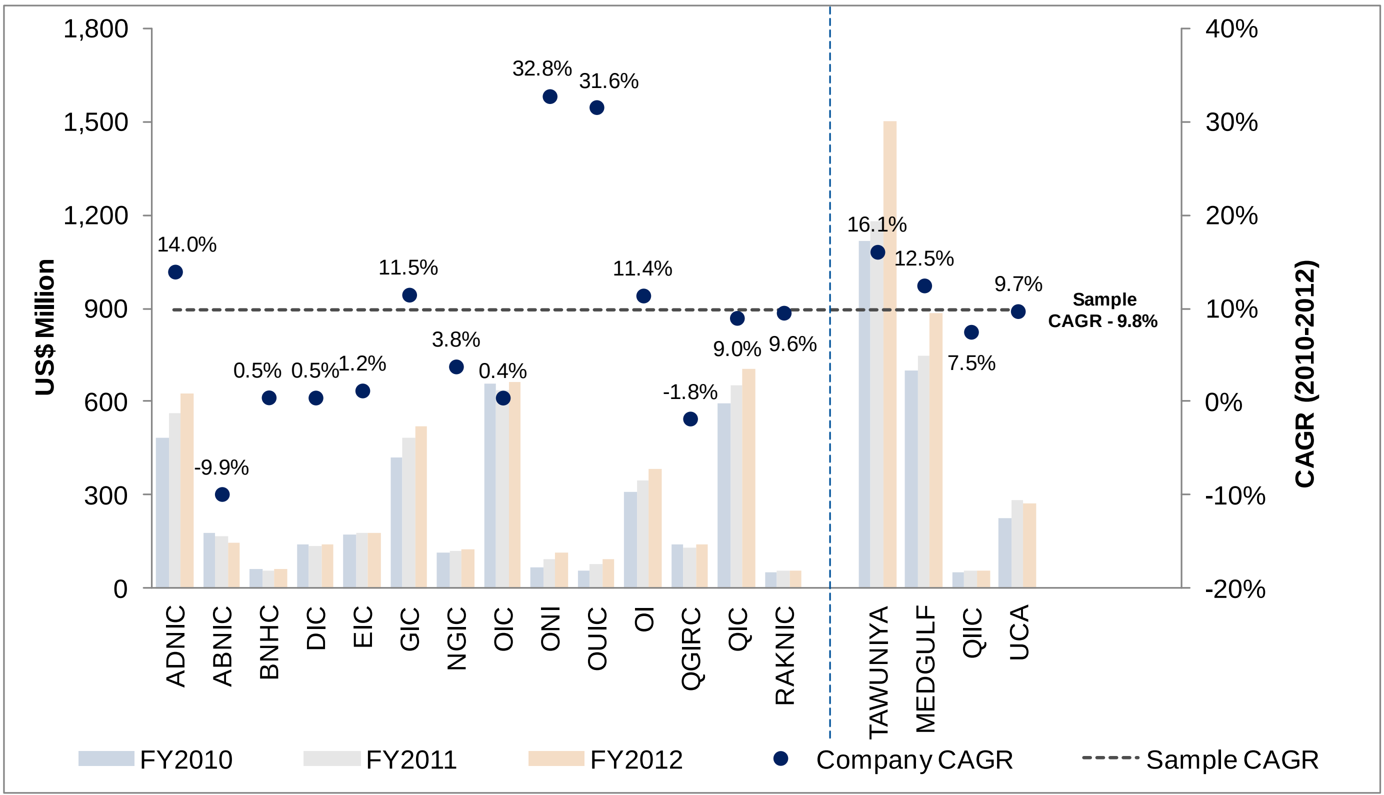
[38] Certain figures for 2010 may not match with the ones mentioned in Alpen Capital's 2011 Insurance Industry report due to changes in the sample of companies and revisions in calculation of a few parameters

GWP

Total GWP grew by 9.8% annually between 2010 and 2012

Total GWP of the companies under review depicted a CAGR of 9.8% between 2010 and 2012 (see Exhibit 45). The Oman-based companies, ONI and OUIC, were among the industry outperformers with a two-year GWP CAGR of 32.8% and 31.6% respectively. Most of the other regional players experienced a significantly lower growth, with ABNIC and QGIRC seeing their gross underwriting premium decline in absolute terms between 2010 and 2012. However, insurers continue to expect a recovery in growth momentum in view of strong fundamental factors like growing population, rising GDP, and the current underpenetration in the industry.

Exhibit 45: Gross Written Insurance Premium (2010-2012)



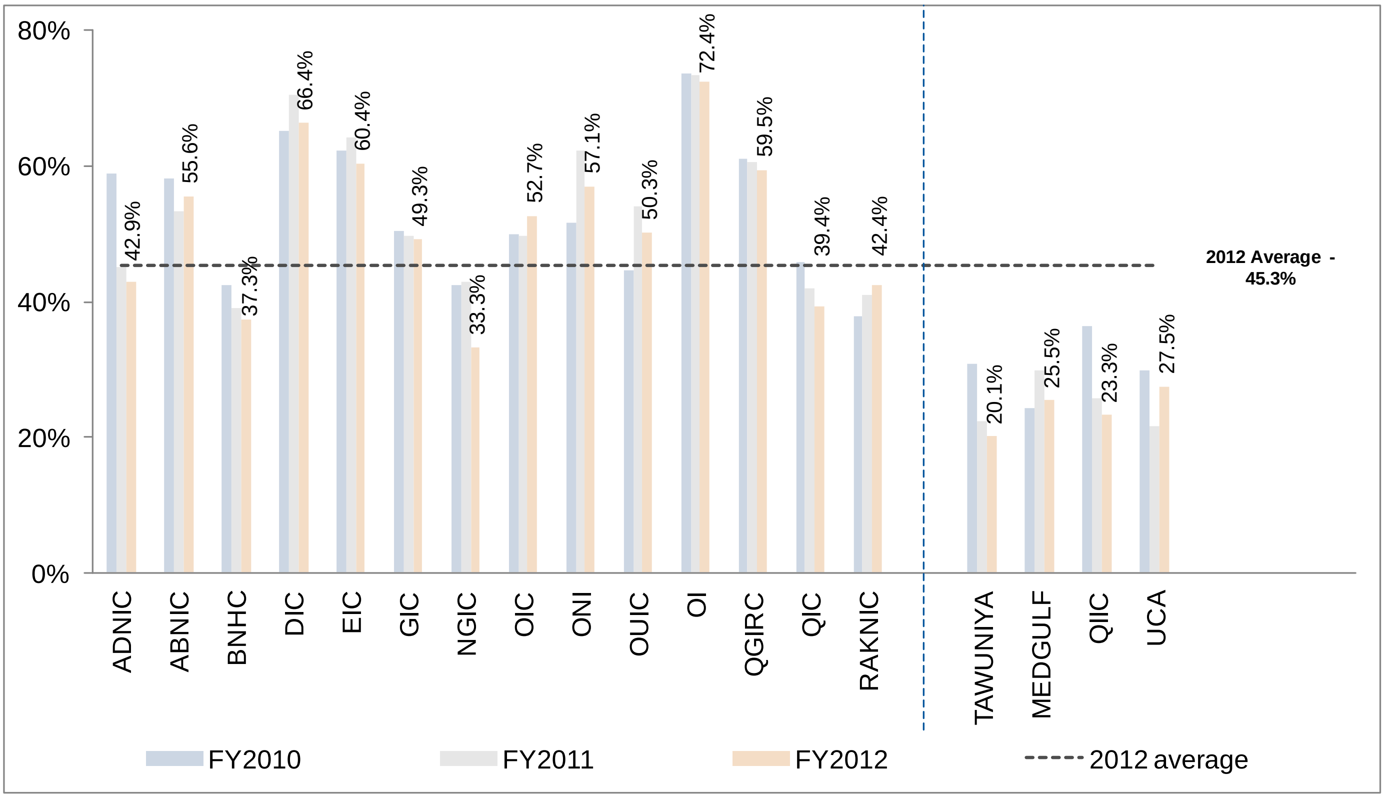
Source: Zawya, Alpen Capital

Cession Rate

Average cession rate declined from 48.1% in 2010 to 45.3% in 2012

Average cession rate declined from 48.1% in 2010 to 45.3% in 2012 (see Exhibit 46), reflecting reduced dependency on reinsurers and a positive trend towards development of insurance practice in the region. The Islamic insurance companies ceded lower premium to reinsurers in comparison to the conventional insurance players. Going forward, insurance companies in the Gulf are expected to sustain this trend as they become financially stronger and less risk-averse. Regulations requiring maintenance of a minimum retention rate in some countries are also likely to support a higher retention ratio.

Exhibit 46: Cession Rate (2010-2012)



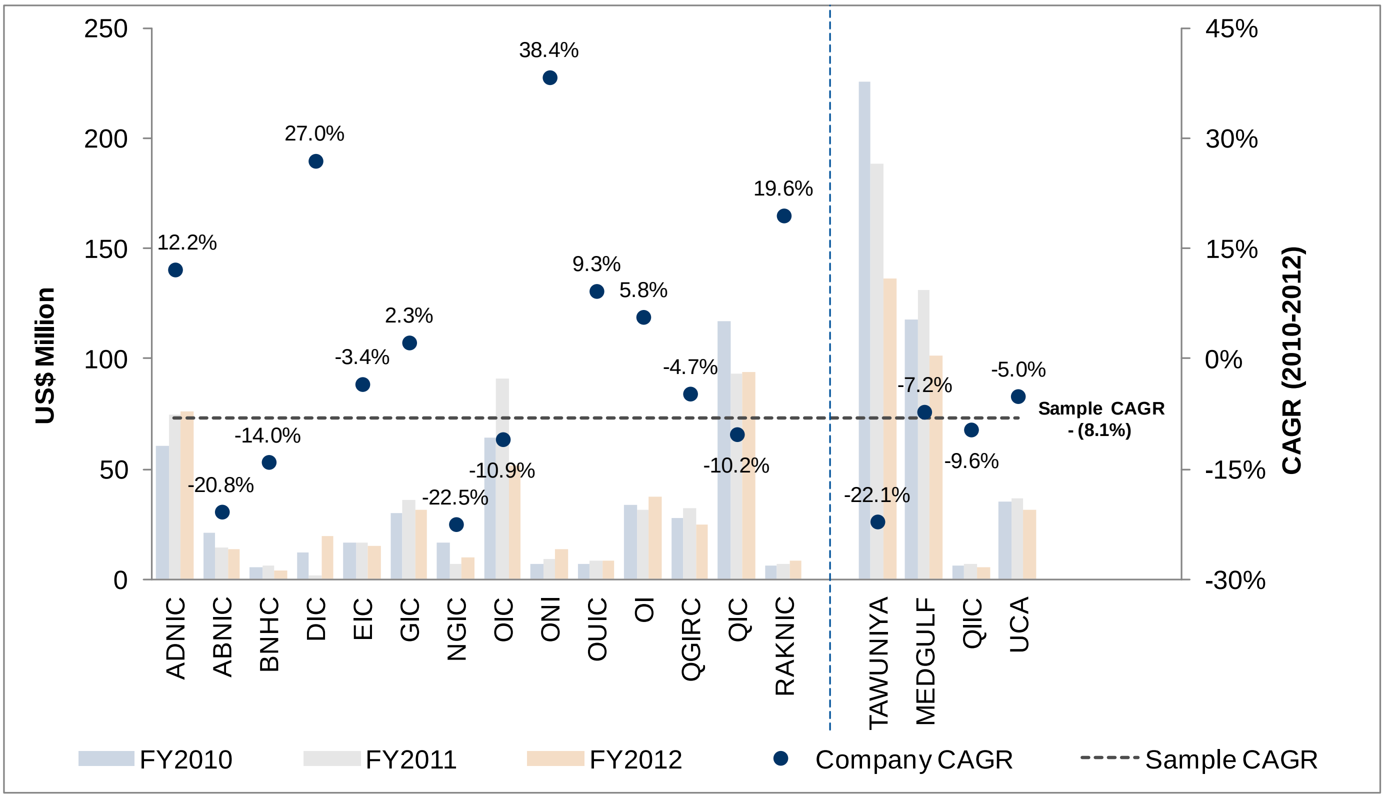
Source: Zawya, Alpen Capital

Net Underwriting Profit

A 13.8% y-o-y decline in 2012 led net underwriting profit to witness a negative CAGR of 8.1% between 2010 and 2012

A 13.8% y-o-y decline in 2012, following a 2.1% contraction in the previous year, led net underwriting profit of companies to witness a negative average annual growth of 8.1% between 2010 and 2012 (see Exhibit 47). Net underwriting profit of NGIC, TAWUNIYA, and ABNIC was the worst hit during this period, having witnessed a negative CAGR of 22.5%, 22.1%, and 20.8% respectively. This weakness in profitability was mainly on the back of increased net claims paid and commission incurred. On the other hand, net underwriting profit of companies with a high cession rate like DIC and ONI experienced a healthy CAGR of 27.0% and 38.4% respectively between 2010 and 2012.

Exhibit 47: Net Underwriting Profit (2010-2012)



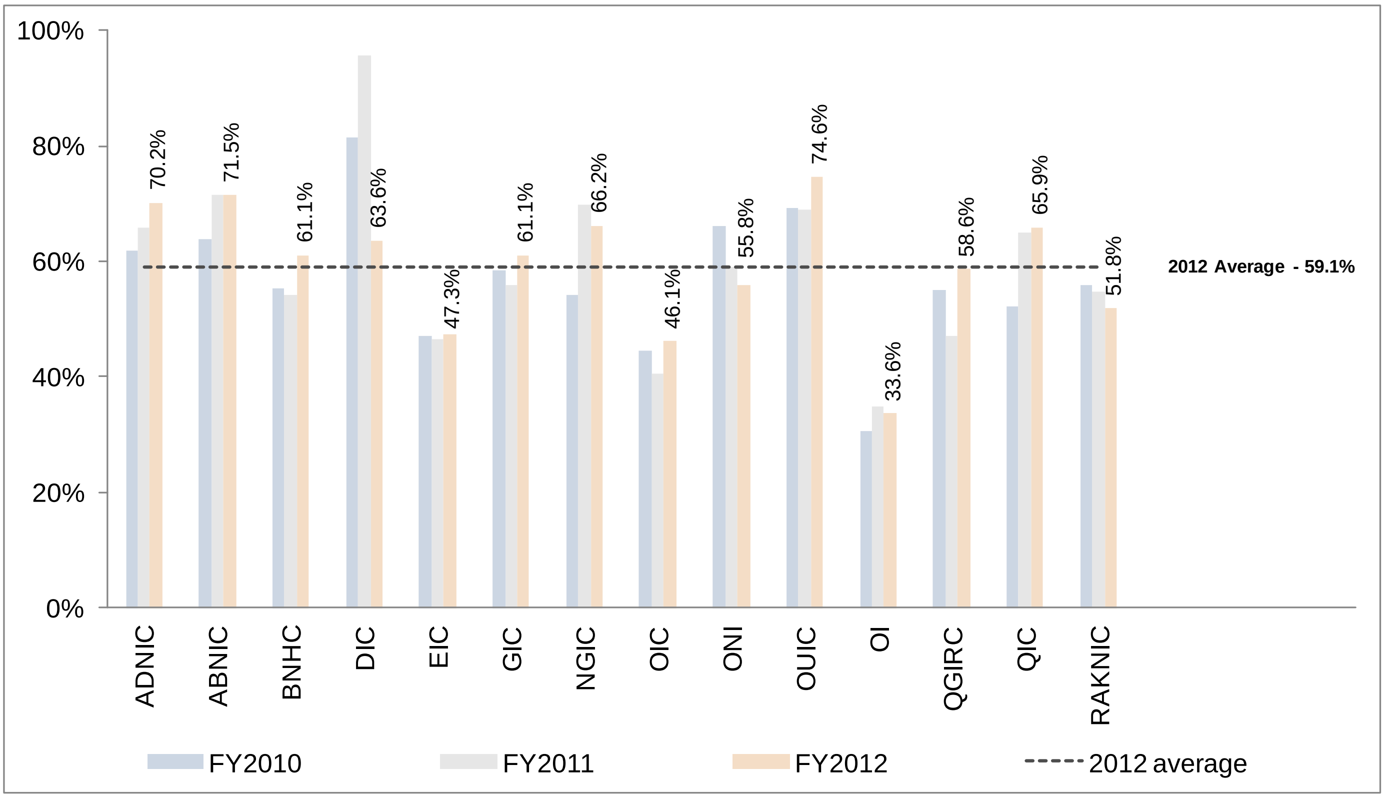
Source: Zawya, Alpen Capital

Claims Ratio

Average claims ratio increased from 56.8% in 2010 to 59.1% in 2012

Average claims ratio of the sample companies increased from 56.8% in 2010 to 59.1% in 2012 (see Exhibit 48), reflecting an increase in claims. In 2012, OUIC and OI had the maximum and minimum claims ratio of 74.6% and 33.6% respectively.

Exhibit 48: Claims Ratio (2010-2012)



Source: Zawya, Alpen Capital

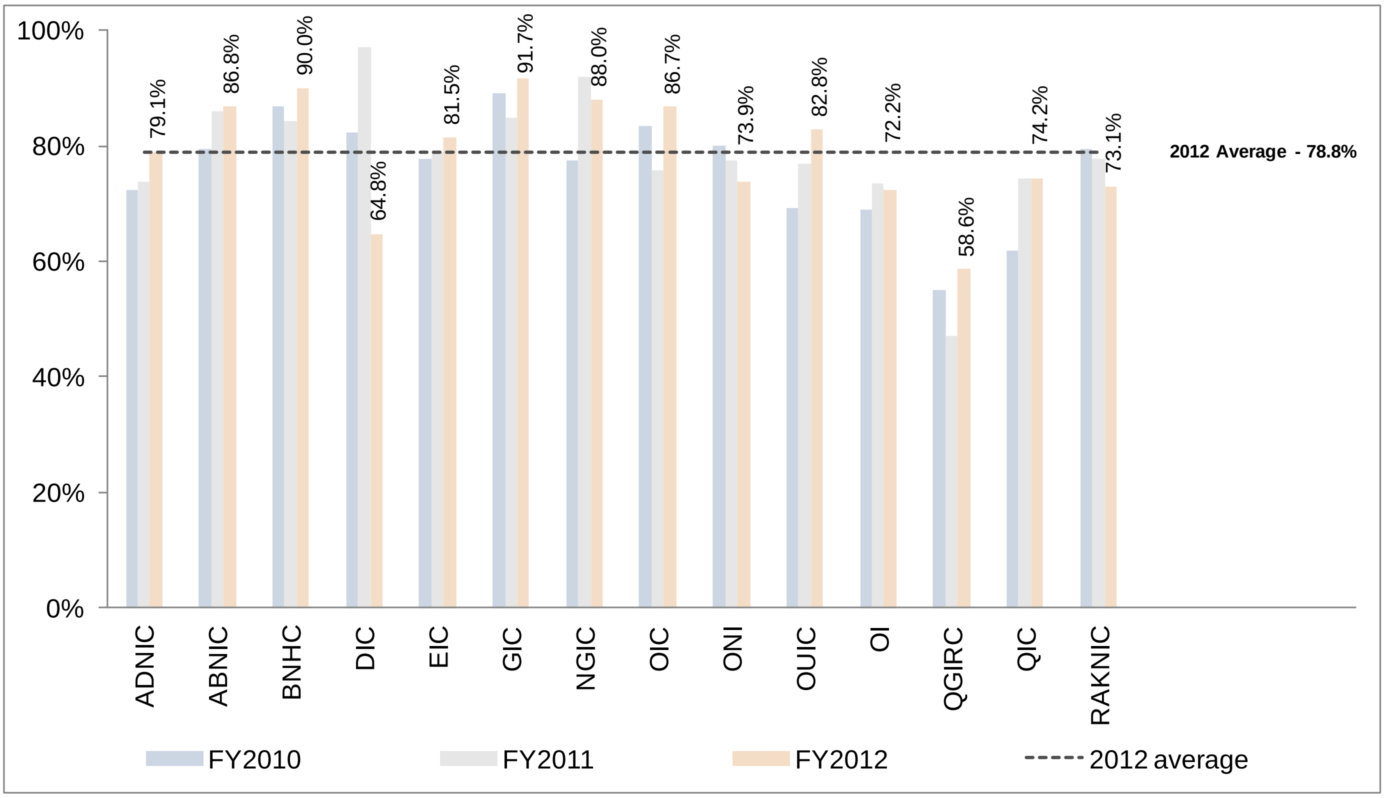
Note: Data for TAWUNIYA, MEDGULF, QIIC, and UCA is not available

Combined Ratio

Average combined ratio grew from 76.0% in 2010 to 78.8% in 2012

Average combined ratio of the companies grew from 76.0% in 2010 to 78.8% in 2012 (see Exhibit 49), suggesting an increase in claims and expenses incurred during the period. The ratio for QGIRC and DIC at 58.6% and 64.8% respectively was relatively lower than other regional counterparts. A 26.7% y-o-y fall in net claims of DIC resulted in a sharp decline in its combined ratio during the year.

Exhibit 49: Combined Ratio (2010-2012)



Source: Zawya, Alpen Capital
Note: Data for TAWUNIYA, MEDGULF, QIIC, and UCA is not available

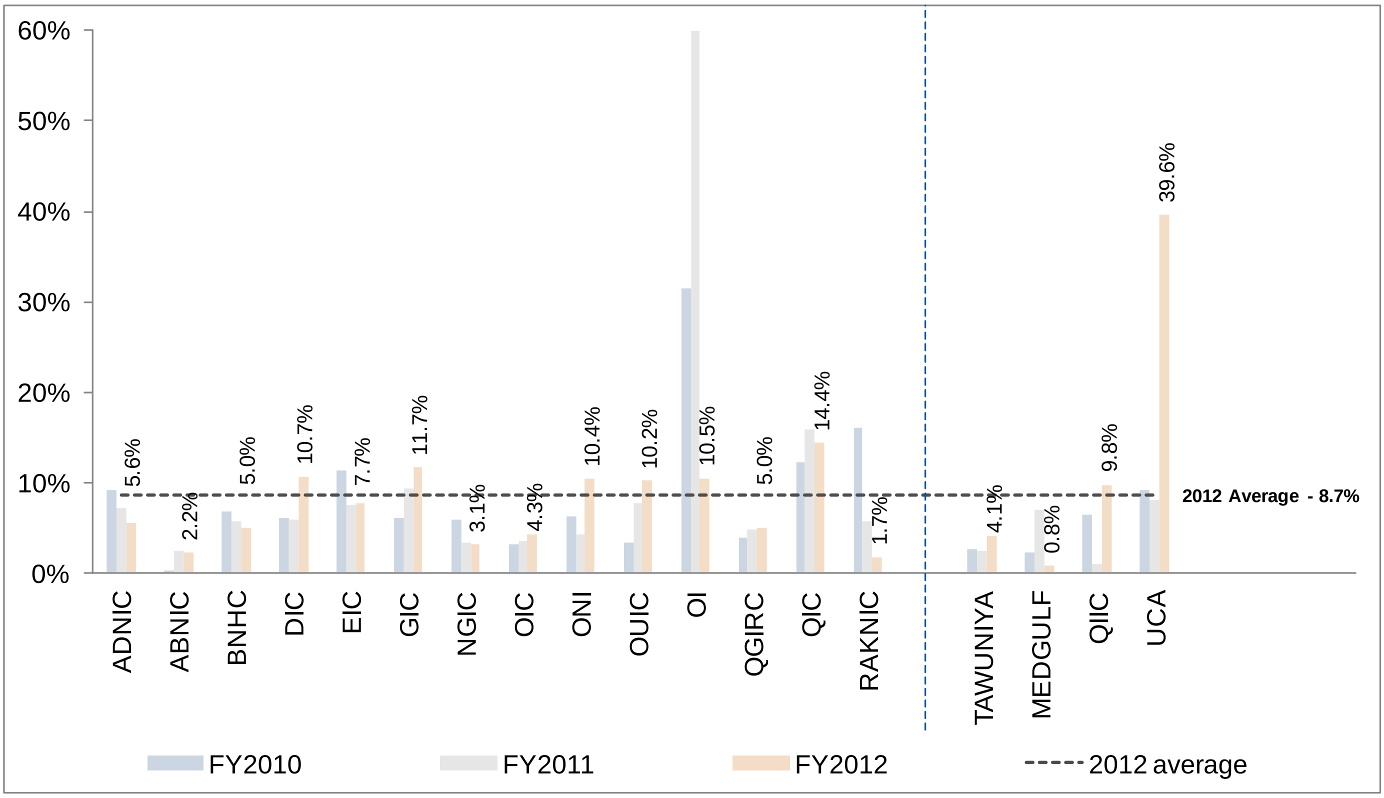
Investment Return

For an insurance company, return earned on investments is one of the most important sources of income, which is particularly the case for Gulf insurers.

After increasing from 7.9% in 2010 to 9.0% in 2011, average investment return declined marginally to 8.7% in 2012

Average investment return for the insurers under review has depicted a volatile trend during the last three years. After increasing from 7.9% in 2010 to 9.0% in 2011, it declined marginally to 8.7% in 2012 (see Exhibit 50). Given the low proportion of debt securities and a high share of real estate and equity assets in the overall investment portfolio of the GCC insurance companies, investment return is likely to remain volatile. UCA was the clear outlier in 2012, generating an investment return of 39.6%.

Exhibit 50: Investment Return (2010-2012)



Source: Zawya, Alpen Capital

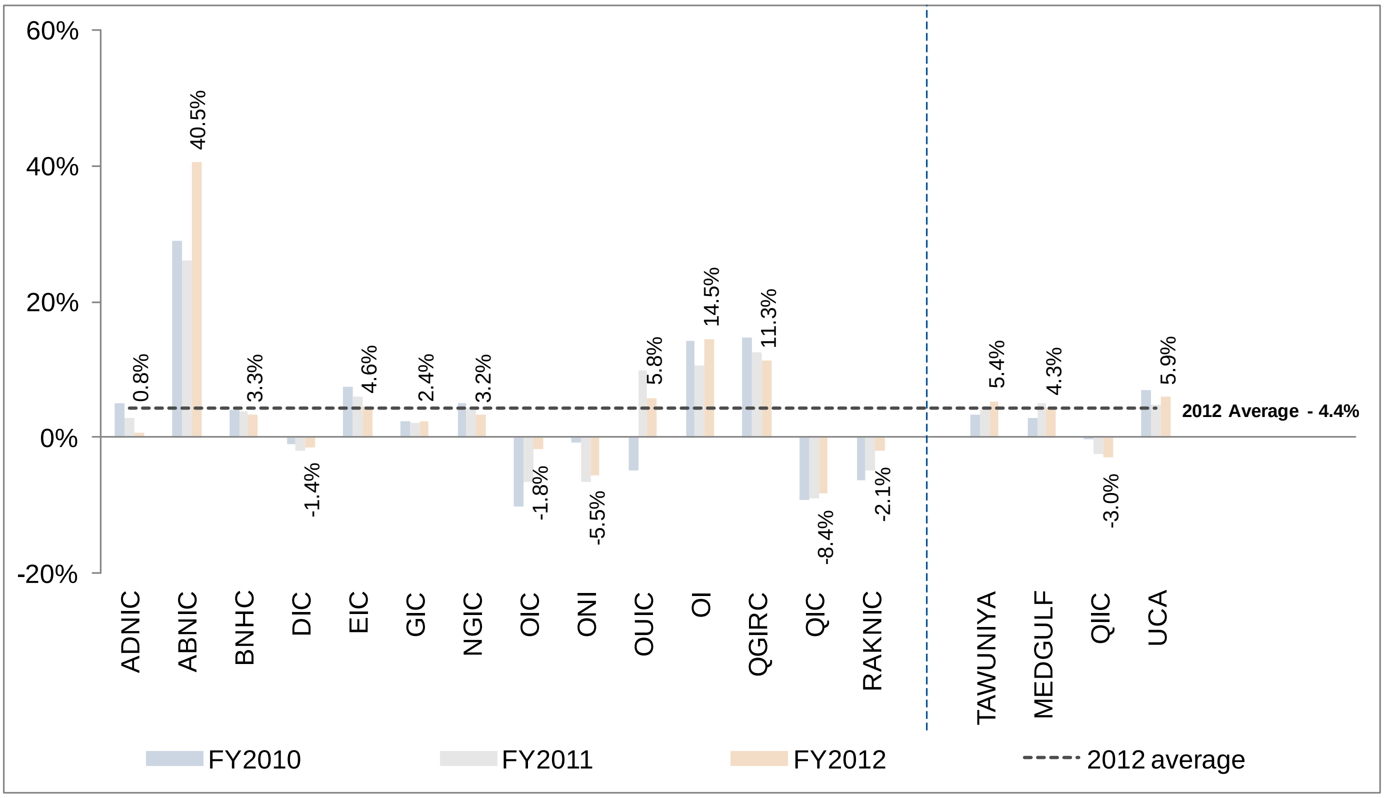
Note: Investment return has been calculated using normalized financials provided by Zawya

Commission Ratio

Average commission ratio increased from 3.5% in 2010 to 4.4% in 2012

Commission ratio is an important profitability measure considering most of the insurers in the region cede substantial portion of their risks to reinsurance companies. Average commission ratio for the GCC companies increased from 3.5% in 2010 to 4.4% in 2012 (see Exhibit 51). The ratio for ABNIC has remained substantially higher than its regional counterparts throughout the period under study as a result of high commission income earned.

Exhibit 51: Commission Ratio (2010-2012)



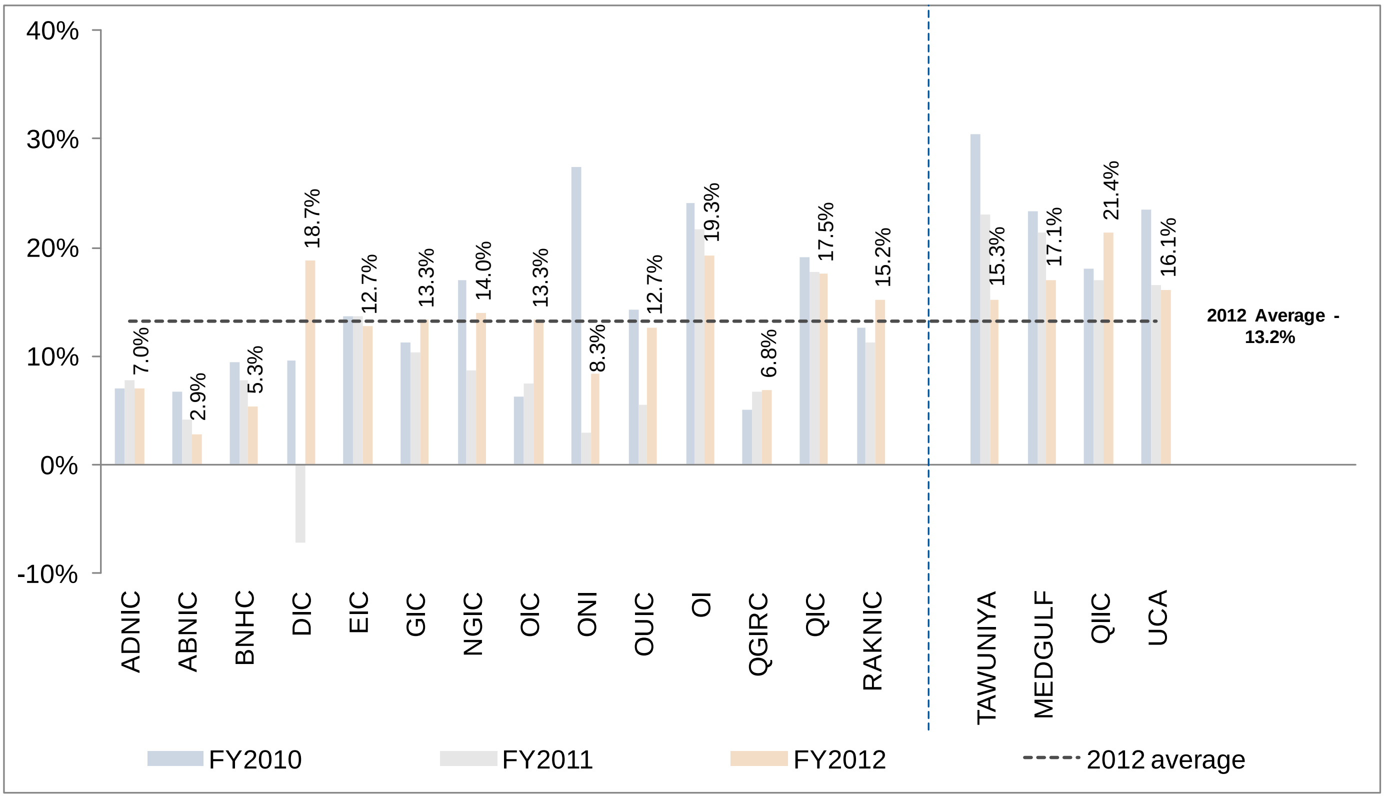
Source: Zawya, Alpen Capital

Return on Average Equity

Mean return on average equity increased strongly from 10.9% in 2011 to 13.2% in 2012

Most the insurance companies under review experienced a lower return on average equity in 2011 as compared to 2010. However, the ratio recovered partially in 2012. Subsequently, after declining from 15.5% in 2010 to 10.9% in 2011, the mean return on average equity of the sample companies increased to 13.2% in 2012 (see Exhibit 52). Despite lower underwriting profit y-o-y in 2012, companies like GIC and QIIC witnessed an improvement in return on average equity due to a significant increase in net investment income. QIIC and ABNIC were placed at two extreme ends with the maximum and minimum return on average equity of 21.4% and 2.9% respectively in 2012.

Exhibit 52: Return on Average Equity (2010-2012)



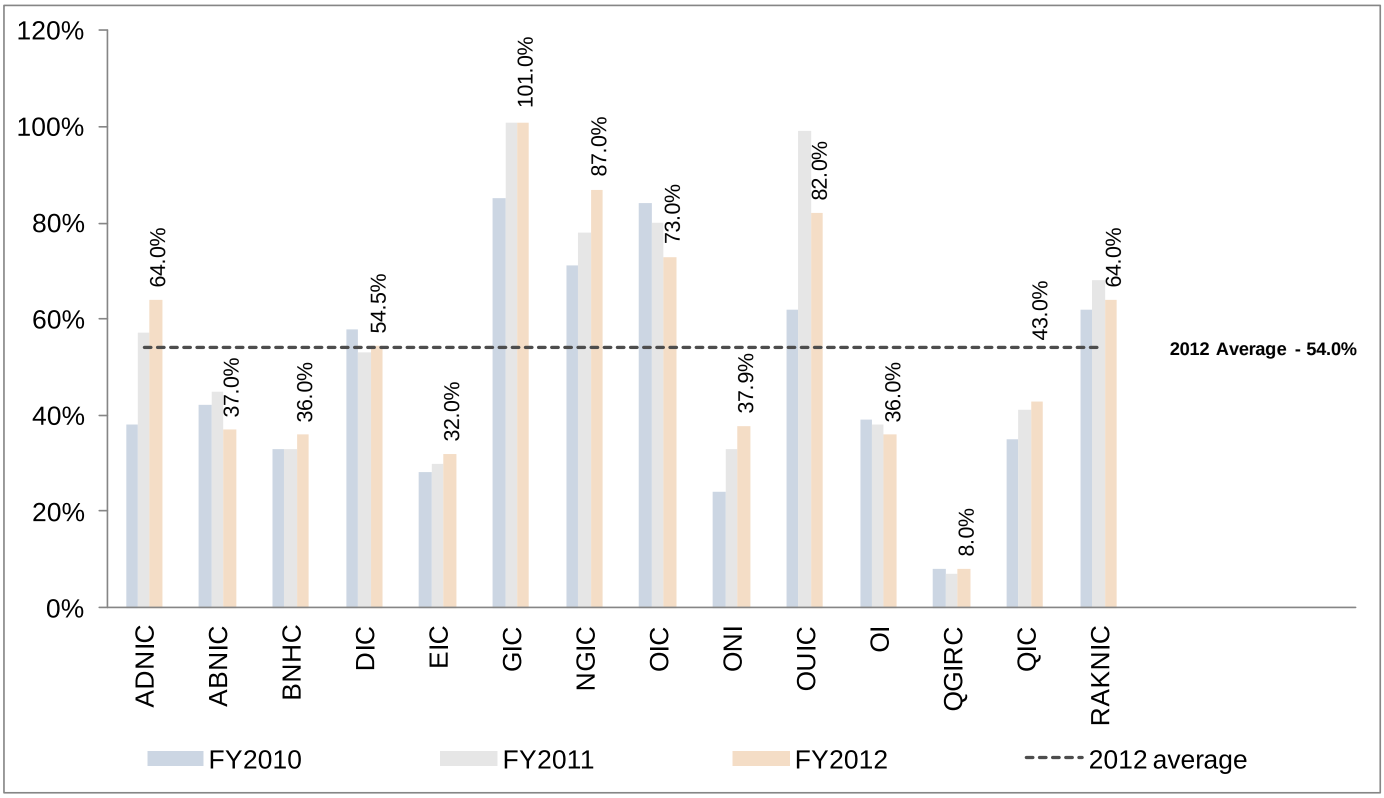
Source: Zawya, Alpen Capital

Net written premium to equity ratio increased from 47.8% in 2010 to 54.0% in 2012

Net Written Premium to Equity

For the companies under review, net written premium to equity ratio increased from 47.8% in 2010 to 54.0% in 2012 (see Exhibit 53). GIC had a ratio of 101.0%, indicating highest risk among all the sample companies. In contrast, QGIRC had a ratio as low as 8.0%.

Exhibit 53: Net Premium Written to Equity (2010-12)



Source: Zawya, Alpen Capital
Note: Data for TAWUNIYA, MEDGULF, QIIC, and UCA is not available

1.2 Comparative Financial Performance

Exhibit 54: Comparative Financial Performance, 2010-2012

Company Name	GWP 2 Yr CAGR	Net Underwriting Profit 2 Yr CAGR	Net Income 2 Yr CAGR	Cession Rate 3 Yr Average	Return on Average Equity 3 Yr Average	Return on Average Assets 3 Yr Average
Abu Dhabi National Insurance Company	14.0%	12.2%	0.8%	49.0%	7.3%	4.0%
Al Buhaira National Insurance Company	(9.9%)	(20.8%)	(37.3%)	55.7%	4.6%	1.5%
Bahrain National Holding Company	0.5%	(14.0%)	(21.9%)	39.7%	7.5%	4.1%
Company for Cooperative Insurance	16.1%	(22.1%)	(18.8%)	24.5%	22.9%	5.5%
Dhofar Insurance Company	0.5%	27.0%	38.8%	67.4%	7.0%	1.9%
Emirates Insurance Company	1.2%	(3.4%)	(3.5%)	62.3%	13.3%	6.8%
Gulf Insurance Company	11.5%	2.3%	9.4%	49.8%	11.6%	3.0%
Mediterranean & Gulf Cooperative Insurance & Reinsurance Co.	12.5%	(7.2%)	(6.9%)	26.6%	20.6%	5.9%
National General Insurance Company	3.8%	(22.5%)	(7.2%)	39.6%	13.2%	4.8%
Oman Insurance Company	0.4%	(10.9%)	41.1%	50.8%	9.0%	2.9%
Oman National Investment Corporation Holding	32.8%	38.4%	26.6%	57.0%	12.9%	5.9%
Oman United Insurance Company	31.6%	9.3%	(2.7%)	49.6%	10.8%	3.0%
Orient Insurance Company	11.4%	5.8%	5.5%	73.2%	21.7%	9.0%
Qatar General Insurance and Reinsurance Company	(1.8%)	(4.7%)	21.2%	60.4%	6.2%	3.8%
Qatar Insurance Company	9.0%	(10.2%)	(0.2%)	42.4%	18.1%	8.0%
Qatar Islamic Insurance Company	7.5%	(9.6%)	11.1%	28.5%	18.8%	8.0%
Ras Al Khaimah National Insurance Company	9.6%	19.6%	16.2%	40.4%	13.0%	5.7%
United Cooperative Assurance Company	9.7%	(5.0%)	(27.1%)	26.4%	18.7%	5.5%

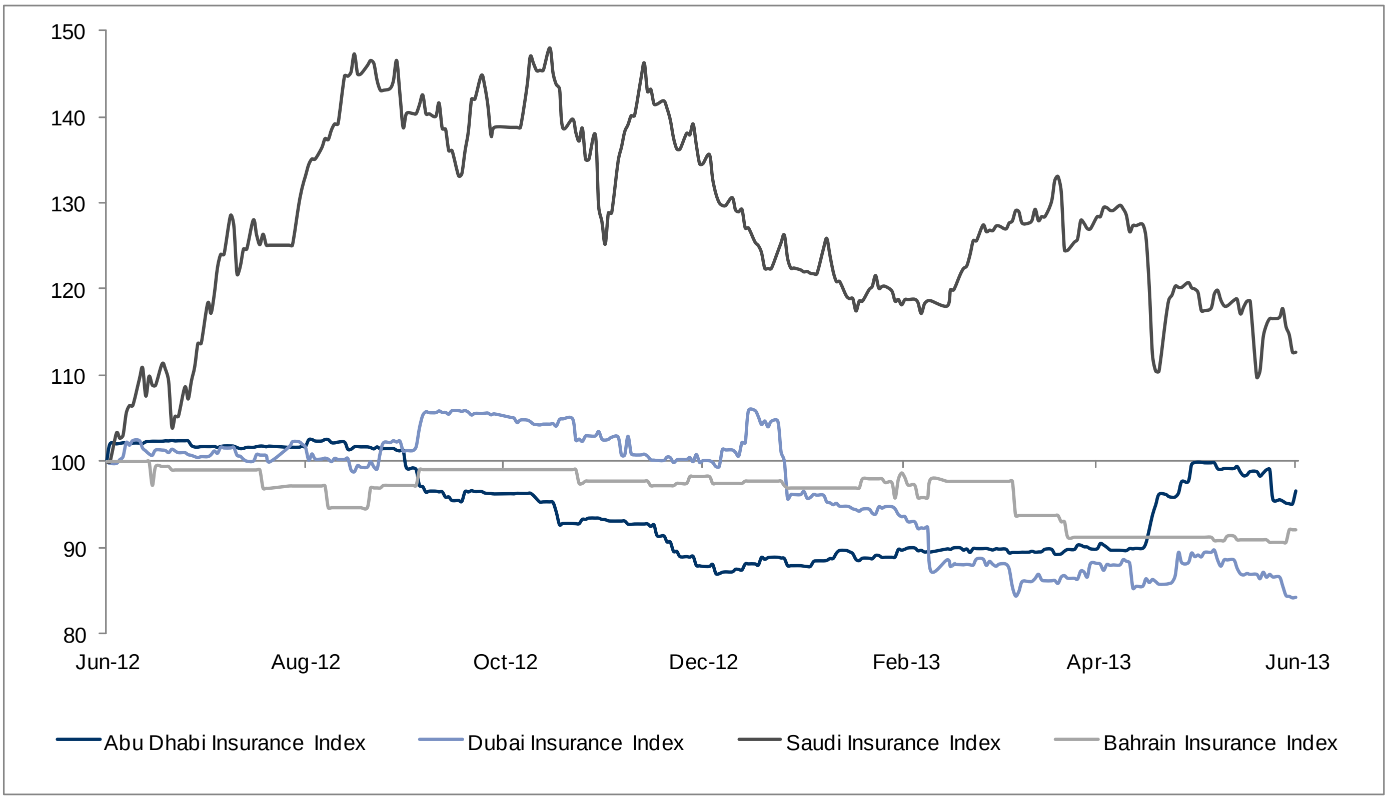
Source: Zawya, Alpen Capital

1.3 Valuation Analysis

Major insurance indices in the UAE and Bahrain posted negative returns in the last one year

Over the last one year, major insurance indices in the UAE and Bahrain have posted negative returns, indicating poor investor sentiments for insurance companies. Dubai Insurance Index was the worst hit, registering a negative return of 15.7% (see Exhibit 55). Abu Dhabi Insurance Index declined at a relatively lower rate of 3.4%, while Bahrain Insurance Index generated a negative return of 7.9% during this period. In contrast, Saudi Insurance Index recorded a positive return of 12.7% in the last one year. However, the index exhibited significant volatility and the broader trend during most part of the period has been negative.

Exhibit 55: Insurance Index Return



Source: Zawya, Alpen Capital

To value insurance companies in the GCC, we have used some of the most widely-used valuation parameters as mentioned below:

- Price to Earnings (P/E) ratio: It measures the value of a company's stock relative to its earnings.
- Price to Book Value (P/B) ratio: It measures the value of a company relative to the book value of its assets.
- Market capitalization to GWP: This ratio denotes the market value of a company relative to its GWP.

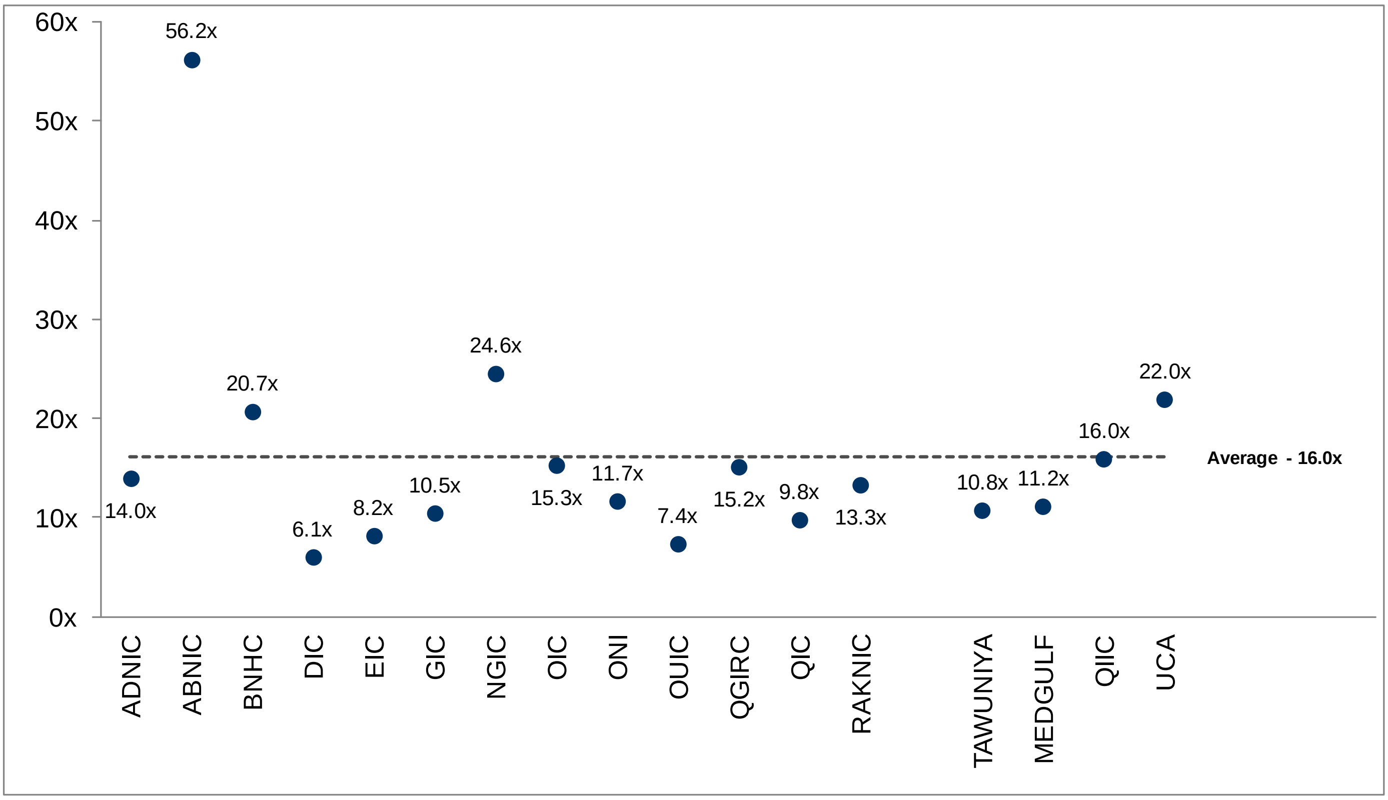
Average P/E ratio of GCC insurance companies stood at 16.0x at the end of 2012

Average P/E ratio of GCC insurance companies stood at 16.0x at the end of 2012 (see Exhibit 56). The UAE-based insurance companies, ABNIC and NGIC, traded much higher than the regional average, suggesting that investors may be bullish on the future

Low liquidity and transparency may be hampering investor sentiments to some extent

profitability performance of these companies and are willing to pay a premium for them. We believe strong fundamental prospects of the sector continue to drive investors towards investing in insurance companies in the region, although low liquidity and transparency may be hampering sentiments to some extent.

Exhibit 56: P/E Ratio, 2012



Source: Zawya, Alpen Capital

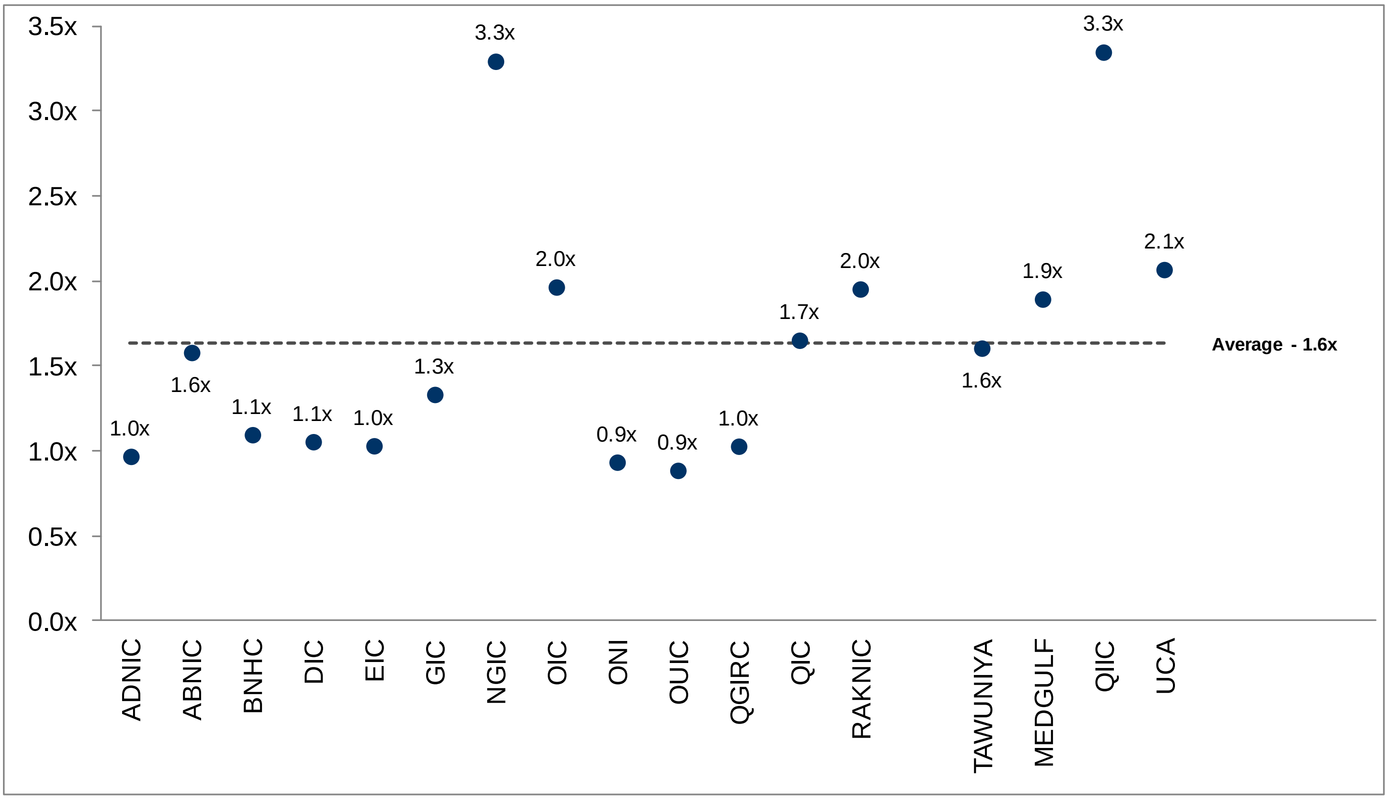
Notes: 1) Data for OI is not available

2) Stock price used in the calculation pertains to the company's last traded day in 2012

Average P/B ratio was 1.6x at the end of 2012

Average P/B ratio of GCC insurers under review was 1.6x at the end of 2012 (see Exhibit 57). While most of the insurers were valued at a P/B ratio close to 1.0x-1.5x, NGIC and QIIC may be significantly overvalued with a P/B ratio of over 3x.

Exhibit 57: P/B Ratio, 2012



Source: Zawya, Alpen Capital

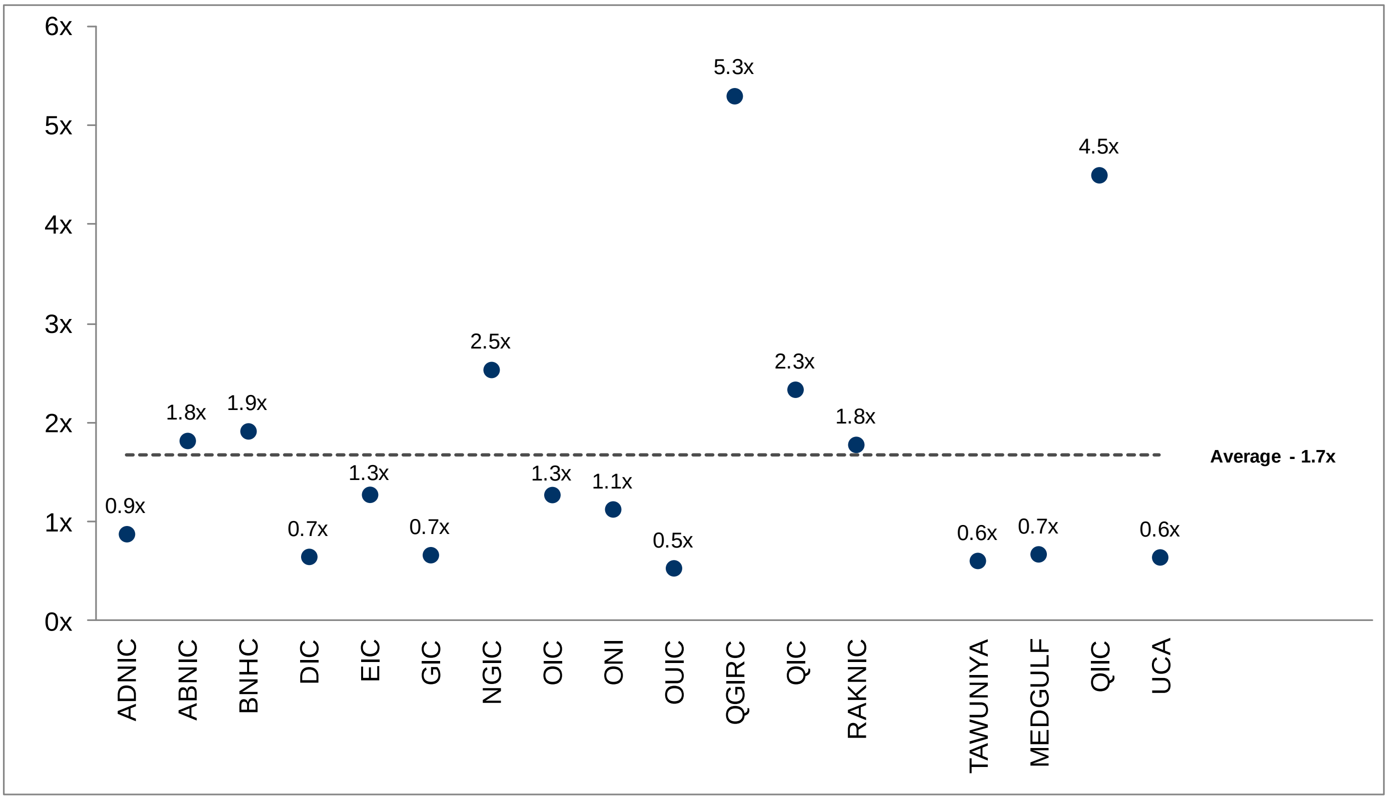
Notes: 1) Data for OI is not available

2) Stock price used in the calculation pertains to the company's last traded day in 2012

Average market capitalization to GWP multiple was 1.7x at the end of 2012

The companies traded at an average market capitalization to GWP multiple of 1.7x at the end of 2012 (see Exhibit 58). The multiple of Qatar-based insurance companies was higher than the regional average reflecting high potential growth of these companies, as perceived by investors. The companies in Saudi Arabia, Kuwait, and Oman traded at a lower multiple as compared to most of their peers from other parts of the GCC.

Exhibit 58: Market Capitalization to GWP Ratio, 2012



Source: Zawya, Alpen Capital

Notes: 1) Data for OI is not available

2) Market capitalization used in the calculation pertains to the company's last traded day in 2012

1.4 Valuation Comparison

Exhibit 59: Comparative Valuation Summary, 2012

Company Name	P/E ratio	P/B ratio	Market Cap./ GWP
Abu Dhabi National Insurance Company	14.0x	1.0x	0.9x
Al Buhaira National Insurance Company	56.2x	1.6x	1.8x
Bahrain National Holding Company	20.7x	1.1x	1.9x
Company for Cooperative Insurance	10.8x	1.6x	0.6x
Dhofar Insurance Company	6.1x	1.1x	0.7x
Emirates Insurance Company	8.2x	1.0x	1.3x
Gulf Insurance Company	10.5x	1.3x	0.7x
Mediterranean & Gulf Cooperative Insurance & Reinsurance Co.	11.2x	1.9x	0.7x
National General Insurance Company	24.6x	3.3x	2.5x
Oman Insurance Company	15.3x	2.0x	1.3x
Oman National Investment Corporation Holding	11.7x	0.9x	1.1x
Oman United Insurance Company	7.4x	0.9x	0.5x
Orient Insurance Company	N/A	N/A	N/A
Qatar General Insurance and Reinsurance Company	15.2x	1.0x	5.3x
Qatar Insurance Company	9.8x	1.7x	2.3x
Qatar Islamic Insurance Company	16.0x	3.3x	4.5x
Ras Al Khaimah National Insurance Company	13.3x	2.0x	1.8x
United Cooperative Assurance Company	22.0x	2.1x	0.6x

Source: Zawya, Alpen Capital

Country Profiles

UAE

Key Driving Factors

- **Demographic factors:** Population growth of around 3% between 2012 and 2017 is expected to be a major factor driving growth of the insurance industry in the UAE. High proportion of expatriates and an ageing population also bode well for the medical and life insurance segments, in particular.
- **Personal income:** The UAE has one of the highest levels of GDP per capita in the Middle East. General income of the residents is forecast to expand further, thus increasing their likelihood of investing in insurance.
- **Business climate:** The UAE has investor friendly government policies and a stable political climate, suitable for attracting large investments in infrastructure and business activities. This provides an expanding base of insurable assets.
- **Compulsory lines:** On the lines of Abu Dhabi, medical insurance is expected to be made mandatory in Dubai and other Emirates in the future. New vehicle sales in the country are projected to expand at a CAGR of 9% through 2017. These factors are likely to support demand for health and motor insurance products respectively.
- **Takaful market:** Islamic insurance is also contributing towards higher awareness and acceptability of insurance products in the UAE.

Recent Industry Developments

- In March 2013, it was reported that the GCC was planning a unified motor insurance policy, with the UAE likely to be chosen for introduction of model regulations on trial basis.
- In February 2013, a senior officer from the General Directorate of Residency and Foreigners Affairs stated that all visitors to the UAE, except those who are eligible to obtain visas on arrival, need to have health insurance.
- In February 2013, the Chairman of Insurance Business Group stated that insurance and reinsurance companies were concerned about fire safety standards of buildings in the UAE.
- In June 2013, the Minister of Education in the UAE announced that the ministry was working on a program for providing health insurance to teachers in the country, and the scheme would be implemented soon.

Macro-economic Indicators

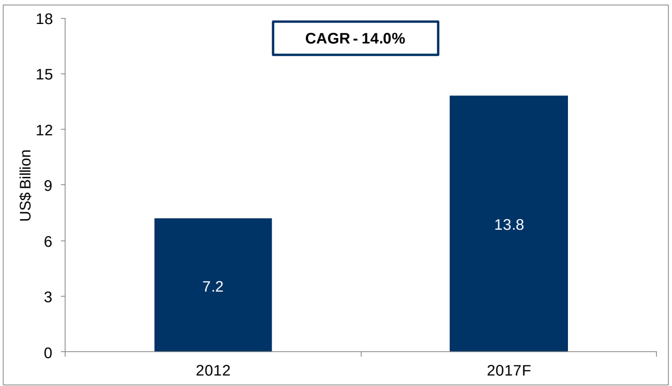
Indicators	Unit	2012E	2013F	2017F
Total GDP, constant prices	*AED bn*	691.4	713.1	822.0
Real GDP growth	*%*	3.9	3.1	3.6
GDP per capita, current prices	*US$*	64,840	64,780	67,028
Population	*mn*	5.5	5.7	6.4
Insurance penetration	*%*	2.0	2.1	3.2
Insurance density	*US$*	1,299	1,388	2,166

Source: International Monetary Fund (WEO Database, April 2013), Alpen Capital
Note: E – Estimated, F – Forecast

Key Players

Company	Type
Abu Dhabi National Insurance Company	Non-life
Al Buhaira National Insurance Company	Non-life
Emirates Insurance Company	Non-life
National General Insurance Company	Life and non-life
Oman Insurance Company	Life and non-life
Orient Insurance Company	Life and non-life
Ras Al Khaimah National Insurance Company	Non-life

Expected Growth of the Insurance Industry



Source: Swiss Re, Alpen Capital

Saudi Arabia

Key Driving Factors

- **Population:** Saudi Arabia is the most populated country in the GCC. Population continues to expand 2%-3% every year, thus providing a larger consumer base for insurers.
- **Economic diversification:** Government's strategy to diversify beyond the hydrocarbons sector has contributed to sustained growth of non-oil GDP. This has created new employment opportunities and economic development, in turn, positively impacting the insurance market.
- **Takaful industry:** Saudi Arabia is one of the largest Takaful markets in the world, and demand for such products is expected to increase strongly in the future on higher acceptance, market evolution, and regulatory improvements.
- **Mortgage law:** The new mortgage law passed in 2012 is expected to boost real estate activity in the kingdom, thus creating new property available for coverage. Moreover, taking fire insurance on mortgaged property and life insurance on borrower's life are likely to be made prerequisites by banks for mortgage lending.
- **Compulsory lines:** Third-party motor and health insurance segments have experienced strong demand due to regulatory requirements, and are anticipated to maintain a solid growth going forward.

Recent Industry Developments

- In May 2013, a unit of Islamic Development Bank launched an insurance product that helps in enhancing the credit rating of sukuk issued by sovereign entities.
- In April 2013, Bank AlJazira announced that the Capital Market Authority has permitted its new Islamic insurance company, Aljazira Takaful Taawuni Co., to launch an initial public offering.
- An industry expert had estimated that policyholders in Saudi Arabia pay SAR 1.8 billion annually as premium for fire insurance.
- In March 2013, the Council of Ministers gave their consent for the kingdom's participation in the joint insurance card scheme for vehicles running across the Arab region.

Macro-economic Indicators

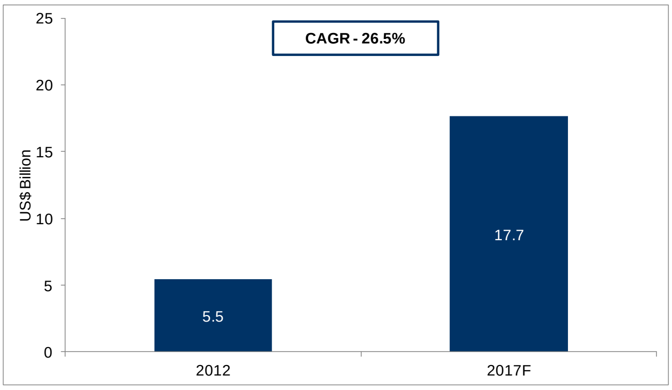
Indicators	Unit	2012E	2013F	2017F
Total GDP, constant prices	*SAR bn*	1,236.4	1,290.6	1,529.5
Real GDP growth	*%*	6.8	4.4	4.4
GDP per capita, current prices	*US$*	25,085	25,163	26,837
Population	*mn*	29.0	29.6	32.1
Insurance penetration	*%*	0.8	0.9	2.1
Insurance density	*US$*	188	234	550

Source: International Monetary Fund (WEO Database, April 2013), Alpen Capital
Note: E – Estimated, F – Forecast

Key Players

Company	Type
The Company for Cooperative Insurance (Tawuniya)	Non-life
Mediterranean & Gulf Insurance & Reinsurance Co.	Non-life
United Cooperative Assurance Company	Non-life

Expected Growth of the Insurance Industry



Source: Swiss Re, Alpen Capital

Kuwait

Key Driving Factors

- **Customer base:** Significantly low insurance density despite a large presence of expatriates and high general income levels of people make Kuwait a strong growth prospect for insurance companies. Further, the number of residents in the country is projected to grow at an annual average growth rate of 2.8% between 2012 and 2017.
- **Infrastructure development:** In order to facilitate economic diversification and sustainable growth, the Kuwaiti government allocates significant spending towards construction and infrastructure development. This is expected to present business opportunities for the country's insurance companies.
- **Regulatory overhaul:** Deliberations are being made to modernize the outdated insurance regulations in Kuwait. Insurance landscape in the country may see strong development once the new regime is implemented.
- **Other factors:** Demand for medical and motor insurance products due to government obligations and the growth of Takaful segment are also likely to support insurance sector in the country.

Macro-economic Indicators

Indicators	Unit	2012E	2013F	2017F
Total GDP, constant prices	*KWD bn*	20.2	20.4	23.6
Real GDP growth	*%*	5.1	1.1	3.9
GDP per capita, current prices	*US$*	45,824	44,585	43,919
Population	*mn*	3.8	3.9	4.3
Insurance penetration	*%*	0.6	0.6	0.7
Insurance density	*US$*	256	261	313

Source: International Monetary Fund (WEO Database, April 2013), Alpen Capital
Note: E – Estimated, F – Forecast

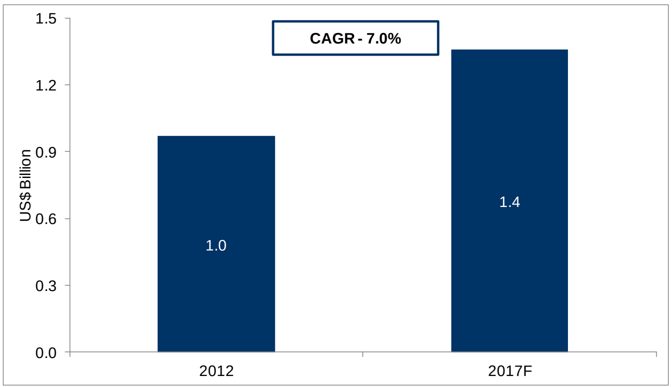
Key Players

Company	Type
Gulf Insurance Company	Life and non-life

Recent Industry Developments

- In April 2013, it was reported that the Ministry of Health would soon introduce a health insurance system allowing citizens to select between public and private hospitals, as a step towards implementing a health insurance plan for citizens.
- In November 2012, Gulf Insurance Company successfully completed a five-year bond issue to raise US$ 500 million in the US dollar bond market.
- In June 2012, Gulf Insurance Company announced that it sought to acquire up to 25% interest in the UAE-based Alliance Insurance.
- In May 2012, the Minister of Commerce and Industry stated that the government would soon issue a draft law for establishing an insurance regulator in Kuwait.

Expected Growth of the Insurance Industry



Source: Swiss Re, Alpen Capital

Qatar

Key Driving Factors

- **Demography:** Population in Qatar is expected to expand at 4.0% annually between 2012 and 2017, making it the fastest growing resident community in the GCC. A largely expatriate workforce and increasing age profile of residents also bodes well for the insurance sector.
- **Affluence:** Qatar is one of the wealthiest countries in the world in terms of GDP per capita. High personal wealth and healthy economic growth suggest strong prospects of people and businesses to invest in insurance products.
- **Construction activity:** Pursuant to its long-term vision and in preparation for the 2022 FIFA World Cup, infrastructure spending in Qatar is projected to reach US$ 150 billion. The swift face of construction being undertaken in the country is providing a major boost to the non-life insurance segment.
- **Health insurance:** Imminent introduction of the compulsory medical insurance law covering nationals, expatriates, and visitors is expected to fuel substantial growth of the segment.
- **Business environment:** QFC has become a base for international insurance companies due to its favorable business environment. Liberal government policies, ease of doing business, and opportunities for underwriting large commercial risks have attracted many primary insurers and reinsurers to the country.

Macro-economic Indicators

Indicators	Unit	2012E	2013F	2017F
Total GDP, constant prices	*QAR bn*	342.2	360.0	458.6
Real GDP growth	*%*	6.6	5.2	7.1
GDP per capita, current prices	*US$*	99,731	98,737	107,099
Population	*mn*	1.8	1.9	2.2
Insurance penetration	*%*	0.7	0.8	0.9
Insurance density	*US$*	707	750	1,015

Source: International Monetary Fund (WEO Database, April 2013), Alpen Capital
Note: E – Estimated, F – Forecast

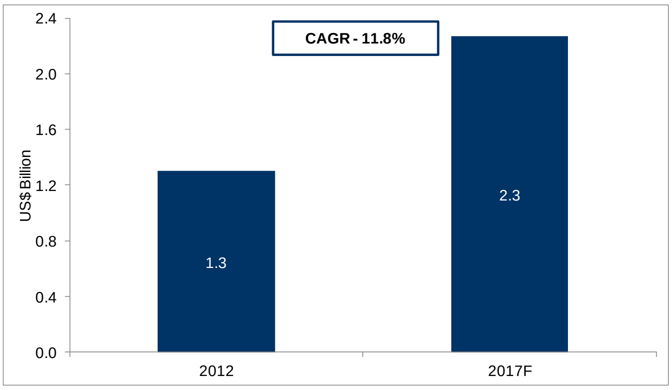
Key Players

Company	Type
Qatar General Insurance and Reinsurance Company	Non-life
Qatar Insurance Company	Non-life
Qatar Islamic Insurance Company	Life and non-life

Recent Industry Developments

- In May 2013, the insurance industry in Qatar was forecast to expand by over 5% y-o-y in 2013 and outperform most of the other GCC markets. Robust infrastructure spending in the country was seen as one of the major growth drivers.
- Qatari insurance companies experienced a 25.5% y-o-y increase in net profit in the first quarter of 2013. The profit growth of most of the companies was substantially better than that in the same period of last year.
- In March 2013, the Chief Executive of Lussail Real Estate Development Company stated that the number of insurable assets is likely to increase at a high rate in Qatar with several mega projects being planned in preparation of the 2022 FIFA World Cup.

Expected Growth of the Insurance Industry



Source: Swiss Re, Alpen Capital

Bahrain

Key Driving Factors

- **Population:** The population base in Bahrain is forecast to expand at a CAGR of 2.0% between 2012 and 2017. Moreover, the number of older residents is likely to expand at a higher pace going forward, thus offering growth potential in the life and medical insurance segments.
- **Market maturity:** Bahrain is structurally the most developed insurance market in the Gulf with the highest penetration rate and density. This indicates that people's awareness and acceptance is substantially inclined in favor of insurance industry in the country.
- **Compulsory medical cover:** The Bahraini government is expected to implement a mandatory health insurance program for expatriates in the near future. With the country being home to a large population of non-nationals, the new ruling can strongly boost demand for health insurance products.
- **Other factors:** An established supervisory framework, increase in new vehicles, stable economic growth, and an expanding Takaful market are other key factors likely to support Bahrain's insurance industry, going forward.

Macro-economic Indicators

Indicators	Unit	2012E	2013F	2017F
Total GDP, constant prices	*BHD bn*	5.4	5.7	6.5
Real GDP growth	*%*	3.9	4.2	3.8
GDP per capita, current prices	*US$*	23,477	23,930	25,280
Population	*mn*	1.2	1.2	1.3
Insurance penetration	*%*	2.3	2.5	3.2
Insurance density	*US$*	544	594	801

Source: International Monetary Fund (WEO Database, April 2013), Alpen Capital
Note: E – Estimated, F – Forecast

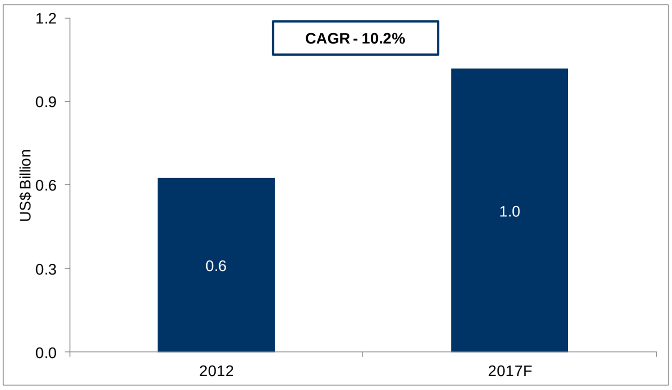
Key Players

Company	Type
Bahrain National Holding Company	Life and non-life

Recent Industry Developments

- In May 2013, NEXtCARE Holding, a leading third-party administrator in the MENA region, obtained an approval from the Central Bank of Bahrain for setting up a subsidiary in the country.
- In March 2013, the Chairman of Bahrain National Holding stated that the company was seeking to acquire interest in a major insurance player in the region.
- In March 2013, Bahrain Islamic Bank acknowledged that both National Bank of Bahrain and Social Insurance Organization had acquired 25.8% of its shares from Investment Dar Co. of Kuwait.
- In February 2013, Bahrain National Insurance Company was recognized as 'Bahrain Insurer of the Year' in the 2013 MENA Insurance Awards.

Expected Growth of the Insurance Industry



Source: Swiss Re, Alpen Capital

Oman

Key Driving Factors

- **Demographic factors:** Population in Oman is projected to grow at an annual average rate of 3.1% between 2012 and 2017. Majority of residents belong to the working group, thus increasing their capacity of investing in insurable assets and life products. The gradual ageing of population in the long term is also a potential growth driver for the insurance sector.
- **Government spending:** The strategic move towards economic diversification has prompted the Omani government to allocate substantial financial resources towards infrastructure development. These projects are expected to generate demand for commercial insurance, apart from personal insurance by creating additional employment.
- **Compulsory lines:** Rising income levels of people has boosted demand for automobiles in Oman. This would benefit the motor insurance segment since third-party motor insurance is compulsory. The introduction of mandatory medical insurance in future could significantly drive sales of related insurance products in the country.
- **New regulatory framework:** Oman is likely to soon have an improved set of regulations for both the conventional and Takaful segments. This could provide a conducive environment for development of the country's insurance industry, going forward.

Recent Industry Developments

- In April 2013, Al Anwar Holding stated that its subsidiary, Falcon Insurance Co., had signed a memorandum of understanding with an unidentified company for evaluating the prospect of a merger.
- In March 2013, it was reported that the Capital Market Authority was likely to pass a new insurance law prepared in line with the draft regulation decided by the Gulf countries.
- In the budget for 2013, the Omani government announced generation of 56,000 jobs and a substantial increase in spending towards social and infrastructure development, thus creating expectations that it would boost the insurance sector.
- In September 2012, Oman Insurance Company announced acquisition of a 51% stake in Dubai Group Sigorta, a Turkey-based insurance company.

Macro-economic Indicators

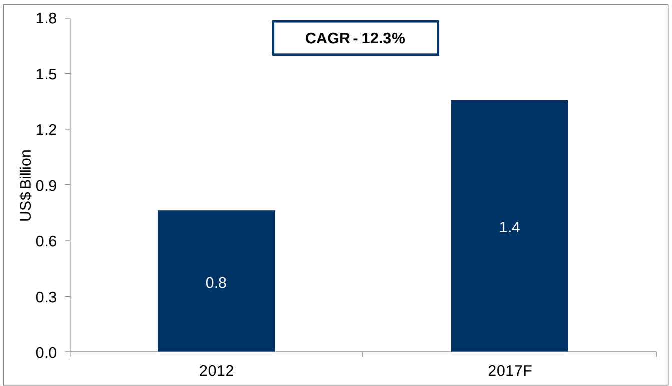
Indicators	Unit	2012E	2013F	2017F
Total GDP, constant prices	*OMR bn*	13.3	13.8	15.8
Real GDP growth	*%*	5.0	4.2	3.5
GDP per capita, current prices	*US$*	24,765	24,729	24,304
Population	*mn*	3.1	3.2	3.6
Insurance penetration	*%*	1.0	1.1	1.6
Insurance density	*US$*	247	271	378

Source: International Monetary Fund (WEO Database, April 2013), Alpen Capital
Note: E – Estimated, F – Forecast

Key Players

Company	Type
Dhofar Insurance Company	Life and non-life
Oman National Investment Corporation Holding	Life and non-life
Oman United Insurance Company	Life and non-life

Expected Growth of the Insurance Industry



Source: Swiss Re, Alpen Capital

Company Profiles

Abu Dhabi National Insurance Company — UAE

Company Description

Abu Dhabi National Insurance Company P.S.C. (ADNIC), founded in 1972, is engaged in insurance and reinsurance business in the UAE. The company provides insurance solutions to individuals, commercial enterprises, and overseas customers. ADNIC also offers claims management services.

Business Segments/Product Portfolio

The two main business segments of the company are marine & aviation insurance and non-marine insurance, which contributed 21.9% and 78.1% respectively to GWP in FY2012.

- Marine & aviation insurance business offers marine cargo and hull; yachts and small crafts; aviation hull and spares; repairs and maintenance; airport owners, operators and hangar-keepers liability; and loss of license insurance.
- Non-marine insurance business includes provision of fire, engineering, general accident, motor, medical, travel, group life, group personal accident, group credit card, energy, livestock, money, jewelry, and property insurance.

Key Strengths

- One of the leading players in the UAE insurance market
- Top-notch ratings: "A" by A.M. Best and "A- Stable" by Standard & Poor's
- Strong capitalization base and liquidity position

Recent Developments/Future Plans

- In April 2013, the company announced that it witnessed a 1.8% y-o-y growth in GWP to US$ 203.5 million in Q1 2013. Also, NUP grew by 3.6% y-o-y to US$ 29.3 million in the same period. However, net profit declined by 6.9% y-o-y to US$ 39.4 million owing to increased staff costs and general expenses.
- In January 2013, the company signed a contract with the Society of Engineers – UAE, to provide custom-made insurance solutions to the society's member engineers.
- In December 2012, the company received ISO 9001:2008 certification assuring superior quality service and high customer satisfaction.
- In December 2012, ADNIC partnered with Ghantoot Marina and Resort, where the company will design tailor-made marine insurance solutions for yacht owners.
- In November 2012, ADNIC entered into a strategic partnership with MSH INTERNATIONAL where the latter would administer the company's medical claims.

Current price (US$)	1.47

Price as on June 20, 2013

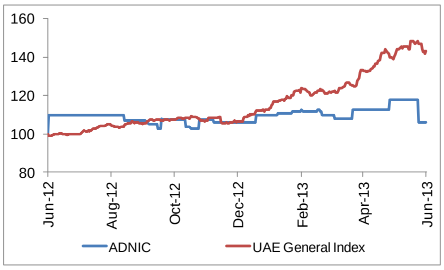
Stock Details	
Bloomberg ticker	ADNIC UH
52 week high/low	1.63/1.43
Market cap (US$ mn)	551.3
Enterprise value (US$ mn)	256.8
Shares outstanding (mn)	375.0

Source: Bloomberg

Average Daily Turnover (000's)

	AED	US$
3M	4.9	1.3
6M	55.0	15.0

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	13.9	15.0	7.7
P/B (x)	1.0	1.0	1.0
EV/S (x)	0.6	0.6	N/A
Dividend yield (%)	6.5	N/A	10.9

Source: Bloomberg

Shareholding Structure	
Abu Dhabi Investment Council	23.80%
Khalaf Bin Ahmed Al Otaiba	10.11%
HH Sheikh Tahnoon Bin Mohammed Al-Nehayan	5.30%
Al Dhabi International Investments	5.12%
Public	55.67%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2011**	**2012**	**Change (%)**	
Gross Written Premium	562.4	626.0	*11.3*	
Net Written Premium	308.4	357.5	*15.9*	
Net Underwriting Profit	74.8	76.0	*1.6*	
Margin (%)	*13.3*	*12.1*		
Net Profit for the Year	43.1	39.4	*(8.5)*	
Margin (%)	*7.7*	*6.3*		
Return on Average Equity (%)	*7.8*	*7.0*		
Return on Average Assets (%)	*4.4*	*3.7*		

- *GWP rose by 11.3% y-o-y to US$ 626 million in FY2012 owing to improvement in product pricing and offerings and distribution channels. NWP increased by 15.9% y-o-y to US$ 357.5 million.*
- *NUP grew by only 1.6% y-o-y to US$ 76.0 million in FY2012 on account of increased underwriting costs and higher insurance claims.*
- *Further, net profit fell by 8.5% y-o-y to US$ 39.4 million during the same period due to higher salaries and general expenses.*

Source: Zawya, Company filings

Al Buhaira National Insurance Company — UAE

Company Description

Al Buhaira National Insurance Company P.S.C. (ABNIC), based in Sharjah, primarily provides insurance solutions in the UAE. The company offers property, engineering, energy, marine, aviation, group life, group medical, motor, and travel insurance. ABNIC also provides Takaful insurance and saving plans, and invests in financial instruments and real estate properties. Established in 1978, the company was listed on the Abu Dhabi Securities Market in 2005.

Business Segments/Product Portfolio

Underwriting of general insurance and investments are the two major business segments of the company.

- Property insurance comprises products that provide coverage for losses by fire, burglary and other allied perils, householder's comprehensive insurance, etc.
- Engineering insurance solutions include contractors, plant and machinery, electronic equipment, machinery breakdown, and stock deterioration insurance.
- ABNIC provides cover for energy risks such as business interruption, downstream liabilities and material loss to oil and gas, petrochemicals and electric utilities.
- Marine cargo and hull, freight forwarder's legal liability, yachts, crafts, and aviation hull insurance solutions fall under the marine & aviation insurance category.
- The company also offers comprehensive motor insurance, third-party liability insurance, and travel insurance.
- Investments segment includes investments in equities, deposits with banks and properties.

Key Strengths

- Long presence in the insurance industry
- Well-diversified business
- Custom-made insurance plans

Recent Developments/Future Plans

- In April 2013, ABNIC announced that it recorded a 7.4% y-o-y increase in GWP to US$ 50.4 million in Q1 2013. NWP also grew by 12.5% y-o-y to US$ 22.2 million in the same period. However, NUP rose by only 2.8% y-o-y to US$ 4.9 million owing to increased insurance claims. On the other hand, net profit fell by 2.8% y-o-y to US$ 4.8 million due to higher finance costs.

Current price (US$)	0.71

Price as on June 11, 2013

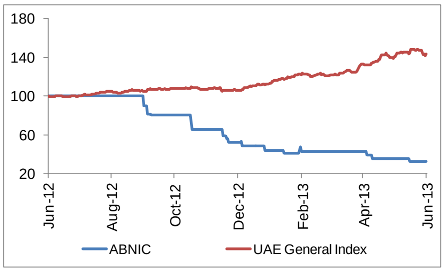
Stock Details	
Bloomberg ticker	ABNIC UH
52 week high/low	2.18/0.71
Market cap (US$ mn)	177.0
Enterprise value (US$ mn)	273.0
Shares outstanding (mn)	250.0

Source: Bloomberg

Average Daily Turnover (000's)

	AED	US$
3M	130.8	35.6
6M	206.4	56.2

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	55.0	43.3	N/A
P/B (x)	1.6	1.0	N/A
EV/S (x)	3.7	2.7	N/A
Dividend Yield (%)	0.0	N/A	N/A

Source: Bloomberg

Shareholding Structure	
The Private Investment Group	27.72%
HE Sheikh Abdulla Mohd Ali Al Thani	13.47%
HE Sheikh Faisal Bin Khalid Sultan Al Qasimi	12.33%
HH Sheikh Tarek Bin Faisal Bin Khalid Sultan Al Qasimi	9.58%
Public	36.90%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2011**	**2012**	**Change (%)**	
Gross Written Premium	166.2	143.8	*(13.5)*	
Net Written Premium	77.6	63.9	*(17.7)*	
Net Underwriting Profit	14.2	13.3	*(5.9)*	
Margin (%)	*8.5*	*9.3*		
Net Profit for the Year	6.9	4.7	*(32.5)*	
Margin (%)	*4.2*	*3.2*		
Return on Average Equity (%)	*4.2*	*2.9*		
Return on Average Assets (%)	*1.3*	*0.9*		

- *GWP declined by 13.5% y-o-y to US$ 143.8 million in FY2012. NWP decreased by 17.7% y-o-y to US$ 63.9 million.*
- *As a result of decrease in insurance claims, NUP fell by only 5.9% y-o-y to US$ 13.3 million in FY2012.*
- *On the other hand, net profit decreased significantly by 32.5% y-o-y to US$ 4.7 million in FY2012 on account of investment loss and higher finance costs.*

Source: Zawya, Company filings

ALPEN CAPITAL

Bahrain National Holding Company — Bahrain

Company Description

Bahrain National Holding Company B.S.C. (BNH) is engaged in providing various types of insurance and risk management products. It primarily offers motor and general insurance products to individuals and commercial enterprises. The company also offers life assurance and medical products to individuals and groups. Incorporated in 1998 with the merger of Bahrain Insurance Company and National Insurance Company, BNH went public in 1999. The group has a longstanding history of more than 40 years in the insurance industry. BNH is headquartered in Manama, Bahrain.

Business Segments/Product Portfolio

Motor and general insurance, life assurance and medical, and corporate are the three business segments of the company. In FY2012, the motor and general insurance segment contributed 73.6% to GWP, whereas the life assurance and medical segment contributed the remaining 26.4%.

- Motor and general insurance products offered by the company include motor, property, general accidents, engineering, and marine & aviation insurance.
- Life assurance and medical products comprise group life, group credit life, decrease in term assurance, level term assurance, and saving scheme plans.
- Administrative and financial operations services to the group companies are included in the corporate segment.

Key Strengths

- Long presence in the insurance industry
- One of the leading insurers in the Bahraini market
- Strong capital base and low debt/equity ratio

Recent Developments/Future Plans

- In April 2013, BNH announced 7.8% y-o-y increase in GWP to US$ 17.1 million in Q1 2013. NUP and net profit increased by 47.0% and 52.1% y-o-y to US$ 1.4 million and US$ 3.3 million respectively, during the same period.
- In February 2013, Bahrain National Insurance Company, BNH's wholly owned subsidiary, was awarded 'Bahrain Insurer of the Year' by the 2013 MENA Insurance Awards organized by MENA Insurance Review.
- In December 2012, Bahrain National Insurance Company was assigned with a financial strength rating of "B++" and issuer credit rating of "bbb+" by A.M. Best Europe - Rating Services Limited, with stable outlook for both the ratings.

Current price (US$)	0.95

Price as on June 25, 2013

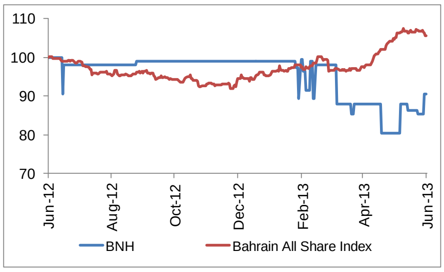
Stock Details	
Bloomberg ticker	BNH BI
52 week high/ low	1.05/0.85
Market cap (US$ mn)	108.4
Enterprise value (US$ mn)	81.6
Shares outstanding (mn)	113.5

Source: Bloomberg

Average Daily Turnover (000's)

	BHD	US$
3M	1.3	3.3
6M	1.0	2.7

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	N/A	14.0	N/A
P/B (x)	N/A	1.0	N/A
EV/S (x)	N/A	1.9	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Youssef Abdullah Al Amin	10.91%
National Insurance Company - Iraq	6.55%
Abdulhamid Zainal Mohammed Zainal	5.77%
Public	76.77%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	58.1	61.8	*6.3*
Net Written Premium	35.4	38.7	*9.5*
Net Underwriting Profit	5.9	3.9	*(33.5)*
Margin (%)	*10.2*	*6.4*	
Net Profit for the Year	8.8	6.2	*(29.7)*
Margin (%)	*15.1*	*10.0*	
Return on Average Equity (%)	*7.8*	*5.3*	
Return on Average Assets (%)	*4.3*	*2.9*	

- *GWP increased by 6.3% y-o-y to US$ 61.8 million in FY2012 owing to increased premium from life assurance and medical insurance products. Net written premium (NWP) rose by 9.5% y-o-y to US$ 38.7 million during the same period.*
- *NUP decreased by 33.5% y-o-y to US$ 3.9 million in FY2012 on account of higher insurance claims and increase in operating costs.*
- *Net profit declined by 29.7% to US$ 6.2 million in FY2012 due to increase in policyholders' share of investment and decrease in net investment income.*

Source: Zawya, Company filings

Company for Cooperative Insurance — Saudi Arabia

Company Description

The Company for Cooperative Insurance (Tawuniya), based in Riyadh undertakes cooperative insurance operations and related activities such as reinsurance or agency activities. Tawuniya provides insurance solutions to both individual and corporate clients. The company was incorporated in 1986 and operates through more than 100 regional and sales offices.

Business Segments/Product Portfolio

Medical, motor, and property and casualty are the three segments of the company, contributing 62.5%, 20.7%, and 16.8% respectively to GWP in FY2012.

- The medical insurance division comprises comprehensive family, group medical, and Takaful insurance products.
- Motor insurance products include third-party only, third-party and limited own damage, comprehensive, and Shariah-compliant insurance.
- Property and casualty segment includes property, engineering, marine, aviation, energy, and general accidents insurance products.

Key Strengths

- Wide distribution network
- Leading insurer with a 25% market share in terms of GWP (2011) in Saudi Arabia
- “A” rating by Standard & Poor's for seven consecutive years

Recent Developments/Future Plans

- In May 2013, Tawuniya and Aetna formed a strategic alliance to provide comprehensive health care solutions to customers.
- In April 2013, Tawuniya announced a 12.2% y-o-y growth in GWP to US$ 323.3 million in Q1 2013. However, the company reported net underwriting loss of US$ 7.1 million during the same period due to increased insurance claims and higher policy acquisition costs. Net loss in the quarter was US$ 18.2 million.
- In October 2012, Tawuniya opened a new area office in the Southern region in Khamis Mushait city.

Current price (US$)	8.60

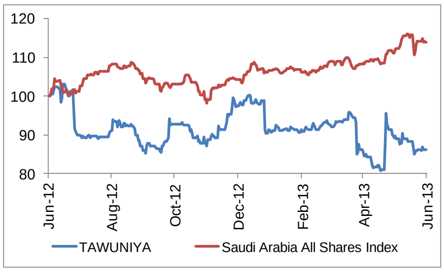
Price as on June 26, 2013

Stock Details	
Bloomberg ticker	TAWUNIYA AB
52 week high/low	9.70/7.60
Market cap (US$ mn)	810.6
Enterprise value (US$ mn)	787.3
Shares outstanding (mn)	100.0

Source: Bloomberg

Average Daily Turnover (000’s)		
	SAR	**US$**
3M	12,768.5	3,404.7
6M	11,335.0	3,022.4

Share Price Chart



Valuation Multiples			
	2012	**Current**	**2013E**
P/E (x)	10.8	15.3	19.1
P/B (x)	1.6	1.5	1.0
EV/S (x)	9.2	12.9	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Public Pension Agency	23.70%
General Organization for Social Insurance - Saudi Arabia	22.80%
Public	53.50%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	1,181.5	1,502.4	*27.2*
Net Written Premium	916.2	1,200.2	*31.0*
Net Underwriting Profit	188.8	136.8	*(27.5)*
Margin (%)	*16.0*	*9.1*	
Net Profit for the Year	117.1	85.3	*(27.2)*
Margin (%)	*9.9*	*5.7*	
Return on Average Equity (%)	*23.0*	*15.3*	
Return on Average Assets (%)	*5.9*	*4.1*	

- *GWP rose by 27.2% y-o-y to US$ 1,502.4 million in FY2012 owing to increase in premium income from medical insurance products. NWP increased by 31.0% y-o-y to US$ 1,200.2 million.*
- *However, increased insurance claims and higher policy acquisition costs resulted in a significant 27.5% y-o-y decline in NUP to US$ 136.8 million in the same period.*
- *Net profit also fell by 27.2% y-o-y to US$ 85.3 million in FY2012 although investment income increased substantially by 126.5% yo-y to US$29.5 million.*

Source: Zawya, Company filings

Dhofar Insurance Company — Oman

Company Description

Dhofar Insurance Company S.A.O.G. (DIC), incorporated in 1989, is engaged in writing all types of general and life insurance. The company has relationship with reinsurers in Europe, the Middle East, and the Far East. DIC is headquartered in Rumi, Oman and operates across the country through more than 35 branches.

Business Segments/Product Portfolio

The company has two business segments: general insurance and life insurance. The general insurance segment had a major share of 92.4% in overall GWP in FY2012, whereas the remaining share of 7.6% was held by the life insurance business.

- The general insurance solutions offered by DIC include construction, energy, engineering, oil and petrochemical, money, property, motor, fire and general accident, marine cargo and hull, and travel insurance.
- The company offers life insurance, health insurance, and personal accident insurance products under its life insurance business.

Key Strengths

- One of the leading insurers in Oman
- Wide distribution network spread across the country

Recent Developments/Future Plans

- In April 2013, DIC reported a 12.0% y-o-y increase in GWP to US$ 42.2 million in Q1 2013. Further, NUP surged by 27.9% y-o-y to US$ 6.2 million during the same period. Net profit also increased by 9.0% y-o-y to US$ 4.1 million.

Current price (US$)	0.53

Price as on June 27, 2013

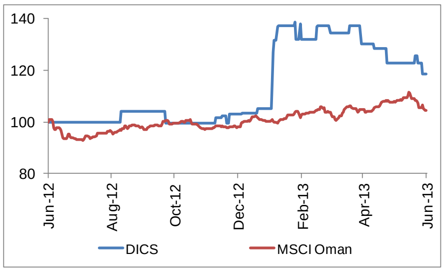
Stock Details	
Bloomberg ticker	DICS OM
52 week high/low	0.62/0.44
Market cap (US$ mn)	105.5
Enterprise value (US$ mn)	94.6
Shares outstanding (mn)	200.0

Source: Bloomberg

Average Daily Turnover (000's)

	OMR	US$
3M	46.6	121.1
6M	37.3	96.9

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	6.1	6.8	N/A
P/B (x)	1.1	1.2	N/A
EV/S (x)	1.1	1.4	N/A
Dividend yield (%)	2.8	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Dhofar International Development and Investment	30.62%
Abdulalem Bin Mustahel Nassib Rakhyout	15.08%
Qatar General Insurance and Reinsurance Co	6.45%
Public/Others	47.85%
Total	**100.00%**

Source: Zawya

ALPEN CAPITAL

Financial Performance				
US$ Million	**2011**	**2012**	**Change (%)**	
Gross Written Premium	135.7	141.1	*4.0*	
Net Written Premium	39.9	47.5	*19.1*	
Net Underwriting Profit	1.4	19.2	*1251.1*	
Margin (%)	*1.0*	*13.6*		
Net Profit for the Year	(5.8)	15.2	*N/A*	
Margin (%)	*(4.3)*	*10.8*		
Return on Average Equity (%)	*(7.3)*	*18.7*		
Return on Average Assets (%)	*(1.9)*	*5.0*		

- *GWP rose by 4.0% y-o-y increase to US$ 141.1 million in FY2012 owing to increase in premium income of both the business segments. NWP increased by 19.1% y-o-y to US$ 47.5 million.*
- *NUP grew from US$ 1.4 million in FY2011 to US$ 19.2 million in FY2012 due to a significant 31.0% y-o-y decrease in net insurance claims incurred.*
- *OIC recorded net profit of US$ 15.2 million in FY2012 as against a loss of US$ 5.8 million in FY2011. Along with increase in NUP, higher net investment income positively affected the net profit.*

Source: Zawya, Company filings

Emirates Insurance Company UAE

Company Description

Incorporated in 1982, Emirates Insurance Company P.S.C. (EIC) is engaged in the business of insurance and reinsurance in the UAE. The company offers motor, engineering, fire and general accidents, marine & aviation, medical and personal, and oil & gas insurance. EIC distributes its products through brokers, directly to corporate clients and individuals and other insurance companies. The company also invests in financial assets and properties. EIC is headquartered in Abu Dhabi.

Business Segments/Product Portfolio

The two operating segments of the company are underwriting of general insurance and investments.

- Motor insurance products include third-party only, third-party fire and third-party theft, and comprehensive car insurance.
- EIC offers term life, group medical, and individual personal accident insurance under its medical and life assurance product category.
- Marine & aviation insurance comprises cover on marine cargo and hull, yachts, tonnage, docks, aviation hull, and third-party aviation liabilities.
- Insurance for oil & gas operations, which covers equipment, re-drilling expense, damage of pipeline, rigs, platforms, etc. are also offered by EIC.
- Investments segment manages investments in equities, funds, bonds, deposits, properties, and other securities.

Key Strengths

- Strong footprint in the UAE insurance industry
- Reinsurance partnership with leading reinsurers such as Swiss Re, Mitsui Sumitomo, Arig, Lloyd’s, etc.

Recent Developments/Future Plans

- In April 2013, the company announced a 5.8% y-o-y growth in GWP to US$ 59.9 million in Q1 2013 owing to traction in the international energy division. NUP grew by 7.7% y-o-y to US$ 7.6 million during the same period. However, net profit increased marginally to US$ 10.3 million.
- In September 2012, A.M. Best assigned a financial strength rating of “A-“ and issuer credit rating of “a-“ to EIC. Outlook for both the ratings was stable.

Current price (US$)	1.70

Price as on April 21, 2013

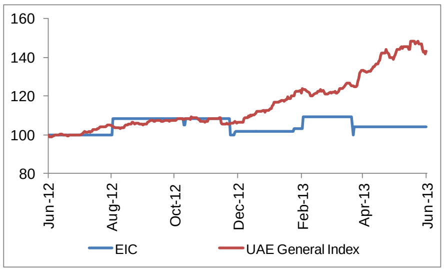
Stock Details	
Bloomberg ticker	EIC UH
52 week high/low	1.78/1.63
Market cap (US$ mn)	N/A
Enterprise value (US$ mn)	N/A
Shares outstanding (mn)	135.0

Source: Bloomberg

Average Daily Turnover (000’s)

	AED	US$
3M	11.5	3.1
6M	18.5	5.0

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	8.3	N/A	N/A
P/B (x)	1.0	N/A	N/A
EV/S (x)	2.2	N/A	N/A
Dividend yield (%)	9.8	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Al Dhabi International Investments	15.38%
Al Mazroui Group	14.82%
Abu Dhabi Investment Council	11.81%
Public	57.99%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2011**	**2012**	**Change (%)**	
Gross Written Premium	175.1	175.7	*0.3*	
Net Written Premium	62.7	69.6	*11.1*	
Net Underwriting Profit	16.8	15.3	*(9.0)*	
Margin (%)	*9.6*	*8.7*		
Net Profit for the Year	29.2	27.4	*(6.3)*	
Margin (%)	*16.7*	*15.6*		
Return on Average Equity (%)	*13.7*	*12.7*		
Return on Average Assets (%)	*7.0*	*6.4*		

- *GWP grew marginally by 0.3% y-o-y to US$ 175.7 million in FY2012 due to high competition in the insurance market. However, NWP increased by 11.1% y-o-y to US$ 69.6 million owing to fall in insurance ceded.*
- *High operating expenses and increased insurance claims resulted in a 9.0% y-o-y fall in NUP to US$ 15.3 million during the same period.*
- *Net profit fell by 6.3% y-o-y to US$ 27.4 million in FY2012.*

Source: Zawya, Company filings

Gulf Insurance Company — Kuwait

Company Description

Gulf Insurance Company K.S.C. (GIC), established in 1962, provides both life and non-life insurance solutions. GIC primarily offers motor, marine & aviation, property & casualty, and life and health insurance products to individuals and commercial enterprises. Along with conventional insurance, the company also offers its products on Takaful basis. The company is based in Safat, Kuwait and is a leading player in terms of premium written, both in life and non-life insurance market.

Business Segments/Product Portfolio

General risk insurance, and life and medical insurance are the two major business segments of the company contributing 55.9% and 44.1% to GWP in FY2012.

- Motor insurance products offered by the company include orange card cover, third-party liability insurance, gold car policy insurance, and GAP (Guarantee Auto Protection) insurance.
- GIC also offers marine cargo, marine hull, and liability insurance products.
- The company's property and casualty insurance products include engineering, property, liabilities, money, personal accident, and general accident insurance.
- Individual life and health insurance products provided by GIC include Baslam healthcare plan, Bupa International plan, and Preferred Global Health plan.
- GIC's group life and medical insurance products comprise term life insurance, credit life insurance, Gulf elite system, and Gulf med system.

Key Strengths

- Long presence in the insurance industry in Kuwait
- Largest insurer in terms of premiums written and retained in the country
- "A-" rating for strengthened risk controls and capitalization by Standard & Poor's

Recent Developments/Future Plans

- In December 2012, A.M. Best Europe – Rating Services Limited affirmed the financial strength rating of "A-" and issuer credit rating of "a-," with a stable outlook to Bahrain Kuwait Insurance Company B.S.C., GIC's key subsidiary.
- In October 2012, GIC signed a contract with Burgan Bank to borrow US$ 52.7 million to pay insurance claims and support its regional expansion plans.
- In July 2012, Global Banking and Finance Review awarded GIC the "Best Insurance Provider in the Middle East 2012".
- In June 2012, GIC announced its intention to buy up to 25% stake in the UAE's Alliance Insurance, which provides both life and non-life insurance solutions.

Current price (US$)	2.00

Price as on June 26, 2013

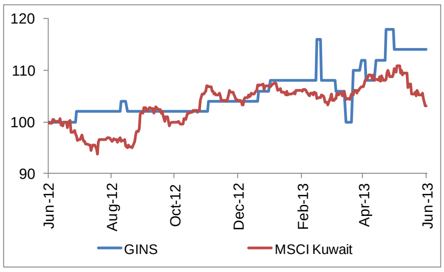
Stock Details	
Bloomberg ticker	GINS KK
52 week high/low	2.06/1.76
Market cap (US$ mn)	374.0
Enterprise value (US$ mn)	348.2
Shares outstanding (mn)	187.0

Source: Bloomberg

Average Daily Turnover (000's)

	KWD	US$
3M	1,869.7	6,630.5
6M	1,073.6	3,781.5

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	10.3	11.6	N/A
P/B (x)	1.3	1.5	N/A
EV/S (x)	0.9	1.1	N/A
Dividend yield (%)	4.8	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Kuwait Projects Co. (Holding)	44.04%
Fairfax Financial Holdings Ltd.	41.43%
Public	14.53%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	484.4	519.0	*7.1*
Net Written Premium	243.2	263.1	*8.2*
Net Underwriting Profit	35.6	31.1	*(12.7)*
Margin (%)	*7.4*	*6.0*	
Net Profit for the Year	32.7	39.7	*21.3*
Margin (%)	*6.8*	*7.7*	
Return on Average Equity (%)	*10.4*	*13.3*	
Return on Average Assets (%)	*2.7*	*3.3*	

- *GWP witnessed a 7.1% y-o-y increase to US$ 519.0 million in FY2012 as a result of increase in premium mainly from motor vehicles, life, and medical insurance products. NWP grew by 8.2% y-o-y to US$ 263.1 million during the same period.*
- *NUP decreased by 12.7% y-o-y to US$ 31.1 million in FY2012 owing to increased insurance claims and commissions and higher general and administrative expenses. Consequently, NUP margin declined to 6.0%.*
- *Despite decrease in NUP, net profit jumped by 21.3% y-o-y to US$ 39.7 million during the period on account of increase in investment income.*

Source: Zawya, Company filings

Mediterranean & Gulf Cooperative Insurance & Reinsurance Co. Saudi Arabia

Company Description

Mediterranean & Gulf Cooperative Insurance & Reinsurance Company S.J.S.C. (MedGulf), started in 1980, is engaged in providing insurance and reinsurance products and services. The company also provides risk management and administration services in the Middle East. Additionally, it acts as a third-party administrator and manages and services its medical insurance portfolio. The company is headquartered in Riyadh and operates in Saudi Arabia, Lebanon, Bahrain, the UAE, Jordan, Turkey, and the UK. MedGulf was listed on Riyadh Tadawul Stock Exchange in 2007.

Business Segments/Product Portfolio

- Medical, motor, and others are the three operating segments of the company, contributing 74.9%, 6.8%, and 18.3% respectively to GWP in FY2012.
- The company primarily offers aviation, banker's blanket bond, burglary, contractor's all risks, credit, credit life, marine cargo and hull, employer's liability insurance, fidelity guarantee, medical, money, motor, personal accident, product liability, professional liability, property all risk, public liability, and workmen's compensation insurance.

Key Strengths

- Well-diversified business lines
- Backing from leading reinsurers such as Swiss Re, Munich Re, Lloyd's, etc.
- Extensive distribution network
- Second-largest insurer in Saudi Arabia

Recent Developments/Future Plans

- In April 2013, the company reported a 4.6% y-o-y growth in GWP to US$ 243.0 million for Q1 2013 reflecting traction in the Motor division. NWP grew by 7.7% y-o-y to US$ 187.7 million during the same period. However, NUP declined by 18.5% y-o-y to US$ 21.7 million. Net profit also decreased by 38.1% y-o-y to US$ 8.2 million.
- In August 2012, Standard & Poor's affirmed a credit rating of "A-" for MedGulf, with a stable outlook.

Current price (US$)	5.49

Price as on June 26, 2013

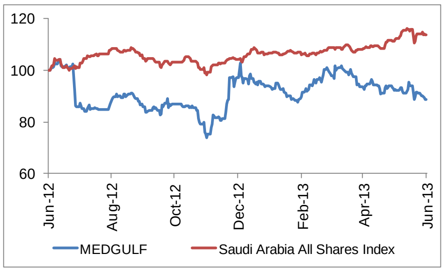
Stock Details	
Bloomberg ticker	MEDGULF AB
52 week high/low	6.44/4.57
Market cap (US$ mn)	549.3
Enterprise value (US$ mn)	454.2
Shares outstanding (mn)	80.0

Source: Bloomberg

Average Daily Turnover (000's)

	SAR	US$
3M	8,852.2	2,360.4
6M	9,529.2	2,540.9

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	11.2	11.3	11.2
P/B (x)	1.9	1.7	1.6
EV/S (x)	9.3	9.1	N/A
Dividend yield (%)	N/A	N/A	4.5

Source: Bloomberg

Shareholding Structure	
Mediterranean and Gulf Insurance and Reinsurance - Bahrain	40.50%
The Saudi Investment Bank	19.00%
Public	25.00%
Others	15.50%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	749.6	884.7	*18.0*
Net Written Premium	511.0	640.5	*25.3*
Net Underwriting Profit	131.2	101.6	*(22.6)*
Margin (%)	*17.5*	*11.5*	
Net Profit for the Year	64.0	53.7	*(16.2)*
Margin (%)	*8.5*	*6.1*	
Return on Average Equity (%)	*21.4*	*17.1*	
Return on Average Assets (%)	*6.1*	*4.9*	

- *The company witnessed an 18.0% y-o-y growth in GWP to US$ 884.7 million in FY2012 due to increased premium income from the Medical division. NWP jumped by 25.3% y-o-y to US$ 640.5 million.*
- *Increased insurance claims resulted in a 22.6% y-o-y decline in NUP to US$ 101.6 million during the same period.*
- *Further, net profit fell by 16.2% y-o-y to US$ 53.7 million in FY2012.*

Source: Zawya, Company filings

National General Insurance Company UAE

Company Description

National General Insurance Company P.S.C. (NGIC), headquartered in Dubai, engages in underwriting life and general insurance products in the UAE. The company offers its products under personal and commercial lines. NGIC also offers a range of life and medical employee benefit plans. The company became an associate member of Emirates NBD Bank, a leading financial institution, in 1996.

Business Segments/Product Portfolio

General insurance and life assurance are the two major business segments of the company, contributing 72.5% and 27.5% respectively to GWP in FY2012.

- General insurance business includes motor vehicle, marine cargo and hull, fire, engineering, general accident, medical, property all risks, business interruption, money, credit, stock brokers, bankers blanket bond, medical malpractice, professional indemnity, public liability, products liability, fidelity guarantee, householder's comprehensive, and travel insurance.
- Life assurance business offers various life insurance plans for individuals and groups. Universal life, level term assurance, decreasing term assurance, renewal term assurance, single premium protection, personal accident, and loan protection plans are the major products under this segment.

Key Strengths

- Strong backing from financially sound shareholders
- No debt burden

Recent Developments/Future Plans

- In April 2013, A.M. Best confirmed financial strength rating of "B++" and issuer credit rating of "bbb" to NGIC, with stable outlook for both the ratings.
- In April 2013, NGIC announced that it witnessed a 6.3% y-o-y fall in GWP to US$ 28.5 million in Q1 2013. However, NUP grew by 3.5% y-o-y to US$ 3.0 million during the same period. On the other hand, net profit soared by 68.8% y-o-y to US$ 8.6 million owing to increase in net investment and interest income.

Current price (US$)	1.86

Price as on March 7, 2013

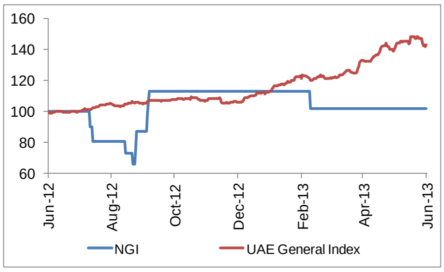
Stock Details	
Bloomberg ticker	NGI UH
52 week high/low	2.07/1.20
Market cap (US$ mn)	N/A
Enterprise value (US$ mn)	N/A
Shares outstanding (mn)	150.0

Source: Bloomberg

Average Daily Turnover (000's)

	AED	US$
3M	N/A	N/A
6M	0.006	0.002

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	N/A	N/A	N/A
P/B (x)	N/A	N/A	N/A
EV/S (x)	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Emirates NBD	36.72%
Commercial Bank of Dubai	17.75%
Mohammed Saleh Ali Naqi Al Zarouni	10.95%
Dubai Investments	8.46%
Public/Others	26.12%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	118.5	122.2	*3.1*
Net Written Premium	67.6	81.5	*20.6*
Net Underwriting Profit	6.6	9.9	*49.8*
Margin (%)	*5.6*	*8.1*	
Net Profit for the Year	7.7	12.6	*63.8*
Margin (%)	*6.5*	*10.3*	
Return on Average Equity (%)	*8.6*	*14.0*	
Return on Average Assets (%)	*3.1*	*5.4*	

- *GWP rose by 3.1% y-o-y to US$ 122.2 million in FY2012. However, NWP increased by 20.6% y-o-y to US$ 81.5 million owing to a significant decrease in insurance ceded.*
- *NUP increased by 49.8% y-o-y to US$ 9.9 million during the same period due to reduced underwriting expenses.*
- *Further, net profit increased by 63.8% y-o-y to US$ 12.6 million in FY2012 on account of higher investment income.*

Source: Zawya, Company filings

ALPEN CAPITAL

Oman Insurance Company | UAE

Company Description

Oman Insurance Company P.S.C. (OIC), based in Dubai, is engaged in providing insurance solutions in the Middle East. The company offers general, life, and health insurance products to individuals and commercial enterprises. OIC also offers its products through the bancassurance channel. Established in 1975, the company has the largest share in the insurance market in the UAE.

Business Segments/Product Portfolio

General insurance, life assurance and medical insurance, and investments are the three operating segments of the company. General insurance and life assurance and medical insurance contributed 50.6% and 49.4% respectively to GWP in FY2012.

- OIC offers property, motor, fire, general accident, engineering, aviation & marine under its general insurance product category.
- The life insurance segment comprises individual life (participating and non-participating), medical, group life, personal accident, and group health insurance. It also includes investment-linked funds.
- The investments operations consist of financial and non-financial investments, deposit with banks, and group's cash management.

Key Strengths

- Market leader in the UAE insurance industry
- Top-notch ratings: "A" by AM Best and "A- Stable" by Standard & Poor's
- Tailor-made insurance solutions
- Strong support from leading re-insurers such as Swiss Re, Allianz, Arig, etc.

Recent Developments/Future Plans

- In April 2013, OIC recorded a 1.1% y-o-y decline in GWP to US$ 243.7 million. Both NUP and net profit declined by 11.4% y-o-y to US$ 15.2 million and US$ 19.2 million respectively in the same period.
- In November 2012, Standard & Poor's raised OIC's rating from "BBB+" to "A-"
- In September 2012, OIC acquired a 51% stake in a Turkish insurance company, Dubai Group Sigorta.
- In August 2012, A.M. Best revised its outlook for OIC from negative to stable, and confirmed financial strength and issuer credit ratings of "A" and "a" respectively.
- In July 2012, OIC entered into a strategic tie-up with National Bank of Fujairah, where the bank would distribute insurance products through its branches.

Current price (US$)	1.21

Price as on June 19, 2013

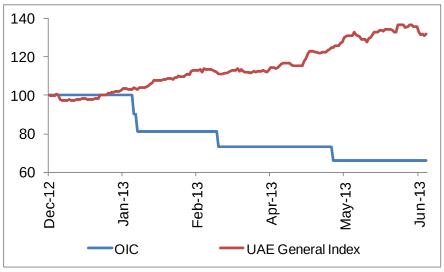
Stock Details	
Bloomberg ticker	OIC UH
52 week high/low	1.84/1.21
Market cap (US$ mn)	559.6
Enterprise value (US$ mn)	365.6
Shares outstanding (mn)	461.9

Source: Bloomberg

Average Daily Turnover (000's)

	AED	US$
3M	0.7	0.2
6M	0.4	0.1

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	15.3	10.4	N/A
P/B (x)	2.0	1.3	N/A
EV/S (x)	0.9	1.6	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Mashreqbank	63.65%
Public	36.35%
Total	**100.00%**

Source: Zawya

ALPEN CAPITAL

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	637.5	665.2	*4.3*
Net Written Premium	320.1	314.6	*(1.7)*
Net Underwriting Profit	91.4	51.3	*(43.9)*
Margin (%)	*14.3*	*7.8*	
Net Profit for the Year	29.4	51.0	*73.2*
Margin (%)	*4.6*	*7.7*	
Return on Average Equity (%)	*7.4*	*13.3*	
Return on Average Assets (%)	*2.3*	*4.4*	

- *Despite fall in premium income from general insurance products, GWP witnessed a 4.3% y-o-y increase to US$ 665.2 million in FY2012 on account of a 46.1% y-o-y increase in premium income from life assurance and medical insurance business. However, NWP fell marginally by 1.7% y-o-y to US$ 314.6 million.*
- *Increased insurance claims and higher underwriting costs led to a significant decrease of 43.9% y-o-y in NUP to US$ 51.3 million in the same period.*
- *Although NUP fell drastically, net profit jumped by 73.2% y-o-y to US$ 51.0 million in FY2012 as a huge loss on impairment of property and equipment was booked in FY2011. Increase in investment income and lower other expenses also helped improve net profit.*

Source: Zawya, Company filings

Oman National Investment Corporation Holding — Oman

Company Description

Oman National Investment Corporation Holding S.O.A.G. (ONIC), based in Muscat, is engaged in the provision of investment and financial services, insurance and related services in particular. Through its subsidiaries and associates, the company offers life and general insurance products, reinsurance, financing, leasing, asset management, and warranty services. ONIC's key subsidiaries include National Life & General Insurance Company (NLGI), International General Insurance Holding, and Oman Orix Leasing Company. The company holds 97.3% stake in NLGI.

Business Segments/Product Portfolio

General insurance and life insurance, the two primary business segments of the company, contributed 13.2% and 86.8% to GWP in FY2012.

- Under general insurance, ONIC offers motor, aviation, electronic equipment, yacht, travel, property, home, office, marine cargo, money, factory/plant construction, machinery, general and products liability, professional indemnity, etc. to individuals and businesses.
- Life insurance products offered by the group include individual life products such as savings; endowments, and term assurance plans; mortgage protection; comprehensive protection plan; and group life products such as group life, group medical, workmen's compensation, and group credit life insurance.

Key Strengths

- Market leader in the life insurance industry in Oman
- Diverse range of products and services

Recent Developments/Future Plans

- In May 2013, ONIC announced that its net profit nearly tripled to around US$ 8.0 million in Q1 2013. NLGI's gross premium increased by around 39%, whereas its net profit increased by 88.9% y-o-y to US$ 4.4 million. This growth was primarily driven by medical insurance business in the UAE.
- In February 2013, Oman Investment Fund acquired a 41.1% stake in ONIC from Dubai Insurance Group.
- In August 2012, the company announced its plan to invest in the healthcare sector. ONIC also planned to invest in Takaful insurance business by promoting a joint venture with a regional Islamic insurance company. Further, the company planned to develop two pieces of land at around US$ 10.4 million.

Current price (US$)	0.93

Price as on June 27, 2013

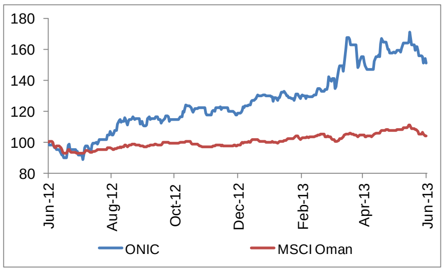
Stock Details	
Bloomberg ticker	ONIC OM
52 week high/low	1.05/0.55
Market cap (US$ mn)	162.8
Enterprise value (US$ mn)	198.2
Shares outstanding (mn)	174.6

Source: Bloomberg

Average Daily Turnover (000's)

	OMR	US$
3M	196.0	509.3
6M	314.9	818.0

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	11.9	10.3	N/A
P/B (x)	0.9	1.1	N/A
EV/S (x)	2.8	8.6	N/A
Dividend yield (%)	5.2	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Oman Investment Fund	41.13%
ORIX Corporation	14.90%
Public/Others	43.97%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2011**	**2012**	**Change (%)**	
Gross Written Premium	91.5	114.0	24.6	
Net Written Premium	34.5	48.9	42.0	
Net Underwriting Profit	9.3	13.6	46.2	
Margin (%)	10.2	12.0		
Net Profit for the Year	4.0	11.2	177.9	
Margin (%)	4.4	9.8		
Return on Average Equity (%)	3.0	8.3		
Return on Average Assets (%)	1.6	4.0		

- *GWP grew by 24.6% y-o-y to US$ 114.0 million in FY2012 on account of a 36.1% y-o-y surge in premium from life insurance-related products. However, owing to proportionately lower increase in premium ceded, NWP rose by 42.0% y-o-y to US$ 48.9 million.*
- *NUP increased by 46.2% y-o-y to US$ 13.6 million in FY2012.*
- *Net profit jumped by 177.9% y-o-y to US$ 11.2 million during the period on account of increase in investment income and share of profits from associates, coupled with lower financing costs.*

Source: Zawya, Company filings

ALPEN CAPITAL

Oman United Insurance Company — Oman

Company Description

Oman United Insurance Company S.A.O.G. (OUIC), headquartered in Ruwi, underwrites life, medical and general insurance products and also undertakes repair and maintenance of motor vehicles in Oman. The company primarily offers personal, small business, corporate, life, and medical insurance; and also provides reinsurance and bancassurance plans.

Business Segments/Product Portfolio

General insurance and life insurance are the two business segments of the company, which contributed 77.2% and 22.8% to GWP in FY2012.

- Personal insurance offered by the company include coverage for car, boat, home, domestic servants, personal accident, and travel.
- Small businesses insurance products are provided to cover shops, offices, hotels, and tradesman.
- OUIC offers corporate insurance products to property owners, auto dealerships, contractors, clinics and medical facilities, marine and transit, and other professions and enterprises.
- The company offers life and medical insurance products such as term and whole life policies, and out-patient and in-patient coverage for corporate groups.
- Through bancassurance channel, the company offers its products to corporates, individuals and affinity groups.

Key Strengths

- Market leader in bancassurance plans in Oman
- Provides customized insurance solutions for corporates
- Second-largest insurer in Oman in terms of direct gross premiums

Recent Developments/Future Plans

- In April 2013, OUIC announced a 5.6% y-o-y increase in GWP to US$ 34.3 million in Q1 2013. However, NUP declined by 17.8% y-o-y to US$ 2.9 million mainly due to fall in underwriting profit in the General insurance segment. Net profit also decreased by 4.6% y-o-y to US$ 4.3 million.
- In February 2013, OUIC decided to venture into the Takaful insurance market by starting a new company to handle Shariah-compliant insurance products.
- In January 2013, MENA Insurance Review awarded OUIC the accolade of 'Oman Insurer of the Year – 2013.'
- In August 2012, the outlook for OUIC was revised from “Stable” to “BBB- Positive” by Standard & Poor’s.

Current price (US$)	0.63

Price as on June 27, 2013

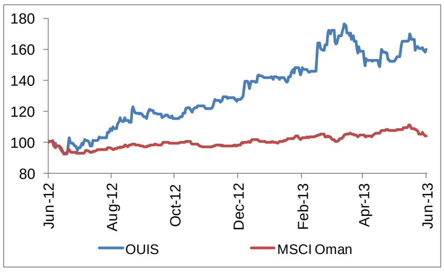
Stock Details	
Bloomberg ticker	OUIS OM
52 week high/low	0.69/0.36
Market cap (US$ mn)	62.9
Enterprise value (US$ mn)	56.9
Shares outstanding (mn)	100.0

Source: Bloomberg

Average Daily Turnover (000’s)

	OMR	US$
3M	166.4	432.4
6M	125.5	326.0

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	7.5	9.0	N/A
P/B (x)	0.9	1.1	N/A
EV/S (x)	0.8	1.0	N/A
Dividend yield (%)	7.7	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Salim Bin Nasser Al Busaidi	30.00%
Dhofar Insurance Company	7.64%
Middle East Investment Company - Oman	5.50%
Public/Others	56.86%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	78.7	94.5	*20.1*
Net Written Premium	36.2	47.0	*29.8*
Net Underwriting Profit	8.6	8.1	*(5.8)*
Margin (%)	*10.9*	*8.6*	
Net Profit for the Year	2.9	6.9	*138.2*
Margin (%)	*3.7*	*7.3*	
Return on Average Equity (%)	*5.5*	*12.7*	
Return on Average Assets (%)	*1.5*	*3.2*	

- *GWP rose by 20.1% y-o-y to US$ 94.5 million in FY2012 as a result of a 28.3% y-o-y increase in premium from the General insurance segment, wherein household insurance business performed strongly. NWP jumped by 29.8% y-o-y to US$ 47.0 million.*
- *Despite the increase in NWP, NUP decreased by 5.8% y-o-y to US$ 8.1 million in the same period owing to increased insurance claims and higher commission expenses.*
- *However, net profit jumped 138.2% y-o-y to US$ 6.9 million during the period due to a significant increase in investment income.*

Source: Zawya, Company filings

Orient Insurance Company — UAE

Company Description

Orient Insurance Company P.J.S.C. (OIC), established in 1982, provides, general and life insurance and re-insurance services. The company offers innovative insurance solutions to commercial enterprises and individuals. OIC also invests in investment securities. OIC is based in Dubai and operates in the UAE, Egypt, and Oman.

Business Segments/Product Portfolio

General insurance, life assurance, and investment are the three operating segments of the company. General insurance and Life assurance contributed 91.9% and 8.1% respectively to GWP in FY2012.

- General insurance business includes motor, marine, aviation, fire, engineering, general accident, medical, property, money, credit life/shield, motor fleet, bond, jeweler's block, contingency, liability, fidelity guarantee, householder's comprehensive, and travel insurance.
- Life assurance business comprises all the insurance products involving individual and group life insurance. The product portfolio includes term, endowment, anticipated endowment, educational, unit-linked investment, and retirement plans.
- Investment segment undertakes investment and cash management for the group.

Key Strengths

- Well-diversified product range
- Strong capital base
- Top-notch ratings: "A" by A.M. Best and "A" by Standard & Poor's
- Third-largest insurer in the UAE in terms of GWP

Recent Developments/Future Plans

- In April 2013, the company announced that its GWP grew by 16.2% y-o-y to US$ 101.1 million in Q1 2013. NWP also increased by 14.3% y-o-y to US$ 66.0 million. However, NUP rose by only 6.7% y-o-y to US$ 11.4 million owing to increased underwriting expenses. On the other hand, net profit jumped by 27.2% y-o-y to US$ 10.3 million due to increased dividend income.
- In January 2013, OIC bagged the "UAE Insurer of the Year 2013" award for second time at the MENA Insurance Awards ceremony.
- In August 2012, OIC announced its plan to start operations in Turkey and Libya in Q4 2013.

Current price (US$)	N/A

Stock Details	
Bloomberg ticker	ORIENT UH
52 week high/low	N/A
Market cap (US$ mn)	N/A
Enterprise value (US$ mn)	N/A
Shares outstanding (mn)	4.1

Source: Bloomberg

Average Daily Turnover (000's)

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

Share Price Chart

No trading in the last one year

Valuation Multiples

	2012	Current	2013E
P/E (x)	N/A	N/A	N/A
P/B (x)	N/A	N/A	N/A
EV/S (x)	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Bloomberg

Shareholding Structure	
Al Futtaim Group	100.00%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	344.5	381.2	*10.7*
Net Written Premium	91.3	105.2	*15.2*
Net Underwriting Profit	31.3	37.6	*20.1*
Margin (%)	*9.1*	*9.9*	
Net Profit for the Year	55.6	58.1	*4.5*
Margin (%)	*16.1*	*15.2*	
Return on Average Equity (%)	*21.7*	*19.3*	
Return on Average Assets (%)	*9.1*	*8.2*	

- *GWP grew by 10.7% y-o-y to US$ 381.2 million in FY2012 reflecting growth in the General Insurance segment. NWP increased by 15.2% y-o-y to US$ 105.2 million.*
- *NUP surged by 20.1% y-o-y to US$ 37.6 million during the same period also owing to increase in commission income.*
- *Net profit rose by only 4.5% y-o-y to US$ 58.1 million in FY2012 due to a significant decrease in rental and other income.*

Source: Zawya, Company filings

ALPEN CAPITAL

Qatar General Insurance and Reinsurance Company — Qatar

Company Description

Qatar General Insurance and Reinsurance Company S.A.Q. (QGIRC), based in Doha, is engaged in providing insurance and reinsurance solutions to individuals and commercial enterprises. The company also offers Takaful insurance plans to its customers. Along with providing insurance services, QGIRC maintains a diversified investment portfolio and also develops and manages real estate properties in the MENA region. QGIRC, incorporated in 1979, got listed on the Qatar Exchange in 2002.

Business Segments/Product Portfolio

Insurance, investments, real estate, and others are the four major reporting segments of the company.

- General accident, fire, war and marine, and engineering are the main insurance product categories contributing 34.8%, 7.7%, 5.3%, and 52.2% respectively to GWP in FY2012.
- Investments include group investments in equities, bonds, and associates.
- Development of properties, land, and building comes under the real estate business segment.
- Other business comprises Takaful insurance operations.

Key Strengths

- Second-largest insurer in the Qatari market
- Well-diversified revenue stream
- Strong capital base
- Highly profitable operations

Recent Developments/Future Plans

- In April 2013, GWP increased by 14.1% y-o-y to US$ 53.9 million in Q1 2013. However, NUP dipped 41.0% y-o-y to US$ 4.4 million during the same period. On the other hand, net profit rose by 17.5% y-o-y to US$ 12.2 million.
- In November 2012, A.M. Best Europe – Rating Services Limited confirmed issuer credit rating of "bbb+" and financial strength rating of “B++” for QGIRC, with positive outlook for both the ratings.

Current price (US$)	13.10

Price as on June 27, 2013

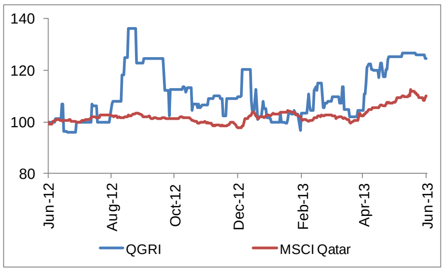
Stock Details	
Bloomberg ticker	QGRI QD
52 week high/low	14.31/10.08
Market cap (US$ mn)	755.1
Enterprise value (US$ mn)	983.6
Shares outstanding (mn)	57.6

Source: Bloomberg

Average Daily Turnover (000’s)

	QAR	US$
3M	207.5	57.0
6M	212.0	58.2

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	15.1	15.1	N/A
P/B (x)	1.0	1.1	N/A
EV/S (x)	9.8	9.7	N/A
Dividend yield (%)	1.9	N/A	N/A

Source: Bloomberg

Shareholding Structure	
HH Sheikh Nasser Bin Ali Bin Saud Al Thani	6.50%
Mohammed Hamad Abdullah Al Mana	6.00%
Al Sari Trading Company	5.40%
Public/Others	82.10%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	129.4	137.4	*6.1*
Net Written Premium	51.1	55.6	*8.8*
Net Underwriting Profit	32.3	25.0	*(22.7)*
Margin (%)	*25.0*	*18.2*	
Net Profit for the Year	46.8	48.2	*3.1*
Margin (%)	*36.1*	*35.1*	
Return on Average Equity (%)	*6.8*	*6.8*	
Return on Average Assets (%)	*4.2*	*3.9*	

- *GWP increased by 6.1% y-o-y to US$ 137.4 million in FY2012 mainly due to increase in premium income from general accident and fire insurance product categories. NWP jumped 8.8% y-o-y to US$ 55.6 million.*
- *Despite increase in premium income, NUP fell by 22.7% y-o-y to US$ 25.0 million in FY2012 owing to increase in net claims.*
- *Net profit rose by 3.1% y-o-y to US$ 48.2 million in FY2012 as a result of increased share of profits from associates and other income.*

Source: Zawya, Company filings

ALPEN CAPITAL

Qatar Insurance Company — Qatar

Company Description

Qatar Insurance Company S.A.Q. (QIC), established in 1964, offers insurance and re-insurance programs, and real estate and financial advisory services. The company offers its insurance products such as home care, travel care, and motor insurance to individuals. Business insurance solutions include energy, marine & aviation, property and commercial, medical, and motor insurance. QIC is based in Doha and operates in Qatar, Dubai, Abu Dhabi, Kuwait, Muscat, Bermuda, and Malta.

Business Segments/Product Portfolio

The four operating segments of QIC are marine & aviation insurance, fire & general insurance, real estate, and advisory and investments. Fire & general insurance contributed 87.0% to GWP in FY2012, while marine & aviation insurance contributed the remaining 13.0%.

- Marine & aviation insurance comprises marine cargo and hull, marine liability and local, and regional or international carrier insurance.
- Fire & general insurance includes fire, engineering, general accidents, property, pecuniary, liability, professional indemnity, motor insurance, etc.
- Real estate business segment includes management of real estate properties.
- Advisory and investments segment provides investment management and advisory services.

Key Strengths

- Long presence in the insurance industry in Qatar
- Strong capital base
- Geographically well-diversified
- Largest share in the insurance market in Qatar

Recent Developments/Future Plans

- In May 2013, the company announced that its right issue of 128.4 million new shares has been oversubscribed.
- In April 2013, QIC reported a massive 58.5% surge in GWP to US$ 295.2 million in Q1 2013. Moreover, NUP surged 162.2% y-o-y to US$ 44.5 million in the same period. Net profit also jumped 41.7% y-o-y to US$ 80.0 million.
- In April 2013, Oliver Wyman, entered into consultancy service contract with QIC to design and implement a new “Target operating model” for the company.
- In November 2012, QIC was assigned with issuer credit ratings of “a” and financial strength rating of “A” by A.M. Best Europe – Rating Services Limited.

Current price (US$)	16.75

Price as on June 27, 2013

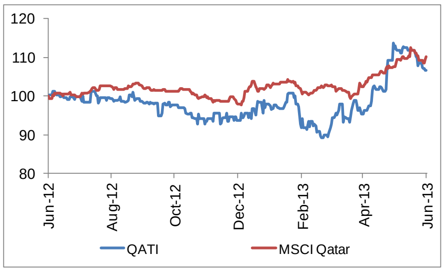
Stock Details	
Bloomberg ticker	QATI QD
52 week high/low	17.85/14.01
Market cap (US$ mn)	2,151.4
Enterprise value (US$ mn)	1,419.2
Shares outstanding (mn)	128.4

Source: Bloomberg

Average Daily Turnover (000’s)

	QAR	US$
3M	2,957.2	812.2
6M	3,333.5	915.6

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	9.8	9.0	11.8
P/B (x)	1.7	1.2	1.5
EV/S (x)	2.0	2.5	N/A
Dividend yield (%)	3.7	N/A	4.3

Source: Bloomberg

Shareholding Structure	
Government of Qatar	12.00%
Burooq Trading Company	5.00%
Mohammed Jassim Al-Jaidah	1.51%
HH Sheikh Jassim Bin Hamad Bin Jassim Bin Jabor Al-Thani	1.11%
Public/Others	80.38%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	654.4	702.7	*7.4*
Net Written Premium	379.9	426.0	*12.1*
Net Underwriting Profit	92.9	94.3	*1.4*
Margin (%)	*14.2*	*13.4*	
Net Profit for the Year	165.6	170.2	*2.8*
Margin (%)	*25.3*	*24.2*	
Return on Average Equity (%)	*17.7*	*17.5*	
Return on Average Assets (%)	*7.9*	*7.6*	

- *GWP grew by 7.4% y-o-y to US$ 702.7 million in FY2012 primarily due to increased premium income from fire and general insurance products. NWP also increased 12.1% y-o-y to US$ 426.0 million.*
- *QIC experienced a marginal increase of 1.4% y-o-y in NUP to US$ 94.3 million in FY2012.*
- *Net profit also grew by 2.8% y-o-y to US$ 170.2 million in FY2012.*

Source: Zawya, Company filings

Qatar Islamic Insurance Company — Qatar

Company Description

Qatar Islamic Insurance Company S.A.Q. (QIIC), based in Doha, is engaged in providing general, life, and health insurance solutions compliant to Shariah principles. The company offers motor, marine, fire, engineering and general accidents, personal and professional liability, Takaful (life), medical, money, electronics and computer insurance, and the program 'Heya'.

Business Segments/Product Portfolio

Insurance, real estate and investments are the major business segments of the company. Insurance segment is further categorized into marine & aviation, motor, general, accident, Takaful, and health.

- Marine & aviation division include marine cargo and hull, yachts and small crafts, aviation hull and machinery, and freight insurance.
- Motor insurance division comprises motor compulsory and optional, comprehensive insurance, and road travelers orange card.
- Burglary/theft, travel, office multicover, plate glass, personal, and accident insurance come under general and accident insurance.
- Engineering division offers indemnity for contractors' risk, plant and machinery risk, and business interruption risk.
- Medical insurance program 'Heya', insurance for women-related health problems, and Takaful (life) insurance fall under the purview of Takaful and health division.

Key Strengths

- Extensive experience in offering Shariah-compliant products
- Diversified business lines

Recent Developments/Future Plans

- In April 2013, the company reported a 24.4% y-o-y growth in GWP to US$ 17.8 million in Q1 2013. However, NUP fell considerably by 35.4% y-o-y to US$ 1.4 million during the same period as a result of increased underwriting expenses. Net profit rose by 5.1% y-o-y to US$ 4.7 million.
- In March 2013, QIIC announced its plan to consolidate its market position, for which it plans to maximize its underwriting capacity, re-engineer motor insurance business, enhance efficiency of investment assets, and increase Qatarisation numbers.
- In September 2012, QIIC received International Star Award for Quality (ISAQ) in Geneva, Switzerland in the Gold Category recognizing its commitment to quality, leadership, technology, and innovations.

Current price (US$)	17.08

Price as on June 27, 2013

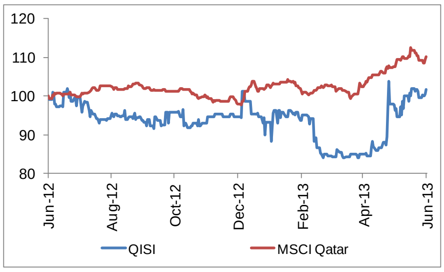
Stock Details	
Bloomberg ticker	QISI QD
52 week high/low	17.44/14.12
Market cap (US$ mn)	256.2
Enterprise value (US$ mn)	247.5
Shares outstanding (mn)	15.0

Source: Bloomberg

Average Daily Turnover (000's)

	QAR	US$
3M	2,416.5	663.7
6M	1,314.5	361.1

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	16.0	15.8	N/A
P/B (x)	3.4	3.9	N/A
EV/S (x)	10.5	10.7	N/A
Dividend yield (%)	5.7	N/A	N/A

Source: Bloomberg

Shareholding Structure	
HH Sheikh Thani Bin Abdullah Al Thani and family	23.00%
Ezdan Holding Group	22.97%
Abdulrahman Abduljalil Al Abdulghani	4.00%
Qatar National Bank	2.00%
Public/Others	48.03%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	57.7	56.7	*(1.7)*
Net Written Premium	42.8	43.5	*1.7*
Net Underwriting Profit	6.5	5.2	*(20.5)*
Margin (%)	*11.3*	*9.1*	
Net Profit for the Year	12.4	16.0	*29.6*
Margin (%)	*21.4*	*28.2*	
Return on Average Equity (%)	*16.9*	*21.4*	
Return on Average Assets (%)	*7.2*	*8.9*	

- *GWP subsided marginally by 1.7% y-o-y to US$ 56.7 million in FY2012 mainly due to a 21.7% y-o-y fall in premium income from motor insurance division. However, NWP increased marginally by 1.7% y-o-y to US$ 43.5 million.*
- *NUP fell by 20.5% y-o-y to US$ 5.2 million in FY2012 as a result of increased insurance claims.*
- *On the other hand, net profit surged by 29.6% y-o-y to US$ 16.0 million in FY2012 on account of higher investment and rental income.*

Source: Zawya, Company filings

Ras Al Khaimah National Insurance Company — UAE

Company Description

Ras Al Khaimah National Insurance Company P.S.C. (RAKNIC), incorporated in 1976, is engaged in the business of providing insurance products in the UAE. The company primarily offers general insurance solutions, while also offering life assurance products and reinsurance services. Additionally, it invests in financial instruments and properties. RAKNIC is headquartered in Ras Al Khaimah.

Current price (US$)	1.05

Price as on April 30, 2013

Stock Details	
Bloomberg ticker	RAKNIC UH
52 week high/low	1.05/1.05
Market cap (US$ mn)	N/A
Enterprise value (US$ mn)	N/A
Shares outstanding (mn)	100.0

Source: Bloomberg

Business Segments/Product Portfolio

Underwriting of general insurance and investments are the two operating segments of the company.

- Under the general insurance segment, RAKNIC offers marine, aviation, motor, engineering, fire, general accident, and health insurance.
- Investments include group's investments in marketable equity securities, term deposits with banks, investment properties, trading investments, and other securities.

Average Daily Turnover (000's)

	AED	US$
3M	2.0	0.5
6M	1.0	0.3

Share Price Chart

Trading on only one day during the last year

Key Strengths

- Long presence in the general insurance market in the UAE
- Zero debt
- Strong liquidity position

Valuation Multiples

	2012	Current	2013E
P/E (x)	N/A	N/A	N/A
P/B (x)	N/A	N/A	N/A
EV/S (x)	N/A	N/A	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Bloomberg

Recent Developments/Future Plans

- In April 2013, RAKNIC announced that its GWP increased by 20.7% y-o-y to US$ 21.6 million in Q1 2013. NWP soared by 30.0% y-o-y to US$ 11.6 million during the same period. However, NUP declined by 5.3% y-o-y to US$ 4.2 million due to increased underwriting costs. Net profit also decreased marginally by 1.1% y-o-y to US$ 4.4 million owing to higher administrative expenses.

Shareholding Structure

Government of Ras Al Khaimah	47.06%
Al Salem Company Limited	12.50%
Gulf General Investments Company	10.60%
Public	20.74%
Others	9.10%
Total	**100.00%**

Source: Zawya

Financial Performance

US$ Million	2011	2012	Change (%)
Gross Written Premium	53.4	57.3	*7.2*
Net Written Premium	31.5	33.0	*4.7*
Net Underwriting Profit	7.0	8.7	*24.3*
Margin (%)	*13.1*	*15.2*	
Net Profit for the Year	5.4	7.7	*41.4*
Margin (%)	*10.1*	*13.4*	
Return on Average Equity (%)	*11.3*	*15.2*	
Return on Average Assets (%)	*5.1*	*6.9*	

- *GWP grew by 7.2% y-o-y to US$ 57.3 million in FY2012. NWP increased by 4.7% y-o-y to US$ 33.0 million.*
- *Lower net insurance claims and commission resulted in a 24.3% y-o-y rise in NUP to US$ 8.7 million during the same period.*
- *Net profit jumped significantly by 41.4% y-o-y to US$ 7.7 million in FY2012 owing to decrease in impairment loss on available for sale investments.*

Source: Zawya, Company filings

United Cooperative Assurance Company — Saudi Arabia

Company Description

United Cooperative Assurance Company S.J.S.C. (UCA), incorporated in 2008, is engaged in the business of providing insurance, reinsurance, and other related products in Saudi Arabia. The company, headquartered in Jeddah, mainly offers general insurance solutions. UCA's primary shareholder, UCA Insurance Co., has over 25 years of experience in the insurance market in Saudi Arabia.

Business Segments/Product Portfolio

Health insurance, motor insurance, and others are the three operating segments of the company, which contributed 21.8%, 46.6% and 31.6% to GWP in FY2012.

- Health insurance segment includes insurance products which cover medical costs, medicines, medical services, and supplies.
- Under the motor insurance segment, UCA provides coverage for accident loss or damage related to motor vehicles, in addition to offering third-party liability insurance.
- The company also offers other insurance solutions such as aviation, energy, engineering, general accident, motor, property, and trade credit insurance.

Key Strengths

- One of the leading players in the insurance industry in Saudi Arabia
- Broad range of products
- Diversified customer base

Recent Developments/Future Plans

- In April 2013, UCA announced that its GWP rose by 5.0% y-o-y to US$ 122.1 million in Q1 2013. NWP increased by 7.6% y-o-y to US$ 99.5 million during the same period. NUP surged by 19.6% y-o-y to US$ 12.4 million due to lower insurance claims. Net profit improved by 12.1% y-o-y to US$ 4.3 million, as higher investment gains were offset by an increase in general and administrative expenses.
- In November 2012, UCA signed a contract with Abdel Latif Jameel Leasing Co. (ALJL), where the company in collaboration with AXA Cooperative Insurance Co. and Malath Cooperative Insurance and Reinsurance Co. would insure the vehicles owned by ALJL.

Current price (US$)	9.55

Price as on June 26, 2013

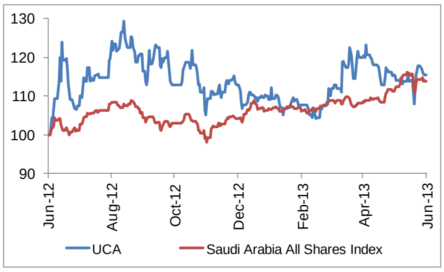
Stock Details	
Bloomberg ticker	UCA AB
52 week high/low	10.69/8.61
Market cap (US$ mn)	190.9
Enterprise value (US$ mn)	131.6
Shares outstanding (mn)	20.0

Source: Bloomberg

Average Daily Turnover (000's)

	SAR	US$
3M	13,176.8	3,513.5
6M	11.400.3	3,039.8

Share Price Chart



Valuation Multiples

	2012	Current	2013E
P/E (x)	22.0	13.3	N/A
P/B (x)	2.1	2.1	N/A
EV/S (x)	13.7	8.6	N/A
Dividend yield (%)	N/A	N/A	N/A

Source: Bloomberg

Shareholding Structure	
UCA Insurance Company	32.50%
Civil Works Company	5.00%
Public	62.50%
Total	**100.00%**

Source: Zawya

Financial Performance				
US$ Million	**2011**	**2012**	**Change (%)**	
Gross Written Premium	285.0	273.1	*(4.2)*	
Net Written Premium	221.5	196.5	*(11.3)*	
Net Underwriting Profit	36.7	31.5	*(14.1)*	
Margin (%)	*12.9*	*11.5*		
Net Profit for the Year	13.5	8.0	*(40.5)*	
Margin (%)	*4.7*	*2.9*		
Return on Average Equity (%)	*16.6*	*16.1*		
Return on Average Assets (%)	*4.0*	*4.6*		

Source: Zawya, Company filings

- *GWP declined by 4.2% y-o-y to US$ 273.1 million in FY2012. NWP decreased by 11.3% y-o-y to US$ 196.5 million.*
- *Higher net insurance claims and policy acquisition costs led to a 14.1% y-o-y fall in NUP to US$ 31.5 million during the same period.*
- *Net profit declined significantly by 40.5% y-o-y to US$ 8.0 million in FY2012, as the decline in NUP was supplemented by an increase in general and administrative expenses.*

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