

**National Takaful Company, Watania**  
**Management Discussion and Analysis**  
**For the period ended 31 March 2021**

Watania management is pleased to submit the following financial analysis to its stakeholders for the year ended 31 March 2021:

**Summary of Financial Performance:**

Summarize P&L	Q1FY2021	Q1FY2020	Variance
	(000)		%
Gross Contribution	93,261	118,748	-21.5%
Net Earned Contribution	47,497	54,436	-12.7%
Commissions earned	2,891	3,317	-12.8%
Net Claims Incurred	(29,302)	(37,227)	-21.3%
Commission expense	(6,638)	(8,578)	-22.6%
Other UW expenses - net	(4,399)	(3,161)	39.2%
<b>Underwriting profit</b>	<b>10,049</b>	<b>8,787</b>	<b>14.4%</b>
Total management expenses	(9,700)	(8,684)	11.7%
<b>Profit from Insurance operations</b>	<b>349</b>	<b>103</b>	<b>238.8%</b>
<b>Total Investment income</b>	<b>3,624</b>	<b>2,169</b>	<b>67.1%</b>
<b>Net Profit</b>	<b>3,973</b>	<b>2,272</b>	<b>74.9%</b>

**Operating Ratios:**

	Q1FY2021	Q1FY2020	Y-o-Y change
<i>Net Claims Ratio</i>	<b>61.7%</b>	<b>68.4%</b>	<b>-6.7%</b>
<i>Net Commission &amp; net U/W Expense Ratio</i>	<b>17.2%</b>	<b>15.5%</b>	<b>1.7%</b>
<i>Expense ratio</i>	<b>20.4%</b>	<b>16.0%</b>	<b>4.5%</b>
<i>Combined operating ratio</i>	<b>99.3%</b>	<b>99.8%</b>	<b>-0.5%</b>

**Gross and Net Written Contribution:**

The Gross Written Contribution for the period declined by 21.5% as compared to the last year. Fall in demand in the core lines were observed due to challenging market conditions. Our major line of business, Medical and Motor, contributed 88.5% of the total GWC. Overall retention ratio was 67.1% as compared to 62.5% during last year due to increased retention in Motor LOB.



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**Claims and other operating Ratios:**

Net loss ratio improved to 61.7% as compared to 68.4% during last year. Expense ratio stood at 20.4% as compared to 16.0% same period last year. Expense ratio increased due to fall in net earned contribution. Combined operating ratio for Q1FY21 showed a marginal improvement and came down to 99.3% as compared to 99.8% in Q1FY20.

**Investment Income:**

Total investment income (shareholders and policyholders) in Q1FY21 was 3.6mn as compared to 2.2mn in Q1FY20. The increase was mainly attributable to higher income from the equity portfolio.

**Net profits:**

The Company achieved net profit of AED 3.9mn in Q1FY21 as against AED 2.3mn in Q1FY20.

**Liquidity:**

During the period, our o/s receivable days increased from 119 days to 146 days due to difficult market conditions. However, we continue to monitor our ageing strictly along with being conservative in our provisioning policy.

**Balance Sheet:**

Shareholders' equity stands at AED 113.0 million as against AED 104.1 million at the end of year 2020. Return on equity for the year stood at 15.3%.

Total invested assets as at the period end stood at AED 181.8 million as compared to AED 182.8 million as at Dec 2020.

**Outlook:**

We expect the year to be challenging in terms of GWP growth rate.

Motor & Medical LOB is expected to be under severe pressure due to unsustainable pricing and high distribution costs. Due to recent changes in our cost structure for Medical we expect to maintain business objective in this product line.

Focus on prudent underwriting, strict control on expenses and retaining clients through higher levels of service becomes even more important during these challenging times. While the times are challenging we are optimistic about Watania's ability to deliver on its commitments to its stakeholders.



Chief Financial Officer



Chief Executive Officer

