

National Takaful Company, Watania
Management Discussion and Analysis
For the period ended 30 June 2021

Watania management is pleased to submit the following financial analysis to its stakeholders for the period ended 30 June 2021:

Summary of Financial Performance:

Summarize P&L	H1FY2021	H1FY2020	Variance
	(000)		%
Gross Contribution	166,276	193,733	-14.2%
Net Earned Contribution	94,039	107,738	-12.7%
Commissions earned	6,140	6,755	-9.1%
Net Claims Incurred	(59,305)	(58,559)	1.3%
Commission expense	(13,425)	(17,284)	-22.3%
Other UW expenses - net	(6,920)	(7,494)	-7.7%
Underwriting profit	20,529	31,156	-34.1%
Total management expenses	(20,194)	(18,501)	9.2%
Profit from Insurance operations	335	12,655	-97.4%
Total Investment income	6,675	3,906	70.9%
Net Profit	7,010	16,561	-57.7%

Operating Ratios:

	H1FY2021	H1FY2020	Y-o-Y change
<i>Net Claims Ratio</i>	63.1%	54.4%	8.7%
<i>Net Commission & net U/W Expense Ratio</i>	15.1%	16.7%	-1.6%
<i>Expense ratio</i>	21.5%	17.2%	4.3%
<i>Combined operating ratio</i>	99.6%	88.3%	11.4%

Gross and Net Written Contribution:

The Gross Written Contribution for the period declined by 14.2% as compared to the same period last year due to intense pricing pressure felt across all line of business. Industry research reports have pegged the fall in motor pricing to be around 50% in Q2-2021. We believe that the current pricing is not sustainable, and it would be prudent not to participate in the market share war in the short term which will have an adverse impact on the margins over a longer period of time. Pricing pressure was also felt in Medical line of business.



Claims and other operating Ratios:

Net loss ratio stood at 63.1% as compared to 54.4% during same period last year. The loss ratio of last year was lower due to the lock-down imposed in Q2. Expense ratio stood at 21.5% as compared to 17.2% same period last year due to the drop in business. Combined operating ratio for H1FY21 stood at 99.6%. H1

Investment Income:

Total investment income (shareholders and policyholders) during the period was 6.7mn as compared to 3.9mn in H1FY20. The increase was mainly attributable to higher income from the equity portfolio.

Net profits:

The Company achieved net profit of AED 7.0mn in H1FY21 as against AED 16.6mn in H1FY20.

Liquidity:

During the period, our o/s receivable days increased from 119 days to 153 days due to challenging 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 105.8 million as against AED 104.1 million at the end of year 2020. The company declared and paid dividend during Q2FY21 amounting AED 11.25mn. Return on equity for the period stood at 13.5%.

Total invested assets as at the period end stood at AED 165.5 million as compared to AED 182.8 million as at Dec 2020.

Outlook:

The growth pressure felt in Q1 of this year continued and intensified further in Q2. We do not expect the remaining part of the year to be any different from what we have seen in H1.

Motor & Medical LOB is expected to be under severe pressure due to unsustainable pricing and high distribution costs.

We will continue to focus on prudent underwriting, on maintaining strict control on expenses and on retaining clients through higher levels of service. 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

