

National Takaful Company, Watania
Management Discussion and Analysis
For the period ended 30 September 2020

Watania management is pleased to submit the following financial analysis to its stakeholders for the period ended 30 September 2020:

Summary of Financial Performance:

Summarize P&L	9MFY2020	9MFY2019	Variance
	(000)		%
Gross Contribution	243,422	262,786	-7.4%
Net Earned Contribution	158,499	137,669	15.1%
Commissions earned	9,538	7,030	35.7%
Net Claims Incurred	(88,464)	(86,364)	2.4%
Commissions expense	(25,873)	(19,789)	30.7%
Other UW expenses - net	(11,005)	(8,821)	24.8%
Underwriting profit	42,695	29,725	43.6%
Total management expenses	(30,228)	(25,080)	20.5%
Profit from Insurance operations	12,467	4,645	168.4%
Total Investment income	5,298	5,363	-1.2%
Net Profit	17,765	10,008	77.5%

Operating Ratios:

	9MFY20	9MFY19	Y-o-Y change
<i>Net Claims Ratio</i>	55.8%	62.7%	-6.9%
<i>Net Commission & net U/W Expense Ratio</i>	17.2%	15.7%	1.5%
<i>Expense ratio</i>	19.1%	18.2%	0.9%
<i>Combined operating ratio</i>	92.1%	96.6%	-4.5%

Gross and Net Written Contribution:

The Gross Written Contribution for the period declined by 7.4% as compared to the same period last year due to the slowdown in the economy. This has led to fall in demand in our core product lines. Our 2 major line of business, Medical and Motor, contributed 89.3% of the total GWC. Overall retention ratio was marginally down to 60.1% as compared to 61.2% during the same period last year.





Claims and other operating Ratios:

Net loss ratio improved to 55.8% as compared to 62.7% during the same period last year. Expense ratio stood at 19.1% as compared to 18.2% same period last year. Combined operating ratio for 9MFY20 showed a significant improvement and came down to 92.1% as compared to 96.6% same period last year.

Investment Income:

Total investment income (shareholders and policyholders) in 9MFY20 was 5.3mn as compared to 5.4mn in 9M FY19.

Net profits:

The Company achieved net profit of AED 17.8mn in 9MFY20 as against AED 10.0mn in 9MFY19.

Balance Sheet:

Total invested assets as at the period end stood at AED 181.0 million as compared to AED 175.5 million as at Dec 31, 2019.

Shareholders' equity stands at AED 94.3 million as against AED 93.6 million at the end of year 2019. The company paid dividend of AED 9.0 million during the period

Outlook:

Slowdown in the economy has impacted the GWC growth for the 9MFY2020 and we expect the pressure on growth to continue in the last quarter of the year. The operating results and margins have been better than the last year due to improvement in claims ratio along with control in expenses. Investment income was stable during 9MFY20 as compared to last year and we expect this to continue during the last quarter of the year. Profitability for the year is expected to be better than last year due to reduction in claims ratio, control in expenses and stable investment income.



Chief Financial Officer



Chief Executive Officer

