

National Takaful Company, Watania
Management Discussion and Analysis
For the Quarter ended 31 March 2019

Watania management is pleased to present the following financial analysis to its stakeholders for the quarter ended 31 March 2019:

Summary of Financial Performance:

Summarize P&L	Q1 FY19	Q1 FY18	Variance
	(000)		%
Gross Contribution	109,794	103,074	6.5%
Net Earned Contribution	43,057	46,015	-6.4%
Commissions earned	1,892	1,849	2.3%
Net Claims Incurred	(25,887)	(27,094)	-4.5%
Commissions expense	(6,155)	(6,692)	-8.0%
Other UW expenses - net	(2,916)	(2,948)	-1.1%
Underwriting profit	9,991	11,130	-10.2%
Total management expenses	(7,484)	(9,630)	-22.3%
Profit from Insurance operations	2,507	1,500	67.1%
Total Investment income	1,421	2,068	-31.3%
Net Profit	3,928	3,568	10.1%

Operating Ratios:

	Q1 FY19	Q1 FY18	Y-o-Y change
<i>Net Claims Ratio</i>	<i>60.1%</i>	<i>58.9%</i>	<i>1.2%</i>
<i>Net Commission & net U/W Expense Ratio</i>	<i>16.7%</i>	<i>16.9%</i>	<i>-0.3%</i>
<i>Expense ratio</i>	<i>17.4%</i>	<i>20.9%</i>	<i>-3.5%</i>
<i>Combined operating ratio</i>	<i>94.2%</i>	<i>96.7%</i>	<i>-2.6%</i>

Gross and Net Written Premium

The Gross Written Contribution for Q1 FY19 increased by 6.5% as compared to the last year. Medical and Motor continues to be the top performers and contributed 90.1% of the total contribution written. The growth in GWP came from Medical and Motor lines which grew by 20.5% and 11.2% respectively in Q1 FY19 as compared to same period last year. Overall retention stood at 60.7% in Q1 FY19 as compared to 63.5% in Q1 FY18 due to change in business mix.



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Claims and other operating Ratios

Company continues to follow risk based pricing and tight control in its expenses which is reflected in the operating results for the quarter. The overall loss ratio stood at 60.1% in Q1 FY19 as compared to 58.9% in Q1 FY18. The slight increase was mainly due to non-medical lines. Expense ratio was 17.4% as compared to 20.9% same period last year. Combined operating ratio improved to 94.2% in Q1 FY19 as compared with 96.7% in Q1 FY18.

Investment Income

Total investment income (shareholders and policyholders) in Q1 FY19 was AED 1,421k as compared to AED 2,068k in Q1 FY18. The investment income fell down due to impairment loss on the equity book.

Net profits

The Company delivered net profit of AED 3.93 million in Q1 FY19 compared to AED 3.57 million in Q1 FY18 led by strong operational results and expense management. The return on equity for the year stood at 16.3%.

Balance Sheet

Total invested assets as at the period end stood at AED 165.7 million as compared to AED 177.7 million as at Dec 31, 2018.

Shareholders' equity stands at AED 92.2 million as against AED 96.3 million at the end of year 2018. The company declared dividends amounting to AED 7.5 million during Q1 FY19.

Outlook

We expect that industry trend observed during the last two quarters of 2018 will continue unabated in 2019. Market reports indicate downward revision in GDP growth rates and significant fall in employment numbers. The weakness in growth of private sector business activity will have an impact on the insurance industry. Our core product lines of Medical and Motor will drive our growth albeit in modest terms for FY19. Our business model will continue its 'back to basics' strategy focusing on customer segmentation, superior customer service, higher productivity driven by innovative technology, continuous evaluation of underwriting techniques and efficient claims management process with emphasis on controlling our expense and combined operating ratios.



Chief Financial Officer



Chief Executive Officer

