



مصرف الإمارات العربية المتحدة المركزي
CENTRAL BANK OF THE U.A.E.

Takaful Insurance Report 2022

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Takaful Insurance Highlights

The UAE financial system witnessed a supervisory and regulatory evolution with the issuance of Decretal Federal Law No. (25) of 2020, which mandated the merger of the Insurance Authority into the Central Bank of the UAE (CBUAE), as part of the UAE's strategic objective to transform the CBUAE into one of the world's top central banks. Extending its supervisory authority to cover the insurance sector will help to ensure financial system stability and protection of public and policyholder interests.

Takaful insurance (Islamic insurance) constitutes an important part of the insurance sector; its development is vital for the UAE's strategic objective of becoming the leading hub for Islamic finance. The UAE is a pioneer in this area, hosting Takaful insurance since 1979.

The UAE was the first country in the MENA region to issue a regulation pertaining to Takaful insurance in 2010. As of 2021, 62 insurance companies, including 12 Takaful insurance companies, operate in the UAE. Fewer such companies will be operating Takaful business in 2022, due to mergers which aimed at building bigger Takaful insurance companies and enhancing their efficiency.

In 2021, the total Gross Written Contributions (GWC) grew by 0.51%, reaching AED 4.35 billion compared to AED 4.32 billion in 2020. The amount of GWC represented 9.82% of the overall gross written premiums in the UAE insurance industry. Health Takaful insurance represents the largest business type at 43.6% of the Takaful insurance market, while Family Takaful and Fund Accumulation remained the smallest business type, recording 18.1%.

The CBUAE will continue the regulatory development of the Takaful insurance market and support its operational practices by strengthening Shari'ah governance and developing Shari'ah standards to enhance the confidence and resilience of the Takaful insurance sector, and provide it with due legal certainty.

This report is part of CBUAE initiatives to develop the Takaful insurance sector. Its issuance aims to highlight its main features and developments. This report seeks to highlight the qualitative and quantitative aspects of Takaful insurance, providing useful insights

on the sector's development. Part one presents the supervisory evolution of Takaful insurance, especially with the establishment of the Higher Shari'ah Authority and the CBUAE's updated mandate that includes the supervision of the Takaful insurance companies. Part two of the report sheds light on the financial performance of the Takaful insurance sector from 2018 to 2021, including the most important indicators and ratios. In terms of profitability, the Takaful insurance market witnessed a decreasing underwriting surplus and net profits due to the COVID-19 pandemic, affecting the sector's performance and equity.


This report also includes special coverage of three Takaful insurance aspects - digitalisation, sustainability and Emiratisation in the sector.

- Takaful insurance companies recognize the importance of digitalisation and its significance to their business, resulting in an increase in the digital transformation efforts in the Takaful value-chain after the COVID-19 pandemic.
- Takaful insurance companies have started integrating sustainability considerations into their non-core businesses e.g., recycling electronic waste, conserving energy, using paperless processes, raising environmental awareness among the employees, and other initiatives aimed at creating a better, more sustainable workplace. Companies plan to integrate sustainability considerations into their core Takaful operations, notably in underwriting and investment.
- Takaful insurance companies support governmental initiatives in boosting Emiratisation rates in the private sector. Although Emiratisation rates in the sector are currently low, companies have embraced Emiratisation principles and initiatives in their development strategies, aiming to boost the number of Emirati nationals employed and their opportunities for advancement within the Takaful insurance industry.

PART 1

THE EVOLUTION OF THE INSURANCE SECTOR IN THE UAE

An overview of the evolution of insurance services, focusing on the development of the Takaful insurance sector in the UAE:

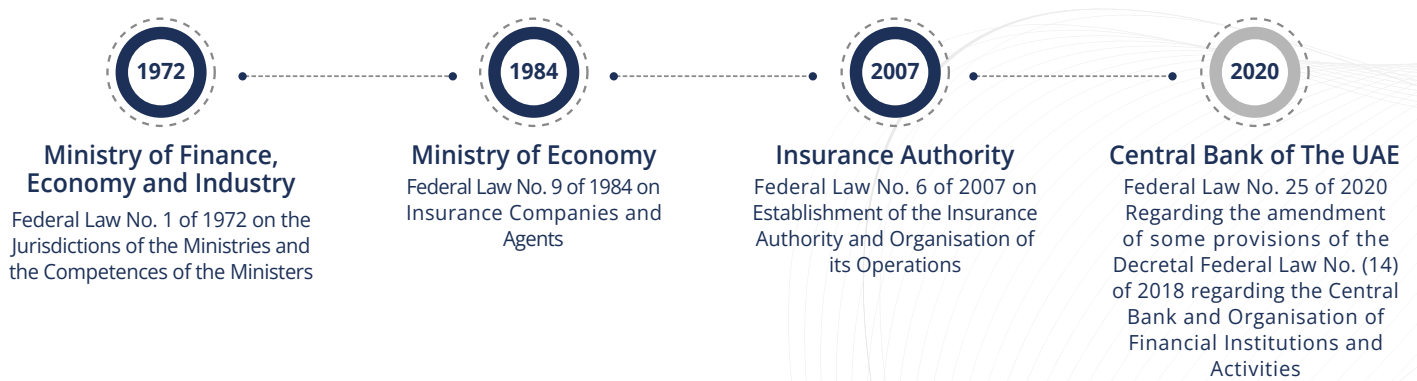
- I. Regulatory Authority
 - II. The Higher Shari'ah Authority
 - III. Insurance Providers
- 

Part 1

The Evolution of the Insurance Sector in the UAE

I. Regulatory Authority

Insurance has been governed and supervised by four different regulatory authorities since the establishment of insurance services in the UAE.



Objectives and Functions

Federal Law No. 25 of 2020 was issued to transform the CBUAE into one of the top central banks globally. Article four of the Law outlines the CBUAE's objectives and functions.

1

Objectives

The CBUAE objectives include:

- Contribute to the promotion and protection of the stability of the financial system
- Provide appropriate environment to develop and enhance the role of the insurance industry
- Encourage fair and effective competition
- Support Emiratisation

2

Functions

The CBUAE undertakes specific functions to achieve its objectives. The following functions are relevant to the Insurance sector:

- Set up appropriate regulations and standards
- Regulate and oversee the insurance sector
- Protect the rights of the insured and the beneficiaries
- Monitor the financial solvency of insurance companies

Part 1

The Evolution of the Insurance Sector in the UAE

II. The Higher Shari'ah Authority

The Decretal Federal Law No. (14) Of 2018 is the fundamental legislative basis governing the Higher Shari'ah Authority (HSA). Article (17) of the this Law states the HSA's general mandate and responsibilities of the HSA's evolution and its mandates are presented below:



Evolution of the HSA

- 1985** The HSA was introduced in Federal Law No. 6 of 1985 regarding Islamic banks, financial institutions and investment companies.
- 2016** In accordance to the Council of Ministers Resolution no. (102/5) of 2016, the HSA was established for banking and financial activities to be hosted by the CBUAE.
- 2017** Appointment of HSA members by Cabinet Resolution No. (31/6) of 2017.
- 2018** The HSA commenced work.
- 2022** The HSA's Charter was amended to include Takaful insurance as part of its mandate.



Composition

At all times, the HSA shall comprise no fewer than five members, and no more than seven members.



Term of Membership

Appointment is for three years, renewable for similar periods.



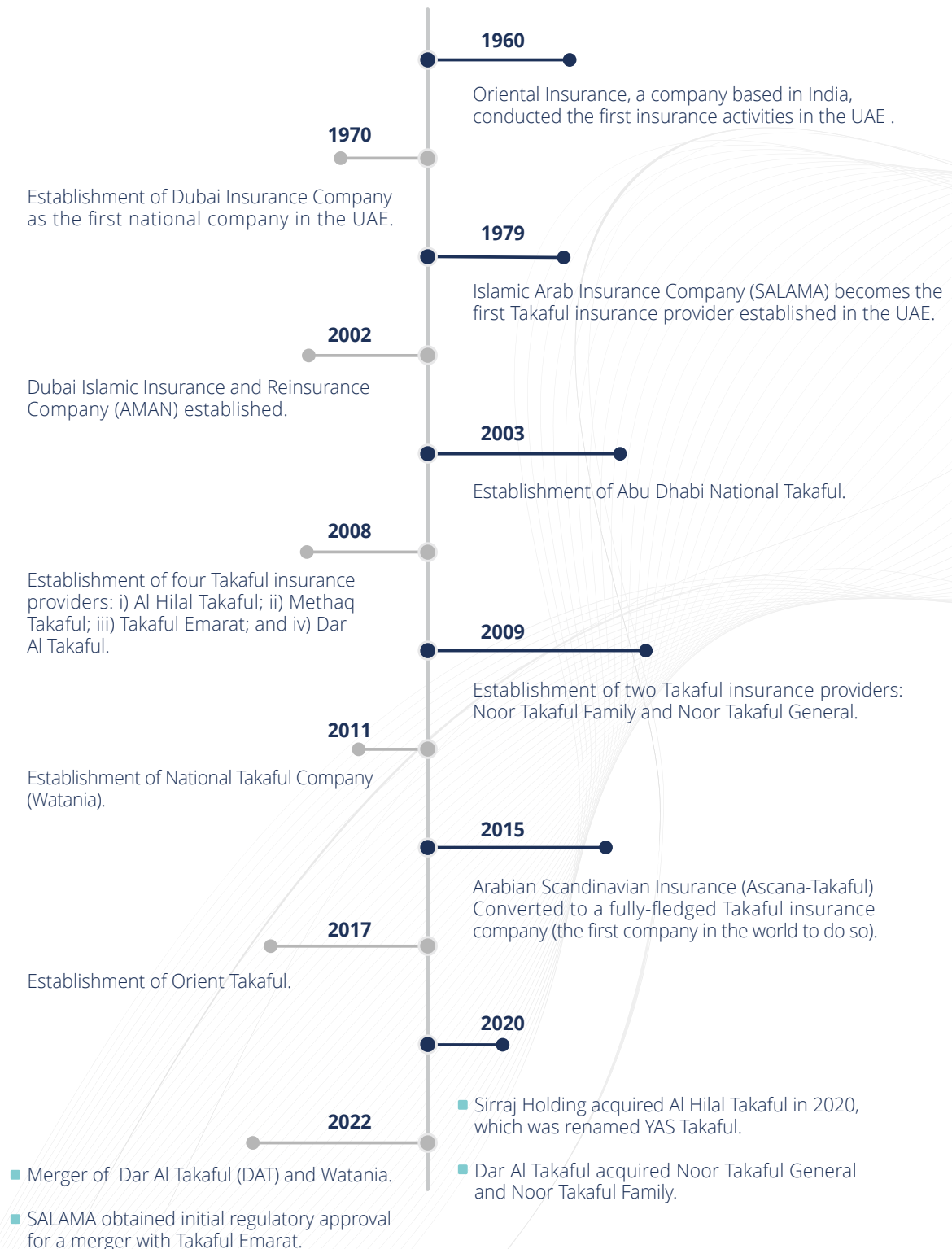
The HSA's Main Tasks and Responsibilities

- 1** Provide fatwas and Shari'ah opinions on matters submitted to it by CBUAE and/or Islamic Financial Institutions (IFIs, including Takaful Insurance Companies), and issue necessary resolutions and / or recommendations.
- 2** Develop framework for Shari'ah governance and the issuance of fatwas, and the general rules and principles for conducting Shari'ah compliant activities.
- 3** Develop fit and proper criteria for the appointment, replacement and termination of members and chairmen of Internal Shari'ah Supervision Committees of IFIs.
- 4** Introduce new international Shari'ah standards, or adapt existing ones, and develop standard documentation on best practices for IFI and establish parameters or criteria for conducting IFI activities
- 5** Review and approve the annual Shari'ah reports of the Internal Sharia Supervision Committees of IFIs before presenting them to their respective General Assemblies.
- 6** Decide on disputes arising between the Internal Shari'ah Supervision Committee and management of an IFI.

Part 1

The Evolution of the Insurance Sector in the UAE

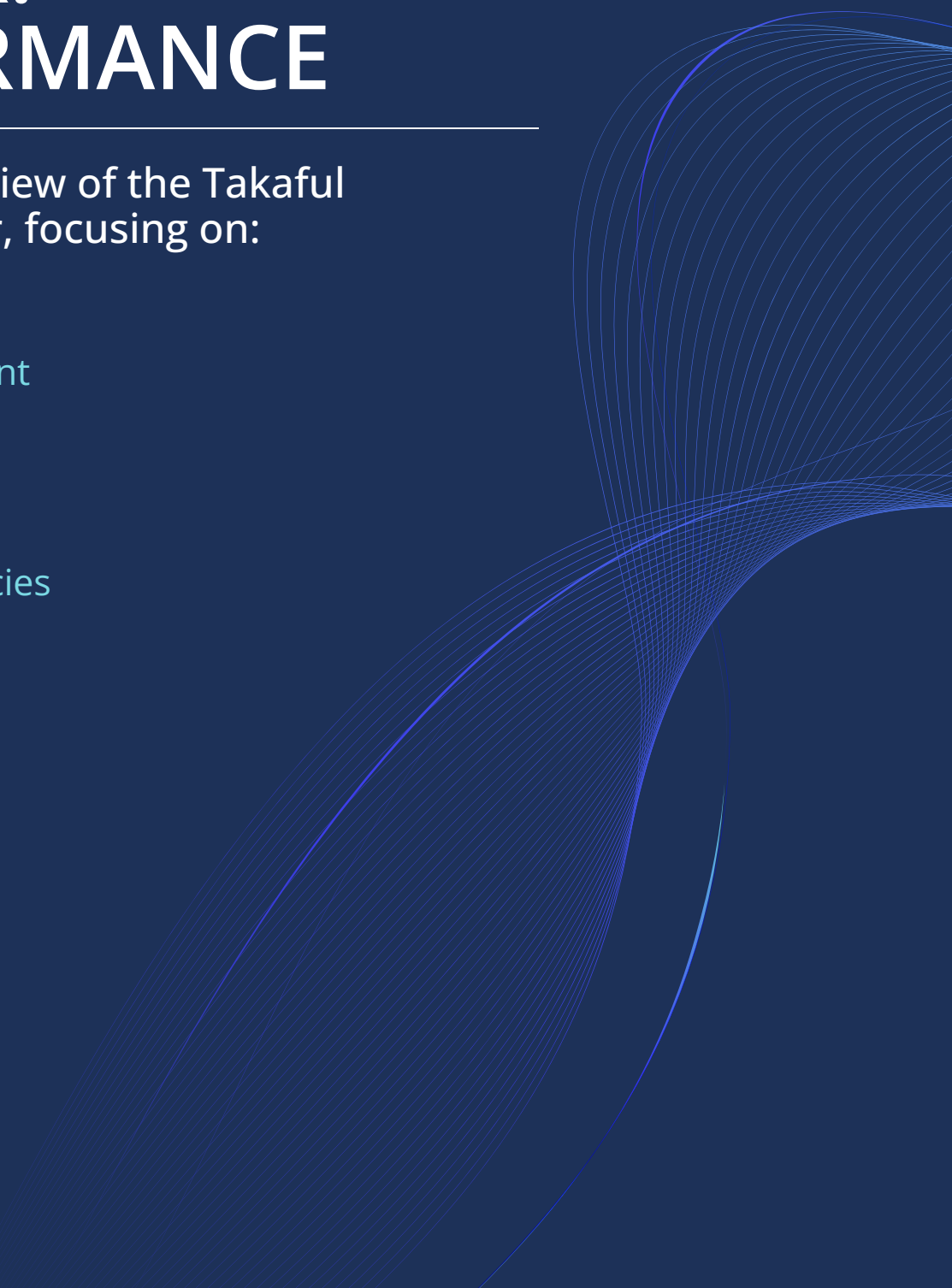
III. Insurance Providers



PART 2

TAKAFUL INSURANCE SECTOR: PERFORMANCE

A financial overview of the Takaful Insurance sector, focusing on:

- I. Licenced Entities
 - II. Income Statement
 - III. Balance Sheet
 - IV. Profitability
 - V. Financial Ratios
 - VI. Number of Policies
- 

Part 2

Takaful Insurance Sector: Performance

I. Licenced Entities

- 62 insurance companies were under the CBUAE's supervision in 2021, including one reinsurance company, and 465 related insurance professionals.
- In the same year, the UAE insurance market included 12 national Takaful insurance companies; the remainder operate as conventional insurance firms. These 12 companies are fully-fledged Takaful firms; it is not allowed to carry out Takaful insurance operations through an Islamic windows within a conventional insurance company. It is worth noting that the number of Takaful insurance companies could decline in 2022, due to ongoing merger and acquisition activities.

Chart 2.1: Classification of Insurance Companies in the UAE

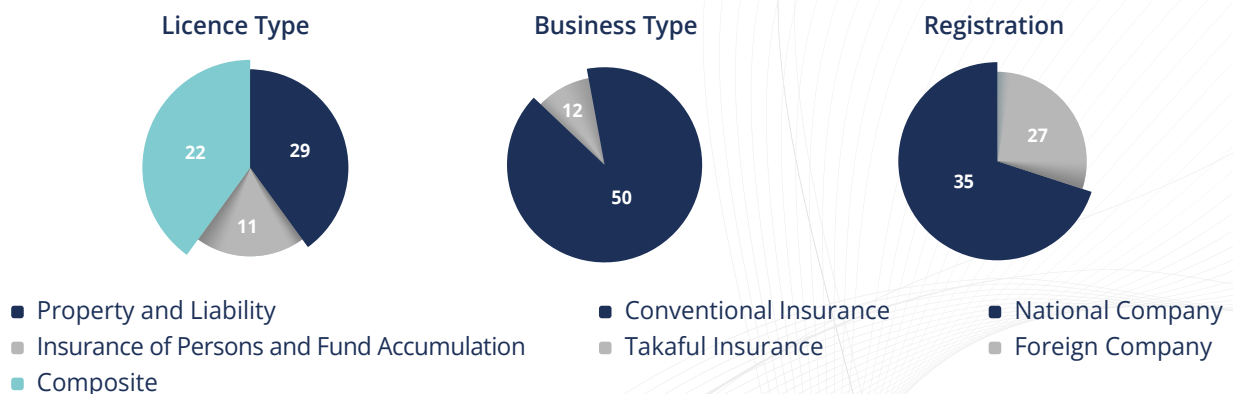
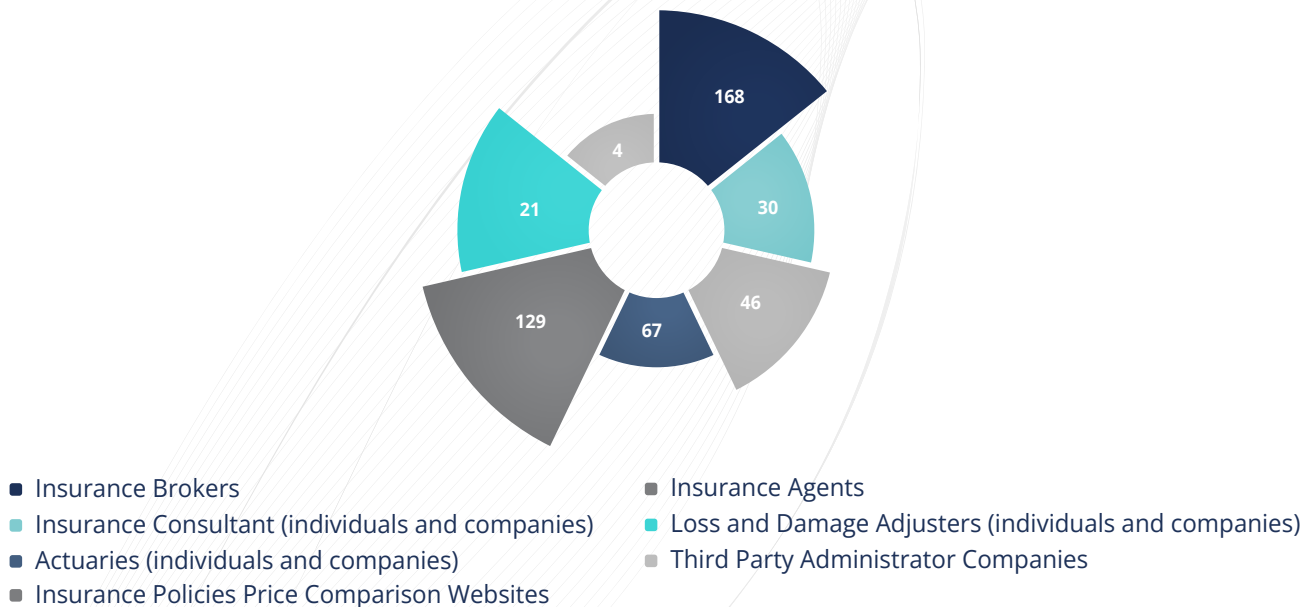


Chart 2.2: Classification of Related Insurance Professions



Part 2

Takaful Insurance Sector: Performance

II. Income Statement - Written Contribution

- In 2021, the total written contributions and retention in the Takaful insurance sector registered various improvements. The total Gross Written Contributions (GWC) grew by 0.51%, reaching AED 4.35 billion compared to AED 4.32 billion in 2020, representing 9.82% of the total UAE insurance industry. Similarly, the Total Net Written Contributions (NWC) increased significantly by 7.04% from AED 2.30 billion in 2020 to AED 2.46 billion in 2021 (Chart 2.3).
- The Executive Regulation of the Federal Law no. 6 of 2007 stated that health insurance can be offered by both types of direct Takaful insurance activities (property and liability and insurance of persons and fund accumulation). Health Takaful insurance represents the largest business type with 43.6% of the Takaful insurance market share, while Family Takaful and Fund Accumulation remained the smallest business type, recording 18.1%, with small shrinkage of 2.3% against the year 2020 (Charts 2.4 and 2.5).
- The overall contributions retention ratio increased in 2021 compared to 2020, reaching 56.7% (Chart 2.6). The retention ratio for each business line is stated in **Appendix A**, which shows that Individual Life and fire business lines have the highest and lowest retention ratios among business lines, with 88.5% and 13.1% respectively.

Chart 2.3: Written Contribution

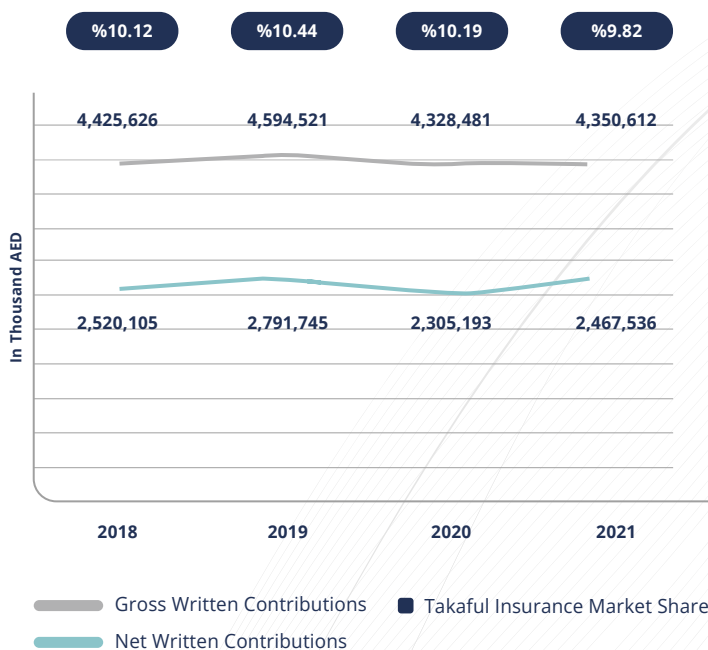
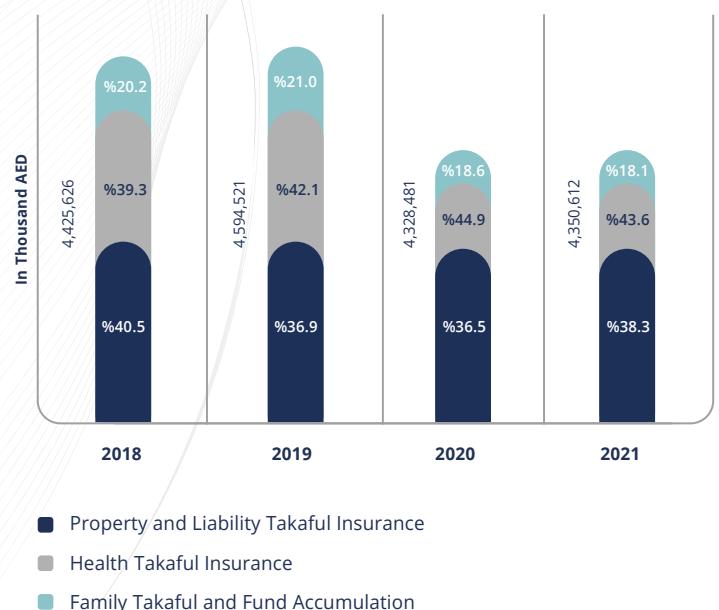


Chart 2.4: Gross Written Contributions by Types of Business



Part 2

Takaful Insurance Sector: Performance

II. Income Statement - Written Contribution

Chart 2.5: Net Written Contributions by Types of Business

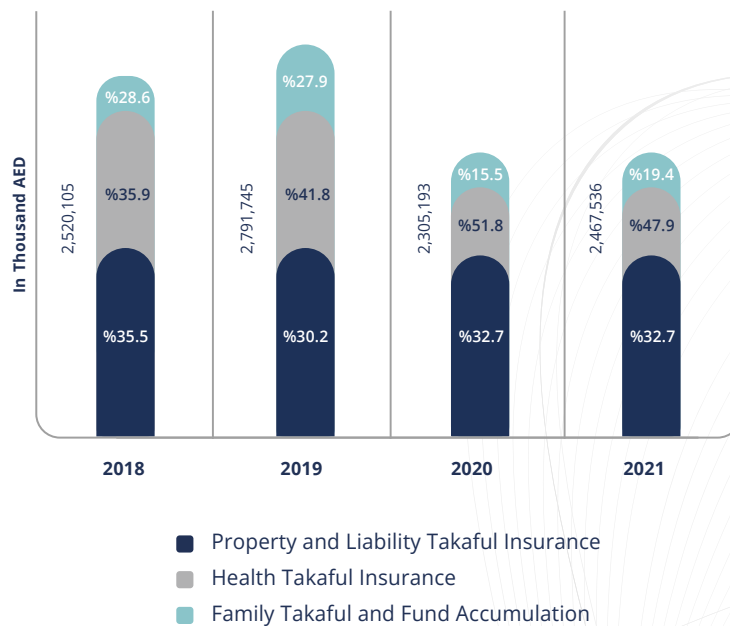
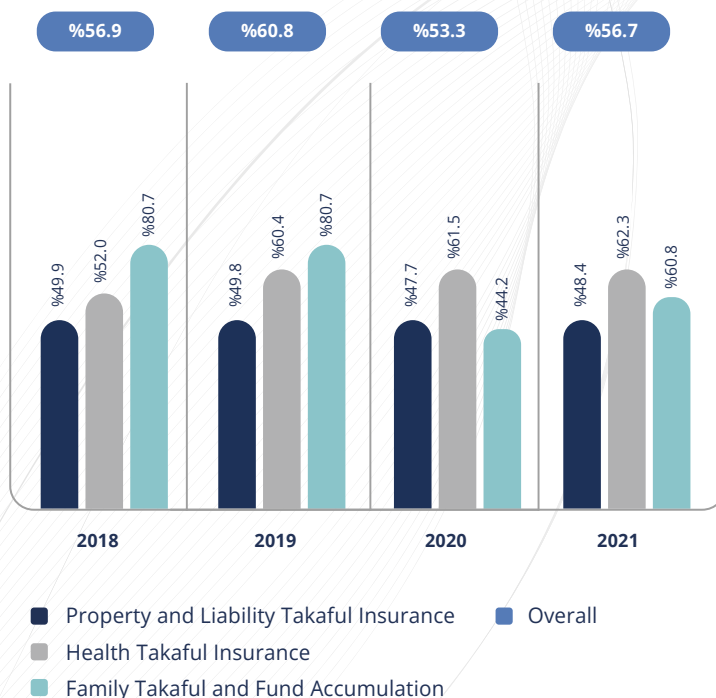


Chart 2.6: Contributions Retention Ratio by Types of Business



Part 2

Takaful Insurance Sector: Performance

II. Income Statement - Claims Paid

- The total Gross Claims Paid (GCP) raised slightly by 0.9 percent, reaching AED 2.54 billion in 2021 compared to AED 2.52 billion in 2020. Similarly, Total Net Claims Paid (NCP) increased by 4.9 percent from AED 1.30 billion in 2020, compared to AED 1.36 billion in 2021 (Chart 2.7).
- The claims paid for health Takaful insurance were the highest over this period. The GCP recorded 62.3% and NCP recorded 64.3% of overall Takaful types of business in 2021, while the lowest GCP and the NCP were for family Takaful and fund accumulation (Charts 2.8 and 2.9).
- The share of the Takaful insurance companies in paid claims varied according to business type between 2018-2021. In 2021, paid claims were the highest in property and liability business type, and the lowest for family Takaful and fund accumulation among the three types (Chart 2.10). Details of claims paid for each business line are provided in **Appendix B**.

Chart 2.7: Claims Paid

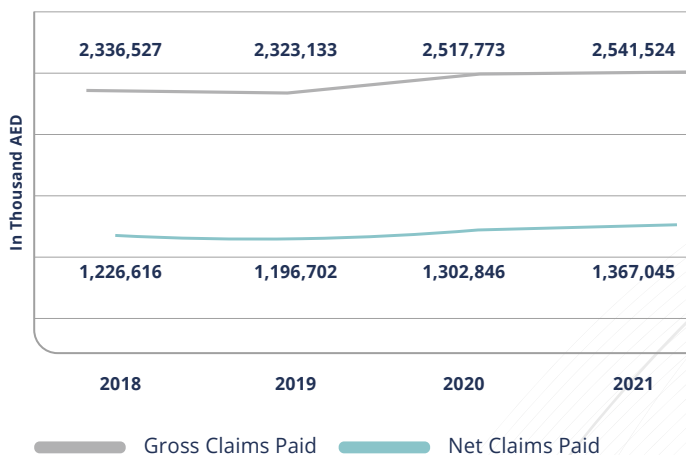
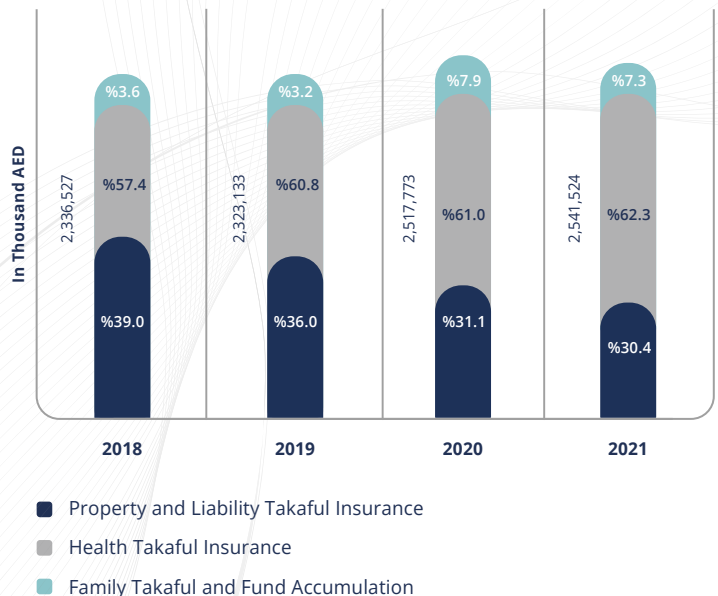


Chart 2.8: Gross Claims Paid: Types of Business



Part 2

Takaful Insurance Sector: Performance

II. Income Statement - Claims Paid

Chart 2.9: Net Claims Paid: Type of Business

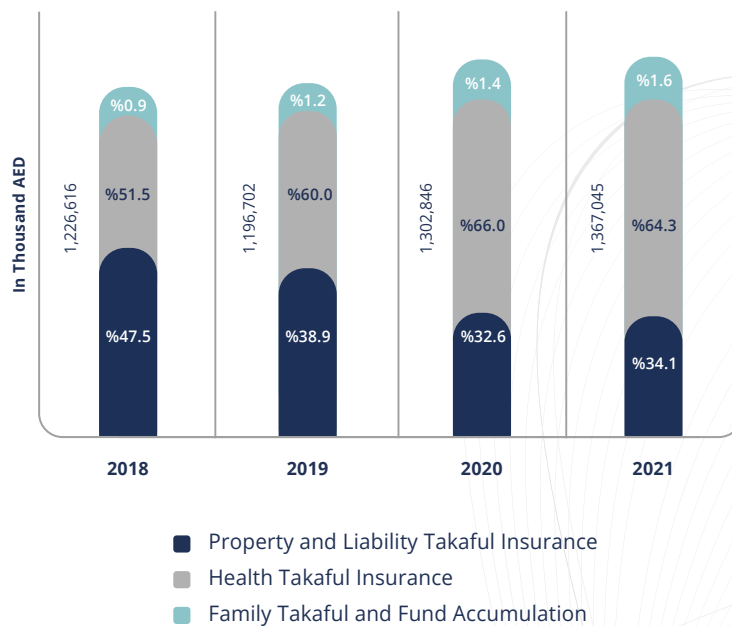
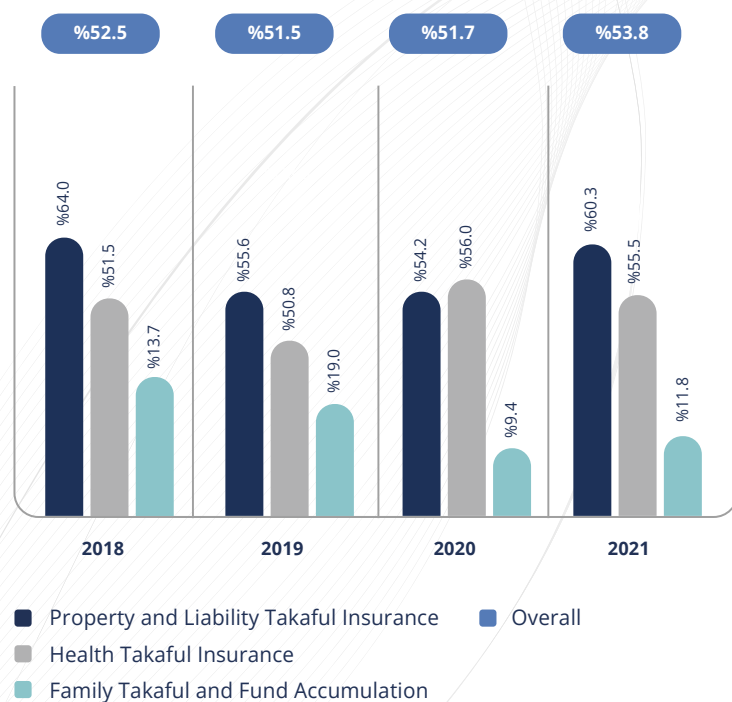


Chart 2.10: Share of the Takaful Companies in Paid Claims on Net Basis



Part 2

Takaful Insurance Sector: Performance

II. Income Statement – Contributions and Claims Per Business line

- Among business lines, Gross Written Contributions (GWC) (amounting to AED 4.35 billion in 2021) were largely in the health Takaful insurance and motor and transportation, with these two business lines representing more than 60% of overall gross written contributions in 2021. Similarly, these two elements recorded over 85% of gross claims paid, which reached AED 2.54 billion in 2021 (Charts 2.11 and 2.12).

Chart 2.11: Gross Written Contributions Per Business Line in 2021

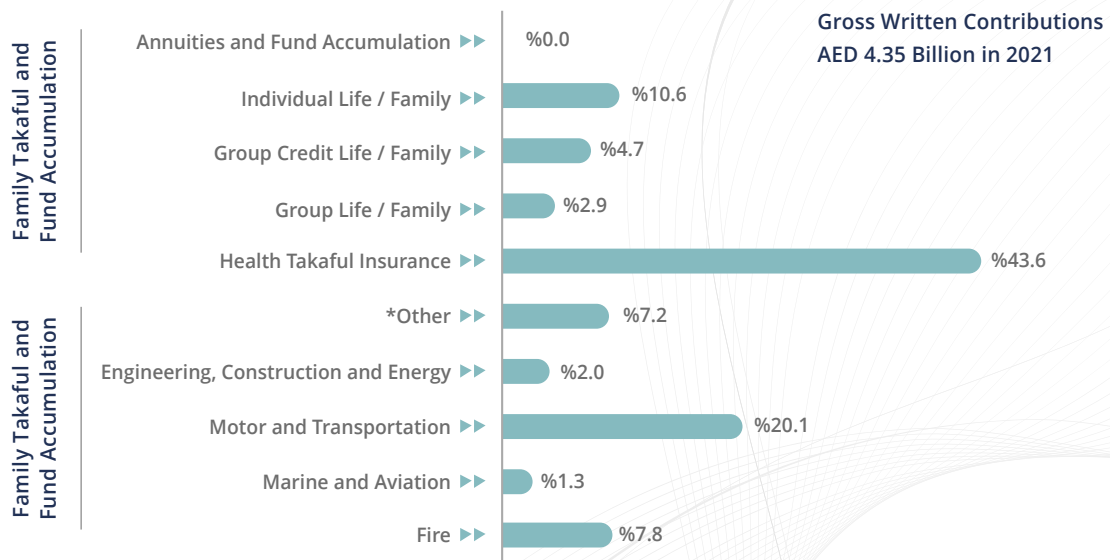
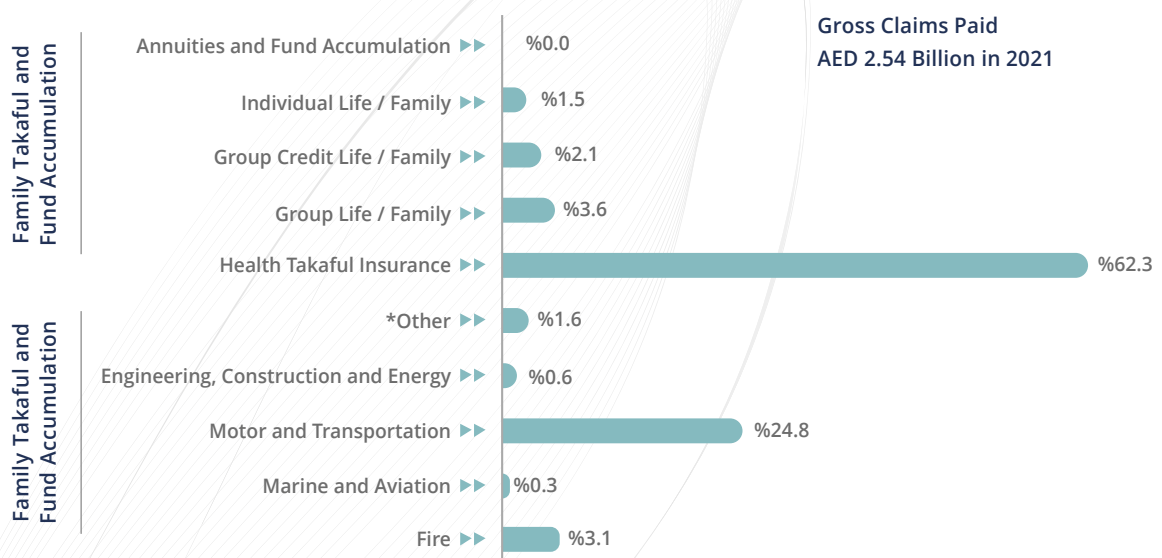


Chart 2.12: Gross Claims Paid Per Business Line in 2021



* Other covers various products like professional indemnity, workers' compensation, agriculture and fidelity guarantee. This note is applicable to the whole Part 2.

Part 2

Takaful Insurance Sector: Performance

III. Balance Sheet

- The total assets of Takaful insurance companies decreased slightly by 0.47%, amounting to AED 14.8 billion in 2021 compared to AED 14.9 billion in 2020. Total liabilities increased from AED 11.6 billion in 2020 to AED 12.2 billion in 2021, while total equity decreased from AED 3.3 billion to AED 2.6 billion (Chart 2.13).
- Investments accounted for the largest share of assets, representing 56% in 2021. **Appendix H** states the list of assets, including total invested assets, reinsurance recoverables, insurance receivables and others.
- Technical provisions represent the largest share of liabilities in 2021, at 57.2% (Chart 2.14).

Chart 2.13: Assets, Liabilities and Equity

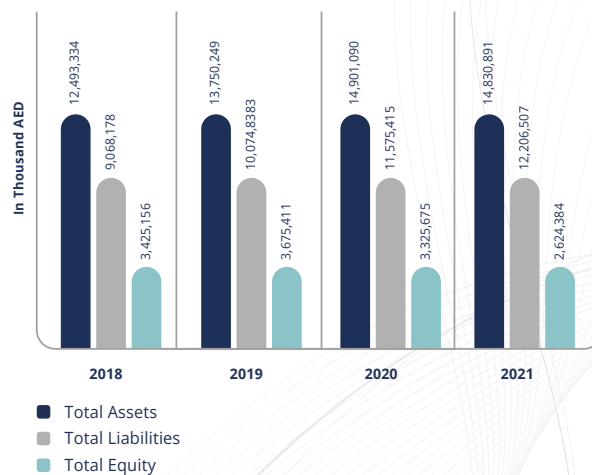
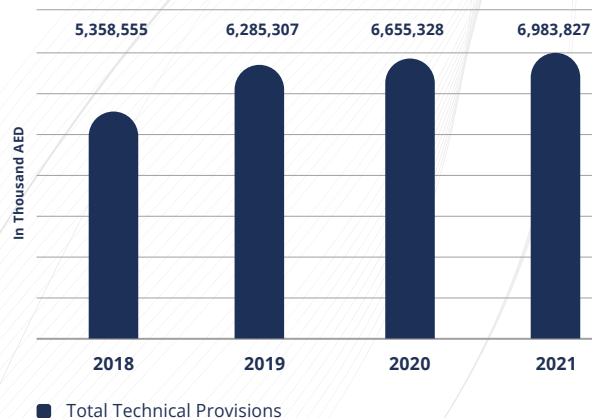


Chart 2.14: Total Technical Provisions



Part 2

Takaful Insurance Sector: Performance

IV. Profitability

- Takaful insurance companies recorded overall net profits of AED 92.6 million in 2021, compared to AED 274.8 million in 2020 (Chart 2.15).
- The net underwriting income (known also as net underwriting surplus) decreased from AED 150 million in 2020 to AED 3 million in 2021 (Chart 2.16). However, the net investment income witnessed notable growth of 48.9%, reaching AED 280 million in 2021, compared to AED 188 million in 2020 (Chart 2.17).
- In 2021, the Takaful insurance market's Return on Assets (ROA) declined to 0.62%, and the Takaful insurance market's Return on Equity (ROE) declined to 3.53% (Charts 2.18 and 2.19).

Chart 2.15: Total profit

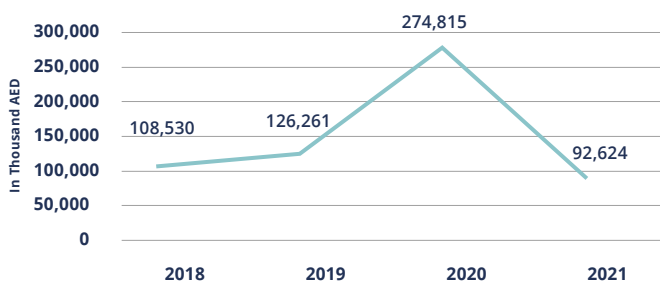


Chart 2.16: Net underwriting income

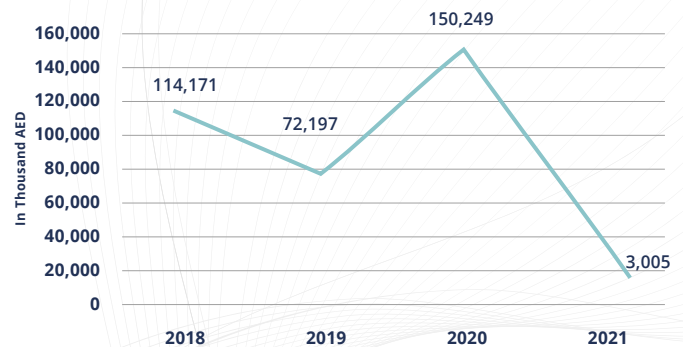


Chart 2.17: Net investment income

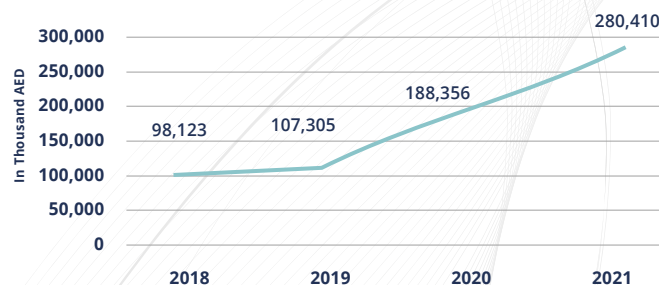


Chart 2.18: ROA

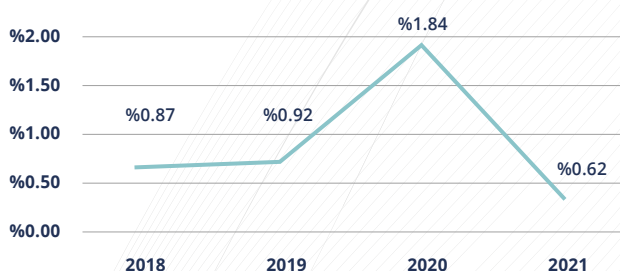


Chart 2.19: ROE



Part 2

Takaful Insurance Sector: Performance

V. Financial Ratios - Net Expense Ratio

- The net expense ratio of property and liability Takaful insurance decreased slightly in 2021 compared to 2020, reaching 24.8%, while the ratio increased from 18.7% to 22.4% in health Takaful insurance during the same period (Chart 2.20). **Appendix E** shows the gross expense ratio.
- In property and liability Takaful insurance, the motor and transportation business line recorded the lowest net expense ratio in 2021 (18.8%), while fire business line recorded the highest ratio, reaching 72.3% (Chart 2.21).

Chart 2.20: Net Expense Ratio

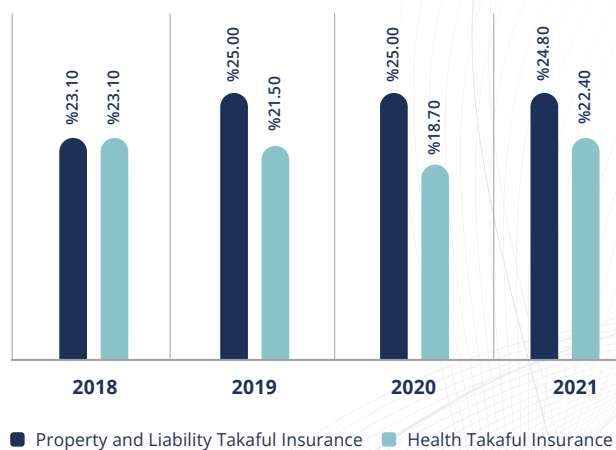
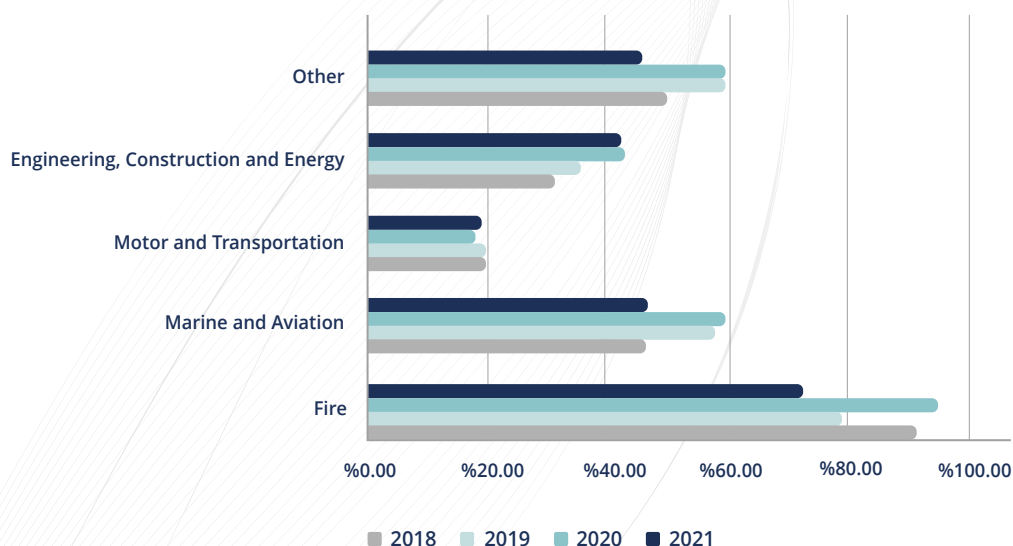


Chart 2.21: Net Expense Ratio for Property and Liability Takaful Insurance, Per Business Line



Part 2

Takaful Insurance Sector: Performance

V. Financial Ratios - Net Loss Ratio

- The net loss ratio of property and liability increased from 53% in 2020 to 61.5% in 2021. The ratio increased as well in health Takaful insurance from 71.6% to 74.9% during the same period (Chart 2.22). **Appendix E** shows the gross loss ratio.
- In property and liability Takaful insurance, the motor and transportation business line recorded the highest net loss ratio, recording 70.5% in 2021, and marine and aviation business line recorded the lowest loss ratio, at 11.7% in 2021 (Chart 2.23).

Chart 2.22: Net Loss Ratio

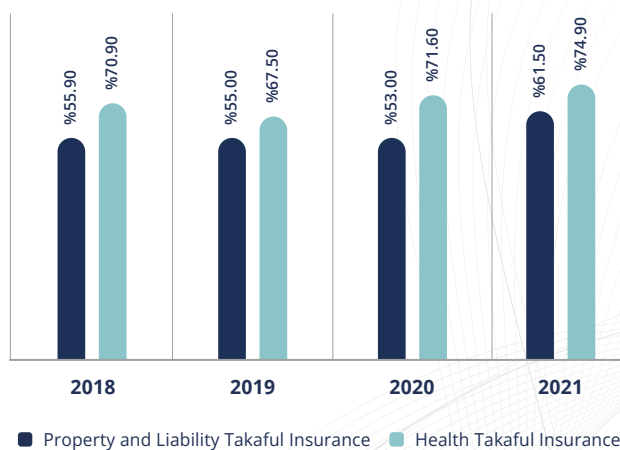
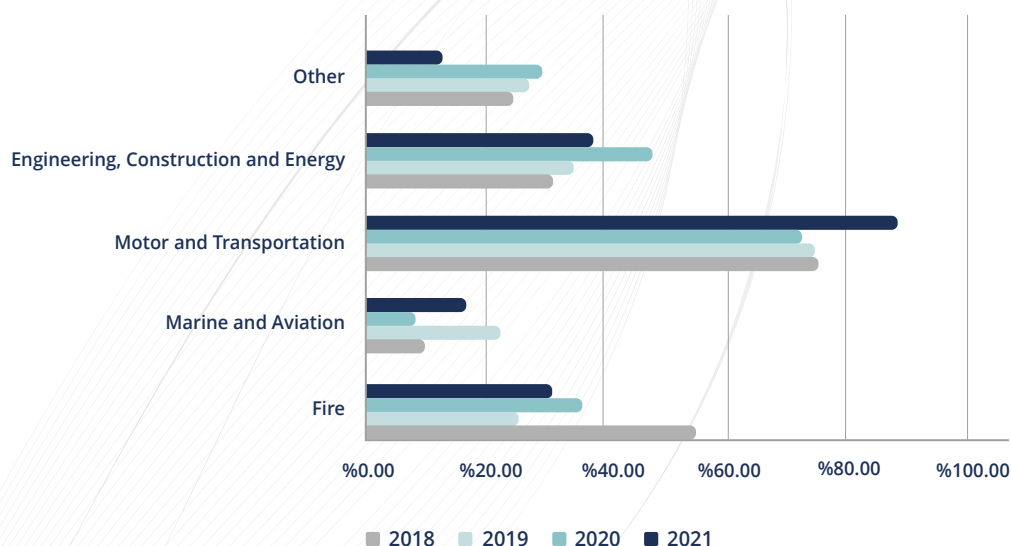


Chart 2.23: Net Loss Ratio for Property and Liability Takaful Insurance, Per Business Line



Part 2

Takaful Insurance Sector: Performance

V. Financial Ratios - Net Combined Ratio

- The net combined ratio of property and liability and health Takaful insurance decreased between 2018 and 2021. However, the ratio showed an upward trajectory in 2021 compared to 2020, reaching 85.8% and 108.4% for property and liability Takaful insurance and health Takaful insurance respectively (Chart 2.24). **Appendix E** presents the gross combined ratio.
- In property and liability Takaful insurance, the motor and transportation business line recorded the highest net combined ratio in 2021, while marine and aviation recorded the lowest ratio in the same year (Chart 2.25).

Chart 2.24: Net Combined Ratio

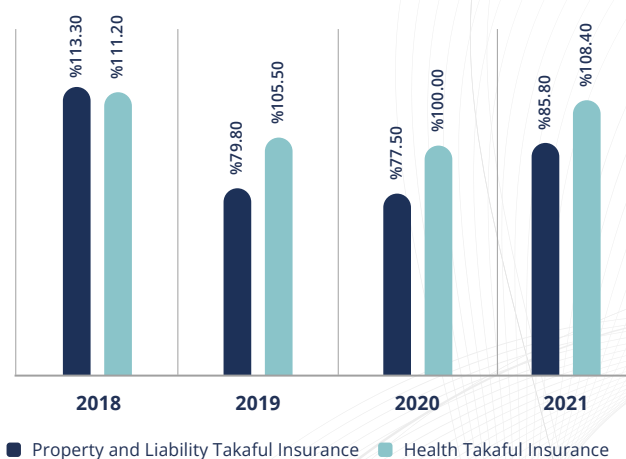
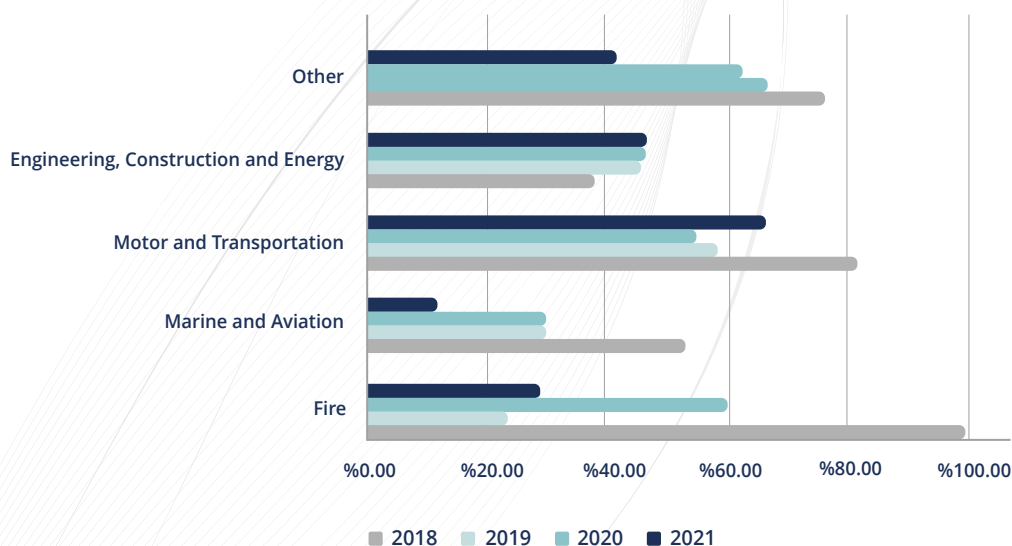


Chart 2.25: Net Combined Ratio for Property and Liability Takaful Insurance, Per Business Line



Part 2

Takaful Insurance Sector: Performance

VI. Number of Policies

- The number of Takaful insurance policies underwritten in 2021 showed an increase to reach 992,106 policies. This represents 11.3% of the overall policies in the market (Chart 2.26). The Motor and transportation business line represented 74.4% of the overall Takaful insurance policies (Chart 2.27).

Chart 2.26: Number of Takaful Insurance Policies

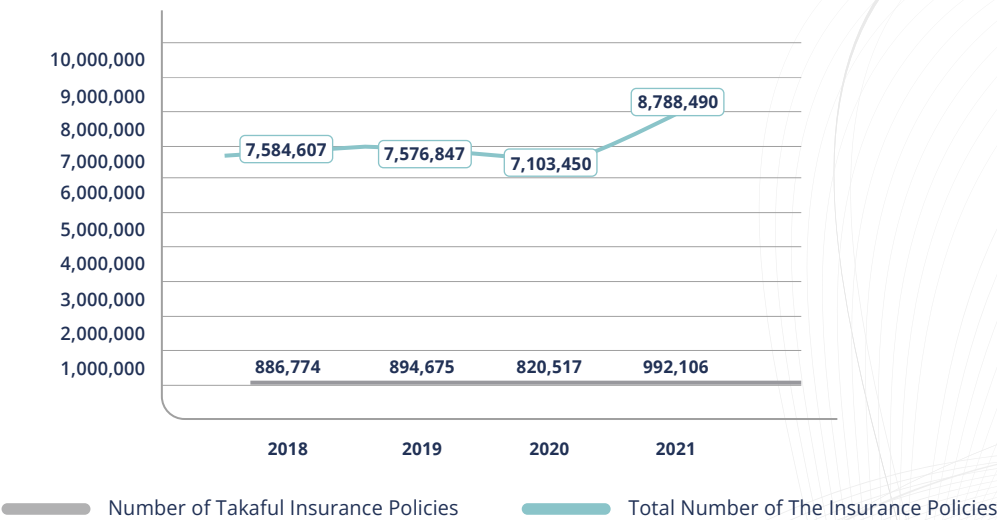
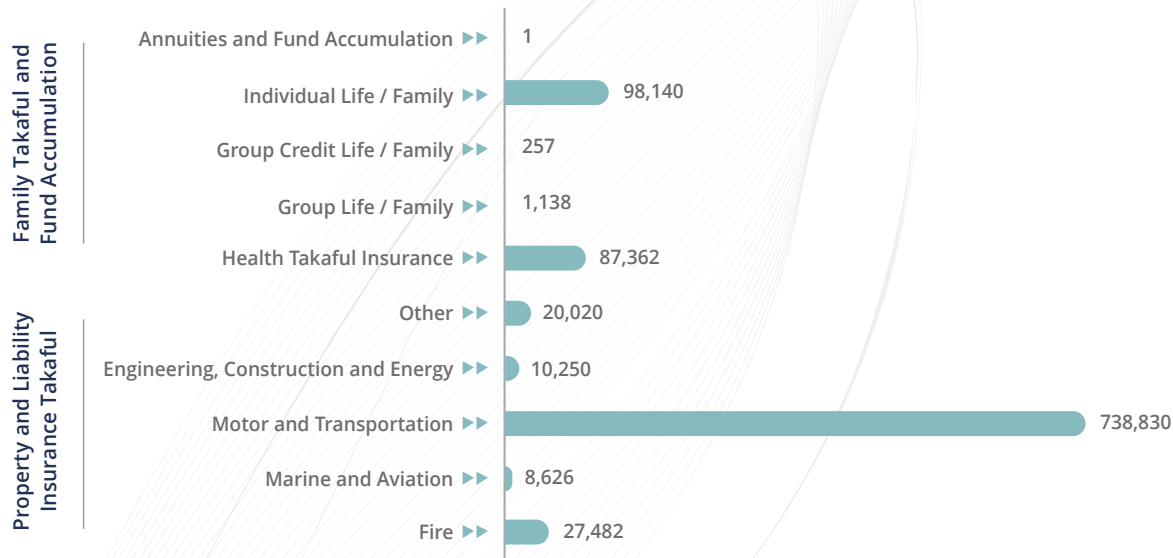



Chart 2.27: Number of Takaful Insurance Policies Per Business Line in 2021



PART 3

TAKAFUL INSURANCE SECTOR: DIGITALISATION INITIATIVES

An overview of digitalisation in the Takaful insurance market, and its adoption in the Takaful value chain focusing on:

- I. Key Factors in Adopting Technology
 - II. The Takaful Value Chain
 - III. Technologies in Use
 - IV. Key Benefits and Challenges
- 

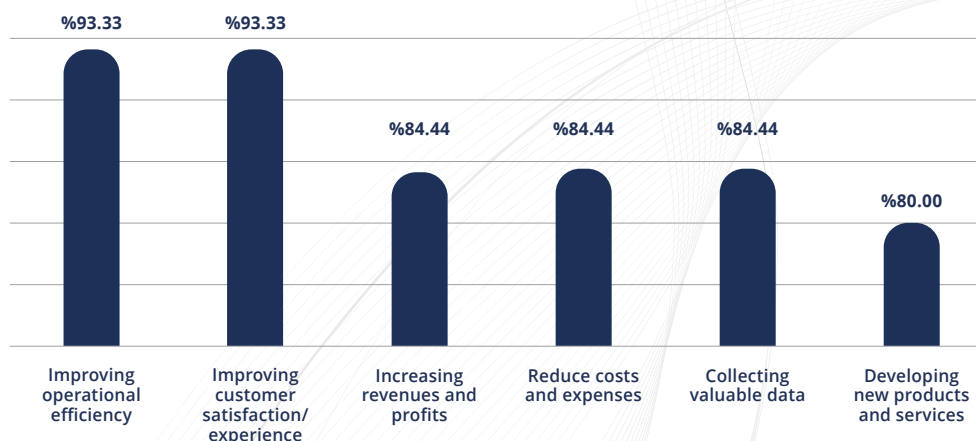
Part 3

Takaful Insurance Sector: Digitalisation Initiatives

I. Key Factors in Adopting Technology

- The COVID-19 pandemic has been a turning point for the global insurance industry reshaping and changing aspects of the overall business. Digital transformation has become among the top priorities for companies to adapt to emerging market conditions and to meet customers' expectations.
- In the UAE, both the public and private sectors proactively embraced technology long before the pandemic. In April 2022, the Government launched the Digital Economy Strategy that aims to double the digital economy's contribution to the UAE's Gross Domestic Product (GDP) from 9.7% in April 2022 to 19.4% within 10 years. The strategy also seeks to enhance the UAE's position as a hub for the digital economy regionally and globally. To highlight the contribution of Takaful insurance to this strategy, the CBUAE conducted a survey to the Takaful insurance companies to assess the current application of digitalisation in Takaful insurance companies and the manner in which technology enables improvements to the Takaful value chain.
- The following analysis is based on the responses of nine Takaful insurance companies (excluding Watania, which merged with the Dar Al Takaful, and Dar Al Takaful's subsidiaries as they share the same digitalisation strategy as the parent company).

Chart 3.1: Key factors for Adopting Technology by Takaful Insurance Companies



- All Takaful insurance companies recognise the importance of digitalisation in the Takaful business. All companies have dedicated strategies for digital transformation. However, the key factors for adopting these strategies vary between companies. Improving efficiency and customer experience are the key drivers for integrating digitalisation into their business. The companies are also keen to digitalise operations to increase revenues and profits, and to decrease costs and expenses (Chart 3.1).

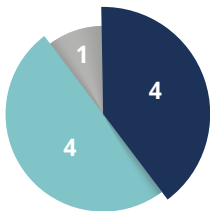
Part 3

Takaful Insurance Sector: Digitalisation Initiatives

II. Takaful Value Chain

Chart 3.2: Takaful Value Chain

Product Design and Development



Does your Company use technology at this stage?

- ▶▶ Yes
- ▶▶ No, but the company intends to adopt them in the near future
- ▶▶ No

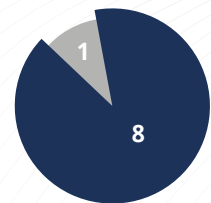
Underwriting and Pricing



Does your Company use any digital tools?

- ▶▶ Yes
- ▶▶ No, but the company intends to adopt them in the near future
- ▶▶ No

Sales and Distribution



Does your company offer its products via online platform?

- ▶▶ Yes
- ▶▶ No

The adoption of technology in the Takaful value chain starts from product development to post-sale services. Technology can play an essential role in the following aspects:

1

Product Design and Development

Innovation and new technologies could modernise the Takaful product. The global trend is to develop products based on customer-centricity, speed and flexibility. Technology influences 4 companies to develop products to meet customers' expectations, while 4 companies are acknowledged the importance of technology at this stage and are planning to adopt it in the near future.

2

Pricing and Underwriting

Information technology is widely used in pricing and underwriting. Four companies have adopted technology in this stage, and are largely using it in motor and medical Takaful products.

3

Sales and Distribution

Digitalisation is reshaping companies' engagement with its customers. Almost all companies (with one exception), offer their products through digital platforms. The one company that does not offer its products online plans to embrace technology in the near future.

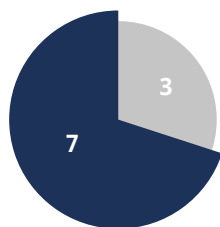
Part 3

Takaful Insurance Sector: Digitalisation Initiatives

II. Takaful Value Chain

Chart 3.2: Takaful Value Chain (Cont.)

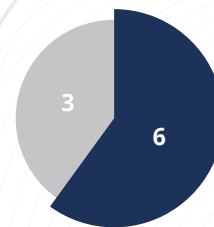
Post-sale Services



The technological tools that your company uses at this stage:

- ▶▶ Chatbox
- ▶▶ Submit complaint in electronic form

Claims Management



Does your company have dedicated page /portal for claims management to automate this stage?

- ▶▶ Yes, some of the claims management processes are automated, e.g., submission of the claims document
- ▶▶ No, the company uses dedicated email and contact number for claims

Embracing technology contributes to the functions and operations of the Takaful business at the following stages:



Claims Management

Claims management is one of the main reasons for customers subscribing to a policy. When risk occurs, customers expect a quick and fuss-free settlement of claims, and this may influence customers' satisfaction highly. Six companies have partly automated their claims management processes, while the remaining three companies use a dedicated email and contact number for claims.



Post-sale Services

Post-sale services can build trust between the contractual parties. The importance of close engagement may vary based on the offered product, e.g., higher connectivity and interaction are required in long-term contracts. All companies have a call centre, and three of them have a chatbot to simplify the communication with customers. In addition, seven companies provide a channel for customers to submit their complaints electronically.

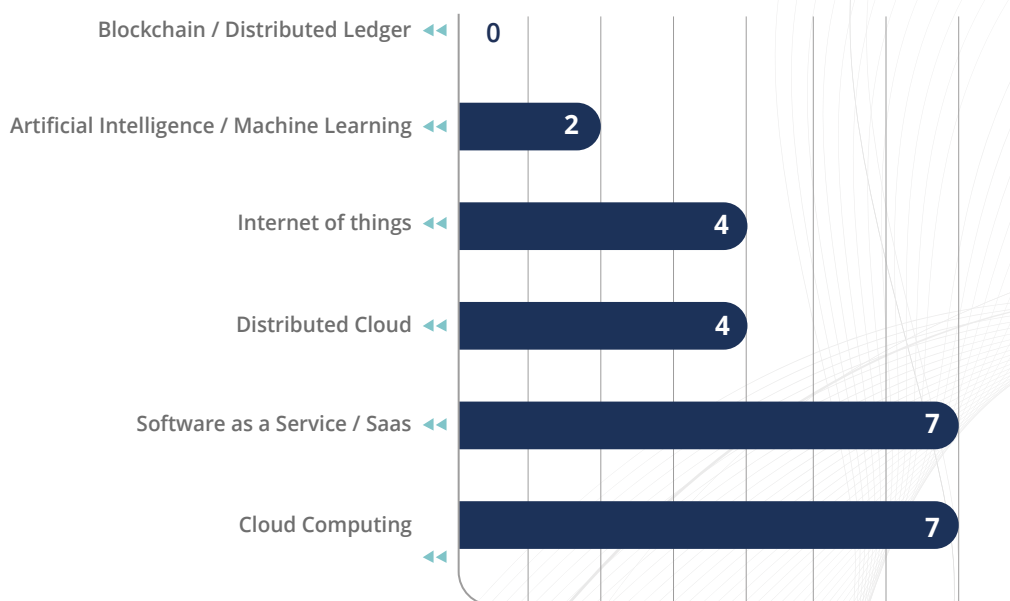
Part 3

Takaful Insurance Sector: Digitalisation Initiatives

III. Technologies in Use

- Digitalisation can boost the Takaful business's effectiveness and efficiency. Recent technologies create connectivity between a company and their customers, which can improve the customer experience and business processes.
- In general, Takaful businesses use historical customer data to make informed decisions on business aspects e.g. to assess the risk, calculate the contribution, create a new product and etc.

Chart 3.3: The technologies used in Companies' operations



- The survey's responses highlight that Software as a Service (SaaS) and cloud computing are the most used adopted solutions.
- SaaS enables companies to provide services in a simple manner and smoothen the clients' experience, without requiring ongoing software maintenance by its IT department. Cloud computing helps companies to lower operational costs and run their IT infrastructure in an efficient way.
- Other technologies, i.e. the internet of things, artificial intelligence and distributed cloud are emerging in the Takaful business.

Part 3

Takaful Insurance Sector: Digitalisation Initiatives

IV. Key Benefits and Challenges

The following survey results show the key benefits and challenges of digitalisation to companies and customers.

The Survey results show the following benefits and challenges:

Benefits to Company



- Improving operational efficiency
- Increasing revenues and profits, e.g., entering new segments, broadening the company's distribution channels
- Increased customer retention
- Reducing costs and expenses, e.g., cutting acquisition costs
- Achieving competitive advantage
- Enhancing customer services by simplifying the parties' interaction and communication
- Minimising manual intervention to reduce human-errors
- Boosting the customer experience, e.g., providing easy business process automation
- Building database for better customer experience and business decisions

Benefits to Customers



- Improving customer experience and satisfaction
- Hassle-free transactions, e.g., faster buying and renewal process, simple claims process, easy to communicate
- Availability of Service 24/7
- Reducing time to obtain quick response
- Easily exploring product and price comparisons
- Increasing customers' trust due to enhanced transparency

Challenges

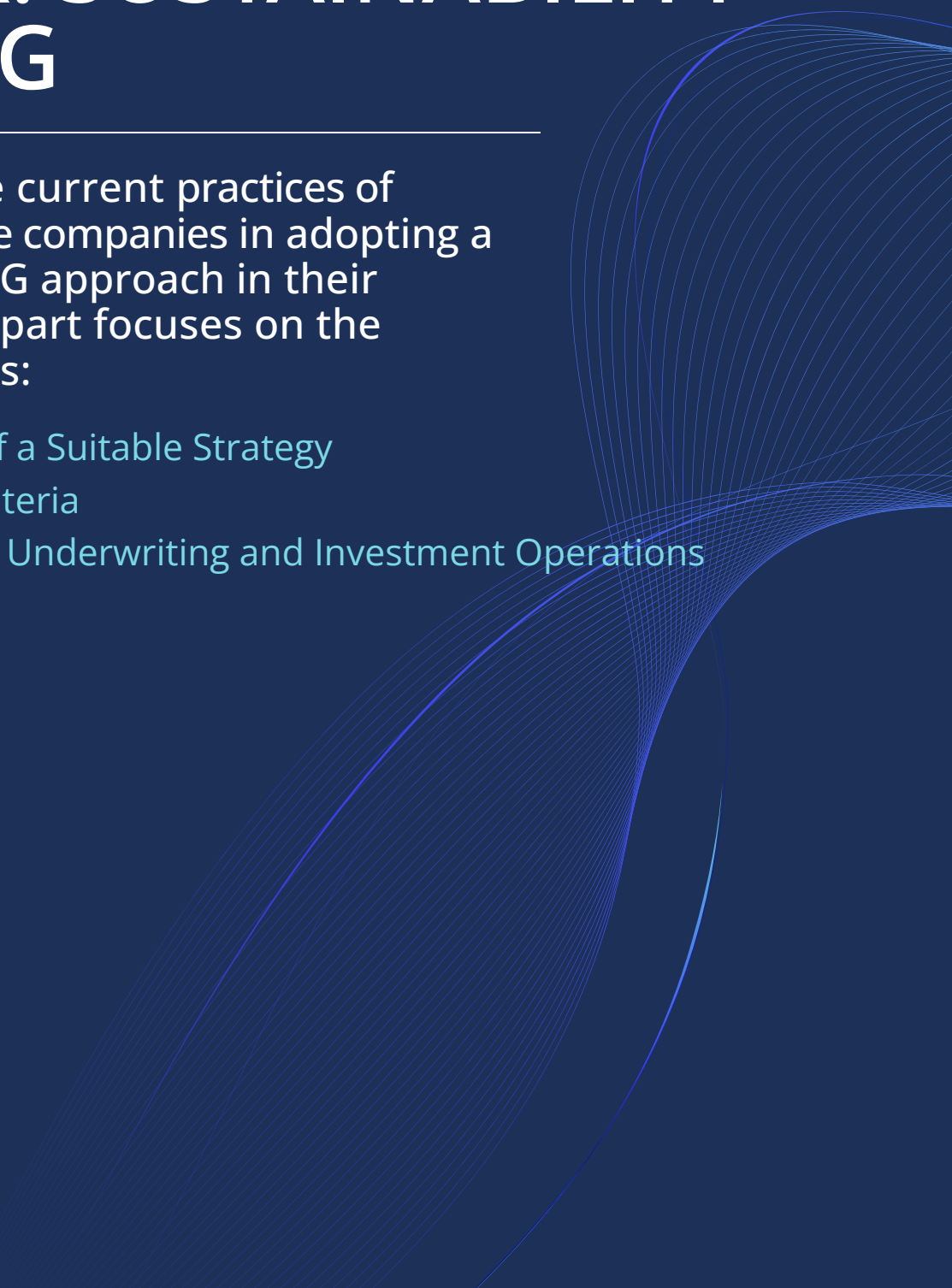


- Improving operational efficiency
- Unclear vision for a digital customer journey
- IT Security
- Upgrading IT Infrastructure, Software
- Prioritising and realigning existing business processes

PART 4

TAKAFUL INSURANCE SECTOR: SUSTAINABILITY AND ESG

An insight in the current practices of Takaful insurance companies in adopting a sustainability/ESG approach in their operations. The part focuses on the following aspects:

- I. The Availability of a Suitable Strategy
 - II. Sustainability Criteria
 - III. Sustainability in Underwriting and Investment Operations
 - IV. Disclosure
- 

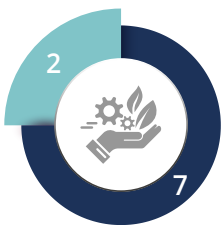
Part 4

Takaful Insurance Sector: Sustainability and ESG

I. The Availability of the Sustainability Strategy

- In January 2017, the UAE government formed the UAE's National Committee on Sustainable Development Goals (SDGs). Its responsibility is to implement the Global Goals, and monitor and report on progress towards the set targets.
- Since then, public and private institutions have started to integrate sustainability and Environmental, Social, and Governance (ESG) criteria in their operations. Takaful insurance companies play a role in contributing to the UAE's agenda.
- Takaful insurance companies have adopted sustainable workplace practices through recycling electronic waste, conserving energy, using paperless processes, raising environmental awareness among employees, and other initiatives. While a sustainable workplace is important, this part focuses on integrating sustainability / ESG in the core Takaful businesses, mainly underwriting and investment.

The following discussion is based on survey results.



Number of Companies that have a sustainability / ESG strategy or approach

►► Yes ►► No



Has the Board approved the relevant strategy?

►► Yes ►► No

- Based on a survey conducted on the Takaful insurance industry, seven out of nine companies* have a sustainability strategy, and three companies have their ESG strategy approved by the Board of Directors. Companies without a dedicated strategy stated that they plan to integrate sustainability in their operations in the next 5-2 years.

- The responses show that Boards of Directors (BoD) oversee sustainability reports to review their company's contributions towards sustainability. In addition, senior management is responsible for empowering sustainability in the business functions, exploring initiatives that boost sustainability, building awareness about sustainability within the company and updating business functions to integrate sustainability.

- Current practice largely focuses on the non-business functions e.g., recycling electronic waste, conserving energy, and going green (e.g. a paperless office).

* (Excluding Watania, which merged with the Dar Al Takaful, and Dar Al Takaful's subsidiaries as they share the same sustainability approach as the parent company).

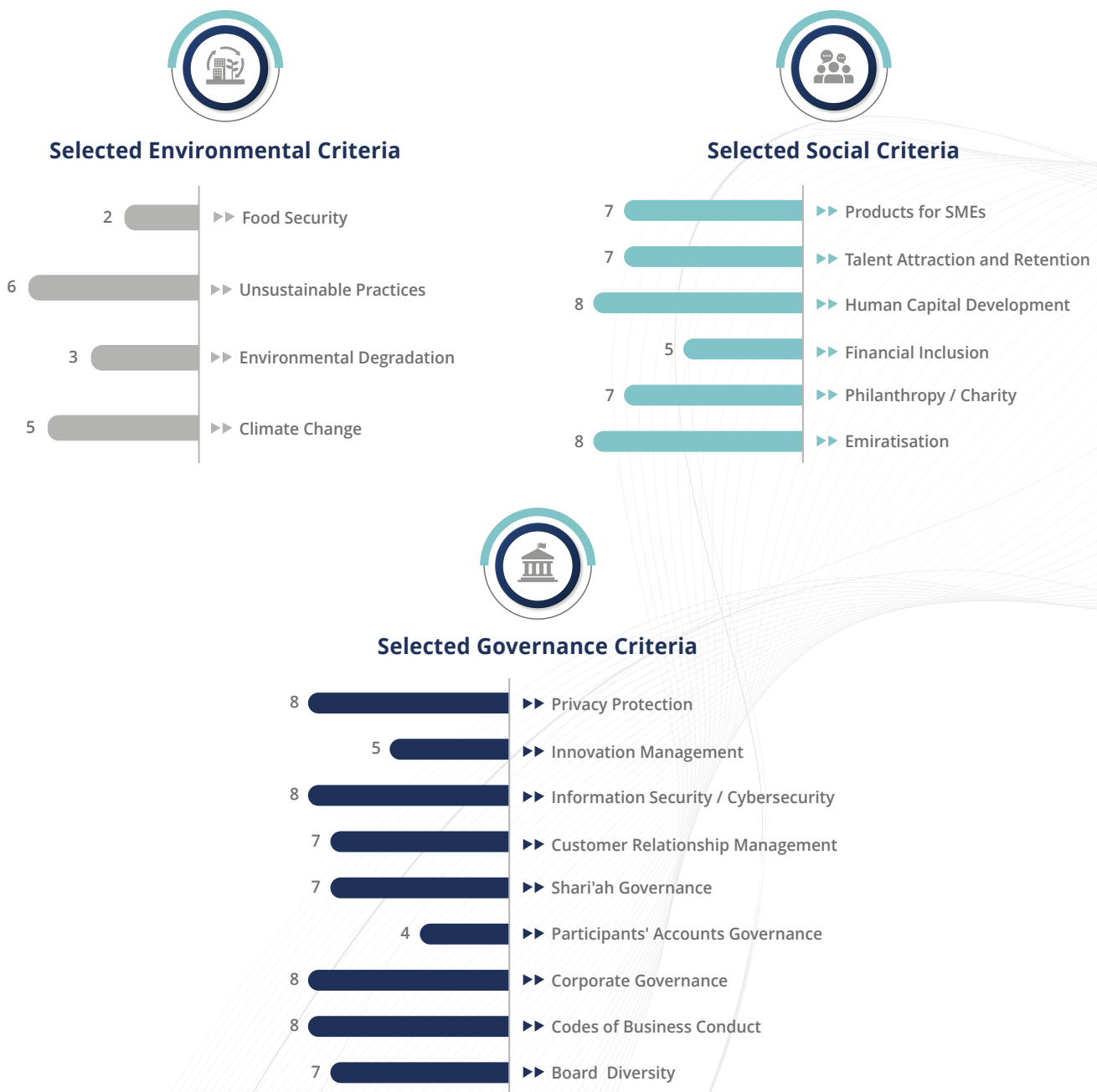
Chart 4.1: The Availability of The Sustainability Strategy

Part 4

Takaful Insurance Sector: Sustainability and ESG

II. Sustainability Criteria

Chart 4.2: Selected Sustainability Criteria



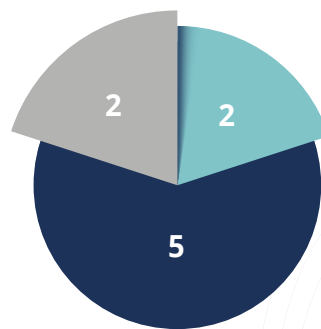
- The ESG's governance component is largely implemented while the environmental aspect is the least covered.

Part 4

Takaful Insurance Sector: Sustainability and ESG

III. Sustainability in Underwriting and Investment Operations

Chart 4.3: Sustainability and Underwriting Operations



Does your company consider the sustainability / ESG criteria in the underwriting?

- ▶▶ Yes, the company updated the underwriting manual to reflect the sustainability / ESG considerations
- ▶▶ No, but the company is currently working on it
- ▶▶ No, it is not in the company's plan

- The companies that integrate sustainability into underwriting include ESG principles in their underwriting assessment to ensure the insured businesses are in line with agreed principles, and include it as part of their underwriting assessment.

Companies in the survey stated that they have confronted challenges in adopting sustainability criteria/ standards in underwriting operations, which can be summarised as follows:

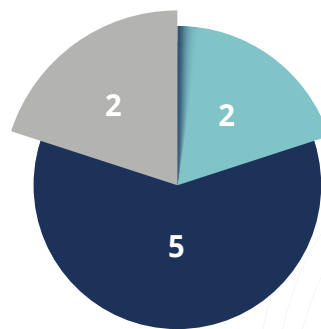
- 1 There are no clear sustainability guidelines in the market.
- 2 The global economic situation does not assist companies in shifting operations while simultaneously focusing on meeting the financial expectations of stakeholders.
- 3 Finding a balanced Takaful/insurance pool when considering sustainability standards.
- 4 Finding a measure to determine the scale of ESG progress by organisations, makes it difficult for underwriters to factor the benefit into the pricing.

Part 4

Takaful Insurance Sector: Sustainability and ESG

III. Sustainability in Underwriting and Investment Operations

Chart 4.4: Sustainability and Investment Activities



Does your company consider sustainability / ESG criteria in its investment operations / Activities?

- ▶▶ Yes, the company updated its investment manual to reflect sustainability and ESG considerations
- ▶▶ No, but the company is currently working on it
- ▶▶ No, it is not in the company's plan

- The companies that consider sustainability in their investment activities ensure that they invest in businesses that comply with their ESG criteria, assess investments accordingly and make investment decisions.

In the survey, the companies revealed challenges in adopting sustainability standards in investment operations:

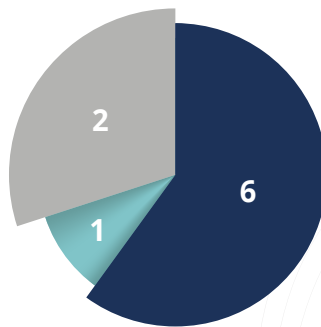
- 1 Limited investment opportunities that are classified as compliant with ESG/sustainability.
- 2 Finding the right balance in such difficult global market conditions to continue providing shareholder value and to meet financial expectations.
- 3 Lack of publicly available measurable information to help differentiate investment channels, based on an assessment of their ESG achievements.
- 4 The profitability status does not encourage company to explore in ESG/sustainability.

Part 4

Takaful Insurance Sector: Sustainability and ESG

IV. Disclosure

Chart 4.5: Disclosure of Sustainability/ESG Activities



Does your company disclose the sustainability / ESG activities?

- Yes, it is published as a section under the annual report
- Yes, it is published as a separate report
- No, the reporting is not mature enough to be communicated externally


This survey shows two different approaches in presenting sustainability activities to the public:

- 6 companies disclose their activities as a separate section in their company's annual report, while one company discloses its sustainability activities in a dedicated, separate report.

PART 5

TAKAFUL INSURANCE SECTOR: EMIRATISATION

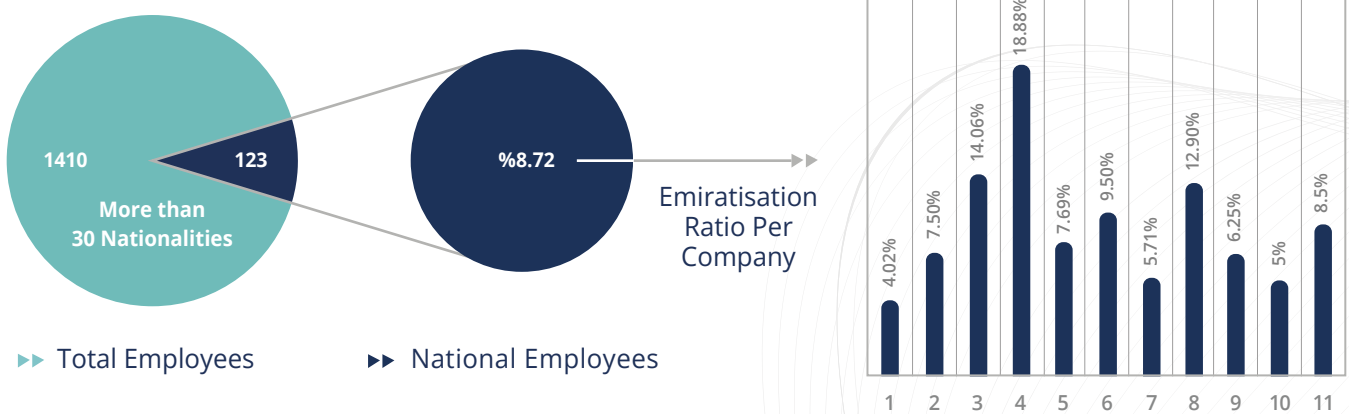
The workforce in Takaful insurance companies and their strategy/policy in supporting the Emiratisation initiatives:

- I. Total Number of Employees
 - II. Managerial Positions
 - III. Emiratisation Strategy
- 

Part 5

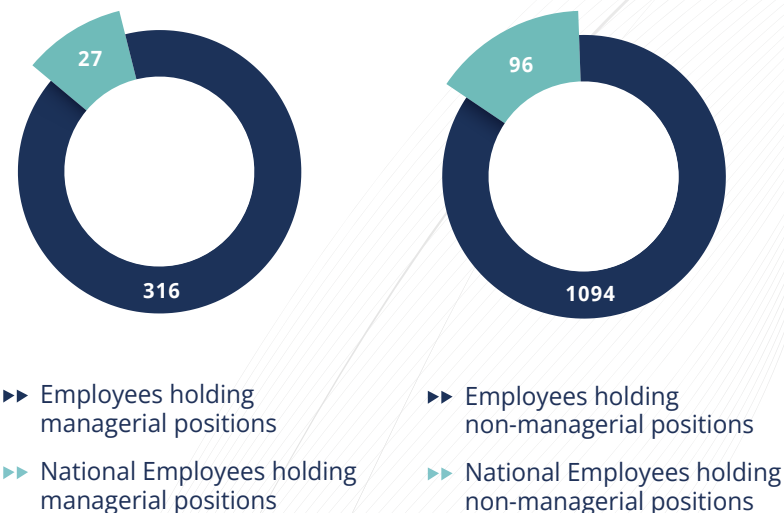
Takaful Insurance Sector: Emiratization

Chart 5.1: Total Number of Employees in Takaful Insurance Companies



- The total number of Takaful insurance companies' employees (after the merger of Watania) in UAE was 1,410 in June 2022.
- UAE nationals represented 8.72% of the total workforce. The range of Emiratization ratios among the companies varies between 4% and 19%.
- The workforce consists of over 30 nationalities.

Chart 5.2: Managerial Positions



- The total number of employees holding managerial positions is 316, including 27 national employees which represents 8.54%.
- The total number of employees holding non-managerial positions is 1094, including 96 national employees which represents 8.78%.

Part 5

Takaful Insurance Sector: Emiratization



Emiratization Strategy

- There are various governmental initiatives to boost Emiratization in the private sector. The CBUAE works to achieve strategic Emiratization goals as part of the national agenda and to enhance the participation of Emirati nationals in shaping the future of the financial sector.
- The CBUAE works closely with the Emirates Institute for Banking and Financial Studies (EIBFS) in structuring and developing the Institute's training plans and to keep pace with international best practice, strengthening plans to develop the skills of national cadres working in the financial and banking sectors and enhancing Emiratization strategy.

Takaful insurance companies, as one of the key components of the private sector, have an Emiratization strategy to empower and enable the recruitment, development and retention of UAE nationals. Some of Takaful insurance companies are active partners in the following initiatives:



National Insurance Programme (NIP)

ADGM Academy and Human Resources Authority (HRA) are committed to developing UAE National talent in the Insurance market



Nafis Programme

A programme aimed at increasing the competitiveness of the Emirati human resources and empowering them to occupy jobs in the UAE' private sector over the next five years.



Tawteen Partners Club

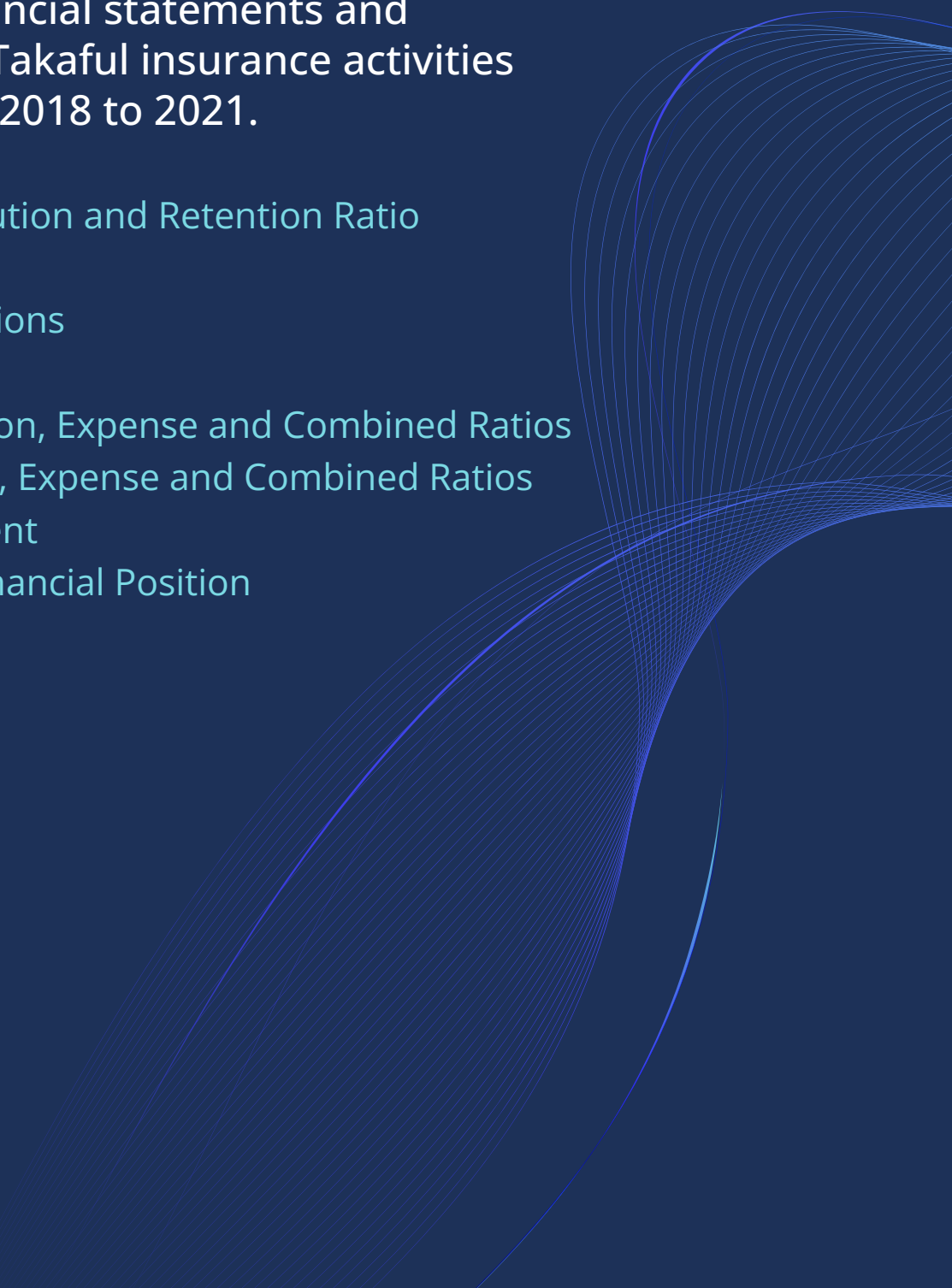
An initiative by the Ministry of Human Resources and Emiratization (MoHRE) that aims to increase Emiratization rates and enhance the inclusion of Emirati talent in the private sector.

Some companies adopt the following initiatives to achieve the Emiratization objective:

- Encouraging UAE employees to pursue higher education, e.g., Educational Scholarships.
- Providing dedicated and special onboarding programs for UAE nationals, e.g., Management Graduate Programme.
- Introducing internship programme for UAE university students.
- Internal job rotations in technical and operational areas to expand knowledge and skills.

APPENDIX

Summary of financial statements and statistics of the Takaful insurance activities in the UAE from 2018 to 2021.

- A. Written Contribution and Retention Ratio
 - B. Paid Claims
 - C. Technical Provisions
 - D. Loss Ratios
 - E. Gross Commission, Expense and Combined Ratios
 - F. Net Commission, Expense and Combined Ratios
 - G. Income Statement
 - H. Statement of Financial Position
- 

Appendix A

Written Contribution and Retention Ratio

In Thousand AED

Line of Business	Gross Written Contribution				Net Written Contribution				Retention Ratios of Written Contributions			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Property and Liability Takaful Insurance												
Fire	236,262	257,413	284,912	339,207	27,977	32,902	32,263	44,344	11.8%	12.8%	11.3%	13.1%
Marine and Aviation	162,597	49,051	42,347	54,758	10,830	8,795	8,163	9,708	6.7%	17.9%	19.3%	17.7%
Motor and Transportation	1,090,018	1,031,255	882,198	873,182	767,075	724,312	633,088	658,654	70.4%	70.2%	71.8%	75.4%
Engineering, Construction and Energy	92,565	97,751	78,226	85,860	29,377	16,254	16,069	19,568	31.7%	16.6%	20.5%	22.8%
Other	212,439	260,001	292,391	312,779	59,188	61,758	64,020	74,389	27.9%	23.8%	21.9%	23.8%
Total - Property and Liability Takaful Insurance	1,793,883	1,695,472	1,580,074	1,665,786	894,447	844,021	753,603	806,663	49.9%	49.8%	47.7%	48.4%

Health Takaful Insurance												
Total - Health Takaful Insurance	1,737,501	1,933,721	1,941,447	1,896,209	904,170	1,168,232	1,194,659	1,181,611	52.0%	60.4%	61.5%	62.3%

Family Takaful and Fund Accumulation												
Group Life	83,452	84,009	96,352	124,291	30,757	33,307	33,993	28,034	36.9%	39.6%	35.3%	22.6%
Group Credit Life	299,042	326,157	188,332	205,175	225,015	243,273	142,346	44,685	75.2%	74.6%	-75.6%	21.8%
Individual Life	508,370	554,162	520,436	459,071	462,337	462,337	463,499	406,499	90.9%	90.6%	89.1%	88.5%
Annuities and Fund Accumulation	3,379	1,000	1,839	80	3,379	3,379	1,784	44	100.0%	92.5%	97.0%	55.3%
Total - Family Takaful and Fund Accumulation	894,243	965,328	806,960	788,617	721,488	721,488	356,930	479,262	80.7%	80.7%	44.2%	60.8%

Total - All Types of Business Combined	4,425,626	4,594,521	4,328,481	4,350,612	2,520,105	2,791,745	2,305,193	2,467,536	56.9%	60.8%	53.3%	56.7%
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Appendix B

Paid Claims

In Thousand AED

Line of Business	Gross Paid Claims				Net Paid Claims				Share of Takaful Companies in Paid Claims			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Property and Liability Takaful Insurance												
Fire	70,897	79,283	122,758	78,798	10,374	6,762	9,495	9,954	14.6%	8.5%	7.7%	12.6%
Marine and Aviation	6,815	16,960	9,615	8,685	771	1,644	532	1,121	11.3%	9.7%	5.5%	12.9%
Motor and Transportation	730,551	634,417	579,245	630,665	553,120	441,060	395,297	441,515	75.7%	69.5%	68.2%	70.0%
Engineering, Construction and Energy	35,173	35,700	26,279	16,244	6,630	4,969	6,956	5,900	18.8%	13.9%	26.5%	36.3%
Other	67,202	70,522	45,929	39,409	12,142	10,567	12,203	8,286	18.1%	15.0%	26.6%	21.0%
Total - Property and Liability Takaful Insurance	910,637	836,881	783,827	773,800	583,037	465,002	424,483	466,776	64.0%	55.6%	54.2%	60.3%

Health Takaful Insurance												
Total - Health Takaful Insurance	1,341,763	1,412,714	1,536,243	1,582,462	632,016	717,709	859,726	878,378	47.1%	50.8%	56.0%	55.5%

Family Takaful and Fund Accumulation												
Group Life	39,446	31,652	76,111	124,291	5,232	6,237	11,166	11,766	13.3%	19.7%	14.7%	12.9%
Group Credit Life	33,666	32,570	63,975	54,608	4,970	5,930	7,129	6,114	14.8%	18.2%	11.1%	11.2%
Individual Life	11,016	9,314	57,618	39,199	1,361	1,823	342	4,011	12.4%	19.6%	0.6%	10.2%
Annuities and Fund Accumulation	0	0	0	0	0	0	0	0	0.0%	0.0%	0.0%	0.0%
Total - Family Takaful and Fund Accumulation	84,127	73,537	197,703	185,262	11,563	13,990	18,637	21,891	13.7%	19.0%	9.4%	11.8%

Total - All Types of Business Combined	2,336,527	2,323,133	2,517,773	2,541,524	1,226,616	1,196,702	1,302,846	1,367,045	52.5%	51.5%	51.7%	53.8%
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Appendix C

Technical Provisions

In Thousand AED

	Gross Technical Provisions				Net Technical Provisions			
	2018	2019	2020	2021	2018	2019	2020	2021
Property and Liability Takaful Insurance								
Fire	331,959	368,183	396,269	455,693	40,334	31,579	34,907	35,806
Marine and Aviation	149,600	39,353	47,121	49,853	7,011	5,931	6,257	6,377
Motor and Transportation	1,137,961	1,123,745	1,074,348	1,093,090	844,209	788,750	711,078	697,225
Engineering, Construction and Energy	122,350	157,016	148,514	142,110	22,032	24,540	22,252	24,940
Other	211,188	223,777	320,456	304,354	41,047	55,647	63,577	72,606
Total - Property and Liability Takaful Insurance	1,953,059	1,912,075	1,986,709	2,045,098	954,632	906,448	838,072	836,954

Health Takaful Insurance								
Total - Health Takaful Insurance	987,493	1,152,757	1,096,220	1,120,857	480,477	663,620	664,549	700,440

Family Takaful and Fund Accumulation								
Group Life	43,031	54,003	90,678	73,880	12,850	16,360	18,999	16,592
Group Credit Life	338,470	386,491	319,742	361,375	259,117	289,040	55,527	47,131
Individual Life	2,036,503	2,779,983	3,161,979	3,382,617	1,981,726	2,712,856	3,096,732	3,266,249
Annuities and Fund Accumulation	0	0	0	0	0	0	0	0
Total - Family Takaful and Fund Accumulation	2,418,003	3,220,476	3,572,399	3,817,872	2,253,692	3,018,256	3,171,259	3,329,972

Total - All Types of Business Combined	5,358,555	6,285,307	6,655,328	6,983,827	3,688,802	4,588,324	4,673,880	4,867,366
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Appendix D

Loss Ratios

	Gross Loss Ratios				Net Loss Ratios			
	2018	2019	2020	2021	2018	2019	2020	2021
Property and Liability Takaful Insurance								
Fire	31.9%	31.3%	42.0%	23.9%	43.7%	20.1%	28.7%	24.6%
Marine and Aviation	5.5%	10.6%	21.6%	17.1%	7.7%	17.7%	6.3%	11.7%
Motor and Transportation	62.0%	60.6%	62.2%	77.3%	60.1%	59.9%	57.9%	70.5%
Engineering, Construction and Energy	44.1%	43.1%	33.2%	18.4%	26.0%	27.4%	40.2%	35.3%
Other	34.7%	31.8%	17.7%	11.1%	19.0%	21.9%	20.6%	12.6%
Total - Property and Liability Takaful Insurance	50.7%	47.4%	48.8%	47.2%	55.9%	55.0%	53.0%	61.5%

Health Takaful Insurance								
Total - Health Takaful Insurance	79.6%	76.9%	78.5%	83.4%	70.9%	67.5%	71.6%	74.9%

Appendix E

Gross Commission, Expense and Combined Ratios

Line of Business	Commission Ratio				Expense Ratio				Combined Ratio			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Property and Liability Takaful Insurance												
Fire	9.30%	11.50%	12.20%	12.50%	9.70%	10.50%	10.80%	8.90%	150.20%	66.10%	76.10%	60.40%
Marine and Aviation	3.80%	3.20%	11.50%	14.90%	3.80%	3.30%	11.20%	8.80%	31.10%	17.60%	65.10%	32.10%
Motor and Transportation	11.20%	13.10%	15.10%	21.80%	14.90%	13.80%	13.00%	14.50%	118.70%	87.10%	85.50%	103.30%
Engineering, Construction and Energy	10.70%	12.10%	13.70%	15.50%	9.80%	7.80%	9.30%	8.00%	56.20%	85.70%	46.90%	38.00%
Other	18.40%	21.90%	16.60%	12.00%	16.50%	12.90%	13.60%	8.40%	145.90%	54.70%	74.20%	26.60%
Total - Property and Liability Takaful Insurance	11.20%	13.10%	14.60%	17.30%	13.40%	12.00%	12.50%	11.50%	116.80%	73.70%	79.50%	72.40%

Health Takaful Insurance												
Total - Health Takaful Insurance	5.80%	6.10%	5.90%	6.00%	12.20%	12.40%	11.50%	13.80%	102.60%	98.70%	93.90%	104.20%

Appendix F

Net Commission, Expense and Combined Ratios

Line of Business	Commission Ratio				Expense Ratio				Combined Ratio			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Property and Liability Takaful Insurance												
Fire	-34.6%	-43.1%	-48.7%	-42.0%	91.3%	79.1%	95.1%	72.3%	146.9%	32.7%	84.0%	39.6%
Marine and Aviation	-7.1%	-26.6%	-26.6%	-37.2%	46.2%	57.6%	59.3%	46.4%	74.4%	41.8%	42.1%	16.0%
Motor and Transportation	11.0%	9.0%	11.8%	16.8%	19.1%	19.6%	17.7%	18.8%	114.9%	81.9%	77.0%	93.2%
Engineering, Construction and Energy	-11.0%	-17.5%	-13.9%	-9.3%	30.8%	35.5%	42.6%	42.2%	53.1%	64.0%	65.1%	65.2%
Other	7.4%	11.8%	3.3%	2.9%	49.7%	59.4%	59.5%	45.3%	107.5%	93.3%	87.9%	58.4%
Total - Property and Liability Takaful Insurance	9.0%	6.1%	7.7%	11.2%	23.1%	25.0%	25.0%	24.8%	113.3%	79.8%	77.5%	85.8%

Health Takaful Insurance												
Total - Health Takaful Insurance	10.3%	9.8%	9.0%	9.0%	23.1%	21.5%	18.7%	22.4%	111.2%	105.5%	100.0%	108.4%

Appendix G

Income Statement

In Thousand AED

	Description	2018	2019	2020	2021
Underwriting Income	Gross Written Premium	4,425,626	4,594,521	4,328,481	4,350,612
	Net Written Premium	2,520,105	2,791,745	2,305,193	2,467,536
	Net Premiums Earned	2,653,287	2,680,277	2,340,879	2,398,112
	Net Claims and Claim Related Expenses Paid	1,226,615	1,196,702	1,302,846	1,367,167
	Net Claims and Claim Related Expenses Incurred	1,408,280	1,453,107	1,150,776	1,413,472
	Wakala / Mudaraba Fees Earned	(1,043)	16	61	(5,627)
	Net Commissions Paid	521,421	569,001	450,360	442,517
	Net Commissions Incurred	498,072	512,378	515,121	448,202
	Other Acquisition Expenses	100,160	98,608	46,751	20,292
	General Expenses	483,239	507,395	449,632	485,282
	Taxes, Licenses and Fees	49,365	36,591	28,350	27,858
	Other Underwriting Expenses	632,764	642,595	524,733	533,433
	Net Underwriting Income / (Loss)	114,171	72,197	150,249	3,005
Investment Income	Earned Income from Real Estate Investments	26,562	20,428	10,118	14,173
	Earned Income from Other Investments	208,468	223,151	283,315	234,179
	Net Realized Gain / (Loss) on Investments	(1,672)	7,500	17,070	40,753
	Net Unrealized Gain / (Loss) on Investments	(4,214)	15,942	52,561	131,731
	Adjustment for Impaired Investments	(11,519)	(6,571)	(19,763)	2,412
	Foreign Exchange Gain / (Loss) on Investments	(1,018)	315	0	0
	Gross Investment Income	216,607	260,765	343,301	423,247
	Investment Expenses	118,484	153,460	154,945	142,837
	Net Investment Income	98,123	107,305	188,356	280,410
Total	Other Operating Income	57,030	66,079	67,284	67,609
	Other Operating Expenses	132,971	101,699	153,029	250,180
	Total Profit / (Loss) prior to Loans and Dividends	136,353	143,882	252,860	100,844
	Others	15,789	(10,673)	(20,164)	8,221
	Total Profit / (Loss) prior to Policyholder Dividends	120,564	151,545	273,024	92,624
	Policyholder Dividends	12,034	6,947	(1,791)	0
	Total Profit / (Loss)	108,530	126,261	274,815	92,624

Appendix H

Statement of Financial Position

In Thousand AED

	Description	2018	2019	2020	2021
Assets	Total Invested Assets	6,479,920	7,443,753	8,062,591	8,300,855
	Reinsurance Recoverable	1,669,753	1,696,984	1,986,830	2,045,197
	Reinsurance Receivables	116,032	160,040	238,793	232,570
	Insurance Receivables	1,029,994	1,013,005	989,800	986,630
	Other Receivables And Prepayments	1,408,280	1,238,001	1,180,745	1,342,173
	Deferred policy Acquisition Costs	(1,043)	314,815	237,498	225,210
	Property, Machinery And Equipment	521,421	177,434	158,068	153,773
	Statutory Deposits	498,072	84,757	276,828	313,649
	Intangible Assets	100,160	123,310	121,572	122,293
	Others	483,239	1,498,149	1,648,364	1,108,540
	Total Assets	12,493,334	13,750,249	14,901,090	14,830,891
Liabilities	Total Technical Provisions	5,358,555	6,285,307	6,655,328	6,983,827
	Premiums Collected in Advance	16,802	14,789	13,256	20,016
	Insurance Payable	318,490	309,519	328,670	378,111
	Reinsurance Payables	650,007	714,366	966,717	974,682
	Unearned Reinsurance Commissions	60,454	63,430	70,167	63,565
	Accrued Expenses And Other Liabilities	2,354,664	2,355,602	3,013,580	3,366,264
	Wakala / Mudaraba Payable	84,298	120,611	139,655	106,808
	Borrowings	145,911	128,053	299,137	203,852
	End of Service Indemnity	37,564	36,988	37,578	40,322
	Others	41,433	46,173	51,327	69,058
	Total Liabilities	9,068,178	10,074,838	11,575,415	12,206,507
Equities	Net Balance in Participants' Funds	549,428	644,008	692,600	(5,088)
	Issued and Paid Up Share Capital	2,854,750	2,854,750	2,954,750	2,987,750
	Share Premium	1,198	1,198	1,198	1,198
	Treasury Shares	(35,973)	(35,973)	(35,973)	(35,973)
	Additional paid in Capital	0	0	0	0
	Retained Earnings / Loss	(119,409)	(20,293)	(536,226)	(587,736)
	Head Office Account	0	0	0	0
	Minority Interest	61,398	72,149	73,007	74,354
	Reserves	113,764	159,572	176,318	189,878
	Total Equity	3,425,156	3,675,411	3,325,675	2,624,384



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