Dar Al Takaful – Major Achievements And 2016 Plan

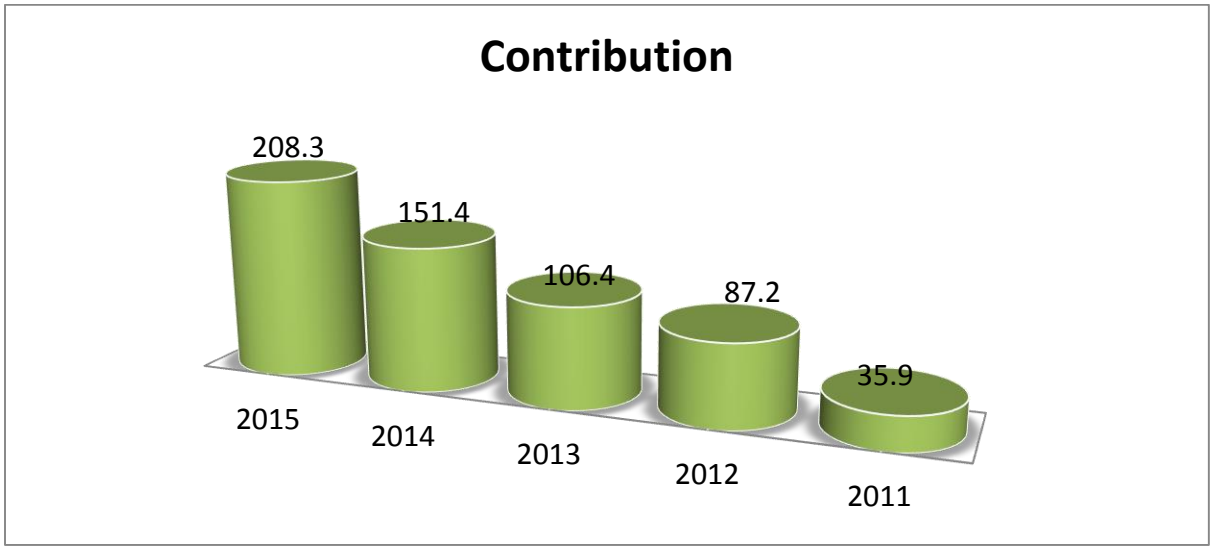
Dar Al Takaful (DAT), established in 2008, has become a name to reckon with in the Takaful/Insurance market of UAE in a short span of time. Through its innovative product offerings and impeccable service, DAT has earned a name in the minds of insuring public in the country. Due to historical reasons, company had incurred losses in the early years and although the company was growing year after year, the same could not get reflected in the Company's financial strength. It is a fact that as at 31/03/2016 company's accumulated loses have crossed 50% of the Issued Capital and this has raised some concerns from all quarters. If we look back, DAT was profitable in 2013 (AED 850K) and again in 2014 (AED 4.6M) but unfortunately the same trend did not continue in 2015. A few new businesses acquired towards the end of 2014 and in 2015 started giving losses which made the 2015 results and Q1 2016 results end up in red.

In this Note, we are making an attempt to briefly analyse our past performance and then later a peep into the future also will be provided.

A. Past Performance

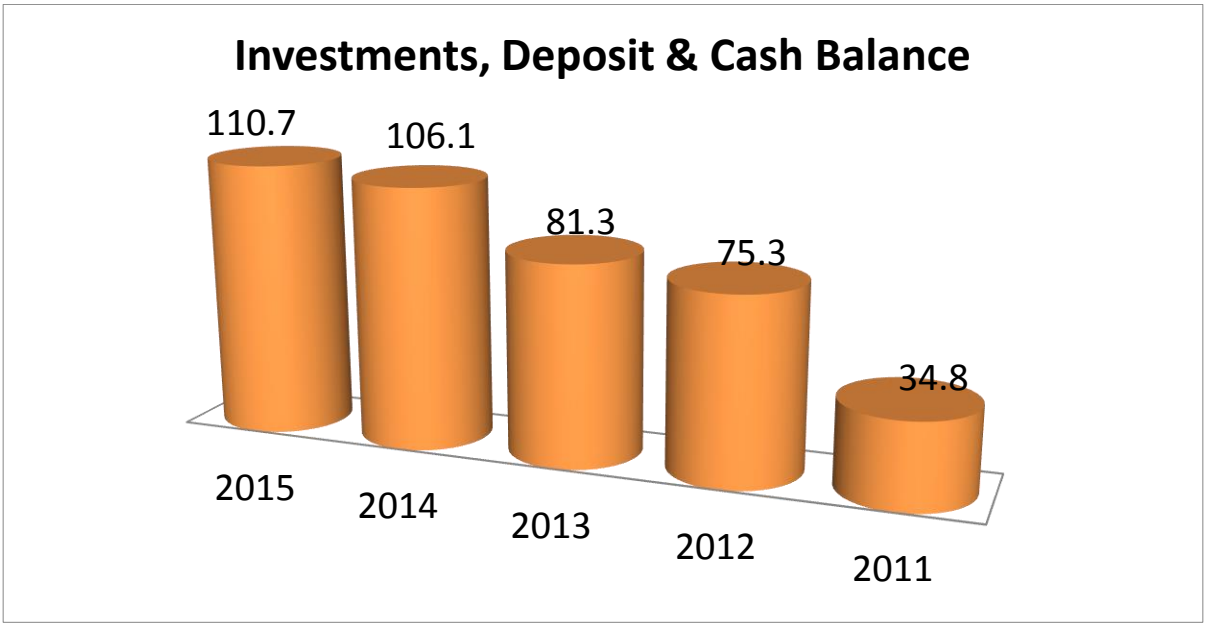
Growing Top line

Our Gross written contribution has grown at a CAGR of 42% in the past 5 years. Contributions growth in 2015 alone was 38%. Comparing to the UAE Insurance market and Takaful segment specifically, this is a remarkable achievement.



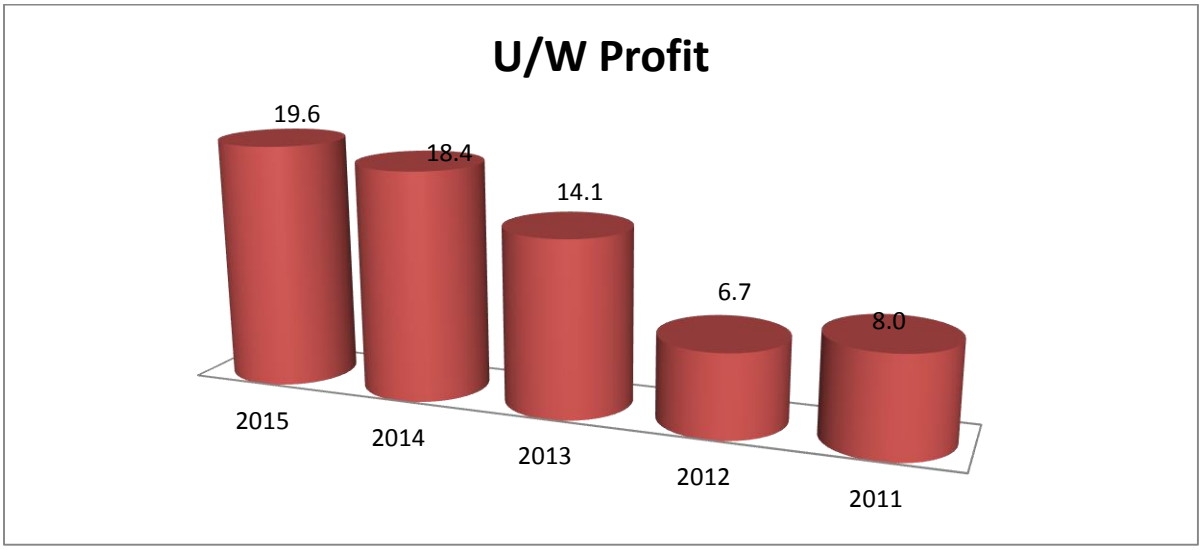
Liquidity & Investment position

Liquidity position of the company has considerably improved in the last few years. If we look from 2011 till 2015, total of Investments, Cash & Deposits have almost trebled. Also to be considered is the fact that quality of our investments and asset allocation has improved tremendously.



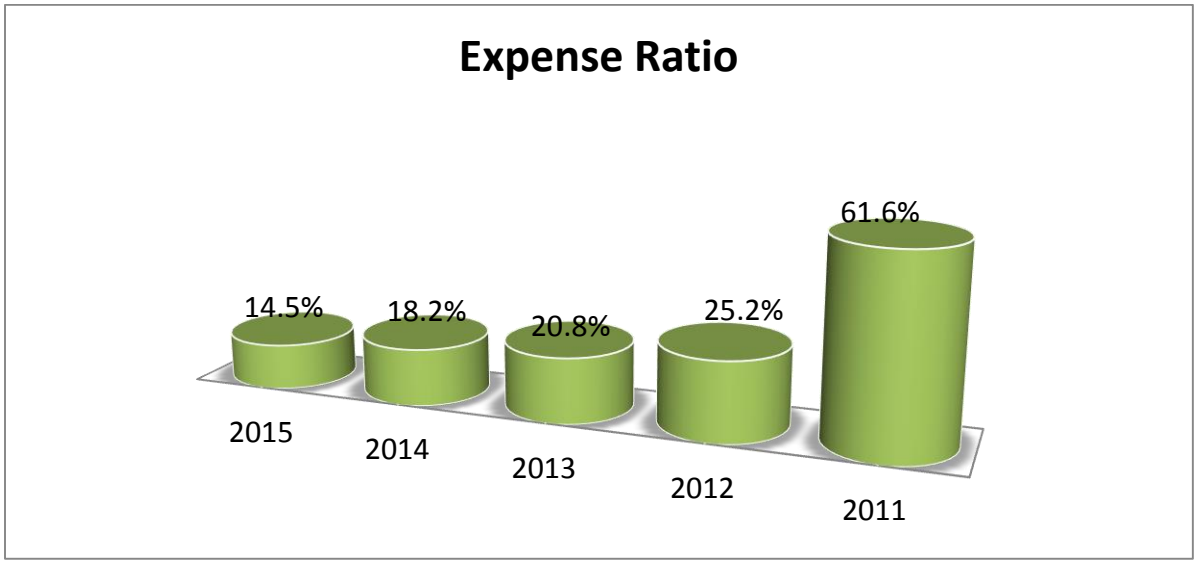
Underwriting Results

Our Underwriting profit (before charging Wakala fees) has been growing steadily over the years. The objective is to achieve a healthy combined Operating Ratio so as to make a surplus in the participants account.



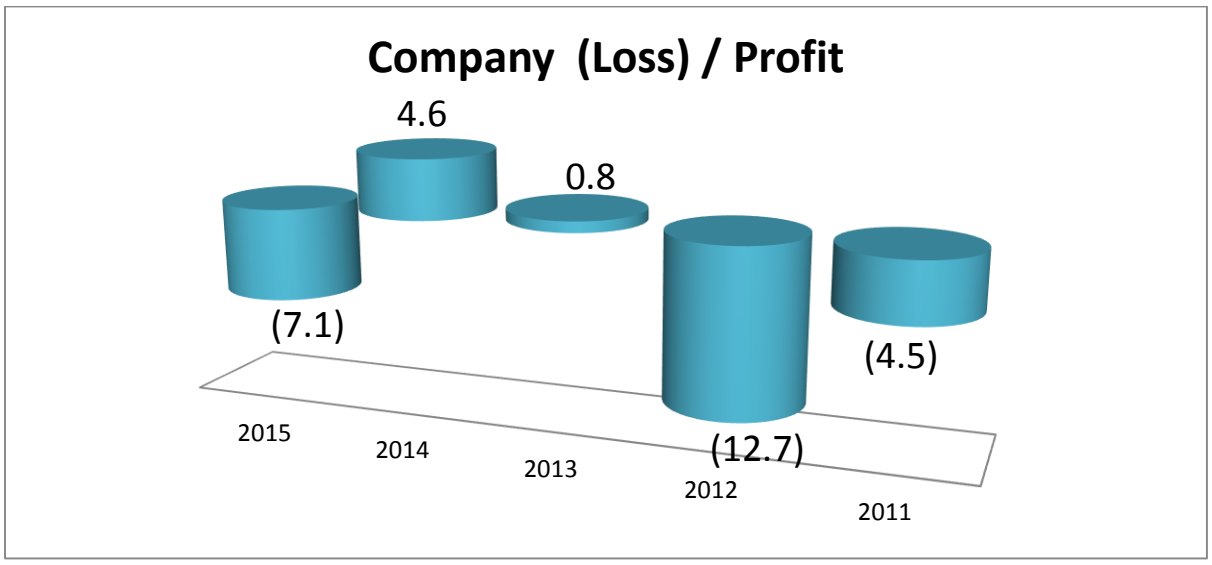
Expense Ratio

Expenses Ratio (General & Administration expenses as a percentage of Gross Contribution) has seen the lowest level of 14.5% in 2015 out of the last 5 years. We remain committed to control expenses as a means to achieve operational efficiently and achieve better results.



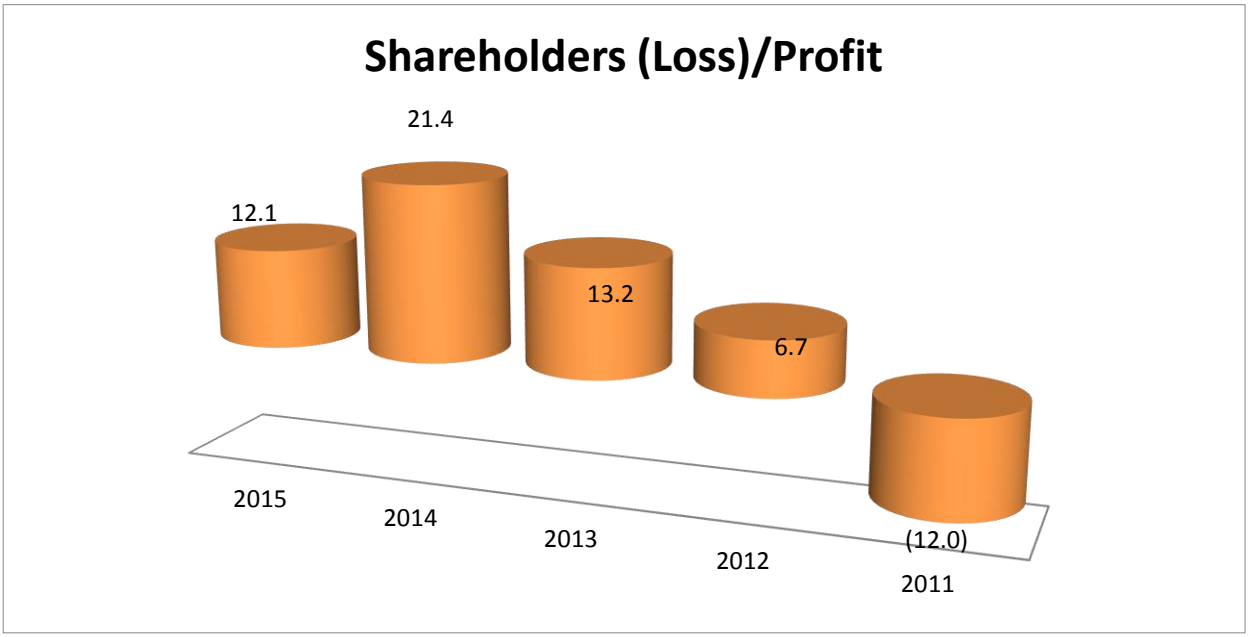
Overall Company Profit/(Loss)

We had two profitable years in 2013 & 2014 among the past five years but could not continue the profitable streak in 2015. We have analyzed the reasons for the setback and have taken adequate measure to contain the losses and to make the company again profitable by this yearend.



Shareholder's profit

Shareholder's account shows consistently good results over the years and both the Wakala fee and investment income components have improved. Better expense management plays a great role in improving shareholder results.



Retakaful/ Reinsurance

Our Retakaful/Reinsurance treaties continue to be supported in majority by A Rated Securities like GIC Re (Takaful Division), Hannover Retakaful, SCOR Retakaful, R + V & Trust Re, Africa Re, Munich Health, Sirius and Kiln Syndicates. This is a testimony to the confidence major global reinsurance players have in Dar Al Takaful, its Management and its prudent underwriting capabilities on business ceded to the treaties. Treaty limits on some classes like Property and Engineering were increased by 20% i.e to AED 120 Million, such limits not enjoyed even by many companies who have entered the market before us, thus emphasizing the trust reinsurers/retakaful operators have in us.

B. Future Forecasts and Plans

Budgets 2016

In 2016, company wants to achieve a contribution growth of 22% from 208m to 254m. This is easily achievable considering the present market conditions. As you may see from the Budget presentation we plan to show a marginal profit of AED 400K in 2016.

Plan is to have lesser Motor business and increase the General business contribution to have a profitable mix along with solid measures to control expenses.

Actuarial Review and Business Plan

Towards the end of 2015 we had commissioned an actuarial study on the performance of DAT by M/s. Milliman who have carried out a detailed evaluation and submitted a business plan for five years. They have looked at our business from a financial and actuarial point of view to identify key areas of challenges and suggested recommendations for better performance. This includes measures to ensure that robust mechanisms are in place so as to avoid attracting loss making business and ways to align underwriting and risk selection adopted with the business plan target loss ratios for all lines of business. Milliman's recommendations have been put to practice and positive outcomes have already started to be seen.

C. Other Initiatives/Achievements

PI Status from DHA – DAT is having the Preferred Insurer status given by Dubai Health Authority in 2015 which is a recognition of its capabilities and testimony to its excellent service standards.

Actuarial Reserving – As required by the new Insurance Authority regulation, we have computed the technical reserves fully in compliance with the regulations and adjusted the books of accounts fully to match with the actuarially computed reserves.

New SME Product - We have introduced a one-of-a-kind product in the local Takaful market "Himaya", an SME insurance solution that is tailored specifically for 6 different categories; Schools, Garages, Beauty Salons, Offices, Restaurants and Retail Stores. With the growing importance of SME business in the country recognized, these pre-underwritten products have already started making waves in the market.

Mobile Application - And for our customers to reach us easier and faster we have invested heavily into new technology to develop an integrated Mobile App, available for both Andorid and iOS smart phones. Mobile technology is used to help extend business solutions to mobile devices, including policy issuance, claims intimation, and handling other customer service related matters.

Call Center - Introduction of a full-fledged Call Center was another step in achieving DAT's ultimate objective of 24x7 accessibility. Supported by latest technology, Call Center can handle inbound and outbound calls and handle Customers' as well as our business partners' queries.

Online Portal - DAT has been added recently to "Tradeshield" an online Cargo Insurance Platform by Dubai Trade, a premier cross-border trade facilitator based in Dubai. Tradeshield is an easy to use platform offering direct integration to marine and cargo insurance. Quotations can be obtained within few minutes on the website where customers can compare policies, rates and terms before choosing the desired policy. They complete the end-to-end process of purchasing insurance online including payments using "Rosoom".

Claims Management - With a view to achieve operational efficiency and improve results, Claims Department has taken a number of steps including manning the department with a new, experienced Claims Manager. There are constant discussions/negotiations with Garages and Vehicle Dealers to get maximum discounts on spare parts and labour charges. Salvage sales system has been revamped with the introduction of salvage auction companies resulting in considerably higher income from salvage sales. Suspicious claims are being investigated with the help of approved experts and regular discussion/ liaison are made with legal retainers on the status of claim cases in courts.

D. Conclusion

The company intends to grow in line with the market growth albeit focused on Medical and Motor business. Due to stiff competition and lack of pricing discipline in the market, the bottom lines for these two lines would remain competitive preventing the company from making healthy profitable margins However, we at DAT are determined to turn around the company with a definite strategy which includes constant monitoring of losses and weeding out of such loss making accounts, strengthening underwriting and claims functions, increasing non-Motor, non-Medical portfolio and pump in additional capital to comply with the regulations. The commitment shown by our major shareholder M/s. Mawarid who have always lent their wholehearted support in the past is worth mentioning.

The immediate key objective of the Company is to work towards a profitable target for 2016 and beyond. We are putting plans to cut the losses and expenses and as shown in the attached working, expected to turn profitable, though marginally, at the end of 2016.

Final P&L Statements for ALL Business (prospective and retrospective impact)

000 AED **PROFIT AND LOSS STATEMENT** ***Attributable to Participants*** **Underwriting Income**	Projected **2016**	Projected **2017**	Projected **2018**	Projected **2019**
Gross Written Premium	254,410	287,617	325,507	368,799
Movement in Unearned Contributions	(22,193)	(18,716)	(20,766)	(23,450)
Takaful Contribution Revenue	**232,216**	**268,900**	**304,741**	**345,349**
Retakaful share of contributions	(119,403)	(126,507)	(142,678)	(161,181)
Movement in unearned Retakaful Contributions	15,481	4,351	8,476	9,450
Net retakful contributions	**(103,922)**	**(122,156)**	**(134,202)**	**(151,731)**
Net Takaful Revenue	**128,295**	**146,744**	**170,539**	**193,618**
Policy and other Fee	1,208	1,286	1,499	1,748
Discount Received on Retakaful Contribution	15,721	16,560	18,581	21,316
Total Underwriting Income	**145,223**	**164,591**	**190,619**	**216,682**
Underwriting Expenses				
Claims Incurred	(169,106)	(182,309)	(200,851)	(226,612)
Reinsurance share in Claims Incurred	72,778	80,337	86,194	96,732
Net Claims Incurred	**(96,328)**	**(101,972)**	**(114,657)**	**(129,880)**
Policy Acquisition Cost	(23,946)	(25,307)	(25,914)	(27,846)
Excess of Loss Retakaful	(2,830)	(3,293)	(3,833)	(4,465)
Other Underwriting Expenses- IA Fees	(1,138)	(1,291)	(1,466)	(1,666)
Total Underwriting Expenses	**(124,242)**	**(131,863)**	**(145,869)**	**(163,857)**

Net Underwriting Income	**20,981**	**32,729**	**44,750**	**52,825**
Wakala Fees	(41,819)	(42,666)	(43,322)	(49,545)
Provision for Unearned Wakala Fee	-	-	-	-
Expenses Allocated to Participants	**(2,652)**	**(3,148)**	**(3,562)**	**(4,036)**
Net Income (Deficit) from Takaful Operations	**(23,490)**	**(13,085)**	**(2,134)**	**(757)**
Investment income	40	24	25	26
Mudarib's Fee	(20)	(12)	(12)	(13)
Other Income	2,000	2,000	2,000	2,000
Deficit for the year Attributable to Participants	(21,470)	(11,073)	(122)	1,256

Attributable to Shareholders	Projected **2016**	Projected **2017**	Projected **2018**	Projected **2019**
Income				
Wakala Fee from Participant Fund	41,819	42,666	43,322	49,545
Mudarib's Fee	20	12	12	13
Investment Income	7,403	6,918	7,239	8,507
Total Income to Shareholder Fund	**49,242**	**49,596**	**50,573**	**58,065**
	12%	12%	12%	12%
Expenses				
General and Administration Expenses	**(27,380)**	**(32,501)**	**(36,783)**	**(41,675)**
Profit for the year before Qard Hassan	21,862	17,095	13,790	16,390
Provision against Qard Hassan to participants	(21,470)	(11,073)	(122)	1,256
Profit for the year attributable to Shareholders'	392	6,022	13,668	17,646