

Detailed analysis of Accumulated Losses

Islamic Arab Insurance Company PSC (SALAMA)			
Date:	14 November 2022	Period of Financial Statements	Year 2022
Accumulated losses:	AED 382,728,454	Accumulated losses to capital ratio	31.63%
Main reasons leading to these accumulated losses and their history:	These losses were accumulated over several previous years due to significant losses in 2012-2013 and 2015-2016, totaling AED 843m primarily from the loss-making UAE motor business and Best Re incurred losses. Thailand Floods and other reinsured losses in 2012 caused significant technical losses in subsidiary Best Re (Best Re sale was concluded by SALAMA in 2019). According to reports, these floods were the worst in last five decades with economic loss of USD 45.7 billion (AED 168 billion) and hence it is considered as one of the top five costliest natural disasters in modern history. The other area that has contributed to losses was Motor business in the UAE which by its very nature is highly competitive and volatile. In 2015 the motor insurance business faced many challenges leading to losses for many operators in the UAE market. From 2017, the company managed to turn around its operating performance and constantly reporting net profits. SALAMA reported net profit of AED 27.5m in 2017, AED 2.0m in year 2018, AED 55m in year 2019, AED 149m year 2020, AED 40.05m year 2021 and 13.83m in YTD September 2022.		
Measures to be taken to address accumulated losses:	The Board appointed in beginning of year 2019 has implementing a three-pronged strategy to improve the core business profitability, enhance the investment income, and implement superior corporate governance standards. There has been considerable improvement in underwriting profitability of SALAMA in 2019 due to focus on the quality of risk underwritten by the Company simultaneously maintaining growth in total gross written contribution. The investment portfolio is moving towards assets with low volatility and better risk adjusted returns. It is expected that the Company will continue to deliver on its profitability objective. It's Important to note that Salama has announced on DFM on 08/08/2022 that it intends to reduce accumulated losses through capital reduction.		

Fahim Alshehhi

Chief Executive Officer