

ACCUMULATED LOSS RECOVERY PLAN FOR

# INSURANCE HOUE P.J.S.C.

As At 31 March 2023

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# 1 Executive Summary

## 1.1 Market Summary

The UAE insurance market is a competitive space with over 60 insurance companies regulated by the Central Bank of the UAE (CBUAE). Growth in the market over the past few years has been driven by very large insurers (3 largest insurers: Orient, ADNIC and Sukoon account for almost 50% of the written premiums). The market is heavily dominated by Motor and Health lines of business which together comprise nearly 60% of GWP in recent years (as per CBUAE statistics from 2021).

Nearly half the distribution is through Broker channels followed by Direct, Agents & Bank channels. Most of the business written in the UAE is in the Emirates of Dubai and Abu Dhabi (over 90%) due to the concentration of population in the two and that compulsory health insurance in both markets. At a market level, insurance companies retain over 70% of Motor and Health risks (i.e. ceding 30% to reinsurance Companies) while retaining only 25% on remaining general insurance lines of business (Commercial Lines) such as Fire, Engineering and Marine.

Loss ratios for the market have been trending upwards in the past few years as a result of competitive pricing and inflation. Expenses ratios are generally smaller for large insurers and increase for smaller companies as there is a low base to spread similar expenses over. While larger insurance companies have remained competitive due to better underwriting and segmentation as well as the lower expense ratios, smaller insurance companies have struggled with underwriting profitable business since 2020, leading to accumulated losses building across several small insurers in the market.

## 1.2 Company Status

Insurance House is an Abu Dhabi based non-life insurance company that started operations in 2011. The Company offers a diverse portfolio of consumer and corporate insurance products. Out of Abu Dhabi, Dubai and Sharjah, the products and services the Company offers include: Motor Insurance, Health Insurance, Property Insurance and other insurance instruments tailored to suit the Energy, Marine and Engineering sectors.

Insurance House has been making losses in recent years due to a number of factors, including:

- Company not utilising technically sound pricing methodologies for the Health and Motor lines.
- Financial reporting and control issues that led to late realisation of losses and a delayed response from management
- Increased competition in the UAE Motor market and softening in the underwriting cycle during 2021-22.

Given the issues associated with solvency and accumulated losses, the company needs to take several steps to turn around its performance, key initiatives include:

- Raising fresh capital to restore solvent status with the Central Bank of the UAE and improve liquidity to service existing liabilities
- Developing a new strategy for motor and health insurance
- Improving its distribution strategy
- Growing Commercial Lines
- Reduce costs
- Investing in digitalisation
- Improving its internal policies and procedures



## 2 Past Performance

### 2.1 Summary of the company's financial information for the last three years

The Company writes three main classes of business: Health, Motor and Commercial. The financial performance of the same on a restated basis is shown in the below table. A description of the restatement is provided in the following section.

**Table 2.1: Performance by Financial Year for Restated Financial Statements**

CATEGORY	PERFORMANCE BY FINANCIAL YEAR IN AED '000											
	HEALTH			MOTOR			COMMERCIAL			TOTAL		
	YE 2020	YE 2021	YE 2022	YE 2020	YE 2021	YE 2022	YE 2020	YE 2021	YE 2022	YE 2020	YE 2021	YE 2022
Gross Written Premium	97,479	101,237	101,431	85,767	69,447	143,631	34,126	36,631	36,190	217,372	207,315	281,252
Net Written Premium	39,846	44,781	43,468	77,184	53,785	82,020	9,474	10,693	7,246	126,504	109,259	132,734
Gross Eamed Premium	100,046	95,077	103,323	98,627	76,343	110,108	34,220	33,886	36,540	232,893	205,306	249,972
Net Earned Premium	47,644	41,133	44,857	87,350	70,668	66,640	9,051	9,133	9,281	144,045	120,934	120,778
Gross Incurred Claim	(70,084)	(82,925)	(86,975)	(59,783)	(65,726)	(100,576)	(21,049)	(14,737)	(30,456)	(150,915)	(163,388)	(218,007)
Net Incurred Claim	(32,525)	(36,291)	(27,955)	(53,833)	(56,198)	(56,923)	(4,793)	675	(7,336)	(91,151)	(91,814)	(92,214)
Commission Income	5,538	5,909	5,798	296	5,574	16,860	6,210	5,983	10,587	12,045	17,466	33,246
Commission Expense	(8,556)	(10,474)	(10,343)	(10,369)	(12,716)	(19,217)	(5,303)	(5,816)	(5,983)	(24,228)	(29,007)	(35,543)
G&A Expenses	(16,792)	(17,257)	(19,180)	(29,227)	(28,150)	(21,084)	(2,432)	(3,080)	(4,196)	(48,451)	(48,487)	(44,460)
UW Result	(4,691)	(16,980)	(6,824)	(5,784)	(20,823)	(13,724)	2,734	6,895	2,354	(7,741)	(30,908)	(18,193)
Investment Income	2,249	1,719	2,256	4,123	2,953	3,352	427	382	467	6,799	5,053	6,074
Profit/(Loss)	(2,442)	(15,261)	(4,568)	(1,661)	(17,870)	(10,372)	3,161	7,277	2,821	(942)	(25,855)	(12,119)
<b>Ratios</b>												
GWP Growth Rate		4%	0%		(19%)	107%		7%	(1%)		(5%)	36%

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NWP Growth Rate		12%	(3%)		(30%)	52%		13%	(32%)		(14%)	21%
Retention Ratio <sup>1</sup>	41%	44%	43%	90%	77%	57%	28%	29%	20%	58%	53%	47%
Gross Incurred LR <sup>2</sup>	70%	87%	84%	61%	86%	91%	62%	43%	83%	65%	80%	87%
Net Incurred LR <sup>3</sup>	68%	88%	62%	62%	80%	85%	53%	(7%)	79%	63%	76%	76%
Commission Ratio <sup>4</sup>	18%	25%	23%	12%	18%	29%	59%	64%	64%	17%	24%	29%
RI Commission Ratio <sup>5</sup>	12%	14%	13%	0%	8%	25%	69%	66%	114%	8%	14%	28%
Expense Ratio <sup>6</sup>	35%	42%	43%	33%	40%	32%	27%	34%	45%	34%	40%	37%
UW Profit Ratio	(10%)	(41%)	(15%)	(7%)	(29%)	(21%)	30%	75%	25%	(5%)	(26%)	(15%)
Investment Income Ratio	5%	4%	5%	5%	4%	5%	5%	4%	5%	5%	4%	5%
Net Profit / (Loss) Ratio <sup>7</sup>	(5%)	(37%)	(10%)	(2%)	(25%)	(16%)	35%	80%	30%	(1%)	(21%)	(10%)

1. Calculated as (Net Written Premiums) / (Gross Written Premiums)

2. Calculated as (Gross Incurred Claims) / (Gross Earned Premiums)

3. Calculated as (Net Incurred Claims) / (Net Earned Premiums)

4. Calculated as (Commission Expense) / (Net Earned Premiums)

5. Calculated as (Commission Income) / (Net Earned Premiums)

6. Calculated as (UW Expenses – Policy Fees + General & Admin Expenses) / (Net Earned Premiums)



7. Calculated as (Profit or Loss) / (Net Earned Premiums)



From the above, we make the following key observations:

- Written Premiums and Business Strategy:
  - The portfolio GWP increased from AED 207.3M to AED 281.3M (5%) from 2021 to 2022. GWP is driven predominantly by Health and Motor, which together account for approximately 87% of the Company portfolio by GWP for 2022. The same proportion was 81% in 2021.
  - Motor GWP has more than doubled from 2021 to 2022 (AED 69.5M to AED 143.6M) while Health GWP is fairly consistent over the same period.
  - The portfolio NWP increased from AED 109.3M to AED 132.7M (21%) from 2021 to 2022. NWP is driven predominantly by Health and Motor, which together account for approximately 95% of the Company portfolio by NWP for 2022. This has increased from the corresponding figure of 90% for 2021
- Retention Ratio:
  - The average retention ratios for Health and Commercial lines have been roughly consistent between 2020 and 2022 at approximately 45% and 25% respectively.
  - Retention ratios for Motor have reduced from 77% for 2021 to 51% during 2022 due to lower retention on the quota share treaty.
- Loss Ratios
  - From the above we observe that the NLR has increased from 63% during 2020 (lower as a result of lighter than usual experience during COVID-19 lockdowns) up to 76% during 2021 and 2022. This is as a result of a significant increase in the Motor and Health NLRs.
- Commission Income & Expenses
  - Commission expense ratios have been stable for Health and Commercial but increased significantly for Motor from 2021 to 2022 (18% to 29%)
  - Commission income has increased from AED 17.5M in 2021 to AED 33.2M in 2022. The Commission Income ratio for Motor has increased very significantly from 8% during 2021 to 25% during 2022.
- Expense Ratio
  - Expense ratio decreased from 24% in 2021 to 18% in 2022. This is driven by the relative growth of the portfolio by GEP during 2021-2022 while the G&A expenses have remained relatively similar.
  - G&A expense allocation done by the Company changes through time based on net earned premium basis
- Underwriting Profits
  - Underwriting losses from 2021 have significantly decreased during 2022 due to:
    - A decrease in Health incurred claims through 2022
    - An increase in Motor Commission Income during 2022
- Investment Income
  - Total investment income has slightly increased from AED 5M to AED 6.1M between 2021-22
- Net Profit / (Loss) Ratios

- Overall net loss ratios have reduced from 2021 to 2022 (loss of 21% to loss of 10%) driven by a better Health result.



## 2.2 Restatement of Company Financials

The figures shown in the preceding tables are after restatement of 2020-22 financials was completed during March 2023. The change in FS is significant and as a result of operational and control issues identified in health reinsurance accounting. Other lines of business remain unchanged.

A comparison between health financials before and after restatement demonstrates the extent of under reporting of losses during the preceding three year period due to incorrect reinsurance accounting.

**Table 2.2: Comparison of Restated Financial Statements with Audited Financials prior to Restatement**

CATEGORY	RESTATEMENT BY FINANCIAL YEAR IN AED '000								
	HEALTH: RESTATED			HEALTH: BEFORE RESTATEMENT			DIFFERENCES		
	YE 2020	YE 2021	YE 2022	YE 2020	YE 2021	YE 2022	YE 2020	YE 2021	YE 2022
Gross Written Premium	97,479	101,237	101,431	97,479	101,237	101,431	-	-	-
Net Written Premium	39,846	44,781	43,468	45,974	54,254	61,816	(6,128)	(9,473)	(18,348)
Gross Earned Premium	100,046	95,077	103,323	100,046	95,077	103,323	-	-	-
Net Earned Premium	47,644	41,133	44,857	53,772	50,606	63,205	(6,128)	(9,473)	(18,348)
Gross Incurred Claim	(70,084)	(82,925)	(86,975)	(70,084)	(82,925)	(86,975)	-	-	-
Net Incurred Claim	(32,525)	(36,291)	(27,955)	(25,586)	(9,113)	(25,453)	(6,939)	(27,177)	(2,502)
Commission Income	5,538	5,909	5,798	4,299	4,634	1,425	1,239	1,275	4,373
Commission Expense	(8,556)	(10,474)	(10,343)	(8,556)	(10,474)	(10,343)	-	-	-
G&A Expenses	(16,792)	(17,257)	(19,180)	(16,792)	(17,257)	(19,180)	-	-	-
UW Result	(4,691)	(16,980)	(6,824)	7,137	18,395	9,653	(11,828)	(35,375)	(16,477)
Investment Income	2,249	1,719	2,256	2,249	1,719	2,256	-	-	-
Profit/(Loss)	(2,442)	(15,261)	(4,568)	9,386	20,114	11,909	(11,828)	(35,375)	(16,477)
<b>Ratios</b>									
GWP Growth Rate		4%	0%		4%	0%			
NWP Growth Rate		12%	(3%)		18%	14%			
Retention Ratio	48%	43%	43%	54%	53%	61%			






Gross Incurred LR	70%	87%	84%	70%	87%	84%			
Net Incurred LR	68%	88%	62%	48%	18%	40%			
Commission Ratio	18%	25%	23%	16%	21%	16%			
RI Commission Ratio	12%	14%	13%	8%	9%	2%			
Expense Ratio	35%	42%	43%	31%	34%	30%			
UW Profit Ratio	(10%)	(41%)	(15%)	13%	36%	15%			
Investment Income Ratio	5%	4%	5%	4%	3%	4%			
Net Profit / (Loss) Ratio	(5%)	(37%)	(10%)	17%	40%	19%			

The health portfolio appeared to be continuously profitable through 2020-22 as a result of issues in reinsurance reporting. Management has made policy renewal decisions on the same basis leading to accumulation of losses over time.

If these underwriting losses were identified during 2021, corrective action could have been implemented by management and the board. Delays in the realization of the losses have led to delays in pricing correction and increased the accumulated losses on the Health line

As the processes to prepare the reinsurance data are still manual and prone to control issues, the Company is conducting a forensic audit from a leading audit firm on the restated values and the same will be considered in future financial statements when available. In addition, the Company will work towards automation of the reinsurance accounts as part of the recovery plan.

All projections in section are on the restated basis only.



## 2.3 Risks affecting the UAE Insurance Industry

The UAE insurance market has grown significantly in recent years, with gross written premiums (GWP) increasing from AED 17.2 billion in 2010 to AED 41 billion in 2021. The market is expected to continue to grow in the coming years, with GWP forecast to reach AED 53 billion by 2026.

The main drivers of growth in the UAE insurance market are:

- **Economic growth:** The UAE economy is one of the fastest growing economies in the world, and this is driving demand for insurance products.
- **Increased awareness of insurance:** There is a growing awareness of the importance of insurance among UAE residents, and this is also driving demand for insurance products.
- **Government and Regulatory initiatives:** The UAE government is supporting the development of the insurance market by introducing a number of initiatives.

The UAE insurance market is a dynamic market, and it is constantly evolving. The market is expected to continue to grow in the coming years, and it is likely to become even more competitive. Here are some of the challenges and opportunities that the UAE insurance market is facing:

### 2.3.1 Challenges

- **Competition:** The UAE insurance market is a competitive market, and it is likely to become even more competitive in the coming years.
- **Regulatory environment:** The UAE insurance market is subject to a number of regulations, and these regulations are constantly changing. These include IFRS 17 reporting, risk management and introduction of income tax in the UAE.
- **Economic conditions:** The UAE economy is one of the fastest growing economies in the world, but it is also vulnerable to economic shocks.
- **Changing customer needs:** The needs of UAE customers are constantly changing, and insurers need to adapt their products and services to meet these changing needs.

### 2.3.2 Opportunities

- **Economic growth:** The UAE economy is one of the fastest growing economies in the world, and this is driving demand for insurance products.
- **Increased awareness of insurance:** There is a growing awareness of the importance of insurance among UAE residents, and this is also driving demand for insurance products.
- **Government initiatives:** The UAE government is supporting the development of the insurance market by introducing a number of initiatives, such as the introduction of a compulsory health insurance in the Northern Emirates and Minimum premiums.
- **Digitalization:** The insurance industry is undergoing a digital transformation, and this is creating new opportunities for insurers.

## 2.4 Changes in the members of the Board of Directors, senior executives and major shareholders in the last year

There have been no changes to members of the board of directors or major shareholders during 2022-23

Senior management changes:

- **Chief Executive Officer:** Issam Mouslimani ACII appointed in April 2023
- **Chief Financial Officer:** Ravi Iyer appointed in November 2022
- **Senior Manager (Business Development):** Hemant Gupta appointed in April 2023

## 2.5 A summary of the company's commitment to corporate governance during the past three years

The Company has followed and documented SCA and CBUAE mandated corporate governance procedures over the past three years.

Details are provided in the respective annual corporate governance reports attached in Appendix B.

## 2.6 Causes of the company's accumulated losses reaching the declared rate

The Company is facing accumulated losses due to the below key reasons:

- Company not utilising technically sound pricing methodologies for the Health and Motor lines.
  - The Company losses are driven by underwriting losses on the Health and Motor portfolios
  - Health losses are driven by high loss and expense ratios. The issue was further exaggerated by issues in preparation of financials
  - Motor losses are driven by growing commission expense ratios during 2022 and a deterioration in performance during the year
- Financial reporting and control issues on Health Reinsurance reporting that led to late realisation of losses and delayed response from management.
- Increased competition in the UAE Motor market and softening in the underwriting cycle during 2021-22.

## 3 Accumulated Losses Recovery Plan

### 3.1 Key Initiatives

The Company has prepared a detailed plan explained in the following sections to handle the following:

- Raising fresh capital to restore solvent status with the Central Bank of the UAE and improve liquidity to service existing liabilities
- Developing a new strategy for motor and health insurance
- Improving its distribution strategy
- Growing Commercial Lines
- Reduce costs
- Investing in digitalisation
- Improving its internal policies and procedures

Details are provided in proceeding sections and in Appendix A.

### 3.2 Implementation Committee

- Board Members:
  - Mr. Mohammed Abdulla Jumaa Alqubaisi
  - Mr. Abdulmajeed Al Fahim
  - Mr. TK Raman
- Chief Executive Officer: Mr. Issam Mouslimani ACII
- Financial Expert: Raghav Ohri FIA (Lux Actuaries)



### 3.3 Company strategy: Reverse the Trend

The following are the key steps that the company will take to recover solvency position and improve underwriting performance:

- **Raising fresh capital** to restore solvent status with the Central Bank of the UAE and improve liquidity to service existing liabilities. The company needs to raise fresh capital in order to fund its recovery plan. This capital can be raised through a number of methods, such as issuing new shares, taking on debt, or selling assets.

Current solvency shortfall is approximately AED 65M driven by the Minimum Capital Requirement (both Minimum Guarantee Fund and Solvency Capital Requirements are relatively low). As the primary requirement is to meet Minimum Capital Requirements, the driver of the same is by increasing Basic Own Funds (i.e. admissible assets less liabilities) and Subordinated Liabilities.

The plan is a mix of various initiatives and expected improvement in solvency is shown below:

- Increasing Admissible Assets:
  - Improving admissibility of inadmissible assets through sale (AED 11M)
- Increasing Asset Base:
  - Raise basic own funds by reissuing treasury shares (AED 4.6M)
  - Raise Tier 2 capital (AED 20M)
- Raise Subordinated Liability by means of a shareholder guarantee (AED 58.6M)

The above steps need to be implemented within 6 months i.e. 15 November 2023 in line with solvency requirements and will require approval from the CBUAE.

- **Developing a new strategy for motor and health insurance:** Considering recent performance, the Company will work to ensure that its prices are competitive and that it is not losing money on each policy. The company can do this by incorporating technical pricing and implementing better segmentation of risk. Key initiatives include:
  - Move to a segmented tariff from a fixed rate on Motor
  - Improvement on the motor portal (UW guidelines and authority control)
  - Regular monitoring of performance
  - Business Support Unit to react faster in market condition of aggressive price competition
  - Growth in the Health portfolio will be driven by a sustainable pricing structure and with a focus on SME groups
- **Reinsurance Optimisation:** Developing a sustainable reinsurance structure that provides for protection from adverse events and supports on pricing. A reinsurance review exercise can be conducted for all lines but in particular for reviewing Motor.
- **Improving Distribution Strategy:** The Company has seen a significant increase in Motor commission expenses in the recent past (18% in 2021 to 29% in 2022) leading to an overall increase in expense ratios. In order to reduce this cost, the Company will focus on Club Brokers initiative and build an omni-channel platform to improve onboarding and client retention while reducing the acquisition costs associated with brokers.
- **Growing Commercial Lines:** The Company will focus on growing the profitable commercial lines business through the following initiatives:



- Growing engineering clients
- Assess & launch new products such as D&O and Cyber
- Target SME market for Property, Financial Lines and Liability
- **Reduce costs:** The company will work to identify areas where it can reduce its costs, such as by negotiating better rates with suppliers or by streamlining its operations. The company can negotiate better rates with suppliers by comparing quotes from multiple garages and by negotiating volume discounts in healthcare. The company can streamline its operations by automating tasks, identifying key areas of discrepancy, and consolidating departments. Key initiatives planned within this include:
  - Partnership with Copart for salvage management and control
  - Reducing repair network for motor with a focus on lowering average cost per claim
  - Proactive bodily injury management through out of court settlement
  - Automated processes for cost control, superior customer service and anti-fraud management
- **Invest in digitalisation:** The company will invest in new technology in order to streamline its operations and improve its efficiency. Initiatives planned include:
  - Omni Channel Support (Live Chat, Social Media, Email, Voice & Video Support)
  - Digital Platform for lead generation & business development (WhatsApp based)
  - Better sales journey for motor fleet sales
  - Focused marketing
  - Managing renewals through club broker initiative
  - Simplify Health: Easy submission, quote and renewal
- **Improve Internal Policies & Procedures:** The Company will focus on automation and better controls and data collection to reduce the operational errors that led to the restatement of the financial statements.
- **Expand product range:** The company will expand its product range in order to appeal to a wider range of customers. The company will expand its product range by offering new types of personal lines insurance, such as Personal Accident, Home Insurance, Travel & Plus products. The company will also offer new features and benefits to increase ticket size on existing products.



### 3.4 Company policies and operating procedures

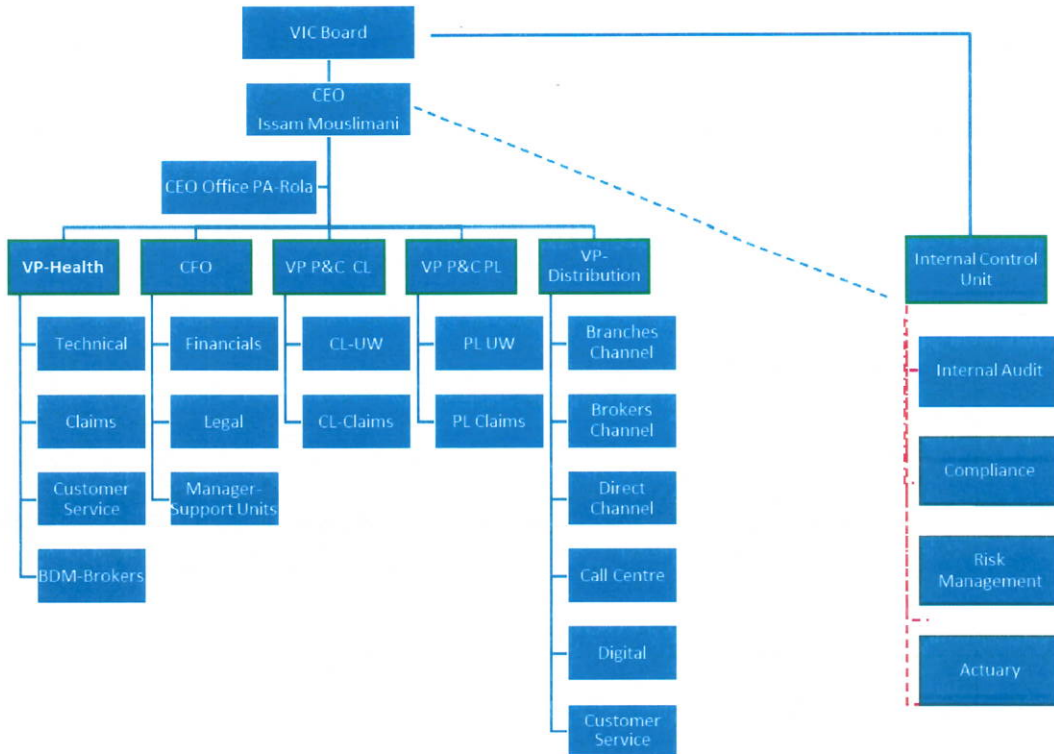
Implementation of the below policies and operating procedures is key to ensure the proposed recovery plan is executed

- **Monitor Performance:** The Company will set up a dedicated function towards portfolio monitoring and analysis that focuses on actuarial analysis, claims benchmarking, pricing segmentation, retention analysis and distribution metrics
- **Improve customer service:** The company will focus on providing excellent customer service in order to retain existing customers and attract new ones. The company will do this by making it easy for customers to contact the company, by responding to customer inquiries promptly, and by resolving customer problems quickly and efficiently.
- **Invest in employee training.** The company will invest in employee training and retention in order to improve its customer service and efficiency. The company will provide training on new products and services, customer service best practices, and technology.
- **Create a culture of innovation.** The company will work to create a culture of innovation in order to stay ahead of the competition. This will be done by encouraging employees to come up with new ideas, rewarding employees for their innovations, and investing in research and development.


### 3.5 The organizational structure of the company.

The proposed organisational structure of the Company is shown below:



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## 4 Three Year Financial Projections

### 4.1 Profit and Loss Statements

**Table 4.1 Actual and Projected Income Statement by Year**

CATEGORY	ACTUAL AND PROJECTED INCOME STATEMENT				
	AED '000				
	2021	2022	2023	2024	2025
Insurance contracts premium written	207,315	281,252	283,661	343,804	403,141
Less: Insurance premium ceded to reinsurers	(98,055)	(148,518)	(168,952)	(158,238)	(181,328)
<b>Net Written Premiums</b>	<b>109,259</b>	<b>132,734</b>	<b>114,709</b>	<b>185,567</b>	<b>221,813</b>
Movement in unearned premiums reserve	11,674	(11,956)	833	(37,028)	(18,459)
<b>Net Earned Premiums</b>	<b>120,934</b>	<b>120,778</b>	<b>115,542</b>	<b>148,539</b>	<b>203,354</b>
Commission income earned	17,466	33,246	14,267	26,433	26,388
Commission expense incurred	(29,007)	(35,543)	(38,158)	(37,019)	(44,693)
<b>Total Underwriting Income</b>	<b>109,393</b>	<b>118,480</b>	<b>91,651</b>	<b>137,952</b>	<b>185,049</b>
Claims paid	147,139	205,561	209,468	173,905	234,609
Less: reinsurance claims paid	(57,140)	(116,058)	(125,242)	(102,531)	(107,987)
<b>Net Claims Paid</b>	<b>89,999</b>	<b>89,502</b>	<b>84,226</b>	<b>71,375</b>	<b>126,622</b>
Movement in outstanding claims	6,806	4,609	1,464	36,919	19,420
Movement in RI share of outstanding claims	(8,770)	0	(421)	(17,681)	(9,093)
Movement in incurred but not reported claims	2,818	(2,733)	(3,519)	12,490	5,845
Increase in PDR	252	316	(568)	0	0
Movement in ULAE	708	519	(161)	1,500	(876)
<b>Net Claims Incurred</b>	<b>91,814</b>	<b>92,214</b>	<b>81,020</b>	<b>104,603</b>	<b>141,917</b>
<b>Total Underwriting Expenses</b>	<b>91,814</b>	<b>92,214</b>	<b>81,020</b>	<b>104,603</b>	<b>141,917</b>
<b>Net Underwriting Income</b>	<b>17,579</b>	<b>26,266</b>	<b>10,631</b>	<b>33,350</b>	<b>43,132</b>
Investment income	5,053	6,074	6,682	7,350	7,717
Other Income and expenses	(48,487)	(44,460)	(50,392)	(35,782)	(36,420)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(25,855)</b>	<b>(12,119)</b>	<b>(33,079)</b>	<b>4,917</b>	<b>14,430</b>
<b>Ratios</b>					
GWP Growth Rate		36%	1%	21%	17%
Retention Ratio <sup>1</sup>	53%	47%	40%	54%	55%
Net Incurred LR <sup>2</sup>	76%	76%	70%	70%	70%



Net Commission Ratio <sup>3</sup>	(10%)	(2%)	(21%)	(7%)	(9%)
Expense Ratio <sup>4</sup>	40%	37%	44%	24%	18%
Net Profit / (Loss) Ratio <sup>5</sup>	(21%)	(10%)	(29%)	3%	7%

1. Calculated as (Net Written Premiums) / (Gross Written Premiums)
2. Calculated as (Net Incurred Claims) / (Net Earned Premiums)
3. Calculated as (Commission Expense + Commission Income) / (Net Earned Premiums)
4. Calculated as (Other Income & Expenses) / (Net Earned Premiums)
5. Calculated as (Profit or Loss) / (Net Earned Premiums)

From the above projections provided by management, we make the following key observations:

- The portfolio GWP is expected to increase from AED 281M to AED 284M (1%) from 2022 to 2023. GWP is driven predominantly by Motor, which accounts for approximately 51% of the Company portfolio by GWP for 2023.
- The expected Retention Ratio for 2023 is 40%, 2024 is 54%, 2025 is 55%. This increase is primarily due to increasing retention on Motor in 2024.
- The Net Incurred Loss Ratio is expected to decrease by 6 percentage points from 2022 to 2023 as a result of a decrease in Motor Loss Ratio. This is due to expected improvements in underwriting.
- The Commission Expense paid is expected to exceed the commission income received. The Net Commission Expense Ratio is expected to increase from 2% in 2022 to 21% in 2023. This is projected to be reduced to 9% in 2025.
- The 2023 Expense Ratio is expected to be 44%. This has increased from 37% in 2022. It is expected to drop to 24% in 2024 and 18% in 2025.
- The 2023 Net Profit / (Loss) Ratio is expected to be (29%). This has increased from (10%) in 2022. This is expected to 3% in 2024 and 7% in 2025.

**Table 4.2 Actual and Projected Income Statement by Year – Motor**

CATEGORY	ACTUAL AND PROJECTED INCOME STATEMENT – MOTOR				
	AED '000				
	2021	2022	2023	2024	2025
Insurance contracts premium written	69,447	143,631	101,923	124,346	151,702
Less: Insurance premium ceded to reinsurers	(15,662)	(61,612)	(43,623)	(5,000)	(5,000)
<b>Net Written Premiums</b>	<b>53,785</b>	<b>82,020</b>	<b>58,300</b>	<b>119,346</b>	<b>146,702</b>
Movement in unearned premiums reserve	16,883	(15,380)	8,081	(32,481)	(14,561)
<b>Net Earned Premiums</b>	<b>70,668</b>	<b>66,640</b>	<b>66,381</b>	<b>86,865</b>	<b>132,141</b>
Commission income earned	5,574	16,860	4,281	4,880	0
Commission expense incurred	(12,716)	(19,217)	(19,090)	(12,365)	(15,086)
<b>Total Underwriting Income</b>	<b>63,526</b>	<b>64,283</b>	<b>51,572</b>	<b>79,380</b>	<b>117,055</b>
Claims paid	59,716	95,987	97,380	76,836	89,116
Less: reinsurance claims paid	(9,211)	(36,603)	(49,064)	(35,713)	(4,289)
<b>Net Claims Paid</b>	<b>50,505</b>	<b>59,383</b>	<b>48,316</b>	<b>41,124</b>	<b>84,827</b>
Movement in outstanding claims	2,531	659	5,159	8,034	9,028
Movement in RI share of outstanding claims	468	0	(216)	6,448	(451)
Movement in incurred but not reported claims	2,304	(3,609)	(2,997)	10,444	4,938
Increase in PDR	252	(252)	0	0	0
Movement in ULAE	138	742	(61)	432	(486)
<b>Net Claims Incurred</b>	<b>56,198</b>	<b>56,923</b>	<b>50,201</b>	<b>66,483</b>	<b>97,856</b>
<b>Total Underwriting Expenses</b>	<b>56,198</b>	<b>56,923</b>	<b>50,201</b>	<b>66,483</b>	<b>97,856</b>
<b>Net Underwriting Income</b>	<b>7,327</b>	<b>7,360</b>	<b>1,371</b>	<b>12,897</b>	<b>19,200</b>
Investment income	2,953	3,352	3,839	4,298	5,015
Other Income and expenses <sup>1</sup>	(28,150)	(21,084)	(28,951)	(20,926)	(23,666)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(17,870)</b>	<b>(10,372)</b>	<b>(23,742)</b>	<b>(3,730)</b>	<b>549</b>
<b>Ratios</b>					
GWP Growth Rate		107%	(29%)	22%	22%
Retention Ratio	77%	57%	57%	96%	97%
Net Incurred LR	80%	85%	76%	77%	74%
Net Commission Ratio	(10%)	(4%)	(22%)	(9%)	(11%)
Expense Ratio	40%	32%	44%	24%	18%
Net Profit / (Loss) Ratio	(25%)	(16%)	(36%)	(4%)	0%



**Table 4.3 Actual and Projected Income Statement by Year – Commercial LOBs**

CATEGORY	ACTUAL AND PROJECTED INCOME STATEMENT – COMMERCIAL				
	AED '000				
	2021	2022	2023	2024	2025
Insurance contracts premium written	36,631	36,190	65,157	91,220	110,376
Less: Insurance premium ceded to reinsurers	(25,938)	(28,943)	(54,739)	(75,589)	(90,914)
<b>Net Written Premiums</b>	<b>10,693</b>	<b>7,246</b>	<b>10,418</b>	<b>15,630</b>	<b>19,461</b>
Movement in unearned premiums reserve	(1,560)	2,035	(1,999)	(2,951)	(2,142)
<b>Net Earned Premiums</b>	<b>9,133</b>	<b>9,281</b>	<b>8,419</b>	<b>12,679</b>	<b>17,320</b>
Commission income earned	5,983	10,587	5,378	14,033	18,117
Commission expense incurred	(5,816)	(5,983)	(7,212)	(12,234)	(15,947)
<b>Total Underwriting Income</b>	<b>9,300</b>	<b>13,886</b>	<b>6,584</b>	<b>14,478</b>	<b>19,490</b>
Claims paid	10,326	22,229	17,406	(13,717)	23,431
Less: reinsurance claims paid	(5,630)	(20,034)	(10,810)	10,867	(18,223)
<b>Net Claims Paid</b>	<b>4,697</b>	<b>2,195</b>	<b>6,596</b>	<b>(2,851)</b>	<b>5,208</b>
Movement in outstanding claims	4,275	3,944	(3,680)	28,885	10,392
Movement in RI share of outstanding claims	(9,238)	0	(205)	(24,130)	(8,642)
Movement in incurred but not reported claims	4	490	96	1,625	600
Increase in PDR	0	0	0	0	0
Movement in ULAE	(413)	707	(96)	1,058	(382)
<b>Net Claims Incurred</b>	<b>(675)</b>	<b>7,336</b>	<b>2,711</b>	<b>4,588</b>	<b>7,176</b>
<b>Total Underwriting Expenses</b>	<b>(675)</b>	<b>7,336</b>	<b>2,711</b>	<b>4,588</b>	<b>7,176</b>
<b>Net Underwriting Income</b>	<b>9,975</b>	<b>6,550</b>	<b>3,874</b>	<b>9,890</b>	<b>12,314</b>
Investment income	382	467	487	627	657
Other Income and expenses <sup>1</sup>	(3,080)	(4,196)	(3,672)	(3,054)	(3,102)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>7,277</b>	<b>2,821</b>	<b>689</b>	<b>7,463</b>	<b>9,869</b>
<b>Ratios</b>					
GWP Growth Rate		(1%)	80%	40%	21%
Retention Ratio	29%	20%	16%	17%	18%
Net Incurred LR	(7%)	79%	32%	36%	41%
Net Commission Ratio	2%	50%	(22%)	14%	13%
Expense Ratio	34%	45%	44%	24%	18%
Net Profit / (Loss) Ratio	80%	30%	8%	59%	57%



**Table 4.4 Actual and Projected Income Statement by Year – Health**

CATEGORY	ACTUAL AND PROJECTED INCOME STATEMENT – HEALTH AED '000				
	2021	2022	2023	2024	2025
Insurance contracts premium written	101,237	101,431	116,581	128,239	141,063
Less: Insurance premium ceded to reinsurers	(56,456)	(57,963)	(70,590)	(77,649)	(85,414)
<b>Net Written Premiums</b>	<b>44,781</b>	<b>43,468</b>	<b>45,991</b>	<b>50,590</b>	<b>55,649</b>
Movement in unearned premiums reserve	(3,648)	1,389	(5,249)	(1,597)	(1,756)
<b>Net Earned Premiums</b>	<b>41,133</b>	<b>44,857</b>	<b>40,742</b>	<b>48,994</b>	<b>53,893</b>
Commission income earned	5,909	5,798	4,609	7,520	8,272
Commission expense incurred	(10,474)	(10,343)	(11,856)	(12,419)	(13,661)
<b>Total Underwriting Income</b>	<b>36,568</b>	<b>40,311</b>	<b>33,494</b>	<b>44,094</b>	<b>48,504</b>
Claims paid	77,096	87,345	94,682	110,786	122,061
Less: reinsurance claims paid	(42,299)	(59,421)	(65,368)	(77,685)	(85,475)
<b>Net Claims Paid</b>	<b>34,797</b>	<b>27,924</b>	<b>29,314</b>	<b>33,102</b>	<b>36,586</b>
Movement in outstanding claims	0	6	(15)	0	0
Movement in RI share of outstanding claims	0	0	0	0	0
Movement in incurred but not reported claims	510	387	(618)	420	308
Increase in PDR	0	568	(568)	0	0
Movement in ULAE	983	(929)	(4)	10	(9)
<b>Net Claims Incurred</b>	<b>36,291</b>	<b>27,955</b>	<b>28,108</b>	<b>33,532</b>	<b>36,885</b>
<b>Total Underwriting Expenses</b>	<b>36,291</b>	<b>27,955</b>	<b>28,108</b>	<b>33,532</b>	<b>36,885</b>
<b>Net Underwriting Income</b>	<b>277</b>	<b>12,356</b>	<b>5,386</b>	<b>10,563</b>	<b>11,619</b>
Investment income	1,719	2,256	2,356	2,424	2,045
Other Income and expenses <sup>1</sup>	(17,257)	(19,180)	(17,769)	(11,802)	(9,652)
<b>PROFIT/(LOSS) FOR THE YEAR</b>	<b>(15,261)</b>	<b>(4,568)</b>	<b>(10,027)</b>	<b>1,184</b>	<b>4,012</b>
<b>Ratios</b>					
GWP Growth Rate		0%	15%	10%	10%
Retention Ratio	44%	43%	39%	39%	39%
Net Incurred LR	88%	62%	69%	68%	68%
Net Commission Ratio	(11%)	(10%)	(18%)	(10%)	(10%)
Expense Ratio	42%	43%	44%	24%	18%
Net Profit / (Loss) Ratio	(37%)	(10%)	(25%)	2%	7%





## 4.2 Balance Sheet

**Table 4.5 Actual and Projected Balance Sheet by Year**

CATEGORY	ACTUAL AND PROJECTED BALANCE SHEET				
	AED '000				
	2021	2022	2023	2024	2025
Property and equipment	43,262	43,010	41,645	40,280	38,915
Equity Instruments within UAE	46,841	36,674	25,674	29,342	33,376
Equity Instruments outside UAE	1,743	1,272	1,272	1,399	1,539
Right-of-use asset	0	0	0	0	0
<b>Total Non-Current Assets</b>	<b>91,847</b>	<b>80,957</b>	<b>68,592</b>	<b>71,021</b>	<b>73,830</b>
Reinsurance Contract Assets	77,279	102,578	121,363	132,580	155,624
Insurance receivables	75,679	93,466	101,544	135,247	166,935
Other receivables and pre-payments	9,552	12,337	7,167	7,095	9,401
DAC	15,990	35,888	20,824	25,859	30,772
Government Securities / Instruments within UAE	0	0	11,000	11,000	11,000
Loans, Deposits and Other Instruments that are A Rated	3,011	2,555	2,555	2,811	3,092
Statutory deposit	6,000	6,000	6,000	6,000	6,000
Other invested assets	11,950	13,950	6,950	6,950	6,950
Cash & Cash equivalents	68,858	55,931	44,415	56,312	67,257
<b>Total Current Assets</b>	<b>268,320</b>	<b>322,705</b>	<b>321,818</b>	<b>383,853</b>	<b>457,031</b>
<b>TOTAL ASSETS</b>	<b>360,166</b>	<b>403,662</b>	<b>390,410</b>	<b>454,874</b>	<b>530,861</b>
Retirement benefits	2,883	3,208	3,369	3,537	3,714
Lease liability	0	0	0	0	0
<b>Total non-current liabilities</b>	<b>2,883</b>	<b>3,208</b>	<b>3,369</b>	<b>3,537</b>	<b>3,714</b>
Insurance contract liabilities	167,381	204,585	219,073	300,545	359,095
Insurance and other payables	93,742	119,153	101,840	81,842	86,688
Due to related parties	0	0	0	0	0
<b>Total Current Liabilities</b>	<b>261,123</b>	<b>323,738</b>	<b>320,912</b>	<b>382,386</b>	<b>445,783</b>
<b>TOTAL LIABILITIES</b>	<b>264,006</b>	<b>326,946</b>	<b>324,281</b>	<b>385,923</b>	<b>449,497</b>
Share Capital	118,781	118,781	118,781	118,781	118,781
Tier 1 & 2 Capital	15,000	15,000	35,000	35,000	35,000
Treasury Shares	0	(4,660)	0	0	0
Retained Earnings	(59,558)	(67,934)	(103,901)	(102,363)	(92,264)
BoD proposed remuneration	0	0	0	0	0
Reinsurance reserve	423	651	0	0	0
Investment revaluation reserve	14,271	7,199	7,919	8,711	9,582
Legal reserve	7,244	7,680	8,330	8,822	10,265
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>96,160</b>	<b>76,716</b>	<b>66,129</b>	<b>68,951</b>	<b>81,364</b>

<b>TOTAL EQUITY AND LIABILITIES</b>	<b>360,166</b>	<b>403,662</b>	<b>390,410</b>	<b>454,874</b>	<b>530,861</b>
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From the above, we make the following key observations:

- The total assets are projected at AED 390.4M by YE 2023 compared to AED 403.7M in YE 2022. This reduction is due to the estimated increase in accumulated losses during 2023 by AED 33.1M. The decrease is reduced by AED 24.6M due to the capital raised as part of the solvency recovery plan.
- The Shareholders' Equity is also projected to reduce to AED 66.1M by 2023 from AED 76.7M in 2022 for the reason mentioned above. However, the equity increases to AED 69.0M in 2024 and AED 81.3M in 2025 due to expected future profits in these years.

### 4.3 Cashflow Statement

CATEGORY	ACTUAL AND PROJECTED CASHFLOW STATEMENT				
	AED '000				
	2021	2022	2023	2024	2025
Cashflows from Operating Activities	(20,170)	(20,490)	(32,970)	11,485	10,571
Movements in Working Capital	0	0	0	0	0
<b>Cash used in Operations</b>	<b>(20,170)</b>	<b>(20,490)</b>	<b>(32,970)</b>	<b>11,485</b>	<b>10,571</b>
<b>Cash flows from investing activities</b>	<b>8,390</b>	<b>13,461</b>	<b>13,682</b>	<b>3,300</b>	<b>3,262</b>
<b>Cash flow from financing activities</b>	<b>(5,989)</b>	<b>(5,898)</b>	<b>21,773</b>	<b>(2,887)</b>	<b>(2,887)</b>
<b>Net increase/decrease in cash &amp; cash equivalents</b>	<b>(17,769)</b>	<b>(12,927)</b>	<b>2,484</b>	<b>11,897</b>	<b>10,946</b>
<b>Opening balance</b>	<b>72,627</b>	<b>54,858</b>	<b>41,931</b>	<b>44,415</b>	<b>56,312</b>
<b>Closing balance</b>	<b>54,858</b>	<b>41,931</b>	<b>44,415</b>	<b>56,312</b>	<b>67,257</b>



#### 4.4 Changes in the Equity Statement

PERIOD	DESCRIPN.	ISSUED AND PAID UP SHARE CAPITAL	TIER 1 & 2 CAPITAL	TREASUR. SHARES	ACCUM. (LOSSES)	REIN. RESERVE	PROPOSD. BOD REMUN.	INVESTMT. REVAL. RESERVE	STATUT. RESERVE	TOTAL
YE 2022	<b>Closing Equity (Restated)</b>	<b>118,781</b>	<b>15,000</b>	<b>(4,660)</b>	<b>(67,934)</b>	-	-	<b>7,199</b>	<b>8,330</b>	<b>76,716</b>
	Issue of Tier 2 capital	-	20,000	-	-	-	-	-	-	20,000
	Issue of treasury shares	-	-	4,660	-	-	-	-	-	4,660
YE 2023	Profit (Loss) for the period	-	-	-	(33,079)	-	-	-	-	(33,079)
	Tier 1 & 2 interest	-	-	-	(2,887)	-	-	-	-	(2,887)
	Change in reserves	-	-	-	-	-	-	720	-	720
	<b>Closing Equity</b>	<b>118,781</b>	<b>35,000</b>	-	<b>(103,901)</b>	-	-	<b>7,919</b>	<b>8,330</b>	<b>66,129</b>
YE 2024	Profit (Loss) for the period	-	-	-	4,917	-	-	-	-	4,917
	Tier 1 & 2 interest	-	-	-	(2,887)	-	-	-	-	(2,887)
	Change in reserves	-	-	-	(492)	-	-	792	492	792
	<b>Closing Equity</b>	<b>118,781</b>	<b>35,000</b>	-	<b>(102,363)</b>	-	-	<b>8,711</b>	<b>8,822</b>	<b>68,951</b>
YE 2025	Profit (Loss) for the period	-	-	-	14,430	-	-	-	-	14,430
	Tier 1 & 2 interest	-	-	-	(2,887)	-	-	-	-	(2,887)
	Change in reserves	-	-	-	(1,443)	-	-	871	1,443	871
	<b>Closing Equity</b>	<b>118,781</b>	<b>35,000</b>	-	<b>(92,264)</b>	-	-	<b>9,582</b>	<b>10,265</b>	<b>81,364</b>



#### 4.5 Key risks that affect the business plan

The key risks faced by Insurance House and steps for mitigation are listed below.

- **Insurance risk:** The key risk facing the insurer is insurance risk, specifically pricing and reserving risk. In order to mitigate the same, the Company will focus on segmented pricing and maintain a robust reinsurance structure to reduce and manage insurance risk.
- **Credit Risk:** A significant risk faced by insurers in the region due to delays in payment of premiums and counterparty defaults. The Company will need to manage credit risk by actively managing receivables through a dedicated team.
- **Market risk.** The company's performance will be affected by changes in the market, such as changes in interest rates, economic conditions, and the regulatory environment. The Company will lower market risk by maintaining diversified, safe assets with strong counterparty ratings.
- **Operational risk:** The company's performance will be affected by its ability to effectively manage its operations, such as its ability to collections, claims payment, and managing expenses. Implementing a robust risk management framework and focusing on automation of processes that are prone to human error will reduce this operational risk.

In order to reduce the above key risks, the following key steps need to be carried out:

- **Develop a Monitoring Framework:** The Company should identify key indicators to track over time and
- **Developing a risk management plan:** The Company should identify the company's key risks and develop strategies for mitigating those risks.
- **Implementing internal controls:** These controls will help the company to identify and prevent errors and fraud.
- **Having a strong risk management culture:** This culture should emphasize the importance of risk management and encourage employees to report potential risks.

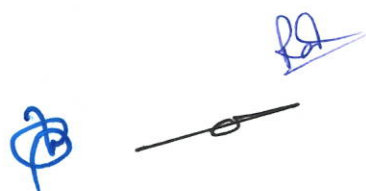




#### 4.6 Information regarding Schedule for implementing and completing the Recovery Plan.

Expected timelines for completion of the plan and the teams involved are listed below.

INITIATIVE	PROJECT TEAM DEPARTMENT LEVEL	EXPECTED TIMELINES FOR COMPLETION
<b>RAISING FRESH CAPITAL</b>		
Improving admissibility of inadmissible assets through asset allocation changes	Finance Team and Investment Manager	Q4 2023
Raise basic own funds by reissuing treasury shares	Finance Team, Legal advisors and Investment Manager	Q4 2023
Raise Tier 2 capital	Finance Team, Legal advisors and Investment Manager	Q4 2023
Raise Subordinated Liability by means of a shareholder guarantee	Finance Team, Legal advisors and Investment Manager	Q4 2023
<b>IMPLEMENTING A NEW STRATEGY FOR MOTOR AND HEALTH INSURANCE</b>		
Move to a segmented tariff from a fixed rate on Motor	Actuarial Team and Motor Underwriting Team	Q4 2023
Improvement on the motor portal (UW guidelines and authority control)	Actuarial Team and Motor Underwriting Team	Q3 2023
Regular monitoring of performance	Actuarial Team	Q3 2023
Business Support Unit to react faster in market condition of aggressive price competition	Actuarial Team and Motor Underwriting Team	Q2 2023
Growth in the Health portfolio will be driven by a sustainable pricing structure and with a focus on SME groups	Health Team	Q2 2023
<b>REINSURANCE OPTIMISATION</b>		
A sustainable reinsurance structure that provides for protection from adverse events and supports on pricing	Health Team and Reinsurance Team	Q2 2023
<b>IMPROVING DISTRIBUTION STRATEGY</b>		
Club Brokers Strategy	Business Development Team	Q3 2023





<b>GROWING COMMERCIAL LINES</b>		
Growing engineering client base	Business Development Team and Commercial Team	Q3 2023
Assess & launch new products such as D&O and Cyber	Business Development Team and Commercial Team	Q4 2023
Target SME market for Property, Financial Lines and Liability		Q3 2023
<b>REDUCE COSTS</b>		
Partnership with Copart for salvage management and control	Motor Claims Team, Actuarial Team and Finance	Early Q3 2023
Reducing repair network for motor with a focus on lowering average cost per claim	Motor Claims Team	Q3 2023
Proactive bodily injury management through out of court settlement	Legal Team	Early Q3 2023
Automated processes for cost control, superior customer service and anti-fraud management	Motor Claims Team	Q1 2024
<b>INVEST IN DIGITALISATION</b>		
Omni Channel Support (Live Chat, Social Media, Email, Voice & Video Support)	Motor Underwriting Team	Q4 2023
Digital Platform for lead generation & business development (WhatsApp based)	Motor Underwriting Team	Q4 2023
Improve sales journey for motor fleet sales	Motor Underwriting Team	Q3 2023
Focussed marketing effort		Q3 2023
Managing Motor Renewals	Motor Underwriting, Tele-Sales and IT Team	Q1 2024
Simplify Health: Easy submission, quote and renewal. Launching Individual Health	Health Team	Q3 2023 for the quoting tool and Q4 2023 for individual Health
<b>IMPROVE INTERNAL POLICIES &amp; PROCEDURES</b>		
Reinsurance data audit	Finance, Reinsurance and Health Teams	Q3 2023 for Premia temp booking & Q3 2024 for a new Health core system



Reinsurance data automation	Finance, Reinsurance and IT Teams	Q4 2023
<b>EXPAND PRODUCT RANGE</b>		
Personal lines insurance products such as Personal Accident, Home Insurance, Travel & Plus products	Actuarial Team, Business development, and Motor Underwriting Team.	Q4 2023 (Travel) and Q1 2024 (Home and PA)



Raghav Ohri FIA  
 Principal and Consulting Actuary  
 Lux Actuaries and Consultants  
 9 June 2023

Mohammed Abdulla Jumaa Alqubaisi  
 Chairman  
 Insurance House P.J.S.C  
 9 June 2023





# Appendix A: Management Recovery Plan: Reverse the Trend



## Appendix B: Corporate Governance Reports (2020-22)