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AL KHAZNA INSURANCE COMPANY P.S.C

Business Recovery Plan to Address Accumulated Losses

Al Khazna Insurance Company P. S. C.
Abu Dhabi United Arab Emirates

September 2020. This document is strictly private and confidential and is intended for the named recipient and SCA only.

Business Plan for Al Khazna Insurance Company P.S.C.

In accordance with your instructions set out in our engagement letter dated 7 June 2020 (the 'Letter of engagement'), we have pleasure in enclosing a copy of our draft business plan prepared in connection the regulatory requirements in the insurance sector. Details of the scope and process of our work are set out in the 'important notice' in Appendix B, which you should also read.

Our report on the matters within the agreed scope of the Letter of Engagement comprises:

- Executive Summary - a short summary of the business plan, its key findings and recommendations.
- Macroeconomic assessment – contains an analysis of the UAE's macroeconomy, PESTEL analysis, FDI flows, GDP growth and GDP per capita, country's demographics, inflation, interest rates, currency exchange rates and other macroeconomic information.
- Market and competition analysis covers: operating models of key players, analysis of market demand; review of market supply, breakdown of insurance premium, insurance policies, investment portfolio, description of profile of competitors in the market, their branch network and etc.
- Analysis of Internal Environment covers: brief information about the company and corporate governance arrangements, review of the Company's current customer segments and penetration levels, analysis of company's sales distribution channels, current industries covered, existing partnership network, review the investment portfolio of the company, analysis of company's product offerings, review of the organizational structure and assessment of required new centers of competencies, existing risks and mitigation actions, analysis of financial performance

- Identification of key causes of accumulated losses including operational, financial or any other reasons.
- The report also addresses the to be state for the Company's customer segments and penetration levels; company's sales distribution channels; industries covered, the investment portfolio; company's product offerings, the organizational structure and the required new centers of competencies and target operating model.
- Financial forecasts – provides general assumptions to the financial model, sources and uses of funds, analysis of required capital changes, cost and revenue assumptions, operating costs of the company, forecasts of financial positions and performance, cash flow forecasts etc.
- The report also contains the action plan to put the company back on the path of profitability with clear responsibilities, timeline for implementation and expected outcome.

This report is confidential and has been prepared exclusively for Al Khazna Insurance Company P.S.C. and SCA It should not be used, reproduced or circulated for any other purpose, in whole or in part, without our prior written consent.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Al Khazna Insurance Company P.S.C. and SCA for our work, our report and other communications, or for any opinions we have formed. We do not accept any responsibility for any loss or damages arising out of the use of the report by the addressee(s) for any purpose other than in connection with the proposed Business Plan.

Al Khazna Insurance Company P.S.C
 Villa No. 86, Al R'Doum Street,
 East of Al Nahyan Camp
 P. O. Box 73343,
 Abu Dhabi
 United Arab Emirates
 Tel. +971 2 6969700,
 Fax. +971 2 6417998

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1. Executive Summary

Al Khazna Insurance Company P. S. C

Executive Summary

MACROECONOMIC ASSESSMENT:

- According to the World Bank, the fluctuations in GDP growth in 2013-2018 is mainly due to a fluctuations in the oil prices. Due to COVID-19, we expect that the GDP in the UAE will reduce by 3%. The most impacted sectors will include trade, transportation, tourism, retail and real estate. To soften the implications of COVID 19, the Central Bank of the UAE announced the AED 100 billion comprehensive Economic Support Scheme for retail and corporate customers affected by COVID-19. The improvement of the world economy as a result of addressing COVID-19, greater demand from China for oil, may increase oil prices in the long-run only and can bring additional liquidity to the region and macroeconomic situation may improve in the long-run only.
- In 2015-2016 FDI flows in the UAE dropped somewhat and this reflects the weaknesses in the world economy, but thereafter it picked up again. Due to COVID-19, we expect the FDI will drop in 2020 by 10%. After slow recovery, the FDI will start picking up gradually. Given the steps taken by the Government, it is estimated that from 2021 to 2025 that FDI will continue to increase at a moderate pace.
- Population of the UAE has grown from 8.3 million in 2009 to 9.8 million in 2019, representing a CAGR of 1.7%. The future growth of population will be moderate given the slowdown in the GDP growth and FDI into the country.
- Over the period from 2010 to 2019, Gross National Income per capita in the UAE has fluctuated and remained between USD 33,390 to USD 42,240. We expect the Gross National Income per capita in the UAE to fall by 3% in 2020 and 2021 due to COVID-19 and contractions in many sectors of the economy.
- The inflation rate in 2019 and mid 2020 was negative due to a decline in rents, reduction in the transportation and utilities cost as a result of a fall in domestic fuel prices and a comparatively sluggish domestic demand. The impact of COVID will still be felt until 2021 keeping slightly negative inflation. In future, the the inflation rate is expected to stabilize in the range of 1.5% – 2.5% until 2025. This can be attributed to fiscal and monetary policies followed by the country. As a result of COVID many businesses are suffering from absence of liquidity and demand for loans/ short term financing increased. This will lead to a gradual increase in the interest rates in the country. The interest rates in the UAE are forecasted to stabilize in the range of 1.1%-1.7% in the future.

EXTERNAL MARKET ANALYSIS AND COMPETITION:

- The size of the UAE insurance market was AED43.7 bn. In 2018. It peaked during the 2017 - 2018 years with a slight downturn during 2019. We envision a slow recovery starting in the final quarter of 2020 and anticipate that the insurance market will keep growing at a moderate rate into the next five years given the slowdown in the business activity in the country.
- The United Arab Emirates is performing well compared to other countries. The UAE's insurance penetration in 2018 as a percentage of GDP was 2.92% which is an indication of this. Per capita insurance premium in the UAE was USD299 for life insurance and USD1,006 for nonlife insurance in 2018. These indicators highlight that the UAE insurance sector has still potential to grow further in the long-run.
- Insurance penetration in the UAE (as % of GDP) - showed an increase from 2012 – 2017 with regards to non life insurance with a slight decline in 2018. Insurance density premiums per capita (USD) showed steady increase from 2010 – 2017 with regards to non-life insurance with a slight decline in 2018. Life insurance also showed steady increase between 2010 – 2015 with a marginal decline in 2016 before increasing again between the period of 2017 – 2018.
- Motor and transport insurance premium dominated among other insurance products as it had the highest share in the non-life insurance during 2018. Also, the motor insurance policies are the largest in terms of number of policies written in the insurance market (3.5 million in 2018), followed by the health insurance policies (2.9 million in 2018).
- Shares, bonds and cash & deposits were the main investments during 2017 & 2018 financial years made by the insurance companies. National Insurance companies prefer investments into real estate (17.6% of the investment portfolio), while foreign insurance companies share in real estate is only 0.15% of the total investment portfolio in 2018.
- The number of Insurance brokers decreased slightly during the 2014 – 2018 period, this could be attributed to the UAE Insurance Authority issuing new circular in July 2017 strengthening the capital adequacy regulations. The three top performers in the insurance market during 2019 had a combined Gross Written Premium of AED11,182 million with an attractive profit margin. These companies control about 25% of the total insurance market in the UAE.

Executive Summary (cont'd)



INTERNAL ENVIRONMENT ANALYSIS:

- Al Khazna Insurance Company was established in January 1996 and its licensed by the UAE Insurance Authority to write all classes of general insurance and reinsurance business. The company is public shareholding company with a share capital of AED 420,000,000 and was listed on Abu Dhabi Security Exchange (ADX) in 15th of November 2000. With its Head Office in Abu Dhabi, the company has two branches in Dubai and Al Ain, two points of sales located in Emirate of Abu Dhabi. The total number of staff are 124 employees.
- The Company has established corporate governance structures which includes the Board of Directors and two permanent Board Committees which are the Audit Committee and the Nomination and Remuneration Committee. The Board of Directors and its Committees have met periodically during 2017, 2018 and 2019, and the company has duly issued its corporate governance report during the last 3 years, presented the Annual Audited Financial Statements to the General Assembly through Annual General Meetings.
- During 2017, 2018 and 2019, Al Khazna Insurance Company has seen changes in the Board of Directors and Senior Management composition.
- The company offers 10 insurance products which are Motor, Medical, Life, Marine Cargo, Marine Hull, Fire, General Accidents, Engineering, Aviation and Energy. The Aviation and Energy lines are currently inactive.
- Al Khazna Insurance Company product offerings were broadly aligned with the market during 2014, 2015, 2017 and 2018 with an exception of the life insurance business. The company is heavily reliant on medical, motor, property and liability insurance in the same period.
- The majority of the company's business is coming from direct sales / walk-in customers, the Company only uses insurance brokers as an alternative distribution channel out of several distribution channels currently used in the UAE insurance market, such as Agents, Banks and Insurance Aggregators.
- The real state, transportation, logistics and construction are the only industries addressed by Al Khazna Insurance Company out of all industry sectors that the UAE economy consists of.
- The existing partnership framework of Al Khazna Insurance Company is not designed to drive the company back to profitability, there is a lot of improvement potential in the partnership development for the company in future.
- The key customers of Al Khazna Insurance Company include mainly four segments: individual, corporate, SMEs and Government. The company has medium penetration level to individual and corporate customers, where it is not actively cater for SMEs and Government segments.
- The investment portfolio of Al Khazna Insurance Company is limited to investment properties and securities (listed and unlisted shares). The investment properties yielded losses due to idle and owned, where the securities contributed to the net profit as gain form investments.
- An analysis of the organizational structure revealed certain areas of inefficiencies. To address these will require introducing of new departments and units, restructuring of some of the existing departments, which will result in the 20% reduction of headcount.
- Top nine risks have been identified based on the company risk exposures and the severity of each risk. The business plan also contains mitigation actions to address these risks.
- The current operating model of Al Khazna Insurance Company has gaps which hinder company's growth and maintaining competitive advantage in the market. The gaps include the product mix, capabilities, sales channels, branch network, investment portfolio, industries covered etc.
- Based on analysis prepared to benchmark Al Khazna Insurance Company against the best performing national insurance companies in the UAE market, the company has many areas of improvement as a result of comparison of Key Financial Indicators such as Acquisition Ratio, Total Expense Ratios, Loss Ratio, Return on Equity, Net Profit Margin, etc.
- The key factors that heavily contributed to the financial losses of the company are:
 1. Investment and Financing Aspects of the Company's Operation
 2. Unavailability of Executive Team and Ineffective Talent Management.
 3. Absence of Robust Business Model.
 4. Corporate Culture.
 5. Absence of Business Ecosystem.

Executive Summary (cont'd)



FUTURE STATE:

- Al Khazna Insurance Company should consider broadening its insurance products portfolio by expanding the current range of products, consider launching new products in the UAE market and emphasize more on niche insurance products.
- The company needs to introduce new products & services distribution strategy by launching diversified distribution channels to capture more market segments and generate revenues.
- Al Khazna Insurance Company should consider expansion into new industries such as oil & gas, financial services, healthcare, government, etc. through effective market expansion strategies.
- The company shall increase the customer segment penetration rate of individual and corporate customers by 15%-20% for 2021 with gradually growing reaching to 25%-30% by 2027. The company shall increase the penetration rate of the government and SMEs segments by 10%-15% for 2021 with gradually growing reaching to 40%-50% by 2027.
- Al Khazna Insurance Company shall establish some of the new centers of competencies to create effective organizational structure designed to support company's growth and bring efficiency in decision making and flow of information within the organization.
- The company will establish Business Plan Implementation Committee (BPIIC) to execute the proposed business plan and follow up on the execution of the initiatives.
- Al Khazna Insurance Company shall consider liquidating the current investment portfolio gradually over 3 years to minimize the losses. Starting by 2023 the company shall invest into a healthy investment portfolio which diversifies and distributes the risks across different categories of investments that are fully compliant with regulatory requirements.
- The company shall develop a new operating model that will allow and encourage company's growth and maintaining competitive advantages in the market.

FINANCIAL FORECASTS:

- The business plan contains the financial forecasts for the company for the next 6 years. It provides analysis for the company's performance for the last three years. The key issues of the company performance was the ability to manage product profitability, generating sales from the brokers and other third parties, high operational costs, reinsurance agreement which puts heavy burden of claims repayment to the company and other issues.
- If the strategic initiatives contained in the business plan are implemented successfully, the company will increase its revenues, manage reinsurance contracts better, enhance the quality of decisions on the insurance products and claims management, the company will break-even and start generating revenues starting from 2023.
- Given the current scenario, there will be certain cash deficit. This cash flow shortages will require additional equity capital injection into the business of AED50 million in 2022.
- The Company can increase this capital through additional subscription by the existing shareholders of the Company in new shares or through the entry of new strategic investors in the Company to further address these accumulated losses and improve cash flow position of the company.
- The business plan also contains recommendations on the reduction of the shareholders capital from the current AED420 million to AED100 million in order to cover the accumulated losses.
- Reduction of shareholders capital and capital injection will reduce accumulated losses of the Company to 6.5% of total capital in 2022 which is in line with the requirements from the Securities and Commodities Authority. Moreover, the sensitivity analysis showcases the positive impact on the financials of the Company if the management successfully implements all initiatives to turn around the current situation.

IMPLEMENTATION OF STRATEGIC INITIATIVES:

- The business plan contains the strategic initiatives implementation plan to put the company back on the path of profitability. It highlights key strategic, operational, product, marketing and other initiatives with the responsible individuals assigned to each initiative, timeline and expected outcome established. The strategic initiatives implementation plan will lay the basis for the operation of the Business Plan Implementation Committee to secure the successful outcome for the company and its stakeholders.

2. Macroeconomic Assessment

Al Khazna Insurance Company P. S. C

SECTION 2 – MACROECONOMIC ASSESSMENT

UAE Country Summary



Phase	Key Characteristics	Implications for Business
Political	<ul style="list-style-type: none"> Political stability in terms of consistent policies of the Government for a long period of time. The Government of UAE is realizing the importance of foreign investment and its contribution to the economy. Each Emirate has its own governmental institution. 	<ul style="list-style-type: none"> Governmental policies will continue to be stable, allowing businesses to grow and develop. Foreign investors have investment preferences, which make the country an attractive investment destination. Businesses operating in different Emirates may have varied regulations and practices.
Economic	<ul style="list-style-type: none"> The GDP will decline in 2020, but is expected to grow thereafter at around 1%-2% annually. In recent years the country is diversifying from an oil-led economy. Consumer price inflation and interest rates were negative 1.93% and 2.29% respectively in 2019. The country has a risk rating of AA2 by different credit rating agencies, indicating a stable fiscal outlook. COVID-19 restricted the growth and opportunities for businesses in the UAE. 	<ul style="list-style-type: none"> Retail, tourism, transportation and real estate sectors will have unfavourable conditions and restrict the opportunities for businesses. The trading sector is facing challenges and issues, but stable inflation and interest rates in the long-run will support the retail sector. Fiscal outlook slightly deteriorates with less revenues for the Government, but will not significantly impact stability of Government finances. No hike in inflation or interest rates are anticipated to adversely impact the businesses in the market.
Social	<ul style="list-style-type: none"> As per the estimated data, quarter of the UAE population is Indian (the largest between all nationalities). Large number of population is aged between 15 to 64 years i.e. majority of the population is economically active. Population will decline due to residents who lost the jobs will return back to their home countries. Restrictions for socializing will limit the opportunities to meet friends and family. 	<ul style="list-style-type: none"> A large number of Indian population presents opportunity for companies from India to target this market. Demand for goods and services will contract given the reduction in the population in the short-run. Businesses must revisit their business models to cater to the restrictions on socialization and offer solutions to the customers in the market.
Technology	<ul style="list-style-type: none"> A number of e-services are provided by Government institutions and it is expected from other businesses in different sectors as well. COVID-19 led many businesses and Government entities to go online and operate online. Large investments in the pipeline are put on hold and this will limit opportunities for SMEs. 	<ul style="list-style-type: none"> As a result of Government's emphasis on technology the businesses may get a number of benefits however, on the other hand they have to invest significantly in the technology, as well to stay competitive in the market that is expected to be technologically advanced in the next few years. Competition for projects between SMEs will intensify and many SMEs will go out of business due to availability of limited projects in the market.
Environment	<ul style="list-style-type: none"> Ecological responsibility anticipated to become more important over the coming years as the Government is focusing and taking number of initiatives for sustainability. 	<ul style="list-style-type: none"> Overall the impact may be positive for the country however, becoming eco-friendly for the businesses may prove to be costly.
Legal	<ul style="list-style-type: none"> Different set of laws i.e. federal, local and Sharia laws and all evidence submitted to the court must be in Arabic. Availability of free zones in the country allows businesses to register and comply with the laws in the free zone and this makes doing business in the country attractive. Restrictions introduced to operate in the country will limit travel outside country. 	<ul style="list-style-type: none"> Businesses entering UAE market must have a legal team which is familiar with UAE laws and the Arabic language. If no such team is available, educating/hiring the resources will incur additional costs. Businesses choose to be registered in the free zones and set up LLC companies in operate in the mainland. Restrictions to travel abroad may slow down businesses.

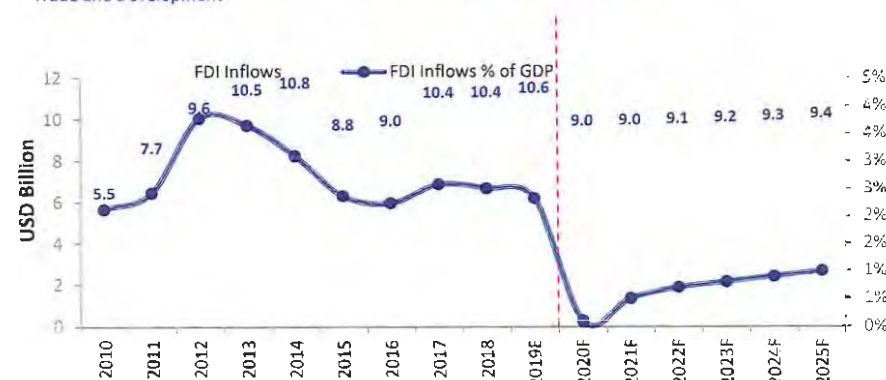
GDP & Foreign Direct Investment

OBSERVATIONS

- For the period of 2010-2018, the FDI inflows in the UAE have been fluctuating. In 2012 and 2013 the FDI inflows recovered as most investors escaping from the 'Arab Spring' were appealed by the UAE's political and economic stability.
- Considering the fluctuations in FDI, the Government introduced the 'Investors' Zone' concept to attract FDI from all over the world in the future. In 2015-2016 FDI flows dropped somewhat and this reflects the weaknesses in the world economy, but thereafter it picked up again. Due to COVID-19, we expect the FDI will drop in 2020 by 10%.
- After slow recovery, the FDI will start picking up gradually. Given the steps taken by the Government, it is estimated that from 2021 to 2025 that FDI will continue to increase at a moderate pace.
- The future FDI flows is largely dependent on the state of economy of neighboring countries (Saudi Arabia, Kuwait etc.), as well as the world economy. As the economies of neighboring countries are suffering from low oil prices, COVID-19, the UAE's economy will also be hit by this. However, given the stable legislation and attractive infrastructure created, the UAE will still attract FDI successfully in the long run.
- According to the World Bank, the fluctuations in GDP growth in 2013-2018 is mainly due to a fluctuations in the oil prices.
- As the oil prices stabilized in 2018 and thereafter, the GDP growth rates became more stable. However, due to COVID-19, we expect that the GDP in the UAE will reduce by 3%. The most impacted sectors will include trade, transportation, tourism, retail and real estate. The contraction in these sectors will put pressures on the job market which will see more people losing their jobs.
- To soften the implications of COVID-19, the Central Bank of the UAE announced the AED 100 billion comprehensive Economic Support Scheme for retail and corporate customers affected by COVID-19. The stabilization of the affected sectors will take time and any future growth will largely depend on the improvement of COVID-19 situation and regaining consumer confidence.
- In future, the GDP growth in the UAE will be on a declining trend given the low oil prices and lower FDI flows from neighboring countries. The improvement of the world economy, greater demand from China for oil, may increase oil prices in the long-run only and can bring additional liquidity to the region and macroeconomic situation may improve in the long-run only.

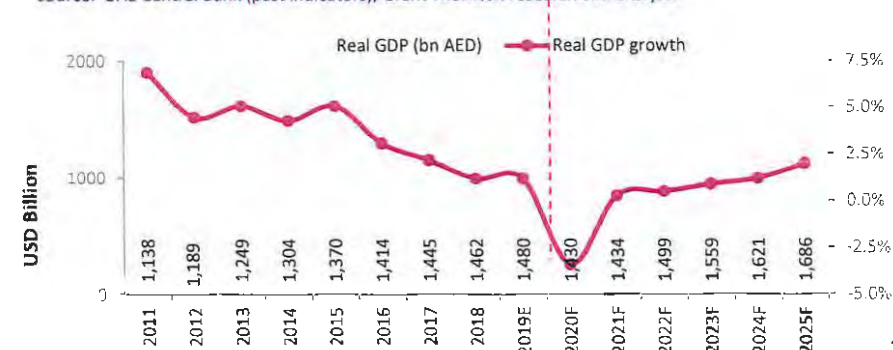
UAE FDI inflows and FDI inflows as % of GDP, 2010 – 2025F

Source: National Bureau of Statistics UAE, IMF and the United Nations Conference on Trade and Development



UAE nominal GDP and real GDP growth, 2010 – 2025F

Source: UAE Central Bank (past indicators), Grant Thornton research and analysis



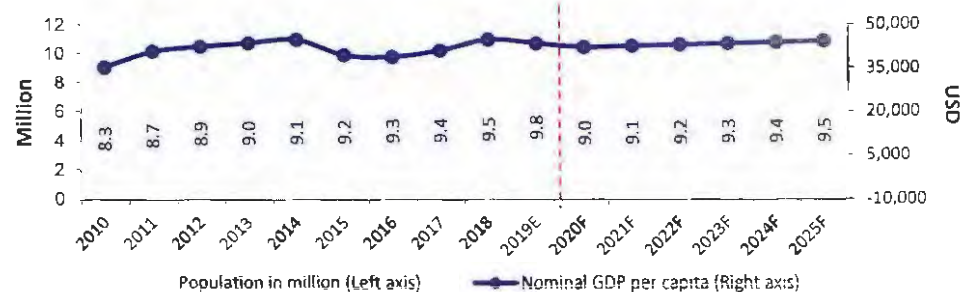
SECTION 2 – MACROECONOMIC ASSESSMENT

Population & GDP per capita



UAE population and GDP per capita, 2010 – 2025F

Source: National Bureau of Statistics, UAE, Statistical Appendix, IMF and Tradingeconomics.com



- Population of the UAE has grown from 8.3 million in 2009 to 9.8 million in 2019, representing a CAGR of 1.7%. The growth of the UAE population was driven by the fact that it was constantly working to become the tourist destination and financial activity hub of the Middle East. Increasing level of construction and financial activity was attracting people from different parts of world in the past. However, the future growth of population will be moderate given the slowdown in the GDP growth and FDI into the country. The COVID-19 led many people in the market unemployed. As a result, these people will be leaving the country taking their family members back to their home countries. We expect that the UAE population to decline to from 9.8 million to 9 million in 2021. Any population growth thereafter will be inconsiderable averaging to a CAGR of 0.8% during the period of 2021-2025.
- Gross National Income per capita has fluctuated somewhat between 2010-2019, due to the oil prices fluctuation. As a result of COVID-19 and decline in many sectors, we expect that the Gross National Income per capita will also decline by about 3% in 2020. After the recovery from COVID-19, the Gross National Income per capita may grow annually starting from 2021 at a humble rate of 1% given the weak growth of GDP.
- In comparison with other countries in the region, the UAE stands out by the size of its GDP and gross national income per capita. The country's GDP was US\$414 bn. in 2018 and it is second to the KSA and Iran only. Gross National Income per capita of the UAE is also high (US\$41,010 in 2018) and it is second to Qatar only. The country stands strong in the region as a hub for investors to do business in the region.

UAE GDP indicators and GNI per capita relative to MENA benchmarks for 2018

Source: World Bank

Country	Nominal GDP USD Bn	Real GDP Growth %	GNI per capita in USD
UAE	414.1	1.2	41,010
Algeria	180.7	1.5	4,060
Bahrain	37.7	1.8	21,890
Iran	454.0	3.8	5,470 (2017)
Iraq	225.9	0.6	5,030
Kuwait	141.6	1.2	33,690
Libya	48.3	10.9	6,330
Oman	79.2	2.1	15,110
Qatar	192.0	1.4	61,190
Saudi Arabia	782.4	2.2	21,540
Yemen	26.9	-2.6	960

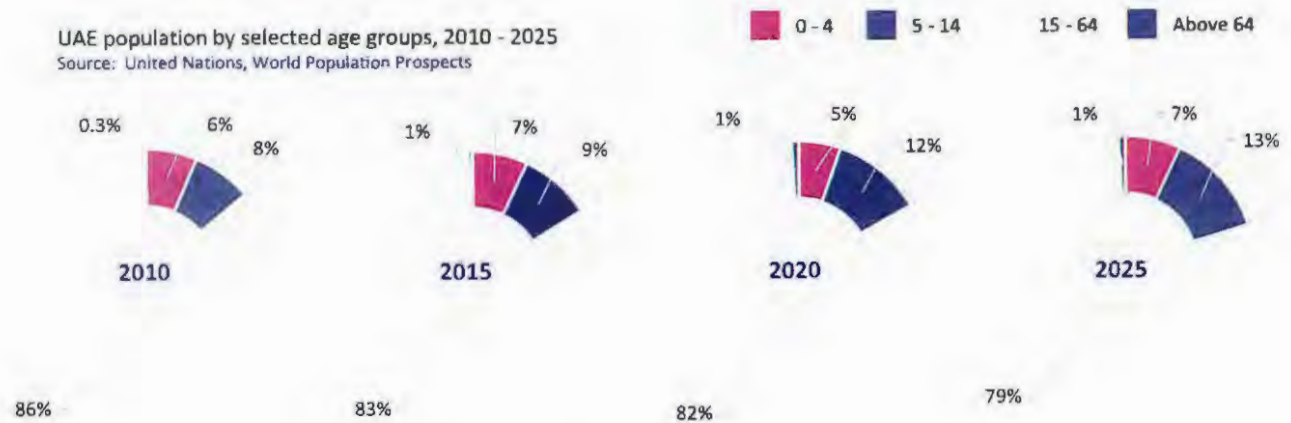
SECTION 2 – MACROECONOMIC ASSESSMENT

Population & GDP per capita



- Majority of the UAE's population is aged between 15 to 64, which is largely due to the skilled expats attracted by prospects of employment in the UAE.
- The main reason behind this trend is the policy of the Government not to award nationality to expats regardless of career, level of service or any other factor.
- The trend in the charts on the right shows that the working class i.e. people aged 15-64 will remain a large portion of the total population i.e. about 80% in the coming years until 2025.
- Majority of the population of UAE resides in the three emirates i.e. Abu Dhabi, Dubai and Sharjah, which are economically well ahead than other emirates.
- Over the period from 2010 to 2019, Gross National Income per capita in the UAE has fluctuated and remained between USD 33,390 to USD 42,240. It declined in 2016 and 2017 considering the increase in population and a lower GDP growth rates.
- We expect the Gross National Income per capita in the UAE to fall by 3% in 2020 and 2021 due to COVID-19 and contractions in many sectors of the economy.
- However, per Gross National Income per capita is expected to increase from 2022 onwards at a CAGR of about 1.2% until 2025.

UAE population by selected age groups, 2010 - 2025
Source: United Nations, World Population Prospects



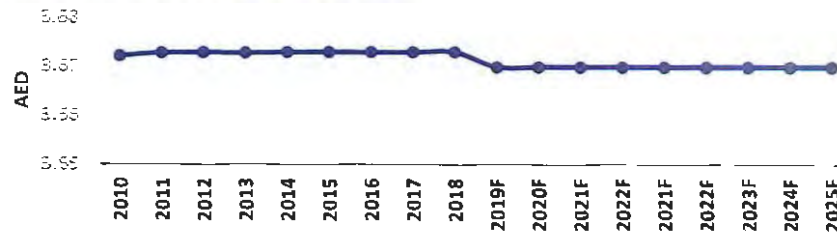
UAE gross national income per capita, 2010 – 2025F USD '000
Source: World Bank Data



Inflation, interest rates and currency exchange rate

- Consumer price inflation fluctuated over the period of 2011-2019, starting from 0.9% in 2011 to 3.1% in 2018. The inflation rate in 2019 and mid 2020 was negative due to a decline in rents, reduction in the transportation and utilities cost as a result of a fall in domestic fuel prices and a comparatively sluggish domestic demand. The impact of COVID will still be felt until 2021 keeping slightly negative inflation. In future, the the inflation rate is expected to stabilize in the range of 1.5% – 2.5% until 2025. This can be attributed to fiscal and monetary policies followed by the country.
- The interest rates in UAE also fluctuated between 2010 and 2014 downwards indicating willingness of monetary authorities to boost the business during the period. Starting from 2015 onwards, interest rates went up, partly as a result of rising inflation. As a result of COVID many businesses are suffering from absence of liquidity and demand for loans/ short term financing increased. This will lead to a gradual increase in the interest rates in the country. The interest rates in the UAE are forecasted to stabilize in the range of 1.1%-1.7% in the future.
- The exchange rate of the UAE Dirham against the US Dollar has remained and will remain the same largely due to the peg between its currency and US Dollar. While the exchange rate is forecasted to remain same, any future fluctuations resulting from de-peg from the US dollar would impact the level of exports and imports within the UAE, and potentially impacting macro factors, such as the level of GDP, inflation and interest rates, as well as micro factors, such as the price of asset class, such as residential property.

AED vs. USD, currency rate and change, 2010 – 2025F
Source: Grant Thornton research and analysis



UAE consumer price inflation (% average, 2011 – 2025F)
Source: UAE Central Bank, Grant Thornton research and analysis



UAE interest rates, 2010 – 2025A % (for end of the year)
Source: UAE Central Bank, Grant Thornton research and analysis



3. Market & Competition Analysis

Al Khazna Insurance Company P. S. C

Current Operating Model of a Leading Competitor

Products, Services & Core Business Activities	Clients	Sales Channels / Customer Touch Points	Office Representatives	Key Capabilities
<ul style="list-style-type: none"> • Motor Insurance • Home Insurance • Medical Insurance • Personal Watercraft • Personal Accident Insurance • Travel Insurance • Wedding Insurance • Aviation Insurance • Engineering and Construction Insurance • Financial Lines Insurance • Group Medical Insurance • Life Insurance • Marine Hull & Cargo Insurance • Motor Fleet Insurance • Property Insurance • Pecuniary Insurance (Commercial Crime, Credit and Money Insurance) 	<ul style="list-style-type: none"> • Corporate • Retail • Government • Small and Medium Enterprises (SME's) 	<p>Direct Channels</p> <ul style="list-style-type: none"> • Call Centres • Insurance Agents • Appointed Representative • Mutual Organisations <p>Indirect Channels</p> <ul style="list-style-type: none"> • Insurance Brokers • Reinsurance Brokers • Independent Financial Advisors • Financial Organisations • Retail Organisations • Affinity Groups • Aggregators (online quotations) 	<ul style="list-style-type: none"> • London • Bahrain • Kuwait • Oman • Qatar • Saudi Arabia • United Arab Emirates (UAE) <ul style="list-style-type: none"> ○ Abu Dhabi ○ Dubai ○ Sharjah ○ Ajman ○ Umm Al-Quwain ○ Fujairah ○ Ras Al Khaimah • India • Pakistan • Lebanon 	<ul style="list-style-type: none"> • Strong Marketing Strategy (Branding & Segment Approach) • Tailored Solutions According to Client Needs • Access to Captive Business through BOD & Shareholders • Robust Connection to Government Entities • Extensive Customer Database for Existing and Potential Customers • Sales and Business Development Maturity and Capability • Robust Billing & Credit Management • Retention, Up-Selling & Cross-Selling Between Subsidiaries and Departments • Back and Front Office Effectiveness and Efficiencies • Robust Cost Management Strategy

Current Operating Model of a Leading Competitor (cont'd)

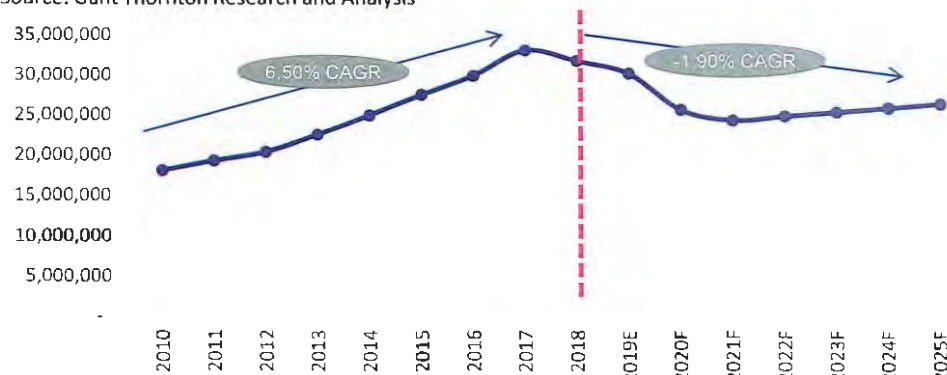
Partners in Insurance Market	Investment Portfolio	Information	Branch Network / Point of Sales
<ul style="list-style-type: none"> Addenda Technologies Coface Emirates Services Generali Group Insurance Market (Compare and Provider of Online Insurance) Yalla Compare (Independent Provider of Online Insurance) Insurance TopUp (Digital Insurance Firm) Atradius Al Ittihad Al Dowali Insurance Service Buy Any Insurance Souqalmal Policy Bazaar Compare Dubai Carinsurance.ae Pitstop Arabia CompareInsurance Compare 4 Benefit 	<ul style="list-style-type: none"> Property and Equipment Property Investment Reinsurers' Shares Deposits Corporate Bonds Government Bonds Equities (Listed / Unlisted) 	<ul style="list-style-type: none"> Gross Written Premiums Report Net Earned Premiums Report Claims Ration Improvement Report Sales Channel Profitability Report Product Profitability Report Foreign Currency Exchange Related Data Detailed Monthly Report Gross Selling Ration Report Partner Profitability Report Underwriting Margin General Marketing and Administration Reporting Comprehensive Information about Employees Cost Management and Revenue Management Report Claim & Loss Ratio Analysis 	<ul style="list-style-type: none"> Abu Dhabi HO Mussafah Branch Samha Branch Abu Dhabi Branch Al Shamkha Branch Ruwais Branch Ghuwaifat Border Branch Ghuwaifat - Sila'a Branch Mahawi Branch Al Ain Branch Dubai Branch Dubai Branch International Division Sharjah Branch Ajman Branch Ras Al Khaimah Branch Fujairah Branch Oman Branch Other GCC Countries

SECTION 3 – MARKET & COMPETITION ANALYSIS

United Arab Emirates insurance market size

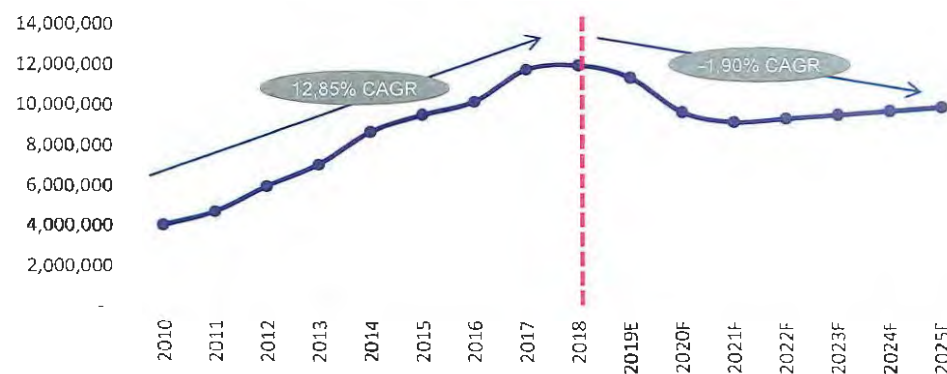
Development of premium in U.A.E Property and Liability Insurance premium in 2010-2025 (DH. 000'S)

Source: Gant Thornton Research and Analysis



Development of premium in U.A.E Insurance of Persons & Fund Accumulation premium in 2010-2025 (DH. 000'S)

Source: Gant Thornton Research and Analysis

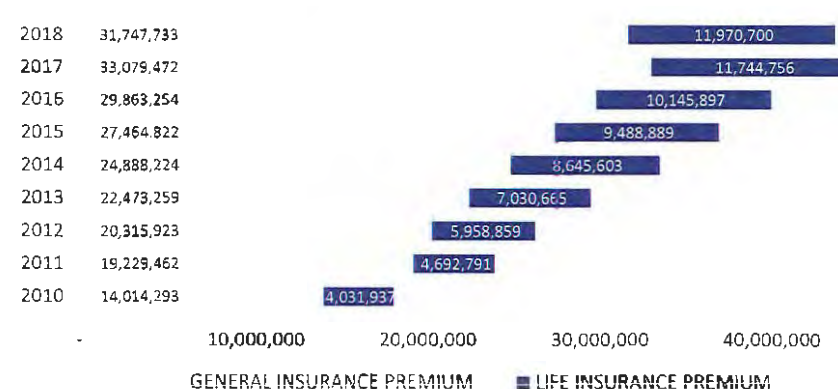


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Development of premium in U.A.E insurance market in 2010-2018 (DH. 000'S)

Source: Gant Thornton Research and Analysis



KEY OBSERVATIONS

- The overall insurance market size is made up of general insurance premium and life insurance premium.
- The general insurance premium makes about 75% of the market.
- The insurance market in the UAE has grown impressively in the past nine years.
- The property and liability insurance premium increased at CAGR of 6,50% during the period of 2010 to 2018.
- The persons and fund accumulation insurance premium also grew at an impressive CAGR of 12,85%.
- We anticipate that the UAE insurance market will deep in 2020 given the slowdown in the business activity in the country and implications of COVID;
- However, we anticipate the growth will pick up after 2021 when the COVID issue will be addressed and oil prices are expected to increase, and the regional economy will get on an accelerated growing path.

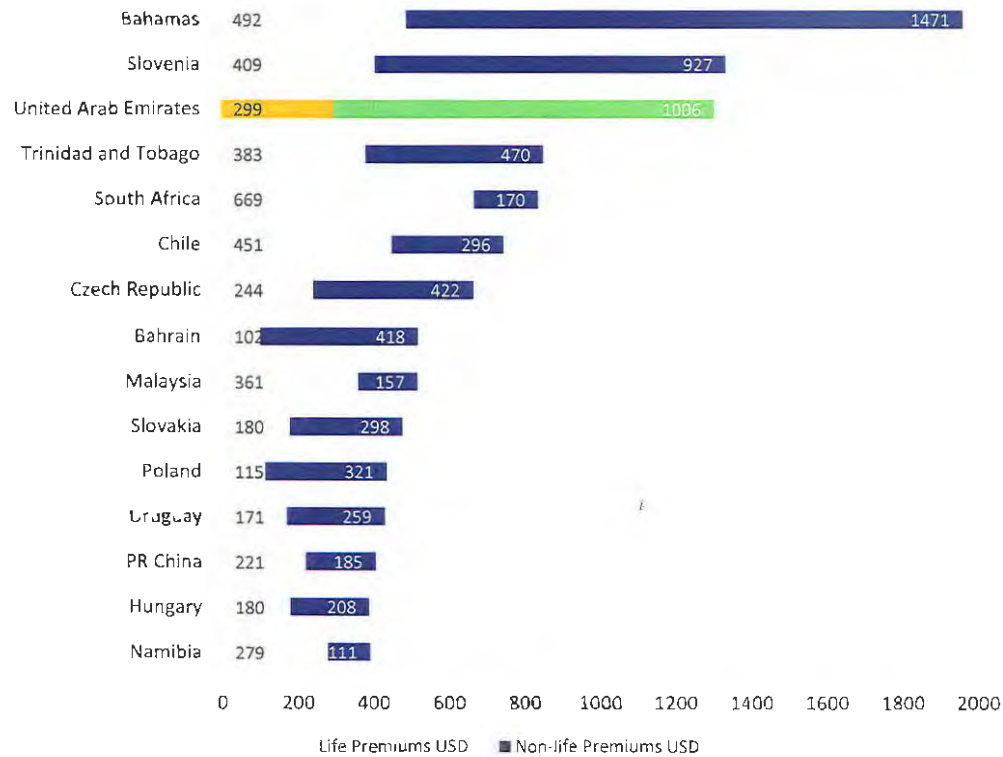
SECTION 3 – MARKET & COMPETITION ANALYSIS

United Arab Emirates ranking in comparison with other countries

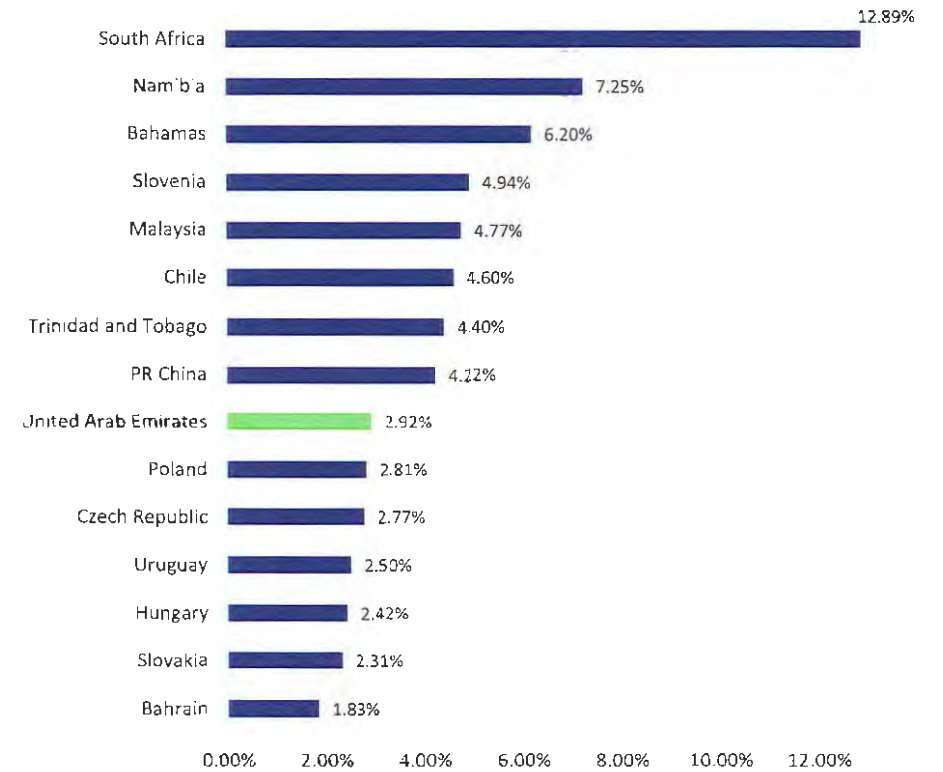
Source: Swiss Re and Grant Thornton Research and Analysis



Life & Non-Life Per Capita Premium (2018 Estimated)



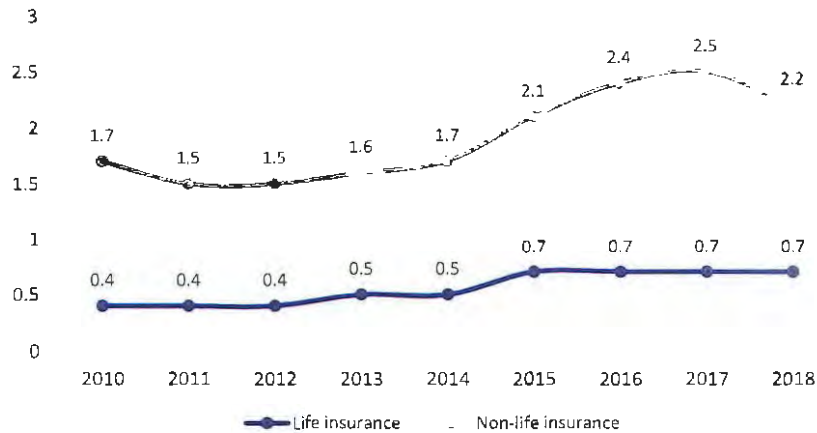
Total Insurance Penetration (% of GDP)



United Arab Emirates insurance penetration and insurance density indicators

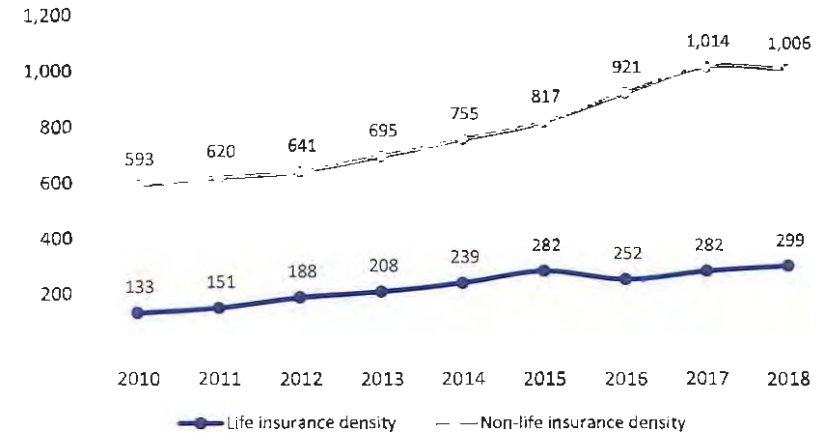
Insurance penetration in the UAE (as % of GDP)

Source: Swiss Re and Grant Thornton Research and Analysis



Insurance density: premiums per capita in USD

Source: Swiss Re and Grant Thornton Research and Analysis



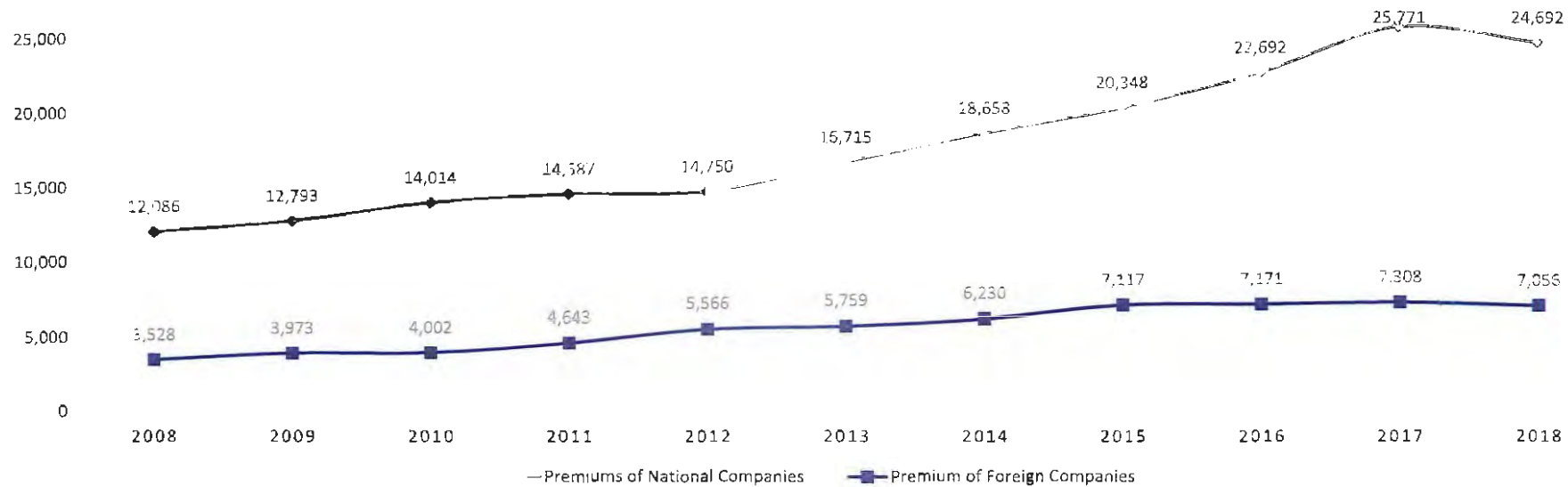
KEY OBSERVATIONS

- According to the latest reports issued by Swiss RE (Sigma):
 - **Insurance penetration in the UAE (as % of GDP)** - showed an increase from 2012 – 2017 with regards to non-life insurance with a slight decline in 2018.
 - **Insurance density premiums per capita (USD)** - showed steady increase from 2010 – 2017 with regards to non-life insurance with a slight decline in 2018, Life insurance also showed steady increase between 2010 – 2015 with a marginal decline in 2016 before increasing again between the period of 2017 – 2018.
- The life insurance penetration rate in the UAE has been increasing over 2010-2018. It is largely dependent on expatriate population working in the country. The density of non-life segment is considerably higher than the density life insurance segment.
- Both the life and non-life segment has been growing over the period of 2010-2018, non-life segment showing higher growth rates.

Premiums of National Companies vs Foreign Companies

Development of general assurance business in 2008-2018 (annual premium in DH. 000 000'S)

Source: Insurance Authority UAE & Grant Thornton Research and Analysis



KEY OBSERVATIONS

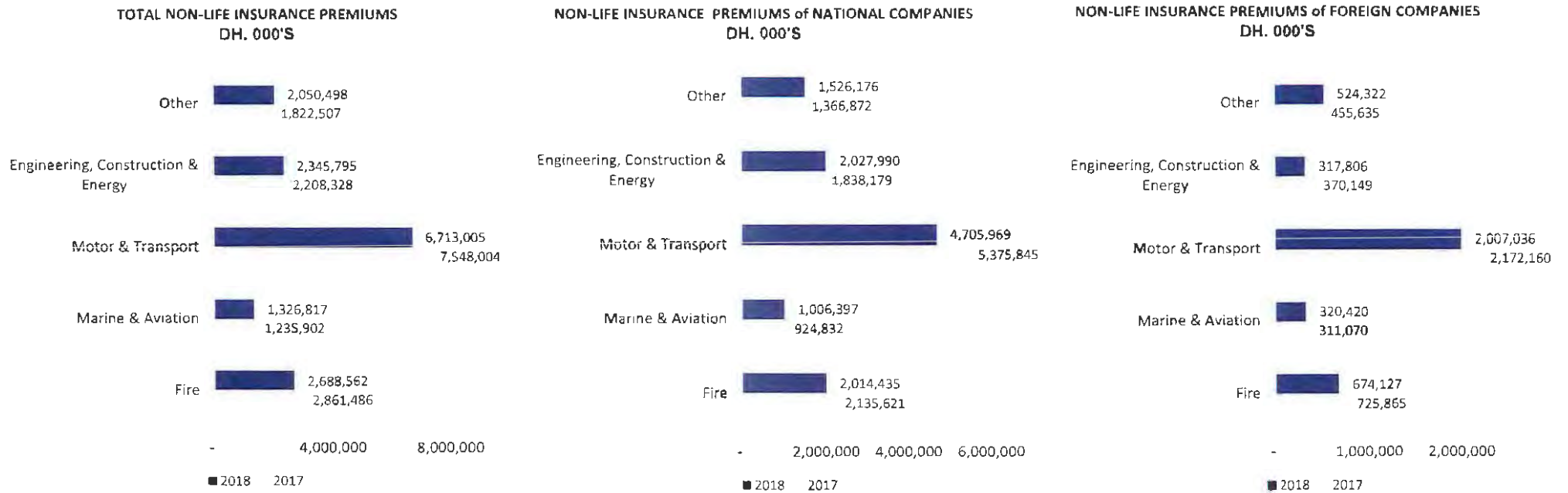
- The insurance premium of the national insurance companies increased impressively over the period of 2008-2018 from AED12 billion to AED24 billion. Over the ten years the size of the market increased two times. This is due to the overall growth of the UAE economy, increase in demand for the insurance products and strong capital base of the national insurance companies.
- The insurance premium of the foreign insurance company also increased by twofold from AED3.5 billion in 2008 to AED7.1 billion. Foreign insurance companies find the UAE market quite attractive given the transparency and stability of the regulation in the UAE. The share of the foreign insurance companies in the market is smaller this is due to a large capital base of national insurance companies.

SECTION 3 – MARKET & COMPETITION ANALYSIS

Motor and transport insurance have the highest share in non-life insurance premiums in 2018

Breakdown of non-life insurance by national and foreign companies

Source: Grant Thornton Research and Analysis



KEY OBSERVATIONS

- Motor and transport dominate the as the leader with the highest non-life insurance during 2018.
- Minimal change / movement for other insurance products during 2017 / 2018.
- Overall contraction in some of the sectors during 2018 could be because of the overall economic downturn.

SECTION 3 – MARKET & COMPETITION ANALYSIS

Motor & transport, health insurances dominate in the total number of insurance policies issued

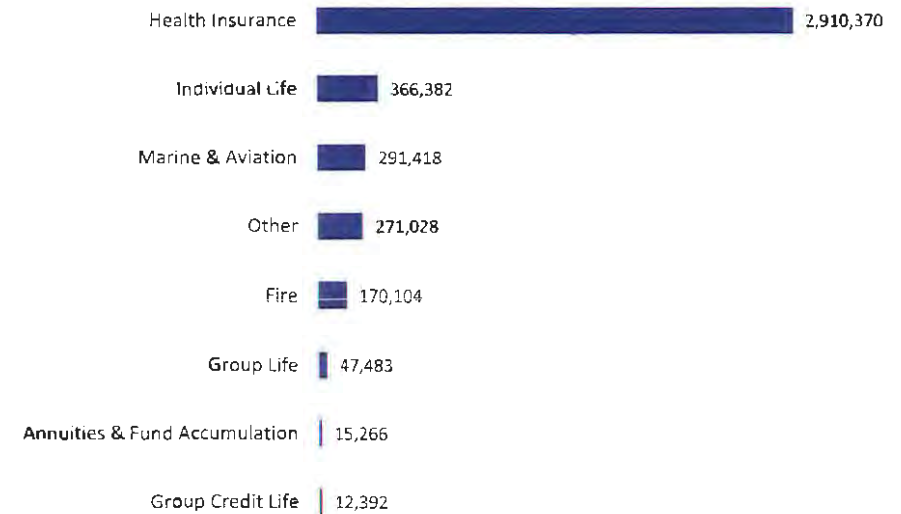
Number of policies for accidents and liability insurance, 2018

Source: Grant Thornton Research and Analysis



Number of other type of insurance policies, 2018

Source: Grant Thornton Research and Analysis



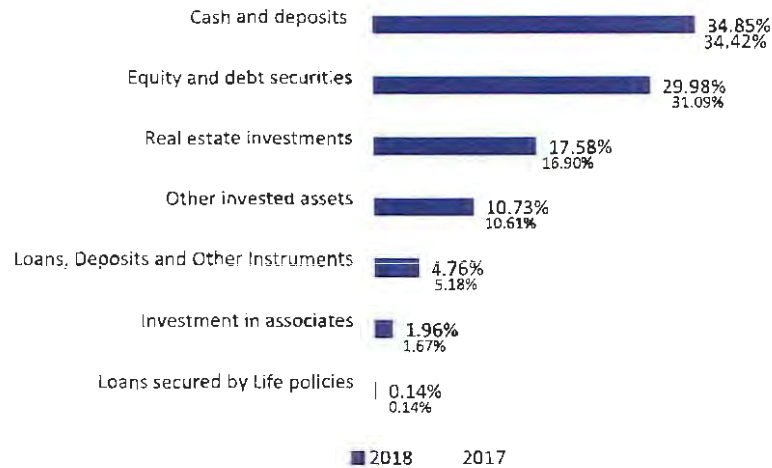
KEY OBSERVATIONS

- The number of motor and transportation policies is large and this is due to the large population in the country owning private cars, as well as large logistics sector with extensive corporate vehicle fleet.
- The number of health insurance policies is also significant and this is again due the large population in the country. These two products represent large market size in terms of insurance policy units.
- Life insurance, marine and aviation, fire insurance and other insurance policy numbers are also large and present attractive opportunities to capture the market.

Shares and bonds are main investments in the investment portfolio of insurance companies

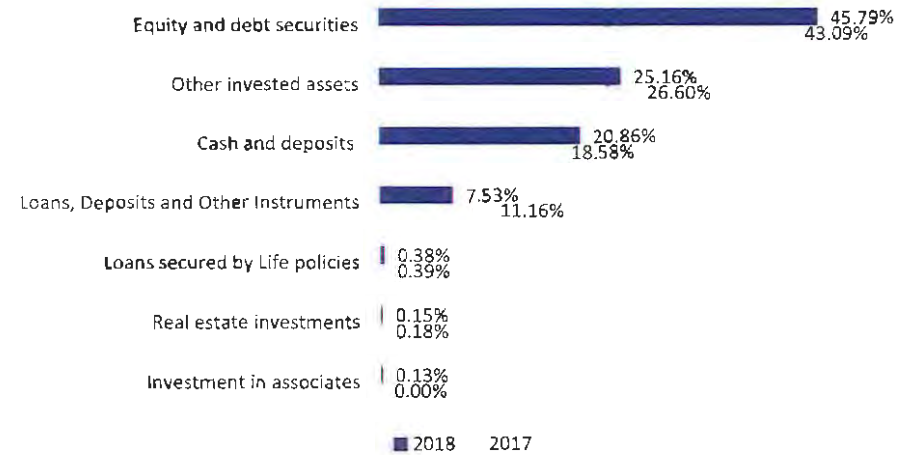
Distribution of investments of National Insurance companies in 2017 & 2018

Source: Grant Thornton Research and Analysis



Distribution of investments of Foreign Insurance companies in 2017 & 2018

Source: Grant Thornton Research and Analysis

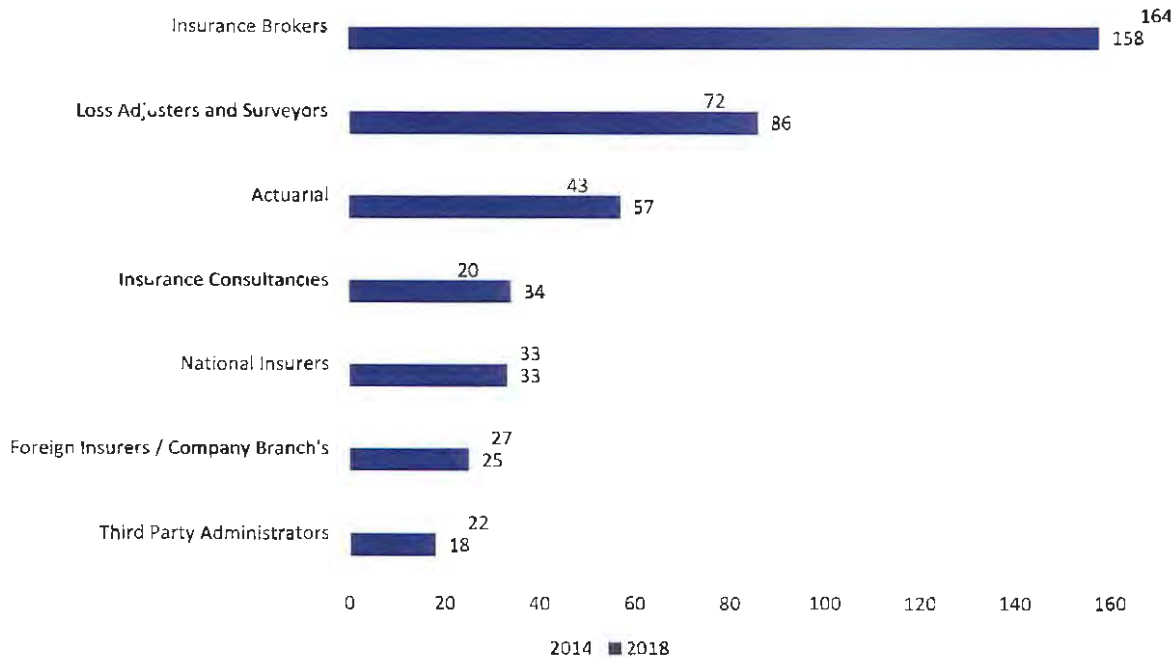


KEY OBSERVATIONS

- The national insurance companies have larger share of cash and deposits in their portfolio, while foreign insurance companies prefer to have smaller share of the cash and deposits to ensure that the investment portfolio generates maximum return.
- National insurance companies prefer to have about 17.5% of their investment in the real estate sector while the investments of foreign insurance company in the real estate is only 0.15% of their investment portfolio.
- There are obvious differences in the composition of investment portfolio of the national insurance companies and foreign insurance companies given their preferences and risk tolerance levels.

United Arab Emirate market accommodated 58 insurance companies in 2018, of which 33 were national and 25 foreign insurance companies

Overview of key insurance companies in the UAE market
Source: Grant Thornton Research and Analysis



KEY OBSERVATIONS

The number of Insurance Brokers decreased between the period of 2014 to 2018 possibly due to UAE Insurance Authority issuing new circular in July 2017 strengthening the capital adequacy regulations.

58 companies offer a variety of insurance products:

- 33 national companies
- 25 foreign companies

158 Insurance Brokers:

- 154 national brokers
- 4 foreign brokers

34 Insurance Consultants

86 Surveyor / Loss Adjuster or Damage Estimators

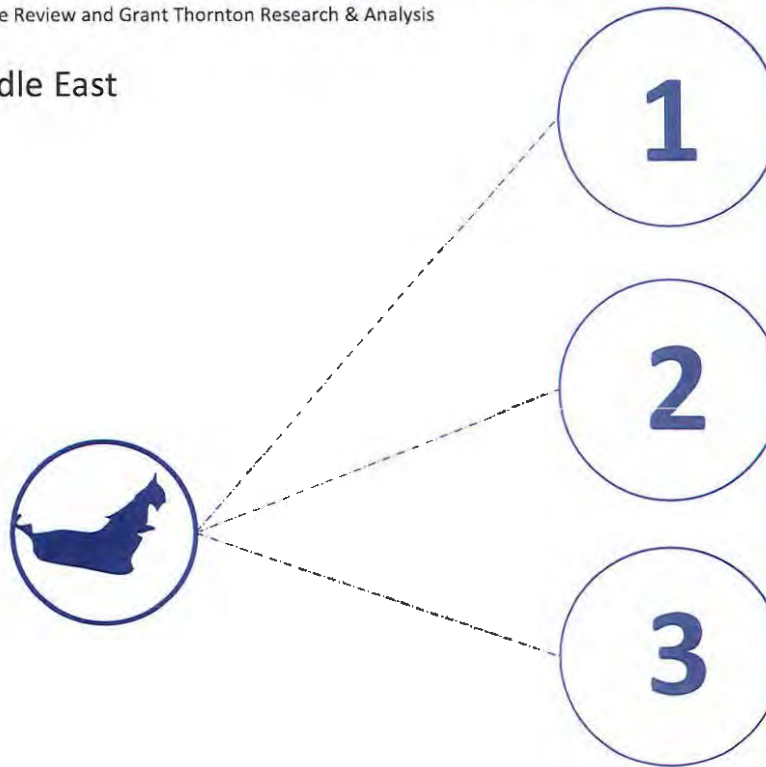
57 Actuaries

13 Third Party Administration

United Arab Emirates Top 3 National Insurers 2019

Source: Middle East Insurance Review and Grant Thornton Research & Analysis

Middle East



Orient Insurance

Gross Written Premium 3,881 AED m

Profit Margin 432 AED m

Abu Dhabi National Insurance

Gross Written Premium 3,756 AED m

Profit Margin 284 AED m

Oman Insurance

Gross Written Premium 3,545 AED m

Profit Margin 190 AED m

KEY OBSERVATIONS

- Top three insurance companies in the market are making decent net profit margin. This indicates that the insurance market in the UAE is attractive and there are opportunities to generate extra return on equity for the insurance companies.

Product offerings by National Insurers

Source: Grant Thornton Research & Analysis

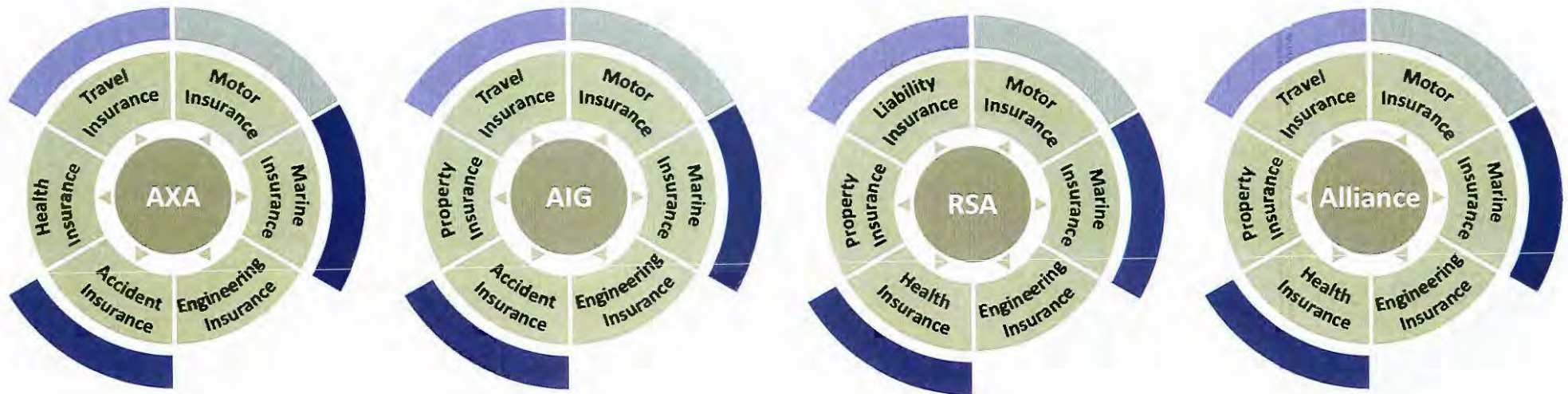


KEY OBSERVATIONS

- The National Insurers have a vital role in the national economy which are emphasized by the amount of investments made by them. The product offering by the National Insurance companies is also extensive given the market competition and industry dynamics.
- Orient Insurance actively markets itself as a provider of motor, life, property, personal, medical, engineering and marine cargo insurance given its position in the market and extensive branch network.
- Abu Dhabi National Insurance offers motor insurance, life insurance, accident insurance, aviation insurance, medical insurance, engineering insurance and marine cargo insurance.
- Oman insurance markets motor insurance, life insurance, accident insurance, health insurance, aviation insurance, engineering insurance and marine cargo insurance.
- While the national companies have similar product offerings, each company positions itself differently to capture larger customer segments and create competitive advantage to maintain its market share.

Products Offered by Foreign Insurers

Source: Grant Thornton Research & Analysis

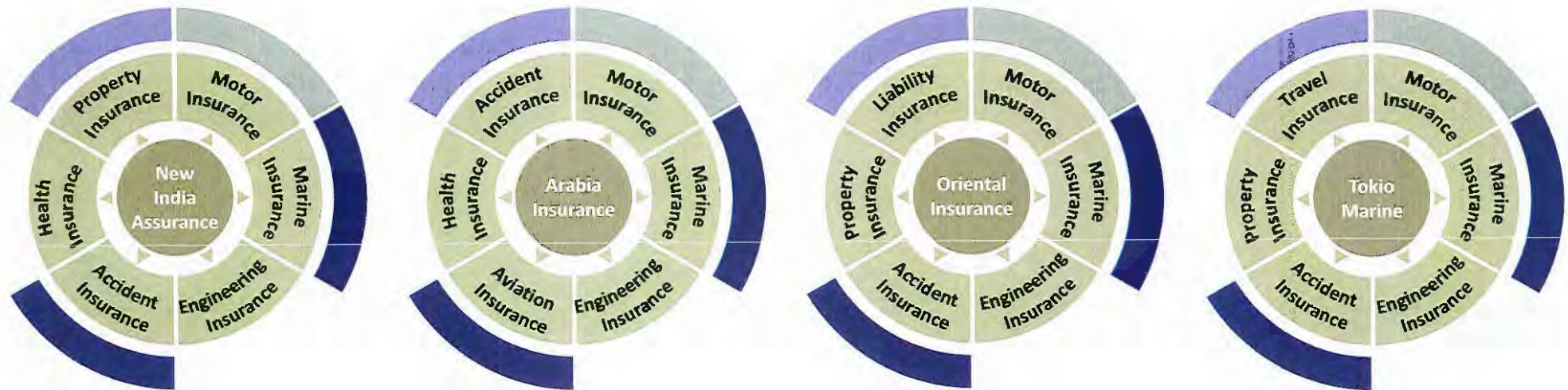


KEY OBSERVATIONS

- Foreign insurance companies have strong insurance product offering. All of them offer the following insurance products: marine insurance given the size of the market, motor insurance and engineering insurance. AXA, AIG and Alliance clearly position themselves as a provider of travel insurance given the size of the travel industry in the country. AIG, RSA and Alliance pushes the property insurance to the market, while AXA and AIG sells accident insurance policies.
- The analysis indicates that while foreign insurance companies provide extensive product offering, their market positioning is different depending on their strategic objectives and target customer segments.

Products Offered by Foreign Insurers with agency arrangements

Source: Grant Thornton Research & Analysis



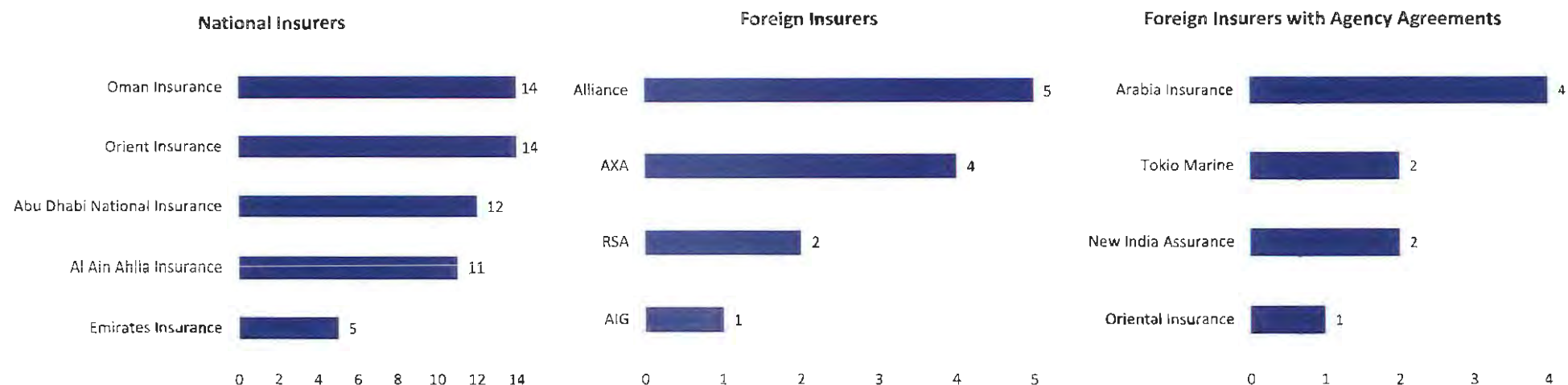
KEY OBSERVATION

The product offering by the foreign insurance companies with agencies arrangement include marine insurance, motor insurance, accident insurance and engineering insurance. New India Assurance and Arabia Insurance are actively pursuing the sales of health insurance given how they position themselves in the market. Oriental insurance, New India Assurance and Tokio Marine clearly display property insurance as a key product offering, while Arabia Insurance position itself as a provider of aviation insurance. Tokio Marine also pursues the sales of Travel insurance and this positioning in the market is clear from the way it markets itself.

Branch Breakdown Analysis

Number of branches National and Foreign insurers during 2020

Source: Grant Thornton Research and Analysis (Data is as per review of the insurers websites)



KEY OBSERVATIONS

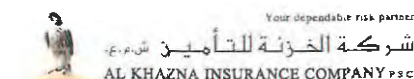
- Oman Insurance has a **strong presence** in the UAE, Sultanate of Oman and Qatar. It is the leading listed insurer in the United Arab Emirates (UAE), and has capital adequacy above the 'AAA' level, as per the internal risk-based capital model, and exceptional liquidity (Source S & P). It has 14 branches in the UAE. Orient Insurance, ADNIC and Al Ain Ahlia Insurance have also extensive branch network.
- Foreign Insurance companies prefer to have smaller branch network. Alliance has 5 branches in the UAE, while AXA has only 4. AXA in the Gulf is one of the largest international players in the GCC, covering the UAE, Oman, Bahrain and Qatar markets, with a workforce of over 800 employees, 25 branches and retail shops region-wide and over 1 million customers (Source: www.axa.bh). The other foreign insurance companies branches network is even smaller.
- Foreign insurance companies with agency arrangements also have the branches and these branch network is relatively small ranging from 1 to 4 branches only.



4. Internal Environment Analysis

Al Khazna Insurance Company P. S. C

About Al Khazna Insurance Company



Company Establishment:

Al Khazna Insurance Company P.S.C (AKIC) was established in January 1996.

Vision To be the company of choice for our shareholders, brokers, and policyholders.

Mission To combine mastery in service delivery with quality products at competitive prices and to provide the best insurance value for consumers.

Products & Services / Revenue Streams:

The Company is licensed by the UAE Insurance Authority to write all classes of general insurance and reinsurance business. Below are the list of products and services segments that Al Khazna Insurance Company currently offers:

- Marine and Aviation
- Property & Casualty
- Motor
- Life & Medical
- Reinsurance

Stock Market Listing:

Al Khazna Insurance Company P.S.C is a public shareholding company with a share capital of AED 420,000,000.00 and was listed on Abu Dhabi Security Exchange (ADX) in 15th of November 2000; stock symbol Al Khazna Insurance Company. The Company's listing is regulated by the Securities and Commodities Authority in UAE.

Company Structure:

With its Head Office in Abu Dhabi, Al Khazna Insurance Company's operations cover the entire UAE with two branches in Dubai and Al Ain. The Company also serves its clients through two point of sales located in the Abu Dhabi Traffic Department and the Abu Dhabi Traffic Office - Mahawi ADNOC Station. Al Khazna Insurance Company operates through 14 different departments classified into Core Business Units and Support Service Units, with a total number of 124 staff.

Key Operational Indicators

COMPANY DETAILS	Quantity
Number of branches (including the HO)	3
Number of points of sales	2
Number of products offered	10
Number of departments	14
Number of staff	
• Top Management	1
• Middle Management	15
• Core and Support Employees	96
• Service Staff	12
• Total Number	124
Number of policies issued during last 3 years	
• Total number of policies issued during 2017	15,572
• Total number of policies issued during 2018	6,492
• Total number of policies issued during 2019	210

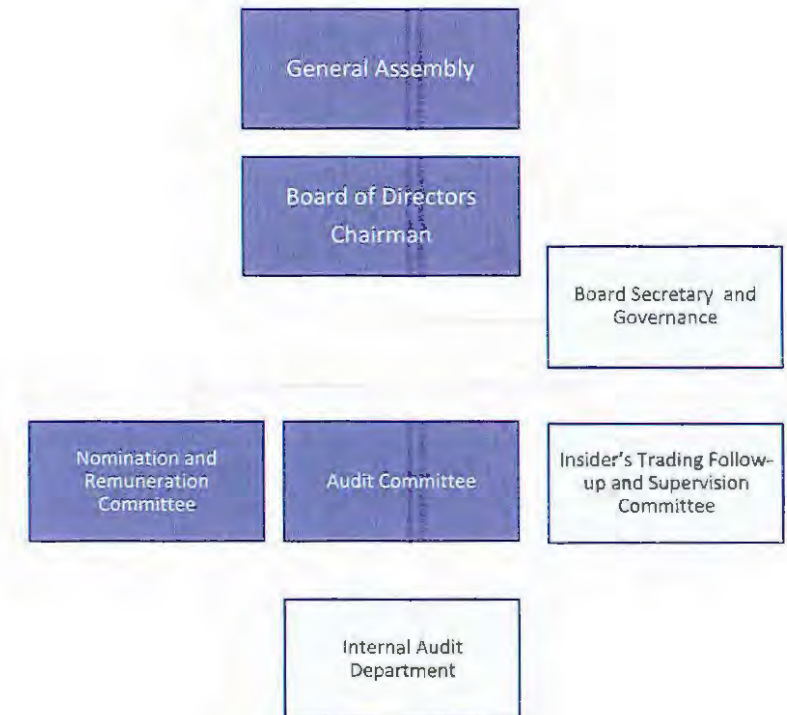
Corporate Governance at Al Khazna Insurance

Summary of the company's commitment to Corporate Governance during the past three years:

- Al Khazna Insurance Company has established a governance framework which includes the Board of Directors to set the tone at the top, setting up the Company's objectives and strategies and to carry out the main tasks and duties assigned to the Board and its Committees.
- The Company has formed two permanent Board Committees which are the Audit Committee and the Nomination and Remuneration Committee. The duties and responsibilities of the Board Committees have been documented.
- The Board and its permanent Committees have met during 2017 , 2018 and 2019 as per below:

	2017	2018	2019
Board Of Directors	4	4	4
Audit Committee	4	4	4
Nomination and Remuneration Committee	1	1	1

- The Company has duly reported its Corporate Governance Report for the past three years to the Securities and Commodities Authority.
- The Company has established an Internal Control Department (Internal Audit Department) which reports directly to the Audit Committee. The Internal Control Department reviews the effectiveness of the Company's internal control systems.
- The Company presented the Annual Audited Financial Statements to the General Assembly through Annual General Meetings held on 30th April 2017, 30th April 2018, 30th April 2019 respectively.



SECTION 4 – INTERNAL ENVIRONMENT ANALYSIS

Changes in the Board of Directors Members and Senior Management Team



During 2017, 2018 and 2019, Al Khazna Insurance Company has seen changes in the Board of Directors and Senior Management composition and structure. The following tables illustrate the changes in the past three years.

BOARD of DIRECTORS COMPOSITION DURING 2017, 2018 AND 2019

Source: Al Khazna Insurance Company CG Reports and website

Year	Chairman	Vice Chairman /Member	Member MD	Member	Member	Member	Member	Member	Member	Member	Member
2017	Khalifa Mohammed Abdul Aziz bin Rubaya Al Muhairi	Daham Al Mazrouei	Rubaya Mohamed Rubaya Al Muhairi	Ahmad Saeed AlKharousi	Ahmed Darwish Al Khoury	Abdullah Muhammad Al Muhairi	Shabeeb Hamad Sultan Mohamed Al Darmaki	Mohannad Abbas Abdulqader Abduljalil	Said Khalfan Al Nuaimy	Ghadeer Al Dhaheri	
2018	Khalifa Mohammed Abdul Aziz bin Rubaya Al Muhairi	Daham Al Mazrouei	Rubaya Mohamed Rubaya Al Muhairi	Ahmad Saeed AlKharousi	Lateefa Al Ameri	Ateeq Feter Al Romaithi	Nuwair Said Da'an AlMansoori	Hamad Mohamed Rubaya Al Muhairi	Mohamed Salem Al Ali	Nasser Saif Al Reyami	Omar Mohamed Ateeq AlMuhairi
2019	Khalifa Mohammed Abdul Aziz bin Rubaya Al Muhairi	Vacant	Rubaya Mohamed Rubaya Al Muhairi	Ahmad Saeed AlKharousi	Lateefa Al Ameri	Ateeq Feter Al Romaithi	Nuwair Said Da'an AlMansoori	Hamad Mohamed Rubaya Al Muhairi	Mohamed Salem Al Ali		

Legend: 3 years Board occupation during 2017, 2018 and 2019 2 years Board occupation during 2017, 2018 and 2019 1 year Board occupation during 2017, 2018 and 2019

SECTION 4 – INTERNAL ENVIRONMENT ANALYSIS

Changes in the Board of Directors Members and Senior Management Team



BOARD MEMBERS RESIGNATION and ELECTION/APPOINTMENT DURING 2017, 2018 and 2019

Source: Al Khazna Insurance Company CG Reports and website

2017	Resigned	Ahmed Darwish Al Khoury	Abdullah Muhammad Al Muhairi	Shabeeb Hamad Sultan Mohamed Al Darmaki	Mohannad Abbas Abdulqader Abduljalil	Said Khalfan Al Nuaimy	Ghadeer Al Dhaheri	
	Elected / Appointed	Omair Mohamed Ateeq Al Muhairi	Ateeq Feter Al Romaihi	Lateefa Al Ameri	Nasser Saif Al Reyami	Nuwair Said Da'an Al Mansoori	Hamad Mohamed Rubaya Al Muhairi	Mohamed Salem Al Ali
2018	Resigned	Daham Al Mazrouei	Omair Mohamed Ateeq Al Muhairi					
2019	Resigned	Nasser Saif Al Reyami						

SENIOR MANAGEMENT RESIGNATION and APPOINTMENT DURING 2018, 2019 and 2020

2018	Appointed	Nabil Samih Kawar, GM	
2019	Resigned	Rubaya Mohamed Rubaya Al Muhairi, MD	Tarek Yassin Suliman, Head – General Claims
2020	Terminated	Diana Ahmad Mahmood Abuaydah	

Insurance Products Offering

Motor Insurance

Medical Insurance

Life Insurance

Marine Cargo Insurance

Marine Hull Insurance

Aviation Insurance

Fire Insurance

General Accident Insurance

Engineering Insurance

Energy Insurance

Legend:  Active products  Non-Active products

KEY OBSERVATIONS

- Al Khazna Insurance Company is authorized to offer a range of insurance products and services that cover different industries in the UAE market.
- The insurance products that the Company provides are categorized by the Company into five different segments:
 - 1- Marine and Aviation
 - 2- Property & Casualty
 - 3- Motor
 - 4- Life & Medical
 - 5- Reinsurance
- The Company does not focus on the retail insurance sector with products such as home insurance and travel insurance. Except for motor insurance, the Company does not actively cater for the retail market given its size and competitive nature of the retail sector.
- Al Khazna Insurance Company does not actively conduct market research and analysis to identify the emergence of new products in the UAE insurance market.
- Despite eight active products described in the diagram on the left, the company's revenues does not reflect market's full potential, while energy and aviation insurance are not promoted by the company.

SECTION 4 – INTERNAL ENVIRONMENT ANALYSIS

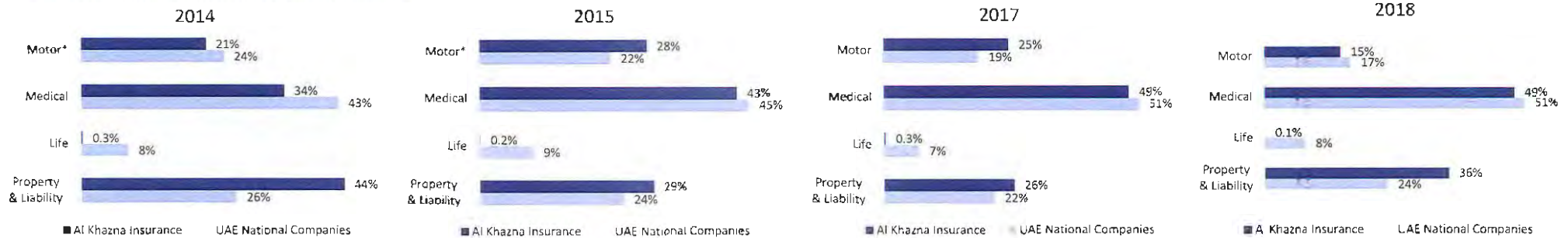
Al Khazna Insurance Company Products vs National Insurance Companies

Products



Product Portfolio Breakdown - Insurance Premium

Source: Grant Thornton Research and Analysis



* Motor figures derived based on 2017 figures and expected annual growth rate.

KEY OBSERVATIONS

- Al Khazna Insurance Company product offerings were broadly aligned with the market during 2014, 2015, 2017 and 2018 with an exception of the life insurance business. The company is heavily reliant on medical, property and liability insurance in the same period.
- Al Khazna Insurance Company is behind the market in terms of capturing the life insurance market: life insurance business of Al Khazna Insurance Company accounts for only 0.3% and 0.1% of total insurance underwritten in 2017 and 2018 respectively, compared to 7% and 8% for the UAE national companies for the same years.
- Al Khazna Insurance Company does not have a focus on the credit life business, which contributed 29% and 31% of the total life insurance business in 2017 and 2018 respectively in the market.
- No energy and aviation insurance were underwritten by Al Khazna Insurance Company since 2015.

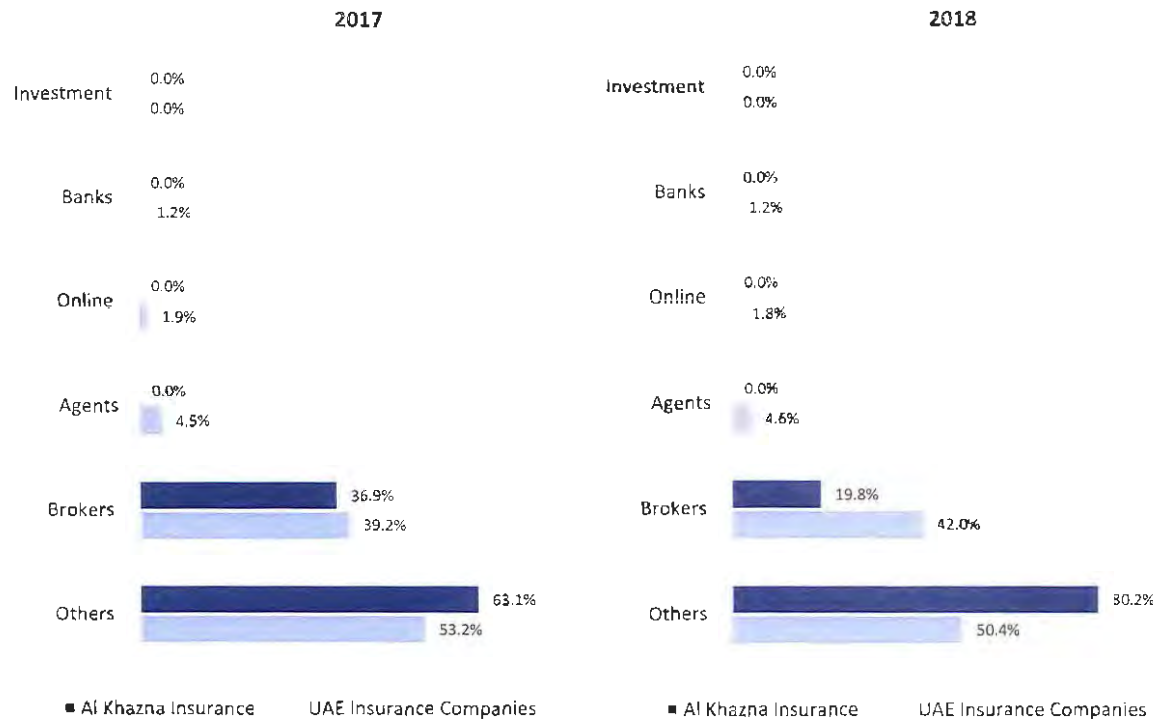
SECTION 4 – INTERNAL ENVIRONMENT ANALYSIS

Existing Product & Services Distribution Channels



Analysis of Premiums By Distribution Channels

Source: Grant Thornton Research and Analysis



KEY OBSERVATIONS

- The majority of the company’s business is coming from direct sales / walk-in customers.
- The Company only uses insurance brokers as an alternative distribution channel, this can be easily seen by the figures in the graph. Al Khazna Insurance Company generated 20% of the business from brokers in 2018 which is significantly less than the same figure in 2017. The average industry figure for revenues from brokers is 42% of the total business. Therefore, Al Khazna Insurance Company shall strengthen its business with brokers.
- The Company does not use other distribution channels currently used in the UAE insurance market, such as Agents, Banks, Investment Institutions and Insurance Aggregators (online). Specifically, the company does not use the banking institutions in promoting life insurance products, 34% of the life business in the UAE insurance market was promoted via banking institutions in 2018.
- Al Khazna Insurance Company does not offer online business in the UAE insurance market. As of now, the Company does not have the required digital platforms or infrastructure that can support the Company in promoting its products online (i.e. B2C online portal).

SECTION 4 – INTERNAL ENVIRONMENT ANALYSIS

Current Industries Covered



Industry	Covered Industry	Non covered industry
Real Estate	●	
Transportation	●	
Logistics	●	
Construction	●	
Wholesale/Retail		●
Aviation		●
Oil & Gas		●
Government		●
Healthcare		●
Financial Services		●
Hospitality		●

KEY OBSERVATIONS

- Al Khazna Insurance Company currently only works with the real state, transportation, logistics and construction industries out of all industry sectors that the UAE economy consists of.
- The Company needs to focus more on other industries such as financial services, oil and gas, government, aviation and healthcare etc.
- The company does not capture potentially available life, property, marine and motor insurance opportunities in the banking and financial services industry.
- The company does not actively work with the oil and gas industry which represents one of the core industries of the UAE national economy.
- There is no focus on the government sector which adds up to about 240 entities classified into federal and local governmental entities.

SECTION 4 – INTERNAL ENVIRONMENT ANALYSIS

Key Partners Retained



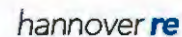
CHANNEL PARTNERS:

INSURANCE BROKERS:

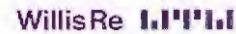


SERVICE PARTNERS:

RE INSURANCE COMPANIES



RE-INSURANCE BROKERS



THIRD PARTY MEDICAL CLAIMS ADMINISTRATOR:



TRAINING INSTITUTIONS:



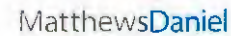
BANKS:



PAYMENT NETWORKS:



LOSS ADJUSTERS:



INFORMATION TECHNOLOGY PARTNERS



Key Partners Retained



KEY OBSERVATIONS

The company has two categories of Partners: Channel Partners and Service Partners.

Channels Partners

- Al Khazna Insurance Company uses only insurance brokers as **alternative distribution** channels.
- Al Khazna Insurance Company has agreements with 33 insurance brokers out of 159 licensed insurance brokers in UAE.
- The 33 insurance brokers contributed 12.5% out of the total premium written in 2019. This is significantly less than the market indicators. Al Khazna Insurance Company does not use Insurance Aggregators as a channel partner.

Service Partners

- Al Khazna Insurance Company does not use Reinsurance Companies and Brokers such as Munich Re, RGA and Chedid Re.
- Al Khazna Insurance Company uses Emirates Institute for Banking and Financial studies (EIBFS) as the sole source for staff learning and development. While EIBFS provides insurance related training, their capabilities and competencies in the insurance sector are limited.
- Al Khazna Insurance Company does not use digital payment networks such as Appel Pay, Samsung pay and Google pay.
- There is a lot of improvement potential in the partnership development for the company in future.

Customer Segments & Penetration Levels

KEY CUSTOMER SEGMENTS CAPTURED

(Medium Customer Penetration Level)



KEY CUSTOMER SEGMENTS CAPTURED

(Low Customer Penetration Level)

SME's



Government



KEY OBSERVATIONS

- The key customers of Al Khazna Insurance Company include mainly four segments: individual, corporate, SMEs and Government.
- Al Khazna Insurance Company has medium penetration level to individual customers. The Company can increase the segment penetration rate by executing new underwriting strategy that focuses on acquiring more retail business specially in the non-motor lines.
- Al Khazna Insurance Company has medium penetration level to corporate customers. There is still significant potential to tap into this segment and generate more customers with the larger size and generate insurance business.
- The Company does not actively provide the SMEs insurance solutions specially in the medical and life business that require special reinsurance arrangements given the low number of beneficiaries in this segment.
- Although Abu Dhabi market continues to be dominated by the government segment, there is no focus from Al Khazna Insurance Company in penetrating the segment. Only two governmental entities were insured by Al Khazna Insurance Company during past period.

Footnote: The level of penetration represents the number of customers acquired and maintained by Al Khazna Insurance Company.

SECTION 4 – INTERNAL ENVIRONMENT ANALYSIS

Investment Portfolio Analysis



Al Khazna Insurance Company Investment Portfolio Indicators for 2019

Source: Grant Thornton Research and Analysis

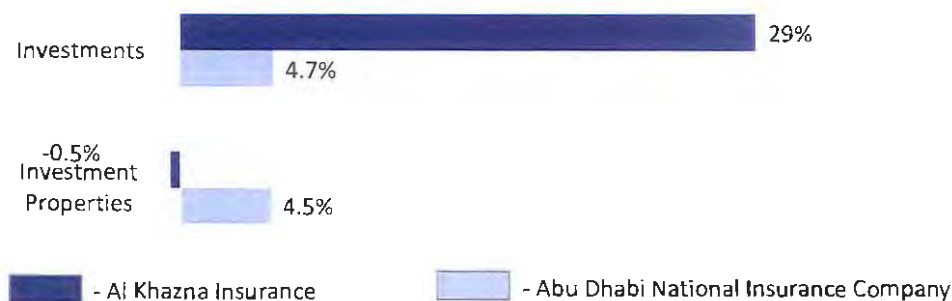
Type of Investment	Amount of Investment (AED)	Gain/loss from Investment (AED)	Return on Investment (%)
Investment Properties (Lands)	151,513,600	-1,318,760*	-0.87%
Investment Properties (Buildings)	139,423,000	140,343*	-0.1%
Investments	52,138,161	15,303,887**	29%

* The loss from investment properties came from two components: (i) investment properties revaluation loss; (ii) the revenues from the investment properties.

** The gain from investments came from the following components: (i) net fair value gain on investments at FVTPL; (ii) dividends from investments in securities; (iii) gain from sale of FVTOCI; (iv) write off investment through FVTOCI and FVTPL; and (v) realized loss from sale of investments FVTPL.

RETURN ON INVESTMENT of AL KHAZNA INSURANCE VS. RETURN ON INVESTMENT of ABU DHABI NATIONAL INSURANCE COMPANY in 2019

Source: Grant Thornton Research and Analysis

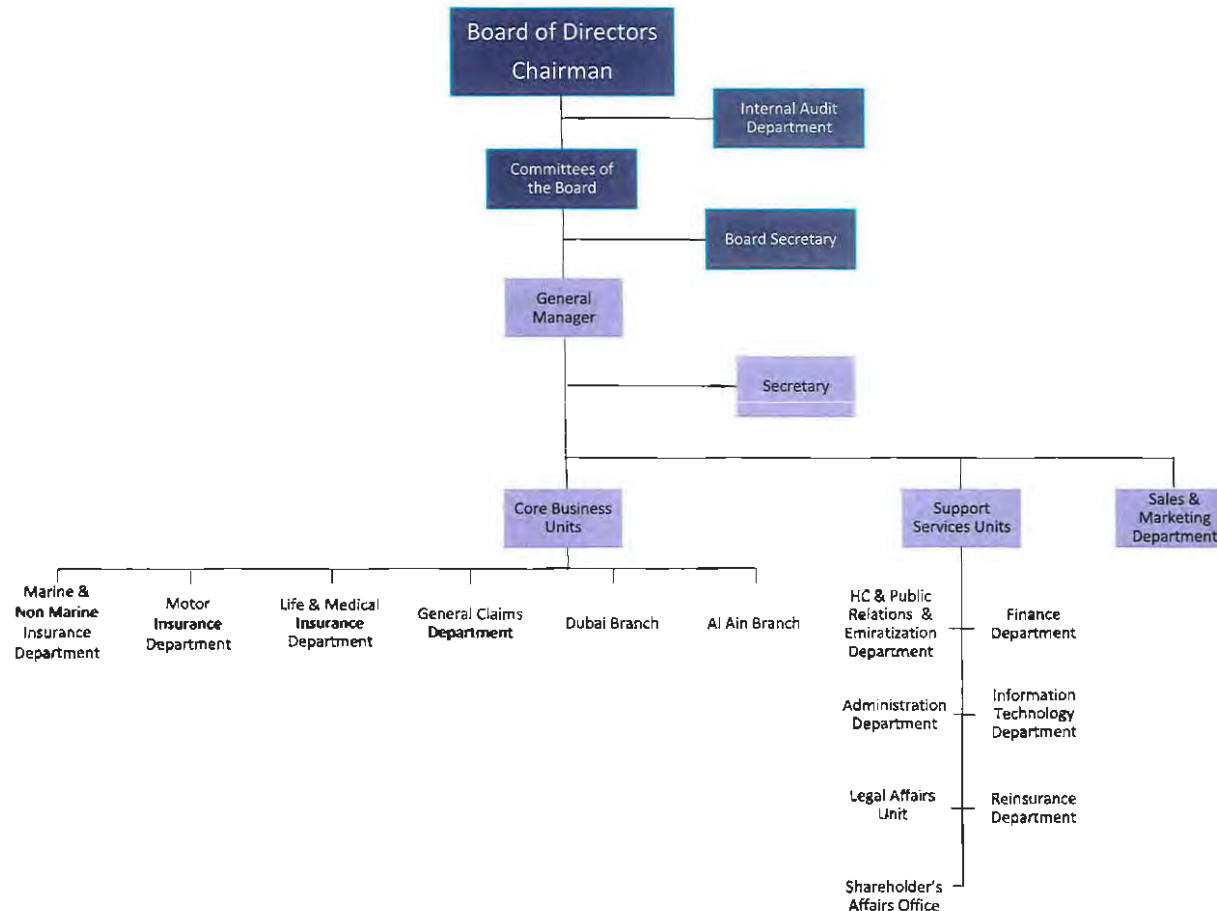


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KEY OBSERVATIONS

- The investment portfolio of Al Khazna Insurance Company is limited to investment properties and securities (listed and unlisted shares).
- The investment properties consist of lands and building.
- The lands yielded reevaluation loss of AED 1,318,760.
- The building generated revenue of AED 4,547,157 as rental income, and yielded reevaluation loss of AED 4,687,500. However, there is a room to increase the returns through rental of vacant units.
- The investment portfolio of Al Khazna Insurance Company is aligned with the investment portfolio of Abu Dhabi National Insurance Company in terms of the type of investments. However, in terms of quality of investment portfolio (rate of return, the absence of investment impairment etc.), Al Khazna Insurance Company is significantly behind than the company used as a comparison, as well as the industry indicators. While return on investments in listed and unlisted shared by Al Khazna Insurance Company yielded good return, the losses from the Investment Properties made significant losses.
- Al Khazna Insurance Company's investment management practices needs significant improvement and better investment management practices shall be introduced.

Existing Organizational Structure Review



KEY OBSERVATIONS

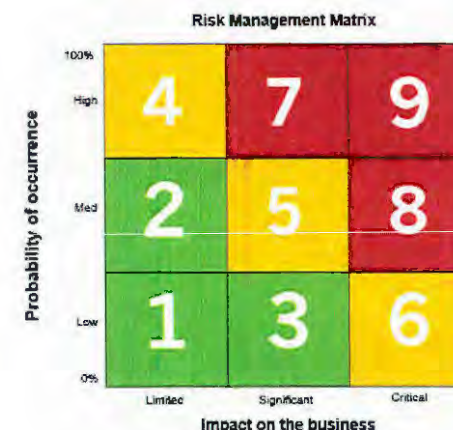
Our review and analysis of the organizational structure revealed the following issues:

- There is an excessive number of staff in the Life and Medical Insurance Department. There are still seven staff members for the claims approval in the company, while this process has been outsourced to the third party administrators.
- There is an excessive number of staff in the Motor Insurance Department in light of the total number of policies underwritten and the overall production during 2017, 2018 and 2019.
- The Sales and Marketing Department is understaffed and this is impacting the depth and success of company's market penetration efforts.
- Company does not have the Broker Relations Department. This department could manage and grow the business coming from the brokers.
- There is no the Investment Department/Center of Excellence, which can support the Board in managing investment portfolio.
- The company does not have the Risk Management Department which can help in managing the risks the company is facing and evaluating loss exposures.
- The company does not have the Branch Manager in Dubai branch to take care of branch administration and penetrate Dubai market.
- Currently, the Internal Audit and Compliance function is not segregated.

SECTION 4 – INTERNAL ENVIRONMENT ANALYSIS

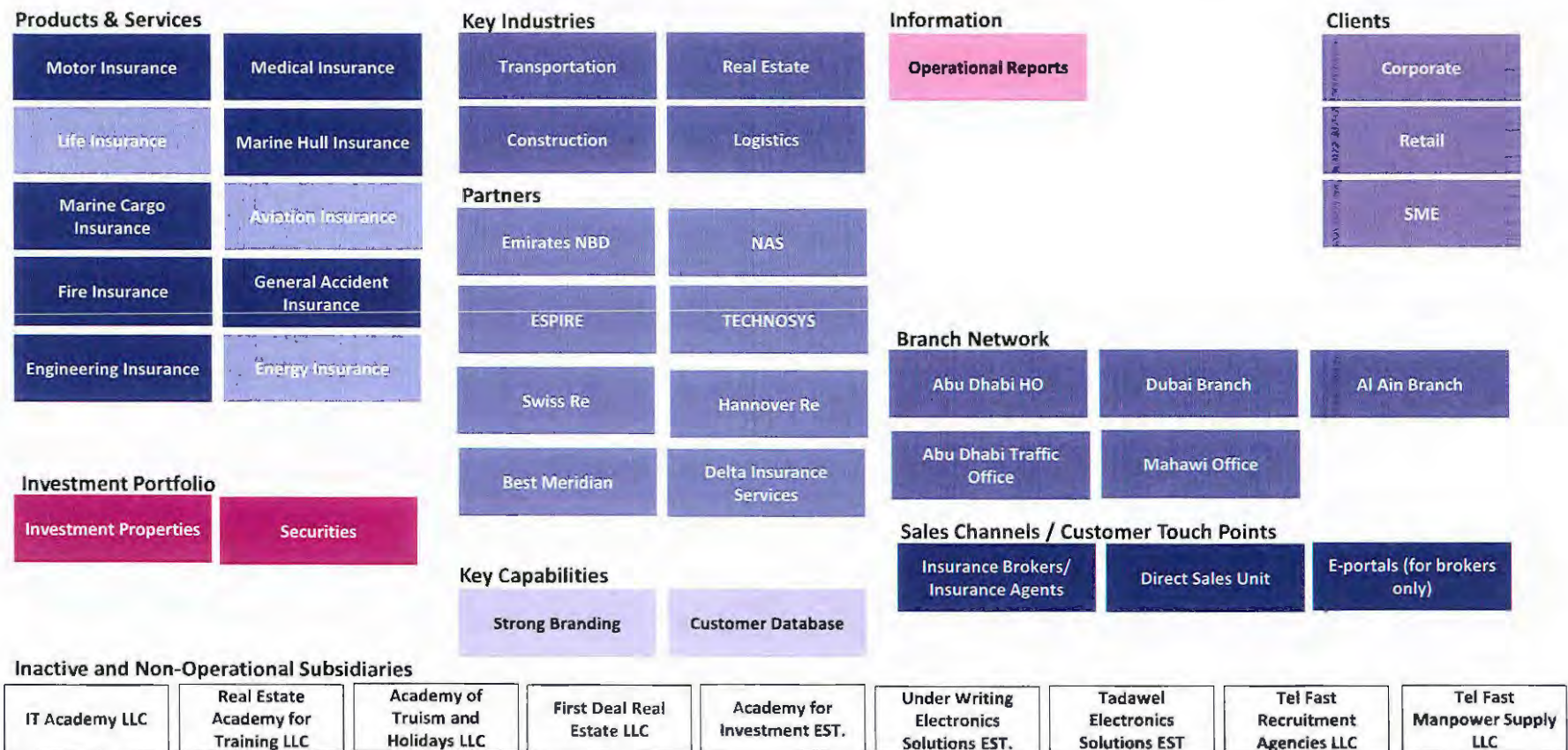
Risks Impacting Company and Mitigation Actions to Address

No.	IDENTIFIED RISKS	MITIGATION STRATEGIES
1	Further loss of business due to absence of required level of reinsurance support.	Comprehensive reinsurance plan to be defined along with appropriate assessment of reinsurance requirements at the time of reinsurance provider selection.
2	Inability to attract and retain good talent to maintain and grow the business.	Succession plan to be developed in line with the long-term objectives of the company. Hire experienced talent from the market to strengthen the internal team. Introduce effective staff training programs that address training needs in the company.
3	Absence of effective and robust IT infrastructure to meet the current and future business objectives.	Conduct IT infrastructure assessment in line with the defined business requirement, as well as future business objectives.
4	Delay in meeting and non-compliance with regulatory reporting requirements.	Develop a comprehensive compliance framework that contains all regulatory reporting requirements. The framework should contain the personnel assigned to meet the regulatory requirements along with the timeframe/deadlines of reporting the requirements.
5	Poor investment practices leading to further losses	Establish an investment department or outsource investment management function to help the BOD in managing the company's investment portfolio. Setup a Board Committee headed by the BOD Chairman and composed by members with relevant investment management expertise to provide more oversight on the investment management practices of the company.
6	Lack of alternative distribution channels.	Diversify sales and distribution channels by approaching more brokers, establishing partnerships with banks and car dealers. Put more focus on online business through finalising company's B2C online portal and approaching online insurance aggregators.
7	Inability to penetrate the market and meet customer demand due to inadequate internal capabilities and product offering limitations.	Build strong and robust sales and marketing team, enhance the internal capabilities by hiring skilled personnel in the key areas as well as provide sufficient training to the existing staff who demonstrate the required potential. Extend the product range by introducing new products that meet customer demand.
8	Inadequate SOP, procedures, DoA, JDs, and KPIs to guide the overall activities of the company leading to inconsistency in operations.	Develop SOPs, procedures, DoA, JDs, and KPIs at all company levels.
9	Absence of corporate strategy and operational business plan to maintain and grow the business.	BOD in liaison with senior management team shall define a clear strategic roadmap and strategic business objectives for the upcoming five years along with setting up operational objectives that can establish the basis for company to grow and capture larger market share.



Current Operating Model

The current operating model has gaps which hinder company's growth and maintaining competitive advantages in the market.



Company's Financial Performance vs. Competitors Financial Performance in 2019

The below analysis is prepared to benchmark Al Khazna Insurance Company against the best performing national insurance companies in the UAE market during 2019. The ultimate aim of this analysis is to assess how well the company is performing compared to the best performed in the market.

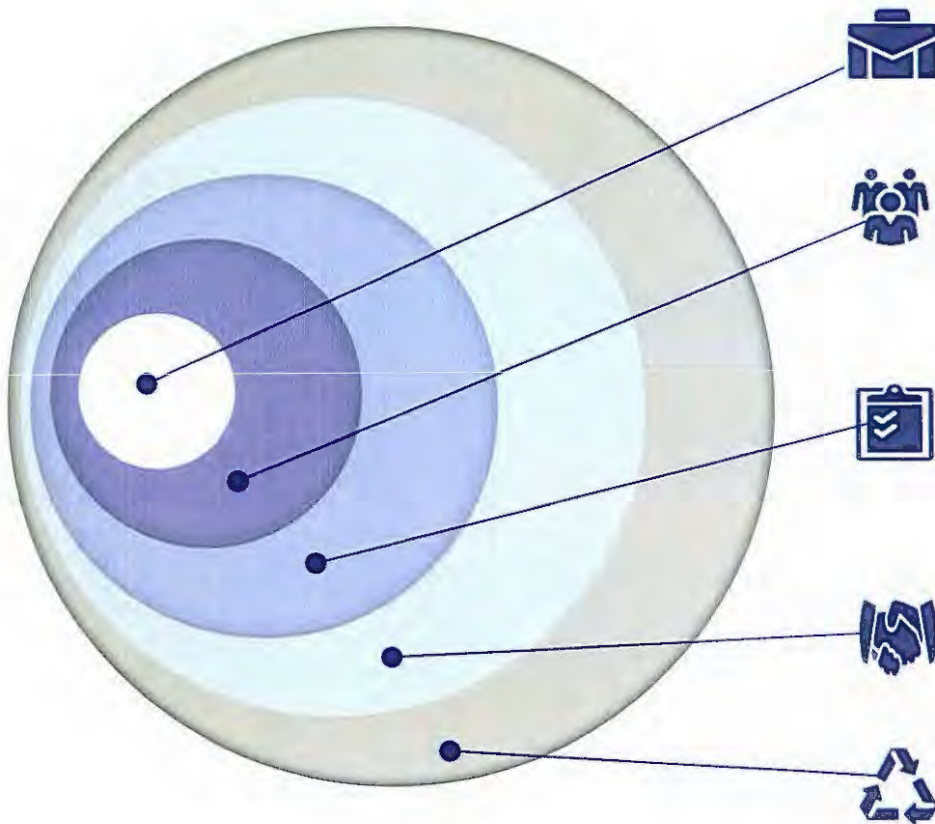
Source: Grant Thornton Research and Analysis

KEY FINANCIAL INDICATORS	Al Khazna Insurance	Al Ain Ahlia Insurance	Oman Insurance	Abu Dhabi National Insurance Company	Orient Insurance
Acquisition Ratio	594.31%	-3.84%	3.56%	-3.60%	3.28%
Administrative Expense Ratio	836.84%	32.89%	18.05%	20.84%	21.77%
Total Expense Ratio	1431.15%	29.04%	21.61%	17.24%	25.05%
Loss Ratio	91.86%	63.67%	70.01%	72.90%	53.99%
Combined Ratio	1,523.01%	92.72%	91.62%	90.15%	79.04%
Reserves as % of NWP	-115%	106%	104%	119%	87%
Return on Equity	-19.22%	5.36%	8.89%	12.91%	13.83%
Retention Ratio	-975.8%	23.9%	45.4%	32.1%	31.9%
Sustainable Growth Rate	-187.53%	1.28%	4.04%	4.14%	4.41%
Net Profit Margin	-263.97%	19.74%	11.63%	22.02%	36.84%

KEY OBSERVATIONS

- Al Khazna Insurance Company has high Acquisition and Total Expense ratio because of low volume and negative NWP against commission and underwriting expenses. Al Khazna Insurance Company was banned from Issuing Insurance Policy for all line of business by the IA (Insurance Authority) till late 2019.
- Al Khazna Insurance Company has 92% loss Ratio and 1,523% Combined Ratio, while the industry weighted average Loss and Combined Ratio stood at 60% and 92% respectively.
- Al Khazna Insurance Company has negative Reserve as % of NWP due to its exceptionally low volume of business.
- Al Khazna Insurance Company has negative return on equity due to huge losses and restriction imposed by Insurance Authority while the industry weighted average Return on Equity stood at 10%.
- As per the IA (Insurance Authority) benchmark the recommended range for retention ratio is above 45%, the preferred range is above 75% while Al Khazna Insurance Company has negative Retention ratio.
- Al Khazna Insurance Company has negative sustainable Growth Rate due to the negative return on equity and negative retention ratio.
- Al Khazna Insurance Company had negative profit margin of -264% in 2019, while the weighted average net profit margin of the industry stood at 17% exhibiting an increase from 14% recorded in 2018.
- The company performs worse than any other company in comparison and this indicates serious issues faced by the company.

Key Causes of Accumulated Losses



KEY OBSERVATIONS

Our in depths analyses indicates that the following factors heavily contributed to the financial losses of the company in the past:

Investment and Financing Aspects of the Company's Operation:

- Revaluation of investment portfolio in 2013 brought about the losses of AED127 million in 2013. This is mainly due to loss in the value of land as a part of overall macroeconomic conditions.
- The interest rate on the bank loan was also increased and this added additional interest rate related expenses of about AED50 million and hit company's profit and loss adversely.
- These two factors together contributed significantly to the accumulated losses of the company.

Executive Team and Effective Talent Management:

- Lack of strong executive leadership team and absence of real power of General Manager.
- Duties of Senior Management have not clearly identified and there is uncertainty in the decision making.
- Miscommunication and silo mentality within departments and between departments.
- Absence of performance management and measurement framework.
- Overstaffing mainly in the Medical and Motor Departments of the company.
- Lack of technical and marketing capabilities within operational and mid-level management teams.

Absence of Robust Business Model:

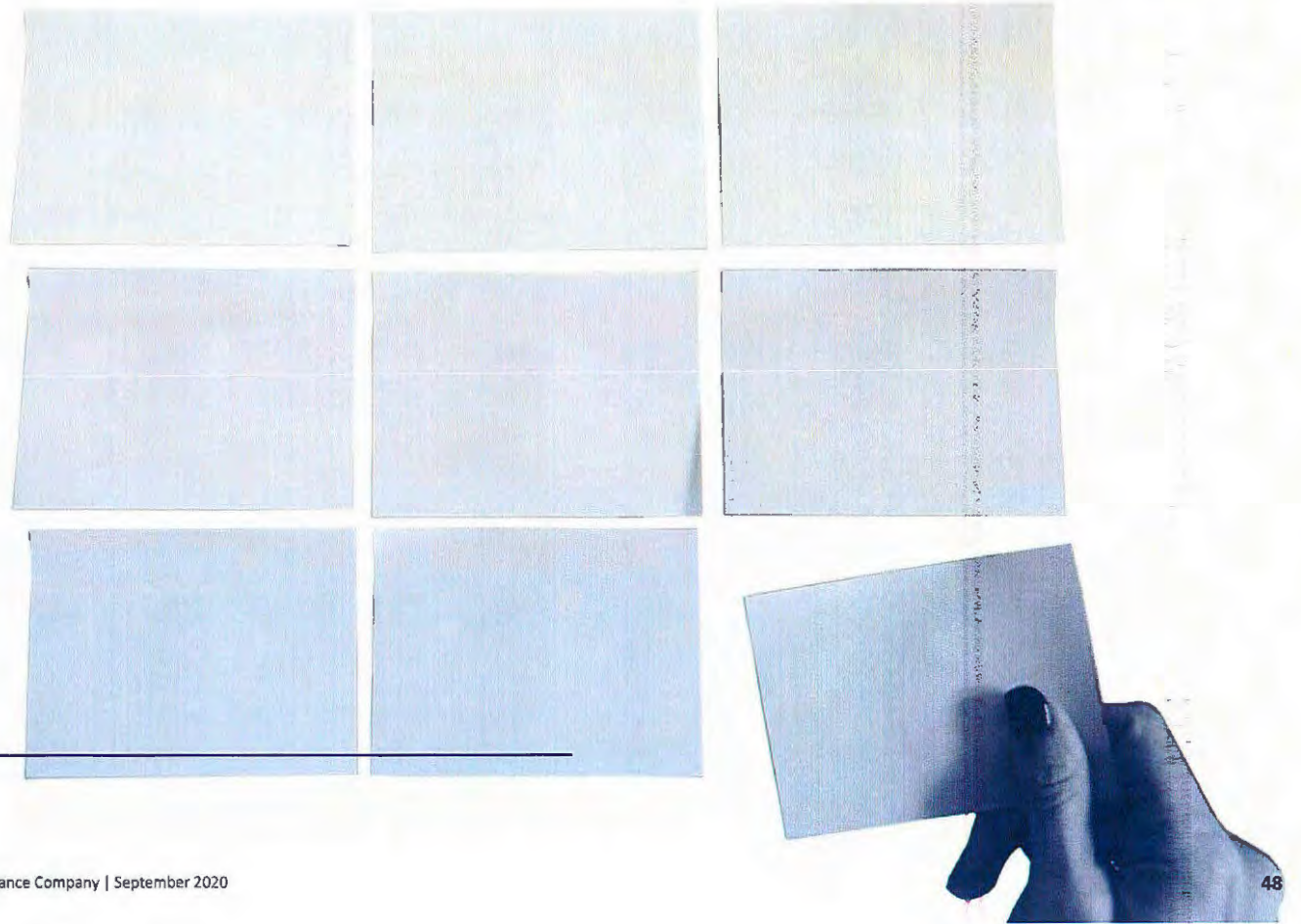
- The Company does not actively cater for life, credit life, energy, aviation and retail insurance businesses.
- Aggressive underwriting strategy that focuses on the top line and cash inflow rather than the bottom line (underwriting profit) and healthy overall cash position.
- Lack of investment capabilities/function within the company.
- Low reliance on brokers business compared to industry figures.

Corporate Culture:

- Al Khazna Insurance Company has poor internal communication, the majority of the employees are demoralized and experiencing low level of motivation. The main reason behind this negative mood is poor management practices and low staff engagement, as well as the low confidence in the future of the company.

Absence of Business Ecosystem:

- Al Khazna Insurance Company has not been able to create favorable business ecosystem, where all the stakeholders, shareholders, suppliers, distributors, customers, employees, etc. operate in full alignment and harmony to maintain and strengthen the competitive advantage in the market.



5. Future State

Al Khazna Insurance Company P. S. C

Future State of Insurance Products



Motor Insurance

Medical Insurance

Life Insurance

Marine Cargo Insurance

Marine Hull Insurance

Aviation Insurance

Fire Insurance

General Accident Insurance

Engineering Insurance

Energy Insurance

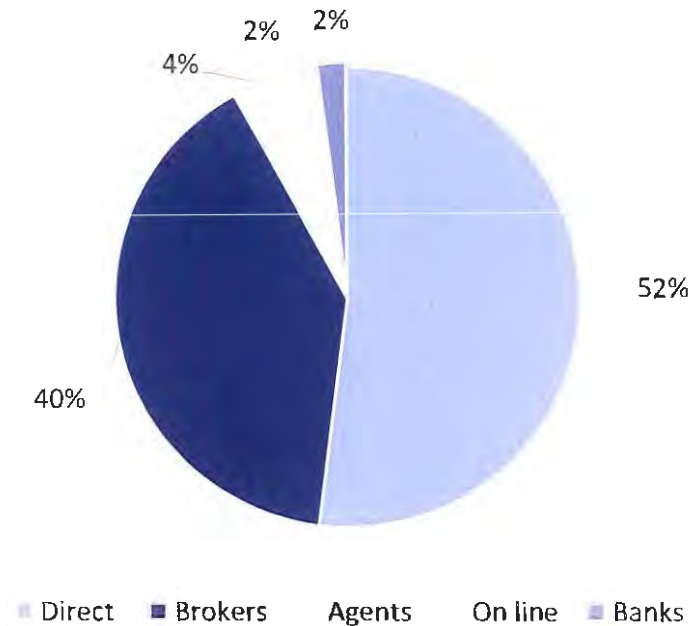
KEY OBSERVATIONS

- Al Khazna Insurance Company should consider expanding the portfolio of life insurance business in general with more focus on credit life to be one of the important insurance products that the company offers.
- The company should introduce and extend to customers products like aviation insurance and energy insurance given the size of these industries and revenue generation potential.
- Al Khazna Insurance Company shall actively capture the retail market segment given its size and attractiveness. It should expand on retail products, such as home insurance and travel insurance.
- The Company could consider the emergence of new products in the UAE market specially in general accident insurance, such as cyber security insurance and directors and officers' liability insurance.
- Al Khazna Insurance Company shall also emphasize more on niche products, such as medical malpractice (for small and medium clinics and medical centers), as well as professional indemnity-expert line (for lawyers and auditors).
- Al Khazna Insurance Company shall broaden its range of products by introducing new products to the market like agriculture insurance.
- The company shall promote pre-packaged medical and life insurance products designed for SME sector.

Future Products & Services Distribution Channels

Al Khazna Insurance Company needs to introduce new products & services distribution strategy by launching diversified distribution channels to capture more market segments and generate revenues.

DISTRIBUTION CHANNELS - FUTURE STATE



KEY OBSERVATIONS

- Direct business should be reduced from the current level of 63% to 52% to ensure diversification and avoidance on dependence on one distribution channel.
- The company should increase the number of brokers it works with by creating favorable and mutual beneficially terms and conditions.
- The company should develop partnership relations with banks to use them as distribution channels to capture more customers in the market.
- The company should focus more on the digital/online capabilities that can allow it to capture more customers through online sales channels.
- Al Khazna Insurance Company should also create its agent network to further extend its sales channels and capture untapped customer and market segments.

Expansion into New Industries

Industry	Covered Industry	Non covered industry	Expansion Considerations
Real Estate	•		
Transportation	•		
Logistics	•		
Construction	•		
Wholesale/Retail		•	•
Aviation		•	•
Oil & Gas		•	•
Government		•	•
Healthcare		•	•
Financial Services		•	•
Hospitality		•	•

KEY OBSERVATIONS

- Al Khazna Insurance Company should consider expansion into the below new industries through effective market expansion strategies:
 - Aviation.
 - Oil and Gas.
 - Healthcare.
 - Financial Services.
 - Hospitality.
 - Wholesale/retail.
 - Government.
- The company can offer insurance products to suppliers and smaller companies servicing the aviation industry, oil and gas industries. These smaller companies would switch to Al Khazna Insurance Company should the insurance products be made attractive pricewise, terms and conditions perspective.
- The healthcare sector can be actively addressed by offering the medical malpractice insurance, which became a regulatory requirement for all medical practitioners.
- The company shall consider offering life, property, marine and motor insurance products that tailored to banking and financial services industry. This can include coverage of products such as credit life, personal loans, home finance, insurance of vehicles and vessels that associated with bank loans.
- The hospitality industry shall also be covered by offering insurance products to tourists, hotel property owners, hotel suppliers etc. This can generate quite attractive business.
- There are many wholesale and retail traders in the UAE with large stock of merchandize and staff. Company can offer attractive solutions to these players to generate more business.
- Government sector in the UAE is large. Al Khazna Insurance Company shall devise new strategies to capture this market segment as well.

Customer Segments & Proposed Penetration Levels

KEY CUSTOMER SEGMENTS CAPTURED

15%-20% Annual Increase in Customers Captured for 2021

With Gradually Growing & Reaching to 25%-30 in 2027



KEY CUSTOMER SEGMENTS CAPTURED

10%-15% Increase in Customers Captured for 2021

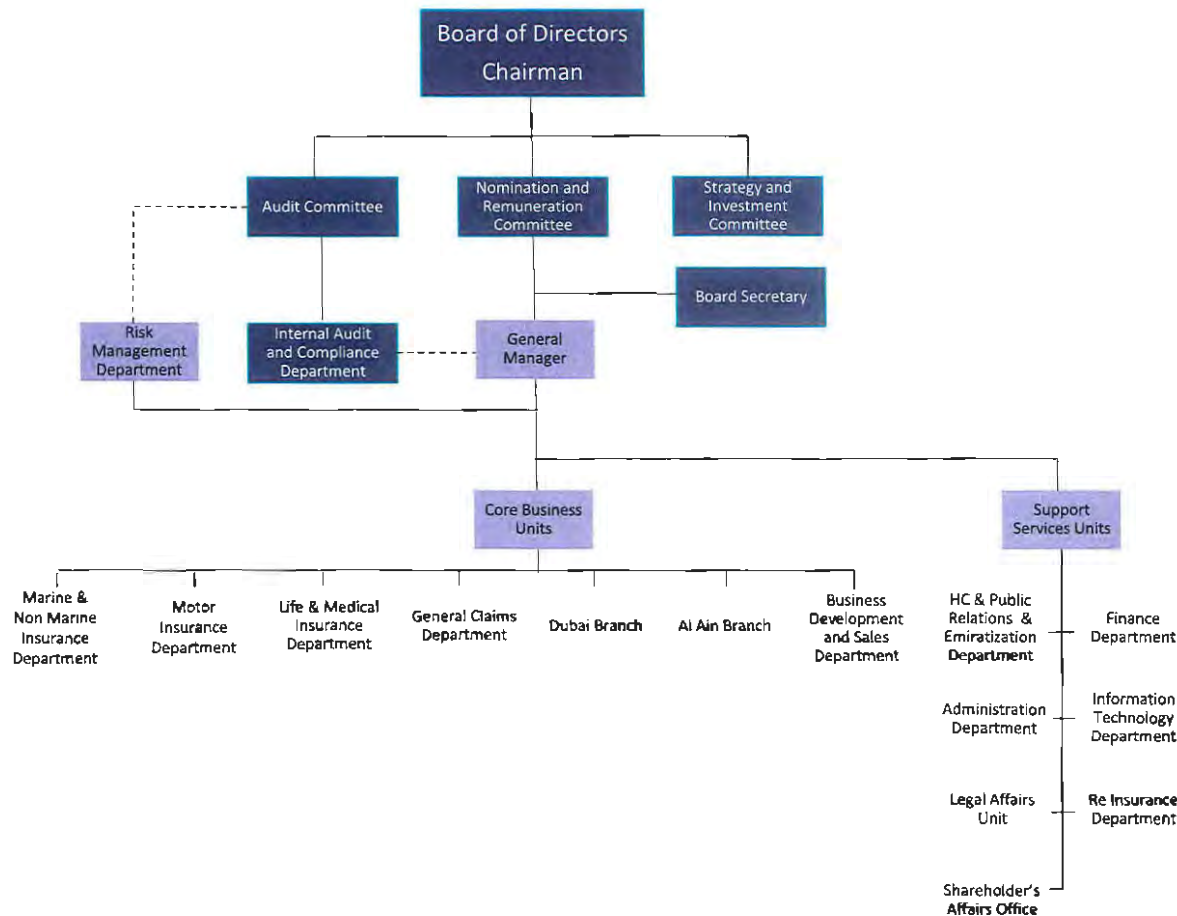
With Gradually Growing & Reaching to 40%-50% in 2027



KEY OBSERVATIONS

- Al Khazna Insurance Company shall increase the customer segment penetration rate of individual customers by executing new underwriting strategy that focuses on acquiring more retail business specially in non-motor lines, as well as selling more retail products such as travel insurance, household insurance, etc.
- The company shall increase the penetration level of corporate clients through horizontal and vertical marketing strategy, which calls for approaching the large corporate clients, while exercising more efforts to expand company's business with existing corporate clients.
- The Company shall design its life and medical insurance products to fit the SME customers needs given the good market potential. SME segment has potential for significant expansion given the company's market positioning and target customer base.
- Although most of the large governmental entities are captured by large insurance companies, there is yet a room for penetrating the smaller sized government entities, as well as the Emirate level government entities.
- The sales and marketing team shall be structured based on customer segmentation model to ensure the right market approach.

Proposed Organizational Structure

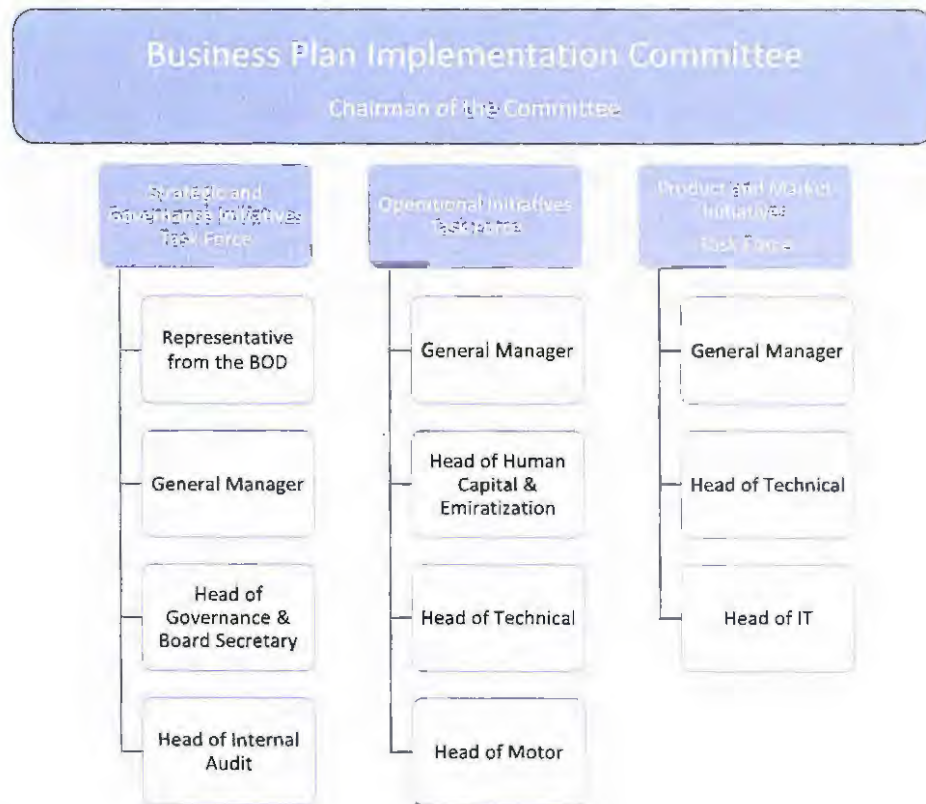


KEY OBSERVATIONS

The following initiatives shall be implemented to introduce robust and effective organizational structure:

- Setting up a Board Strategy and Investment Committee which composed of non executive Board members with required level of investment capabilities, the Committee will oversee the company's investment portfolio and follow up the strategic decisions.
- The headcount in the proposed organizational structure shall be reduced by 20% to achieve cost optimization.
- Business Development and Sales Department to be established in order to manage and grow the business coming from the brokers as well as direct sales business.
- Increase the number of staff in sales team.
- Establishment of Risk Management Department which can help in managing the risks the company is facing and evaluating loss exposures.

Proposed Committee to Implement the Business Plan



KEY OBSERVATIONS

- Al Khazna Insurance Company will establish Business Plan Implementation Committee (BPIC) to execute the proposed business plan and follow up on the execution of the initiatives.
- The Committee shall be chaired by a Chairman of the Board of Directors to provide strong oversight over the execution.
- The BPIC will consist of three Task Forces arranged in line with the initiatives that need to be implemented by each Task Force.
- The main responsibilities of BPIC are:
 - Set the tone at the top.
 - Report directly to BOD on a monthly basis.
 - Ensure availability of resources to implement the initiatives.
 - Coordinate with concerned departments to ensure effective execution of the planned initiatives.
 - Communicate with external providers/consultants whenever required.
 - Follow up and ensure full compliance with the agreed timeframe.
- The BPIC shall be formed within 5 days from the approval of the business plan.
- The BPIC shall be granted the full authority and access to all departments and records.
- The Task Force Teams are made up of members from senior management team who have the right level of capability and experience to ensure successful implementation of the business plan.

SECTION 5 – FUTURE STATE

Future Investment Portfolio



Breakdown of Future Investment Portfolio, 2023 - 2028

Source: Grant Thornton Research and Analysis

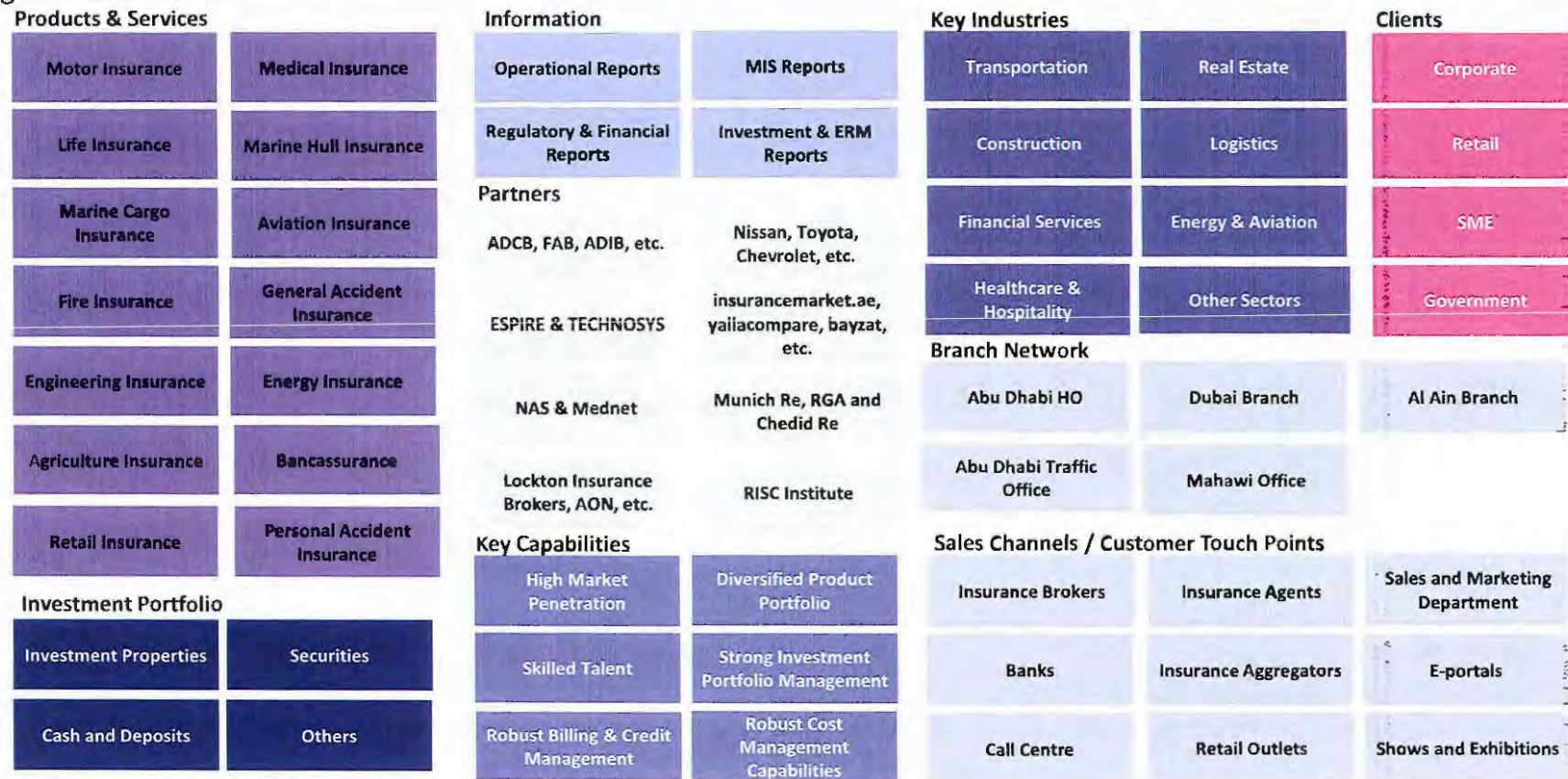
New Investment portfolio	% of total assets invested	2023	2024	2025	2026	2027	2028
Cash and Deposits	35%	35,000,000					
Expected rate of return (%)		2%	2%	2%	2%	2%	2%
Expected revenue stream (AED)		700,000	700,000	700,000	700,000	700,000	700,000
Equity and Debt Securities	30%	30,000,000					
Expected rate of return (%)		12%	12%	12%	12%	12%	12%
Expected revenue stream (AED)		3,600,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Real Estate	20%	20,000,000					
Expected rate of return (%)		7%	7%	7%	7%	7%	7%
Expected revenue stream (AED)		1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
Others	15%	15,000,000					
Expected rate of return (%)		8%	8%	8%	8%	8%	8%
Expected revenue stream (AED)		1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000

KEY OBSERVATIONS

- Al Khazna Insurance Company shall consider liquidating the current investment portfolio gradually over 3 years to minimize the losses.
- Starting by 2023 the company shall invest into a healthy investment portfolio which diversifies and distributes the risks across different categories of investments that are fully compliant with regulatory requirements.
- The investment portfolio shall be managed by a capable investment team or otherwise, outsourced to independent third party.
- The future investment portfolio of Al Khazna Insurance Company projected to yield good return on investment with the return rate ranging between 2% -12%.

Future Operating Model

The proposed operating model is designed would allow and encourage company’s growth and maintaining competitive advantages in the market.



6. Financial Forecasts

Al Khazna Insurance Company P. S. C

SECTION 6 – FINANCIAL FORECASTS

Company's Past Financial Performance

AED

AED	FY 2017	FY 2018	FY 2019
Gross Premium	104,307,505	52,736,188	429,475
Reinsurance share of ceded business premiums	(33,420,475)	(25,333,972)	(4,615,030)
Net premium	70,887,030	27,402,216	(4,185,555)
Change in unearned premium provision	43,362,305	28,103,276	9,469,210
Net premium earned	114,249,335	55,505,492	5,283,655
Commissions earned	3,462,210	1,632,340	499,408
Commissions paid	(12,842,311)	(5,599,854)	(492,392)
Gross underwriting income	104,869,234	51,537,978	5,290,671
Gross claims paid	(184,978,411)	(72,499,834)	(27,221,385)
Reinsurance share of insurance claims	39,209,959	21,003,672	11,517,526
Change in claims	15,919,526	28,018,995	20,557,975
Net claims incurred	(129,848,926)	(23,477,167)	4,854,116
Operating expenses	(44,204,090)	(39,864,495)	(35,029,602)
Net underwriting profit	(69,183,782)	(11,803,684)	(24,884,815)
Income from investments	(63,081,915)	8,655,037	22,583,752
Finance cost	(10,204,181)	(10,769,282)	(11,646,825)
Other Income	1,948,840	0	0
Net Profit	(140,521,038)	(13,917,929)	(13,947,888)
<i>Net Profit margin (Net Profit / Net Premium Earned)</i>	<i>-123%</i>	<i>-25%</i>	<i>-264%</i>

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PAST FINANCIAL PERFORMANCE OVERVIEW

This section highlights the Company's financial performance for the last 3 years:

- Al Khazna Insurance Company has had a reduction in its underwriting business by 49.4% from year 2017 to 2018 and by 99.1% from year 2018 to 2019. Gross premiums have decreased from AED104 million in 2017 to AED52 million in 2018 to AED 429K in 2019. This is mostly due to the fact that the company was banned from issuing insurance policies to all its class of business by the Insurance Authority till late 2019.
- The gross claims paid have decreased over the years from AED184 million in 2017 to AED72 million in 2018 to AED27 million in 2019.
- Operating expenses have reduced from AED44 million in 2017 to AED39 million in 2018 to AED35 million in 2019. This is mainly due to the drop in VAT penalties, salary expenses and provision of doubtful debts.
- The Group's registered a net underwriting loss of AED69 million in 2017, AED11 million in 2018 and AED24 million in 2019.
- Investment activities have improved over the 3 year period. The Company was able to register a positive income of AED8.6 million for 2018 compared to a loss of AED 61.1 million in 2017. This improved in 2019 with a positive income of AED22.5 million.
- Net losses for the Company have decreased significantly from AED140 million in 2017 to AED13.9 million in both 2018 and 2019.

SECTION 6 – FINANCIAL FORECASTS

Key Input Assumptions

	2020	2021	2022	2023	2024	2025	2026
Retention Ratio							
Motor	72.3%	72.8%	73.3%	73.8%	74.3%	74.8%	75.3%
Engineering	19.3%	19.8%	20.3%	20.8%	21.3%	21.8%	22.3%
Fire and general accidents	17.5%	18.0%	18.5%	19.0%	19.5%	20.0%	20.5%
Marine Cargo	15.0%	15.5%	16.0%	16.5%	17.0%	17.5%	18.0%
Marine Hull	15.0%	15.5%	16.0%	16.5%	17.0%	17.5%	18.0%
Aviation	15.0%	15.5%	16.0%	16.5%	17.0%	17.5%	18.0%
Medical Insurance	55.6%	56.1%	56.6%	57.1%	57.6%	58.1%	58.6%
Life Insurance	65.8%	66.3%	66.8%	67.3%	67.8%	68.3%	68.8%
Cyber Insurance	27.8%	28.3%	28.8%	29.3%	29.8%	30.3%	30.8%
Travel Insurance	27.8%	28.3%	28.8%	29.3%	29.8%	30.3%	30.8%
Agricultural Insurance	27.8%	28.3%	28.8%	29.3%	29.8%	30.3%	30.8%
Livestock Insurance	27.8%	28.3%	28.8%	29.3%	29.8%	30.3%	30.8%
Energy Insurance	19.3%	19.8%	20.3%	20.8%	21.3%	21.8%	22.3%
Source of Premiums							
Sales Team	18%	33%	35%	38%	40%	42%	43%
Direct	17%	27%	27%	25%	24%	23%	22%
Brokers and Agents	50%	27%	27%	27%	27%	27%	28%
Reinsurance	15%	13%	11%	10%	9%	8%	7%
Total	100%	100%	100%	100%	100%	100%	100%
Reinsurance Commission	13%	13%	13%	13%	13%	13%	13%
Brokers and agents commission	17%	17%	17%	17%	17%	17%	17%



KEY OBSERVATIONS

This section provides a summary of the general assumptions applied in the development of financial projections for Al Khazna Insurance Company:

- Retention ratio implies the amount of premiums that are retained by the Company itself. These values have been obtained based on market averages from the insurance companies. These retention ratios are likely to improve for the company in the future given the improvement in underwriting performance following the implementation of recommendations as outlined in this Business Plan.
- Currently the company heavily relies on brokers and agents as sources for premiums. The value of premiums from brokers in 2020 is 50% as compared to 18% from the sales team. The Company will improve its sales performance in the upcoming years to improve the proportion of premiums brought by the sales team which amount to 43% in year 2026. Sales from brokers and agents will fall to 28% of total sales in 2026.
- Amount of commission earned from reinsurance services is assumed to be 13% of the total sales for years 2020 to 2026.
- Commissions paid to brokers and agents is assumed to be 17% of sale for the period of 2020 to 2026.

SECTION 6 – FINANCIAL FORECASTS

Company Revenues

Source: Grant Thornton Research and Analysis

AED

REVENUE ITEMS	2020	2021	2022	2023	2024	2025	2026
Revenues from insurance							
Premiums							
Motor	7,000,000	8,400,000	10,231,200	12,510,711	15,358,149	18,890,524	23,235,344
Engineering	500,000	2,000,000	3,552,500	4,343,997	5,332,691	6,559,210	8,067,828
Fire and general accidents	654,482	2,000,000	5,075,000	6,205,710	7,618,130	9,370,299	11,525,468
Marine Cargo	150,000	180,000	219,240	268,087	329,103	404,797	497,900
Marine Hull	600,000	720,000	876,960	1,072,347	1,316,413	1,619,188	1,991,601
Aviation	0	0	0	0	521,219	560,961	603,735
Medical Insurance	27,000,000	32,400,000	39,463,200	48,255,601	59,238,576	72,863,448	89,622,041
Life Insurance	0	250,000	304,500	372,343	457,088	562,218	691,528
Cyber Insurance	0	0	0	250,000	306,900	377,487	464,309
Travel Insurance	0	250,000	304,500	372,343	457,088	562,218	691,528
Agricultural Insurance	0	0	1,000,000	1,222,800	1,501,109	1,846,364	2,271,028
Livestock Insurance	0	0	0	509,500	625,462	769,319	946,262
Energy Insurance	0	0	500,000	611,400	750,555	923,182	1,135,514
TOTAL REVENUES	35,904,482	46,200,000	61,527,100	75,994,838	93,812,481	115,309,215	141,744,086



KEY OBSERVATIONS

This section provides a breakdown of the source of revenues for Al Khazna Insurance Company through premiums written:

- Al Khazna Insurance Company will earn significant revenues through its underwriting business due to the release of ban from the Insurance Authority. Moreover, the Company will add new premiums to their product portfolio such as Cyber Insurance, Travel Insurance, Agricultural Insurance, Livestock Insurance and Energy Insurance.
- There will be a noticeable increase in revenues from year 2020. This is due to the following reason:
 - Improvement in performance of Sales Team to sell more policies to clients.
 - Introduction of new product portfolio thereby attracting new customers.
- The Company's strength lies in the Motor and Medical line. Sales from Motor Insurance will reach AED23 million in 2026 which makes up 16% of total sales and sales from Medical Insurance will amount to AED89 million in 2026 which makes up 63% of total sales.
- Total Revenues is expected to be AED35 million in 2020 and will reach AED141 million in 2026.

SECTION 6 – FINANCIAL FORECASTS

Investment Portfolio

Source: Grant Thornton Research and Analysis

AED

REVENUE ITEMS	Note	2019	2020	2021	2022	2023	2024	2025	2026
Current Investment Portfolio									
Land (value at end of year)		151,513,600	0	0					
Buildings (value at end of year)		139,423,000	139,423,000	139,423,000					
Income from investment properties		4,547,157	4,547,157	4,547,157					
Realized loss/gain on disposal		0	(3,030,272)	0					
Shares (value at end of year)		52,138,161	34,758,774	17,379,387					
Income from shares		5,951,447	3,967,631	1,983,816					
Realized loss/gain on disposal		0	0	0	0				
New Investment Portfolio									
Cash and Cash Deposits	35%				(52,500,000)				
<i>Expected rate of return</i>					1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
Equity and Debt Securities	30%				(45,000,000)				
<i>Expected rate of return</i>					5,400,000	5,400,000	5,400,000	5,400,000	5,400,000
Real Estate	20%				(30,000,000)				
<i>Expected rate of return</i>					2,100,000	2,100,000	2,100,000	2,100,000	2,100,000
Others	15%				(22,500,000)				
<i>Expected rate of return</i>					1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
TOTAL REVENUES FROM INVESTMENTS			5,988,979	2,489,444	9,339,909	10,350,000	10,350,000	10,350,000	10,350,000

KEY OBSERVATIONS

This section highlights a breakdown of the investment portfolio:

- Al Khazna Insurance Company will liquidate its current investment portfolio:
 - Equal value of listed and unlisted shares will be disposed over the next three years from 2020 to 2022.
 - All land investments will be disposed by end of year 2020. Buildings will be disposed by end of 2022.
- In doing so, realized loss on disposal of investment properties would accumulate to an amount of AED3 million.
- The company will still earn revenues on sale of unsold assets:
 - Return on investment for investment properties would be AED4.5 million for 2020 and 2021 until liquidation in 2022.
 - Return on Investments from shares would be AED3.9 million in 2020 and will drop to AED1.9 million in 2021.
- The new investment portfolio consists of an initial investment of AED150 million in cash and deposits (35%), equity debt and securities (30%), real estate investments (20%) and others (15%)
- Return on investments for cash and equity would be AED1 million, for equity and debt securities would be AED5.4 million, real estate would be AED2.1 million and others at AED1.8 million.
- Overall Total revenues from investments would amount to AED5.9 million in 2020 and will reach AED10.3 million in 2026.

SECTION 6 – FINANCIAL FORECASTS

Company Operating Costs

Project Operating Cost (AED)

Source: Grant Thornton Research and Analysis

OPERATING COST CATEGORIES	2020	2021	2022	2023	2024	2025	2026
Salaries	20,749,622	20,749,622	21,060,866	18,616,739	19,044,924	19,521,047	20,009,073
Rent Expenses	1,329,431	886,287	913,075	778,409	799,438	821,026	841,552
Depreciation on property and equipment	664,121	1,450,619	1,450,619	1,450,619	1,450,619	1,472,356	1,472,356
Fees and license	526,652	544,342	576,293	612,172	656,457	709,855	773,510
Impairment of trade receivables	148,746	138,736	128,725	153,128	174,362	195,848	217,730
VAT expenses	1,407,224	1,955,000	2,716,715	3,409,844	4,238,016	5,211,002	6,384,470
Other general expenses	4,260,162	2,130,081	2,162,032	2,203,111	2,253,782	2,310,127	2,367,880
TOTAL OPERATING EXPENSES	29,085,958	27,854,686	29,008,326	27,224,021	28,617,598	30,241,260	32,066,571



KEY OBSERVATIONS

- The operating costs of the company comprises of salary expenses, rent expenses, depreciation of property & equipment, fees and licenses, Impairment of trade receivables, VAT expenses and other general expenses.
- Salary expenses will remain constant at around AED20 million. However in 2023 there is a dip in these expenses to AED18 million due to a reduction in core and support employees.
- Other general expenses are reduced by about 50% from AED4 million in 2020 to AED2.1 million in 2021 as a result of cost reduction initiatives.
- Fees and license expenses increase gradually from AED526 K to AED773 K as value of premiums written increase.
- Total Operating expenses will amount to AED29 million in 2020 and they will reach AED33 million as the value of premiums written increases and inflation rises.

SECTION 6 – FINANCIAL FORECASTS

Loan Repayment

Source: Grant Thornton Research and Analysis

Assumptions

Interest rate p.a. (%)	4.75%
Loan tenure (years)	3
Number of yearly repayment	3
Loan drawdown (AED)	193,243,931

Loan Plan	2020	2021	2022	2023	2024	2025	2026
Calc for drawdown							
Loan balance	193,243,931	131,794,357	67,425,929	0	0	0	0
Interest capitalized							
Principal repayment	(61,449,574)	(64,368,428)	(67,425,929)	0	0	0	0
Interest repayment	(9,179,087)	(6,260,232)	(3,202,732)	0	0	0	0
Total Payment (equal installments)	(70,628,660)	(70,628,660)	(70,628,660)	0	0	0	0
Loan balance (at end of period)	131,794,357	67,425,929	0	0	0	0	0

Total Repayment



KEY OBSERVATIONS

The Company has a pending loan amounting to AED193 million. This section describes the repayment plan of the loan.

- This loan amount can be repaid in 3 equal installments over the course of 3 years from 2020-2022.
- A minimum interest rate of 4.75% per annum is assumed. The loan tenure is 3 years
- Total principal repayment amounts to AED61 million in 2020, AED64 million in 2021 and AED67 million in 2022.
- Total interest repayment amounts to AED9 million in 2020, AED6 million in 2021 and AED3 million in 2022.
- Total Repayments amount to about AED70 million each year from 2020 to 2022.

SECTION 6 – FINANCIAL FORECASTS

Forecast Financial Performance – P&L

AED	2020	2021	2022	2023	2024	2025	2026
Gross Premium	35,904,482	46,200,000	61,527,100	75,994,838	93,812,481	115,309,215	141,744,086
Reinsurance share of ceded business premiums	(15,507,948)	(20,776,400)	(29,175,433)	(35,836,509)	(43,959,053)	(53,426,576)	(64,934,813)
Net premium	20,396,534	25,423,600	32,351,667	40,158,329	49,853,428	61,882,639	76,809,273
Change in unearned premium provision	(9,464,882)	(2,825,233)	(4,178,178)	(4,007,268)	(4,939,166)	(5,975,644)	(7,355,050)
Net premium earned	10,931,652	22,598,367	28,173,489	36,151,061	44,914,262	55,906,995	69,454,224
Commissions earned	500,000	2,500,000	4,500,000	6,500,000	8,500,000	10,500,000	12,500,000
Commissions paid	(3,752,018)	(2,901,360)	(3,703,931)	(4,476,096)	(5,403,599)	(6,491,909)	(8,036,890)
Gross underwriting income	7,679,634	22,197,007	28,969,558	38,174,965	48,010,663	59,915,087	73,917,334
Gross claims paid	(27,636,711)	(35,467,750)	(46,575,907)	(57,242,388)	(70,432,854)	(86,607,488)	(106,500,387)
Reinsurance share of insurance claims	11,919,218	16,547,206	23,493,991	29,660,142	37,435,063	47,105,291	59,246,287
Net Claims Paid	(15,717,492)	(18,920,544)	(23,081,915)	(27,582,246)	(32,997,791)	(39,502,197)	(47,254,101)
Change in claims under settlement reserve	22,254,001	(3,915,520)	(5,554,078)	(5,333,241)	(6,595,233)	(8,087,317)	(9,946,450)
Change in reinsurance share for claims under settlement reserve	1,318,283	15,188,232	22,798,118	20,236,210	25,515,913	31,735,971	39,844,593
Provision for outstanding claims recovery	1,517,288	(105,369)	(167,981)	(133,222)	(162,451)	(189,350)	(230,165)
Change in claims incurred but not reported reserve	(3,154,464)	(1,252,966)	(1,777,305)	(1,706,637)	(2,110,475)	(2,587,941)	(3,182,864)
Change insurance share for claims incurred but not reported reserve	38,636	445,134	668,164	593,080	747,817	930,113	1,167,759
Change in unallocated loss adjustments expenses reserve	0	0	0	0	0	0	0
Change in unexpired risk reserve	0	0	0	0	0	0	0
Change in reinsurance share of unexpired reserve	0	0	0	0	0	0	0
Net claims incurred	6,256,252	(8,561,033)	(7,114,997)	(13,926,056)	(15,602,220)	(17,700,722)	(19,601,227)
Operating Expenses	(29,518,392)	(28,357,904)	(29,621,486)	(28,008,906)	(29,578,164)	(31,419,053)	(33,510,623)
Net underwriting profit	(15,582,506)	(14,721,929)	(7,766,926)	(3,759,996)	2,830,279	10,795,311	20,805,485
Income from investments	10,498,604	5,484,516	6,530,973	10,350,000	10,350,000	10,350,000	10,350,000
Finance cost	(9,179,087)	(6,260,232)	(3,202,732)	0	0	0	0
Net Profit	(14,262,989)	(15,497,645)	(4,438,685)	6,590,004	13,180,279	21,145,311	31,155,485
<i>Net Profit margin (Net Profit / Net Premium Earned)</i>	<i>-130%</i>	<i>-69%</i>	<i>-16%</i>	<i>18%</i>	<i>29%</i>	<i>38%</i>	<i>45%</i>

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KEY OBSERVATIONS

- Total Gross Premiums will amount to AED35 million in 2020 and will increase gradually mainly due to the improvement in performance of the sales team. Gross Premiums in 2026 will reach AED141 million.
- The amount of reinsurance of premiums increase gradually from AED15 million in 2020 to AED64 million in 2026 due to the improvement in the underwriting business.
- Commissions paid increase gradually from AED3 million in 2020 to AED8 million in 2026. This is due to the increase in volume of transactions brought by brokers and agents.
- Net claims paid rise from AED15 million in 2020 to AED47 million in 2026.
- Income from investments reduces from AED10 million in 2020 to AED6 million in 2022 due to liquidation of current investment portfolio. However addition of the new investment portfolio assures constant gains of AED10 million for the following years.
- Finance cost from loans and operating expenditures reduce net profits significantly. There is a net loss in 2020 of about AED14 million due to the heavy burden of these expenses. The total net profit in year 2026 will reach AED31 million.
- The Group will break even in year 2023 given improvement in sales forecast. Thereafter, the net profit will be strong and will keep growing.

SECTION 5

Forecast Financial Position - Balance Sheet

AED

	2020	2021	2022	2023	2024	2025	2026
ASSETS							
Property & Equipment	0	6,016,575	4,565,956	3,115,338	1,664,719	3,757,269	2,284,913
Investment properties	139,423,000	139,423,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Investment designated at fair value through other comprehensive income (FVTOCI)	6,568,559	3,284,279	0	0	0	0	0
Investment designated at fair value through profit and loss (FVTPL)	28,190,215	14,095,108	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000
Statutory Deposit	10,102,133	10,102,133	10,102,133	10,102,133	10,102,133	10,102,133	10,102,133
Premium insurance and balance receivables	44,491,095	44,491,095	44,491,095	70,436,653	87,498,363	108,276,337	133,993,582
Reinsurance contract assets	40,728,426	56,519,846	80,238,099	101,267,221	127,774,627	160,724,737	202,082,336
Other receivable and prepayments	10,316,485	10,316,485	7,869,328	7,869,328	7,869,328	7,869,328	7,869,328
Differed acquisition cost	187,601	145,068	185,197	223,805	270,180	324,595	401,844
Deposits	26,355	26,355	26,355	26,355	26,355	26,355	26,355
Cash and Cash equivalents	109,274,819	33,462,555	19,328,145	25,679,545	34,853,752	42,199,060	55,320,930
Cash and Deposits			52,500,000	52,500,000	52,500,000	52,500,000	52,500,000
Other Investments			22,500,000	22,500,000	22,500,000	22,500,000	22,500,000
TOTAL ASSETS	389,308,688	317,882,499	316,806,308	368,720,378	420,059,457	483,279,815	562,081,422
EQUITY & LIABILITIES							
Share Premium	1,788,422	0	0	0	0	0	0
Accumulated profit issued and paid up share capital	(425,621,902)	(55,327,198)	(9,765,883)	(3,175,878)	10,004,401	31,149,712	62,305,197
Fair value reserve	1,858,578	0	0	0	0	0	0
Statutory reserve	62,145,349	0	0	0	0	0	0
TOTAL EQUITY	60,170,447	44,672,802	140,234,117	146,824,122	160,004,401	181,149,712	212,305,197
<i>Liabilities:</i>							
Borrowings from banks	131,794,357	67,425,929	0	0	0	0	0
End of service benefit obligations	8,274,168	9,186,873	10,113,269	10,347,480	11,100,462	11,854,915	12,609,369
Technical provisions	33,030,270	41,287,411	53,216,924	64,597,123	78,648,124	95,772,403	116,832,178
Insurance and other payables	151,146,083	148,898,964	104,491,106	136,180,543	157,061,307	178,324,906	200,573,150
Reinsurance deposit retained	2,326,192	3,116,460	4,376,315	5,375,476	6,593,858	8,013,986	9,740,222
Unearned reinsurance commission	53,857	60,060	67,680	75,995	84,431	92,247	99,221
Deferred Income	2,513,314	3,234,000	4,306,897	5,319,639	6,566,874	8,071,645	9,922,086
TOTAL Liabilities	329,138,241	273,209,697	176,572,191	221,896,256	260,055,056	302,130,103	349,776,225
TOTAL EQUITY & LIABILITIES	389,308,688	317,882,499	316,806,308	368,720,378	420,059,457	483,279,815	562,081,422

OBSERVATIONS

The forecast financial position of AKIC is given on the table on the left.

- Over the next few years, the assets will increase from AED389 million in 2020 to AED562 million in 2026.
- Overall, the equity amounts to AED60 million in 2020 and will decrease initially due to cover up for accumulated losses. Equity will then increase as more sales are generated in the market to an amount of AED212 million in 2026.
- Liabilities will increase from AED329 million in 2020 to AED349 million in 2026.

SECTION 6 – FINANCIAL FORECASTS

Forecast Financial Performance – Cash Flow

AED	2020	2021	2022	2023	2024	2025	2026
Profit for the year	(14,262,989)	(15,497,645)	(4,438,685)	6,590,004	13,180,279	21,145,311	31,155,485
Operating flows before working capital changes	(15,564,090)	(15,916,890)	(4,686,269)	29,435,201	25,089,625	33,482,272	43,914,603
Net cash flows from operating activities	(3,687,700)	(21,626,770)	(10,658,137)	(3,998,600)	(1,175,793)	560,214	2,771,870
Net cash flows from investing activities	177,407,775	16,443,166	17,152,387	10,350,000	10,350,000	6,785,094	10,350,000
Net cash flows from financing activity	(70,628,660)	(70,628,660)	(70,628,660)	0	0	0	0
Shareholders equity injection			50,00,000				
Net cash flows used during the year	103,091,415	(75,812,264)	(14,134,410)	6,351,400	9,174,207	7,345,308	13,121,870
Cash and cash equivalents at the beginning of the year	6,183,404	109,274,819	33,462,555	19,328,145	25,679,545	34,853,752	42,199,060
Cash and cash equivalents at end of year	109,274,819	33,462,555	19,328,145	25,679,545	34,853,752	42,199,060	55,320,930



KEY OBSERVATIONS

This table contains the cash flow forecast for the company for the next 6 years:

- Cash flow from operating activities before working capital changes increases over the years mainly due to an increase in impairment of receivables, increase in provision of outstanding claims, increase in depreciation of property & equipment and improvement in net profit.
- Cash flow used from operating activities increases from a deficit of AED3 million in 2020 to a surplus AED2 in 2026. This mainly comprises of an increase in technical provisions, reinsurance contract assets and receivables which is in turn caused by an increase in premiums written.
- Cash flow from investment activities increase initially to AED177 million in 2020 due to liquidation of current investment portfolio then decreases to AED17 million in 2022 due to addition of new investments. They then stay about constant at AED10 million for the next few years.
- Cash outflows from financing activities amount to AED70 million from 2020 to 2022 due to repayment of loans.
- Net cash flow increases steadily over the years due to an increase in sales. Net cash flows in year 2026 amount to AED13 million. However heavy cash outflows due to loan repayments and purchase of new assets in 2022 require that the shareholders to inject a value of AED50 million. The company may recover this cash at end of year 2026 with cash equivalents amounting to AED55 million.

SECTION 6 – FINANCIAL FORECASTS

Impact on Shareholder's Value-Base Scenario



Elimination of accumulated losses

Key Categories	2019	2020	2021	2022	2023	2024	2025	2026
Total capital	485,792,349	485,792,349	100,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Number of shares	420,000,000	420,000,000	100,000,000	150,000,000	150,000,000	150,000,000	150,000,000	150,000,000
Value per Share (AED)	0.18	0.14	0.45	0.93	0.98	1.07	1.21	1.42
Share loss / gain indicator		0%	-76%	50%	0%	0%	0%	0%
Additional Equity Injections	0	0		50,000,000	0	0	0	0
Additional Loans	0	0	0	0	0	0	0	0
Net profit for the year	(13,947,890)	(14,262,989)	(15,497,645)	(4,438,685)	6,590,004	13,180,279	21,145,311	31,155,485
Accumulated profit / loss	(411,358,913)	(425,621,902)	(55,327,198)	(9,765,883)	(3,175,878)	10,004,401	31,149,712	62,305,197
Accumulated losses as % of capital	-84.7%	-87.6%	-55.3%	-6.5%	-2.1%			

KEY OBSERVATIONS

- This slide showcases the impact of a capital injection to absorb all losses right away.
- In line with the Securities and Commodities Authority's regulation, in order to get the accumulated losses to less than 20% of total capital by 2022, the Company will need an injection of AED50 million.
- This additional capital injection will improve value per share for shareholders since it will cover for more of the Company's accumulated losses. Value per share will improve from AED0.45 to 2021 to AED1.42 in 2026.
- Share loss/gain indicator depicts the amount of shares lost/gained in comparison to previous years. There is a share loss of 76% in 2021 due to reduction of share capital and reserves. There is a share gain of 50% in 2022 due to injection of capital.

* This represents the average indicators for ten-year period.

SECTION 6 – FINANCIAL FORECASTS

Impact on Shareholder's Value



The accumulated losses have to be absorbed by shareholder's capital to be compliant with laws.

Key Categories	Past Situation in 2019	Current Situation in 2020	Future Situation in 2021	Future Situation in 2022
Issued and paid up share capital	420,000,000	420,000,000	100,000,000	150,000,000
Statutory Reserve	62,145,349	62,145,349	0	0
Accumulated Losses	(411,358,913)	(425,621,902)	(55,327,198)	(9,765,883)
Other items	3,647,000	3,647,000	0	0
Total Capital	74,433,436	60,170,447	44,672,802	140,234,117
Accumulated losses as % of Total Capital	85%	87.6%	55.3%	6.5%

KEY OBSERVATIONS

- According to the report from the Annual General Meeting dated on 30th April 2019, the Company is planning to use shareholder's equity to cover up for accumulated losses generated in the previous years. Total Equity in 2019 amounts to AED74 million.
- The Company is considering the reduction of issued share capital from AED420 million to AED100 million, a reduction of statutory reserve from AED62 million to AED0 and reduction of other reserves from AED3 million to AED0 in 2021.
- Reduction of these and injection of equity of AED50 million in 2022 will reduce the value of accumulated losses from AED411 million to AED9 million in 2022. These accumulated losses will now make up 6.5% of total equity in 2022.
- The Company can increase capital through subscription of the shareholders of the Company in new shares or through the entry of new investors in the Company to further address these accumulated losses and increase cash flow position of the firm.

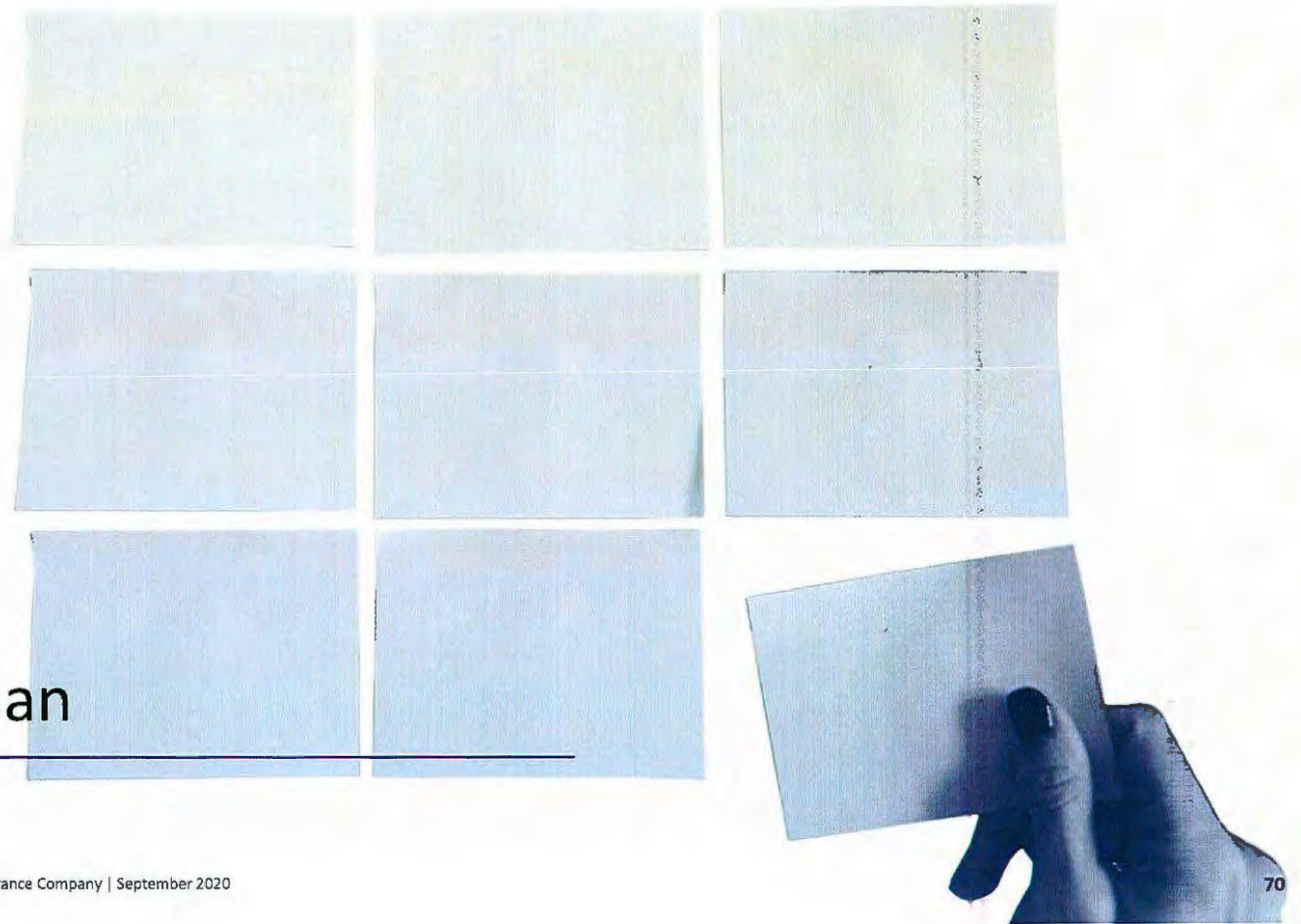
Sensitivity Analysis – Fluctuations in Cost Base

The Project sensitivity analysis indicates the project has average level of sensitivity to fluctuations in the business performance.

Overall Project Financial Indicators

#	Scenarios	Changes	Admin Expense Ratio*	Net Profit Margin*	Sustainable Growth Rate*	Return on Equity*	Accumulated losses as % of total equity in 2022
1.0.	Pessimistic scenario	<ul style="list-style-type: none"> Increase in OPEX by 10% Loss ratio on sale of land – 10% Increase in reinsurance by 10% Decrease in GWP by 10% 	107%	-86%	-17%	-36.9%	31.8%
2.0.	Base Scenario – no changes	No changes: <ul style="list-style-type: none"> Loss ratio on sale of land – 2% 	71%	-12%	-2%	-3.3%	6.5%
3.0.	Optimistic Scenario	<ul style="list-style-type: none"> Decrease in OPEX by 10% Loss ratio on sale of land – 0% Decrease in reinsurance by 10% Increase in GWP by 10% 	51%	22%	4%	5.9%	0% - no more accumulated losses

* This represents the average indicators for the ten-year period.



7. Implementation Plan

Al Khazna Insurance Company P. S. C

SECTION 7 – IMPLEMENTATION PLAN

Implementation of Strategic Initiatives

Below are the strategic initiatives to be implemented to put the company back on the path of profitability.

Activity No.	Activity Details	Responsible Personnel	Start Date	Completion Date	Activity Outcome (Deliverable)
STRATEGIC AND GOVERNANCE INITIATIVES					
1	Revisit current investment portfolio and rebuild it to bring it in line with the regulatory requirements in terms of share of each asset. Sell off illiquid assets (land, buildings) if they are not giving the required rate of return	Head of Finance Department	Month 1	Month 12	Profitable investment portfolio giving market based competitive rate of return
2	Restructure existing loans to ensure all past debts are addressed, renegotiate the terms and timing of loan repayments and consider all practical options to address outstanding loan amounts	Head of Finance Department	Month 1	Month 12	Full restructuring of the loans
3	Define the roles and responsibilities, KPIs of the Senior Management (i.e General Manager and Head of Departments)	Chairman / Board of Directors General Manager	Month 1	Month 2	Clear roles and responsibilities, KPI for the Senior Management
4	Develop authority matrixes that define the delegated authorities for the Board to the Senior Management and their decision making limits.	Chairman / Board of Directors General Manager	Month 3	Month 4	Clear authority matrix for decision making.
5	Ensure that the General Manager has direct access to the Board of Directors.	Chairman / Board of Directors & Board Secretary	Month 1	Month 2	General Manager granted real access to BOD.
6	Develop a corporate level performance measurements indicators (KPIs) to demonstrate how effectively the company is achieving key business objectives.	General Manager Head of HC	Month 3	Month 4	Clear and realistic corporate's KPIs

SECTION 7 – IMPLEMENTATION PLAN

Implementation of Strategic Initiatives (cont'd)

Activity No.	Activity Details	Responsible Personnel	Start Date	Completion Date	Activity Outcome (Deliverable)
7	Extend the partners network (reinsurance companies, financial institutions, brokers, insurance aggregators, agents etc.) to build strong partnership ecosystem in the company	General Manager Heads of Departments	Month 1	Month 18	Strong Partnership Network
8	Expand Corporate and Individuals Customer segments, build strong Government and SME segments which will drive the growth of the business	General Manager Heads of Core Departments	Month 1	Month 18	Strong growth (min 15% annually) on all four customer segments
9	Create corporate culture of strong commitments to excellence, teamwork, customer service excellence	General Manager Head of HC Heads of Departments	Month 1	Month 18	Values and believes shared across the organization
10	Establish a framework to acquire, grow and maintain good talent in the organization	Head of HC	Month 1	Month 18	Low staff turnover and leaders are retained in the organization
11	Define a clear strategic road map and strategic business objectives for the upcoming five years to strengthen the sustainability of the business.	Chairman / Board of Directors & General Manager	Month 12	Month 16	Clear strategic road map with a set of SMART strategic and operational objectives.
12	Create flexible and agile organizational structure which is designed to implement the strategy and measure performance of each centre of competency against the strategy	General Manager Head of HC	Month 17	Month 19	Organizational structure designed to support the growth of the business

SECTION 7 – IMPLEMENTATION PLAN

Implementation of Strategic Initiatives (cont'd)

Activity No.	Activity Details	Responsible Personnel	Start Date	Completion Date	Activity Outcome (Deliverable)
OPERATIONAL INITIATIVES					
13	Develop departmental level key performance measurements indicators (KPIs) to demonstrate how effectively the departments/employees are achieving key business objectives.	Head of Departments	Month 5	Month 8	Clear and realistic departments / employees KPIs
14	Conduct semi annual/annual performance appraisals for all Al Khazna Insurance Company staff based on the KPIs developed.	Head of Department HC Department	Half year / Year end.	Half year / Year end.	Effective performance appraisal.
15	Downsizing Medical and Motor Department. Reduce non-core staff members	General Manager, Head of HC, Head of Medical & Head of Motor	Month 1	Month 3	Sufficient number of staff in Medical and Motor Department.
16	Establish Business Development and Sales Department to streamline brokers business and grow direct sales business.	General Manager HC Department	Month 3	Month 5	Capable Business Development and Sales Department
17	Update policies and procedures manuals across all company departments.	Head of Departments Internal Audit Department	Month 3	Month 16	Updated policies and procedures manuals
18	Enhance the internal capabilities of the Medical and Life Department by hiring capable employees at the middle management level to oversee the departments' operations. The candidates must be evaluated based on technical and development capabilities	General Manager HC Department	Month 3	Month 4	Acquiring capable Head of Medical & Life Department

SECTION 7 – IMPLEMENTATION PLAN

Implementation of Strategic Initiatives (cont'd)

Activity No.	Activity Details	Responsible Personnel	Start Date	Completion Date	Activity Outcome (Deliverable)
OPERATIONAL INITIATIVES (cont'd)					
19	Enhance the sales and marketing force by enlarging the size of the department through hiring capable staff with required level of technical capabilities and sales portfolios in order to effectively penetrate the market.	General Manager & Head of HC	Month 3	Month 9	Capable Sales and Marketing team to effectively penetrate the market.
20	Enhance the technical internal capabilities of the current employees by providing continues learning and development programs (i.e. CII and LOMA)	Human Capital Department	Month 7	Month 10	Effective learning and development plan
21	Approach the Reinsurance Companies to see the possibility of updating and renegotiating the reinsurance treaties in order to make them more viable and profitable to the company.	Reinsurance Department Manger	Month 1	Month 2	Acquire and maintain viable and profitable RI treaties
22	Establish a Risk Management Department.	General Manager & HC Department	Month 3	Month 5	Establishment of Risk Management Department
23	Define job descriptions, roles and responsibilities, authority limits to every posts/positions within the company.	HC Department & Head of Departments	Month 4	Month 10	Clear JD, roles and responsibilities, authority limits to every posts within the company.
24	Hire a capable Branch Manager to lead Dubai Branch, the Branch Manger must have good experience in Dubai market.	General Manager & HC Department	Month 3	Month 12	Appointment of Dubai Branch Manager.

SECTION 7 – IMPLEMENTATION PLAN

Implementation of Strategic Initiatives (cont'd)

Activity No.	Activity Details	Responsible Personnel	Start Date	Completion Date	Activity Outcome (Deliverable)
PRODUCTS AND MARKET INITIATIVES					
25	Diversify the products portfolio to be more competitive by re-emphasizing on current non-active products (i.e. life, medical malpractice, professional indemnity etc.)	General Manager	Month 3	Month 14	Diversified products portfolio
26	Approach the banking institutions to penetrate the bancassurance market.	General Manager & Head of UW Departments	Month 3	Ongoing	Agreement with at least 3 banks to promote insurance products
27	Enhance the online business of the company by accelerating the (B2C) E-portal.	General Manager & Head of UW Departments & Head of IT	Month 3	Month 9	Launching of B2C E-portal.
28	Enhance the online business of the company by approaching insurance aggregators.	General Manager & Head of UW Departments & Head of IT	Month 3	Month 5	Agreement with at least 2 insurance aggregates.
29	Concentrate on non-addressed industries such as Government, oil and gas, healthcare, SMEs etc.	General Manager, Head of Core Departments Sales and Marketing Department	Month 3	On going	Coverage of more industries .

SECTION 7 – IMPLEMENTATION PLAN

Implementation of Strategic Initiatives (cont'd)

Activity No.	Activity Details	Responsible Personnel	Start Date	Completion Date	Activity Outcome (Deliverable)
PRODUCTS AND MARKET INITIATIVES (cont'd)					
30	Improve marketing strategy, ecommerce and digital platforms by redesigning the Al Khazna Insurance Company's website and promote online quotations. Digital platforms are a more cost-effective way to interact with customers.	General Manager & Head of IT Department	Month 11	Month 14	Targeted sales generated by digital platform
31	Foster growth by focusing on new sectors: <ul style="list-style-type: none"> • Agricultural sector which shows significant growth within the United Arab Emirates. • Medical Malpractice Insurance for doctors, pharmacist and nurses (whether collectively as a Hospital/Clinic or individually). This is also a regulatory requirement from health authorities. • Professional Indemnity – Legal and Professional experts. Required by Lawyers, Auditors and Consultants. • Cyber security insurance 	General Manager & Heads of UW Departments	Month 8	Month 18	New products launched in the market

8. Appendices

Al Khazna Insurance Company P. S. C

APPENDICES

A. Glossary

ADX	Abu Dhabi Securities Exchange
AED	Arab Emirates Dirham
AGM	Annual General Meetings
BOD	Board of Directors
BPIC	Business Plan Implementation Committee
CAGR	Compound Annual Growth Rate
DoA	Delegation of Authority
EIBFS	Emirates Institute for Banking and Financial Studies
FDI	Foreign Direct Investment
FVTOCI	Fair Value Through the statement of Other Comprehensive Income
FVTPL	Fair Value Through the Statement of Profit or Loss
FY	Full Year
GDP	Gross Domestic Product
GNI	Gross National Income
HC	Human Capital
IA	Insurance Authority
JD	Job Description
KPI	Key Performance Indicators
KSA	Kingdom of Saudi Arabia
LOMA	Life Office Management Association
MENA	Middle East and North Africa
NWP	Net Written Premium
P&L	Profit and Loss
ROI	Return on Investments
SCA	Securities and Commodities Authority
SME	Small and Medium-Sized Enterprise
SOP	Standard Operating Procedure
UAE	United Arab Emirates
USD	United States Dollar
VAT	Value Added Tax



B. Important Notice

Limitation of liability

We draw your attention to the limitation of liability clauses in the 'Letter of engagement' which is included in Appendix C to this report.

Interim findings

This report presents the key initial findings from the work that we have undertaken to from June 7 to July 7, 2020; our work to this date has focused on the scope of work set out in Appendix C of the Letter of engagement. As such the subject matter remains under review and the key findings presented may change and be expanded as we undertake further work and complete the agreed scope of work set out in the Letter of engagement.

Scope of work and limitations

Our work focused on the areas set out in the 'Letter of engagement', which is reproduced at Appendix C of this report. Our business plan development for Al Khazna Insurance Company P.S.C does not constitute an assurance engagement conducted in accordance with any generally accepted assurance standards and no verification work has been carried out by us; consequently we do not express an assurance opinion on the figures included in the report.

The scope of our work has been limited both in terms of the areas of the business and operations which we have reviewed and the extent to which we have reviewed them. There may be matters, other than those noted in this report, which might be relevant in the context of the transaction and which a wider scope review might uncover.

Factual accuracy confirmation

We will discuss our draft report with Al Khazna Insurance Company's management, who will confirm its factual accuracy in all material respects. You recognise and accept that all sections of our report and any conclusions we draw may differ had we had the benefit of confirming the facts with Management.

Sources of information

The information contained in this report is based primarily on publicly available information in respect of the projects set out below, and interviews with industry professionals:

- Grant Thornton Research and Analyses
- UAE Insurance Authority
- Insurance industry professionals

We have satisfied ourselves, so far as possible, that the information presented in our report is consistent with other information which was made available to us in the course of our work in accordance with the terms of the Letter of engagement. We have not, however, sought to establish the reliability of the sources by reference to other evidence. Our report makes reference to 'Grant Thornton Analysis'; this indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented; we do not accept responsibility for the underlying data.

B. Important Notice (Cont'd)

Period of our fieldwork

Our fieldwork was performed in the period between 7 June 2020 to 7 July 2020. We have not performed any fieldwork since 7 July 2020 and our report may not take into account matters that have arisen since then. If you have any concerns in this regard, please do not hesitate to let us know.

Location of our work

In the performance of our work under the Letter of engagement we interviewed members from the following entities:

- Al Khazna Insurance;
- Competitor insurance companies in the market.
- Insurance market professionals.

Forecasts

The responsibility for the forecasts included in this report and the assumptions on which they are based is solely that of Al Khazna Insurance Company P.S.C. It must be emphasised that profit and cash flow forecasts necessarily depend on subjective judgement. They are, to a greater or lesser extent, according to the nature of the businesses and the period covered by the forecasts, subject to inherent uncertainties. In consequence, they are not capable of being audited or substantiated in the same way as financial statements which present the results of completed accounting periods.

Forms of report

For your convenience, this report may have been made available to you in electronic as well as hard copy format. Multiple copies and versions of this report may therefore exist in different media and in the case of any discrepancy the final signed hard copy should be regarded as definitive.

General

Our report is issued on the understanding that Al Khazna Insurance Company P.S.C. has drawn our attention to all matters, financial or otherwise, of which they are aware which may have an impact on our report up to the date of signature of this report. Events and circumstances occurring after the date of our report will, in due course, render our report out of date and, accordingly, we will not accept a duty of care nor assume a responsibility for decisions and actions which are based upon such an out of date report. Additionally, we have no responsibility to update this report for events and circumstances occurring after its date.

Contacts

If there are any matters upon which you require clarification or further information please contact [George Stoyanov](#), on +971 (4) 388 9925.

Ratifications



We, the members of the company's Board of Directors and executive management, acknowledge that this plan contains information presented according to the procedures and instructions of the companies whose shares are listed in the market and whose accumulated losses reached (20%) or more of its capital, issued by the Securities and Commodities Authority (SCA). Collectively and individually, we bear full responsibility for the accuracy of the contents of this plan and the information contained therein. The SCA or Market does not bear any responsibility for the contents of this plan, nor does it give any assurances regarding its accuracy or completeness.

The Chairman of Al Khazna Insurance Company P.S.C

Mr. Khalifa Mohammed Abdul Aziz Al Muhairi

Signature and Date

Company's Seal

Names and approvals of the expert entity that have prepared the Recovery Plan to address the accumulated losses:

Name of the Expert entity Grant Thornton - JAE

Signed on behalf of Grant Thornton - JAE by: George Stoyanov Partner

Signature and Date

September 24, 2020

Company's Seal

