

BOARD OF DIRECTORS' ANNUAL REPORT 2020

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual report of Emirates Insurance Company P.S.C. ("EIC") detailing the progress we have made across our business for the fiscal year ended 31 December 2020.

Macroeconomic picture

Our shareholders need no reminder from me of the enormous impact that the spread of the Corona virus has had on practically every family and every business around the World. Here at home, the fallout from Covid-19, its associated stock market volatility and OPEC+ oil production cuts contributed to a contraction of about 6.6% in the local economy.

Insurance Operations

Covid's impact on EIC's operations was twofold. Firstly, our management and staff worked either wholly or partly from home for much of the year and made an extraordinary effort to maintain the company's famously high standards of service to our customers and other stakeholders during the crisis. The Board joins me in thanking them for all their hard work in these difficult circumstances.

Secondly, Covid had a considerable impact on customer behavior and thus on our premium turn over in some segments. Lockdown produced fewer road accidents but new motor sales and used car values were heavily affected during the year with considerable impact on our cornerstone motor business already suffering from accelerated downward pressure on premium rates. Our domestic non motor and international energy and property facultative reinsurance businesses fared much better reflecting the robustness of demand for our products even in the most challenging of times.

EIC's gross premium income in 2020 amounted to AED 1,039 billion, a decline of approximately 9.4% compared to 2019.

As I have already reported to shareholders earlier, during Q2 2020, the management discovered that, as a result of an inadvertent clerical error in the interface between two of the company's underwriting and operating systems, a subset of claims and underwriting information from a particular department had not been properly recorded in the accounts of the company for some years. Together with an international forensic accounting firm and an independent actuary the issue was thoroughly investigated during that quarter and the management's discoveries were corroborated. This annual Report and Accounts reflects the same restatements of prior years that we made at that time. Further details of the corrections and restatement may be found in Note 37 below.

Despite these external and internal challenges our underwriting result was (after restatement) our second best in the company's history. EIC recorded a net underwriting profit before expenses of AED183m (AED163m,2019), a 12.3% increase.

Investment Performance

EIC's net investment income fell to AED 53.3m. Despite a decline in performance in relative terms, and against an exceptional investment year in 2019, EIC managed to meet its P&L return objective set for the fiscal year 2020 in most asset classes.

Our multi-faceted, fundamentally driven, investment strategy was critical in capitalizing on short-term market dislocations and addressing the portfolio's shortcomings in a timely manner for yielding yet another acceptable investment year. Fixed Income yields fell during the year resulting in a fall in our net interest income by 6.7% relative to FY 2019. However, our income from dividends/distributions after expenses increased by 24% year on year.

To navigate the year ahead, EIC will continue to retain its focus on achieving greater diversification in the portfolio and optimize the portfolio's exposures to target superior risk-adjusted returns.

Overall Performance

The increase in our underwriting earnings was not quite enough to counteract the effects of a lower investment performance and our net profit for 2020 stands at AED108m, a 4.3% fall compared to 2019.

Earnings per share decreased to 72 fils (2019: 75 fils) per share.

Dividend Distribution

I am pleased to confirm that the Board will be recommending a cash dividend of 60 fils per share. The company's ability to pay high dividends reflect our continuing financial strength even in this most difficult of years.

EIC's Credit Ratings

EIC enjoys A- credit ratings with stable outlooks from the international credit rating agencies, AM Best and Standard and Poor's. I am pleased to say both ratings were confirmed again in Q3 2020.

Solvency Margin

Solvency margins are a measure of the financial strength of an insurance company and its ability to meet its commitments to policyholders. The Insurance Authority's regulations stipulate a common methodology for all insurers in the UAE to calculate this important indicator so that each company may be compared with its peers. I am pleased to report that EIC's solvency margin surplus remains very strong at Aed474m.

Transactions with related Parties

The financial statements disclose related party transactions and balances in note 23. All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Our Thanks

It gives me pleasure to express the appreciation of the Board of Directors towards our shareholders for their support and confidence. I must also thank the Chief Executive and the Executive Committee for their steadfast dedication and belief in EIC and its future. The performance delivered by the Company for the year ended 31 December 2020 is due in large part to the commitment of the management of EIC and its employees. On behalf of our shareholders, I thank the management of EIC and its entire staff.

My thanks are also due to EIC's many external stakeholders: customers, brokers, reinsurers and professional advisors who support us every day in our operations.

The Board of Directors would also like to express sincere appreciation to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, UAE President and Ruler of Abu Dhabi, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, and His Highness General Sheikh Mohammed Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi, for their invaluable support to the UAE business community and economic interests of the country. Moreover, we shall not forget to pay tribute to the memory of the late Sheikh Zayed Bin Sultan Al Nahyan and the late Sheikh Maktoum Bin Rashid Al Maktoum for their remarkable vision. The UAE owes them its miraculous developments and achievements.

Yours faithfully,



ABDULLAH MOHAMMED AL MAZRUI
CHAIRMAN
25 February 2021