

Best's Credit Rating Effective Date

May 03, 2024

Best's Country Risk Reports Utilized

[Qatar - CRT - 3](#)

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Information

[Best's Credit Rating Methodology](#)

[Guide to Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Damaan Islamic Insurance Company 'BEEMA' (Q.P.S.C.)

AMB #: 094073

Best's Credit Ratings

Financial Strength Rating (FSR)

A-
Excellent
Outlook: Stable Action: Affirmed

Issuer Credit Rating (ICR)

a-
Excellent
Outlook: Stable Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Very Strong
Operating Performance	Strong
Business Profile	Limited
Enterprise Risk Management	Appropriate

Rating Rationale

Balance Sheet Strength: **Very Strong**

- The risk-adjusted capitalisation of Damaan Islamic Insurance Company 'BEEMA' Q.P.S.C. (Beema), as measured by Best's Capital Adequacy Ratio (BCAR), is expected to remain at the strongest level over the medium term.
- Beema reported consolidated capital and surplus of QAR 716 million at year-end 2023, which was growth of 12% compared to 2022, and has consistently maintained the policyholders' fund in surplus (year-end 2023: QAR 149 million).
- Beema maintains a conservative investment profile, with the majority of invested assets held in bonds and cash and equivalents. Beema uses Mudarabah financing to increase invested assets and enhance returns.

Operating Performance: **Strong**

- Beema has a track record of strong and stable operating performance, generating shareholder profits in each of the last ten years (2014-2023), driven by healthy underwriting results.
- Consistently strong technical performance, with Beema achieving a five-year (2019-2023) weighted average combined ratio of 79.7%.
- Investment results support operating performance with stable albeit modest results. Investment returns have averaged 2.2% (as calculated by AM Best) over the past five years (2019-2023).

Business Profile: **Limited**

- Beema benefits from a niche position as the second-largest takaful player in its domestic market of Qatar. However, it only has around a 4% share of written premiums in the insurance market overall.
- Concentration of contributions from a single market are partially offset by a diversified portfolio by line of business both on a gross and net written contributions basis.
- Good and long-standing reputation in the market, supported by its consistent distribution of surplus to policyholders.

Enterprise Risk Management: **Appropriate**

- The enterprise risk management (ERM) of Beema is considered appropriate relative to the size and complexity of its operations.
- Risk management capabilities are broadly appropriate for the risk profile faced, evidenced by the company's strong and stable operating performance over the years.
- As the company continues to mature, it is expected to continually strengthen and embed its enterprise risk management framework.

Outlook

- The stable outlooks reflect AM Best's expectation that the company's balance sheet strength will remain underpinned by the strongest level of risk-adjusted capitalisation over the medium term, as measured by BCAR. This is expected to be supported by healthy internal capital generation, driven by strong operating performance.

Rating Drivers

- Negative rating pressure could arise if there were to be a significant deterioration in the company's balance sheet strength, for example, due to a material decline in the company's capital position.
- Negative rating pressure could arise if the company's operating performance deteriorated materially over the medium term.
- Whilst considered unlikely over the medium term, a significant enhancement of the company's business profile could lead to positive rating pressure.

Key Financial Indicators

AM Best may recategorize company-reported data to reflect broader international reporting standards and increase global comparability.

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	90.7	88.2	86.9	86.5

Source: Best's Capital Adequacy Ratio Model - Global

Key Financial Indicators	2023 QAR (000)	2022 QAR (000)	2021 QAR (000)	2020 QAR (000)	2019 QAR (000)
Net Premiums Written:					
Life	184,806	184,406	181,435	134,052	128,717
Non-Life	124,846	114,564	111,865	125,558	148,953
Composite	309,652	298,970	293,300	259,610	277,670
Net Income	70,279	56,625	50,838	45,148	41,898
Total Assets	1,370,036	1,709,075	1,386,504	1,366,872	1,251,458
Total Capital and Surplus	715,576	640,144	617,439	546,512	465,875

Source: BestLink® - Best's Financial Suite

Key Financial Indicators & Ratios	2023 QAR (000)	2022 QAR (000)	2021 QAR (000)	2020 QAR (000)	2019 QAR (000)	Weighted 5-Year Average
Profitability:						
Balance on Life Technical Account	53,354	41,294	41,802	36,822	19,917	...
Balance on Non-Life Technical Account	5,974	32,418	31,422	26,305	11,432	...
Net Income Return on Revenue (%)	21.7	19.2	18.3	16.5	15.1	18.3
Net Income Return on Capital and Surplus (%)	10.4	9.0	8.7	8.9	9.6	9.4
Non-Life Combined Ratio (%)	82.2	69.4	71.0	78.8	92.7	79.7
Net Investment Yield (%)	2.6	2.1	2.1	2.5	1.9	2.2
Leverage:						
Net Premiums Written to Capital and Surplus (%)	61.3	64.8	65.7	62.1	71.7	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

The BCAR scores presented under the 'Best's Capital Adequacy Ratio (BCAR) Scores (%)' section of this report are based on financial year-end data as at December 2023.

Capitalisation

Beema's risk-adjusted capitalisation is at the strongest level, as measured by BCAR, and is forecast to remain at this level over the medium term. The assessment of risk adjusted capitalisation has been performed on a consolidated basis, including both the policyholders' fund (PHF) and shareholders' fund (SHF). This is due to the strength of domestic regulation and requirement that the shareholders' fund would have to support the policyholders' fund.

Beema's consolidated capital and surplus has increased in 2023 to QAR 715.6 million from QAR 640.1 million in 2022 driven by the retention of earnings and accumulation of policyholder surplus. Year-end 2023 capital and surplus is composed of QAR 505.0 million of shareholders' funds and policyholders' fund surplus of QAR 210.6 million.

Beema manages its capital with the aim to comply with Qatar Central Bank (QCB) regulations, which imposes a minimum capital requirement (MCR) for insurers being the higher of the risk based capital (RBC) or QAR 100 million. As of year-end 2023, Beema reported a solvency ratio of 381.0%.

The company has paid annual dividends for the past 10 years. The dividend payment increased to QAR 32.0 million and QAR 36.0 million in 2023 and 2024, respectively, after remaining unchanged at QAR 20 million for the previous eight years. The upward revision was implemented to bring distributions closer in line with the higher annual profits Beema has been reporting over the years (net profit in 2023 was 129.3% higher than in 2013). The company's focus remains firmly on capital generation and preservation with dividend distribution remaining subject to profitability. Beema's ability to accumulate surpluses within the PHF, whilst regularly distributing

Balance Sheet Strength (Continued...)

surplus back to policyholders, supports the sustainability of its takaful model. As of year-end 2023, Beema maintained the policyholders' fund in surplus of QAR 149.5 million (Year-end 2022: QAR 121.6 million).

The company has demonstrated a level of financial flexibility with its ability to raise capital from equity markets through a partial listing on the Qatar Stock Exchange in early 2023. Other borrowings include short-term bank debt, which is used to take advantage of interest rate arbitrage opportunities and is considered as operating leverage. As market conditions were unfavourable to this strategy in the latter part of 2023 and early 2024, Beema materially reduced its leverage by year-end 2023 and completely repaid the loans in the first quarter (Q1) of 2024.

Reinsurance

Beema's dependence on reinsurance is considered moderate, with 70.2% retention of gross written premiums (GWP) in its non-life business and 82.7% in its life business in 2023.

The panel of reinsurers is largely of good credit quality, with the company engaging with reinsurance counterparties with a minimum 'BBB' rating. At year-end 2023, 90.8% of reinsurance recoverables were due from counterparties rated 'a-' or higher and 9.2% rated 'bbb+'. The lead reinsurer is Swiss Re. Despite hardening reinsurance market conditions, the 2024 programme renewed with minimal changes to the structure and cost remaining in line with prior years.

Capital Generation Analysis	2023 QAR (000)	2022 QAR (000)	2021 QAR (000)	2020 QAR (000)	2019 QAR (000)
Beginning Capital and Surplus	461,081	446,486	418,273	387,019	351,107
Net Income	70,279	56,625	50,838	45,148	41,898
Net Unrealized Capital Gains (Losses)	7,369	-25,550	-2,625	9,066	14,014
Stockholder Dividends	-32,000	-20,000	-20,000	-20,000	-20,000
Other Changes in Capital and Surplus	-1,757	3,520	...	-2,960	...
Net Change in Capital and Surplus	43,891	14,595	28,213	31,254	35,912
Ending Capital and Surplus	504,972	461,081	446,486	418,273	387,019
Net Change in Capital and Surplus (%)	9.5	3.3	6.7	8.1	10.2

Source: BestLink® - Best's Financial Suite

Liquidity Analysis (%)	2023	2022	2021	2020	2019
Liquid Assets to Total Liabilities	19.5	34.8	20.7	14.8	23.5
Total Investments to Total Liabilities	157.0	130.2	142.8	134.0	127.4

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

At year-end 2023, 77.3% of the investments were held in managed funds, 12.4% in cash and deposits and 10.3% in real estate.

Managed funds are Sharia-compliant investments, which are heavily dominated by Sukuks (98.2% of managed funds at year-end 2023) with the remainder in other investments (1.8% of managed funds). Compared with insurers in Qatar and across the region, overall investment allocation is considered conservative.

In line with its investment guidelines and risk appetite, Beema's invests only in managed funds, holding Sukuks rated at least 'BBB-' by S&P, with exceptions permitted following board approvals. More positively, the funds are considered to be highly liquid as they can be fully liquidated in 3-5 days, given the currently high demand and low supply of good quality Sukuks.

Cash and deposits are held in well rated Islamic banks.

To boost its investment income, Beema normally utilises Murabaha financing. This was materially reduced at year-end 2023, resulting in operating leverage, defined as Murabaha financing to total liabilities, reducing to 0.2%, down from 21.0% at year-end 2022. The Murabaha loans were fully repaid as at Q1 2024.

Balance Sheet Strength (Continued...)

Composition of Cash and Invested Assets	2023 QAR (000)	2022 QAR (000)	2021 QAR (000)	2020 QAR (000)	2019 QAR (000)
Total Cash and Invested Assets	1,027,419	1,392,267	1,098,187	1,099,326	1,000,670
Cash (%)	12.4	26.7	14.5	11.1	18.4
Real Estate, Mortgages and Loans (%)	10.3	7.9	10.3	10.9	10.9
Other Invested Assets (%)	77.3	65.4	75.2	78.0	70.7
Total Cash and Unaffiliated Invested Assets (%)	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets (%)	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Beema books reserves for all lines of business, as calculated by an internal actuary. Reserve estimates are prepared using a combination of paid chain ladder method and loss ratio method. Reserves are reviewed annually by an external actuary.

The actuarial report for year-end 2023 demonstrates redundancies in all lines of business except medical business. Deficiencies in the medical portfolio are largely driven by insufficient rates to cover claims cost and wakala fees in the medical line of business.

Operating Performance

Beema has a track record of producing strong operating profits, as evidenced by a five-year (2018-2023) weighted average return on equity ratio of 9.4%. Earnings are balanced between the PHF and the SHF, with the PHF recording annual surpluses for over a decade. Net profits strengthened in 2023 to QAR 70.3 million (2022: QAR 56.6 million) driven by positive technical performance from both its life and non-life accounts and stable investment returns.

In 2023, Beema reported total policyholders' results (including wakala and mudarib fees) of QAR 27.0 million (2022: QAR 44.6 million) and policyholders' surplus of QAR 149.5 million (YE22: QAR 121.6 million). The reduction in policyholders' result is largely driven by increase in wakala fee during 2023.

Beema has an accumulated surplus in PHF, which has allowed the company to distribute surplus back to policyholders and demonstrate the successful use of the takaful model. AM Best recognises the positive impact Beema's profile receives from the company surplus distributions (between 7 and 11% of surplus) to its policyholders.

Underwriting Performance

Beema has achieved a five-year (2019-2023) weighted average combined ratio of 79.7%. Performance is largely dictated by the motor and life & health lines due to their dominance of the net earned premiums.

In 2023, Beema reported a loss ratio of 50.5%, which compares to 43.1% in 2022. The increase is attributable to an erosion in motor profitability driven by inflationary pressures as well an increase in reserves booked in connection to a property claim. Over recent years, the company has reduced the size of its motor book due to market pricing pressures, although this reduction is expected to be progressively reversed as rates in the market improve.

In 2023, the company reported an expense ratio of 31.8% which exceeded the five-year (2019-2023) weighted average of 26.9%. Rising expenses can be attributed to higher bonuses paid in 2023 and, generally, to the recent growth in the medical book, which attracts higher commissions expenses as compared to the motor book of business.

Investment Performance

Investment performance, whilst modest, continues to be a positive driver of Beema's profit generation. Over the past five years (2019-2023), Beema reported a weighted average investment yield (including gains or losses) of 2.2%, reflecting the company's conservative investment strategy.

The net investment return for 2023 was 2.6% (2022: 1.9%).

Operating Performance (Continued...)

Financial Performance Summary	2023 QAR (000)	2022 QAR (000)	2021 QAR (000)	2020 QAR (000)	2019 QAR (000)
Pre-Tax Income	70,279	57,690	52,233	45,148	41,898
Net Income after Non-Controlling Interests	70,279	56,625	50,838	45,148	41,898

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2023	2022	2021	2020	2019
Overall Performance:					
Return on Assets	4.6	3.7	3.7	3.4	3.5
Return on Capital and Surplus	10.4	9.0	8.7	8.9	9.6
Non-Life Performance:					
Loss and LAE Ratio	50.5	43.1	47.5	44.7	73.0
Expense Ratio	31.7	26.3	23.5	34.1	19.6
Non-Life Combined Ratio	82.2	69.4	71.0	78.8	92.7

Source: BestLink® - Best's Financial Suite

Business Profile

Established in 2010, Beema is a Qatari domiciled Islamic insurance company. Beema's founding shareholders include Qatar Insurance Company Q.S.P.C (QIC) (18.8%), Qatar Islamic Bank (18.8%), Masraf Al Rayan (15.0%), Barwa Real Estate Company (15.0%) and Q-Invest (7.5%). In January 2023, the company listed on the Qatar Stock Exchange (QSE) by floating 25% of its shareholding.

Beema's contributions are largely generated from its domestic market, where it maintains a strong and niche market position offering Sharia-complaint insurance products. The company's successful ability to distribute surplus to its policyholder since inception, results in its solid reputation and generates an incentive for existing and potential policyholders. Surplus distributions are primarily paid through cash as well as discounted renewals on contributions (subject to claims history).

In 2023, the company was the second largest takaful player in the domestic market by Gross Written Contributions (GWC), writing QAR 401.3 million. Beema reported GWC growth of 2.2% in 2023, supported by growth across all lines of business. Growth slowed down in 2023, after the significant boost in recent years driven by higher government spending and projects connected to the 2022 FIFA world-cup, but it is expected to improve over the medium term.

Beema's contributions are largely sourced via direct channels accounting for 66.3% of GWC, of which most are derived from online sales. The remaining contributions were sourced through brokers (33.7%). Credit life business is distributed via Qatar Islamic Bank (18.8% shareholder), with which Beema has an exclusive agreement.

In 2023, Beema's largest line of business was Medical and Life (55.6% of GWC) followed by Motor (28.6%), fire and general accident (15.1%) and marine & aviation (0.6%). Motor GWC has reduced in recent years, in part driven by Beema's underwriting control, and strategy to write motor business for profit and not for volume.

Enterprise Risk Management

Beema's risk strategy has been developed by a board of directors assisted by the Sharia board. Risk management is governed by Beema's in house risk committee and risk management and compliance committees, whose role includes risk identification, management and monitoring of key risks. Key risks are mitigated by setting appropriate limits and monitoring adherence to those limits, which is also a responsibility of the board. Development and quantification of risk has continually been developed since the initial implementation of risk documentation. The function includes a dedicated internal head of risk management to bolster internal controls and management.

Beema internally produces its risk management documentation (statements and tolerances) as well as an ORSA report, which are then reviewed by the board.

The company manages its capital in line with regulatory requirements and it currently comfortably exceeds these, with RBC of 381.0% well above the MCR requirement of 150.0%. In addition, ROE targets are set for each year.

Enterprise Risk Management (Continued...)

Beema maintains a risk register identifying top inherent risks along with their risk owner and risk scores. In addition, residual risk is also documented.

Emerging risks are closely monitored by the company and include IFRS and the implementation of VAT.

Reinsurance Summary

Beema's reinsurance programme comprises of a combination of proportional and non-proportional cover, through quota share and excess of loss treaties.

The company's risk appetite states that maximum net retention per any one risk is QAR 2.0 million or QAR 5.0 million for Group Life. Lower tolerances are in place for specific business or territories. Policies exposing company to a potential loss above 12% of SHF from a single event (1 in 250 return period) in the financial year are subject to board approval.

Environmental, Social & Governance

Beema operates in Qatar, a market that is dependent on hydrocarbon revenues to sustain economic growth. While oil and gas are still sought after commodities and are likely to spur short-to-medium-term growth opportunities in the insurance sector, there is a concern regarding their long-term viability.

Exposure to natural catastrophes within Qatar is generally low, and as such Beema's underwriting portfolio has limited exposure to weather-related risks.

The concepts of sustainability and Environment, Social & Governance (ESG) are steadily gaining traction in the region, while opportunities remaining fairly limited at present. Focus from the Qatari Financial Markets Authority to build awareness to ESG is ongoing, and Beema has yet to develop and articulate ESG policies relating to underwriting and investing.

Financial Statements

	12/31/2023		12/31/2023
	QAR (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	127,577	9.3	35,258
Other Invested Assets	899,842	65.7	248,685
Total Cash and Invested Assets	1,027,419	75.0	283,943
Reinsurers' Share of Reserves	137,011	10.0	37,865
Debtors / Amounts Receivable	187,132	13.7	51,717
Other Assets	18,474	1.3	5,106
Total Assets	1,370,036	100.0	378,631
Unearned Premiums	337,688	24.6	93,325
Non-Life - Outstanding Claims	186,435	13.6	51,524
Total Gross Technical Reserves	524,123	38.3	144,850
Debt / Borrowings	1,006	0.1	278
Other Liabilities	129,331	9.4	35,743
Total Liabilities	654,460	47.8	180,870
Capital Stock	200,000	14.6	55,273
Retained Earnings	116,529	8.5	32,205
Other Capital and Surplus	188,443	13.8	52,079
Non-Controlling Interests	210,604	15.4	58,204
Total Capital and Surplus	715,576	52.2	197,761
Total Liabilities and Surplus	1,370,036	100.0	378,631

Source: BestLink® - Best's Financial Suite

				12/31/2023	12/31/2023
	Non-Life QAR (000)	Life QAR (000)	Other QAR (000)	Total QAR (000)	Total USD (000)
Income Statement					
Gross Premiums Written	177,949	223,375	...	401,324	110,912
Net Premiums Earned	117,956	172,048	...	290,004	80,147
Net Investment Income	...	...	30,974	30,974	8,560
Realized capital gains/(losses)	...	...	530	530	146
Unrealized capital gains/(losses)	...	...	122	122	34
Other Income	2,960	...	...	2,960	818
Total Revenue	120,916	172,048	31,626	324,590	89,706
Benefits And Claims	59,561	45,888	...	105,449	29,142
Net Operating And Other Expenses	55,381	72,806	20,675	148,862	41,140
Total Benefits, Claims And Expenses	114,942	118,694	20,675	254,311	70,283
Pre-Tax Income	5,974	53,354	10,951	70,279	19,423
Net Income before Non-Controlling Interests	...	...	...	70,279	19,423
Net Income/(loss)	...	...	...	70,279	19,423
Gross premiums written - non life	...	...	...	177,949	49,179
Earned Premiums	...	...	...	117,956	32,599
Other Technical Income	...	...	...	2,960	818
Tot Underwriting Income	...	...	...	120,916	33,417
Net Claims Incurred	...	...	...	59,561	16,461

Source: BestLink® - Best's Financial Suite



Related Methodology and Criteria

[Best's Credit Rating Methodology, 01/18/2024](#)

[Catastrophe Analysis in AM Best Ratings, 02/08/2024](#)

[Available Capital and Insurance Holding Company Analysis, 01/18/2024](#)

[Evaluating Country Risk, 05/04/2023](#)

[Scoring and Assessing Innovation, 02/27/2023](#)

[Rating Takaful \(Shari'a Compliant\) Companies, 05/18/2023](#)

[Understanding Global BCAR, 03/07/2024](#)

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