

**CREDIT OPINION**

7 October 2024

Update

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**RATINGS**

**Damaan Islamic Insurance Company "Beema"**

Domicile	Qatar
Long Term Rating	A3
Type	Insurance Financial Strength
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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# Damaan Islamic Insurance Company "Beema"

Update to credit analysis

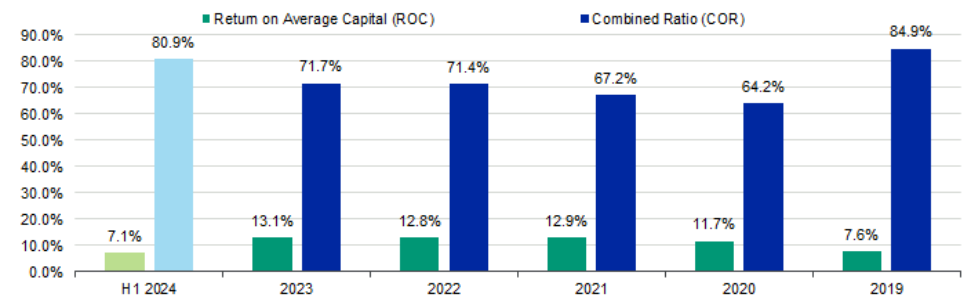
**Summary**

The A3 insurance financial strength rating (IFSR) of Damaan Islamic Insurance Company (Beema) reflects (i) its strong market position and brand, as the second largest player within the domestic takaful market and amongst the top seven insurers in the overall Qatari insurance market, (ii) its strong asset quality, with the majority of investments held as cash, bank deposits and investment grade Islamic sukuk bonds, translating to a low high risk assets (HRA) % of consolidated (shareholders and policyholders) equity of 32.1% at YE 2023, (iii) its strong capital adequacy with consolidated equity representing 47.0% of its total assets at YE 2023 and a strong level of regulatory solvency capital, (iv) its consistently strong profitability, both in terms of underwriting and overall profit, with a 5-year average combined ratio (COR) of 71.9% and 5-year average return on capital (ROC) of 11.6%, and (v) its strengthened liquidity and financial flexibility post its public listing on the Qatar Stock Exchange as well as settlement of its debt related to sukuk investments.

However these strengths are partly offset by Beema's small size relative to other highly rated insurers and lack of geographic diversification due to its sole focus on the Qatari insurance market, which experiences an elevated level of competition for market share.

Exhibit 1

**Profitability of Beema continues to be strong**



Source: Company Annual Reports and Moody's Ratings

## Credit strengths

- » Strong market position and brand as a top tier Takaful player in Qatar
- » Prudent approach to investment management contributes to strong asset quality
- » Strong profitability as reflected by its COR and RoC
- » Steady and strong capital adequacy
- » Good financial flexibility with stock market listing and no borrowings

## Credit challenges

- » High concentration risk to the domestic Qatari market/economy
- » Significant related party exposure in terms of investments

## Rating outlook

The stable outlook reflects our expectation that Beema will maintain its strong capital adequacy and good profitability whilst maintaining its market position.

## Factors that could lead to an upgrade

- » Improved market position, with for example a top three position in Qatar with a relative market share higher than 3x; and
- » Improved geographic diversification, with profitable operations across more countries in the Gulf Cooperation Council region.

## Factors that could lead to a downgrade

- » A meaningful deterioration in underwriting performance, with the COR above 90% for consecutive years;
- » A significant increase in HRA, such as non-investment grade sukuks, equities or real estate, equating to a HRA percentage of consolidated equity of over 65%;
- » A sustained deterioration in its market position;
- » A deterioration in capital adequacy, with for example, consolidated equity falling to below 30% of total assets.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key indicators

Exhibit 2

### Damaan Islamic Insurance Company "Beema"

Damaan Islamic Insurance Company "Beema" [1][2]	2023	2022	2021	2020	2019
<b>As Reported (Qatari Rial Millions)</b>					
Total Assets	1,422	1,771	1,437	1,407	1,336
Total Shareholders' Equity	654	583	565	502	430
Net Income (Loss) Attributable to Common Shareholders	97	101	100	90	53
Gross Premiums Written	401	393	368	326	339
Life Insurance Gross Premiums Written	223	223	216	165	155
Property & Casualty Insurance Gross Premiums Written	178	170	151	162	184
Net Premiums Written	310	299	293	260	278
<b>Moody's Adjusted Ratios</b>					
High Risk Assets % Shareholders' Equity	32.1%	42.6%	41.5%	55.5%	53.4%
Reinsurance Recoverables (or Reinsurance Contract Assets) / Shareholders' Equity	21.1%	23.7%	24.7%	30.8%	27.5%
Goodwill & Intangibles % Shareholders' Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Shareholders' Equity % Total Assets	47.0%	33.1%	39.7%	35.1%	32.8%
Return on Average Capital (ROC)	13.1%	12.8%	12.9%	11.7%	7.6%
Sharpe Ratio of ROC (5 yr.)	502.2%	471.8%	479.4%	609.9%	478.1%
Adv. (Fav.) Loss Dev. % Beg. Reserves	-1.4%	-7.9%	-0.2%	-1.3%	5.7%
Financial Leverage	0.6%	29.5%	24.9%	37.3%	42.1%
Total Leverage	0.6%	29.5%	24.9%	37.3%	42.1%
Earnings Coverage	47.6x	44.0x	73.2x	40.8x	39.5x
Net Unrealized Gain(Loss) % Shareholders' Equity	-1.8%	-3.2%	1.2%	1.8%	0.0%

[1] Information based on IFRS financial statements as of the fiscal year ended 12/31/2023. [2] Certain items may have been relabeled and/or reclassified for global consistency.

Source: Company filings and Moody's Ratings

## Profile

Beema is a takaful insurer based in Qatar and was established in 2009. It writes a mix of non-life, health and takaful life insurance. On 29 December 2022, Beema started trading its shares on the Qatar Stock Exchange, complying with the requirement for Qatari insurers to be listed.

Even with the listing Beema's founding shareholders still maintain ownership and consist of two of the largest Islamic Qatari banks being [Qatar Islamic Bank Q.P.S.C.](#) (QIB, Aa3 long-term issuer rating, stable outlook, baa2 BCA) and [Masraf Al Rayan \(Q.P.S.C.\)](#) (A1 long-term issuer rating, stable outlook, baa2 BCA), alongside Qatar Insurance Company (QIC, the largest insurance company in Qatar) and Barwa Real Estate Co. (the largest listed real estate company in Qatar) and Q-Invest (a Qatar based investment company). Post the listing The International Trade and Development Company (a Qatar based investment holding company) has also taken up an ownership stake in Beema.

## Detailed credit considerations

Moody's rates Beema A3 for insurance financial strength which is in line with the adjusted rating indicated by the Moody's insurance financial strength rating scorecard.

### Market Position, Brand, franchise: Second largest takaful player with top seven overall position

We believe Beema has a good market position in Qatar, as the second-largest takaful (Islamic Shari'ah-compliant) insurer in terms of premium contributions in 2023. Beema continued to be one of the largest takaful players in Qatar during 2023 in addition to maintaining its market position among the top seven. Despite being a young Qatari player relative to its main competitors, Beema has grown rapidly and profitably whilst creating a good brand and position in the Qatari market. Whilst so far Beema has been focused on the Qatari Market, it has commenced underwriting inward reinsurance in select categories across the GCC with plans to prudently expand this segment should it prove to be profitable and sustainable. In 2023, Beema's total gross contributions increased by 2.2% to reach QAR401.3 million from QAR 392.6 million in 2022.

Beema's strong market position is one of the key strengths of Beema. In H1 2024 Beema reported a 23.7% growth in premiums to QAR240.2 million from QAR194.2 million in H1 2023. We expect Beema to maintain its position within the top Qatari players.

**Distribution: Diversified distribution network relative to GCC peers**

The company has had a diversified network of distribution which was composed of direct and online business (73%) and brokers (26%), whilst around 1% came via bancassurance during 2023. As part of its direct business Beema also has considerable amounts of affinity partnerships with around 50% of motor policies are sold via dealers with whom Beema has exclusive partnerships for certain luxury brands.

**Product Risk and Diversification: Good product diversification albeit domestic concentration**

Beema is well diversified by product line in compared to Qatari insurers, albeit similar to its direct peers Beema remains concentrated to the Qatari market. The gross contribution mix remained relatively similar in 2023 with motor accounting for 29%, takaful life & health 56%, fire & general accident 15%, and a minimal marine and aviation of 1%. From the life portfolio, credit life is the main contributor, which we typically regard as lower-risk short-tail policies compared to term life and savings products.

**Asset Quality: Remains a key strength with prudent investment strategy and high quality reinsurance support**

Beema's asset quality is relatively strong aided by a prudent investment strategy compared to that of many peers in the region. The HRA % of shareholders' equity ratio decreased to 32.1% in YE 2023 from 42.6% in YE 2022 on account of the organically growing consolidated equity denominator.

As at YE 2023 Beema's investments in sukuks and cash, accounted for 76% and 12% respectively with the remaining 11% invested in real estate. The majority of cash is held in accounts with related party banks (mainly QIB), resulting in some asset concentration risk.

Reinsurance recoverables as a % of equity was 21.1% as of YE 2023, marginally improved from 23.7% as of YE 2022. The P&C business reinsurers are investment grade (mostly A) rated players. Life reinsurance is done on a facultative basis and is generally reinsured with high quality international reinsurers.

**Capital Adequacy: Good levels of capital remain a key credit strength**

Capital is considered a credit strength, shareholders' equity as a % of total assets was 47.0% at YE 2023 (YE 2022: 33.1%) and is comparable with similarly rated GCC peers. The capital adequacy levels being maintained by Beema are a result of its prudent investment strategy and consistent underwriting performance which together have ensured Beema continues to grow its capital organically. As a result, at YE 2023 consolidated (shareholders' and policyholders') equity increased to QAR654.5 million from QAR582.7 million at YE 2022.

Furthermore, as a result of enhancements to the company's governance and financial strategy, risk in the investment portfolio was reduced, which alleviated previous pressures on capital adequacy and liquidity. Thus we expect the company's capitalisation levels to remain strong in the medium-term, comfortably meeting its regulatory risk-based capital requirements.

**Profitability: Continued good profitability is a credit strength**

The company continues to outperform some similarly rated peers in terms of underwriting profitability, with the 5-year (2019-2023) combined ratio averaging 72% and the 2022 combined ratio of 76.2%. The resulting net income for 2023 was QAR97.2 million, down from QAR101.2 million in 2022 and with RoC of 13.1% (12.8% in 2022) resulting in a 5-year average ROC of 11.6% and a high 5-year sharpe ratio of return on capital of 502.2%.

**Liquidity and Asset / liability management: Good Liquidity with high exposure to cash and Sukuks**

As at YE 2023, around 88% of Beema's investments are in cash and sukuks. The vast majority of the sukuk assets are investment grade and are generally considered highly liquid in normal market conditions. We note that following the settlement of the Murabaha financing which was used to fund investment in investment grade Islamic sukuks as detailed in the financial flexibility section below, has strengthened its liquidity.

**Reserve Adequacy: Regulations driven sophistication around reserving supports the strength of reserves**

Regulations introduced by the Qatar Central Bank (QCB) have benefited Beema's reserve setting as well as adequacy levels with dedicated actuarial capabilities. As a result, there is an added level of sophistication to the reserves of Beema that are largely short-tailed risks and thus lower reserving risks intrinsically.

**Financial Flexibility: Negligible leverage following changes in finance strategy and stock market listing**

Beema's leverage ratio had significantly reduced further to 0.6% at YE 2023 from 29.5% in 2022. This was due to the 2023 settlement of most of the Murabaha financing which was used to fund investment in investment grade Islamic sukus, the financial and total leverage drastically improved to 0.6% at YE 2023 from 29.5% at YE 2022. Furthermore, Beema has fully settled the Murabaha borrowings in the first quarter of 2024 and intends to keep its balance sheet unleveraged, which coupled with the access to capital markets through its public listing has strengthened its financial flexibility.

The listing of Beema as a public insurance company improves its financial flexibility with access to the capital market along with aiding its transparency given the added reporting requirements.

**Operating Environment: Good operating environment supported by the government's strong balance sheet and evolving regulations**

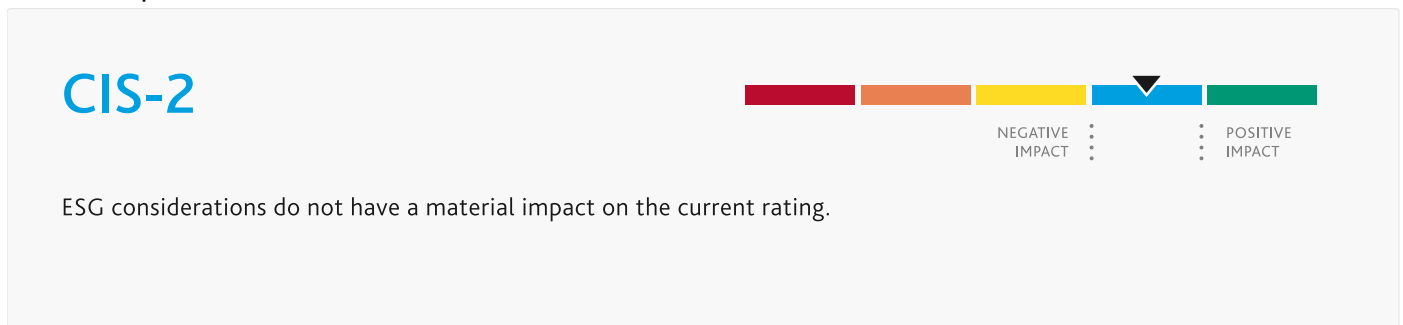
Beema operates out of Qatar ([rated Aa2/Stable](#)). Qatar's credit profile reflects the government's strong balance sheet, vast hydrocarbon reserves and exceptionally high per-capita incomes. These factors provide significant shock absorption capacity and mitigate the vulnerability of government revenue to temporary declines in oil prices, such as the one caused by the coronavirus shock in 2020, and the economic and financial risks arising from Qatar's exposure to regional geopolitical tensions. The Qatari insurance market is still underdeveloped from a global perspective with adequate insurance density but very low levels of insurance penetration, indicating the potential for further market growth over time. The insurance regulations are evolving with the regulator recently introducing risk based capital measures among other guidelines.

**ESG considerations**

**Damaan Islamic Insurance Company "Beema"'s ESG credit impact score is CIS-2**

Exhibit 3

**ESG credit impact score**

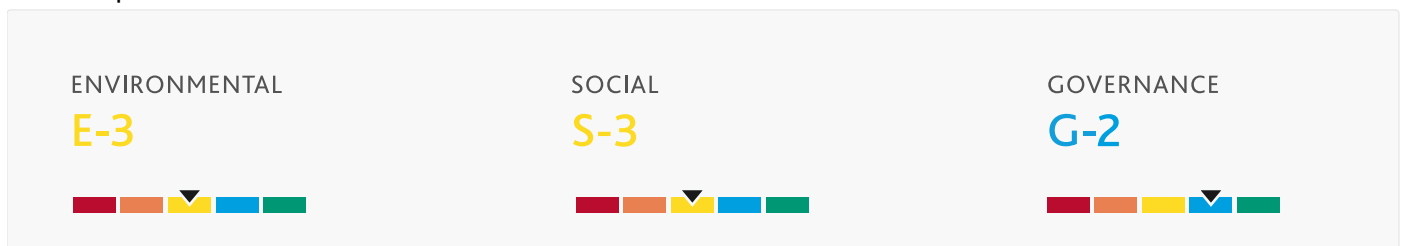


Source: Moody's Ratings

Damaan Islamic Insurance Company's (Beema) **CIS-2** indicates that ESG considerations do not have a material impact on the current rating. The company's good risk management and established governance practices mitigate its exposure to environmental and social risks, in particular carbon transition risk which is also mitigated to an extent by the time horizon over which this risk is expected to become more material.

Exhibit 4

**ESG issuer profile scores**



Source: Moody's Ratings

### Environmental

Beema has moderate exposure to environmental risks, mainly because of carbon transition risk. Although the company has limited direct exposure to carbon-intensive sectors, it is indirectly exposed through its investment portfolio and insurance premiums that are linked to the Qatar economy which derives a significant portion of its revenues from the hydrocarbon industry. Physical climate risk is moderate in the GCC region with low levels of natural catastrophes historically, albeit that the frequency of severe weather events has been rising gradually.

### Social

Beema has moderate social risks related to customer relations and demographic and societal trends. Customer relations risk arises as a result of its focus on retail insurance lines, handling of sensitive customer data, and increasing regulatory focus on insurers' customer conduct issues. Demographic and societal trends can make the operating environment more challenging, particularly for its life and medical insurance businesses where societal trends and government policy decisions can impact claim trends. The company's diversified product base and conservative reserving practices moderate these social risks to some extent.

### Governance

Beema faces neutral-to-low governance risks, and it benefits from good risk management, policies and procedures. Management has a good track record of meeting its business objectives whilst maintaining its focus on risk management and an appropriate financial strategy characterized by low leverage and good regulatory capital. The company benefits from good board oversight due to its strong board including independent directors in addition to representatives of its strategic owners whom themselves are listed entities and have strong governance standards in themselves.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

## Rating methodology and scorecard factors

Exhibit 5

### Rating Factors

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	ScoreAdj	Score
Business Profile								A	Baa
<b>Market Position and Brand (20%)</b>								A	A
-Relative Market Share Ratio			X						
<b>Distribution (5%)</b>								A	A
-Distribution Control			X						
-Diversity of Distribution			X						
<b>Product Focus and Diversification (10%)</b>								Aa	Baa
-Product Risk - P&C			X						
-Product Risk - Life	X								
-Product Diversification			X						
-Geographic Diversification									
Financial Profile								Aa	A
<b>Asset Quality (10%)</b>								Aa	A
-High Risk Assets % Shareholders' Equity		32.1%							
-Reinsurance Recoverables (or Reinsurance Contract Assets) / Shareholders' Equity	21.1%								
-Goodwill & Intangibles % Shareholders' Equity	0.0%								
<b>Capital Adequacy (15%)</b>								Aaa	A
-Shareholders' Equity % Total Assets	47.0%								
<b>Profitability (15%)</b>								Aaa	A
-Return on Capital (5 yr. avg.)		11.6%							
-Sharpe Ratio of ROC (5 yr.)	502.2%								
<b>Liquidity and Asset/Liability Management (5%)</b>								Aaa	A
-Liquid Assets % Liquid Liabilities	X								
<b>Reserve Adequacy (5%)</b>								Aa	Baa
-Net Loss Reserves Development / Beginning Net Loss Reserves (5 yr. wtd. avg.)		-2.4%							
<b>Financial Flexibility (15%)</b>								Aa	A
-Financial Leverage	0.6%								
-Total Leverage	0.6%								
-Earnings Coverage (5 yr. avg.)	49.0x								
Operating Environment								Baa	Baa
Preliminary Standalone Outcome								Aa3	A3

[1] Information based on IFRS financial statements as of fiscal year ended December 31, 2023. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.

Source: Moody's Ratings

## Ratings

Exhibit 6

<u>Category</u>	<u>Moody's Rating</u>
<b>DAMAAN ISLAMIC INSURANCE COMPANY "BEEMA"</b>	
Rating Outlook	STA
Insurance Financial Strength	A3

Source: Moody's Ratings



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