



SHMACONSULTING

Medical Insurance Industry
Kingdom of Saudi Arabia

2020

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About Us

SHMA Consulting first offered actuarial services relating to insurance in Saudi Arabia in 2003, and currently provides actuarial services to 8 companies in Saudi Arabia, 11 insurance companies in the UAE and insurance companies in the GCC (Kuwait, Oman, Qatar and Bahrain).

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997. We are currently engaged with some of the biggest names in the UAE Insurance Sector, including, ADNIC, ADNTC, Orient, etc.



We provide a range of services to our valued business partners across the globe including Europe, the Middle East, Southeast Asia and the Far East. Our specialty services include financial reporting, product and business development and enterprise risk management. In addition, our firm provides expert personnel outsourcing for allowing organizations to engage in full-time consulting for long-term cost effectiveness.

Life Insurance

- IFRS, statutory & embedded valuations
- Product development, pricing & reserving
- Experience studies
- Advising on agency & broker compensation structures, reinsurance arrangements, underwriting policies and capital adequacy.

Retirement Benefits

- Valuations for financial reporting
- Advise on benefit design and cost benefit analysis
- Pension benefits administration
- Benefit communication material
- Provident fund maintenance software and audit of retirement schemes and funds

Our Services

- Actuarial reserving and certifications
- Underwriting and pricing solutions
- Data and predictive analytics
- Advising on reinsurance arrangements, underwriting and claims practices
- Profitability and capital adequacy analysis

General Insurance

- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

ERM and Capital Modeling

Limitations and Disclaimers

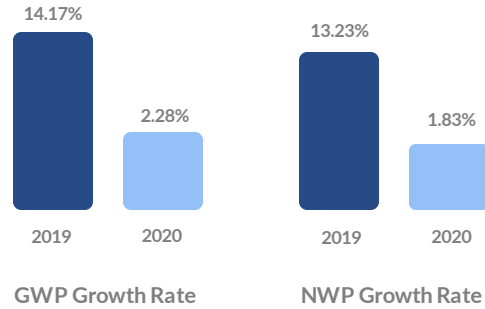
- ❖ The data used for the preparation of this report has been collected from Tadawul. The data was extracted from the financial statements of the listed companies.
- ❖ Due to the unavailability of Financial Statements of some of the listed companies, or the presence of Arabic Financials for those companies, the data could not be extracted, and to preserve uniformity, the said companies were excluded from our analysis to avoid any misrepresentation of their numbers, which might lead to spurious or unreasonable conclusions. Furthermore, with Wafa having been abstained from writing new business by SAMA and owing to the acquisition between Wafaa and MetLife in 2019, both Wafa and MetLife have been excluded from the report.
- ❖ SSTC and Al Jazira Takaful Taawuni Co. have been merged, therefore, in our 2019 analysis we have excluded SSTC from our analysis and used merged financials.
- ❖ Gulf Union and Al Ahlia Cooperative insurance have been merged; therefore, we have excluded Al Ahlia Cooperative insurance from 2019 analysis and used merged financials for Gulf Union and Al Ahlia Cooperative Insurance.
- ❖ Saudi Indian Cooperative Insurance Company has already filed for bankruptcy and its financials are not available on Tadawul. Therefore, we have not considered this company in our analysis.
- ❖ Insurance Industry KSA has 29 insurance companies, we have included 26 insurance companies in our analysis. Also, companies having Arabic financials for YE 2019 have been excluded in our analysis.
- ❖ The information, materials and opinions presented in this report are for general information purposes only, are not intended to constitute legal or other professional advice and should not be relied on or treated as a substitute for specific advice relevant to particular circumstances. Although we make reasonable efforts to update the information in this report.

Performance Highlights

Retention Ratios



Total Premium Growth Rate



Total Gross Written Premium

SAR 22.2 Bn

▲ 2.28%

Loss Ratios



Total Underwriting Result

SAR 2.51 Bn

▲ 45.21%

Total Earned Premium



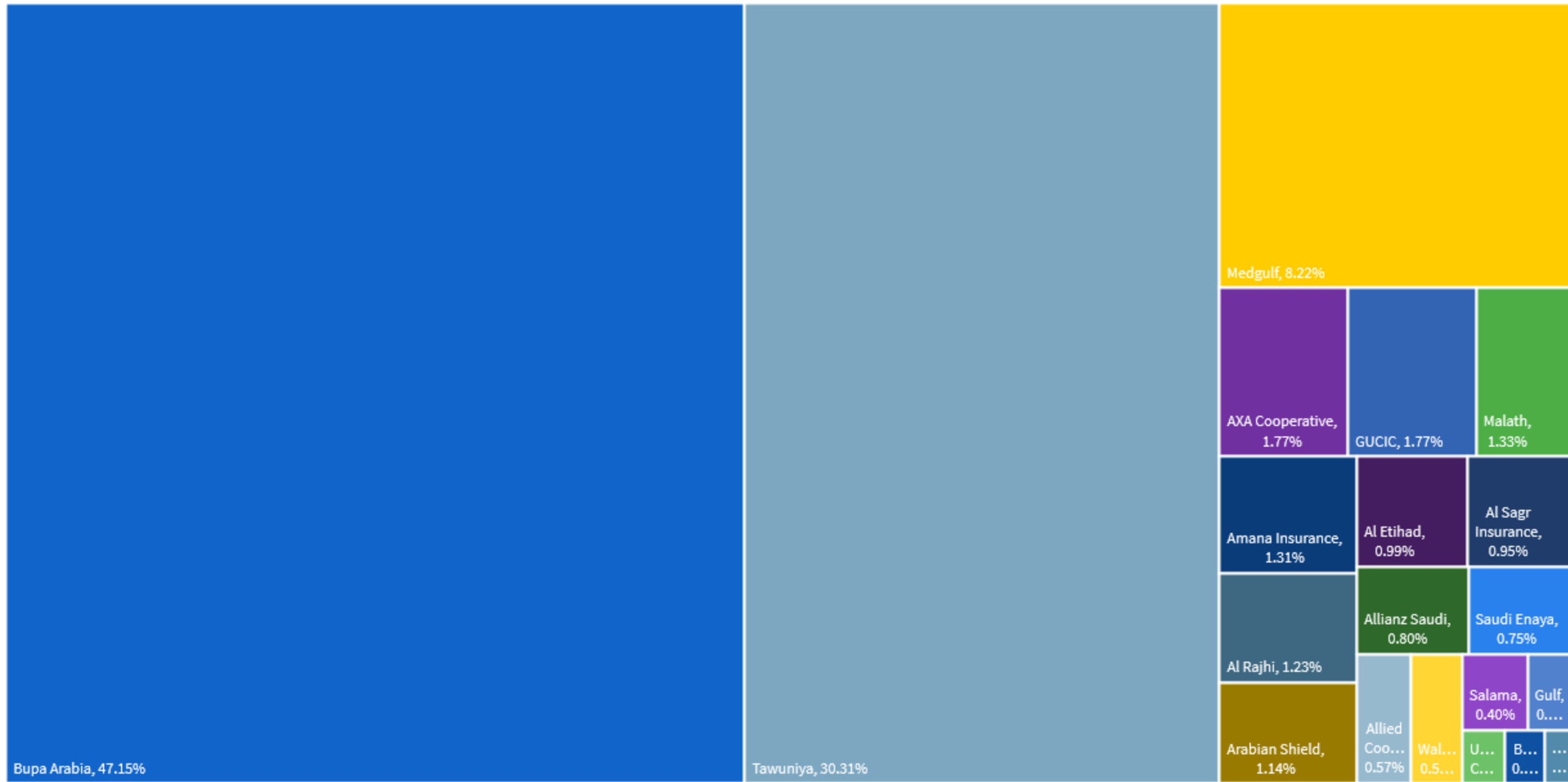
SAR 21.15 Bn

▲ 4.83%

Impact of Covid-19

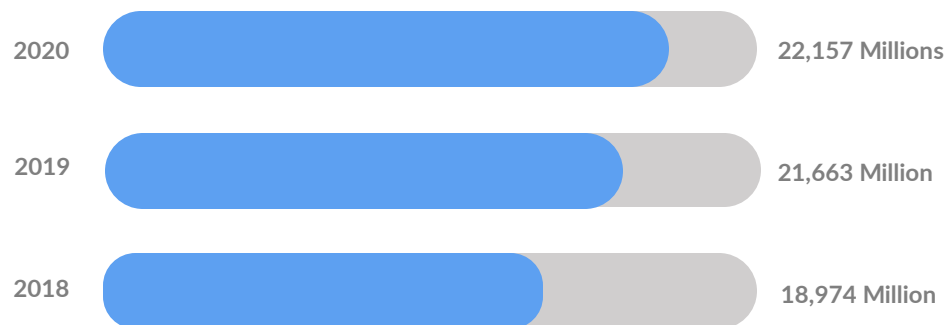
- ❖ The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.
- ❖ On 11 March 2020, the World Health Organization (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. Governments all over the world took steps to contain the spread of the virus. Coronavirus (“COVID-19”) outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. KSA in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews. In Saudi Arabia, the government has imposed a nationwide curfew for a certain period all in a bid to stem the spread of COVID-19 with the exception of some business sectors during the lockdown period. The curfew was lifted on 21 June 2020.
- ❖ In response to the spread of the Covid-19 virus in the Country where the insurer operates and its consequential disruption to the social and economic activities in those markets, the insurer’s management has proactively assessed its impacts on its operations and has taken a series of preventative measures and processes to ensure the health and safety of its employees and the wider community where it is operating, also, the continuity of its business throughout the Kingdom is protected and kept intact.
- ❖ The Government’s decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing Covid-19 impact. During the lockdown, the insurer saw a decline in medical reported claims (majorly elective and non-chronic treatment claims) which resulted in a drop in claims experience. However, subsequent to the lifting of lockdown since June 21, 2020, the insurer is experiencing a surge in claims which is in line with the expectations of the insurer’s management. The insurer’s management has duly considered the impact of surge in claims in the current estimate of future contractual cashflows of the insurance contracts in force as of December 31, 2020, for its liability adequacy test. It is expected that most of the deferred services have been availed as at the valuation date and therefore the insurer has not set aside any additional provision for further deferral of medical claims.

Market Share Proportion



GWP and Rankings

Gross Written Premiums



1. Bupa Arabia	—	12. Allianz Saudi	—
2. Tawuniya	—	13. Saudi Enaya	—
3. Medgulf	—	14. Allied Cooperative	—
4. AXA Cooperative	▲	15. Wala	▲
5. GUCIC	▲	16. Salama	▼
6. Malath	▲	17. Gulf	▲
7. Amana Insurance	▲	18. United Cooperative	—
8. Al Rajhi	▼	19. Buruj	▼
9. Arabian Shield	▼	20. Saudi Re	▼
10. Al Etihad	▲	21. Al Alamiya	—
11. Al Sagr Insurance	▼	22. Alinma Tokio	▼

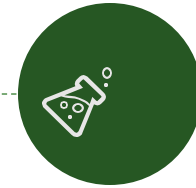
The table on the right shows that the ranking based on Gross Written Premium for the Companies that were among the top 3 in 2019 did not change in 2020. In addition to this , GWP for the year 2020 was not significantly greater than that of 2019.

Premium Composition Top 10 vs Other Companies



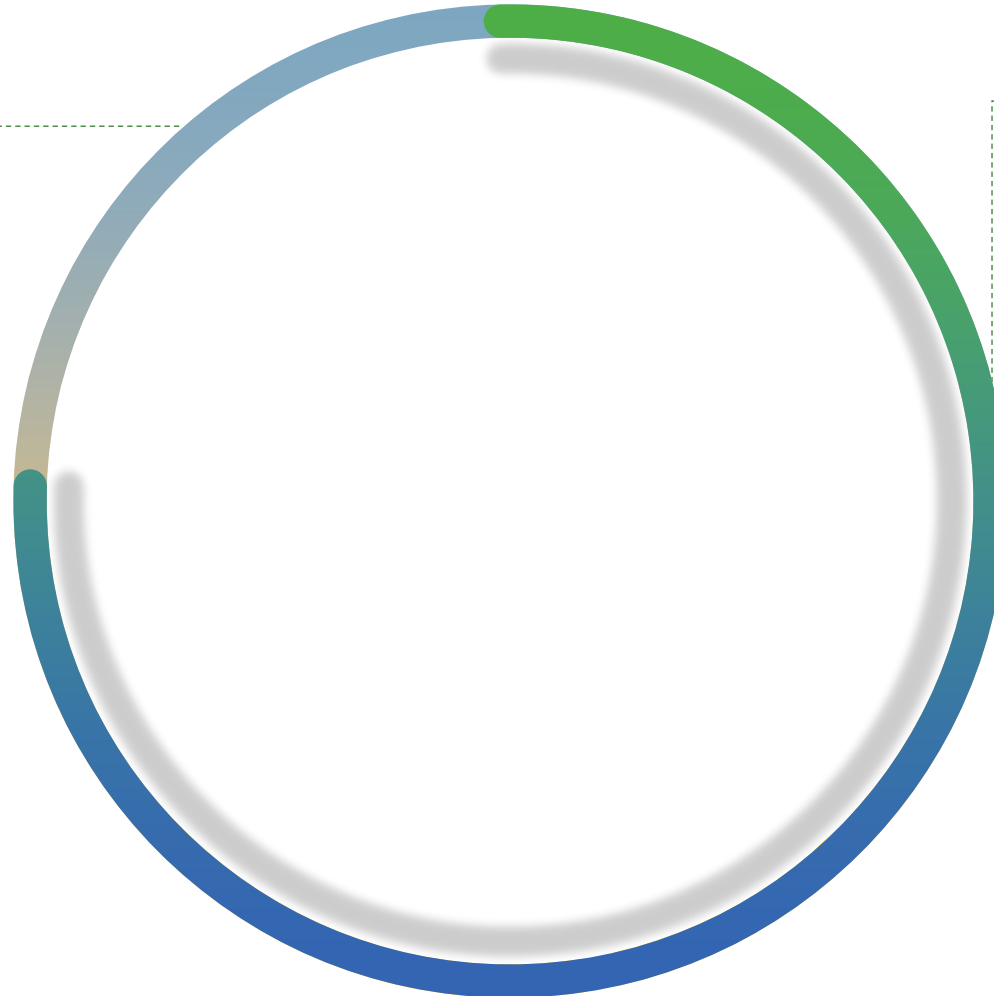
Other Companies

The Other companies' makeup remaining 4.78% of the Market share



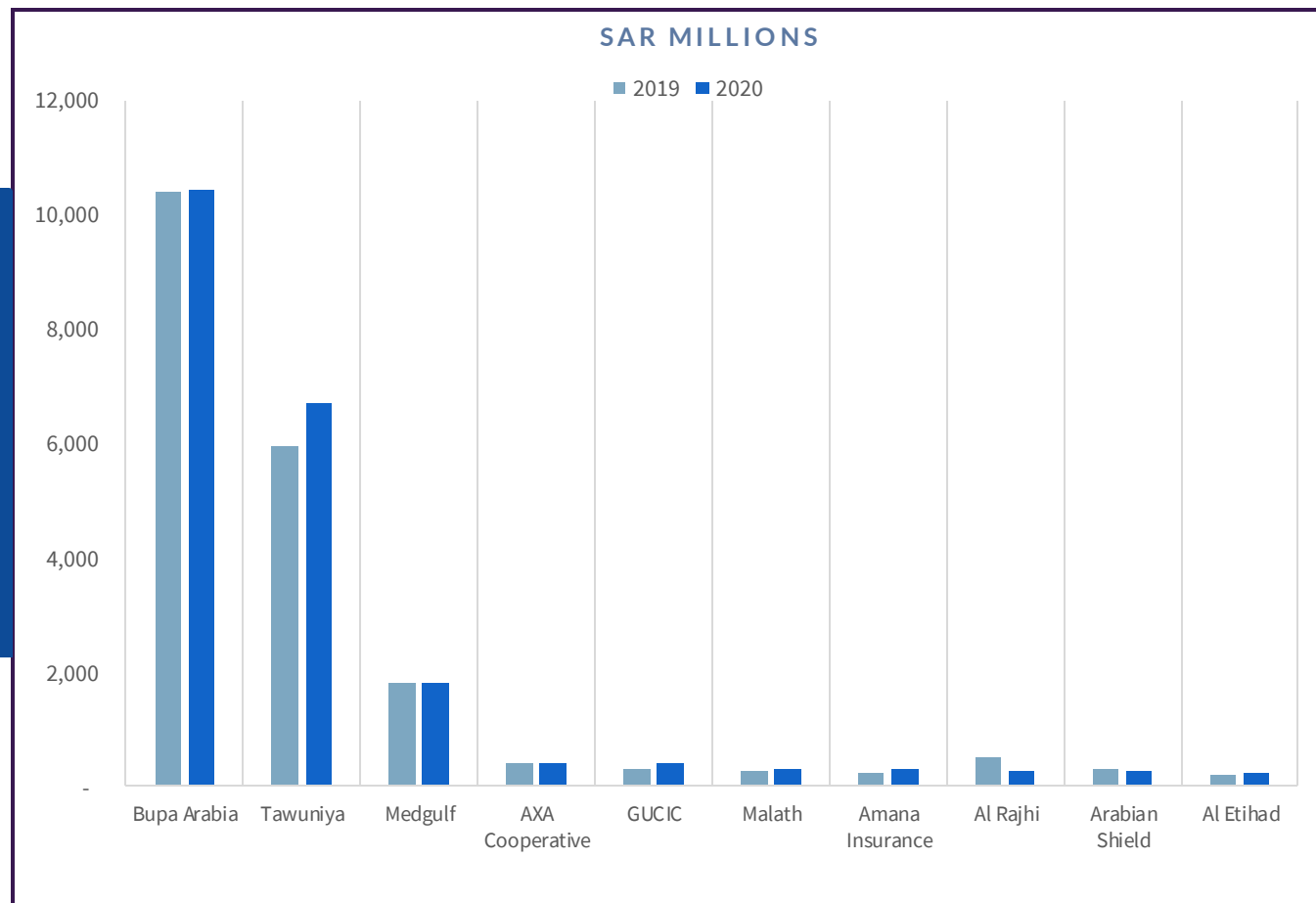
Top 10 Companies

The top 10 companies' makeup an overwhelming 95.22% of the Market share



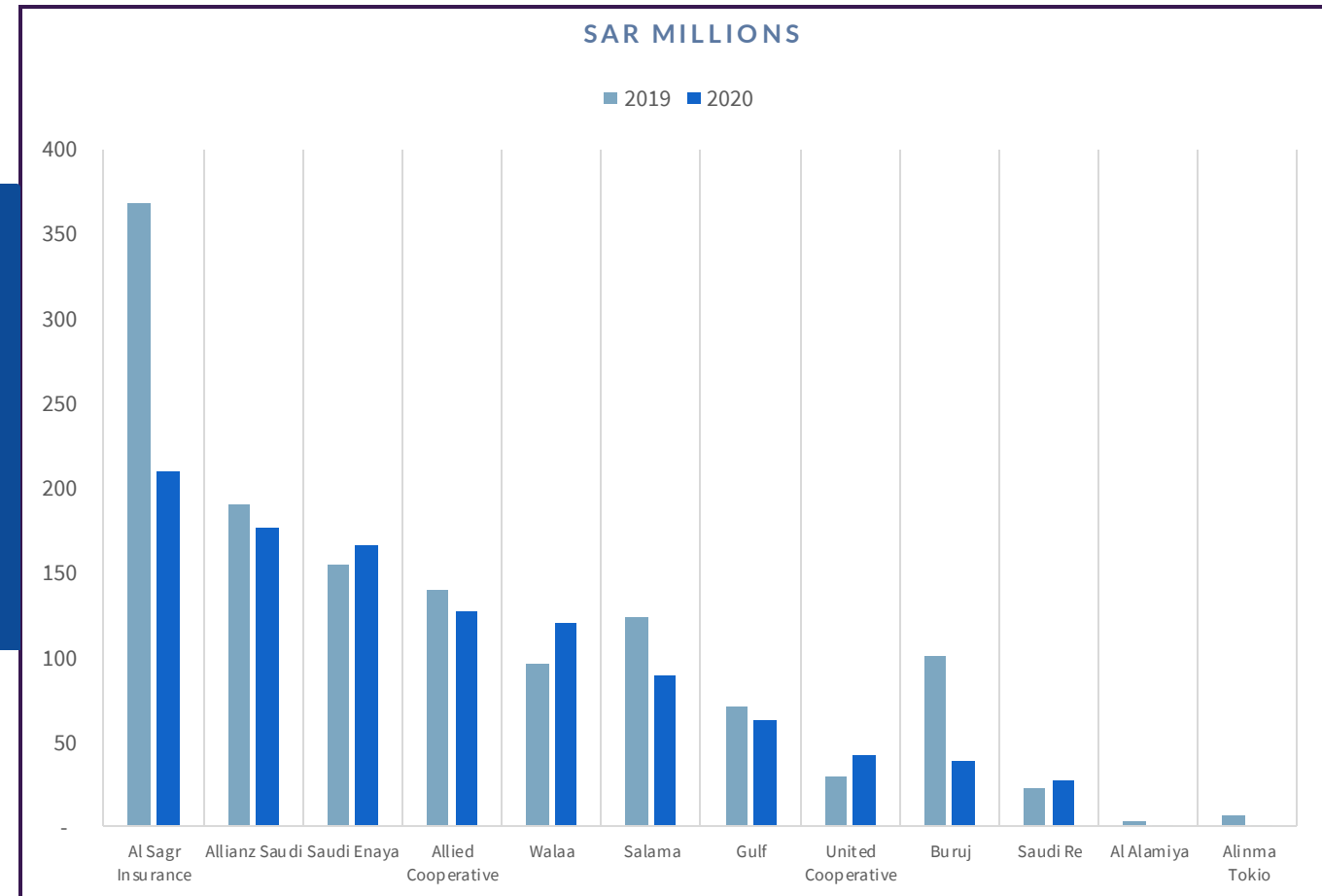
Gross Written Premium - Top 10 Companies

Bupa Arabia captured the biggest market share in 2019 and 2020 followed by Tawuniya. Among the top 10 Companies, the smallest market share was for Al Etihad for 2019 and 2020.

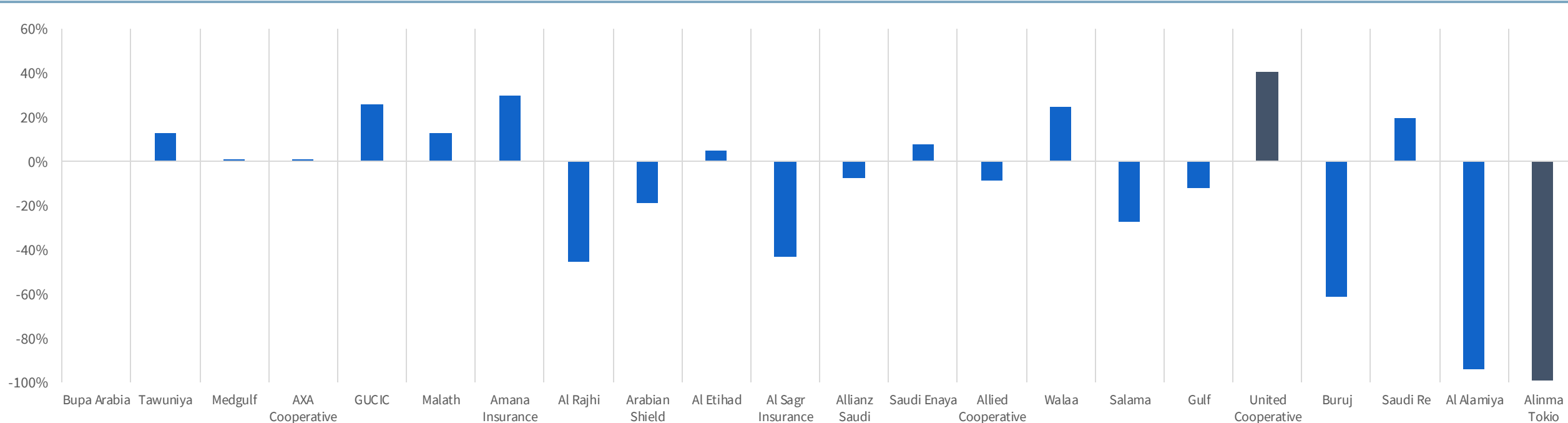


Gross Written Premium – Other Companies

Al Sagr Insurance was among the top 10 companies in 2019, however, its gross written premium declined to SAR 210 million. Al Sagr Insurance still has the biggest market share when excluding the top 10 companies. United Cooperative, Saudi Enaya, Walaa and Saudi Re experienced an increase in its gross written premium for the medical line of business. For the year 2019, the lowest gross written premium was for Al Alamiya, while for 2020, the lowest was for Alinma Tokio.



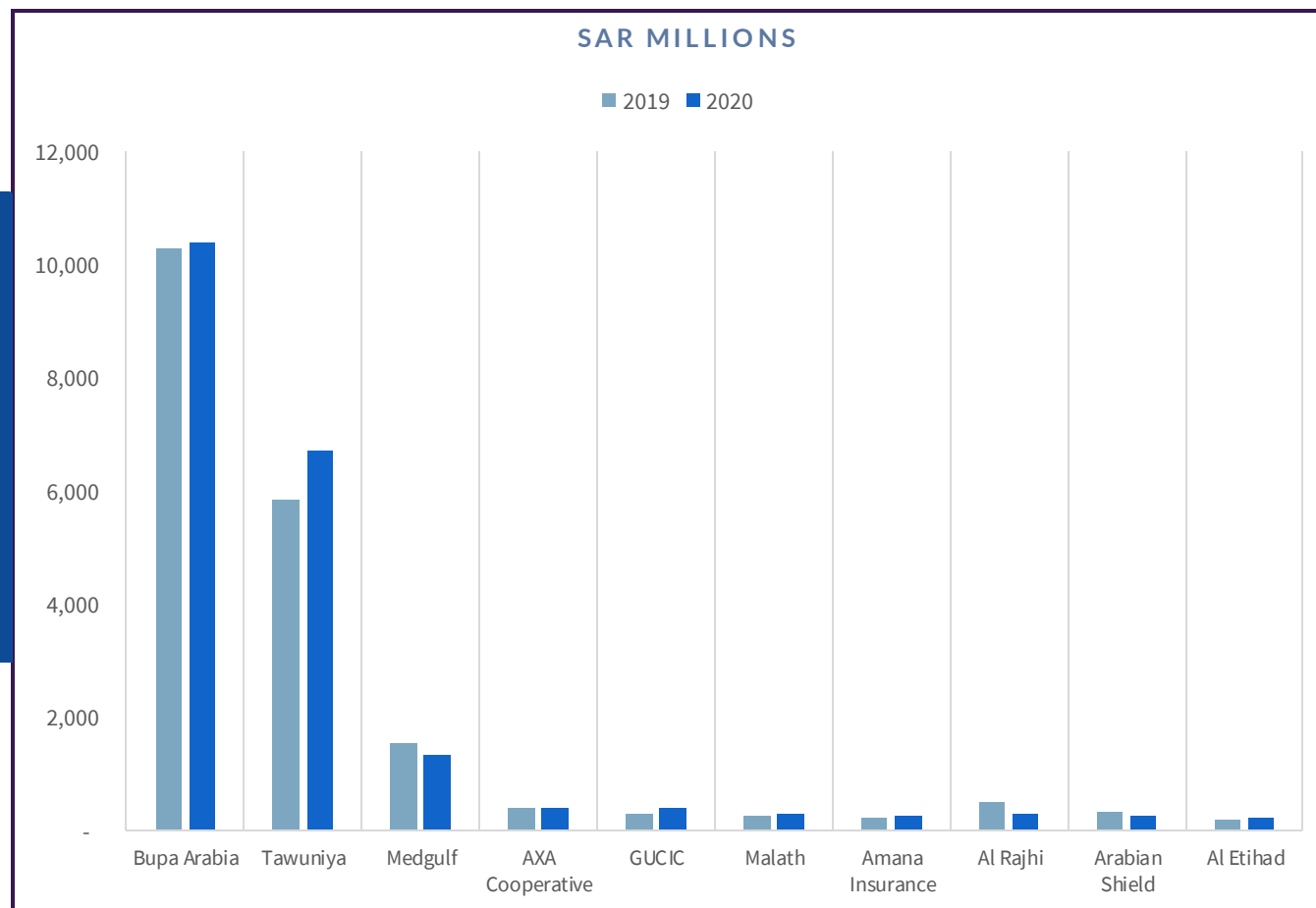
Gross Written Premium – Movement



The total GWP growth in YE 2020 was about 2.28% as compared to YE 2019. United Cooperative experienced the highest growth in its gross premium (40%) while Alinma Tokio experienced a decrease in its gross premium of about 99%. It can be noted that the range of growth among the top 10 companies is relatively narrow and stable when compared to other companies. 8 out of the top 10 companies experienced non-negative growth in their GWP.

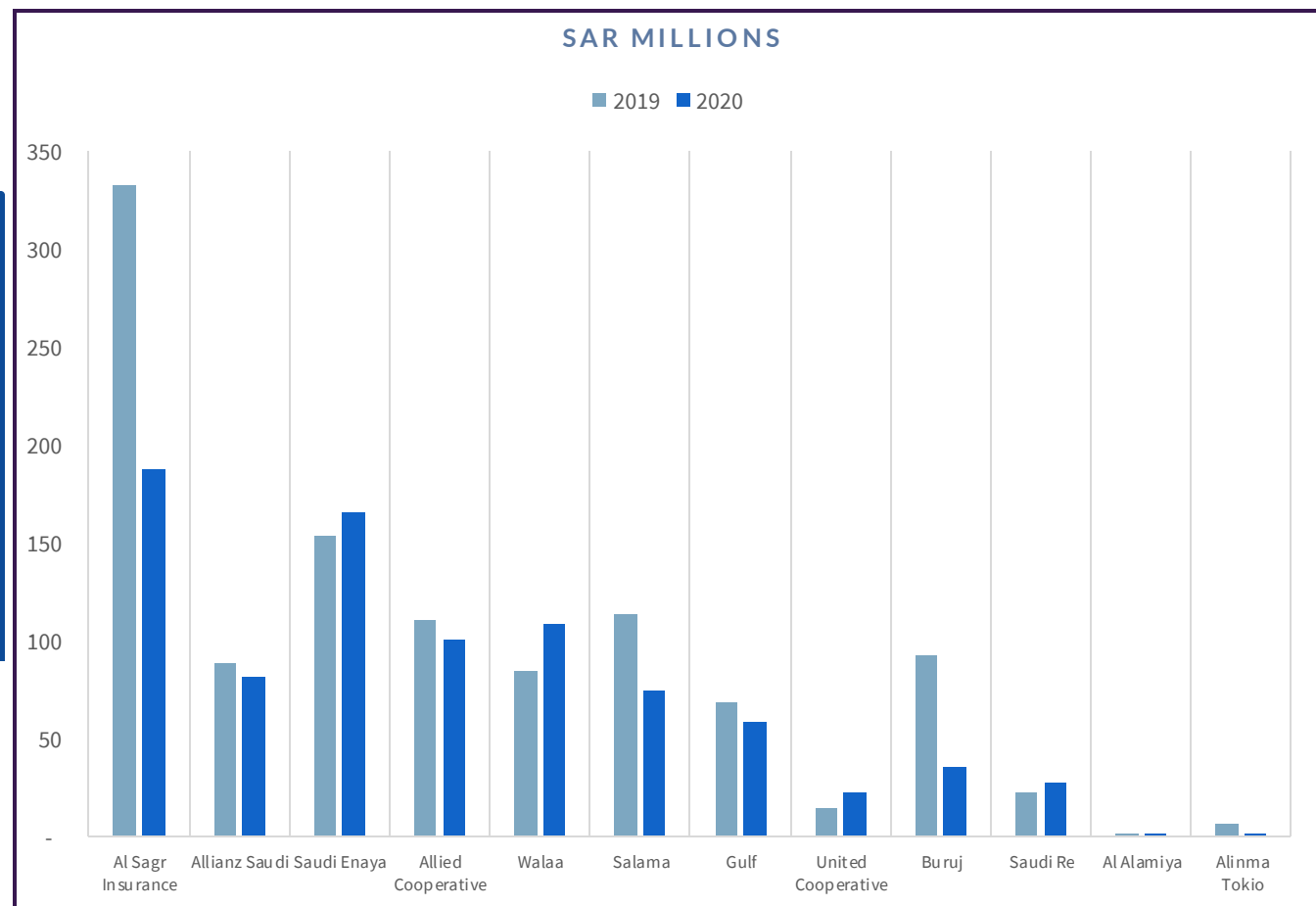
Net Written Premium - Top 10 Companies

Net Written Premium was the highest for Bupa Arabia followed by Tawuniya. Among the top 10 Companies, the smallest market share on a net of reinsurance basis was for Al Etihad for 2019 and 2020.

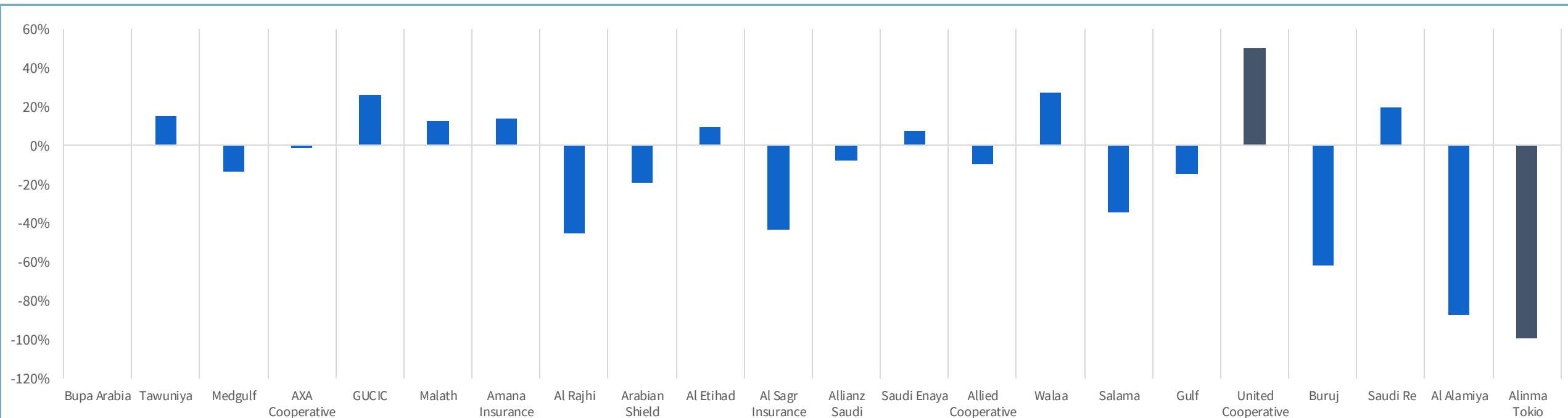


Net Written Premium – Other Companies

Al Sagr Insurance was among the top 10 companies in 2019, however, its net written premium declined to SAR 188 million. Al Sagr Insurance still has the highest market share when the top 10 companies are excluded. United Cooperative, Saudi Enaya, Walaa and Saudi Re experienced an increase in its net written premium for the medical line of business. For the year 2019, the lowest gross written premium was for Al Alamiya, while for 2020, the lowest was for Alinma Tokio.



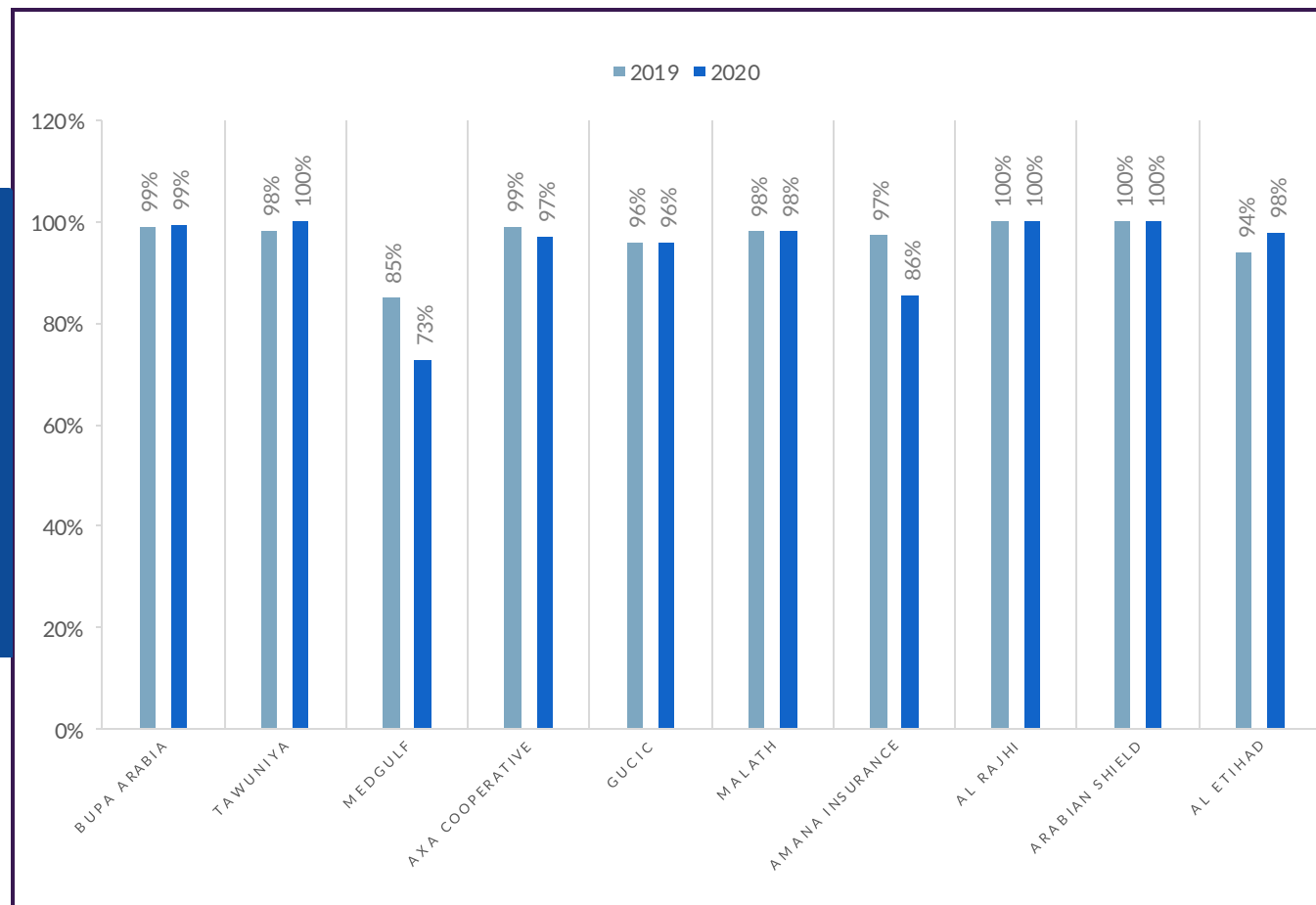
Net Written Premium – Movement



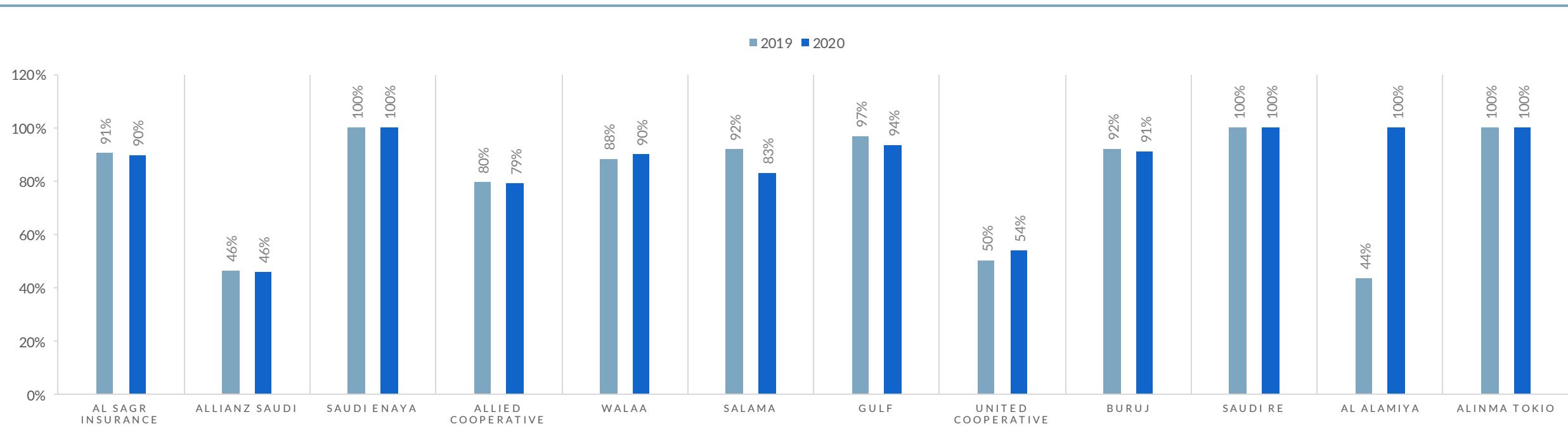
United Cooperative experienced the highest growth in its net premium (50%) while Alinma Tokio experienced a decrease in its net premium of about 99%. It can be noted that the range of growth among the top 10 companies is relatively narrow and stable when compared to other companies. 6 out of the 10 top 10 companies experienced non-negative growth in their NWP.

Retention Ratios - Top 10 Companies

The chart shows that for almost all of the top 10 companies fully retained their business (more than 95%) while the lowest being 73% for Medgulf. Retention ratios were stable for most of the companies, with the highest change being 12% for Medgulf.



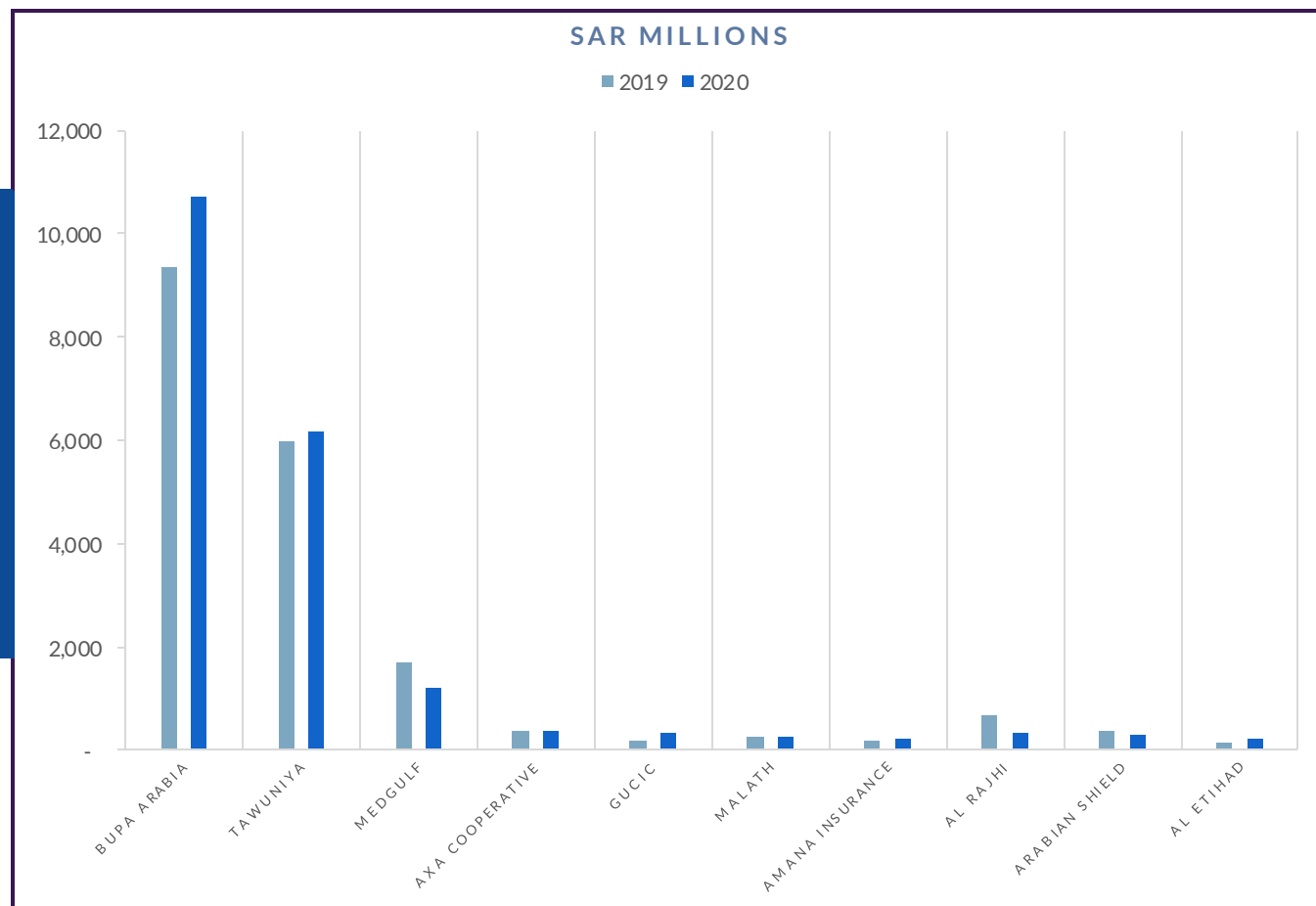
Retention Ratios - Other Companies



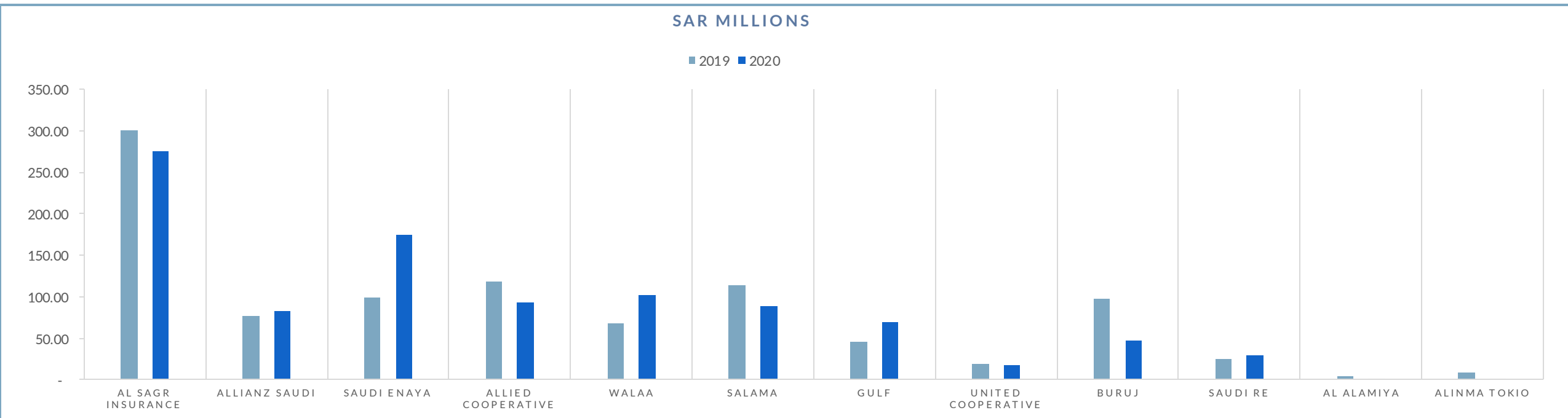
The highest retention ratio was 100% for Saudi Enaya, Saudi Re, Al Alamiya and Alinma Tokio, with the lowest being 46% for Allianz Saudi (2020). Retention ratio for Al Alamiya increased by 56% while Salama had its retention ratio decreased by 9%. For all other companies, the retention ratios do not vary greatly.

Earned Premium - Top 10 Companies

Bupa Arabia had the highest net Earned Premium for the year 2019 and 2020 of about 9.3 billion and 10.7 billion, respectively. Al Etihad had the lowest net Earned Premium in both the years. Al Rajhi experienced a 50% decrease in its net earned premium while Bupa Arabia experienced an increase of 1 billion. Net Earned Premium for all other companies was relatively stable.

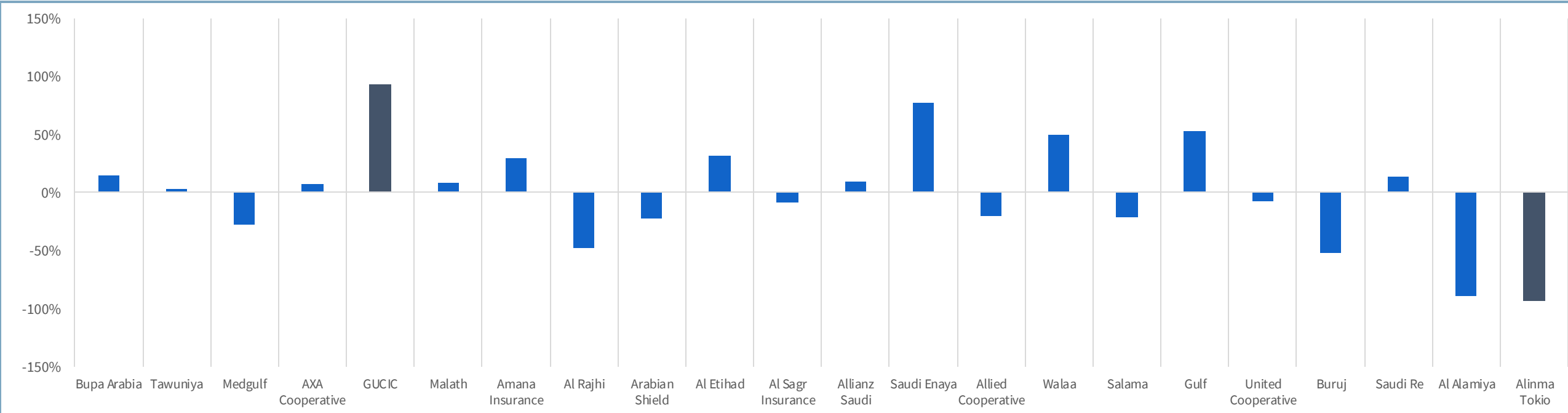


Earned Premium – Other Companies



Al Sagr had the highest net earned premium (SAR 275 million) followed by Saudi Enaya. Al Alamiya and Alinma Tokio had the lowest net earned premium in 2020. Saudi Enaya’s net earned premium increased by 77% in 2020 while Buruj’s net earned premium was halved.

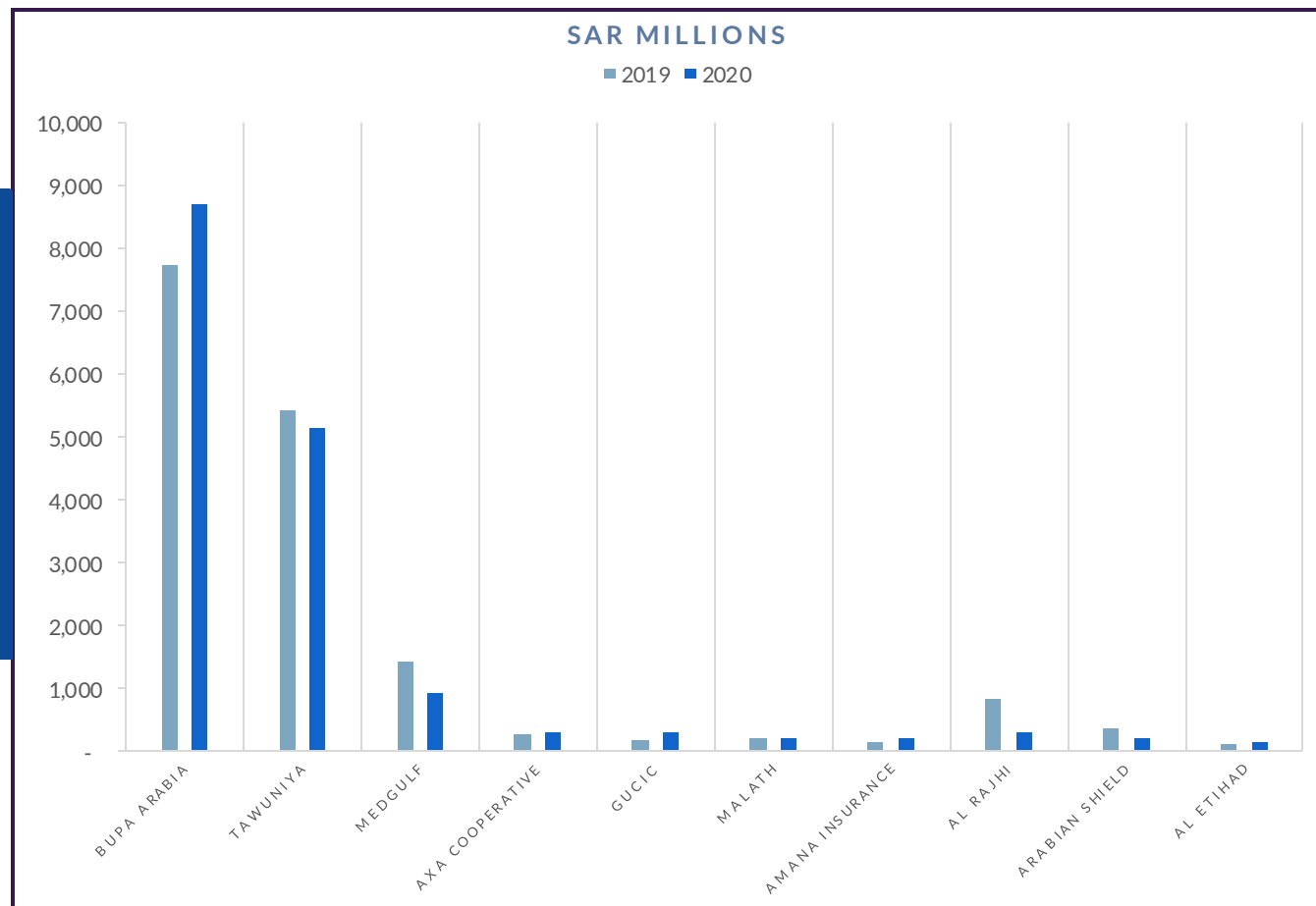
Earned Premium – Movement



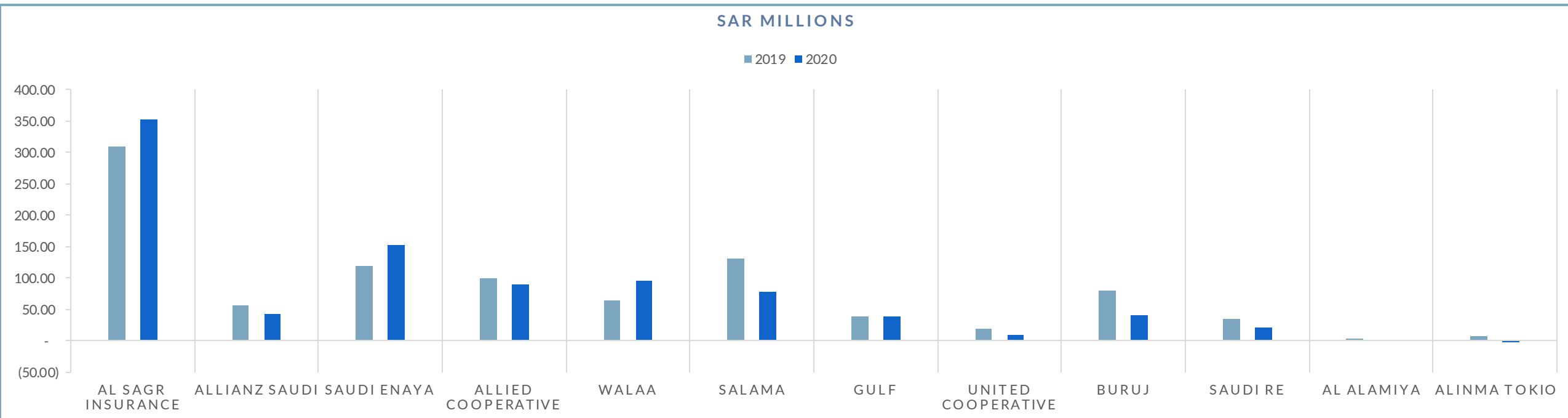
GUCIC almost doubled its net premium earnings from 176 million to 340 million. On the other hand, Alinma Tokio (-94%) and Al Alamiya (-89%) had to suffer a major decline in their NEP numbers this year. Change in net Earned Premium was relatively stable for the top 10 companies compared to the remaining companies with the highest change being in GUCIC of about 100%.

Net Incurred Claims - Top 10 Companies

The highest Net Incurred Claims were for Bupa Arabia SAR 7.7 billion (2019) and SAR 8.7 billion (2020). Al Etihad had the lowest Net Incurred Claims for 2019 and 2020. Al Rajhi experienced a decrease of about 64% while GUCIC experienced an increase of about 80%. These changes are insignificant when compared to the change of 1 billion in Bupa Arabia.



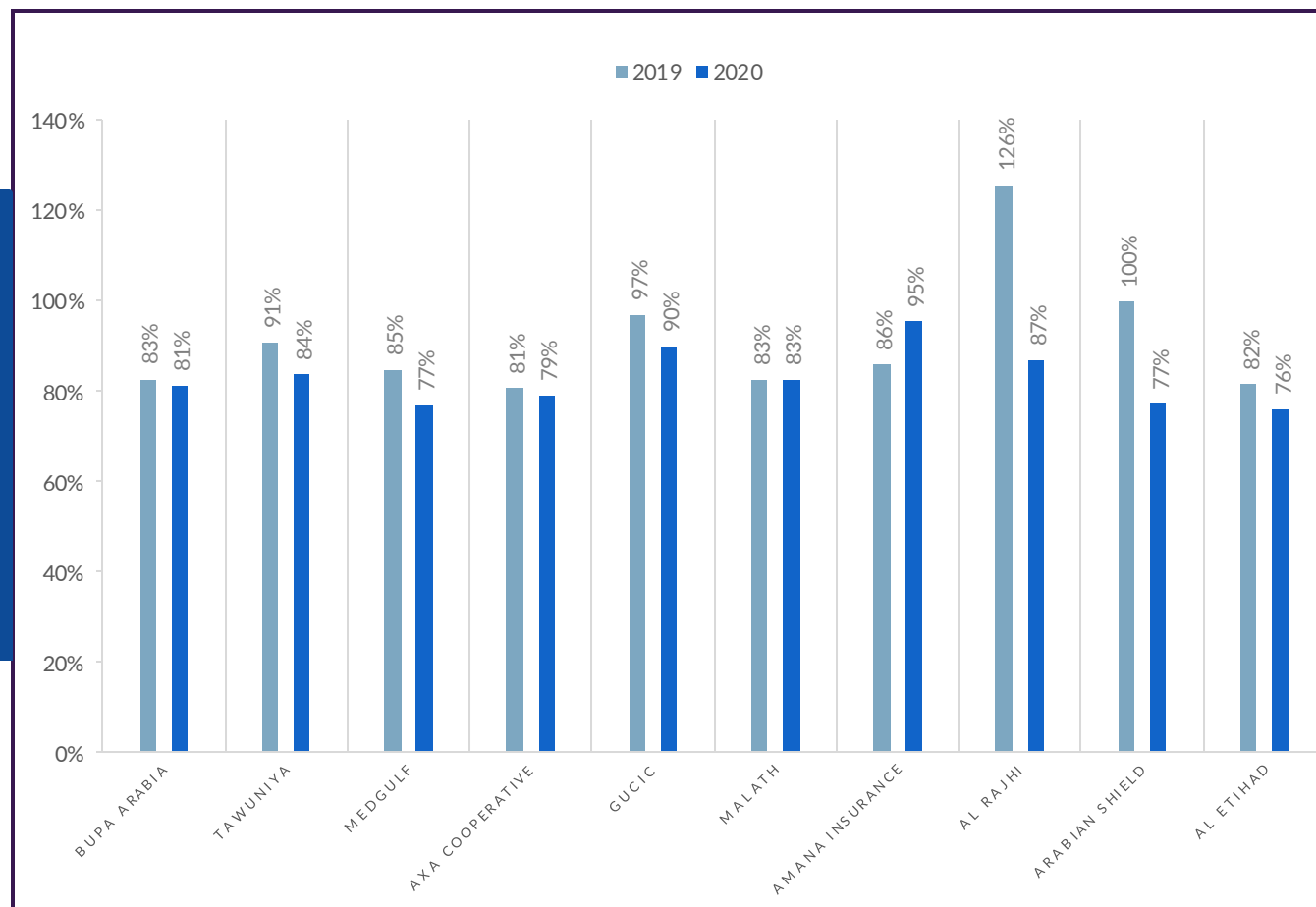
Net Incurred Claims - Other Companies



As for the remaining companies, Al Sagr Insurance had the highest Net Incurred Claims (308 million in 2019 and 352.77 million in 2020). In addition to this, Al Alamiya experienced the lowest Net Incurred Claims.

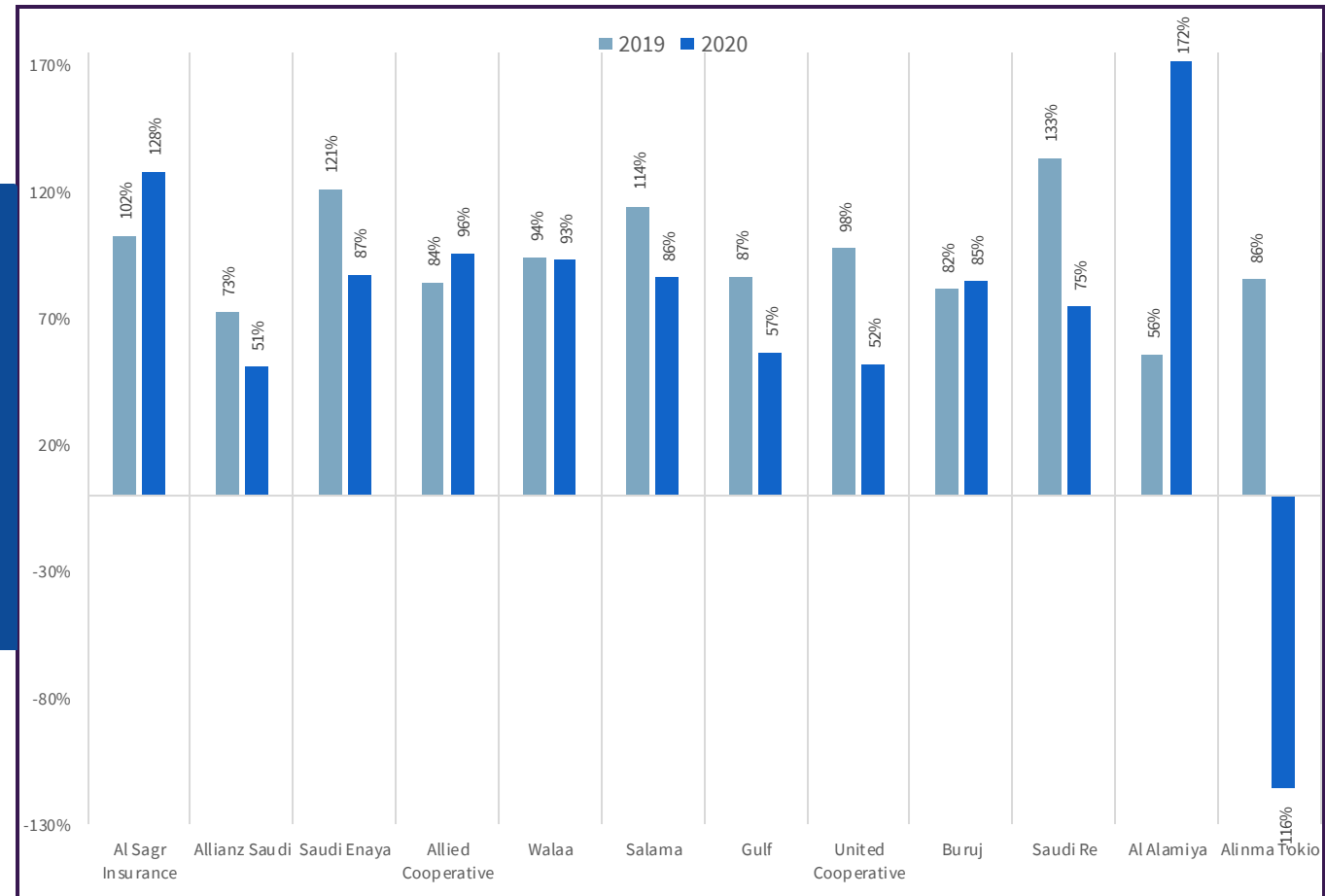
Loss Ratios - Top 10 Companies

For the year 2019, Al Rajhi had the highest loss ratio of 126% while the lowest being 81% for AXA Cooperative. For the year 2020, the highest loss ratio was for Amana Insurance of about 95% and the lowest loss ratio was Al Etihad of about 76%. Al Rajhi and Arabian Shield were able to improve its position by decreasing its loss ratio by 39% and 23% respectively.

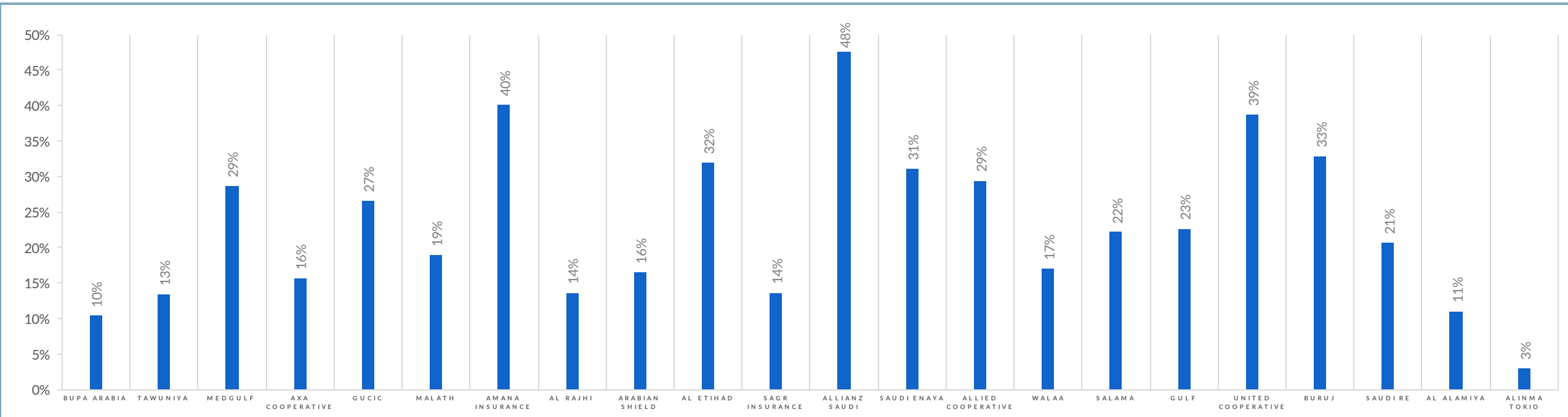


Loss Ratios - Other Companies

For the year 2019, the highest loss ratio for the remaining companies was for 133% for Saudi Re and the lowest was for 56% for Al Alamiya. For the year 2020, the highest loss ratio was for Al Alamiya (172%) and the lowest was for Alinma Tokio (-116%). Loss ratio was more than 100% for Al Sagr Insurance and Al Alamiya Insurance. Al Alamiya's loss ratio drastically increased to 3 times the loss ratio in 2019. Alinma Tokio's Loss ratio decreased by 202%.

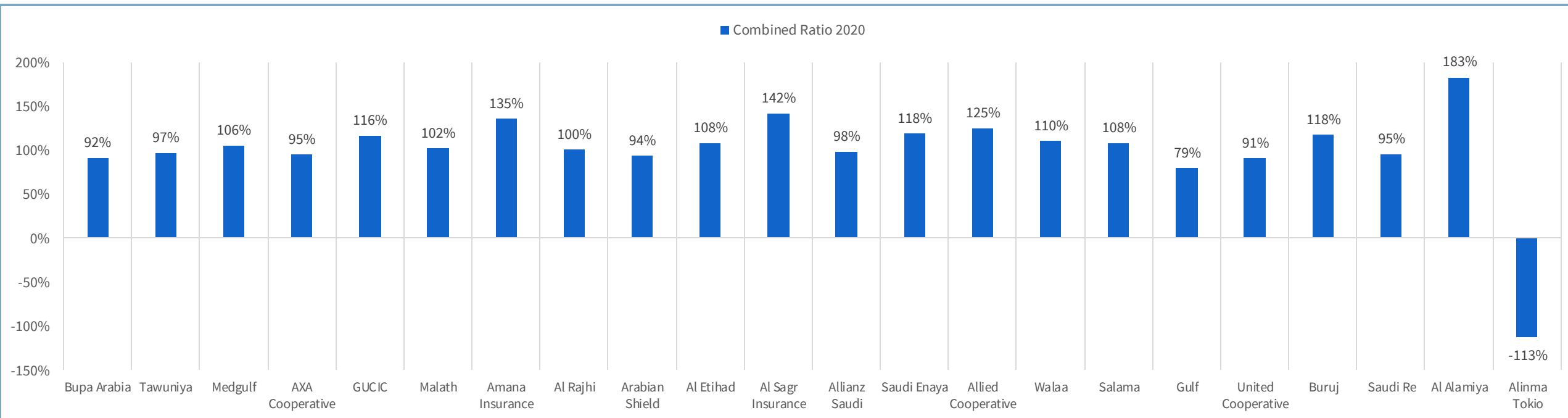


Expense Ratio



The highest Expense ratio for medical business in 2020 was of Allianz Saudi (48%), followed by Amana Insurance (40%). The lowest ratio was of Alinma Tokio (3%) and Bupa Arabia (10%).

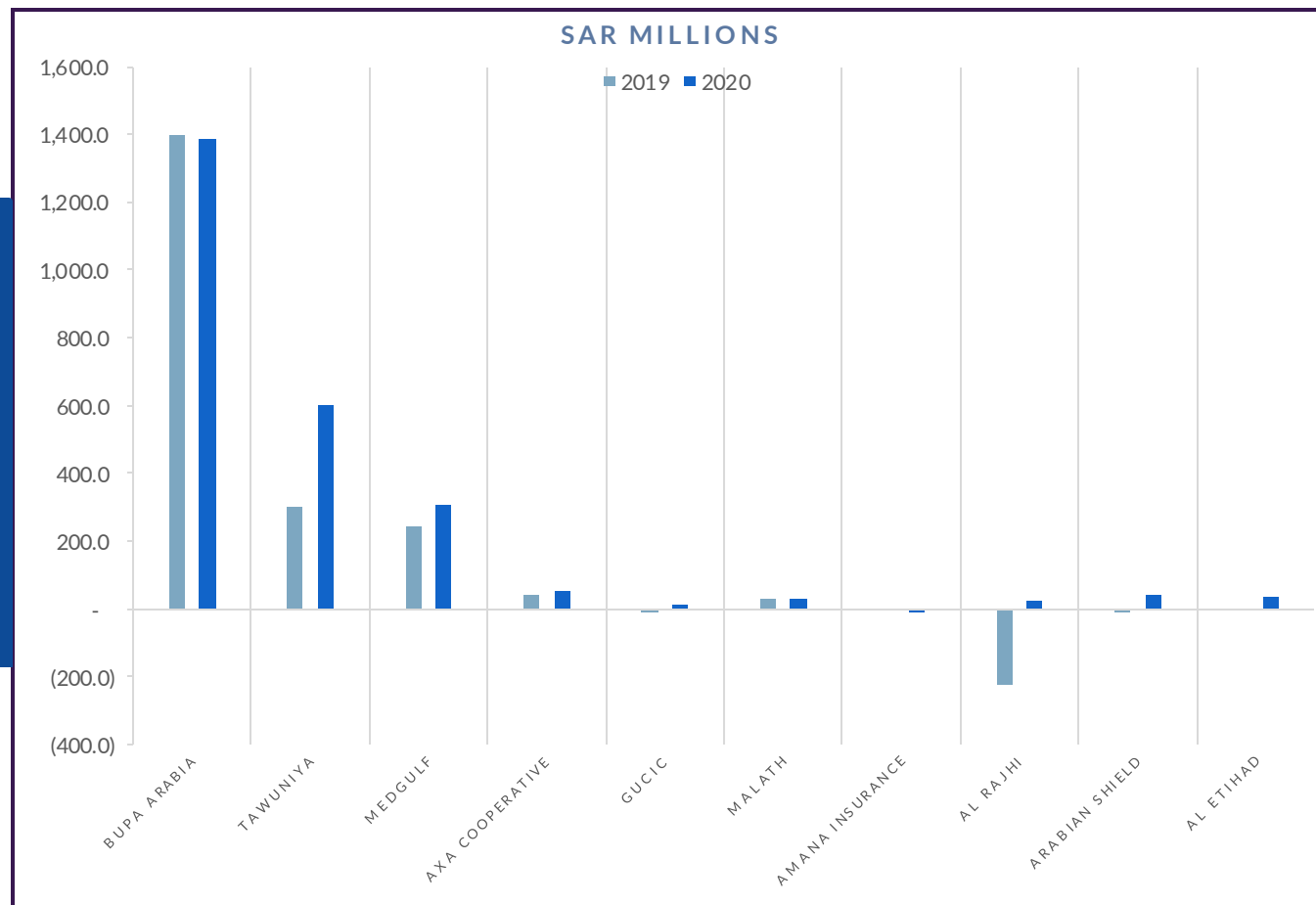
Combined - Ratio



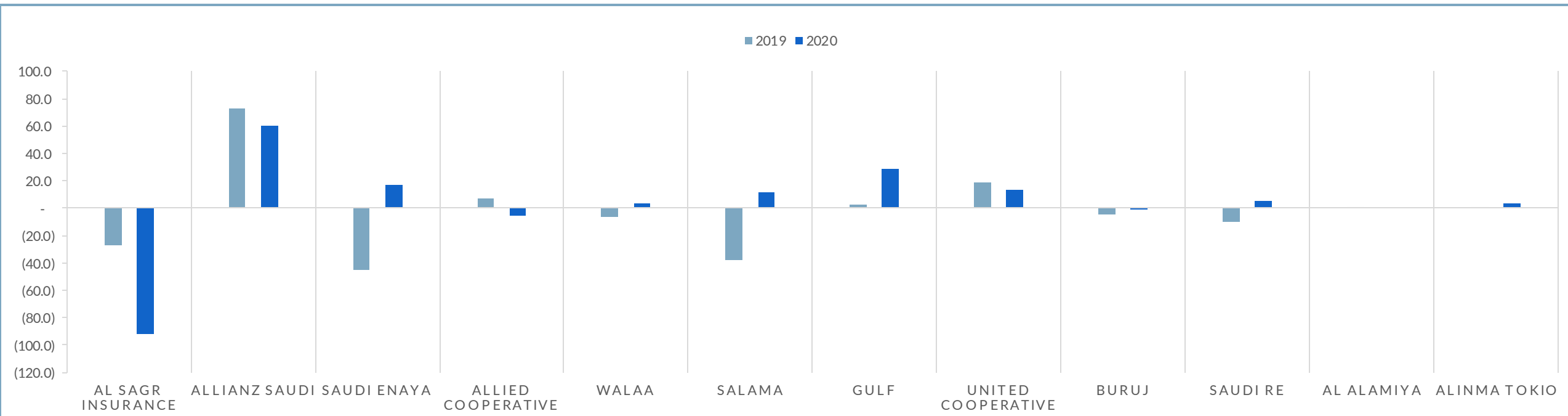
Combined Ratio was the highest for Al Alamiya (183%) and was the lowest for Alinma Tokio (-113%). 13 out of 22 companies had a combined ratio of more than 100%. Combined Ratio for Alinma Tokio is negative due to its negative loss ratio.

Net UW Profit/(Loss) – Top 10 Companies

Bupa Arabia had the highest Net Underwriting Profit/(Loss) in both the year with no substantial difference in the two years (SAR 1.4 billion). Tawuniya's Net Underwriting Profit doubled to about 600 million. Al Rajhi was able to improve its position from a net underwriting loss in 2019 to a net underwriting profit in 2020.

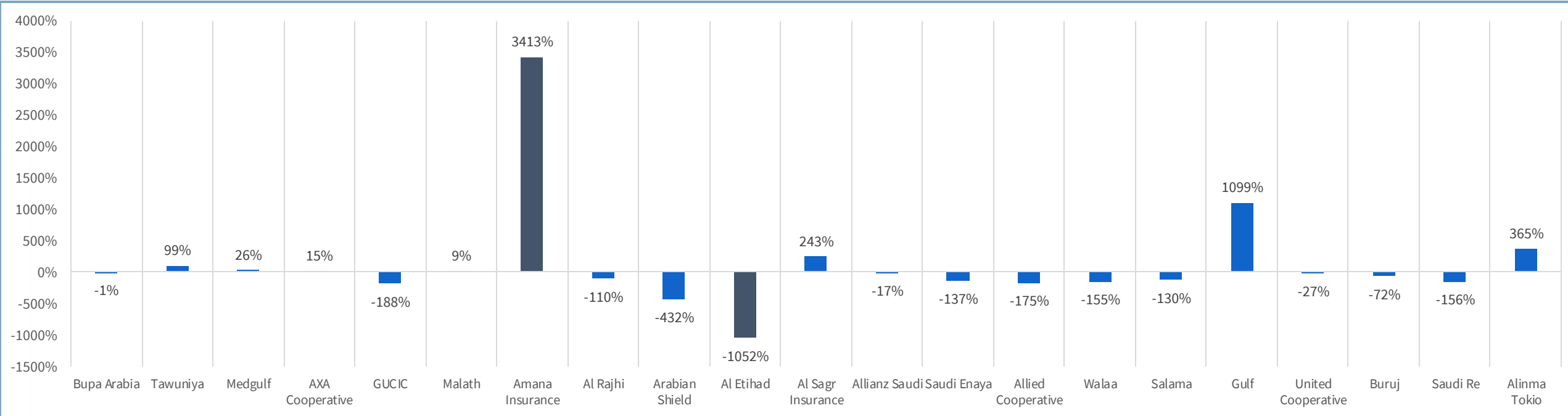


Net UW Profit/(Loss)– Other Companies



The highest net underwriting profit was for Allianz Saudi in both 2019 and 2020. In 2019, the highest net loss was Saudi Enaya and the highest net loss in 2020 was for Al Sagr Insurance.

Net UW Profit/(Loss) – Movement



The highest change was experienced by Amana Insurance, followed by Gulf and Al Eithad, while there was about negligible change in Bupa Arabia. As GUCIC, Al Rajhi, Arabian Shield, Al Etihad, Saudi Enaya, Wala and Saudi Re moved from negative to positive, the movement is with a negative sign. Buruj had a net loss in 2019 and the loss reduced in 2020, thus the change is shown as negative.



Meet the Team

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Muhammad Maaz Ahmed
Actuarial Trainee

SHMACONSULTING

Feedback

SHMA Consulting is proud to present Medical Insurance Industry Analysis – Kingdom of Saudi Arabia for the Year-End 2020. We have a dedicated and talented pool of individuals to bring you industry insights in the form of this report.

We welcome your feedback on the analysis presented in this report.



<https://www.linkedin.com/company/shma-consulting/>



www.shmaconsulting.com

About Us

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997.



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