

SHMACONSULTING



**Insurance Industry**

Kingdom of Saudi Arabia

**2020**





## 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

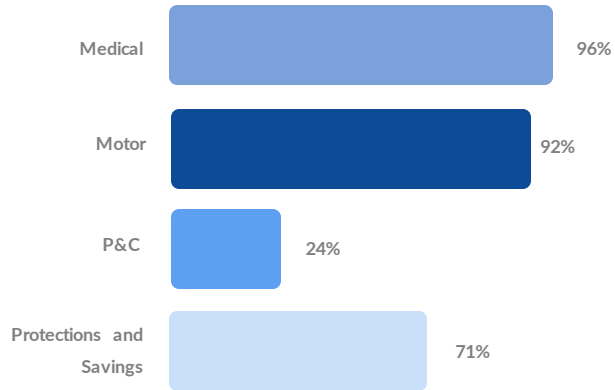
### ERM and Capital Modeling

## Limitations and Disclaimers

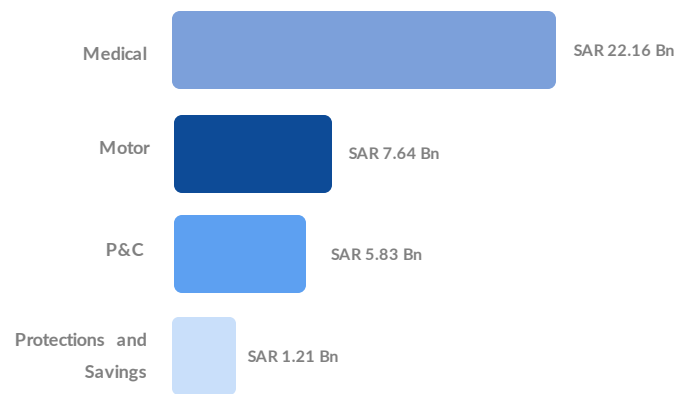
- ❖ The data used for the preparation of this report has been collected from Tadawul. The data was extracted from the financial statements of the listed companies.
- ❖ Due to the unavailability of Financial Statements of some of the listed companies, or the presence of Arabic Financials for those companies, the data could not be extracted, and to preserve uniformity, 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 Wala 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 are excluded in our analysis.

# Performance Highlights

## Retention Ratios



## Gross Premium by Sector

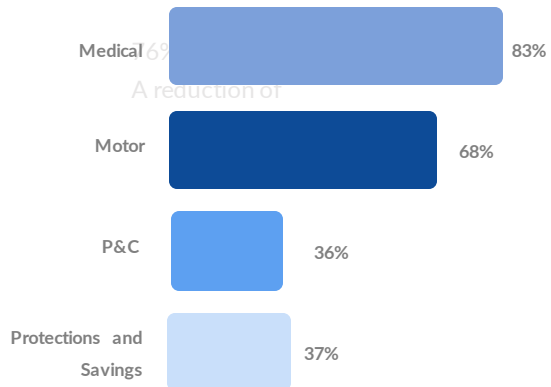


Total Gross Written Premium

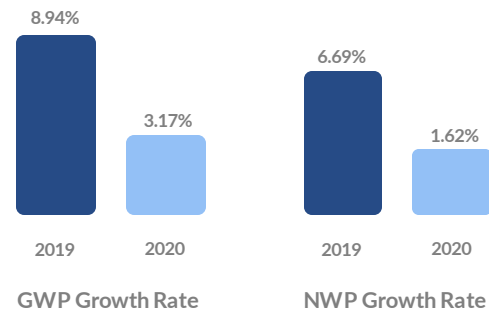
**SAR 36.84 Bn**

▲ +3.17%

## Loss Ratios



## Premium Growth Rate



Total Profit / (Loss)  
**SAR 1.38 Bn**



Total Assets

**SAR 63.131 Bn**

▲ +10.59%

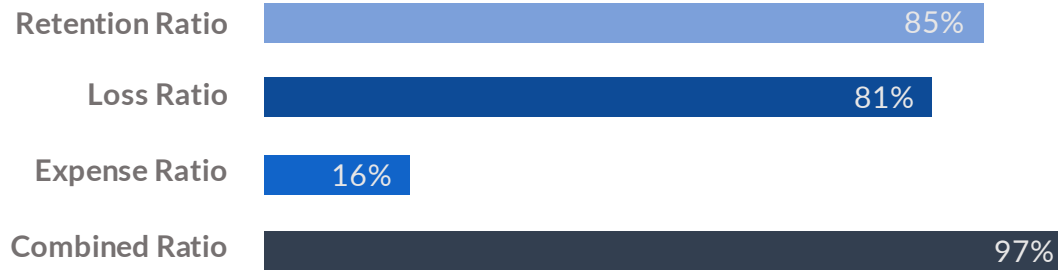
## Industry Highlights

- ❖ The merger of Al Ahlia with Gulf Union took place in December 2020 and Gulf Union Al Ahlia has published their combined Financials Statement as at 31 December 2020.
- ❖ Solidarity Saudi Takaful Company has been taken over by Al Jazira Takaful Taawuni Co. Thus, it has been removed from Tadawul and wasn't mandated to publish its financials at YE 2020. Accordingly, Solidarity has expired, and all its assets and liabilities have transferred to AJT, which entity will continue to exist. As a result of the merger deal, all the shares of Solidarity will be cancelled, and AJT will implement this by increasing its capital and issuing (12,066,403) new ordinary shares in Aljazira Takaful Company, with a par value of ten (10) riyals per share. These shares will be in favor of Solidarity shareholders, who are registered in Solidarity Shareholders Register at Edaa at the end of the trading period on Thursday 13/07/1442H (corresponding to 25/02/2021G).
- ❖ As of YE 2020, Saudi Indian Company for Cooperative Insurance announced its inability to publish its financials. Saudi Indian Cooperative Insurance Company has already filed for bankruptcy and its financials are not available on Tadawul.

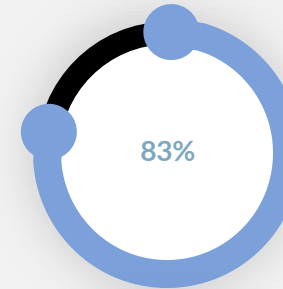
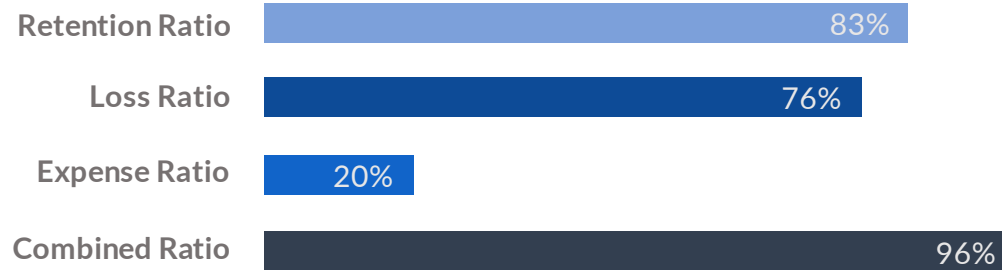


# Industry Benchmarks

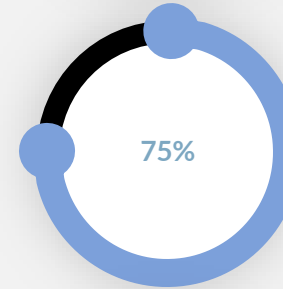
2019



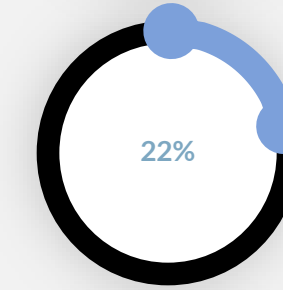
2020



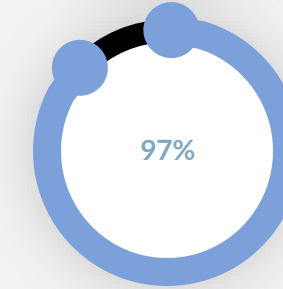
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio



Weighted Average Combined Ratio

## 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.



# Impact of Covid-19

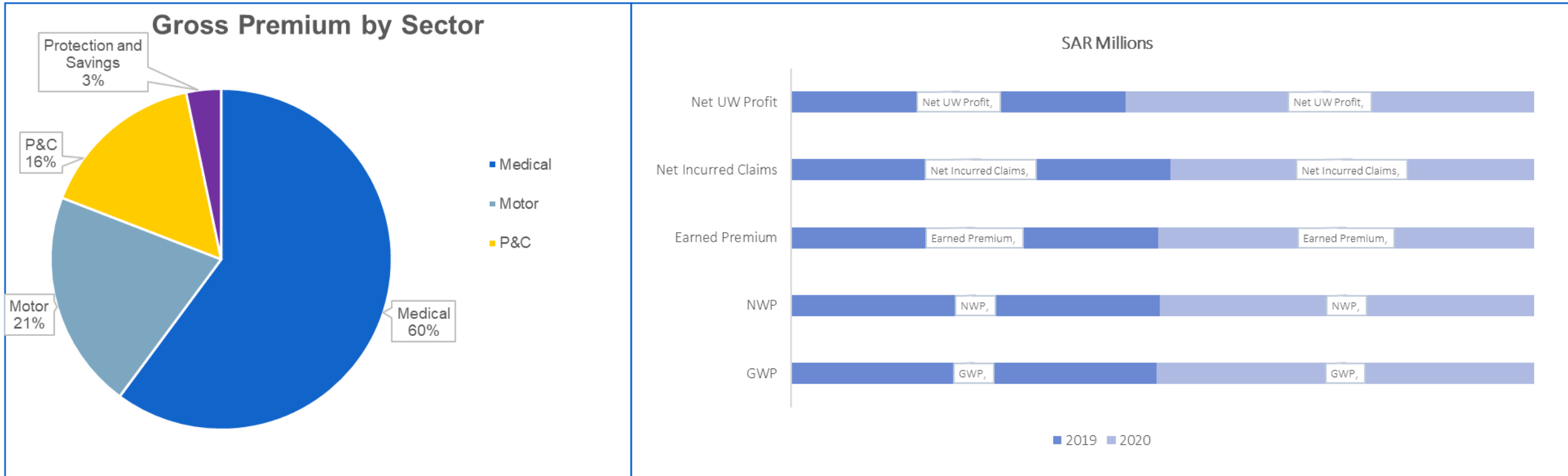
## *Medical*

- ❖ 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.

## *Motor*

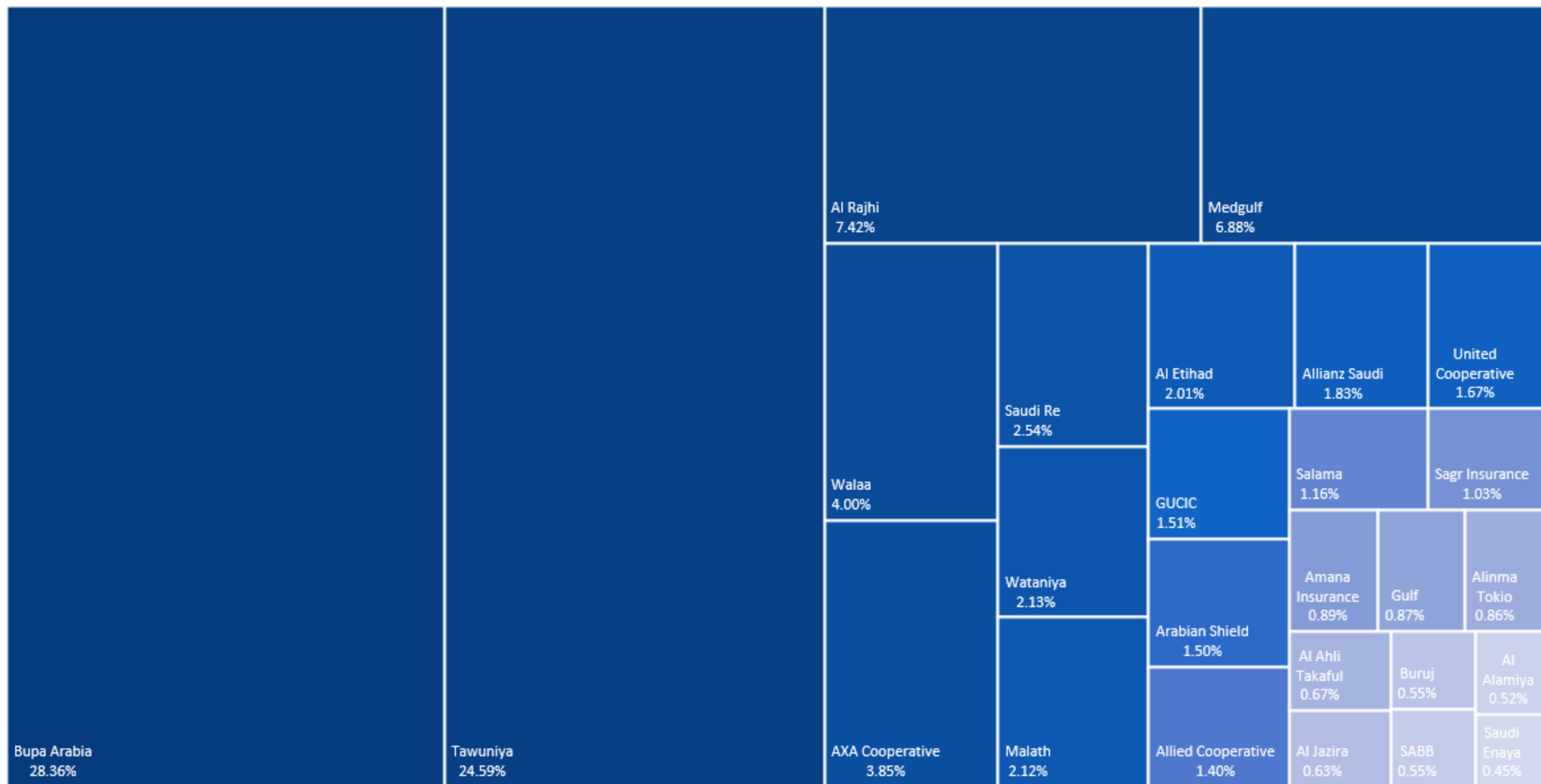
- ❖ In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurers in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurers to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.
- ❖ The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded that the insurer considers the extension of two months in exiting motor policies as a new policy and recorded a premium deficiency reserve based on the expected claims for the extended 2 month period.
- ❖ For new retail motor policies issued as per above circular, the premium is earned over the period of 12 months as the impact of earnings over the period of coverage. i.e. 14 months are not considered significant by the management as no significant policies were written during that period.
- ❖ The insurer has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at a segmented level for the motor line of business and recorded a Contribution deficiency reserve.

# Aggregate Performance



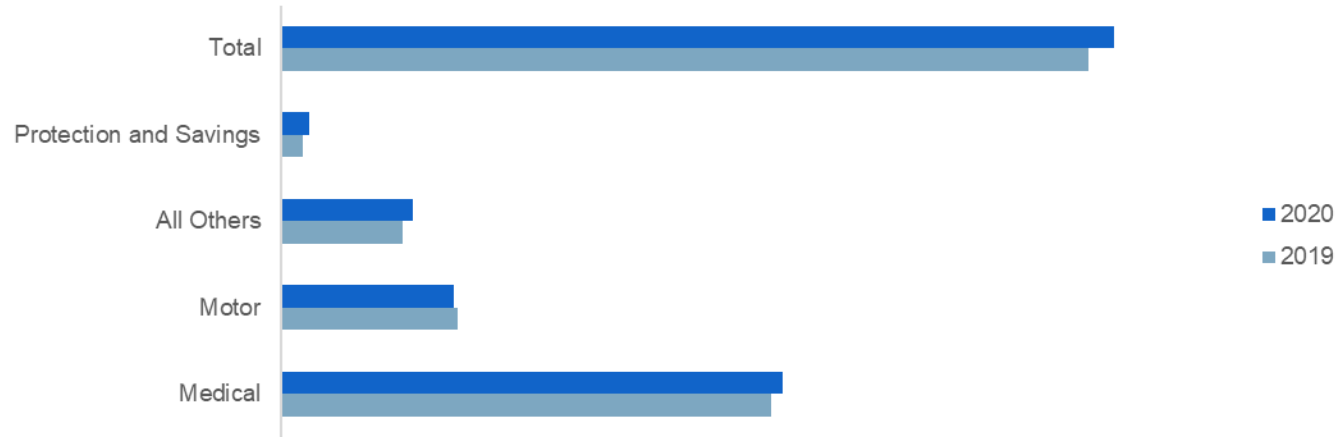
Medical line of business generates the highest business (60%), followed by Motor line of business (21%). In addition to this it can be noticed that the GWP grew by 3.17% and NWP grew by 1.6%. The net underwriting profit in 2020 increased by about 22% when compared to 2019.

## Market Share Proportion

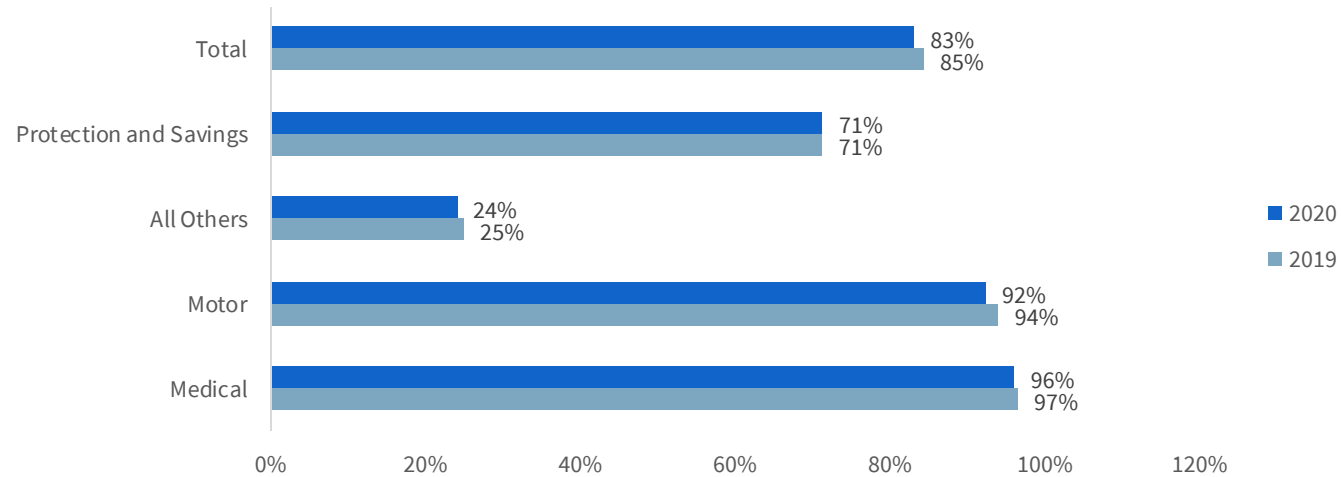


# GWP and Rankings

Gross Written Premium (SAR Millions)



Retention Ratio



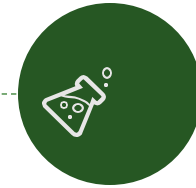
1. Bupa Arabia	—	17. Al Sagr Insurance	▼
2. Tawuniya	—	18. Amana Insurance	▲
3. Al Rajhi	—	19. Gulf Union	▲
4. Medgulf	—	20. Alinma Tokio	▼
5. Wala	▲	21. Al Ahli Takaful	▲
6. AXA Cooperative	▼	22. Al Jazira	▲
7. Saudi Re	▲	23. Buruj	▼
8. Wata niya	▲	24. SABB	—
9. Malath	—	25. Al Alamiya	▼
10. Al Etihad	▼	26. Saudi Enaya	▼
11. Allianz Saudi	▼		
12. United Cooperative	▲		
13. GUCIC	▼		
14. Arabian Shield	▼		
15. Allied Cooperative	▼		
16. Salama	▼		

# Premium Composition Top 10 vs Other Companies



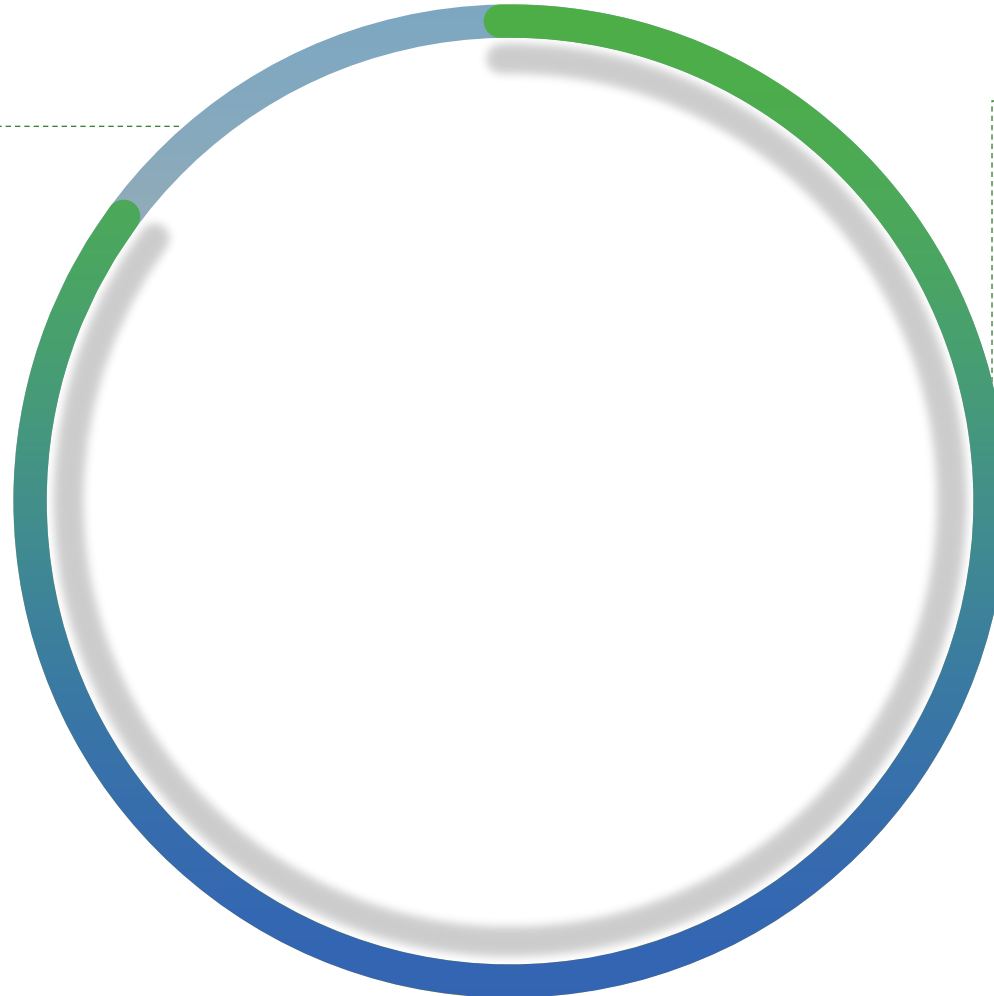
## Other Companies

All other companies' make up the remaining 16% of Market share



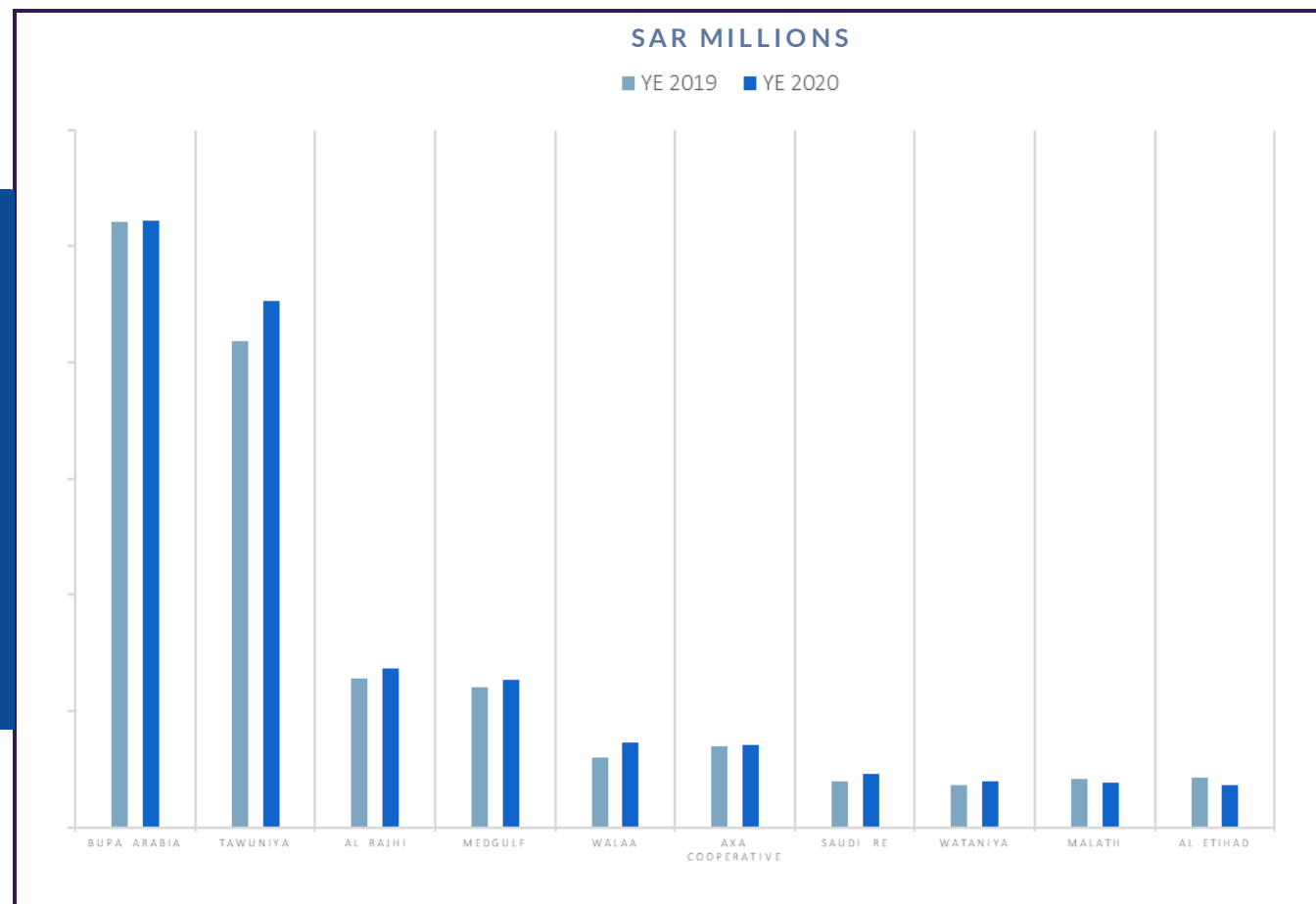
## Top 10 Companies

The top 10 companies' make up an overwhelming 84% of Market share

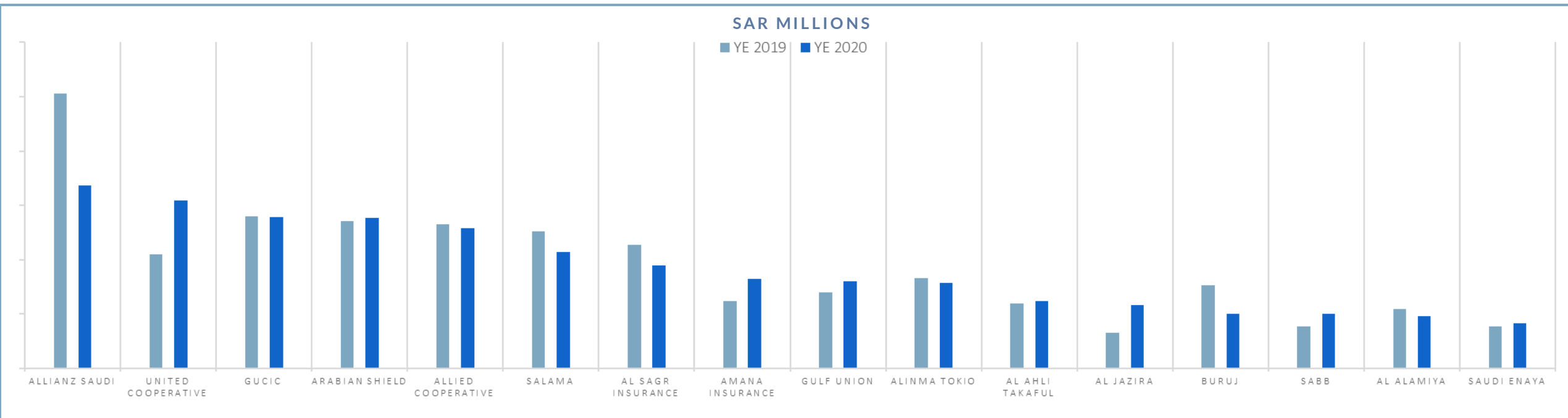


## Gross Written Premium – Top 10 Companies

Bupa Arabia captured the biggest market share of 29.2% in 2019 and 28.4% in 2020 followed by Tawuniya with 23.5% and 24.6% for the years 2019 and 2020 respectively. The smallest market share was for Wataniya (2.1%) for 2019 and Al Etihad for 2020 (2.0%).



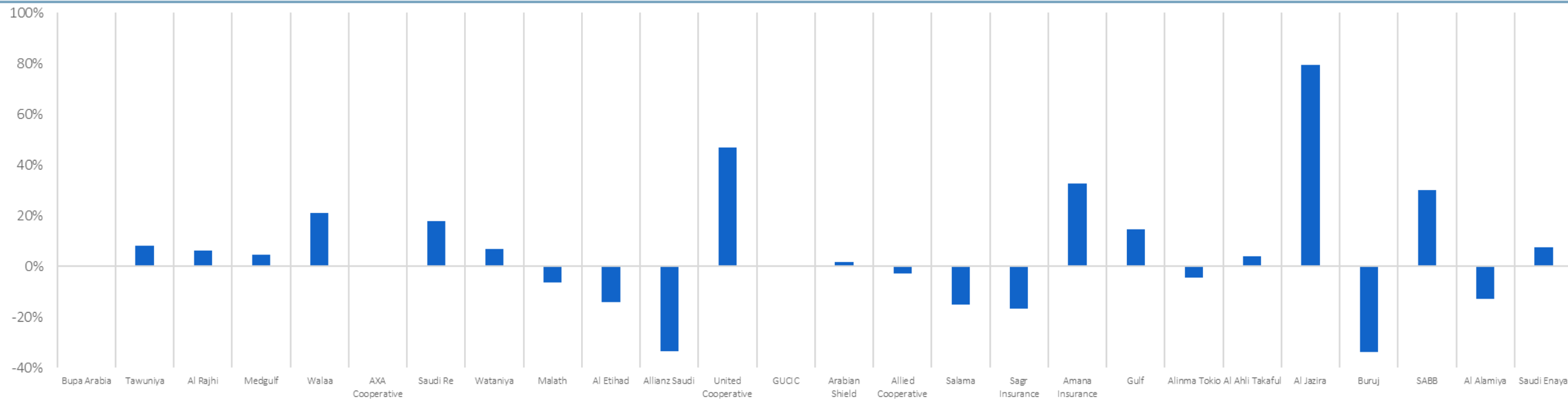
## Gross Written Premium – Other Companies



Allianz Saudi was among the top 10 companies in 2019, however, its market share declined to 1.8%. Allianz still has the biggest market share among the other companies. United Cooperative experienced an increase in its market share and if this trend goes on, it may outperform Allianz as currently the difference in their market shares is not significant (0.1%). Saudi Enaya had the smallest market share in both, 2019 and 2020.



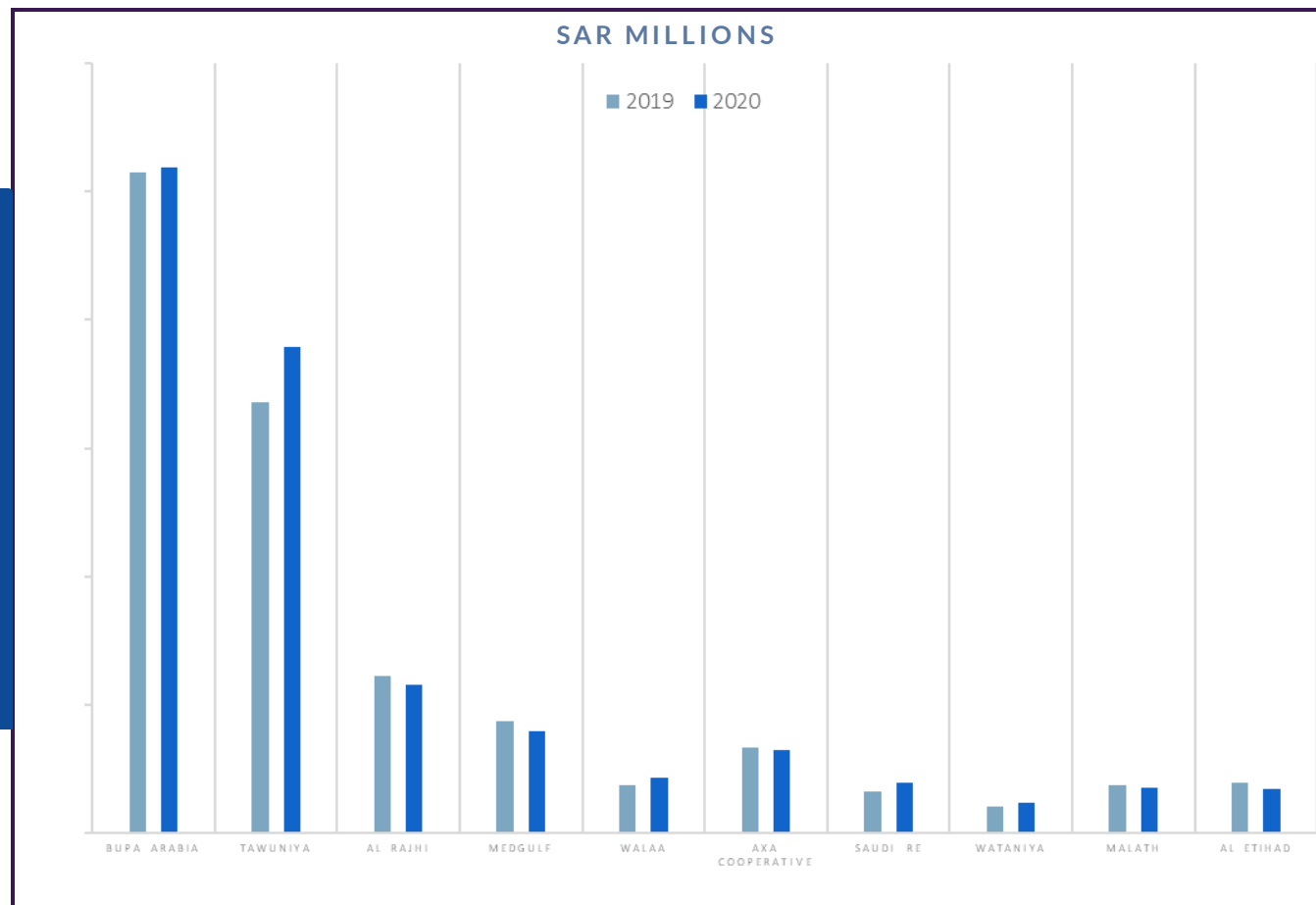
## Gross Written Premium – Movement



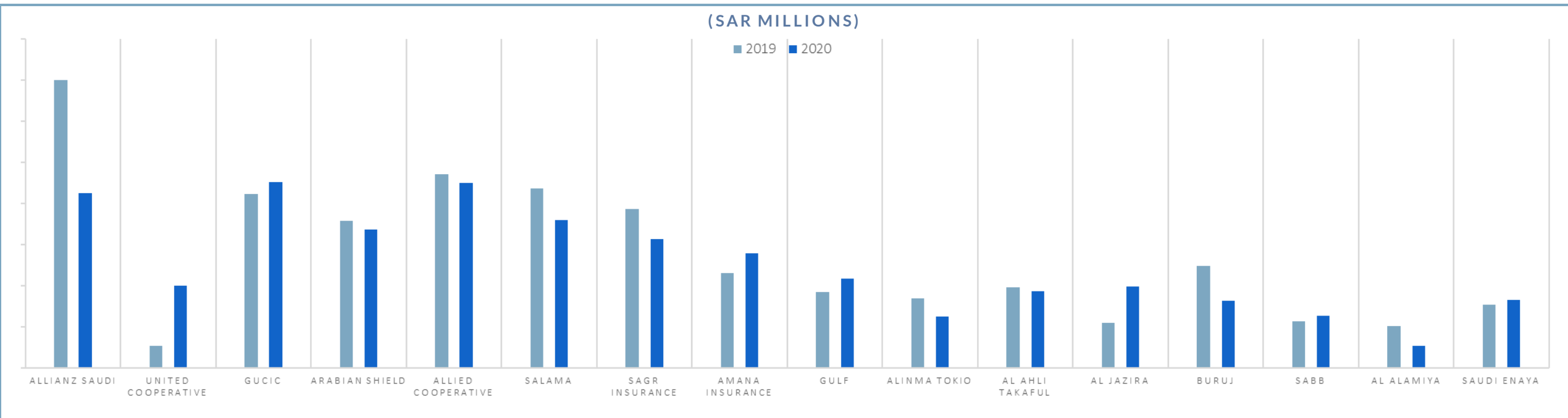
Al Jazira experienced the highest growth in its gross premium (80%) while Buruj experienced a decrease in its gross premium (-34%). It can be noted that the range of growth among the top 10 companies is relatively narrow and stable when compared to other companies. 8 out of the 10 'top 10' companies experienced non-negative growth in their GWP.

## Net Written Premium – Top 10 Companies

Bupa Arabia captured the highest market share of 34.15% in 2019 and 33.86% in 2020 followed by Tawuniya with 22.24% and 24.68% for the years 2019 and 2020 respectively.

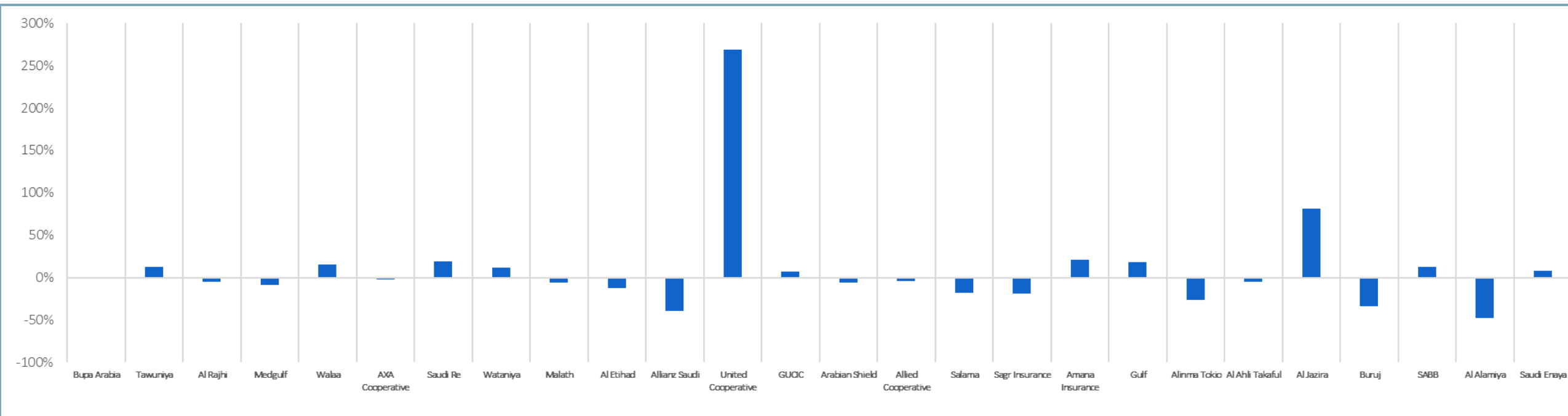


## Net Written Premium – Other Companies



Among the remaining companies, the highest net written premium for the year 2019 was of Allianz Saudi (SAR 700 million), while the lowest was for United Cooperative (SAR 54 million). For 2020, the highest Net Written Premium was for GUCIC (452 million), while the lowest Al Alamiya (54 billion). Allianz Saudi experienced the highest decline (in amount), while United Cooperative experienced a 4 times increase in its net written premium.

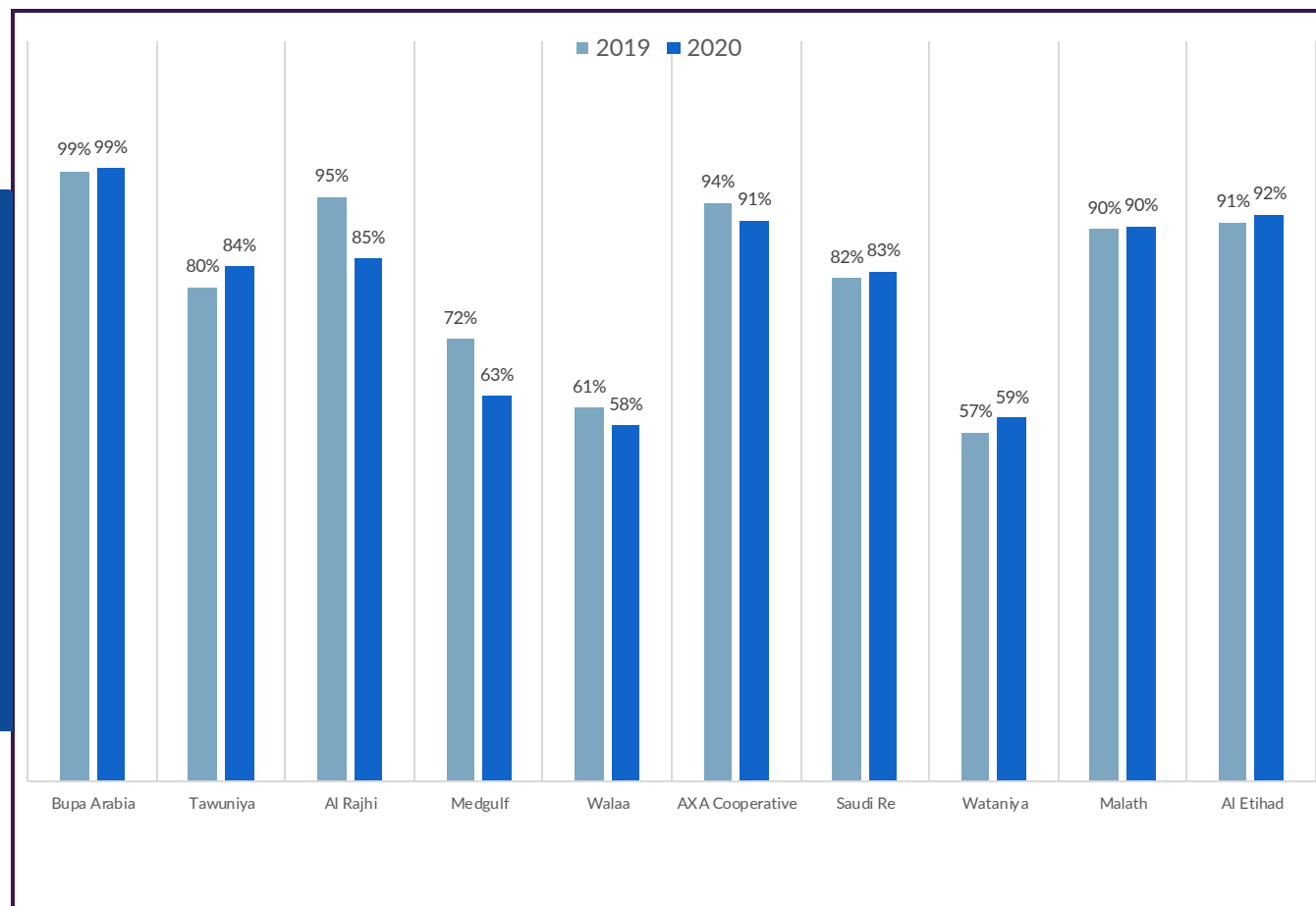
## Net Written Premium – Movement



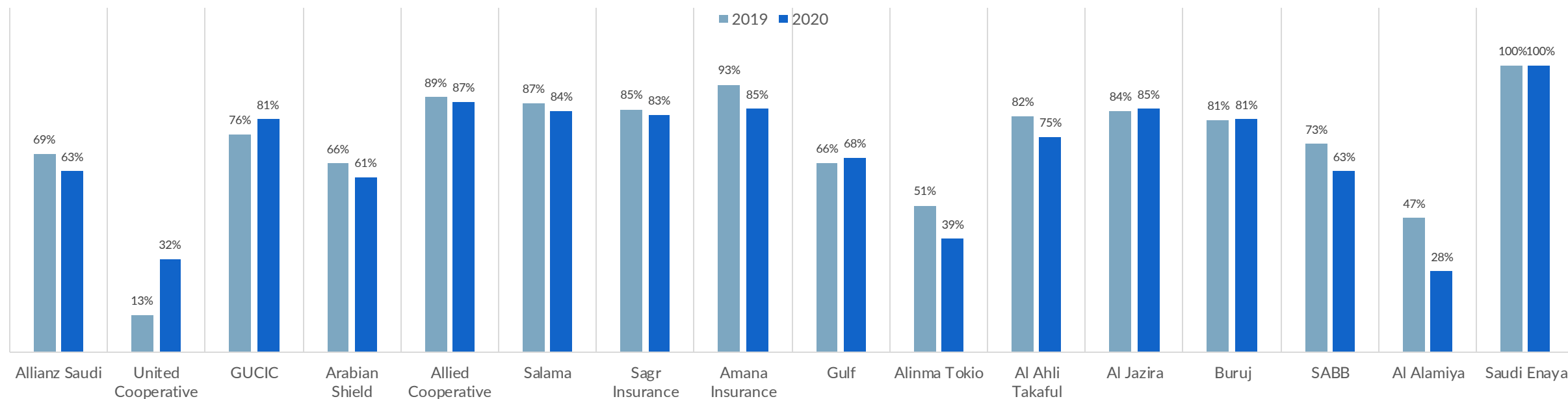
Net Written Premium grew the most for United Cooperative (269%) and declined the greatest for Al Alamiya (-48%). Net Written premium for United Cooperative increased drastically because of the increase in its retention ratio which increased by about 2.46 times.

## Retention Ratios - Top 10 Companies

The chart shows Bupa Arabia almost fully retained its business (99%), while the lowest retention ratio being 58% for Walaa. Retention ratios were stable for most of the companies, with the highest change being 10% for Al Rajhi.



## Retention Ratios - Other Companies

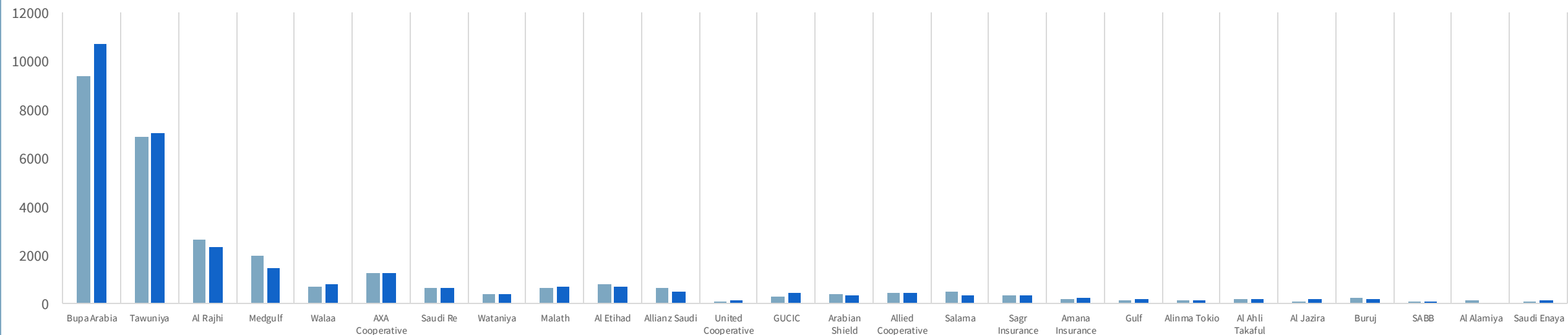


On an aggregate basis, the weighted average retention ratio is 83%. The highest retention ratio being 100% for Saudi Enaya and the lowest being 28% for United Cooperative (2020). Retention ratio for United Cooperative increased by 19% while Al Alamiya had its retention ratio decreased by 19%. For all other companies, the retention ratios do not vary greatly.

# Net Earned Premium

(SAR MILLIONS)

■ 2019 ■ 2020

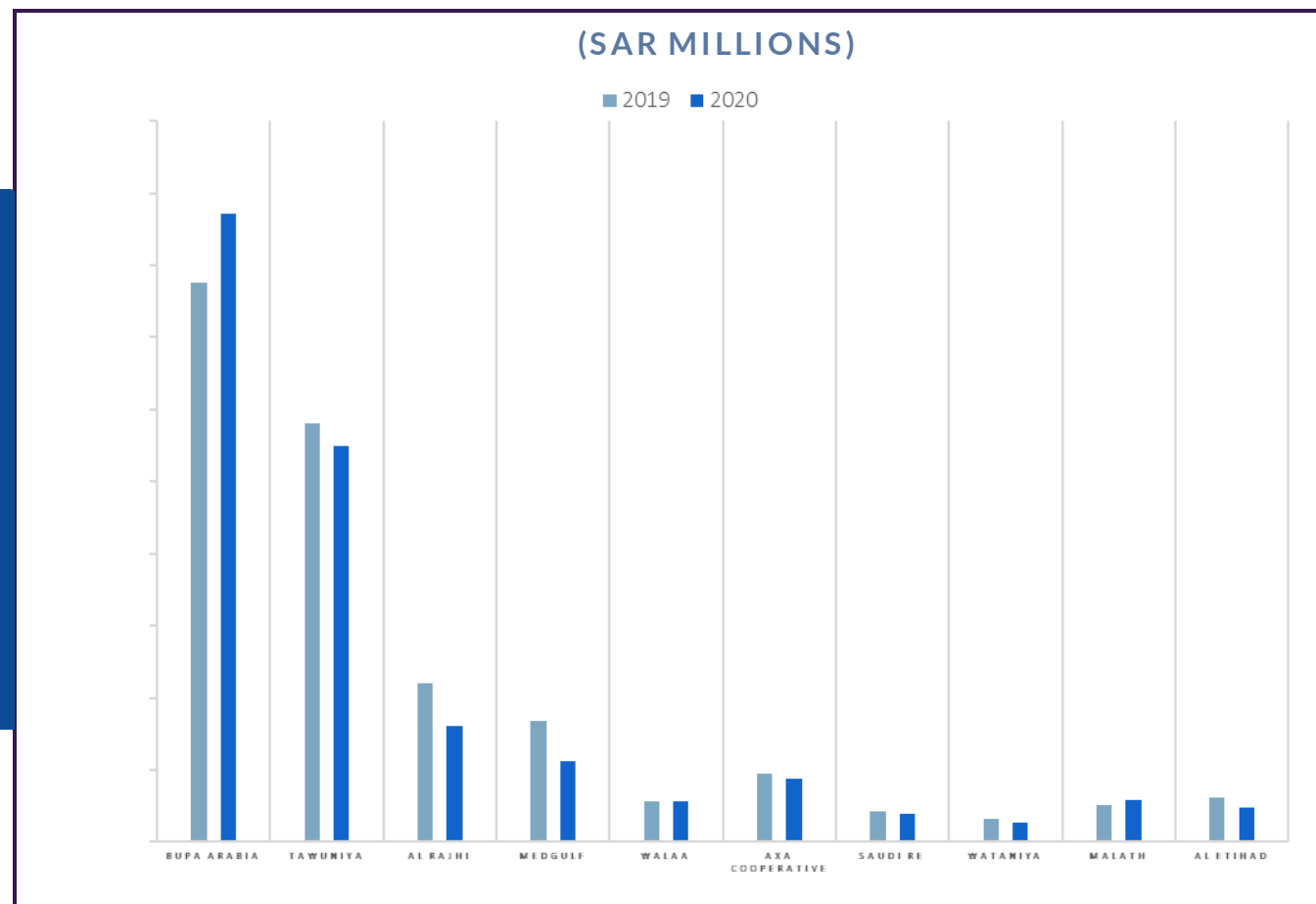


Net Earned Premium neither vary greatly by year nor by line of business. The highest Net Earned Premium is for Bupa Arabia in both the years followed by Tawuniya while the lowest being for Al Alamiya.

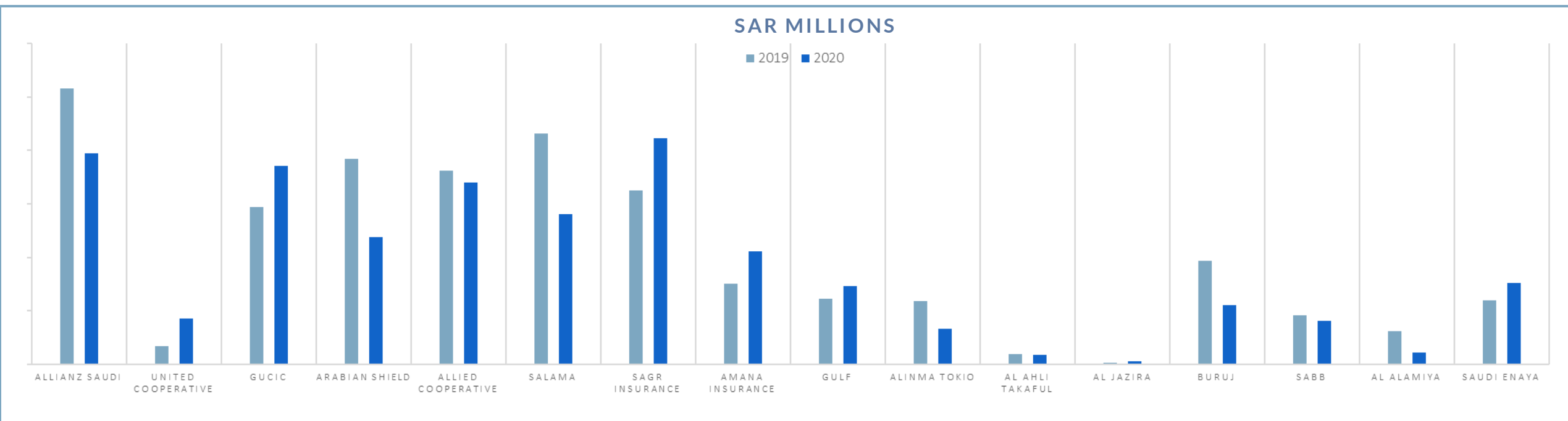


## Net Incurred Claims - Top 10 Companies

Bupa Arabia had the highest net incurred claims of 7,749 million and 8,720 million in 2019 and 2020 respectively while Wataniya had the lowest net incurred claims of 316 million and 264 million in 2019 and 2020 respectively. Net Incurred Claims increased for Bupa Arabia while for all the other top 10 companies, Net Incurred Claims decreased.



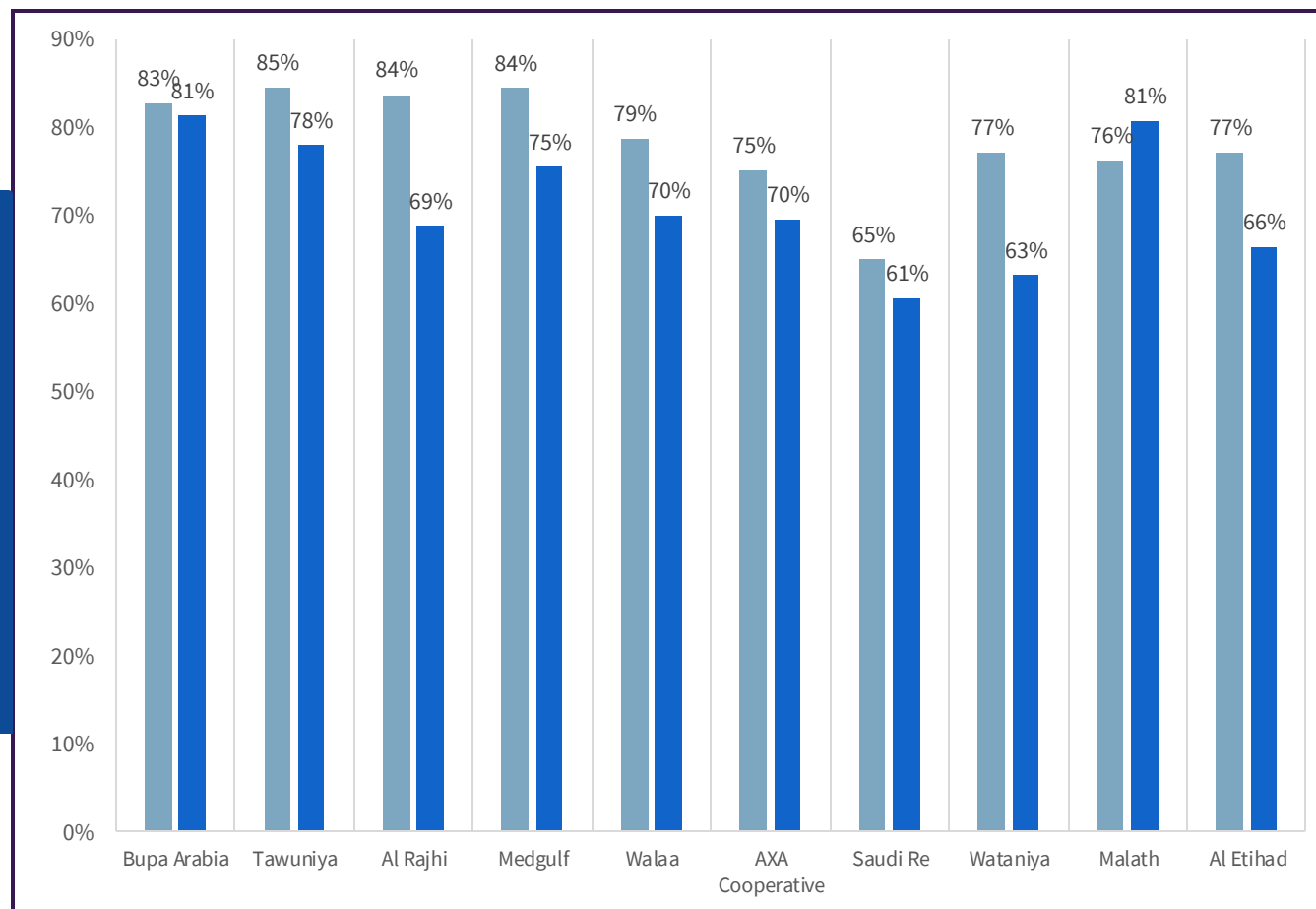
## Net Incurred Claims - Other Companies



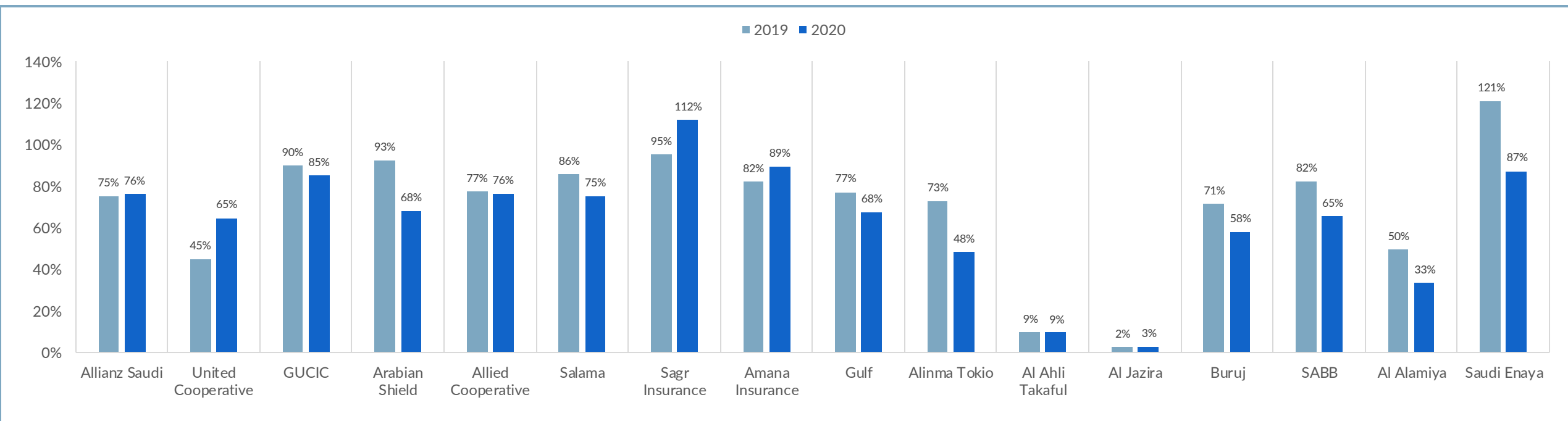
Allianz Saudi had the highest net incurred claims of 516 million in 2019 and Al Sagr Insurance had the highest net incurred claims of 422 million in 2020. Al Jazira had the lowest net incurred claims of 2 million and 6 million in 2019 and 2020 respectively.

## Loss Ratios - Top 10 Companies

The highest loss ratio for 2019 was for Tawuniya being 85% and lowest was for Saudi Re, being 65%. For the year 2020, loss ratio was the highest for Malath and Bupa Arabia (81%) with the lowest being 69% for Al Rajhi. The loss ratios usually decreased for most of the top 10 companies with the largest reduction being 15% for Al Rajhi. Loss ratio only increased Malath with the increase being 5%.



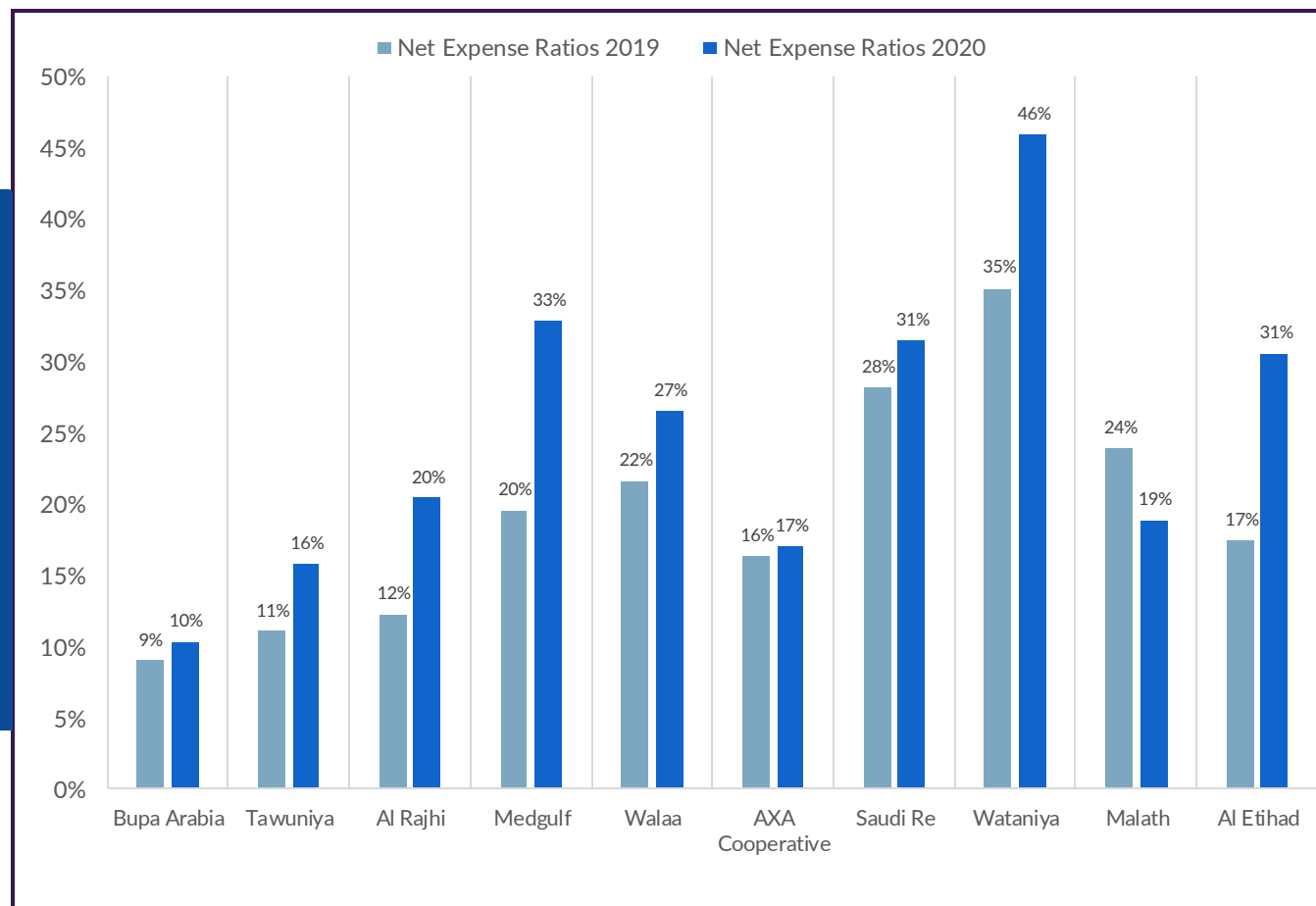
## Loss Ratios – Other Companies



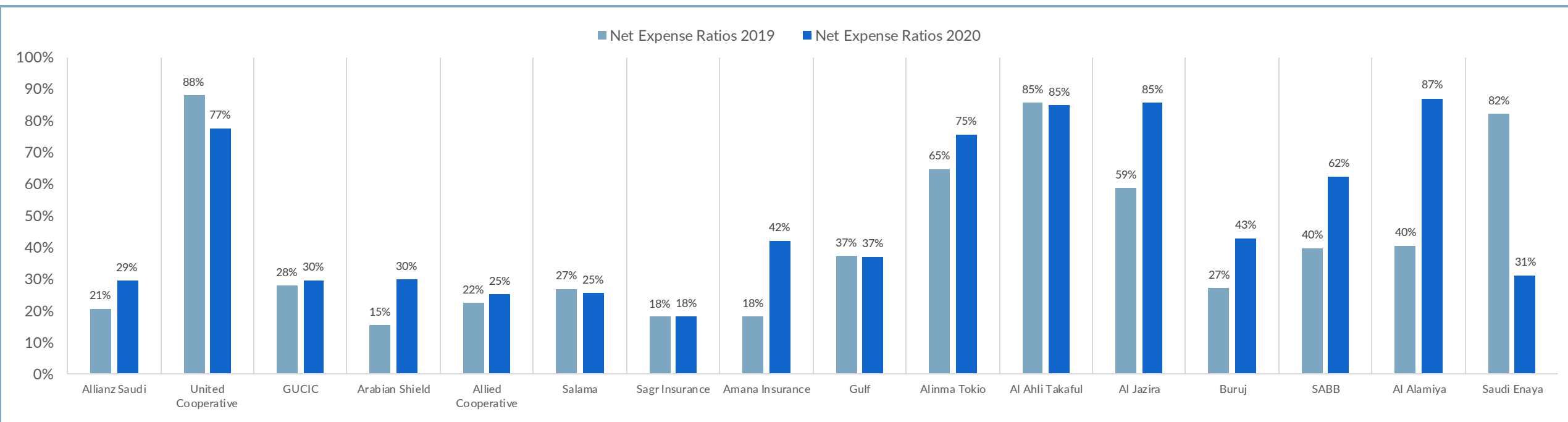
The loss ratios for other companies has been summarized in the above chart. For the year 2019, the highest loss ratio was for the Saudi Enaya (121%) and the lowest being for Al Jazira (2%). For the year 2020, the highest loss ratio was of Al Sagr (112%) and lowest was for Al Jazira (3%). The highest reduction in loss ratios was for Saudi Enaya (34%), while the highest increase was for United Cooperative (20%).

## Expense Ratios - Top 10 Companies

Expense ratio was the highest for Wataniya and was the lowest for Bupa Arabia in both the years. The expense ratio increased for all the top 10 companies except Malath for which it decreased by 5%. Al Etihad experienced the highest increase in its expense ratio of about 14%.



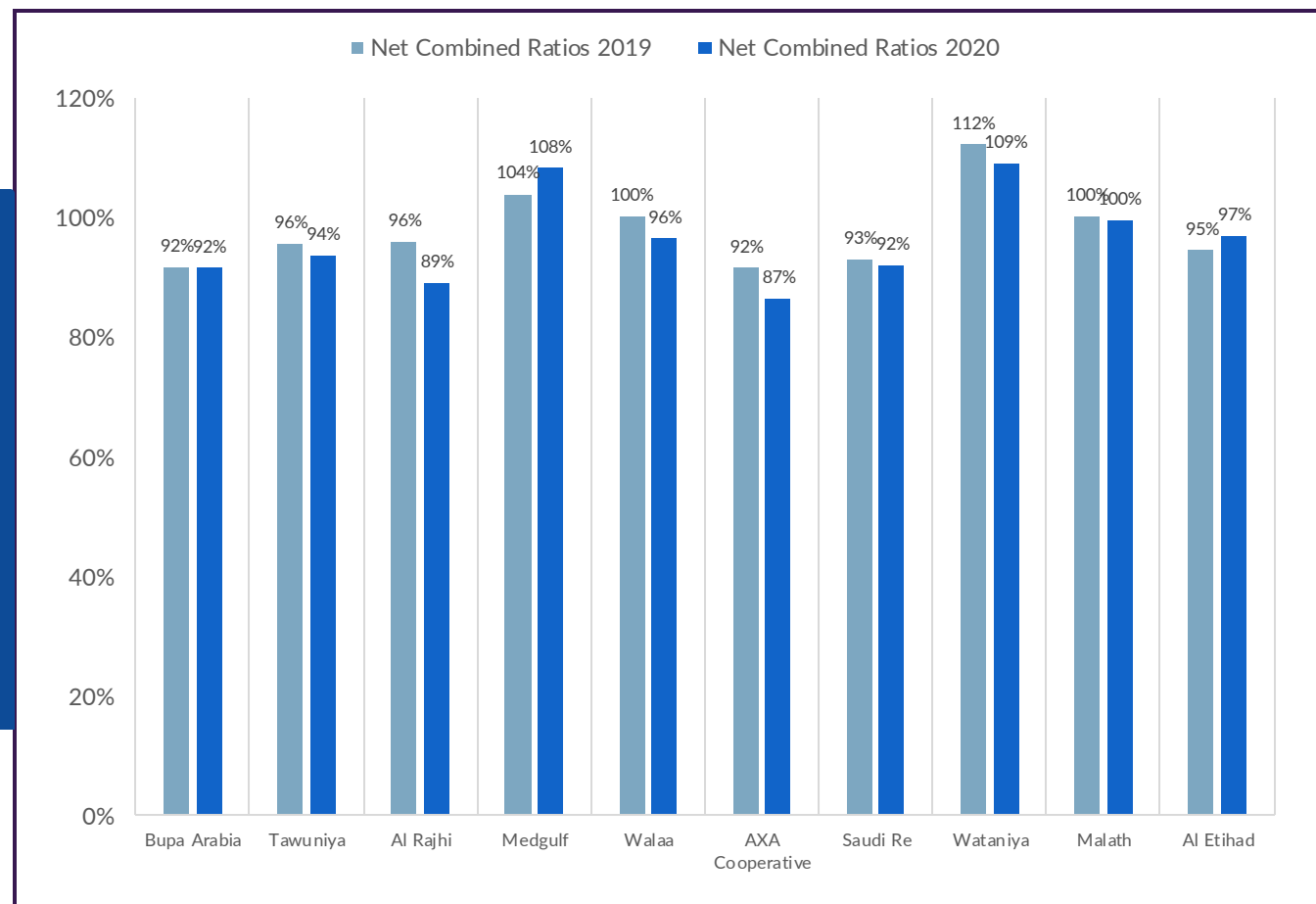
## Expense Ratios - Other Companies



The highest expense ratio in 2019 was for United Cooperative (88%) and the lowest was for Arabian Shield (15%). For 2020, the highest expense ratio was for Al Alamiya (87%) and the lowest was for Al Sagr Insurance (18%). Expense ratios for the top 10 companies are significantly lower than other companies.

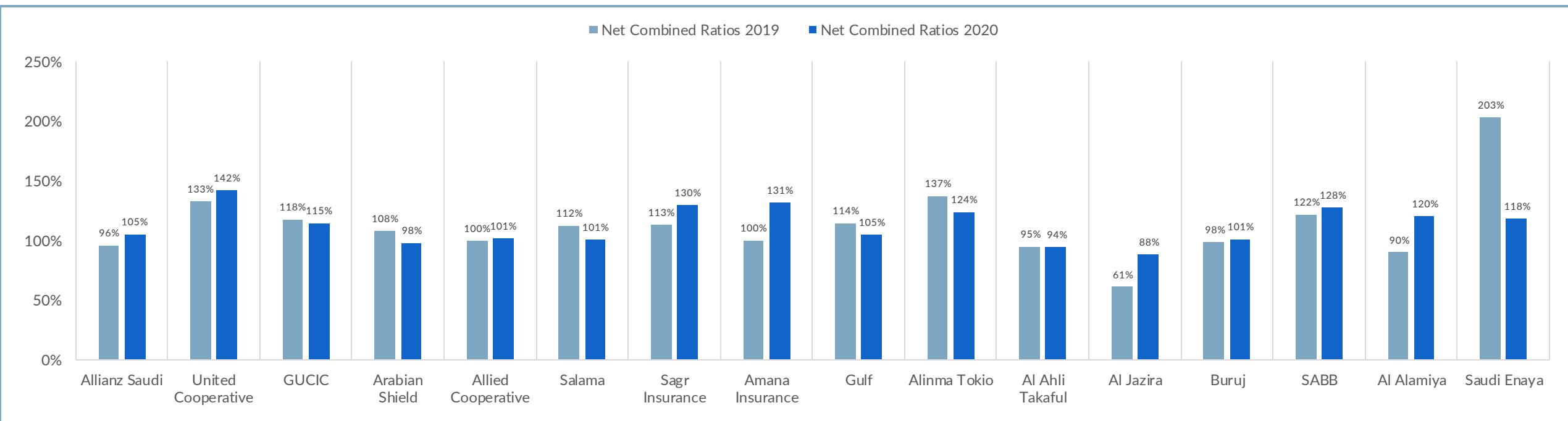
## Combined Ratios - Top 10 Companies

For the year 2020, the highest combined ratio was for Wataniya (109%) and the lowest was for AXA Cooperative (87%). Net Combined Ratios were high in 2019 with Wataniya, Malath, Walaa and Medgulf having a combined ratio of about 100% or above. Combined ratios declined for most of the top 10 companies, reducing the number of companies that have a combined ratio of 100% or more from 4 to 3. The difference between the Combined ratios of 2019 and 2020 were insignificant.





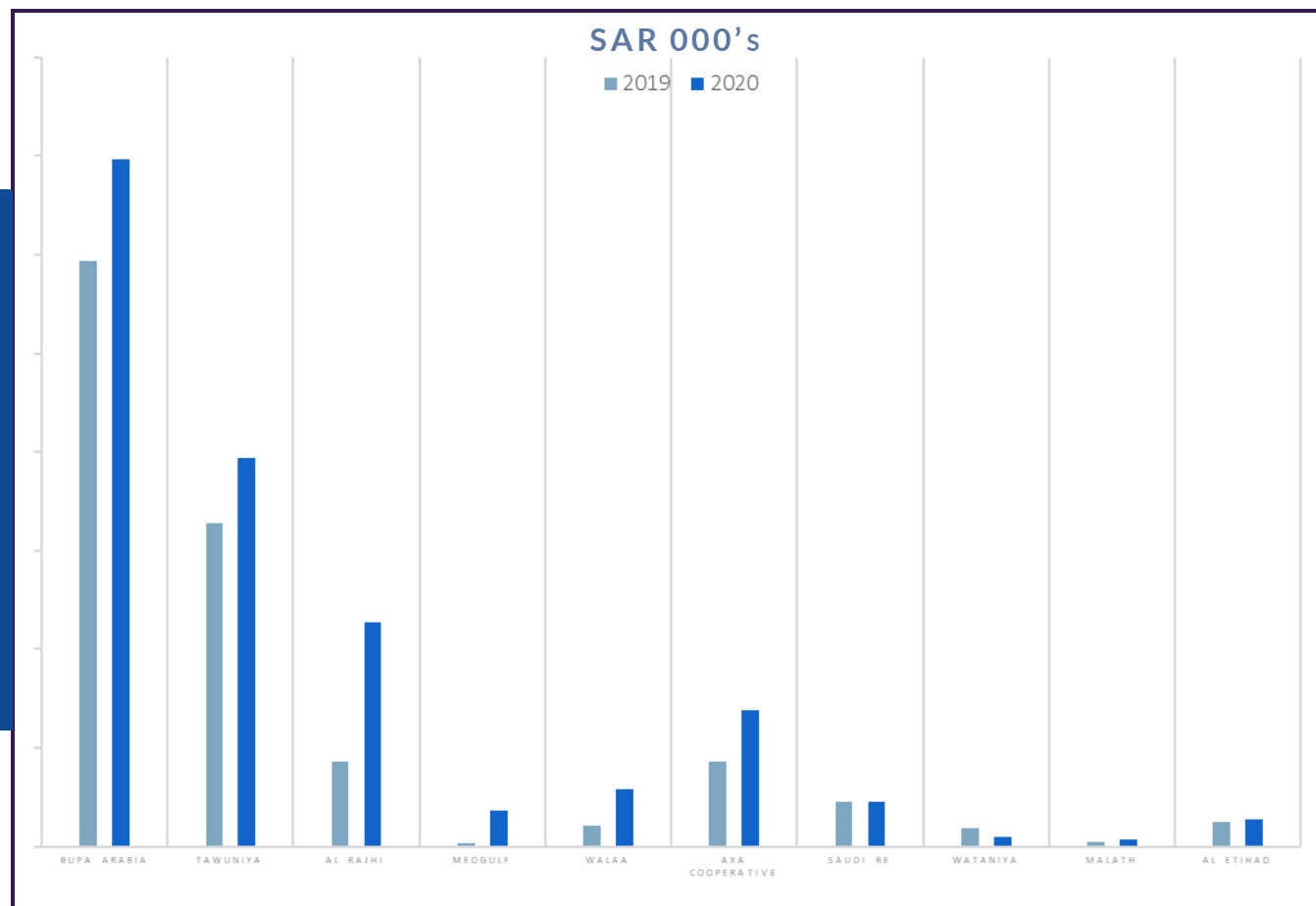
## Combined Ratios - Other Companies



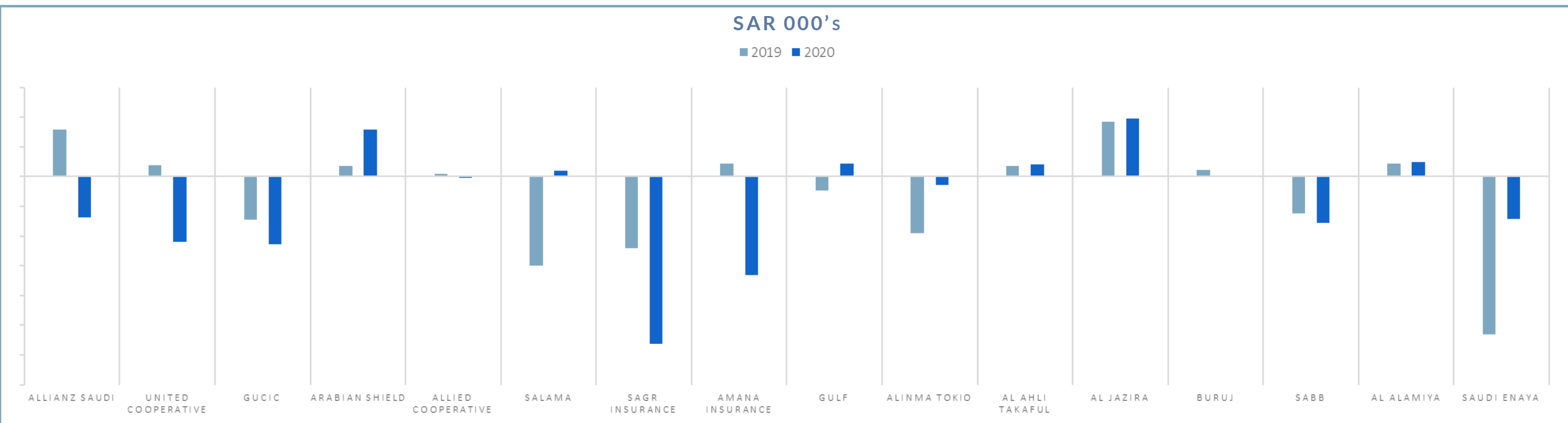
Combined ratio for most of the other companies were higher than 100% in both years. Saudi Enaya had a combined ratio of 203% in 2019 and although it was able to greatly reduce its combined ratio to 118%, it still is higher than 100%. The lowest combined ratio was for Al Jazira being 61% in 2019 and 88% in 2020. Amana Insurance and Al Alamiya Insurance experienced an increase of about 30% in their combined ratios.

## Net Profit and Loss - Top 10 Companies

Bupa Arabia had the highest Net Profit in year 2019 and it was further able to increase it from 593 million to 696 million, retaining its position. The lowest net profit in 2019 was for Medgulf, however, it as able to increase its net profit by about 12 times in 2020, giving its position of the lowest Net Profit to Malath (7.5 million) in 2020, All companies except Wataniya experienced an increase in their Net Profits.

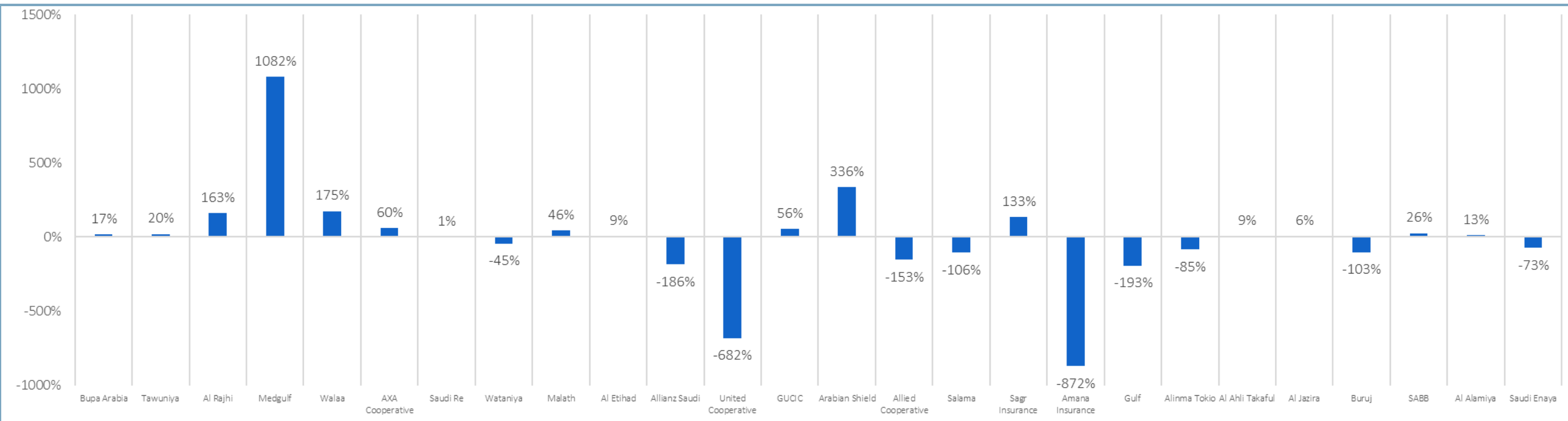


## Net Profit and Loss - Other Companies



Unlike the top 10 companies who had positive Net Profits, the remaining companies have net profit in both, positive and negative values. Al Jazira had the highest Net Profit of 36 million in 2019 and 38 million in 2020. The highest net loss was for Saudi Enaya in 2019 and Al Sagr Insurance in 2020. Allianz Saudi and United Cooperative had a net profit in 2019 but a net loss in 2020. Saudi Enaya was able to reduce its net loss by about 78 million in 2020.

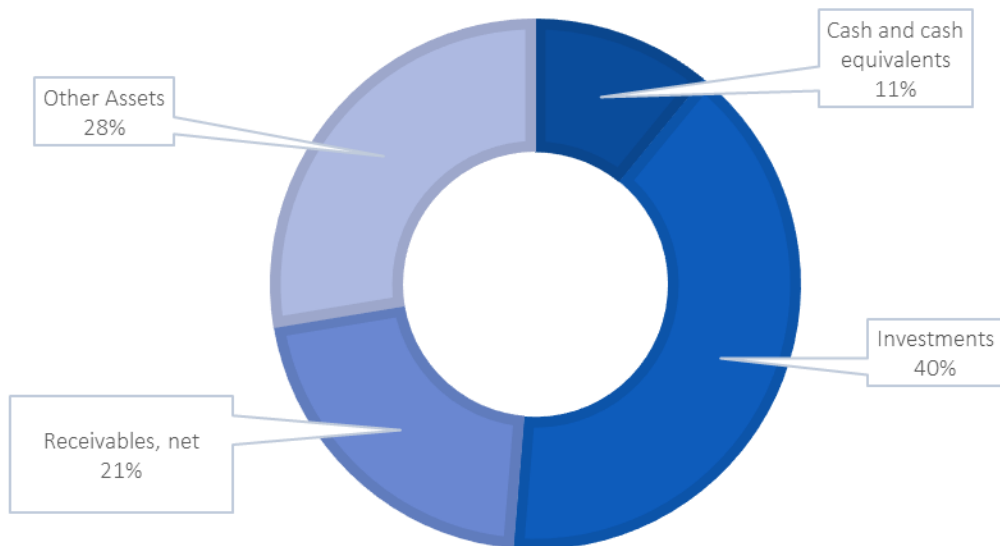
## Net Profit and Loss - Movement



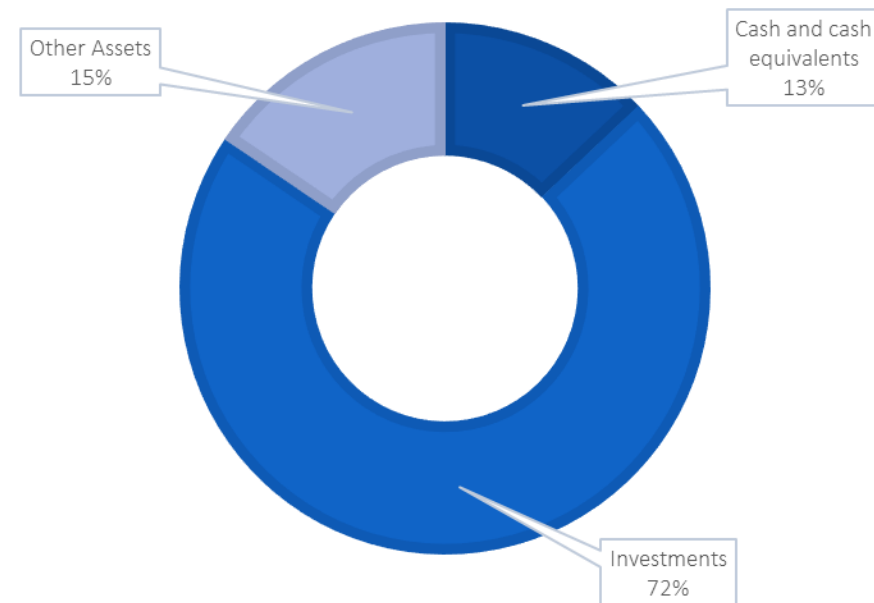
Medgulf experienced the highest growth in its net profit of about 11 times while Amana Insurance experienced a decrease in its net profit by 9 times.

## Asset Classification - Aggregate

### POLICYHOLDER ASSET CLASSIFICATION

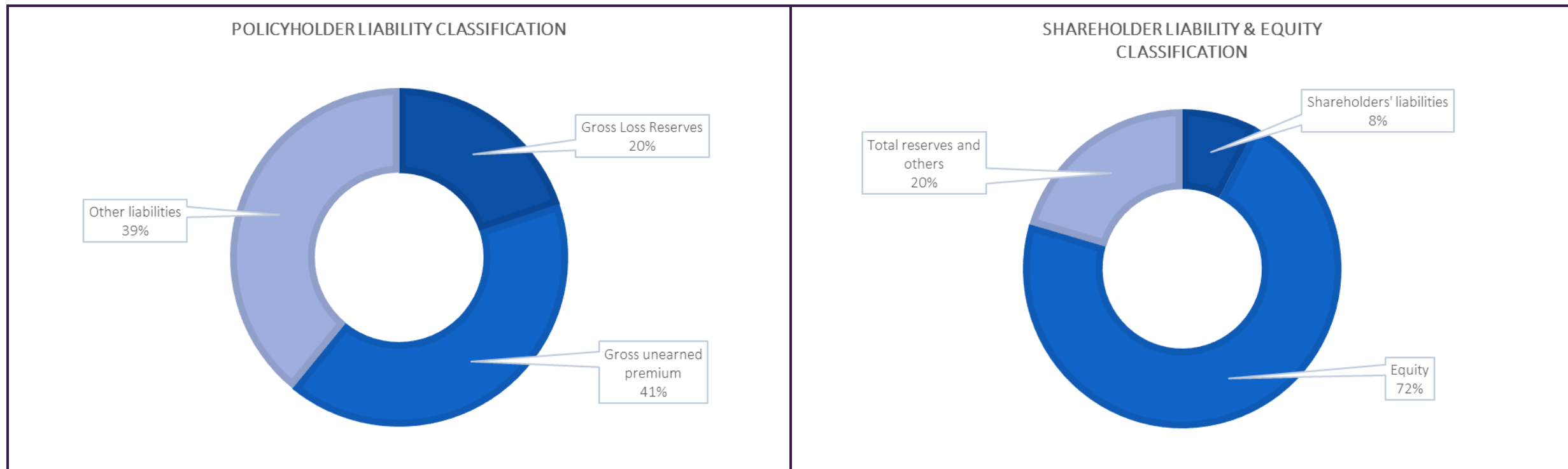


### SHAREHOLDER ASSET CLASSIFICATION



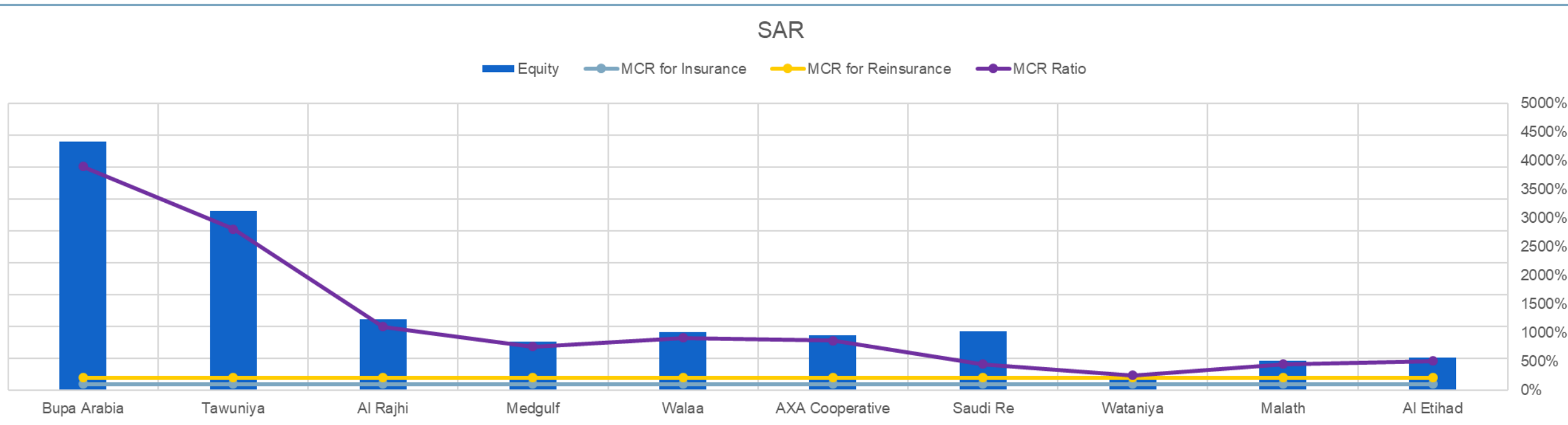
Most of the policyholder assets were kept as investments (40%), while 72% of the Shareholder Assets were kept as investments.

## Liability & Equity Classification - Aggregate



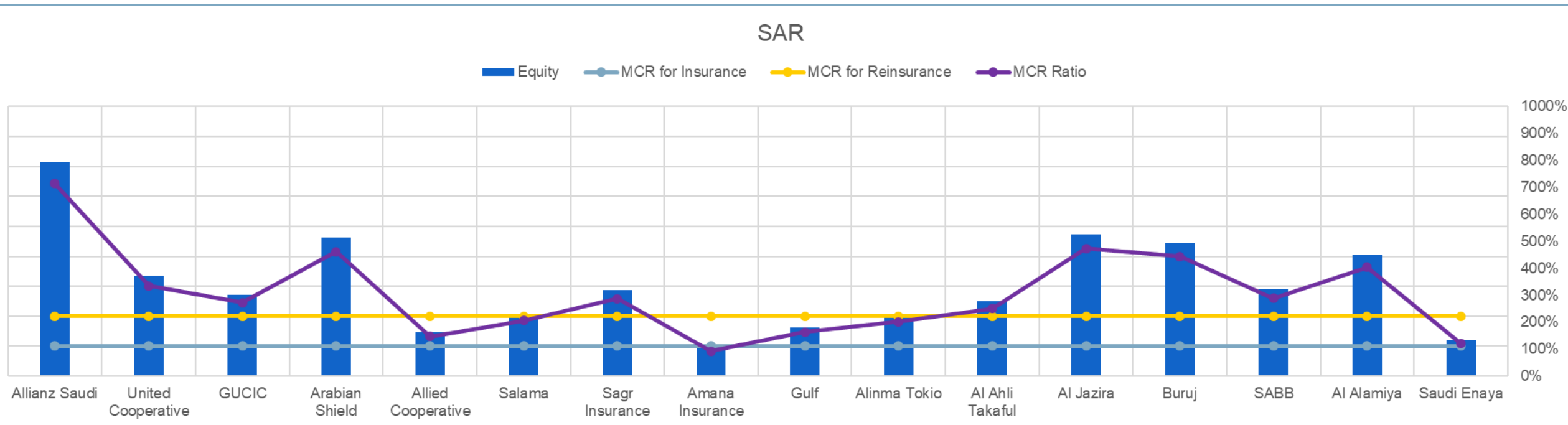
Policy holder liabilities consists of 20% Gross Loss reserve, 41% of gross unearned premium, and 39% of other liabilities. In addition to this, Equity as a percentage of total assets is about 27.6%

## Solvency Analysis – Top 10 Companies



Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

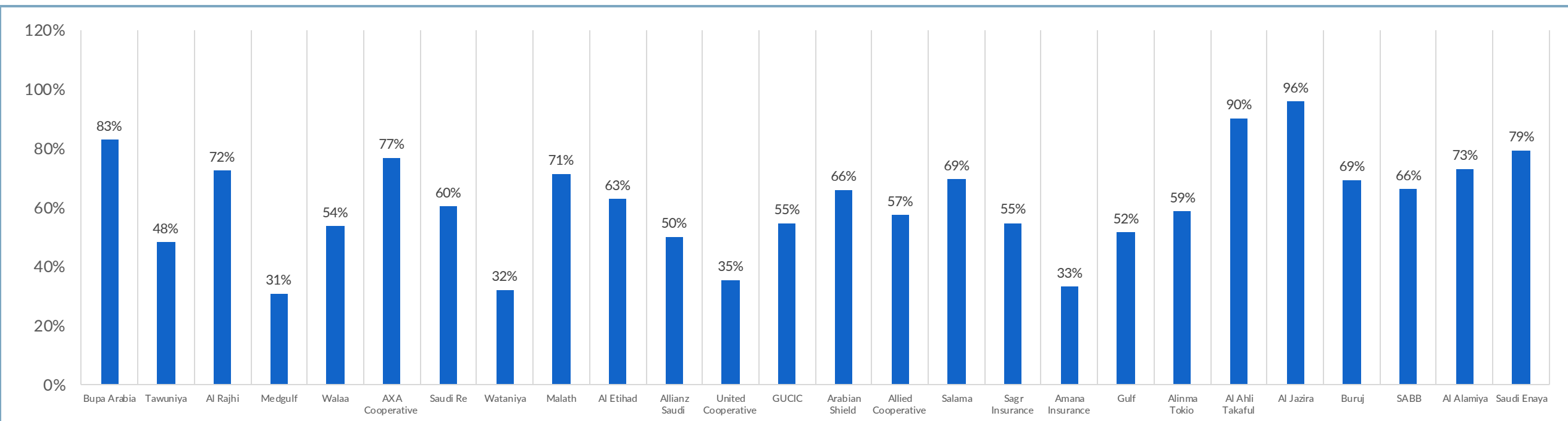
## Solvency Analysis – Other Companies



Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

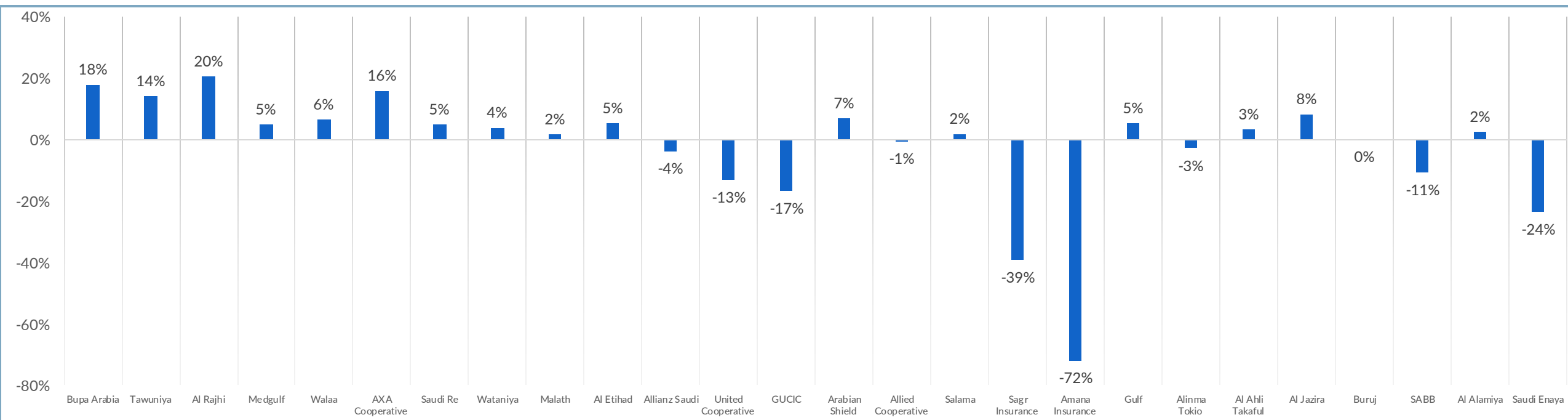


## Proportion of Invested Assets



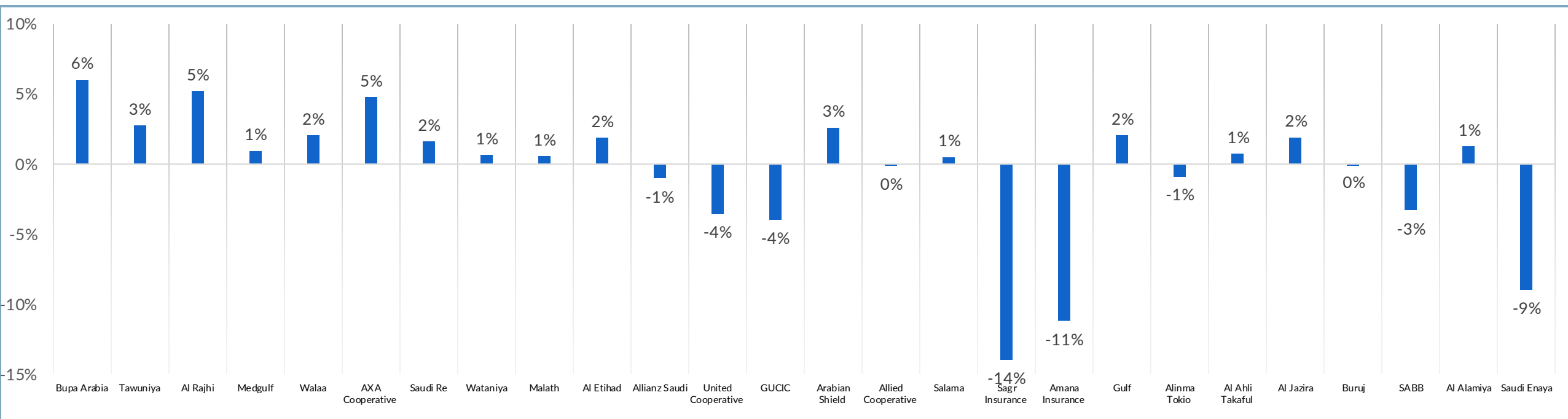
For most of the companies, invested assets along with cash constitutes about more than 50% of the total assets. The highest invested to total assets ratio is for Al Jazira (96%) while the lowest is for Medgulf of about 30%.

## Return on Equity (ROE)



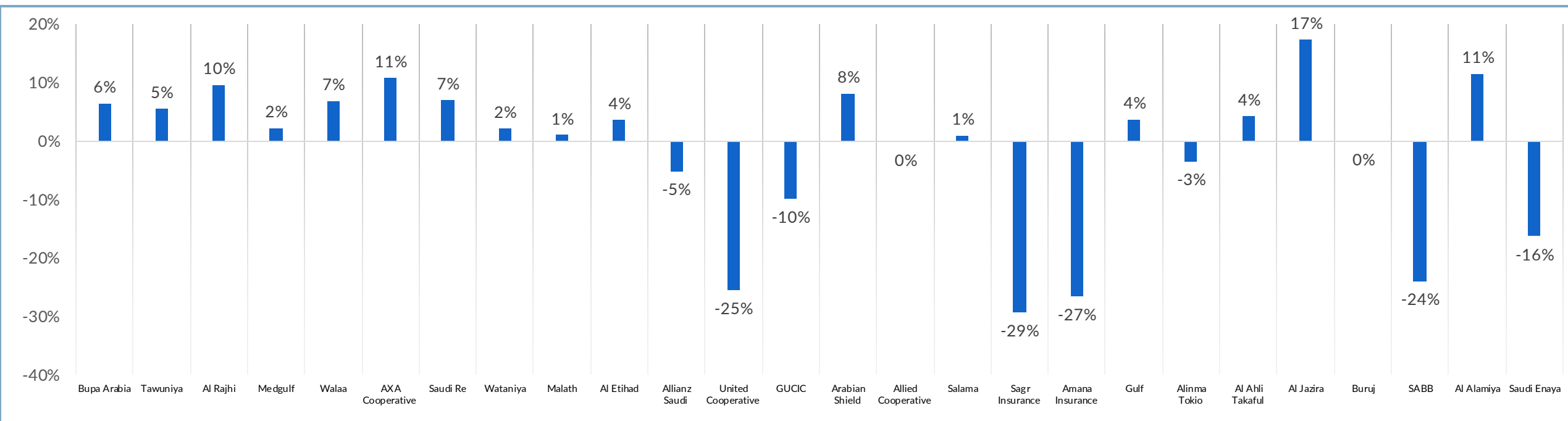
The Return On Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest Return on Equity was for Al Rajhi of about 20%, suggesting that Al Rajhi was able to utilize the investments received from the shareholders better than other companies. Return on Equity was highly negative (-72%) for Amana Insurance. Top 10 companies were able to earn a positive return on equity, while other companies also included companies that earned a negative ROE.

## Return on Asset



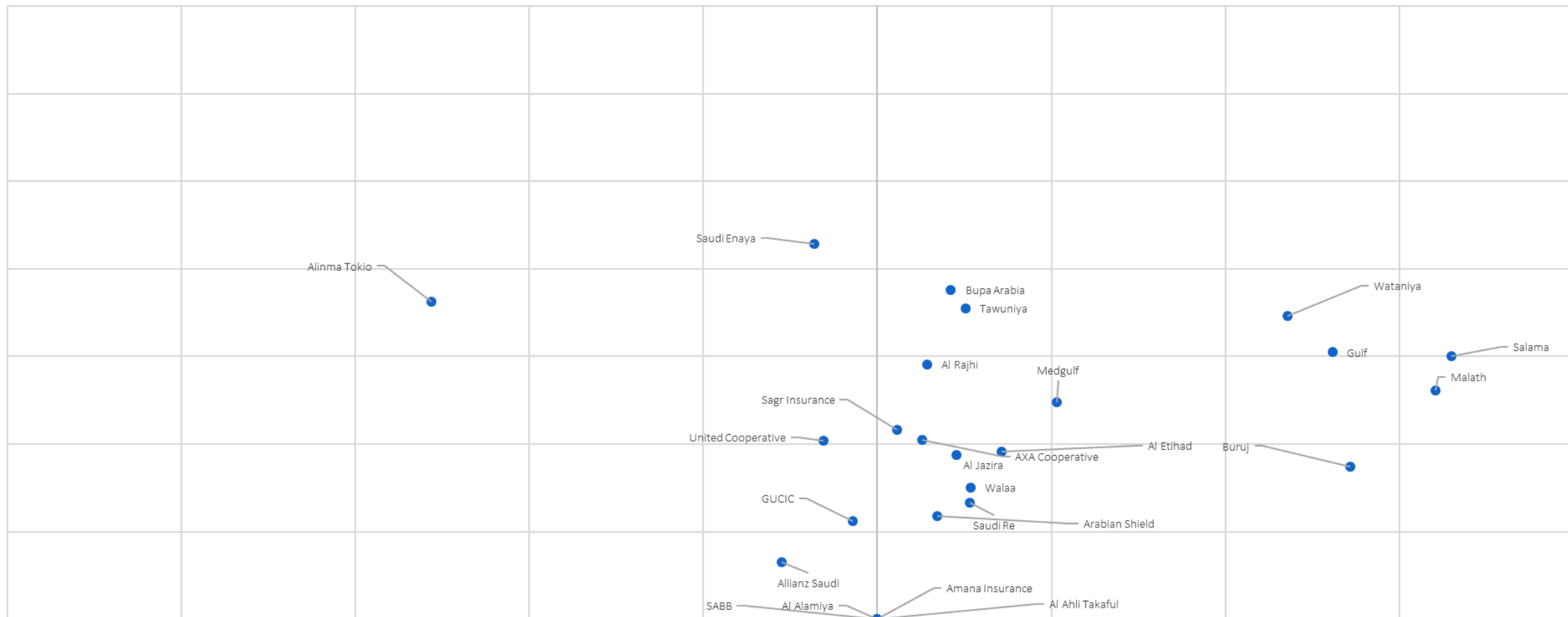
Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. Bupa Arabia was able to earn the highest Return on Assets of 6%, while Al Sagr insurance earned the highest negative Return on Assets of 14%. Top 10 companies were able to earn a positive return on assets while other companies also included companies that earned a negative ROA.

## Net Profit Margins

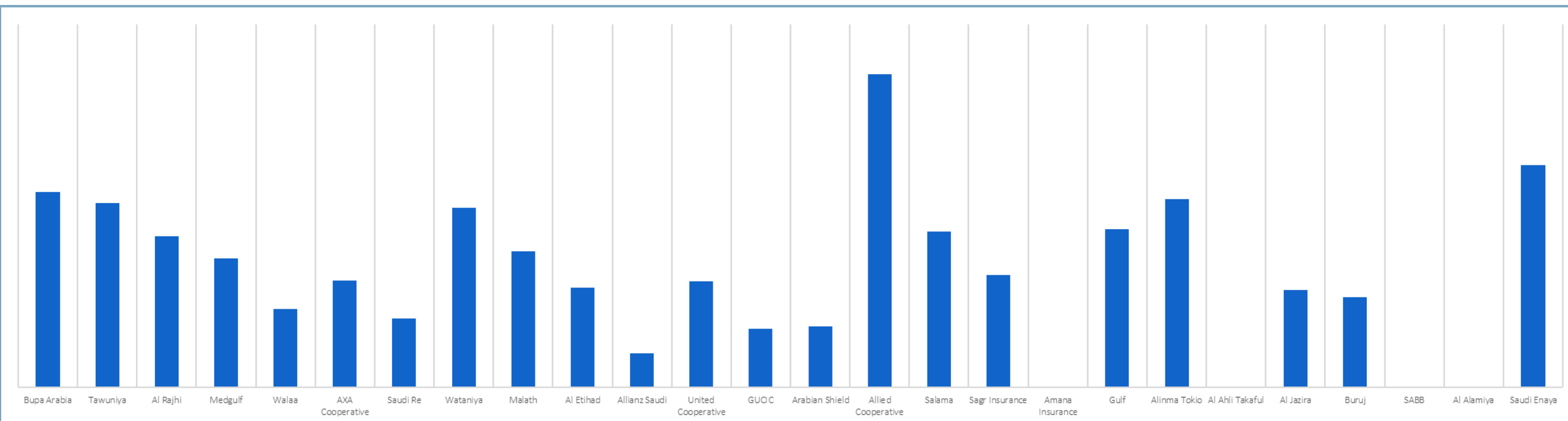


Net profit margin measures how much net income or profit is generated as a percentage of revenue. Al Jazira had the highest Net Margin (17%) suggesting that claims and expenses were very low. The lowest net margin was for Al Sagr Insurance (-29%). Top 10 companies had a positive net margin while other companies also included companies that earned a negative net profit margin.

# Price to Book and Earning Ratio

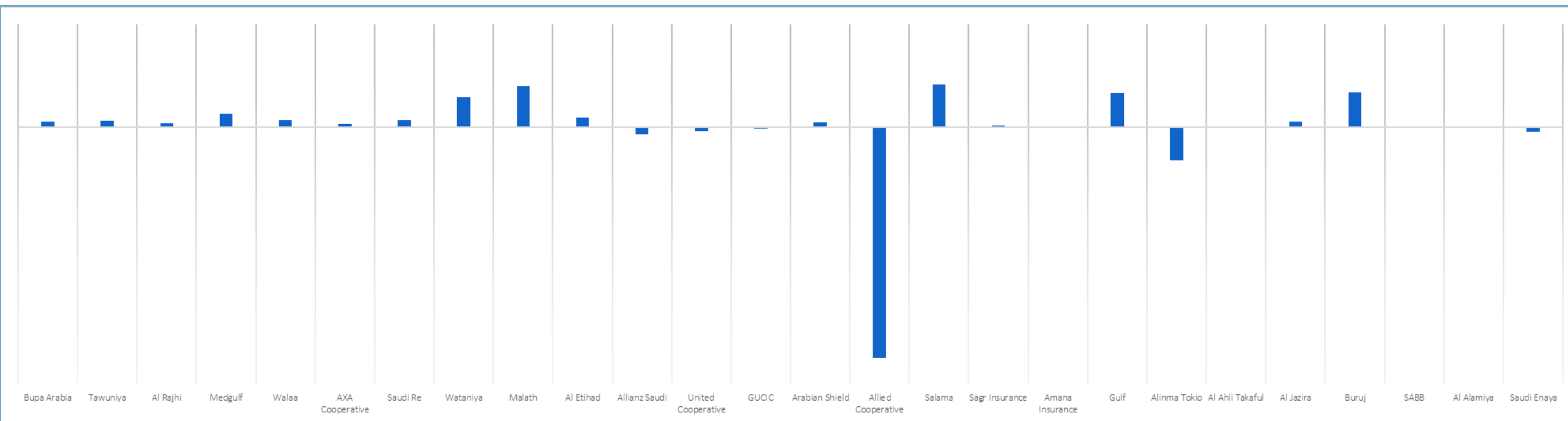


## Price To Book Value



Companies use the Price-to-Book Ratio (P/B ratio) to compare a firm's market capitalization to its book value. It's calculated by dividing the company's stock price per share by its book value per share (BVPS). Allied Cooperative has the highest Price to Book Value Ratio suggesting that as its price is greater than its book value per share, the difference maybe due to the goodwill the company has. The lowest Price to Book Value is for Allianz (0.7) which may mean that it does not have much of a goodwill. Moreover, a high Price-to-Book Ratio may also mean that the stock is overvalued, the price of such shares may decrease over time. In the same way, a low book to price ratio may mean that the stock is undervalued, and its price may increase over time. For all of the companies except Allianz Saudi, the Price-to-Book Ratio Is higher than 1 which means that their price may be higher than the book value due to the goodwill the company has created.

## Price To Earning



The Price-to-Earnings Ratio (P/E ratio) is the ratio for valuing a company that measures its current share price relative to its Earnings Per Share (EPS). The Price-to-Earnings Ratio is also sometimes known as the price multiple or the earnings multiple. A high Price-to-Earnings Ratio suggests that the market has high expectations of future growth for a company, thus the company may be able to grow in the long term. The highest price to earning ratio is for Salama (16.5) suggesting that investors have confidence in the performance of Salama. The lowest Price to Earning Ratio is for Allied Cooperative (-89.7) which means that profit is negative, and investor's confidence is low.



# Meet the Team

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# SHMACONSULTING

## Feedback

SHMA Consulting is proud to present 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.



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## 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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