



SHMACONSULTING

Insurance Industry

Kingdom of Saudi Arabia

First Quarter of 2021

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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 others 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 one 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

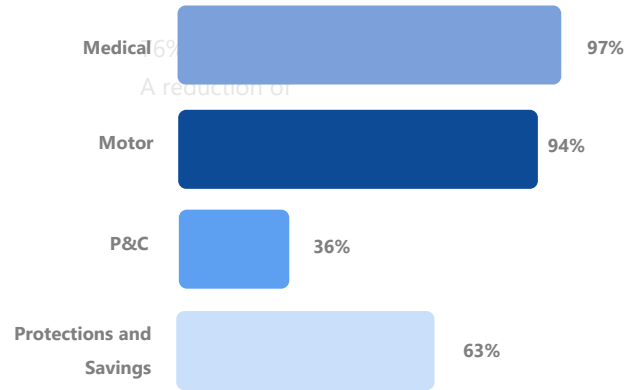
ERM and Capital Modeling

Limitations and Disclaimers

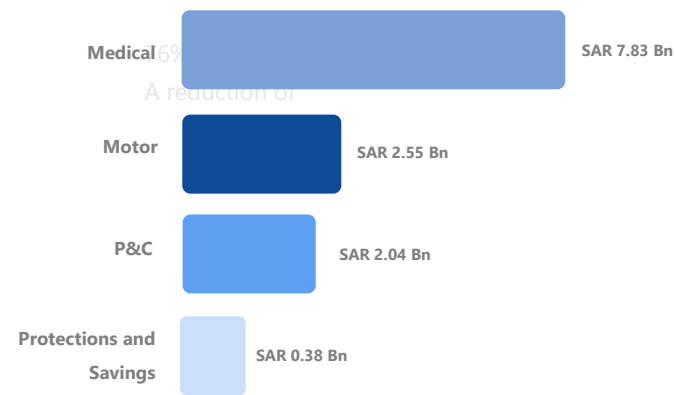
- ❖ The data used for the preparation of this report has been collected from Tadawul.
- ❖ Due to the unavailability of Financial Statements of some of the listed companies, or the presence of Arabic Financials for those companies, the data could not be extracted, and to preserve uniformity, the said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



Gross Premium by Sector

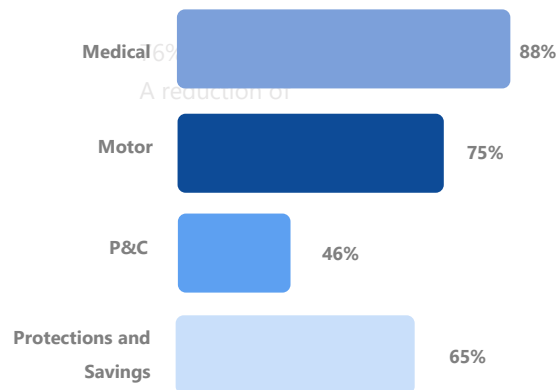


Total Gross Written Premium

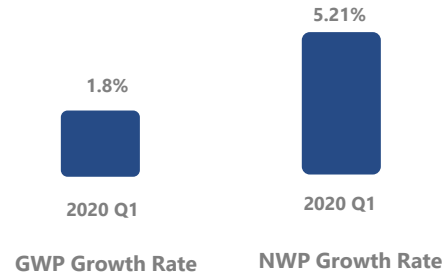
SAR 12.80 Bn

▲ +1.8%

Loss Ratios



Premium Growth Rate



Total Profit / (Loss)

SAR 153 Mn



Total Assets

SAR 70.39 Bn

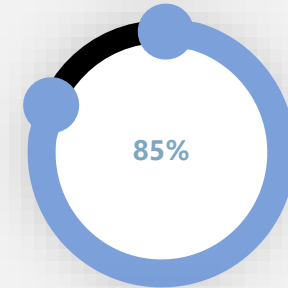
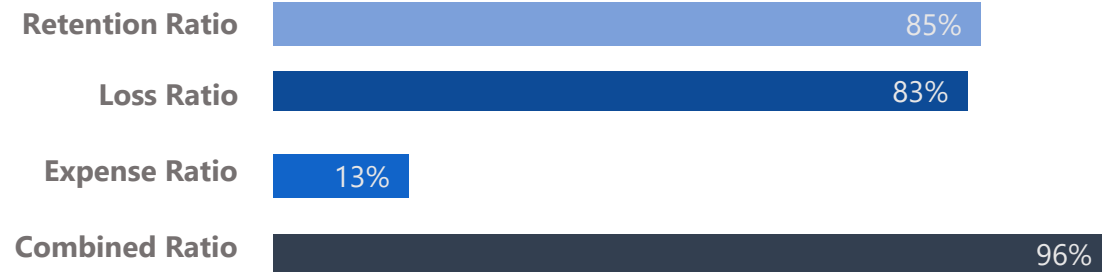
▲ +8.13%

Industry Benchmarks

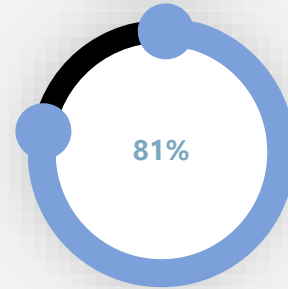
2020 Q1



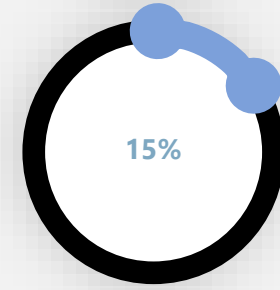
2021 Q1



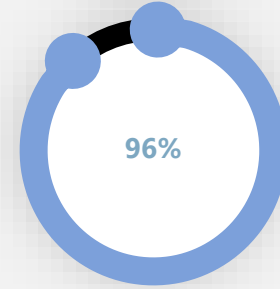
Weighted Average Retention Ratio



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 11th 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 proactive and 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

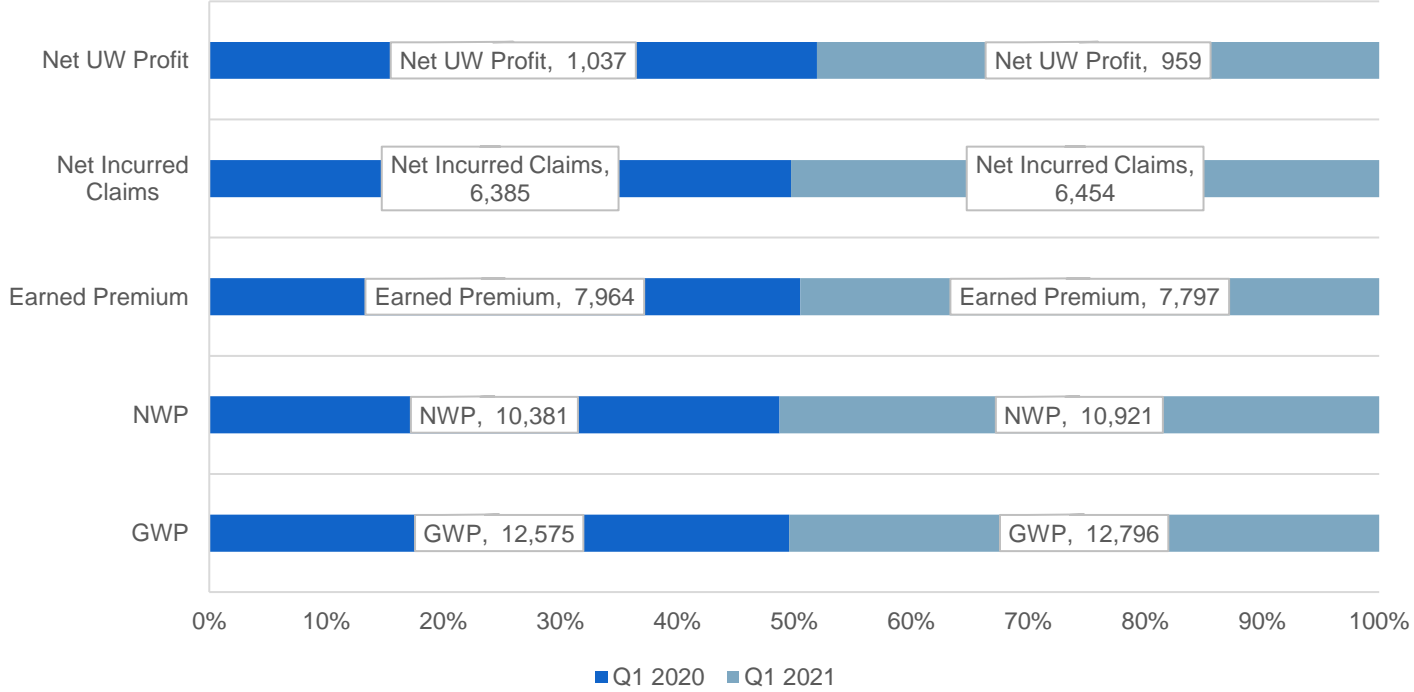
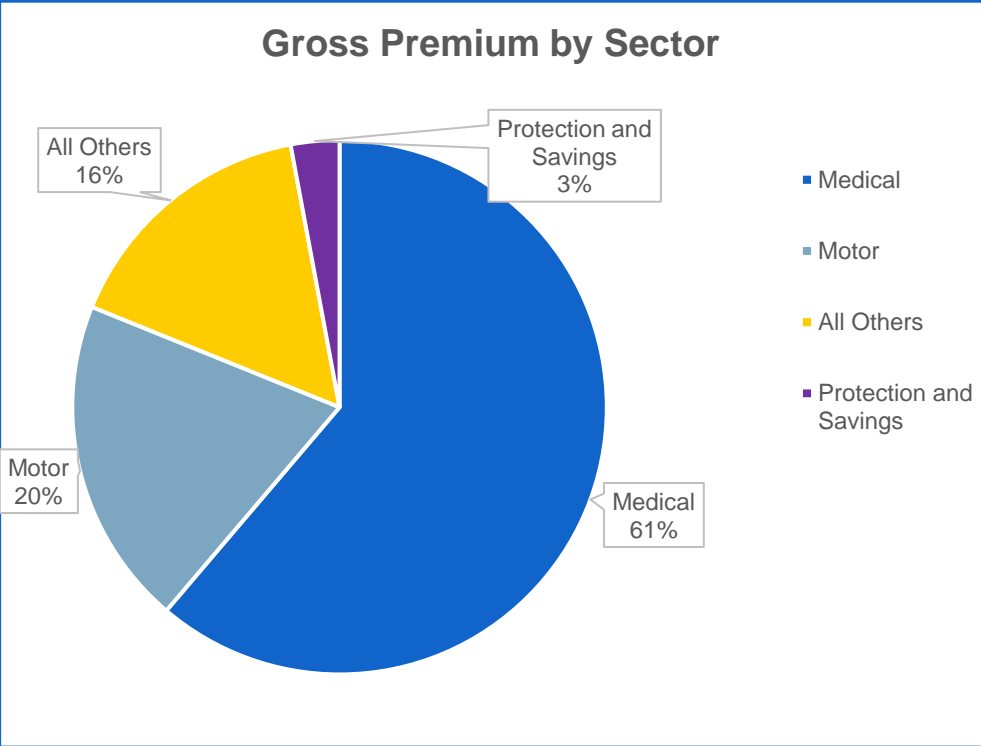
Medical

- ❖ 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

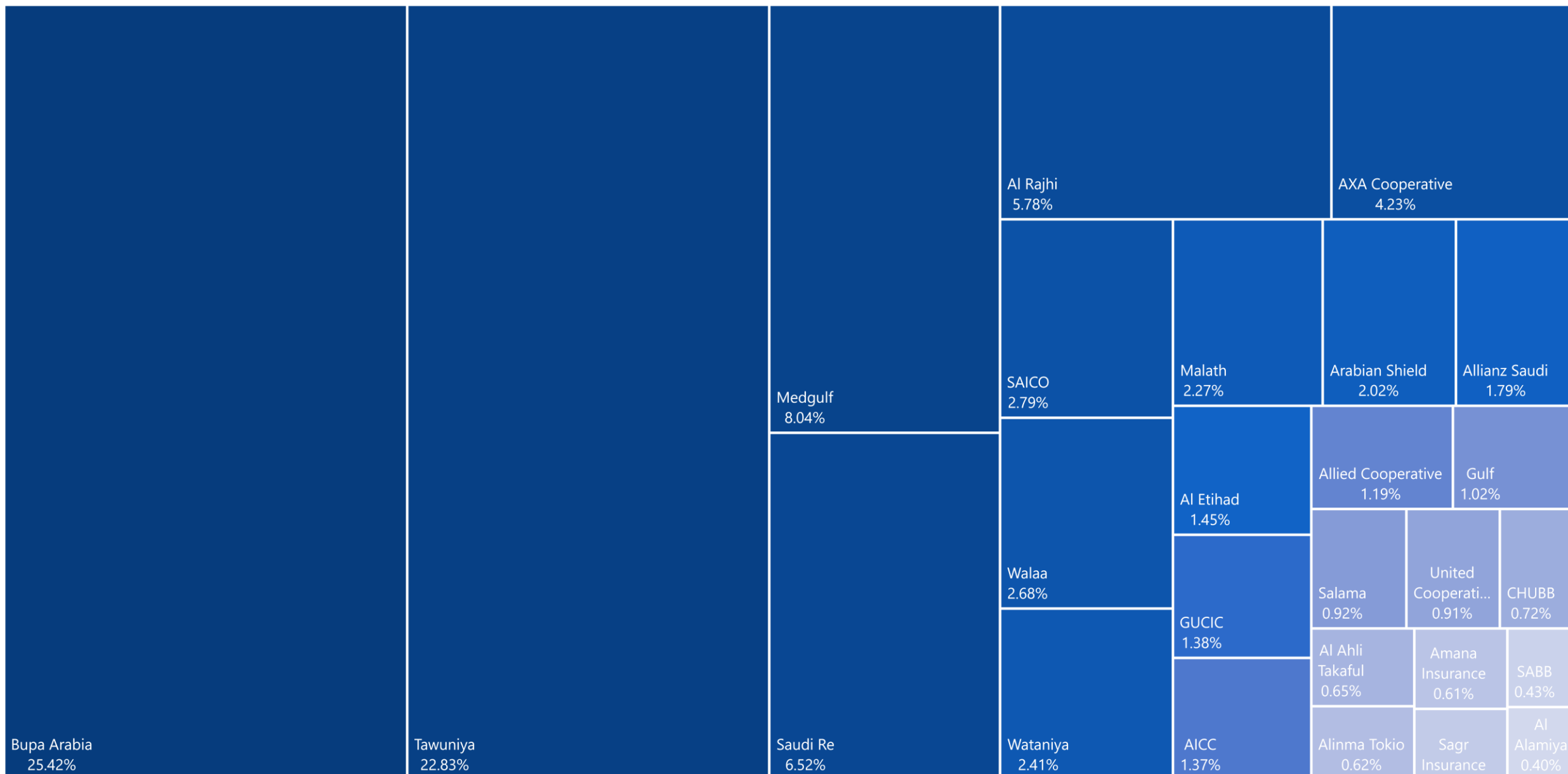
- ❖ In response to the COVID-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurers in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurers to extend the period of validity of all existing retail motor insurance policies by further two 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 new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months period.
- ❖ For new retail motor policies issued as per above circular, the premium is earned over the period of 12 month as the impact of earnings over the period of coverage. i.e 14 month 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 segmented level for motor line of business and recorded a Contribution deficiency reserve.

Aggregate Performance



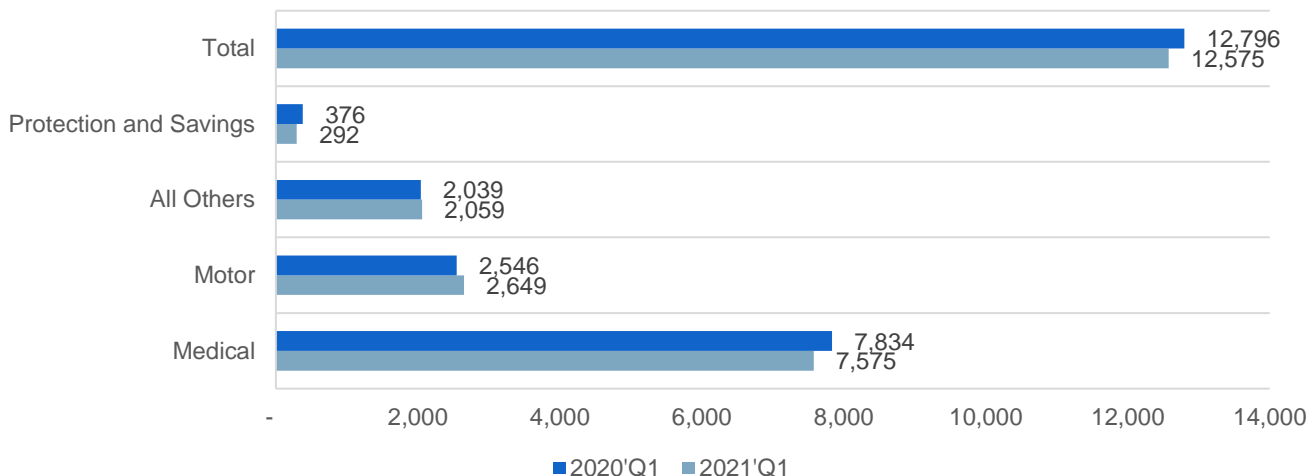
Proportion of Gross Premium for the Medical Line of Business was the highest (61%), followed by Motor (20%) and Other lines (16%) with the least Proportion of the Protection and Savings Line of Business. Net Incurred Claims, NWP and GWP increased compared to 2020 Q1 while Net UW Profit and Earned Premiums decreased.

Market Share Proportion

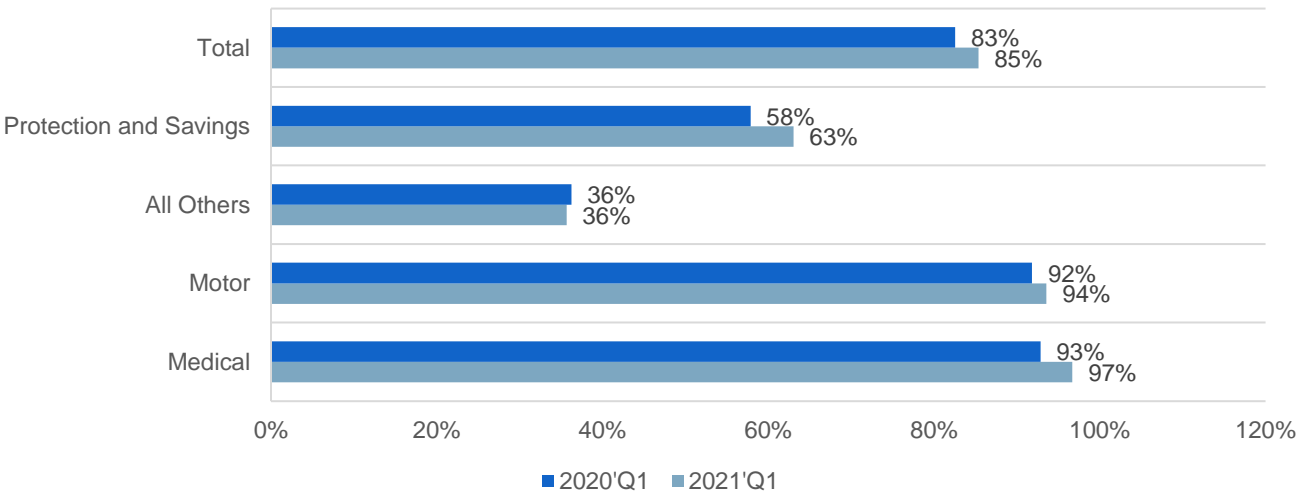


GWP and Rankings

Gross Written Premium (SAR Millions)

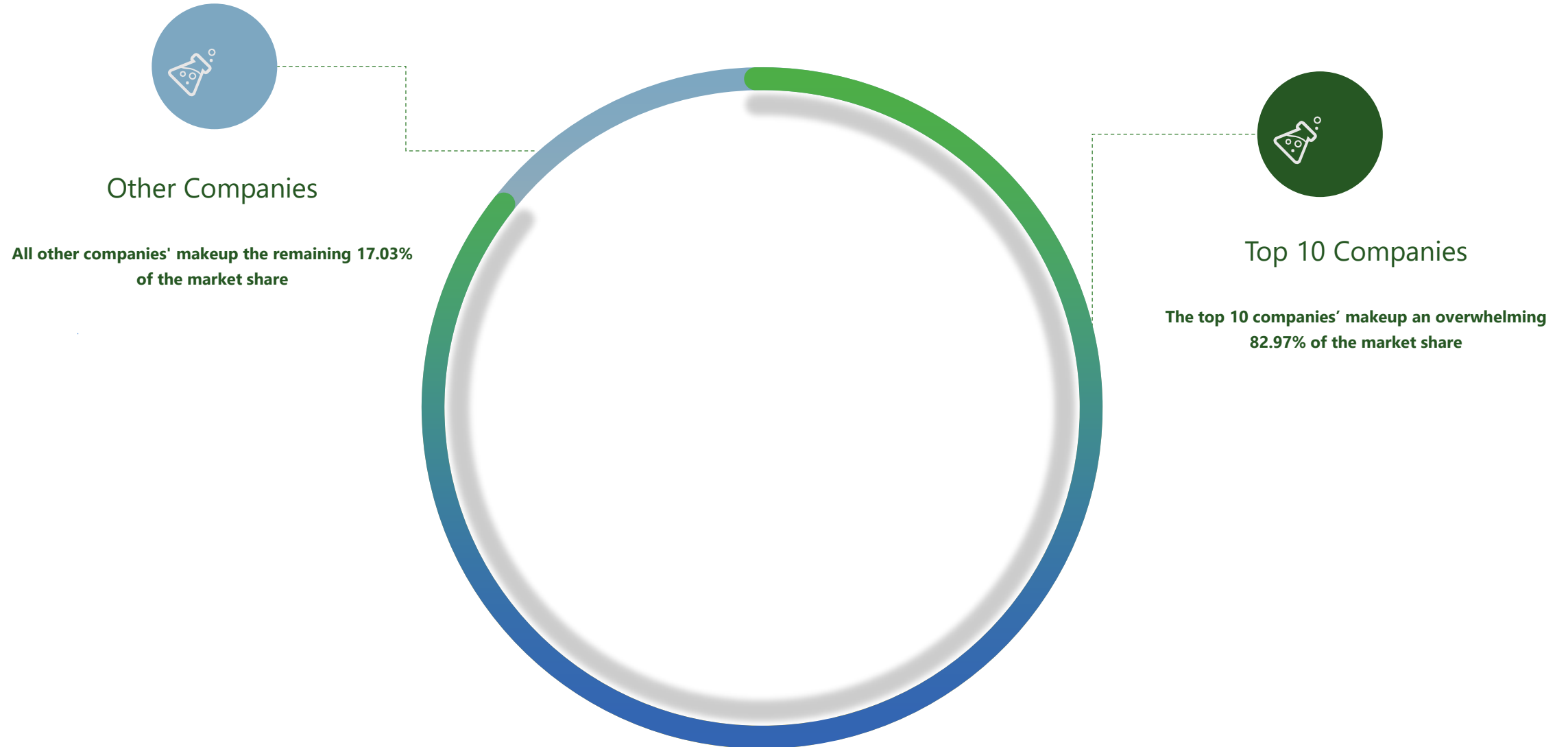


Retention Ratio



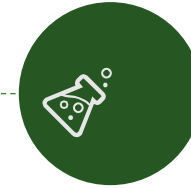
1. Bupa Arabia	—	17. Gulf	—
2. Tawuniya	—	18. Salama	▲
3. Medgulf	—	19. United Cooperative	▼
4. Saudi Re	▲	20. CHUBB	▲
5. Al Rajhi	▼	21. Al Ahli Takaful	▲
6. AXA Cooperative	▼	22. Alinma Tokio	▼
7. SAICO	—	23. Amana Insurance	▼
8. Walaal	—	24. Sagr Insurance	▼
9. Wataniya	—	25. SAAB	▲
10. Malath	▲	26. Al Alamiya	▲
11. Arabian Shield	▼	27. Al Jazira	▲
12. Allianz Saudi	▲	28. Saudi Enaya	▼
13. Al Etihad	▲	29. Buruj	▼
14. GUCIC	▲		
15. AICC	▲		
16. Allied Cooperative	▼		

Premium Composition Top 10 vs Other Companies



Other Companies

All other companies' makeup the remaining 17.03% of the market share

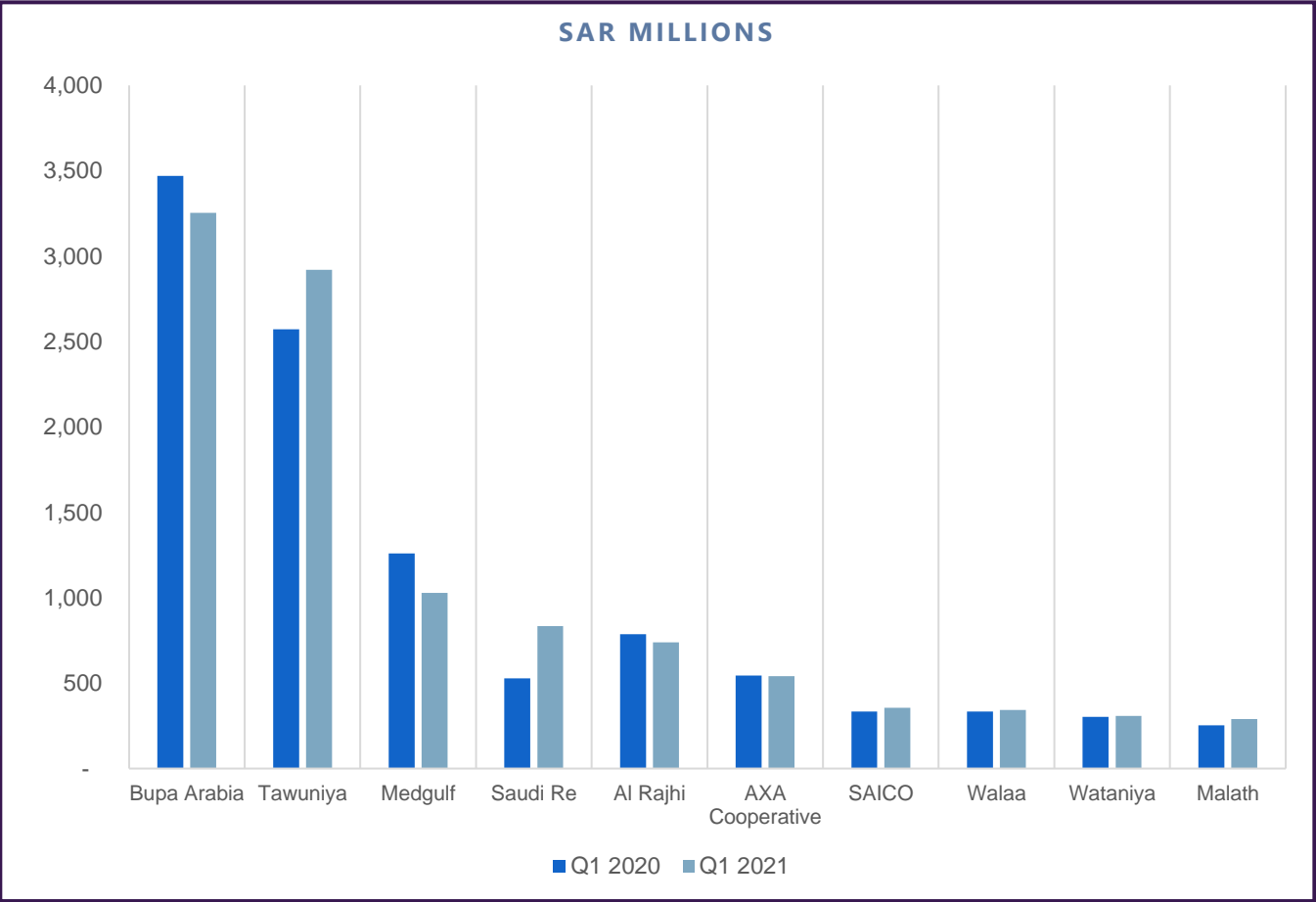


Top 10 Companies

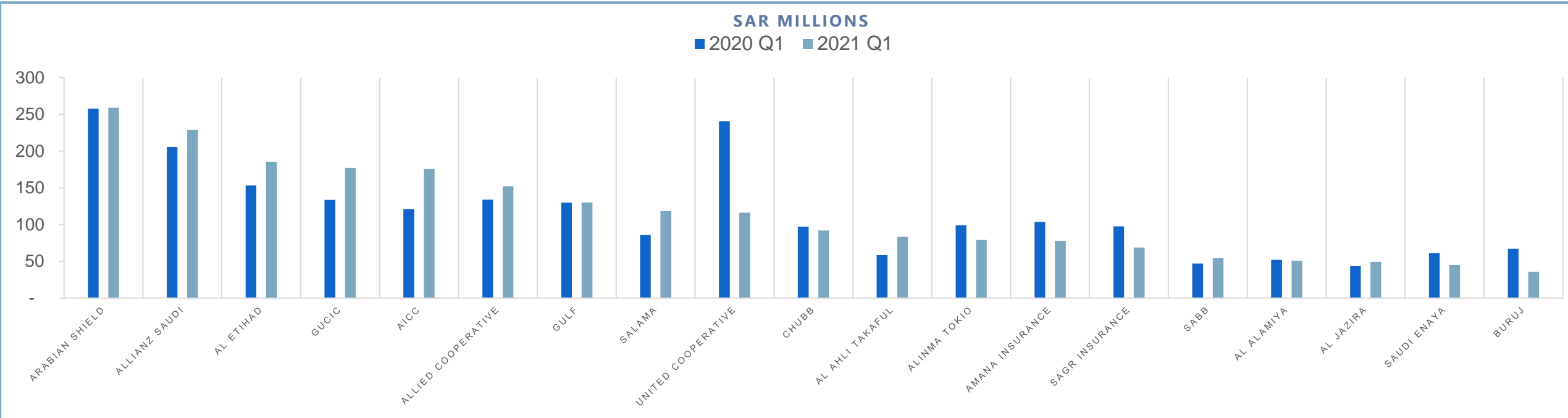
The top 10 companies' makeup an overwhelming 82.97% of the market share

Gross Written Premium – Top 10 Companies

Bupa Arabia captured the biggest market share of 27.5% in 2020 Q1 and 25.4% in 2021 Q1 followed by Tawuniya with 20.46% and 22.83% for the years 2020 Q1 and 2021 Q1 respectively. The smallest market share was for Malath in both periods under consideration.

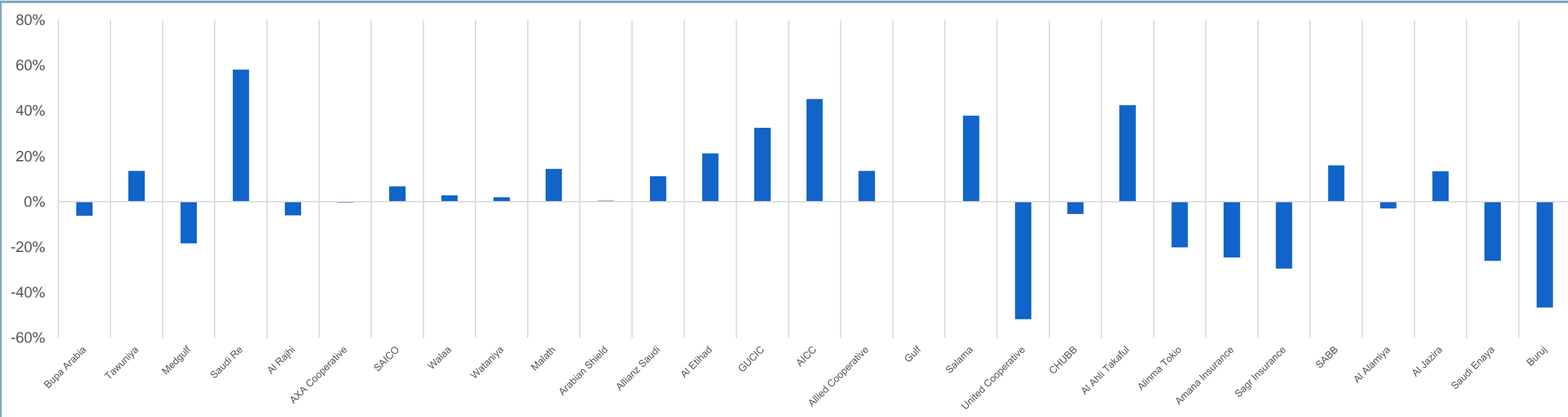


Gross Written Premium – Other Companies



Arabian Shield had the highest Gross Written Premium in 2020 Q1 (SAR 251 million) and 2021 Q1 (SAR 259 million). United Cooperative experienced a decrease in its market share of about 52%. Al Jazira had smallest market share in 2020 Q1, and Buruj had smallest market share in 2021 Q1.

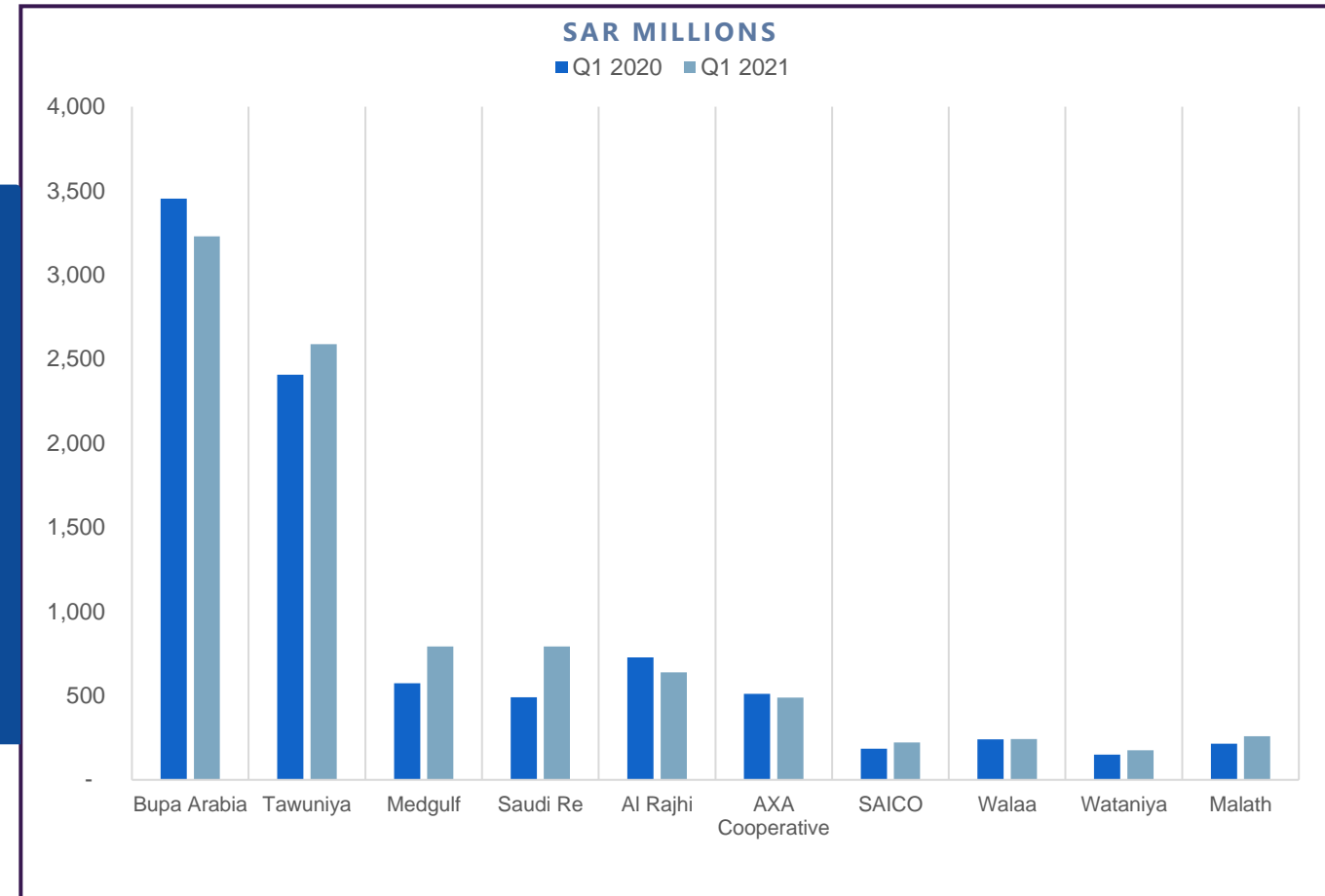
Gross Written Premium – Movement



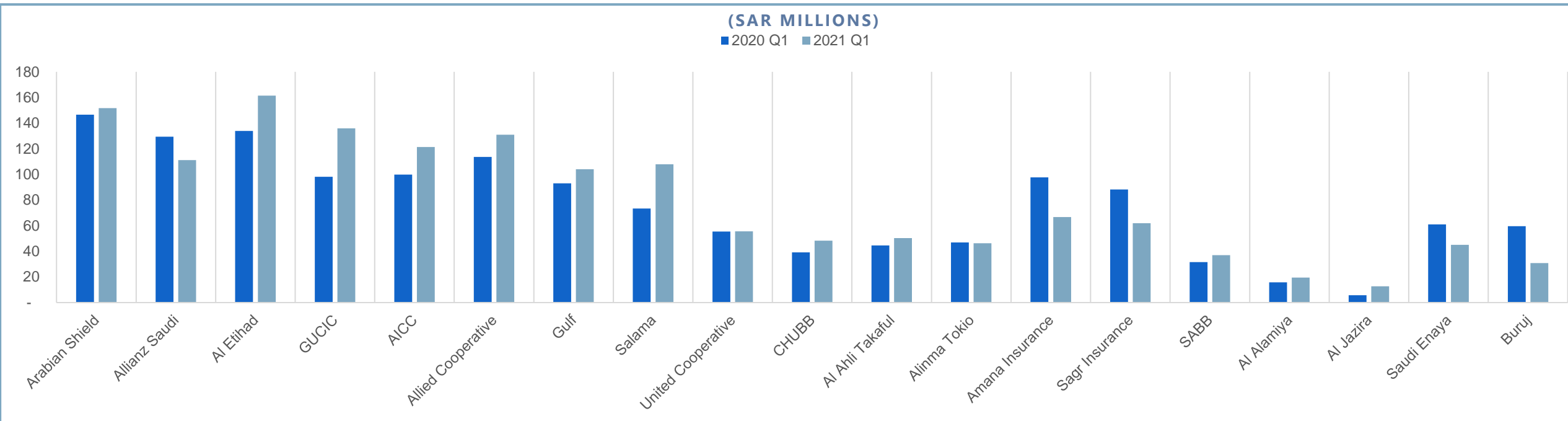
Saudi Re experienced the highest growth in its gross premium (58%) while United Cooperative experienced a decrease in its gross premium (-52%). It can be noted that the range of growth among the top 10 companies is relatively narrow and stable (excluding Saudi Re) when compared to other companies. High Growth and Decline rates were experienced by the remaining companies.

Net Written Premium – Top 10 Companies

Bupa Arabia captured the highest market share of 33.26% in 2020 Q1 and 29.56% in 2021 Q1 followed by Tawuniya with 23.19% and 23.69% for the years 2020 Q1 and 2021 Q1 respectively.

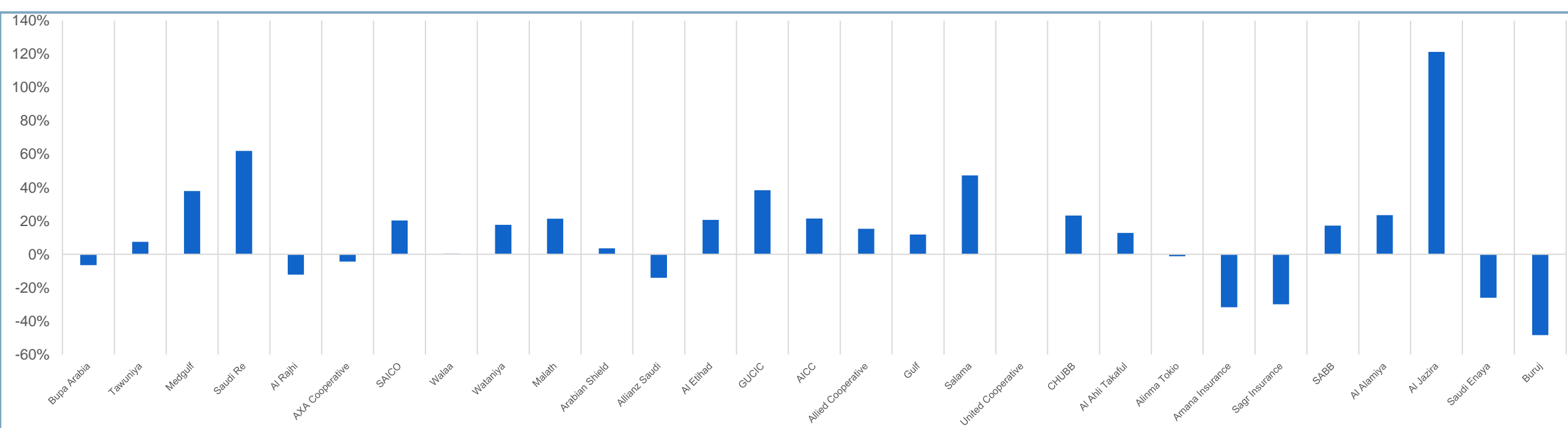


Net Written Premium – Other Companies



Among the remaining companies, the highest net written premium for the 2020 Q1 was Arabian Shield of (SAR 147 million) while the lowest was for Al Jazira (SAR 6 million). For 2021 Q1, the highest Net Written Premium was for Al Etihad (SAR 161 million) while the lowest for Al Jazira (13 million). Buruj experienced highest decline while the NWP for United Cooperative doubled.

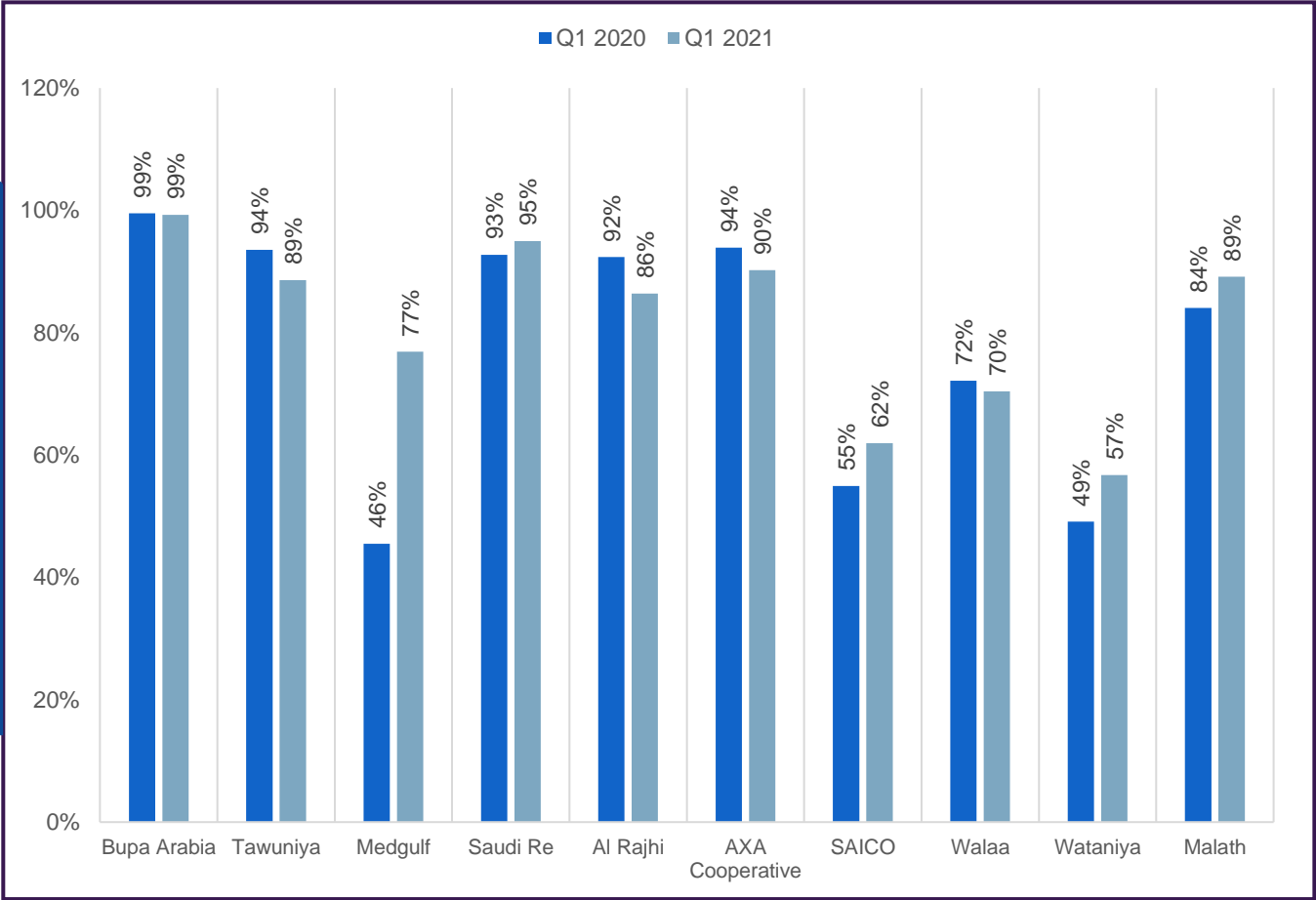
Net Written Premium – Movement



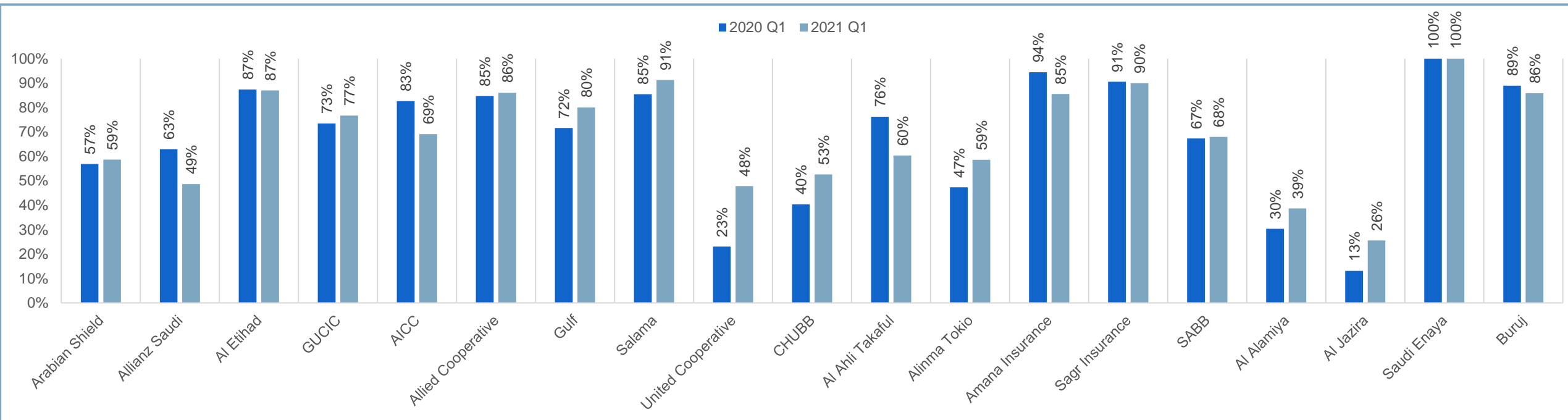
Net Written Premium grew the most for Al Jazira (121%) and showed significant decline for Buruj (-48%). The range in the movement of net written premium was narrow for the top 10 companies compared to the other companies.

Retention Ratios - Top 10 Companies

The chart shows Bupa Arabia, Tawuniya, Saudi Re, Al Rajhi, AXA Cooperative and Malath almost fully retained its business (86% and above), while the lowest retention ratio being 57% for Walaa. Retention ratios were stable for most of the companies, with the highest change being 29% for Medgulf.

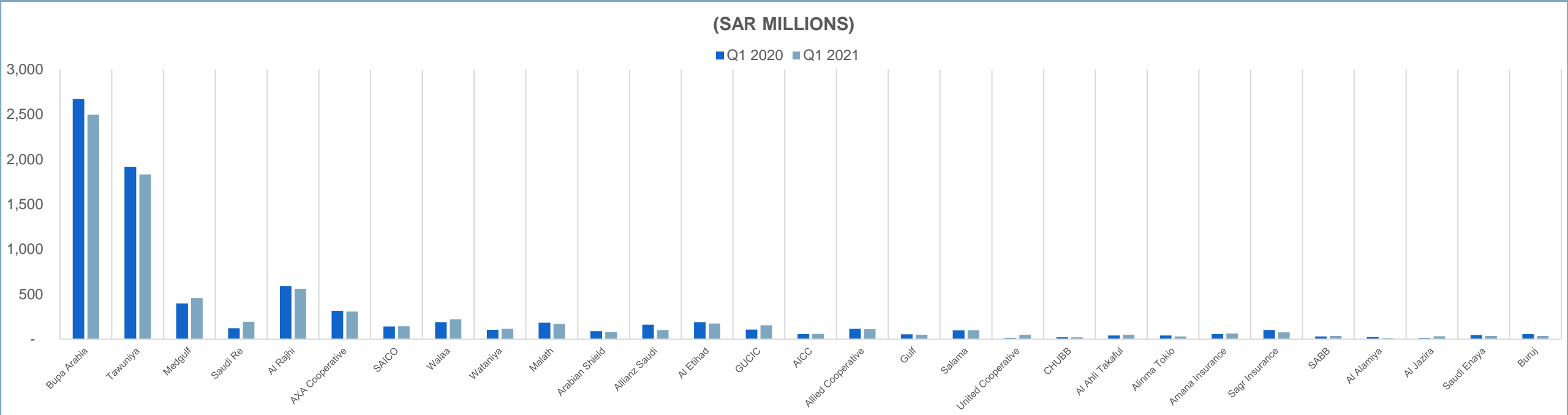


Retention Ratios - Other Companies



On aggregate, the weighted average retention ratio is 85%. The highest retention ratio being 100% for Saudi Enaya and the lowest being 26% for Al Jazira (2021 Q1). Retention ratio for United Cooperative increased by 25% while Al Ahli Takaful had its retention ratio decreased by 16%.

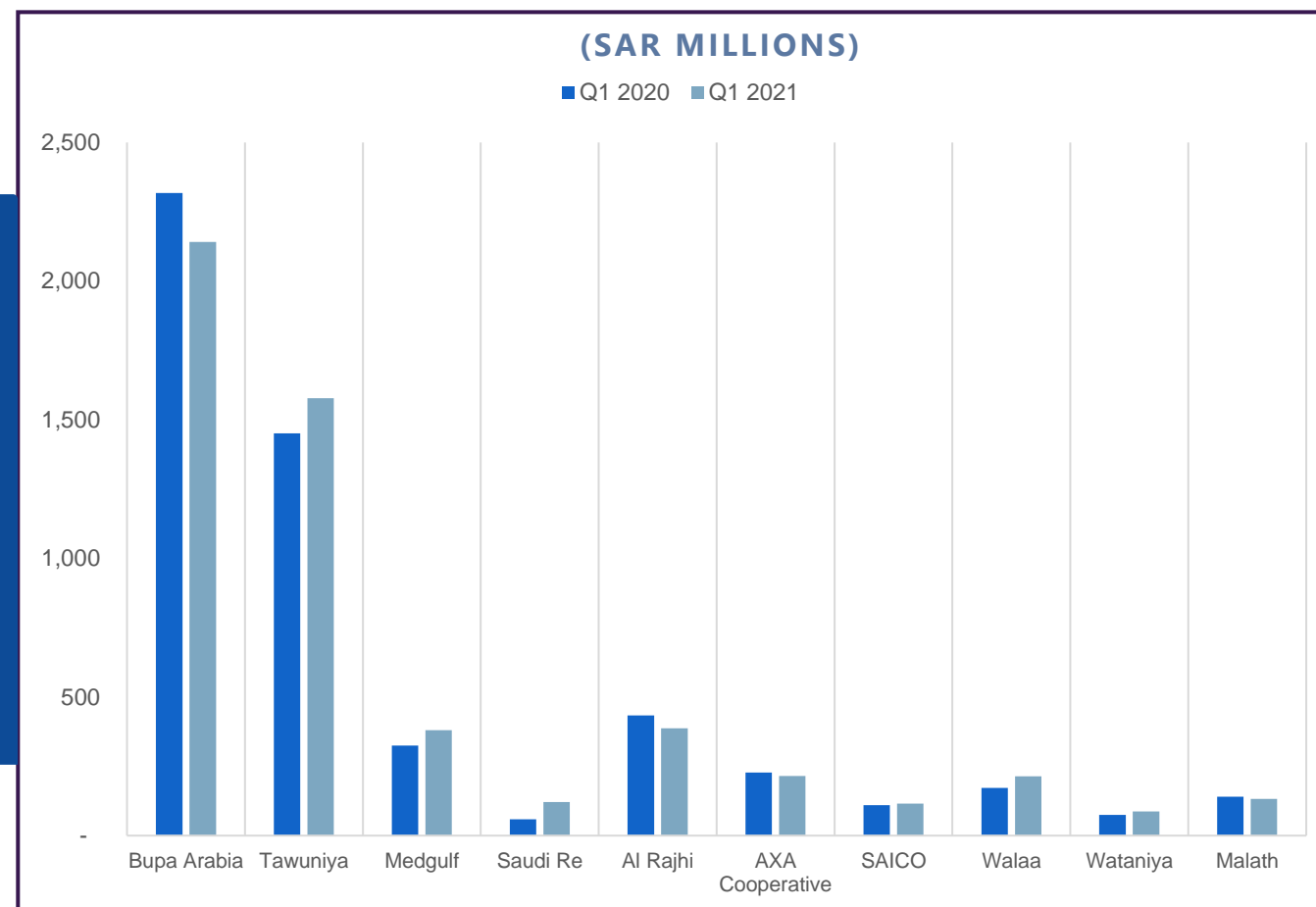
Net Earned Premium



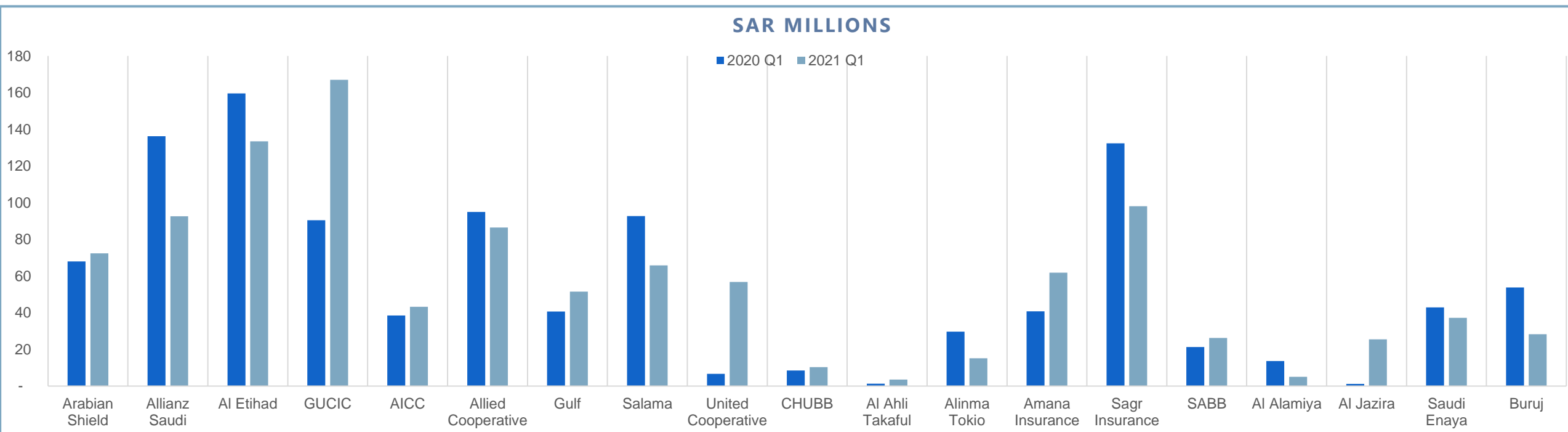
Net Earned Premium neither vary greatly by year nor by line of business. The highest Net Earned Premium is for Bupa Arabia in both the years followed by Tawuniya, while the lowest being for Al Rajhi.

Net Incurred Claims - Top 10 Companies

Bupa Arabia had the highest net incurred claims of 2,318 million and 2,142 million in 2020 Q1 and 2021 Q1, respectively. Saudi Re had the lowest net incurred claims in 2020 Q1 (58 million) and Wataniya had the lowest net incurred claims of 87 million in 2021 Q1 respectively. Net incurred claims decreased for Bupa Arabia and Al Rajhi, with an insignificant decrease in Malath, while for all the other top 10 companies, Net incurred claims increased.

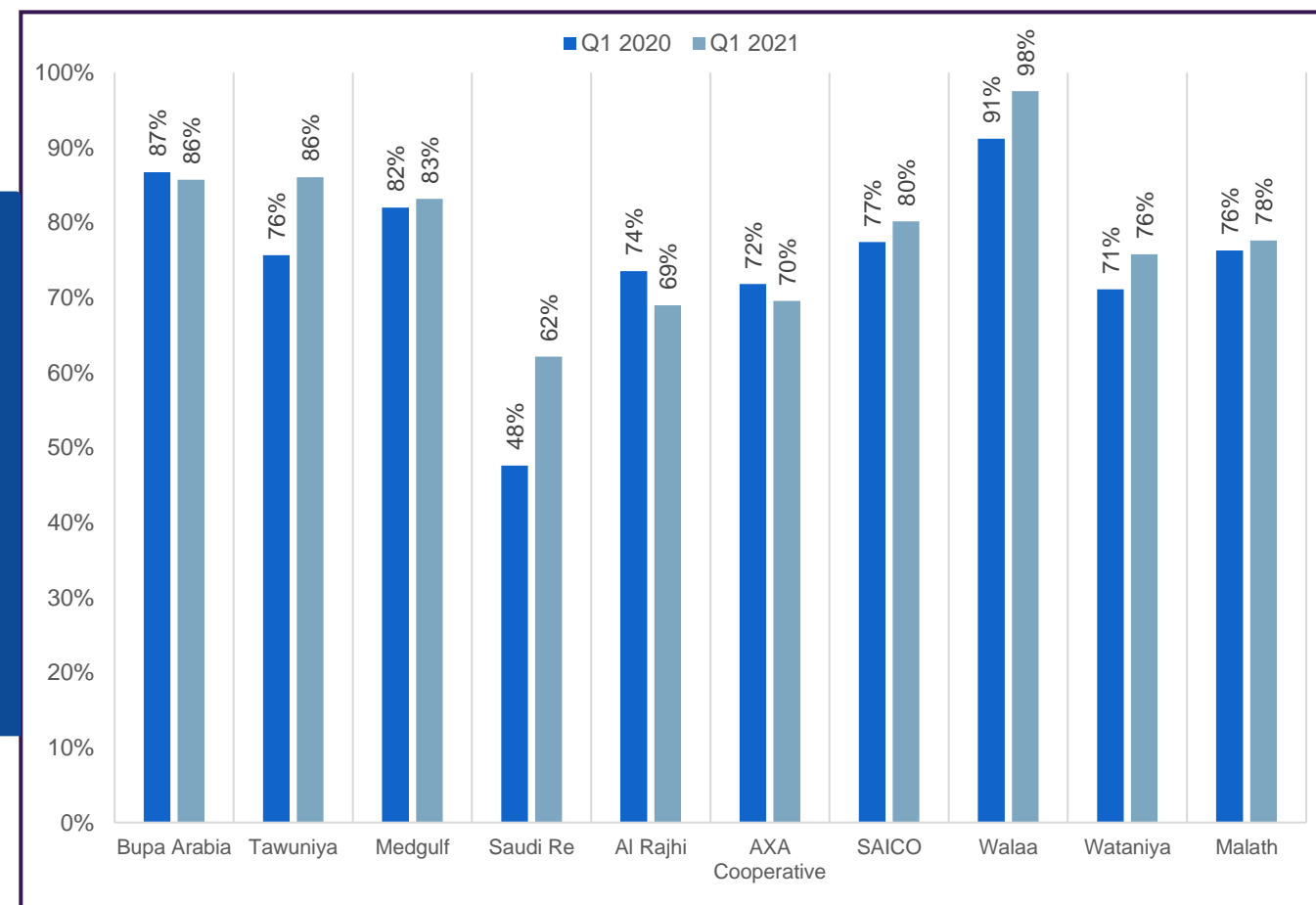


Net Incurred Claims - Other Companies



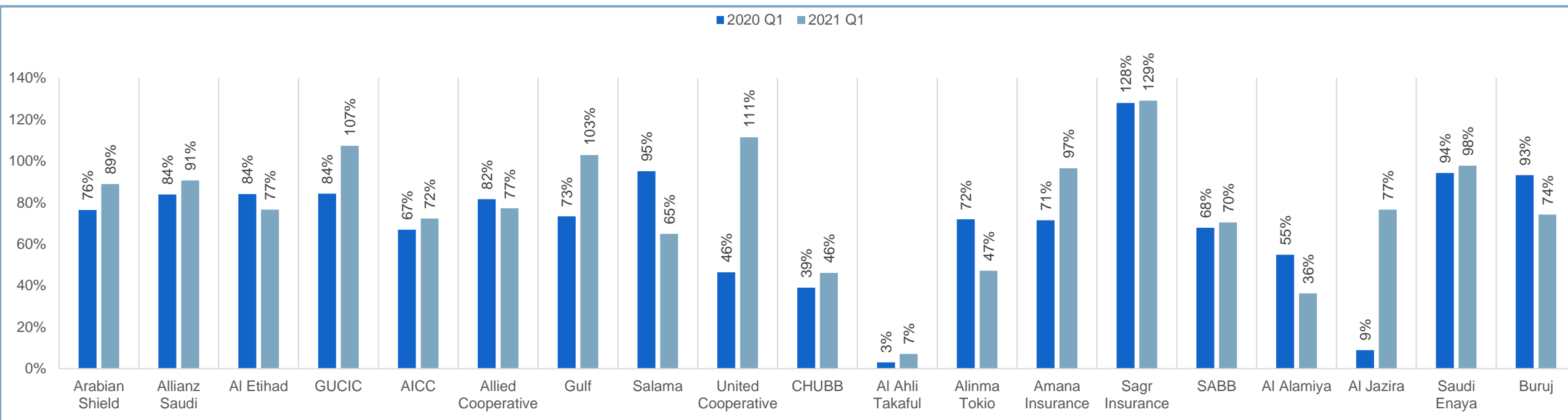
Al Etihad had the highest net incurred claims of 160 million in 2020 Q1 and GUCIC had the highest net incurred claims of 167 million in 2021 Q1. Al Jazira and Al Ahli Takaful had the lowest net incurred claims of 1 million in 2020 Q1. For 2021 Q1, Al Ahli Takaful had the lowest net incurred claims (SAR 3 million).

Loss Ratios - Top 10 Companies



The highest loss ratio for 2020 Q1 was for Walaa being 91% and lowest was for Saudi Re, being 48%. For the year 2021 Q1, loss ratio was the highest for Walaa (98%) with the lowest being 62% for Saudi Re. The loss ratios usually increased for most of the top 10 companies with the largest increase being 14% for Saudi Re. Loss ratio only decreased for Al Rajhi and AXA Cooperative with the decrease being 5% and 2% respectively.

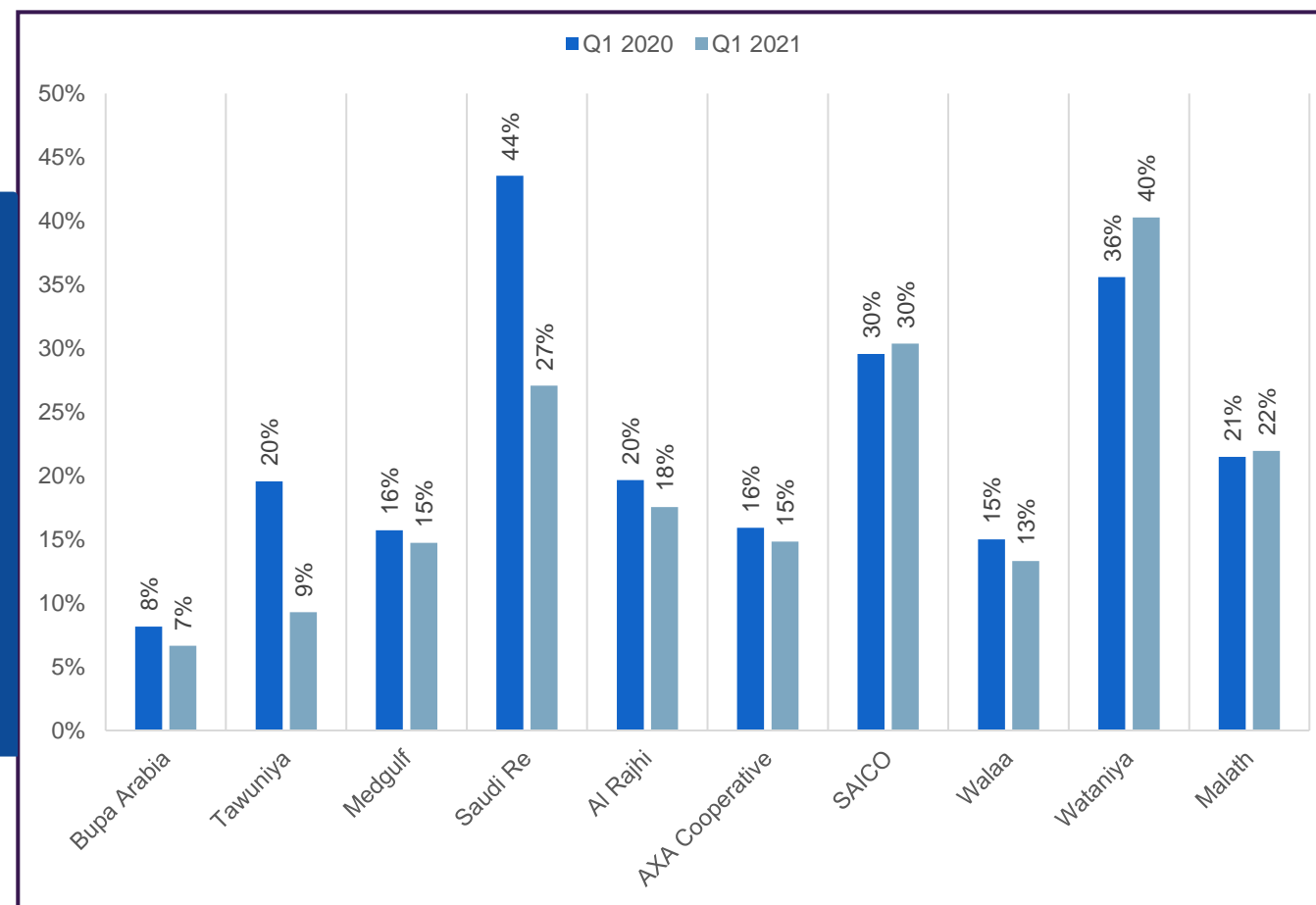
Loss Ratios – Other Companies



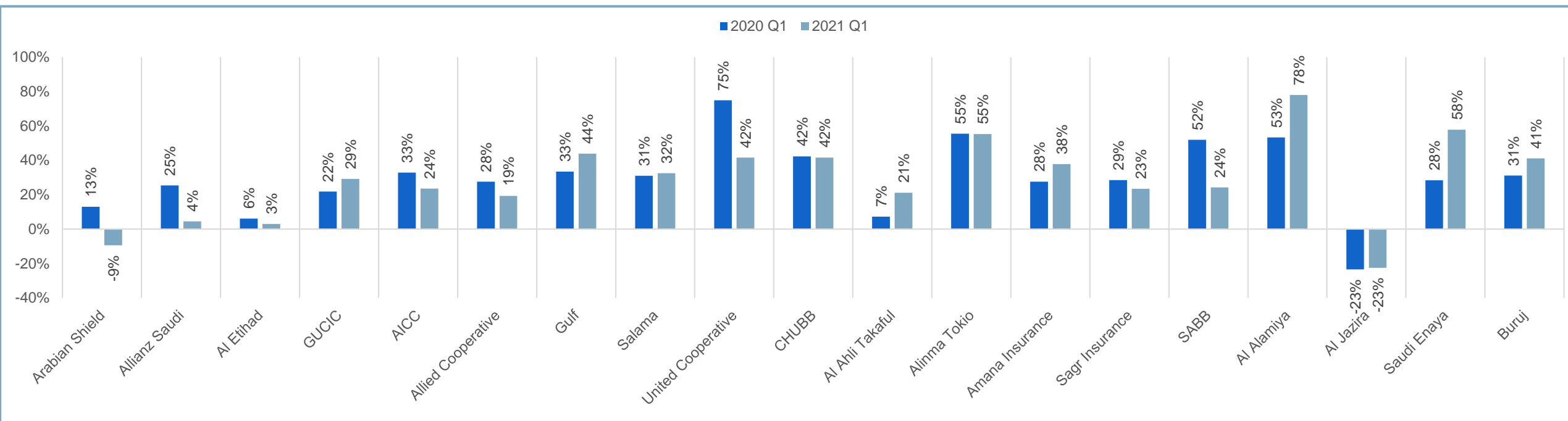
The loss ratios for other companies has been summarized in the above chart. For the year 2020 Q1 the highest loss ratio was for Sagr Insurance (128%) and the lowest being for Al Ahli Takaful (3%). For the year 2021 Q1, the highest loss ratio was of Al Sagr (129%) and lowest was for Al Ahli Takaful (7%). The highest reduction in loss ratios was for Alinma Tokio (25%) while the highest increase was for Al Jazira (68%).

Expense Ratios - Top 10 Companies

Expense ratio was the highest for Wataniya and was the lowest for Bupa Arabia in both the quarters. The expense ratio decreased for all the top 10 companies except Malath, Wataniya and SAICO. Saudi Re experienced the highest decrease in its expense ratio of about 17%.



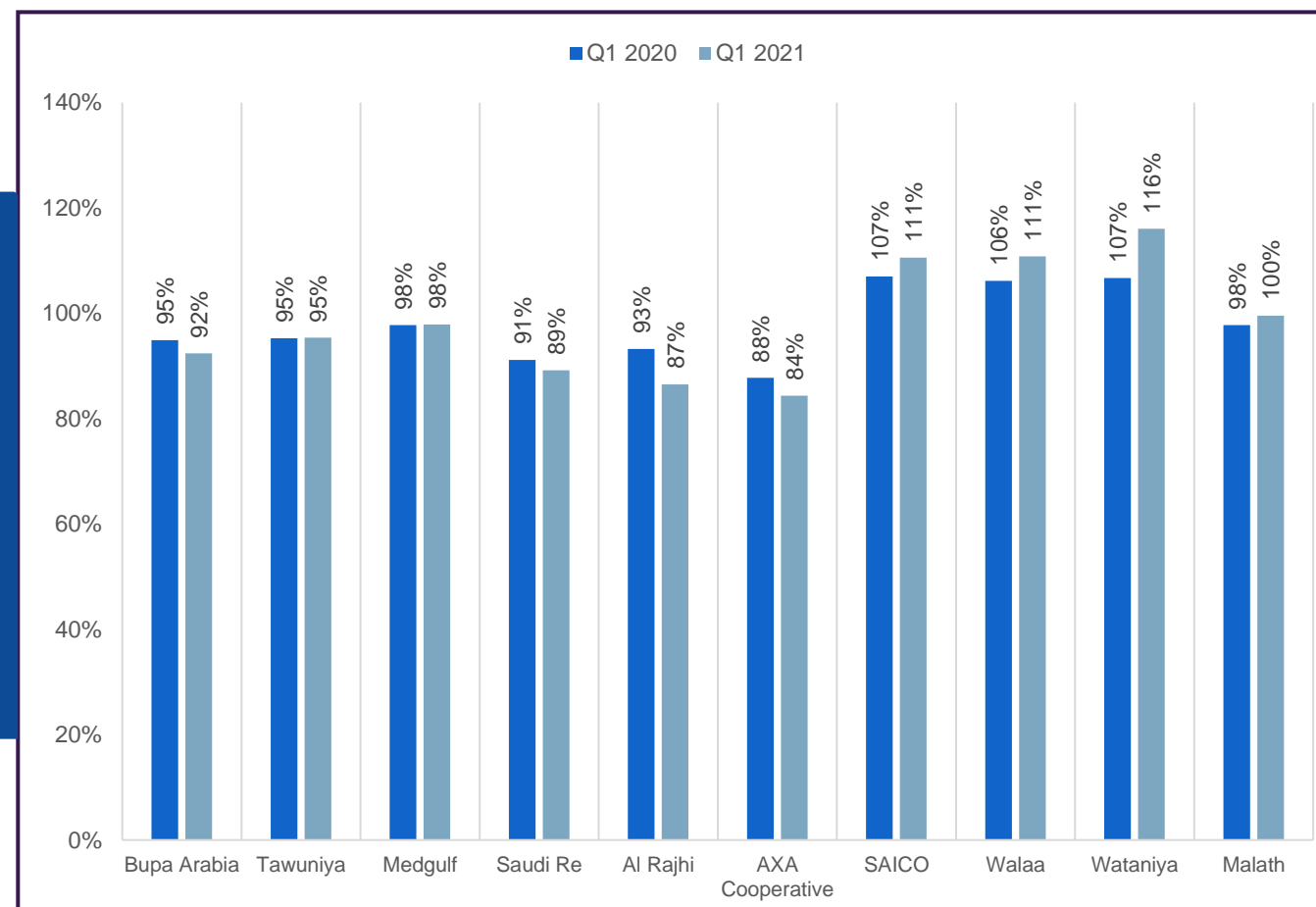
Expense Ratios - Other Companies



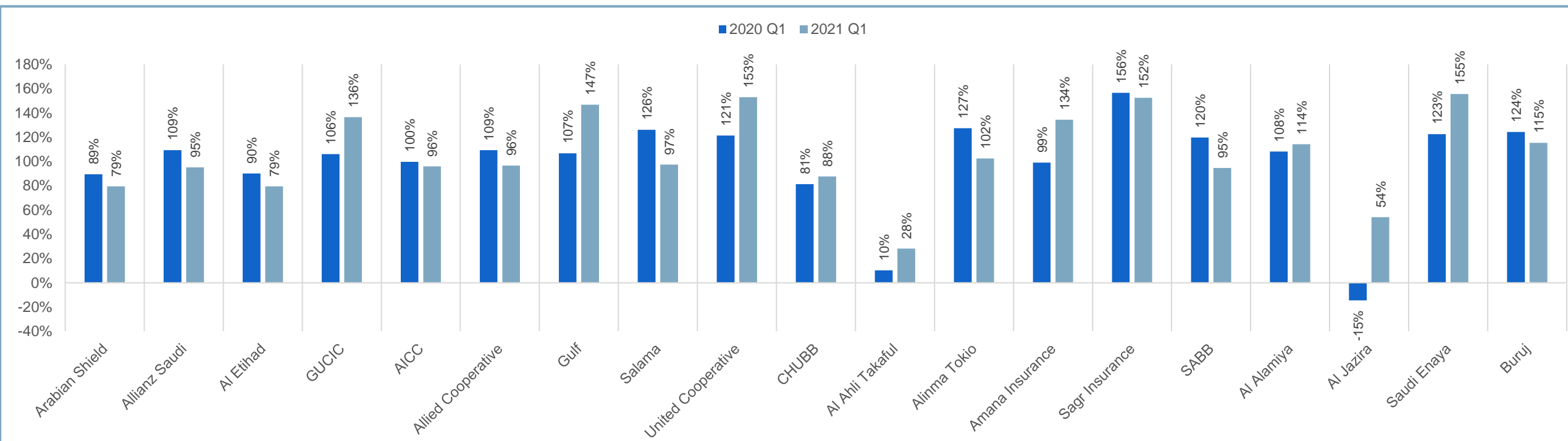
The highest expense ratio in 2020 Q1 was for United Cooperative (75%) and the lowest was for Al Jazira (-23%). For 2021 Q1, the highest expense ratio was for Al Alamiya (78%) and the lowest was for Al Jazira (-23%). United Cooperative was able to reduce its expense ratio by 33% while Al Alamiya's expense ratio increased by 25%.

Combined Ratios - Top 10 Companies

For the first quarter of 2021, the highest Combined Ratio was for Wataniya (116%) and the lowest was for AXA Cooperative (84%). In 2020 Q1, Net Combined Ratios for Wataniya, Malath, Walaa, SAICO and Medgulf have a combined Ratio of about 100% or above. Combined Ratios declined for 5 of the top 10 companies. The difference between the Combined Ratios of 2020 Q1 and 2021 Q1 were minimal.



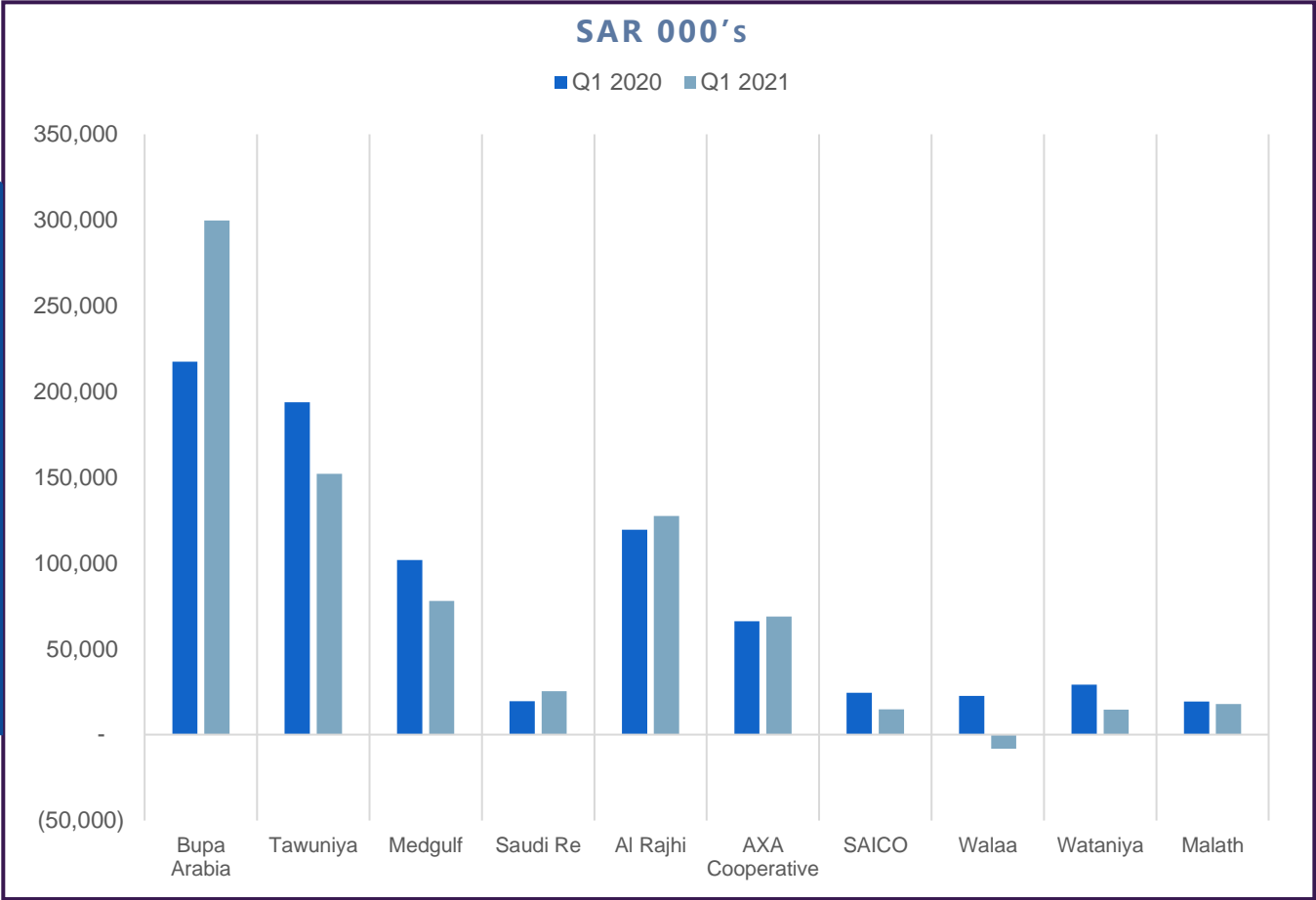
Combined Ratios - Other Companies



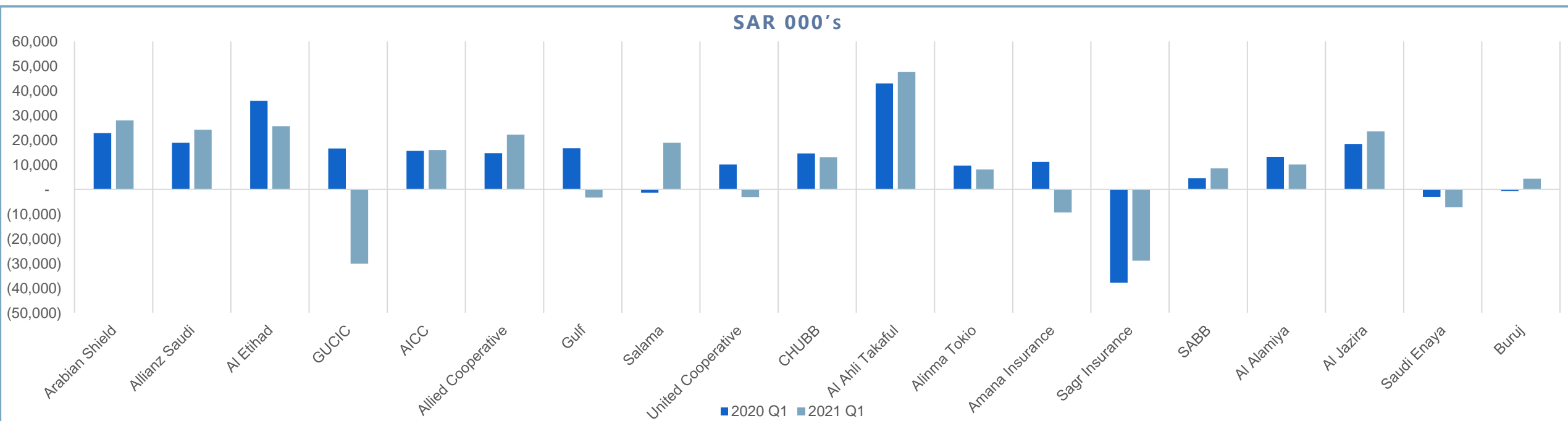
Combined Ratio for most of the other companies were higher than 100% in both years. Al Sagr Insurance had a Combined Ratio of 156% in 2020 Q1. The lowest combined ratio was for Al Jazira being -15% in 2020 Q1. GUCIC, Al Jazira and Amana Insurance experienced an increase of about 30%, 69% and 35% respectively in their combined ratios.

Net Profit and Loss - Top 10 Companies

Bupa Arabia had the highest Net Profit in year 2020 Q1 and it increased to 300 million, retaining its position. The lowest net profit in 2020 Q1 was for Malath, while the lowest net profit for 2021 Q1 was for Walaa with a net loss of 8.13 million. Walaa was the only company that moved for a net profit to a net loss.

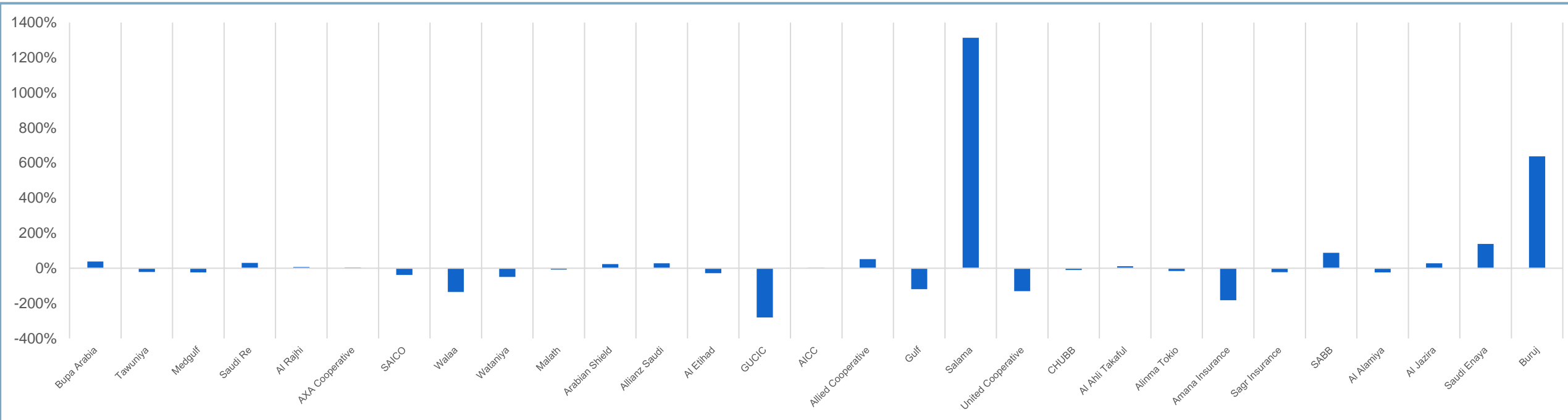


Net Profit and Loss - Other Companies



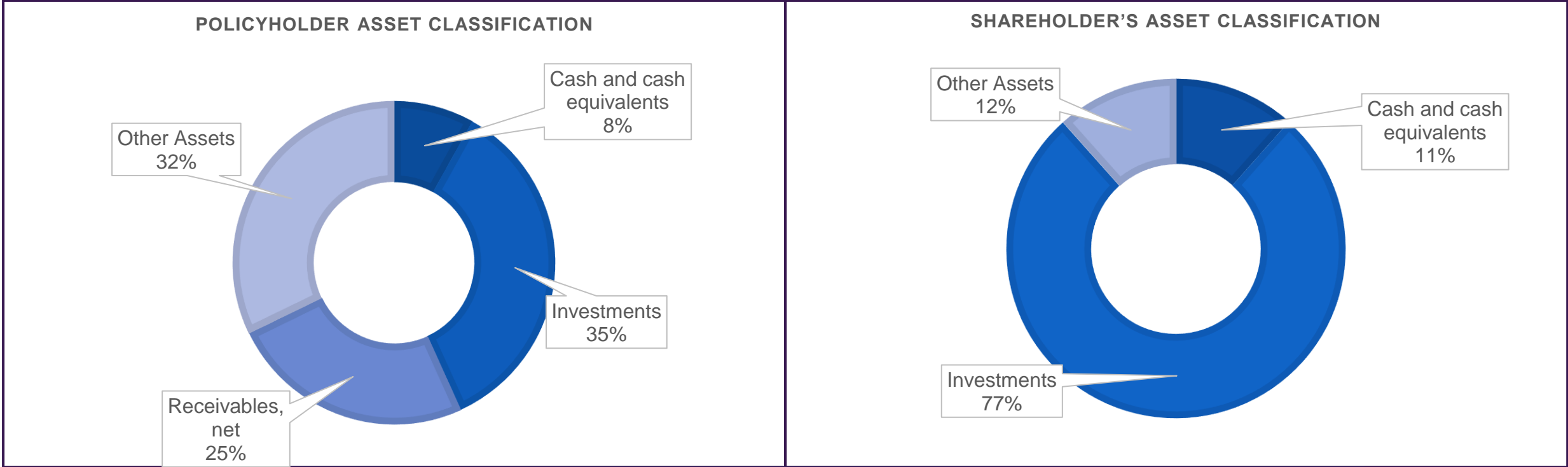
Unlike the top 10 companies who had positive Net Profits except Walaa, the remaining companies have net profit in both, positive and negative values. Al Ahli Takaful had the highest Net Profit of 43 million in 2020 Q1 and 48 million in 2021 Q1. The highest net loss was for Sagr Insurance in 2020 Q1 and GUCIC in 2021 Q1. GUCIC, Gulf, Amana Insurance and United Cooperative had a net profit in 2020 Q1 but a net loss in 2021 Q1. Salama, and Buruj had a net loss in 2020 Q1 but they were able to improve their positions to a net profit in 2021 Q1.

Net Profit and Loss - Movement



Salama experienced the highest growth in its net profit of about 13.13 times while GUCIC experienced a decrease in its net profit by 2.81 times.

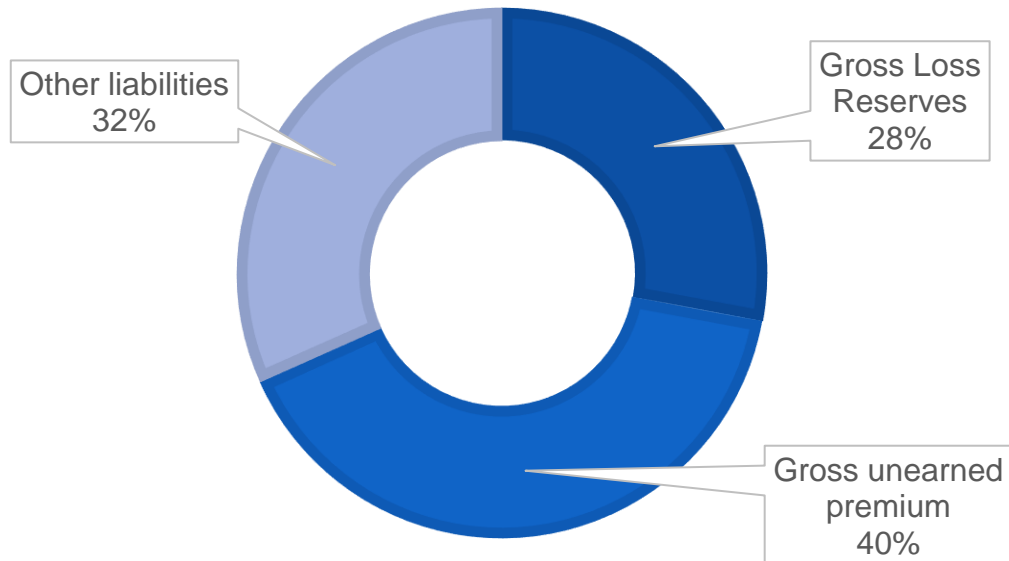
Asset Classification - Aggregate



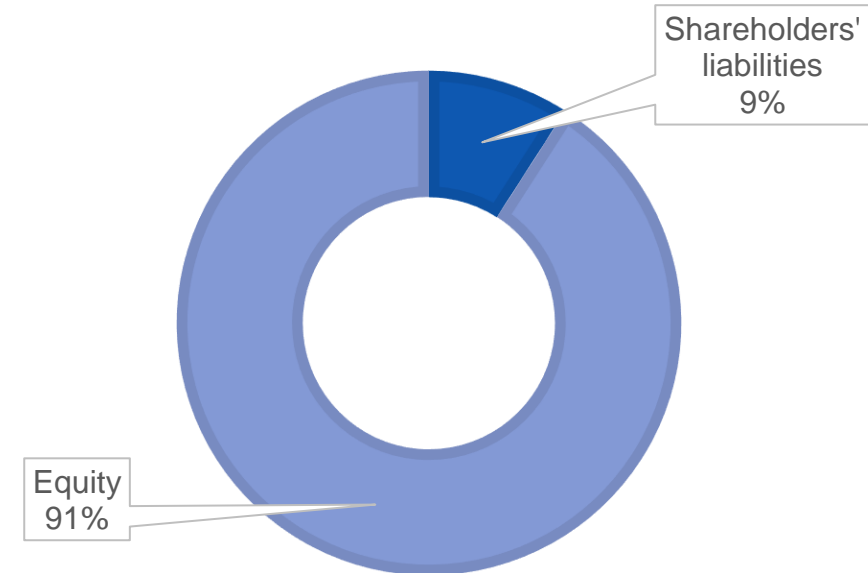
Most of the policyholder assets were kept as investments (35%) while 77% of the Shareholder Assets were kept as investments.

Liability & Equity Classification - Aggregate

POLICYHOLDER LIABILITY CLASSIFICATION

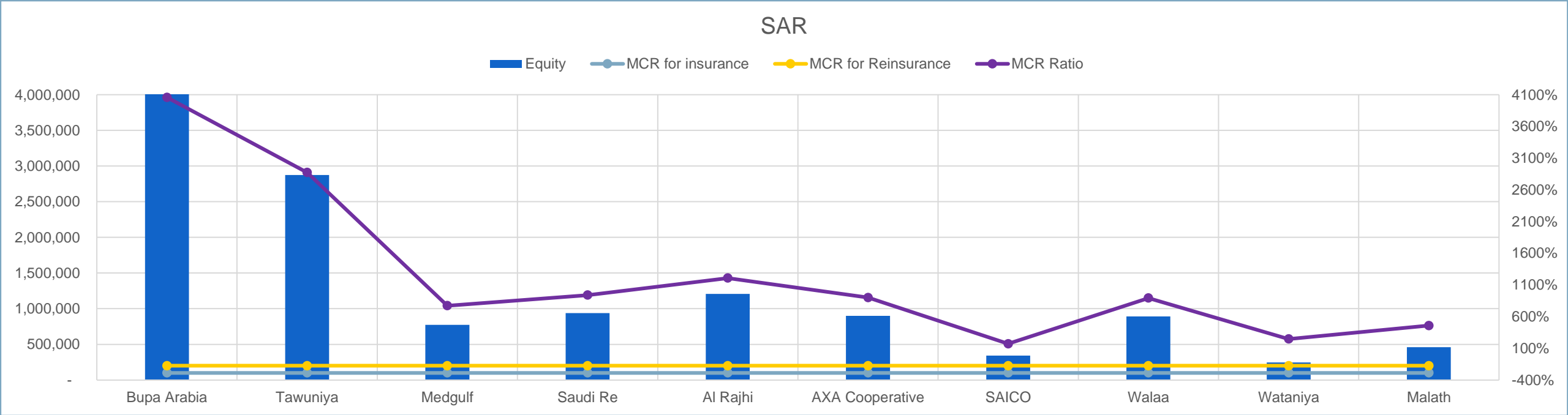


SHAREHOLDER LIABILITY & EQUITY CLASSIFICATION



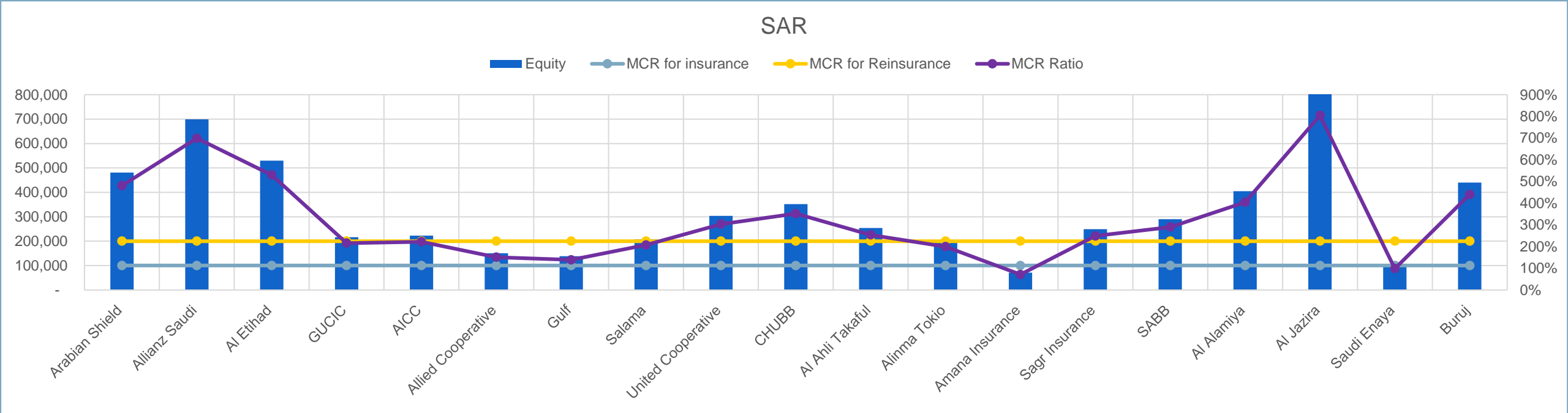
Policy holder liabilities consist of 28% Gross Loss reserve, 40% of gross unearned premium and 32% of other liabilities. In addition to this, Equity as a percentage of total assets is about 26.7%

Solvency Analysis – Top 10 Companies



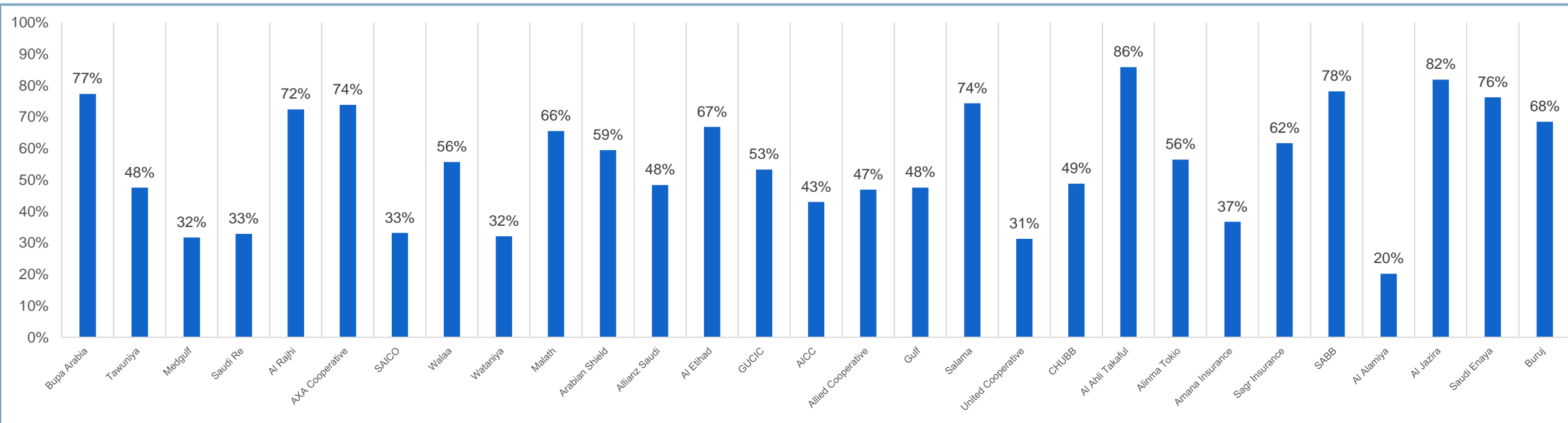
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Solvency Analysis – Other Companies



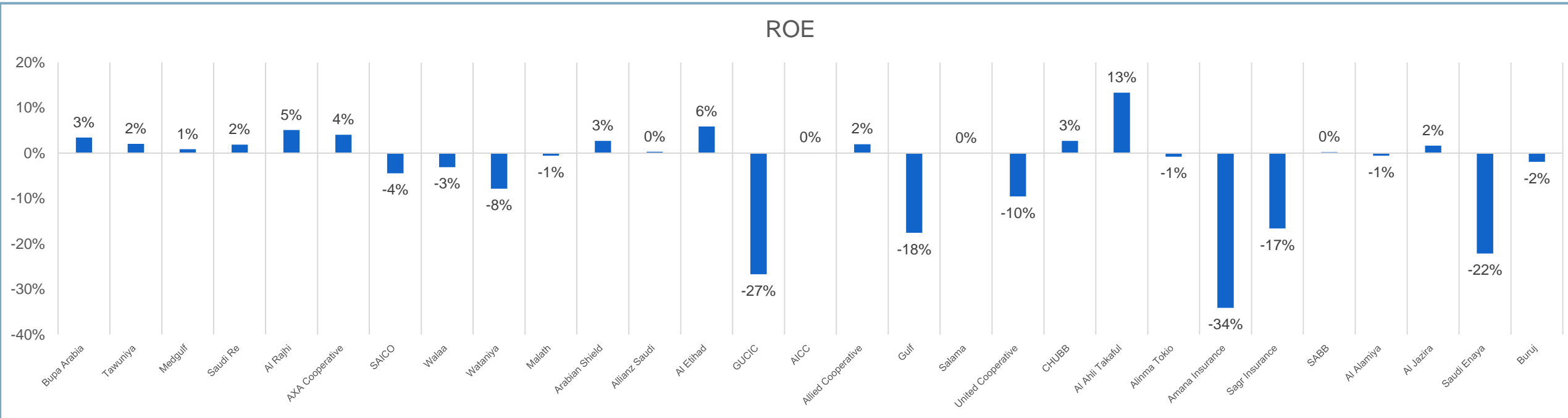
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Proportion of Invested Assets



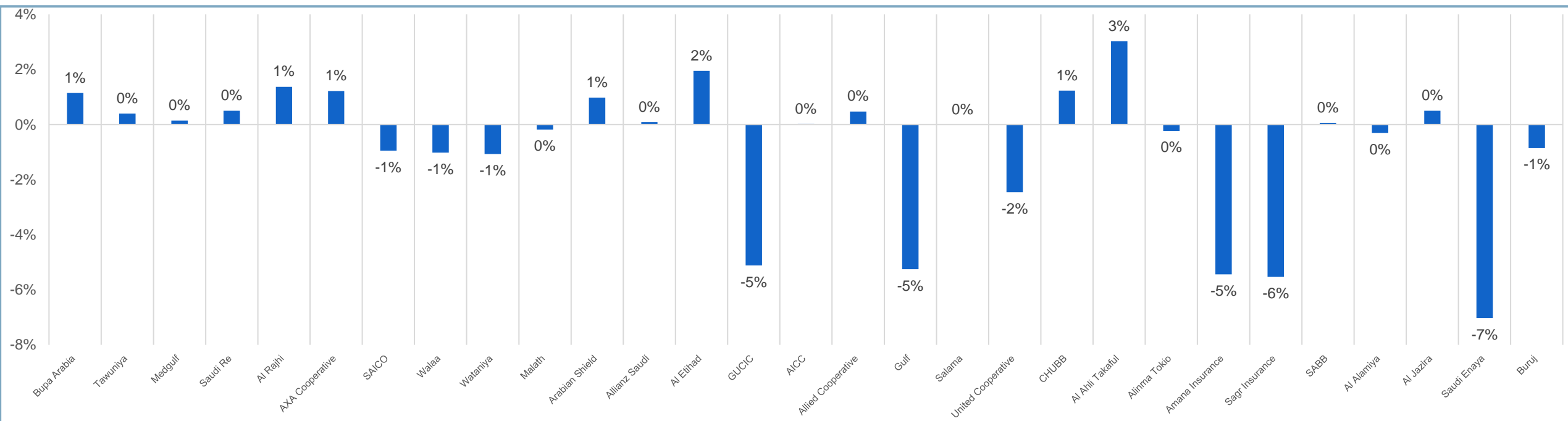
For 13 of the companies, invested assets along with cash constitutes about less than 50% of the total assets while the remaining companies have a proportion of more than 50%. The highest invested to total assets ratio is for Al Ahli Takaful (86%) while the lowest is for Al Alamiya of about 20%.

Return on Equity (ROE)



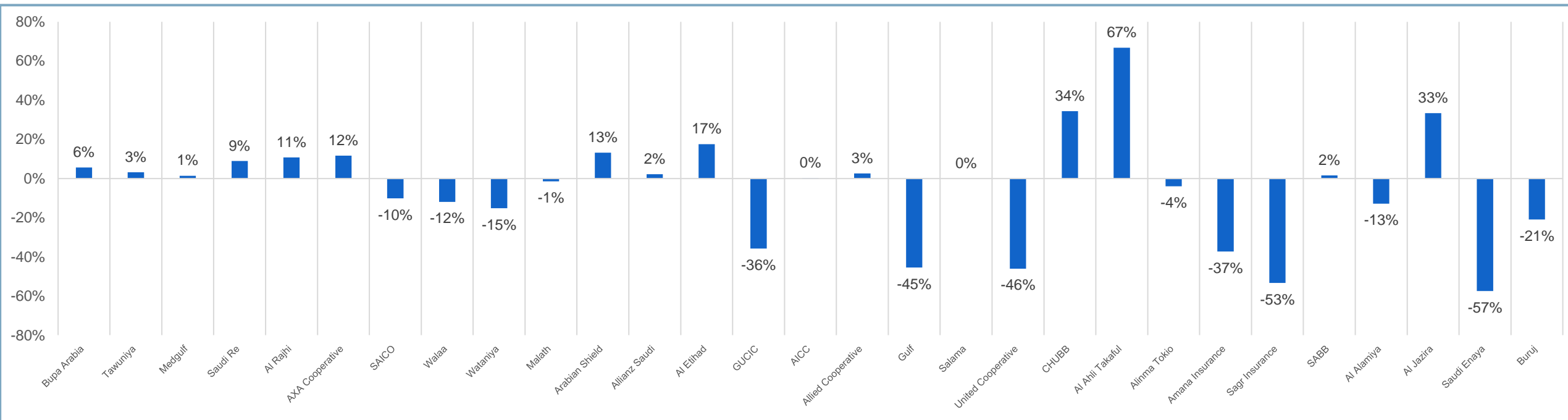
The Return on Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest Return on Equity was for Al Ahli Takaful of about 13%, suggesting that Al Ahli Takaful was able to utilize the investments received from the shareholders better than other companies. Return on Equity was highly negative (-34%) for Amana Insurance. Top 6 out of the 10 companies were able earn a positive return on equity while other companies' ROE had a very wide range.

Return on Asset



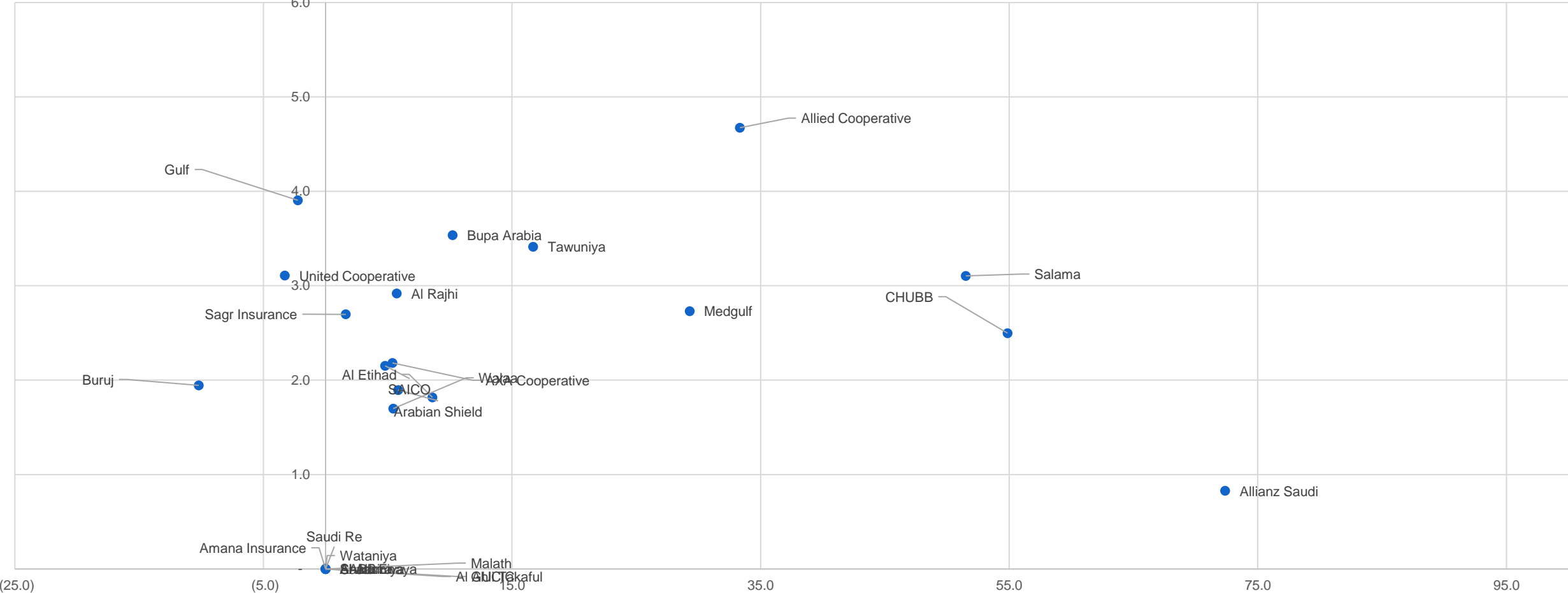
Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. Al Ahli Takaful was able to earn the highest Return on Assets of 3% while Saudi Enaya earned the highest negative Return on Assets of 7%. Top 10 companies' ROA varied between -1% and 1% while the remaining companies' ROA varied between -7% to 3%.

Net Profit Margins

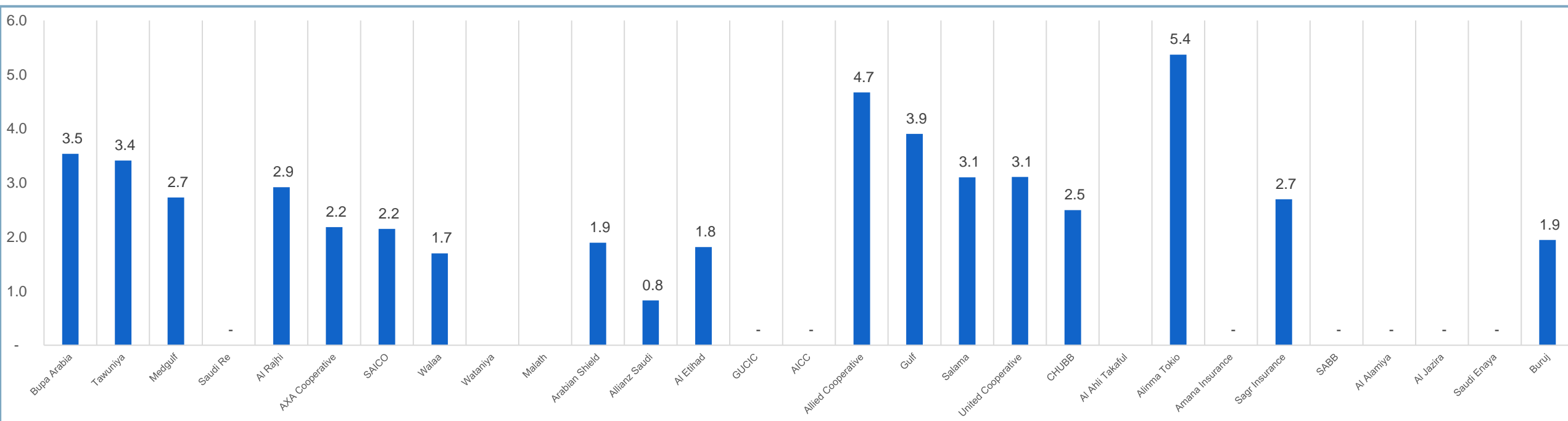


Net Profit Margin measures how much net income or profit is generated as a percentage of revenue. Al Ahli had the highest Net Margin (67%) suggesting that claims and expenses were very low. The lowest Net Margin was for Saudi Enaya Insurance (-57%). The range for the Net Profit Margin was wider than that of the top 10 companies, ranging from -57% to 67%.

Price to Book and Earning Ratio

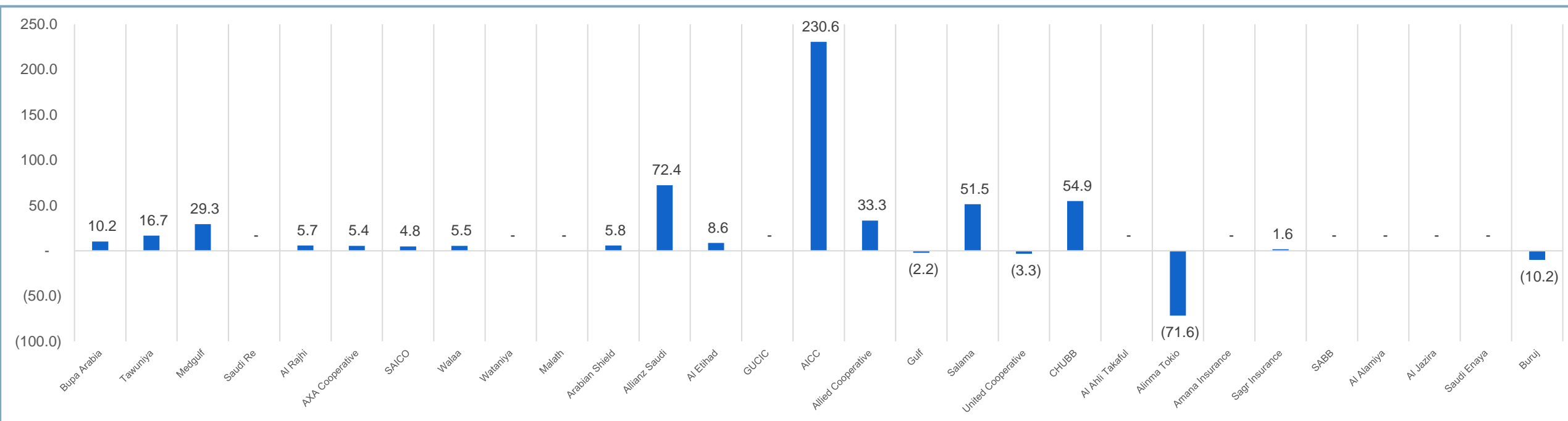


Price To Book Value



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). Alinma Tokio has the highest Price to Book Value Ratio (5.4) 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 Saudi (0.8). 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 per-share earnings (EPS). The Price-to-Earnings ratio is also sometimes known as the price multiple or the earnings multiple. A high Price-to-Earning 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 AICCC (230.6) suggesting that investors have confidence in the performance of the company. The lowest Price-to-Earning Ratio is for Alinma Tokio (-71.6).



Meet the Team

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Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Kingdom of Saudi Arabia for the first quarter of 2021. 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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