



Insurance Industry
Bahrain

2020

SHMA CONSULTING

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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 08 companies in Saudi Arabia, 11 insurance companies in the UAE and other insurance companies in the GCC (Bahrain, 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.

- 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

Our Services

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

- 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

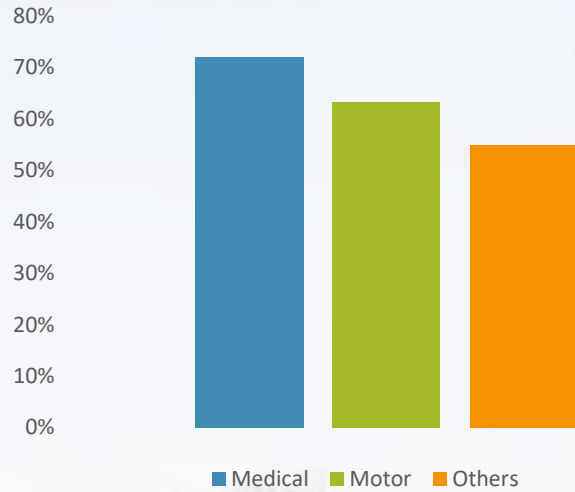
ERM and Capital Modeling

Limitation and Disclaimer

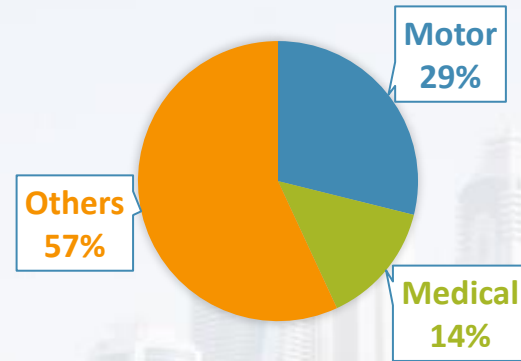
- ❖ The listed Insurance Companies under review are Bahrain Kuwait International Company (BKIC), Solidarity Bahrain Insurance Company (SBIC), Bahrain National Holding Company (BNHC), Takaful International Company (TIC), and Arab Insurance Group (AIG).
- ❖ The data for the companies have been taken from the website www.bahrainbourse.com. The data was extracted from the financial statements of the listed companies. Reliance is placed on the figures provided in the Company's Financial Reports. SHMA Consulting will accept no liability for loss directly or indirectly from your use of this document.
- ❖ The periods under review are 2019 and 2020. For those takaful companies where the breakup of the items between policyholder and shareholder is not provided in the main statement of financial position, the accompanying notes have been used to acquire the split. The balance sheet figures in the main statement can be slightly different from the amounts in the notes. However, the difference is immaterial and has no impact on our analysis. For takaful companies, the net profit/(loss) shown in the report is related to the shareholder only.
- ❖ Some companies have financials in US Dollars (\$), so in order to have a similar baseline to compare the companies, we have converted US Dollar values into Bahraini Dinar (BD) - using exchange rate 1 BD = 2.65 US Dollar.
- ❖ This Industry report is intended to provide general information only; we are not providing actuarial, investing, accounting, business, financial, legal, tax, or other professional advice or services through it. This research is not intended to replace professional advice or services, nor should it be used to make any decisions or take any actions that may damage your finances or business.
- ❖ The content of this industry report published by SHMA Consulting provides information to the general public and insurance sector. The objective of this report is to use our professional's research and experience to bring compliance and information sharing to the industry.

Insights for CEOs

Net Loss Ratio - 2020



Gross Written Business - 2020

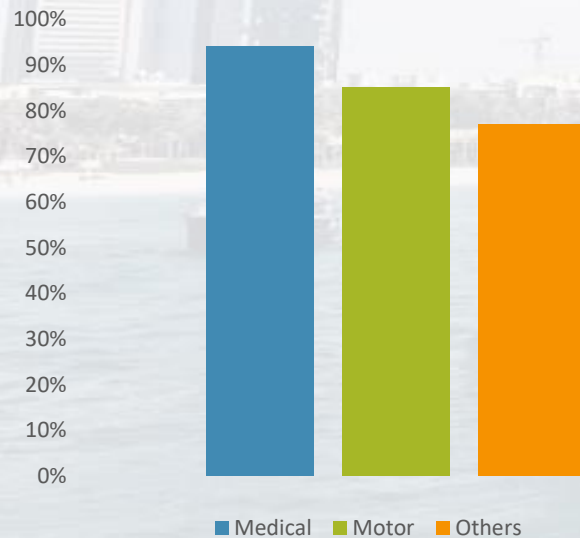


Total Gross Written Premium

BD 169 Mn

▼ -30.2%

Combined Ratios - 2020

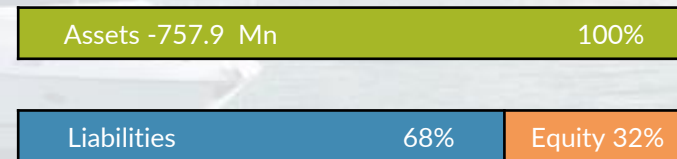


Total Profit/Loss

BD 18.53 Mn

▼ -1.10%

Financial Position - 2020



Total Assets



BD 758 Mn

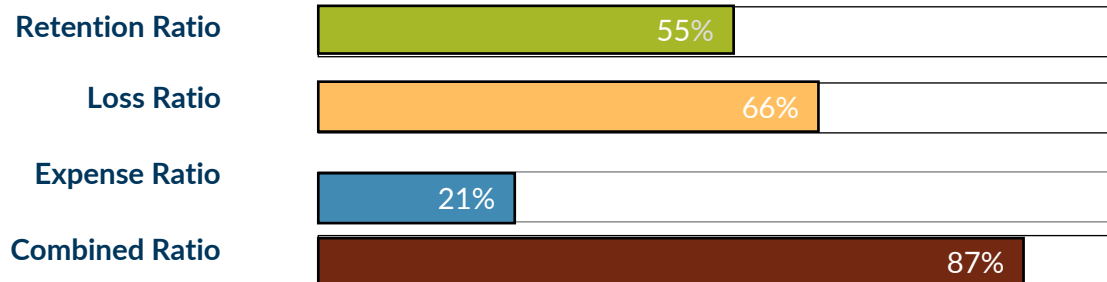
▼ -11%

Market Highlights

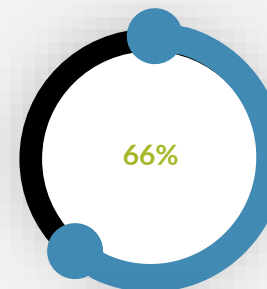
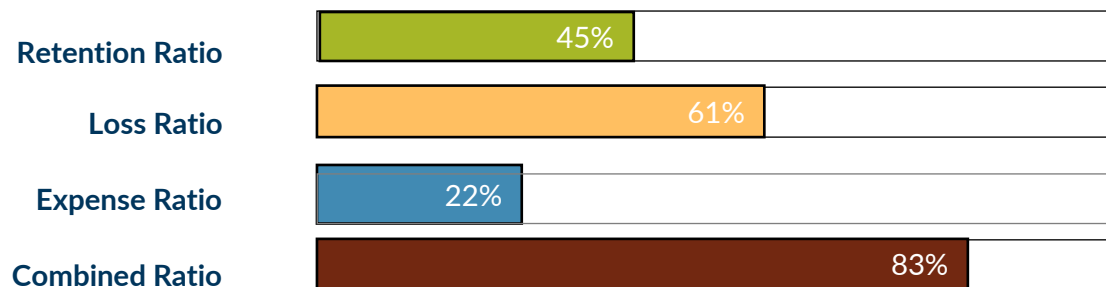
- ❖ According to the ranking of Sigma, the top 05 Insurance Companies in Bahrain (2020) include Bahrain National Holding (2nd), followed by Solidarity Bahrain (3rd). The Exchange rate as at 31/12/2020 : 1 BHD = 2.63793 USD ; 31/12/2019 : 1 BHD = 2.63655 USD.
- ❖ Insurance companies in Bahrain are to be entrusted with the investigation of minor traffic accidents. The initiative aims to clear the streets of Bahrain of vehicles that have sustained minor accidents. The insurers will benefit from intensive training courses to become experts in inspecting vehicles involved in traffic accidents, tracing back the causes of accidents and determining responsibility. An awareness and information campaign is also to be launched throughout the country.
- ❖ Bahraini insurance operators are considering the adoption of compulsory health insurance for the 600,000 expatriates. The law notifying such insurance obligation was published in May 2018 but has not yet been implemented by the authorities. The government's objective through this operation is to boost the health insurance activity in the country.
- ❖ Solidarity Bahrain won the award of the Best Digital Transformation Insurance Company. The prize was granted by The Global Economics magazine. The award recognizes the insurer for digitally innovative solutions and value propositions in 2020.
- ❖ Solidarity Bahrain is planning to merge with the company “t'azur” to create a takaful insurance entity. A letter of intent for a possible merger has been signed by both parties. The operation is still pending the approval of the shareholders, the Central Bank of Bahrain and the supervisory authorities.
- ❖ Bahrain National Insurance (BNI) is launching a COVID-19 group insurance policy designed for companies. The new product would allow public and private sector employers to cover medical expenses incurred by their employees following coronavirus contamination.

Industry Benchmark

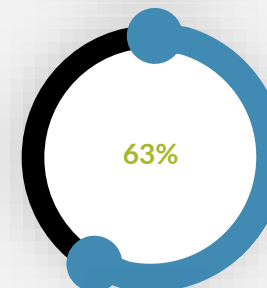
2019



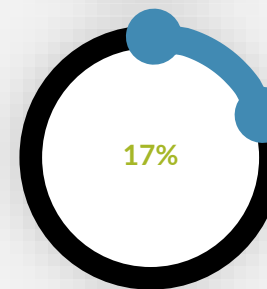
2020



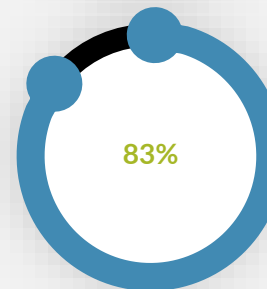
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio

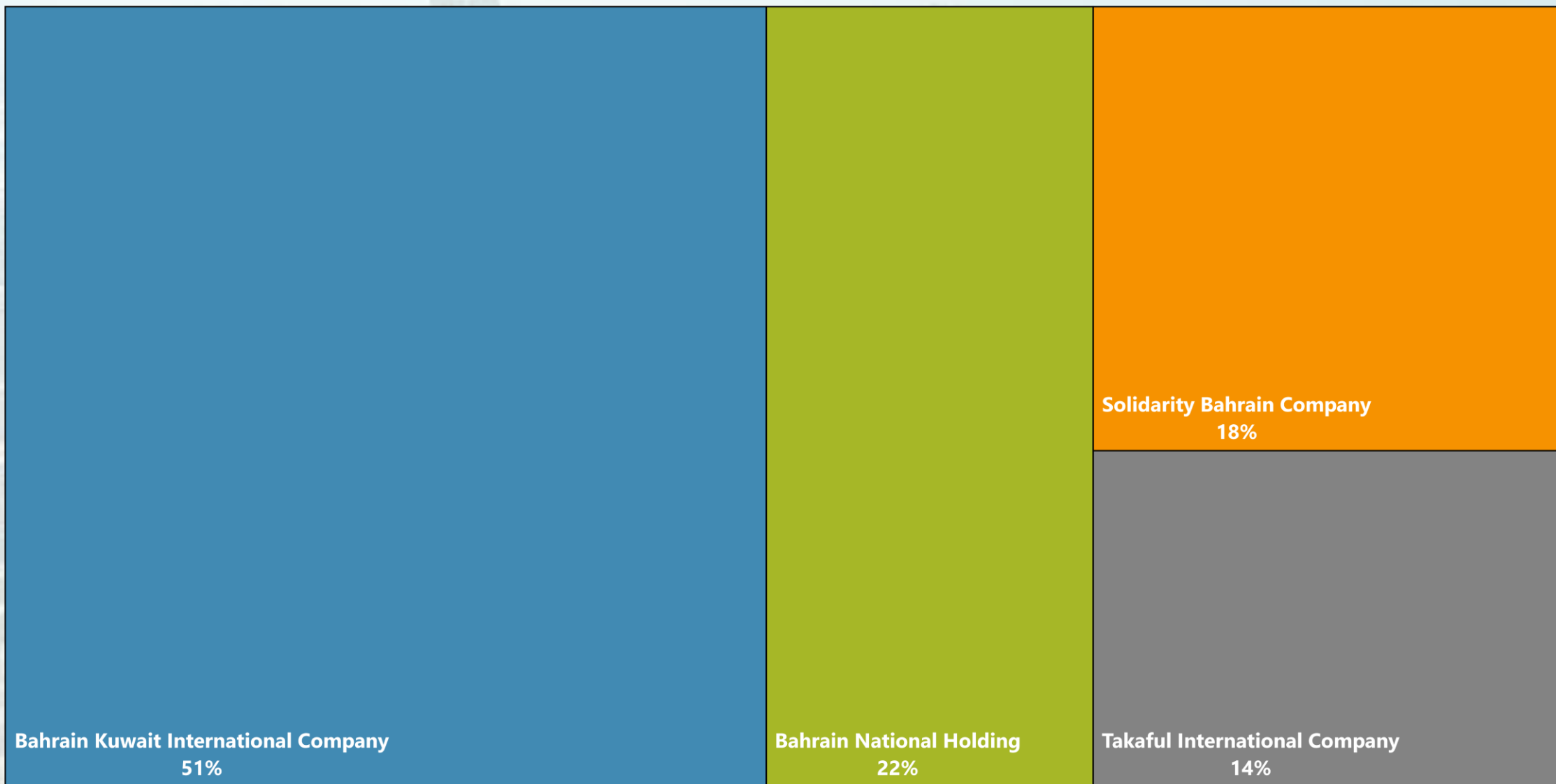


Weighted Average Combined Ratio

Impact of COVID-19

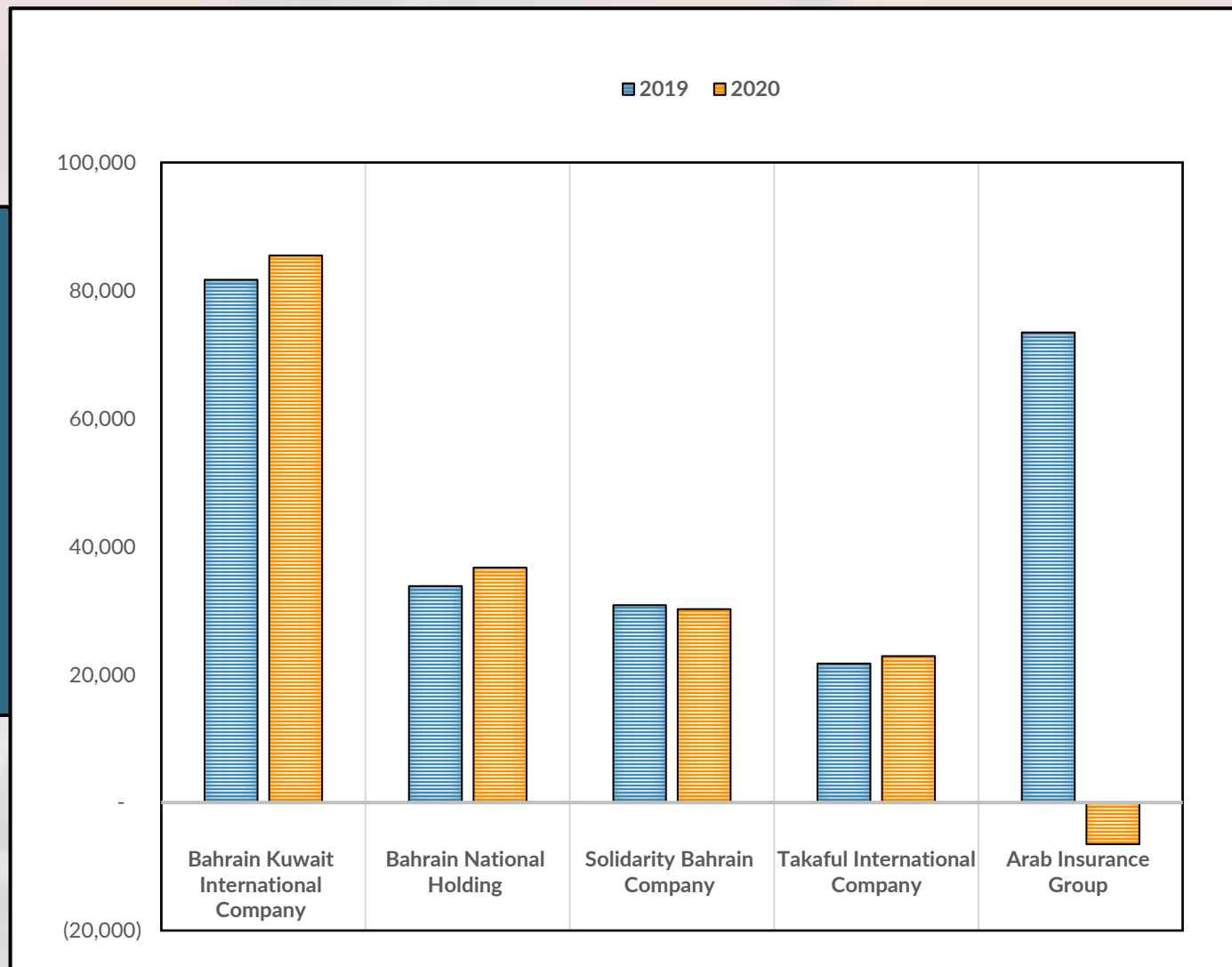
- ❖ The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.
- ❖ On 11 March 2020, 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. The insurer is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.
- ❖ The insurer may be impacted by any policies, practices, laws, or regulations introduced by governments that require or compel insurers to defer insurance premiums, pay claims in relation to COVID-19 losses which would not otherwise be payable under the relevant policy or in the normal course of business. The extent of the impact on our business and results of operations is largely dependent on the evolving future developments and the actions taken globally to address its impact.

Market Share Proportion



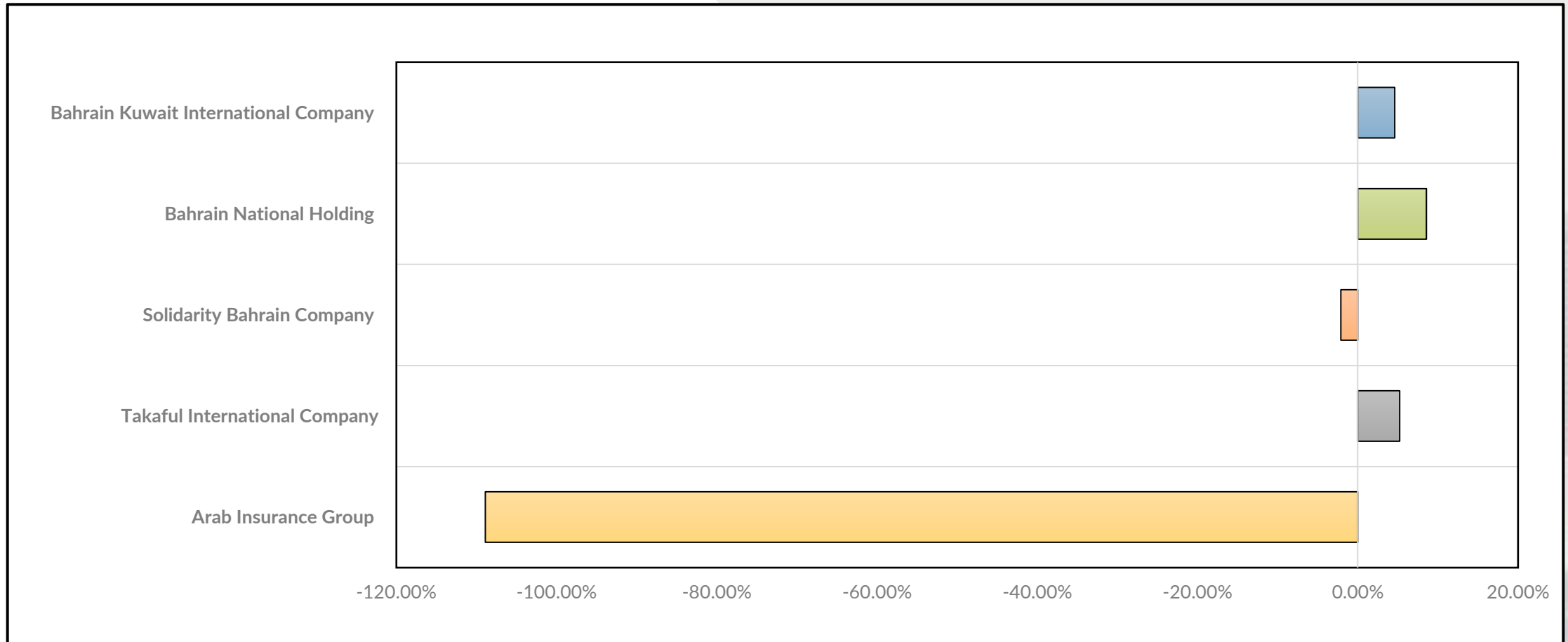
Gross Premium

(BD 000's)



Bahrain Kuwait International Company (BKIC) has the highest market share in both 2019 (34%) and 2020 (51%). For the year 2020, all other companies except Arab Insurance Group (AIG) have similar performance when compared with 2019. For AIG, the Gross Premium (BD 6526) is negative for the year 2020 due to the reversal of excess pipeline estimates for prior years and the cassation of new business underwriting.

Gross Premium – Movement



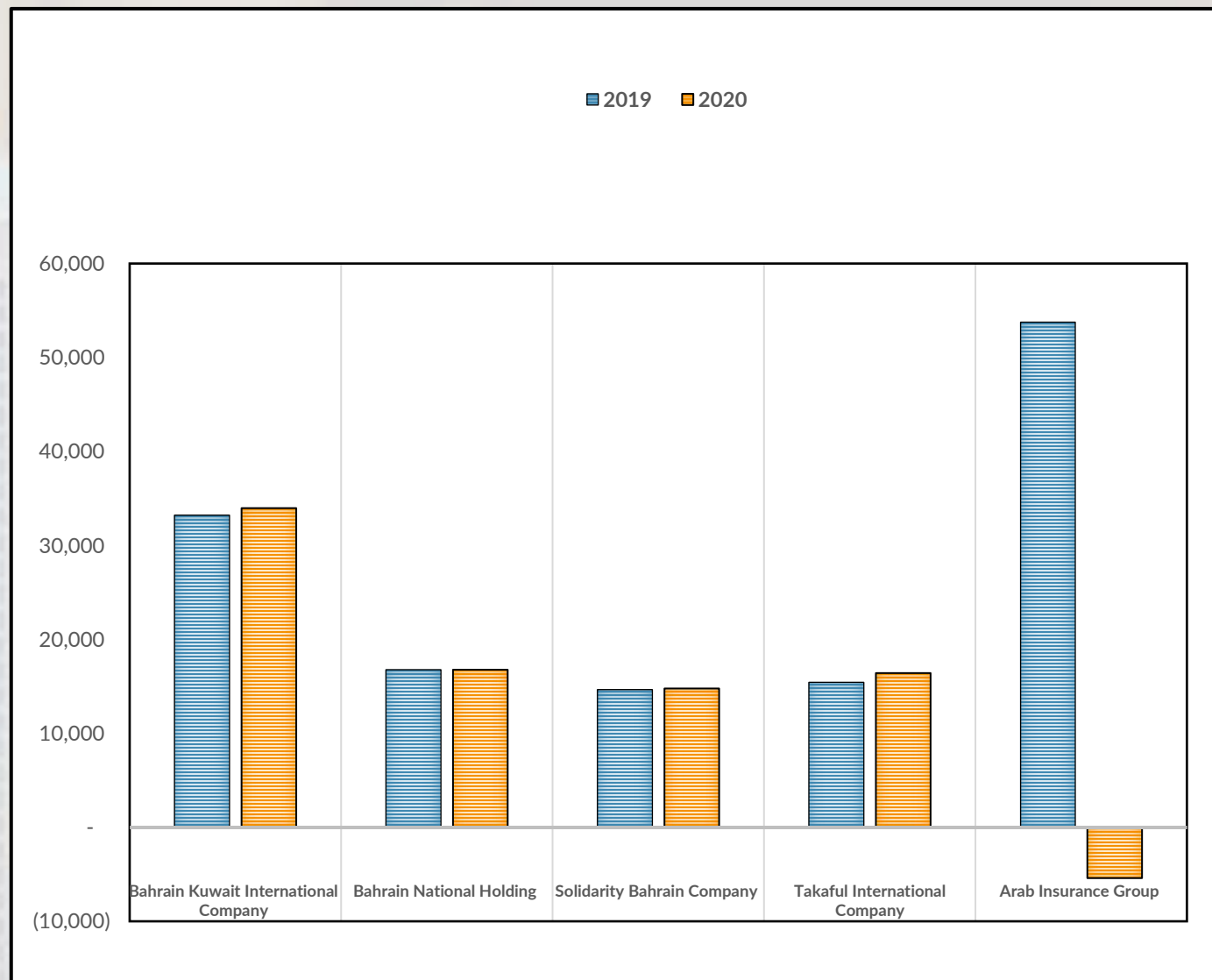
“ The Gross Premium - Movement captures the current and prior year Gross Written Business performance of the companies in terms of percentage. Bahrain Nationals Holding has the highest positive movement (8.57%) in Gross Written Premiums, while the Arab Insurance Group has a negative growth of -108.89% due to the reversal of excess pipeline estimates for prior years and cassation of new business underwriting. On an aggregate basis, the growth of written business in the Bahrain insurance industry is about -30.15%.”

”

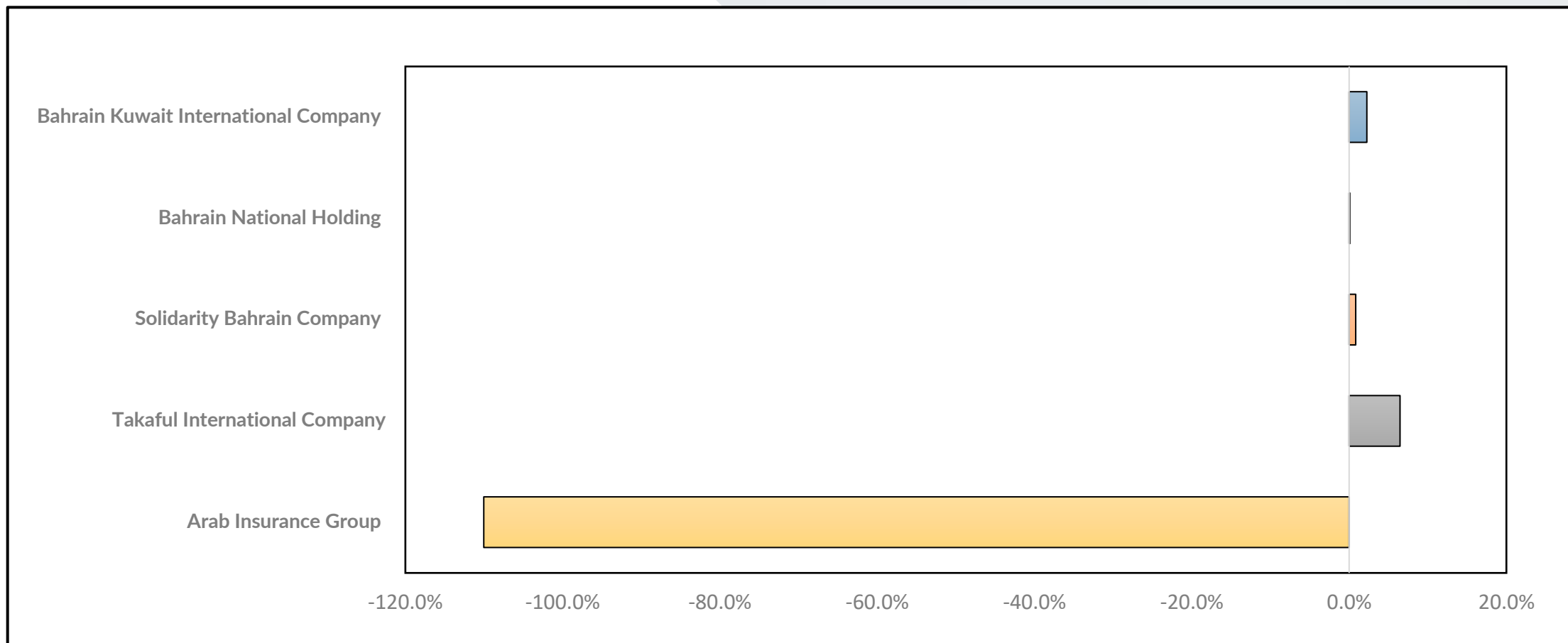
Net Premium

(BD 000's)

Arab Insurance Group (40%) had the highest Net Premium in 2019, and Bahrain Kuwait International Company (44%) had the highest Net Premium in 2020. There is no significant difference in the net written business of companies except for Arab Insurance, where the Net Written Premiums are negative (BD 5384) due to the reversal of excess pipeline estimates for prior years and cassation of new business underwriting.



Net Premium – Movement

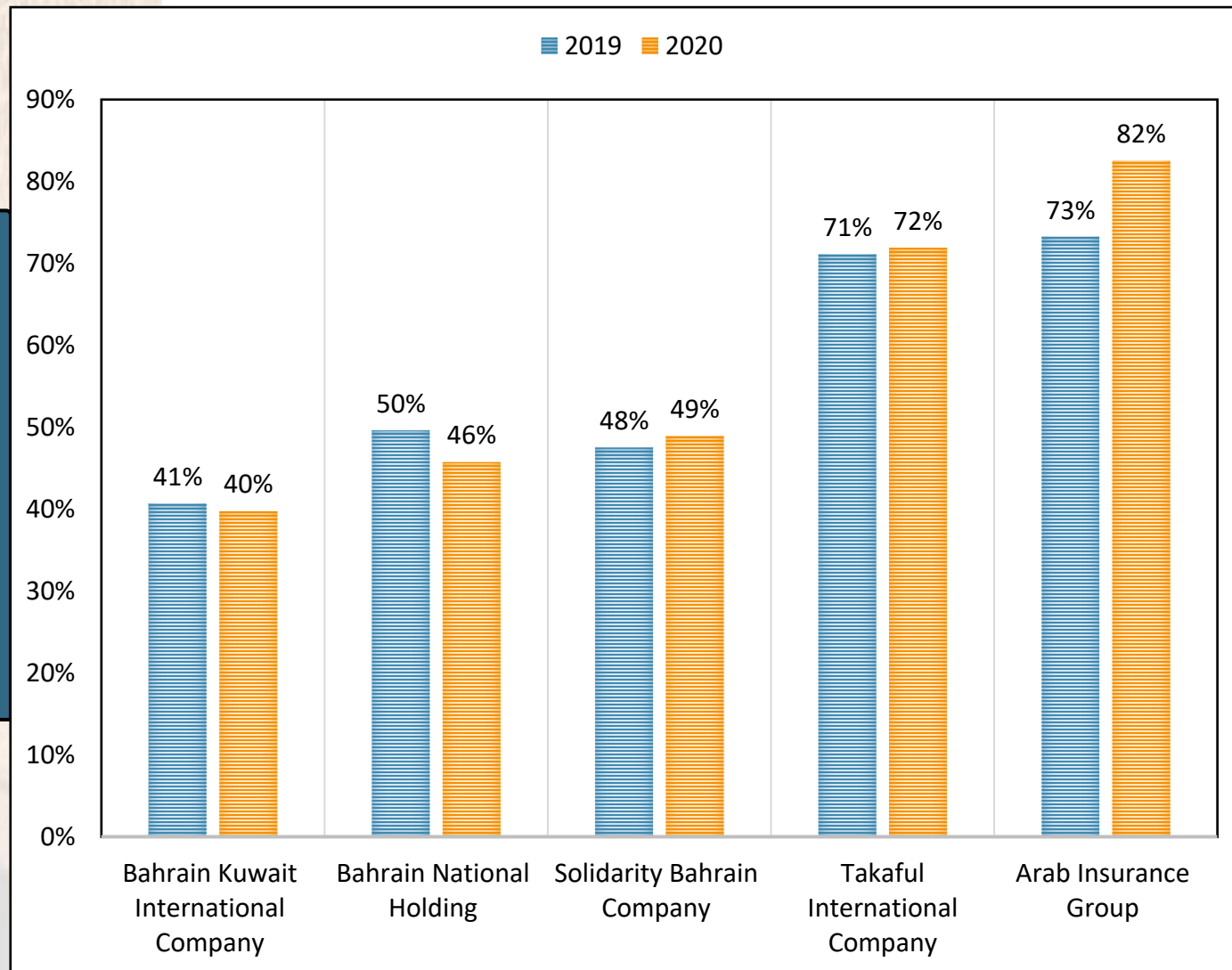


“ Similar to gross movement, net movement captures the performance of the company but on basis of Net Premiums. There is no significant change in the Net Premium of companies in 2020 as compared to 2019, thus contributing only small value addition. However, Arab Insurance has shown large movements, that is too due to its reversal entries mentioned before. Overall, on an aggregate basis, the Net Premiums have decreased by 43%. ”

”

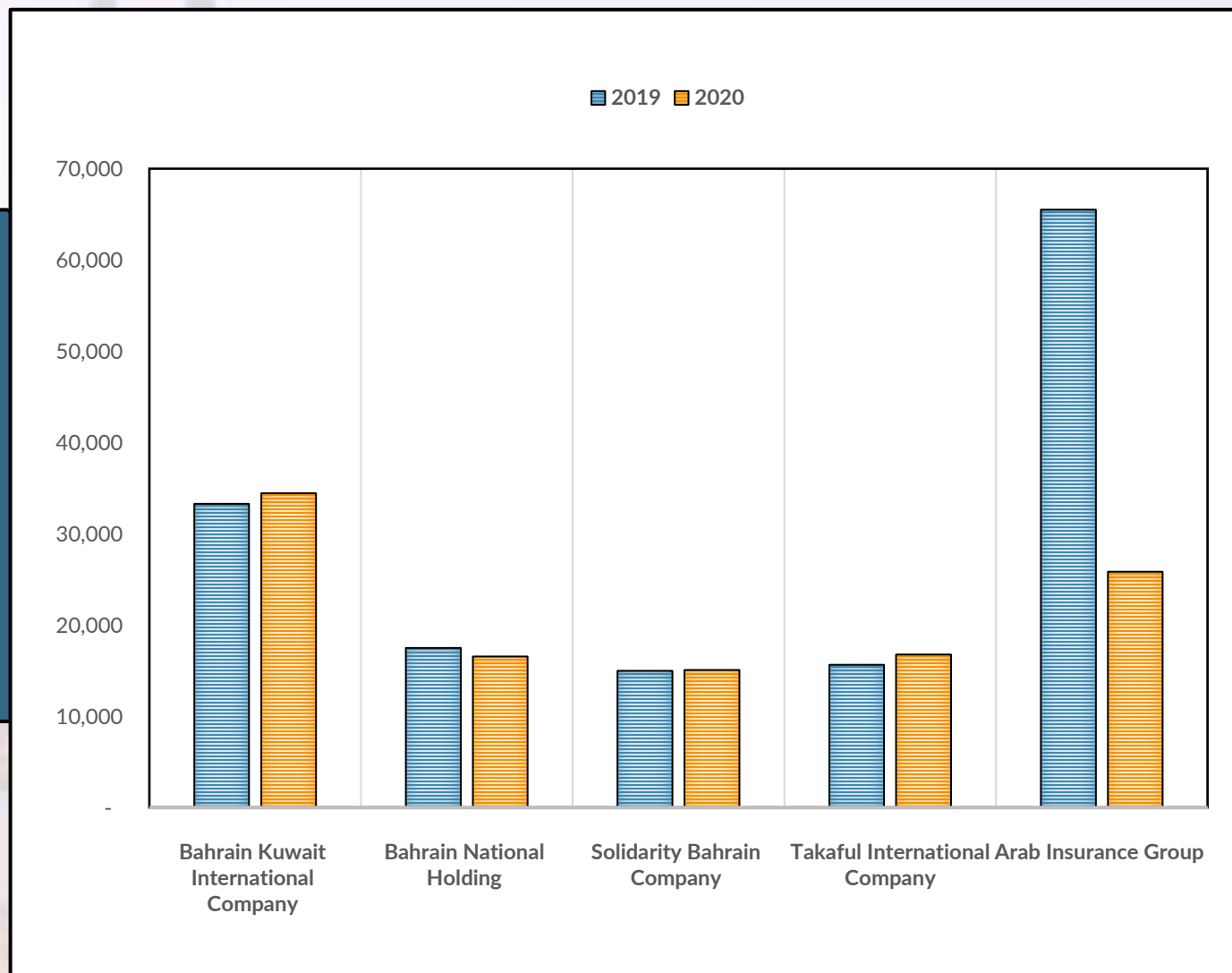
Retention Ratio

On aggregate, the listed insurance companies of Bahrain have retained 55% (2019) and 45% (2020) of their business. Arab Insurance followed by Takaful International topped the chart, where they retained around 80% and 70% of their business. Bahrain Kuwait has the lowest Retention Ratio in both the years under consideration which can be seen from the fact that despite having the highest gross written business turnover (in BD), the net values are quite low. Bahrain Insurance companies are retaining at least 40% of their business.



Net Earned Premium

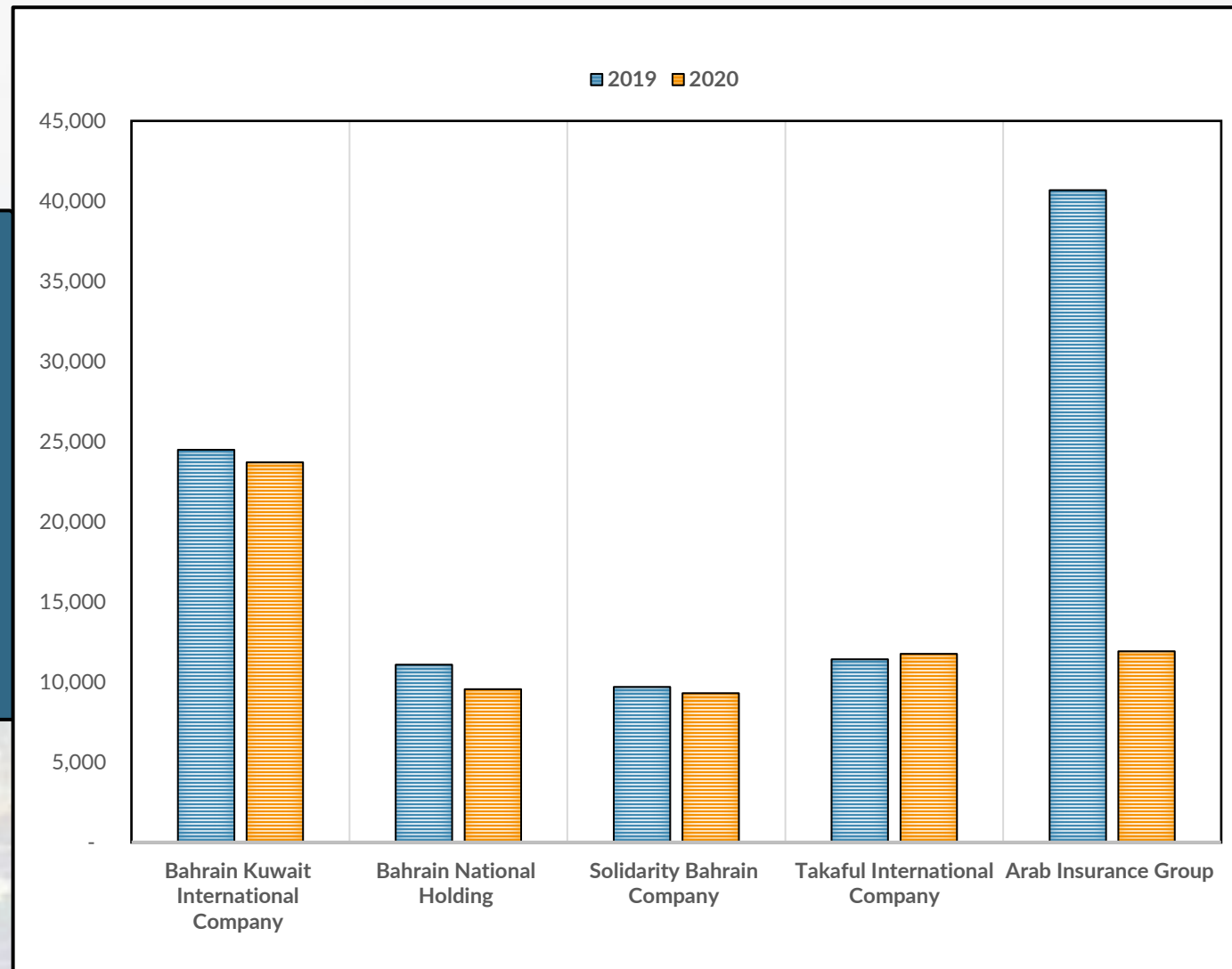
(BD 000's)



Arab Insurance had the highest (BD 65.4 Mn) Net Earned Premium in 2019, while Bahrain and Kuwait had the highest (BD 34.4 Mn) Net Earned Premium in 2020. For all companies except Arab Insurance Group, Net Premiums did not differ much from their previous earned premiums.

Net Incurred Claims

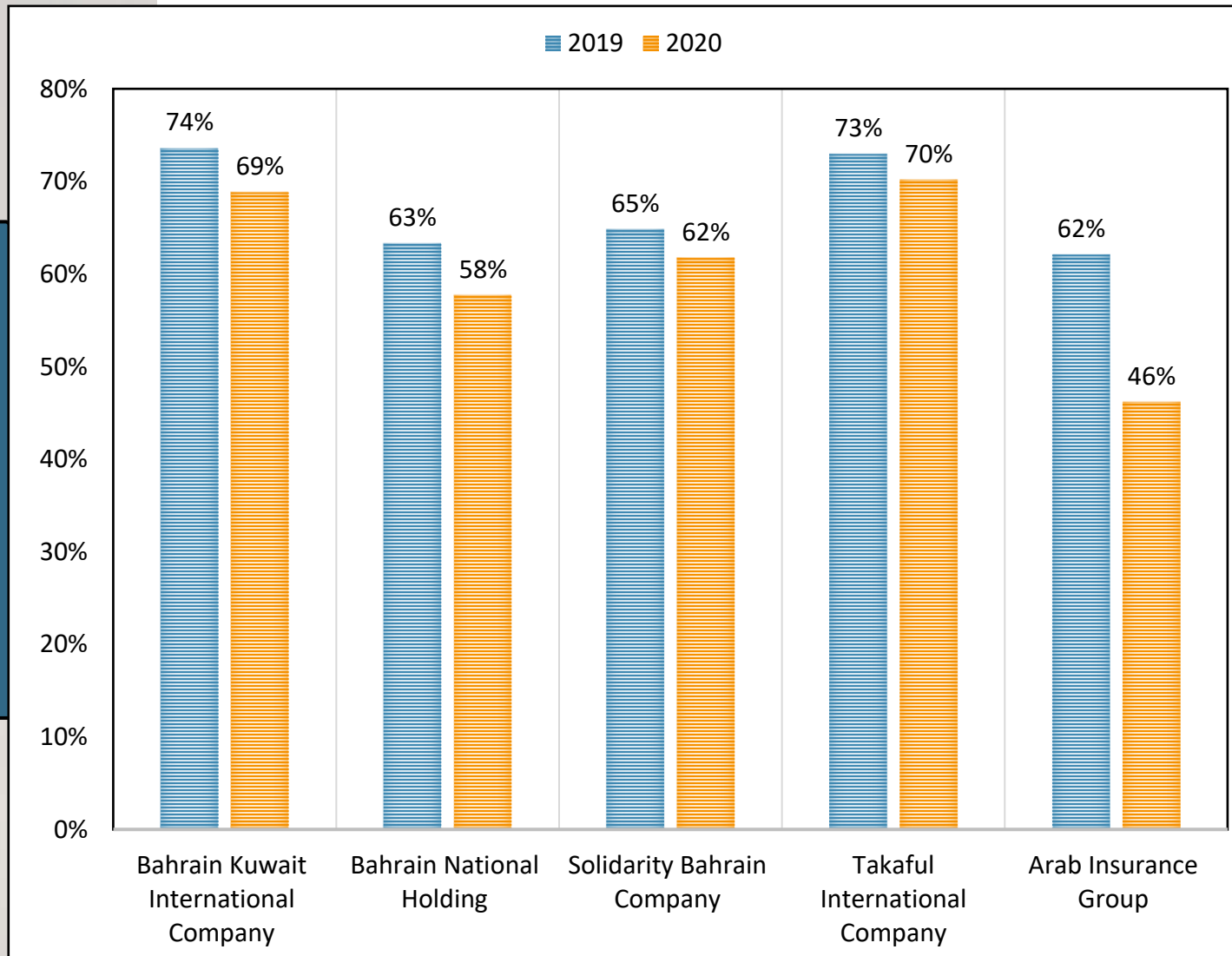
(BD 000's)



Arab Insurance had the highest Net Incurred Claims in 2019 (BD 40.67 Mn), while Bahrain and Kuwait had the highest Net Incurred Claims in 2020 (BD 23.7 Mn). For all the companies except Arab Insurance, incurred claims did not differ much from that of the previous year.

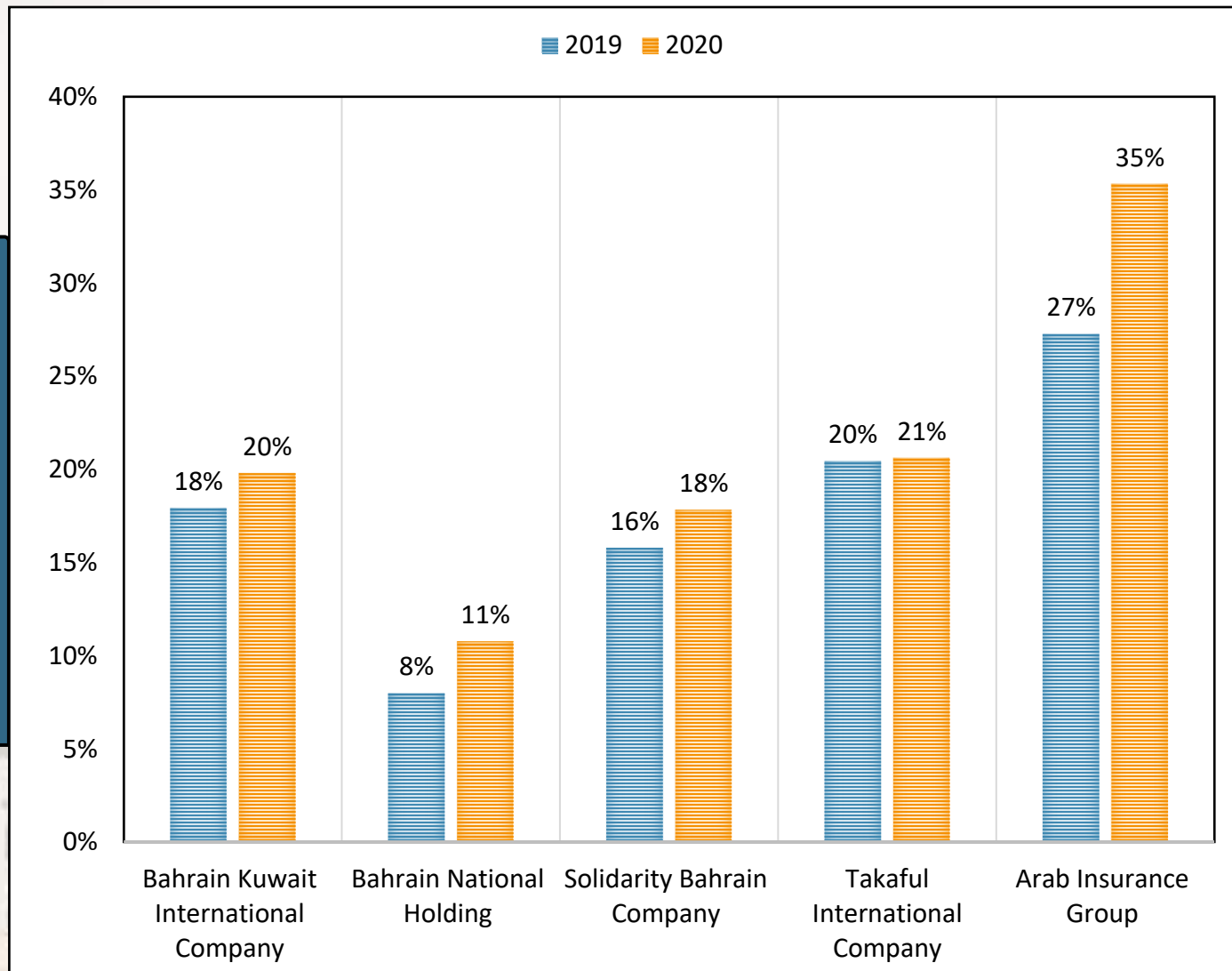
Loss Ratio

Bahrain Kuwait International Company had the highest Loss Ratio in 2019 (74%) while the lowest being 62% for Arab Insurance Group in 2019. For the year 2020, the highest Loss Ratio was for Takaful International Company (70%), while Arab Insurance Group had the lowest Loss Ratio (46%).



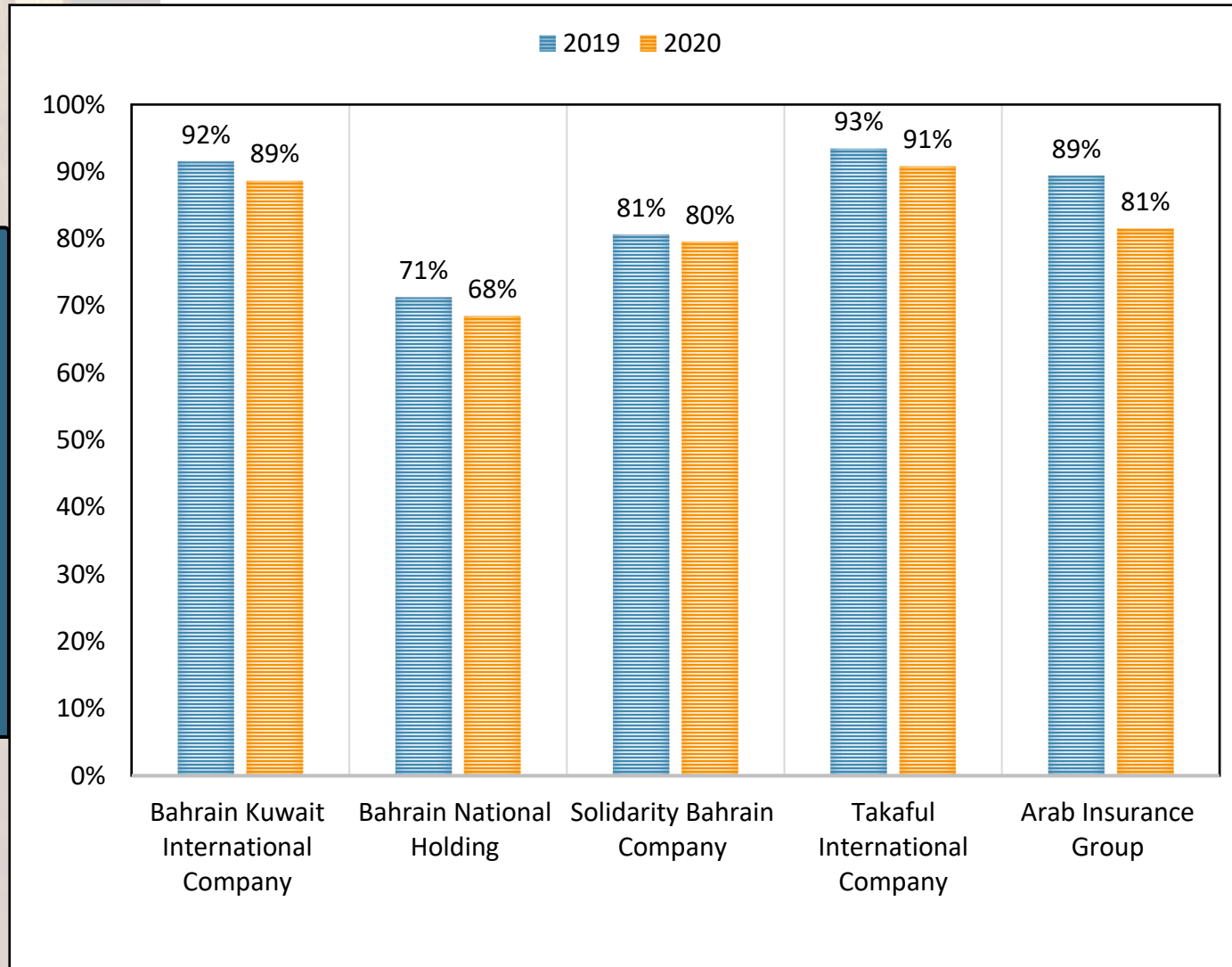
Expense Ratio

Arab Insurance Group had the highest Expense Ratio in both 2019 (27%) and 2020 (35%). While Bahrain National Holding had the lowest Expense Ratio in both, 2019 (8%) and 2020 (11%).



Combined Ratio

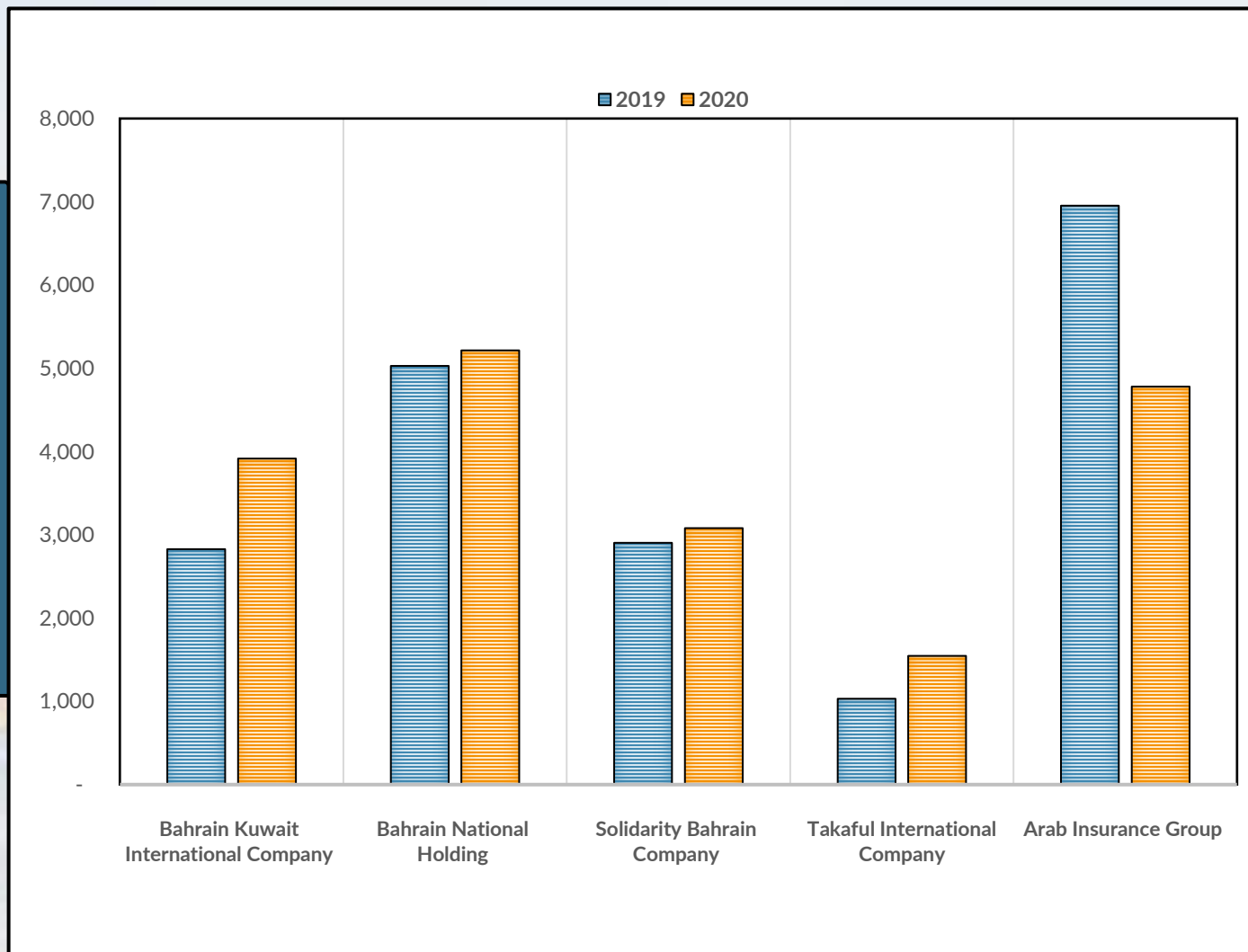
Takaful International Company had the highest Combined Ratio in 2019 (93%), while the lowest being 71% for Bahrain National Holding. For the year 2020, the highest Combined Ratio was for Takaful International Company (91%), while Bahrain National Holding had the lowest Combined Ratio (68%).



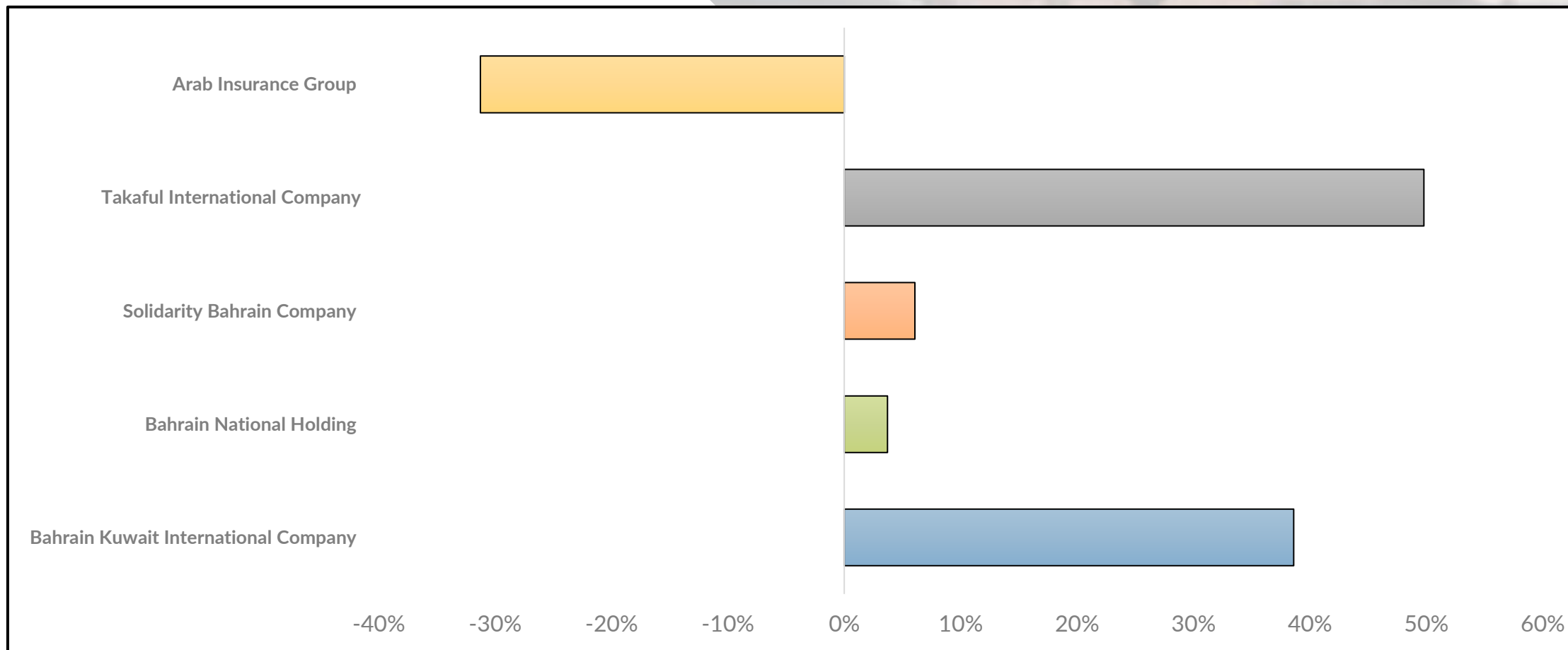
Net Profit/Loss (After Tax)

(BD 000's)

Arab Insurance Group had the highest Net Profit in 2019 (BD 6.954 Mn), while Bahrain National Holding had the highest Net Profit in 2020 (BD 5.214 Mn). Net Profit increased for all the companies except Arab Insurance.



Net Profit/(Loss) (After Tax) - Movement



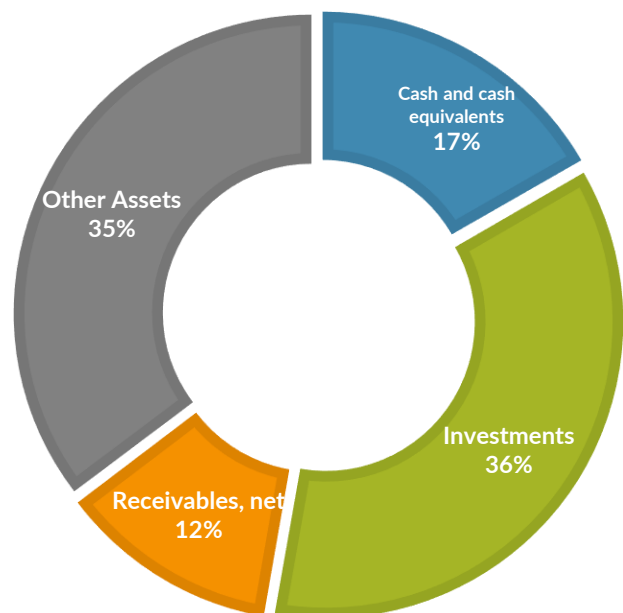
Takaful International Company experienced the highest growth in its Net Profit (50%), followed by Bahrain Kuwait International Company (39%), while Arab Insurance Group experienced a decline in its Net Profit of about 31%.



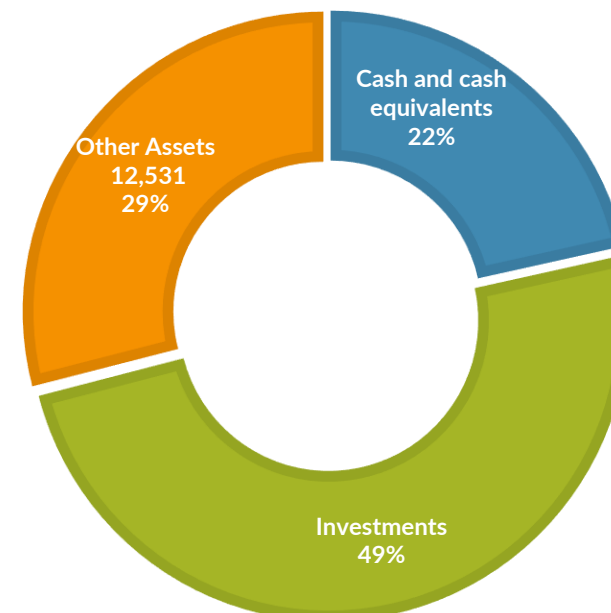
Asset Classification - Aggregate

2020

POLICYHOLDER ASSETS



SHAREHOLDER ASSETS

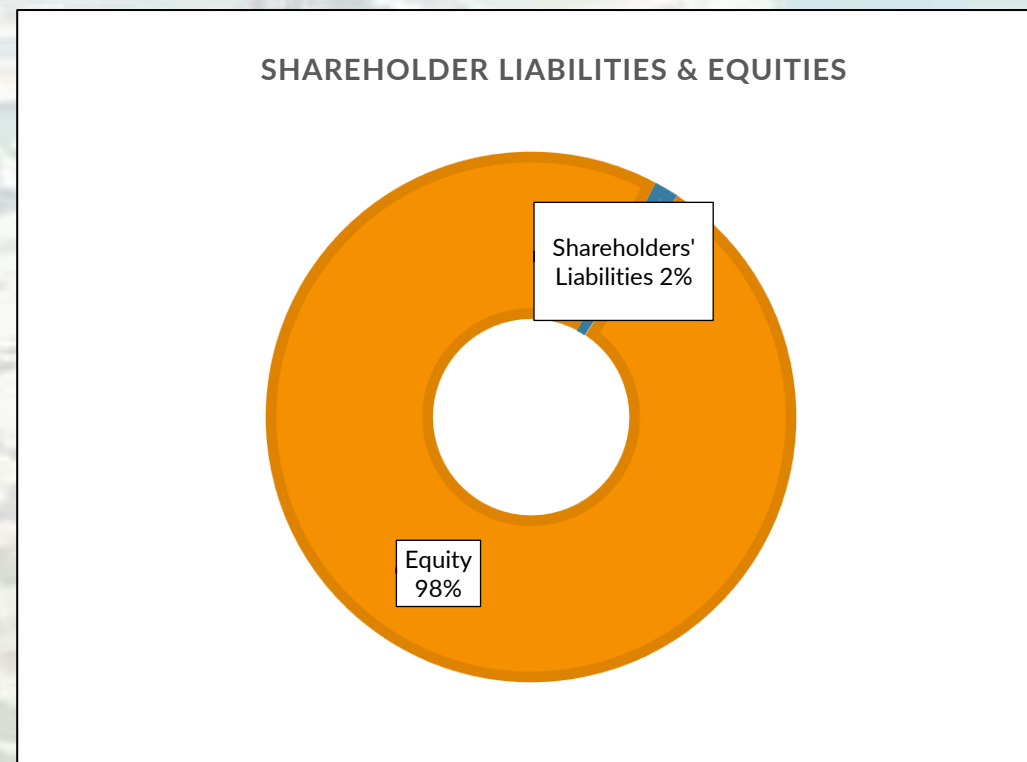
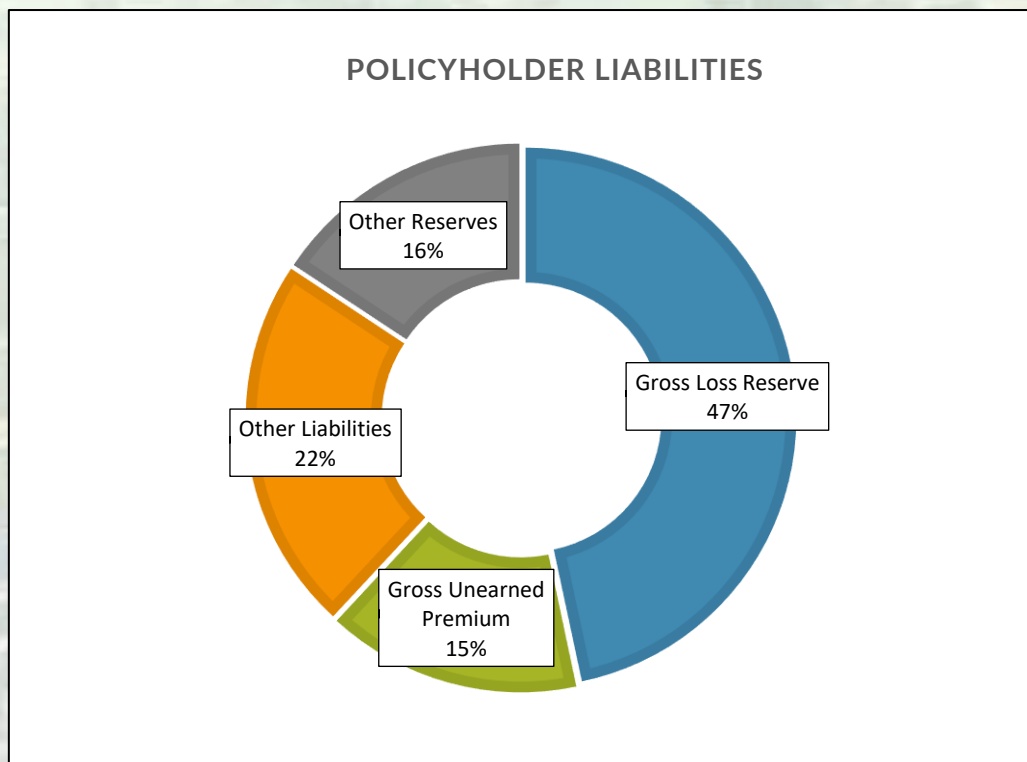


Policyholder Assets consist of about 17% Cash and cash equivalent, 36% Investments, 12% Receivables, and 35% Other Assets. Shareholder's Assets consist of 49% Investments, 22% Cash and cash equivalents, and 29% Other Assets.



Liability and Equity Classification - Aggregate

2020

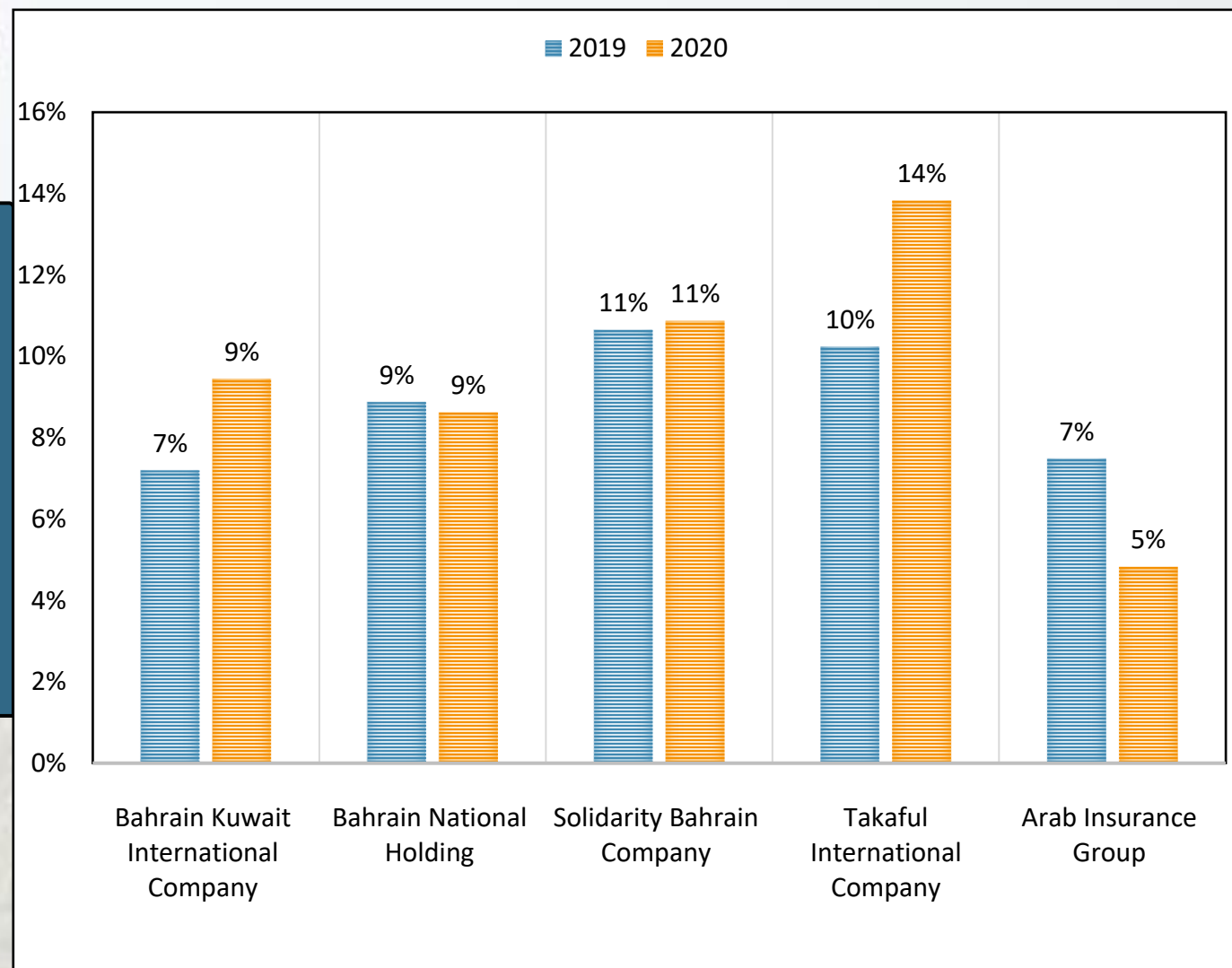


Policyholder Liabilities consist of about 47% Gross Loss Reserves, 15% Gross Unearned Premium, 22% Other Liabilities, and 16% Other Reserves.



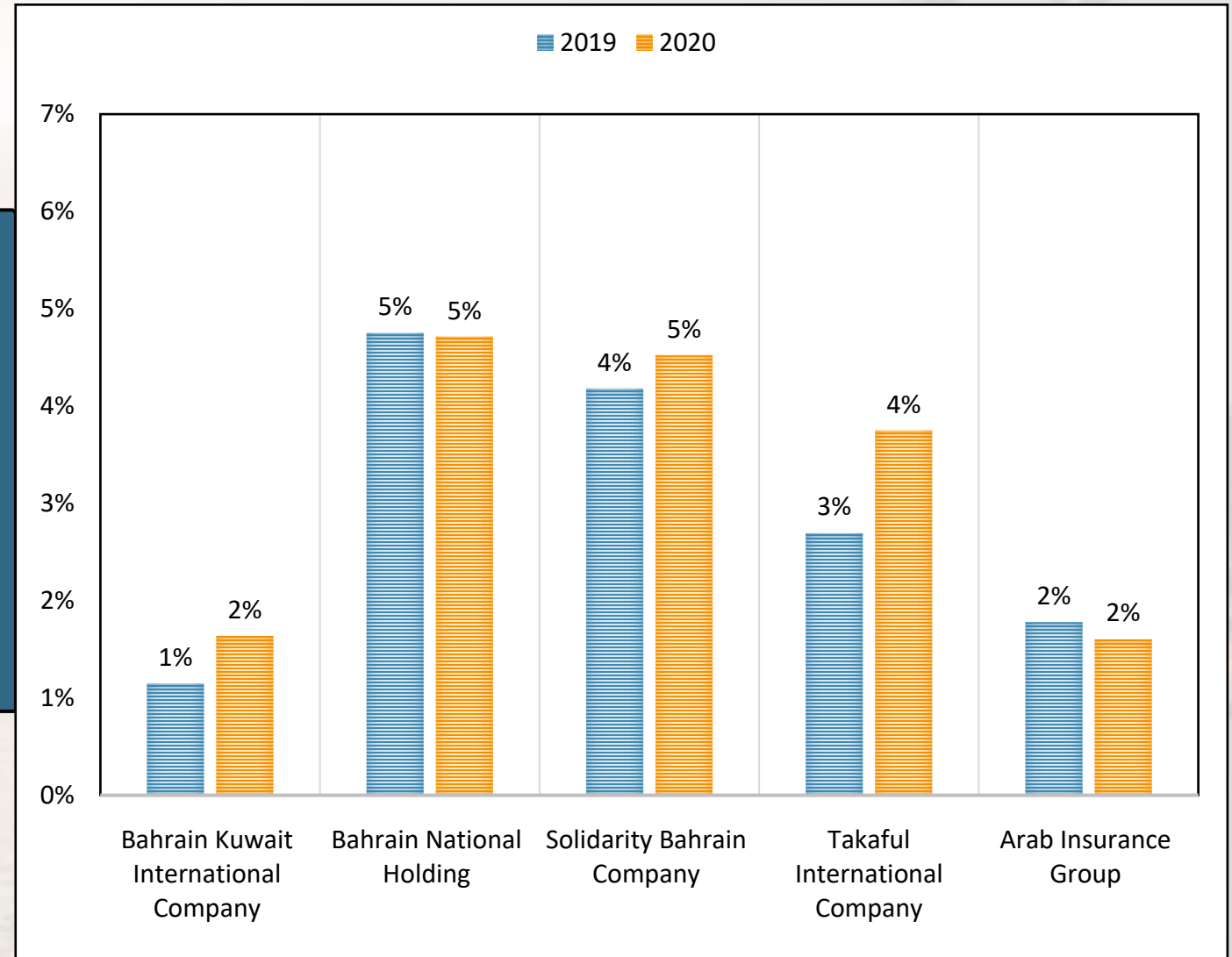
Return On Equity (ROE)

The Return on Equity (ROE) 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 Takaful International Company of about 14%, suggesting that Takaful International Company was able to utilize the investments received from the shareholders better than other companies. ROE decreased for the Arab Insurance group only with a decrease of about 2%.



Return On Assets (ROA)

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. Bahrain National Holding and Solidarity Bahrain Company were able to earn the highest Return on Assets of 5%, while Bahrain Kuwait International Company and Arab Insurance Group earned the lowest return on Assets of 2%.





Meet the Team

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SHMACONSULTING

Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Bahrain 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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