

SHMACONSULTING

Insurance Industry

Kingdom of Saudi Arabia

Second Quarter of 2021



TABLE OF CONTENT



SHMA Consulting

- About Us.....3
- Our Services.....4
- Limitation and Disclaimers.....5



Performance Summary

- Performance Highlights.....6
- Industry Benchmark.....7
- Impact of COVID-19.....8
- Aggregate Performance.....10



Market Share & Premium

- Market Share.....11
- Premium Composition.....12
- Gross Written Premium.....14
- Net Written Premium.....17
- Premium Retention Ratio.....20
- Net Earned Premium.....22



Claims and Ratios

- Net Incurred Claims.....23
- Loss Ratio.....25
- Expense Ratio.....27
- Combined Ratio.....29



Profitability Analysis

- Net Profit/(Loss).....31
- Asset, Liability and Equity Classification.....34
- Solvency Analysis.....36
- Proportion of Invested Assets.....38
- Return on Assets and Equity.....39
- Net Profit Margin.....41
- Price to Book and Price to Earning Ratio.....42





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 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 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.

General Insurance

- 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

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 and Capital Modeling

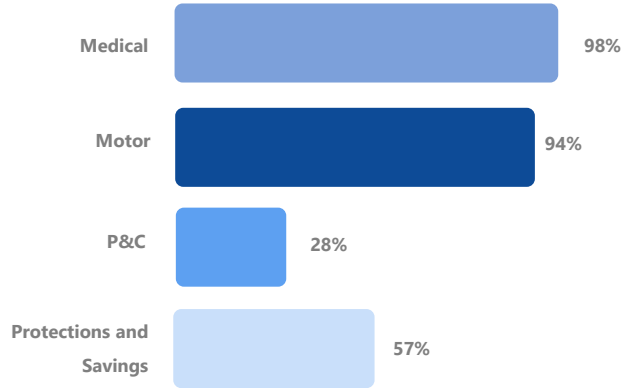
- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

Limitations and Disclaimers

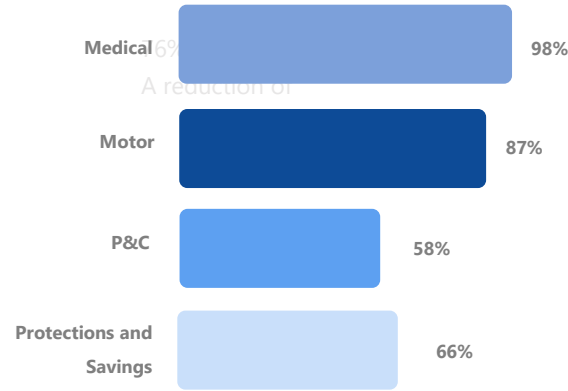
- ❖ The data used for the preparation of this report has been collected from Tadawul. Insurance Industry KSA has 29 insurance companies, we have included 27 insurance companies in our analysis. We have excluded Al Sagr Cooperative Insurance Company and Gulf Union Al Ahlia Cooperative Insurance Company from our analysis.
- ❖ Al Sagr Cooperative Insurance Company announces its inability to publish its financial results for the six months ending on 30-06-2021 in (Tadawul) at the specified time.
- ❖ Gulf Union and Al Ahlia Cooperative insurance have merged. However, we have excluded Gulf Union Al Ahlia Cooperative Insurance Company excluded from all of our analysis as it was not published financial as of the compilation date.
- ❖ SSTC and Aljazira Takaful Taawuni Co. have merged. Therefore, in our analysis, we have excluded SSTC from our analysis and used merged financials.
- ❖ 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.
- ❖ All segment wise analysis are carried out based on 74% of the total insurance industry business in the Kingdom of Saudi Arabia.
- ❖ 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.
- ❖ The information, materials and opinions presented in this report are for general information purposes only, which 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

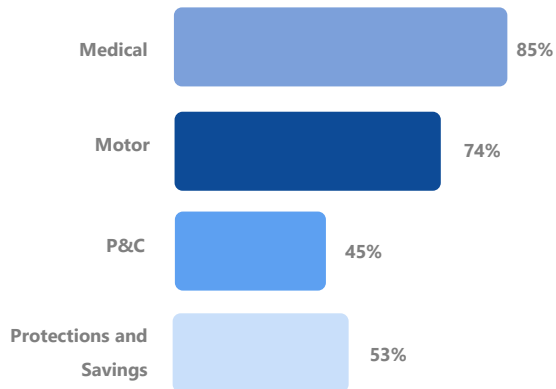
Retention Ratios



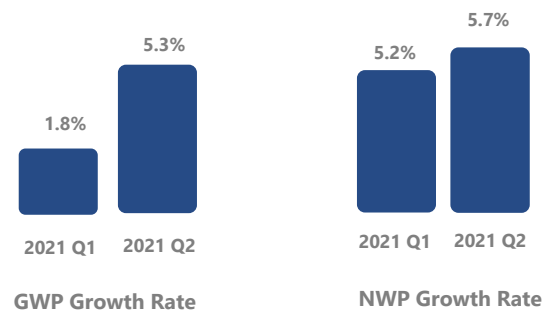
Combined Ratio by Sector



Loss Ratios



Premium Growth Rate



Total Profit / (Loss)

SAR 629 Mn



Total Gross Written Premium

SAR 21.79 Bn

▲ +5.3%

Total Assets

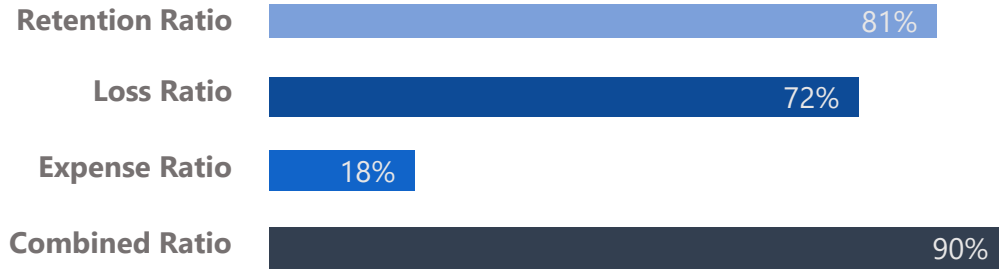


SAR 68.57 Bn

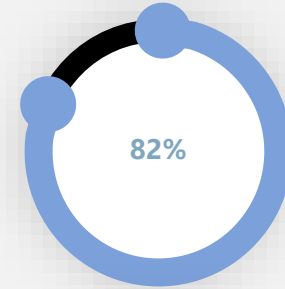
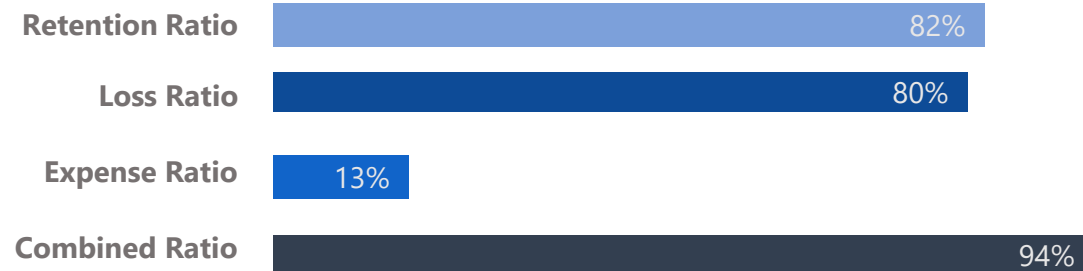
▲ +12.03%

Industry Benchmarks

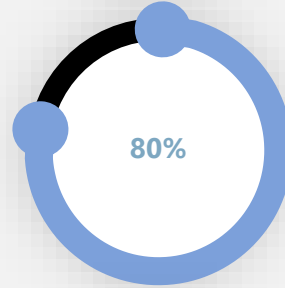
2020 Q1



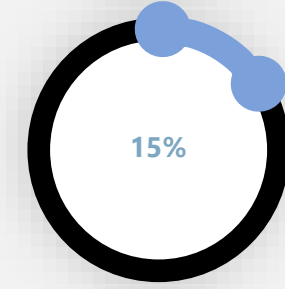
2021 Q1



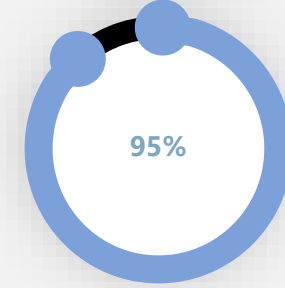
Weighted Average Retention Ratio



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 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 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

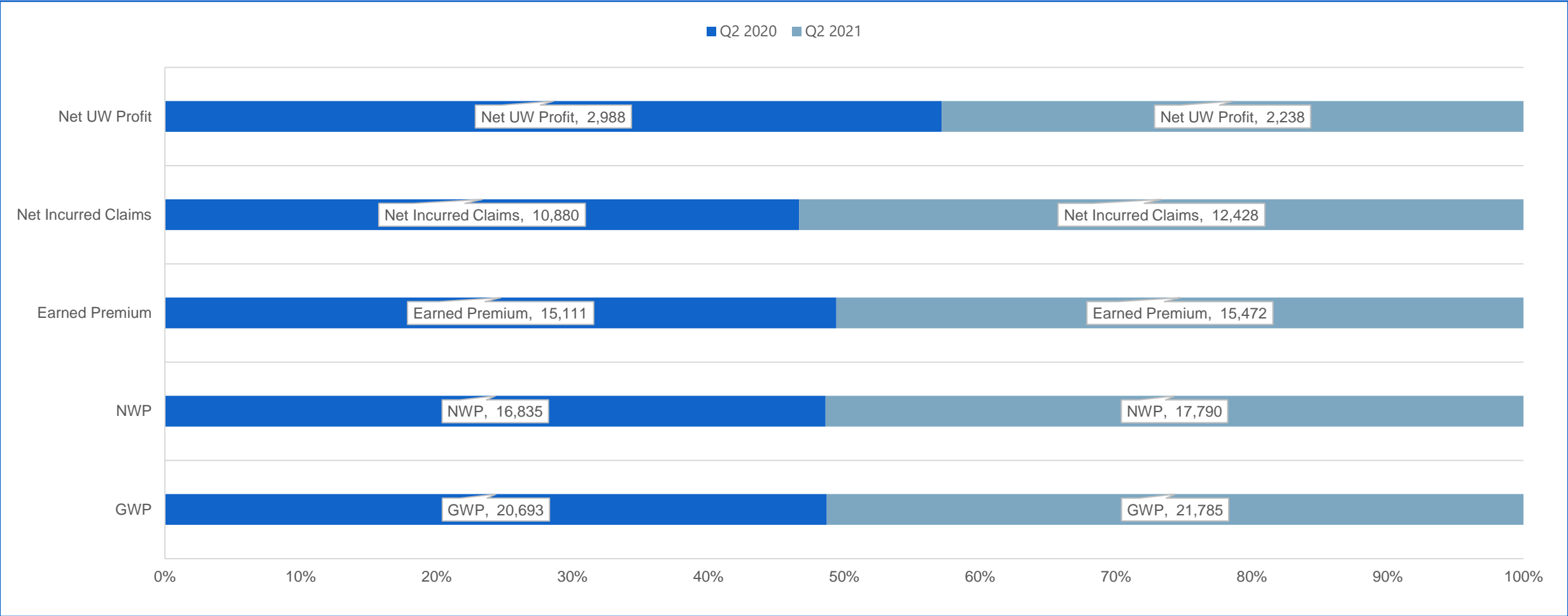
Medical

- ❖ The Government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped in reducing the 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, after 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 the surge, in claims of the current estimate of future contractual cash flows 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 of the valuation date, and therefore, the insurer has not set aside any additional provision for further deferral of medical claims.

Motor

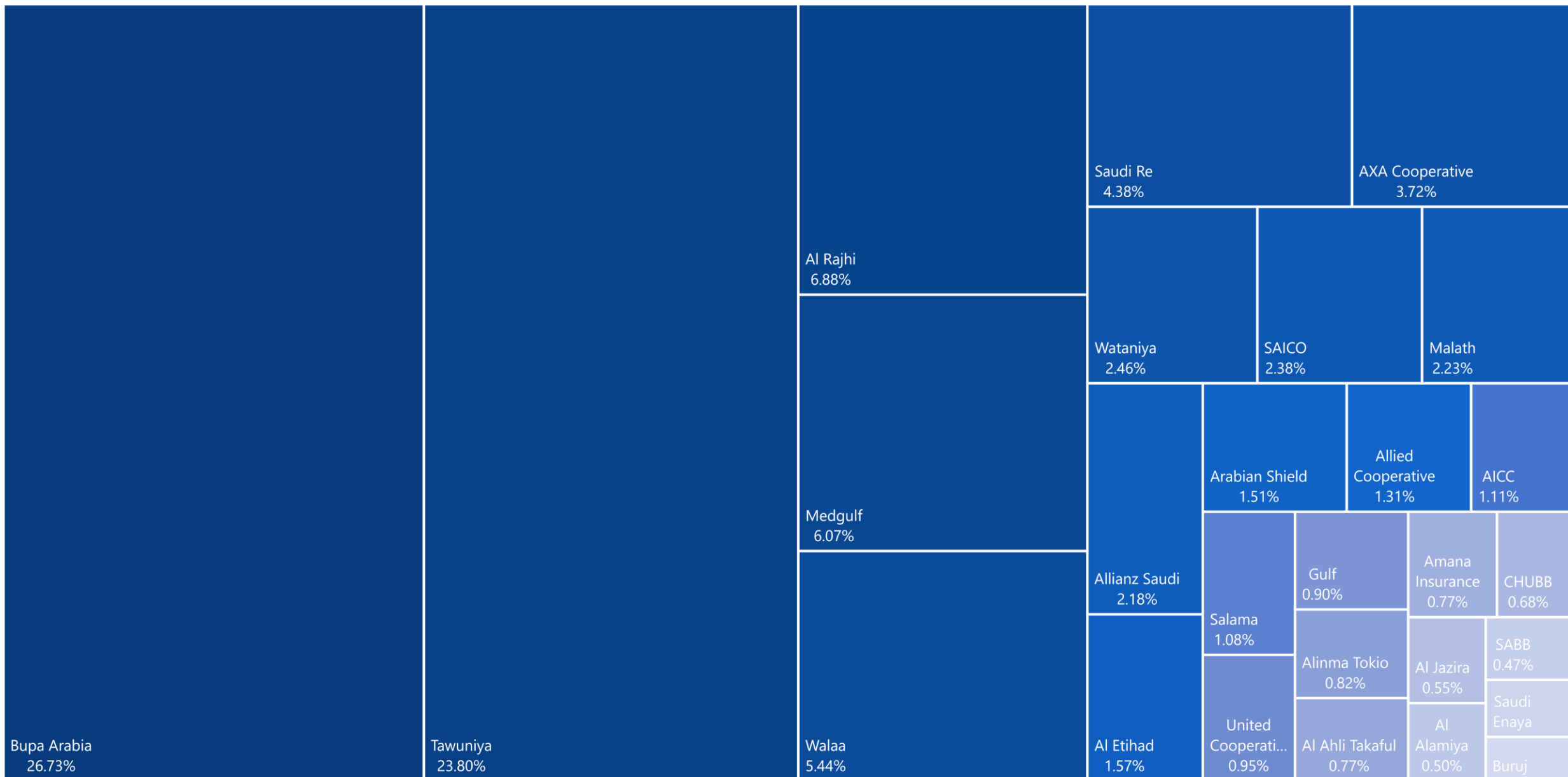
- ❖ In response to the COVID-19 pandemic, SAMA issued a circular 189 (the "circular") dated 08 May 2020 to all insurers in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurers to extend the period of validity of all existing retail motor insurance policies by a further 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 records a premium deficiency reserve based on the expected claims for the extended two month period.
- ❖ For new retail motor policies issued as per the 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

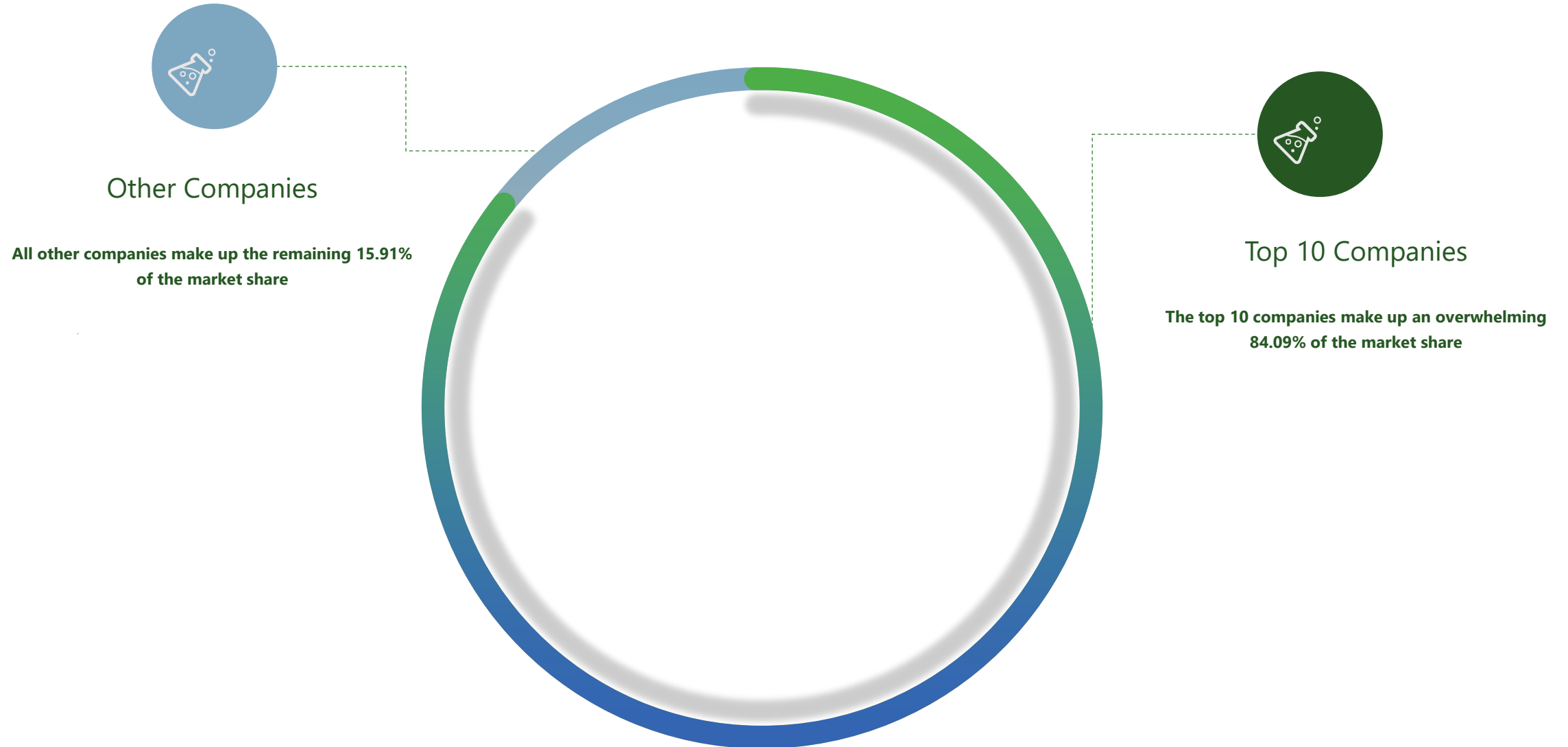


Net Incurred Claims, Net Written Premium, Gross Written Premium and Net Earned Premiums increased compared to 2020 Q2 while Net Underwriting Profit decreased.

Market Share Proportion

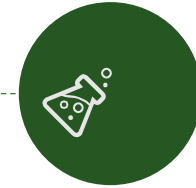


Premium Composition Top 10 vs Other Companies



Other Companies

All other companies make up the remaining 15.91% of the market share

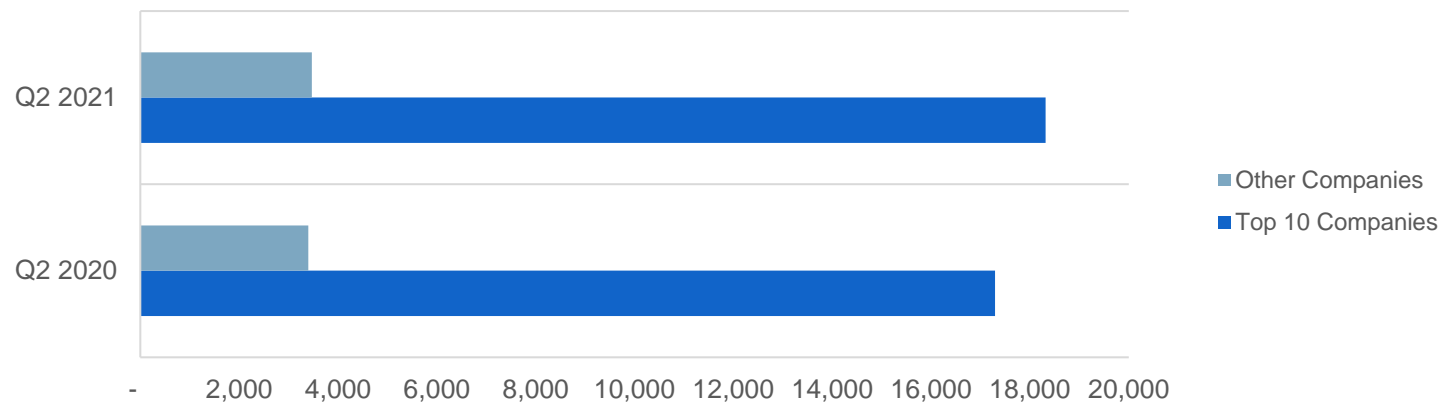


Top 10 Companies

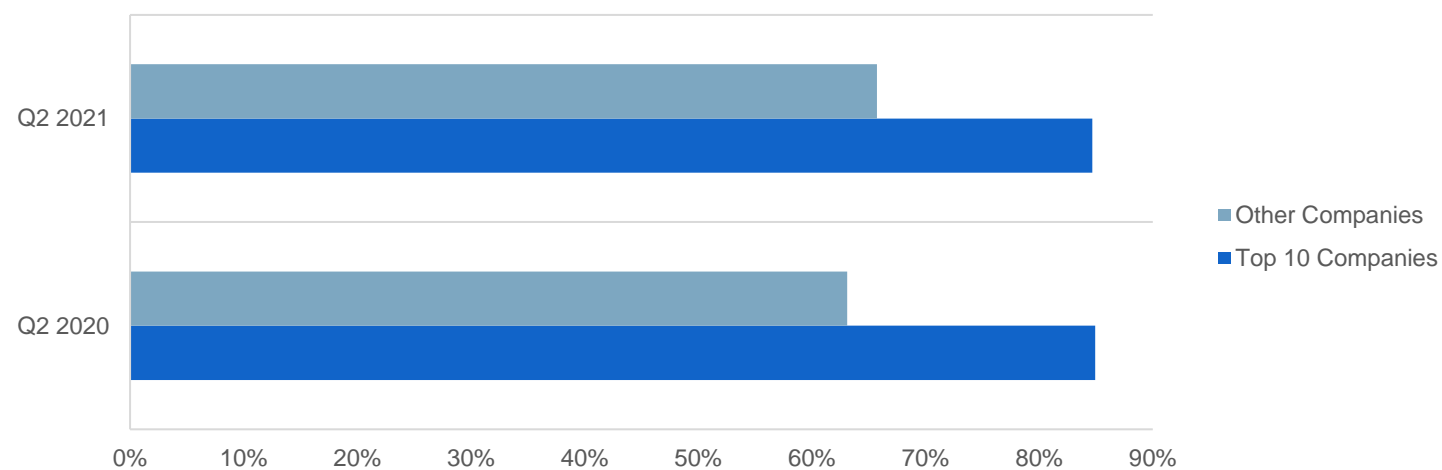
The top 10 companies make up an overwhelming 84.09% of the market share

Gross Written Premium and Rankings

Gross Written Premium



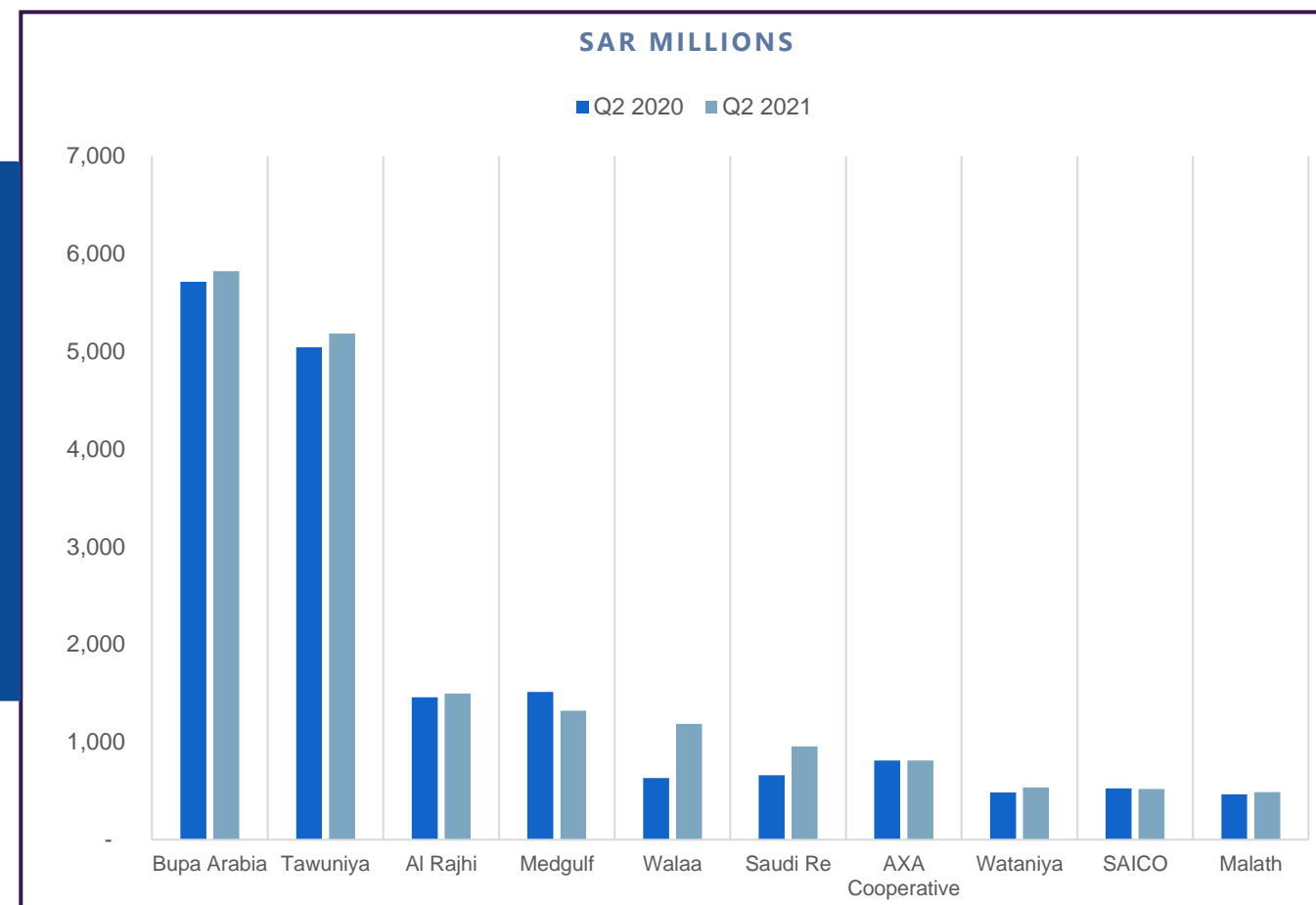
Retention Ratio



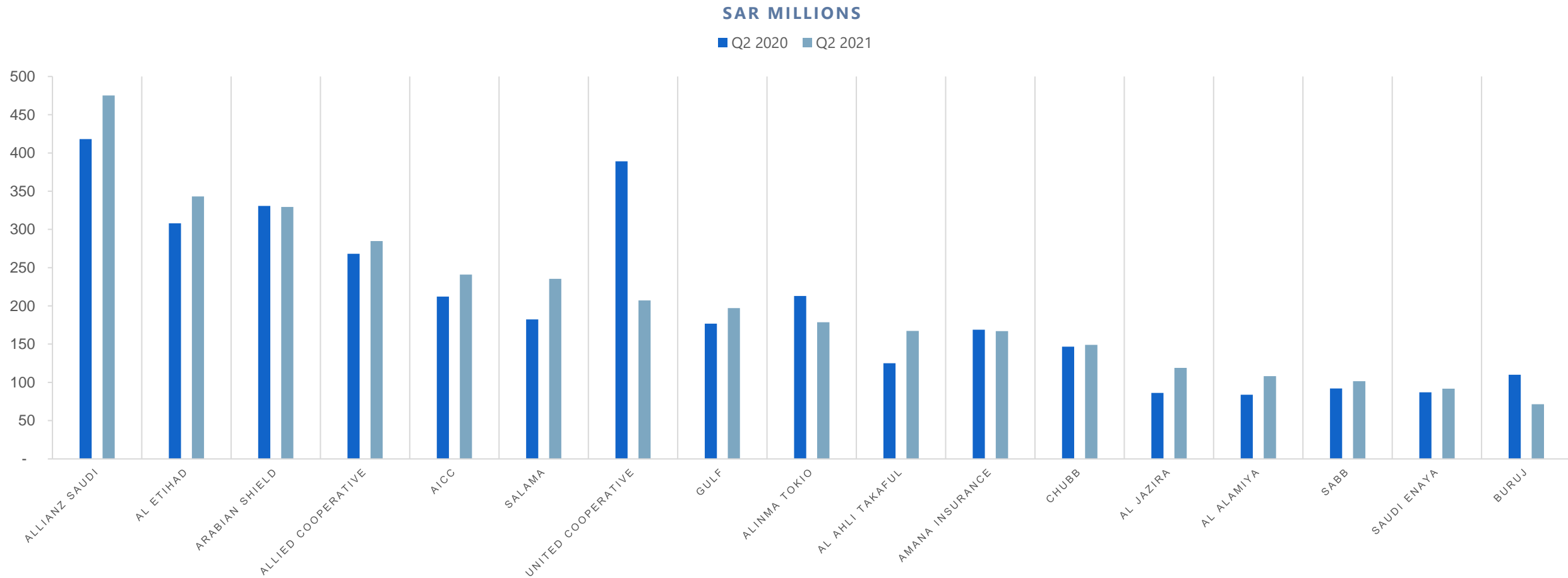
1. Bupa Arabia	—	14. Allied Cooperative	▲
2. Tawuniya	—	15. AICC	▲
3. Al Rajhi	▲	16. Salama	▲
4. Medgulf	▼	17. United Cooperative	▼
5. Walaah	▲	18. Gulf Union	▲
6. Saudi Re	—	19. Alinma Tokio	▼
7. AXA Cooperative	▼	20. Al Ahli Takaful	▲
8. Wataniya	▲	21. Amana Insurance	▼
9. SAICO	▼	22. CHUBB	▼
10. Malath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

Gross Written Premium – Top 10 Companies

Bupa Arabia captured the biggest market share of 27.61% in 2020 Q2 and 26.73% in 2021 Q2, followed by Tawuniya with 24.37% and 23.80% for 2020 Q2 and 2021 Q2, respectively. While comparing the top 10 companies, the smallest market share was for Malath in both of the periods under consideration.

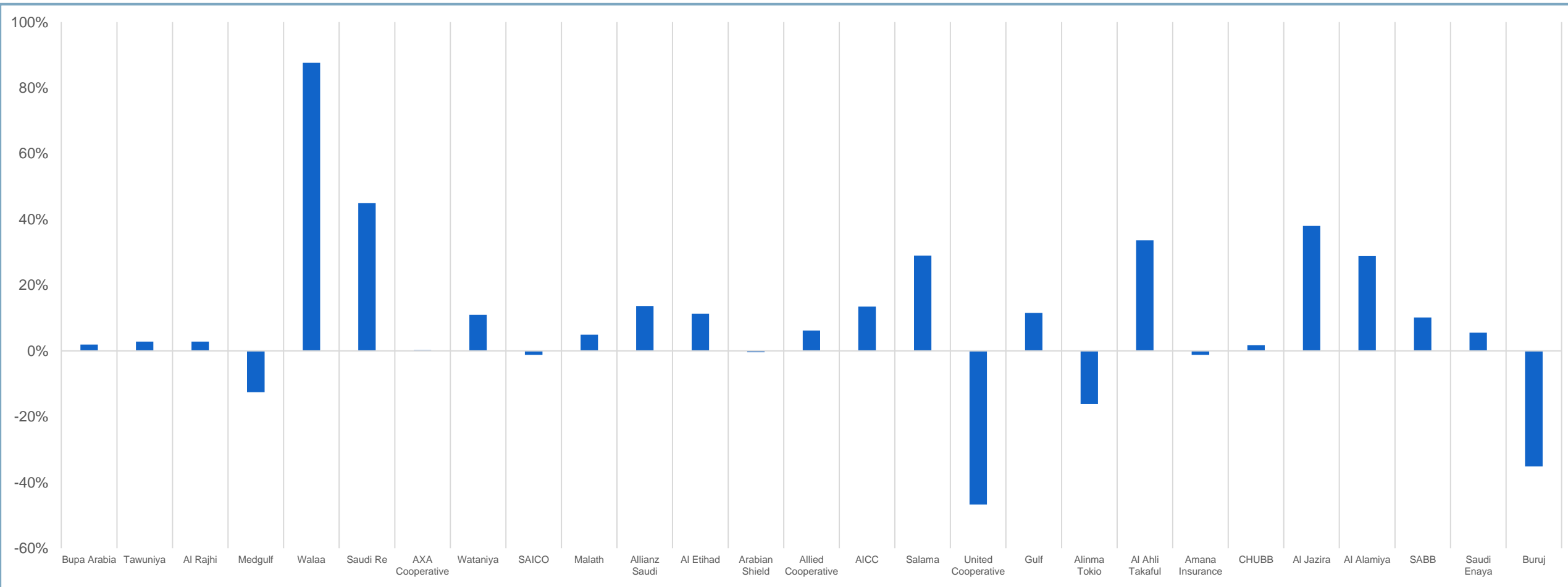


Gross Written Premium – Other Companies



For other companies, Allianz Saudi had the highest Gross Written Premium in 2020 Q2 (SAR 418 million) and 2021 Q2 (SAR 475 million). United Cooperative experienced a decrease in its market share of about 47%. Al Alamiya had the smallest market share in 2020 Q1, and Buruj had the smallest market share in 2021 Q1.

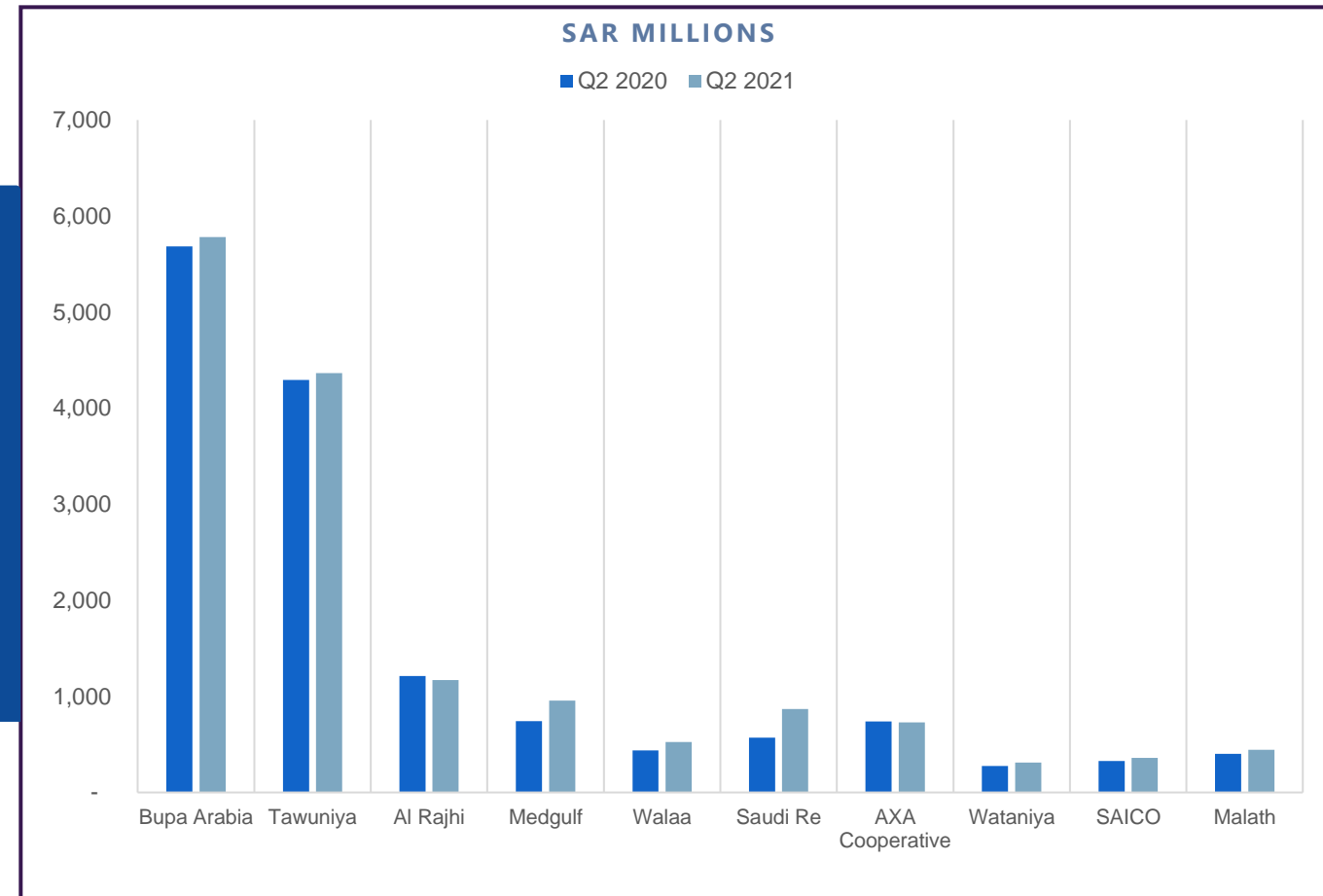
Gross Written Premium – Movement



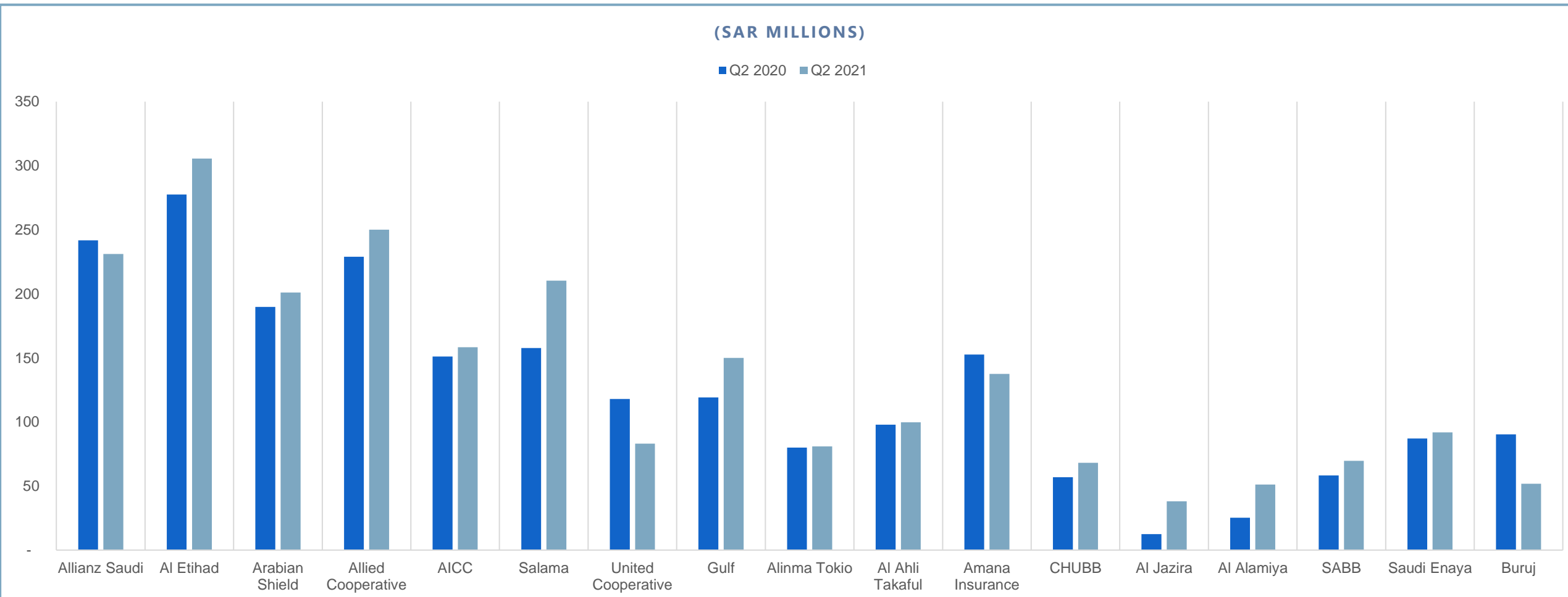
Walaa experienced the highest growth in its gross premium (88%), while United Cooperative experienced a decrease in its gross premium (-47%). It can be noted that the range of growth among the top 10 companies is relatively narrow and stable (excluding Walaa) when compared to the other companies. High growth and decline rates were experienced by the remaining companies.

Net Written Premium – Top 10 Companies

Bupa Arabia captured the highest market share of 33.77% in 2020 Q2 and 32.50% in 2021 Q2, followed by Tawuniya with 25.51% and 24.53% for the years, 2020 Q2 and 2021 Q2, respectively. Net Written Premium did not change much for the top 10 companies.

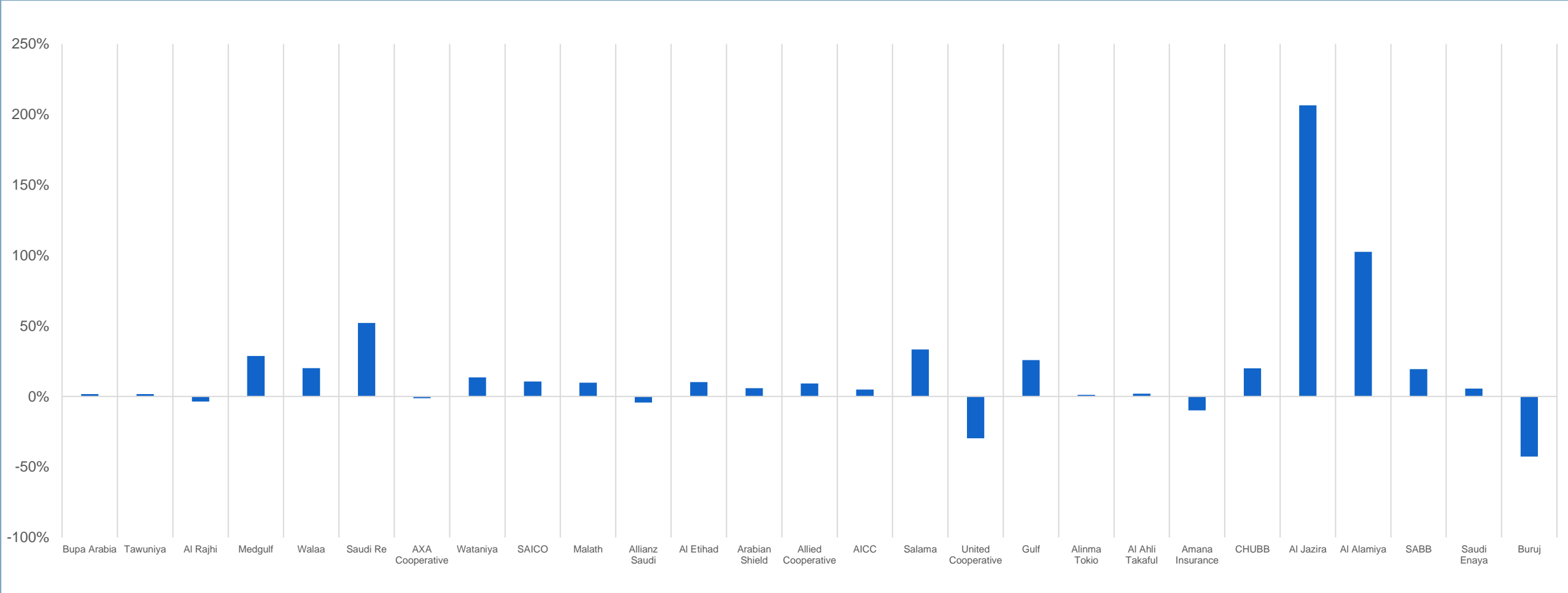


Net Written Premium – Other Companies



Among the other companies, the highest Net Written Premium for the 2020 Q2 was Al Etihad (SAR 277 million), while the lowest was for Al Jazira (SAR 12.4 million). For 2021 Q2, the highest Net Written Premium was for Al Etihad (SAR 306 million), while the lowest was for Al Jazira (38.1 million). Net Written Premium increased for 13 out of the remaining 16 companies, with Buruj experiencing the highest decline while the NWP for Al Jazira tripled.

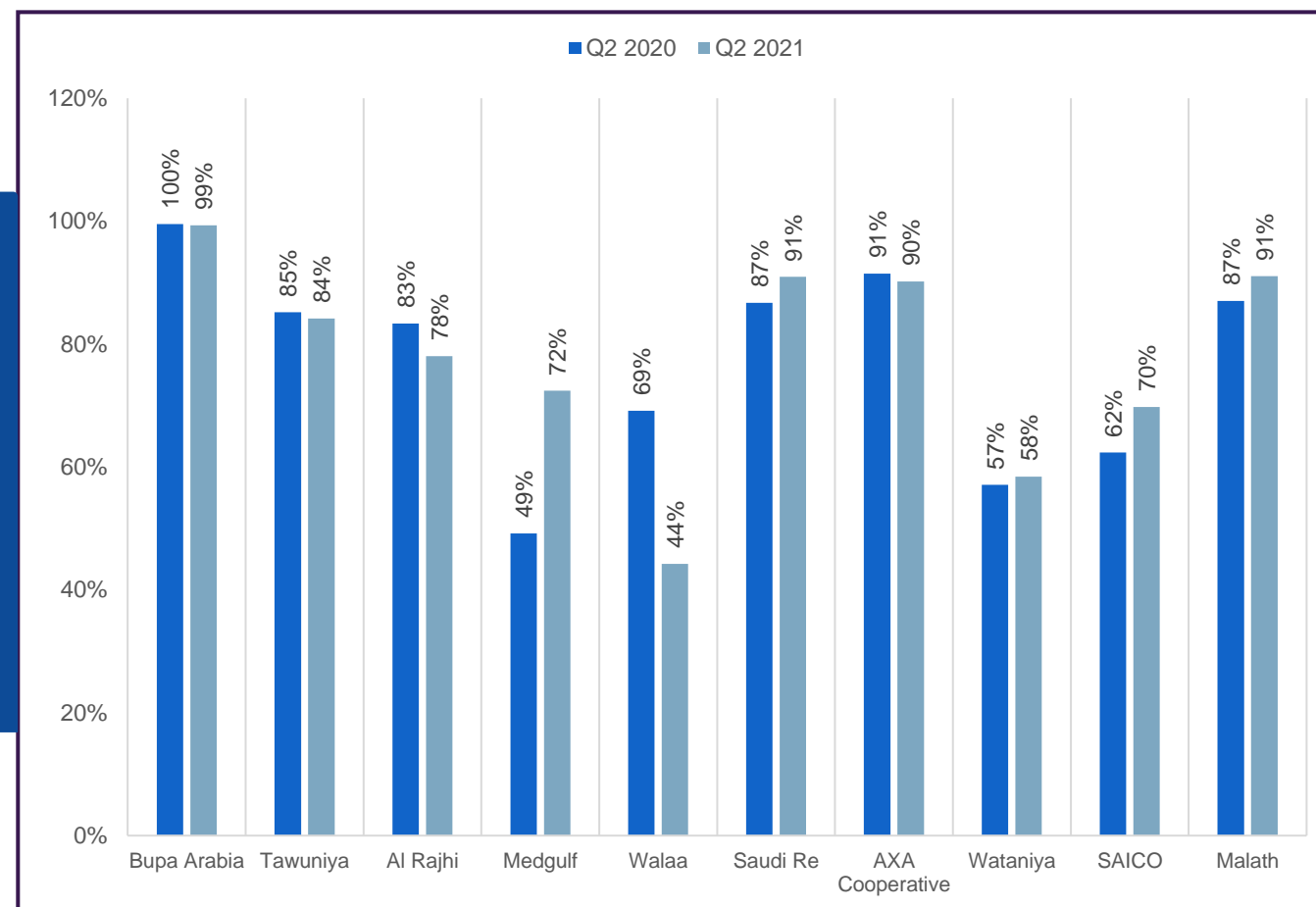
Net Written Premium – Movement



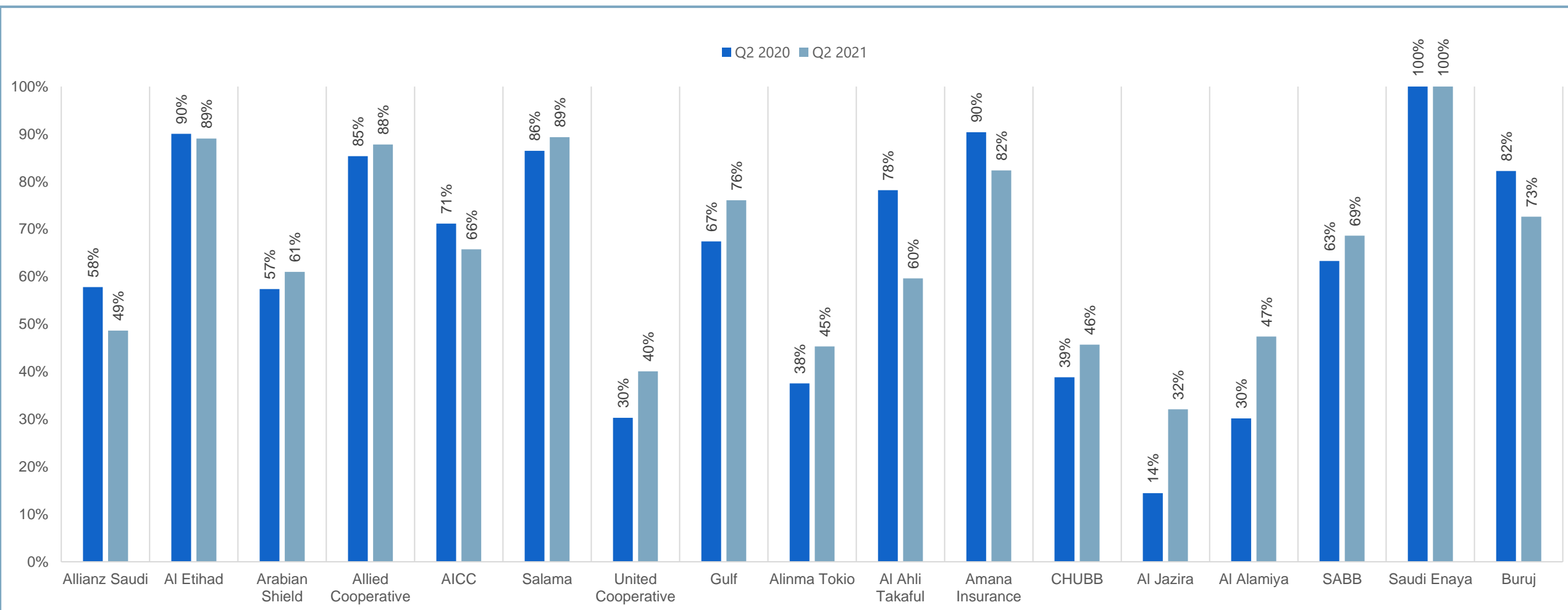
Net Written Premium grew the most for Al Jazira (206%) and showed a significant decline for Buruj (-43%). The range in the movement of Net Written Premium was narrow for the top 10 companies compared to the other companies.

Retention Ratios - Top 10 Companies

The chart shows that Bupa Arabia, Tawuniya, Saudi Re, Al Rajhi, AXA Cooperative and Malath almost fully retained their business (78% and above), while the lowest retention ratio being 44% for Walaa. Retention ratios were stable for most of the companies, with the highest change being a decrease of 25% for Walaa and an increase of 23% for Medgulf.

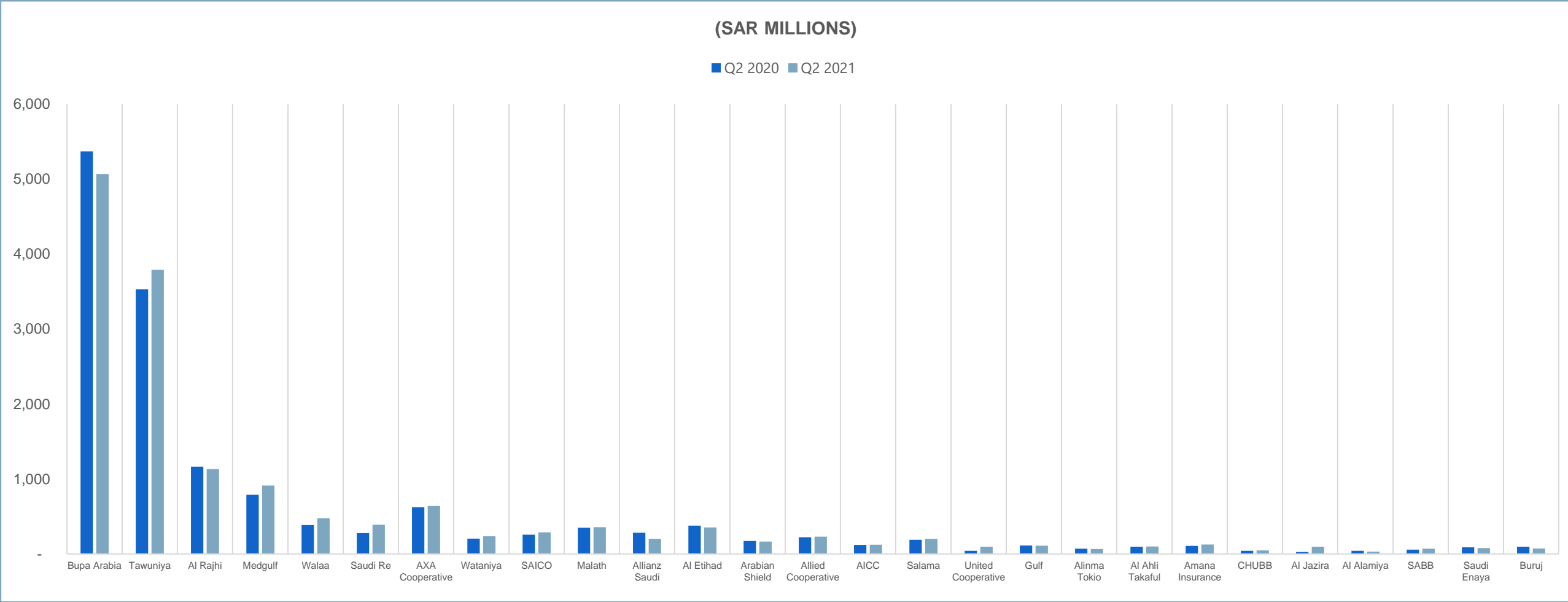


Retention Ratios - Other Companies



On an aggregate basis, the weighted average retention ratio is 85%. The highest retention ratio is 100% for Saudi Enaya and the lowest being 32% for Al Jazira (2021 Q2). The retention ratio for Al Jazira increased by 18%, while Al Ahli Takaful had its retention ratio decreased by 18%.

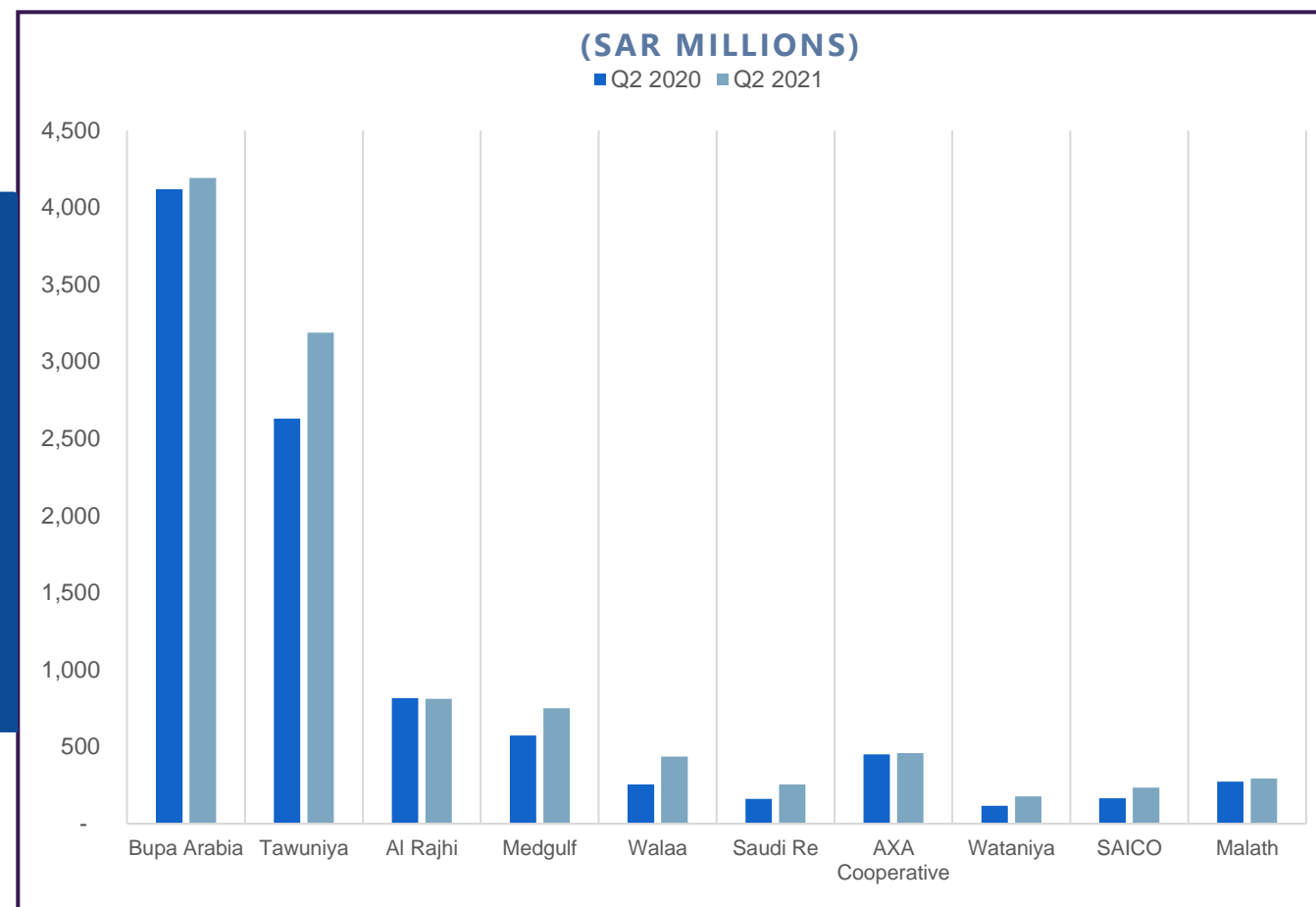
Net Earned Premium



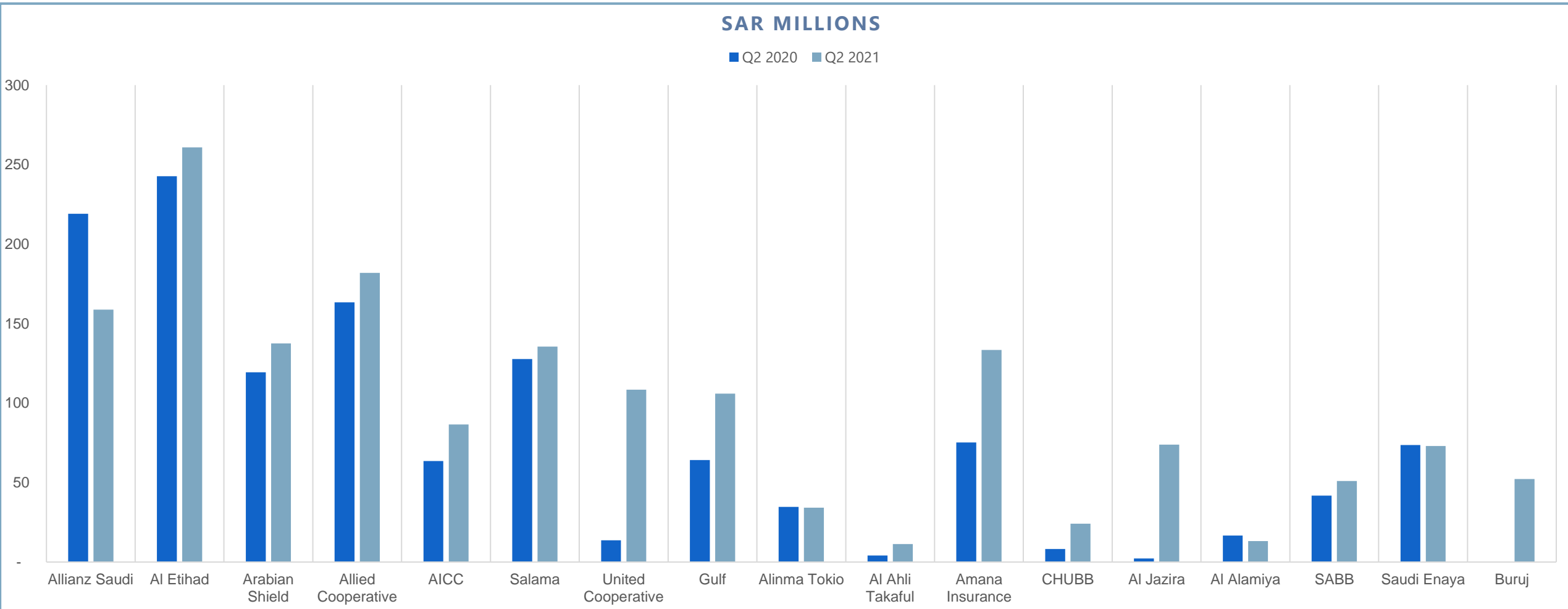
Net Earned Premium neither vary greatly by year for the companies under consideration. The highest Net Earned Premium is for Bupa Arabia in both the years followed by Tawuniya, while Al Jazira had the lowest Net Earned Premium in 2020 Q2 and Al Ahli Takaful has the lowest NWP in 2021 Q2.

Net Incurred Claims - Top 10 Companies

Bupa Arabia had the highest net incurred claims of 4,118 million and 4,192 million in 2020 Q2 and 2021 Q2, respectively. Among the top 10 companies, Wataniya had the lowest net incurred claims of 117 million and 178 million in 2020 Q2 and 2021 Q1, respectively. Net incurred claims stay the same for Al Rajhi, while for all the other top 10 companies, net incurred claims increased.



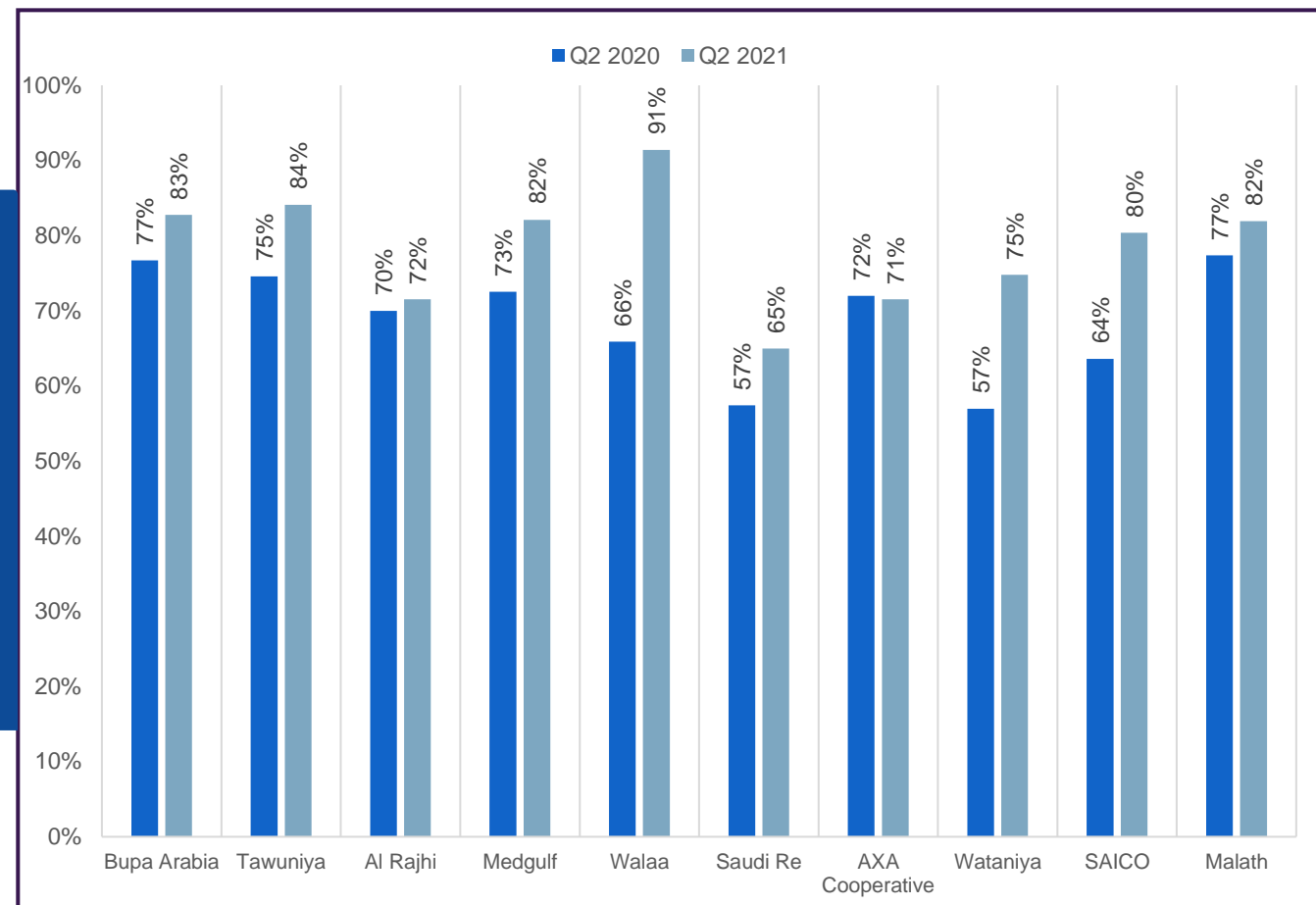
Net Incurred Claims - Other Companies



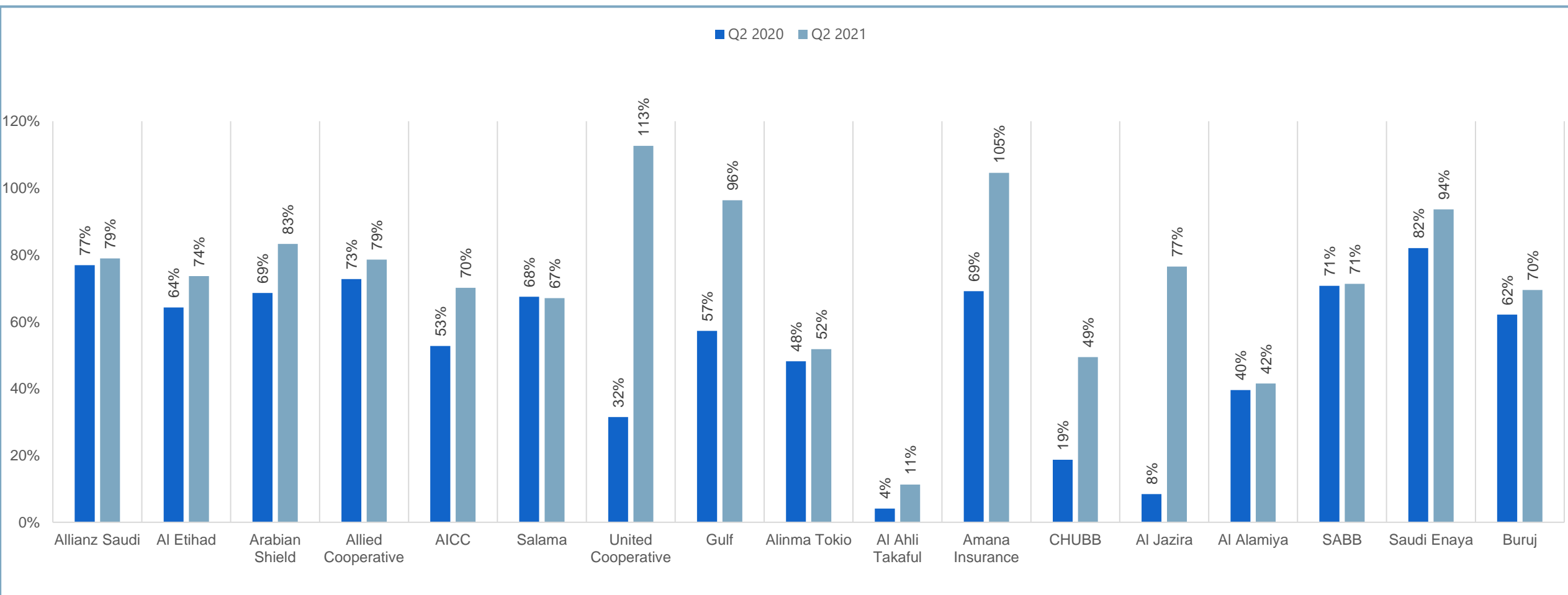
Al Etihad had the highest net incurred claims of 243 million and 261 million in 2020 Q2 and 2021 Q2, respectively. Al Jazira had the lowest net incurred claims of 2.2 million in 2020 Q2, while for 2021 Q2, Al Ahli Takaful had the lowest net incurred claims (SAR 11 million).

Loss Ratios - Top 10 Companies

The highest loss ratio for 2020 Q2 was for Bupa Arabia and Malath being 77%, and the lowest was for Saudi Re and Wataniya, being 57%. For the year 2021 Q2, the loss ratio was the highest for Walaa (91%), with the lowest being 65% for Saudi Re. The loss ratios usually increased for most of the top 10 companies, with the largest increase being 25% for Walaa. Loss ratio only decreased for AXA Cooperative, with the decrease being 1%.



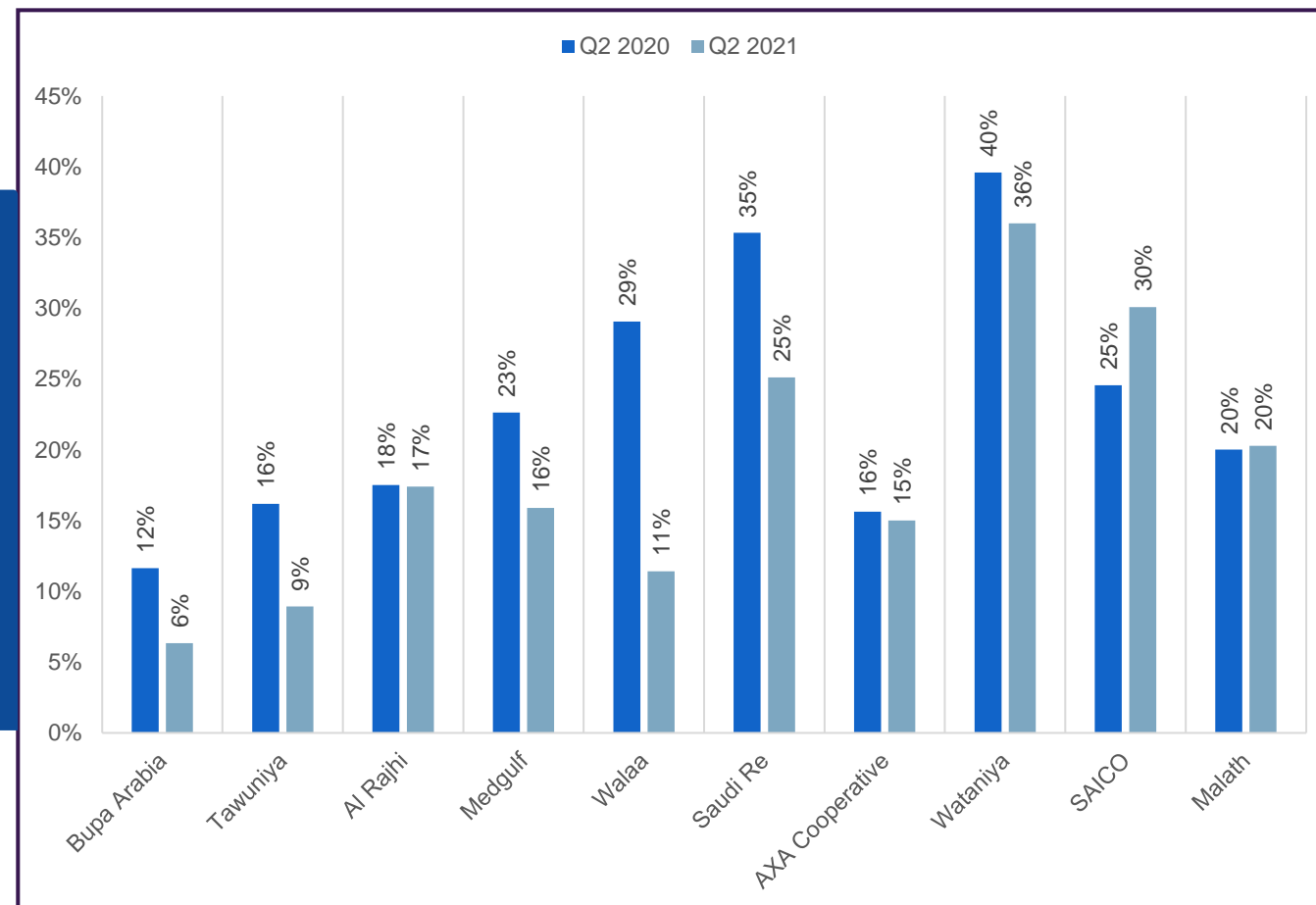
Loss Ratios – Other Companies



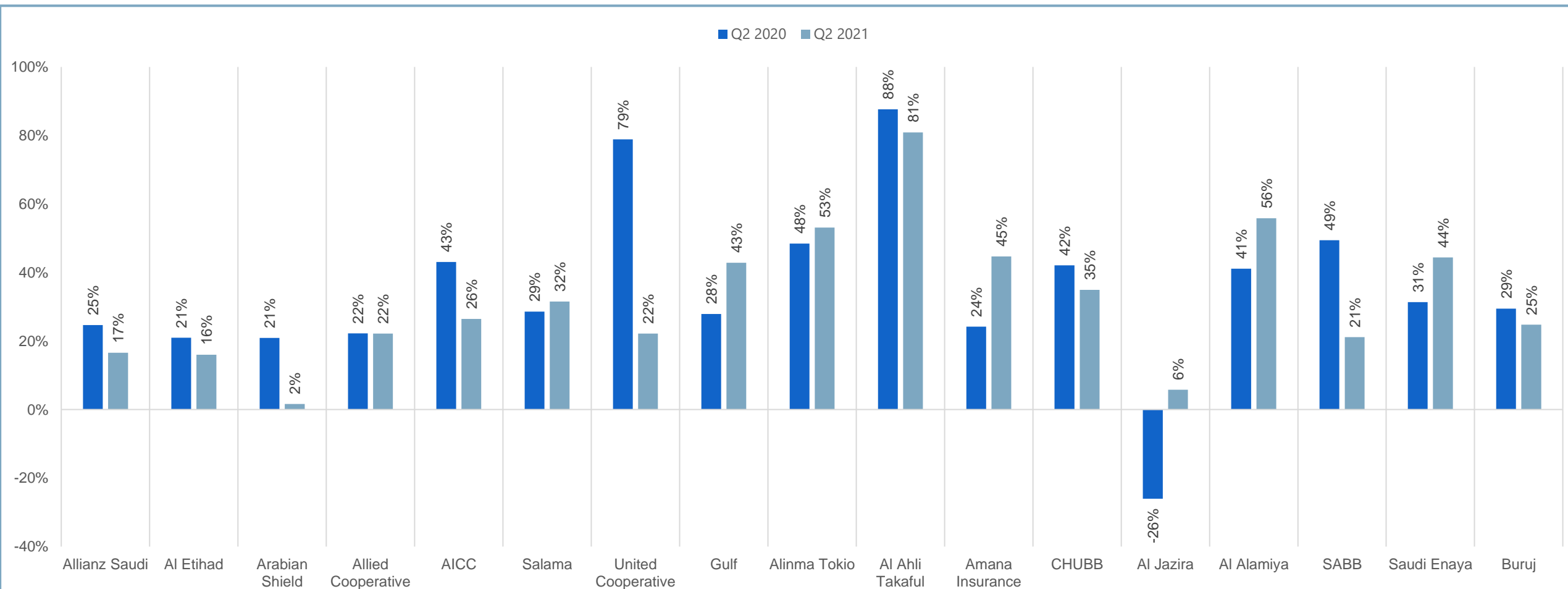
The loss ratios for other companies have been summarized in the above chart. For the year 2020 Q2, the highest loss ratio was for Allianz Saudi (77%), and the lowest being for Al Ahli Takaful (4%). For the year 2021 Q2, the highest loss ratio was of United Cooperative (113%), and the lowest was for Al Ahli Takaful (11%). Loss ratios increased for all the remaining companies, with the highest increase being 81% for United Cooperative.

Expense Ratios - Top 10 Companies

Expense ratio was the highest for Wataniya and was the lowest for Bupa Arabia in both quarters. The expense ratio decreased for all the top 10 companies, except Malath and SAICO. Walaal experienced the highest decrease in its expense ratio of about 18%.



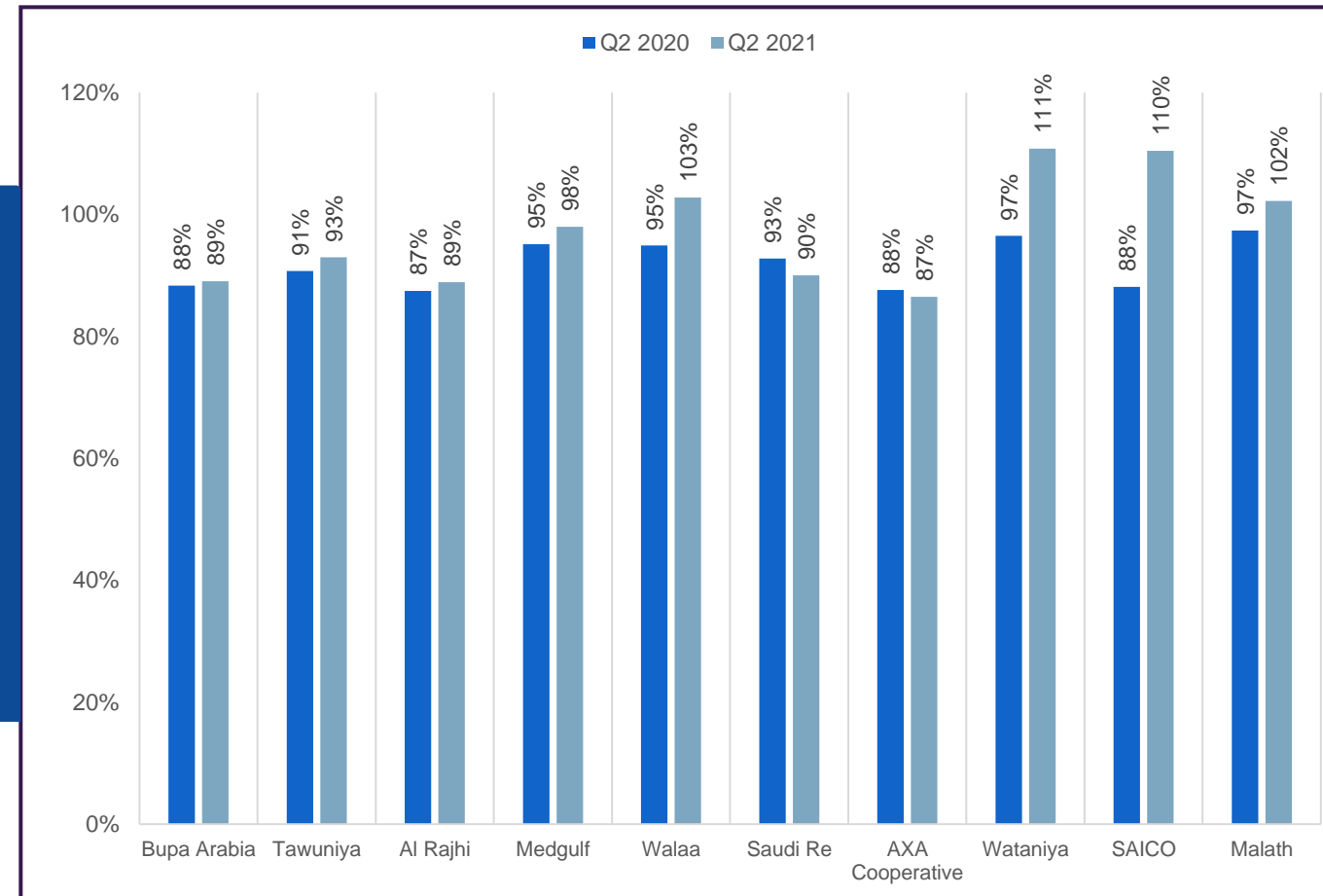
Expense Ratios - Other Companies



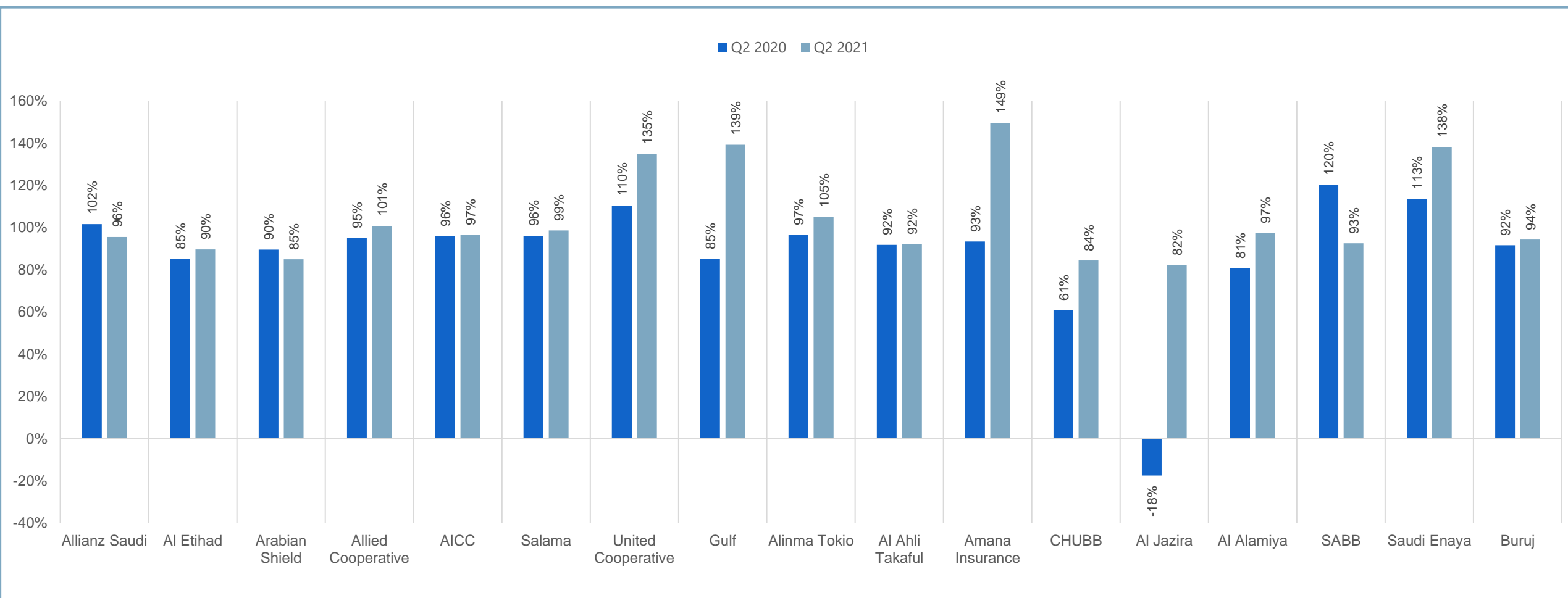
Among the other companies, the highest expense ratio in 2020 Q2 was for Al Ahli Takaful (88%), and the lowest was for Al Jazira (-26%). For 2021 Q2, the highest expense ratio was for Al Ahli Takaful (81%), and the lowest was for Arabian Shield (2%). United Cooperative was able to reduce its expense ratio by 57%, while Al Jazira expense ratio increased by 32%.

Combined Ratios - Top 10 Companies

For the second quarter of 2021, the highest combined ratio was for Wataniya (111%), and the lowest was for AXA Cooperative (87%). In 2020 Q2, net combined ratios for Wataniya, Malath, Walaa, SAICO, Medgulf and Malath have a combined ratio of about 100% or above. Combined ratios increased for 08 of the top 10 companies. The difference between the combined ratios of 2020 Q2 and 2021 Q2 were minimal except for SAICO, where SAICO experienced the highest increased in its combined ratio of about 22%.



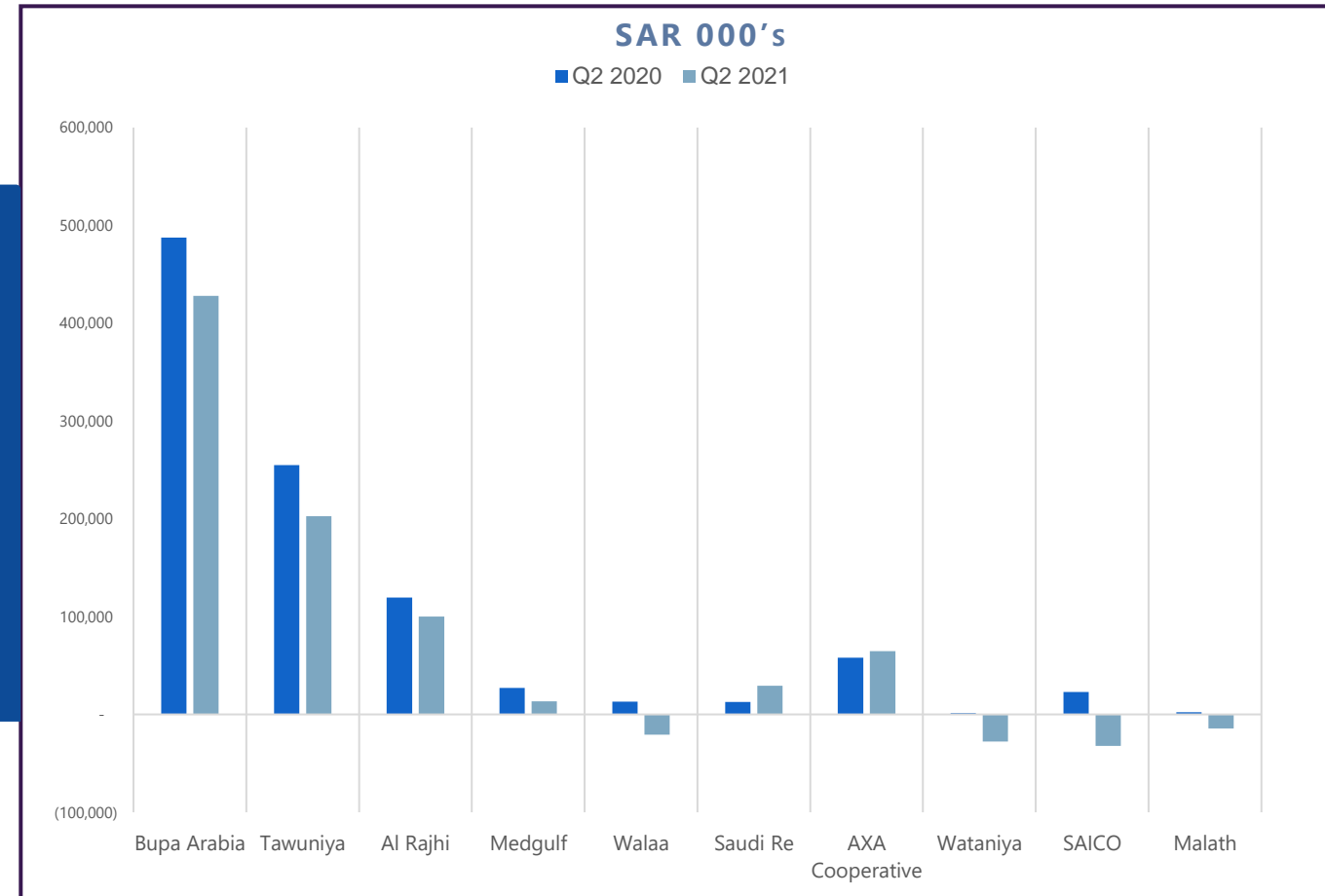
Combined Ratios - Other Companies



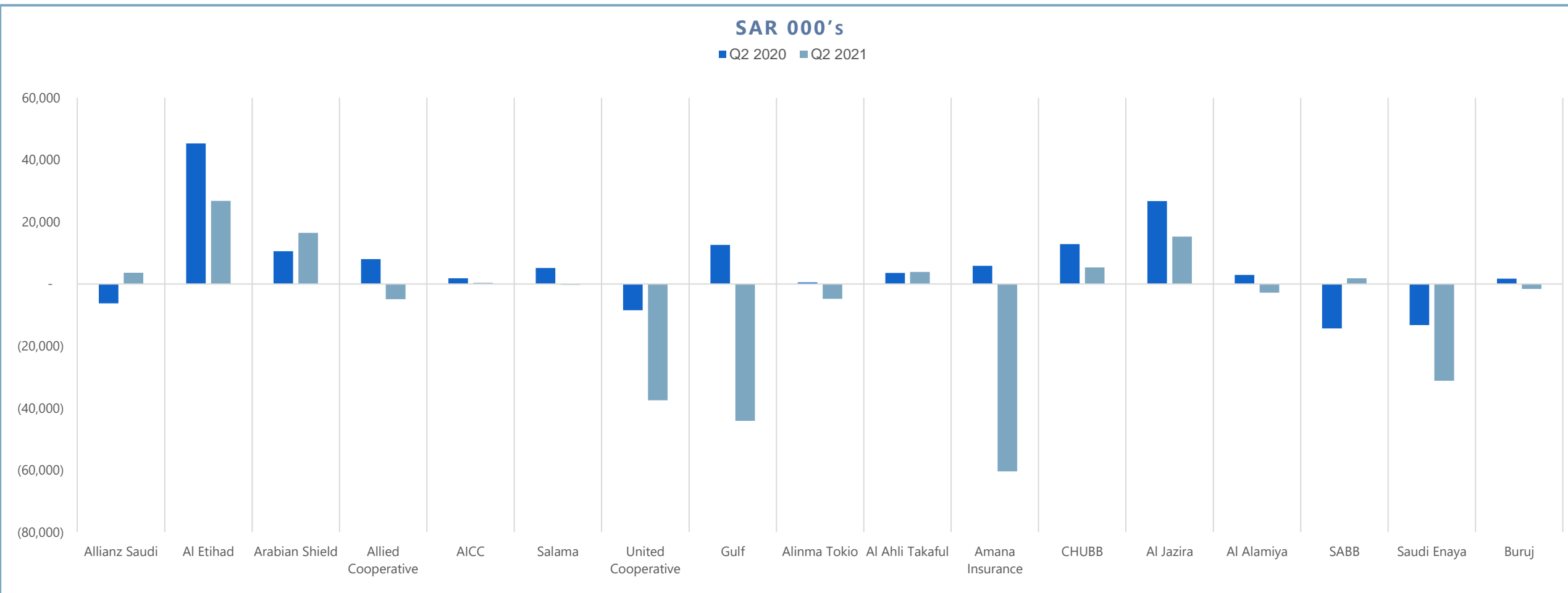
Combined ratio for 06 of the other companies was higher than 100% in 2021 Q2. SABB had the highest combined ratio of 120% in 2020 Q2, with the lowest being -18% for Al Jazira. For 2021 Q2, the highest loss ratio was of Amana Insurance of 149%, while Al Jazira had the lowest combined ratio of 82%. Al Jazira experienced an increase of 100% in its combined ratio.

Net Profit/(Loss) - Top 10 Companies

Bupa Arabia had the highest Net Profit in 2020 Q2, and it retained its position in 2021 Q2. Among the top 10 companies, the lowest net profit in 2020 Q2 was for Wataniya, while the lowest net profit for 2021 Q2 was for SAICO with a net loss of 32 million. Walaa, Wataniya, SAICO and Malath were the only companies that moved from a net profit to a net loss.

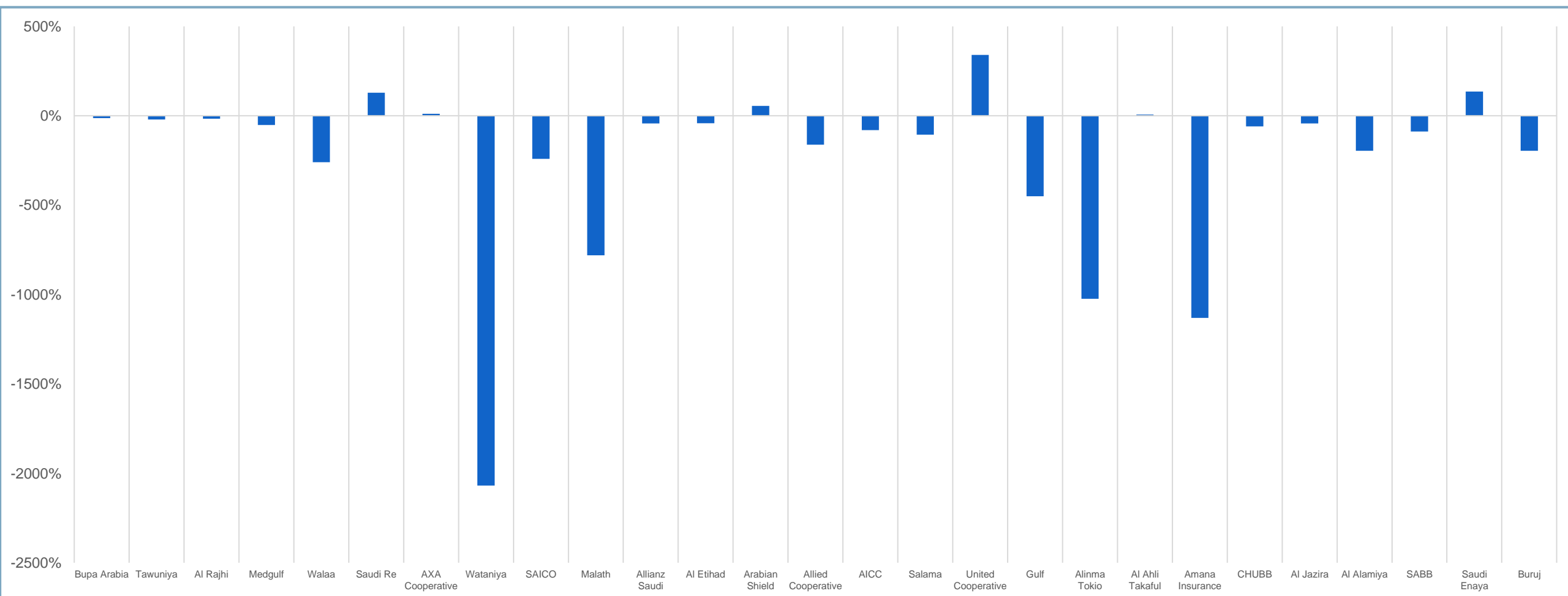


Net Profit/(Loss) - Other Companies



Among the other companies, Al Etihad had the highest net profit of 45 million in 2020 Q2 and 27 million in 2021 Q2. The highest net loss was for SABB in 2020 Q2 and Amana Insurance in 2021 Q2. Gulf, Salama, Al Alamiya, Buruj, Alinma Tokio, Amana Insurance and Allied Cooperative had a net profit in 2020 Q2 but a net loss in 2021 Q2. Allianz Saudi and SABB had a net loss in 2020 Q2, but they were able to improve their positions to a net profit in 2021 Q2.

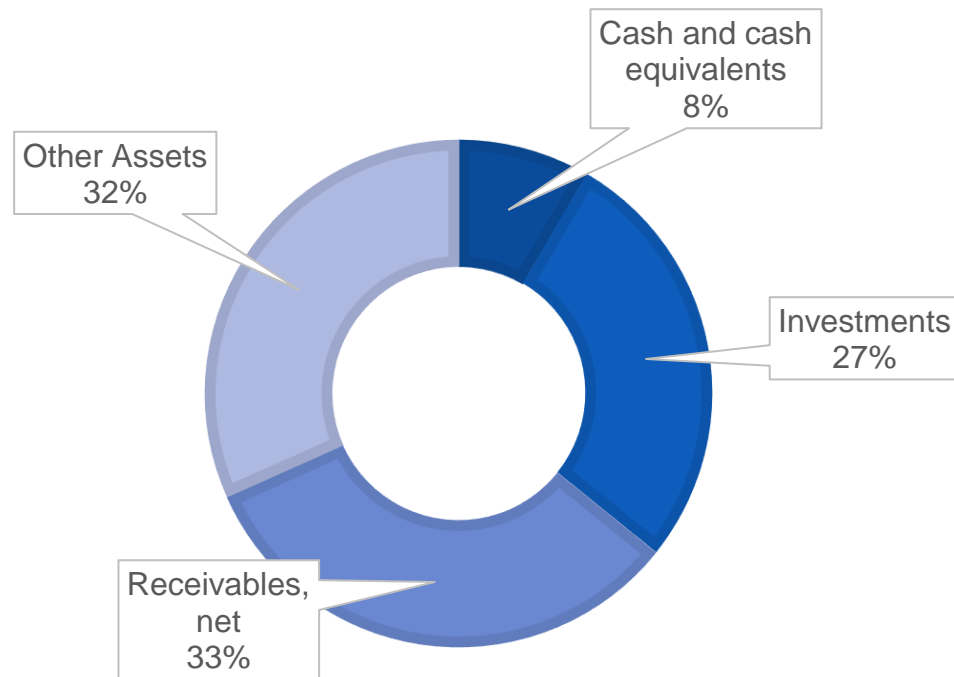
Net Profit/(Loss) - Movement



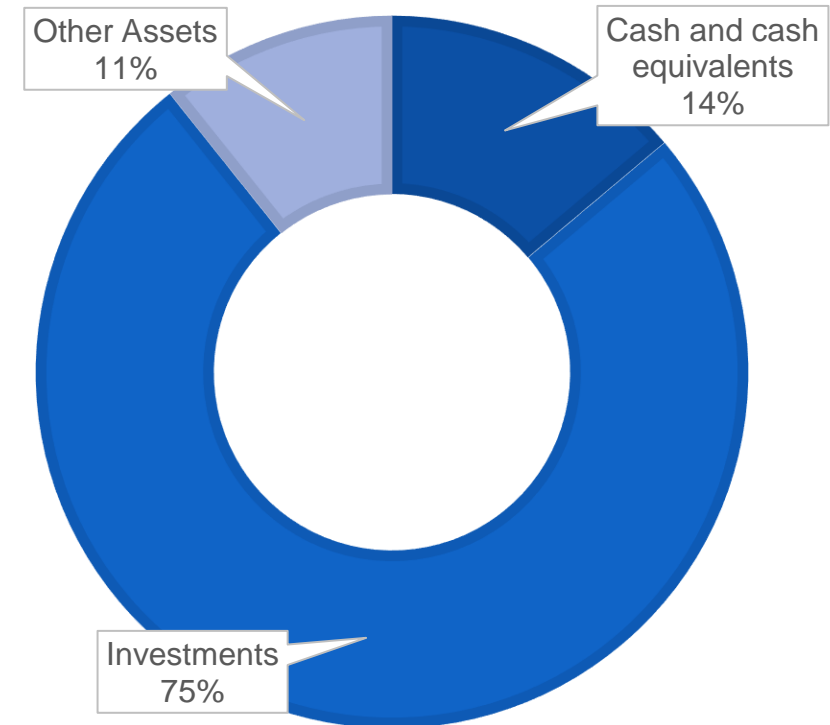
United Cooperative experienced the highest growth in its net profit/(loss) of about 3.41 times while Wataniya experienced a decrease in its net profit/(loss) by 20.68 times.

Asset Classification - Aggregate

POLICYHOLDER ASSET CLASSIFICATION



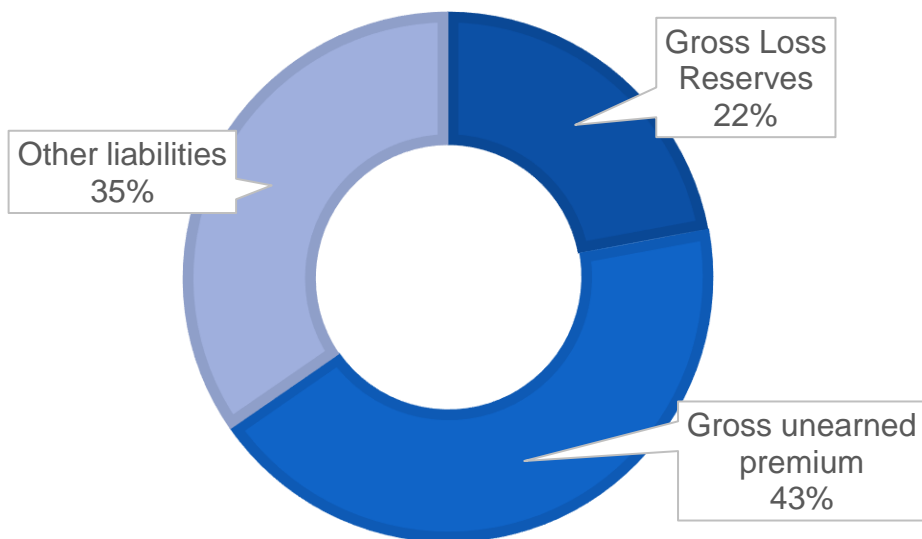
SHAREHOLDER'S ASSET CLASSIFICATION



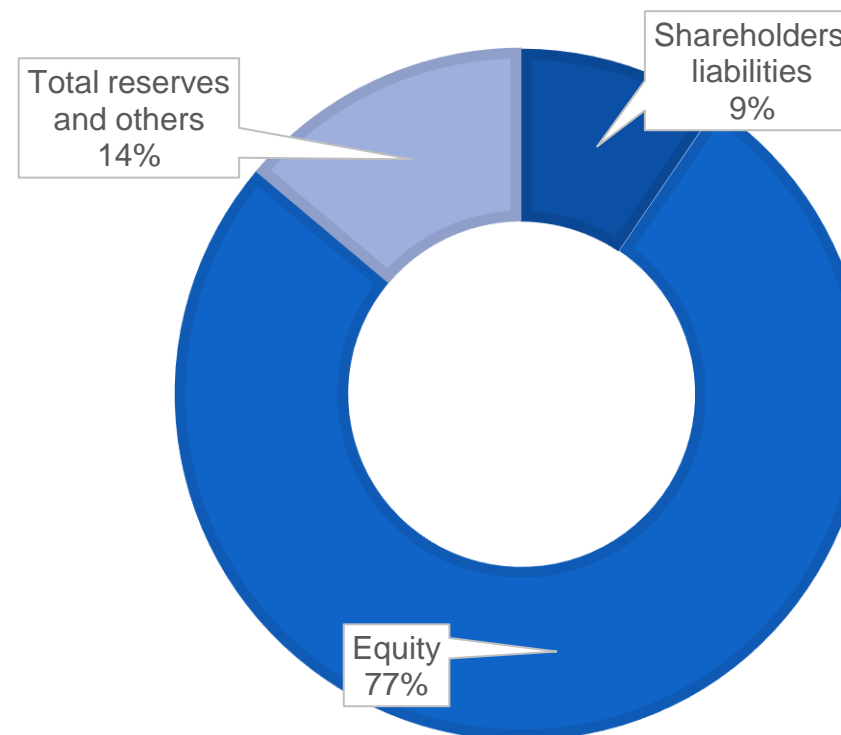
Most of the policyholder assets were kept as receivable (33%), followed by other assets (32%), while 75% of the shareholder assets were kept as investments.

Liability & Equity Classification - Aggregate

POLICYHOLDER LIABILITY CLASSIFICATION

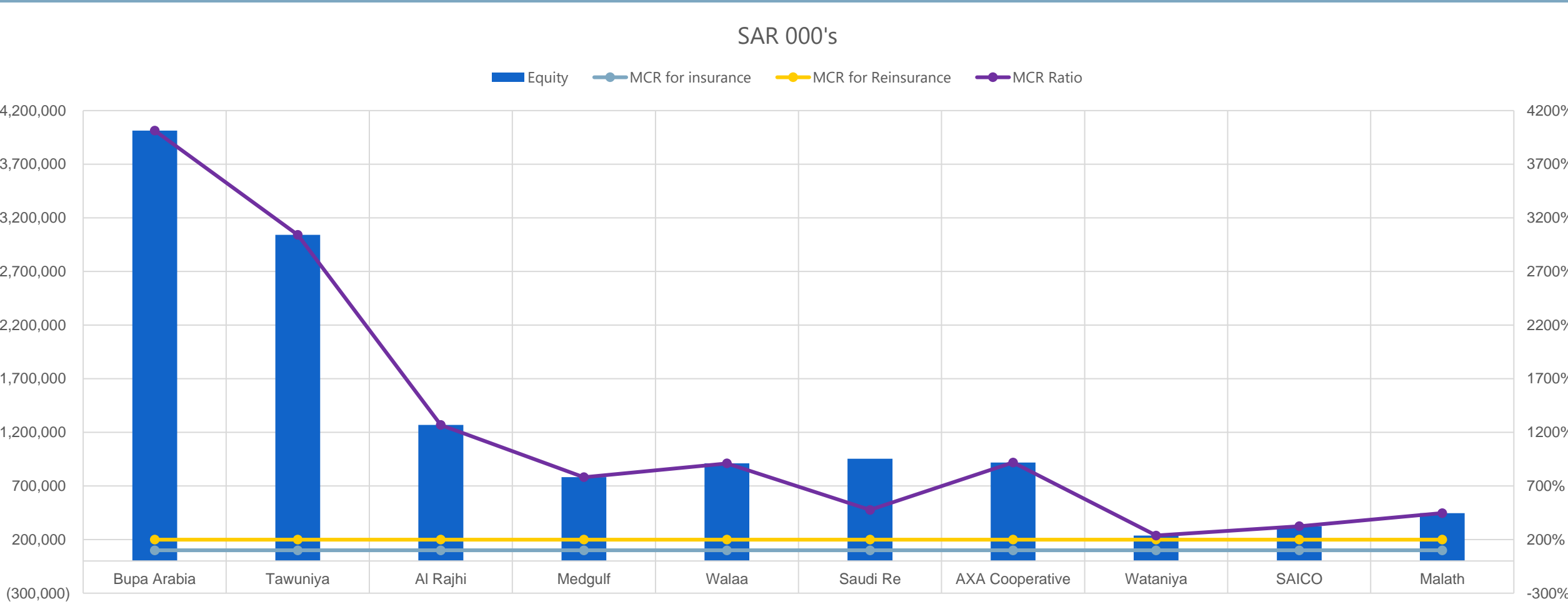


SHAREHOLDER LIABILITY & EQUITY CLASSIFICATION



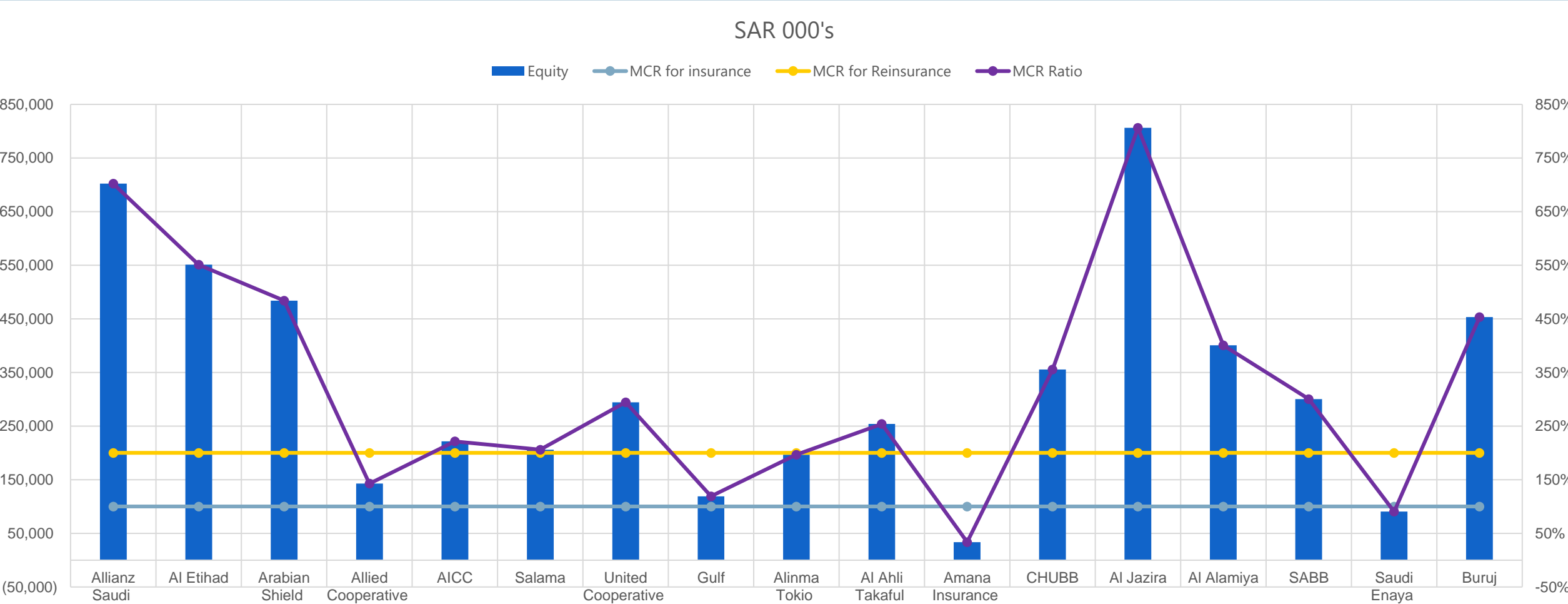
Policyholder liabilities consist of 22% gross loss reserve, 43% of the gross unearned premium and 35% of other liabilities. In addition to this, equity as a percentage of total assets is about 27%.

Solvency Analysis – Top 10 Companies



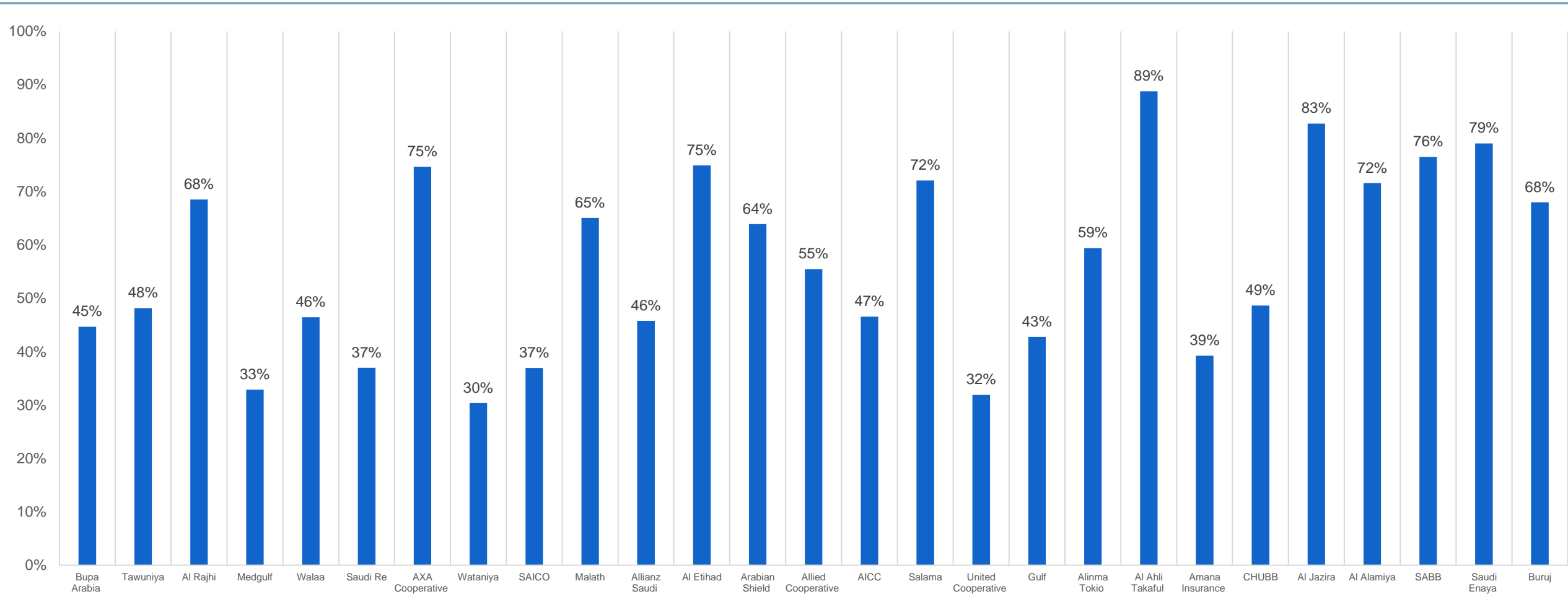
Equity values illustrated above are based on booked value and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Solvency Analysis – Other Companies



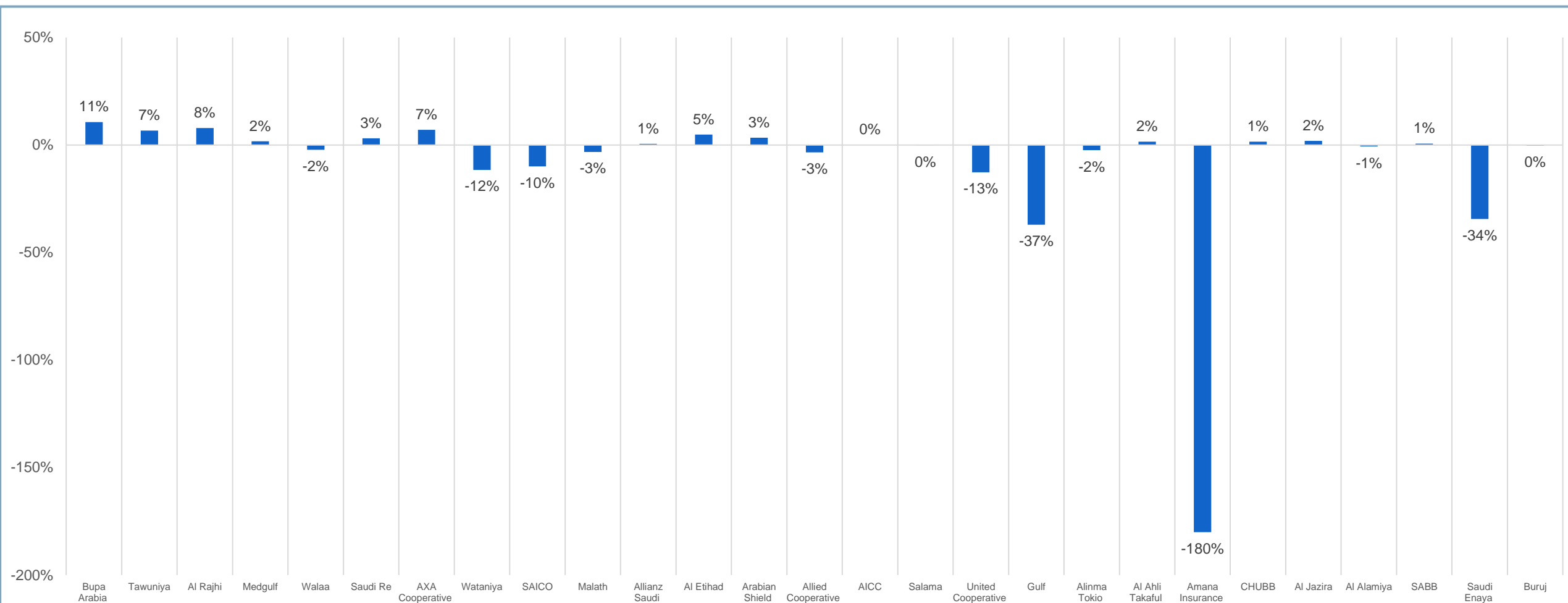
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Proportion of Invested Assets



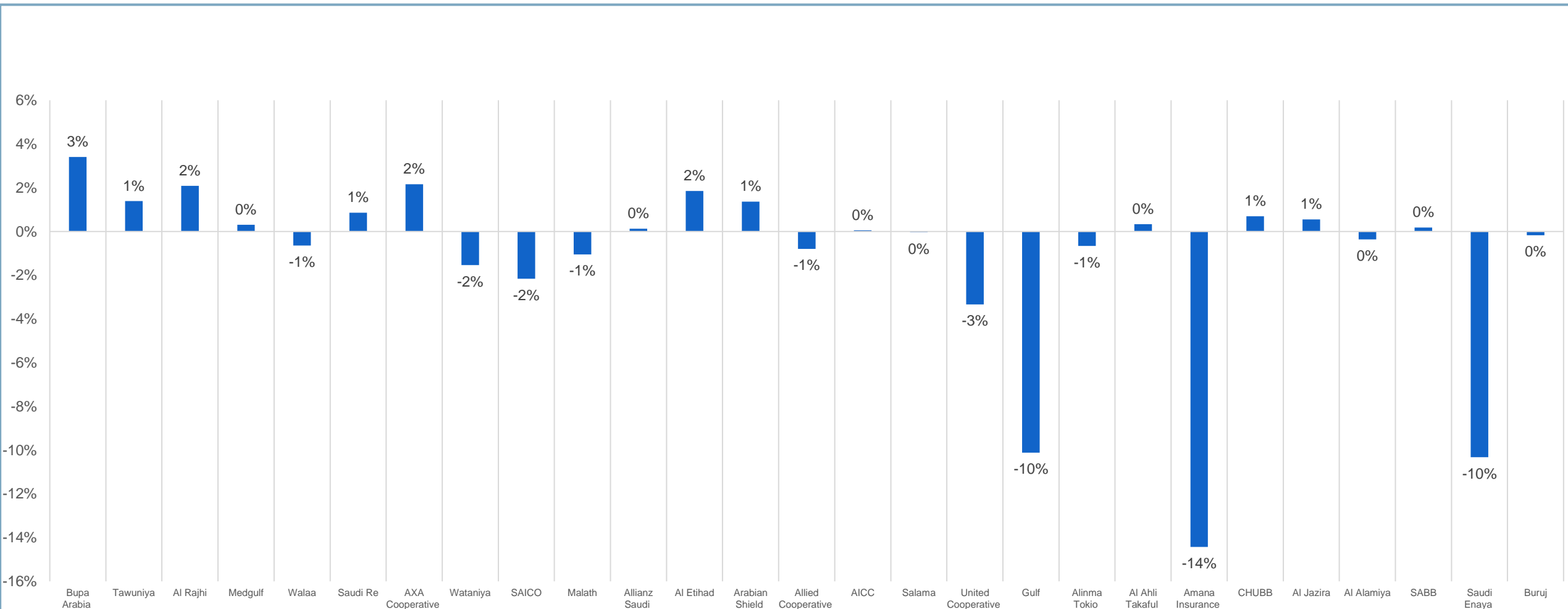
For 13 of the companies, invested assets along with cash constitute about less than 50% of the total assets, while the remaining companies have a proportion of more than 50%. The highest invested to total assets ratio is for Al Ahli Takaful (89%), while the lowest is for Wataniya at about 30%.

Return on Equity (ROE)



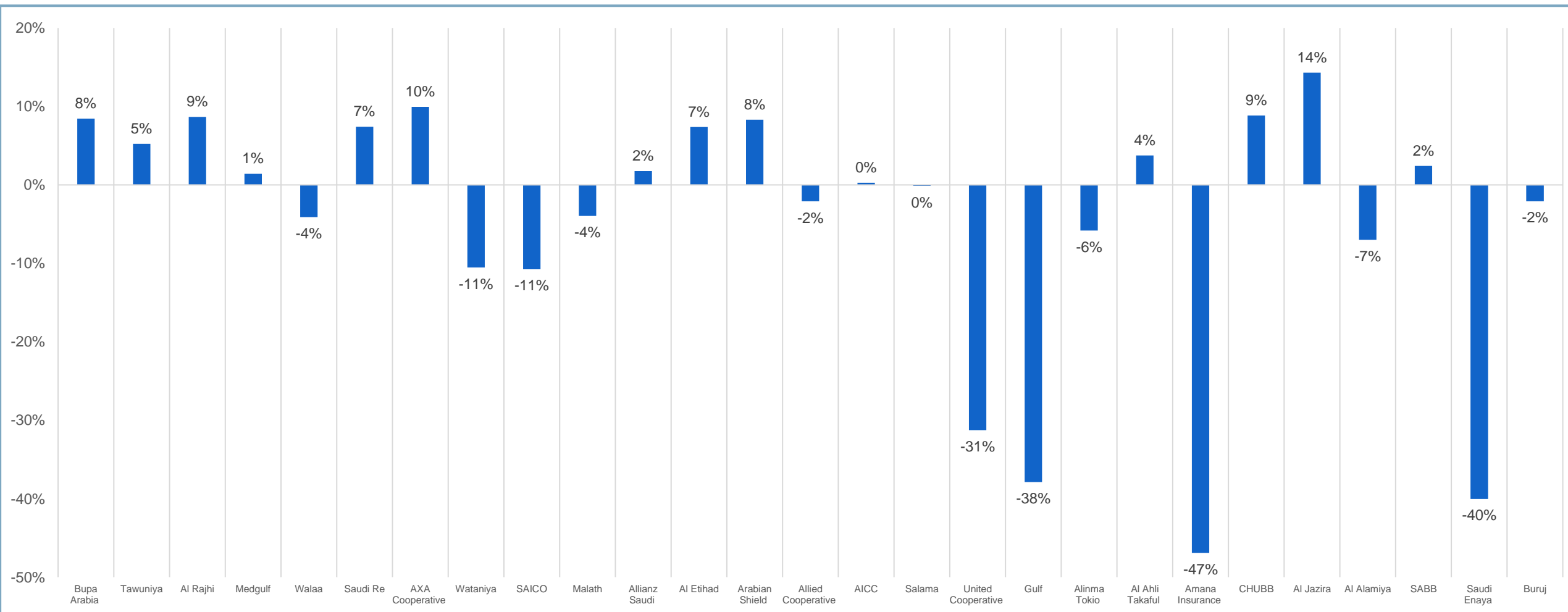
The Return on Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. The highest Return on Equity was for Bupa Arabia of about 11%, suggesting that Bupa Arabia was better able to utilize the investments received from the shareholders better than other companies. Return on Equity was highly negative (-180%) for Amana Insurance. The top 06 out of the 10 companies were able to 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. Bupa Arabia was able to earn the highest Return on Assets of 3%, while Amana Insurance earned the highest negative Return on Assets of 14%. The top 10 companies' ROA varied between -2% and 3%, while the remaining companies' ROA varied between -14% to 2%.

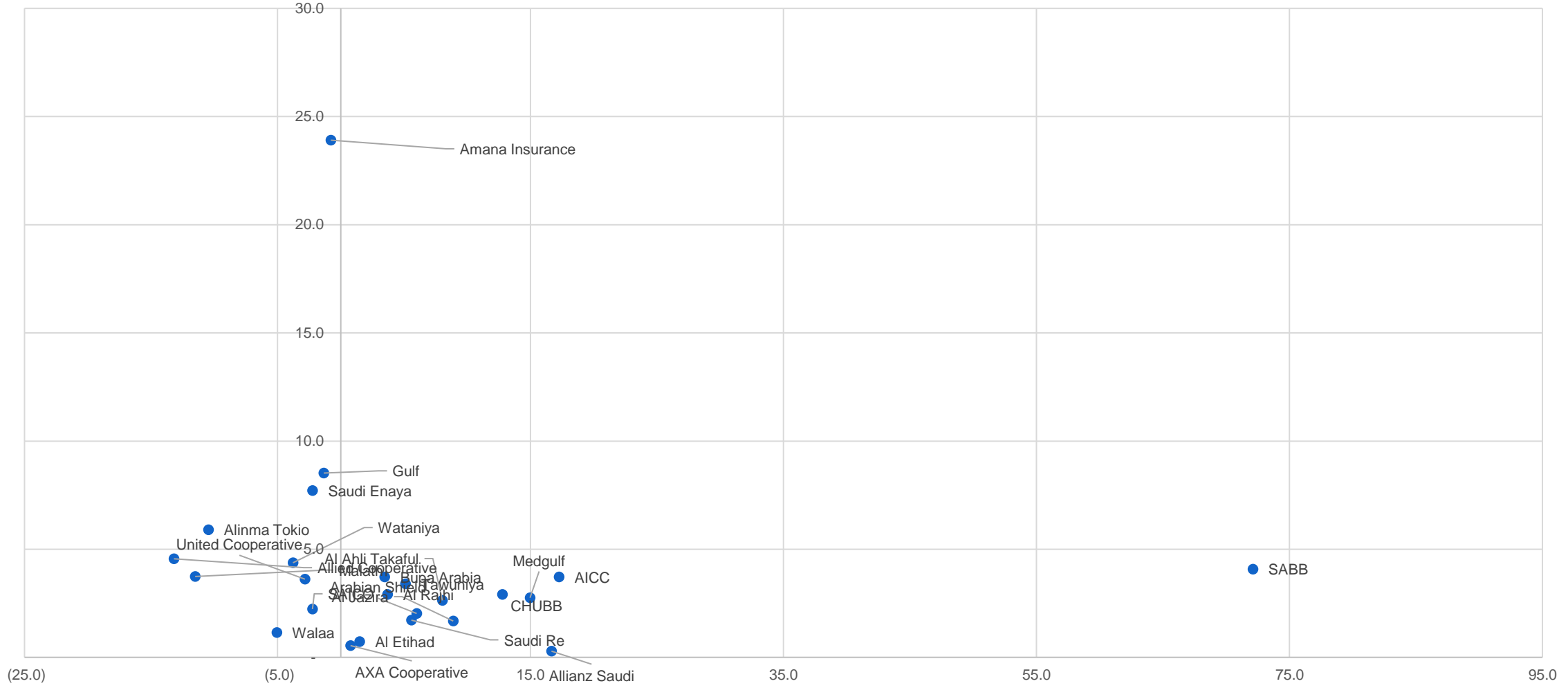
Net Profit Margins



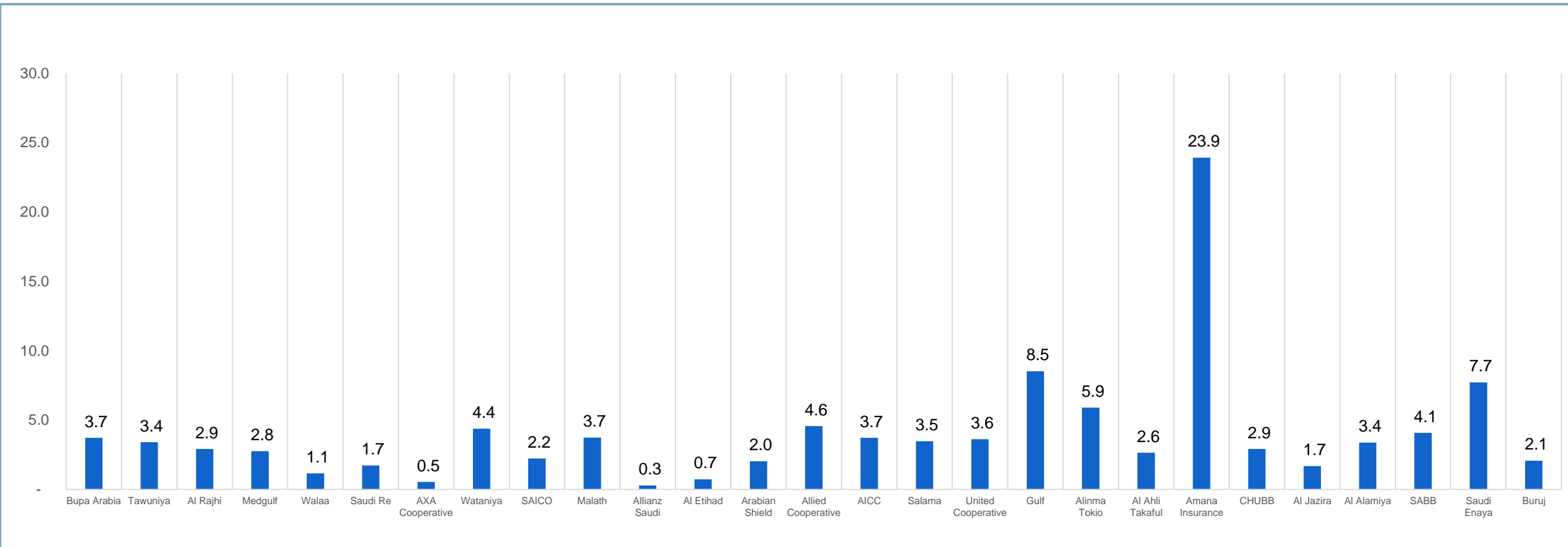
Net Profit Margin measures how much net income or profit is generated as a percentage of revenue. Al Jazira had the highest Net Margin (14%), suggesting that claims and expenses were very low. The lowest net margin was for Amana Insurance (-47%). The range for the net profit margin was wider for the other companies than that of the top 10 companies, ranging from -47% to 14%.

Price to Book and Earning Ratio

P/E Vs P/BV for Listed Companies

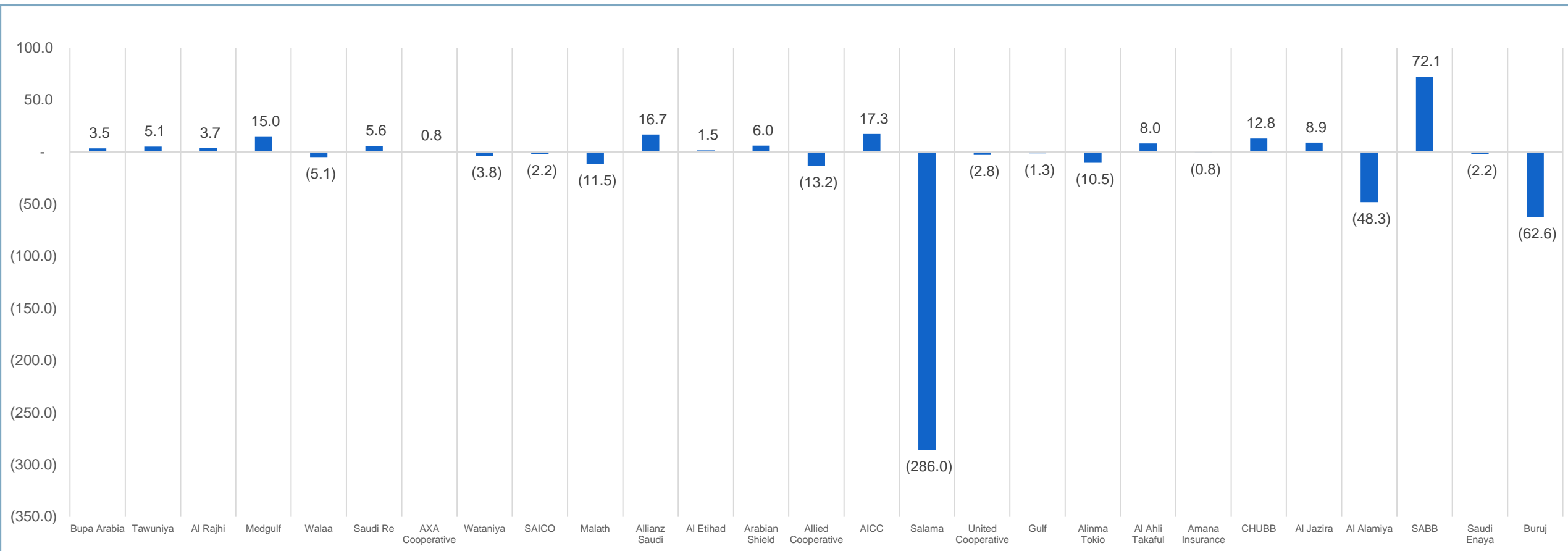


Price To Book Value



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). Amana Insurance has the highest Price to Book Value Ratio (23.9), suggesting that as its price is greater than its Book Value Per Share, the difference may be due to the goodwill the company has. The lowest Price to Book Value is for Allianz Saudi (0.3). 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, AXA Cooperative and Al Etihad, the price-to-book ratio is higher than 01, 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-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-earnings ratio is for SABB (72.1), suggesting that investors have confidence in the performance of the Company. The lowest price-to-earnings ratio is for Salama (-286).



Meet the Team

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Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Kingdom of Saudi Arabia for the Second 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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