



SHMACONSULTING

Insurance Industry

Kingdom of Saudi Arabia

Third 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 insurance companies in Saudi Arabia, 11 in the UAE and more in the GCC (Kuwait, Oman, Qatar, and Bahrain).

SHMA Consulting has been providing actuarial services to insurance companies since 1990. It has been operating 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

Retirement Benefits

- Valuations for financial reporting
- Advising 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

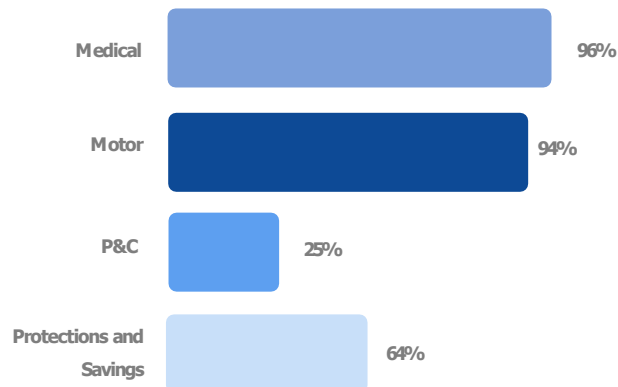
Our Services

Limitations and Disclaimers

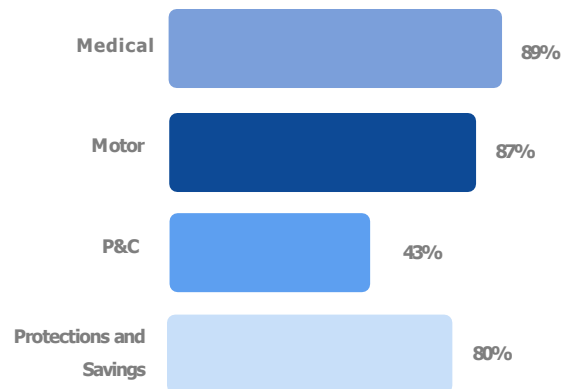
- ❖ The data used for the preparation of this report has been collected from Tadawul. Insurance Industry KSA has 29 insurance companies, we have included 28 insurance companies in our analysis. We have excluded Al-Sagr Cooperative Insurance Company from our analysis.
- ❖ Al-Sagr Cooperative Insurance Company announces its inability to publish its financial results for the six-month period ending on 30-09-2021 in (Tadawul) at the specified time.
- ❖ Gulf Union and Al Ahlia Cooperative Insurance have been merged.
- ❖ SSTC and AlJazira Takaful Taawuni Co. have been 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.
- ❖ 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, 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

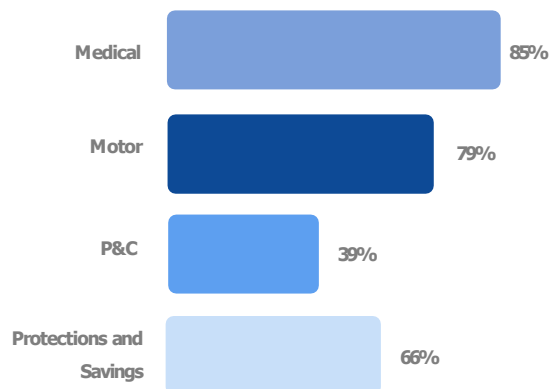
Retention Ratios



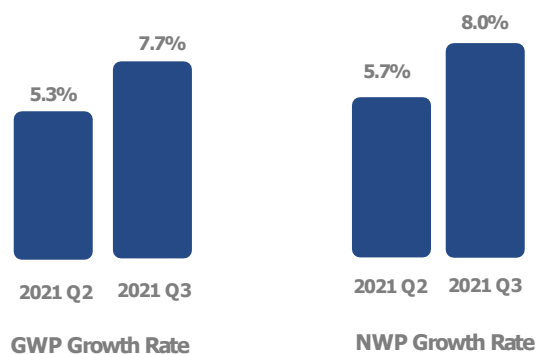
Combined Ratio by Sector



Loss Ratios



Premium Growth Rate



Total Gross Written Premium

SAR 31.81 Bn

▲ +7.74%

Total Assets



SAR 68.43 Bn

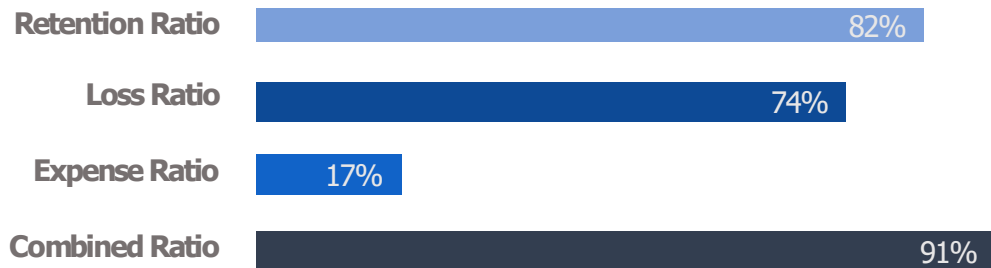
▲ +5.03%

Total Profit/(Loss) before Zakat & Taxes

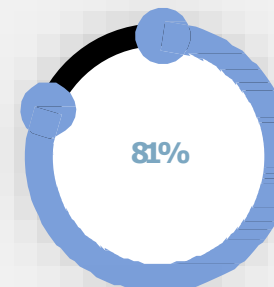
SAR 903 Mn

Industry Benchmarks

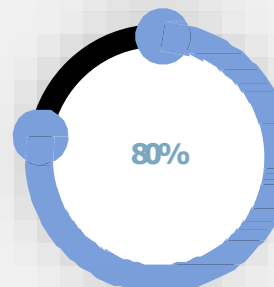
2020 Q3



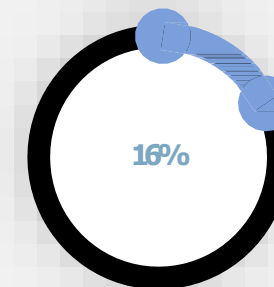
2021 Q3



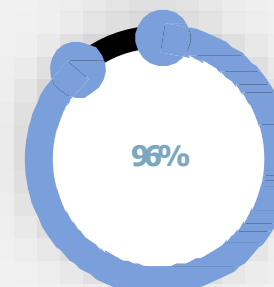
Weighted Average Retention Ratio



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. The 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 countrywide lockdowns and curfews. In Saudi Arabia, the government has imposed a nationwide curfew for a certain period all in a bid to stop the spread of COVID-19 with the exception of some business sectors during the lockdown period. The curfew was lifted on 21st 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 the impact of the virus on its operations. Therefore, it has taken a series of proactive and preventative measures to ensure the health and safety of its employees and the wider community where it is operating. The continuity of its business throughout the Kingdom is also protected and kept intact.

Impact of COVID-19

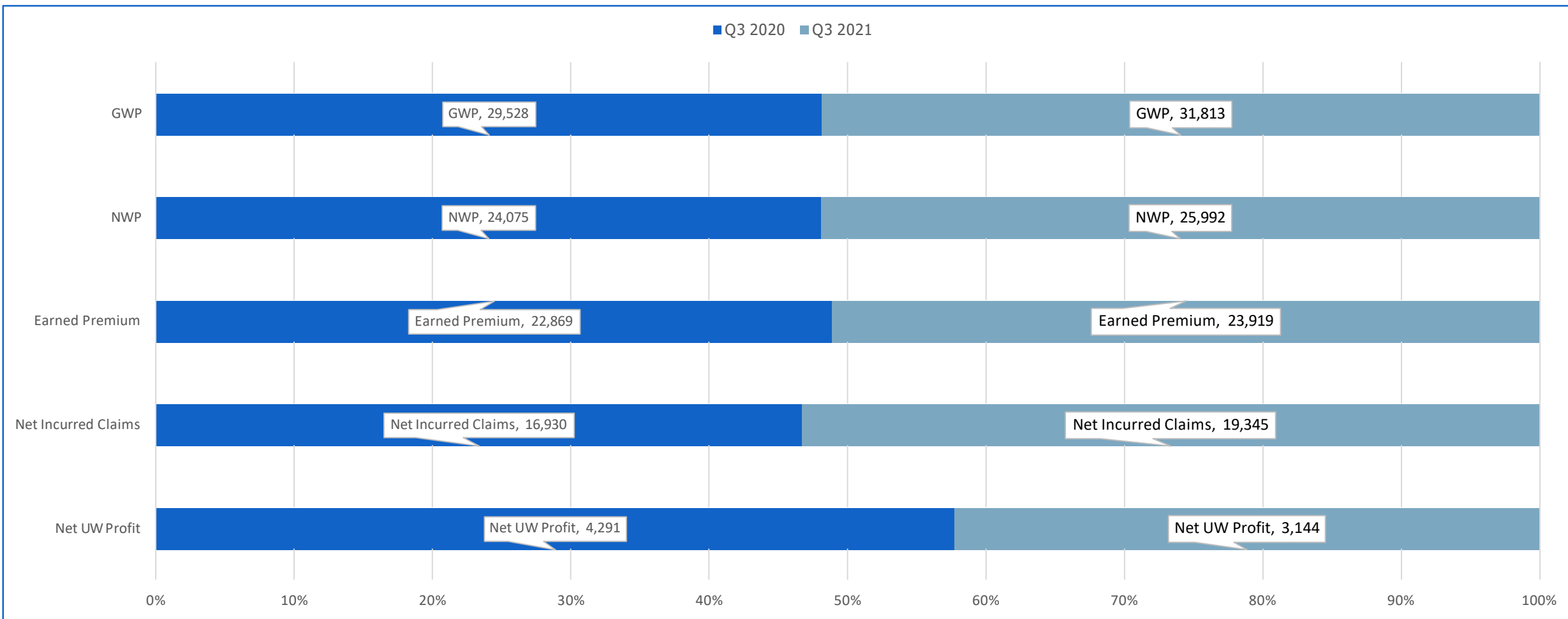
Medical

- ❖ The government's decision to assume the medical treatment costs for both Saudi citizens and expatriates has helped reduce the overall impact of the pandemic. During the lockdown, the insurer saw a decline in reported medical 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 the 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

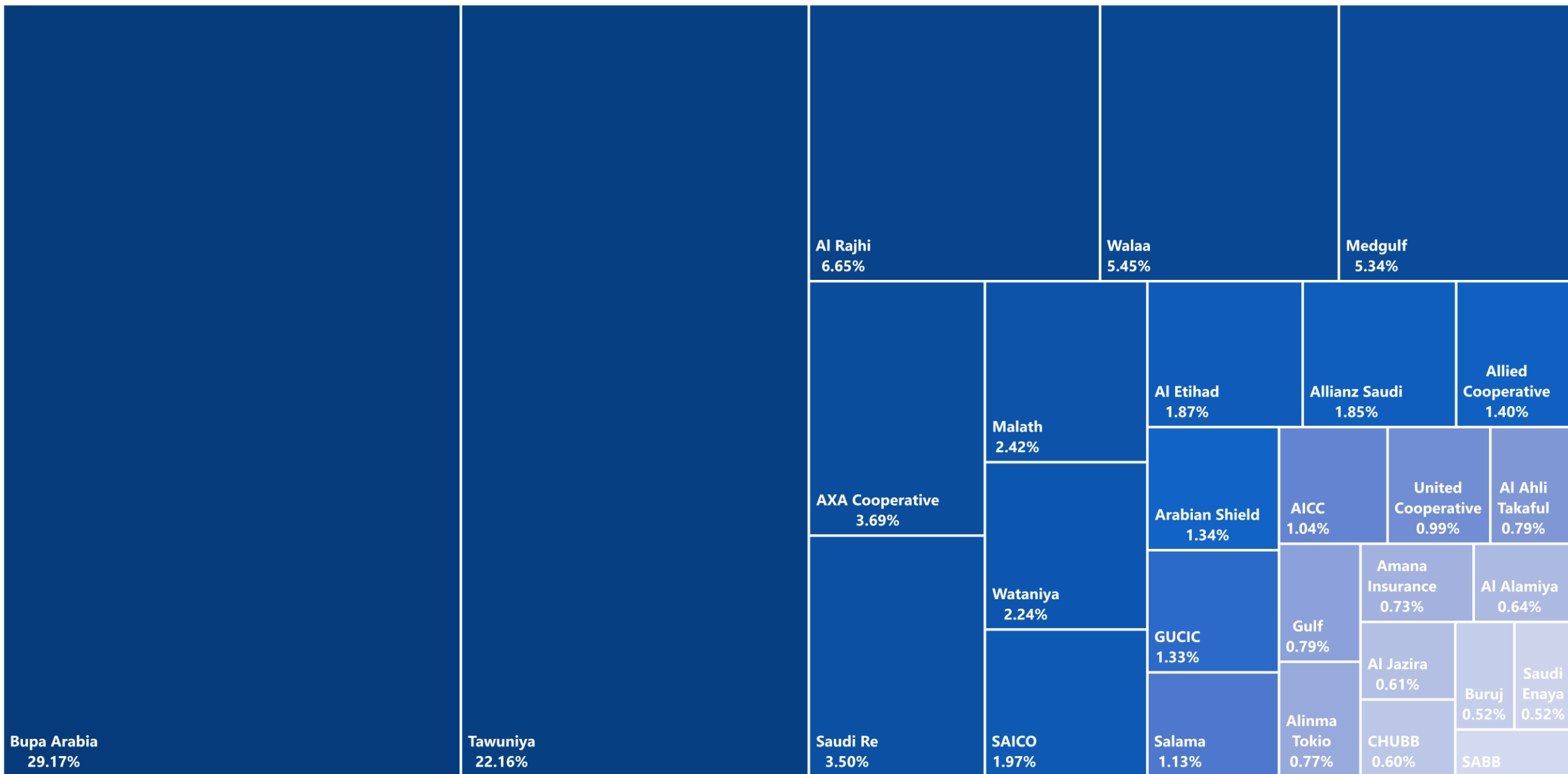
- ❖ In response to the Covid-19 pandemic, SAMA issued a circular 189 (the "circular") dated 8th May, 2020 to all insurers in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurers to extend the period of validity of all existing retail motor insurance policies by further 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 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 insurers have 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 premium deficiency reserve.

Aggregate Performance



Net Incurred Claims, Net Written Premium, Gross Written Premium and Net Earned Premiums increased compared to 2020 Q3, while Net Underwriting Profit decreased.

Market Share Proportion



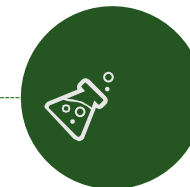
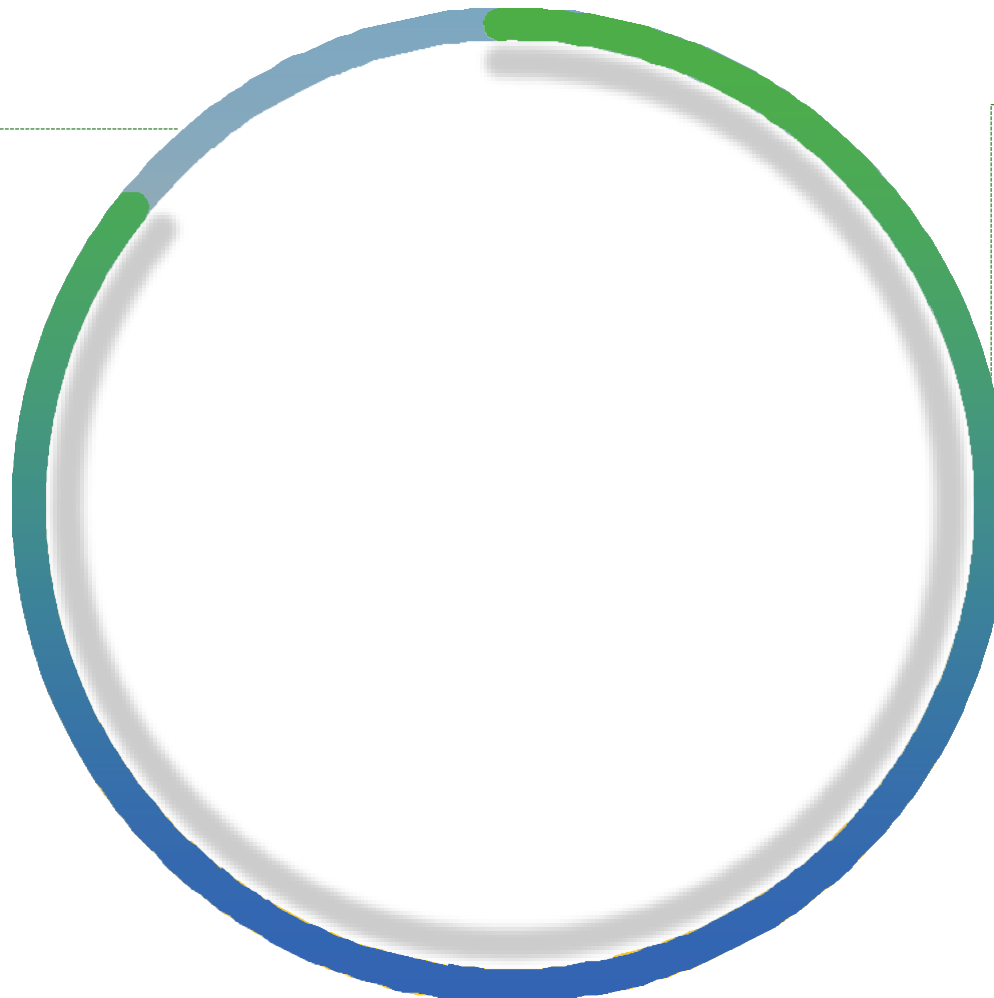
Premium Composition

Top 10 vs Other Companies



Other Companies

All other companies' makeup the remaining 17.38% of the Market share

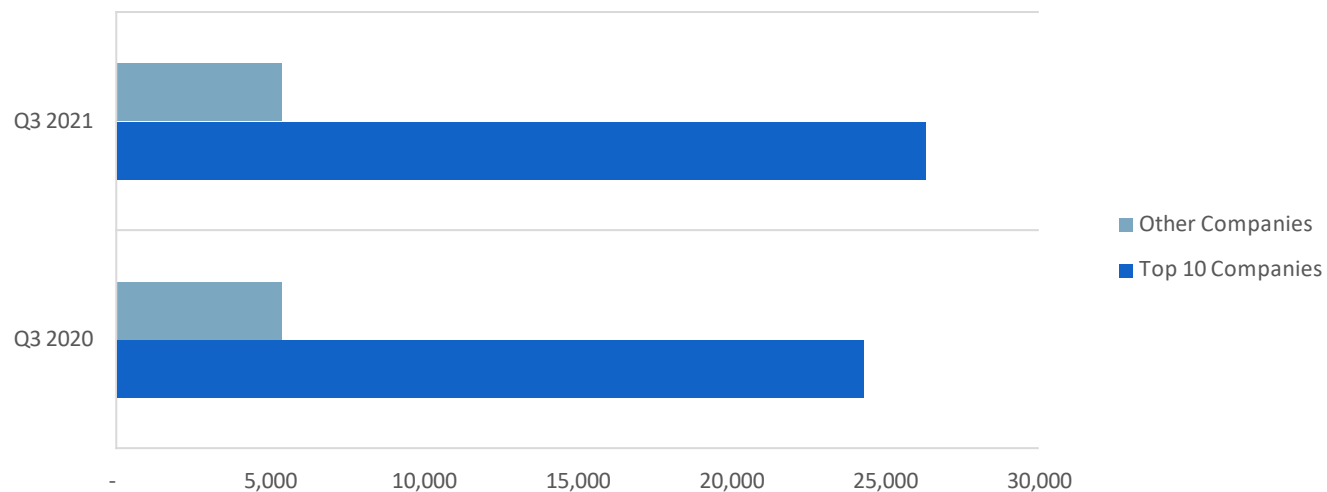


Top 10 Companies

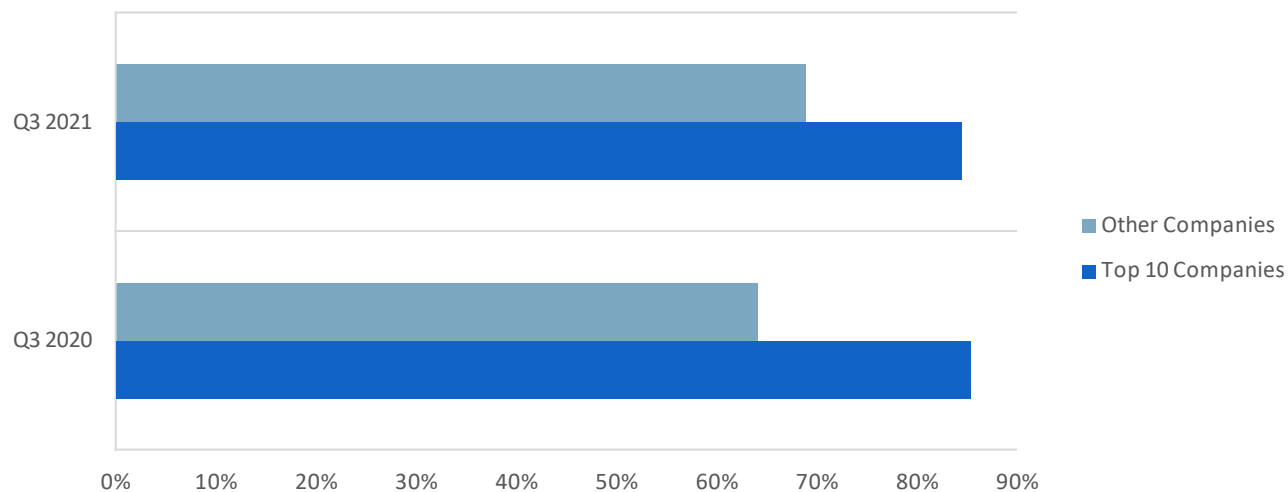
The top 10 companies' makeup an overwhelming 82.62% of the Market share

Gross Written Premium and Rankings

Gross Written Premium



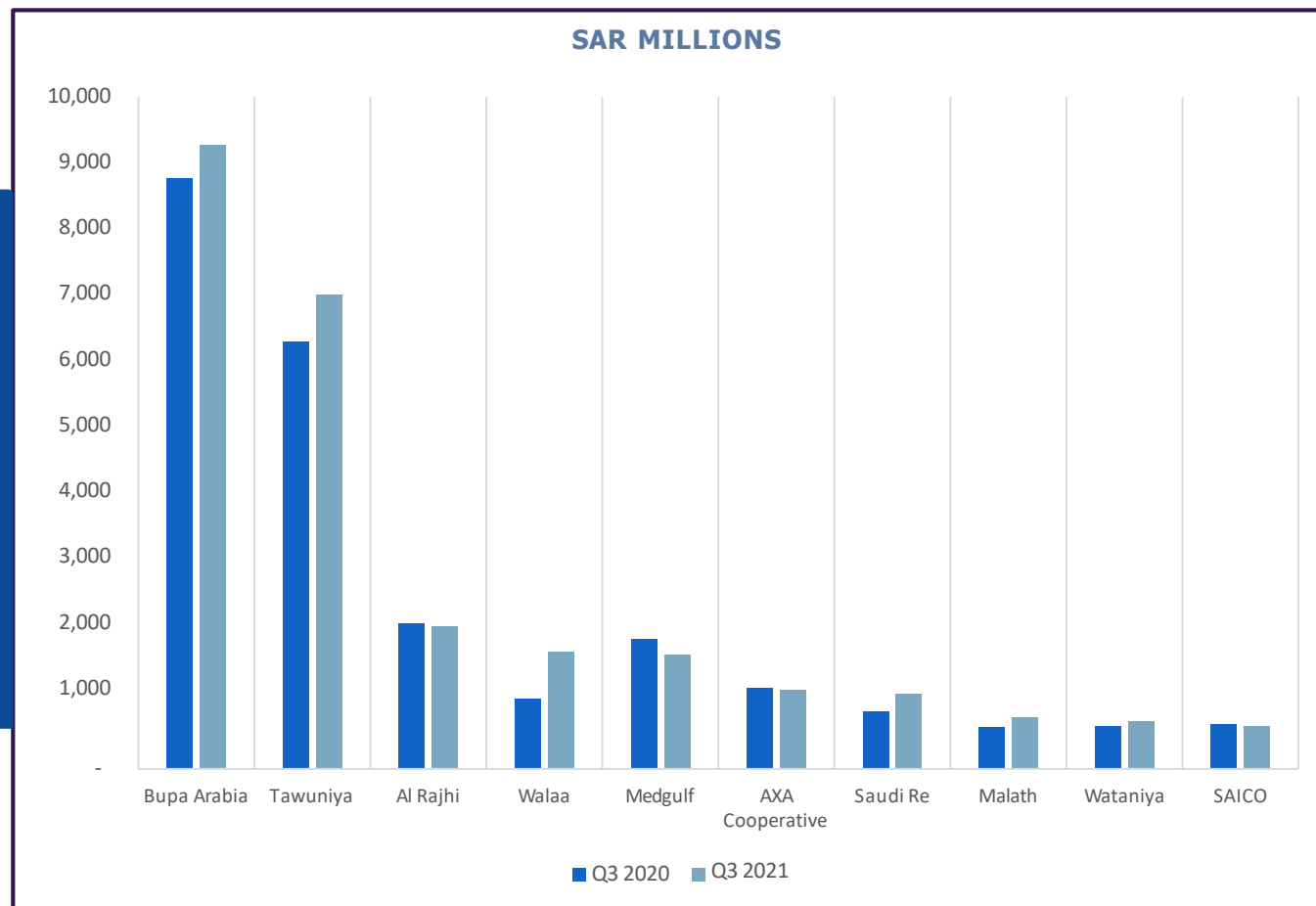
Retention Ratio



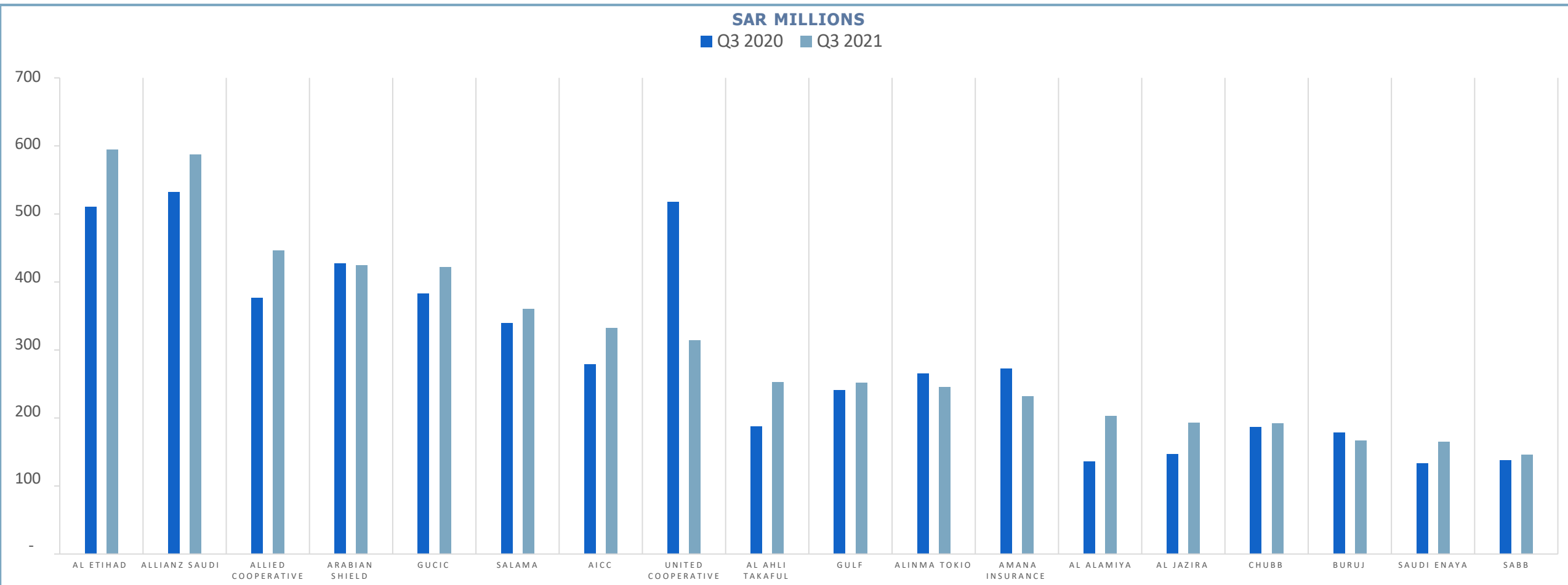
1. Bupa Arabia	—	15. GUCIC	—
2. Tawuniya	▲	16. Salama	▲
3. Al Rajhi	—	17. AICC	▲
4. Wala	▲	18. United Cooperative	▼
5. Medgulf	▼	19. Al Ahli Takaful	▲
6. AXA Cooperative	▼	20. Gulf	▲
7. Saudi Re	—	21. Alinma Tokio	▼
8. Malath	▲	22. Amana Insurance	▼
9. Wataniya	—	23. Al Alamiya	▲
10. SAICO	▼	24. AlJazira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

Gross Written Premium – Top 10 Companies

Bupa Arabia captured the biggest market share of 29.77% in 2020 Q3 and 29.17% in 2021 Q3 followed by Tawuniya with 21.55% and 22.16% for 2020 Q3 and 2021 Q3, respectively. While comparing the top 10 companies, the smallest market share was for Malath in 2020 Q3 and SAICO in 2021 Q3.

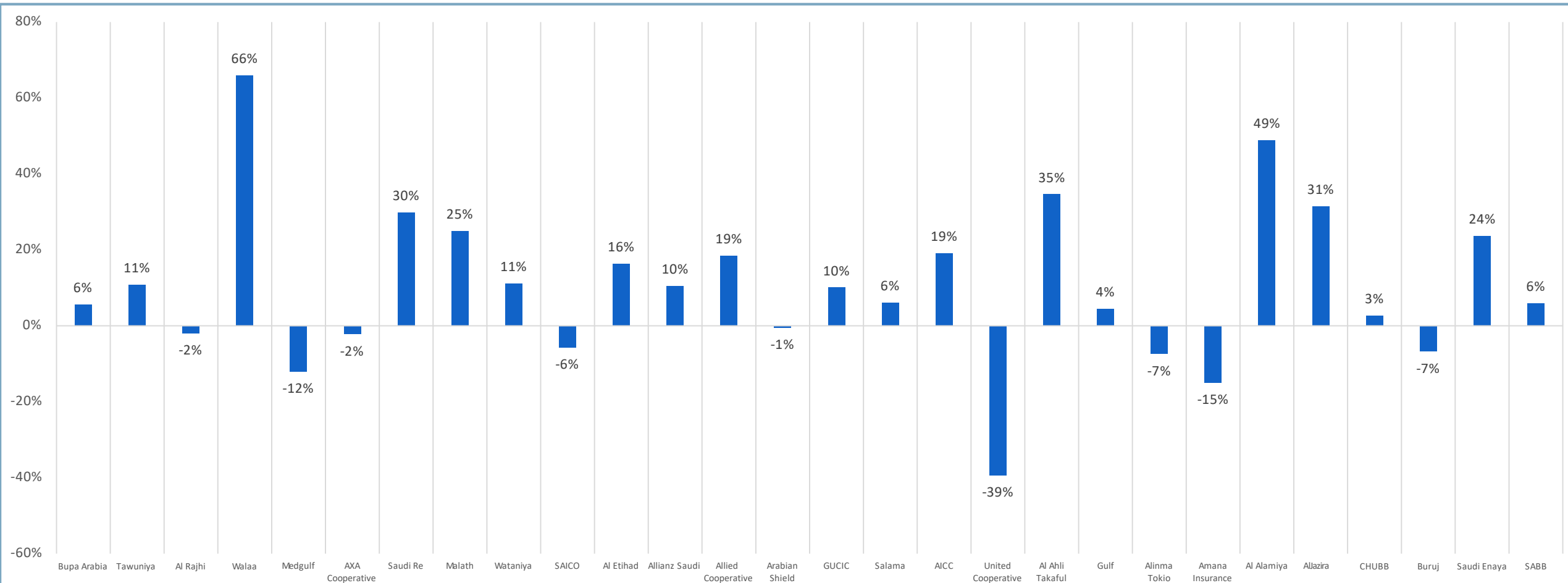


Gross Written Premium – Other Companies



For Other Companies, Allianz Saudi had the highest Gross Written Premium in 2020 Q3 (SAR 532 million) while Al Etihad had the highest GWP in 2021 Q3 (SAR 594 million). United Cooperative experienced a decrease in its market share of about 39%. Saudi Enaya had the smallest market share in 2020 Q3, and SABB had the smallest market share in 2021 Q3.

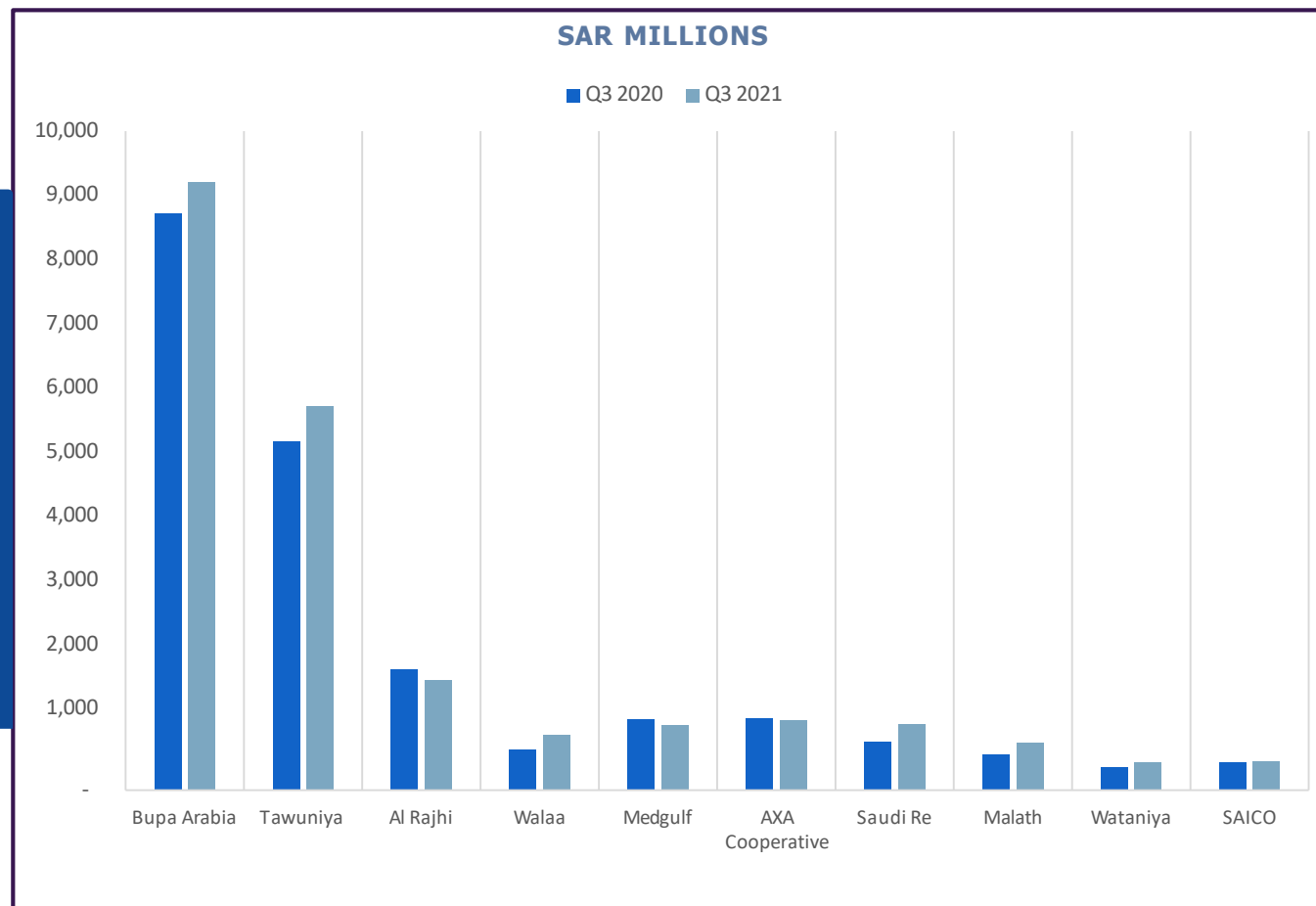
Gross Written Premium – Movement



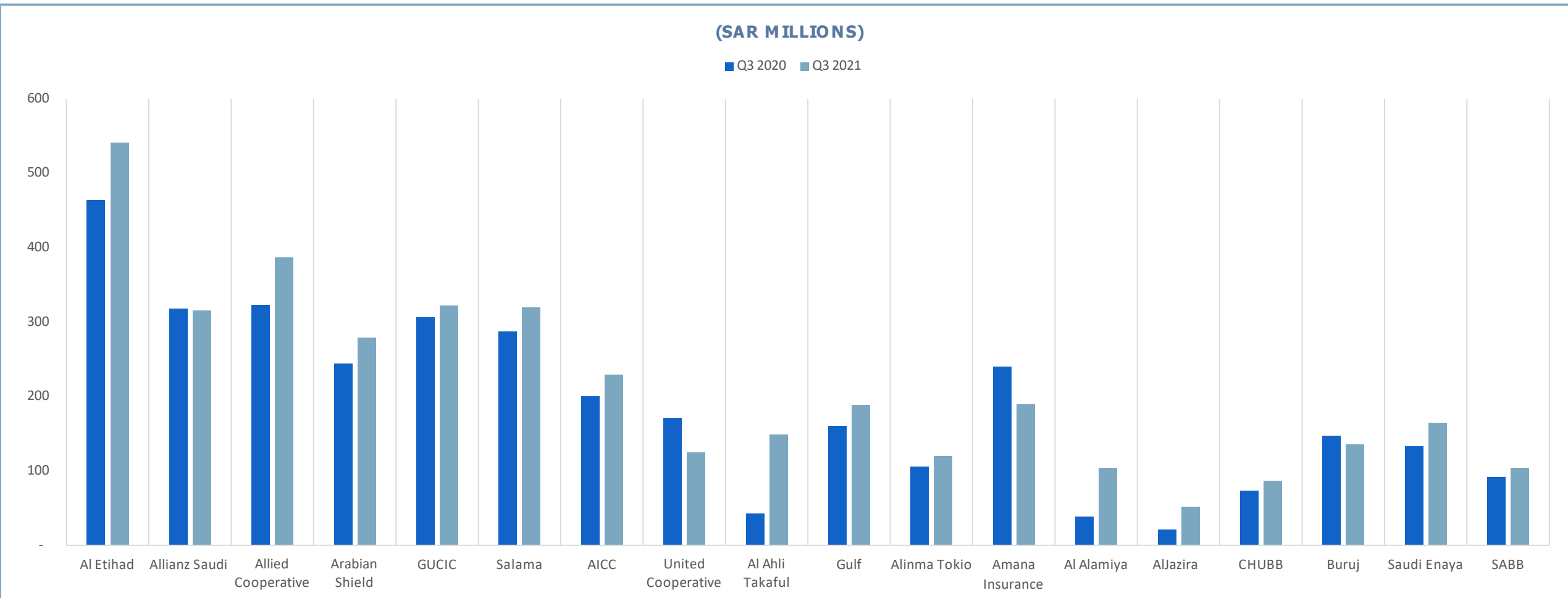
Walaal experienced the highest growth in its gross premium (66%) while United Cooperative experienced a decrease in its gross premium (-39%). It can be noted that the range of growth among the top 10 companies is relatively narrow and stable (excluding Walaal) when compared to the Other Companies. High growth and decline rates were experienced by the remaining companies.

Net Written Premium – Top 10 Companies

Bupa Arabia captured the highest market share of 36.36% in 2020 Q3 and 35.50% in 2021 Q3 followed by Tawuniya with 21.95% and 22.40% for the years 2020 Q3 and 2021 Q3 respectively. Net Written Premium did not change much for the Top 10 companies.

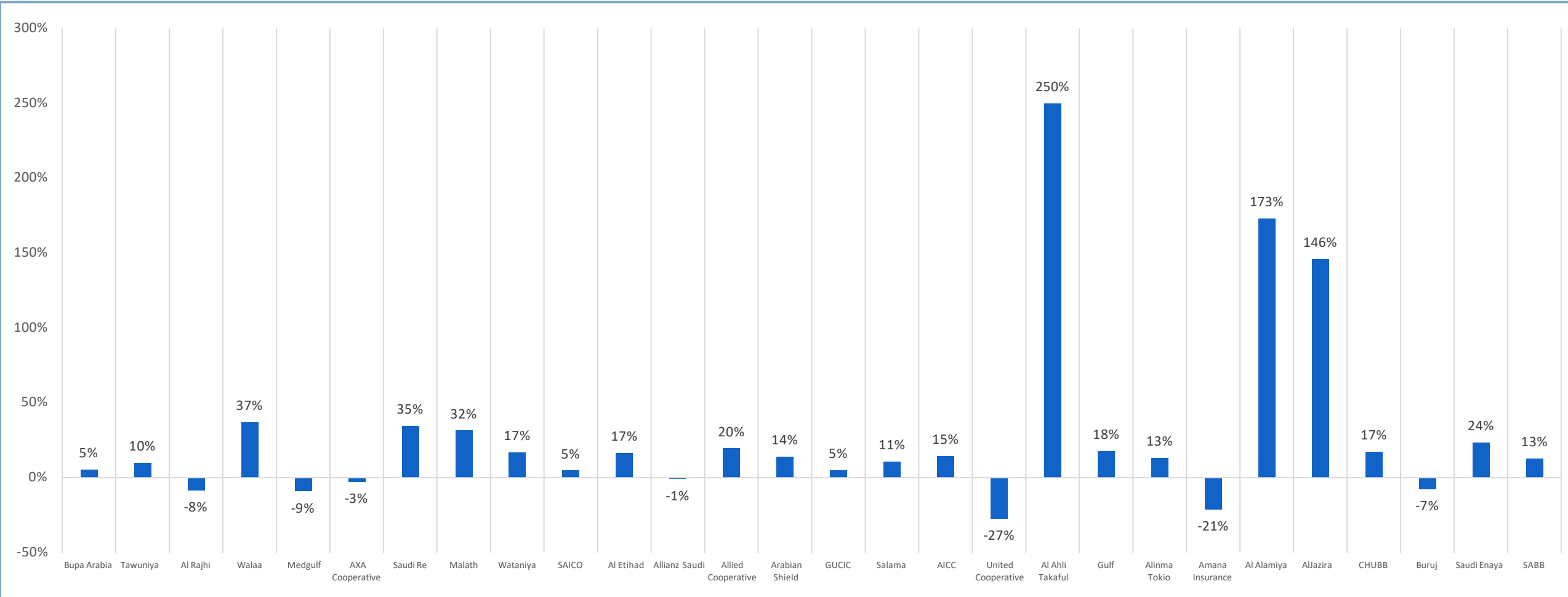


Net Written Premium – Other Companies



Among the Other Companies, the highest Net Written Premium for the 2020 Q3 was Al Etihad (SAR 464 million) while the lowest was for AlJazira (SAR 21 million). For 2021 Q3, the highest Net Written Premium was for Al Etihad (SAR 540 million) while the lowest for AlJazira (SAR 52 million). Net Written Premium increased for 14 out of the remaining 18 companies, with United Cooperative experiencing the highest decline while the NWP for Al Ahli Takaful tripled.

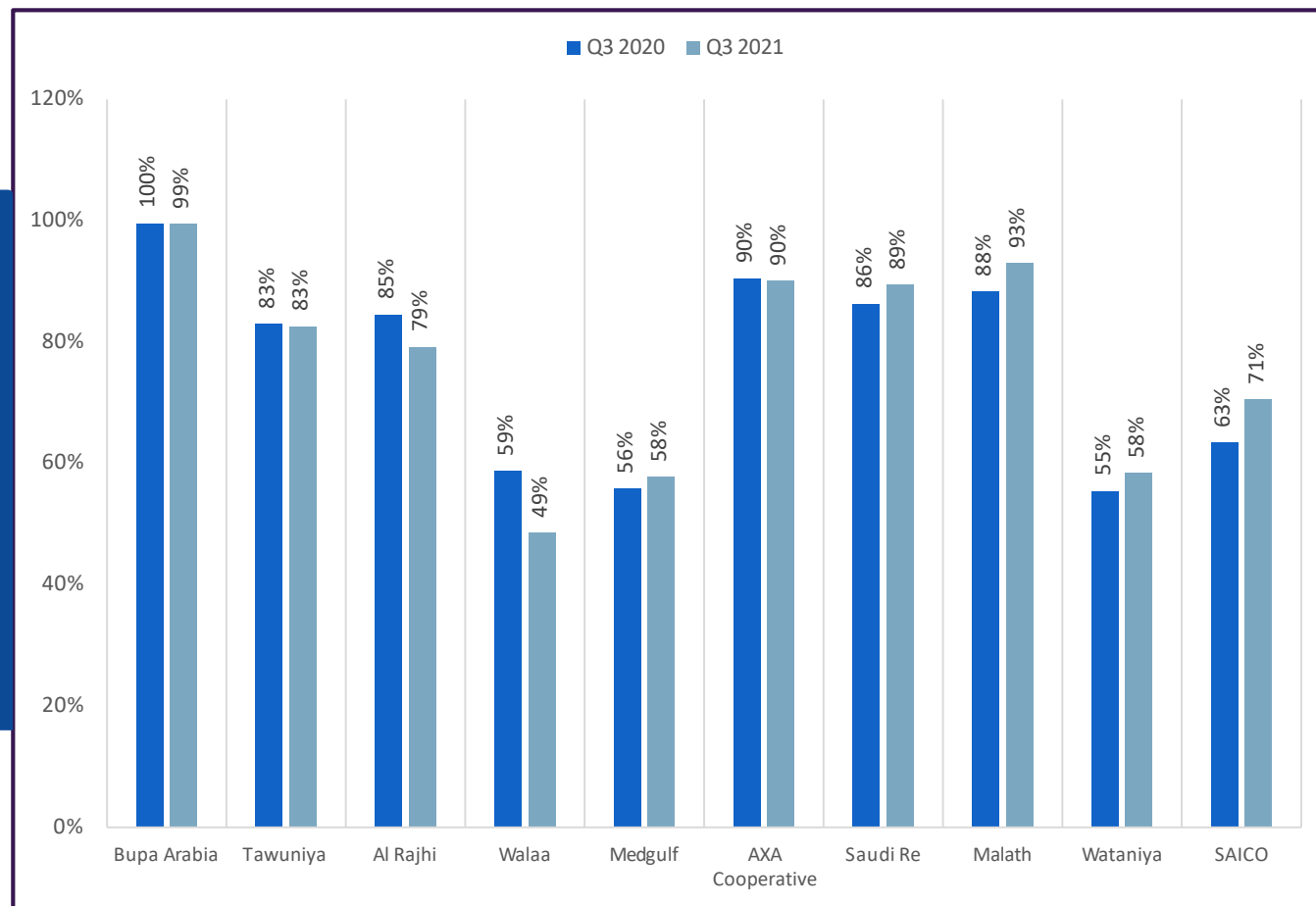
Net Written Premium – Movement



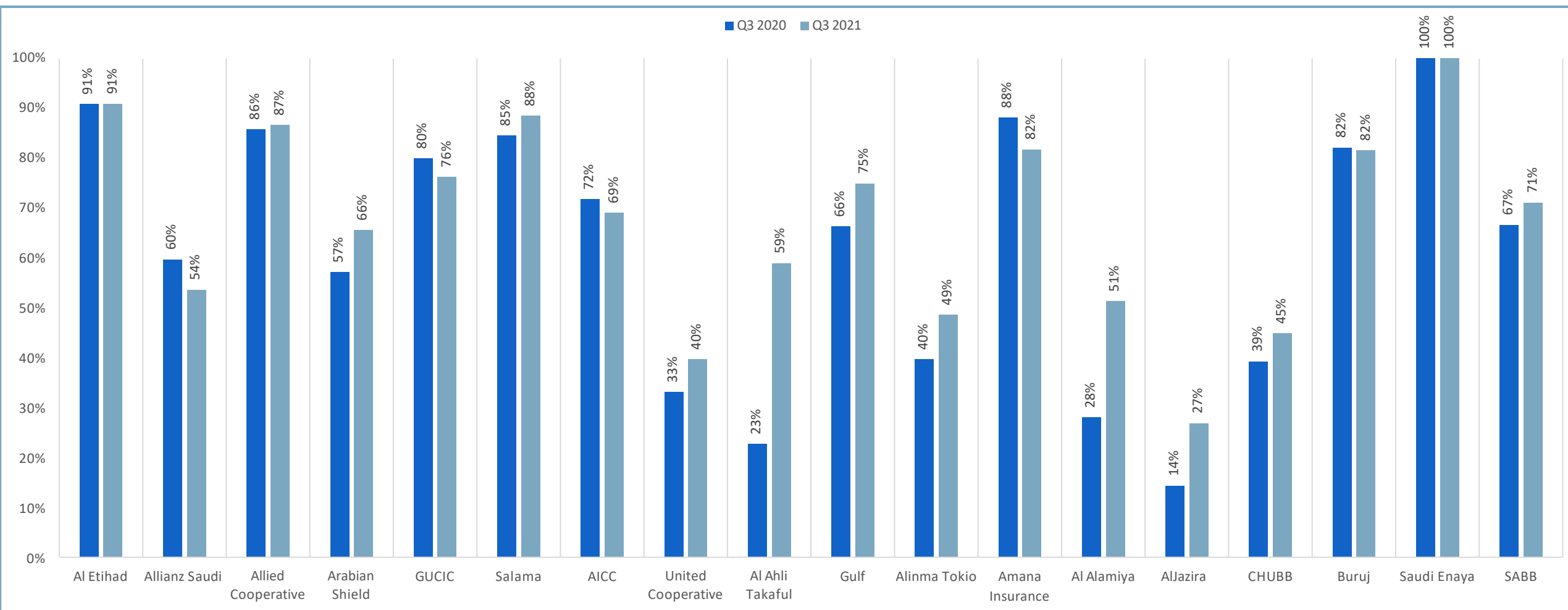
Net Written Premium grew the most for Al Ahli Takaful (206%) and showed a significant decline for United Cooperative (-27%). The range in the movement of Net Written Premium was narrow for the top 10 companies compared to the other companies.

Retention Ratios - Top 10 Companies

The chart shows that Bupa Arabia, Tawuniya, Saudi Re, Al Rajhi, AXA Cooperative and Malath almost fully retained its business (79% and above), while the lowest retention ratio being 49% for Walaa. Retention ratios were stable for most of the companies, with the highest change being a decrease of 10% for Walaa and an increase of 8% for SAICO.

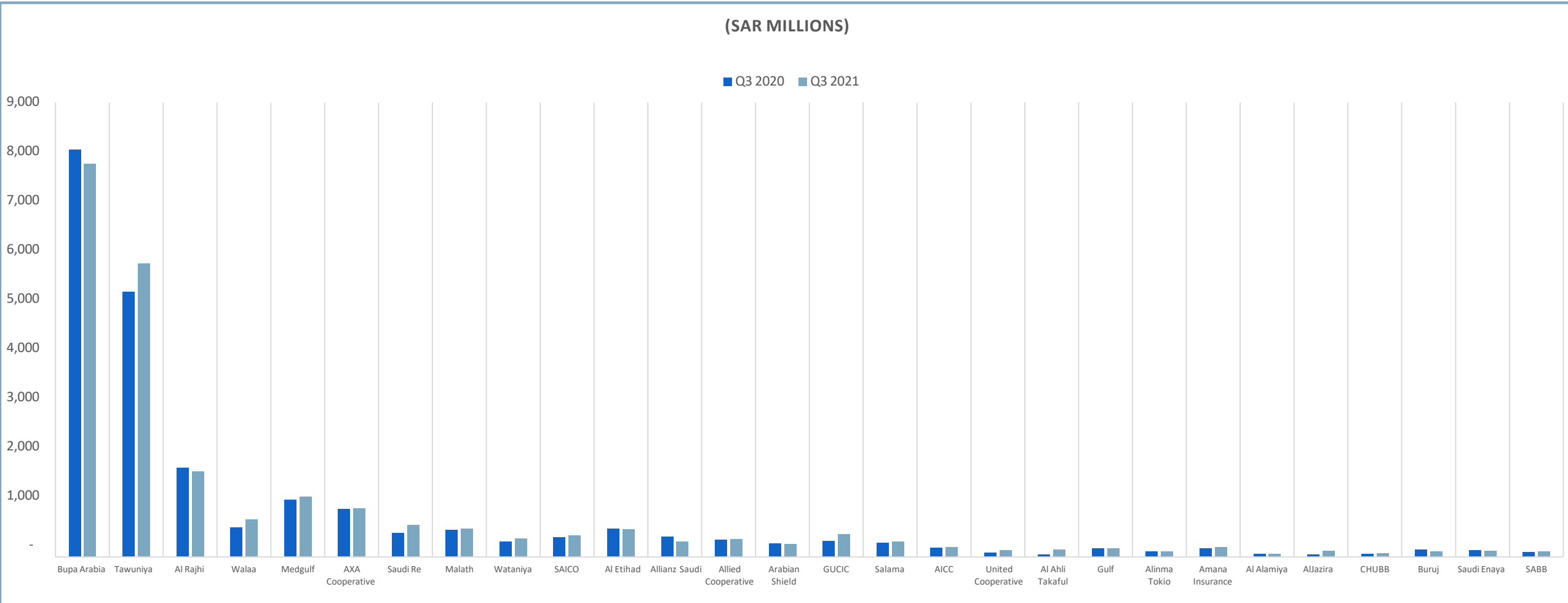


Retention Ratios - Other Companies



On an aggregate basis, the weighted average retention ratio is 81%. The highest retention ratio being 100% for Saudi Enaya and the lowest being 27% for AlJazira (2021 Q3). Retention ratio for Al Ahli Takaful had its retention ratio increased by 36% while it decreased for Allianz Saudi and Amana Insurance by 6%.

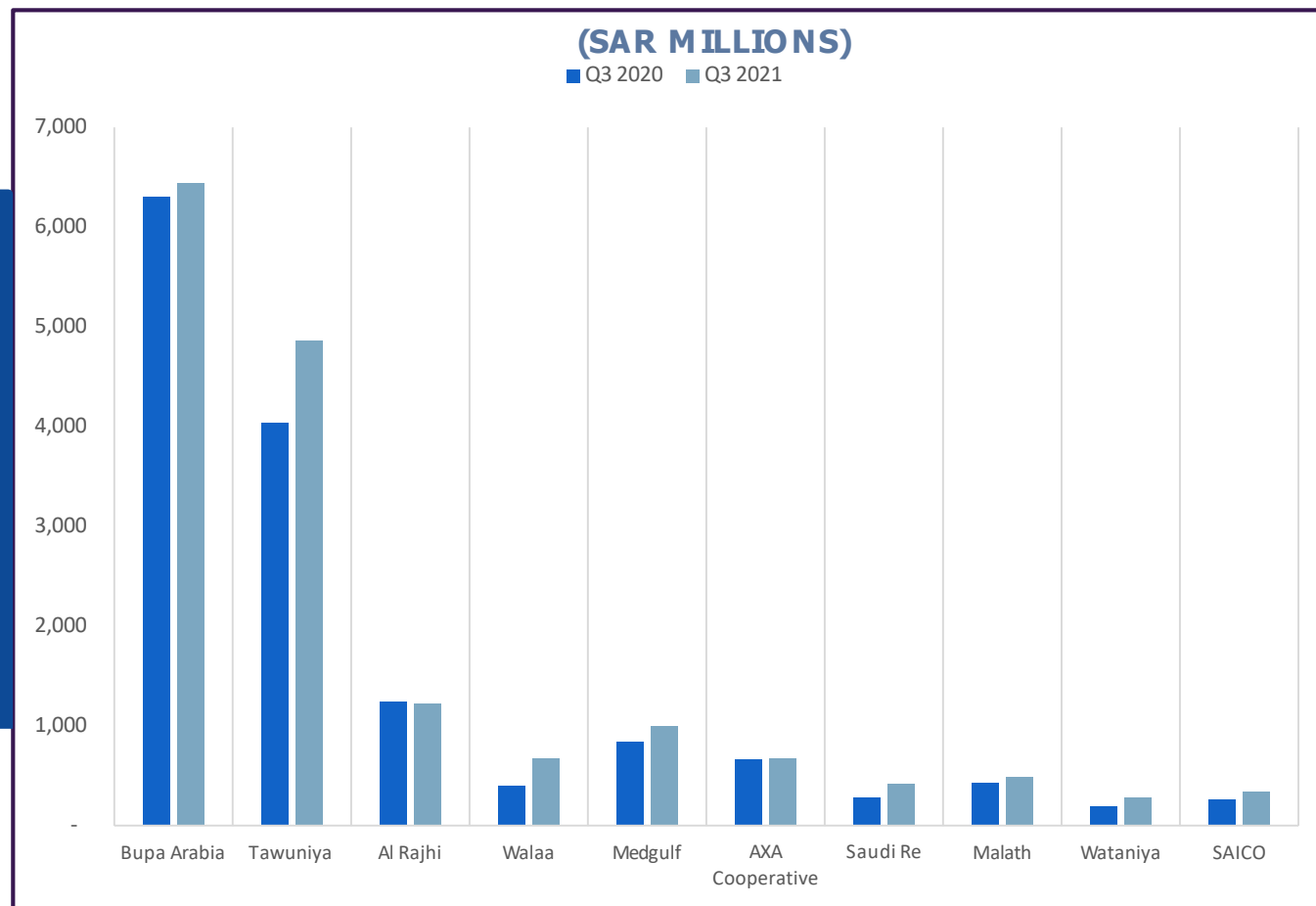
Net Earned Premium



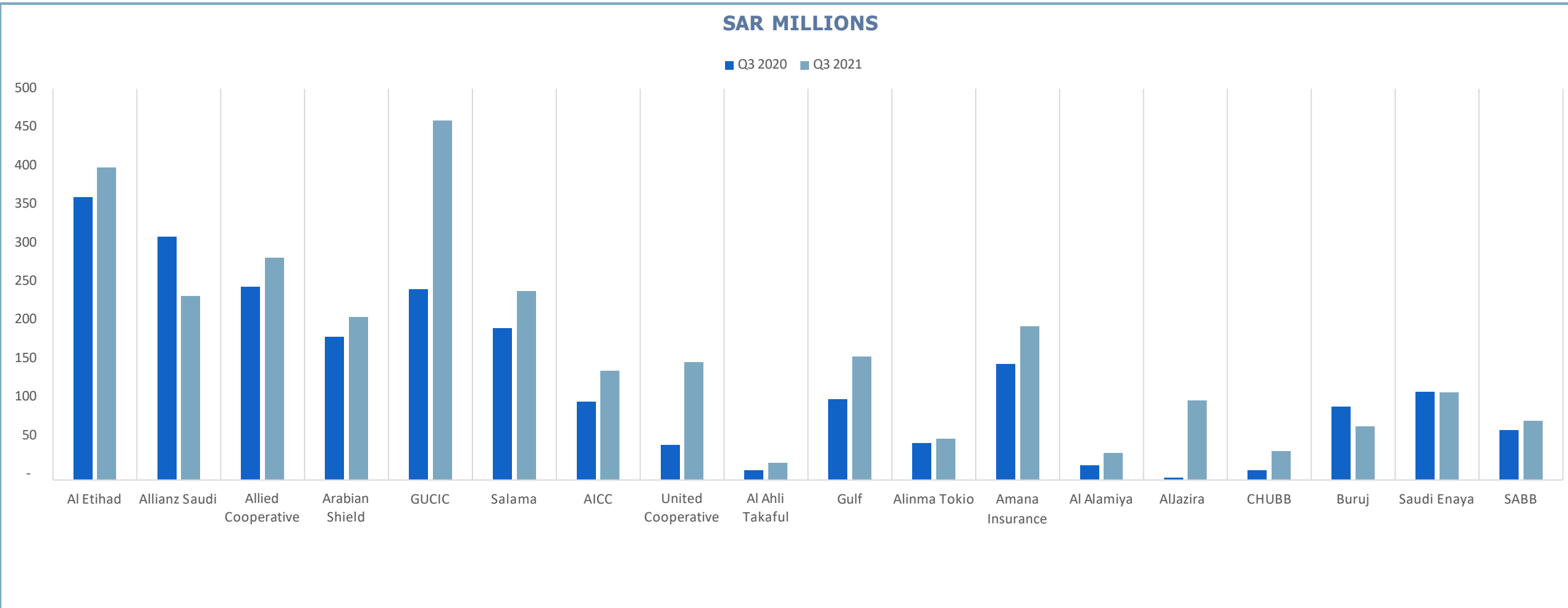
Net Earned Premium neither vary greatly by year for the companies under consideration. The highest Net Earned Premium is for Bupa Arabia in both the years followed by Tawuniya, while AlJazira had the lowest Net Earned Premium in 2020 Q3 and Al Alamiya has the lowest NEP in 2021 Q3.

Net Incurred Claims - Top 10 Companies

Bupa Arabia had the highest Net Incurred Claims of 6,299 million and 6,439 million in 2020 Q3 and 2021 Q3, respectively. Among the top 10 companies, Wataniya had the lowest Net Incurred Claims of 191 million and 279 million in 2020 Q3 and 2021 Q1, respectively. Net Incurred Claims stays the same for Al Rajhi, while for all the other top 10 companies, Net Incurred Claims increased.



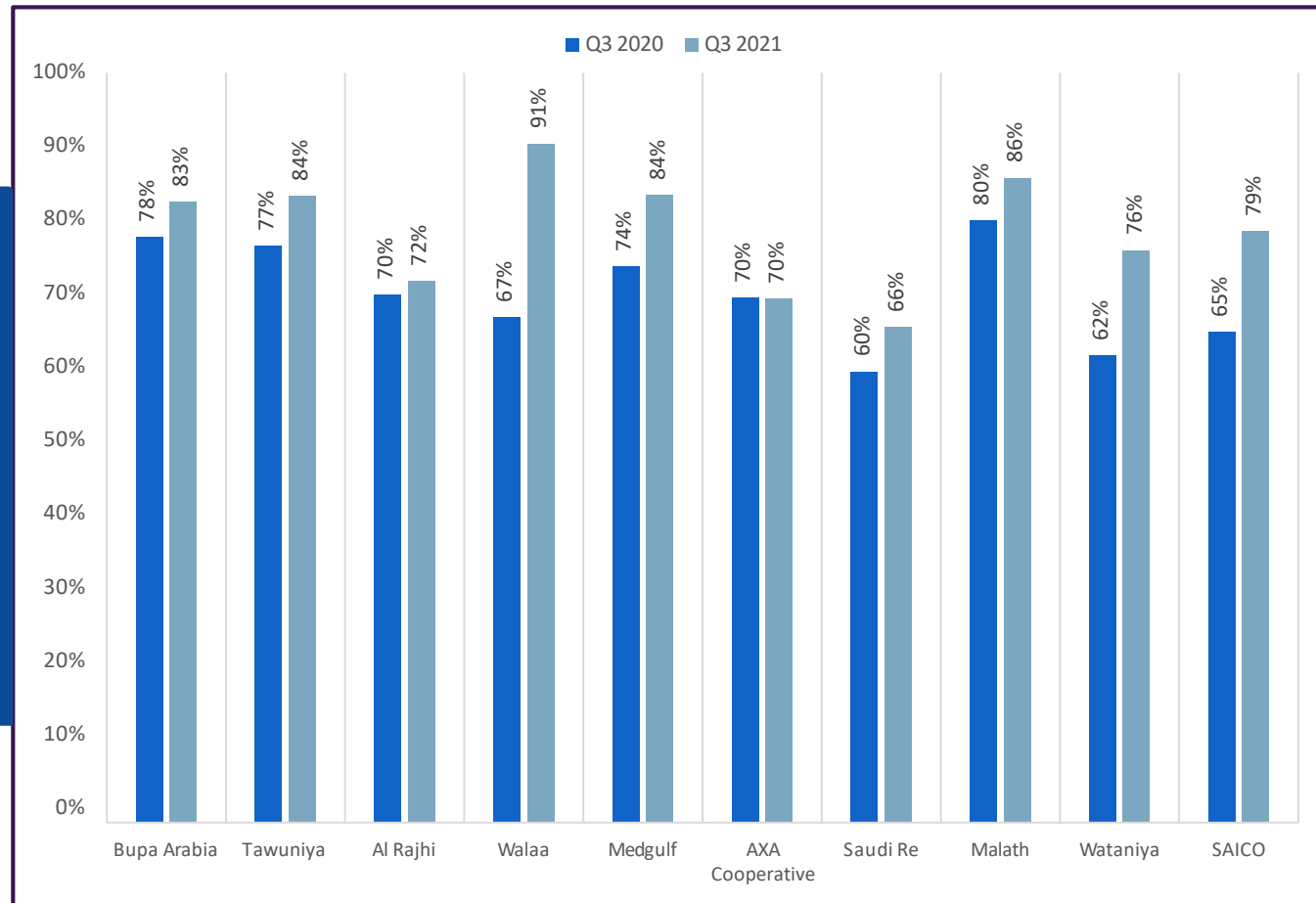
Net Incurred Claims - Other Companies



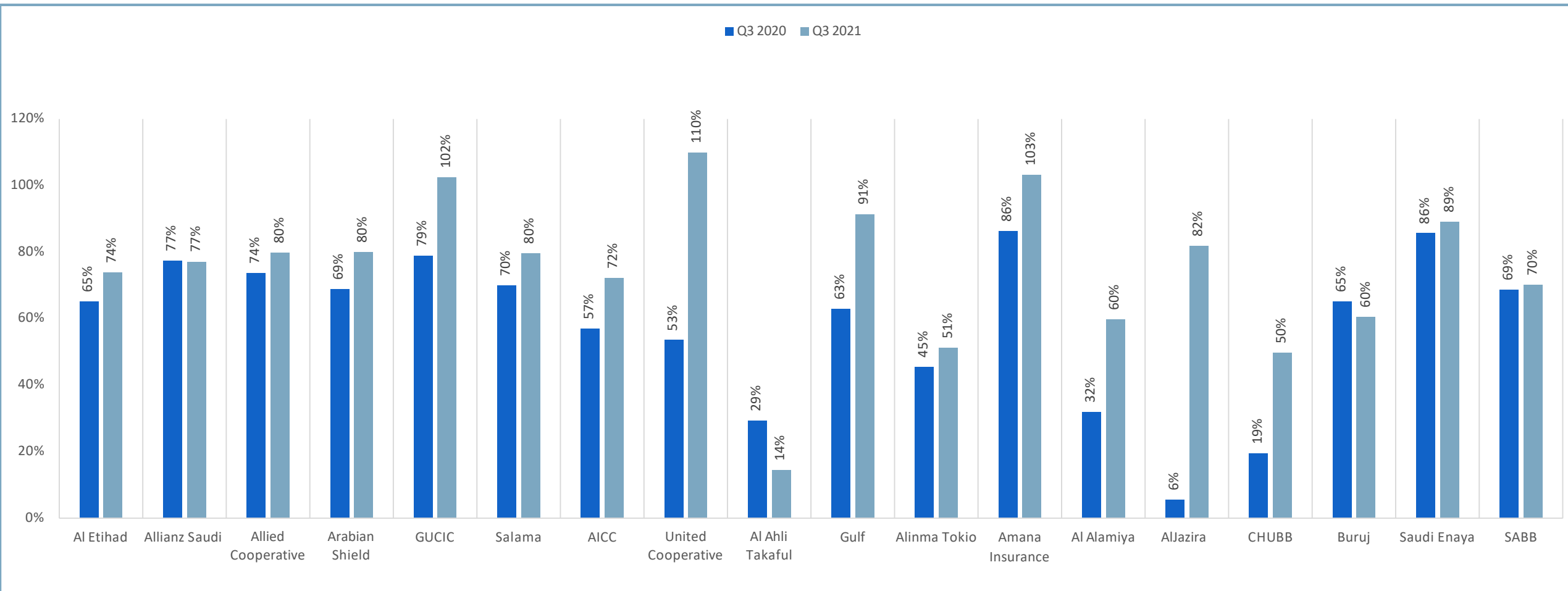
Al Etihad had the highest net incurred claims of 361 million in 2020 Q3 and GUCIC has the highest net incurred of 459 million 2021 Q3. AlJazira had the lowest net incurred claims of 2 million in 2020 Q3 while for 2021 Q3, Al Ahli Takaful had the lowest Net Incurred Claims (SAR 22 million).

Loss Ratios - Top 10 Companies

The highest loss ratio for 2020 Q3 was for Malath being 80% and lowest was for Saudi Re being 60%. For the year 2021 Q3, loss ratio was the highest for Walaa (91%) with the lowest being 66% for Saudi Re. The loss ratios usually increased for most of the top 10 companies with the largest increase being 24% for Walaa.



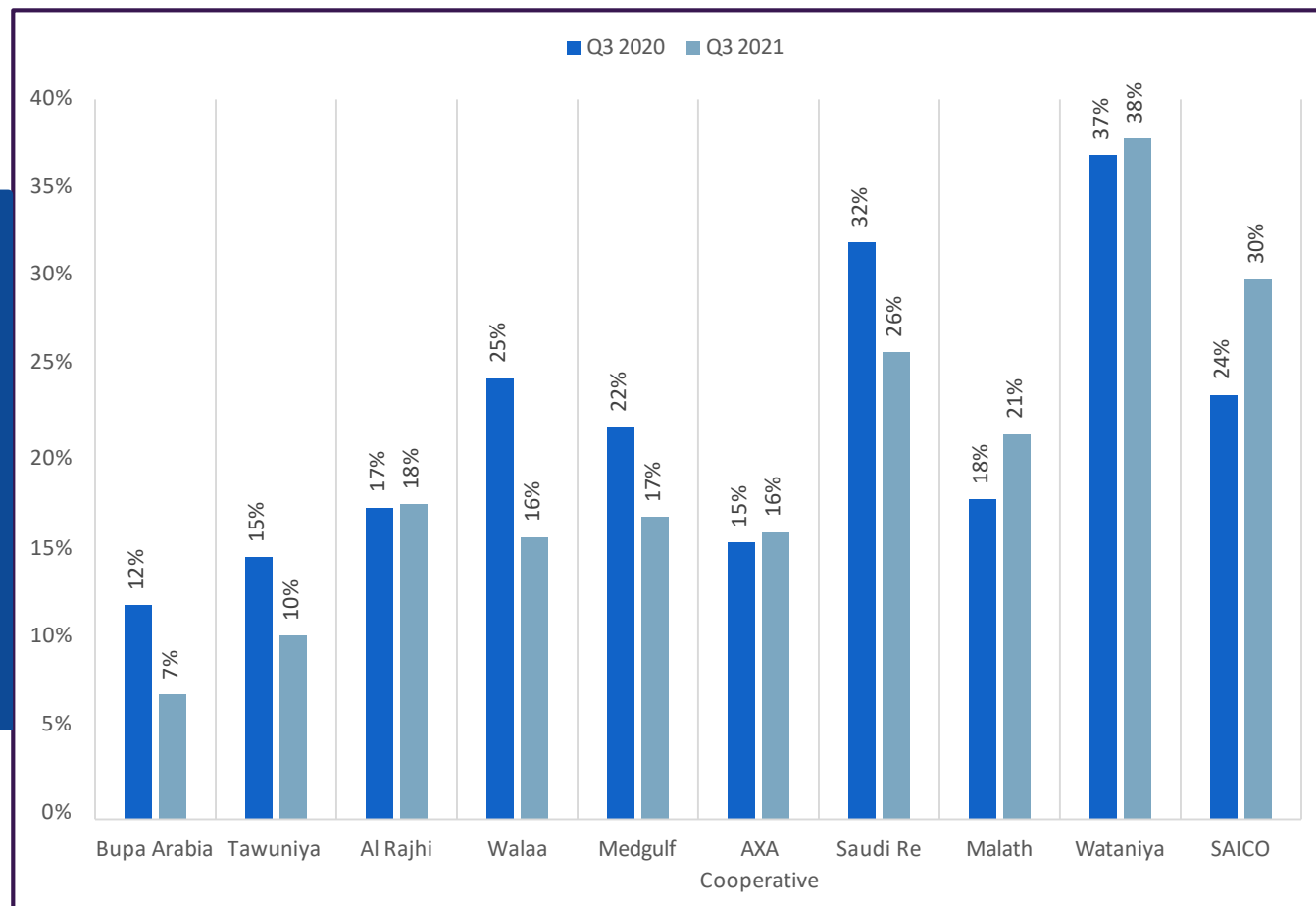
Loss Ratios – Other Companies



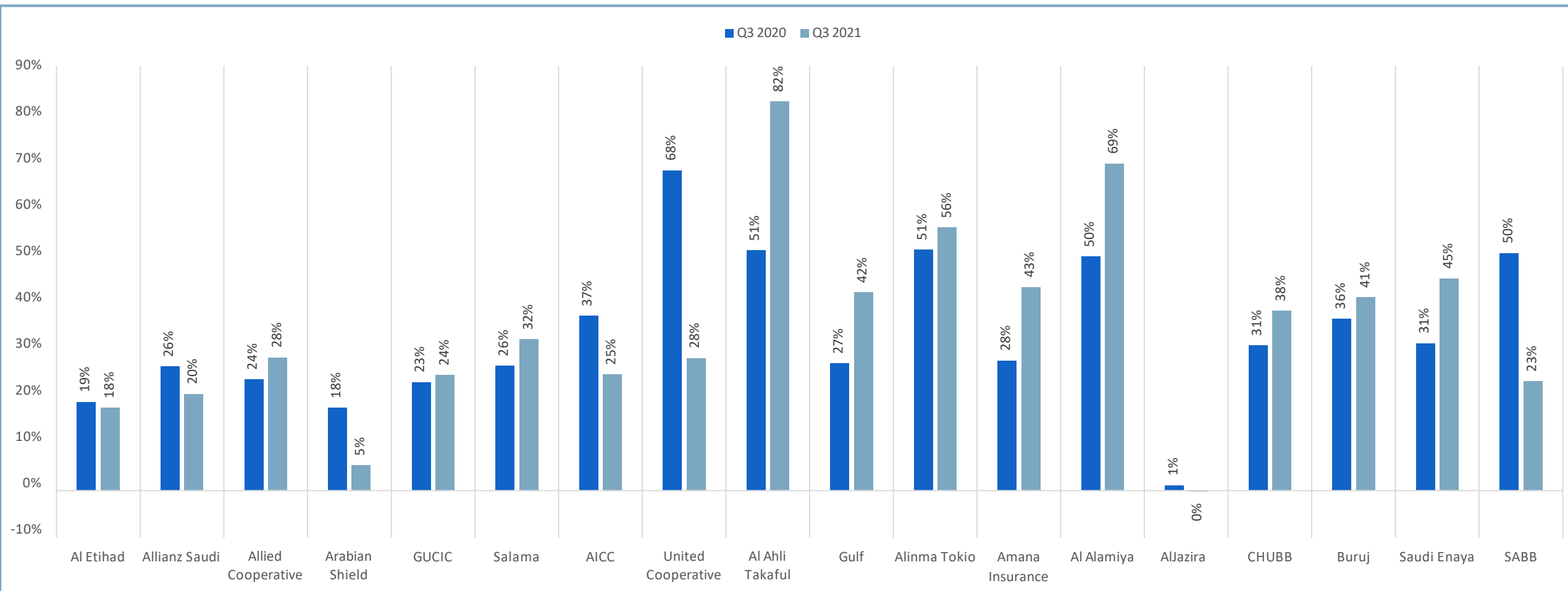
The loss ratios for other companies has been summarized in the above chart. For the year 2020 Q3 the highest loss ratio was for Amana Insurance and Saudi Enaya (86%) and the lowest being for AlJazira (6%). For the year 2021 Q3, the highest loss ratio was of United Cooperative (110%) and lowest was for Al Ahli Takaful (14%). Loss Ratios increased for most the remaining companies with the highest increase being 76% for AlJazira.

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 most of the top 10 companies except Malath, Wataniya, AXA Cooperative and SAICO. Walaa experienced the highest decrease in its expense ratio of about 9%.



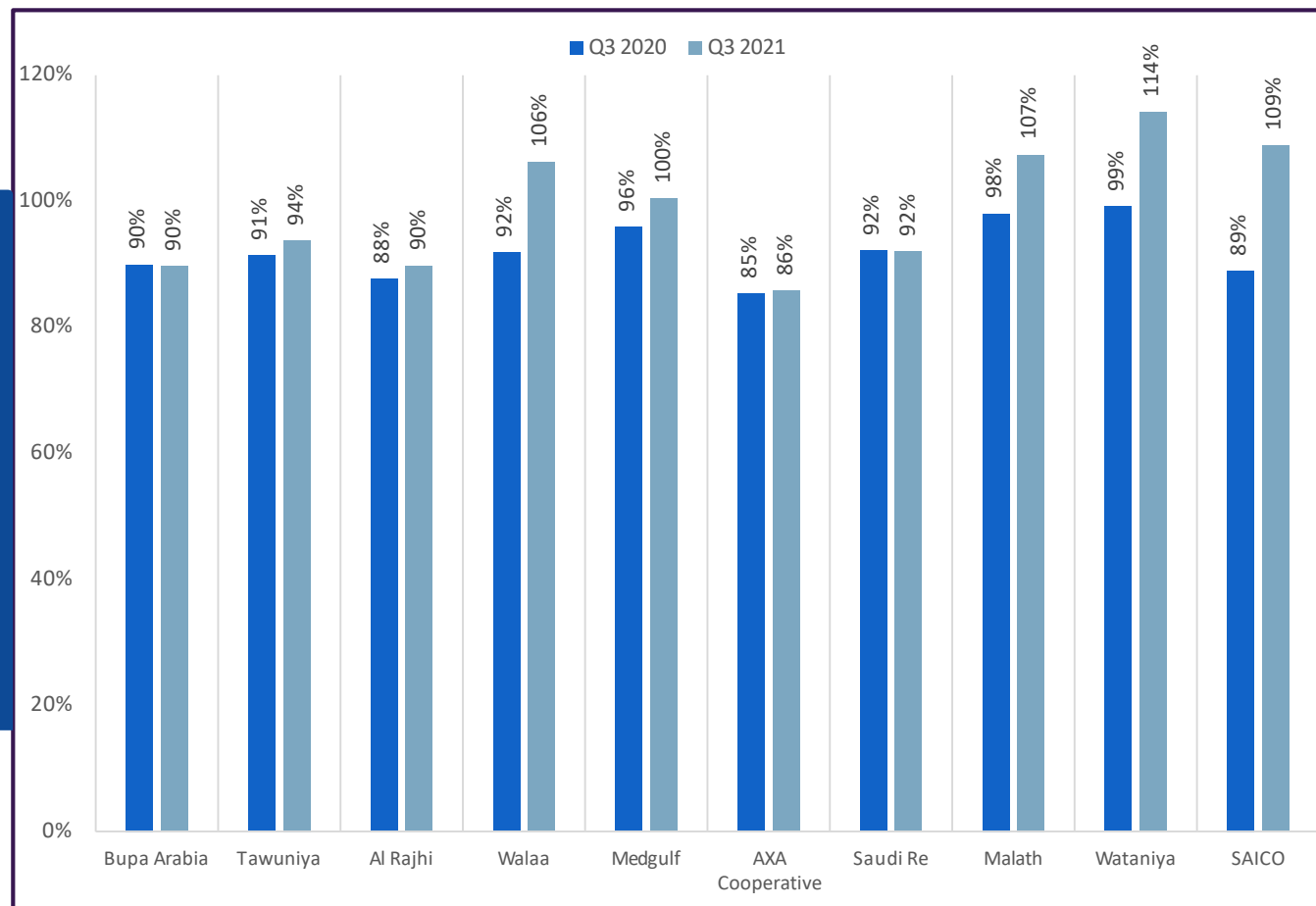
Expense Ratios - Other Companies



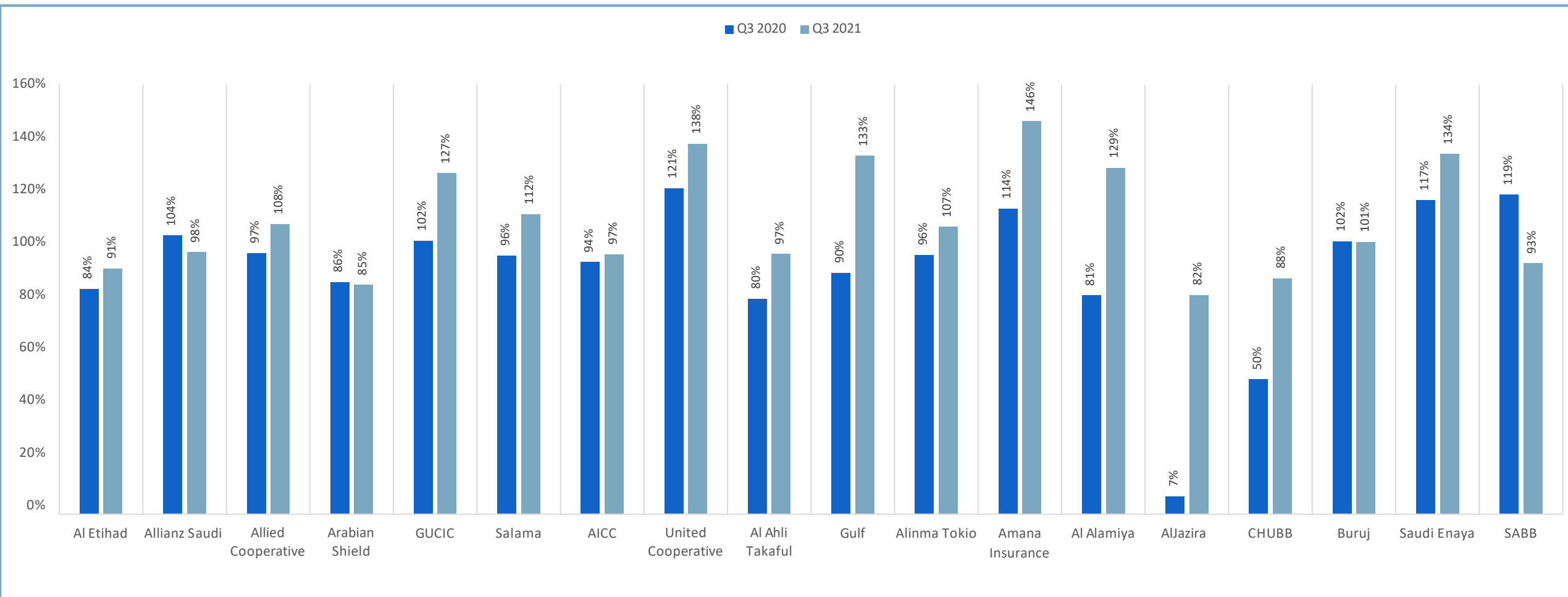
Among the Other Companies, the highest expense ratio in 2020 Q3 was for United Cooperative (68%) and the lowest was for AlJazira (1%). For 2021 Q3, the highest expense ratio was for Al Ahli Takaful (82%) and the lowest was for AlJazira (0%). United Cooperative was able to reduce its expense ratio by 40% while Al Ahli Takaful expense ratio increased by 31%.

Combined Ratios - Top 10 Companies

For the third quarter of 2021, the highest combined ratio was for Wataniya (114%) and the lowest was for AXA Cooperative (86%). In 2020 Q3, Net Combined Ratios for the top 10 companies were below 100%, however, in 2021 Q3 about 5 of the top 10 had a combined ratio of more than 100%. Combined ratios increased for 8 of the top 10 companies. The difference between the Combined ratios of 2020 Q3 and 2021 Q3 were minimal except for SAICO, where SAICO experienced the highest increased in its combined ratio of about 20%.



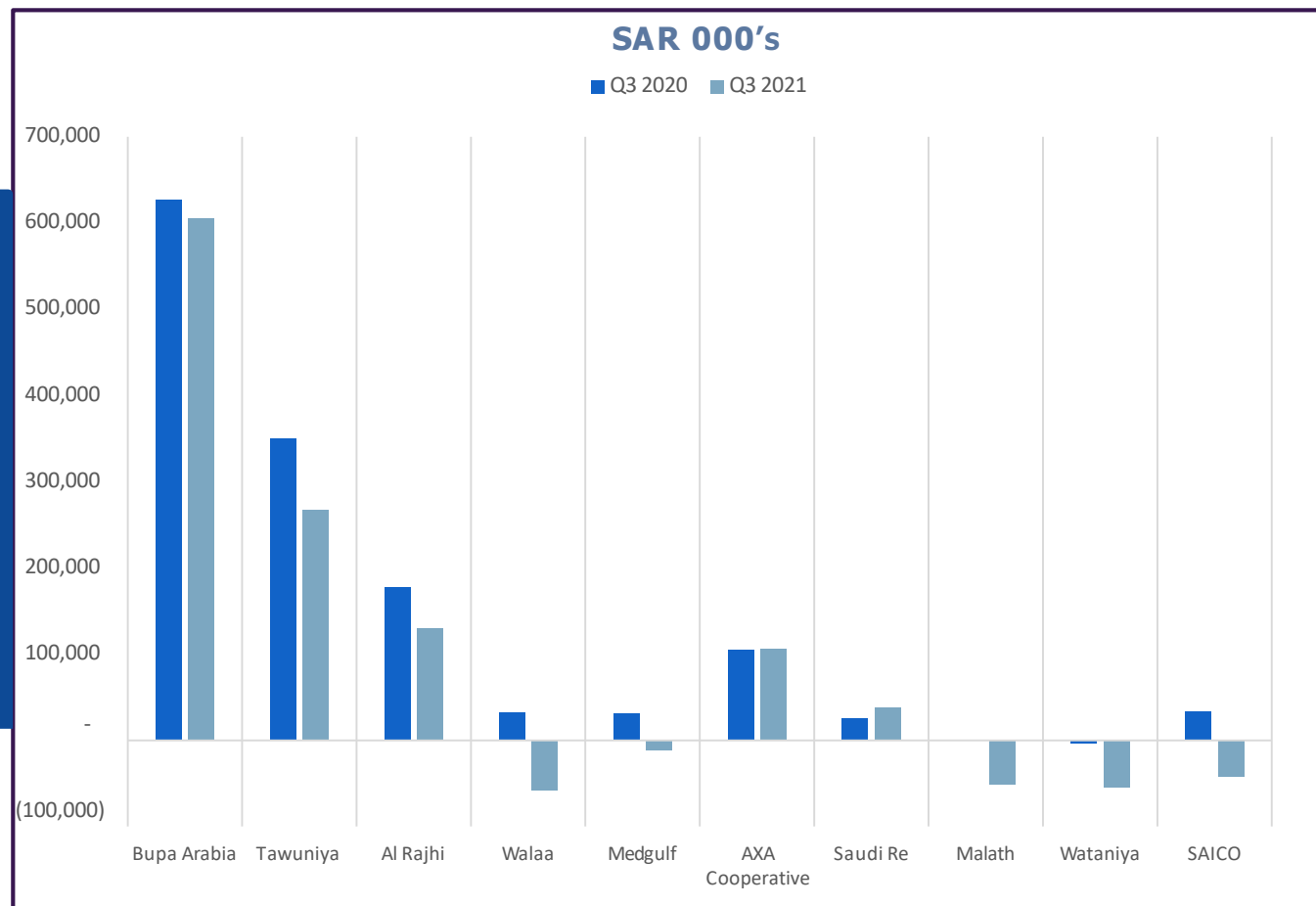
Combined Ratios - Other Companies



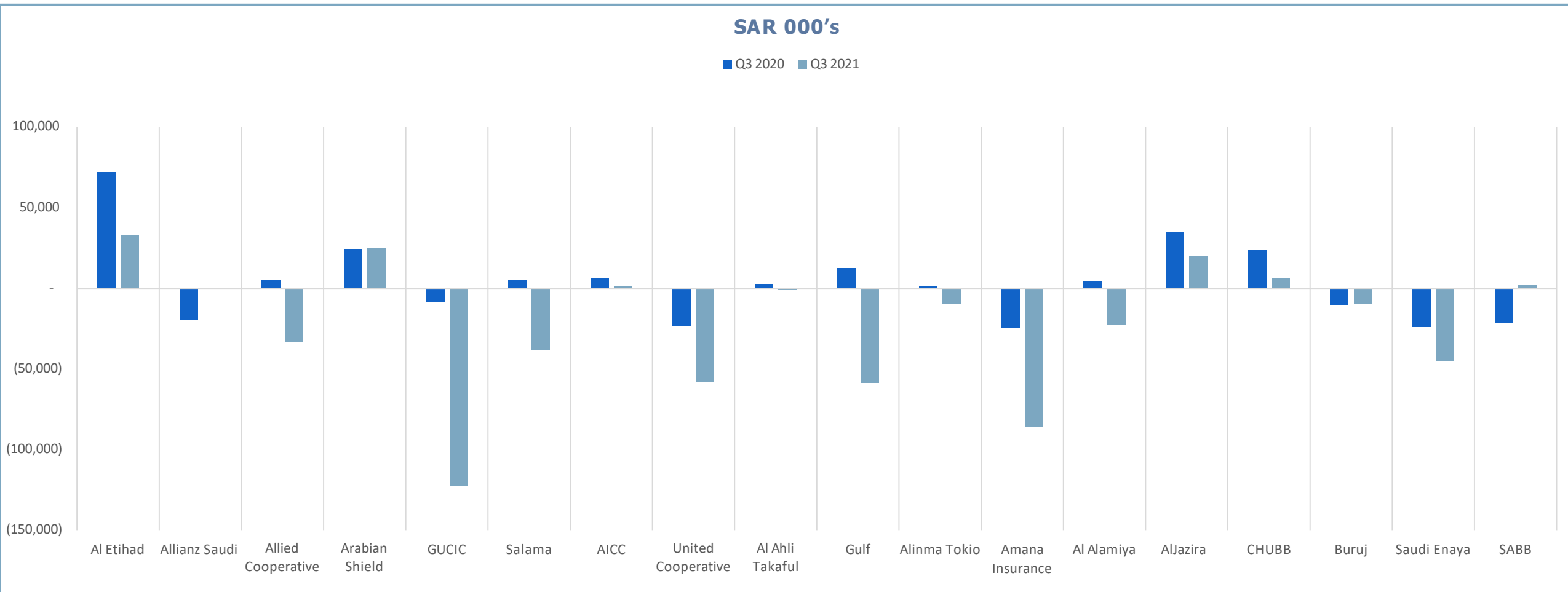
Combined ratio for 10 of the other companies were higher than 100% in 2021 Q3. United Cooperative had the highest combined ratio of 121% in 2020 Q3, with the lowest being 7% for AlJazira. For 2021 Q3, the highest loss ratio was of Amana Insurance of 146%, while AlJazira had the lowest combined ratio of 82%. AlJazira experienced an increase of 75% in its combined ratio.

Net Profit/(Loss) - Top 10 Companies

Bupa Arabia had the highest net profit in 2020 Q3 and it retained its position in 2021 Q3. Among the top 10 companies, the lowest net profit in 2020 Q3 was for Wataniya, while the lowest net profit for 2021 Q3 was for Walaa with a net loss of 58 million. Walaa, Medgulf, SAICO and Malath were the only companies that moved from a net profit to a net loss.

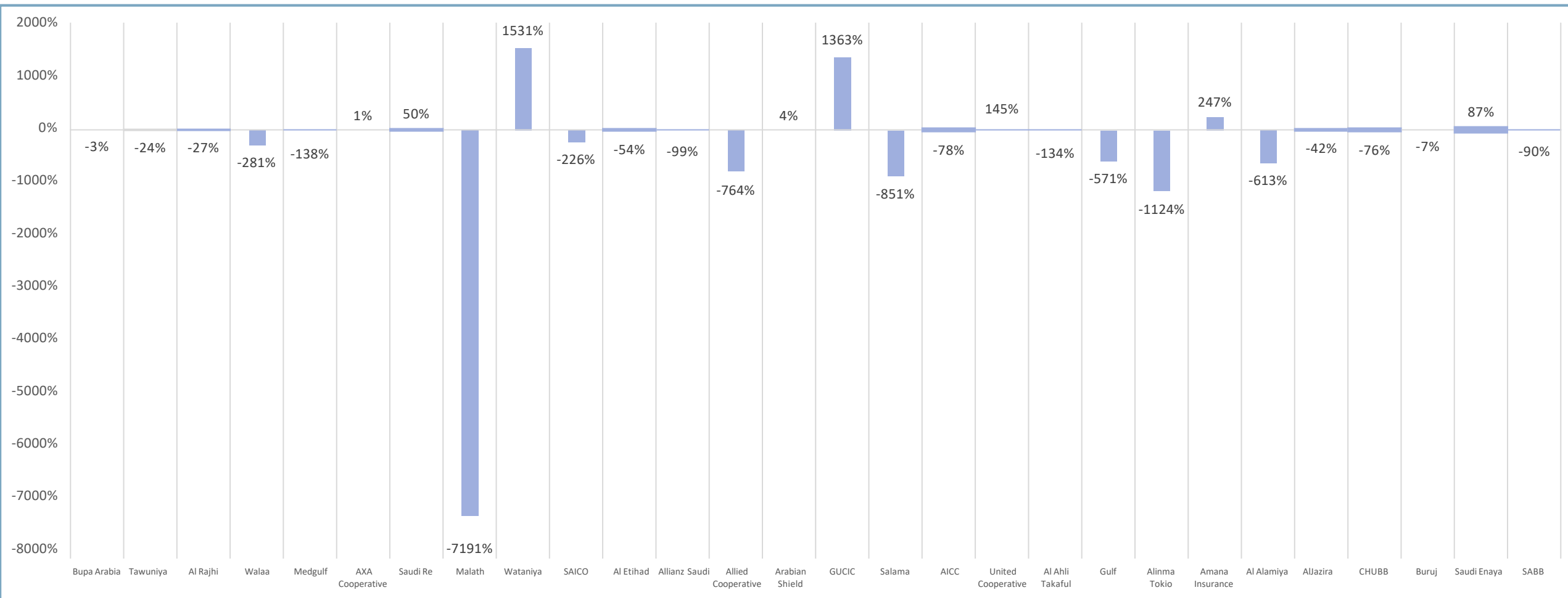


Net Profit/(Loss) - Other Companies



Among the Other Companies, Al Etihad had the highest Net Profit of 72 million in 2020 Q3 and 33 million in 2021 Q3. The highest net loss was for Amana Insurance in 2020 Q3 and GUCIC in 2021 Q3. Gulf, Salama, Al Alamiya, Alinma Tokio, Al Ahli Takaful and Allied Cooperative had a net profit in 2020 Q3 but a net loss in 2021 Q3. Allianz Saudi and SABB had a net loss in 2020 Q3 but they were able to improve their positions to a net profit in 2021 Q3.

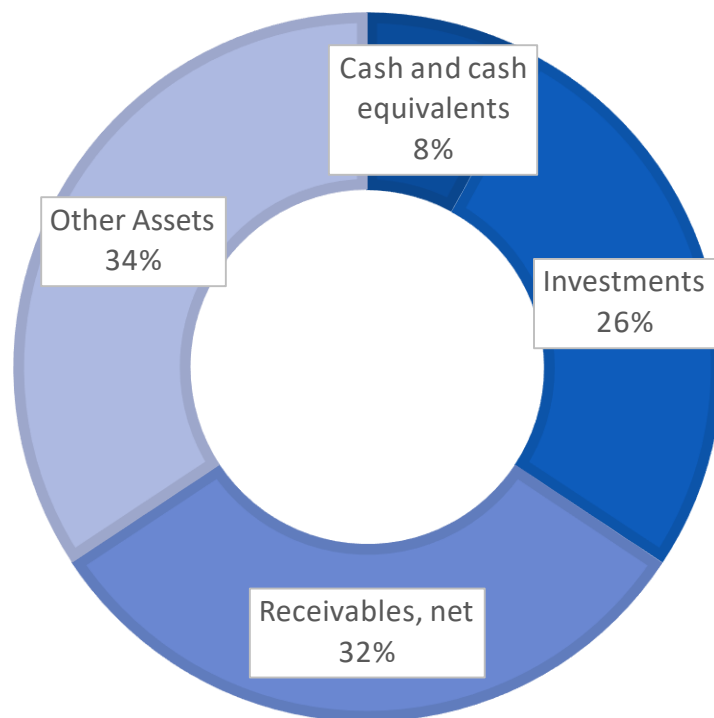
Net Profit/(Loss) - Movement



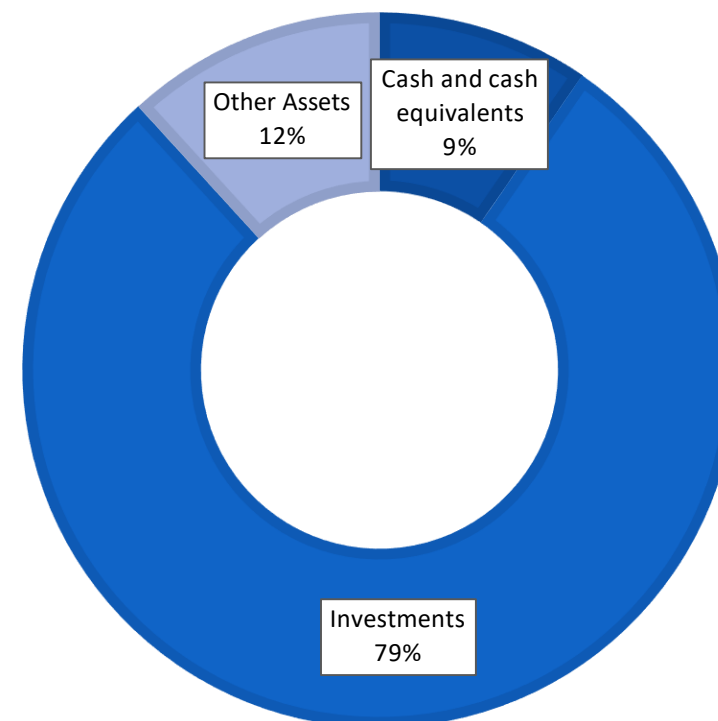
Wataniya experienced the highest growth in its net profit/(loss) of about 15.31 times while Malath experienced a decrease in its net profit/(loss) by 71.91 times.

Asset Classification - Aggregate

POLICYHOLDER ASSET CLASSIFICATION



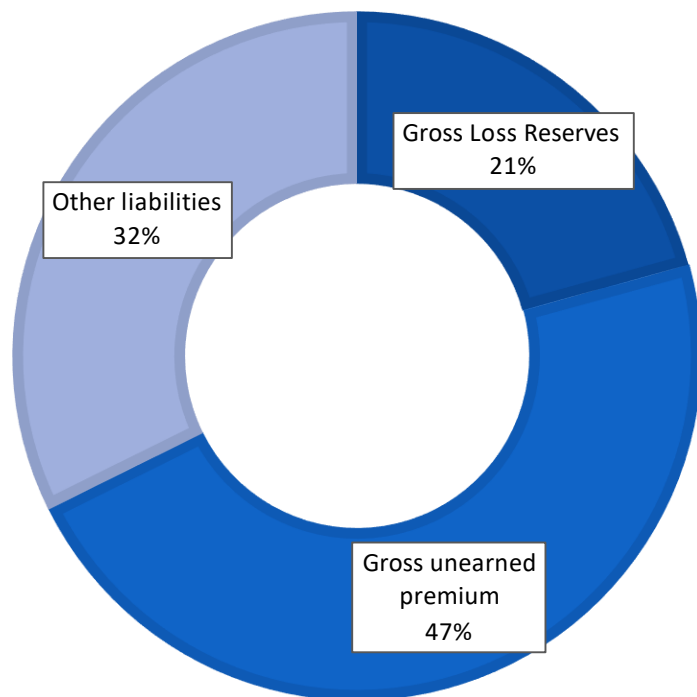
SHAREHOLDER'S ASSET CLASSIFICATION



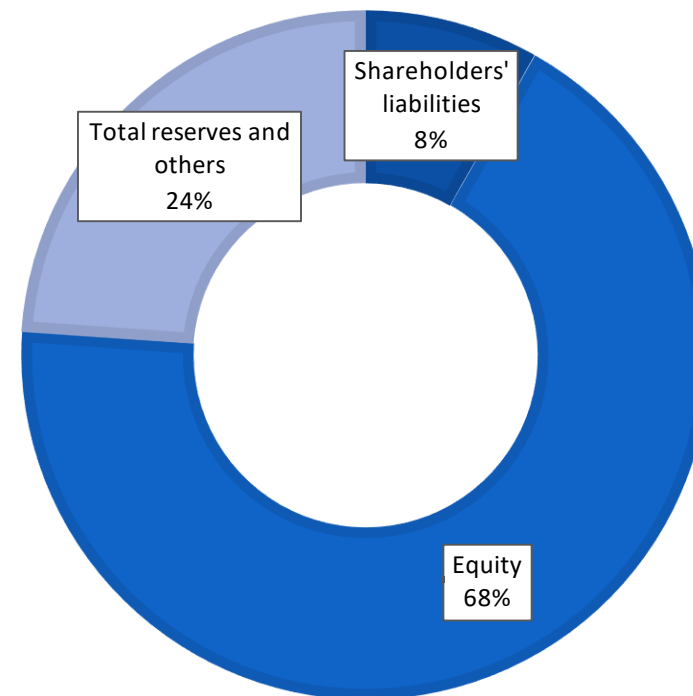
Most of the policyholder assets were kept as Other Assets (34%) followed by Receivables (32%) while 79% of the Shareholder Assets were kept as investments.

Liability & Equity Classification - Aggregate

POLICYHOLDER LIABILITY CLASSIFICATION

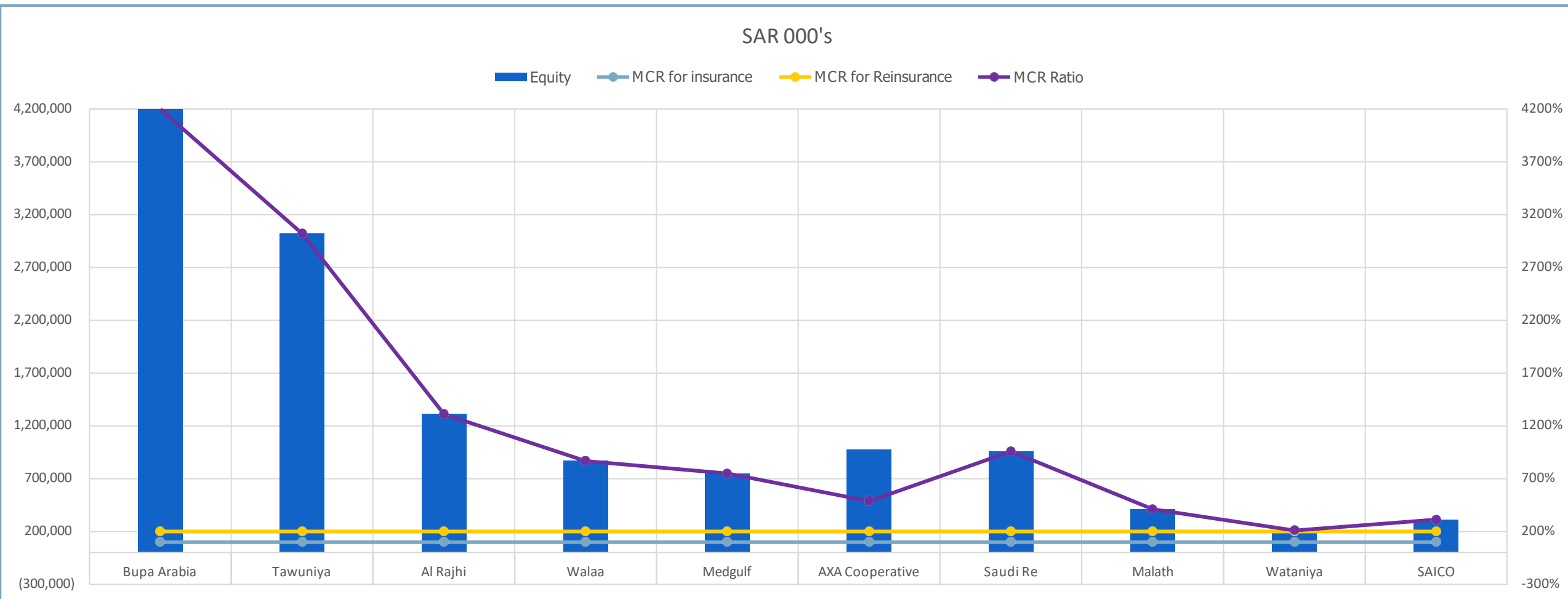


SHAREHOLDER LIABILITY & EQUITY CLASSIFICATION



Policy holder liabilities consist of 21% Gross Loss reserve, 47% of gross unearned premium and 32% of other liabilities. In addition to this, Equity as a percentage of total assets is about 28%.

Solvency Analysis – Top 10 Companies

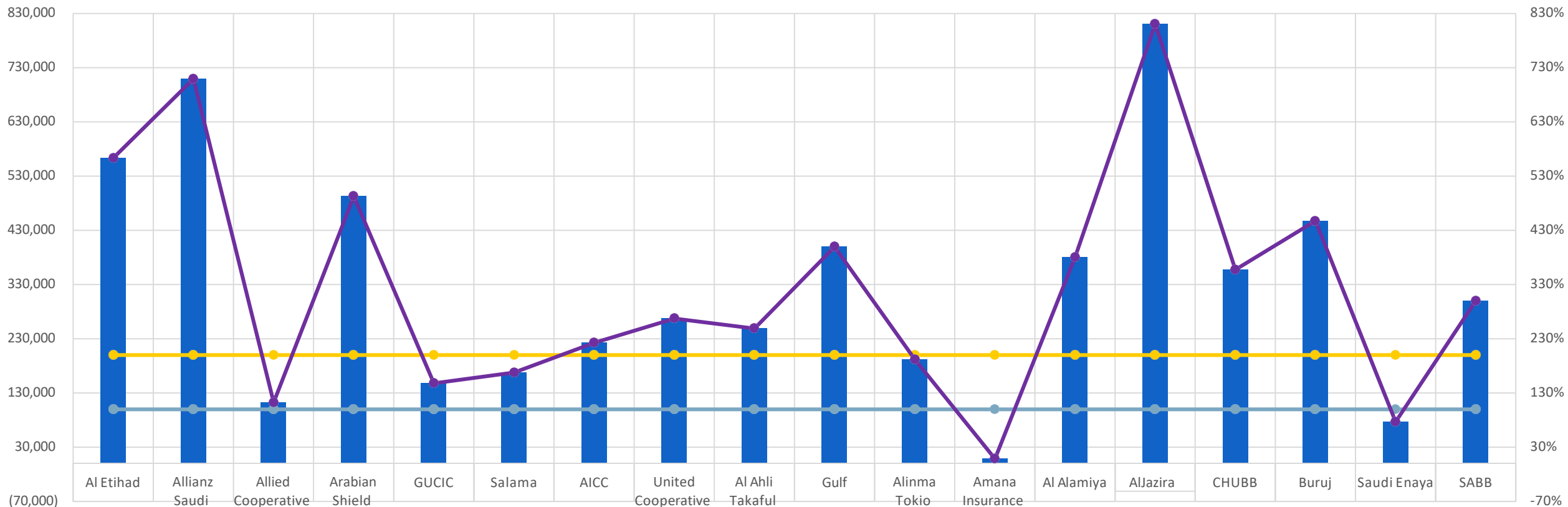


Equity values illustrated above are based on booked values and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Solvency Analysis – Other Companies

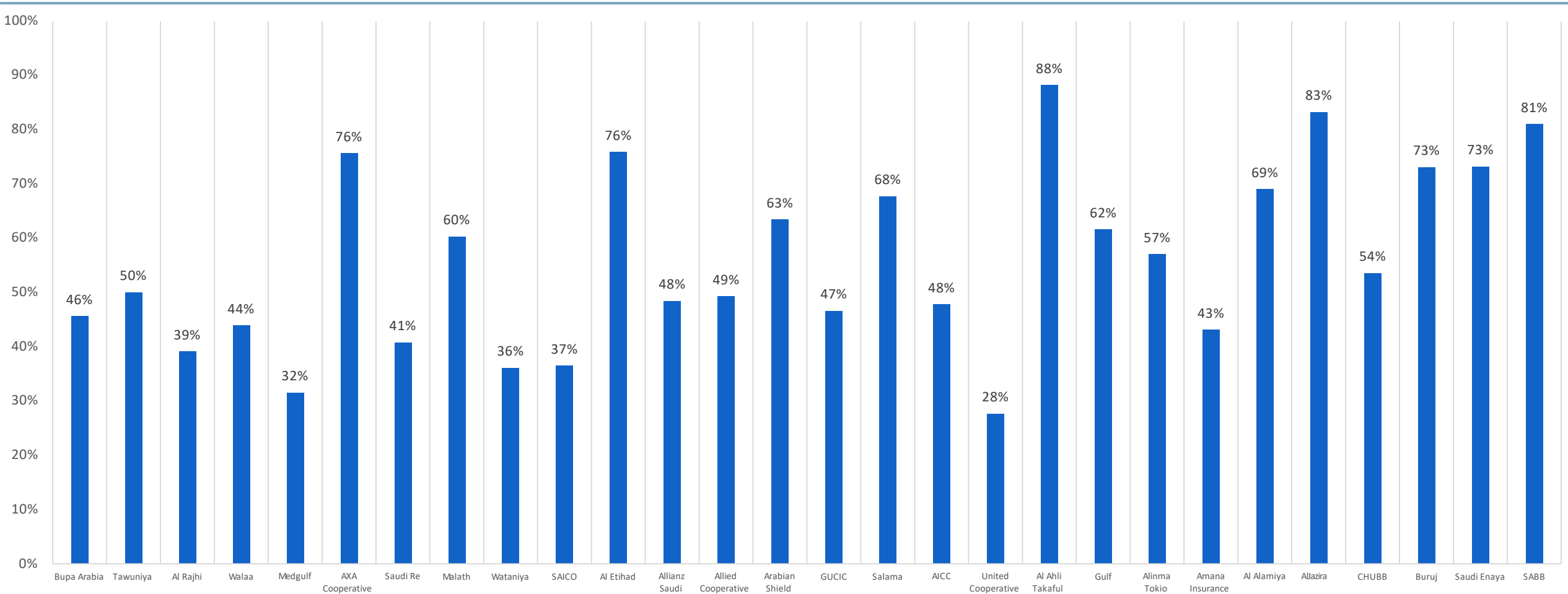
SAR 000's

Equity MCR for insurance MCR for Reinsurance MCR Ratio



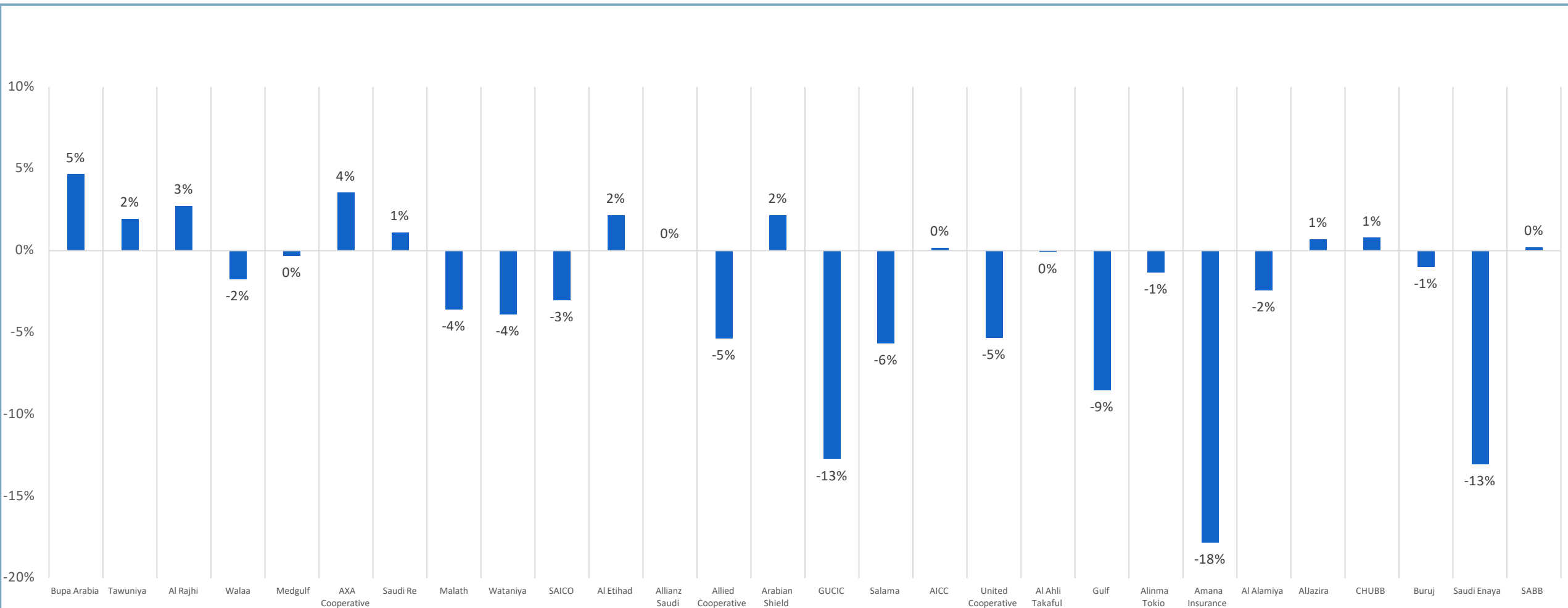
Equity values illustrated above are based on booked values and do not include the asset admissibility adjustment, accounting for which would likely result in lower equity.

Proportion of Invested Assets



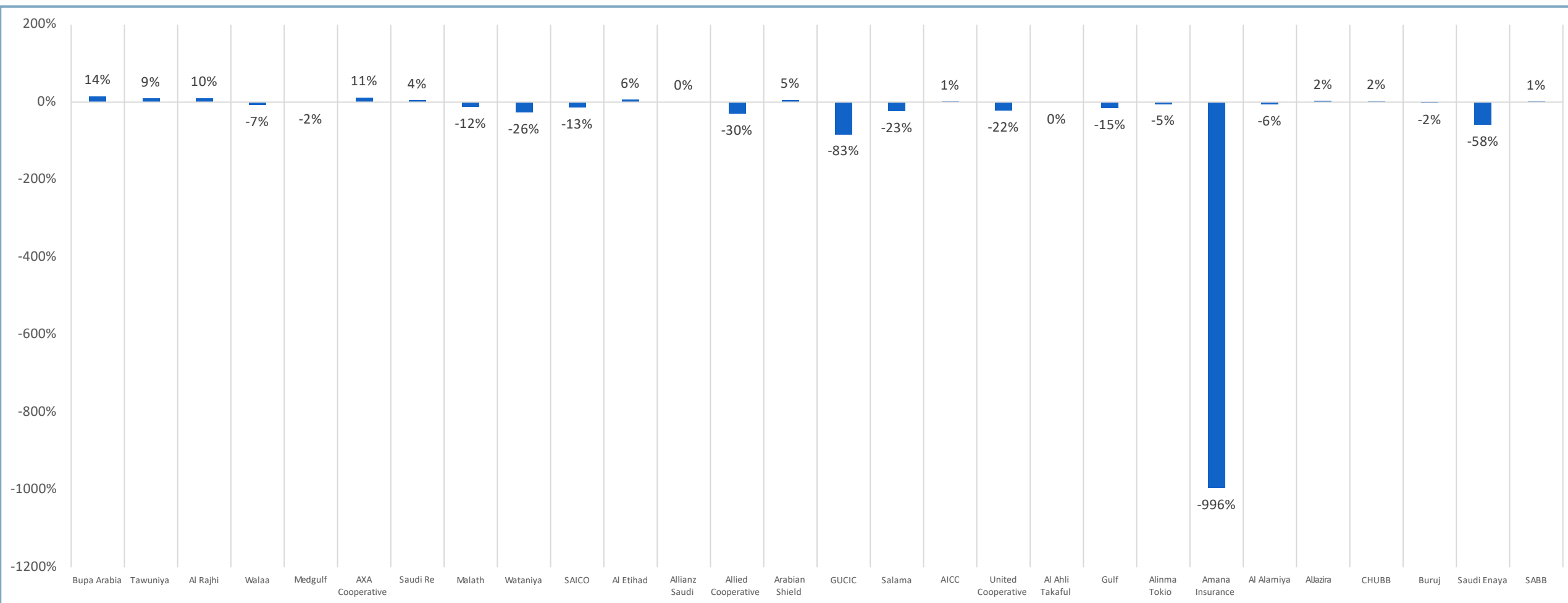
For 13 of the companies, invested assets along with cash constitutes about less than 50% of the total assets while the remaining companies have a proportion of more than 50%. The highest invested to total assets ratio is for Al Ahli Takaful (88%) while the lowest is for United Cooperative (28%).

Return on Asset



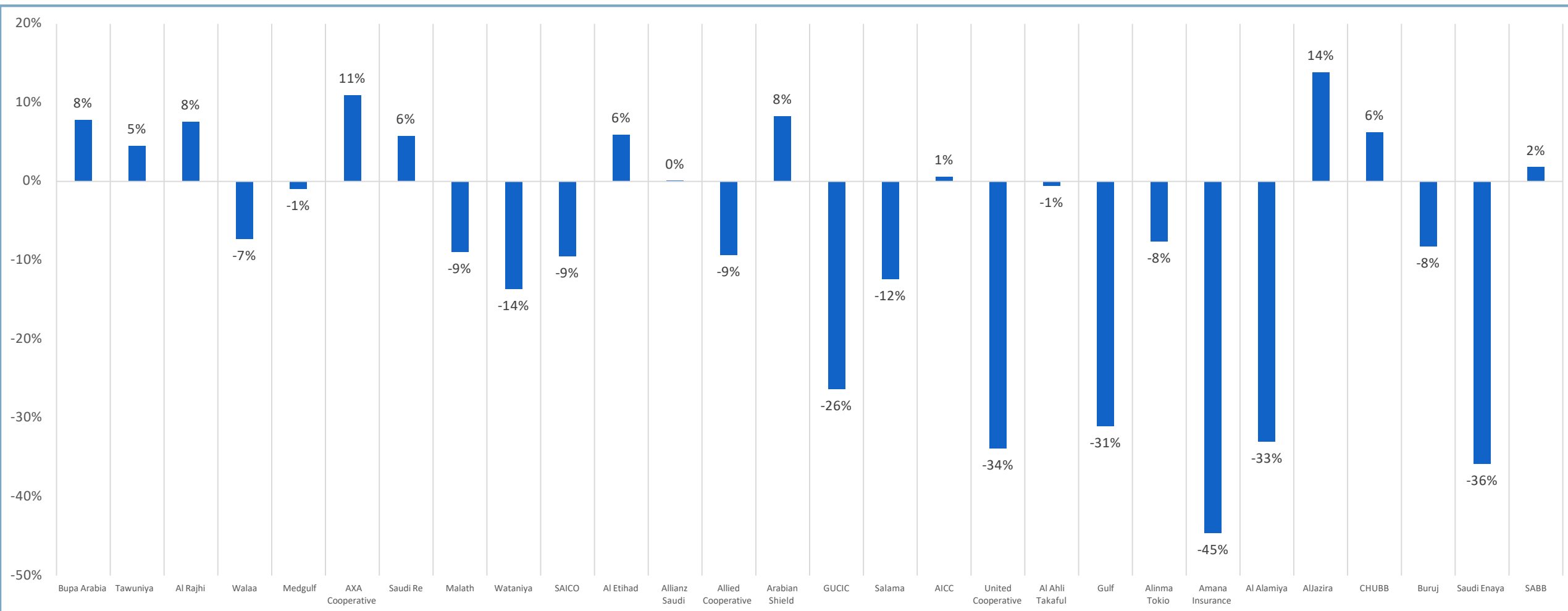
Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. Bupa Arabia was able to earn the highest Return on Assets of 5% while Amana Insurance earned the highest negative Return on Assets of 18%. Top 10 companies' ROA varied between -4% and 5% while the remaining companies' ROA varied between -18% to 2%.

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 14%, suggesting that Bupa Arabia was able to utilize the investments received from the shareholders better than other companies. Return on Equity was highly negative (-996%) for Amana Insurance. Top 5 out of the 10 companies were able to earn a positive Return on Equity while other companies' ROE had a very wide range.

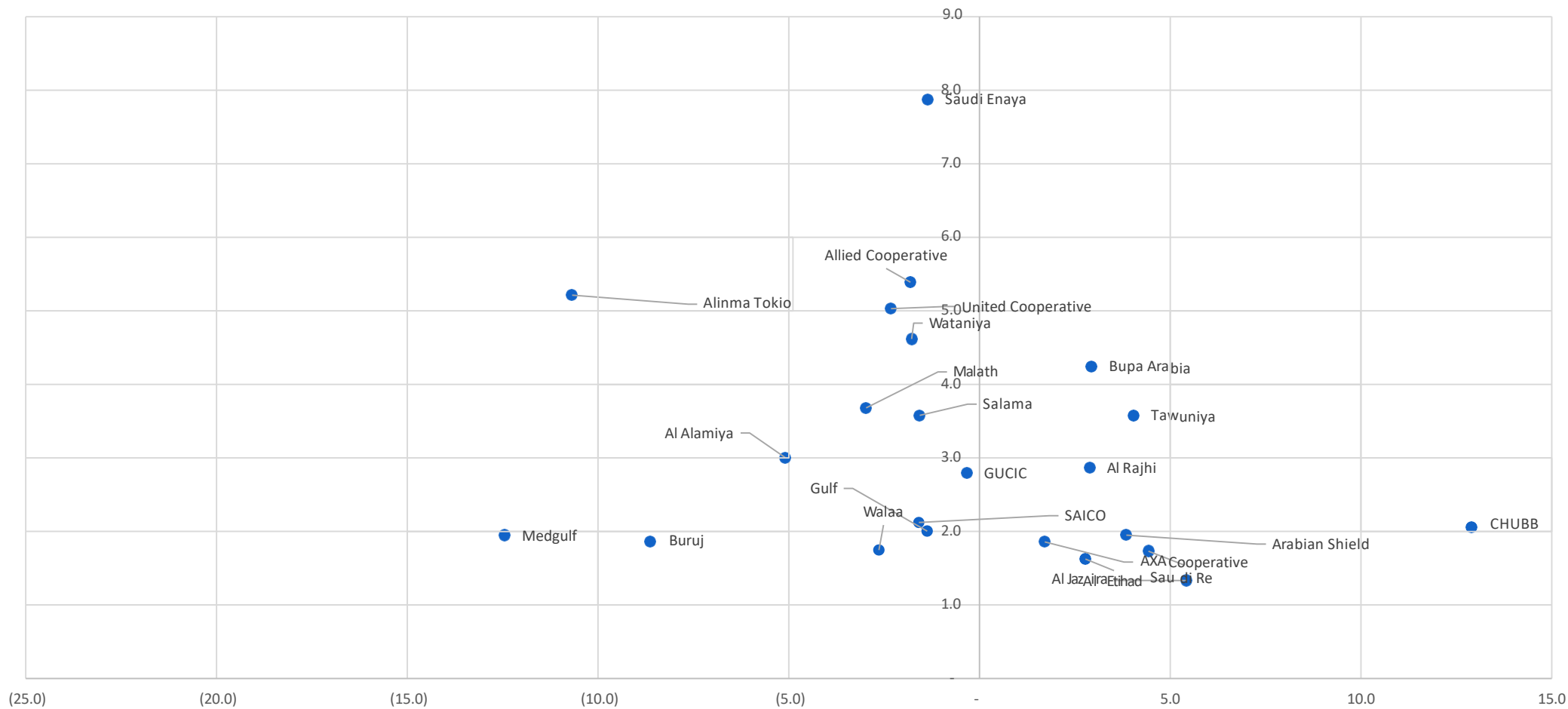
Net Profit Margins



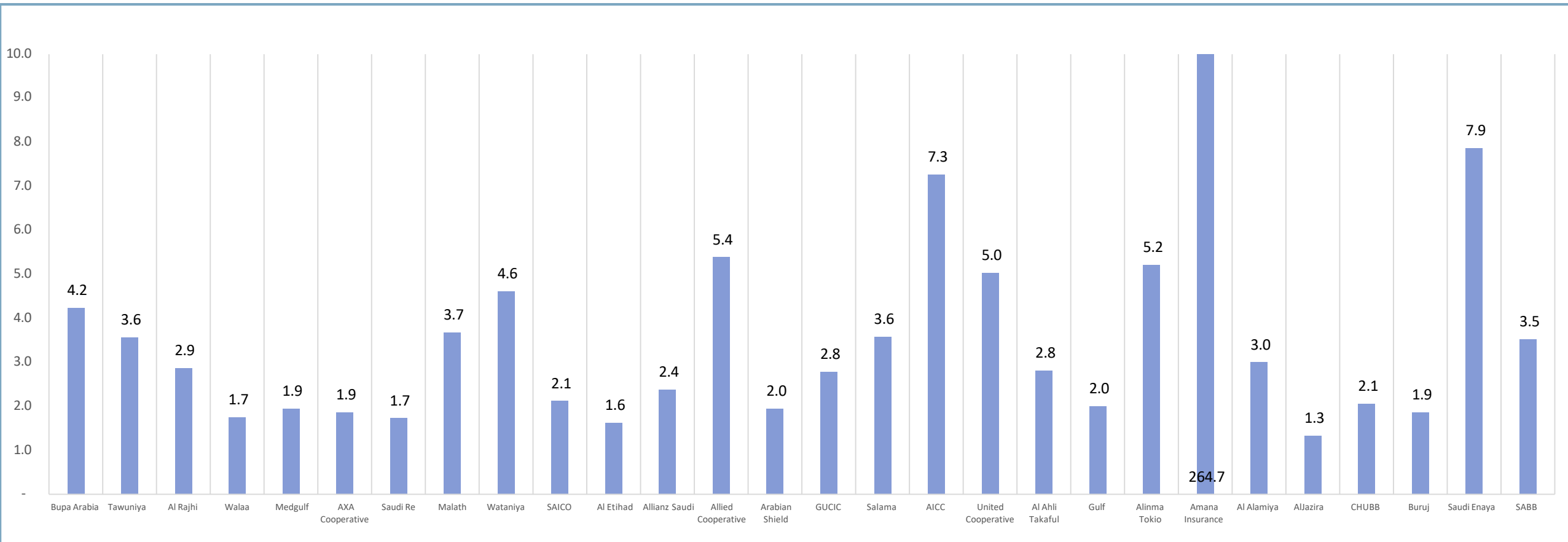
Net profit margin measures how much net income or profit is generated as a percentage of revenue. AlJazira had the highest net margin (14%) suggesting that claims and expenses were very low. The lowest net margin was for Amana Insurance (-45%). The range for the net profit margin was wider for the other 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

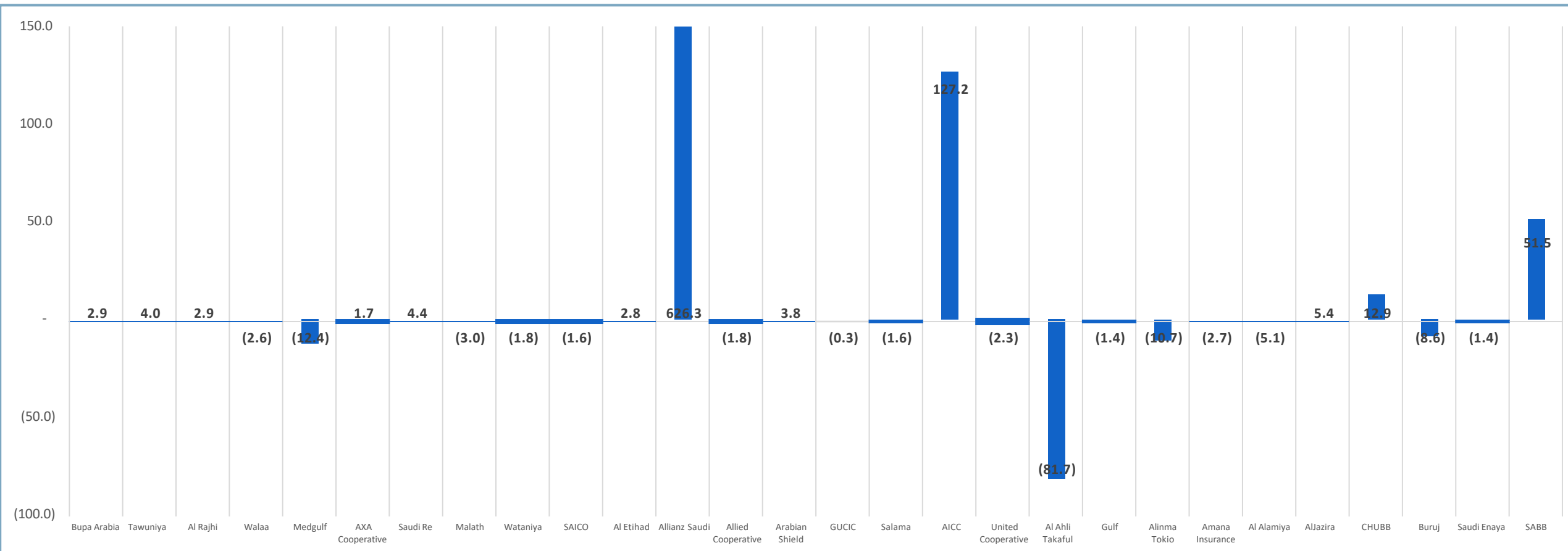


Price To Book Value



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 (264.7) 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 AlJazira (1.3). 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, 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 Allianz Saudi (626.3) suggesting that investors have confidence in the performance of the company. The lowest price-to-earning ratio is for Al Ahli Takaful (-81.7).



Meet the Team

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SHMACONSULTING

Feedback

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