



BADRI

Saudi Arabia's Insurance Industry Performance Analysis Q3-2020

26th November, 2020

GLAD TIDINGS



BADRI MANAGEMENT CONSULTANCY

STRATEGIC PARTNER OF THE INDUSTRY



Badri Management Consultancy is proud to have won the Strategic Partner of the Industry at the 7th Middle East Insurance Industry Awards 2020 conducted by Middle East Insurance Review.

The **award** is a reflection of the trust and loyalty of our esteemed clients, and the hard work and dedication of all our people at Badri.

Apart from excellence in core actuarial services, Badri has raised the bar in providing industry insights with market specific reports, trainings, newsletters, and data analytics with an aim to benefit the insurance industry at large.

Thank you Middle East Insurance Review and the judges for acknowledging all the efforts put in behind the scenes.



BADRI

ABOUT BADRI MANAGEMENT CONSULTANCY

BADRI MANAGEMENT CONSULTANCY IS THE FASTEST GROWING ACTUARIAL CONSULTING FIRM IN THE MIDDLE EAST, RECOGNIZED FOR ITS COLLABORATIVE APPROACH TO WORKING WITH ITS CLIENTS AS PROFIT OPTIMIZING PARTNERS. WE ARE SERVING AS APPOINTED ACTUARY FOR OVER 20 COMPANIES IN THE GCC. IN ADDITION, WE ARE PROVIDING OTHER SERVICES INCLUDING IFRS17 IMPLEMENTATIONS, DEVELOPMENT OF ERM FRAMEWORK, SPECIALIZED SERVICES FOR MEDICAL INSURANCE AND TPAs, BUSINESS INTELLIGENCE SOLUTIONS AND END OF SERVICE BENEFITS VALUATIONS.



BADRI

VISION

“ SOLUTION ARCHITECTS STRENGTHENING OUR PARTNERS TO OPTIMIZE PERFORMANCE ”

MISSION

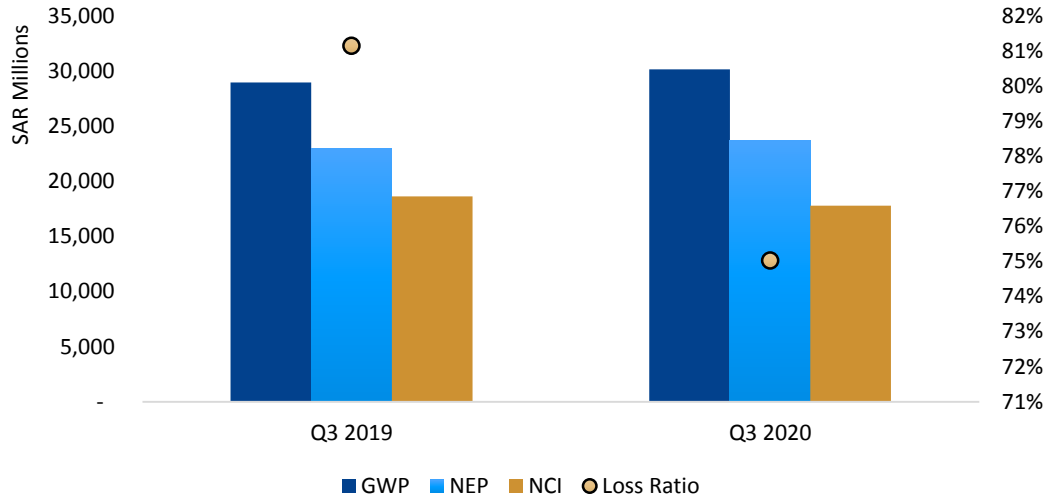
“ WE HELP OUR CLIENTS BE THE BEST VERSION OF THEMSELVES BY FOSTERING PARTNERSHIPS, CHALLENGING NORMS AND PROVIDING CUTTING EDGE SOLUTIONS. WE INSPIRE OUR PEOPLE TO CONSTANTLY EVOLVE AND CHASE EXCELLENCE WITH INTEGRITY IN A DIVERSE, EXCITING AND GROWTH-ORIENTED CULTURE. ”

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OVERVIEW OF INDUSTRY

INDUSTRY MIX



SAR 30.2 BILLION

Gross written premiums
(Overall)

SAR 29.3 BILLION

Gross written premiums
(without Saudi Re)

82%

Industry's weighted
average retention ratio

97%

Industry's weighted
average Combined Ratio

96%

Liquidity ratio
for Q3- 2020

11%

Industry's ROE
for Q3-2020

75%

Industry's Loss
ratio

3%

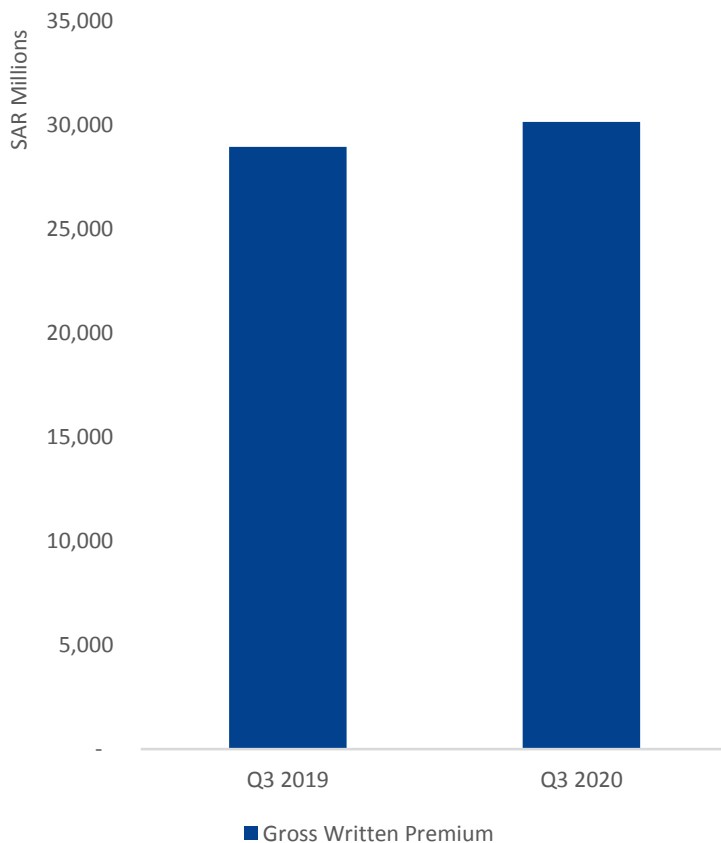
Industry's weighted
average ROA

GROSS WRITTEN PREMIUMS

Company	Ranking		Indication
	GWP	Profit	
Bupa	1	1	→
Tawuniya	2	2	→
Al-Rajhi	3	3	→
Medgulf	4	6	↓
AXA	5	4	↑
Walaa	6	7	↓
Saudi Re	7	10	↓
SAICO	8	8	→
Wataniya	9	21	↓
Malath	10	14	↓
Allianz	11	25	↓
UCA	12	27	↓
Al Etihad	13	5	↑
Arabian Shield	14	11	↑
Gulf Union	15	24	↓
ACIG	16	18	↓
Salama	17	17	→
Al Sagr	18	31	↓
Arabia	19	15	↑
Solidarity	20	28	↓
Amana	21	30	↓
Alinma	22	20	↑
GGI	23	13	↑
CHUBB	24	12	↑
Buruj	25	22	↑
AlJazira	26	9	↑
Al Ahlia	27	23	↑
SABB	28	26	↑
Al Alamiya	29	16	↑
Enaya	30	29	↑
Alahli	31	19	↑

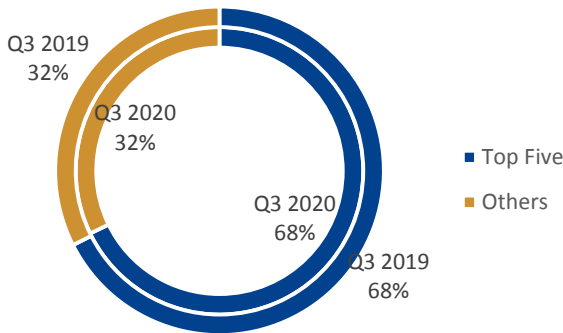
For the 31 listed companies the GWP grew from SAR 29 billion in YTD Q3-2019 to SAR 30.2 billion in YTD Q3-2020 highlighting a growth of 4%. Without Saudi Re, the GWP of the industry increased from SAR 28.3 billion in YTD Q3-2019 to SAR 29.3 billion in YTD Q3-2020 signifying a growth of 3.6%.

GROSS WRITTEN PREMIUM



GROSS WRITTEN PREMIUMS

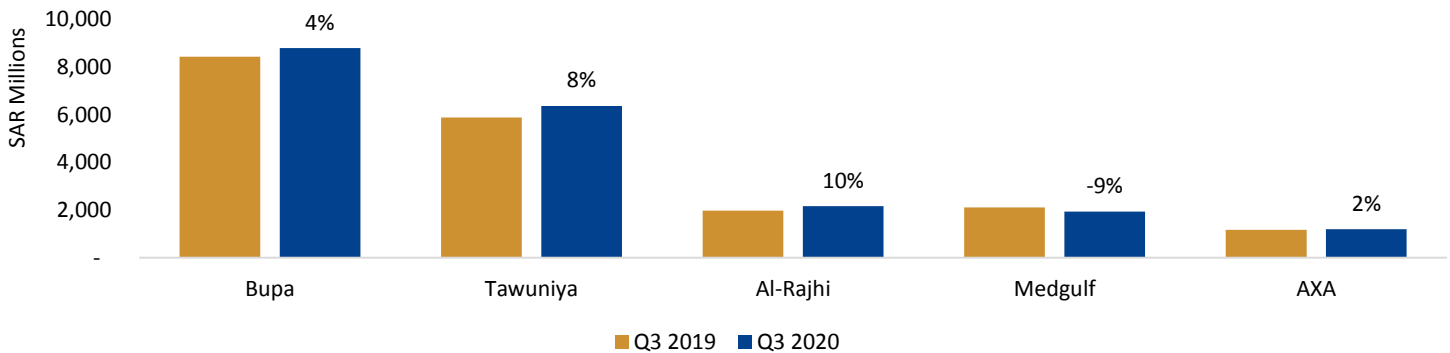
GWP DISTRIBUTION



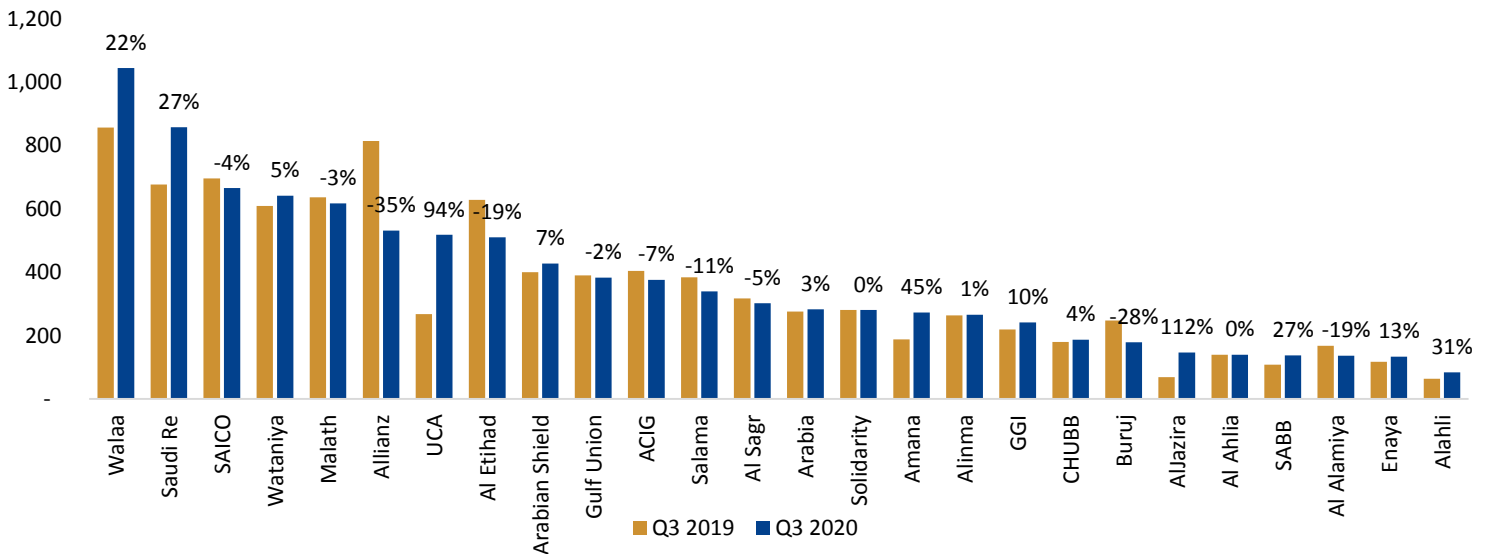
The top 5 companies had a combined premium of SAR 20.5 billion in YTD Q3-2020 as compared to SAR 19.6 billion in YTD Q3-2019.

The highest GWP growth in YTD Q3-2020 was shown by Al Jazira with an increase of 112% in premiums compared to the corresponding period of YTD Q3-2019. The largest decline over the same period was shown by Allianz with a decrease of 35% compared to the corresponding period of YTD Q3-2019.

TOP FIVE

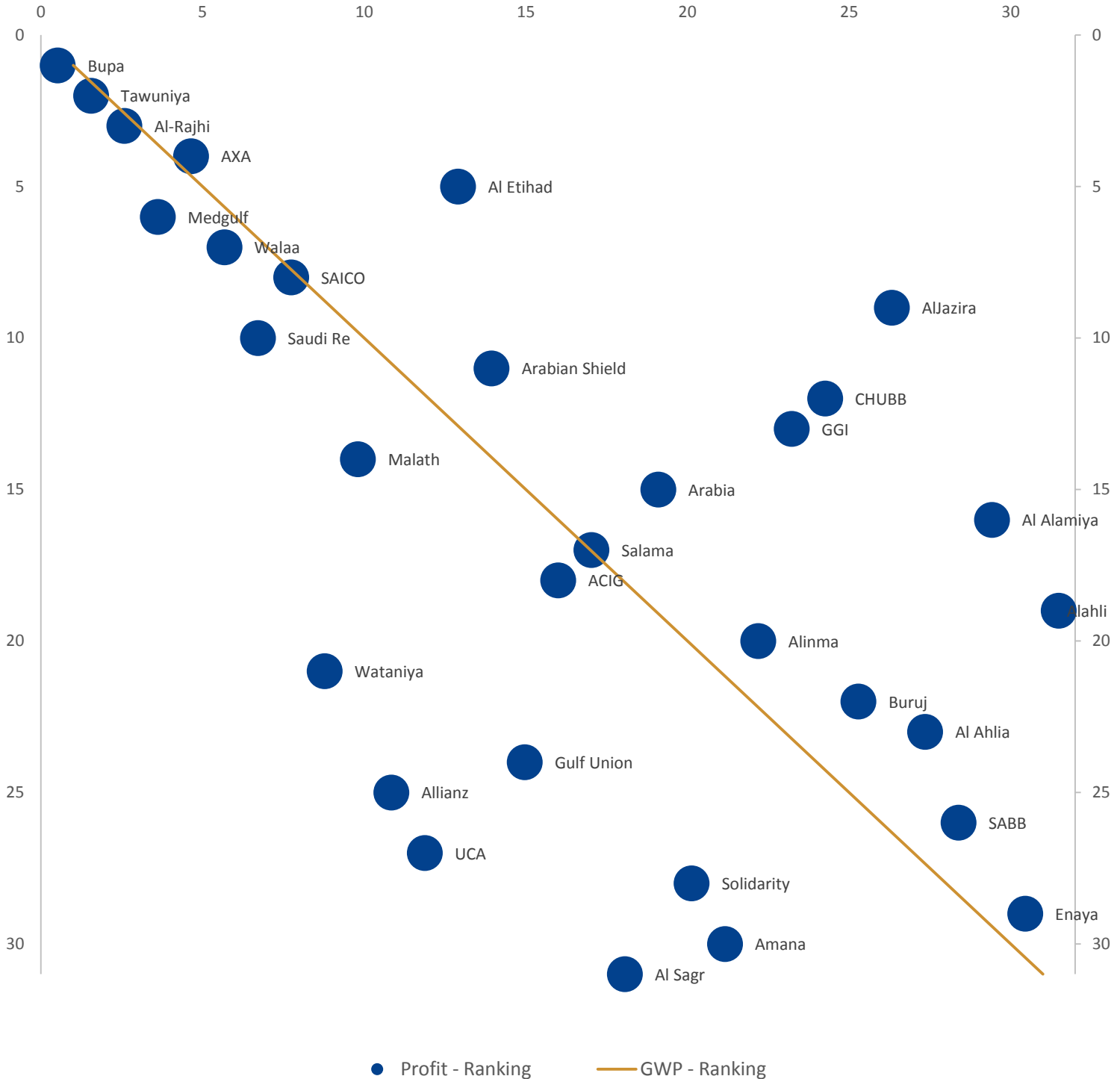


OTHERS



GROSS WRITTEN PREMIUMS

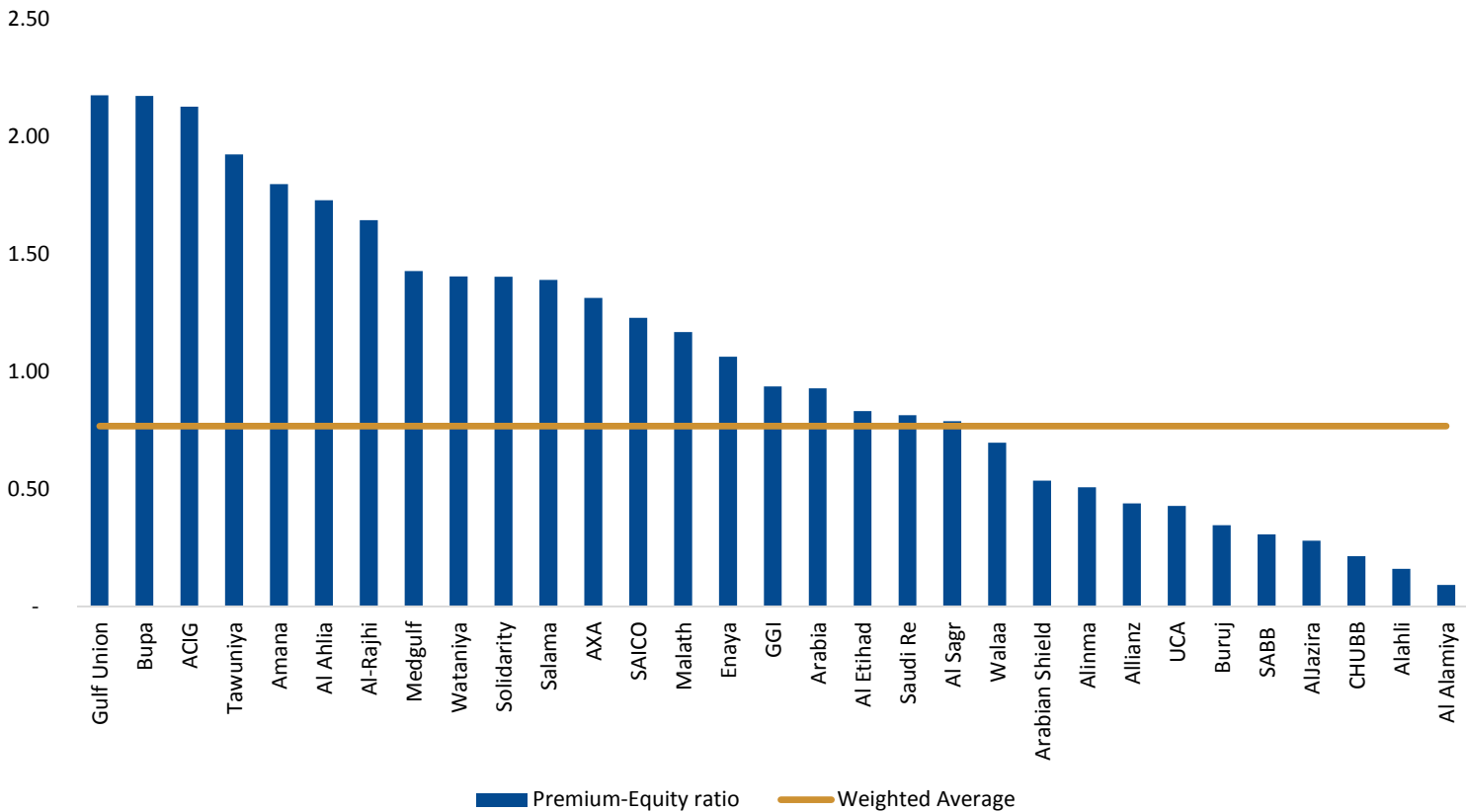
RANKING





NWP TO EQUITY RATIO

PREMIUM TO EQUITY RATIO



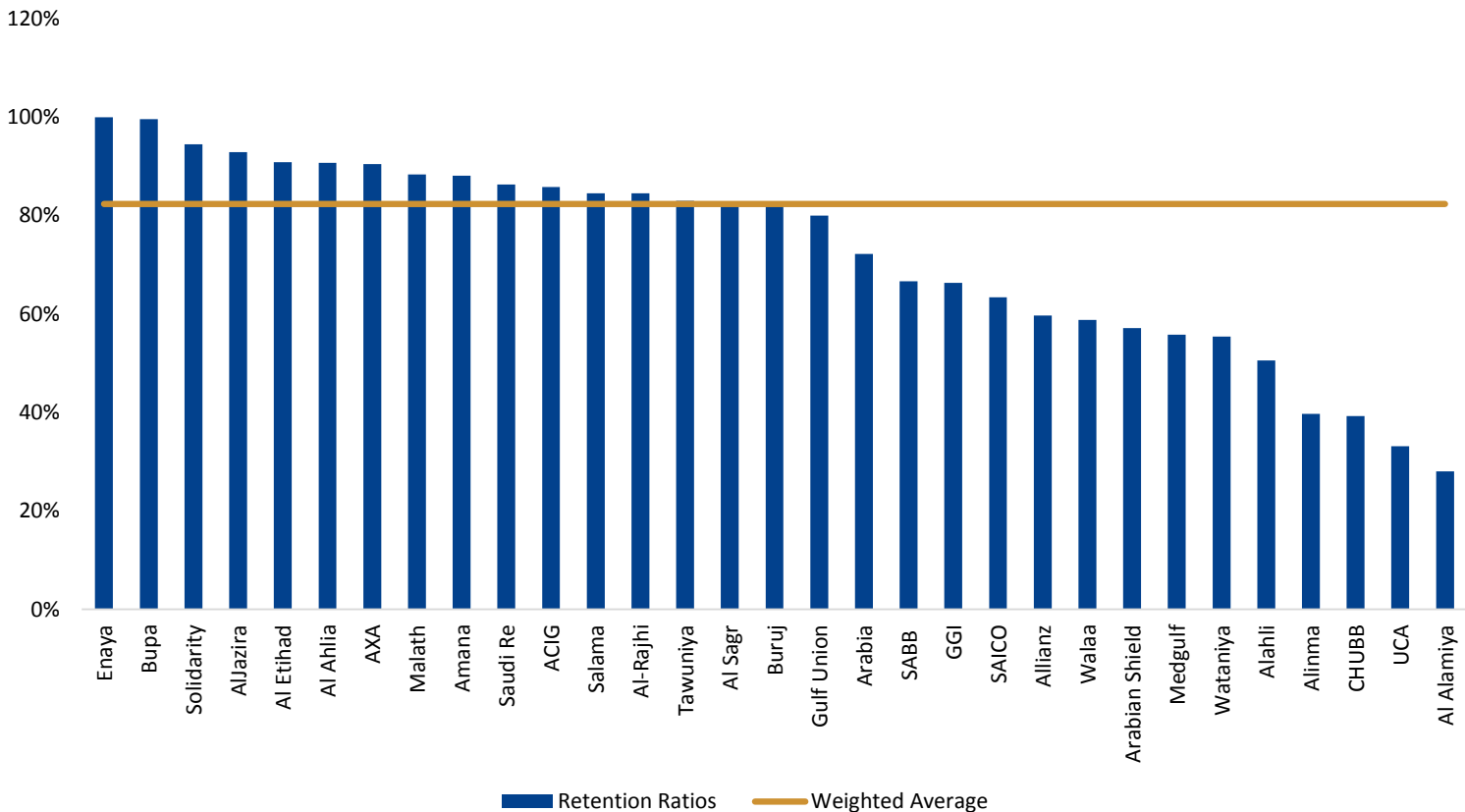
The highest Premium to Equity ratio for Q3-2020 is **2.18**, shown by Gulf Union, whereas the lowest ratio of **0.09** is reflected Al Alamiya.

Weighted average gearing ratio for the market is **0.77**.

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium YTD Q3-2020 to Total Equity as at Q3-2020. It represents the premium that pertains to each SAR amount of equity held by the Companies.

RETENTION RATIO

RETENTION RATIO



The highest retention ratio for Q3-2020 is of 100% is reflected by Enaya and Bupa, whereas the lowest retention ratio of **28%** is reflected by Al Alamiya.

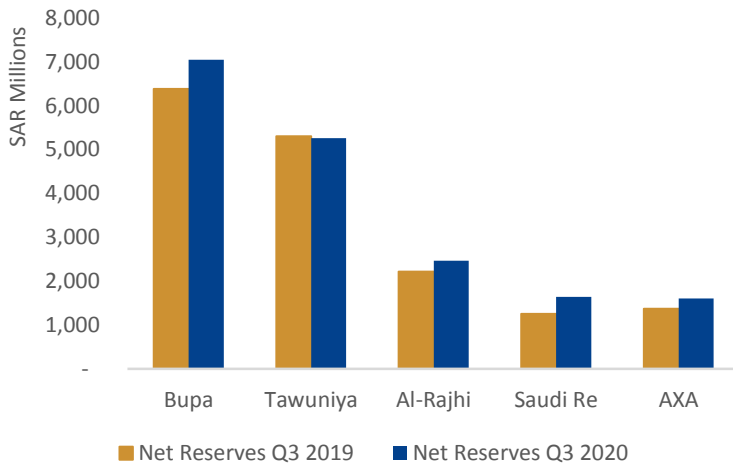
The weighted average retention ratio for listed companies was at **82%**.

The retention ratios have been calculated as a ratio of net written premium to gross written premium.

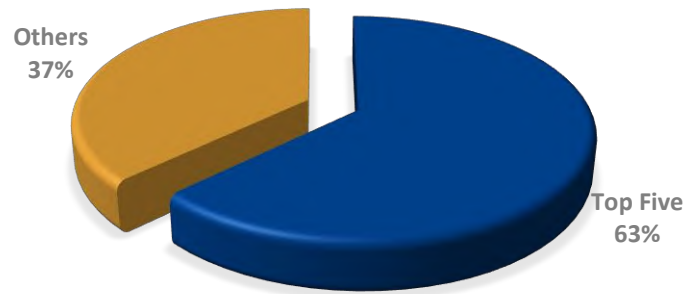
Although there may be exceptions, retention ratios are generally reflective of the lines of business being underwritten; Motor and Medical generally tend to have high retention ratios, while commercial lines such as Aviation, Engineering and Fire tend to have lower retentions. Also, since this analysis does not segregate life and non-life business, the Companies writing higher volumes of life, especially IL and PA, would also tend to show higher retention levels.

NET TECHNICAL RESERVES

TOP FIVE



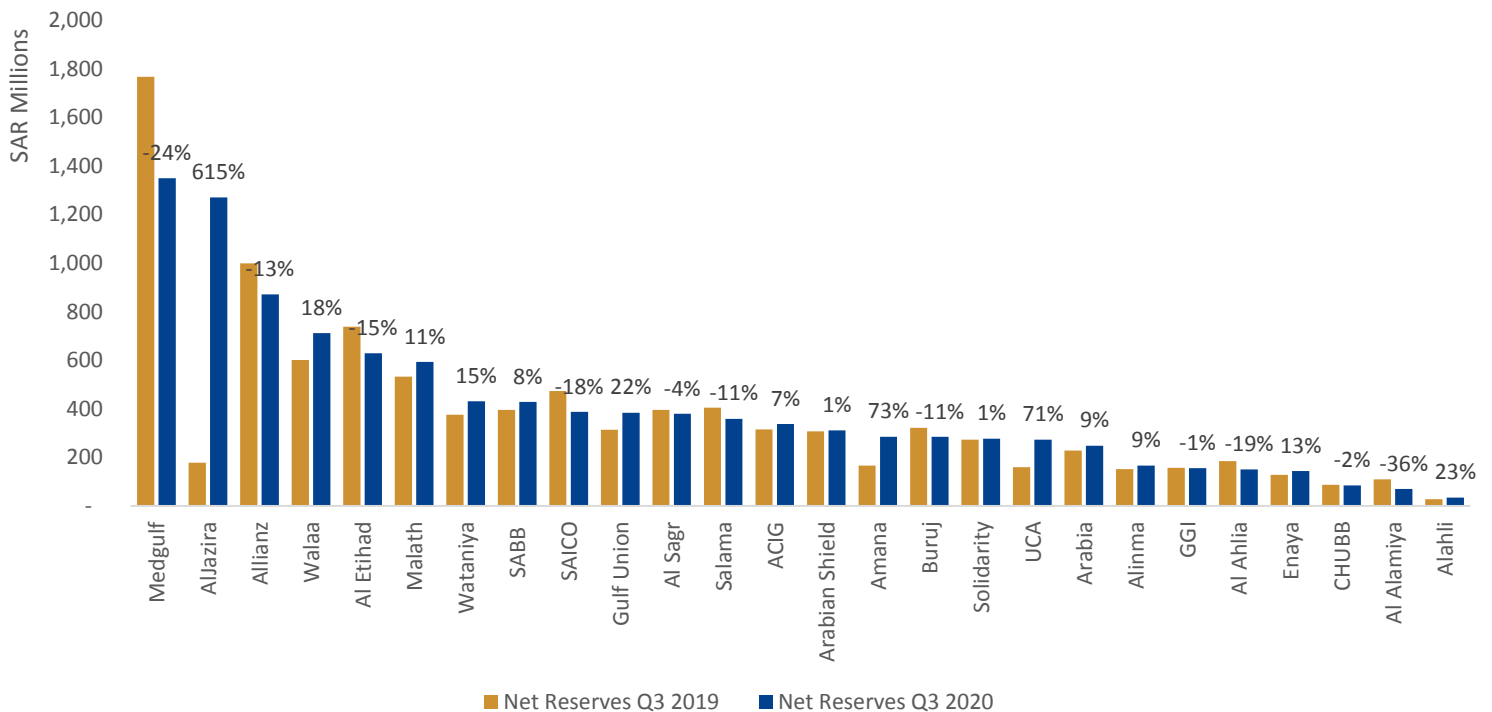
NET RESERVES



Total net reserves as at Q3-2020 were SAR 28.6 billion.

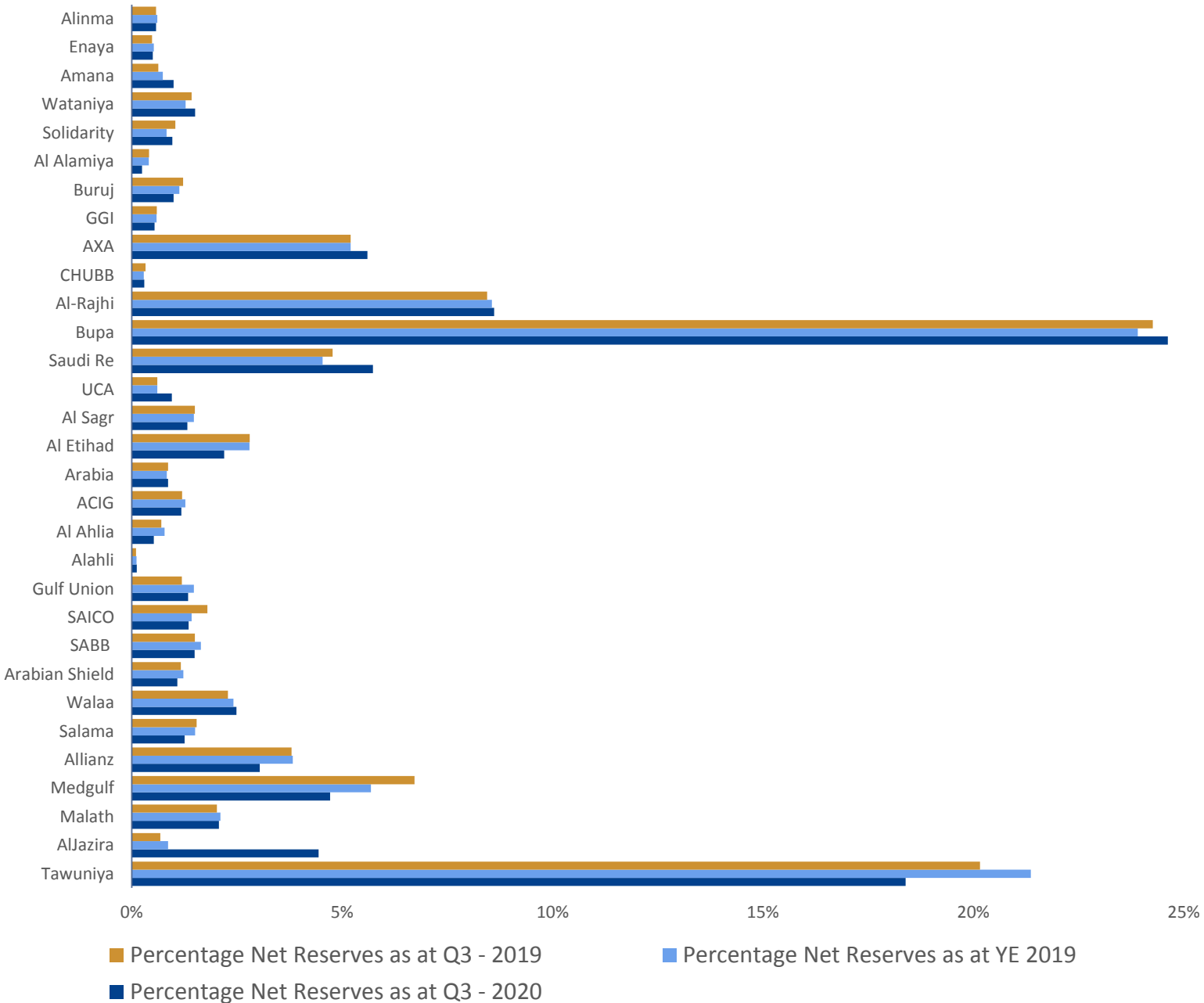
Total Net Reserve of top five companies by Net Reserves as at Q3-2020 is SAR 18 billion.

OTHERS



NET TECHNICAL RESERVES

% OF NET RESERVES IN TOTAL NET RESERVES OVER THE PERIODS



The graph above shows the contribution of each company's Net Reserves in the total Industry Net Reserves.

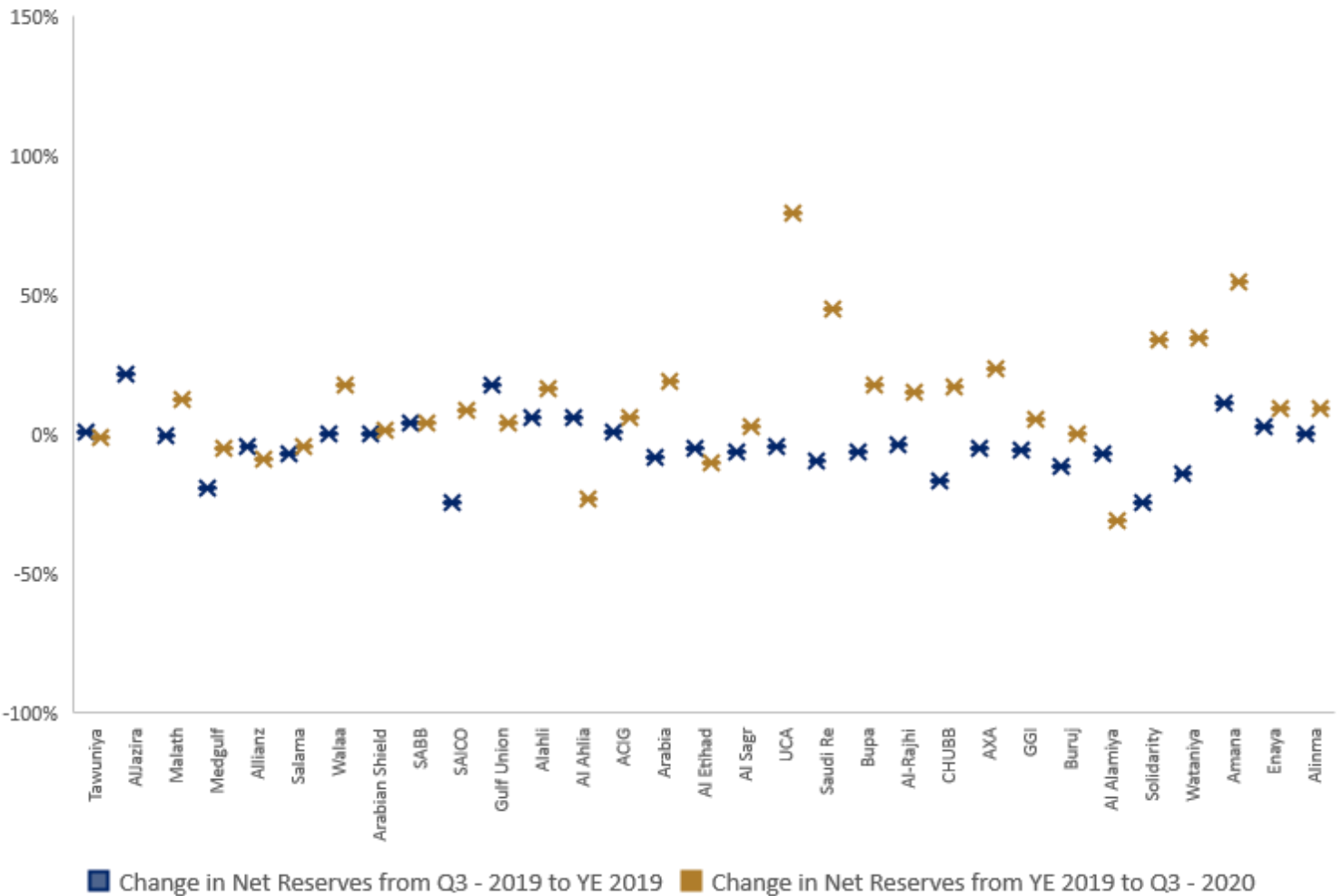
Bupa has the highest contribution in the total Net Reserves over the quarters indicating that most of its liabilities are comprised of the Technical Reserves.

NET TECHNICAL RESERVES

Al Jazira witnessed a highest increase in its Technical Reserves from Q3-2019 to YE 2019 by 22%.

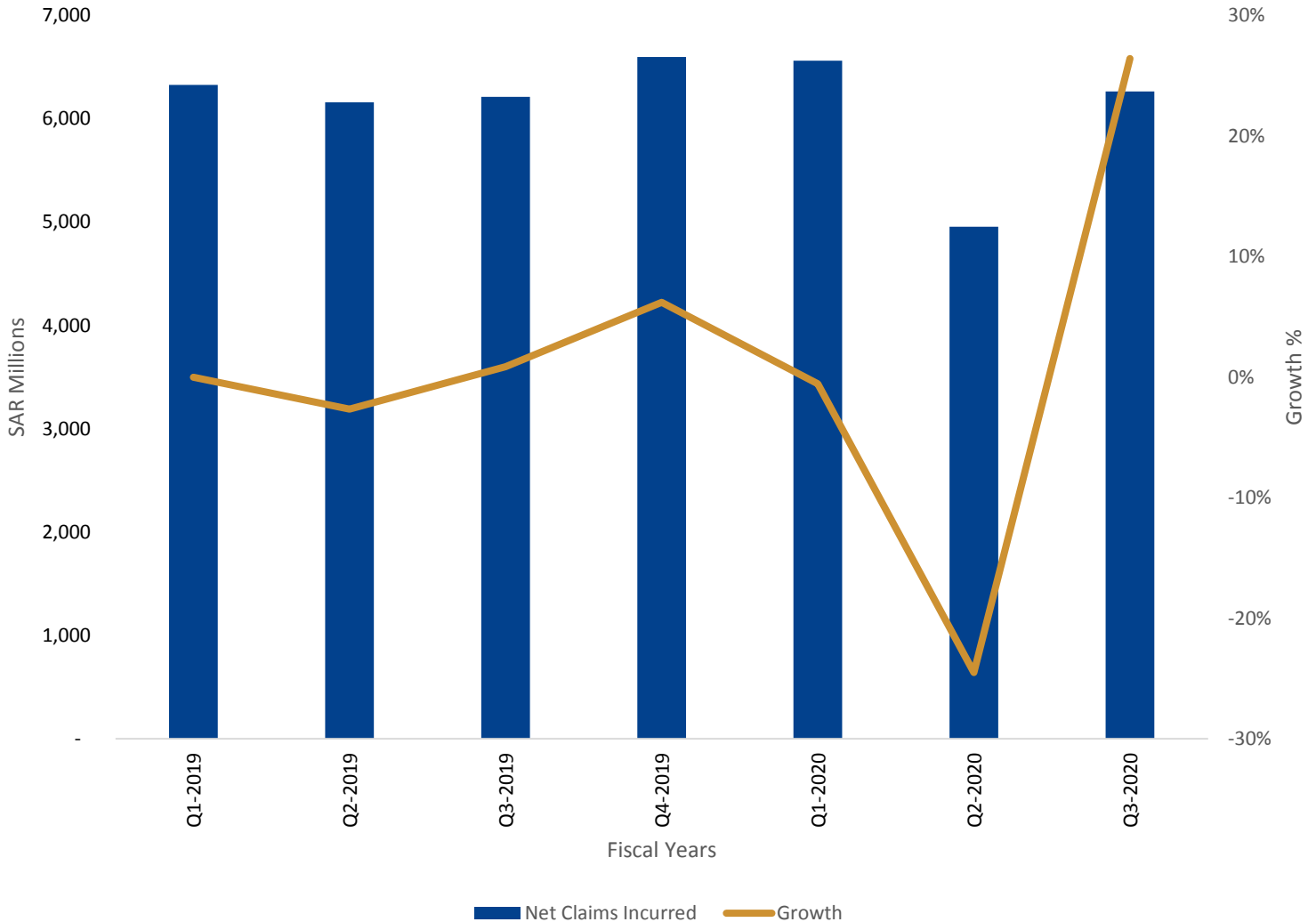
Al Jazira recorded a growth of 488% in its Net Reserves from YE-2019 to Q3-2020.

Percentage Change in Net Reserves



NET CLAIMS INCURRED & GROWTH

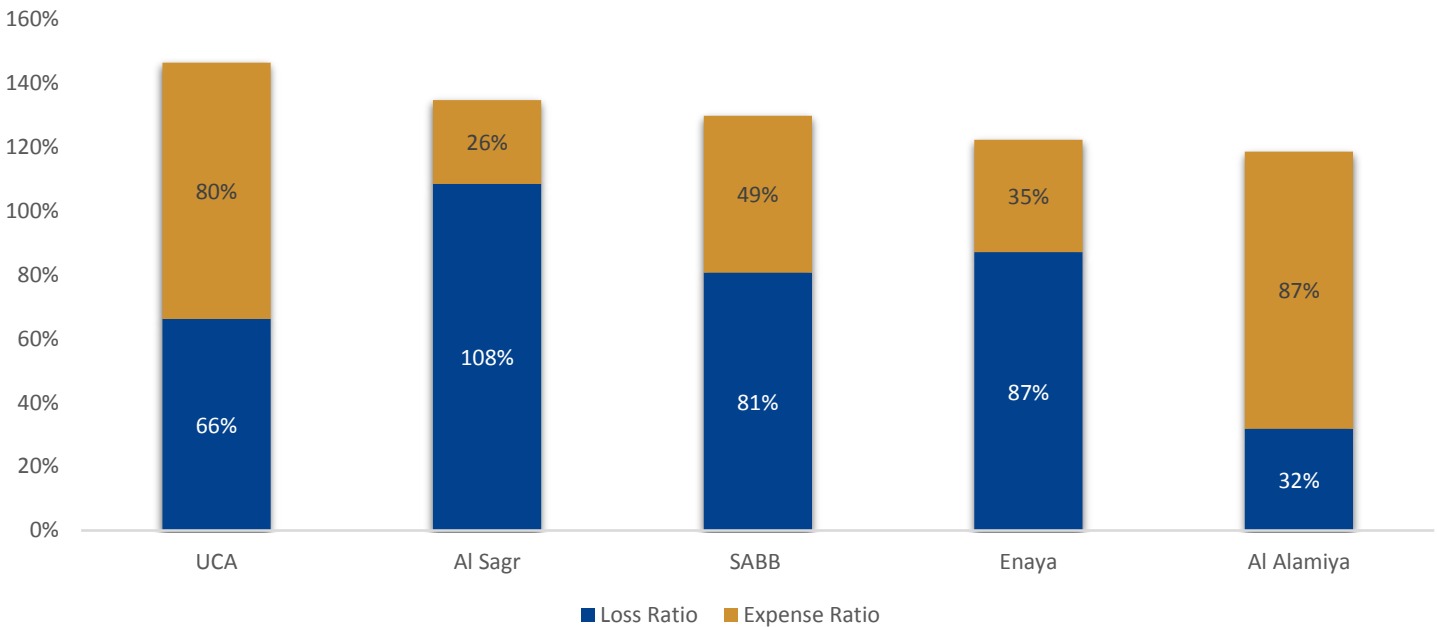
Net Claims Incurred & Growth



- The Growth of Net Claims Incurred has followed an uneven pattern. Major decline in the claims has been witnessed from 2020 Q1 to 2020 Q2.
- The major reason behind the decline in Net Incurred Claims is witnessed due to the outbreak of COVID-19.
- There is a major growth of 26% from 2020 Q2 to 2020 Q3. The market have given correction effect after major COVID impact in Q2.

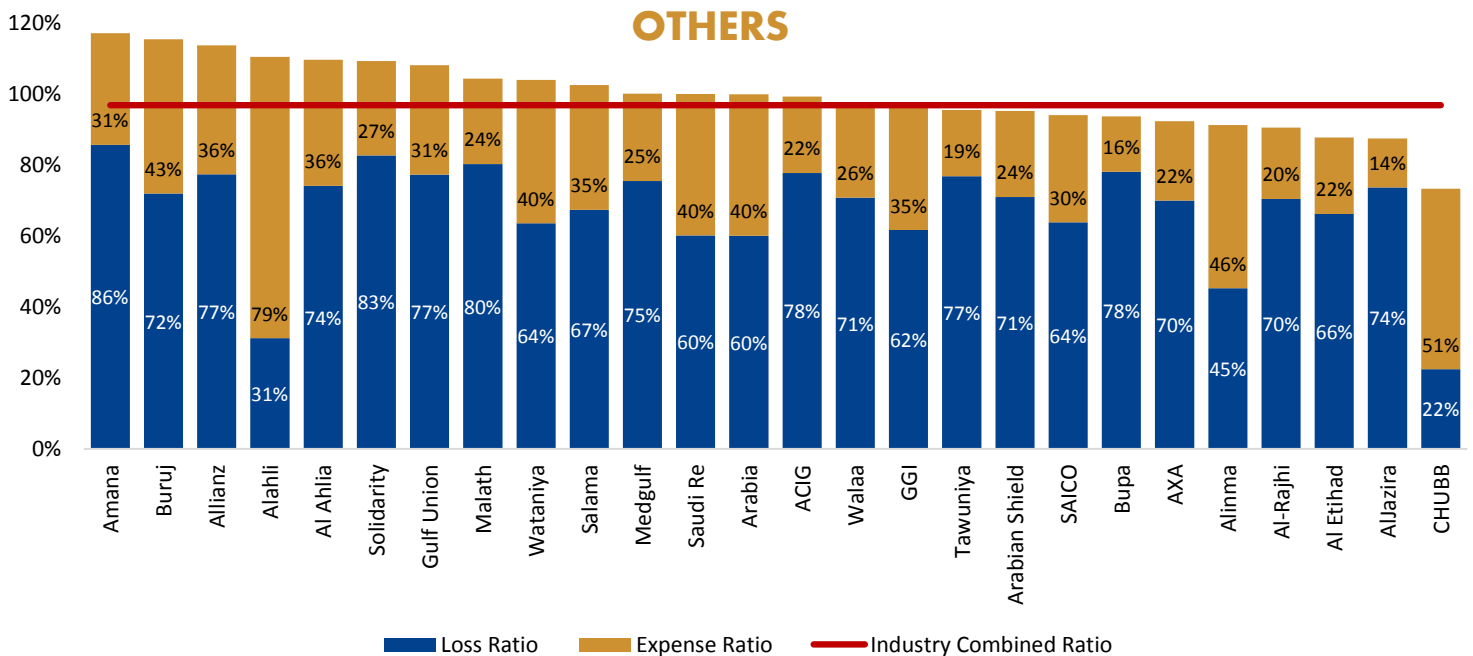
COMBINED RATIO

TOP FIVE - COMBINED RATIO



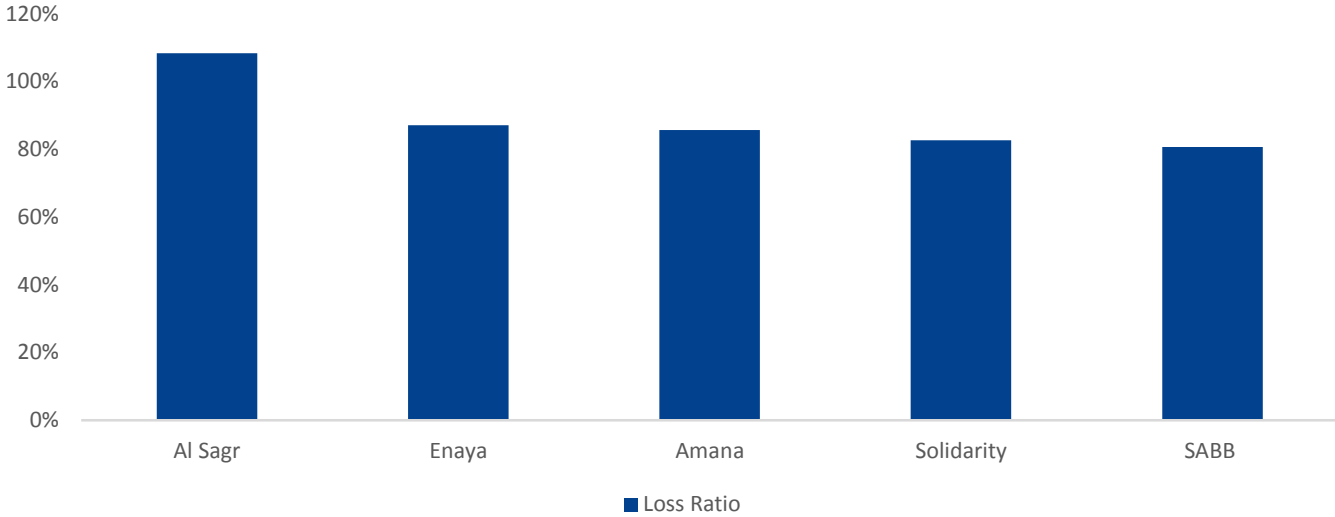
The weighted average combined ratio for Q3-2020 is 97% compare to 101% in YE 2019.

Highest combined ratio of 146% was shown by UCA while the lowest 73% combined ratio was reflected by CHUBB.



LOSS RATIO

TOP FIVE - LOSS RATIO

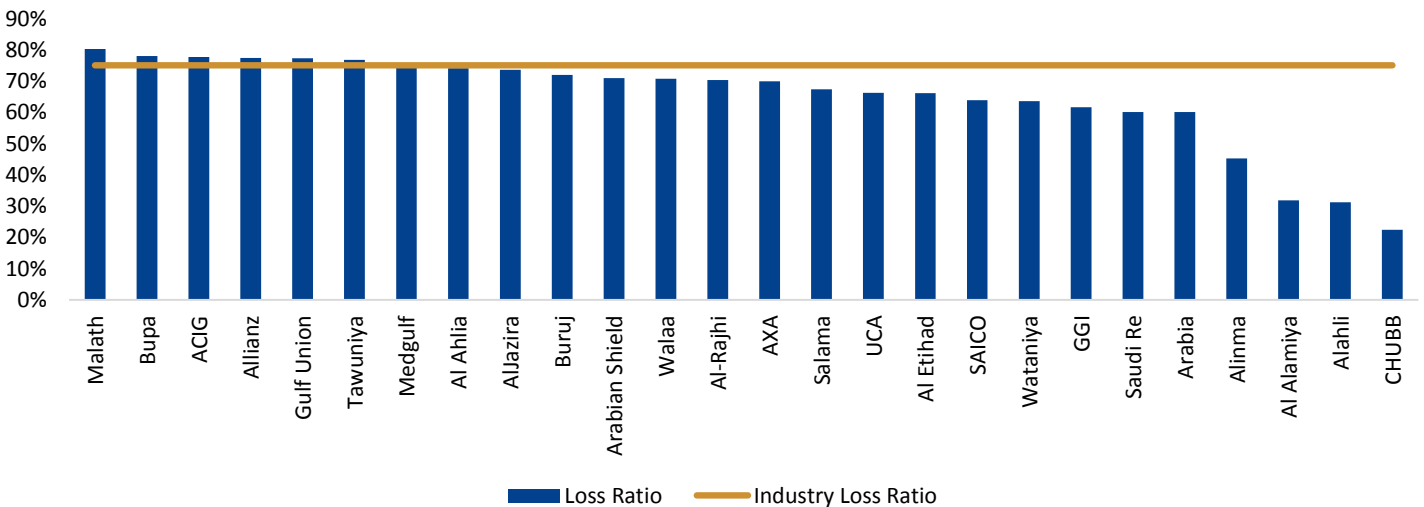


During Q3-2020, weighted average loss ratio remained at 75% however, in YE 2019 it stood at 82%; implying a decrease in market loss ratio.

Loss Ratio has been calculated by dividing net incurred claims to the net earned premiums.

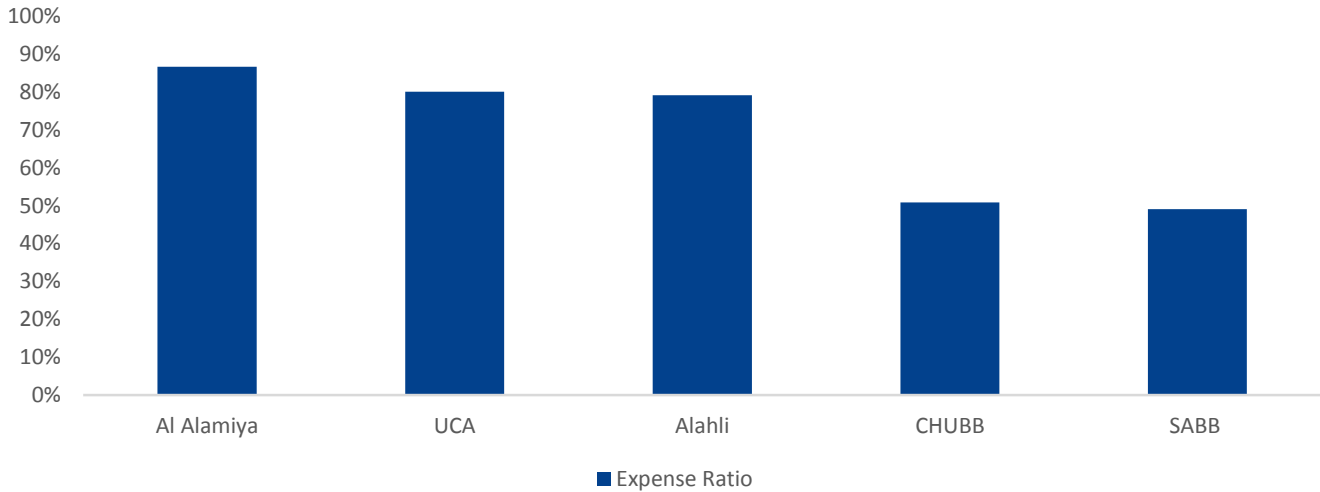
Highest Loss ratio of 108% was shown by Al Sagr whereas the lowest is of 22% is shown by CHUBB.

OTHERS - LOSS RATIO



EXPENSE RATIO

TOP FIVE - EXPENSE RATIO

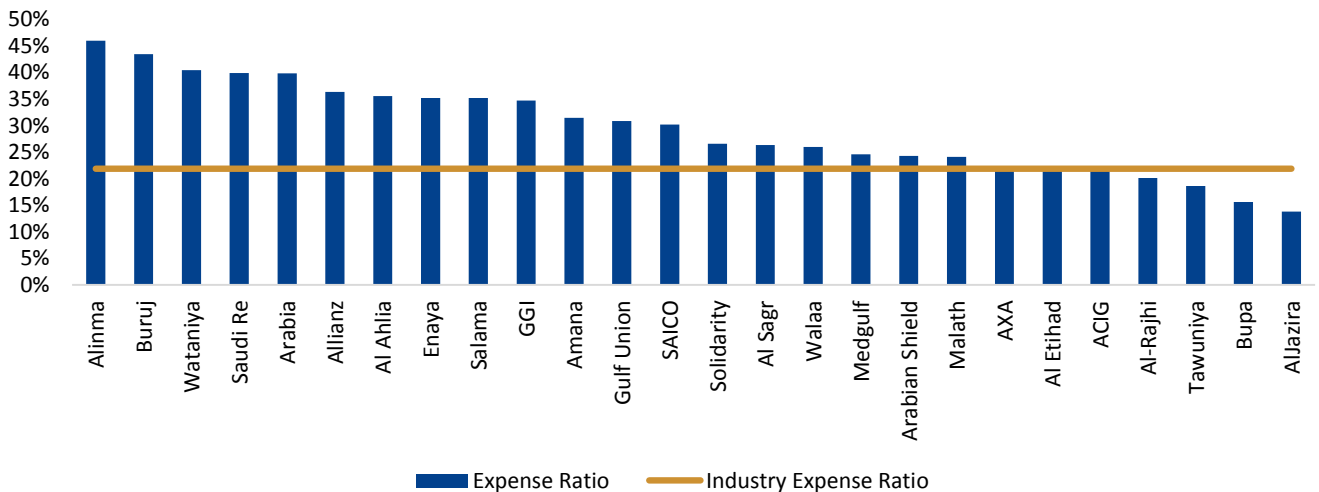


During Q3-2020, weighted average Expense ratio remained at 22% however, in YE 2019 it stood at 19% ; implying an increase in market Expense ratio.

Expense Ratio has been calculated by dividing the sum of Net of Commission expenses and other operational expense to Net Earned Premium.

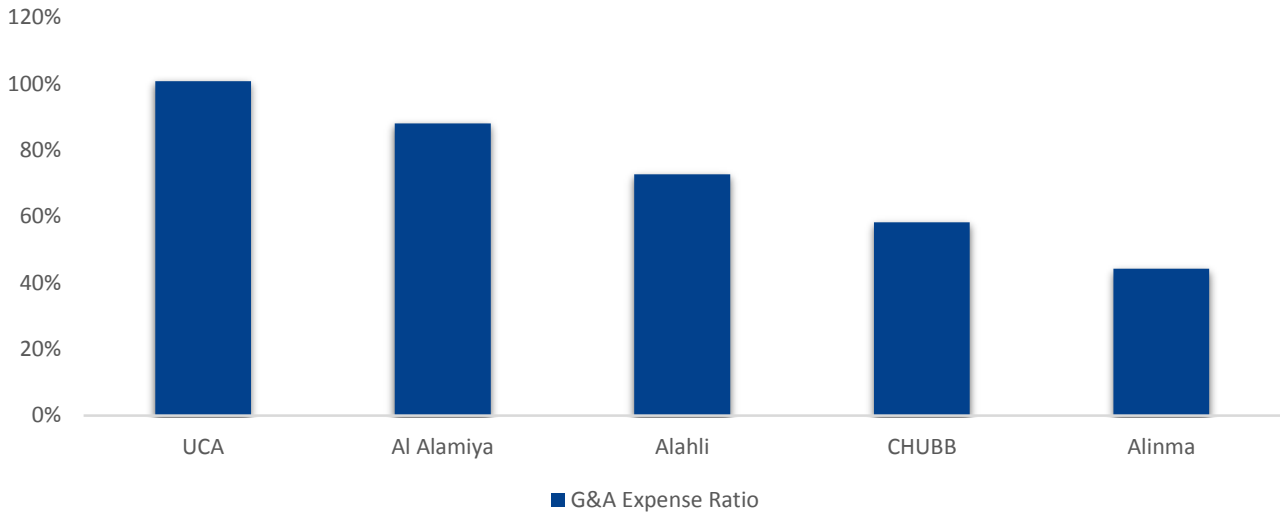
Highest Expense ratio of 87% was shown by Al Alamiya whereas the lowest is of 14% is shown by Al Jazira.

OTHERS - EXPENSE RATIO



G&A EXPENSE

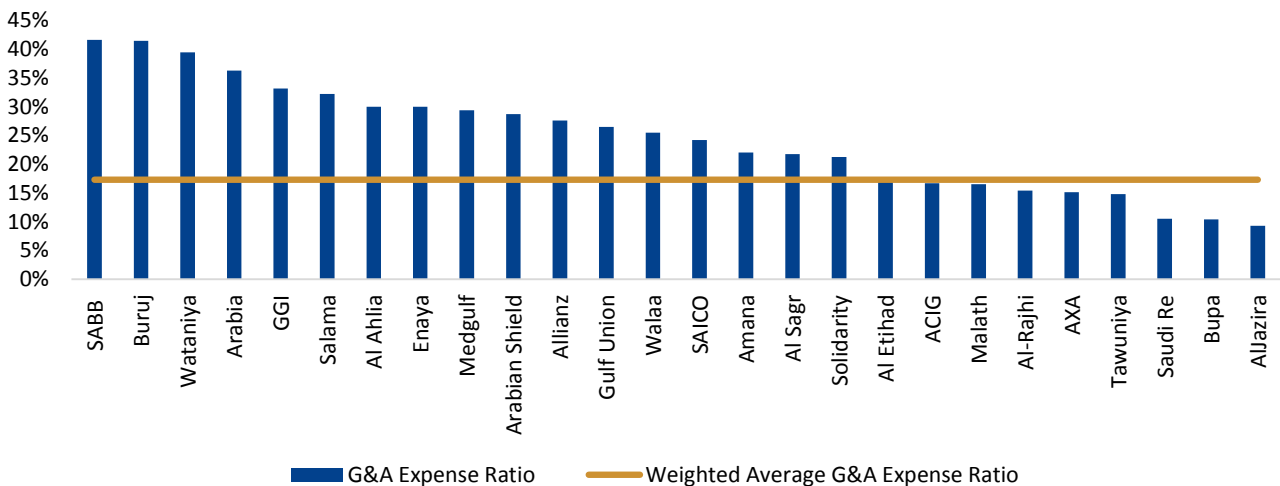
TOP FIVE



Weighted average G&A Expense ratio for the industry was 17% for Q3-2020 compare to 15.6% in YE 2019 i.e. an increase of 1.4%.

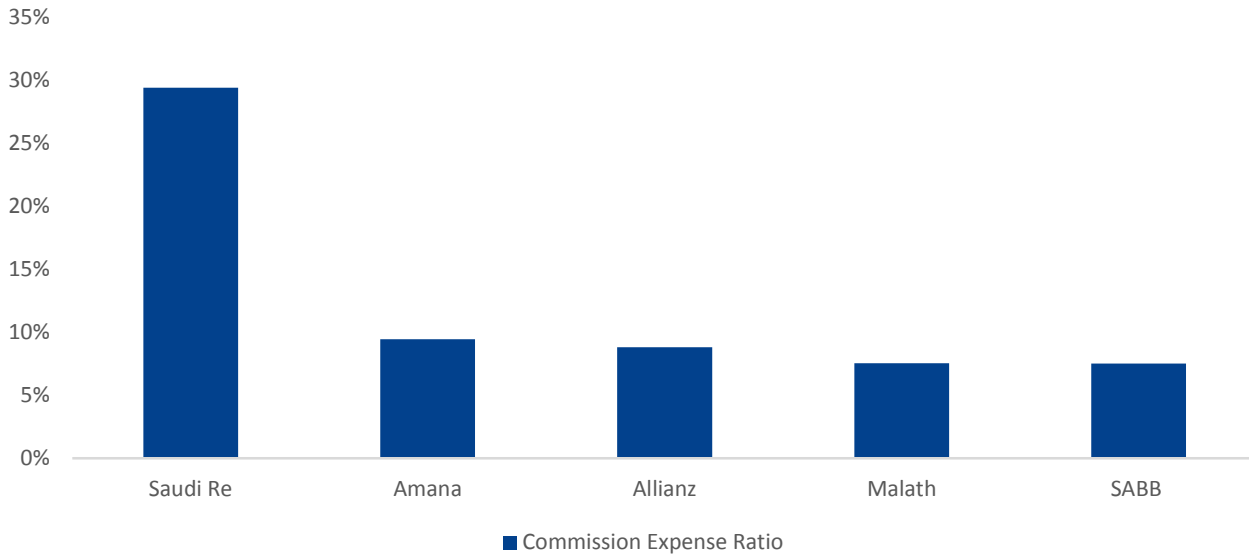
Among all UCA had the highest expense ratio of 101% whereas the lowest expense ratio of 9% is reflected by Al Jazira.

OTHERS



COMMISSION EXPENSE

TOP FIVE

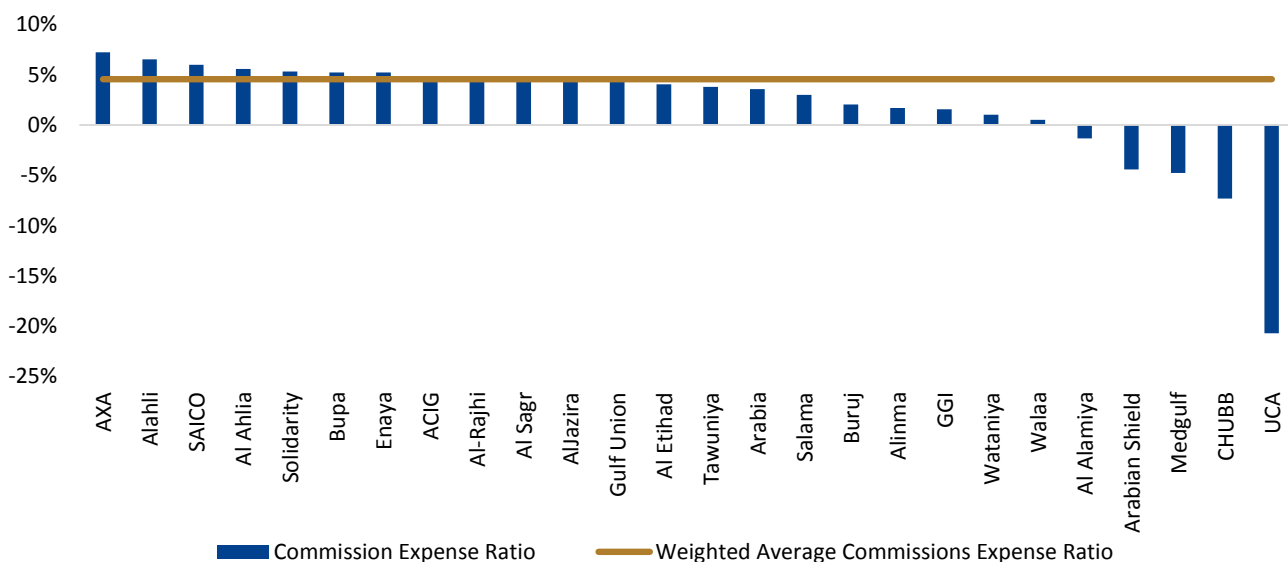


Saudi Re showed the highest commission expense ratio for Q3-2020 of 29%, whereas the lowest expense ratio of -21% is reflected by UCA.

Industry Weighted Average expense ratio is at 5% while in YE 2019 it was 4%.

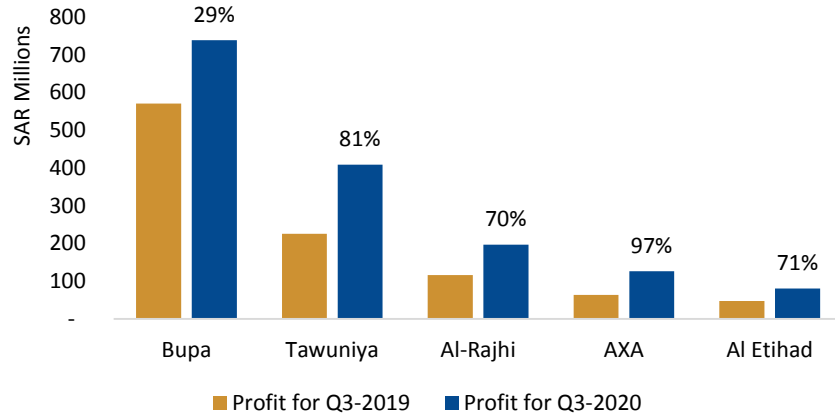
Since Saudi Re has a different nature of business, the second highest commission expense ratio of 9% is achieved by Amana and Allianz.

OTHERS

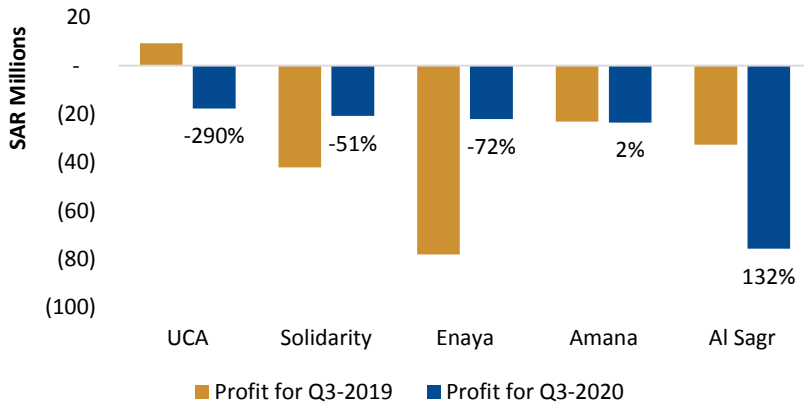


PROFIT COMPOSITION

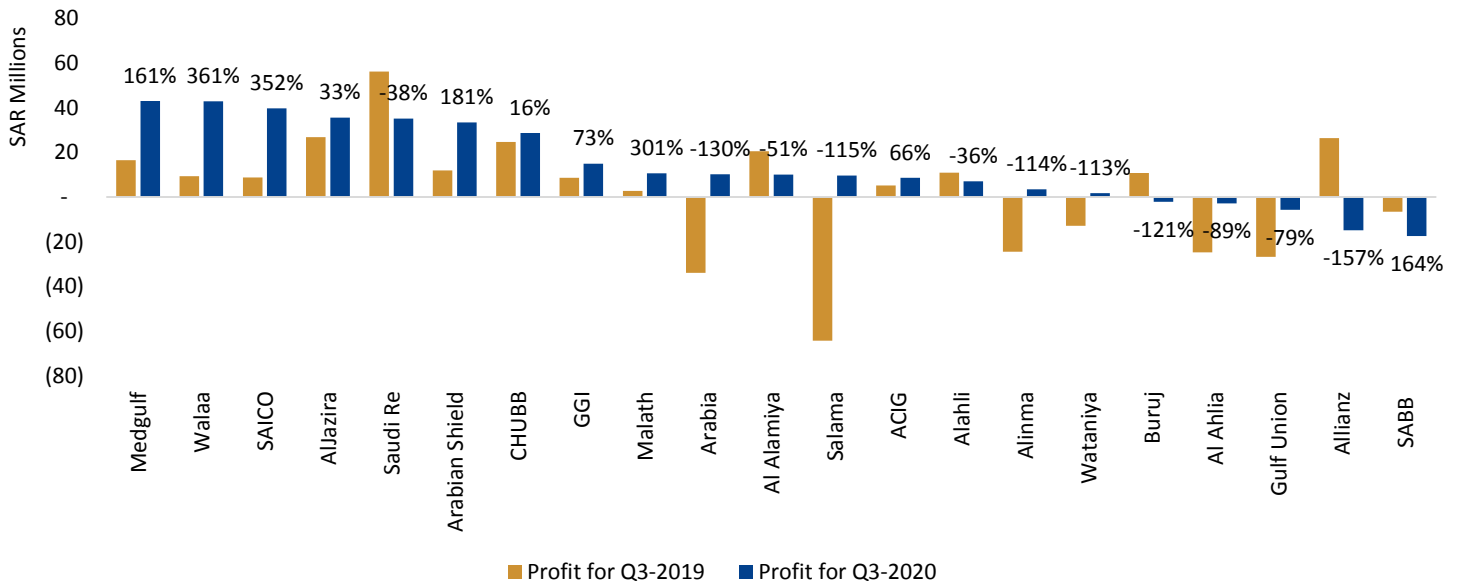
TOP FIVE



BOTTOM FIVE



OTHERS



The term Profit indicates the Total Profit/Loss attributed to Shareholders before Zakat and Tax deductions.

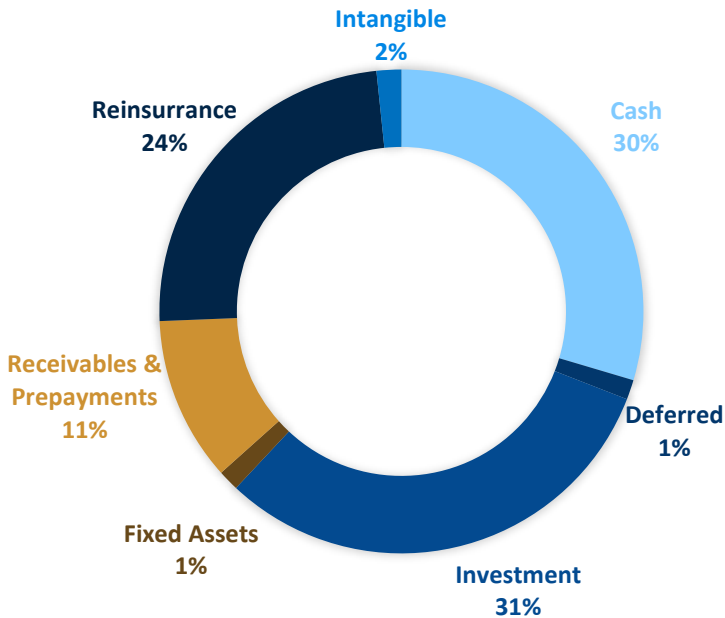
Bupa booked the highest profit during Q3-2020 of **SAR 738.8 million** as compared to a profit of **SAR 570.6 million** for the corresponding period of Q3-2019.

Al Sagr booked the highest loss of **SAR 75.7 million** in Q3-2020 as compared to a loss of approximately **SAR 32.7 million** in the corresponding period of Q3-2019.

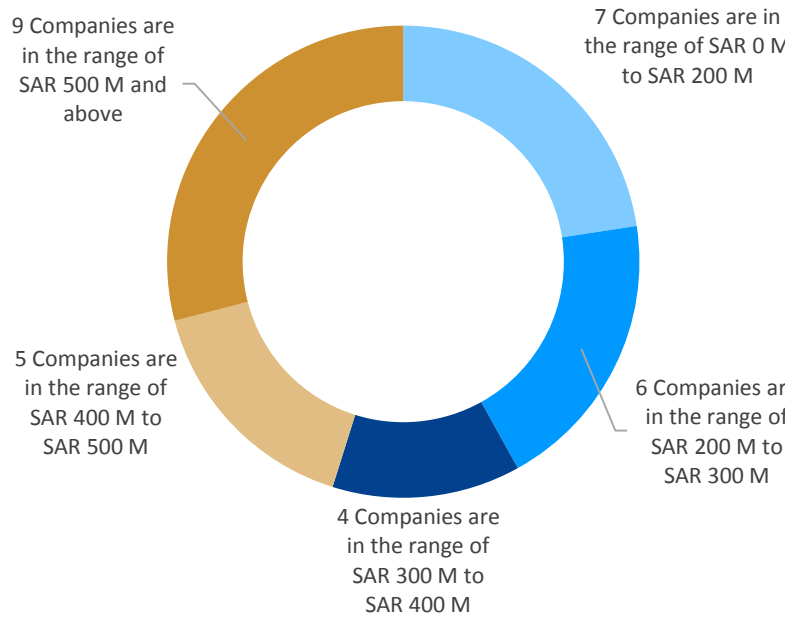
Net profit generated by the industry for Q3-2020 amounted to **SAR 1,682 million** compared to a profit of **SAR 901.5 million** for the corresponding period of Q3-2019, which is an increase of around **87%**.

ASSETS & SHAREHOLDER EQUITY ANALYSIS

ASSETS CLASSIFICATION

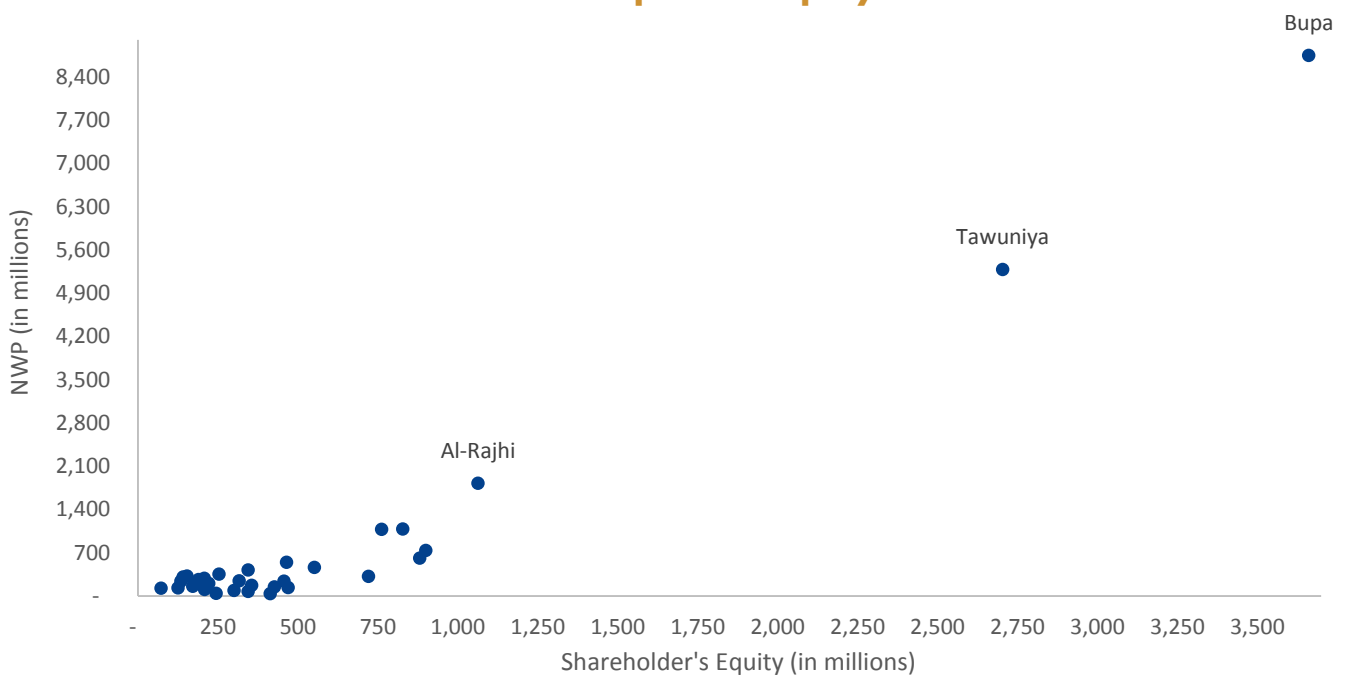


EQUITY SIZE & COMPANIES



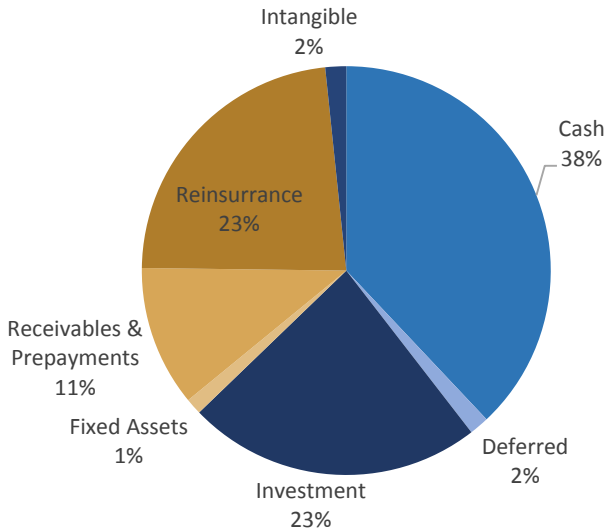
As at September 2020, most of the companies have total shareholder's equity of less than SAR 500 Million.

Insurance Companies' Equity vs NWP

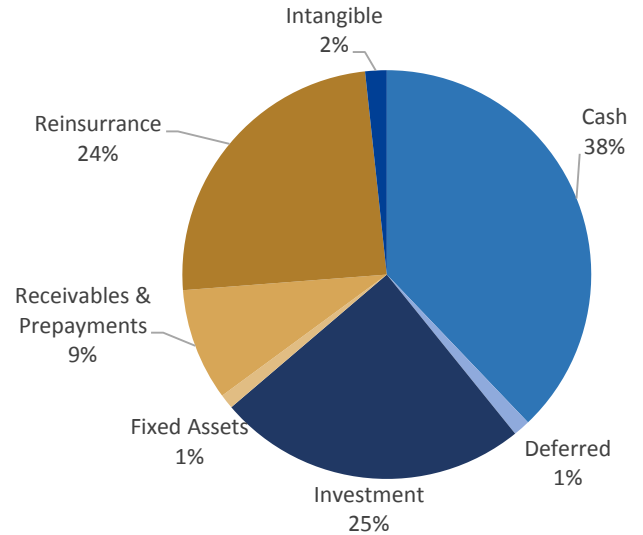


EVOLUTION IN CLASSIFICATION OF ASSETS

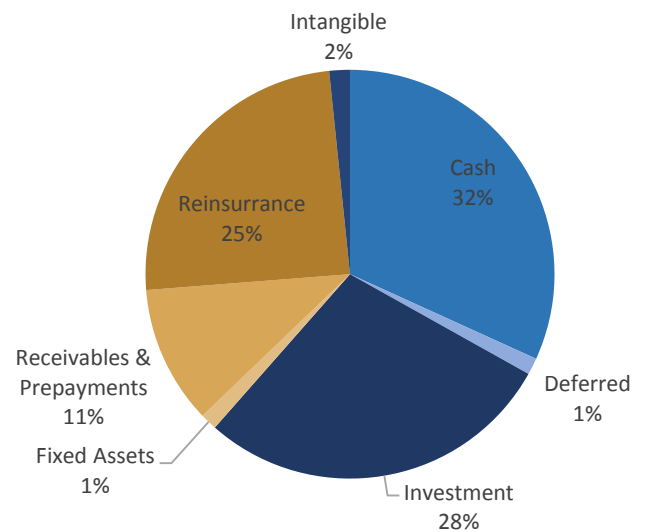
Q2-2019



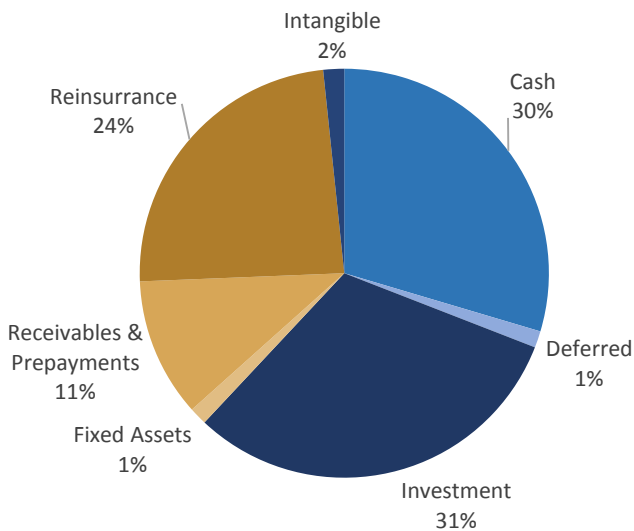
Q4-2019



Q2-2020



Q3-2020

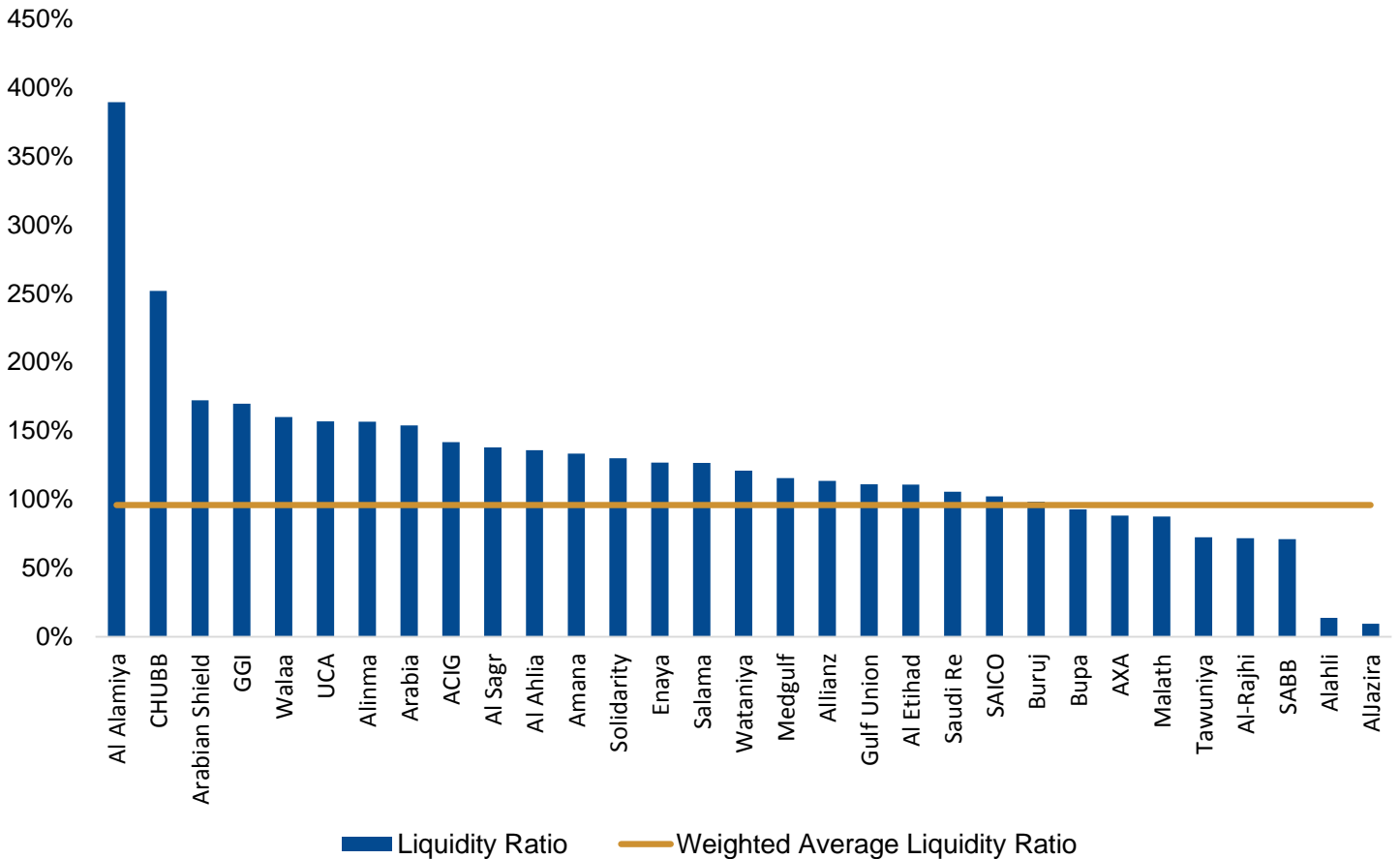


The charts above show the Industry's Asset breakdown and how the contribution in each kind of assets has changed during each prevailing quarters.

Receivables, Prepayments and Reinsurance Assets has shown slight fluctuation whereas Intangible, Deferred, and Fixed Assets have been constant through out the quarters while the contribution of Cash in total Assets has been decreasing and Investment Assets has been increasing.

LIQUIDITY RATIO

LIQUIDITY



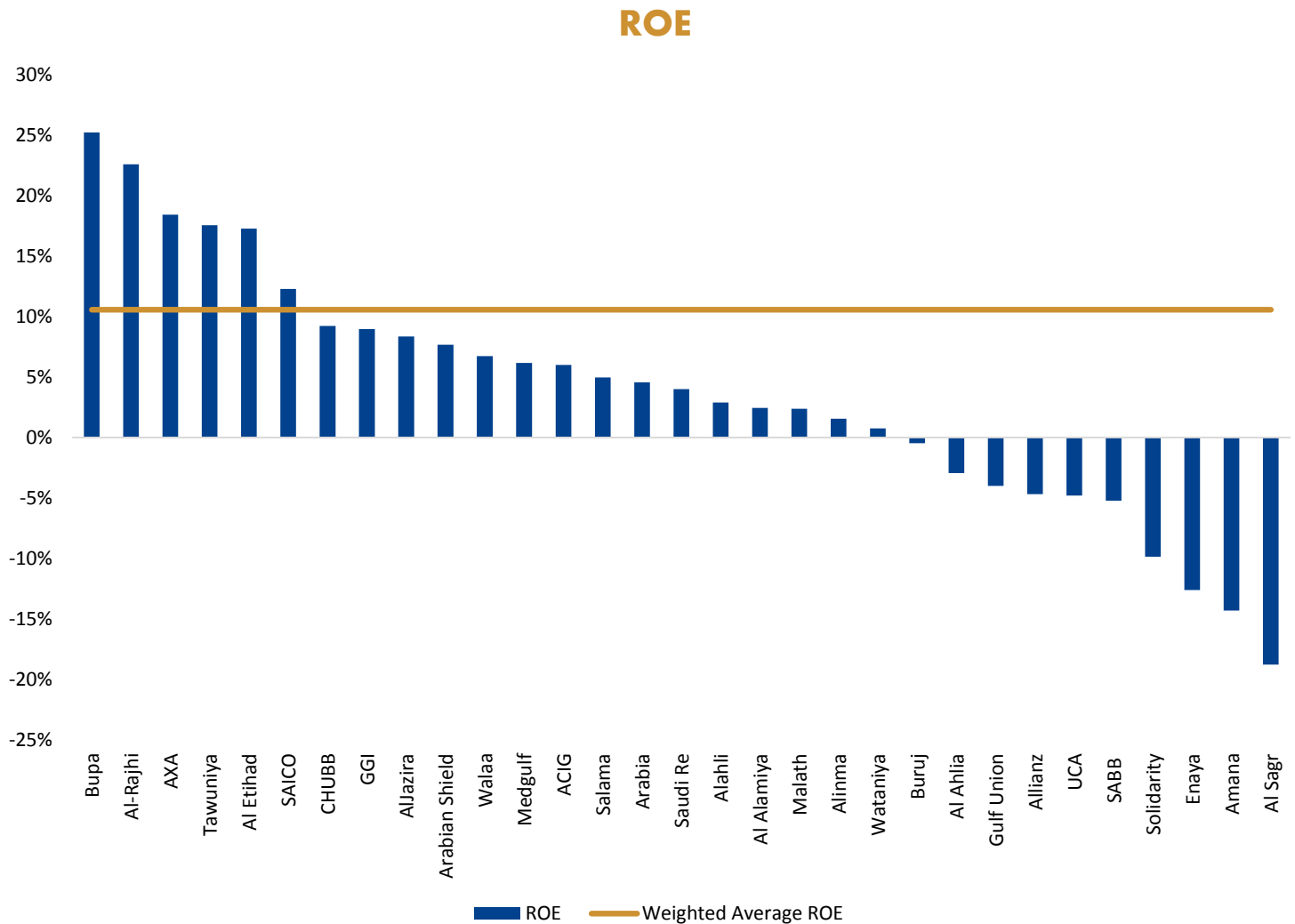
The highest Liquidity Ratio for Q3-2020 was 389% shown by Al Alamiya, whereas the lowest liquidity ratio of 10% is reflected by Al Jazirah.

Weighted average Liquidity ratio for the market was at 96%.

The liquidity ratio has been calculated as a ratio of current assets over total net technical reserves as at 30th Sep 2020.

The optimum value of the Absolute Liquidity Ratio for a company is 0.5. This optimum ratio indicates the sufficiency of the 50% worth absolute liquid assets of a company to pay the 100% of its worth obligations in time

RETURN ON EQUITY



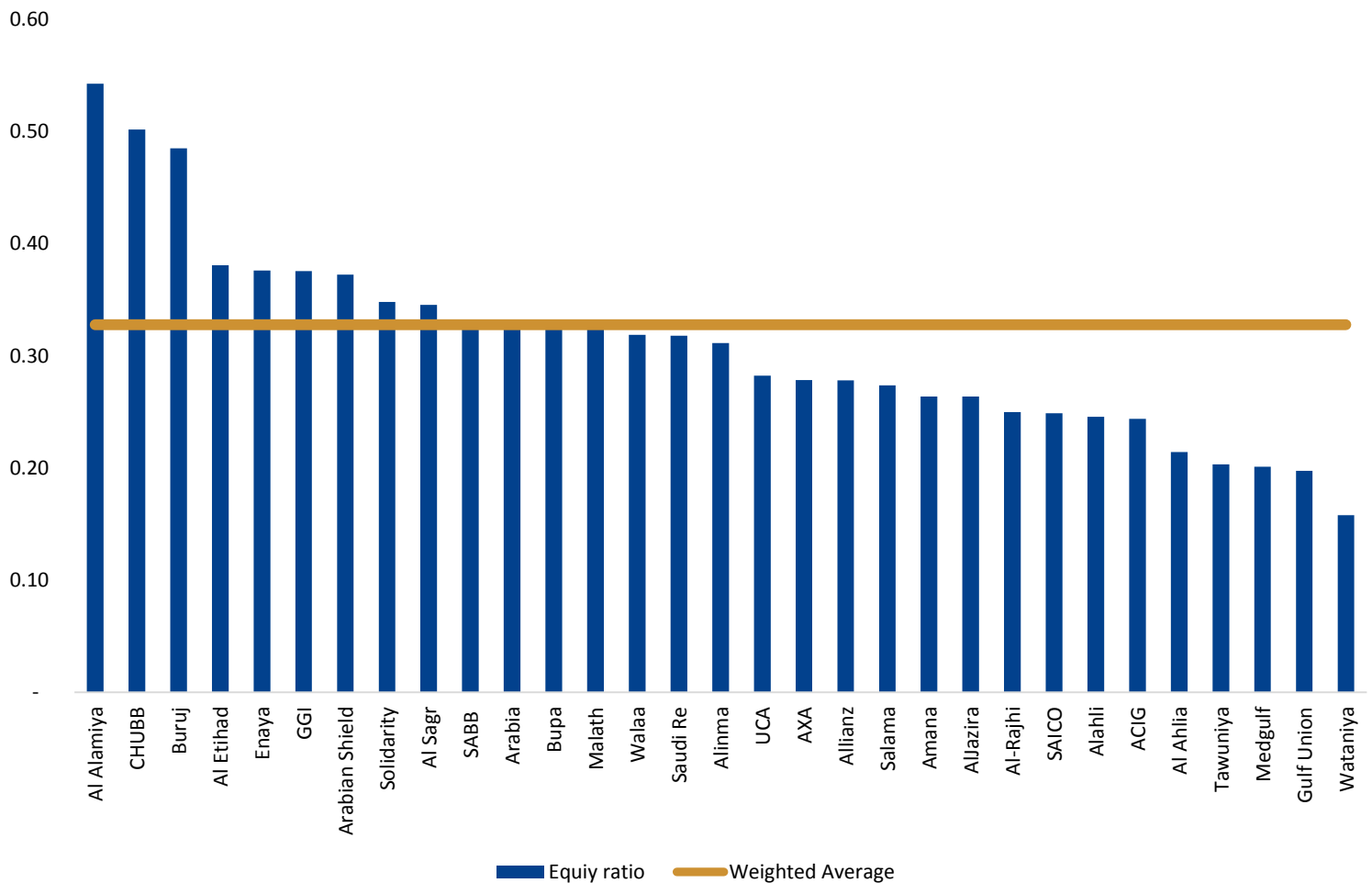
Bupa Insurance showed highest return on equity of 25% for Q3-2020, whereas the lowest return on equity of -19% was reflected by Al Sagr for the same period.

Industry weighted average return on equity for the is at 11%.

The return on equity has been calculated as a ratio of net profit of Q3-2020 to total shareholder's equity as at the beginning of 2020.

EQUITY RATIO

Equity Ratio



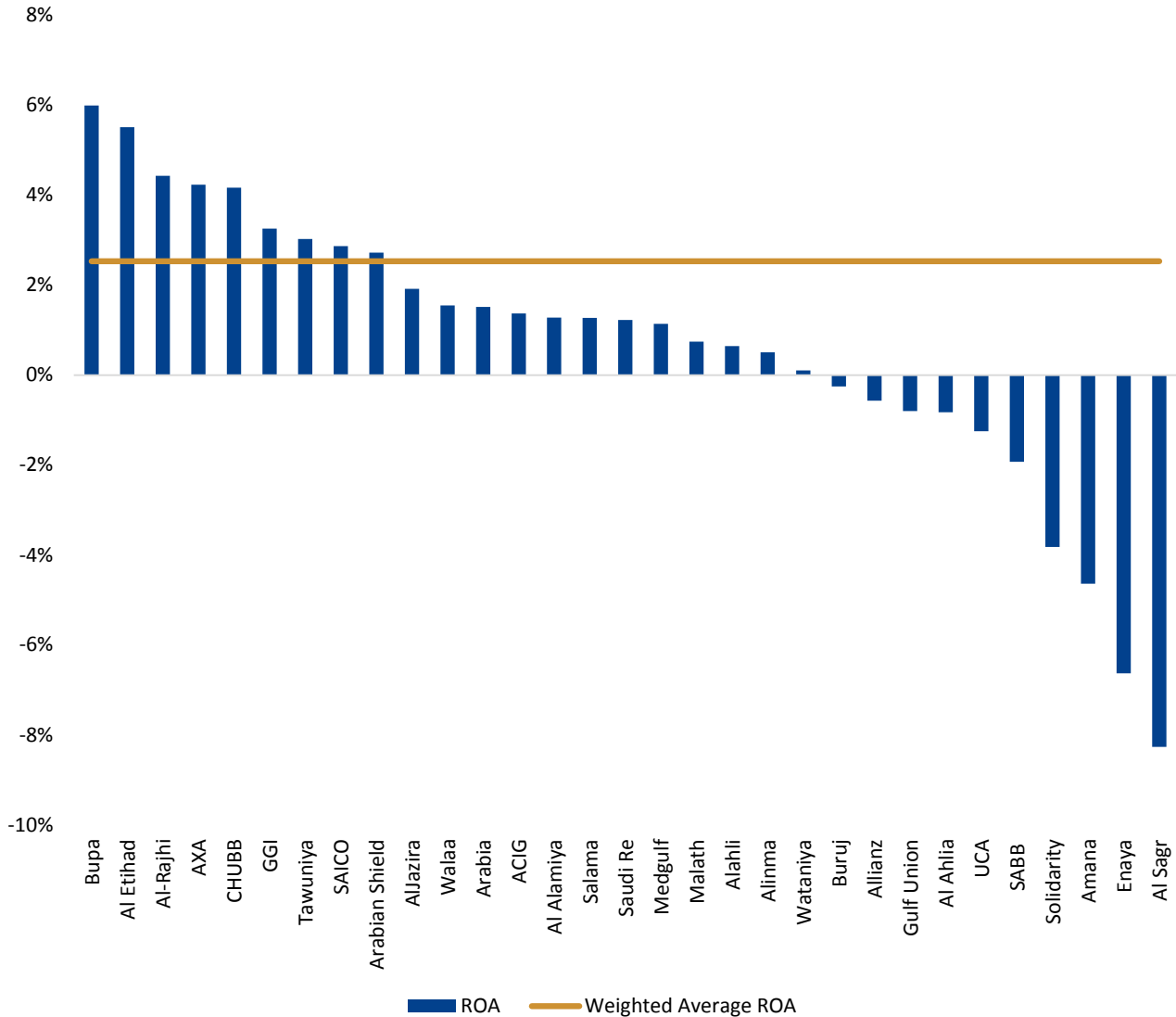
The highest Equity ratio for Q3-2020 is 0.54 shown by Al Alamiya, whereas the lowest ratio of 0.16 is reflected Wataniya.

Weighted average Equity ratio for the market is 0.33.

The Equity ratio is a financial ratio indicating the relative proportion of equity used to finance a company's assets. It is calculated as Total equity as at Q3-2020 divide by Total Assets as at Q3-2020.

RETURN ON ASSET

ROA



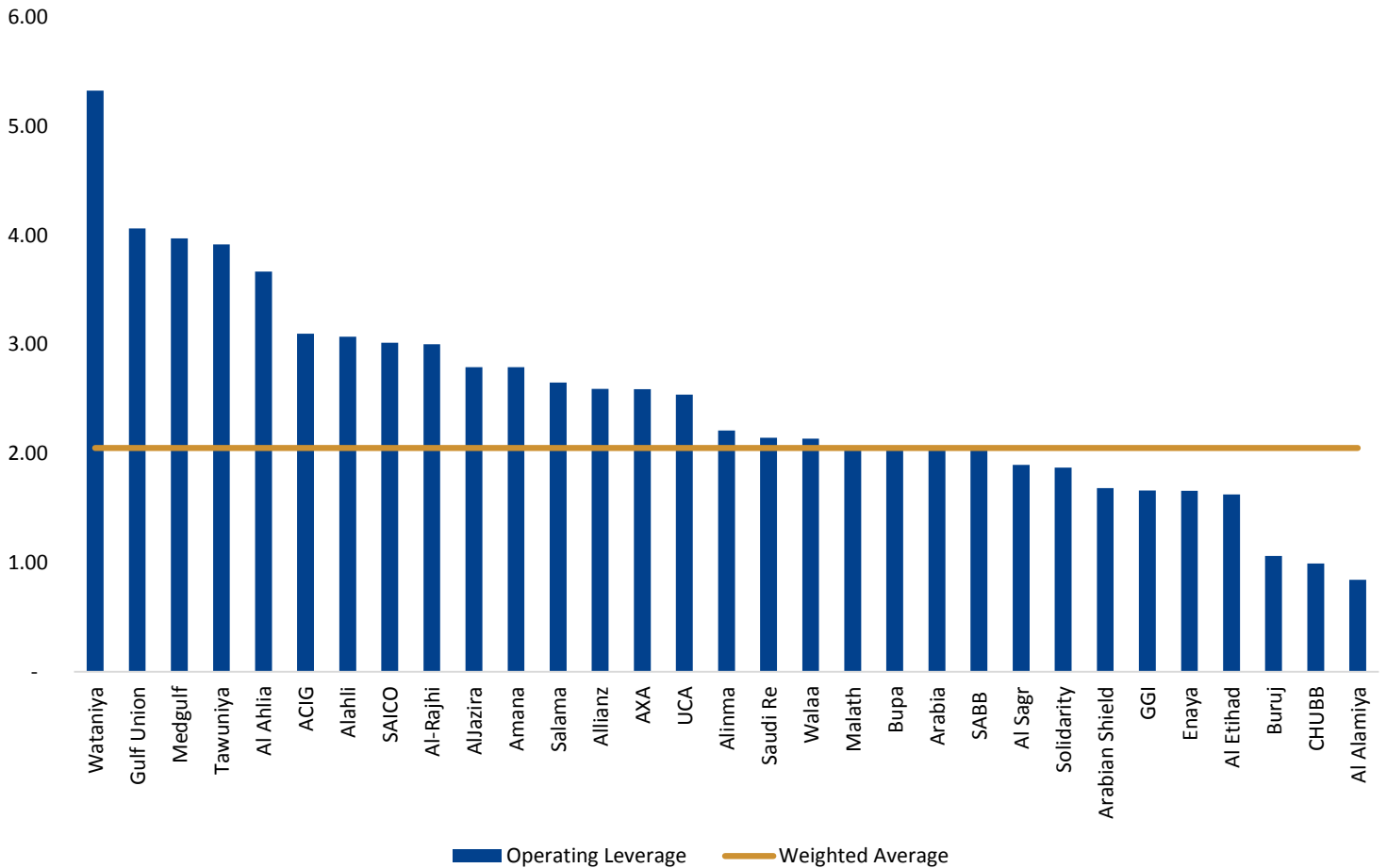
The highest return on Assets for Q3-2020 is 6%, shown by Bupa, whereas the lowest return of -8% is reflected by Al Sagr.

Weighted average return on assets for the market is at 3%.

The Return on Assets has been calculated as a ratio of Total Profit/(Loss) attributed to Shareholders for Q3-2020 to total Assets as at Q3-2020.

NET OPERATING LEVERAGE

OPERATING LEVERAGE



The highest Net leverage ratio for Q3-2020 is 5.33 shown by Wataniya, whereas the lowest of 0.84 is reflected by Al Alamiya.

Weighted average leverage ratio for the market is at 2.05.

The Leverage ratio is calculated by taking the proportion of Total Liabilities at Q3-2020 to Net worth of the Company at Q3-2020 .

The desired range typically falls below 5.0 for property insurers and 7.0 for liability insurers

COMPANIES INCLUDED IN ANALYSIS

Analysis of the Key Performance Indicators (KPIs) of 31* Listed Insurance Companies of KSA for the third quarter ended September 30, 2020 has been undertaken.

S. No.	Symbol	Name	Abbreviation
1	8010	The Company for Cooperative Insurance	TCCI
2	8012	Aljazira Takaful Taawuni Co.	AJTTC
3	8020	Malath Cooperative Insurance Co.	MCIC
4	8030	The Mediterranean and Gulf Insurance and Reinsurance Co.	TMGIRC
5	8040	Allianz Saudi Fransi Cooperative Insurance Co.	ASFCIC
6	8050	Salama Cooperative Insurance Co.	SCIC
7	8060	Walaa Cooperative Insurance Co.	WCIC
8	8070	Arabian Shield Cooperative Insurance Co.	ARSCIC
9	8080	SABB Takaful Co.	STC
10	8100	Saudi Arabian Cooperative Insurance Co.	SACIC
11	8120	Gulf Union Cooperative Insurance Co.	GUCIC
12	8130	Alahli Takaful Co.	AATC
13	8140	Al-Ahlia Insurance Co.	AAIC
14	8150	Allied Cooperative Insurance Group	ACIG
15	8160	Arabia Insurance Cooperative Co.	AICC
16	8170	Trade Union Cooperative Insurance Co.	TUCIC
17	8180	Al Sagr Cooperative Insurance Co.	ASCIC
18	8190	United Cooperative Assurance Co.	UCAC
19	8200	Saudi Re for Cooperative Reinsurance Co.	SRCRC
20	8210	Bupa Arabia for Cooperative Insurance Co.	BACIC
21	8230	Al-Rajhi Company for Cooperative Insurance	ARCCI
22	8240	CHUBB Arabia Cooperative Insurance Co.	CACIC
23	8250	AXA Cooperative Insurance Co.	AXACIC
24	8260	Gulf General Cooperative Insurance Co.	GGCIC
25	8270	Buruj Cooperative Insurance Co.	BCIC
26	8280	Al Alamiya for Cooperative Insurance Co.	AACIC
27	8290	Solidarity Saudi Takaful Co.	SSTC
28	8300	Wataniya Insurance Co.	WIC
29	8310	Amana Cooperative Insurance Co.	ACIC
30	8311	Saudi Enaya Cooperative Insurance Co.	SECIC
31	8312	Alinma Tokio Marine Co.	ATMC

*The financial statement for Q3 2020 of Saudi Indian Insurance has not been published at the date of the publication of this report and hence all the analysis does not include Saudi Indian Insurance



DISCLAIMER

- Analysis of the Key Performance Indicators (KPIs) of 31 Listed Insurance Companies of KSA for Q3-2020 has been undertaken. The data has been extracted from the financial statements of Q3-2020 of all companies as available on Tadawul.
- While we have tried to ensure accuracy in the data input and evaluation process, in view of the natural scope for human and/or mechanical error, either at input or during analysis, we accept no liability whatsoever for any loss or damage resulting from errors, inaccuracies or omissions of any part of this publication. If you come across an error or have a query, do write to us.
- In certain cases, we needed to combine certain items for comparison purposes.
- The Report contains previous years values in a number of places that are taken from the Industry Reports of previous years published by SAMA.



BADRI

ABOUT OUR TEAM

UAE/Oman
Actuarial

28 STAFF

KSA Actuarial

22 STAFF

Medical

4 STAFF

Business
Intelligence

11 STAFF

End of Service

5 STAFF

HR Consulting

2 STAFF

12 SUPPORT AND ADMIN STAFF

TOTAL STRENGTH = 84

CONTACT US!



Hatim Maskawala



Ali Bhuriwala



Mirza Ali



Aiman Naseem



FEEDBACK

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