



BADRI

SAUDI ARABIA'S INSURANCE INDUSTRY PERFORMANCE ANALYSIS YEAR END 2020



2020

GLAD TIDINGS



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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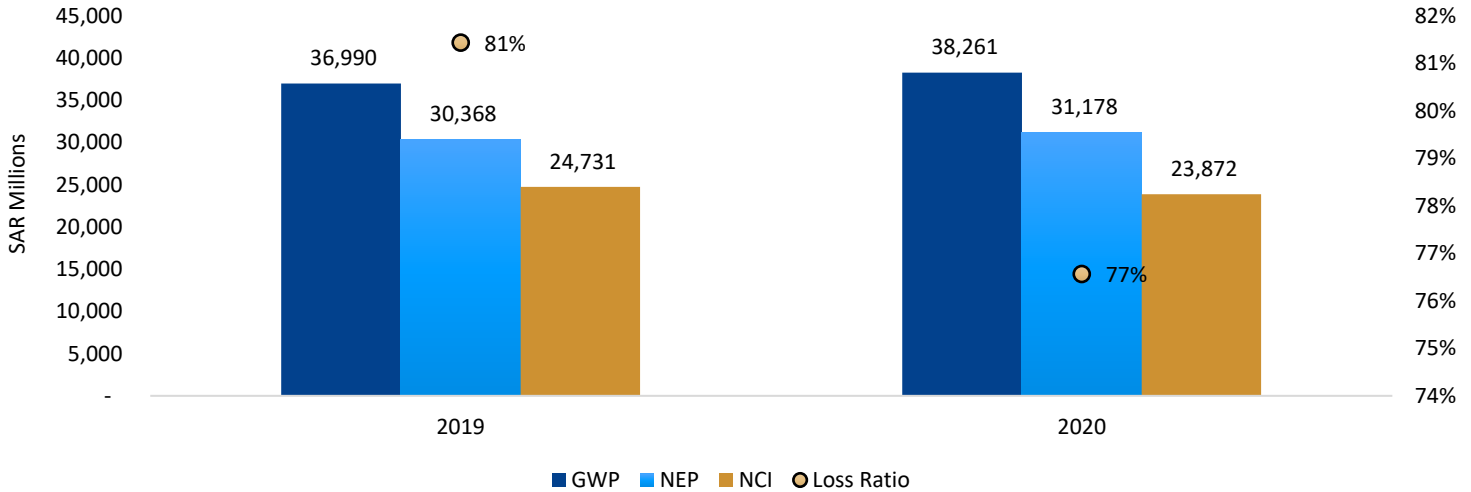


KEY ASSUMPTIONS

- In the report, wherever the word Industry has been used, it implies 29 Insurance companies. If any Exception has been made, then it has been mentioned explicitly.
- Since SSTC and Al Ahlia have been taken over/ merged with other entities in order to give full year comparisons of the top line and bottom line of the industry with last year we have estimated the GWP and Profit for both these companies. The merger date for Al Ahlia was in beginning of December so only one month's value would be part of the merged entity and SSTC's merger became effective in 2021, however, they are not required to publish their financials.
- Therefore, to include the premium numbers for SSTC and Al Ahlia; the growth in GWP has been calculated using the numbers of 2020-Q3 and 2020-Q2 then the growth has been applied on 2020-Q3 to get to YE 2020 Gross written premium.
- Similarly Profit before tax and Investment income for SSTC and Al Ahlia have been calculated by taking the proportion of Profit Before tax/Investment income to GWP as at YE 2019. The calculated proportion has been applied on the GWP of YE 2020 to get the Profit before tax/Investment income for YE 2020.
- These estimations are only impacting the total industry GWP and Profit figures we are quoting.

OVERVIEW OF THE INDUSTRY

INDUSTRY MIX



SAR 38.3 BILLION

Gross Written Premiums (Overall)

SAR 38.9 BILLION

Gross Written Premiums (Overall including estd of SSTC and Al Ahlia)
[SAR 37.6 BN in 2019]

SAR 36.9 BILLION

Gross Written Premiums (without Saudi Re)
[SAR 36.8 BN in 2019]

SAR 1.97 BILLION

Net Profit for 2020
[SAR 1.31 BN in 2019]

51%

Profit Growth rate for 2020
[104% in 2019]

3.5%

GWP Growth rate for 2020
[8.7% in 2019]

98%

Industry's weighted average Combined Ratio
[101% in 2019]

82%

Industry's weighted average retention ratio
[84% in 2019]

77%

Industry's Loss ratio for 2020
[82% in 2019]



OVERVIEW OF THE INDUSTRY

This year the industry witnessed significant M&A activity:

- Total 29 Companies are operating in the Insurance Industry of Kingdom of Saudi Arabia.
- Solidarity Saudi Takaful Company has been taken over by Al Jazira Takaful Taawuni Co. Thus, it has been removed from Tadawul and wasn't mandated to publish its financials at YE 2020 .
- Gulf Union and Al Ahlia Cooperative Insurance have been merged and Gulf Union Al Ahlia has published a combined Financials Statement for the YE 2020.
- Saudi Indian Company for Cooperative Insurance announced its inability to publish its financials as at YE 2020.
- Amana is in takeover discussion with Enaya.

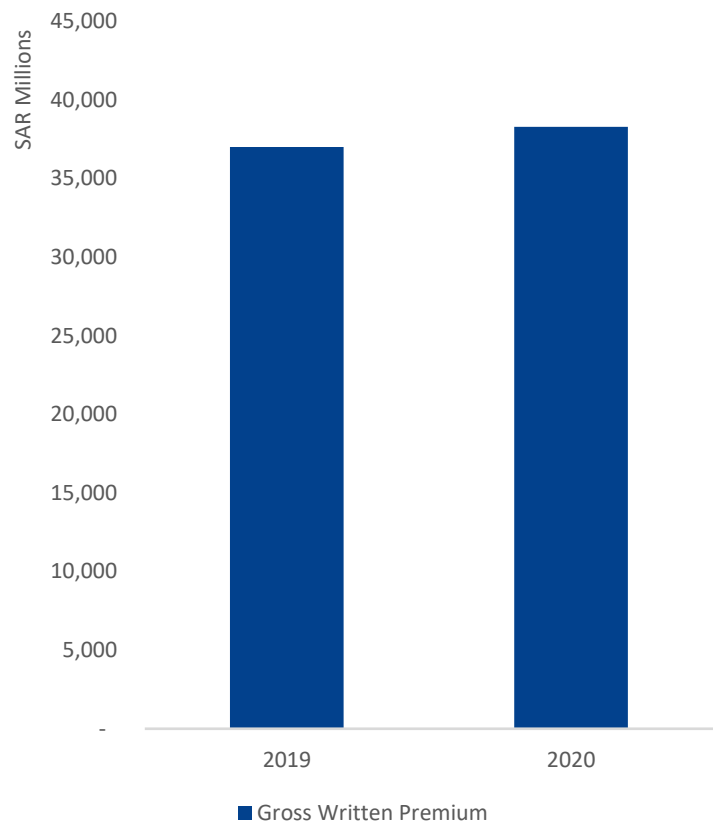


GROSS WRITTEN PREMIUMS

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

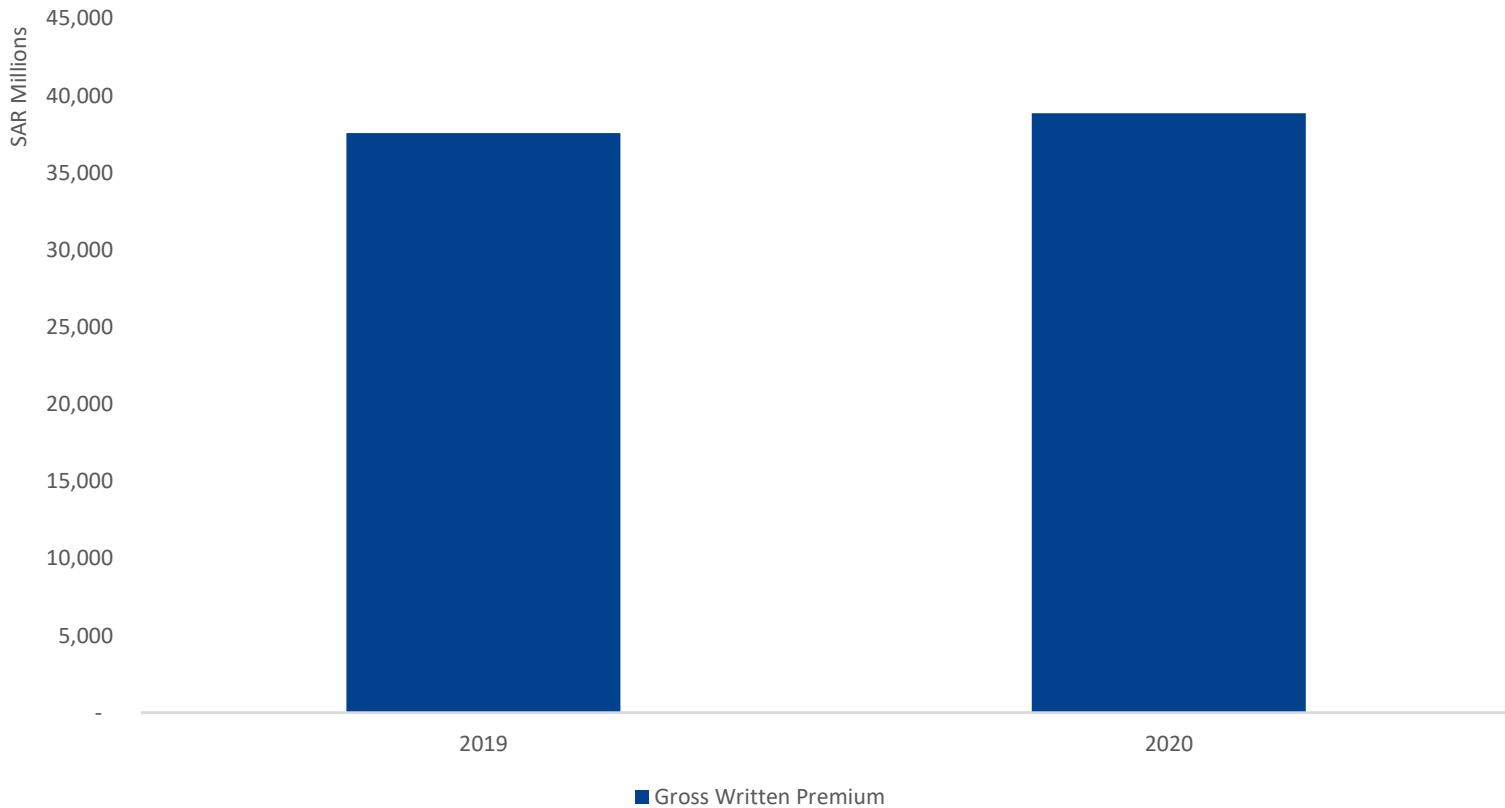
For the 29 listed companies, the GWP grew from SAR 37 billion in YE 2019 to SAR 38 billion in YE 2020 highlighting a growth of 3.5%. Without Saudi Re, the GWP of the industry has increased from SAR 36 billion in YE 2019 to SAR 37 billion in YE 2020 signifying a growth of 3.14%.

Gross Written Premium



GROSS WRITTEN PREMIUMS

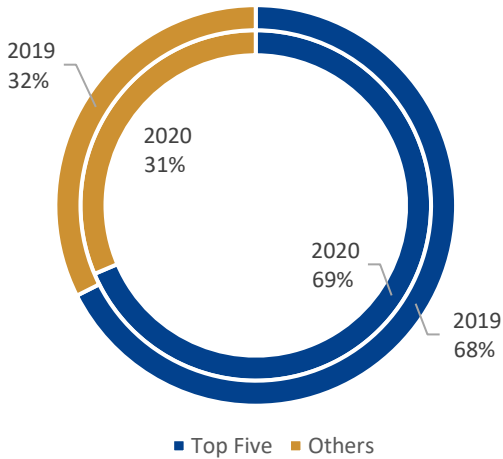
Gross Written Premium



If we include the numbers for SSTC and Al Ahlia for the year 2020 to give a like to like comparison against previous year i.e., 2019 in the industry, then for the 31 listed companies the GWP has grown from SAR 37.5 billion in YE 2019 to SAR 38.9 billion in YE 2020 highlighting a growth of 3.5%. Without Saudi Re, the GWP of the industry has increased from SAR 36.8 billion in YE 2019 to SAR 37.9 billion in YE 2020 signifying a growth of 3.14%.

GROSS WRITTEN PREMIUMS

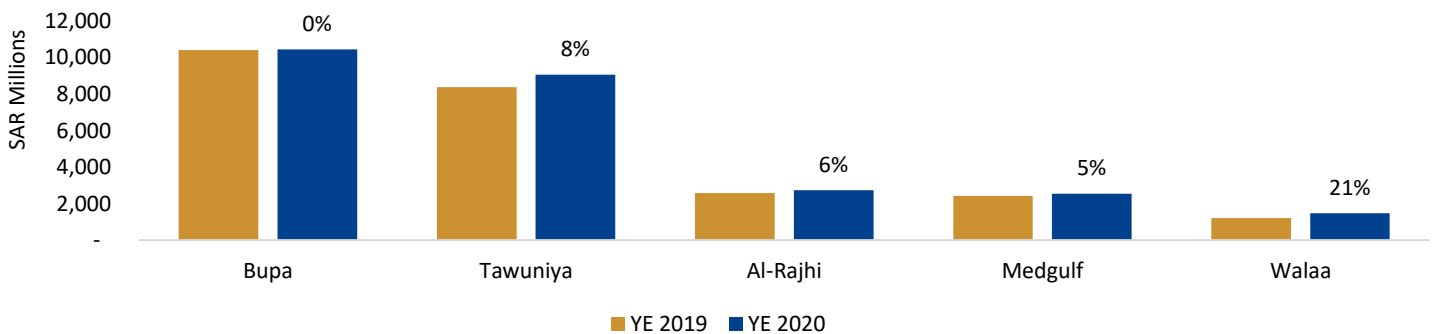
GWP DISTRIBUTION



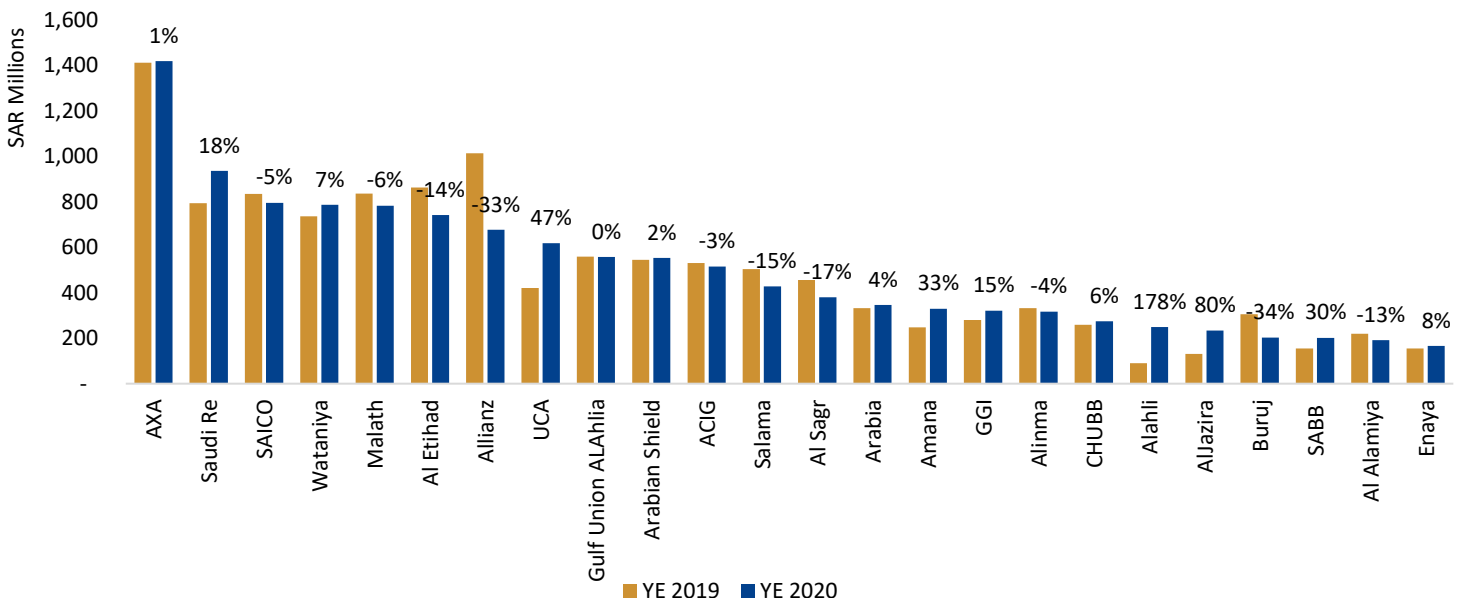
The top 5 companies have a combined premium of SAR 26.2 billion in YE 2020 as compared to SAR 25 billion in YE 2019.

The highest GWP growth in YE 2020 has shown by Al-Ahli with an increase of 178% in premiums compared to the corresponding period of YE 2019. The largest decline over the same period has shown by Buruj with a decrease of 34% compared to the corresponding period of YE 2019.

TOP FIVE

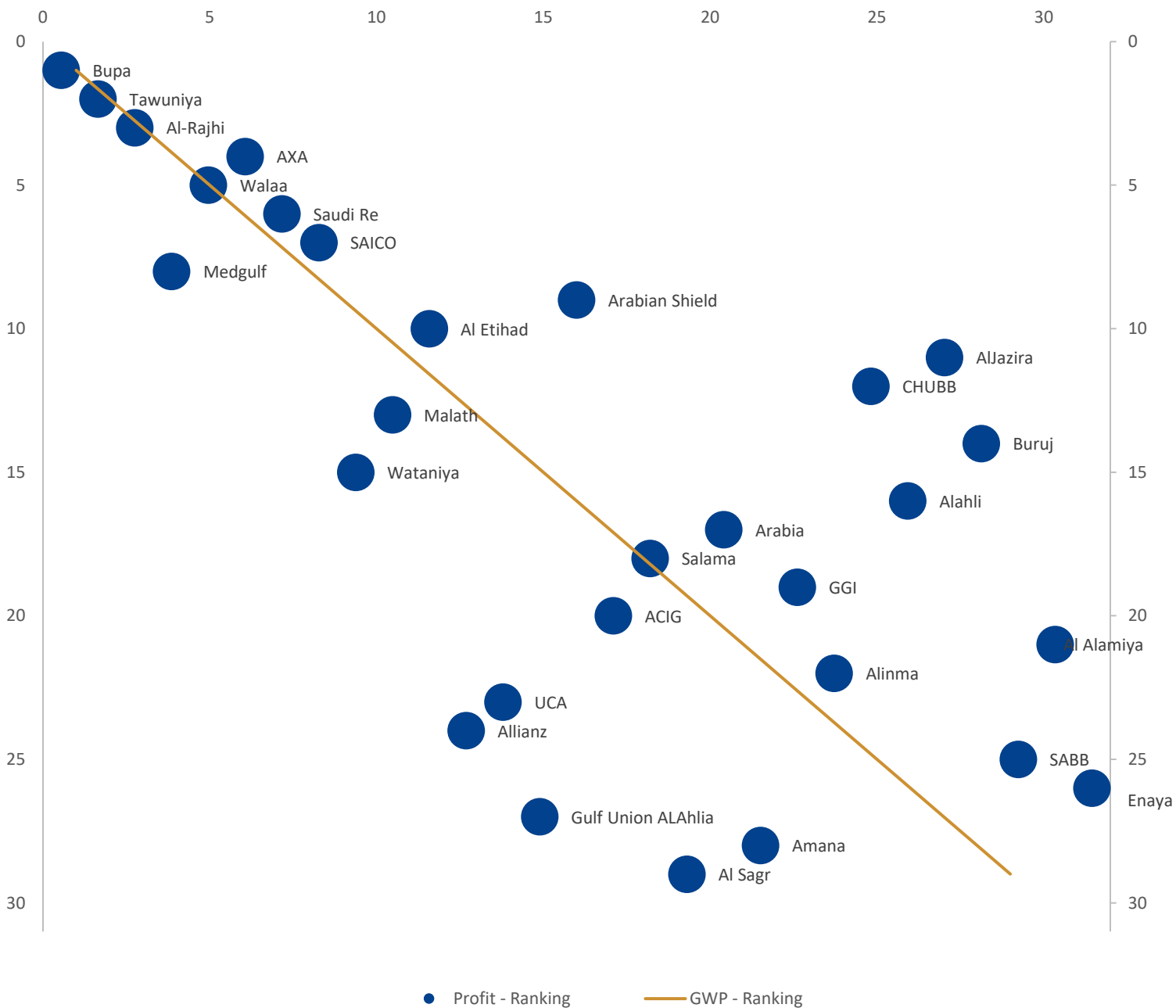


OTHERS



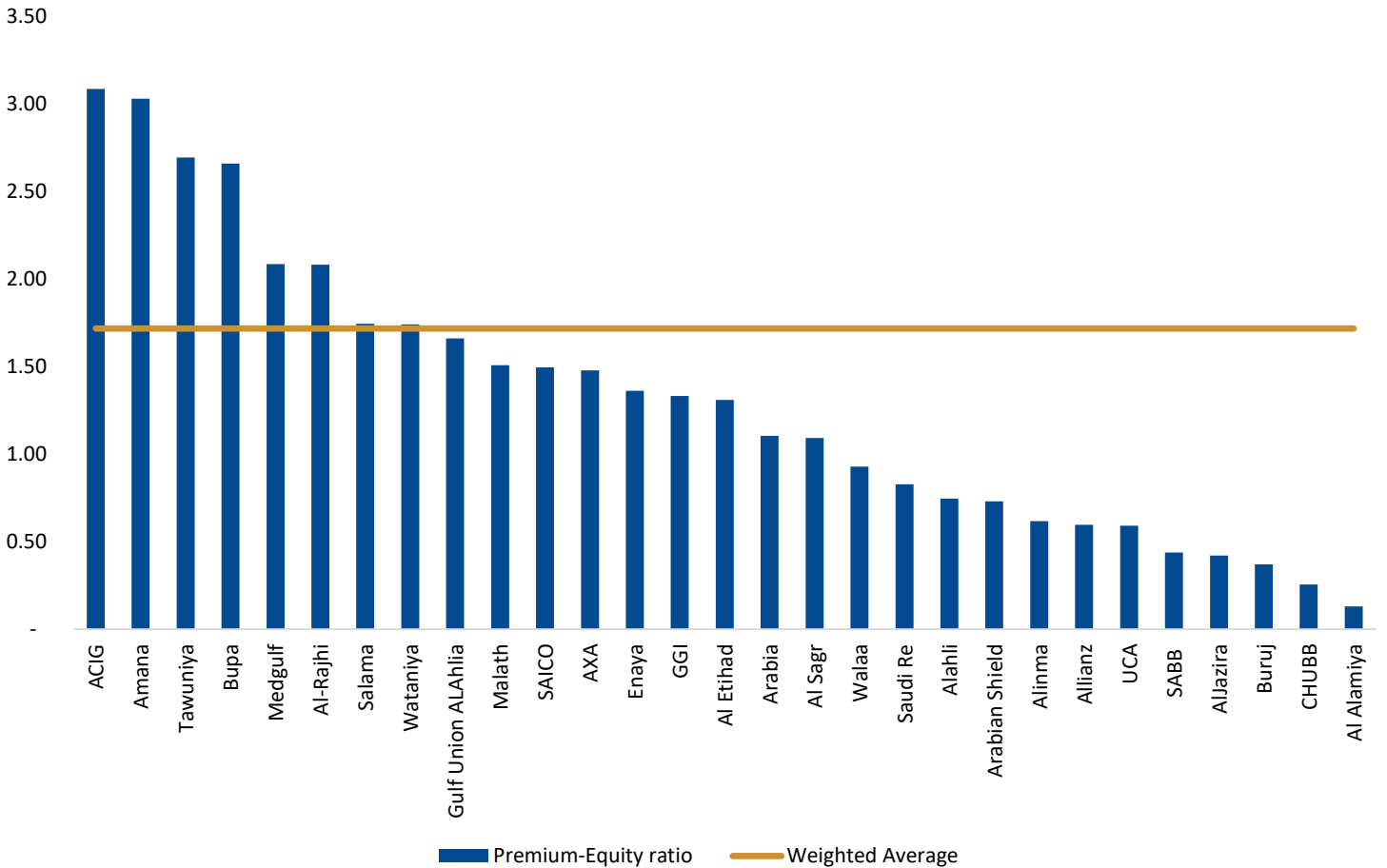
GROSS WRITTEN PREMIUMS

RANKING



NWP TO EQUITY RATIO

Premium to Equity Ratio



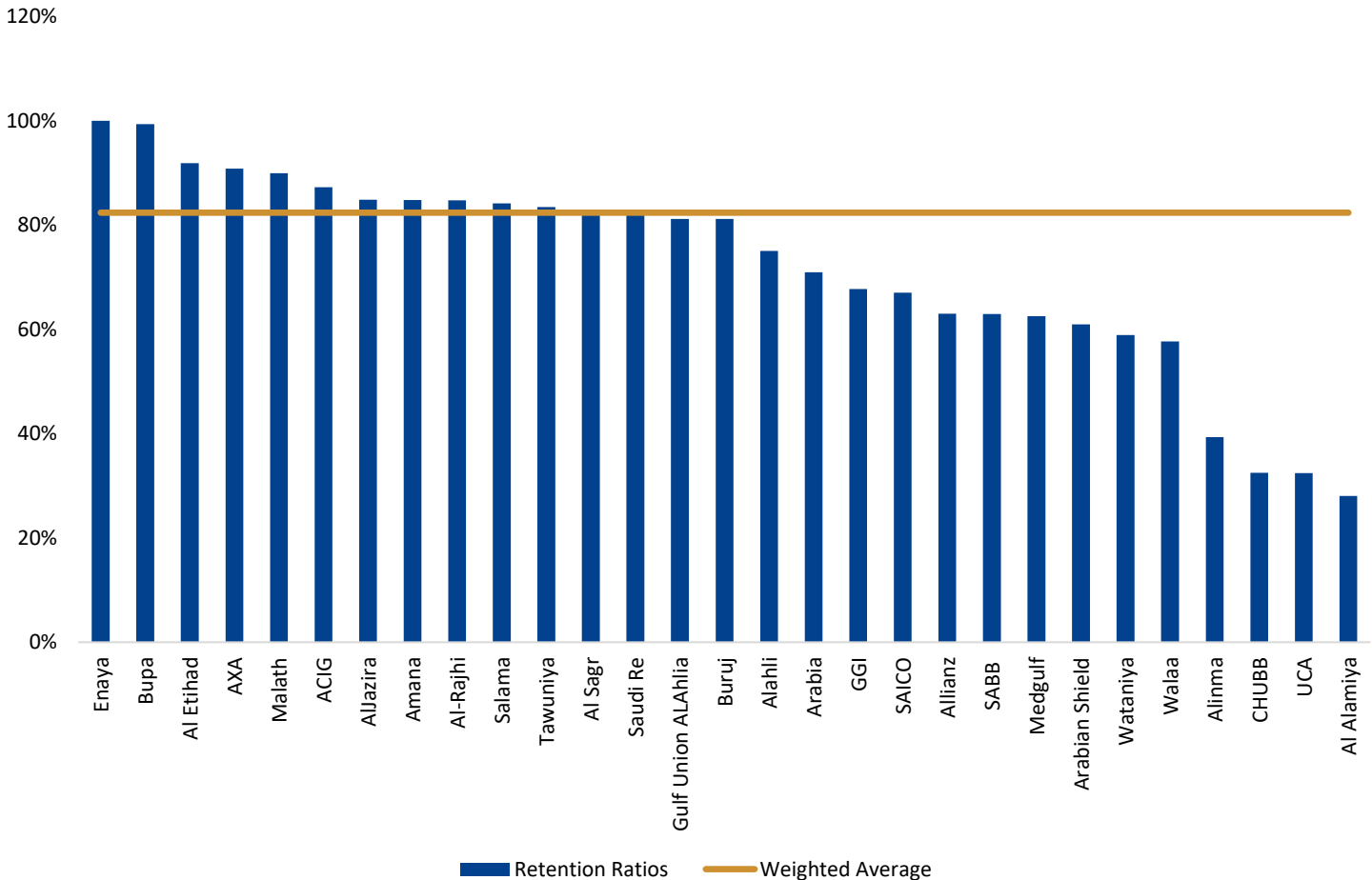
The highest Premium to Equity ratio for 2020 is 3.09, shown by ACIG, whereas the lowest ratio of 0.13 is reflected Al Alamiya.

Weighted average gearing ratio for the market is 1.72.

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium of YE-2020 to Total Equity as at YE-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 2020 of 100% is reflected by Enaya, whereas the lowest retention ratio of 28% is reflected by Al Alamiya.

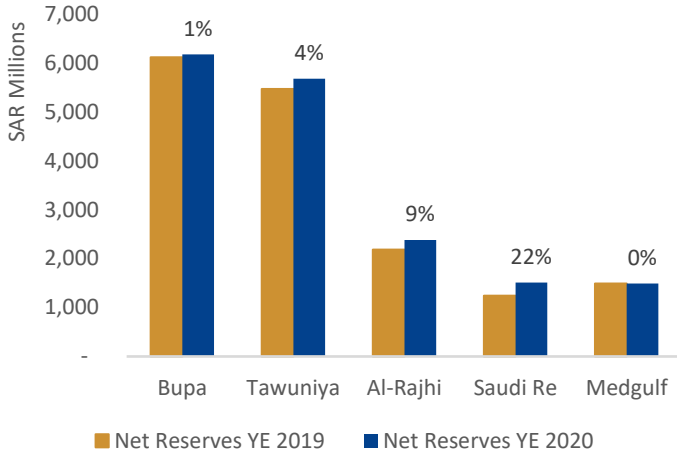
The weighted average retention ratio for listed companies stood at 82%.

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

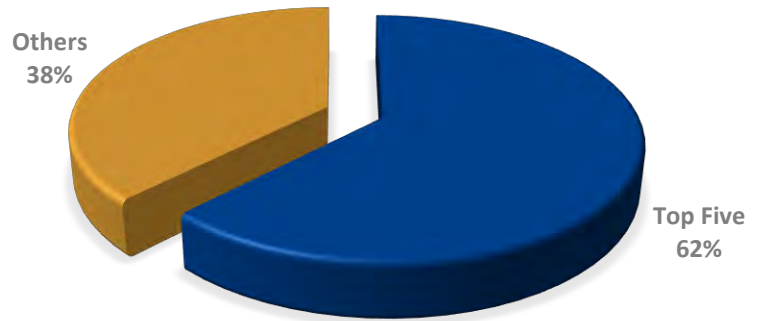
Although there may be exceptions, retention ratios are generally reflective of the lines of business being underwritten; Motor and Medical generally tend to have high retention ratios, while commercial lines such as Aviation, Engineering and Fire tend to have lower retentions. Also, since this analysis 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



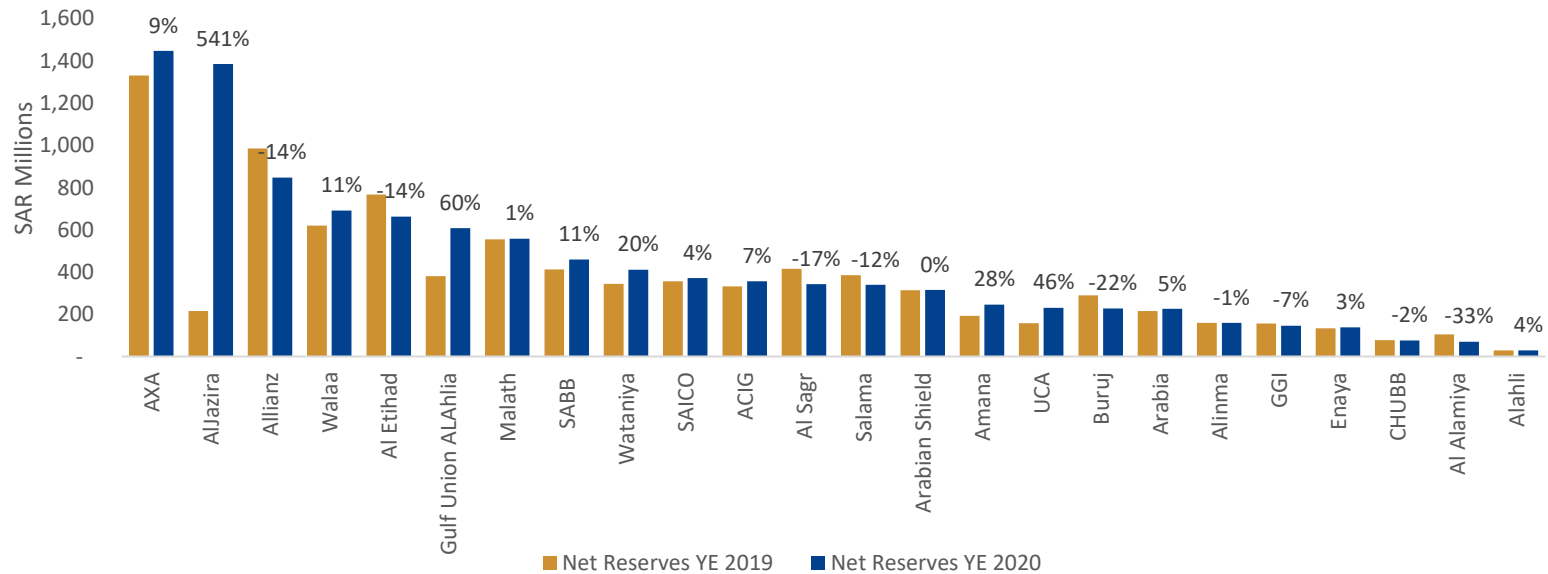
NET RESERVES



Total net reserves as at YE 2020 are SAR 27.6 billion.

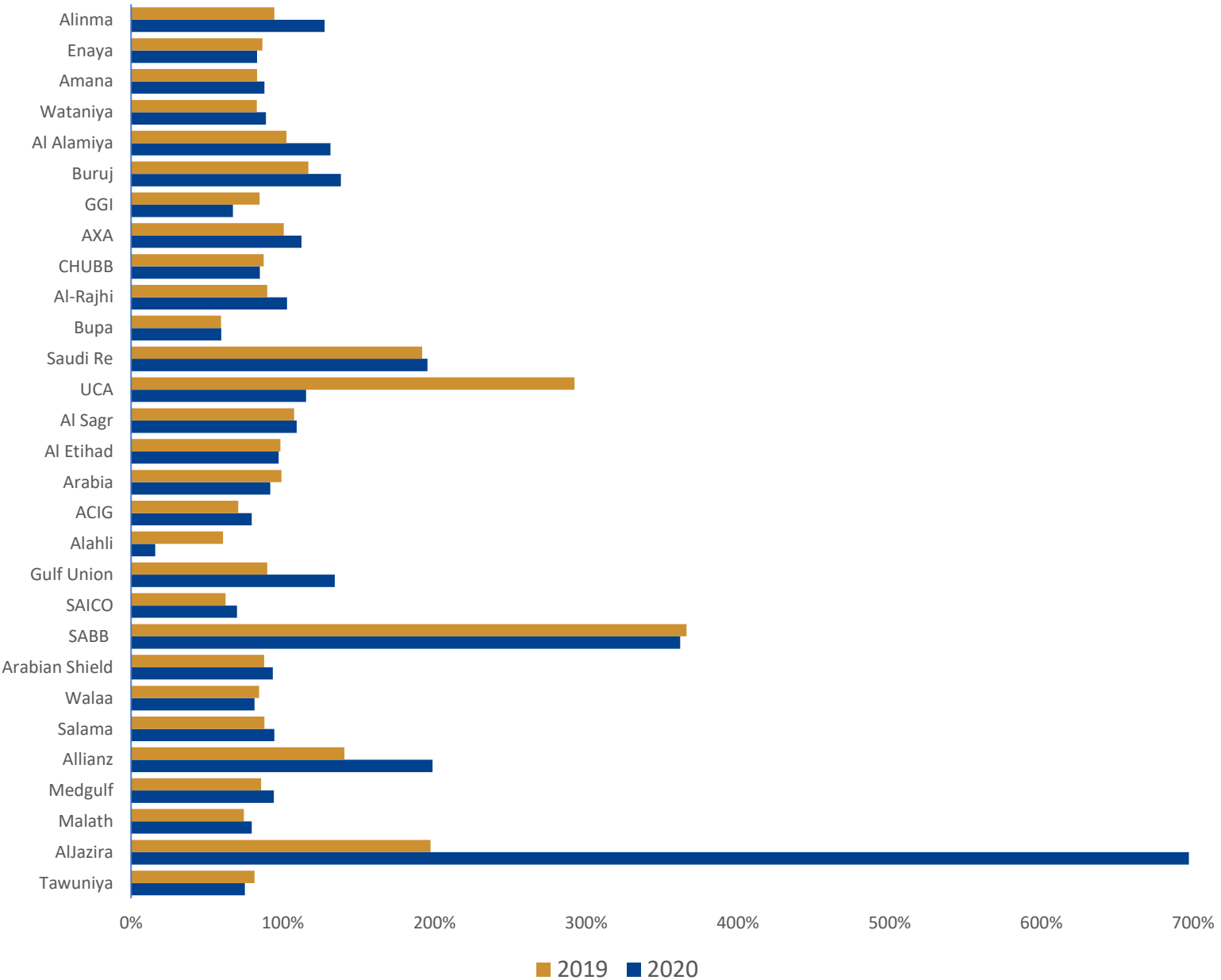
Total Net Reserve of top five companies by Net Reserves as at YE 2020 is SAR 17.2 billion.

OTHERS



NET TECHNICAL RESERVES

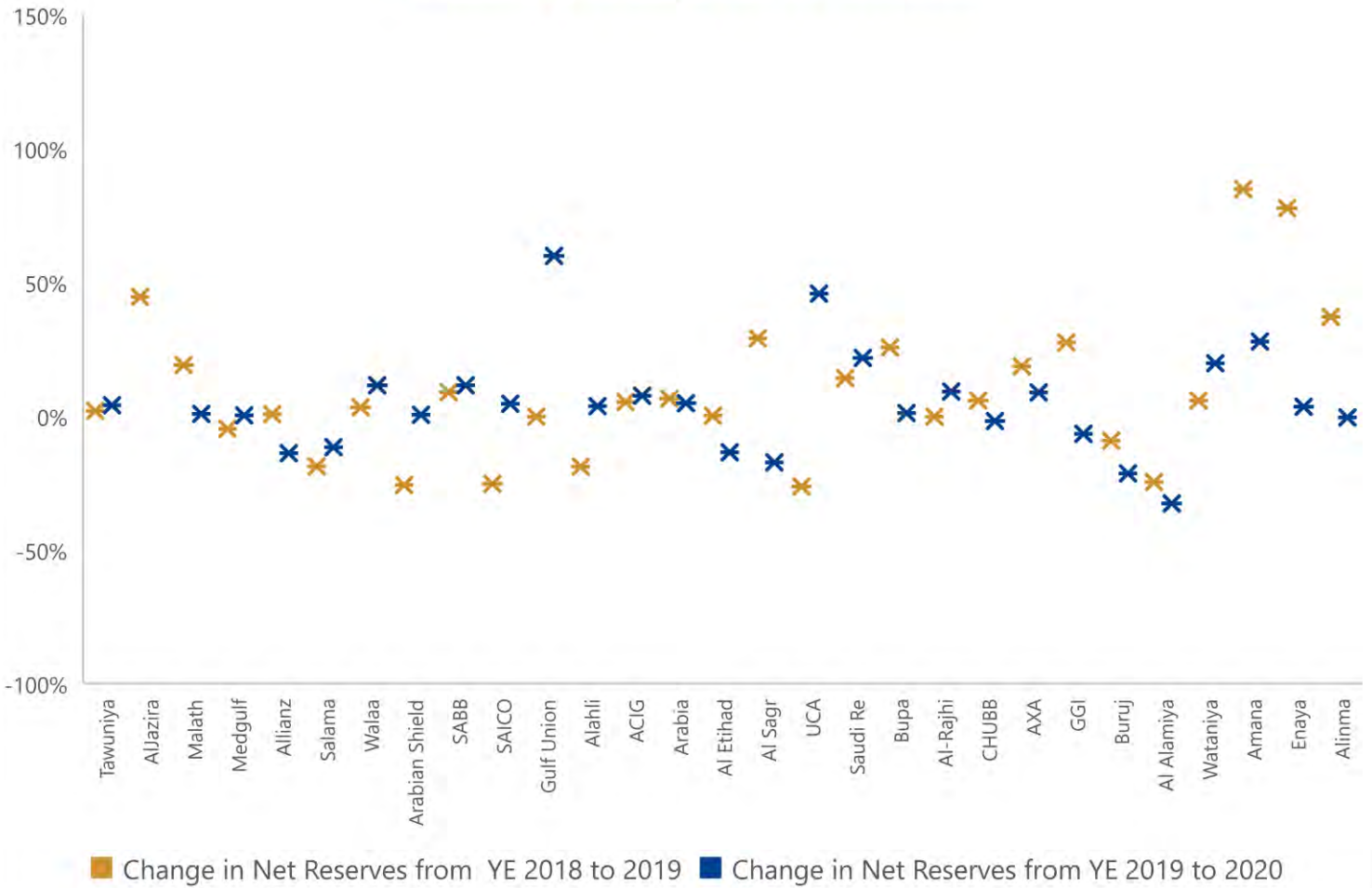
% of Net Reserves to Net Written Premium over the years



The graph above shows the proportion of each company's Net Reserves to its Net Written Premium.

NET TECHNICAL RESERVES

Percentage Change in Net Reserves

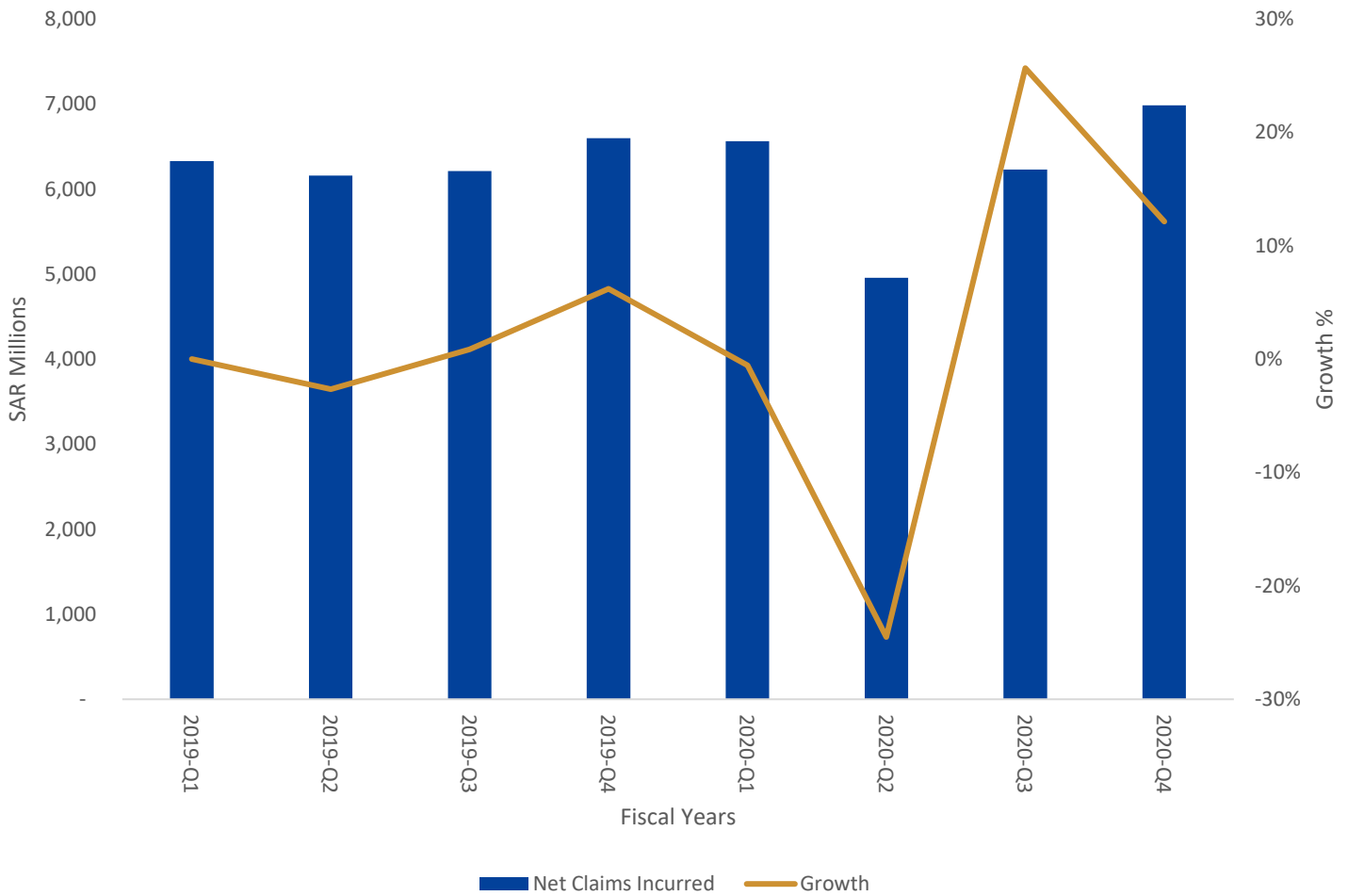


Al Alamiya has witnessed a highest decrease in its Technical Reserves from YE 2019 to YE 2020 by 33%.

Al Jazira recorded a growth of 541% in its Net Reserves from YE 2019 to YE 2020.

NET CLAIMS INCURRED & GROWTH

Net Claims Incurred & Growth

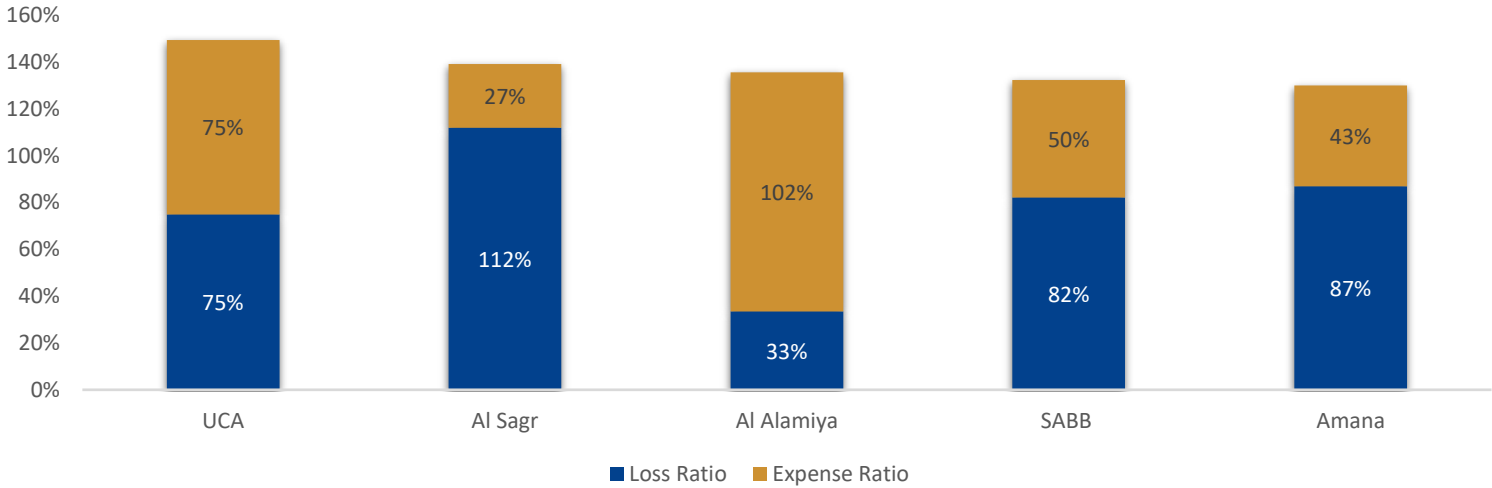


The Growth of Net Claims Incurred has followed an uneven pattern. Major decline in the claims has been witnessed from 2020 Q1 to 2020 Q2, which is primarily due to the outbreak of COVID-19.

Net claims Incurred has increased by 12% from 2020 Q3 to 2020 Q4.

COMBINED RATIO

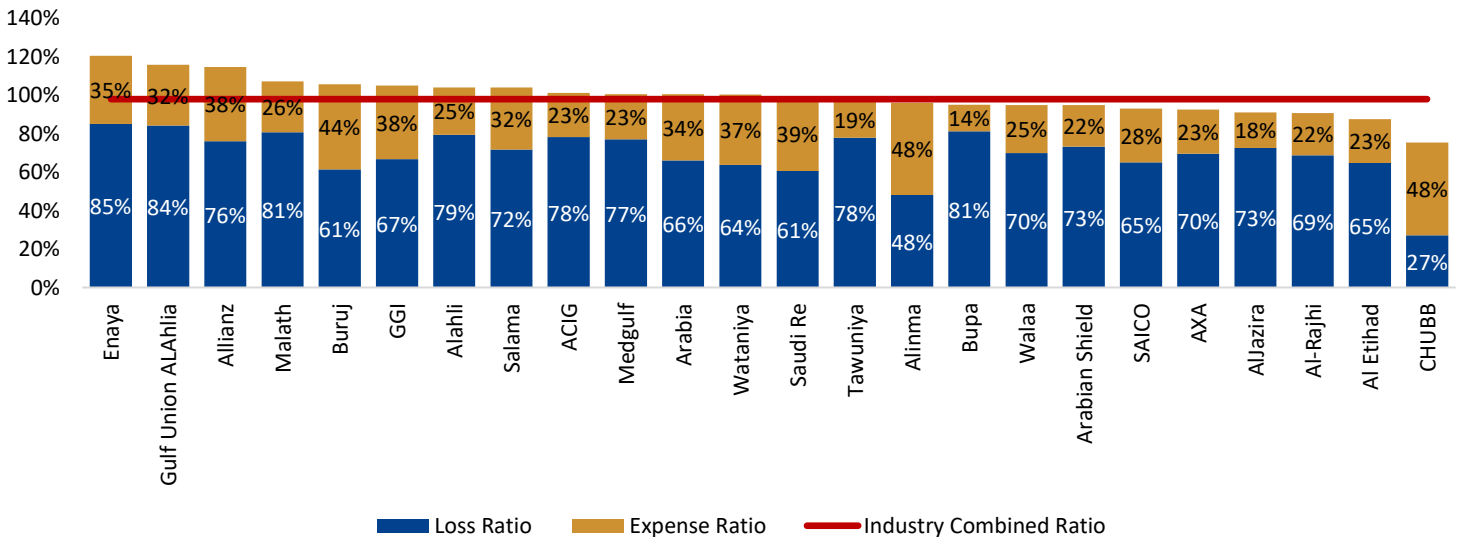
TOP FIVE - COMBINED RATIO



The weighted average combined ratio for YE-2020 is 98% compared to 101% in YE-2019.

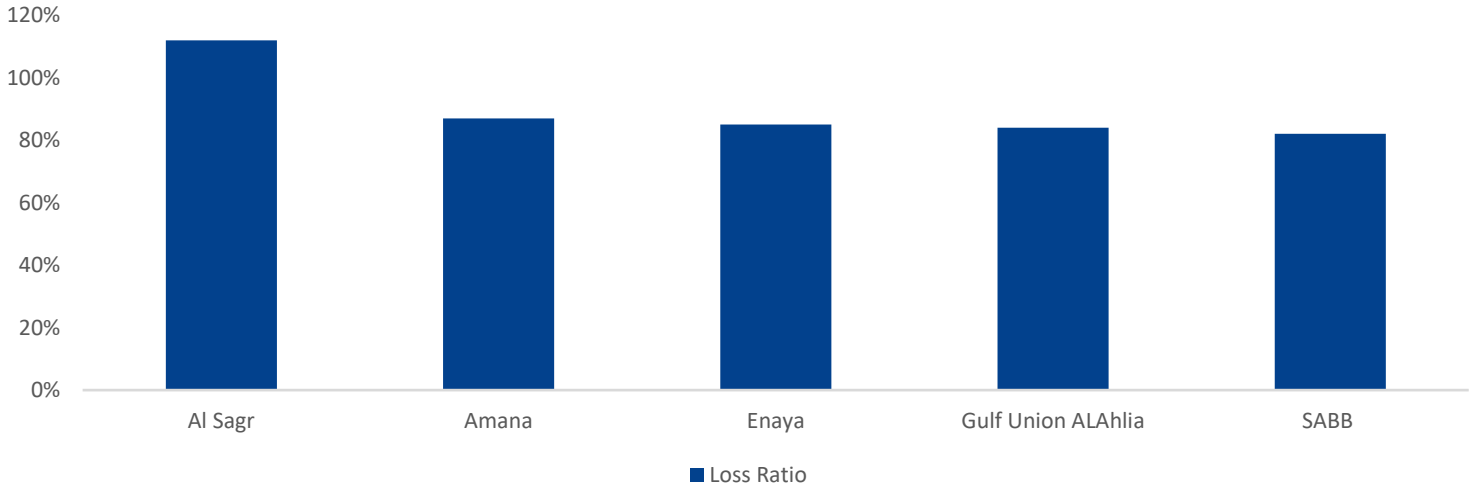
Highest combined ratio of 149% was shown by UCA while the lowest 75% combined ratio was reflected by CHUBB.

OTHERS



LOSS RATIO

TOP FIVE - LOSS RATIO

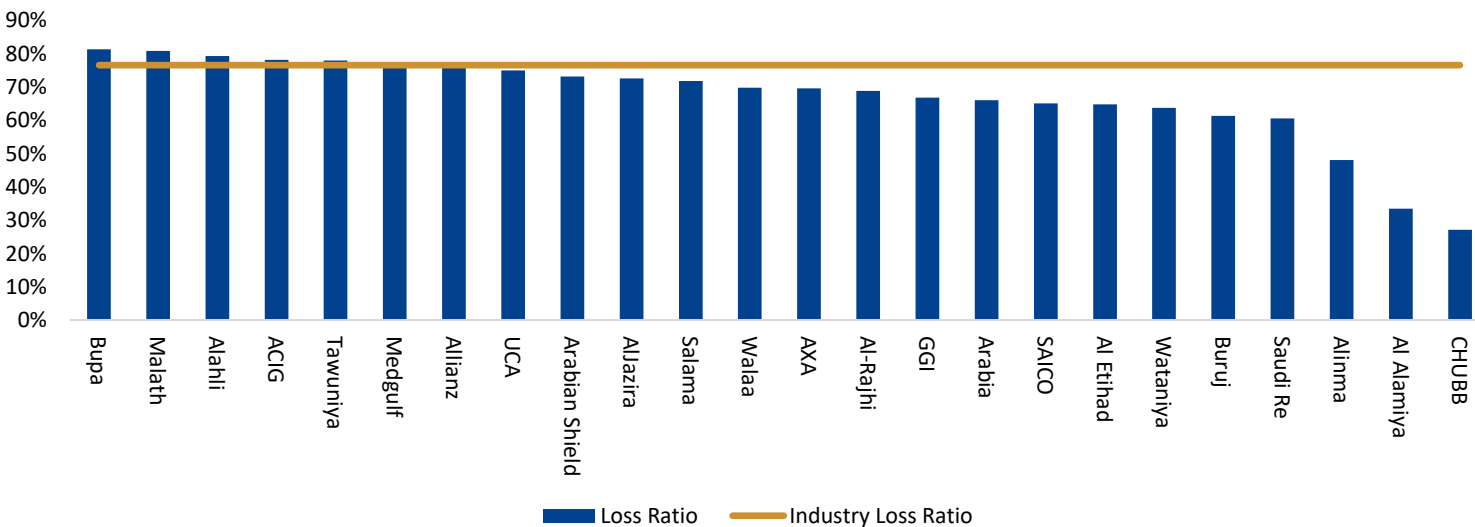


During 2020, weighted average loss ratio remained at 77% however, in YE 2019 it stood at 82%; implying a decrease in market loss ratio primarily due to COVID related Lockdown.

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

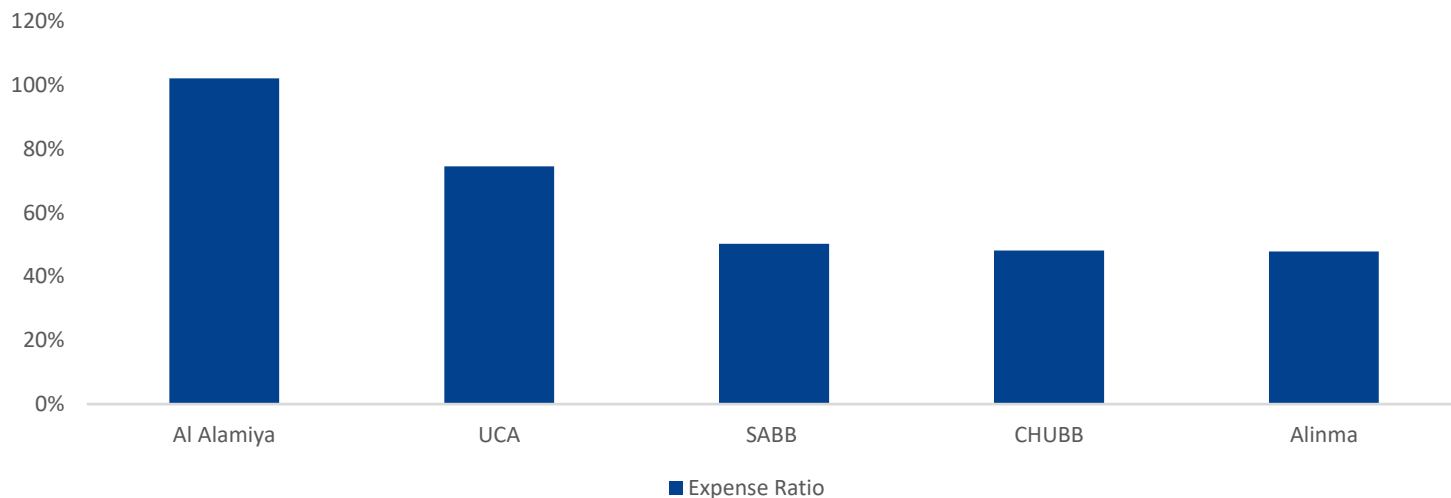
Highest Loss ratio of 112% is shown by Al Sagr whereas the lowest of 27% is shown by CHUBB.

OTHERS - LOSS RATIO



EXPENSE RATIO

TOP FIVE - EXPENSE RATIO

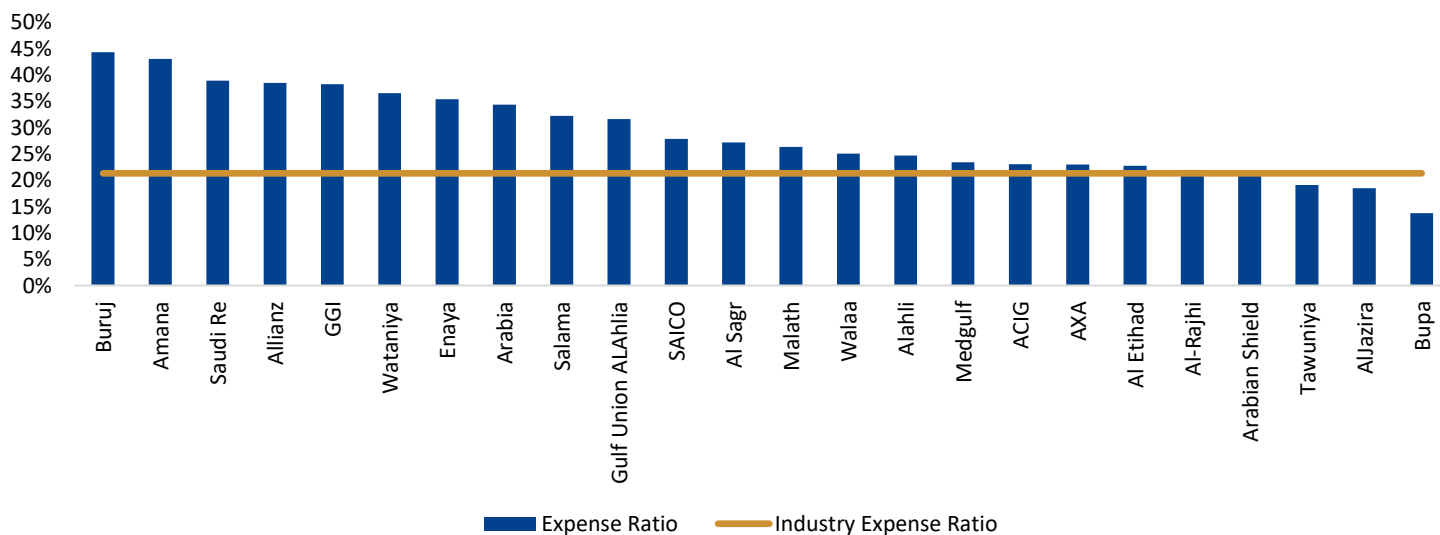


During 2020, weighted average Expense ratio remained at 21% however, in YE 2019 it stood at 19% ; implying an increase in market Expense ratio.

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

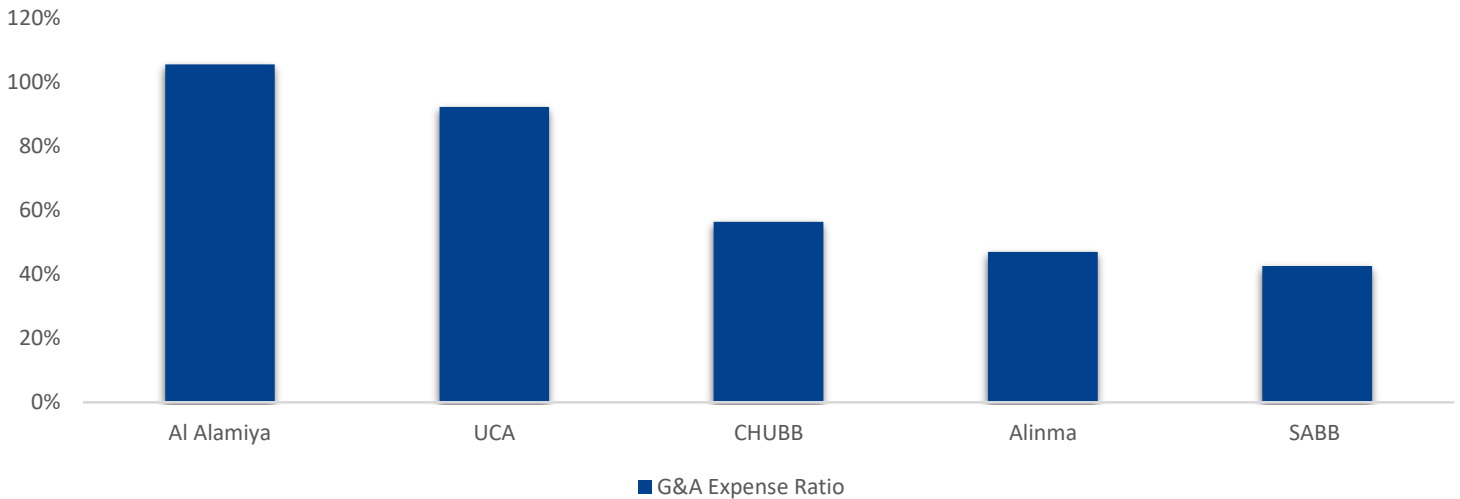
Highest Expense ratio of 102% is shown by Al Alamiya whereas the lowest is of 14% is shown by Bupa.

OTHERS - EXPENSE RATIO



G&A EXPENSE

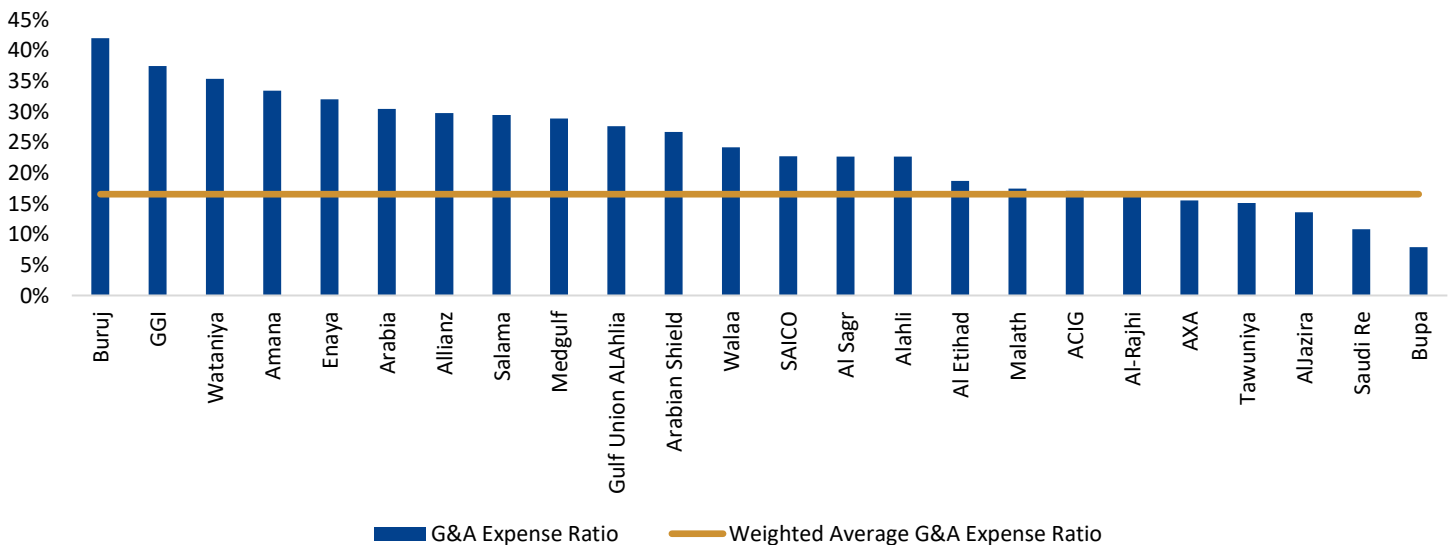
TOP FIVE



Weighted average G&A Expense ratio for the industry is 16.5% for YE-2020 compared to 15.6% in YE 2019 i.e., an increase of 0.9%.

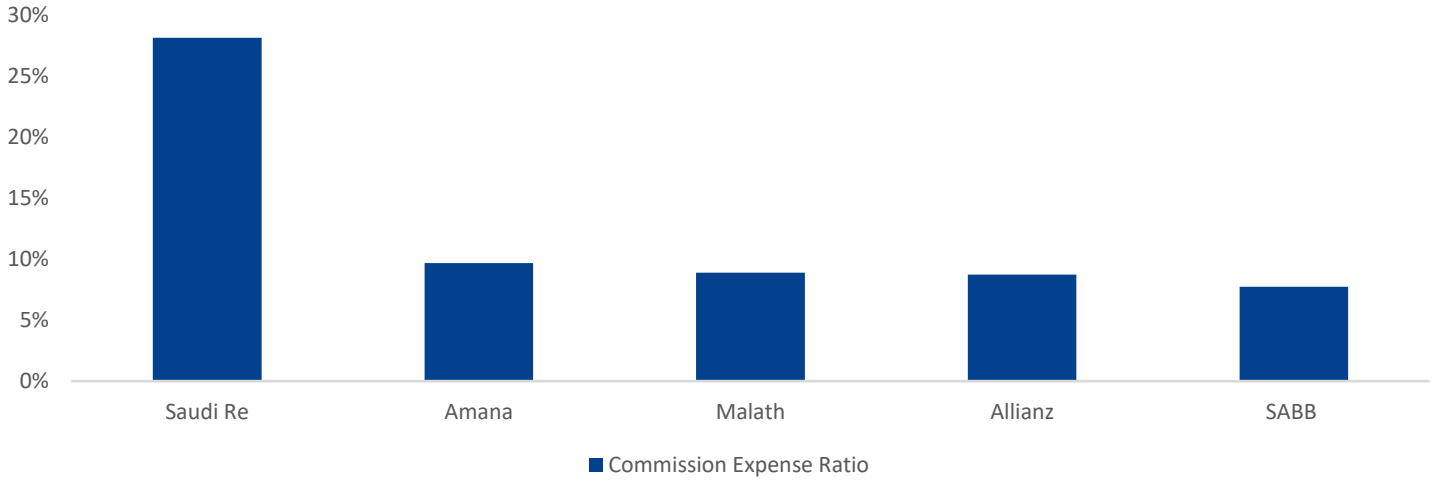
Among all Al Alamiya has the highest expense ratio of 105% whereas the lowest expense ratio of 8% is reflected by Bupa.

OTHERS



COMMISSION EXPENSE

TOP FIVE

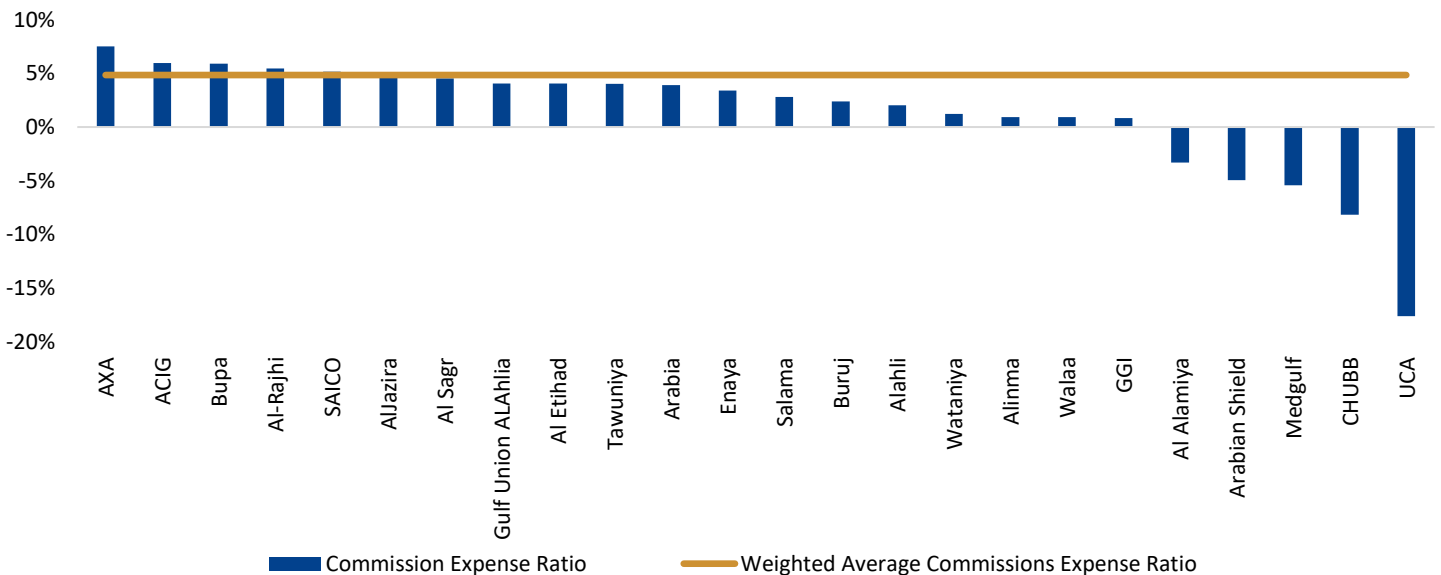


Saudi Re showed the highest commission expense ratio for YE-2020 of 28%, whereas the lowest expense ratio of -18% is reflected by UCA.

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

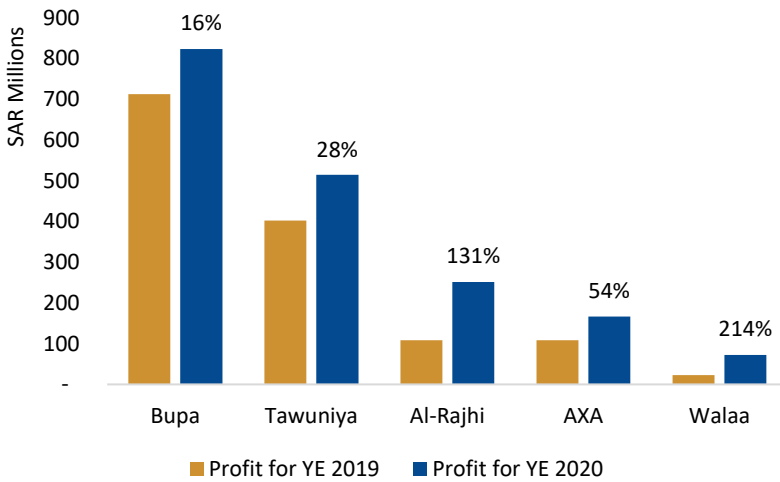
Since Saudi Re has a different nature of business, the second highest commission expense ratio of 10% is achieved by Amana.

OTHERS



PROFIT COMPOSITION

TOP FIVE



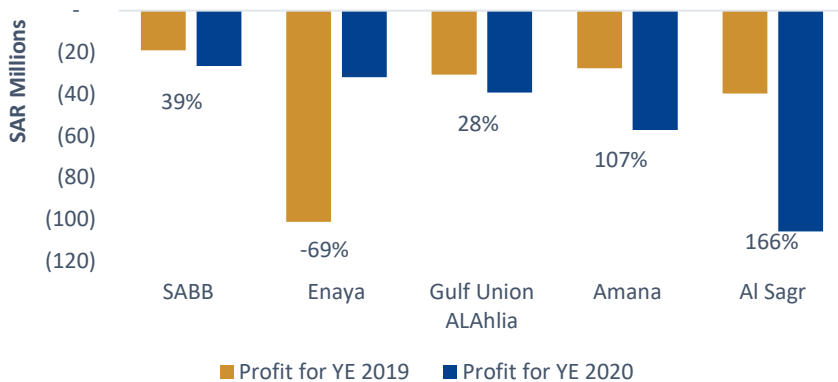
The term Profit indicates the Total Profit/Loss attributed to Shareholders before Zakat and Tax deductions.

Bupa booked the highest profit during 2020 of **SAR 823.67 million** as compared to a profit of **SAR 712.65 million** for the corresponding period of 2019.

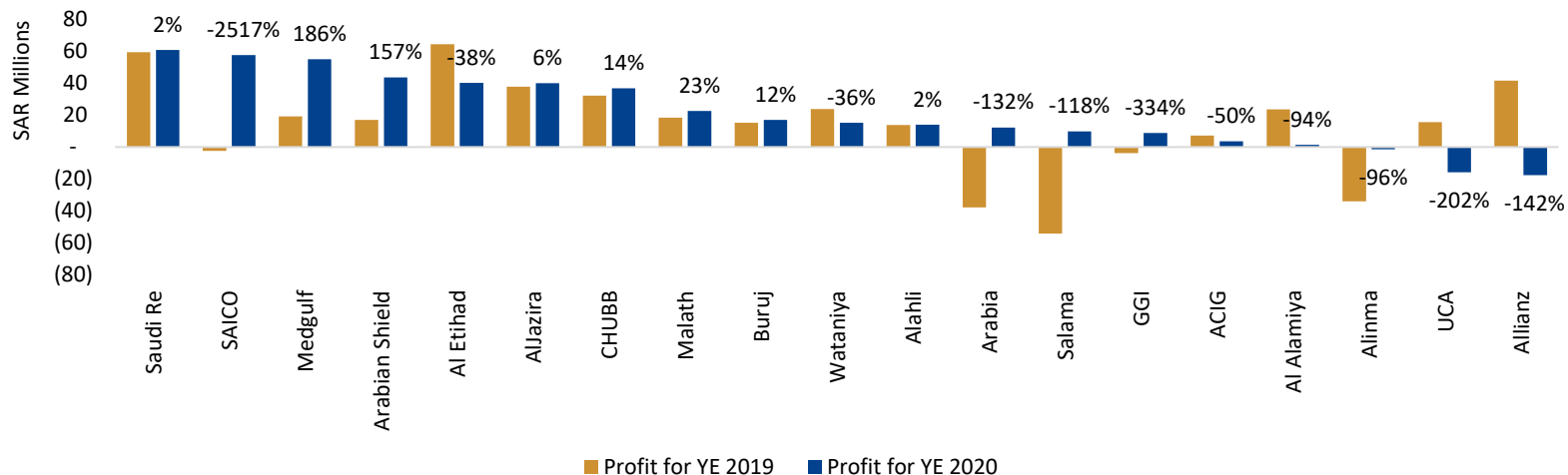
Al Sagr booked the highest loss of **SAR 105.98 million** in 2020 as compared to a loss of approximately **SAR 39.86 million** in the corresponding period of 2019.

Net profit generated by 29 Companies in the industry for 2020 amounted to **SAR 1,972 million** compared to a profit of **SAR 1,393 million** for the corresponding period of 2019, which is an increase of around **42%**.

BOTTOM FIVE

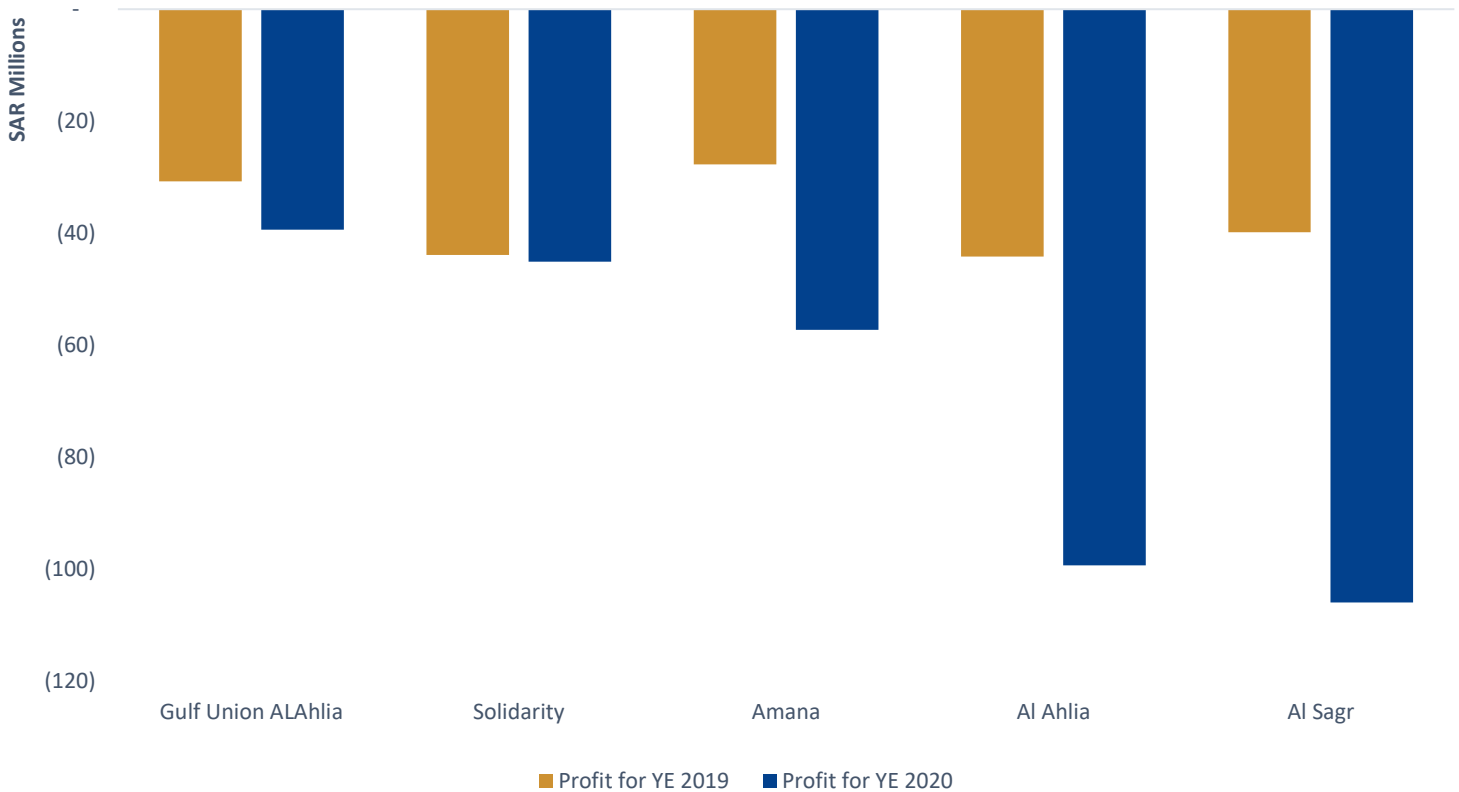


OTHERS



PROFIT COMPOSITION

BOTTOM FIVE



To have a like to like comparison with last year; if we include the estimated numbers for SSTC and Al Ahlia, this would be the position:

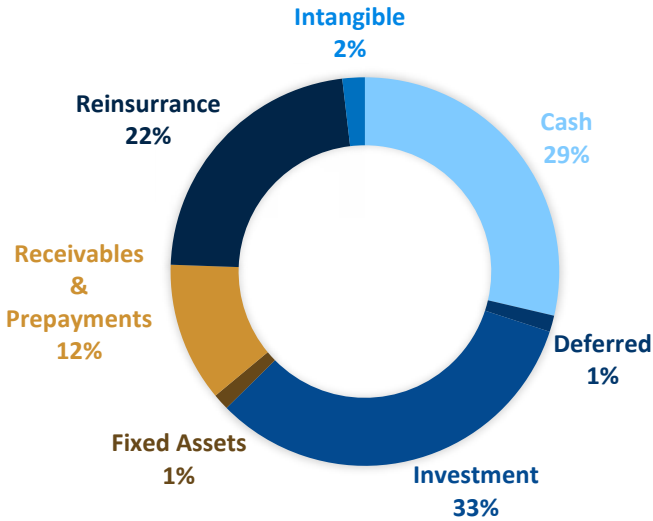
The term Profit indicates the Total Profit/Loss attributed to Shareholders before Zakat and Tax deductions.

Net profit would be generated by the 31 companies in the industry for 2020 amounted to **SAR 1,828 million** compared to a profit of **SAR 1,305 million** for the corresponding period of 2019, which is an increase of around **40%**.

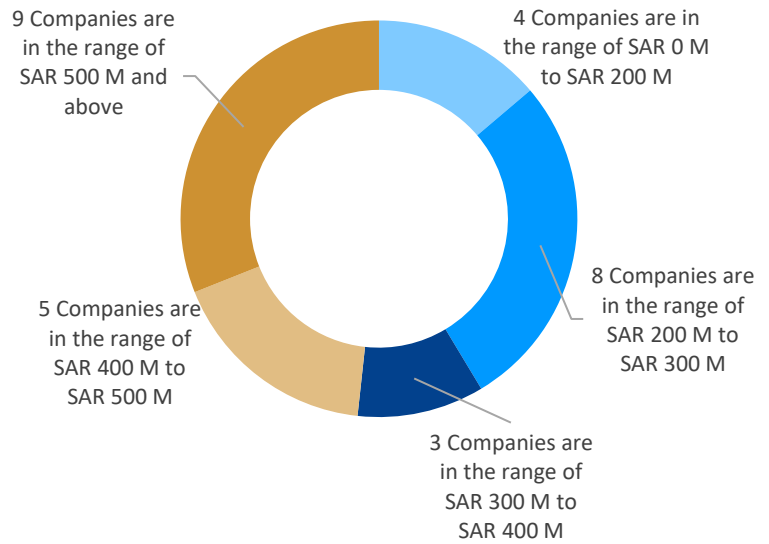
Al Ahlia and SSTC would be in the Bottom 5 Companies.

ASSETS & SHAREHOLDER EQUITY ANALYSIS

ASSETS CLASSIFICATION

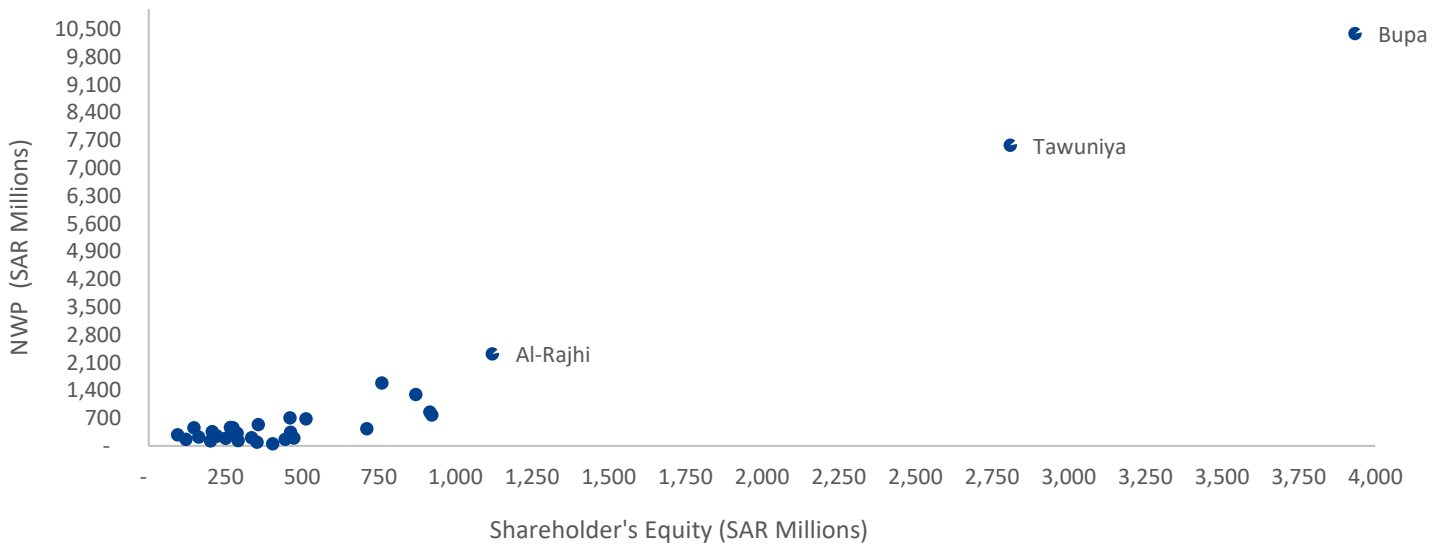


EQUITY SIZE & COMPANIES

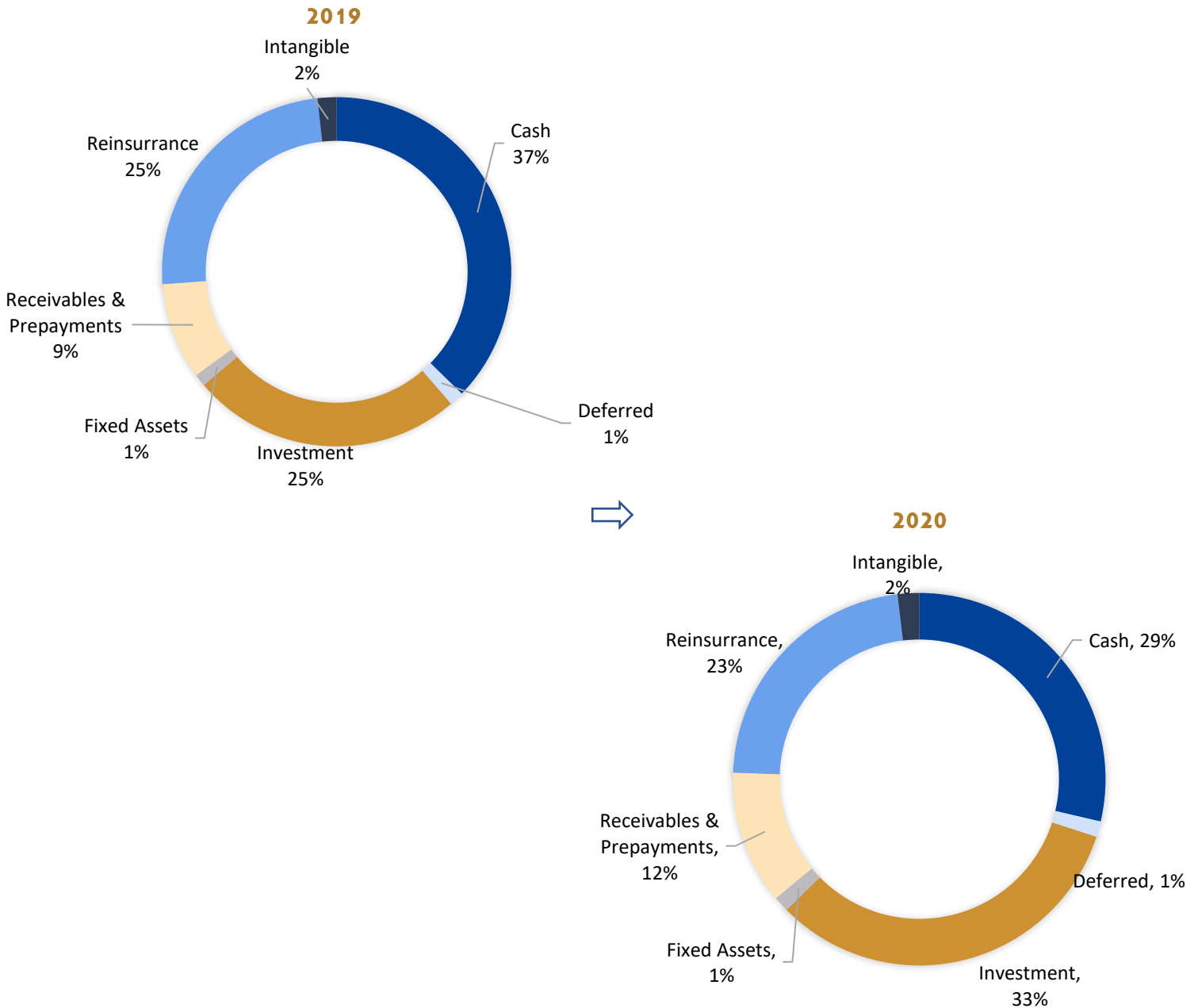


As at December 2020, around half the companies have total shareholder's equity of more than SAR 400 Million, with 9 being over SAR 500 million

Insurance Companies' Equity vs NWP



EVOLUTION IN CLASSIFICATION OF ASSETS

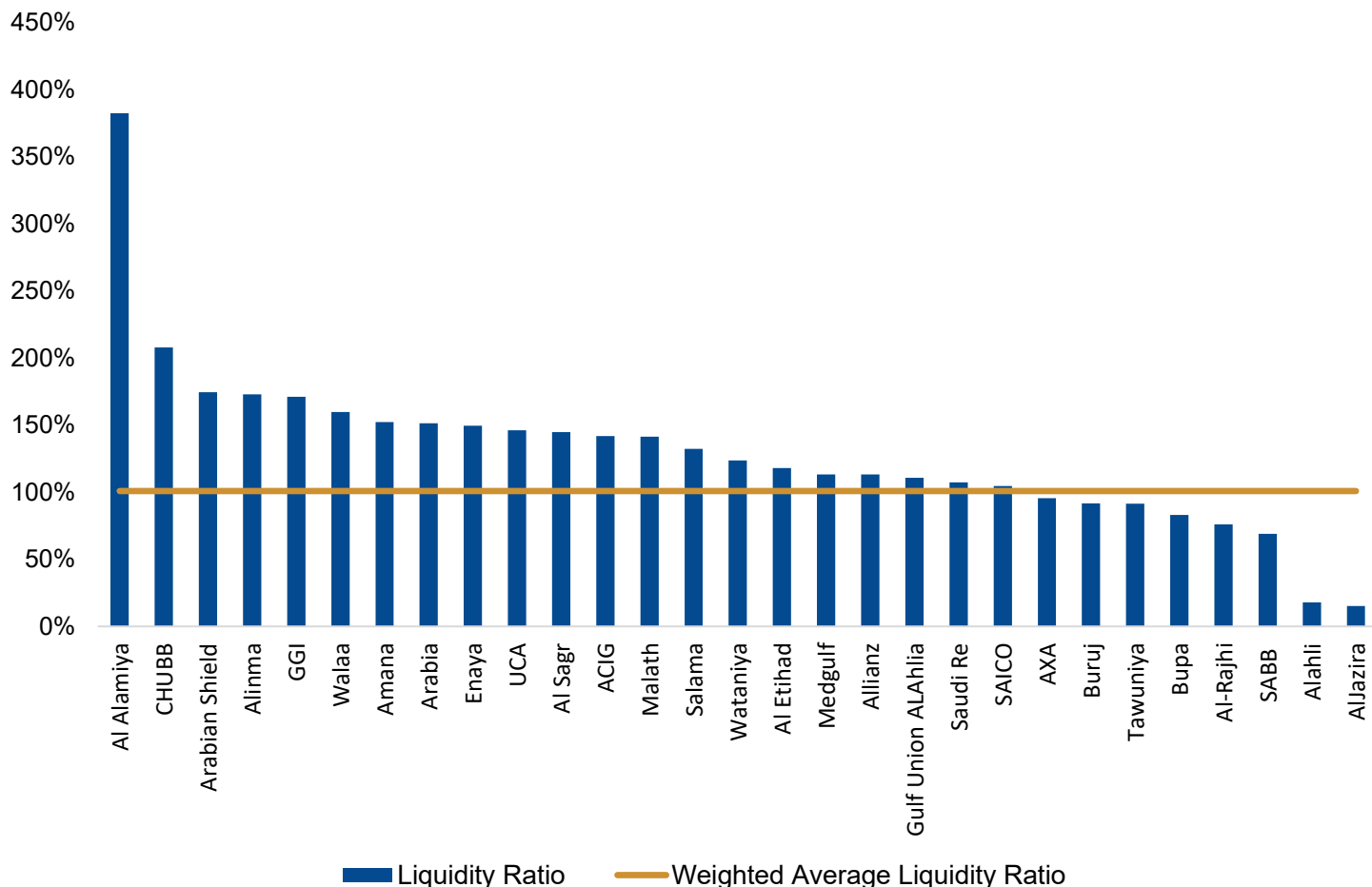


The charts above show the Industry's Asset breakdown and how the contribution in each kind of assets has changed during the year.

Receivables and Prepayments have decreased. Similarly, Reinsurance Assets and the contribution of Cash in total Assets have decreased whereas Intangible, Deferred, and Fixed Assets have been constant between 2019 and 2020. Lastly, Investment Assets has increased by 8%.

LIQUIDITY RATIO

LIQUIDITY



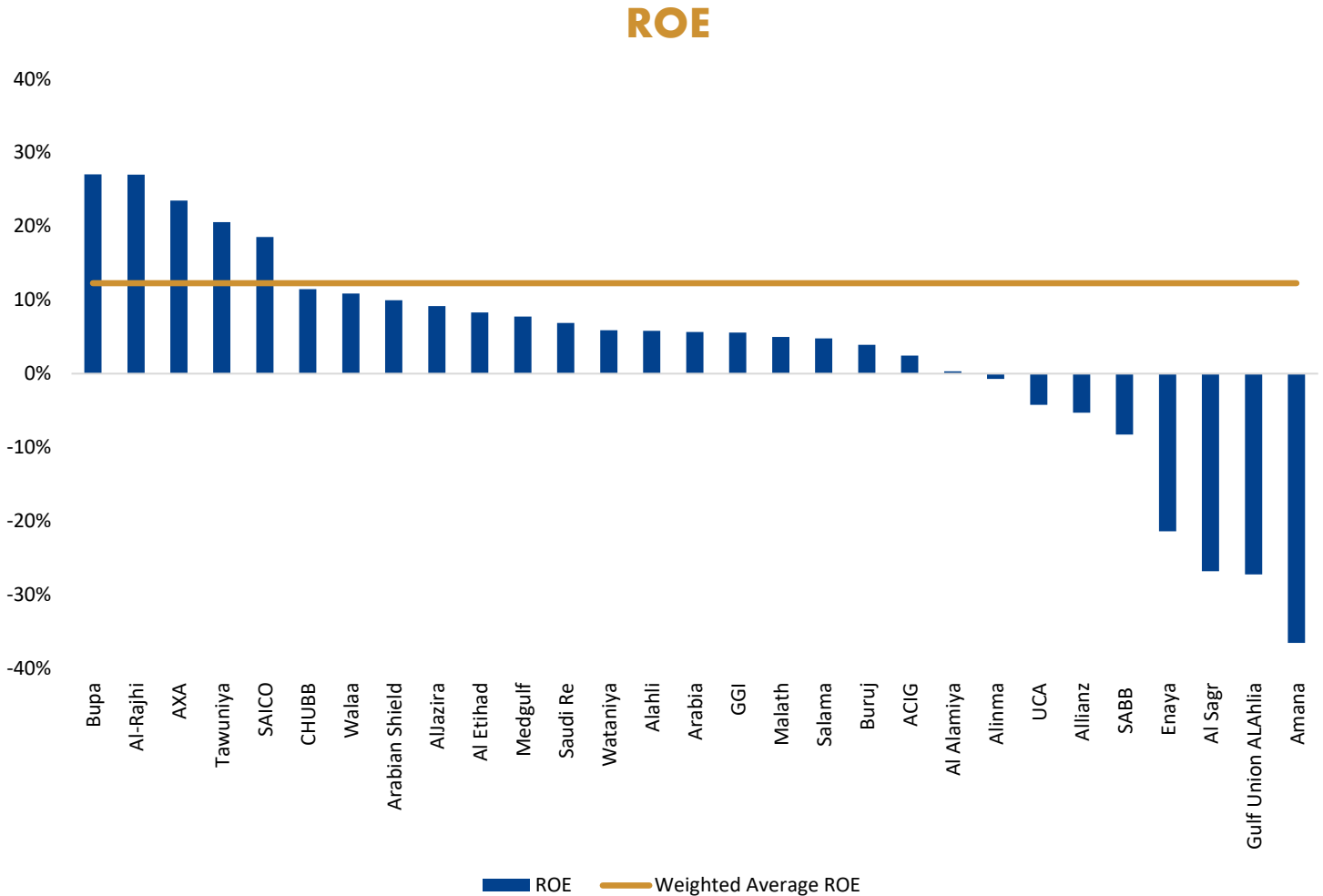
The highest Liquidity Ratio for 2020 is 383% shown by Al Alamiya, whereas the lowest liquidity ratio of 15% is reflected by Al Jazirah.

Weighted average Liquidity ratio for the market stood at 101%.

The liquidity ratio has been calculated as a ratio of current assets over total net technical reserves as at December 31, 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



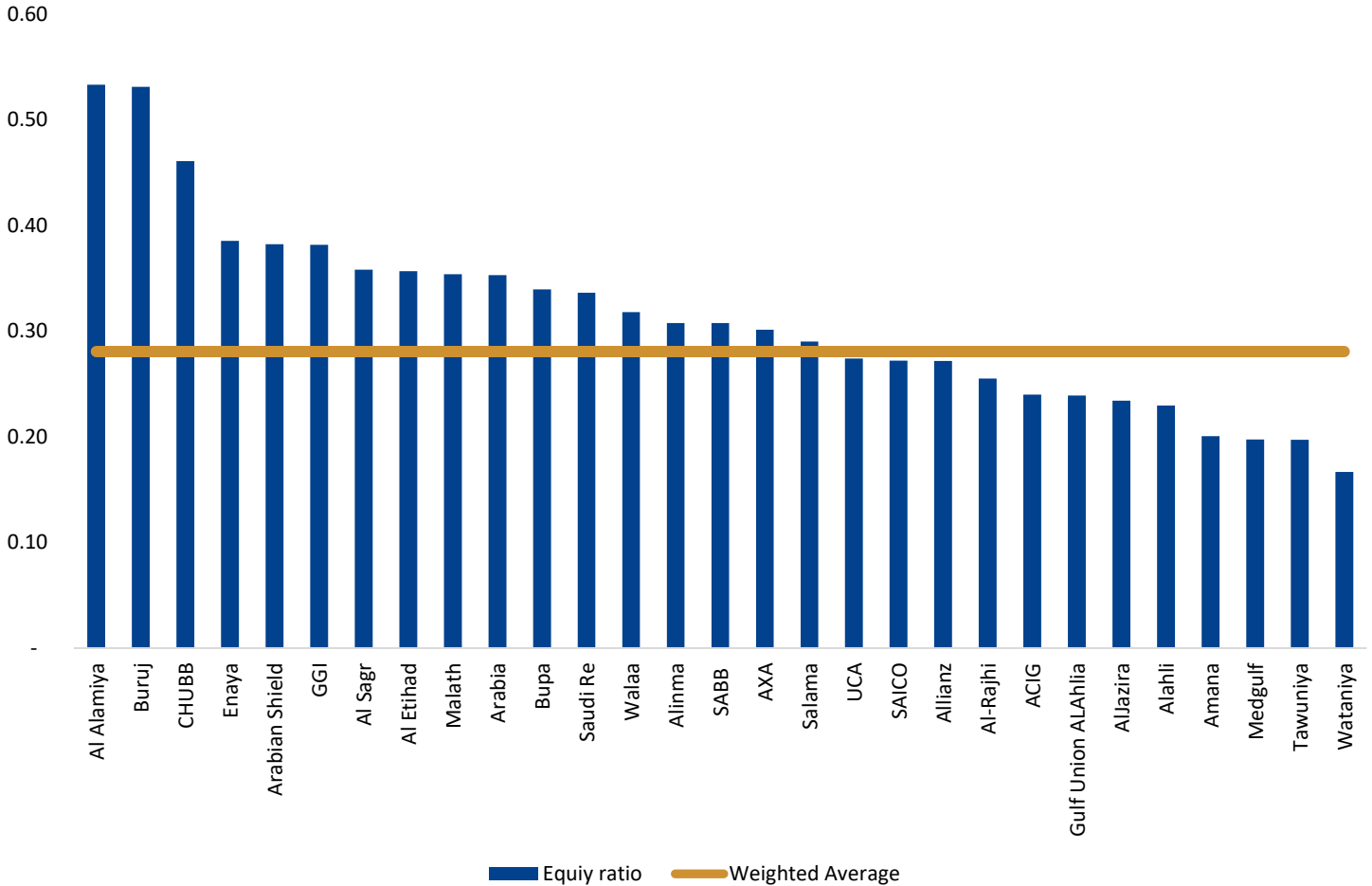
Bupa and Al Rajhi have showed highest return on equity of 27% for YE 2020, whereas the lowest return on equity of -37% is reflected by Amana for the same period.

Industry weighted average return on equity for the is at 12% compared to 9% For YE 2019.

The return on equity has been calculated as a ratio of net profit of YE-2020 to Equity as at the beginning of 2020.

EQUITY RATIO

EQUITY RATIO



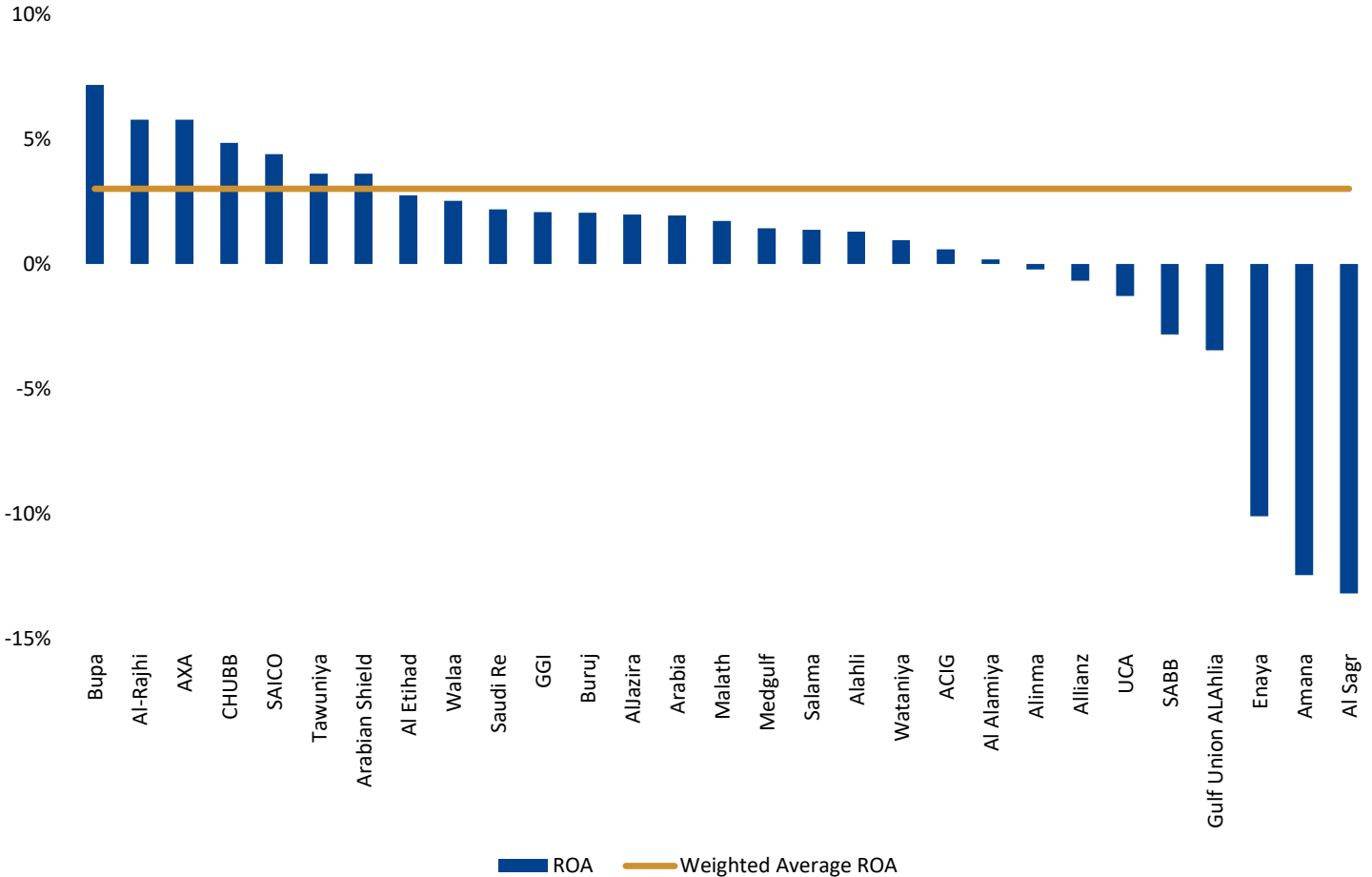
The highest Equity ratio for 2020 is 0.53 shown by Al Alamiya, whereas the lowest ratio of 0.17 is reflected Wataniya.

Weighted average Equity ratio for the market is 0.28.

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 YE-2020 divide by Total Assets as at YE-2020.

RETURN ON ASSET

ROA



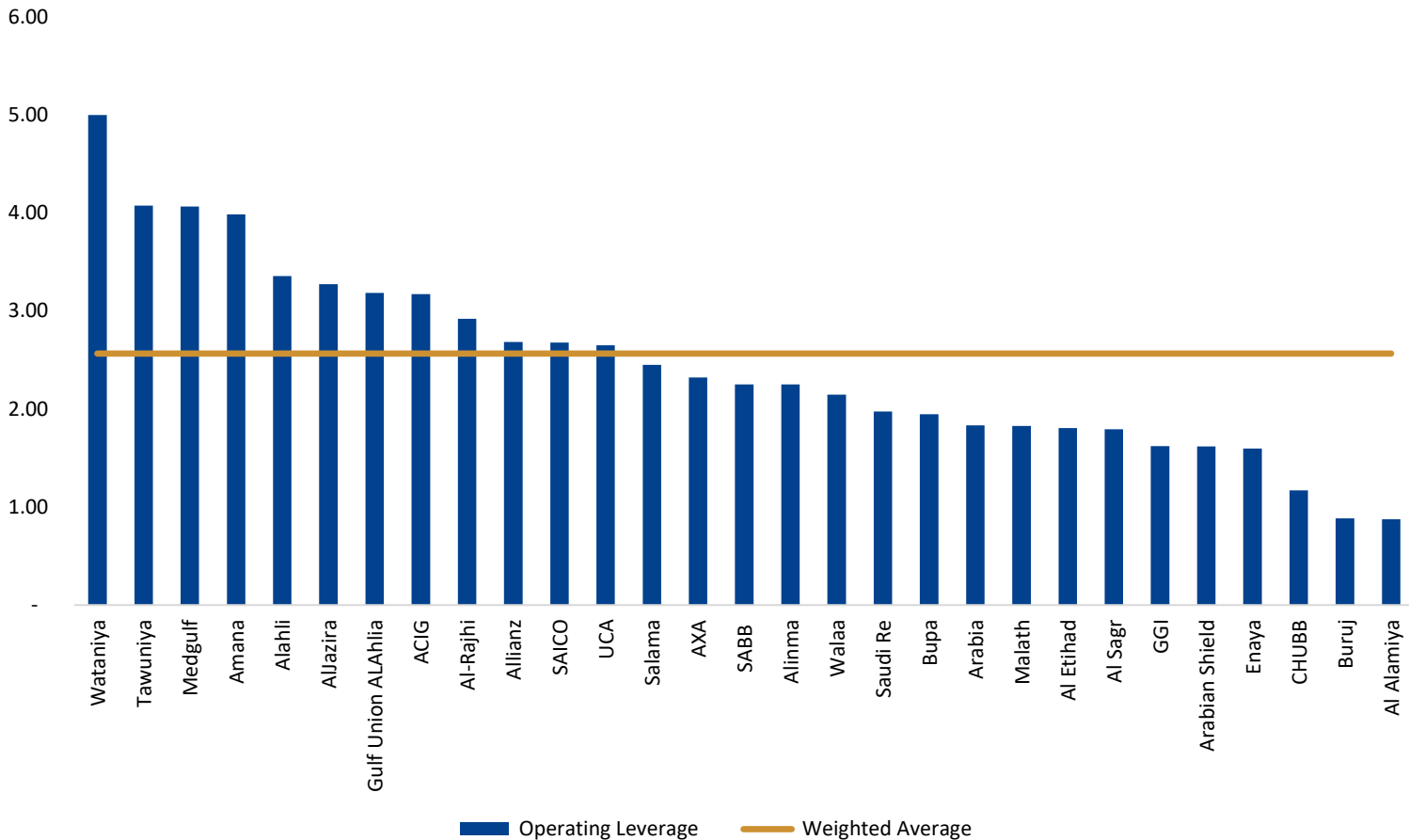
The highest return on Assets for 2020 is 7%, shown by Bupa, whereas the lowest return of -13% is reflected by Al Sagr.

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 2020 to total Assets as at YE-2020.

NET OPERATING LEVERAGE

OPERATING LEVERAGE



The highest Net leverage ratio for YE 2020 is 5.00 shown by Wataniya, whereas the lowest of 0.88 is reflected by Al Alamiya.

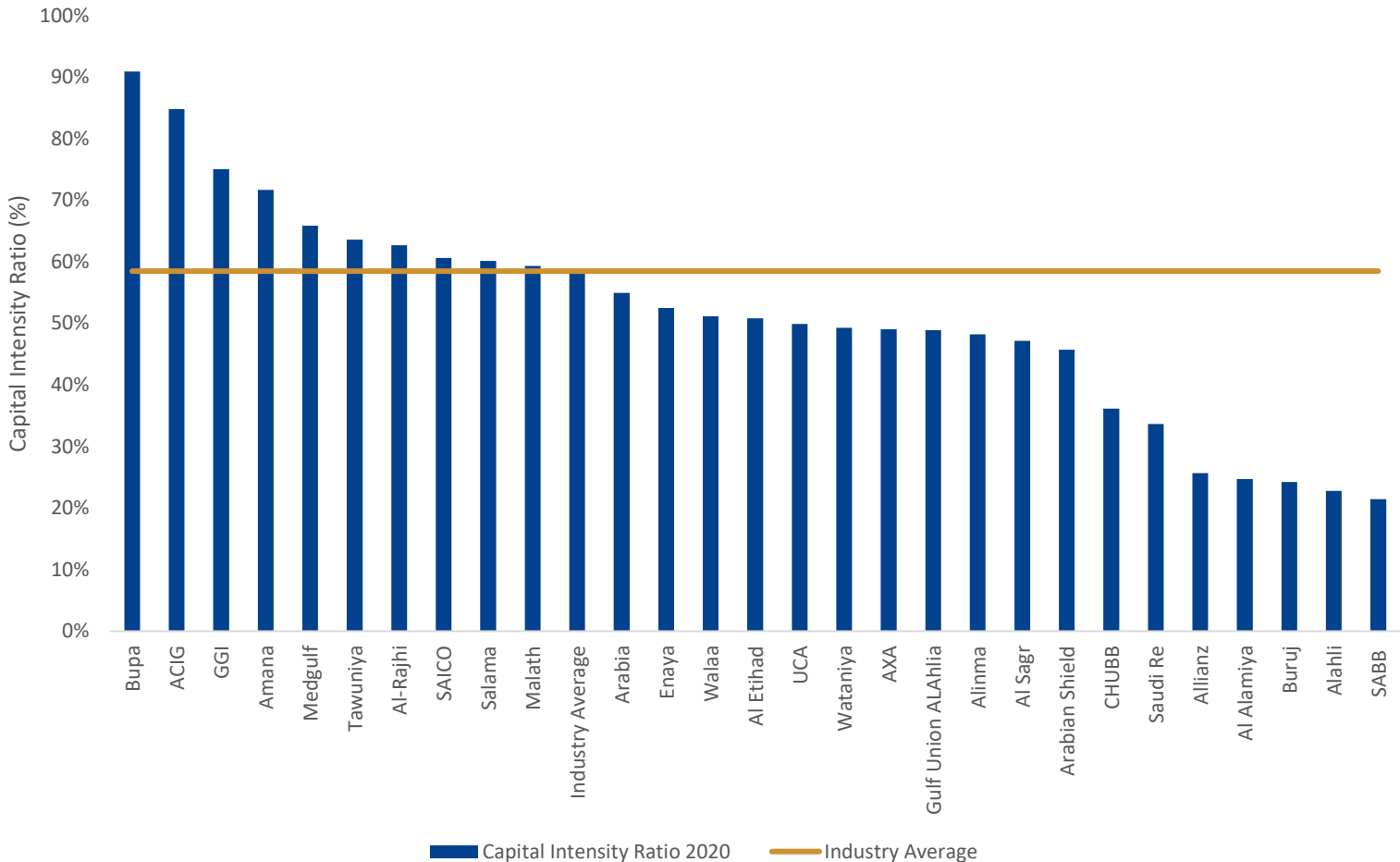
Weighted average leverage ratio for the market is at 2.56.

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

Internationally, the desired range typically falls below 5.0 for property insurers and 7.0 for liability insurers.

CAPITAL INTENSITY RATIO

CAPITAL INTENSITY RATIO



Capital Intensity Ratio shows how much business does a SAR generates. That is, the premium written per SAR invested in the company. A high CIR shows that per SAR invested the company can maximize Gross Written Premium.

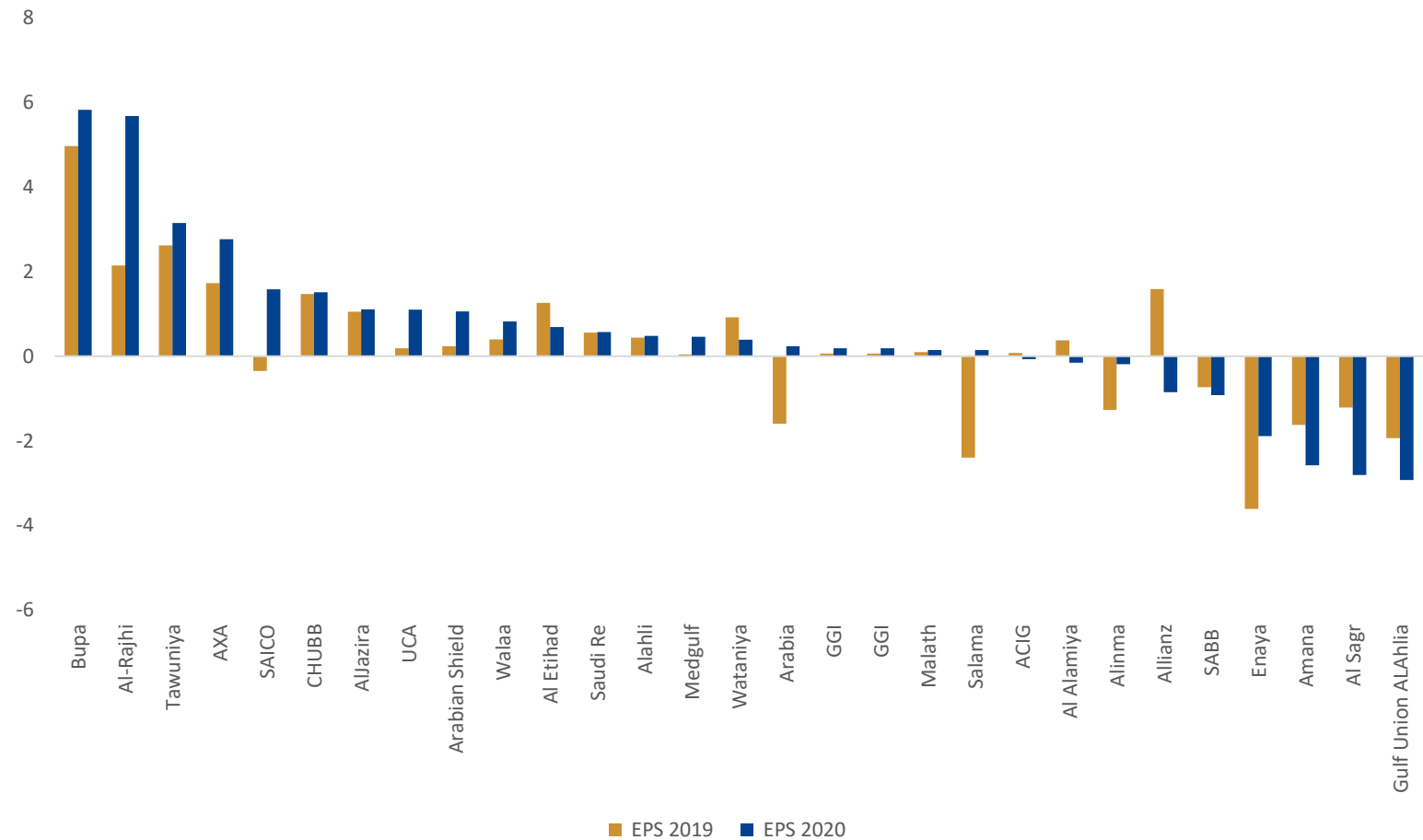
It is calculated by taking a proportion of Gross Written Premium of YE 2020 to Total Assets as at YE 2020

The Industry weighted Average Capital Intensity ratio is 58%.

Bupa attains highest CIR of 91% whereas, lowest of 21% CIR is attained by SABB.

EARNINGS PER SHARE

Earning Per Share



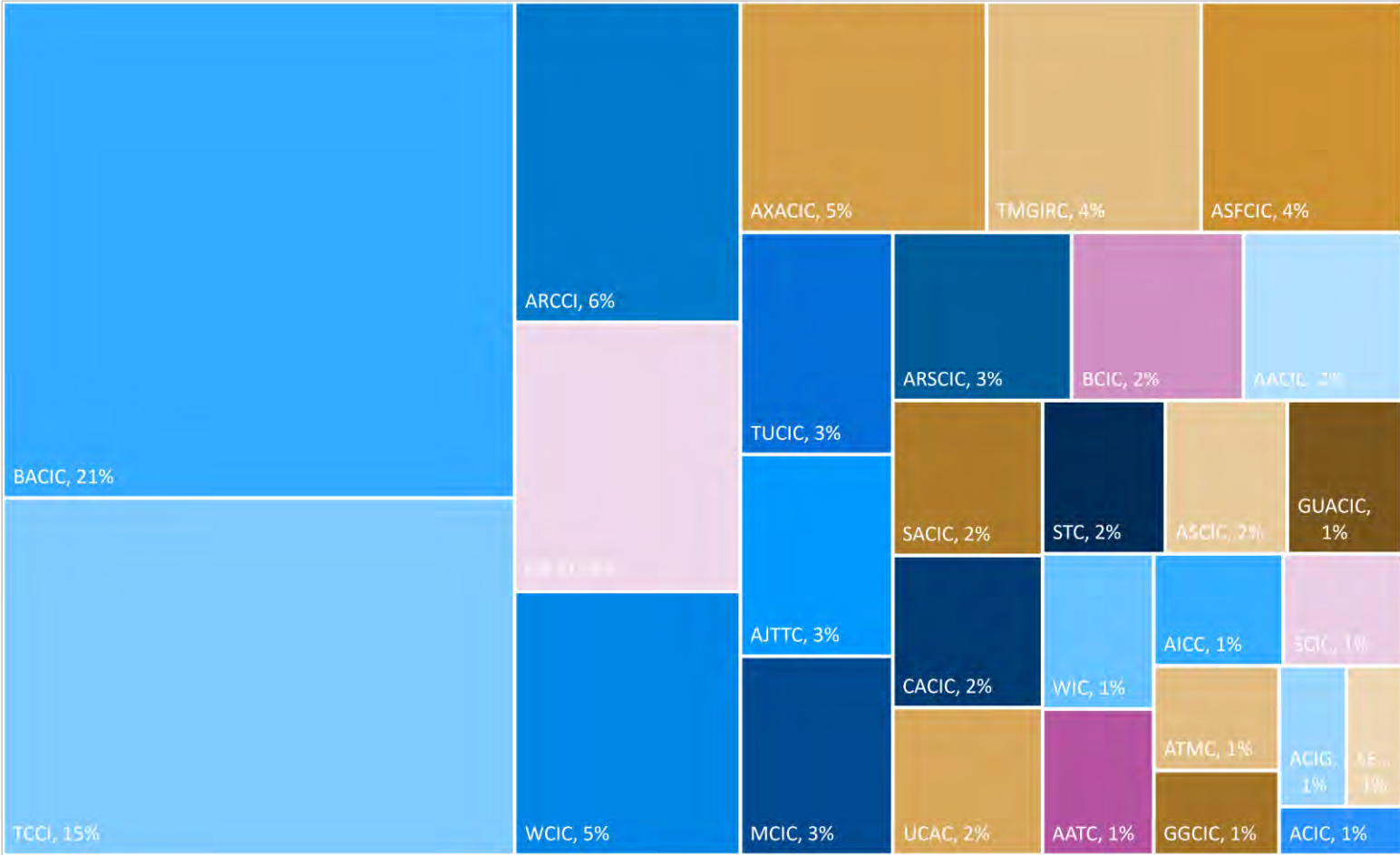
Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

EPS indicates how much money a company makes for each share of its stock and is a widely used metric to estimate corporate value.

A higher EPS indicates greater value because investors will pay more for a company's shares if they think the company has higher profits relative to its share price.

MARKET SIZE

Market Share Proportion



The Tree map shows the Market size of each Company on the basis of its Total Equity as at YE 2020

COMPANIES INCLUDED IN ANALYSIS

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 ALAhli Cooperative Insurance Co.	GUACIC
12	8130	Alahli Takaful Co.	AATC
13	8150	Allied Cooperative Insurance Group	ACIG
14	8160	Arabia Insurance Cooperative Co.	AICC
15	8170	Trade Union Cooperative Insurance Co.	TUCIC
16	8180	Al Sagr Cooperative Insurance Co.	ASCIC
17	8190	United Cooperative Assurance Co.	UCAC
18	8200	Saudi Re for Cooperative Reinsurance Co.	SRCRC
19	8210	Bupa Arabia for Cooperative Insurance Co.	BACIC
20	8230	Al-Rajhi Company for Cooperative Insurance	ARCCI
21	8240	CHUBB Arabia Cooperative Insurance Co.	CACIC
22	8250	AXA Cooperative Insurance Co.	AXACIC
23	8260	Gulf General Cooperative Insurance Co.	GGCIC
24	8270	Buruj Cooperative Insurance Co.	BCIC
25	8280	Al Alamiya for Cooperative Insurance Co.	AACIC
26	8300	Wataniya Insurance Co.	WIC
27	8310	Amana Cooperative Insurance Co.	ACIC
28	8311	Saudi Enaya Cooperative Insurance Co.	SECIC
29	8312	Alinma Tokio Marine Co.	ATMC

Analysis of the Key Performance Indicators (KPIs) of 29* Listed Insurance Companies of KSA for the year ended December 31, 2020 has been undertaken.

**The financial statement for Q4 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 29 Listed Insurance Companies of KSA for YE 2020 has been undertaken. The data has been extracted from the Annual financial statements of 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 few places that are taken from the Industry Reports of previous years published by SAMA.



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4 STAFF

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10 STAFF

End of Service

6 STAFF

HR Consulting

2 STAFF

14 SUPPORT AND ADMIN STAFF

TOTAL STRENGTH = 88

CONTACT US!



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Ali Bhuriwala



Mirza Ali



Aiman Naseem

FEEDBACK

Badri Management Consultancy is proud to present the Year end 2020 report. We have a dedicated team that is working to bring you research reports. Our doors are open for feedback, and we welcome them. Feel free to inquire about the report.

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