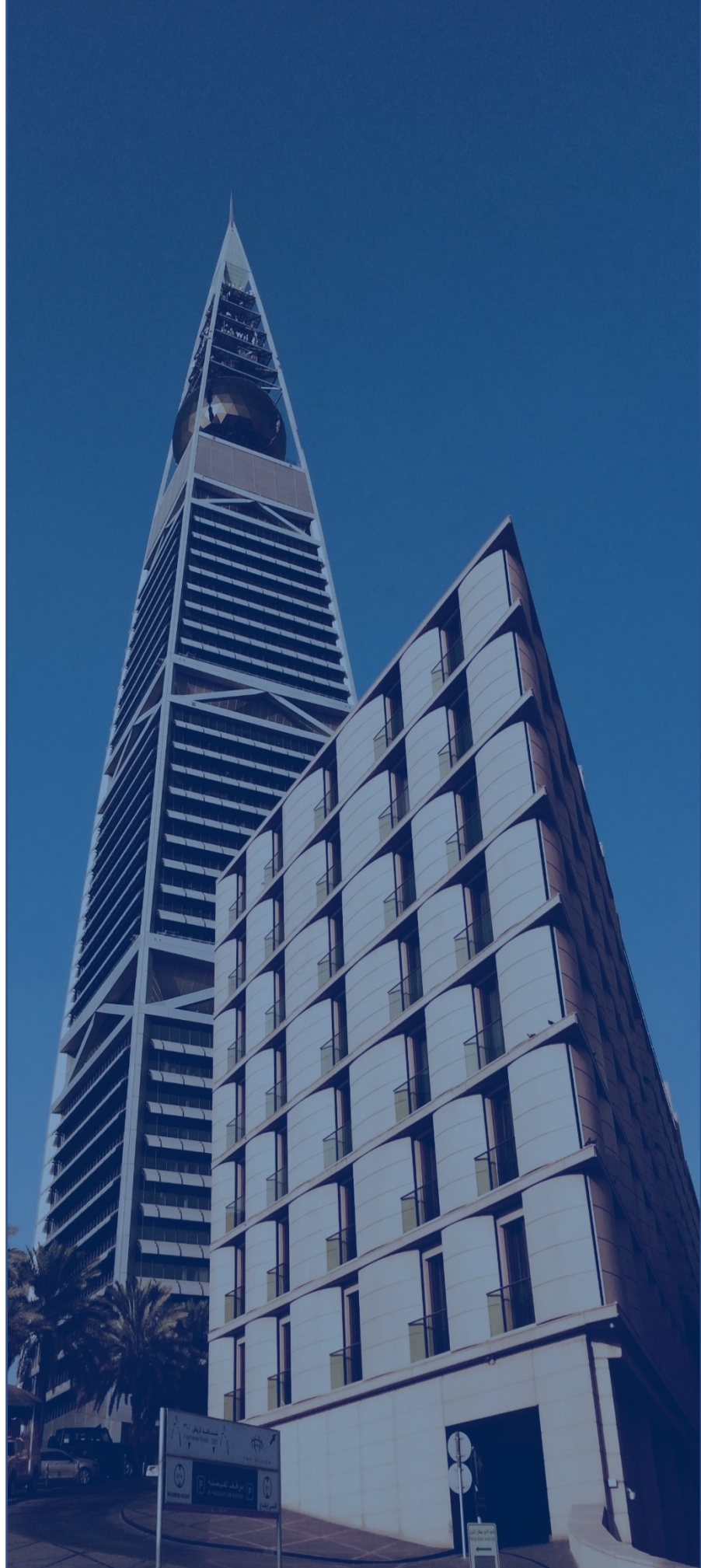




**BADRI**

# **SAUDI ARABIA'S INSURANCE INDUSTRY PERFORMANCE ANALYSIS - Q1 2021**

**JUNE 9, 2021**



# 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.

## **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.



# 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.

# Core Values

## Integrity Chasing Excellency

We uphold the highest standards of integrity in all of our actions by being professional, transparent and independent.

## Chasing Excellence

Through our empowered teams, we raise the bar by challenging norms to provide cutting edge solutions to our partners.

## Fostering Partnerships

We foster our partnerships with all our stakeholders through collaboration, empathy and adaptability.

## Breeding Excitement

We value our people and create an exciting environment for them to develop.

## Growth-Centric

We believe in creating a vibrant culture through continuous personal and professional growth of our people, while also growing the business.

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# OVERVIEW OF THE INDUSTRY

## GWP Growth

5-year CAGR

1.22%



Annual Growth

2.30%

## NWP Growth

5-year CAGR

1.11%



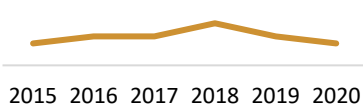
Annual Growth

1.00%

## Retention Ratio

5-year Growth

0.00%



During 2021 Q1

83.00%

## ROA

5-year Growth

0.55%



During 2021 Q1

2.05%

## ROI

5-year Growth

1.02%



During 2021 Q1

7.52%

## Net Loss Ratio

5-year Growth

-2.60%



During 2021 Q1

83.3%

## Key External Drivers

Penetration

1.48%

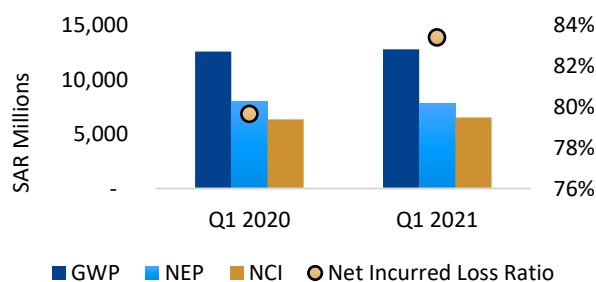
Quarterly GDP Growth

-3.90%

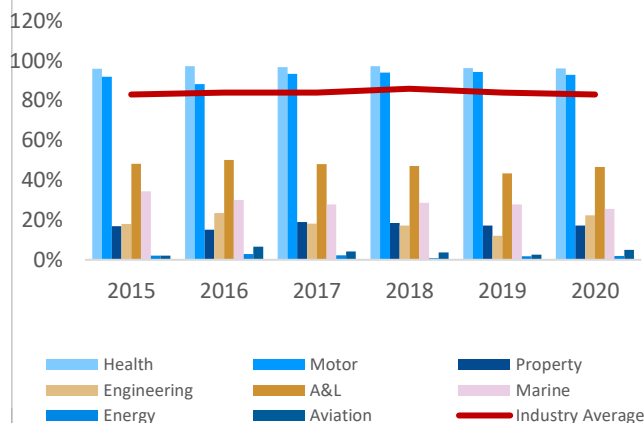
Policy Rate

1.65%

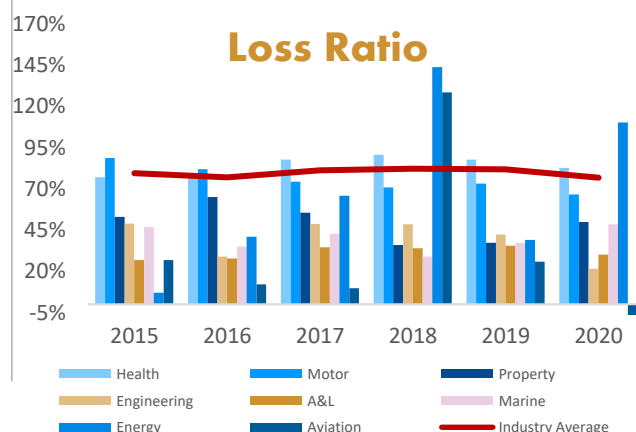
## INDUSTRY MIX



## Retention Ratio



## Loss Ratio



# SWOT ANALYSIS

## Strength:

- A proactive insurance regulator issuing supportive policies
- A number of multinational players present in the market providing diversification and showcasing market potential.
- Focusing on digitalization innovation and insurtech.
- Najm system for motor, has been a value added to the insurance sector of KSA.
- Ratemaking exercise is conducted for the insurance companies however for some other Middle East countries it is still on non-actuarial basis
- Insurance regulatory has been promoting new regulation by making it mandatory to insured the belonging i.e., Motor vehicle, premises etc. Also, the growing GDP of the country is a plus for the Insurance industry

## Developmental Areas:

- Highly competitive market especially for retail motor and medical lines driving down prices. Need to move away from traditional burning cost pricing to more sophisticated GLM or Machine Learning methodologies.
- Nphies system for medical will soon start its operation.
- Lack of awareness of insurance apart from the compulsory insurance and B2B insurance
- More emphasis on the TPA structure.
- Essential Industry information's should be published on quarterly basis.
- Market has high expense ratios compared to other regional countries and efficiencies can come in through improvements in processes.

## Opportunities:

- A large untapped and uninsured motor insurance population
- Mergers and acquisitions are consolidating the weaker companies and creating a lesser number of financially stable players.
- Lack of life business penetration, can pick pace if the right kind of products are sold through the right channels,

## Threats:

- Falling oil prices would result in lower economic activity and growth. Thus, slowing down the business performances throughout the industries.
- High unemployment rates among young Saudis
- Growing inflation rate.



# PREMIUMS

Listed Insurance Companies Recorded Gross written Premiums of

# SAR 12.8BN



## GROSS WRITTEN PREMIUMS

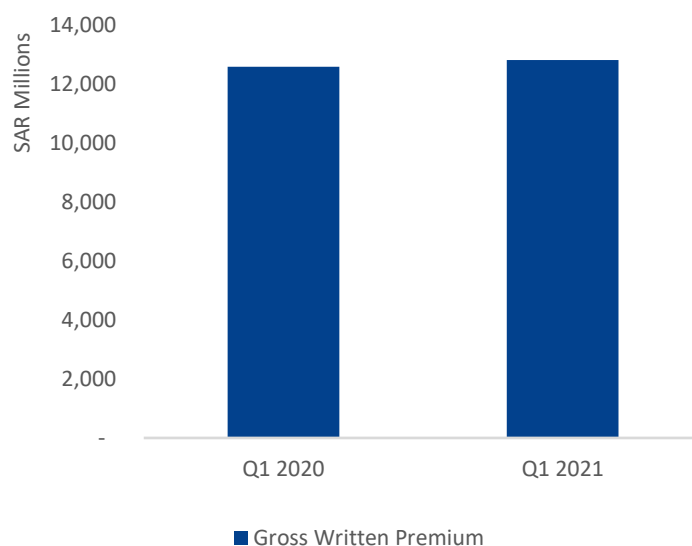
Company	Ranking		Indication
	GWP	Profit	
Bupa	1	1	→
Tawuniya	2	2	→
Medgulf	3	9	↓
Saudi Re	4	5	↓
Al-Rajhi	5	3	↑
AXA	6	4	↑
SAICO	7	21	↓
Walaa	8	26	↓
Wataniya	9	22	↓
Malath	10	18	↓
Arabian Shield	11	6	↑
Allianz	12	11	↑
Al Etihad	13	7	↑
Gulf Union ALAhlia	14	29	↓
Arabia	15	16	↓
ACIG	16	12	↑
GGI	17	25	↓
Salama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

For the 29 listed companies, the GWP grew from SAR 12.6 billion in Q1-2020 to SAR 12.8 billion in Q1-2021 highlighting a growth of 1.8%. Without Saudi Re, the GWP of the industry has increased from SAR 12.2 billion in Q1-2020 to SAR 12.4 billion in Q1-2021 signifying a growth of 1.6%.

### GWP & Penetration



### Gross Written Premium

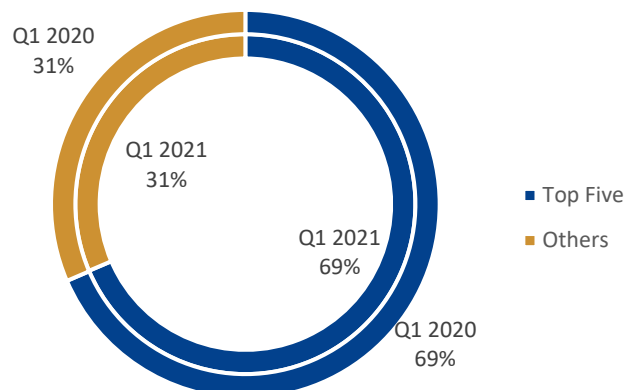


# GROSS WRITTEN PREMIUMS

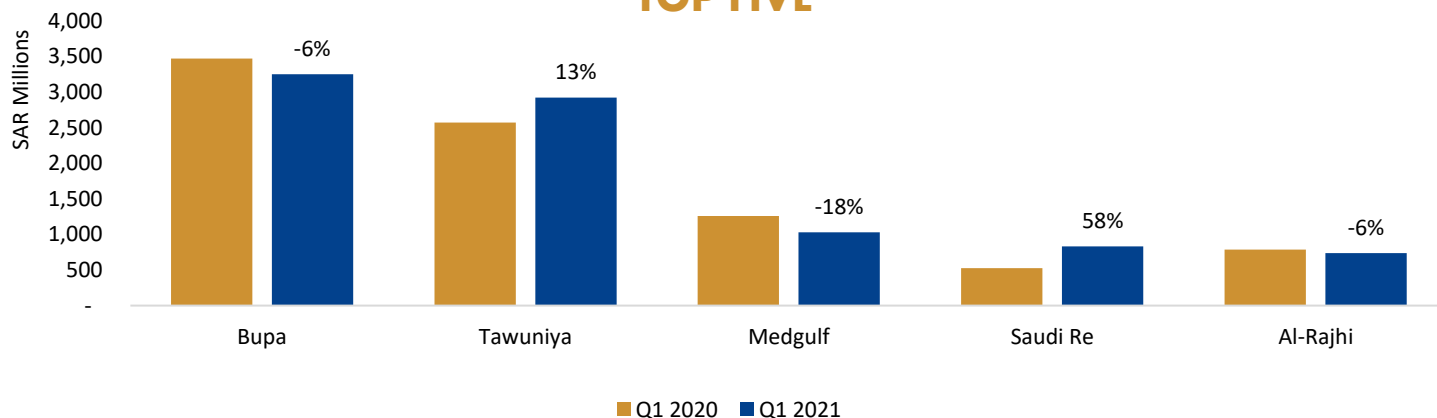
The top 5 companies have a combined premium of SAR 8.78 billion in Q1-2021 as compared to SAR 8.62 billion in Q1-2020.

The highest GWP growth in Q1-2021 has been shown by Saudi Re with an increase of 58% in premiums compared to the corresponding period of 2020 whereas Arabia has scored second largest growth of 45% in Q1-2021 compare to Q1-2020. The largest decline over the same period has shown by UCA with a decrease of 52% compared to the corresponding period of Q1-2020

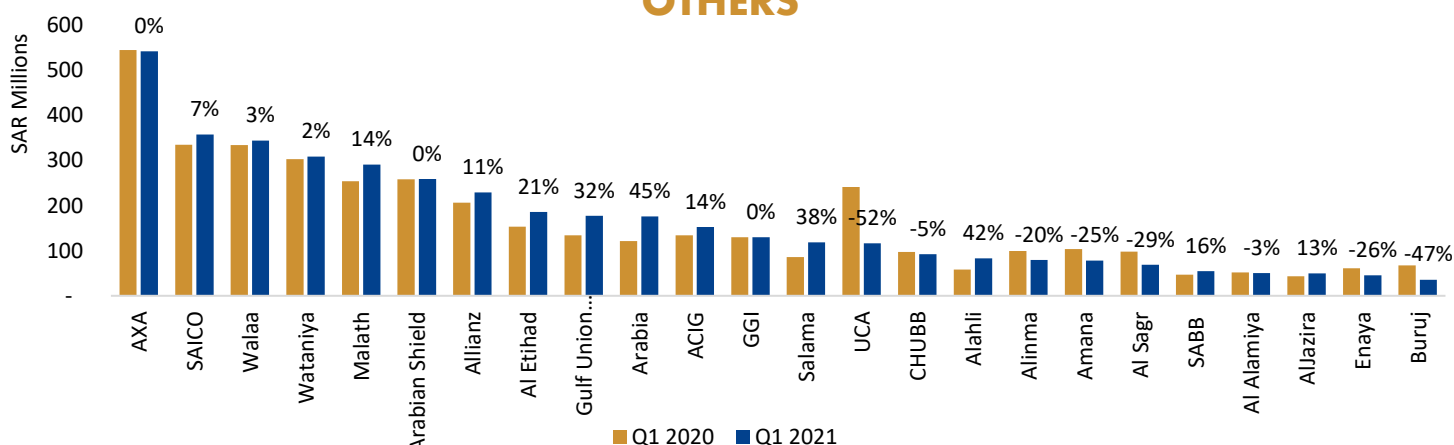
## GWP DISTRIBUTION



## TOP FIVE

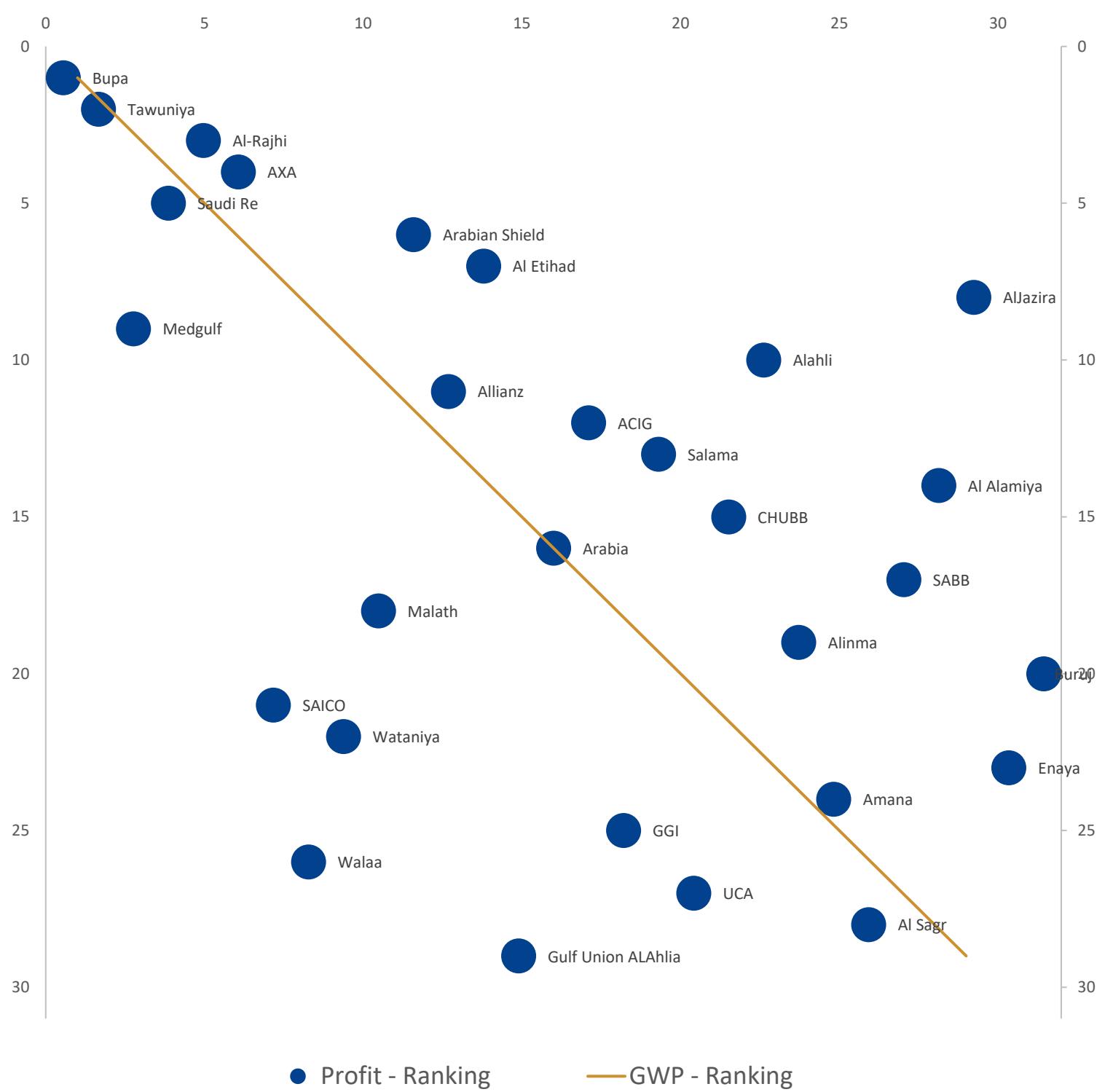


## OTHERS



# GROSS WRITTEN PREMIUMS

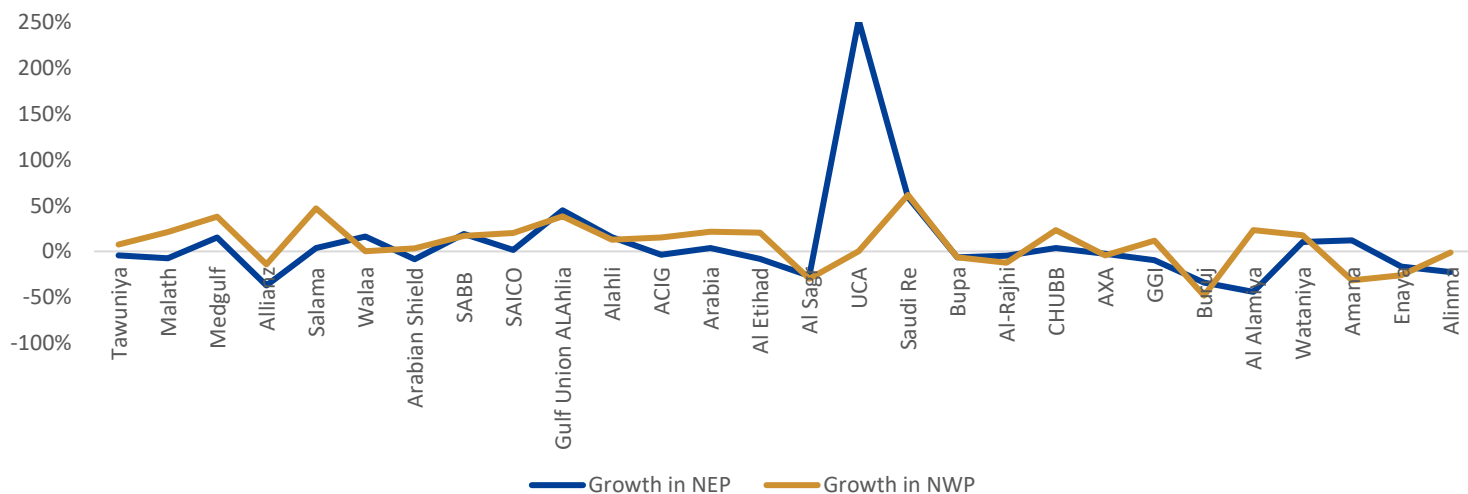
## RANKING





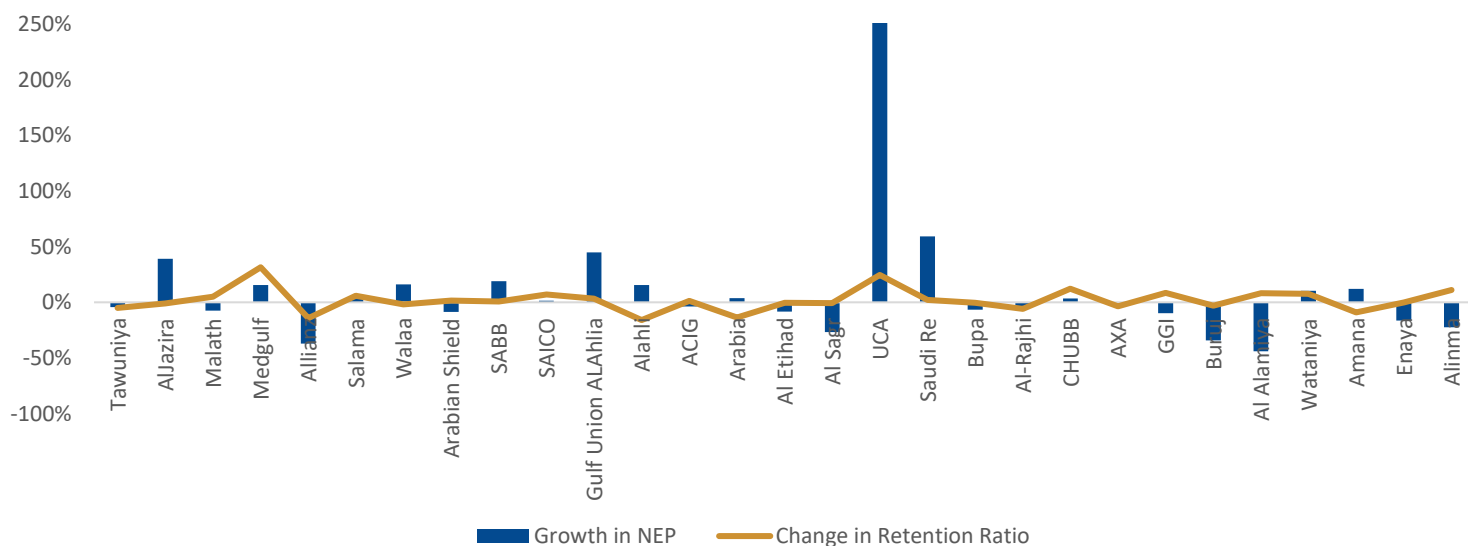
# EARNED PREMIUM

## Growth in NEP & NWP



It can be inferred that Growth in NEP and NWP have followed same pattern however there has been some exception may be due to some other factors.

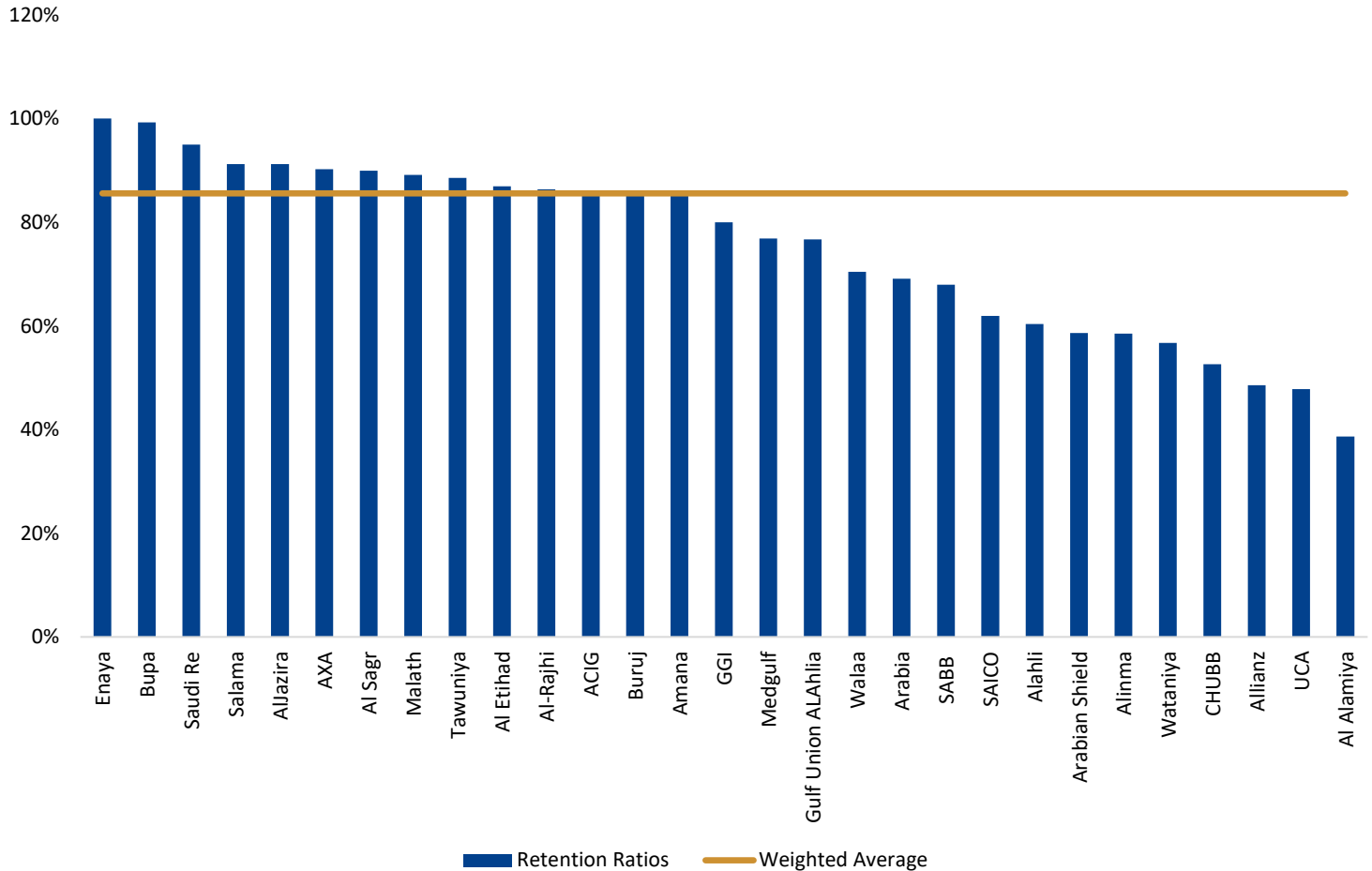
## Growth in NEP vs Change in Retention ratio



Growth in NEP and Change in retention ratio from the period Q1-2020 to Q1-2021 have followed same pattern i.e., increase in growth of Net Earned Premium is followed by increase in the retention ratio for the period.

# RETENTION RATIO

## RETENTION RATIO



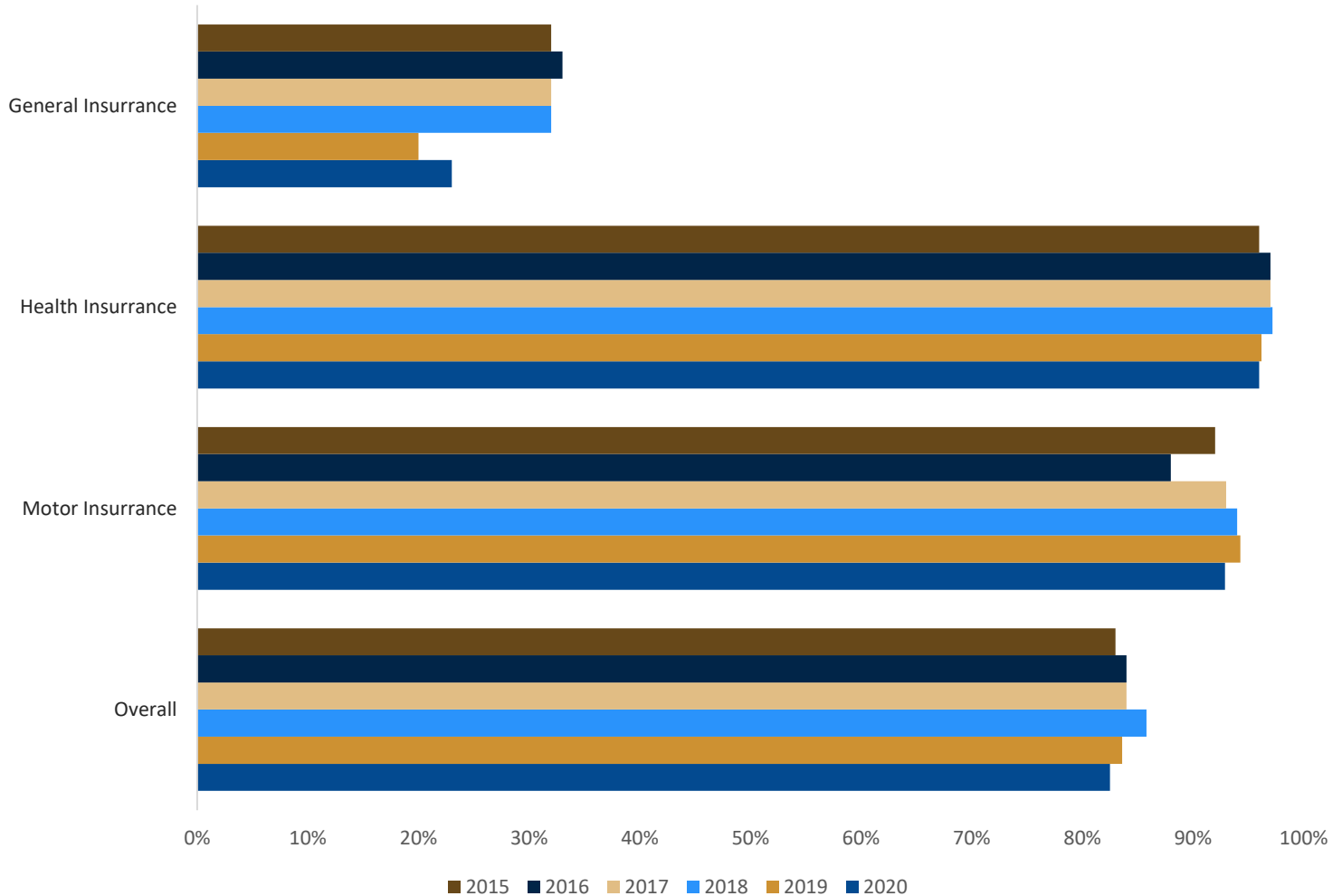
The highest retention ratio for Q1-2021 of 100% is reflected by Enaya, whereas the lowest retention ratio of 39% is reflected by Al Alamiya.

The weighted average retention ratio for listed companies stood at 86% for Q1-2021 (YE 2020: 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.

# RETENTION RATIO

## Yearly Retention Ratio by LOBs



Overall, the insurance sector has witnessed growth in retention ratio since 2016 till 2018 which has mainly driven by increase in proportion of health and motor insurance business. From 2019 the retention ratio has decreased followed by major decrease in the retention ratio of general insurance.



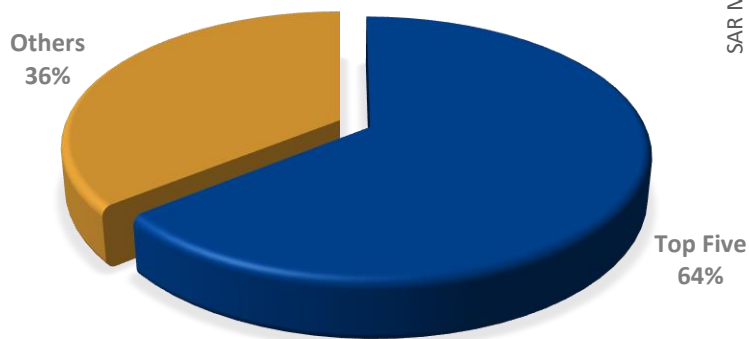
# CLAIMS, RESERVES & PROFITABILITY ANALYSIS

Listed Insurance Companies Recorded Profits at

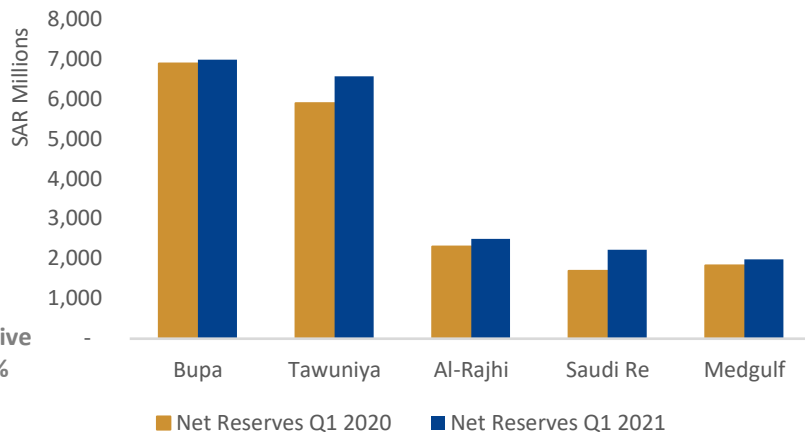
**SAR 211.6MN**

# NET TECHNICAL RESERVES

## NET RESERVES



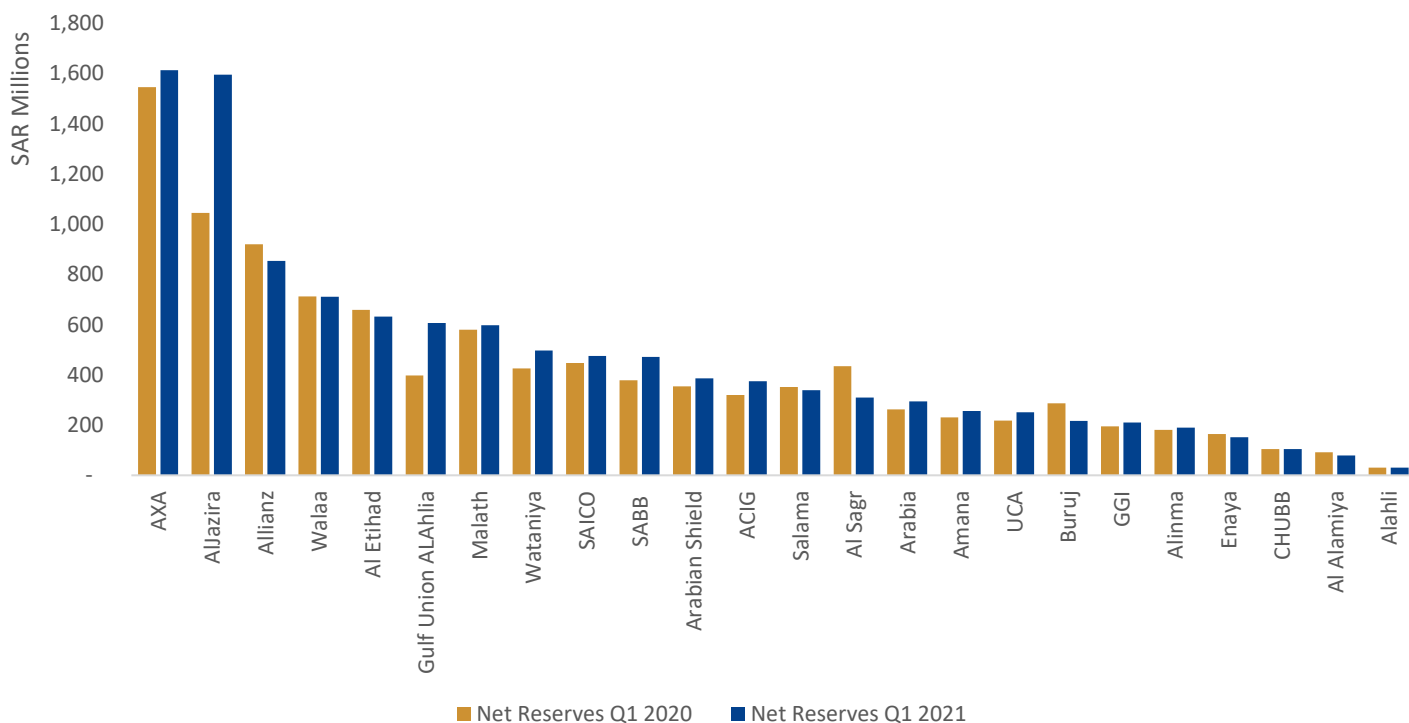
## TOP FIVE



Total net reserves as at Q1-2021 are SAR 31.5 billion.

Total Net Reserve of top five companies by Net Reserves as at Q1-2021 is SAR 20.2 billion.

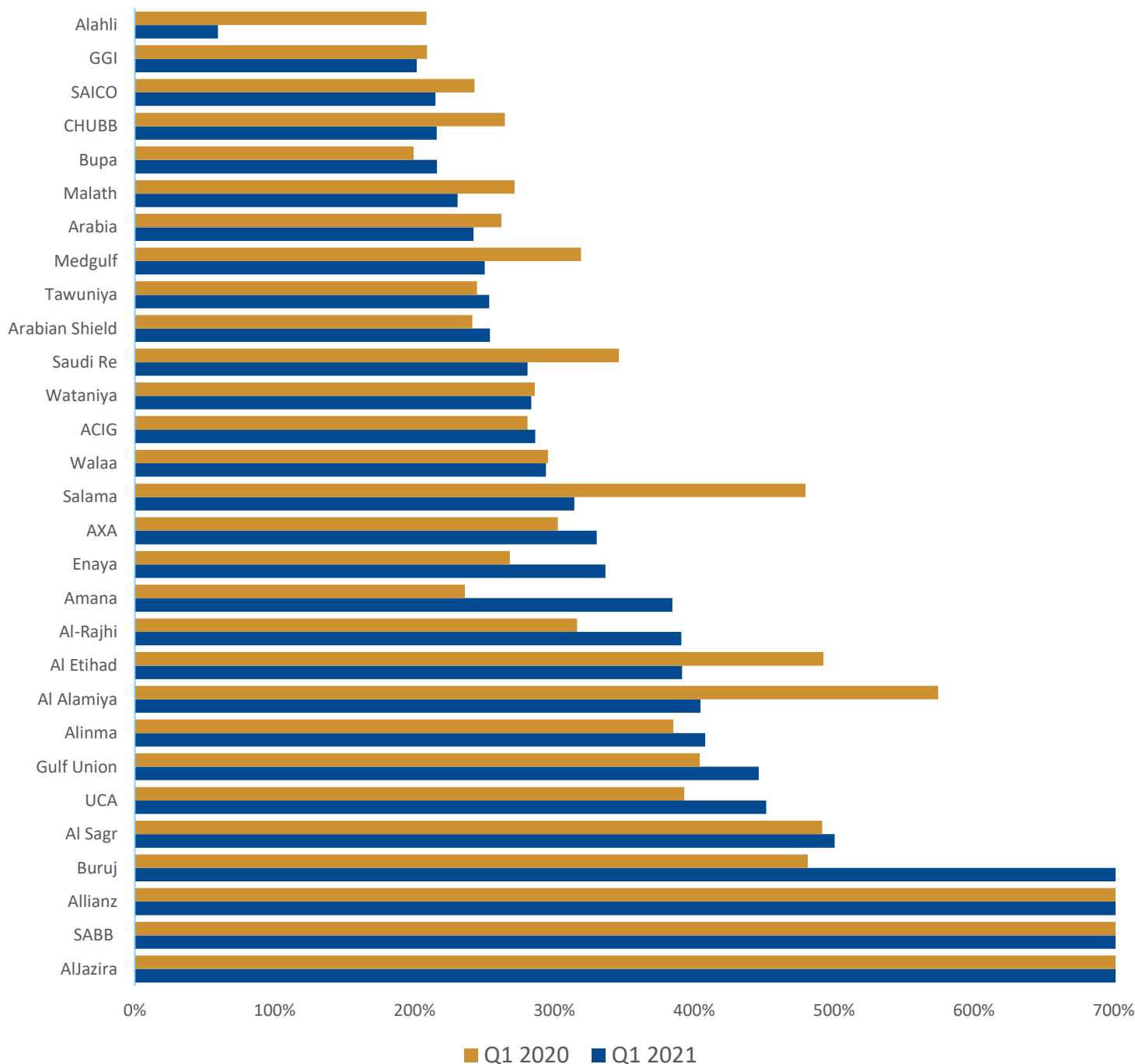
## OTHERS





# NET TECHNICAL RESERVES

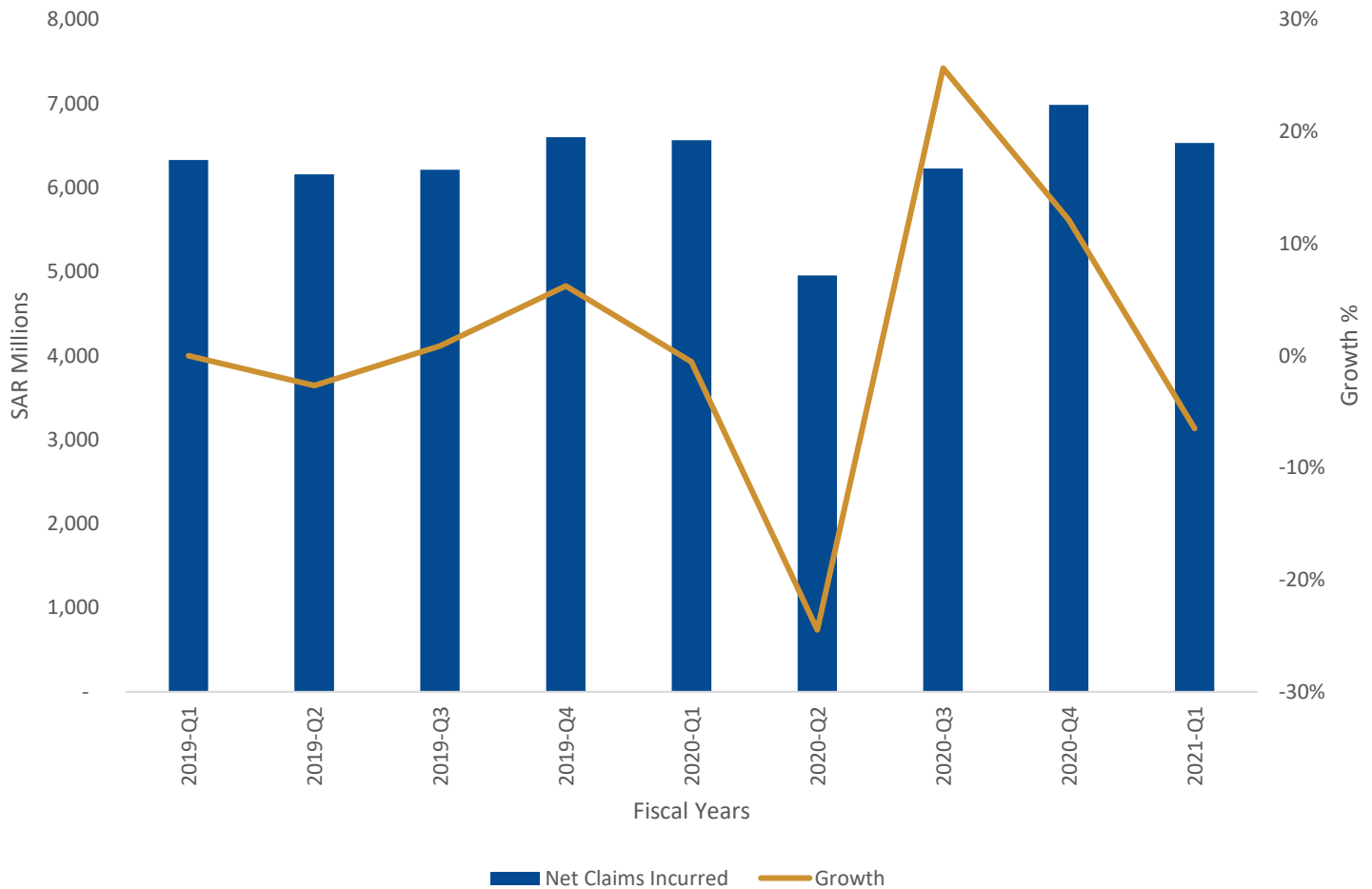
## % of Net Reserves to Net Written Premium over the years



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

# NET CLAIMS INCURRED & GROWTH

**Net Claims Incurred & Growth**

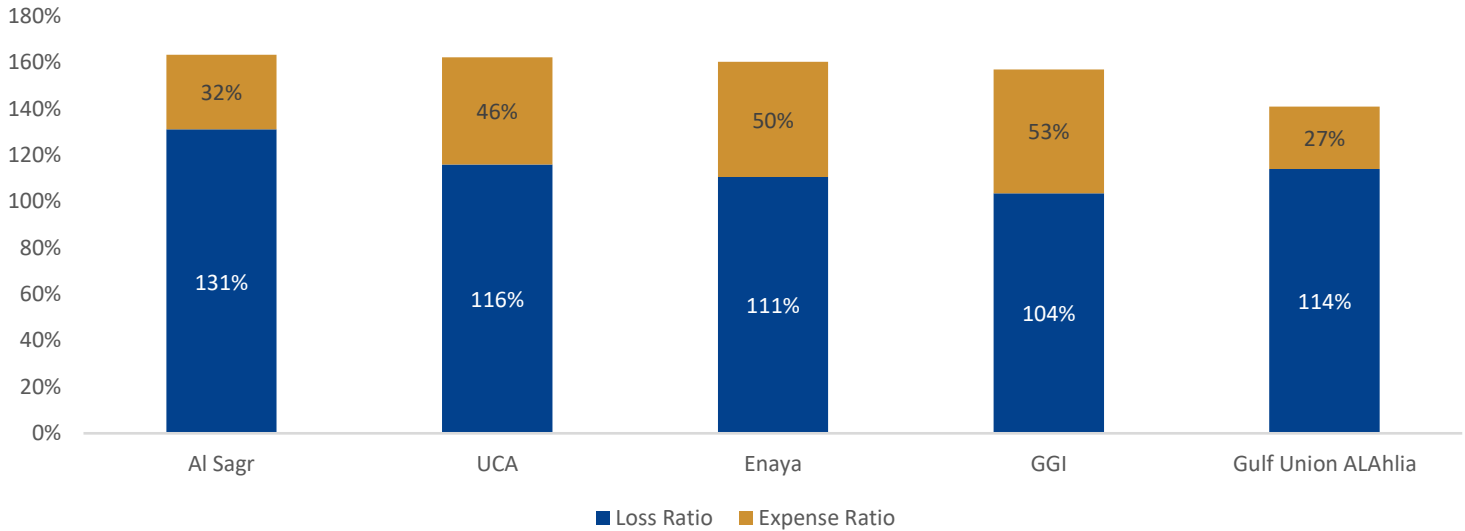


The Growth of Net Claims Incurred has followed an uneven pattern. Major decline in the claims has been witnessed from 2020 Q1 to 2020 Q2, which is primarily due to the outbreak of COVID-19.

Net claims Incurred has increased by 12% from 2020 Q3 to 2020 Q4. However, there is a decrease of 6% in the Net Claims incurred in Q1-2021. The reason for a decrease might be because things had started to open post covid, medical deferred claims kicked in Q4-2020 but then got normalized and hence reduction in Q1 -2021. As for Motor, the claims has been reported as things started to get into its usual pace after the lockdown has been removed.

# COMBINED RATIO

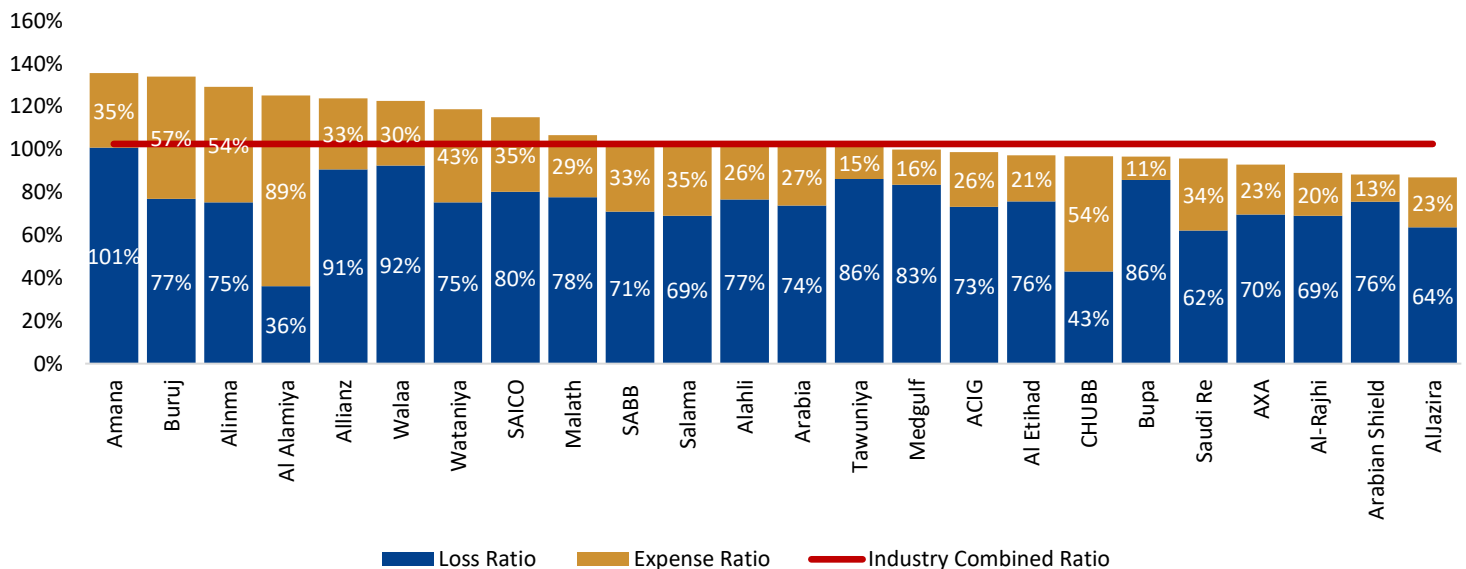
## TOP FIVE - COMBINED RATIO



The weighted average combined ratio for Q1-2021 is 102% (YE 2020: 98%).

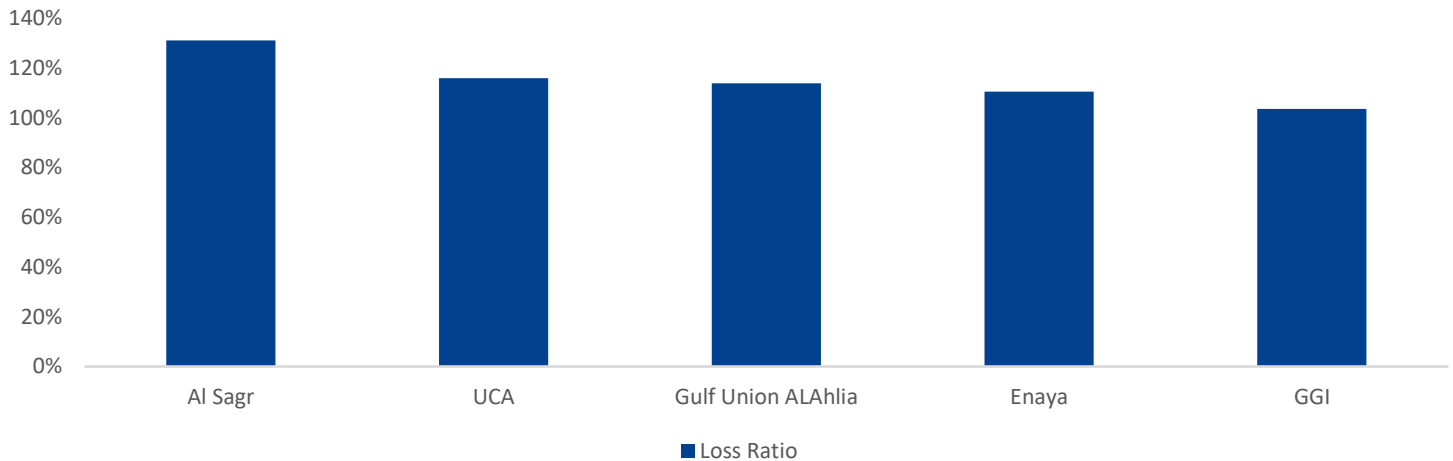
Highest combined ratio of 163% was shown by Al Sagr while the lowest 87% combined ratio was reflected by Al Jazira.

## OTHERS



# LOSS RATIO

## TOP FIVE - LOSS RATIO

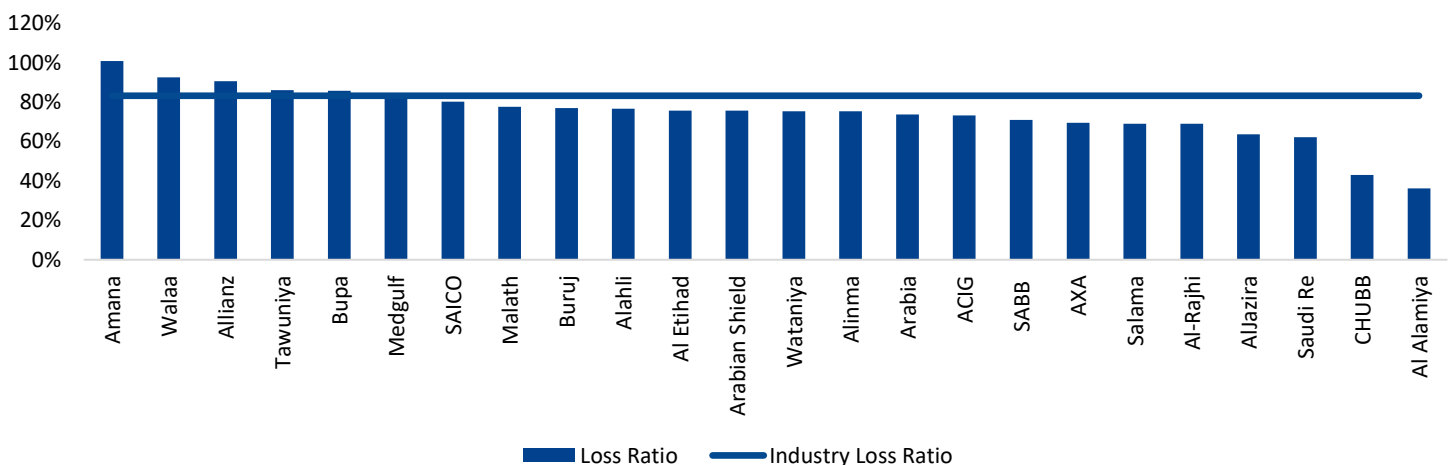


During Q1-2021, weighted average loss ratio remained at 83% (YE 2020: 77%).

Loss Ratio has been calculated by dividing Net Incurred Claims and Change in Other reserves to the net earned premiums.

Highest Loss ratio of 131% is shown by Al Sagr whereas the lowest of 36% is shown by Al Alamiya.

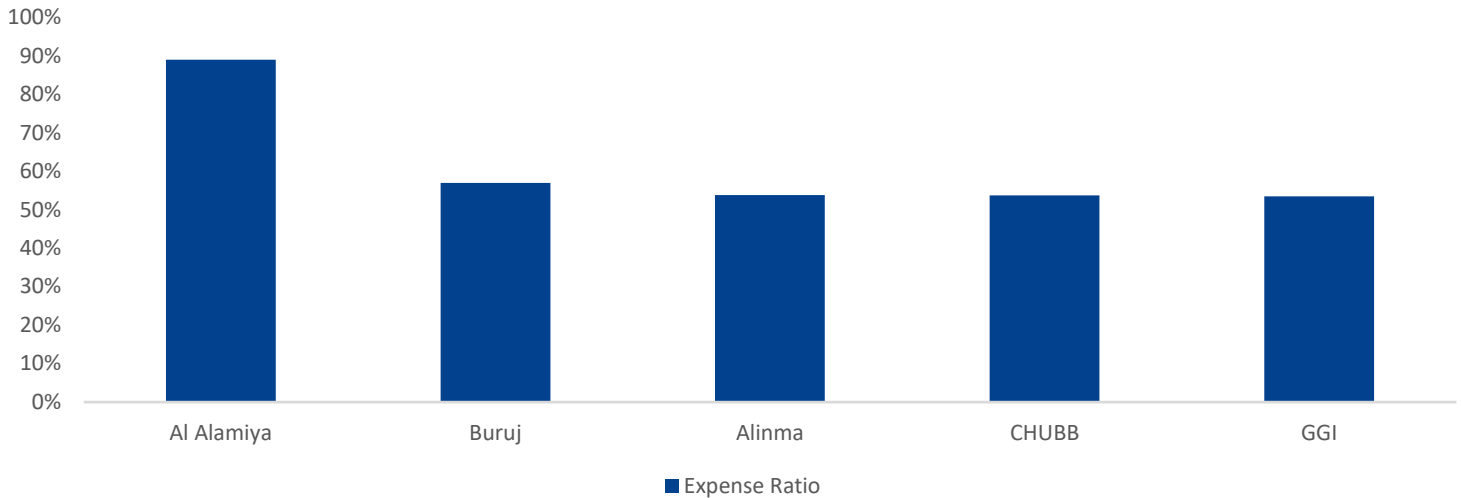
## OTHERS - LOSS RATIO





# EXPENSE RATIO

## TOP FIVE - EXPENSE RATIO

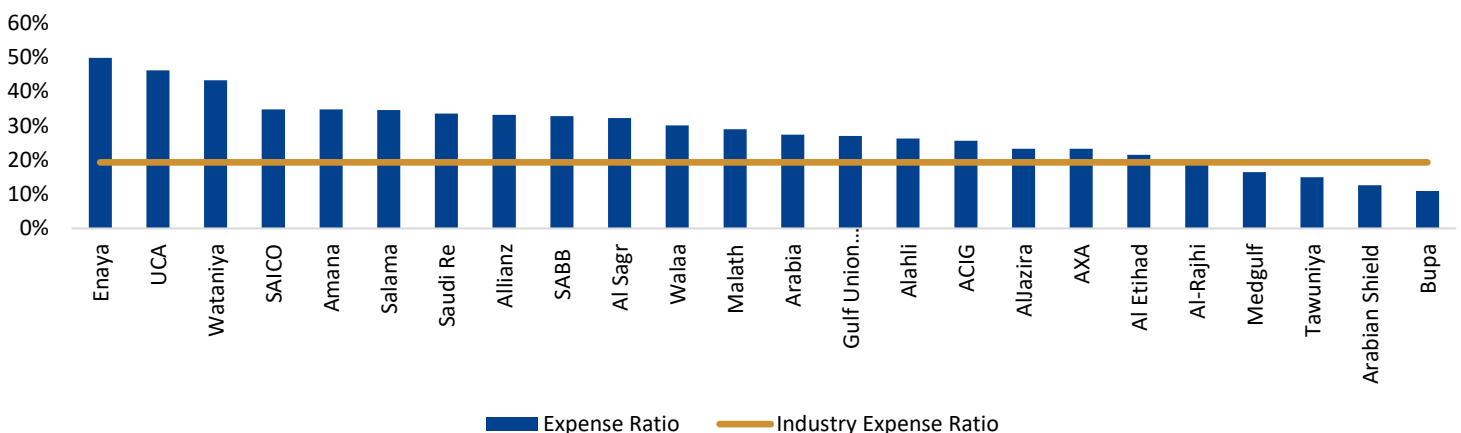


During Q1-2021, weighted average Expense ratio remained at 19% (YE 2020: 21%).

Expense Ratio has been calculated by dividing the sum of G&A Expenses, net Commission expenses and other operational expense to Net Earned Premium.

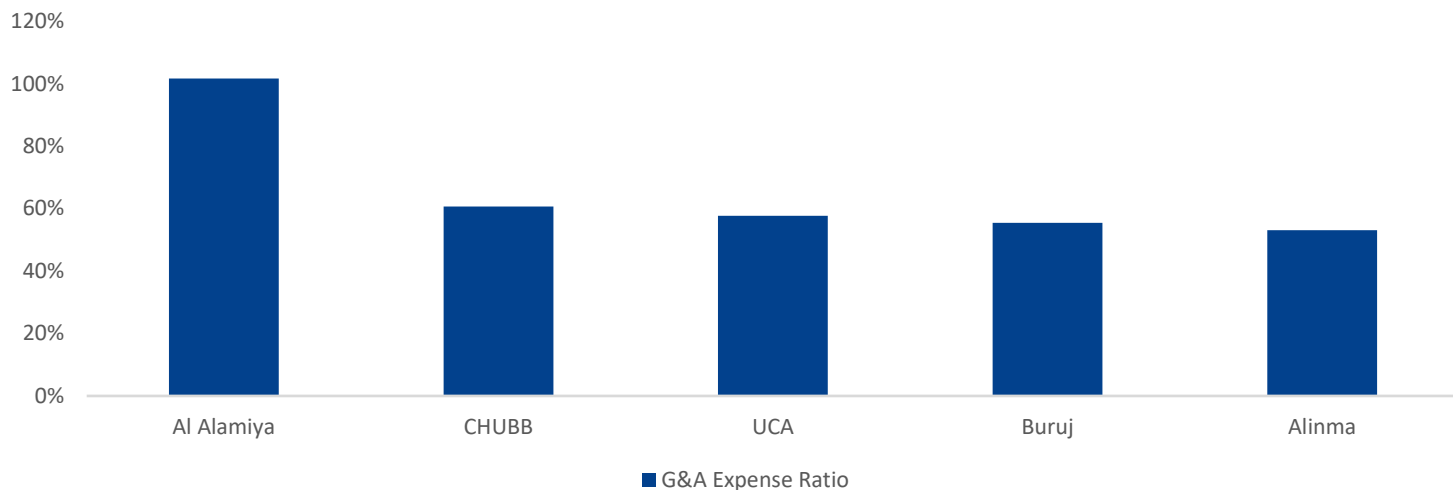
Highest Expense ratio of 89% is shown by Al Alamiya whereas the lowest is of 11% is shown by Bupa.

## OTHERS - EXPENSE RATIO



# G&A EXPENSE

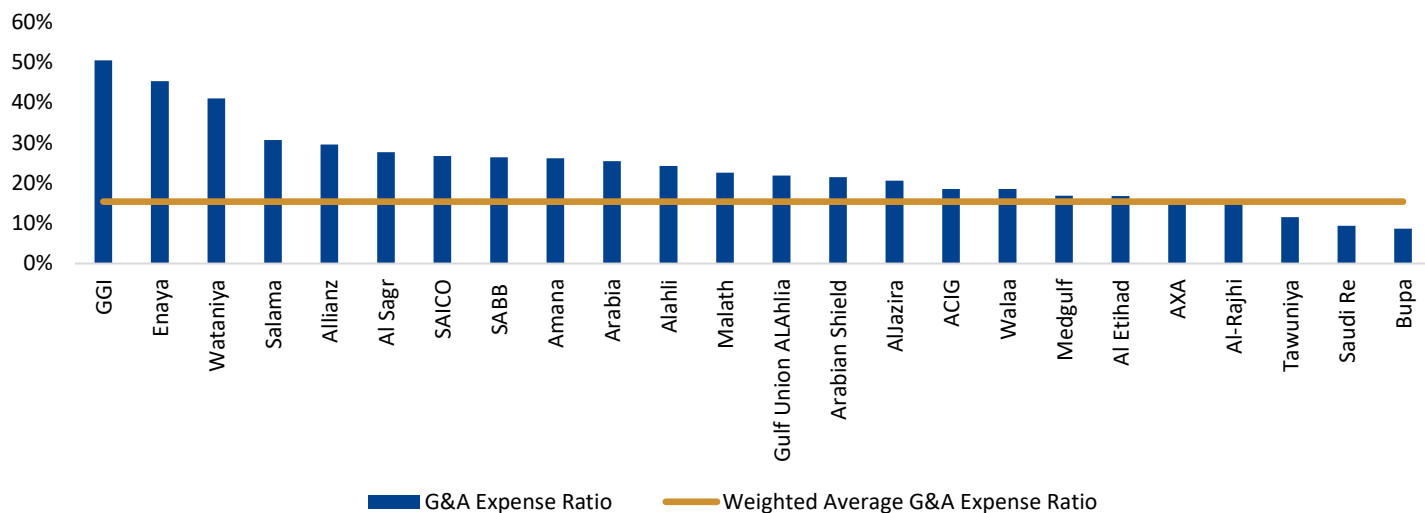
## TOP FIVE



Weighted average G&A Expense ratio for the industry is 15% for Q1-2021 (YE 2020: 16.5%).

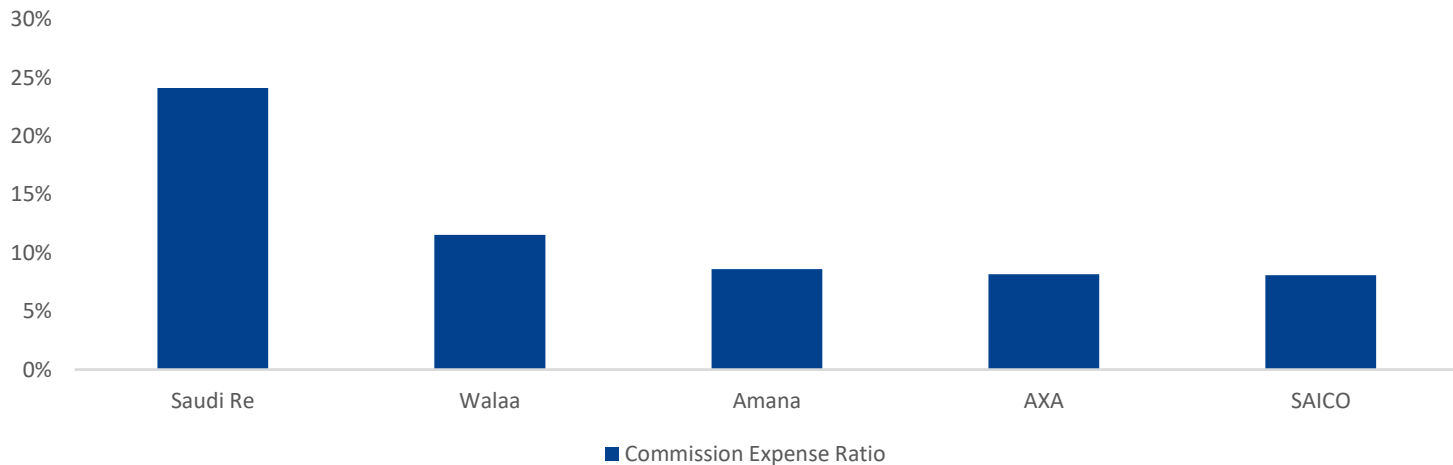
Among all, Al Alamiya has the highest expense ratio of 102% whereas the lowest expense ratio of 9% is reflected by Bupa and Saudi Re.

## OTHERS



# COMMISSION EXPENSE

## TOP FIVE

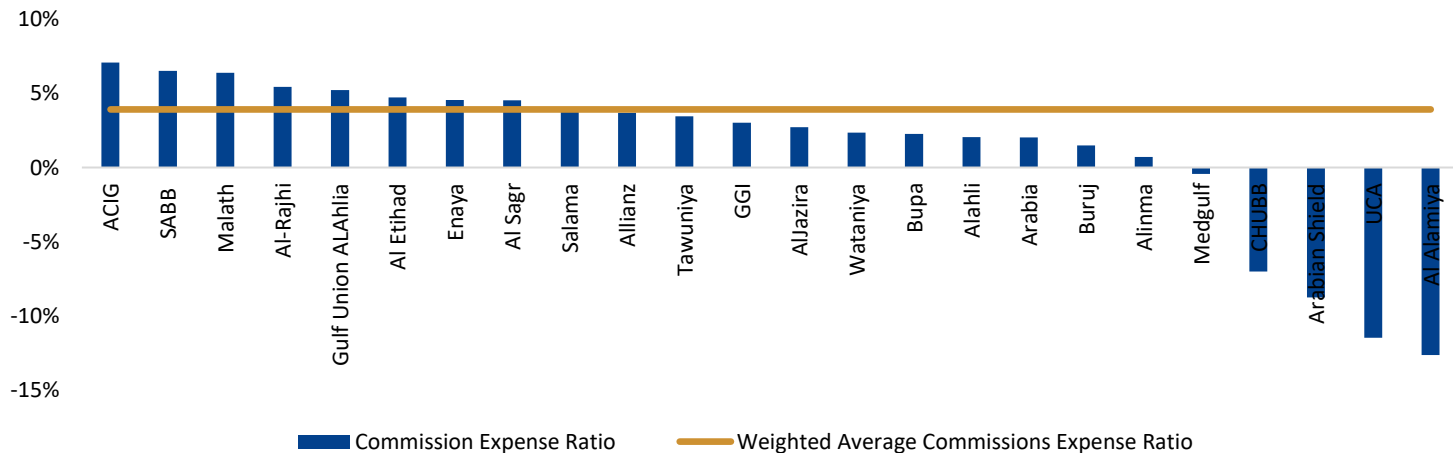


Saudi Re showed the highest commission expense ratio for Q1-2021 of 24%, whereas the lowest expense ratio of -13% is reflected by Al Alamiya.

Industry Weighted Average expense ratio is at 4% (YE 2020: 5%).

Since Saudi Re has a different nature of business, the second highest commission expense ratio of 12% is achieved by Walaa.

## OTHERS





# PROFIT COMPOSITION

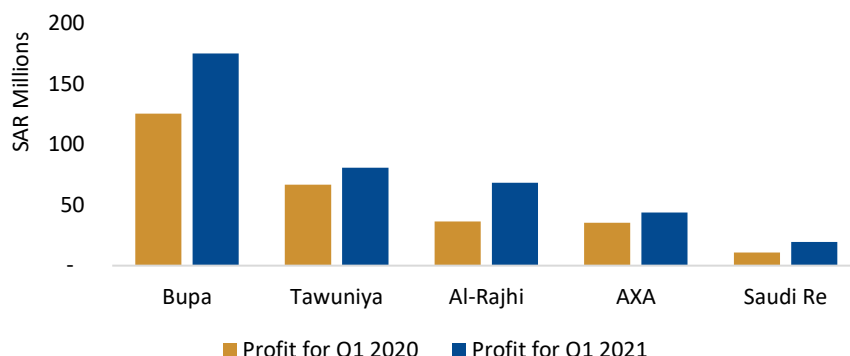
The term Profit indicates the Total Profit/Loss attributed to Shareholders before Zakat and Tax deductions.

Bupa booked the highest profit during Q1-2021 of **SAR 175.42 million** as compared to a profit of **SAR 125.66 million** for the corresponding period of Q1-2020

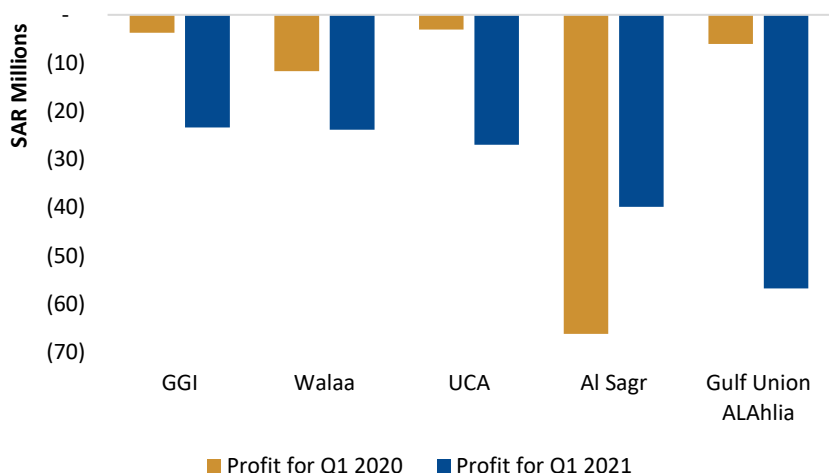
Gulf Union Al Ahlia booked the highest loss of **SAR 56.80 million** in Q1-2021 as compared to a loss of **SAR 6.10 million** in the corresponding period of Q1-2020.

Net profit generated by 29 Companies in the industry for Q1-2021 amounted to **SAR 211.56 million** compared to a profit of **SAR 166.95 million** for the corresponding period of Q1-2020, which is an increase of around **27%**.

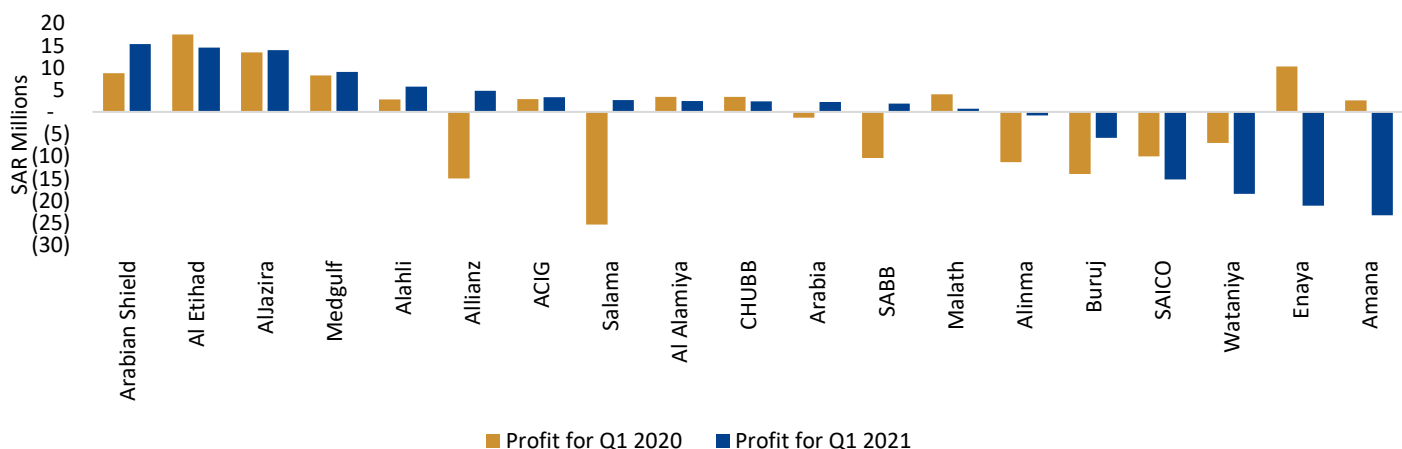
## TOP FIVE



## BOTTOM FIVE



## OTHERS



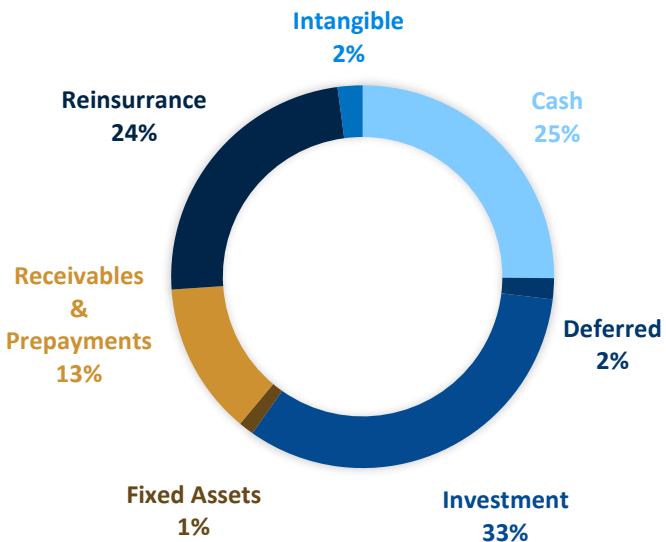
# INVESTMENT ANALYSIS

Listed Insurance Companies Total Assets stood at

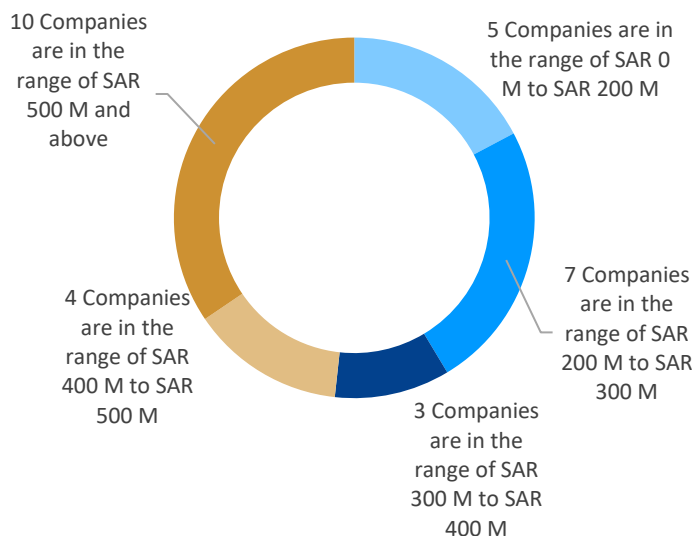
# SAR 70BN

# ASSETS & SHAREHOLDER EQUITY ANALYSIS

## ASSETS CLASSIFICATION

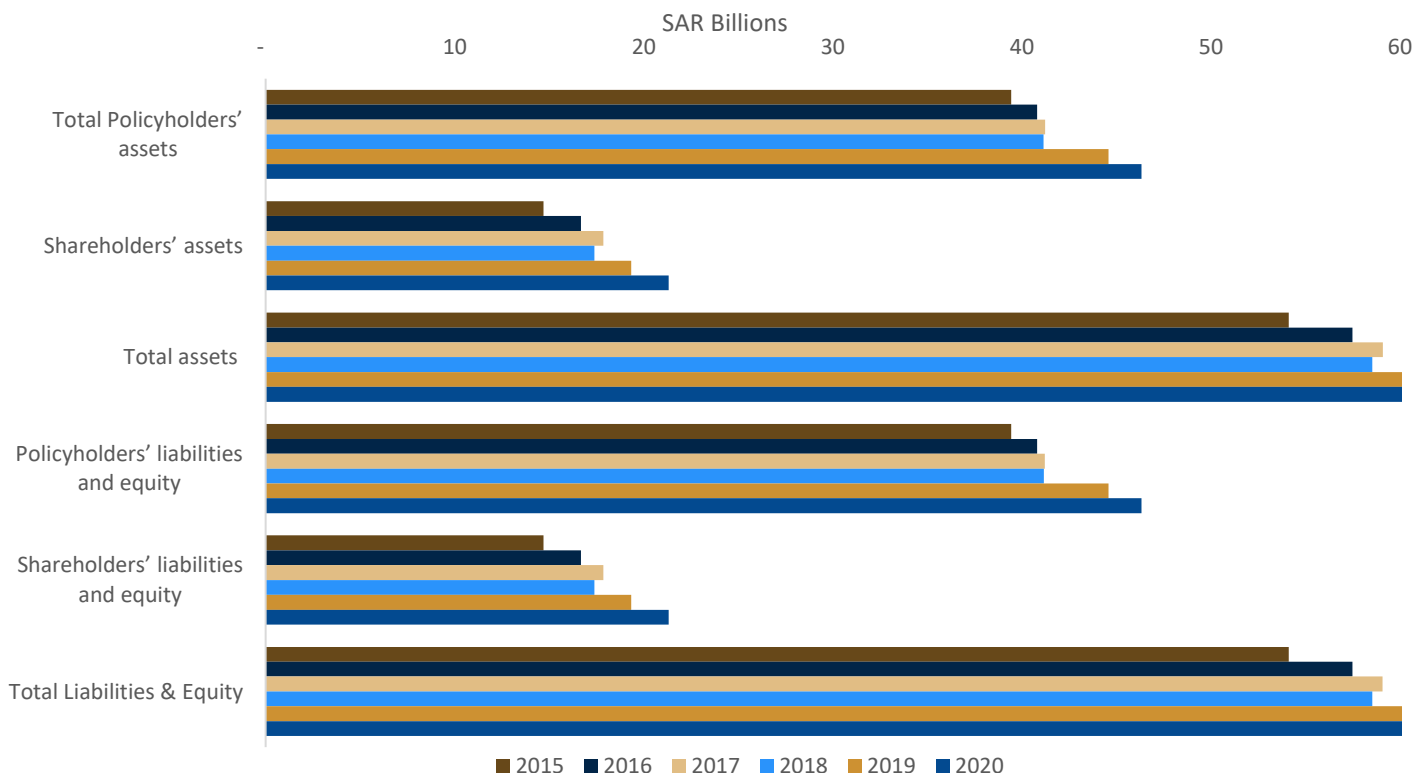


## EQUITY SIZE & COMPANIES



Around half the companies have total shareholder's equity of more than SAR 400 Million, with 10 being over SAR 500 million

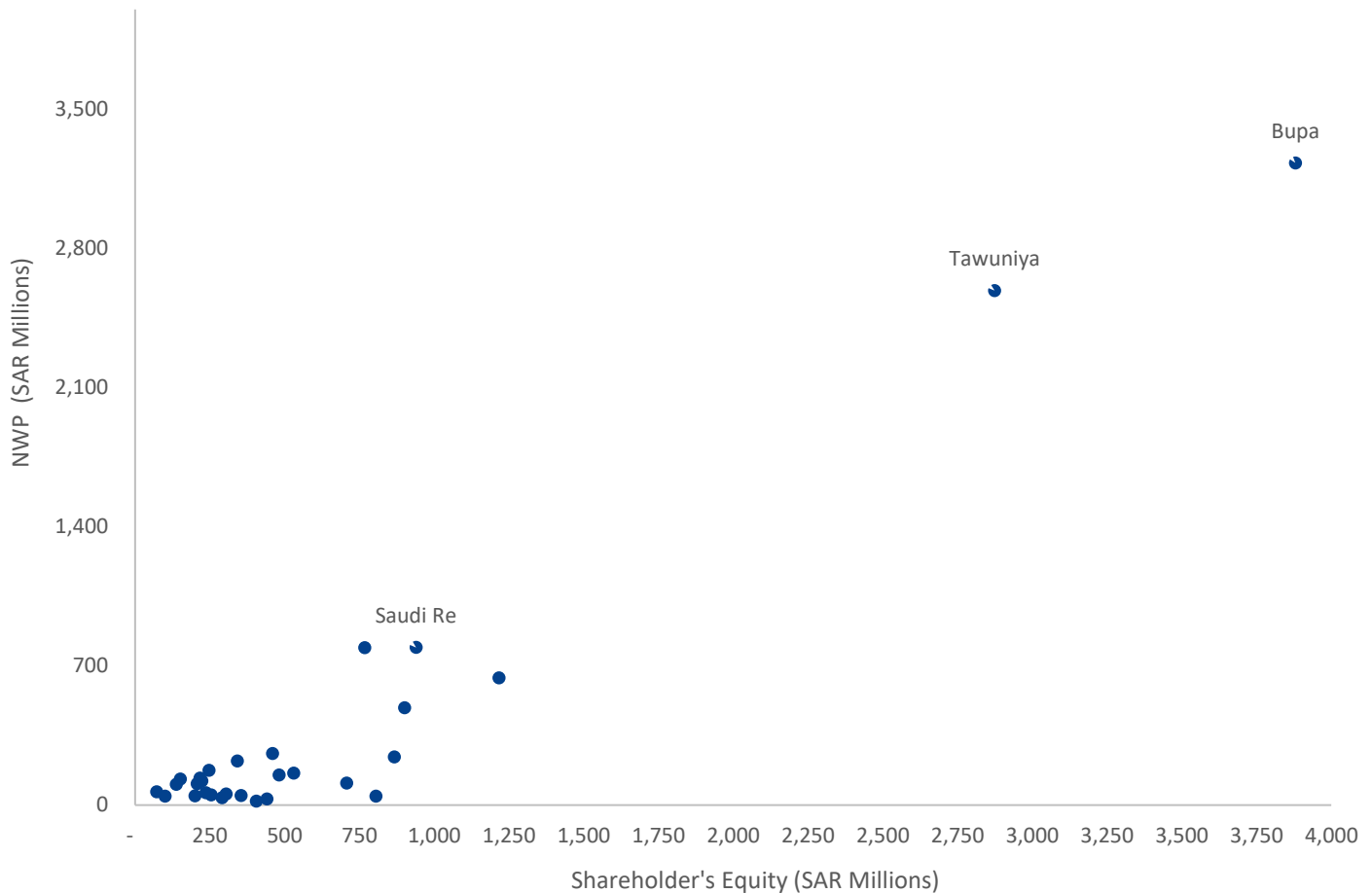
## Financial Instruments





# FINANCIAL INSTRUMENTS

## Insurance Companies' Equity vs NWP



Bupa and Tawuniya are the top 2 companies with Largest NWP and shareholder's Equity; whereas, Saudi Re is the 3rd largest company by NWP but has secured 4th rank in the list of highest Shareholder's Equity.

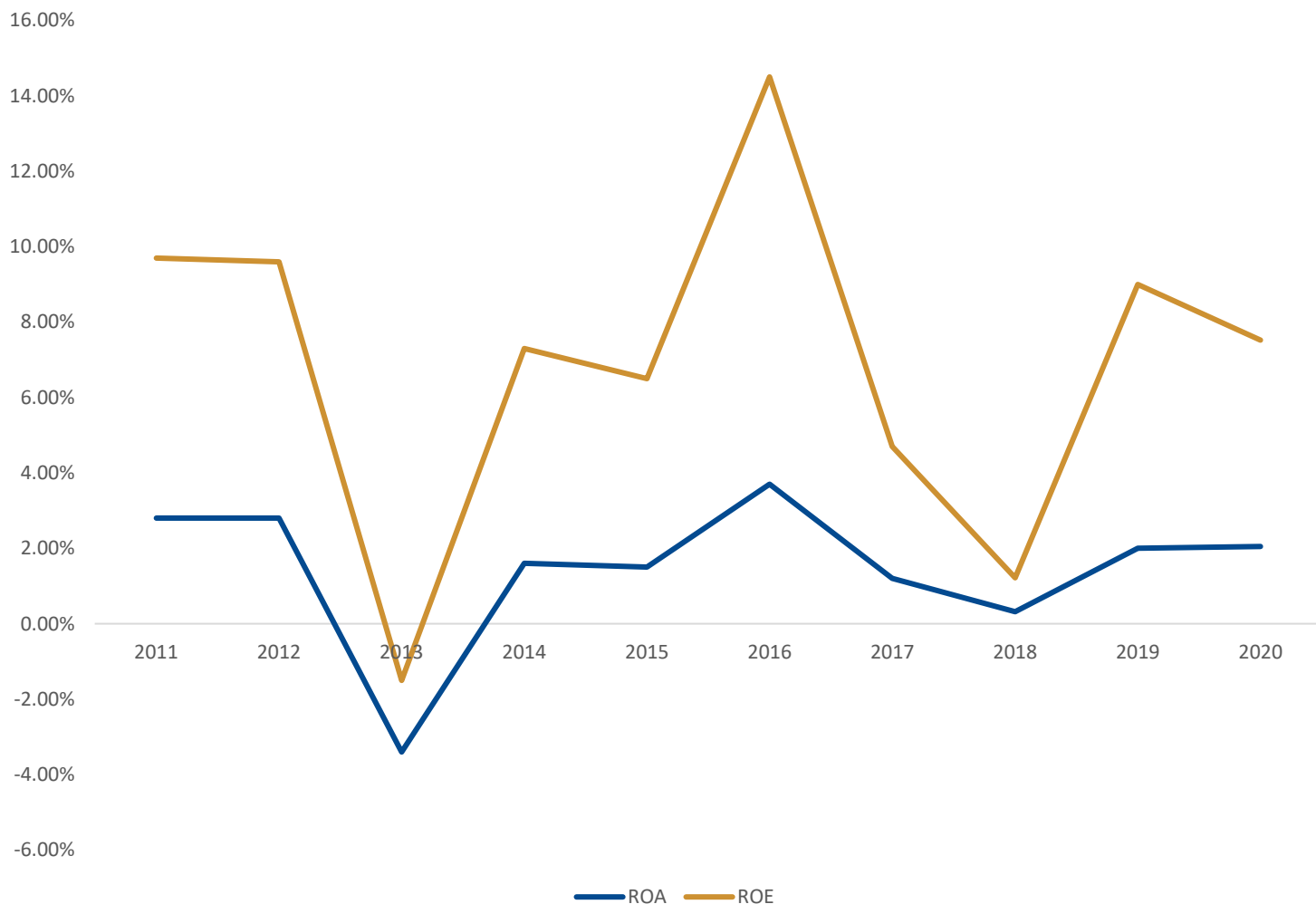
# KEY FINANCIAL RATIOS

Listed Insurance Companies Capital Adequacy Ratio stood at

**73%**



## ROE & ROA TREND

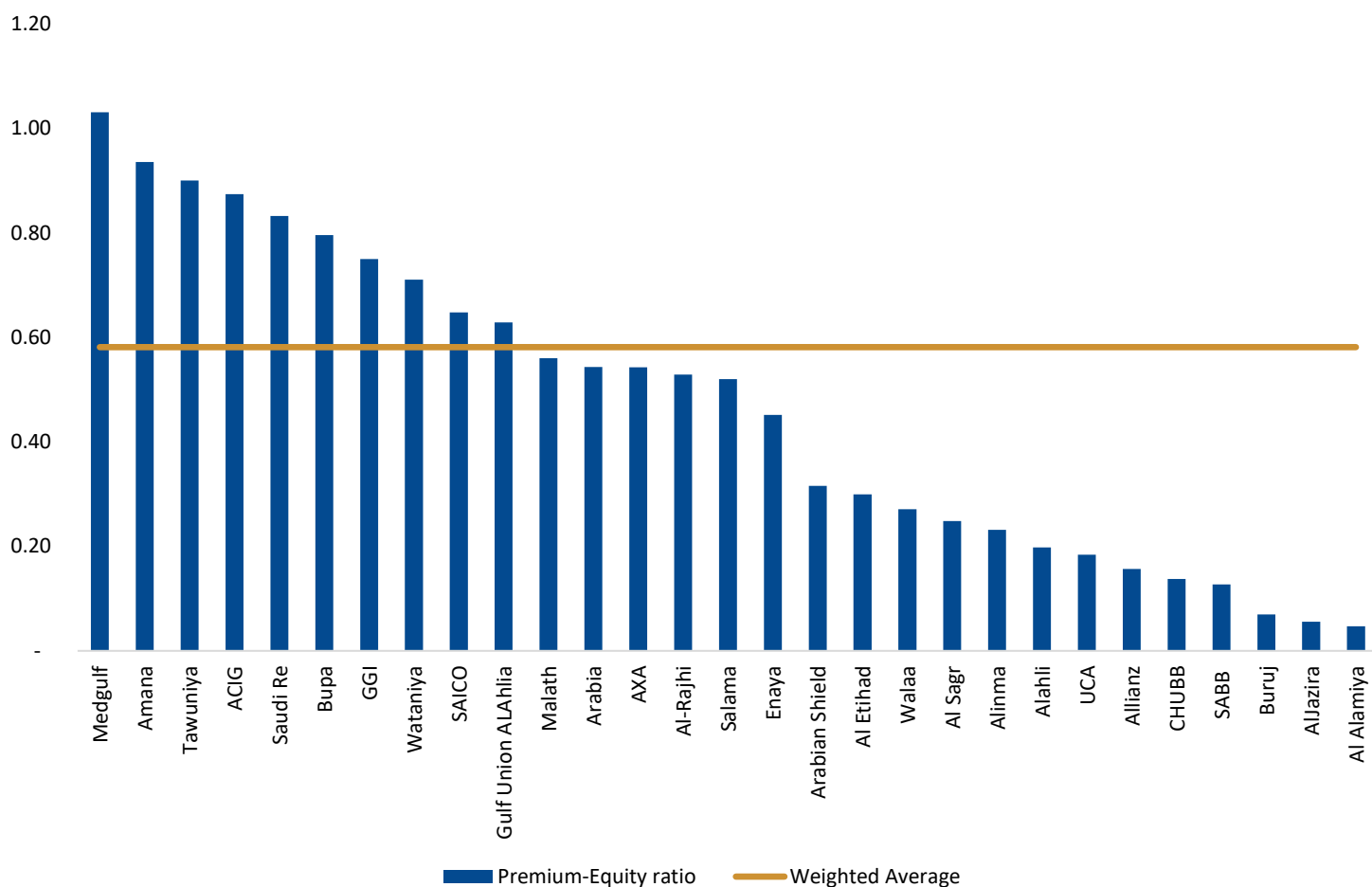


Return on Equity is the ratio of Net Profit for the period to Total Equity at start of the period whereas Return on Assets is ratio of Net Profit for the period to Total Assets (as at).

ROA and ROE has been following the same pattern however, ROE has shown more volatility to the changes.

# NWP TO EQUITY RATIO

## Premium to Equity Ratio



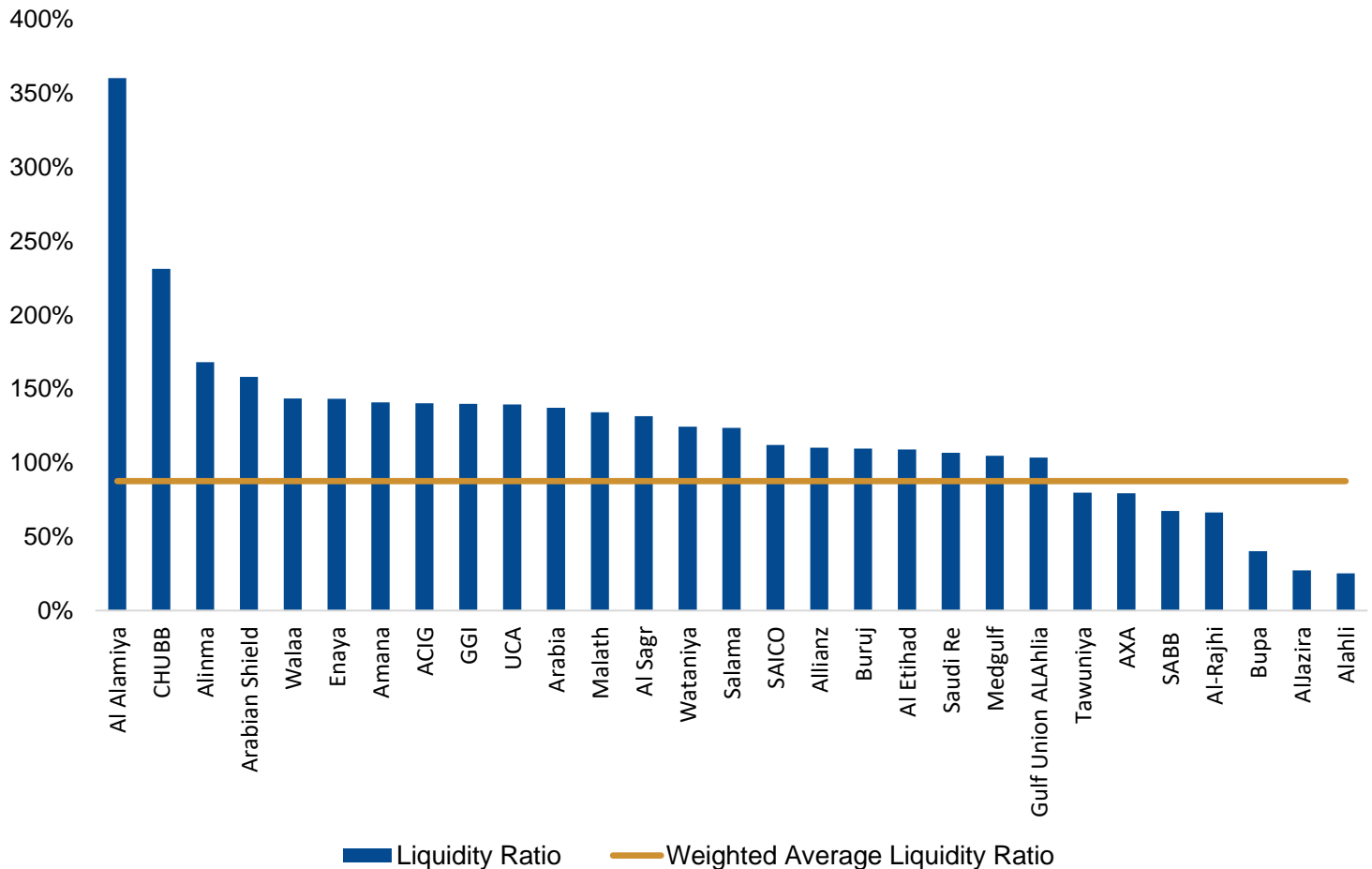
The highest Premium to Equity ratio for Q1-2021 is 1.03, shown by Medgulf, whereas the lowest ratio of 0.05 is reflected Al Alamiya.

Weighted average Premium to Equity ratio of Q1-2021 is 0.58 (YE 2020: 1.72).

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium of Q1-2021 to Total Equity as at Q1-2021. It represents the premium that pertains to each SAR amount of equity held by the Companies.

# LIQUIDITY RATIO

## LIQUIDITY



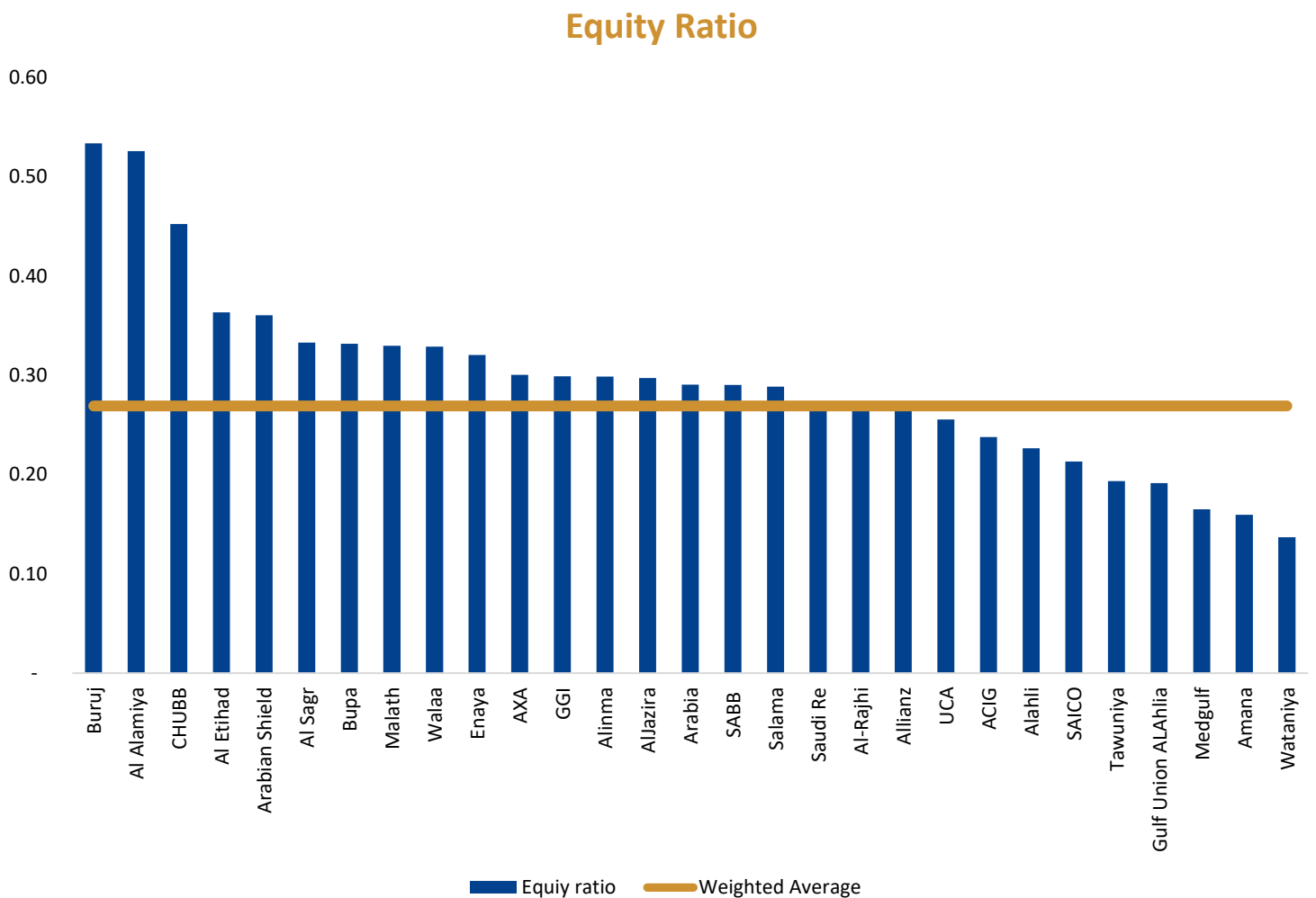
The highest Liquidity Ratio for Q1-2021 is 360% shown by Al Alamiya, whereas the lowest liquidity ratio of 25% is reflected by Al Ahli.

Weighted average Liquidity ratio for the period of Q1-2021 stood at 88% (YE 2020: 101%).

The liquidity ratio has been calculated as a ratio of current assets over total net technical reserves as at March 31, 2021.

The optimum value of the Absolute Liquidity Ratio for a company is 50%. 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

# EQUITY RATIO



The highest Equity ratio for Q1-2021 is 0.53 shown by Buruj, whereas the lowest ratio of 0.14 is reflected Wataniya.

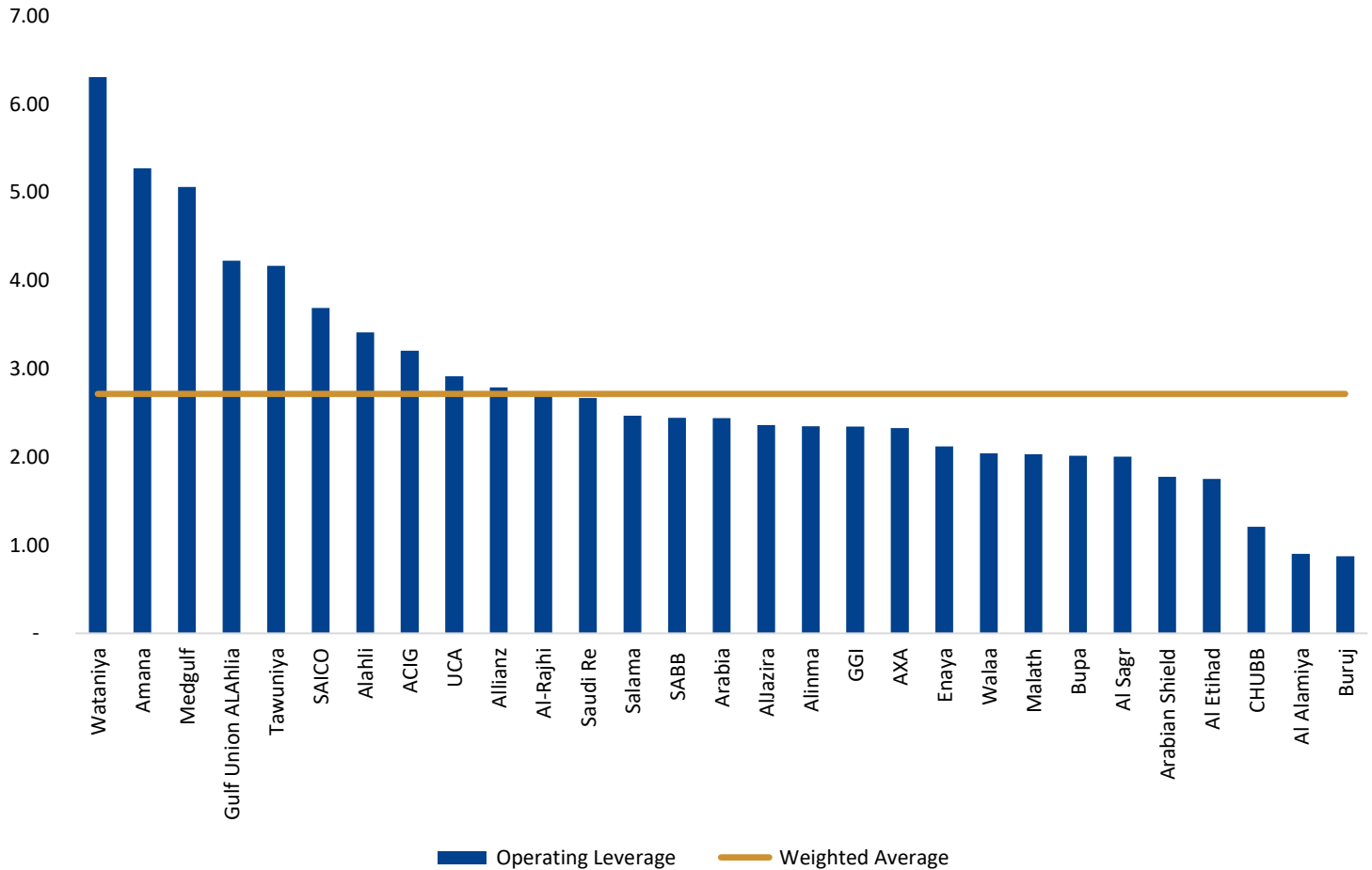
Weighted average Equity ratio for Q1-2021 is 0.27 (YE 2020: 0.28).

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 March 31, 2021, divided by Total Assets as at March 31, 2021.



# NET OPERATING LEVERAGE

## Operating Leverage



The highest Net leverage ratio for Q1-2021 is 6.31 shown by Wataniya, whereas the lowest of 0.87 is reflected by Buruj.

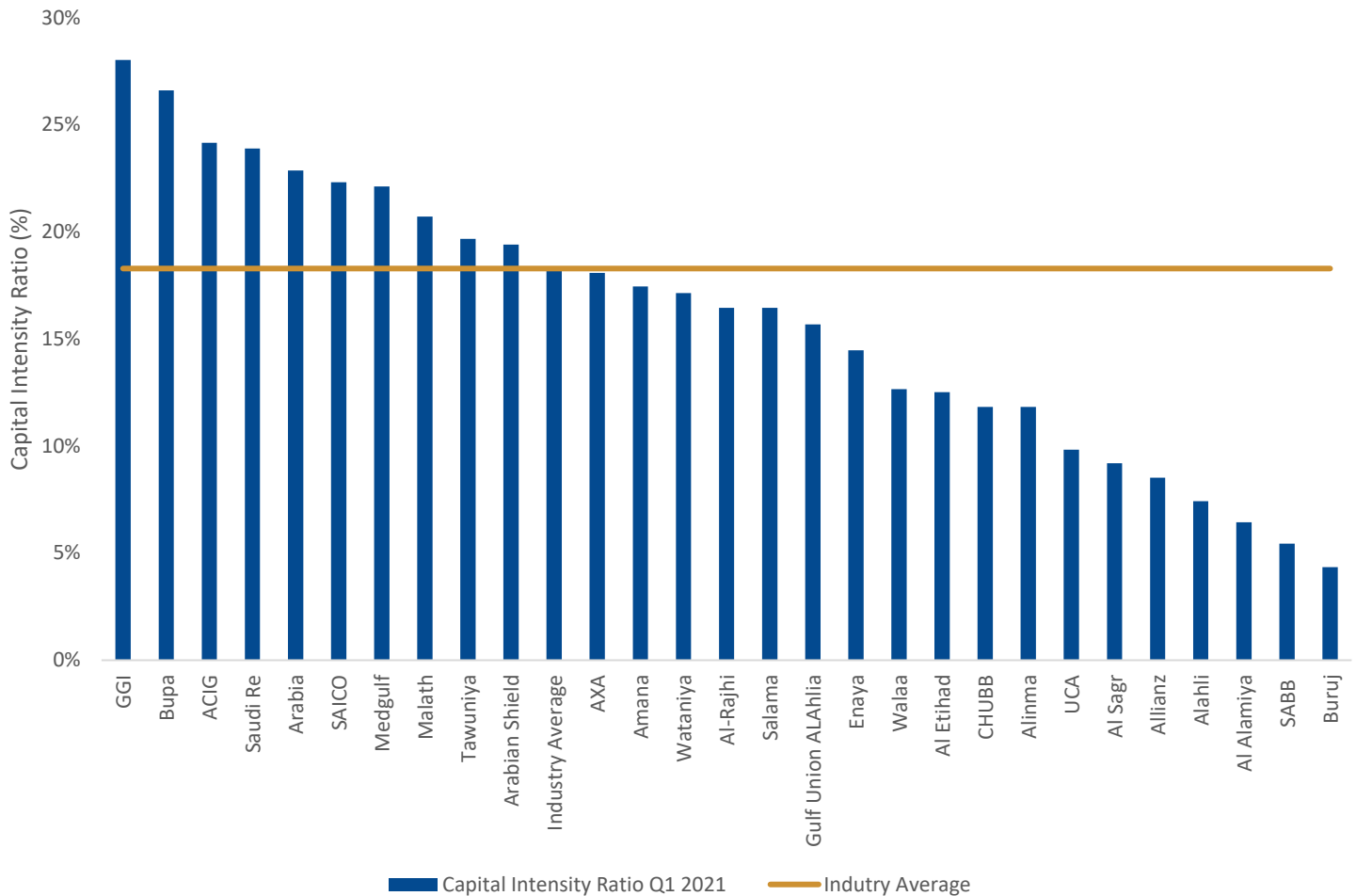
For Q1-2021, the weighted average leverage ratio for the market is at 2.71 (YE 2020: 2.56).

The Leverage ratio is calculated by taking the proportion of Total Liabilities at March 31, 2021, to Net worth of the Company at March 31, 2021.

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 generate. 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.

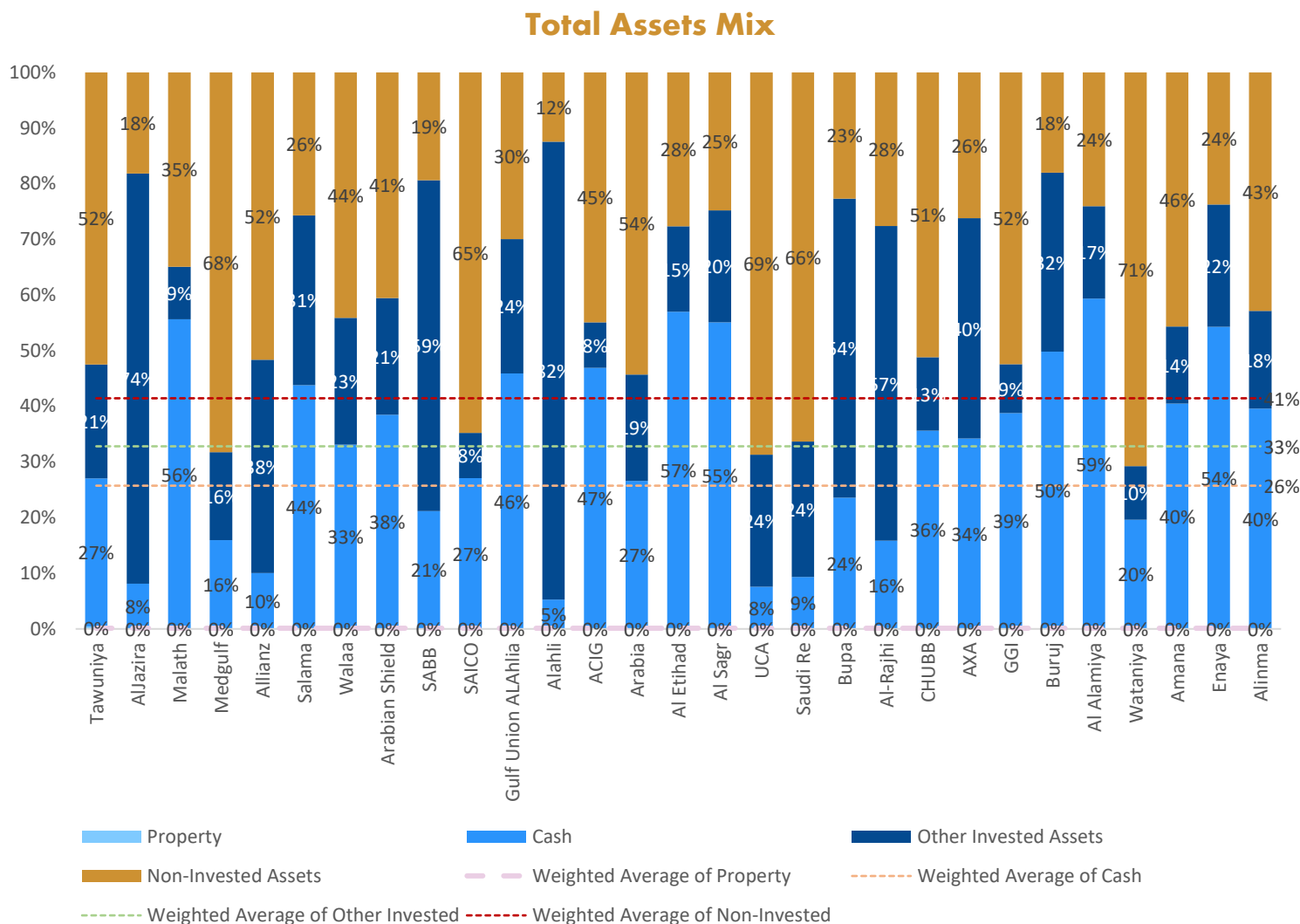
It is calculated by taking a proportion of Gross Written Premium of Q1-2021 to Total Assets as at March 31, 2021

The Industry weighted Average Capital Intensity ratio for Q1-2021 is 18% (YE 2020: 58%).

GGI attains highest CIR of 28% whereas, lowest of 4% CIR is attained by Buruj.



# INVESTED / NON-INVESTED ASSETS TO TOTAL ASSETS

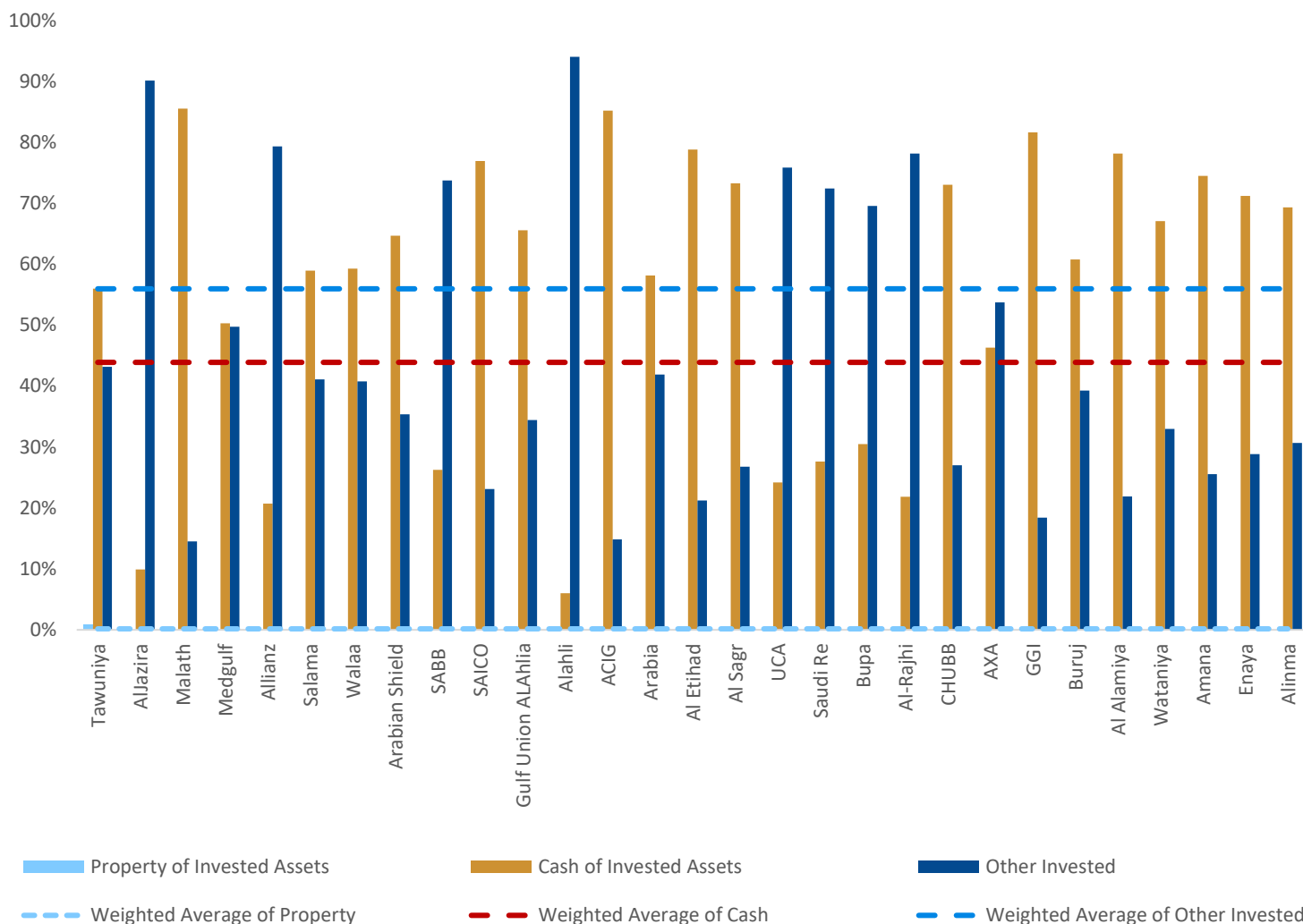


Asset Mix compares the proportion of invested assets and non-invested assets as at Q1-2021. Total Invested Assets are the sum of Property, Cash and Other Invested Assets.

Al Ahli has the highest proportion of 88% of its assets invested, while Wataniya has the lowest of 29% assets invested.

# TOTAL INVESTED ASSETS MIX

## Total Invested Asstes Classification

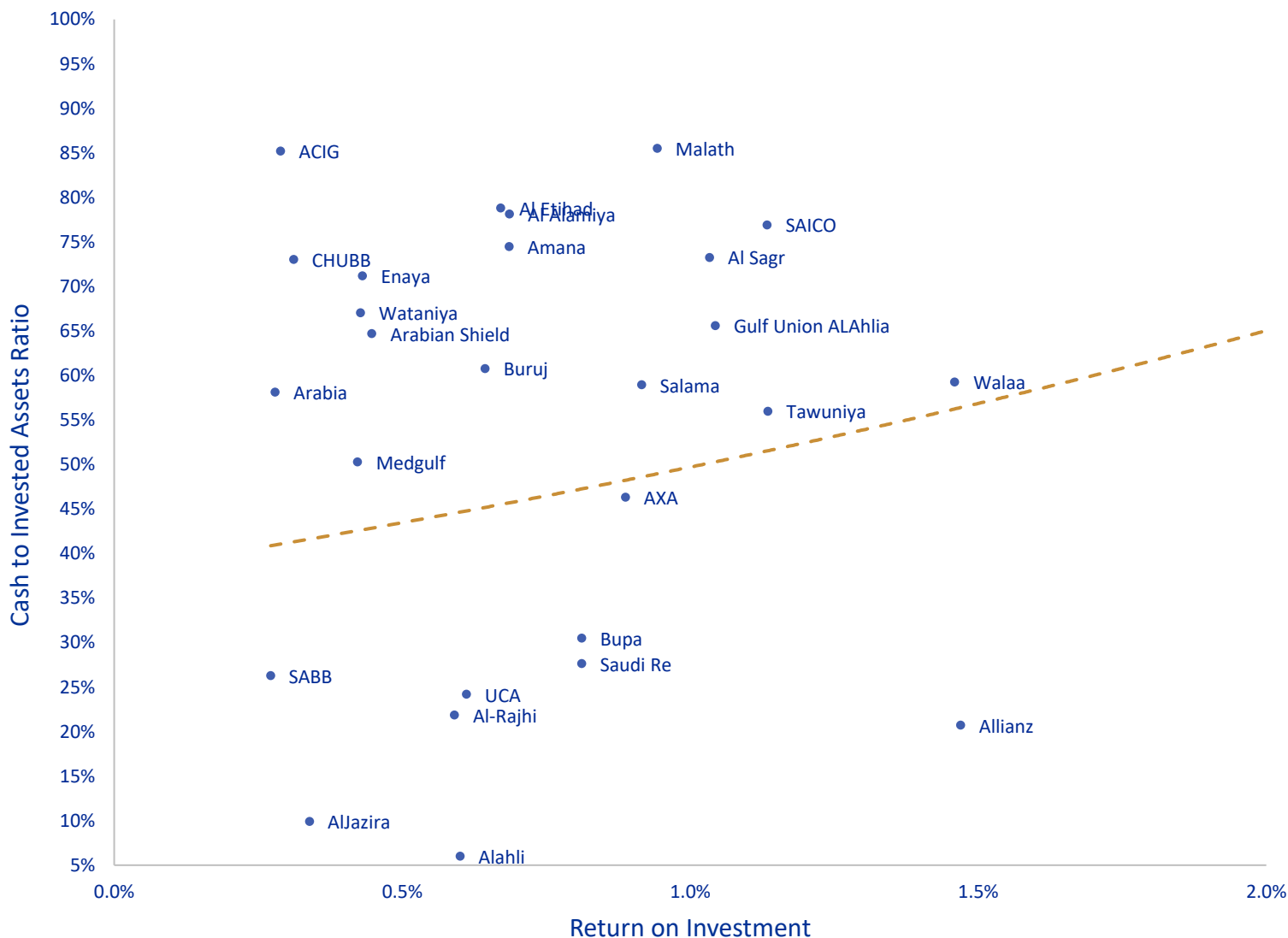


Since Total Invested Assets are the sum of Property, Cash and Other Invested Assets.

The weighted average of Property to Invested Assets is 0.15%. For Cash to Invested Assets the weighted average is 44% and 56% for Other Invested to Invested Assets.



## RETURN ON INVESTMENT VS CASH RATIO



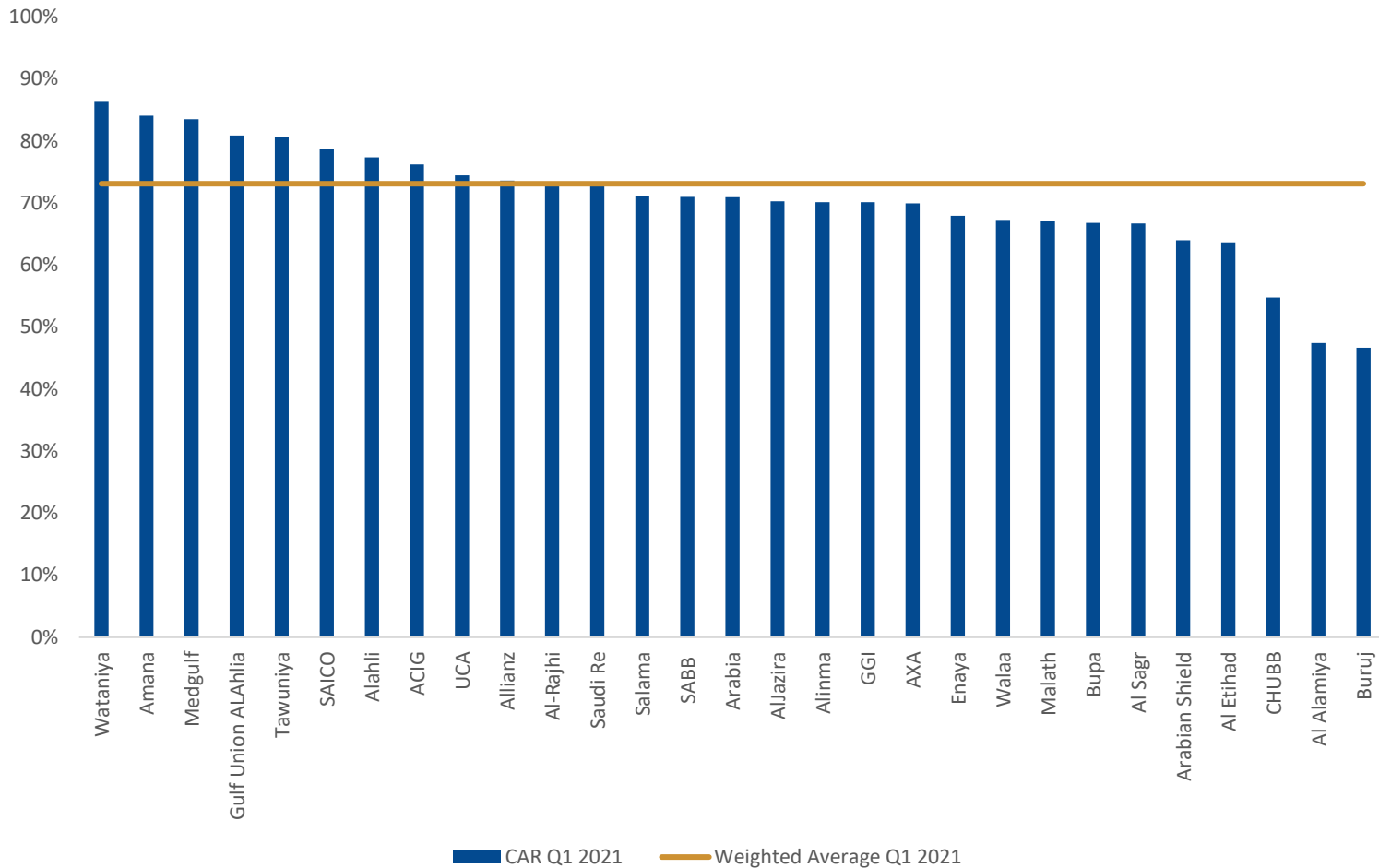
The Graph demonstrates the relationship between the amount of cash held by the companies vs the return on investment.

Normally, an inverse relationship is witnessed backed by the rationale that more cash in hand implies fewer risky investments thus lower expected yield. However, the economic downturn is reflected in the above graph that has showed a reversed relationship.

Return on Investment is calculated by taking the ratio of Investment income for the period of Q1-2021 to the average of Invested Assets as at Q1-2020 and Q1-2021.

# CAPITAL ADEQUACY RATIO

## Capital Adequacy ratio

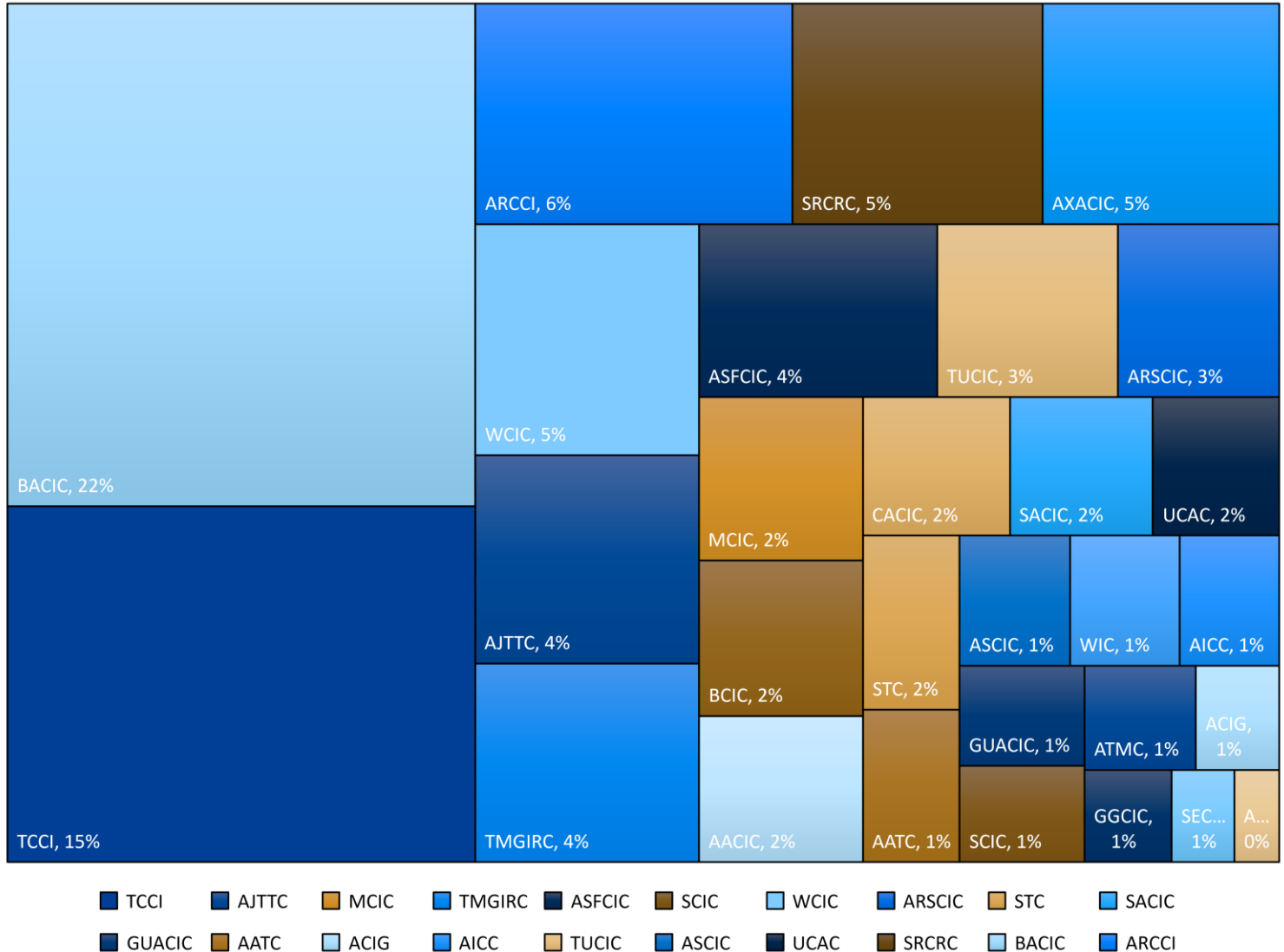


The Capital Adequacy Ratio (CAR) indicates how much a company is capable to absorb any unexpected risks, hence depicting a company's financial position to meet policyholders' liabilities. Therefore, a higher ratio indicates that the companies' liabilities are on the higher side.

Capital Adequacy ratio has been calculated by taking the proportion of Total Liabilities as at March 31, 2021, to Total Assets as at March 31, 2021.

# MARKET SIZE

## Market Share Proportion



The Tree map shows the Market size of each Company on the basis of its Total Equity as at March 31, 2021.

## 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 ALAhlia 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 Q1 2021 has been undertaken.

*\*The financial statement for Q1 2021 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 Q1-2021 has been undertaken. The data has been extracted from the financial statements of Q1-2021 of all companies as available on Tadawul.
- 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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# BADRI

## ABOUT OUR TEAM

UAE/Oman  
Actuarial

32 STAFF

KSA  
Actuarial

22 STAFF

Medical

4 STAFF

Business  
Intelligence

9 STAFF

End of Service

6 STAFF

HR Consulting

1 STAFF

14 SUPPORT AND ADMIN STAFF

TOTAL STRENGTH = 88

# CONTACT US!



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**Ali Bhuriwala**



**Mirza Ali**



**Aiman Naseem**



**Wamiq kaleem**

## FEEDBACK

Badri Management Consultancy is proud to present Saudi Arabia's Insurance Industry Performance analysis Q1 2021. 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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