

KSA Listed Insurance Industry Performance Analysis

This is based on preliminary results

Date: July 04, 2023



Q1 2023



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Q1 2023 (Preliminary) – KSA Listed Insurance Companies

About BADRI

Award winning strategic partner to the insurance industry with our 130+ talented staff in KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

Our Awards

- Corporate Risk Manager of the Year 2023 by InsureTek
- Best Actuarial/Risk Consultancy Firm of 2023, 2018 & 2016 by MENAIR
- Strategic Partner to the Industry 2022, 2021 & 2020 by MIIA



What We Can Do For You!

Actuarial Consultancy

- Appointed Actuary
- End of Services
- General & Life Actuarial
- IFRS 17
- Pricing, Reserving & Capital

Strategic Consultancy

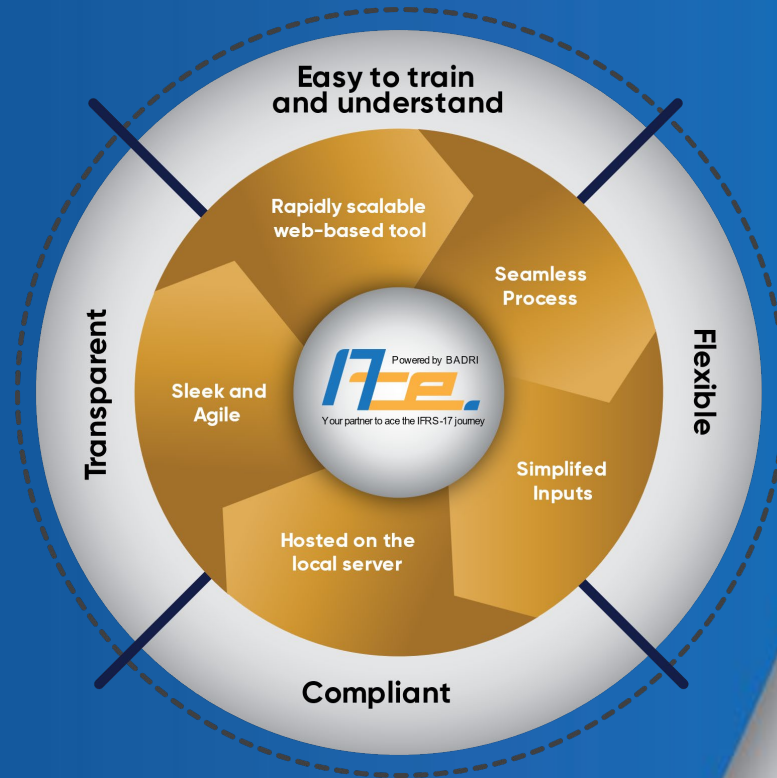
- Financial Services
- Strategic HR Consultancy
- ERM
- Product Development
- Merger and Acquisition

Technology Consultancy

- Digitalization
- Business Intelligence
- Data Governance
- Big Data & Analytics
- IFRS 17 Systems
- Actuarial Systems



IFRS 17



Ace 17

ACE-17, our flagship IFRS 17 calculation engine, provides a seamless and cost-effective solution to generate the IFRS 17 financials and disclosures, saving your time and effort in your IFRS 17 reporting processes. Users can move through an intuitive, fully transparent, and flexible calculation process that is built to generate all the reporting requirements to deliver the IFRS 17 financial statements.

Financial Services

Our professional and dedicated team possess the expertise in financial services domain and offer wide range of services. Our core services are:

- IFRS Implementation
- Reconciliation Services
- MIS Reporting
- Backlog Accounting
- Loan Staff (Outsource)

Reconciliation Services

- Improve collections from insurance companies/ brokers and customers by reconciling the statement of account on regular basis.
- Accurate reporting of LRC and LIC balances. As currently most businesses struggled to isolate their receivables, payables, and commission from their net position.
- Reduce risk of error and compliance with regulation/ standard.

Loan Staff

- Availability of Qualified and competent staff immediately.
- No lengthy hiring process as no change in the headcount.
- Benefit from a consultant's knowledge of the market.
- Cost containment.

Invest In Your Team

métier – a Badri Group Company is a renowned boutique Executive search and HR solutions consulting firm that works with teams across the globe, to develop a tailored HR plan and resolve your business challenges.

We take a personalized approach in ensuring that the solutions provided to you are in line with your company strategy to help you achieve your business goals through sustainable HR practices.

Since our inception in 2014, we have been recognized as Executive search leaders across multiple industries in the MENA region. métier's seasoned professionals focus on your HR transformation, while you focus on your business.

Our Competitive Edge

- Improving Workplace Productivity
- Increasing Value Through People
- Inspiring Partnerships

Our Service Offerings

- Strategic HR Consulting
- Digital HR Solutions
- Talent Acquisition Services
- Training Solutions



About BADRI

Driven by the passion to further the use of actuarial skills in the MENA region, Badri was established in the UAE. Since then, the company has expanded exponentially and now has offices in Dubai, Riyadh, Karachi, Lahore and Delhi.

Today, our 150+ talented staff spread across KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

We specialize in General, Life & Health Insurance / Takaful and provide customized solutions by using the latest analytical tools. We also provide IFRS17, ERM, Capital Modelling, and Big Data Analytics services to our clients.



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

01

Integrity

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

02

Chasing Excellence

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

03

Fostering Partnerships

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

04

Breeding Excitement

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

05

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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2023 1st Quarter Industry Analysis

Revenues

Insurance revenue

Insurance Service Results

Insurance Service Ratio

Profitability

Net Profit

Combined Ratio

IFRS 17 Transition

Transition in Profit

Insurance Revenue Comparison



Q1 2023 Highlights

Insurance Revenue

Q1-2023: **SAR 13 billion**
Q1-2022: SAR 10 billion
Growth: 27%

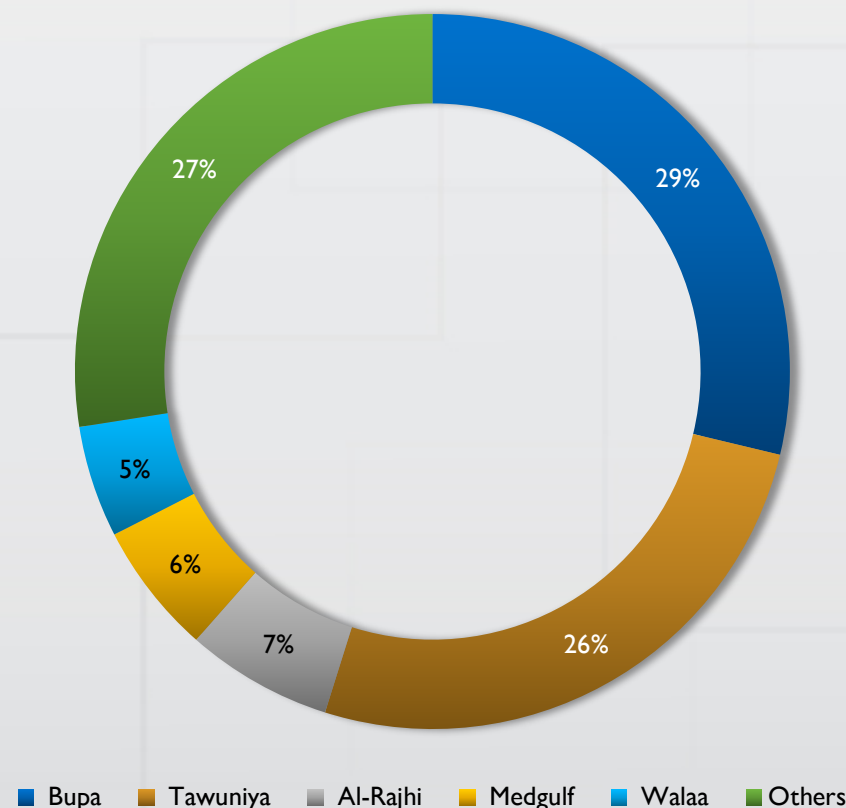
Insurance Service Results

Q1-2023: **SAR 672 million**
Q1-2022: SAR (78) million
Growth: 958%

Profit Before Zakat

Q1-2023: **SAR 717 million**
Q1-2022: SAR 8 million

Insurance Revenue Q1-2023





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Revenue

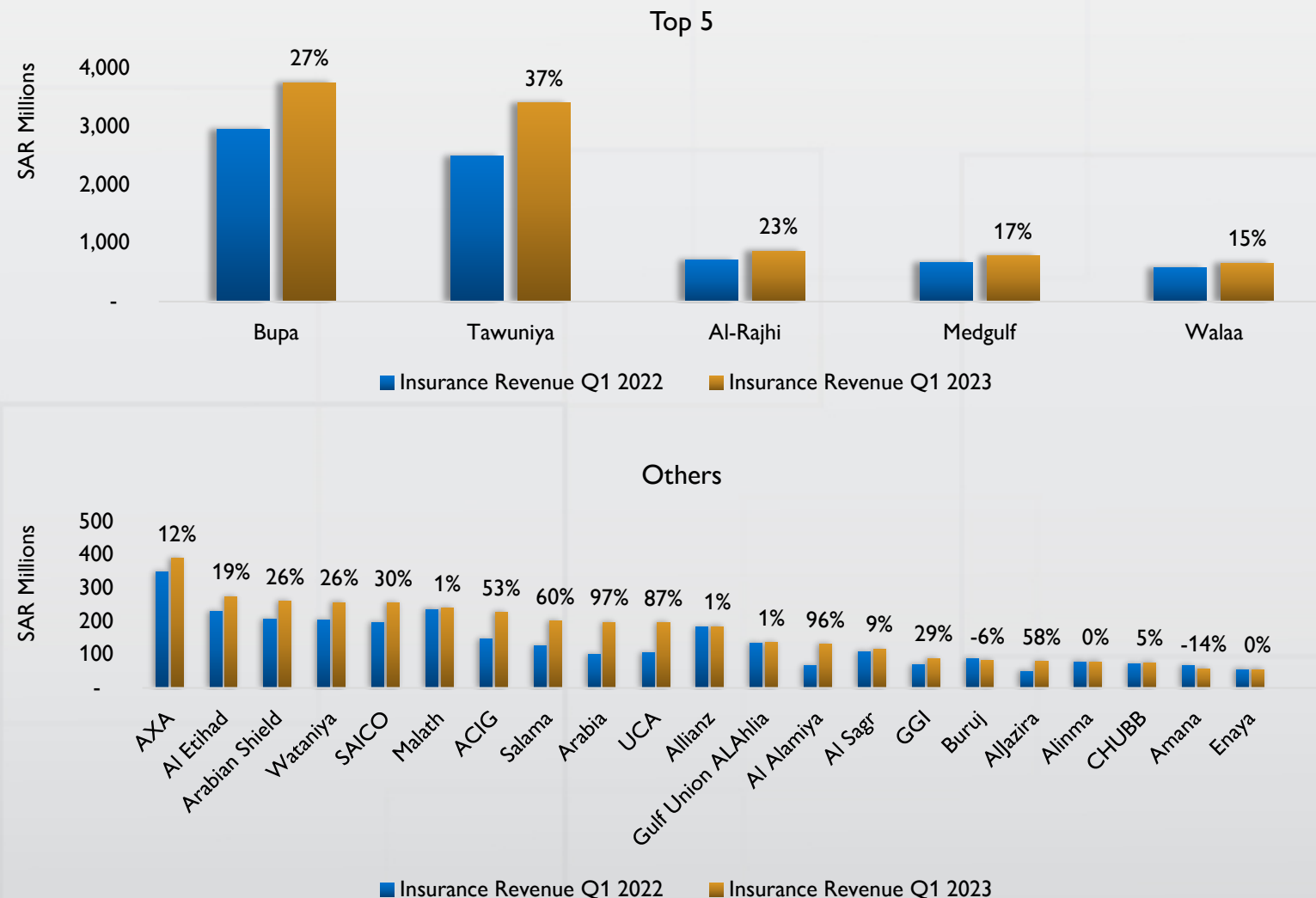




Insurance Revenue - Listed Companies

In Q1-2023, the Insurance Revenue of the 26 listed companies examined showed a 27% growth, reaching SAR 13 billion compared to the previous period's SAR 10 billion. The KSA Insurance Industry no longer reports the top line or Gross Written Premiums (GWP), which was once a source of pride and competition. Instead, the focus is now on Insurance Revenue, which can be considered as the equivalent of Earned Premiums. However, one important distinction is that Insurance Revenue is net of any Expected Credit Losses, similar to Provision for Doubtful Debts.

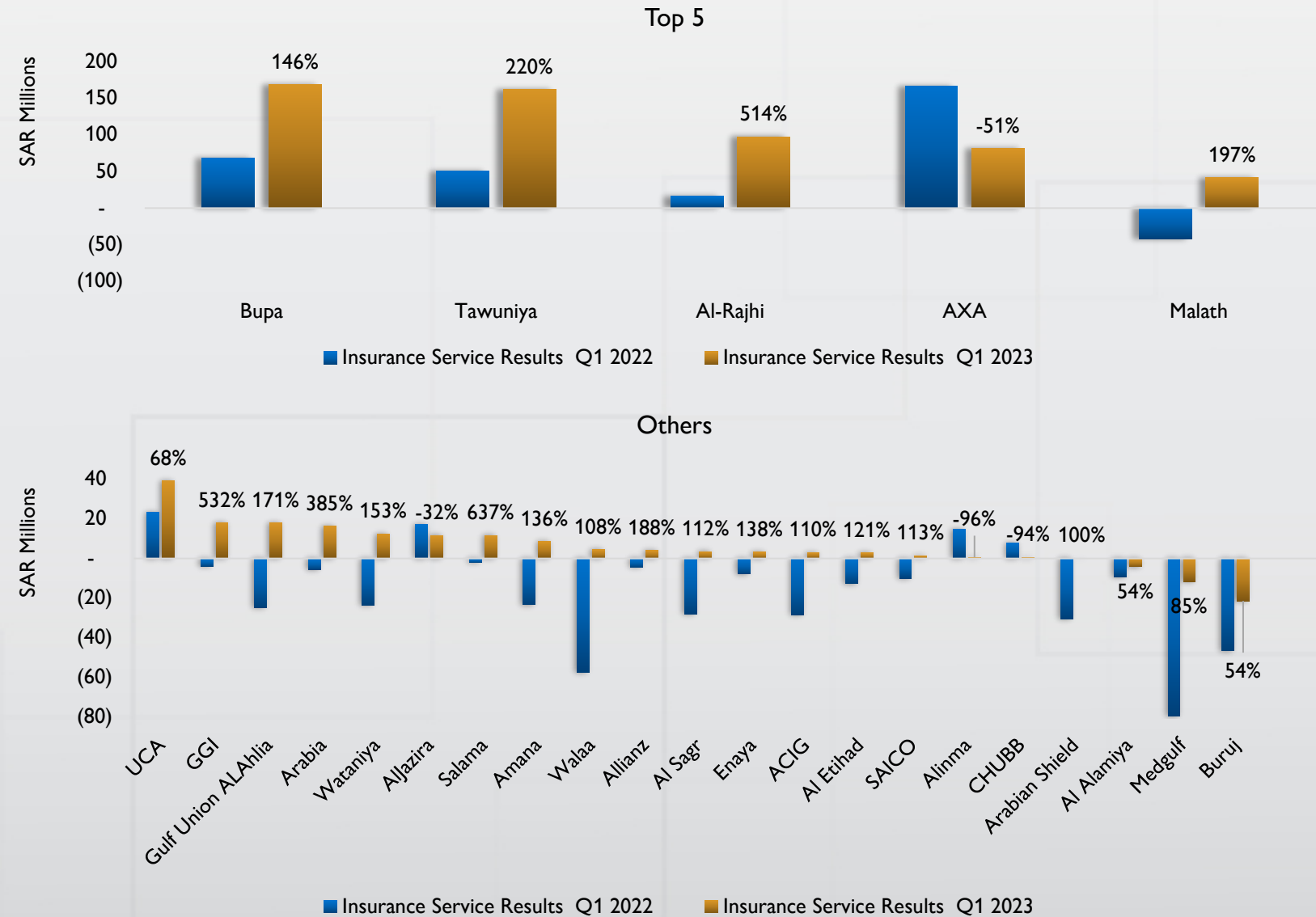
Among the top five companies, their Insurance Revenue rose by 28% from SAR 7 billion to SAR 9 billion. On the other hand, the remaining companies witnessed a growth of 25%, with their Insurance Revenue increasing from SAR 3 billion to SAR 4 billion.





Insurance Service Results - Listed Companies

In 2023-Q1, the Insurance Service Results for the 26 listed companies analyzed witnessed a substantial surge of 958%, soaring from SAR (78) million to SAR 672 million. Among the top 5 companies based on this KPI, there was a growth of 112% from SAR 259 million to SAR 551 million between the two periods. Conversely, the remaining companies experienced an increase from negative SAR 338 million to positive SAR 121 million, resulting in a growth of 136%. Salama achieved the highest absolute growth of SAR 12 million, while Alinma observed the largest drop of SAR 0.6 million.



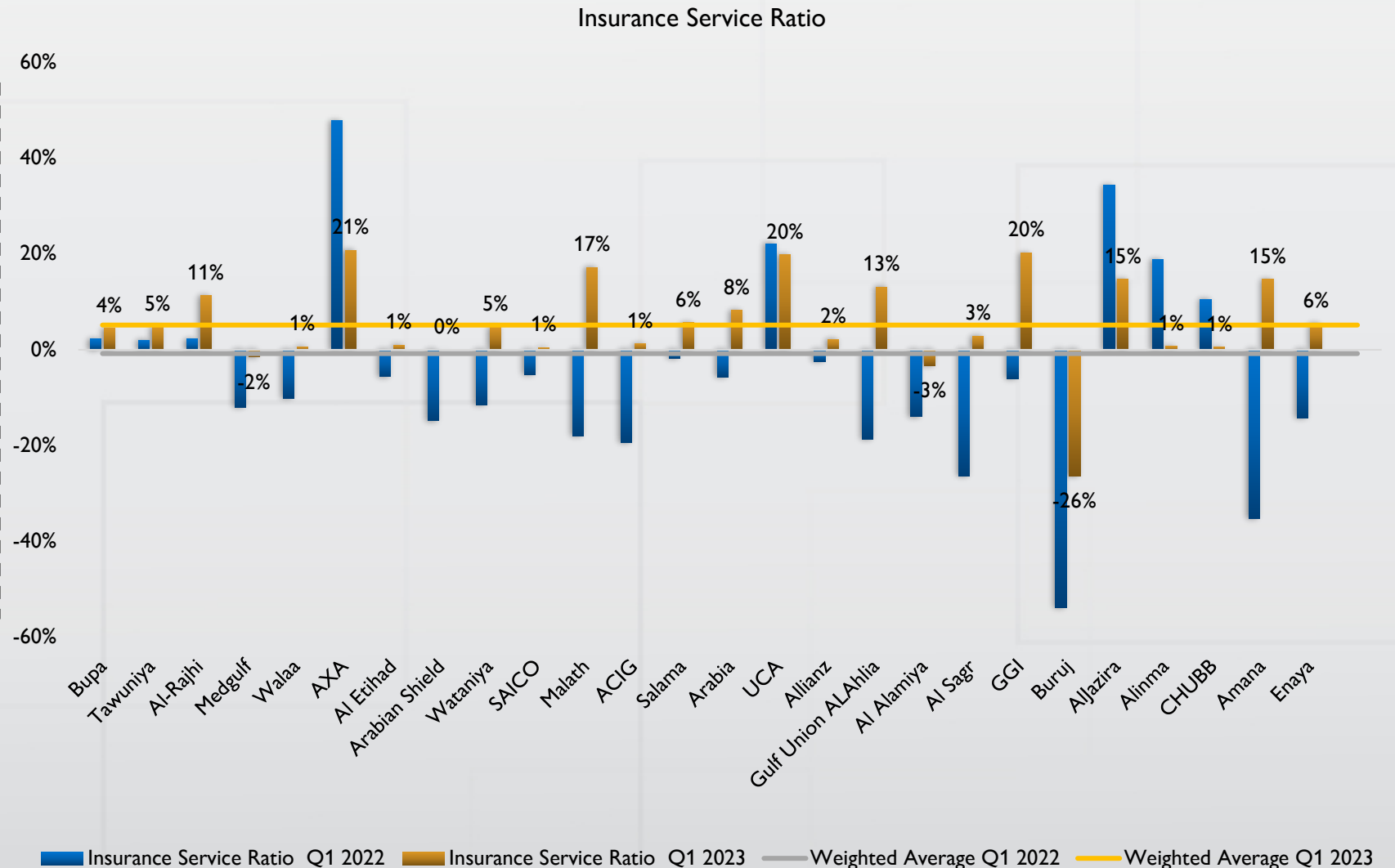


Insurance Service Ratio – Listed Companies

Insurance Service Ratio for the companies went from -1% last year to 5% Q1-2023. AXA had the highest ratio of 21% as compared to Buruj showing -26%.

Insurance Service Ratio (Insurance Service Results / Insurance Revenue) can be compared with 100% minus the Combined Ratio under IFRS4. However, a key difference is we are looking at Net Results and comparing with a value similar to Gross Earned Premium.

Insurance Service Results can be thought under IFRS4 as Underwriting Profits (after expenses).





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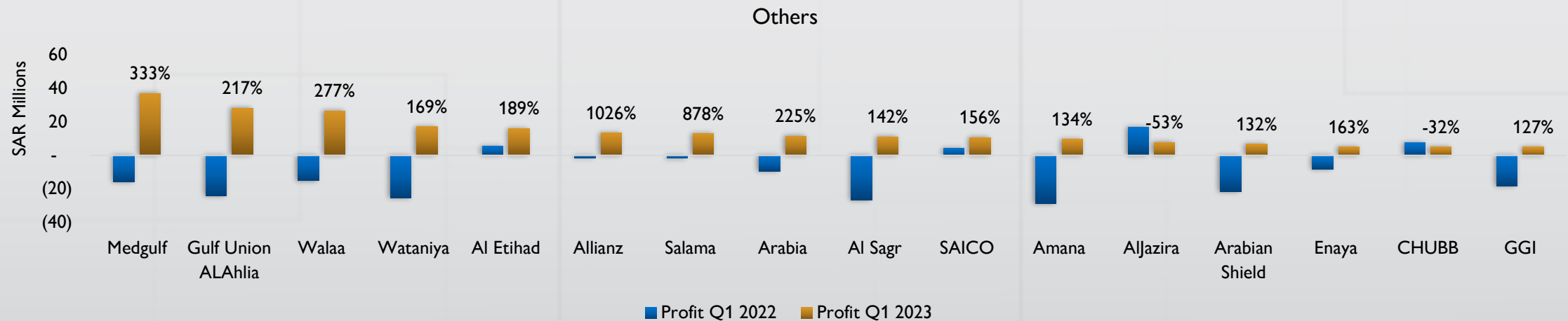
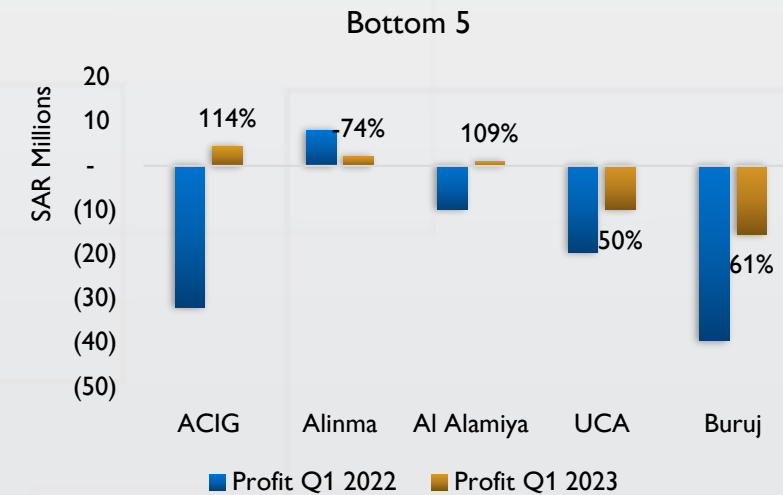
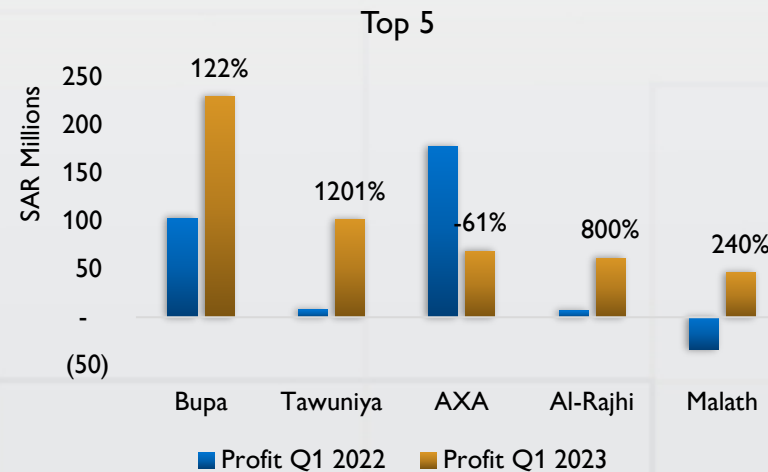
Profitability



Profit Before Tax - Listed Companies Trend

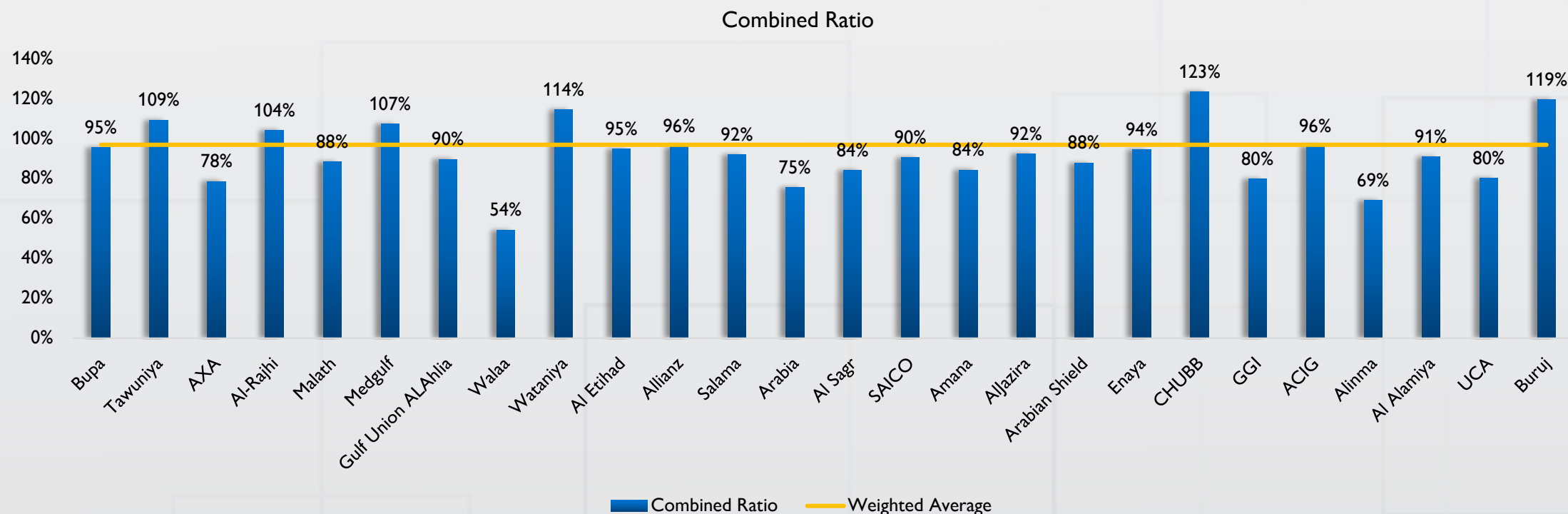
The Profit (before zakat) for the 26 listed companies analyzed showed a significant increase, rising from SAR 8 million in Q1-2022 to SAR 717 million in Q1-2023. Among the top 5 companies in terms of profits, there was a 94% growth to SAR 509 million (Q1-2022 - SAR 263 million). The remaining companies witnessed a remarkable increase of 182% to SAR 208 million (Q1-2022 - SAR (255) million).

If we were to compare to IFRS4, these 26 companies had a deficit of SAR 75 million according to their Q1-2022 Financials. However, under IFRS17, this has now been restated as a profit of SAR 8 million.





Combined Ratios – Listed Companies



The weighted average Gross combined ratio stood at 97%, with CHUBB bearing the highest combined ratio of about 123%. The lowest combined ratio of 54% was depicted by Wala. However, as this graph ignores the Net RI Cost the Gross Combined Ratios can be disconnected from the overall profitability of the Company.

A company is deemed profitable from an underwriting perspective if the combined ratio is below 100%, Tawuniya, Al-Rajhi, Medgulf, Wataniya, CHUBB & Buruj have depicted combined ratio greater than 100%

- Combined ratio is computed as Insurance Service Expenses over Insurance Revenue.



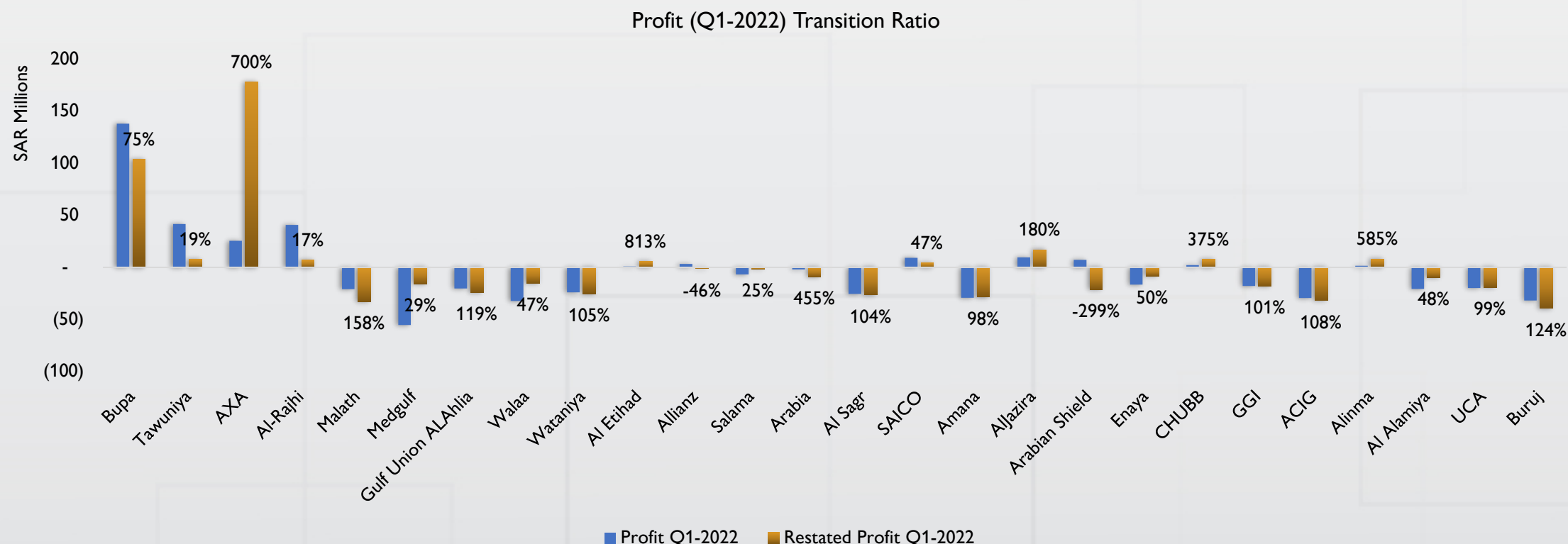
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IFRS 17 Comparison



Transition in Profit



The Profit Transition Ratio compares the Q1-2022 profit as reported last year under IFRS4 with the profits shown as Q1-2022 as per the IFRS17 financials published this quarter. At a total level the loss of SAR 75 million last year under IFRS 4 is restated to a profit of SAR 8 million under IFRS17.

A total of 14 companies showed a reduction in profit under transition from IFRS 4 to IFRS 17 whereas 12 companies showed an improvement in profit. The transition ratio varied significantly in % terms as shown in the chart.

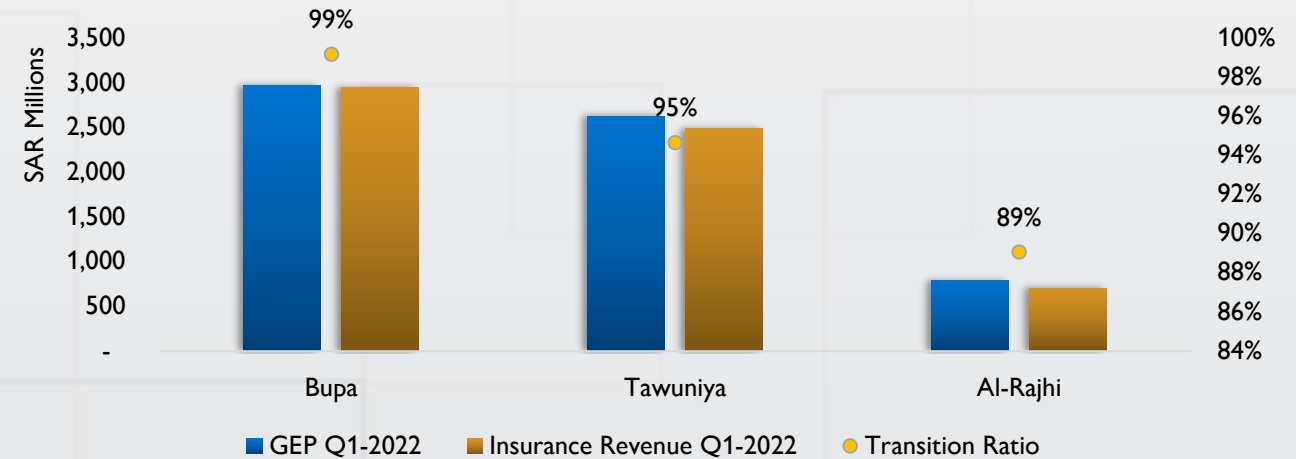


Insurance Revenue to GEP Transition

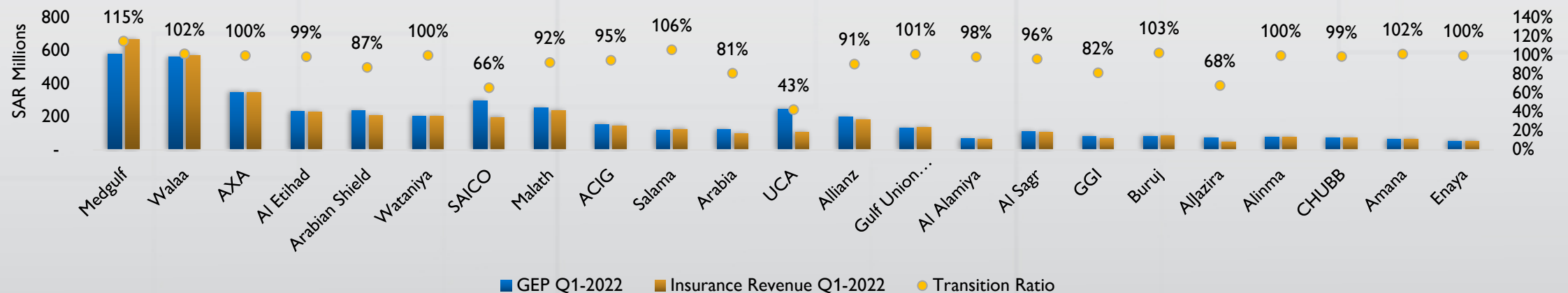
Under IFRS17, Insurance Revenue would be akin to Gross Earned Premium. A key difference is that in IFRS17 (or due to IFRS9) the Expected Credit Losses (ECL) are deducted from the Insurance Revenue. To show the impact of the change in standards, we have compared the Gross Earned Premium shown in Q1-2022 financials to Insurance Revenue shown for Q1-2022 this time.

The graphs here depicts the transition impact of the same. Due to impact of ECL, the ratio should be below 100%. Companies having ratio above 100% shows that the revenue has increased for Q1-2022 as a result of transition. This is possible due to changes in revenue recognition, updated measurement methods, enhanced contract boundaries, and improved data quality.

Insurance Revenue to GEP Transition (Q1-2022) Top 3



Insurance Revenue to GEP Transition (Q1-2022) Others





Conclusion

IFRS17 – Vanity gives way to Sanity

BADRI is delighted to present the first analysis of the KSA Insurance Industry based on the IFRS17 Financial Statements. This analysis utilized the published preliminary Financial Statements of 26 listed companies.

We have been saying previously that “Top line is vanity, Bottom line is sanity”. IFRS17 has removed the vanity element and moved away from disclosing GWP to just showing Insurance Revenue. Under IFRS17, the reporting approach has shifted from Gross Written Premiums (GWP) to focusing on Insurance Revenue. In the first quarter of 2023, Insurance Revenue demonstrated a 27% increase, reaching SAR 13 billion compared to SAR 10 billion in the same period last year. Insurance Revenue is akin to Gross Earned Premiums, but it incorporates Expected Credit Losses (ECL). The difference between the two shows the industry is facing an element of Credit Risk, which is expected to exert more pressure due to the rise in ECL.

After many challenging quarters, the recovery continues for the sector. Insurance Service Results experienced growth, rising to SAR 671 million compared to SAR (78) million last year. Insurance Service Results can be understood as Underwriting Profits (after expenses) under IFRS4.

Profit (before tax) surged from SAR 8 million in Q1-2022 to SAR 717 million in Q1-2023. Among the top 5 companies in terms of profits, their earnings increased by 94% to SAR 509 million (Q1-2022 - SAR 263 million), while the remaining companies witnessed a growth of 182% to SAR 208 million (Q1-2022 - SAR (255) million). Compared to the same period last year it is welcoming to see the vast majority of companies return to profitability.

Looking at the transition impact on restated profits from IFRS 4 to IFRS 17 (for Q1-2022) experience appears very mixed. Around half of companies showed an improvement in their restated IFRS 17 P&L relative to the previously reported IFRS 4 profit, with the other half showing a deterioration. At a total level the loss of SAR 75 million last year under IFRS 4 is restated to a profit of SAR 8 million under IFRS17.

While it was a choppy ride, all companies have managed to publish their preliminary financials under IFRS17. The transition has not been without challenges, however the value of the dry run exercises conducted by SAMA last year have certainly helped the industry to prepare well. We anticipate improvements in the detailed published financials as companies enhance their data and processes.

We also anticipate development of new KPIs with a greater focus on profitability above production, especially now that GWP is no longer visible.



Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in KSA for the first three months of 2023. The data has been extracted from the preliminary reports of those companies which were publicly listed and available till the compilation of this report.

BADRI publishes reports and newsletters that provide insights for the insurance industry and the public. Our goal is to draw upon research and experience from our professionals to bring transparency and availability of information to the industry and in the process spread brand awareness. No part of our compensation received for other services directly or indirectly influences the contents of this report. The Analysts preparing the report are subject to internal rules on sound ethical conduct.

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The inclusion of the IFRS-17 analysis in our reports for the first time introduces the possibility of encountering errors. This likelihood primarily stems from the inconsistency observed in the treatment of accounts within the financial statements across various companies. These disparities can pose significant analytical challenges and impede accurate interpretation of the data.













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Listed Insurance Companies



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Logos	Sr. No.	Name	Abbreviation
	1	The Company for Cooperative Insurance	TCCI
	2	Aljazira Takaful Taawuni Co.	AJTTC
	3	Malath Cooperative Insurance Co.	MCIC
	4	The Mediterranean and Gulf Insurance and Reinsurance Co.	TMGIRC
	5	Allianz Saudi Fransi Cooperative Insurance Co.	ASFCIC
	6	Salama Cooperative Insurance Co.	SCIC
	7	Walaah Cooperative Insurance Co.	WCIC
	8	Arabian Shield Cooperative Insurance Co.	ARSCIC
	9	Saudi Arabian Cooperative Insurance Co	SACIC
	10	Gulf Union Al Ahlia Cooperative Insurance Co.	GUACIC
	11	Allied Cooperative Insurance Group	ACIG
	12	Arabia Insurance Cooperative Co.	AICC

Companies Included in the Analysis















Analysis of the Key Performance Indicators (KPIs) of 26* Listed Insurance Companies of KSA for Q1 2023 has been undertaken.

Listed Insurance Companies



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Logos	Sr. No.	Name	Abbreviation
	13	Trade Union Cooperative Insurance Co.	TUCIC
	14	Al Sagr Cooperative Insurance Co.	ASCIC
	15	United Cooperative Assurance Co.	UCAC
	16	Bupa Arabia for Cooperative Insurance Co.	BACIC
	17	Al-Rajhi Company for Cooperative Insurance	ARCCI
	18	CHUBB Arabia Cooperative Insurance Co.	CACIC
	19	AXA Cooperative Insurance Co.	AXACIC
	20	Gulf General Cooperative Insurance Co.	GGCIC
	21	Buruj Cooperative Insurance Co.	BCIC
	22	Al Alamiya for Cooperative Insurance Co.	AACIC
	23	Wataniya Insurance Co.	WIC
	24	Amana Cooperative Insurance Co.	ACIC
	25	Saudi Enaya Cooperative Insurance Co.	SECIC
	26	Alinma Tokio Marine Co.	ATMC

Companies Included in the Analysis

Analysis of the Key Performance Indicators (KPIs) of 26* Listed Insurance Companies of KSA for Q1 2023 has been undertaken.



About Our Team

Directors		5 Staff	
UAE/ Oman Actuarial	38 Staff	Medical	6 Staff
KSA Actuarial	37 Staff	IFRS 17	14 Staff
Business Intelligence	11 Staff	HR Consultancy	2 Staff
End of Services	4 Staff	Financial Services	6 Staff
Support & Admin	28 Staff	Data Science	1 Staff

Total Strength 152



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Our Feedback

Badri Management Consultancy is proud to present Saudi Arabia's Insurance Industry Performance preliminary analysis Q1 2023. 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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