



BADRI

KSA Listed Insurance Industry Performance Analysis

- Based on preliminary results

H1 2023



Date: August 14, 2023



Award winning strategic partner to the insurance industry with our 150+ 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

About BADRI



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



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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KPI Map

2023 1st Half Industry Analysis

Revenues

Insurance revenue

Insurance Service Results

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IFRS 17 Transition

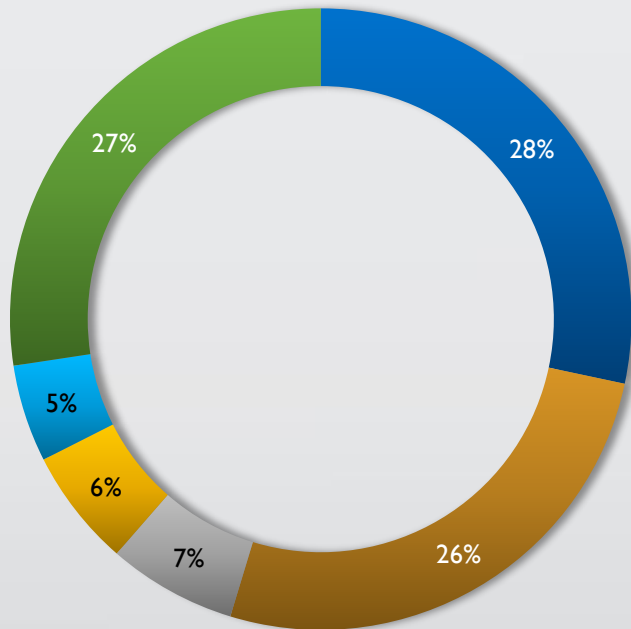
Transition in Profit

Insurance Revenue Comparison



H1 2023 Highlights

Insurance Revenue H1-2023



■ Bupa ■ Tawuniya ■ Al-Rajhi ■ Medgulf ■ Walaa ■ Others

Gross Written Premium

H1-2023: SAR **34** billion
H1-2022: SAR 26 billion
Growth: 30%

Insurance Revenue

H1-2023: SAR **27** billion
H1-2022: SAR 21 billion
Growth: 28%

Insurance Service Results

H1-2023: SAR **1,877** million
H1-2022: SAR (101) million

Profit Before Zakat

H1-2023: SAR **1,988** million
H1-2022 (IFRS17) : SAR 27 million
H1-2022 (IFRS4) : SAR 239 million



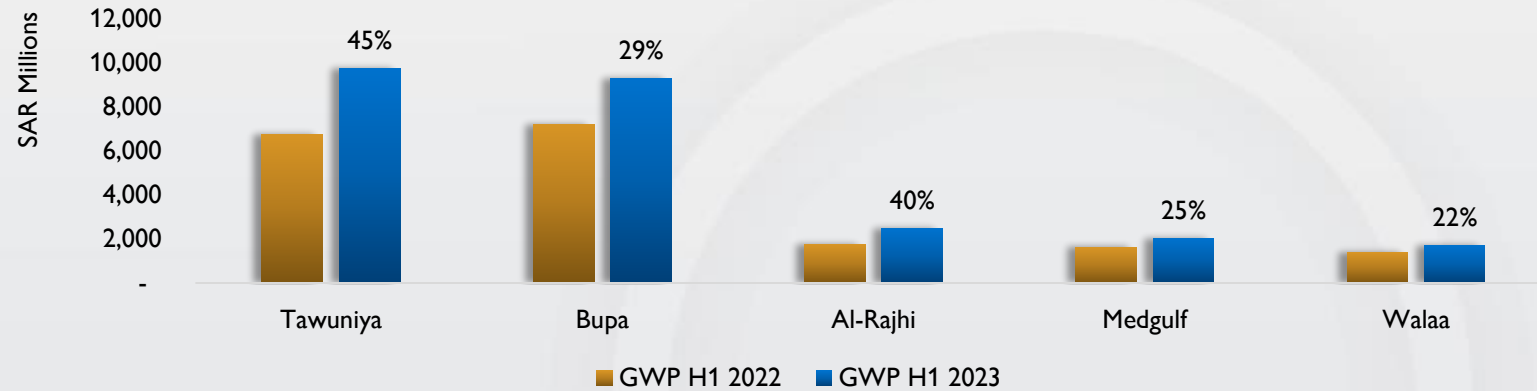
Revenue



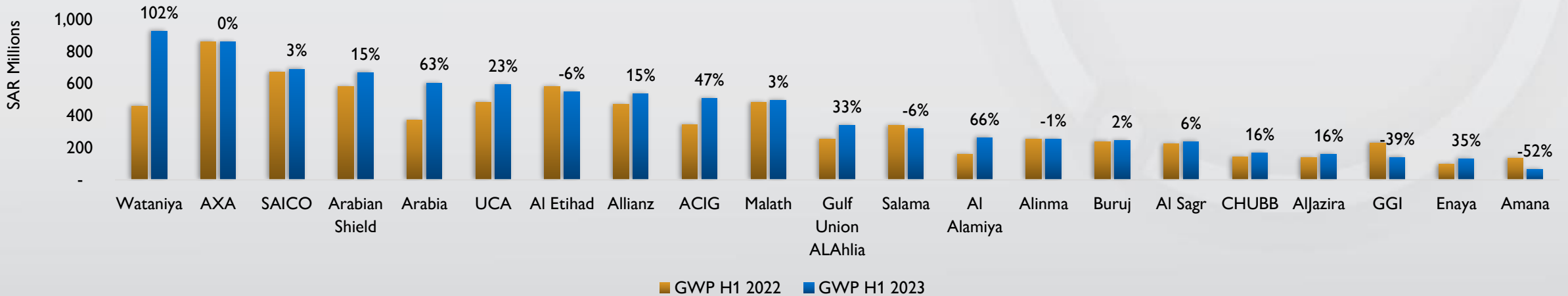
Gross Written Premium

The top 5 companies grew top line by SAR 6 billion, with a combined premium of SAR 25 billion in H1 2023 as compared to SAR 19 billion in H1 2022. The share of overall GWP for the top 5 companies is 74% for H1 2023, as compared to H1 2022 which was 71%.

Top 5



Top 5

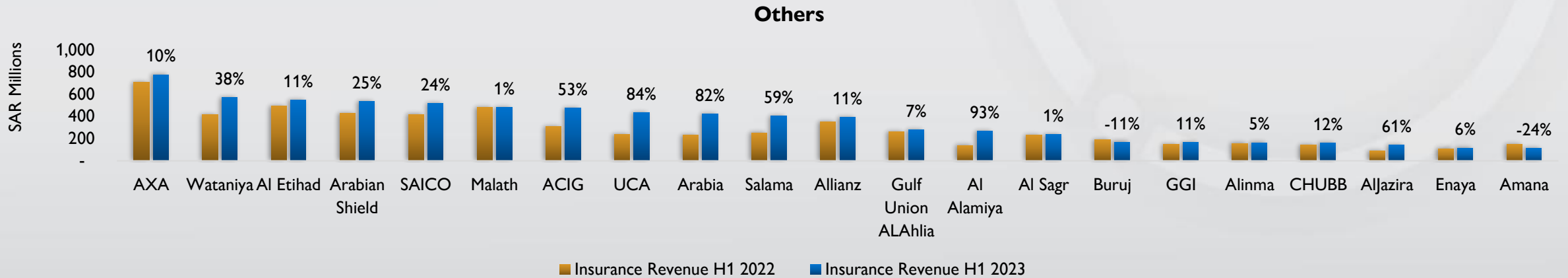
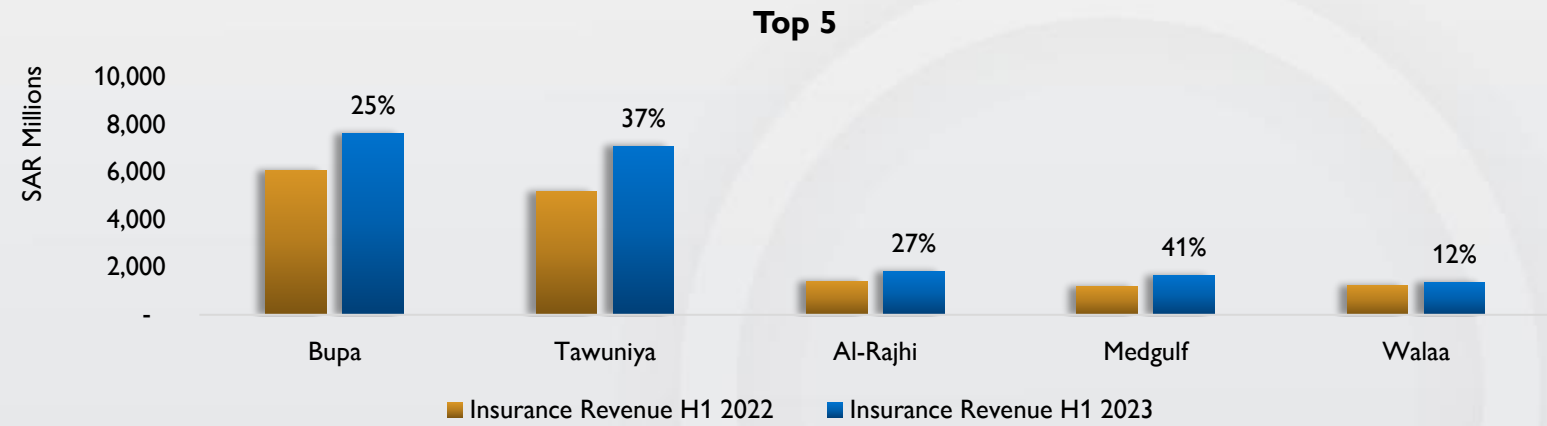




Insurance Revenue - Listed Companies

In H1 2023, the examined 26 listed companies recorded a 28% surge in Insurance Revenue, totaling SAR 27 billion. This marked a substantial increase from the previous period's SAR 21 billion. The Insurance Revenue figures are presented after factoring out any Expected Credit Losses, analogous to the concept of Provision for Doubtful Debts.

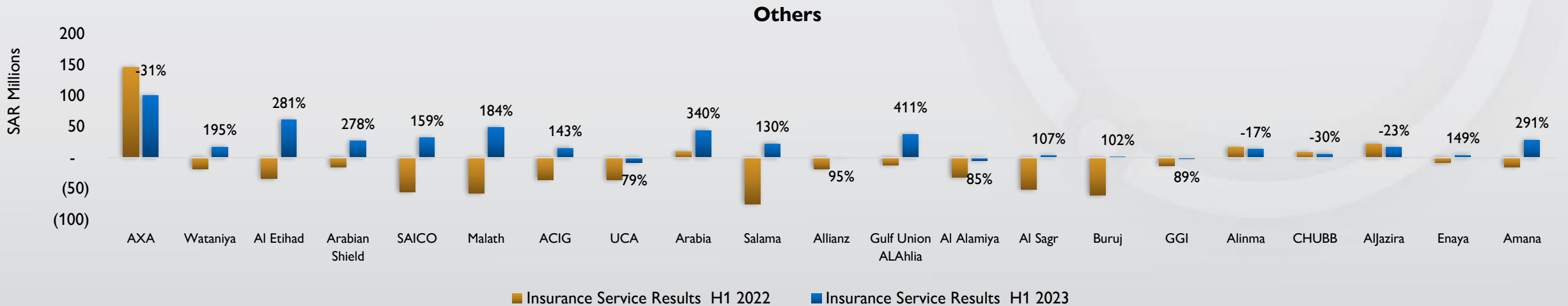
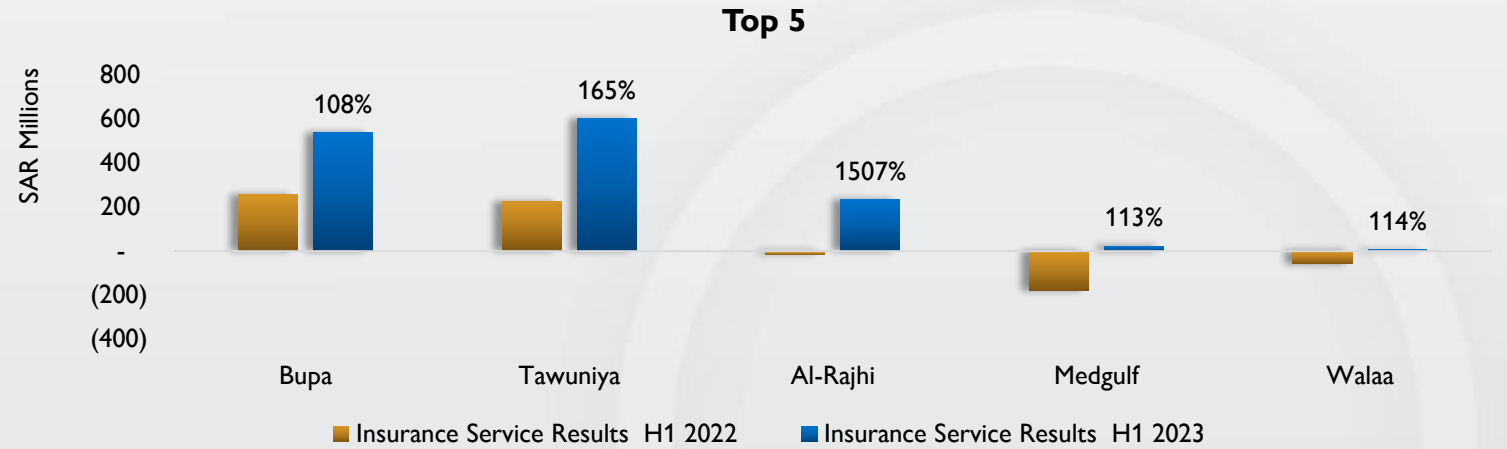
Within the top five companies, their Insurance Revenue experienced a 29% upswing, climbing from SAR 15 billion to SAR 20 billion. Conversely, the rest of the companies observed a 24% expansion, elevating their Insurance Revenue from SAR 6 billion to SAR 7 billion.





Insurance Service Results - Listed Companies

In H1 2023, the Insurance Service Results for the 26 examined listed companies underwent a significant surge, soaring from SAR (44) million to SAR 1,829 million. Among the leading 5 companies determined by this key performance indicator (KPI), there was an impressive growth of 510%, surging from SAR 231 million to SAR 1,410 million between the two periods. Conversely, the remaining firms encountered an escalation from SAR 275 million to SAR 418 million, resulting in a growth of 252%. Notably, Salama achieved the most substantial absolute growth of SAR 251 million, while Alinma observed the most notable decline of SAR 46 million.



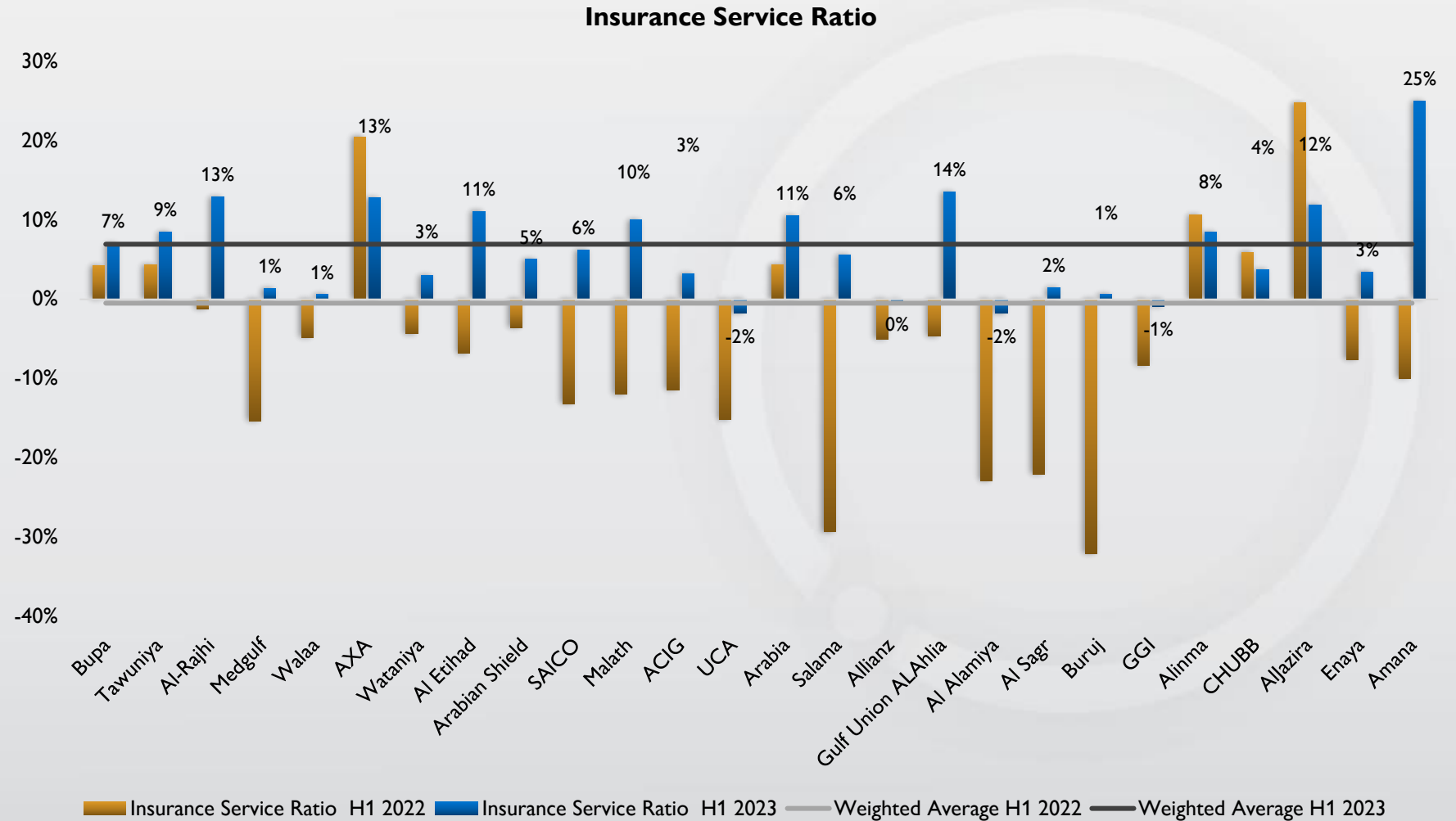


Insurance Service Ratio – Listed Companies

The Insurance Service Ratio for the examined companies experienced a remarkable shift, progressing from 0% in the previous year to 7% in H1 2023. Notably, Amana displayed the highest ratio at 25%, while Al Alamiya recorded a -2% ratio, indicating a negative figure.

The calculation of the Insurance Service Ratio (Insurance Service Results / Insurance Revenue) finds similarity with the concept of 100% minus the Combined Ratio as per IFRS4. However, a crucial distinction lies in the focus on Net Results and the comparison with a value akin to Gross Earned Premium.

In the context of IFRS4, Insurance Service Results can be perceived as Underwriting Profits after accounting for expenses.





Profitability

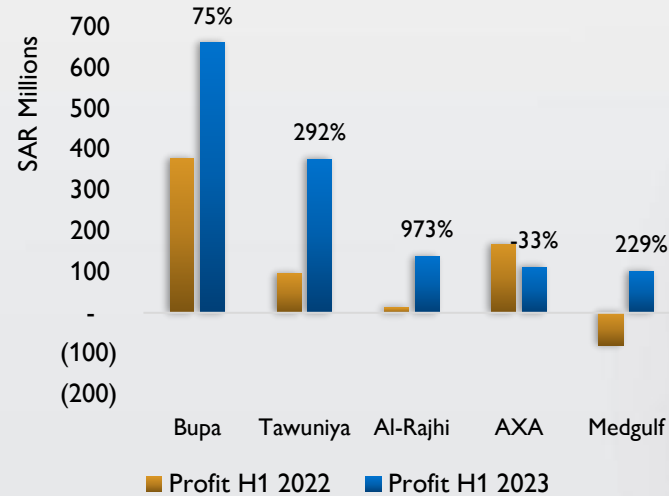


Profit Before Tax - Listed Companies Trend

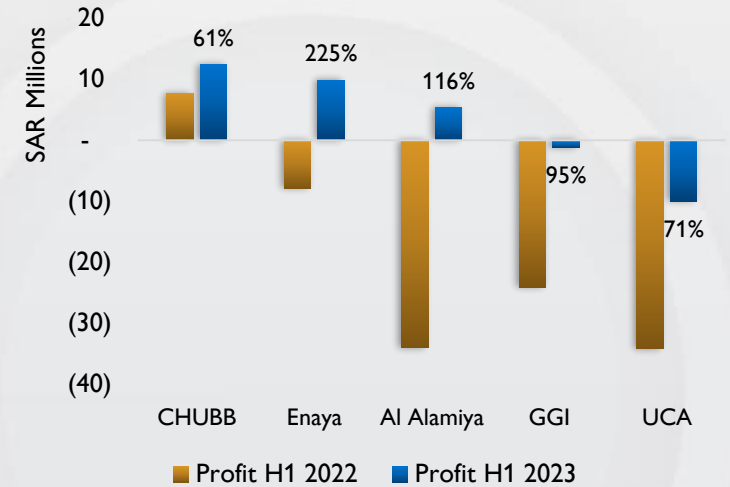
The Profit (before zakat) for the 26 listed companies exhibited a substantial upswing, surging from SAR 27 million in H1 2022 to SAR 1,988 million in H1 2023. Notably, among the leading 5 companies in terms of profitability, there was an impressive 142% growth, reaching SAR 1,392 million (H1 2022 - SAR 576 million). The remaining companies witnessed a remarkable surge of 208%, amounting to SAR 595 million (H1 2022 - SAR (549) million).

In a comparison aligned with IFRS4, the collective Profit for these 27 companies stood at SAR 239 million as per their H1 2022 Financials. However, under the framework of IFRS17, this figure has been restated to a Profit of SAR 27 million.

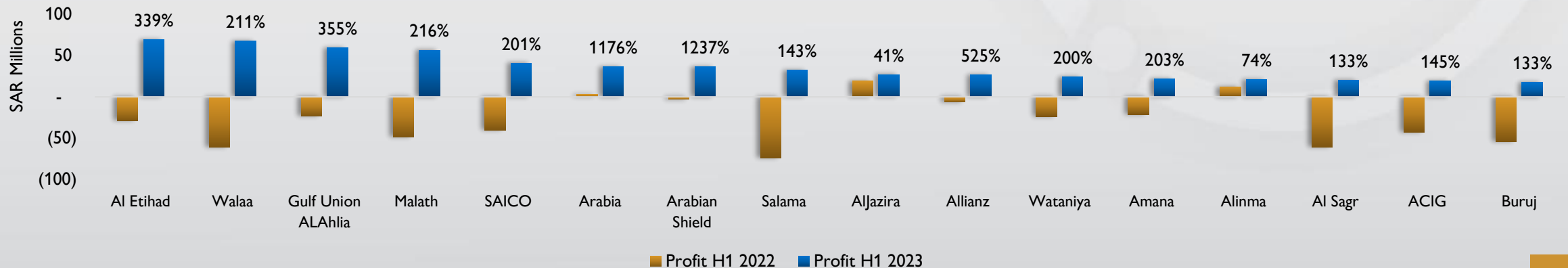
Top 5



Bottom 5



Others



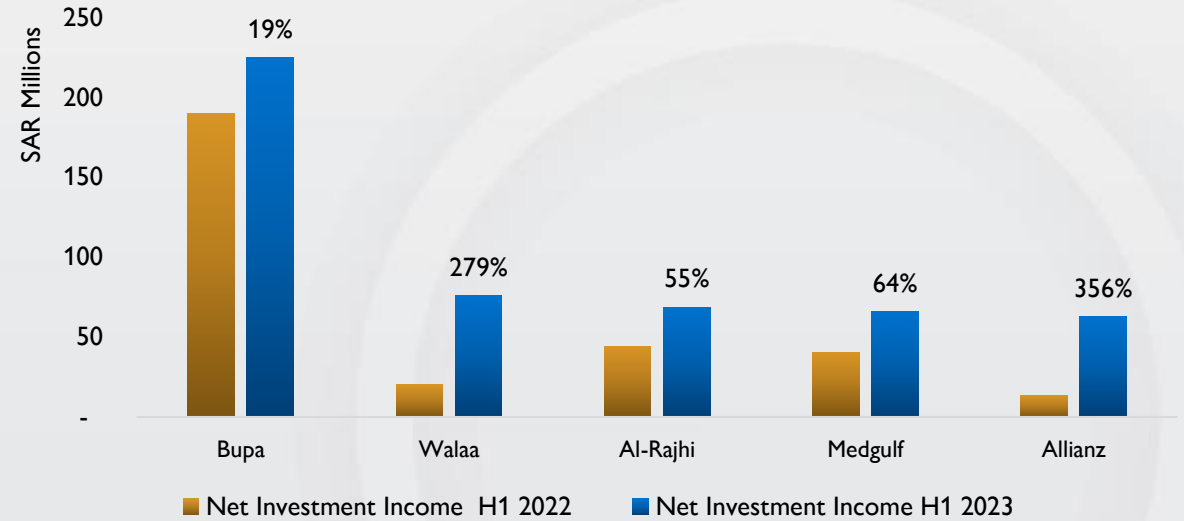


Investment Income

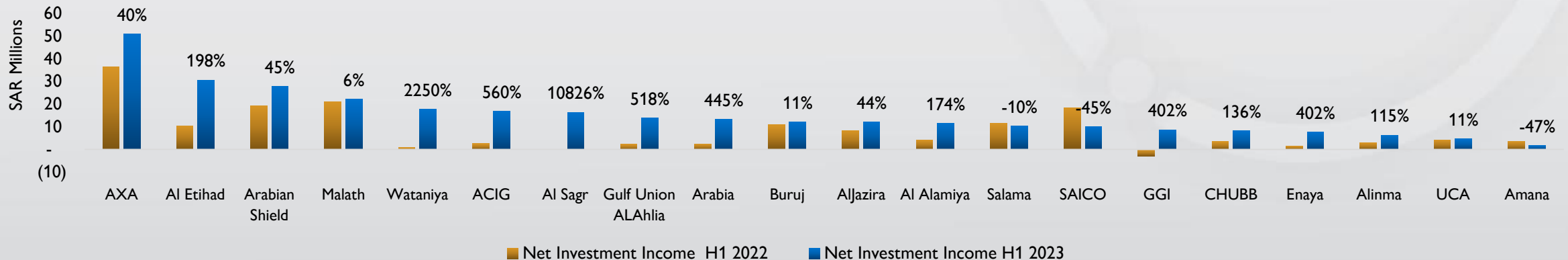
Highest Investment income is depicted by BUPA of SAR 225 million (H1 2022: SAR 190 million). The highest Investment income growth is recorded by Al Sagr from SAR 0.15 million to SAR 16 million in H1 2023.

Tawuniya is not part of this analysis because they have not shared their net investment income in preliminary result.

Top 5

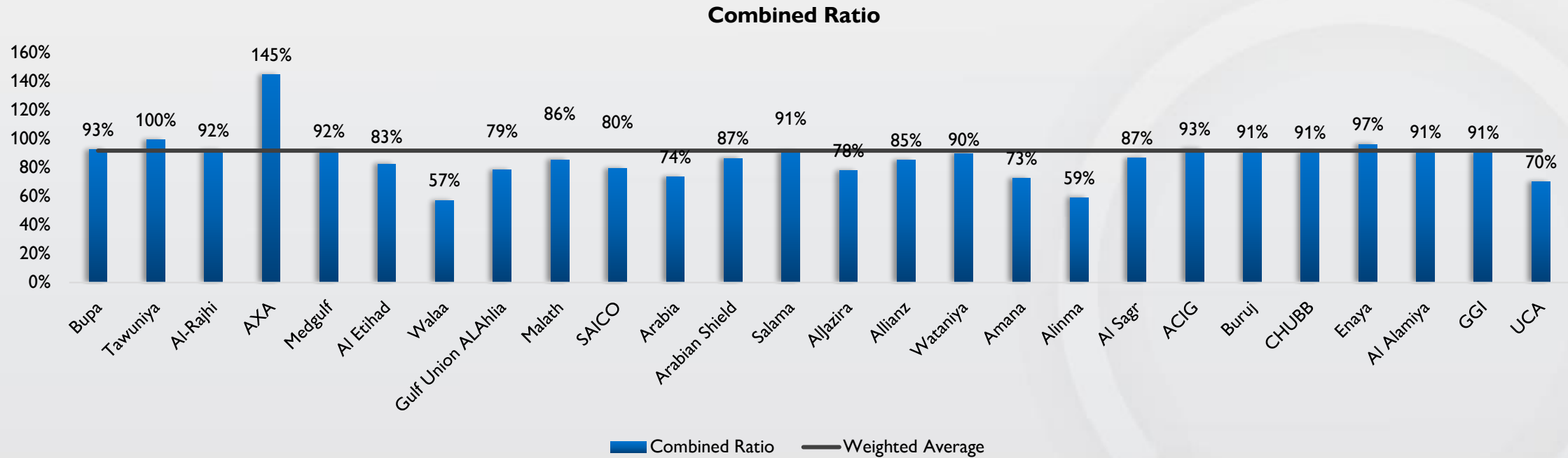


Others





Combined Ratios – Listed Companies



The weighted average Gross combined ratio stood at 92%, with AXA bearing the highest combined ratio of about 145%. The lowest combined ratio of 57% 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, in particular for companies that have higher levels of net RI results. As at time of publication, this information was not available however updated analysis showing the Gross and Net of RI ratios will be published when available.

A company is deemed profitable from an underwriting perspective if the combined ratio is below 100%, Tawuniya & AXA have depicted combined ratio greater than 100%

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

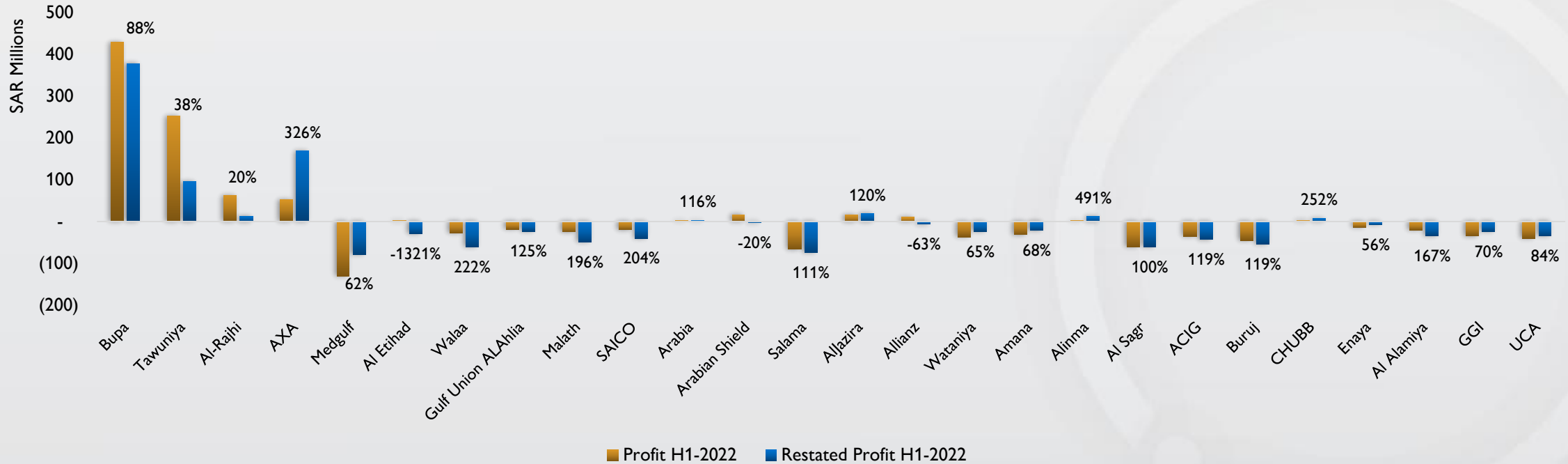


IFRS 17 Comparison



Transition in Profit

Profit (H1-2022) Transition Ratio



The Profit Transition Ratio gauges the comparison between the H1 2022 profit as initially reported last year under IFRS4 and the profits presented as H1 2022 according to the IFRS17 financials unveiled this quarter. On an aggregate scale, the profit of SAR 239 million reported last year under IFRS4 has been adjusted to a profit of SAR 27 million under IFRS17.

Out of the total of 26 companies, 14 displayed a reduction in profit during the transition from IFRS4 to IFRS17, while 12 companies exhibited an enhancement in profit. The variation in the transition ratio was significant, manifesting in percentage terms as depicted in the accompanying chart.



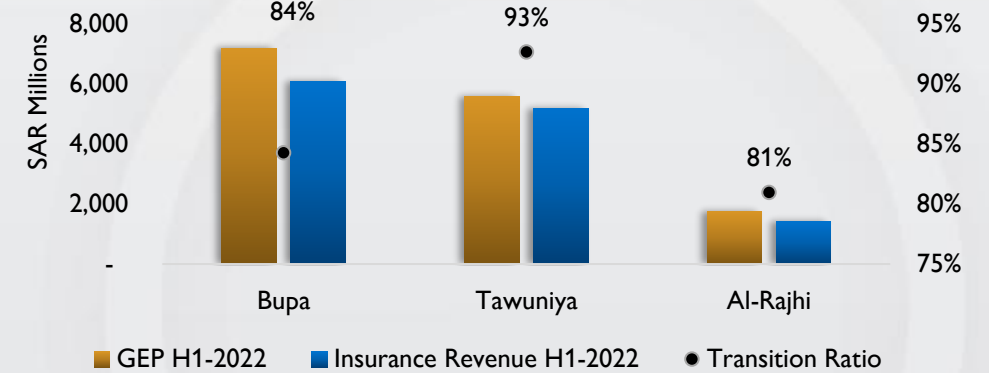
Insurance Revenue to GEP Transition

Under the framework of IFRS17, the concept of Insurance Revenue aligns with that of Gross Earned Premium. However, a notable distinction arises in the treatment of Expected Credit Losses (ECL), which are subtracted from the Insurance Revenue, a divergence attributed to IFRS17 or IFRS9.

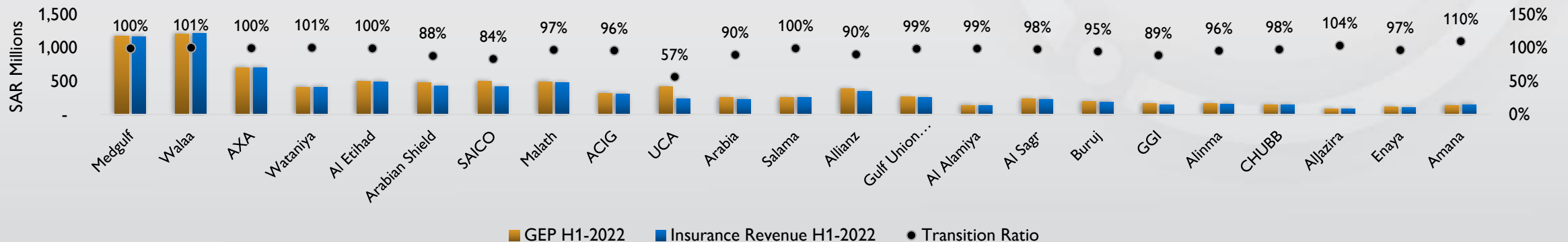
To illustrate the influence of these revised standards, we have conducted a comparison between the Gross Earned Premium reported in the H1 2022 financials and the Insurance Revenue presented for H1 2022 in the current period.

The accompanying graphs portray the transformative impact of this transition. Due to the inclusion of ECL, the resulting ratio is anticipated to fall below 100%. Companies exhibiting a ratio surpassing 100% indicate that their revenue for H1 2022 has expanded due to the transition. This phenomenon can be attributed to alterations in revenue recognition methodologies, updated measurement approaches, refined contract delineations, and enhanced data precision.

Insurance Revenue to GEP Transition (H1-2022) Top 3



Insurance Revenue to GEP Transition (H1-2022) Others





Conclusion

The overall gross written premiums have demonstrated a substantial 29% increase, rising from SAR 26 billion to SAR 34 billion. Amidst adherence to the IFRS 17 standards, the concept of topline has been replaced by Insurance revenue, which has showcased a noteworthy 28% surge, escalating from SAR 21 billion to SAR 27 billion in H1 2023.

The industry's performance has improved a lot primarily due to better underwriting practices, actuarial pricing models which led to increases in motor rates. The profitability before zakat & tax has witnessed a remarkable upswing, surging from SAR 27 million in H1 2022 to SAR 1,988 million in H1 2023. When compared within the context of IFRS4, the cumulative Profit for these 26 companies was recorded at SAR 239 million based on their H1 2022 Financials. However, the adoption of the IFRS17 framework has led to a restated Profit figure of SAR 27 million. The key difference being the Loss Components under IFRS17 are higher than PDR under IFRS4. This has led to some of the profits being pushed to 2023 while the profits of 2022 went down further.

Following several challenging quarters, the sector's recovery persists. The Insurance Service Results have undergone growth, ascending to SAR 1,877 million from last year's figure of SAR (101) million. It is noteworthy that Insurance Service Results can be construed as Underwriting Profits (after expenses) in accordance with IFRS4.

Analyzing the transition impact on restated profits from IFRS 4 to IFRS 17 for H1 2022 reveals a mixed experience. Approximately half of the companies have demonstrated an enhancement in their restated IFRS 17 Profit and Loss relative to the previously reported IFRS 4 profit, while the other half has shown a decline. On a comprehensive scale, the total profit of SAR 239 million under IFRS 4 for the previous year has been restated to a profit of SAR 27 million under IFRS17.



Disclaimer

We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in KSA for the first half 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.

While reasonable care has been taken in preparing this document and data obtained from sources believed to be reliable, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. Badri accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental or consequential loss or damage) from your use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any thereof or due to any contents or associated services.



Listed Insurance Companies

Logos	Sr. No.	Name	Abbreviation
	1	The Company for Cooperative Insurance	TCCI
	2	Aljazira Takaful Taawuni Co.	AJTTC
	3	The Mediterranean and Gulf Insurance and Reinsurance Co.	TMGIRC
	4	Allianz Saudi Fransi Cooperative Insurance Co.	ASFCIC
	5	Salama Cooperative Insurance Co.	SCIC
	6	Walaa Cooperative Insurance Co.	WCIC
	7	Arabian Shield Cooperative Insurance Co.	ARSCIC
	8	Saudi Arabian Cooperative Insurance Co	SACIC
	9	Gulf Union Al Ahlia Cooperative Insurance Co.	GUACIC
	10	Allied Cooperative Insurance Group	ACIG
	11	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 H1 2023 has been undertaken.

Listed Insurance Companies



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

Companies Included in the Analysis

Analysis of the Key Performance Indicators (KPIs) of 26* Listed Insurance Companies of KSA for H1 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**

Our Feedback

Badri Management Consultancy is proud to present Saudi Arabia’s Insurance Industry Performance preliminary analysis H1 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.

Contact Us

KSA Office

Office 36, King Abdulaziz Road, Ar Rabi, Riyadh 13315

UAE Office

2107 SIT Towers, PO Box 341486, Dubai Silicon Oasis, Dubai, UAE

Karachi Office

7B-2/5, 7th Floor, Fakhri Trade Center, Shahrah-e-Liaquat, Karachi 74200, Pakistan

Lahore Office

POPCORN STUDIO Co-working Space Johar Town 59-B Khayaban e Firdousi, Block B, Phase 1, Johar Town, Lahore



+966 11 232 4112

+971 4 493 6666

+92 213 2602 212



Info@badriconsultancy.com



www.badriconsultancy.com



BADRI

H1 2023 (Preliminary) – KSA Listed Insurance Companies

Our Team



Hatim Maskawala



Ali Bhuriwala



Hasham Piperdy



Mirza Ali



Aiman Naseem



Hassan Athar