

# Saudi Insurance Sector

Q2 2017

The report depicts the performance of insurance sector in Saudi Arabia during the second-quarter of 2017. The report shows the main insurance indicators as gross premium written, net premium earned, claims incurred and net income for each of the sector and individual companies.

**Research Scope:** The report includes all the data of the listed insurance companies in the Saudi Stock Market that are licensed to issue insurance policies in any insurance activity, except:

1. Saudi Reinsurance Company: The company is excluded as its activity is not consistent with the remaining listed insurance companies as the company operates in reinsurance activity only.

Thus, the number of companies under coverage in this report totaled 32 companies out of 33 listed companies.

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**Source:** Insurance Companies filings, SAMA, Tadawul, CCHI, and Albilad Capital.

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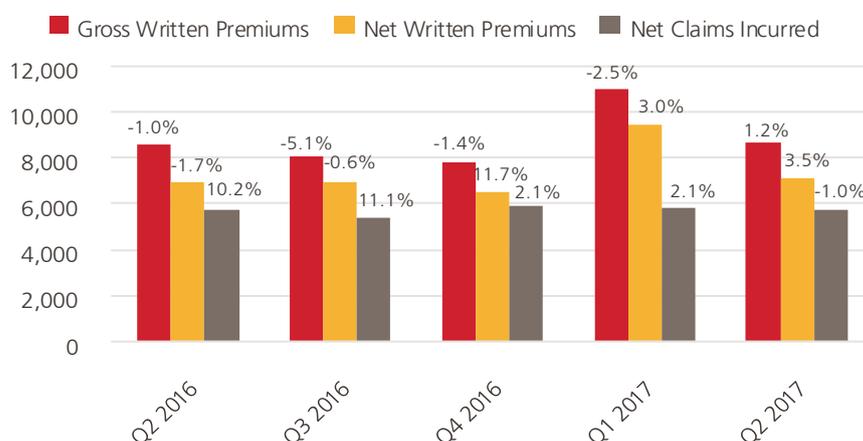
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## Executive Summary

- The gross written premiums of the Saudi insurance sector edged up 1.2% YoY in Q2 2017, hitting SAR 8.67 billion (USD 2.3 billion) in Q2 2017.
- Insurance assets stretched 2.3% YoY, coming in at SAR 55.8 billion (USD 14.88 billion).
- The insurance penetration stood at 2.4% in Q2 2017, meanwhile insurance density per capita shrank 2.2% YoY or SAR 6 to SAR 226 (USD 71).
- The retention ratio progressed to 83% in Q2 2017, thus reflecting less reliance on reinsurance market, meantime, the claims ratio surged to 86%.
- Compulsory insurance lines - health and vehicle insurance - continues to dominate the insurance sector, together capturing 84% of the market's total premiums.
- Consolidated profit of the insurance sector slumped 57.5% coming in at SAR 189 million in Q2 2017 compared with SAR 445 million in Q2 2016.
- There is still wide disparity in the individual performance of insurance companies, with only three companies capturing 55.6 % of the total insurance market.

## Insurance Sector Evolution with Growth Rates (SAR million)



# Saudi Insurance Sector

## Overview

During the last years, the insurance sector flourished with the support of improvement in the regulatory environment and enforcement of the compulsory insurance, as a result of the population growth, increasing number of workers in the private sector, and higher number of vehicles, along with mounting awareness of the insurance’s importance.

Looking at the future, we expect that the government’s direction to strengthen the non-oil sector will provide growth opportunities for the insurance sector as a whole. The Ministry of Health is expected to turn hundreds of government-owned hospitals and thousands of primary health care centers into better-run corporations. This could significantly increase the number of accredited care providers within the insurance network. In addition, we expect hospitals to start charging insurance companies of at-fault motorists for the medical costs of their road accident victims, which aimed to reduce the burden of vehicle accidents on the government’s health budget. The additional burden of loss, as well as loss adjustment expenses and allowing women to drive could push up vehicle insurance premiums even higher than current levels.

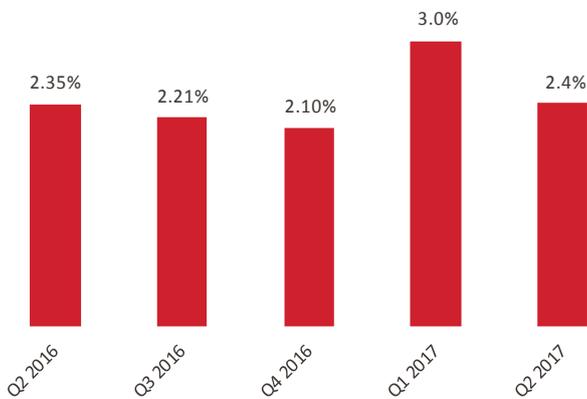
Furthermore, the Saudi Arabian Monetary Authority (SAMA) is expected to fasten insurance companies with the Traffic Police Department through electronic terminals, to ensure enforcement of compulsory insurance on all vehicles and force motorists of illegally uninsured vehicles to buy insurance coverage. It is estimated that some 55% of the vehicles on the country’s roads are uninsured, therefore, this step would increase the number of insurance policies.

### Contribution of the insurance sector to non-oil GDP remains low

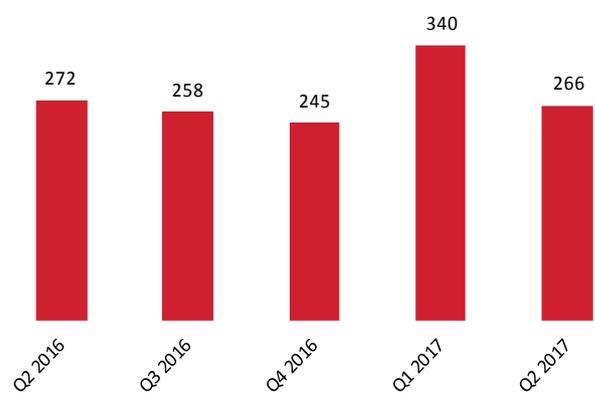
The insurance penetration, which refers to the contribution of the insurance sector to non-oil GDP, came in at 2.40% in Q2 2017. Meanwhile, the ratio of the total insurance assets to non-oil GDP sector hit 15.2% during the same period.

On the other hand, the insurance density rate — average insurance spending per capita — slipped 2.2% or SAR 6 to SAR 266 (USD 71) per capita in Q2 2017 from SAR 272 (USD 72.5) per capita in Q2 2016. Overall, the penetration and density rates of Saudi insurance are still relatively timid compared with mature insurance markets, which means that the insurance sector is still in the process of growth and offer future opportunities that are unexploited yet.

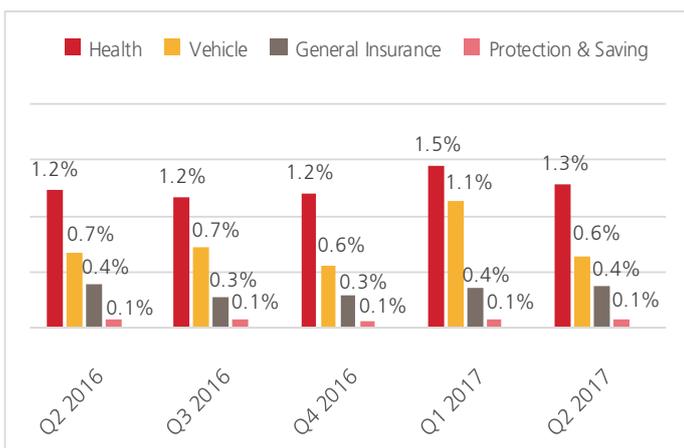
Insurance sector penetration to non-oil GDP



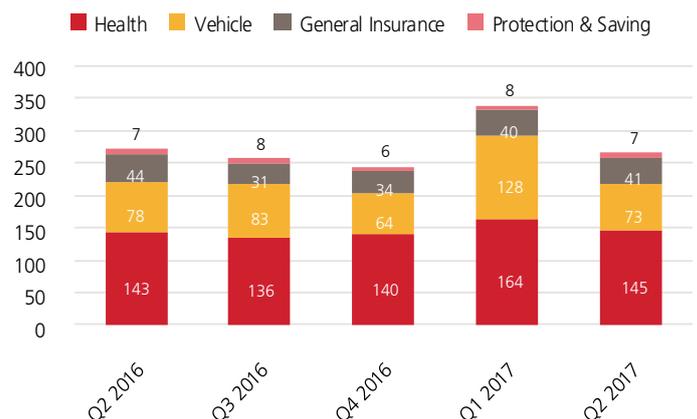
Insurance spending per capita (SAR)



Insurance Penetration Breakdown



Insurance Density Breakdown (SAR)



## Saudi Insurance Sector

### Insurance Structure

The Saudi Insurance consists of three business lines: health insurance, protection & savings insurance, and general insurance that includes seven activities, namely: vehicle, marine, aviation, energy, engineering, accidents & responsibilities, and property & fire insurance.

#### Health insurance continues to dominate the insurance sector

The health Insurance maintained its position as the largest insurance segment in the Saudi market, with a market share of 54.6% in terms of gross premiums in Q2 2017, followed by the vehicle insurance<sup>(1)</sup> which held 27.3%, then the general insurance with 15.5%. The protection and savings insurance accounted for only 2.6% of the total market premiums.

Due to the low awareness of insurance in the region, the two compulsory insurance lines of health and vehicle insurance together accounted for 82% of the market total premiums, leaving just 18% for the other segments.

#### Overcrowding exacerbates imbalances

The insurance sector is still characterized by a high degree of concentration, as a result of an overcrowded market by too many insurance companies. Tawuniya, Bupa Arabia, and AlRajhi Takaful, the top three insurance companies in Saudi Arabia, enjoyed a combined market share of 55% in Q2 2017. The ten largest companies by premiums seized 80% of total premiums during the same period.

#### Service providers

The Saudi insurance sector has 33 listed insurers in the Saudi Stock Market, which operate at least in one of the three major insurance lines. Moreover, all Saudi listed insurers operate under the Takaful system or Islamic cooperative insurance scheme.

In general, there are twenty-seven companies that offer health insurance services. Twenty-eight companies provide general insurance, while eleven companies offer protection and savings insurance. In addition, there are about 217 professional companies that support the insurance services.

(1) Vehicle Insurance was excluded from General Insurance due to its size.

	Insurance Market Share	Q2 2016	Q2 2017
1	Tawuniya	24.9%	24.3%
2	Bupa Arabia	21.3%	21.3%
3	MEDGULF	10.4%	10.0%
4	AlRajhi Takaful	5.9%	7.8%
5	Trade Union	2.6%	3.3%
6	U C A	3.0%	2.9%
7	Allianz SF	3.2%	2.6%
8	AXA Cooperative	2.3%	2.5%
9	Walaa	2.6%	2.5%
10	Salama	1.7%	2.3%
11	Arabian Shield	2.0%	1.9%
12	SAICO	2.1%	1.7%
13	Buruj	1.2%	1.7%
14	Malath Insuranc	3.0%	1.7%
15	Wafa Insurance	1.9%	1.4%
16	Alinma Tokio M	0.8%	1.2%
17	ACIG	1.7%	1.2%
18	Sagr Insurance	0.6%	1.1%
19	METLIFE AIG ANB	0.7%	1.0%
20	Wataniya	0.9%	1.0%
21	Gulf Union	0.7%	0.9%
22	AICC	1.0%	0.8%
23	Enaya	0.4%	0.8%
24	ATC	0.7%	0.7%
25	CHUBB	0.6%	0.6%
26	Al Alamiya	0.6%	0.6%
27	Al-Ahlia	0.5%	0.5%
28	Gulf General	0.7%	0.5%
29	SABB Takaful	0.6%	0.5%
30	Jazira Takaful	0.3%	0.4%
31	Solidarity	0.5%	0.2%
32	Amana Insurance	0.6%	0.2%

### Insurance Market Share - Q2 2017



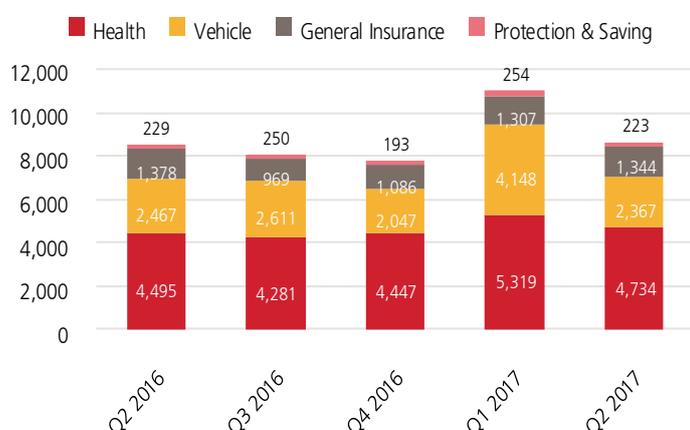
## Saudi Insurance Sector

### Insurance Sector Performance

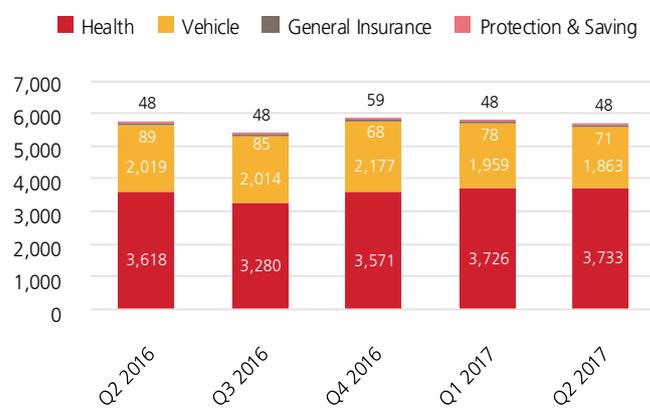
The Saudi insurance sector has witnessed a slight increase in gross written premiums by 1.2% YoY in Q2 2017, hitting SAR 8.7 billion (USD 2.31bn) across all lines compared with SAR 8.6 billion (USD 2.28bn) in Q2 2016. By line of business, the health insurance grew 5.3% YoY to SAR 4.7 billion in Q2 2017, which represented 54.6% of the market. The general insurance plummeted 2.4% YoY to SAR 1.3 billion. The vehicle insurance dropped 4.1% to SAR 2.4 billion. In addition, the protection and savings insurance tumbled 2.5% reaching SAR 223 million.

On the other hand, the insurance sector registered a 1% YoY decline in net claims incurred, posting SAR 5.7 billion (USD 1.52bn) in Q2 2017. This was offset by a 1% increase in net earned premiums. Moreover, the claims of both health and vehicle insurance captured 65% and 33% of net claims incurred, respectively.

#### Gross Premium Written Breakdown (SAR million)



#### Net Claims Incurred Breakdown (SAR million)



Segment	Gross Premium Written (SAR million)			Net Premium Written (SAR million)			Net Premium Earned (SAR million)			Net Claims Incurred (SAR million)			Retention Ratio		Loss Ratio		Market Share	
	Q2 2016	Q2 2017	Growth	Q2 2016	Q2 2017	Growth	Q2 2016	Q2 2017	Growth	Q2 2016	Q2 2017	Growth	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017
Health	4,495	4,734	5.3%	4,355	4,603	5.7%	4,570	4,569	(0.0%)	3,618	3,733	3.2%	96.9%	97.2%	79.2%	81.7%	52.5%	54.6%
Vehicle	2,467	2,367	(4.1%)	2,160	2,191	1.4%	2,416	2,575	6.6%	2,019	1,863	(7.8%)	87.6%	92.6%	83.6%	72.3%	28.8%	27.3%
General Insurance	1,378	1,344	(2.4%)	277	239	(13.8%)	278	260	(6.7%)	89	71	(20.2%)	20.1%	17.8%	32.1%	27.5%	16.1%	15.5%
Protection & Savings	229	223	(2.5%)	117	119	2.4%	125	118	(5.4%)	48	48	0.0%	0.0%	0.0%	38.3%	40.5%	2.7%	2.6%
<b>Total</b>	<b>8,569</b>	<b>8,668</b>	<b>1.2%</b>	<b>6,908</b>	<b>7,151</b>	<b>3.5%</b>	<b>7,389</b>	<b>7,522</b>	<b>1.8%</b>	<b>5,775</b>	<b>5,715</b>	<b>(1.0%)</b>	<b>81.4%</b>	<b>83.3%</b>	<b>78.1%</b>	<b>76.0%</b>	<b>100.0%</b>	<b>100.0%</b>

# Saudi Insurance Sector

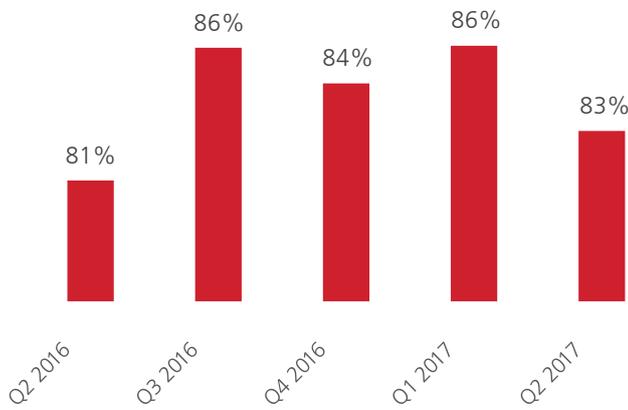
## Retention rate reflects less reliance on reinsurance market

Retained risk in the Saudi insurance sector remains absolutely dominated by the two compulsory lines of health and vehicle insurance. In Q2 2017, the retention ratio was about 17.8%, excluding health and vehicle. With these lines included, the ratio jumps to 83.3%.

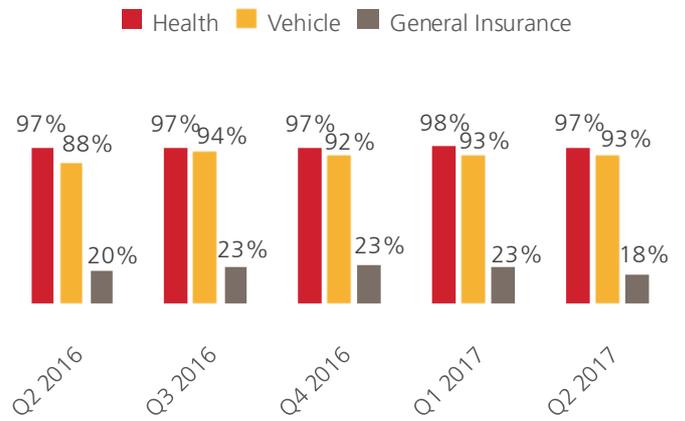
## New regulations affect profitability

The loss ratio refers to the carried losses by an insurance company in the form of claims. The overall claims of the insurance sector declined positively to 76% in Q2 2017 compared with 78.1% in the previous-year period. This was largely due to the dip in claims rate of vehicle insurance, offset by growth in net earned premiums during the same period. On the other hand, the expenses ratio shrank to 10.2% versus 13.4% in Q2 2016.

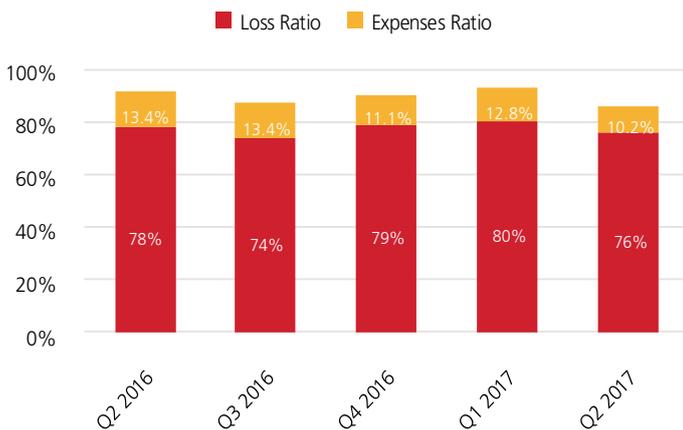
Retention Ratio



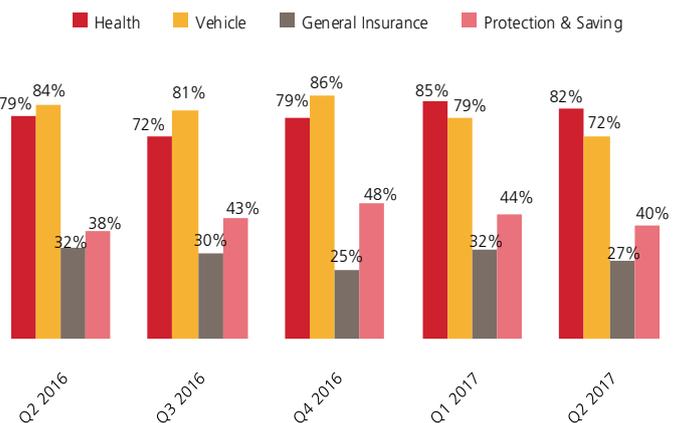
Retention Ratio Breakdown



Combined ratio of loss and expenses



Claims Ratio Breakdown



## Saudi Insurance Sector

### Balance sheet overview

Insurance companies unveiled growth in assets, but at lower pace. Total assets surged 2.3% in Q2 2017 compared with 9% in Q2 2016 SAR 55.9 billion. In terms of investments, which accounted for 57.3% of total assets, insurers held most of their investments in the form of cash at banks. In Q2 2017, investment expanded 6% to SAR 32 billion, of which 8.9% were related to cash on hand, 21.5% time deposits, 27.6% investment available-for-sale, and 42% to other assets such as investment property and investment in associates. Meanwhile, reinsurers' share of unearned premiums, which represented 5.2% of the total insurance operations' assets, tumbled 20.3%.

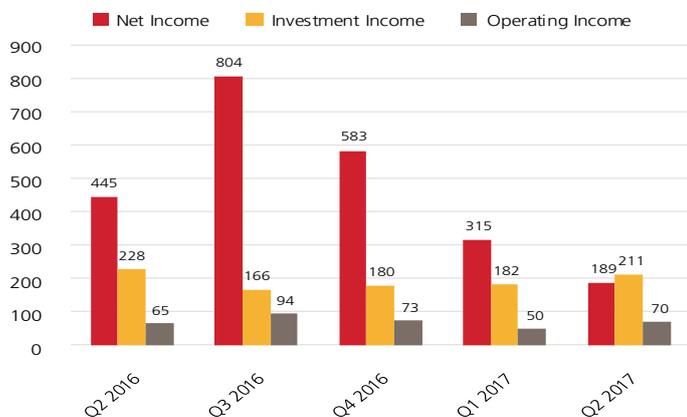
### Shrinkage in share capital outpaced by drop in premiums

Share capital declined 9.6%, while premiums grew just 1.2%. Thus, in our opinion, the slowdown in premium and growth in reserves point to a potential weakening of insurers' risk-based capital positions. Total shareholder equity came in at SAR 13.5 billion in Q2 2017 compared with SAR 12.2 billion in Q2 2016, showing an increase of 10.1% YoY. However, out of the 32 listed insurers, only two increase in their capital base, offset by 9 companies together losing SAR 1,463 million of their capital share.

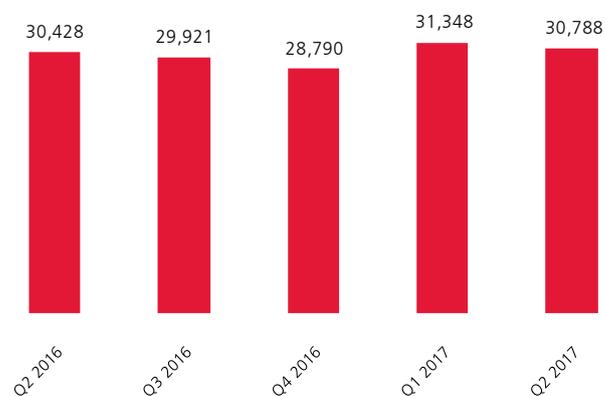
### Growing technical reserves increases the durability and resilience of the sector to insurance risk

The insurance sector recorded an increase in the technical reserves by 1.2% YoY, to reach SAR 30.1 billion in Q2 2017. These reserves represent a full 77% of the total liabilities. Likewise, the statutory reserves formed 82% of the total shareholders' liabilities and 18% of the share capital, which reflects the existence of adequate provisions for insurance companies against losses.

#### Profitability (SAR million)



#### Technical Reserves growth (SAR million)



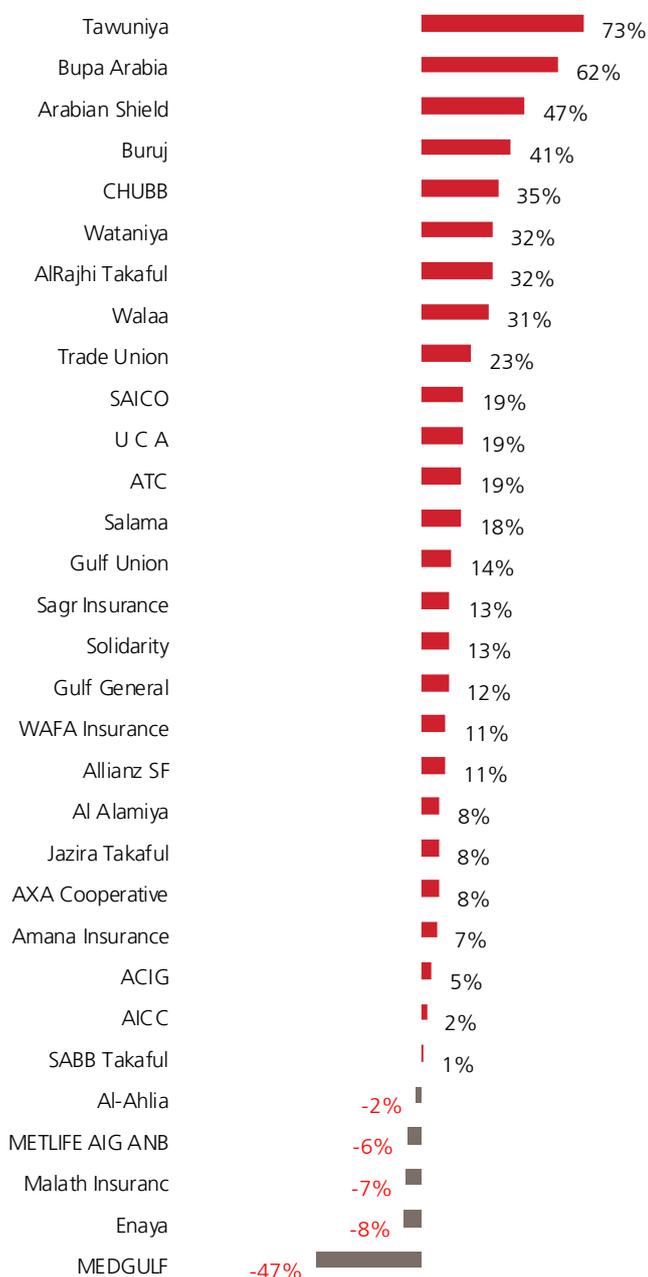
## Saudi Insurance Sector

### Market Profitability

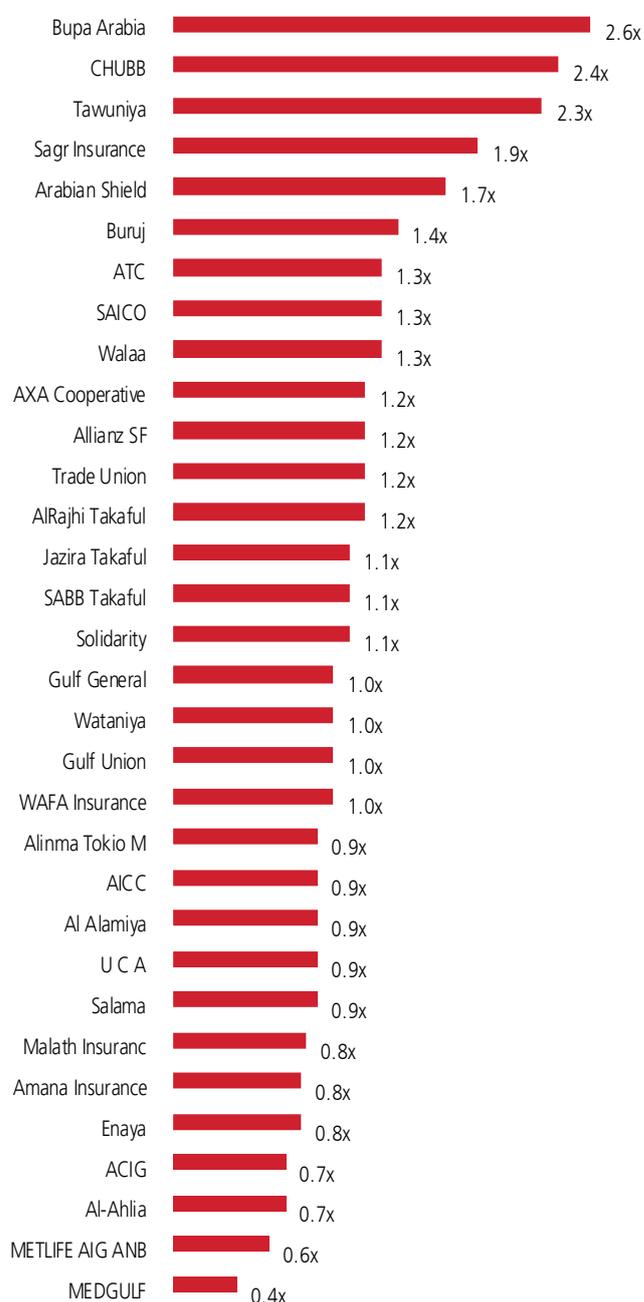
In aggregate, the insurers in Saudi market have witnessed a significant drop of 58% YoY in their net profits, to SAR 189 million in Q2 2017 compared with SAR 445 million in Q2 2016, in spite of an increase in operating revenues. Operating expenses, however, grew at faster pace, up 3.8% YoY. This was offset partly by lower reinsurance premiums, policy acquisition costs, as well as lower income from investments. The return on assets came in at 3.4%, up 87 basis points. Also, the return on equity rallied sharply to 14% compared with 11.5% in the same-period last-year.

However, there is still a large disparity in individual performance of insurance companies, with Al Tawuniya (the largest company) generated 123% of the sector net profits as many companies reported losses. Across the sector as a whole, 26 insurers achieved a positive return on capital, while 6 insurers recorded negative returns. Likewise, the equity to capital ratio for 20 companies stood above 1, meanwhile 12 companies were less than 1 in the same ratio, implying that about one-third of insurance companies have been eroded a part of their capital.

#### Return on Capital - Q2 2017



#### Equity to Capital Ratio - Q2 2017



## Saudi Insurance Sector

### Health Insurance

#### A contraction of the insurance policies has reflected on the insurance premiums

The health insurance sector has registered an increase in gross written premiums by 5.3% YoY, posting SAR 4.7 billion in Q2 2017, in spite of a decline in the number of insurance policies to 351 thousand policy during the same period, compared with 829 thousand policy in Q2 2016, primarily as a result of the introduction of employer unified document for the private sector. The health insurance captured 54.6% of the total market size.

Despite the low reliance on reinsurance markets by insurers in the second-quarter, net earned premiums stood at the same level of the comparable quarter at SAR 4.6 billion, due to technical reserves expansion. Meantime, net claims incurred inflated 3.2% YoY to SAR 3.7 billion. These factors contributed to pushing the loss ratio to 81.7%.

#### The largest companies continue to dominate the health insurance sector

Health insurance sector consisted of 27 listed insurers. However, Bupa Arabia, Tawuniya and Medgulf have continued to dominate the sector, as they generated around 79.2% of the total market premiums. The other eleven companies seized only 16.5% of the market share, leaving just 4.3% for the remaining 13 listed insurers. This clearly indicates that most insurers are unable to compete with larger peers in an overcrowded market.

#### Health providers

The number of accredited health care providers by the Health Insurance Council now sits at 4,528 providers in Q2 2017. Overall, the total number of accredited hospitals reached 286 hospitals, and the number of hospital beds available to insured reached 48,402 beds. Furthermore, the number of doctors in all health care providers has risen to 44,466 doctor.

#### A significant increase in the number of insured

The number of insureds in health insurance has risen to 12.27 million at the end of Q2 2017. However, the number of Saudi nationals insured is estimated at 2.5 million, representing 20.4% of the total insureds, while the number of foreign residents hit nearly 9.76 million, or 79.54% of the total insureds.

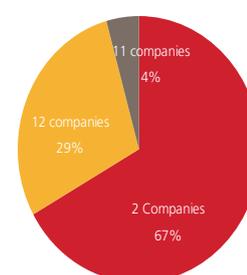
#### Health Insurance Market Share

		Q2 2016	Q2 2017
1	Bupa Arabia	40.7%	39.0%
2	Tawuniya	27.9%	27.8%
3	MEDGULF	14.1%	12.3%
4	AlRajhi Takaful	0.8%	2.8%
5	Arabian Shield	1.5%	1.7%
6	Trade Union	1.9%	1.6%
7	Buruj	0.8%	1.5%
8	AXA Cooperative	1.6%	1.5%
9	Enaya	0.8%	1.4%
10	Sagr Insurance	0.2%	1.4%
11	SAICO	1.8%	1.3%
12	METLIFE AIG ANB	0.6%	1.2%
13	Gulf Union	0.4%	1.1%
14	Wafa Insurance	0.1%	1.1%
15	AICC	0.9%	0.7%
16	ACIG	1.2%	0.7%
17	Malath Insuranc	0.3%	0.6%
18	Walaa	1.1%	0.6%
19	Salama	0.2%	0.5%
20	Al-Ahlia	0.4%	0.5%
21	Allianz SF	0.8%	0.4%
22	Solidarity	0.4%	0.2%
23	Gulf General	0.2%	0.1%
24	Al Alamiya	0.0%	0.1%
25	U C A	0.1%	0.1%
26	Amana Insurance	1.0%	0.0%
27	Alinma Tokio M	0.2%	0.0%

#### Health Insurance (SAR million)

	Q2 2016	Q2 2017	Growth
Gross Premium Written	4,495	4,734	5.3%
Net Premium Written	4,355	4,603	5.7%
Net Premium Earned	4,570	4,569	(0.0%)
Net Claims Incurred	3,618	3,733	3.2%
Retention Ratio	96.9%	97.2%	0.3%
Claims Ratio	79.2%	81.7%	2.5%

#### Health Ins. Market Share Concentration - Q2 2017



## Saudi Insurance Sector

### General Insurance

The general insurance sector is considered the largest sector in terms of activities and products. Broadly, general insurance includes seven sub-activities, namely: vehicle, marine, aviation, energy, engineering, accidents & responsibilities, and property & fire insurance.

#### Insurance Premiums

The gross written premiums of General insurance<sup>(1)</sup> came in at SAR 1.3 billion in Q2 2017, down 2.4% YoY. Although the sector often suffers from overcapacity, it still continues to cede most of its commercial exposure to reinsurance companies. The retention ratio fell to 17.8% in Q2 2017 from 20.1% in the previous-year period. However, the loss ratio declined positively to 27.5% compared with 32.1% in the last-year period. This was led by a 20.2% slump in net claims incurred to SAR 71 million.

#### Market Structure

The general insurance is characterized by a relatively medium concentration of companies. Tawuniya retained its position as the largest insurer in terms of gross premiums, followed by UCA, then MEDGULF. These top 3 players together captured around 53% of the market, representing an increase of 1.2% in their shares compared with the last-year period.

Meanwhile, 9 other insurers seized for 32% of total premiums. The remaining 16 insurers wrote only about 15% of the gross premiums in the market.

(1) Vehicle insurance was excluded due to its size.

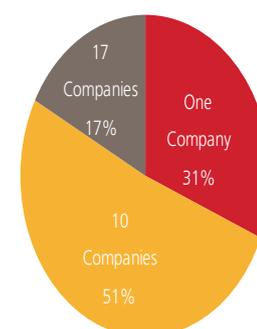
#### General Insurance Market Share

	Q2 2016	Q2 2017
1 Tawuniya	36.4%	31.3%
2 U C A	7.4%	11.7%
3 MEDGULF	8.3%	10.2%
4 Allianz SF	6.9%	6.4%
5 Alinma Tokio M	2.1%	5.8%
6 AXA Cooperative	3.2%	3.9%
7 Walaa	2.6%	3.9%
8 SAICO	3.2%	3.0%
9 AlRajhi Takaful	2.3%	2.2%
10 Wataniya	2.4%	2.2%
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25 Salama	0.2%	0.4%
26 SABB Takaful	0.5%	0.4%
27 Solidarity	0.3%	0.2%
28 Amana Insurance	0.4%	0.2%

#### General Insurance (SAR million)

	Q2 2016	Q2 2017	Growth
Gross Premium Written	1,378	1,344	(2.4%)
Net Premium Written	277	239	(13.8%)
Net Premium Earned	278	260	(6.7%)
Net Claims Incurred	89	71	(20.2%)
Retention Ratio	20.1%	17.8%	(2.4%)
Claims Ratio	32.1%	27.5%	(4.7%)

#### General Ins. Market Share Concentration - Q2 2017



## Saudi Insurance Sector

### Vehicle Insurance

The vehicle insurance is the largest segment of general insurance, and the second after the health insurance at the market level, accounting for about 27.3% of overall GWP.

#### Insurance Premiums

The vehicle insurance sector registered a shrinkage in overall gross written premiums, down 4.1% YoY, reaching SAR 2.4 billion in Q2 2017. This was primarily attributable to a marked contraction in the number of insurance policies by 159,000 policies from Q2 2016.

The decline in written premiums was offset by a growth in net earned premiums by 6.6% YoY to SAR 2.6 billion. On the other side, net claims incurred decreased 7.8% YoY, which contributed positively to a decline in the loss ratio to 72.3% from 83.6% in Q2 2016.

#### Moderate Competition

Despite the intense rivalry between the 27 licensed insurers, the vehicle insurance sector is characterized by a medium degree of concentration. Al Rajhi Takafwul, the top company in the segment seized 21.4% of the market. The company was able to increase its market share significantly, benefiting from the temporary suspension of some other insurance companies by SAMA.

Furthermore, 5 other insurers captured 43.3% of total premiums, leaving only 35.3% for the remaining 21 insurers, with shares less than 5% for each company.

#### Decline in auto sales in the Kingdom

The Saudi market is considered one of the twenty largest auto markets in the world and the largest among the Gulf markets. The number of vehicles on the country's roads totaled 14 million. However, initial estimates indicate that the number of new registered vehicles in 2017 is likely to be lower by 5.3% than the previous years.

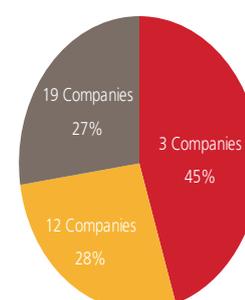
Overall, the passenger vehicles constitute the largest share of new vehicle sales in the Kingdom, with estimated sales of about 520,500 vehicles, while the estimates for sales of commercial vehicles to be around 112,900 vehicles in 2017.

	Vehicle Insurance Market Share	Q2 2016	Q2 2017
1	AlRajhi Takaful	17.6%	21.4%
2	Tawuniya	15.5%	15.5%
3	Trade Union	4.5%	8.2%
4	Salama	5.3%	7.3%
5	MEDGULF	5.8%	6.4%
6	Walaa	5.5%	5.9%
7	Malath Insuranc	7.9%	4.1%
8	U C A	6.2%	3.9%
9	AXA Cooperative	3.3%	3.5%
10	Allianz SF	3.4%	3.1%
11	Buruj	2.0%	2.6%
12	ACIG	3.1%	2.6%
13	Arabian Shield	3.5%	2.5%
14	Wafa Insurance	5.6%	2.3%
15	SAICO	2.1%	2.1%
16	Wataniya	1.5%	1.8%
17	AICC	1.1%	1.1%
18	CHUBB	0.8%	0.9%
19	Alinma Tokio M	1.1%	0.8%
20	Gulf General	1.1%	0.7%
21	Al Alamiya	0.5%	0.7%
22	Al-Ahlia	0.6%	0.6%
23	Amana Insurance	0.3%	0.6%
24	Gulf Union	0.7%	0.5%
25	METLIFE AIG ANB	0.1%	0.4%
26	Solidarity	0.4%	0.3%
27	Sagr Insurance	0.6%	0.3%

#### Vehicle Insurance (SAR million)

	Q2 2016	Q2 2017	Growth
Gross Premium Written	2,467	2,367	(4.1%)
Net Premium Written	2,160	2,191	1.4%
Net Premium Earned	2,416	2,575	6.6%
Net Claims Incurred	2,019	1,863	(7.8%)
Retention Ratio	87.6%	92.6%	5.0%
Claims Ratio	83.6%	72.3%	(11.2%)

#### Vehicle Ins. Market Share Concentration—Q2 2017



## Saudi Insurance Sector

### Protection & Savings Insurance

The share of protection and savings insurance is the lowest among all other insurance segments, which represented just 2.6% of overall gross written premiums.

The low market share for the protection and savings insurance is attributed to several factors including the modernity of the Saudi insurance sector, poor savings culture, in addition to religious considerations of many categories of the community towards the protection and savings products as illegal.

#### Insurance Premiums

The sector saw gross premiums written decrease by 2.5% YoY to SAR 223 million in Q2 2017, mainly due to a reduction in the number of insurance policies by 6.6% YoY.

On the other hand, the loss ratio grew to 40.5% compared with 38.3% in the previous-year period, owing to the dip in premiums earned. Net claims incurred stabilized at SAR 48 million, while, net premiums earned slumped 5.4% to SAR 118 million.

#### Market Structure

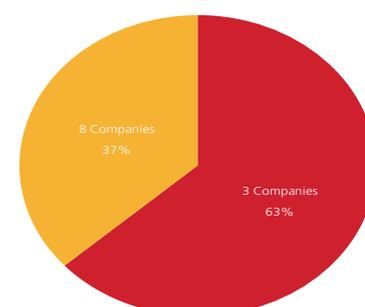
The protection and savings insurance market consisted of 11 insurers. Yet, the top four companies held over 78% of the market in Q2 2017. The remaining 7 insurers had only about 22% of the gross premiums in the market.

	Market Share	Q2 2016	Q2 2017
1	ATC	28.0%	26.0%
2	Allianz SF	23.6%	21.7%
3	SABB Takaful	17.6%	15.7%
4	Jazira Takaful	12.1%	14.3%
5	AlRajhi Takaful	2.9%	5.7%
6	AXA Cooperative	1.7%	4.8%
7	Wataniya	3.7%	4.1%
8	METLIFE AIG ANB	2.9%	3.3%
9	Alinma Tokio M	2.6%	3.1%
10	Al Alamiya	1.0%	0.9%
11	Solidarity	3.9%	0.5%

#### Protection & Savings Insurance (SAR million)

	Q2 2016	Q2 2017	Growth
Gross Premium Written	229	223	(2.5%)
Net Premium Written	117	119	2.4%
Net Premium Earned	125	118	(5.4%)
Net Claims Incurred	48	48	0.0%
Claims Ratio	38.3%	40.5%	2.2%

#### Protect & Saving Inc. Market Share Concentration - Q2 2017



# Saudi Insurance Sector

## Consolidated Financial Statements

### Balance Sheet

(SAR million)	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
<b>Policyholders' assets</b>					
Cash & cash equivalents	7,159	7,393	7,170	7,684	7,016
Investments	10,349	10,588	11,624	11,681	11,247
Receivables, net	8,772	9,278	7,661	9,239	9,094
Reinsurers' share	5,457	5,388	5,718	5,939	5,789
Other assets	8,431	7,338	6,513	6,775	6,960
<b>Total policyholders' assets</b>	<b>40,167</b>	<b>39,985</b>	<b>38,686</b>	<b>41,318</b>	<b>40,106</b>
<b>Shareholders assets</b>					
Cash and cash equivalents	4,390	4,107	5,312	4,410	4,162
Investments	8,275	8,688	7,605	8,493	9,568
Other assets	1,782	2,093	2,699	2,760	2,019
Total Shareholders' assets	<b>14,446</b>	<b>14,888</b>	<b>15,616</b>	<b>15,664</b>	<b>15,749</b>
<b>Total assets</b>	<b>54,613</b>	<b>54,873</b>	<b>54,302</b>	<b>56,982</b>	<b>55,855</b>
<b>Policyholders' (PH) liabilities</b>					
Gross outstanding claims	12,704	13,106	13,350	13,580	13,339
Gross unearned premiums	17,724	16,815	15,440	17,768	17,449
Other liabilities	9,739	10,064	9,895	9,970	9,318
<b>Total policyholders' liabilities</b>	<b>40,167</b>	<b>39,985</b>	<b>38,686</b>	<b>41,318</b>	<b>40,106</b>
<b>Shareholders' (SH) liabilities and equity</b>					
Shareholders' liabilities	2,228	1,832	1,978	2,168	2,297
Share capital	11,592	11,557	11,357	10,479	10,479
Total reserves and others	627	1,499	2,282	3,017	2,973
<b>Total shareholders' liabilities and equity</b>	<b>14,446</b>	<b>14,888</b>	<b>15,616</b>	<b>15,664</b>	<b>15,749</b>
<b>Total PH liabilities and SH liabilities &amp; equity</b>	<b>54,613</b>	<b>54,873</b>	<b>54,302</b>	<b>56,982</b>	<b>55,855</b>

### Income Statement

(SAR million)	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017
Gross premiums written	8,575	8,117	7,779	11,043	8,673
Net premiums written	6,908	6,962	6,555	9,463	7,151
Net premiums earned	7,389	7,413	7,457	7,255	7,522
Gain (loss) on investments	228	166	180	182	211
Gross claims paid	6,329	5,618	6,734	6,365	6,451
Net claims incurred	5,775	5,427	5,875	5,811	5,715
<b>Surplus (deficit) from insurance operations</b>	<b>457</b>	<b>948</b>	<b>694</b>	<b>387</b>	<b>263</b>
Shareholder's appropriation from surplus (deficit)	393	854	620	337	193
<b>Net income (loss) for the period</b>	<b>445</b>	<b>804</b>	<b>583</b>	<b>315</b>	<b>189</b>

## Concentration of Insurance Segments per Company

### Concentration of Insurance Segments per Company

Company	Health Insurance	Vehicle Insurance	General Insurance	Protection & Savings	Total
<b>Health Insurance</b>					
Bupa Arabia	100.0%	0.0%	0.0%	0.0%	100.0%
Enaya	100.0%	0.0%	0.0%	0.0%	100.0%
Sagr Insurance	69.0%	6.5%	24.5%	0.0%	100.0%
Gulf Union	68.7%	13.9%	17.4%	0.0%	100.0%
MEDGULF	66.7%	17.4%	15.8%	0.0%	100.0%
Tawuniya	62.6%	17.4%	20.0%	0.0%	100.0%
METLIFE AIG ANB	62.4%	9.7%	19.5%	8.4%	100.0%
Buruj	50.6%	43.3%	6.1%	0.0%	100.0%
<b>Vehicle Insurance</b>					
Salama	11.4%	85.7%	2.8%	0.0%	100.0%
Amana Insurance	3.0%	83.7%	13.3%	0.0%	100.0%
AlRajhi Takaful	19.2%	74.5%	4.4%	1.9%	100.0%
Malath Insuranc	18.8%	67.9%	13.3%	0.0%	100.0%
Trade Union	25.9%	67.3%	6.7%	0.0%	100.0%
Walaa	12.2%	63.9%	23.9%	0.0%	100.0%
ACIG	30.9%	60.8%	8.4%	0.0%	100.0%
Wataniya	0.0%	52.8%	36.2%	11.0%	100.0%
<b>General Insurance</b>					
Alinma Tokio M	0.1%	18.0%	75.3%	6.7%	100.0%
U C A	1.0%	36.3%	62.8%	0.0%	100.0%
CHUBB	0.0%	42.0%	58.0%	0.0%	100.0%
Al Alamiya	6.6%	35.6%	53.7%	4.1%	100.0%
<b>Protection &amp; Savings</b>					
Jazira Takaful	0.0%	0.0%	0.0%	100.0%	100.0%
ATC	0.0%	0.0%	0.0%	100.0%	100.0%
SABB Takaful	0.0%	0.0%	13.3%	86.7%	100.0%
<b>Multi Insurance</b>					
Allianz SF	8.1%	32.5%	38.0%	21.4%	100.0%
AICC	48.7%	36.9%	14.4%	0.0%	100.0%
WAFA Insurance	44.2%	46.5%	9.3%	0.0%	100.0%
Arabian Shield	47.8%	35.4%	16.8%	0.0%	100.0%
Al-Ahlia	48.5%	31.2%	20.3%	0.0%	100.0%
SAICO	40.6%	32.7%	26.7%	0.0%	100.0%
AXA Cooperative	33.2%	38.1%	23.9%	4.8%	100.0%
Gulf General	14.2%	38.4%	47.5%	0.0%	100.0%
Solidarity	49.8%	29.8%	14.5%	5.8%	100.0%

## Saudi Insurance Sector

### Financial Indicators

#### Financial Indicators

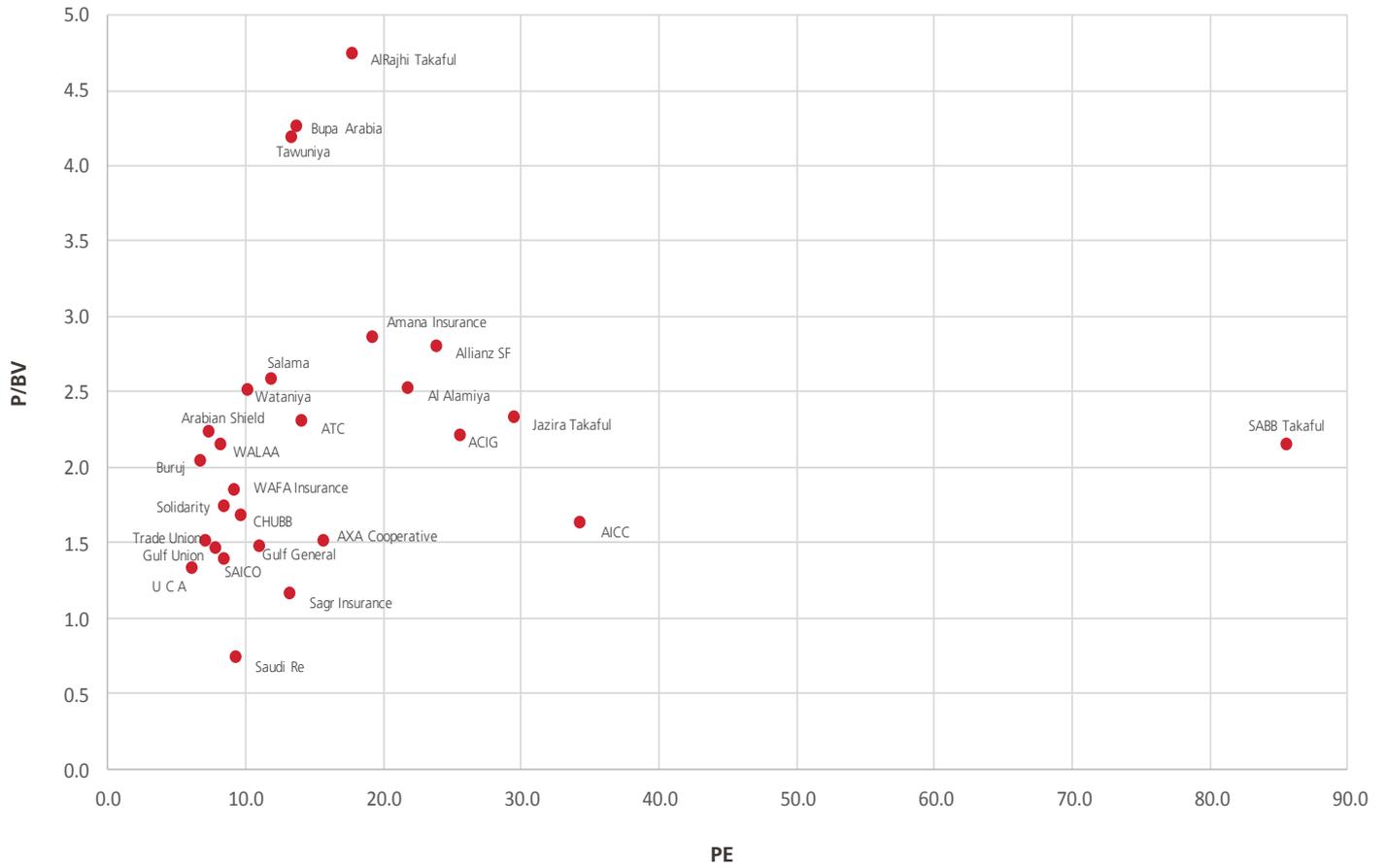
Company	Closing Price (14 Nov 2017) (SAR)	Issued Shares (Million)	Free Floating Shares (Million)	Net Income (Million)	Shareholders		Earning Per Share (SAR)	Price to Equity*	Price to Book Value*
					Equity (Million)	Market Cap. (SAR mn)			
Tawuniya	95.89	125	66.713	781.07	2,999.87	11,986.25	6.249	15.345	23.99
METLIFE AIG ANB	15.78	35	10.51	-26.85	214.99	552.3	-0.767	-	6.14
Jazira Takaful	25.65	35	10.5	30.52	383.06	897.75	0.872	29.415	10.94
MALATH INSURANCE	13.33	50	50	-0.42	109.5	666.5	-0.008	-	2.19
MEDGULF	31.19	40	14.6	-438.18	474	1,247.60	-10.955	-	11.85
Allianz SF	33.92	20	7	29.66	243.17	678.4	1.483	22.872	12.15
Salama	23.49	25	17.5	63.15	241.79	587.25	2.526	9.299	9.67
WALAA	28.59	40	37.78	138.53	546.36	1,143.60	3.463	8.255	13.65
Arabian Shield	42.01	20	13.938	110.9	368.64	840.2	5.545	7.576	18.43
SABB Takaful	23.48	34	12.26	8.48	363.27	798.32	0.249	94.141	10.68
SAICO	17.52	25	17.3	52.47	330.16	438	2.099	8.347	13.2
WAFA Insurance	19.25	12.2	10.355	13.04	120	234.85	1.069	18.009	9.83
Gulf Union	16.16	15	10.203	31.73	156.23	242.4	2.115	7.639	10.41
ATC	31.32	16.666	10.354	38.4	232.17	521.98	2.304	13.593	13.93
Al-Ahlia	11.1	16	15.1	8.73	110.25	177.6	0.546	20.343	6.89
ACIG	15.14	20	12	10.9	136.67	302.8	0.545	27.779	6.83
AICC	16.79	26.5	17.357	17.49	253.9	444.94	0.66	25.439	9.58
Trade Union	18.51	27.5	18.353	60.16	348.45	509.03	2.188	8.461	12.67
Sagr Insurance	22.55	25	17.5	25.58	469.16	563.75	1.023	22.038	18.76
U C A	12.62	49	32.075	70.76	445.95	618.38	1.444	8.739	9.1
Saudi Re	6.62	100	90.8	63.01	814.99	662	0.63	10.506	8.14
Bupa Arabia	105.84	80	50.211	592.94	2,242.00	8,467.20	7.412	14.28	28.02
AlRajhi Takaful	59.1	40	18.4	166.18	554.78	2,364.00	4.155	14.225	13.86
CHUBB	22.14	20	11	40.57	248.09	442.8	2.029	10.914	12.4
AXA Cooperative	18.98	45	21.99	52.41	531.65	854.1	1.165	16.296	11.81
Gulf General	15.53	20	13	25.45	207.33	310.6	1.273	12.204	10.36
Buruj	30.18	25	15.925	124.79	382.32	754.5	4.992	6.046	15.29
Al Alamiya	23.49	40	12.002	37.4	356.26	939.6	0.935	25.122	8.9
Solidarity	19.49	25	17.825	59.68	282.05	487.25	2.387	8.164	11.28
Wataniya	26.45	20	8.5	51.72	212.94	529	2.586	10.228	10.64
Amana Insurance	23.72	14	10.99	23.97	127.91	332.08	1.712	13.853	9.13
Enaya	21.45	20	13.05	-13.78	160.54	429	-0.689	-	8.02
Alinma Tokio M	18.4	30	12.683	-7.34	279.14	552	-0.245	-	9.3
<b>Insurance Sector</b>	<b>Total</b>	<b>1,135.87</b>	<b>697.8</b>	<b>2,243.12</b>	<b>14,947.59</b>	<b>40,576.03</b>	<b>1.975</b>	<b>13.6</b>	<b>13.16</b>

\*Net income is according to recent four quarters ending in Q3 2017

# Saudi Insurance Sector

## P/E and P/BV for Insurance Companies

In terms of profit, 26 companies in the insurance sector generated profits during Q2 2017. The following figure reflects the valuation levels of these companies\* based on P/E and P/BV\*\*:



\* Excluding the companies with very inflated multiples.

\*\* Closing prices of November 9, 2017.

# Saudi Insurance Sector

## Insurance Premiums Breakdown

### Insurance Premiums Breakdown

Company	Gross Written Premium (SAR million)			Net Written Premium (SAR million)			Net Earned Premium (SAR million)			Net Claims Incurred (SAR million)			Retention Ratio		Claims Ratio	
	Q2 2016	Q2 2017	Growth	Q2 2016	Q2 2017	Growth	Q2 2016	Q2 2017	Growth	Q2 2016	Q2 2017	Growth	Q2 2016	Q2 2017	Q2 2016	Q2 2017
Tawuniya	2,135	2,104	(1.5%)	1,725	1,764	2.3%	1,719	1,832	6.6%	1,306	1,445	10.6%	80.8%	83.8%	76.0%	78.9%
METLIFE AIG ANB	57	88	54.8%	32	63	97.1%	37	55	48.2%	33	42	25.1%	56.3%	71.7%	89.8%	75.8%
Jazira Takaful	28	32	14.5%	9	13	41.2%	7	9	16.7%	1	0	(41.2%)	33.1%	40.8%	10.0%	5.1%
Malath Insuranc	253	144	(43.2%)	117	127	8.7%	350	227	(35.1%)	400	188	(52.8%)	46.2%	88.2%	114.1%	82.9%
MEDGULF	891	869	(2.5%)	744	702	(5.6%)	740	586	(20.7%)	657	540	(17.9%)	83.5%	80.8%	88.9%	92.1%
Allianz SF	272	227	(16.5%)	166	134	(18.8%)	120	166	38.2%	100	129	28.5%	60.9%	59.2%	83.7%	77.8%
Salama	141	202	42.7%	136	194	43.3%	100	168	68.3%	80	129	61.3%	95.9%	96.3%	80.1%	76.8%
Walaa	222	218	(2.1%)	196	173	(11.8%)	146	200	36.7%	79	115	44.6%	88.2%	79.5%	54.3%	57.4%
Arabian Shield	175	165	(5.7%)	117	114	(2.6%)	92	122	32.2%	66	70	7.0%	66.6%	68.8%	71.1%	57.6%
SABB Takaful	47	40	(14.5%)	39	34	(12.8%)	45	34	(23.5%)	4	3	(23.9%)	82.0%	83.7%	8.3%	8.3%
SAICO	179	149	(16.9%)	131	105	(20.0%)	128	130	1.5%	80	88	9.6%	73.0%	70.3%	62.6%	67.6%
WAFA Insurance	161	119	(26.1%)	140	73	(47.7%)	128	101	(20.5%)	102	76	(26.1%)	86.8%	61.5%	80.2%	74.5%
Gulf Union	56	79	41.4%	29	52	80.6%	23	56	142.8%	11	35	213.1%	52.0%	66.4%	48.9%	63.0%
ATC	64	58	(9.5%)	11	10	(5.5%)	20	21	6.0%	4	3	(31.0%)	16.9%	17.7%	21.4%	13.9%
Al-Ahlia	43	46	8.9%	40	43	8.1%	51	37	(27.2%)	36	28	(23.0%)	92.8%	92.1%	70.7%	74.8%
ACIG	147	102	(30.3%)	119	88	(26.5%)	104	87	(16.1%)	81	59	(27.1%)	81.4%	85.7%	78.3%	68.0%
AICC	86	69	(19.9%)	50	46	(8.0%)	85	73	(14.7%)	56	42	(25.4%)	58.7%	67.4%	66.0%	57.6%
Trade Union	221	289	30.7%	167	245	46.4%	198	189	(4.6%)	176	118	(33.0%)	75.7%	84.9%	88.8%	62.3%
Sagr Insurance	50	93	87.7%	24	68	178.4%	159	42	(73.3%)	69	28	(59.8%)	49.1%	72.7%	43.3%	65.1%
U C A	261	251	(3.6%)	90	61	(32.5%)	185	52	(71.8%)	124	(4)	(103%)	34.5%	24.2%	66.7%	(7.8%)
Bupa Arabia	1,828	1,848	1.1%	1,817	1,832	0.8%	1,864	1,909	2.4%	1,511	1,522	0.7%	99.4%	99.1%	81.1%	79.7%
AlRajhi Takaful	506	680	34.4%	486	649	33.6%	362	686	89.8%	303	582	91.9%	95.9%	95.4%	83.9%	84.9%
CHUBB	53	48	(9.5%)	28	28	1.6%	29	27	(9.1%)	10	9	(11.8%)	51.5%	57.8%	32.8%	31.8%
AXA Cooperative	201	220	9.7%	183	195	6.6%	265	323	21.8%	219	267	21.8%	91.2%	88.6%	82.9%	82.9%
Gulf General	61	46	(24.3%)	34	23	(30.6%)	39	29	(26.4%)	20	13	(31.5%)	55.1%	50.5%	49.7%	46.2%
Buruj	101	144	43.1%	87	133	53.0%	101	117	16.2%	56	62	11.0%	86.2%	92.2%	55.6%	53.1%
Al Alamiya	50	48	(3.4%)	25	26	0.8%	55	46	(16.6%)	25	12	(49.2%)	51.0%	53.2%	45.0%	27.4%
Solidarity	40	21	(48.6%)	32	18	(44.5%)	54	43	(19.3%)	25	16	(35.6%)	79.3%	85.6%	46.5%	37.1%
Wataniya	78	83	5.7%	36	42	19.6%	63	74	16.8%	46	48	5.0%	45.5%	51.4%	72.1%	64.8%
Amana Insurance	55	16	(70.7%)	46	6	(86.9%)	77	14	(81.8%)	63	9	(86.4%)	84.3%	37.8%	81.7%	60.9%
Enaya	37	66	79.3%	22	65	197.2%	16	34	108.7%	8	20	154.9%	59.5%	98.6%	49.8%	60.8%
Alinma Tokio M	69	103	48.8%	32	25	(22.0%)	28	32	13.8%	23	20	(13.7%)	46.7%	24.5%	83.0%	63.0%
<b>Total</b>	<b>8,569</b>	<b>8,668</b>	<b>1.2%</b>	<b>6,908</b>	<b>7,151</b>	<b>3.5%</b>	<b>7,389</b>	<b>7,522</b>	<b>1.8%</b>	<b>5,775</b>	<b>5,715</b>	<b>(1.0%)</b>	<b>80.6%</b>	<b>82.5%</b>	<b>78.1%</b>	<b>76.0%</b>

## Saudi Insurance Sector

### Retention Ratio Breakdown - Q2 2017

#### Retention Ratio Breakdown

Company	Health Insurance	Vehicle Insurance	General Insurance	Overall
Tawuniya	99.4%	100.0%	21.0%	83.8%
METLIFE AIG ANB	93.9%	99.6%	2.9%	71.7%
Jazira Takaful	-	-	-	40.8%
Malath Insurance	100.0%	100.0%	11.4%	88.2%
MEDGULF	100.0%	71.4%	10.2%	80.8%
Allianz SF	52.3%	98.7%	18.2%	59.2%
Salama	100.0%	98.1%	26.5%	96.3%
Walaa	98.6%	98.9%	17.8%	79.5%
Arabian Shield	100.0%	51.4%	16.6%	68.8%
SABB Takaful	-	-	28.3%	83.7%
SAICO	83.8%	98.6%	15.2%	70.3%
Gulf Union	80.1%	56.2%	20.4%	66.4%
ATC	-	-	-	17.7%
Al-Ahlia	97.3%	97.7%	71.1%	92.1%
ACIG	75.0%	98.6%	31.9%	85.7%
AICC	62.8%	97.9%	5.2%	67.4%
Trade Union	71.1%	96.7%	19.3%	84.9%
Sagr Insurance	93.5%	91.6%	9.1%	72.7%
U C A	120.5%	50.9%	7.3%	24.2%
Bupa Arabia	99.1%	-	-	99.1%
AlRajhi Takaful	100.0%	98.9%	21.6%	95.4%
CHUBB	-	98.6%	28.3%	57.8%
AXA Cooperative	99.8%	102.4%	53.7%	88.6%
Gulf General	42.1%	84.5%	25.6%	50.5%
Buruj	98.7%	93.6%	29.3%	92.2%
Al Alamiya	49.6%	100.0%	23.3%	53.2%
Solidarity	94.2%	95.4%	33.1%	85.6%
Wataniya	-	88.1%	10.4%	51.4%
Amana Insurance	100.0%	39.1%	15.2%	37.8%
Enaya	98.6%	-	-	98.6%
Alinma Tokio M	100.0%	102.7%	3.5%	24.5%
<b>Total</b>	<b>97.2%</b>	<b>92.6%</b>	<b>17.8%</b>	<b>83.3%</b>

## Saudi Insurance Sector

### Definitions

**Gross Written Premium:**

The total premiums on policies issued by an insurance company during a specific period of time regardless of what portions have been earned. Written premiums are the amount of premium charged for a policy that has already become effective.

**Net Written Premium:**

It is equal to gross premium written minus the amount the company allocated for reinsurance, as well as premium losses surplus.

**Net Earned Premium :**

The amount of total premiums collected by an insurance company over a period that have been earned based on the ratio of the time passed on the policies to their effective life and adjusted to reinsurance. This pro-rated amount of paid-in-advance premiums have been "earned" and now belong to the insurer. It can be calculated as net premiums written minus changes in net premiums unearned.

**Net Claims Paid:**

Total amount of paid liabilities for a policy over a given valuation period minus reinsurers share.

**Net Claims Incurred:**

Net claims paid plus a reasonable estimate of unpaid liabilities. It is calculated by adding paid claims and unpaid claims minus the estimate of unpaid claims at the end of the prior valuation period.

**Retention Ratio:**

Percentage of net premium written to gross premium written.

**Claims Ratio:**

Claims owed as a percentage of net premium earned.

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