

2020 ANNUAL EARNINGS CONFERENCE CALL



Investor Relations

26 April 2021

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EXECUTIVE SUMMARY



Main highlights...

- **2020 was a challenging year**
 - Covid-19, economic slowdown, many new regulations, VAT rate increase, expatriates exodus, difficult collections environment
 - Tawuniya managed though to meet its profitability targets but fell short on its pre-Covid revenue targets
- **Covid-19 Impact**
 - Provided a short-term benefit in terms of reduction in claims, but in parallel adversely impacted our investment yields and collections efforts
 - Slowed our investment momentum in our transformation, value proposition, and capabilities building
- **Nevertheless, Tawuniya was able to achieve some major successes during the year**
 - Tawuniya Vitality, Umrah Program, Brand Awareness, Covid-19 Testing Centers, Client Satisfaction
- **In 2021, it is expected the market will start recovering however some new risks might impact performance**
 - MoF projections for FY 2021 indicate real GDP growth of about 3.2% driven by assumption that the economy activity will continue to recover during the year
 - According to IMF World Economic Outlook for March 2021, it is estimated that the global economy will grow by 6% in 2021
 - Ministry of Hajj & Umrah have extended the number of pilgrims to 50K per day with strict conditions (permission to those who are immune or recovered from Covid-19)
 - Projected Risks: Article 11, Nphies, Covid Vaccine roll-out, Saudi's travelling?
 - Our plan is to continue to invest heavily in our capacities & capabilities, value proposition, and transformation projects
- **2021 objectives are to enhance our:**
 - Brand Strength, Market Position, Financial Strength, and Operational Best Practices

KSA INSURANCE INDUSTRY



KSA Insurance Industry

2020 highlights...



“2020 was a challenging year filled with volatility and unprecedented events”

- Main Changes
 - SAMA Circular 189, CCHI Circular on Providers’ Payments, VAT Increase, Motor Leasing Business, Bancassurance...



SAMA banned brokerage firms from combining insurance and reinsurance activities

Jan 2020

Rules Governing Insurance Aggregation Activities.

Feb 2020

Actuarial Work Rules for Insurance.

Mar 2020



CCHI updated their **Strategy (2020-2024)** with a focus on digitizing.

Re-dispensing medicines without hospital visit.
Mandatory coverage of telephone medical services.
Approved coverage upon suspicion of COVID-19.
Children immunization services through homecare.

Mar 2020

Mar 2020

Apr 2020

Rules Governing **Bancassurance** Activities

May 2020

Insurance product to protect the rights and **benefits of non-Saudi** workers in the private sector.

Jul 2020

Rules for Comprehensive Insurance of **Motor** Vehicles Financially Leased to Individuals.

Sep 2020

Dec 2020

CCHI launched the first phase of the unified platform for exchanging insurance information "Uniplat " to exchange health and insurance information.

CCHI Launched the sector data collection based on the accredited medical coding to establish a health insurance database and prepare for digital transformation

Start the implementation phase of **Nphies** Program (by end of Q1 2021, the program has gone live with a limited number of insurers and providers)



The article was controversial on a number of aspects:

- All claims incurred (from insured members) as from 1 Jan 2021 stemming from public healthcare facilities can be claimed back from insurance companies.
- This applies primarily to Saudi nationals, and to all healthcare facilities managed by the MOH. Non Saudi nationals will need to pre-approve possible treatments in public healthcare facilities, which allows companies to mostly mitigate the impact of article 11 in this regard (Tawuniya has circa 50% of it's medical book composed on non-Saudi's)
- The tariff schedule (hospital prices) is the one stipulated by the CCHI. This tariff is significantly higher than the one agreed upon commercially between Tawuniya and a limited number of public healthcare facilities.

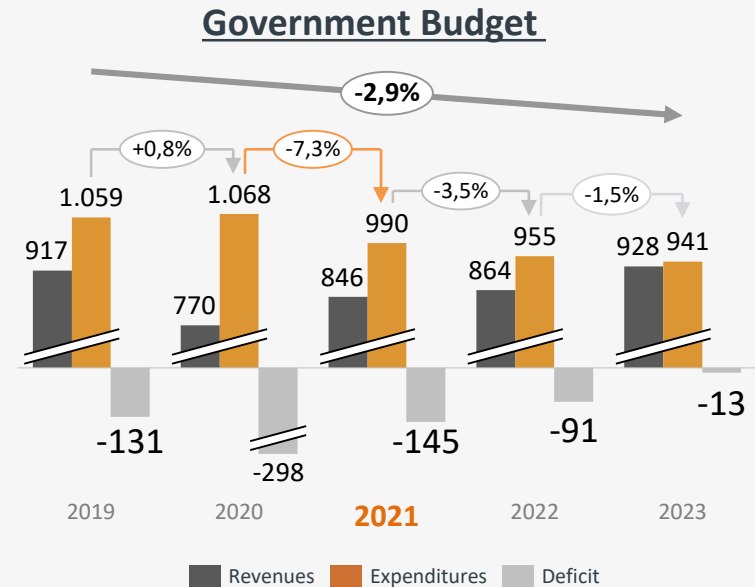
The implications of the most recent CCHI instructions:

- All active insurance policies as of 01/01/2021 will have an extended network (MOH) for emergency cases for all their members. This is not a new risk, as we would have previously covered, albeit there might be more of a pass back in the future.
- For policies incepting (renewing) from February onwards, we have the opportunity to price in this additional risk on renewal. Not all players may have similar views on the expected increase (different network coverage) and thus this might distort competition in the market
 - This might be treatment for Saudi nationals who did have some small frequency of claiming with MOH providers, but we were not previously aware. This is a new cost for insurance companies to price in.
 - If a Saudi national choses to be treated at a MOH Facility (e.g. National Guard), instead of a private provider (e.g. Habib), this is not additional frequency, but might be at a different (potentially higher) tariff.
- A cost impact was carried as of Q4 2020, regarding policies incepting only in January 2021 for which the terms were agreed and signed prior to the issuance of this article. We have included this risk within our PDR (premium deficiency reserve) balance at year-end, as we could not go back and reprice this one months of renewals.
- The capability and logistics for an MOH provider to pre-authorize and bill an insurance company should not be under-estimated. To recognize a private patient card, it's insurer, it's benefit limits (co-pay), to pre-authorize and then identify the cost of treatments received in the public hospital and provide an invoice is a huge challenge. Over time they will build this capability, but it's not likely to be quick, or complete in coverage terms



“2021 will continue to be challenging nevertheless economic recovery is expected”

- Nominal GDP is expected to **drop by around 16.5% in 2020**, then **rebound by 15.2% in 2021**.
- **Government spending will focus mainly on mega project & Vision Realization Programs (VRPs)** with more opportunities for private sector to participate in these projects
- **Market recovery** is expected to accelerate starting **H2 2021**.
- Market is expected to **grow by 6% in 2021** mainly driven by medical inflation.
- **Motor market is expected to be flat** despite the new enforcement due to high impact of new VAT implementation on new cars sales.
- **P&C market** growth will depend on government execution of mega projects and VRPs.
- **Regulatory Challenges** like readiness for IFRS17, implementation for Nphies, Article 11... are expected to impact the industry performance in 2021.





KSA INSURANCE INDUSTRY

Overall market highlights...

OVERALL

- **A troubling 2020 for all**, with the following main points :
 - Lockdowns, curfews and suspension of flights/travel
 - Heavy pressure on oil prices due to less demand caused by pandemic
 - VAT increased from 5% to 15% at the end of H1 of 2020
 - Support from government on all levels to ensure life goes back to normal
- **Hajj/Umrah visas were on hold** from Feb-2020 until Nov-2020, impacting the projected program size
- **Domestic Workers insurance is under finalization** by relevant government entities and expected to roll out in 2021
- **Mergers continue to take place** in the insurance industry with support from regulators (4 agreements*)

MEDICAL (in 2020)

- **Insurers will only cover diagnosis costs** for COVID 19 cases, According to Royal Decree, the government will bear the cost of subsequent treatment for all
- **CCHI issued circulars to all insurers to :**
 - Settle outstanding claims up to end of 2019
 - Adopt telemedicine within 90 days
- **NPHIES integration will be end of H1 of 2021**, CCHI's new platform which aims to govern health insurance by connecting insurers with providers through a unified digital platform
- **Number of insured lives decreased by 8.8%** (Dec-19 to Dec-20) due to COVID-19 adverse economic conditions and few additions during lockdown period

MOTOR (in 2020)

- **Extension of 2 months for all policies** per SAMA's decision 189 active & newly purchased)
- **All insurance companies announced market wide discounts** (between 10-15%), as an initiative to improve the coverage ratio
- **Market coverage ratio might have moderately increased** with automated fines on non-insured vehicles and the heavy discount campaigns
- **Najm company changed its fee structure** (from accidents to vehicles)
- **Leased vehicles insurance converted to "Retail" policies**







P&C (in 2020)

- **Government spending cuts**, and some **mega projects were placed on hold while others resumed**
- **Airlines, Hospitality and other major industries were severely impacted**, which impacted New and Renewals
- **Employers' Delinquency Insurance is expected to be rolled-out**, which covers non-payment of salaries and return tickets for non-Saudi workers in private sector
- SAMA announced the **release of new products**:
 - Event Cancellation Insurance
 - Drone Insurance
 - Inherent Defects Insurance (IDI)
- Still a **highly reinsured** line of business

KSA INSURANCE INDUSTRY

Active regulators... Over-supplied with Insurers... Compulsory-Driven market...



COMPULSORY PRODUCTS	 MEDICAL	 MOTOR	 PROPERTY & CASUALTY				
	All private sector employees (including their dependents) must have an insurance through their employers	All motorists must carry a Motor insurance policy	All government infrastructural projects are required to have Property & Casualty insurance				
LICENSED COMPANIES	<div><div>31*</div><div>72</div><div>49</div><div>13</div><div>6</div><div>5</div><div>3</div></div>						
	Insurance & Reinsurance Companies	Brokers	Agents	Loss Assessors & Adjusters	TPAs	Actuarial Service Providers	Insurance Advisors
REGULATORS							
	Saudi Central Bank (SAMA)			Council of Cooperative Health Insurance (CCHI)		Capital Market Authority (CMA)	

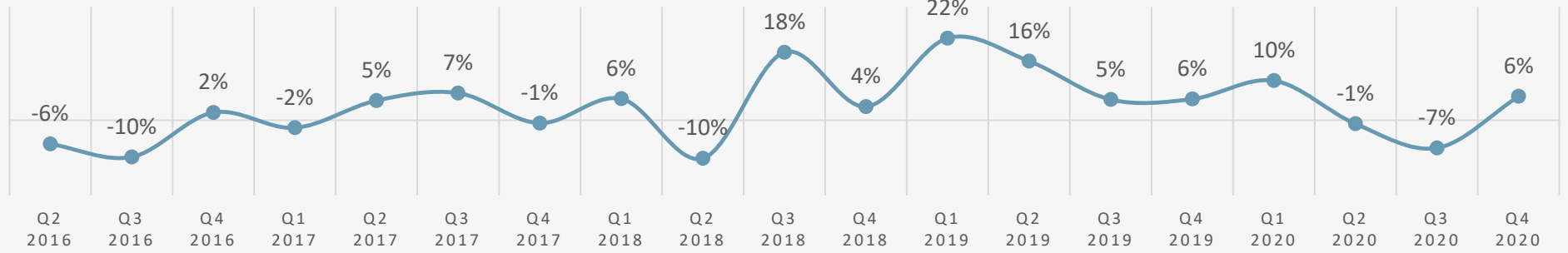
* Does not consider M&A's agreed, As of Jan 2021

KSA INSURANCE INDUSTRY

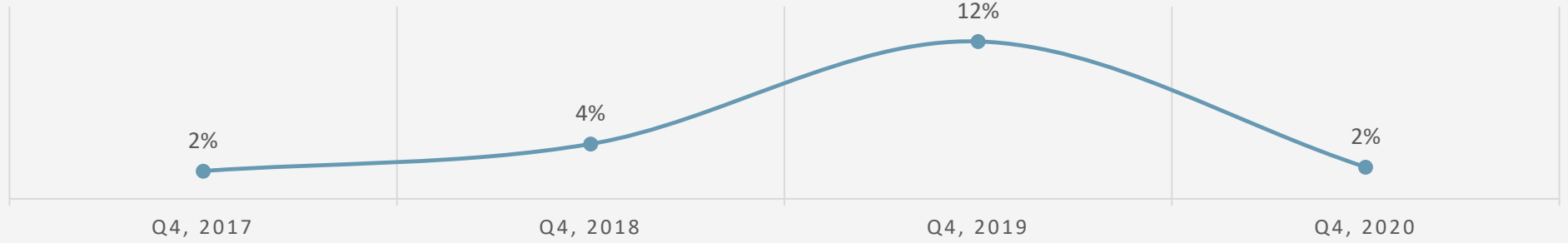
Medical GWP Growth Rates...



QUARTER ON QUARTER



ROLLING 12 MONTH



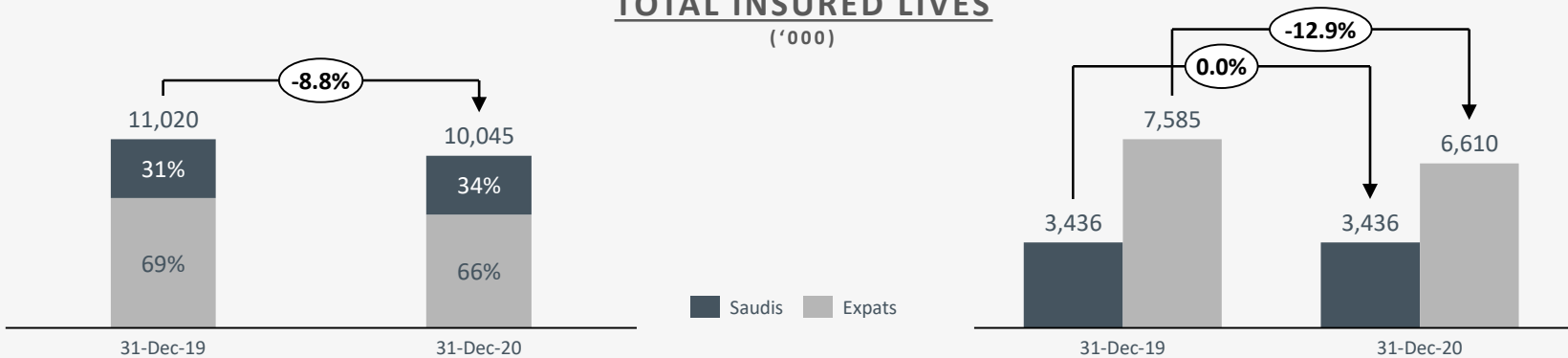
• Market figures are excluding Saudi-re and Wafa,
• Solidiraty and Alahlia estimated for Q4 2020, Also Metlife estimated for Q4 2019

KSA INSURANCE INDUSTRY

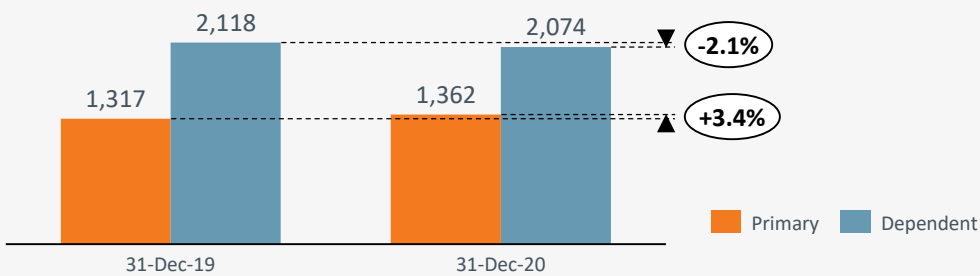


Medical insured lives experiencing a decline compared to end of 2019...

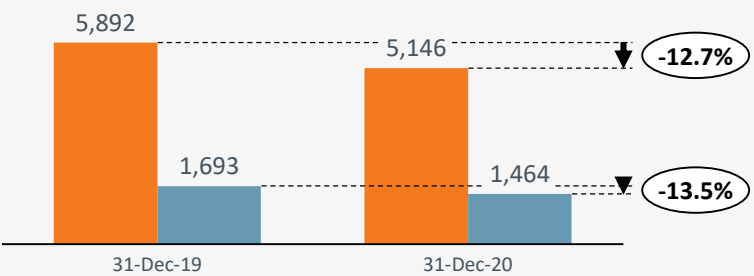
TOTAL INSURED LIVES
('000)



SAUDIS
('000)



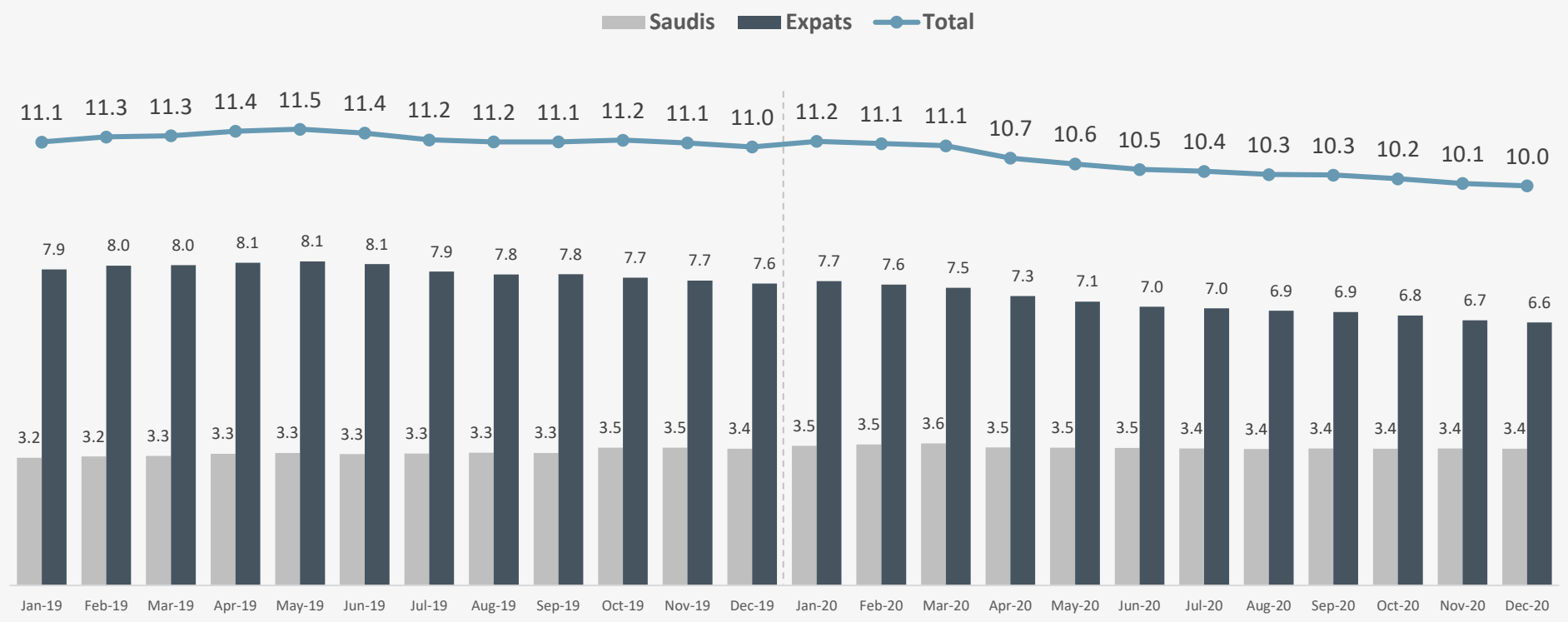
EXPATS
('000)



KSA Insurance Industry



The decline is driven by **drop in expats insured lives...**



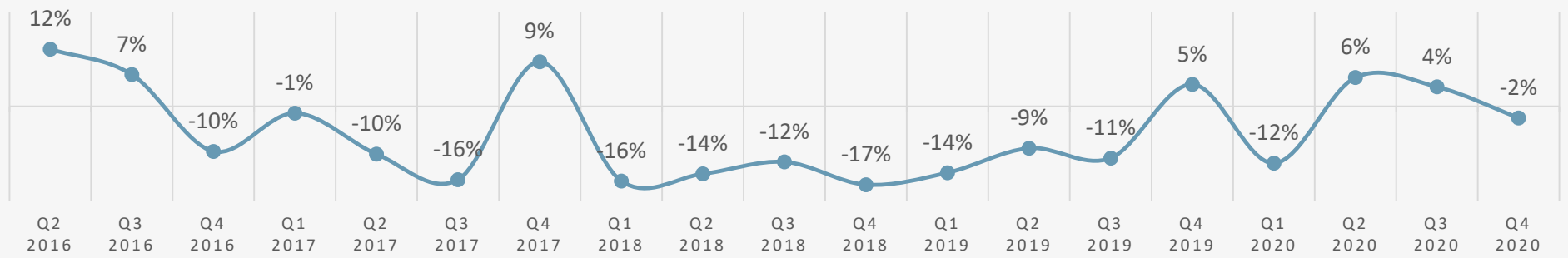
• source: CCHI

KSA INSURANCE INDUSTRY

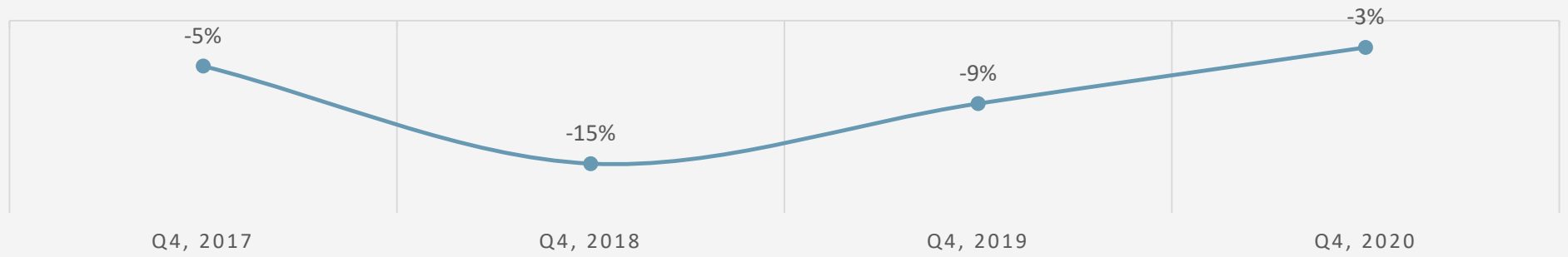
Motor GWP Growth Rates...



QUARTER ON QUARTER



ROLLING 12 MONTH



• Market figures are excluding Saudi-re and Wafa,
• Solidiraty and Alahlia estimated for Q4 2020, Also Metlife estimated for Q4 2019

KSA INSURANCE INDUSTRY

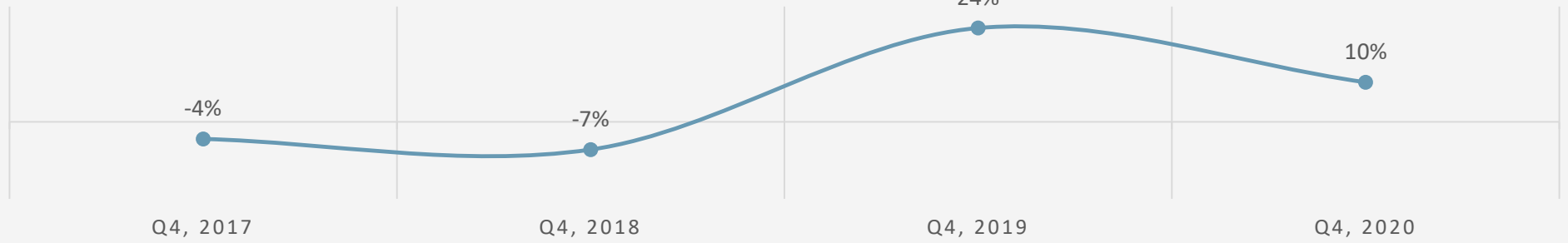
P&C GWP Growth Rates...



QUARTER ON QUARTER



ROLLING 12 MONTH



• Market figures are excluding Saudi-re and Wafa,
• Solidiraty and Alahlia estimated for Q4 2020, Also Metlife estimated for Q4 2019

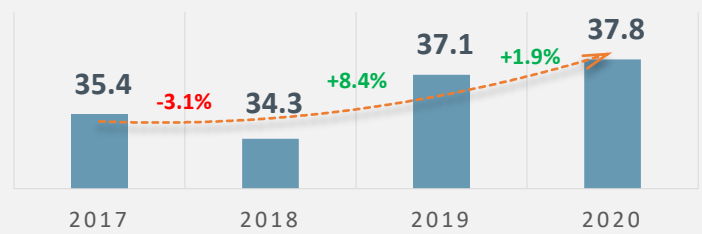
KSA INSURANCE INDUSTRY

Market substantially improved in profitability...



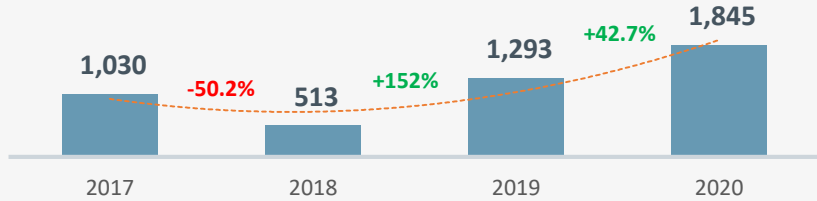
MARKET GWP

(Billions)



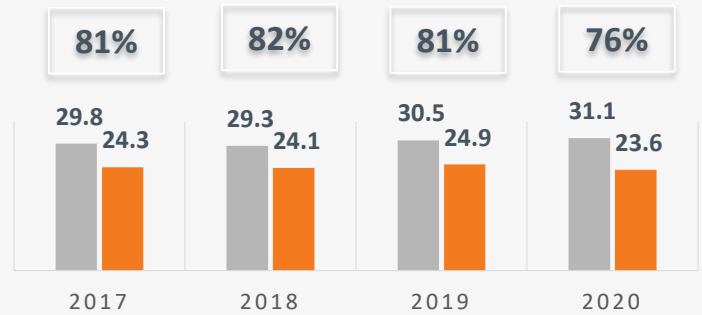
NET INCOME

(Millions)

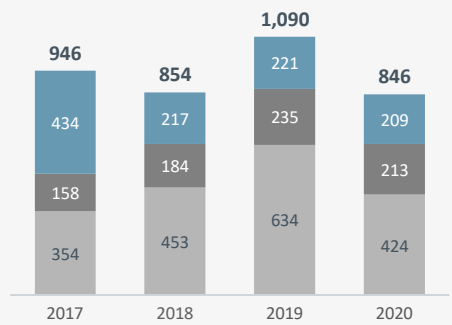


MARKET LOSS RATIO

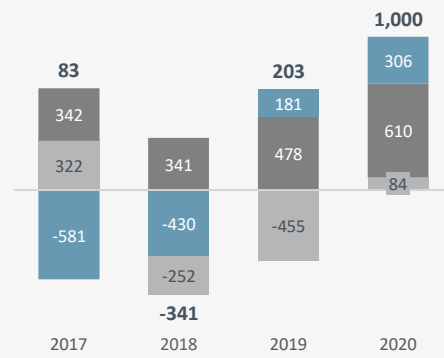
■ Earned Premium ■ Incurred Claims



INVESTMENT INCOME



NON-INVESTMENT INCOME



Tawuniya Bupa Others

• Market figures are excluding Saudi-re and Wafa,
• Solidiraty and Alahlia estimated for Q4 2020, Also Metlife estimated for Q4 2019

TAWUNIYA'S PERFORMANCE



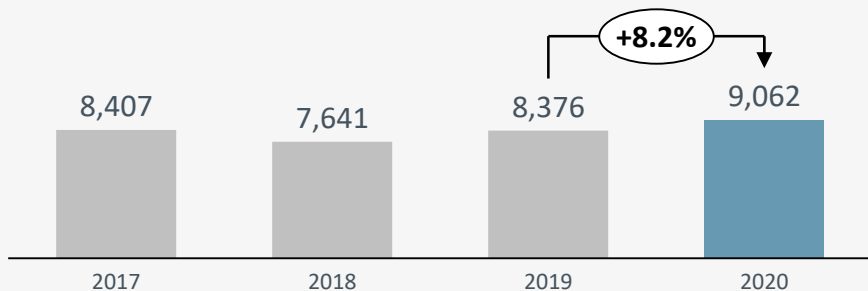


TAWUNIYA PERFORMANCE

Overall highlights...

GROSS WRITTEN PREMIUM

(MILLION SAR)

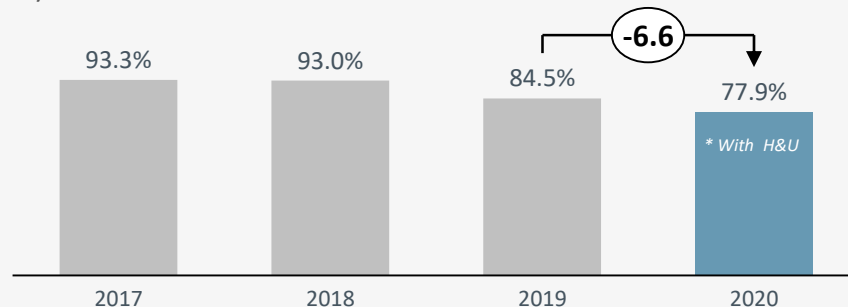


Overall GWP increase is driven by a good performance of Medical book in Q4 2020, on top of Umrah production in Q1 2020

GWP growth is 5.4% if Umrah premiums were excluded

REPORTED LOSS RATIO

(ALL LINES)



Loss ratio is considerably lower compared to previous years

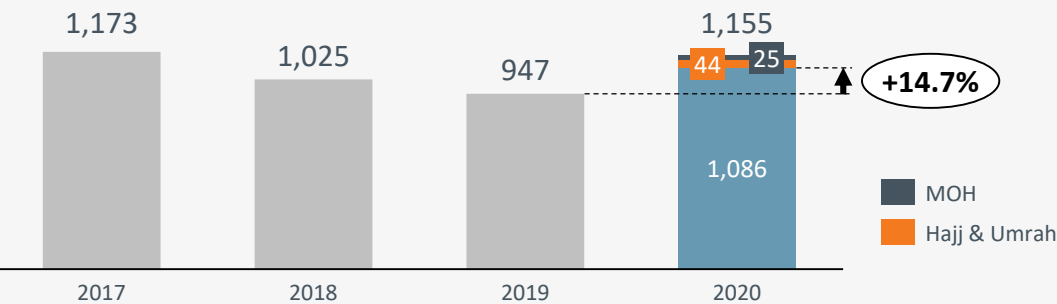
Improvement in overall loss ratio is from sustained gains in medical pricing, plus COVID net benefit (Motor & Medical)

TAWUNIYA PERFORMANCE

Overall highlights...



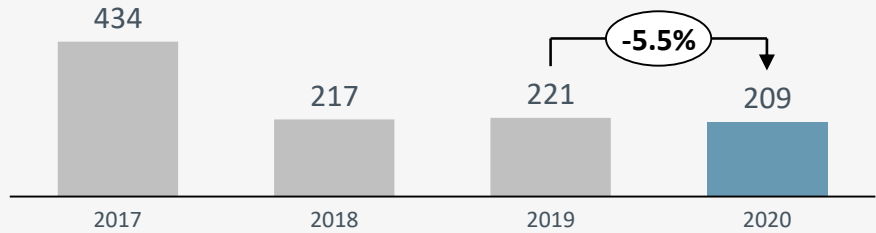
TOTAL OVERHEADS (MILLION SAR)



- Overheads increased by 139m compared to last period (excluding MOH donation and Hajj/Umrah cost)
- This increase is driven by WHT release from last year's Other UW Expense, and more G&A attributed to placing more resources in our claims management, service and our technology transformation

INVESTMENT INCOME (MILLION SAR)

Investment Income got impacted by global economy and still in recovery from the global Pandemic

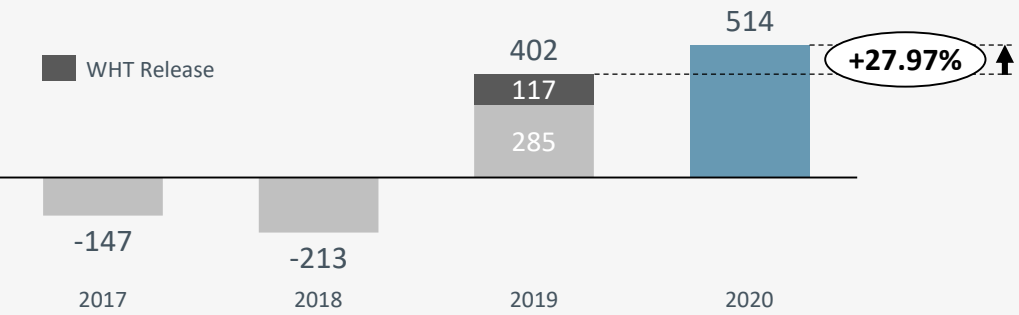


TAWUNIYA PERFORMANCE

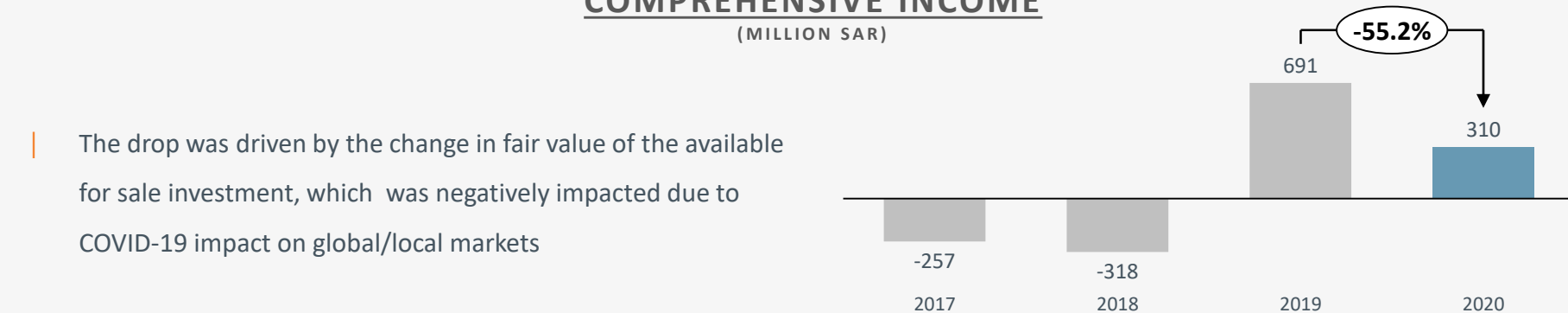
Overall highlights...



PRE-TAX INCOME (MILLION SAR)



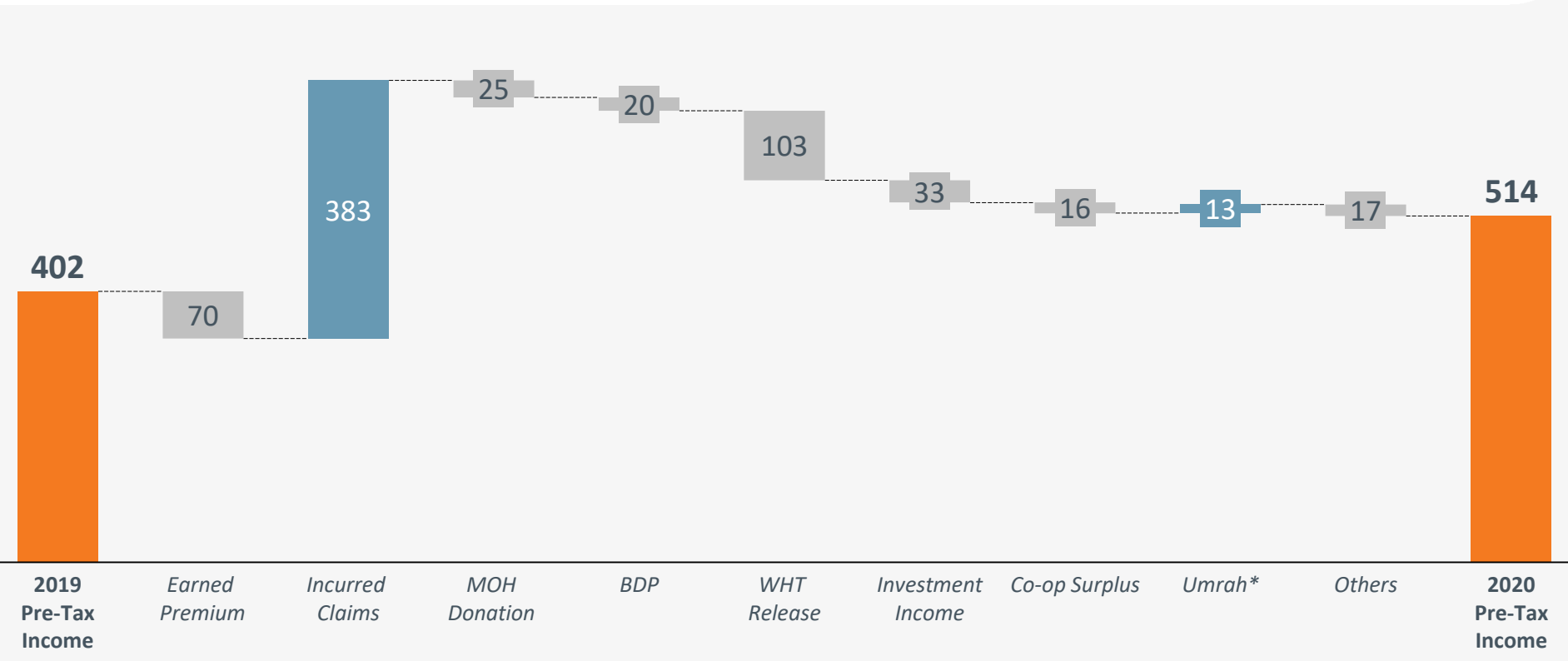
COMPREHENSIVE INCOME (MILLION SAR)





TAWUNIYA PERFORMANCE

Profit movement analysis from 2019 to 2020...



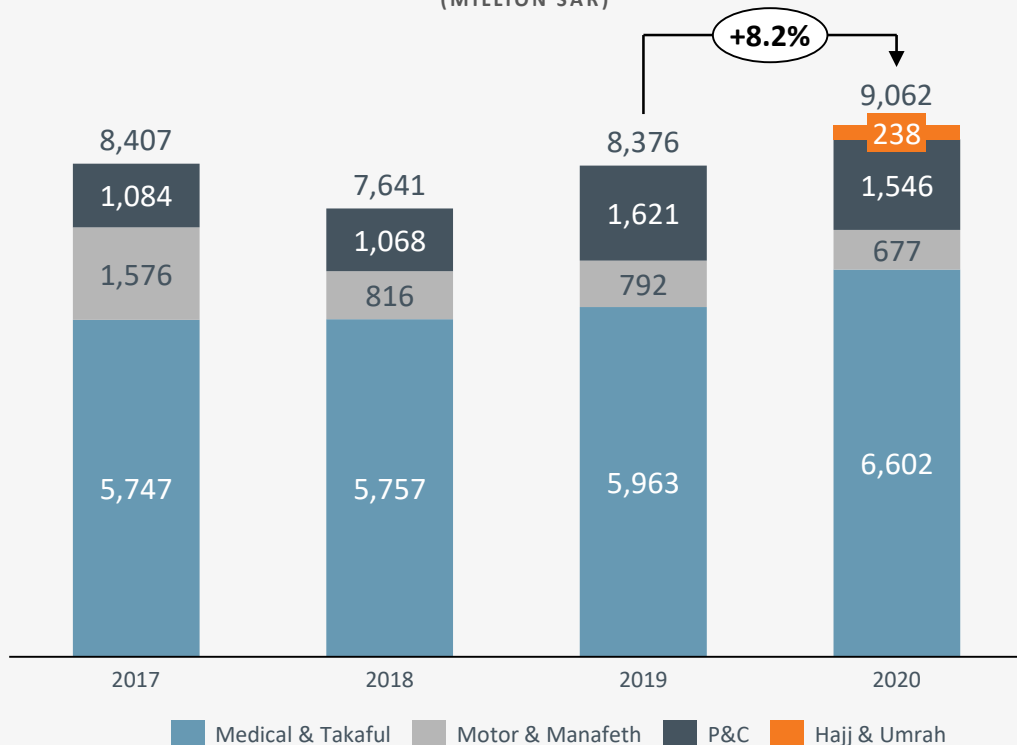
* Net movement of Umrah (includes premium)

TAWUNIYA PERFORMANCE



Full year 2020 premiums increased driven by Medical...

GWP
(MILLION SAR)



HIGHLIGHTS

- Medical GWP grew by 11% compared to last year driven by strong Q4. Market grew by 2%
- Motor GWP declined by 15% due to lockdown and outposts closure, and market wide discounts sponsored by regulators and price competition
- P&C GWP declined by 5% driven by some government mega projects being put on hold

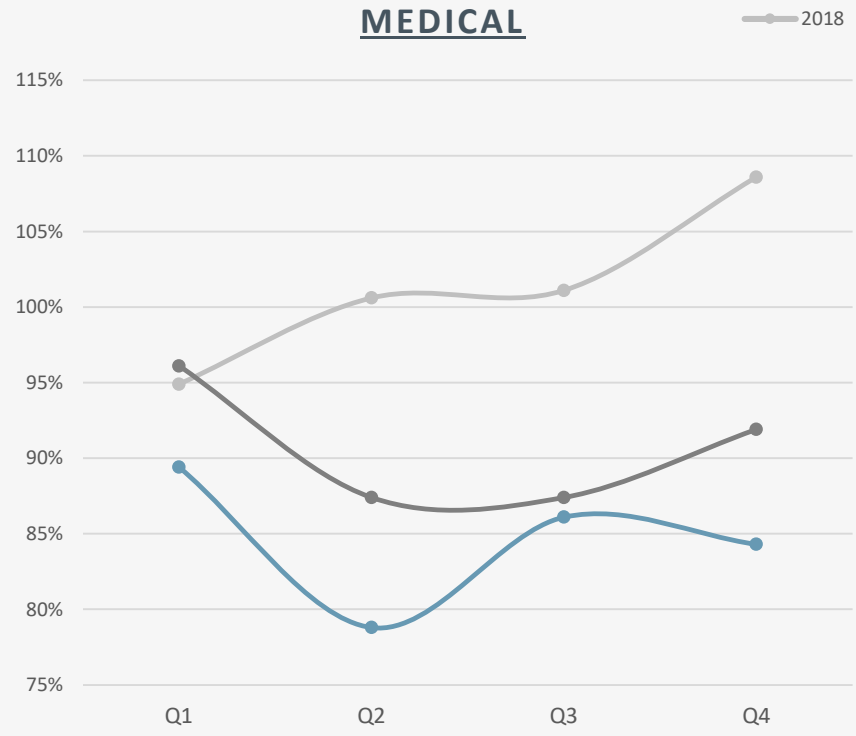
TAWUNIYA PERFORMANCE



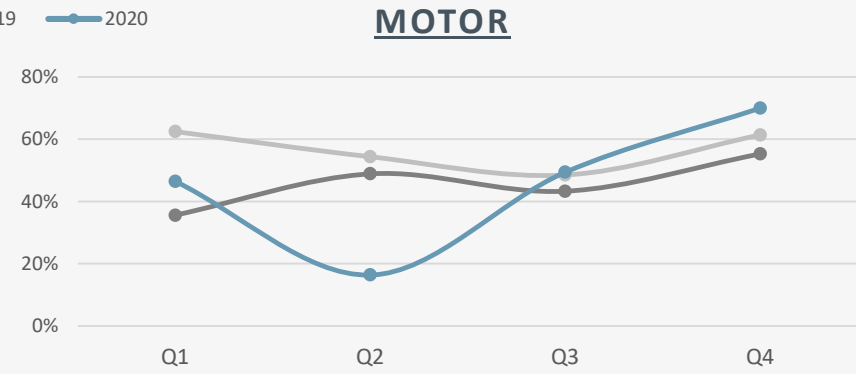
Now turning to the **loss ratio**, the life blood of any insurance business...

REPORTED LOSS RATIO

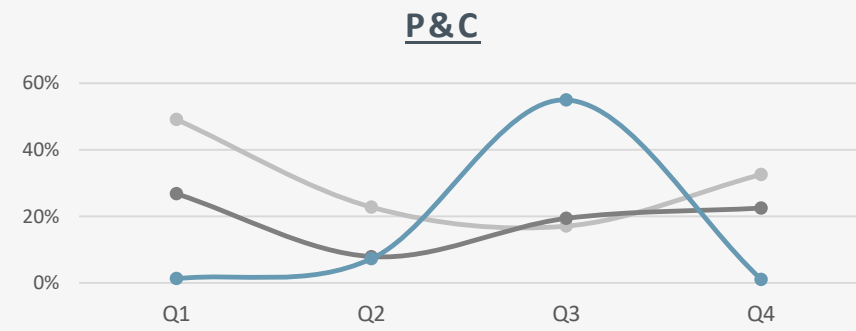
MEDICAL



MOTOR



P&C

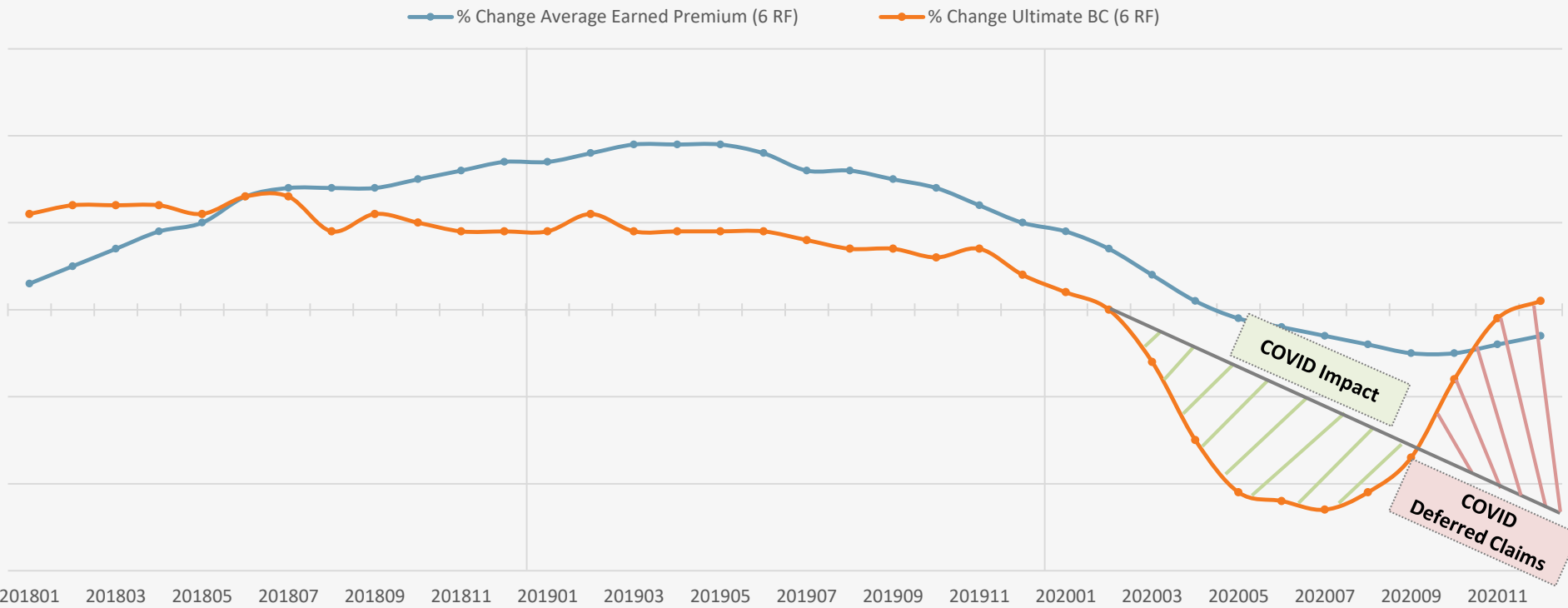


TAWUNIYA PERFORMANCE

Medical loss ratio trends...



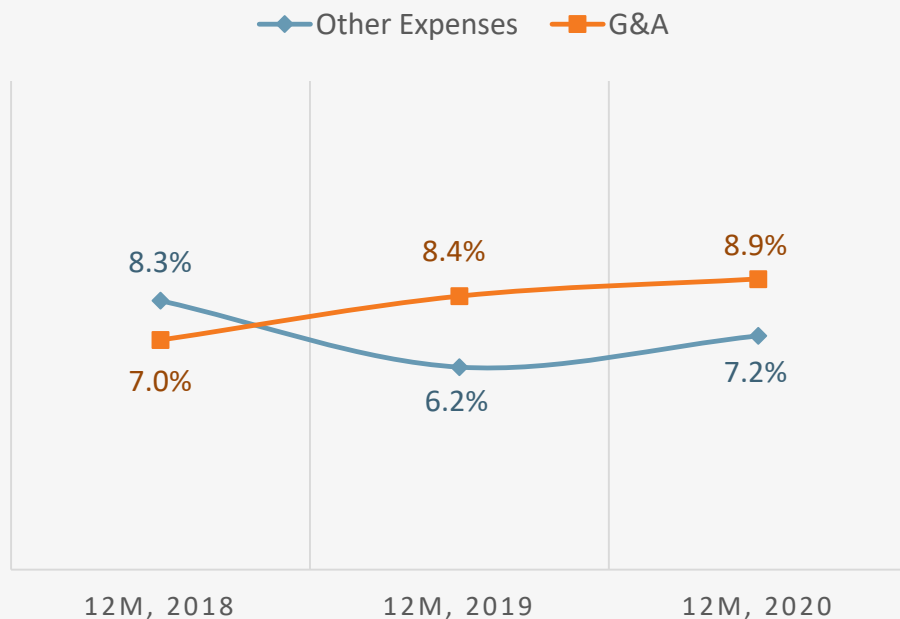
MEDICAL – ACTUAL 2020





Cost of Acquisition/Servicing and Fixed overheads...

G&A AND OTHER EXPENSE G&A RATIO



HIGHLIGHTS

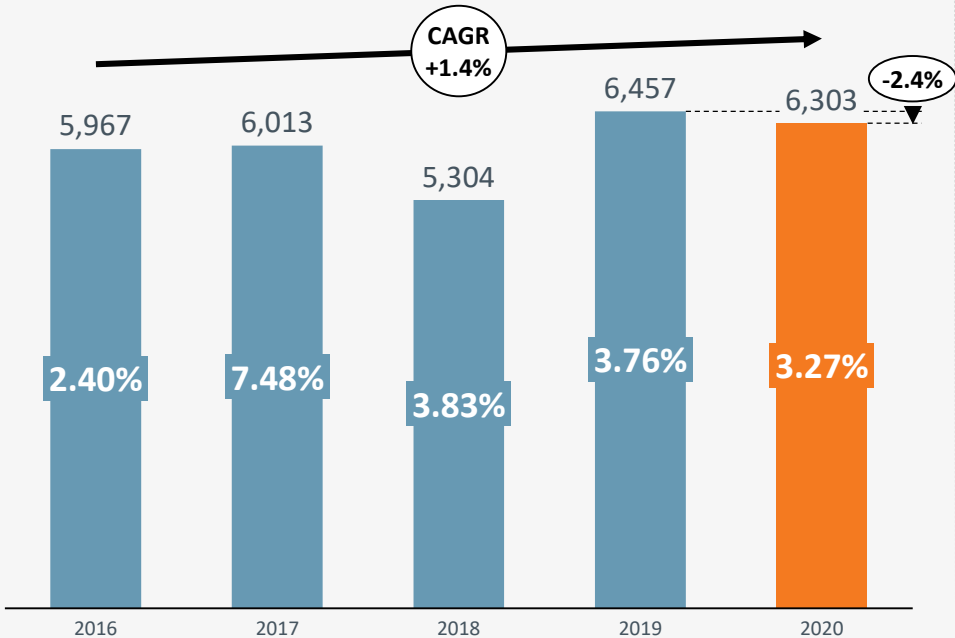
- **Total overheads** increased by 17% compared to last year (15% if MOH donation is excluded), mainly driven by the increase in G&A expense
- **Policy acquisition** costs increased by 6% which is inline with our growth in GWP (includes new Najm fees)
- **Other underwriting** costs increases are driven by the reversal of withholding tax provision in last year after a settlement for Tax for prior years
- **G&A** increased by 9% as we are continuing to place more resources into our front line (claims management and service) and our technology transformation



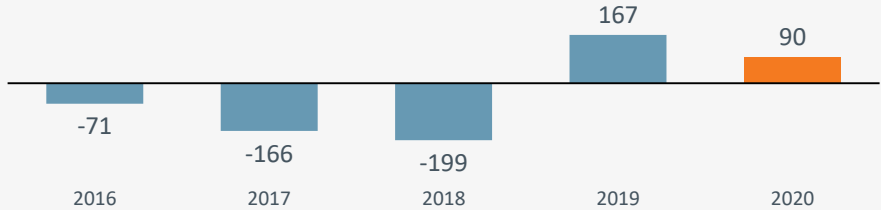
TAWUNIYA PERFORMANCE

Other elements that feed into the Reported Net income...

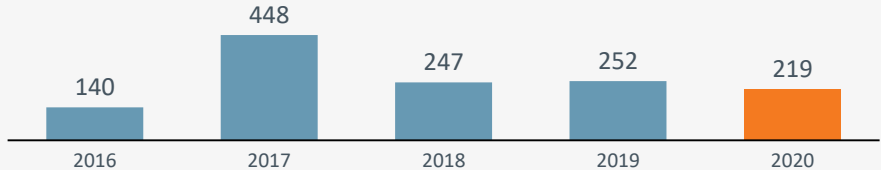
TOTAL INVESTMENTS (SR MILLION)



UN-REALIZED INVESTMENT BALANCE (SR MILLION)



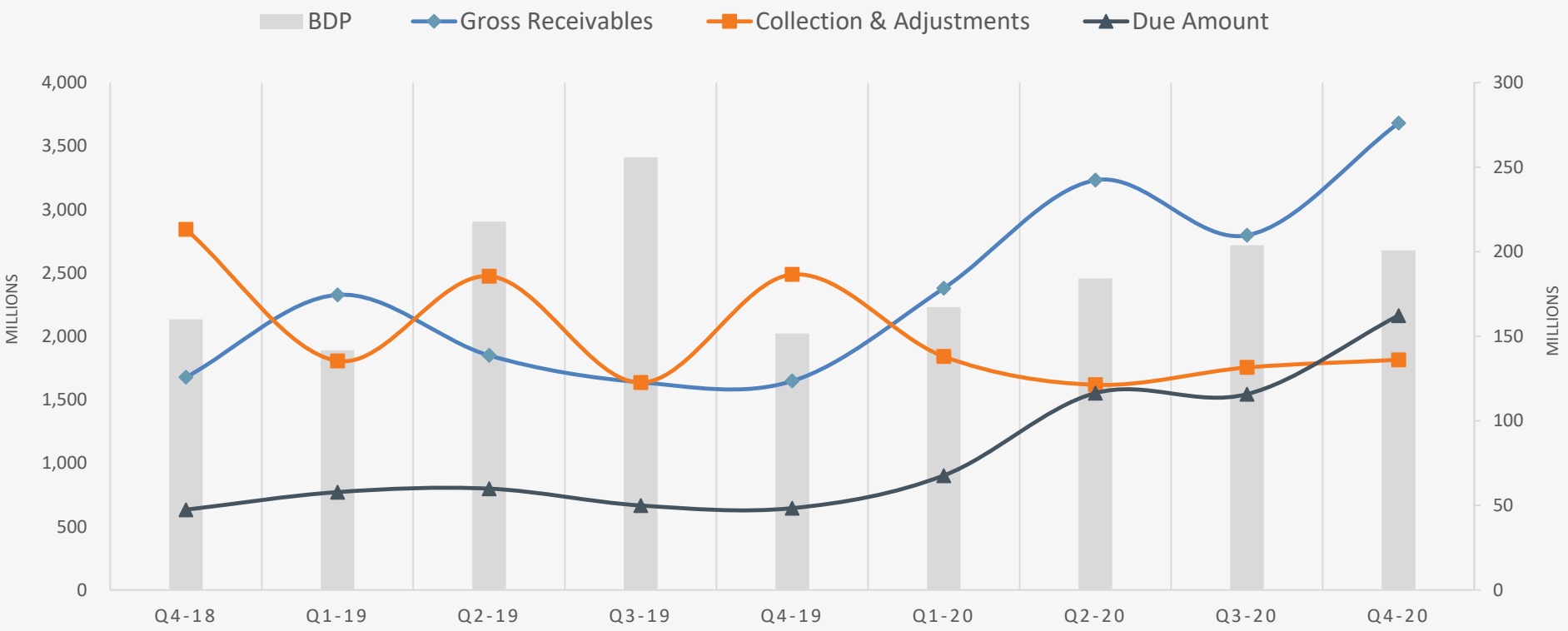
REALIZED INVESTMENT INCOME (SR MILLION)



TAWUNIYA PERFORMANCE



Management of **receivables** and due debt...





Management of **receivables** and **due debt**...

Receivables

Total receivables have increased significantly at the end of 2020, up from 1.6b in 2019 to 3.6b. Out of this 2.0b growth we can identify

- 0.5b from a growth in Premium Written Not Invoiced (PWNI) - no yet due for collection as billed more back-end of the year, or extended payment terms
- 0.7b of additional Due Debt from just 5 Government accounts (accounting for circa 1/6th of collections challenge)
- 0.4b of additional Due Debt from 5/6ths of the book, due to a general deterioration in the collections environment (5% relatively) caused by the pandemic
- 0.4b Less non-cash adjustments due to enhancing the accounting treatment when offsetting the receivable and payable relating to Re-insurance

Collection & Adjustments

- Monthly cash collections recovered well post pandemic (July to November), bringing us back in line with the prior year total. However December was the only month in which we significantly fell short, due to some overdue Government accounts.
- With regard to this difficult closing position, we have in Q1 2021 collected 1.5b of the closing 2.2b Due.

Bad Debt Provision

- We closed with a Bad Debt Provision (BDP) of 201m, some 50m higher than end of 2019.
- The methodology has changed from Article 69 basis to an IFRS basis.

COMPANY OVERVIEW



COMPANY OVERVIEW

Our Vision & Mission...



VISION

Sustain momentum for our society's safety and continuous progress towards the future

Future
With you to
achieve
your
objectives

Continuous
Today and
tomorrow

Society
Individuals
and
Business

Safety
From
all risks

Customers
Focus our
attention

Innovative Solutions
Products, services,
systems
and processes

Companion
With you in all
circumstances

Centric
All segments
including
Corporate,
SME and Retail

Be the companion that presents innovative and customer centric insurance solutions, so our customers feel secure, empowered and ready for the future

MISSION



Board of Directors...



Mr. Abdulaziz I. AlNowaiser
Chairman



Mr. Abdulaziz A. AlKhamis
Vice -chairman



Mr. Hamood A. Al Tuwaijri
Director



Mr. Waleed A. AlEisa
Director



Mr. Ehab M. AlDabbagh
Director



Dr. Khaled A. AlGhonaim
Director



Mr. Abdulrahman M. AlOdan
Director



Mr. Jasser A. AlJasser
Director



Mr. Ghassan A. AlMalki
Director

COMPANY OVERVIEW

Senior Management Team...



Abdulaziz H. Al-Boug
CEO



Hisham F. Radwan
SVP- Medical and Takaful



Sultan S. Al-Khomashi
SVP- General Insurance



Fahad S. Al Moammar
SVP- Investment



Adel A. Al-Hamoudi
SVP- Sales and Marketing



Rania Sami Al-Turki
Chief Operating Officer (COO)

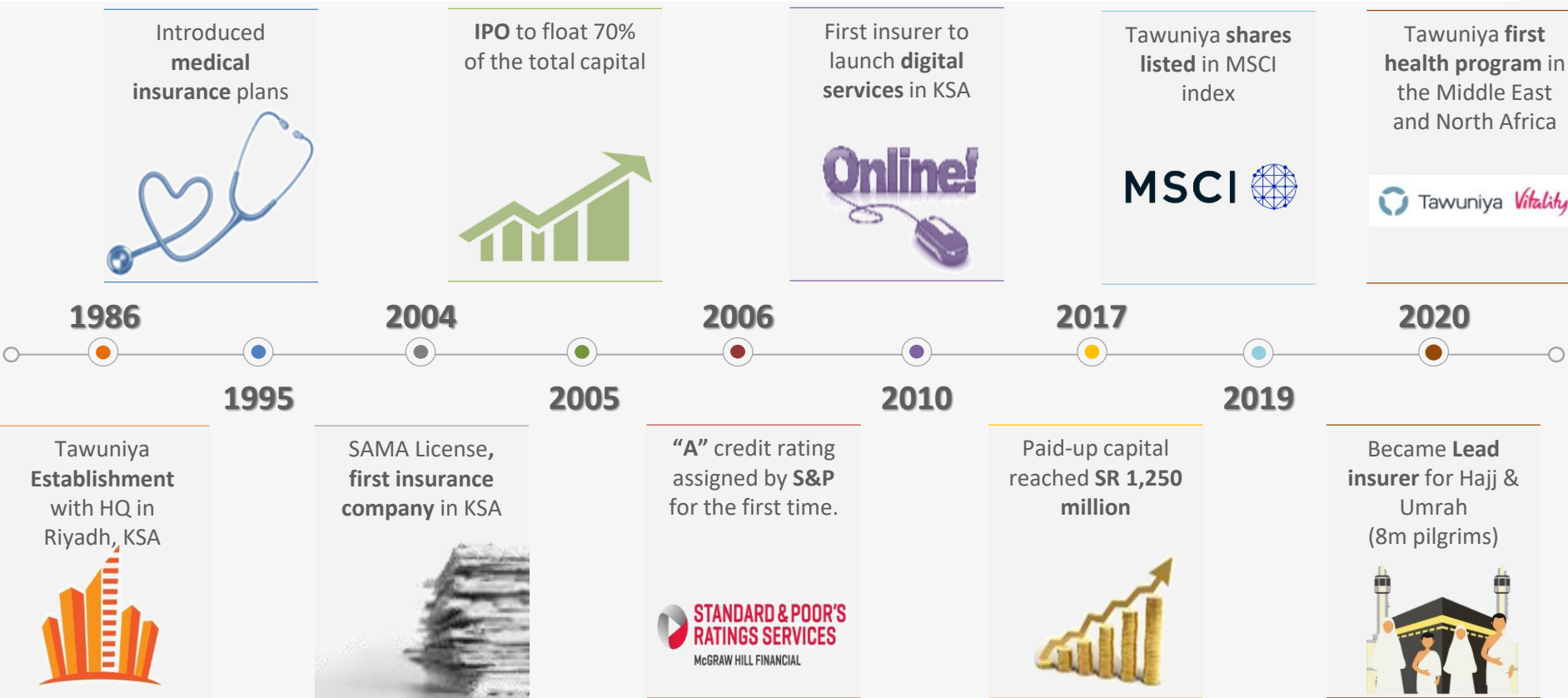


Fraser David Gregory
Chief Financial Officer (CFO)

COMPANY OVERVIEW



Leading Saudi insurer with **33 years** of sustained achievements...





Tawuniya's achievements and challenges...

MAIN ACHIEVEMENTS

- Secured **2.5 billion** in new clients, of which some were with our competitors for years
- Launching of **Medical Vitality** which had a big impact on the market as a brand differentiator
- Building **21 Covid-19** centers which gave extensive exposure to Tawuniya brand
- Implementing **effective measures in response to Covid-19** ensuring our employees safety and minimum business interruption
- Built new motor **Tailored Products** as a main market disrupter to meet most of clients needs
- Achieving higher than industry **NPS & Satisfaction** during challenging period
- Launching multiple **Value Added Services** for Medical & Motor clients
- Successfully launching the new **Umrah** program generating **247M in GWP**
- Securing partnership with **Rajhi Bank & Insurance House** for their leasing program
- Taking proactive measures on our investment book **avoiding 850M in unrealized losses.**
- Conducting organization-wide **Capability Assessment** for all critical roles
- Implementing touch points surveys and call back to enhance **Customer Experience**
- Implementing new **Projects Delivery** model and enhancing internal capabilities

MAIN CHALLENGES

- Adhering to **New Regulatory requirements** and circulars
- Placing on hold our **Technology transformation** due to lockdown and inability to onboard vendors
- **Visits & interactions** with clients to enhance relationship due to lockdown
- Enhancing **SMEs bundling** due to delays in onboarding new technologies
- Onboarding partnership with **Saudia** for travel insurance due to lockdown
- Enabling new **digital sales** channels
- Implementing **Core System** for motor SBU
- Losing **Manafeth** business due to SAMA decision
- Launching **Tawuniya Drive** to clients
- **Umrah Program** benefits delayed



How Tawuniya Vitality program contributes to Vision 2030...



OFFER A FULFILLING AND HEALTHY LIFE

IMPROVE HEALTHCARE SERVICE

- Strengthen prevention against health threats

PROMOTE A HEALTHY LIFESTYLE

- Increase public participation in sports and athletic activities



Tawuniya Vitality program is built on the shared value insurance model where we create value for all our health insurance clients and this program encourages everyone to follow a healthy lifestyle and exercise more which is inline with Vision 2030 objectives.

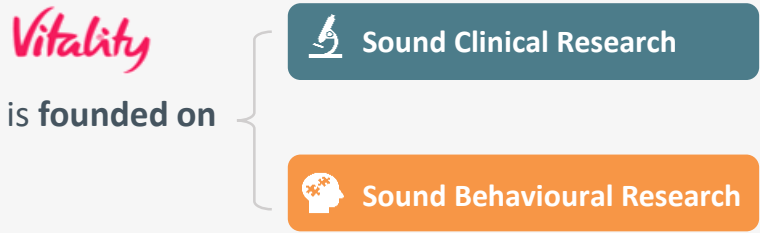
The healthy behaviors induced will be a win-win for both the society and Tawuniya

Health Insurance

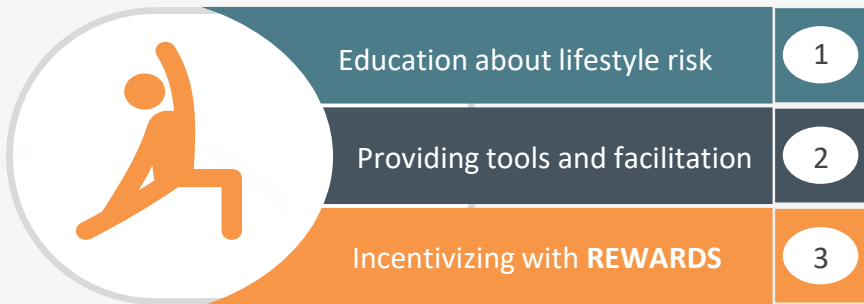
How **Tawuniya Vitality** program works...



Vitality
is a **Health Insurance Ecosystem** that encourages increased **healthy behaviours**



Vitality  **Tawuniya**
is following approach to wellness:



This allowing vitality to focus on tackling key areas shown to decrease the rise of **chronic diseases**

TAWUNIYA'S VISION

"Sustain momentum for our society's safety and continuous progress towards the future"



Tawuniya Drive

Tawuniya Drive is the first program of its kind in
Saudi Arabia and MENA

The program gives Al-Shammel insurance
policyholders the opportunity to get weekly
rewards and renewal discount based on their

DRIVING BEHAVIOR

Tawuniya **Motor Flex**

New Product and new experience
of customized third-party insurance



- Intentional harm from others
- Fire
- Theft
- Towing the vehicle
- Floods and Hail
- Glass break
- Roadside assistance service

General Insurance Overview



Property & Casualty insurance value proposition...

Product Innovation

- COVID -19 Cover
- Flight Delay
- Domestic Travel
- Fire Residential



Value Added Services

- Nathan
- Weather Alert
- Home Maintenance
- Online Marine Portal
- Vessel Tracking
- SME package VAS
- Smart Flight Delay

System and Process

- Travel Claim Process
- SME Risk Survey Mobile App



Risk Solutions

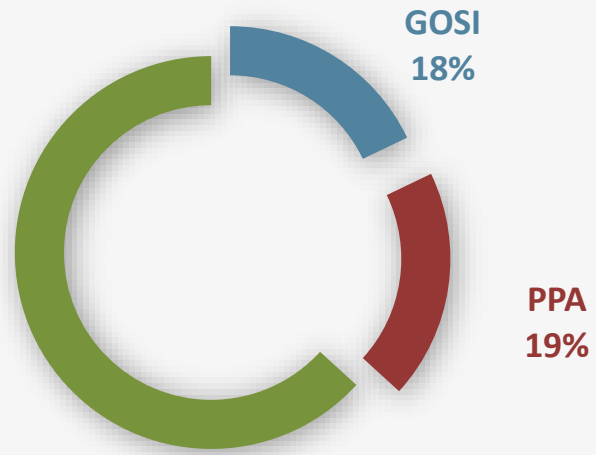
- 6 industries Risk Management Seminars

COMPANY OVERVIEW



Two of the **strongest government** entities own 37% of Tawuniya...

Tawuniya is an enlisted company
With a paid-up capital of
SAR 1,250 m



GOSI
Investment Portfolio:
More than **49** companies*



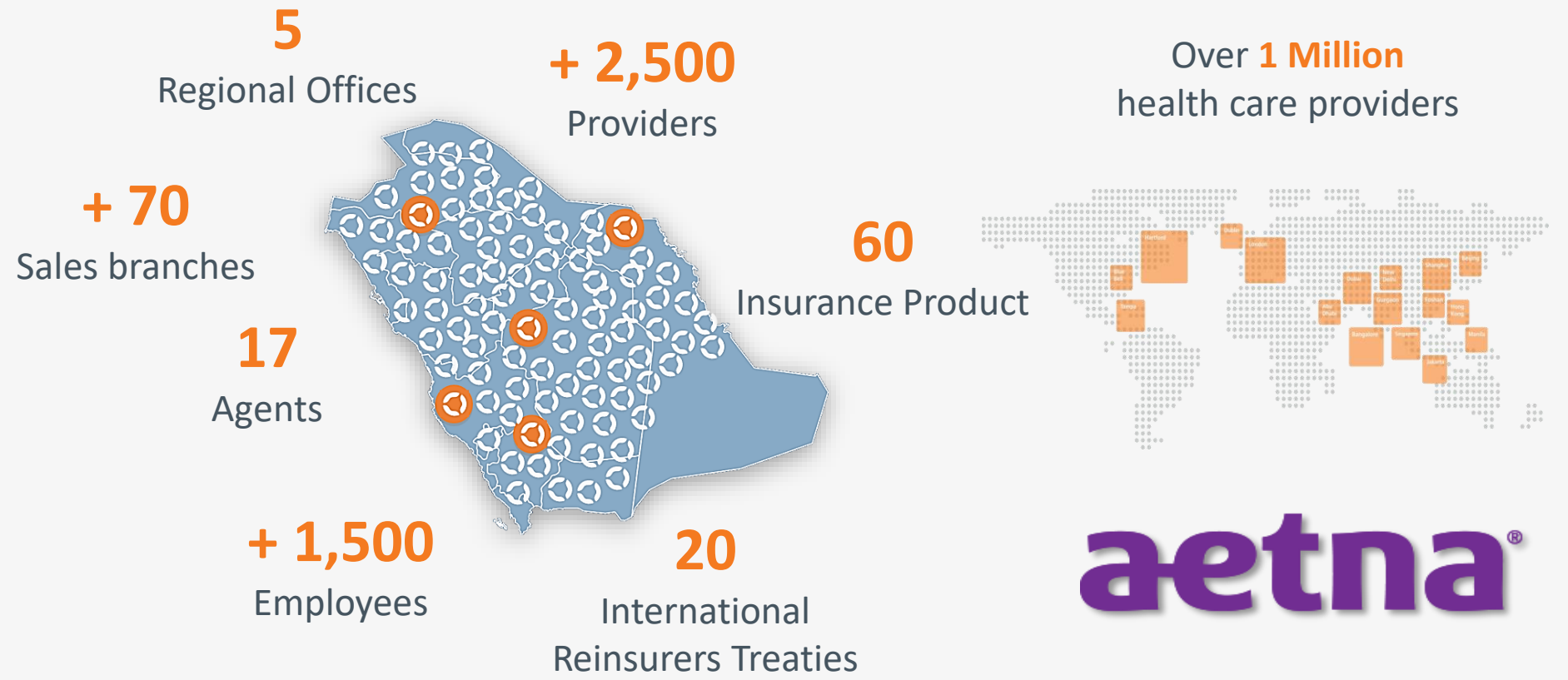
PPA
Investment Portfolio:
More than **84** companies**

* As at 2018
** As at 2019

COMPANY OVERVIEW



The largest **regional & global reach** to clients and providers...



COMPANY OVERVIEW



Insurance company with **high credit rating** within KSA... and **(A)** rated reinsurance partners...



Solicited

(BBB+)

Outlook: Positive

FitchRatings

Un-Solicited

(A-)

Outlook: Stable

OUR INTERNATIONAL REINSURERS



CCR Re is rated "A-" by S&P



Munich Re is rated "AA-" by S&P



Swiss Re is rated "AA-" by S&P



Everest Re is rated "A+" by S&P



Trans Re is rated "A+" by S&P



R+V is rated "AA-" by S&P



LLOYD's is rated "A+" by S&P

Company Overview

+ 15,740 organizations across various sectors trust Tawuniya...



Aviation



Financial



Telecommunication



Mining & Petro.



Manufacturing



Other



COMPANY OVERVIEW



Our recent awards...

Outstanding Contribution to Social Impact- Saudi Arabia 2020

CFI British Magazine

Best Health Insurance Brand – KSA 2020

Global Brand Magazine (GBM)

General Insurance Company of the Year-2020

Middle East Insurance Industry Awards

Best Auto Insurance Company-2020

Global Banking & Finance Review (GBFR)

Best Insurance Customer Service Company- Saudi Arabia 2020

International Business magazine (IBM)

Best CEO in the Insurance Sector – KSA 2020

International Finance Magazine (IFM)

Best Takaful Insurance Company-2020

Global Islamic Finance Awards (GIFA)

Best Corporate Insurance Solutions Provider - KSA 2020

International Business magazine (IBM)

Most 20 Valuable Insurance Company in the Middle East-2020

Forbes Middle East Magazine

Top 30 Most Valuable Brand in Saudi Arabia and UAE 2020

BrandZ



THANK YOU شكراً

