

# Q3 2020 EARNINGS CONFERENCE CALL



## INVESTOR RELATIONS

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# KSA INSURANCE INDUSTRY



# KSA INSURANCE INDUSTRY

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



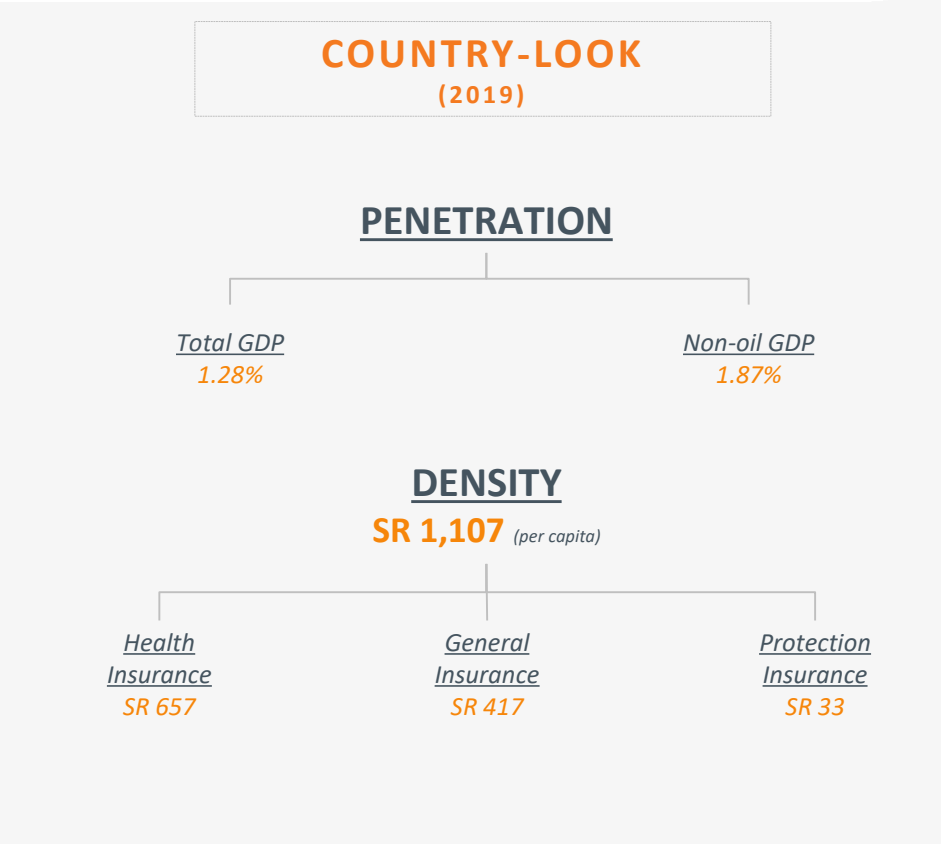
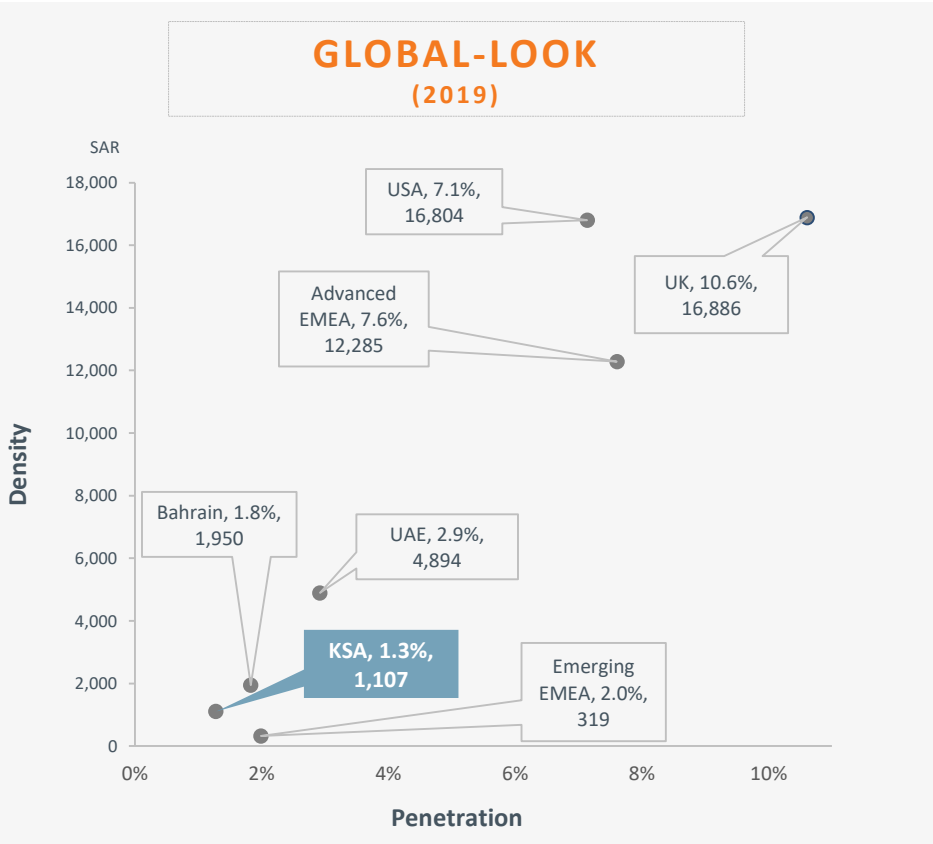
COMPULSORY PRODUCTS	 MEDICAL	 MOTOR	 PROPERTY & CASUALTY				
	All private sector employees (including their dependents) must have an insurance through their employers	All motorists must carry a 3 <sup>rd</sup> party liability Motor insurance	All government infrastructural projects are required to have Property & Casualty insurance				
LICENSED COMPANIES	<div><div>31*</div><div>71</div><div>52</div><div>13</div><div>7</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

# KSA INSURANCE INDUSTRY



Underpenetrated market with **high potential for growth...**



• sources: SAMA's Saudi Insurance Market Report (2019), Swiss Re Sigma Report 2019  
• EMEA = Europe, Middle East, Africa



## Current market conditions/dynamics...

### OVERALL

- ❖ According to IMF World Economic Outlook for October 2020, it is estimated that **the global economy will shrink by 4.4% in 2020, and recover in 2021 posting a growth of 5.2%**
- ❖ Sharp drop in **oil prices negatively impacted Saudi economy**, but prices **improved recently** due gradual increase in demand after reopening
- ❖ According to Ministry of Finance (MOF), **Real GDP is projected to shrink by -3.8% in 2020, and grow by 3.2% in 2021** (compared to IMF projections of -5.4% in 2020 & 3.1% in 2021)
- ❖ **Umrah visas resumed** as part of a phased reopening (currently in Phase 3 @ 20k pilgrims, Phase 4 is full reopening which will be announced accordingly)
- ❖ **Domestic Workers insurance is under finalization** by relevant government entities
- ❖ **Mergers are taking place** in the insurance industry (so far 4 agreements\* have been signed)

### MEDICAL

- ❖ An increase in medical claims is witnessed in Q3 due to reopening, after short-term decline caused by the lockdown
- ❖ **NPHIES is expected to go-live Q1/Q2 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 8.4%** (1-Jan-20 to 3-Dec-20) due to COVID-19 adverse economic conditions and few additions during lockdown period

### MOTOR

- ❖ **Market coverage ratio (Q2: 39.6%) is expected to moderately increase** with automated fines on non-insured vehicles
- ❖ **All insurance companies announced market wide discounts** (between 10-15%) as an initiative to improve the coverage ratio
- ❖ **Najm company changed its fee structure** (from accidents to vehicles)
- ❖ **Leased vehicles insurance converted to "Retail" policies** by 1-Nov-2020

### P&C

- ❖ Some government **mega projects are on hold while other others are still ongoing**
- ❖ **"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 a **new compulsory product "Event Cancellation Insurance"** in coordination with the General Authority of Entertainment
- ❖ SAMA announced a new product **"Drone Insurance"**
- ❖ **Inherent Defects Insurance (IDI) is a new compulsory product**, phase 1 is expected to go live in Q1-2021
- ❖ Still a **highly reinsured** line of business

# KSA INSURANCE INDUSTRY

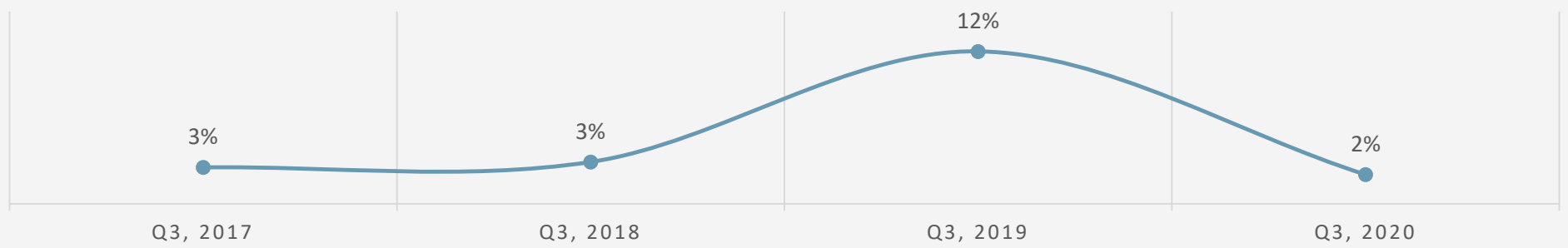
## Medical GWP Growth Rates...



QUARTER ON QUARTER



ROLLING 12 MONTH



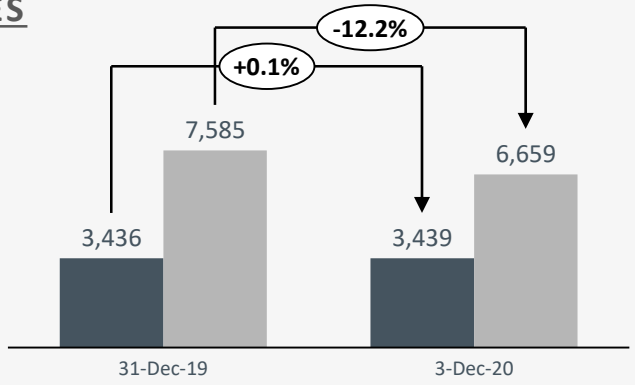
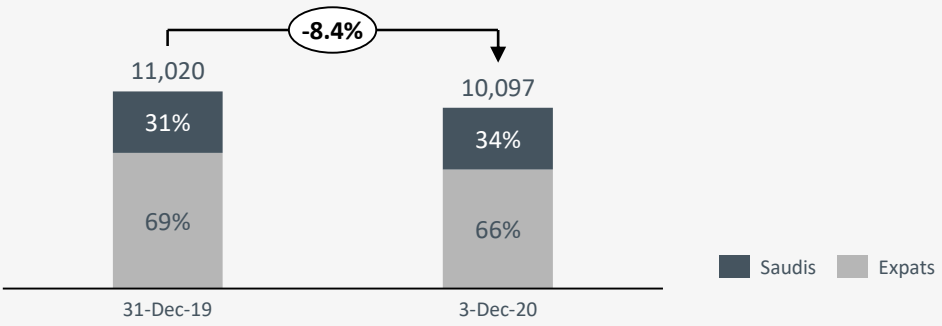
• Includes Umrah medical premiums (145m)  
• Excludes Saudi-Re in all periods and Wafa since Q3 2020

# KSA INSURANCE INDUSTRY

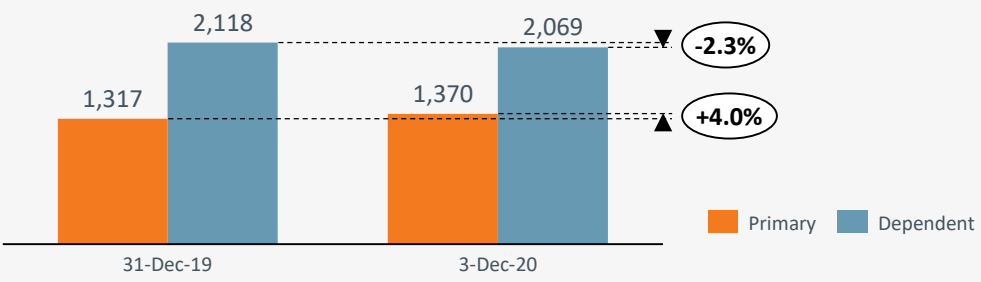


Medical insured lives experiencing a decline compared to end of 2019...

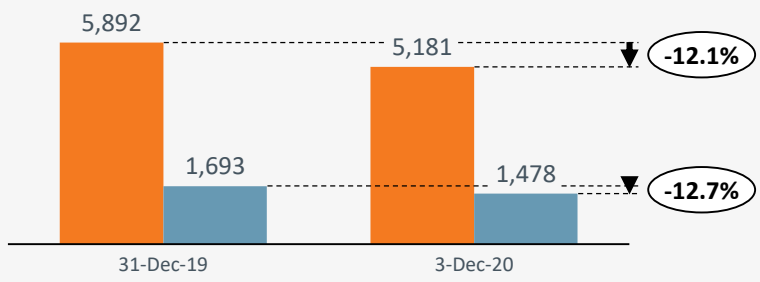
**TOTAL INSURED LIVES**  
( '000 )



**SAUDIS**  
( '000 )



**EXPATS**  
( '000 )

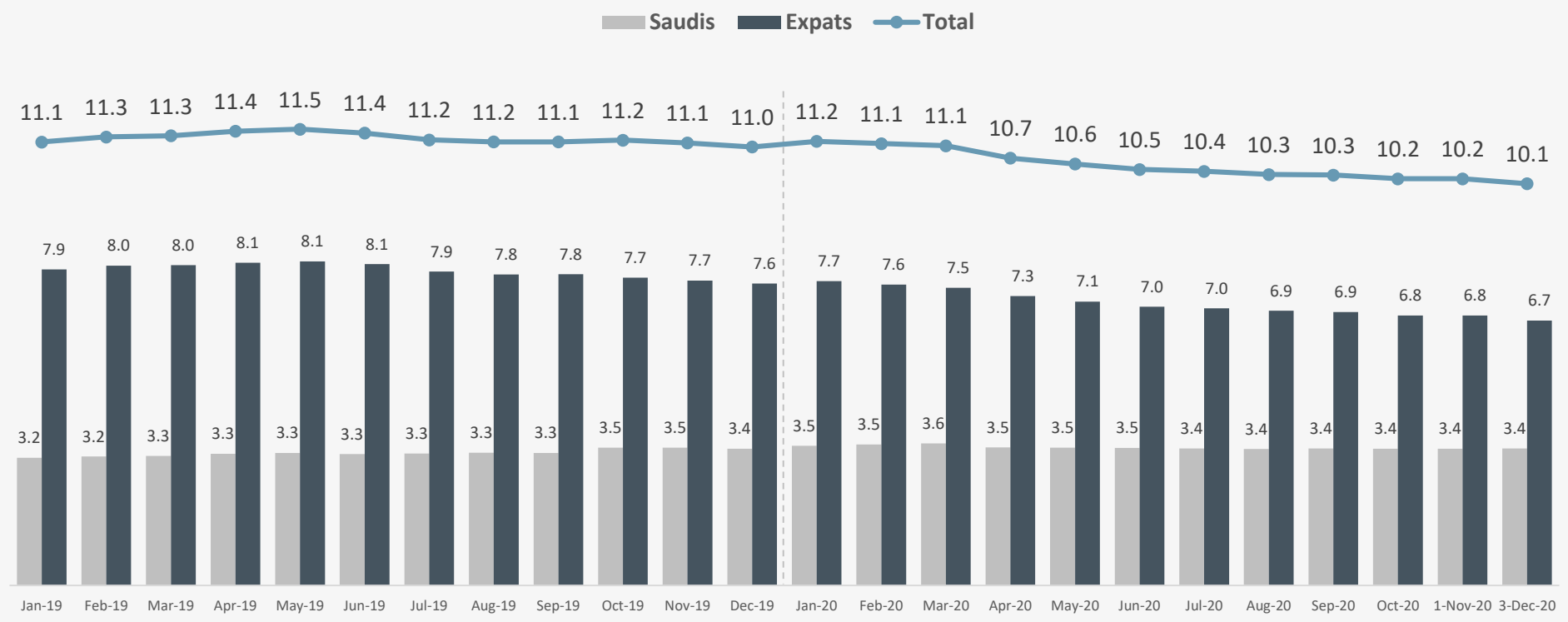




# KSA INSURANCE INDUSTRY



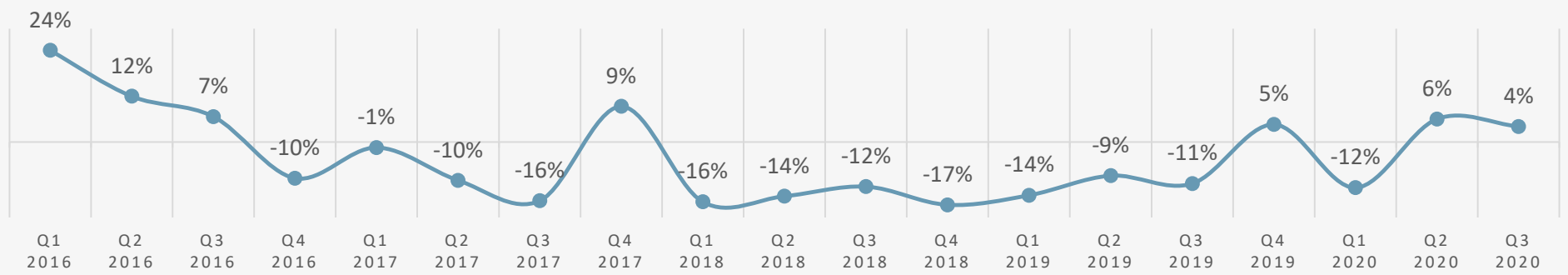
The decline is driven by **drop in expats insured lives...**



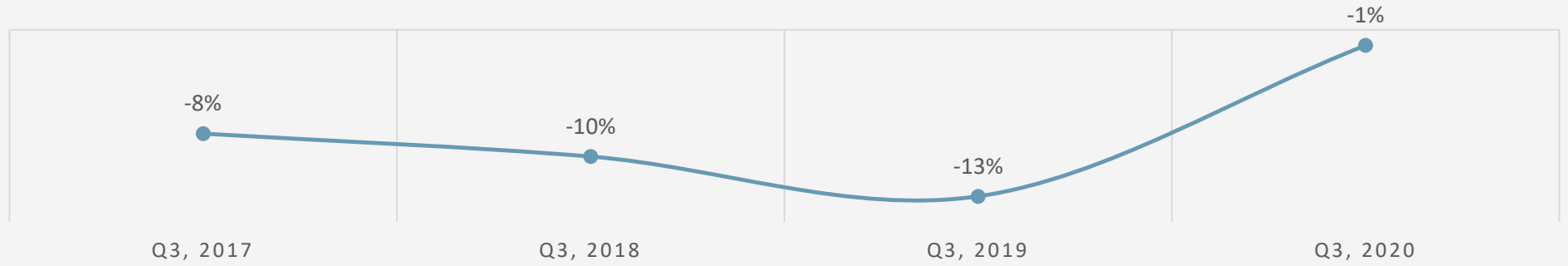
• source: CCHI



QUARTER ON QUARTER



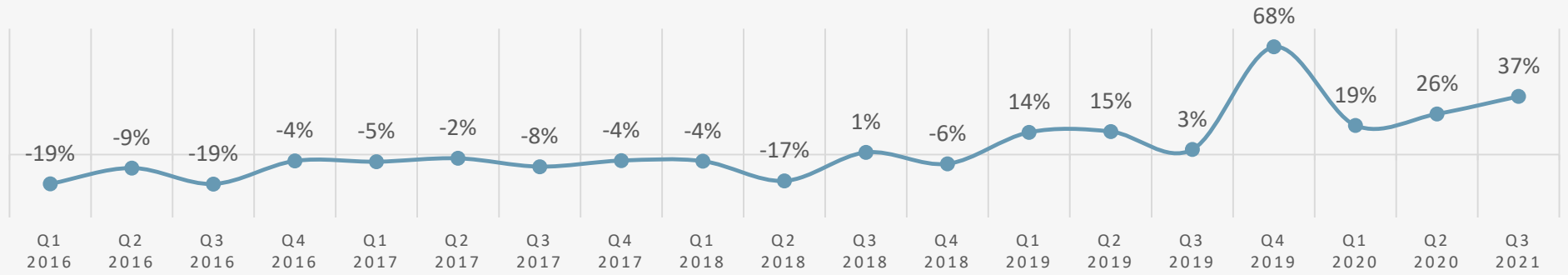
ROLLING 12 MONTH



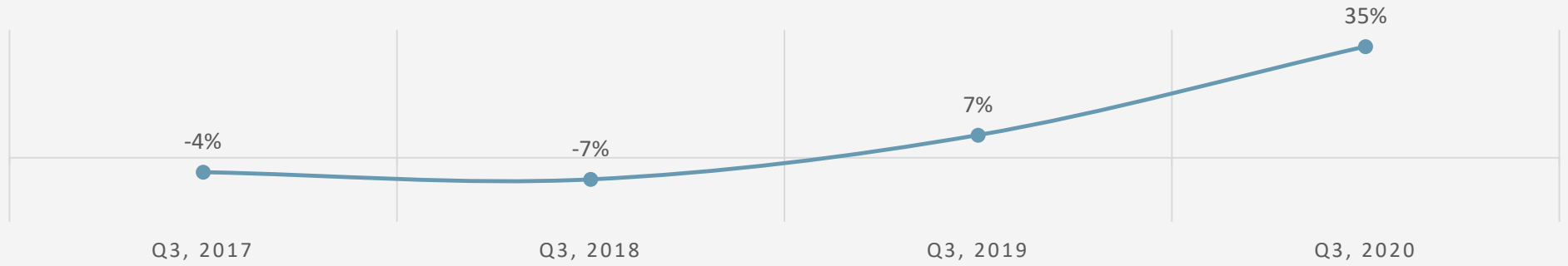
• Excludes Saudi-Re in all periods and Wafa since Q3 2020



### QUARTER ON QUARTER



### ROLLING 12 MONTH



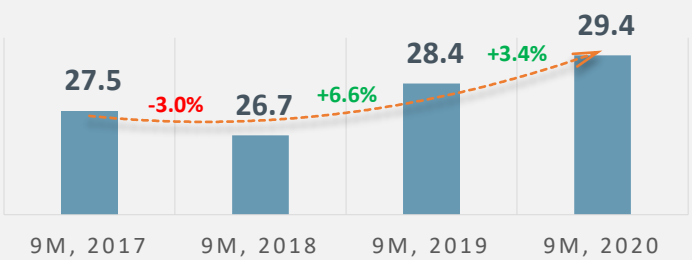
• Includes Umrah P&C premiums (92m)  
• Excludes Saudi-Re in all periods and Wafa since Q3 2020

# KSA INSURANCE INDUSTRY

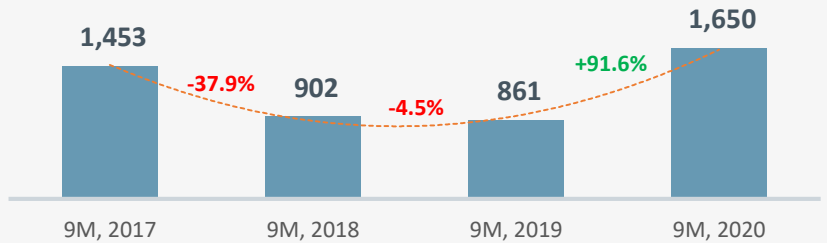
Market substantially improved in profitability...



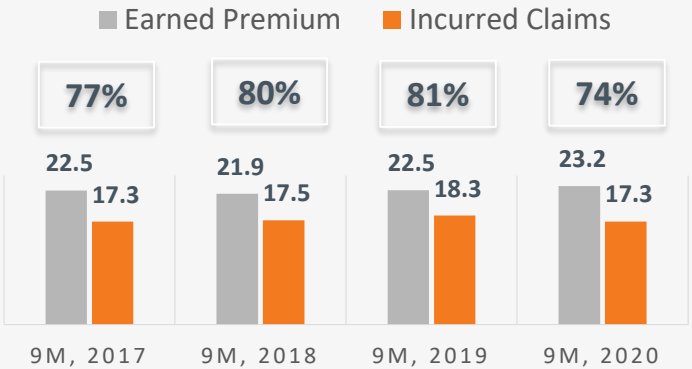
MARKET GWP



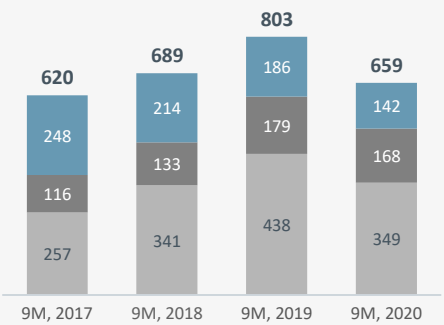
NET INCOME



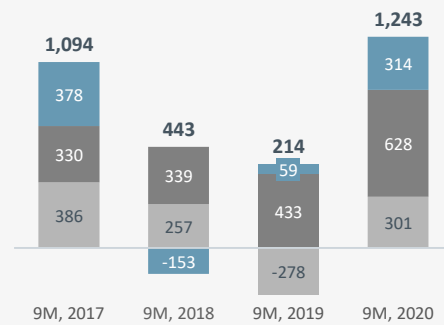
MARKET LOSS RATIO



INVESTMENT INCOME



NON-INVESTMENT INCOME



Tawuniya Bupa Others

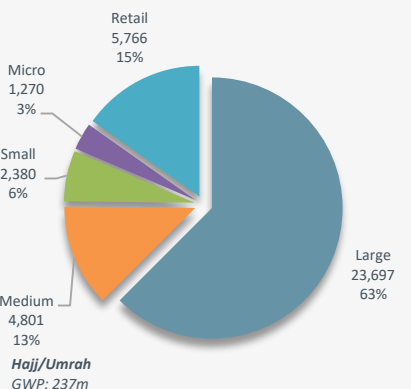
• includes Manafeth  
• excludes Saudi-Re in all periods and Wafa since Q3 2020

# KSA INSURANCE INDUSTRY



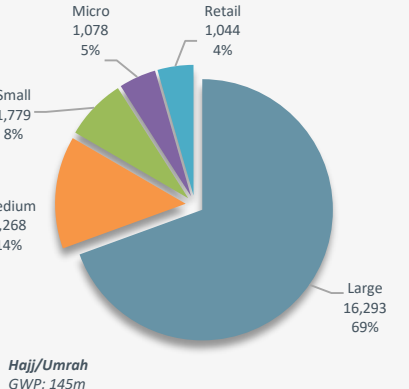
Large corporate segment dominates the market premiums (rolling-12)...

## ALL LINES OF BUSINESS



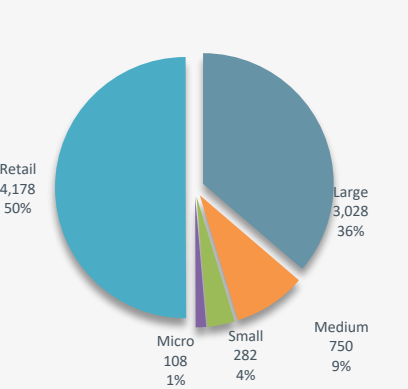
Tawuniya's Market Share		
Segment	Share	Rank
Overall	23.3%	2
Large	29.2%	2
Medium	7.6%	3
Small	12.2%	2
Micro	28.1%	1
Retail	16.0%	1

## MEDICAL



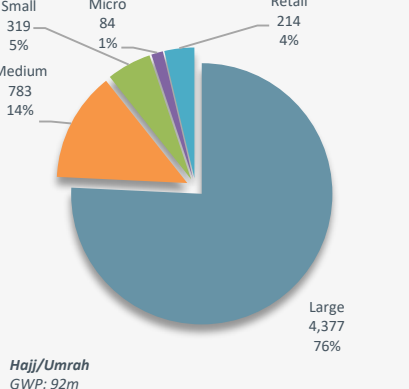
Tawuniya's Market Share		
Segment	Share	Rank
Overall	26.2%	2
Large	31.6%	2
Medium	9.6%	2
Small	14.5%	2
Micro	28.6%	1
Retail	3.4%	10

## MOTOR



Tawuniya's Market Share		
Segment	Share	Rank
Overall	8.7%	3
Large	1.1%	15
Medium	4.0%	9
Small	4.7%	7
Micro	16.9%	2
Retail	12.8%	2

## P&C



Tawuniya's Market Share		
Segment	Share	Rank
Overall	32.8%	1
Large	39.9%	1
Medium	3.0%	10
Small	6.1%	5
Micro	35.7%	1
Retail	9.5%	2

• excludes (Manafeth & Hajji/Ummrah)  
• excludes Saudi-Re in all periods and Wafa since Q3 2020

# TAWUNIYA VITALITY PROGRAM





# TAWUNIYA VITALITY OVERVIEW



## OFFER A FULFILLING AND HEALTHY LIFE

### IMPROVE HEALTHCARE SERVICE

- Strengthen prevention against health threats

### PROMOTE A HEALTHY LIFESTYLE

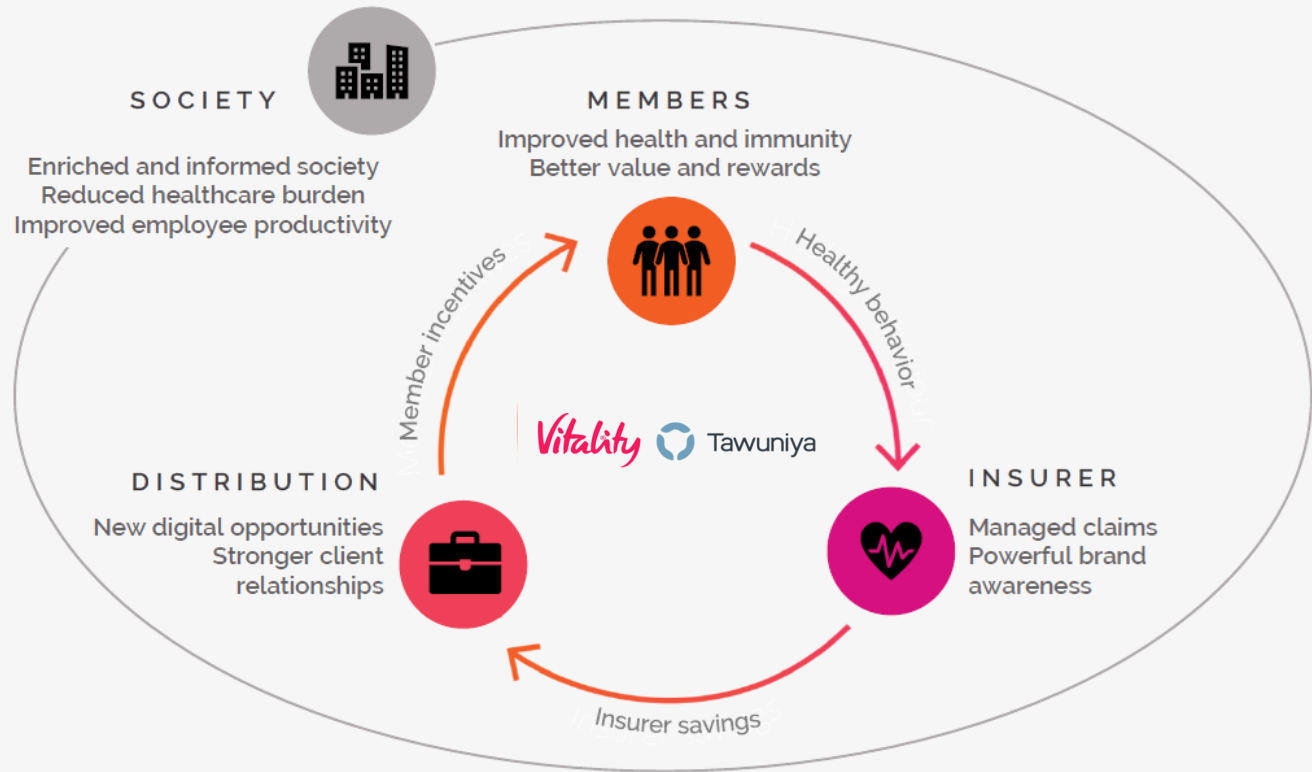
- Increase public participation in sports and athletic activities



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



# TAWUNIYA VITALITY SHARED VALUE MODEL





# INTRODUCTION TO TAWUNIYA VITALITY



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

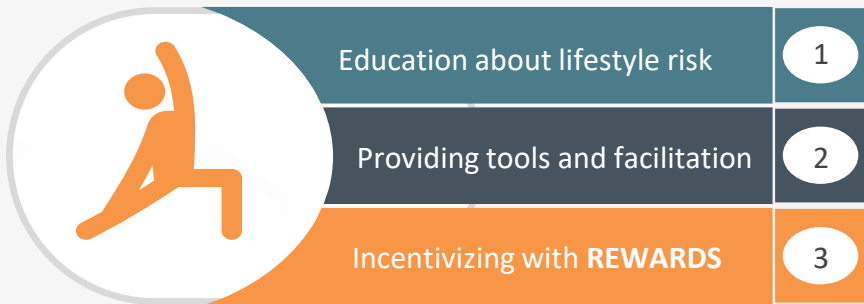


**Vitality**  
is founded on

Sound Clinical Research

Sound Behavioural Research

**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"**



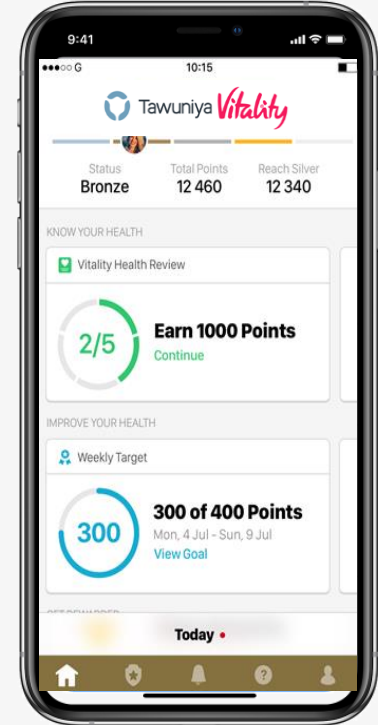
# TAWUNIYA VITALITY REWARDS



Active  
Rewards



Weekly physical  
activity target





For more information, please visit the following link:  
<https://www.tawuniya.com.sa/en/tawuniyavitality>

# TAWUNIYA'S PERFORMANCE



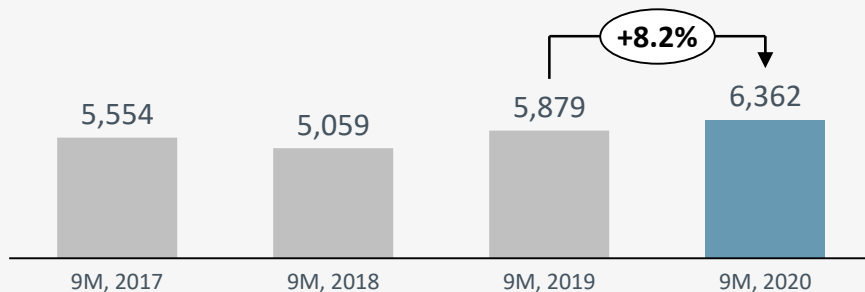
# TAWUNIYA PERFORMANCE



## Overall highlights...

### GROSS WRITTEN PREMIUM

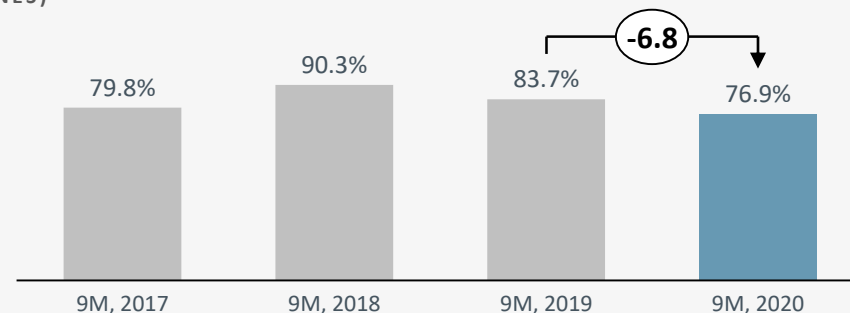
(MILLION SAR)



- Overall GWP increased by 8.2% driven by Umrah premiums in Q1, and P&C early booking of some clients
- GWP growth is 4% if Umrah premiums were excluded

### REPORTED LOSS RATIO

(ALL LINES)



- Loss ratio is significantly lower compared to last year
- Improvement in overall loss ratio is from sustained gains in medical pricing, plus COVID net benefit (Motor & Medical)

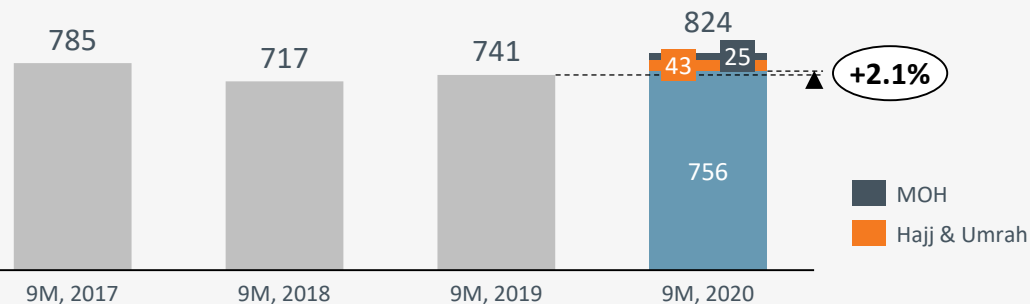
# TAWUNIYA PERFORMANCE



## Overall highlights...

### TOTAL OVERHEADS

(MILLION SAR)



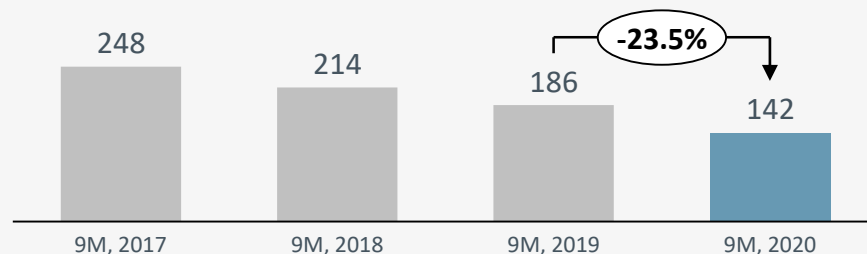
Overheads increased by 15.6m compared to last period  
(excluding MOH donation and Hajj/Umrah cost)

This increase is mainly driven by G&A expense which is attributed to placing more resources in our claims management, service and our technology transformation

### INVESTMENT INCOME

(MILLION SAR)

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



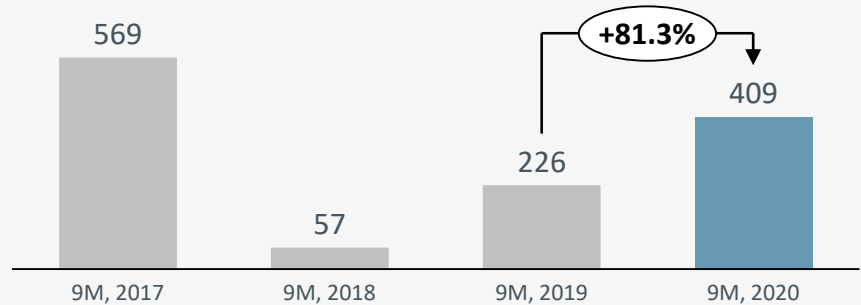


# TAWUNIYA PERFORMANCE

## Overall highlights...

### PRE-TAX INCOME

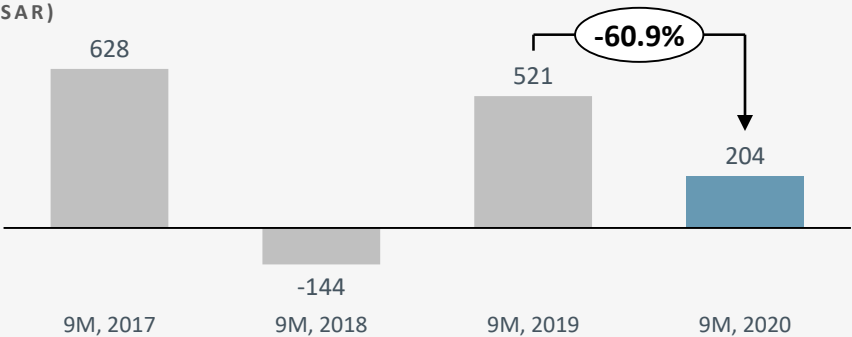
(MILLION SAR)



- Net income increased by 183m compared to last year
- Positive results were mainly driven by the improvement in medical & motor contribution

### COMPREHENSIVE INCOME

(MILLION SAR)

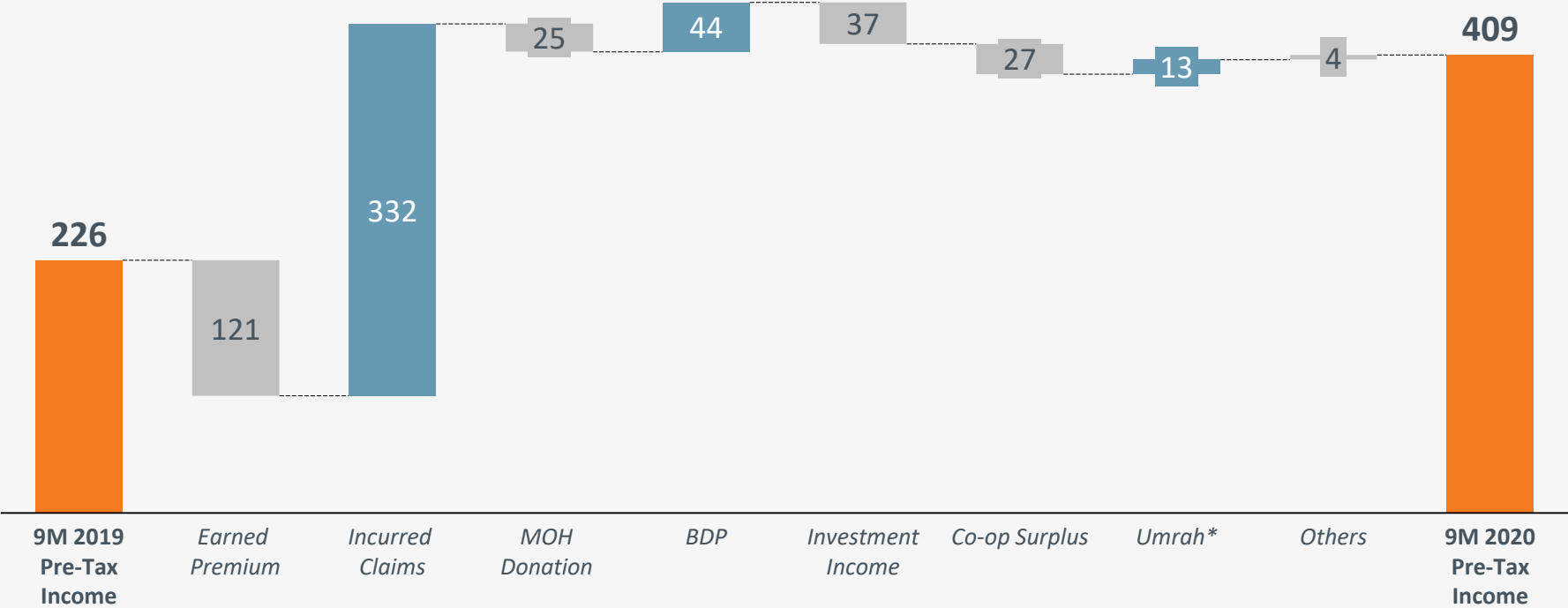


- The drop was driven by the change in fair value of the available for sale investment, which was negatively impacted due to COVID-19 impact on global/local markets



# TAWUNIYA PERFORMANCE

Profit movement analysis from 9M 2019 to 9M 2020...



\* Net movement of Umrah (includes premium)

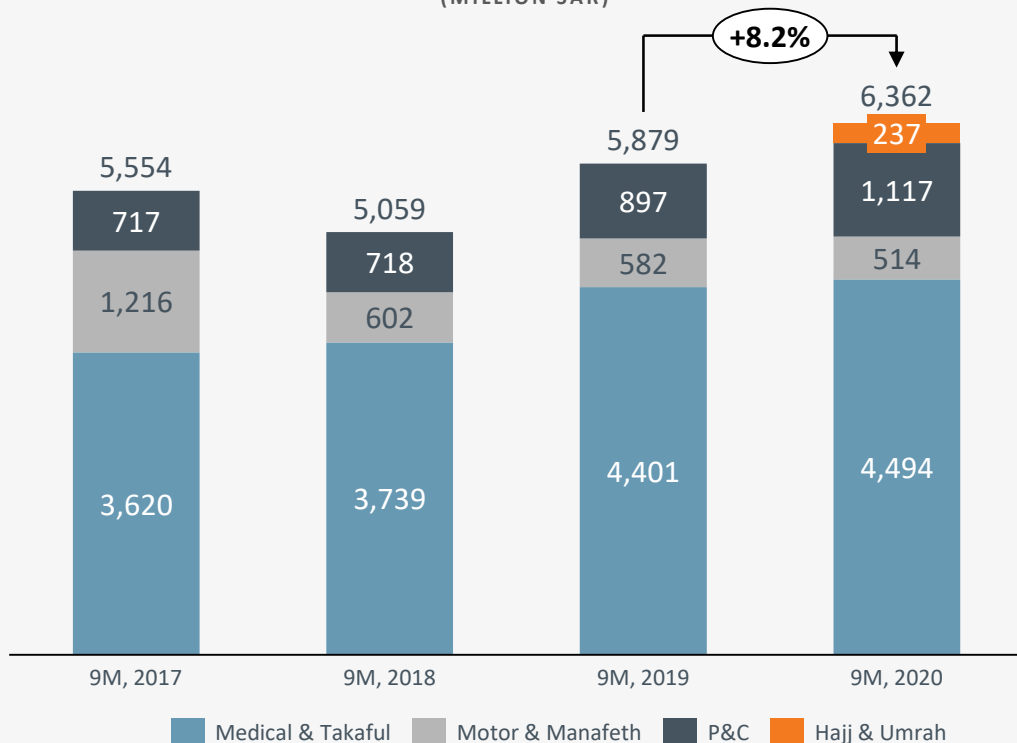




# TAWUNIYA PERFORMANCE

9M 2020 premiums **increased** driven by P&C...

**GWP**  
(MILLION SAR)



## HIGHLIGHTS

- Medical YTD GWP grew by 2% compared to 10% growth in Q2 due to major client change to TPA
- Motor GWP declined by 12% due to lockdown and outposts closure, without outposts the decline would have been -2% which is related to market wide discounts sponsored by regulators and price competition
- P&C GWP grew by 25% due to early booking of some clients in Q3, without it the growth would've been flat (+0.3%)

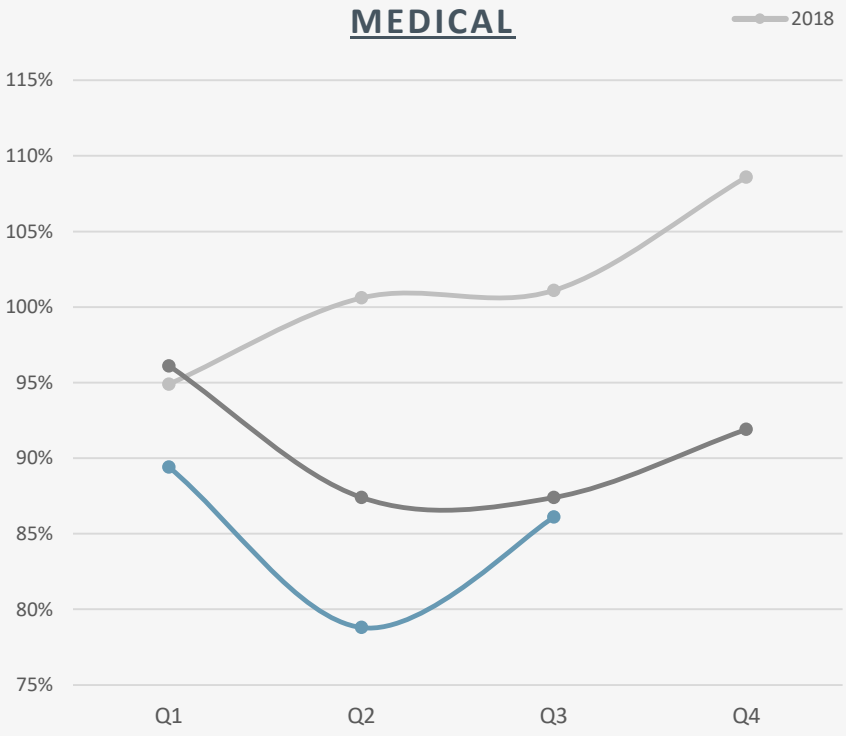
# TAWUNIYA PERFORMANCE



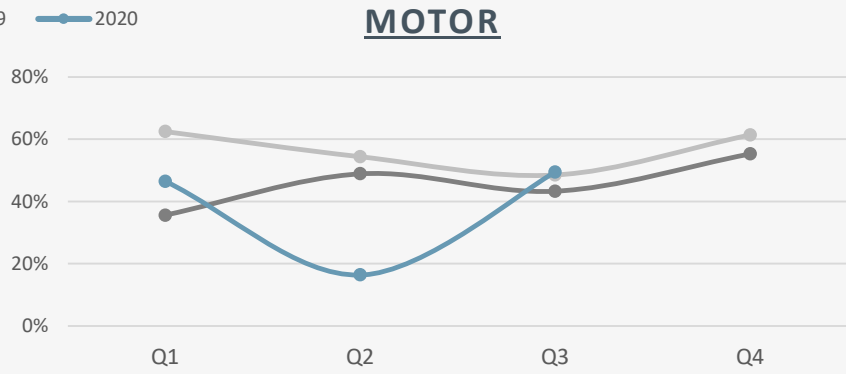
Now turning to the **loss ratio**, the life blood of any insurance business...

## REPORTED LOSS RATIO

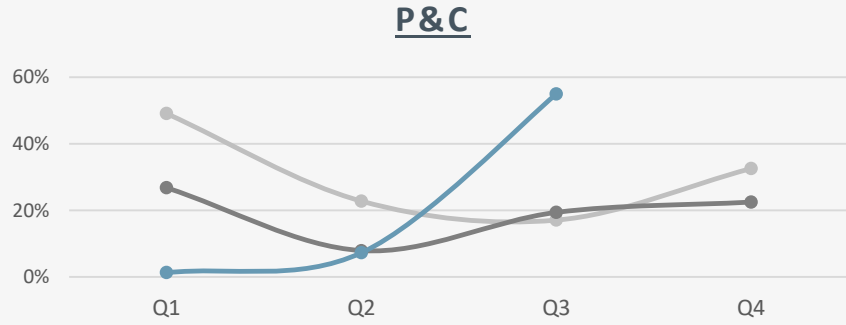
### MEDICAL



### MOTOR



### P&C



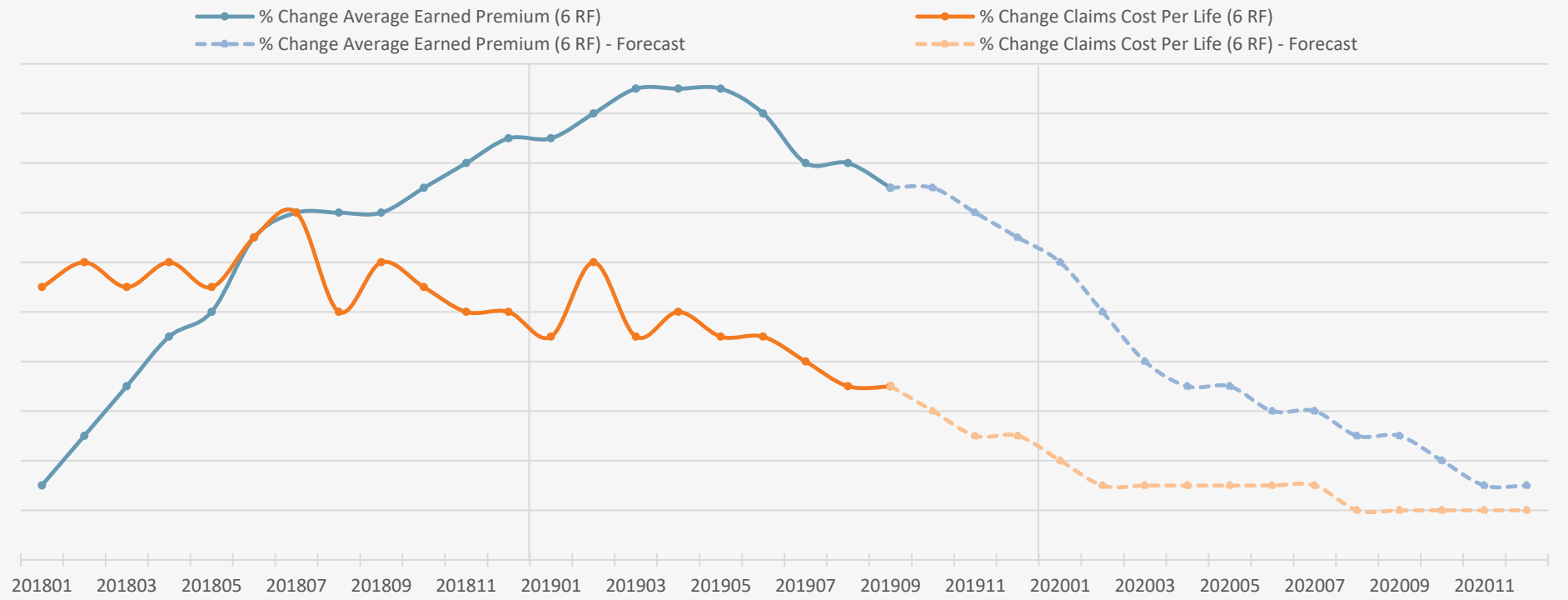
# TAWUNIYA PERFORMANCE



Medical loss ratio **future challenge to bear down on medical inflation...**

AS PRESENTED IN Q3-19 WEBCAST

## MEDICAL – FORECAST (Q4 2019 & 2020)

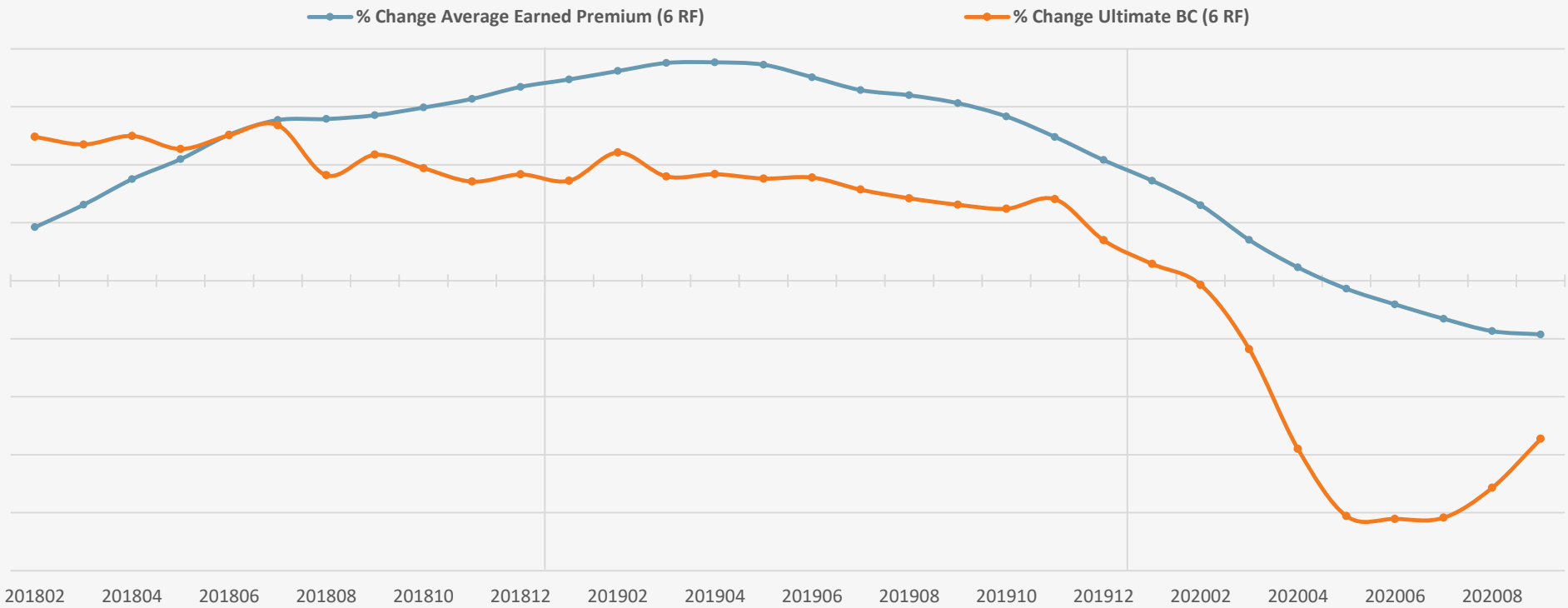


# TAWUNIYA PERFORMANCE

Medical loss ratio **recovery in full swing...**



MEDICAL – ACTUAL 2020

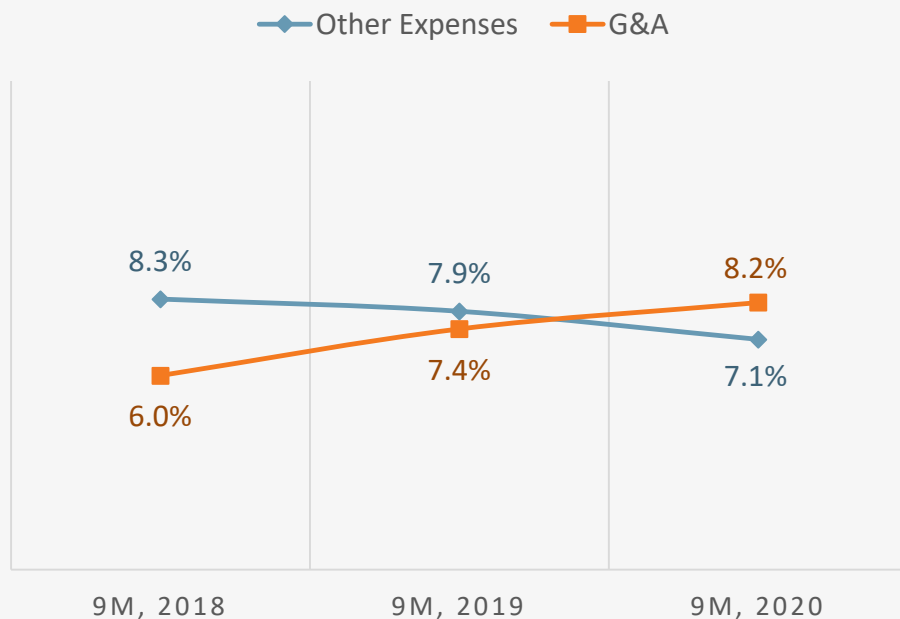




# TAWUNIYA PERFORMANCE

## Cost of Acquisition/Servicing and Fixed overheads...

### G&A AND OTHER EXPENSE G&A RATIO



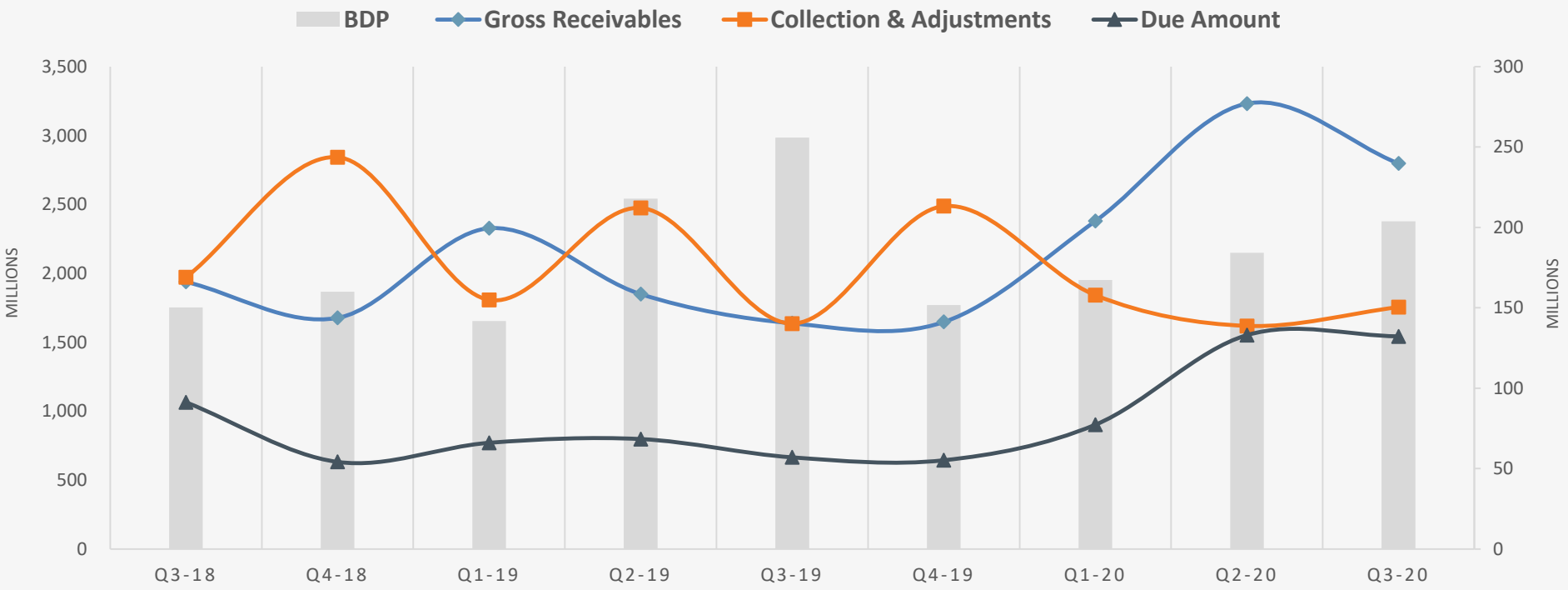
### HIGHLIGHTS

- **Total overheads** increased by 5% compared to last year (2% if MOH donation is excluded), mainly driven by the increase in G&A expense
- **Policy acquisition** costs increased in Q3 due to the new Najm fees structure
- **Other underwriting** costs decreased by 16%
- **G&A** increased by 13% as we are continuing to place more resources into our front line (claims management and service) and our technology transformation

# TAWUNIYA PERFORMANCE



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

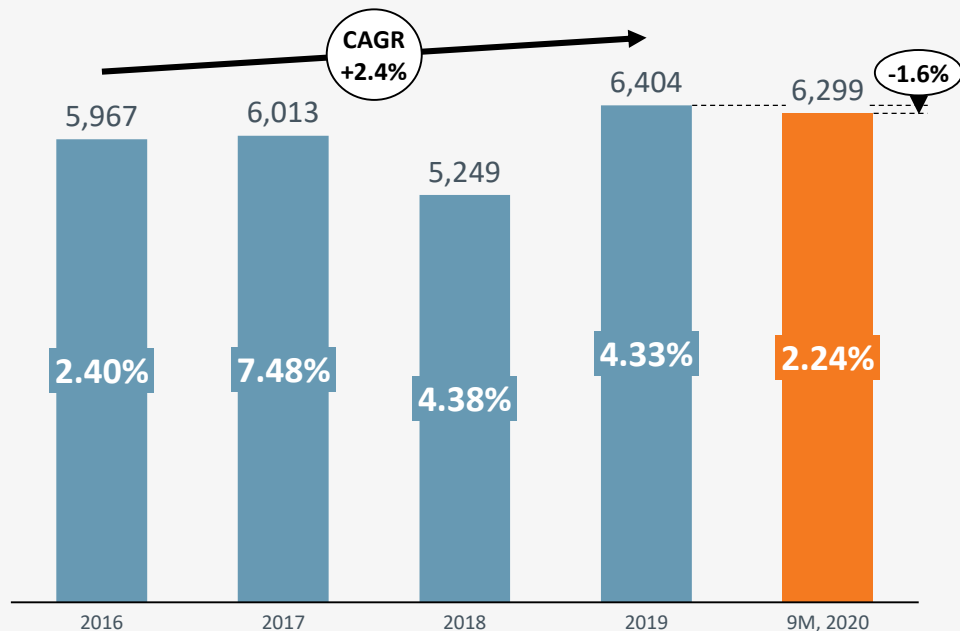




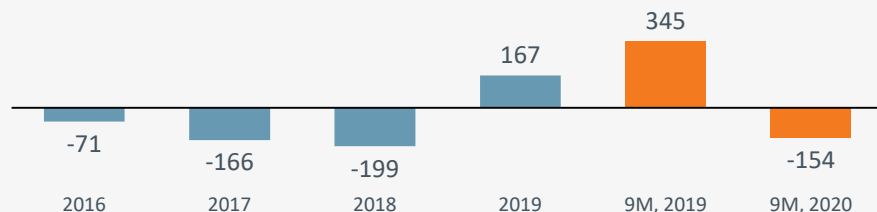
# TAWUNIYA PERFORMANCE

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

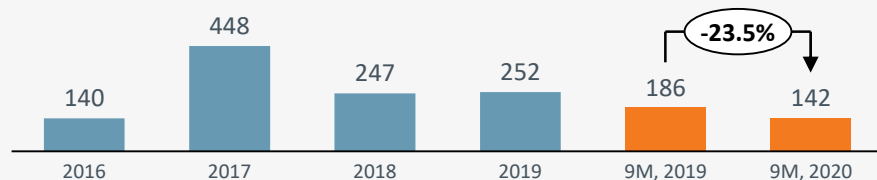
## TOTAL INVESTMENTS (SR MILLION)



## UN-REALIZED INVESTMENT BALANCE (SR MILLION)



## REALIZED INVESTMENT INCOME (SR MILLION)



# COMPANY OVERVIEW

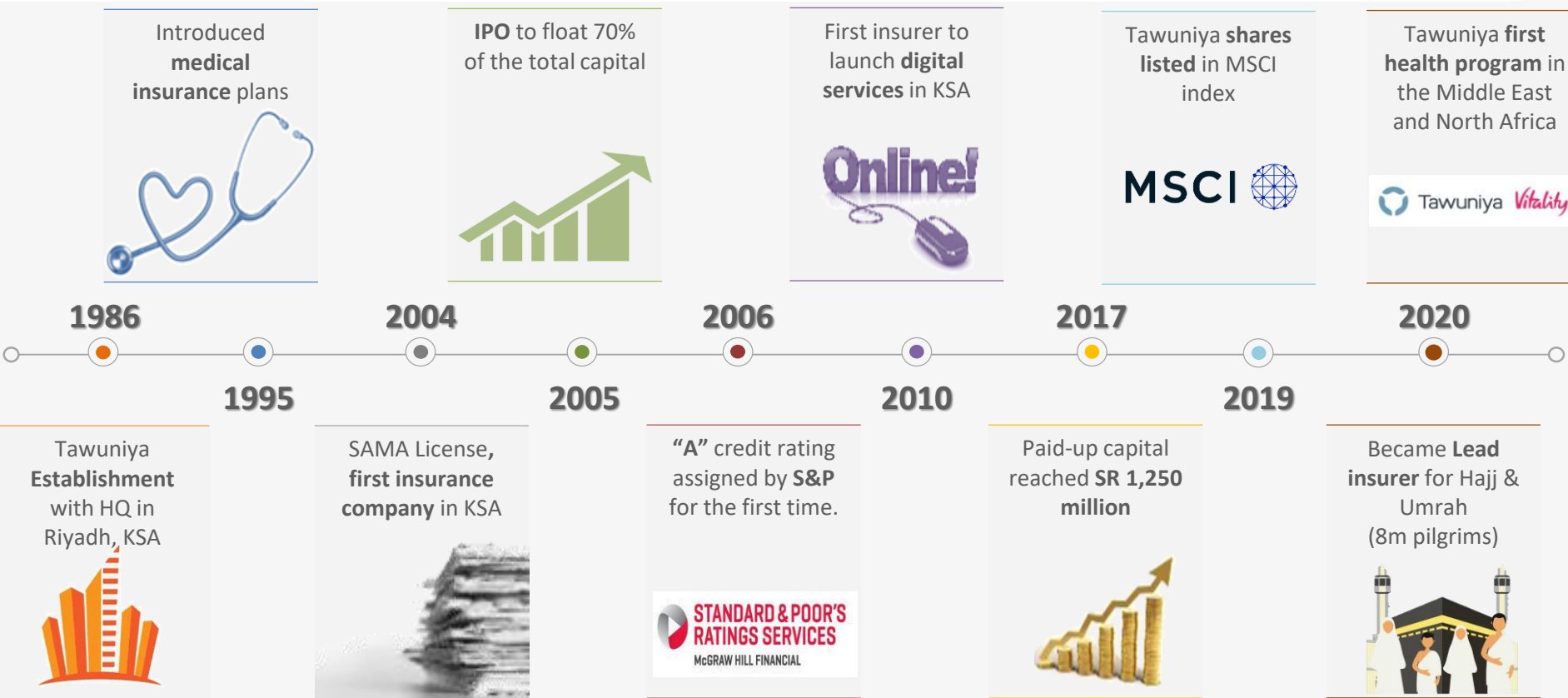




# COMPANY OVERVIEW



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

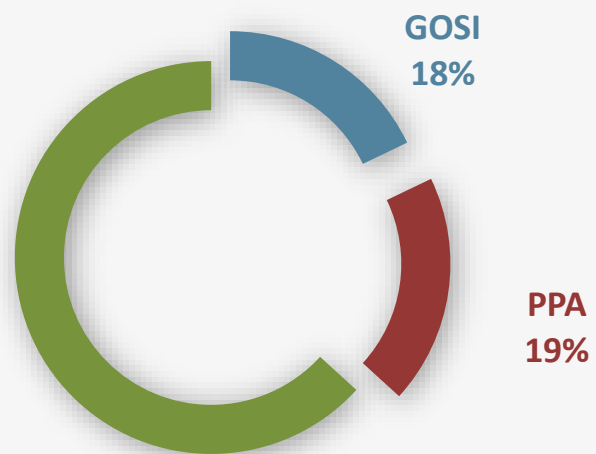


# COMPANY OVERVIEW



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

## Our Vision & Mission...



### VISION

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



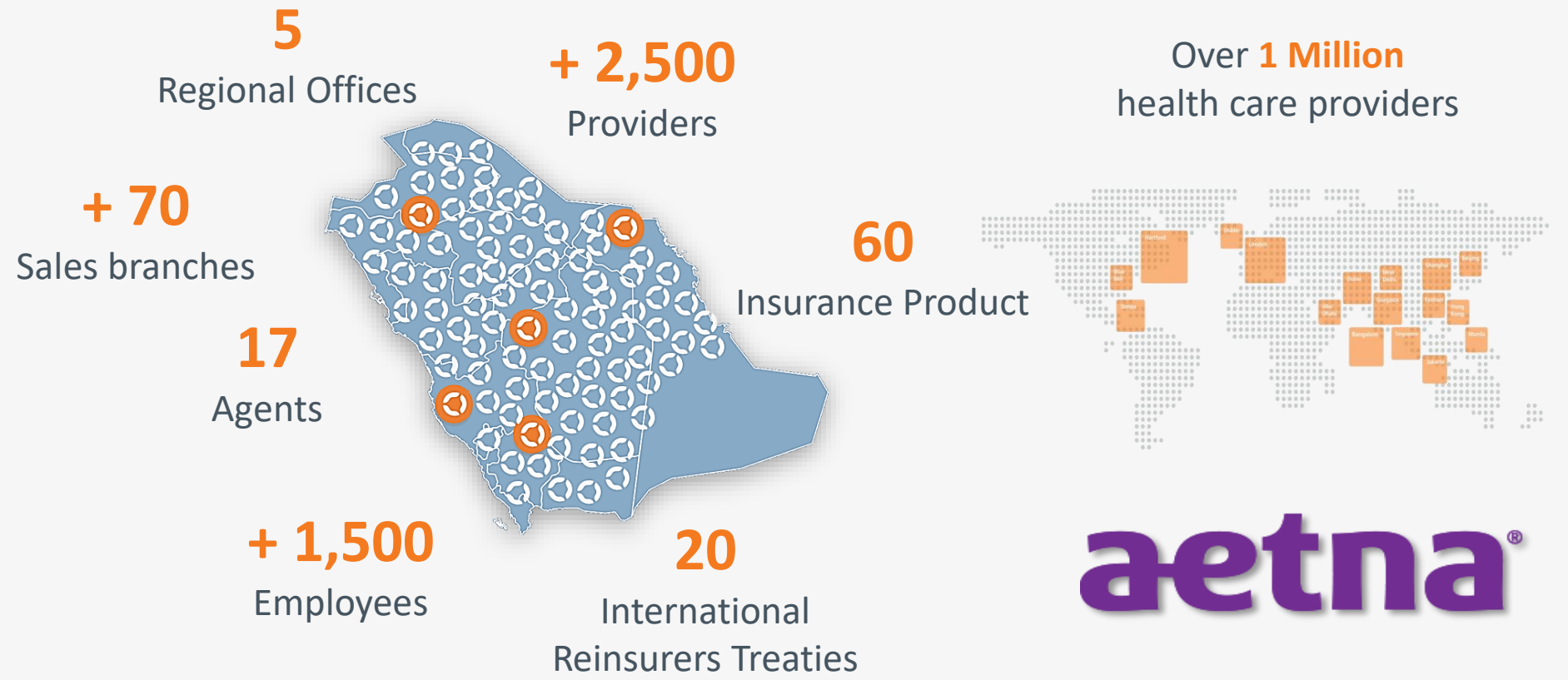
Be the companion that presents innovative and customer centric insurance solutions, so our customers feel secure, empowered and ready for the future

### MISSION

# 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+)**

**FitchRatings**  
**(A-)**

*Un-Solicited*

## **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

الهيئة العامة للطيران المدني  
General Authority of Civil Aviation

السعودية  
SAUDIA

شركة الإلكترونيات المتقدمة  
AEC Advanced Electronics Company

الطيران المدني القابضة  
Civil Aviation Holding

خدمات الملاحة الجوية السعودية  
Saudi Air Navigation Services



## Financial

البنك المركزي السعودي  
Saudia Central Bank

هيئة السوق المالية  
Capital Market Authority

تداول  
Tadawul

بنك الرياض  
riyad bank

البنك السعودي للاستثمار  
The Saudi Investment Bank

مصرف الإنماء  
alinma bank

البنك الوطني  
NBK

بنك التنمية الاجتماعية  
SOCIAL DEVELOPMENT BANK



## Telecommunication

هيئة الاتصالات وتقنية المعلومات  
Communications & Information Technology Commission

علم  
ELM

تحكم  
Technology and Security Engraham

Microsoft  
ARABIA

زين  
ZAIN

شركة اتحاد عذيب للاتصالات  
Etihad Athab Telecom Company



## Mining & Petro.

سابك  
عالمك

Chevron

HALLIBURTON

Saudi Aramco Nabors Drilling

NATPET

ساتورب  
satorp



## Manufacturing

مدن  
MODON  
الهيئة السعودية للحد من التلوث والتغير المناخي  
Saudi Authority for Industrial Cities and Technology Zones

البحرية  
Arabian Drilling Co.

BAE SYSTEMS  
INSPIRED WORK

SIEMENS

الهيئة الملكية للجبيل وينبع  
Royal Commission for Jubail & Yanbu



## Other

مجموعة بن لادن السعودية  
SAUDI BINLADIN GROUP

dar

أكوا باور  
ACWA POWER

البحري  
Bahri

الجمارك السعودية  
SAUDI CUSTOMS

مجموعة الفيصلية  
Al Faisaliah Group

OLAYAN

الهيئة العامة للغذاء والدواء  
Saudi Food & Drug Authority

مركز جونز هوبكنز  
أرامكو الطبي  
Johns Hopkins  
Aramco Healthcare

مدينة سلطان بن عبد العزيز للخدمات الإنسانية  
SULTAN BIN ABDULAZIZ HUMANITARIAN CITY

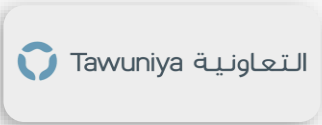
البريد السعودي  
Saudi Post

# COMPANY OVERVIEW

Engaging with **our clients...**



## Tawuniya Clients Earn Miles with Saudi Airlines "Alfursan" Program



### Product

- ❖ AL- Shamel
- ❖ Sanad & Sanad Plus
- ❖ Travel Insurance
- ❖ Medical Mal Practice
- ❖ Home Insurance

### Riyal spent per 1 Mile rewarded

- ❖ 2 SR of insurance premium
- ❖ 4 SR of insurance premium
- ❖ 3 SR of insurance premium
- ❖ 5 SR of insurance premium
- ❖ 2 SR of insurance premium

## Tawuniya announces the new WhatsApp Business Account



Part of our commitment to provide the best possible experience and services for the clients, Tawuniya announced the trial launch of new WhatsApp Business account

# COMPANY OVERVIEW



## Our recent awards...

**Outstanding Contribution to Social Impact-KSA 2020**  
*Capital Finance International (CFI)*

**Top 10 Strongest Brands in Saudi Arabia 2019**  
*Brand Finance*

**Best Electronic General Insurance Company Saudi Arabia 2019**  
*Global Banking & Finance Review*

**Best Innovative Insurance Company**  
*World Finance*

**Best Takaful Company 2019**  
*Global Islamic Finance Awards (GIFA)*

**The Golden Award for Quality & Business Prestige)**  
*Other Ways Management & Consulting (O MAC)*

**Top 100 Saudi Companies List & the best in Insurance Sector**  
*Al-Iqtisadiyah Newspaper*





THANK YOU شكراً

