

Bupa Arabia Q3 2021 – Earnings Conference Call & Webcast

December 6th, 2021

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Agenda

- 1 Strategic Framework**
- 2 Financial Performance**
- 3 Market Outlook**
- 4 Other Highlights**



Strategic Framework

Strategic Framework

We consistently strive to reflect what we stand for in everything we do



Bupa Arabia's Strategic Framework

Purpose | *Helping people live longer, healthier, happier lives*

Vision | To be the most trusted health insurer in the Kingdom of Saudi Arabia

Our Pillars

People Make the Difference

- Attracting, developing and retaining outstanding people and leaders
- Taking responsibility and accountability
- Creating safe and healthy workplaces
- Celebrating diversity and inclusion

Passionate About Our Customers

- Cementing our partnerships with key customers
- Pursuing breakthrough differentiation and innovation in product and service offerings
- Harnessing digitalization in customer service, claims management and operational efficiencies
- Developing new distribution channels while delivering on a seamless customer experience

Strong and Sustainable Performance

- Driving net customer growth, revenue and profit
- Protecting and growing our core customer base
- Enhancing robust risk management and controls
- Embedding corporate responsibility and sustainability to create shared value
- Keeping data safe

Values





Financial Performance

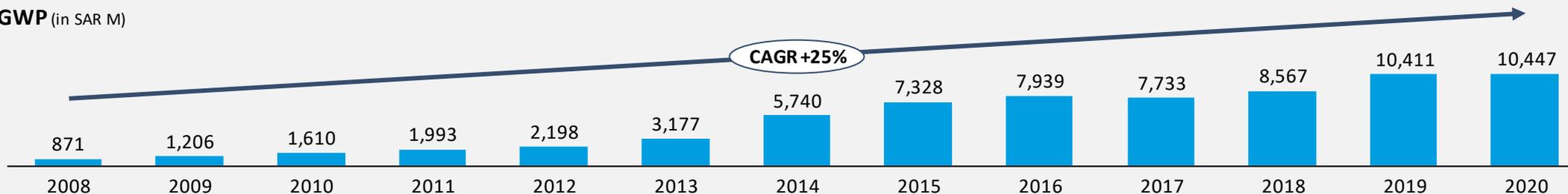
Bupa Arabia at a Glance



Robust profitability growth & significant value creation for shareholders

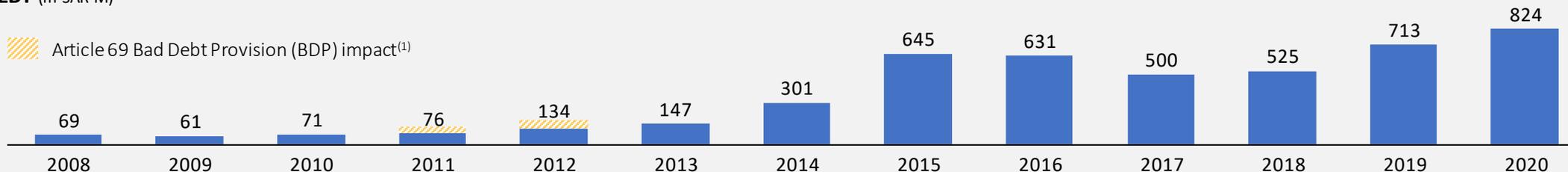
24+ Years of Experience with **1,800+** Employees serving **3M+** Members within **1,450+** Providers in Saudi Arabia

GWP (in SAR M)

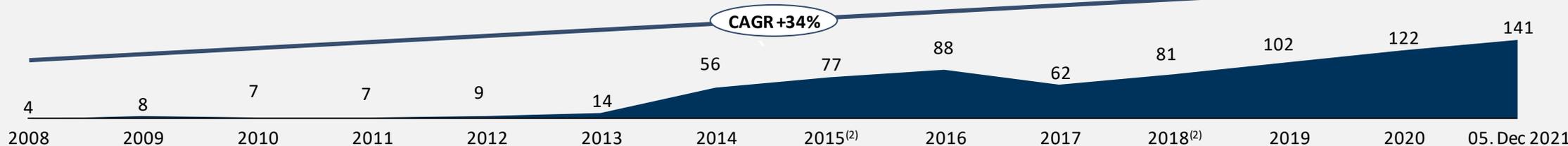


EBT (in SAR M)

Article 69 Bad Debt Provision (BDP) impact⁽¹⁾



Stock Price (in SAR)



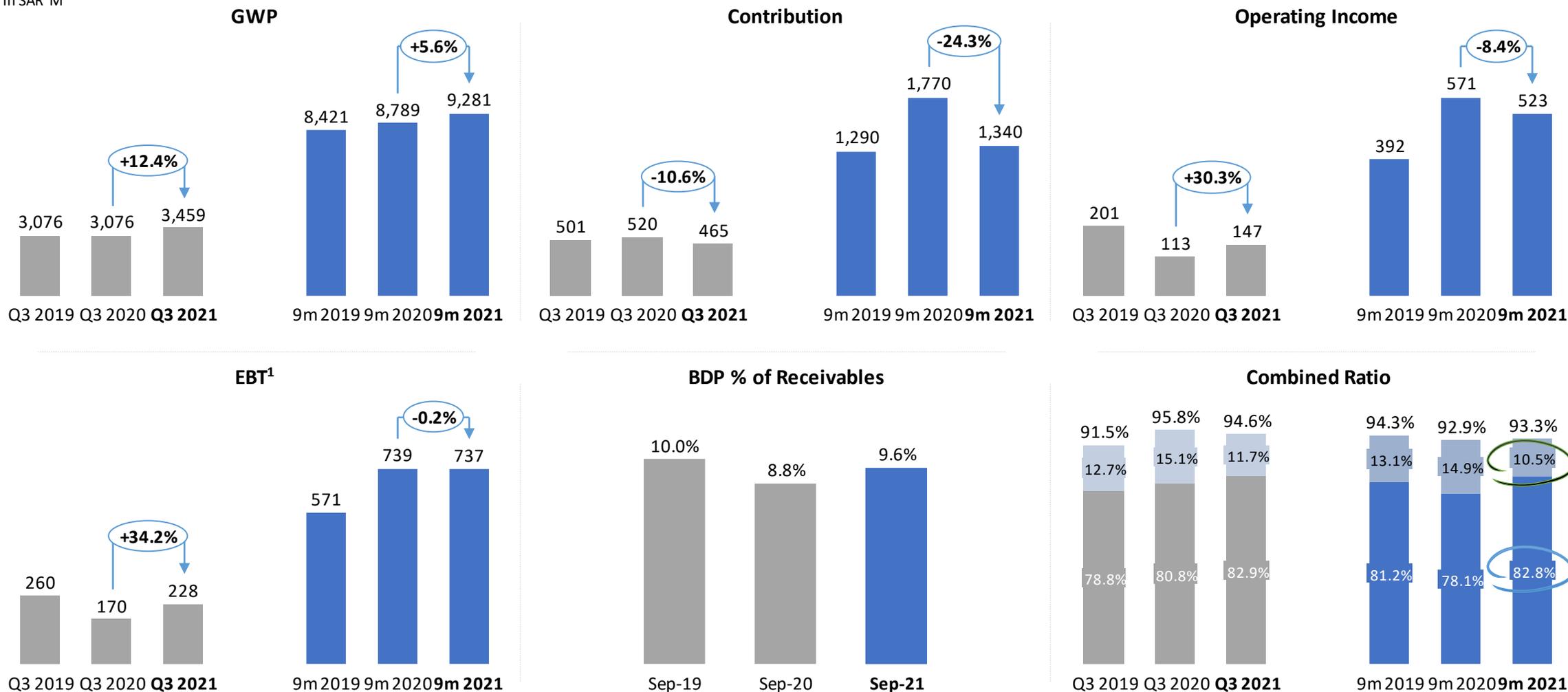
Note(s): (1) Profit fluctuation in 2011 and 2012 is due to BDP treatment in line with interpretation of Article 69, where a BDP provision of SAR 34M was taken in 2011 and BDP recovery of SAR 20M was made in 2012. (2) Impact of increase in capital, by SAR 400M in 2015 and 2018, on the stock price have been reflected retrospectively.

KPI



Flat 9m 2021 earnings despite increased LR, supported by lower expenses and strong investment income results

In SAR M



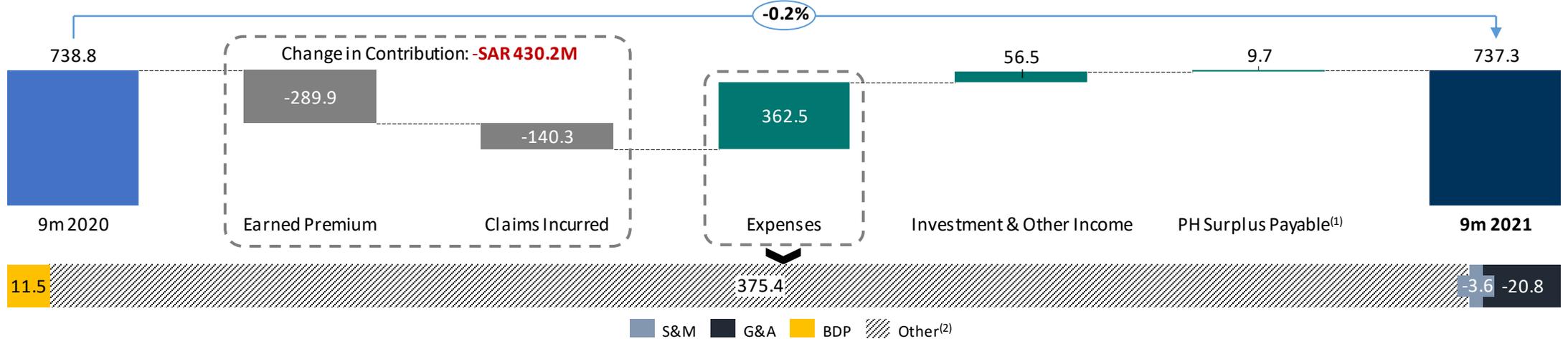
Note(s): (1) Earnings before taxes and zakat, or EBT, represents net income attributed to the shareholders.

Expense ratio Loss ratio

Flat 9m 2021 EBT as a result of lower expenses and higher investment income

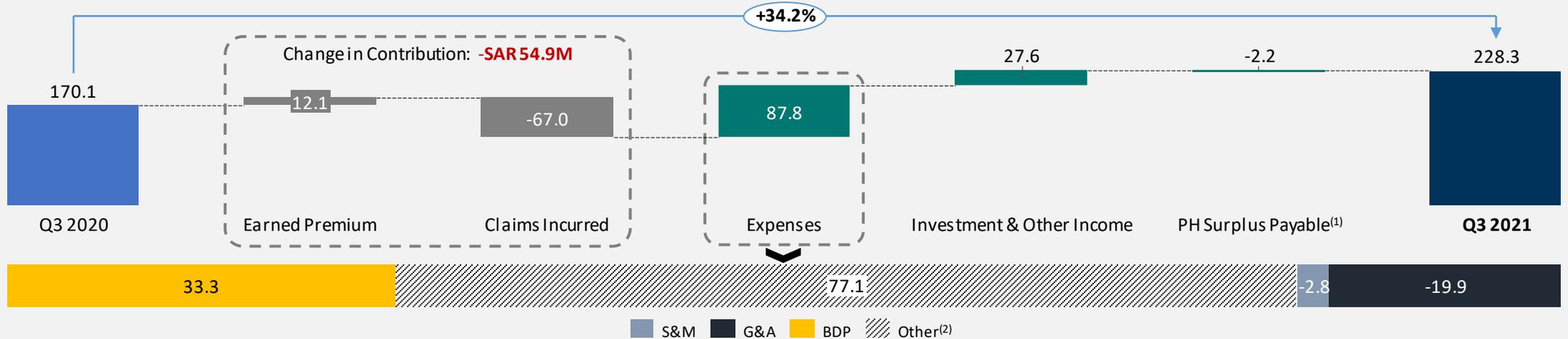
In SAR M

EBT Change between 9m 2020 & 9m 2021



In SAR M

EBT Change between Q3 2020 & Q3 2021

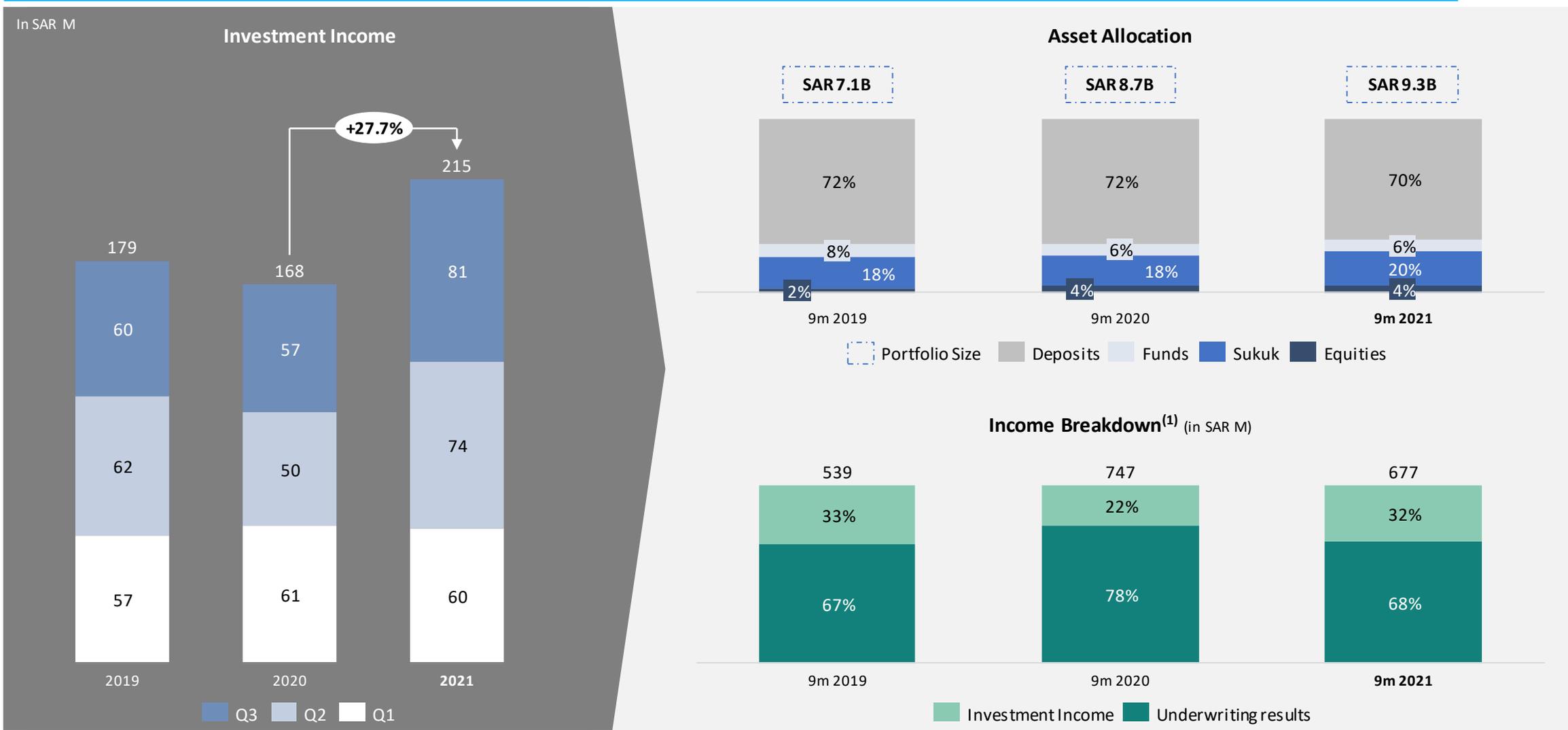


Note(s): (1) PH: Policyholders' share of surplus from insurance operation. (2) Other represents policy acquisition cost (internal & external commission).

Investment Portfolio and Results



Resilient investment income through increased duration, further diversification, and capital gains



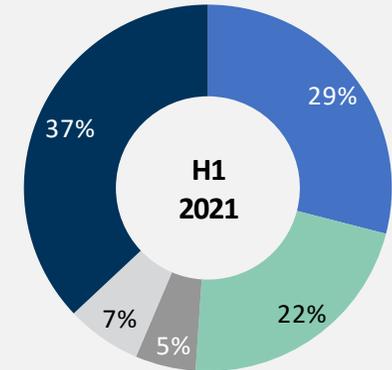
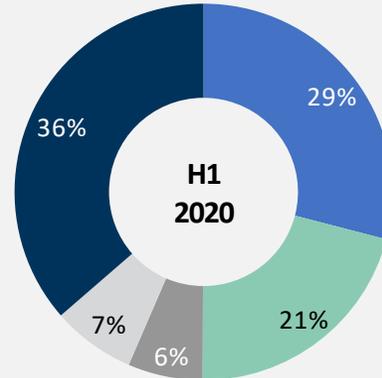
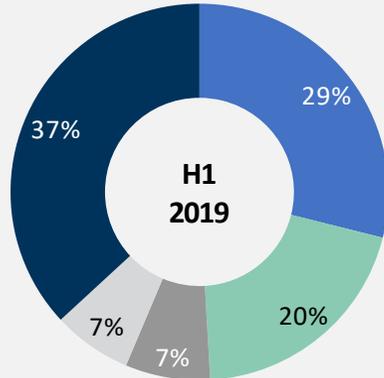
Note(s): (1) Income breakdown represents net income attributed to the shareholders and policyholders.

Market Share & Positioning

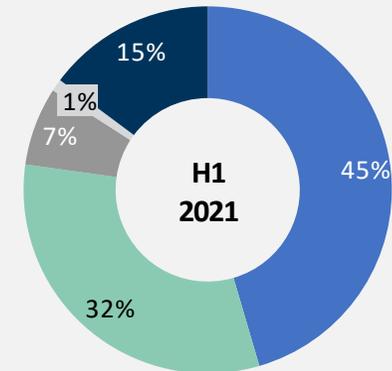
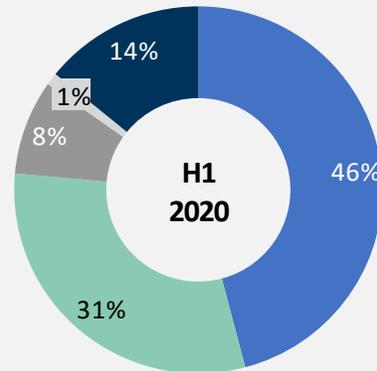
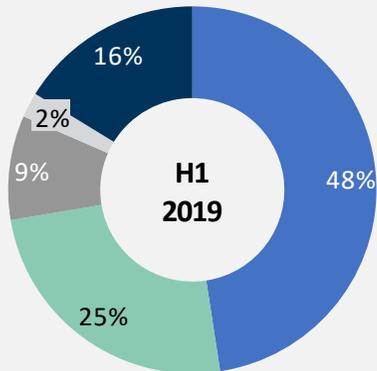
Bupa Arabia maintains market leadership as of 9m 2021



Total Insurance Market Share on GWP Basis



Health Insurance Market Share on GWP Basis



■ Bupa Arabia
 ■ Tawuniya
 ■ Medgulf
 ■ Al Rajhi Takaful
 ■ Others

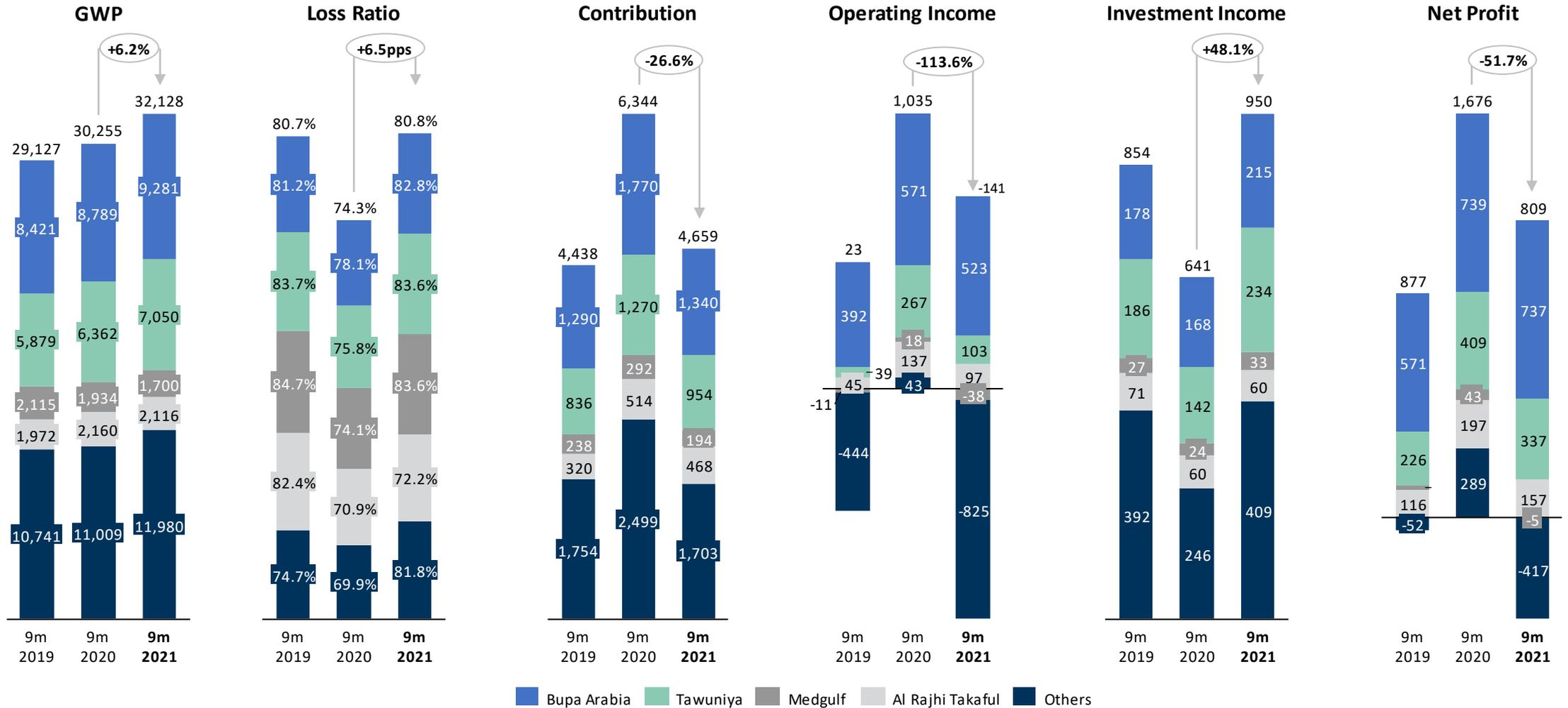
Source(s): Respective insurance companies' filings; Others based on estimates.

Total Insurance Market



Lower profitability due to deteriorated Contribution levels despite significant growth in investment returns & lower expenses

In SAR M



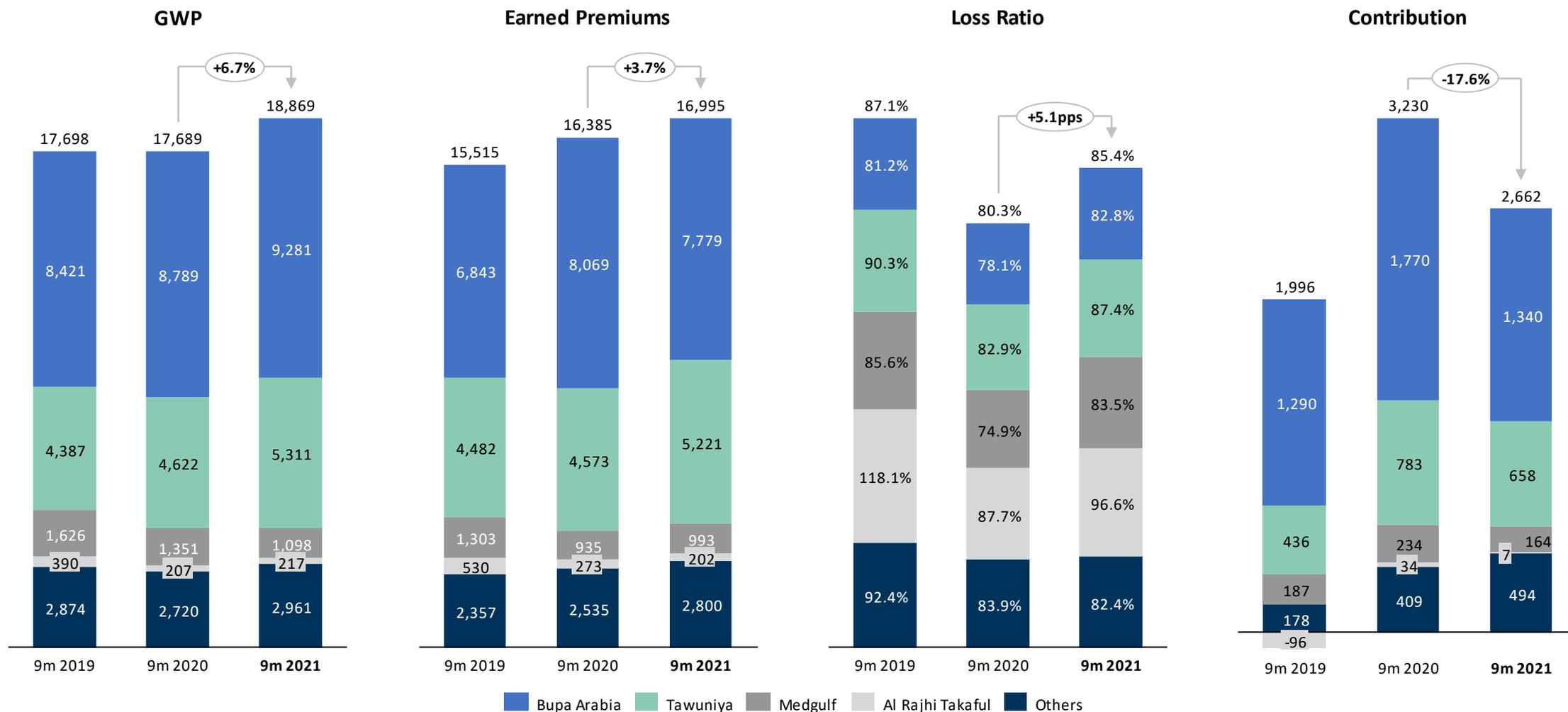
Source(s): Respective insurance companies' filings; Others based on estimates.

Health Insurance Market



LR deterioration due to claims deferral and price increase challenges, resulting in lower Contribution

In SAR M



General note: Tawuniya Medical insurance results are inclusive of Umrah product.
 Source(s): Respective insurance companies' filings, Alsagr insurance company based on data estimates

Non-health Insurance Market



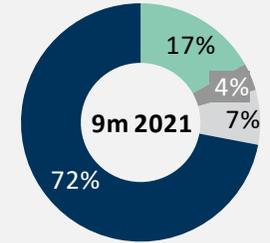
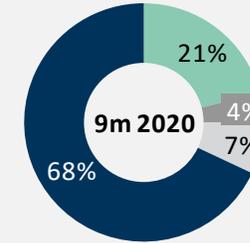
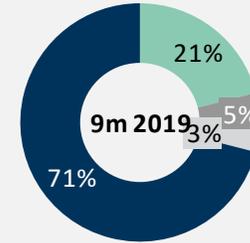
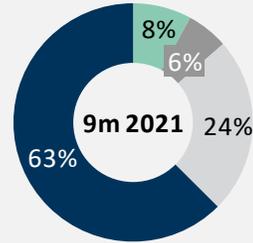
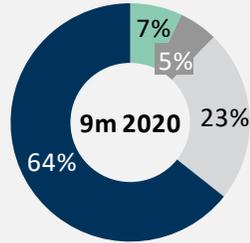
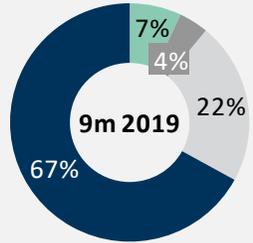
Increased LR in both motor and other segments resulted in significant drop in Contribution

In SAR M

Motor Segment

Other Segments⁽¹⁾

Market Share



GWP

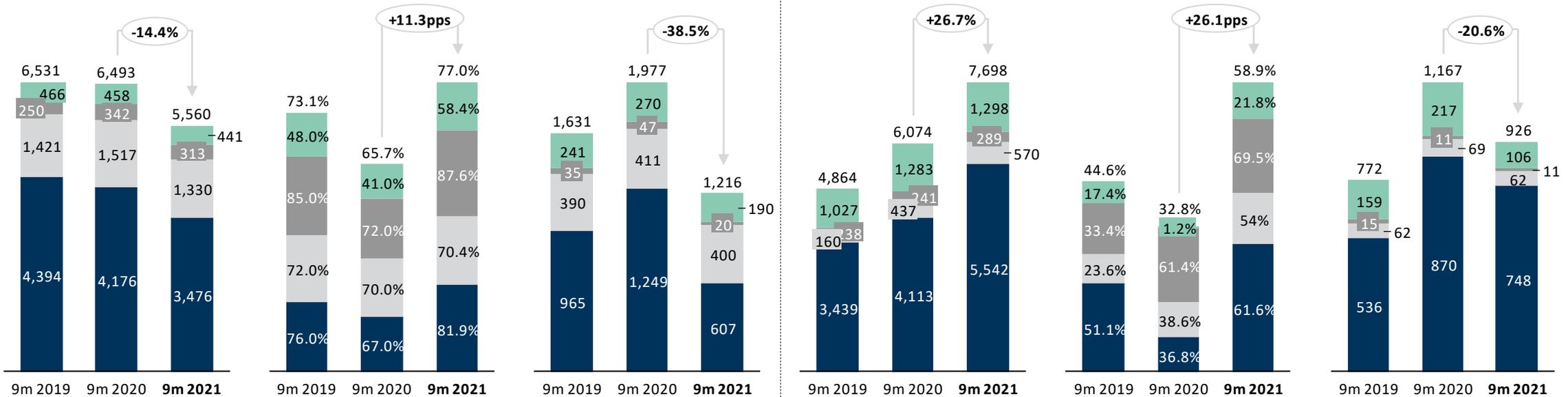
Loss Ratio

Contribution

GWP

Loss Ratio

Contribution



Tawuniya Medgulf Al Rajhi Takaful Others

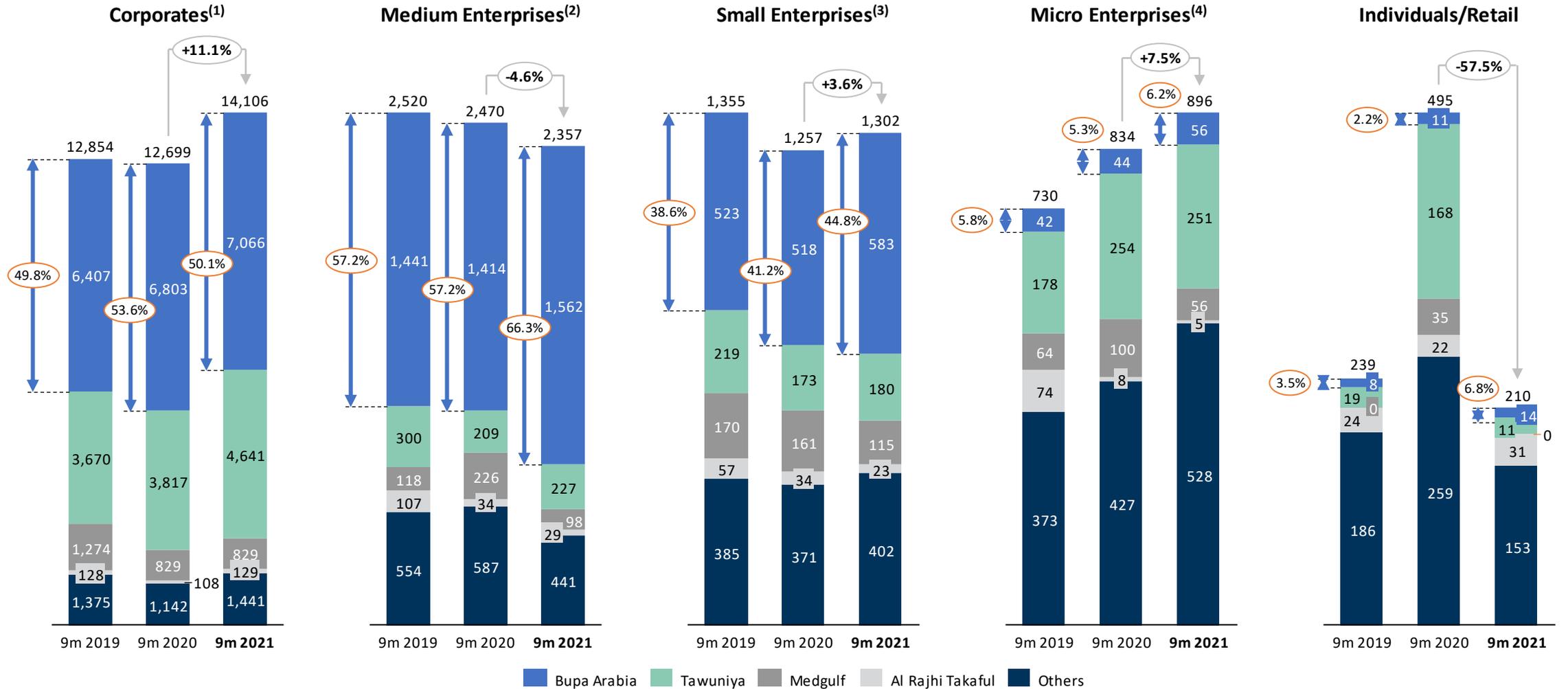
Note(s): (1) Other segments include mainly Life, Marine, P&C and others.
Source(s): Respective insurance companies' filings; Others based on estimates.

Health Insurance Market – GWP Segmentation



Bupa Arabia continues to be the preferred health insurer for corporates and SMEs

In SAR M



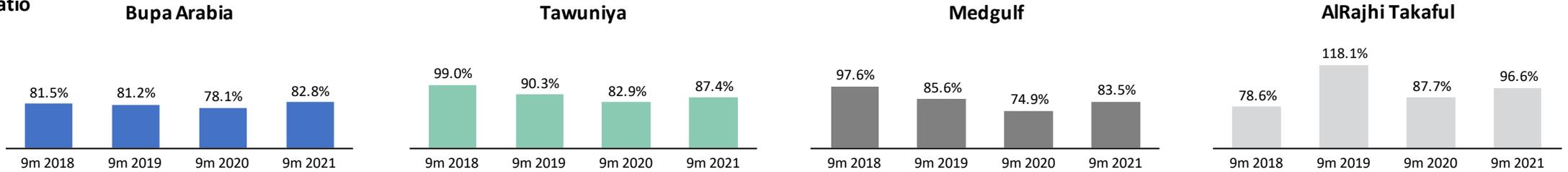
General note: Tawuniya segmented results of individuals/retails include GWP from Umrah product.
 Note(s): (1) Corporates: Number of Employees > 249. (2) Medium: Number of Employees 50 – 249. (3) Small: Number of Employees 6 – 49. (4) Micro: Number of Employees 1 – 5.
 Source(s): Respective insurance companies' filings, Alsagr insurance company based on data estimates.
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Loss Ratio & Technical Reserves

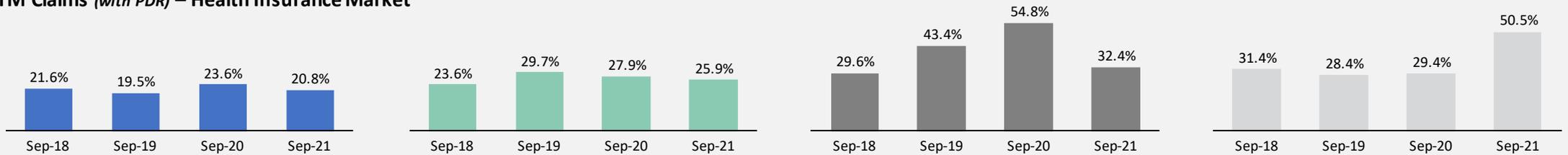
Bupa Arabia continues to report healthy LR and consistent reserves ratio



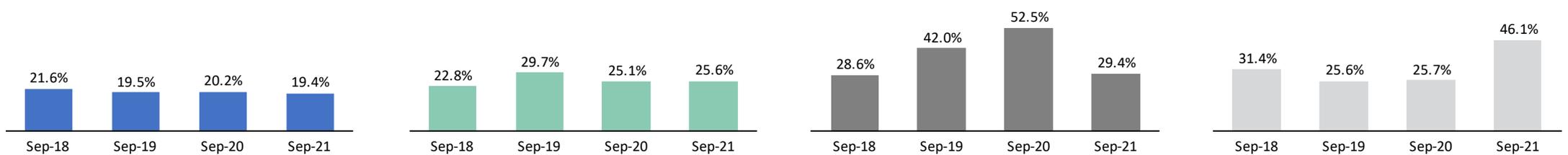
Loss Ratio



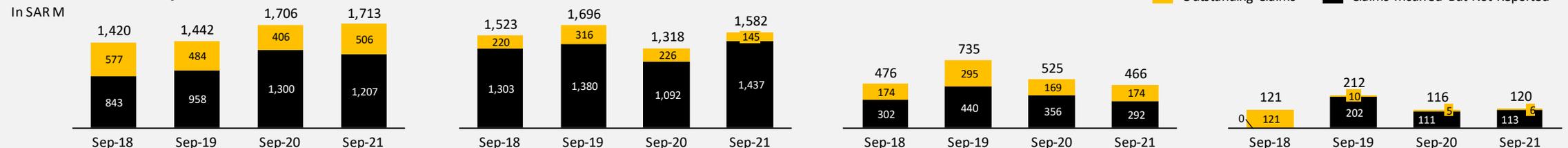
OCP/TTM Claims (with PDR) – Health Insurance Market



OCP/TTM Claims (without PDR) – Health Insurance Market



Health Claims Analysis⁽¹⁾



Note(s): (1) Outstanding claims represent claims received from hospitals but not settled yet
Source(s): Respective insurance companies' filings

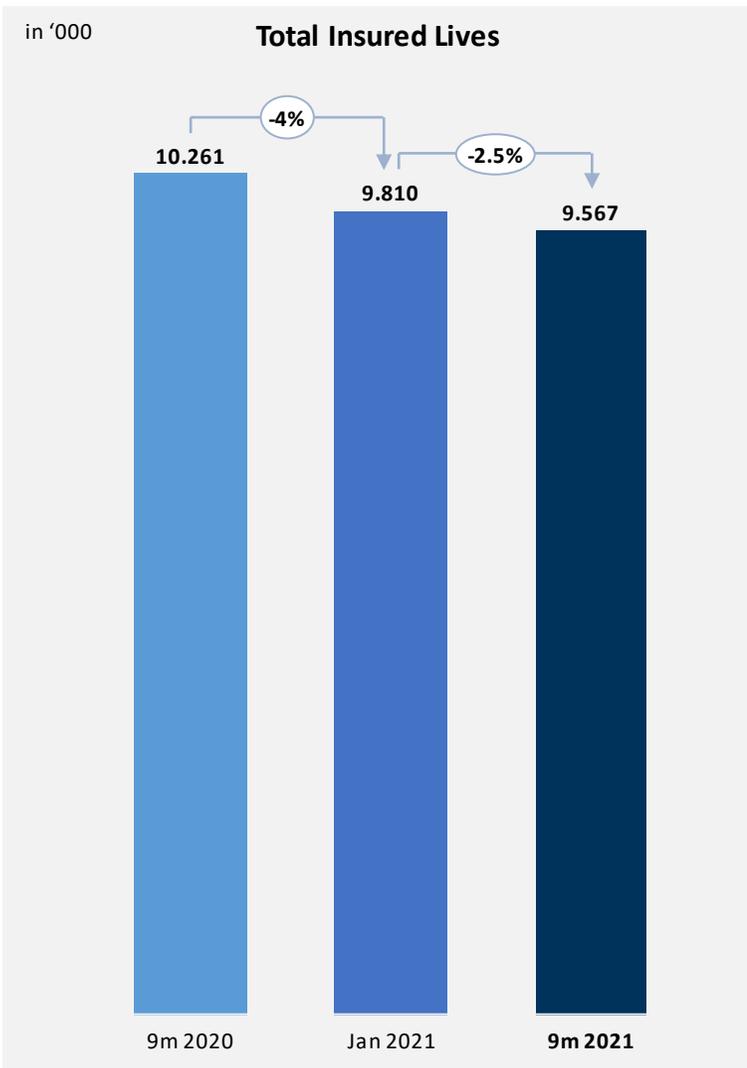


Market Outlook

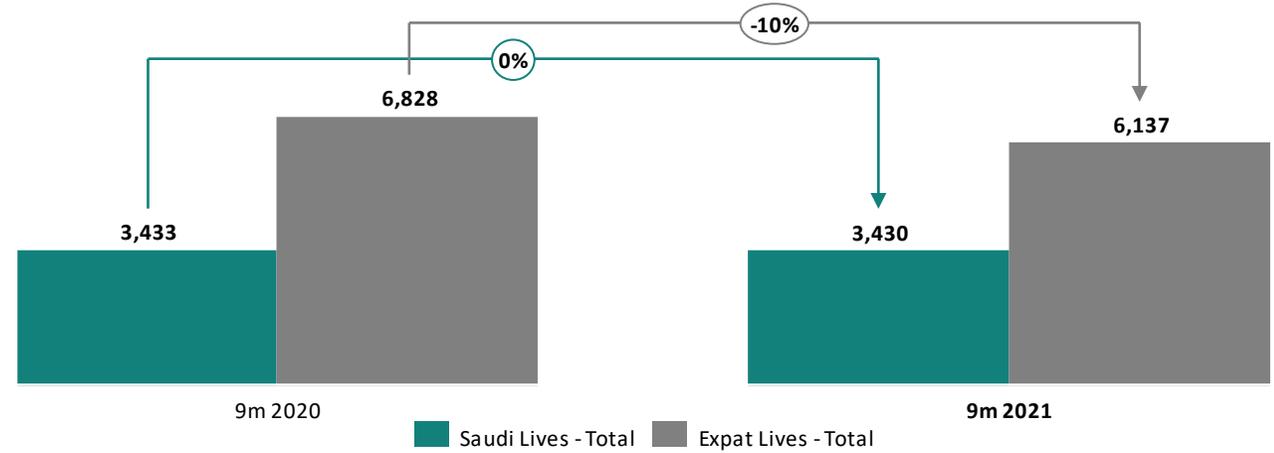
Saudi Health Insurance Market Trends (1/2)



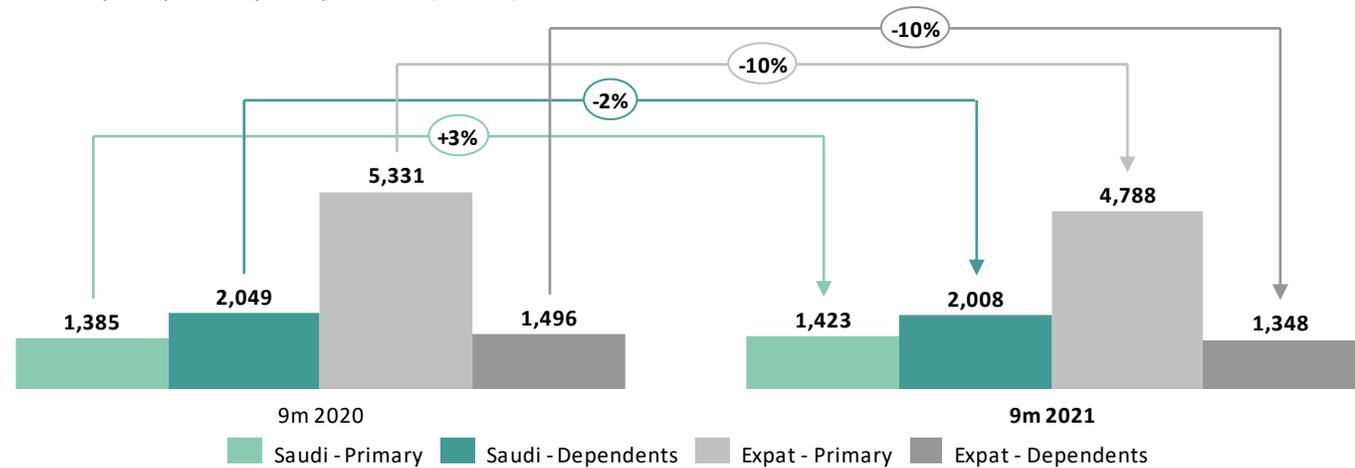
Insured lives decreased by 2.5% (c.243K) by January 2021 driven by expat departures



Total Lives – Split by Saudis & Expats (in '000)



Total Lives – Split by Primary & Dependents (in '000)



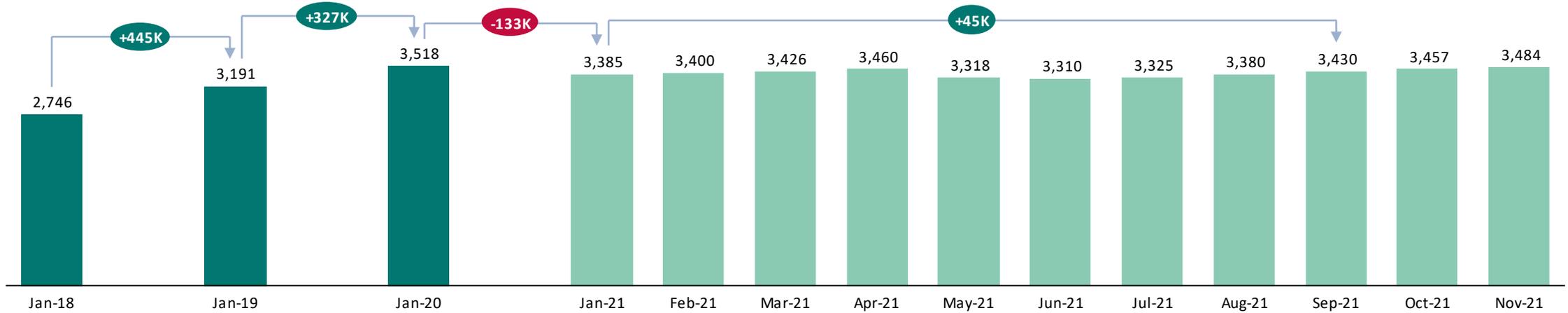
Source(s): GSTAT; GOSI; MoL; CCHI; Bupa Arabia estimates

Saudi Health Insurance Market Trends (2/2)

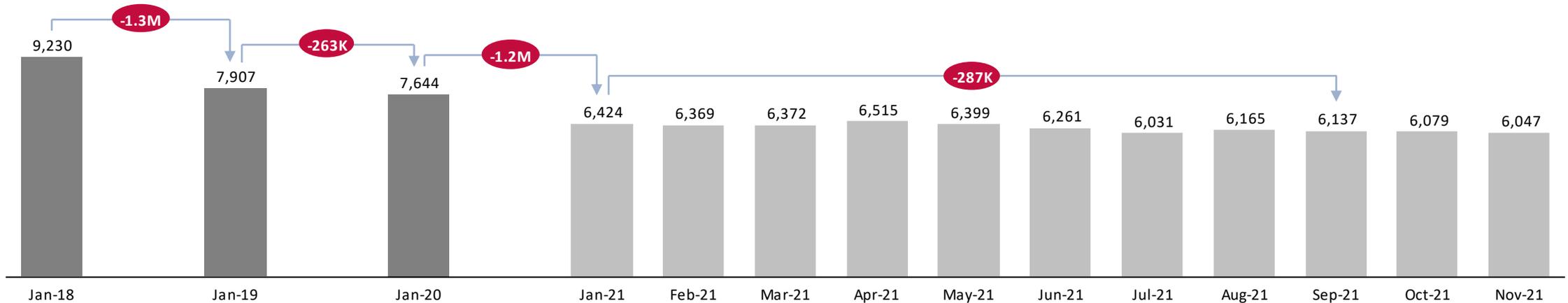


Expat departure slowed down in 2021 coupled with soft Saudi employment

Saudis (in '000)



Expats (in '000)



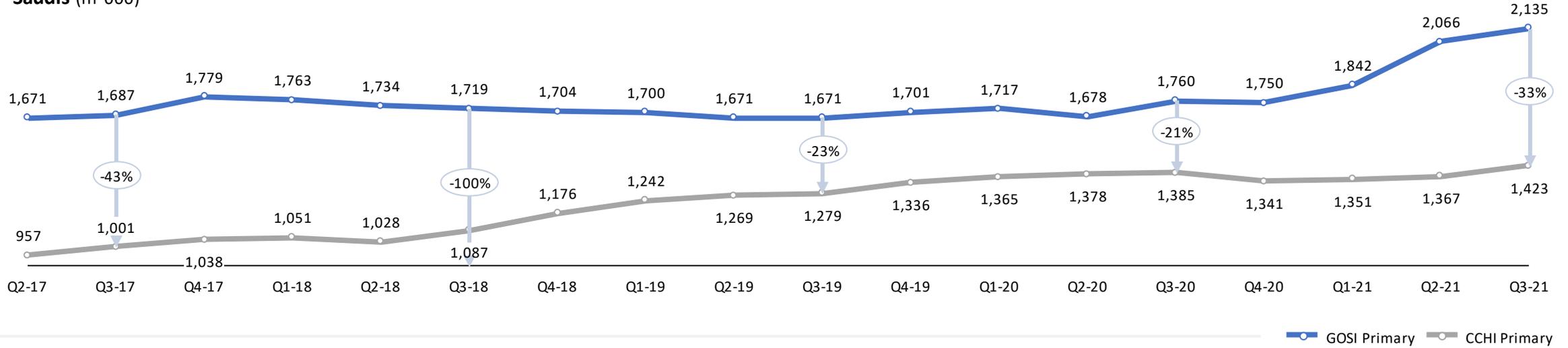
Source(s): CCHI

Gap & Enforcement Explained

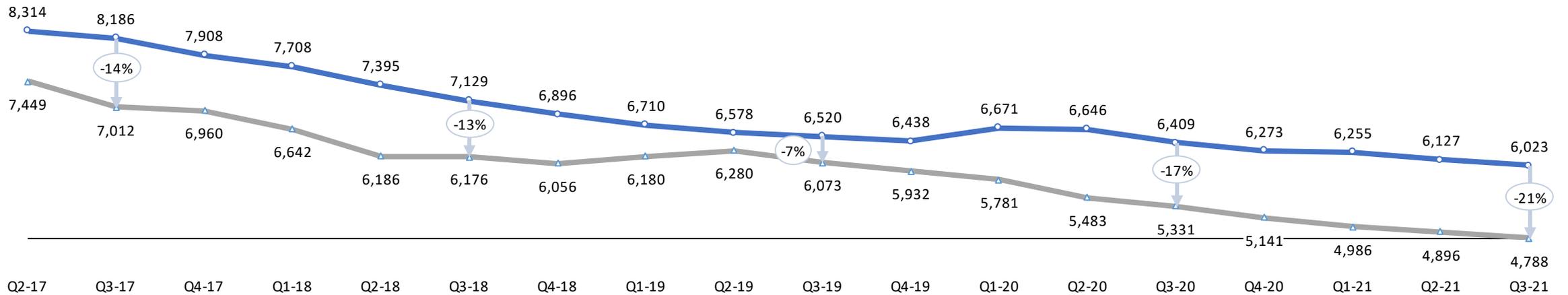


Gaps remain in the private sector with ~712K primary Saudis and ~1.2M primary Expats without PMI

Saudis (in '000)



Expats (in '000)

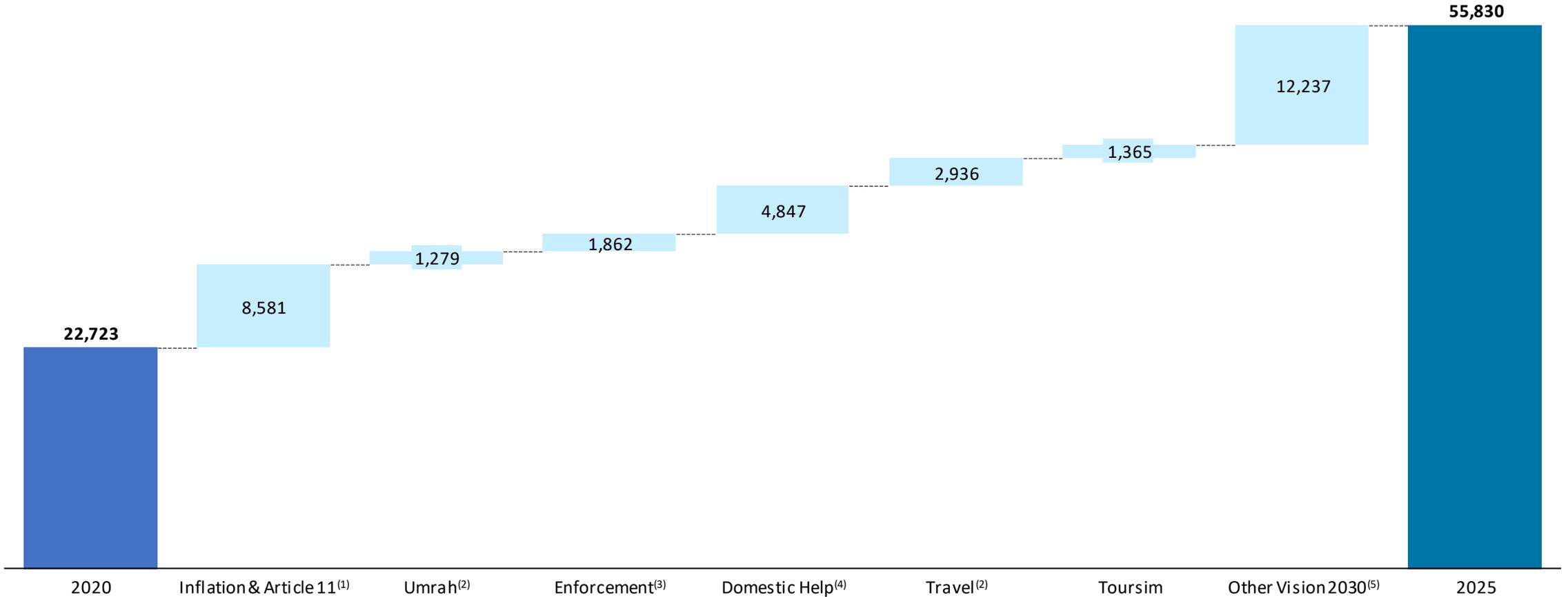


Future Growth Opportunities in Health Insurance

Potential addition of ~SAR 33B in GWP by 2025 mainly due to Inflation & Article 11 impact, and Vision 2030 assumptions



Total Organic PMI GWP Potential (in SAR M)



Note(s): (1) Inflation & Article 11 are calculated based on 8.5%, 6% and 5.5% for 2021, 2022 and 2023 respectively and 5% for 2024-25 of annual GWP baseline. (2) Umrah and Travel products are led by Tawuniya. (3) Enforcement refers to the mandatory medical coverage of GOSI Primary and dependents. (4) Domestic Help not currently mandated. (5) Other Vision 2030 is based on two assumptions (i) Growth in the population by a CAGR of 1.8% based on FY20(A) and FY30(F) and (ii) Growth in the % of insurable market from 30% in FY20 to 40% in FY25 given the Vision 2030 programs
Source(s): CCHI; Bupa Arabia estimates



Other Highlights

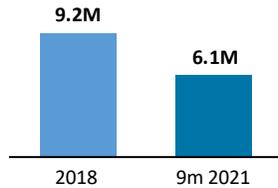
PMI Market Challenges



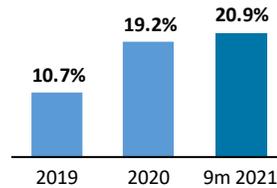
Current PMI market realities and changing regulatory landscape with unprecedented cost implications

Current Market Realities

Shrinking
PMI market with
expat exodus – in
lives M



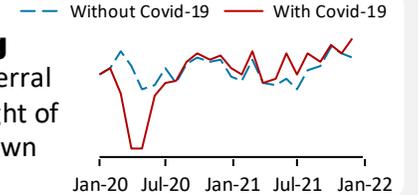
Widening
enforcement
gap



Deteriorating
PMI loss ratio
environment

“LR are up for leading payers, meaning more revenue is going toward members' claims.”

Ongoing
claims deferral
with no sight of
slowing down



PMI Regulatory Landscape Challenges

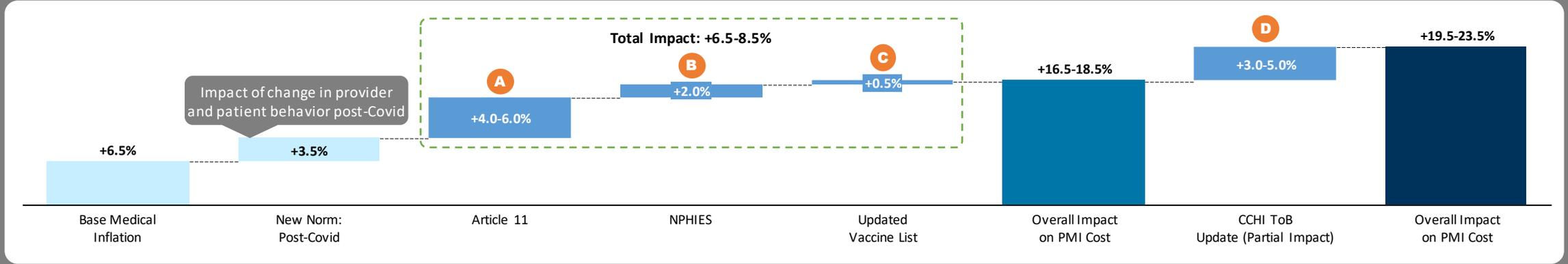
A **Article 11** requests insurance companies to include all accredited gov. providers in their network, while complying with the approved compensation structure

B **NPHIES**, a unified electronic services platform launched by CCHI, aims to standardize transactions between healthcare providers and insurance

C Ministry of Health has updated the **mandatory vaccine list**, which insurance companies must include as part of their coverage

D New CCHI **table of benefits** to be rolled out and go into effect in mid-2022, mainly focused on preventive treatment, hip & knee replacement, and birth control

2022 Impact on Sector PMI Costs

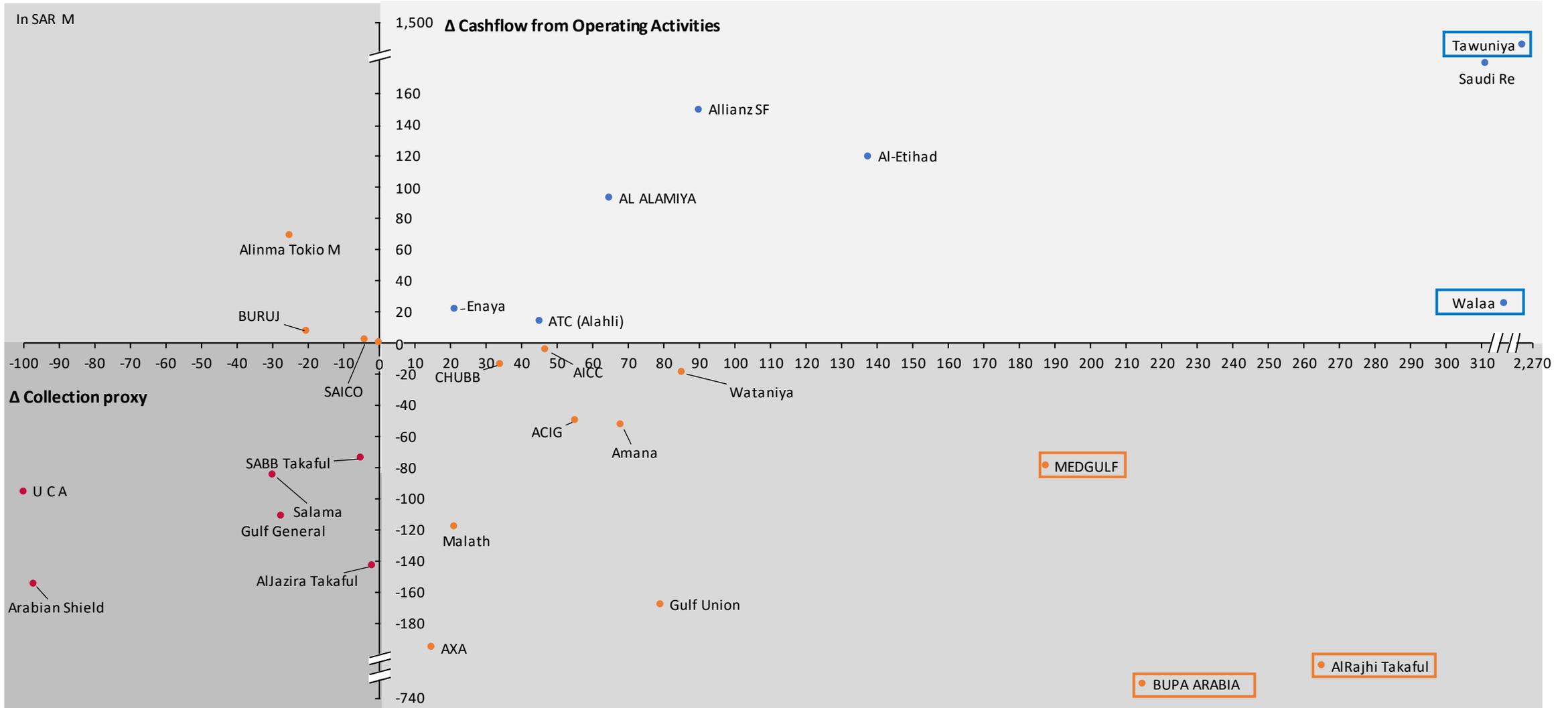


Source(s): Middle East Insurance Review; Respective Companies' Filings; Bupa Arabia Analysis

Insurance Sector's Collection & Cashflow Analysis



Collection proxy reflects abnormality of last year's performance, while one-off transactions impact cashflow



Note(s): (1) Cashflow from operating activities as of 2021 - cashflow from operating activities as of 2020. (2) Collection proxy as of 2021 - Collection proxy as of 2020.
 Source(s): Bupa Arabia Financials; Respective insurance companies' filings; Others based on estimates

○ Change in 9m 2021

Business & Regulatory Highlights



Many reforms are being undertaken by the Kingdom that support the insurance sector and is in line with its 2030 vision



Bupa Arabia announces it has received the no objection of the Saudi Central Bank to establish (“Bupa Arabia Ventures”), to participate and invest in enabling and activating the HealthTech and InsurTech sectors to benefit from the digital transformation supported by Vision2030 and the Saudi Financial Sector Development Program.



Bupa Arabia and Okadoc announces a strategic partnership to enhance digital healthcare customer offerings as part of our over all digital transformation strategy.



SAMA invites the public, specialists and interested individuals to provide their views and observations on the draft of Insurtech rules within (30) days, noting that all views and observations will be under consideration for adopting the final version of these rules. The draft rules aims to enable Insurtech companies to execute their work in accordance with a regulatory framework that featured flexibility of commitment, inclusiveness of organizational fundamentals and innovation



The Saudi Central Bank (SAMA) has issued regulations for forming and managing health insurance risk pools through brokers. In a statement carried by the Saudi Press Agency, the central bank said that rules aim to regulate and develop the mechanism of forming and managing health insurance risk pools and providing access to suitable insurance coverage at low costs.



The Council of Health Insurance and the National Health Information Center, in cooperation with the Ministry of Health, launched NPHIES platform to facilitate the exchange of health information for patients. As an interest of the Council of Health Insurance to ensure the importance for the entities to follow the integration and release plan, the Council of Health Insurance obliges the entities of the first wave to comply, starting from the beginning of September 2021.



The Council of Health Insurance and the General Organization for Social Insurance have signed a cooperation agreement for the exchange of data to reach a viable sector motivated by quality and digital transformation. This Convention is part of the strengthening of the obligation in social and health insurance through the preservation of the rights of the beneficiary and provides the tools to facilitate dealings, thus contributing to enabling the parties to the insurance relationship to obtain their rights from full care and protection of high quality and efficiency.



The Health Insurance Council launches the (Dhaman Fund), whose approval was issued earlier by the Council Board of Directors. The establishment of the Dhaman Fund aims to cover expenses that exceed SAR 500,000 the insurance coverage specified under the health insurance policy for the specified facilities in accordance with specific procedures and controls in coordination between the Council and the Central Bank of Saudi Arabia.

Source(s): (1) Tadawul (2) Zawya (3) SAMA (4) CCHI

Achievements & Awards

Bupa Arabia has been recognized with multiple awards in 2021, including the LinkedIn Talent Awards for MENA region



★ **LinkedIn Talent Awards for 2021 MENA Region**
Best Employer Brand (500 - 2,000 Employees)

★ **CIPD Middle East People Awards**
Employer of choice 2021
Best Employee Engagement Initiative 2021

★ **8th Middle East Insurance Industry Awards**
Health Insurance company of the year 2020 and 2021 - Saudi Arabia

★ **Brand Finance 2021 Ranking**
The strongest brand in Saudi Arabia in 2020 and 2021

★ **Forbes List 2021**
Tal Nazer ranked as one of the top 100 CEO in the Middle East 2021

★ **International Business Magazine Awards 2021**
Health Insurance company of the year - Saudi Arabia

Q&A



Speakers:



Nader Ashoor
Chief Financial Officer



Ali Sheneamer
Chief Business Development Officer



Ahmed Bajunaid
Director
Asset Management & Business Advisory



Mohsen Jawhar
Head
Business Advisory & Investor Relations

Thank you



With you for better health

INTERNAL

Appendix



Board of Directors & Chief Executive Team

Board of Directors



Engr. Loay Hisham Nazer
Chairman



David Martin Fletcher
Vice-Chairman



Martin Houston
Board Member



Dr. Abdulla Elyas
Board Member - Independent



Huda M. Bin Ghoson
Board Member - Independent



Ziad Algwaiz
Board Member - Independent



Nigel Sullivan
Board Member



Tal Hisham Nazer
Board Member



Nader Ashoor
Board Member

Chief Executive Team



Tal Hisham Nazer
Chief Executive Officer



Nader Ashoor
Chief Financial Officer



Ali Sheneamer
Chief Business Development Officer



Tariq Alamoudi
Chief Human Resources Officer



Mohamed El Missaoui
Chief Operations Officer



Atef Mufti
Chief Sales Officer



Accounting Standards

Premium Deficiency Reserve & Deferred Acquisition Cost Accounting Standards



PDR is a regulatory requirement (US GAAP and other regulations) set to cover the additional emerging losses when the Unearned Premium Reserve (UPR) is deemed not sufficient to cover the unexpired policies' reserve runoff.

Reference: ASC 944-60-25-4 (formerly FAS 60 – Par. 33) “A premium deficiency shall be recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, unamortized acquisition costs, and maintenance costs exceeds related unearned premiums.”

DAC corresponds to the acquisition costs related to the insurers' written premiums which are expended over the term of the policy as premiums are earned. The unearned portion of DAC is capitalized and recognized as an asset on the insurer's balance sheet.

Below are sample calculations:

Balance sheet impact (GAAP)

Scenario	Unearned premiums	PV total expected costs	DAC	Expected profit/(loss)	Premium deficiency
A	\$10,000	\$7,391	\$2,500	\$109	\$0
B	\$10,000	\$9,701	\$2,500	(\$2,201)	\$2,201
C	\$10,000	\$12,010	\$2,500	(\$4,510)	\$4,510

- $PDR = \text{Unearned premiums} - \text{PV expected costs} - \text{DAC}$; when loss is expected on a particular policy

Calculating premium deficiency (GAAP)

Scenario	DAC balance	Premium deficiency	New DAC balance	PDR liability
A	\$2,500	\$0	\$2,500	-
B	\$2,500	\$2,201	\$299	-
C	\$2,500	\$4,510	-	\$2,010

- If $\text{DAC balance} > \text{Premium deficiency}$, then $\text{New DAC} = \text{DAC balance} - \text{Premium deficiency}$
- If $\text{DAC balance} < \text{Premium deficiency}$, then $\text{PDR liability} = \text{Premium deficiency} - \text{DAC}$



Abbreviations & Glossary

Abbreviations



BDP	Bad Debt Provision
CCHI	Council Of Cooperative Health Insurance
CIPD	Chartered Institute of Personnel Development
CMA	Capital Market Authority
CMT	Crisis Management Team
CR	Commercial Registration
EBT	Earnings Before Tax
G&A	General And Administrative Expenses
GAZT	General Authority for Zakat and Tax
GOSI	General Organization for Social Insurance
GWP	Gross Written Premium
IFM	International Finance Magazine
KPI	Key Performance Indicator
MoC	Ministry of Commerce
MOE	Ministry of Education
MoH	Ministry of Health
MOL	Ministry of Labor
NEP	Net Earned Premiums
NHIC	National Center for Health Information
OCP	Outstanding Claims Provision (Known As Technical Reserve)
PMI	Performance Market Indicator
PPS	Percentage Points
Q	Quarter
SAMA	Saudi Arabian Monetary Agency
S&M	Selling And Marketing Expenses
SME	Small & Medium Enterprises
TTM	Trailing Twelve Months
YoY	Year on Year
9m	Nine Months

Understanding our Financial Statements

A customer buys a one-year medical insurance policy for SR 5,000 on July 1, 2020.

The coverage ends on June 30, 2021. The annual reporting period for the business in this example is for the year ended December 31, 2020.

A	Gross written premium (GWP)	5,000		When a customer buys a health insurance policy on July 1, the total premium for the duration of the contract assuming no additions or deletion is SR 5,000. This amount is classified as Gross Written Premium (GWP). Market share is measured using GWP.
B	Premiums ceded to reinsurers	-50	A*Reinsurance rate	The portion of risk that is transferred to a reinsurance company in exchange for a stated premium. In this case the reinsurer has been paid SR 50 and will be responsible for a specified risk according to the agreement with the reinsurer (reinsurance is mandatory per SAMA regulations)
C	Net written premium (NWP)	4950	A-B	The total value of the written premium that will be earned by the insurer during the duration of the contract (12 months) between July 1, 2020, and June 30, 2021
D	Unearned premium (UEP)	2475	C*50%	The portion of the premium that has not been earned in the reporting period and is recorded as a liability on the insurer's balance sheet. Since the contract was written on 1 July 2020, only half of the premium is earned in 2020
E	Net earned premium (NEP)	2475	C*50%	The net earned portion represents the expired i.e., completed amount of the net written premium; The portion of the total premium that was exposed to a potential claim loss during the completed period. If a customer is enrolled mid-year, as is the case in this example, then half of the exposure will be in the year he enrolled (2020) and half will be reflected in the year after (2021)

F	Gross claims paid	1825		<p>The actual amount of all paid claims on behalf of the customers. There are two types of claims;</p> <ol style="list-style-type: none"> 1. Provider claims on direct billing and to be refunded to the customer 2. Reimbursement claims requested by the member <p>A claim is a request for payment received by the insurer to pay for services that were provided by a health care professional to an insured member. A claim may be sent by a medical provider at which the treatment was offered as a provider claim, or directly submitted by the insured member as a reimbursement claim.</p>
G	Reinsurance share	-25	F*%	<p>The portion of claims the reinsurers are responsible for in exchange for certain premium (as mentioned in Reinsurance ceded -B)</p>
H	Net claims paid	1800	F-G	<p>Net amounts paid for claims requests after deducting the reinsurer's share</p>
I	Outstanding claims provision (OCP)	200	Based on actuarial estimates	<p>The outstanding claims provision includes the "Incurred But Not Reported" claims (IBNR), which is defined as all claims that have taken place but have not been reported yet, either because the claim was not yet received by the insurer, or it has been received but not yet processed or paid by the insurer. This is also referred to as an insurer's claims reserve and is recorded as a liability on the insurer's balance sheet. Before final payment to providers, the insurer adjudicates the claims. This is the process by which the claim is compared to the patient's health plan benefits to verify that the required information is available to process the claim, that the claim is not a duplicate, that the insurer's rules and procedures have been followed, and that the procedures performed, or the services provided are for covered benefits</p>

Glossary of Terms



J	Net claims incurred	2000	H+I	All payment requests received from hospitals or members to pay for a certain service or projected to be received for the duration of the earned portion of the contract (July 1, 2020, to Dec 31, 2020)
K	Underwriting result (Contribution)	475	E-J	The surplus of net earned premium less net claims incurred is the contribution. It measures profitability of the policy before accounting for overhead costs.
L	Costs and expenses	250		Includes selling & marketing, general & administration expenses, and regulatory levies, etc.
M	Underlying trading results	725	K-L (excluding non-recurring item)	The total profit excluding one-time charges and investment income
N	Surplus from insurance operations	225	K-L	The excess amounts from the earned premium less the medical costs and all expenses (including non-recurring items) plus other income (i.e., insurance operations, investment income and all other sundry income)
O	Distribution of surplus (Cooperative Distribution)	22.5	N*10%	The SAMA regulatory required surplus to be distributed to policyholders is 10% of the surplus from insurance operations and the full surplus is distributed as follows: <ul style="list-style-type: none"> • Transfer to Policyholders' payables 10% • Transfer to Shareholders' operation 90%
Ratios				
	Loss ratio (LR)	81%	J/E	The net claims incurred divided by the net earned premium. It measures the % of medical claims cost versus the earned portion of all policyholders
	Expense ratio	10%	L/E	The operating expenses divided by the net earned premium
	Combined ratio	91%	(J+L)/E	The loss ratio plus the expense ratio. It is a proxy for the surplus from insurance operations

Understanding Bupa Arabia's Balance Sheet

Goodwill	Goodwill represents the intangible asset which resulted from the Bupa Arabia purchase of the Saudi Health insurance portfolio from Bupa Middle East Limited E.C. in accordance with the assessment by SAMA and the prescribed SAMA guidelines of 2008. The insurance portfolio transfer agreement was completed during 2009
Fixed Assets	Fixed assets include the company's investment in new retail outlets, IT, and fixtures, equipment, machinery, etc.
Cash & Investments	All cash in the banks, investments, and statutory deposits
Working Capital	The working capital represents the operating liquidity available to the organization. The current assets include the receivables, net of bad debt provision, deferred acquisition costs, and other pre-paid expenses. The current liabilities include the technical reserves of outstanding claims provision (OCP) and unearned premium (UEP) and other accrued liabilities. Unlike many businesses, working capital is not favourable in an insurance business. This is because the premium is usually received before the claim's liabilities are incurred and ultimately paid
Equity	Shareholders' equity represents the paid-up capital, plus retained earnings, statutory reserve, and is net of accumulated Zakat/Income tax charges since inception
Borrowings	Generally speaking, insurance companies do not need the support of bank borrowings due to the favourable funding of working capital by customers



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