

Saudi Insurance Sector

Year 2016

The report depicts the performance of insurance sector in Saudi Arabia in 2016. The report shows the main insurance indicators as gross written premium, net earned premium, claims incurred and net income for 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.
2. Weqaya Takaful Insurance and Reinsurance Co.: The exclusion is due to lack of company's data as the company did not announce its financials for 2016.
3. Sanad Cooperative Insurance Co.: The company is excluded because its suspension by SAMA from issuing and renewing any insurance policy.

Thus, the number of companies under coverage in this report totaled 32 companies out of 35 listed companies.

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

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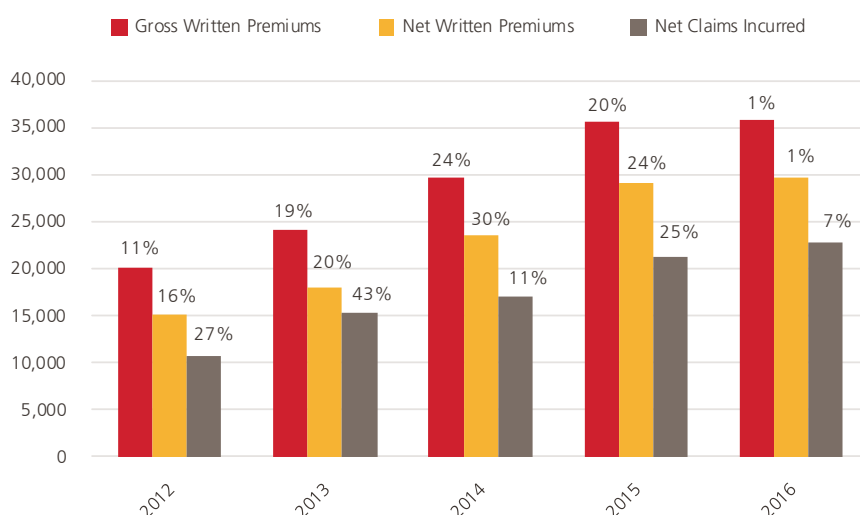
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Executive Summary

- The growth of Saudi insurance market decelerated for the first time in 10 years, posting 0.5% versus 20% in the prior-year. The deceleration is attributed to a decline in demand for health insurance and general insurance segments because of a slowing economy and reduced employment levels.
- Gross written premiums came in at SAR 35.8 billion (USD 9.54 billion) in 2016.
- The insurance penetration stood at 2% in 2016, while insurance density per capita declined to SAR 1,127 (USD 300).
- The retention ratio progressed slightly to 83.6% in 2016 that reflects less reliance on reinsurance market, meantime, the claims ratio slumped positively to 76.9%.
- Compulsory insurance lines - health and vehicle insurance - continues to dominate the insurance sector, collectively formed 84% of the market.
- Consolidated profit of the insurance sector skyrocketed by 154% coming in at SAR 2,139 million in 2016 compared to SAR 842 million in 2015.

Insurance Sector Evolution with Growth Rates (SAR million)



Saudi Insurance Sector

Overview

The Saudi real economy expanded by 1.4% in 2016, up to SAR 2,580 billion (USD 680bn). The private and non-oil sectors have recorded limited growth of 0.11% and 0.23%, respectively, while the government sector grew by 0.51% and the oil sector expanded by just 3.37%. The decline in oil prices had a major role in the slowdown of economy, which mainly depends on government spending, and this has led to a slowdown in many of the macroeconomic indicators. Thus, the general insurance activity and downturn in employment lead to the decline in the health insurance activities for the first time since 2005.

Insurance Sector

During the last five years, the insurance sector has witnessed major growth with the support of the improvement in the regulatory environment and the enforcement of the compulsory insurance, and also as a result of the population growth, increasing number of workers in the private sector and increasing number of vehicles along with increased awareness of the insurance's importance. Looking at the future, in the medium and long term, we expect that the direction of the government will contribute to strengthen the non-oil sector in providing growth opportunities for the insurance sector business in general.

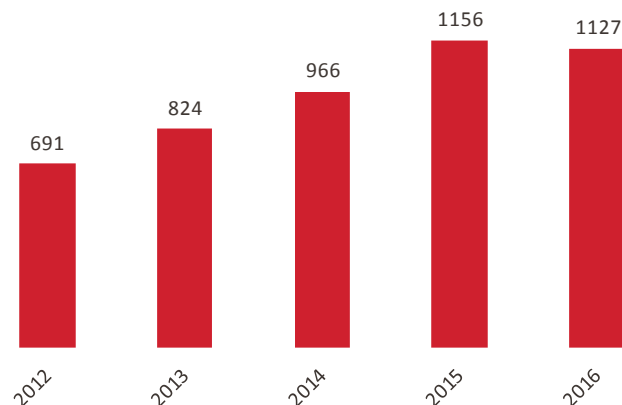
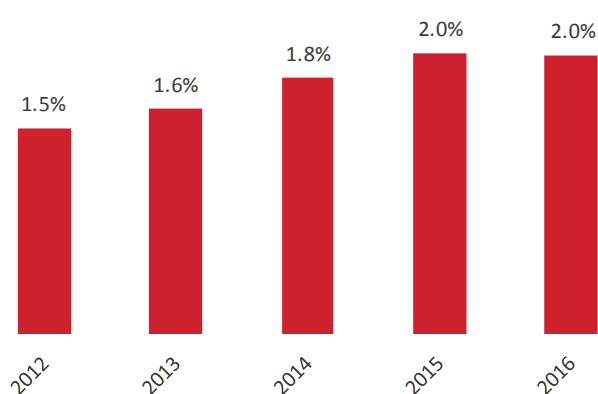
Contribution of Saudi insurance sector to non-oil GDP remains low

The insurance penetration, which refers to the contribution of the insurance sector to non-oil GDP, hit 2% in 2016, but displayed an annual compound growth rate of 7.8% during the period between 2012 and 2016. The ratio of the insurance sector's total assets to non-oil GDP sector reached 3% for the same period. This percentage is still very modest, reflecting the small size of the sector compared to the banking sector, which has assets of 126% over the non-oil GDP sector.

On the other hand, the insurance density rate — average insurance spending per capita — downward by about 2.5% (SAR 29) down to SAR 127,1 (USD 300) per person in 2016, from of SAR 156,1 (USD 308) per person during the previous year. Compared with the mature insurance markets, the insurance penetration and density rates are considered low in the Saudi market, which shows that the insurance sector is still in the process of growth and has major future opportunities and possibilities that are unexploited until now.

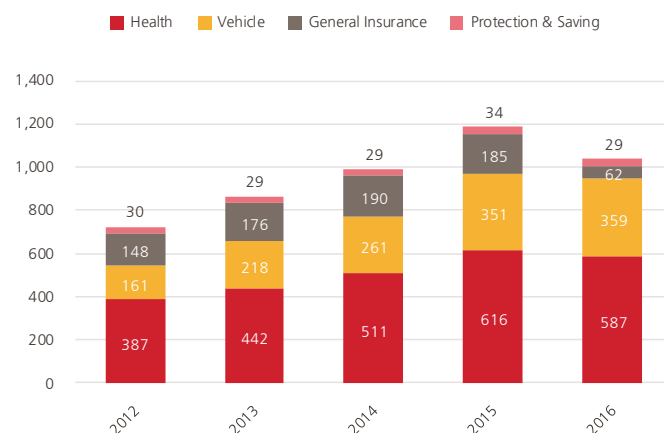
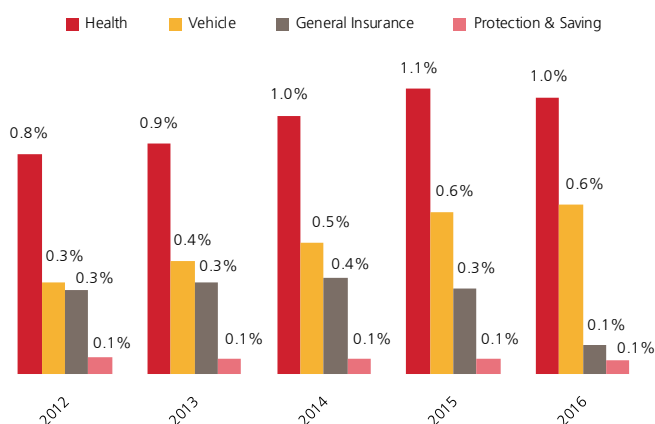
Insurance Sector Penetration to non-Oil GDP

Insurance Spending Per Capita (SAR)



Insurance Penetration Breakdown - 2016

Insurance Density Breakdown - 2016



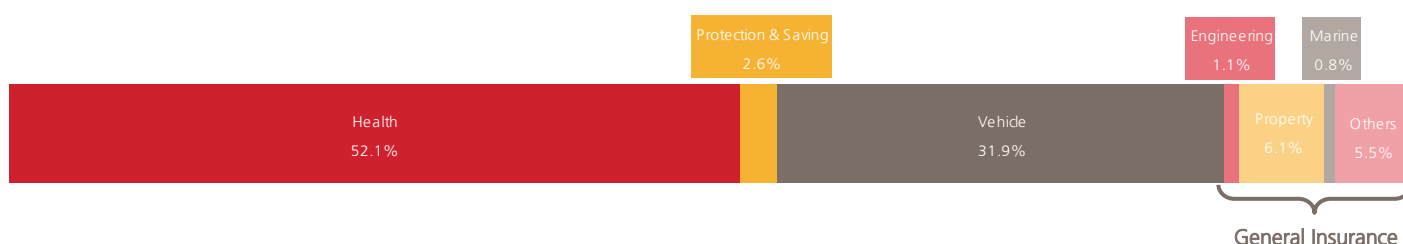
Saudi Insurance Sector

Health insurance continues to dominate the insurance sector

The health Insurance maintained its position as the largest insurance segment in the Saudi market — in spite of the decline in its market share to 1.2% in 2016 — as its market share stabilized at 52.1% of the overall gross premiums written in 2016, followed by the vehicle insurance by about 31.9%, then the general insurance with 13.4%. The protection & savings insurance came as the youngest major insurance segment, which formed 2.6% of the market share.

Because of the low awareness of insurance, the compulsory insurance lines — health and vehicle insurance — formed collectively 84% of the market, which clearly indicates that the insurance sector is in urgent need to further reform and development to reduce the risk of concentration as well as set policies that help to increase competition and encourage acquisition that achieve comparative advantages of the combined entities.

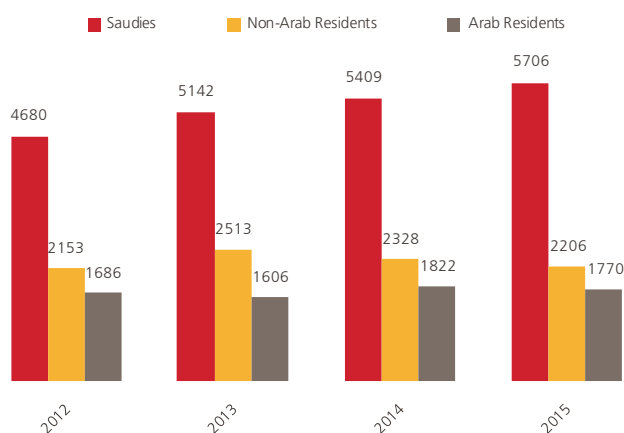
Segment Market Share Breakdown - 2016



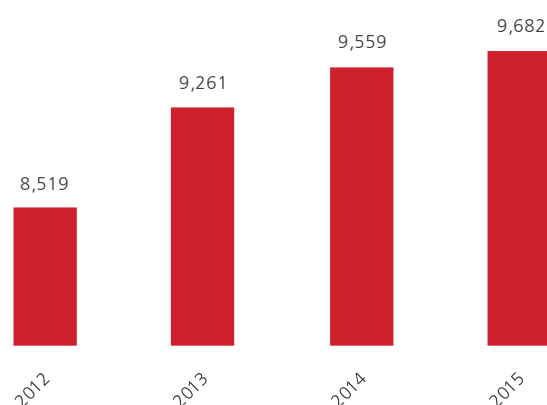
The expansion of insurance sector in providing new jobs

The number of employees has risen in the insurance activity to about 15,666 employees by the end of 2015, compared with about 14,330 employees in 2014, with 9,682 employees working for the insurance companies listed on the Saudi stock market, the number of Saudis reached 8,449 employees, forming 56% of the total number of employees in the insurance industry.

Employees Breakdown by Nationality



Total Number of Insurance Companies' Employees



Service providers

The insurance sector has 35 listed entities in the Saudi Stock Market, which operate at least in one of the three major insurance lines, namely: Health insurance, Protection & Savings insurance, and general Insurance which includes seven sub-activities, namely: Vehicle, Marine, Aviation, Energy, Engineering Insurance and the accidents and responsibilities insurance, property and fire insurance.

At the level of the three main insurance activities, there are twenty-seven companies that offer health insurance services. Twenty-eight companies provide general insurance, and eleven companies offer protection and savings insurance, in addition to 217 professional companies that support the insurance services.

Organizationally, the Saudi Arabian Monetary Agency (SAMA), is the full regulator of the sector, except the health insurance, which is jointly regulated with the Council of Cooperative Health Insurance. Moreover, the Capital Market Authority has the responsibility to ensure the commitment of all those companies with the regulations of the Stock Market system.

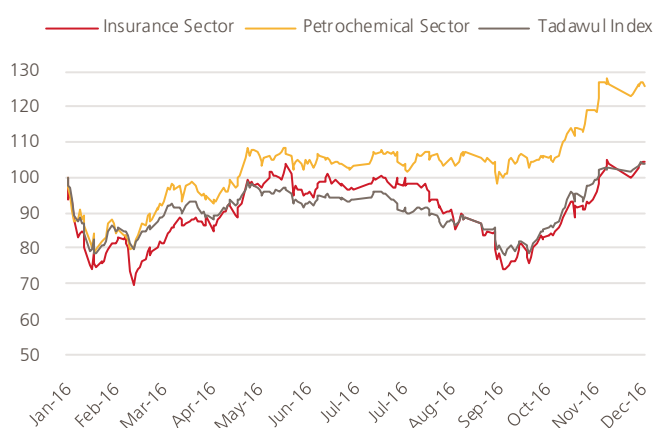
Saudi Insurance Sector

The insurance sector in the Saudi Stock Market

The Saudi stock market (TADAWUL) has witnessed several fluctuations during 2016, influenced by the global and local surrounding economic conditions, including the political situation in the region, the structural reforms of the local economy, and the decline in government spending, along with lower oil prices. Though, the general index of the Saudi Stock Exchange has ended the year rising by 4.3%, due to the increase in the petrochemical index by 25% from the lows recorded in January 2016, which was associated with a drop in oil prices to low levels before bouncing back by the end of the year.

The insurance sector index jumped 9.2% YoY at the end of 2016, where the shares of 14 companies have risen compared with 19 losing shares. The market value of the insurance sector has reached nearly SAR 43 billion, up to 7.5% over the previous year, which is equivalent to 2.55% of the total market value. In addition, the insurance sector was the most active within the market sectors in terms of the trading transaction with 6.3 million transactions, and it also came in the third place among the sectors in terms of the outstanding liquidity which, has reached SAR159 billion, equivalent to 13.8% of the total value of outstanding shares during the year. The number of outstanding shares for the insurance sector amounted to 9.6 billion shares, which represented 14% of the total number of outstanding shares during the year.

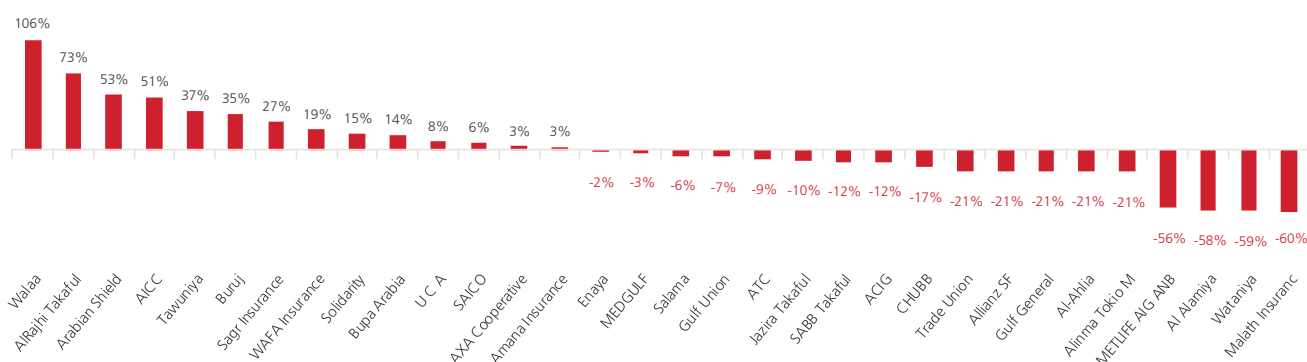
Improvement in economic conditions drive the stock market



Company Actions During 2016

Company	Old Share Capital (SAR million)	New Share Capital (SAR million)	Action Type
METLIFE AIG ANB	175	350	Right issue
Wataniya	100	200	Right issue
AICC	400	265	Capital reduction
Enaya	400	200	Capital reduction

Insurance Companies Performance - 2016



Value of Shares Traded - 2016 (SAR billion)



Saudi Insurance Sector

Insurance Sector Performance

The gross written premiums grew at a compound annual growth rate (CAGR) of 15.4% during the period 2012-2016. However, the growth decelerated for the first time in more than ten years in 2016 to a low level of 0.5% compared with 19.7% in the previous year. The deceleration is attributable to a decline in demand for health and general insurance segments, because of a slowing economy and reduced employment levels, where the gross written premiums in all segments of insurance reached SAR35.8 billion (USD9.54bn) compared with SAR35.6 billion (USD9.49bn) in 2015.

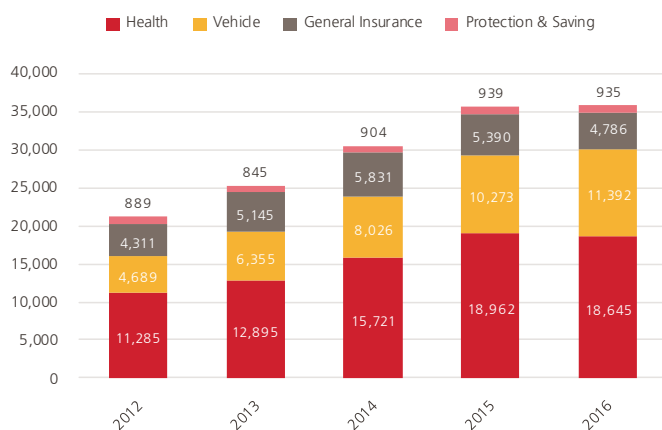
The health insurance fell 1.7%, to reach SAR18.6 billion, which represented 52.1% of the market, while the protection & savings insurance decreased slightly by 0.5%, reaching SAR935 million. The general insurance plummeted to SAR4.7 billion, down 11.2%. In contrast, the vehicle insurance rose sharply to SAR11.4 billion, up 11% over the previous year, despite the decline in the number of vehicle insurance policies.

High volume of claims raise the insurance risk

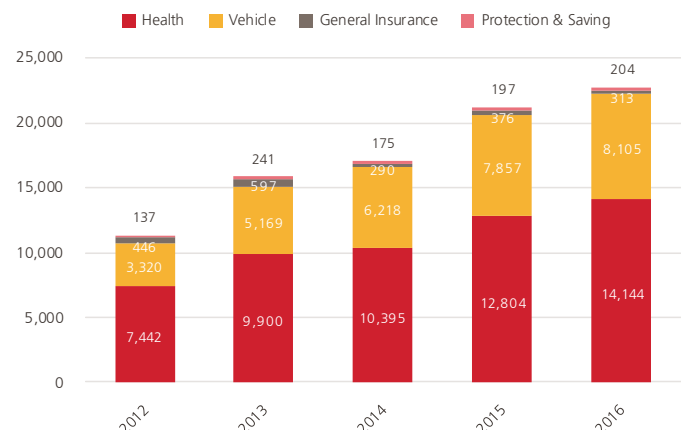
The insurance sector registered a 7.2% YoY increase in net claims incurred posting SAR22.8 billion (USD6.1bn) compared to SAR21.2 billion (USD5.7bn) in 2015, largely due to a major increase in health insurance claims, along with a swell in the claims cost of the service providers, as well as the rise in vehicle insurance claims, which affect the ability of insurance companies to take risks and obligations.

The claims of both health insurance and vehicle insurance formed 62% and 36%, respectively, of net claims incurred. Meanwhile, the general insurance has recorded a decrease in net claims incurred by 16.8% YoY; this percentage also reflects the significant decline in demand for general insurance activities during the year 2016.

Gross Written Premium Breakdown (SAR million)



Net Claims Incurred Breakdown (SAR million)



Segment	Gross Written Premium (SAR million)			Net Written Premium (SAR million)			Net Earned Premium (SAR million)			Net Claims Incurred (SAR million)			Retention Ratio		Loss Ratio		Market Share	
	2015	2016	Growth	2015	2016	Growth	2015	2016	Growth	2015	2016	Growth	2015	2016	2015	2016	2015	2016
Health	18,962	18,645	(%1.7)	18,177	18,089	(%0.5)	16,556	18,236	%10.1	12,804	14,144	%10.5	%95.9	%97.0	%77.3	%77.6	%53.3	%52.1
Vehicle	10,273	11,392	%10.9	9,387	9,959	%6.1	8,713	9,759	%12.0	7,857	8,105	%3.2	%91.4	%87.4	%90.2	%83.1	%28.9	%31.9
General Insurance	5,390	4,786	(%11.2)	1,142	1,077	(%5.7)	1,042	1,113	%6.9	376	313	(%16.8)	%21.2	%22.5	%36.1	%28.1	%15.2	%13.4
Protection & Savings	939	935	(%0.5)	485	483	(%0.4)	437	480	%9.8	197	204	%3.5	%0.0	%0.0	%45.1	%42.5	%2.6	%2.6
Total	35,564	35,758	%0.5	29,190	29,608	%1.4	26,748	29,587	%10.6	21,235	22,766	%7.2	%82.9	%83.6	%79.4	%76.9	%100	%100

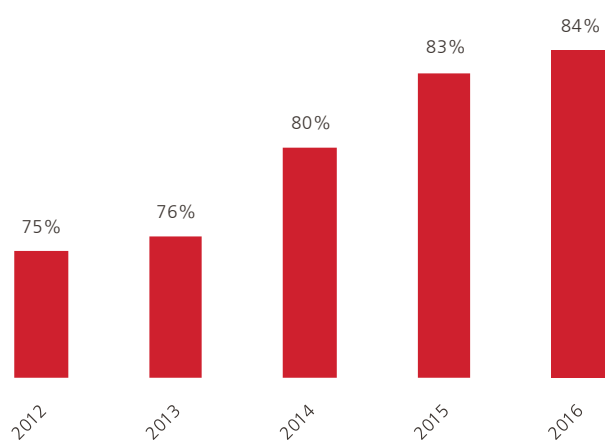
Saudi Insurance Sector

Retention rate ... reduce dependence on reinsurance market

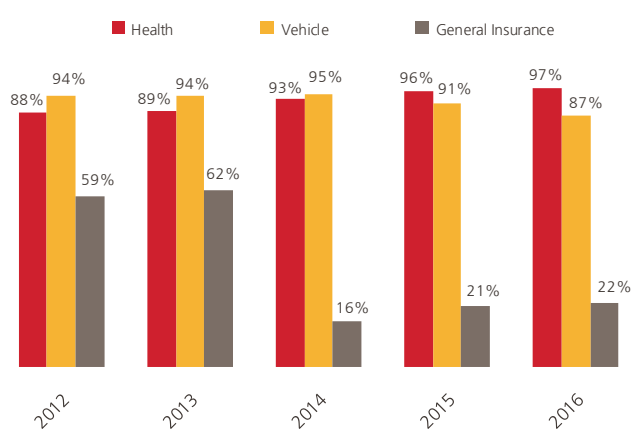
The retention ratio grew slightly to 83.6% in 2016 versus 82.9% in 2015. This has led by the high retention ratio of both health and general insurance segments. Despite this increase is compatible with the improvement in the financial solvency margins, it may indicate to an increased risk on the other side, because the insurance companies handle alone most of the market risk, which affects its capacity and the pressure on the provided service to the customer, and could threaten the loss of confidence in the sector in the case of non-compliance by companies to meet requirements, especially after suspending several companies by SAMA from issuing new insurance policies as a result of failure to adhere to standards and requirements.

With regard to the sector, the retention ratio has shown a wide variation. The general insurance sector registered a low retention ratio of 22.5%. In contrast, health and vehicle insurance sectors have recorded high retention levels amounting to 97% and 87.4%, respectively. This is due to the refused of some reinsurers for this type of insurance as a result of its high claims rate contrary to other types of insurance.

Retention Ratio



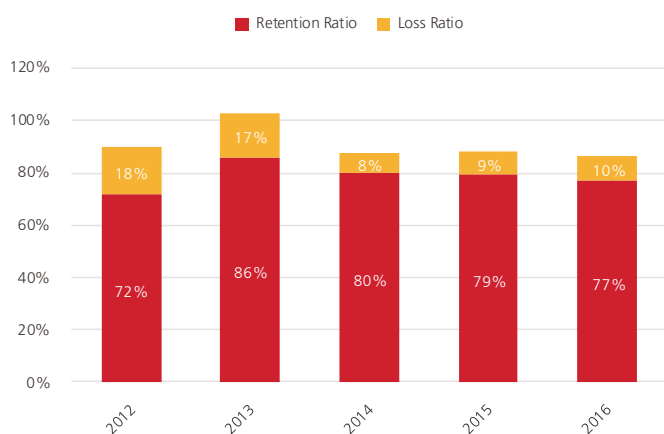
Retention Ratio Breakdown



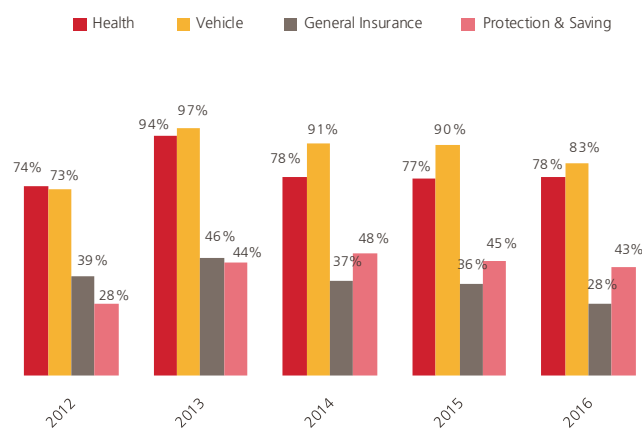
Improved profitability of the sector due to lower claims rate

The loss ratio refers to the carried losses by an insurance company in the form of claims. In 2016, the overall claims of the insurance sector declined positively by 2.4% to 76.9% compared with 79.4% in the previous year. Mainly due to the significant decline in claims rate for vehicle and general insurance as a result of the growth in premiums earned at a faster pace than the growth of net claims incurred. On the other hand, the expenses ratio rose slightly over the previous year, but remained less than 10%, reflecting an improvement in the profitability and efficiency of operation activities in insurance companies.

Loss & Expenses Ratios



Claims Ratio Breakdown



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Improving the margins of financial solvency refers to ability of companies to overcome difficulties

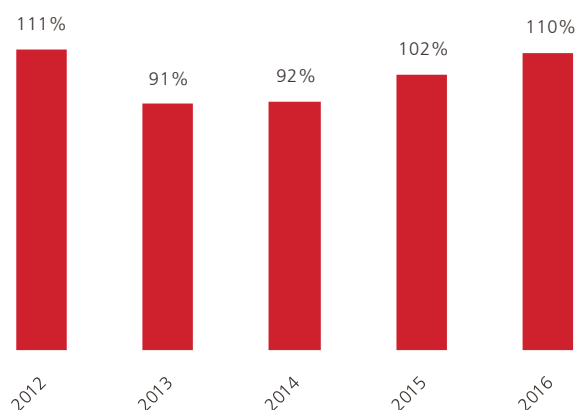
The financial solvency margins of the insurance companies have stabilized at higher level of the required margin for the second consecutive year, up to 110%, indicating a recovery in the sector from the negative results in 2013. The companies could finance the required financial solvency by internal sources, supported by cash flow from operations and high levels of liquidity, in addition to raising capital through the stock market. However, some companies may face difficulties in meeting the financial solvency requirements, as 5 companies recorded a net loss during 2016, and there are 19 companies that had accumulated losses.

Although the insurance sector is still preferred to raise the capital instead of mergers to support financial solvency, however, the merger and acquisition option provides ideal strategic solutions for insurance companies to overcome financial problems and establish strong entities that able to compete and make a profit, especially if the two companies have comparative advantages that differ from each other.

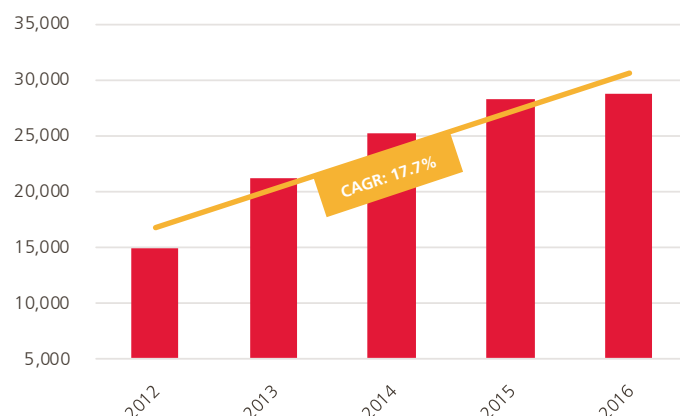
Growing technical reserves, increases the durability and resistance of the sector to insurance risk

The insurance sector recorded a significant increase in the technical reserves with a compound annual growth rate of 17.7% during the period between 2012 and 2016, to reach SAR28.7 billion in 2016. These reserves represented 74% of the total liabilities, and 126% of net claims incurred. Similarly, the statutory reserves amounted to 93% of the total shareholders' liabilities and 16% of the share capital in 2016, which reflects the existence of adequate provisions for insurance companies against losses.

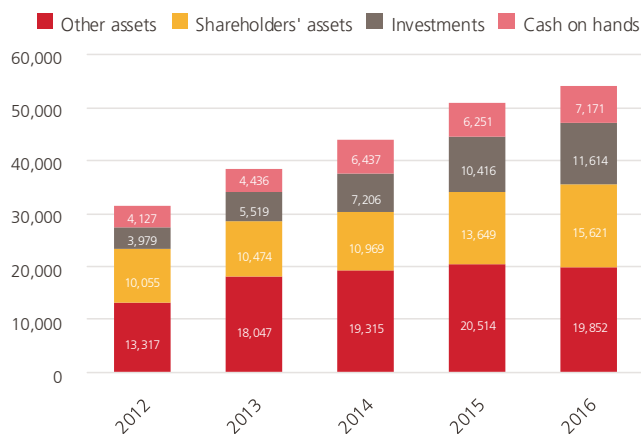
Financial Solvency Margins



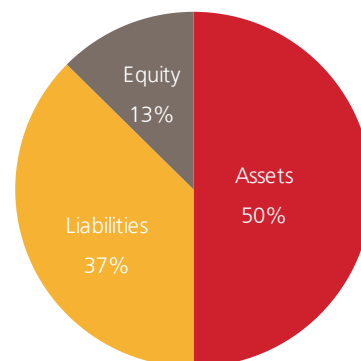
Technical Reserves growth (SAR million)



Aggregate Total Assets - Breakdown



Balance Sheet - Breakdown - 2016



Consolidated Financial Statements*

Balance Sheet

(SAR million)	2012	2013	2014	2015	2016
Policyholders' assets					
Cash & cash equivalents	4,127	4,436	6,437	6,251	7,171
Investments	3,989	5,529	7,215	10,426	11,624
Receivables, net	5,824	6,032	6,449	7,524	7,702
Reinsurers' share	3,176	5,542	6,439	5,507	5,648
Other assets	4,308	6,463	6,417	7,472	6,492
Total policyholders' assets	21,423	28,002	32,957	37,181	38,637
Shareholders assets					
Cash and cash equivalents	3,852	4,211	3,621	4,325	5,311
Investments	4,674	5,013	5,884	7,787	7,605
Other assets	1,529	1,250	1,463	1,537	2,705
Total Shareholders' assets	10,055	10,474	10,969	13,649	15,621
Total assets	31,478	38,476	43,925	50,830	54,258
Policyholders' (PH) liabilities					
Gross outstanding claims	5,920	10,353	11,976	12,418	13,281
Gross unearned premiums	9,022	10,842	13,329	15,868	15,440
Other liabilities	6,482	6,807	7,652	8,896	9,916
Total policyholders' liabilities	21,423	28,002	32,957	37,181	38,637
Shareholders' (SH) liabilities and equity					
Shareholders' liabilities	1,083	2,255	1,777	2,058	1,972
Share capital	7,632	8,587	8,982	11,417	11,357
Total reserves and others	1,340	(367)	210	174	2,292
Total shareholders' liabilities and equity	10,055	10,474	10,969	13,649	15,621
Total PH liabilities and SH liabilities & equity	31,478	38,476	43,925	50,830	54,258

Income Statement

(SAR million)	2012	2013	2014	2015	2016
Gross premiums written	20,169	24,047	29,723	35,564	35,758
Net premiums written	15,075	18,079	23,477	29,190	29,608
Net premiums earned	14,013	16,900	21,213	26,748	29,587
Gain (loss) on investments	191	374	328	408	637
Gross claims paid	13,156	16,429	20,028	24,313	25,098
Net claims incurred	10,756	15,347	16,973	21,235	22,766
Surplus (deficit) from insurance operations	730	(1,164)	736	1,069	2,542
Shareholder's appropriation from surplus (deficit)	621	(1,300)	610	892	2,265
Net income (loss) for the period	575	(1,202)	783	842	2,139

* For 32 companies based on the research scope.

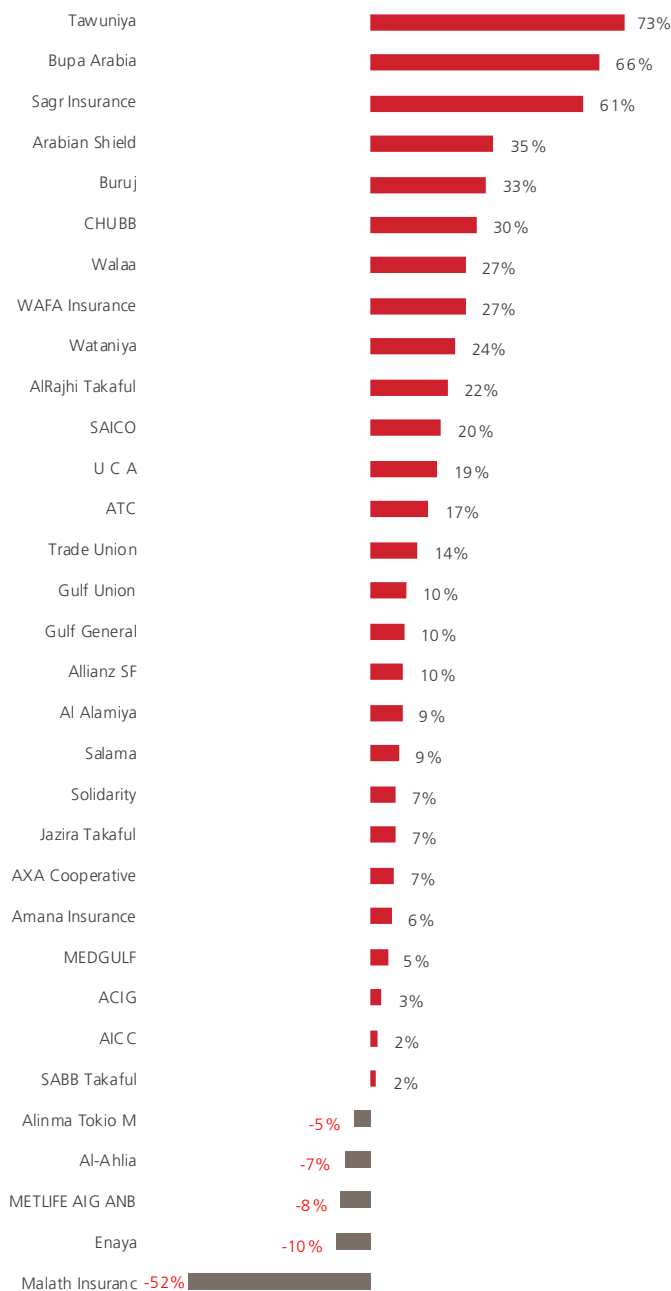
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Market Profitability

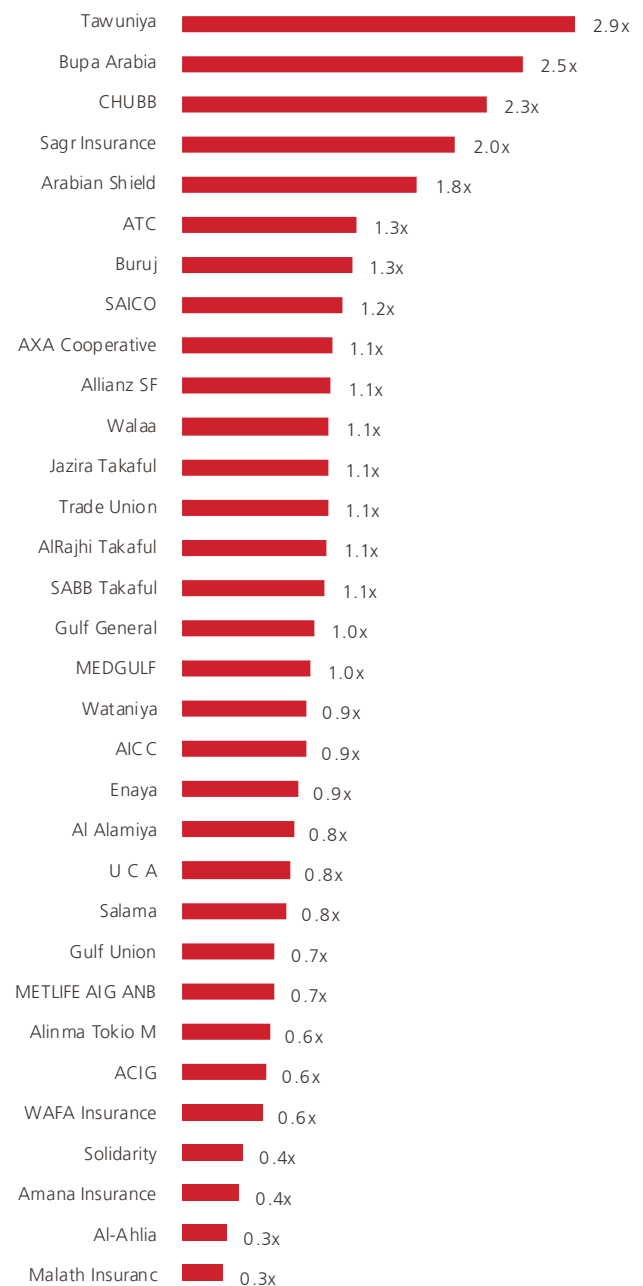
Consolidated profits of the insurers have witnessed robust growth of 154%, amounting to SAR 2,139 million in 2016 compared to SAR 842 million in 2015, mainly driven by the operation activities. This is due to improvement in the claims ratio and increase income from investments. However, there is still a large variation with regard to an individual performance of insurance companies, as Al Tawuniya and Bupa Arabia (the largest two companies) together possessed 58% of the sector's net profits. The return on assets (ROA) has improved to 4.1% versus 1.8% in the prior-year. Also, the return on equity has increased sharply to 16.9% compared with 8.1% in the previous year.

In general, twenty-seven insurers achieved a positive return on capital, meanwhile five recorded negative returns. Similarly, the equity to capital ratio for seventeen companies stood above 1, while fifteen companies were less than 1 in the same ratio, implying that about half of insurance companies have been eroded part of their capital.

Return on Capital - 2016



Equity to Capital Ratio - 2016



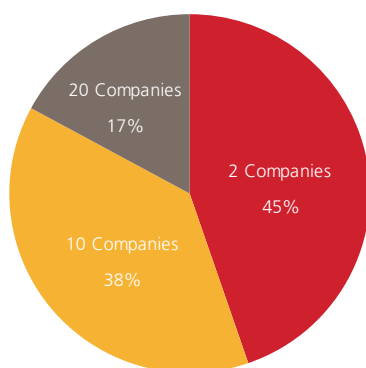
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Market Structure

The insurance sector is still remarkably concentrated, as two companies seized 45% of the market. Tawuniya and Bupa Arabia hold market share of 22.5% and 22.2% respectively.

The high degree of concentration in the insurance market indicates a weak competition among insurance companies. Therefore, the insurance sector is in urgent need to further reform and development to reduce the risk of concentration, as well as setting policies that may help increase competition, and encourage acquisition, which achieve comparative advantages of the combined entities.

Market Share Concentration - 2016



Insurance Sector (SAR million)

	2015	2016	Growth
Gross Written Premium	35,564	35,758	%0.5
Net Written Premium	29,190	29,608	%1.4
Net Earned Premium	26,748	29,587	%10.6
Net Claims Insured	21,235	22,766	%7.2
Retention Ratio	%82.9	%83.6	%0.7
Claims Ratio	%79.4	%76.9	(%2.4)

	Total Market Share	2015	2016
1 Tawuniya		%21.2	%22.5
2 Bupa Arabia		%20.6	%22.2
3 MEDGULF		%11.3	%8.9
4 Malath Insuranc		%5.2	%6.1
5 AlRajhi Takaful		%3.8	%5.4
6 AXA Cooperative		%3.2	%3.2
7 Walaa		%2.1	%2.8
8 Trade Union		%2.4	%2.7
9 Allianz SF		%2.3	%2.3
10 U C A		%3.6	%2.3
11 SAICO		%2.5	%2.2
12 Arabian Shield		%1.5	%2.1
13 Salama		%1.1	%1.6
14 WAFA Insurance		%1.5	%1.5
15 ACIG		%1.5	%1.4
16 Wataniya		%1.5	%1.4
17 Buruj		%1.3	%1.2
18 AICC		%1.8	%1.2
19 ATC		%1.0	%1.0
20 Alinma Tokio M		%0.6	%0.9
21 Al Alamiya		%1.1	%0.9
22 Gulf Union		%0.6	%0.8
23 Solidarity		%0.9	%0.7
24 Gulf General		%1.0	%0.7
25 CHUBB		%0.8	%0.6
26 METLIFE AIG ANB		%0.4	%0.6
27 SABB Takaful		%0.6	%0.5
28 Sagr Insurance		%2.4	%0.5
29 Amana Insurance		%1.2	%0.5
30 Al-Ahlia		%0.7	%0.5
31 Enaya		%0.2	%0.4
32 Jazira Takaful		%0.2	%0.2

Saudi Insurance Sector

Health Insurance

The health insurance sector has witnessed a remarkable growth during the last five years, as a result of the constant growth in the gross written premiums. Therefore, the health insurance sector expanded at a compound annual growth rate of 13.4% during the period from 2012 to 2016. The driver behind this growth is the compulsory health insurance systems as well as the expansion of the beneficiaries' class. The health insurance captured 52% of the total market size.

A regression of the insurance policies has reflected on the insurance premiums

In 2016, the health insurance sector has scored a slight reduction in gross written premiums by 1.7%, making SAR18.6 billion in 2016. This regression corresponded with the decline in the number of insurance policies to 2.6 million policies during 2016, compared with 3.2 policies in 2015. While the net earned premium jumped 10% to reach SAR18.2 billion, due to low reliance on the reinsurance market. Meantime, net claims incurred grew 10.5% to SAR 14.1% compared to SAR12.8 billion in 2015.

The largest companies continue to dominate the health insurance sector

Health insurance sector consisted of 27 listed companies at the end of 2016. However, Bupa Arabia, Tawuniya and Medgulf have continued to dominate the health insurance sector, as they together seized 82% of the health insurance market, while six other companies possessed 9% of the market, and 17 companies shared the remaining 8% of the market (with less than 1% for each company) which indicates that most insurance companies are unable to compete with the big three companies.

Compulsory Health Insurance

The Health Insurance Council is considered as the main driver of the increasing demand for health insurance activities. It began enforcing the compulsory health insurance system for non-Saudi workers in the private sector in late 2006, then on Saudi employees in the private sector in 2010. Two years ago, the council enforced about the compulsory health insurance for all the families of residents who are working in the private sector.

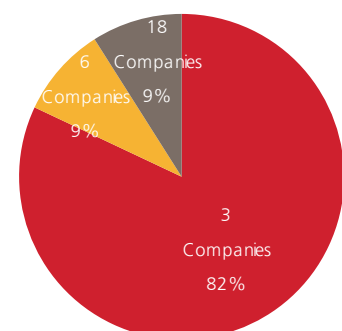
In addition, the Council has applied the compulsory health insurance at the end of 2015 for the visitors of the kingdom, excluding, the pilgrims, international organizations, diplomats and guests of the Kingdom. The number of the target visitors is about 1.6 million annually. All these contributed to increase the demand for health insurance services considerably.

Health Insurance Market Share		2015	2016
1	Bupa Arabia	38.6%	42.6%
2	Tawuniya	25.9%	28.1%
3	MEDGULF	14.8%	12.2%
4	SAICO	1.8%	1.7%
5	AXA Cooperative	1.9%	1.7%
6	Arabian Shield	1.1%	1.5%
7	Trade Union	0.3%	1.5%
8	AlRajhi Takaful	1.1%	1.2%
9	ACIG	0.9%	1.0%
10	Solidarity	0.7%	0.9%
11	AICC	1.3%	0.8%
12	Walaa	0.4%	0.8%
13	Buruj	0.5%	0.8%
14	Enaya	0.4%	0.7%
15	METLIFE AIG ANB	0.5%	0.7%
16	Allianz SF	0.5%	0.7%
17	Malath Insuranc	0.5%	0.5%
18	WAFA Insurance	1.1%	0.5%
19	Sagr Insurance	4.0%	0.4%
20	Amana Insurance	1.9%	0.4%
21	U C A	0.7%	0.4%
22	Gulf Union	0.2%	0.3%
23	Al-Ahlia	0.4%	0.3%
24	Gulf General	0.4%	0.2%
25	Salama	0.2%	0.2%
26	Alinma Tokio M	0.0%	0.0%
27	Al Alamiya	0.0%	0.0%

Health Insurance (SAR million)

	2015	2016	Growth
Gross Written Premium	18,962	18,645	(%1.7)
Net Written Premium	18,177	18,089	(%0.5)
Net Earned Primium	16,556	18,236	%10.1
Net Claims Insurred	12,804	14,144	%10.5
Retention Ratio	%95.9	%97.0	%1.2
Claims Ratio	%77.3	%77.6	%0.2

Health Insurance Companies Market Share - 2016



Saudi Insurance Sector

A significant increase in the number of insured

The number of insured in health insurance has risen to 12.1 million at the end of 2016. The number of Saudis insured reached about 2.7 million, representing 22% of the total insured number, while the number of foreigners hit nearly 9.4 million residents, or 78% of the total of the insured. Thus, 38% of the total population in the Kingdom had entered under the health insurance coverage.

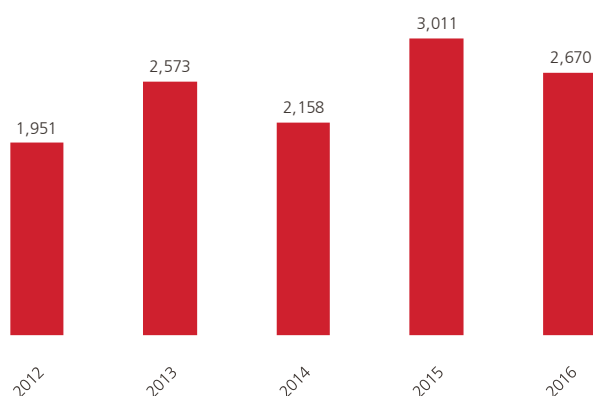
In addition, the population in the Kingdom rose to approximately 30.1 million at the end of 2016, up 3% from the previous year. Therefore, the Saudis who are under the medical insurance coverage represents just about 8.9% of the population in the kingdom.

Health providers

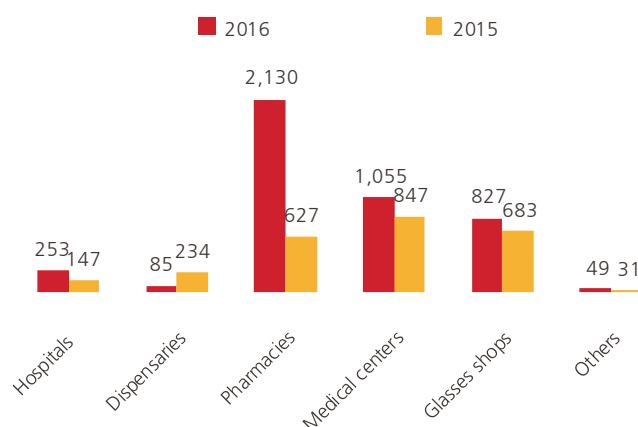
The number of accredited health providers, according to the Health Insurance Council, has reached 4,399 providers at the end of 2016. The regions of Riyadh, Eastern and Mecca collectively, seized 76.5% of the total number of accredited health care providers. The number of doctors also in all service providers reached around 40,303 doctors.

It should be noted that, according to the National Transformation Programme 2020, the Ministry of Health aims to expand the privatization of the government health services, which represents a potential opportunity for insurance companies. Therefore, it is likely to lead to the expansion of the insurance coverage, as well as improve the performance and effectiveness of health services provided to beneficiaries, thus increasing the demand for health insurance.

Number of Health Insurance Policies ('000)



Accredited Health Providers



Saudi Insurance Sector

Vehicle Insurance

The vehicle insurance sector expanded significantly over recent years, with an compound annual growth rate of 25% during the period from 2012-2016, posting SAR11.4 billion in 2016. The vehicle insurance is one of the largest activities at the level of general insurance segment, and the second after the health insurance represented 32% of overall GWP.

Insurance Premiums

The vehicle insurance sector registered strong growth in overall gross written premiums, about 11% from the previous year, reaching SAR11.4 billion at the end of 2016 versus SAR10.2 billion in 2015. The net earned premiums jumped 12% to reach SAR9.8 billion. In contrast, the net claims incurred increased at a slower pace than the growth in earned premiums, which contributed to a significant decline in the loss ratio to be 83% instead of 90% in 2015.

Moderate Competition

The vehicle insurance sector is characterized by a medium degree of concentration. Within 27 companies in this segment, the top three companies (Malath insurance, Al Rajhi Takaful and Al Tawuniya) seized 44% of the market. These companies were able to increase its market shares significantly above their levels in 2015. While, 12 companies collectively accounted for 46% of the market size, and 12 other companies shared the remaining 10% of the market, with shares less than 2% for each company.

On the other hand, the major change in the market shares in the sector was the soaring contribution of Al Rajhi Takaful by 4.3%, in addition to the drop in United Cooperative Company share by about 3.4% of its level in 2015.

Decline in auto sales in the Kingdom

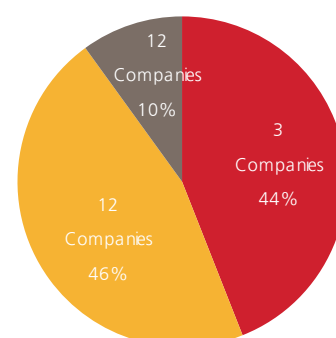
The number of registered vehicles represents the primary driver of demand for vehicle insurance. The Saudi market is one of the twenty largest auto market in the world and is also considered the largest among the Gulf markets. During the year 2016, the number of new registered vehicles has decreased for the first time since 2009, by 18.4%. It is mainly due to the recent economic conditions and the cancellation of some allowances, bonuses, and financial benefits for workers in the country. Furthermore, the passenger automobiles possessed the largest share of new vehicle sales in the Kingdom, with estimated sales of 548,900 vehicles, while the estimates for sales of commercial vehicles near 128,300 vehicles during 2016.

	Vehicle Insurance Market Share	2015	2016
1	Malath Insuranc	15.4%	16.7%
2	AlRajhi Takaful	9.6%	13.9%
3	Tawuniya	12.6%	13.3%
4	AXA Cooperative	5.3%	5.7%
5	Walaa	4.1%	5.0%
6	Trade Union	6.0%	5.0%
7	MEDGULF	6.5%	4.7%
8	Salama	3.3%	4.6%
9	U C A	7.7%	4.3%
10	WAFA Insurance	2.8%	3.7%
11	Arabian Shield	2.1%	3.2%
12	Allianz SF	1.9%	2.6%
13	ACIG	3.1%	2.4%
14	Wataniya	2.5%	2.3%
15	Buruj	2.8%	2.1%
16	SAICO	2.6%	1.9%
17	AICC	2.6%	1.6%
18	Alinma Tokio M	0.8%	1.5%
19	Gulf Union	0.8%	1.1%
20	Gulf General	1.4%	1.1%
21	Al Alamiya	1.6%	0.7%
22	CHUBB	0.7%	0.6%
23	Amana Insurance	0.5%	0.6%
24	Al-Ahlia	1.5%	0.6%
25	Sagr Insurance	0.6%	0.4%
26	Solidarity	1.0%	0.3%
27	METLIFE AIG ANB	0.0%	0.1%

Vehicle Insurance (SAR million)

	2015	2016	Growth
Gross Written Premium	10,273	11,392	%10.9
Net Written Premium	9,387	9,959	%6.1
Net Earned Primium	8,713	9,759	%12.0
Net Claims Insurred	7,857	8,105	%3.2
Retention Ratio	%91.4	%87.4	(%4.0)
Claims Ratio	%90.2	%83.1	(%7.1)

Vehicle Insurance Companies Market Share - 2016



Saudi Insurance Sector

SAMA sets new price guidance

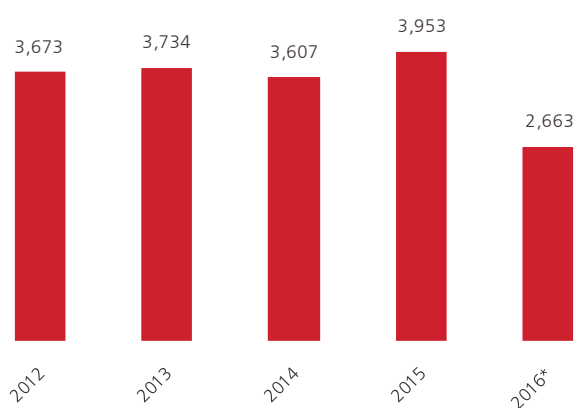
In last December, the Saudi Arabian Monetary Agency (SAMA) approved the guidance of new regulations included forcing the insurance companies to provide discounts to the owners who have an empty register of claims when pricing the compulsory insurance policies as well as the comprehensive insurance for individuals. The offered discount depends on the number of years of the insured record without any claims, and up to 30% of the new price in the absence of claims for three years.

In addition, the instructions included the possibility of providing additional discount by the companies as an estimate of loyalty to the company, by up to 10% of the new price of insurance policies, in the case of the renewal of the insurance policies by the insured immediately when it will end. It is expected that these measures contribute to encourage competition among insurance companies and improve the offered services because the automobiles insurance policies are uniform and homogeneous greatly.

Natural catastrophes: an additional burden on companies

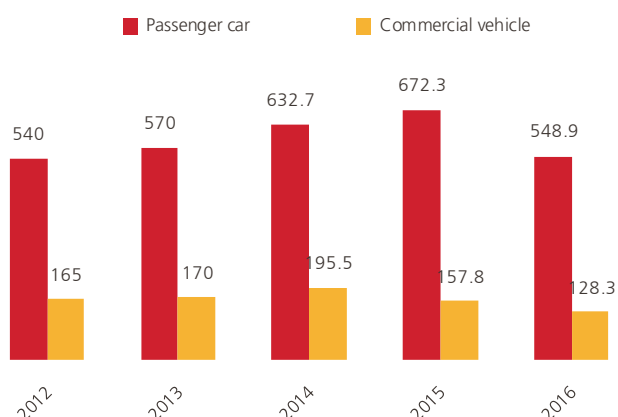
Some insurance companies provide coverage for vehicles against natural catastrophes as floods and storms for companies and individuals who have a comprehensive insurance; therefore, the profit margin of these companies depends in part on the frequency and severity of these unexpected events. In previous years, the insurance sector suffered from significant losses due to the rains and floods. As a result of the increase in its recurrence rate in recent times, it is expected that the vehicle insurance companies will set additional allocations as a precaution against losses caused by natural catastrophes in the future.

Number of Vehicle Insurance Policies ('000)



* For the 9M period ending September, 30 2016.

New Vehicle Registrations ('000)



Saudi Insurance Sector

General Insurance

The general insurance sector grew slightly over the last five years, with a compound annual growth rate of 2.45% from 2012-2016. Broadly, general insurance includes seven sub-activities, namely: Vehicle, Marine, Aviation, Energy, Engineering Insurance and the accidents and responsibilities insurance, property and fire insurance.

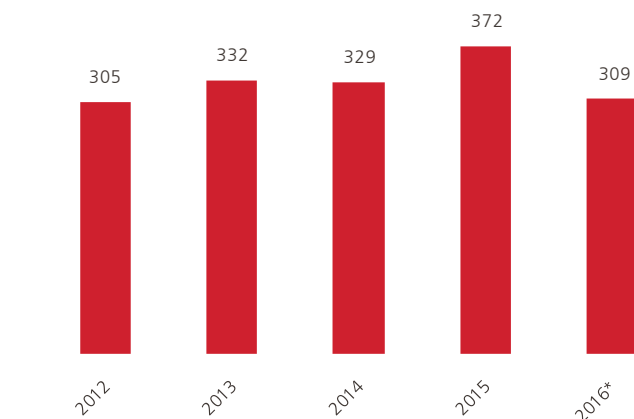
Insurance Premiums

In 2016, gross written premiums slumped 11.2% YoY to SAR 4.7 billion, which was the worst decline witnessed in any insurance segment during the year. However, net premiums earned heightened by 9.8% to reach SAR 480 million. Net claims incurred increased 3.5% YoY to SAR 204 million.

Market Structure

Concentration in this segment is high. Among twenty-eight companies provide general insurance, Tawuniya captured about 27% of the market, while ten companies together accounted for 50%, and seventeen companies collectively shared the remaining 23% of the general insurance market share.

Number of General Insurance Policies ('000)



* For the 9M period ending September, 30 2016.

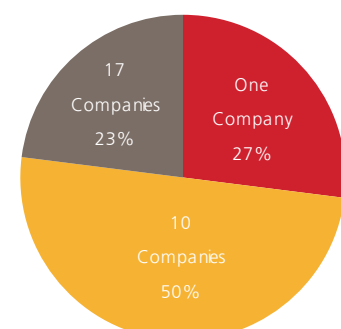
General Insurance Market Share

		2015	2016
1	Tawuniya	24.8%	27.4%
2	MEDGULF	9.7%	8.3%
3	Walaa	4.9%	6.2%
4	SAICO	5.0%	5.5%
5	Allianz SF	6.1%	5.5%
6	U C A	6.6%	5.5%
7	Al Alamiya	3.9%	4.4%
8	Wataniya	4.3%	4.4%
9	Malath Insuranc	3.5%	3.6%
10	AXA Cooperative	3.9%	3.5%
11	CHUBB	3.6%	3.0%
12	AlRajhi Takaful	2.7%	2.5%
13	Alinma Tokio M	2.1%	2.4%
14	Trade Union	3.0%	2.4%
15	Arabian Shield	1.9%	2.4%
16	Gulf General	2.6%	2.1%
17	Gulf Union	2.1%	1.9%
18	AICC	2.6%	1.7%
19	Buruj	1.1%	1.1%
20	WAFA Insurance	0.6%	1.0%
21	ACIG	1.0%	0.9%
22	Sagr Insurance	1.0%	0.9%
23	METLIFE AIG ANB	0.7%	0.9%
24	Al-Ahlia	0.7%	0.8%
25	SABB Takaful	0.5%	0.6%
26	Amana Insurance	0.2%	0.4%
27	Salama	0.4%	0.4%
28	Solidarity	0.4%	0.4%

General Insurance (SAR million)

	2015	2016	Growth
Gross Written Premium	5,390	4,786	(%11.2)
Net Written Premium	1,142	1,077	(%5.7)
Net Earned Premium	1,042	1,113	%6.9
Net Claims Incurred	376	313	(%16.8)
Retention Ratio	%21.2	%22.5	%1.3
Claims Ratio	%36.1	%28.1	(%8.0)

General Insurance Companies Market Share - 2016



Saudi Insurance Sector

Protection & Savings Insurance

The share of protection and savings insurance is the lowest among all other insurance segments, which represents just 2.7% of overall gross written premiums. The decrease in the market share for the protection and savings insurance is attributed to several factors including, the modernity of the Saudi insurance sector, low of savings culture, in addition to religious considerations of many categories of the community towards the protection and savings products as illegal.

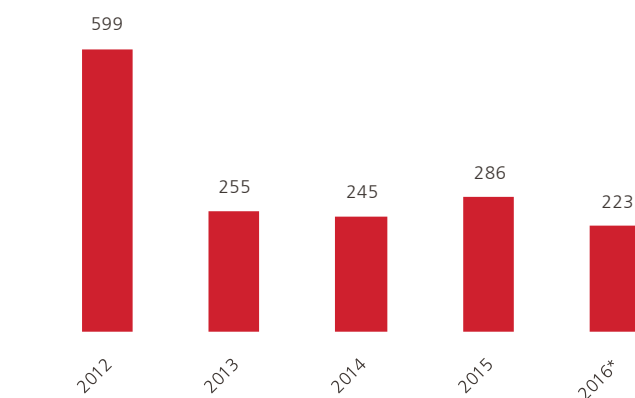
Insurance Premiums

Gross premiums written for this segment decreased slightly by 0.5% YoY to SAR 935 million in 2016. However, net premiums earned heightened by 9.8% to reach SAR 480 million. Net claims incurred increased 3.5% YoY to SAR 204 million.

Market Structure

This segment is consisted of 11 insurers. The top three companies held over 72% of the overall market, versus 28% for the rest of the protection and savings insurance companies. Furthermore, the largest change has occurred in the market share was the drop of Allianz SF by about 2.2%. On the other hand, the companies in this sector are characterized by specialization in specific products. Furthermore, the companies of this sector are not often working on other insurance activities.

Number of Protection & Savings Insurance Policies ('000)



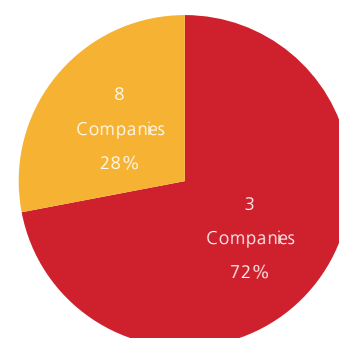
* For the 9M period ending September, 30 2016.

Protection & Savings Insurance (SAR million)

	2015	2016	Growth
Gross Written Premium	939	935	(%0.5)
Net Written Premium	485	483	(%0.4)
Net Earned Premium	437	480	%9.8
Net Claims Insured	197	204	%3.5
Claims Ratio	%45.1	%42.5	(%2.6)

	Market Share	2015	2016
1	ATC	38.4%	38.1%
2	SABB Takaful	18.4%	17.7%
3	Allianz SF	18.2%	16.0%
4	Jazira Takaful	7.6%	8.1%
5	Wataniya	3.1%	4.2%
6	Solidarity	3.8%	3.8%
7	AlRajhi Takaful	1.3%	3.0%
8	Alinma Tokio M	2.4%	2.9%
9	METLIFE AIG ANB	1.8%	2.6%
10	AXA Cooperative	2.6%	2.2%
11	Al Alamiya	2.3%	1.4%

P&S Insurance Companies Market Share - 2016



Concentration of Insurance Segments per Company

Concentration of Insurance Segments per Company

Company	Health Insurance	Vehicle Insurance	General Insurance	Protection & Savings	Total
Health Insurance					
Bupa Arabia	100%	0%	0%	0%	100%
Enaya	100%	0%	0%	0%	100%
MEDGULF	71%	17%	12%	0%	100%
Solidarity	67%	13%	7%	13%	100%
Tawuniya	65%	19%	16%	0%	100%
METLIFE AIG ANB	61%	7%	21%	12%	100%
Vehicle Insurance					
Salama	5%	92%	3%	0%	100%
Malath Insuranc	4%	88%	8%	0%	100%
AlRajhi Takaful	11%	81%	6%	1%	100%
WAFA Insurance	16%	76%	8%	0%	100%
U C A	8%	60%	32%	0%	100%
Trade Union	29%	59%	12%	0%	100%
Walaa	15%	56%	29%	0%	100%
AXA Cooperative	28%	56%	15%	2%	100%
ACIG	37%	55%	9%	0%	100%
Buruj	34%	55%	12%	0%	100%
Alinma Tokio M	2%	54%	36%	8%	100%
Wataniya	0%	51%	41%	8%	100%
General Insurance					
Al Alamiya	1%	27%	68%	4%	100%
CHUBB	0%	34%	66%	0%	100%
Protection & Savings					
Jazira Takaful	0%	0%	0%	100%	100%
ATC	0%	0%	0%	100%	100%
SABB Takaful	0%	0%	15%	85%	100%
Multi Insurance					
Gulf General	12%	48%	40%	0%	100%
SAICO	40%	27%	33%	0%	100%
Gulf Union	21%	46%	32%	0%	100%
Allianz SF	15%	36%	32%	18%	100%
Sagr Insurance	48%	28%	25%	0%	100%
Al-Ahlia	35%	42%	23%	0%	100%
AICC	37%	43%	20%	0%	100%
Arabian Shield	37%	48%	15%	0%	100%
Amana Insurance	47%	42%	11%	0%	100%

Saudi Insurance Sector

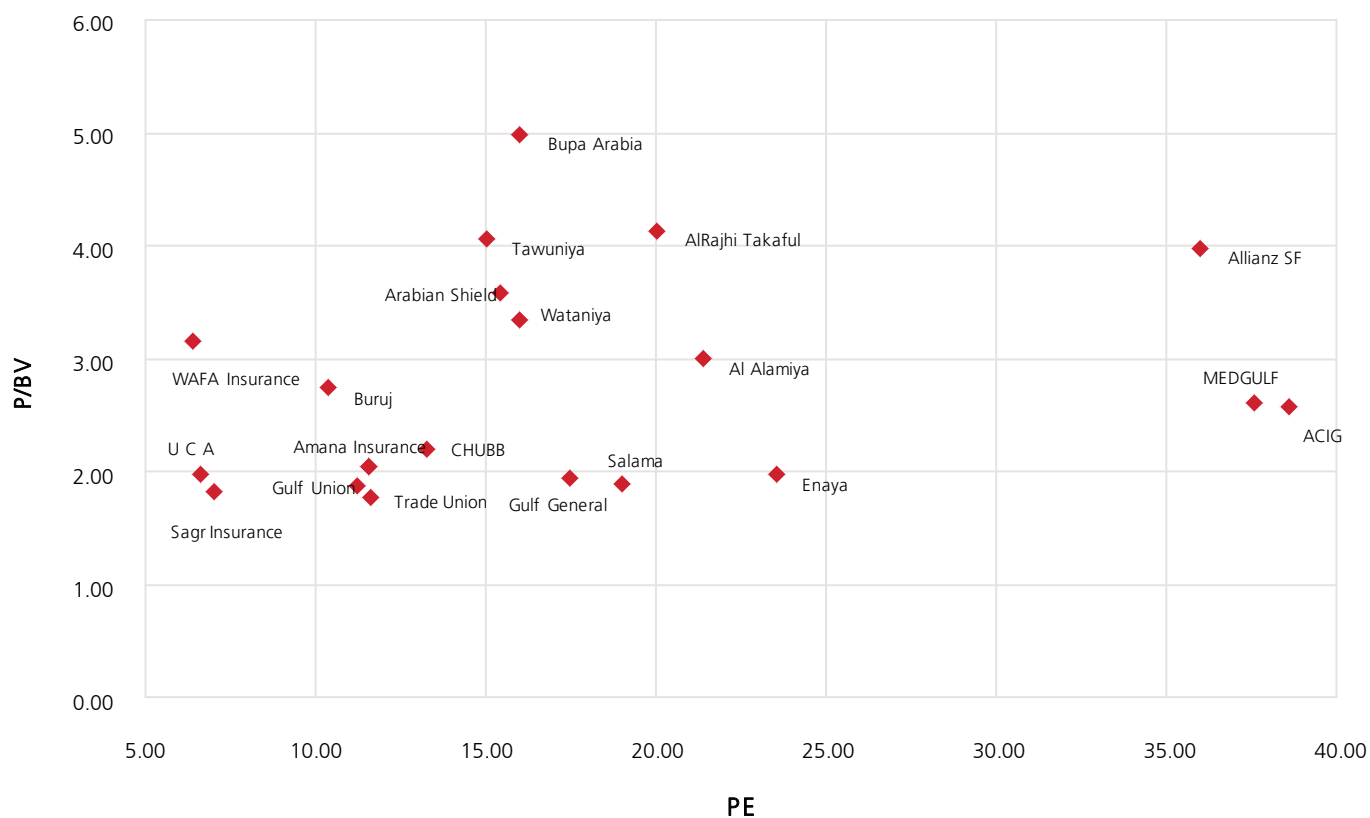
Financial Indicators

Financial Indicators

Company	Closing Price (March 9, 2016) (SAR)	Issued Shares (Million)	Free Floating Shares (Million)	Net Income 2016 (Million)	Shareholders Equity (Million)	Market Cap. (SAR mn)	Earning Per Share (SAR)	Price to Equity	Price to Book Value
Tawuniya	118.80	100	53	786.63	2921.9	11880.0	7.87	15.10	4.06
METLIFE AIG ANB	23.14	35	11	(21.86)	237.1	809.9	(0.63)	N	3.41
Jazira Takaful	29.43	35	11	25.92	378.9	1030.1	0.74	39.74	2.71
Malath Insuranc	8.39	30	30	(156.17)	89.4	251.7	(5.21)	N	2.81
MEDGULF	24.64	100	37	66.11	952.5	2464.0	0.66	37.27	2.58
Allianz SF	43.09	20	7	24.43	221.4	861.8	1.22	35.28	3.89
Salama	14.73	25	18	21.30	193.2	368.3	0.85	17.29	1.90
Walaa	26.13	40	38	117.32	435.5	1045.2	2.93	8.91	2.40
Arabian Shield	61.38	20	14	80.95	350.2	1227.6	4.05	15.16	3.50
SABB Takaful	27.24	34	12	11.86	361.2	926.2	0.35	78.09	2.56
SAICO	20.41	25	17	50.84	298.0	510.3	2.03	10.04	1.71
WAFA Insurance	18.23	21	17	59.66	122.2	373.7	2.91	6.26	3.05
Gulf Union	12.39	22	15	24.97	149.9	272.6	1.14	10.92	1.81
ATC	37.43	17	7	33.34	215.7	623.8	2.00	18.71	2.89
Al-Ahlia	12.21	16	15	(21.10)	104.4	195.4	(1.32)	N	1.87
ACIG	15.72	20	12	8.34	125.2	314.4	0.42	37.70	2.51
AICC	12.80	27	17	8.45	244.3	339.2	0.32	40.14	1.38
Trade Union	18.67	28	18	44.96	297.5	513.4	1.64	11.42	1.72
Sagr Insurance	39.01	25	18	151.31	509.0	975.3	6.05	6.45	1.91
U C A	14.50	49	32	99.77	389.6	710.5	2.04	7.12	1.82
Bupa Arabia	124.69	80	57	630.71	2027.0	9975.2	7.88	15.82	4.92
AlRajhi Takaful	43.66	40	18	88.63	429.4	1746.4	2.22	19.70	4.06
CHUBB	48.35	10	6	37.30	226.4	483.5	3.73	12.96	2.13
AXA Cooperative	19.44	45	22	42.68	499.6	874.8	0.95	20.50	1.75
Gulf General	17.95	20	13	19.49	195.8	359.0	0.98	18.42	1.83
Buruj	32.95	25	15	82.79	315.1	823.8	3.31	9.95	2.61
Al Alamiya	24.01	40	12	46.35	331.0	960.4	1.16	20.72	2.90
Solidarity	19.95	25	18	46.99	246.2	498.8	1.88	10.61	2.02
Wataniya	30.06	20	8	38.75	185.4	601.2	1.94	15.51	3.24
Amana Insurance	19.14	14	11	23.24	132.7	268.0	1.66	11.53	2.01
Enaya	16.48	20	14	(28.12)	171.8	329.6	(1.41)	N	1.91
Alinma Tokio M	17.80	45	15	(17.44)	291.7	801.0	(0.39)	N	2.74
Insurance Sector		1,211	725	2,447	14,454	44,898	2.0	15.5	3.11

P/E and P/BV for Insurance Companies

In terms of profit, 27 companies in the insurance sector generated profits during the last four quarters, ending December 2016. The following figure reflects the valuation levels of these companies(1) based on P/E and P/BV(2):



* Excluding seven companies with very inflated multiples.

** Closing prices of March 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	
	2015	2016	Growth	2015	2016	Growth	2015	2016	Growth	2015	2016	Growth	2015	2016	2015	2016
Tawuniya	7,545	8,055	%7	6,421	7,073	%10	5,665	6,841	%21	4,144	5,104	%23	%85	%88	%73	%75
METLIFE AIG ANB	145	208	%44	97	149	%54	34	145	%330	31	124	%301	%67	%72	%92	%85
Jazira Takaful	71	76	%7	25	30	%21	23	27	%18	3	3	%6	%35	%39	%12	%11
Malath Insuranc	1,863	2,168	%16	1,524	1,501	(%2)	1,721	1,424	(%17)	1,485	1,623	%9	%82	%69	%86	%114
MEDGULF	4,002	3,194	(%20)	3,359	2,697	(%20)	3,467	2,946	(%15)	3,269	2,465	(%25)	%84	%84	%94	%84
Allianz SF	803	836	%4	460	558	%21	388	500	%29	278	376	%35	%57	%67	%72	%75
Salama	392	571	%46	369	543	%47	341	433	%27	292	330	%13	%94	%95	%85	%76
Walaa	753	1,017	%35	539	766	%42	449	638	%42	383	406	%6	%72	%75	%85	%64
Arabian Shield	531	754	%42	332	481	%45	330	403	%22	238	268	%13	%63	%64	%72	%66
SABB Takaful	202	194	(%4)	170	156	(%8)	128	157	%23	6	17	%171	%84	%80	%5	%11
SAICO	888	802	(%10)	560	509	(%9)	602	515	(%14)	460	343	(%25)	%63	%63	%76	%67
WAFA Insurance	522	551	%6	408	470	%15	264	486	%84	276	347	%26	%78	%85	%104	%71
Gulf Union	225	277	%23	100	144	%44	121	103	(%15)	81	54	(%33)	%44	%52	%67	%53
ATC	361	356	(%1)	74	80	%8	74	80	%8	15	19	%27	%21	%23	%20	%24
Al-Ahlia	260	167	(%36)	235	153	(%35)	209	197	(%6)	161	145	(%10)	%91	%92	%77	%74
ACIG	549	511	(%7)	456	429	(%6)	384	433	%13	291	344	%18	%83	%84	%76	%80
AICC	654	419	(%36)	379	282	(%26)	414	330	(%20)	326	212	(%35)	%58	%67	%79	%64
Trade Union	846	954	%13	668	758	%14	580	764	%32	480	600	%25	%79	%79	%83	%78
Sagr Insurance	864	176	(%80)	793	109	(%86)	443	504	%14	258	222	(%14)	%92	%62	%58	%44
U C A	1,272	820	(%36)	892	323	(%64)	739	631	(%15)	688	445	(%35)	%70	%39	%93	%71
Bupa Arabia	7,328	7,939	%8	7,286	7,871	%8	6,739	7,667	%14	5,211	6,178	%19	%99	%99	%77	%81
AlRajhi Takaful	1,362	1,949	%43	1,228	1,856	%51	1,019	1,536	%51	791	1,285	%62	%90	%95	%78	%84
CHUBB	269	215	(%20)	121	108	(%10)	115	117	%1	70	58	(%17)	%45	%50	%61	%49
AXA Cooperative	1,128	1,154	%2	1,002	1,060	%6	996	1,049	%5	827	861	%4	%89	%92	%83	%82
Gulf General	352	255	(%28)	171	132	(%23)	169	147	(%13)	144	85	(%41)	%49	%52	%85	%58
Buruj	447	438	(%2)	386	388	%1	332	399	%20	255	215	(%16)	%86	%89	%77	%54
Al Alamiya	402	311	(%23)	255	161	(%37)	235	207	(%12)	140	102	(%27)	%64	%52	%60	%49
Solidarity	303	262	(%13)	210	229	%9	205	225	%9	172	95	(%44)	%69	%87	%84	%42
Wataniya	519	508	(%2)	234	254	%8	209	255	%22	176	159	(%10)	%45	%50	%84	%62
Amana Insurance	414	170	(%59)	333	112	(%67)	276	252	(%9)	228	156	(%32)	%80	%66	%82	%62
Enaya	71	129	%82	42	97	%129	27	62	%135	20	34	%66	%60	%75	%77	%54
Alinma Tokio M	220	322	%46	61	127	%107	46	115	%150	36	90	%152	%28	%39	%78	%78
Total	35,564	35,758	%1	29,190	29,608	%1	26,748	29,587	%11	21,235	22,766	%7	%82	%83	%79	%77

Retention Ratio Breakdown - 2016

Retention Ratio Breakdown

Company	Health Insurance	Vehicle Insurance	General Insurance	Total
Tawuniya	%99.3	%100.0	%27.8	%87.8
METLIFE AIG ANB	%97.9	%98.1	%8.4	%71.6
Jazira Takaful	-	-	-	%39.2
Malath Insurance	%100.0	%72.1	%20.1	%69.2
MEDGULF	%100.0	%68.8	%16.7	%84.4
Allianz SF	%54.2	%98.6	%23.5	%66.8
Salama	%97.6	%97.5	%21.0	%95.1
Walaa	%100.0	%99.8	%15.5	%75.3
Arabian Shield	%100.0	%51.7	%12.3	%63.7
SABB Takaful	-	-	%19.5	%80.4
SAICO	%84.9	%98.7	%8.7	%63.5
WAFA Insurance	%62.7	%98.7	%7.5	%85.3
Gulf Union	%77.6	%60.1	%23.1	%51.9
ATC	-	-	-	%22.6
Al-Ahlia	%98.3	%96.6	%71.9	%91.5
ACIG	%77.5	%97.5	%27.7	%84.1
AICC	%62.4	%95.2	%15.7	%67.3
Trade Union	%64.9	%97.3	%26.2	%79.5
Sagr Insurance	%70.1	%89.8	%15.7	%62.0
U C A	%80.5	%50.2	%9.0	%39.4
Bupa Arabia	%99.2	-	-	%99.2
AlRajhi Takaful	%99.1	%99.0	%43.4	%95.3
CHUBB	-	%97.6	%26.4	%50.3
AXA Cooperative	%98.4	%99.5	%52.4	%91.9
Gulf General	%46.3	%79.4	%20.2	%51.9
Buruj	%98.1	%96.6	%25.8	%88.7
Al Alamiya	%37.5	%98.5	%34.0	%51.7
Solidarity	%98.7	%96.0	%30.8	%87.2
Wataniya	-	%88.0	%8.2	%50.0
Amana Insurance	%100.3	%38.8	%22.2	%65.6
Enaya	%75.3	-	-	%75.3
Alinma Tokio M	%100.0	%59.1	%4.6	%39.3
Total	%97.0	%83.1	%28.1	%76.9

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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