

Saudi Insurance Sector H1 2016

The report depicts the performance of insurance sector in Saudi Arabia in H1 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 statistics in this reports include all the date of the listed insurance companies that are licensed to issue insurance policies in any insurance activity. However, we have excluded the following companies:

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 was due to lack of company's data as the company did not announce its financials for H1 2016.

Thus, the number of companies under coverage in this report totaled 33 companies out of 35 listed companies.

Source: Insurance Companies filings, SAMA and Tadawul.

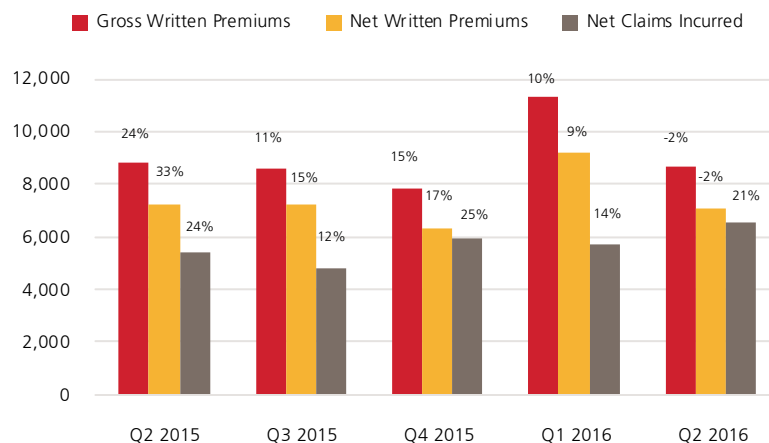
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Executive Summary

- In H1 2016, gross written premiums in Saudi Arabia progressed by 4.5% over H1 2015 coming in at SAR 19.9 billion (USD 5.31 billion) shifting from SAR 19.0 billion (USD 5.07 billion) in H1 2015 driven by the acceleration of the growth in vehicle insurance with its gross premiums surging 20%.
- Insurance density stood at SAR 1,282 (USD 342) per capita in H1 2016 compared to SAR 1,226 (USD 327) per capita in H1 2015 edging up 4.5%.
- The claims ratio at the end of H1 2016 fell to 77.9% compared to 81.6% in H1 2015 slipping 363 bps.
- Consolidated profit of the insurers reached SAR 820.4 million by the end of H1 2016 compared to SAR 262.7 million in H1 2015. It is worth mentioning that 25 companies in the insurance sector made profits while 8 companies suffered losses in H1 2016.
- The return on equity ratio surged to 12.5% in H1 2016 versus 8.5% in H1 2015 while return on assets stood at 2.8%. Net earned premiums to equity ratio posted 238% in H1 2016 compared to 224% in H1 2015. Finally, the equity to total assets ratio improved to 22.2% in Q2 2016 compared to 21.5% in the comparable period of last year.

Insurance Sector Quarterly Evolution with Growth Rates (SAR million)



Sector Overview

The Saudi insurance market decelerated for the first time in 5 years recording 4.5% YoY growth in H1 2016. The deceleration is attributable to two main factors: shrinking health insurance market share by 96 bps and declining general insurance segment by 12% YoY despite the 20%-growth of vehicle insurance segment. Insurance density stood at SAR 1,282 (USD 342) per capita in H1 2016 compared to SAR 1,226 (USD 327) per capita in H1 2015 edging up 4.5%.

The number of insurance and reinsurance companies licensed in the Saudi market reached 35 companies*, 33 of them⁽¹⁾ are operating in at least one of the three main insurance line, namely general insurance, health insurance as well as protection and savings insurance. General insurance encompasses seven sub-activities: vehicles, marine, aviation, energy, engineering, accident and responsibilities, and finally property and fire insurance.

Out of 33 running companies, 26 provide health insurance services, 27 companies are licensed in general insurance and 10 companies provide protection and saving services. Moreover, there are other players in the insurance market such as 80 insurance brokers, 84 insurance agents, 2 actuarial services providers⁽²⁾, 15 loss assessors and loss adjustors, 10 insurance claims settlement specialists and 8 insurance advisors.

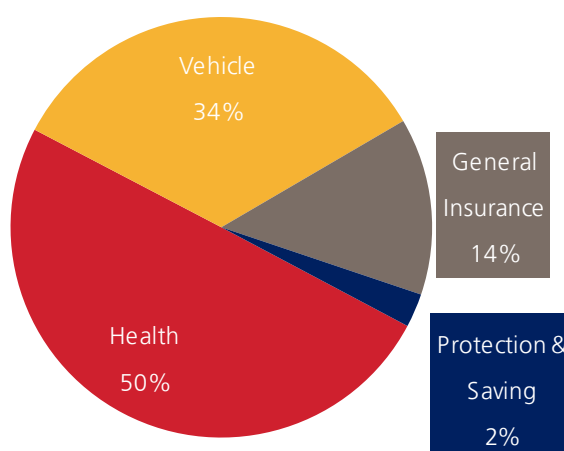
The growth and risk factors of insurance activities vary according to the type of insurance, competition as well as market growth. The market is pushed by mandatory insurance lines, however some regulations may stimulate other insurance lines. Accordingly, we believe the following factors to drive the sector in 2016:

- The Council Of Cooperative Health Insurance is the main driver for increasing demand for compulsory health insurance. The total number of health insurance policy holders reached 11 million by the end of 2015. Saudis constituted 30% (3.1 million) of total policyholders versus 70% for foreigners (7.9 million) through 26 health insurance providers with a network of 2,567 outlets.
- The interest rate increase in December 2015 may drive up the return on the investments of the sector to ameliorate in 2016.
- We believe the growth potentials of insurance industry in Saudi Arabia will stimulate GCC insurers to try to build a presence in the market.
- Health insurance kept its position as the biggest insurance segment in H1 2016 increasing its share of total insurance market to 50%. Vehicle insurance pushed its share by 442 bps constituting 34% of total market while general insurance posted a shrinkage of 255 bps contributing 14% of total market. Saving and protection segment stabilized at 2.6% of total market in H1 2016.

Number of Insurance Licenses per Activity

	Health	General	Protection & Saving
No. of Licenses	26	27	11

Segment Market Share Breakdown - H1 2016



(1) After banning Sanad and Weqaya from issuing new policies.

(2) The actuarial specialist is the person who applies the principles of statistics and probabilities which are important factors for policies pricings where liabilities and provisions are constructed upon.

Sector Overview

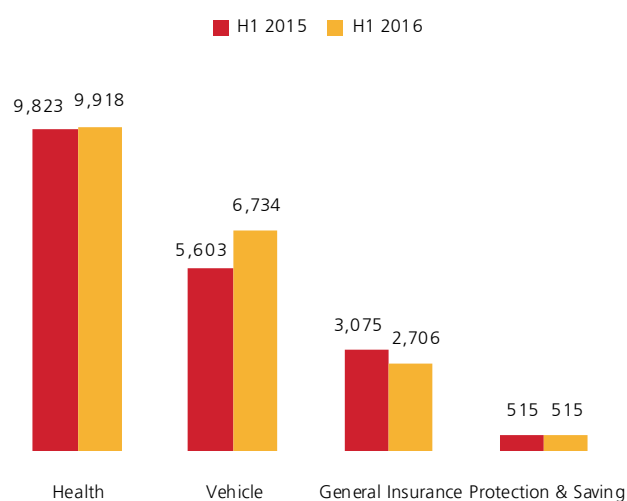
In H1 2016, gross written premiums in Saudi Arabia progressed by 4.5% over H1 2015 coming in at SAR 19.9 billion (USD 5.31 billion) shifting from SAR 19.0 billion (USD 5.07 billion) in H1 2015. This growth deceleration was driven by 96 bps shrinkage in health insurance (constituting 50% of insurance market) and tumbling general insurance (not including vehicle insurance) by 12% YoY. Health insurance premiums posted SAR 9.9 billion (USD 2.64 billion) while general insurance dropped from SAR 3.1 billion (USD 0.8 billion) in H1 2015 to SAR 2.7 billion (USD 0.7 billion) in H1 2016. Vehicle insurance increased 20% YoY posting SAR 6.7 billion (USD 1.8 billion) in H1 2016 compared to SAR 5.6 billion (USD 1.5 billion) in H1 2015 triggered by re-pricing of vehicle insurance policies as vehicle insurance issued policies dropped 11% YoY in H1 2016. As for protection and savings insurance, the figure remained unchanged at SAR 515 million (USD 137 million) compared with H1 2015.

In terms of net written premiums, the figure decreased by 3.4% over H1 2015 hitting SAR 16.1 billion (USD 4.3 billion) by the end of H1 2016. The retention ratio slumped by 85 bps posting 81.19% versus 82.05% in H1 2015 as the retention ratio of vehicle insurance was shifted down by 987 reaching 83.21% versus 93.09% in H1 2015. Retention ratio of health and general insurance surged to 97.26% and 22.04%, respectively

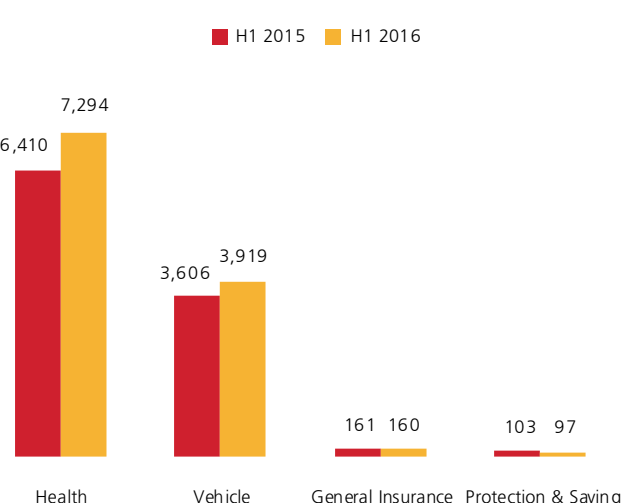
The growth in net earned premiums nudged up 17% posting SAR 14.7 billion (USD 3.9 billion). Net earned premiums for health insurance skyrocketed 18% to SAR 9.2 billion (USD 2.4 billion). Vehicle insurance mounted 16% posting SAR 4.8 billion (USD 1.3 billion). General insurance surged 11% to SAR 552 million (USD 147 million). Saving and protection segment increased 12% posting SAR 246 million (USD 66 million).

On the other hand, claims paid totaled SAR 9.4 billion (USD 2.5 billion) in H1 2016 while net claims incurred mushroomed 12% to SAR 11.5 billion (USD 3.1 billion) compared to SAR 10.3 billion (USD 2.7 billion) in H1 2015. It is noteworthy that health insurance and vehicle insurance claims contributed 64% and 34% of aggregate net claims incurred of the market, respectively.

Gross Premiums Written per Segment (SAR million)



Net Claims Incurred per Segment (SAR million)



Segment	GWP			NWP			NEP			NCI			Retention Ratio		Loss Ratio		Market Share	
	SAR mm		G	SAR mm		G	SAR mm		G	SAR mm		G	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016
	H1 2015	H1 2016		H1 2015	H1 2016		H1 2015	H1 2016		H1 2015	H1 2016		H1 2015	H1 2016	H1 2015	H1 2016		
Health	9,823	9,918	%1.0	9,474	9,646	%1.8	7,771	9,155	%17.8	6,410	7,294	%14	%96.4	%97.3	%82.5	%79.7	%51.7	%49.9
Vehicle	5,603	6,734	%20.2	5,216	5,604	%7.4	4,114	4,764	%15.8	3,606	3,919	%9	%93.1	%83.2	%87.7	%82.3	%29.5	%33.9
General Insurance	3,075	2,706	(%12.0)	611	596	(%2.4)	500	552	%10.5	161	160	(%0.4)	%19.9	%22.0	%32.1	%28.9	%16.2	%13.6
Protection & Saving	515	515	%0.0	301	290	(%3.9)	220	246	%12.0	103	97	(%6)	-	-	%47.0	%39.5	%2.7	%2.6
Total	19,016	19,874	%4.5	15,602	16,136	%3.4	12,605	14,718	%16.8	10,280	11,470	%12	%82.0	%81.2	%81.6	%77.9	%100.0	%100.0

GWP: Gross Written Premium NWP: Net Written Premium NEP: Net Earned Premium NCI: Net Claims Incurred

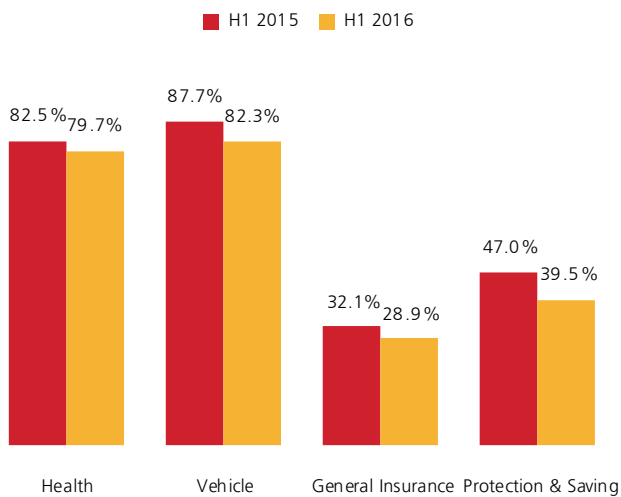
Financial Assessment

Gross written premiums grew by 4.5% in H1 2016, while the retention ratio of the sector retreated to 81.19% down 85 bps in H1 2016 driven by the lower retention ratio for vehicle insurance which tumbled by 987 basis points to 83.21%.

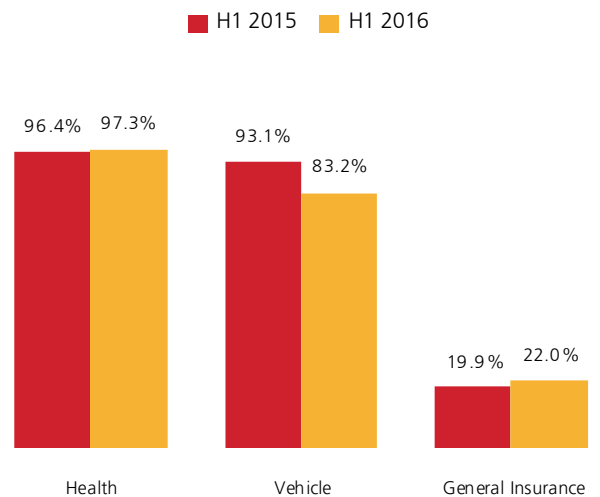
The claims ratio at the end of H1 2016 fell to 77.93% compared to 81.56% in H1 2015 slipping 363 bps with the decrease in the ratio stemmed from the growth in net premium earned faster than the pace of net claims incurred. On the other side, the expenses ratio slumped from 21.0% in H1 2015 to 20.8% by the end of H1 2016.

This decrease in the two ratios led to a decline the combined ratio to 96.32% by the end of H1 2016, which means that the sector record improved profitability from insurance operations. This is due to the decrease in claims ratio in H1 2016 compared to H1 2015.

Claims Ratio per Segment



Retention Ratio per Segment



Financial Assessment

At the level of the assets of insurance operations, investments grew at a rate of 29% while cash at banks slumped 1% thus the investment totalled SAR 11.4 billion for investments while cash at banks hit SAR 6.4 billion. The two items represented together 45% of total assets of insurance operations up from 41% in June 2015. Receivables increased 14% by the end of June 2016 to SAR 9.5 billion representing 24% of total assets increasing from 22% in June 2015. The total assets of insurance operations grew 8% YoY posting SAR 39.9 billion by the end of H1 2016.

For the assets of shareholders, investments surged 30% to SAR 9.2 billion. Cash at banks slumped 13% to SAR 2.5 billion. Total investments and cash at banks represented 83% of shareholders' assets down from 80% in H1 2015. In addition, shareholders' assets grew 14% over the last year. The growth in the assets of the sector accelerated to 9% at the end of H1 2016.

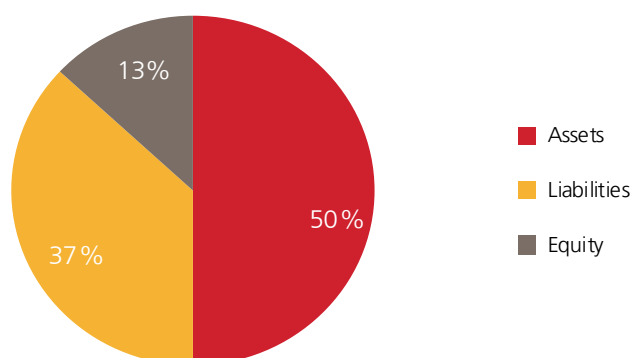
Total liabilities rose 9% to SAR 54.1 billion by the end of H1 2016 with insurance liabilities accounting for 74% of total liabilities versus 26% for shareholders' liabilities and equity.

Technical reserves dropped 5% coming in at SAR 32.4 billion representing 81% of the total insurance liabilities, which amounted to SAR 39.9 billion. On the other hand, shareholders' equity grew by 14% posting SAR 14.1 billion by the end of H1 2016.

Consolidated profit of the insurers reached SAR 820 million by the end H1 2016 compared to SAR 262.7 million in H1 2015. It is worth mentioning that 25 companies in the insurance sector made profits while 8 companies suffered losses in H1 2016. Shareholders equity surged 13% posting SAR 12.0 billion.

Important Indicators	H1 2015	H1 2016	Change
Return on Equity	8.5%	12.5%	4.0%
Return on Assets	0.3%	2.8%	2.5%
NEP to Equity	224%	238%	13.9%
Equity to Total Assets	21.5%	22.2%	0.7%
Market Cap.	49,474	39,205	(20.8%)
Return on Capital Paid	9.0%	13.2%	4.2%

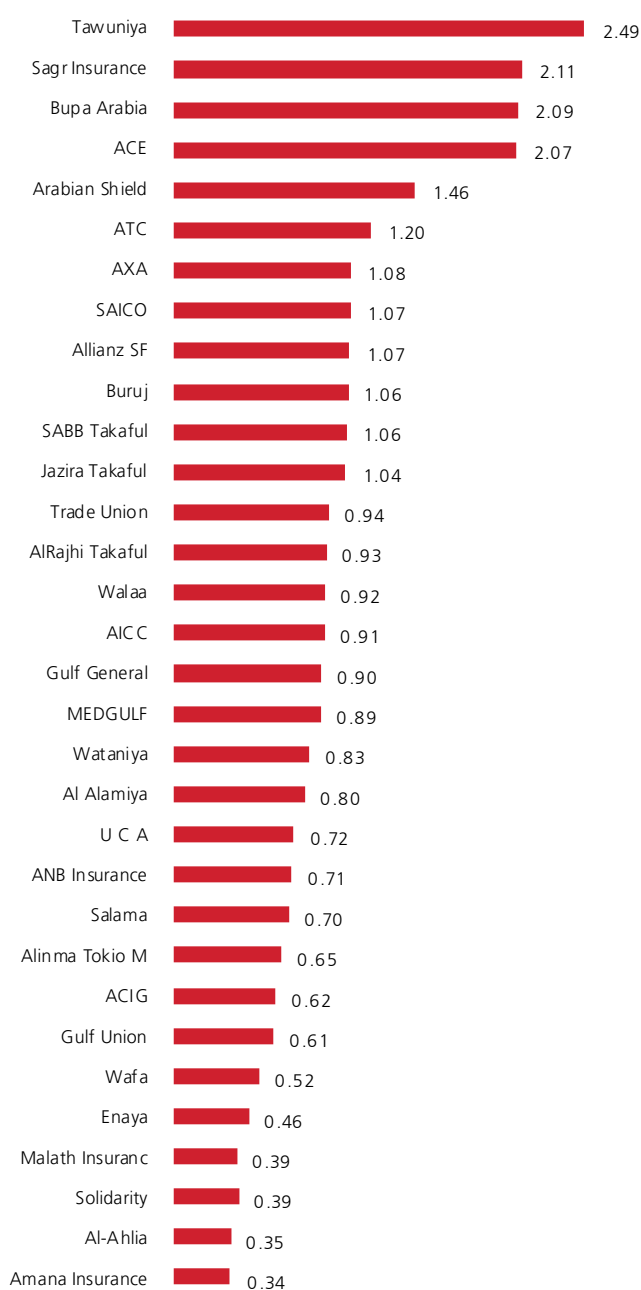
Insurance Sector Balance Sheet Breakdown– June 2016



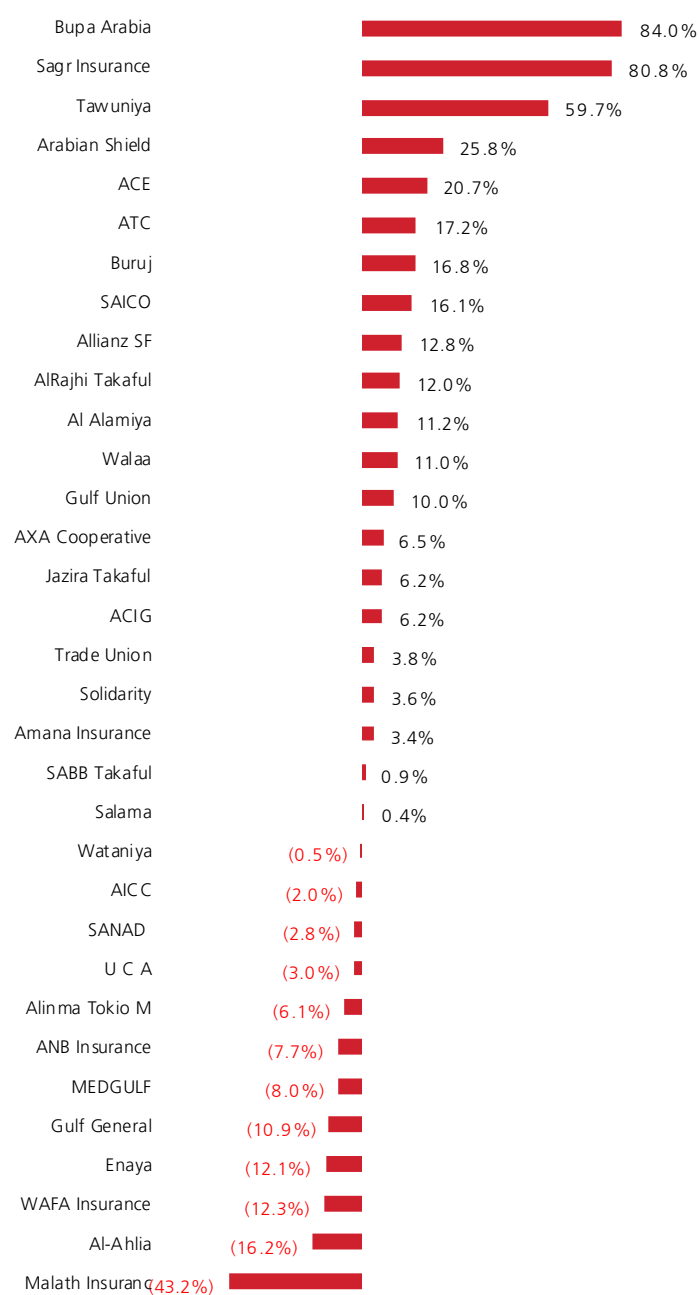
Financial Assessment

By the end of H1 2016, 21 insurers recorded positive return on capital. Equity to capital ratio for 12 companies stood above 1 while 20 companies posted less than 1 in the same ratio implying that two third of the insurance companies are suffering losses.

Equity / Capital Ratio June 2016



Return on Capital (LTM ending Q2 2016)



Profitability Ratios

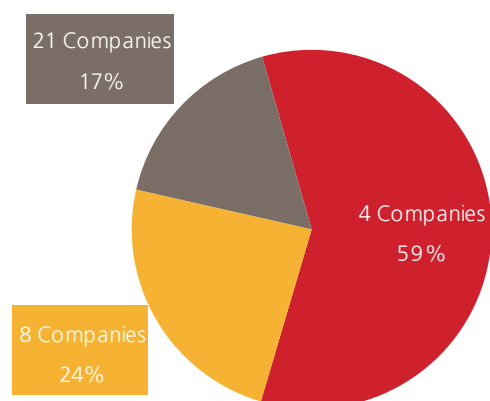
Company	Return on Equity		Return on Assets		Return on Capital Paid		GWP / Equity		Equity / Total Assets		Equity / Capital	
	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016	H1 2015	H1 2016
Tawuniya	%29.4	%24.0	%5.8	%5.0	%63.7	%59.7	%302	%324	%19.9	%20.9	2.16	2.49
ANB Insurance	(%47.9)	(%10.9)	(%10.0)	(%3.6)	(%28.6)	(%7.7)	%54	%83	%20.9	%33.1	0.60	0.71
Jazira Takaful	%3.9	%5.9	%3.4	%4.3	%4.0	%6.2	%13	%25	%87.1	%73.3	1.04	1.04
Malath Insurance	(%1.8)	(%112.0)	(%0.2)	(%5.0)	(%1.6)	(%43.2)	%704	%1957	%13.9	%4.5	0.89	0.39
MEDGULF	(%9.6)	(%8.9)	(%1.5)	(%1.4)	(%9.7)	(%8.0)	%459	%387	%15.8	%15.8	1.00	0.89
ALLIANZ SF	%15.6	%12.0	%1.7	%1.3	%15.1	%12.8	%390	%377	%10.9	%10.8	0.97	1.07
SALAMA	%7.0	%0.6	%0.6	%0.2	%0.8	%0.4	%1244	%256	%8.7	%29.6	0.12	0.70
Walaa Insurance	(%4.7)	%12.0	(%1.3)	%3.2	(%4.2)	%11.0	%194	%229	%28.8	%26.5	0.89	0.92
Arabian Shield	%7.3	%17.7	%1.3	%4.9	%9.1	%25.8	%224	%201	%17.4	%27.9	1.25	1.46
SABB Takaful	%4.6	%0.8	%1.9	%0.4	%4.9	%0.9	%56	%60	%40.1	%43.5	1.06	1.06
SANAD	%5.4	(%17.6)	%1.5	(%5.1)	%1.1	(%2.8)	%37	(%1)	%27.4	%29.0	0.21	0.16
SAICO	%10.4	%15.0	%1.8	%3.0	%9.4	%16.1	%442	%294	%17.0	%19.8	0.91	1.07
WAFA Insurance	%6.1	(%23.5)	%1.6	(%3.4)	%4.0	(%12.3)	%268	%573	%26.0	%14.4	0.66	0.52
Gulf Union	(%3.3)	%16.4	(%0.7)	%4.5	(%1.7)	%10.0	%231	%157	%20.2	%27.5	0.52	0.61
ATC	%22.1	%14.4	%3.6	%2.5	%24.6	%17.2	%169	%169	%16.4	%17.2	1.11	1.20
Al-Ahlia	(%42.3)	(%46.5)	(%14.9)	(%11.8)	(%21.4)	(%16.2)	%148	%189	%35.2	%25.3	0.51	0.35
ACIG	%9.1	%9.9	%2.0	%2.2	%5.4	%6.2	%421	%413	%21.8	%22.6	0.59	0.62
AICC	%5.9	(%3.3)	%1.3	(%0.8)	%3.8	(%2.0)	%253	%241	%22.5	%25.6	0.65	0.61
Trade Union	%7.1	%4.0	%1.4	%0.7	%6.8	%3.8	%304	%370	%20.2	%16.3	0.97	0.94
Sagr Insurance	%3.8	%38.3	%1.3	%15.3	%4.9	%80.8	%154	%112	%35.2	%39.9	1.31	2.11
U C A	(%10.7)	(%4.1)	(%2.6)	(%0.7)	(%8.3)	(%3.0)	%314	%359	%23.9	%16.4	0.78	0.72
Bupa Arabia	%36.4	%40.1	%7.5	%9.9	%54.3	%84.0	%580	%456	%20.7	%24.7	1.49	2.09
Al Rajhi Takaful	%6.3	%13.0	%1.2	%2.1	%5.0	%12.0	%348	%461	%19.5	%16.6	0.81	0.93
ACE	%11.1	%10.0	%3.2	%3.4	%21.2	%20.7	%137	%115	%28.5	%34.6	1.92	2.07
AXA-Cooperative	%5.6	%6.0	%1.7	%1.9	%5.8	%6.5	%249	%239	%30.7	%31.0	1.04	1.08
Gulf General	%6.1	(%12.1)	%1.8	(%3.5)	%6.2	(%10.9)	%179	%160	%29.1	%29.2	1.00	0.90
Buruj	%14.6	%15.8	%4.6	%4.7	%13.0	%16.8	%171	%174	%31.6	%29.4	0.89	1.06
Al Alamiya	%3.5	%14.0	%0.9	%5.5	%2.5	%11.2	%138	%112	%25.0	%38.9	0.71	0.80
Wataniya	%19.0	(%0.8)	%1.9	(%0.1)	%12.8	(%0.5)	%761	%756	%9.8	%9.0	0.67	0.65
Amana Insurance	(%68.4)	%10.0	(%10.4)	%1.8	(%22.1)	%3.4	%357	%285	%15.2	%18.1	0.32	0.34
Enaya	(%18.4)	(%26.3)	(%13.8)	(%14.2)	(%10.6)	(%12.1)	%19	%56	%74.9	%53.9	0.57	0.46
Alinma Tokio M	(%35.4)	(%9.3)	(%8.7)	(%3.3)	(%5.9)	(%6.1)	%212	%112	%24.4	%35.8	0.17	0.65

Market Structure

The insurance sector is still remarkably concentrated as four companies seized 59% of the market size. Bupa, Tawuniyah, Medgulf and Malath constituting 21.5%, 19.3%, 10.7% and 7.2% of total insurance market in H1 2016, respectively. The share's of Bupa and Tawuniyah increased 62 and 191 basis points, respectively while Medgulf's share decreased 332 bps.

Eight companies have market shares between 2% to 5% representing a total of 24%. On the other side, 21 companies held a combined 17% of the market share with shares less than 2% each.

Market Share Concentration of Insurance Companies - H1 2016



	Total Market Share	H1 2015	H1 2016	Change
1 Bupa Arabia	20.9%	20.9%	21.5%	0.6%
2 Tawuniya	17.4%	17.4%	19.3%	1.9%
3 MEDGULF	14.0%	14.0%	10.7%	(3.3%)
4 Malath Insurance	5.5%	5.5%	7.2%	1.8%
5 Al Rajhi Takaful	3.7%	3.7%	5.2%	1.6%
6 AXA-Cooperative	3.2%	3.2%	3.3%	0.0%
7 U C A	3.2%	3.2%	3.1%	(0.1%)
8 Trade Union	2.2%	2.2%	2.6%	0.5%
9 SAICO	3.3%	3.3%	2.6%	(0.7%)
10 Wala Insurance	2.1%	2.1%	2.4%	0.4%
11 Arabian Shield	2.0%	2.0%	2.2%	0.2%
12 ALLIANZ SF	2.3%	2.3%	2.2%	(0.1%)
13 WAFA Insurance	1.4%	1.4%	1.8%	0.4%
14 Wataniya	1.7%	1.7%	1.5%	(0.2%)
15 ACIG	1.7%	1.7%	1.5%	(0.3%)
16 SALAMA	1.2%	1.2%	1.4%	0.2%
17 Alinma Tokio M	0.6%	0.6%	1.2%	0.5%
18 Buruj	1.1%	1.1%	1.1%	0.0%
19 AICC	1.5%	1.5%	1.1%	(0.4%)
20 ATC	1.0%	1.0%	0.9%	(0.1%)
21 Gulf General	1.3%	1.3%	0.9%	(0.4%)
22 Al Alamiya	1.1%	1.1%	0.8%	(0.3%)
23 Solidarity	0.9%	0.9%	0.7%	(0.2%)
24 Gulf Union	0.8%	0.8%	0.7%	(0.1%)
25 ACE	0.9%	0.9%	0.7%	(0.2%)
26 Amana Insurance	1.2%	1.2%	0.6%	(0.6%)
27 Sagr Insurance	2.1%	2.1%	0.6%	(1.5%)
28 ANB Insurance	0.3%	0.3%	0.6%	0.3%
29 Al-Ahlia	0.8%	0.8%	0.5%	(0.3%)
30 SABB Takaful	0.5%	0.5%	0.5%	(0.0%)
31 Enaya	0.2%	0.2%	0.3%	0.2%
32 Jazira Takaful	0.1%	0.1%	0.2%	0.1%
33 SANAD	0.0%	0.0%	0.0%	(0.0%)

Insurance Sector (SAR million)	H1 2015	H1 2016	Growth
Gross Premium Written	19,016	19,874	4.5%
Net Premium Written	15,602	16,136	3.4%
Net Premium Earned	12,605	14,718	16.8%
Net Claims Incurred	10,280	11,470	11.6%
Retention Ratio	82.0%	81.2%	(0.8%)
Claims Ratio	81.6%	77.9%	(3.6%)

Market Structure

Health Insurance

In the health insurance sector, written premiums totaled SAR 9.9 billion shifting up 1%, while net written premiums surged 2% to SAR 9.6 billion. Similarly, net earned premiums amounted to SAR 9.2 billion skyrocketing 18% over the same period of last year.

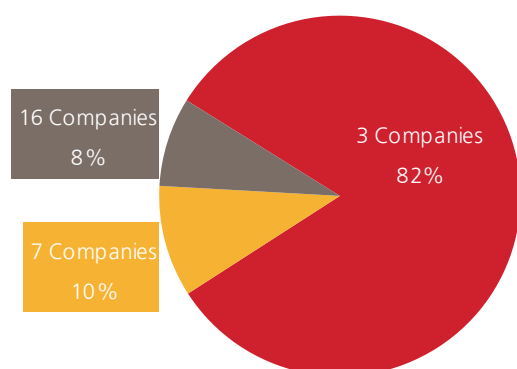
The retention ratio advanced to 97.3% compared to 96.5% at the end of H1 2015. Furthermore, net incurred claims grew by 14% to SAR 7.3 billion, thus lowering the claims ratio in this activity to 79.7% compared to 82.5% for H1 2015.

Three of health insurance companies seized 82% of the market, while seven companies received 10%, and 16 companies shared the remaining 8% of the market for less than 1% for each company.

The biggest change has occurred in the market shares of Bupa and Tawuniya which increased 267 and 364 bps, respectively while the market share of Medgulf dwindled 423, respectively.

Health Insurance Market			
Share	H1 2015	H1 2016	Change
1 Bupa Arabia	40.4%	43.1%	2.7%
2 Tawuniya	19.7%	23.3%	3.6%
3 MEDGULF	19.5%	15.3%	(4.2%)
4 AXA-Cooperative	2.0%	1.9%	(0.1%)
5 SAICO	2.5%	1.8%	(0.7%)
6 Arabian Shield	1.5%	1.7%	0.2%
7 Trade Union	0.2%	1.5%	1.2%
8 Al Rajhi Takaful	1.4%	1.3%	(0.1%)
9 ACIG	1.2%	1.0%	(0.2%)
10 Walaa Insurance	0.3%	1.0%	0.6%
11 Solidarity	0.6%	0.9%	0.3%
12 AICC	0.8%	0.9%	0.1%
13 Buruj	0.3%	0.8%	0.6%
14 Amana Insurance	1.9%	0.8%	(1.1%)
15 Enaya	0.4%	0.7%	0.3%
16 ANB Insurance	0.1%	0.6%	0.5%
17 Malath Insurance	0.7%	0.6%	(0.1%)
18 ALLIANZ SF	0.5%	0.6%	0.0%
19 Sagr Insurance	3.2%	0.5%	(2.7%)
20 WAFA Insurance	0.9%	0.4%	(0.5%)
21 U C A	0.5%	0.3%	(0.2%)
22 Al-Ahlia	0.3%	0.3%	(0.0%)
23 Gulf General	0.6%	0.3%	(0.4%)
24 Gulf Union	0.2%	0.2%	0.0%
25 SALAMA	0.2%	0.2%	(0.0%)
26 Alinma Tokio M	0.0%	0.1%	0.1%

Market Share Concentration of Health Insurance - H1 2016



Health Insurance (SAR million)	H1 2015	H1 2016	Growth
Gross Premium Written	9,823	9,918	0.96%
Net Premium Written	9,474	9,646	1.8%
Net Premium Earned	7,771	9,155	17.8%
Net Claims Incurred	6,410	7,294	13.8%
Retention Ratio	96.5%	97.3%	0.8%
Claims Ratio	82.5%	79.7%	(2.8%)

Market Structure

Vehicle Insurance

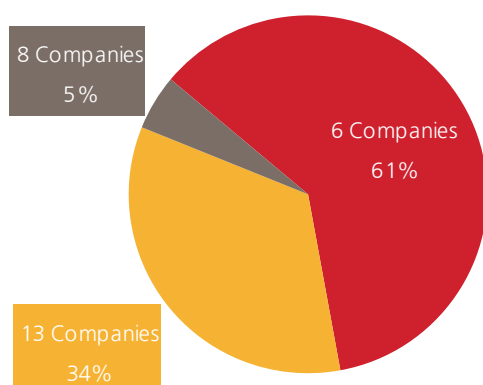
By the end of H1 2016, the growth of gross written premiums for vehicle insurance amounted to 20.2% posting SAR 6.7 billion. Meanwhile, net written premiums edged down 7.4% coming in at SAR 5.6 billion, while net earned premiums hit SAR 4.8 billion surging 15.8% over H1 2015.

Retention ratio dropped to 83.2% compared to 93.1% at the end of H1 2015. Net incurred claims soared 8.7% to SAR 3.9 billion thus trimming the claims ratio by 540 basis points to 82.3% compared to 87.7% in H1 2015.

In this type of insurance, six companies captured 61% of the market, 13 other players shared 34%, and 8 insurers collectively accounted for the remaining 5% of the market.

Malath Insurance and Al Rajhi Takaful increased its market shares by 347 and 369 points, respectively while Medgulf's share slumped 218 basis points.

Market Share Concentration of Vehicle Insurance - H1 2016



Vehicle Insurance Market

	Share	H1 2015	H1 2016	Change
1 Malath Insurance		15.9%	19.4%	3.5%
2 Al Rajhi Takaful		8.6%	12.3%	3.7%
3 Tawuniya		10.5%	12.1%	1.5%
4 U C A		6.6%	6.2%	(0.5%)
5 MEDGULF		7.9%	5.7%	(2.2%)
6 AXA-Cooperative		5.4%	5.4%	(0.0%)
7 Trade Union		5.2%	4.4%	(0.7%)
8 Wafa Insurance		2.8%	4.2%	1.4%
9 Wala Insurance		4.5%	4.2%	(0.3%)
10 SALAMA		3.5%	3.8%	0.3%
11 Arabian Shield		2.8%	2.7%	(0.2%)
12 ACIG		3.4%	2.5%	(0.9%)
13 ALLIANZ SF		1.7%	2.2%	0.5%
14 Alinma Tokio M		1.0%	2.1%	1.1%
15 SAICO		3.0%	2.1%	(0.9%)
16 Wataniya		2.5%	2.0%	(0.5%)
17 Buruj		2.7%	1.7%	(1.0%)
18 Gulf General		1.7%	1.3%	(0.4%)
19 AICC		2.2%	1.2%	(1.1%)
20 Al Alamiya		1.8%	0.9%	(0.9%)
21 ACE		0.9%	0.8%	(0.1%)
22 Gulf Union		1.0%	0.8%	(0.3%)
23 Al-Ahlia		1.7%	0.7%	(1.0%)
24 Sagr Insurance		0.7%	0.5%	(0.2%)
25 Amana Insurance		0.6%	0.5%	(0.1%)
26 Solidarity		1.4%	0.3%	(1.0%)
27 ANB Insurance		0.0%	0.1%	0.1%

Vehicle Insurance (SAR million)	H1 2015	H1 2016	Growth
Gross Premium Written	5,603	6,734	20.2%
Net Premium Written	5,216	5,604	7.4%
Net Premium Earned	4,114	4,764	15.8%
Net Claims Incurred	3,606	3,919	8.7%
Retention Ratio	93.1%	83.2%	(9.9%)
Claims Ratio	87.7%	82.3%	(5.4%)

Market Structure

General Insurance*

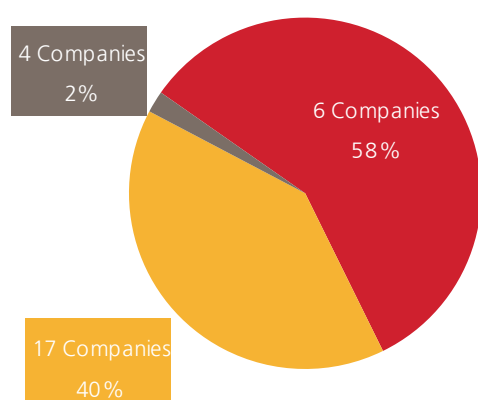
By the end of H1 2016, the decline of gross written premiums for general insurance amounted to 12% posting SAR 2.7 billion. Meanwhile, net written premiums edged down 2.4% coming in at SAR 0.6 billion, while net earned premiums hit SAR 0.6 billion surging 10.5% over H1 2015.

The retention ratio edged up 22.0% compared to 19.9% at the end of H1 2015. Net incurred claims declined 0.4% to SAR 0.2 billion thus shrinking the claims ratio to 28.9% compared to 32.1% in H1 2015.

In this type of insurance, 6 companies captured 58% of the market, 17 other players shared 40%, and 4 insurers collectively accounted for the remaining 2% of the market.

Tawuniyah Insurance and Arabian Shield increased its market share by 73 and 80 basis points, respectively while Medgulf share slumped 161 basis points.

Market Share Concentration of General Insurance - H1 2016



General Insurance Market

Share	H1 2015	H1 2016	Change
1 Tawuniya	25.4%	26.2%	0.7%
2 MEDGULF	9.9%	8.3%	(1.6%)
3 SAICO	6.7%	7.3%	0.6%
4 U C A	6.1%	6.0%	(0.1%)
5 ALLIANZ SF	5.8%	5.2%	(0.7%)
6 Wataniya	4.6%	4.9%	0.3%
7 Walaa Insurance	3.8%	4.0%	0.2%
8 Arabian Shield	2.7%	3.5%	0.8%
9 AXA-Cooperative	3.3%	3.2%	(0.1%)
10 Al Alamiya	2.8%	3.0%	0.2%
11 Trade Union	3.2%	3.0%	(0.2%)
12 ACE	3.7%	2.9%	(0.8%)
13 Malath Insurance	2.7%	2.8%	0.2%
14 Al Rajhi Takaful	2.3%	2.7%	0.3%
15 Alinma Tokio M	1.8%	2.5%	0.8%
16 Gulf General	2.9%	2.5%	(0.4%)
17 Gulf Union	2.4%	2.3%	(0.1%)
18 AICC	2.8%	1.9%	(0.9%)
19 WAFA Insurance	0.8%	1.3%	0.5%
20 Sagr Insurance	1.4%	1.2%	(0.1%)
21 Buruj	1.2%	1.1%	(0.2%)
22 ANB Insurance	1.0%	1.1%	0.1%
23 ACIG	0.8%	1.0%	0.2%
24 Al-Ahlia	0.7%	0.8%	0.1%
25 Amana Insurance	0.2%	0.5%	0.3%
26 SALAMA	0.4%	0.4%	(0.0%)
27 Solidarity	0.4%	0.4%	(0.0%)

General Insurance (SAR million)

	H1 2015	H1 2016	Growth
Gross Premium Written	3,075	2,706	(12.0%)
Net Premium Written	611	596	(2.4%)
Net Premium Earned	500	552	10.5%
Net Claims Incurred	161	160	(0.4%)
Retention Ratio	19.9%	22.0%	2.9%
Claims Ratio	32.1%	28.9%	(3.2%)

* Does not include vehicle insurance

Market Structure

Protection and Savings Insurance

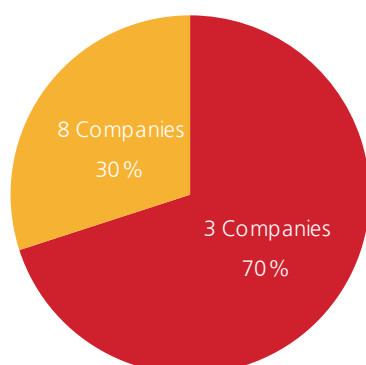
Gross written premiums for the protection and savings insurance maintained at SAR 515 million, while net written premiums slumped 3.9% to SAR 290 million. Simultaneously, net earned premiums amounted to SAR 246 million, surging 12% versus H1 2015.

Net claims incurred dropped 6% to SAR 97 million, thus it has led to a decrease in the claims ratio to 39.5% compared to 47.0% in H1 2015.

The segment is consisted of 11 insurers; three of them held a 70% market share, versus 30% for the eight other companies. The biggest change has occurred in the market share of Aljazirah Takaful which strengthened 366 bps and shrinking share of Allianz SF by 249 bps.

Protection & Savings Insurance Market Share	H1 2015	H1 2016	Change
1 ATC	35.6%	35.0%	(0.5%)
2 SABB Takaful	19.2%	18.1%	(1.1%)
3 ALLIANZ SF	19.3%	16.8%	(2.5%)
4 Jazira Takaful	3.9%	7.6%	3.7%
5 Wataniya	8.3%	5.9%	(2.4%)
6 Solidarity	3.2%	3.5%	0.3%
7 AXA-Cooperative	3.7%	3.0%	(0.7%)
8 Alinma Tokio M	2.0%	2.7%	0.7%
9 ANB Insurance	2.0%	2.6%	0.6%
10 Al Alamiya	2.2%	2.5%	0.4%
11 Al Rajhi Takaful	0.7%	2.3%	1.6%

Market Share Concentration of Protection and Saving - H1 2016



Protection & Savings Insurance (SAR million)	H1 2015	H1 2016	Growth
Gross Premium Written	515	515	0.02%
Net Premium Written	301	290	(3.9%)
Net Premium Earned	220	246	12.0%
Net Claims Incurred	103	97	(5.9%)
Claims Ratio	47.0%	39.5%	(7.5%)

Concentration of Insurance Segments per Company

The following table reflects the concentration of insurance activities for every company in the sector in H1 2016 which provides signals for the vulnerability to the change in the distribution of its insurance portfolio.

Health insurance represented 100% in the cases of Bupa Arabia and Enaya. In the vehicle sector, Malath and Salama held the highest concentration with 91% and 90%, respectively. In protection and saving insurance, 100% of the operations of Jazira Takaful, SABB and Ahli Takaful focused on this type of insurance.

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%	18%	11%	0%	100%
Solidarity	64%	16%	7%	13%	100%
Amana Insurance	63%	26%	11%	0%	100%
Tawuniya	60%	21%	18%	0%	100%
ANB Insurance	54%	8%	26%	12%	100%
Sagr Insurance	42%	29%	28%	0%	100%
AICC	40%	36%	23%	0%	100%
Vehicle Insurance					
Malath Insuranc	4%	91%	5%	0%	100%
Salama	7%	90%	4%	0%	100%
AlRajhi Takaful	12%	80%	7%	1%	100%
WAFA Insurance	11%	79%	10%	0%	100%
U C A	5%	68%	27%	0%	100%
Alinma Tokio M	3%	61%	30%	6%	100%
Walaa	20%	58%	22%	0%	100%
ACIG	33%	58%	9%	0%	100%
Trade Union	28%	57%	16%	0%	100%
AXA Cooperative	29%	55%	13%	2%	100%
Buruj	37%	50%	13%	0%	100%
Gulf General	14%	48%	38%	0%	100%
Al-Ahlia	31%	47%	23%	0%	100%
Wataniya	0%	45%	44%	10%	100%
Arabian Shield	39%	40%	21%	0%	100%
Allianz SF	13%	34%	33%	20%	100%
General Insurance					
ACE	0%	41%	59%	0%	100%
Al Alamiya	1%	39%	52%	8%	100%
Gulf Union	16%	38%	46%	0%	100%
SAICO	35%	27%	38%	0%	100%
Protection & Savings					
Jazira Takaful	-	-	-	100%	100%
SABB Takaful	-	-	-	100%	100%
ATC	-	-	-	100%	100%

Financial Indicators

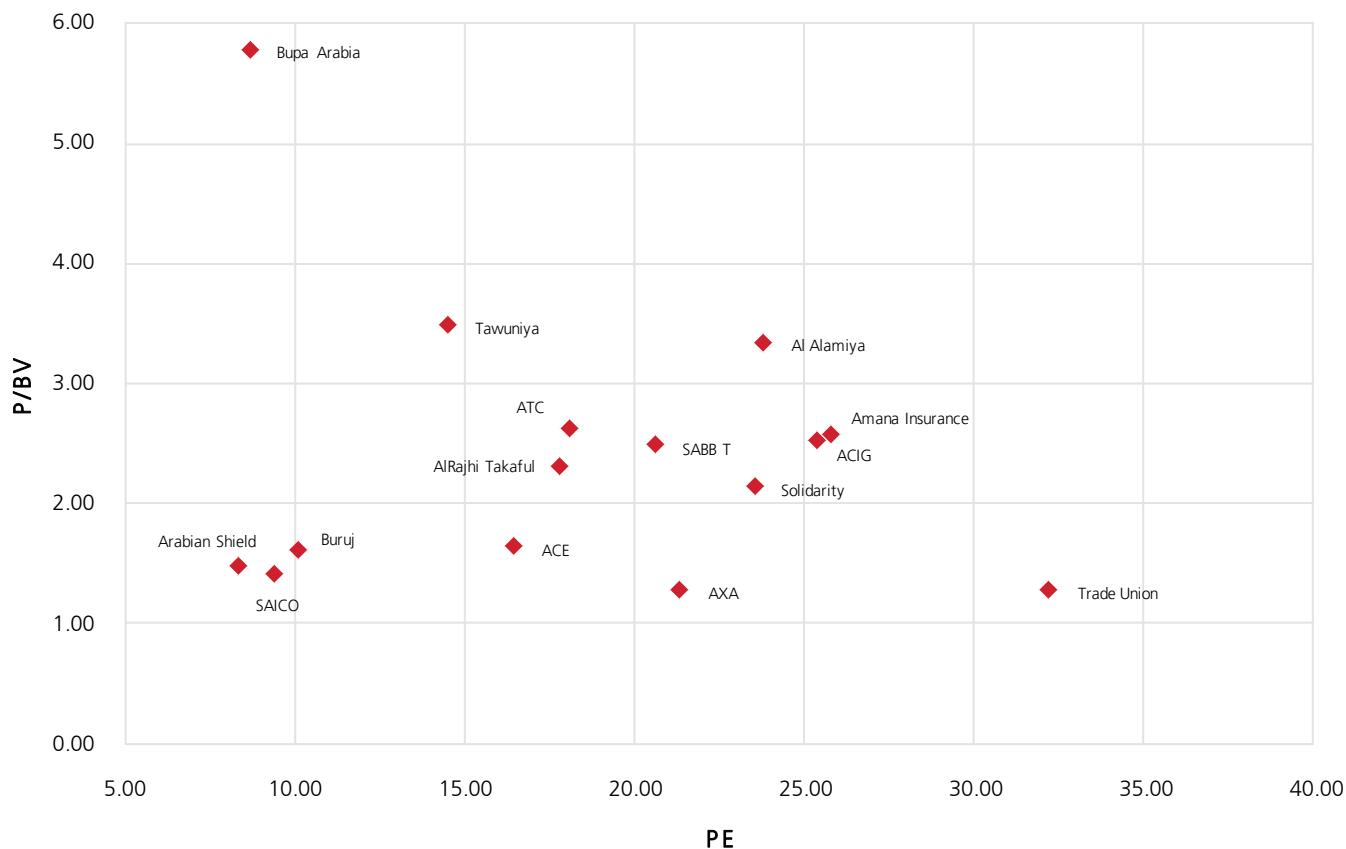
Company	Closing Price (SAR)	Issued Shares (MN)	Free Floating Shares (MN)	Net Income H1 2016 (MN)	Net Income LTM Ending Mar 2016 (MN)	Shareholders Equity (MN)	Market Cap.	12M EPS	PE	P/BV
Tawuniya	86.90	100	53	291.1	597	2,490	8,690	5.97	14.55	3.48
ANB Insurance	18.23	35	11	(11.3)	(27)	248	638	(0.77)	NA	2.57
Jazira Takaful	24.70	35	11	12.0	22	365	865	0.62	39.97	2.36
Malath Insurance	10.49	30	30	(130.8)	(130)	116	315	(4.32)	NA	2.72
MEDGULF	18.26	100	37	(5.9)	(80)	894	1,826	(0.80)	NA	2.04
ALLIANZ SF	26.47	20	7	13.1	26	213	529	1.28	20.63	2.48
SALAMA	12.20	25	18	3.0	1	175	305	0.04	317.71	1.74
Walaa Insurance	14.83	40	38	51.0	44	367	593	1.10	13.45	1.61
Arabian Shield	21.69	20	11	17.5	52	293	434	2.59	8.39	1.48
SABB Takaful	21.51	34	12	6.6	3	359	731	0.09	244.60	2.03
SANAD (Suspended)	-	20	14	(0.2)	-	-	-	-	-	-
SAICO	15.18	25	17	20.2	40	268	380	1.61	9.45	1.41
Wafa	14.01	21	17	40.9	(25)	107	287	(1.23)	NA	2.68
Gulf Union	9.93	22	15	7.8	22	134	218	1.00	9.93	1.63
ATC	31.26	17	7	17.0	29	199	521	1.72	18.14	2.61
Al-Ahlia	6.08	32	30	(13.2)	(52)	111	195	(1.62)	NA	1.75
ACIG	15.65	20	12	8.2	12	124	313	0.62	25.41	2.52
AICC	10.22	27	17	5.3	(8)	242	271	(0.30)	NA	1.11
Trade Union	12.11	28	18	7.5	10	259	333	0.38	32.21	1.28
Sagr Insurance	39.10	25	18	122.1	201	527	978	8.06	4.85	1.85
U C A	13.40	49	32	62.4	(15)	355	657	(0.30)	NA	1.85
Bupa Arabia	120.97	80	57	176.9	1,108	1,675	9,678	13.85	8.74	5.77
Al Rajhi Takaful	21.42	40	18	29.9	48	370	857	1.20	17.86	2.31
ACE	34.08	10	6	14.0	21	207	341	2.07	16.50	1.64
AXA-Cooperative	13.93	45	22	22.8	29	487	627	0.65	21.37	1.28
Gulf General	14.02	20	13	2.9	(22)	179	280	(1.09)	NA	1.56
Buruj	17.00	25	15	30.7	42	265	425	1.68	10.14	1.60
Al Alamiya	26.59	40	12	29.2	45	318	1,064	1.12	23.83	3.34
Solidarity	8.45	56	40	13.0	20	219	469	0.36	23.57	2.14
Wataniya	21.54	20	7	10.6	(1)	165	431	(0.03)	NA	2.60
Amana Insurance	8.80	32	25	(0.4)	11	110	282	0.34	25.81	2.57
Enaya	8.90	40	16	(15.3)	(47)	183	356	(1.17)	NA	1.94
Alinma Tokio M	16.81	45	15	(18.3)	(28)	295	756	(0.61)	NA	2.56
Total		1,296	774	820.4	1,910	13,088	35,870	1.47	12.02	2.74

Closing prices of September 7, 2016.

P/E and P/BV for Insurance Companies

22 companies in the sector generated profits in the four quarters ending June 2016.

The following figure reflects the valuation levels of these companies* based on P/E and P/B** based on Q2 2016 figures:



* Excluding seven companies with very inflated multiples

** Closing prices of September 7, 2016.

Insurance Premiums Breakdown

SAR MN Company	GWP			NWP			NEP			Net Claims Incurred			Retention Ratio		Claims Ratio	
	H1 2015	H1 2016	G	H1 2015	H1 2016	G	H1 2015	H1 2016	G	H1 2015	H1 2016	G	H1 2015	H1 2016	H1 2015	H1 2016
Tawuniya	3,308	3,837	%16	2,684	3,306	%23	2,636	3,341	%27	2,015	2,574	%28	%81.1	%86.2	%76.4	%77.0
ANB Insurance	52	112		15	73		5	66		5	55		%29.2	%65.6	%107.8	%83.3
Jazira Takaful	20	39	%93	8	20	%149	6	11	%93	1	2		%40.4	%52.0	%18.1	%15.6
Malath Insurance	1,040	1,440	%38	968	843	(%13)	846	697	(%18)	709	692	(%2)	%93.1	%58.6	%83.8	%99.3
MEDGULF	2,664	2,125	(%20)	2,273	1,819	(%20)	1,711	1,547	(%10)	1,690	1,332	(%21)	%85.3	%85.6	%98.8	%86.1
ALLIANZ SF	430	430	%0	243	283	%16	176	236	%34	130	182	%40	%56.5	%65.7	%73.7	%77.1
SALAMA	227	283	%25	214	270	%26	163	194	%19	134	156	%16	%94.2	%95.2	%81.9	%80.0
Walaa Insurance	397	484	%22	304	397	%31	191	282	%47	177	162	(%9)	%76.7	%82.0	%92.6	%57.4
Arabian Shield	389	445	%15	237	275	%16	161	177	%9	127	133	%4	%61.0	%61.8	%78.6	%74.9
SABB Takaful	99	93	(%5)	87	76	(%12)	68	88	%28	4	7	%80	%87.7	%81.3	%5.7	%7.9
SANAD	1	0	(%99)	1-	1-	(%14)	14	1-	(%107)	9	5	(%41)			%61.7	(%512.2)
SAICO	623	522	(%16)	401	326	(%19)	327	262	(%20)	258	183	(%29)	%64.2	%62.5	%79.0	%69.7
WAFIA Insurance	269	361	%34	211	310	%47	97	236	%145	67	152	%127	%78.6	%86.0	%69.3	%64.3
Gulf Union	150	135	(%10)	65	62	(%6)	66	46	(%30)	42	26	(%37)	%43.4	%45.5	%63.3	%56.9
ATC	183	181	(%1)	80	77	(%4)	39	39	%1	6	7	%14	%43.8	%42.7	%16.5	%18.7
Al-Ahlia	145	96	(%34)	133	88	(%34)	100	111	%11	66	86	%31	%91.6	%91.1	%65.5	%77.4
ACIG	331	294	(%11)	281	249	(%11)	159	210	%32	122	166	%36	%84.9	%84.8	%76.6	%78.7
AICC	288	218	(%24)	174	132	(%24)	232	182	(%21)	185	124	(%33)	%60.3	%60.6	%80.1	%68.2
Trade Union	411	524	%27	296	403	%36	244	373	%53	167	314	%89	%71.9	%77.0	%68.3	%84.1
Sagr Insurance	393	119	(%70)	347	83	(%76)	141	358	%153	103	154	%50	%88.4	%70.0	%72.8	%43.1
U C A	608	609	%0	447	244	(%45)	347	374	%8	270	277	%2	%73.5	%40.0	%78.0	%73.9
Bupa Arabia	3,971	4,274	%8	3,959	4,251	%7	3,162	3,746	%18	2,617	3,115	%19	%99.7	%99.5	%82.8	%83.2
Al Rajhi Takaful	695	1,039	%50	639	987	%54	471	687	%46	372	575	%54	%92.0	%94.9	%79.0	%83.7
ACE	164	134	(%18)	81	76	(%6)	56	58	%3	32	27	(%18)	%49.5	%56.9	%57.6	%45.9
AXA-Cooperative	617	651	%5	562	613	%9	496	518	%4	411	427	%4	%91.1	%94.2	%82.9	%82.4
Gulf General	245	179	(%27)	120	95	(%21)	84	76	(%9)	57	42	(%25)	%49.2	%53.2	%67.6	%55.8
Buruj	214	227	%6	177	203	%15	164	200	%22	116	120	%4	%82.8	%89.5	%71.0	%60.4
Al Alamiya	206	159	(%23)	129	87	(%33)	105	116	%10	58	55	(%6)	%62.8	%54.8	%55.2	%47.1
Solidarity	168	138	(%18)	123	120	(%2)	84	114	%36	103	54	(%48)	%73.1	%87.0	%122.5	%46.9
Wataniya	324	298	(%8)	131	134	%2	96	128	%34	73	91	%25	%40.6	%45.1	%76.5	%71.4
Amana Insurance	229	126	(%45)	160	96	(%40)	130	164	%26	133	115	(%14)	%70.1	%75.6	%102.5	%70.4
Enaya	36	68	%87	21	41	%89	8	28	%250	7	18	%166	%59.2	%59.8	%85.6	%65.1
Alinma Tokio M	122	233	%90	33	97	%197	19	52	%178	14	42	%200	%26.7	%41.6	%75.2	%81.2
Total	19,016	19,874	%4.5	15,602	16,136	%3.4	12,605	14,718	%16.8	10,280	11,740	%11.6	%82.05	%81.19	%81.56	%77.93

GWP: Gross Written Premium NWP: Net Written Premium NEP: Net Earned Premium

Retention Ratio Breakdown - H1 2016

Company	Health Insurance	Vehicle Insurance	General Insurance	Total
Tawuniya	%99.2	%100.0	%27.6	%86.2
ANB Insurance	%97.2	%97.9	%5.5	%65.6
Jazira Takaful				%52.0
Malath Insurance	%100.0	%59.5	%13.5	%58.6
MEDGULF	%99.9	%69.0	%17.4	%85.6
ALLIANZ SF	%52.3	%99.0	%25.0	%65.7
SALAMA	%98.1	%97.7	%28.9	%95.2
Walaa Insurance	%100.0	%99.5	%20.5	%82.0
Arabian Shield	%100.0	%51.6	%11.3	%61.8
SABB Takaful				%72.3
SAICO	%94.5	%98.7	%7.4	%62.5
WAFa Insurance	%60.6	%99.1	%7.6	%86.0
Gulf Union	%76.8	%56.8	%25.3	%45.5
ATC				%42.7
Al-Ahlia	%97.4	%97.7	%69.0	%91.1
ACIG	%77.0	%98.1	%26.3	%84.8
AICC	%56.1	%94.2	%16.5	%60.6
Trade Union	%61.8	%98.6	%25.3	%77.0
Sagr Insurance	%91.5	%92.0	%14.9	%70.0
U C A	%91.4	%48.4	%9.3	%40.0
Bupa Arabia	%99.5			%99.5
Al Rajhi Takaful	%99.7	%99.0	%41.8	%94.9
ACE		%97.8	%27.9	%56.9
AXA-Cooperative	%99.2	%99.5	%65.2	%94.2
Gulf General	%46.0	%80.6	%20.8	%53.2
Buruj	%99.2	%98.0	%27.6	%89.5
Al Alamiya	%21.9	%97.5	%28.4	%54.8
Solidarity		%88.4	%9.7	%45.1
Wataniya	%98.6	%96.2	%29.7	%87.0
Amana Insurance	%100.3	%39.4	%17.1	%75.6
Enaya	%59.8			%59.8
Alinma Tokio M	%100.0	%56.9	%4.0	%41.6
Total	%97.26	%83.21	%22.04	%81.2

Financial Statement

Balance Sheet (SAR million)	H1 2015	H1 2016	Growth
Policyholders (PH) Assets:			
Investments	8,844	11,443	29%
Cash at Banks	6,426	6,377	(1%)
Receivables, Net	8,339	9,521	14%
Other PH Assets	13,532	12,590	(7%)
Total PH Assets	37,141	39,930	8%
Shareholders (SH) Assets			
Investments	7,136	9,267	30%
Cash at Banks	2,895	2,528	(13%)
Other SH Assets	2,377	2,354	(1%)
Total SH Assets	12,408	14,149	14%
Total Assets	49,549	54,079	9%
PH Liabilities			
Reinsurers Balances Payable	2,081	2,337	12%
Technical Reserves	30,940	32,359	5%
Other Liabilities	4,120	5,234	27%
Total PH Liabilities	37,141	39,930	8%
SH Liabilities			
SH Liabilities	1,748	2,117	21%
Capital	11,062	11,037	(0%)
SH Equity	10,660	12,032	13%
Total SH Liabilities and Equity	12,408	14,149	14%
Total Liabilities	49,549	54,079	9%
Income Statement (SAR million)			
Gross Premium Written	19,029	19,169	%0.73
Net Premium Written	15,604	15,449	(%1.0)
Net Premium Earned	12,590	14,287	%13.5
Investment Income	163	240	47%
Gross Claim Paid	10,768	9,436	(12%)
Net Claim Incurred	10,272	11,438	%11
Accumulated PH Surplus End of Period	305	476	56%
SH Appropriation From Net Surplus	222	773	248%
Net Income (Loss) for the Period	263	820	153%

Definitions

Gross Premium written:

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 Premium written:

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

Net Premium Earned:

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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