

The report depicts the performance of insurance sector in Saudi Arabia during the third-quarter of 2017. The report shows the main insurance indicators as gross premium written, net premium earned, claims incurred and net income for each of 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.

Thus, the number of companies under coverage in this report totaled 32 companies out of 33 listed companies.

Content

Overview	2
Insurance Structure	3
Insurance Sector Performance	4
Market Profitability	7
Health Insurance	8
General Insurance	9
Vehicle Insurance	10
Protection & Savings Insurance	11
Consolidated Financial Statements	12
Concentration of Insurance Segments	13
Financial Indicators	14
Appendixes	18

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

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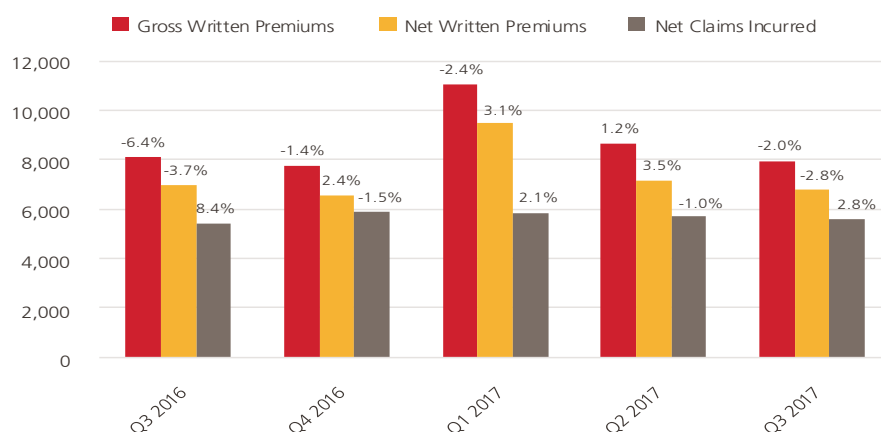
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Executive Summary

- The gross written premiums of the Saudi insurance sector edged down 1.2% in 9M 2017, hitting SAR 27.6 billion (USD 7.37 billion).
- The insurance sector registered a 1.3% YoY decline in net claims incurred, posting SAR 17.1 billion (USD 4.56bn) in 9M 2017.
- The claims of health and vehicle lines of insurance captured 66% and 32%, respectively of net claims incurred for the total market.
- By the end of September 2017, insurance assets stretched 2.0% YoY, coming in at SAR 55.95 billion (USD 14.92 billion).
- The nine-month retention ratio climbed to 85.5% in 2017 compared with 83.2% in 9M 2016. Likewise, the overall claims ratio of the insurance sector increased slightly to 76.6% compared with 76.4% in the previous-year period.
- Compulsory insurance lines - health and vehicle insurance - continues to dominate the insurance sector, capturing 85% of the market's total premiums.
- The nine-month consolidated profit of the insurance sector tumbled 25% in 2017, posting SAR 1.17 billion compared to SAR 1.55 billion in the same period of 2016.
- There is still wide disparity in the individual performance of insurance companies, with only three companies capturing 59% of the total insurance market.

Insurance Sector Evolution with Growth Rates (SAR million)



Saudi Insurance Sector

Overview

Real GDP edged down during the first and second quarters of 2017 by 0.53% and 1.03%, respectively. This economic slowdown was reflected in overall premiums growth.

This comes after the insurance sector flourished during previous years with the support of improvement in the regulatory environment and enforcement of the compulsory insurance for vehicles and health insurance, coupled with mounting awareness of the insurance’s importance and the growth of general insurance segment on new regulations.

Looking at the future, we expect that the government’s direction to strengthen the non-oil sector will provide growth opportunities for the insurance sector as a whole. The Ministry of Health is expected to start adding some government-owned hospitals into the insurance network, which will significantly increase the number of accredited care providers. In addition, we believe that allowing women to drive could push up vehicle insurance premiums even higher than current levels.

Furthermore, the Saudi Arabian Monetary Authority (SAMA) is expected to fasten insurance companies with the Traffic Police Department through electronic terminals, to ensure enforcement of compulsory insurance on all vehicles and force motorists of illegally uninsured vehicles to buy insurance coverage.

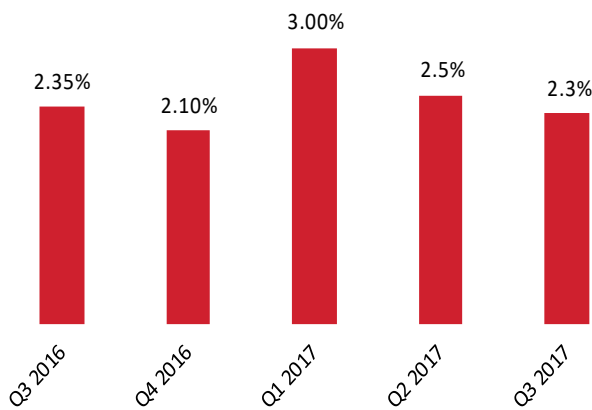
Contribution of the insurance sector to non-oil GDP remains low

The insurance penetration, which refers to the contribution of the insurance sector to non-oil GDP, came in at 2.3% in Q3 2017, which close to its level in same period of 2016.

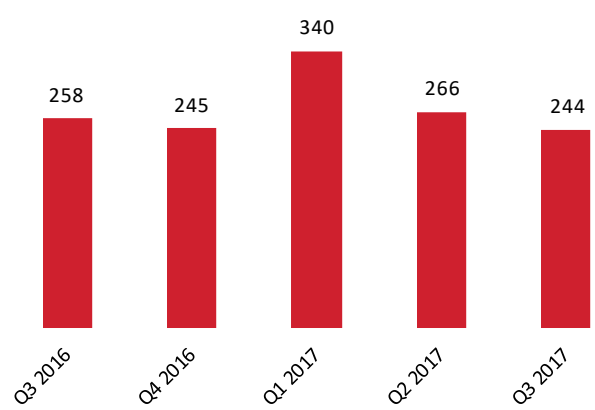
On the other hand, the insurance density rate — average insurance spending per capita — slipped 5.4% or SAR 14 to SAR 244 (USD 65) per capita in Q3 2017 from SAR 258 (USD 68.8) per capita in Q3 2016.

Overall, the penetration and density rates of Saudi insurance are still relatively timid compared with mature insurance markets, which means that the insurance sector is still in the process of growth and offer future opportunities that are unexploited yet.

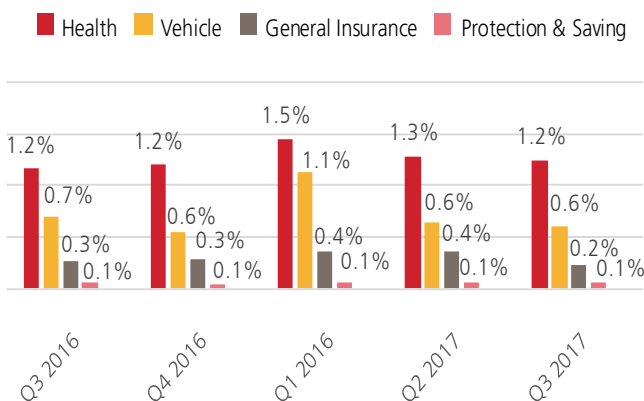
Insurance sector penetration to non-oil GDP



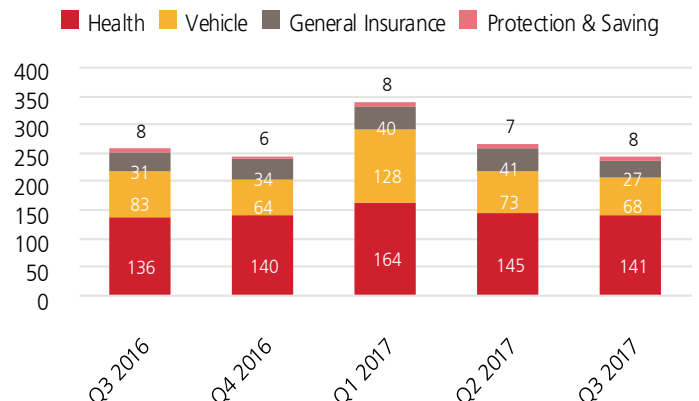
Insurance spending per capita (SAR)



Insurance Penetration Breakdown



Insurance Density Breakdown (SAR)



Saudi Insurance Sector

Insurance Structure

The Saudi Insurance consists of three business lines: health insurance, protection & savings insurance, and general insurance, which in turn includes seven activities, namely: vehicle, marine, aviation, energy, engineering, accidents & responsibilities, and property & fire insurance.

Health insurance generated around 53% of the total market premiums

The health Insurance maintained its position as the largest insurance segment in the Saudi market, with a market share of 52.9% in terms of gross premiums in 9M 2017, followed by the vehicle insurance⁽¹⁾ which held 31.6%, then the general insurance with 12.8%. The protection and savings insurance accounted for only 2.7% of the total market premiums.

Furthermore, the two compulsory insurance lines of health and vehicle insurance together accounted for 85% of the market total premiums, leaving just 15% for the other segments.

Continue high concentration in the insurance sector

The insurance sector is still characterized by a high degree of concentration, as a result of an overcrowded market by too many insurance companies. Bupa Arabia, Tawuniya, and AlRajhi Takaful, the top three insurance companies in Saudi Arabia, enjoyed a combined market share of 59% in Q3 2017. The ten largest companies by premiums seized 81% of total premiums during the same period.

Service providers

The Saudi insurance sector has 33 listed insurers in the Saudi Stock Market, which operate at least in one of the three major insurance lines. Moreover, all Saudi listed insurers operate under the Takaful system or Islamic cooperative insurance scheme.

In general, there are twenty-seven companies qualified by Council of Cooperative Health Insurance that offer health insurance services. Twenty-eight companies provide general insurance, while eleven companies offer protection and savings insurance.

(1) Vehicle Insurance was excluded from General Insurance due to its size.

	Insurance Market Share	Q3 2016	Q3 2017
1	Bupa Arabia	31.8%	31.7%
2	Tawuniya	15.3%	17.9%
3	AlRajhi Takaful	5.3%	9.3%
4	MEDGULF	6.3%	6.5%
5	AXA Cooperative	4.8%	4.6%
6	Walaa	3.3%	3.6%
7	Salama	1.6%	2.0%
8	SAICO	2.0%	2.0%
9	Wataniya	1.8%	1.9%
10	Allianz SF	2.2%	1.9%
11	ATC	1.4%	1.5%
12	U C A	0.8%	1.5%
13	Arabian Shield ⁽¹⁾	1.9%	1.5%
14	ACIG	1.7%	1.4%
15	METLIFE AIG ANB	0.4%	1.3%
16	Trade Union	3.4%	1.3%
17	Wafa Insurance ⁽²⁾	1.1%	1.3%
18	Buruj	1.3%	1.2%
19	Malath Insuranc ⁽³⁾	6.5%	0.8%
20	Sagr Insurance	0.2%	0.8%
21	Enaya	0.3%	0.7%
22	AICC	1.4%	0.7%
23	Al Alamiya	0.8%	0.7%
24	Al-Ahlia	0.5%	0.7%
25	Alinma Tokio M	0.6%	0.6%
26	SABB Takaful	0.5%	0.6%
27	CHUBB	0.5%	0.5%
28	Solidarity	0.7%	0.5%
29	Gulf Union	0.6%	0.4%
30	Jazira Takaful	0.3%	0.3%
31	Gulf General	0.5%	0.3%
32	Amana Insurance	0.1%	0.1%

- (1) It has banned from issuing, renewing or selling compulsory vehicle insurance policies from Aug 8, 2017 until Nov 30, 2017.
- (2) It has banned from issuing, renewing or selling compulsory vehicle insurance policies from Aug 8, 2017 until now.
- (3) It has banned from issuing, renewing or selling compulsory vehicle insurance policies from Aug 8, 2017 until 6 Nov, 2017

Insurance Market Share - Q3 2017



Saudi Insurance Sector

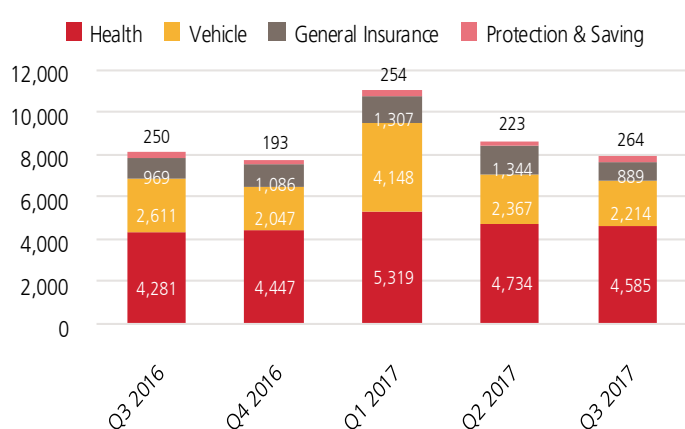
Insurance Sector Performance

The Saudi insurance sector has witnessed a slight decrease in gross written premiums by 1.2% YoY in 9M 2017, hitting SAR 27.6 billion (USD 7.37bn) across all lines compared with SAR 28.0 billion (USD 7.46bn) in 9M 2016. The dip was driven by economic pressures.

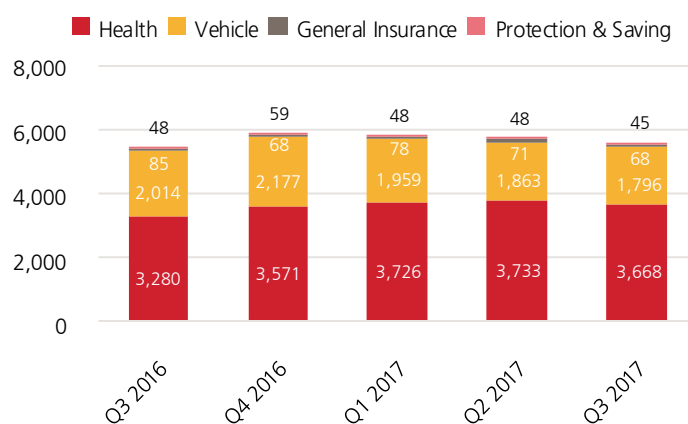
By line of business, the health insurance grew 3.1% to SAR 14.6 billion in 9M 2017, which represented 52.9% of the market. The protection and savings insurance improved 1.3% reaching SAR 742 million. However, the general insurance plummeted 4.6% to SAR 3.5 billion, and the vehicle insurance dropped 6.6% to SAR 8.7 billion.

On the other hand, net written premiums grew 1.4% compared with 9M 2016 to reach SAR 23.4 billion. This resulted in a growth in net premium earned by 1%, reaching SAR 22.3 billion. Meanwhile, the insurance sector registered a 1.3% decline in net claims incurred, posting SAR 17.1 billion (USD 4.56bn) in 9M 2017. This growth was driven by 5.2% increase in net claims incurred of health insurance, while net claims incurred of vehicle insurance dropped 5.2%. Moreover, the claims of both health and vehicle insurance captured 66% and 32% of net claims incurred, respectively.

Gross Premium Written Breakdown (SAR million)



Net Claims Incurred Breakdown (SAR million)



Segment	Gross Premium Written (SAR million)			Net Premium Written (SAR million)			Net Premium Earned (SAR million)			Net Claims Incurred (SAR million)			Retention Ratio		Loss Ratio		Market Share	
	9M 2016	9M 2017	Growth	9M 2016	9M 2017	Growth	9M 2016	9M 2017	Growth	9M 2016	9M 2017	Growth	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016	9M 2017
Health	14,198	14,638	3.1%	13,787	14,171	2.8%	13,689	13,646	(0.3%)	10,573	11,127	5.2%	97.1%	96.8%	77.2%	81.5%	50.7%	52.9%
Vehicle	9,345	8,729	(6.6%)	8,065	8,100	0.4%	7,239	7,596	4.9%	5,928	5,618	(5.2%)	86.3%	92.8%	81.9%	74.0%	33.4%	31.6%
General Insurance	3,711	3,541	(4.6%)	822	728	(11.4%)	839	752	(10.3%)	246	218	(11.6%)	22.2%	20.6%	29.3%	28.9%	13.3%	12.8%
Protection & Savings	732	742	1.3%	361	372	3.0%	355	339	(4.5%)	143	141	(1.6%)	0.0%	0.0%	40.5%	41.7%	2.6%	2.7%
Total	27,986	27,649	(1.2%)	23,035	23,372	1.5%	22,122	22,333	1.0%	16,891	17,104	1.3%	83.2%	85.5%	76.4%	76.6%	100.0%	100.0%

Saudi Insurance Sector

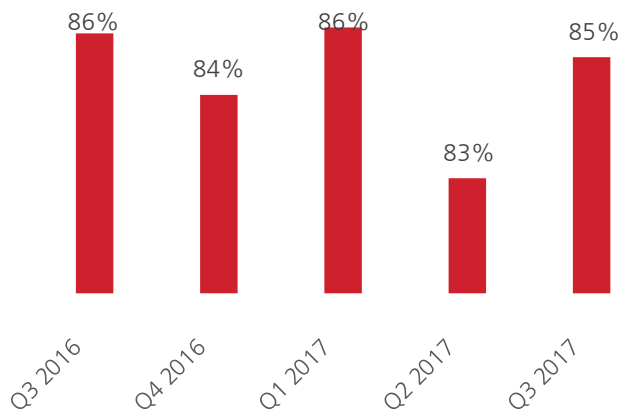
Retention rate reflects less reliance on reinsurance market

Retained risk in the Saudi insurance sector remains absolutely dominated by the two compulsory lines of health and vehicle insurance. The retention ratio climbed to 85.5% compared with 83.2% in 9M 2016. Meanwhile, the retention rate has shown wide variation among its sectors. The general insurance sector recorded a low retention rate of about 20.6%, while the health insurance and vehicle insurance sectors recorded high retention levels of 96.8% and 92.8%, respectively.

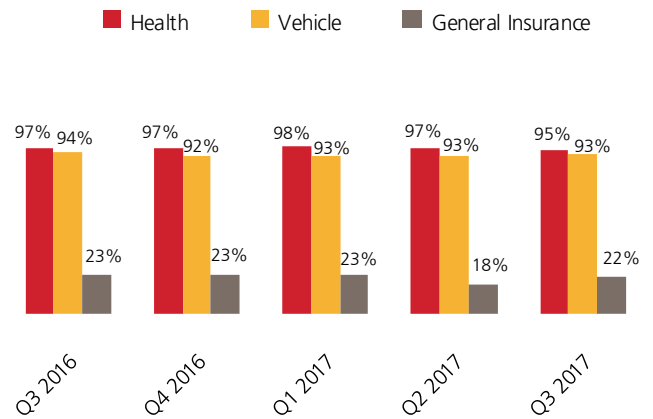
Sector profitability declined due to high loss ratio

The loss ratio refers to the carried losses by an insurance company in the form of claims. The overall claims ratio of the insurance sector increased slightly to 76.6% in 9M 2017 compared with 76.4% in the previous-year period. This was largely due to the growth in claims rate of health insurance that reached 81.5% compared to 77.2% in 9M 2016. The claims ratio of vehicle insurance shrank for 9M 2017, offset by growth in net earned premiums during the same period. On the other hand, the expenses ratio plummeted to 11.0% versus 12.9% in 9M 2016.

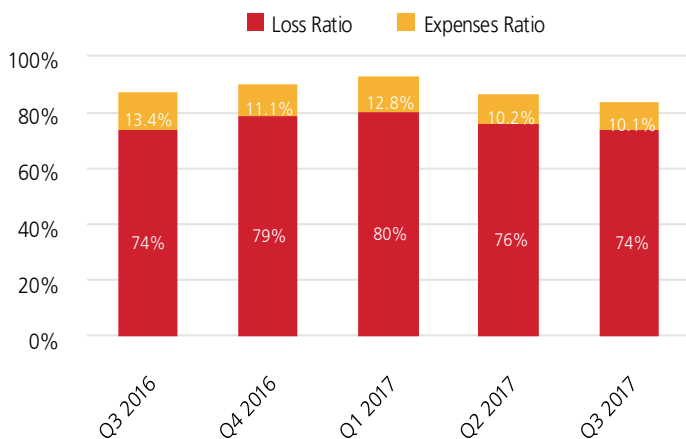
Retention Ratio



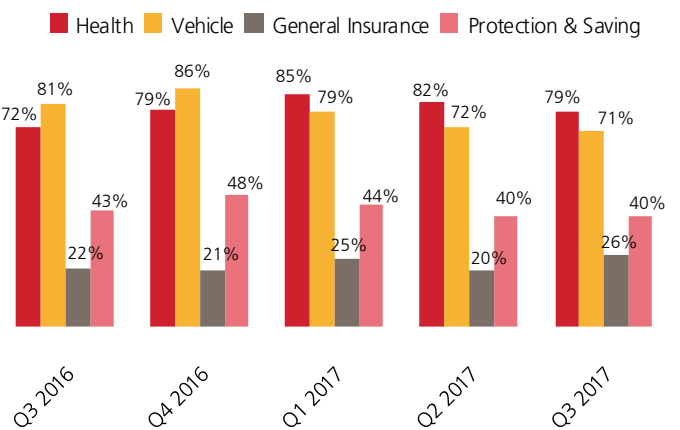
Retention Ratio Breakdown



Combined ratio of loss and expenses



Claims Ratio Breakdown



Saudi Insurance Sector

Balance sheet overview

Insurance companies unveiled growth in assets at the end of September. Total assets surged 2% YoY compared with 5.9% in Q3 2016. Total assets amounted to SAR 55.95 billion in Q3 2017, while policyholders' assets and shareholders' assets captured 71% and 29% of total assets, respectively.

In terms of investments that accounted for 58.4% of total assets, the figure expanded 6% to SAR 32.66 billion in Q3 2017, of which 10.1% pertaining to cash equivalent on hand, 17.8% in time deposits, 27.7% in investment available-for-sale, and 44.4% in other assets such as investment property and investment in associates. Meanwhile, the reinsurers' share of unearned premiums, which represented 6.6% of the total insurance operations' assets, tumbled 17.5%.

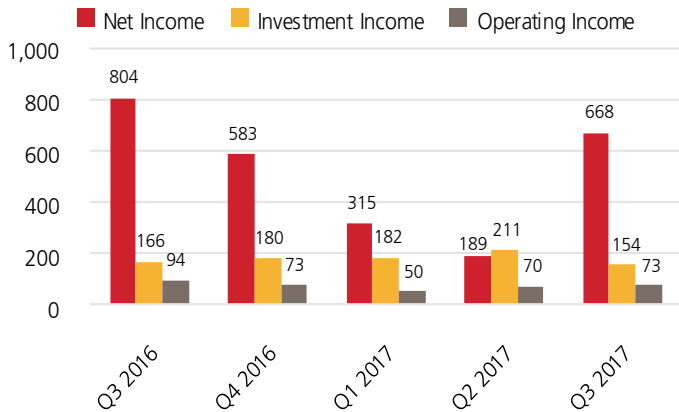
Decline in share capital outpaced by growth in premiums

Share capital declined 14.5%, while premiums slid 2%. Thus, in our opinion, the slowdown in premiums and growth in reserves point to higher ability to assume risk. Total shareholder equity came in at SAR 14.13 billion in Q3 2017 compared with SAR 13.06 billion in Q3 2016, showing an increase of 8.2% YoY. However, out of the 32 listed insurers, nine companies witnessed a decrease in their capital base, while thirteen companies suffered an accumulated loss of SAR 543 million.

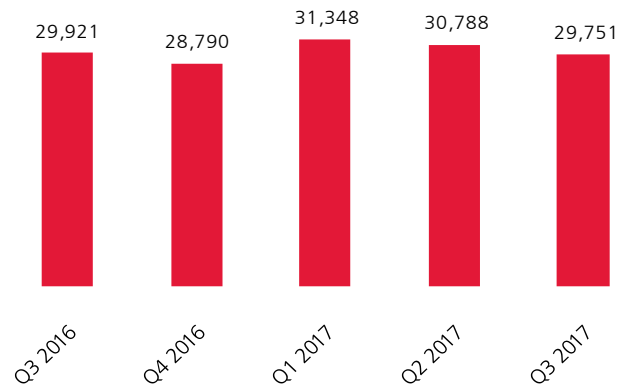
Shrinking technical reserves weakens the durability and resilience of the sector to insurance risk

The insurance sector recorded an increase in the technical reserves by less than 1% YoY, to SAR 29.75 billion in Q3 2017. These reserves represent a full 75% of the total liabilities. Likewise, the statutory reserves formed 88% of the total shareholders' liabilities and 19% of the share capital.

Profitability (SAR million)



Technical Reserves growth (SAR million)



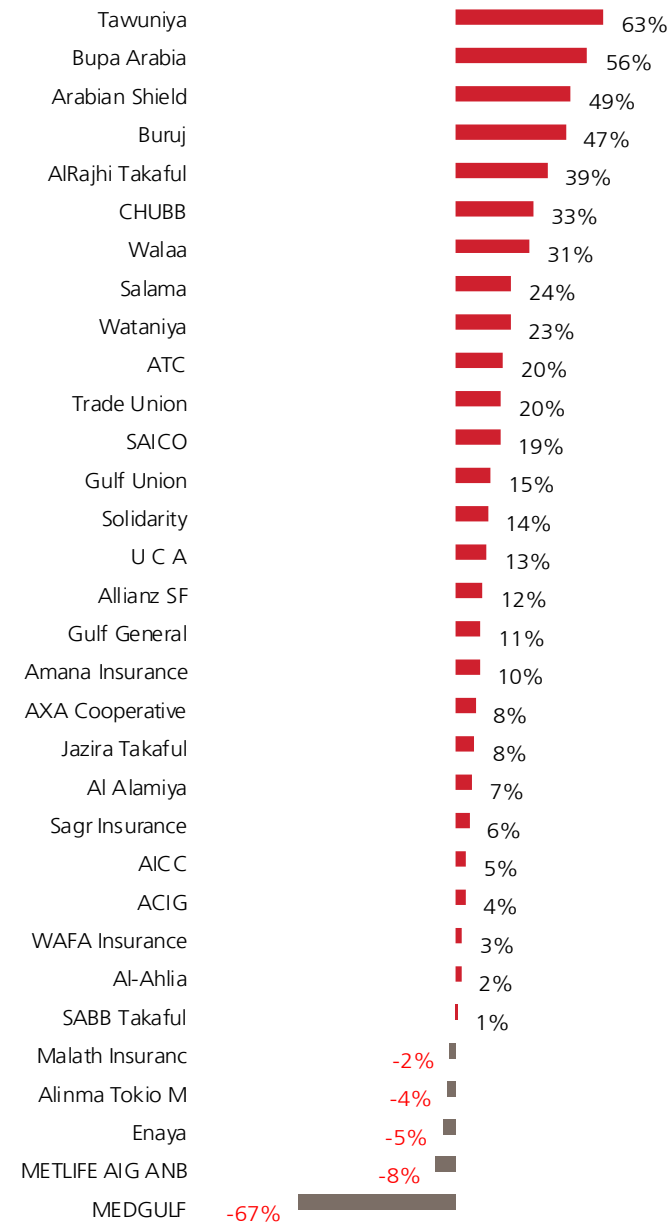
Saudi Insurance Sector

Market Profitability

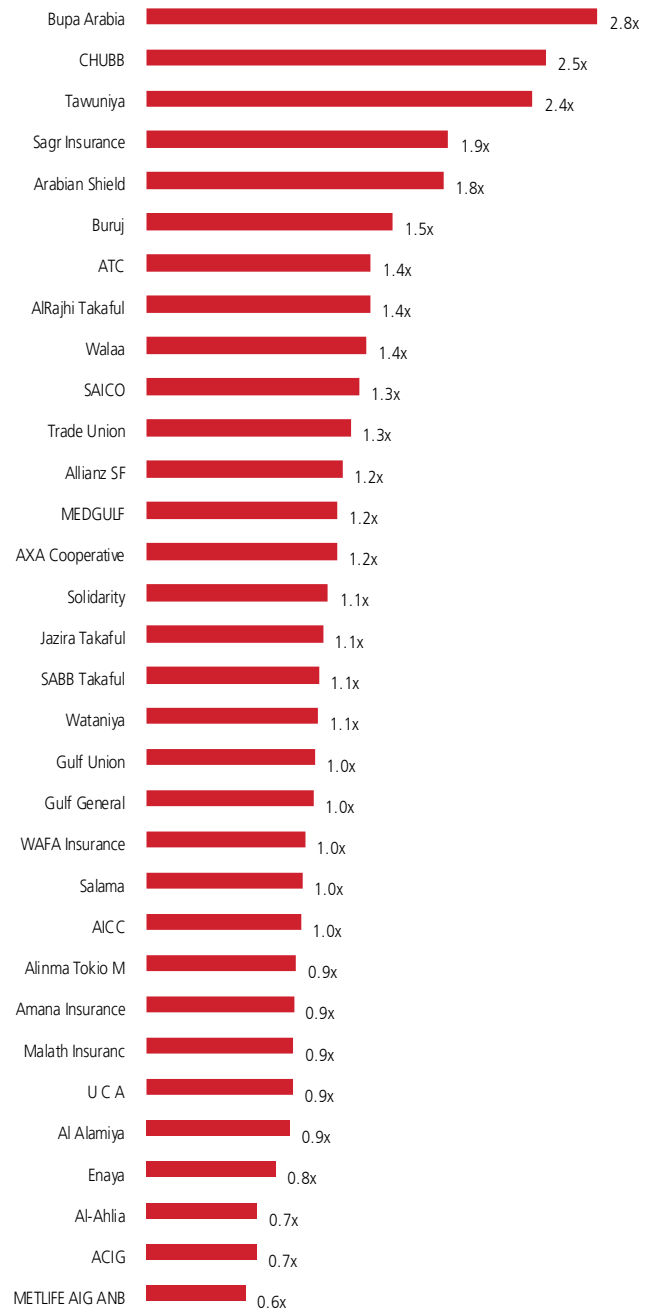
In aggregate, the insurers in Saudi market have witnessed a significant drop of 25% in their net profits, to SAR 1.17 billion in 9M 2017 compared with SAR 1.55 billion in 9M 2016. The remarkable slump was driven by higher operating expenses and lower operating revenues, as well as lower reinsurance premiums, in spit of higher income from investments and lower policy acquisition costs. The return on assets came in at 3.2%, slightly higher than comparative period, while the return on equity shrank by 41 basis point to 12.9% compared with 13.3% in the same-period last-year.

However, there is still a large disparity in individual performance of insurance companies, with only one company generating 30% of the sector net profits. Across the sector as a whole, 27 insurers achieved a positive return on capital in Q3 2017, while 5 insurers recorded negative returns. Likewise, the equity to capital ratio for 23 companies stood above 1, meanwhile 9 companies were less than 1, implying that about one-third of insurance companies have been eroded a part of their capital.

Return on Capital - Q3 2017



Equity to Capital Ratio - Q3 2017



Saudi Insurance Sector

Health Insurance

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

The health insurance sector has registered an increase in gross written premiums by 3.1%, posting SAR 14.6 billion in 9M 2017, in spite of a significant drop in the number of insurance policies to 1.1 million policy during the same period, compared to 2.1 million policy in 9M 2016, primarily as a result of the introduction of employer unified document for the private sector. The health insurance captured 52.9% of the total market size.

Despite the low reliance on reinsurance markets by insurers in the nine-month period of 2017, the retention ratio stood at the same level of the comparable period at around 97%. Meantime, nine-month net claims incurred inflated 5.2% to SAR 11.1 billion. These factors contributed to pushing the loss ratio to 81.5% in 9M 2017.

The largest companies continue to dominate the health insurance sector

Health insurance sector consisted of 27 listed insurers. However, Bupa Arabia, Tawuniya and Medgulf have continued to dominate the sector, as they generated around 80.3% of the total market premiums in Q3 2017. The other nine companies seized only 13.7% of the market share, leaving just 6.1% for the remaining 15 listed insurers. This clearly indicates that most insurers are unable to compete with larger peers in an overcrowded market.

Health providers

The number of accredited health care providers by the Health Insurance Council amounted to 4,288 providers at the end of Q3 2017. Overall, the total number of accredited hospitals reached 296 hospitals, and the number of hospital beds available to insured reached 51,411 beds. Furthermore, the number of doctors in all health care providers has rose to 47,203 doctors.

A decrease in the number of insured

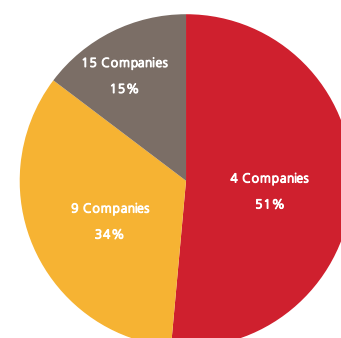
The number of insured in health insurance has shrunk to 12.06 million at the end of Q3 2017. However, the number of Saudi nationals insured is estimated at 2.86 million, representing 22.3% of the total insureds, while the number of foreign residents hit nearly 9.37 million, or 77.7% of the total insureds.

Health Insurance Market Share		Q3 2016	Q3 2017
1	Bupa Arabia	60.2%	55.0%
2	Tawuniya	15.5%	18.6%
3	MEDGULF	7.6%	6.6%
4	SAICO	2.1%	2.4%
5	AlRajhi Takaful	0.8%	2.0%
6	METLIFE AIG ANB	0.6%	1.7%
7	AXA Cooperative	2.1%	1.6%
8	Enaya	0.5%	1.3%
9	Arabian Shield	1.2%	1.3%
10	Wafa Insurance	0.7%	1.2%
11	Sagr Insurance	0.1%	1.1%
12	Trade Union	1.8%	1.1%
13	ACIG	1.3%	0.8%
14	Al-Ahlia	0.6%	0.7%
15	Buruj	0.6%	0.7%
16	Walaa	0.8%	0.7%
17	Allianz SF	0.6%	0.6%
18	AICC	0.7%	0.6%
19	Malath Insuranc	0.3%	0.5%
20	Solidarity	0.9%	0.4%
21	Salama	0.1%	0.3%
22	Gulf Union	0.4%	0.2%
23	U C A	0.4%	0.2%
24	Amana Insurance	-	0.1%
25	Alinma Tokio M	0.0%	0.1%
26	Gulf General	0.1%	0.1%
27	Al Alamiya	0.0%	0.0%

Health Insurance (SAR million)

	Q3 2016	Q3 2017	Growth	9M 2016	9M 2017	Growth
Gross Premium Written	4,281	4,585	7.1%	14,198	14,638	3.1%
Net Premium Written	4,140	4,378	5.7%	13,787	14,171	2.8%
Net Premium Earned	4,534	4,671	3.0%	13,689	13,646	(0.3%)
Net Claims Incurred	3,280	3,668	11.8%	10,573	11,127	5.2%
Retention Ratio	%96.7	%95.5	(1.2%)	%97.1	96.8%	(0.3%)
Claims Ratio	%72.3	%78.5	6.2%	%77.2	81.5%	4.3%

Health Ins. Market Share Concentration - Q3 2017



Saudi Insurance Sector

General Insurance

The general insurance sector is considered the largest sector in terms of activities and products. The general insurance includes seven sub-activities, namely: vehicle, marine, aviation, energy, engineering, accidents & responsibilities, and property & fire insurance.

Insurance Premiums

The gross written premiums of General insurance⁽¹⁾ came in at SAR 3.5 billion in 9M 2017, down 4.6%. This resulted in a nine-month net written premiums of SAR 752 million sliding 10.3%. Although the sector often suffers from overcapacity, it still continues to cede most of its commercial exposure to reinsurance companies. The retention ratio fell to 20.6% in 9M 2017 from 22.2% in the previous-year period. However, the loss ratio declined positively to 28.9% compared with 29.3% in 9M 2016. This was led by a 11.6% slump in net claims incurred to SAR 218 million.

Market Structure

The general insurance is characterized by a relatively medium concentration of companies. Tawuniya retained its position as the largest insurer in terms of gross premiums, followed by Walaa, Medgulf, then AXA Cooperative. These top 4 players together captured around 51.4% of the market in Q3 2017, representing an increase of 2.1% in their shares compared with the last-year period.

Meanwhile, nine other insurers seized for 33.9% of total premiums. The remaining 15 insurers wrote only about 14.7% of the gross premiums in the market.

(1) Vehicle insurance was excluded due to its size.

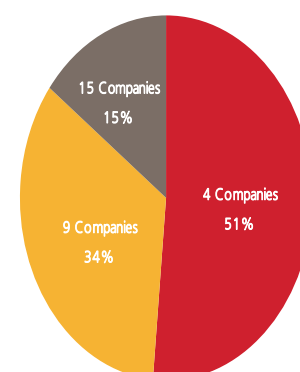
General Insurance Market Share

	Q3 2016	Q3 2017
1 Tawuniya	25.0%	24.8%
2 Walaa	9.1%	13.9%
3 MEDGULF	7.0%	6.4%
4 AXA Cooperative	6.0%	6.3%
5 Wataniya	4.8%	5.5%
6 U C A	4.2%	5.1%
7 Al Alamiya	5.3%	4.8%
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27 Sagr Insurance	0.4%	0.3%
28 Amana Insurance	0.2%	0.1%

General Insurance (SAR million)

	Q3 2016	Q3 2017	Growth	9M 2016	9M 2017	Growth
Gross Premium Written	969	889	(8.3%)	3,711	3,541	(4.6%)
Net Premium Written	220	194	(11.9%)	822	728	(11.4%)
Net Premium Earned	282	246	(12.8%)	839	752	(10.3%)
Net Claims Incurred	85	68	(20.2%)	246	218	(11.6%)
Retention Ratio	22.7%	21.8	(0.9%)	22.2	20.6	(1.6%)
Claims Ratio	30.2%	27.6	(2.6%)	29.3	28.9	(0.4%)

General Ins. Market Share Concentration - Q3 2017



Saudi Insurance Sector

Vehicle Insurance

The vehicle insurance is the largest segment of general insurance, and the second after the health insurance at the market level, accounting for about 31.6% of overall GWP.

Lower number of vehicles and insurance policies

The vehicle insurance sector registered a shrinkage in overall gross written premiums, down 6.6%, reaching SAR 8.7 billion in 9M 2017. This was primarily attributable to a contraction in the number of insurance policies by 27,000 policies compared to 9M 2016.

The decline in written premiums was offset by growth in net earned premiums by 4.9% to SAR 7.6 billion. On the other side, net claims incurred decreased 5.2% to SAR 5.6 billion, which contributed positively to a drop in the loss ratio to 74.0% from 81.9% in 9M 2016.

Moderate Competition

Despite the intense rivalry between the 27 licensed insurers, the vehicle insurance sector is characterized by a medium degree of concentration. Al Rajhi Takafwul, the top company in the segment seized 27.3% of the market. The company was able to increase its market share significantly. Furthermore, 5 other insurers captured 45.5% of total premiums, leaving only 27.2% for the remaining 21 insurers, with shares less than 5% for each company.

On the other hand, Malath Insurance Market share dropped significantly by 15.9% as the largest change in the market share during Q3 2017, in addition to an expansion of about 13.5% for Al Rajhi Takaful market share.

Decline in auto sales in the Kingdom

The Saudi market is considered one of the twenty largest auto markets in the world and the largest among the Gulf markets. The number of vehicles on the country's roads totaled 14 million. However, initial estimates indicate that the number of new registered vehicles in 2017 is likely to be lower by 5.3% than the previous years.

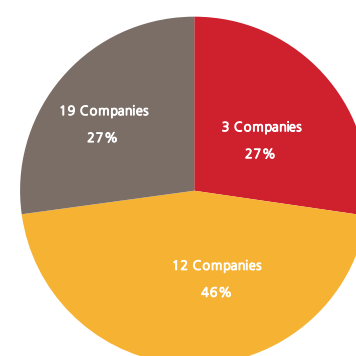
Overall, the passenger vehicles constitute the largest share of new vehicle sales in the Kingdom, with estimated sales of about 520,500 vehicles, while the estimates for sales of commercial vehicles to be around 112,900 vehicles in 2017.

	Vehicle Insurance Market Share	Q3 2016	Q3 2017
1	AlRajhi Takaful	13.8%	27.3%
2	Tawuniya	12.8%	15.6%
3	AXA Cooperative	9.1%	10.8%
4	MEDGULF	4.5%	6.9%
5	Salama	4.7%	6.3%
6	Walaa	5.6%	5.9%
7	Wataniya	3.6%	4.2%
8	ACIG	2.6%	3.2%
9	U C A	0.2%	2.8%
10	Allianz SF	2.2%	2.4%
11	Buruj	2.5%	2.2%
12	Trade Union	6.8%	1.8%
13	Arabian Shield	3.4%	1.8%
14	WAFa Insurance	2.3%	1.7%
15	Malath Insuranc	17.3%	1.4%
16	SAICO	1.5%	1.1%
17	AICC	2.8%	0.9%
18	Alinma Tokio M	0.6%	0.7%
19	Gulf Union	0.7%	0.6%
20	Al-Ahlia	0.4%	0.4%
21	METLIFE AIG ANB	0.0%	0.4%
22	Gulf General	0.7%	0.4%
23	Solidarity	0.2%	0.3%
24	CHUBB	0.3%	0.3%
25	Sagr Insurance	0.2%	0.3%
26	Al Alamiya	0.5%	0.2%
27	Amana Insurance	0.4%	0.1%

Vehicle Insurance (SAR million)

	Q3 2016	Q3 2017	Growth	9M 2016	9M 2017	Growth
Gross Premium Written	2,611	2,214	(15.2%)	9,345	8,729	(6.6%)
Net Premium Written	2,461	2,069	(15.9%)	8,065	8,100	0.4%
Net Premium Earned	2,475	2,527	2.1%	7,239	7,596	4.9%
Net Claims Incurred	2,014	1,796	(10.8%)	5,928	5,618	(5.2%)
Retention Ratio	%94.2	%93.4	(0.8%)	%86.3	%92.8	6.5%
Claims Ratio	%81.4	%71.1	(10.3%)	%81.9	%74.0	(7.9%)

Vehicle Ins. Market Share Concentration—Q3 2017



Saudi Insurance Sector

Protection & Savings Insurance

The share of protection and savings insurance is the lowest among all other insurance segments, which represented just 2.7% of overall gross written premiums.

The low market share for the protection and savings insurance is attributed to several factors including the modernity of the Saudi insurance sector, poor savings culture, in addition to religious considerations of many categories of the community towards the protection and savings products as illegal.

Insurance Premiums

The sector saw gross premiums written increase by 1.3% to SAR 742 million in 9M 2017, despite the reduction in the number of insurance policies by 6.9% (15.3 thousand policies).

On the other hand, the loss ratio grew to 41.7% in 9M 2017 compared with 40.5% in the previous-year period, owing to the dip in premiums earned by 4.5%. Net claims incurred declined to SAR 141 million during the nine-month of the current year.

Market Structure

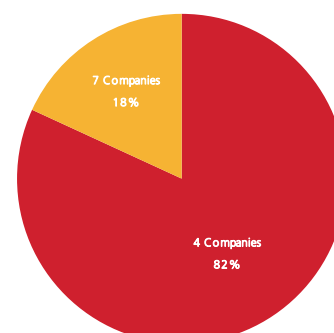
The protection and savings insurance market consisted of 11 insurers. Yet, the top four companies held over 81.9% of the market in Q3 2017. The remaining 7 insurers had only about 18.1% of the gross premiums in the market.

	Market Share	Q3 2016	Q3 2017
1	ATC	45.9%	45.3%
2	SABB Takaful	15.9%	15.3%
3	Allianz SF	12.6%	10.9%
4	Jazira Takaful	11.2%	10.5%
5	AlRajhi Takaful	2.8%	5.4%
6	Wataniya	3.2%	3.7%
7	Al Alamiya	-	2.8%
8	Alinma Tokio M	2.7%	2.7%
9	METLIFE AIG ANB	1.7%	2.3%
10	AXA Cooperative	0.7%	0.7%
11	Solidarity	3.4%	0.5%

Protection & Savings Insurance (SAR million)

	Q3 2016	Q3 2017	Growth	9M 2016	9M 2017	Growth
Gross Premium Written	250	264	5.6%	732	742	1.3%
Net Premium Written	124	126	1.9%	361	372	3.0%
Net Premium Earned	112	112	0.2%	355	339	(4.5%)
Net Claims Incurred	48	45	(5.0%)	143	141	(1.6%)
Claims Ratio	%42.6	%40.4	(2.2%)	%40.5	%41.7	1.2%

Protect & Saving Inc. Market Share Concentration - Q3 2017



Saudi Insurance Sector

Consolidated Financial Statements

Balance Sheet

(SAR million)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	YoY
Policyholders' assets						
Cash & cash equivalents	7,393	7,170	7,684	7,016	6,221	(15.8%)
Investments	10,588	11,624	11,681	11,247	12,766	20.6%
Receivables, net	9,278	7,661	9,239	9,094	8,609	(7.2%)
Reinsurers' share	5,388	5,718	5,939	5,789	5,639	4.7%
Other assets	7,338	6,513	6,775	6,960	6,426	(12.4%)
Total policyholders' assets	39,985	38,686	41,318	40,106	39,661	(0.8%)
Shareholders assets						
Cash and cash equivalents	4,107	5,312	4,410	4,162	4,280	4.2%
Investments	8,688	7,605	8,493	9,568	9,391	8.1%
Other assets	2,093	2,699	2,760	2,019	2,620	25.2%
Total Shareholders' assets	14,888	15,616	15,664	15,749	16,291	9.4%
Total assets	54,873	54,302	56,982	55,855	55,953	2.0%
Policyholders' (PH) liabilities						
Gross outstanding claims	13,106	13,350	13,580	13,339	13,372	2.0%
Gross unearned premiums	16,815	15,440	17,768	17,449	16,379	(2.6%)
Other liabilities	10,064	9,895	9,970	9,318	9,910	(1.5%)
Total policyholders' liabilities	39,985	38,686	41,318	40,106	39,661	(0.8%)
Shareholders' (SH) liabilities and equity						
Shareholders' liabilities	1,832	1,978	2,168	2,297	2,159	17.8%
Share capital	11,557	11,357	10,479	10,479	9,879	(14.5%)
Total reserves and others	1,499	2,282	3,017	2,973	4,254	183.7%
Total shareholders' liabilities and equity	14,888	15,616	15,664	15,749	16,291	9.4%
Total PH liabilities and SH liabilities & equity	54,873	54,302	56,982	55,855	55,953	2.0%

Income Statement

(SAR million)	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	YoY
Gross premiums written	8,117	7,779	11,043	8,673	7,959	(2.0%)
Net premiums written	6,962	6,555	9,463	7,151	6,767	(2.8%)
Net premiums earned	7,413	7,457	7,255	7,522	7,556	1.9%
Gain (loss) on investments	166	180	182	211	154	(7.4%)
Gross claims paid	5,618	6,734	6,365	6,451	6,137	9.2%
Net claims incurred	5,427	5,875	5,811	5,715	5,578	2.8%
Surplus (deficit) from insurance operations	948	694	387	263	784	(17.3%)
Shareholder's appropriation from surplus (deficit)	854	620	337	193	649	(24.0%)
Net income (loss) for the period	804	583	315	189	668	(17.0%)

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	%0.0	%0.0	%100.0
Enaya	%100.0	%0.0	%0.0	%0.0	%100.0
Sagr Insurance	%85.5	%10.2	%4.3	%0.0	%100.0
METLIFE AIG ANB	%77.6	%7.7	%8.7	%6.0	%100.0
SAICO	%71.3	%15.4	%13.3	%0.0	%100.0
Amana Insurance	%67.6	%21.3	%11.1	%0.0	%100.0
Al-Ahlia	%64.0	%18.4	%17.7	%0.0	%100.0
Tawuniya	%60.1	%24.3	%15.5	%0.0	%100.0
MEDGULF	%59.0	%29.9	%11.1	%0.0	%100.0
WAFA Insurance	%53.5	%38.3	%8.2	%0.0	%100.0
Solidarity	%53.2	%20.7	%22.2	%3.9	%100.0
Arabian Shield	%50.4	%33.7	%16.0	%0.0	%100.0
Vehicle Insurance					
Salama	%8.0	%87.4	%4.6	%0.0	%100.0
AlRajhi Takaful	%12.3	%81.4	%4.3	%1.9	%100.0
AXA Cooperative	%19.5	%64.8	%15.1	%0.5	%100.0
ACIG	%31.7	%62.3	%6.1	%0.0	%100.0
Wataniya	%0.0	%61.5	%32.1	%6.4	%100.0
U C A	%7.8	%53.0	%39.3	%0.0	%100.0
Malath Insuranc	%34.1	%51.5	%14.4	%0.0	%100.0
Buruj	%35.1	%50.7	%14.2	%0.0	%100.0
General Insurance					
CHUBB	%0.0	%17.6	%82.4	%0.0	%100.0
Al Alamiya	%2.2	%9.6	%75.3	%12.9	%100.0
Gulf General	%11.4	%30.9	%57.7	%0.0	%100.0
Protection & Savings					
Jazira Takaful	%0.0	%0.0	%0.0	%100.0	%100.0
ATC	%0.0	%0.0	%0.0	%100.0	%100.0
SABB Takaful	%0.0	%0.0	%10.3	%89.7	%100.0
Multi Insurance					
Allianz SF	%20.0	%35.8	%24.7	%19.5	%100.0
Alinma Tokio M	%11.3	%32.4	%42.3	%14.1	%100.0
AICC	%47.7	%33.2	%19.1	%0.0	%100.0
Walaa	%10.5	%46.0	%43.5	%0.0	%100.0
Trade Union	%47.2	%37.8	%14.9	%0.0	%100.0
Gulf Union	%28.1	%41.4	%30.5	%0.0	%100.0

Saudi Insurance Sector

Financial Indicators

Financial Indicators

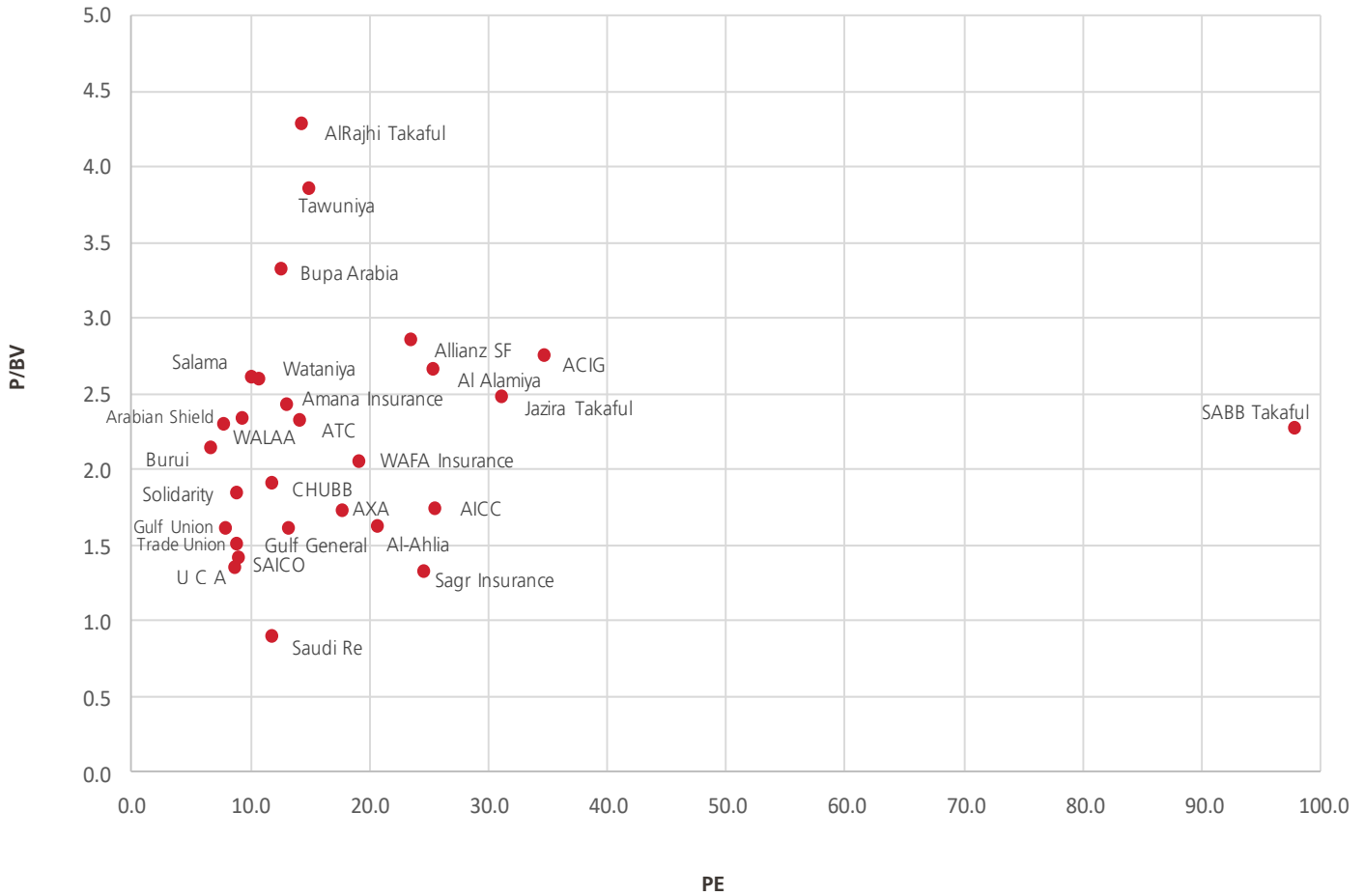
Company	Closing Price (27 Dec 2017) (SAR)	Issued Shares (Million)	Free Floating Shares (Million)	Net Income (Million)	Shareholders		Earning Per Share (SAR)	Price to Equity*	Price to Book Value*
					Equity (Million)	Market Cap. (SAR mn)			
Tawuniya	93.37	125	66.713	781.07	2,999.87	11,671.25	6.249	14.942	3.89
METLIFE AIG ANB	15.38	35	10.51	26.85-	214.99	538.3	0.767-	-	2.5
Jazira Takaful	27.34	35	10.5	30.52	383.06	956.9	0.872	31.353	2.49
MALATH INSURANCE	16.25	50	50	0.42-	109.5	812.5	0.008-	-	7.42
MEDGULF	27.83	40	14.6	438.18-	474	1,113.20	10.955-	-	2.34
Allianz SF	34.69	20	7	29.66	243.17	693.8	1.483	23.391	2.85
Salama	25.34	25	17.5	63.15	241.79	633.5	2.526	10.031	2.62
WALAA	32.4	40	37.78	138.53	546.36	1,296.00	3.463	9.355	2.37
Arabian Shield	42.82	20	13.938	110.9	368.64	856.4	5.545	7.722	2.32
SABB Takaful	24.3	34	12.26	8.48	363.27	826.2	0.249	97.429	2.27
SAICO	18.08	25	17.3	52.47	330.16	452	2.099	8.614	1.36
WAFA Insurance	21.07	12.2	10.355	13.04	120	257.05	1.069	19.712	2.14
Gulf Union	16.92	15	10.203	31.73	156.23	253.8	2.115	7.998	1.62
ATC	32.61	16.666	10.354	38.4	232.17	543.48	2.304	14.153	2.34
Al-Ahlia	11.44	16	15.1	8.73	110.25	183.04	0.546	20.966	1.66
ACIG	19	20	12	10.9	136.67	380	0.545	34.862	2.78
AICC	16.94	26.5	17.357	17.49	253.9	448.91	0.66	25.666	1.76
Trade Union	19.18	27.5	18.353	60.16	348.45	527.45	2.188	8.767	1.51
Sagr Insurance	24.93	25	17.5	25.58	469.16	623.25	1.023	24.364	1.32
U C A	12.99	49	32.075	70.76	445.95	636.51	1.444	8.995	1.42
Bupa Arabia	93.89	80	50.211	592.94	2,242.00	7,511.20	7.412	12.667	3.35
AlRajhi Takaful	59.3	40	18.4	166.18	554.78	2,372.00	4.155	14.273	4.27
CHUBB	24.08	20	11	40.57	248.09	481.6	2.029	11.87	1.94
AXA Cooperative	20.15	45	21.99	52.41	531.65	906.75	1.165	17.301	1.7
Gulf General	16.73	20	13	25.45	207.33	334.6	1.273	13.147	1.61
Buruj	33.23	25	15.925	124.79	382.32	830.75	4.992	6.657	2.17
Al Alamiya	24.1	40	12.002	37.4	356.26	964	0.935	25.775	2.7
Solidarity	20.96	25	17.825	59.68	282.05	524	2.387	8.78	1.85
Wataniya	27.88	20	8.5	51.72	212.94	557.6	2.586	10.781	2.61
Amana Insurance	22.47	14	10.99	23.97	127.91	314.58	1.712	13.123	2.45
Enaya	18.33	20	13.05	13.78-	160.54	366.6	0.689-	-	2.28
Alinma Tokio M	21.69	30	12.683	7.34-	279.14	650.7	0.245-	-	2.33
Total	-	1,135.87	697.8	2,243.12	14,947.59	40,312.92	1.975	13.49	2.7

*Net income is according to recent four quarters ending in Q3 2017

Saudi Insurance Sector

P/E and P/BV for Insurance Companies

In terms of profit, 28 companies in the insurance sector generated profits during Q3 2017. The following figure reflects the valuation levels of these companies* based on P/E and P/BV**:



* Excluding the companies with very inflated multiples.

** Closing prices of December 26, 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	
	Q3 2016	Q3 2017	Growth	Q3 2016	Q3 2017	Growth	Q3 2016	Q3 2017	Growth	Q3 2016	Q3 2017	Growth	Q3 2016	Q3 2017	Q3 2016	Q3 2017
Tawuniya	1,241	1,421	14.5%	1,077	1,161	7.7%	1,759	1,883	7.0%	1,230	1,484	20.6%	86.8%	81.7%	69.9%	78.8%
METLIFE AIG ANB	36	103	185.4%	26	89	241.7%	42	69	66.1%	36	66	85.3%	72.2%	86.5%	85.4%	95.2%
Jazira Takaful	28	28	(1.2%)	13	13	(1.2%)	7	7	(2.9%)	2	2	16.8%	47.5%	47.5%	22.7%	27.3%
Malath Insuranc	531	62	(88.3%)	466	55	(88.2%)	351	220	(37.3%)	472	168	(64.5%)	87.7%	88.8%	134.4%	76.2%
MEDGULF	511	513	0.4%	420	426	1.3%	714	565	(20.9%)	539	459	(14.9%)	82.2%	82.9%	75.5%	81.3%
Allianz SF	180	147	(18.0%)	115	102	(11.0%)	130	160	23.3%	102	124	22.1%	63.9%	69.5%	78.5%	77.7%
Salama	132	159	20.4%	125	148	18.9%	113	181	60.3%	83	128	54.1%	94.5%	93.3%	73.5%	70.6%
Walaa	268	284	5.9%	197	174	(11.4%)	165	196	18.8%	83	100	20.0%	73.2%	61.2%	50.6%	51.2%
Arabian Shield	153	115	(24.5%)	101	79	(22.0%)	102	106	3.3%	66	61	(7.1%)	66.3%	68.5%	64.5%	58.0%
SABB Takaful	44	45	2.4%	36	39	6.9%	32	33	3.0%	5	3	(41.1%)	82.4%	86.0%	16.2%	9.2%
SAICO	160	157	(2.1%)	108	142	31.6%	124	142	14.6%	75	95	28.1%	67.4%	90.6%	60.3%	67.4%
WAFA Insurance	93	100	7.1%	78	62	(20.8%)	126	98	(22.4%)	94	74	(21.5%)	83.7%	61.9%	74.7%	75.6%
Gulf Union	46	32	(29.4%)	26	17	(35.2%)	23	54	130.2%	12	31	154.0%	57.6%	52.9%	51.4%	56.7%
ATC	115	120	4.1%	29	24	(17.8%)	21	16	(24.3%)	5	(0)	(107.1%)	25.2%	19.9%	23.7%	(2.2%)
Al-Ahlia	43	53	23.0%	38	48	25.0%	43	37	(15.5%)	27	22	(18.9%)	88.5%	90.0%	62.8%	60.3%
ACIG	136	113	(17.4%)	114	98	(13.9%)	109	82	(24.6%)	79	57	(28.0%)	83.6%	87.1%	72.7%	69.4%
AICC	110	59	(46.5%)	96	38	(60.8%)	70	54	(23.8%)	37	27	(28.2%)	87.2%	63.9%	52.8%	49.8%
Trade Union	274	103	(62.5%)	231	77	(66.8%)	193	176	(9.0%)	153	116	(24.1%)	84.2%	74.7%	78.9%	65.9%
Sagr Insurance	13	61	380.1%	(9)	56	(744.3%)	95	58	(39.1%)	41	35	(14.6%)	(67.9%)	91.2%	43.3%	60.7%
U C A	64	116	82.5%	25	39	51.3%	146	37	(75.0%)	98	15	(84.6%)	40.0%	33.1%	67.0%	41.3%
Bupa Arabia	2,579	2,523	(2.2%)	2,567	2,497	(2.7%)	1,939	1,937	(0.1%)	1,399	1,475	5.5%	99.6%	99.0%	72.1%	76.2%
AlRajhi Takaful	434	742	71.2%	411	711	73.1%	407	719	76.5%	329	592	79.9%	94.7%	95.7%	80.8%	82.4%
CHUBB	42	42	0.6%	17	14	(16.8%)	29	26	(11.1%)	14	10	(27.8%)	41.2%	34.0%	49.4%	40.1%
AXA Cooperative	387	369	(4.6%)	346	334	(3.5%)	265	300	13.5%	217	238	9.7%	89.5%	90.5%	81.9%	79.2%
Gulf General	37	26	(29.9%)	17	11	(35.5%)	34	23	(31.8%)	16	10	(38.0%)	45.4%	41.8%	47.7%	43.3%
Buruj	109	95	(12.8%)	92	81	(12.3%)	100	131	30.7%	65	78	20.6%	84.8%	85.3%	64.6%	59.5%
Al Alamiya	64	57	(11.0%)	27	21	(20.8%)	50	39	(22.5%)	25	12	(52.2%)	42.2%	37.5%	49.1%	30.3%
Solidarity	55	37	(33.3%)	48	30	(37.9%)	52	40	(23.6%)	18	6	(69.0%)	87.3%	81.4%	35.1%	14.3%
Wataniya	148	152	2.4%	89	88	(1.5%)	65	73	11.9%	42	49	15.8%	60.1%	57.8%	65.0%	67.2%
Amana Insurance	11	9	(18.4%)	4	7	72.0%	58	11	(81.6%)	33	(8)	(123.5%)	37.5%	79.1%	57.5%	(73.4%)
Enaya	21	59	178.1%	13	60	365.4%	14	52	270.2%	6	31	387.9%	60.0%	100.4%	45.0%	59.3%
Alinma Tokio M	47	51	7.8%	17	27	58.8%	33	35	4.0%	23	18	(23.7%)	36.8%	54.3%	70.2%	51.5%
Total	8,112	7,953	(2.0%)	6,963	6,767	(2.8%)	7,413	7,556	1.9%	5,427	5,578	2.8%	85.8%	85.1%	73.2%	73.8%

Retention Ratio Breakdown - Q3 2017

Retention Ratio Breakdown

Company	Health Insurance	Vehicle Insurance	General Insurance	Overall
Tawuniya	88.2%	100.0%	27.8%	81.7%
METLIFE AIG ANB	97.9%	99.2%	7.9%	86.5%
Jazira Takaful	-	-	-	47.5%
Malath Insurance	100.0%	100.0%	22.4%	88.8%
MEDGULF	100.0%	71.5%	23.3%	82.9%
Allianz SF	43.8%	97.8%	27.4%	69.5%
Salama	96.5%	97.0%	17.2%	93.3%
Walaa	98.8%	99.3%	11.9%	61.2%
Arabian Shield	100.0%	51.3%	5.2%	68.5%
SABB Takaful	-	-	16.6%	86.0%
SAICO	102.7%	98.8%	16.6%	90.6%
WAFA Insurance	63.9%	70.0%	10.7%	61.9%
Gulf Union	78.1%	56.9%	24.2%	52.9%
ATC	-	-	-	19.9%
Al-Ahlia	92.9%	94.9%	74.3%	90.0%
ACIG	77.0%	97.3%	35.1%	87.1%
AICC	63.6%	94.2%	11.9%	63.9%
Trade Union	74.5%	93.8%	26.7%	74.7%
Sagr Insurance	94.6%	92.6%	20.1%	91.2%
U C A	49.2%	50.1%	7.1%	33.1%
Bupa Arabia	99.0%	-	-	99.0%
AlRajhi Takaful	100%	99.5%	18.3%	95.7%
CHUBB	-	96.4%	20.7%	34.0%
AXA Cooperative	0.0%	0.0%	39.3%	90.5%
Gulf General	51.4%	74.1%	22.6%	41.8%
Buruj	99.4%	92.4%	25.1%	85.3%
Al Alamiya	52.5%	101.1%	30.4%	37.5%
Solidarity	97.0%	95.7%	35.7%	81.4%
Wataniya	-	88.5%	8.2%	57.8%
Amana Insurance	100.0%	49.4%	8.7%	79.1%
Enaya	100.4%	-	-	100.4%
Alinma Tokio M	100.0%	95.4%	9.1%	54.3%
Total	95.5%	93.4%	21.8%	86.4%

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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CMA Authorization Number 08100-37