

Bupa Arabia Q3 2022 – Earnings Conference Call & Webcast

November 24th, 2022

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Agenda

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



Strategic Framework

Strategic Framework

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



Our values

Brave

Make new possibilities happen

Caring

Act with empathy and respect

Responsible

Own your decisions and actions



1Bupa Arabia strategy, launched across the organization in 2020, builds on our long-standing purpose of *"helping people live longer, healthier, happier lives, and making a better world"*.

It employs **six strategic pathways** to accelerate the company's growth trajectory and **achieve five strategic goals**:

- Achieve **sustainable profitable growth** while protecting our core competencies
- Reach a Net promoter Score (**NPS**) of **more than 70**
- Reach an employee engagement score (**eNPS**) of **at least 75**
- Ensure our **risk maturity level is 4**
- Become recognized as the **most trusted health insurance provider in Saudi Arabia**





Financial Performance

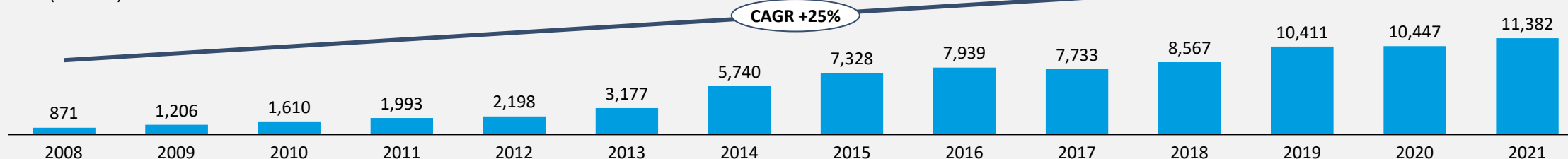
Bupa Arabia at a Glance

Robust profitability growth & significant value creation for shareholders

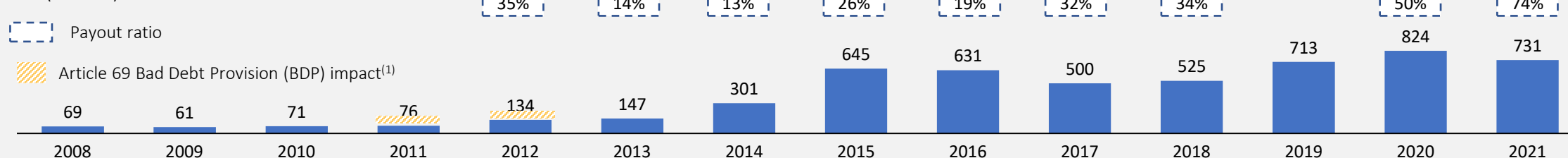


25+ Years of Experience with **1,800+** Employees serving **3M+** Members within **1,450+** Providers in Saudi Arabia

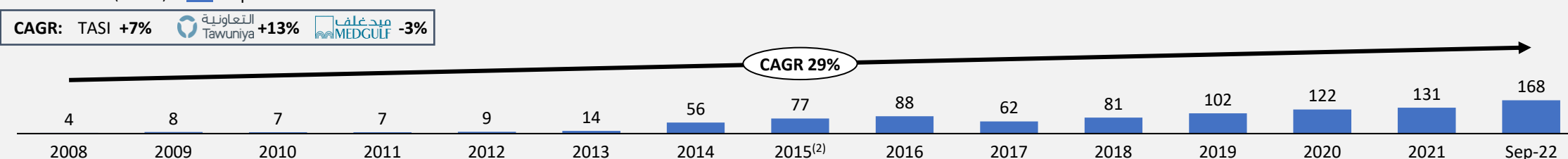
GWP (In SAR M)



EBT (In SAR M)



Stock Price (In SAR) Bupa Arabia



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

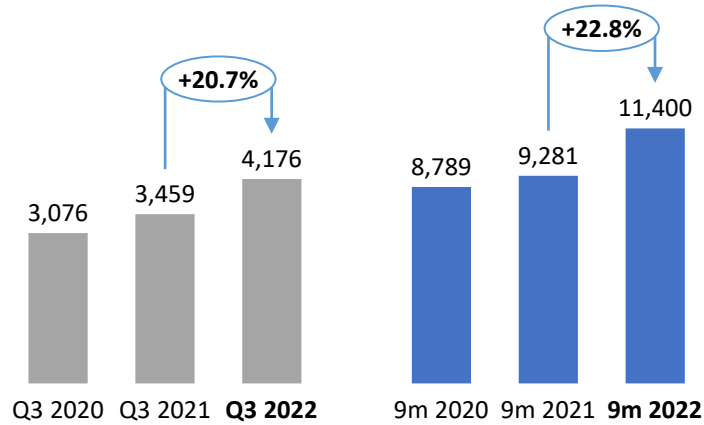
Financial Highlights

9m 2022 earnings grew by c.9% YoY as a result of better contribution and investment income

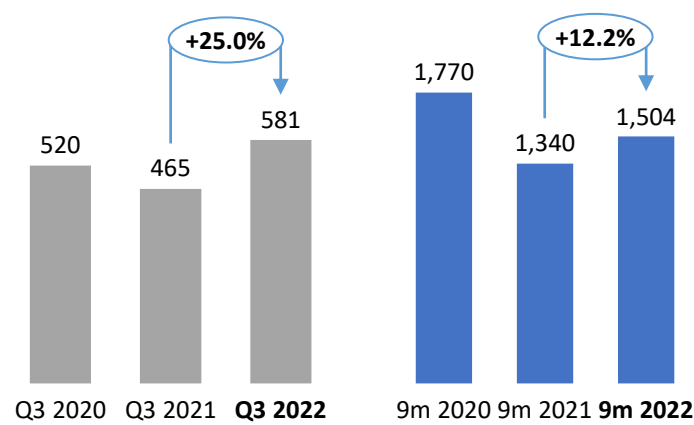


(In SAR M)

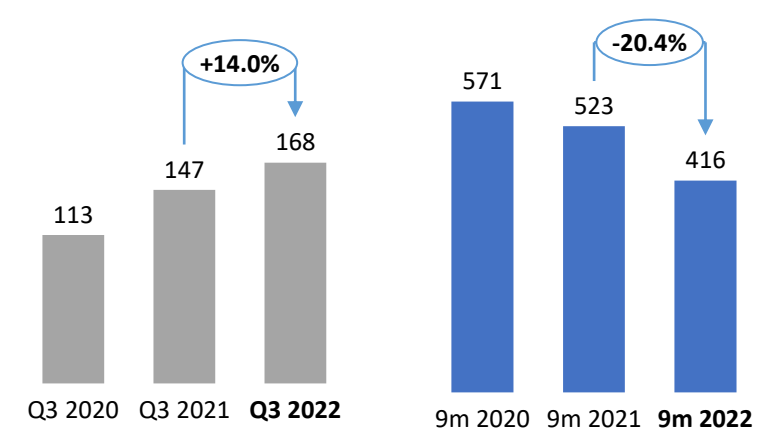
GWP



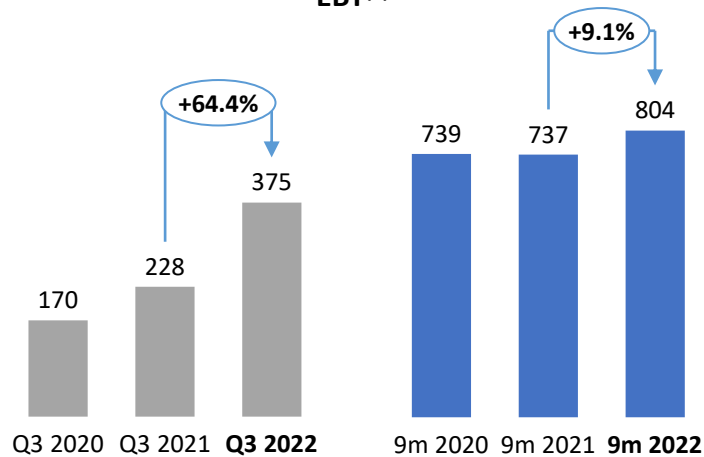
Contribution



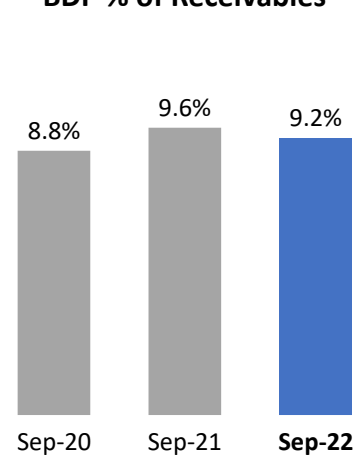
Operating Income



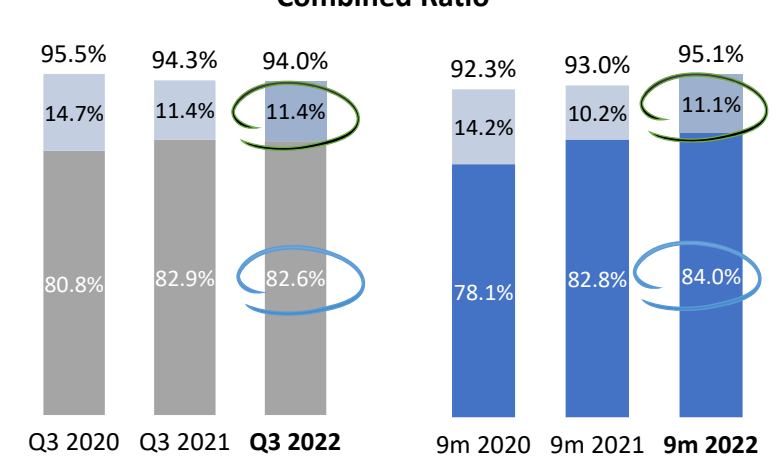
EBT⁽¹⁾



BDP % of Receivables



Combined Ratio

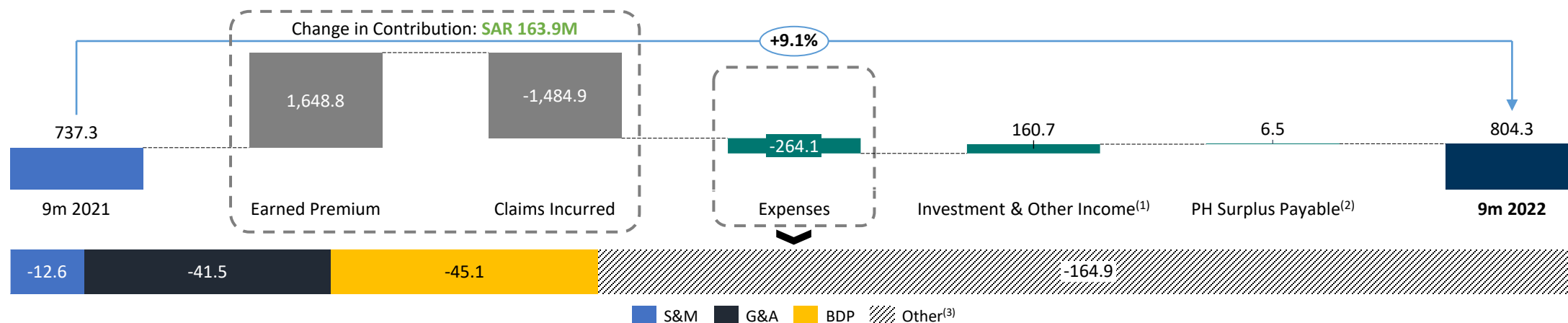


Note(s): (1) Earnings before taxes and zakat, or EBT, represents net income attributed to the shareholders before tax and zakat.

Expense ratio Loss ratio

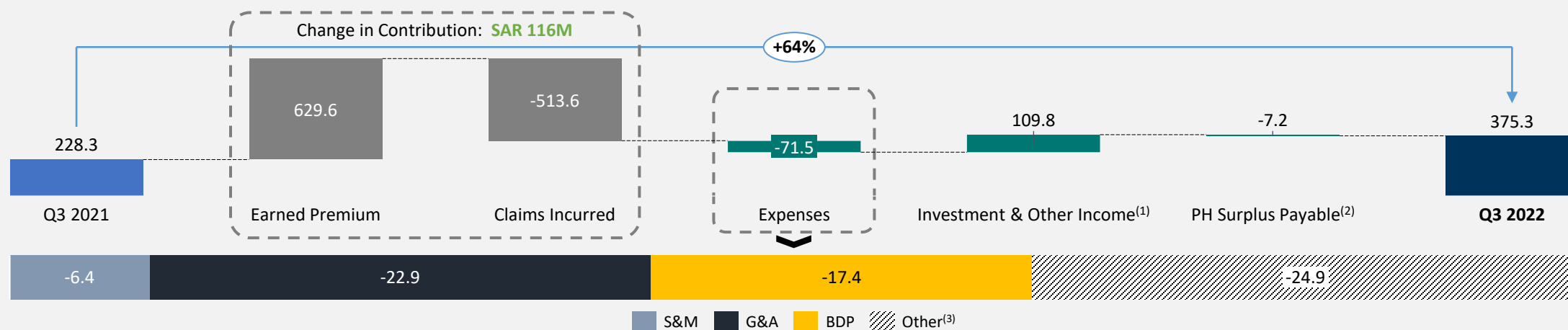
In SAR M

EBT Change between 9m 2021 & 9m 2022



In SAR M

EBT Change between Q3 2021 & Q3 2022

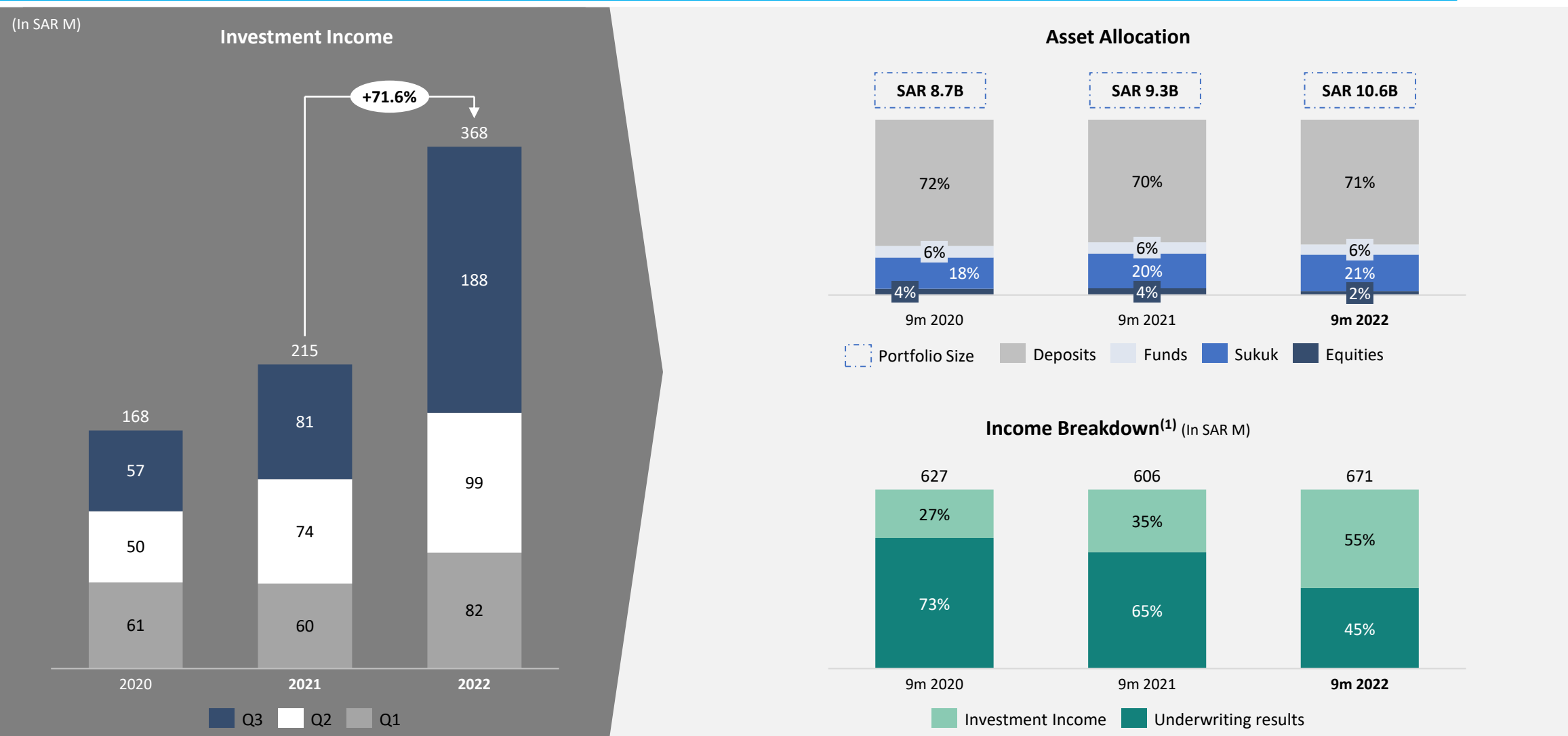


Note(s): (1)Net of costs (2) PH: Policyholders' share of surplus from insurance operation. (3) Other represents policy acquisition cost (internal & external commission)

Investment Portfolio and Results



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



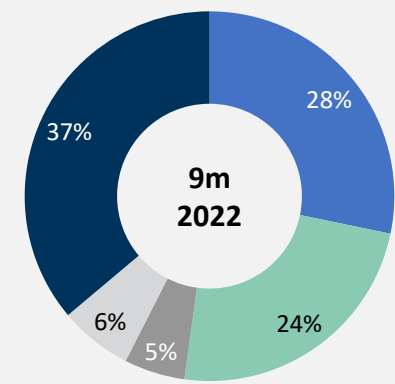
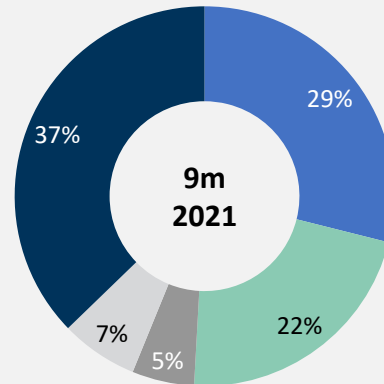
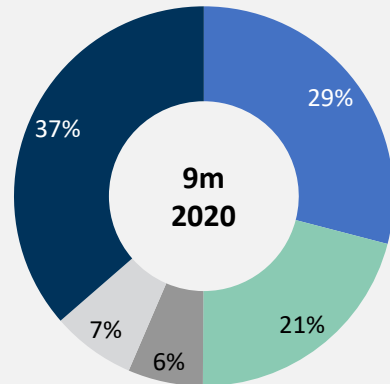
Note(s): (1) Income breakdown represents net income attributed to the shareholders and policyholders.

Market Share & Positioning

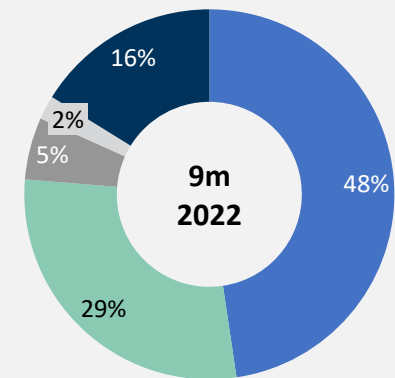
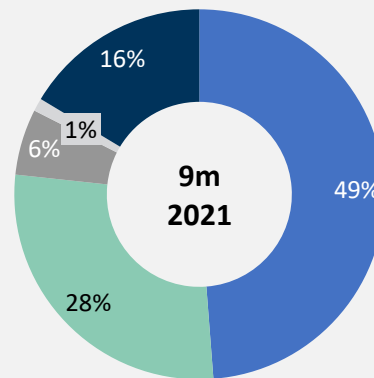
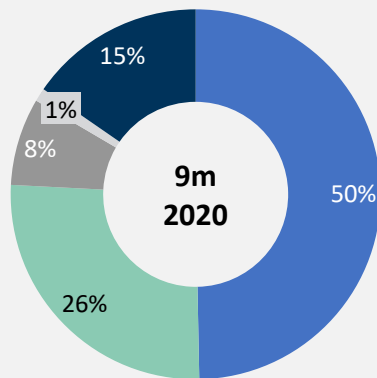
Bupa Arabia maintains market leadership as of 9m 2022



Total Insurance Market Share on GWP Basis



Health Insurance Market Share on GWP Basis



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

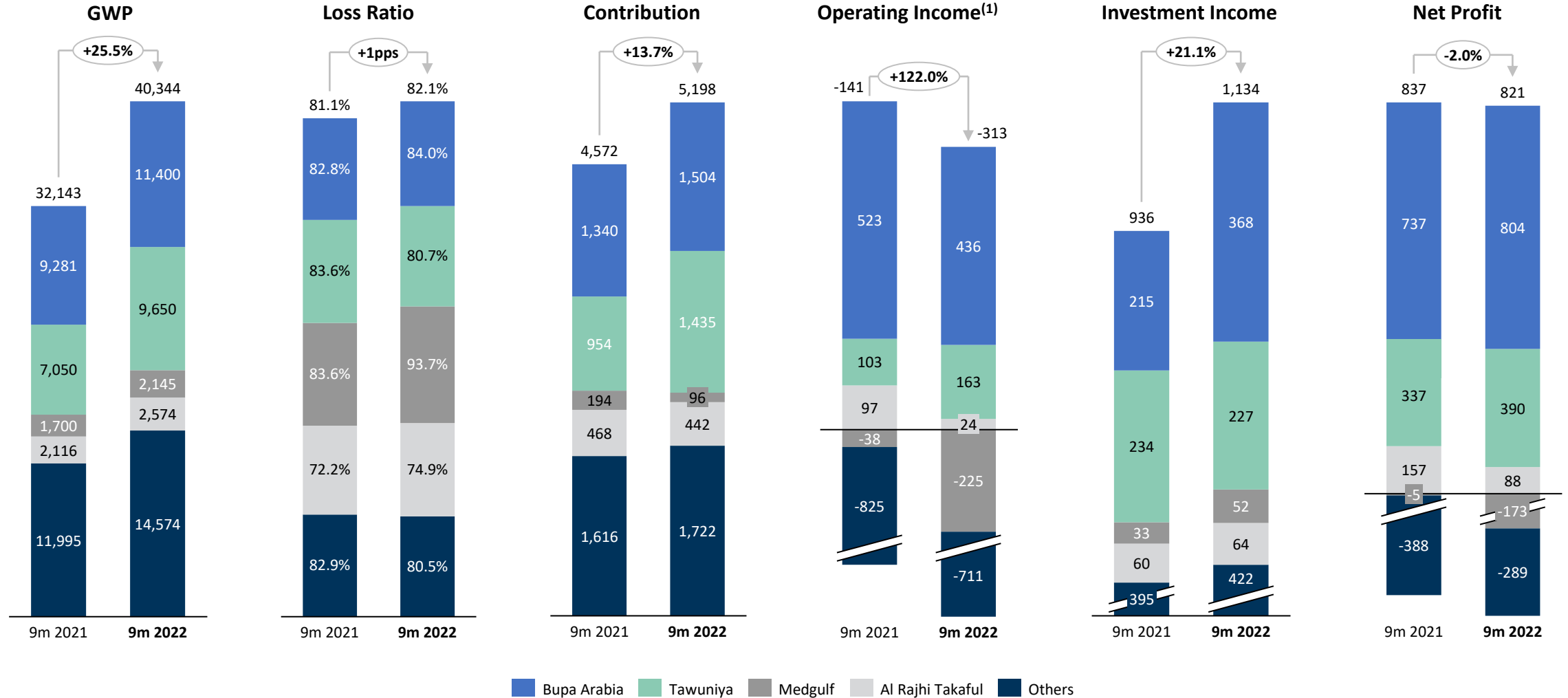
Source(s): Respective insurance companies' filings; Others based on estimates.

Total Insurance Market

Significant GWP growth, with profitability negatively impacted due to increase in operating expenses, despite favorable investment returns



(In SAR M)



Notes: (1) Operating income includes contribution & other income net of policy acquisition costs, OPEX, change in reserve & surplus
 Source(s): Respective insurance companies' filings; Others based on estimates.

Non-health Insurance Market



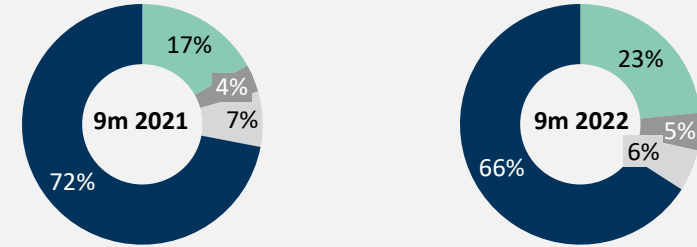
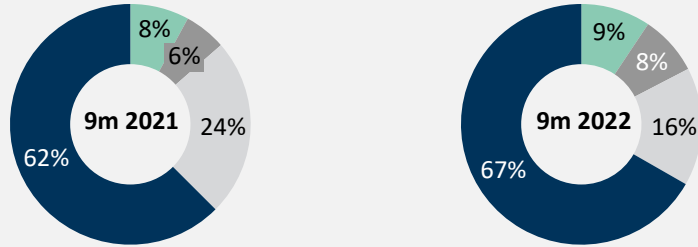
Deterioration of Motor performance with LR increase, while other segments show growth and favorable performance

(In SAR M)

Motor Segment

Other Segments⁽¹⁾

Market Share



GWP

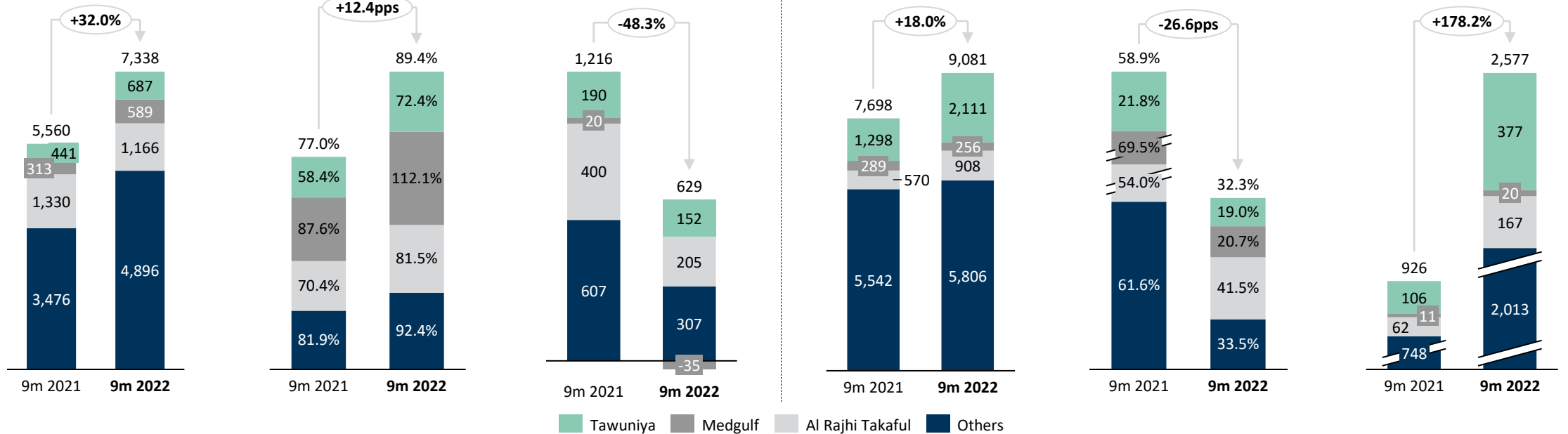
Loss Ratio

Contribution

GWP

Loss Ratio

Contribution



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

Health Insurance Market



Contribution increased by 22% due to an increase in earned premiums along with marginal improvement in LR

(In SAR M)



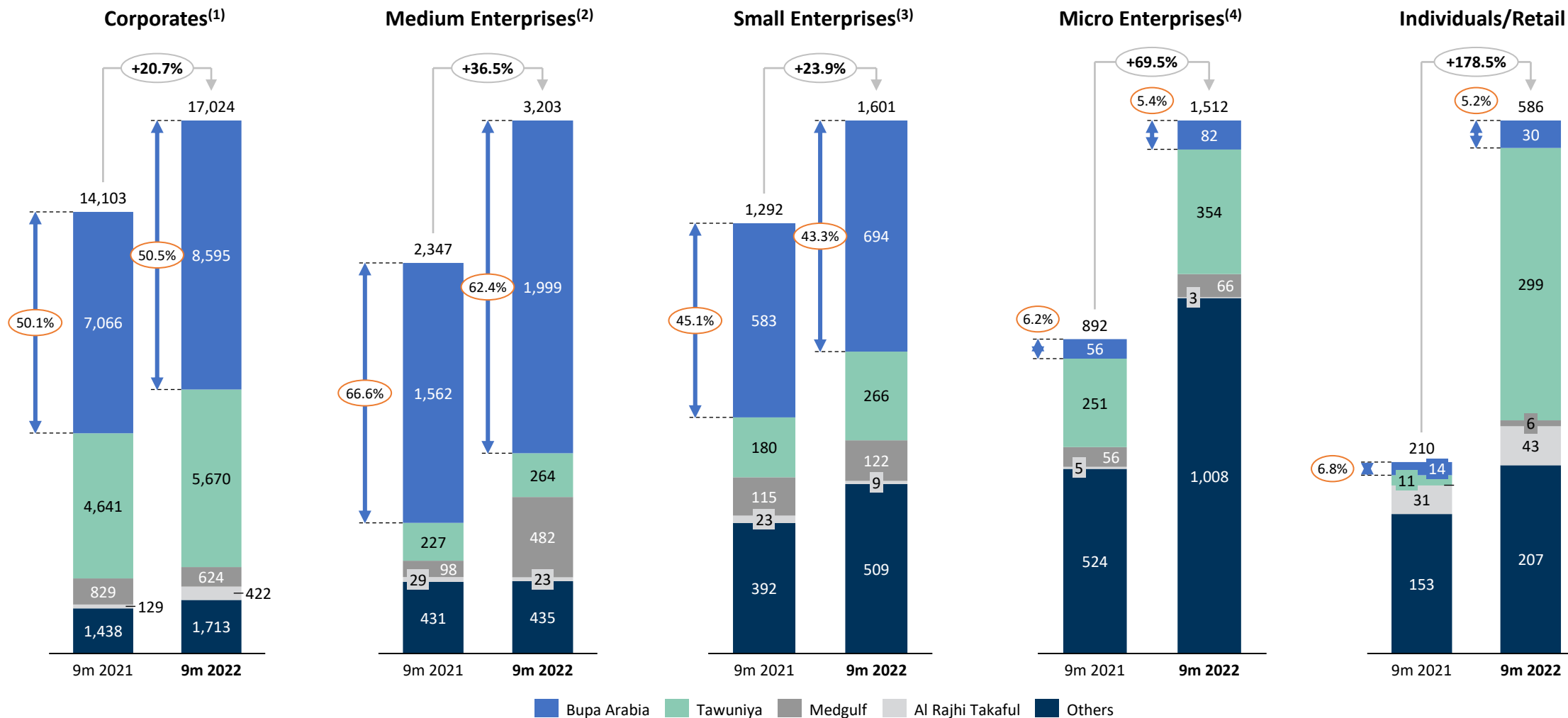
General note: Tawuniya Medical insurance results are inclusive of Umrah product.
 Source(s): Respective insurance companies' filings, Others based on estimates

Health Insurance Market – GWP Segmentation



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

(In SAR M)



General note: Tawuniya segmented results of individuals/retails include GWP from Umrah product.

Note(s): (1) Corporates: Number of Employees > 249. (2) Medium: Number of Employees 50 – 249. (3) Small: Number of Employees 6 – 49. (4) Micro: Number of Employees 1 – 5.

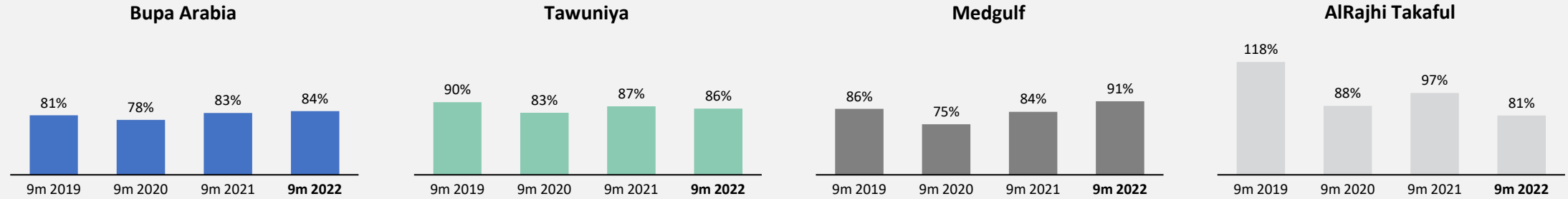
Source(s): Respective insurance companies' filings, Q3 2022 – Earnings Conference Call & Webcast

Loss Ratio & Technical Reserves

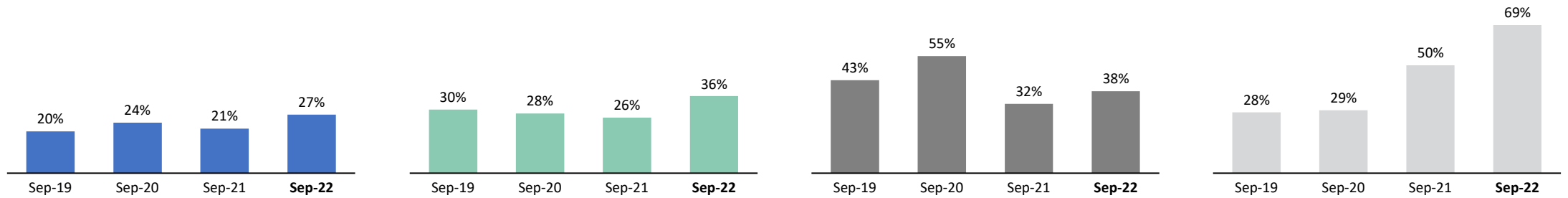


Bupa Arabia showing slight increase in LR driven primarily by split in Covid-19/Flu claims, and lower summer travel activity

Loss ratio – Health Insurance Market

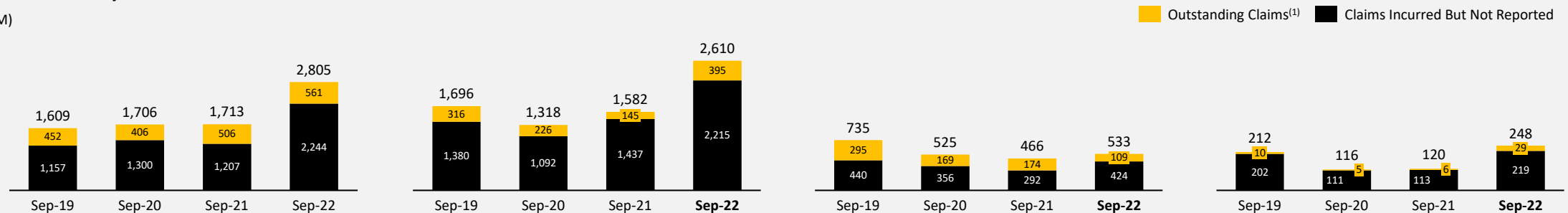


OCP/TTM Claims (with PDR) – Health Insurance Market



Health Claims Analysis⁽¹⁾

(In SAR M)



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

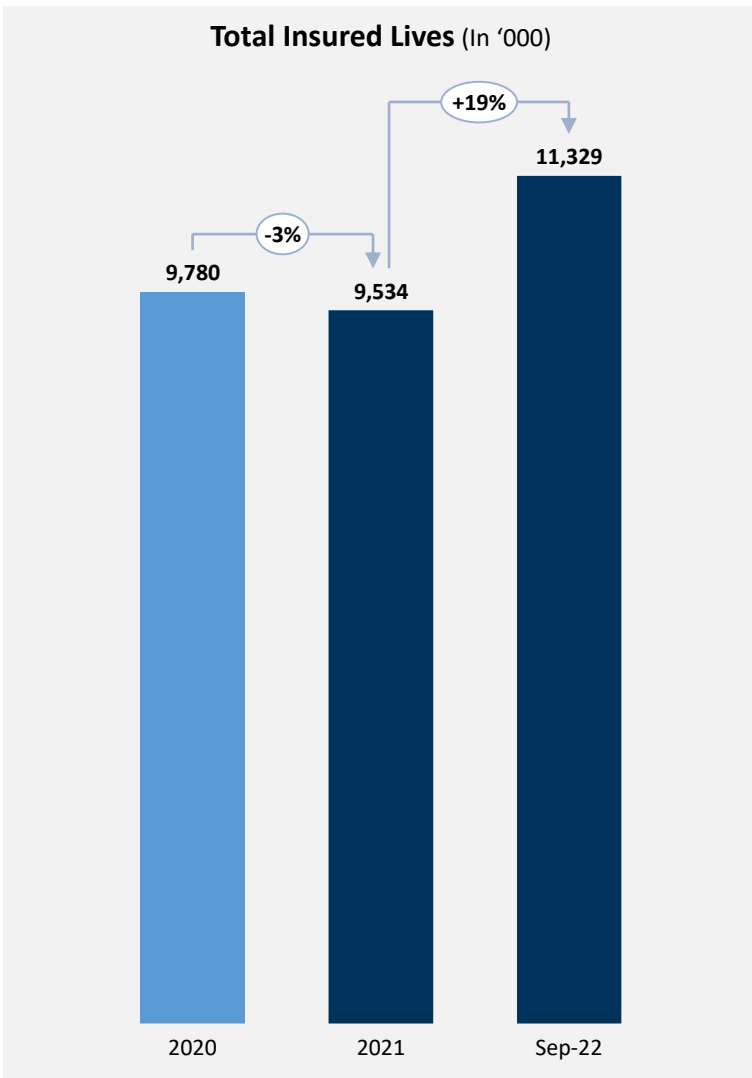


Market Outlook

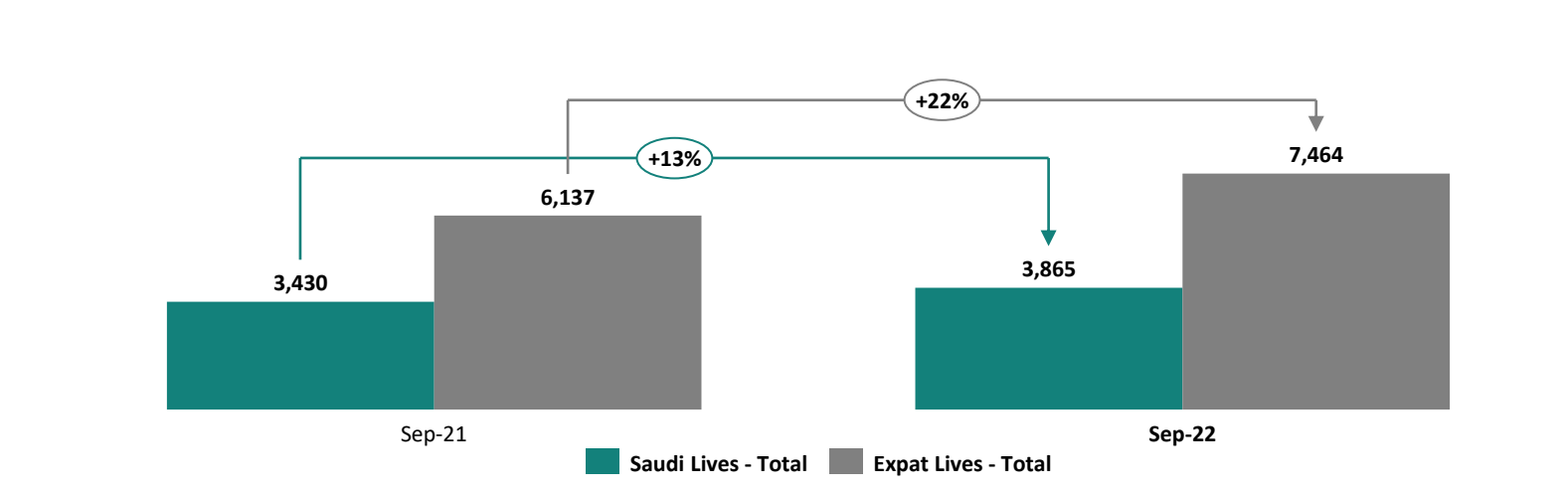
Saudi Health Insurance Market Trends (1/2)



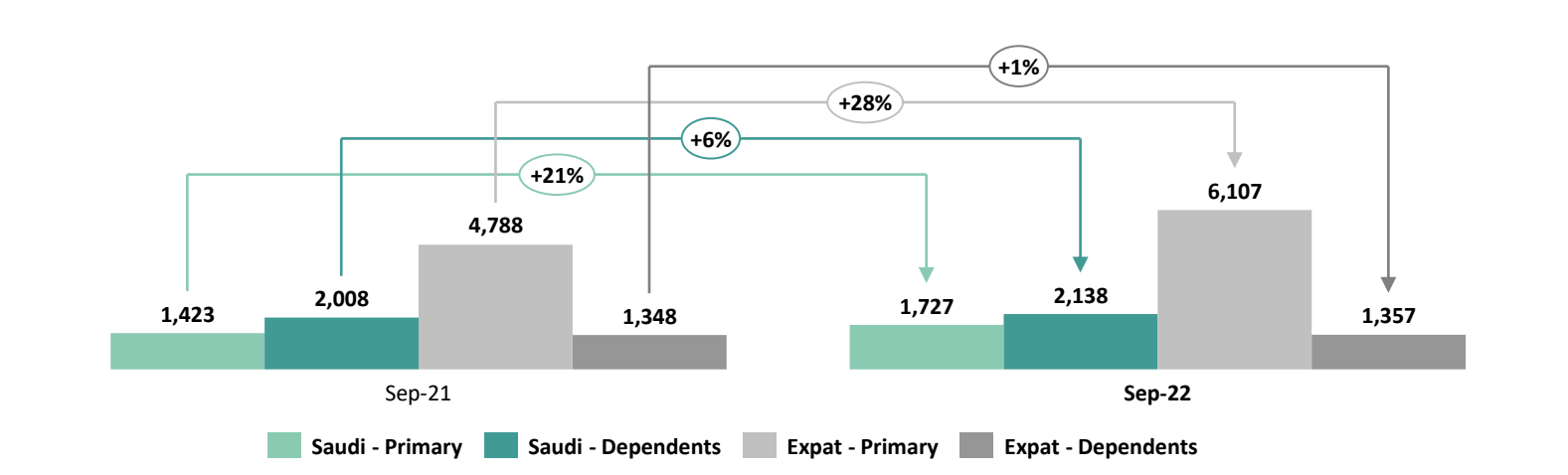
Insured lives increased by 19% as of September 2022 showing signs of market recovery



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



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



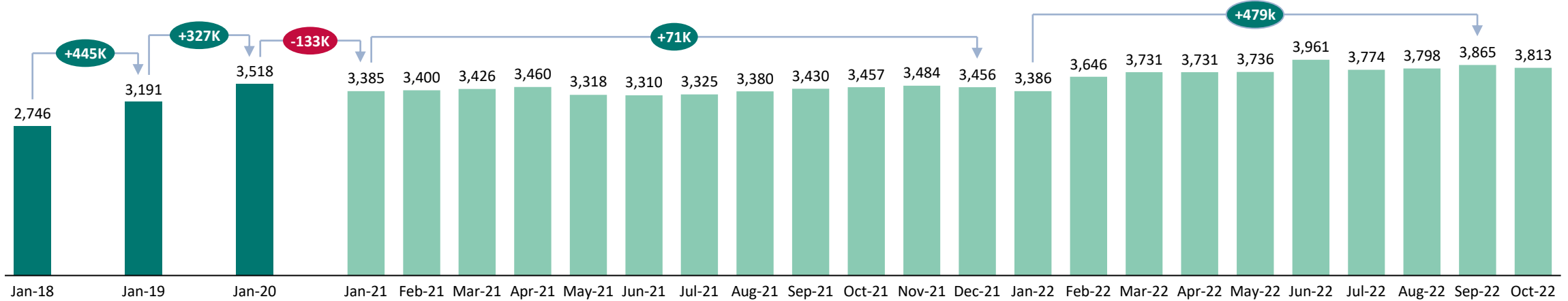
Source(s): GSTAT; GOSI; MoL; CHI; Bupa Arabia estimates

Saudi Health Insurance Market Trends (2/2)

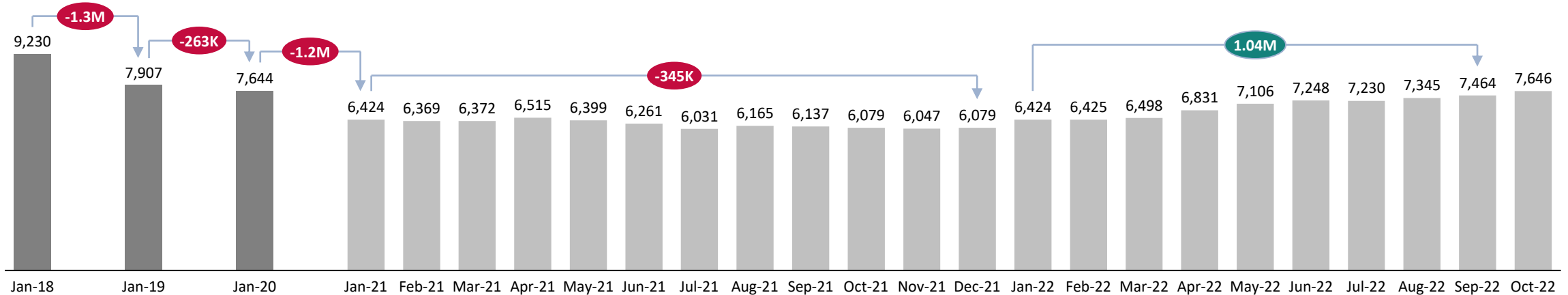


Saudi and Expat insured lives increase is driven by better enforcement and economic recovery

Saudis (In '000)



Expats (In '000)



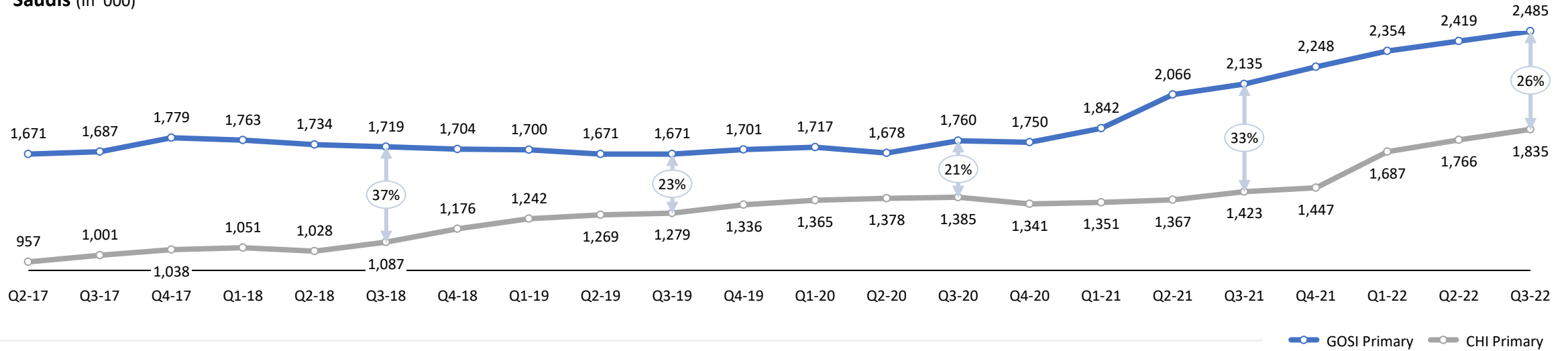
Source(s): CHI

Gap & Enforcement Explained

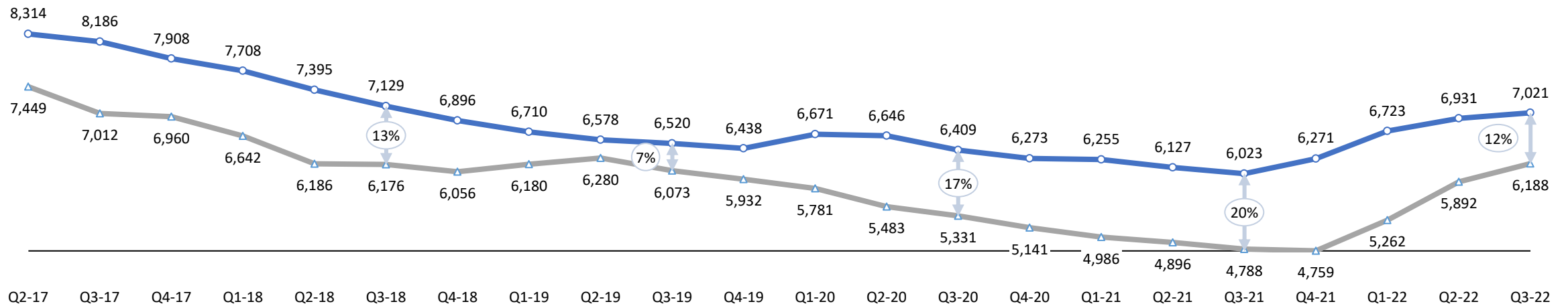
Significant gaps remain in enforcement within the private sector with (c.650K) primary Saudis & (c.833K) primary Expats without PMI



Saudis (In '000)



Expats (In '000)



Source(s): CHI, GOSI

Future Growth Opportunities in Health Insurance

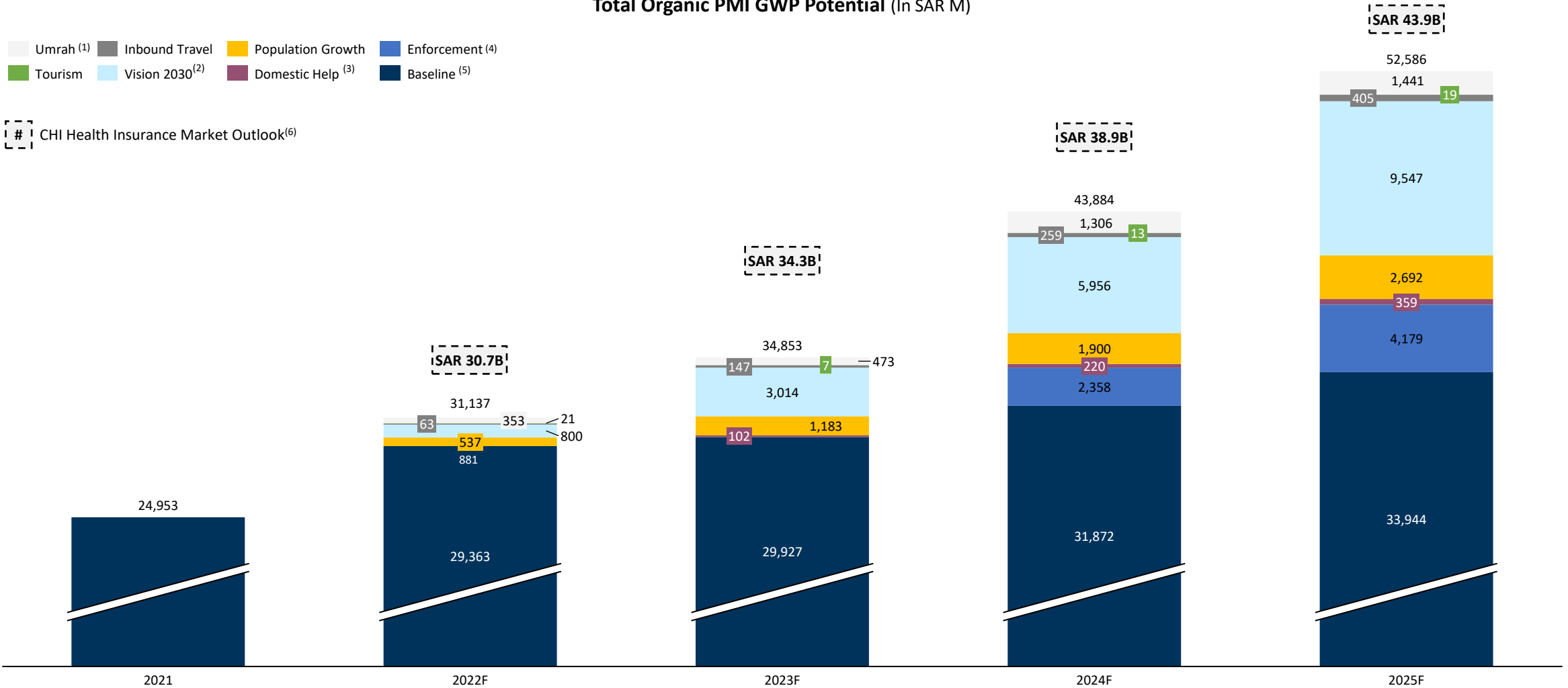
Potential PMI growth of ~SAR 20B by 2025



Total Organic PMI GWP Potential (In SAR M)

■ Umrah ⁽¹⁾ ■ Inbound Travel ■ Population Growth ■ Enforcement ⁽⁴⁾
■ Tourism ■ Vision 2030 ⁽²⁾ ■ Domestic Help ⁽³⁾ ■ Baseline ⁽⁵⁾

CHI Health Insurance Market Outlook⁽⁶⁾



Note(s): (1) Umrah and Travel products are led by Tawuniya. (2) Other Vision 2030 is based on two assumptions (i) Growth in the population by a CAGR of 1.8% based on FY20(A) and FY30(F) and (ii) Growth in the % of insurable market from 30% in FY20 to 40% in FY25 with Vision 2030 programs. (3) Domestic Help not currently mandated. (4) Enforcement refers to the mandatory medical coverage of GOSI Primary and dependents. (5) Baseline includes medical inflation with a 16.5% increase incorporated in year 2022 and adding ToB inflation in the coming years. (6) Annual Report of Council of Health Insurance 2020 "page 62" Source(s): Bupa Arabia Estimates



Other Highlights

PMI Market Challenges

Changes in the PMI regulatory landscape directly impact sector PMI costs



PMI Regulatory Landscape Changes

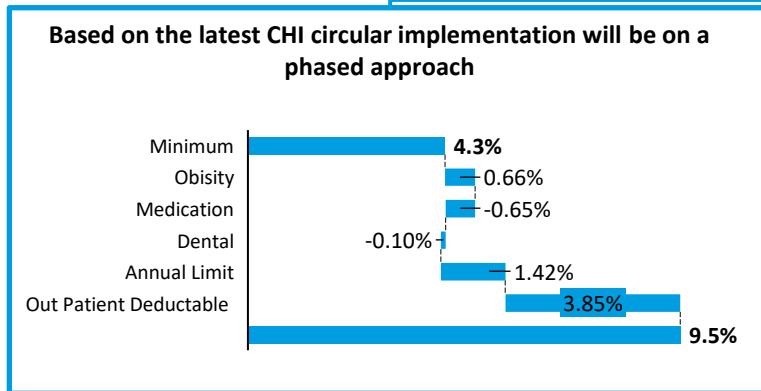
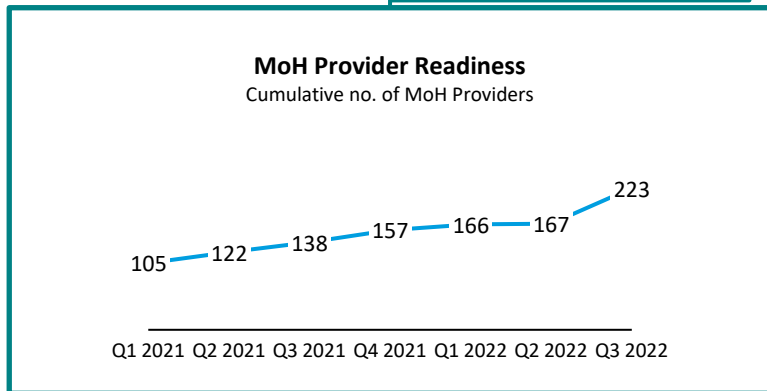
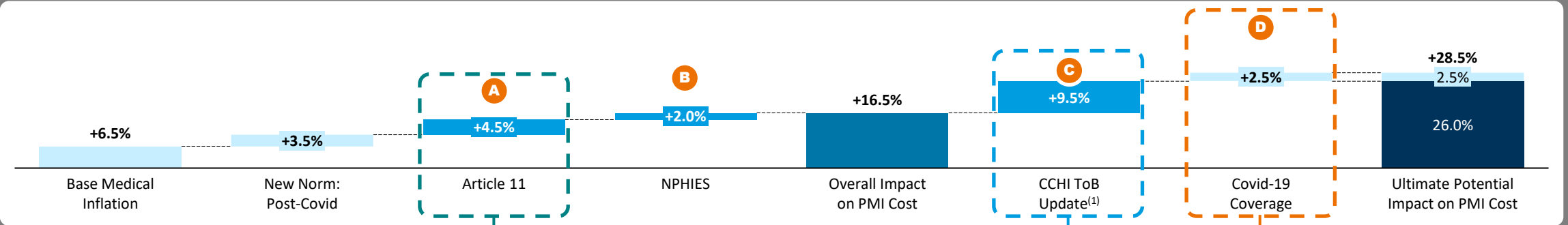
A **Article 11** requests insurance companies to include all accredited gov. providers in their network

B **NPHIES**, a unified electronic services platform launched, aims to standardize transactions between insurers and providers

C New CHI **table of benefits** to be rolled out in **two phases**, the first will go into effect in **October 2022**, while the second phase will take place in **July 2023**.

D Adjusted mandate related to bearing **Covid-19 expenses**, limiting the coverage to **inpatient and emergency cases only covered by insurance companies**

Ultimate Impact on Sector PMI Costs



Key assumptions:

Calculations were based on the following criteria

- No. of Infected Lives
- Distribution of severe/critical cases
- Cost of hospitalization

Note(s): (1) The impact in 2022 is reduced due to the latest circular that its planned to be phased starting October 2022.
Source(s): Middle East Insurance Review; Respective Companies' Filings; Bupa Arabia Analysis

Business Highlights



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



Bupa Arabia for Cooperative Insurance, participated in the 6th edition of the Saudi Insurance Symposium, which was organized by the General Insurance Committee on Sept. 28-29 at the Four Seasons Hotel in Riyadh. The event, which spotlighted the growth and evolution of the insurance sector, was graced by the presence of more than 1,000 regional insurance experts, in addition to the participation of selected local and international administrators and executives.



Bupa Arabia's shareholders approved the 45% cash dividend for 2021, (SR 4.5 per share) and received no objection from the Saudi Central Bank (SAMA) to increase its capital by 25% to SAR 1.5 billion from SAR 1.2 billion; and will reflect the proposed increase in the Company Share Capital through offering 1 bonus share for every 4 shares owned, equal to 30 million new issued shares valued at SAR 300 million.



Bupa Arabia's board of directors approved the appointment of Loay Hisham Nazer as Chairman, and David Martin Fletcher as Vice Chairman for the three-year board term started July 2022. Furthermore, Tal Hisham Nazer was named as Managing Director for the same three-year term, according to a board filing.



Bupa Arabia received the final approval from the Saudi Central Bank (SAMA) to sell its new insurance product called "Bupa Policy Benefit Upgrade" in Saudi Arabia. The new product is designed for Bupa Arabia members who would like to enjoy better benefits and increase specific sub-limits in their current cover.



Bupa Arabia renews contract for SABIC to provide health insurance services for its employees and their families for one year starting on July 2022.

Source(s): CHI, SAMA (1) <https://www.moh.gov.sa/en/Ministry/vro/Documents/Healthcare-Transformation-Strategy.pdf>; Argaam

Newly added

Regulatory Highlights



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



The Finance Minister stated in the 6th Saudi Insurance Symposium that a new unified regulator for the insurance sector in Saudi Arabia will be established soon and will aim to enhance the development of the sector.



The Council of Health Insurance "CHI" launched an updated package of benefits and insurance coverage limits, as well as Insurance Drug Formulary, beginning in early October, as part of the CHI's vision to be a global leader in prevention and to improve the quality and efficiency of health services provided to beneficiaries.



The Council of Health Insurance has recently deleted Article 117, which previously stated: "insurance companies and health insurance claims management companies are not allowed to own or operate facilities for purposes of providing health care to insured, nor can private health facilities own health insurance companies".



Council of health insurance issued a circular (55) around for submitting and completing claims directly or through Revenue Cycle Management (RCM) company to the insurance company directly or to TPA company if there is contract. This circular shall be implemented by all approved HCPs and qualified insurance companies until the end of the fourth quarter of 2022. During this period, the Council expects that all parties to the insurance relationship will provide the necessary structure that contributes to solving all technical challenges associated with raising claims and ensure compliance with the requirements of this circular



Council of health insurance is supervising the implementation of its Basic Health Insurance policy criteria targeting seven key objectives based on the vision of the Council to be an international leader in promoting preventive therapy and enhancing the quality and efficiency of health care services for health insurance beneficiaries. This policy represents the basic level of insurance cover granted to the insured individual.⁽¹⁾ The execution of these benefits have been postponed to October 2022.



The Saudi Central Bank (SAMA) and the Central Bank of the United Arab Emirates signed a Memorandum of Understanding (MoU), which aims at establishing a general framework for cooperation activities in the field of supervision and control within the insurance sector in both countries.



The Ministry of Human Resources, in cooperation with the Saudi Central Bank (SAMA), will start implementing the decision to apply insurance on labor contracts while hiring domestic workers. The major move will bring forth several advantages both for domestic workers as well as for their employers.



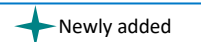
SAMA's efforts to ensure the adoption of the IFRS (9) "Financial Instruments" in an orderly manner by all insurance & reinsurance companies in Saudi Arabia are expected to be fully executed by January 2023.



The Ministry of Health announced the approval on the establishment of a health holding company.

- All employees and workers under the Ministry of Health are transferred to the health holding company or any of its subsidiaries
- Approval on the coordination of the national center of insurance
- All amounts dedicated to the Ministry of health will be transferred to the national center of insurance.

Source(s): CHI, SAMA (1) <https://www.moh.gov.sa/en/Ministry/vro/Documents/Healthcare-Transformation-Strategy.pdf>; Argaam, Zawya, Saudi Gazette



Achievements & Awards

Bupa Arabia has been recognized with multiple awards in 2021-2022



- ★ **International Business Awards 2022**
Health Insurance Company of the Year Saudi Arabia
Insurance CEO of the Year Saudi Arabia (Tal Nazer)
Investor Relations Insurance Company Middle East
- ★ **Okaz list 2022**
Bupa was amongst the Top 100 Listed Companies
- ★ **Forbes Top 100 Middle East Companies 2022**
Bupa Arabia ranked 79th amongst best 100 Middle East companies

- ★ **Golden Shield Excellence Awards 2022**
Best Insurance Brand
Best Healthcare Insurance Innovation
- ★ **Forbes Largest 5 GCC Insurance Companies 2022**
Bupa Arabia was ranked the largest GCC insurance company
- ★ **Brand Finance 2022 Ranking**
Most valuable insurance brand in the Middle East (Ranking 10th) amongst the top 10 strongest brands in Saudi Arabia and (15th) on the list of the most valuable Saudi brands
- ★ **Global Good Governance Awards 2022 (3G)**
3G Commitment to Corporate Governance Award
3G Social Innovation Award 2022
- ★ **Brand Finance 2021 Ranking**
Most valuable insurance brand in the Middle East and amongst the top 10 strongest brands in Saudi Arabia
- ★ **Middle East Insurance Industry Awards, supervised by Ernst and Young 2021**
Best Health Insurance Company of 2021

- ★ **SCM Awards 2021 (SCMA)**
Best Investor Relations Program Award
Best ESG Award
- ★ **InsureTek Middle East 2021**
Medical Insurance Company of the Year
Best Healthcare Insurance Innovation
- ★ **Global Business Outlook Awards 2021**
Bupa Arabia won the “Best Health Insurance Provider Award” and “Digital Innovation Award in the Insurance Sector” for its Tebtom program
- ★ **LinkedIn Talent Awards for 2021 MENA Region**
Best Employer Brand (500 - 2,000 Employees)
- ★ **CIPD Middle East People Awards**
Employer of choice 2021
Best Employee Engagement Initiative 2021
- ★ **Forbes List 2021**
Tal Nazer ranked as one of the top 100 CEO in the Middle East, Middle East's top 100 companies in 2021 (Ranking 58)

Q&A



Speakers:



Nader Ashoor

Deputy Chief Executive Officer and
Chief Financial Officer



Ali Sheneamer

Chief Business Development
Officer



Ahmed Bajunaid

Senior Director
Asset Management & Business Advisory



Mohsen Jawhar

Director
Business Advisory & Investor Relations

Thank you



With you for better health

Appendix



Board of Directors & Chief Executive Team

Board of Directors



Engr. Loay Hisham Nazer
Chairman



David Martin Fletcher
Vice-Chairman



Martin Houston
Board Member



Dr. Abdulla Elyas
Board Member - Independent



Huda M. Bin Ghoson
Board Member - Independent



Osama Shaker
Board Member - Independent



Nigel Sullivan
Board Member



Tal Hisham Nazer
Board Member



Nader Ashoor
Board Member

Chief Executive Team



Tal Hisham Nazer
Chief Executive Officer



Nader Ashoor
Deputy Chief Executive Officer
& Chief Financial Officer



Ali Sheneamer
Chief Business Development Officer



Amro Shawli
Chief Risk Officer



Tariq Alamoudi
Chief Human Resources Officer



Mohamed El Missaoui
Chief Operations Officer



Atef Mufti
Chief Sales Officer



Abbreviations & Glossary

Abbreviations



BDP	Bad Debt Provision
C	Circa
CHI	Council Of Cooperative Health Insurance
CIPD	Chartered Institute of Personnel Development
CMA	Capital Market Authority
CMT	Crisis Management Team
CR	Commercial Registration
EBT	Earnings Before Tax
F	Forecast
FY	Full Year
G&A	General And Administrative Expenses
GAZT	General Authority for Zakat and Tax
GOSI	General Organization for Social Insurance
GWP	Gross Written Premium
H1	First Half of the Year
IFM	International Finance Magazine
KPI	Key Performance Indicator
MoC	Ministry of Commerce
MOE	Ministry of Education
MoH	Ministry of Health
MOL	Ministry of Labor
NEP	Net Earned Premiums
NHIC	National Center for Health Information
OCP	Outstanding Claims Provision (Known As Technical Reserve)
PDR	Premium Deficiency Reserves
PMI	Performance Market Indicator
PPS	Percentage Points
Q	Quarter
SAMA	Saudi Arabian Monetary Agency
S&M	Selling And Marketing Expenses
SME	Small & Medium Enterprises
TTM	Trailing Twelve Months
YoY	Year on Year
9m	Nine month

Understanding our Financial Statements

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

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

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

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

Glossary of Terms



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

Understanding Bupa Arabia's Balance Sheet

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



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