

Bupa Arabia FY 2019 Earnings Conference Call and Webcast

April 9th, 2020

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- Company Overview
- Financial Performance
- Market Outlook
- Other Highlights & Achievements
- COVID-19 Updates
- Abbreviations & Glossary

Strategic Framework

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



Our Purpose

Helping people live *longer, healthier, happier lives*

Our vision

The most trusted health insurer in KSA

Our ambition

To accelerate Bupa Arabia's growth trajectory

Our pillars

Passionate about Our customers

Cementing our partnerships with key customers

Pursuing breakthrough differentiation and innovation in product and service offerings

Harnessing digitalization in customer service, claims management and operational efficiencies

Developing new distribution channels while delivering on a seamless customer experience

People make the difference

Attracting, developing and retaining outstanding people and leaders

Taking responsibility and accountability

Creating safe and healthy workplaces

Celebrating diversity and inclusion

Strong and sustainable performance

Driving net customer growth, revenue and profit

Protecting and growing our core customer base

Enhancing robust risk management and controls

Embedding corporate responsibility and sustainability to create shared value

Keeping data safe

Our values

Accountable



Caring



Courageous



Authentic



Open



Passionate



Extraordinary



Board of Directors

Our Board plays a vital part in setting the cultural tone to put customers first



Eng. Loay Hisham Nazer
Chairman



David Martin Fletcher
Vice-Chairman



Tal Hisham Nazer
Board Member



Martin Houston
Board Member



Joy Linton
Board Member



Dr. Abdulla Elyas
Board Member - Independent



Zaid Algwaiz
Board Member - Independent



Huda M. Bin Ghoson
Board Member - Independent

Chief Executive Team

Solid team to deliver on Bupa Arabia's purpose, vision and mission



Nader Ashoor
Chief Financial Officer
(CFO)



Tal Nazer
Chief Executive Officer (CEO)



Ali Sheneamer
Chief Business Development Officer
(CBDO)



Tariq Alamoudi
Chief Human Resources Officer
(CHRO)



Mohamed El Missaoui
Chief Operations Officer
(COO)



Atef Mufti
Chief Sales Officer
(CSO)

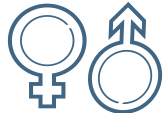
Bupa Arabia at a Glance

Robust profitability growth & significant value creation for shareholders



20+ Years of Experience

with



1,700 Employees

servicing



3.4m Members

within



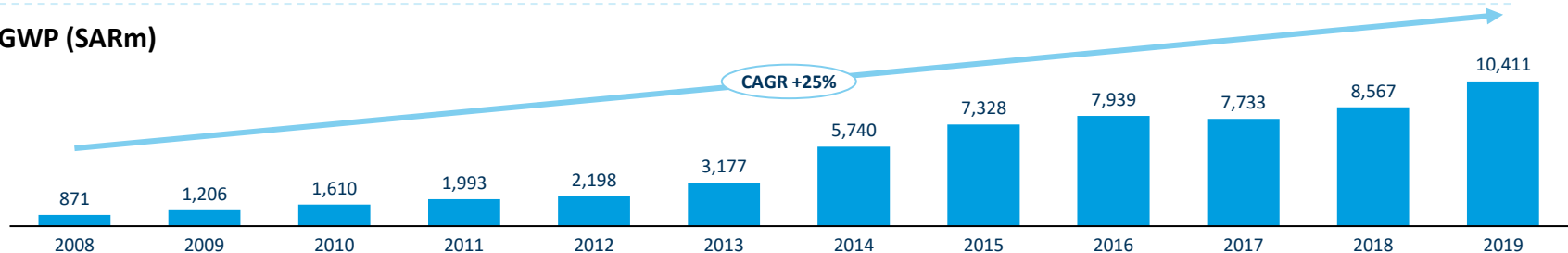
1,450 Providers

in

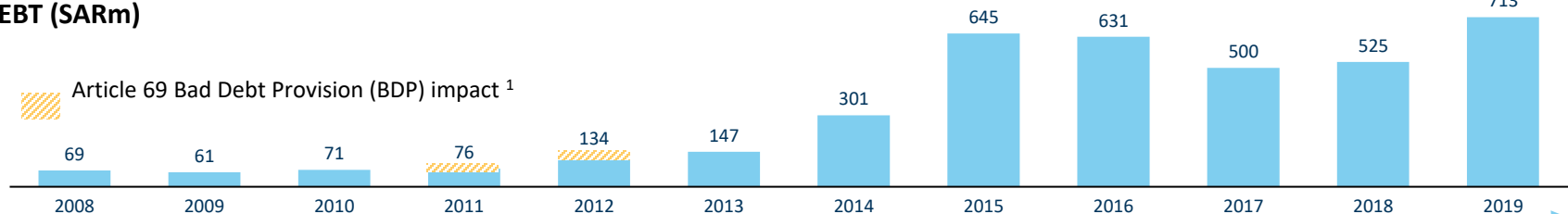


Saudi Arabia

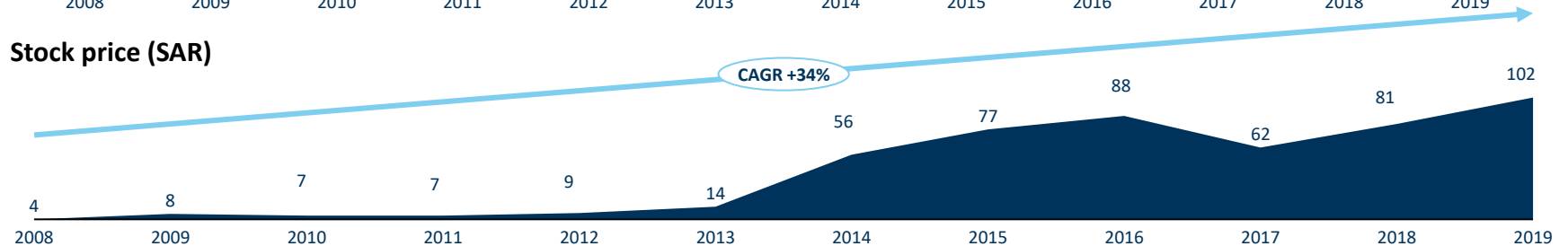
GWP (SARm)



EBT (SARm)



Stock price (SAR)



Note: Impact of increase in capital; by 400m SAR in 2015 and 2018; on the stock price have been reflected retrospectively

¹ Profit fluctuation in 2011 and 2012 is due to BDP treatment in line with interpretation of Article 69, where a BDP provision of SR34mn was taken in 2011 and BDP recovery of SR20mn was made in 2012

Agenda



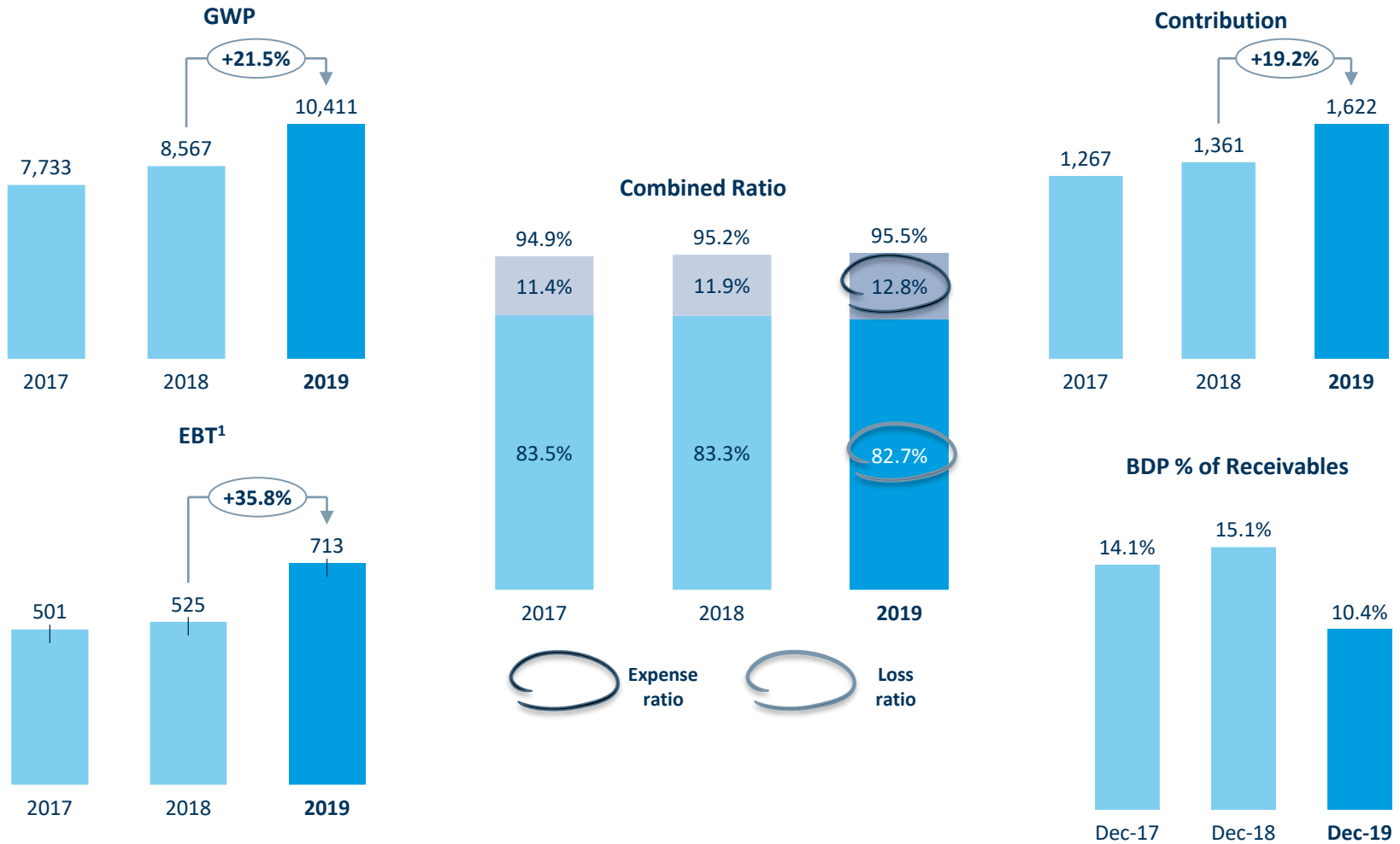
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KPIs

2019 earnings grew by 36% YoY as a result of healthy GWP & combined ratio



SR mn



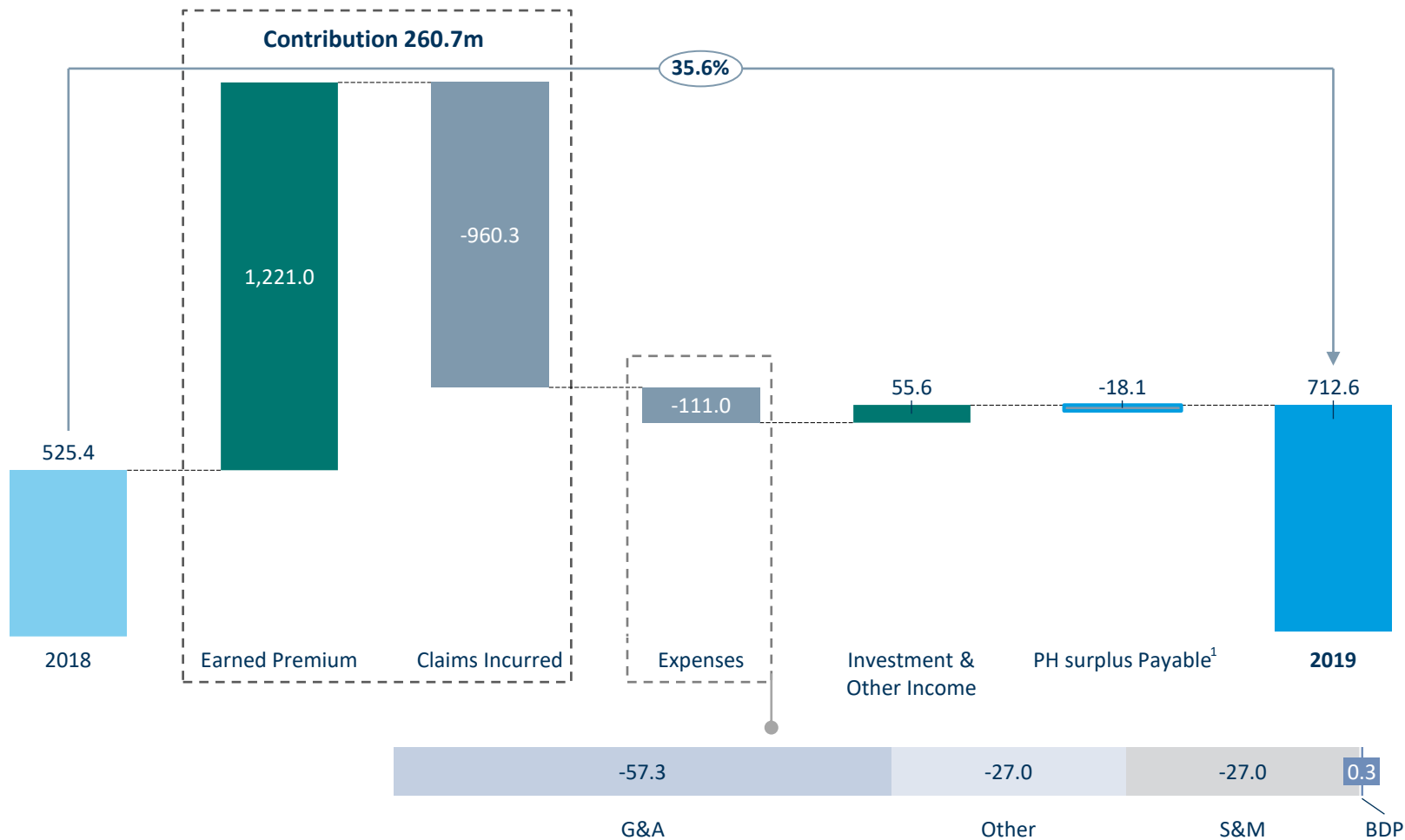
¹Earnings Before Taxes and Zakat or EBT represent net income attributed to the shareholders

EBT

EBT on the rise through favorable contribution, investment and other income



SR mn



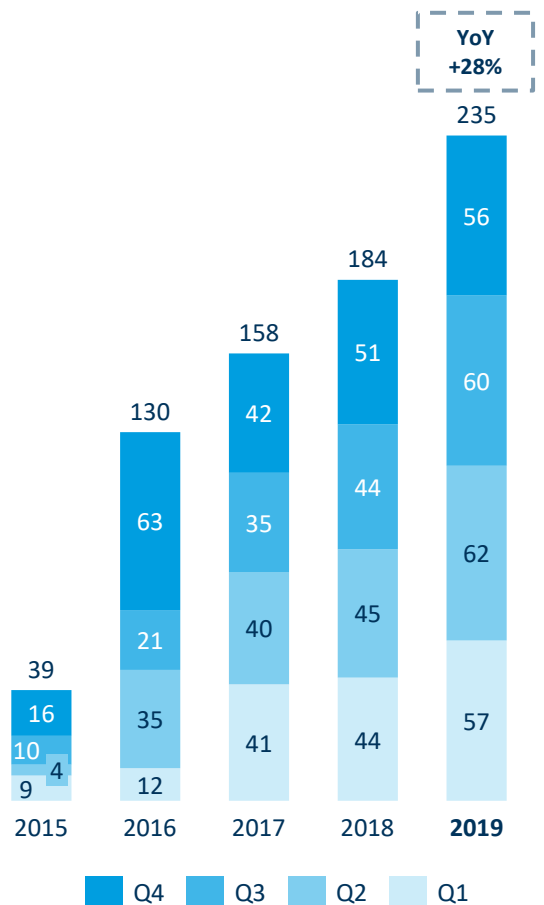
¹PH: Policyholders' share of surplus from insurance operation

Investment Portfolio and Results

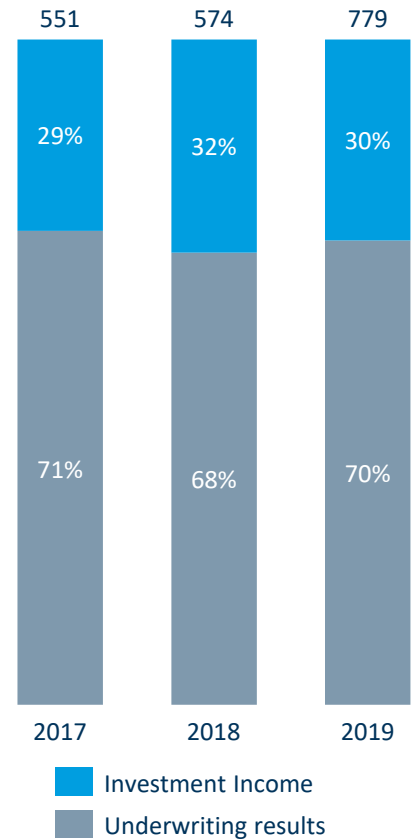
Improved investment income through increased portfolio size & further diversification



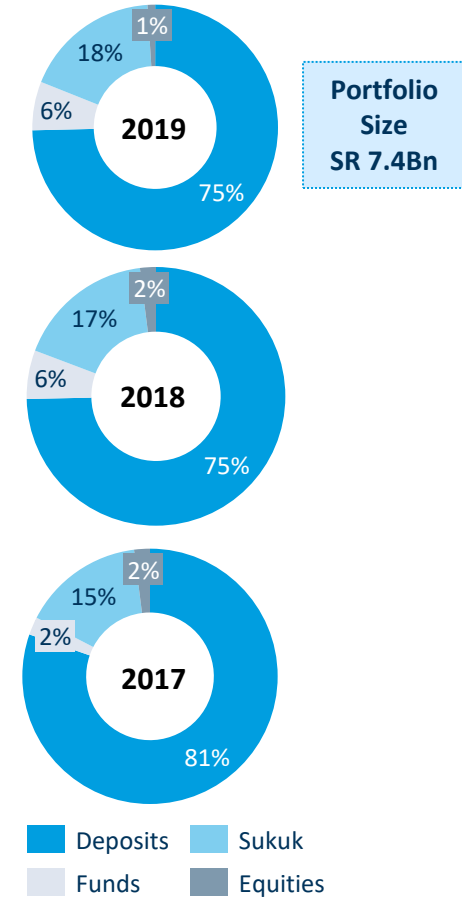
Investment Income



Income Breakdown¹



Asset Allocation



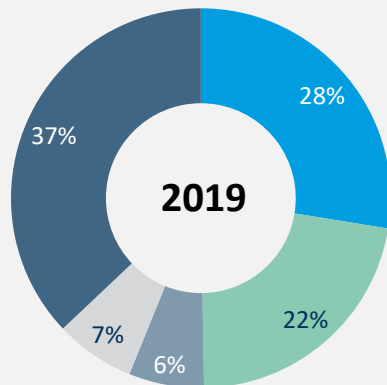
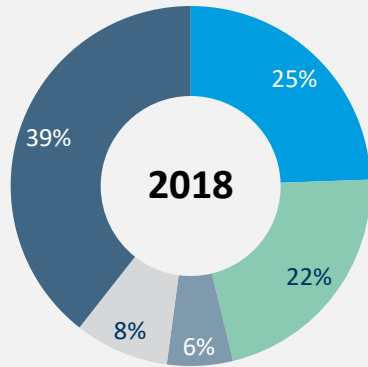
¹Income breakdown represents net income attributed to the shareholders and policyholders

Market Share and Positioning

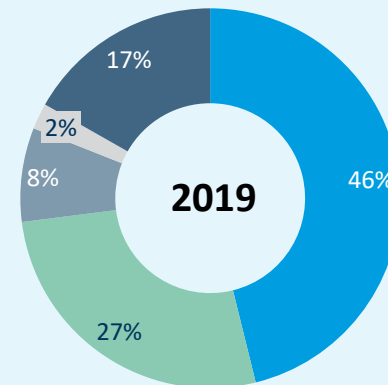
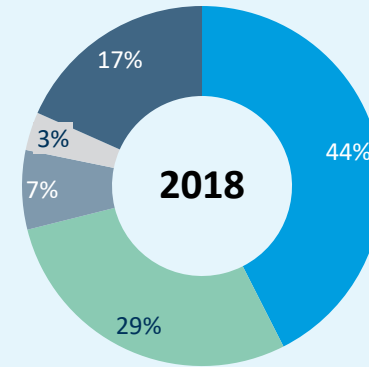
Bupa Arabia is leading the Saudi health insurance market as of 2019



Total Insurance Market Share (GWP basis)



Health Insurance Market Share (GWP basis)



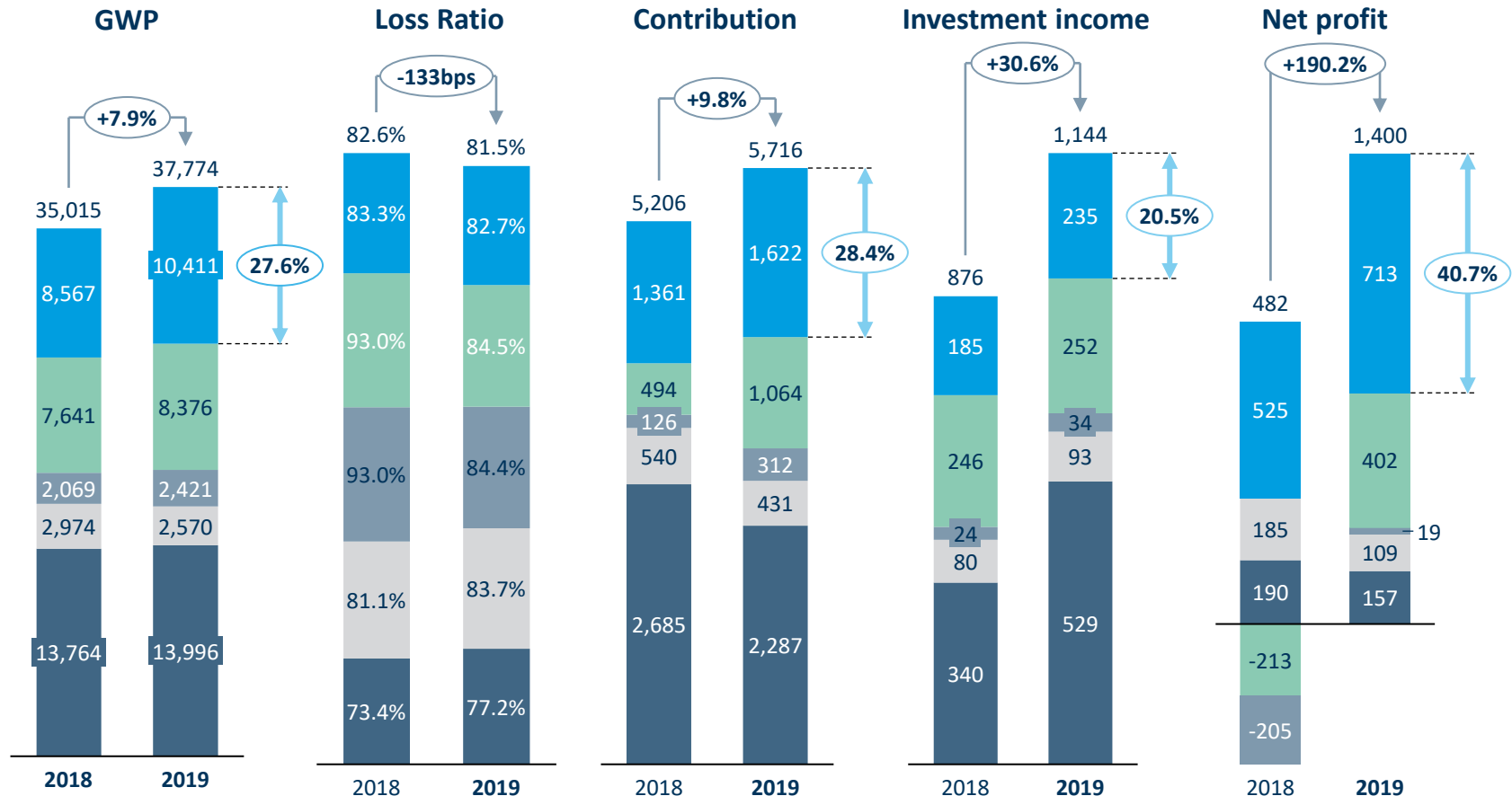
Source: respective insurance companies' filings

Total Insurance Market

Strong Contribution & investment income supporting net results



SR mn



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

Source: respective insurance companies' filings

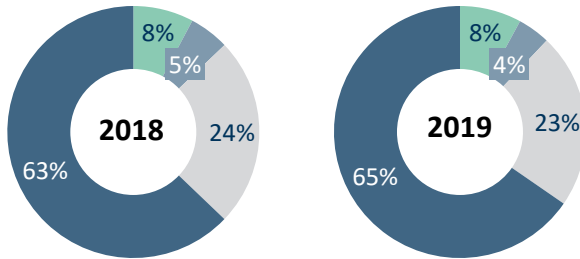
Non-Health Insurance Market

Substantial drop in contribution at the back drop of deteriorating loss ratios



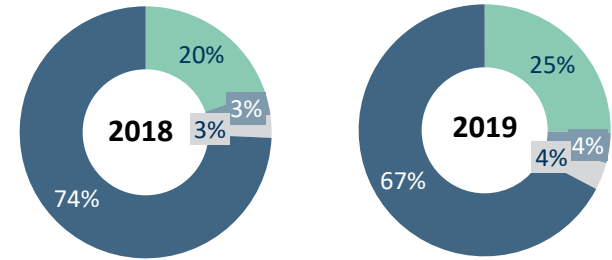
Motor Segment

Market Share



Other Segments¹

Market Share



GWP

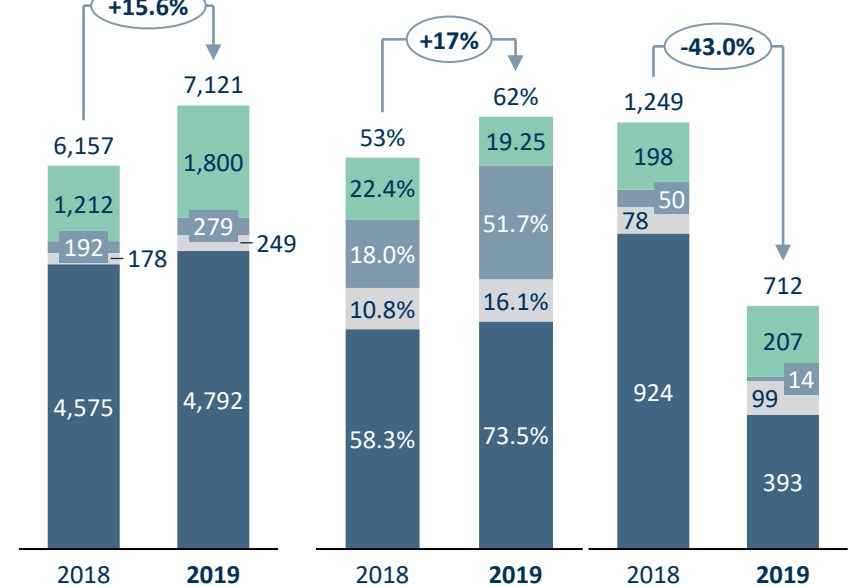
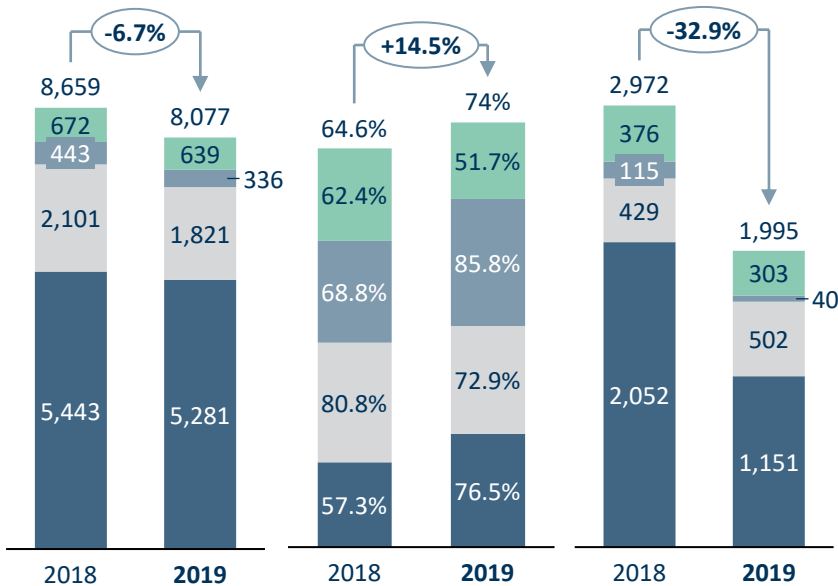
Loss Ratio

Contribution

GWP

Loss Ratio

Contribution



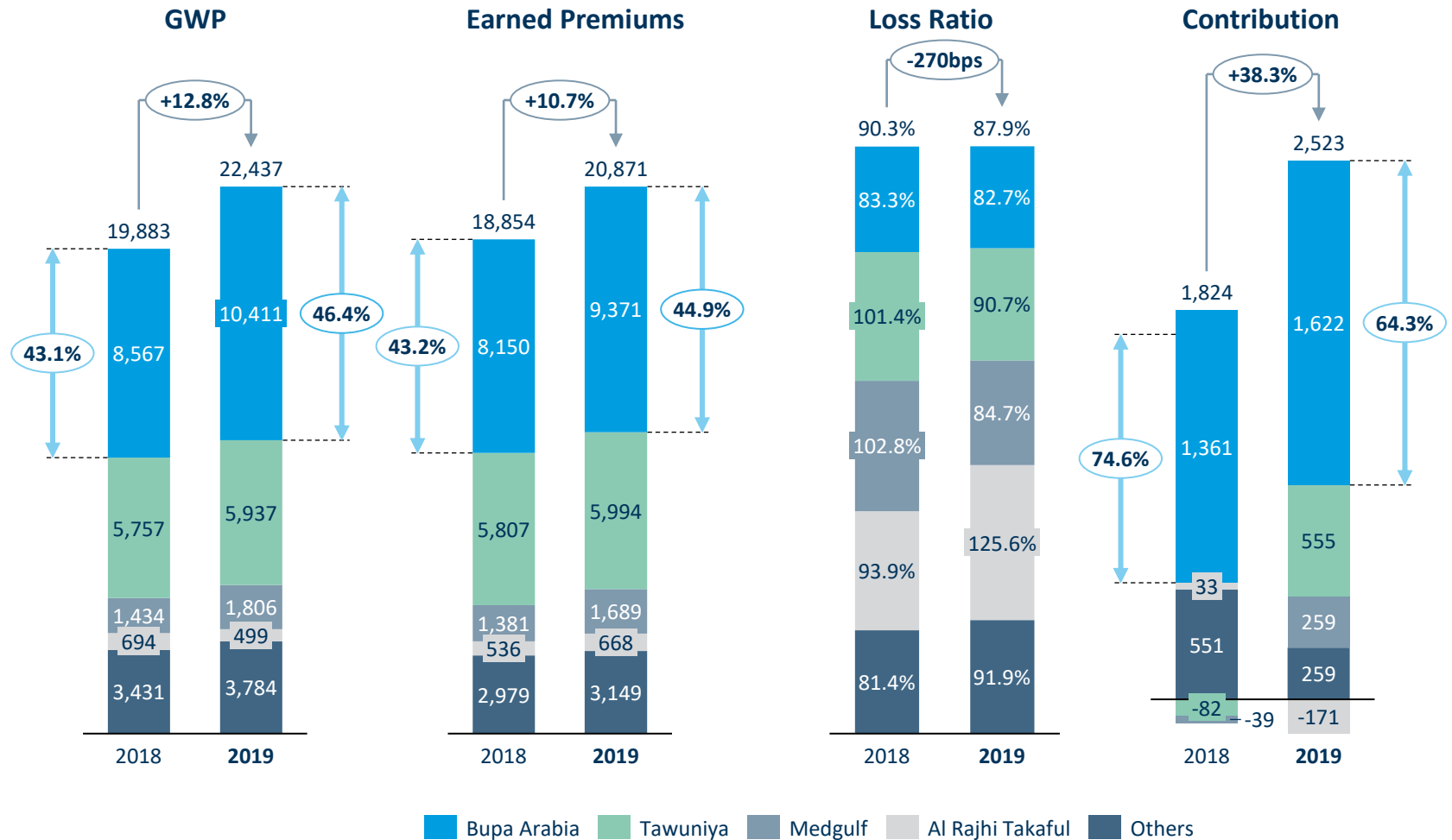
¹ Other segments include mainly Life, Marine, P&C and others

Health Insurance Market

Large players driving GWP growth and loss ratio improvement for the industry



SR mn



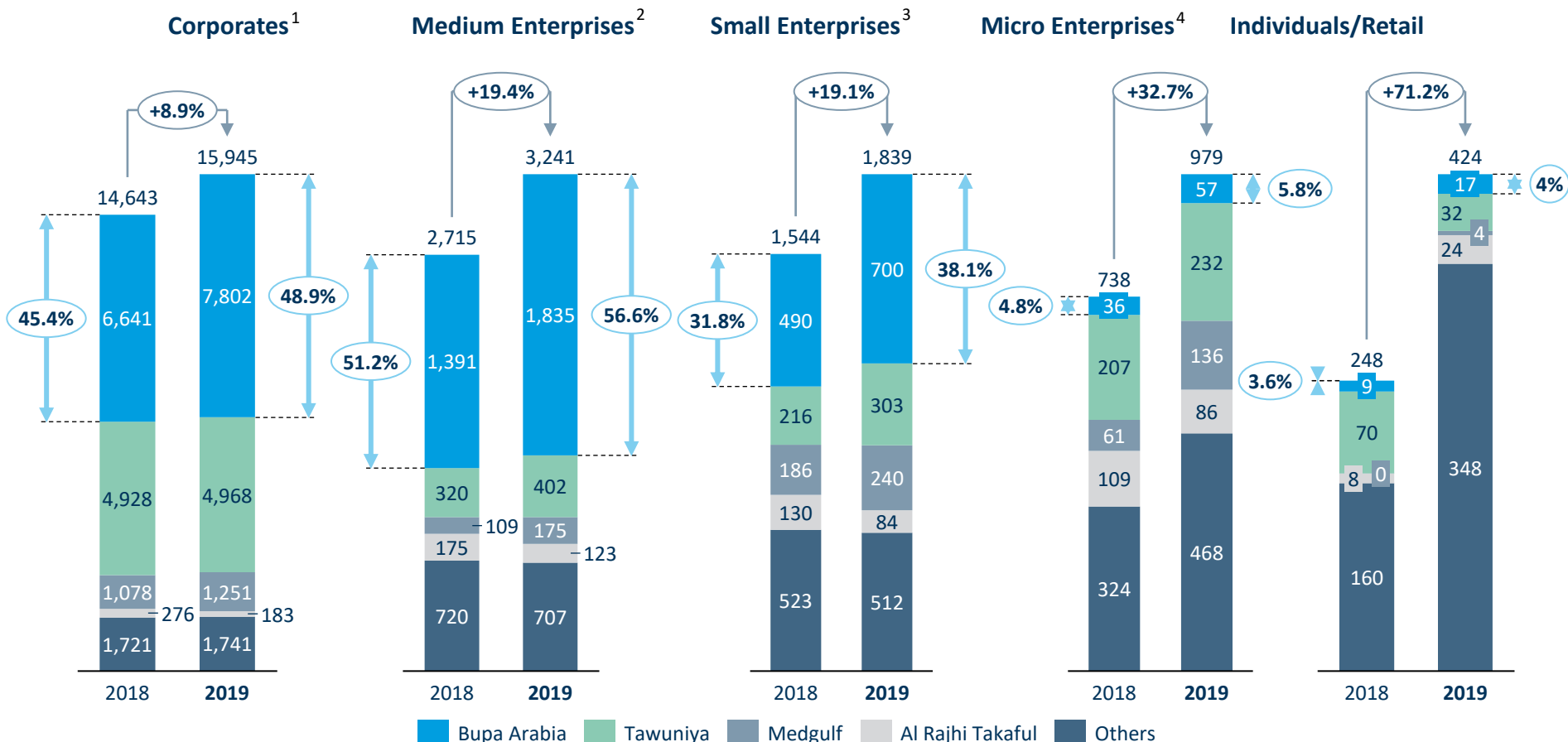
Source: respective insurance companies' filings

Health Insurance Market - GWP Segmentation

Bupa Arabia is the preferred health insurer for corporates and SMEs



SR mn



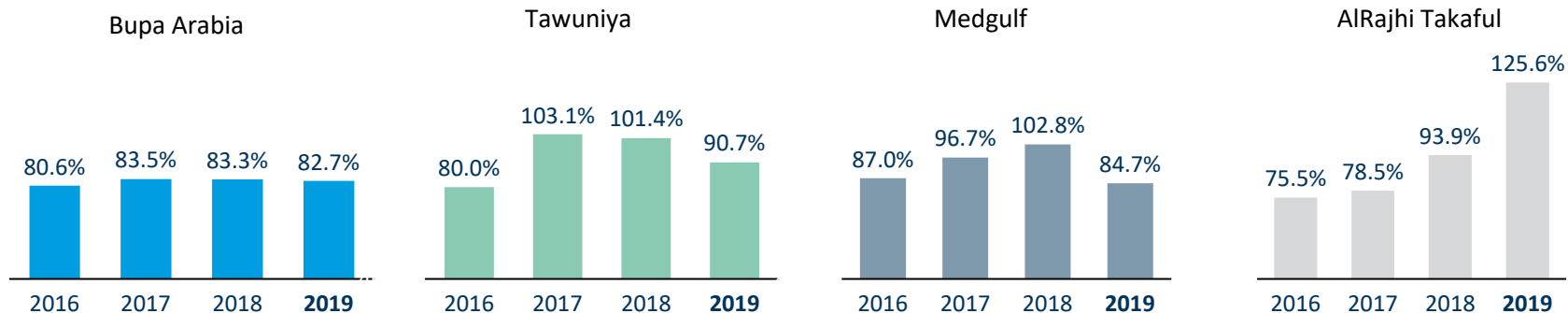
1) Corporates: Number of Employees > 249
 2) Medium: Number of Employees 50 – 249
 3) Small: Number of Employees 6 – 49
 4) Micro: Number of Employees 1 – 5
 Source: respective insurance companies' filing

Loss Ratio and Technical Reserves

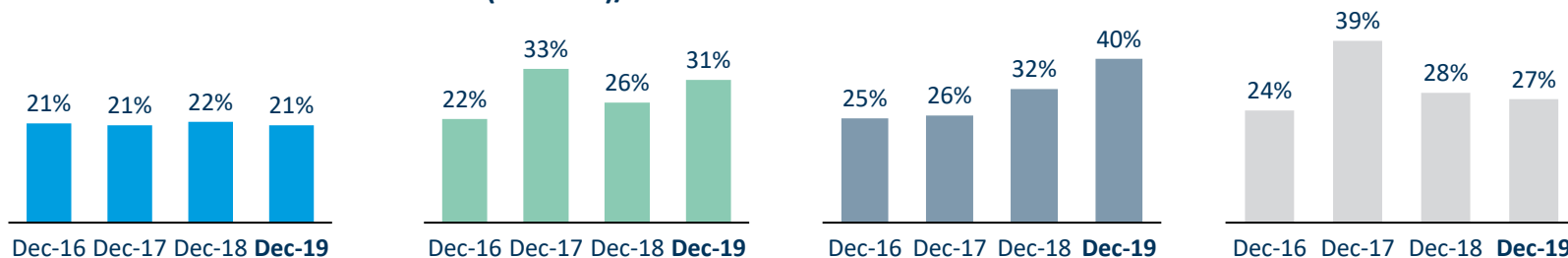
Bupa Arabia reports favorable loss ratios and consistent reserving profile



Loss Ratio – Health Insurance Market

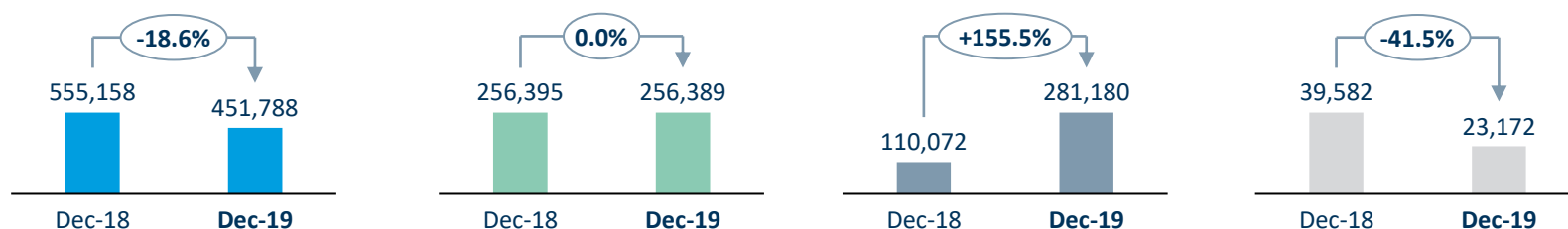


OCP (reserves)/TTM Claims – Health Insurance Market



Outstanding Claims¹

In SAR 000'



FY 2019 Webcast

Source: respective insurance companies' filings

¹ Outstanding claims represent claims received from hospitals but not settled yet

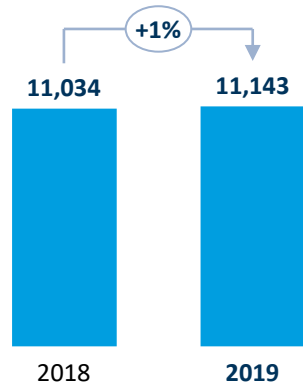
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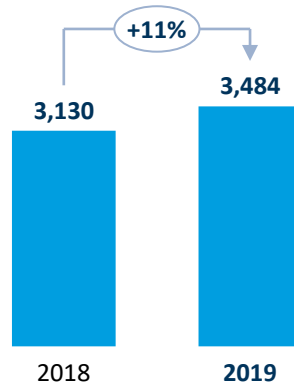
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Saudi Health Insurance Market Trends (1/2)

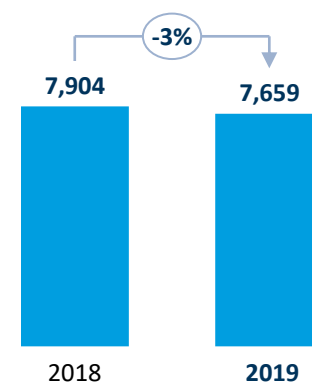
Insured lives increased by 1% YoY mainly driven by an increase in Saudi lives



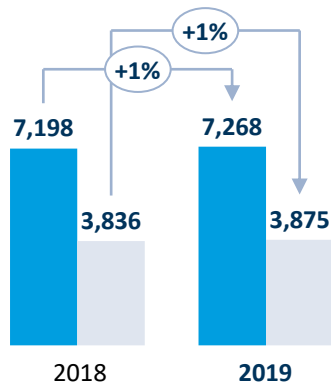
Total Insured Lives



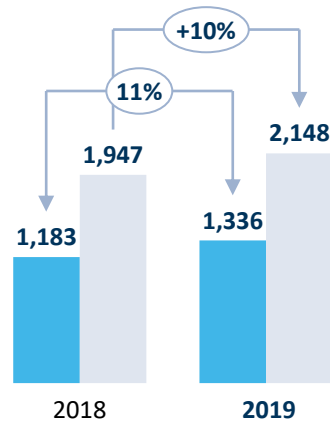
Saudi - Total



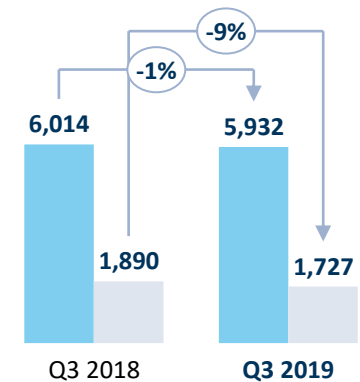
Expat - Total



Total - Primary
Total - Dependents



Saudi - Primary
Saudi - Dependents



Expat - Primary
Expat - Dependents

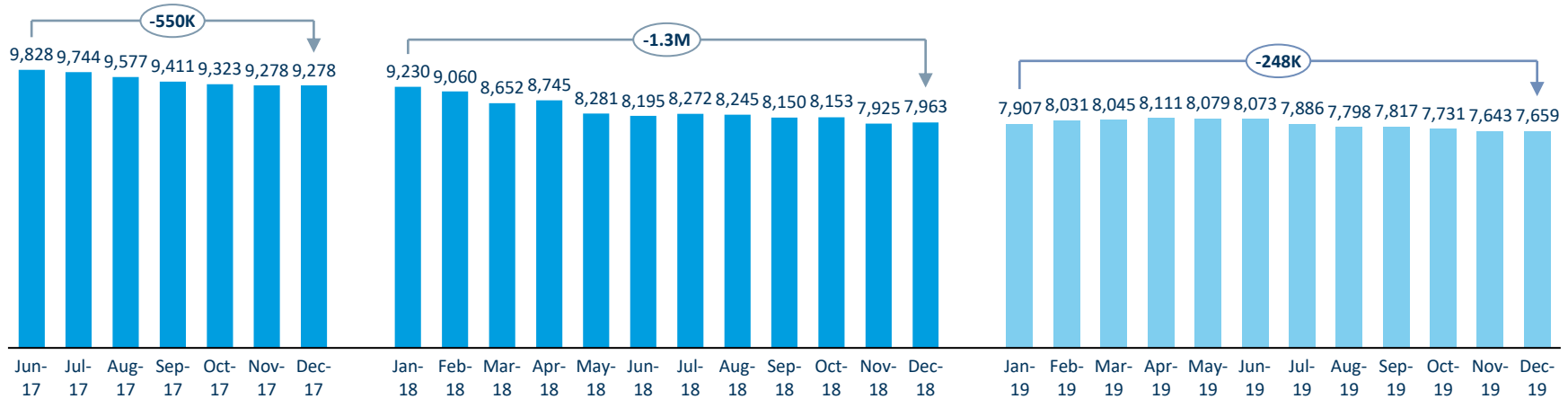
Source: Stats.gov.sa, GOSI, MoL, CCHI, and Bupa Arabia estimates

Saudi Health Insurance Market Trends (2/2)

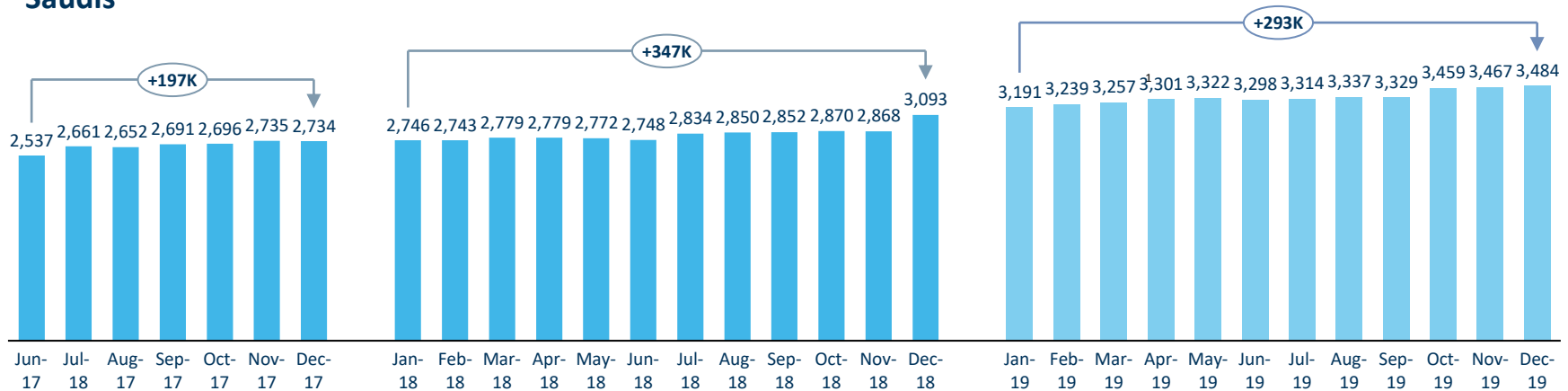
Expats departure has stabilized in 2019 coupled with soft Saudi enforcement



Expats



Saudis



¹Inclusive of c.200K lives from SEC's population that were uploaded into CCHI portal ahead of the start date of their insurance contract (Jan 2019)

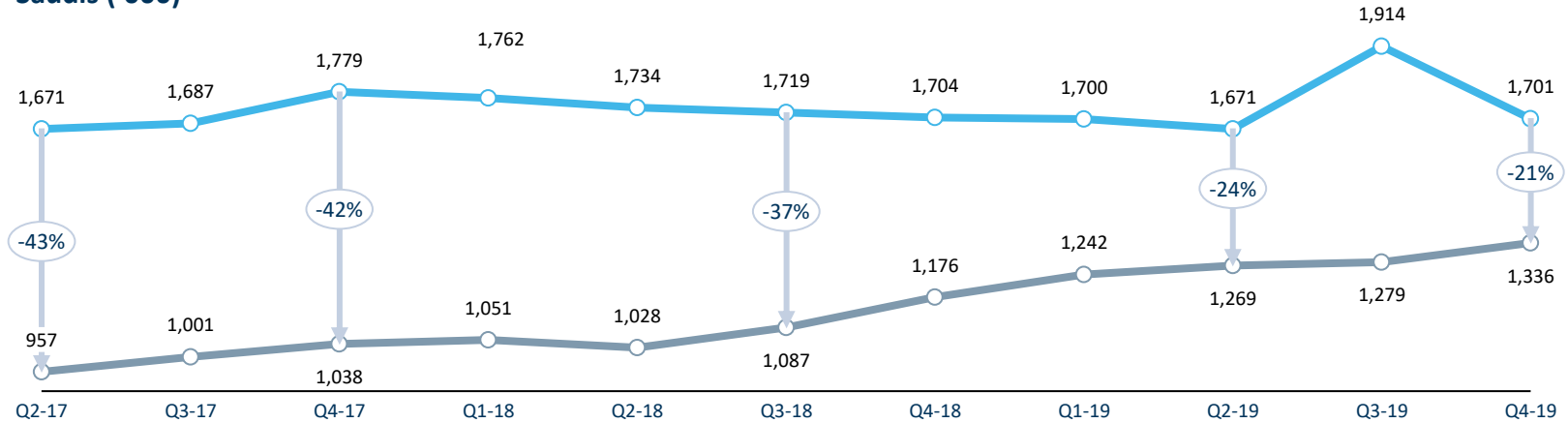
Source: CCHI website

Gap & Enforcement Explained

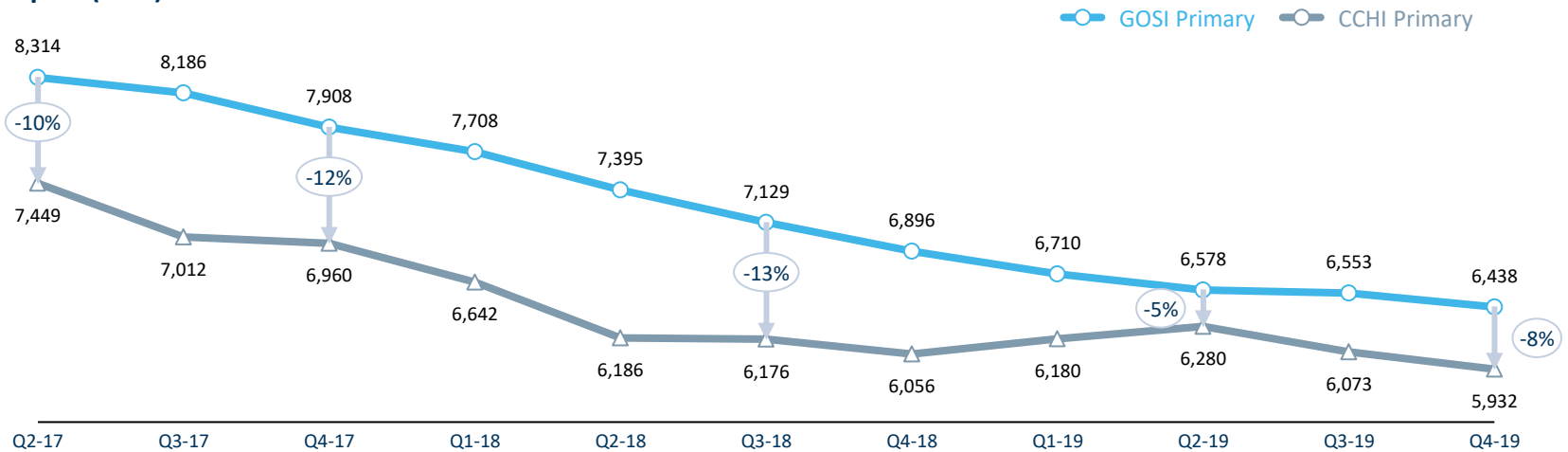
Gaps remain in the private sector with ~ 365k primary Saudis without PMI



Saudis ('000)



Expats ('000)



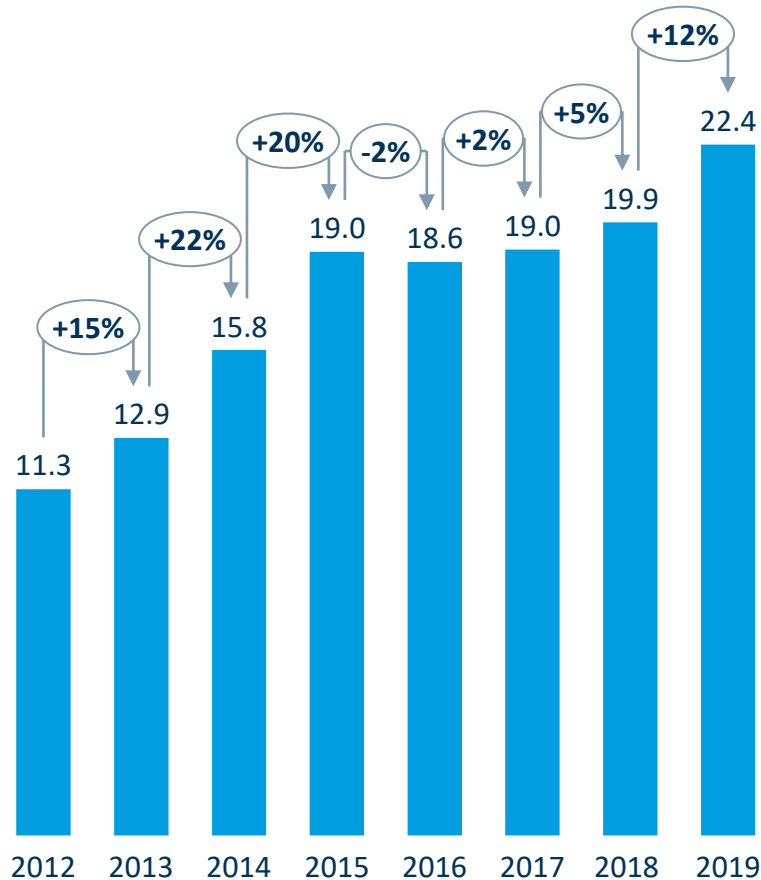
Note: Gap between GOSI and CCHI primary has shrunk significantly for Saudis and Expats reaching 365K and 500K employees respectively

Saudi Health Insurance Market

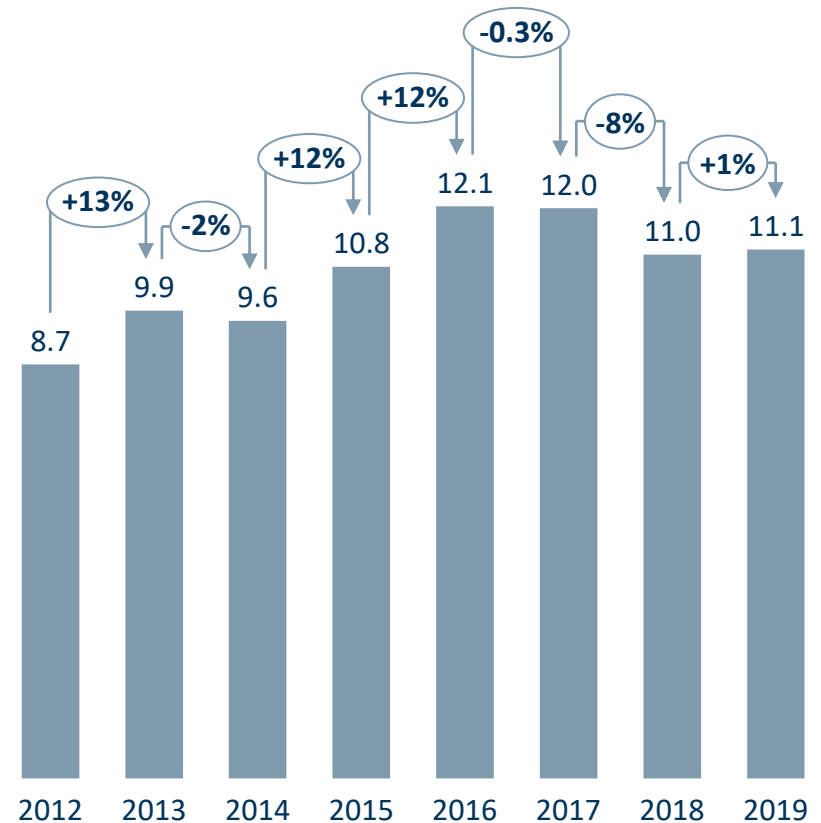
Price increase was a key contributor to GWP growth in 2019



Total Health GWP (SAR bn)



Total Insured Lives (m)



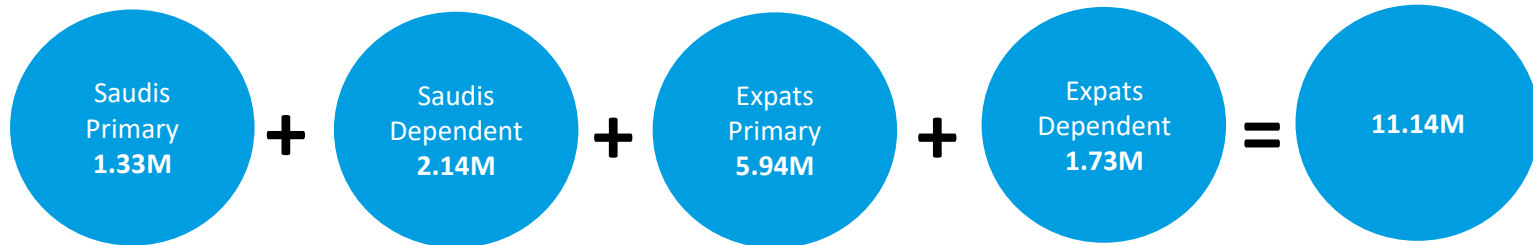
Source : CCHI Annual Reports & Bupa Arabia estimates

Future Growth Opportunities in Health Insurance by 2023

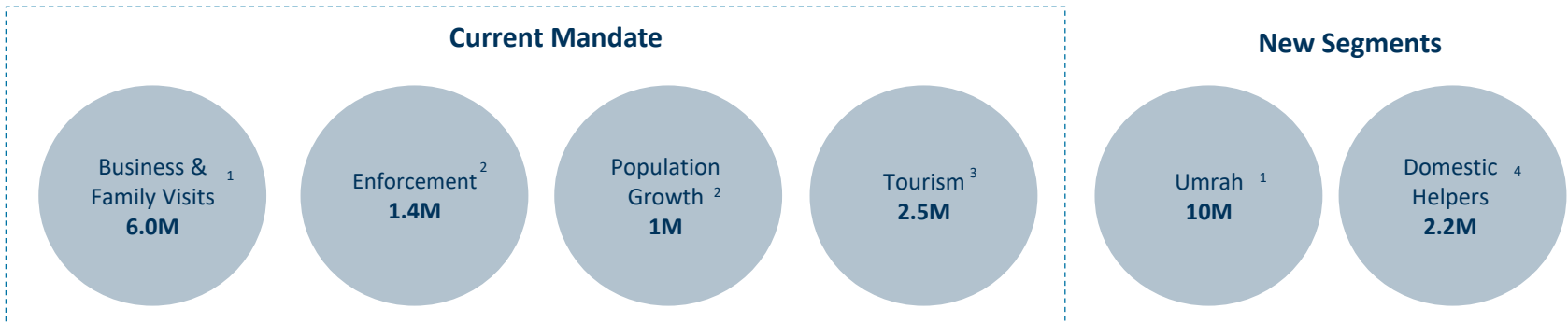
Potential addition of c.23m lives to the private healthcare sector



2019 Contributors to the Private Healthcare Sector



Expected contributors to lead the health insurance growth by 2023



- 1) GWP/life 100-200 SAR
- 2) GWP/life 1500-2000 SAR
- 3) GWP/life 140 SAR
- 4) GWP/life 400-600 SAR


Source: CCHI data & Bupa estimates

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Other Highlights




Renewal NCB Contract

National Commercial Bank has appointed Bupa Arabia Cooperative Insurance to provide health insurance services to its employees effective from 1 January 2020




IFRS 17

Bupa Arabia does not expect a major impact from adopting IFRS 17 on its financials and has engaged a big-four consultant to manage the transition and adoption before 2023.





Corona Command Center

A Corona Command Center has been setup with dedicated doctors certified according to the World Health Organization (WHO) standards to answer any questions and to guide members in accordance with WHO and MOH recommendations



MoH Contribution

Bupa Arabia announced the sum of SR 20m as a contribution to MoH’s COVID-19 endowment fund and extending its Command Center to support MoH with COVID-19 related calls

Telemedicine

Bupa Arabia and Dr. Sulaiman Al Habib Group have partnered to provide members online consultation with Al Habib’s doctors through the “Life Care” App

Achievements & Awards



Ranked #8

Kingdom's top 20 Most Talked About Brands



Valuable Insurance Company:

Bupa Arabia is the most valuable insurance company according to Forbes Middle East 2020



Best Health Insurance Company:

Saudi Arabia 2018 & 2019– From International Finance Magazine



Ranked #7

Most strong brand in Saudi according to Brand Finance 2020 Ranking

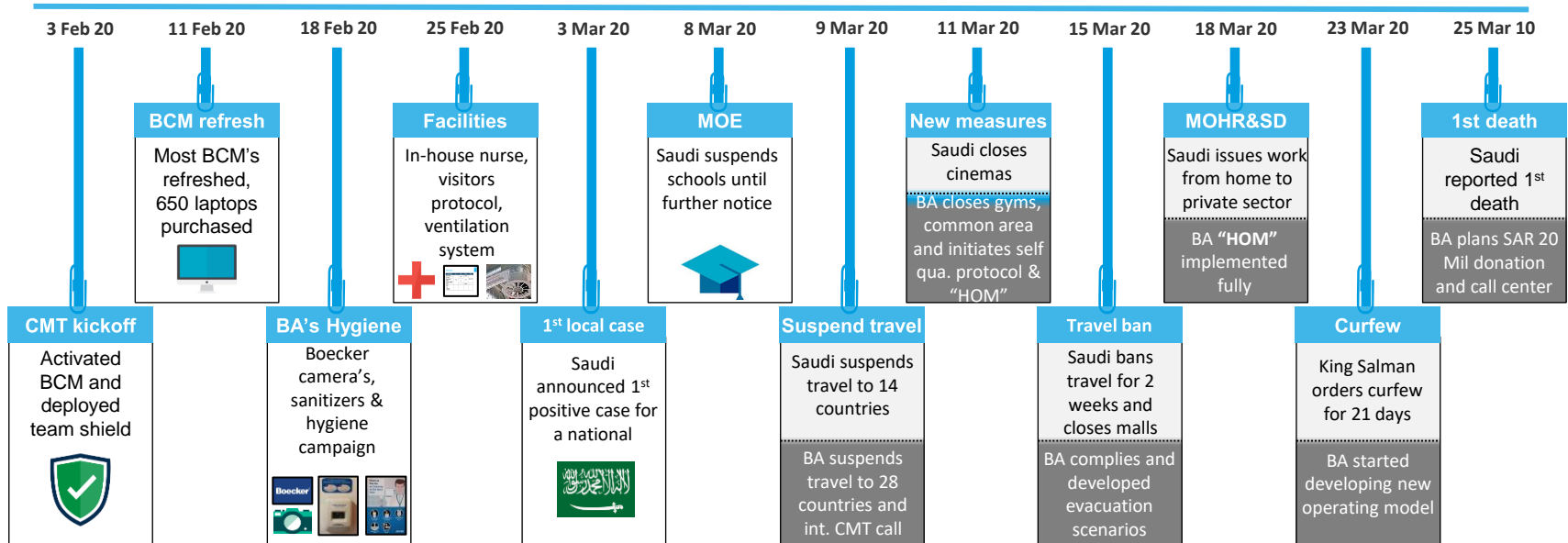
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Main Events Timeline

Project Shield team ensured BA's preparedness for Pandemic early on



Project Shield Team Framework

Business Stabilization amid COVID-19 through four main pillars



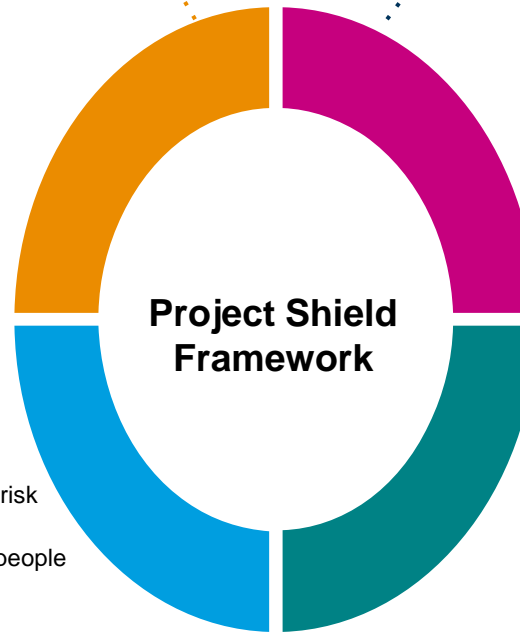
Business Continuity

- Defined clear pandemic thresholds based on various benchmarks
- Refreshed business continuity plans for all departments
- Purchased 650 laptops to cater to 98% of BA staff working from home
- Completed comprehensive financial model to assess impact from COVID-19 & oil price war
- Planned for various scenarios to activate BCM amid Covid-19
- Developed "HOM" new operating model



Human Resources Management

- Implemented facilities hygiene plans to de-risk premises
- Developed new HR policies to protect our people
- Reviewed employee management policies (absence leave, sick leave, travel etc..)
- Developed leadership de-risking plan and continuity of leadership
- Activated project shield call center
- Trained and educated leadership teams on new operating model
- Engaged with affected employees



Customer Management

- Shared Project Shield Toolkit to major customers
- Implemented the new operating model with no customer service disruption
- Established Corona Command Center
- Extended home medication delivery (by 3 months) to all chronic members.
- Initiated tele-medicine with AlHabib Hospital and other national providers
- Dedicated a workforce from Bupa Arabia's Call Center to support MoH Corona Command Center



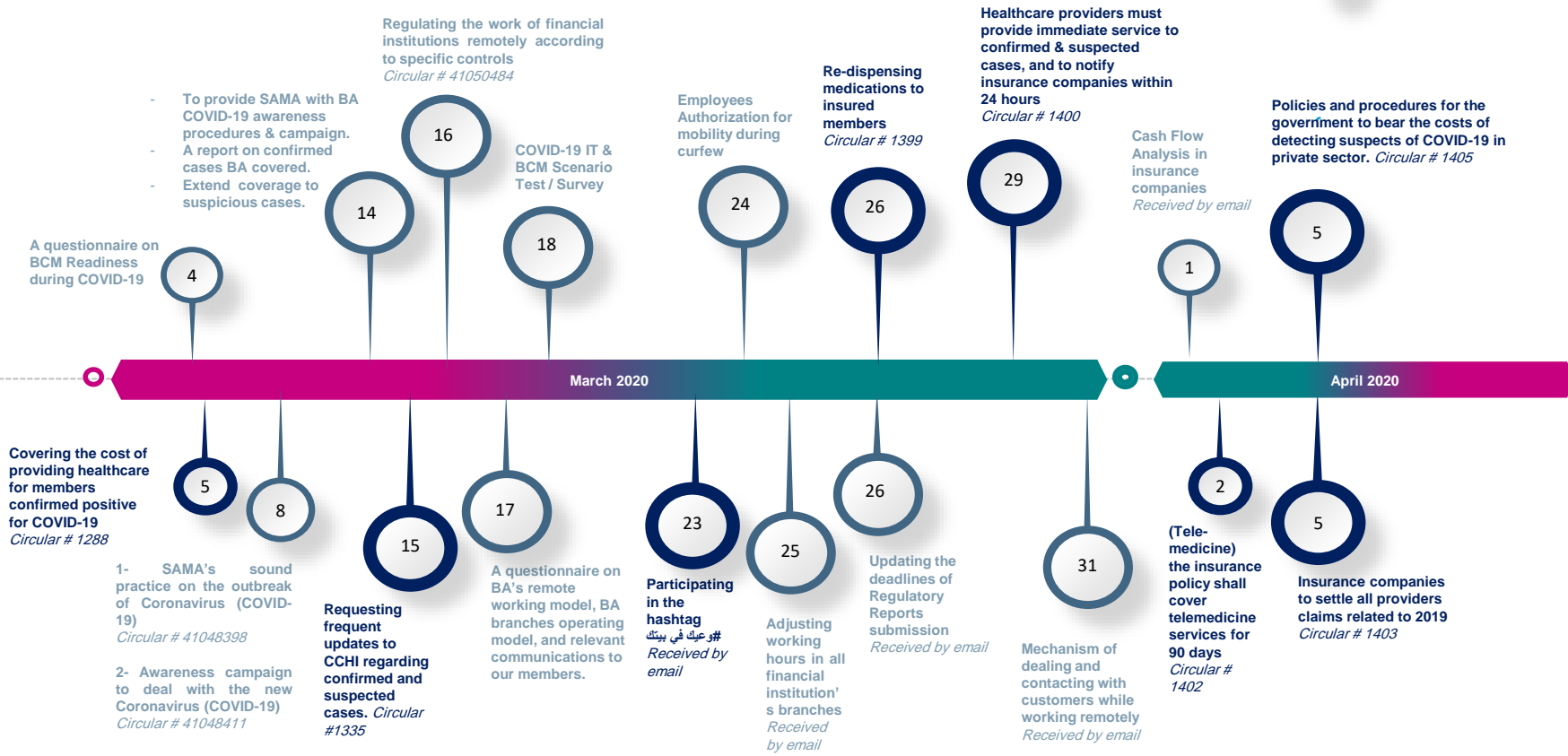
Communication

- Daily internal communication with major announcements and Project Shield actions
- Daily reporting to CCHI & SAMA
- Donated SR 20m to MoH for additional supply of medical ventilators
- Regular CEO communication to major customers and BA staff
- Launched internal and external campaigns inline with MOH
- Developed a crisis communication plan with public statements, critical questions and dissemination protocol



COVID-19 Regulations



Heavy engagement and support from SAMA & CCHI to the insurance sector



Relevant Excerpt Governmental Authorities Initiatives (1/3)

Major financial and non-financial support to relieve pressure on Saudi companies







Authority	Initiatives
	<ul style="list-style-type: none"> • SAR 49.2 billion to support SMEs through the Deferred Payments Program, Funding for Lending Program, and Loan Guarantee Program. • SAR 800 million to support in covering POS fees • Facilitate payments due by organization that have been impacted by the full lockdown in Makkah and Madina.
	<p>The financial stimulus package of these initiatives reaches more than SAR 70 bn, which consists of exemptions and postponement of some government dues to provide liquidity to the private sector thereby enabling them to manage continuity of their economic activities. In addition, SAMA has announced a package of SAR 50 bn, to support the banking sector, financial institutions and SMEs.</p> <ul style="list-style-type: none"> • Extended Iqamas expiring in June 30 for 3 months with no charge • Refunded the fees of issued work visas that were not used during the ban on entry and exit. • Extended exit and re-entry visas that were not used during the ban for three months without charge • Postponed the payment of some government services fees and municipal fees due on private sector, for three months • Authorized the Minister of Finance to approve lending and other forms of financing as well as exemption from payment of fees and returns on loans granted until the end of 2020, under the Corporate Sustainability Program initiative.

Relevant Excerpt Governmental Authorities Initiatives (2/3)

Major financial and non-financial support to relieve pressure on Saudi companies







Authority	Initiatives
 <p>الهيئة العامة للزكاة والدخل GENERAL AUTHORITY OF ZAKAT & TAX</p>	<ul style="list-style-type: none"> • Postponed “Zakat, Tax, VAT and WHT” filings for three months till Jun 2020 • Issued unrestricted Zakat certificate to all Zakat payers for YE 2019 • Expanded instalment requests for 3 months • Expedited the refund process request • Suspended late fee payment along with stop services activities
 <p>Ministry of Human Resource and Social Development</p>	<ul style="list-style-type: none"> • Lifted the halt on wage protection program • New Saudi employment to immediately be added to Nitaqat • Suspended all fines pertaining to foreign recruitment • Allowed to recover or extend the issued visa fee • Extend expired exit and return visa for 3 months • Exemption of expat fees for 3 months • Exemption of expats fees for SMEs for 3 years • Allowed private companies to transfer their foreign workers without restrictions
 <p>المؤسسة العامة للتأمينات الاجتماعية General Organization for Social Insurance</p>	<ul style="list-style-type: none"> • Support impacted organization by contributing 60% of the Saudi employees’ salaries.
 <p>بنك التنمية الاجتماعية SOCIAL DEVELOPMENT BANK</p>	<ul style="list-style-type: none"> • SAR 12 billion to support citizens, their families and small enterprises.

Relevant Excerpt Governmental Authorities Initiatives (3/3)

Major financial and non-financial support to relieve pressure on Saudi companies



Authority	Initiatives
 <p>صندوق تنمية الموارد البشرية HUMAN RESOURCES DEVELOPMENT FUND</p>	<ul style="list-style-type: none">• SAR 5.3 billion support for employment, training and employee at private sector
 <p>وزارة التجارة والصناعة Ministry of Commerce and Industry</p>	<ul style="list-style-type: none">• Postponed CR registration fees ending in June 16, 2020 for three months
 <p>الصندوق الصناعي Saudi Industrial Development Fund</p>	<ul style="list-style-type: none">• Postponing and restructuring the payment of loan installments for small projects and medical projects whose installments are settled during the year 2020• Delay and reschedule loan installments for medium and large factories whose installments are settled during 2020• Introduce new program to finance small and medium enterprises
 <p>SEDA هيئة تنمية الصادرات السعودية Saudi Export Development Authority</p>	<ul style="list-style-type: none">• The Saudi Export and Import Bank has started to receive requests for financing from exporters to stimulate Saudi non-oil exports targeting small, medium and large enterprises

Questions & Answers

Speakers:

- Nader Ashoor – Chief Financial Officer
- Ali Sheneamer – Chief Business Development Officer



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Abbreviations

BCM	Business Continuity Plan
BDP	Bad Debt Provision
CCHI	Council Of Cooperative Health Insurance
CMT	Crisis Management Team
CR	Commercial Registration
EBT	Earnings Before Tax
GBO	Global Business Outlook
G&A	General And Administrative Expenses
GOSI	General Organization for Social Insurance
GWP	Gross Written Premium
IFM	International Finance Magazine
IFRS	International Financial Reporting Standard
KPI	Key Performance Indicator
MOE	Ministry of Education
MOH	Ministry of Health
MOL	Ministry of Labor
NEP	Net Earned Premiums
OCP	Outstanding Claims Provision (Known As Technical Reserve)
SAMA	Saudi Arabian Monetary Agency
S&M	Selling And Marketing Expenses
SME	Small & Medium Enterprises
TPA	Third Party Administration
TTM	Trailing Twelve Months
YoY	Year on Year

Glossary of terms



Understanding our Financial Statements

A customer buys a one-year medical insurance policy for SR 5,000 on July 1, 2017.

The coverage ends on June 30, 2018. The annual reporting period for the business in this example is for the year ended December 31, 2017.

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, 2017 and June 30, 2018
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 2017, only half of the premium is earned in 2017
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 (2017) and half will be reflected in the year after (2018)

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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>

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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, 2017 to Dec 31, 2017)
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

Glossary of terms



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 claims 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

THANK YOU



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