

Bupa Arabia Q2 2019 Earnings Conference Call and Webcast

September 4, 2019

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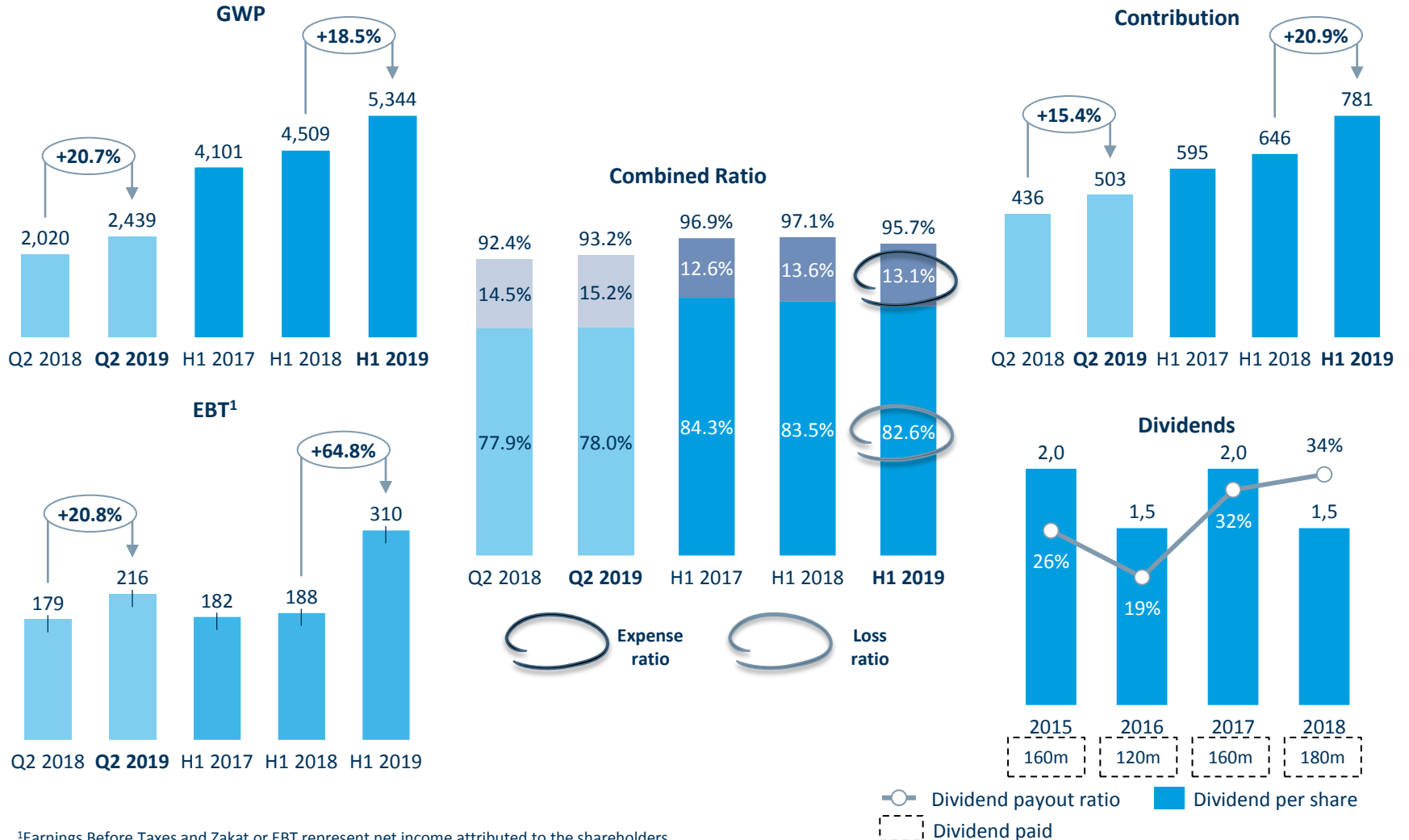
- Financial Performance
- Market Outlook
- Other Highlights
- Abbreviations & Glossary

KPIs

H1 2019 earnings grew by 65% YoY as a result of healthy GWP & combined ratio



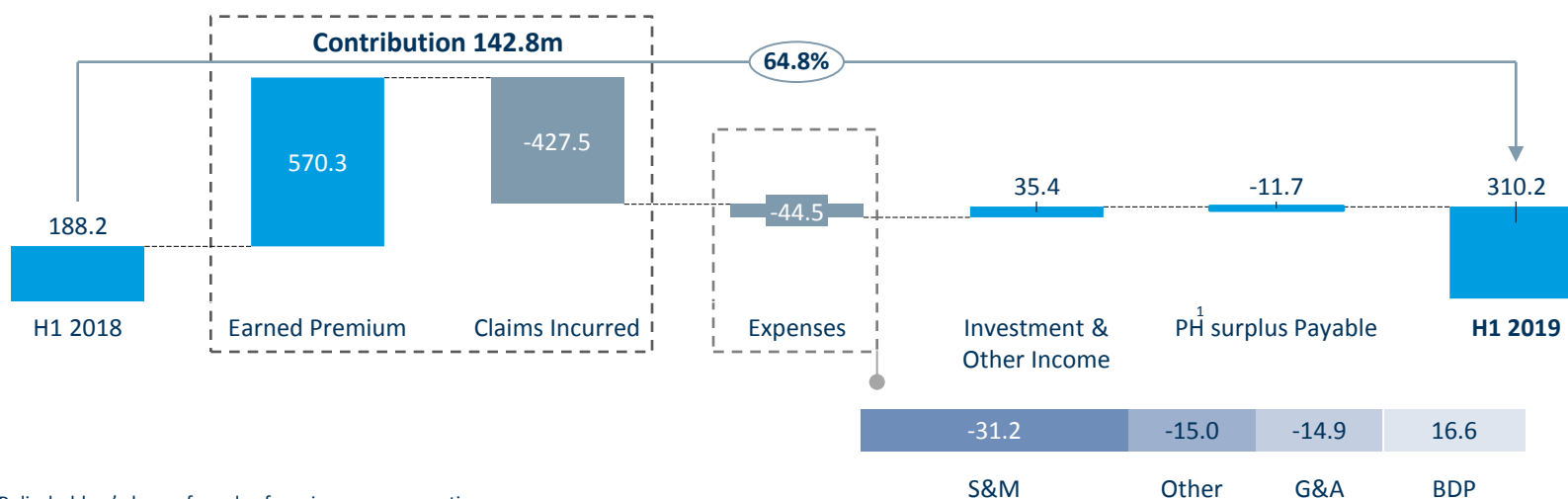
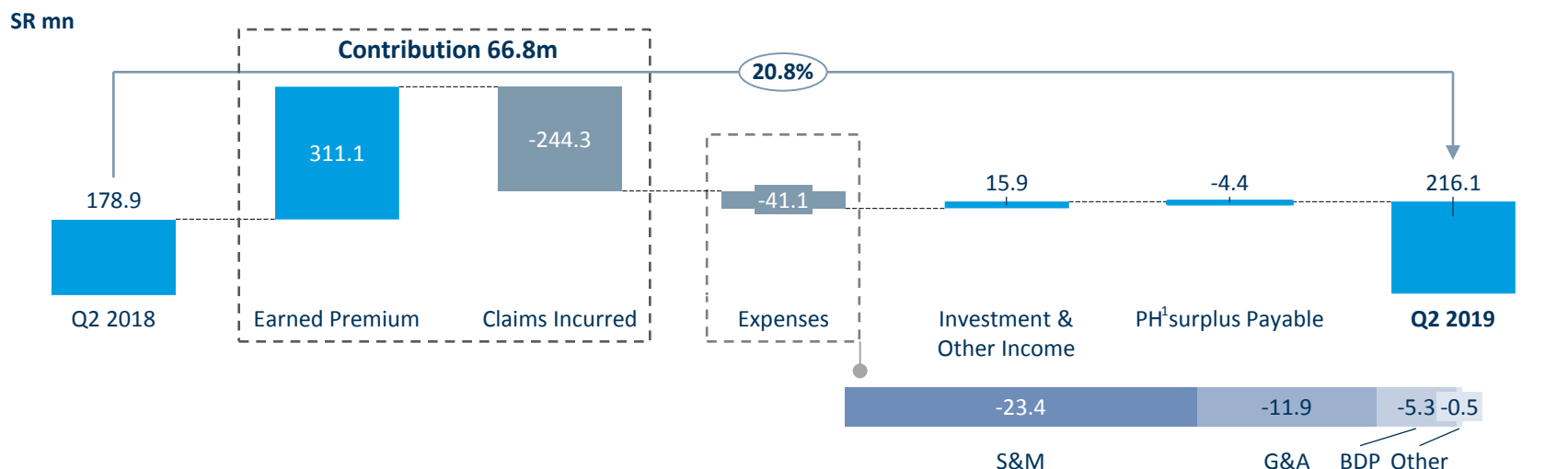
SR mn



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

EBT

EBT on the rise through favorable contribution, investment income & collections



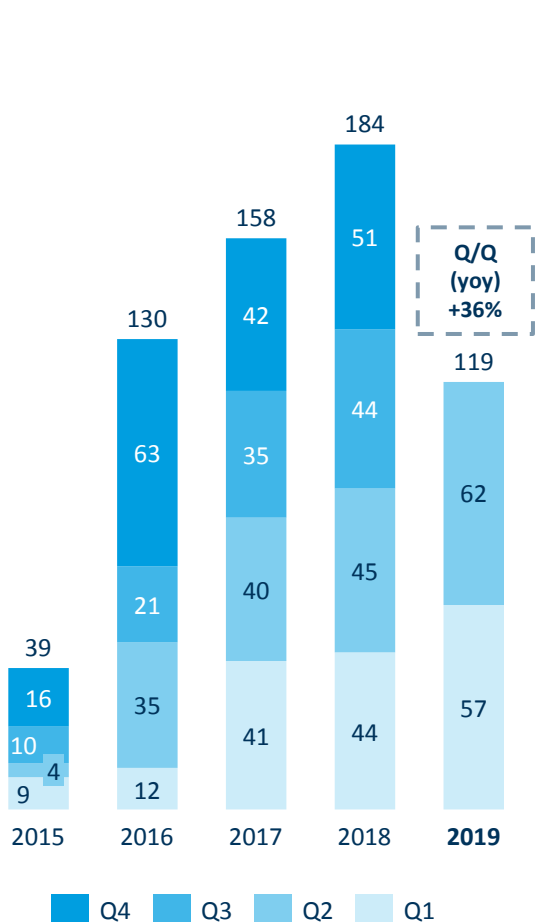
¹PH: Policyholders' share of surplus from insurance operation

Investment Portfolio and Results

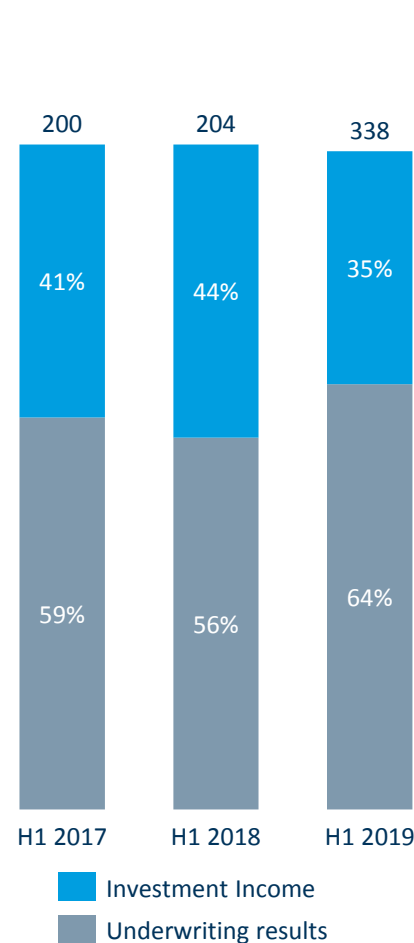
Improved investment income through further portfolio diversification



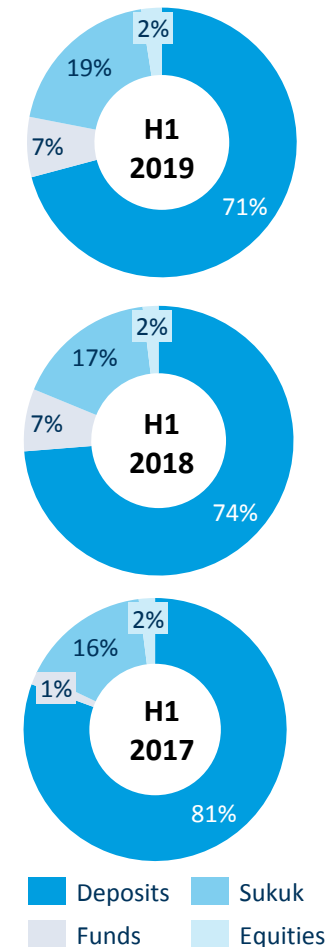
Investment Income



Income Breakdown¹



Asset Allocation



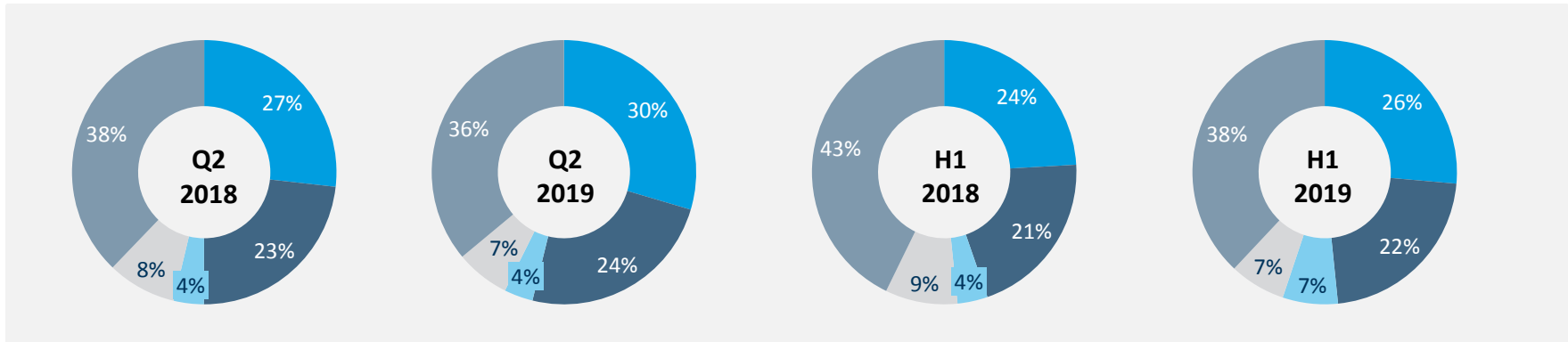
¹Income breakdown represents net income attributed to the shareholders and policyholders

Market Share and Positioning

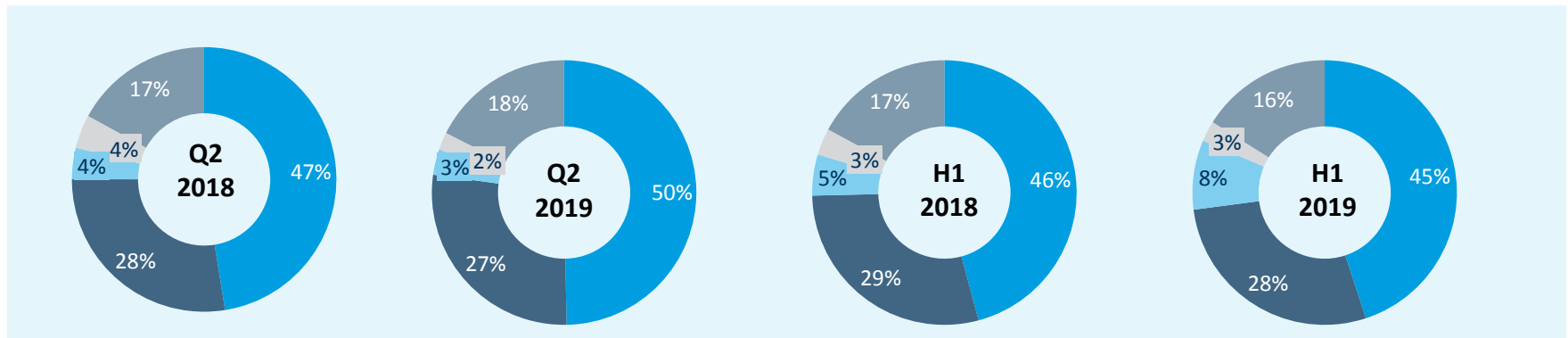
Bupa Arabia is leading the Saudi health insurance market as of H1 2019



Total Insurance Market Share (GWP basis)



Health Insurance Market Share (GWP basis)



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

Source: respective insurance companies' filings

Insurance Market Comparative Figures

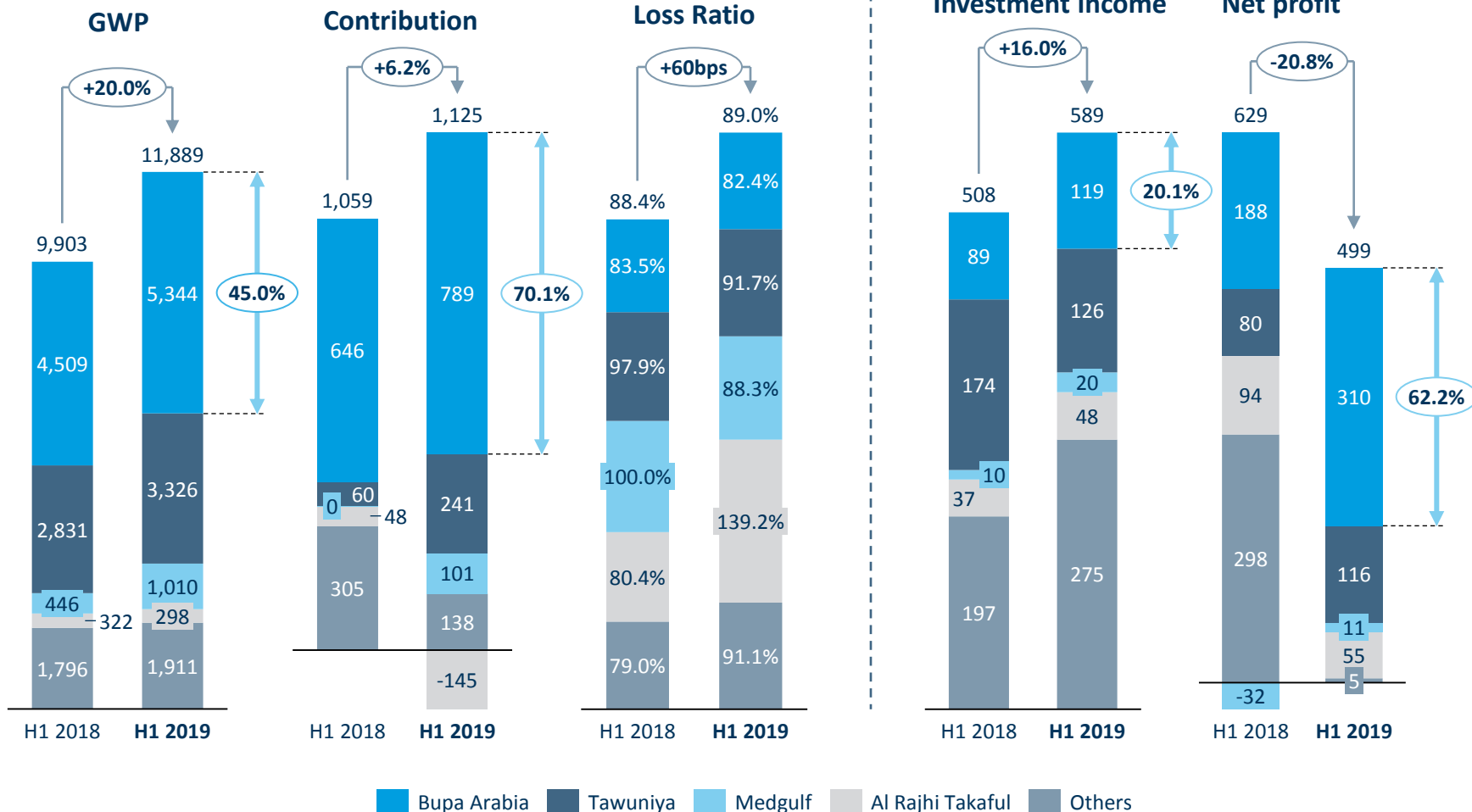
Bupa Arabia represented 70% of total health insurance market contribution



SR mn

Health Insurance Market

Total Insurance Market



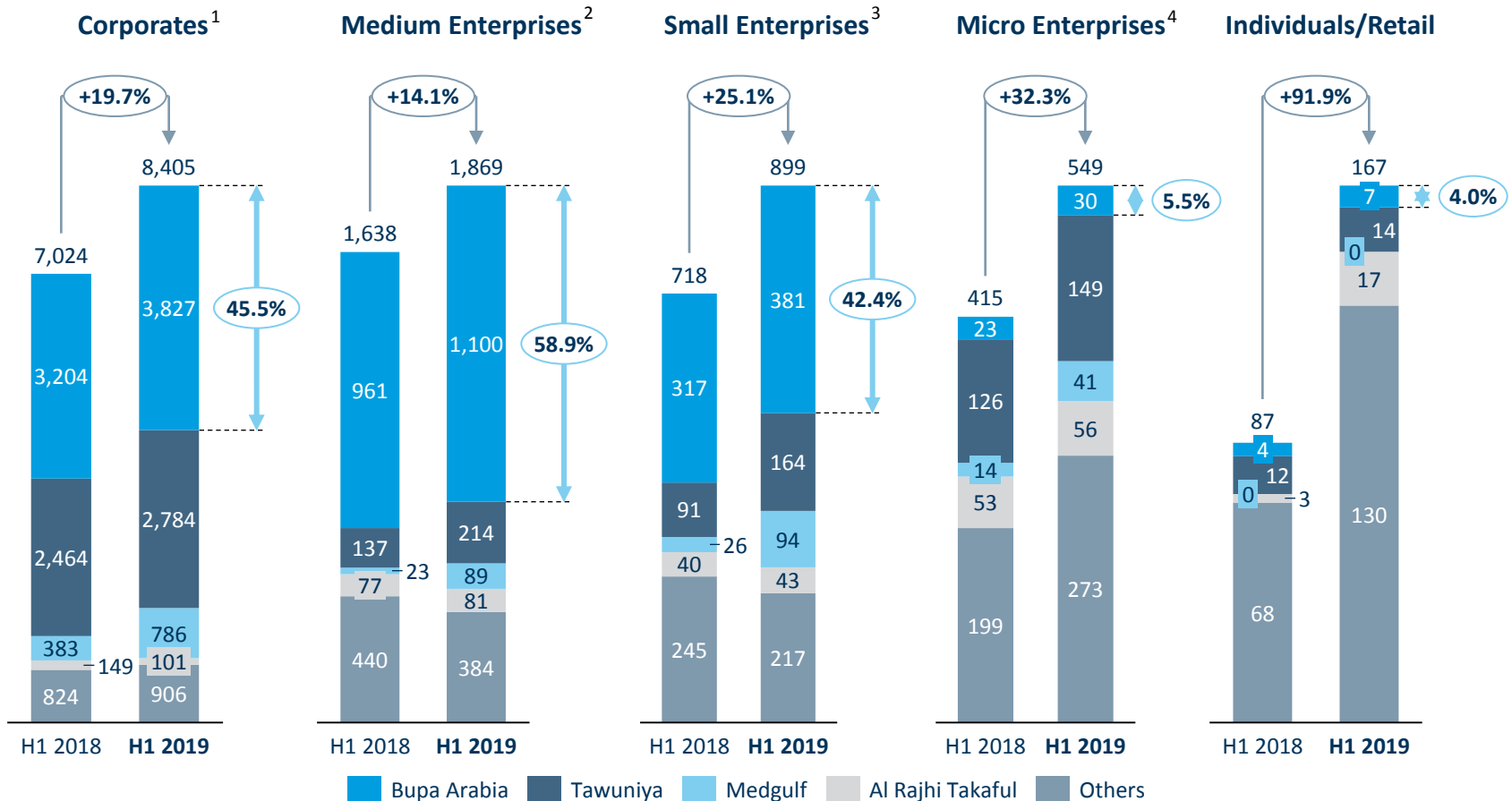
Source: respective insurance companies' filings

GWP Health Insurance Market Segmentation

Bupa Arabia is the preferred health insurer for corporates and SMEs



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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

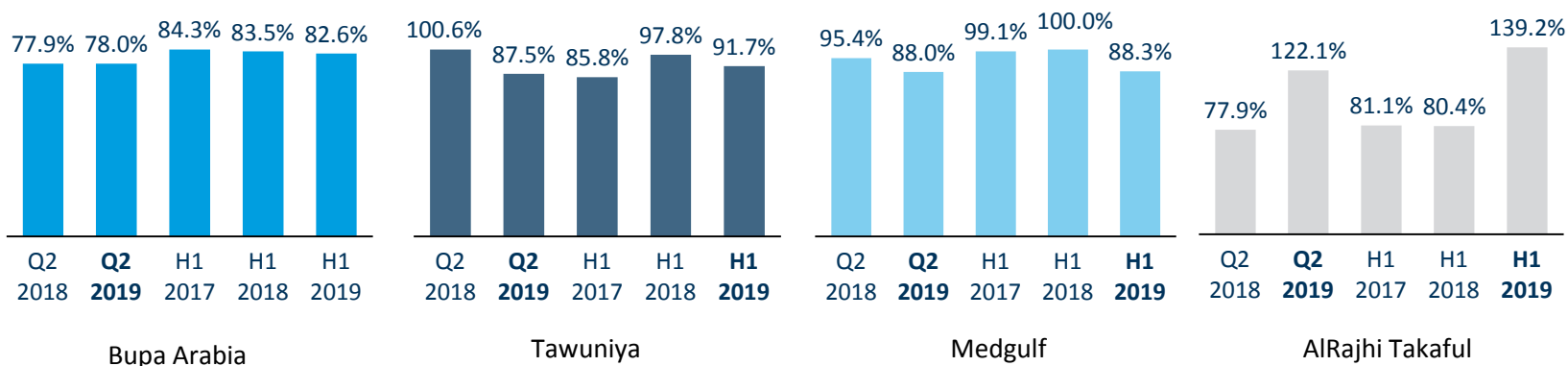
Note: Some companies did not report their GWP segmentation for 2018, hence we have estimated Q2 & H1 2019 GWP segmentation for those companies based on their 2019 respective split.

Loss Ratio and Technical Reserves

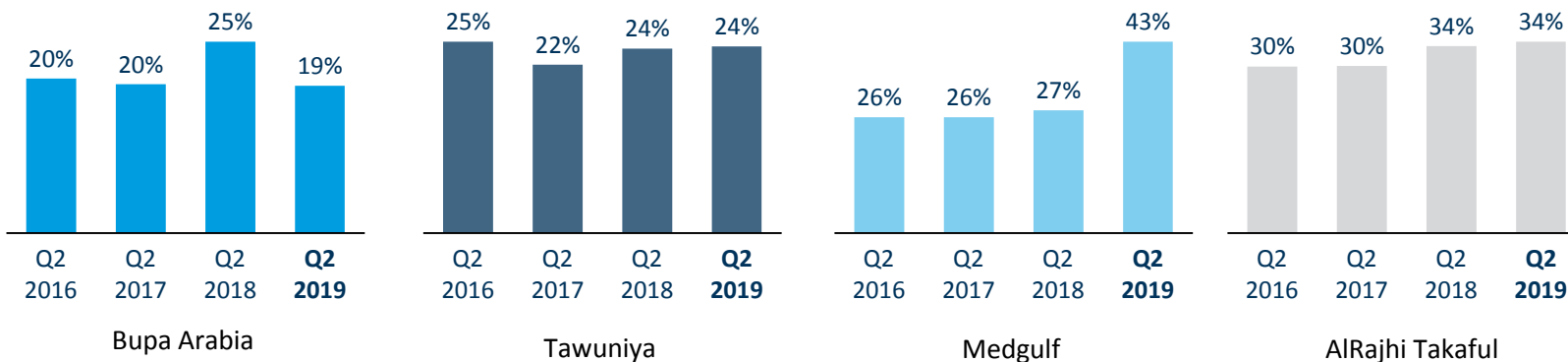
Bupa Arabia reports favorable loss ratios and consistent reserving profile



Loss Ratio – Health Insurance Market



OCP (reserves)/TTM Claims – Health Insurance Market



Source: respective insurance companies' filings

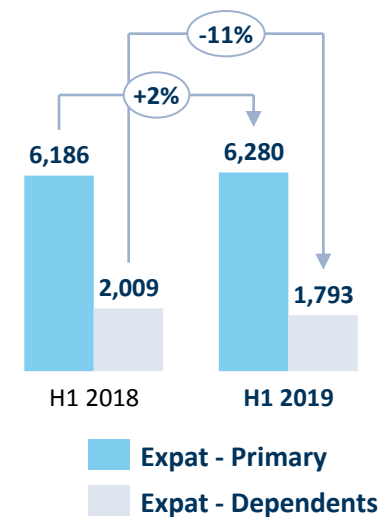
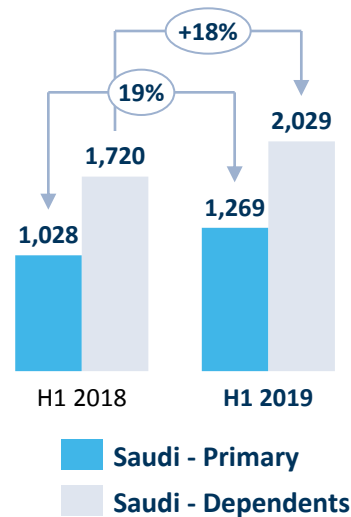
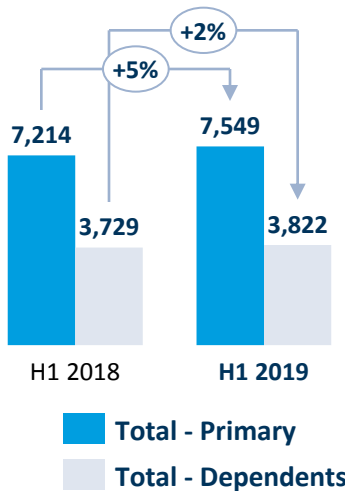
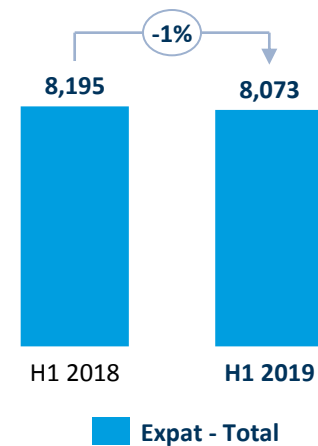
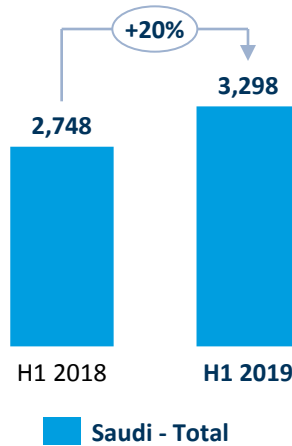
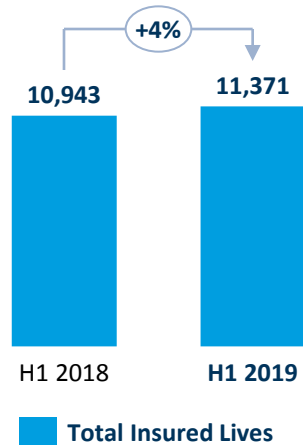
Agenda



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Saudi Health Insurance Market Trends (1/2)

Insured lives increased by 4% YoY despite the departure of expats' dependents



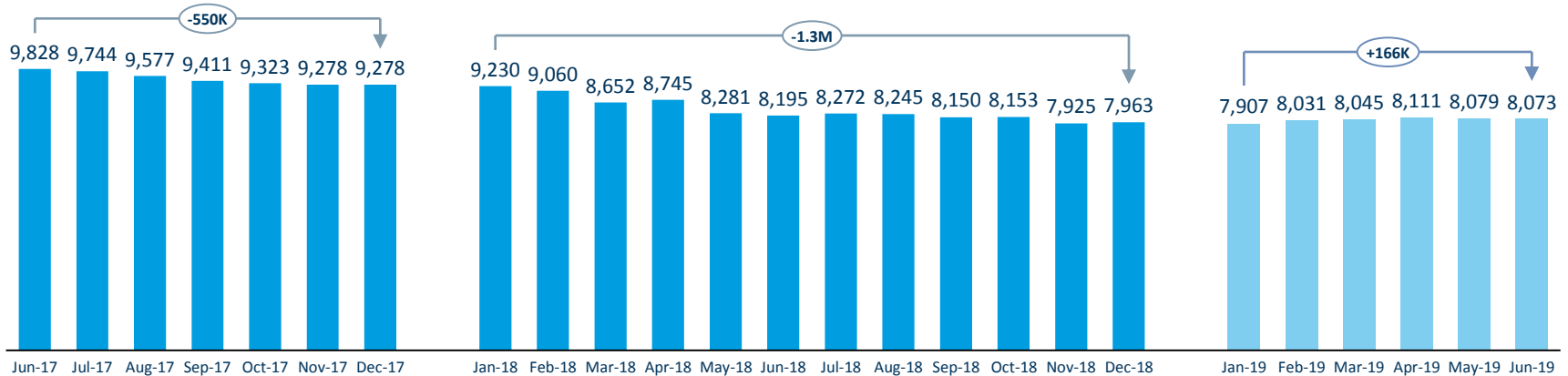
Source: Stats.gov.sa, GOSI, MoL, CCHI, and Bupa Arabia estimates

Saudi Health Insurance Market Trends (2/2)

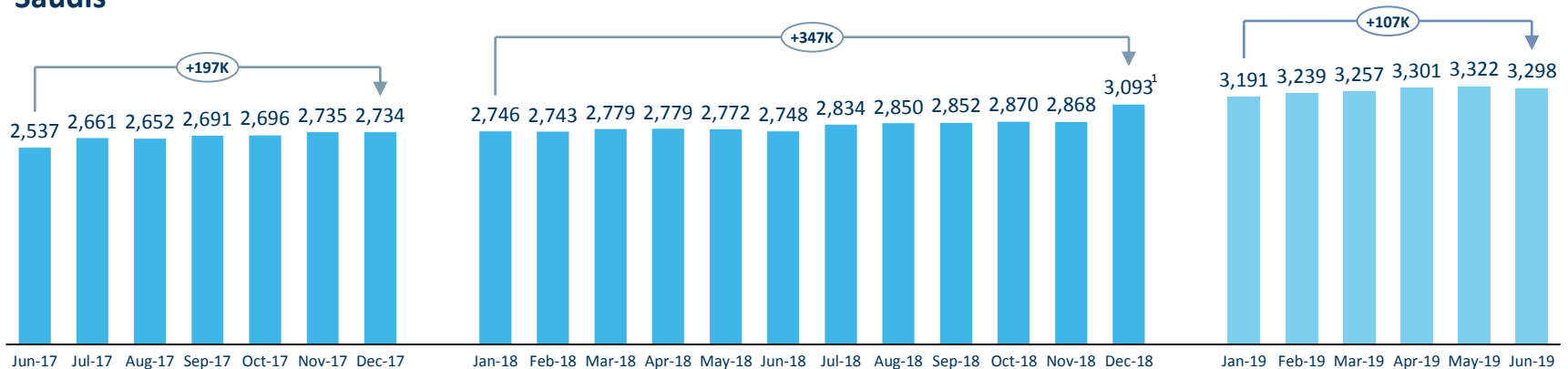
Expats departure has stabilized in 2019 coupled with soft Saudi enforcement



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)

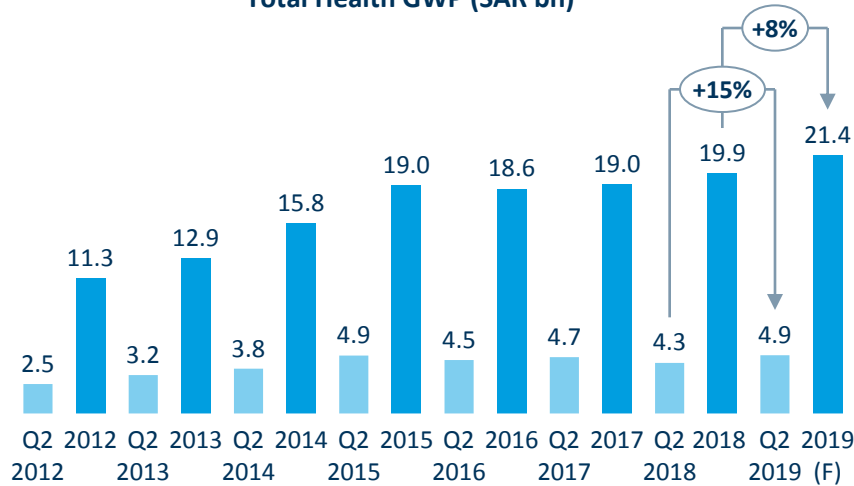
Source: GOSI & CCHI website

Saudi Health Insurance Market Forecast 2019

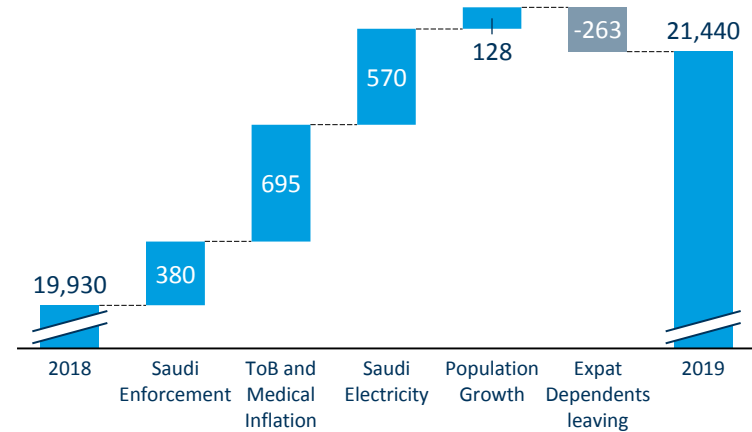
Saudi enforcement is a key contributor to expected GWP & insured lives growth



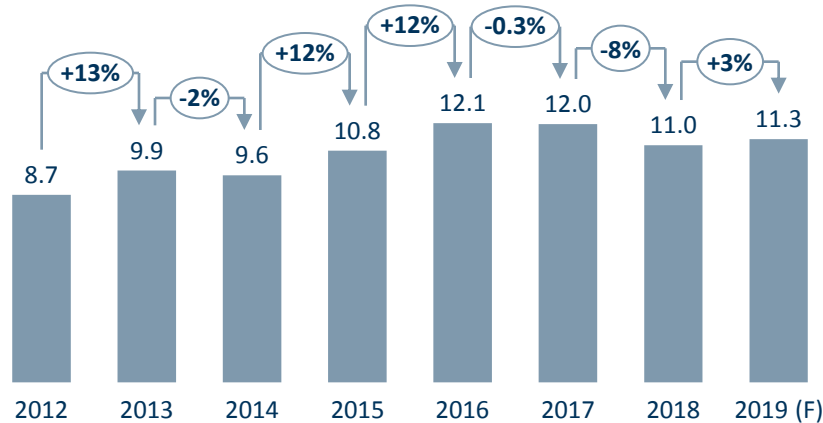
Total Health GWP (SAR bn)



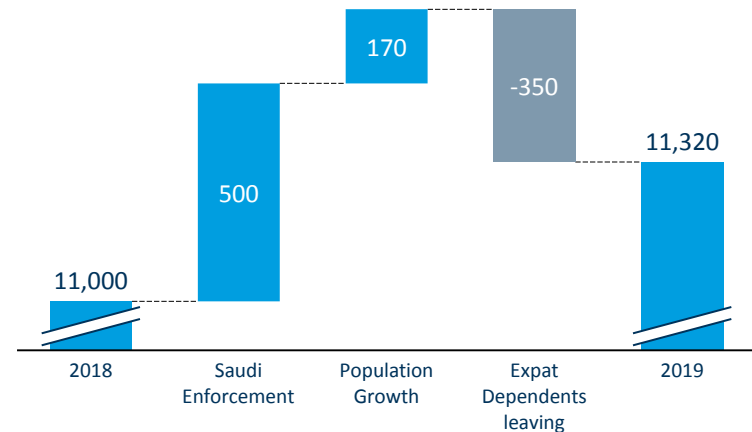
2019 Market Drivers/ Key Assumptions (m)



Total Insured Lives (m)



2019 Market Drivers/ Key Assumptions (000')



Note: 2019 (F) excludes Umrah & Tourism GWP and lives estimates

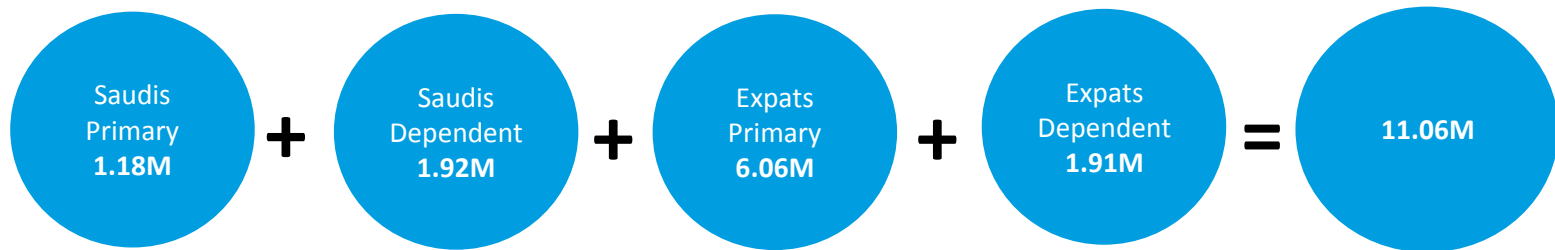
Source : CCHI Annual Reports & Bupa Arabia estimates

Future Growth Opportunities in Health Insurance by 2023

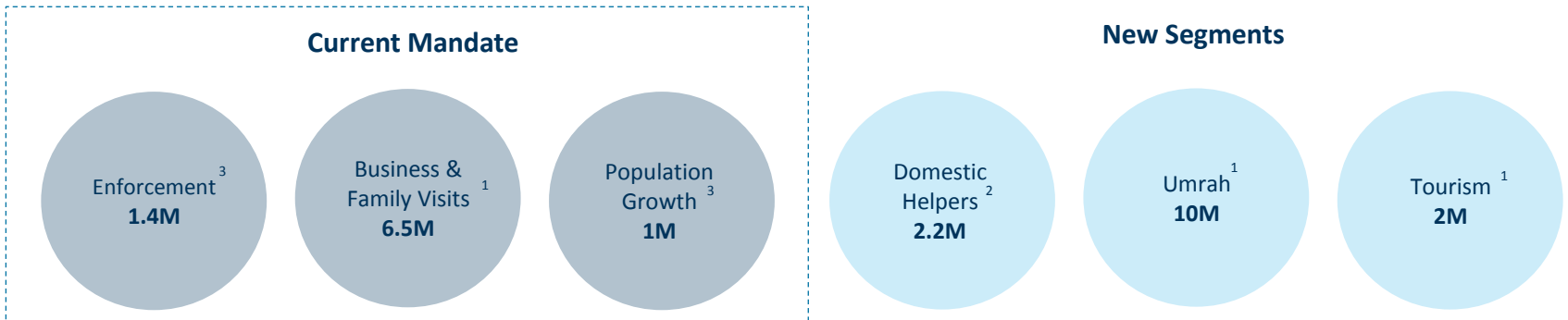
Potential addition of c.23m lives to the private healthcare sector



2018 Contributors to the Private Healthcare Sector



Expected contributors to lead the health insurance growth by 2023



1) GWP/life 100-150 SAR

2) GWP/life 400-500 SAR

3) GWP/life 1000-2000 SAR

Source: CCHI data & Bupa estimates

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Other Highlights

	<p>STC Contract</p>	<p>STC has appointed Bupa Arabia to provide health insurance services to its employees, and their families for one year effective October 5, 2019.</p>
	<p>New Insurance Product</p>	<p>Bupa Arabia has recently introduced “Bupa Munsha’at”, a new insurance product targeting SMEs in the Kingdom of Saudi Arabia. It offers three new insurance categories for customers: Essential, Classic and Premium.</p>
	<p>Renewal of SABIC Contract</p>	<p>Bupa Arabia has received the confirmation to renew its contract as the health insurance provider for SABIC to provide health insurance for its employees and their families for one year starting July 4,2019.</p>
	<p>Aramco TPA</p>	<p>Bupa Arabia expanded Aramco’s TPA coverage to the Central region on September 1, 2019.</p>
	<p>Zakat and Tax Update</p>	<p>Bupa Arabia has updated its accounting policy to account for zakat and income taxes in the income statement based on the recent instructions issued by SAMA.</p>
	<p>Awards</p>	<ul style="list-style-type: none"> • Best Investor Relations Insurance Company Saudi Arabia 2019 (GBO) • Best Healthcare Insurance Service Provider and Investor Relations Saudi Arabia 2019 (IFM) • Ranked 1st in FY16 public disclosure & transparency CGI (Alfaisal University)

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Abbreviations

BDP	Bad Debt Provision
CCHI	Council Of Cooperative Health Insurance
CGI	Corporate Governance Index
EBT	Earnings Before Tax
FY	Full Year
GBO	Global Business Outlook
G&A	General And Administrative Expenses
GOSI	General Organization for Social Insurance
GWP	Gross Written Premium
H	Half
IFM	International Finance Magazine
KPI	Key Performance Indicator
MoL	Ministry of Labor
NEP	Net Earned Premiums
OCP	Outstanding Claims Provision (Known As Technical Reserve)
Q	Quarter
SABIC	Saudi Basic Industries Corporation
SAMA	Saudi Arabian Monetary Agency
S&M	Selling And Marketing Expenses
SME	Small & Medium Enterprises
STC	Saudi Telecom Company
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)

Glossary of terms



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, 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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