

Bupa Arabia FY 2022 – Earnings Conference Call & Webcast

April 17th, 2023

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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



1Bupa Arabia 2023





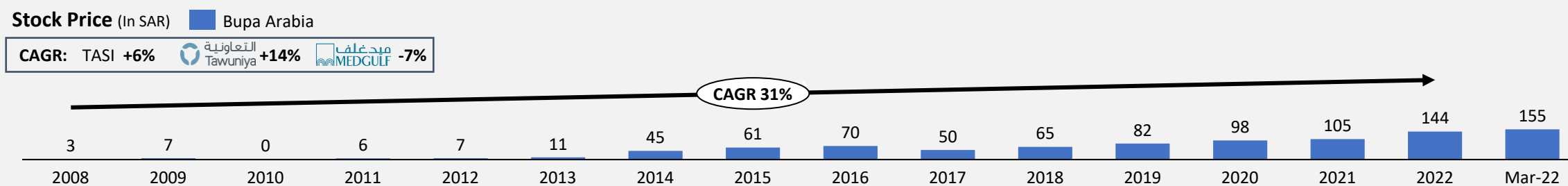
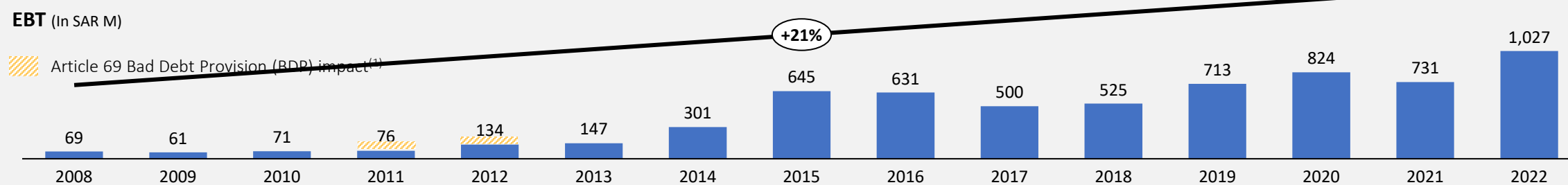
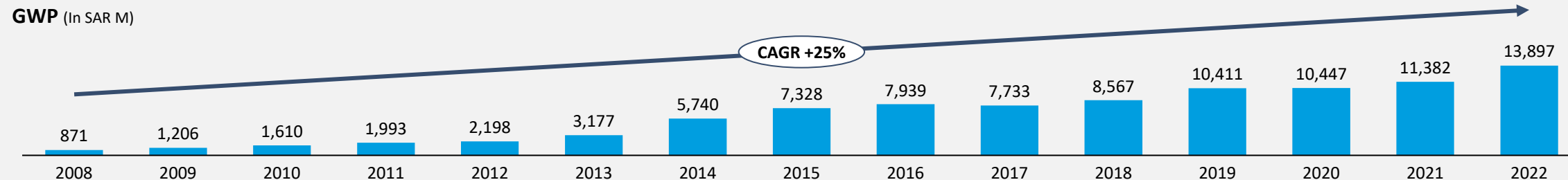
Financial Performance

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



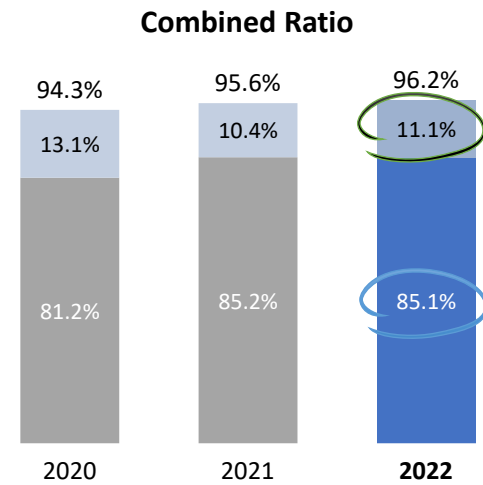
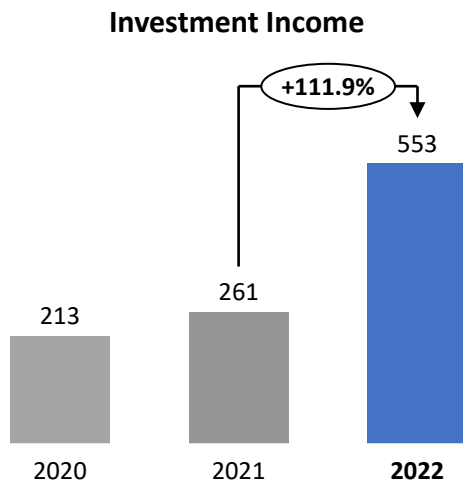
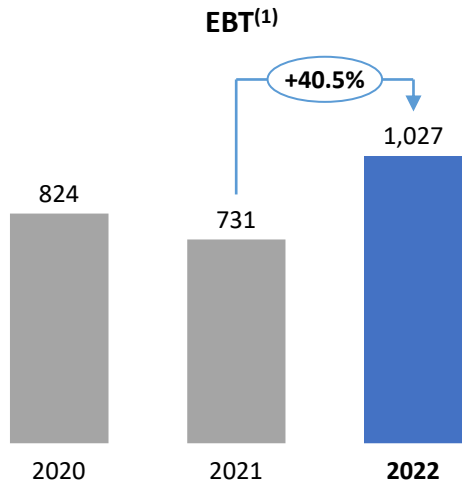
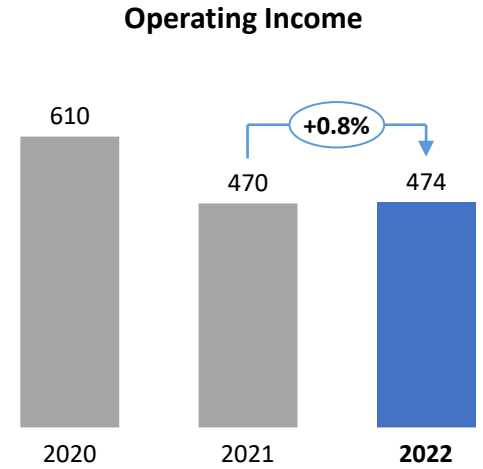
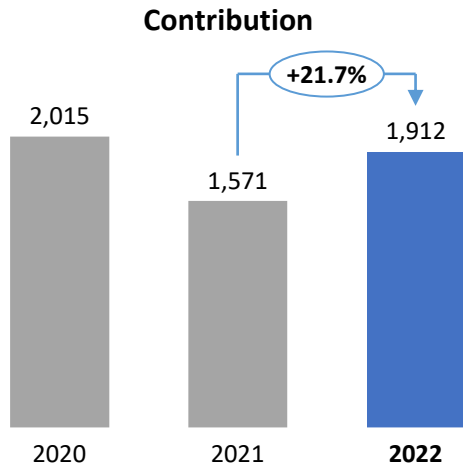
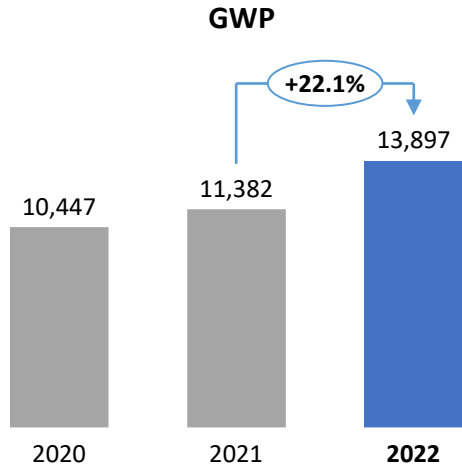
Note(s): (1) Profit fluctuation in 2011 and 2012 is due to BDP treatment in line with interpretation of Article 69, where a BDP provision of SAR 34M was taken in 2011 and BDP recovery of SAR 20M was made in 2012. (2) Impact of increase in capital, by SAR 400M in 2015 and 2018, on the stock price have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

Financial Highlights



EBT FY 2022 increased by more than 40% mainly driven by favorable investment income results

(In SAR M)



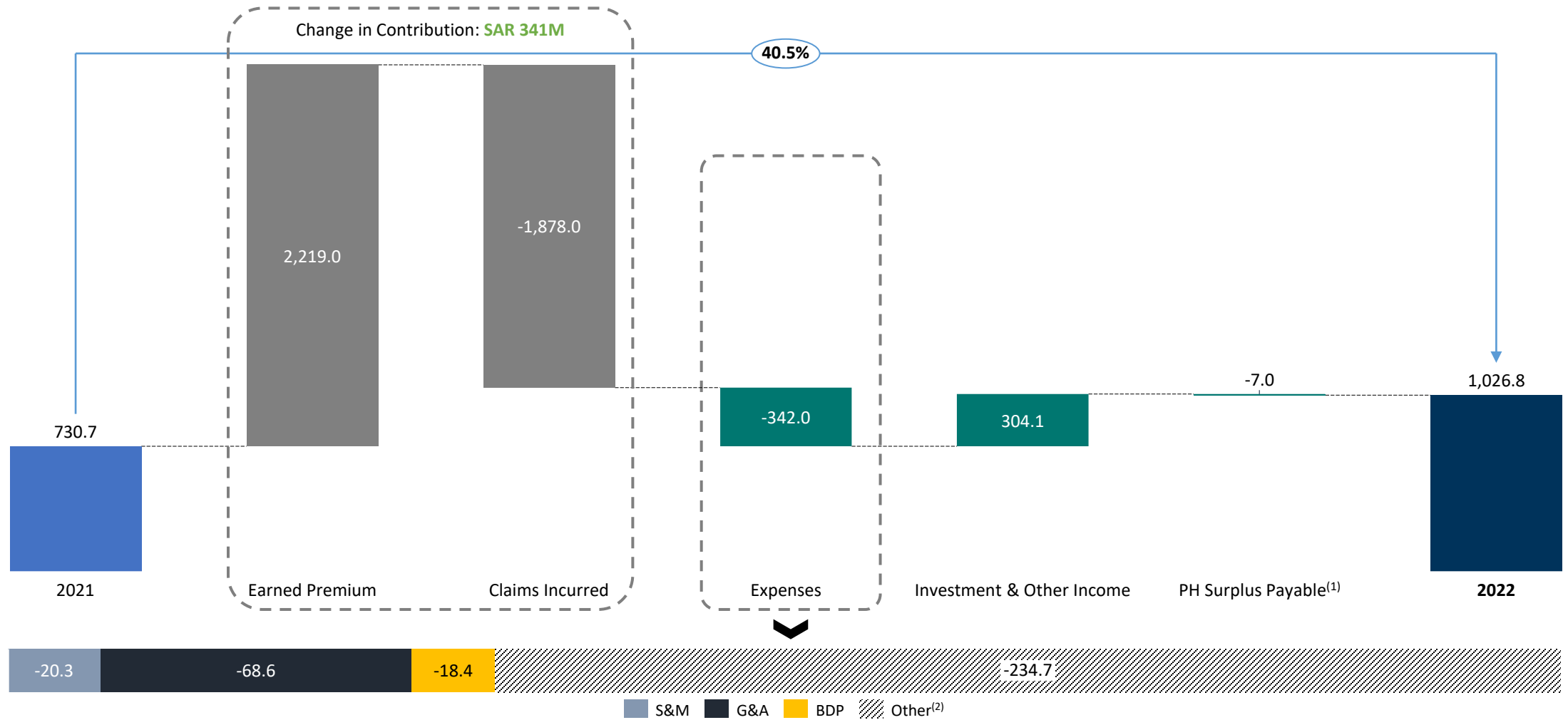
Note(s): (1) Earnings before taxes and zakat, or EBT, represents net income attributed to the shareholders.

Expense ratio Loss ratio

EBT increase mainly driven by favorable investment income results

(In SAR M)

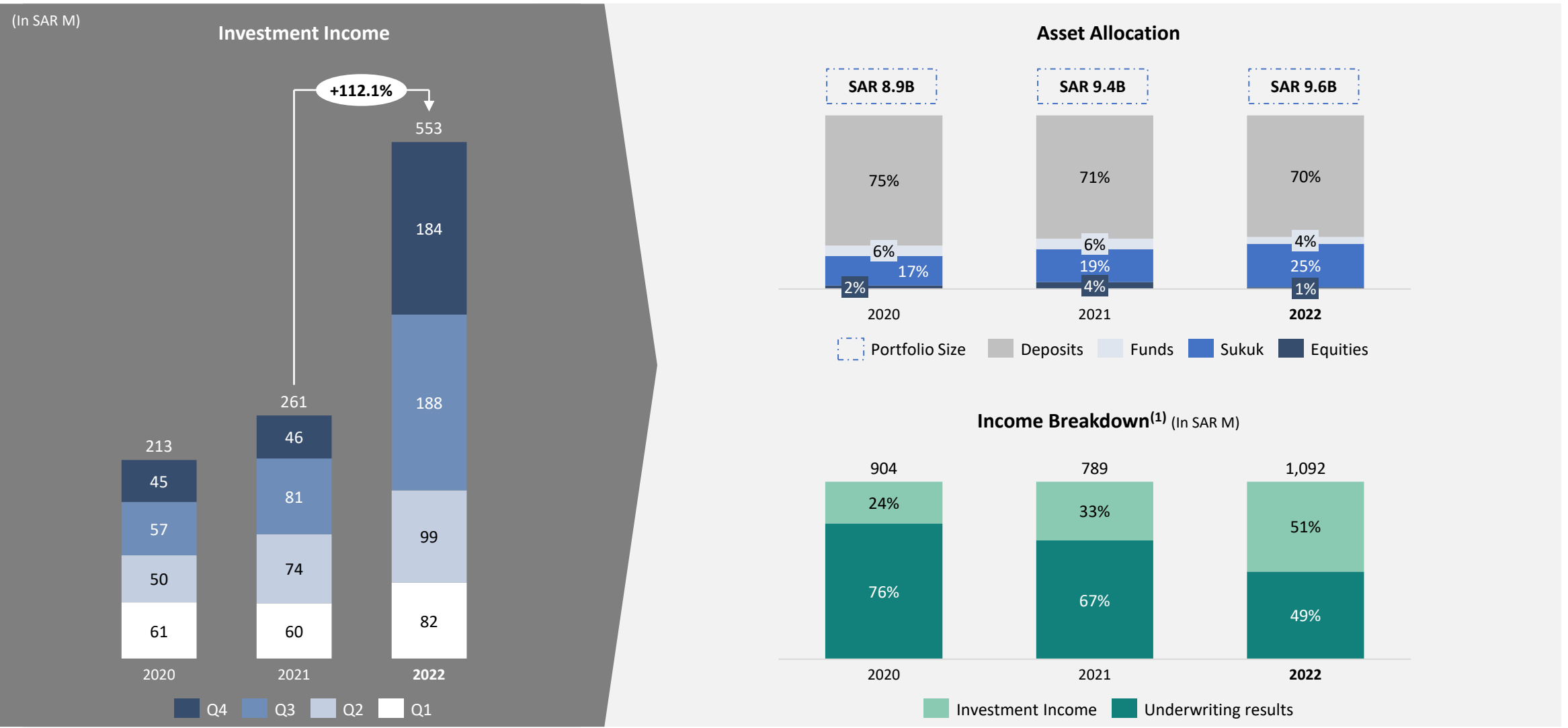
EBT Change between 2021 & 2022



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

Investment Portfolio and Results

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



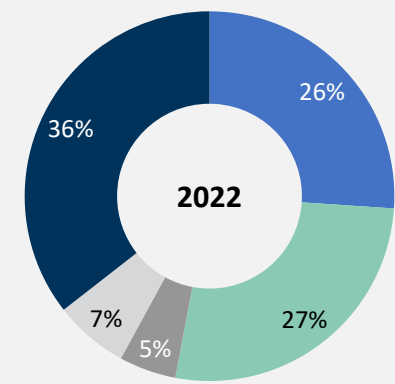
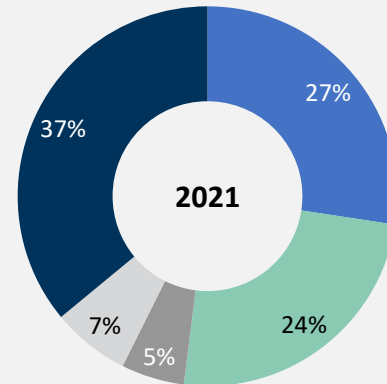
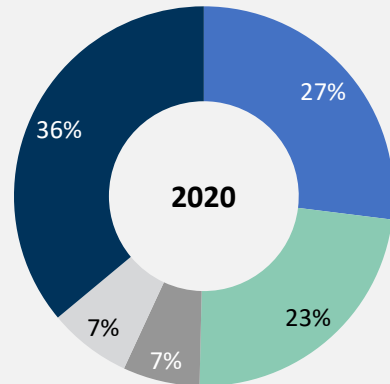
Note(s): (1) Income breakdown represents net income attributed to the shareholders and policyholders.

Market Share & Positioning

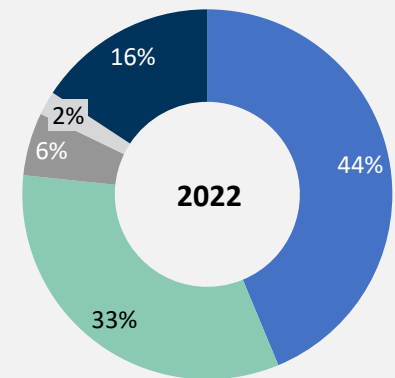
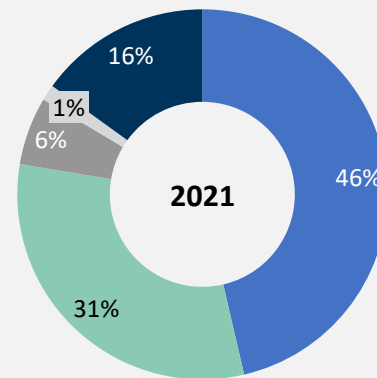
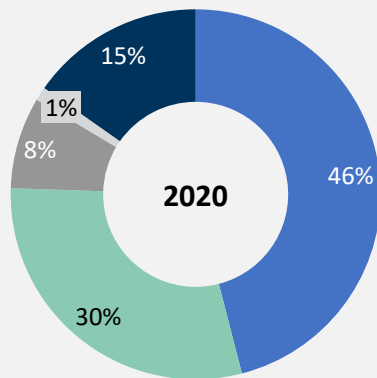
Bupa Arabia maintains health insurance market leadership as of 2022



Total Insurance Market Share on GWP Basis



Health Insurance Market Share on GWP Basis



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

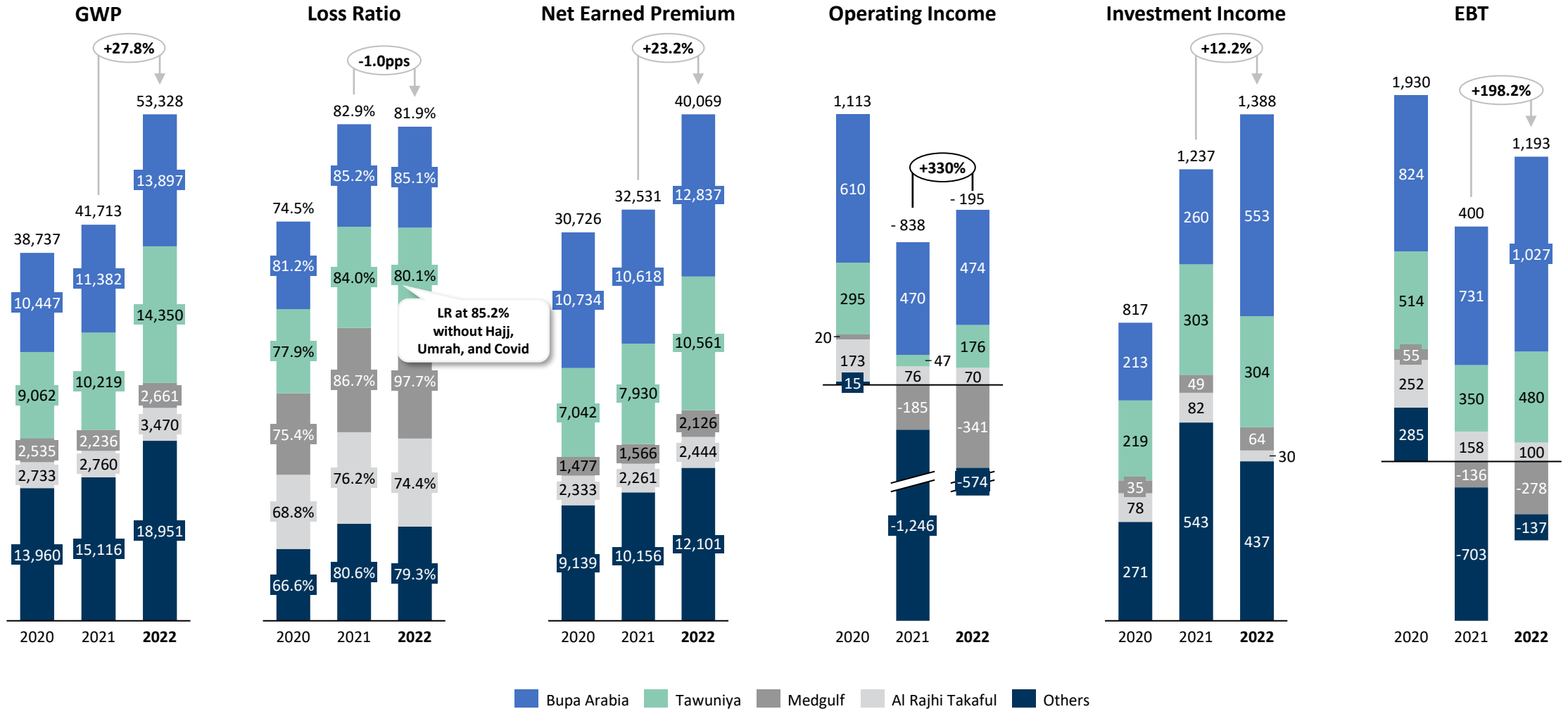
Source(s): Respective insurance companies' filings; Medgulf and select others based on estimates for 2022.

Total Insurance Market

Higher profitability due to topline growth and LR improvement, coupled with robust investment returns



(In SAR M)



Source(s): Respective insurance companies' filings; Medgulf and select Others based on estimates for 2022.

Non-health Insurance Market



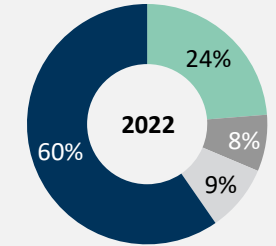
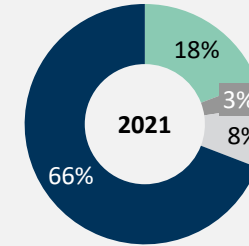
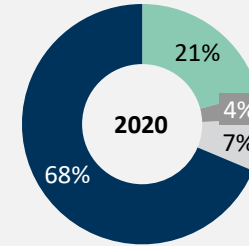
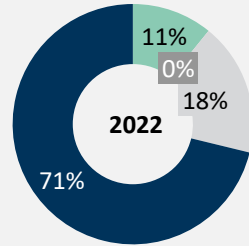
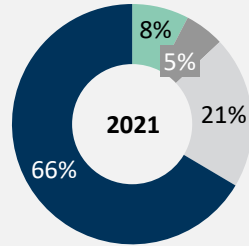
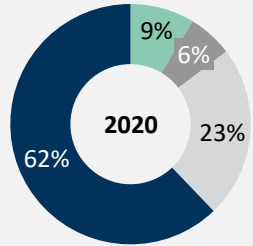
Significant deterioration in motor LR, while other segments show favorable performance

(In SAR M)

Motor Segment

Other Segments⁽¹⁾

Market Share



GWP⁽²⁾

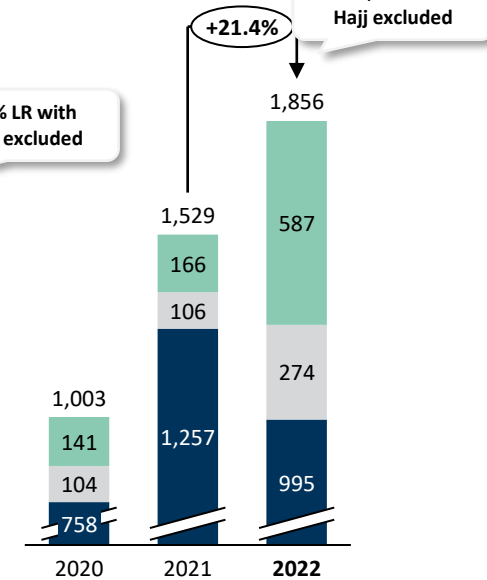
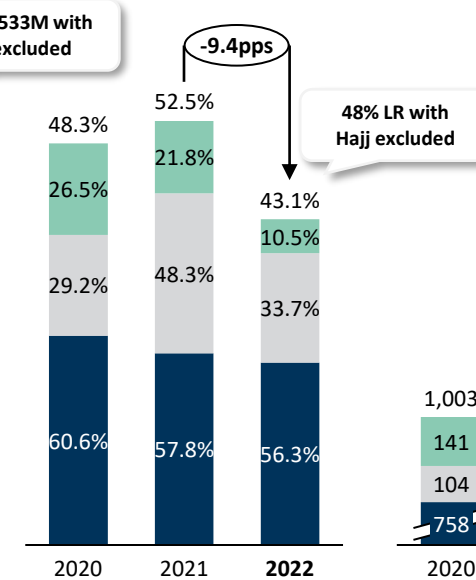
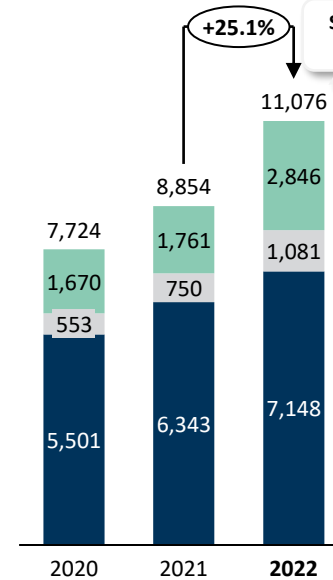
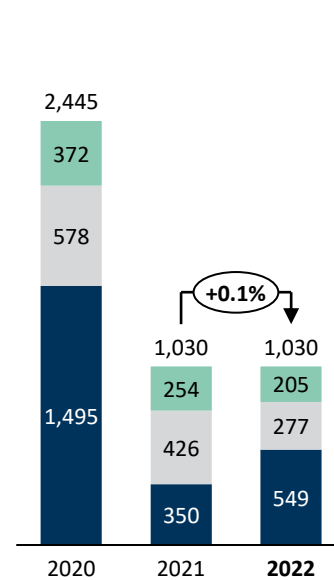
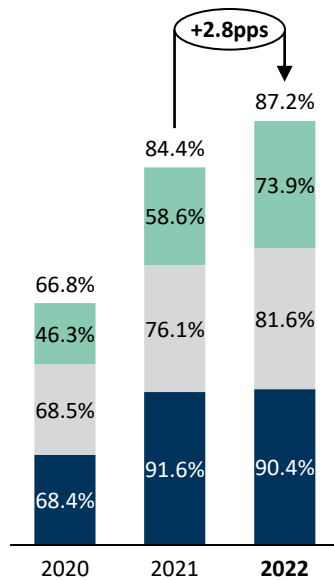
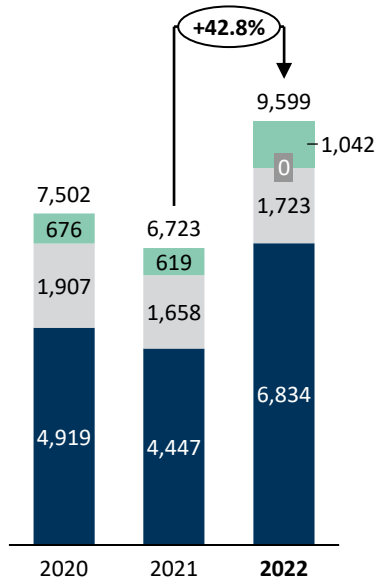
Loss Ratio⁽²⁾

Contribution⁽²⁾

GWP⁽²⁾

Loss Ratio⁽²⁾

Contribution⁽²⁾



Tawuniya Medgulf Al Rajhi Takaful Others

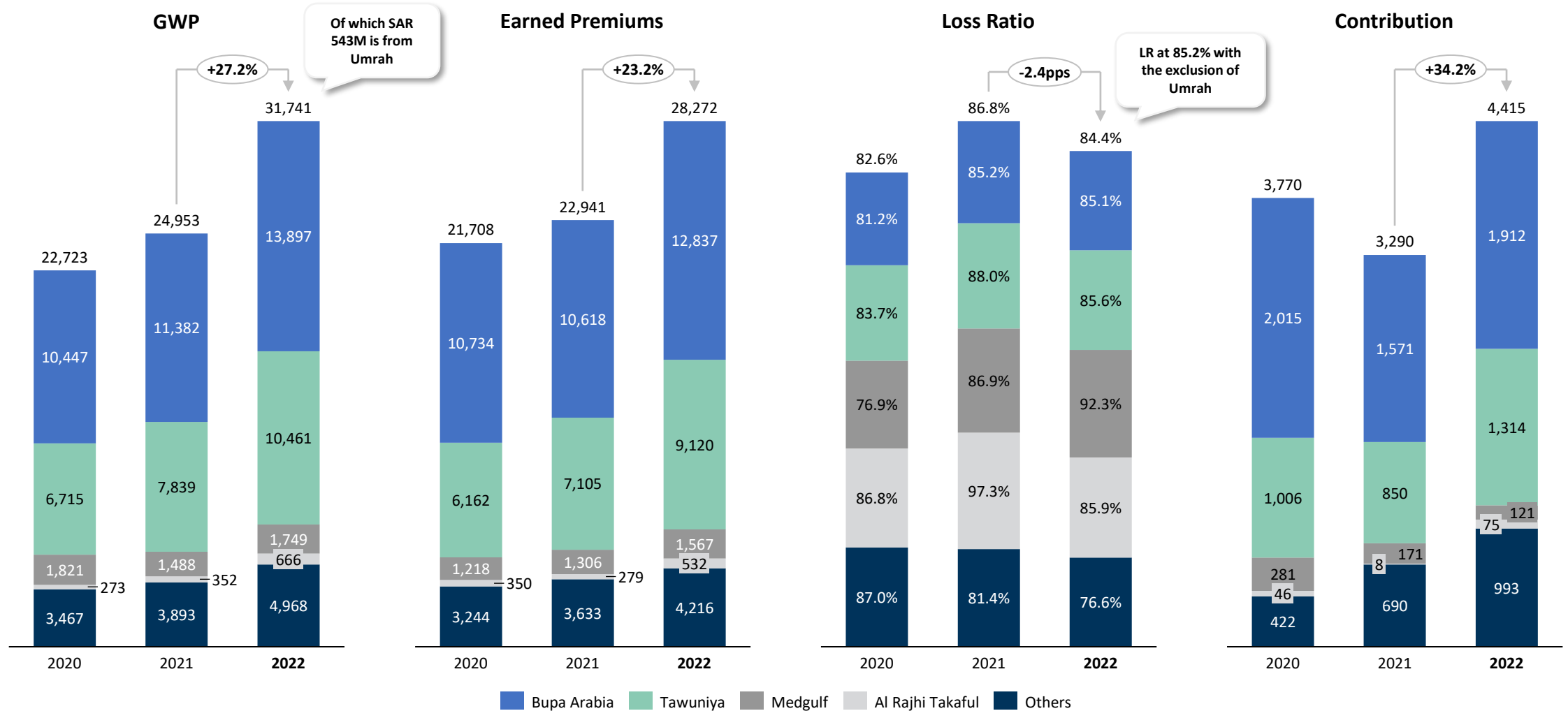
Note(s): (1) Other segments include mainly Life, Marine, P&C and others (2) Medgulf results removed from 2022 and previous years for comparison consistency purposes, as FY22 financial statements have not been disclosed yet
Source(s): Respective insurance companies' filings; Others based on estimates.

Health Insurance Market



Significant improvement in contribution driven by growth in topline coupled with healthier loss ratio

(In SAR M)



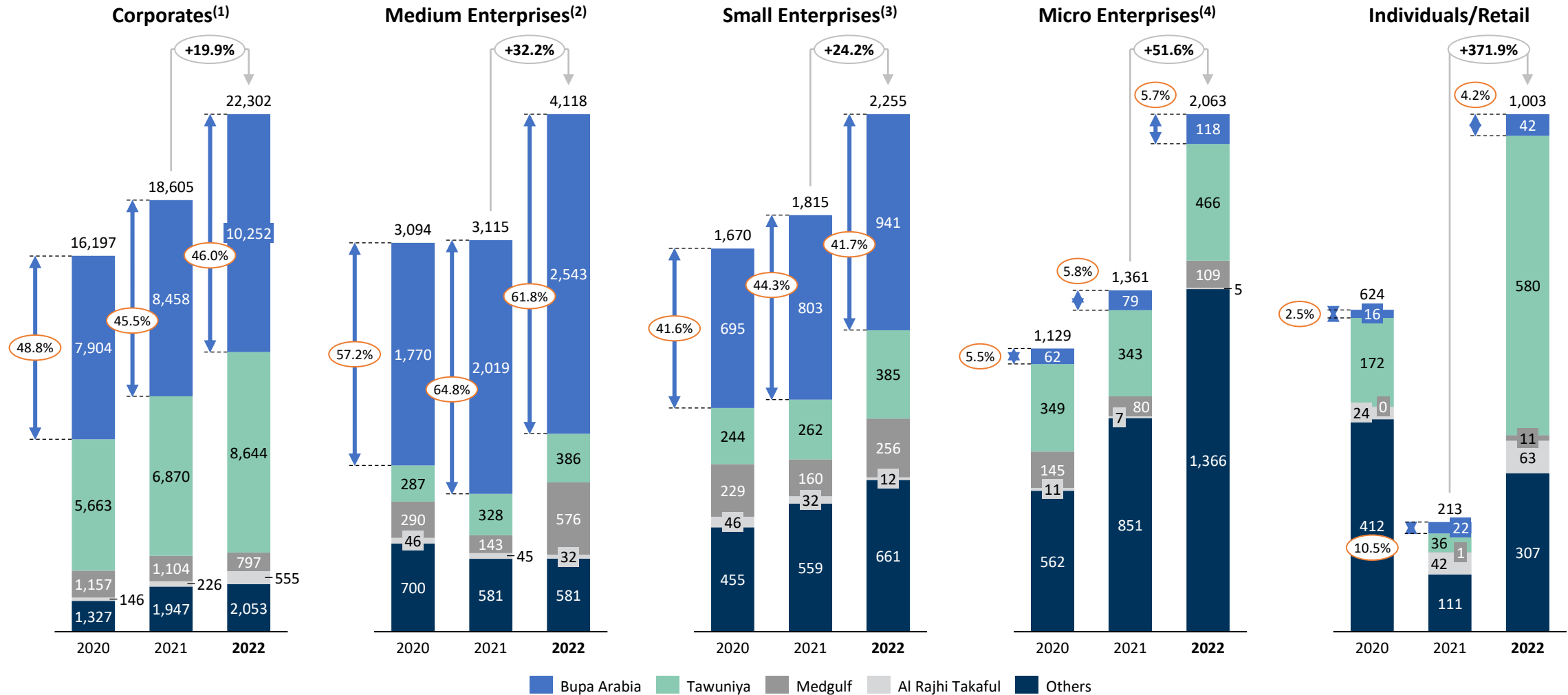
General note: Tawuniya Medical insurance results are inclusive of Umrah product.
 Source(s): Respective insurance companies' filings, Medgulf and select Others based on estimates for 2022

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.

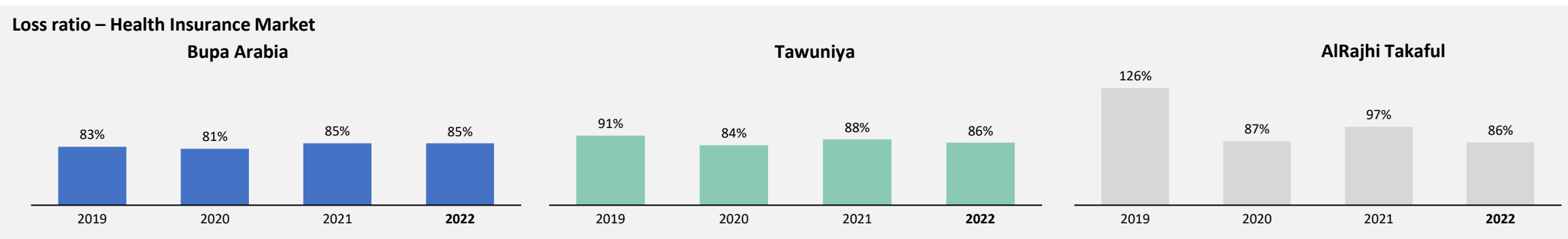
Note(s): (1) Corporates: Number of Employees > 249. (2) Medium: Number of Employees 50 – 249. (3) Small: Number of Employees 6 – 49. (4) Micro: Number of Employees 1 – 5.

Source(s): Respective insurance companies' filings,

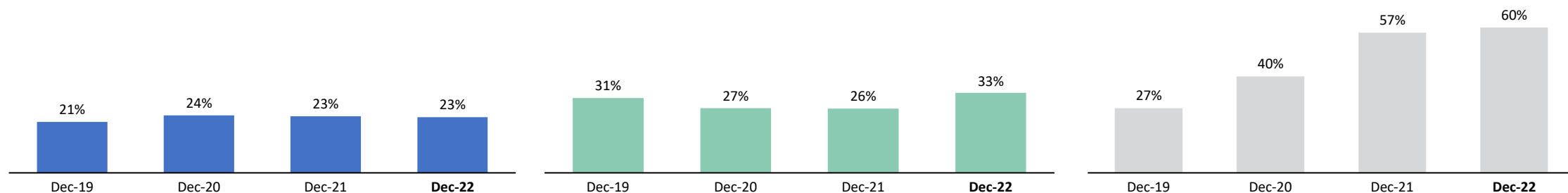
Loss Ratio & Technical Reserves



Bupa LR outgrew historical avg. due to unprecedented inflationary pressure while reserve ratios remain consistent

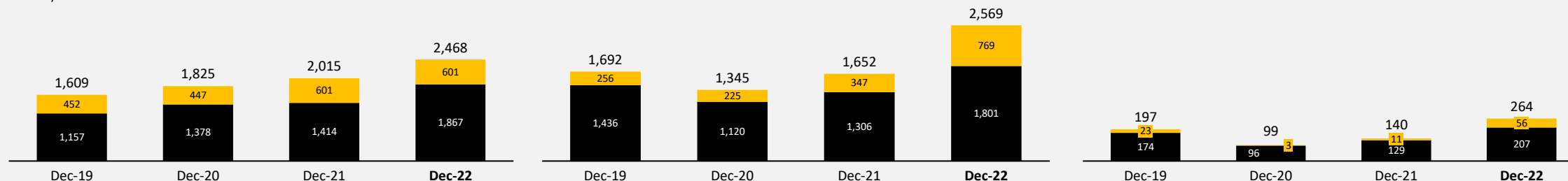


OCP/TTM Claims (with PDR) – Health Insurance Market



Health Claims Analysis⁽¹⁾

(In SAR M)



Note(s): (1) Outstanding claims represent claims received from hospitals but not settled yet; (2) Medgulf results excluded as FY22 financial statements have not been disclosed as of yet
 Source(s): Respective insurance companies' filings

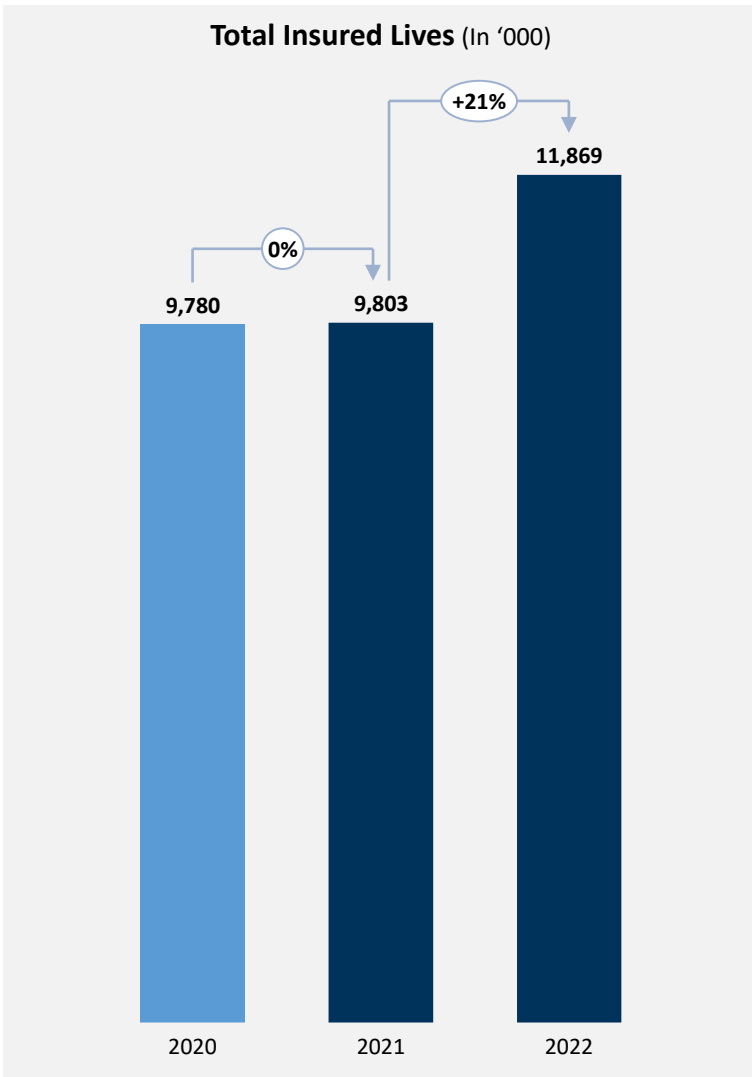


Market Outlook

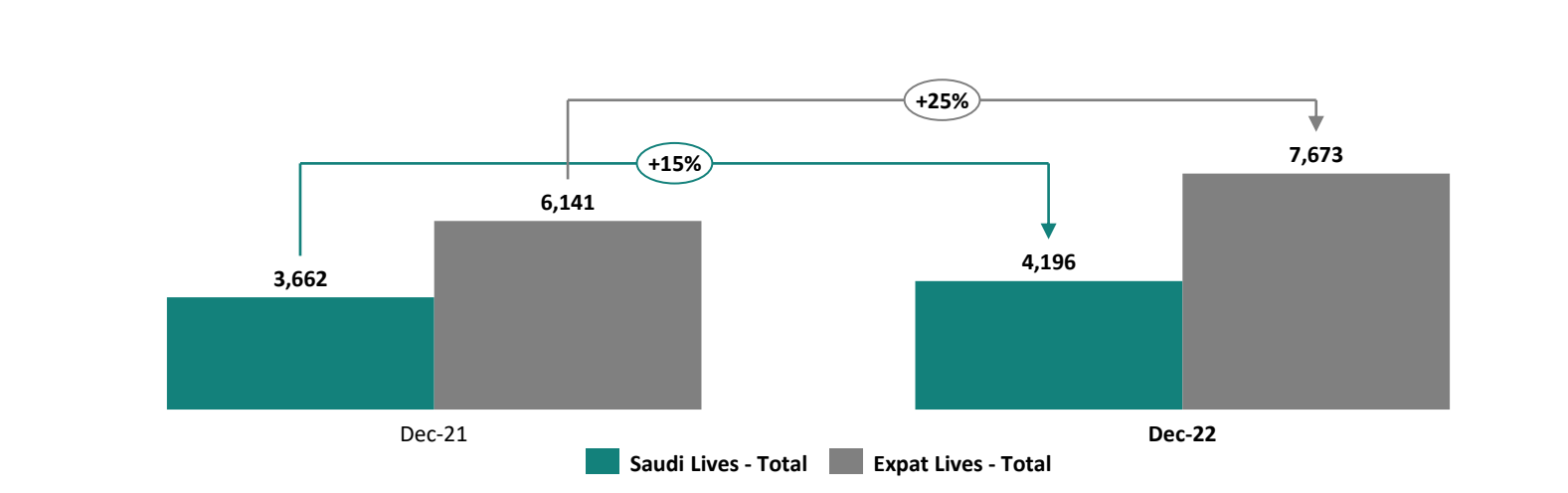
Saudi Health Insurance Market Trends (1/2)



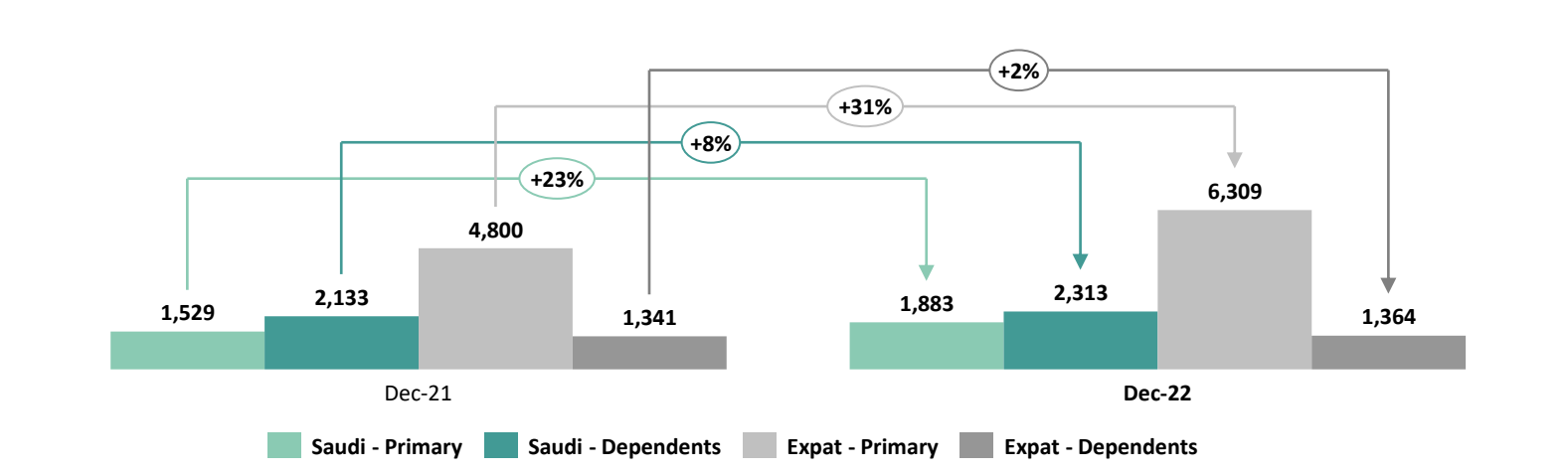
Insured lives increased by 21% as of December 2022, primarily driven by private sector growth and expat inflow



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



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



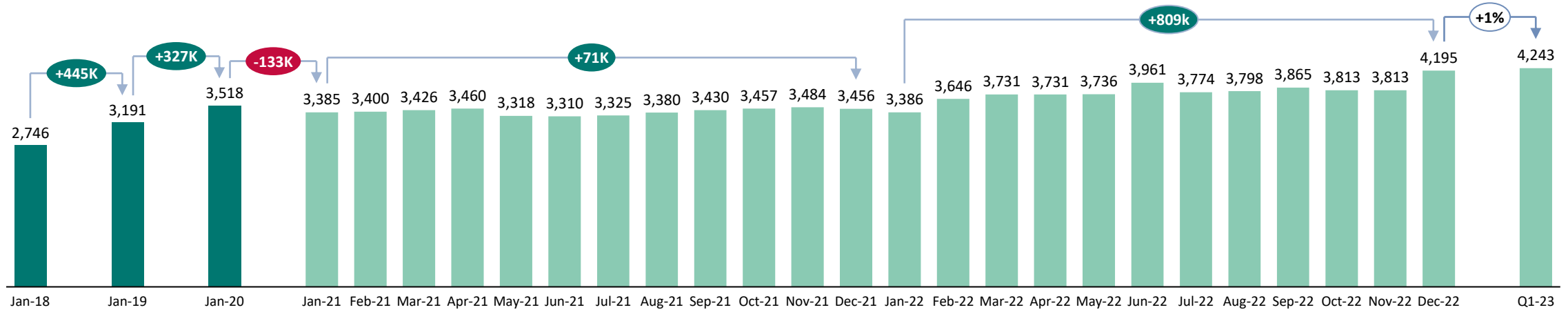
Source(s): GSTAT; GOSI; MoL; CHI; Bupa Arabia estimates

Saudi Health Insurance Market Trends (2/2)

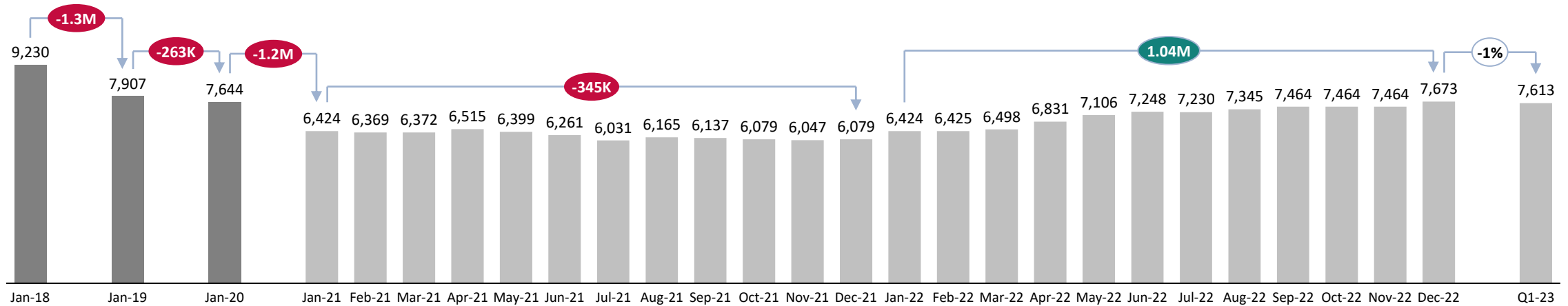


Saudi and Expat insured lives increase is driven by better enforcement and economic recovery

Saudis (In '000)



Expats (In '000)

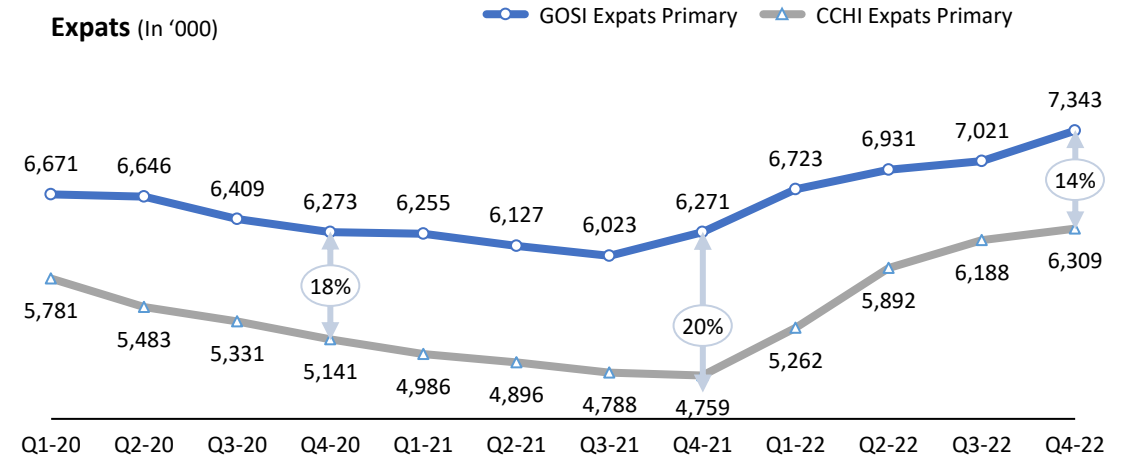
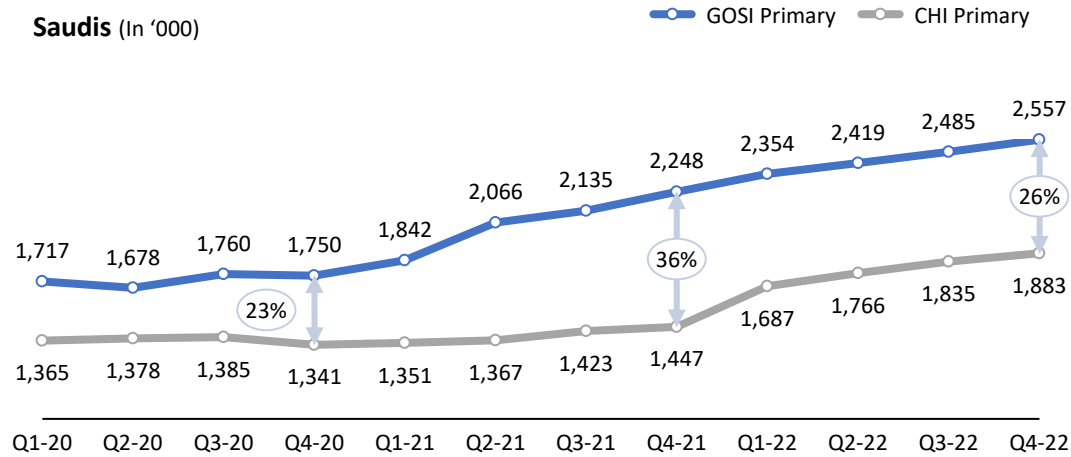


Source(s): CHI

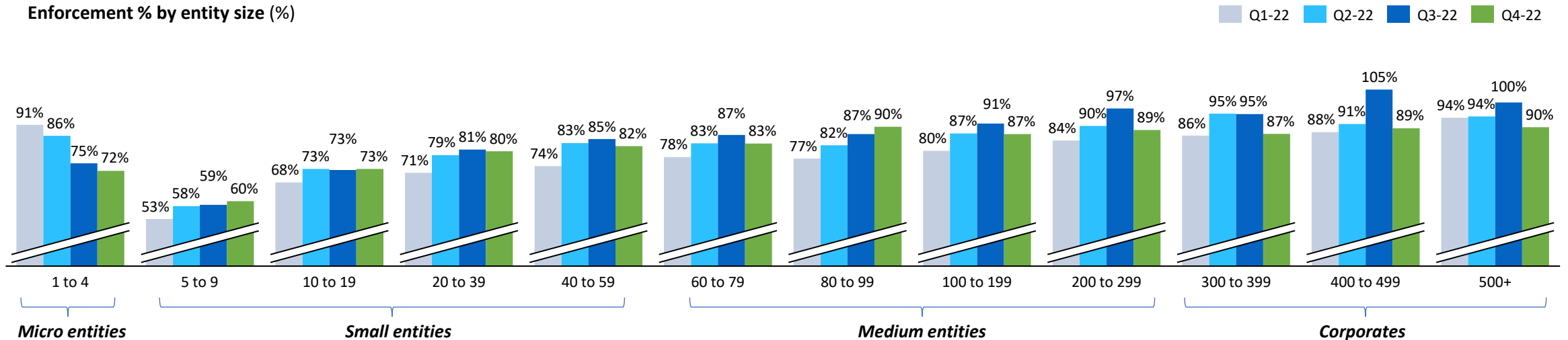
Gap & Enforcement Explained



Significant gaps remain in the enforcement within the private sector with (c.674K) primary Saudis & (c.1.03M) primary Expats without PMI, with higher enforcement observed at larger entities vs. smaller ones



Enforcement % by entity size (%)



Source(s): CHI, GOSI

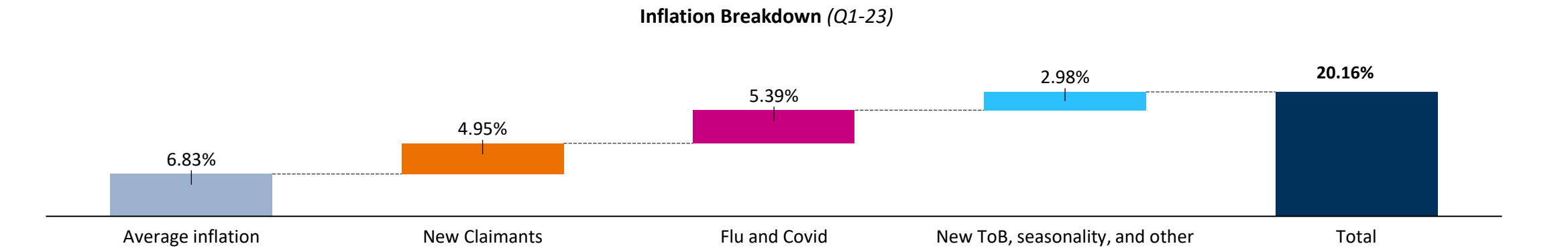
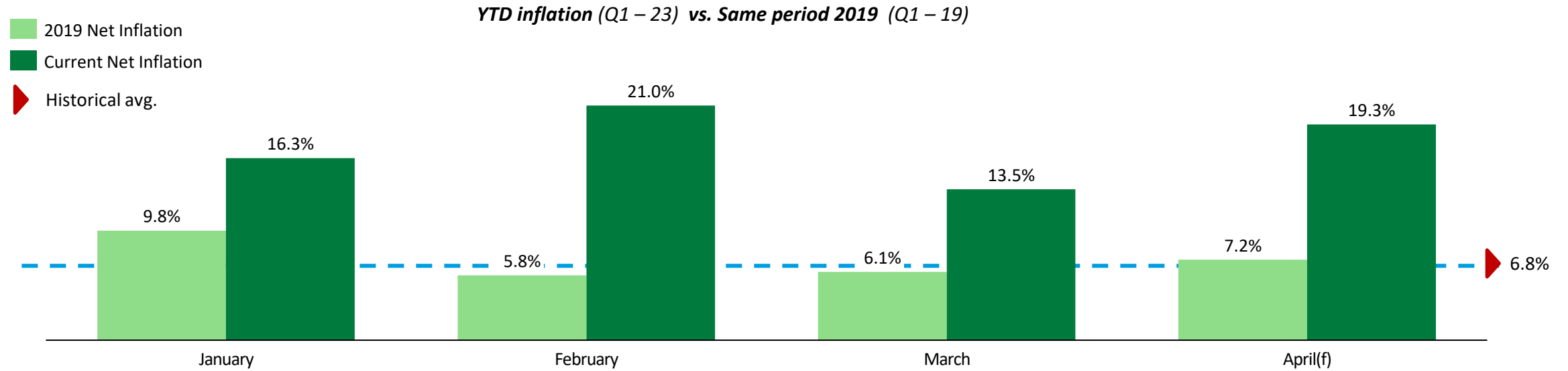


Other Highlights

PMI Market Challenges



Unprecedented medical inflation levels driven mainly by surge in seasonal flu and claimant increases









Source(s): Middle East Insurance Review; Respective Companies' Filings; Bupa Arabia Analysis


Business Highlights



2022 included many highlights and milestones for Bupa Arabia, including reaching the 25 year mark

-  Bupa Arabia for Cooperative Insurance marks 25 years being at the forefront of the Kingdom's health insurance sector, contributing to the development of the sector at all levels through the provision of distinguished healthcare services for millions of its customers.
-  Bupa Arabia for Cooperative Insurance celebrated the achievement of its 1 Billion profit milestone in 2022
-  Bupa Arabia for Cooperative Insurance announces receiving the certification of Sharia Compliance by Shariyah Review Bureau.
-  Bupa Arabia for Cooperative Insurance announced the final approval of SAMA on a product for premium residency holders.
-  Bupa Arabia for Cooperative Insurance renewed both, it's three-year insurance license with SAMA, and CHI license.
-  Bupa Arabia for Cooperative Insurance renewed contract for SNB to provide health insurance services for its employees and their families.

Source(s): CHI, SAMA, Argaam, Tadawul

 Newly added

Regulatory Highlights

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



The Council of Health Insurance "CHI" rolled out updated package of benefits and insurance coverage limits, as well as Insurance Drug Formulary, 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, on the 1st of October 2023.



The Council of Health Insurance "CHI" has proposed draft regulations of Article (11) to be rolled out once finalized



SAMA mandates insurance sectors to formally adopt IFRS 9 and 17, on January 1st, 2023.



SAMA announced the licensing of Cigna Worldwide Insurance Company, the first foreign health insurance company branch in Saudi Arabia.



SAMA's new Governor Excellency Mr. Ayman Alsayari has been appointed by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al-Saud, and HRH Prince Mohammed bin Salman bin Abdulaziz, Crown Prince and Prime Minister, on the 2nd of February 2023.



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 Health Sector Transformation Program has issued a survey on the Public Consultation Platform regarding proposed regulation and bylaws for the health sector "the Health Law"



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

Newly added

Achievements & Awards

Bupa Arabia has been recognized with multiple awards in 2022



- CHI 2022**
C-Suite of the Year – Tal Nazer
NPHIES Health Insurance Services
Best Customer Service of the Year
- CHI 2022**
Top GCC Insurance Company - (ranking #1)
- Golden Shield Excellence Awards 2022**
Best Insurance Brand
Best Healthcare Insurance Innovation
- CIPD Middle East People Awards 2022**
Best Employee Engagement Initiative – Highly Commanded
- InsureTek Middle East 2022**
Best Healthcare Insurance Innovation
Best Insurance Brand
- Forbes Top 100 Middle East Companies 2022**
Bupa Arabia ranked 79th amongst best 100 Middle East companies
- International Business Magazine 2022**
Investor Relations Insurance Company Middle East
Health Insurance Company of the Year in Saudi Arabia
Insurance CEO of the Year Saudi Arabia (Tal Nazer)
- Al Bayan’s List of the most profitable KSA insurance companies 2022**
Most profitable companies (ranking #1)
Top GCC insurance
- Forbes Largest 5 GCC Insurance Companies 2022**
Bupa Arabia was ranked the largest GCC insurance brand
- World Economic Magazine 2022**
Best Health Insurance Mobile App Saudi Arabia
Best Insurance Company for Investor Relations KSA
Best Health Insurance Integrated Marketing Campaign
- The 2022 Kantar Brandz Emirates and Saudi Powerful Brands (List)**
Kantar Brandz Saudi Powerful Brands (ranking #9)
- 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) most valuable Saudi brands
- 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 (ranking 8th).
- Global Good Governance Awards 2022 (3G)**
3G Commitment to Corporate Governance Award
3G Social Innovation Award 2022

Q&A



Speakers:



Nader Ashoor

Deputy Chief Executive Officer &
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 Governance, Risk & Control Officer



Tariq Alamoudi
Chief Human Resources Officer



Mohamed El Misaoui
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
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

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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