

KINGDOM SECURITIES

CIC Insurance Group Plc - Recovery of Gross Premiums

CIC Insurance Group Plc posted KES 959.71Mn in FY-21 profits before tax (PBT), a 1,306.5% recovery from a loss of KES 79.54Mn in FY-20. Profit after tax was up 397.8% y-y to KES 668.44Mn from a loss of KES 114.46Mn. Profit performance was driven by a 46.4% and 16.8% increase in fees and commission income and investment income respectively.

The board of management did not recommend payment of dividend marking the third year without paying dividends.

We recommend a BUY as we value the company at KES 2.48, a 18.2% upside compared to KES 2.10 on close of Tuesday March 15th, 2020 due to aggressive gross premium drive especially in the life business with the aim of market capture.

The company gross written premiums increased by 15.9% y-y to KES 19.69Bn from KES 16.99Bn in FY-20. There was an indication of a normalized growth as gross written premiums were up 11.3% compared to FY-19. The growth potential was curtailed by a weak H2-21 with HY-1 performing at 54.6%.

Group underwriting results saw general business underwriting results up by 61.2% to KES 485Mn from KES 790Mn in FY-20 while life business underwriting results dipped by 169% to KES 882Mn from KES 523Mn reflecting effects of Covid-19.

As per Insurance Regulatory Authority (IRA) Q3-21 market report, CIC was ranked 6th in gross written premiums with a market share of 5.6%, down from 6.1% in Q3-20 while general insurance was positioned second in gross written premiums with a stable market share of 8.0% from 8.1% during the same period.

Gross earned premiums performed strongly growing at 13.3% y-y to KES 19.53Bn compared to KES 17.24Bn in FY-20. The insurer was aggressive in accepting business as premiums ceded to reinsurance jumped up by 46.2% to KES 4.83Bn against KES 3.31Bn in FY-20.

The increase in ceded premiums saw net earned premiums up by 5.5% to KES 14.70Bn from KES 13.94Bn in FY-20. This was a weak performance as it was only 2.1% higher compared to KES 14.40Bn in FY-19.

Recovery of the economy saw fees and commission income rise by 46.4% while an upswing in the capital market saw investment income increase by 64.3% to KES 2.3Bn from KES 1.43Bn.

Slow to normalcy pushed claims and policy holder's benefits payment up by 5.8% to KES 10.53Bn from KES 9.95Bn. General business loss ratio eased to 66.0% from 70.0% in FY-20 while life business loss ratio surged to 79.0% from 75.0% in FY-20.

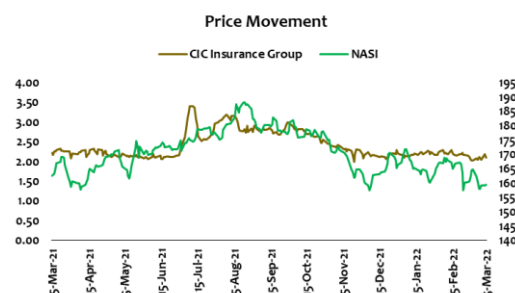
Balance sheet saw assets up 7.1% to KES 41.54Bn from KES 38.79Bn. Shareholders' funds were up 7.7% y-y to KES 7.98Bn from KES 7.63Bn. The recovery of the balance

CIC Insurance Group Plc

Earnings Update – FY-2021

Recommendation:	BUY
Bloomberg Ticker:	CIC KN
Share Stats	
Valuation Price	2.48
Current Price (KES)	2.10
Upside/Downside	18.2%
3 Months Avr	2.17
6 Months Avr	2.33
12 Months Avr	2.40
52 Week High - Low	3.39 - 2.00
Issued shares (Mn)	2,615.54
Free Float	17.2%
Market Cap (KES Mn)	5,492.63
Market Cap (USD Mn)	48.06
EPS	0.23
PE	9.1
PB	0.7
DPS	-
Dividend Payout	0.0%
Div Yield	0.0%
Total Return	18.2%

Price Performance		
Period	CIC Group	NASI
3-Months	-0.5%	-2.2%
6-Months	-25.5%	-11.3%
Y-T-D	-3.2%	-4.6%
Y-Y	-5.4%	-1.9%



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CIC Insurance Group Plc Earnings Update – FY-2021

sheet saw return on assets (ROA) and return on equity (ROE) at 1.6% and 8.4%. Investment income to total income stood at 8.5%, a marginal increase from 8.3% in FY-20.

Income Statement KES '000	2019	2020	2021	%Δ 2019	%Δ 2020	%Δ 2021
Gross written premium	17,695,928	16,988,281	19,689,202	6.4%	-4.0%	15.9%
Gross earned premium	17,296,700	17,244,119	19,535,577	2.1%	-0.3%	13.3%
Reinsurance premiums ceded	(2,899,813)	(3,305,141)	(4,832,849)	8.0%	14.0%	46.2%
Net Earned Premiums	14,396,887	13,938,978	14,702,728	0.9%	-3.2%	5.5%
Fees and Commission Income	1,281,654	1,459,392	2,137,010	41.8%	13.9%	46.4%
Investment income	1,486,740	1,426,444	1,666,407	-2.0%	-4.1%	16.8%
Total Income	17,639,715	16,835,699	19,168,105	3.3%	-4.6%	13.9%
Claims and policyholders' benefits expense	(10,040,469)	(9,954,608)	(10,528,550)	8.5%	-0.9%	5.8%
Commissions expense	(2,241,097)	(2,159,265)	(2,480,013)	-6.0%	-3.7%	14.9%
Operating and other expenses	(4,952,635)	(4,794,058)	(5,199,830)	7.6%	-3.2%	8.5%
Total Expenses	(17,234,201)	(16,907,931)	(18,208,393)	6.1%	-1.9%	7.7%
PBT	385,589	(79,544)	959,712	-54.7%	-120.6%	1306.5%
PAT	321,591	(224,464)	668,437	-48.6%	-169.8%	397.8%
EPS	0.12	(0.09)	0.23	-42.9%	-175.0%	355.6%

Balance Sheet '000	2019	2020	2021	2019	2020	2021
Total Assets	35,303,070	38,786,172	41,540,836	7.1%	9.9%	7.1%
Equity	7,852,933	7,628,469	7,984,131	-0.4%	-2.9%	4.7%
Total Liability	27,450,137	31,157,703	33,556,705	9.4%	13.5%	7.7%

Ratio Analysis	2019	2020	2021
PB	0.9	0.7	0.7
PE	22.3	(23.7)	9.1
Dividend	-	-	-
ROA	0.9%	-0.6%	1.6%
ROE	4.1%	-2.9%	8.4%
Opex Ratio	35.0%	31.0%	34.0%
General Insurance Loss Ratio	72.0%	70.0%	66.0%
Life Insurance Loss Ratio	67.0%	75.0%	79.0%
Investment Income to Total Income	8.6%	8.3%	8.5%

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Recommendation Guide:

Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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