

SHMACONSULTING

Motor Insurance Industry
Kingdom of Saudi Arabia

2020





About Us

SHMA Consulting first offered actuarial services relating to insurance in Saudi Arabia in 2003, and currently provides actuarial services to 8 companies in Saudi Arabia, 11 insurance companies in the UAE, and insurance companies in the GCC (Kuwait, Oman, Qatar and Bahrain).

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997. We are currently engaged with some of the biggest names in the UAE Insurance Sector, including, ADNIC, ADNTC, Orient, etc.

We provide a range of services to our valued business partners across the globe including Europe, the Middle East, Southeast Asia and the Far East. Our specialty services include financial reporting, product and business development and enterprise risk management. In addition, our firm provides expert personnel outsourcing for allowing organizations to engage in full-time consulting for long-term cost effectiveness.

Life Insurance

- IFRS, statutory & embedded valuations
- Product development, pricing & reserving
- Experience studies
- Advising on agency & broker compensation structures, reinsurance arrangements, underwriting policies and capital adequacy.

Retirement Benefits

- Valuations for financial reporting
- Advise on benefit design and cost benefit analysis
- Pension benefits administration
- Benefit communication material
- Provident fund maintenance software and audit of retirement schemes and funds

Our Services

- Actuarial reserving and certifications
- Underwriting and pricing solutions
- Data and predictive analytics
- Advising on reinsurance arrangements, underwriting and claims practices
- Profitability and capital adequacy analysis

General Insurance

- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

ERM and Capital Modeling

Limitations and Disclaimers

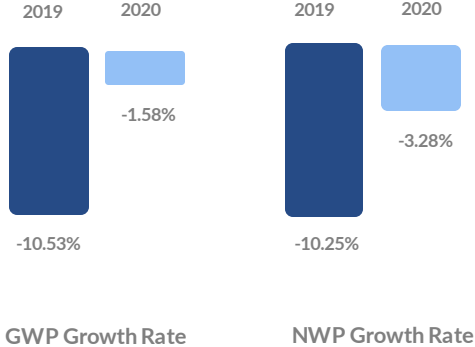
- ❖ The data used for the preparation of this report has been collected from Tadawul. The data was extracted from the financial statements of the listed companies.
- ❖ Due to the unavailability of Financial Statements of some of the listed companies, or the presence of Arabic Financials for those companies, the data could not be extracted, and to preserve uniformity, the said companies were excluded from our analysis to avoid any misrepresentation of their numbers, which might lead to spurious or unreasonable conclusions. Furthermore, with Wafa having been abstained from writing new business by SAMA and owing to the acquisition between Wafaa and MetLife in 2019, both Wafa and MetLife have been excluded from the report.
- ❖ SSTC and Al Jazira Takaful Taawuni Co. have been merged, therefore, in our 2019 analysis we have excluded SSTC from our analysis and used merged financials.
- ❖ Gulf Union and Al Ahlia Cooperative insurance have been merged; therefore, we have excluded Al Ahlia Cooperative insurance from 2019 analysis and used merged financials for Gulf Union and Al Ahlia Cooperative Insurance.
- ❖ Saudi Indian Cooperative Insurance Company has already filed for bankruptcy and its financials are not available on Tadawul. Therefore, we have not considered this company in our analysis.
- ❖ Insurance Industry KSA has 29 insurance companies, we have included 26 insurance companies in our analysis. Also, companies having Arabic financials for YE 2019 excluded in our analysis.

Performance Highlights

Retention Ratios



Total GWP Growth Rate

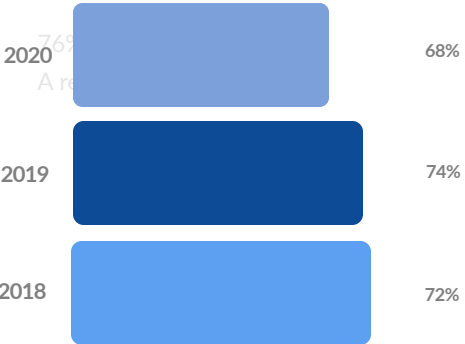


Total Gross Written Premium

SAR 7.64 Bn

▼ -1.58%

Loss Ratios



Total Underwriting Result

SAR 1.7 Bn

▲ 12.60%

Total Earned Premium



SAR 7.04 Bn

▼ -5.91%

Impact of Covid-19

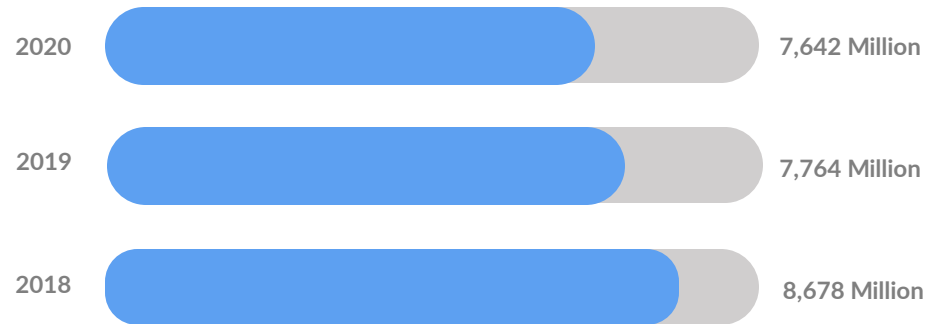
- ❖ The ongoing COVID-19 pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.
- ❖ On 11 March 2020, the World Health Organization (“WHO”) declared the Coronavirus (“COVID-19”) outbreak as a pandemic in recognition of its rapid spread across the globe. Governments all over the world took steps to contain the spread of the virus. Coronavirus (“COVID-19”) outbreak has also affected the GCC region including the Kingdom of Saudi Arabia. KSA in particular has implemented closure of borders, released social distancing guidelines and enforced country wide lockdowns and curfews. In Saudi Arabia, the government has imposed a nationwide curfew for a certain period all in a bid to stem the spread of COVID-19 with the exception of some business sectors during the lockdown period. The curfew was lifted on 21 June 2020.
- ❖ In response to the spread of the Covid-19 virus in the Country where the insurer operates and its consequential disruption to the social and economic activities in those markets, the insurer’s management has proactively assessed its impacts on its operations and has taken a series of proactive and preventative measures and processes to ensure the health and safety of its employees and the wider community where it is operating, also, the continuity of its business throughout the Kingdom is protected and kept intact.
- ❖ In response to the Covid-19 pandemic, SAMA issued a circular 189 (the “circular”) dated 08 May 2020 to all insurers in the Kingdom of Saudi Arabia. Amongst other things, the circular instructed insurers to extend the period of validity of all existing retail motor insurance policies by further two months as well as providing a two-month additional coverage for all new retail motor policies written within one month of this circular.
- ❖ The Management, in conjunction with its appointed actuary, deliberated on a variety of internal factors and concluded, that the insurer considers the extension of two months in exiting motor policies as new policy and record a premium deficiency reserve based on the expected claims for the extended 2 months period.
- ❖ For new retail motor policies issued as per above circular, the premium is earned over the period of 12 month as the impact of earnings over the period of coverage. i.e 14 month are not considered significant by the management as no significant policies were written during that period.
- ❖ The insurer has performed a liability adequacy test using current estimates of future cash flows under its insurance contracts at segmented level for motor line of business and recorded a Contribution deficiency reserve.

Market Share Proportion



GWP and Rankings

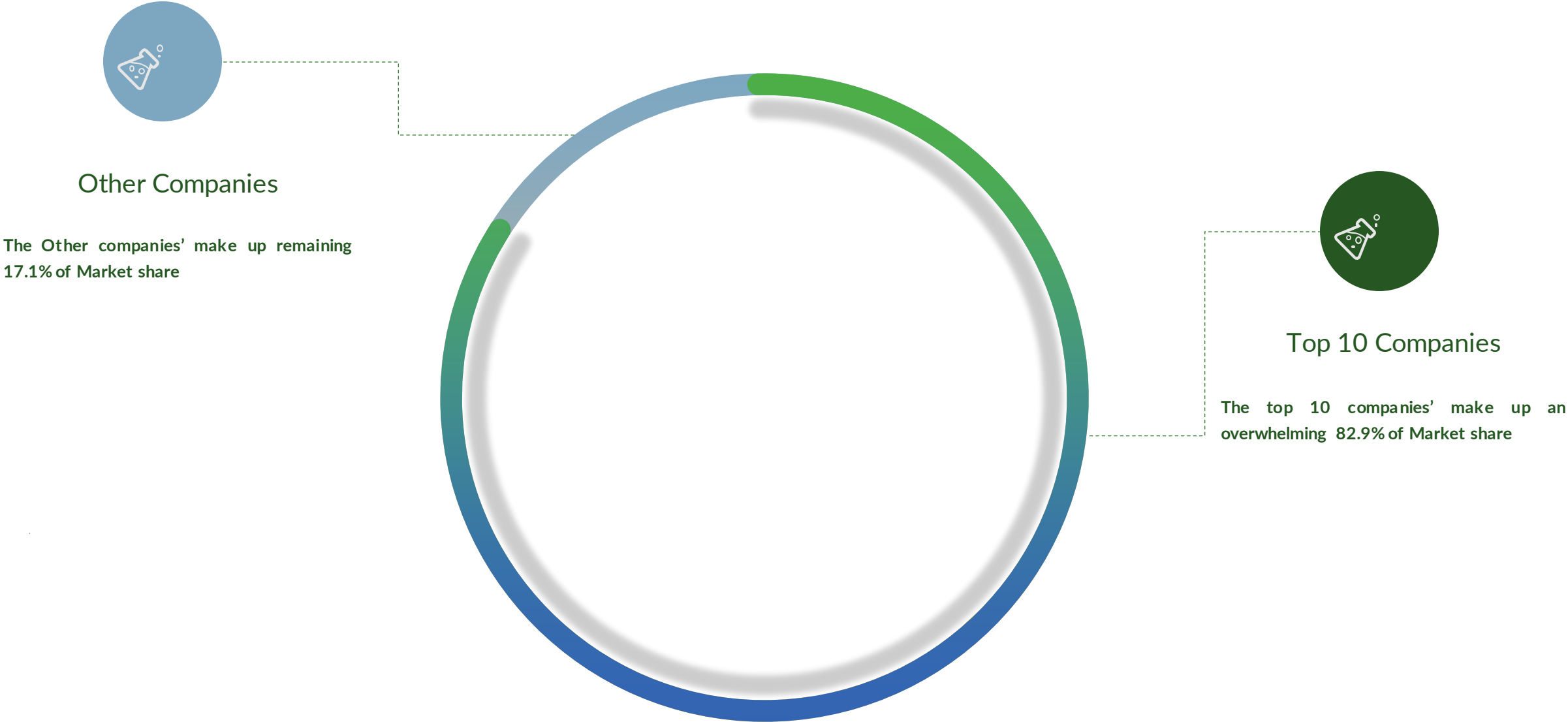
Gross Written Premiums



The GWP of the motor insurance industry in KSA has been on a decline since the past 3 years, falling from SAR 8.6 billion in 2018 to 7.7 billion in 2019, to 7.6 billion in the YE 2020.

1. Al Rajhi	—	12. Gulf	▲
2. AXA Cooperative	—	13. Allianz Saudi	▼
3. Wala	▲	14. Arabian Shield	▼
4. Tawuniya	▼	15. Al Sagr Insurance	▲
5. Al Etihad	—	16. Buruj	▼
6. Wata niya	▲	17. GUCIC	▼
7. Med Gulf	▲	18. Saudi Re	—
8. Malath	▼	19. Al inma Tokio	▼
9. Allied Cooperative	▲	20. Ama na Insurance	▲
10. Salama	▲	21. Al Al a miya	▼
11. United Cooperative	▲		

Premium Composition Top 10 vs Other Companies



Other Companies

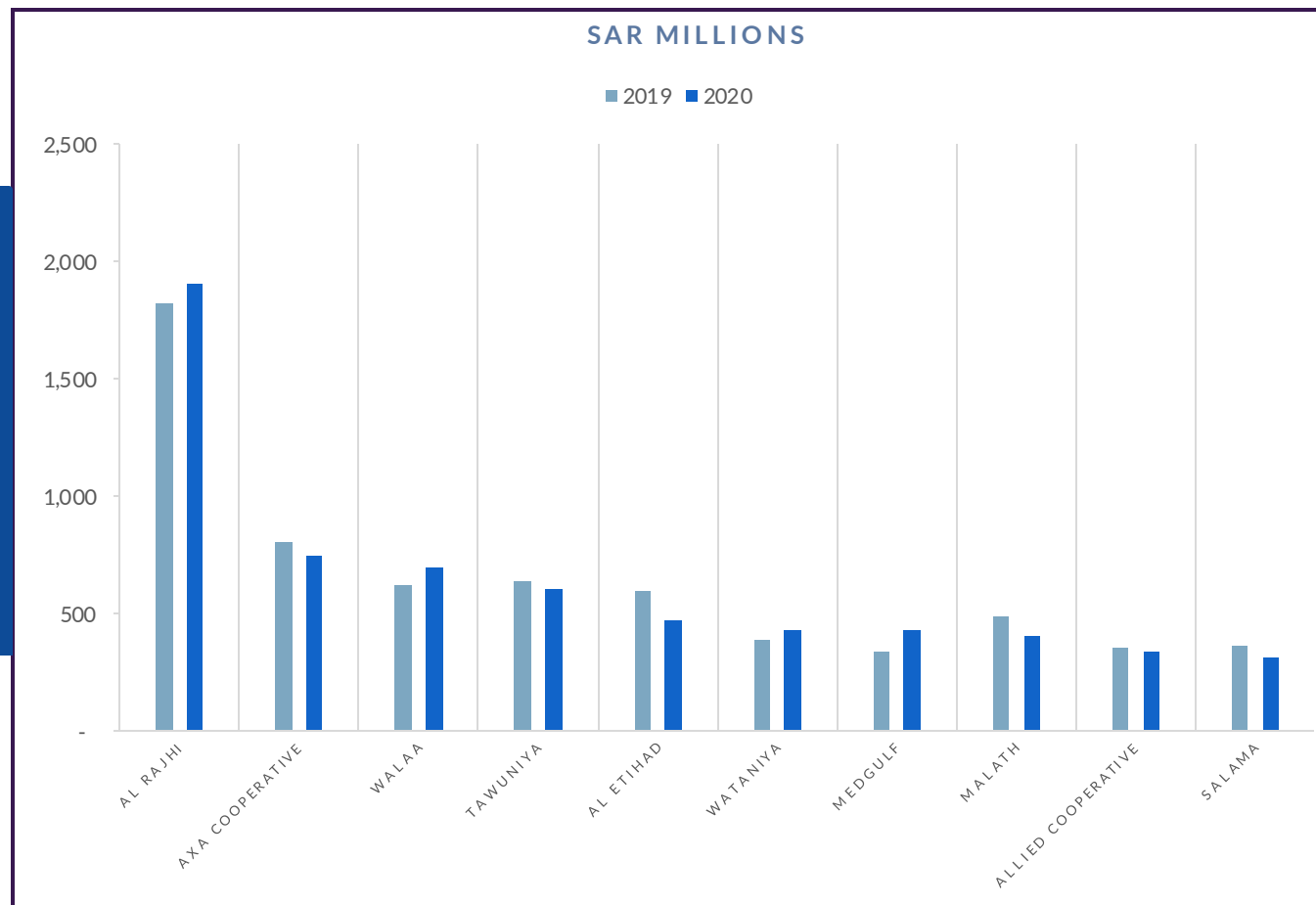
The Other companies' make up remaining 17.1% of Market share

Top 10 Companies

The top 10 companies' make up an overwhelming 82.9% of Market share

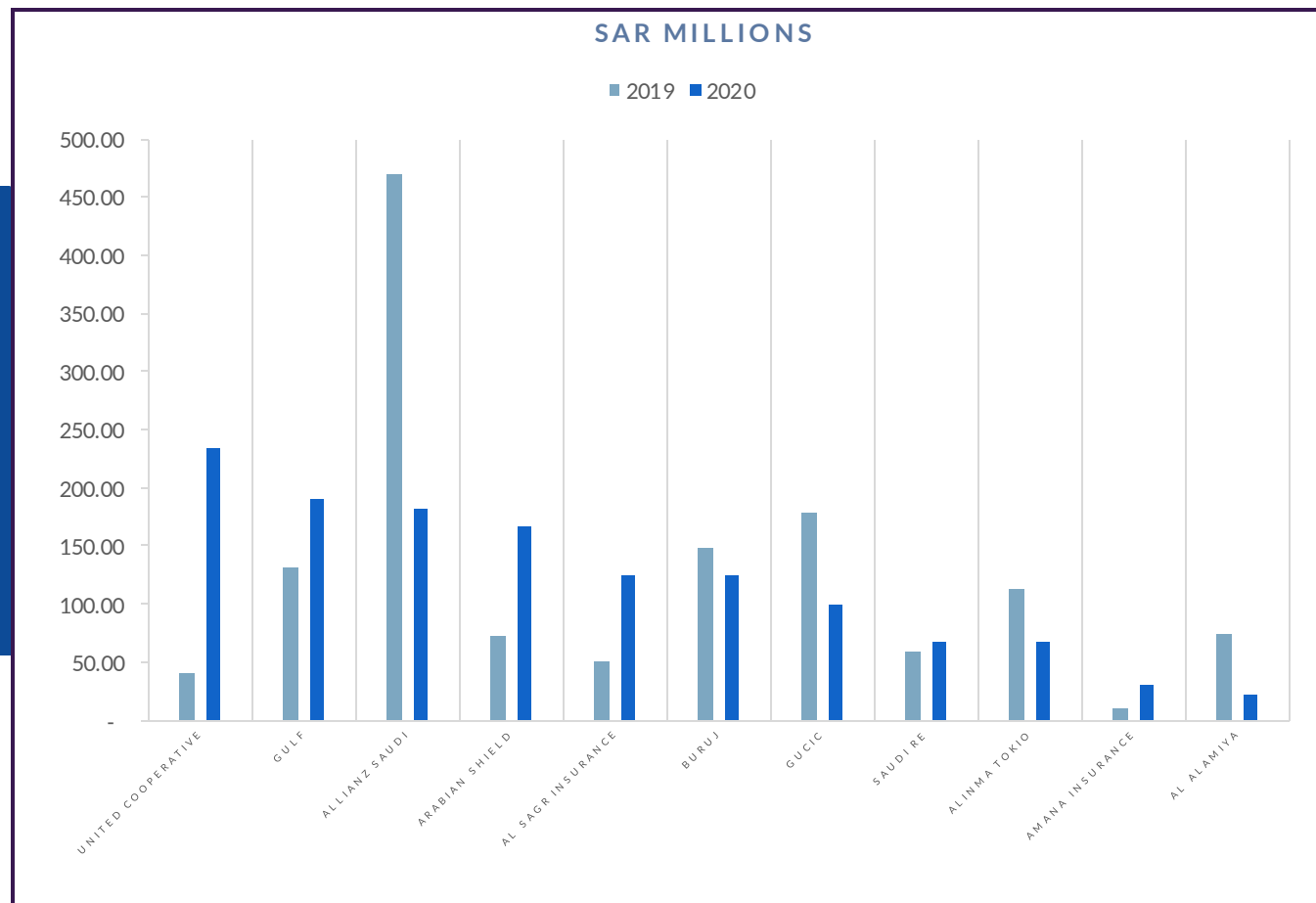
Gross Written Premium – Top 10 Companies

Al Rajhi captured the biggest market share in 2019 and 2020 followed by AXA Cooperative. The smallest market share was for Allied Cooperative for 2019 and Salama for 2020. Al Rajhi was the only company that had a GWP of more than SAR 1 billion in any of the 2 years (1.8 billion in 2019 and 1.9 billion in 2020). It alone has a market share of around 25% in 2020. All the top 10 companies had a minimum GWP of 300 million for both the years.

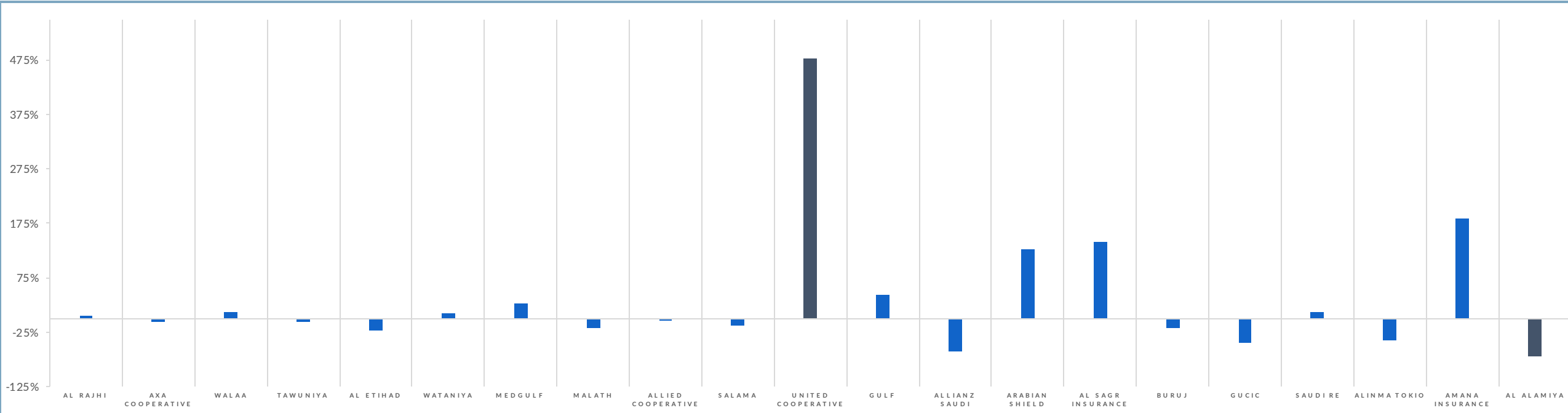


Gross Written Premium – Other Companies

Allianz Saudi Insurance was among the top 10 companies in 2019, however, its gross written premium declined to SAR 182 million in 2020. The highest market share excluding the top 10 companies is for United Cooperative in 2020. United Cooperative was among the companies with the lowest market share in 2019, however it was able to increase its gross written by 5 times, giving it the position, it currently has. For the year 2019, the lowest gross written premium was for Amana Insurance, while for 2020, the lowest was for Al Alamiya.



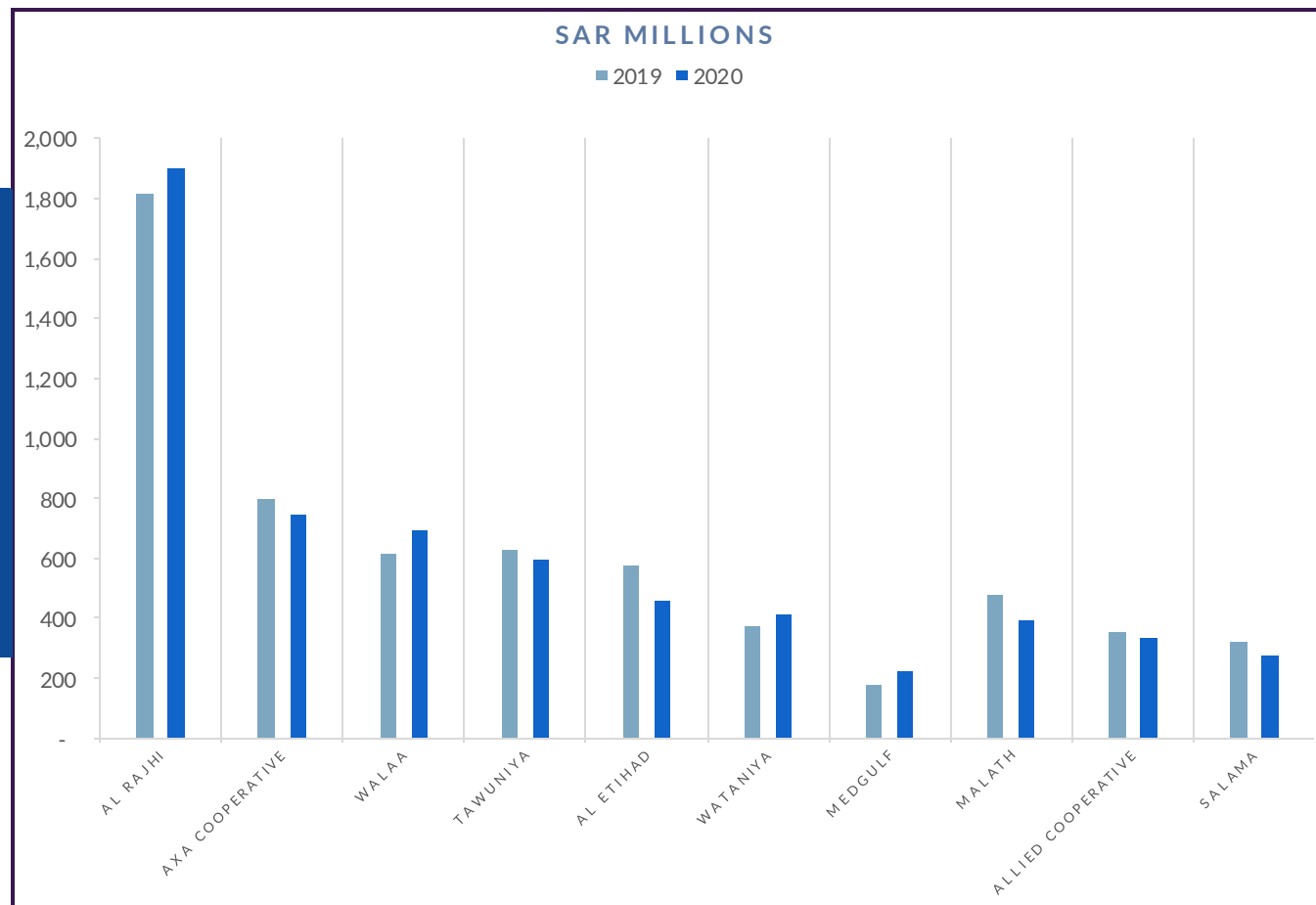
Gross Written Premium – Movement



As noted previously, United Cooperative was able to increase its business by 479% being the largest increase. The highest decline was for Allianz Saudi with a decrease of 61%. The top 10 companies had a more stable and narrow movement in the gross written premium when compared to the remaining companies.

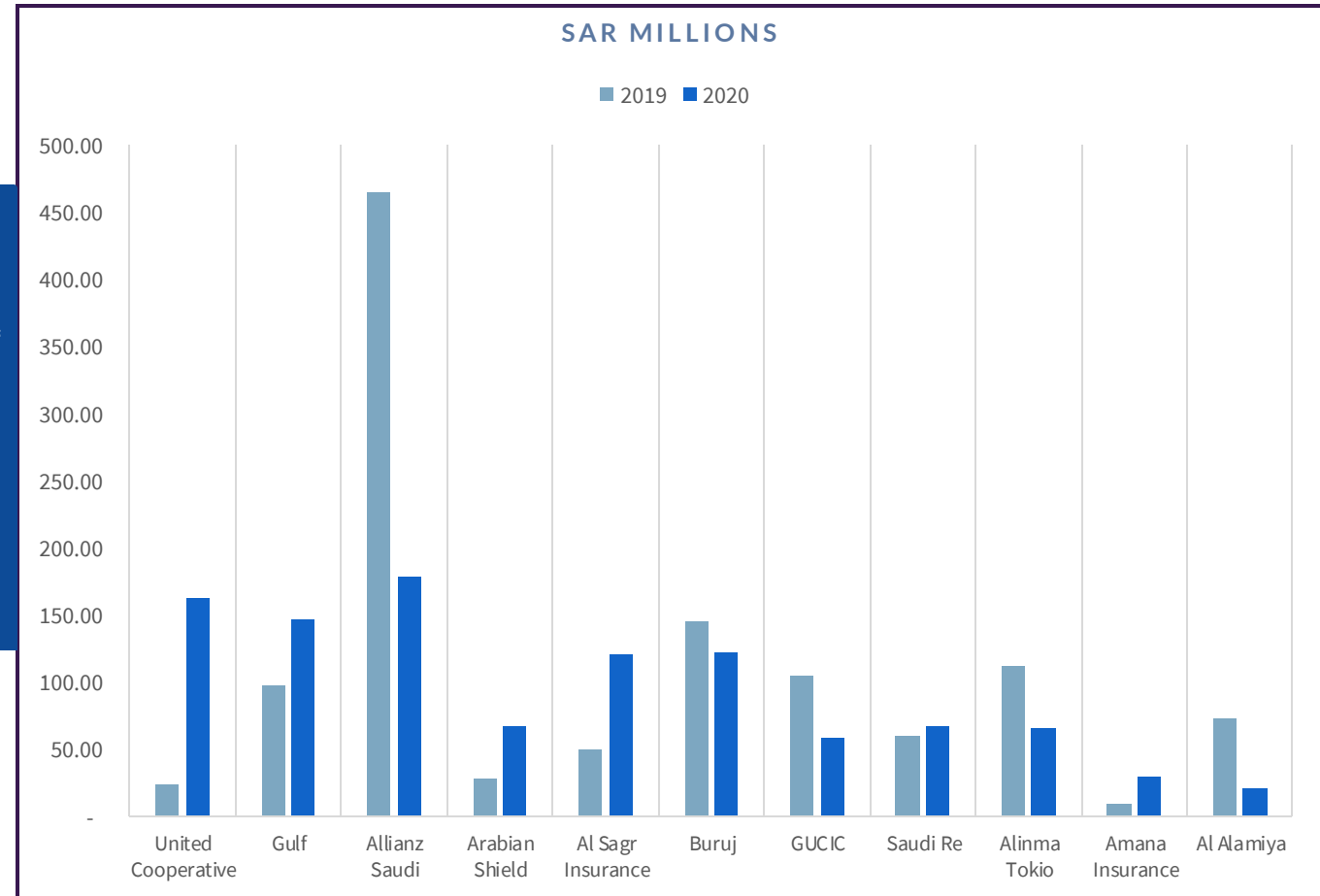
Net Written Premium – Top 10 Companies

Al Rajhi captured the highest net written premium in 2019 and 2020 followed by AXA Cooperative. The lowest net written premium was of Medgulf for both the years. There was no substantial change in the Net Written Premium from 2019 to 2020.

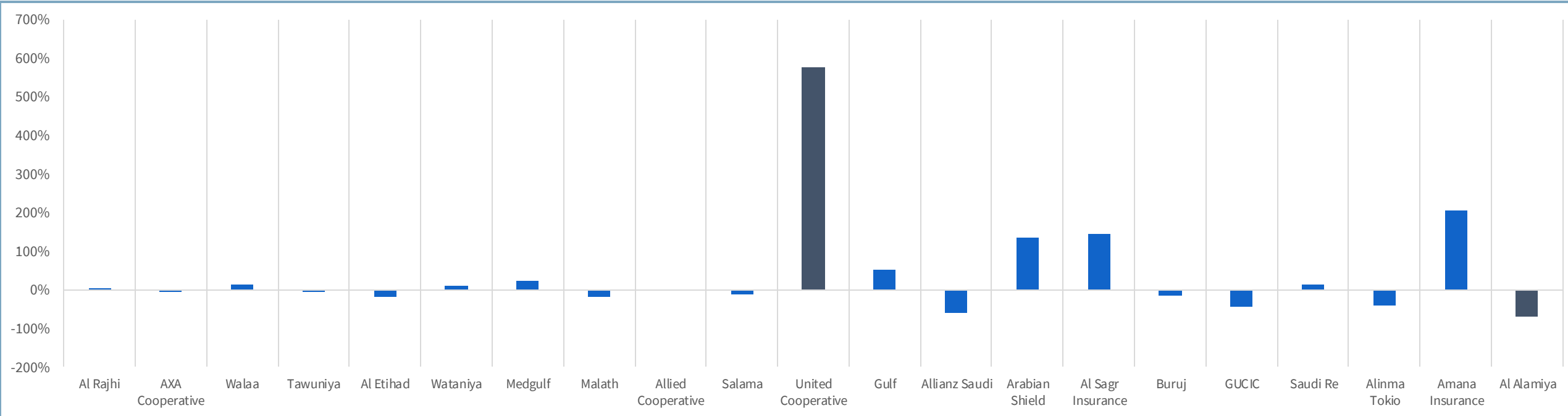


Net Written Premium – Other Companies

The highest net written premium was for Allianz Saudi in 2019 of about 465 million and lowest was of Amana Insurance of about 9 million. For the year 2020, the highest position is retained by Allianz Saudi although its Net Written Premium declined sharply. United Cooperative's Net Written Premium increased by 5.75 times while Al Alamiya decreased to about 29% of its net written premium in 2019.



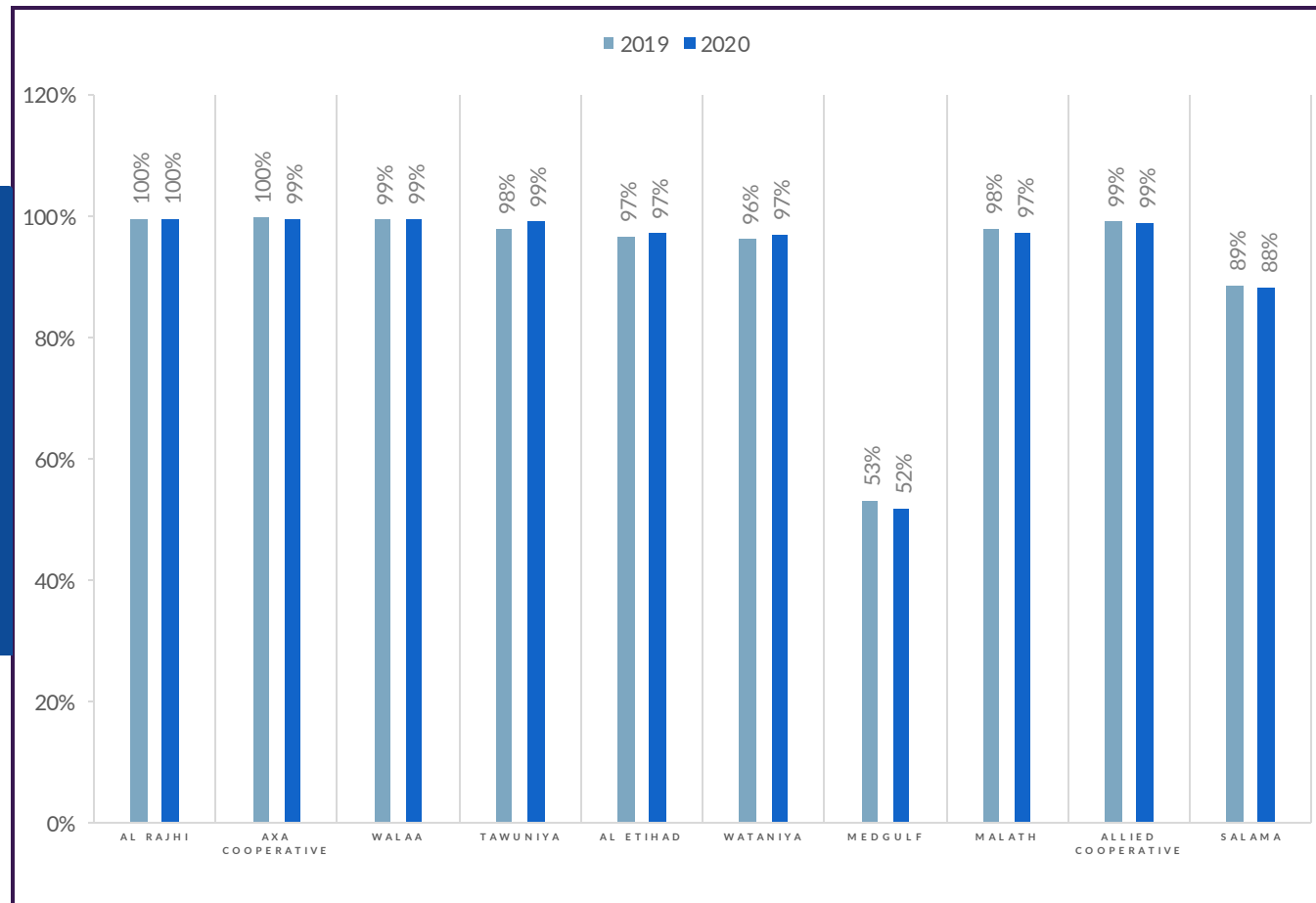
Net Written Premium - Movement



As mentioned before, United Cooperative increased its net written premium by about 577%. It can be seen that the change in the net written premium is narrow for the top 10 companies compared to the remaining companies. Al Alamiya's net written premium decreased by 71%.

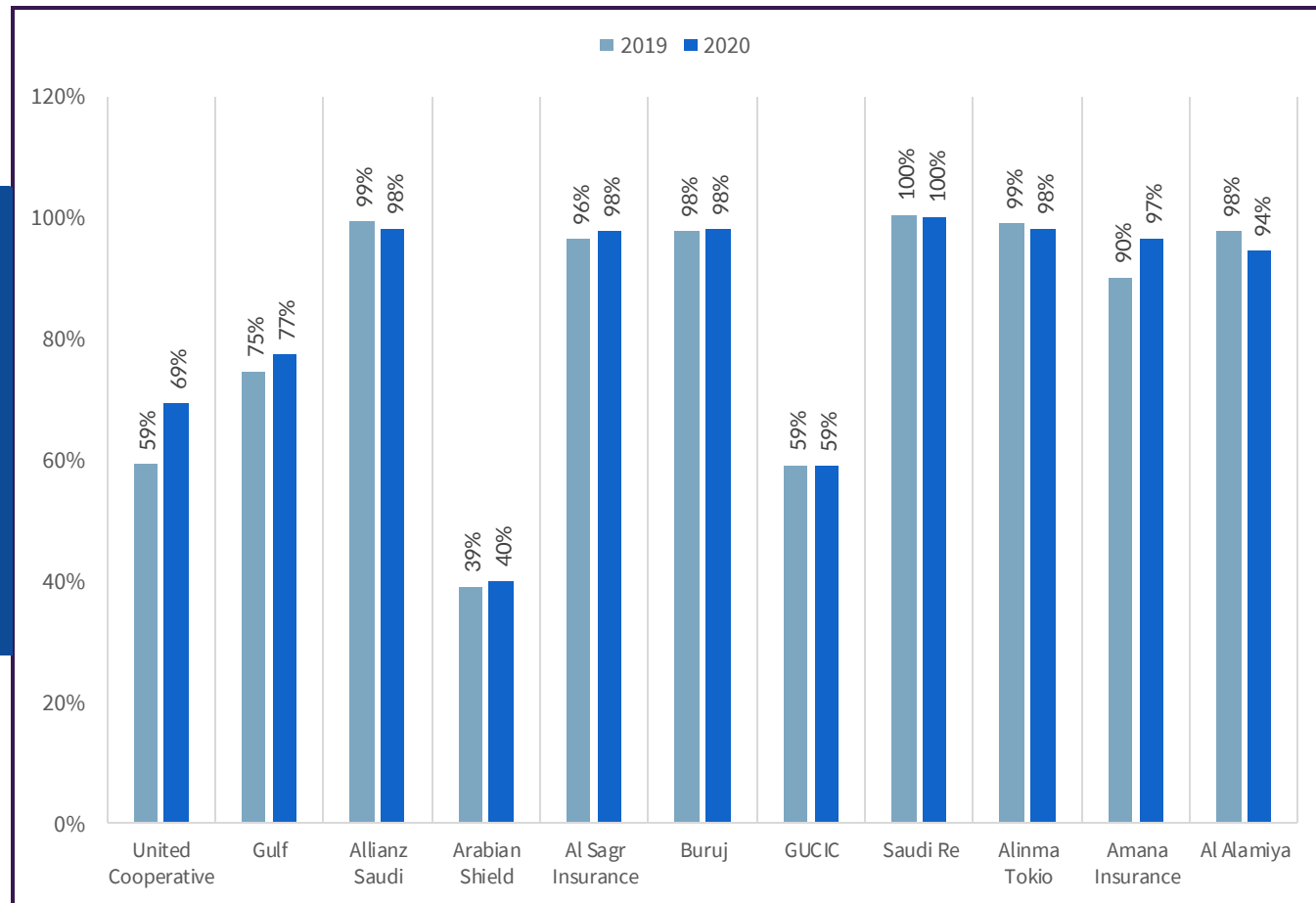
Retention Ratios - Top 10 Companies

The Retention ratio of the industry as a whole is 92% in 2020. Most of the companies had their Motor line of business fully or mostly retained (above 80%) except for Medgulf. Medgulf retained only 52% of the business written.



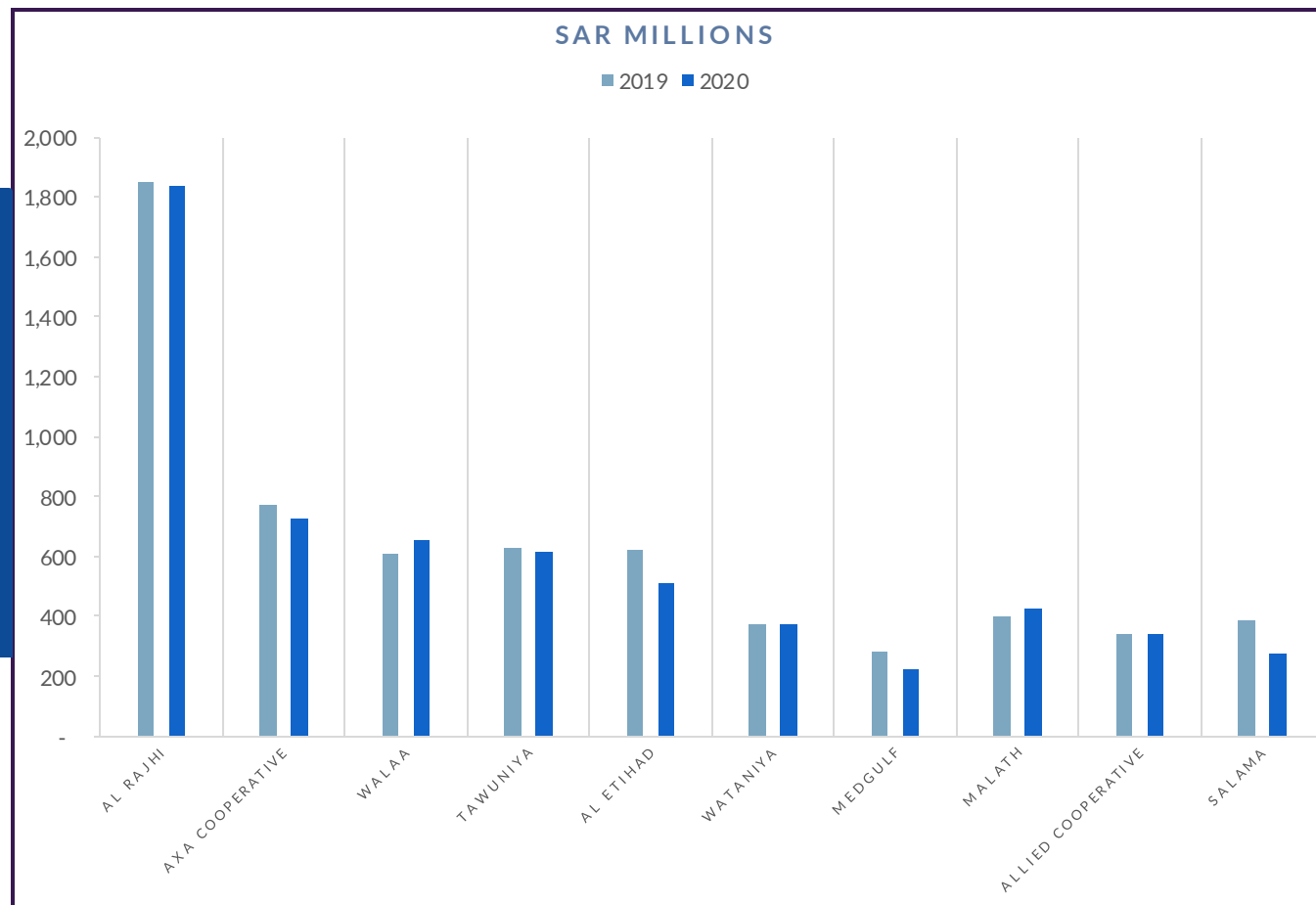
Retention Ratios - Other Companies

Similarly, most of the companies had their Motor line of business fully or mostly retained (above 70%) except for GUCIC, Arabian Shield, and United Cooperative. Arabian Shield retained only 40% of the business written.



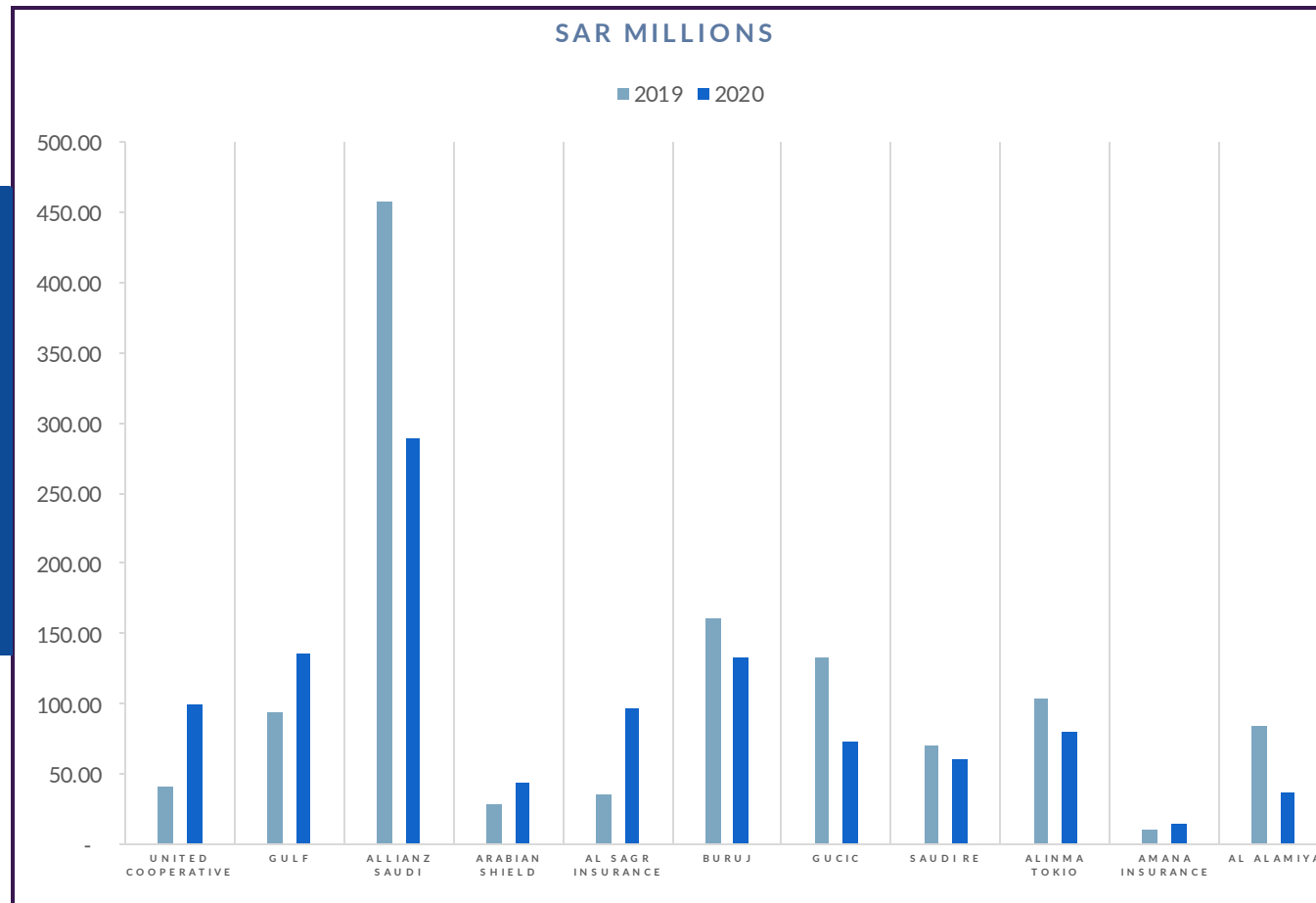
Earned Premium – Top 10 Companies

Al Rajhi had the highest Net Earned Premium for the year 2019 and 2020 of about 1.8 billion. Medgulf had the lowest Net Earned Premium in both the year. Net Earned Premium for all other companies was relatively stable. Overall, the industry witnessed a 5.91% decline in their NEP this year.

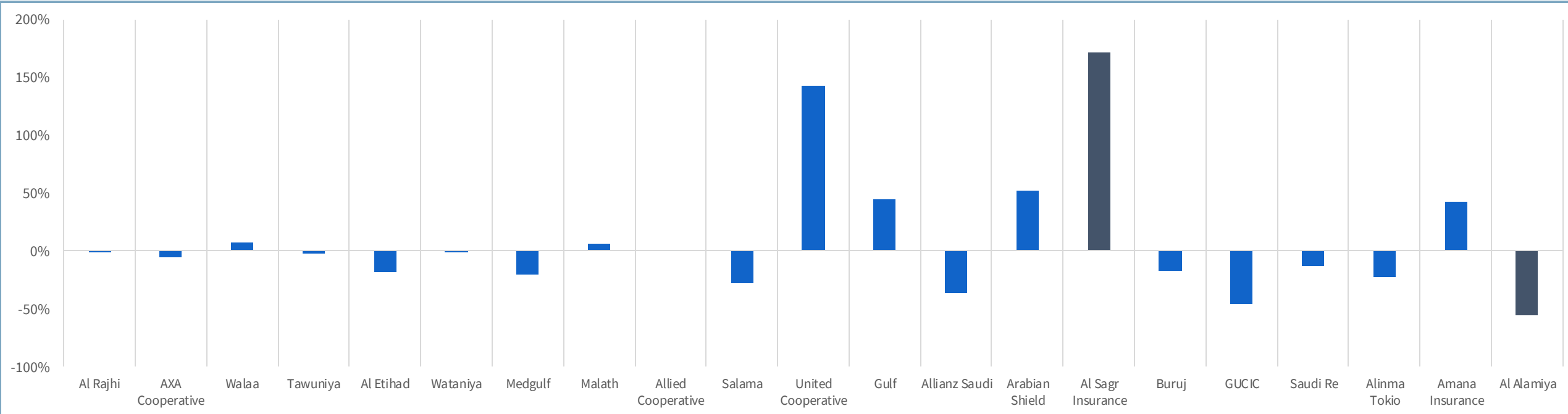


Earned Premium – Other Companies

Earned Premium for Allianz Saudi was the highest for the year 2019 (SAR 458 million) and lowest for Amana Insurance (SAR 10.33 Million). For the year 2020, Allianz Saudi had the highest earned premium, while the lowest being for Amana Insurance (14.76 million).



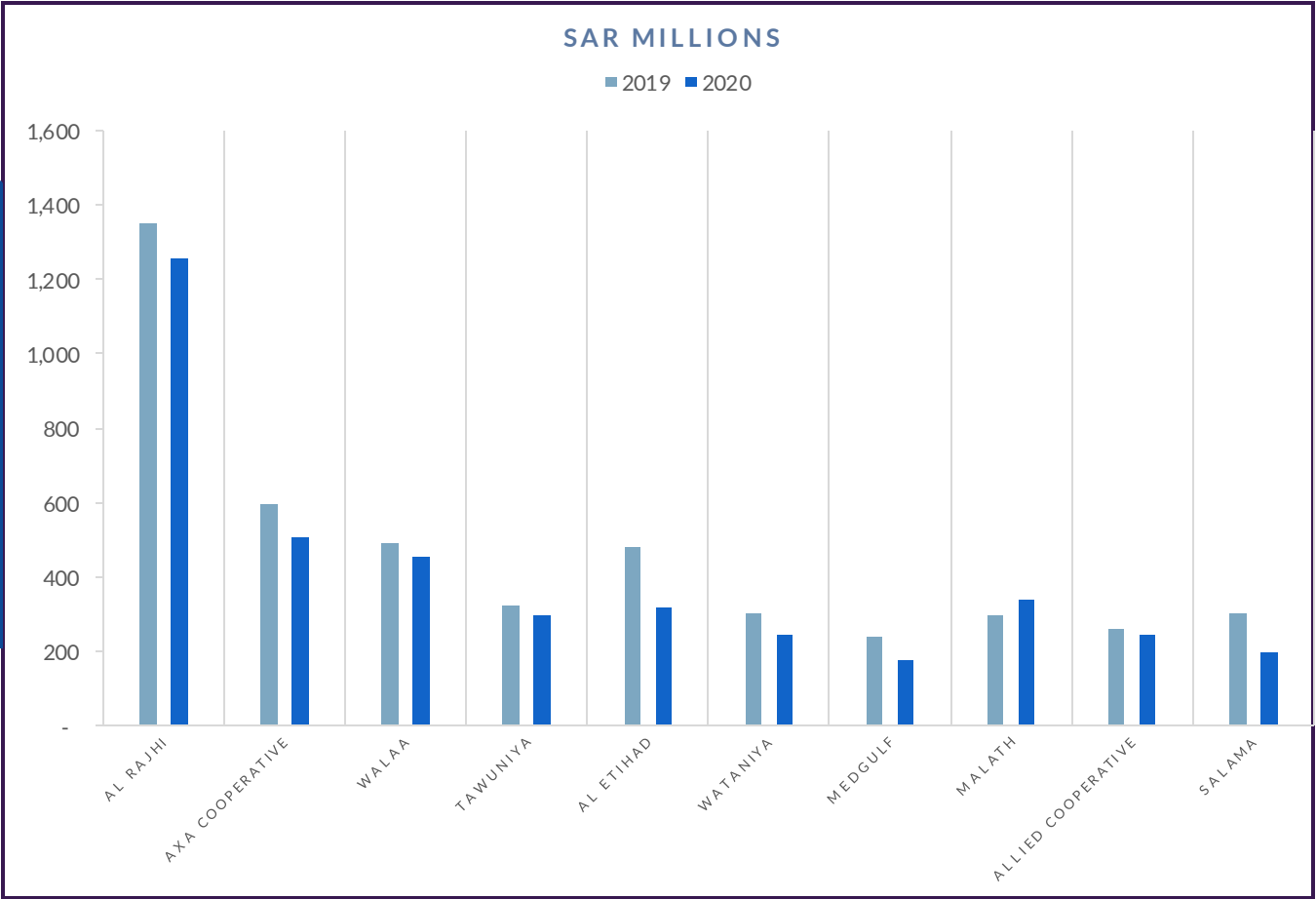
Earned Premium - Movement



Companies such as Al Sagr Insurance (172%) and United Cooperative (143%) witnessed massive jumps in their net earned premiums. On the other hand, Al Alamiya (-56%) and GUCIC (-46%) had to suffer a major decline in their NEP numbers in 2020. The top 10 companies had a more stable and narrow movement in the earned premiums when compared to the remaining companies.

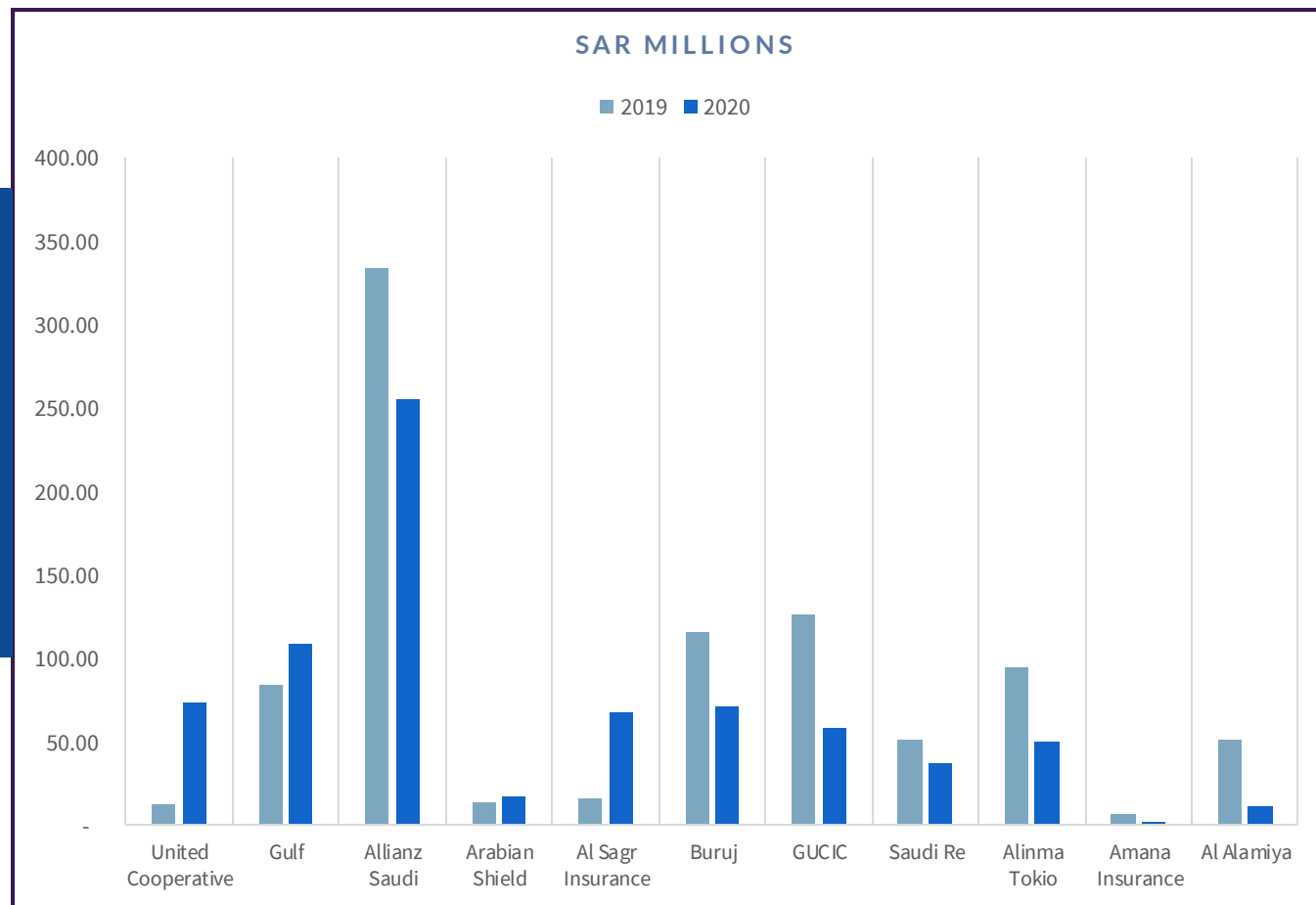
Net Incurred Claims - Top 10 Companies

Net Incurred Claims were the highest for Al Rajhi in both the years while the lowest being for Medgulf (2019 and 2020). There was no substantial change in the net incurred claims from 2019 to 2020.



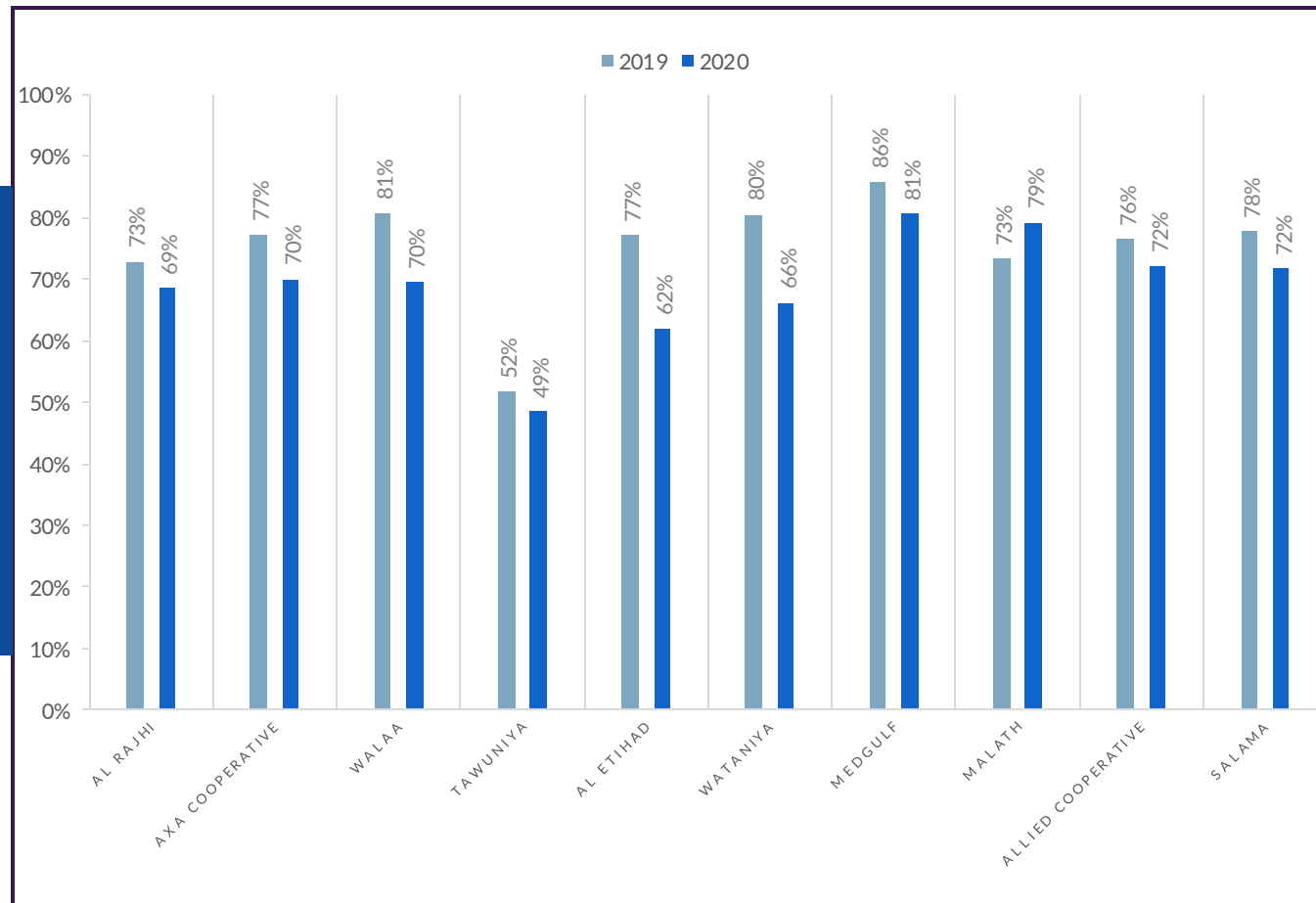
Net Incurred Claims – Other Companies

The highest Net incurred claims was for Allianz Saudi in both the years of SAR 333 million and SAR 255 million in 2019 and 2020 respectively. The lowest Net Incurred Claims was for Amana Insurance in both the years.



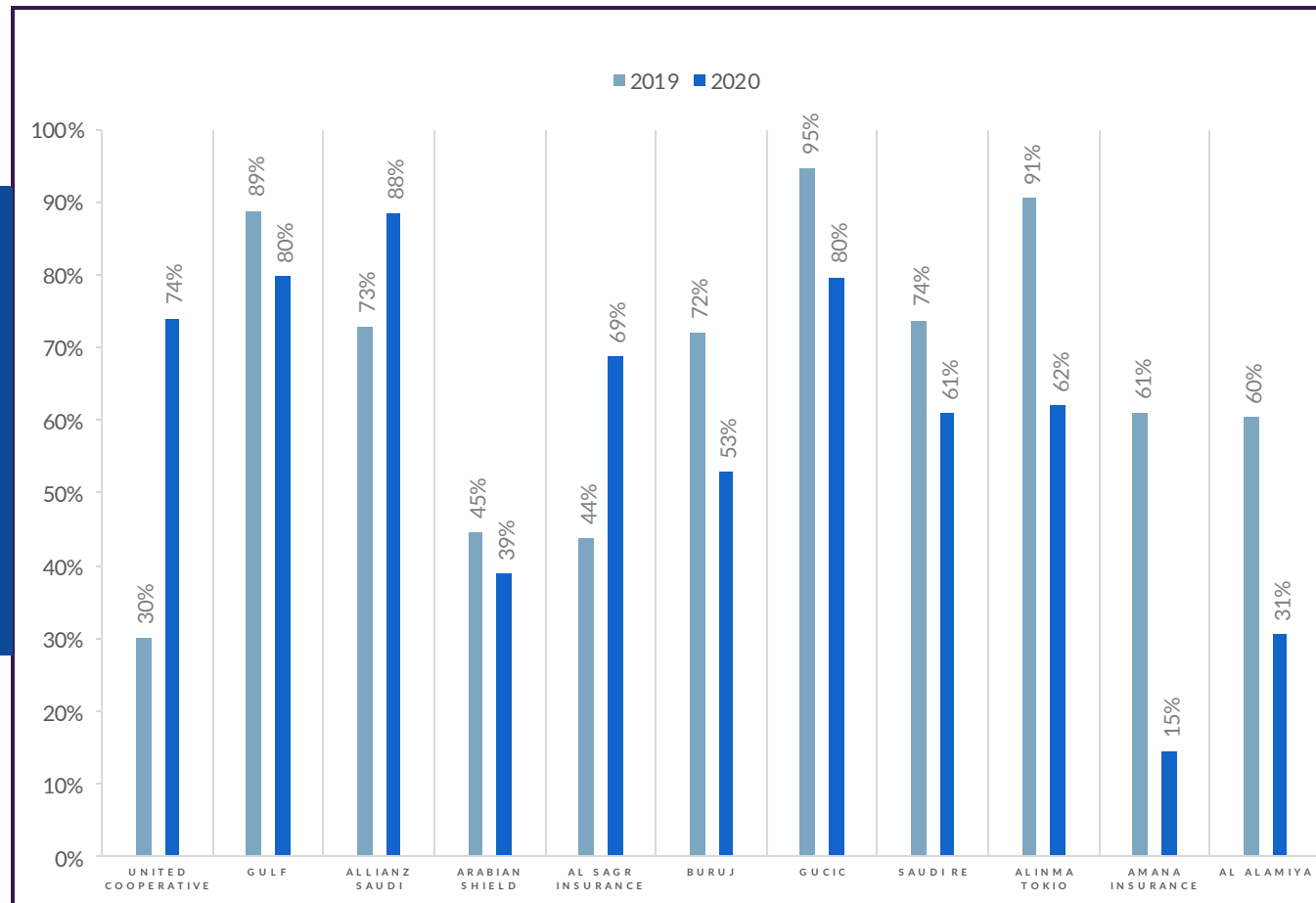
Loss Ratios - Top 10 Companies

Loss ratio was the highest for Medgulf in 2019 (86%) and 2020 (81%). The lowest loss ratio was for Tawuniya in 2019 (52%) and 2020 (49%). Loss ratios were in the range of 70%-85% in 2019 and 60-75% in 2020 suggesting that loss ratios decreased in 2020 largely due to the worldwide lockdown.

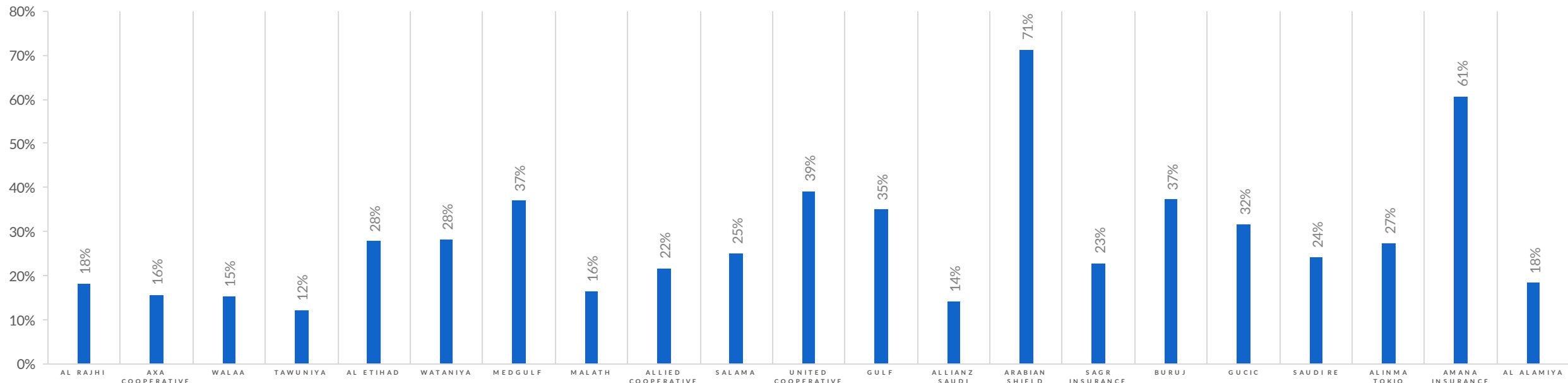


Loss Ratios - Other Companies

The top ten companies had a narrow range for loss ratios while the loss ratios of the remaining companies is wider, ranging from 30% to 95% in 2019 and 15%-88% in 2020. The highest loss ratio for the year 2019 was for GUCIC and the lowest was for United Cooperative. The highest loss ratio in 2020 was for Allianz Saudi while the lowest loss ratio was for Amana Insurance.

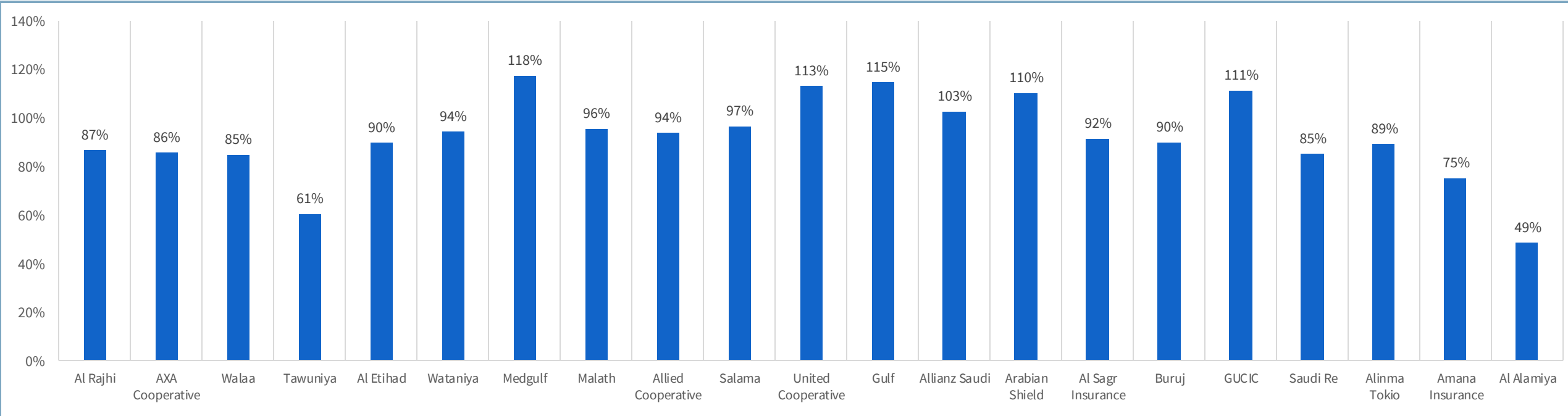


Expense Ratio



The highest Expense ratio for motor business in 2020 was of Arabian Shield (71%), followed by Amana Insurance (61%). The lowest ratio was of Tawuniya (12%) and Allianz Saudi (14%).

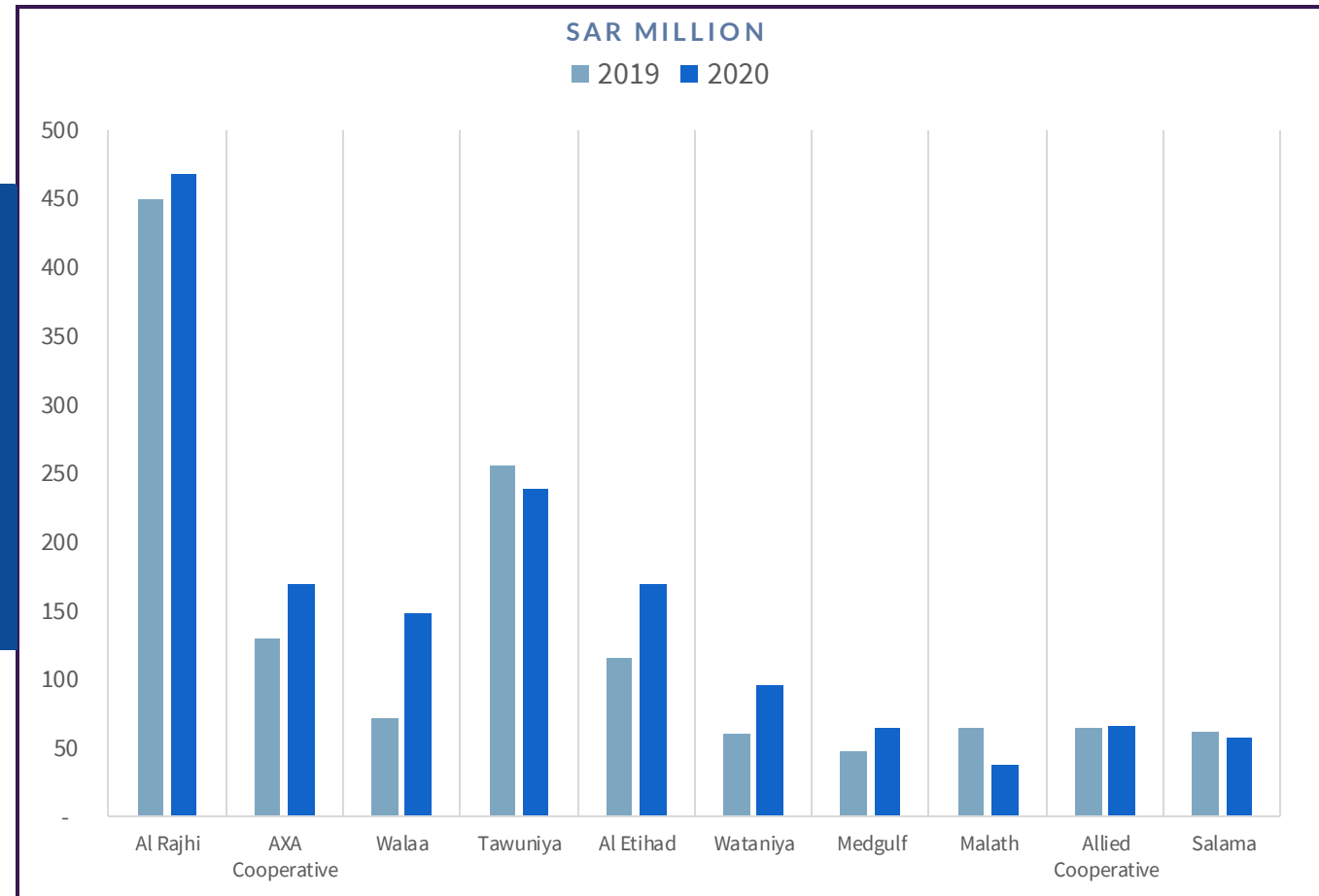
Combined Ratio



The highest combined ratio was for Medgulf (118%) while the lowest was for Al Alamiya (49%). Medgulf, United Cooperative, Gulf, Allianz Saudi, Arabian Shield and Buruj had a combined ratio of more than 100% while the remaining companies had a combined ratio of between 80% to 100%.

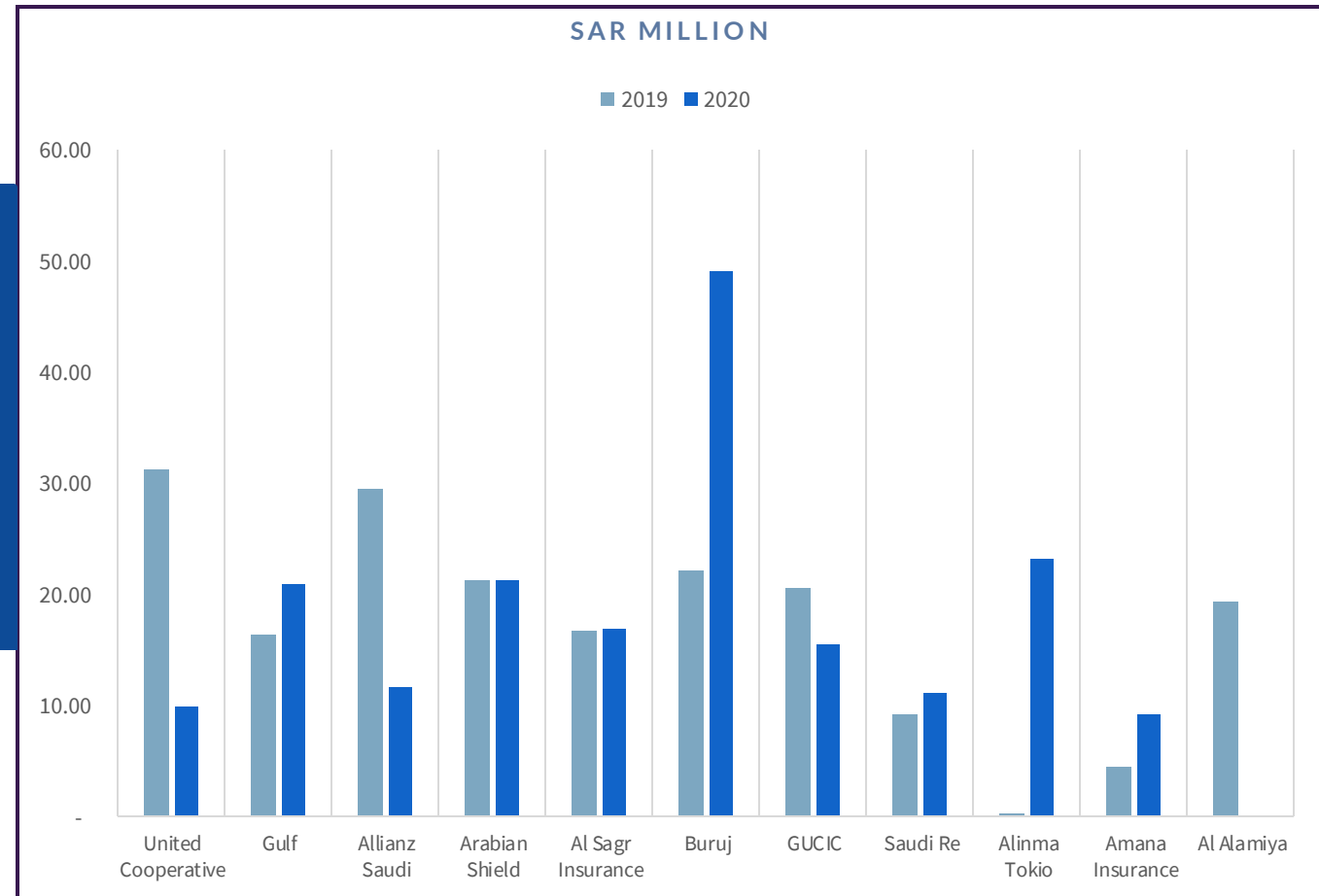
Net UW Profit/(Loss) – Top 10 Companies

Al Rajhi had the highest Net Profit in both the years of about 449 million in 2019 and 467 million in 2020. The lowest Net Profit was for Medgulf in 2019 and Malath in 2020. Net Profit increased for 7 out of 10 companies in 2020.

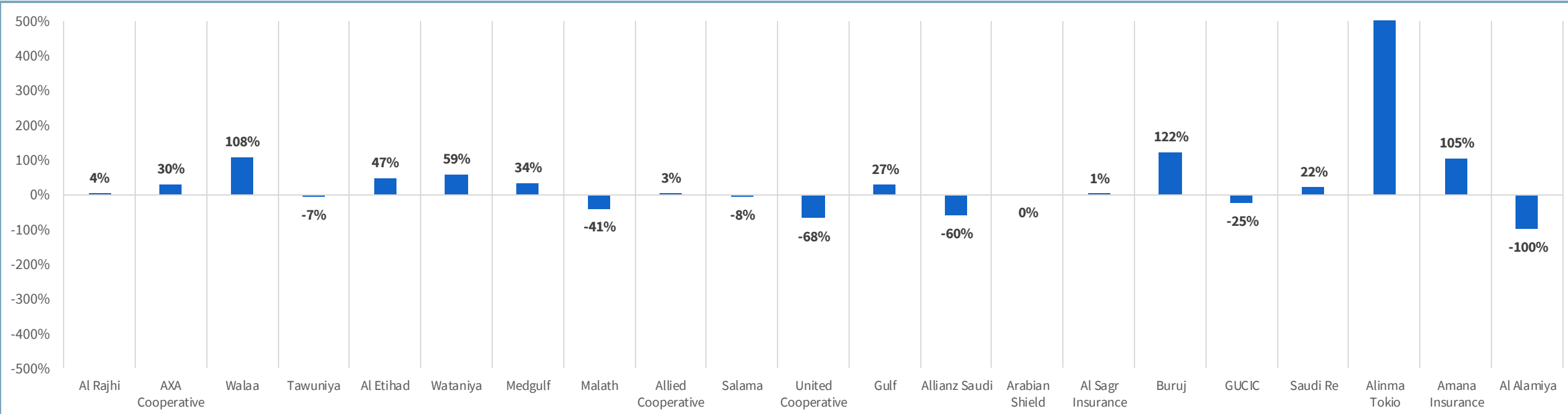


Net UW Profit/(Loss)– Other Companies

Overall, there has been 12.6% jump in the net underwriting profit of the industry in 2020. Highest Net UW Profit in 2019 was for United Cooperative (31.27 million) and the lowest was for Alinma Tokio. The highest net profit in 2020 was for Buruj (SAR 49.08 million) and the lowest was for Amana Insurance (SAR 9.14 million).



Net UW Profit/(Loss)- Movement



Alinma Tokio was able to increase its Net Profit by about 30443%. In addition to this United Cooperative experienced a decline in its Net Underwriting Profit of 68%. It can also be seen here that the range of Net UW profit is narrow for the top 10 companies when compared to the remaining companies.



Meet the Team

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Manager

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Shahadat Walli
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Bilal Shakir
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Muhammad Umar
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Muhammad Maaz Ahmed
Actuarial Trainee

SHMACONSULTING

Feedback

SHMA Consulting is proud to present Motor Insurance Industry Analysis – Kingdom of Saudi Arabia for the Year-End 2020. We have a dedicated and talented pool of individuals to bring you industry insights in the form of this report.

We welcome your feedback on the analysis presented in this report.



<https://www.linkedin.com/company/shma-consulting/>



www.shmaconsulting.com

About Us

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997.



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