



SHMA CONSULTING



Growth Through Knowledge

Insurance Industry
Kingdom of Saudi Arabia
Q1 - 2022

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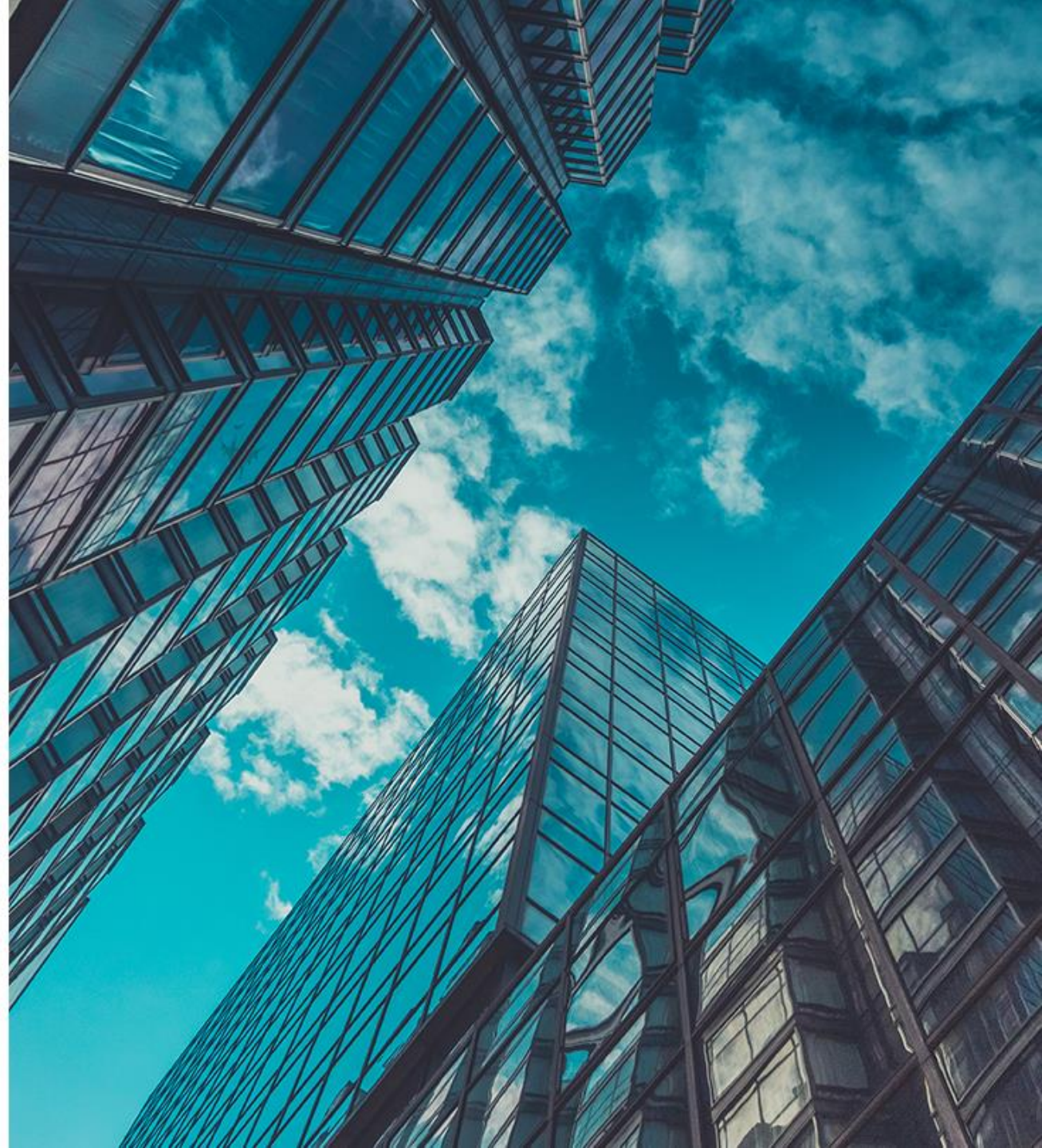
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About Us

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 other 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

- 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

General Insurance

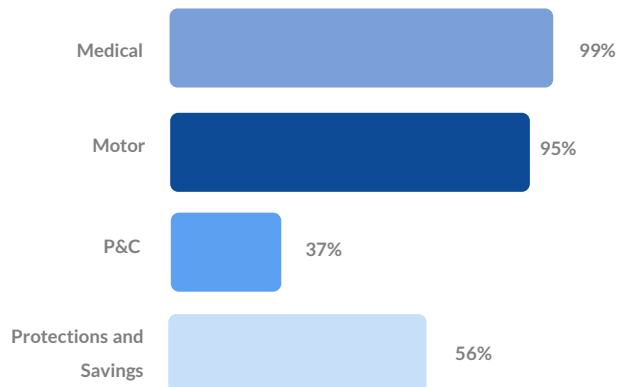
ERM and Capital Modeling

Limitations and Disclaimers

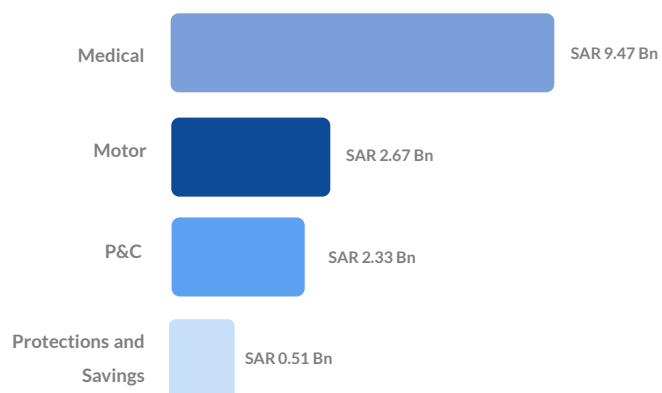
- ❖ The data used for the preparation of this report has been collected from Tadawul.
- ❖ At the time of writing this report, Al Ahli Takaful had not published its financial statements for the three months period ending March 31, 2022.
- ❖ Al Sagr Insurance failed to complete regulatory measures and was unable to disclose its financial statements for the three months period ending March 31, 2022.
- ❖ To preserve uniformity, the above companies were excluded from our analysis to avoid any misrepresentation of their numbers, which might lead to spurious or unreasonable conclusions.
- ❖ The information, materials and opinions presented in this report are for general information purposes only, are not intended to constitute legal or other professional advice and should not be relied on or treated as a substitute for specific advice relevant to particular circumstances. Although we make reasonable efforts to update the information in this report.

Performance Highlights

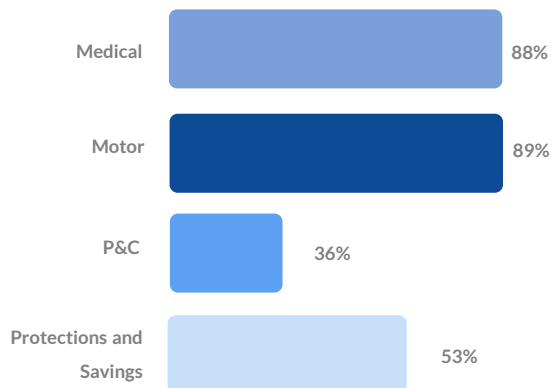
Retention Ratios



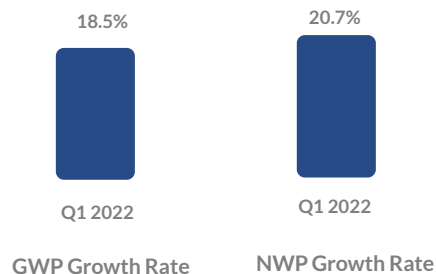
Gross Premium by Sector



Loss Ratios



Premiums Growth Rate



Net Profit/(Loss)
SAR (146 Mn)



Total Gross Written Premium

SAR 14.98 Bn

▲ +18.49%



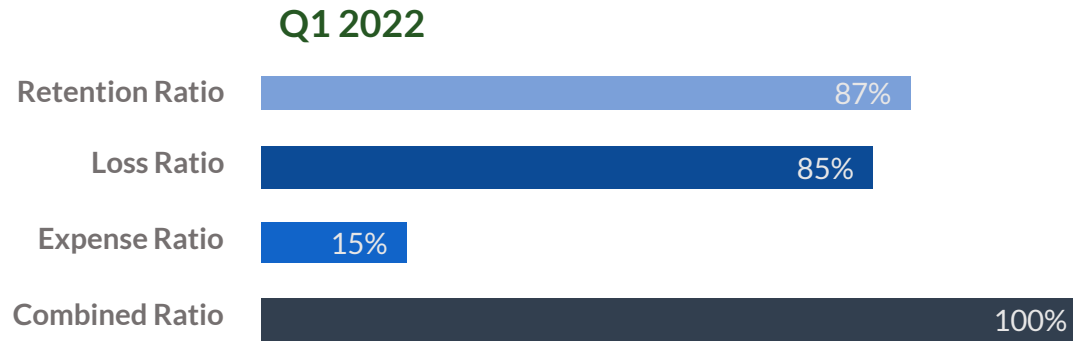
Total Assets

SAR 74.77 Bn

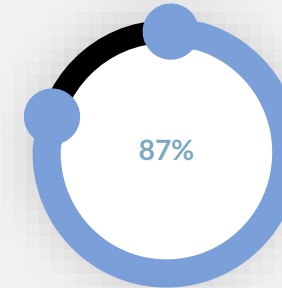
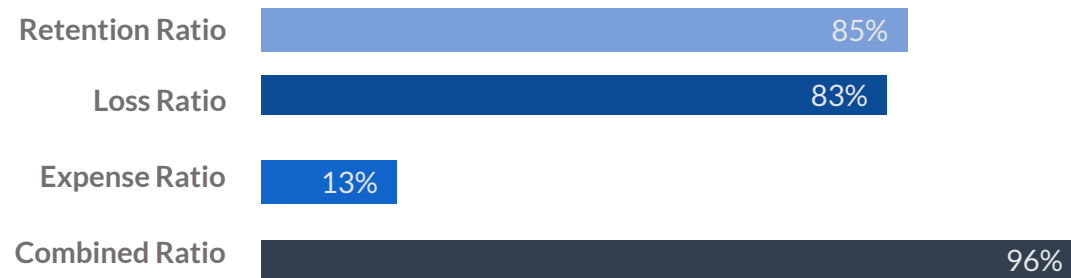
▲ +9.12%

Industry Benchmarks

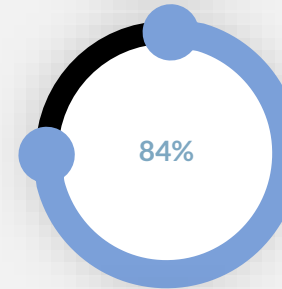
Q1 2022



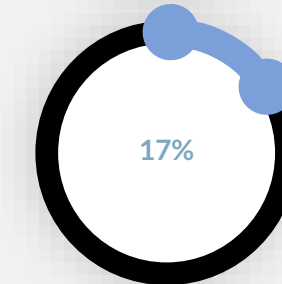
Q1 2021



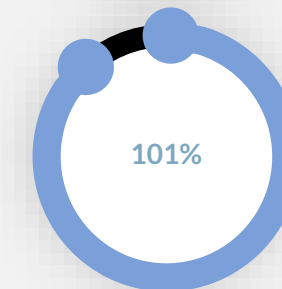
Weighted Average Retention Ratio



Weighted Average Loss Ratio



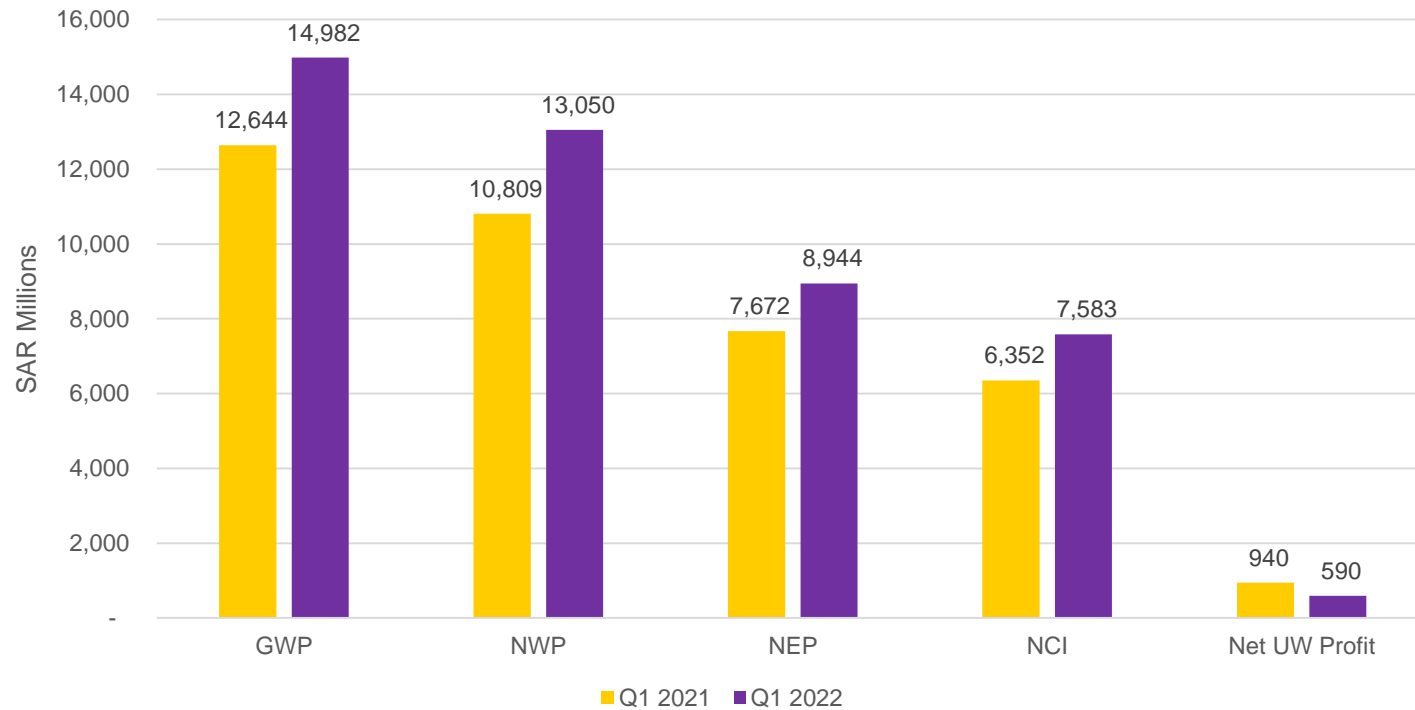
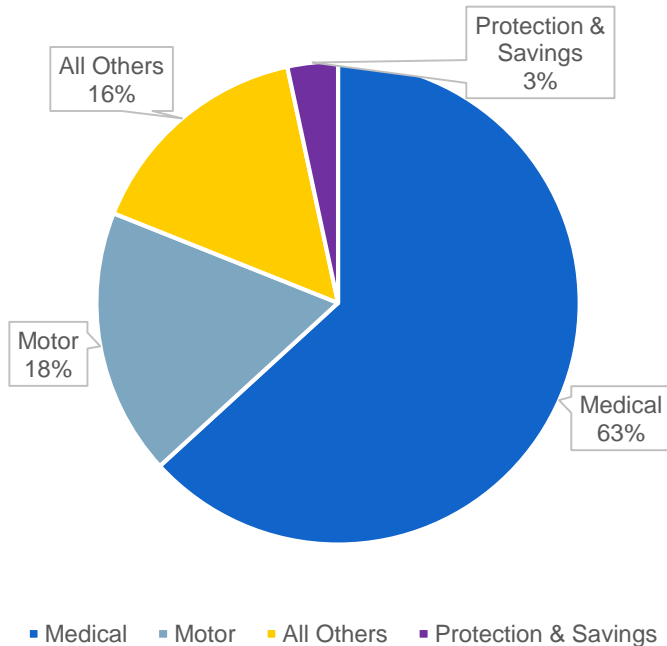
Weighted Average Expense Ratio



Weighted Average Combined Ratio

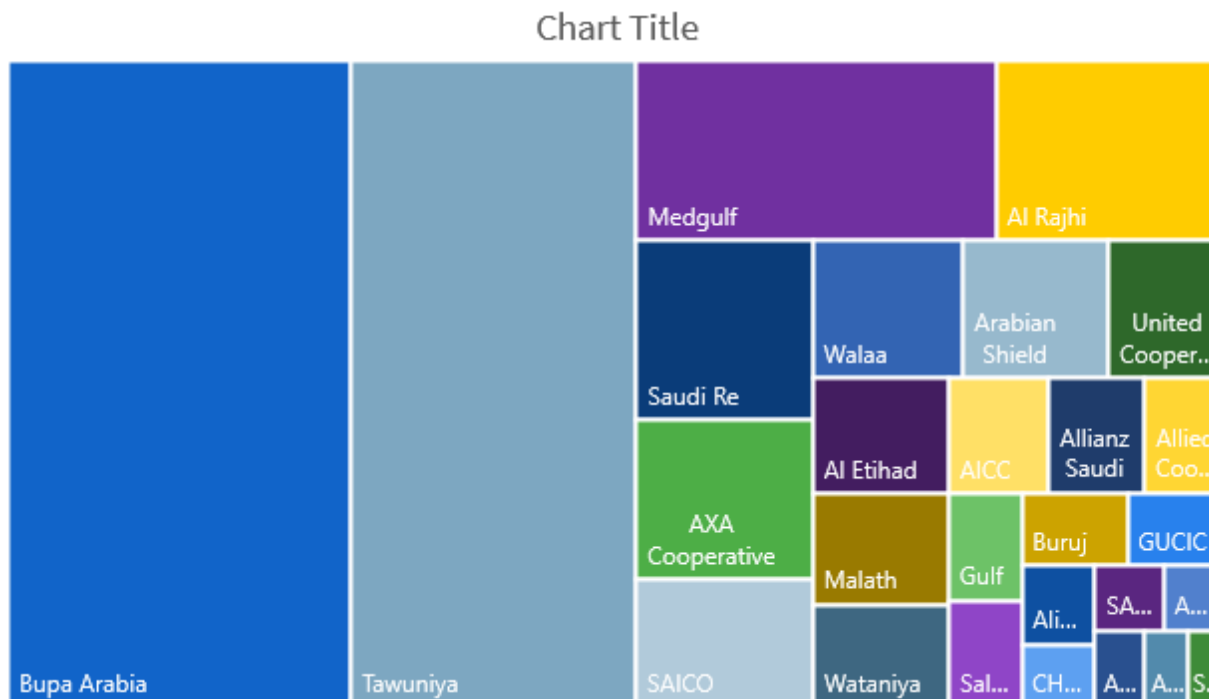
Aggregate Performance

GWP by Lines of Business



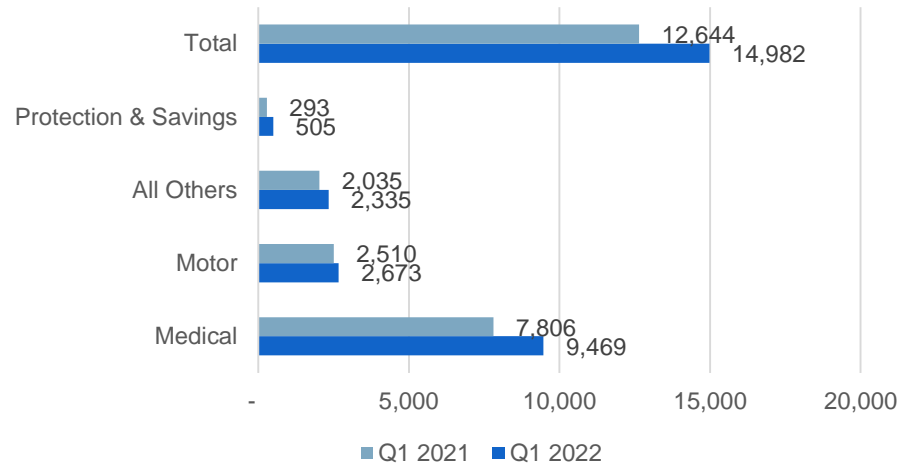
The Medical LoB constitutes the highest proportion of the GWP, with a value of 63%. Protection & Savings continues to be the smallest sector, with a value of just 3%. As can be noted, all of the written and earned premiums, as well as claims incurred increased in the last year.

Market Share Proportion

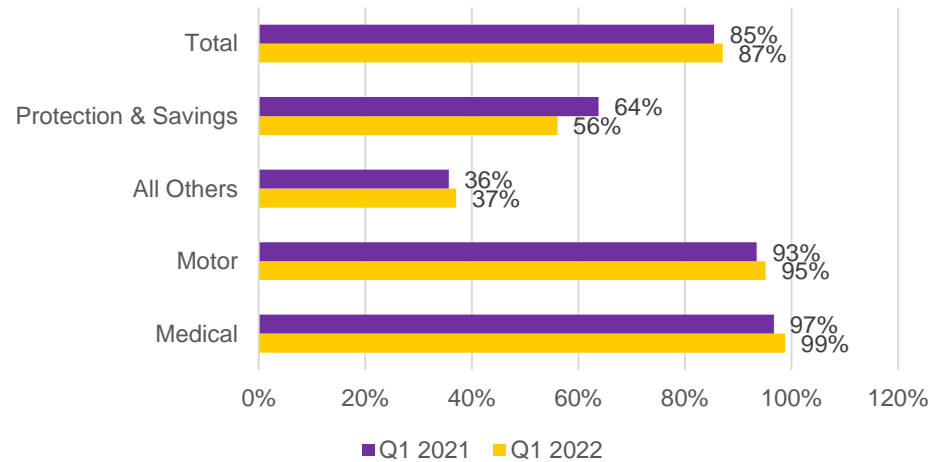


GWP and Rankings

GWP (Amounts in SAR Millions)



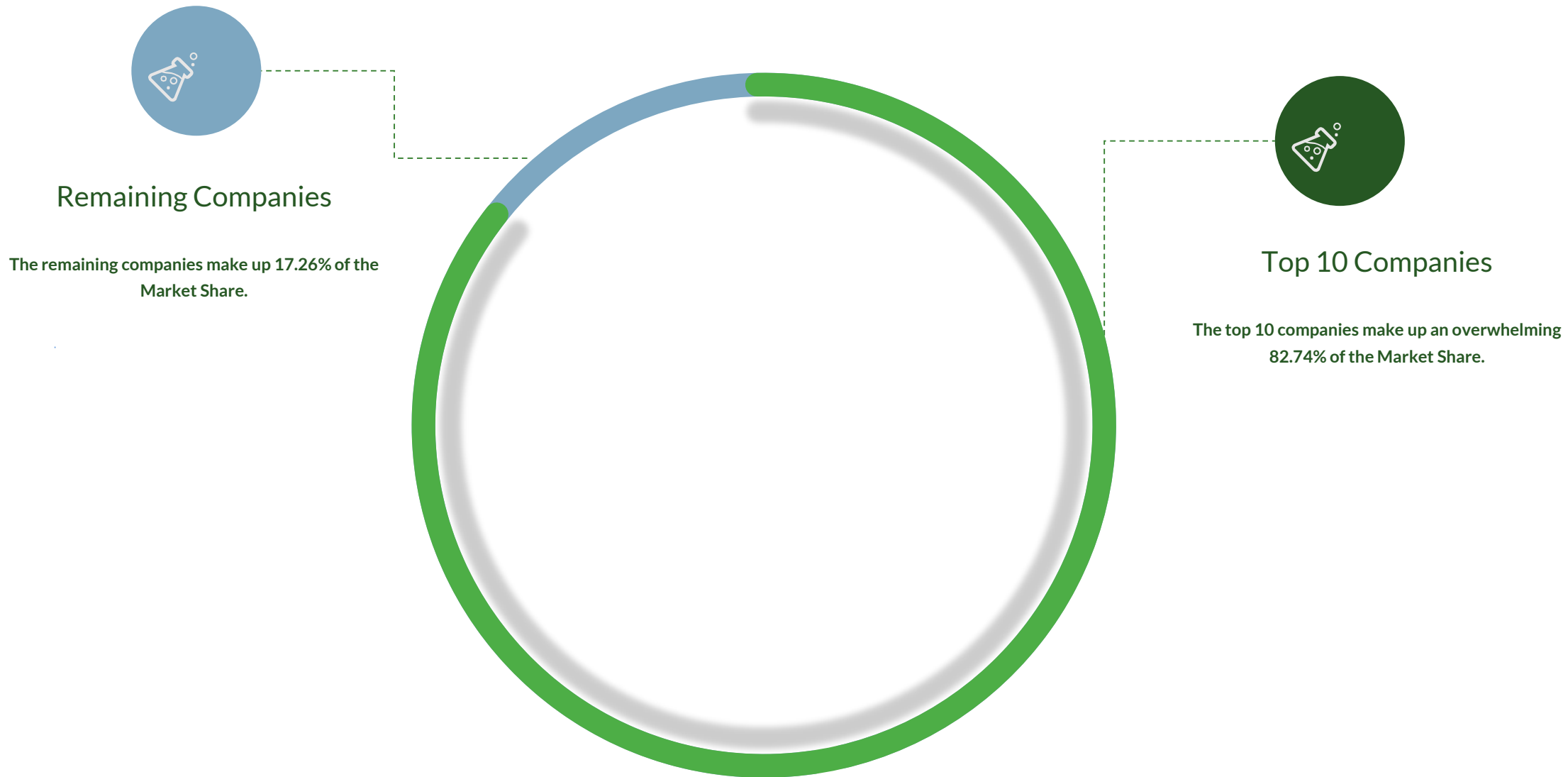
Retention Ratios



1. Bupa Arabia	—	17. Gulf	—
2. Tawuniya	—	18. Salama	—
3. Medgulf	—	19. Buruj	▲
4. Al Rajhi	▲	20. GUCIC	▼
5. Saudi Re	▼	21. Alinma Tokio	—
6. AXA Cooperative	—	22. CHUBB	▼
7. SAICO	—	23. SABB	—
8. Walaa	—	24. Amana Insurance	▼
9. Arabian Shield	▲	25. Al Alamiya	▼
10. United Cooperative	▲	26. Al Jazira	▼
11. Al Etihad	▲	27. Saudi Enaya	▼
12. Malath	▼		
13. Wataniya	▼		
14. AICC	▲		
15. Allianz Saudi	▼		
16. Allied Cooperative	—		

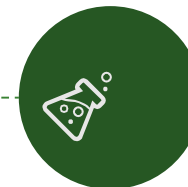
GWP Composition

Top 10 vs Remaining Companies



Remaining Companies

The remaining companies make up 17.26% of the Market Share.

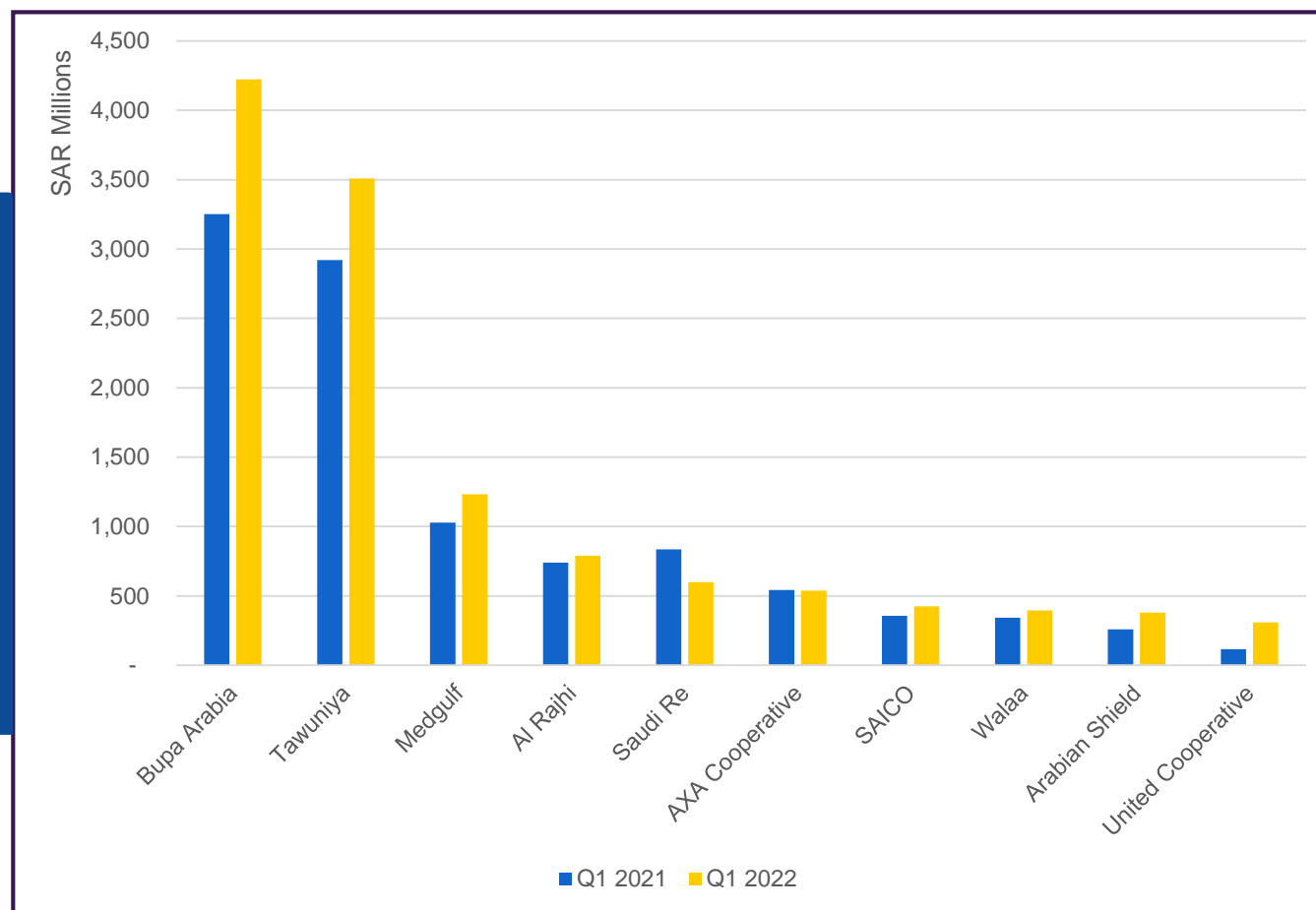


Top 10 Companies

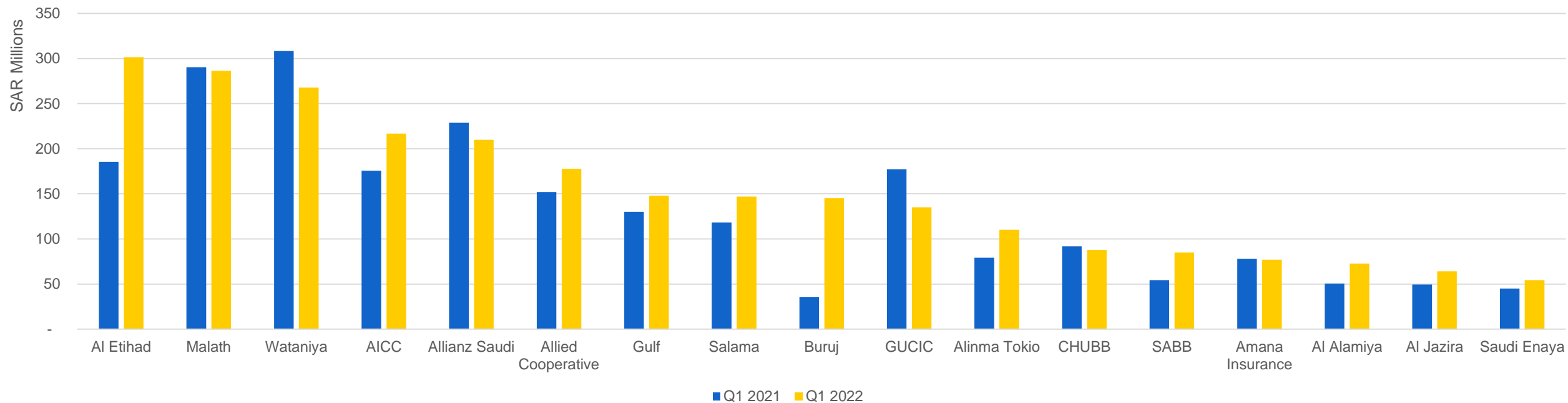
The top 10 companies make up an overwhelming 82.74% of the Market Share.

Gross Written Premiums – Top 10 Companies

Of the top 10 companies, the top 3 companies retained their respective positions from the previous year. Bupa Arabia continues to dominate the market, followed closely by Tawuniya. Both companies had GWP of over SAR 3.5 billion each. United Cooperative had the lowest GWP. Saudi Re and AXA were the only companies from the top 10 to experience a drop in their GWP from Q1 2021.

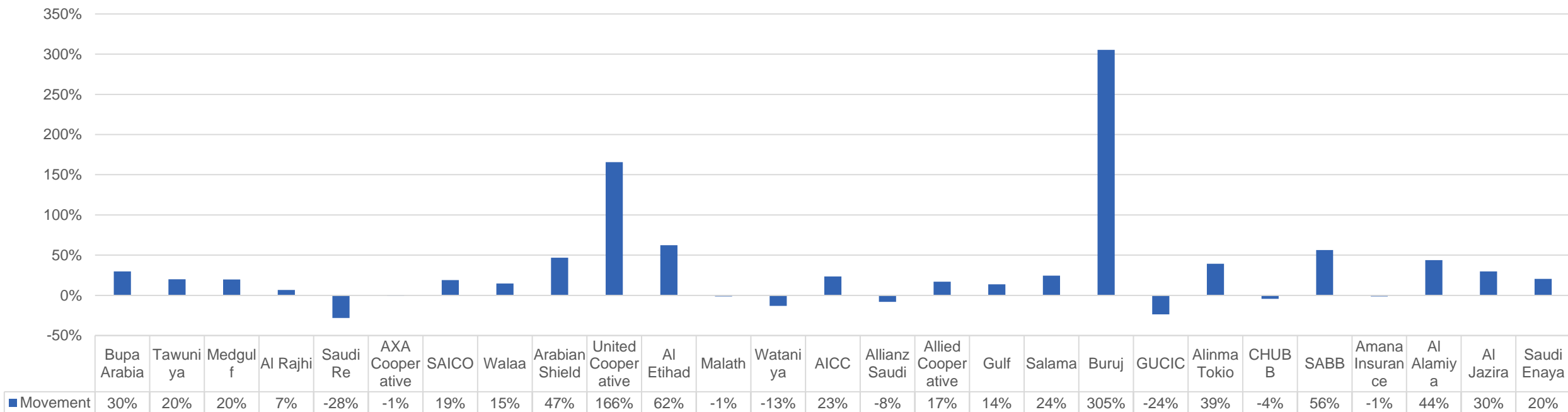


Gross Written Premiums – Remaining Companies



For Q1 2022, Al Etihad had the highest GWP of about SAR 301 million, while Saudi Enaya had the lowest GWP of just SAR 54 million. The average GWP for these remaining companies was SAR 152 million.

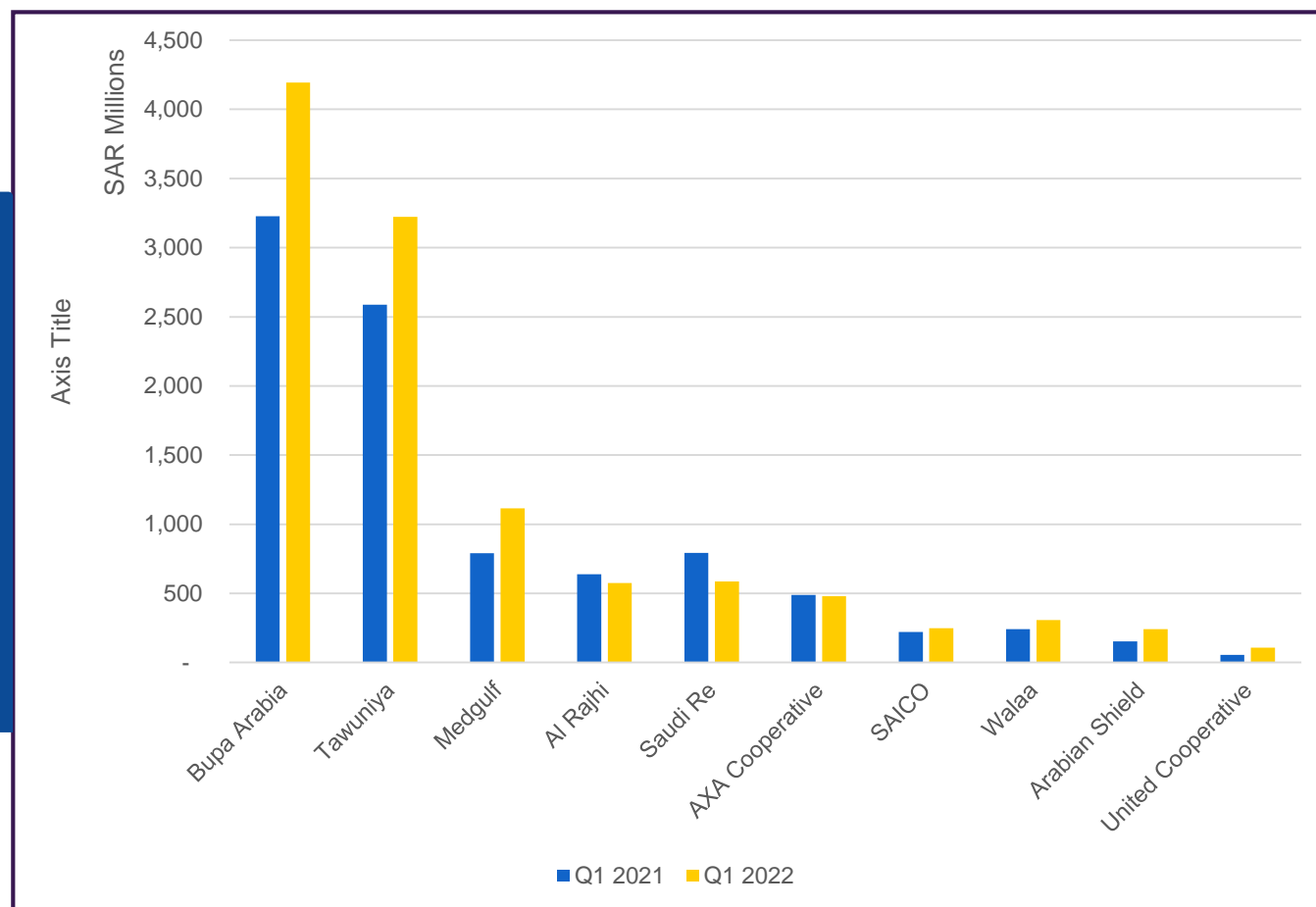
Gross Written Premiums – Movement



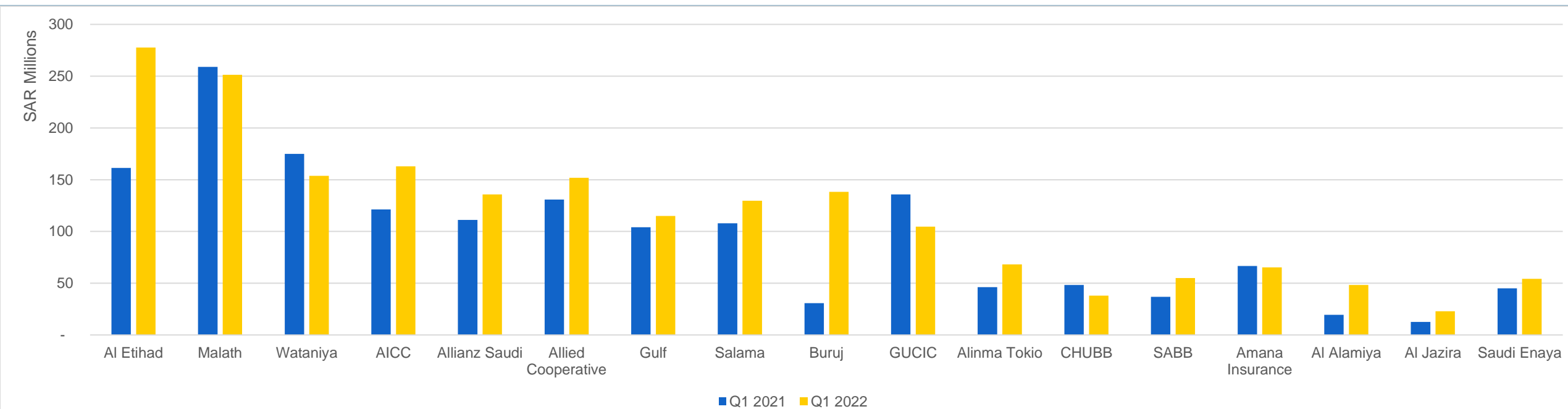
Buruj experienced the highest growth, with its GWP increasing by three folds in the last year. United Cooperative came in second place with a movement of 166%. Saudi RE, AXA, Malath, Wataniya, Allianz Saudi, GUCIC, and CHUBB had a fall in their GWP.

Net Written Premiums – Top 10 Companies

Bupa Arabia had the highest NWP of SAR 4.19 billion, while United Cooperative had the lowest NWP of SAR 107 million. Both these companies retained their highest and lowest positions from Q1 2021.

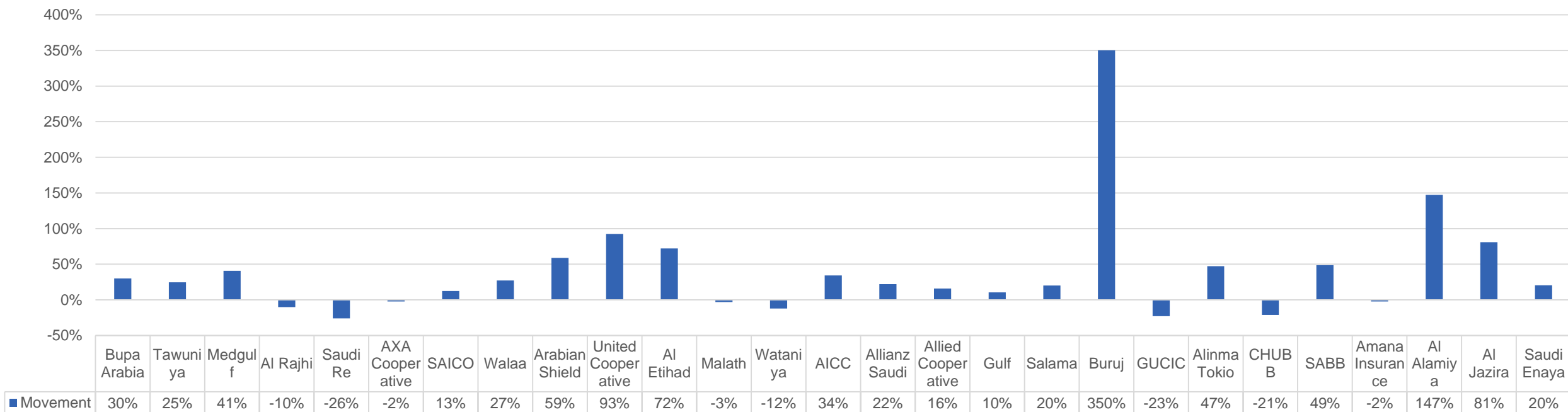


Net Written Premiums – Remaining Companies



Amongst the remaining companies, Al Etihad had the highest NWP, with a value of SAR 277 million. This value is higher than three of the top ten companies' NWPs. For Q1 2021, Malath had the highest NWP, but for Q1 2022, it came in at second place. Al Jazira had the lowest NWP in both years' first quarter.

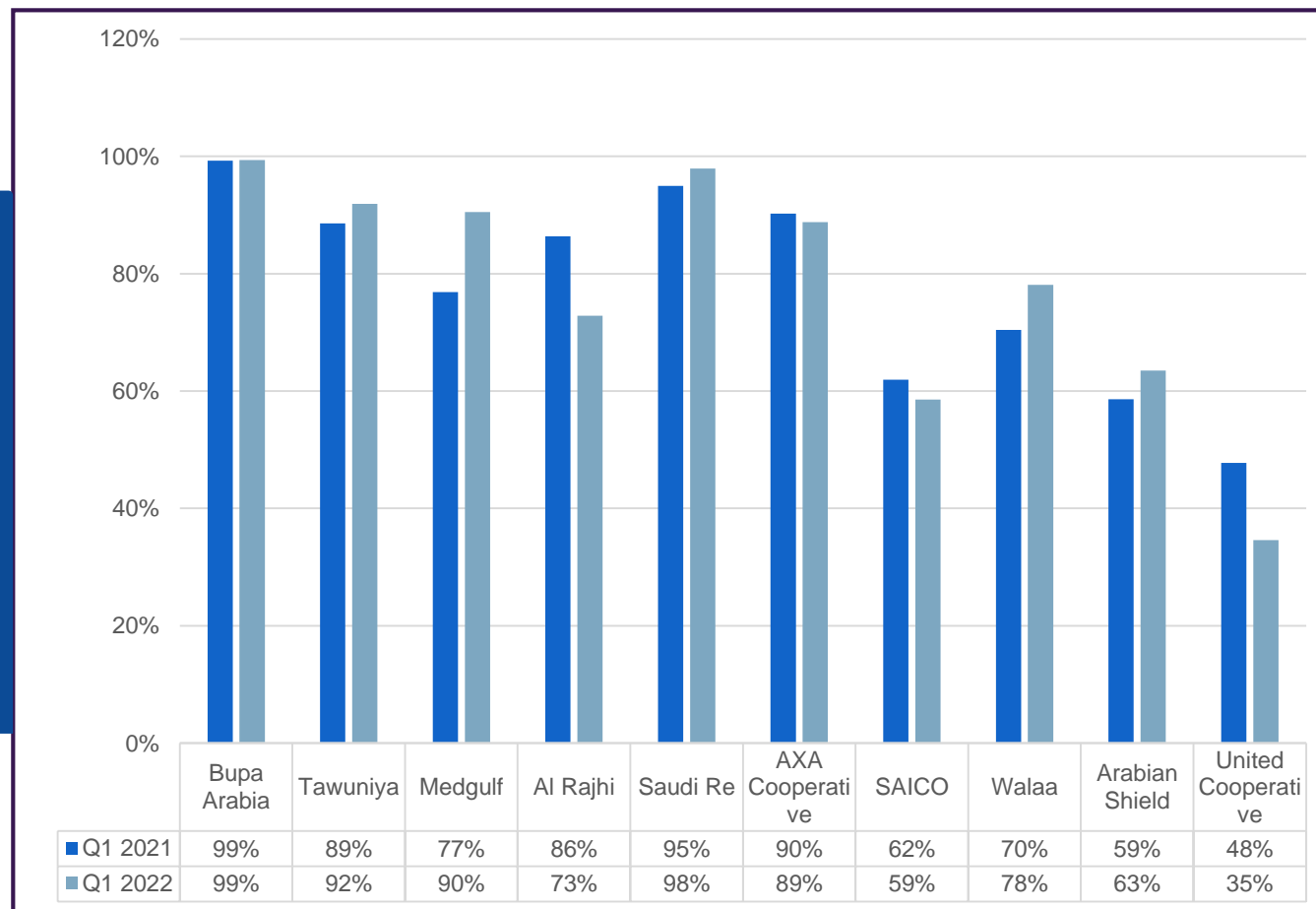
Net Written Premiums – Movement



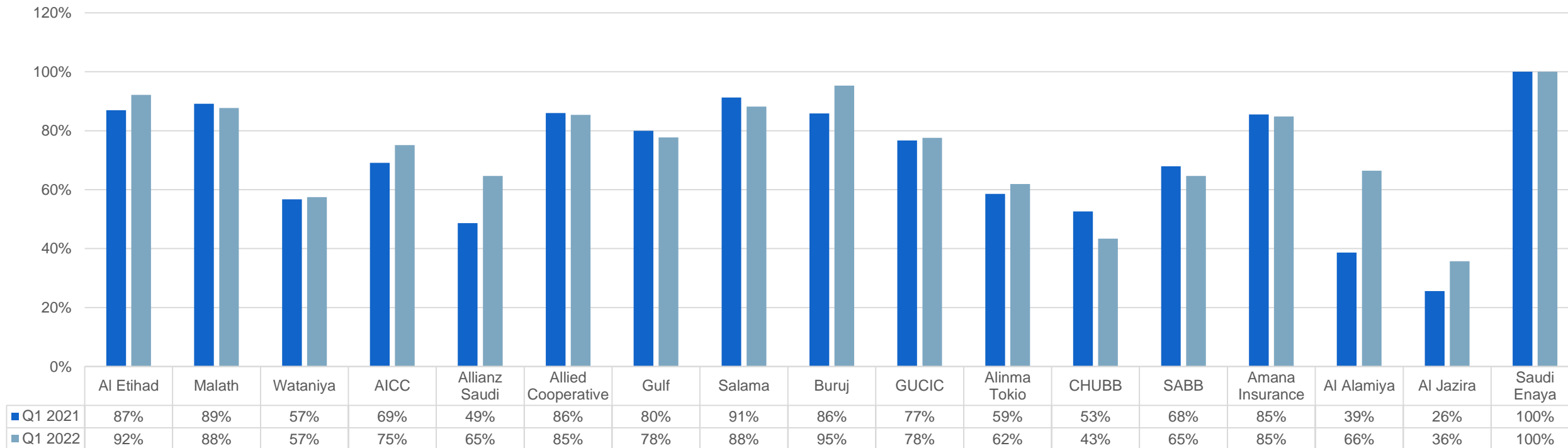
The NWP grew the most for Buruj, with a 3.5-fold increase. The range of the NWP movements was narrower and less volatile for the top 10 companies compared to the remaining companies' range. 8 out of the 27 companies experienced a fall in their NWP.

Retention Ratios - Top 10 Companies

Bupa Arabia, Tawuniya, Medgulf, Saudi Re and AXA Cooperative retained most of their premiums, with each of their ratios being well above 85%. Of the top 10 companies, only United Cooperative retained less than half of their premiums.

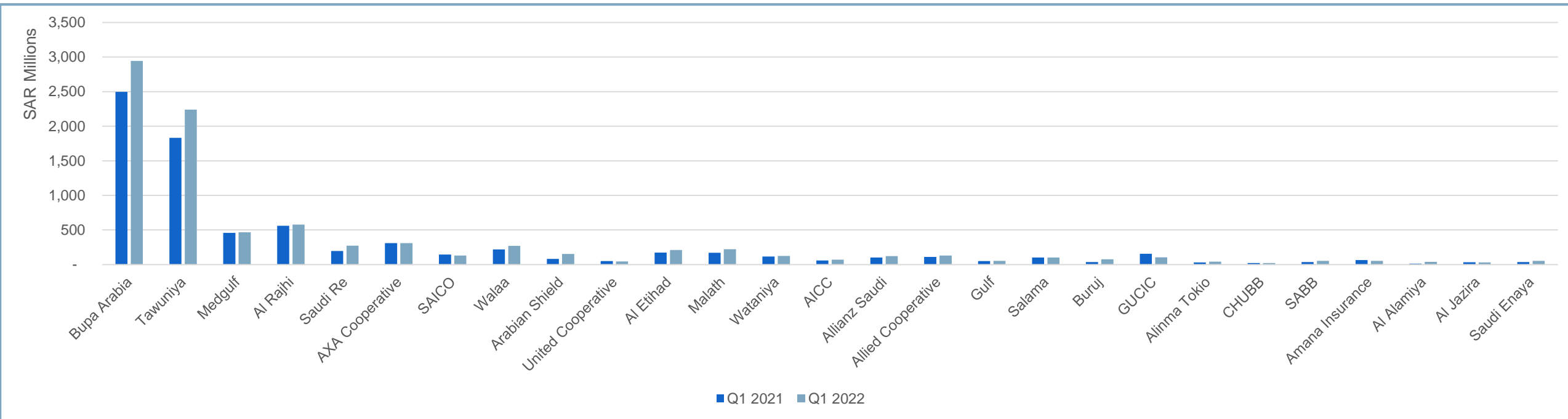


Retention Ratios - Remaining Companies



7 of the 17 remaining companies retained most of their premiums, with ratios of at least 85%. Saudi Enaya retained all of its business for both years' quarters. Only CHUBB and Al Jazira retained less than half of their premiums in Q1 2022.

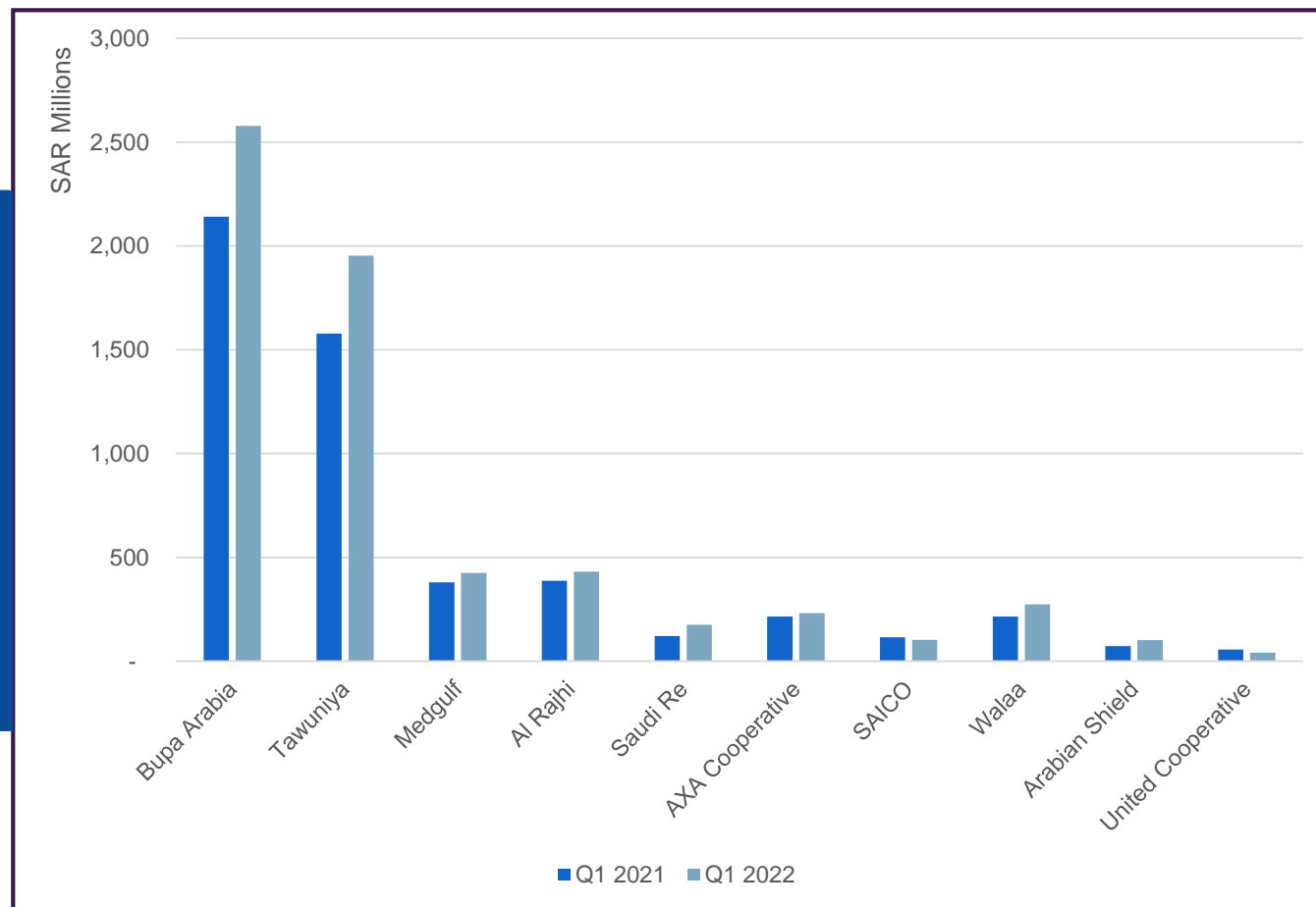
Net Earned Premiums – All Companies



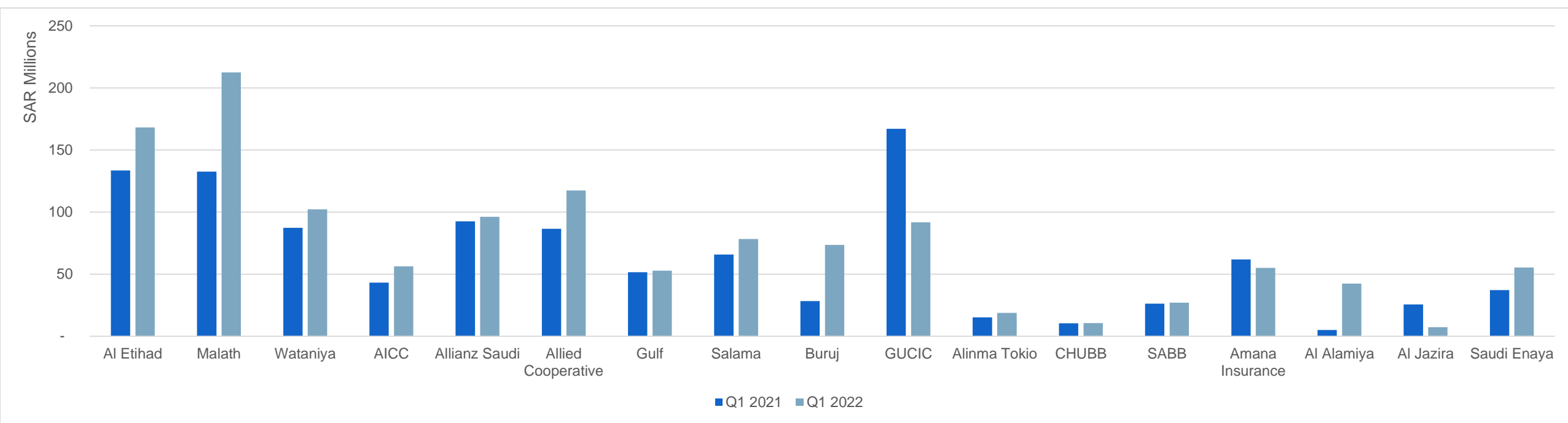
Bupa Arabia had the highest Net Earned Premiums for both years' first quarter. Tawuniya and Al Rajhi claimed their second and third places, respectively. SAICO, United Cooperative, GUCIC, Amana and Al Jazira experienced a fall in their NEP.

Net Incurred Claims - Top 10 Companies

As can be predicted, Bupa Arabia and Tawuniya retained their top positions for both quarters. Besides SAICO and United Cooperative, the rest of the top 10 companies had an increase in their Net Incurred Claims.



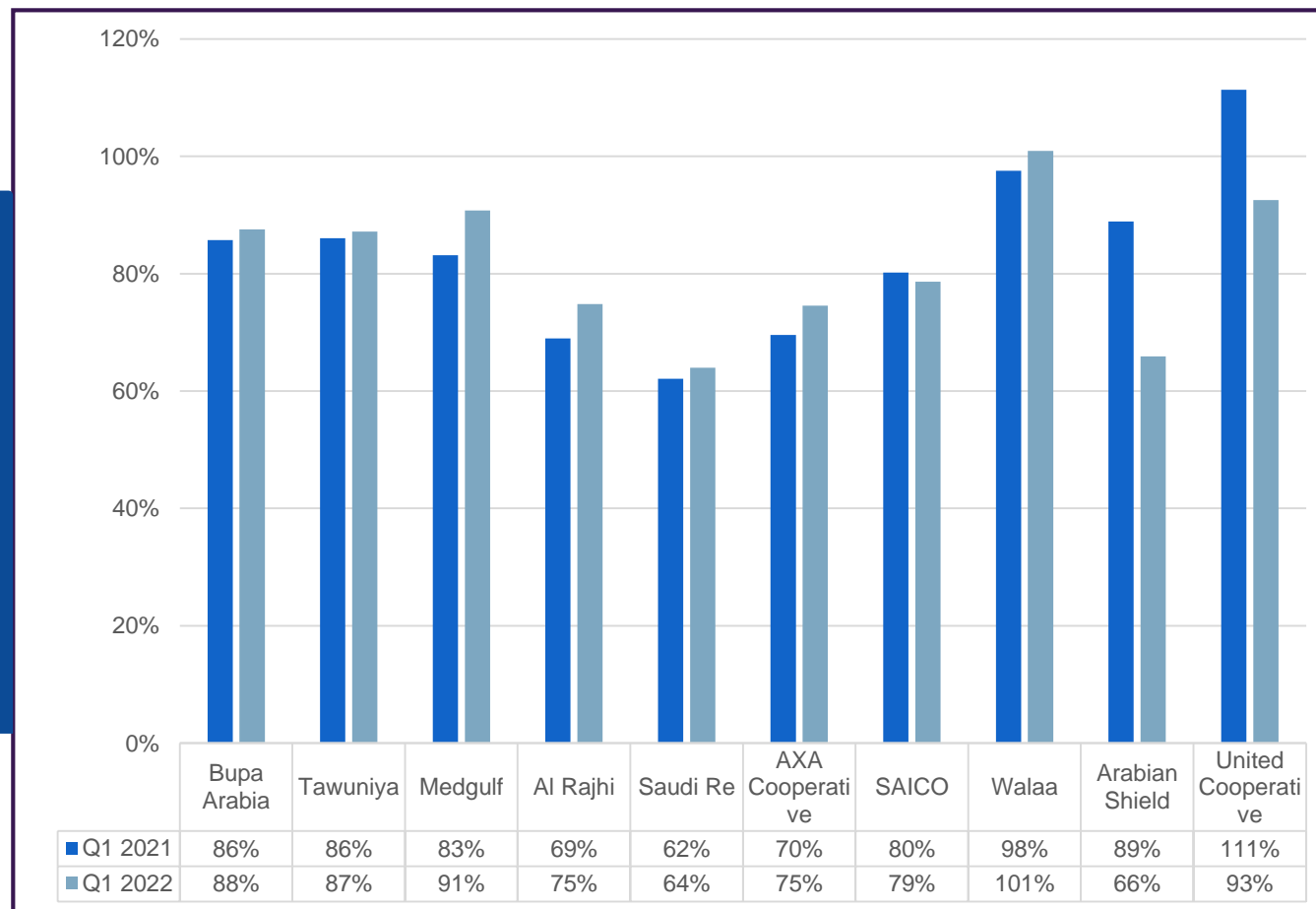
Net Incurred Claims - Remaining Companies



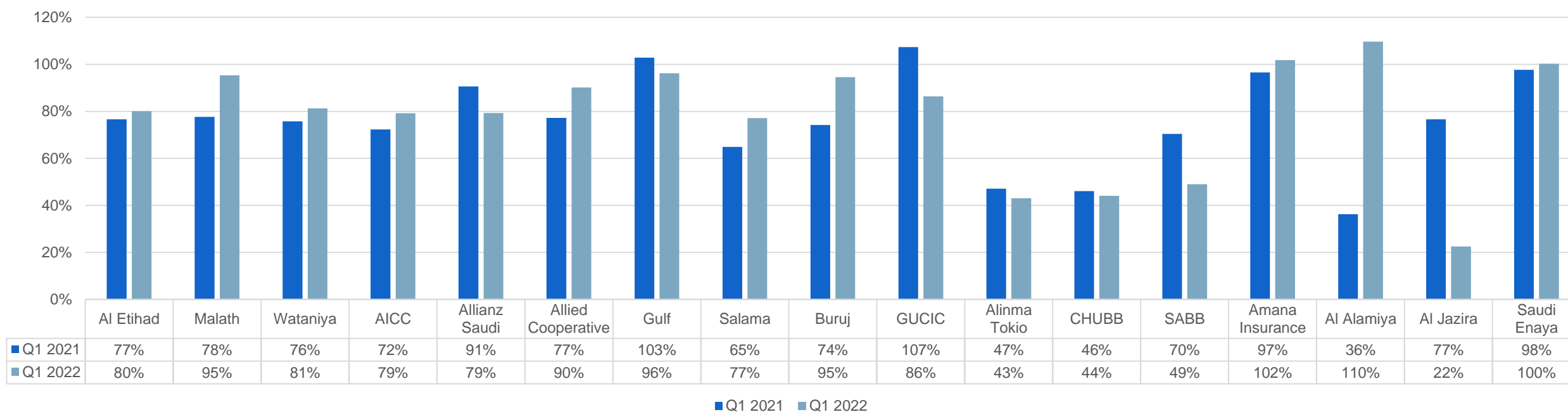
Of the remaining companies, Malath had the highest Net Incurred Claims, with a value of SAR 212 million. For last year's first quarter, this position belonged to GUCIC, with a value of SAR 167 million. Al Jazira had the lowest Incurred Claims for this past quarter, with a value of SAR 7 million only. GUCIC, Amana and Al Jazira experienced a fall in their Incurred Claims from Q1 2021.

Net Loss Ratios - Top 10 Companies

The Loss Ratio measures the proportion of incurred claims to earned premiums, i.e., it is to check if the company is experiencing more or fewer claims compared to the money it is earning. Only Walaa had a Loss Ratio of above 101%, indicating that incurred claims were higher than the premiums it earned. Except for SAICO, Arabian Shield and United Cooperative, the rest of the companies had an increase in their Loss Ratios.



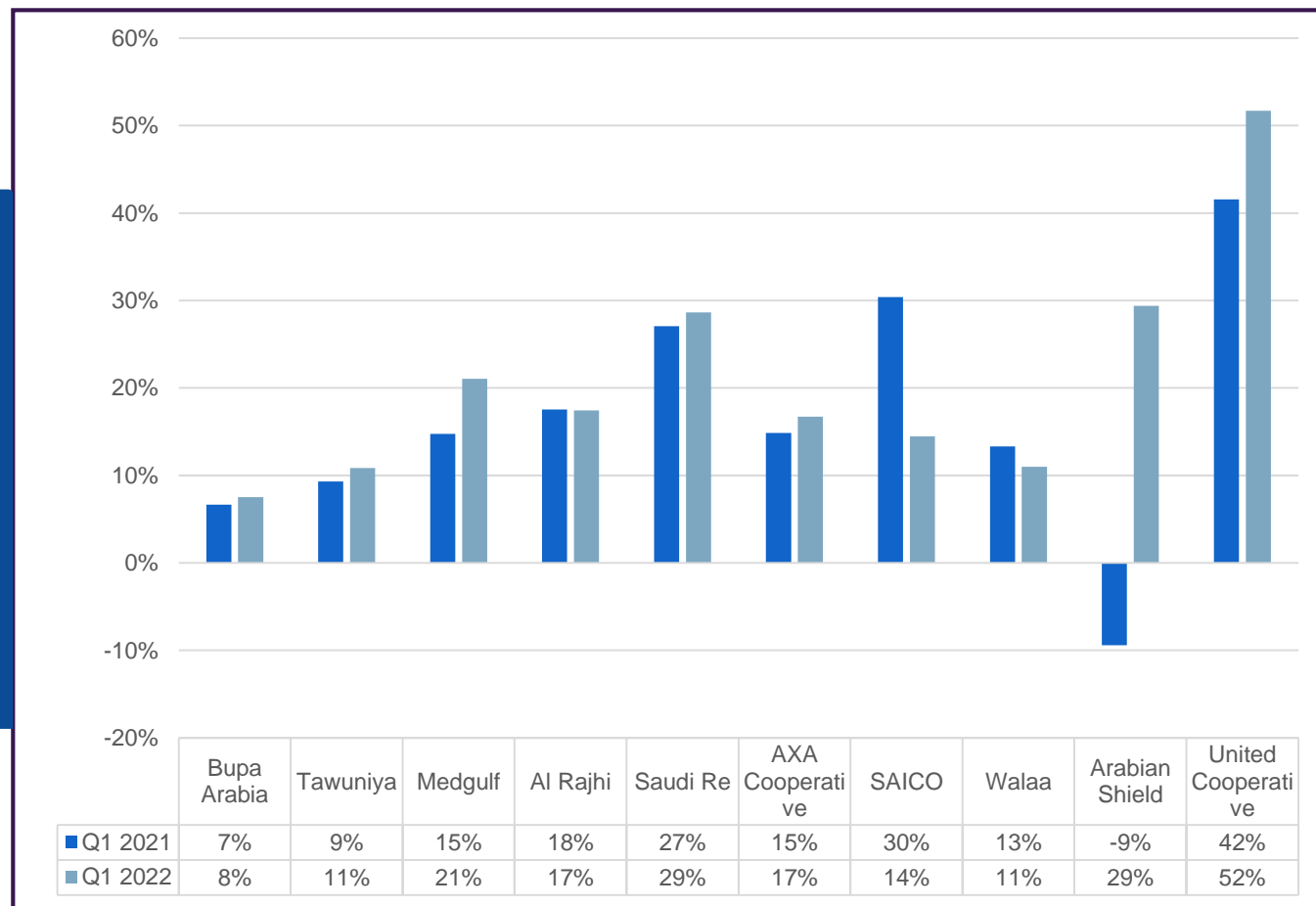
Net Loss Ratios – Remaining Companies



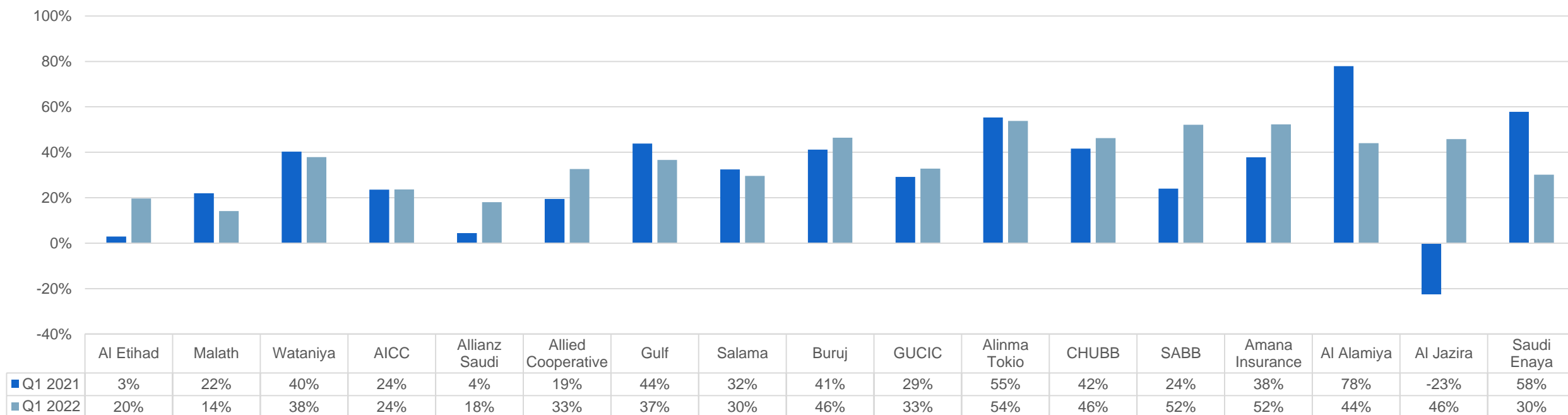
Of the remaining companies, Amana, Al Alamiya and Saudi Enaya had Loss Ratios of at least a 100%. For Q1 2021, GUCIC had the highest Loss Ratio. Al Jazira had the lowest ratio of 22% for Q1 2022.

Net Expense Ratios - Top 10 Companies

The Expense Ratio measures how much of a company's earned premiums are paid out in expenses. The higher the ratio, the more expenses there are relative to the premiums earned. United Cooperative had the highest Expense Ratios for Q1 2021 and Q1 2022. Bupa Arabia had the lowest for Q1 2022, while Arabian Shield had the lowest for Q1 2021. A negative ratio indicates that reinsurance commissions and other generated incomes are greater than the expenses of the company.



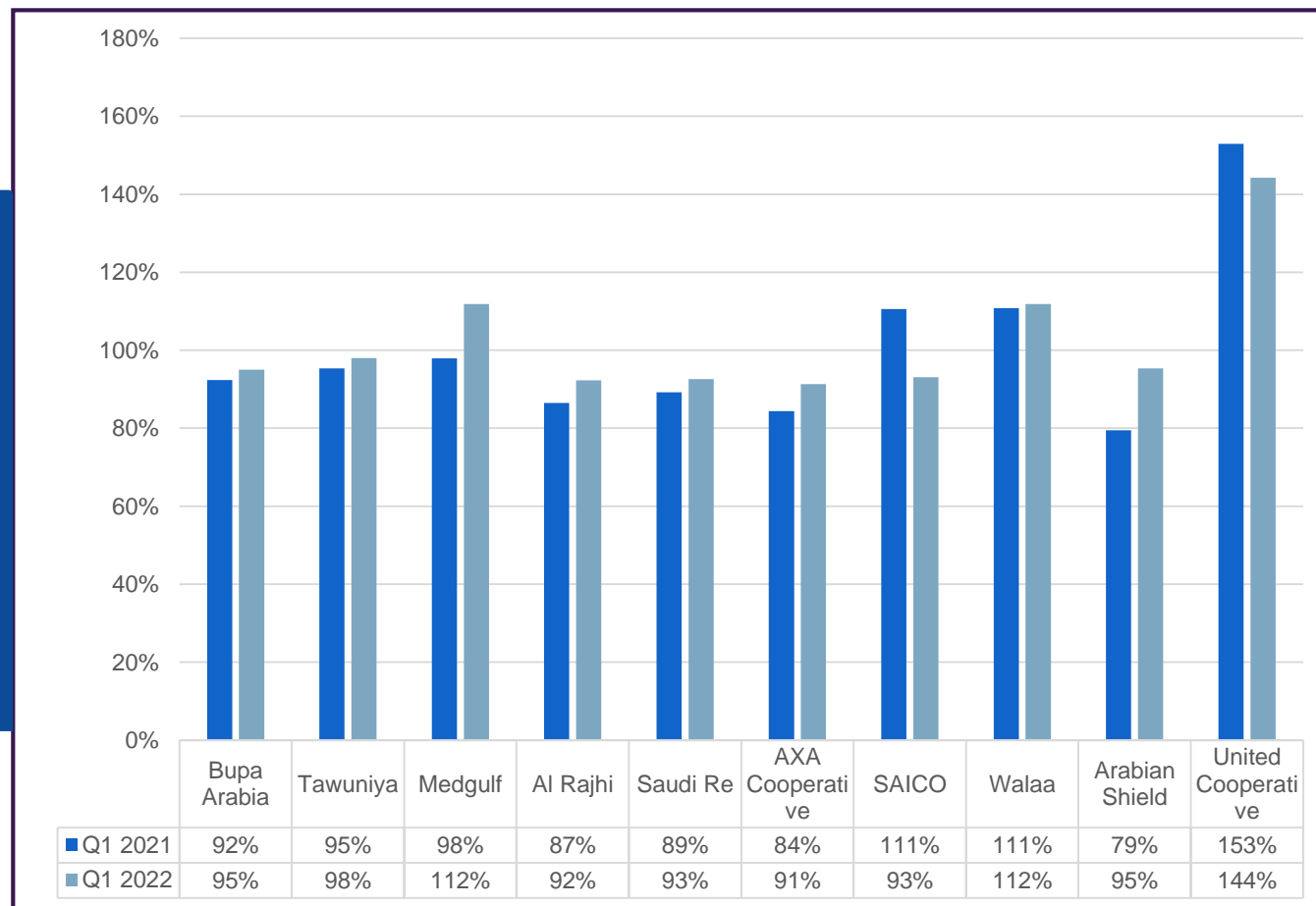
Net Expense Ratios - Remaining Companies



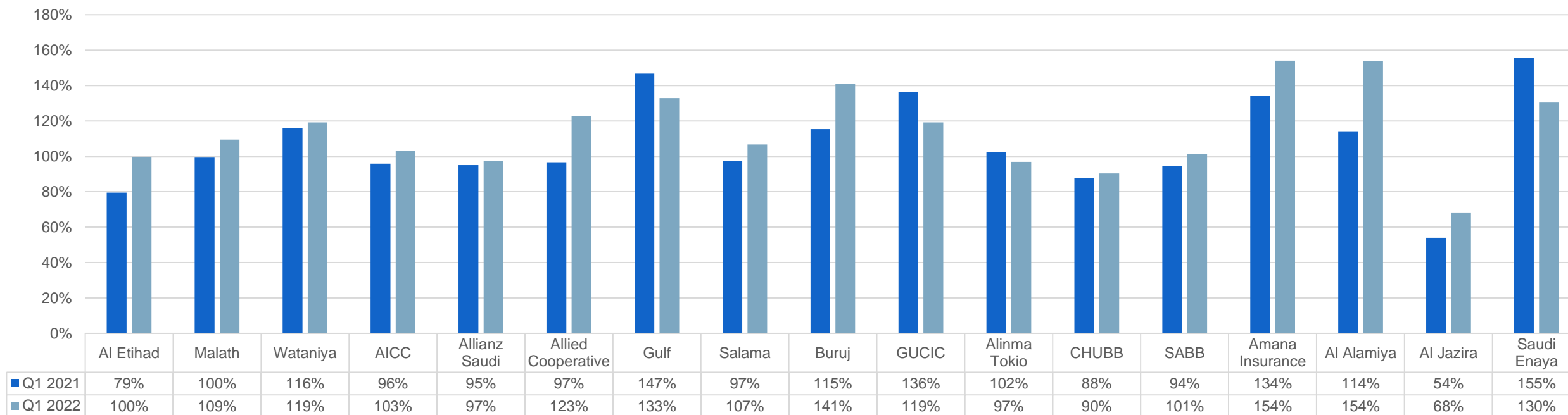
Of the remaining companies, Alinma Tokio had the highest Expense Ratio of 54% for Q1 2022, while Al Alamiya had the highest of 78% for Q1 2021. Malath had the lowest ratio of 14% for Q1 2022.

Net Combined Ratios - Top 10 Companies

A Combined Ratio is just the sum of Loss and Expense Ratios. It is a measure of profitability to gauge how well an insurance company is performing with regard to its daily operations. A value of over 100% indicates that all of the earned money is being used to pay out claims and expenses. United Cooperative had the highest Combined Ratios for both years, with values of over 140%. Most of the top 10 companies had a Combined Ratio of under 100% for both years, with the exceptions of Medgulf, SAICO, Walaa and United Cooperative.



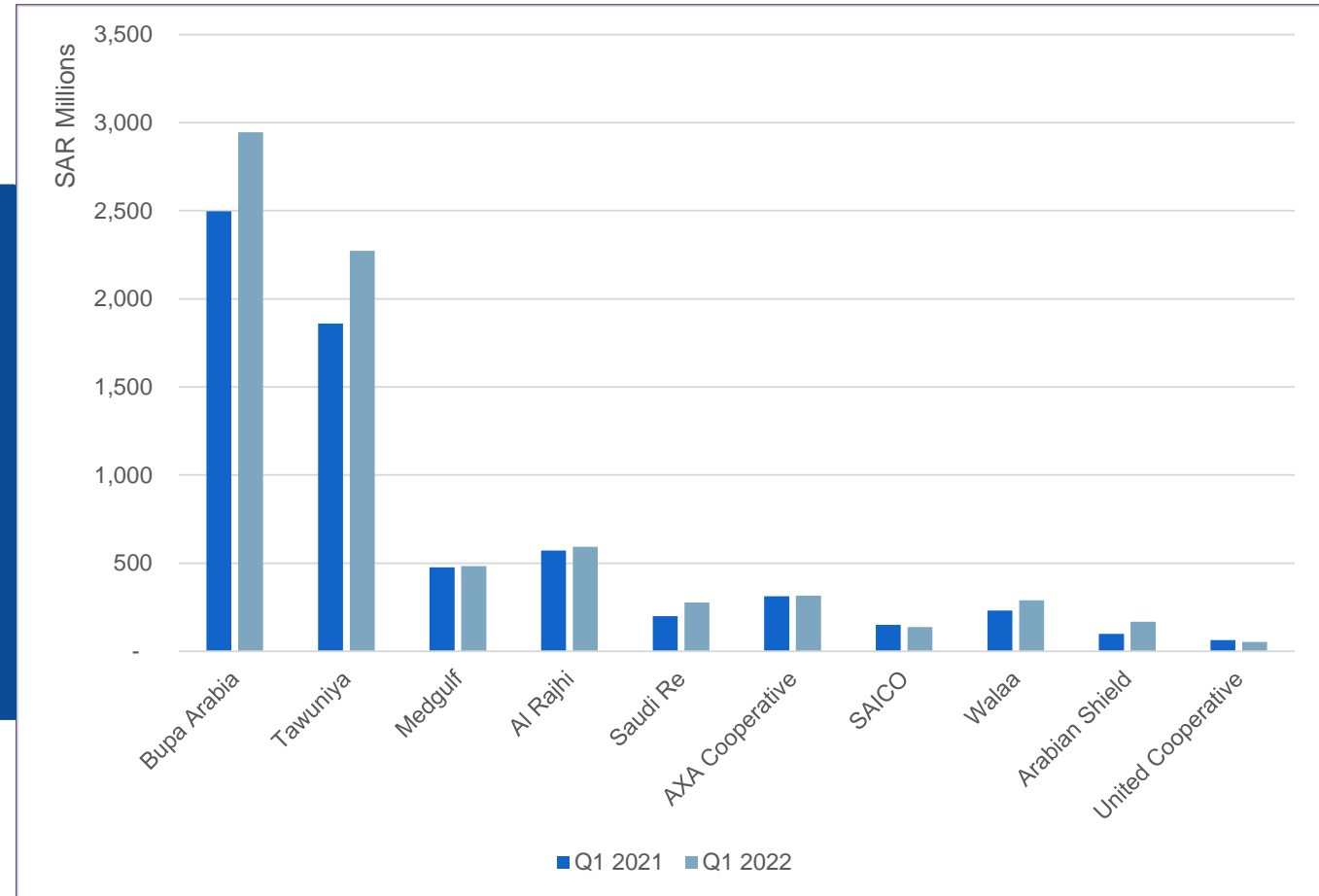
Combined Ratios – Remaining Companies



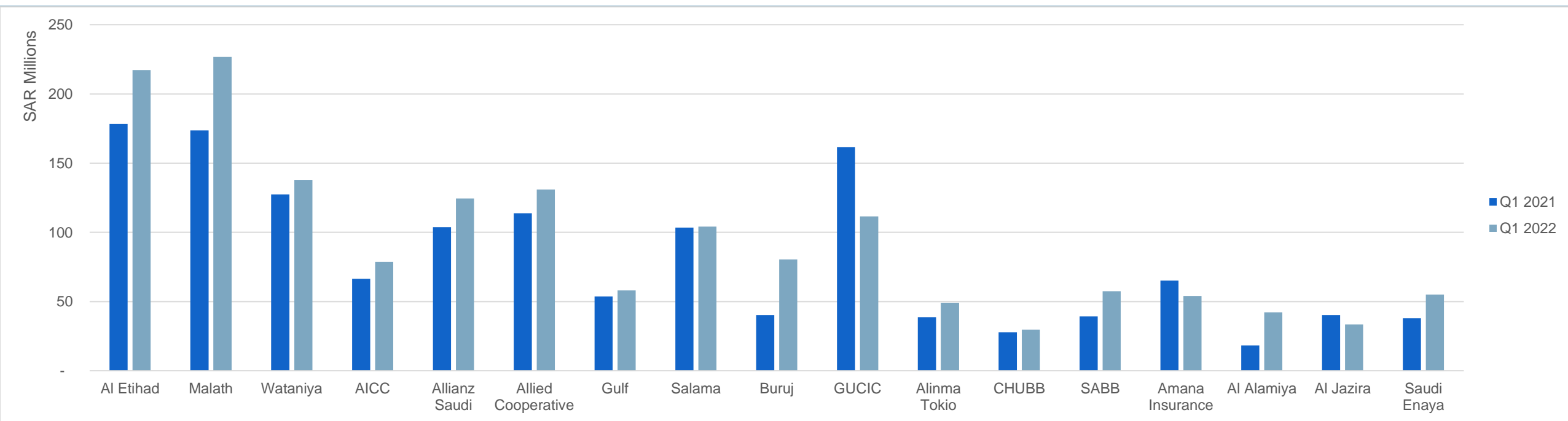
The average Combined Ratio for the remaining companies amounted to 114%, indicating that most of these companies have relatively more claims and expenses compared to their earned premiums. Amana and Al Alamiya had the highest ratios for this quarter, with values of about 154% each.

Net Revenue - Top 10 Companies

Bupa Arabia had the highest Net Revenue for Q1 2021 and Q1 2022. Tawuniya and Al Rajhi also maintained their second and third positions, respectively. The average Net Revenue of the top 10 companies was SAR 754 million.

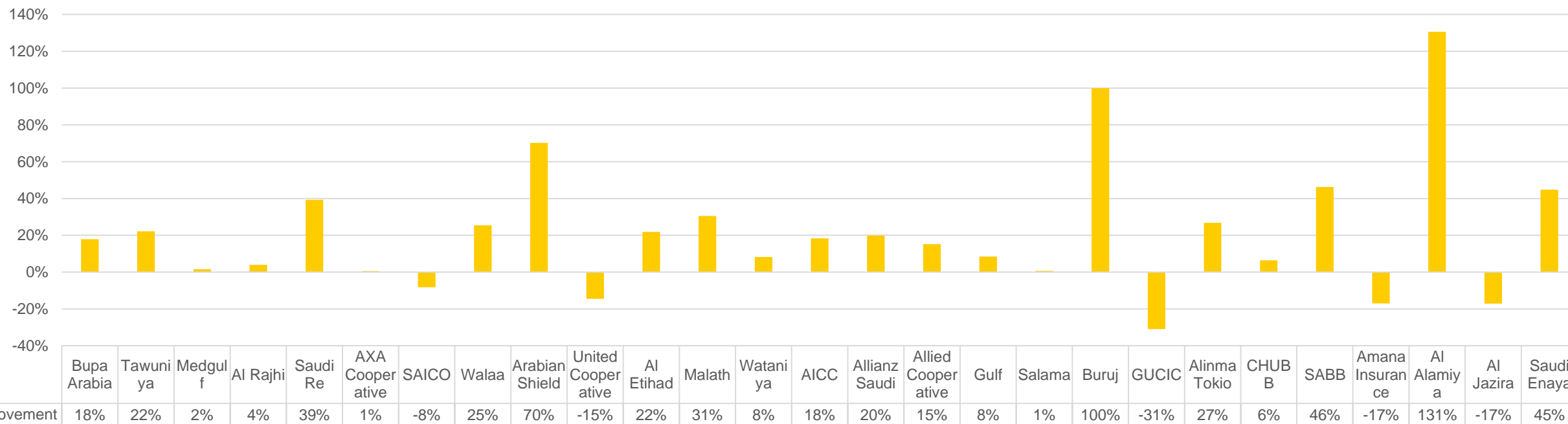


Net Revenue - Remaining Companies



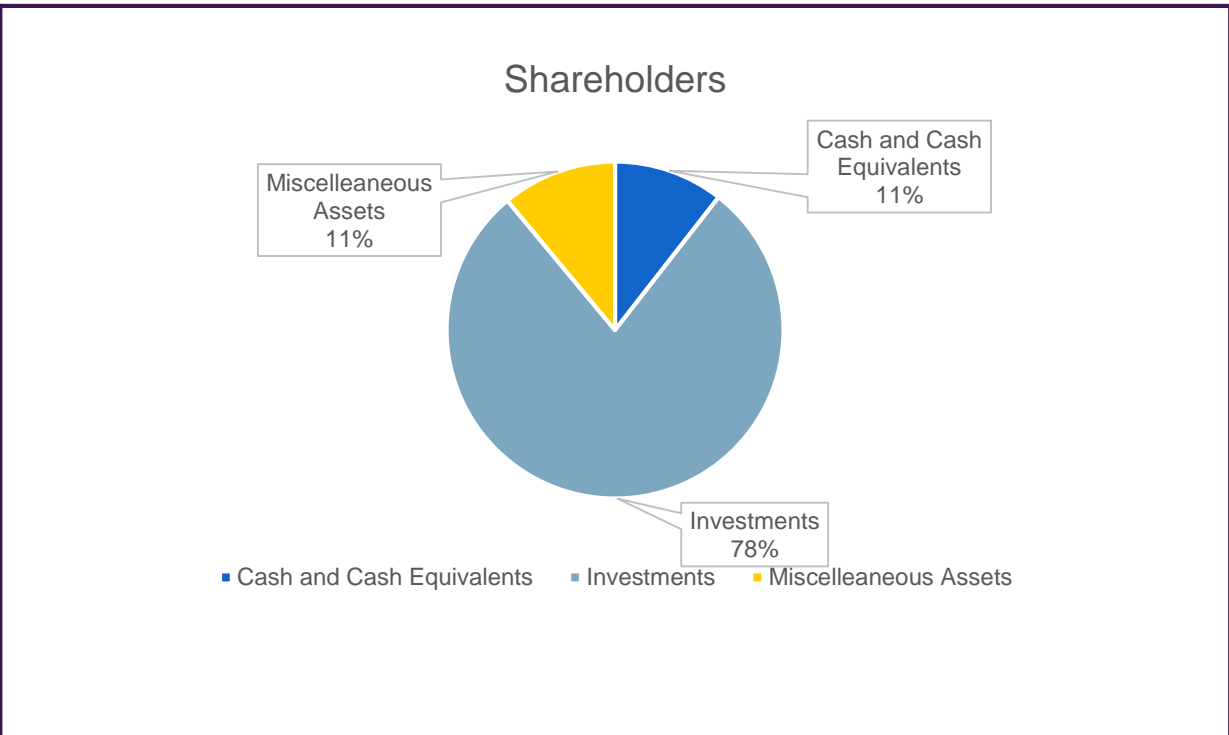
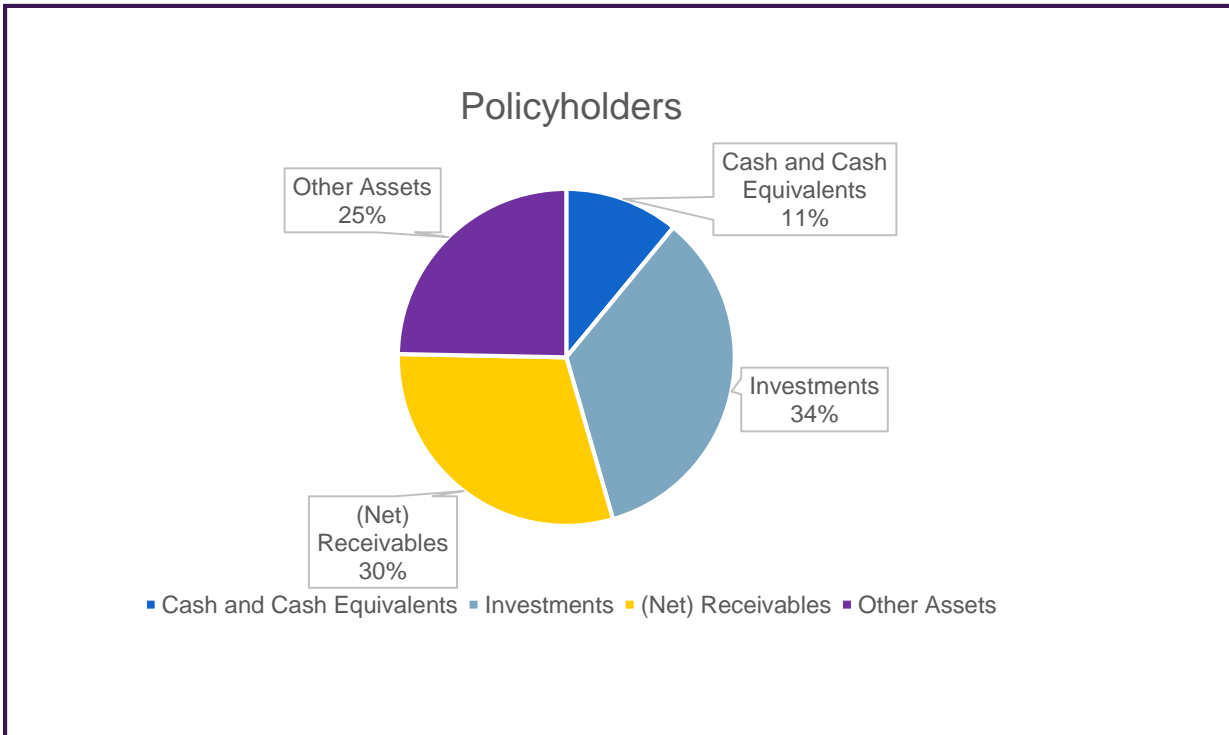
Malath had the highest Net Revenue of SAR 227 million, followed closely by AI Etihad at SAR 217 million. CHUBB had the lowest Net Revenue in the industry, with a value of SAR 29 million only. The average Net Revenue of these remaining companies was SAR 94 million.

Net Revenue - Movement



The industry as a whole experienced a movement of 16%, with the average being 21%. Al Alamiya had the highest movement of 131%, while GUCIC had the lowest movement of -31%. SAICO, United Cooperative, Amana, and Al Jazira experienced negative movements as well.

Assets Classification - Aggregate



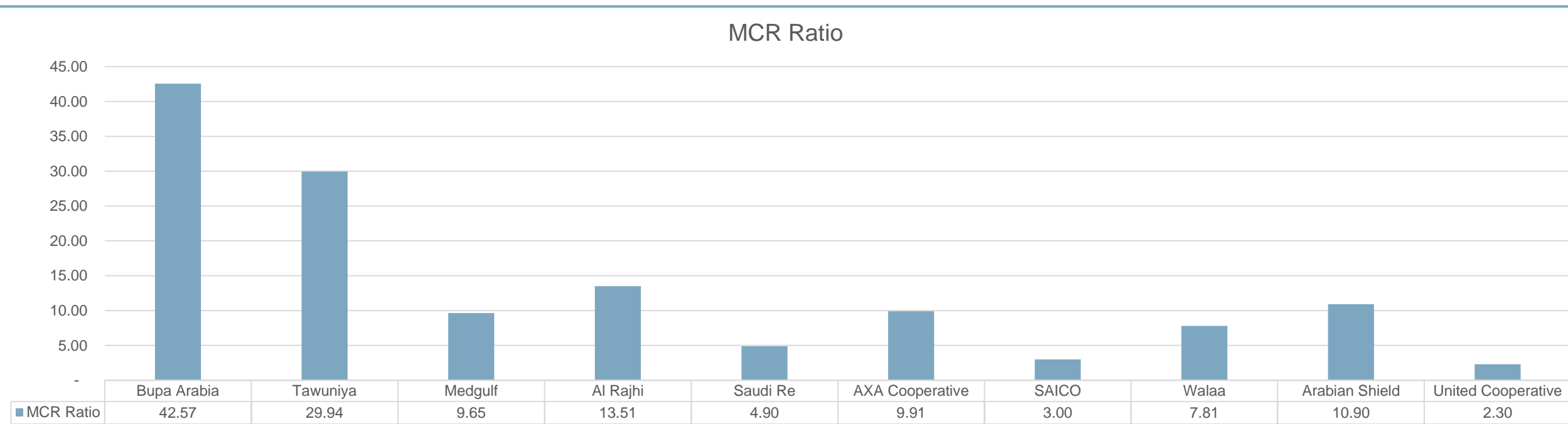
Investments made the majority of the assets for both Policyholders and Shareholders. Cash made up the smallest portion of assets.

Liabilities & Equity Classification - Aggregate



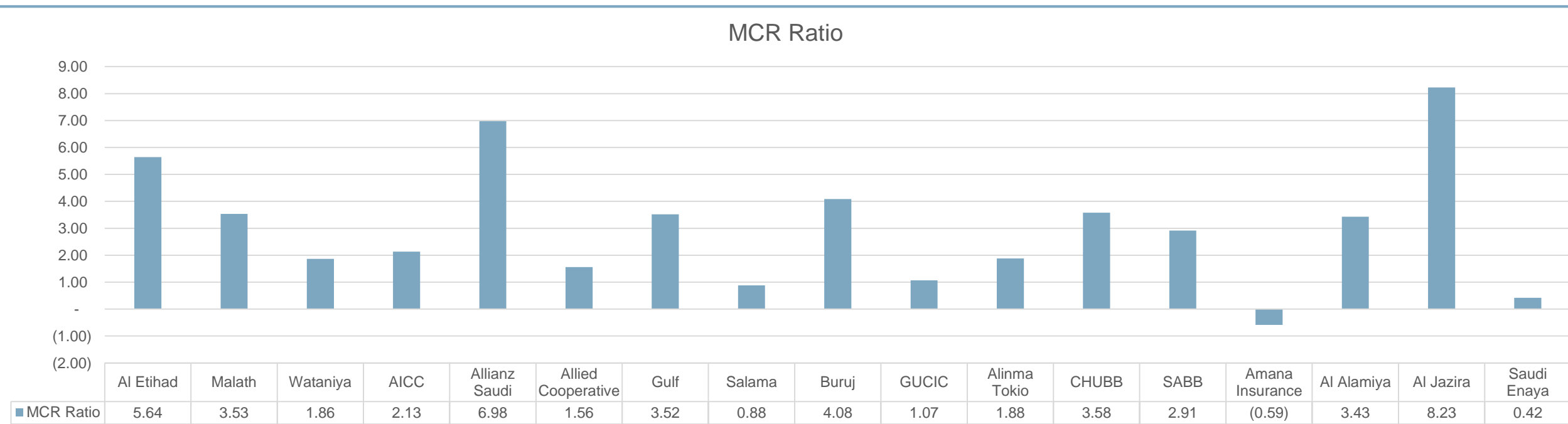
For Policyholders, unearned premiums make up the majority of the liabilities, followed closely by reserves and others. Outstanding claims take up the smallest portion. For Shareholders, their equity is at least 8 times more than their liabilities.

Solvency Analysis – Top 10 Companies



For KSA, the Minimum Capital Requirement is SAR 100 million for insurers and SAR 200 million for reinsurers. An MCR Ratio is a solvency ratio that simply tells us if the company has equity that can meet its MCR requirements. All of the top 10 companies have more equity than their MCR.

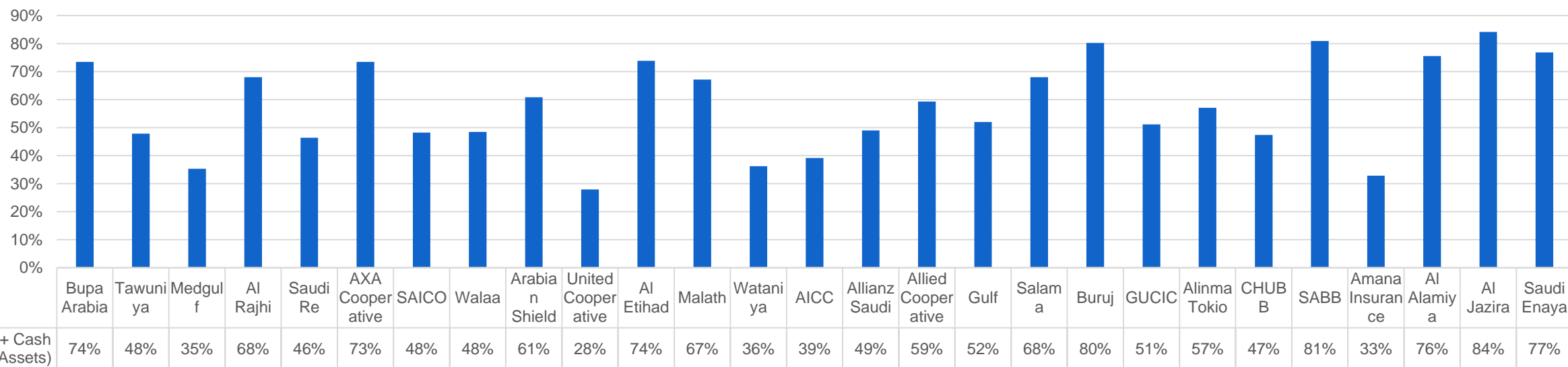
Solvency Analysis – Remaining Companies



Of the remaining companies, Amana has a negative ratio, which indicates that the company's equity is negative for this quarter. Salama and Saudi Enaya have ratios of less than 1, indicating that their equity is positive but less than their MCR.

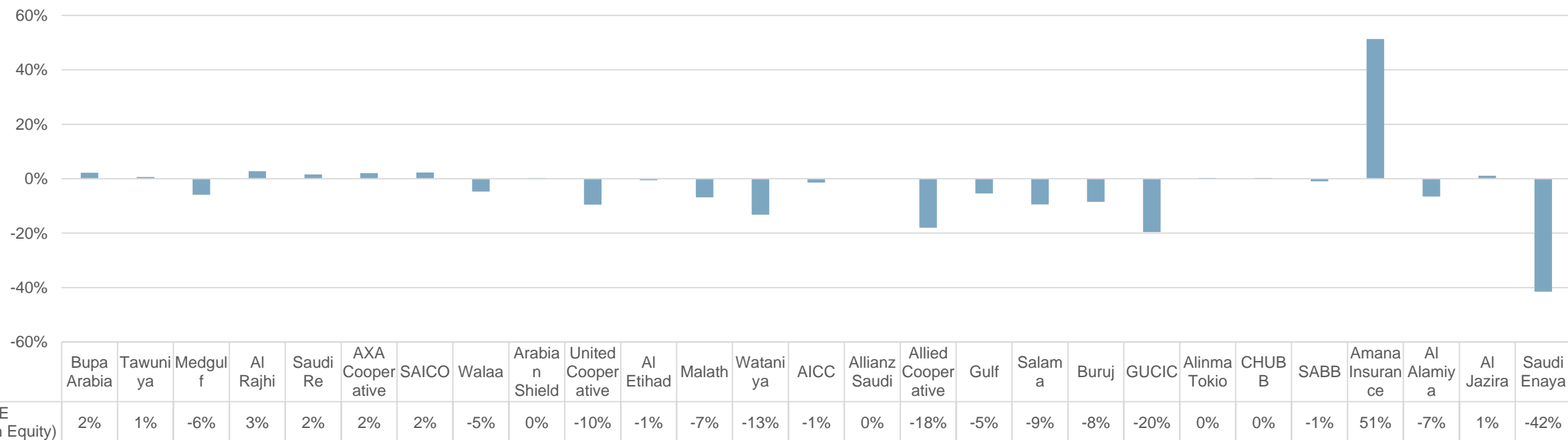
Proportion of Invested Assets

Investments & Cash
(as a Percentage of Assets)



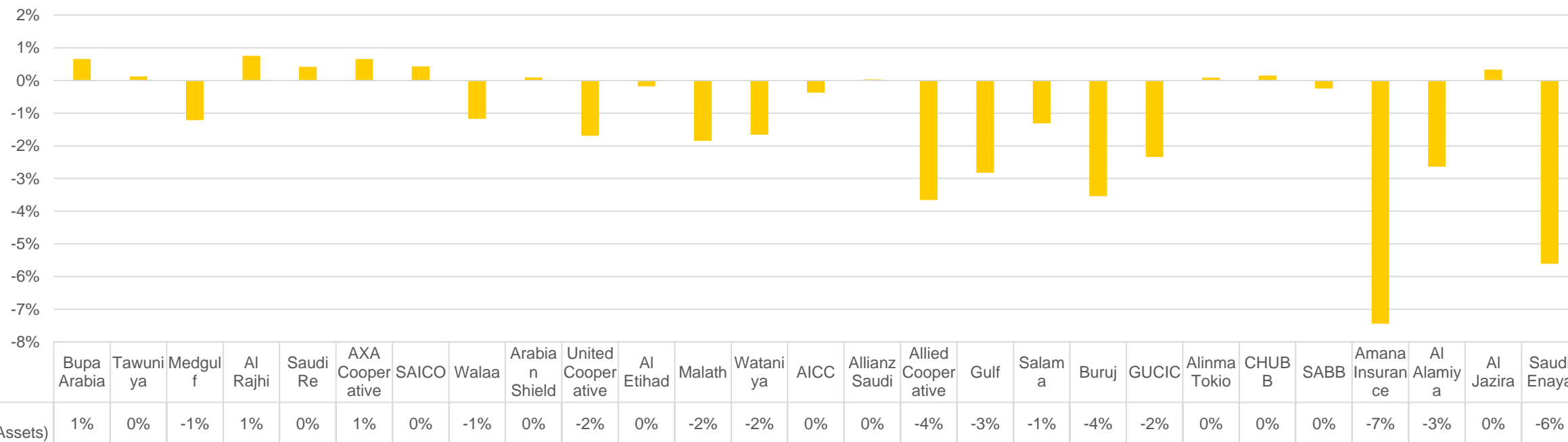
11 of the 27 companies had investments and cash equivalents of less than 50% of their total assets. The highest proportion belonged to Al Jazira, with 84% of its assets in investments and cash equivalents.

Return on Equity (ROE)



The Return On Equity is a ratio that essentially measures the rate of return that the owners of the common stock of a company receive. ROE signifies how well the company generates returns on the investment it receives from its shareholders. For Q1 2022, the highest ROE belonged to Amana Insurance, which means its investors enjoyed the most efficiently generated profits when compared to the rest of the industry. 15 of the 27 companies had a negative ratio, with Saudi Enaya having the lowest of -42%.

Return on Asset (ROA)



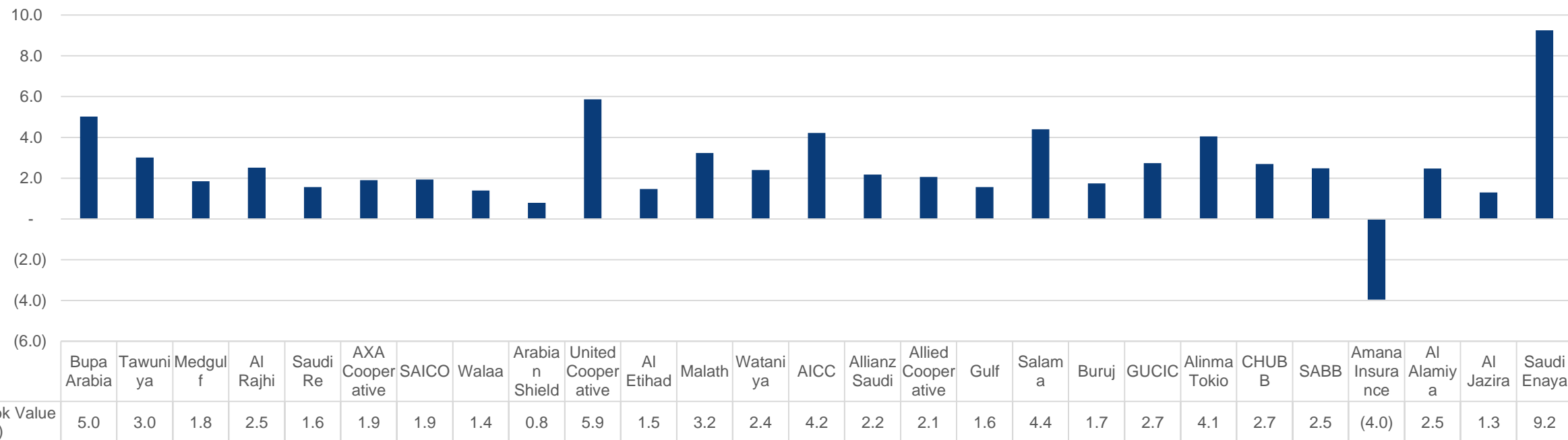
Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. The higher the ratio, the better a company is at generating profits by managing its balance sheet. As can be noted, most of the companies in KSA's insurance industry had a negative ratio, which indicates that there is room for a lot of improvements. Al Rajhi had the highest ratio for Q1 2022, but even that is about 1% only.

Net Margin



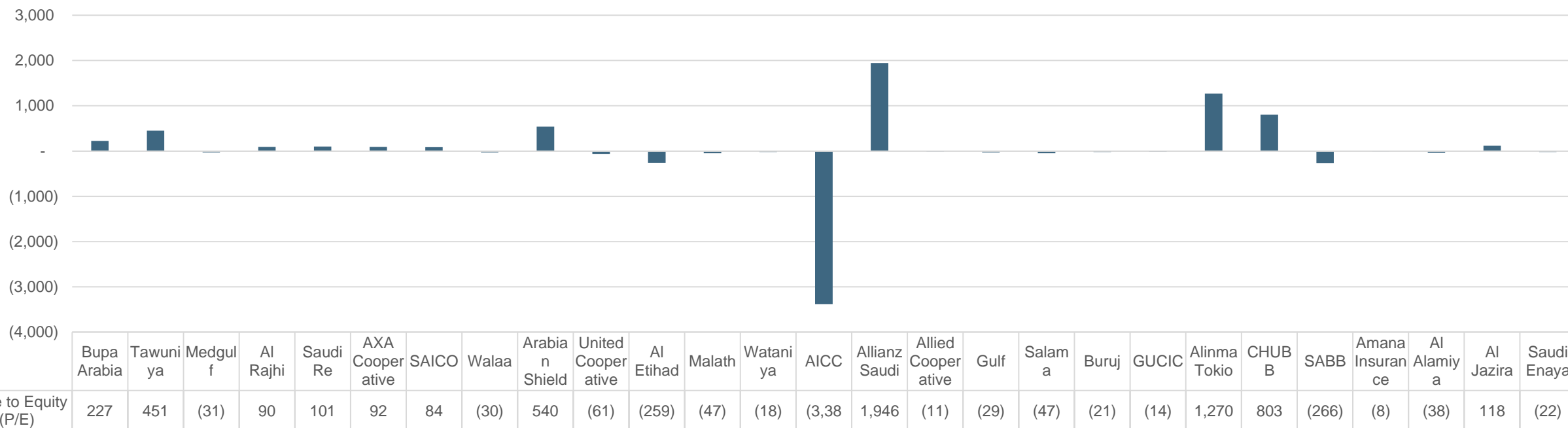
The Net Margin is one of the most important indicators of a company's overall financial health. It measures how much profit a company generates as a percentage of its revenue. Al Jazira had the highest Net Margin of 27%, while Amana had the lowest of -56%. Only 11 of the 27 companies had positive Net Margins. The average Net Margin of KSA's industry was -11%, indicating the industry as a whole is not efficient at generating profits from its revenues.

Price-to-Book Value (P/B)



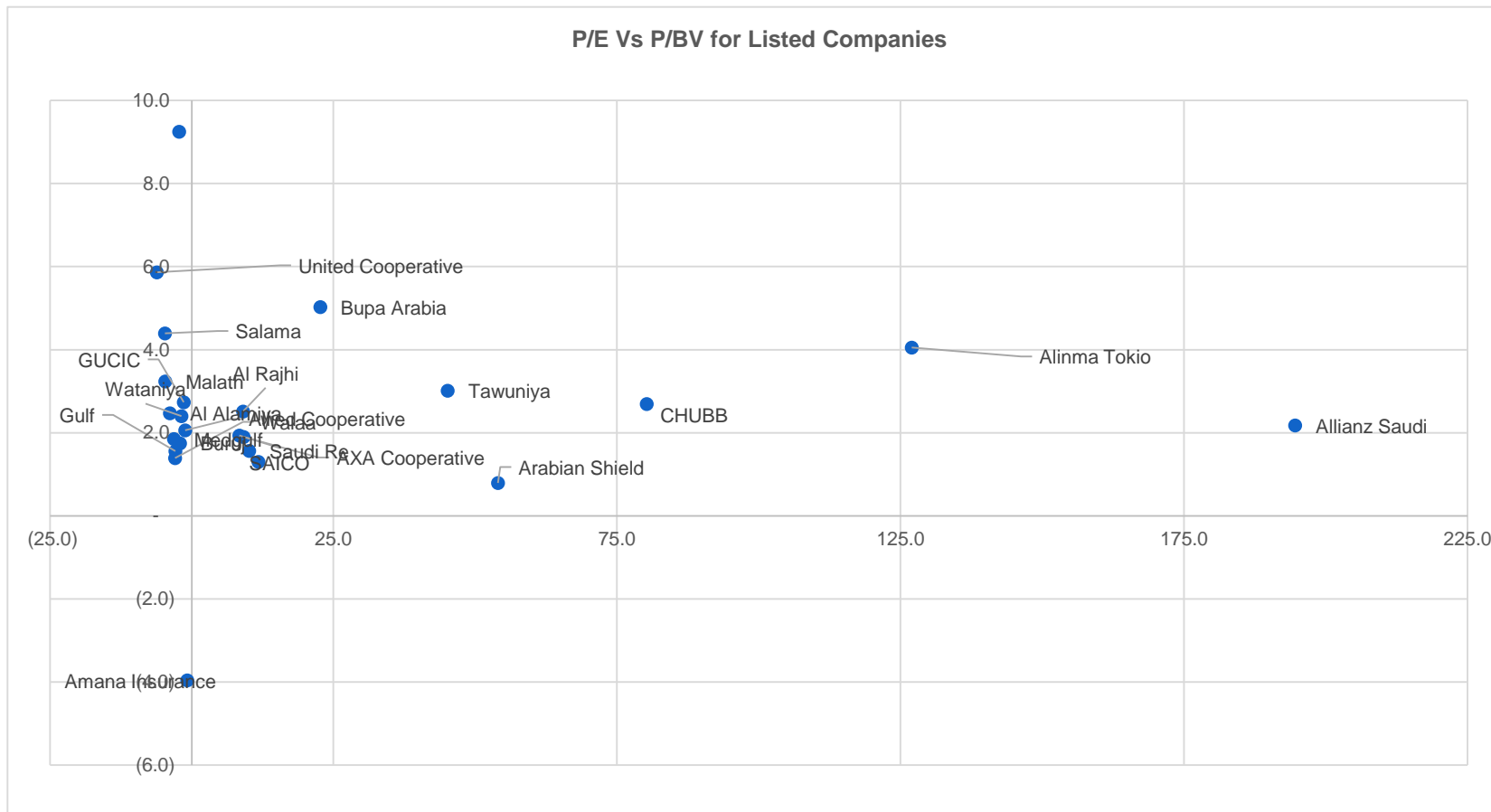
Companies use the Price-to-Book (P/B) ratio to compare their market capitalization with their book value. It is calculated by dividing the company's stock price per share by its Book Value Per Share (BVPS). Saudi Enaya had the highest P/B ratio of 9.2, suggesting that its price is greater than its book value per share. Moreover, a high price-to-book ratio may also mean that the stock is overvalued, and thus, the price of such shares may decrease over time. In the same way, a low book-to-price ratio may mean that the stock is undervalued, and its price may increase over time. Amana Insurance is the only company with a negative P/B ratio showing that it has more liabilities than assets. This doesn't automatically mean bad news. Other factors need to be considered as well.

Price-to-Earnings (P/E)



The Price-to-Earnings (P/E) ratio is also sometimes known as the price multiple or the earnings multiple. A high P/E ratio suggests that the market has high expectations of future growth for the company. Allianz Saudi had the highest ratio in 1946, suggesting that investors have confidence in the performance of the company. On the other end, AICC had the lowest ratio of -3385. The average ratio in the industry for Q1 2022 was 53.

Price-to-Book and Earning Ratio



Meet the Team

Zaid Muzammil

Senior Actuarial Consultant

Bilal Shakir

Senior Actuarial Analyst

Behlole Bukhari

Actuarial Analyst

Hiba Ibad

Data and Research Trainee

Rida Naveed

Data and Research Trainee

SHMACONSULTING

Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Kingdom of Saudi Arabia for the first quarter of 2022. 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.



info@shmaconsulting.com
P.O. Box 340505, Dubai, UAE



+971 56 183 1095, +971 52 831 4612