

Insurance Industry

KSA

2022


www.shmaconsulting.com

SHMACONSULTING



TABLE OF CONTENTS

SHMA CONSULTING

	Limitations & Disclaimers.....	02
---	--------------------------------	----

PERFORMANCE SUMMARY

	Industry Highlights.....	03
	Performance Highlights.....	04
	Industry Benchmarks.....	05
	Aggregate Performance.....	06

MARKET SHARE & PREMIUM

	Market Share Proportion.....	07
	GWP and Rankings.....	08
	GWP Composition	09
	Gross Written Premiums – Top 10 Companies	10
	Gross Written Premiums – Remaining Companies.....	11
	Gross Written Premiums - Movement.....	12
	Net Written Premiums – Top 10 Companies.....	13
	Net Written Premiums - Remaining Companies.....	14
	Net Written Premiums - Movement.....	15

CLAIMS & RATIOS

	Retention Ratios – Top 10 Companies.....	16
	Retention Ratios - Remaining Companies.....	17
	Net Earned Premiums - All Companies.....	18
	Net Incurred Claims - Top 10 Companies.....	19
	Net Incurred Claims - Remaining Companies.....	20
	Net Loss Ratios – Top 10 Companies.....	21
	Net Loss Ratios - Remaining Companies.....	22
	Net Expense Ratios – Top 10 Companies.....	23
	Net Expense Ratios - Remaining Companies.....	24
	Net Combined Ratios – Top 10 Companies.....	25
	Net Combined Ratios - Remaining Companies.....	26

PROFITABILITY ANALYSIS

	Net Revenue - Top 10 Companies	27
	Net Revenue - Remaining Companies	28
	Net Revenue - Movement	29
	Assets Classification Aggregate.....	30
	Liabilities & Equity Classification	31
	Solvency Analysis – Top 10 Companies	32
	Solvency Analysis – Remaining Companies	33
	Proportion of Invested Assets	34
	Return on Equity (ROE).....	35
	Return on Assets (ROA).....	36
	Net Margin.....	37
	Price to Book Value	38
	Price to Earnings.....	39
	Price to Book and Earnings Ratio.....	40

LIMITATIONS & DISCLAIMERS

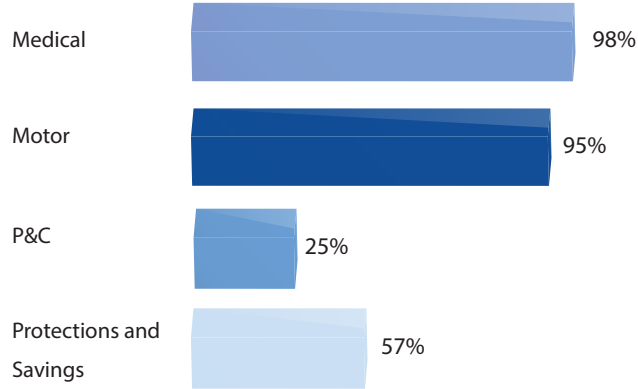
- ❖ The data used for the preparation of this Report has been collected from Tadawul.
- ❖ The information, materials and opinions presented in this Report are for general information purposes only.
- ❖ The information presented in this Report is not intended to constitute legal or other professional 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.
- ❖ The facts and figures mentioned in this report do not include Al Sagr cooperative insurance company.

INDUSTRY HIGHLIGHTS

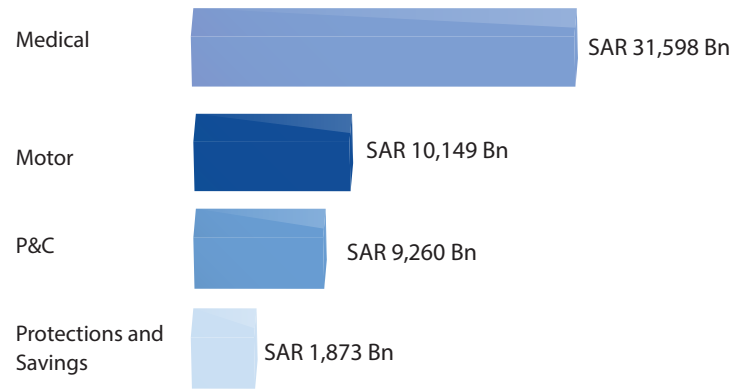
- ❖ IFRS 17, the new insurance contracts standard, has become effective in Saudi Arabia since January 1, 2023.
- ❖ SABB Takaful and Walaa Cooperative Insurance signed a Memorandum of Understanding regarding a potential merger that would transfer SABB Takaful's assets, liabilities, and rights to Walaa. The increase of Walaa's share capital to 851 million SAR, of which 24% will be owned by SABB Takaful shareholders, has also been approved.
- ❖ Arabian Shield Cooperative Insurance and Alinma Tokio Marine Insurance signed a Memorandum of Understanding for a potential merger, which will involve a share exchange and undergo due diligence. However, the deal is subject to approval from relevant authorities and shareholders.
- ❖ United Cooperative Assurance Company and Saudi Enaya Cooperative Insurance signed a non-binding Memorandum of Understanding to assess a potential merger. The companies will conduct due diligence and discuss the terms of the merger, which will involve a share swap based on equity book value.
- ❖ Saudi Reinsurance Company (Saudi Re) was recognized at the Middle East Insurance Industry Awards as the best reinsurer in the MENA region for the year 2023. The Company was awarded for their customer service quality, turnover growth, and leadership in the region.
- ❖ As digital transformation has become an industry standard, companies must prioritise data privacy and security to safeguard sensitive consumer information.

PERFORMANCE HIGHLIGHTS

Retention Ratios



Gross Premiums by Sector

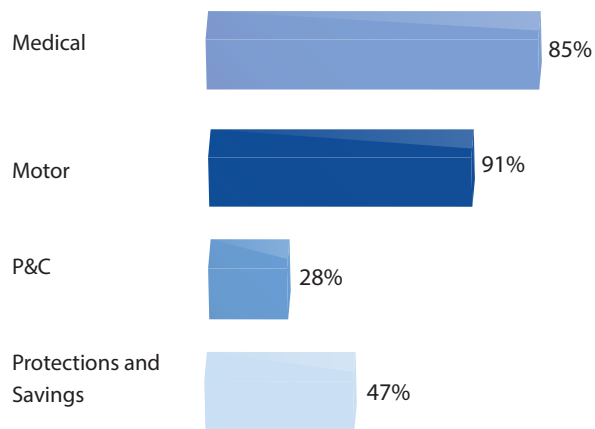


Total Gross Written Premium

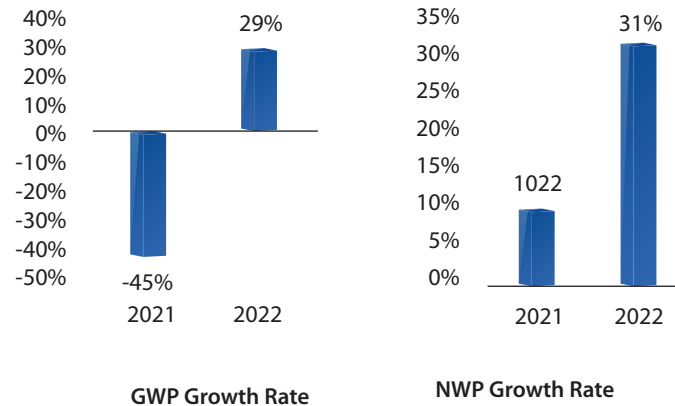
SAR 52.88 Bn

▲ 29%

Loss Ratios



Premium Growth Rate



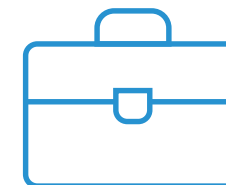
Net Profit/(Loss)

SAR 803.39 Mn

Total Assets

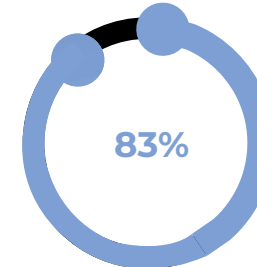
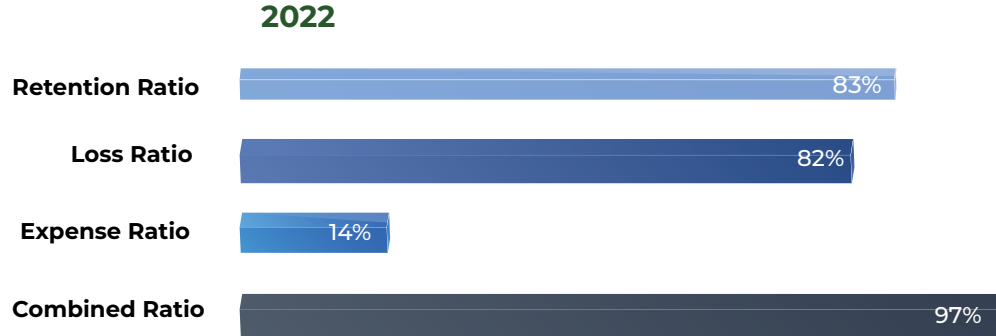
SAR 75.63 Bn

▲ 22%

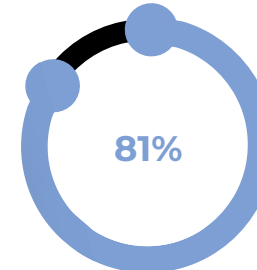


INDUSTRY BENCHMARKS

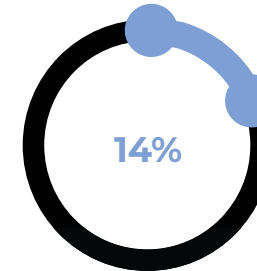
2022



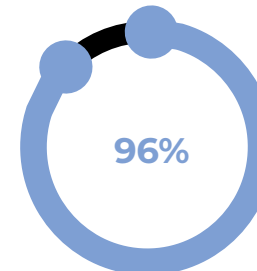
Weighted Average Retention Ratio



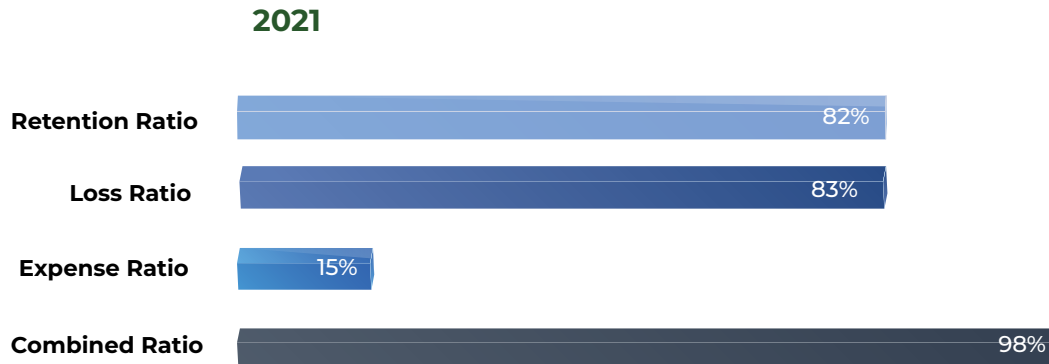
Weighted Average Loss Ratio



Weighted Average Expense Ratio

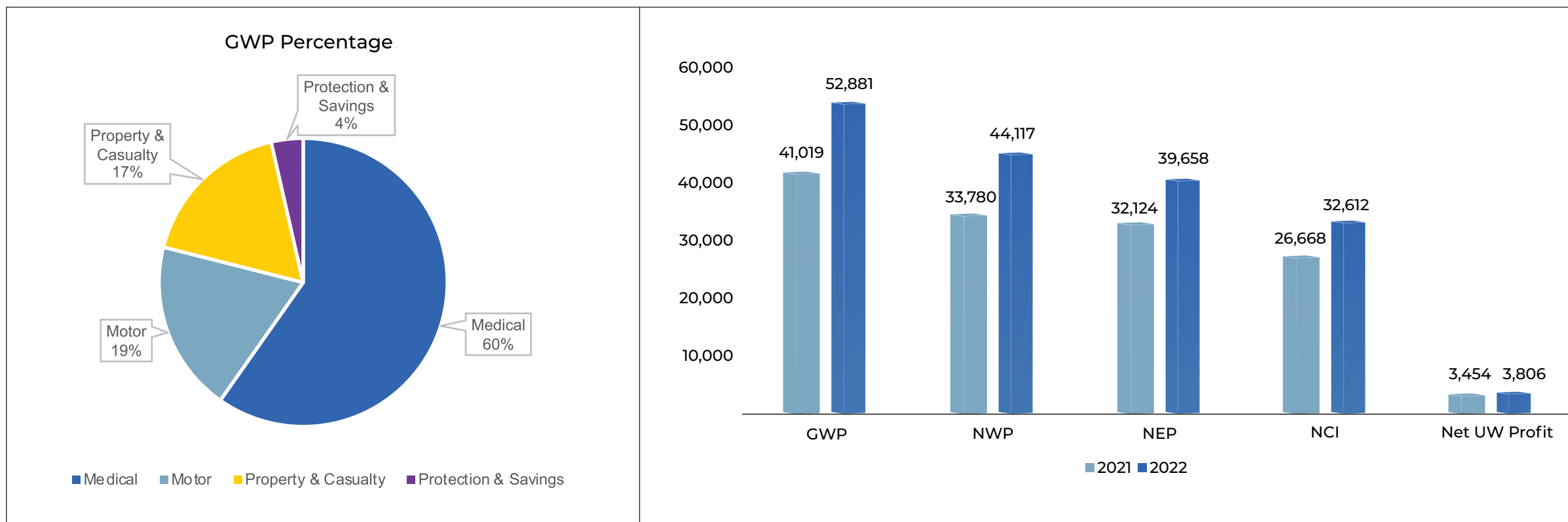


Weighted Average Combined Ratio

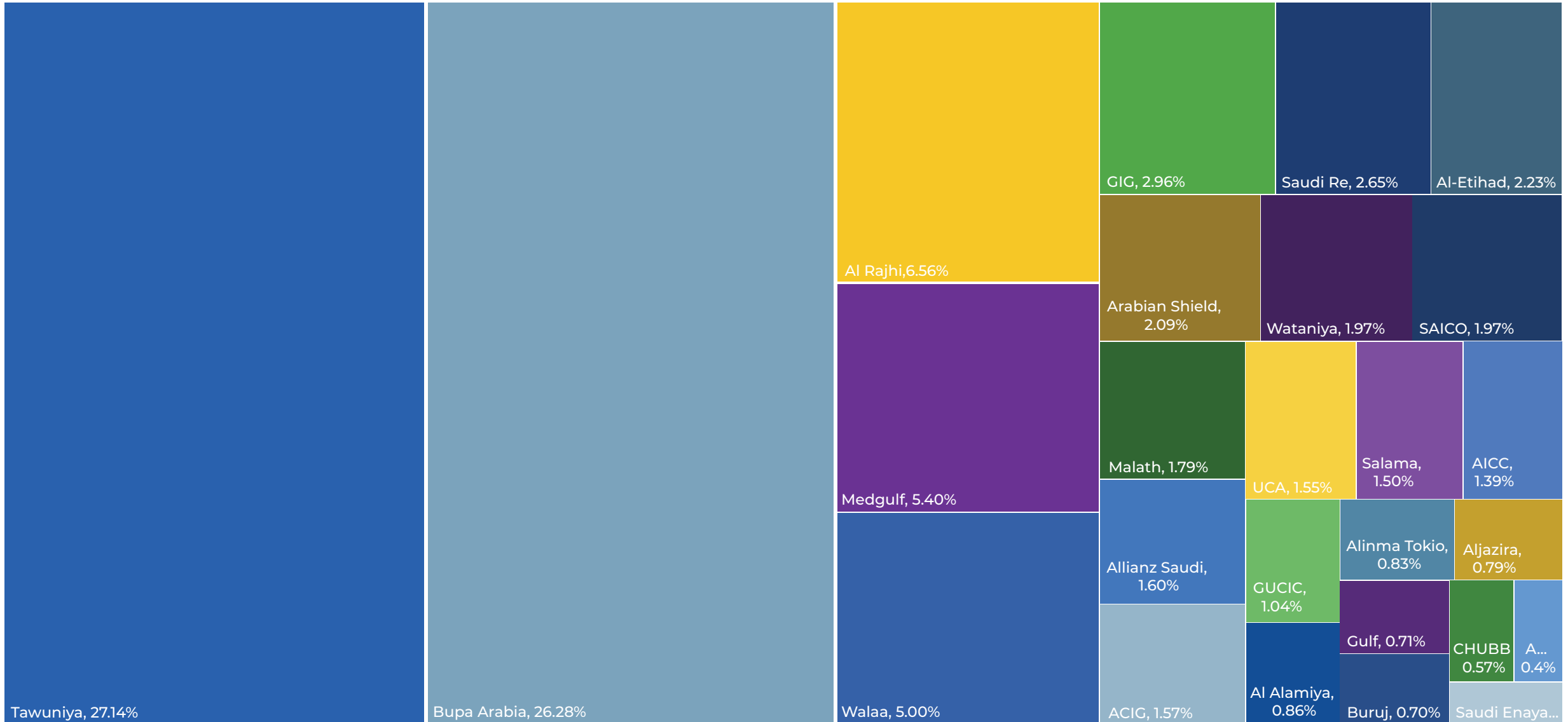


AGGREGATE PERFORMANCE

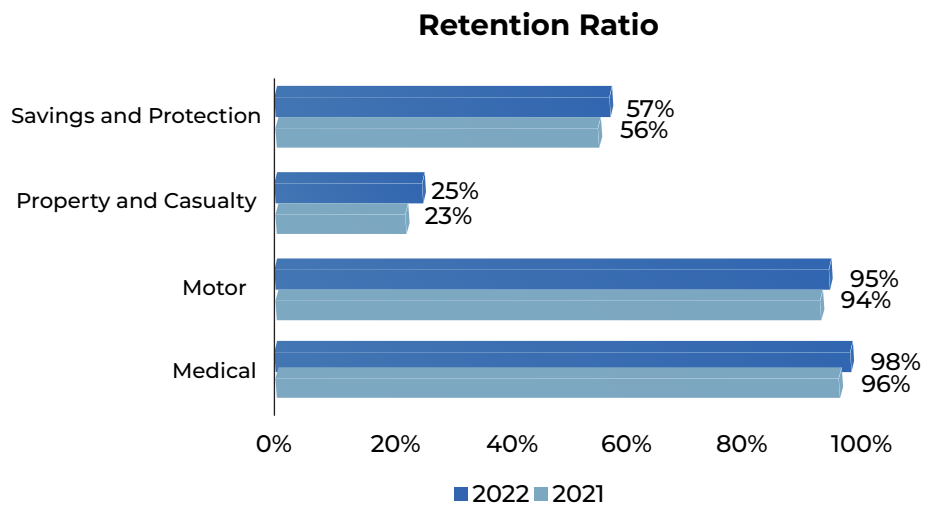
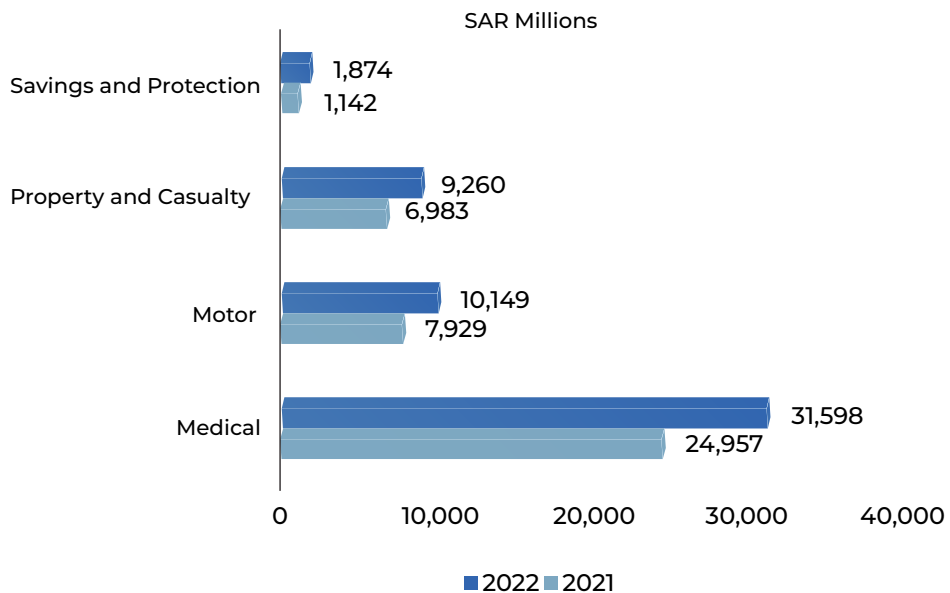
Medical, a highly lucrative LOB, witnessed a 26.61% increase in GWP. With a value of 60%, it makes up the largest share of the GWP. The medical sector was followed by motor insurance with a GWP of 19%. Savings and Protection continue to be the smallest sector, with a value of just 4%. As can be seen, during the year 2022, all written and earned premiums, as well as claims incurred, increased. Additionally, net UW profit strengthened by 10% in the most recent year.



MARKET SHARE PROPORTION



GWP AND RANKINGS



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

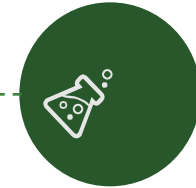
GWP COMPOSITION

TOP 10 VS REMAINING COMPANIES



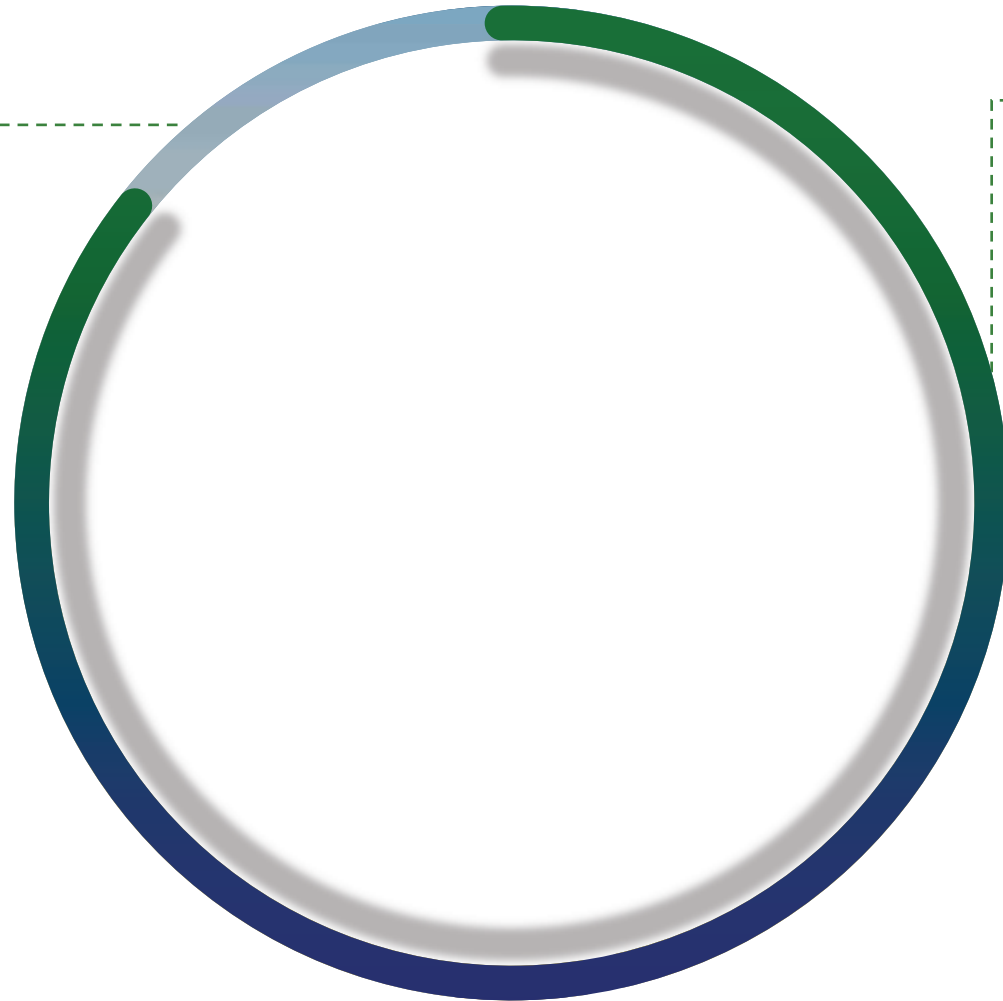
Remaining Companies

The remaining companies make up 17.72% of the market share.



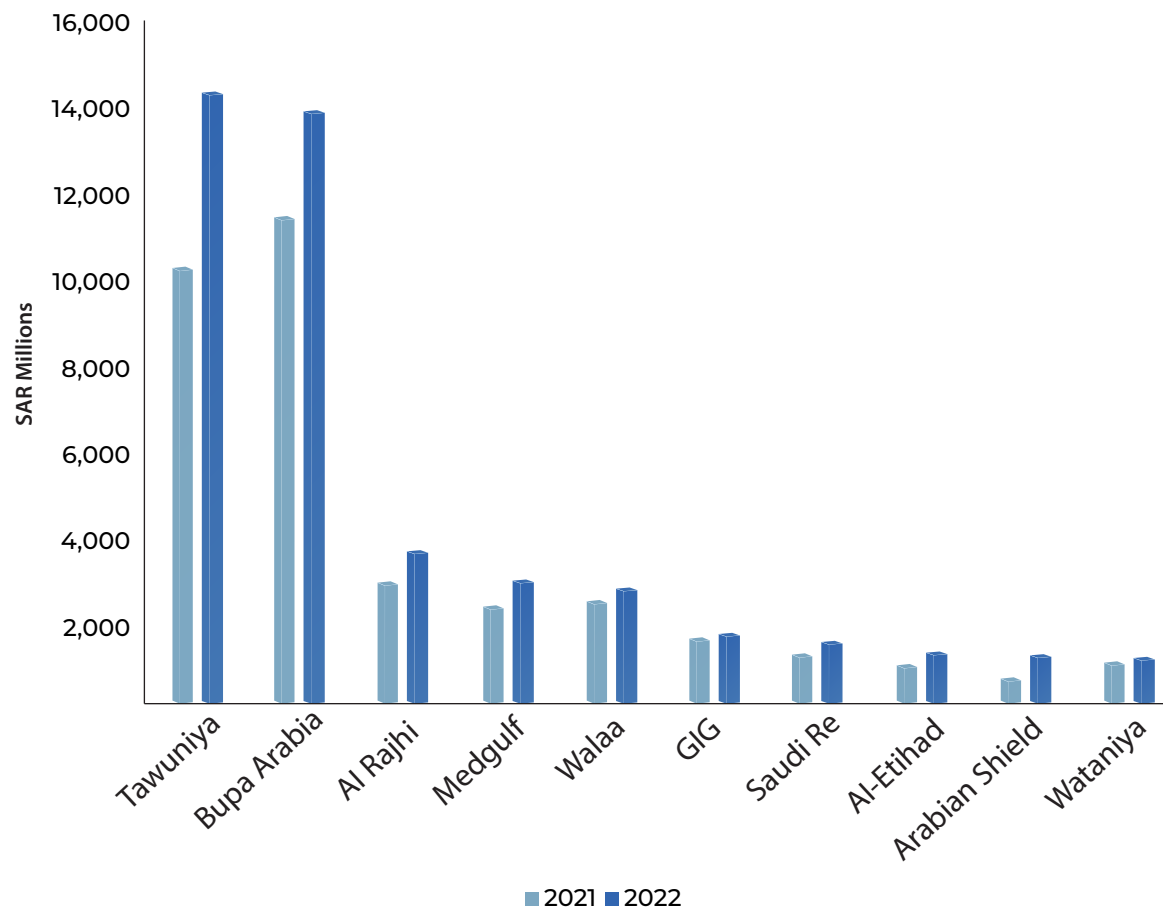
Top 10 Companies

The top 10 companies make up an overwhelming 82.28% of the market share.



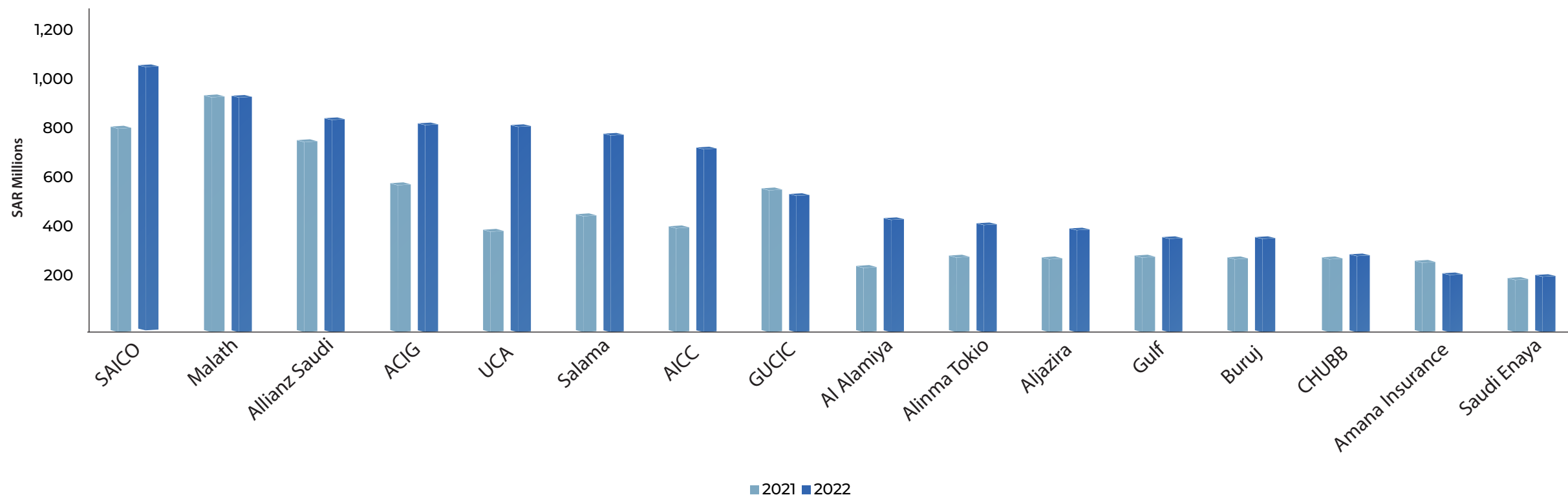
GROSS WRITTEN PREMIUM - TOP 10 COMPANIES

Tawuniya succeeded in leading the top 10 companies in 2022, closely followed by Bupa Arabia; the respective GWP of the two companies were SAR 14.3 billion and SAR 13.9 billion. Wataniya has the lowest GWP among the top 10 companies, at SAR 1 billion. The top 10 companies' aggregate GWP was SAR 44 billion. Bupa Arabia held the top spot in 2021 with a GWP of SAR 11.4 billion, followed closely by Tawuniya with a GWP of SAR 10.2 billion. Arabian Shield kept the bottom position with SAR 558 million.



GROSS WRITTEN PREMIUM - REMAINING COMPANIES

For the year 2022, SAICO was able to take the leading spot among the remaining companies with a GWP of about SAR 1 billion. The aggregate GWP for these remaining companies was SAR 9.4 billion. Additionally, Malath Company took the lead the year before, with a GWP of SAR 942 million. Saudi Enaya, on the other hand, came in at last for both years 2022 and 2021, with a GWP of about SAR 227 million and SAR 219 million, respectively.



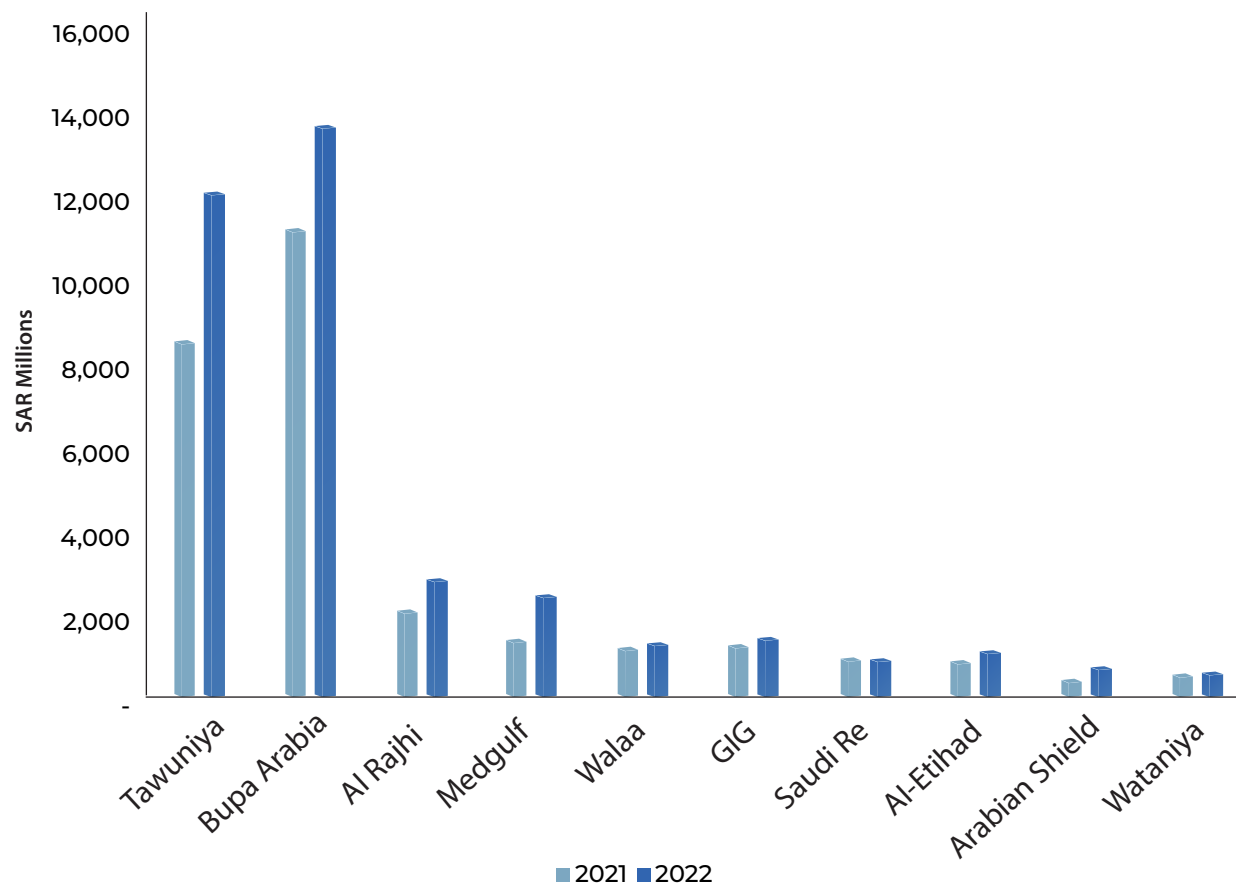
GROSS WRITTEN PREMIUMS – MOVEMENT

The company with the largest growth was United Cooperative, whose GWP rose by 101% in the most recent year. Second place went to Arabian Shield with a 98% movement. GUCIC and Amana Insurance were the only companies to experience a fall in their GWP.



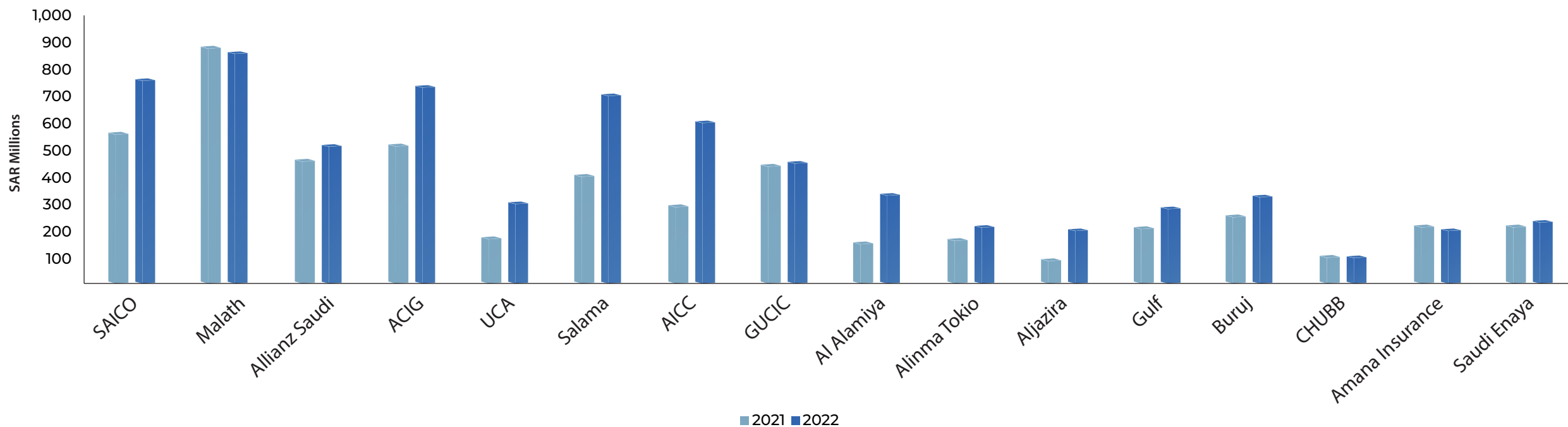
NET WRITTEN PREMIUMS – TOP 10 COMPANIES

Of the top 10 companies, Bupa Arabia had the highest NWP of SAR 13.8 billion and SAR 11.3 billion for 2022 and 2021, respectively. While Wataniya had the lowest NWP of SAR 604 million for 2022. Arabian Shield had the lowest NWP of SAR 391 million for 2021. The overall NWP of the top 10 companies is SAR 37.3 billion for the year 2022.



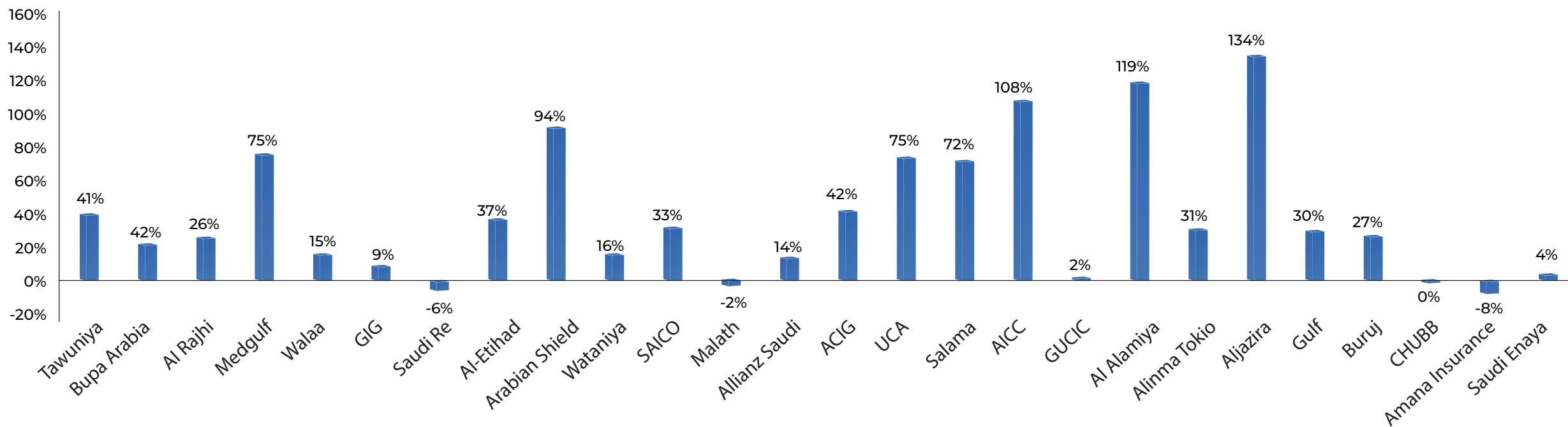
NET WRITTEN PREMIUMS – REMAINING COMPANIES

Amongst the remaining companies, Malath retained the highest NWP in both years, with a value of SAR 858 million in 2022 and SAR 877 million in 2021. The lowest NWPs for 2022 and 2021 were recorded by CHUBB and Aljazira at SAR 103 million and SAR 91 million, respectively.



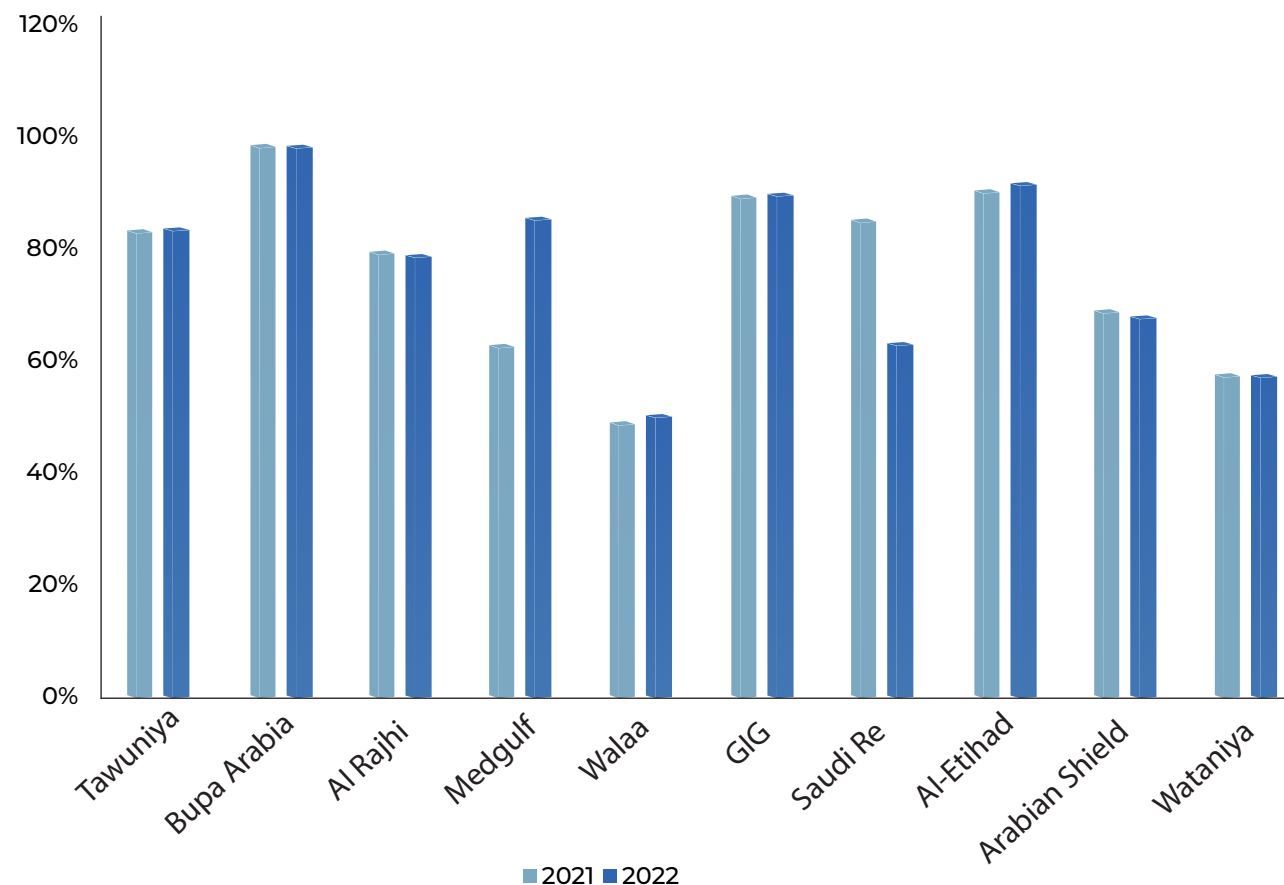
NET WRITTEN PREMIUMS - MOVEMENT

Aljazira had the highest movement in NWP, with a recorded value of 134%, while Amana Insurance came in last with a decrease of 8% in the latest year. 4 out of the 26 total companies experienced a fall in their NWP in 2022. The average movement of the industry was 31%.



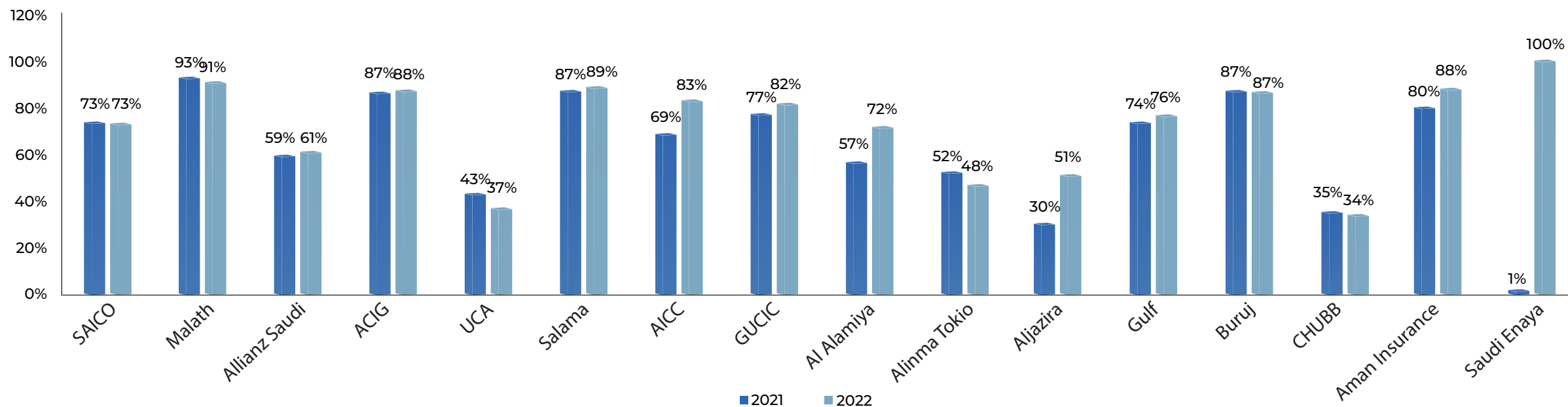
RETENTION RATIOS - TOP 10 COMPANIES

Bupa Arabia, Tawuniya, Medgulf, Al Rajhi, GIG, and Al-Etihad retained most of their premiums, with each of their ratios being well above 80% for 2022. Of the top 10 companies, Walaa retained the lowest premiums in both years. In 2022, a substantially higher 37% increase was seen in Medgulf, while Saudi Re had a decline of roughly 25%.



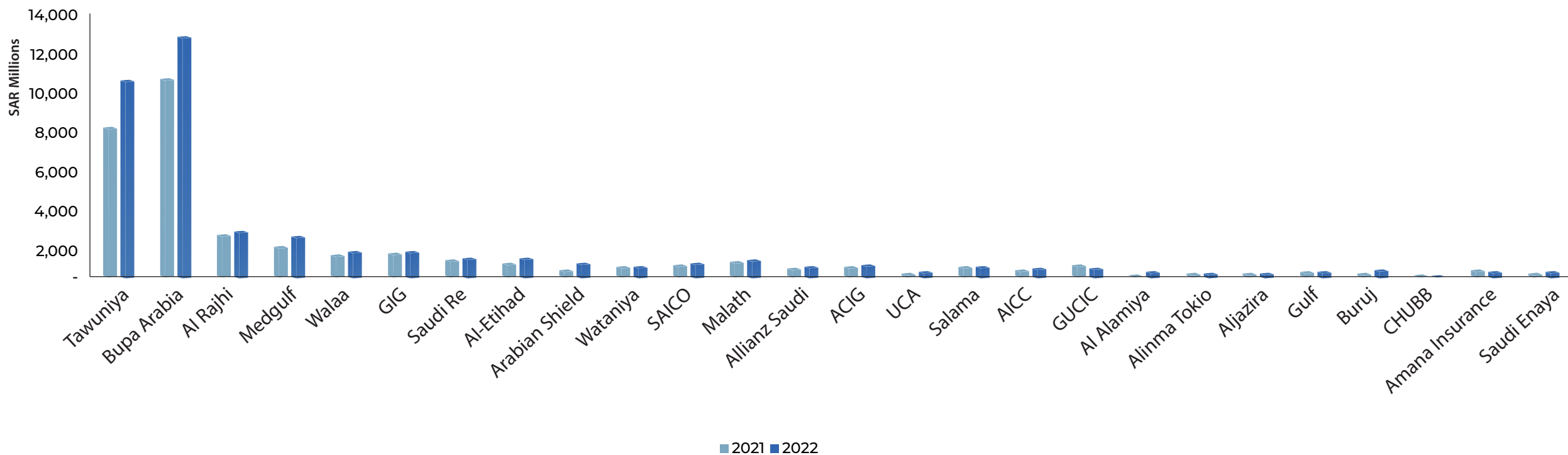
RETENTION RATIOS - REMAINING COMPANIES

For 2022, 8 of the 16 remaining companies retained most of their premiums, with ratios of at least 80%. Only Alinma Tokio, UCA, and CHUBB retained less than half of their premiums in 2022. Saudi Enaya retained all of its premiums for 2022. Saudi Enaya had the highest retention ratio in 2022 at 100%, whereas Malath had the highest ratio at 93% in 2021. Overall, the majority of the companies had retention ratios above 50%, indicating that they were able to retain a significant portion of their premiums after paying out claims and expenses.



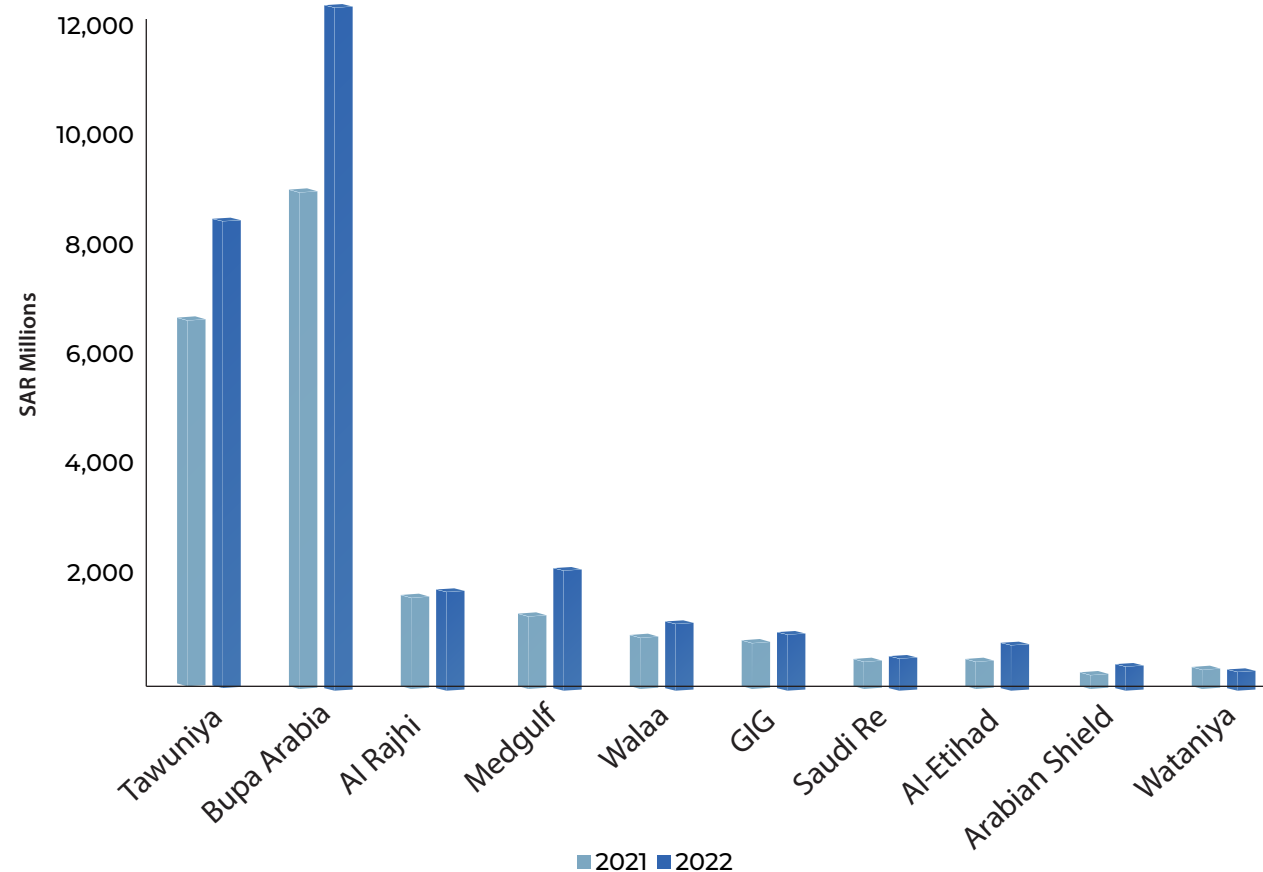
NET EARNED PREMIUMS – ALL COMPANIES

Bupa Arabia had the highest net earned premiums of about SAR 12.8 billion and SAR 10.6 billion for both years 2022 and 2021, respectively. Tawuniya and Al Rajhi claimed their second and third places respectively. GUCIC, Amana Insurance, CHUBB and Aljazira experienced a fall in their NEP.



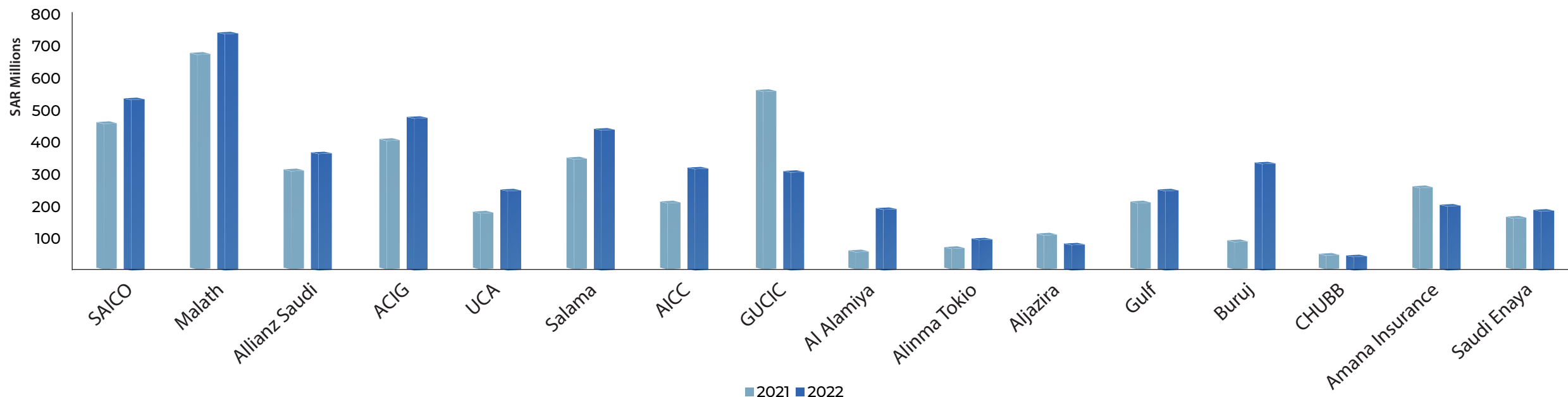
NET INCURRED CLAIMS - TOP 10 COMPANIES

Towering well above the remaining top companies, Bupa Arabia and Tawuniya continued to dominate the list of top companies with the highest incurred claims. Specifically, Bupa Arabia reported claims of approximately SAR 10.9 billion in 2022 and SAR 9.0 billion in 2021. Wataniya reported the lowest incurred claims of SAR 347 million for 2022. Arabian Shield reported the lowest incurred claims of SAR 284 million for 2021.



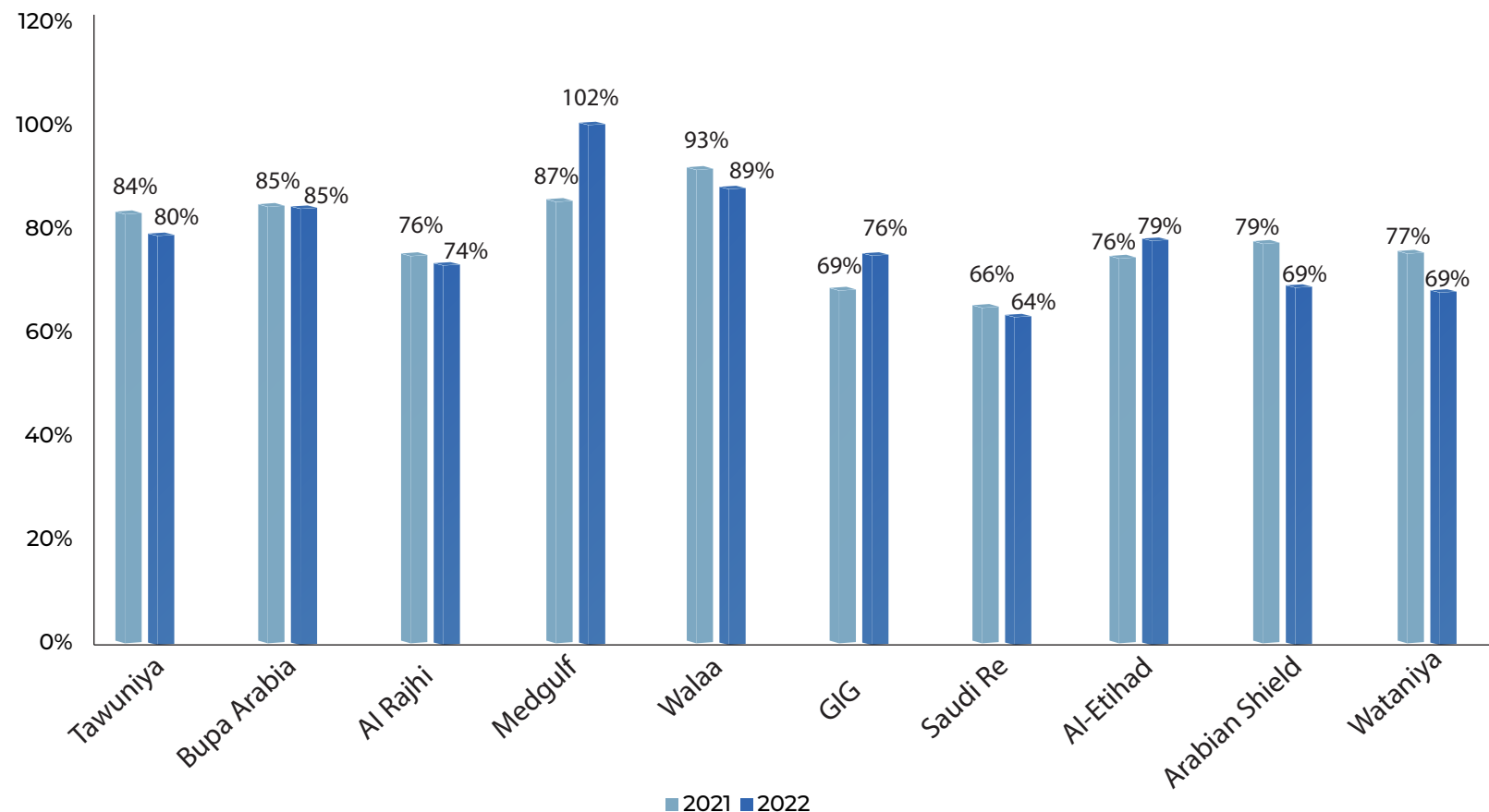
NET INCURRED CLAIMS - REMAINING COMPANIES

Of the remaining companies, Malath had the highest net incurred claims for 2022, with a value of SAR 745 million. CHUBB had the lowest incurred claims for 2022, with a value of SAR 46 million only. GUCIC, CHUBB, Aljazira, and Amana Insurance experienced a fall in their incurred claims for 2022.



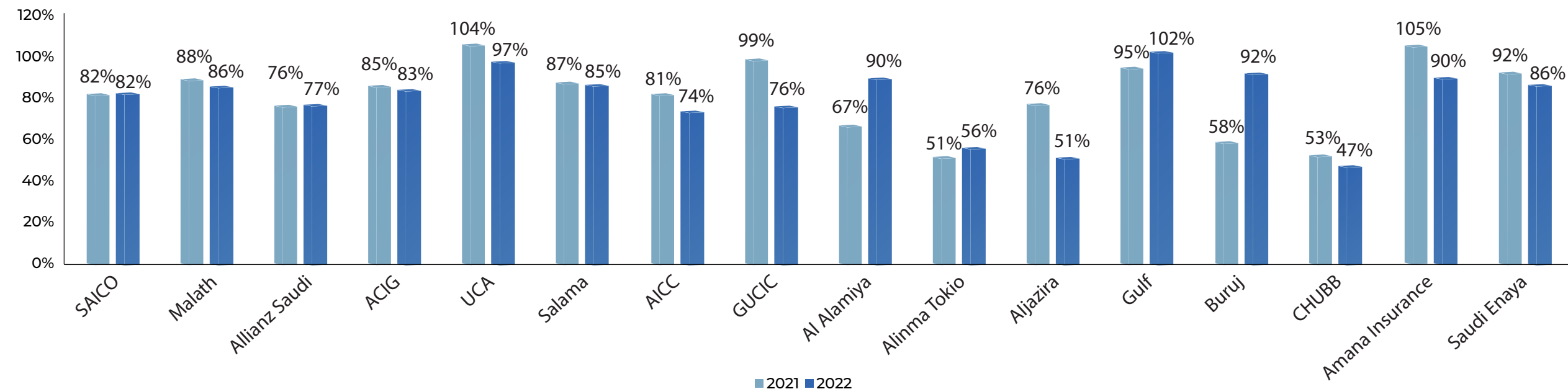
NET LOSS RATIOS - TOP 10 COMPANIES

The Loss Ratio measures the proportion of incurred claims to earned premiums, i.e., it indicates whether or not the company is experiencing more claims relative to the money it is earning. Medgulf had the highest loss ratio of 102% in 2022, while Walaa had the highest loss ratio of 93% in 2021. Except for Medgulf, GIG, and Al-Etihad, the rest of the top 10 companies had a decrease in their loss ratios for the year 2022.



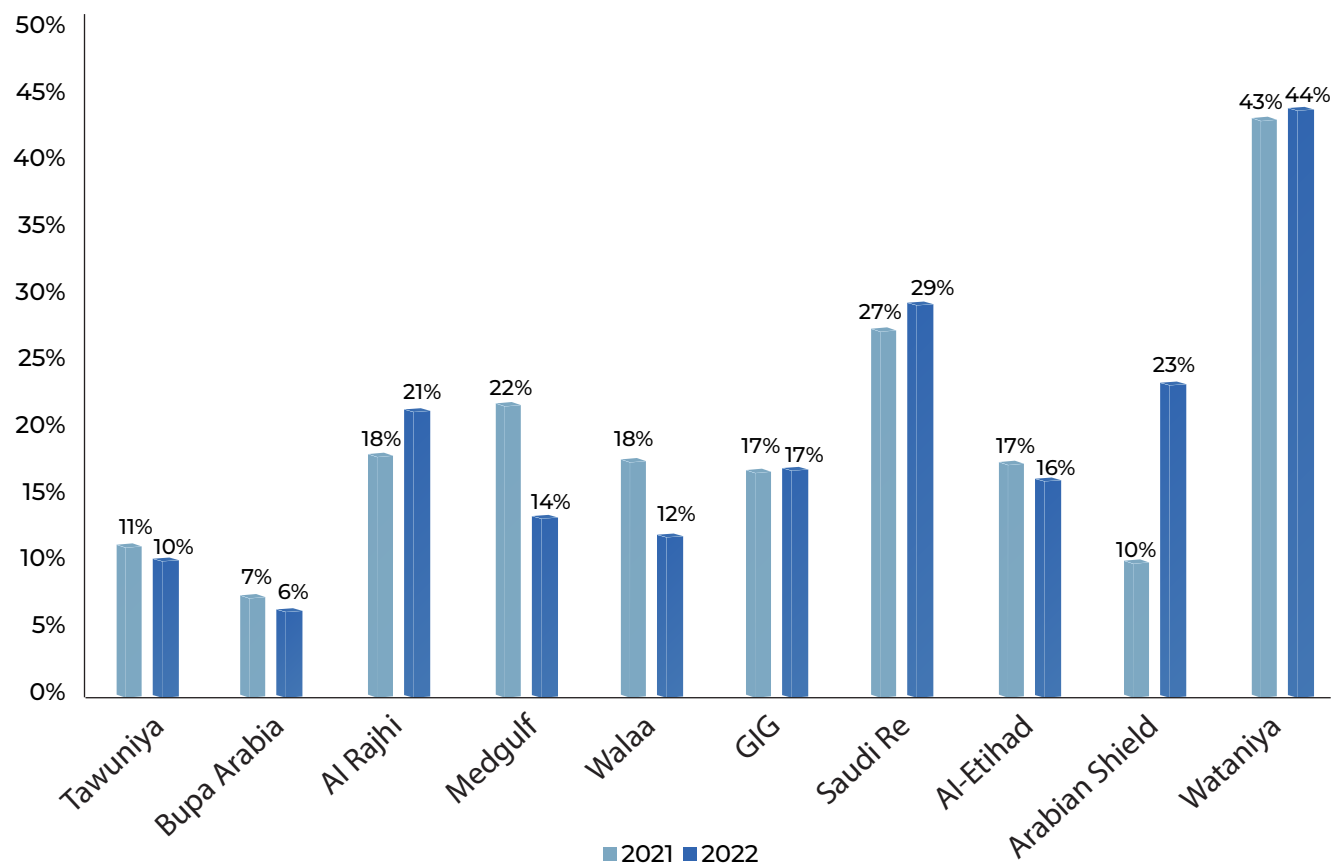
NET LOSS RATIOS – REMAINING COMPANIES

For 2022, Gulf was the only one out of the remaining companies to have a net loss ratio above 100%. CHUBB had the lowest loss ratio at 47%. The average loss ratio for the remaining companies was 80%.



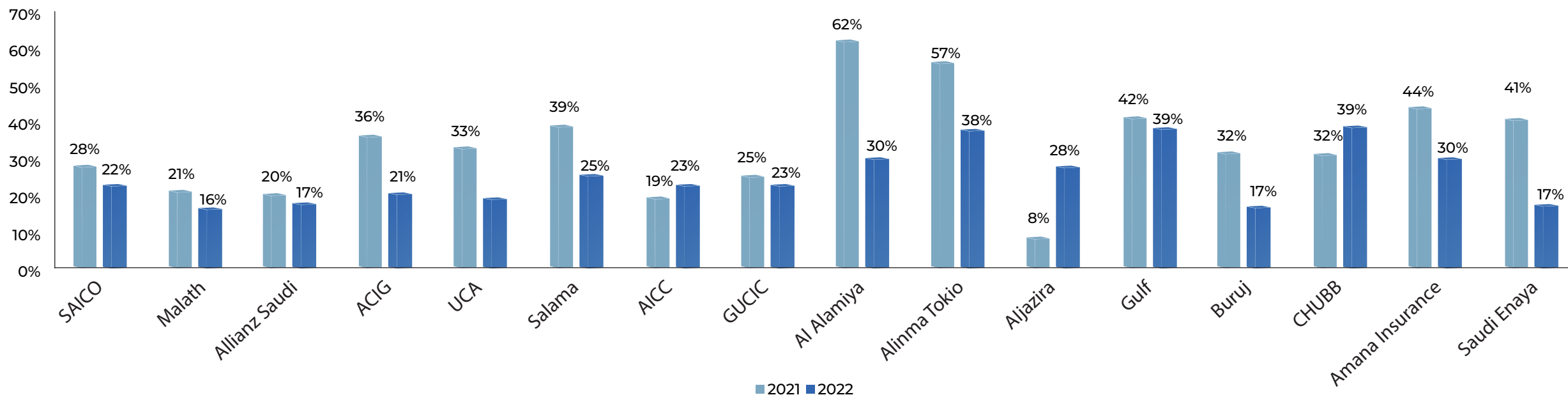
NET EXPENSE RATIOS – TOP 10 COMPANIES

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. Wataniya had the highest expense ratios for both 2022 and 2021, with ratios of 44% and 43% respectively. Bupa Arabia had the lowest expense ratios for both years, with ratios of 6% and 7% respectively.



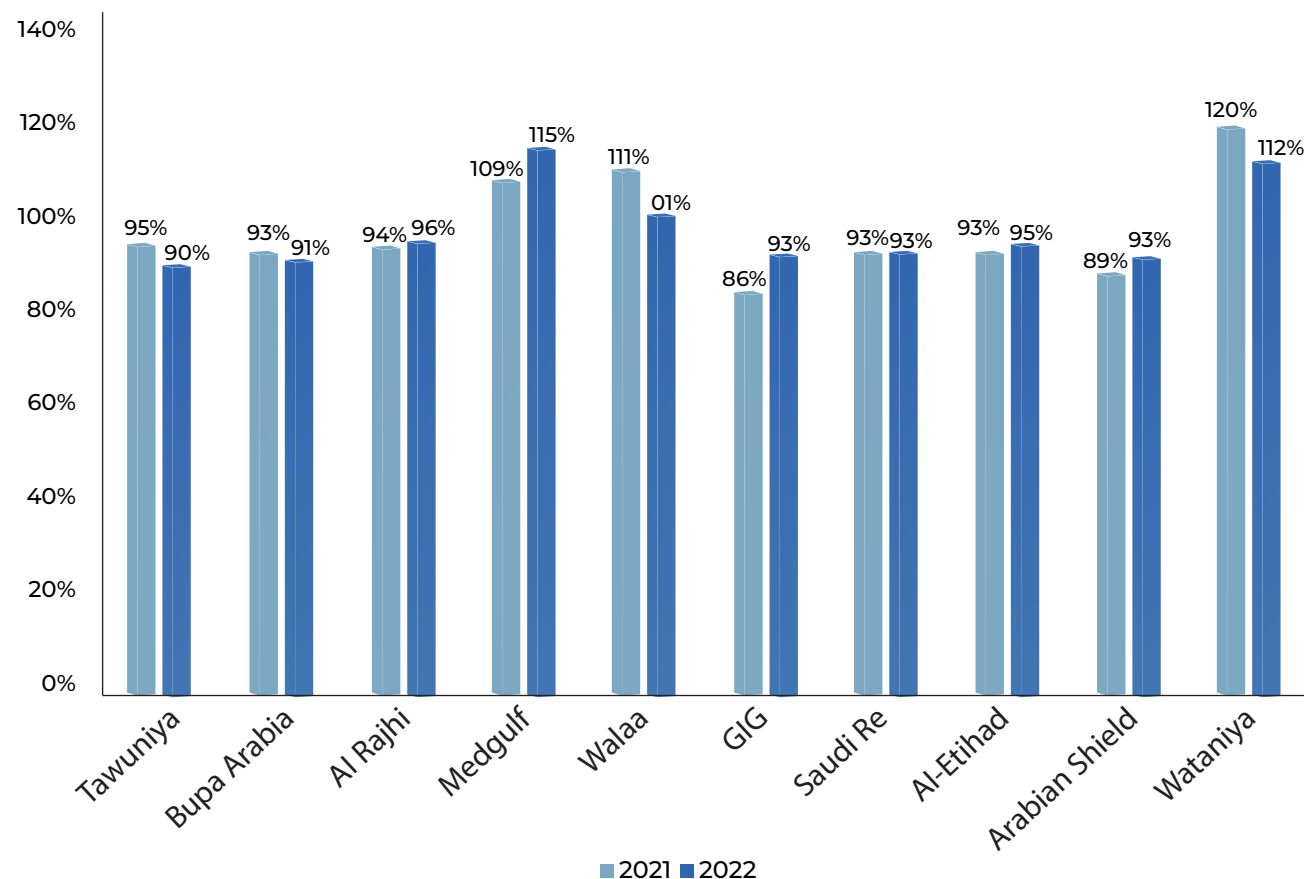
NET EXPENSE RATIOS - REMAINING COMPANIES

Gulf and CHUBB had the highest expense ratios of the remaining companies in 2022, with values of approximately 39%. The highest expense ratio for 2021 was Al Alamiya's 62%. The lowest expense ratios for 2022 and 2021 belonged to Malath and Aljazira, with 16% and 8%, respectively.



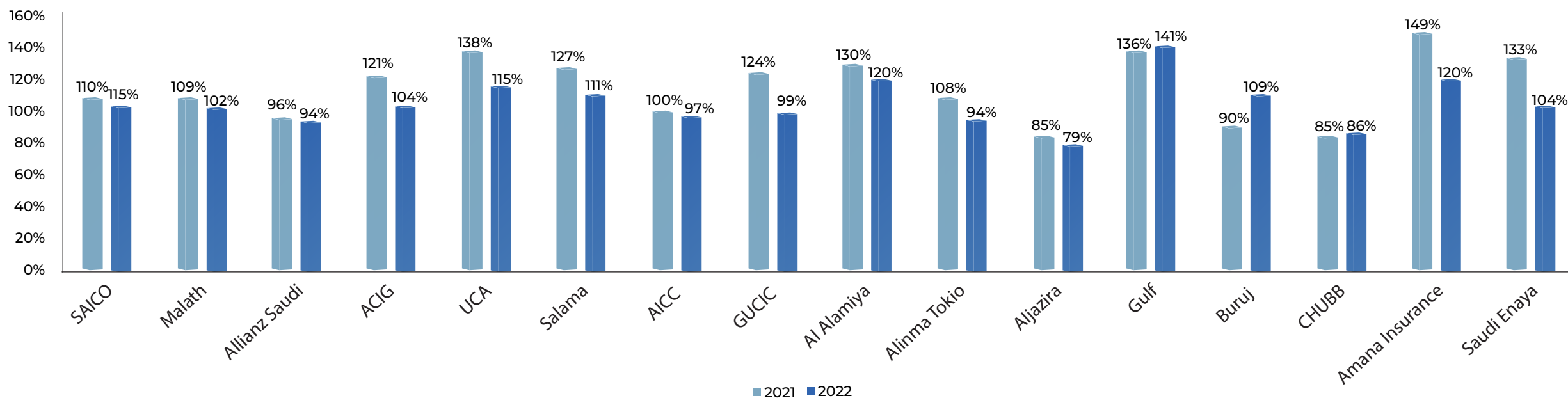
NET COMBINED RATIOS - TOP 10 COMPANIES

A Combined Ratio is the sum of the loss and expense ratios. It is a measure of profitability to gauge how well an insurance company is performing with regards to its daily operations. A ratio of over 100% indicates that all of the earned money is being used to pay out claims and expenses. Medgulf had the highest combined ratio of 115% in 2022, while Tawuniya had the lowest ratio of 90%. For 2021, Wataniya had the highest combined ratio of 120%, while GIG had the lowest combined ratio of 86%. Most of the top 10 companies had a combined ratio of under 100% for both years, with the exceptions of Medgulf, Walaa, and Wataniya.



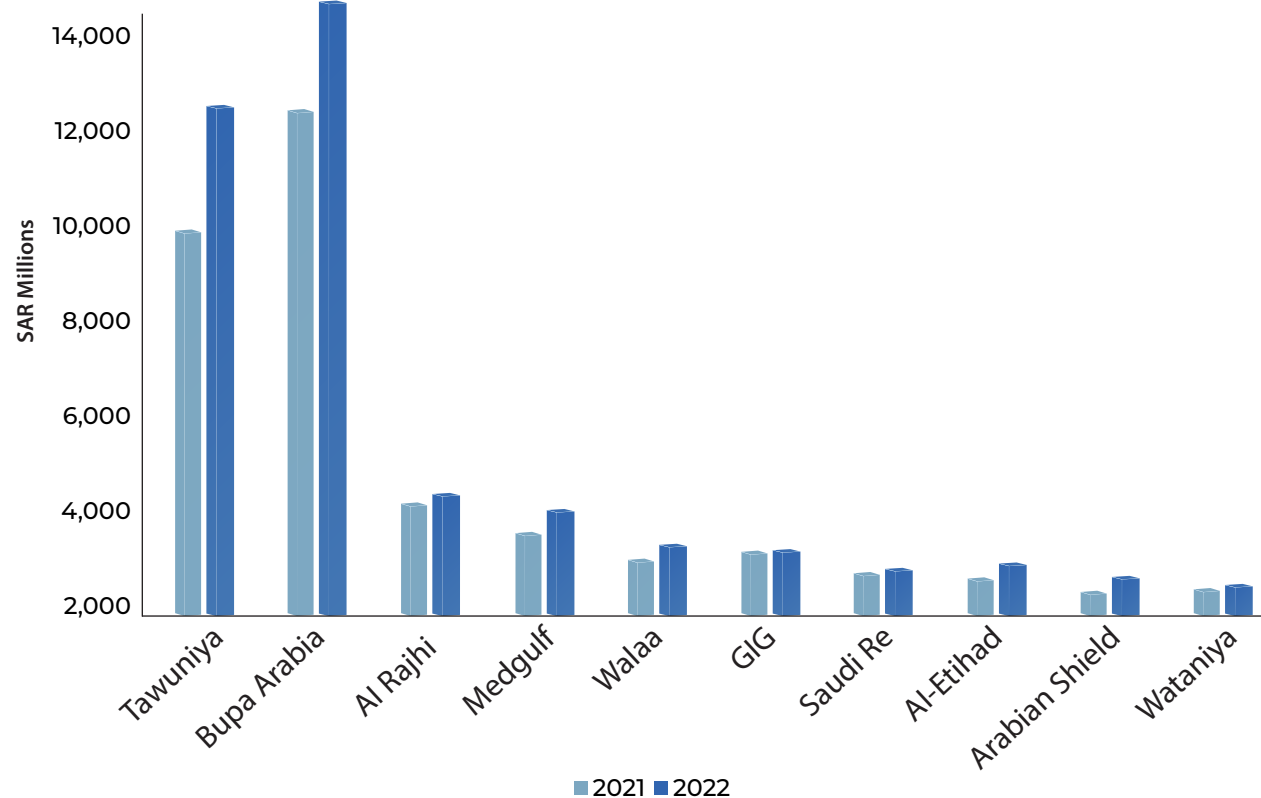
NET COMBINED RATIOS – REMAINING COMPANIES

The Average Combined Ratio for the remaining companies amounted to 105%, indicating that most of these companies have more claims and expenses relative to their earned premiums. Gulf had the highest ratio for 2022, with a value of 141%, and Aljazira had the lowest ratio with a value of 79%.



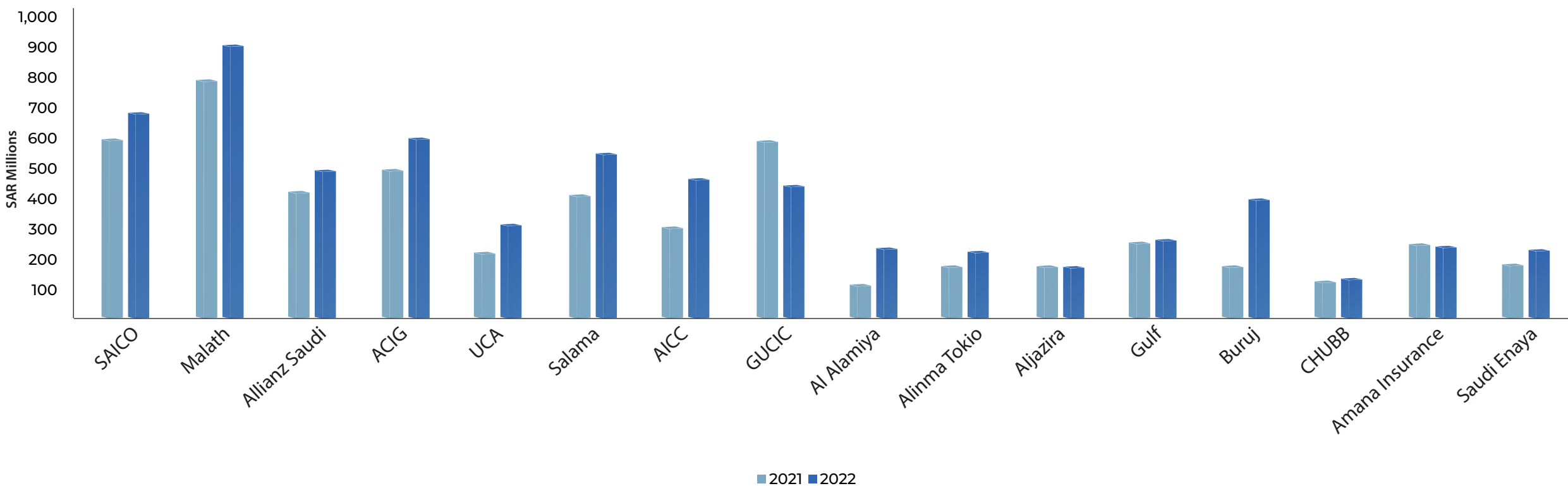
NET REVENUE - TOP 10 COMPANIES

Bupa Arabia had the highest net revenues for both years 2022 and 2021, with values of SAR 12.9 billion and SAR 10.6 billion, respectively. Both Tawuniya and Al Rajhi held their second and third spots, respectively. The top 10 businesses had a collective net revenue of SAR 34.3 billion. Overall, it can be observed that all of the top 10 companies have increased their revenue; this suggests that the companies have improved their financial performance through increased sales or by implementing cost-cutting strategies.



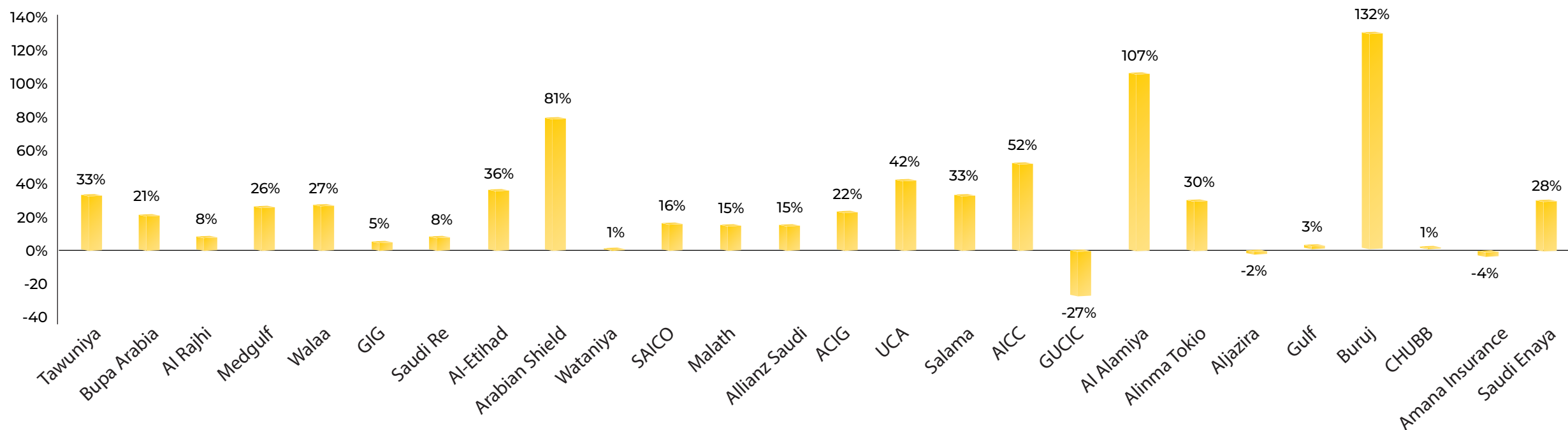
NET REVENUE - REMAINING COMPANIES

For this year, Malath had the highest net revenue of SAR 905 million, followed by SAICO in second place with SAR 685 million. CHUBB had the lowest net revenue in the industry, with a value of SAR 126 million only. The aggregate net revenue of these remaining companies was SAR 6.3 billion.



NET REVENUE - MOVEMENT

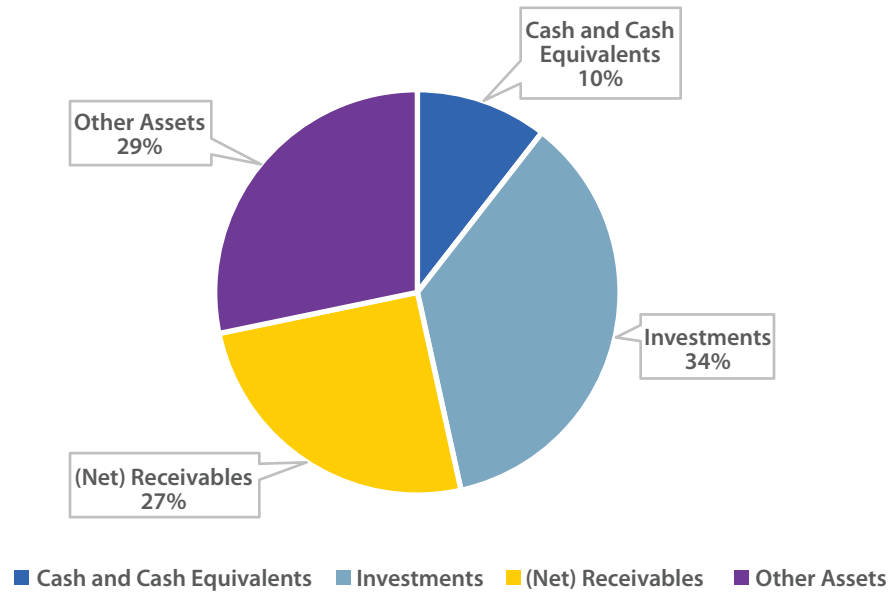
A 23% change in the industry as a whole, from SAR 33 billion in 2021 to SAR 41 billion in 2022. Buruj had the highest movement of 132%, while GUCIC had the lowest movement of -27%. Aljazira and Amana Insurance also experienced negative movements.



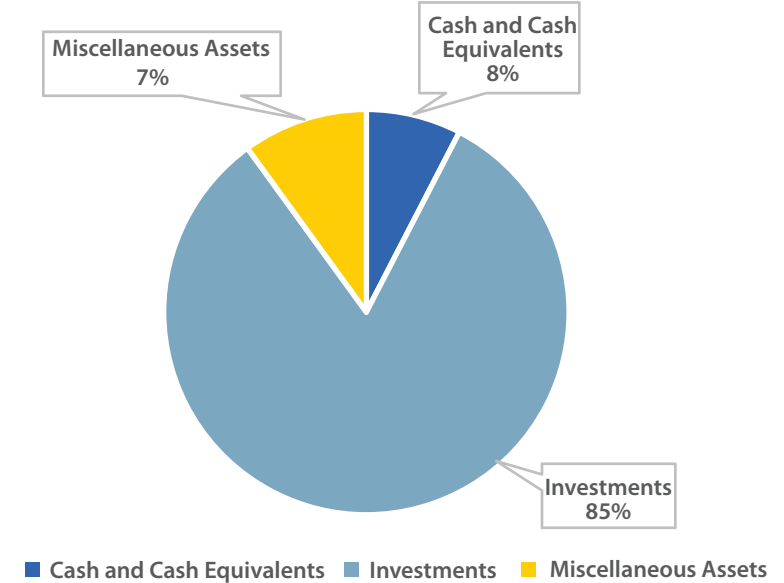
ASSETS' CLASSIFICATION - AGGREGATE

Investments made the majority of the assets for Policyholders' and Shareholders' operations, while miscellaneous assets comprised the smallest portion.

Policyholder Assets



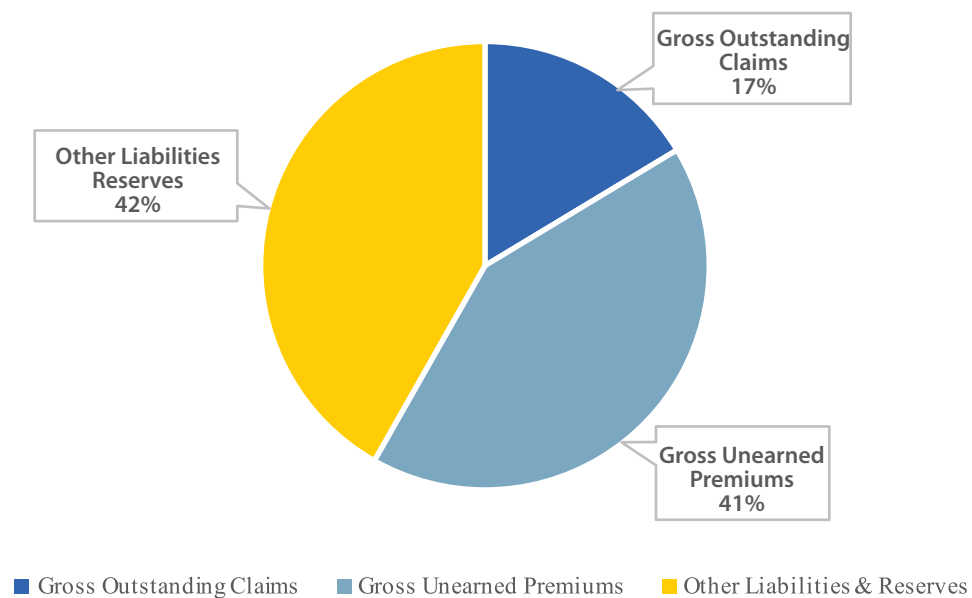
Shareholder Assets



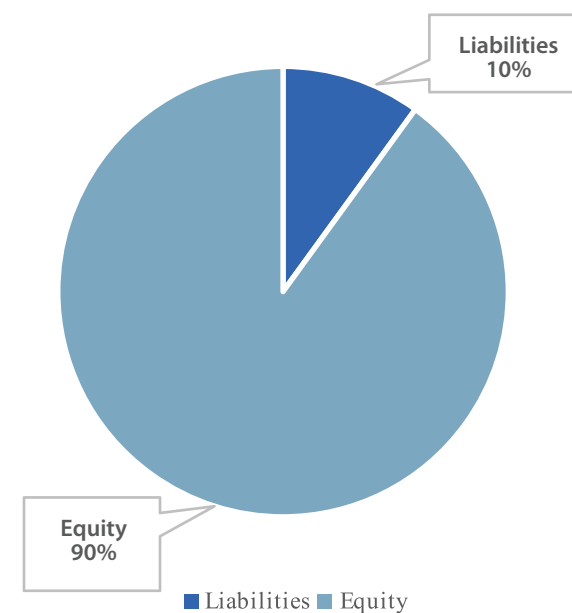
LIABILITIES & EQUITY CLASSIFICATION - AGGREGATE

For policyholders, reserves made up the biggest shares of their liabilities. Reserves are followed by unearned premiums. For shareholders, their equity was 9 times more than their liabilities.

Policyholders' (PH) Liabilities and Equity

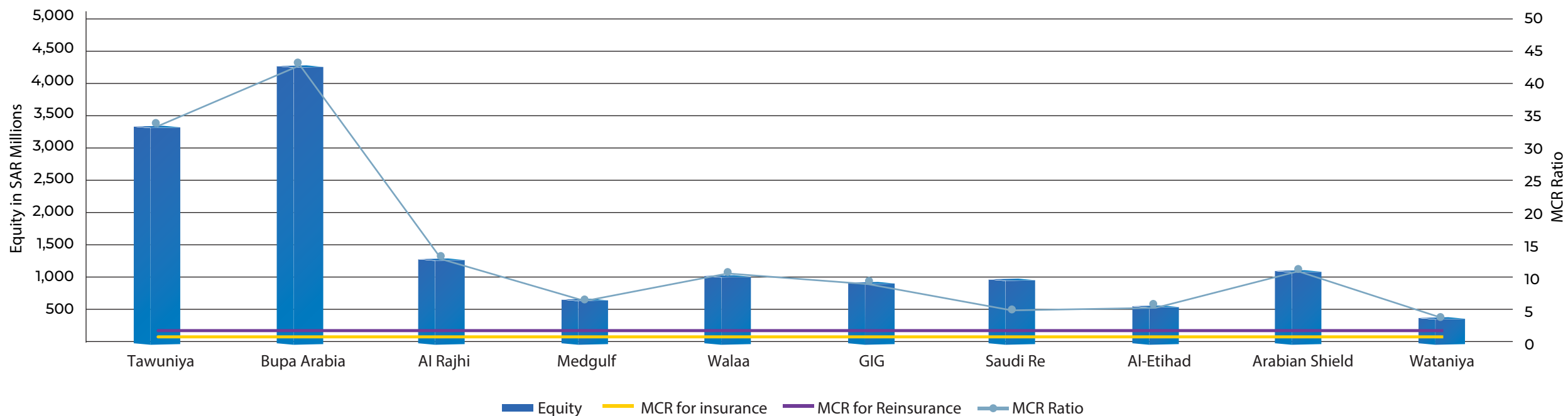


Shareholders' (SH) Liabilities and Equity



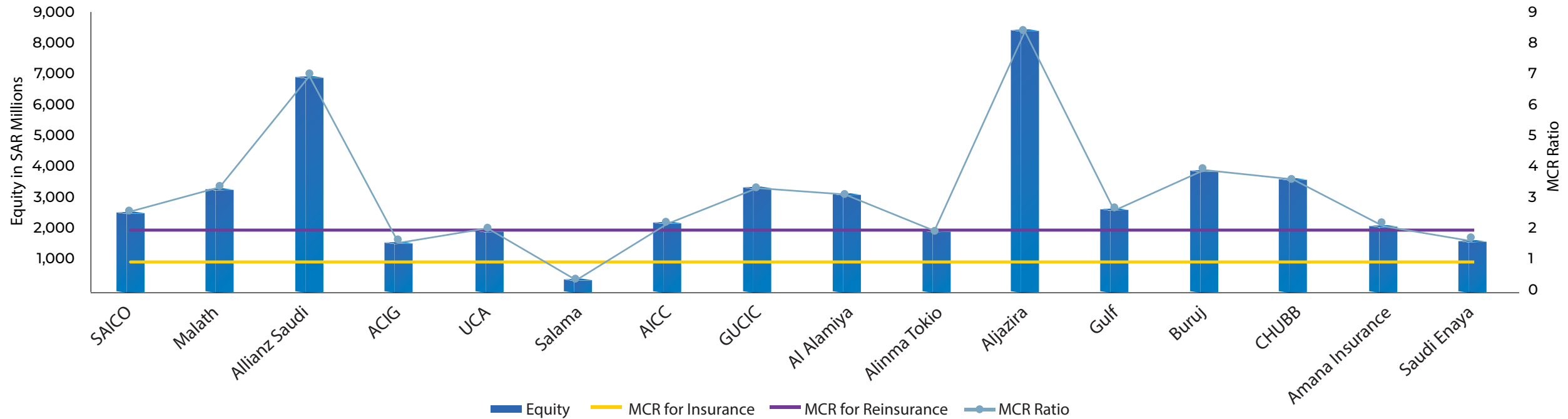
SOLVENCY ANALYSIS – TOP 10 COMPANIES

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



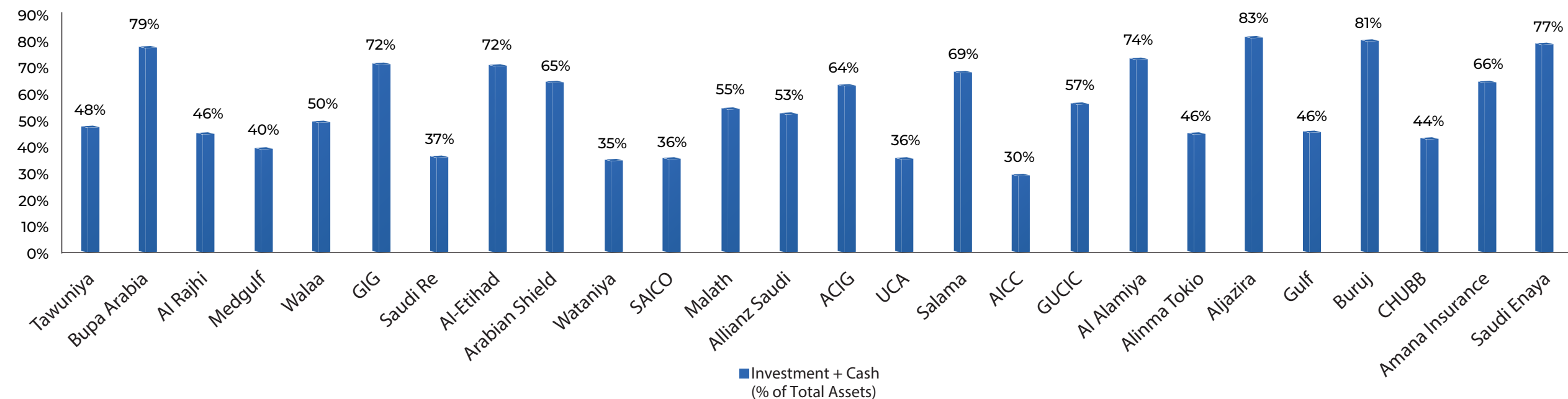
SOLVENCY ANALYSIS – REMAINING COMPANIES

Of the remaining companies, only Salama has a ratio of less than 1, indicating that its equity is positive but less than its MCR.



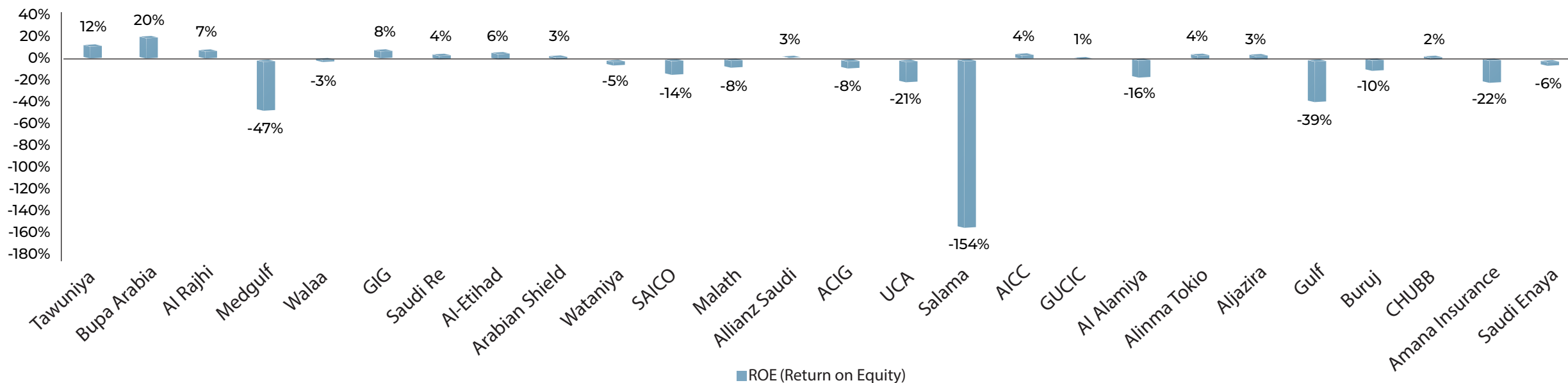
PROPORTION OF INVESTED ASSETS

11 out of the 26 companies had investments and cash equivalents of less than 50% of their total assets. The highest proportion belonged to Aljazira, with 83% of its assets in investments and cash equivalents.



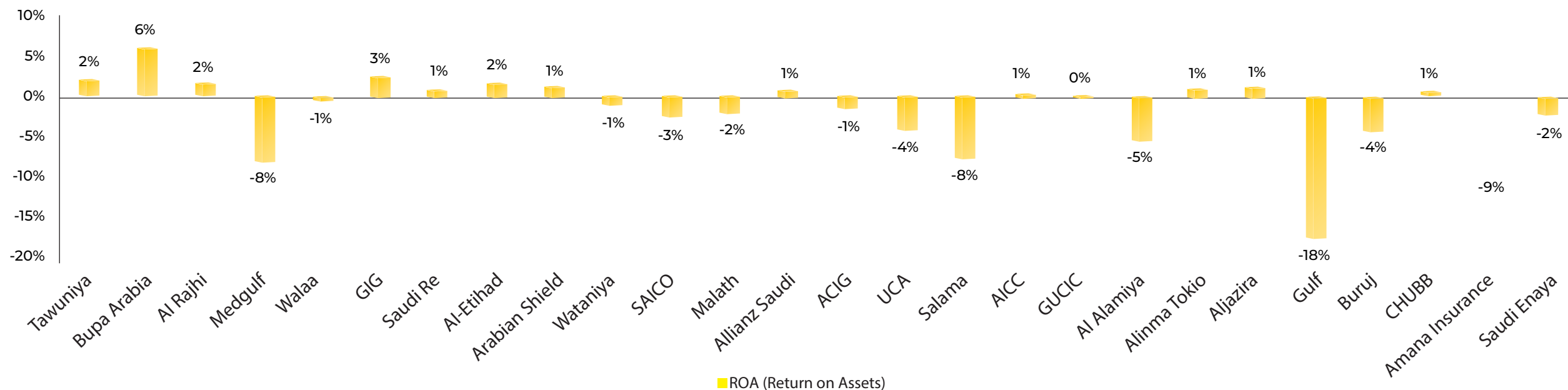
RETURN ON EQUITY (ROE)

The Return On Equity is a ratio that essentially measures the rate of return that owners of common stocks receive. ROE signifies how well the company generates returns on the investment it receives from its shareholders. For 2022, the highest ROE belonged to Bupa Arabia, which means its investors enjoyed the most efficiently generated profits when compared to the rest of the industry. 13 of the 26 companies had negative ratios, indicating the need of improvement for the industry as a whole. Salama had the lowest ratio of -154%.



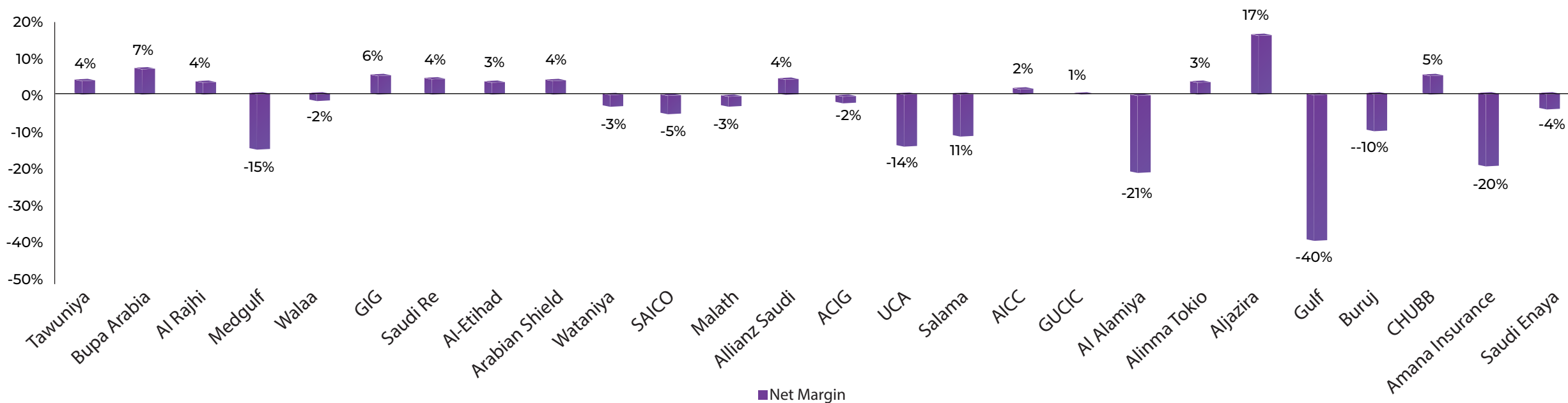
RETURN ON ASSETS (ROA)

Return on Assets (ROA) is an indicator that tells us 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 observed, almost half of the companies in KSA's insurance industry had a negative ratio, which indicates that there is room for needed improvements. Bupa Arabia had the highest ratio for the year 2022.



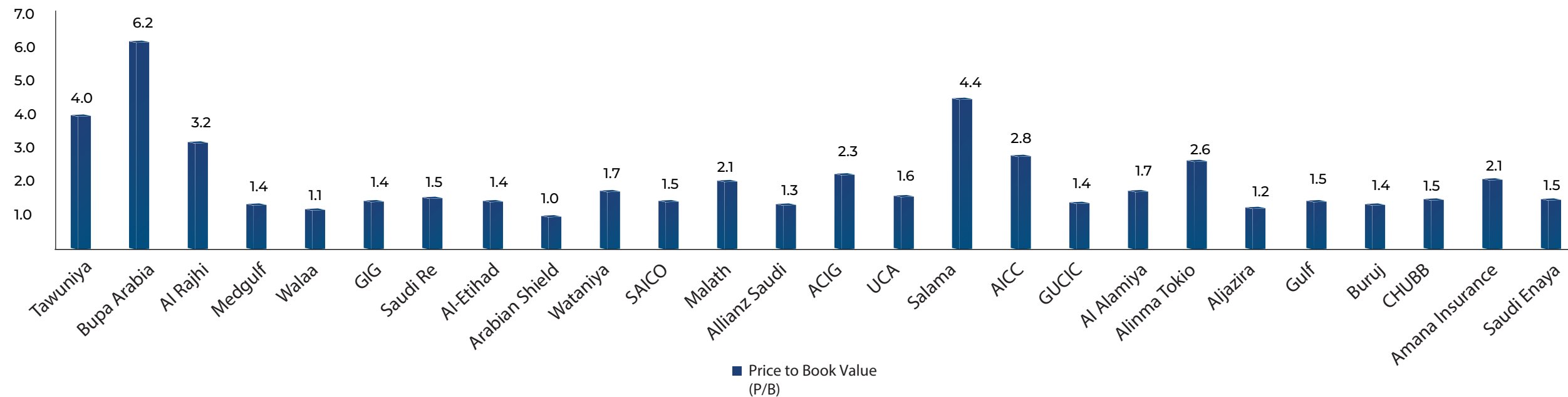
NET MARGIN

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. Aljazira had the highest net margin of 17%, while Gulf had the lowest of -40%. 13 of the 26 companies had positive net margins. The average net margin of KSA's industry was -3%, indicating the industry as a whole is not efficient at generating profits from their revenues.



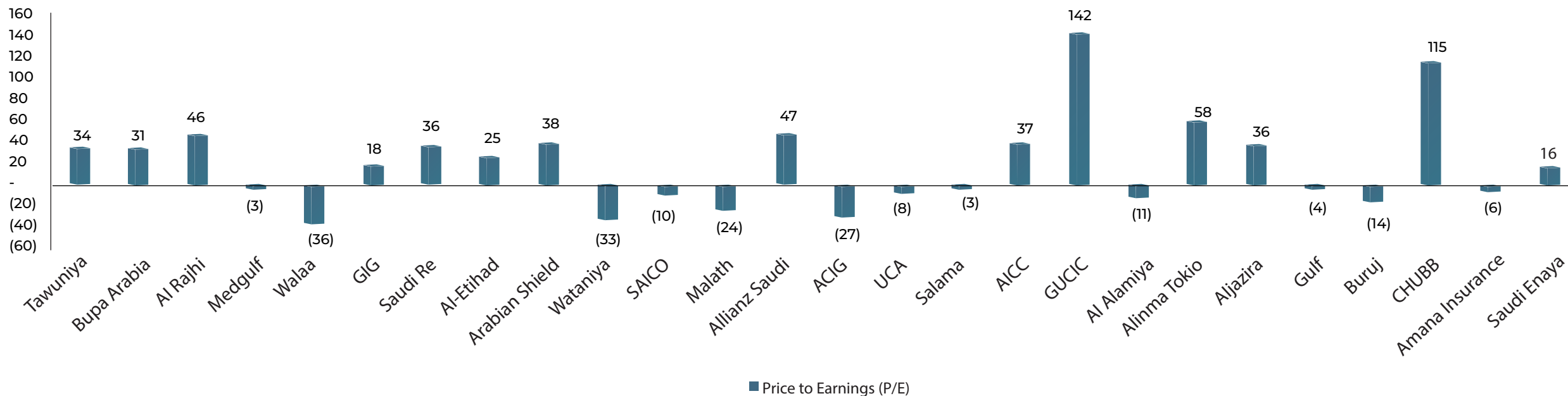
PRICE TO BOOK VALUE (P/B)

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. 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. Bupa Arabia had the highest P/B ratio of 6.2, suggesting that its price is greater than its book value per share.

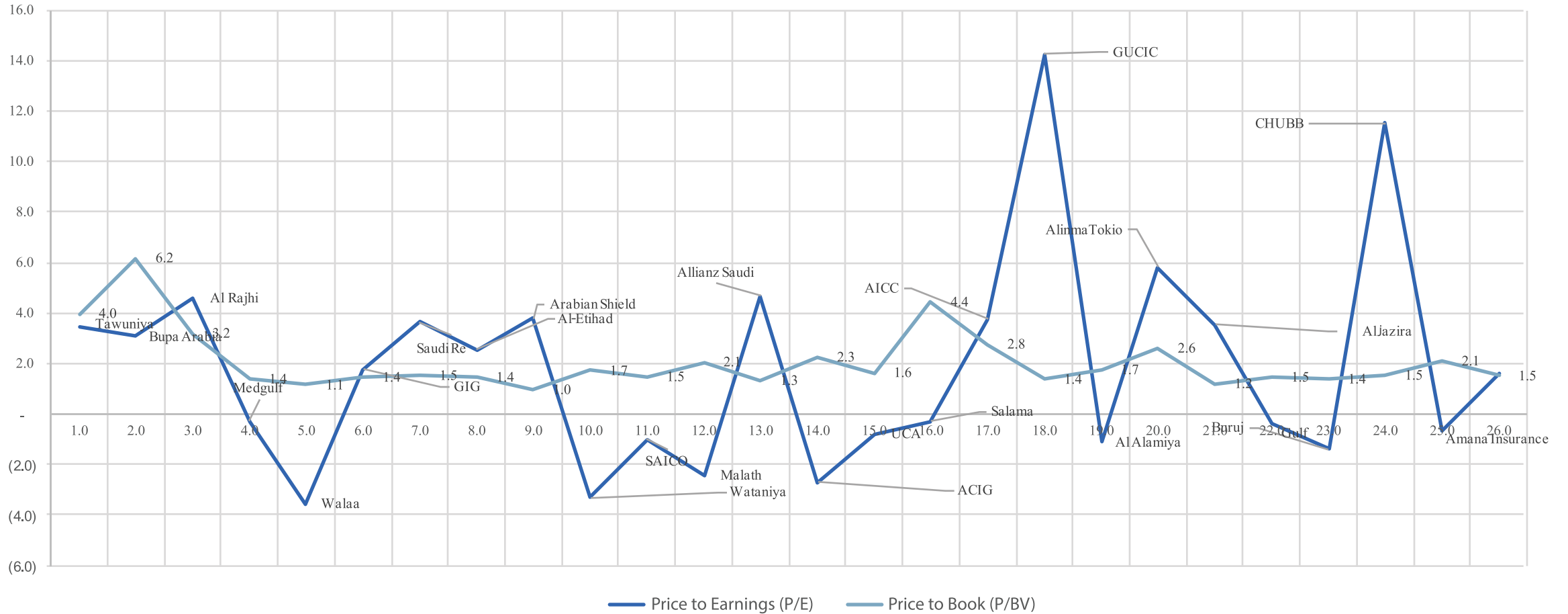


PRICE TO EARNINGS (P/E)

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. GUCIC had the highest ratio of 142, suggesting that investors have confidence in the performance of the company. On the other end, Walaa had the lowest ratio of -36. The average ratio in the industry was 19 for this year.



PRICE TO BOOK AND EARNINGS RATIO





MEET THE TEAM

Bilal Shakir
Assistant Manager

Kashmayen Karim
Senior Actuarial Analyst

Behlole Bukhari
Actuarial Analyst

Hiba Ibad
Actuarial Trainee

SHMACONSULTING

Feedback

SHMA Consulting is proud to present our Insurance Industry Analysis – Kingdom of Saudi Arabia for the first three quarters 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