

A hand holding a glowing globe with a network overlay, surrounded by mathematical formulas and icons.

A KNOWLEDGE REVOLUTION

INSURANCE INDUSTRY Q2 2022 – KSA

shmaconsulting.com

SHMACONSULTING

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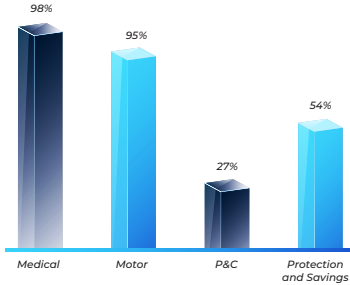
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LIMITATIONS AND DISCLAIMERS

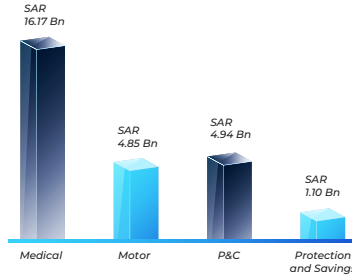
- *The data used for the preparation of this report has been collected from Tadawul.*
- *At the time of writing this report, Al Ahli Takaful, Al Alamiya, and Al Sagr had not published their financial statements for the six-months period ending June 30, 2022.*
- *To preserve uniformity, the above companies 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



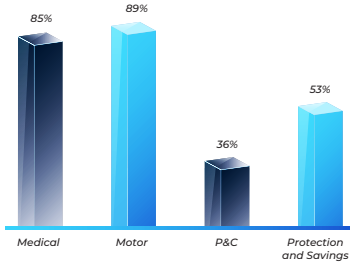
Gross Premium by Sector



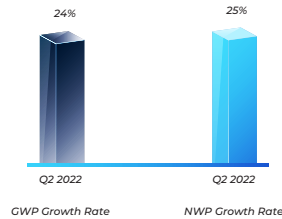
Total Gross Written Premium
SAR 27.15 Bn

▲ 24%

Loss Ratios



Premiums Growth Rate



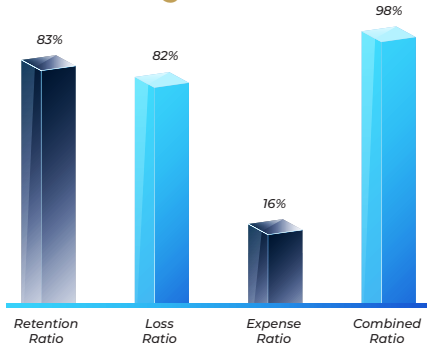
Total Assets
SAR 78.27 Bn

▲ 14%

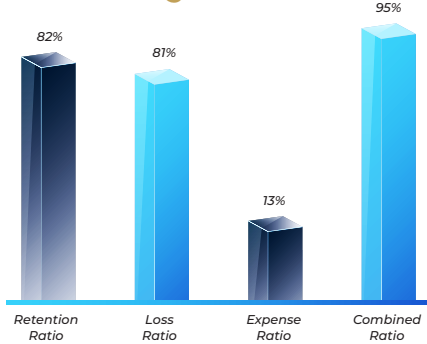
Net Profit/(Loss)
SAR (146 Mn)

INDUSTRY BENCHMARKS

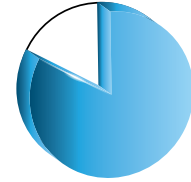
Q2 2022



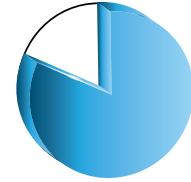
Q2 2021



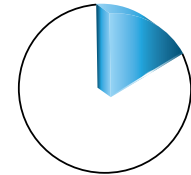
Q2 2022



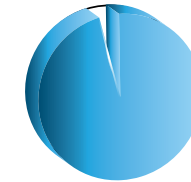
Weighted Average Retention Ratio



Weighted Average Loss Ratio



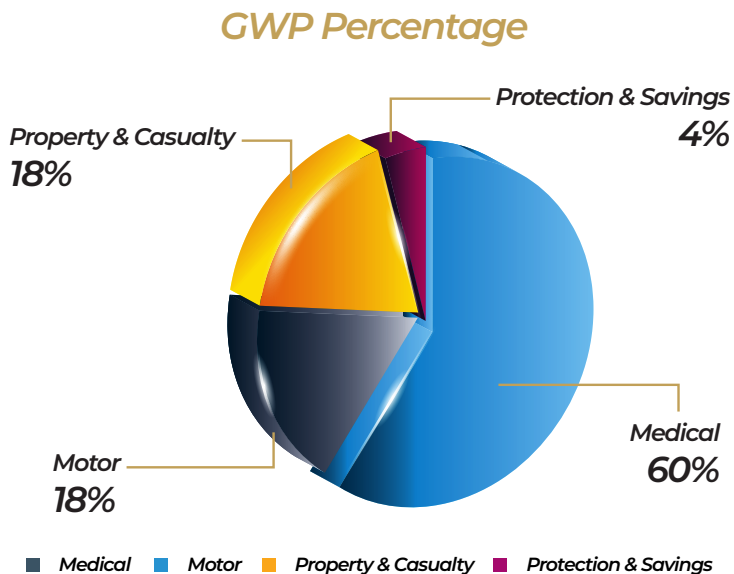
Weighted Average Expense Ratio



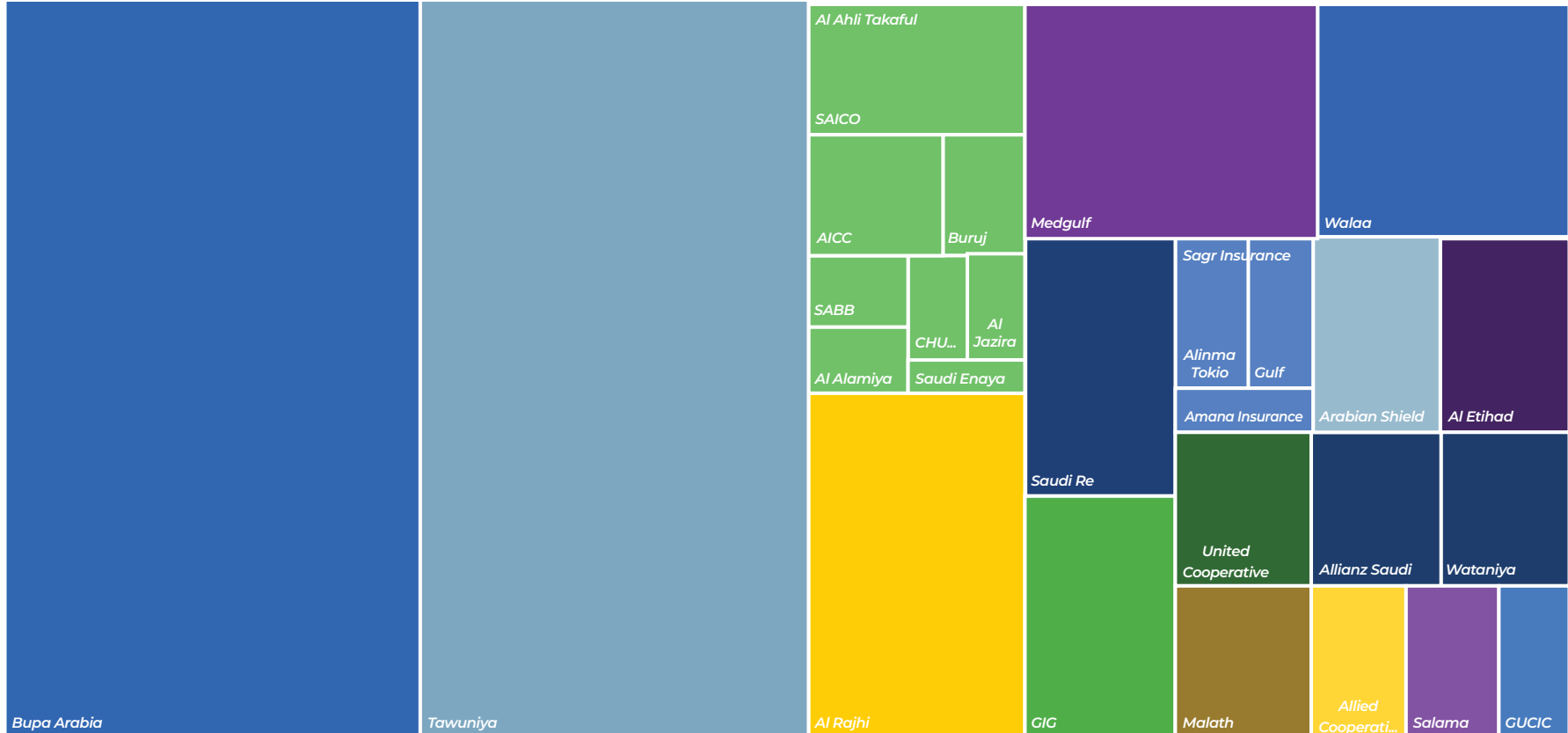
Weighted Average Combined Ratio

AGGREGATE PERFORMANCE

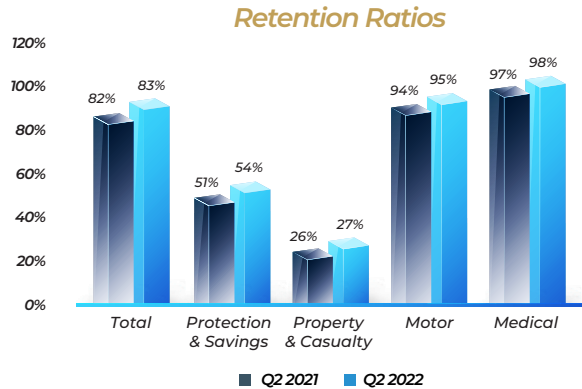
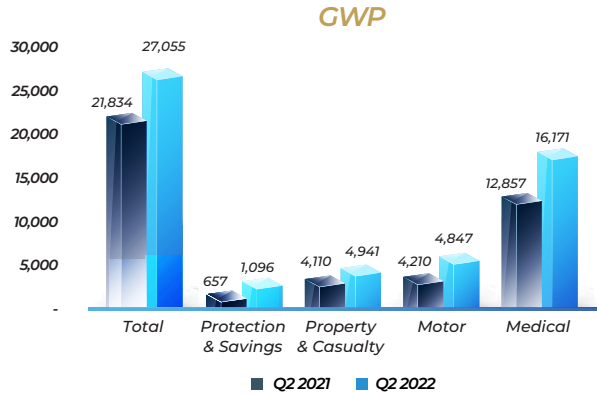
The Medical LOB constitutes the highest proportion of the GWP, with a value of 60%. Protection & Savings continues to be the smallest sector, with a value of just 4%. As can be noted, all of the written and earned premiums, as well as claims incurred increased in the last year.



MARKET SHARE PROPORTION



GWP AND RANKINGS



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

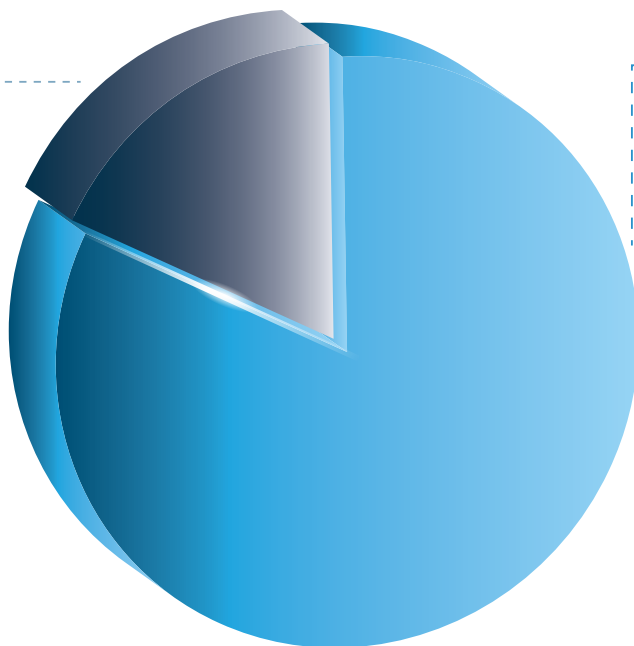
GWP COMPOSITION

TOP 10 VS. REMAINING COMPANIES



REMAINING COMPANIES

THE REMAINING COMPANIES MAKE UP 17.64% OF THE MARKET SHARE.

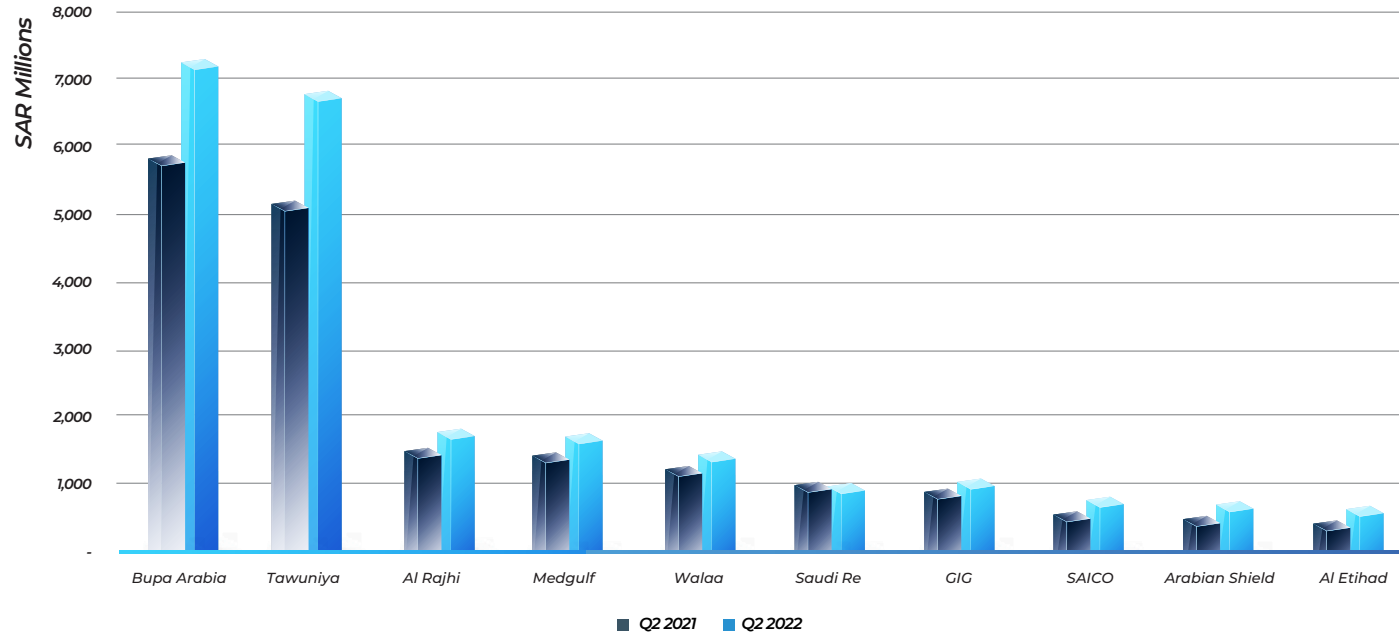


TOP 10 COMPANIES

THE TOP 10 COMPANIES MAKE UP AN OVERWHELMING 82.36% OF THE MARKET SHARE.

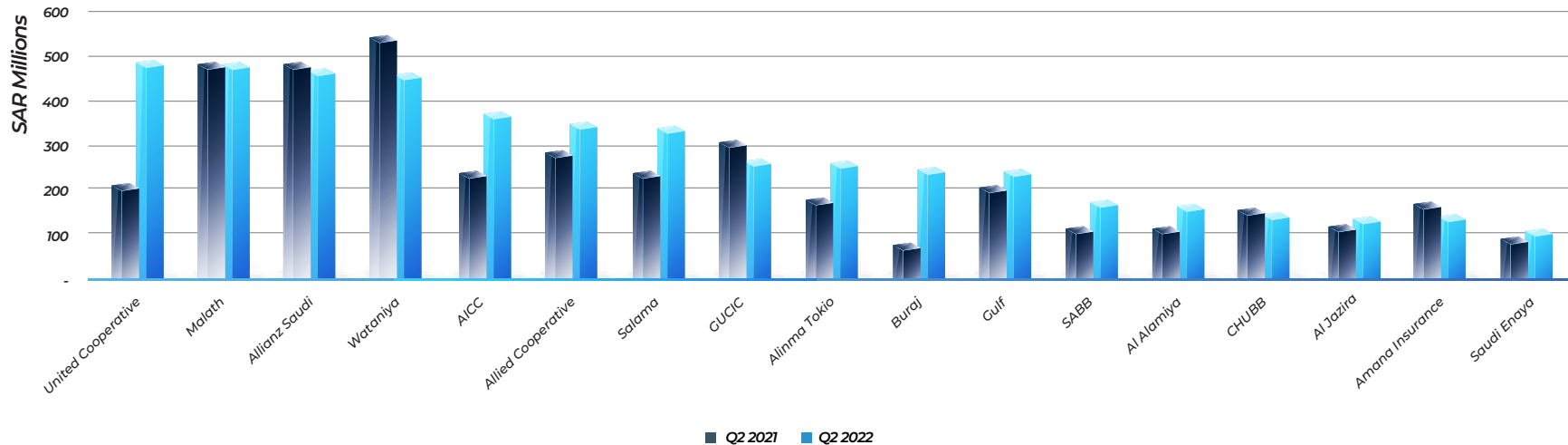
GROSS WRITTEN PREMIUMS – TOP 10 COMPANIES

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's of over SAR 6.5 billion each. Al Etihad had the lowest GWP. Saudi Re was the only company from the top 10 to experience a drop in their GWP from Q2 2021.



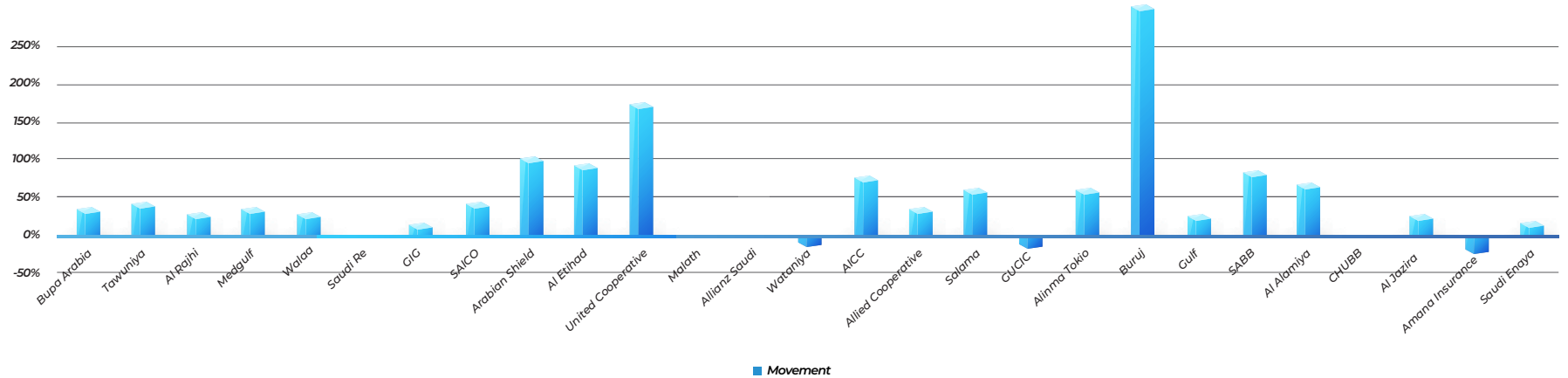
GROSS WRITTEN PREMIUMS – REMAINING COMPANIES

For Q2 2022, United Cooperative had the highest GWP of about SAR 485 million, while Saudi Enaya had the lowest GWP of just SAR 96 million. The average GWP for these remaining companies was SAR 282 million.



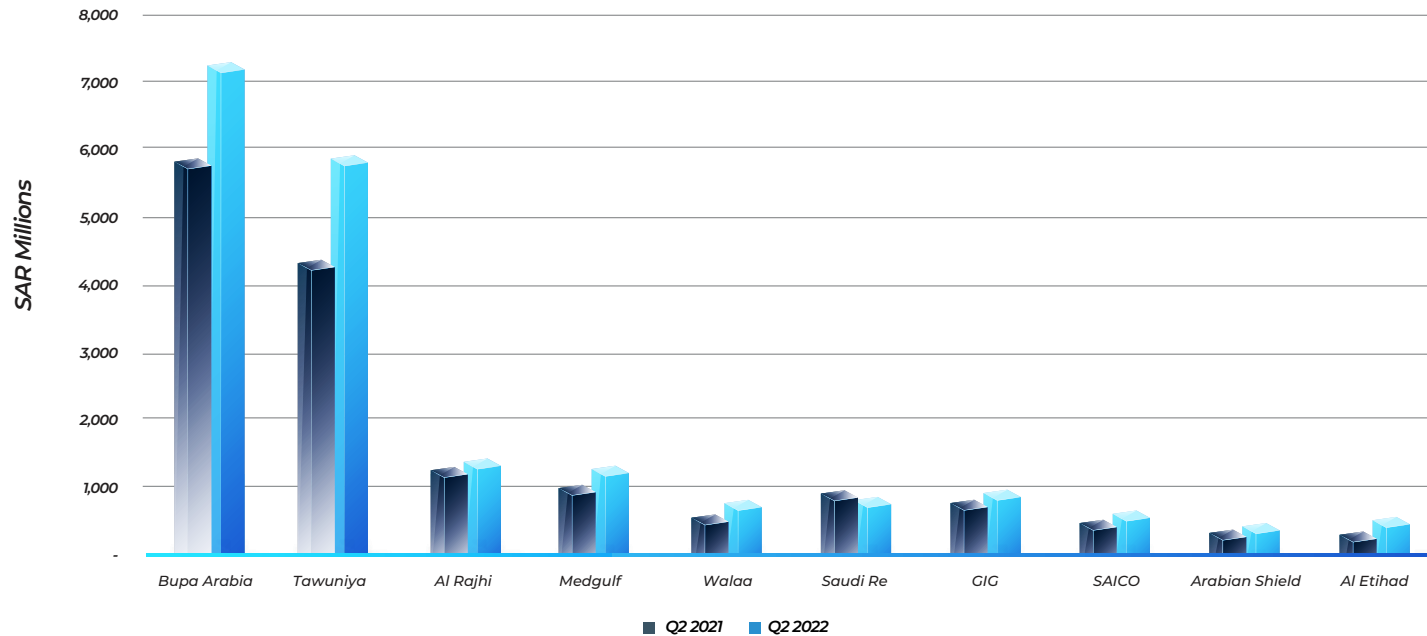
GROSS WRITTEN PREMIUMS – MOVEMENT

Buruj experienced the highest growth, with its GWP increasing by 237% in the last year. United Cooperative came in second place with a movement of 134%. Saudi RE, Malath, Allianz Saudi, Wataniya, GUCIC, CHUBB and Amana Insurance had a fall in their GWP.



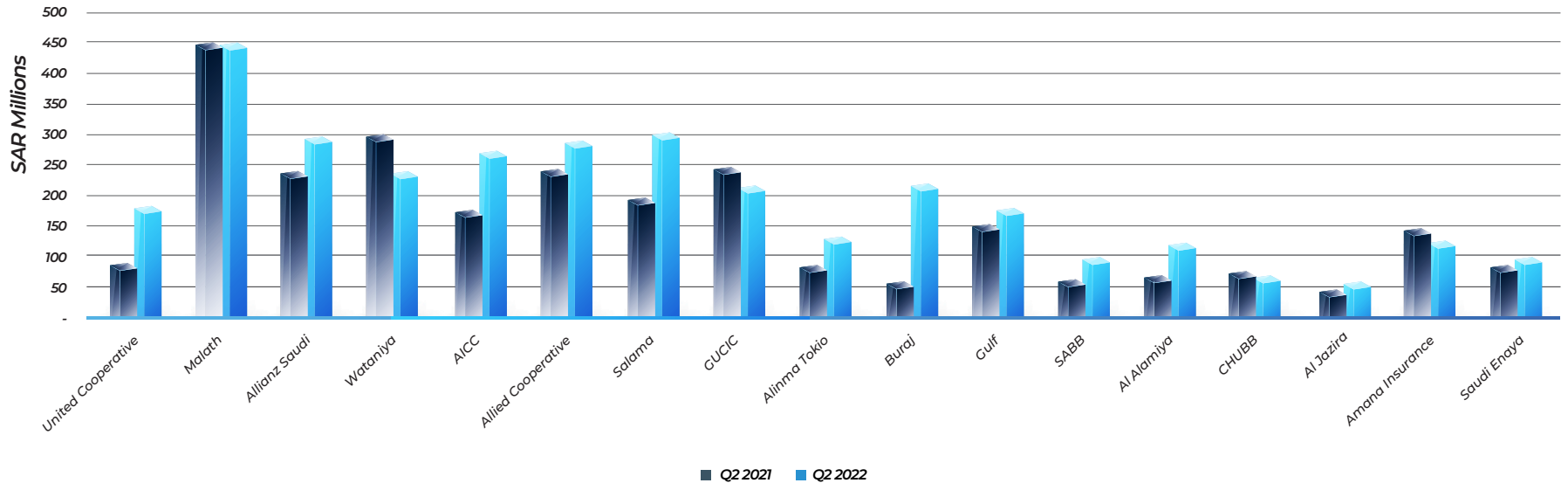
NET WRITTEN PREMIUMS – TOP 10 COMPANIES

Bupa Arabia had the highest NWP of SAR 7.16 billion, while Arabian Shield had the lowest NWP of SAR 380 million. Both these companies retained their highest and lowest positions from Q2 2021.



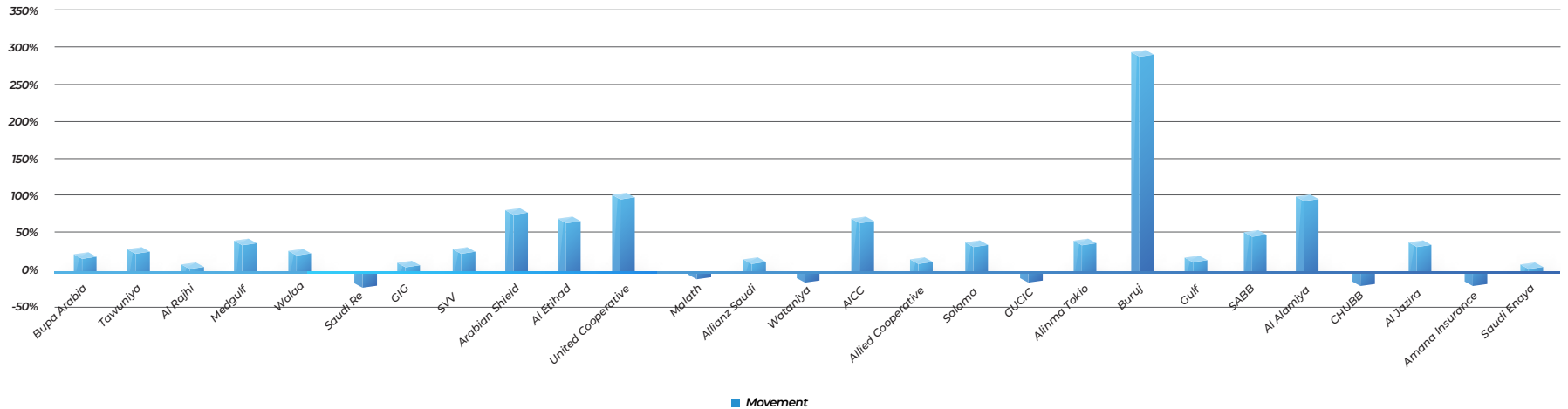
NET WRITTEN PREMIUMS – REMAINING COMPANIES

Amongst the remaining companies, Malath had the highest NWP, with a value of SAR 436 million. Al Jazira had the lowest NWP in both years' second quarter.



NET WRITTEN PREMIUMS – MOVEMENT

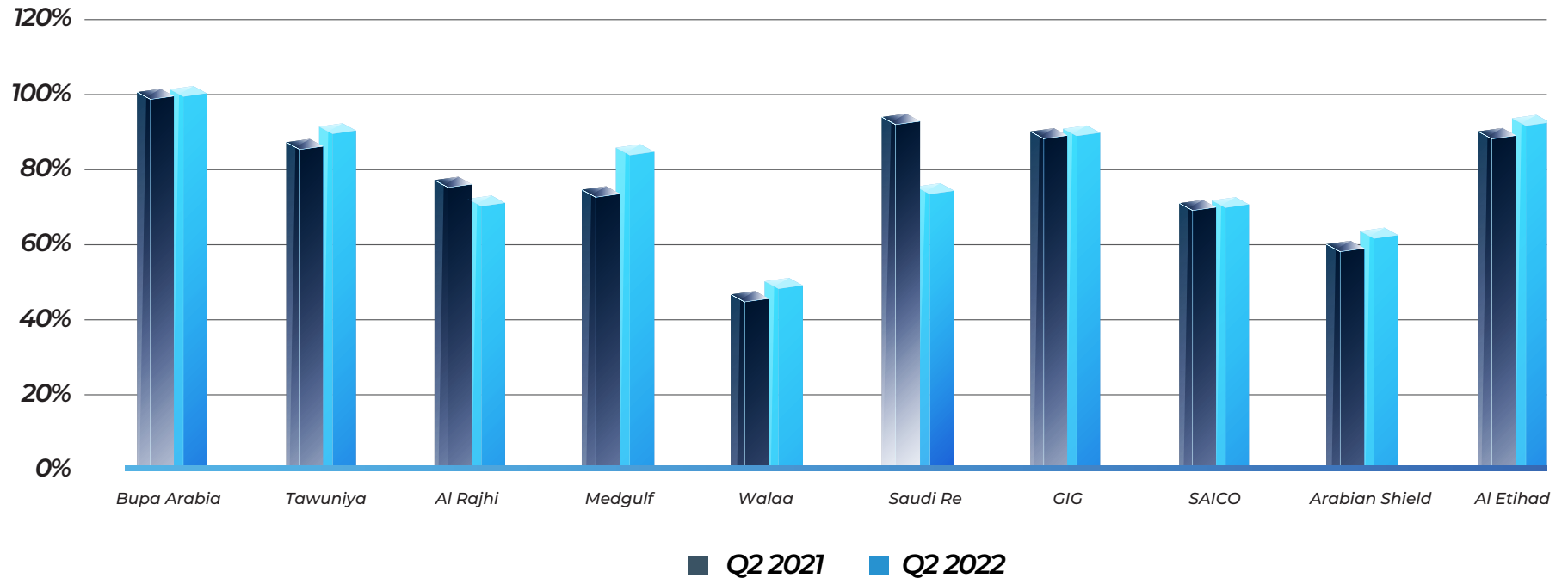
The NWP grew the most for Buruj, with a 3.25-fold increase. The range of the NWP movements was narrower and less volatile for the top 10 companies compared to the remaining companies' range. 6 out of the 27 companies experienced a fall in their NWP.



■ Movement

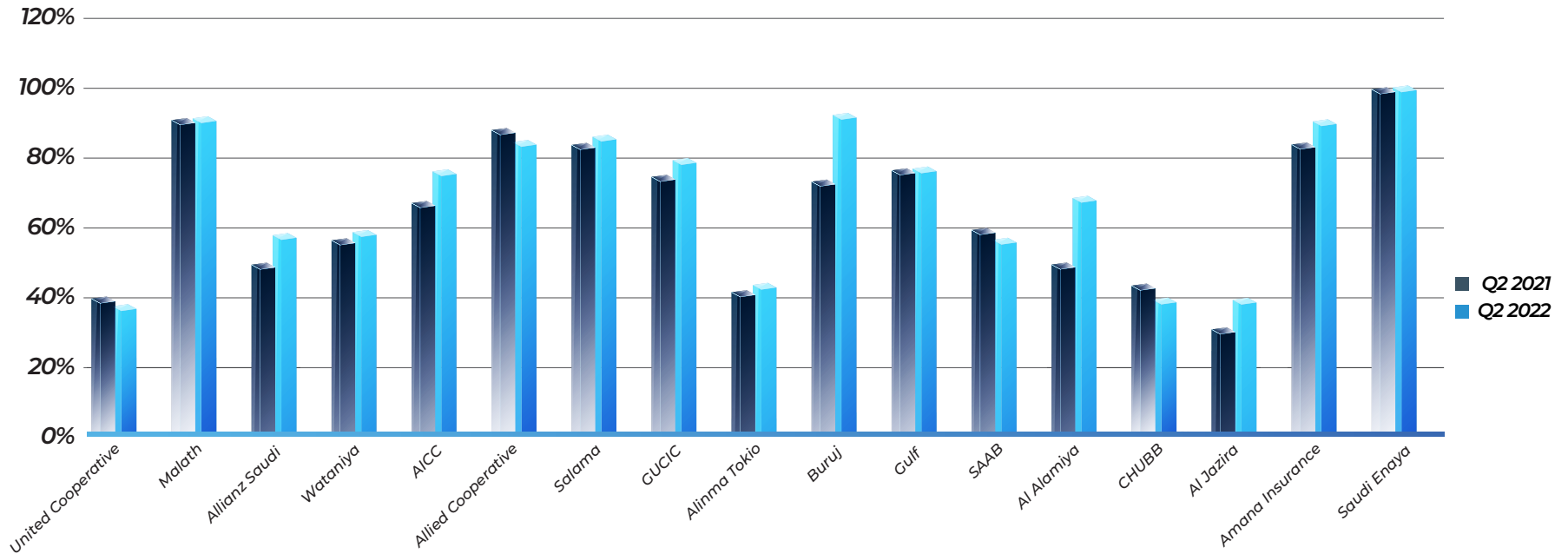
RETENTION RATIOS - TOP 10 COMPANIES

Bupa Arabia, Tawuniya, Medgulf, GIG and Al Etihad retained most of their premiums, with each of their ratios being well above 80% for Q2 2022. Of the top 10 companies, Walaa retained about of its premiums in both years.



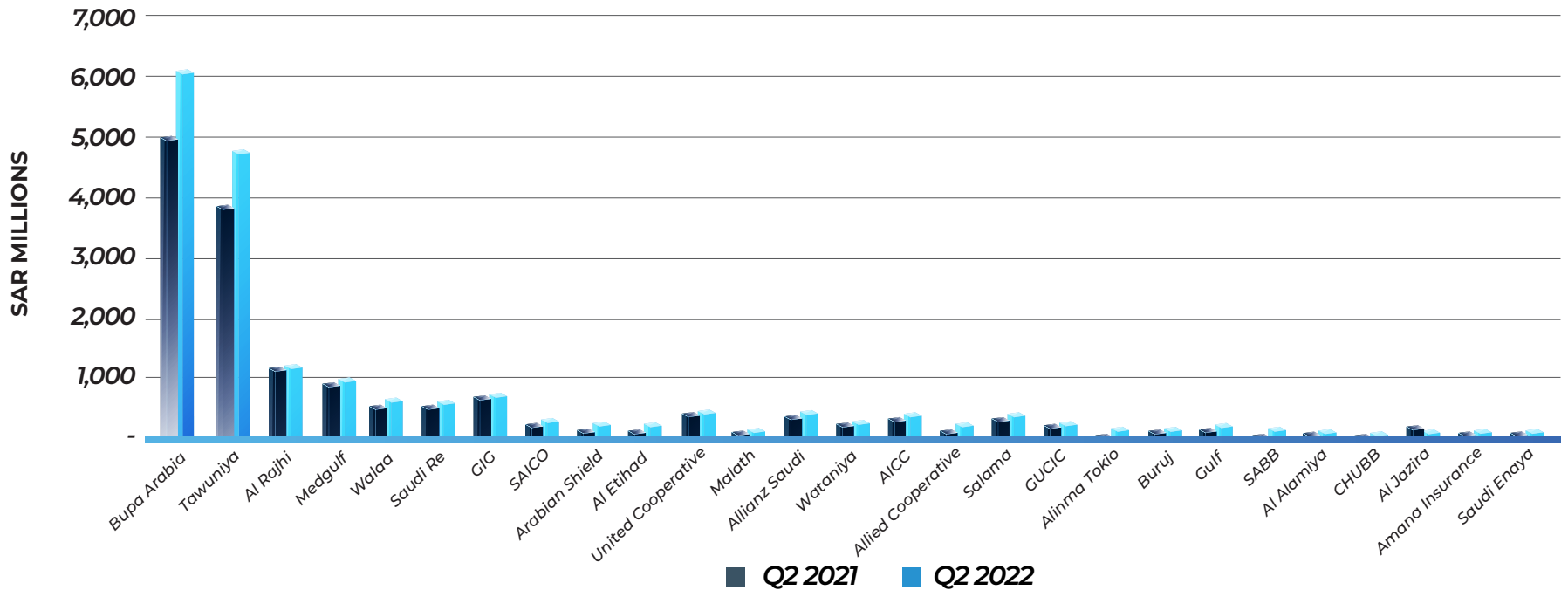
RETENTION RATIOS - REMAINING COMPANIES

For Q2 2022, 6 of the 17 remaining companies retained most of their premiums, with ratios of at least 80%. Saudi Enaya retained all of its business for both years' quarters. Only United Cooperative, Alinma Tokio, and CHUBB premiums in Q2 2022.



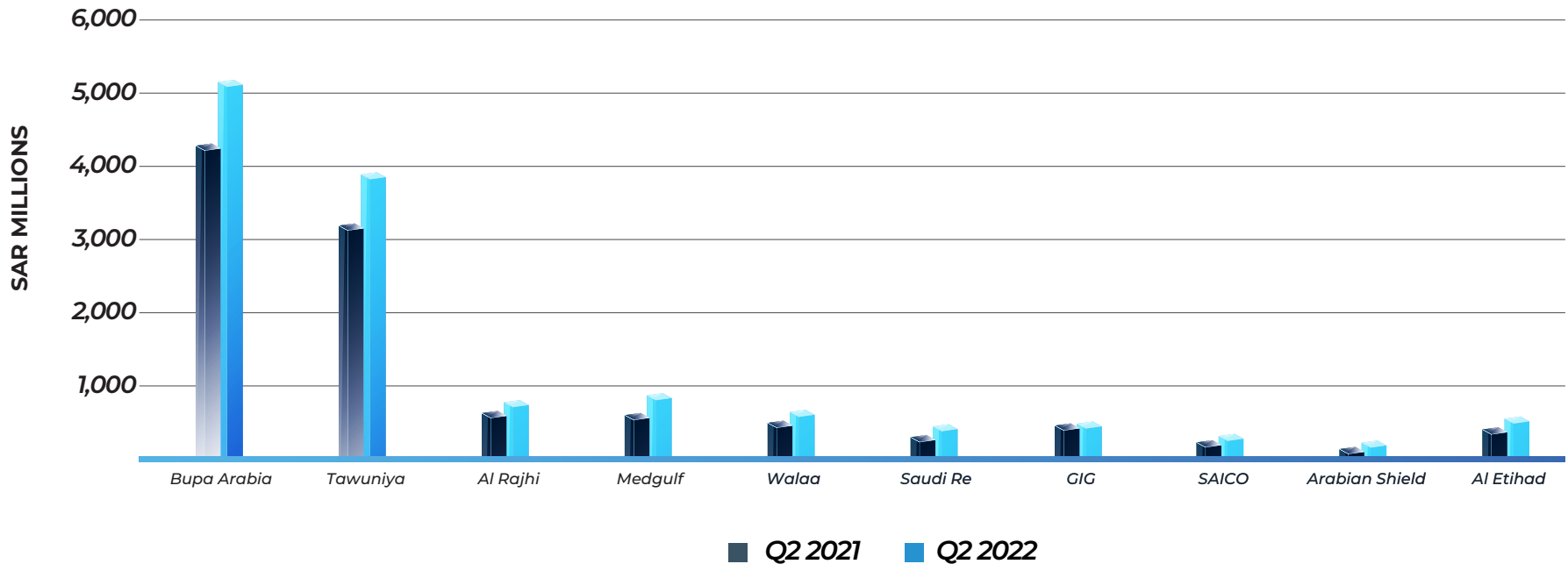
NET EARNED PREMIUMS – ALL COMPANIES

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



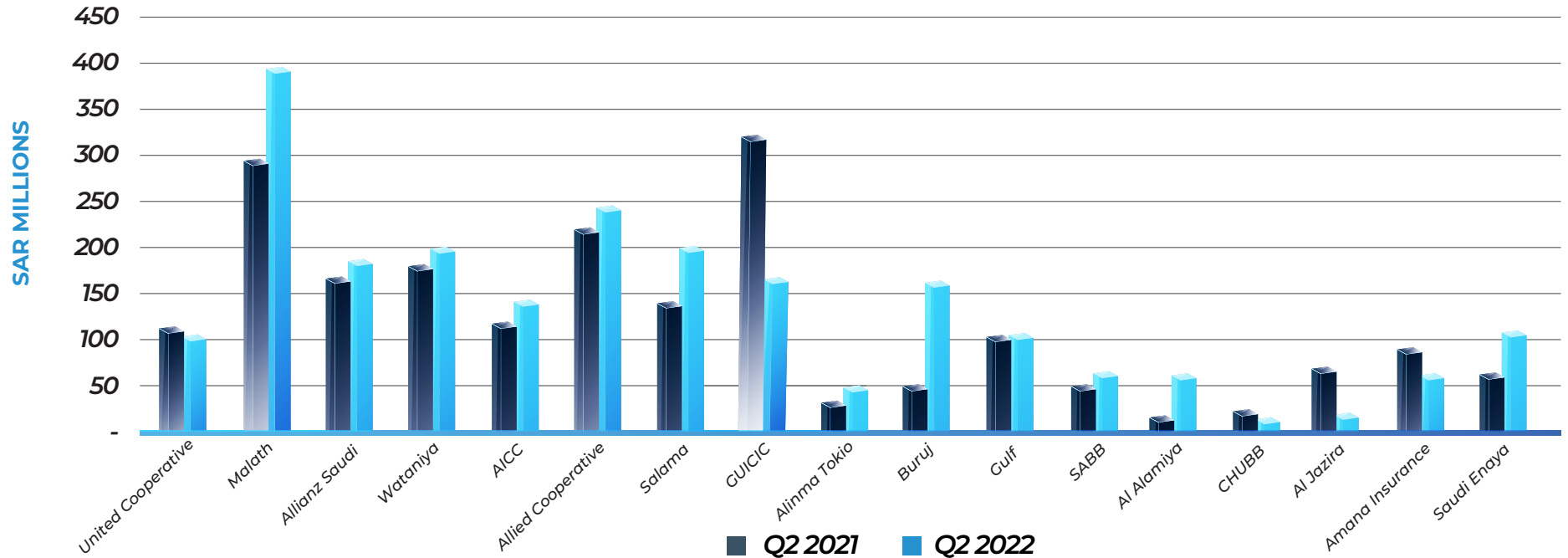
NET INCURRED CLAIMS - TOP 10 COMPANIES

As can be predicted, Bupa Arabia and Tawuniya retained their top positions for both quarters.



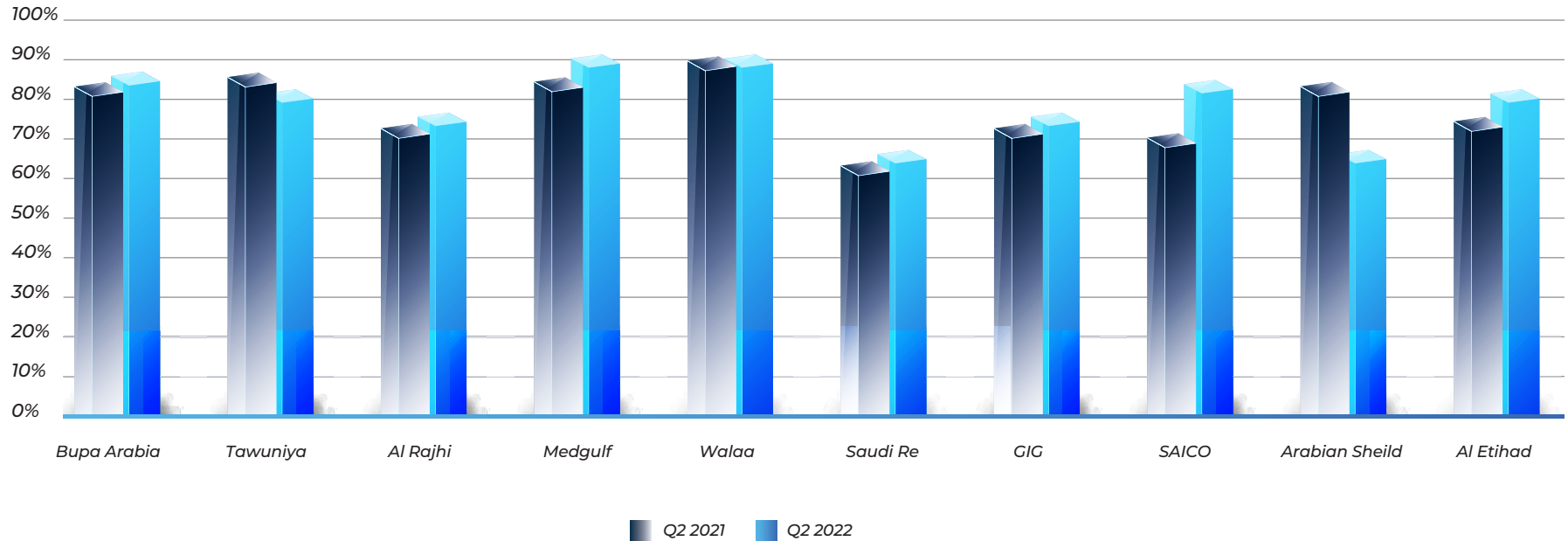
NET INCURRED CLAIMS - REMAINING COMPANIES

Of the remaining companies, Malath had the highest Net Incurred Claims for Q2 2022, with a value of SAR 395 million. Last year, this position belonged to GUCIC, with a value of SAR 315 million. Al Jazira had the lowest Incurred Claims for this year, with a value of SAR 19 million only. United Cooperative, GUCIC, GULF, CHUBB, Al Jazira, and Amana experienced a fall in their Incurred Claims from Q1 2022.



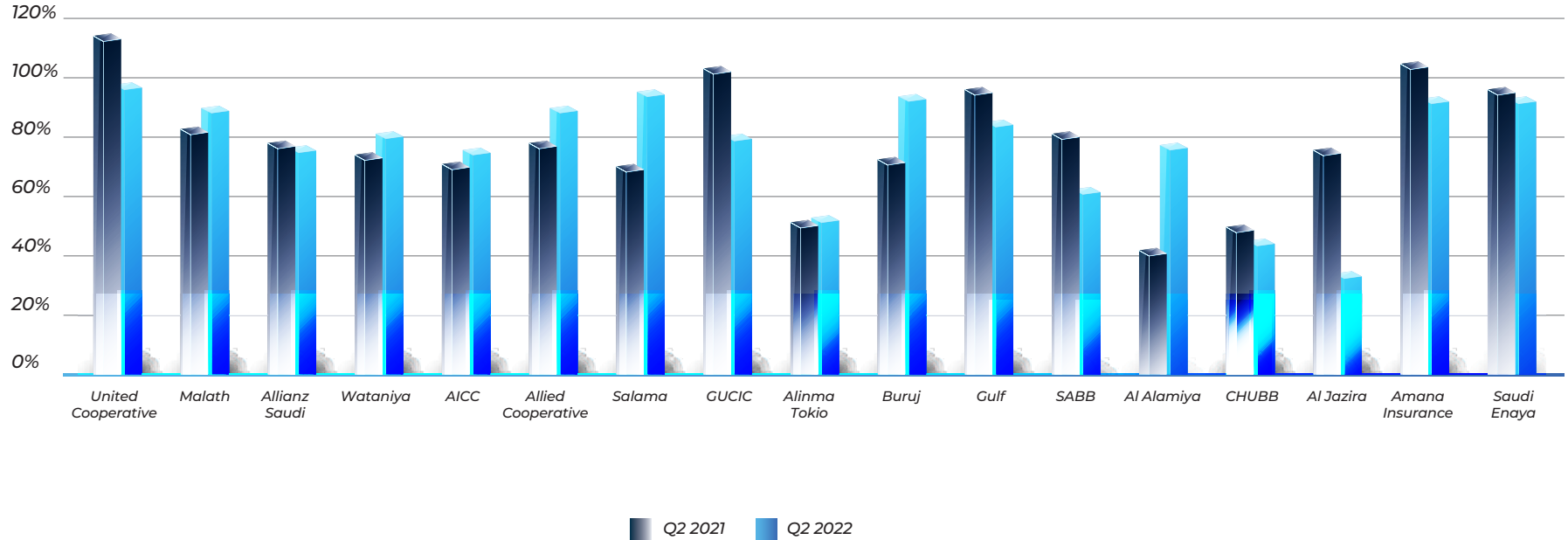
NET LOSS RATIOS - TOP 10 COMPANIES

The Loss Ratio measures the proportion of Incurred Claims to Earned Premiums, i.e., it indicates if the company is experiencing more or less claims compared to the money it is earning. Except for Walaa and Arabian Shield, the rest of the top 10 companies had an increase in their loss ratios.



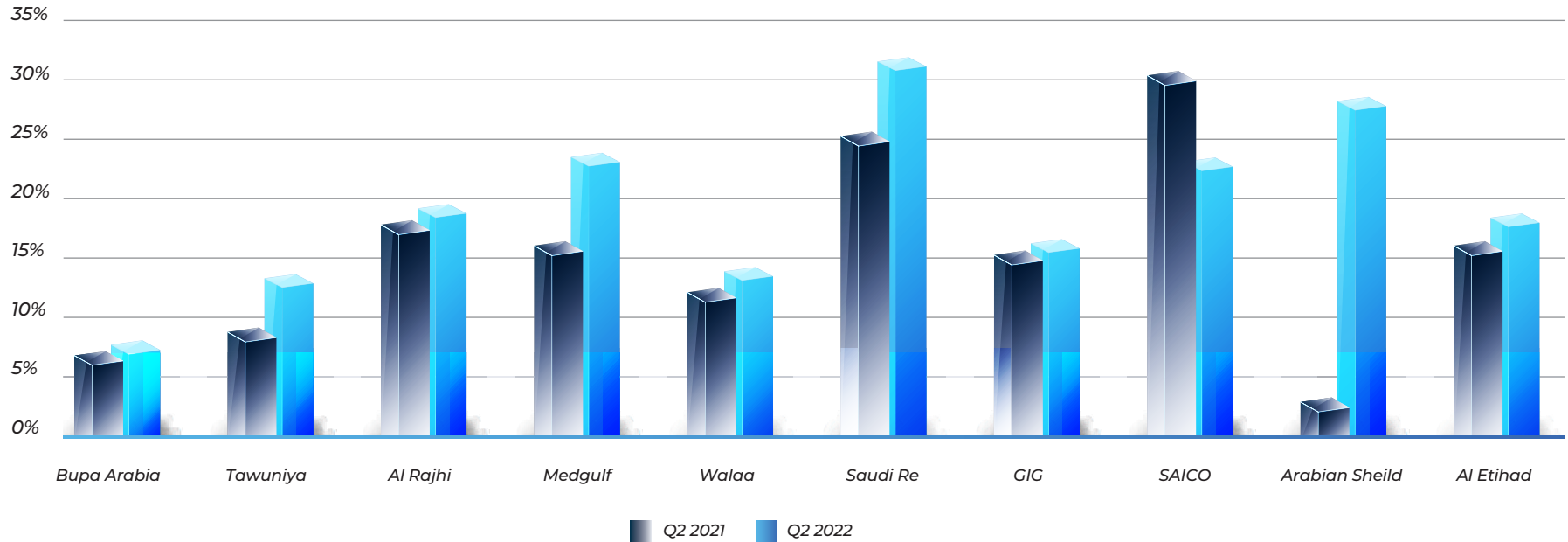
NET LOSS RATIOS – REMAINING COMPANIES

For Q2 2022, none of the remaining companies had Loss Ratios above 100%. For Q2 2022, Al Jazira had the lowest Loss Ratio of 32%. For Q2 2021, United Cooperative had the highest Loss Ratio, well above 100%.



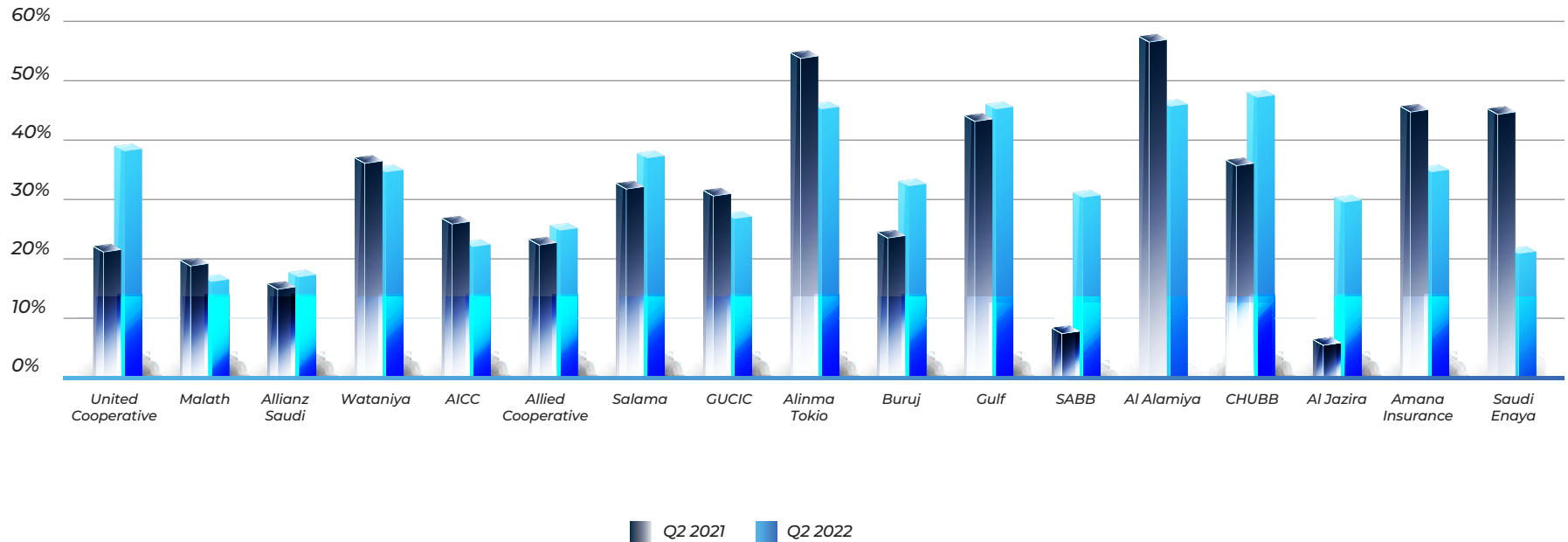
NET EXPENSE RATIOS - TOP 10 COMPANIES

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. Saudi Re had the highest expense ratios for Q2 2022. Bupa Arabia had the lowest for Q2 2022, while Arabian Shield had the lowest for Q2 2021.



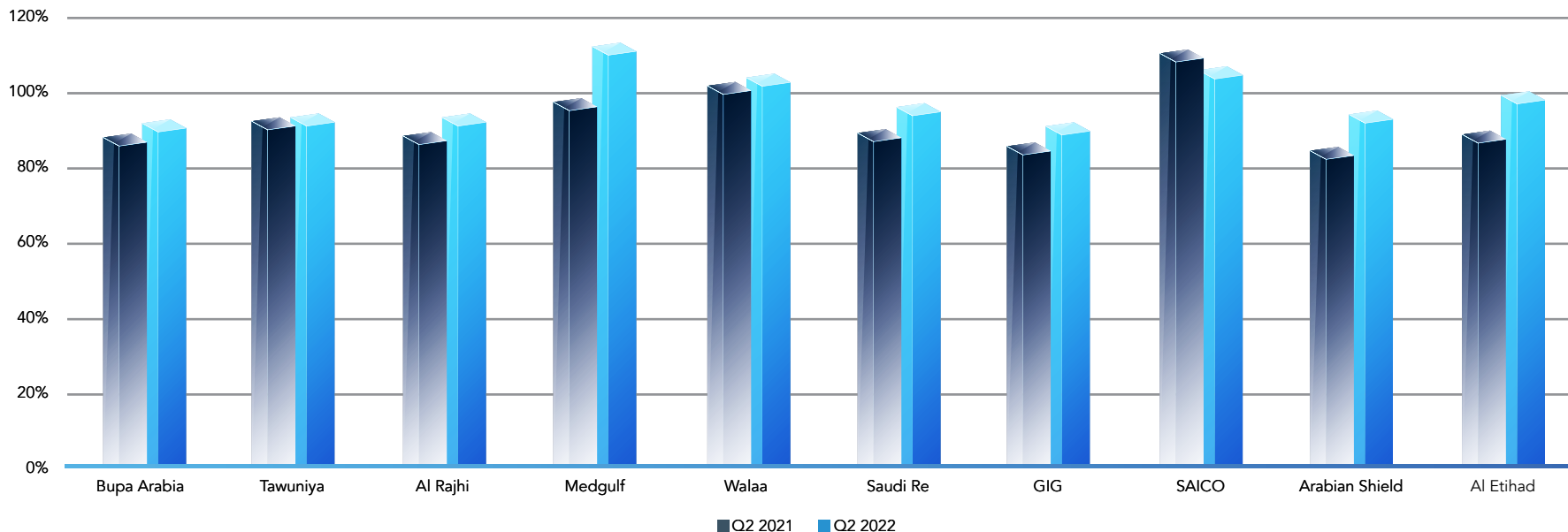
NET EXPENSE RATIOS - REMAINING COMPANIES

Of the remaining companies, CHUBB had the highest Expense Ratio of 48% for Q2 2022, while Al Alamiya had the highest ratio of 56% for Q2 2021. Malath had the lowest ratio of 17% for Q2 2022.



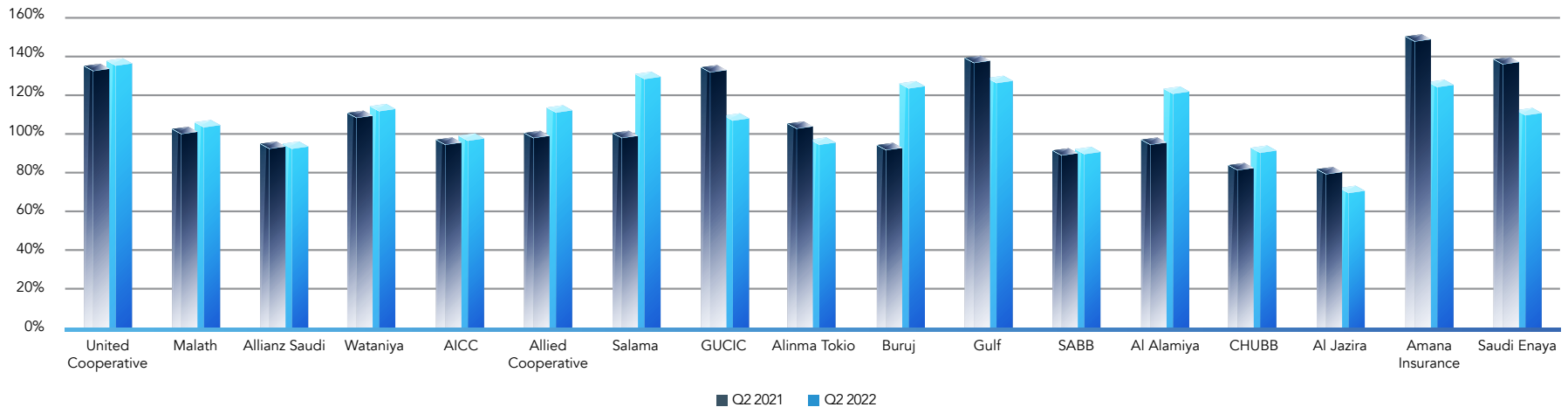
NET COMBINED RATIOS - TOP 10 COMPANIES

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. Medgulf had the highest Combined Ratio of 113% for Q2 2022. Most of the top 10 companies had a Combined Ratio of under 100% for both years, with the exceptions of Medgulf, Walaa, and SAICO.



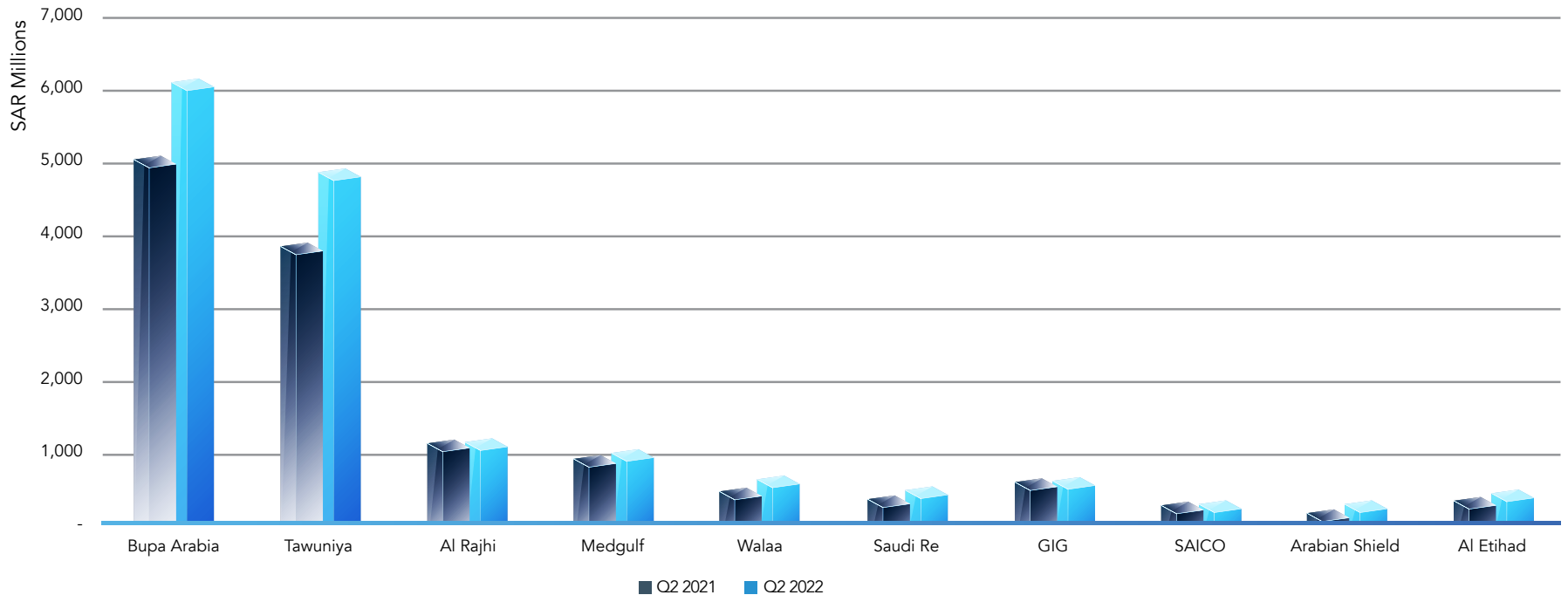
COMBINED RATIOS – REMAINING COMPANIES

The average Combined Ratio for the remaining companies amounted to 110%, indicating that most of these companies have relatively more claims and expenses compared to their earned premiums. United Cooperative had the highest ratio for this quarter, with a value of 137%.



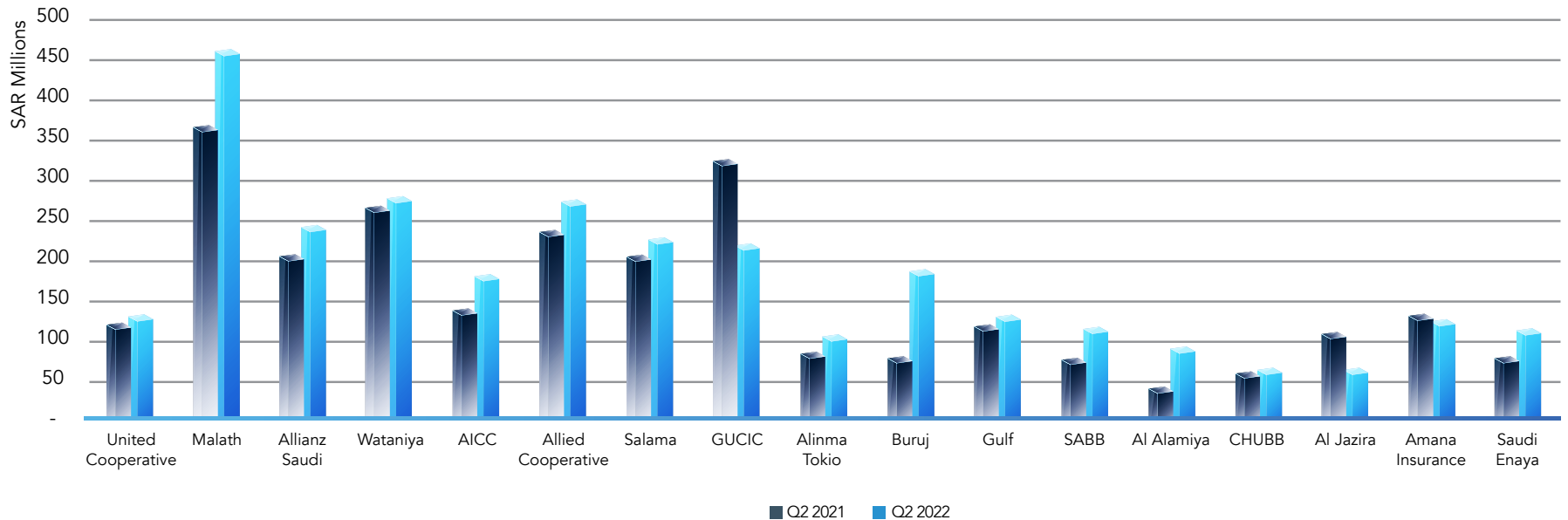
NET REVENUE - TOP 10 COMPANIES

Bupa Arabia had the highest Net Revenue for Q2 2021 and Q2 2022. Tawuniya and Al Rajhi also maintained their second and third positions, respectively. The average Net Revenue of the top 10 companies was SAR 1.61 billion.



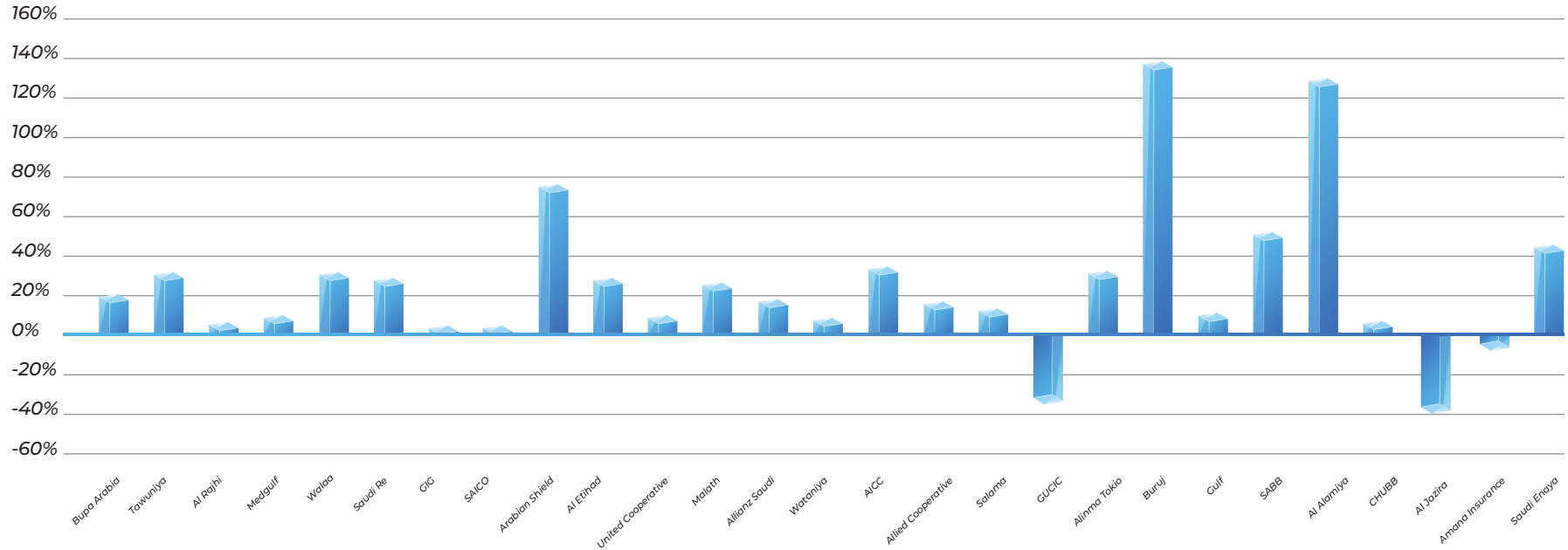
NET REVENUE - REMAINING COMPANIES

For this year, Malath had the highest Net Revenue of SAR 456 million, followed by Wataniya in second place with SAR 274 million. CHUBB had the lowest Net Revenue in the industry, with a value of SAR 61 million only. The average Net Revenue of these remaining companies was SAR 175 million.



NET REVENUE - MOVEMENT

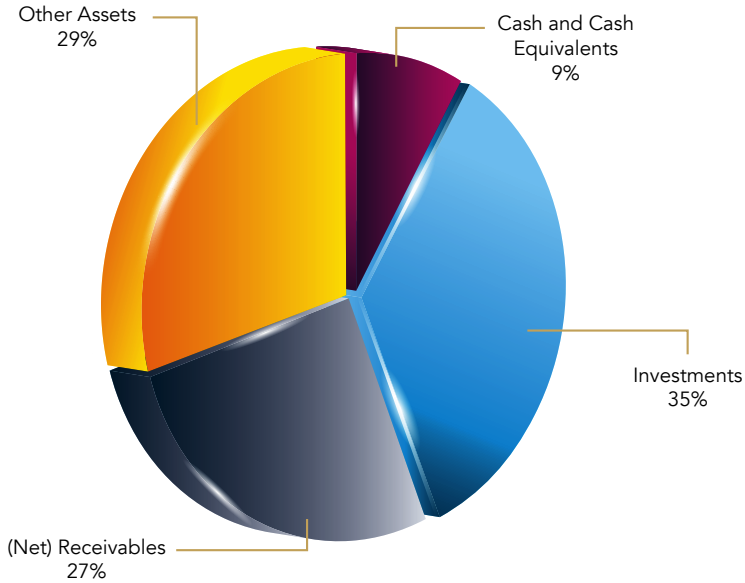
The industry as a whole experienced a movement of 19%, with the average being 24%. Buruj had the highest movement of 135%, while Al Jazira had the lowest movement of -45%. GUCIC and Amana Insurance also experienced negative movements.



ASSETS CLASSIFICATION - AGGREGATE

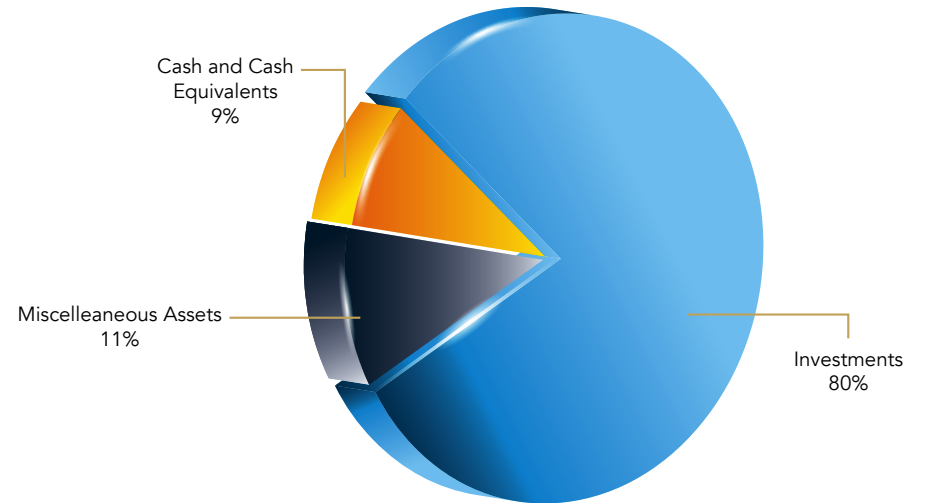
Investments made the majority of the assets for both Policyholders and Shareholders. Cash made up the smallest portion of assets.

POLICYHOLDERS



■ Cash and Cash Equivalents ■ Investments ■ (Net) Receivables ■ Other Assets

SHAREHOLDERS

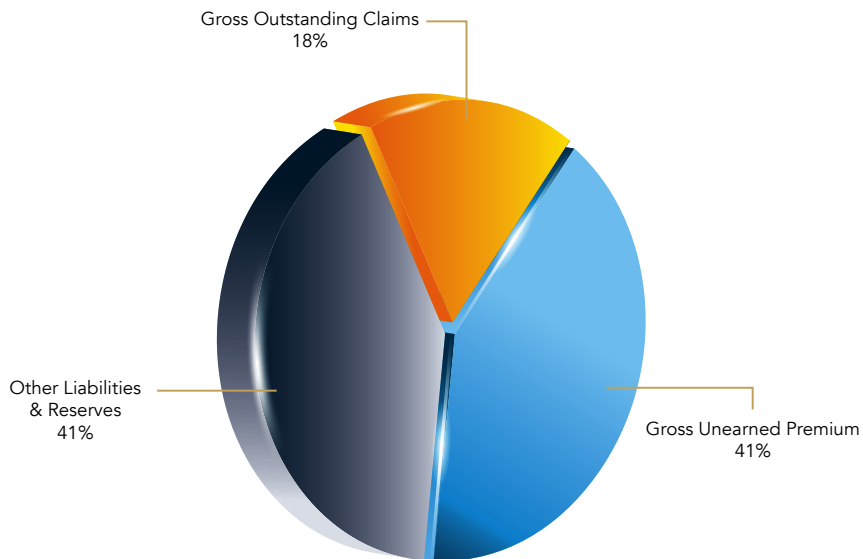


■ Cash and Cash Equivalents ■ Investments ■ Miscellaneous Assets

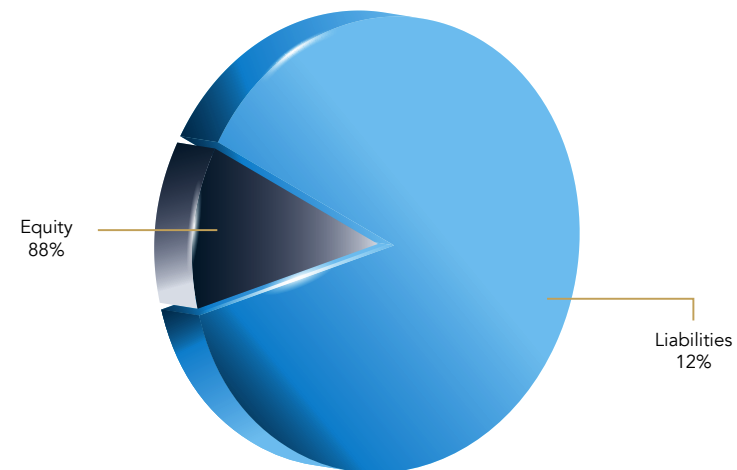
LIABILITIES & EQUITY CLASSIFICATION - AGGREGATE

For Policyholders, Unearned Premiums, Reserves & Other Liabilities took the biggest share of their Liabilities. For Shareholders, their Equity is at least 7 times more than their Liabilities.

POLICYHOLDERS



SHAREHOLDERS

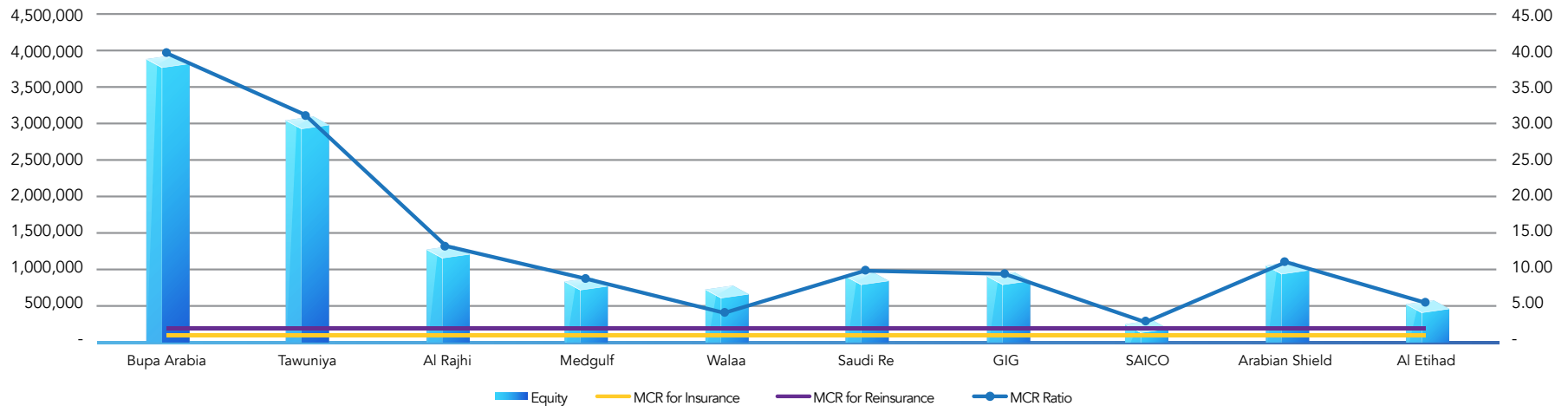


■ Gross Outstanding Claims ■ Gross Unearned Premium ■ Other Liabilities & Reserves

■ Liabilities ■ Equity

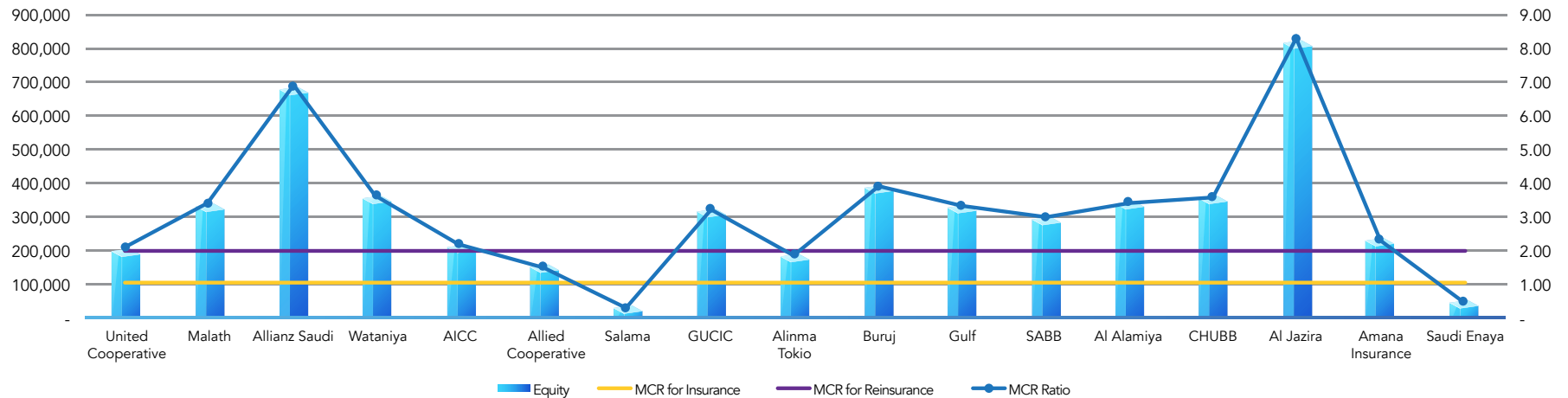
SOLVENCY ANALYSIS – TOP 10 COMPANIES

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



SOLVENCY ANALYSIS – REMAINING COMPANIES

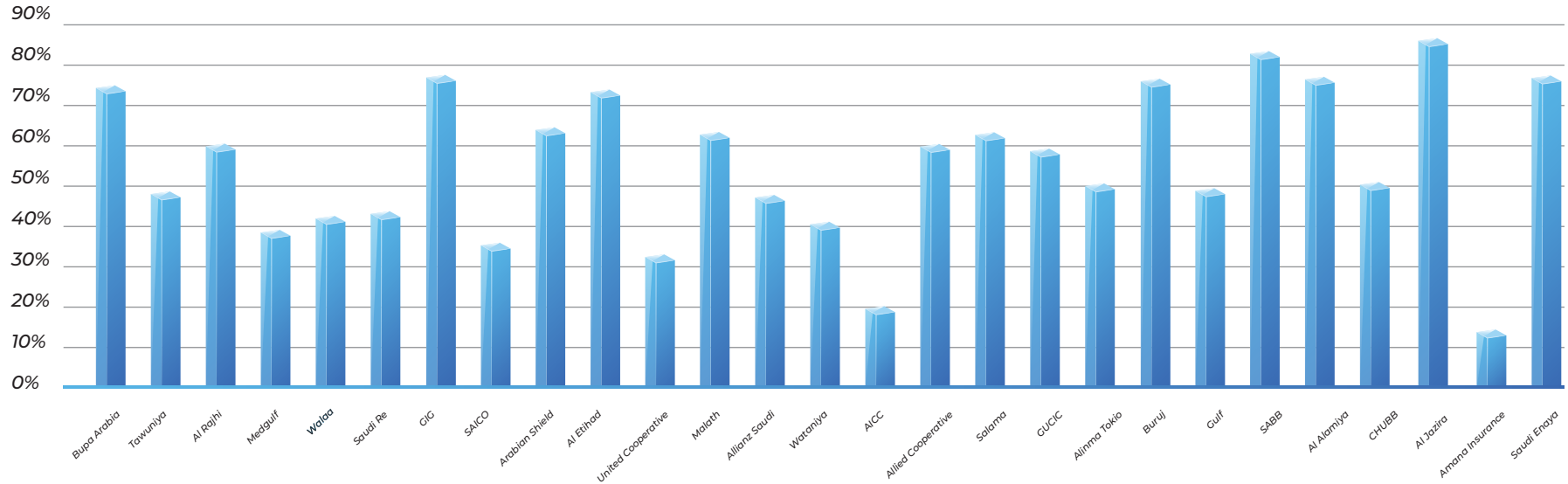
Of the remaining companies Salama and Saudi Enaya have ratios of less than 1, indicating that their equity is positive but less than their MCR.



PROPORTION OF INVESTED ASSETS

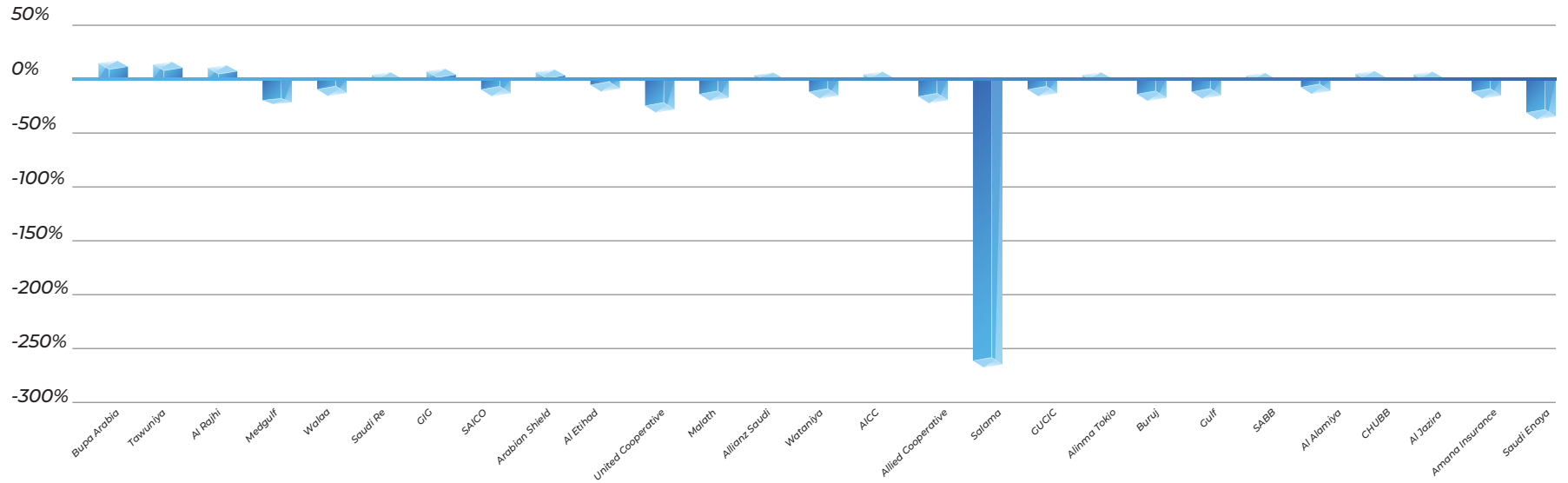
13 of the 27 companies had investments and cash equivalents of less than 50% of their total assets. The highest proportion belonged to Al Jazira, with 85% of its assets in investments and cash equivalents.

Investment and Cash (As a percentage of Total Assets)



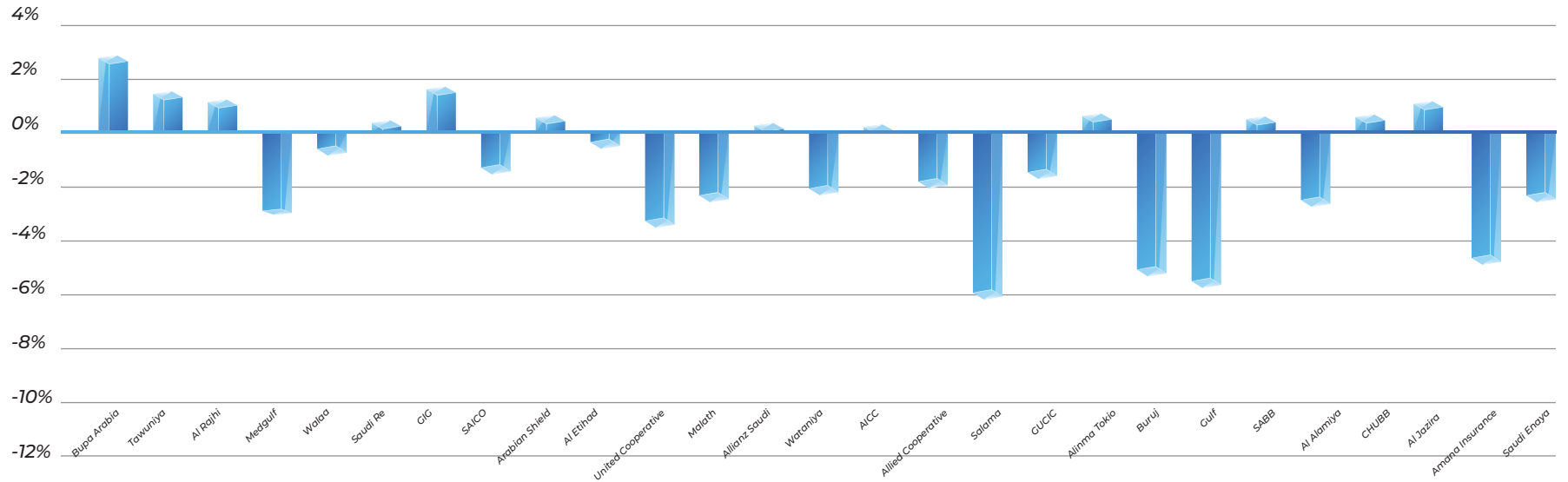
RETURN ON EQUITY (ROE)

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 Q2 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. 15 of the 27 companies had a negative ratio, with Salama having the lowest of -263%.



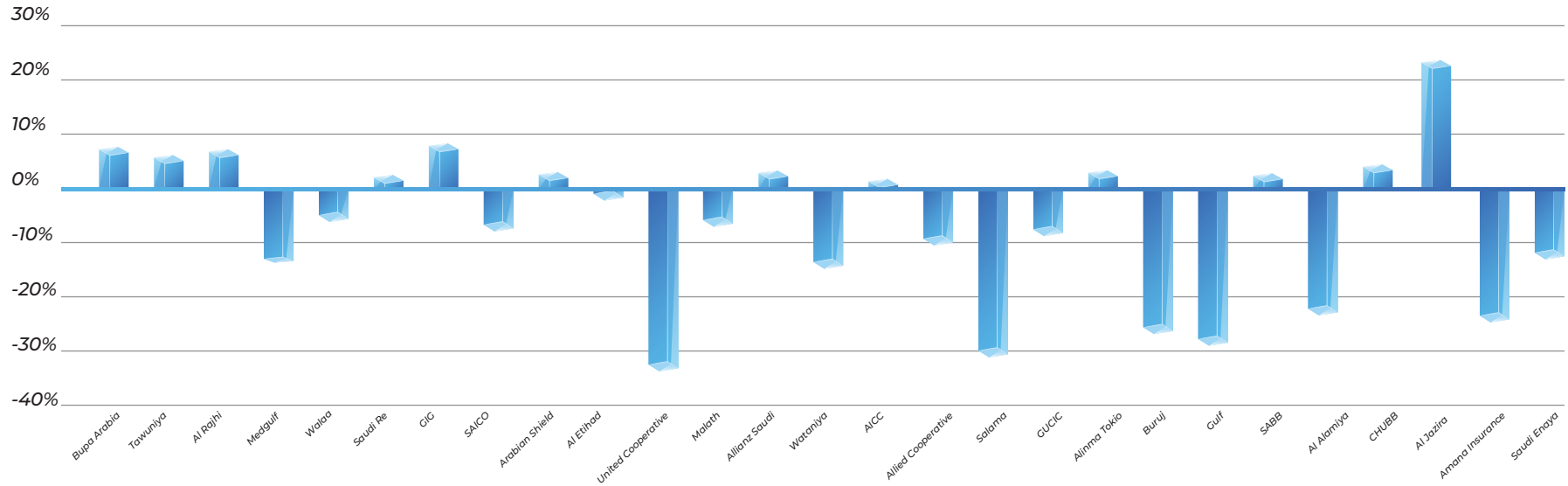
RETURN ON ASSETS (ROA)

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. Bupa Arabia had the highest ratio for Q2 2022.



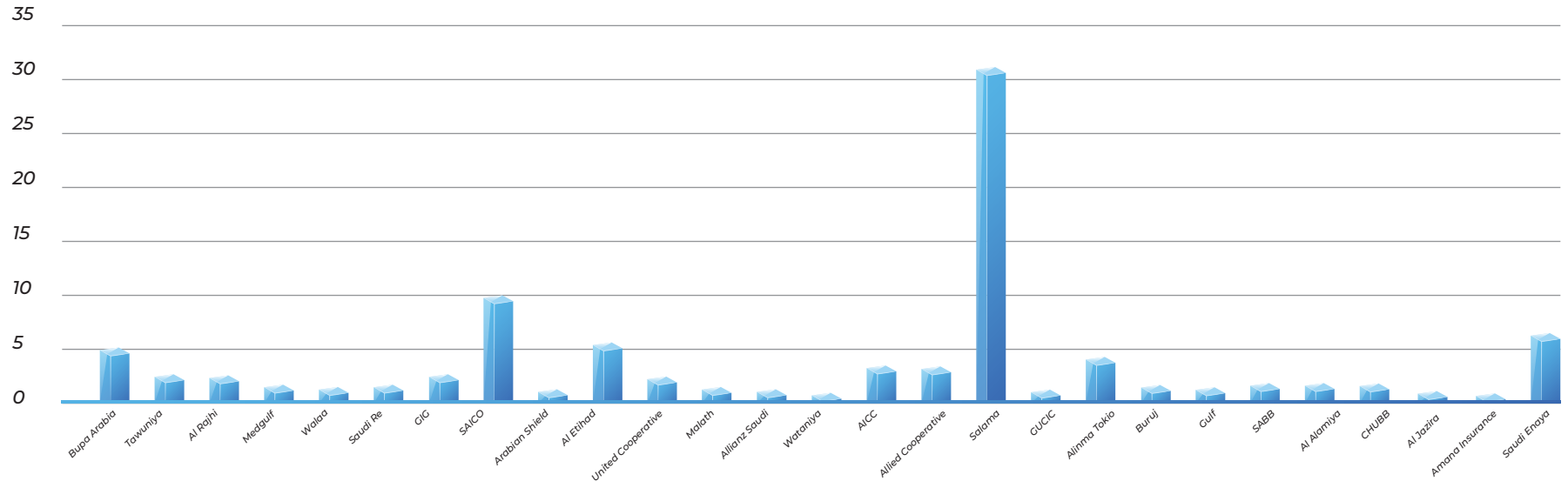
NET MARGIN

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. Al Jazira had the highest Net Margin of 23%, while United Cooperative had the lowest of -33%. Only 12 of the 27 companies had positive Net Margins. The average Net Margin of KSA's industry was -7%, indicating the industry as a whole is not efficient at generating profits from its revenues.



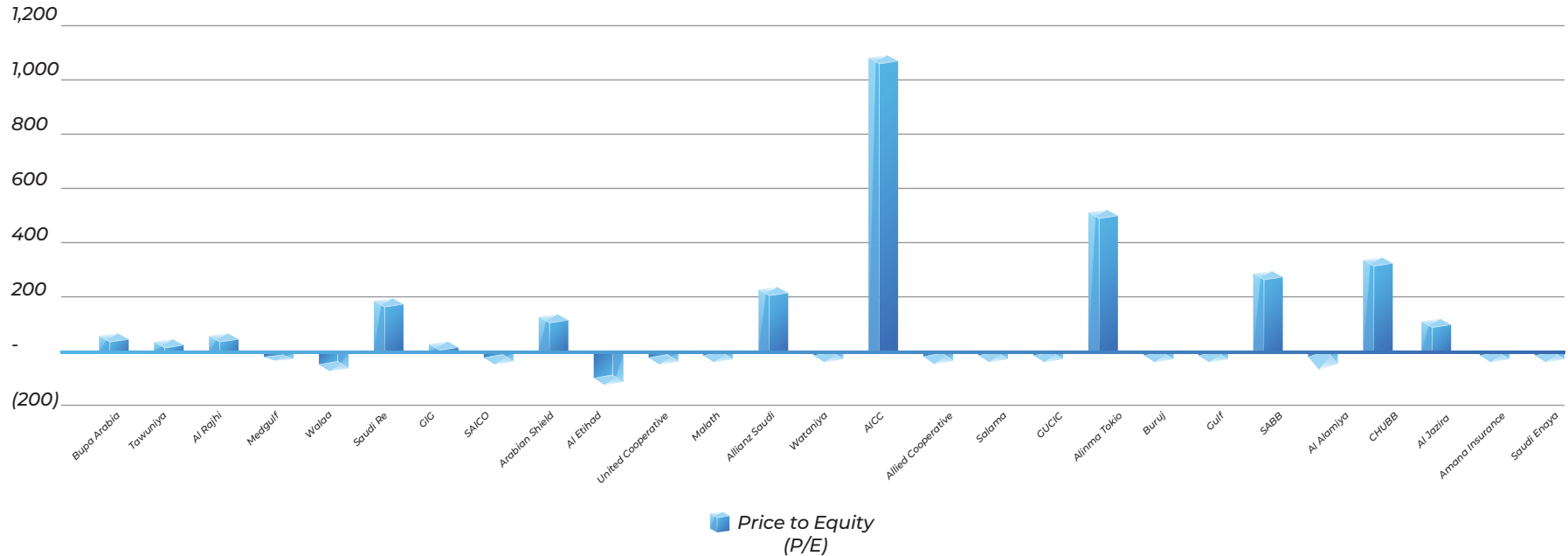
PRICE-TO-BOOK VALUE (P/B)

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). Salama had the highest P/B ratio of 31, 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.



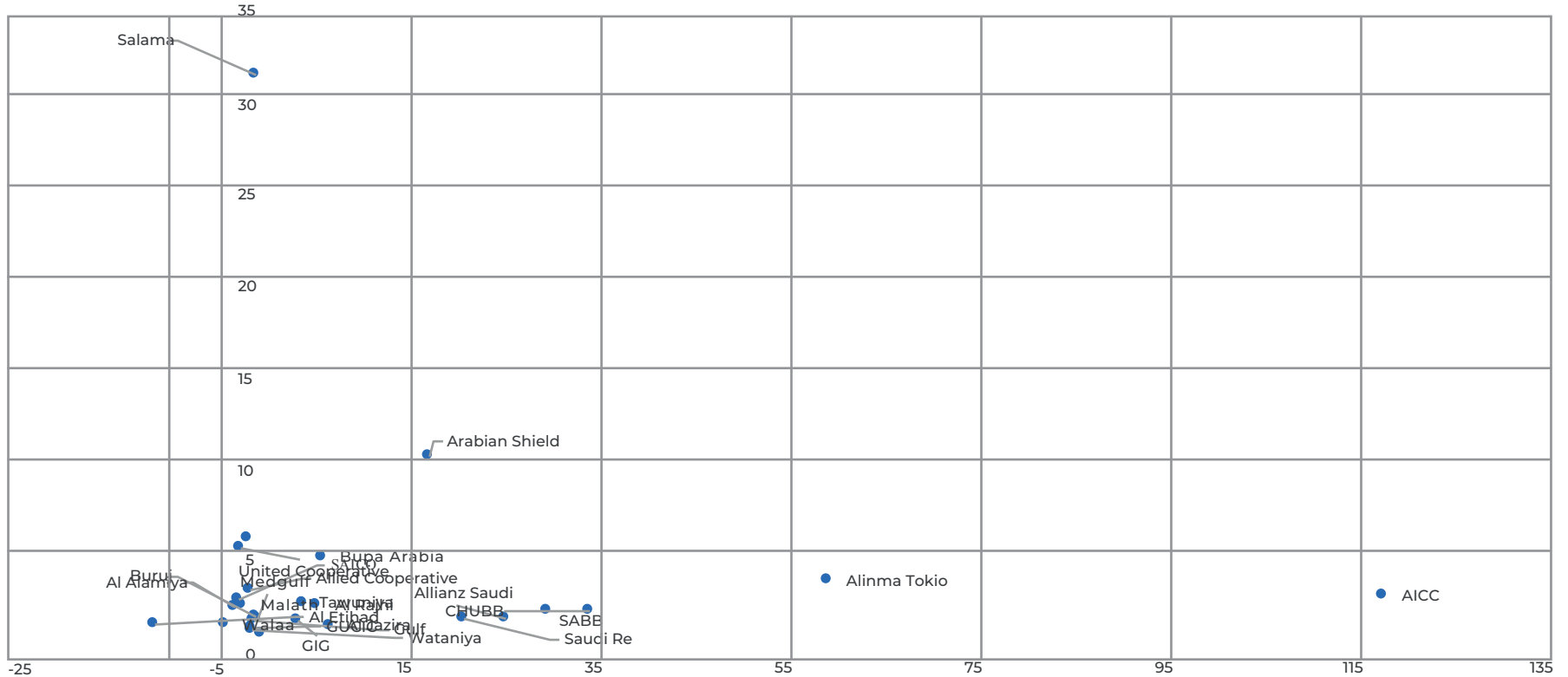
PRICE-TO-EARNINGS (P/E)

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. AICC had the highest ratio of 1094, suggesting that investors have confidence in the performance of the company. On the other end, Al Etihad had the lowest ratio of -111. The average ratio in the industry was 99 for this year.

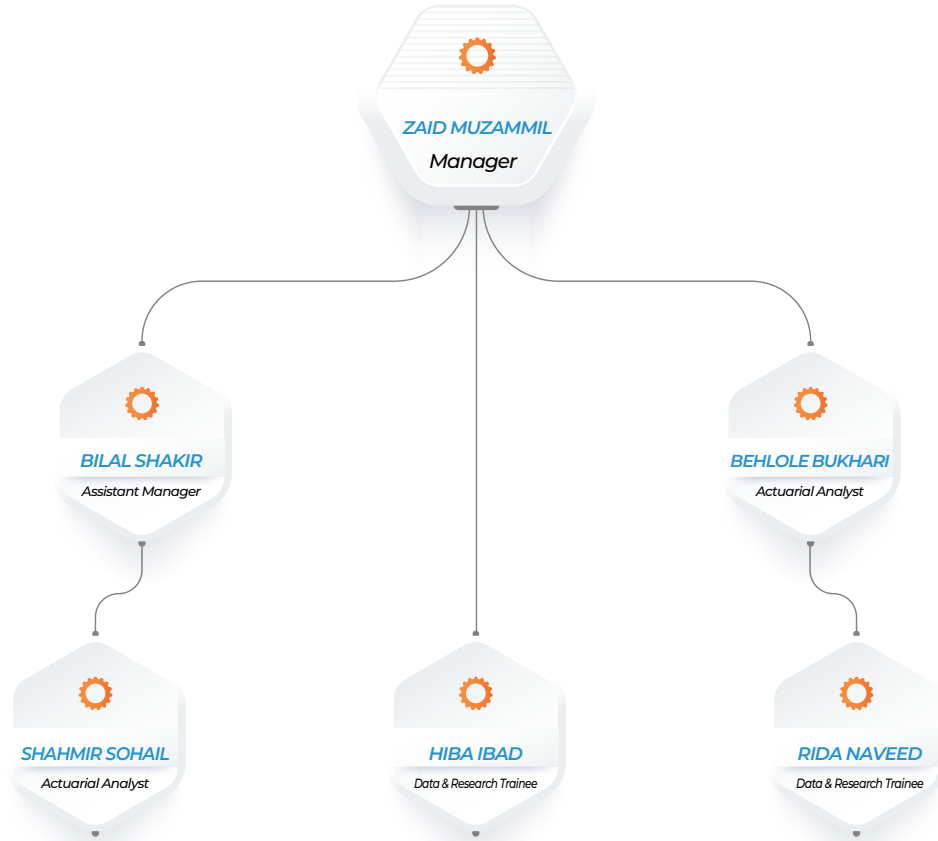


PRICE-TO-BOOK AND EARNING RATIO

P/E VS. P/BV FOR LISTED COMPANIES



MEET THE TEAM



SHMACONSULTING


FEEDBACK

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

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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.

