



Saudi Arabia's Insurance Industry Performance Analysis – For the year 2021

Date: April 16, 2022

Badri Management Consultancy is proud to have won the Strategic Partner of the Industry at the 8th Middle East Insurance Industry Awards 2021 conducted by Middle East Insurance Review.

MIIA have held a predominant position by inspiring initiatives towards Product Innovation, Corporate Social Responsibility & Long-Term Sustainability. The fact that we won this award a second time around bring fruits to the efforts we are putting in. These awards are the reflection of the trust and loyalty of our esteemed clients, and the hard work and dedication of all our people at Badri.

We have started many new trends like regular research reports and industry workshops and training with the intention of raising the level of transparency and technical expertise within the industry. We consider ourselves as solution architects strengthening our partners to optimize performance and winning this prestigious award means we are going in the right direction.

Thank you, Middle East Insurance Review and the judges, for acknowledging all the efforts put in behind the scenes.



About BADRI Management Consultancy

Badri Management Consultancy is the fastest growing Actuarial Consulting Firm in the Middle East, recognized for its collaborative approach to working with our clients as Profit Optimizing Partners.

We are serving as Appointed Actuary for over 20 companies across the GCC. In addition, we are providing other services including:

- IFRS17 Implementations and Managed Services
- Enterprise Risk Management related advice
- Specialized services for Medical Insurance and TPAs
- Data Analytics and Business Intelligence
- End of Service Benefits Valuations
- Strategy Consulting including Digital Transformation
- Merger & Acquisition Consulting
- HR Consulting Services

VISION

Solution architects strengthening our partners to optimize performance

MISSION

We help our clients be the best version of themselves by fostering partnerships, challenging norms and providing cutting edge solutions. We inspire our people to constantly evolve and chase excellence with integrity in a diverse, exciting and growth-oriented culture.

CORE VALUES

INTEGRITY

We uphold the highest standards of integrity in all our actions by being professional, transparent and independent.

CHASING EXCELLENCE

Through our empowered teams, we raise the bar by challenging norms to provide cutting edge solutions to our partners.

FOSTERING PARTNERSHIPS

We foster partnerships with all our stakeholders through collaboration, empathy and adaptability.

BREEDING EXCITEMENT

We value our people and create an exciting environment for them to develop.

GROWTH-CENTRIC

We believe in creating a vibrant culture through continuous personal and professional growth of our people, while also growing the business.

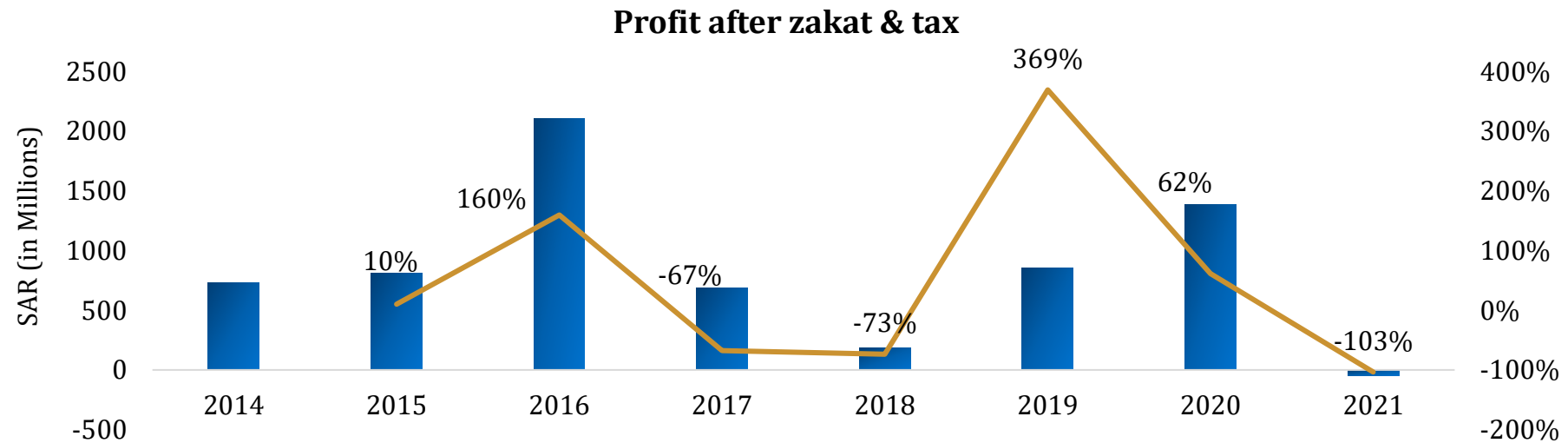
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Executive Summary

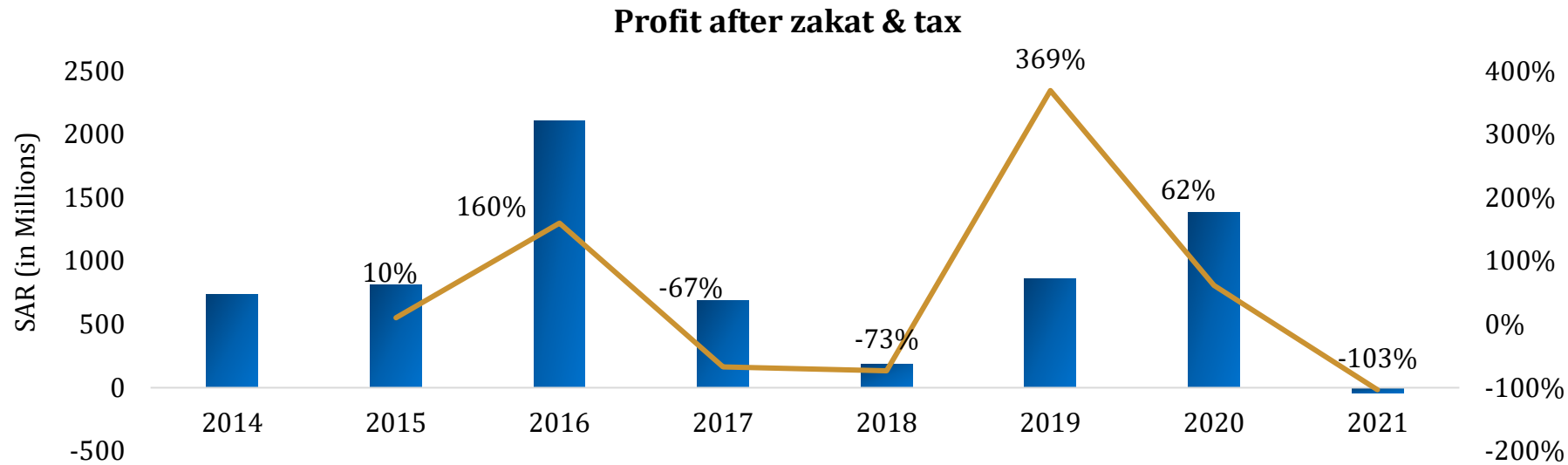
- After relatively good results in 2020, the insurance industry in the Kingdom has faced the worst year for profitability over the last 7 years. Overall gross written premiums have increased by 9.7% from SAR 38 billion to SAR 42 billion but profitability after zakat & tax has plummeted by -103% from SAR 1.4 Bn last year to only SAR -45 million in 2021 (2019: SAR 0.9 Billion),



- Were it not for releases in technical reserves (due to a transition towards "best estimates" for reserving) as well as positive investment results, the profitability would have been even worse.
- For Motor, GWP is similar to last year, but underwriting profits have fallen by 78%. For Medical, GWP has grown substantially by 11% but underwriting profits reduced by 21%.
- M&A activity is increasing and there is likely to be more consolidation as the minimum capital requirements increase and it becomes more challenging for smaller insurers to remain competitive.
- The Industry Combined Ratio has increased sharply by 6% to 104%, comparatively to the year 2020. The increase in the combined ratio is due to an increase in the Industry loss ratio by 7% offset by a decrease of 1% in the Industry expense ratio.

Executive Summary

- بعد نتائج جيدة نسبيًا في عام 2020 ، واجه قطاع التأمين في المملكة أسوأ سنة من ناحية الأرباح خلال السبع سنوات الماضية. فقد ارتفع إجمالي الأقساط المكتتبة بنسبة 9.7% من 38 مليار إلى 42 مليار ريال سعودي ، ولكن الربحية بعد فرض الزكاة والضريبة انخفضت بنسبة 103% من مليار و400 مليون ريال سعودي في العام الماضي إلى 45 مليون ريال سعودي في عام 2021 فقط. (2019: 0,9 مليار).



- لولا الإصدار في الاحتياطات (بسبب التحويل إلى "أفضل التقديرات" للاحتياطي) بالإضافة إلى نتائج الاستثمار الإيجابية ، لكانت الربحية أسوأ.

- وبالنسبة لقطاع تأمين المركبات ، فإن إجمالي الأقساط المكتتبة مماثل للعام الماضي ولكن الأرباح المكتتبة انخفضت بنسبة 78%. وبالنسبة لقطاع التأمين الصحي، إجمالي الأقساط المكتتبة ارتفعت بنسبة 11% ولكن الأرباح المكتتبة انخفضت بنسبة 21%. وستزداد الأقساط بالتأكد في عام 2022 لأنه من الواضح أن هذه الخسائر الفادحة ليست مستدامة. ومبيعات الطرف ثالث تواجه تحديات حيث تكبدت العديد من شركات التأمين الصغيرة والمتوسطة الحجم خسائر فادحة. وكما رأينا من الأسواق المتقدمة الأخرى ، استراتيجية تسعير فعالة والاستثمار في المهارات الاكتوارية وتحليل البيانات مهم جدًا للربحية في هذا القطاع الذي يتسم بقدر كبير من المنافسة.

- يتزايد نشاط الدمج والاستحواذ ومن المحتمل أن يكون هناك المزيد من دمج الشركات مع زيادة الحد الأدنى لمتطلبات رأس المال، ويصبح من الصعب على شركات التأمين الصغرى أن تبقى قادرة على المنافسة.

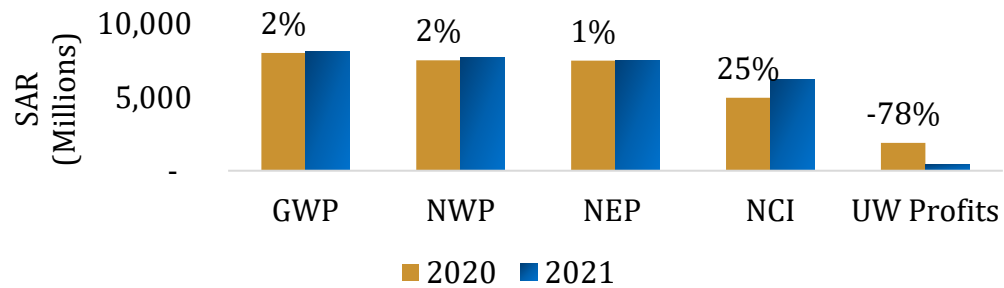
- زادت نسبة القطاع المجمع بشكل حاد بنسبة 6% إلى 104% مقارنة بعام 2020. وسبب الزيادة في النسبة المجمع هو زيادة نسبة خسارة القطاع بنسبة 7% يقابلها انخفاض بنسبة 1% في نسبة المصروفات للقطاع.



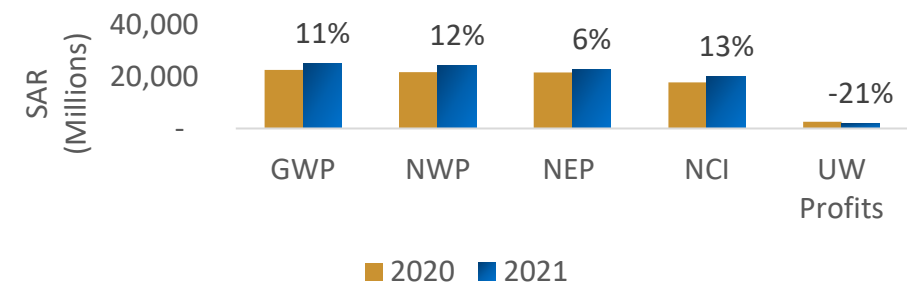
Executive Summary

- Motor and Medical line of business are the main pillars of the KSA Insurance sector with both contributing 80% of the total gross written.
- The highly profitable, Property and Casualty lines saw an increase of 11% in gross written premium , however this continues to be heavily reinsured.

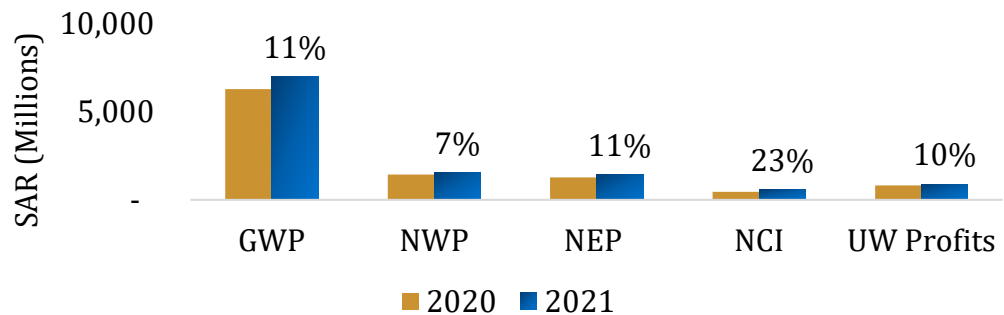
Motor Insurance



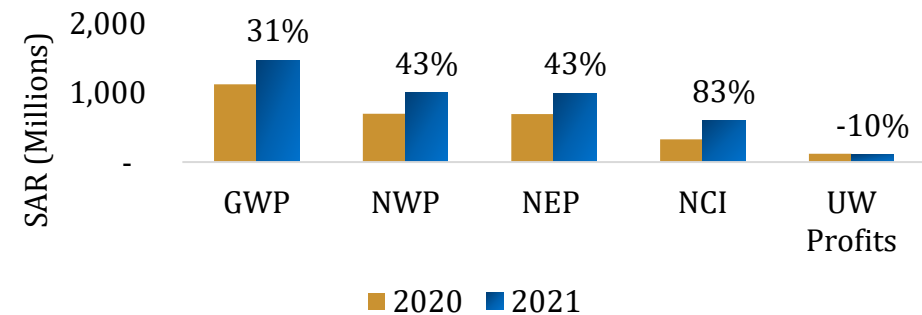
Medical Insurance



Property & Casualty Insurance



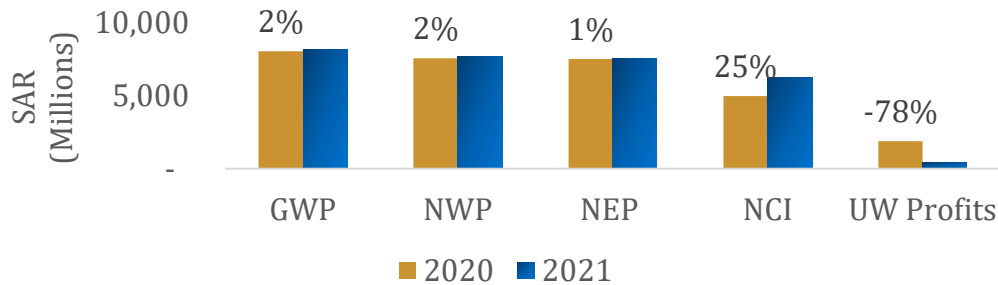
Protection & Savings Insurance



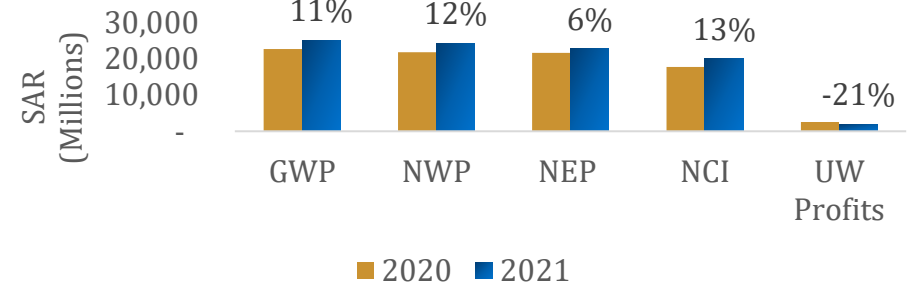
Executive Summary

- قطاعي تأمين المركبات والتأمين الطبي هما العمود الفقري لقطاع التأمين في المملكة السعودية حيث أنهما يساهمان بإجمالي 80% من مجموع إجمالي أقساط التأمين المكتتبه في قطاع التأمين في المملكة العربية السعودية.
- وشهدت المنتجات الأكثر ربحية، وهي تأمين الممتلكات والحوادث زيادة بنسبة 11% في إجمالي الأقساط المكتتبه ، ولكن المنتج المذكور مستمر في كونه معاد تأمينه بشكل كبير.

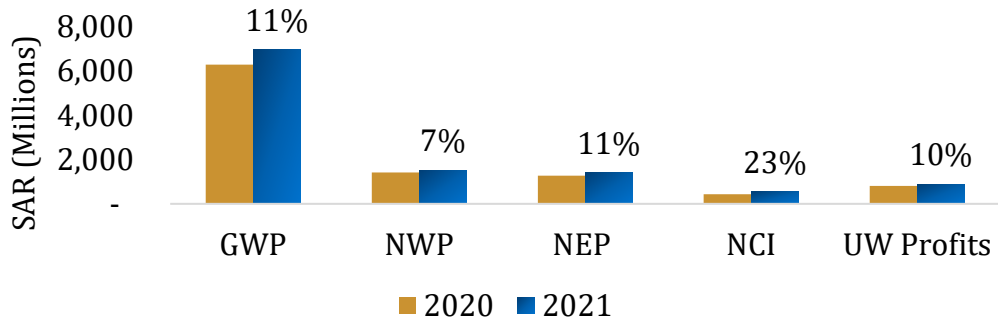
Motor Insurance



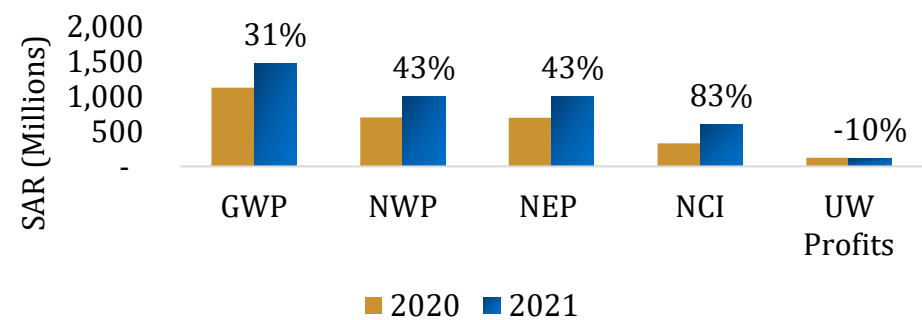
Medical Insurance



Property & Casualty Insurance



Protection & Savings Insurance





Overview of the Industry

Gross Premiums Written

SAR 41.7 billion
(SAR 38.3 billion in 2020 & SAR 37.6 billion in 2019)

Retention ratio

83%
(82% in 2020 & 84% in 2019)

Loss Ratio

84%
(76% in 2020 & 82% in 2019)

Profit

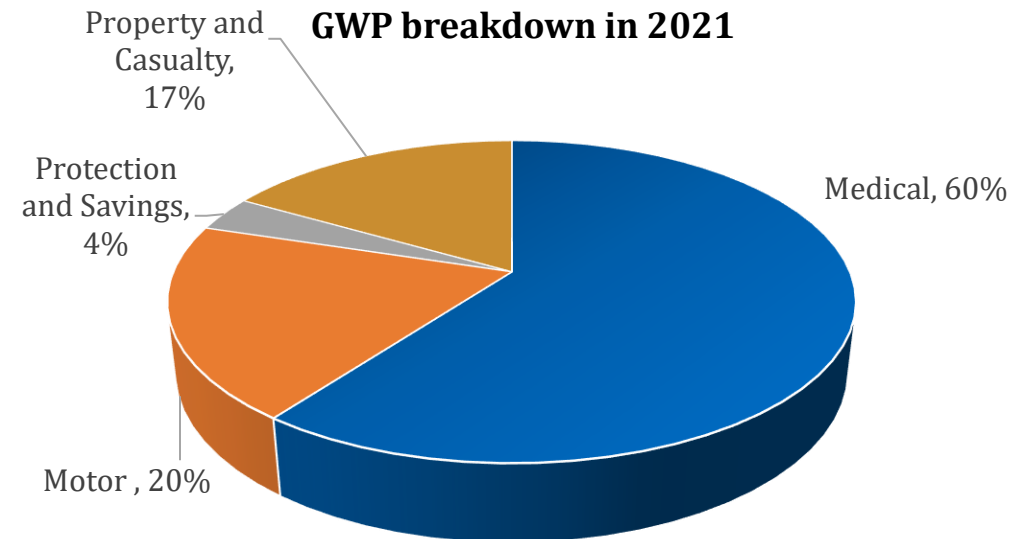
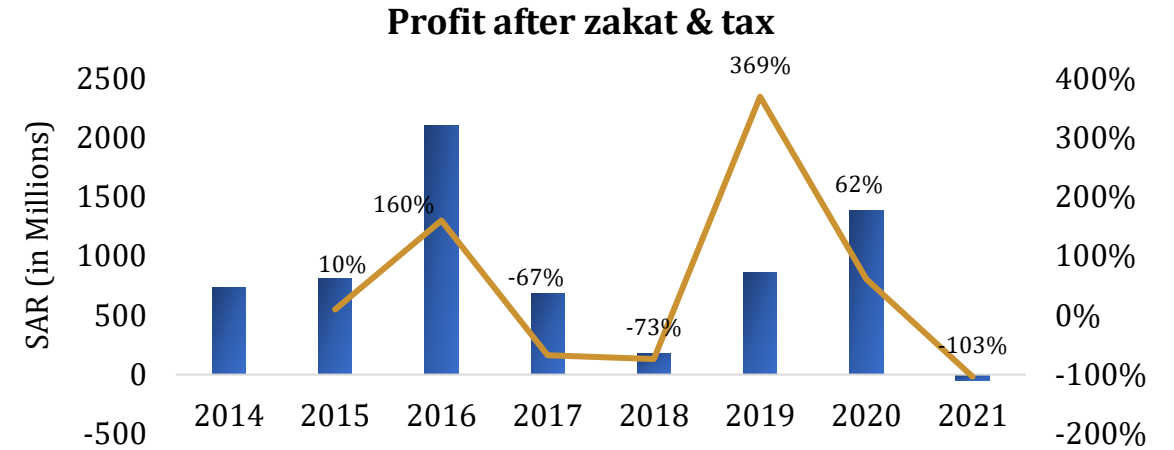
SAR -45 million
(SAR 1.4 Billion in 2020 & SAR 0.9 Billion in 2019)

Combined Ratio

104%
(98% in 2020 & 101% in 2019)

Return on Equity

2%
(12% in 2020 & 9% in 2019)



* 2020 is considered as an outlier therefore 2019 figure are more reliable for comparison



01

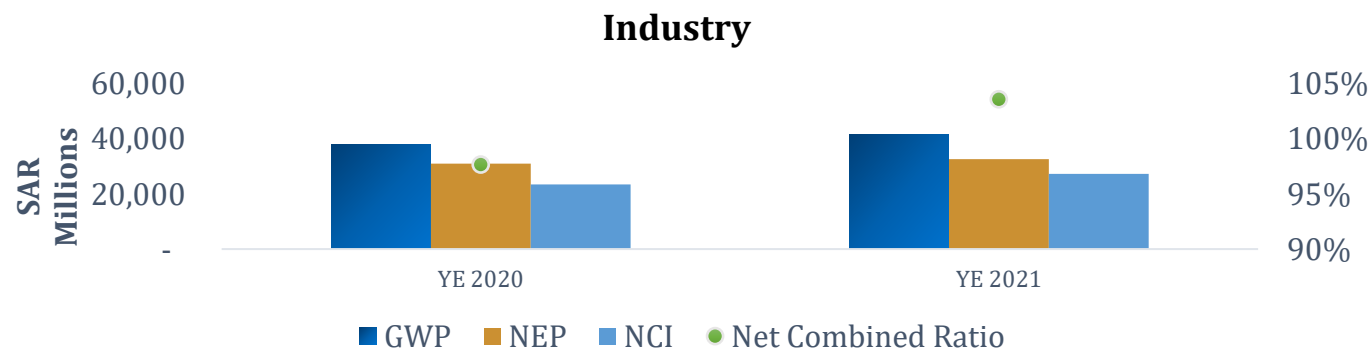
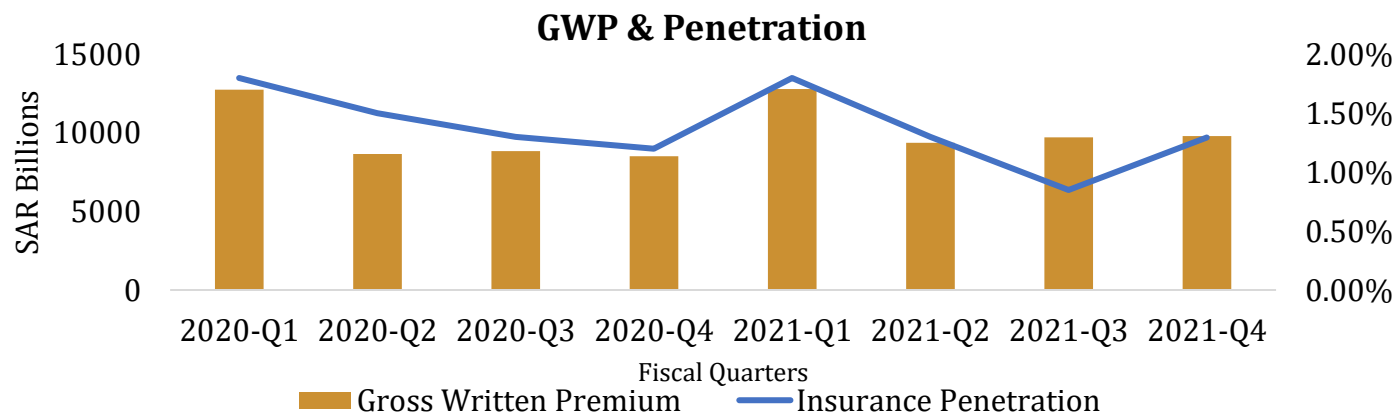
PREMIUM



Overview of the Industry

Company	Ranking		Indication
	GWP	Profit	
Bupa	1	1	→
Tawuniya	2	2	→
Al-Rajhi	3	4	↓
Walaa	4	26	↓
Medgulf	5	27	↓
AXA	6	3	↑
Saudi Re	7	5	↑
Malath	8	21	↓
Wataniya	9	16	↓
Al Etihad	10	6	↑
SAICO	11	18	↓
Allianz	12	10	↑
ACIG	13	24	↓
Gulf Union ALAhlia	14	28	↓
Arabian Shield	15	7	↑
Salama	16	23	↓
Al Sagr	17	20	↓
Arabia	18	12	↑
UCA	19	19	→
Alinma	20	14	↑
AlJazira	21	8	↑
GGI	22	22	→
Buruj	23	11	↑
CHUBB	24	9	↑
Amana	25	25	→
Al Alamiya	26	15	↑
SABB	27	13	↑
Enaya	28	17	↑

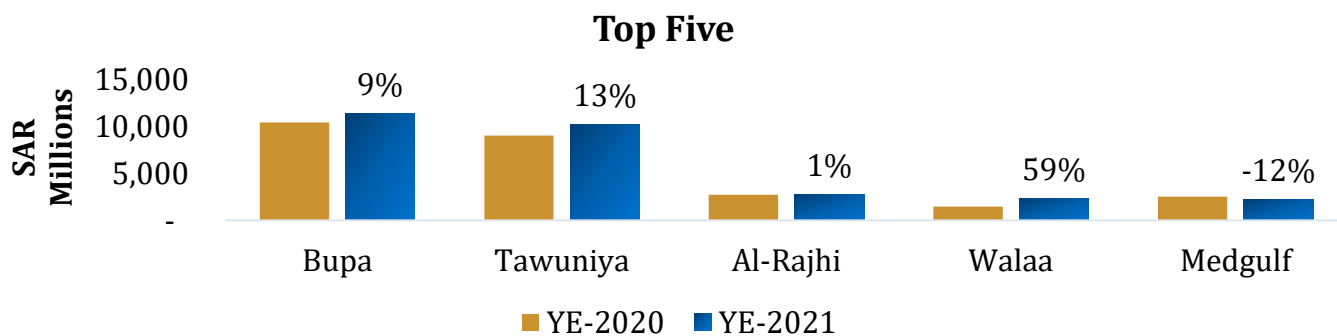
For the 28 listed companies, the GWP grew from SAR 38 billion in 2020 to SAR 42 billion in 2021 highlighting a growth of 9.7%. Excluding Saudi Re, the GWP of the industry has increased from SAR 37 billion in 2020 to SAR 41 billion in 2021 signifying a growth of 9.4%.



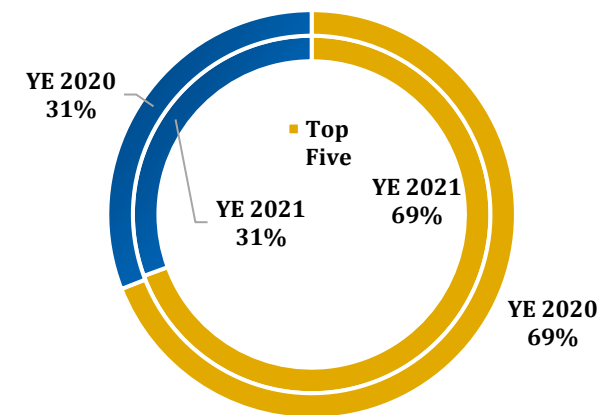


Gross Written Premium

The top 5 companies grew top line by 2.3 billion, with a combined premium of SAR 28.9 billion in 2021 as compared to SAR 26.3 billion in 2020. The share of overall GWP for the top 5 companies remains at 69% for 2021, as it was for the same period last year.

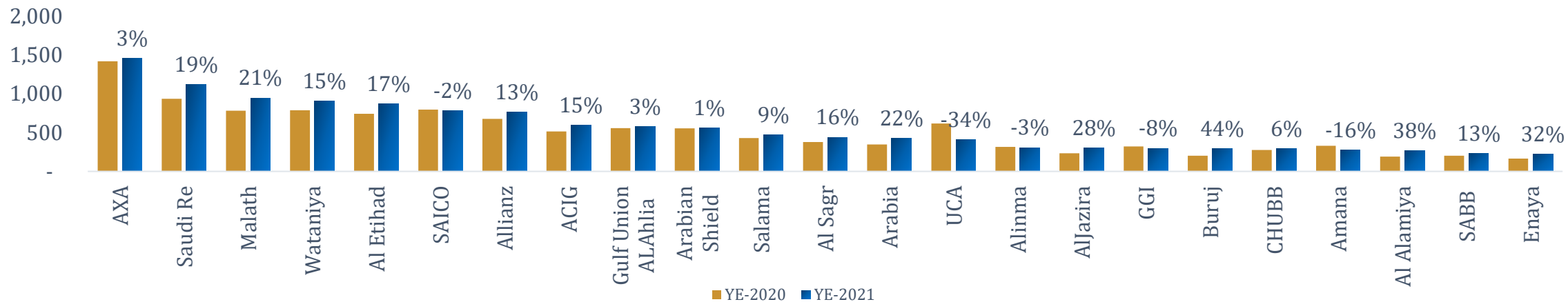


GWP Distribution



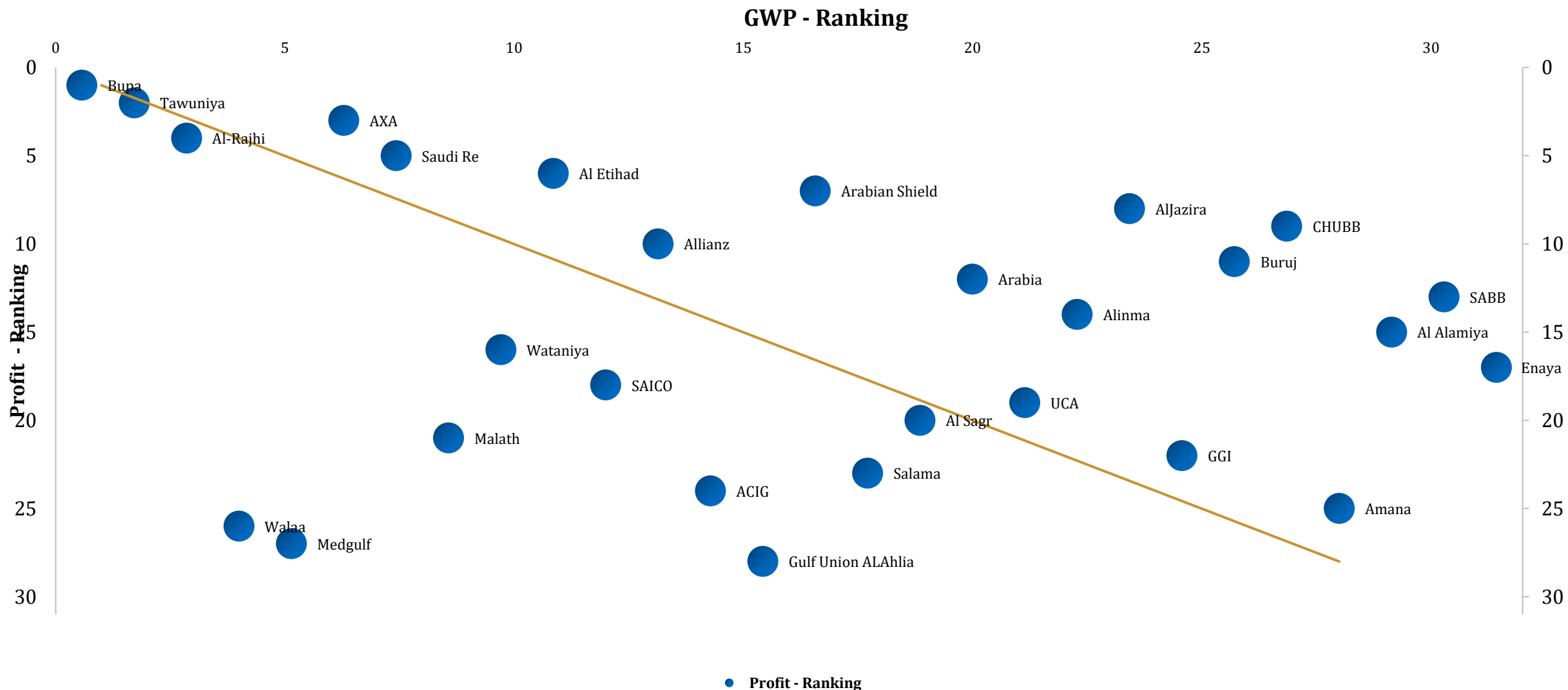
Below the top 5, the median top line growth rate was 13% over the year.

Others





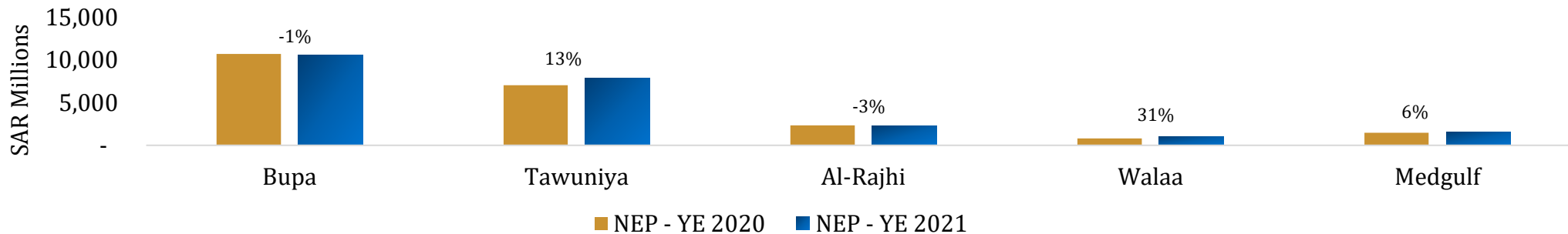
Gross Written Premium





Net Earned Premium

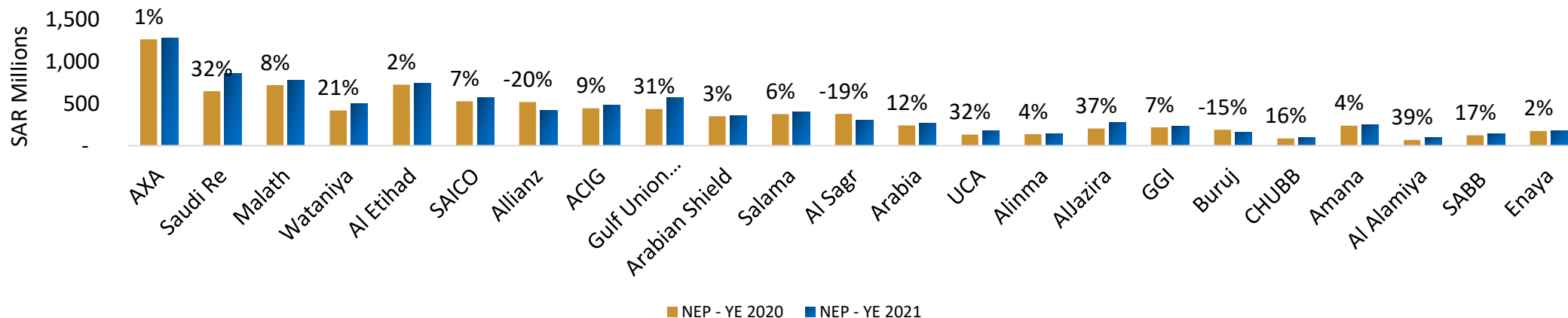
TOP 5



For the period 2021, Net Earned Premiums grew by 2 billion to SAR 33 billion portraying an increase of around 5%.

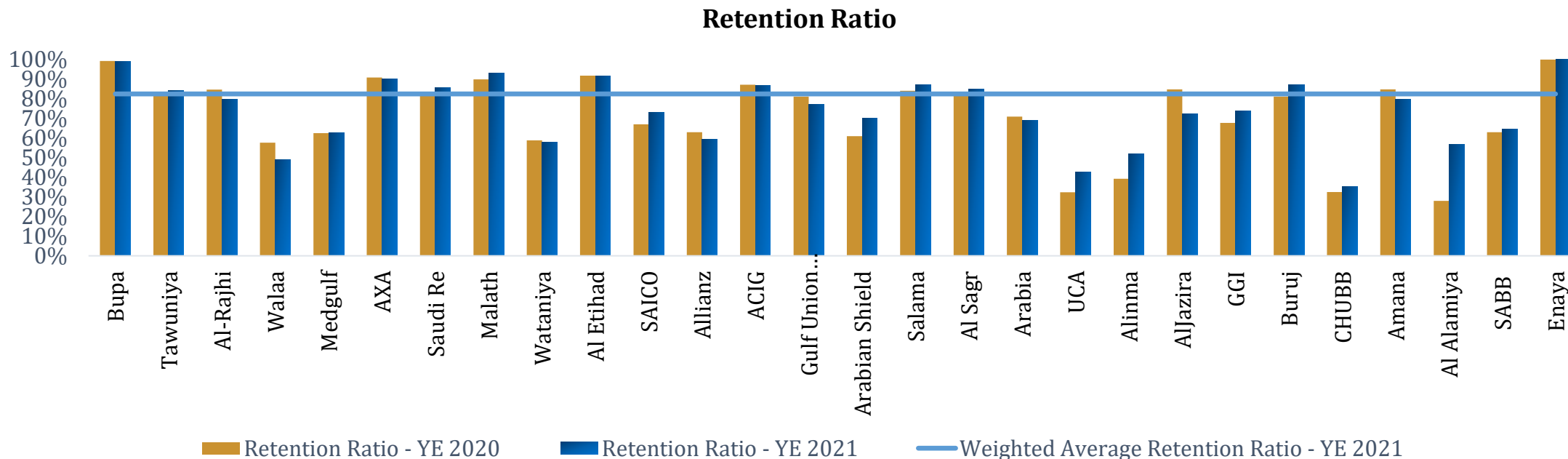
The Top 5 Companies have Net Earned Premiums of SAR 23.4 billion highlight a growth of 5% corresponding to 2020.

Others





Retention Ratio



The highest retention ratio for 2021 of 100% is reflected by Enaya, whereas the lowest retention ratio of 35% is reflected by CHUBB.

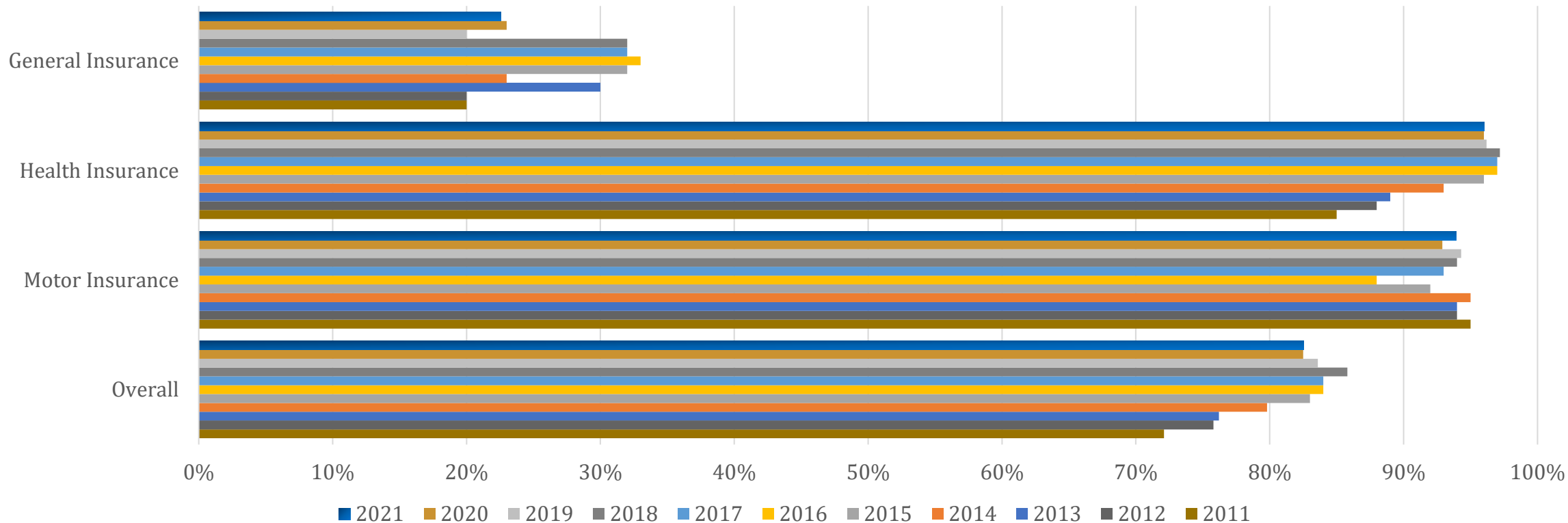
The weighted average retention ratio for listed companies stood at 83% for 2021 (2020; 82%).

The retention ratio is calculated as a ratio of Net Written Premium to gross written premium. Although there may be exceptions, retention ratios are generally reflective of the lines of business being underwritten; Motor and Medical generally tend to have high retention ratios, while commercial lines such as Aviation, Engineering, Energy and Fire tend to have lower retentions. Also, since this analysis does not segregate life and non-life business, the Companies writing higher volumes of life, especially IL and PA, would also tend to show higher retention levels.



Gross Written Premium

Yearly Retention Ratio by LOBs



The above graph shows that Motor and Medical line of business are heavily retained whereas General lines are preferred to be ceded significantly.



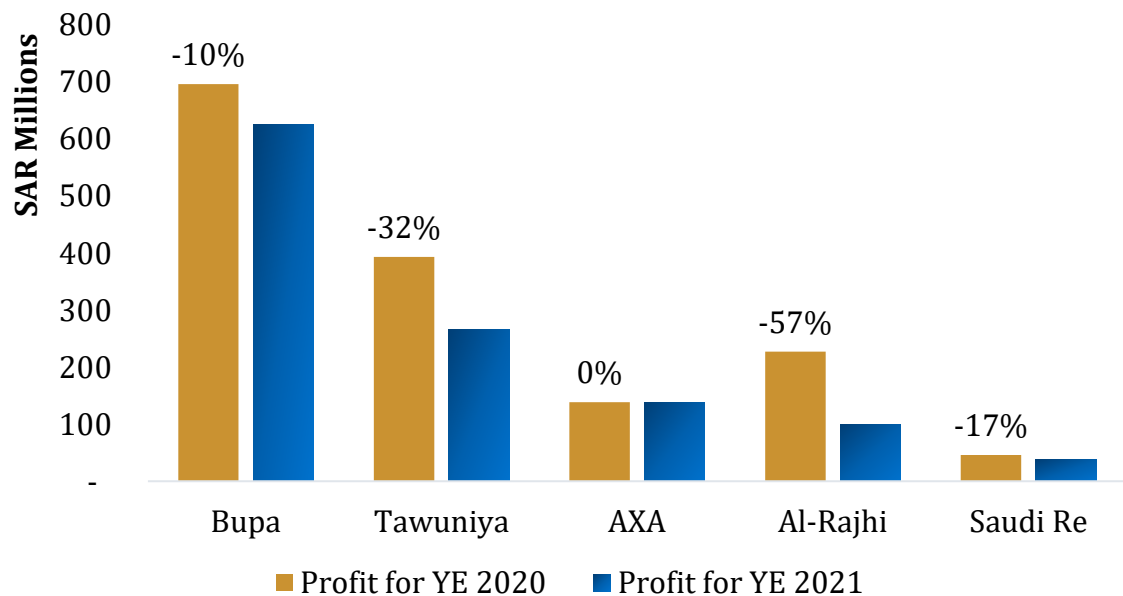
02

CLAIMS, RESERVES & PROFITABILITY ANALYSIS

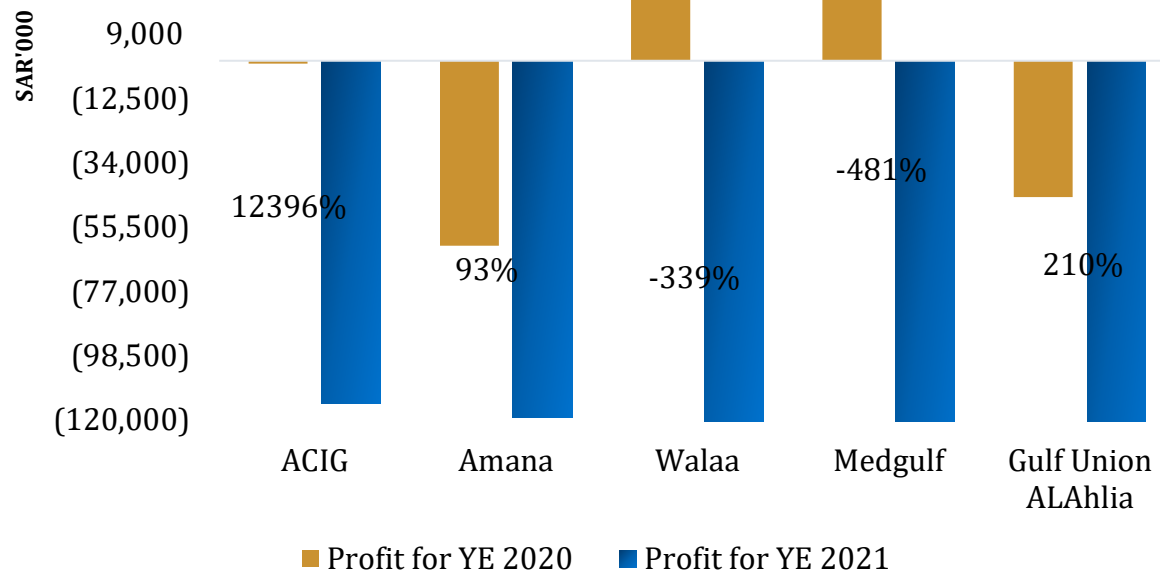


Profit Composition

Top Five



Bottom Five

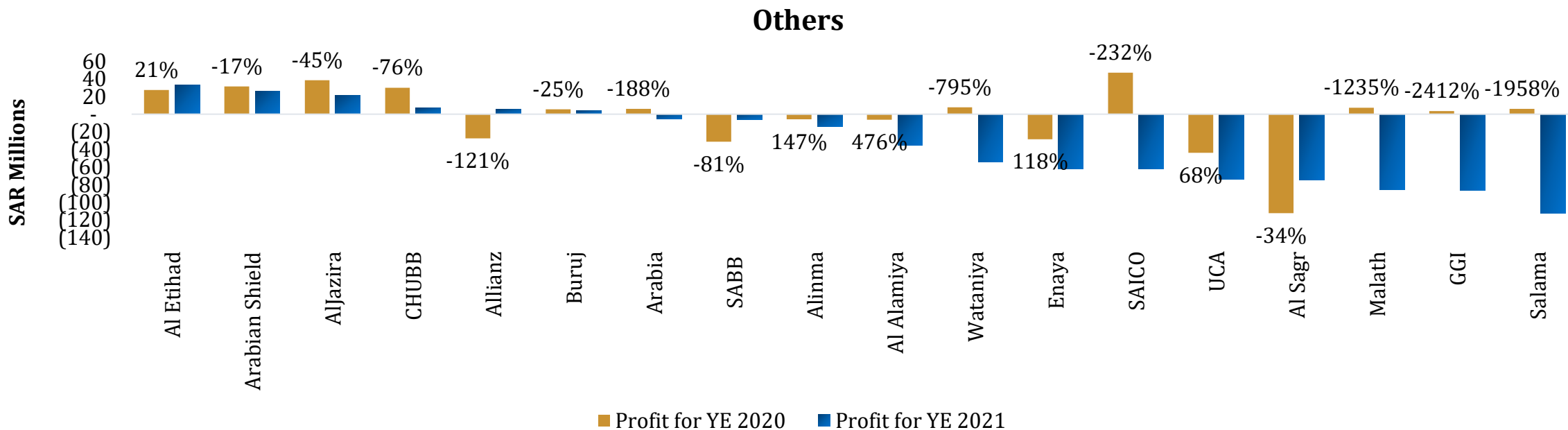


Net profit after zakat & tax generated by 28 Companies in the industry for 2021 has dropped dramatically by 103% from last year, with profits dropping from SAR 1.4 billion to only SAR -45 million. Net profits dropped from 3.78% of GWP to -0.11% of GWP since last year.

Gulf Union Al Ahlia booked the highest loss of SAR 141 million in 2021 as compared to a loss of SAR 46 million in 2020.



Profit Composition



The term Profit indicates the Total Profit/Loss attributed to Shareholders after Zakat and Tax deductions.

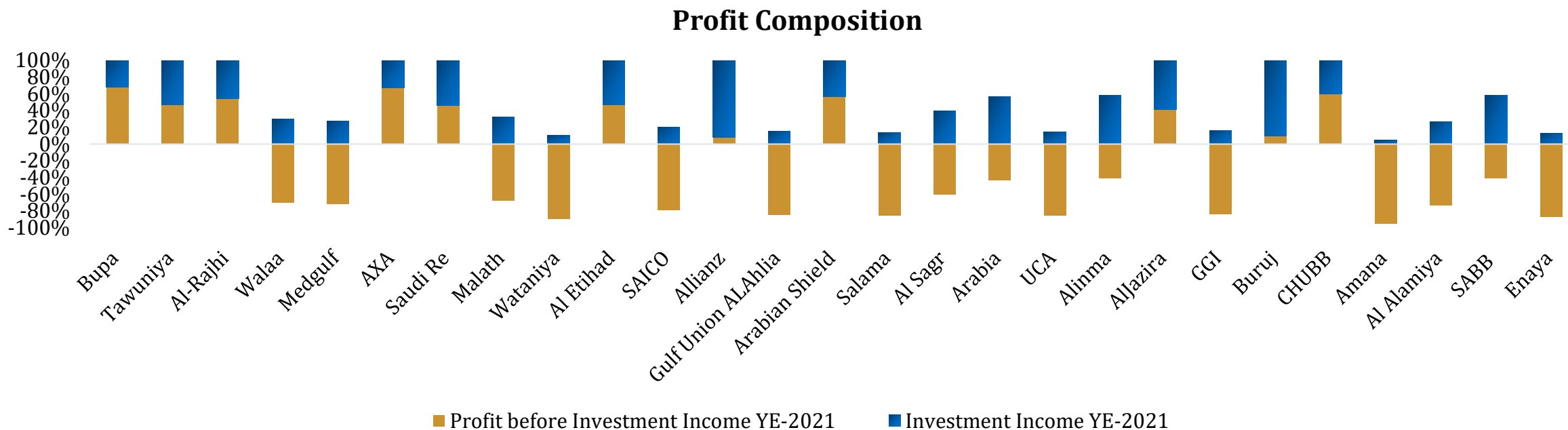
Bupa booked the highest profit for 2021 of SAR 626 million as compared to a profit of SAR 696 million for the corresponding year 2020.

Profits have been reduced across the industry compared with 2020 which was affected to an extent by lower claims due to covid.

A total of 17 companies reported losses totaling over SAR 1,310 million for 2021.



Profit Composition



The above graph depicts that Companies who have recorded loss in their underwriting activities are able to minimized its impact through Investment activities.

Bupa has recorded the highest underwriting profit, and Tawuniya has marked the highest investment profits, during the period.

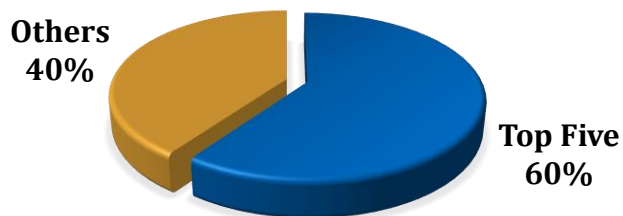
For Alinma, Investment income has been the main reason behind their profitability however, for other Companies Investment income has reduced the severity of the Underwriting Loss that is a proportion of Total Profit recorded by the Companies.

For 8 companies investment income comprised over 50% of Net profit for FY 2021.

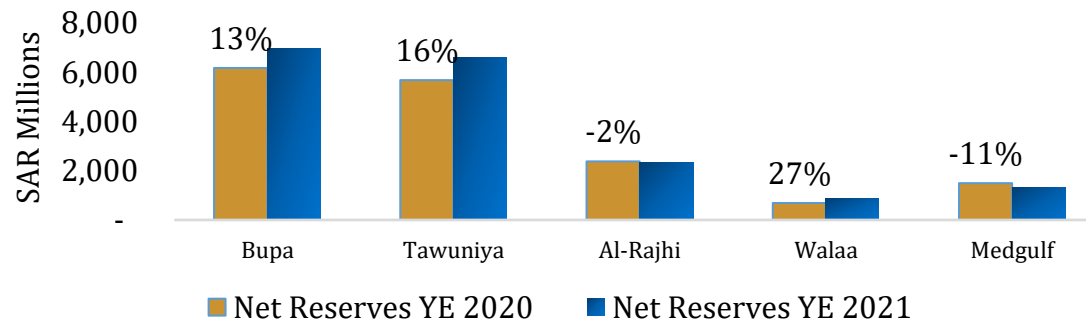


Net Technical Reserves

NET RESERVES



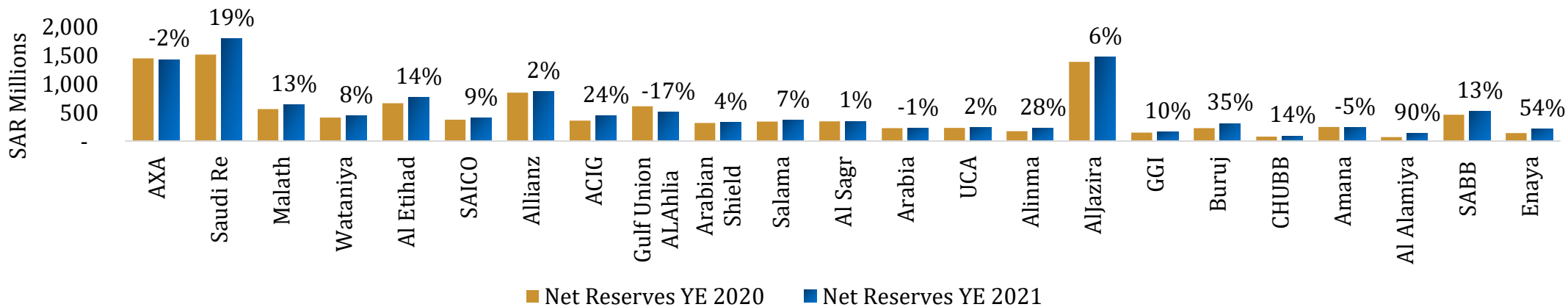
TOP FIVE



Total Net reserves as at December 31, 2021, are SAR 30.2 billion (2020: SAR 27.6 billion); representing an increase of 9.6%.

Total Net Reserve of top five Companies; based on GWP ranking, as at December 31, 2021, is SAR 18.1 billion.

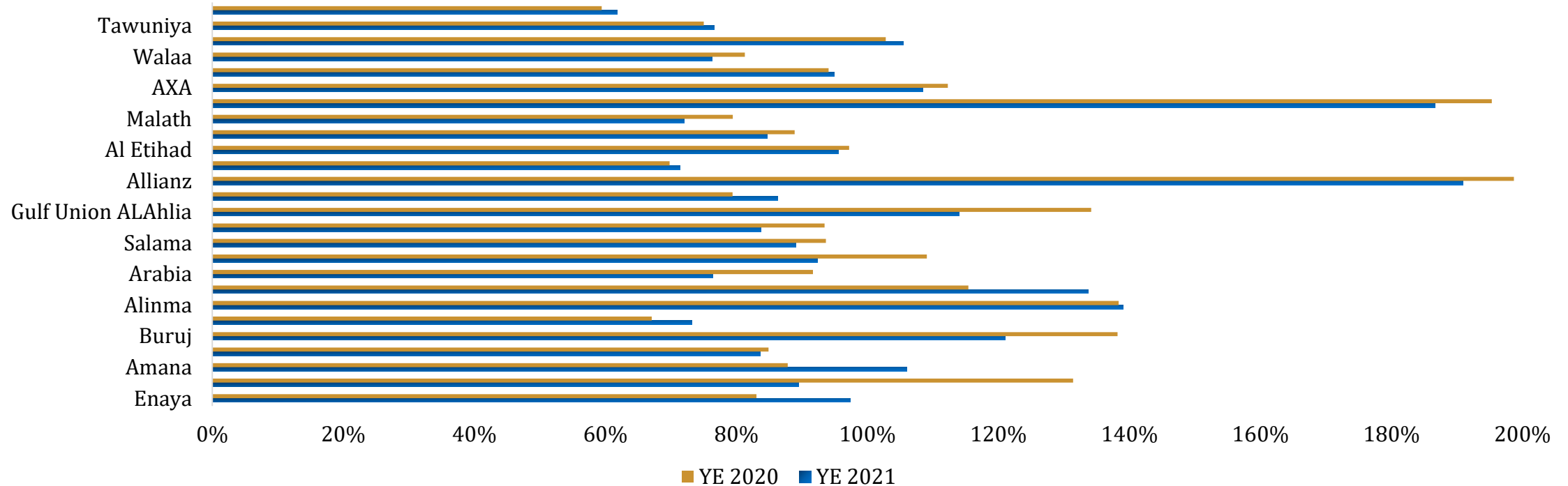
Others





Net Technical Reserves

% of Net Reserves to NWP over the years

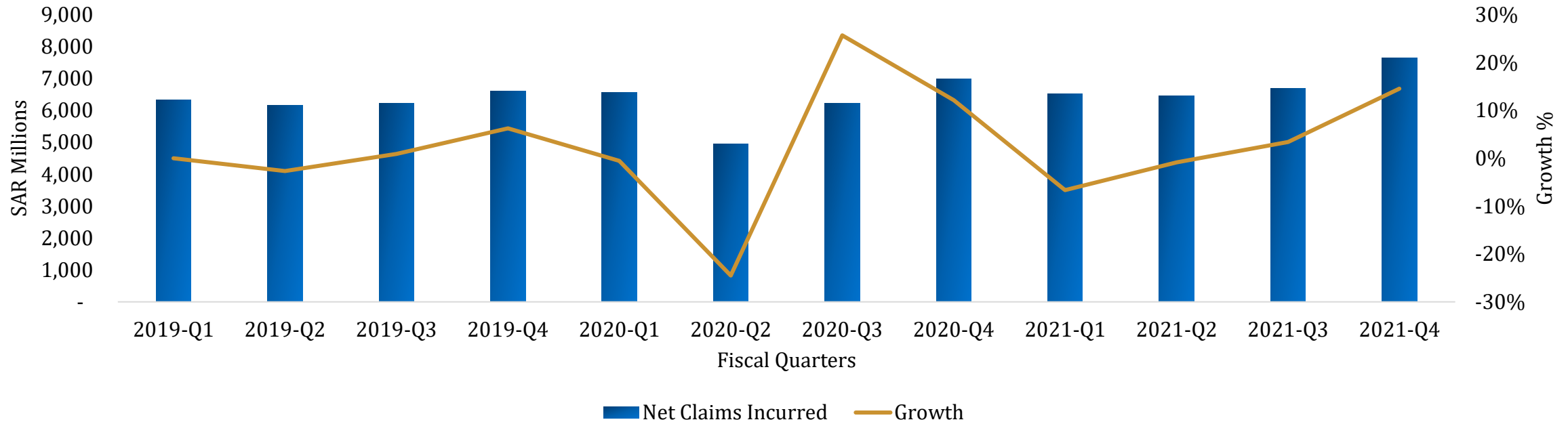


The graph above shows the proportion of each Company's Net Reserve to its Net Written Premium. Unit link Liabilities and Family Takaful reserves are excluded from Total Net Reserves. SABB and AlJazira are excluded from the graph above as their reserves are 353% and 680% of the Net Written Premium in 2021 (2020: 362% and 697% respectively)



Net Claims Incurred & Growth

Net Claims Incurred & Growth

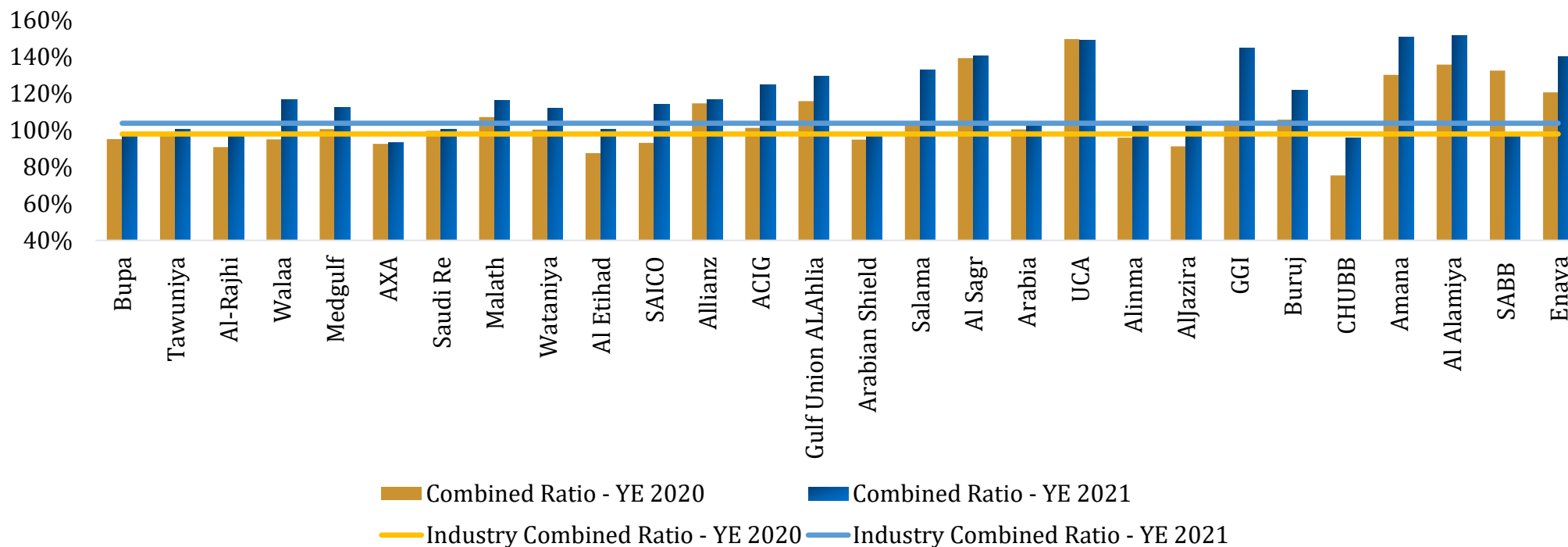


The Net Claims Incurred were following a consistent pattern with cyclical crests and troughs, until the onset of the pandemic which led to a significant decline in claims of 24% from 2020-Q1 to 2020-Q2.

This decline was followed by an instant jump of 26% from 2020-Q2 to 2020-Q3, and a further 12% in the next quarter, as things started to open post covid and medical deferred claims may also have kicked in. Net Incurred Claims have remained stable over the last 3 quarters however 2021-Q4 represents the highest quarterly Net Claims Incurred for at least the previous 11 quarters with a significant growth of 15% is highlighted in 2021-Q4 from 2021-Q3.



Combined Ratio



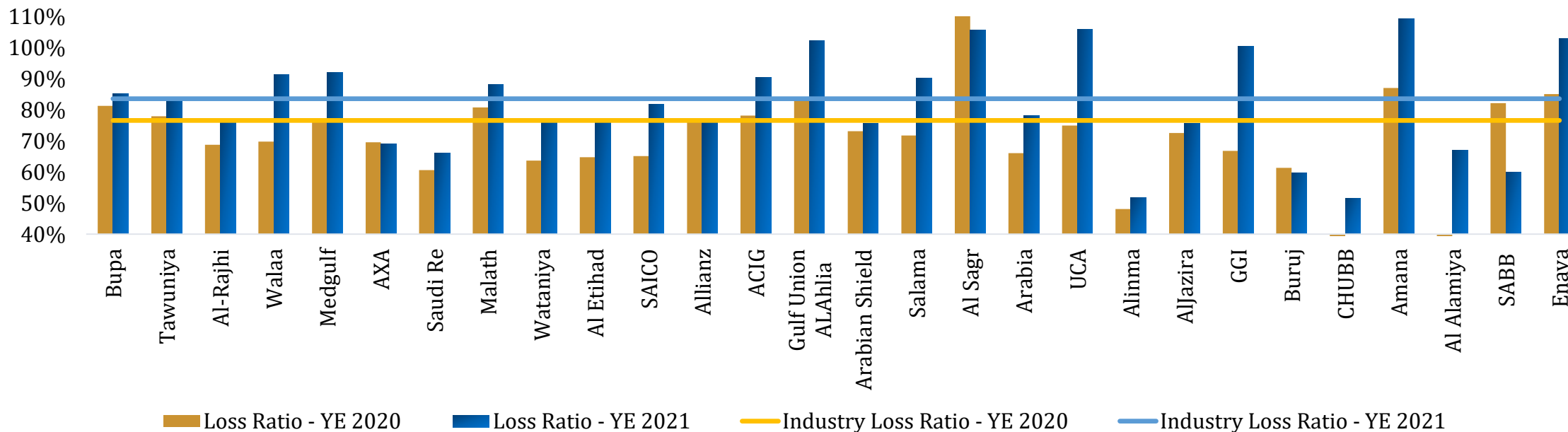
The weighted average combined ratio for 2021 is 104%, up from 98% for last year. The median COR was 113% (2020: 100%).

Highest combined ratio of 152% was shown by Al Alamiya and Amana while the lowest 93% combined ratio was reflected by AXA in 2021.

The weighted Average Combined ratio excluding the Top 5 Companies is 114% in 2021 (2020: 100%) and for the Top 5 Companies, it stands at 100% (2020: 96%).



Loss Ratio



For the year 2021, weighted average loss ratio stands at 84%, an increase of 7% compared last year. Due to the pandemic related lockdowns, several companies had experienced lower loss ratios in the previous year, however, the loss ratios have jumped back up to the levels seen in 2019.

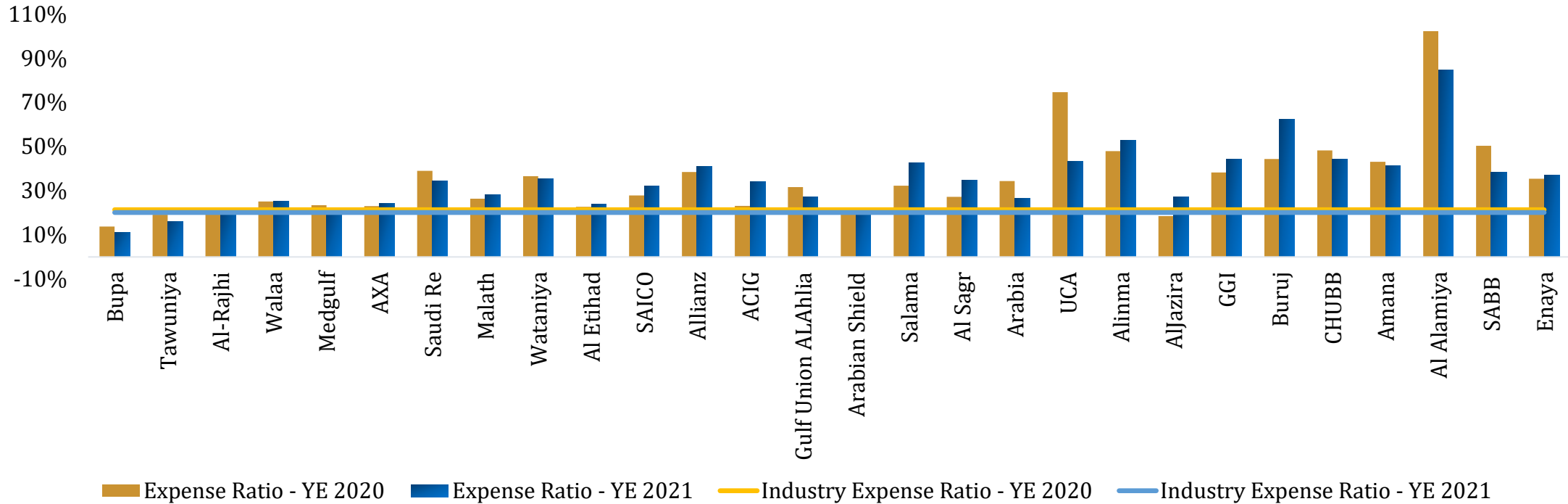
Loss Ratio is calculated by dividing sum of Net Incurred Claims and Change in Other reserves to Net Earned premiums.

Highest Loss ratio of 109% is shown by Amana whereas the lowest of 52% is shown by CHUBB.

The weighted Average loss ratio excluding the Top 5 Companies is 81% in 2021 (2020: 72%) and for the Top 5 Companies, it stands at 85% (2020: 78%).



Expense Ratio



For the year 2021, weighted average Expense ratio remained at 20%. (2020: 21%)

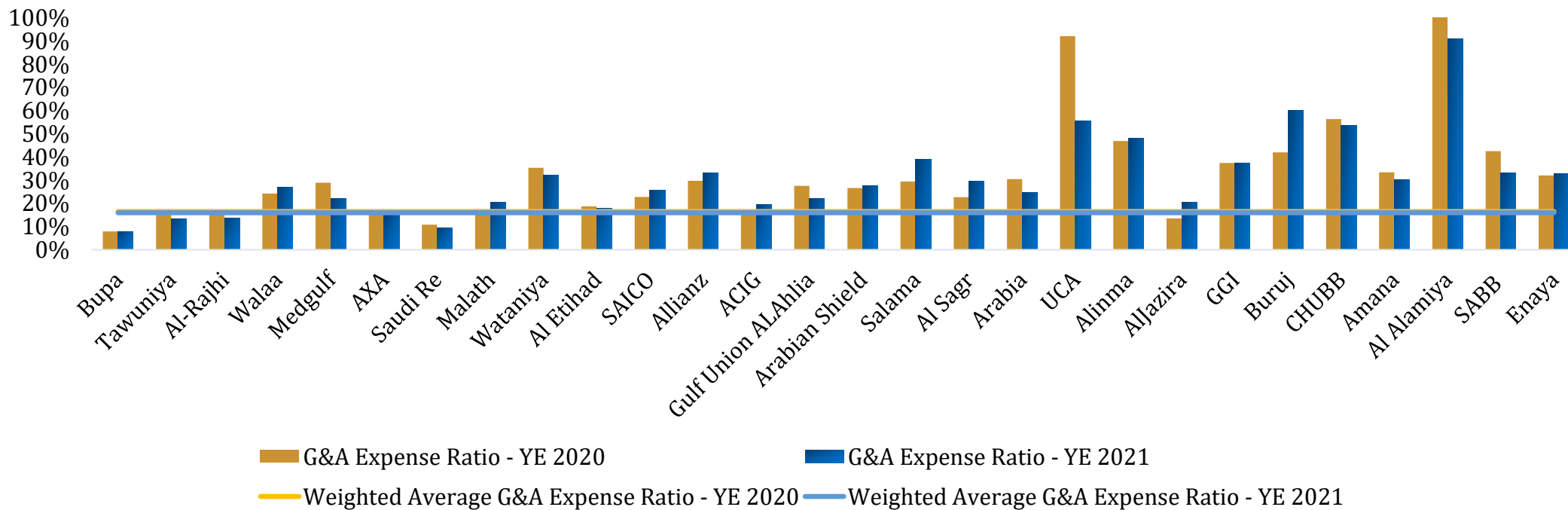
Expense Ratio is calculated by dividing the sum of G&A Expenses, Net Commission expenses and other Operational expense to Net Earned Premium.

Highest Expense ratio of 85% is shown by Al Alamiya whereas the lowest is 11%, shown by Bupa.

The weighted Average Expense ratio excluding the Top 5 Companies is 33% in 2021 (2020: 32%) and for the Top 5 Companies, it stands at 15% (2020: 17%).



G&A Expense



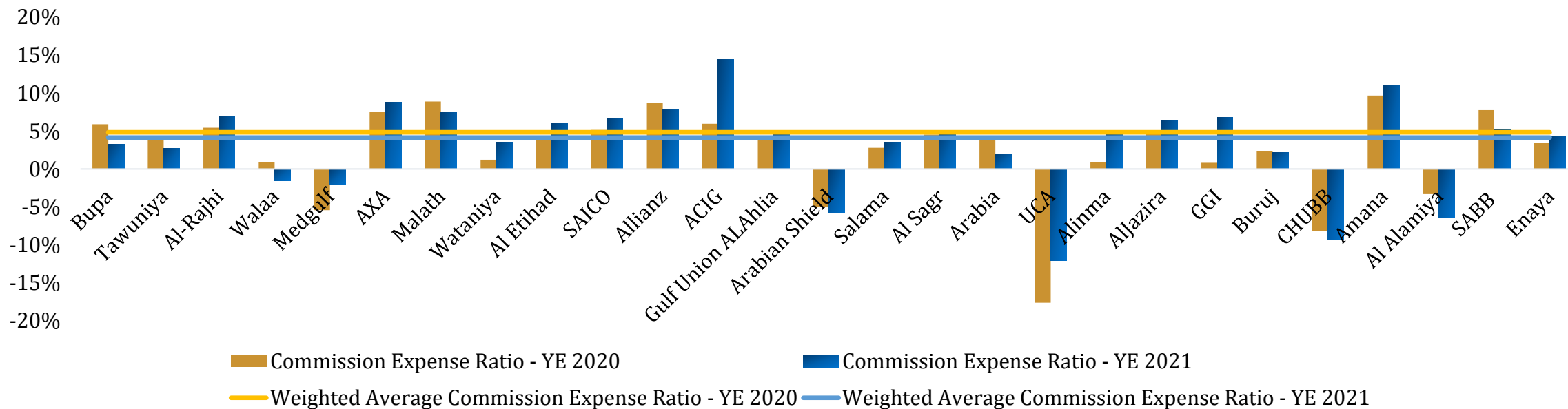
Weighted average G&A Expense ratio for the industry is 16% for 2021 (2020: 17%).

Among all, Al Alamiya has the highest expense ratio of 91% whereas the lowest expense ratio of 8% is reflected by Bupa

The weighted Average G&A expense ratio excluding the Top 5 Companies is 26% in 2021 (2020: 25%), and for the Top 5 Companies, it stands at 12% (2020: 13%).



Commission Expense



Industry Weighted Average Commission Expense ratio is at 4% for 2021 (2020: 5%).

The Commission expense considered is the Net commission (commissions paid less commissions earned); a negative ratio signifies that the commissions earned outweigh the commissions paid. It is common practice for the companies to cede out large proportion of commercial lines business and benefit from the reinsurance commissions, which is also evident by the low Net commission ratio.

Saudi Re has showed the highest Commission Expense ratio for 2021 of 25%, whereas the lowest Commission Expense ratio of -12% is reflected by UCA. Since Saudi Re has different nature of business, the second highest commission expense ratio is shown by ACIG of 15%.

The weighted Average commission ratio excluding the Top 5 Companies is 7% in 2021 (2020: 6%) and for the Top 5 Companies, it stands at 3% (2020: 4%).

03

INVESTMENT ANALYSIS



Shareholder Equity Analysis

As at 2021-Q4, 12 companies have total shareholder's equity of less than SAR 300 million. With the requirement from SAMA to increase the minimum capital to SAR 300 million, this will require these companies to raise capital or lead to potential merger and acquisition opportunities in the market.

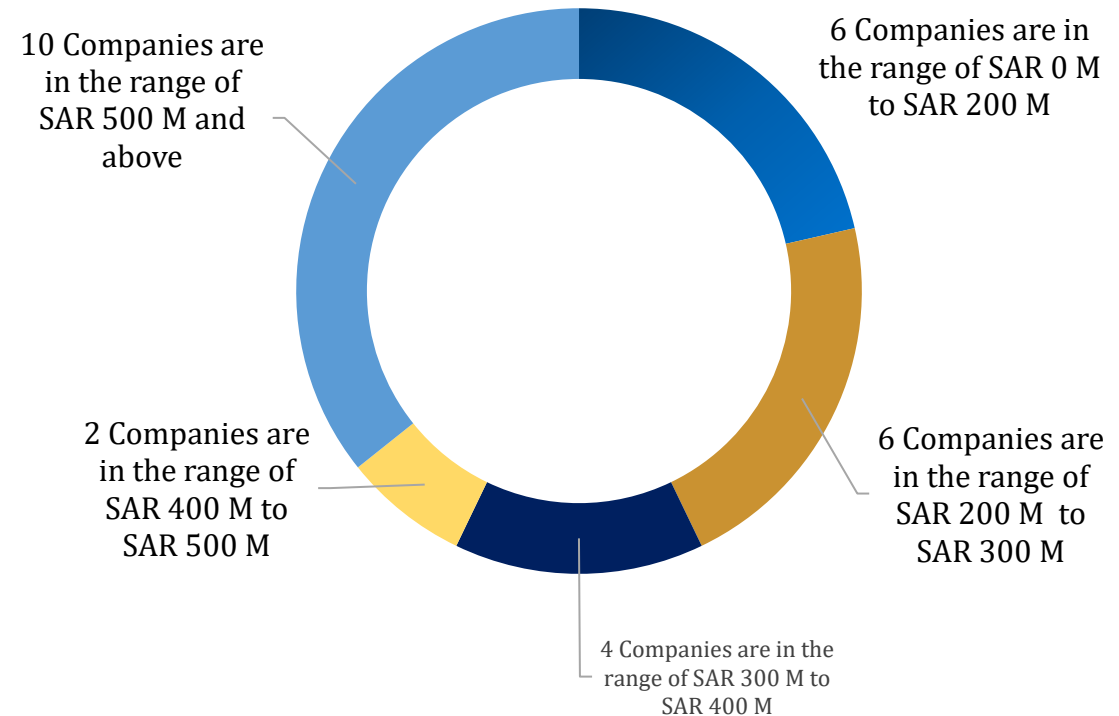
The KSA Insurance market witnessed 3 M&A deals in 2020 which have been completed, and a further 3 companies will be reduced in 2022 when three ongoing merger transactions are completed. These are listed below for reference:

Completed

- a) Walaa – MetLife (2020)
- b) SSTC – Al Jazira (2020)
- c) GUCIC – Al Ahlia (2020)
- d) ATC and Arabian Shield (2021)
- e) Walaa – SABB (2022)

Given the requirement for increased minimum capital, there is a high likelihood of further consolidation being witnessed in the next year or two.

Equity Size & Companies



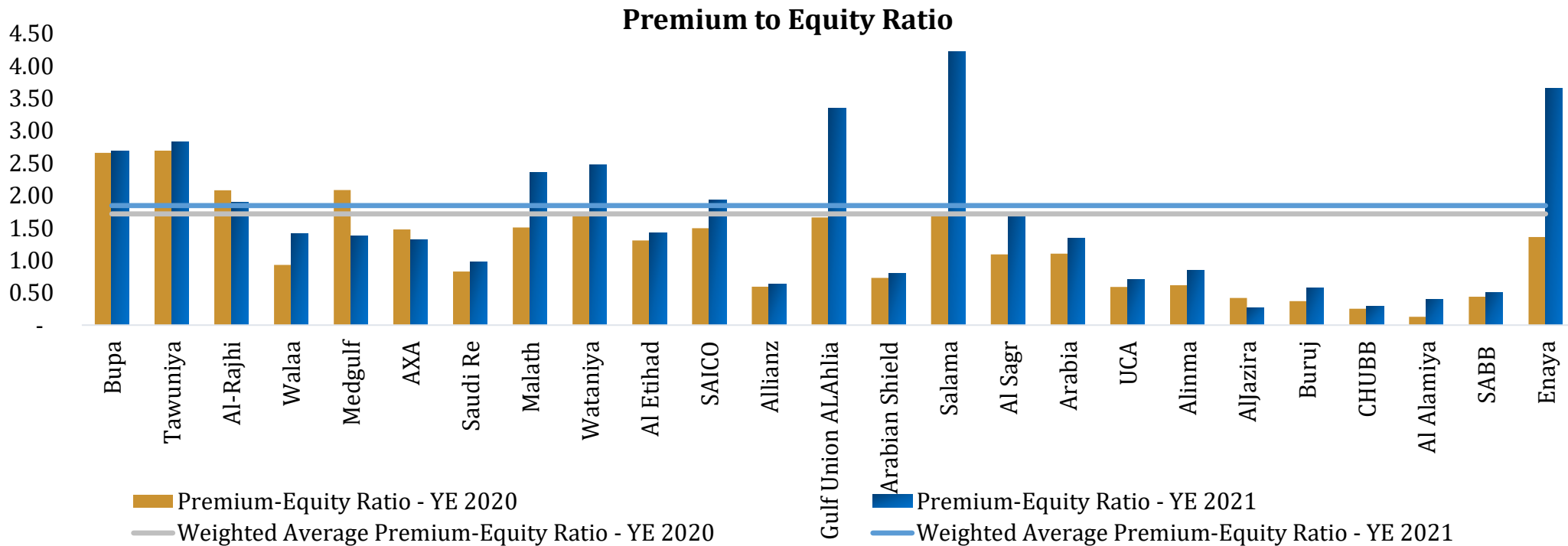


04

KEY FINANCIAL RATIOS



NWP to Equity Ratio



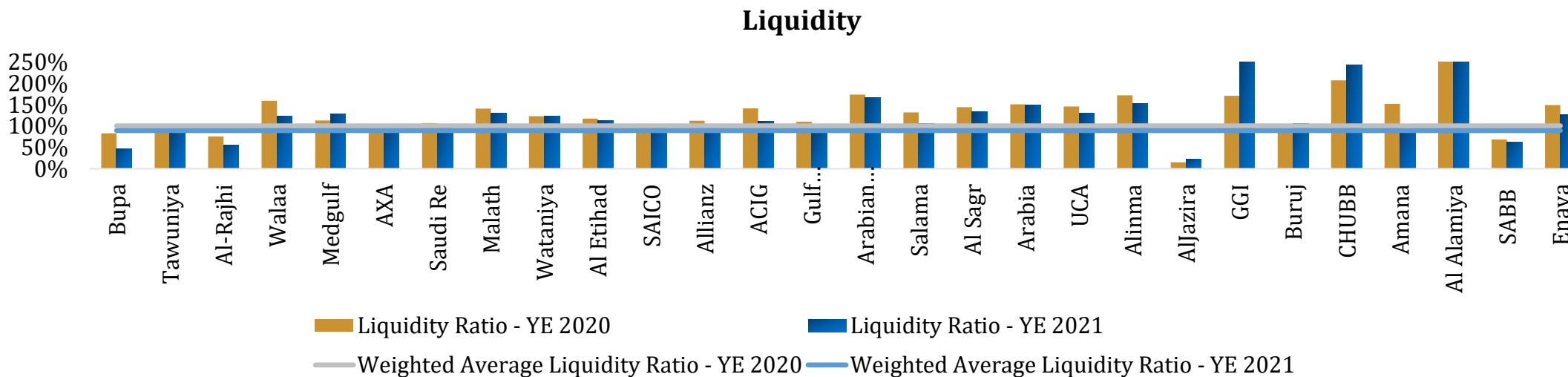
The highest Premium to Equity ratio for 2021 is 16.05 shown by ACIG, which is not shown in the graph as it is an outlier. The lowest ratio of -8.42 is reflected Amana (Not shown in the graph).

Weighted average Premium to Equity ratio for 2021 is 1.85 (2020:1.72).

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium for the year 2021 to Total Equity as at December 31, 2021. It represents the premium that pertains to each SAR amount of equity held by the Companies.



Liquidity Ratio



The highest Liquidity Ratio for 2021 is 277% shown by Al Alamiya, whereas the lowest liquidity ratio of 23% is reflected by Al Jazira.

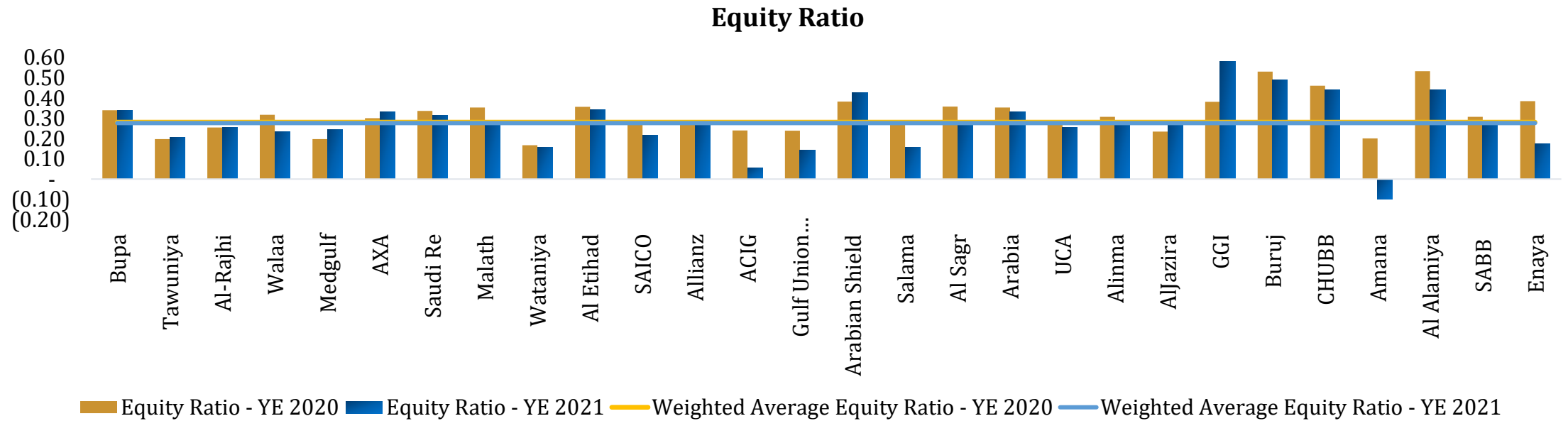
Weighted average Liquidity ratio for the year 2021 stood at 90% (2021: 101%).

The liquidity ratio is calculated as a ratio of Current Assets over Total Net Technical Reserves as at December 31, 2021.

The optimum value of the Liquidity Ratio for a company is 50%. This optimum ratio indicates the sufficiency of the 50% worth liquid assets of a company to pay 100% of its Net policyholder obligations in time



Equity Ratio



The highest Equity ratio for 2021 is 0.58 shown by GGI, whereas the lowest ratio of -0.10 is reflected by Amana.

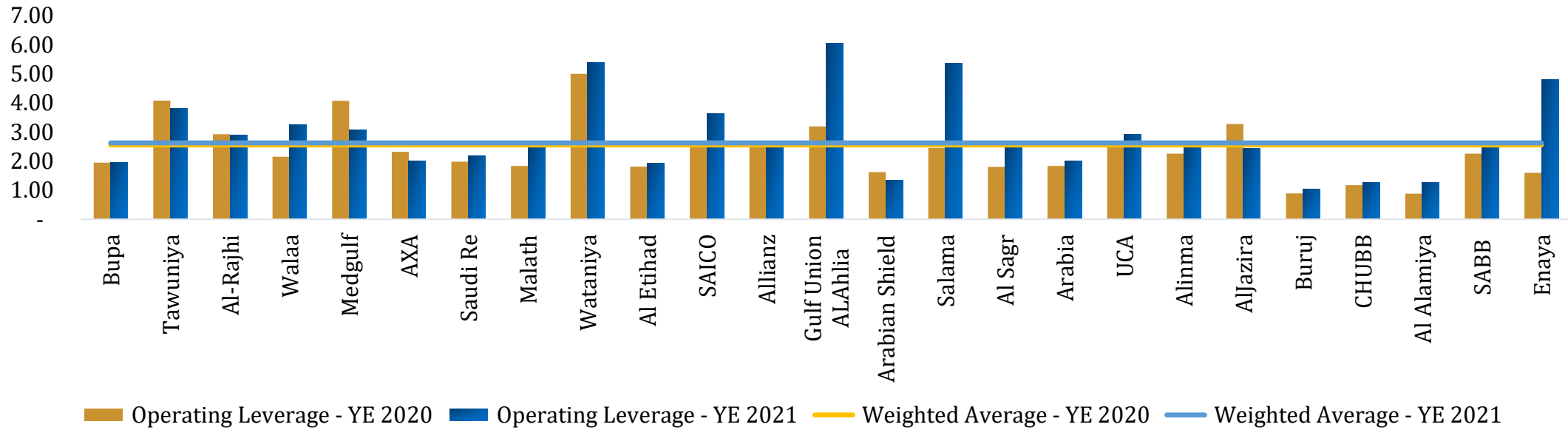
Weighted average Equity ratio for 2021 is 0.28 same for the year 2020

The Equity ratio is a financial ratio indicating the relative proportion of equity used to finance a company's assets. It is calculated as Total equity as at December 31, 2021, divided by Total Assets as at December 31, 2021.



Net Operating Leverage

Operating Leverage



The highest Operating leverage ratio for 2021 is 17.59 shown by ACIG , whereas the lowest of -11.14 is reflected by Amana. Both are considered as an outlier, thus removed from the above graph.

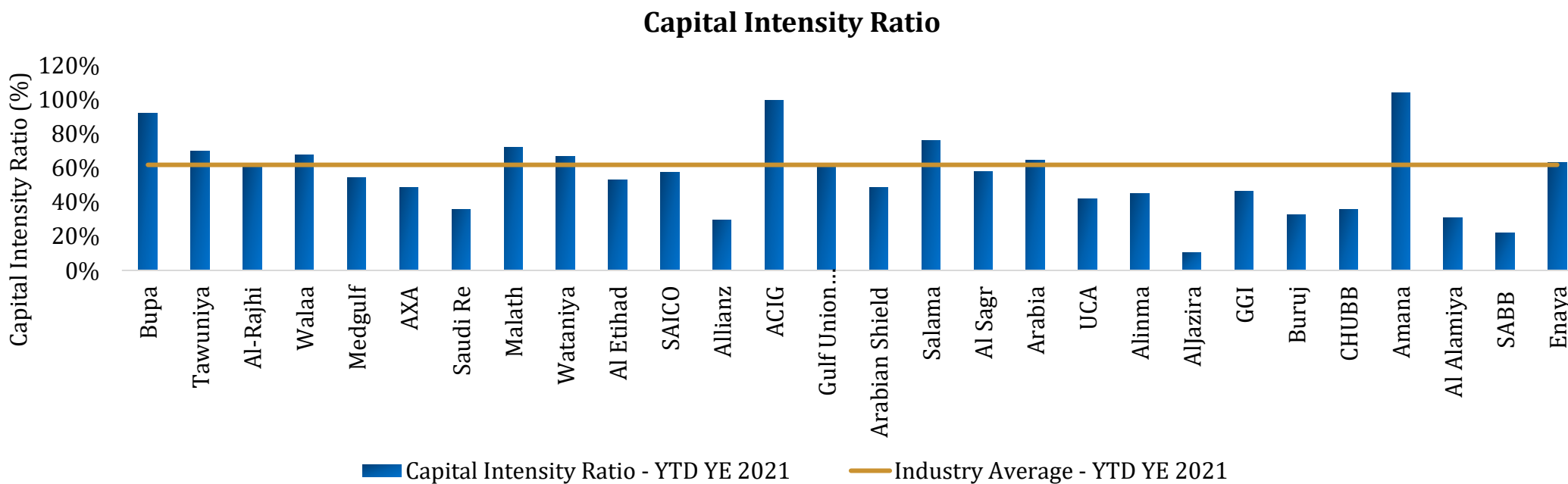
For 2021, the weighted average Operating leverage ratio for the market is at 2.62 (2021: 2.55).

The Leverage ratio is calculated by taking the proportion of Total Liabilities at December 31, 2021, to Net worth of the Company at December 31, 2021.

Internationally, the desired range typically falls below 5.0 for property insurers and 7.0 for liability insurers.



Capital Intensity Ratio



Capital Intensity Ratio shows how much business does a SAR generate. That is, the premium written per SAR invested in the company. A high CIR shows that per SAR invested, the company can maximize gross written premium.

It is calculated by taking a proportion of gross written premium for 2021 to Total Assets as at December 31, 2021

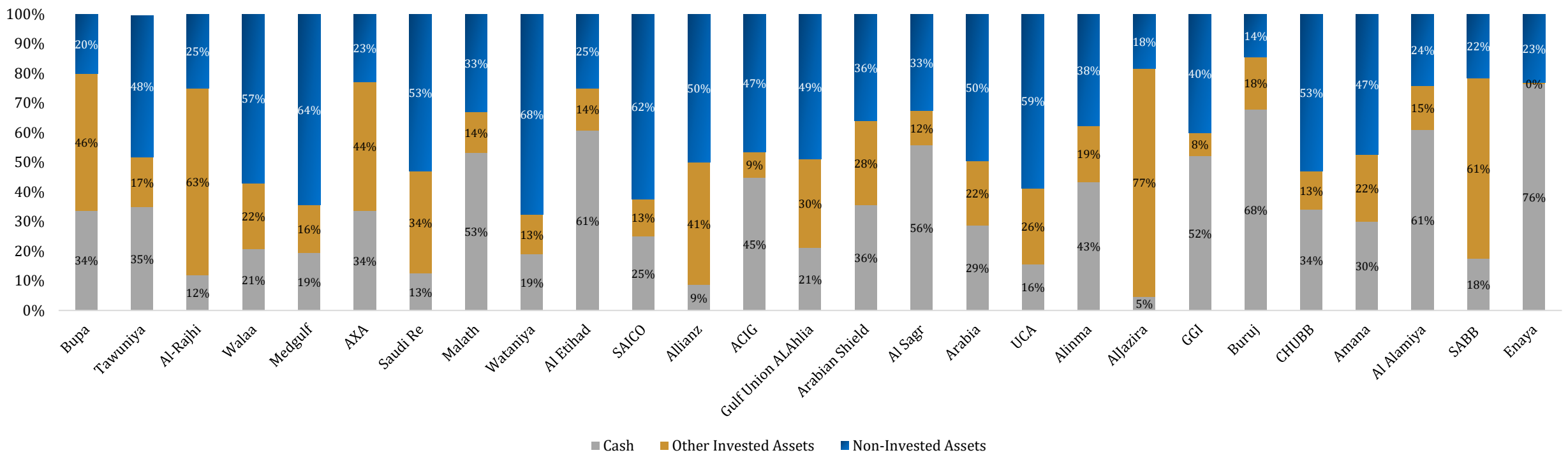
The Industry weighted Average Capital Intensity ratio for the year 2021 is 62%.

Amana attains highest CIR of 104% whereas, lowest of 11% CIR is attained by Al Jazira.



Invested / Non-invested Assets to Total Assets

Total Assets Mix



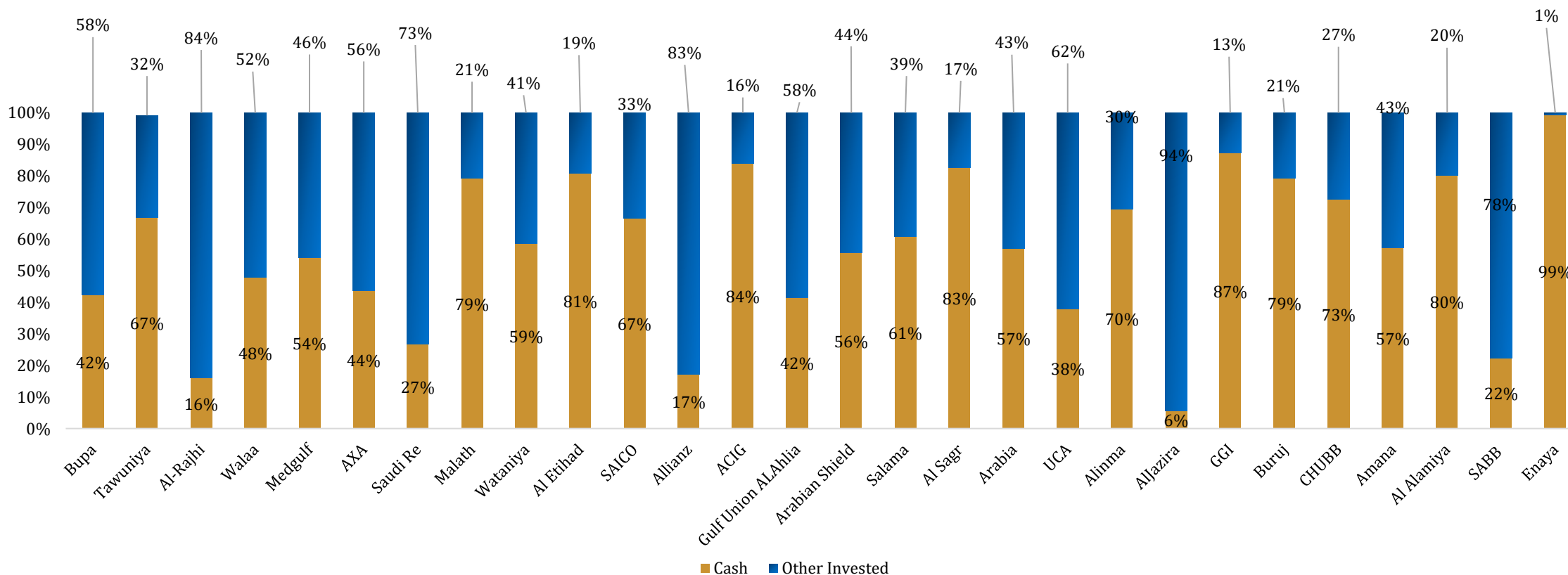
Asset Mix compares the proportion of invested assets and non-invested assets as at December 31, 2021. Total Invested Assets are the sum of Cash and Other Invested Assets.

Buruj has the highest proportion i.e., 86% of its assets invested, while Wataniya has the lowest i.e., 32% of their assets invested.



Total Invested Assets Mix

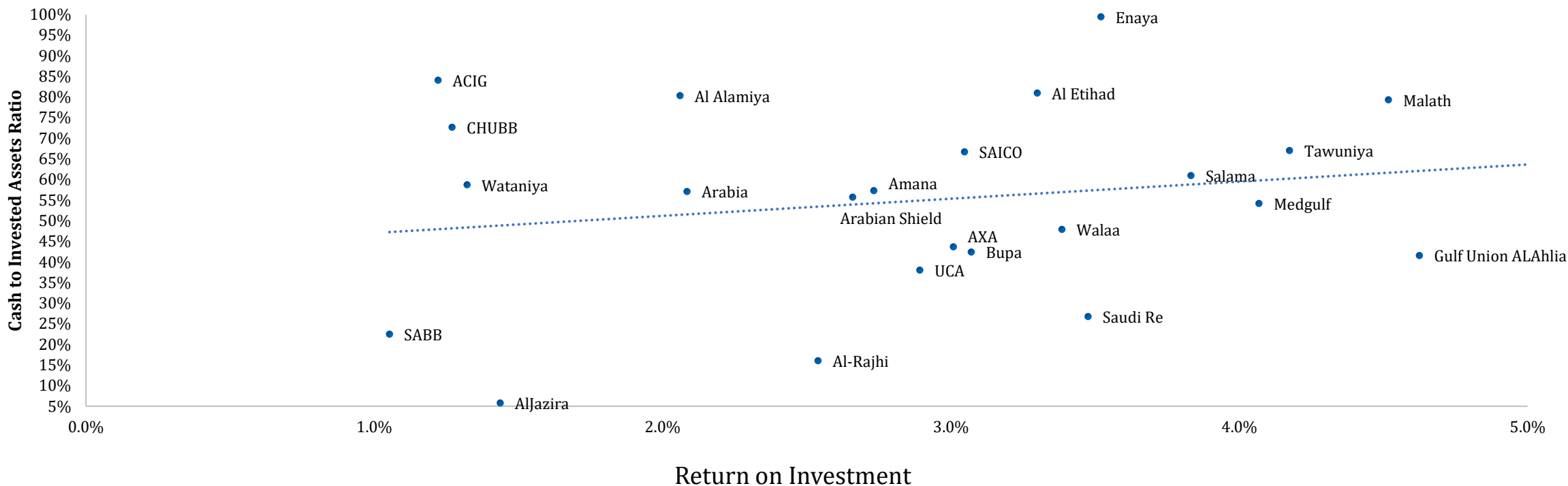
Total Invested Assets Classification



For Cash to Invested Assets the weighted average is 31% and 69% for Other Invested to Invested Assets.



Return on Investment vs Cash Ratio



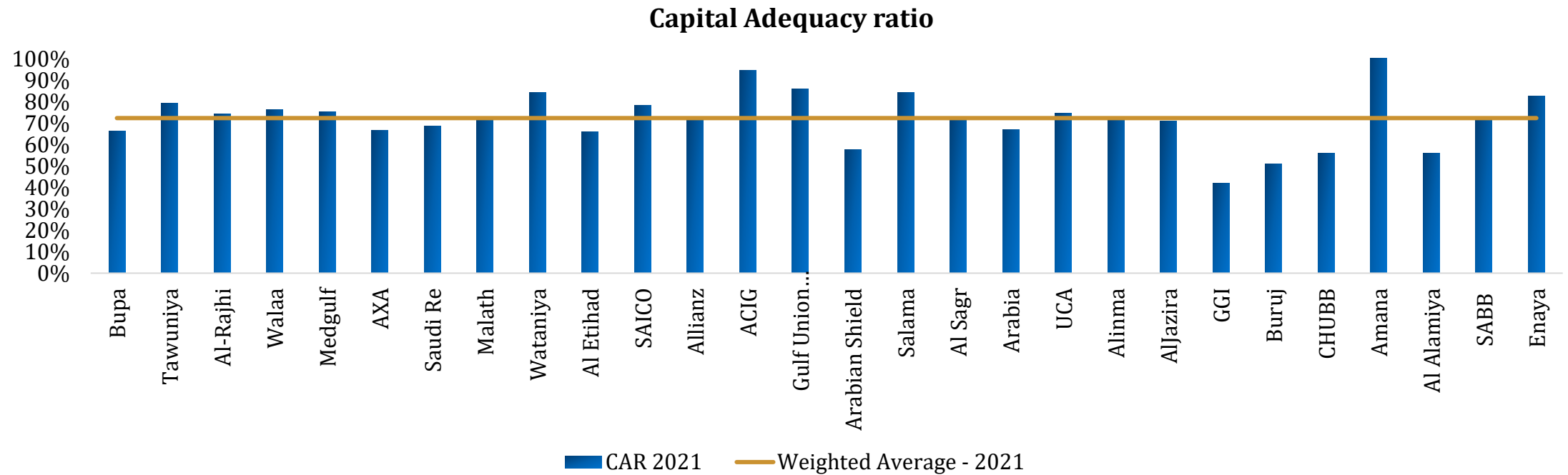
The Graph demonstrates the relationship between the amount of cash held by the company vs the return on investment.

Normally, an inverse relationship is witnessed backed by the rationale that more cash in hand implies fewer risky investments thus lower expected yield. However, the economic downturn is reflected in the above graph that has showed a reversed relationship.

Return on Investment is calculated by taking the ratio of Investment income for the year 2021 to the average of Invested Assets as at December 31, 2020, and December 31, 2021. The median investment return was 3%.



Capital Adequacy Ratio



The Capital Adequacy Ratio (CAR) indicates how much a company is capable to absorb any unexpected risks, hence depicting a company's financial position to meet policyholders' liabilities. Therefore, a higher ratio indicates that the companies' liabilities are on the higher side.

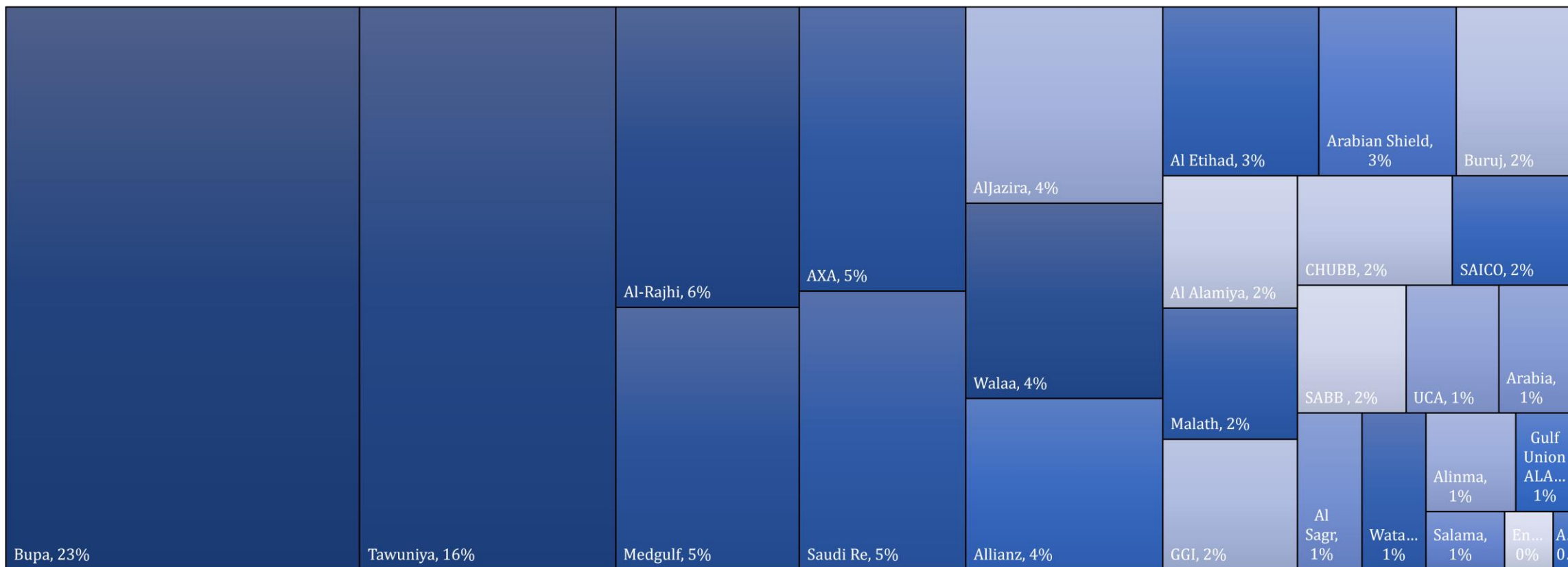
Capital Adequacy ratio is calculated by taking the proportion of Total Liabilities as at December 31, 2021, to Total Assets as at December 31, 2021.

The market weighted average CAR is 72% as at December 31, 2021.



Market Share

Market Share Proportion



The Tree map shows the Market share of each Company based on its Total Equity as at December 31, 2021.

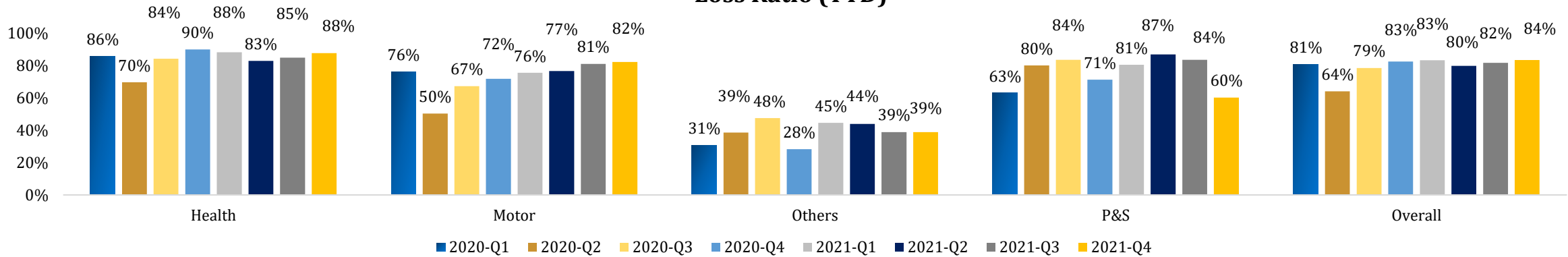
05

LOB-WISE

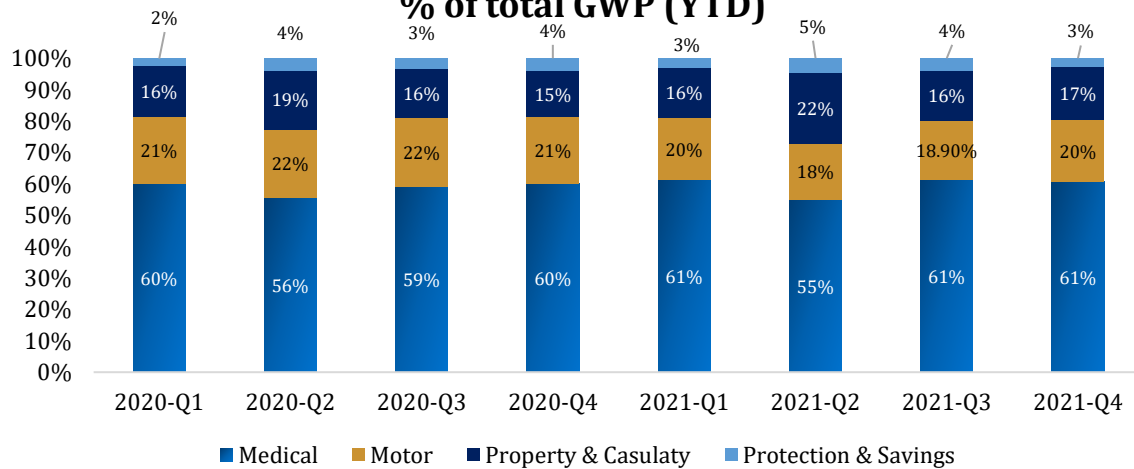


Overview

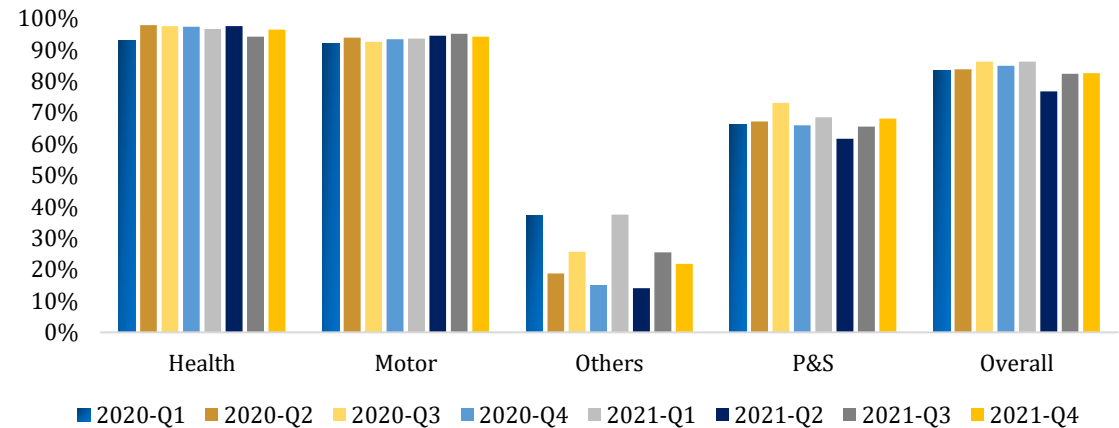
Loss Ratio (YTD)



% of total GWP (YTD)



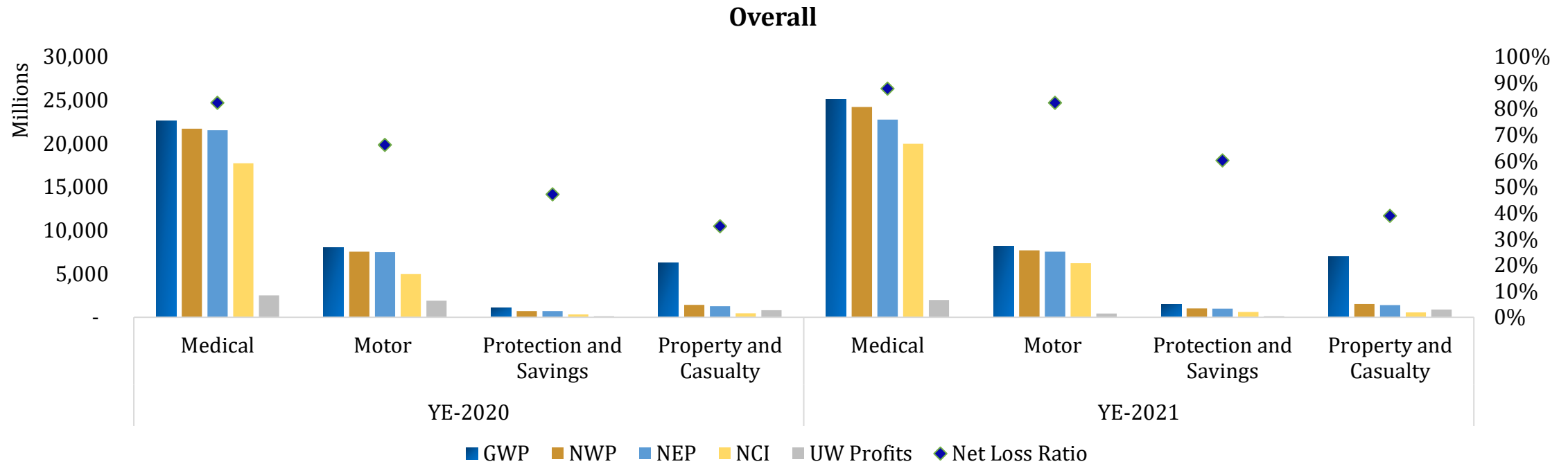
Retention Ratio (YTD)



Source: Based on data in SAMA Quarterly Industry Report.



Overall



Significant increase in the Net loss ratio in each category is witnessed with a largest increase in the Motor's Net loss ratio for the year 2021 relative to 2020. Motor, Medical, P&S and P&C Net Loss Ratio has increased by 16%, 6%, 13 % and 4% respectively compared to last year.

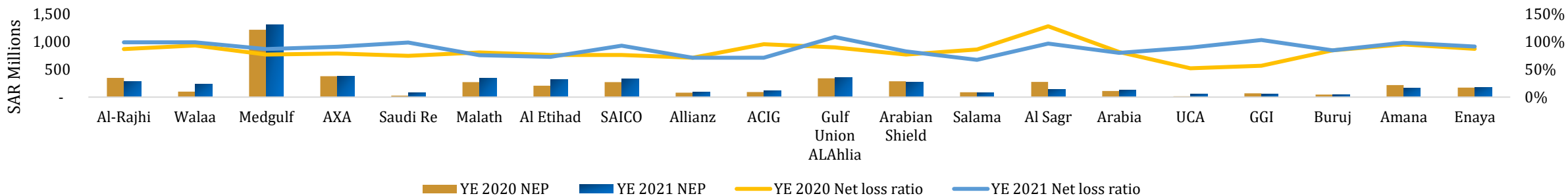
Net Claims Incurred are calculated as sum of Net Claims Paid in the respective period ,Change in IBNR reserve and Change in Outstanding reserve.

Underwriting Profit is calculated as the difference between the Revenue and the Underwriting cost and expenses.



Net Earned Premium (NEP) & Loss Ratio

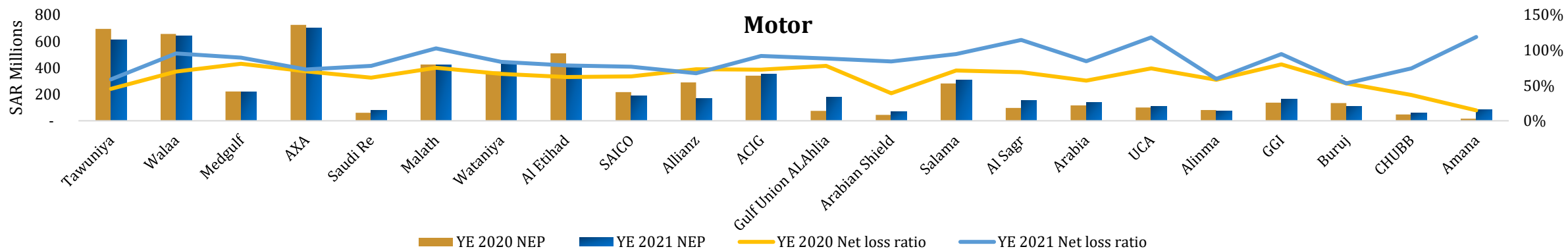
Medical



Bupa, Tawuniya and Alinma are excluded from the above graph. Bupa has NEP of SAR 10,618 million for 2021 and SAR 10,734 million in 2020 reflecting ,the Net loss ratio of 87% and 81%, respectively. Tawuniya has NEP worth SAR 7,105 million for 2021 and SAR 6,162 million in 2020 reflecting the Net loss ratio of 88% and 83%, respectively. Alinma has NEP of SAR 75,000 2021 and SAR 536,000 in 2020 reflecting the Net loss ratio of 205% and -116%, respectively. The weighted average of Loss Ratio for the top 5 Companies for Medical is 103% in 2021 corresponding to 86% in 2020. Moreover, the weighted average of loss ratio for Others is 87% in 2021 corresponding to 82% in 2021.

Al Rajhi is excluded from the below graph. It has NEP of SAR 1,778 million for the period 2021 and SAR 1,836 million for 2020 reflecting the Net loss ratio of 76% and 69% respectively. The weighted average loss ratio for top 5 companies is 103% for period 2021 and 71% for 2020, whereas the weighted average loss ratio for other companies is 77% for period 2021 and 65% for 2020.

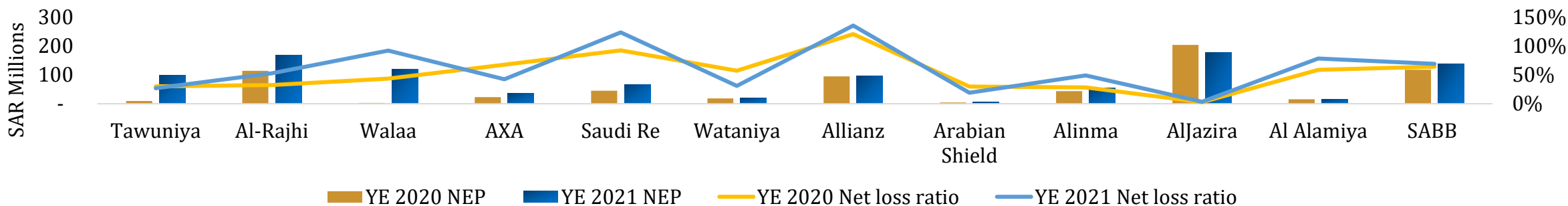
Motor





Net Earned Premium & Loss Ratio

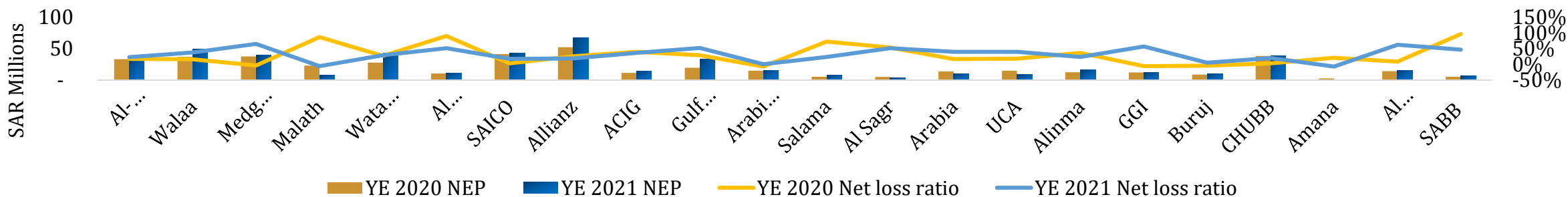
Protection and Savings



Tawuniya, Saudi Re, and AXA are excluded from the below graph. Tawuniya has NEP worth SAR 112 million for 2021 and SAR 177 million for 2020 reflecting the Net loss ratio of 24% and 0%, respectively. On the other hand, Saudi Re has NEP of SAR 633 million for 2021 and SAR 512 million in the year 2020. AXA recorded the NEP of SAR 163 million in 2021 and SAR 137 million in corresponding year 2020. The weighted average loss ratio for top 5 Companies in P&S is 99% and for others is 43% corresponding to 87% for top 5 companies and 37% for others in 2020 respectively.

For P&C, the weighted average loss ratio for Top 5 companies is 55% however in 2021 the weighted average loss ratio was 50%. For companies other than top 5, the weighted average loss ratio is 21% in 2021 and in 2020 it stood at 19%.

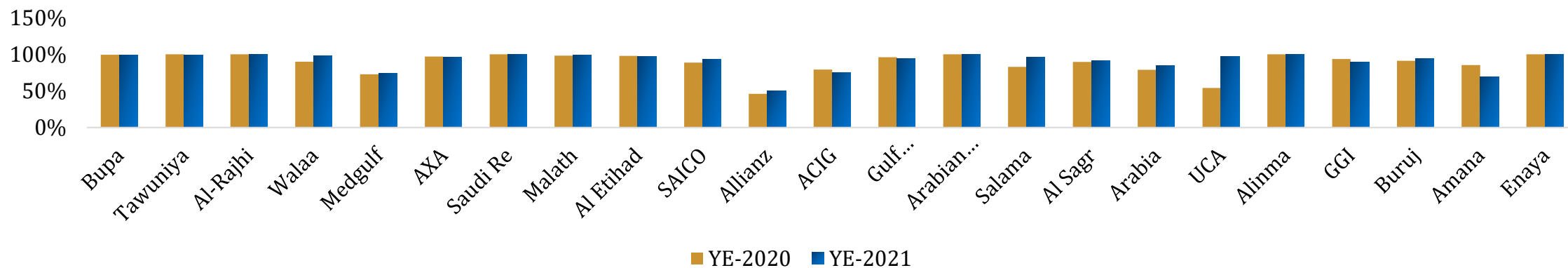
Property and Casualty





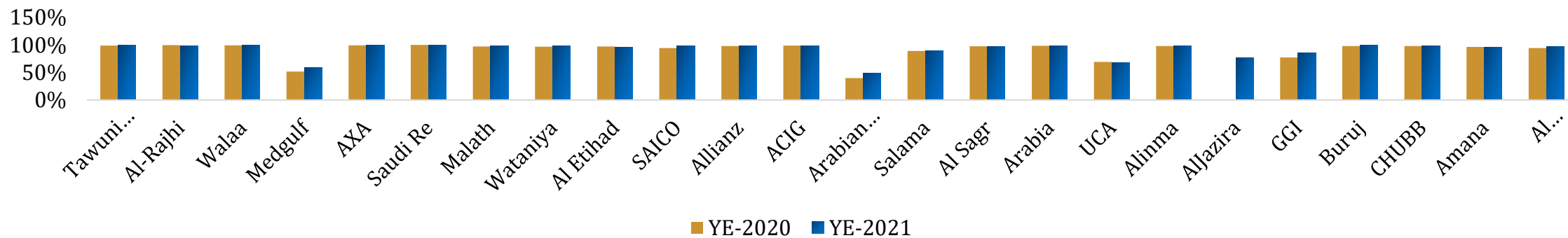
Retention Ratio

Medical



A significant decrease in the retention ratio of Amana for Medical is witnessed from 86% to 69% in 2021 whereas, Salama and UCA have increased the retention of Medical by 13% and 43%.

Motor

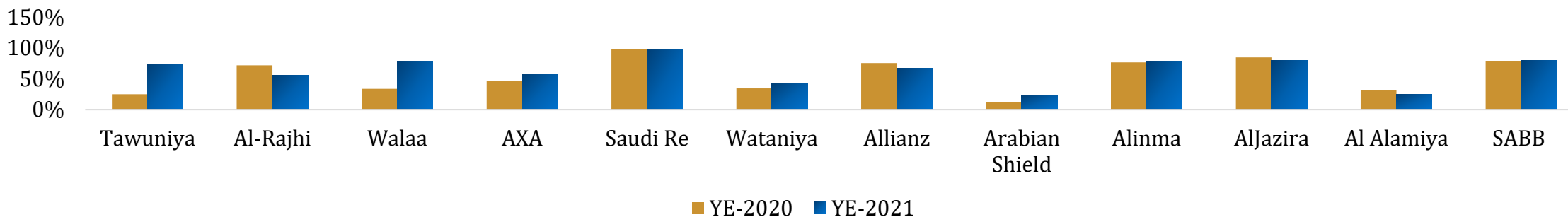


Medgulf, Arabian Shield, and GGI have increased the retention of Motor.



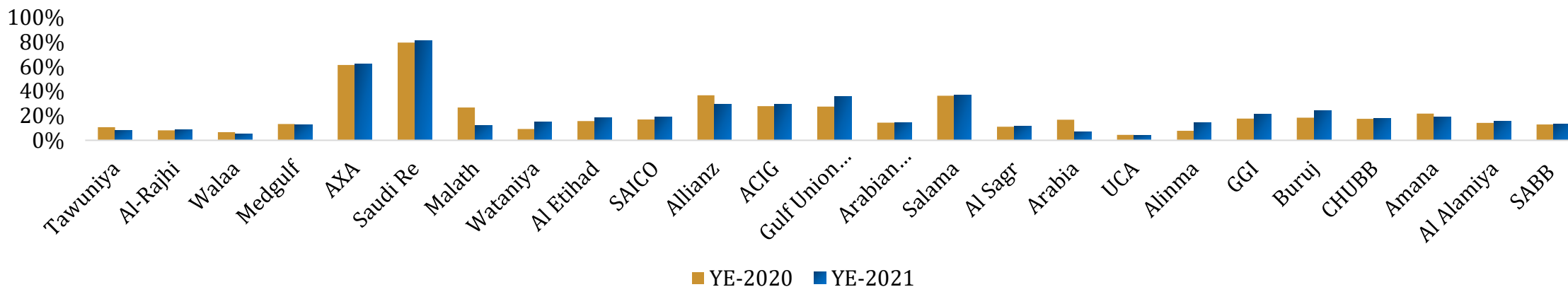
Retention Ratio

Protection and Savings



For Protection and Savings, Tawuniya has significantly increased its retention from 75% to 99% in 2021. Similarly, Walaah has also increased its retention by 45%.

Property and Casualty

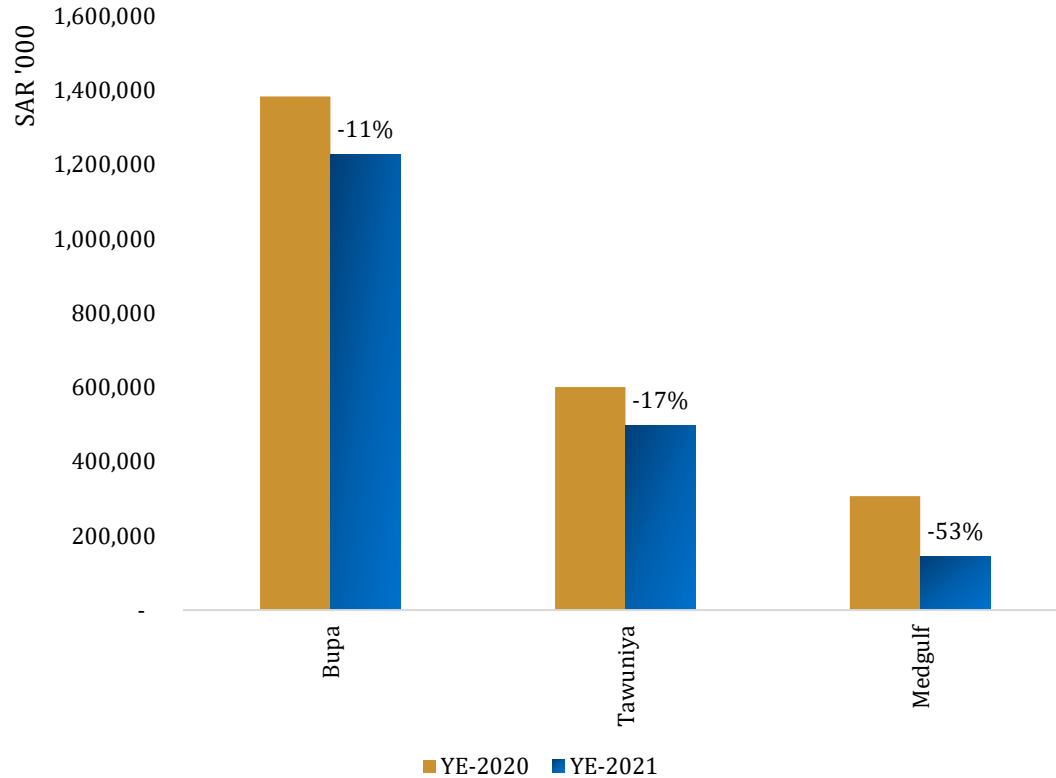


In case of Property and Casualty, Malath has decreased its retention by 15%.

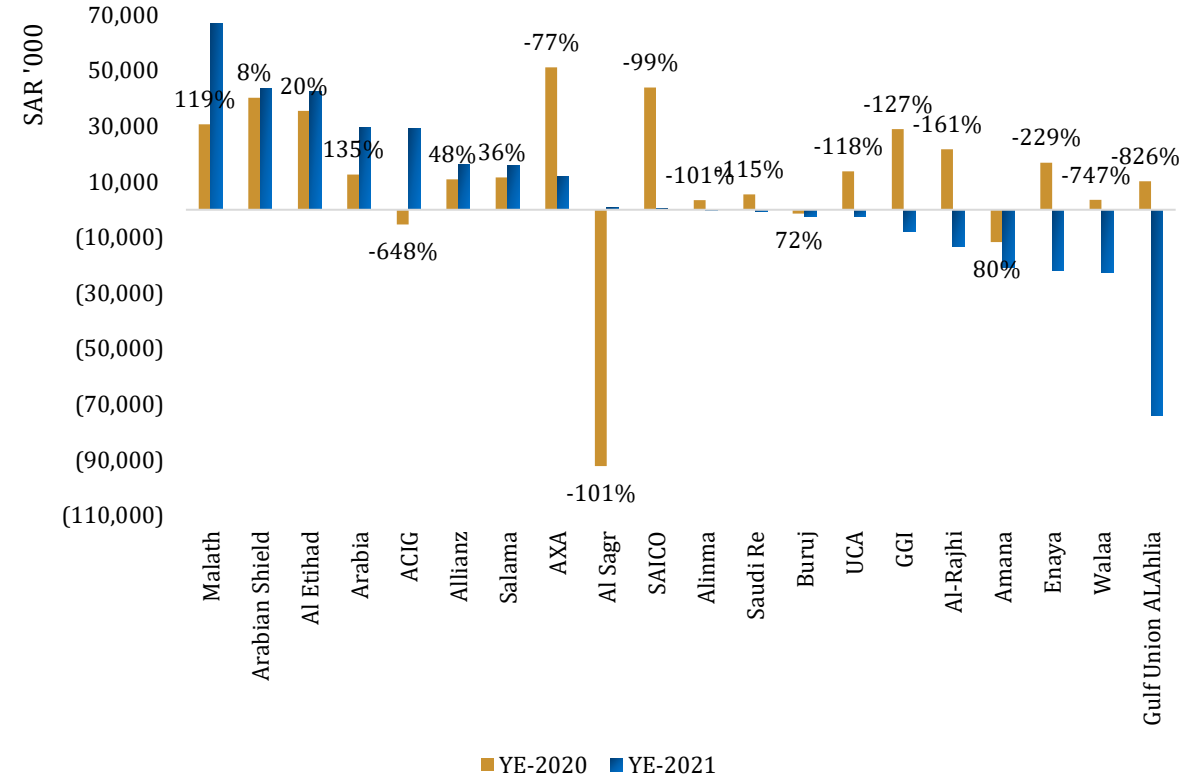


Underwriting Profit

Medical - Top 3



Medical - Others

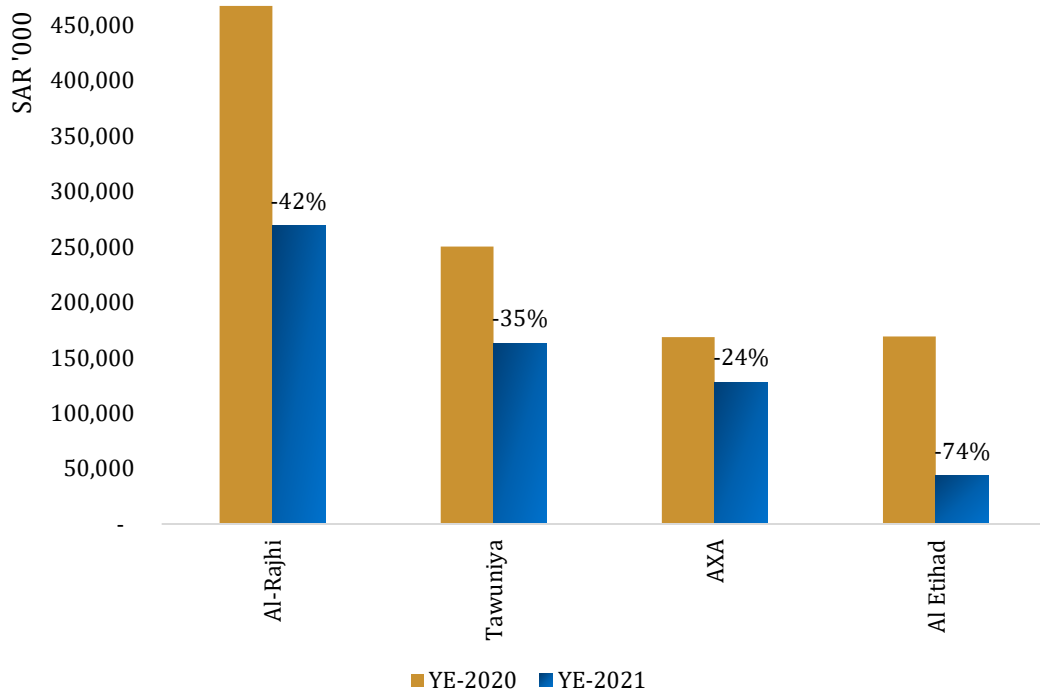


Total UW Profit in the Medical line is SAR 1,986 million signifying a decrease of 21% in the year 2021 compared to 2020 when the total UW Profit recorded in Medical was SAR 2,521 million.

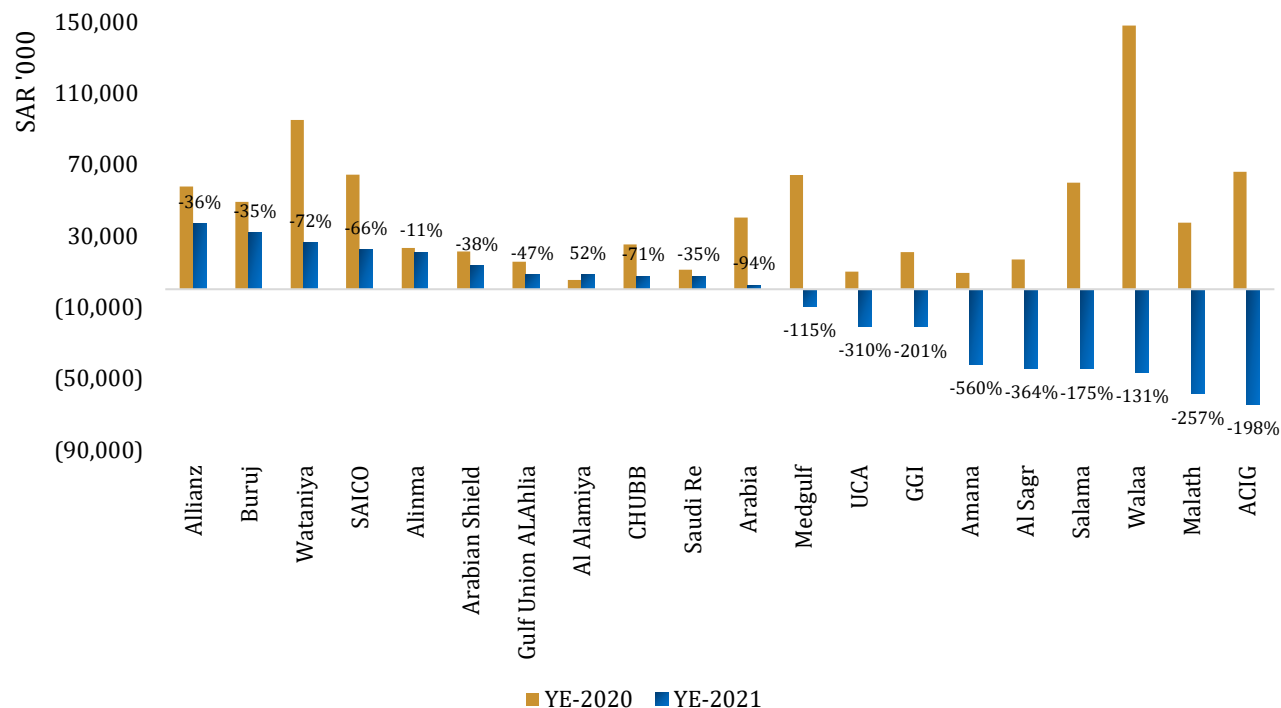


Underwriting Profit

Motor - Top



Motor - Others

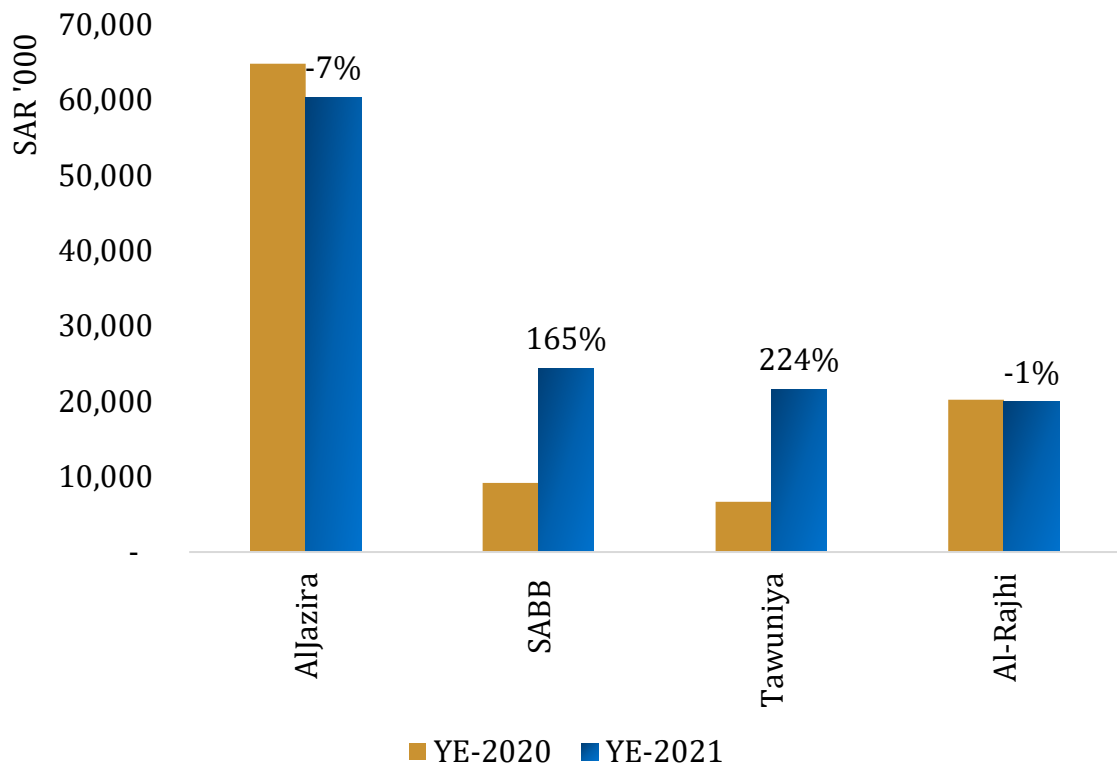


Total UW Profit in the Motor line is SAR 419 million signifying a decrease of 78% in the year 2021 compared to 2020 when the total UW Profit recorded in Motor was SAR 1,894 million.

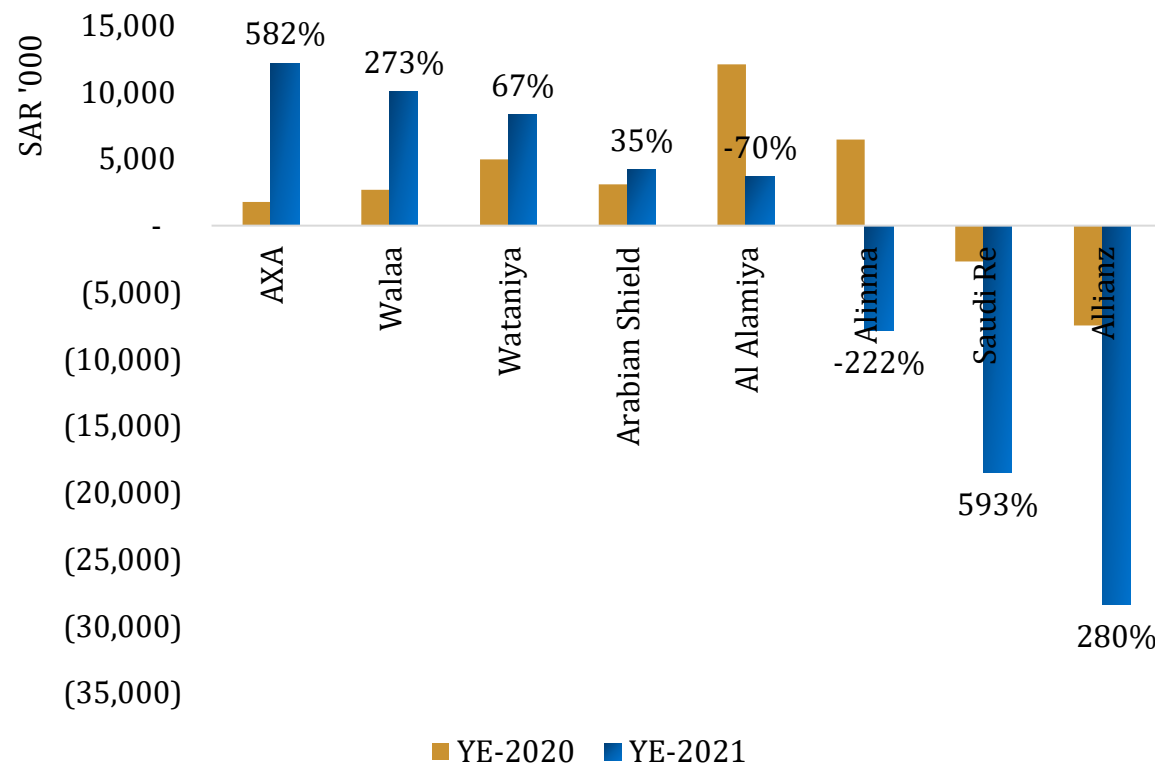


Underwriting Profit

Protection and Savings - Top



Protection and Savings - Others

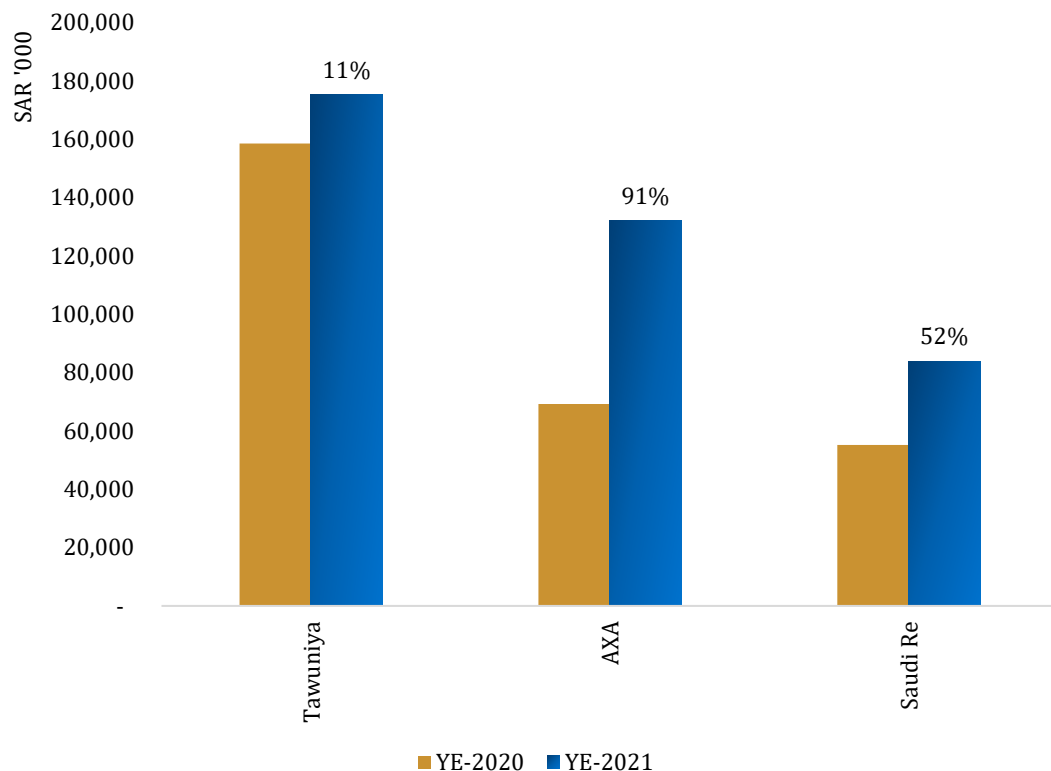


Total UW Profit in the P&S is SAR 110 million signifying a decrease of 10% in the year 2021 compared to 2020 when the total UW Profit recorded in Motor was SAR 122 million.

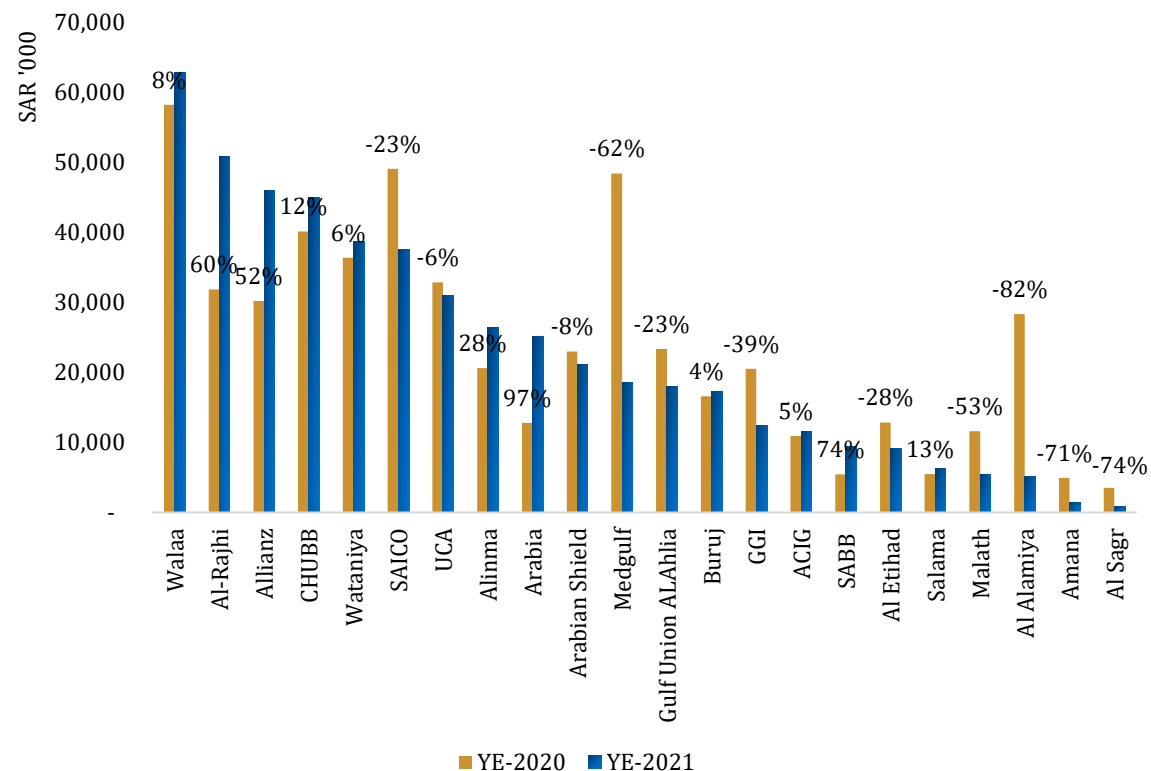


Underwriting Profit

Property and Casualty - Top



Property and Casualty - Others

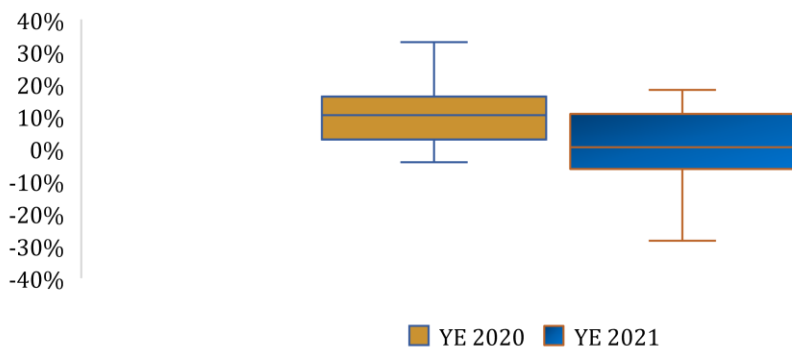


Total UW Profit in the P&C is SAR 891 million signifying a increase of 10% in the year 2021 compared to 2020 when the total UW Profit recorded in Motor was SAR 810 million.

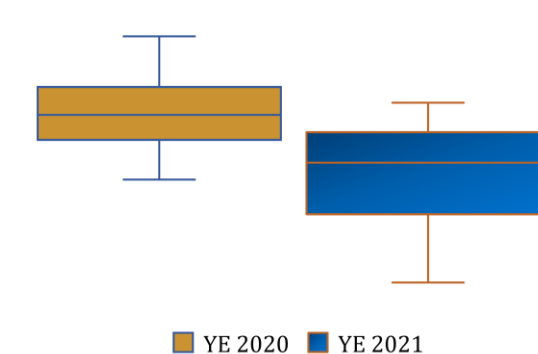


UW Profit Margin

Medical UW Profit

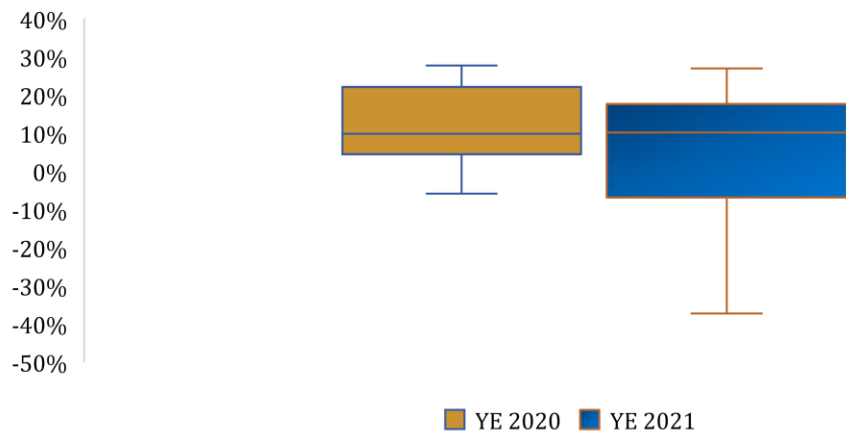


Motor UW Profit

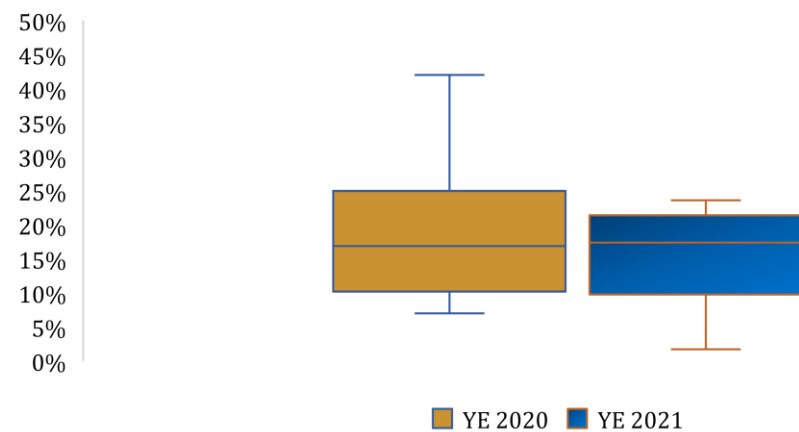


UW Profit Margin is calculated by dividing UW Profit to the Gross Written Premium.

P&S UW Profit



P&C UW Profit





Notes

- The comparison provided at LOB level contains only those Companies that were writing similar business in both the years, if there is any change in the underwriting pattern then those companies are excluded particularly from the graph.
- For LOB Level analysis , Companies who do not disclose the Underwriting Profit at LOB level, the Underwriting profit is split based on the Net Earned Premium of each LOB.



Conclusion

- After relatively good results in 2020, the insurance industry in the Kingdom has faced the worst year for profitability over the last 7 years. Overall gross written premiums have increased by 9.7% from to SAR 42 billion but profitability after zakat & tax has plummeted by -103% from SAR 1.4 Bn last year to only SAR -45 million in 2021.
- A total of 17 companies reported losses totaling over SAR 1.3 Billion in 2021. Were it not for positive investment results, the position would have been significantly worse.
- For Motor, GWP is similar to last year but underwriting profits have fallen by 78%. Premiums will inevitably increase in 2022 as these heavy losses are clearly not sustainable. The third party aggregator channel has been challenging with heavy losses for many small to mid size insurers. As we have seen from other developed markets, a dynamic pricing strategy and investment in a strong actuarial and data analytics capability is critical to be profitable in this highly competitive segment.
- For Medical, GWP has grown substantially by 11% but underwriting profits reduced by 21%. Last years positive results were driven by potentially lower, or delayed claims due to covid so it may not be a fair comparison. Nonetheless, as the industry reverts to pre covid levels, there is also pressure on medical premiums to increase sharply.
- The Industry Combined Ratio has increased sharply by 6% to 104%, comparatively to the year 2020. The increase in the combined ratio is due to an increase in the Industry loss ratio by 7% offset by a decrease of 1% in the Industry expense ratio.
- The overall industry retention ratio of 83% is quite similar to the year 2020 implying that the overall industry's Operating and Underwriting Expenses have increased significantly. Claims incurred have been significantly higher than expected. Insurers have also been investing in IFRS 17 capability
- General and Administrative expense ratio has decreased by approximately 1% and 1% decrease in the commission expense ratio is observed.
- There is a wide range of investment returns from 1% to 9% showing potential for driving higher returns for many companies with a review of investment strategy.
- In terms of Shareholder's equity, Walaa is the 4th largest Company in KSA in 2021 with Al Rajhi being the 3rd largest whereas, in the same period of 2020 Saudi Re was the 4th largest company and Al Rajhi was the 3rd largest. Bupa and Tawuniya remained at the 1st and the 2nd position in both periods with the profitable year significantly increasing their Shareholder's equity.
- Motor and Medical are the backbone of the KSA Insurance industry that altogether contributes 80% of GWP in the insurance sector of KSA. Protection and Saving Insurance is emerging in the industry and is expected to contribute significantly to the total business written in the Insurance sector of KSA in future, saw an increase of 31% and the profitable Property and Casualty lines saw an increase of 11%, however this continues to be heavily reinsured.
- M&A activity is increasing and there is likely to be more consolidation as the minimum capital requirements increase and it becomes more challenging for smaller insurers to remain competitive.
- Finally, on a more positive note, under the stewardship of SAMA, much hard work remains, but the IFRS 17 preparations for the industry are firmly on track for the 1 January 2023 implementation date.

Conclusion

- بعد نتائج جيدة نسبيًا في عام 2020 ، واجهت صناعة التأمين في المملكة أسوأ سنة لتحقيق الربحية خلال السبع سنوات الماضية . فقد ارتفع إجمالي الأقساط المكتتبة بنسبة 9.7% من 42 مليار ريال سعودي ، ولكن الربحية بعد فرض الزكاة والضريبة انخفضت بنسبة 103% - من 1.4 مليار ريال سعودي في العام الماضي إلى 45- مليون ريال سعودي فقط في عام 2021.
- ومع ذلك ، فإن الربحية الإجمالية للقطاع مدفوعة بشدة من قبل بوبا والتعاونية ، واللذان تشكلان معا حوالي 306 % من إجمالي الربح للقطاع لعام 2021. وأبلغت 17 شركة عن خسائر بلغت في مجموعها أكثر من 1.3 مليار ريال سعودي في عام 2021. ولولا نتائج الاستثمار الإيجابية ، لكان الوضع أسوأ بكثير.
- وبالنسبة لقطاع تأمين المركبات ، فإن إجمالي الأقساط المكتتبة مماثل للعام الماضي ولكن الأرباح المكتتبة انخفضت بنسبة 78% . وستزداد الأقساط بالتأكيد في عام 2022 لأنه من الواضح أن هذه الخسائر الفادحة ليست مستدامة. ومبيعات الطرف ثالث تواجه تحديات حيث تكبدت العديد من شركات التأمين الصغيرة والمتوسطة الحجم خسائر فادحة. وكما رأينا من الأسواق المتقدمة الأخرى ، استراتيجية تسعير فعالة والاستثمار في المهارات الاكتوارية وتحليل البيانات مهم جدًا للربحية في هذا القطاع الذي يتسم بقدر كبير من المنافسة.
- بالنسبة لقطاع التأمين الطبي، زادت إجمالي الأقساط المكتتبة بشكل كبير بنسبة 11% ولكن الأرباح المكتتبة انخفضت بنسبة 21%. كانت النتائج الإيجابية في العام الماضي مدفوعة بمطالبات يحتمل أن تكون أقل أو متأخرة بسبب الجائحة ، لذا فقد لا تكون المقارنة عادلة. ومع ذلك ، مع عودة القطاع إلى مستويات ما قبل الجائحة ، هناك أيضًا ضغط على أقساط التأمين الطبي لتزداد زيادة حادة.
- زادت نسبة القطاع المجمع بشكل حاد بنسبة 6% إلى 104% مقارنة بعام 2020. وسبب الزيادة في النسبة المجمعة هو زيادة نسبة خسارة القطاع بنسبة 7% يقابلها انخفاض بنسبة 1% في نسبة المصروفات للقطاع.
- معدل الاحتفاظ الإجمالي في القطاع البالغ 83% مشابه تمامًا لعام 2020 مما يعني أن إجمالي نفقات التشغيل والائتتاب في القطاع قد زاد بشكل كبير. المطالبات المتكبدة أعلى بكثير مما كان متوقعاً. أيضًا تستثمر شركات التأمين في قدرة المعيار الدولي للتقارير المالية (IFRS 17).
- انخفضت نسبة المصروفات العامة والإدارية بحوالي 1% ولوحظ انخفاض بنسبة 1% في نسبة مصروفات العمولات.
- هناك مجموعة واسعة من عوائد الاستثمار من 1% إلى 9% مما يدل على إمكانية تحقيق عوائد أعلى للعديد من الشركات مع مراجعة استراتيجية الاستثمار.
- من حيث حقوق المساهمين ، تعد شركة ولاء رابع أكبر شركة في المملكة العربية السعودية في عام 2021 ، حيث احتلت الراجحي المرتبة الثالثة بين أكبر الشركات ، بينما كانت الشركة السعودية لإعادة التأمين في نفس الفترة من عام 2020 رابع أكبر شركة ، وكانت الراجحي ثالث أكبر شركة. بقيت بوبا والتعاونية في المركزين الأول والثاني في كلتا الفترتين ، حيث أدى العام المربح إلى زيادة حقوق المساهمين بشكل كبير.
- قطاعي تأمين المركبات والتأمين الطبي هما العمود الفقري لقطاع التأمين في المملكة العربية السعودية حيث أنهما يساهمان بإجمالي 80% من إجمالي أقساط التأمين المكتتبة في قطاع التأمين في المملكة العربية السعودية. إن تأمين الحماية والادخار أخذ في الظهور في القطاع ومن المتوقع أن يساهم بشكل كبير في إجمالي الأعمال المكتتبة في قطاع التأمين في المملكة العربية السعودية في المستقبل ، وشهدت زيادة بنسبة 31 % . وشهدت المنتجات المربحة وهي تأمين الممتلكات والحوادث زيادة بنسبة 11 % ، ولكنها مستمرة في كونها معاد تأمينها بشكل كبير.
- يتزايد نشاط الدمج والاستحواذ ومن المحتمل أن يكون هناك المزيد من دمج الشركات مع زيادة الحد الأدنى لمتطلبات رأس المال ويصبح من الصعب على شركات التأمين الأصغر أن تظل قادرة على المنافسة.
- أخيرًا ، في ملاحظة أكثر إيجابية ، تحت إشراف البنك المركزي ، لا يزال هناك الكثير من العمل الشاق ، ولكن الاستعدادات للمعيار الدولي للتقارير المالية (IFRS 17) للقطاع تسير بثبات على المسار الصحيح لينفذ بتاريخ 1 يناير 2023.



Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in KSA for the year 2021. The data has been extracted from the financial statements of those companies which were publicly listed and available till the compilation of this report.
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Companies Included in Analysis

S. No.	Symbol	Name	Abreviation
1	8010	The Company for Cooperative Insurance	TCCI
2	8012	Aljazira Takaful Taawuni Co.	AJTTC
3	8020	Malath Cooperative Insurance Co.	MCIC
4	8030	The Mediterranean and Gulf Insurance and Reinsurance Co.	TMGIRC
5	8040	Allianz Saudi Fransi Cooperative Insurance Co.	ASFCIC
6	8050	Salama Cooperative Insurance Co.	SCIC
7	8060	Walaa Cooperative Insurance Co.	WCIC
8	8070	Arabian Shield Cooperative Insurance Co.	ARSCIC
9	8080	SABB Takaful Co.	STC
10	8100	Saudi Arabian Cooperative Insurance Co.	SACIC
11	8120	Gulf Union Al Ahlia Cooperative Insurance Co.	GUACIC
12	8150	Allied Cooperative Insurance Group	ACIG
13	8160	Arabia Insurance Cooperative Co.	AICC
14	8170	Trade Union Cooperative Insurance Co.	TUCIC
15	8180	Al Sagr Cooperative Insurance Co.	ASCIC
16	8190	United Cooperative Assurance Co.	UCAC
17	8200	Saudi Re for Cooperative Reinsurance Co.	SRCRC
18	8210	Bupa Arabia for Cooperative Insurance Co.	BACIC
19	8230	Al-Rajhi Company for Cooperative Insurance	ARCCI
20	8240	CHUBB Arabia Cooperative Insurance Co.	CACIC
21	8250	AXA Cooperative Insurance Co.	AXACIC
22	8260	Gulf General Cooperative Insurance Co.	GGCIC
23	8270	Buruj Cooperative Insurance Co.	BCIC
24	8280	Al Alamiya for Cooperative Insurance Co.	AACIC
25	8300	Wataniya Insurance Co.	WIC
26	8310	Amana Cooperative Insurance Co.	ACIC
27	8311	Saudi Enaya Cooperative Insurance Co.	SECIC
28	8312	Alinma Tokio Marine Co.	ATMC

Analysis of the Key Performance Indicators (KPIs) of 28* Listed Insurance Companies of KSA for YE 2021 has been undertaken.

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Feedback

Badri Management Consultancy is proud to present Saudi Arabia's Insurance Industry Performance analysis for the year 2021. We have a dedicated team that is working to bring you research reports. Our doors are open for feedback, and we welcome them. Feel free to inquire about the report.

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