

Saudi Arabia's Insurance Industry Performance Analysis - Q1-2022

Date: June 7, 2022



Badri KSA receives license approval by SAMA

We are pleased to announce that Badri for Actuarial Services is now licensed by the Saudi Central Bank (SAMA) to provide actuarial services within the Kingdom of Saudi Arabia.

Through our new office in Riyadh, we very much look forward to continuing our investment in the development of Saudi actuarial talent, the insurance sector and extending our values of partnership to the insurance industry across the Kingdom.

About BADRI Group

BADRI is the leading actuarial consultancy serving clients across the Middle East, Asia and Africa with Actuarial, Technology, HR and Management consultancy services.

حصلت منشأة بدري السعودية على ترخيص مؤسسة النقد السعودي "ساما".

إنه لمن دواعي سرورنا أن نعلن أن شركة بدري للخدمات الاكتوارية مرخصة حالياً من قبل البنك المركزي السعودي "ساما" لتقديم الخدمات الاكتوارية داخل المملكة العربية السعودية.

من خلال مكتبنا الجديد في الرياض، نتطلع بشدة إلى مواصلة استثمارنا في تنمية المواهب الاكتوارية السعودية وقطاع التأمين وتوسيع قيم الشراكة لدينا لتشمل قطاع التأمين في جميع أنحاء المملكة.

حول مجموعة بدري

بدري هي شركة إستشارية اكتوارية رائدة تخدم العملاء في جميع أنحاء الشرق الأوسط وآسيا وإفريقيا من خلال خدمات الإستشارات الاكتوارية والتكنولوجيا والموارد البشرية والإدارة.



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.

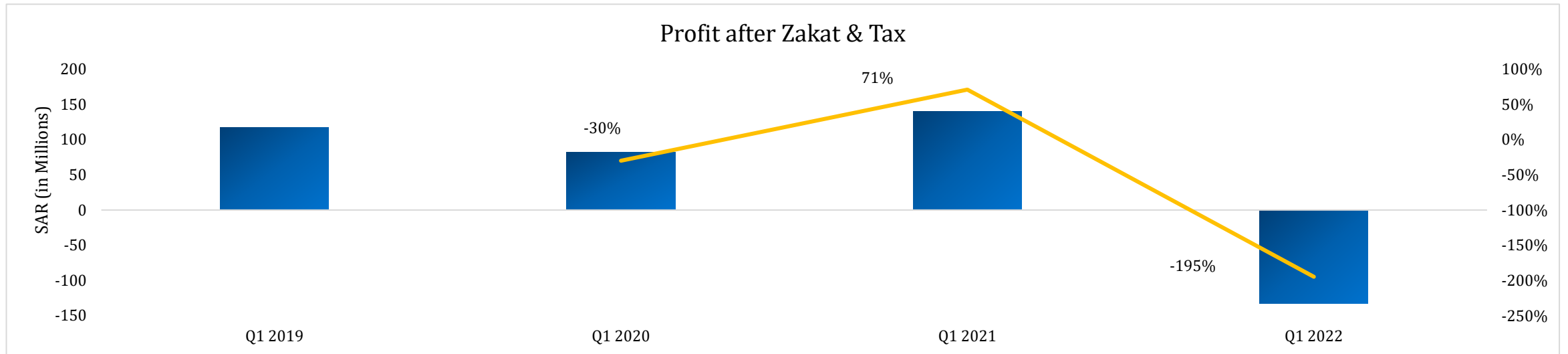
Q1-2022

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Executive Summary

- 2021 was one of the worst years for profitability in the KSA Insurance sector and Q1 2022 continues to be extremely challenging. Compared with the same period last year, the insurance industry in the Kingdom has witnessed a dramatic decline in profitability for Q1 2022 compared with the same period last year.

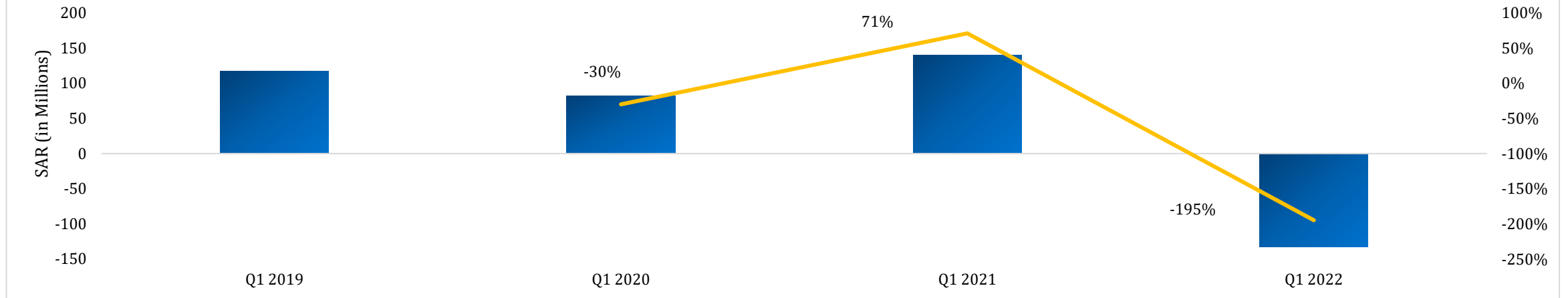


- For Motor, GWP has grown by 6%, but underwriting profits have fallen by 128%. For Medical, GWP has grown substantially by 21% but underwriting profits reduced by 11%.
- M&A activity is increasing and there is likely to be more consolidation as the minimum capital requirements increase and it becomes more challenging for smaller insurers to remain competitive.
- The Industry Combined Ratio has increased by 3% to 105%, compared to Q1 2022. The increase in the combined ratio is due to an increase in the Industry loss ratio by 3% with no change in expense ratio.

Executive Summary

- كان عام 2021 واحد من أسوأ الأعوام فيما يتعلق بأرباح قطاع التأمين في المملكة العربية السعودية، ولا يزال الربع الأول من عام 2022 يمثل تحديًا كبيرًا. مقارنة بالفترة نفسها من العام الماضي حيث شهد قطاع التأمين في المملكة انخفاضًا ملحوظًا في أرباح الربع الأول من عام 2022 مقارنة بالفترة نفسها من العام الماضي.

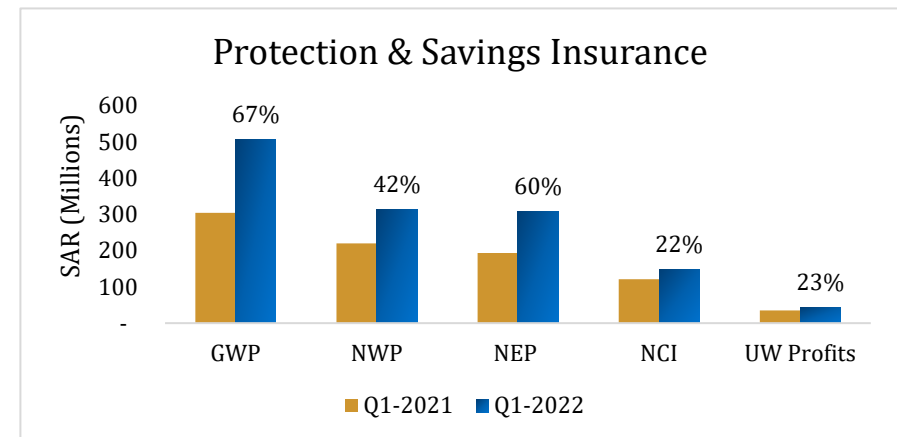
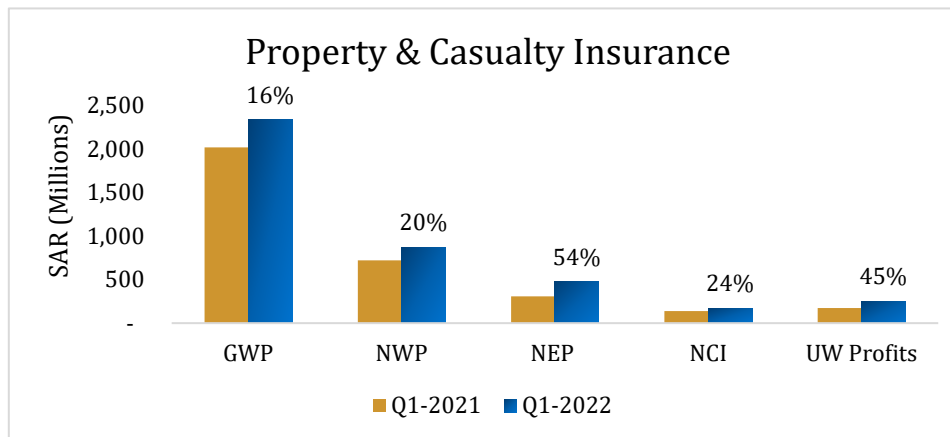
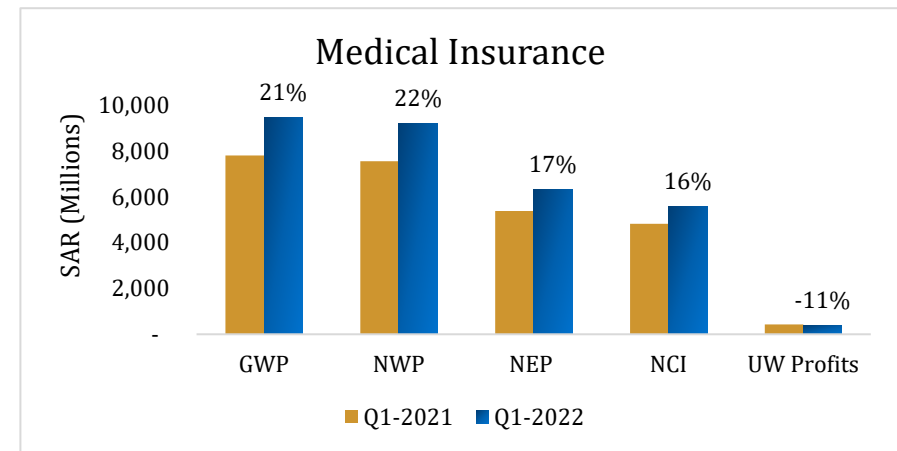
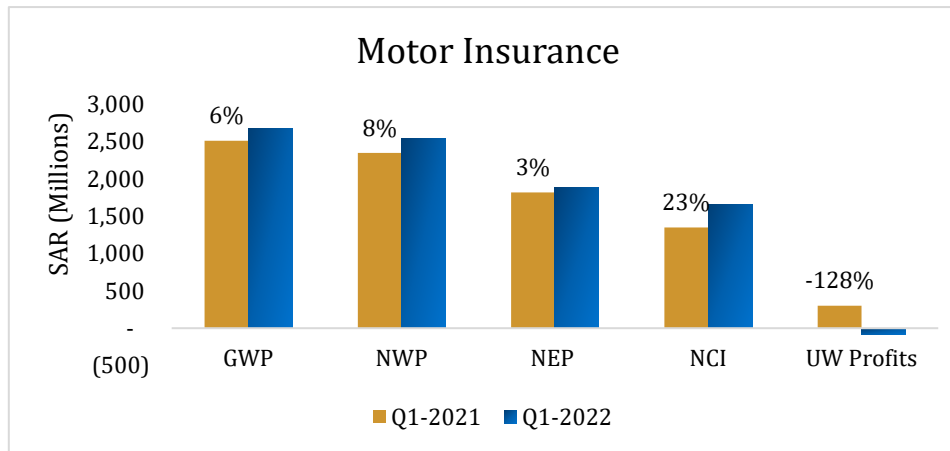
Profit after Zakat & Tax



- فيما يتعلق بقطاع النقل، نمت إجمالي الأقساط المكتتبه بنسبة 6٪، بينما انخفضت أرباح الاكتتاب بنسبة 128٪. وبالنسبة لقطاع الطب، نمت إجمالي الأقساط المكتتبه بشكل كبير بنسبة 21٪ بينما انخفضت أرباح الاكتتاب بنسبة 11٪.
- يتزايد نشاط الاندماج والاستحواذ ومن المحتمل أن يكون هناك المزيد من عمليات الدمج مع زيادة الحد الأدنى لمتطلبات رأس المال حيث يصبح من الصعب على شركات التأمين الأصغر أن تظل قادرة على المنافسة.
- زادت النسبة المجمعة لقطاع الصناعة بنسبة تتراوح من بين 3٪ إلى 105٪ مقارنة بالربع الأول من عام 2022. وتعزى الزيادة في النسبة المجمعة إلى زيادة نسبة الخسارة في قطاع الصناعة بنسبة 3٪ دون تغيير في نسبة المصروفات.

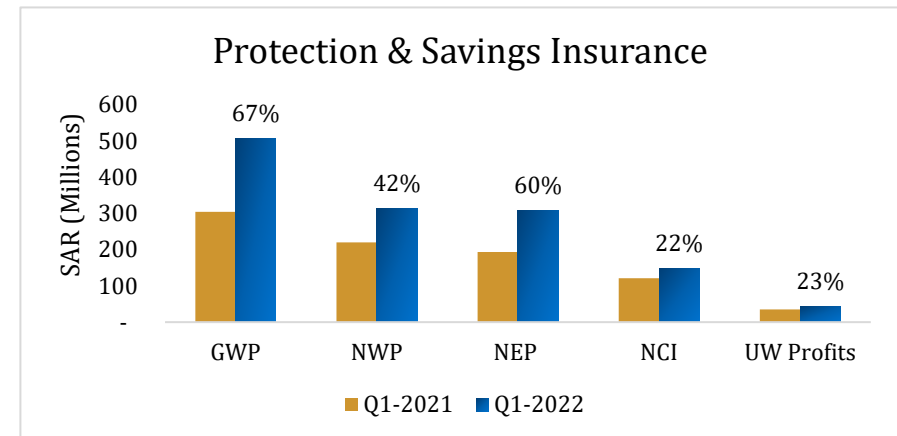
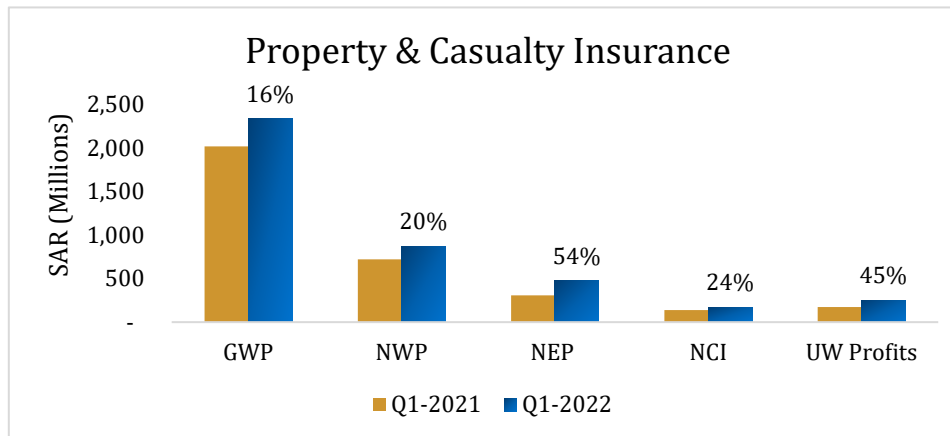
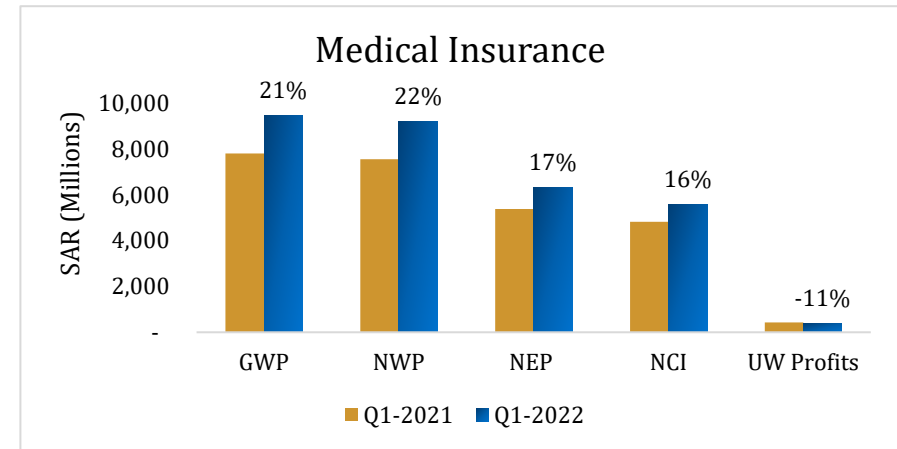
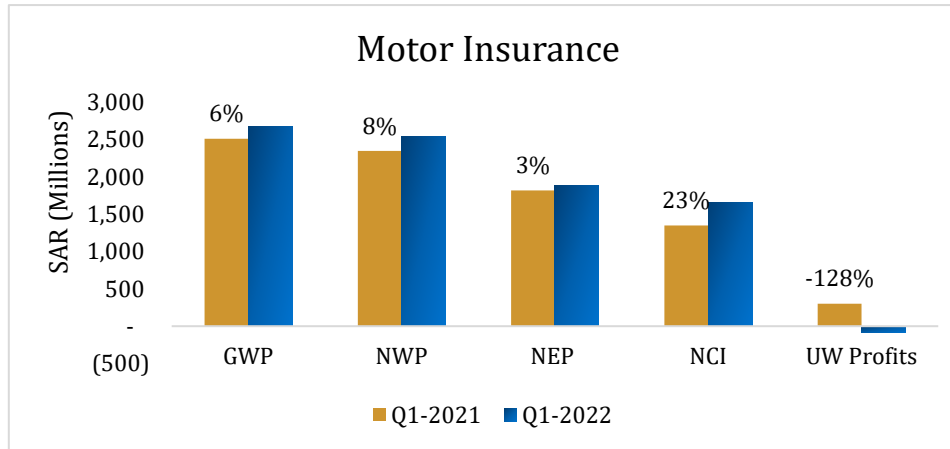
Executive Summary

- Motor and Medical line of business are the main pillars of the KSA Insurance sector with both contributing 81% of the total gross written.
- The highly profitable, Property and Casualty lines saw an increase of 16% in gross written premium , however this continues to be heavily reinsured.



Executive Summary

- يعتبر قطاع النقل والطب الركائز الأساسية التي يستند عليها قطاع التأمين في المملكة العربية السعودية حيث يساهم كلاهما بنسبة 81% من إجمالي أقساط التأمين المكتتبه.
- شهدت مجالات التأمين على الممتلكات والتأمين ضد الاصابة ذات الربحية العالية زيادة بنسبة 16% من إجمالي الأقساط المكتتبه، وعلى الرغم من ذلك لا تزال يخضع بشدة لإعادة التأمين.



Overview of the Industry

Gross Premiums Written

SAR 14.9 billion
(SAR 12.6 billion in Q1-2021)

Retention ratio

87%
(86% in Q1-2021)

Ultimate Loss Ratio

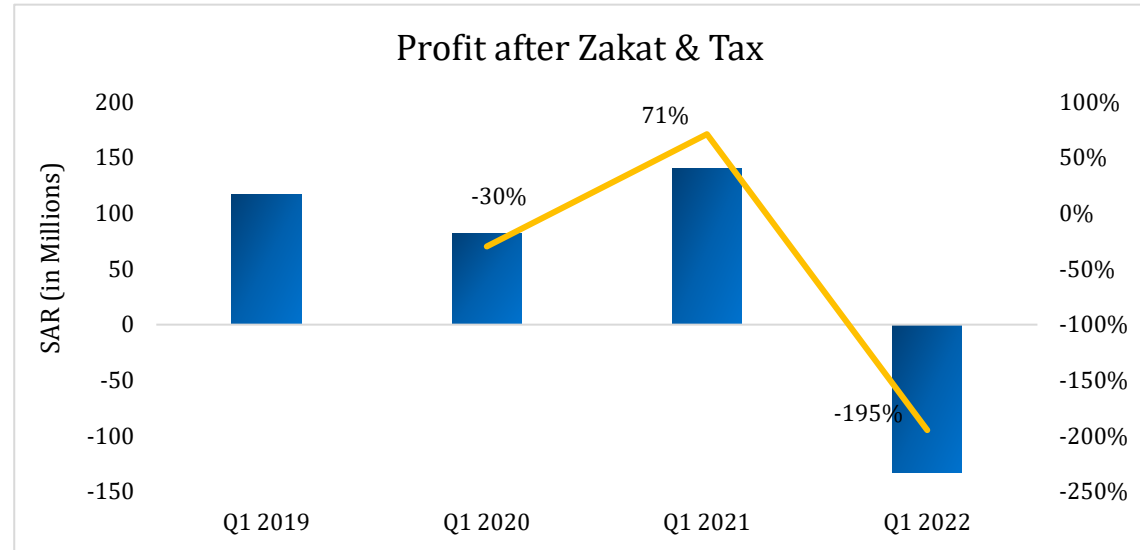
86%
(83% in Q1-2021)

Profit

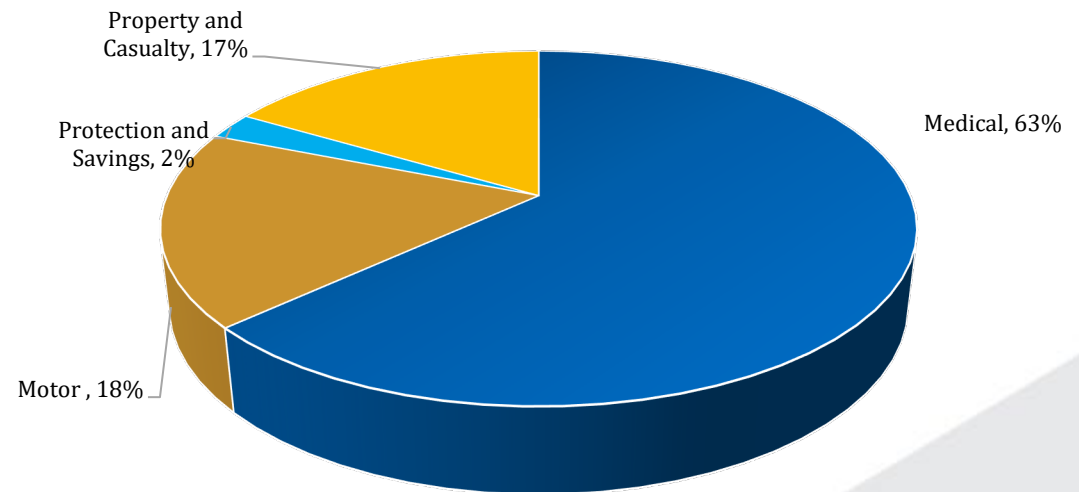
SAR -133 million
(SAR 136 million in Q1-2021)

Combined Ratio

105%
(102% in Q1-2021)



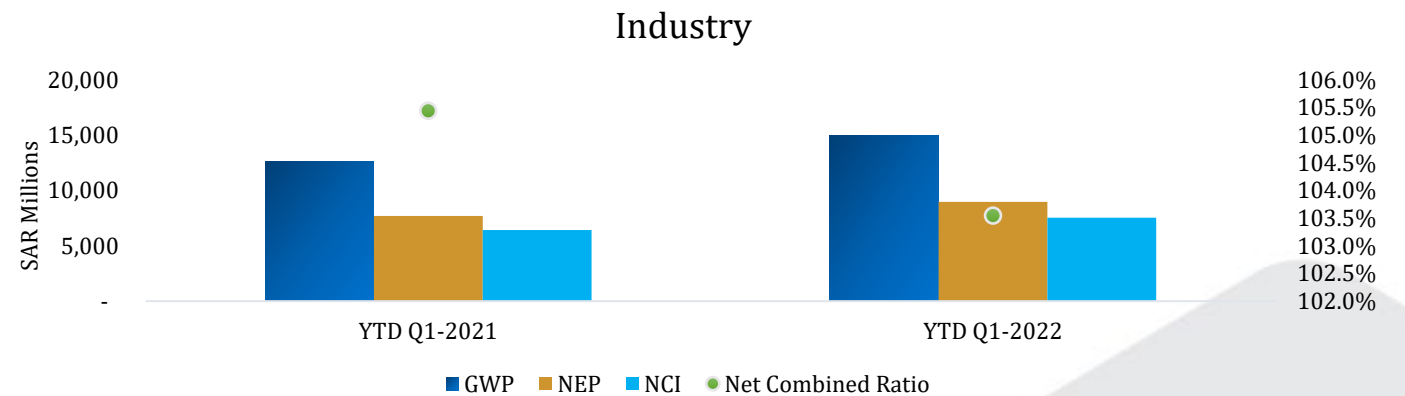
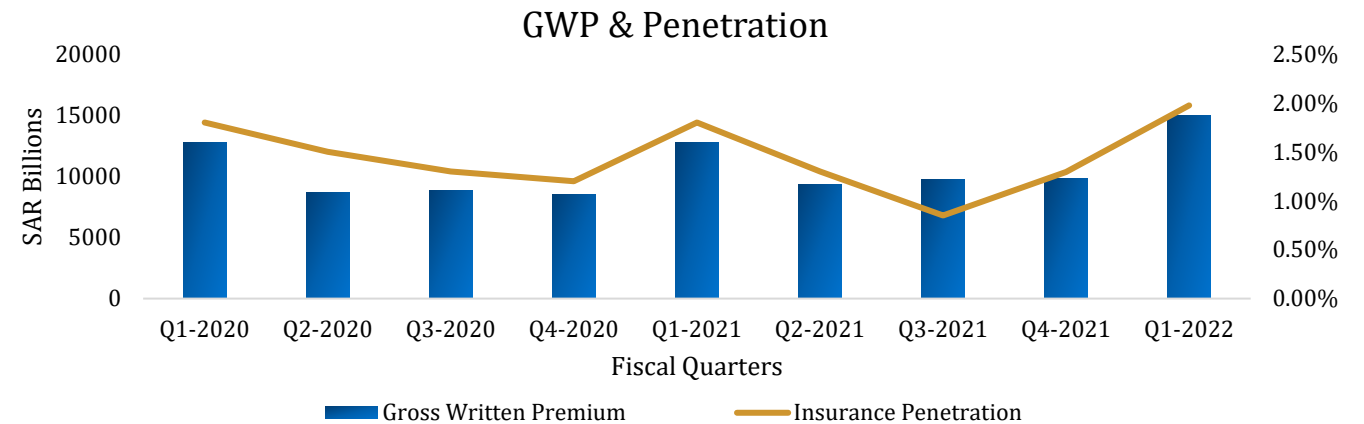
GWP breakdown in Q1-2022



Overview of the Industry

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

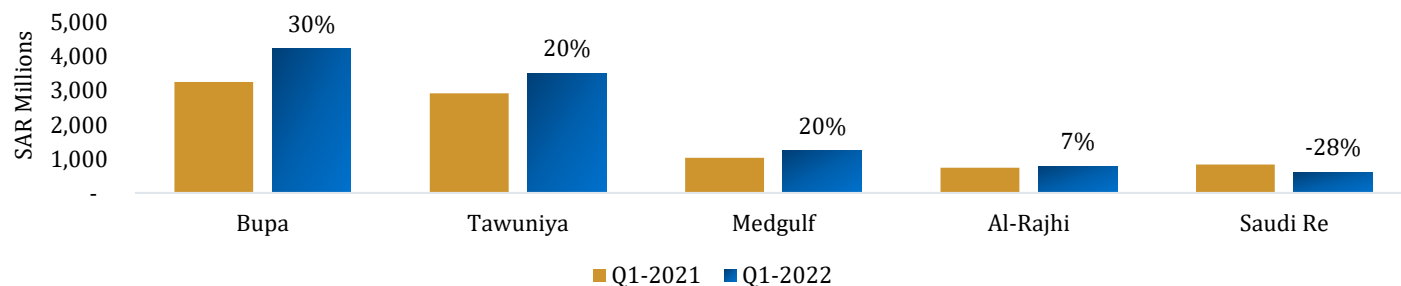
For the 27 listed companies, the GWP grew from SAR 12.6 billion in Q1-2021 to SAR 14.9 billion in Q1-2022 highlighting a growth of 18.5%. Excluding Saudi Re, the GWP of the industry has increased from SAR 11.8 billion in Q1-2021 to SAR 14.4 billion in Q1-2022 signifying a growth of 21.8%.



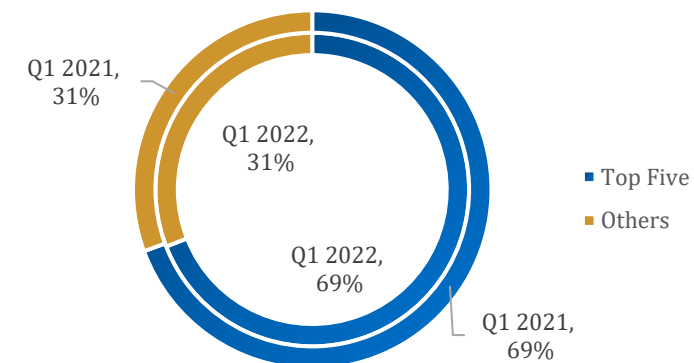
Gross Written Premium

The top 5 companies grew top line by 1.6 billion, with a combined premium of SAR 10.4 billion in Q1-2022 as compared to SAR 8.8 billion in Q1-2021. The share of overall GWP for the top 5 companies remains at 69% for 2021, as it was for the same period last year.

Top Five

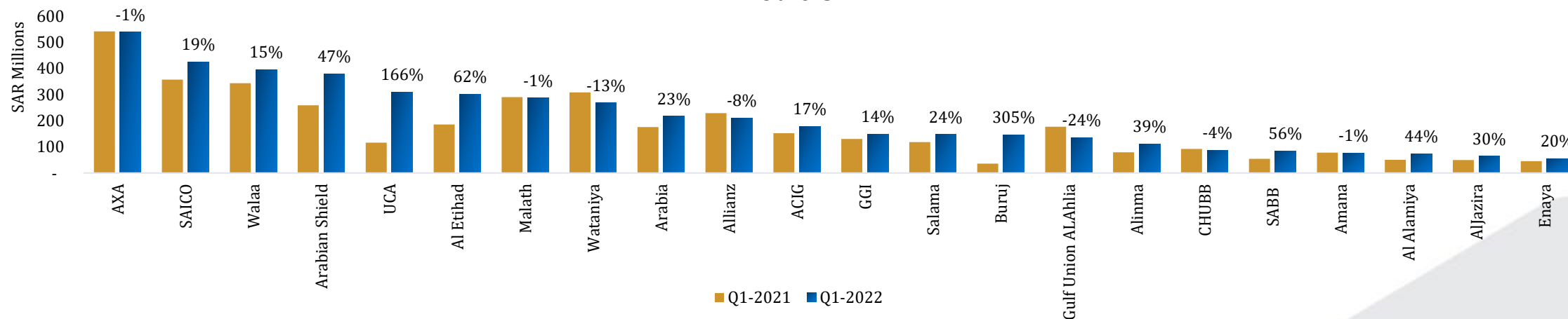


GWP Distribution

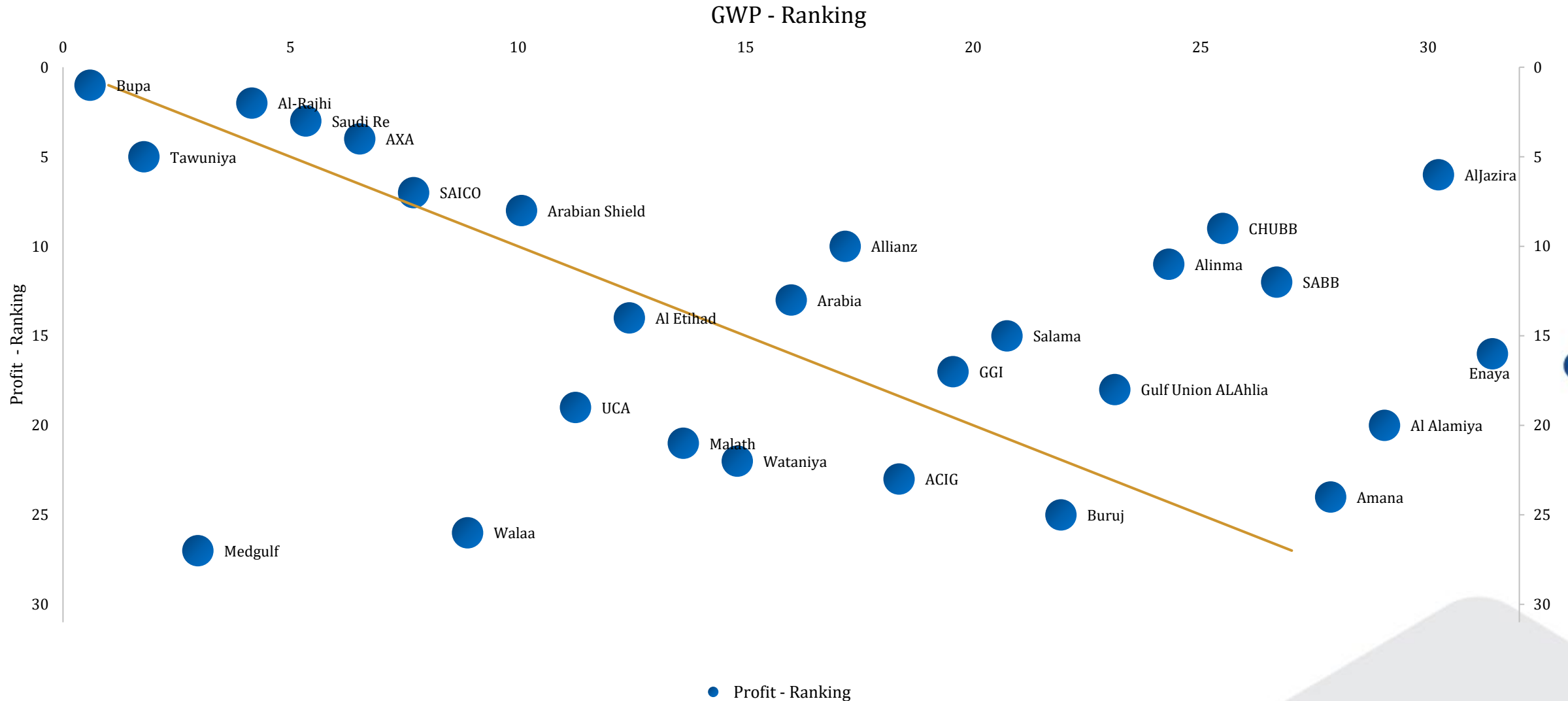


Below the top 5, the median top line growth rate was 19% over the quarter.

Others

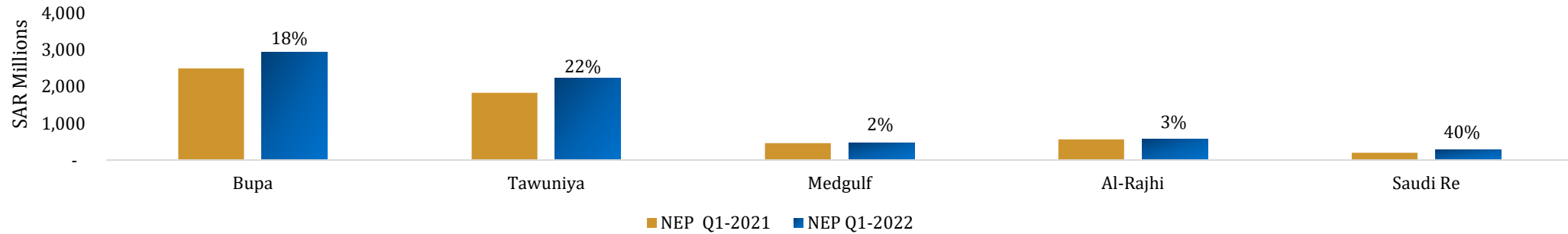


Gross Written Premium



Net Earned Premium

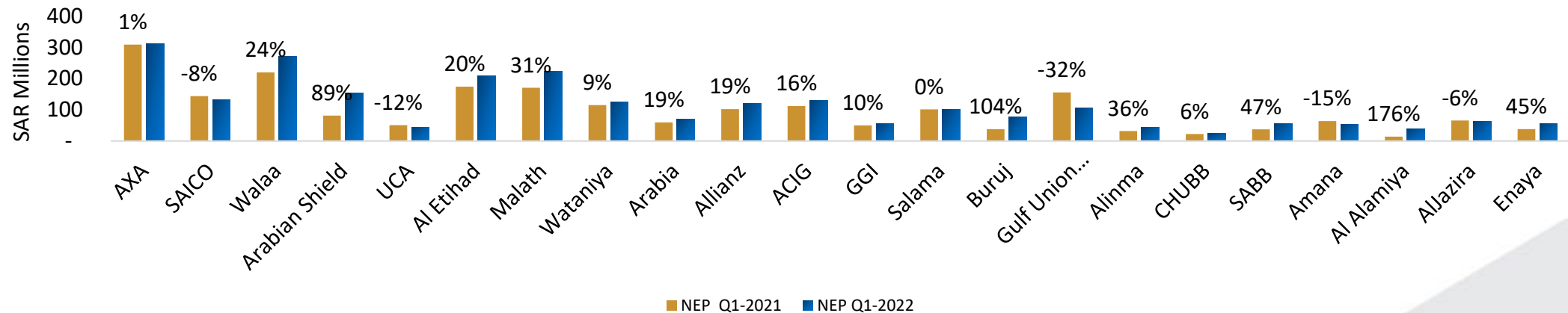
TOP 5



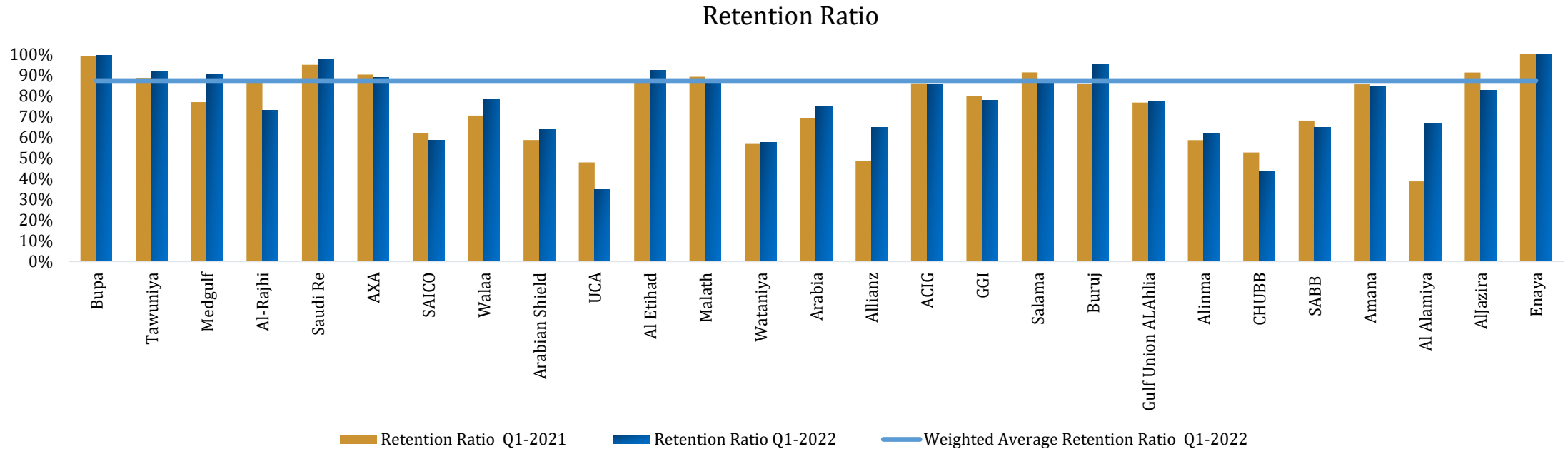
For the period Q1-2022, Net Earned Premiums grew by 1.3 billion to SAR 8.9 billion portraying an increase of around 16%.

The Top 5 Companies have Net Earned Premiums of SAR 6.5 billion highlight a growth of 17% corresponding to Q1-2021.

Others



Retention Ratio



All Companies are required to adhere to a minimum retention ratio of 30% of its total insurance premium (as per Article 40 of the implementing Regulations).

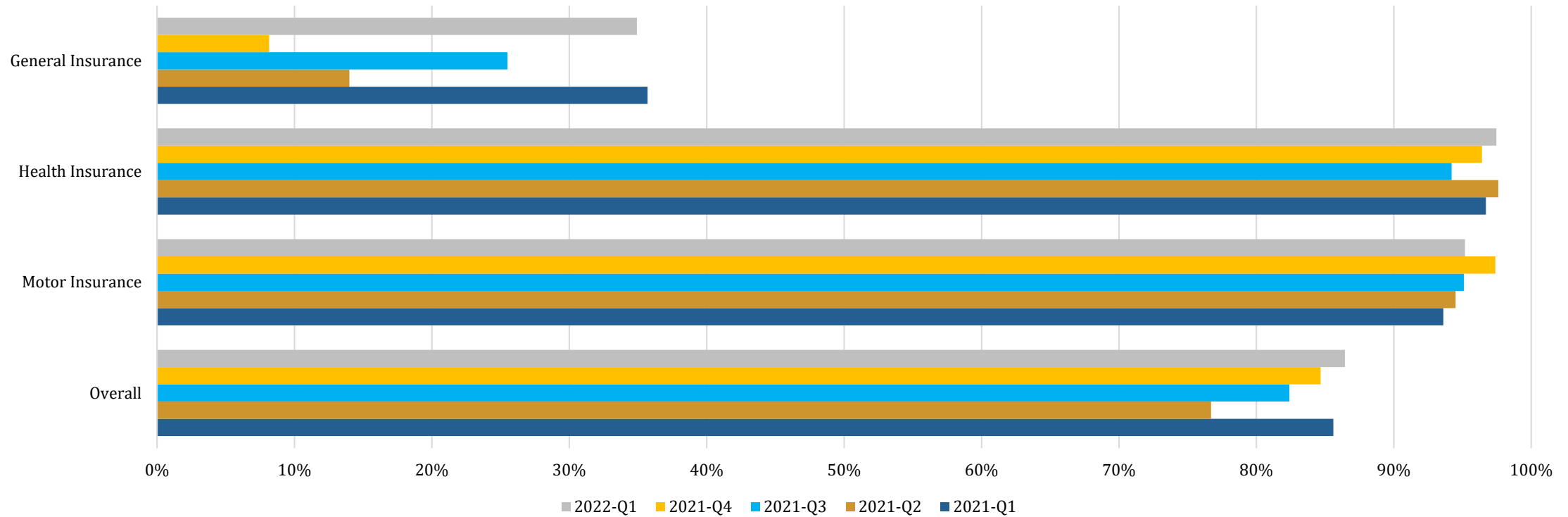
The highest retention ratio for Q1-2022 of 100% is reflected by Enaya, whereas the lowest retention ratio of 35% is reflected by UCA.

The weighted average retention ratio for listed companies stood at 87% for Q1-2022 (Q1-2021: 86%).

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

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.

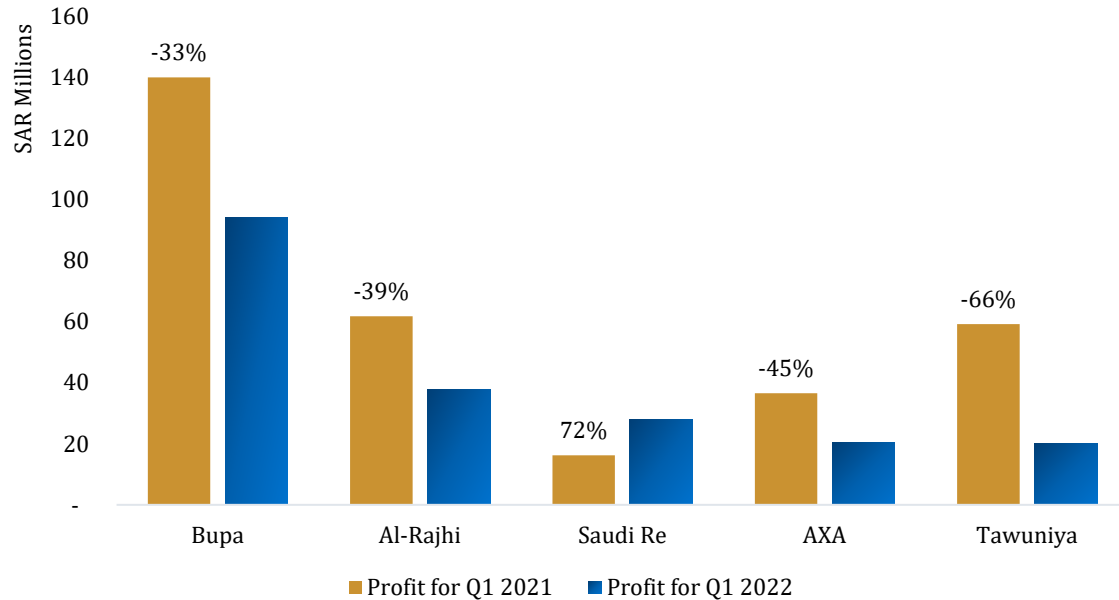


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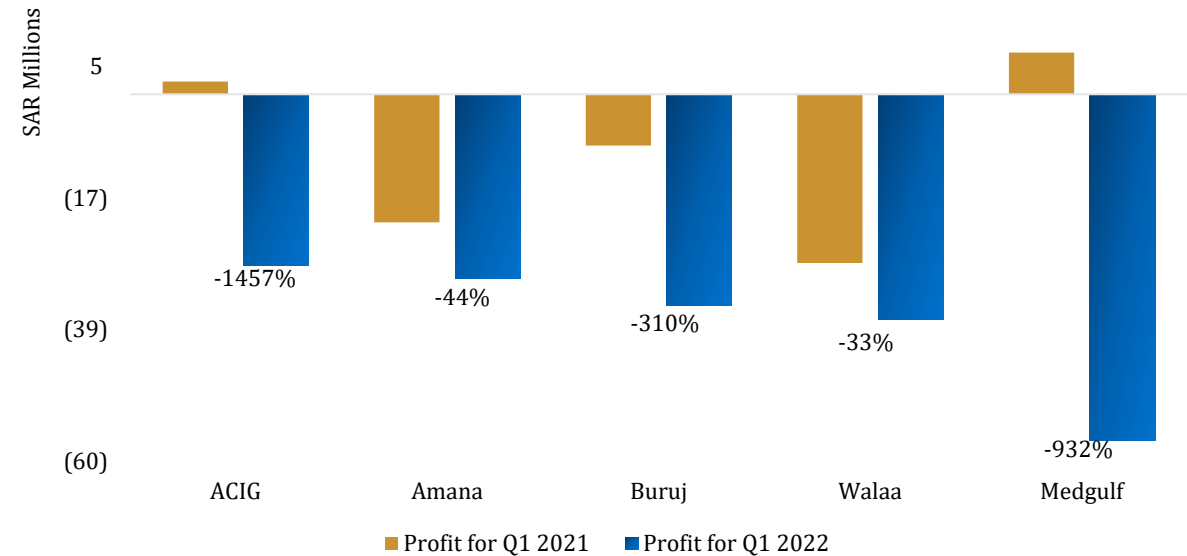
CLAIMS, RESERVES & PROFITABILITY ANALYSIS

Profit Composition

Top Five



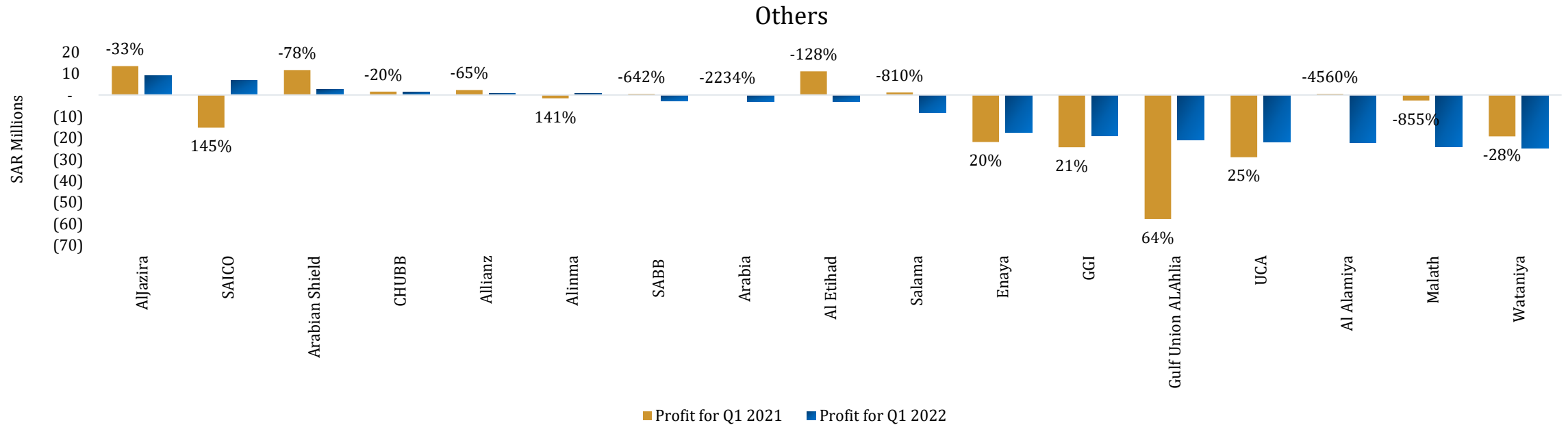
Bottom Five



Net profit after zakat & tax generated by 27 Companies in the industry for Q1-2022 has dropped dramatically by 198% from the same period of last year, with profits dropping from SAR 136 million to SAR -133 million. Net profits dropped from 1.08% of GWP to -0.89% of GWP corresponding to the same period of last year.

Medgulf booked the highest loss of SAR 56.6 million in Q1-2022 as compared to a profit of SAR 6.8 million in Q1-2021.

Profit Composition



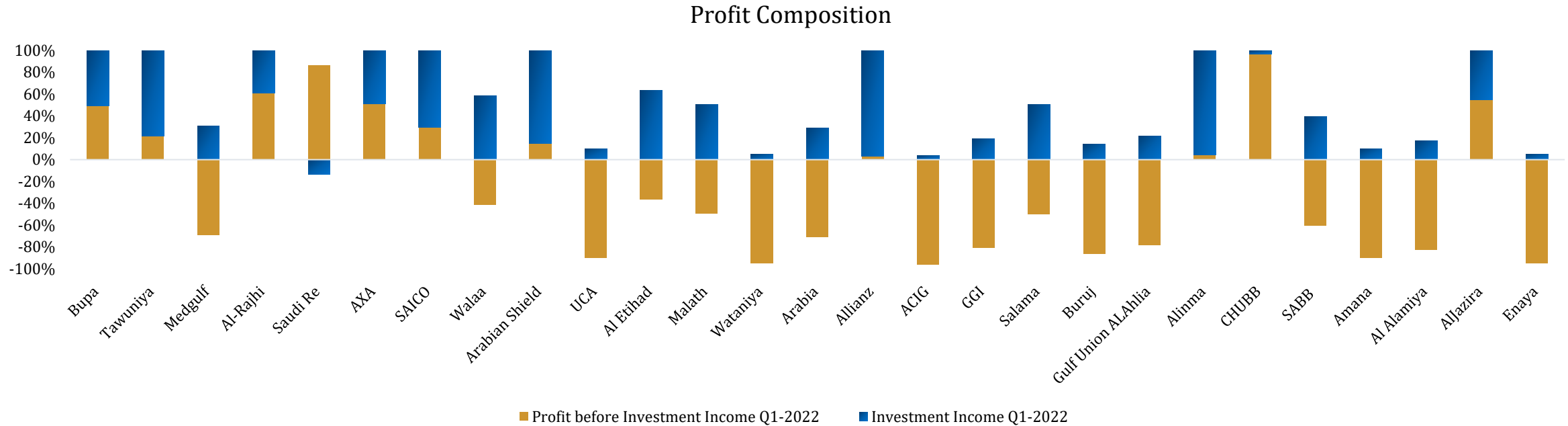
The term Profit indicates the Total Profit/Loss attributed to Shareholders after Zakat and Tax deductions.

Bupa booked the highest profit for Q1-2022 of SAR 94 million as compared to a profit of SAR 140 million for the corresponding period of 2021.

Profits have been reduced across the industry compared with 2021 which was affected to an extent by higher technical reserves and Net claims incurred.

A total of 16 companies reported losses totaling over SAR 354 million for Q1-2022.

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.

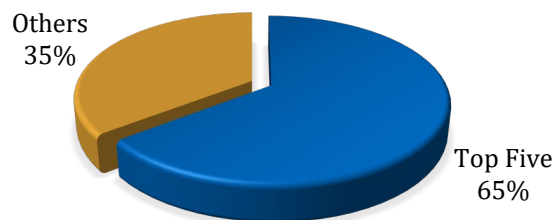
Bupa has recorded the highest underwriting profit and investment profits, during the period.

For 3 out of 27 companies, Investment income has been the main reason behind their profitability, Investment income has reduced the severity of the Underwriting Loss that is a proportion of Total Profit recorded by the Companies.

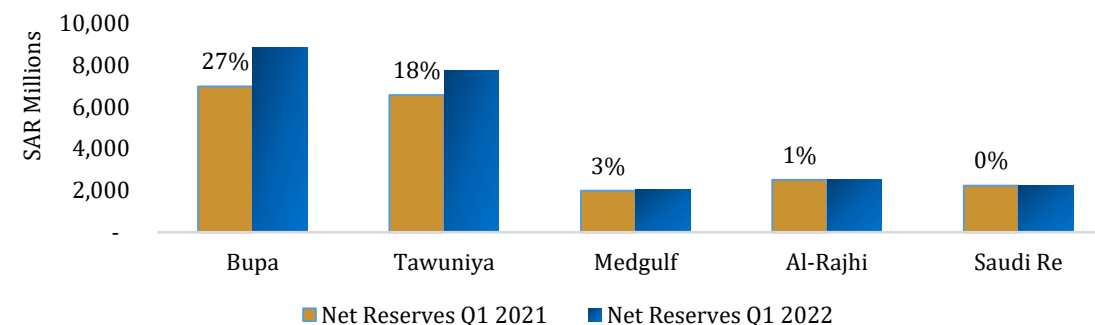
For 10 companies investment income comprised over 50% of Net profit for Q1-2022.

Net Technical Reserves

Net Reserves



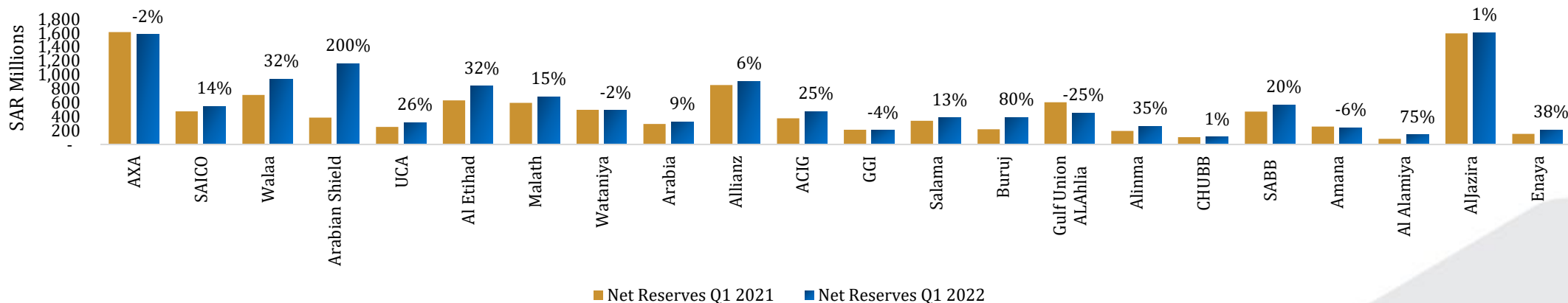
TOP FIVE



Total Net reserves as at March 31, 2022, are SAR 36.2 billion (Q1-2021: SAR 31.1 billion); representing an increase of 16.1%.

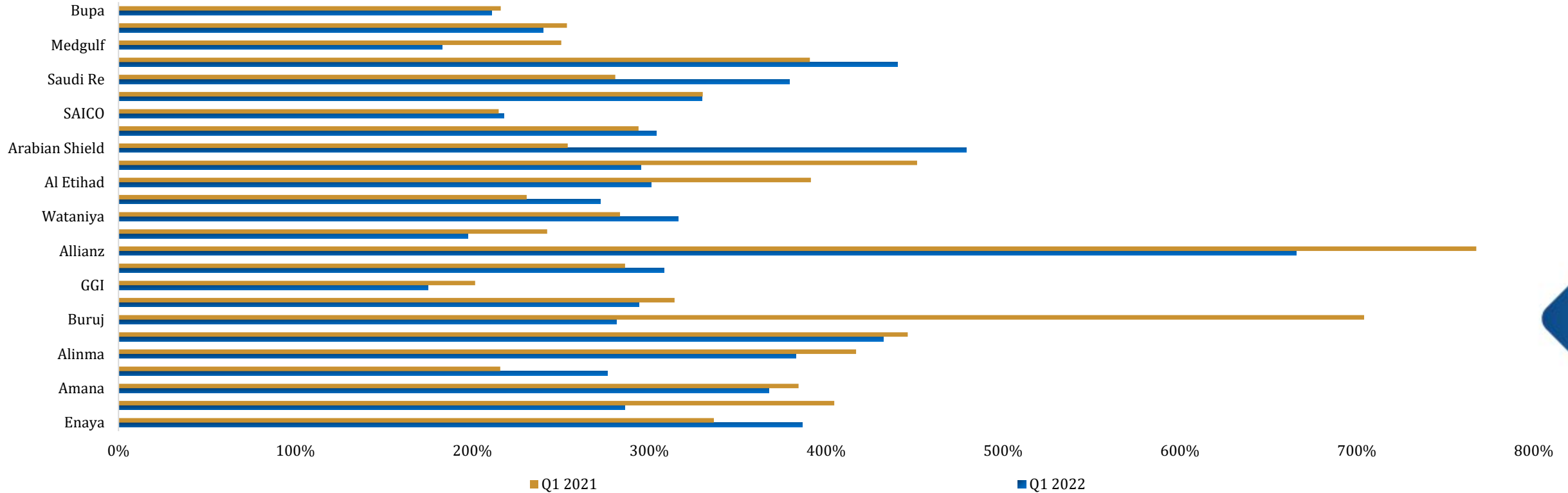
Total Net Reserve of top five Companies; based on GWP ranking, as at March 31, 2022, is SAR 23.4 billion.

Others



Net Technical Reserves

% of Net Reserves to NWP over the quarters



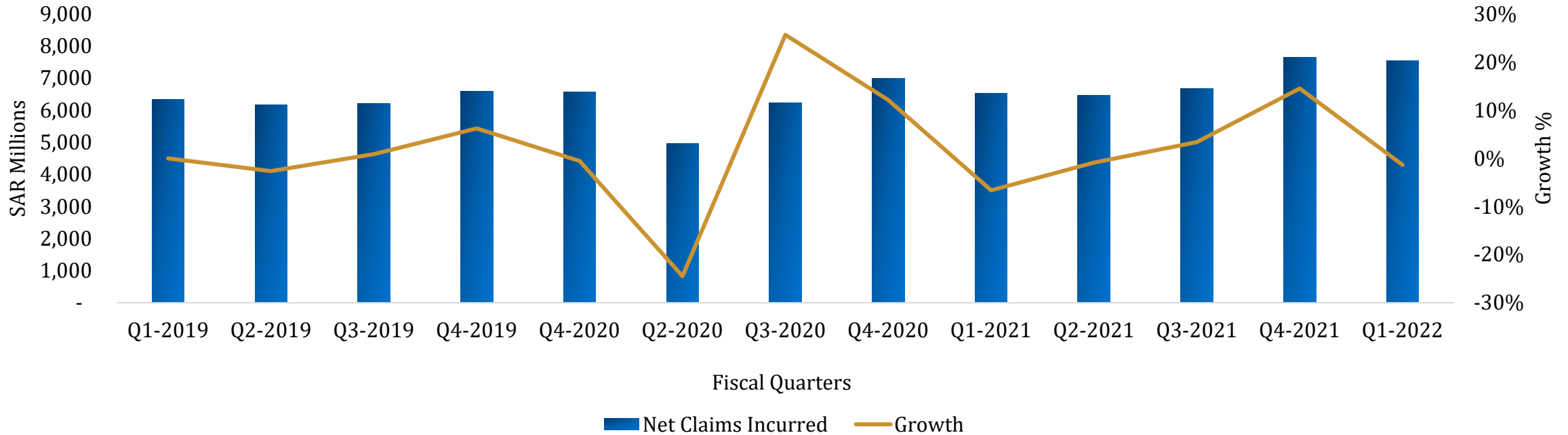
The graph above shows the proportion of each Company's Net Reserve to its Net Written Premium.

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 1032% and 3040% of the Net Written Premium in Q1-2022 (Q1-2021: 1274% and 3542% respectively)

Net Claims Incurred & Growth

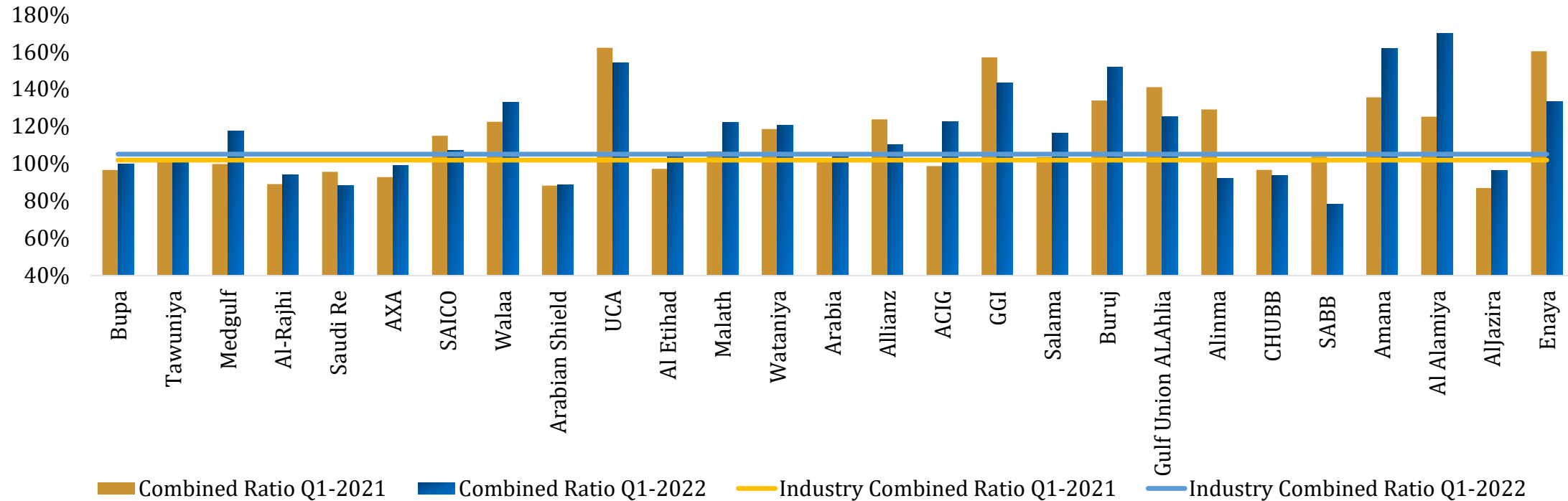
Net Claims Incurred & Growth



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 had remained stable over the First three quarters of 2021 however in 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. Q1 2022 has also recorded higher claims close to what we witnessed in Q4 2021.

Combined Ratio

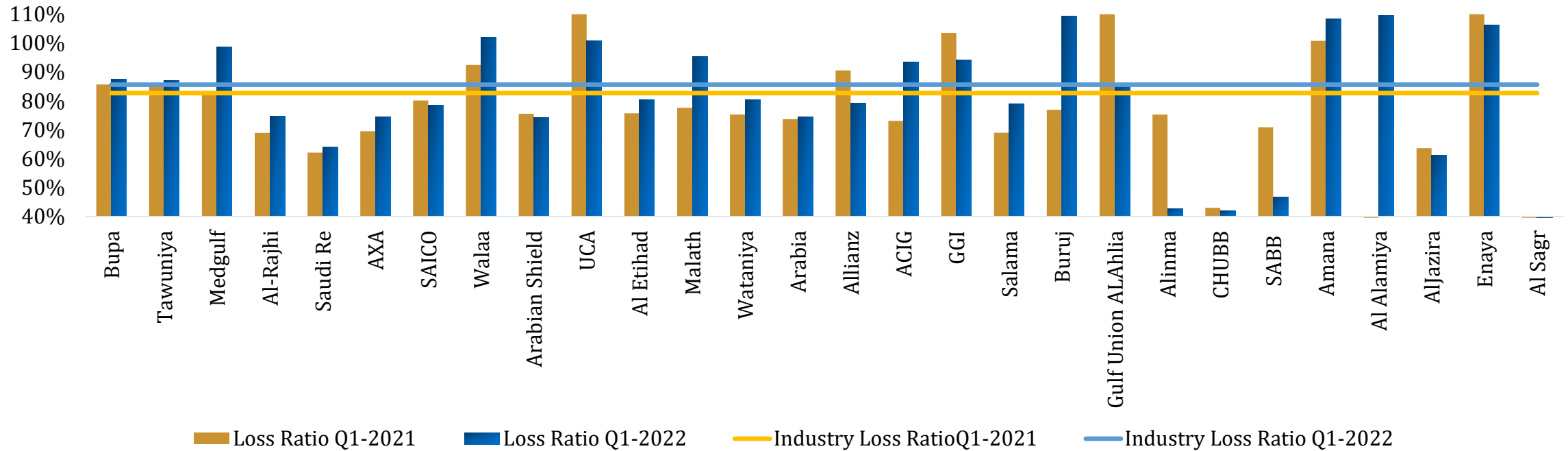


The weighted average combined ratio for Q1-2022 is 105%, up from 102% for the same period of last year. The median CR was 110% (Q1-2021: 104%).

Highest combined ratio of 170% was shown by Al Alamiya while the lowest 78% combined ratio was reflected by SABB in Q1-2022.

The weighted Average Combined ratio excluding the Top 5 Companies is 116% in Q1-2022 (Q1-2021: 102%) and for the Top 5 Companies, it stands at 101% (Q1-2021: 102%).

Loss Ratio



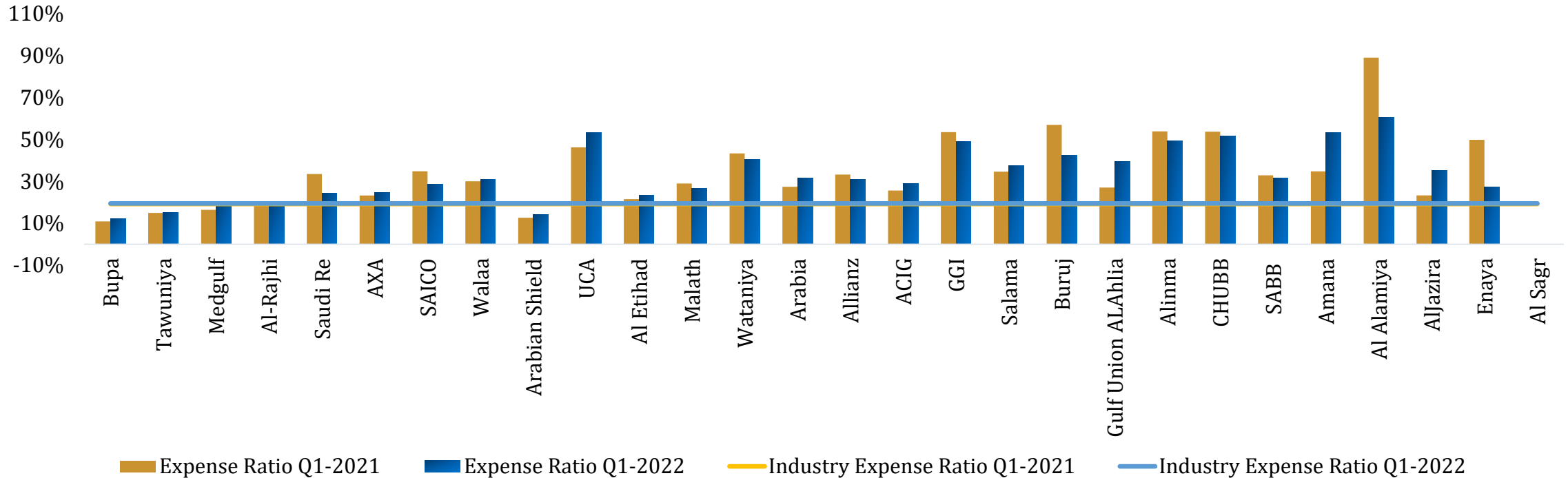
For Q1-2022, weighted average loss ratio stands at 86%, an increase of 3% compared to the same period of last year.

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

Highest Loss ratio of 110% is shown by Al Alamiya whereas the lowest of 42% is shown by CHUBB.

The weighted Average loss ratio excluding the Top 5 Companies is 85% in Q1-2022 (Q1-2021: 82%) and for the Top 5 Companies, it stands at 86% (Q1-2021: 83%).

Expense Ratio



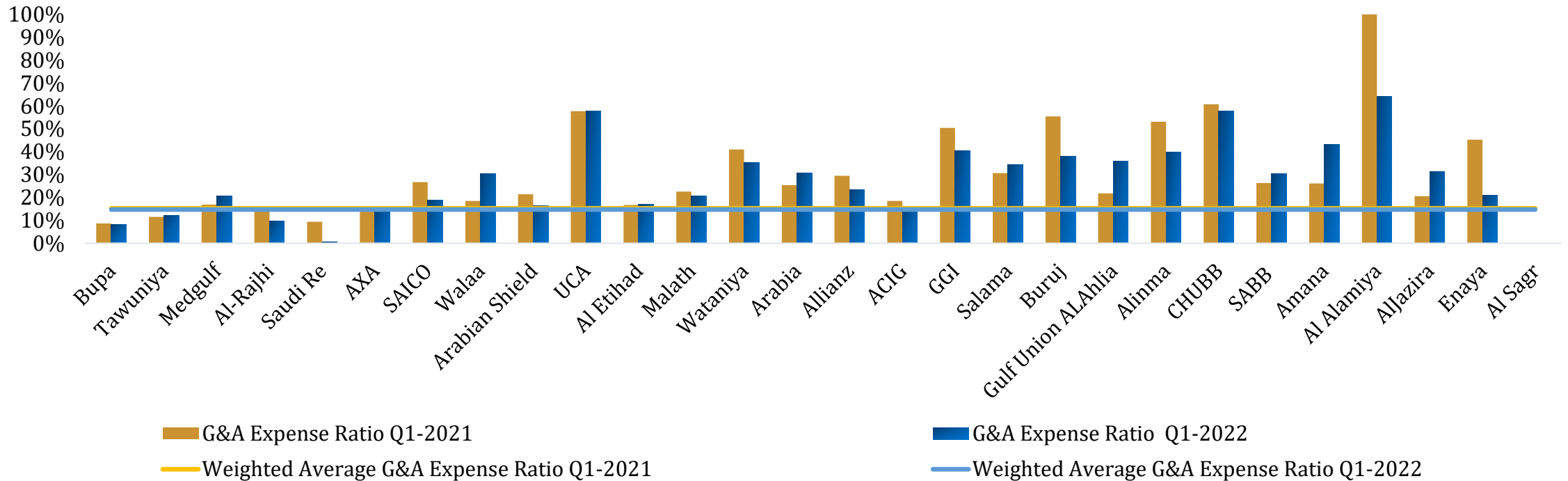
For Q1-2022, weighted average Expense ratio remained at 19%. (Q1-2021: 19%)

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 60% is shown by Al Alamiya whereas the lowest is 12%, shown by Bupa.

The weighted Average Expense ratio excluding the Top 5 Companies is 32% in Q1-2022 (Q1-2021: 31%) and for the Top 5 Companies, it stands at 15% (Q1-2021: 14%).

G&A Expense

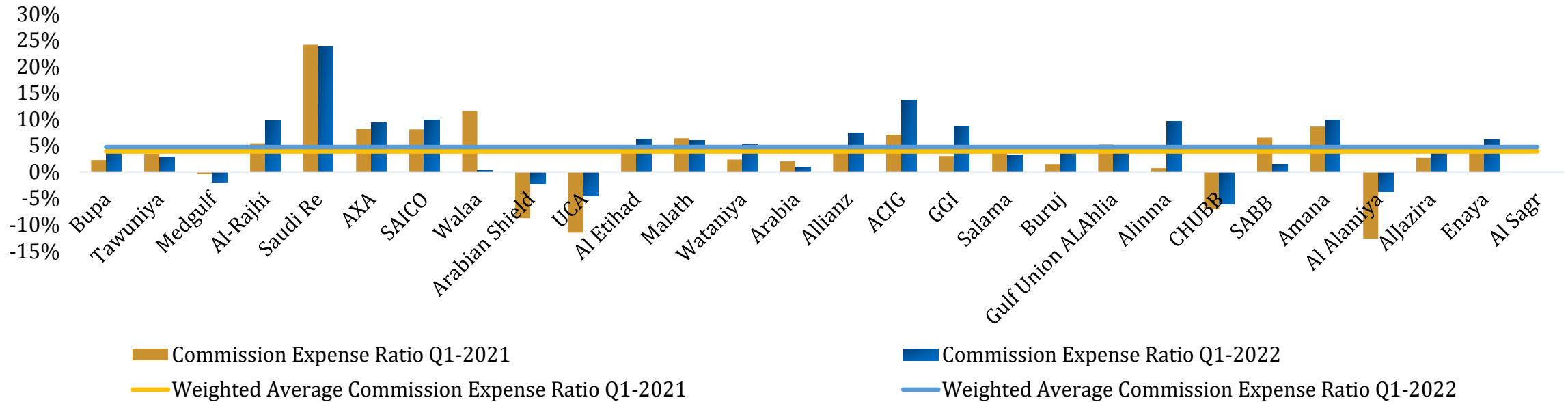


Weighted average G&A Expense ratio for the industry is 15% for 2021 (Q1-2021: 15%).

Among all, Al Alamiya has the highest expense ratio of 64% whereas the lowest expense ratio of 1% is reflected by Saudi Re

The weighted Average G&A expense ratio excluding the Top 5 Companies is 27% in Q1-2022 (Q1-2021: 26%), and for the Top 5 Companies, it stands at 10% (Q1-2021: 11%).

Commission Expense



Industry Weighted Average Commission Expense ratio is at 5% for Q1-2022 (Q1-2021: 4%).

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 Q1-2022 of 24%, whereas the lowest Commission Expense ratio of -6% is reflected by CHUBB. Since Saudi Re has different nature of business, the second highest commission expense ratio is shown by ACIG of 14%.

The weighted Average commission ratio excluding the Top 5 Companies is 5% in Q1-2022 (Q1-2021: 5%) and for the Top 5 Companies, it stands at 5% (Q1-2021: 4%).

03

INVESTMENT ANALYSIS

Shareholder Equity Analysis

Equity Size & Companies

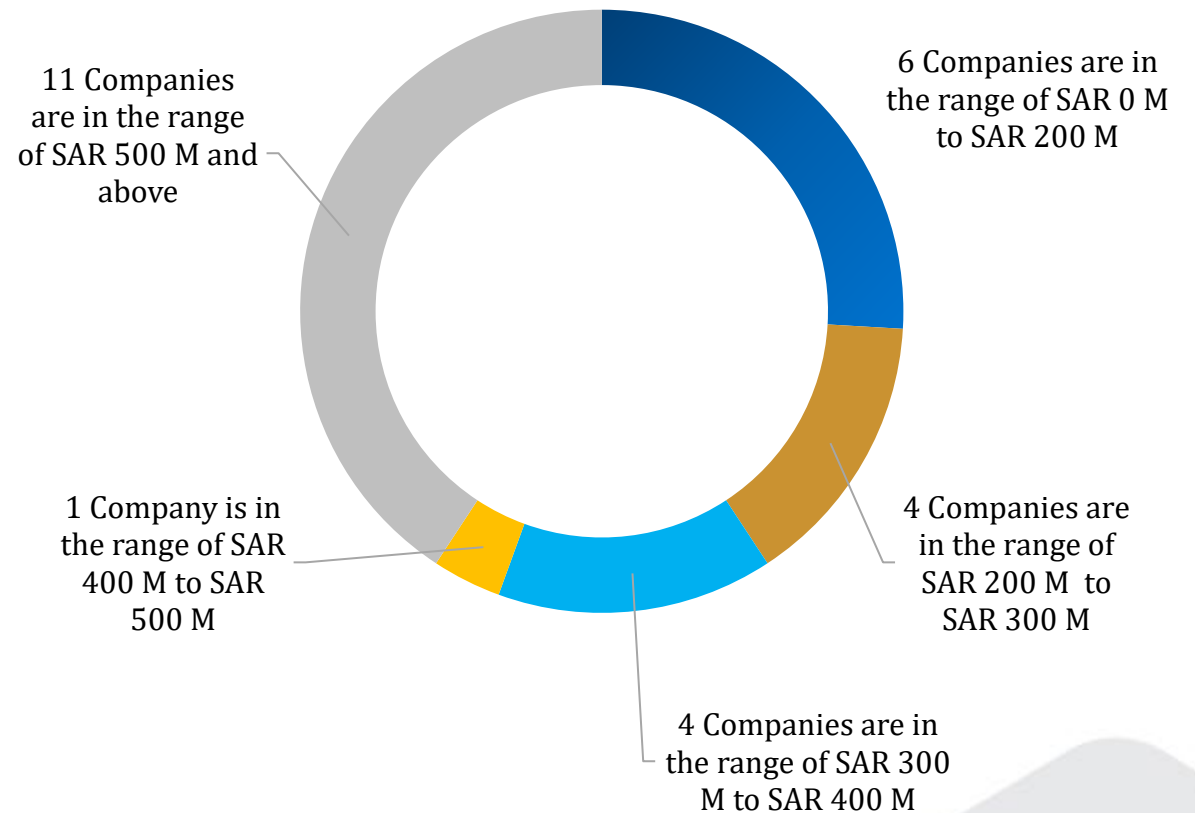
As at 2022-Q1, 10 companies have total shareholder's equity of less than SAR 300 million. With the requirement from SAMA to increase the minimum capital to SAR 300 million, this will require these companies to raise capital or lead to potential merger and acquisition opportunities in the market.

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.

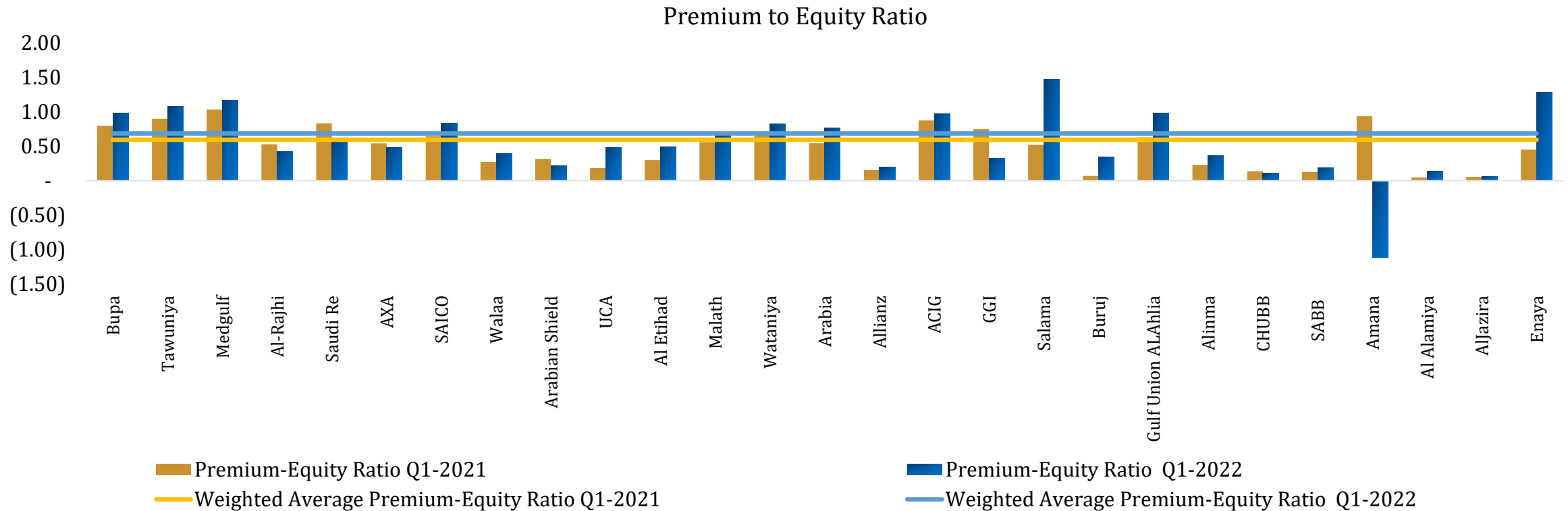




04

KEY FINANCIAL RATIOS

NWP to Equity Ratio

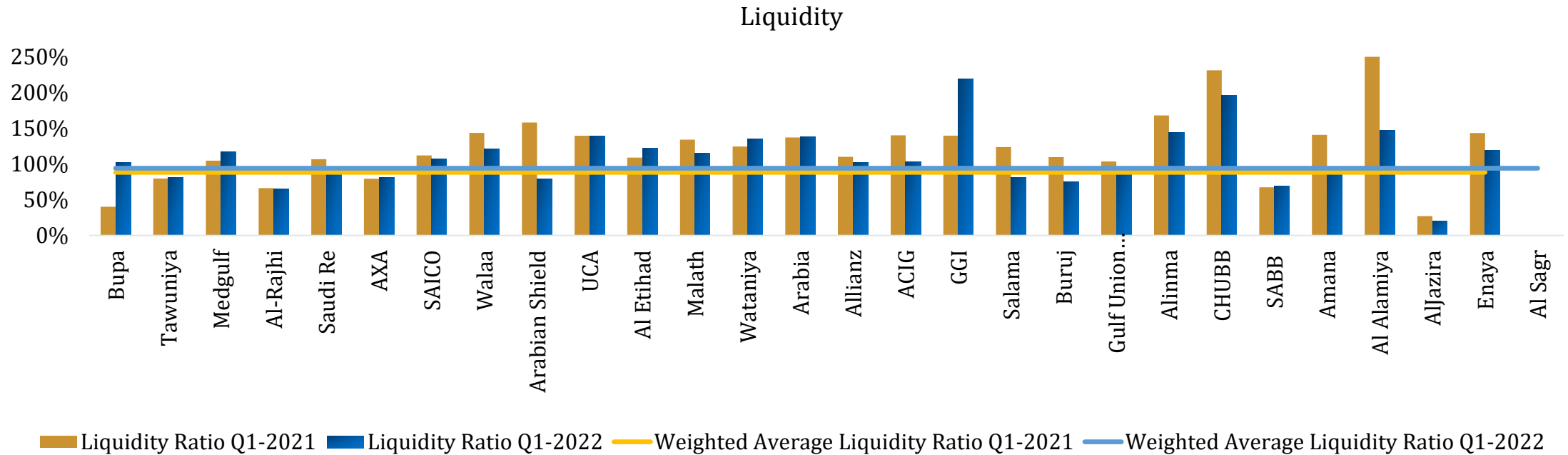


The highest Premium to Equity ratio for Q1-2022 is 1.47 shown by Salama. The lowest ratio of -1.11 is reflected Amana.

Weighted average Premium to Equity ratio for Q1-2022 is 0.69 (Q1-2021: 0.59).

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium for Q1-2022 to Total Equity as at March 31, 2022. It represents the premium that pertains to each SAR amount of equity held by the Companies.

Liquidity Ratio



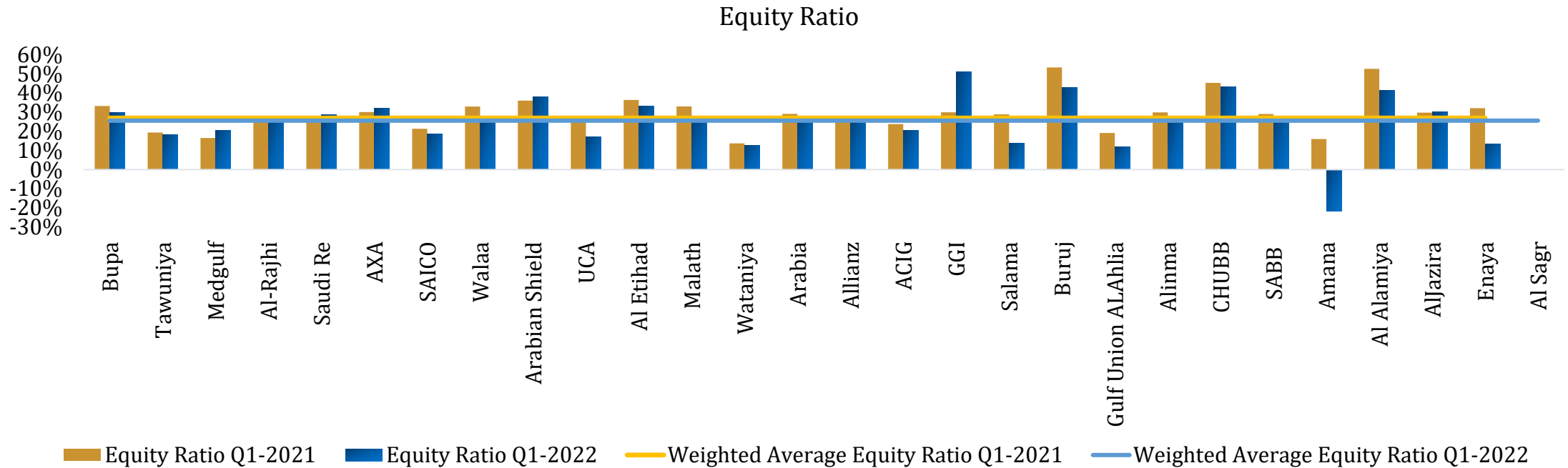
The highest Liquidity Ratio for Q1-2022 is 219% shown by GGI, whereas the lowest liquidity ratio of 21% is reflected by Al Jazira.

Weighted average Liquidity ratio for the Q1-2022 stood at 94% (Q1-2021: 88%).

The liquidity ratio is calculated as a ratio of Current Assets over Total Net Technical Reserves as at March 31, 2022.

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

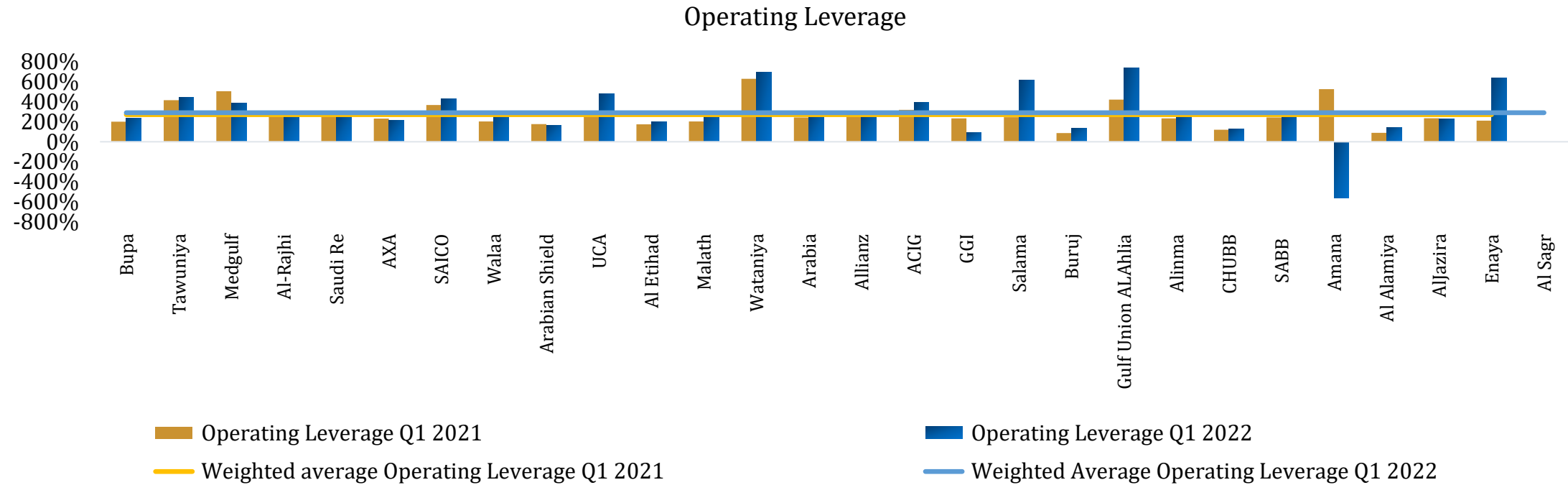


The highest Equity ratio for Q1-2022 is 51% shown by GGI, whereas the lowest ratio of -22% is reflected by Amana.

Weighted average Equity ratio for Q1-2022 is 26% (Q1-2021: 27%)

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 March 31, 2022, divided by Total Assets as at March 31, 2022.

Net Operating Leverage



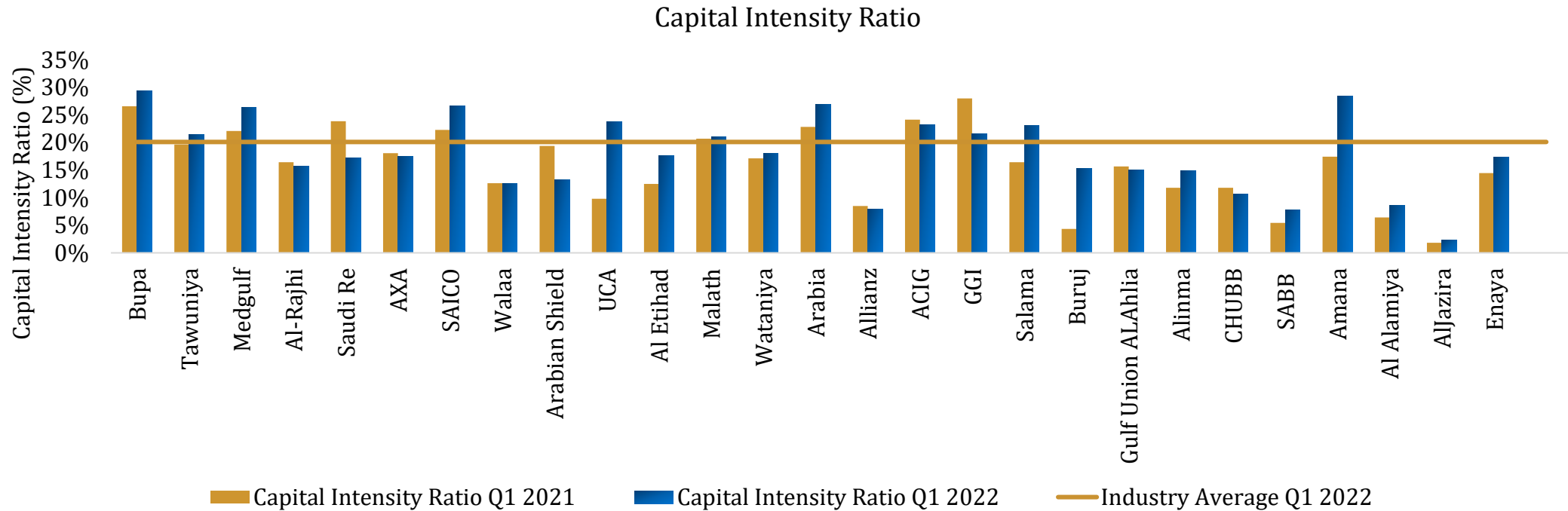
The highest Operating leverage ratio for Q1-2022 is 738% shown by Gulf Union Al Ahlia , whereas the lowest of -562% is reflected by Amana.

For Q1-2022, the weighted average Operating leverage ratio for the market is at 291% (Q1-2021: 271%).

The Leverage ratio is calculated by taking the proportion of Total Liabilities at March 31, 2022, to Net worth of the Company at March 31, 2022.

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

Capital Intensity Ratio



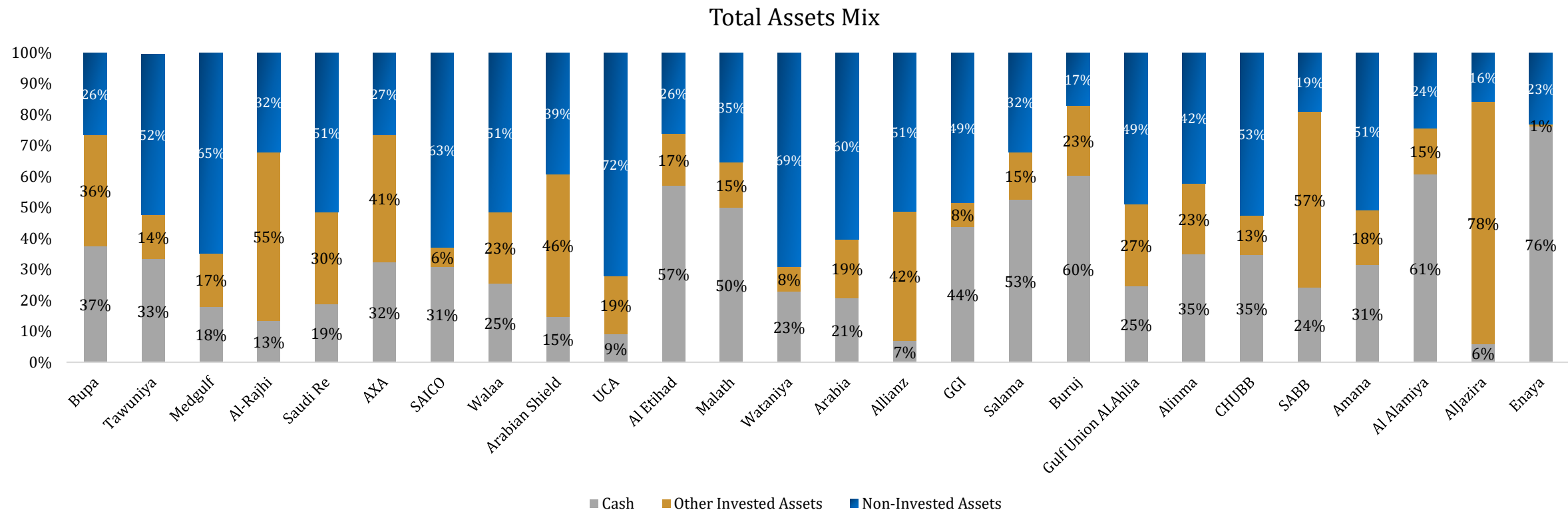
Capital Intensity Ratio shows how much business does a SAR generate. That is, the premium written per SAR invested in the company. A high CIR shows that per SAR invested, the company can maximize gross written premium.

It is calculated by taking a proportion of gross written premium for Q1-2022 to Total Assets as at March 31, 2022

The Industry weighted Average Capital Intensity ratio for the Q1-2022 is 20%.

Bupa attains highest CIR of 29% whereas, lowest of 2% CIR is attained by Al Jazira.

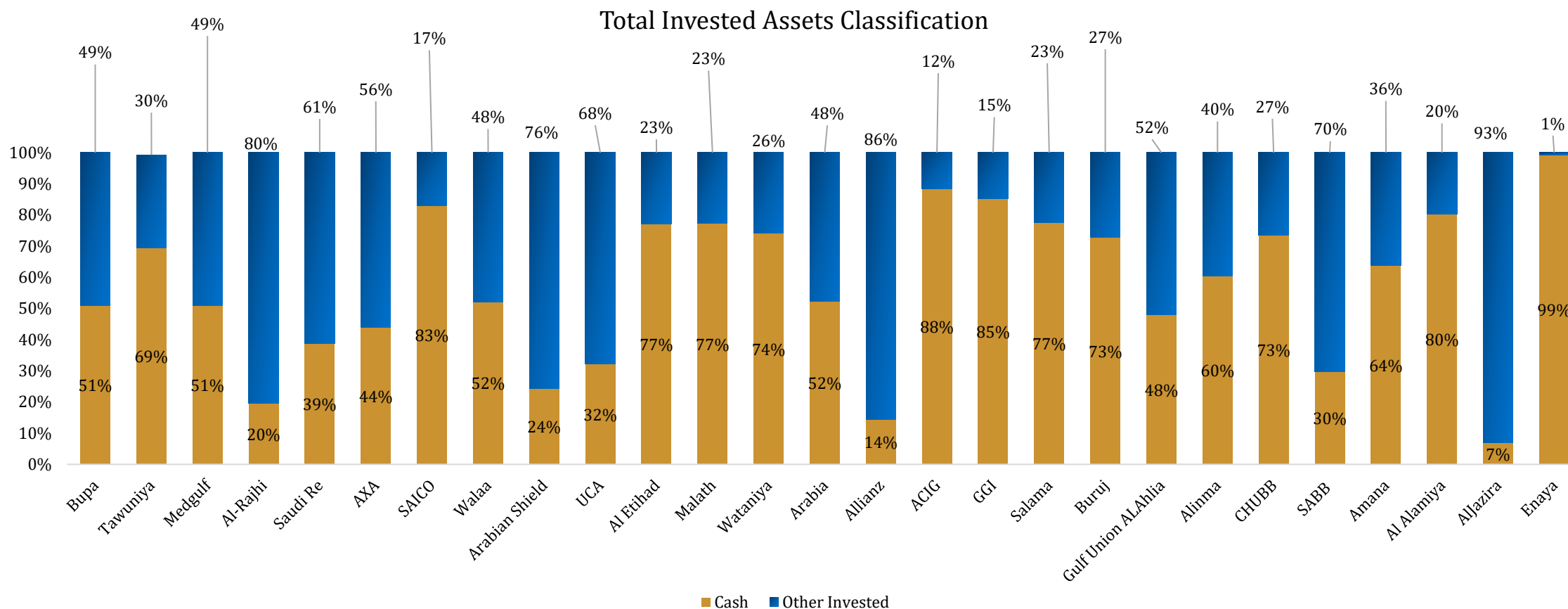
Invested / Non-invested Assets to Total Assets



Asset Mix compares the proportion of invested assets and non-invested assets as at March 31, 2022. Total Invested Assets are the sum of Cash and Other Invested Assets.

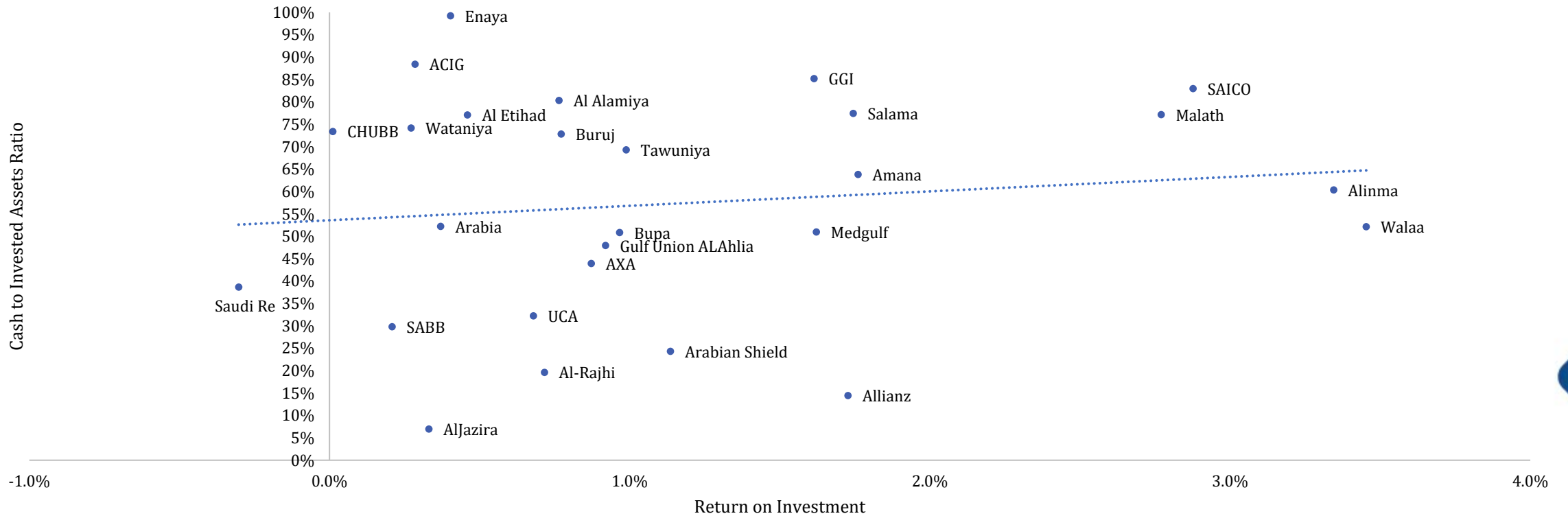
Aljazira has the highest proportion i.e., 84% of its assets invested, while UCA has the lowest i.e., 28% of their assets invested.

Total Invested Assets Mix



For Cash to Invested Assets the weighted average is 76% and 24% for Other Invested to Invested Assets.

Return on Investment vs Cash Ratio

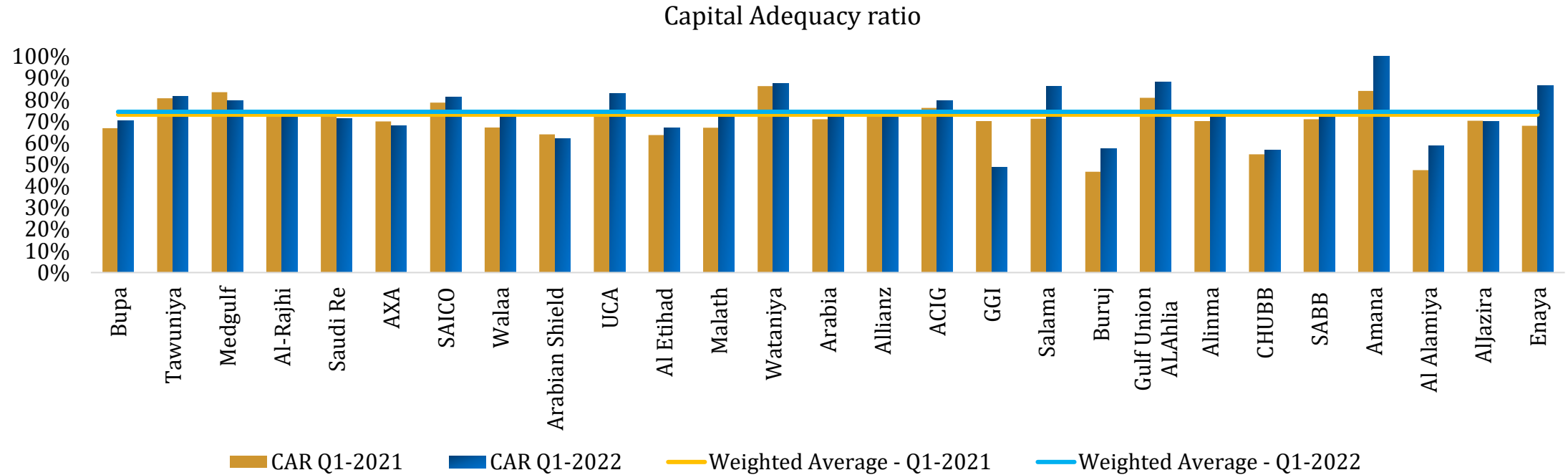


The Graph demonstrates the relationship between the amount of cash held by the company vs the return on investment.

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 Q1-2022 to the average of Invested Assets as at March 31, 2021, and March 31, 2022. The median investment return was 1%.

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 March 31, 2022, to Total Assets as at March 31, 2022.

The market weighted average CAR is 74% as at March 31, 2022.

Market Share

Market Share Proportion



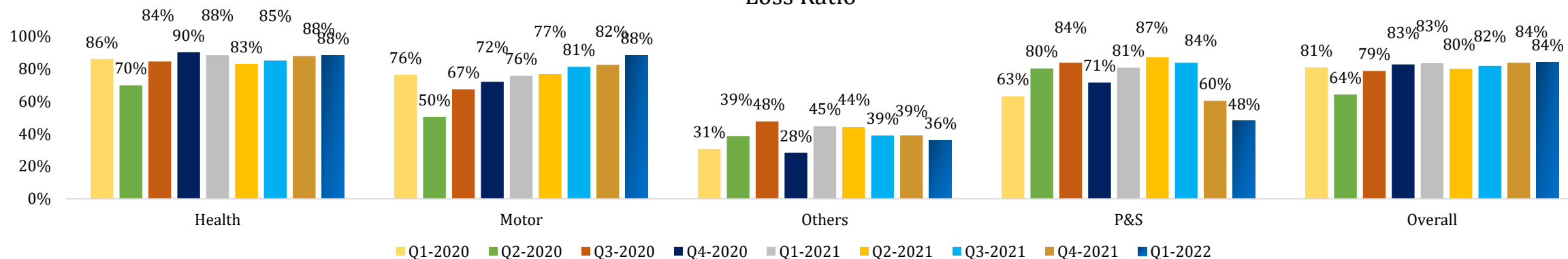
The Tree map shows the Market share of each Company based on its Total Equity as at March 31, 2022.

05

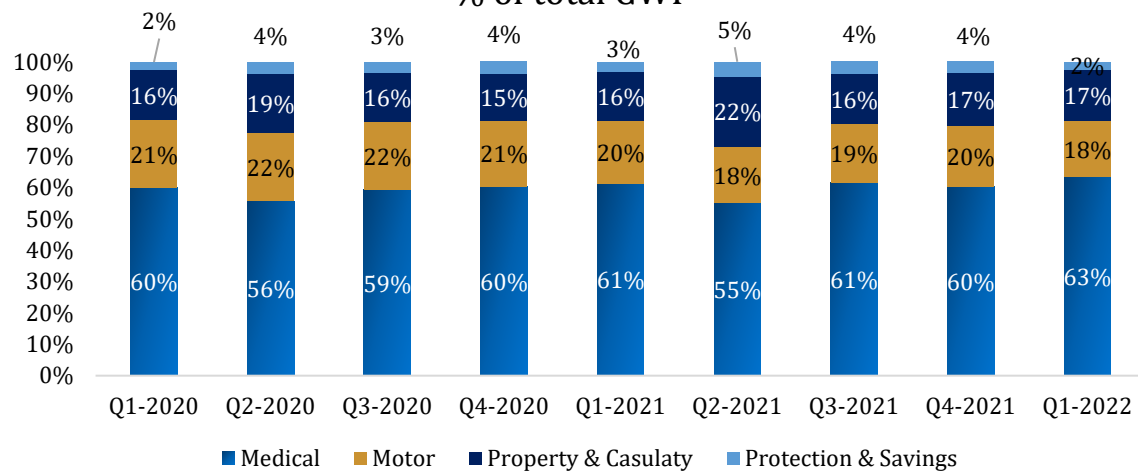
LOB-WISE

Overview

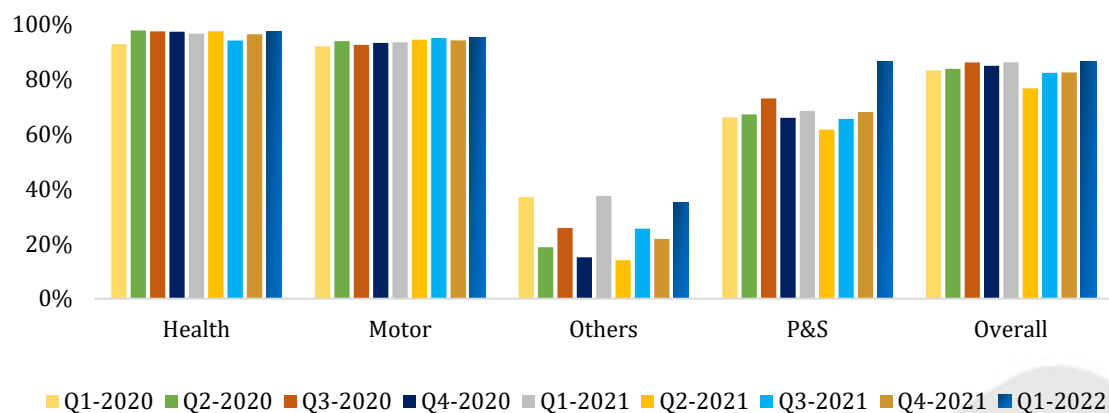
Loss Ratio



% of total GWP

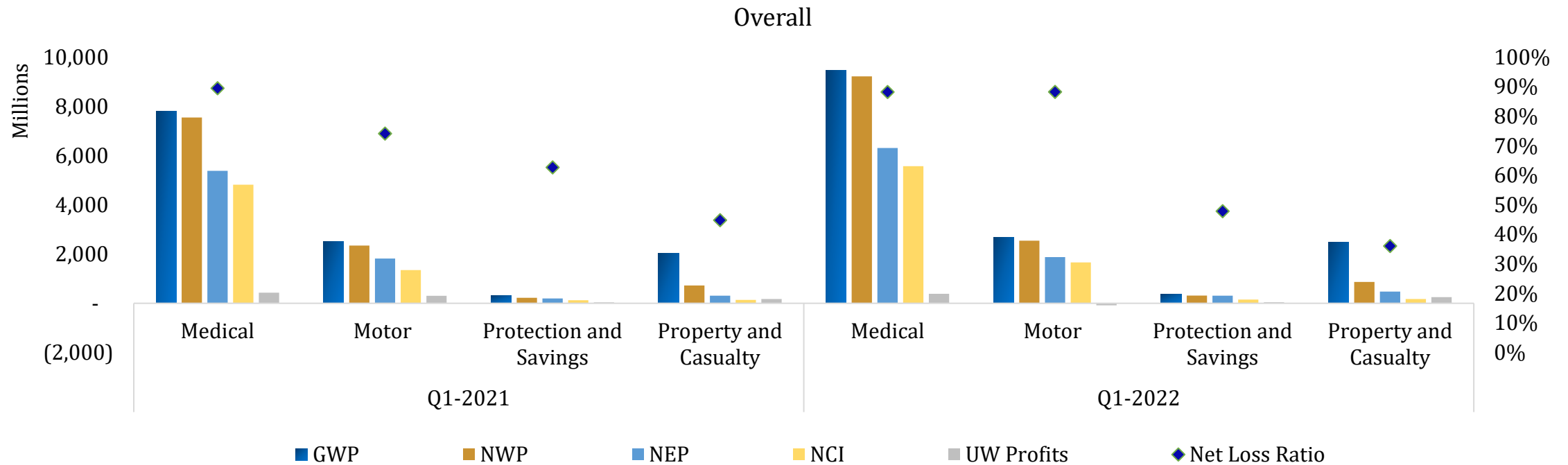


Retention Ratio



Source: Based on data in SAMA Quarterly Industry Report.

Overall



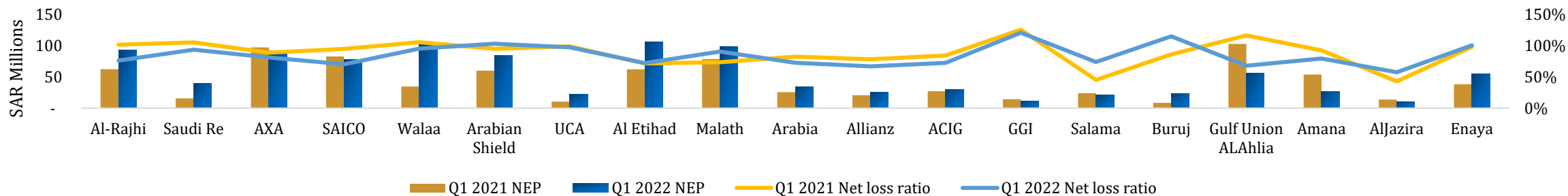
Significant increase in Motor's Net loss ratio for Q1-2022 relative to Q1-2021 is witnessed. Motor, Medical, P&S and P&C Net Loss Ratio has changed by 14%, -1%, -15 % and -9% respectively compared to the same period of last year.

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

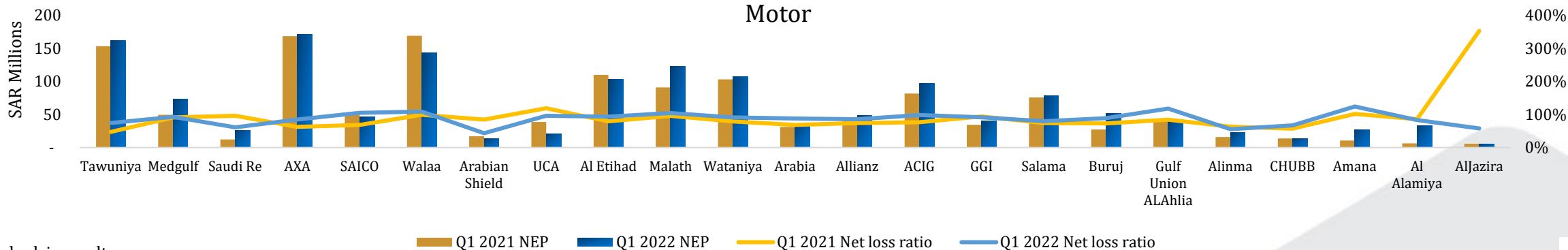


Bupa, Tawuniya, Medugulf and Alinma are excluded from the above graph. Bupa has NEP of SAR 2.9 billion for Q1-2022 and SAR 2.5 billion in Q1-2021 reflecting the Net loss ratio of 87% and 88%, respectively. Tawuniya has NEP worth SAR 2 billion for Q1-2022 and SAR 1.7 billion in Q1-2021 reflecting the Net loss ratio of 91% and 93%, respectively. Medgulf has NEP worth SAR 390 million for Q1-2022 and SAR 399 million in Q1-2021 reflecting the Net loss ratio of 91% and 81%, respectively. Alinma has NEP of SAR 32,000 Q1-2022 and SAR 1,000 in Q1-2021 reflecting the Net loss ratio of 78% and 704%, respectively.

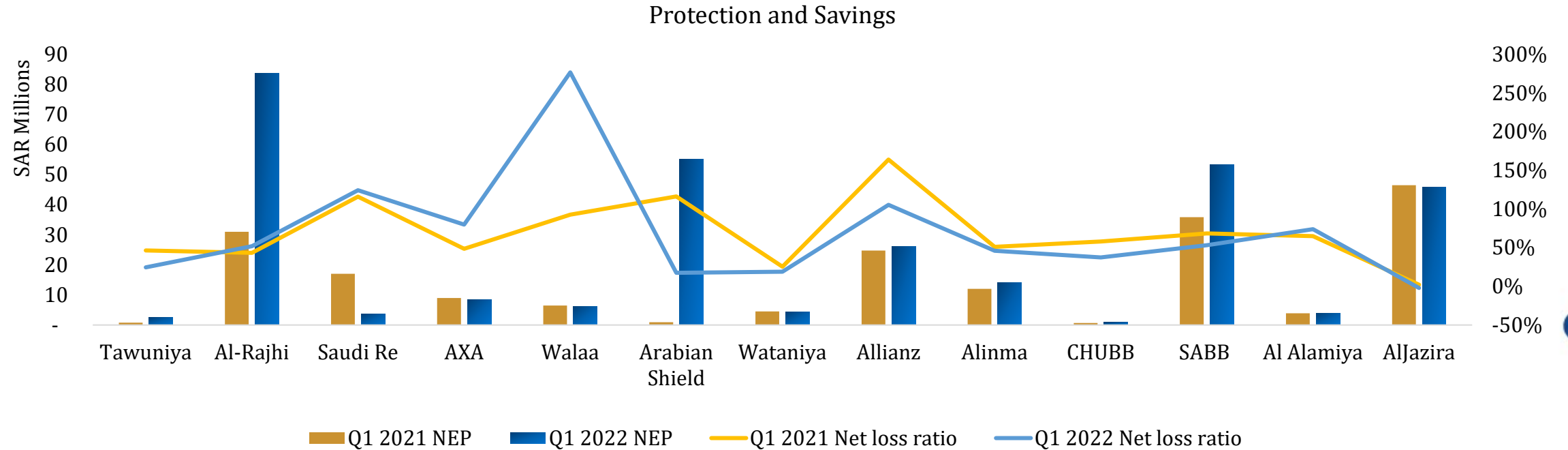
The weighted average of Loss Ratio for the top 5 Companies for Medical is 104% in Q1-2022 corresponding to 99% in Q1-2021. Moreover, the weighted average of loss ratio for Others is 88% in Q1-2022 corresponding to 89% in 2022.

Al Rajhi is excluded from the below graph. It has NEP of SAR 390 million for the period Q1-2022 and SAR 460 million for Q1-2021 reflecting the Net loss ratio of 77% and 59% respectively. The weighted average loss ratio for top 5 companies is 109% for period Q1-2022 and 92% for Q1-2021, whereas the weighted average loss ratio for other companies is 83% for period Q1-2022 and 70% for Q1-2021.

Motor



Net Earned Premium & Loss Ratio

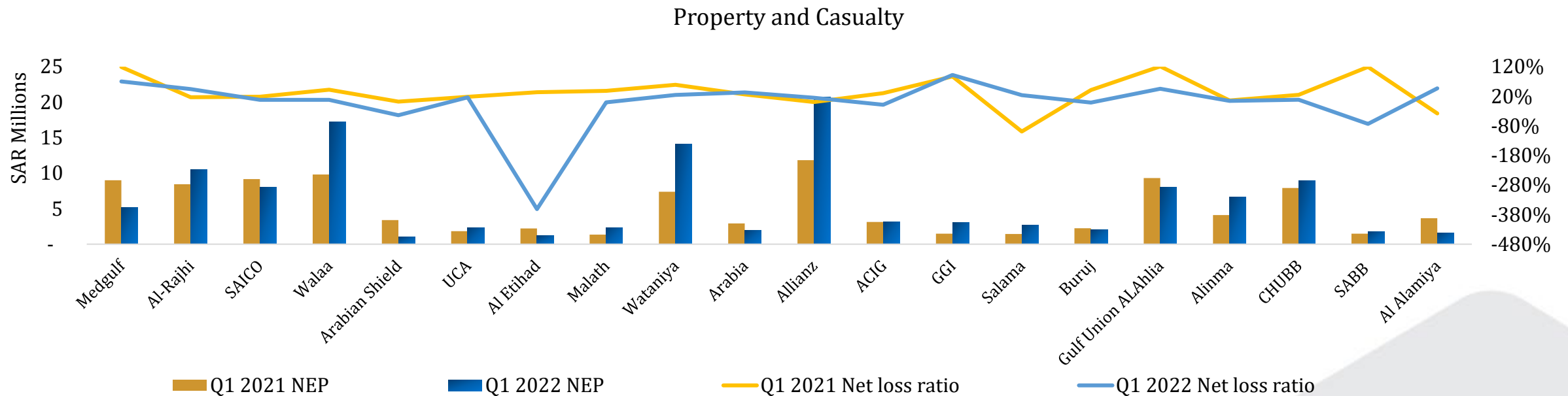


The weighted average loss ratio for top 5 Companies in P&S is 122% and for others is 34% corresponding to 120% for top 5 companies and 36% for others in Q1-2021 respectively.

Net Earned Premium & Loss Ratio

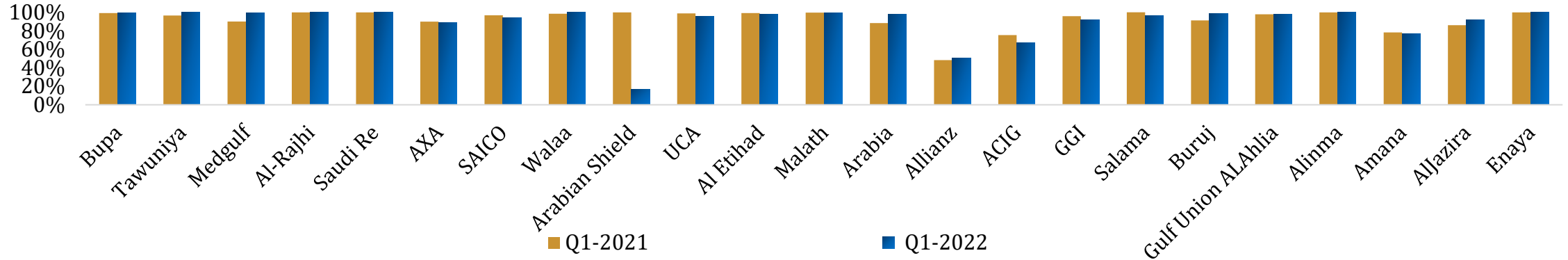
Tawuniya, Saudi Re, Amana, Al Jazira and AXA are excluded from the below graph. Tawuniya has NEP worth SAR 106 million for Q1-2022 and SAR 20 million for Q1-2021 reflecting the Net loss ratio of 27% and 21%, respectively. On the other hand, Saudi Re has NEP of SAR 204 million for Q1-2022 and SAR 150 million in the Q1-2021 reflecting the Net loss ratio of 58% and 49%, respectively. Amana has NEP of SAR 118,000 for Q1-2022 and SAR -282,000 million in the Q1-2021 reflecting the Net loss ratio of -8% and -515%, respectively. Al Jazira has NEP of SAR 599,000 for Q1-2022 and SAR -39000 million in the Q1-2021 reflecting the Net loss ratio of -140% and -3705%, respectively. AXA recorded the NEP of SAR 40 million in Q1-2022 and SAR 35 million in corresponding period Q1-2021 with Net Loss ratio of 13% and 56% for Q1 2022 and Q1 2021 respectively,

For P&C, the weighted average loss ratio for Top 5 companies is 58% however in Q1-2021 the weighted average loss ratio was 55%. For companies other than top 5, the weighted average loss ratio is 17% in Q1-2022 and in Q1-2021 it stood at 34%.



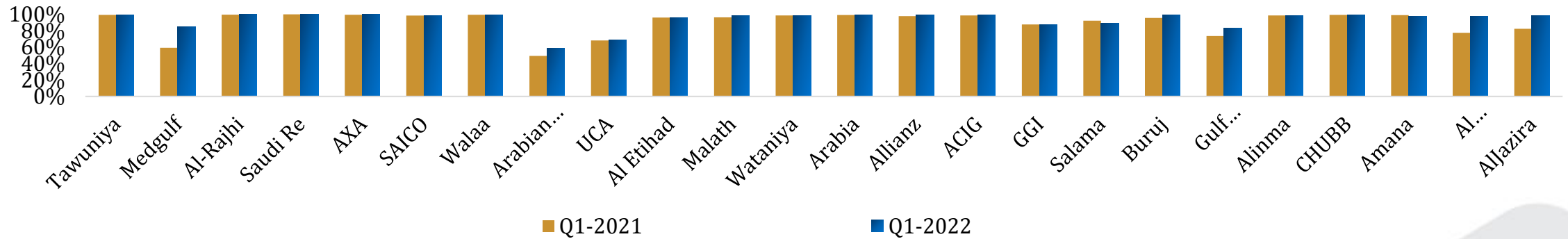
Retention Ratio

Medical



A significant decrease in the retention ratio of Arabian Shield for Medical is witnessed from 100% to 17% in Q1-2022

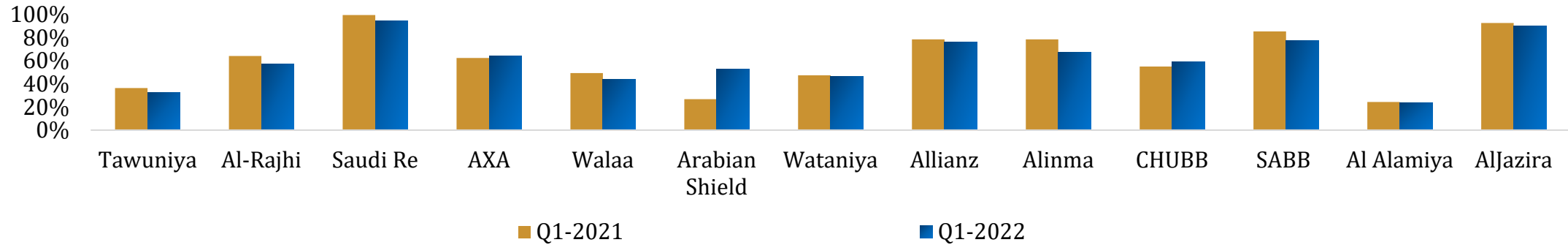
Motor



Medgulf, Al Alamiya, and Al Jazira have increased the retention of Motor.

Retention Ratio

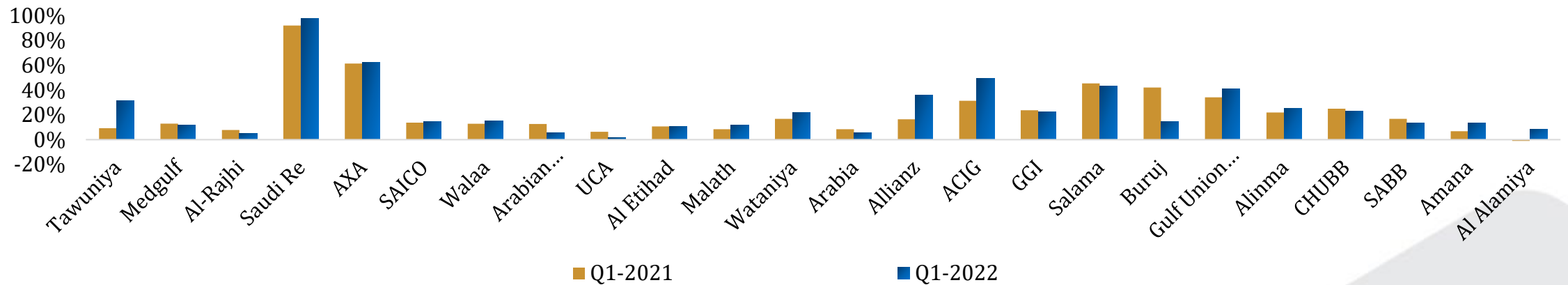
Protection and Savings



In Protection & Savings, Arabian Shield has significantly increased its retention from 27% to 53% in Q1-2022.

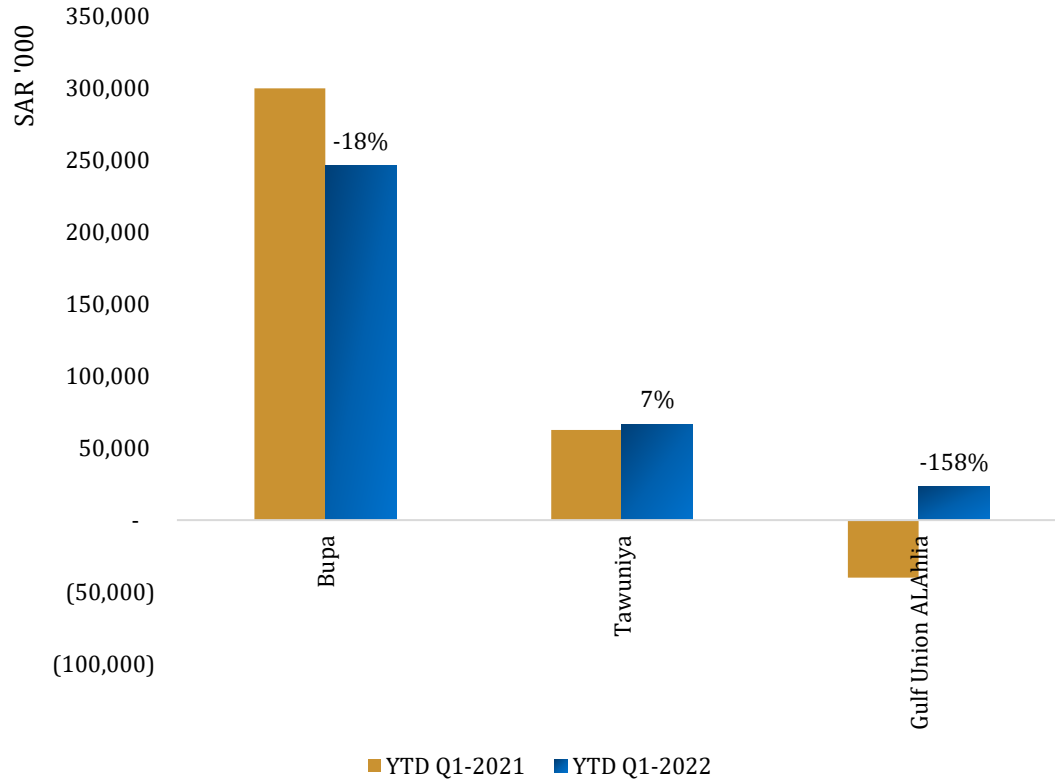
For Property & Casualty, Buruj has reduced its retention by 27% in Q1 2022.

Property and Casualty

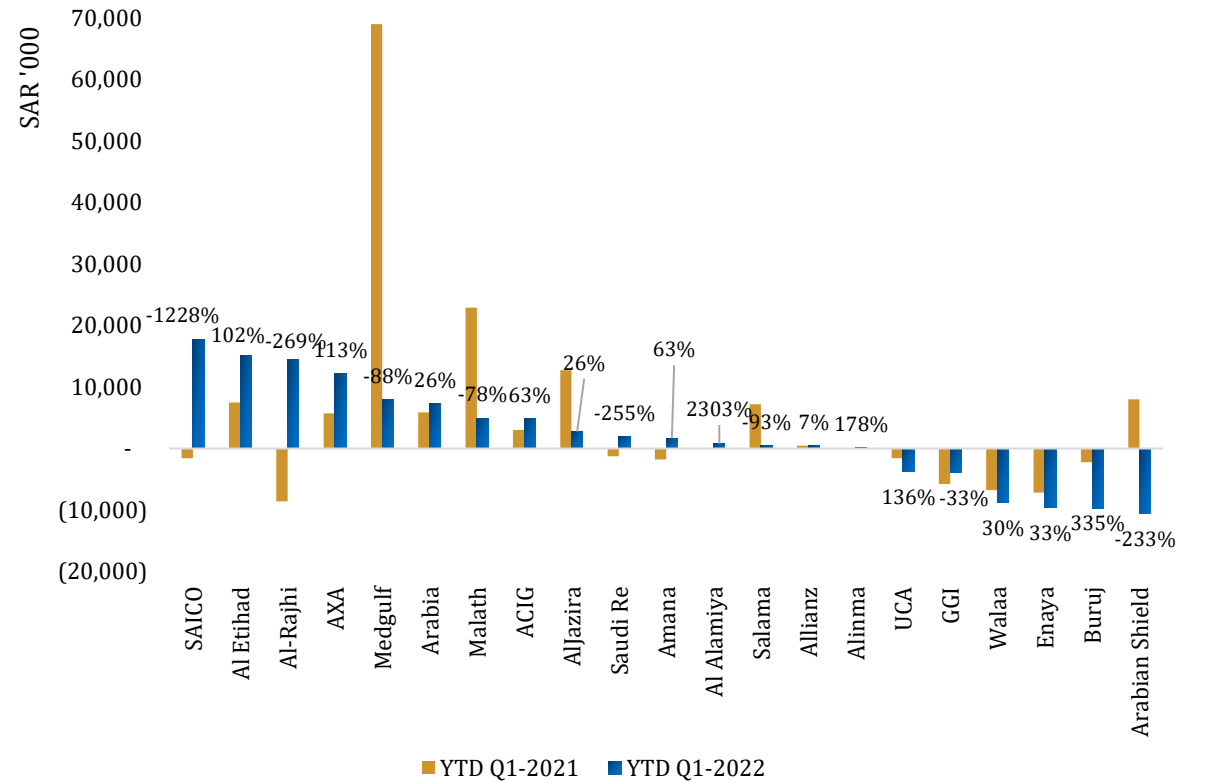


Underwriting Profit

Medical - Top 3



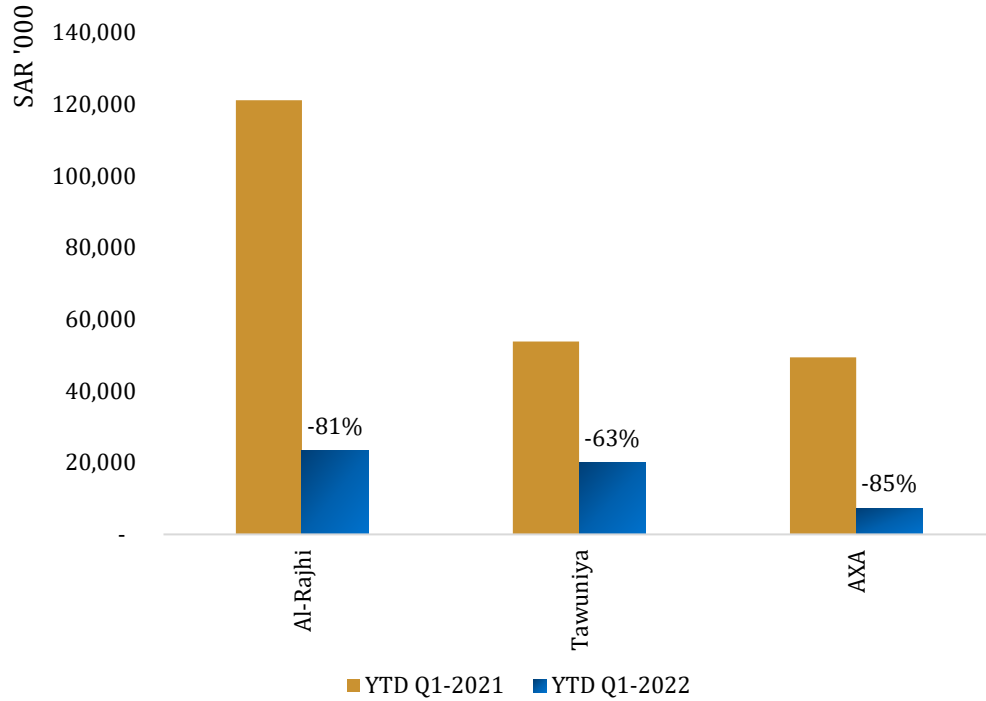
Medical - Others



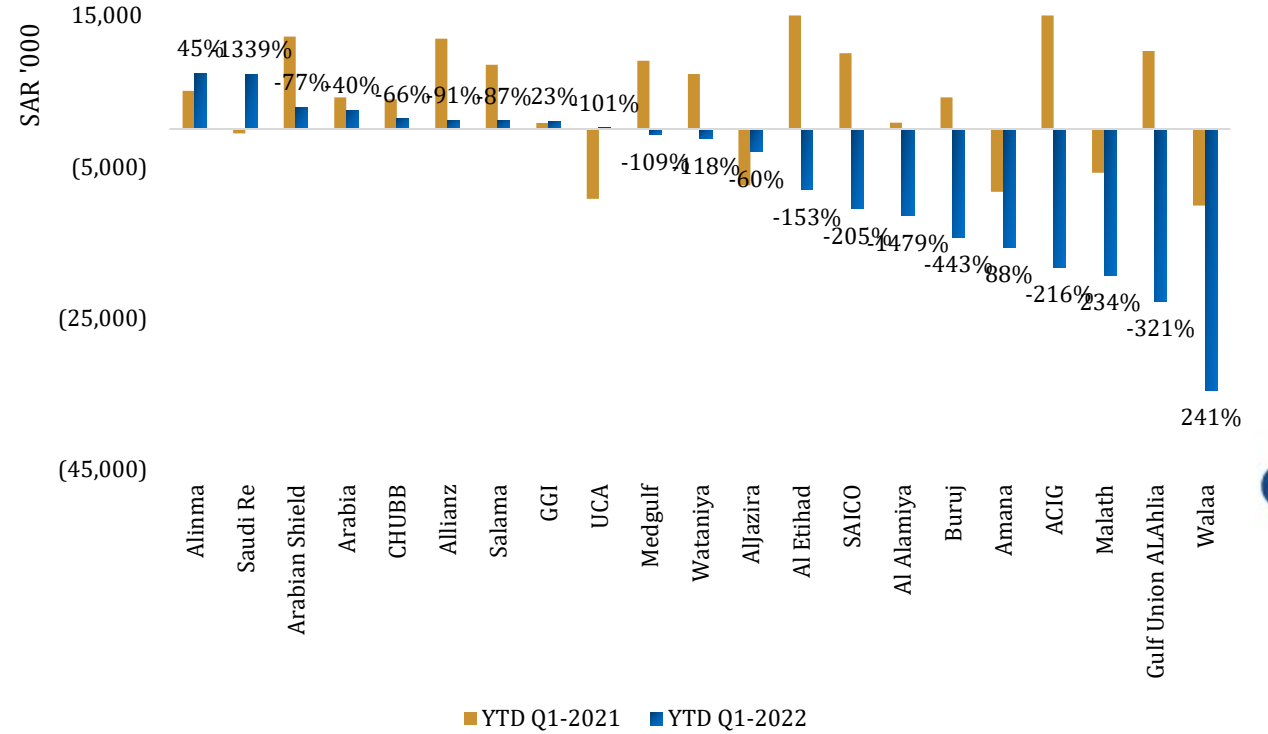
Total UW Profit in the Medical line is SAR 383 million signifying a decrease of 11% in the Q1-2022 compared to Q1-2021 when the total UW Profit recorded in Medical was SAR 428 million.

Underwriting Profit

Motor - Top 3



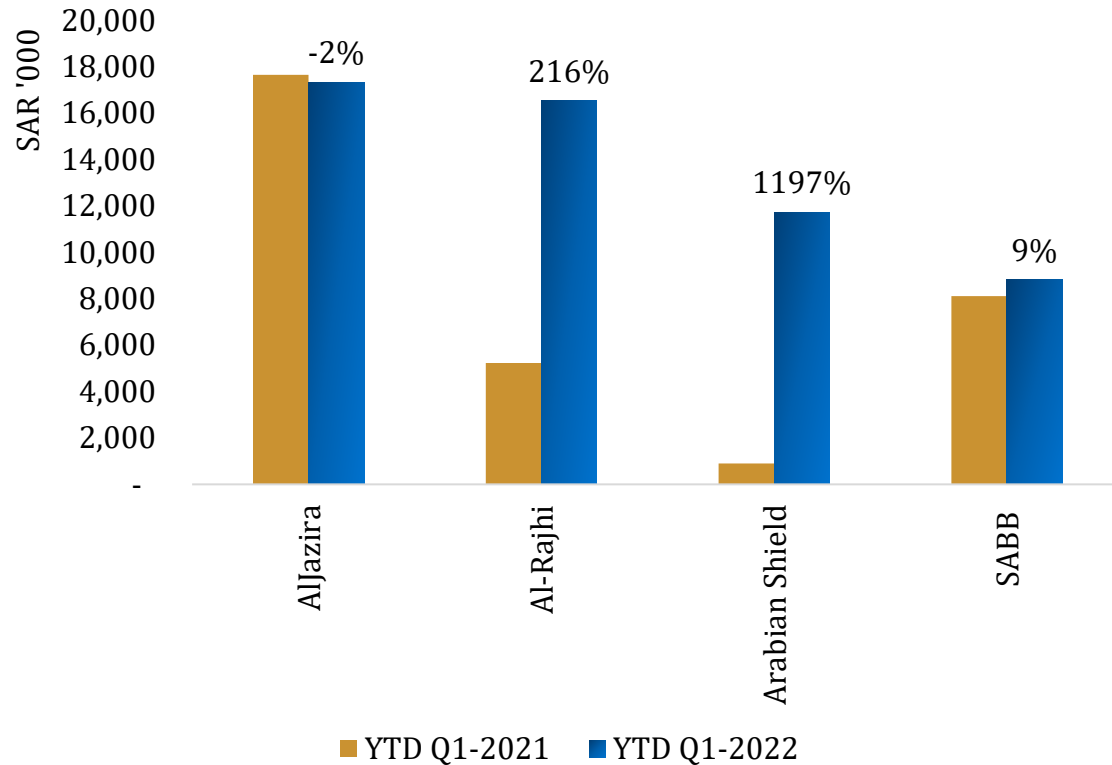
Motor - Others



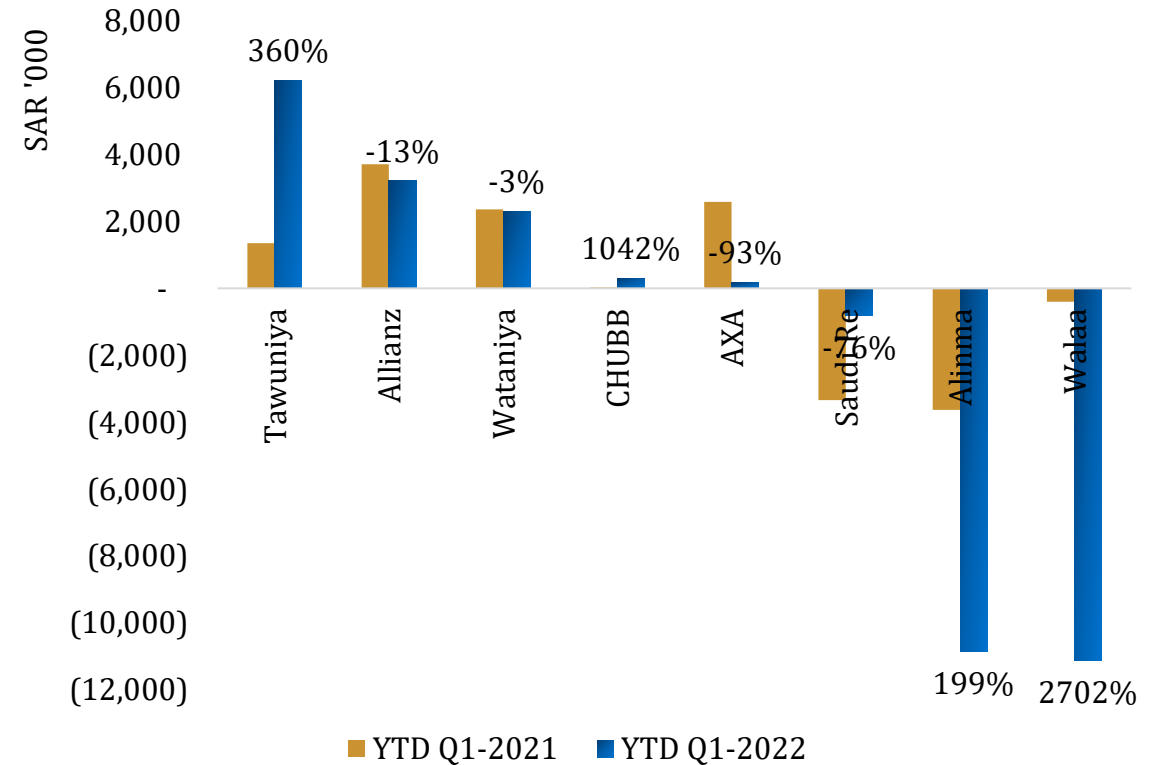
Total UW Profit in the Motor line is SAR -85 million signifying a decrease of 128% in the Q1-2022 compared to Q1-2021 when the total UW Profit recorded in Motor was SAR 302 million.

Underwriting Profit

Protection and Savings - Top



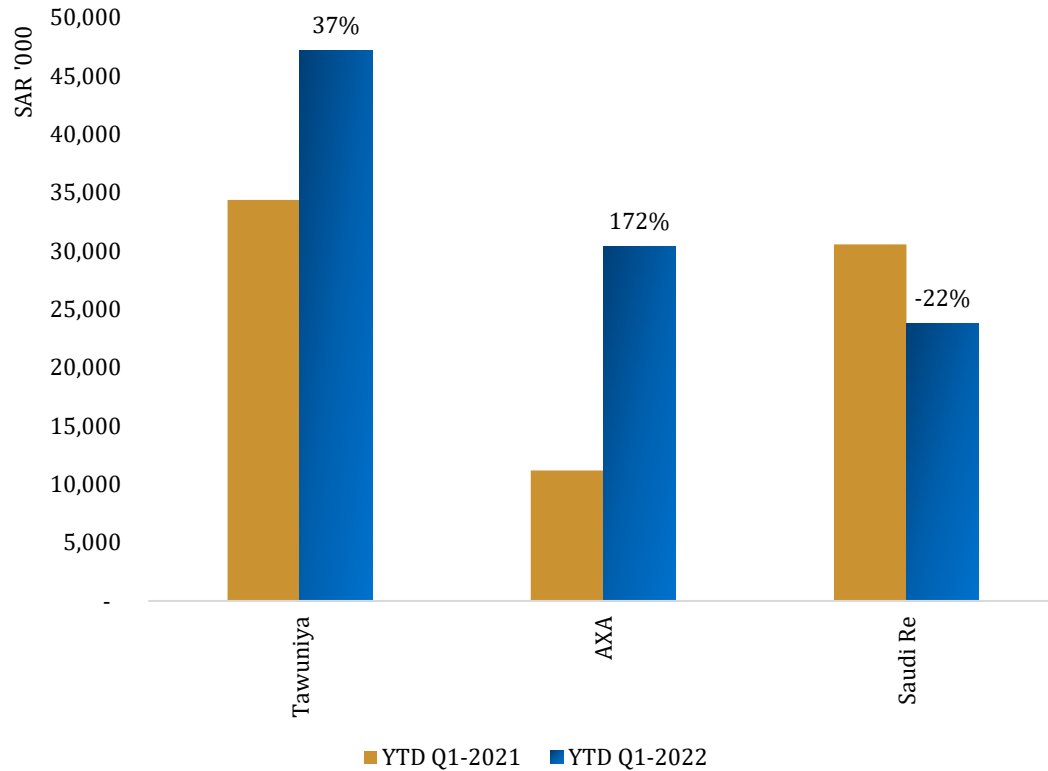
Protection and Savings - Others



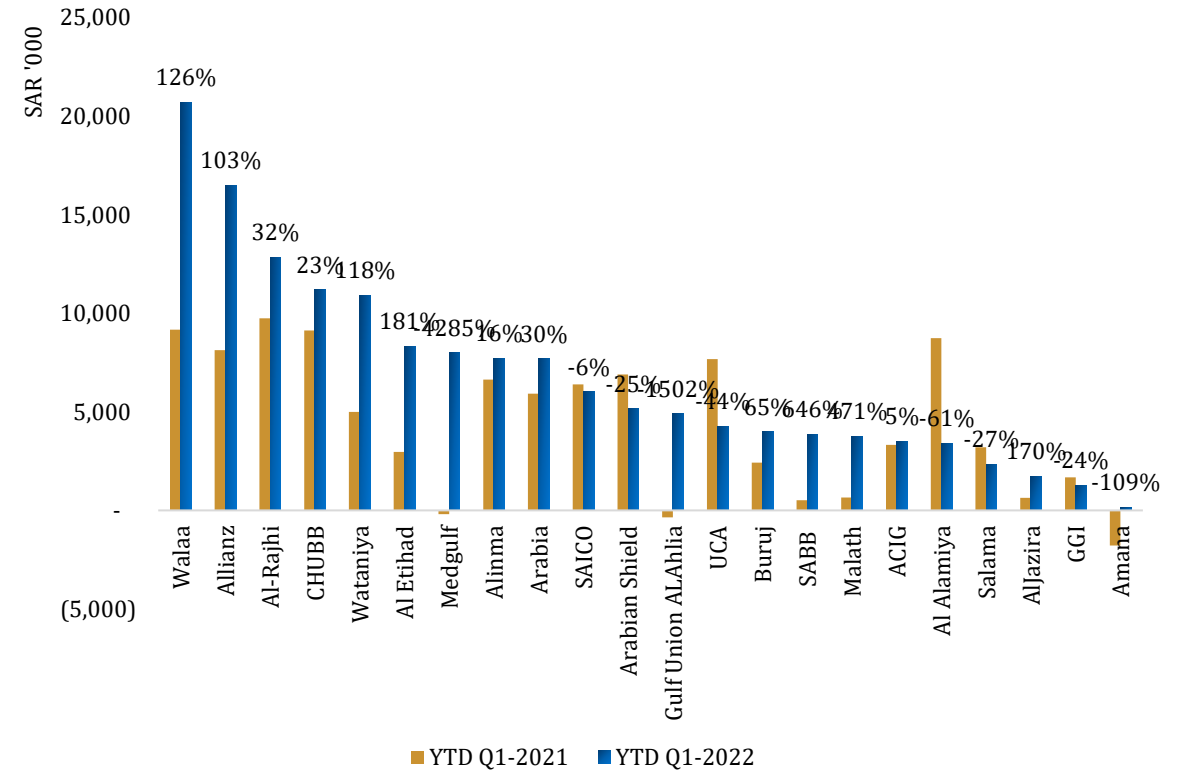
Total UW Profit in the P&S is SAR 43 million signifying an increase of 23% in Q1-2022 compared to Q1-2021 when the total UW Profit recorded in P&S was SAR 35 million.

Underwriting Profit

Property and Casualty - Top



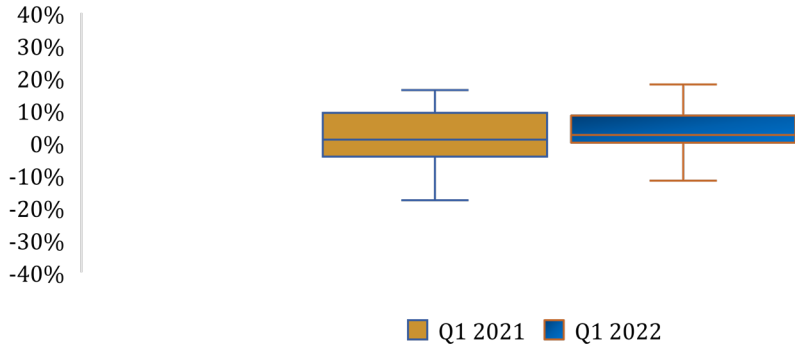
Property and Casualty - Others



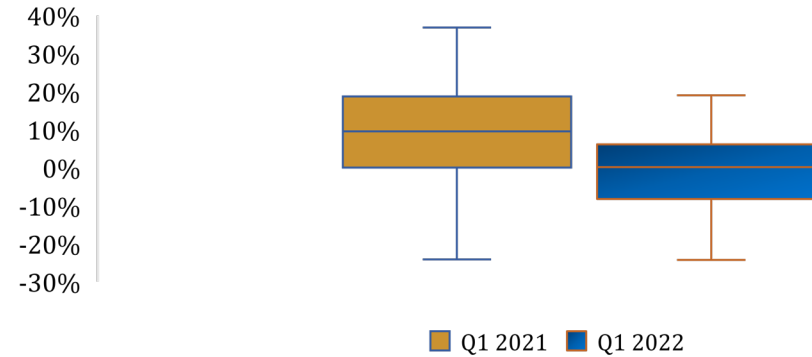
Total UW Profit in the P&C is SAR 250 million signifying an increase of 45% in Q1-2022 compared to Q1-2021 when the total UW Profit recorded in P&C was SAR 173 million.

UW Profit Margin

Medical UW Profit

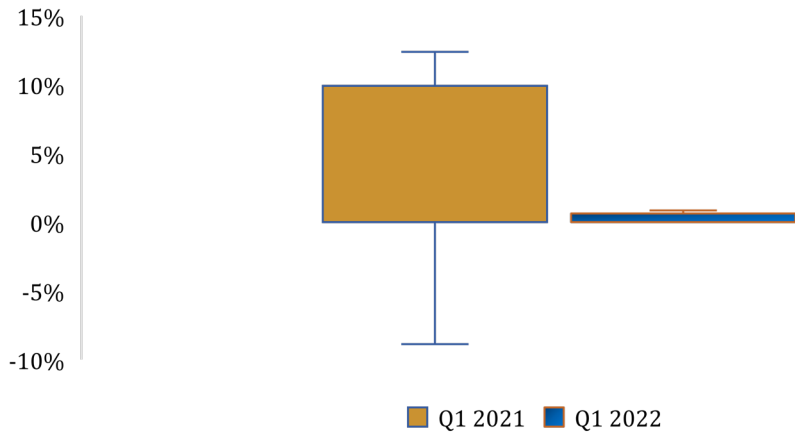


Motor UW Profit

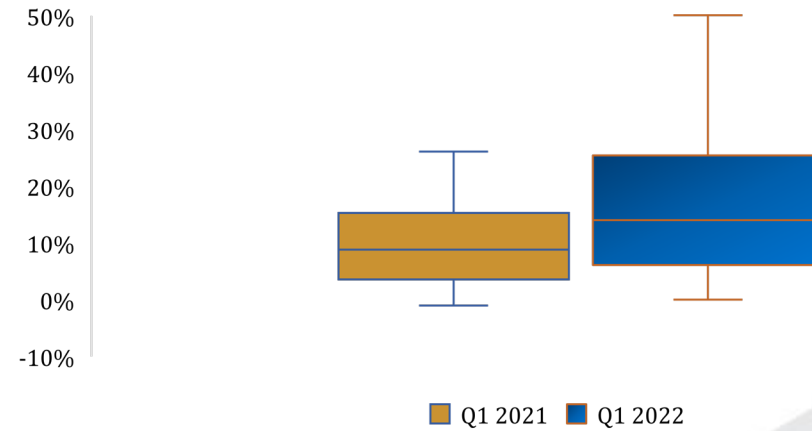


UW Profit Margin is calculated by dividing UW Profit to the Gross Written Premium.

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.

Net Profit Breakdown

	Q1-2022	Q1-2021	Variance
	SAR million	SAR million	SAR million
Medical UW Profit	383	428	(46)
Motor UW Profit	(85)	302	(387)
P&C UW Profit	250	173	77
P&S UW Profit	43	35	8
Total UW Profit	590	938	(348)
Investment Income	433	320	112
Others	(1,156)	(1,122)	(34)
Total Net Profit (After Zakat and Tax)	(133)	136	(269)

Conclusion

- 2021 was one of the worst years for profitability in the KSA Insurance sector and Q1 2022 continues to be extremely challenging. Compared with the same period last year, the insurance industry in the Kingdom has witnessed a dramatic decline in profitability for Q1 2022 compared with the same period last year.
- Overall gross written premiums have increased by 18.5% from SAR 12.6 billion to SAR 14.9 billion but profitability after zakat & tax has plummeted by -195% from a profit of SAR 136 million in Q1 2021 to a loss of SAR -133 million in Q1 2022.
- Motor underwriters have struggled in very challenging market conditions, as underwriting profits have fallen by 128% compared with Q1 2021. This is very much affecting the whole market and even the largest players struggled as the 5 largest motor writers had an average loss ratio of 109% during the quarter. Inevitably this will lead to an overall rise in premiums as insurers try and return to profitability.
- For Medical, GWP has grown substantially by 21% but underwriting profits reduced by 11% compared with Q1 last year.
- The Industry Combined Ratio has increased sharply by 3% to 105%, compared with Q1 2021 mainly due to an increase in the industry loss ratio as expense ratios remain at similar levels. Investment returns have remained positive offsetting some of the underwriting losses.
- The overall industry retention ratio of 87% is quite similar to Q1 2021 implying that the overall industry's Operating and Underwriting Expenses have increased significantly. Claims incurred have been significantly higher than expected.
- Commission expense ratio has increased by approximately 1% and no changes in the G&A expense ratio is observed.
- Motor and Medical are the backbone of the KSA Insurance industry that altogether contributes 81% 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 23% and the profitable Property and Casualty lines saw an increase of 45%, however this continues to be heavily reinsured.

Conclusion

- كان عام 2021 واحد من أسوأ الأعوام فيما يتعلق بأرباح قطاع التأمين في المملكة العربية السعودية، ولا يزال الربع الأول من عام 2022 يمثل تحديًا كبيرًا. مقارنة بالفترة ذاتها من العام الماضي، وشهد قطاع التأمين في المملكة انخفاضًا ملحوظًا في أرباح الربع الأول من عام 2022 مقارنة بالفترة نفسها من العام الماضي.
- وزاد إجمالي أقساط التأمين المكتتبة الكلية بنسبة 18.5٪ أي 12.6 مليار ريال سعودي إلى 14.9 مليار ريال سعودي، ولكن انخفضت الربحية بعد الزكاة والضرائب بنسبة -19.5٪ من الربح على نحو يبلغ 140 مليون ريال سعودي في الربع الأول من عام 2021 إلى خسارة -133 مليون ريال سعودي في الربع الأول 2022.
- وتعاني شركات التأمين على السيارات من الظروف السوقية بالغة الصعوبة، حيث انخفضت أرباح الاكتتاب بنسبة 12.8٪ مقارنة بالربع الأول من عام 2021. وأثر هذا بشكل كبير على السوق ككل، وعانى كذلك أكبر الجهات الفعالة حيث كان متوسط معدل الخسارة لدى أكبر 5 شركات تأمين 109٪ خلال الربع. سيؤدي هذا حتمًا إلى ارتفاع كلي في أقساط التأمين حيث تحاول شركات التأمين العودة إلى الربحية.
- بالنسبة لقطاع الطب، زاد إجمالي أقساط التأمين المكتتبة بشكل كبير بنسبة 21٪ ولكن انخفضت أرباح الاكتتاب بنسبة 11٪ مقارنة بالربع الأول من العام الماضي.
- زادت النسبة المجمعة لقطاع الصناعة بشكل حاد بنسبة تتراوح من بين 3٪ إلى 105٪ مقارنة بالربع الأول من عام 2021. ويرجع ذلك أساسًا إلى زيادة نسبة الخسارة في القطاع حيث ظلت نسب المصروفات عند مستويات مماثلة. ظلت عائدات الاستثمار إيجابية لتعويض بعض خسائر الاكتتاب.
- معدل الاستبقاء الإجمالي للقطاع البالغ 87٪ مشابه تمامًا للربع الأول من عام 2021 مما يعني زيادة إجمالي نفقات التشغيل والاكتتاب في القطاع. بشكل ملحوظة. والمطالبات المتكبدة أعلى بكثير مما كان متوقعًا.
- زادت نسبة مصروفات العمولة بنسبة 1٪ تقريبًا ولم يتم ملاحظة أي تغييرات في نسبة المصروفات العامة والإدارية.
- وقطاع النقل والطب هما العمود الفقري لقطاع التأمين في المملكة العربية السعودية حيث يساهم كلاهما بنسبة 81٪ من إجمالي أقساط التأمين المكتتبة في قطاع التأمين في المملكة العربية السعودية. وبدأ تأمين الحماية والادخار في الظهور في القطاع ومن المتوقع أن يساهم بشكل كبير في إجمالي الأعمال المكتوبة في قطاع التأمين في المملكة العربية السعودية في المستقبل وشهد زيادة بنسبة 23٪ وشهدت خطوط التأمين على الممتلكات والتأمين ضد الإصابة المربحة زيادة بنسبة 45٪، وعلى الرغم من ذلك لا تزال يخضع بشدة لإعادة التأمين.

Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in KSA for the first 3 months of 2022. 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	8190	United Cooperative Assurance Co.	UCAC
16	8200	Saudi Re for Cooperative Reinsurance Co.	SRCRC
17	8210	Bupa Arabia for Cooperative Insurance Co.	BACIC
18	8230	Al-Rajhi Company for Cooperative Insurance	ARCCI
19	8240	CHUBB Arabia Cooperative Insurance Co.	CACIC
20	8250	AXA Cooperative Insurance Co.	AXACIC
21	8260	Gulf General Cooperative Insurance Co.	GGCIC
22	8270	Buruj Cooperative Insurance Co.	BCIC
23	8280	Al Alamiya for Cooperative Insurance Co.	AACIC
24	8300	Wataniya Insurance Co.	WIC
25	8310	Amana Cooperative Insurance Co.	ACIC
26	8311	Saudi Enaya Cooperative Insurance Co.	SECIC
27	8312	Alinma Tokio Marine Co.	ATMC

Analysis of the Key Performance Indicators (KPIs) of 27* Listed Insurance Companies of KSA for Q1-2022 has been undertaken. AL Sagr has been omitted from the analysis .

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Feedback

Badri Management Consultancy is proud to present Saudi Arabia's Insurance Industry Performance analysis Q1 2022. 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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