



**BADRI**



# **Saudi Arabia's Insurance Industry Performance Analysis – H1-2022**

**Date: September 15, 2022**



# 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





## 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.

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.



## 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.

## 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.



# TABLE OF CONTENT

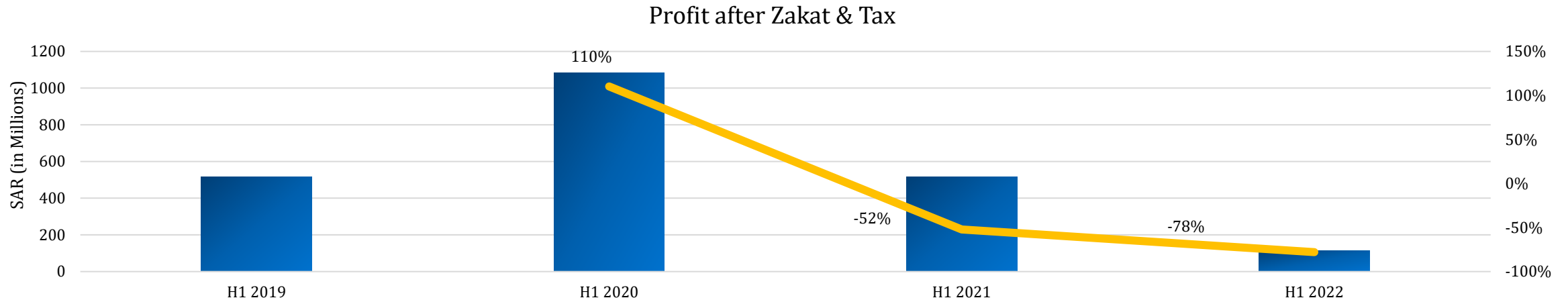
Executive Summary	Page 6 to 9
Overview of the industry	Page 10
Premium	Page 11 to 17
Claims, Reserves & Profitability Analysis	Page 18 to 29
Investment Analysis	Page 30 to 31
Key Financial Ratios	Page 32 to 42
LOB Wise	Page 44 to 55
Notes	Page 56
Net Profit Breakdown	Page 57
Conclusion	Page 58 to 59





## Executive Summary

- 2021 was one of the worst years for profitability in the KSA Insurance sector and H1 2022 continues to be challenging, particularly for smaller motor underwriters. Compared with the same period last year, the insurance industry in the Kingdom has witnessed a dramatic decline in profitability for H1 2022.
- However, there are some positive signs of recovery and there is a welcome return to modest level of profitability for the sector as a whole compared in H1 2022 compared with the heavy loss for Q1 2022. Headwinds remain hampering efforts to return to reasonable levels of profitability before the end of 2022.

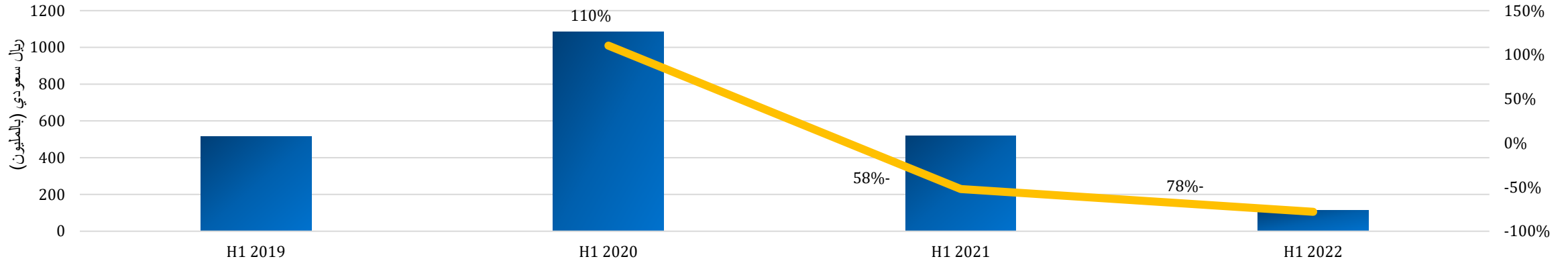


- For Motor, GWP has grown by 15%, but underwriting profits have fallen by 127%. For Medical, GWP has grown substantially by 26% and underwriting profits increased by 13%. Protection & Savings continues to show good growth and profitability albeit with smaller overall volumes. Likewise for Property & Casualty however with an average retention level of 23% there remains heavy reliance on reinsurers.
- 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 103% in H1 2022, compared to H1 2021. The increase in the combined ratio is due to an increase in the Industry loss ratio by 2% with 1% increase in expense ratio.

## ملخص تنفيذي

- كان عام 2021 من أسوأ سنوات الربحية في قطاع التأمين في المملكة العربية السعودية ولا يزال النصف الأول من عام 2022 يمثل تحديًا كبيرًا، لاسيما بالنسبة للمكتتبين الأصغر حجمًا في قطاع تأمين السيارات. مقارنة بنفس الفترة من العام الماضي، شهدت صناعة التأمين في المملكة انخفاضًا كبيرًا في الربحية في النصف الأول من عام 2022 مقارنة بنفس الفترة من العام الماضي.
- رغم أن ثمة علامات إيجابية تشير إلى التعافي من الوضع المتفاقم وعودة مرحب بها إلى المستويات المتواضعة من الربحية للقطاع ككل في النصف الأول من عام 2022 مقارنة بالخسائر الفادحة في الربع الأول من عام 2022. إلا أن الرياح والاتجاهات غير المواتية تعرقل جهود العودة إلى مستويات معقولة من الربحية قبل نهاية عام 2022.

### الربح بعد الزكاة والضرائب



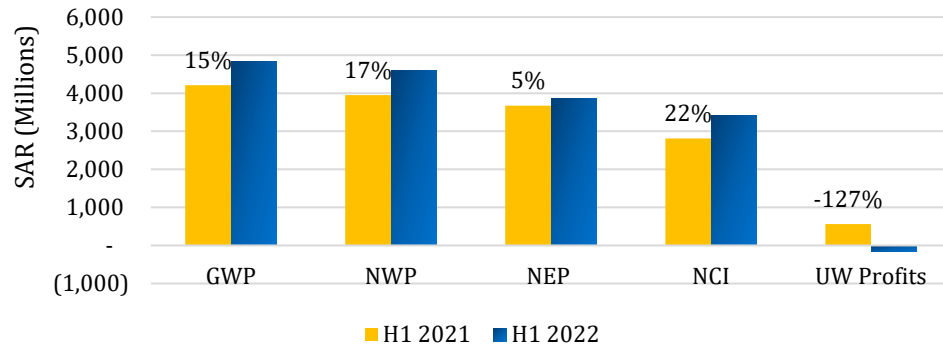
- أما فيما يتعلق بتأمين السيارات، ارتفع إجمالي قسط الاكتتاب بنسبة 15% في حين انخفضت أرباح الاكتتاب بنسبة 127%. بالنسبة للخدمات الطبية، ارتفع إجمالي قسط الاكتتاب بشكل كبير بنسبة 26% ولكن أرباح الاكتتاب انخفضت بنسبة 13%. تستمر قطاعات تأمين الحماية والإدخار في إظهار نمو جيد وربحية وإن كان ذلك مع أحجام إجمالية أصغر. وعلى هذا الغرار كان لقطاع التأمين على الممتلكات والإصابات نفس الوضع، ومع متوسط مستوى الاحتفاظ بنسبة 23%، لا يزال هناك اعتماد كبير على شركات إعادة التأمين.
- ويتزايد نشاط عمليات الاندماج والشراء ومن المرجح أن يكون هناك المزيد من الاندماج مع زيادة الحد الأدنى من متطلبات رأس المال ويصبح من الصعب على شركات التأمين الأصغر أن تظل قادرة على المنافسة.
- ارتفعت النسبة المجمعة للمجال بنسبة 3% إلى 103% في النصف الأول من عام 2022، مقارنة بالنصف الأول من عام 2021. ترجع الزيادة في النسبة المجمعة إلى زيادة في نسبة خسارة المجال بنسبة 2% مع زيادة 1% في نسبة المصروفات.



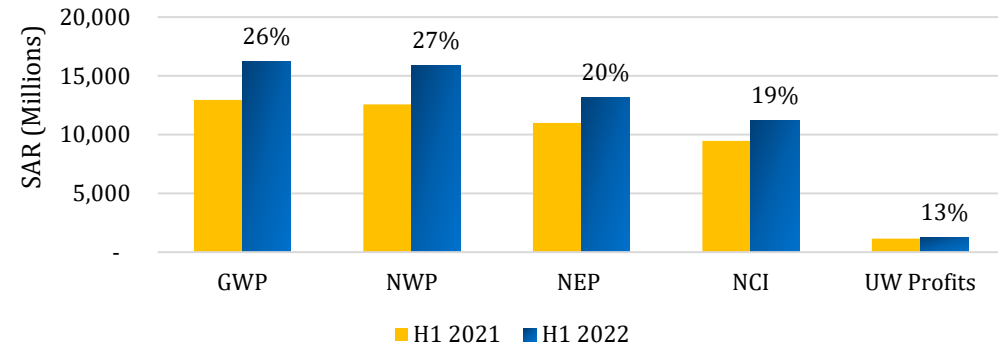
# Executive Summary

- Motor and Medical line of business are the main pillars of the KSA Insurance sector with both contributing 78% 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.

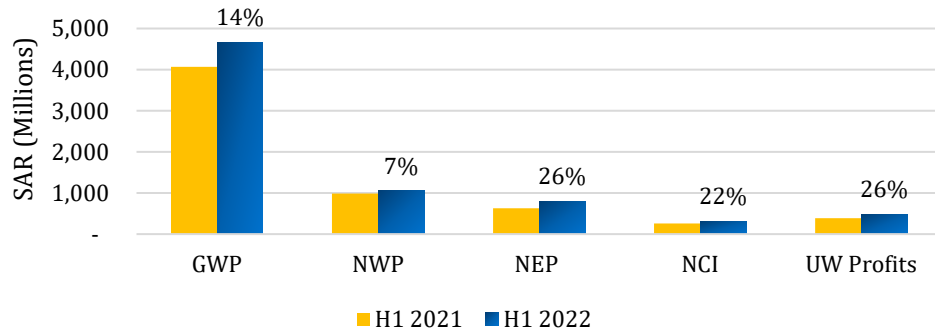
### Motor Insurance



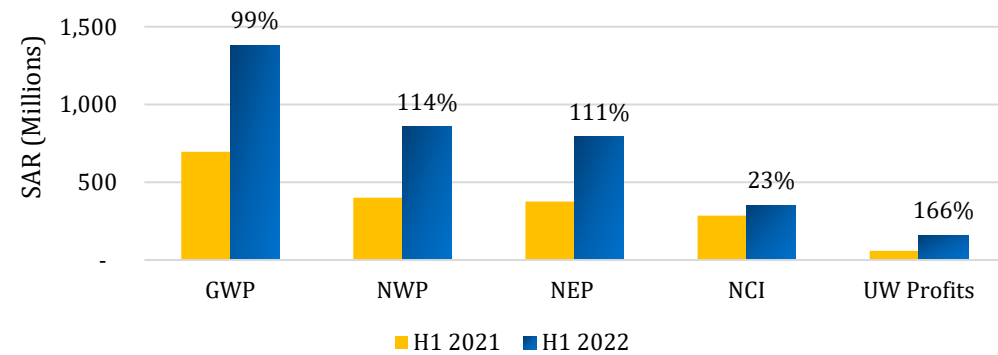
### Medical Insurance



### Property & Casualty Insurance



### Protection & Savings Insurance

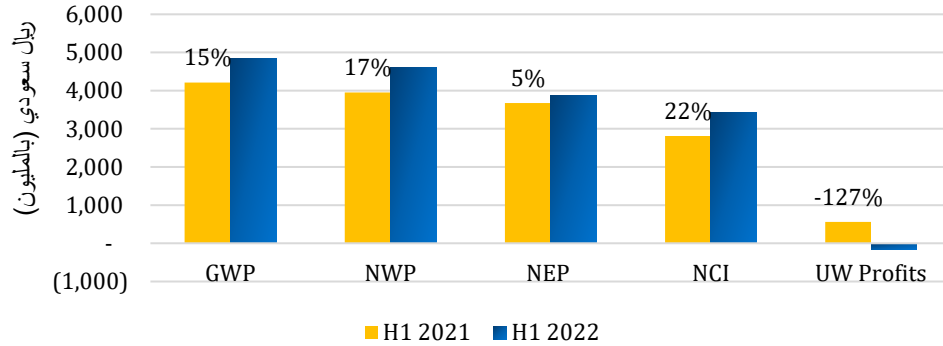




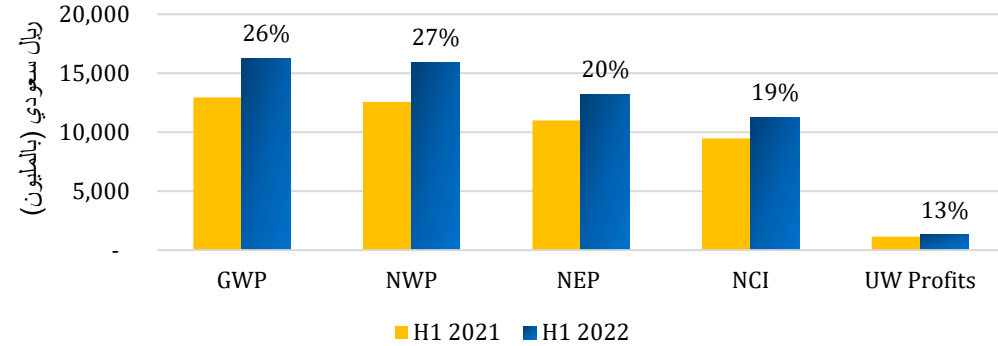
## ملخص تنفيذي

- يعتبر قطاع السيارات والقطاع الطبي من الركائز الأساسية لقطاع التأمين في المملكة العربية السعودية حيث يساهم كلاهما بنسبة 78 % من إجمالي المبلغ المكتتب.
- شهدت قطاعات التأمين على الممتلكات والإصابات المربحة للغاية لزيادة بنسبة 16 % في إجمالي الأقساط المكتتبه، ومع ذلك لا تزال تشهد عمليات إعادة التأمين عليها تزايدًا كبيرًا.

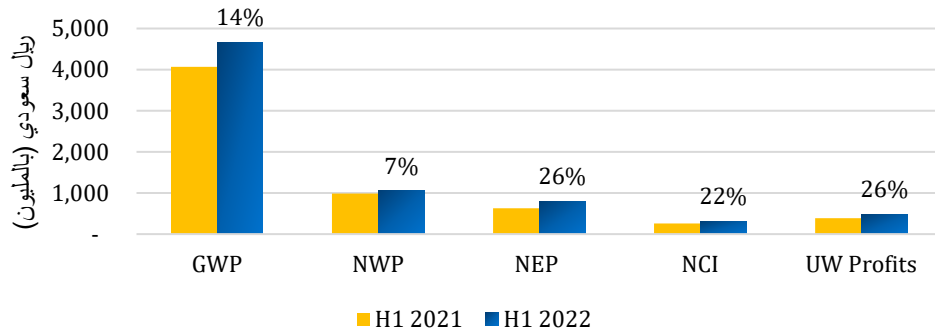
### التأمين على السيارات



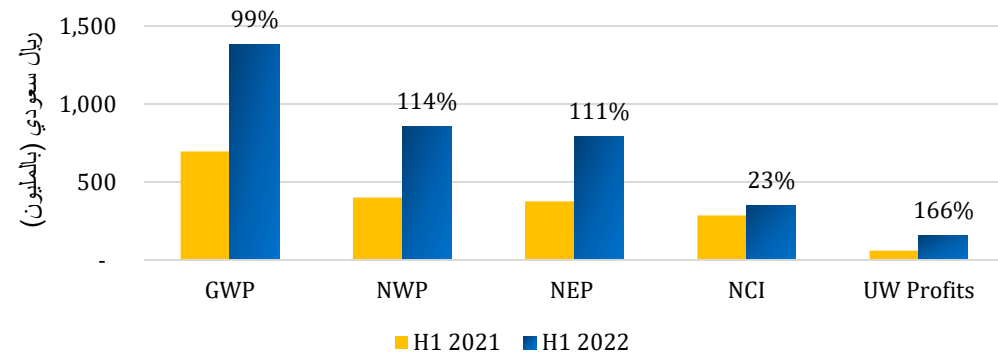
### التأمين الطبي



### التأمين على الممتلكات والإصابات

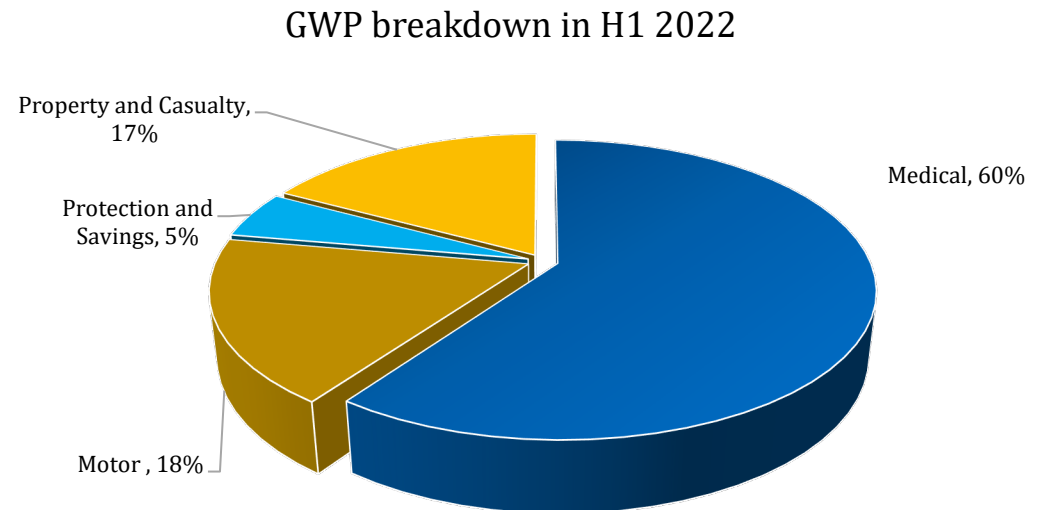
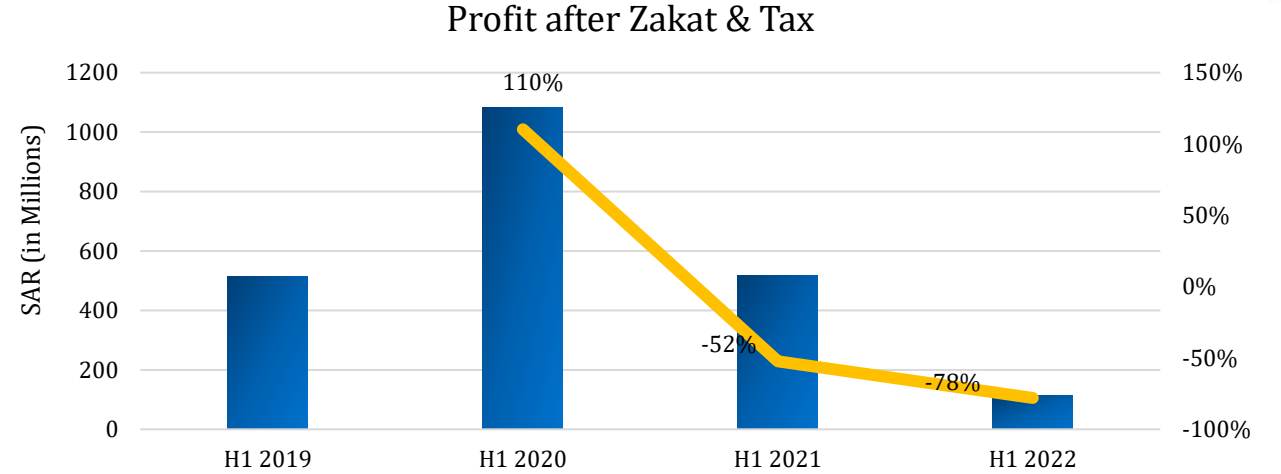


### تأمين الحماية والمدخرات





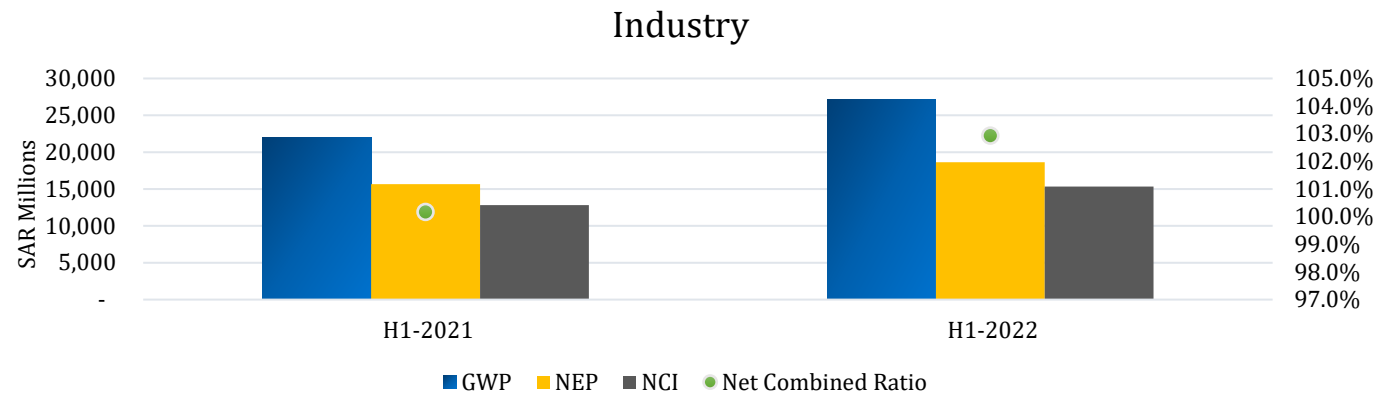
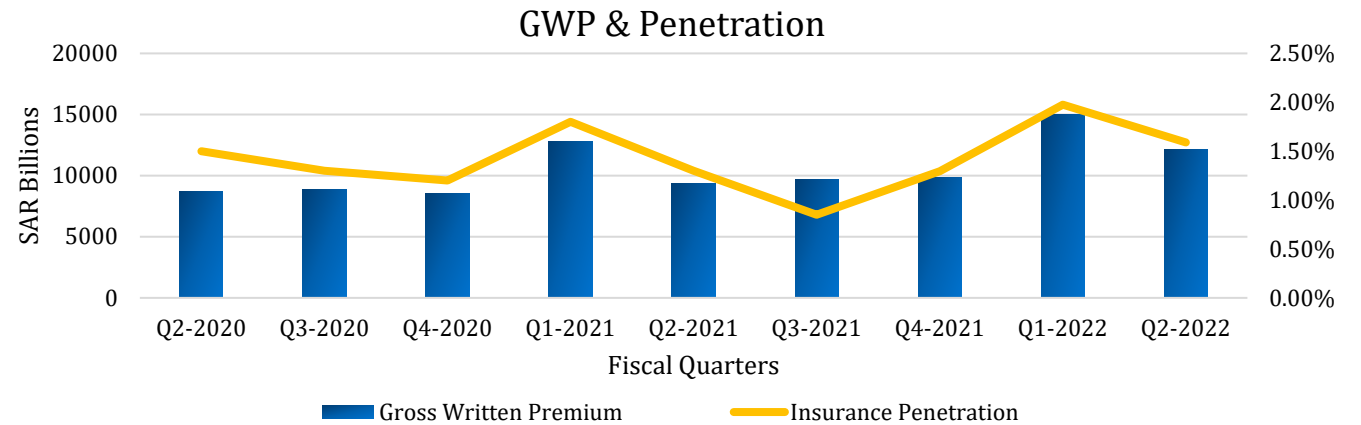
# Overview of the Industry



# Overview of the Industry

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

For the 27 listed companies, the GWP grew from SAR 21.9 billion in H1 2021 to SAR 27.1 billion in H1 2022 highlighting a growth of 23.8%. Excluding Saudi Re, the GWP of the industry has increased from SAR 21 billion in H1 2021 to SAR 26.2 billion in H1 2022 signifying a growth of 25.1%.

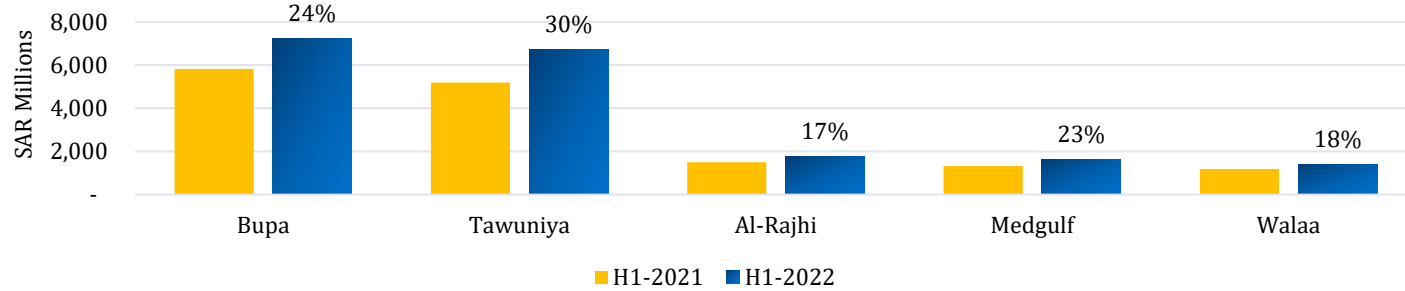




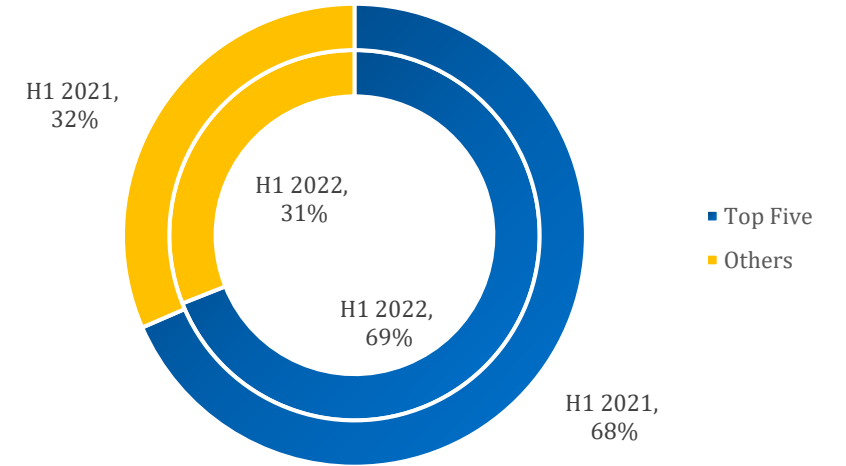
# Gross Written Premium

The top 5 companies grew top line by 3.7 billion, with a combined premium of SAR 18.7 billion in H1 2022 as compared to SAR 15 billion in H1 2021. The share of overall GWP for the top 5 companies has increased to 69% for H1 2022 from 68% for the same period last year.

Top Five

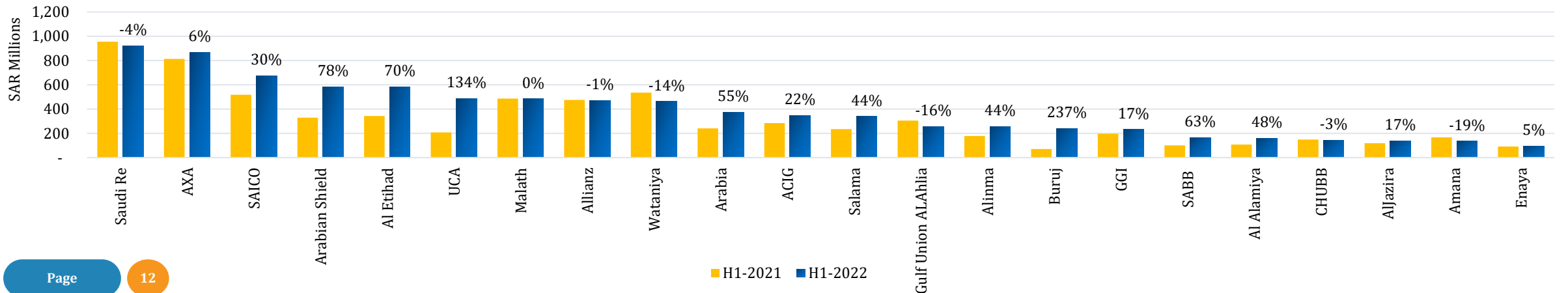


GWP Distribution



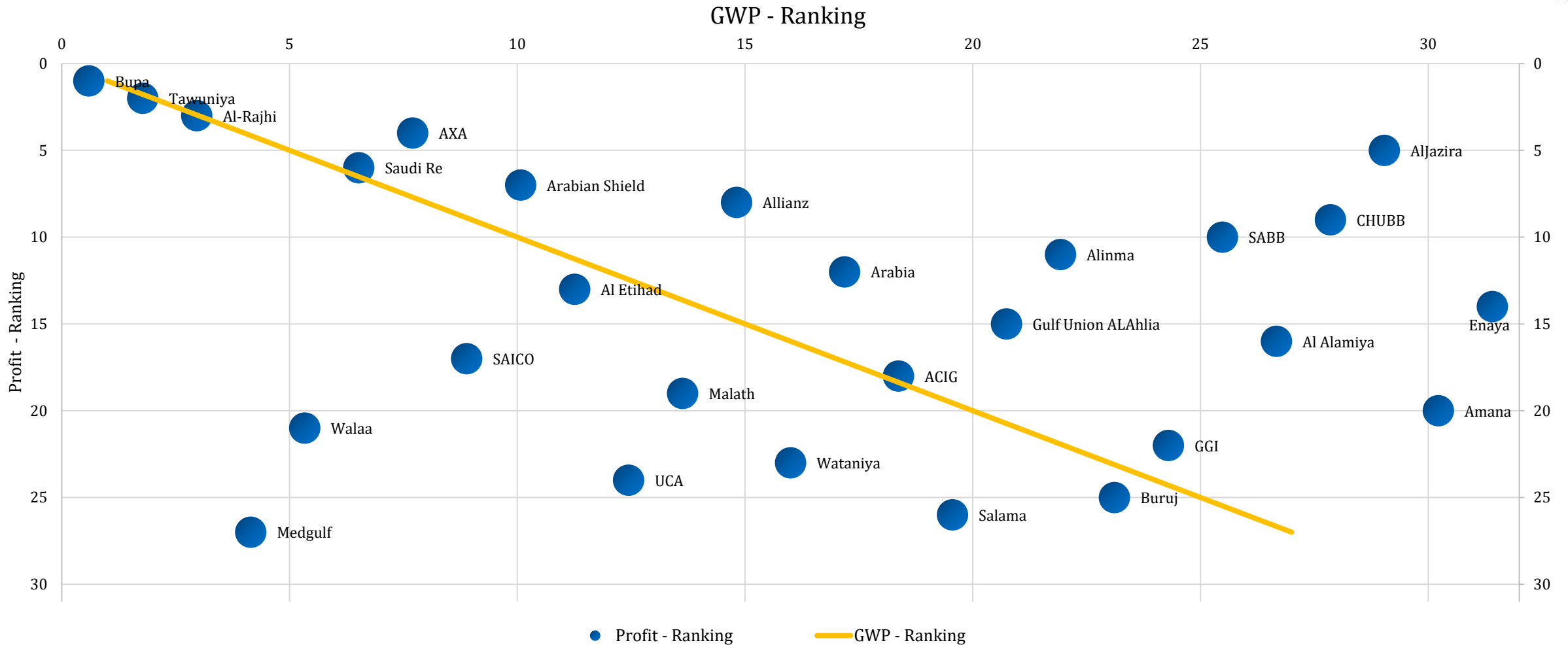
Below the top 5, the median top line growth rate was 19% over the quarter.

Others



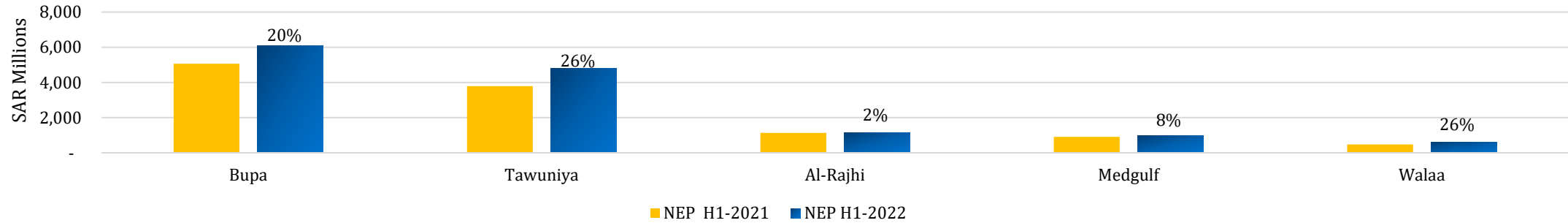


# Gross Written Premium



# Net Earned Premium

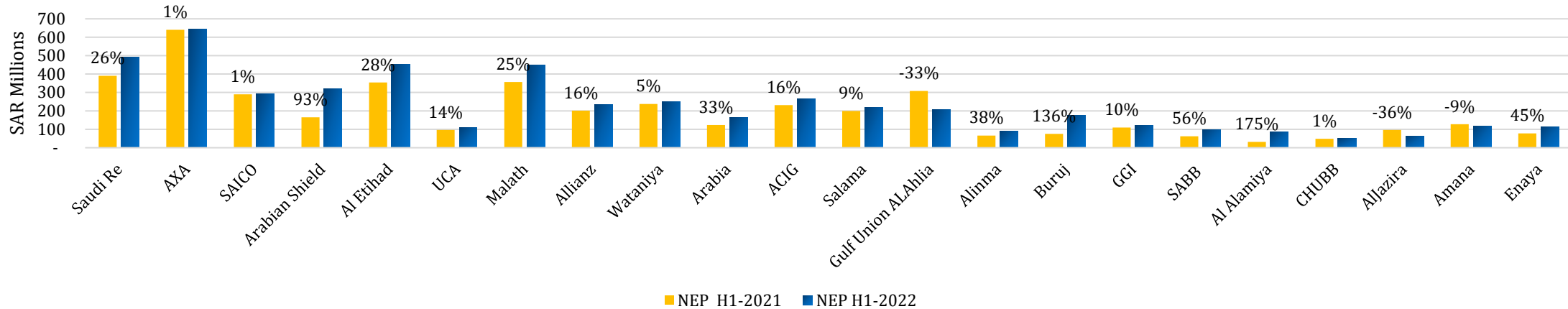
## TOP 5



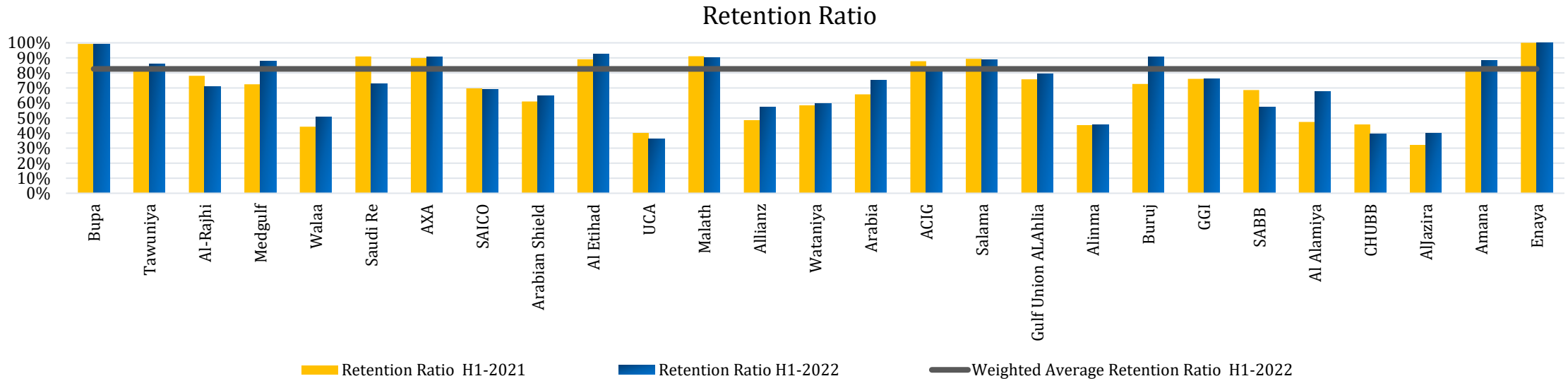
For the period H1 2022, Net Earned Premiums grew by 3 billion to SAR 18.6 billion portraying an increase of around 19%.

The Top 5 Companies have Net Earned Premiums of SAR 13.6 billion highlight a growth of 20% corresponding to H1 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 H1 2022 of 100% is reflected by Enaya, whereas the lowest retention ratio of 36% is reflected by UCA.

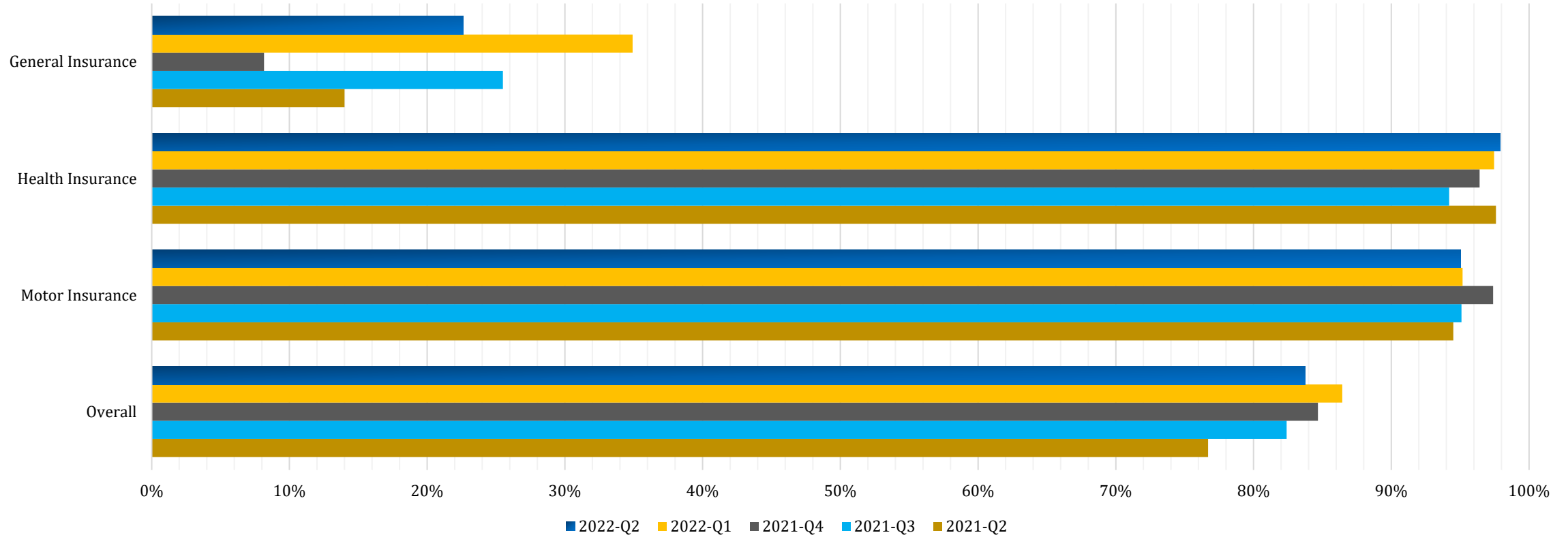
The weighted average retention ratio for listed companies stood at 83% for H1 2022 (H1 2021: 82%).

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

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.





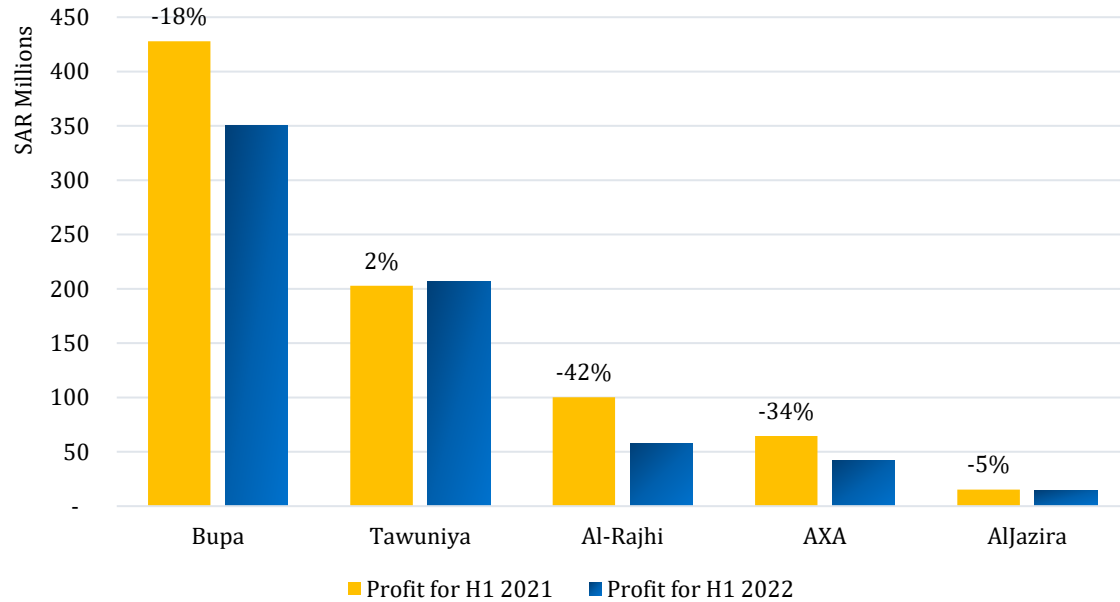
02

# CLAIMS, RESERVES & PROFITABILITY ANALYSIS

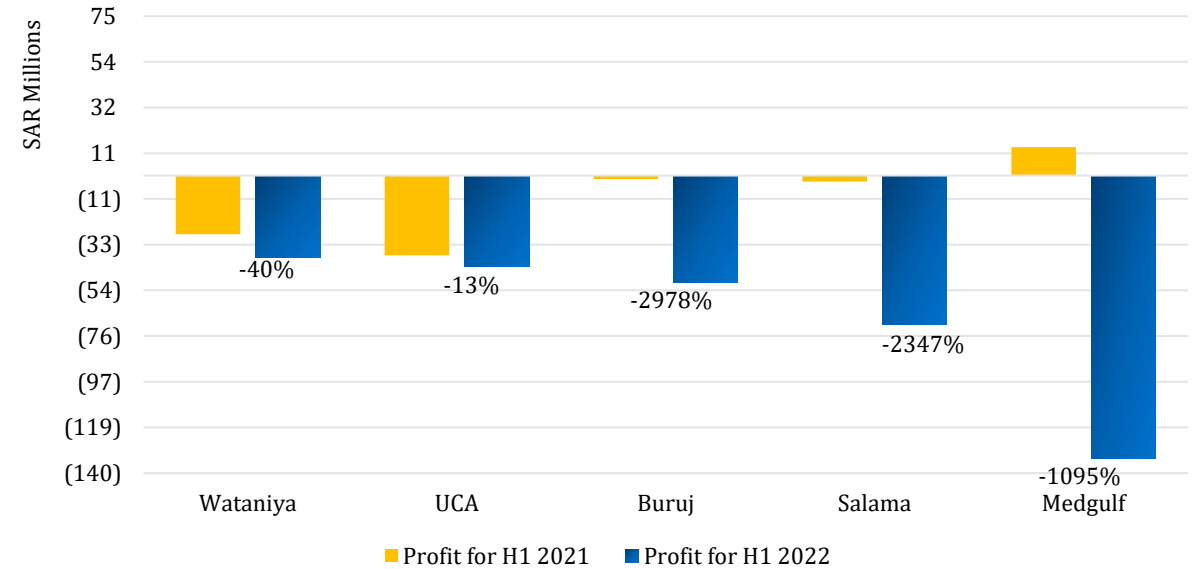


# Profit Composition

Top Five



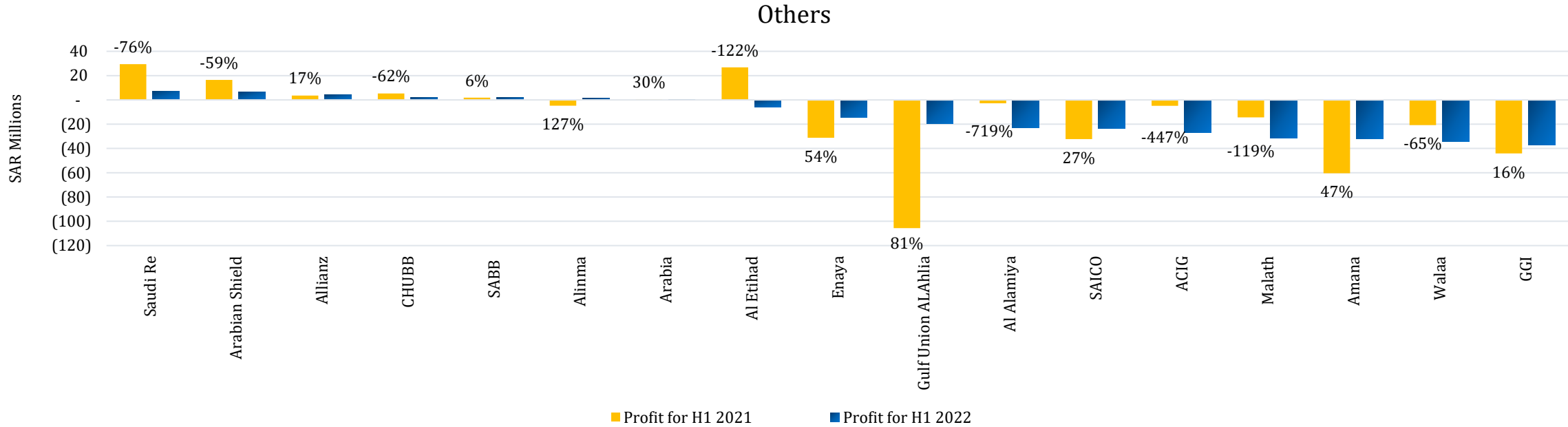
Bottom Five



Net profit after zakat & tax generated by 27 Companies in the industry for H1 2022 has dropped dramatically by 84% compared to the same period of last year, with profits dropping from SAR 734 million to SAR 114 million. Net profits dropped from 3.35% of GWP to 0.42% of GWP corresponding to the same period of last year.

Medgulf booked the highest loss of SAR 133 million in H1 2022 as compared to a profit of SAR 13 million in H1 2021.

# Profit Composition



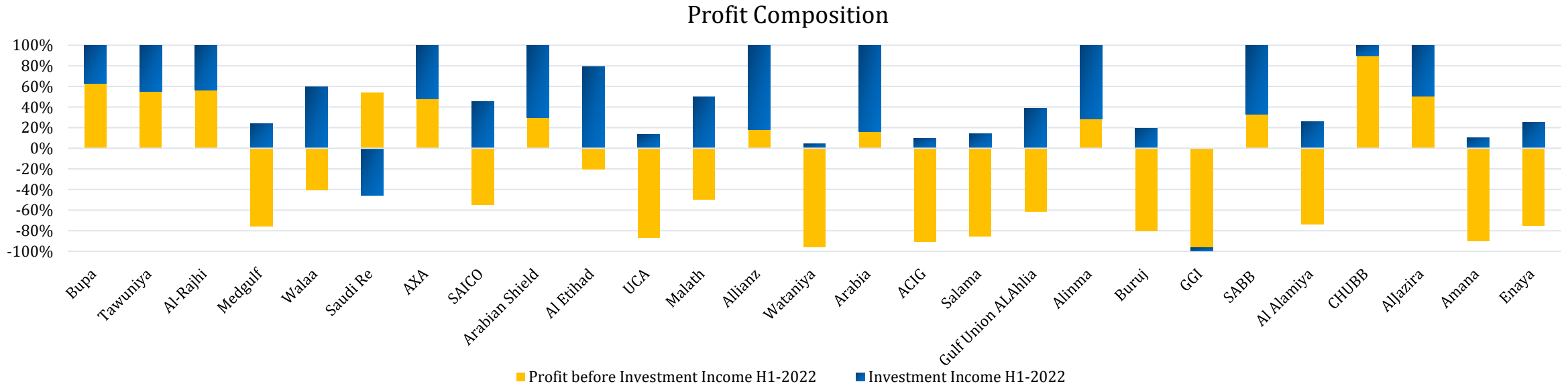
The term Profit indicates the Total Profit/Loss attributed to Shareholders after Zakat and Tax deductions.

Bupa booked the highest profit for H1 2022 of SAR 351 million as compared to a profit of SAR 428 million for the corresponding period of H1 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 15 companies reported losses totaling over SAR 582 million for H1 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.

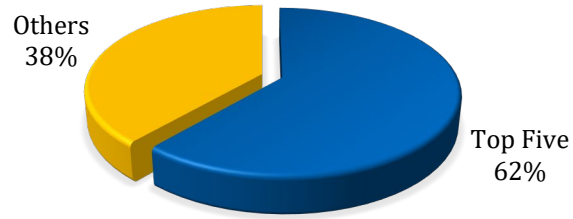
For 2 out of 27 companies, Investment income has been the main reason behind their profitability, Investment income has reduced the severity of the Underwriting Loss that is a proportion of Total Profit recorded by the Companies.

For 7 companies investment income comprised over 50% of Net profit for H1 2022.

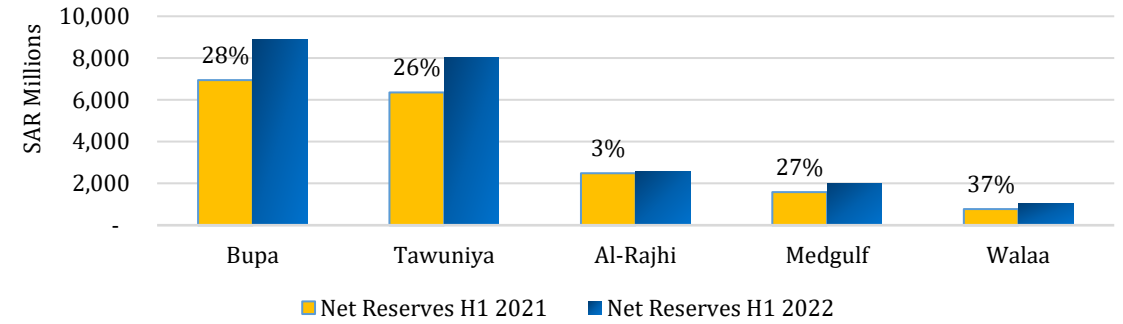


# Net Technical Reserves

Net Reserves



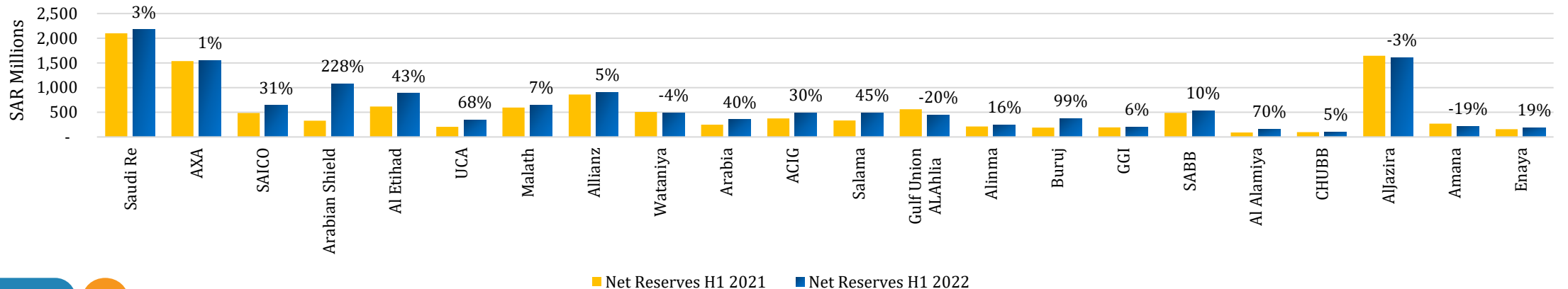
TOP FIVE



Total Net reserves as at June 30, 2022, are SAR 36.6 billion (H1 2021: SAR 30.2 billion); representing an increase of 21.1%.

Total Net Reserve of top five Companies; based on GWP ranking, as at June 30, 2022, is SAR 22.5 billion.

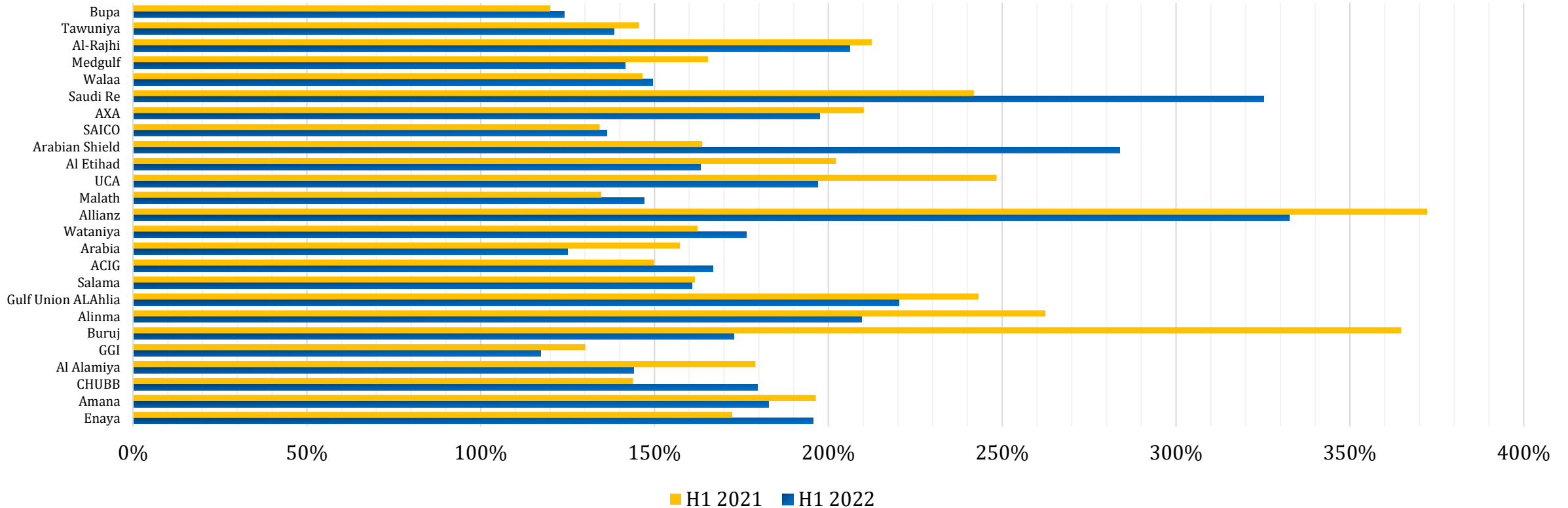
Others





# Net Technical Reserves

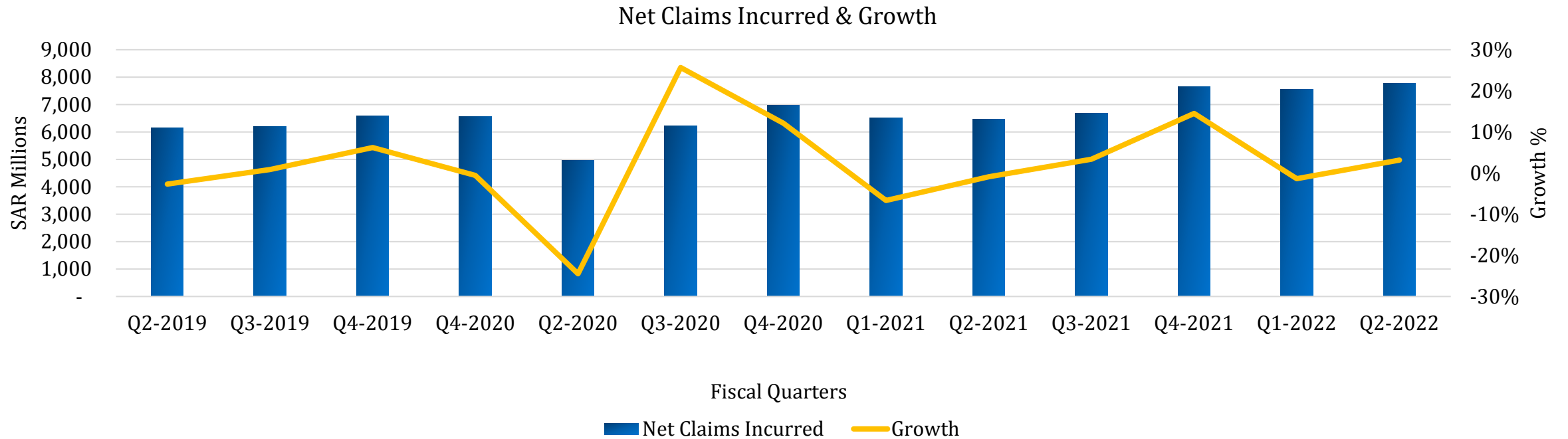
**% of Net Reserves to NWP over the years**



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 563% and 2901% of the Net Written Premium in H1 2022 (H1 2021: 807% and 4311% respectively)



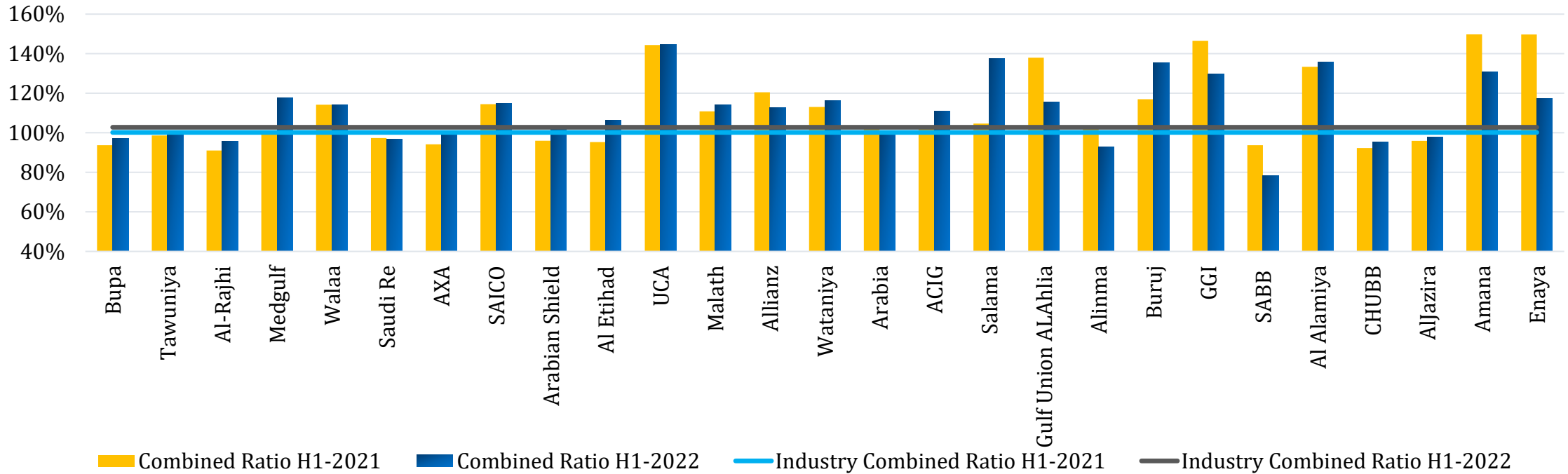
# Net Claims Incurred & Growth



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



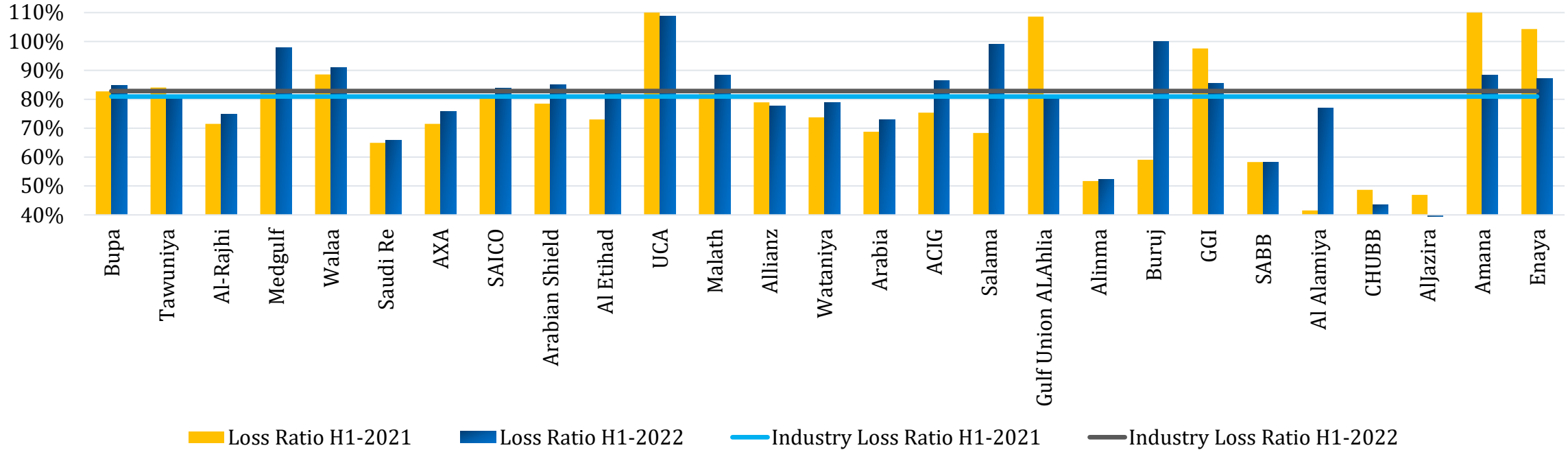
The weighted average combined ratio for H1 2022 is 103%, up from 100% for the same period of last year. The median CR was 113% (H1 2021: 103%).

Highest combined ratio of 145% was shown by UCA while the lowest 78% combined ratio was reflected by SABB in H1 2022.

The weighted Average Combined ratio excluding the Top 5 Companies is 111% in H1 2022 (H1 2021: 101%) and for the Top 5 Companies, it stands at 100% (H1 2021: 100%).



# Loss Ratio



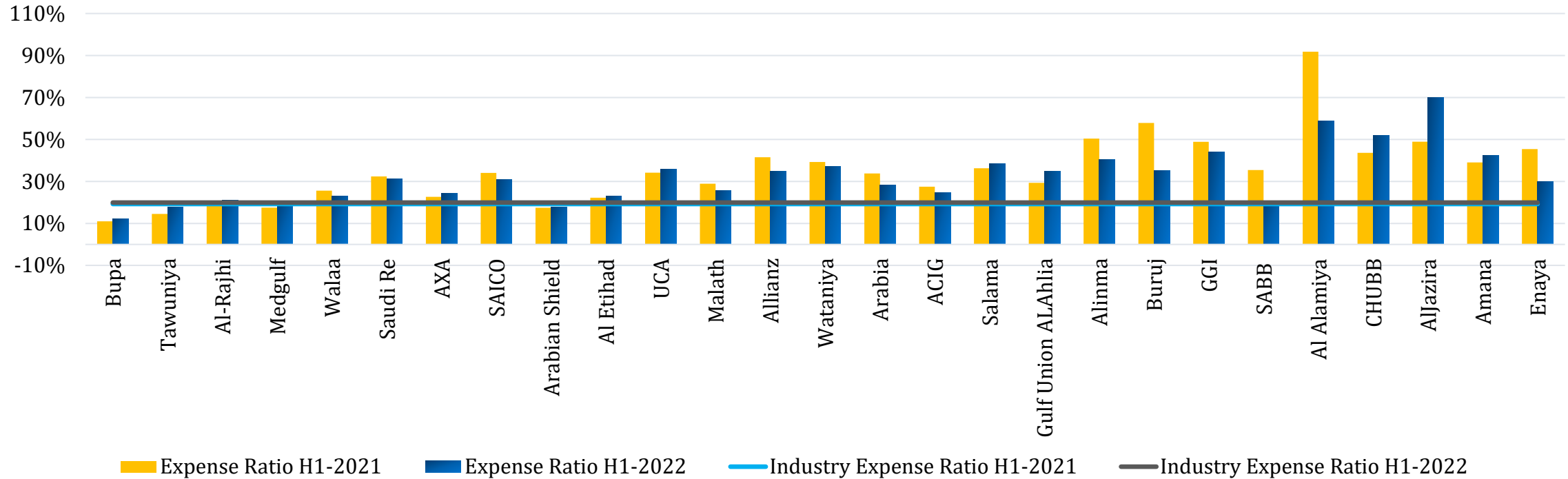
For H1 2022, weighted average loss ratio stands at 83%, an increase of 2% compared to the same period of last year.

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

Highest Loss ratio of 109% is shown by UCA whereas the lowest of 28% is shown by AlJazira.

The weighted Average loss ratio excluding the Top 5 Companies is 80% in H1 2022 (H1 2021: 80%) and for the Top 5 Companies, it stands at 84% (H1 2021: 83%).

# Expense Ratio



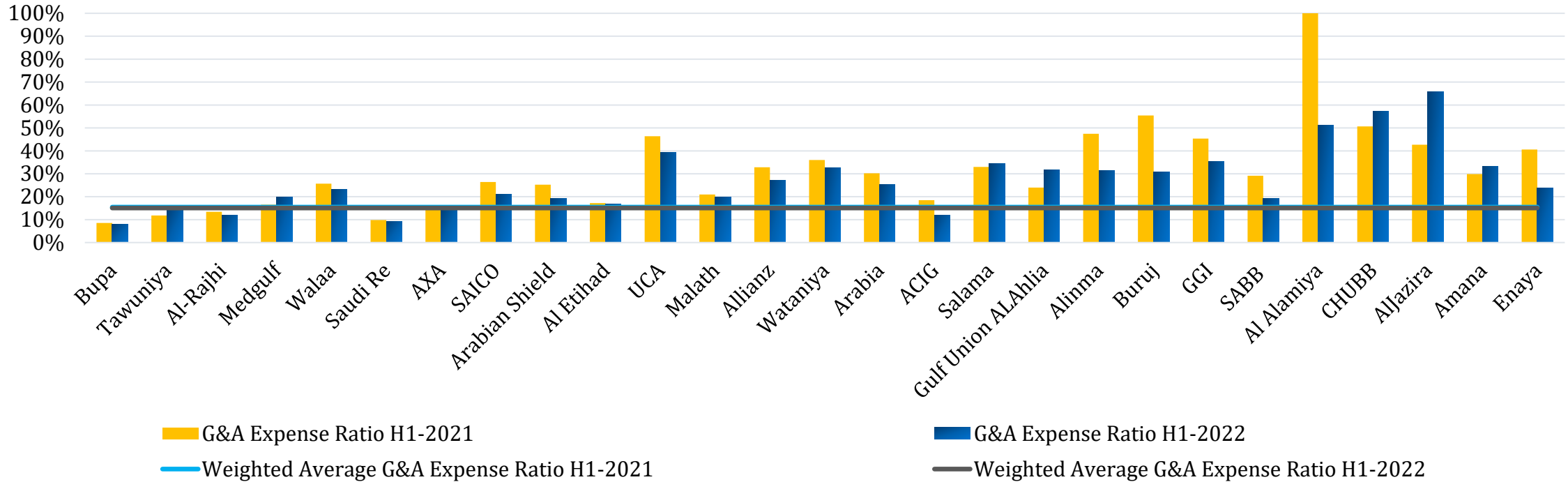
For H1 2022, weighted average Expense ratio remained at 20%. (H1 2021: 19%)

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 70% is shown by AlJazira whereas the lowest is 12%, shown by Bupa.

The weighted Average Expense ratio excluding the Top 5 Companies is 31% in H1 2022 (H1 2021: 20%) and for the Top 5 Companies, it stands at 16% (H1 2021: 18%).

# G&A Expense

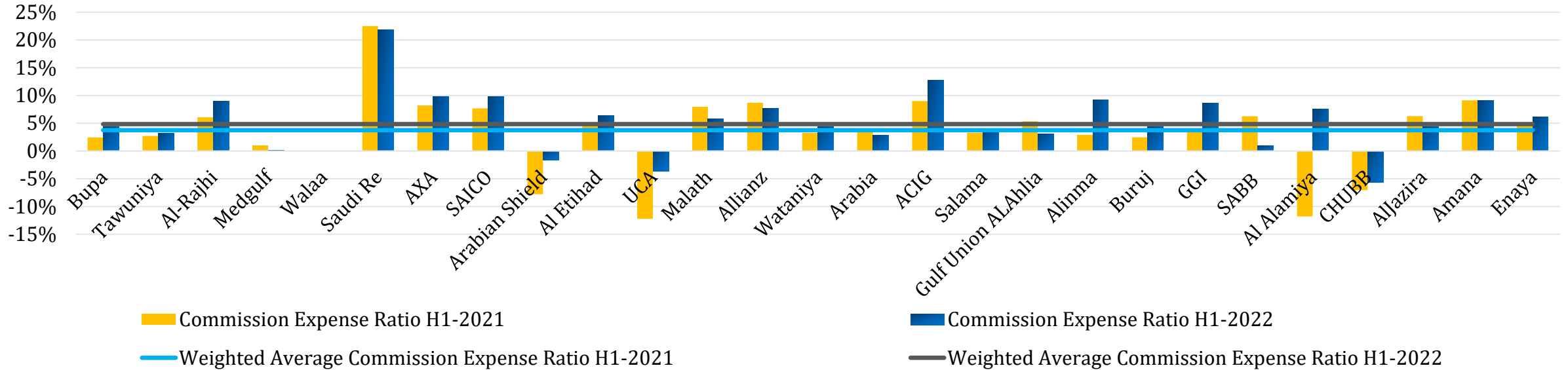


Weighted average G&A Expense ratio for the industry is 15% for H1 2022 (H1 2021: 15%).

Among all, AlJazira has the highest expense ratio of 66% whereas the lowest expense ratio of 8% is reflected by Bupa.

The weighted Average G&A expense ratio excluding the Top 5 Companies is 23% in H1 2022 (H1 2021: 16%), and for the Top 5 Companies, it stands at 12% (H1 2021: 15%).

# Commission Expense



Industry Weighted Average Commission Expense ratio is at 5% for H1 2022 (H1 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 H1 2022 of 22%, 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 13%.

The weighted Average commission ratio excluding the Top 5 Companies is 8% in H1 2022 (H1 2021: 4%) and for the Top 5 Companies, it stands at 4% (H1 2021: 3%).

03

# INVESTMENT ANALYSIS





# Shareholder Equity Analysis

As at Q2-2022, 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.

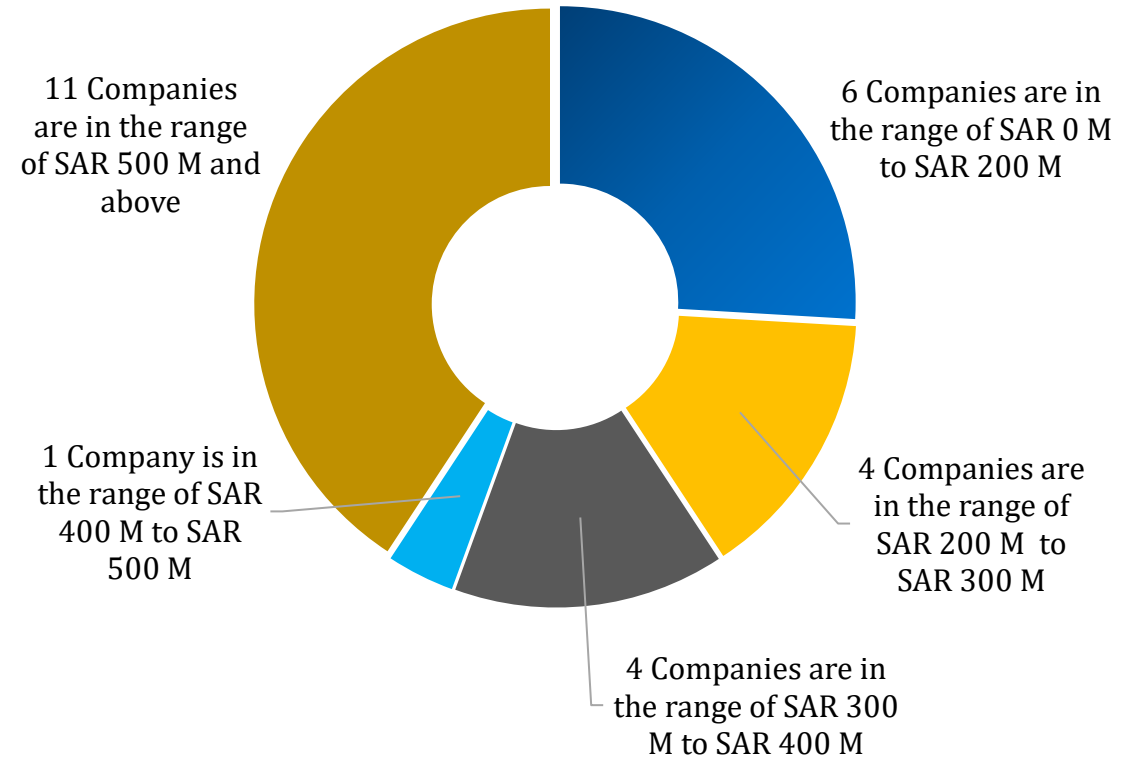
The KSA Insurance market witnessed 3 M&A deals in 2020 which have been completed, and a further 3 companies will be reduced in 2022 when three ongoing merger transactions are completed. These are listed below for reference:

### 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.

Equity Size & Companies



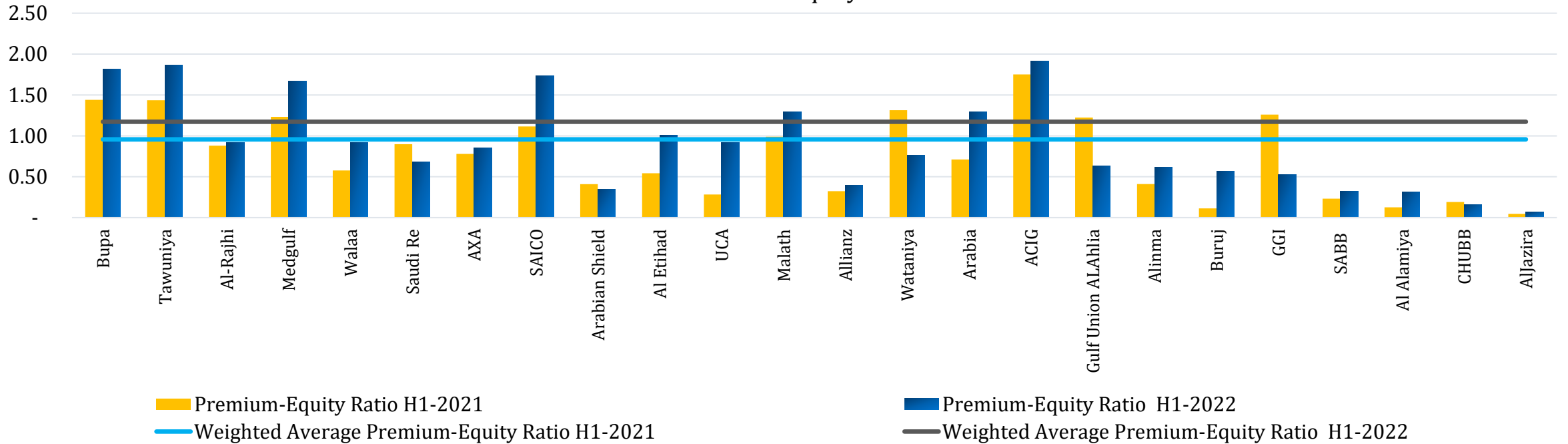


04

# KEY FINANCIAL RATIOS

# NWP to Equity Ratio

Premium to Equity Ratio



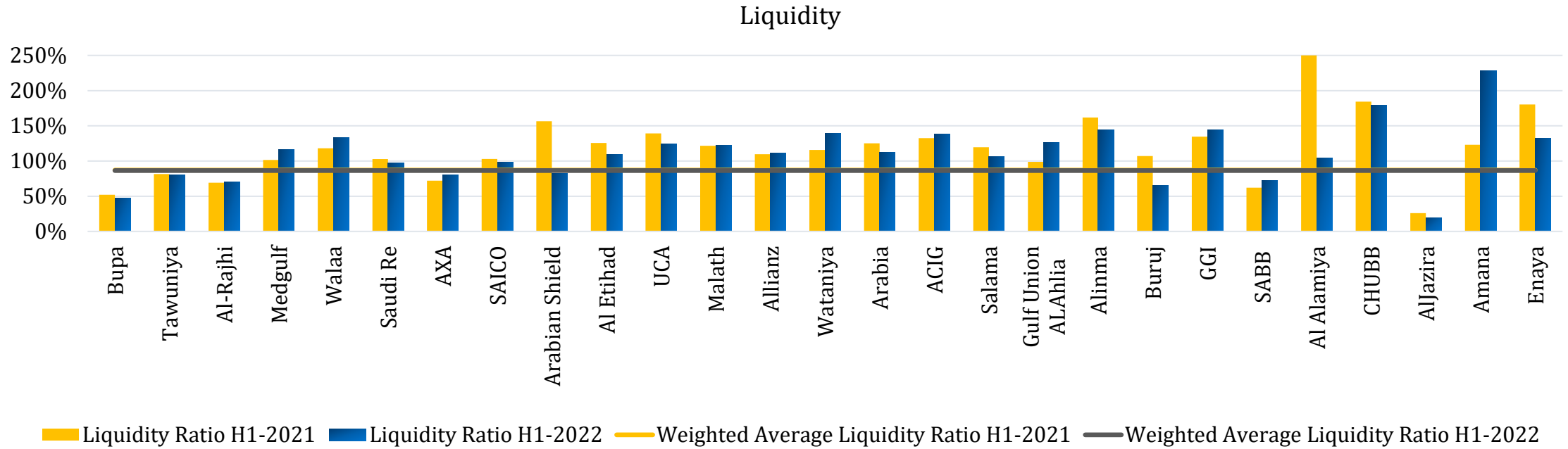
The highest Premium to Equity ratio for H1 2022 is 11.37 shown by Salama. The lowest ratio of 0.07 is reflected AlJazira.

Weighted average Premium to Equity ratio for H1 2022 is 1.17 (H1 2021: 0.96).

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium for H1 2022 to Total Equity as at June 30, 2022. It represents the premium that pertains to each SAR amount of equity held by the Companies.



# Liquidity Ratio



The highest Liquidity Ratio for H1 2022 is 229% shown by Amana, whereas the lowest liquidity ratio of 20% is reflected by AlJazira.

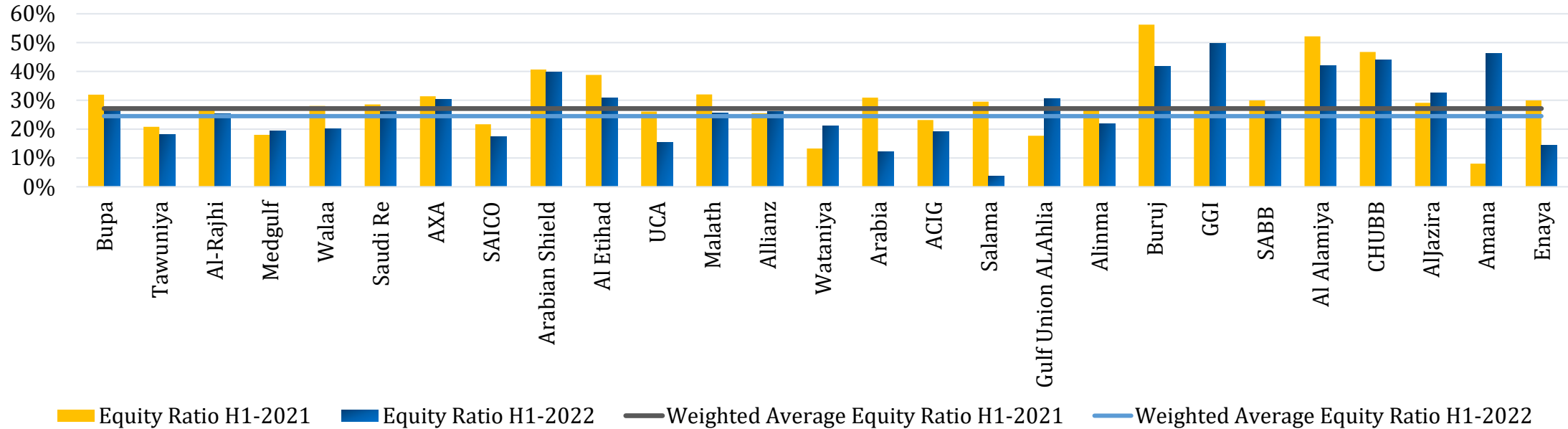
Weighted average Liquidity ratio for the H1 2022 stood at 86% (H1 2021: 87%).

The liquidity ratio is calculated as a ratio of Current Assets over Total Net Technical Reserves as at June 30, 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

Equity Ratio



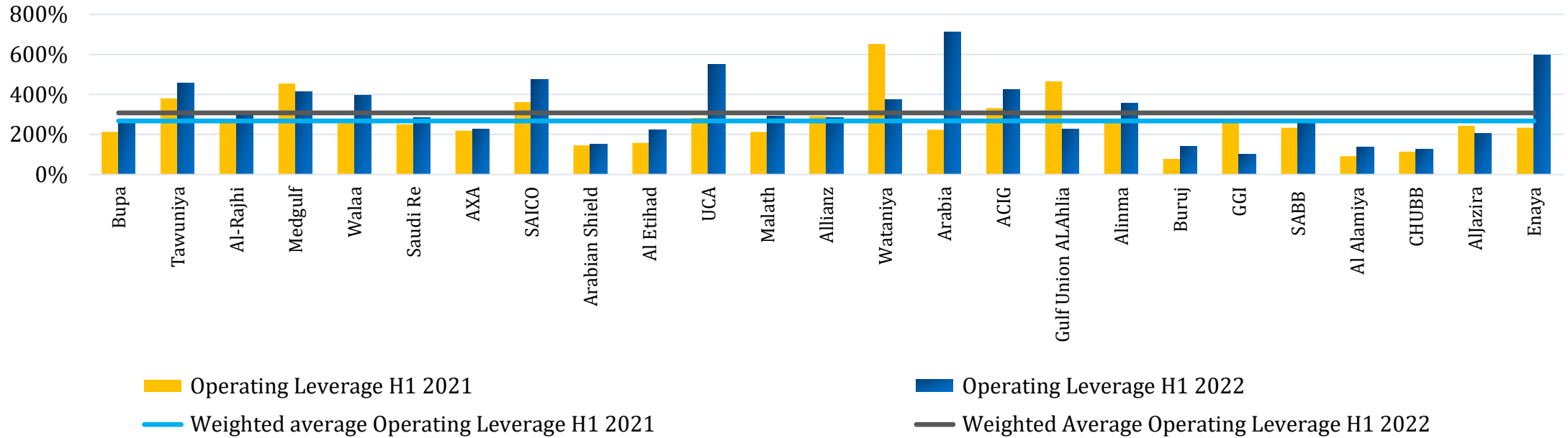
The highest Equity ratio for H1 2022 is 50% shown by GGI, whereas the lowest ratio of 4% is reflected by Salama.

Weighted average Equity ratio for H1 2022 is 25% (H1 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 June 30, 2022, divided by Total Assets as at June 30, 2022.

# Net Operating Leverage

Operating Leverage



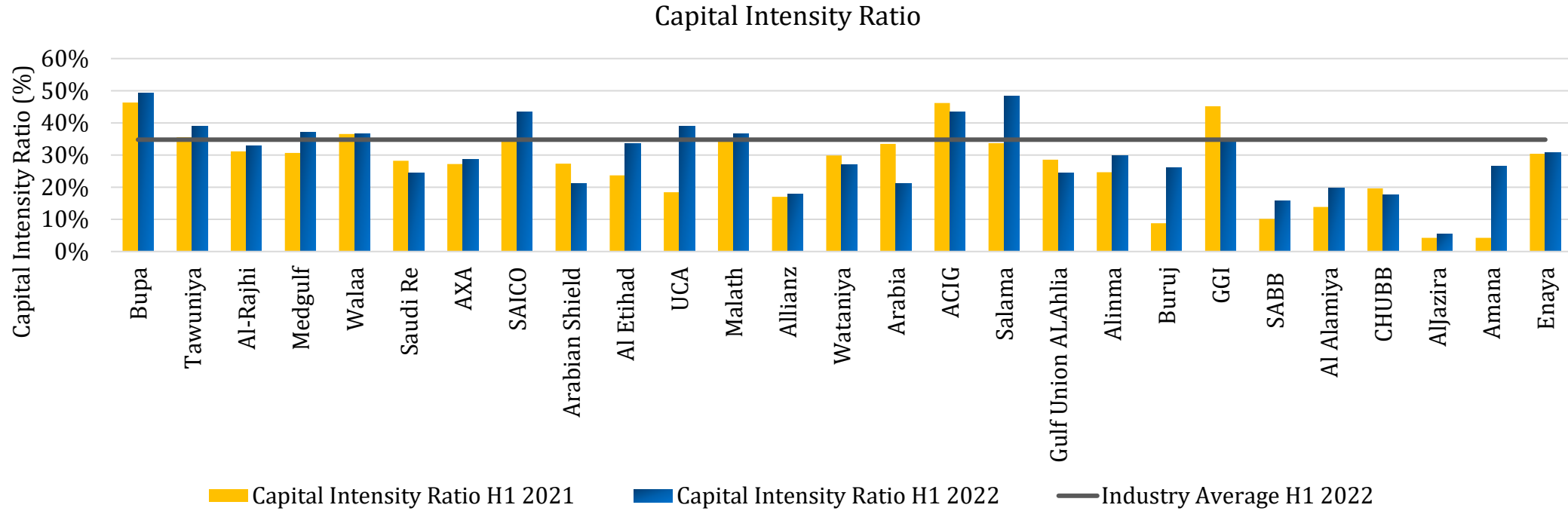
The highest Operating leverage ratio for H1 2022 is 2546% shown by Salama, whereas the lowest of 101% is reflected by GGI. (Salama and Amana have been omitted from the graph)

For H1 2022, the weighted average Operating leverage ratio for the market is at 308% (H1 2021: 268%).

The Leverage ratio is calculated by taking the proportion of Total Liabilities at June 30, 2022, to Net worth of the Company at June 30, 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 H1 2022 to Total Assets as at June 30, 2022

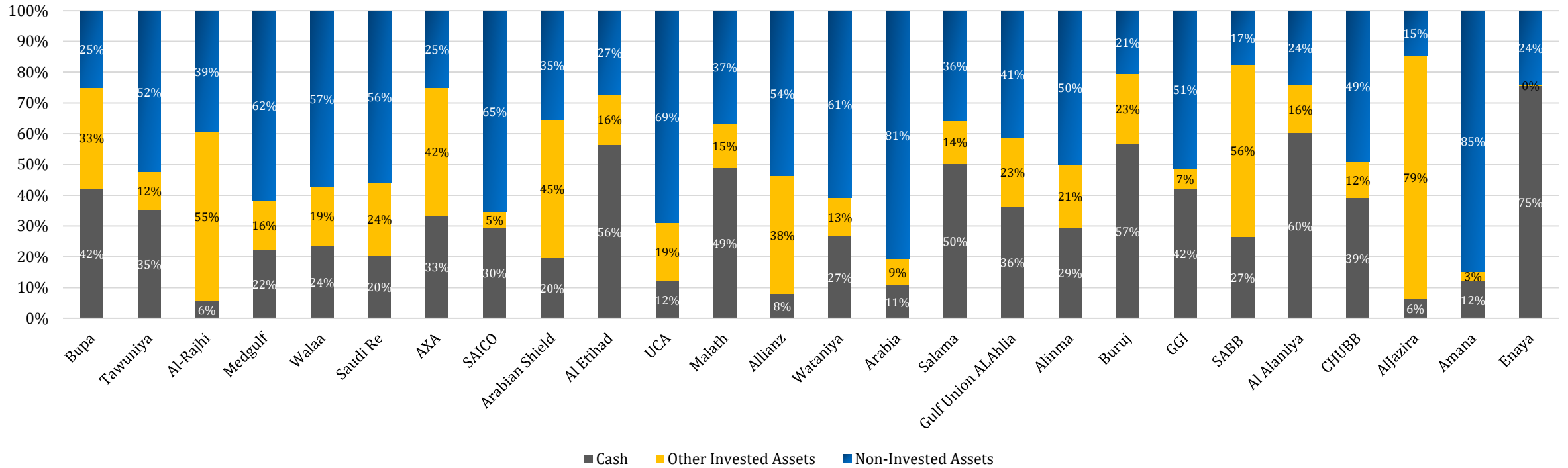
The Industry weighted Average Capital Intensity ratio for the H1 2022 is 35%.

Bupa attains highest CIR of 49% whereas, lowest of 5% CIR is attained by Al Jazira.



# Invested / Non-invested Assets to Total Assets

Total Assets Mix



■ Cash ■ Other Invested Assets ■ Non-Invested Assets

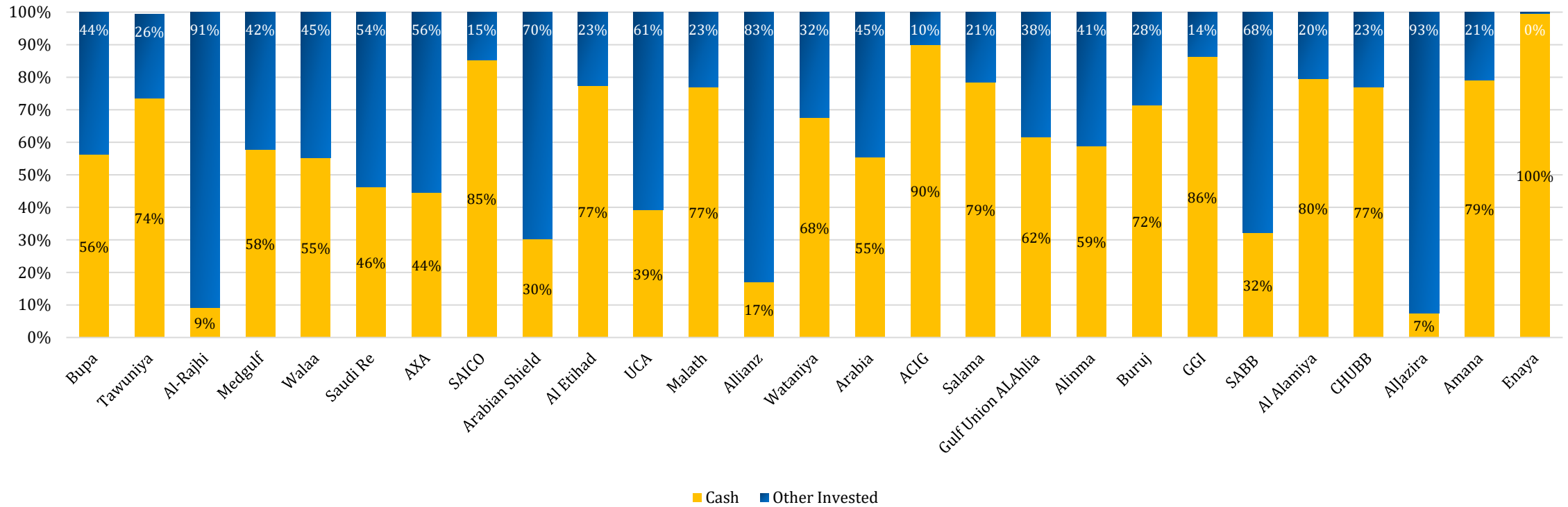
Asset Mix compares the proportion of invested assets and non-invested assets as at June 30, 2022. Total Invested Assets are the sum of Cash and Other Invested Assets.

Aljazira has the highest proportion i.e., 79% of its assets invested, while Amana has the lowest i.e., 3% of their assets invested.



# Total Invested Assets Mix

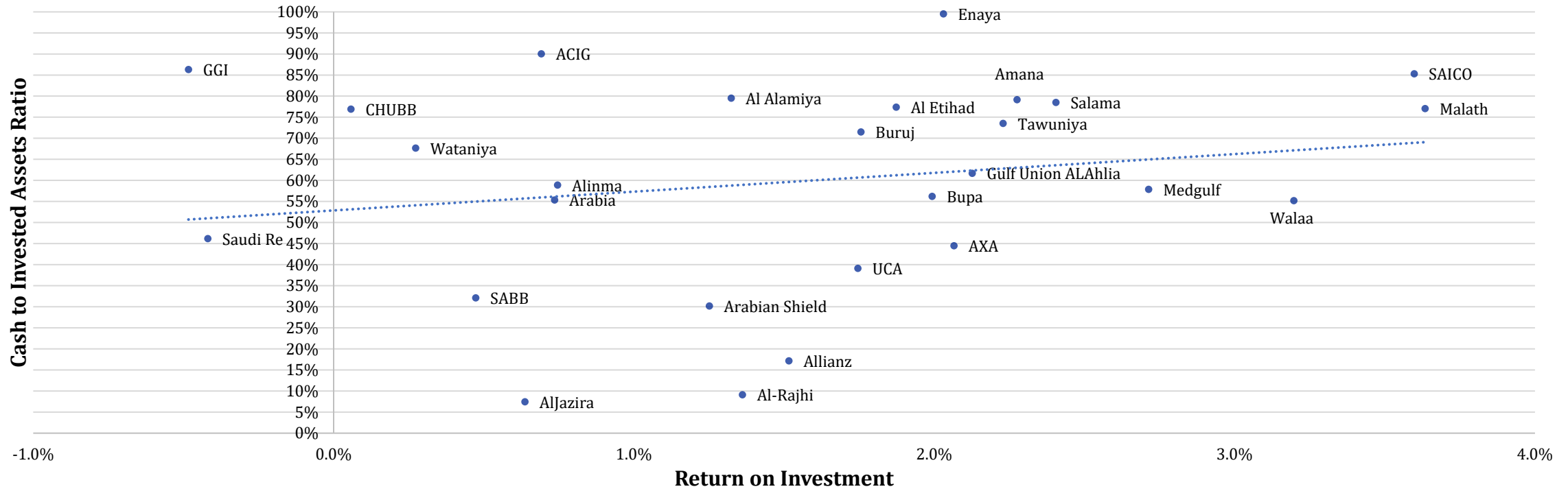
Total Invested Assets Classification



For Cash to Invested Assets the weighted average is 59% and 41% for Other Invested to Invested Assets.



# Return on Investment vs Cash Ratio

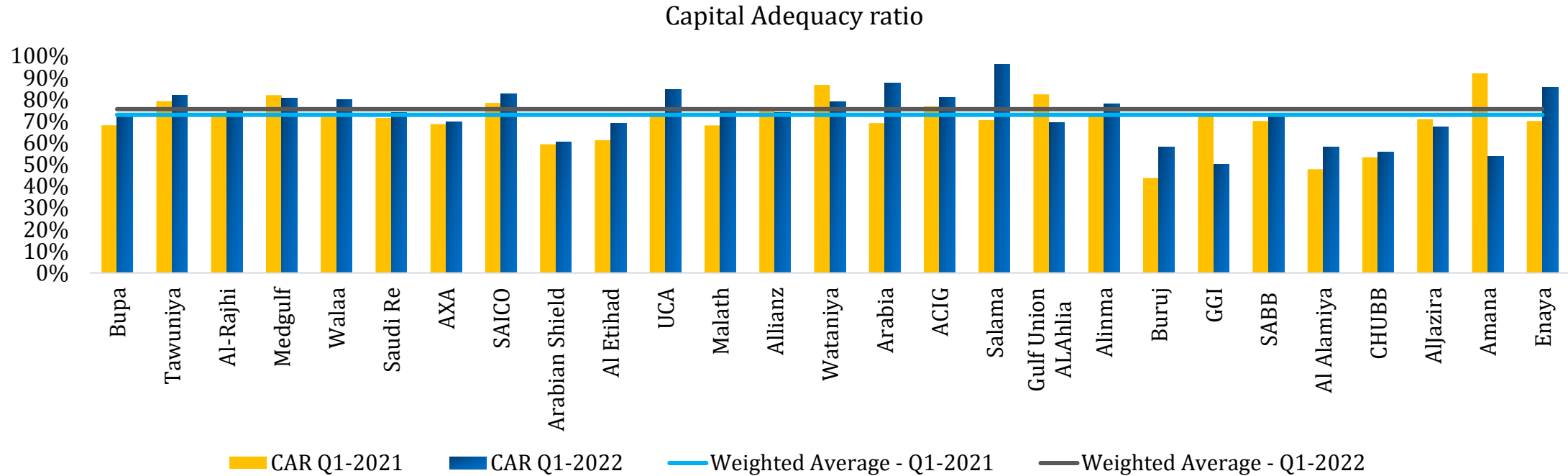


The Graph demonstrates the relationship between the amount of cash held by the company vs the return on investment.

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 H1 2022 to the average of Invested Assets as at June 30, 2021, and June 30, 2022. The median investment return was 2%.

# 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 June 30, 2022, to Total Assets as at June 30, 2022.

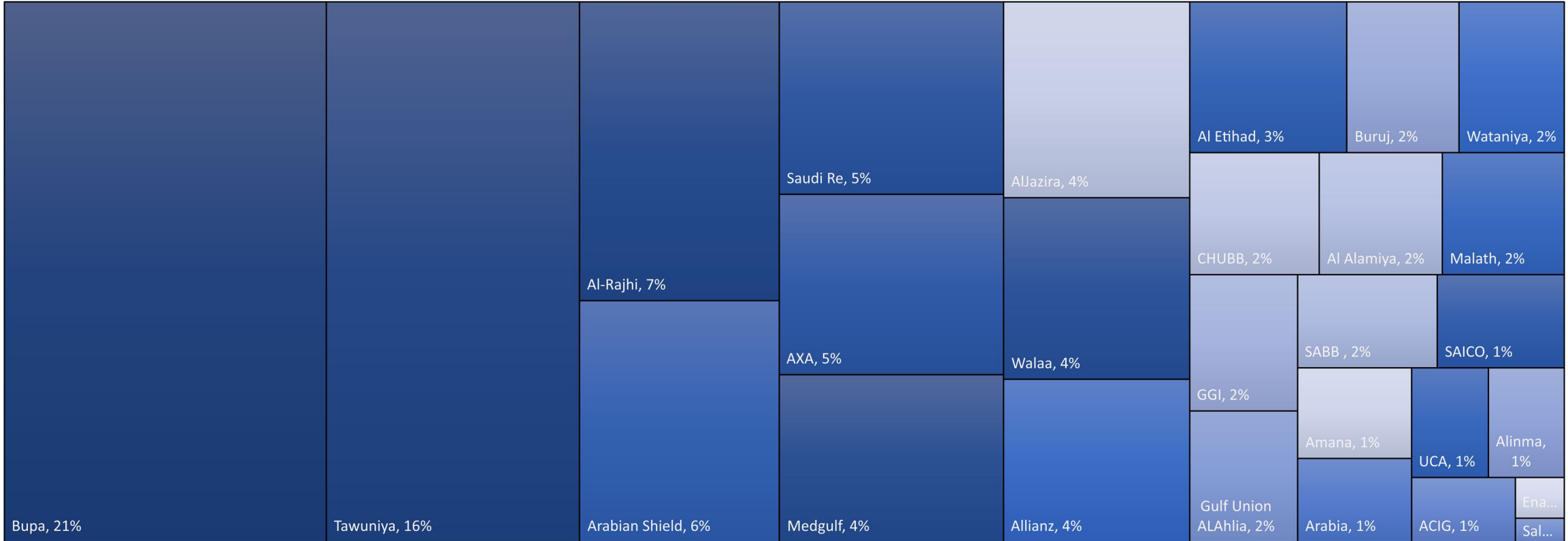
The market weighted average CAR is 75% as at June 30, 2022.





# Market Share

Market Share Proportion



The Tree map shows the Market share of each Company based on its Total Equity as at June 30, 2022.



## Earning Per Share

Company	EPS H1 2021	EPS H1 2022
Bupa	3.58	2.93
Tawuniya	1.62	1.65
Al-Rajhi	2.50	1.45
Medgulf	0.18	(1.27)
Wala	0.32	(0.53)
Saudi Re	0.33	0.08
AXA	1.29	0.85
SAICO	(1.08)	(0.79)
Arabian Shield	0.41	0.11
Al Etihad	0.67	(0.14)
UCA	0.94	(1.06)
Malath	0.29	(0.63)
Allianz	0.06	0.07
Wataniya	(1.38)	(1.12)
Arabia	0.01	0.02
ACIG	(0.35)	(0.82)
Salama	(0.01)	(2.80)
Gulf Union ALAhlia	(4.60)	(0.63)
Alinma	(0.16)	0.04
Buruj	(0.05)	(1.68)
GGI	(2.21)	(0.74)
SABB	0.05	0.06
Al Alamiya	0.07	(0.58)
CHUBB	0.27	0.07
AlJazira	0.36	0.26
Amana	(4.65)	(2.43)
Enaya	(2.08)	(0.97)

05

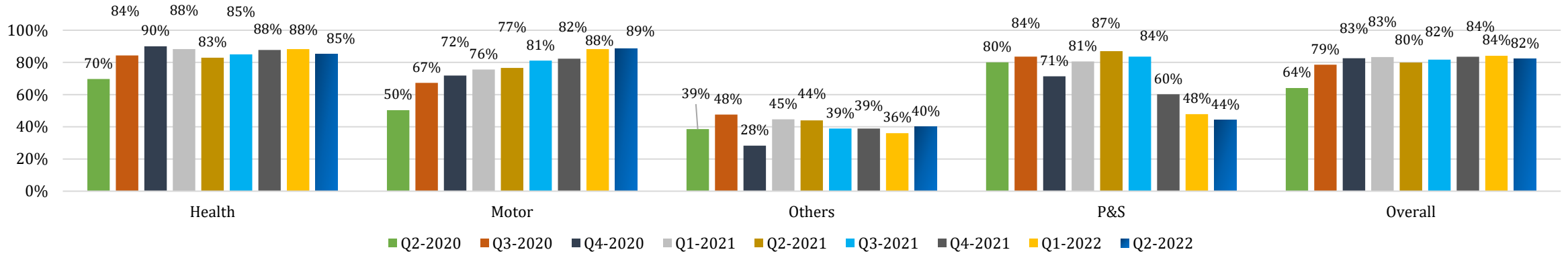
# LOB-WISE



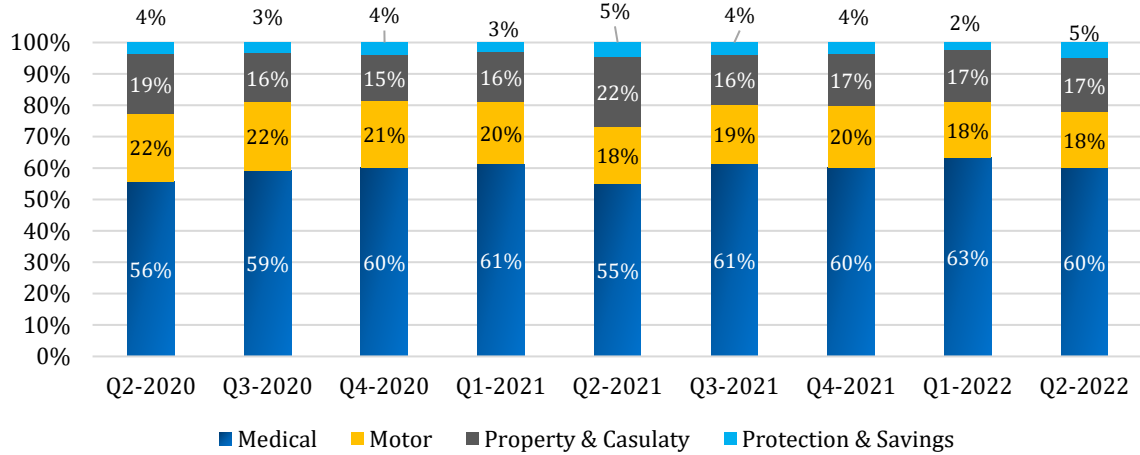


# Overview

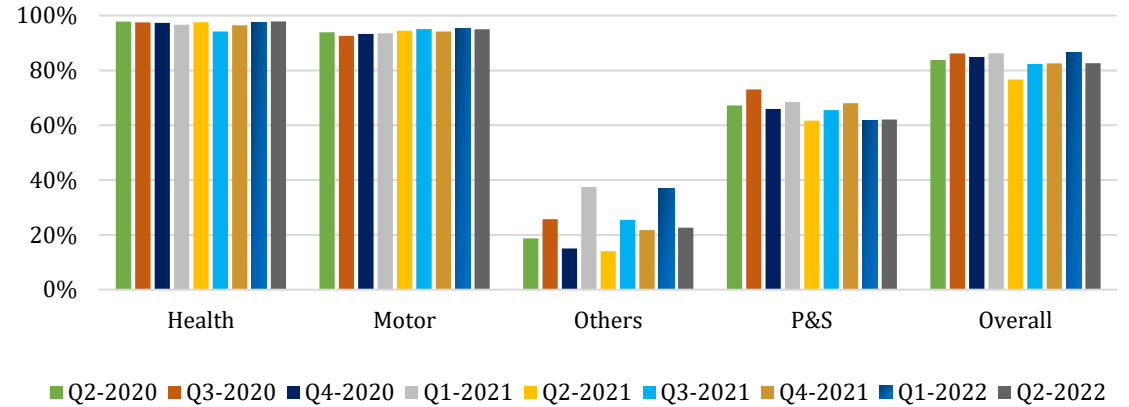
## Loss Ratio



## % of total GWP



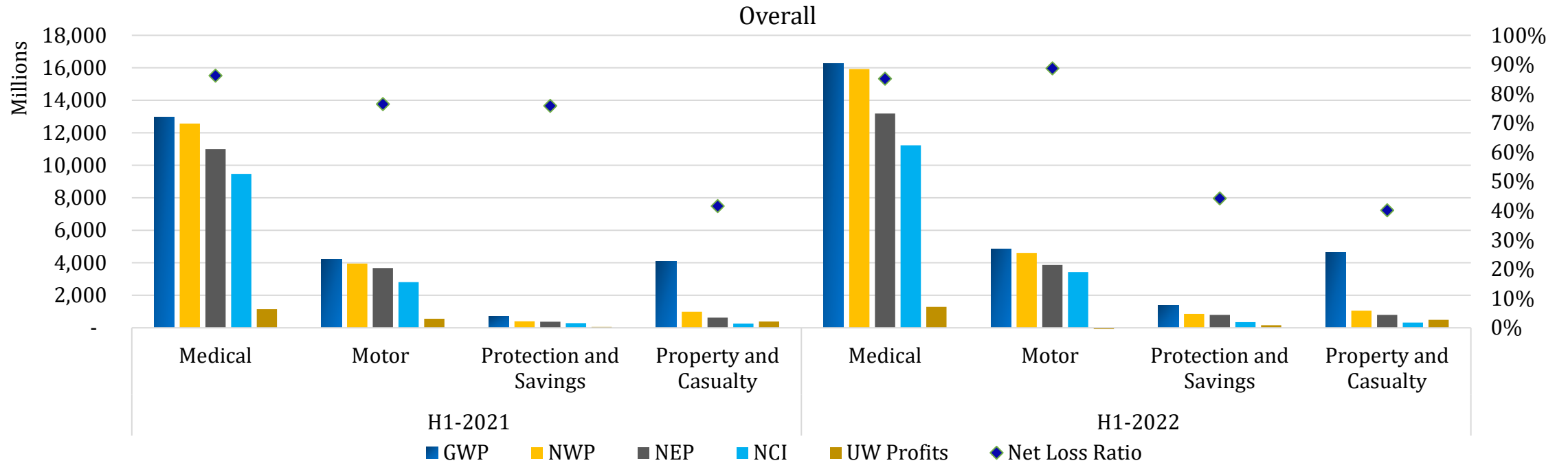
## Retention Ratio



Source: Past data numbers were taken from SAMA Quarterly Industry Report.



# Overall



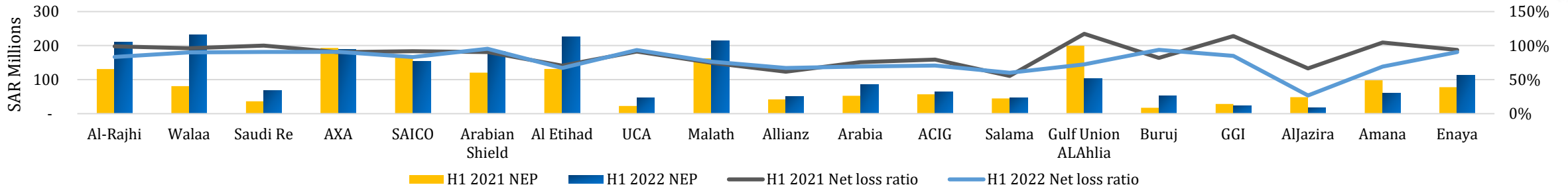
Significant increase in Motor's Net loss ratio for H1 2022 relative to H1 2021 is witnessed. Motor, Medical, P&S and P&C Net Loss Ratio has changed by 13%, -1%, -32 % and -2% respectively compared to the same period of last year.

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

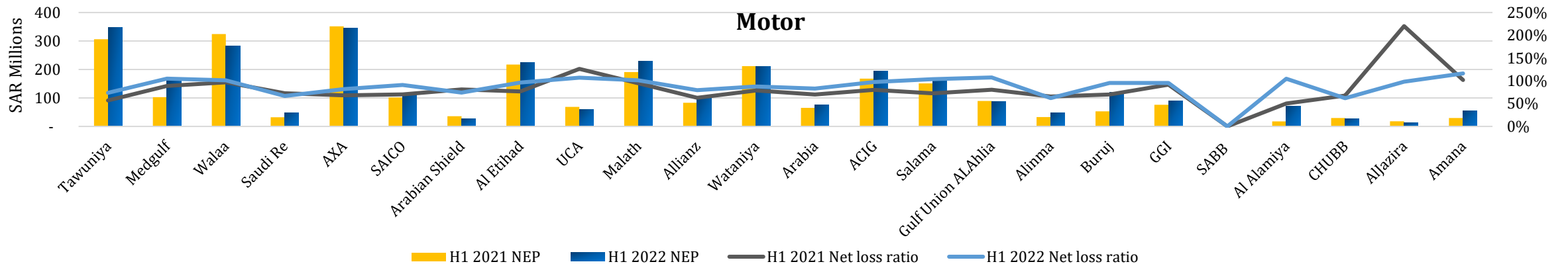
## Medical



Bupa, Tawuniya, Medgulf and Alinma are excluded from the above graph. Bupa has NEP of SAR 6.1 billion for H1 2022 and SAR 5.1 billion in H1 2021 reflecting ,the Net loss ratio of 85% and 84%, respectively. Tawuniya has NEP worth SAR 4.2 billion for H1 2022 and SAR 3.4 billion in H1 2021 reflecting the Net loss ratio of 86% and 88%, respectively. Medgulf has NEP worth SAR 799 million for H1 2022 and SAR 789 million in H1 2021 reflecting the Net loss ratio of 90% and 82%, respectively. Alinma has NEP of SAR 166,000 H1 2022 and SAR 9,000 in H1 2021 reflecting the Net loss ratio of 52% and 311%, respectively. The weighted average of Loss Ratio for the top 5 Companies for Medical is 86% in H1 2022 corresponding to 86% in H1 2021. Moreover, the weighted average of loss ratio for Others is 80% in H1 2022 corresponding to 89% in H1 2021.

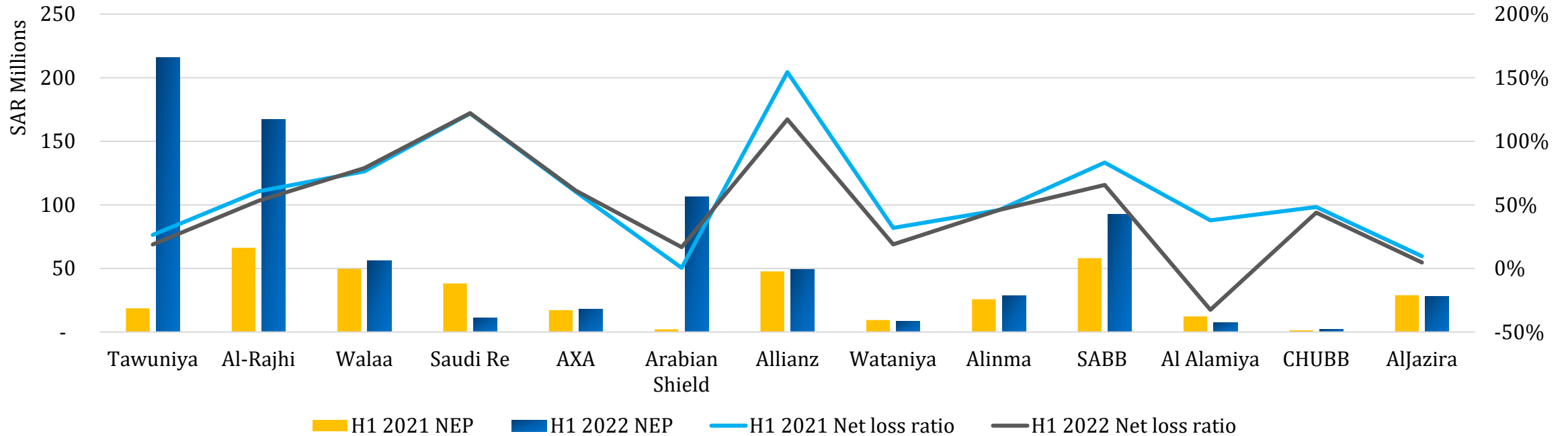
Al Rajhi is excluded from the below graph. It has NEP of SAR 758 million for the period H1 2022 and SAR 920 million for H1 2021 reflecting the Net loss ratio of 76% and 68% respectively. The weighted average loss ratio for top 5 companies is 82% for period H1 2022 and 68% for H1 2021, whereas the weighted average loss ratio for other companies is 95% for period H1 2022 and 85% for H1 2021.

## Motor



# Net Earned Premium & Loss Ratio

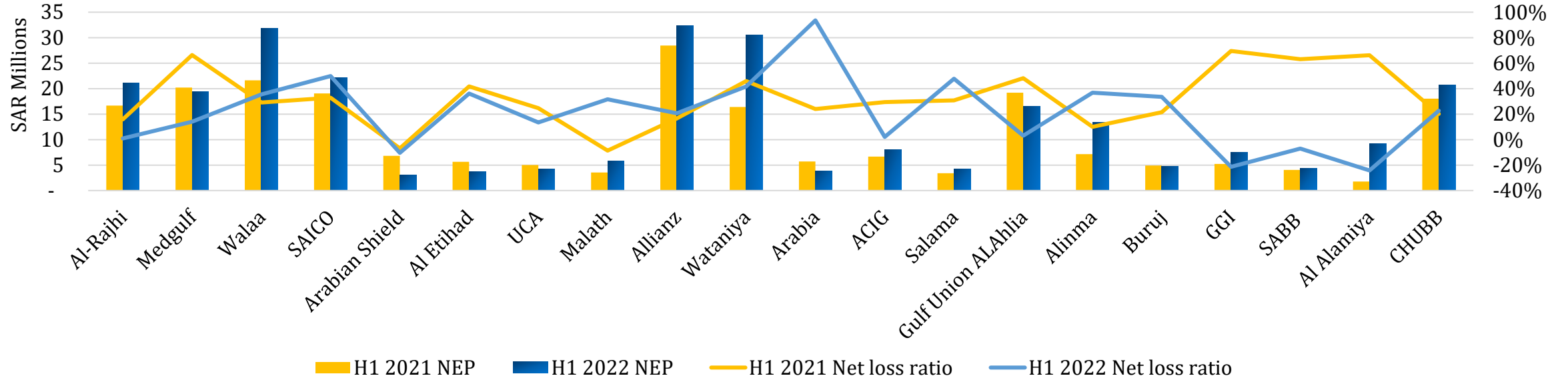
## Protection and Savings



The weighted average loss ratio for top 5 Companies in P&S is 42% and for others is 52% corresponding to 87% for top 5 companies and 64% for others in H1 2021 respectively.

# Net Earned Premium & Loss Ratio

## Property and Casualty



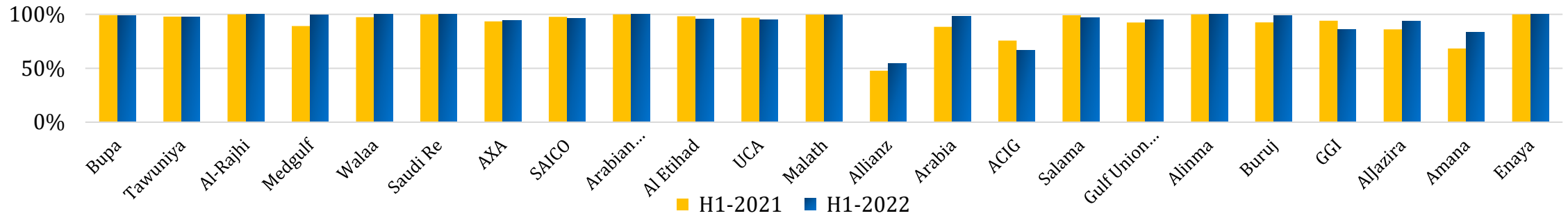
Tawuniya, Saudi Re, Amana, Al Jazira and AXA are excluded from the below graph. Tawuniya has NEP worth SAR 68 million for H1 2022 and SAR 45 million for H1 2021 reflecting the Net loss ratio of 29% and 18%, respectively. On the other hand, Saudi Re has NEP of SAR 365 million for H1 2022 and SAR 283 million in the H1 2021 reflecting the Net loss ratio of 59% and 52%, respectively. Amana has NEP of SAR 389,000 for H1 2022 and SAR 134,000 million in the H1 2021 reflecting the Net loss ratio of -3% and 807%, respectively. Al Jazira has NEP of SAR 1.4 million for H1 2022 and SAR 1.1 million in the H1 2021 reflecting the Net loss ratio of -1% and -14%, respectively. AXA recorded the NEP of SAR 91 million in H1 2022 and SAR 78 million in corresponding period H1 2021 with Net Loss ratio of 24% and 42% respectively,

For P&C, the weighted average loss ratio for Top 5 companies is 50% however in H1 2021 the weighted average loss ratio was 45%. For companies other than top 5, the weighted average loss ratio is 23% in H1 2022 and in H1 2021 it stood at 37%.



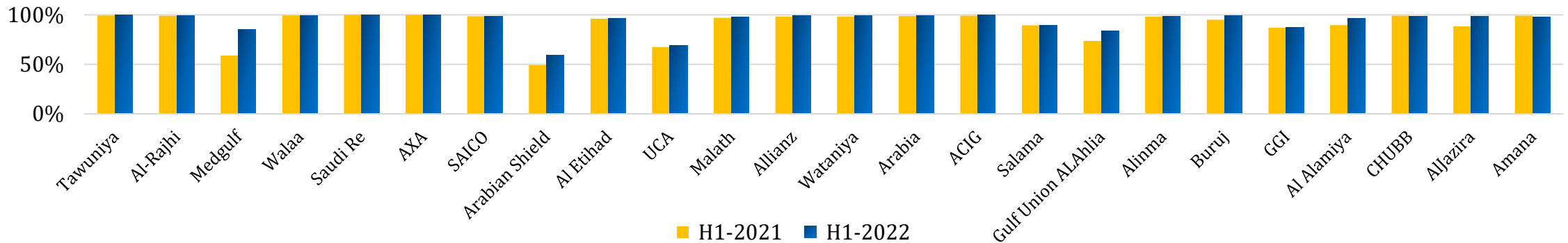
# Retention Ratio

## Medical



A significant increase in the retention ratio of Amana for Medical is witnessed from 86% to 93% in H1 2022

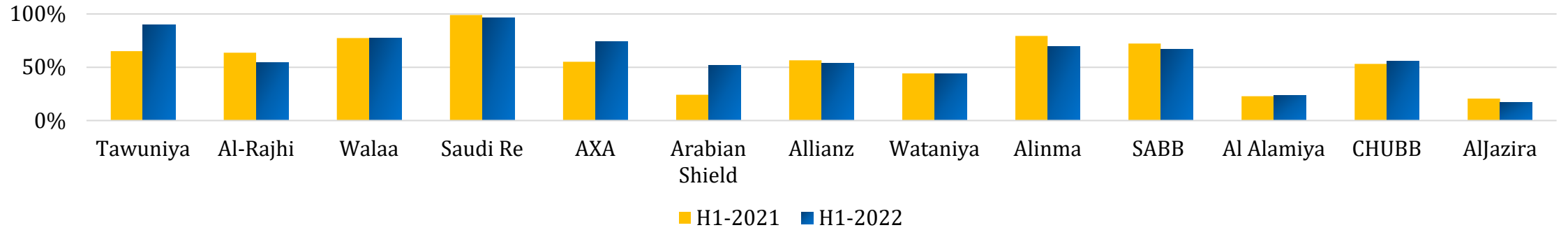
## Motor



Medgulf's retention ratio shows a fairly significant increased from 59% to 85% in H1 2022

# Retention Ratio

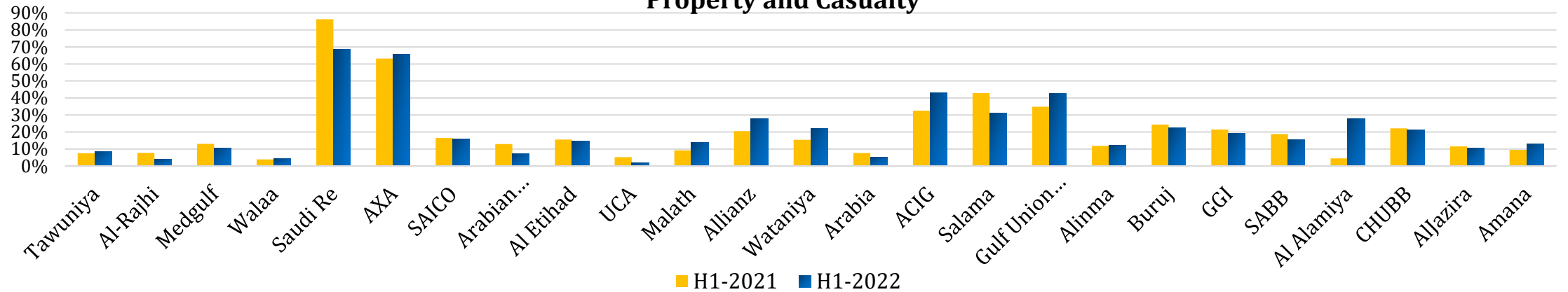
## Protection and Savings



In Protection & Savings, Arabian Shield and Tawuniya have significantly increased their retention from 24% to 51% and from 65% to 90% respectively in H1 2022.

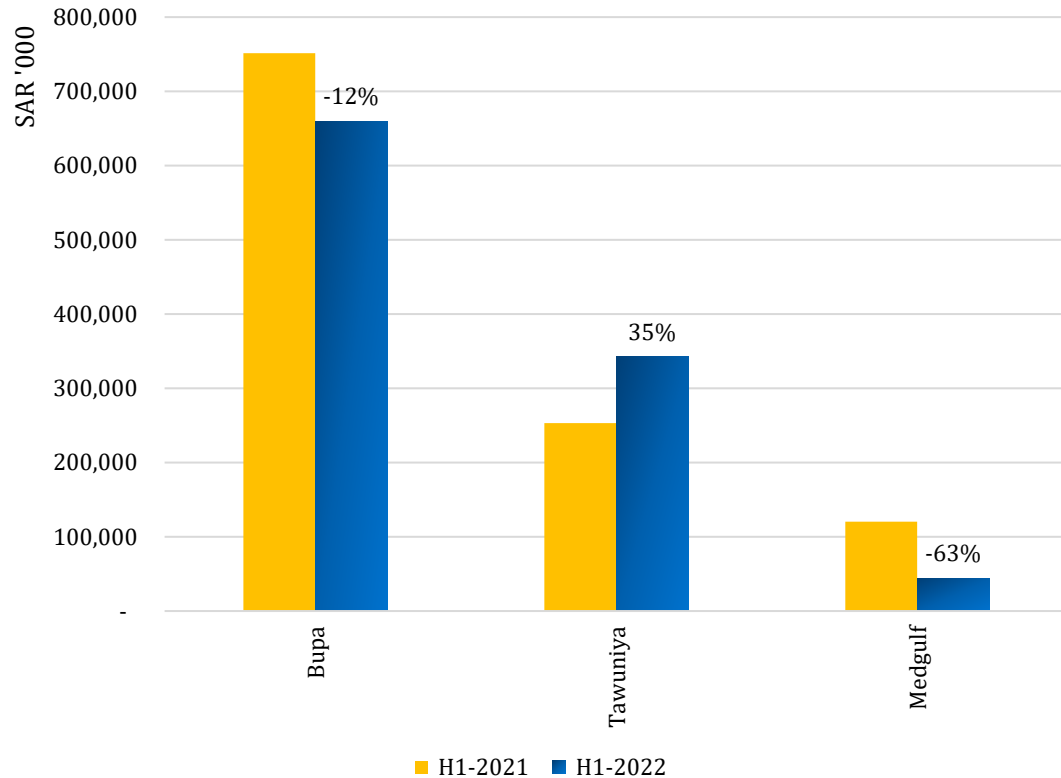
For Property & Casualty, Saudi Re has reduced its retention by 17% in H1 2022.

## Property and Casualty

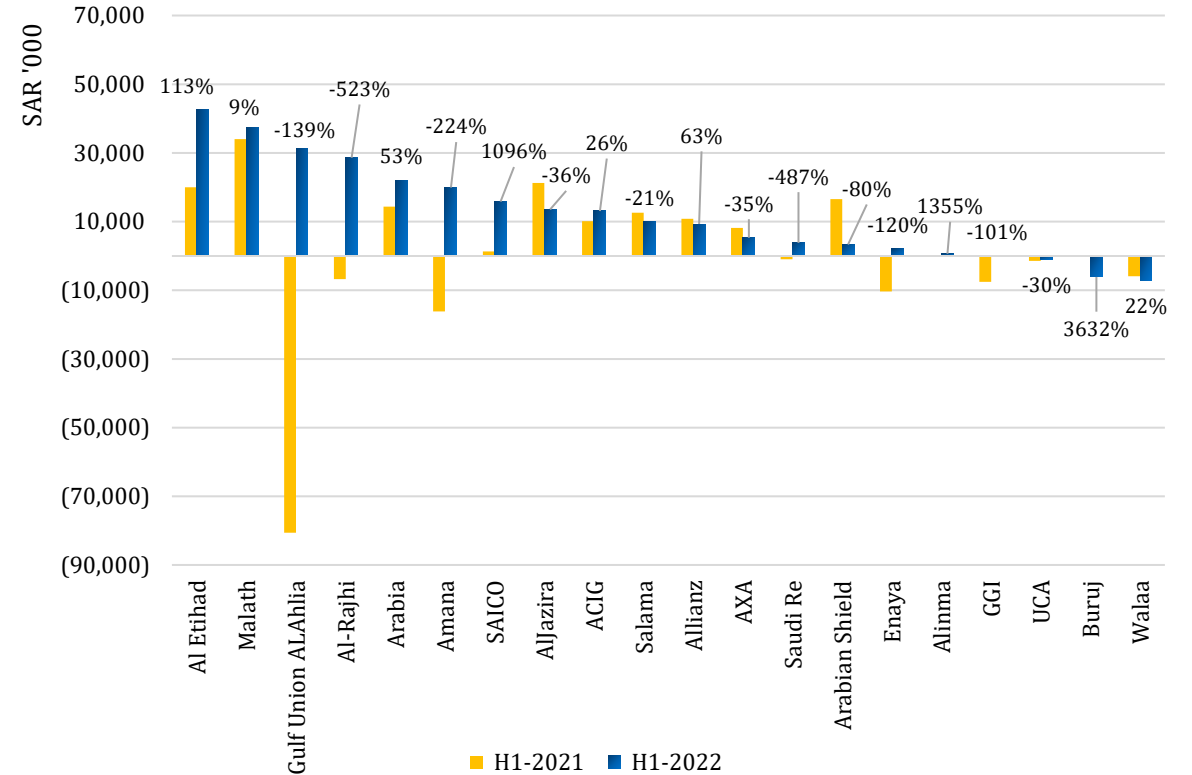


# Underwriting Profit

Medical - Top 3



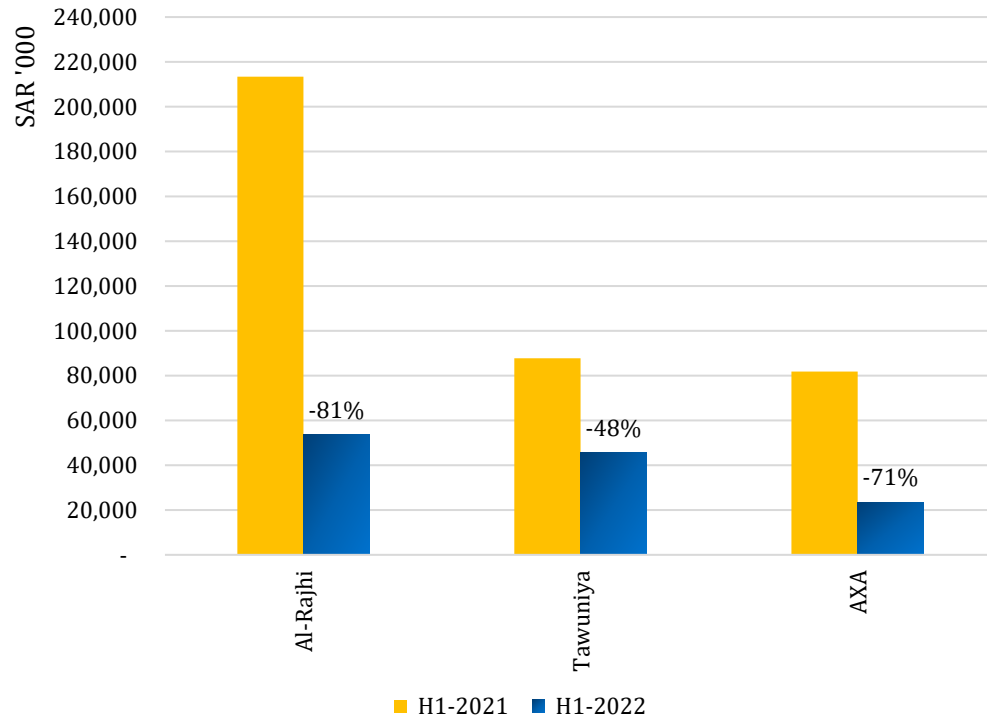
Medical - Others



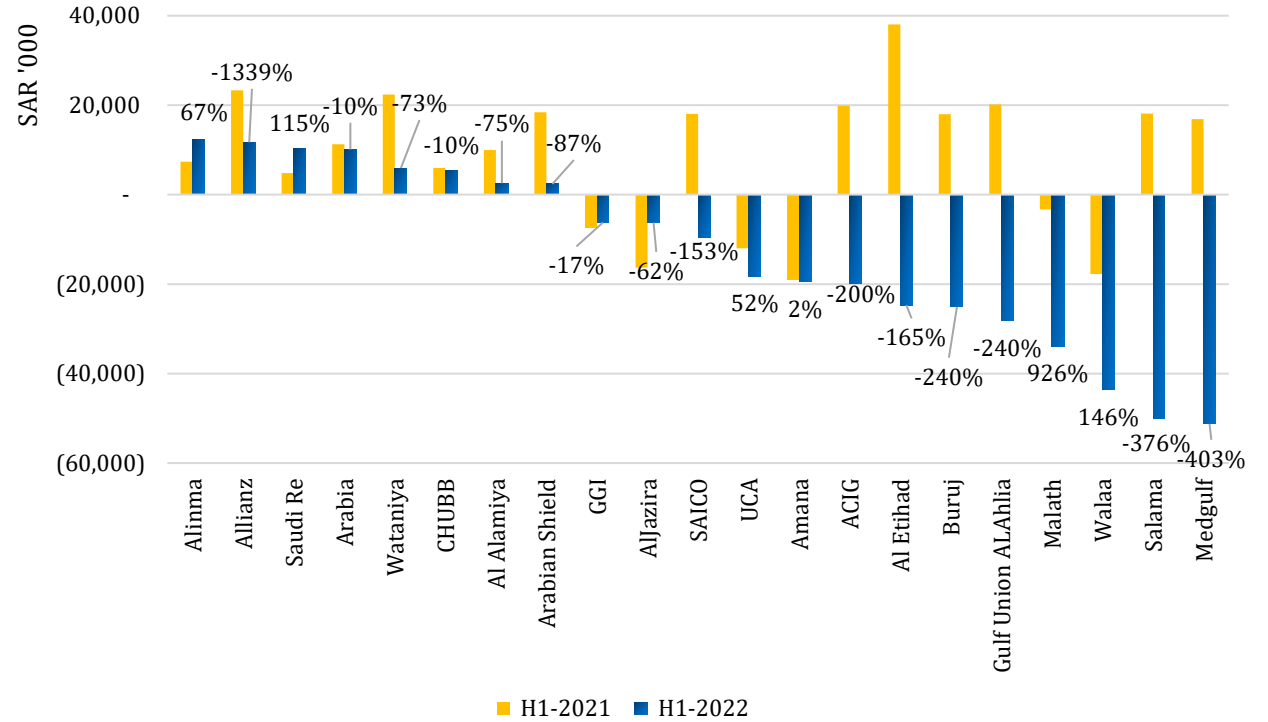
Total UW Profit in the Medical line is SAR 1.3 billion signifying an increase of 13% in the H1 2022 compared to H1 2021 when the total UW Profit recorded in Medical was SAR 1.1 billion.

# Underwriting Profit

Motor - Top 3



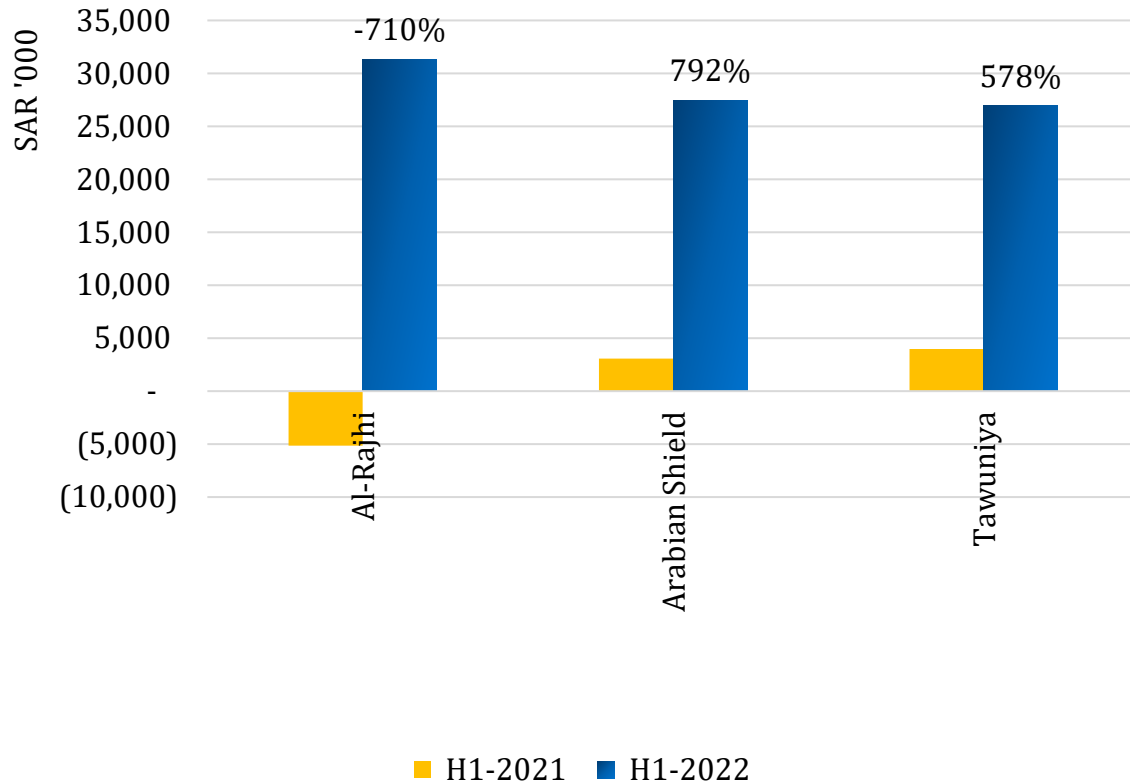
Motor - Others



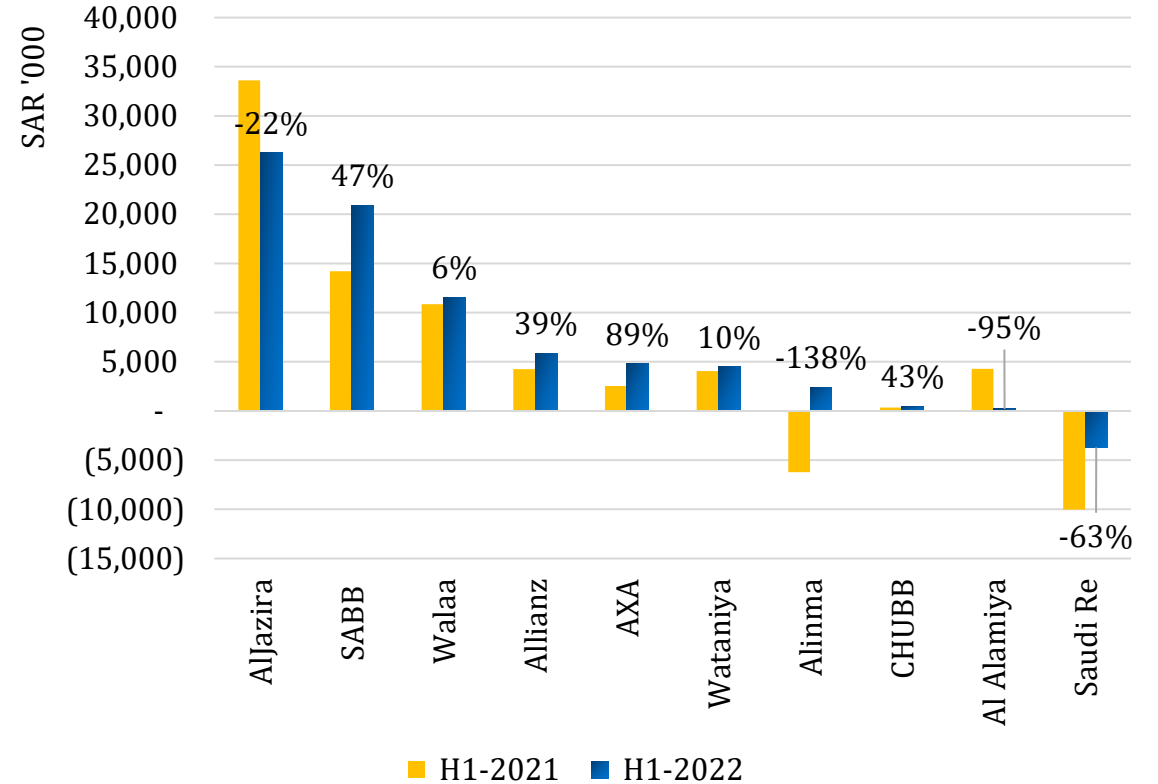
Total UW Profit in the Motor line is SAR -153 million signifying a decrease of 127% in the H1 2022 compared to H1 2021 when the total UW Profit recorded in Motor was SAR 560 million.

# Underwriting Profit

Protection and Savings – Top 3



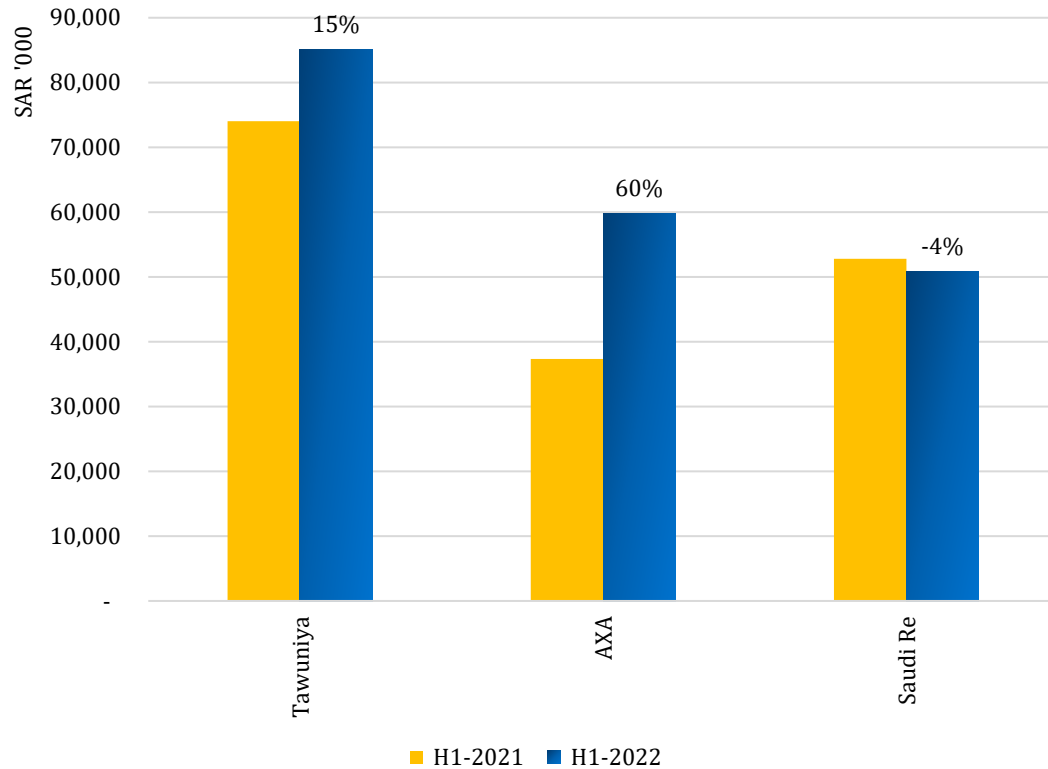
Protection and Savings - Others



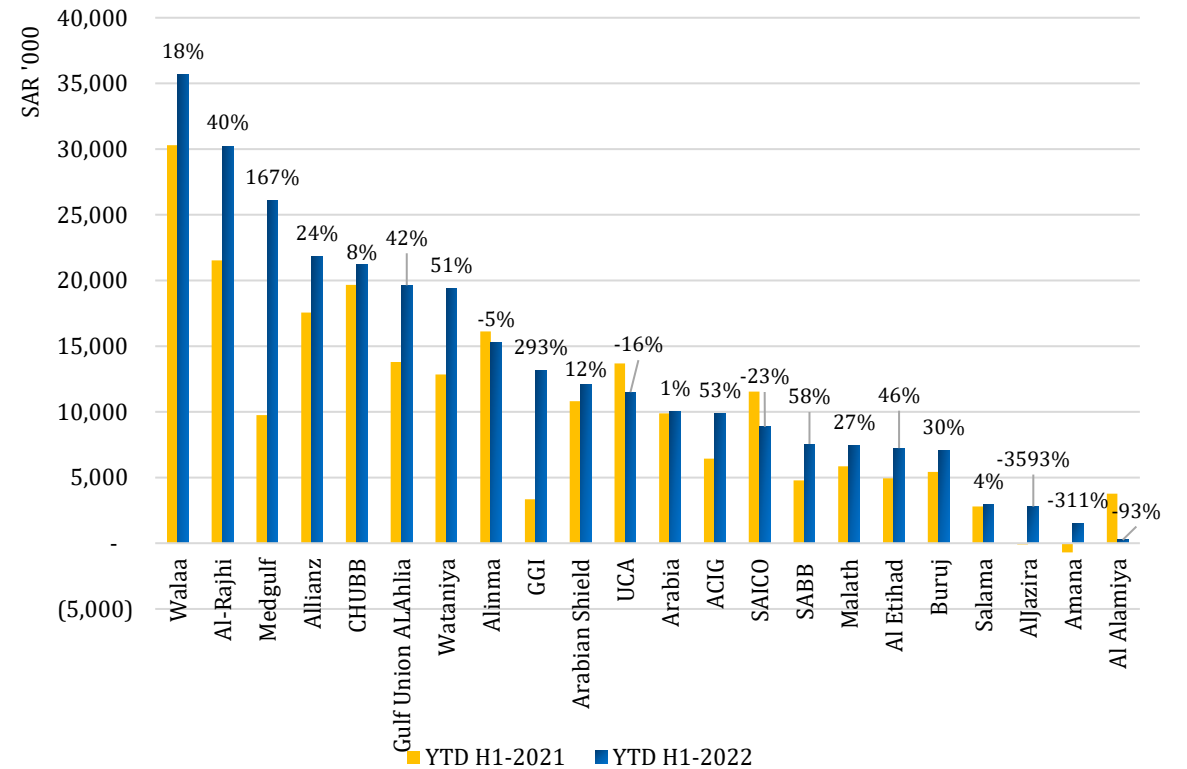
Total UW Profit in the P&S is SAR 159 million signifying an increase of 166% in H1 2022 compared to H1 2021 when the total UW Profit recorded in P&S was SAR 60 million.

# Underwriting Profit

Property and Casualty - Top 3



Property and Casualty - Others

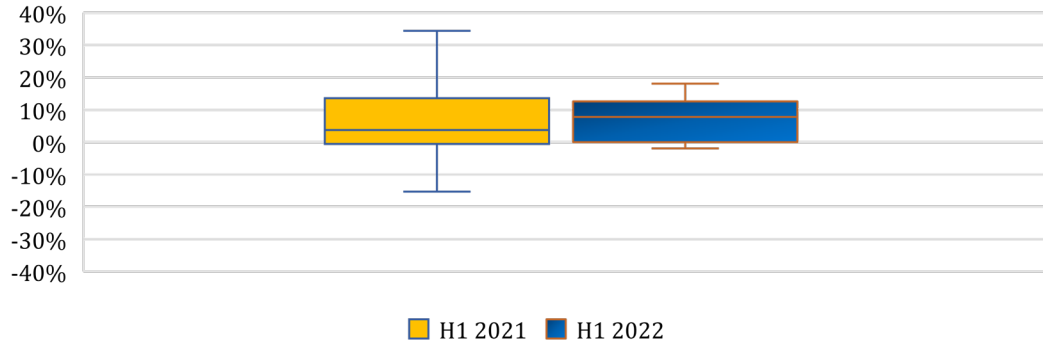


Total UW Profit in the P&C is SAR 487 million signifying an increase of 26% in H1 2022 compared to H1 2021 when the total UW Profit recorded in P&C was SAR 388 million.

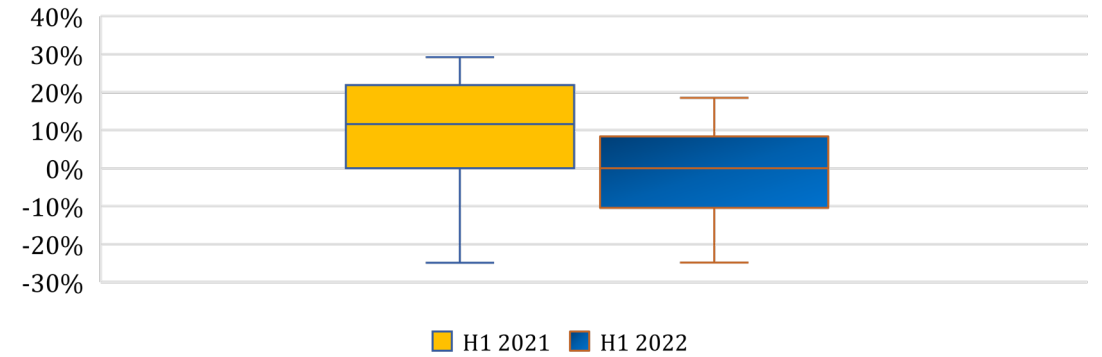


# UW Profit Margin

### Medical UW Profit

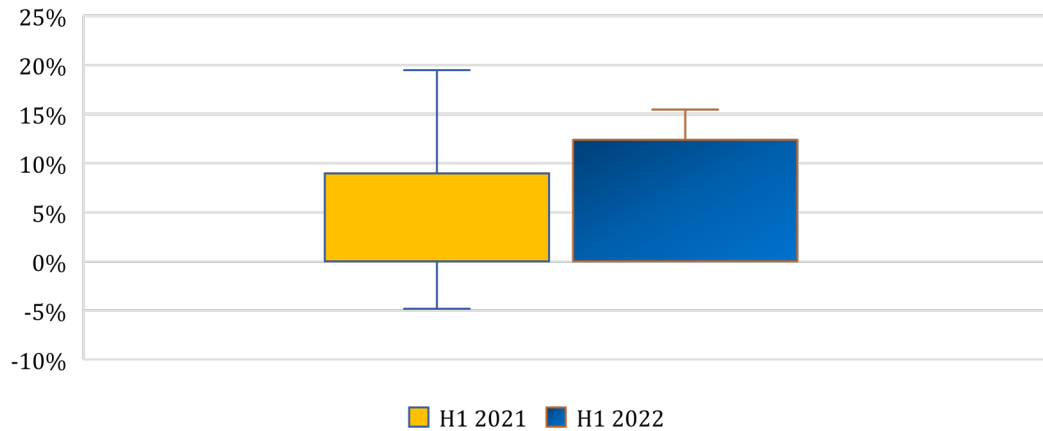


### Motor UW Profit

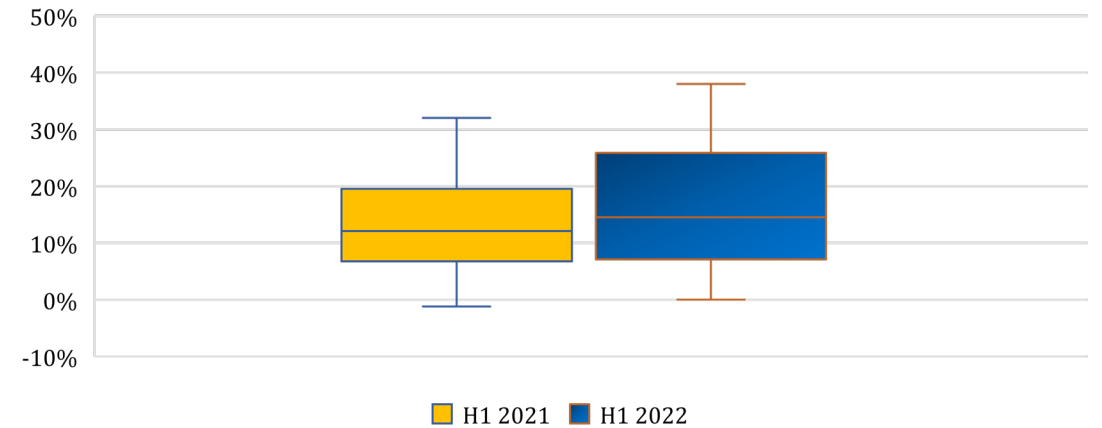


UW Profit Margin is calculated by dividing UW Profit to the Gross Written Premium.

### 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

	H1 2022	H1 2021	Variance
	SAR million	SAR million	SAR million
<b>Medical UW Profit</b>	1,290	1,144	146
<b>Motor UW Profit</b>	(153)	560	(712)
<b>P&amp;C UW Profit</b>	487	388	99
<b>P&amp;S UW Profit</b>	159	60	99
<b>Total UW Profit</b>	1,784	2,152	(368)
<b>Investment Income</b>	747	683	64
<b>Others</b>	(2,417)	(2,318)	(99)
<b>Total Net Profit (After Zakat and Tax)</b>	114	517	(403)





## Conclusion

- 2021 was one of the worst years for profitability in the KSA Insurance sector and H1 2022 continues to be challenging, particularly for companies with heavier exposure to motor. Compared with the same period last year, the insurance industry in the Kingdom has witnessed a dramatic decline in profitability for H1 2022.
- Overall gross written premiums have increased by 23.8% from SAR 21.9 billion to SAR 27.1 billion but profitability after zakat & tax has plummeted by 88% from a profit of SAR 517 million in H1 2021 to a reduced profit of SAR 114 million in H1 2022. However, we note there are some positive signs of recovery and there is a welcome return to profitability for the sector as a whole in H1 2022 compared with the heavy loss for Q1 2022.
- Motor underwriters have struggled in very challenging market conditions, as underwriting profits have fallen by 127% compared with H1 2021. Whilst this was very much affecting the whole market the difference in performance between the largest players and the rest of the market is stark. The 5 largest motor writers had an average loss ratio of 82% whereas the others had an average loss ratio of 95%. Based on the position at H1 2022 it will be difficult to achieve underwriting profits for motor for FY 2022 for many of these insurers. Retail TPL aggregator business has been heavily loss making and premiums need to increase significantly across the market for many insurers to be profitable in this segment.
- By contrast, Medical GWP has grown substantially by 26% and underwriting profits have increased by 13% compared with last year. This remains an extremely competitive line of business and the overall industry loss ratio remains high at around 85%.
- The Industry Combined Ratio has increased sharply by 3% to 103%, compared with H1 2021 mainly due to an increase in the industry loss ratio as expense ratios remain at similar levels. Claims incurred have been significantly higher than expected. Investment returns have remained positive offsetting some of the underwriting losses. The Combined Ratio shows a modest improvement compared with Q1 2022 but unless motor results improve dramatically its hard to envisage this falling below 100% by the end of the year.
- The overall industry retention ratio of 83% has increased by 1% compared to H1 2021.
- 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 78% of GWP in the insurance sector of KSA.
- Protection & Savings continues to show good profitability albeit with smaller overall volumes. The Protection and Savings Insurance continues to grow and has doubled in terms of GWP compared with the same period last year.
- The profitable Property and Casualty lines saw an increase of 16%, however with an average retention ratio of 23% this continues to be heavily reinsured.

## الاستنتاج

- كان عام 2021 من أسوأ سنوات الربحية في قطاع التأمين في المملكة العربية السعودية ولا يزال النصف الأول من عام 2022 يمثل تحديًا كبيرًا لاسيما الشركات الأكثر تعرضًا لتأمين السيارات. مقارنة بنفس الفترة من العام الماضي، شهدت صناعة التأمين في المملكة انخفاضًا كبيرًا في الربحية في النصف الأول من عام 2022 مقارنة بنفس الفترة من العام الماضي.
- وارتفع إجمالي الأقساط المكتتبه بنسبة 23.8% من 21.9 مليار ريال سعودي إلى 27.1 مليار ريال سعودي، ولكن الربحية بعد الزكاة والضرائب انخفضت بنسبة 88% من أرباح بلغت 517 مليون ريال سعودي في النصف الأول من عام 2021 إلى أرباح مخفضة بلغت 114 مليون ريال سعودي في النصف الأول من عام 2022. رغم أننا نلاحظ أن ثمة علامات إيجابية تشير إلى التعافي من الوضع المتفاقم وعودة مرحب بها إلى المستويات المتواضعة من الربحية للقطاع ككل في النصف الأول من عام 2022 مقارنة بالخسائر الفادحة في الربع الأول من عام 2022.
- عانى المكتتبون في قطاع التأمين على السيارات في ظل ظروف السوق الصعبة للغاية، حيث انخفضت أرباح الاكتتاب بنسبة 127% مقارنة بالنصف الأول من عام 2021. رغم أن هذا الأمر كان له تأثير كبير على السوق بأسره، إلا أن التباين في الأداء بين أكبر اللاعبين وبقية السوق كان صارخًا. تكبد المكتتبون الكبار الخمس في قطاع السيارات خسارة بمعدل 82% بينما كانت معدل خسارة الباقيين 95%. واستنادًا إلى الوضع في النصف الأول من عام 2022، سيكون من الصعب تحقيق أرباح اكتتاب في قطاع السيارات للسنة المالية 2022 للعديد من شركات التأمين هذه. حققت الأعمال الإجمالية للتأمين ضد الغير بالتجزئة خسارة فادحة ويجب أن تزيد الأقساط بشكل كبير في جميع أنحاء السوق للعديد من شركات التأمين لتكون مربحة في هذا القطاع.
- وعلى النقيض، بالنسبة للخدمات الطبية، ارتفع إجمالي قسط الاكتتاب بشكل كبير بنسبة 26% ولكن أرباح الاكتتاب انخفضت بنسبة 13%. لا يزال هذا مجال عمل تنافسي للغاية ولا تزال نسبة الخسارة الإجمالية للقطاع مرتفعة تقف عند حدود 85%.
- ارتفعت النسبة المجمع للمجال بنسبة 3% إلى 103% في النصف الأول من عام 2022، مقارنة بالنصف الأول من عام 2021. ويرجع ذلك أساسًا إلى زيادة في نسبة خسارة المجال حيث تظل نسب النفقات عند مستويات مماثلة. وكانت المطالبات المتكيدة أعلى بكثير مما كان متوقعًا. وظلت عائدات الاستثمار إيجابية لتعويض بعض خسائر الاكتتاب. تظهر النسبة المجمع تحسنًا متواضعًا مقارنة بالربع الأول من عام 2022، ولكن ما لم تتحسن نتائج قطاع التأمين على السيارات بشكل كبير، فمن الصعب تصور انخفاض هذا إلى أقل من 100% بحلول نهاية العام.
- وارتفعت نسبة الاحتفاظ الإجمالية للقطاع بنسبة 83% مقارنة بالنصف الأول من عام 2021.
- زادت نسبة مصروفات العمولة بحوالي 1% ولم يلاحظ أي تغييرات في نسبة المصروفات العامة والإدارية.
- تعتبر السيارات والخدمات الطبية العمود الفقري لصناعة التأمين في المملكة العربية السعودية التي تساهم إجمالاً بنسبة 78% من إجمالي الأقساط المكتتبه في قطاع التأمين في المملكة العربية السعودية.
- تستمر قطاعات تأمين الحماية والإدخار في إظهار نمو جيد وربحية وإن كان ذلك مع أحجام إجمالية أصغر. يستمر تأمين الحماية والإدخار في النمو وقد تضاعف من حيث إجمالي أقساط التأمين مقارنة بالفترة نفسها من العام الماضي.
- شهدت قطاعات التأمين على الممتلكات والإصابات المربحة للغاية زيادة بنسبة 16% في إجمالي الأقساط المكتتبه، ومع ذلك لا تزال تشهد عمليات إعادة التأمين عليها تزايدًا كبيرًا.



# Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in KSA for the first 6 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 H1 2022 has been undertaken. AL Sagr has been omitted from the analysis .



## About Our Team

UAE/Oman Actuarial	KSA Actuarial	Medical	IFRS-17
31 staff	19 staff	6 staff	12 staff
Business Intelligence	End of Service	HR Consulting	Support Functions
7 staff	5 staff	2 staff	24 staff

**Total Strength**  
**106**



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## Feedback

Badri Management Consultancy is proud to present Saudi Arabia's Insurance Industry Performance analysis H1 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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