



BADRI

Saudi Arabia's Insurance Industry Performance Analysis – Q3 2022

Date: December 26, 2022



About BADRI

Driven by the passion to further the use of actuarial skills in the MENA region, Badri was established in the UAE. Since then, the company has expanded exponentially and now has offices in Dubai, Riyadh, Karachi, and Lahore.

Today, our 120+ talented staff spread across KSA, UAE, Pakistan and India drive innovation and provide cutting edge solutions to our business partners across the globe. We strive to ensure that we provide the best quality solutions, turning our experience and industry knowledge into value for our clients.

We specialize in General, Life & Health Insurance / Takaful and provide customized solutions by using the latest analytical tools. We also provide IFRS17, ERM, Capital Modelling, and Big Data Analytics services to our clients.





We have done it again 3rd time in a row

“Strategic Partner to the Industry” at
9th Middle East Insurance Industry
Awards.

BADRI Management Consultancy

“Your Profit Optimization Partner”





VISION

Solution architects strengthening our partners to optimize performance

MISSION

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



CORE VALUES

INTEGRITY

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

CHASING EXCELLENCE

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

FOSTERING PARTNERSHIPS

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

BREEDING EXCITEMENT

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

GROWTH-CENTRIC

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



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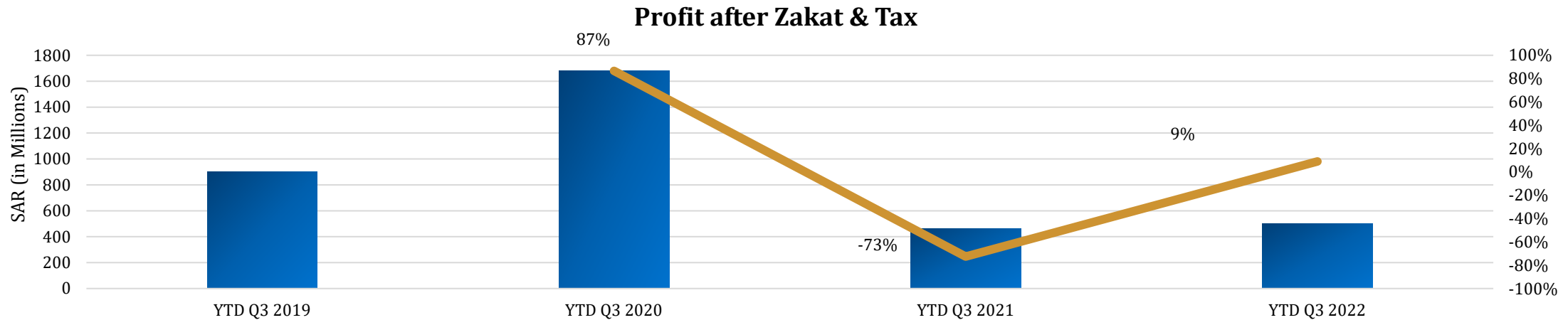
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Executive Summary

- The first nine months of 2022 saw overall gross written premiums increasing by 25.6% from SAR 32.0 billion to SAR 40.2 billion. A key factor behind this is increase in prices for Motor and Medical line of businesses as the insurers are suffering heavy losses during the current year.
- At an industry level, the profitability after zakat & tax has increased by 9% from a profit of SAR 461 million in Q3-2021 to a profit of SAR 502 million in Q3-2022. However, If we exclude BUPA and Tawuniya the industry is suffering a large fall in profitability with a loss of SAR 491 million in YTD 2022 compared with a SAR 412 million for the same period last year.

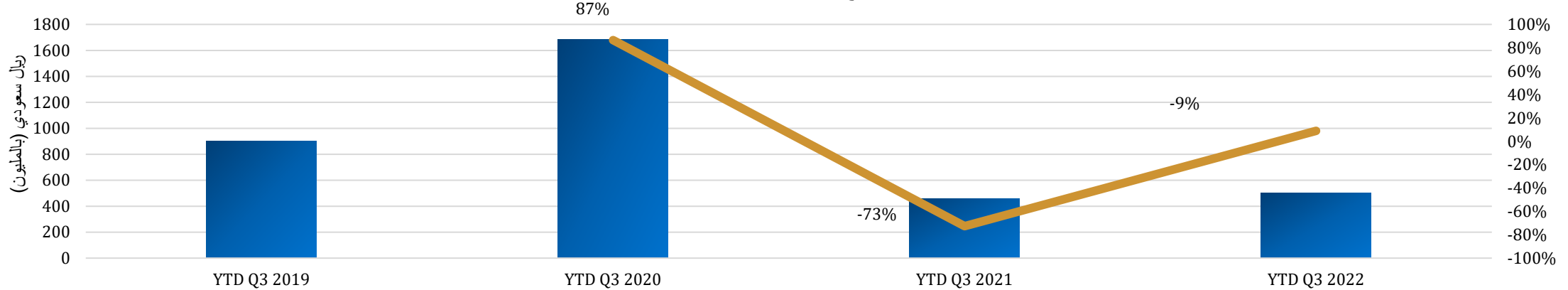


- For Motor, GWP has grown by 20%, but underwriting profits have fallen by 139%. For Medical, GWP has grown substantially by 26% and underwriting profits increased by 29%. Protection & Savings continues to show good growth and profitability albeit with smaller overall volumes. Likewise for Property & Casualty however with an average retention level of 20% 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 1% to 102% in Q3-2022, compared to Q3-2021. The increase in the combined ratio is due to an increase in the Industry loss ratio by 1% with no increase in expense ratio.

ملخص تنفيذي

- شهدت الأشهر التسعة الأولى من عام 2022 زيادة في إجمالي الأقساط المكتتبة الإجمالية بنسبة 25.6% حيث ارتفعت من 32.0 مليار ريالاً سعودياً إلى 40.2 مليار ريالاً سعودياً. وتعد زيادة أسعار السيارات والقطاع الطبي للشركات من العوامل الرئيسية وراء ذلك حيث تعاني شركات التأمين من خسائر فادحة خلال العام الحالي.
- على مستوى المجال، زادت الربحية بعد الزكاة والضرائب بنسبة 9% من 461 مليون ريالاً سعودياً في الربع الثالث من عام 2021 إلى ربح 502 مليون ريالاً سعودياً في الربع الثالث من عام 2022. ومع ذلك، إذا استبعدنا بوبا وتاونيا، فإن المجال يعاني من انخفاض كبير في الربحية في ظل خسارة 491 مليون ريالاً سعودياً في عام 2022 حتى الآن مقارنة بـ 412 مليون ريالاً سعودياً لنفس الفترة من العام الماضي.

الربح بعد الزكاة والضرائب



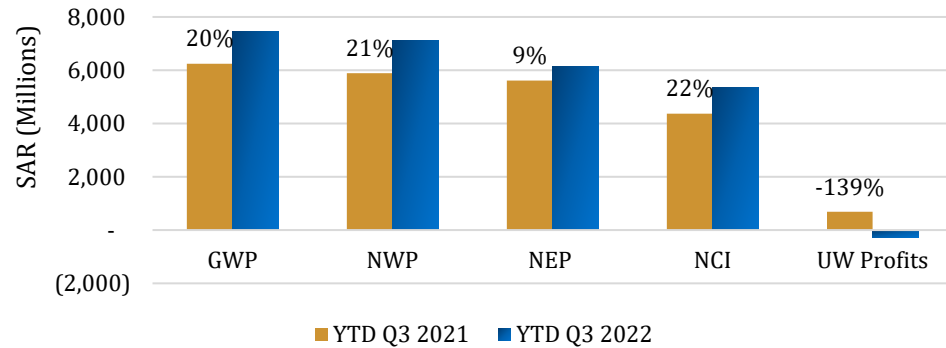
- أما فيما يتعلق بتأمين السيارات، ارتفع إجمالي قسط المكتتبة بنسبة 20% في حين انخفضت أرباح الاكتتاب بنسبة 139%. بالنسبة للخدمات الطبية، وشهد إجمالي أقساط الاكتتاب بشكل كبير بنسبة 26% وزادت أرباح الاكتتاب بنسبة 29%. واستمر قطاع الحماية والادخار في إحراز نمو وربحية بمستوى جيد رغم أن ذلك على نطاقات أصغر وعلى الغرار ذاته بالنسبة لقطاع الممتلكات والخسائر، ومع متوسط مستوى الاحتفاظ بنسبة 20%، لا يزال هناك اعتماد كبير على شركات إعادة التأمين.
- ويتزايد نشاط عمليات الاندماج والشراء ومن المرجح أن يكون هناك المزيد من عمليات الاندماج مع زيادة الحد الأدنى من متطلبات رأس المال الأمر الذي أضحى من الصعب على شركات التأمين الأصغر أن تظل قادرة على المنافسة.
- ارتفعت النسبة المجمع للصناعة بنسبة 1% لتصل إلى 102% في الربع الثالث من عام 2022، مقارنة بالربع الثالث من عام 2021. ترجع الزيادة في النسبة المجمع إلى زيادة في نسبة خسارة المجال بنسبة 2% مع زيادة 1% في نسبة المصروفات.



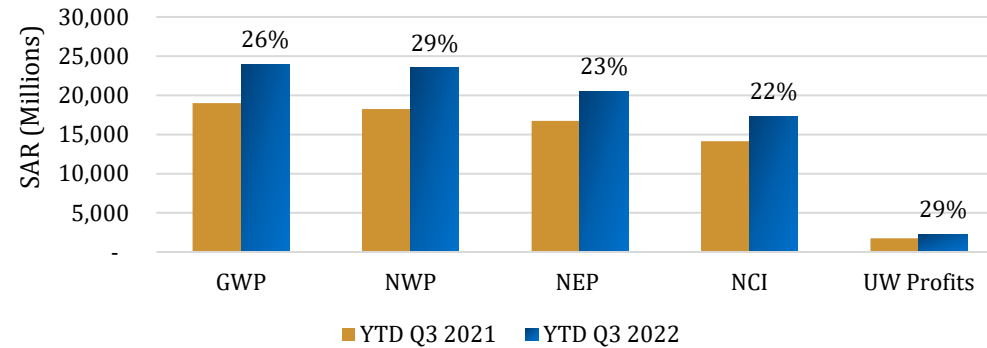
Executive Summary

- 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 24% in gross written premium , however this continues to be heavily reinsured.

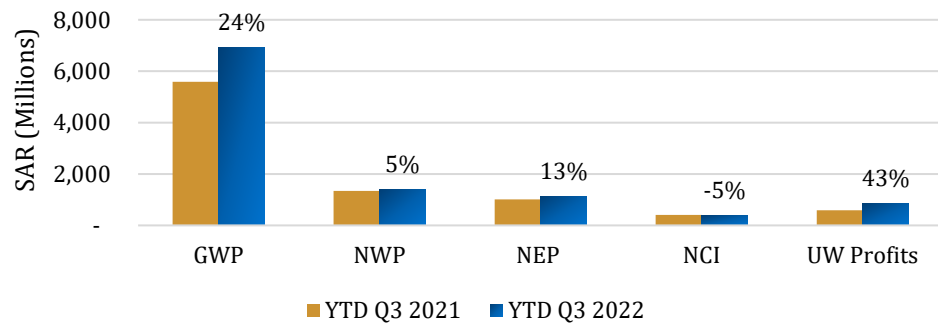
Motor Insurance



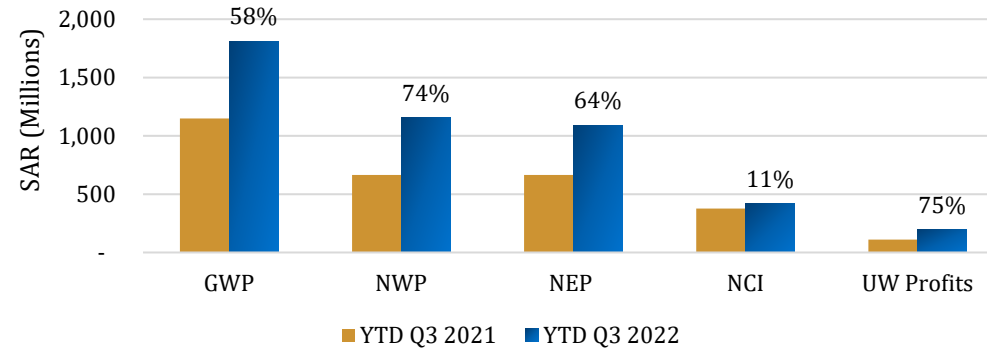
Medical Insurance



Property & Casualty Insurance



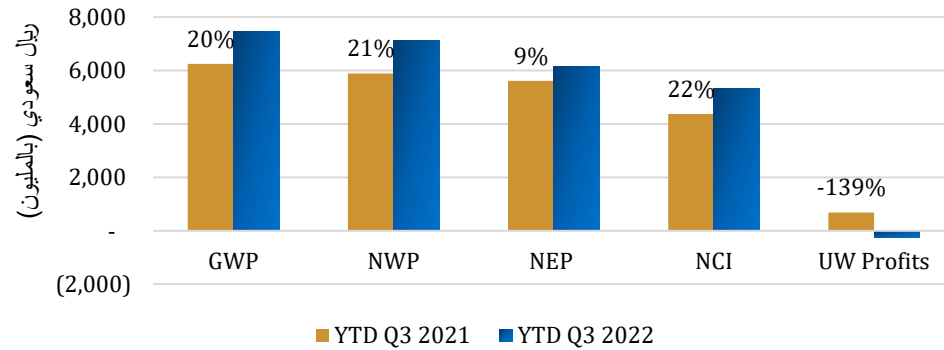
Protection & Savings Insurance



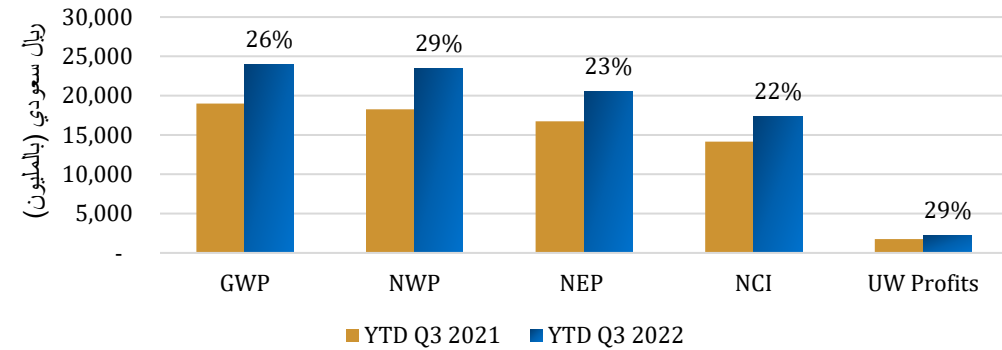
ملخص تنفيذي

- يعتبر قطاع السيارات والخطوط الطبية من الركائز الرئيسية لقطاع التأمين في المملكة العربية السعودية حيث يساهم كلاهما بنسبة 78 % من إجمالي المبلغ المكتتب.
- شهدت القطاعات المربحة للغاية، تأمين الممتلكات والإصابات زيادة بنسبة 24 % في إجمالي الأقساط المكتتبه، إلا إنها لا تزال تشهد زيادة كبيرة في إعادة التأمين.

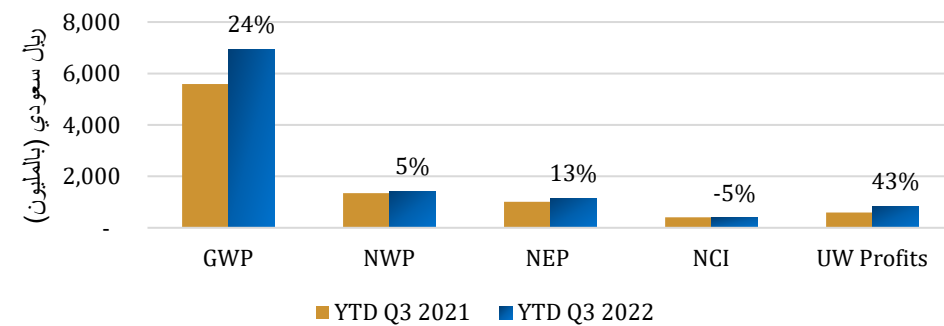
التأمين على السيارات



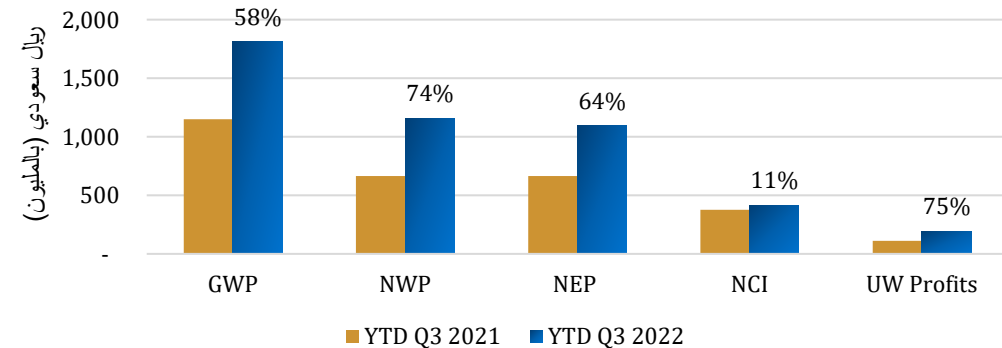
التأمين الطبي



التأمين على الممتلكات والإصابات



تأمين الحماية والمدخرات

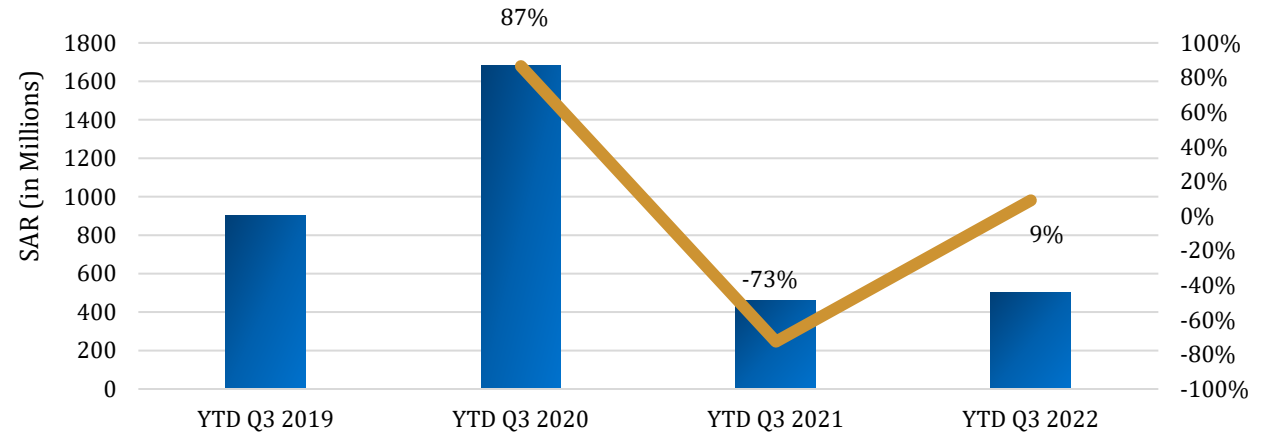




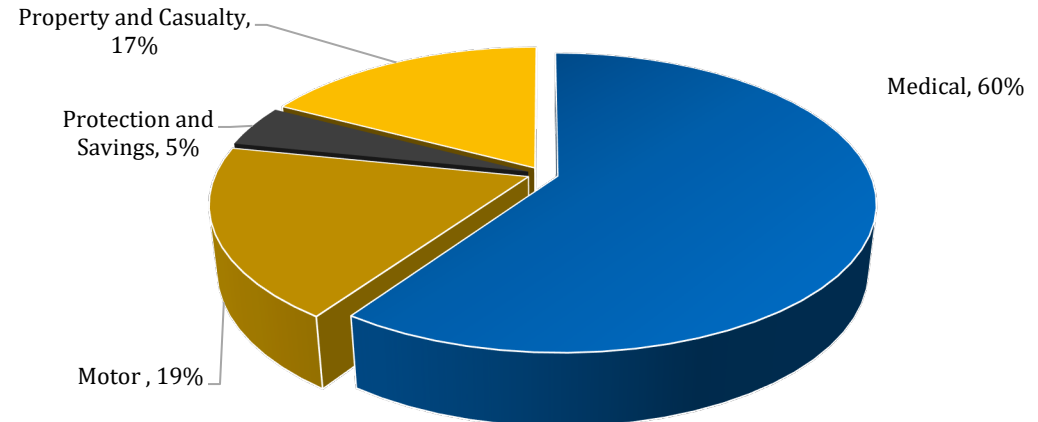
Overview of the Industry



Profit after Zakat & Tax



GWP Breakdown in YTD Q3 2022

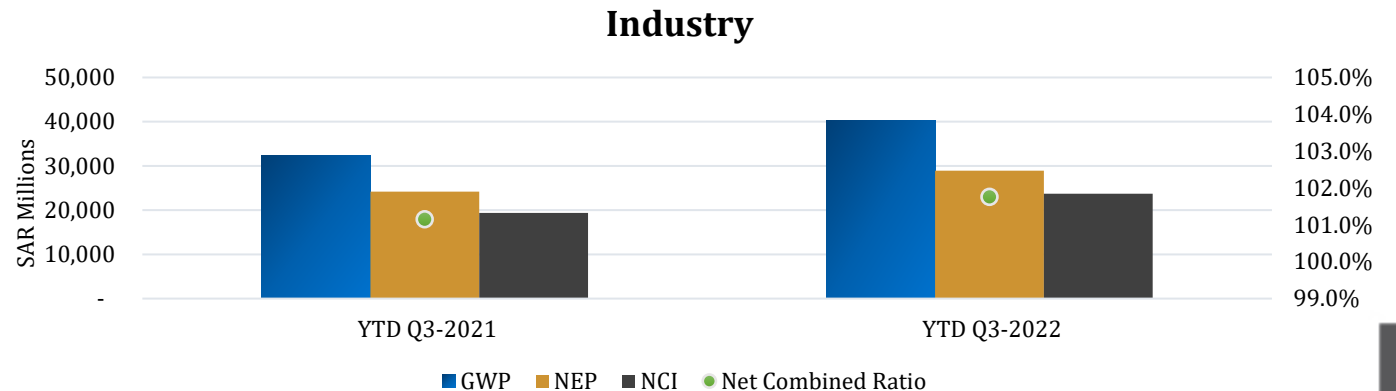
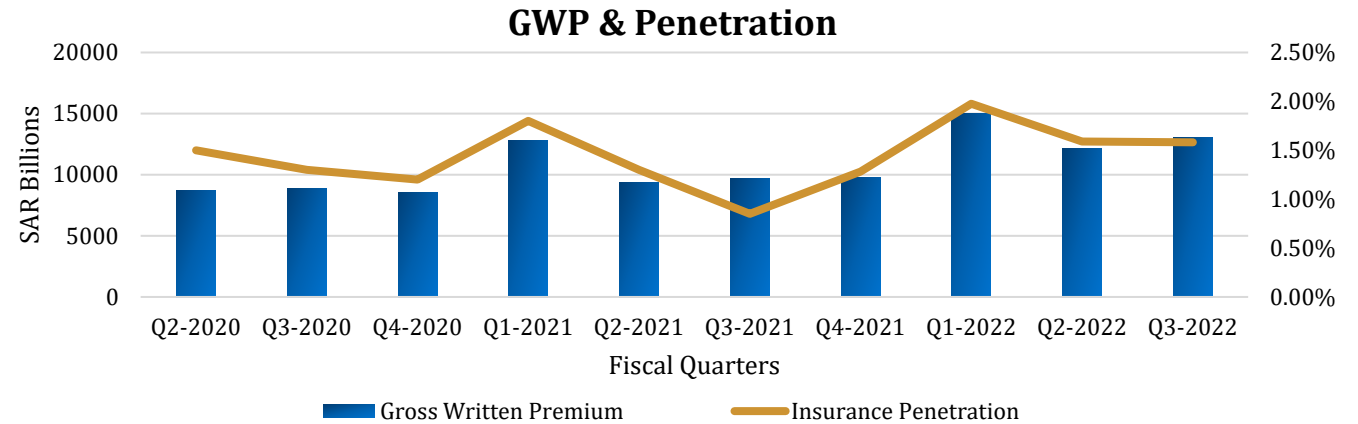




Overview of the Industry

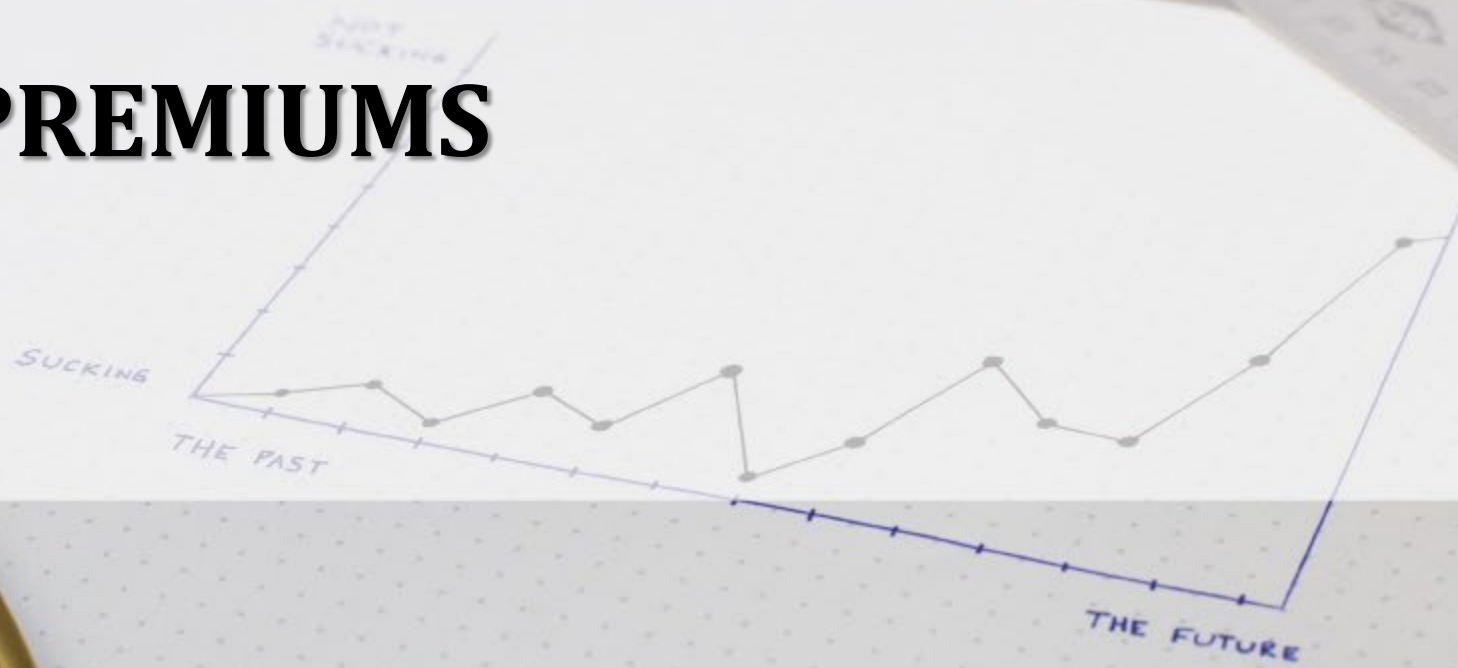
Company	Ranking		Indication
	GWP	Profit	
Bupa	1	1	→
Tawuniya	2	2	→
Al-Rajhi	3	3	→
Medgulf	4	28	↓
Wala	5	24	↓
AXA	6	4	↑
Saudi Re	7	5	↑
Al Etihad	8	7	↑
SAICO	9	22	↓
Arabian Shield	10	8	↑
Wataniya	11	17	↓
Malath	12	18	↓
UCA	13	20	↓
Allianz	14	9	↑
Salama	15	26	↓
ACIG	16	16	→
Arabia	17	11	↑
Gulf Union ALAhlia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

For the 27 listed companies, the GWP grew from SAR 32.0 billion in Q3-2021 to SAR 40.2 billion in Q3-2022 highlighting a growth of 23.8%. Excluding Saudi Re, the GWP of the industry has increased from SAR 30.9 billion in Q3-2021 to SAR 39 billion in Q3-2022 signifying a growth of 26.3%.



01

PREMIUMS

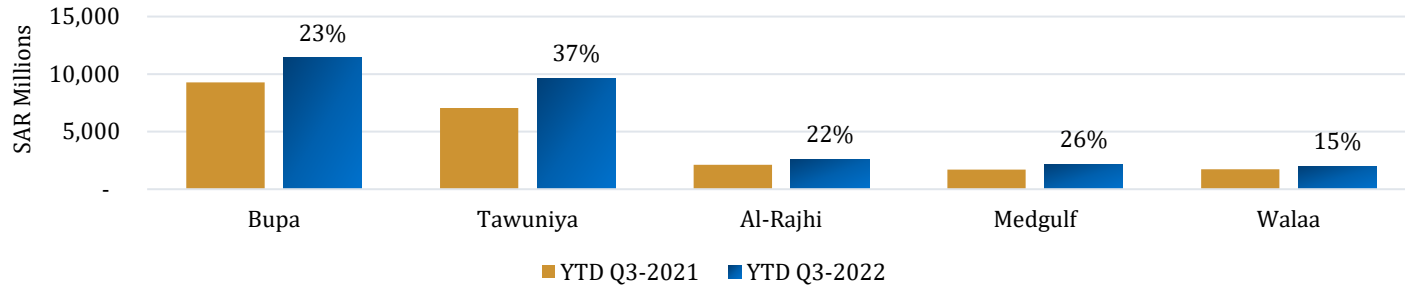




Gross Written Premium

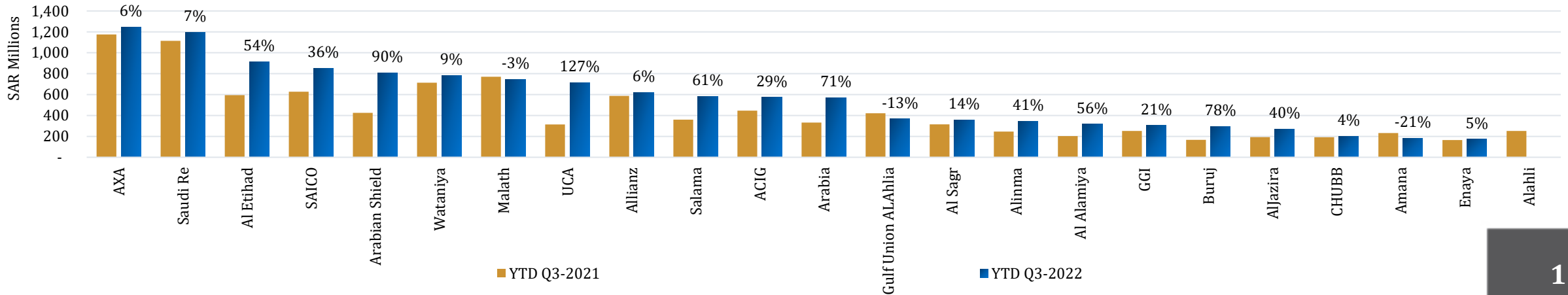
The top 5 companies grew top line by SAR 5.9 billion, with a combined premium of SAR 27.8 billion in Q3 2022 as compared to SAR 21.9 billion in Q3-2021. The share of overall GWP for the top 5 companies has increased to 69% for Q3-2022 from 68% for the same period last year.

Top Five

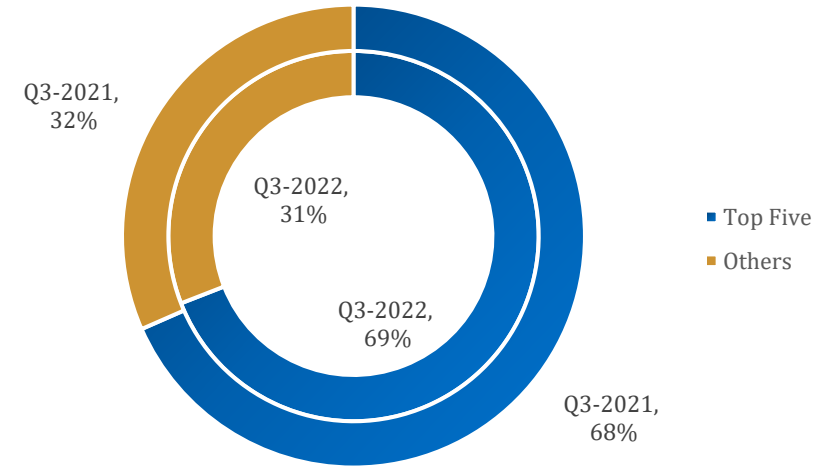


Below the top 5, the median top line growth rate was 25% over the quarter.

Others

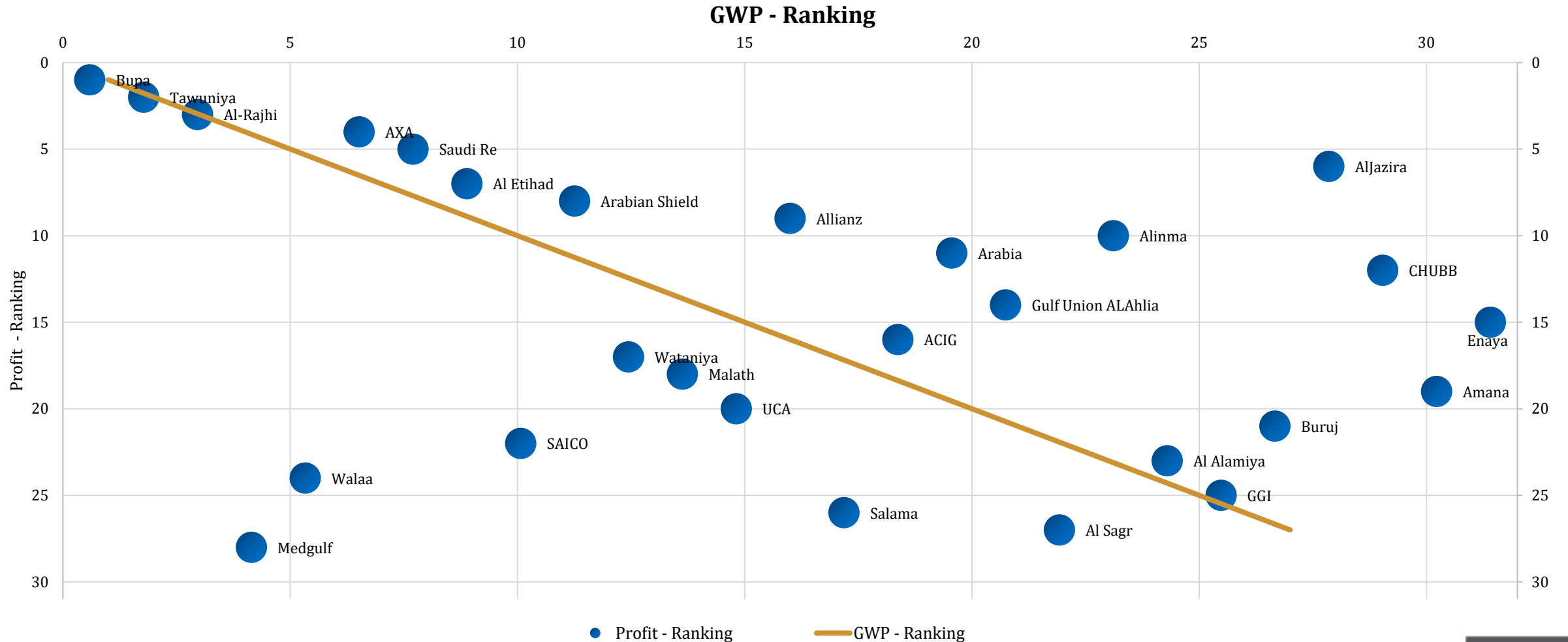


GWP Distribution





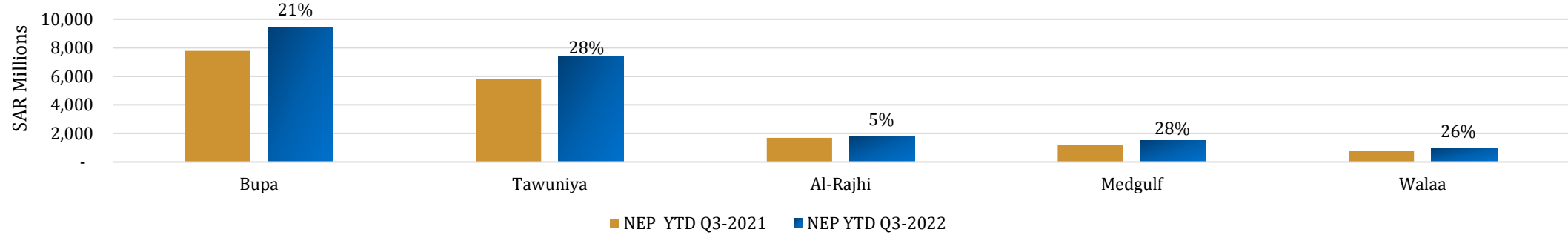
Gross Written Premium





Net Earned Premium

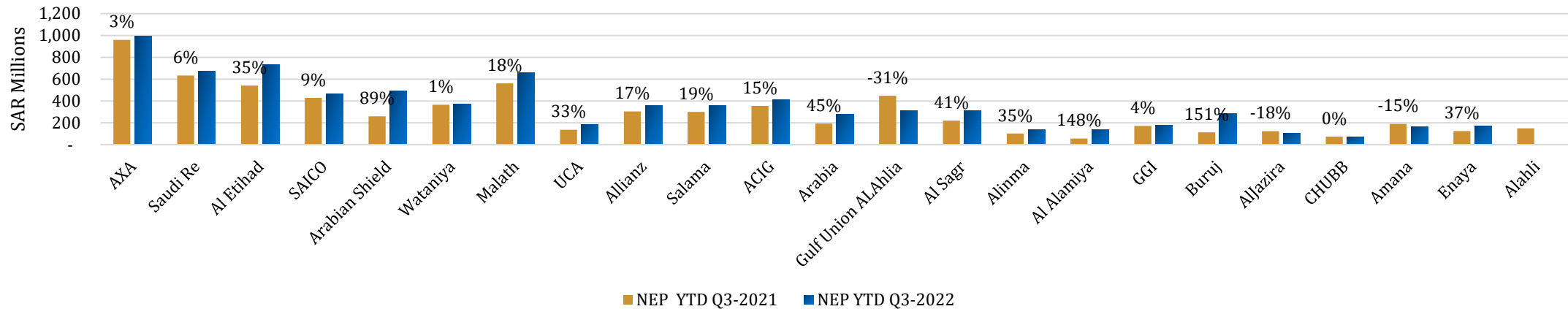
Top 5



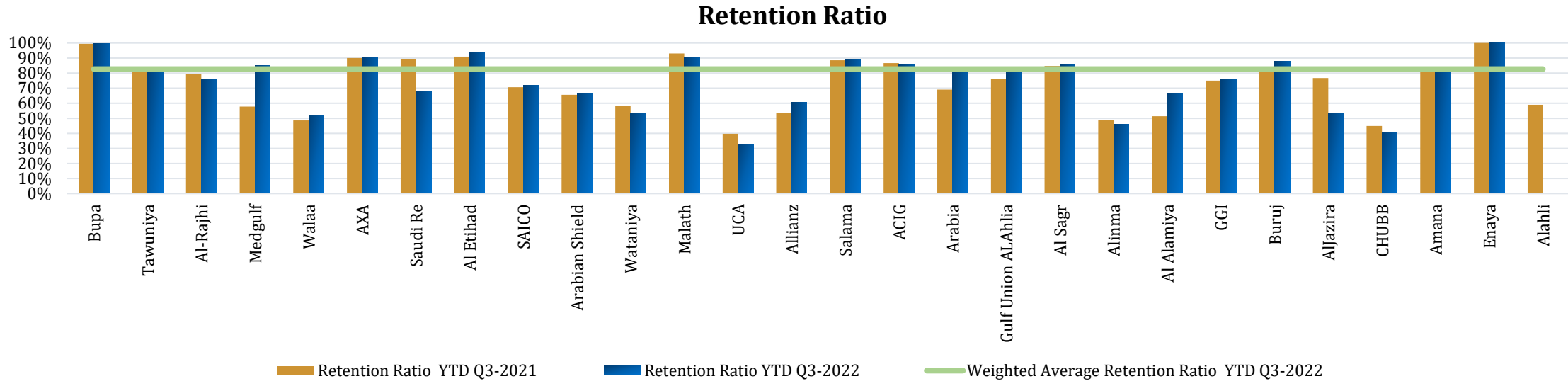
For the period Q3-2022, Net Earned Premiums grew by SAR 4.9 billion to SAR 28.9 billion portraying an increase of around 20%.

The Top 5 Companies have Net Earned Premiums of SAR 21.1 billion highlight a growth of 22% corresponding to Q3-2021.

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 Q3-2022 of 100% is reflected by Enaya, whereas the lowest retention ratio of 33% is reflected by UCA.

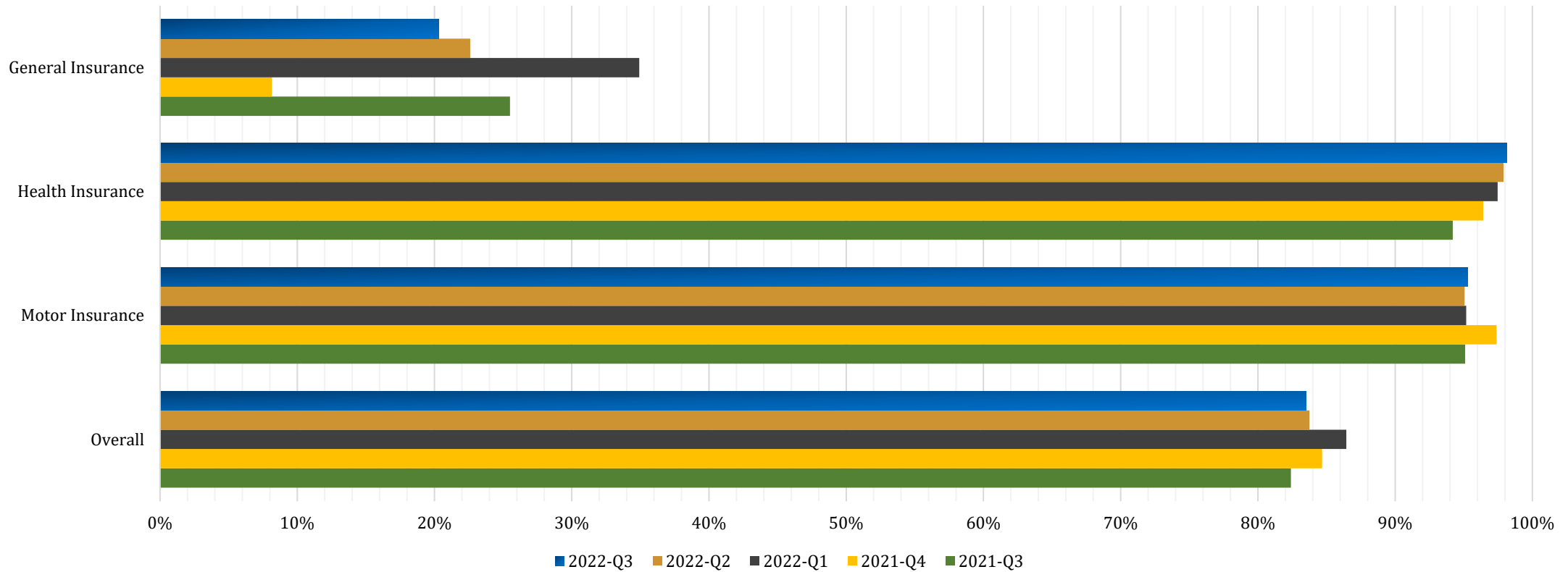
The weighted average retention ratio for listed companies stood at 83% for Q3-2022 (Q3-2021: 82%).

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

SUCKING

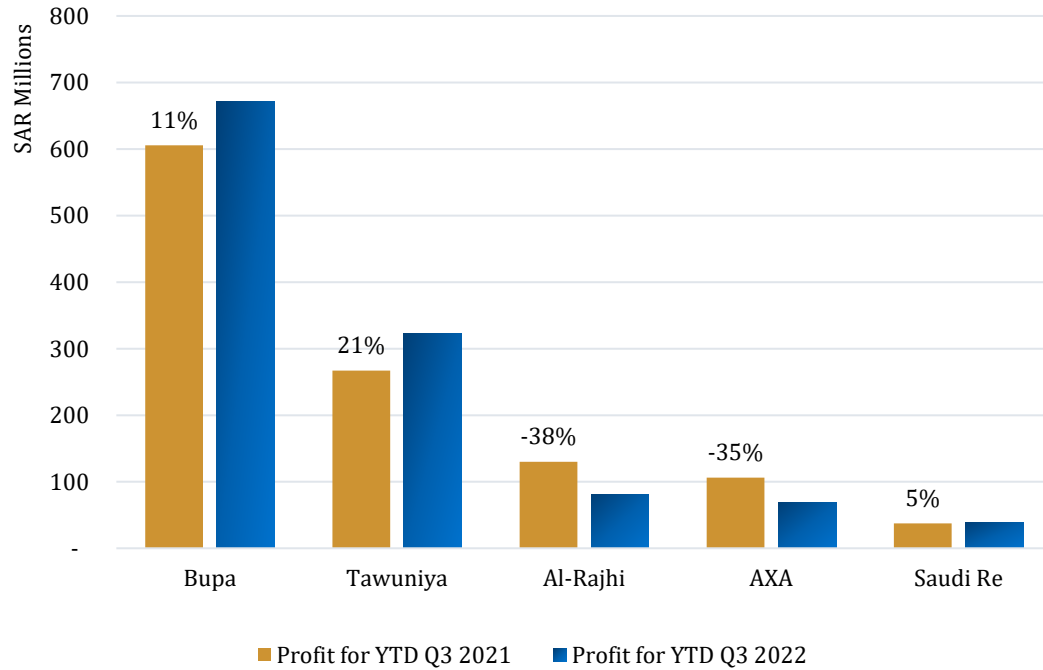
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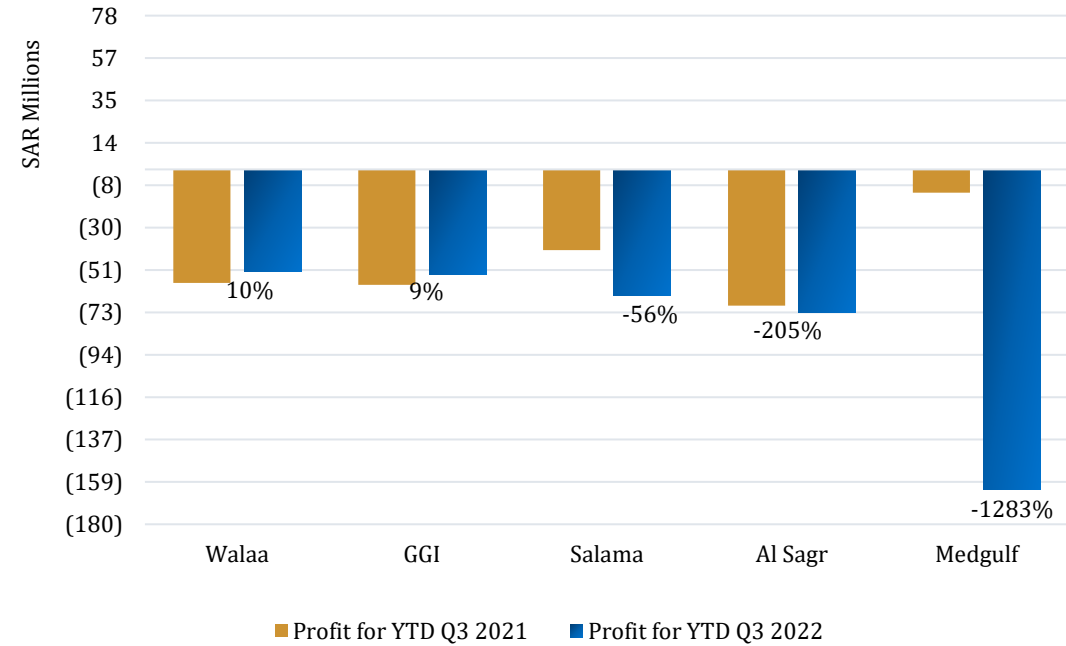


Profit Composition

Top Five



Bottom Five



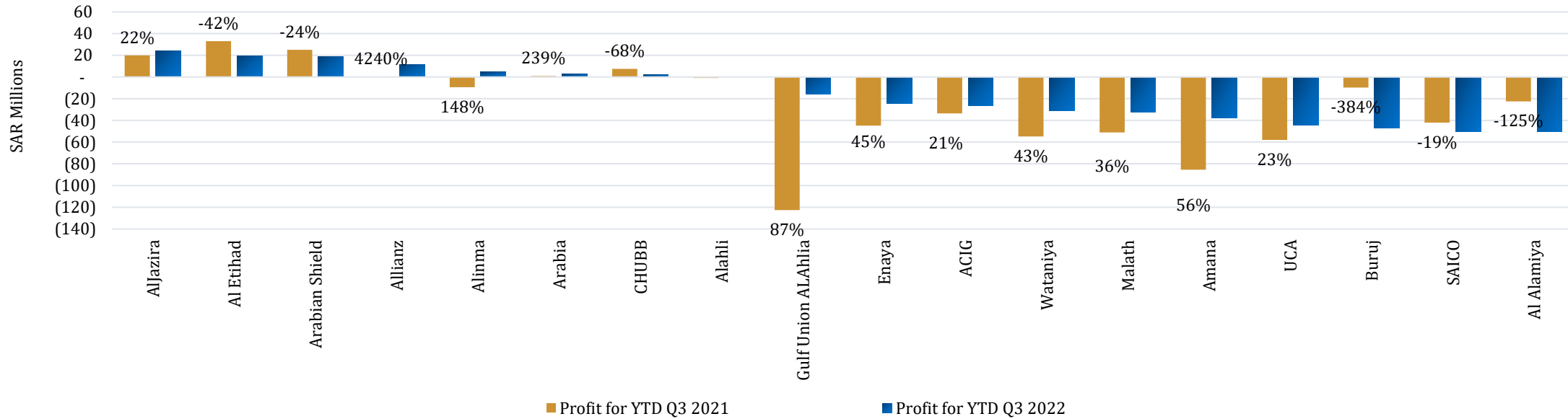
Net profit after zakat & tax generated by 27 Companies in the industry for Q3-2022 has increased by 9% compared to the same period of last year, with profits increasing from SAR 461 million to SAR 502 million. Net profits dropped from 1.44% of GWP to 1.25% of GWP corresponding to the same period of last year.

Medgulf booked the highest loss of SAR 162 million in Q3-2022 as compared to the loss of SAR 12 million in Q3-2021.



Profit Composition

Others



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

Bupa booked the highest profit for Q3-2022 of SAR 671 million as compared to a profit of SAR 606 million for the corresponding period of Q3-2021.

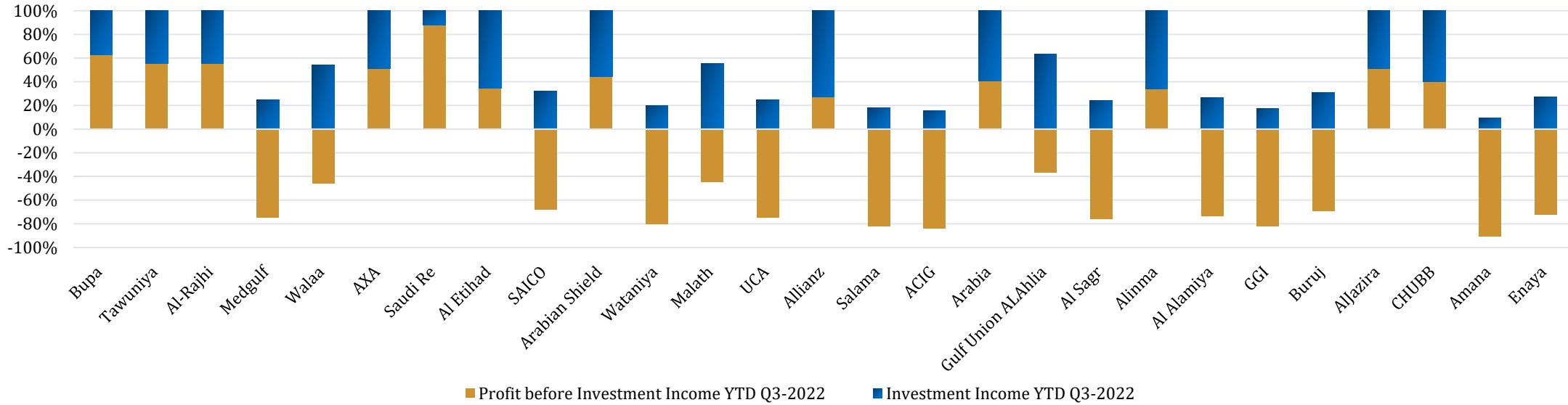
Profits have been reduced across the industry compared with 2021 which was affected to an extent by higher technical reserves and Net claims incurred.

A total of 15 companies reported losses totaling over SAR 764 million for Q3-2022.



Profit Composition

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.

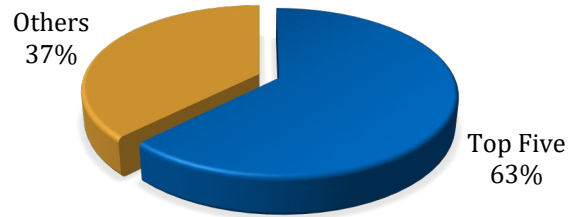
For 3 out of 27 companies, Investment income has been the main reason behind their profitability, Investment income has reduced the severity of the Underwriting Loss that is a proportion of Total Profit recorded by the Companies.

For 9 companies investment income comprised over 50% of Net profit for Q3-2022.

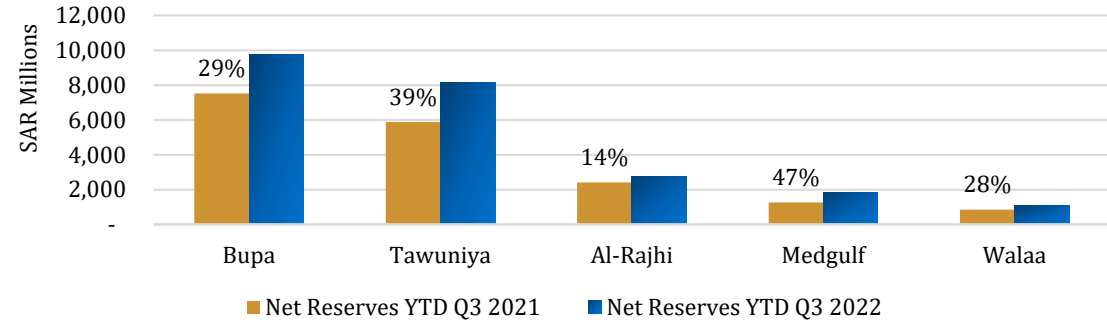


Net Technical Reserves

Net Reserves



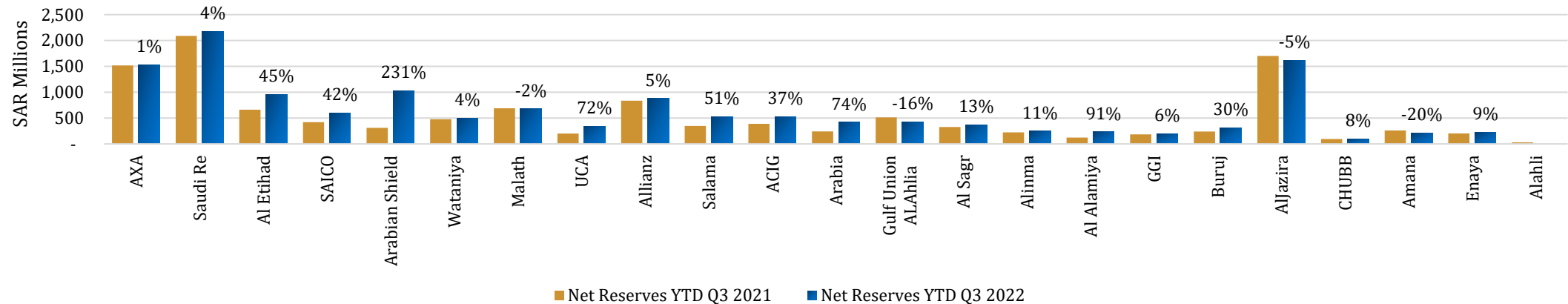
Top Five



Total Net reserves as at Sep 30, 2022, are SAR 37.7 billion (Q3-2021: SAR 30 billion); representing an increase of 25.7%.

Total Net Reserve of top five Companies; based on GWP ranking, as at Sep 30, 2022, is SAR 23.6 billion.

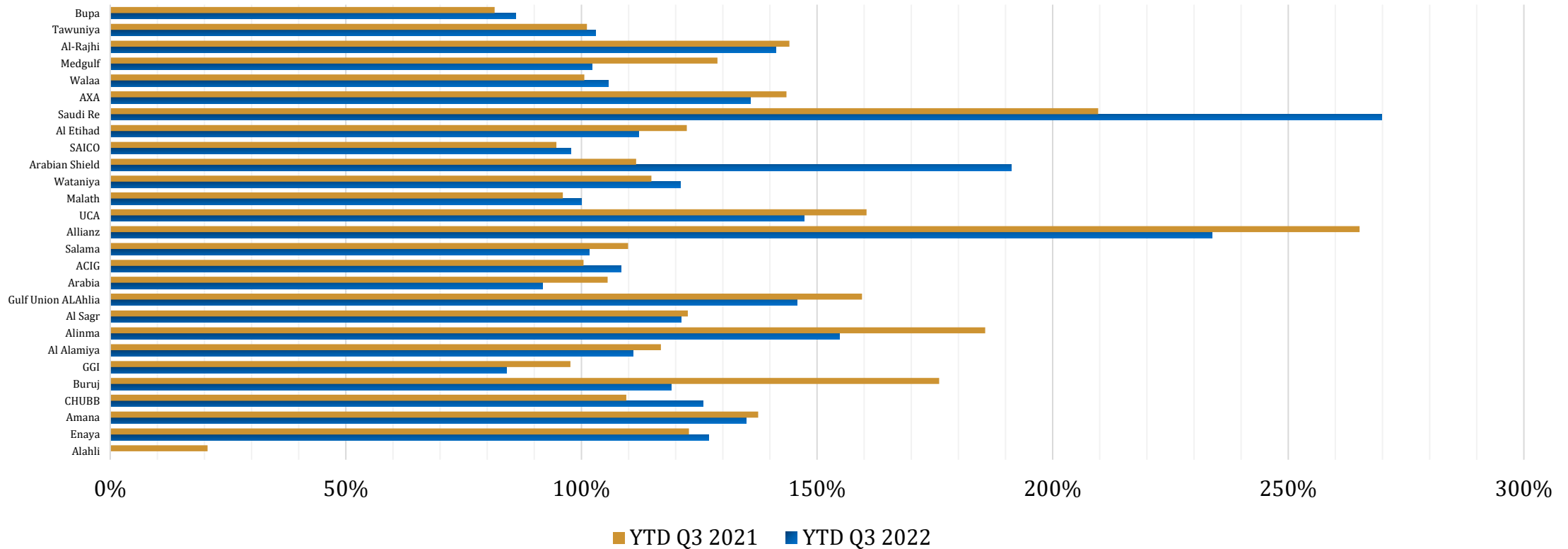
Others





Net Technical Reserves

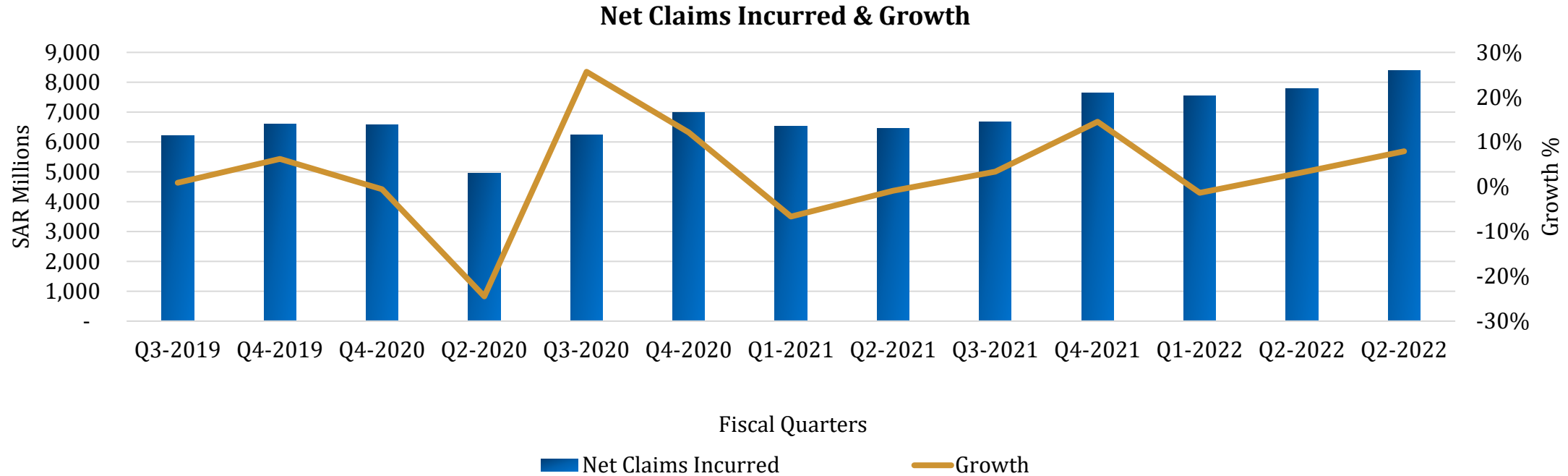
% of Net Reserves to NWP over the years



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. AlJazira is excluded from the graph above as its reserves is 1122% of the Net Written Premium in Q3-2022 (Q3-2021: 3281% respectively)



Net Claims Incurred & Growth

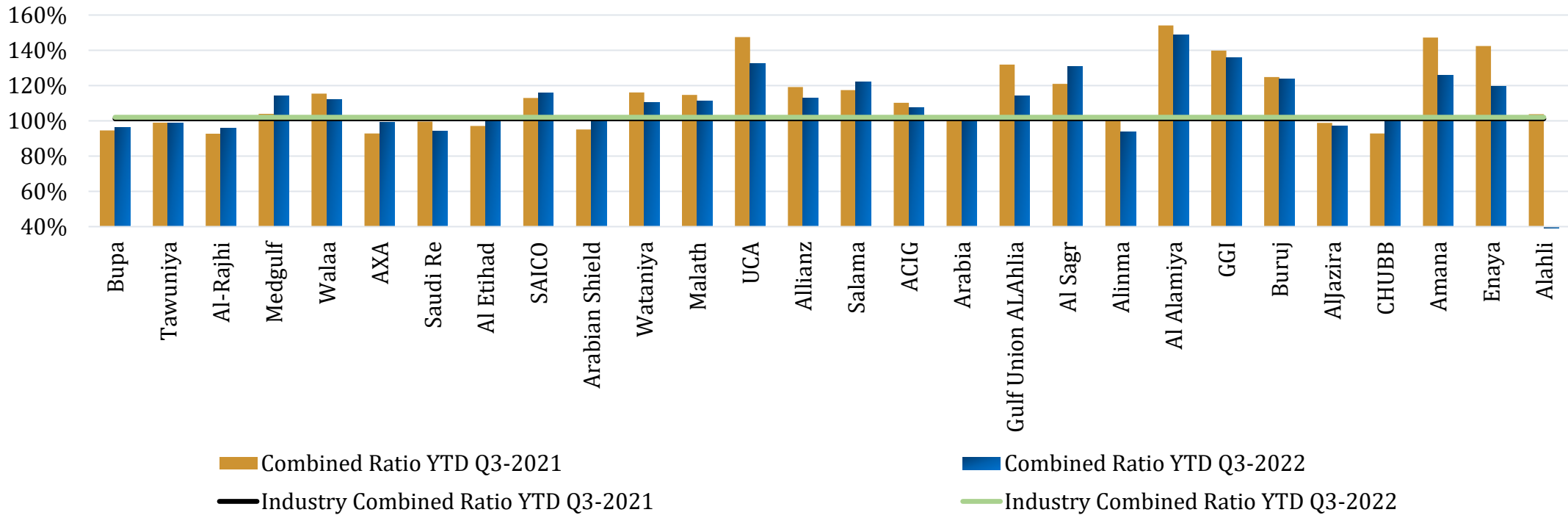


The Net Claims Incurred were following a consistent pattern with cyclical crests and troughs, until the onset of the pandemic which led to a significant decline in claims of 24% from 2020-Q1 to 2020-Q2.

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



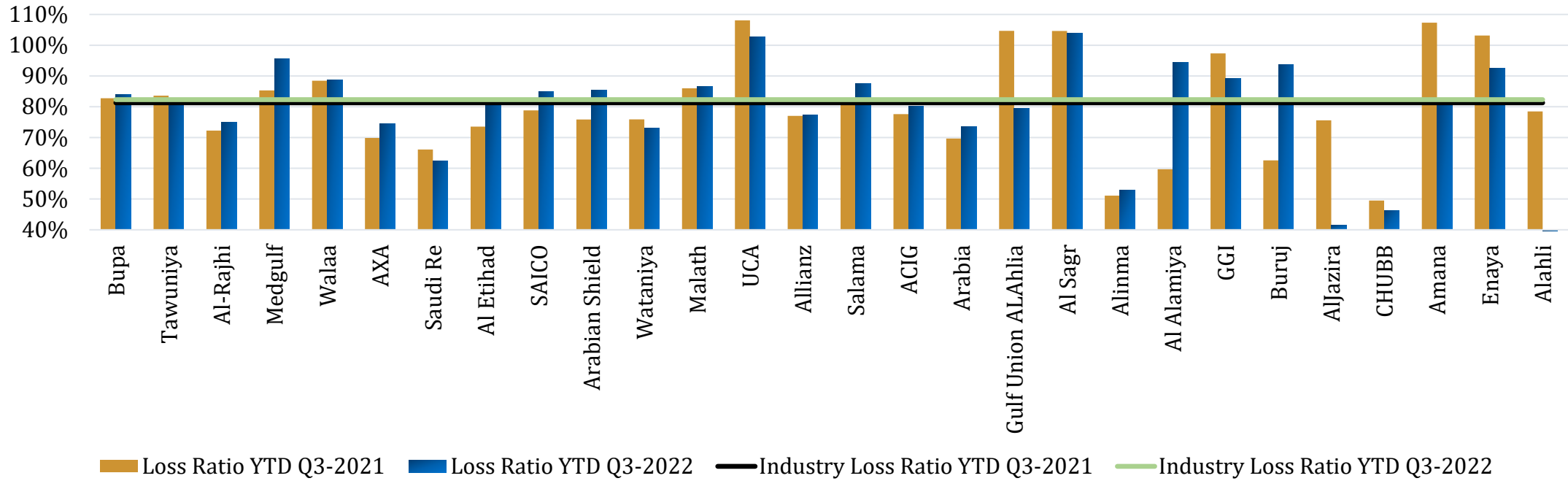
The weighted average combined ratio for Q3-2022 is 102%, up from 101% for the same period of last year. The median CR was 111% (Q3-2021: 112%).

Highest combined ratio of 149% was shown by Al Alamiya while the lowest 94% combined ratio was reflected by Alinma in Q3-2022.

The weighted Average Combined ratio excluding the Top 5 Companies is 110% in Q3-2022 (Q3-2021: 111%) and for the Top 5 Companies, it stands at 99% (Q3-2021: 97%).



Loss Ratio



For Q3-2022, weighted average loss ratio stands at 82%, an increase of 1% compared to the same period of last year.

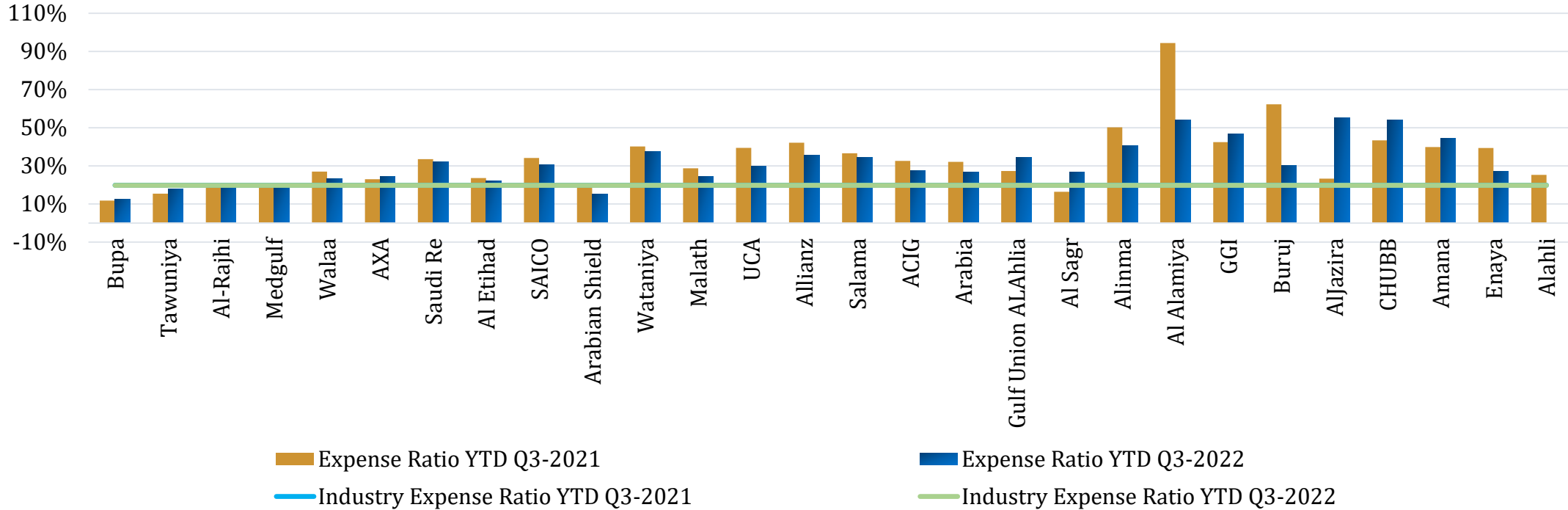
Loss Ratio is calculated by dividing sum of Net Incurred Claims and Change in Other reserves to Net Earned premiums.

Highest Loss ratio of 104% is shown by Al Sagr whereas the lowest of 42% is shown by AlJazira.

The weighted Average loss ratio excluding the Top 5 Companies is 80% in Q3-2022 (Q3-2021: 78%) and for the Top 5 Companies, it stands at 83% (Q3-2021: 82%).



Expense Ratio



For Q3-2022, weighted average Expense ratio remained at 20%. (Q3-2021: 20%)

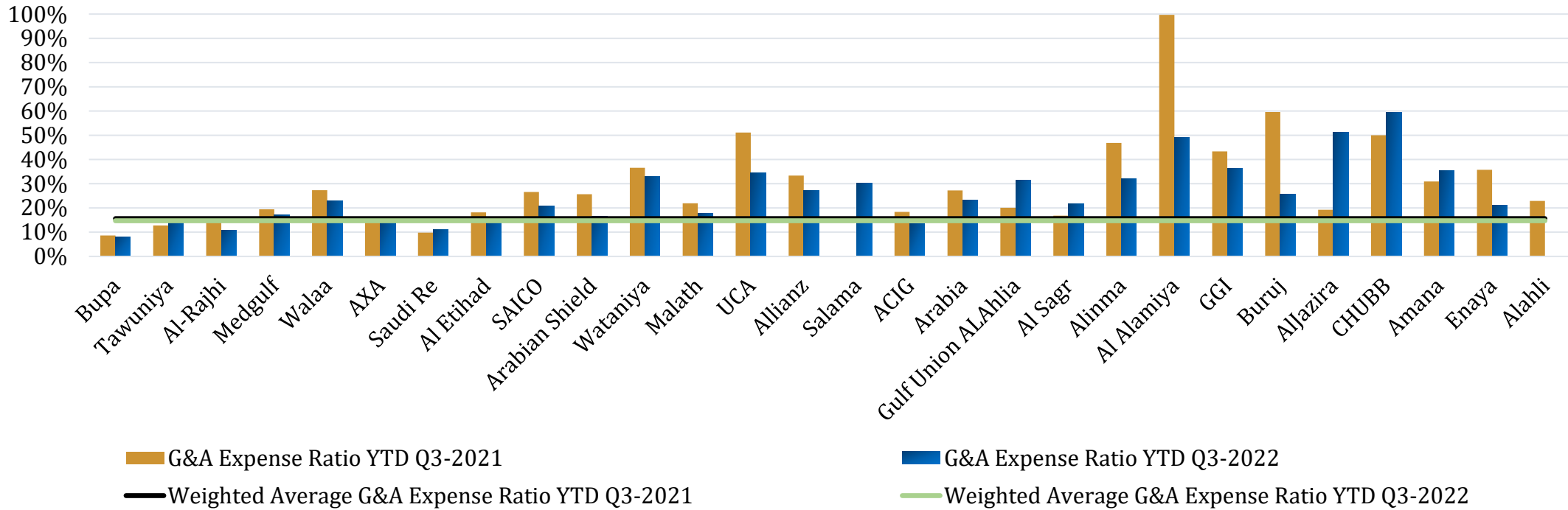
Expense Ratio is calculated by dividing the sum of G&A Expenses, Net Commission expenses and other Operational expense to Net Earned Premium.

Highest Expense ratio of 55% is shown by AlJazira whereas the lowest is 12%, shown by Bupa.

The weighted Average Expense ratio excluding the Top 5 Companies is 30% in Q3-2022 (Q3-2021: 32%) and for the Top 5 Companies, it stands at 16% (Q3-2021: 15%).



G&A Expense



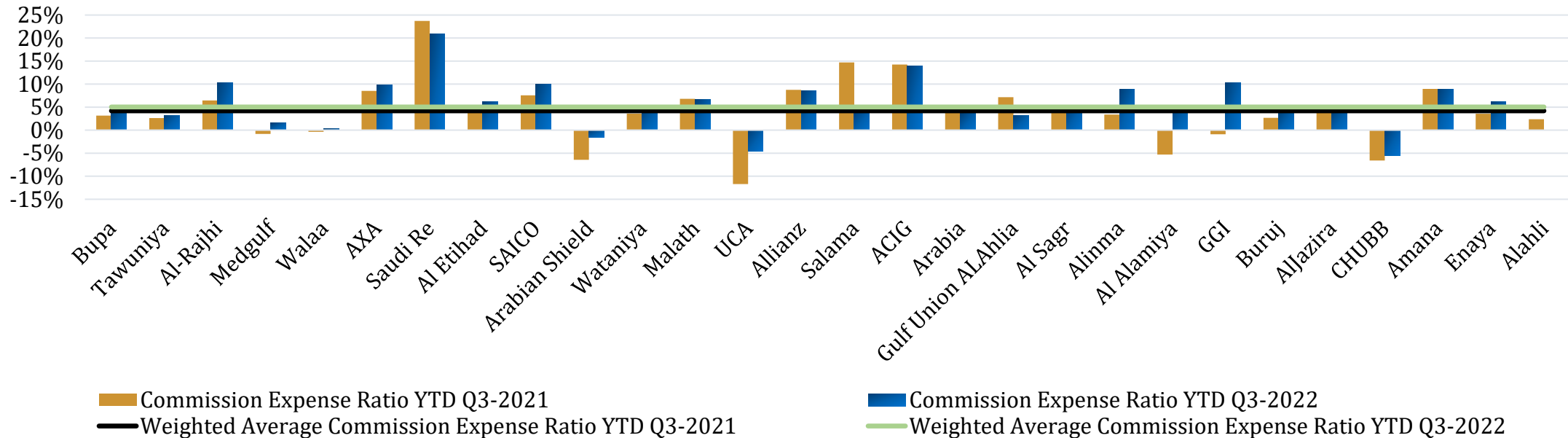
Weighted average G&A Expense ratio for the industry is 15% for Q3-2022 (Q3-2021: 16%).

Among all, CHUBB has the highest expense ratio of 60% whereas the lowest expense ratio of 8% is reflected by Bupa.

The weighted Average G&A expense ratio excluding the Top 5 Companies is 22% in Q3-2022 (Q3-2021: 25%), and for the Top 5 Companies, it stands at 12% (Q3-2021: 12%).



Commission Expense



Industry Weighted Average Commission Expense ratio is at 5% for Q3-2022 (Q3-2021: 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 Q3-2022 of 21%, whereas the lowest Commission Expense ratio of -5% 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 7% in H1 2022 (Q3-2021: 8%) and for the Top 5 Companies, it stands at 4% (Q3-2021: 3%).

03

KEY FINANCIAL RATIOS

SUCKING

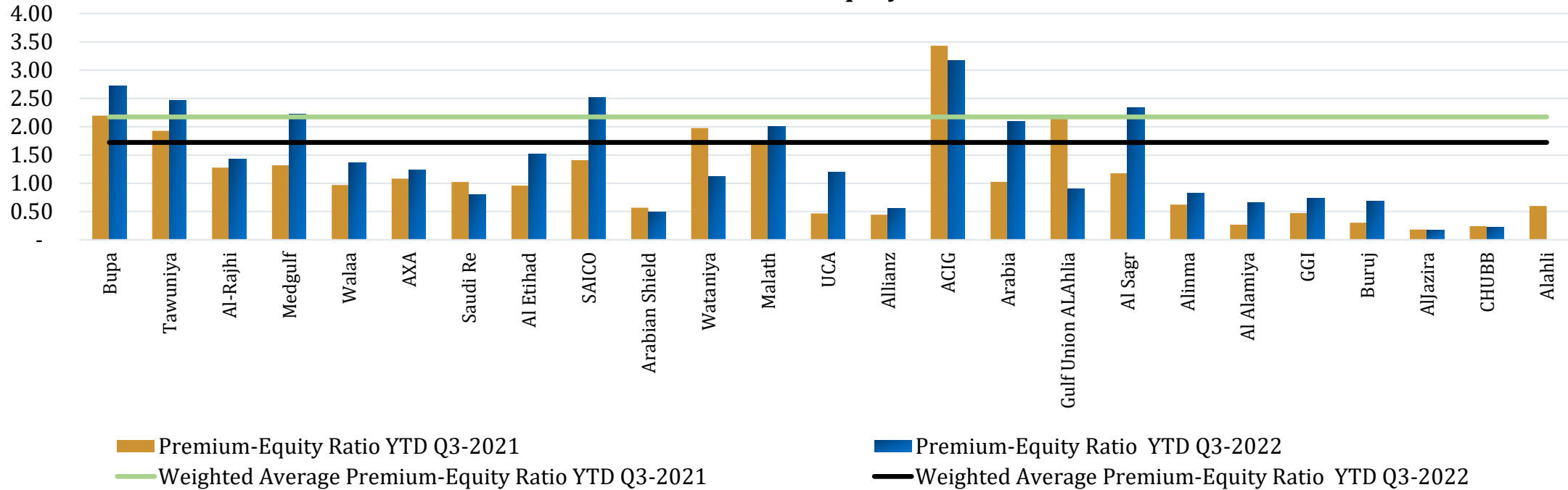
THE PAST

THE FUTURE



NWP to Equity Ratio

Premium to Equity Ratio



The highest Premium to Equity ratio for Q3-2022 is 15.87 shown by Salama. The lowest ratio of 0.17 is reflected AlJazira.

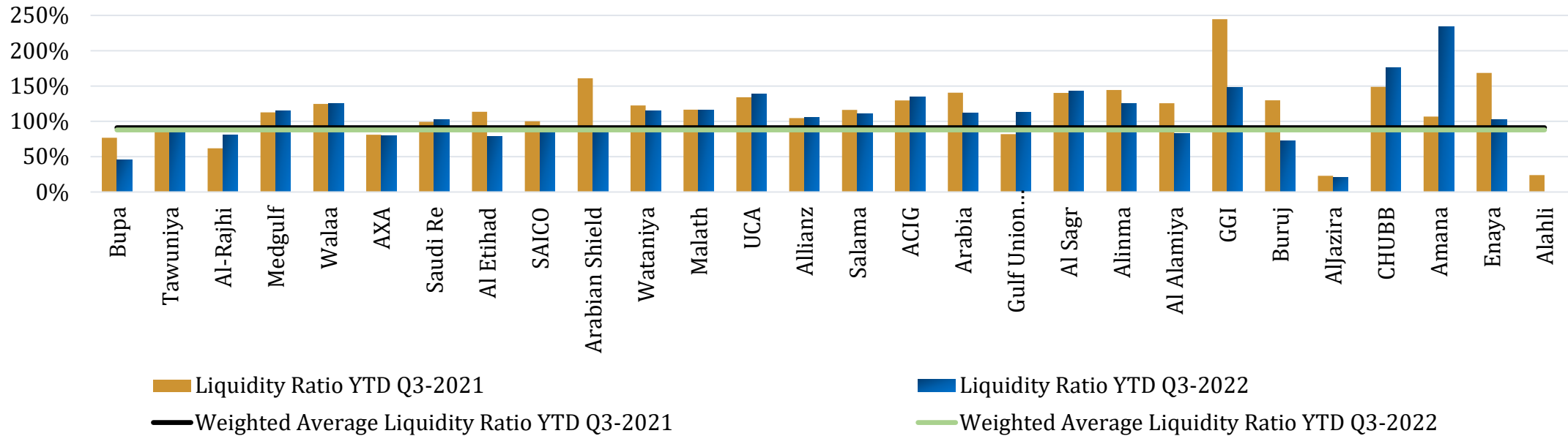
Weighted average Premium to Equity ratio for Q3-2022 is 1.72 (Q3-2021: 2.17).

The Premium to Equity ratio is calculated by taking the proportion of Net Written premium for Q3-2022 to Total Equity as at Sep 30, 2022. It represents the premium that pertains to each SAR amount of equity held by the Companies.



Liquidity Ratio

Liquidity



The highest Liquidity Ratio for Q3-2022 is 235% shown by Amana, whereas the lowest liquidity ratio of 20% is reflected by AlJazira.

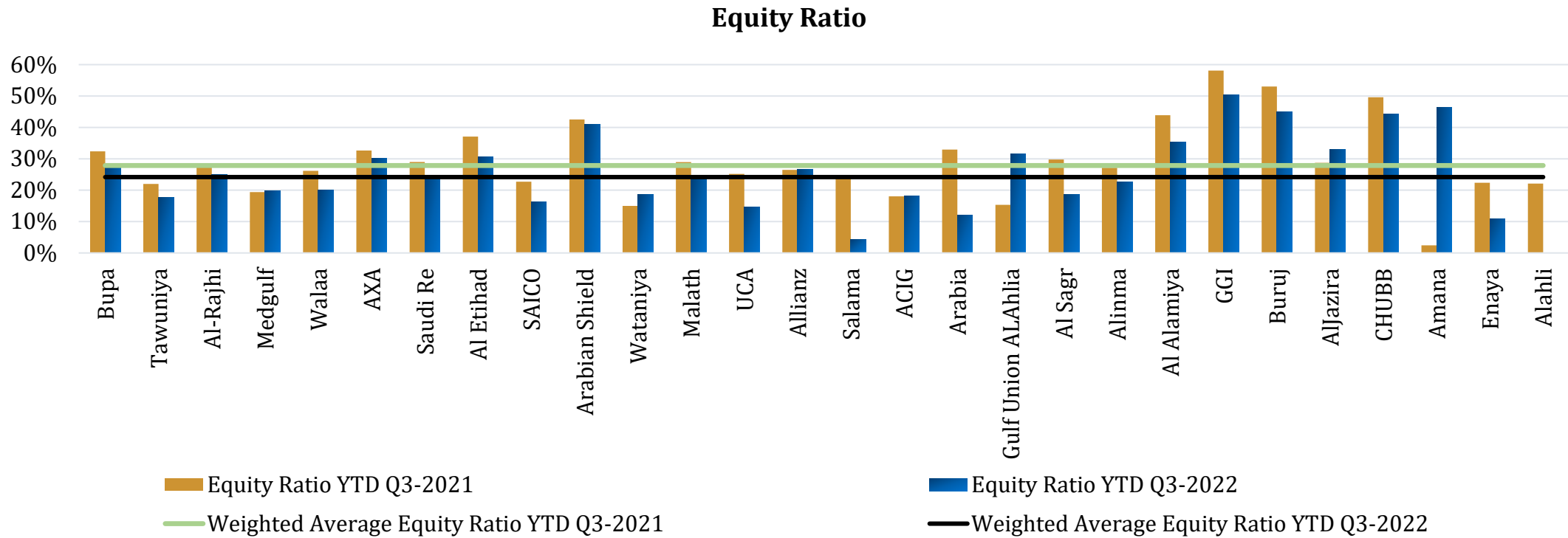
Weighted average Liquidity ratio for the Q3-2022 stood at 88% (Q3-2021: 91%).

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



The highest Equity ratio for Q3-2022 is 50% shown by GGI, whereas the lowest ratio of 4% is reflected by Salama.

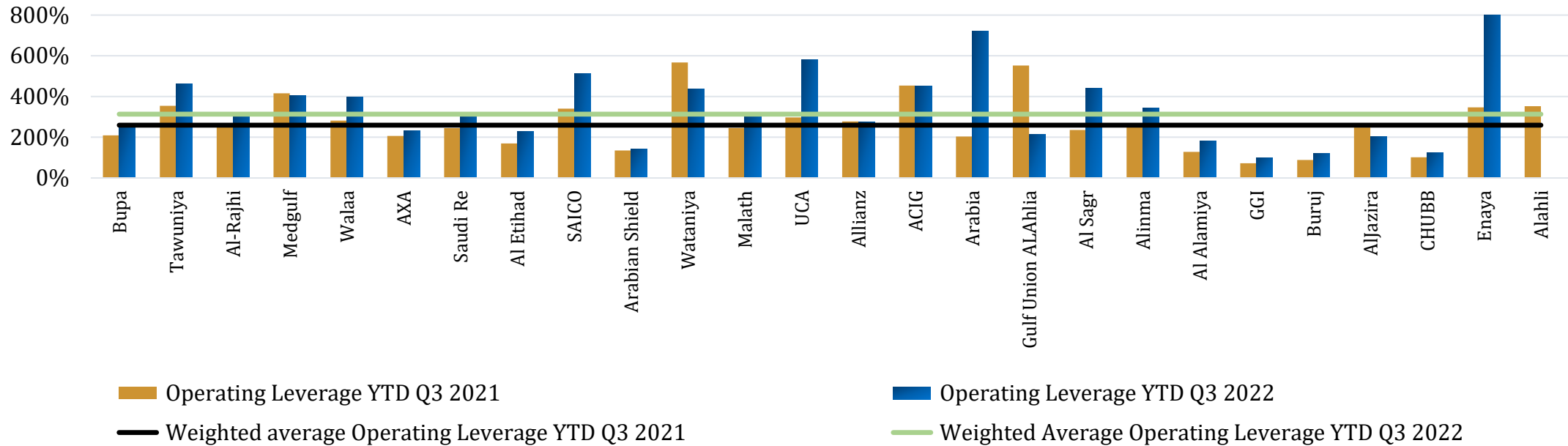
Weighted average Equity ratio for Q3-2022 is 24% (Q3-2021: 28%)

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 Sep 30, 2022, divided by Total Assets as at Sep 30, 2022.



Net Operating Leverage

Operating Leverage



The highest Operating leverage ratio for Q3-2022 is 2215% shown by Salama, whereas the lowest of 98% is reflected by GGI. (Salama and Amana have been omitted from the graph)

For Q3-2022, the weighted average Operating leverage ratio for the market is at 314% (Q3-2021: 259%).

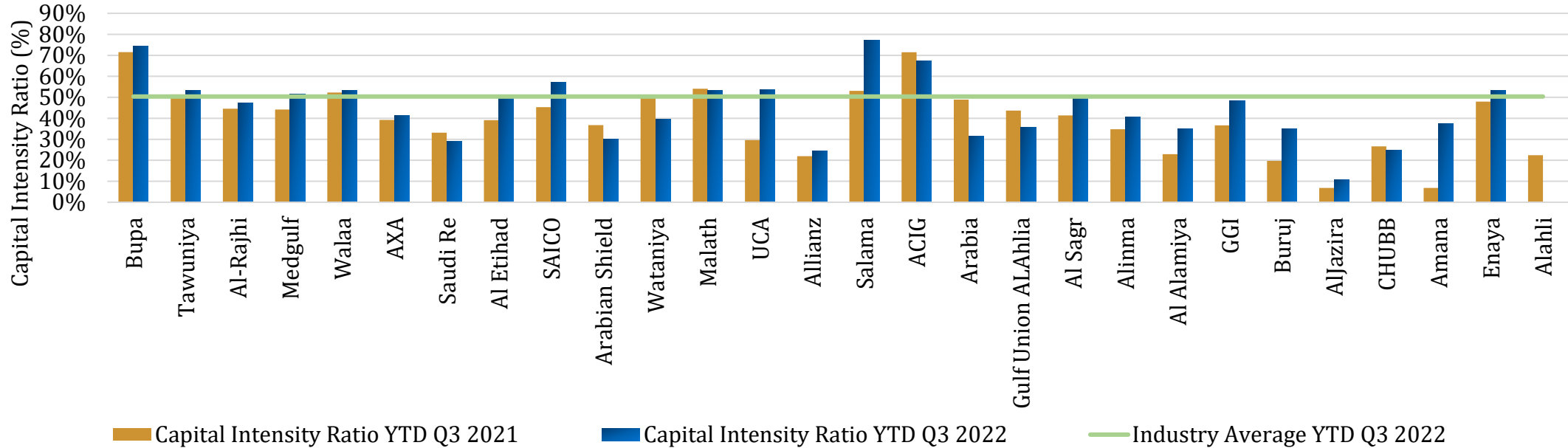
The Leverage ratio is calculated by taking the proportion of Total Liabilities at Sep 30, 2022, to Net worth of the Company at Sep 30, 2022.

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



Capital Intensity Ratio

Capital Intensity Ratio



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 Q3-2022 to Total Assets as at Sep 30, 2022

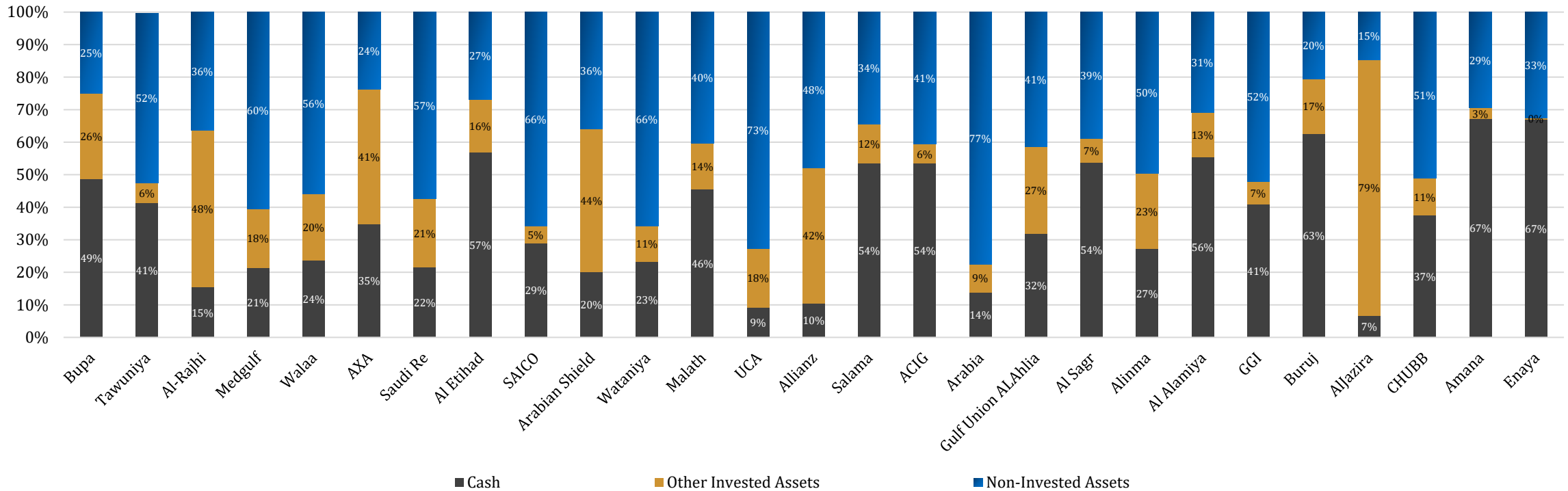
The Industry weighted Average Capital Intensity ratio for the Q3-2022 is 50%.

Salama attains highest CIR of 77% whereas, lowest of 11% CIR is attained by Al Jazira.



Invested / Non-invested Assets to Total Assets

Total Assets Mix



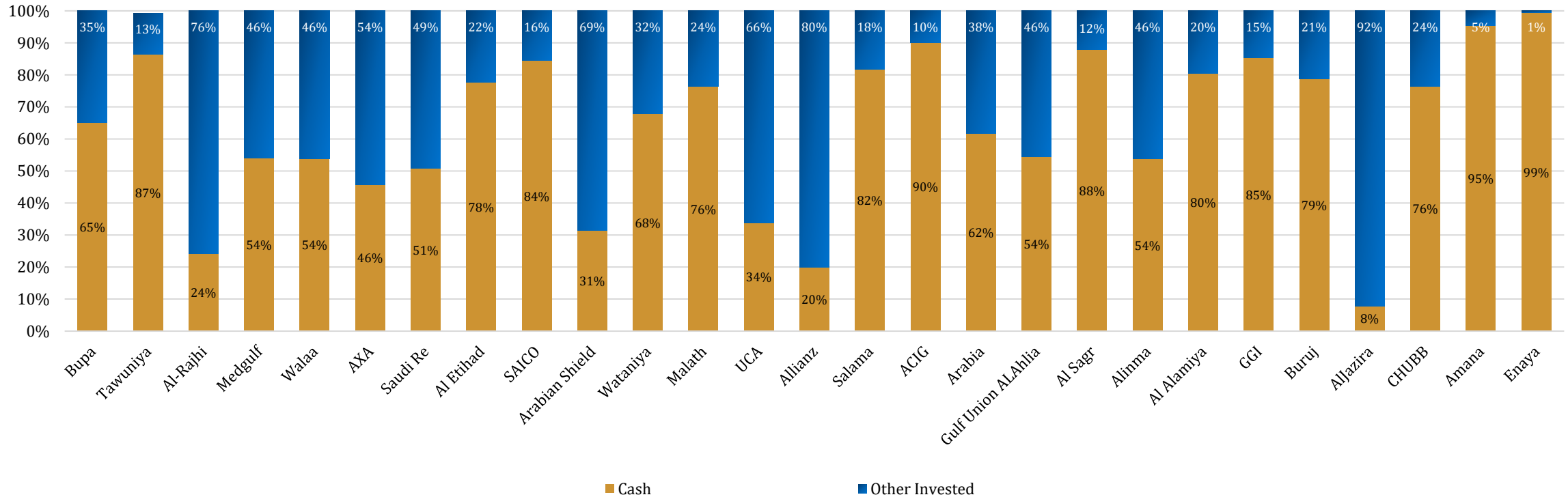
Asset Mix compares the proportion of invested assets and non-invested assets as at Sep 30, 2022. Total Invested Assets are the sum of Cash and Other Invested Assets.

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

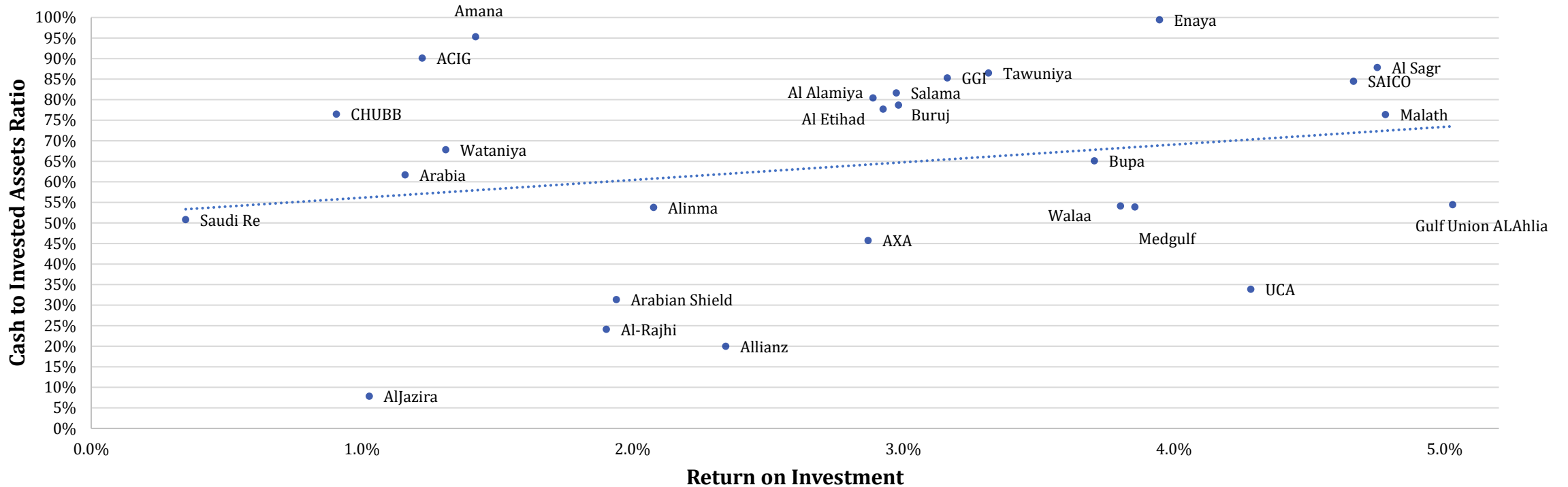
Total Invested Assets Classification



For Cash to Invested Assets the weighted average is 34% and 17% 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.

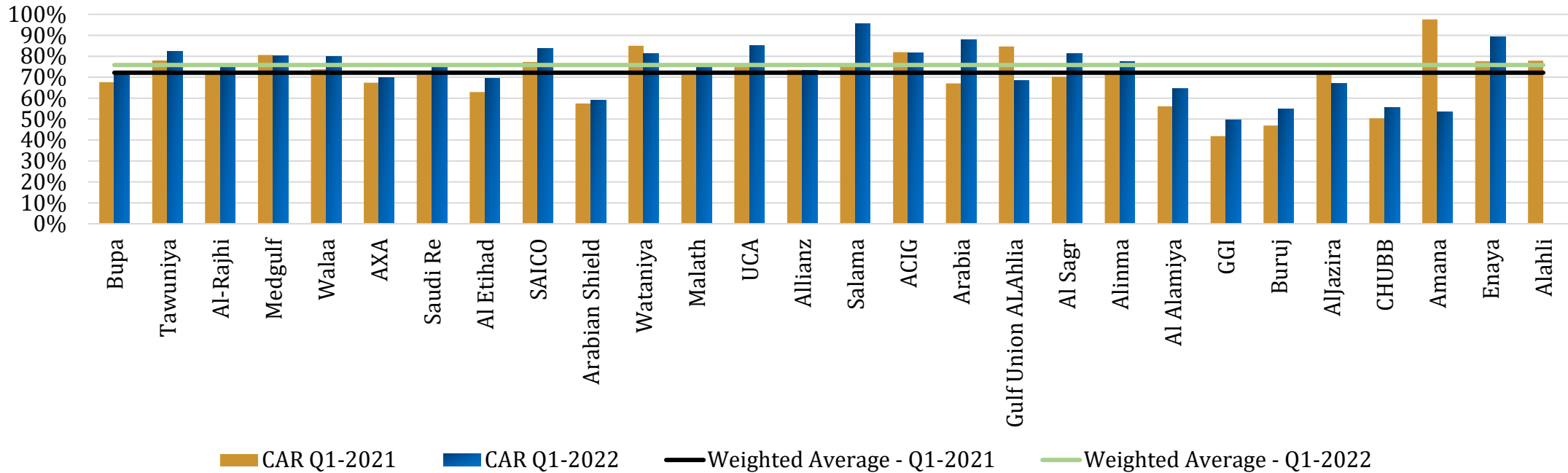
Normally, an inverse relationship is witnessed backed by the rationale that more cash in hand implies fewer risky investments thus lower expected yield. However, the economic downturn is reflected in the above graph that has showed a reversed relationship.

Return on Investment is calculated by taking the ratio of Investment income for the Q3-2022 to the average of Invested Assets as at Sep 30, 2021, and Sep 30, 2022. The median investment return was 3%.



Capital Adequacy Ratio

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 Sep 30, 2022, to Total Assets as at Sep 30, 2022.

The market weighted average CAR is 76% as at Sep 30, 2022.



Market Share

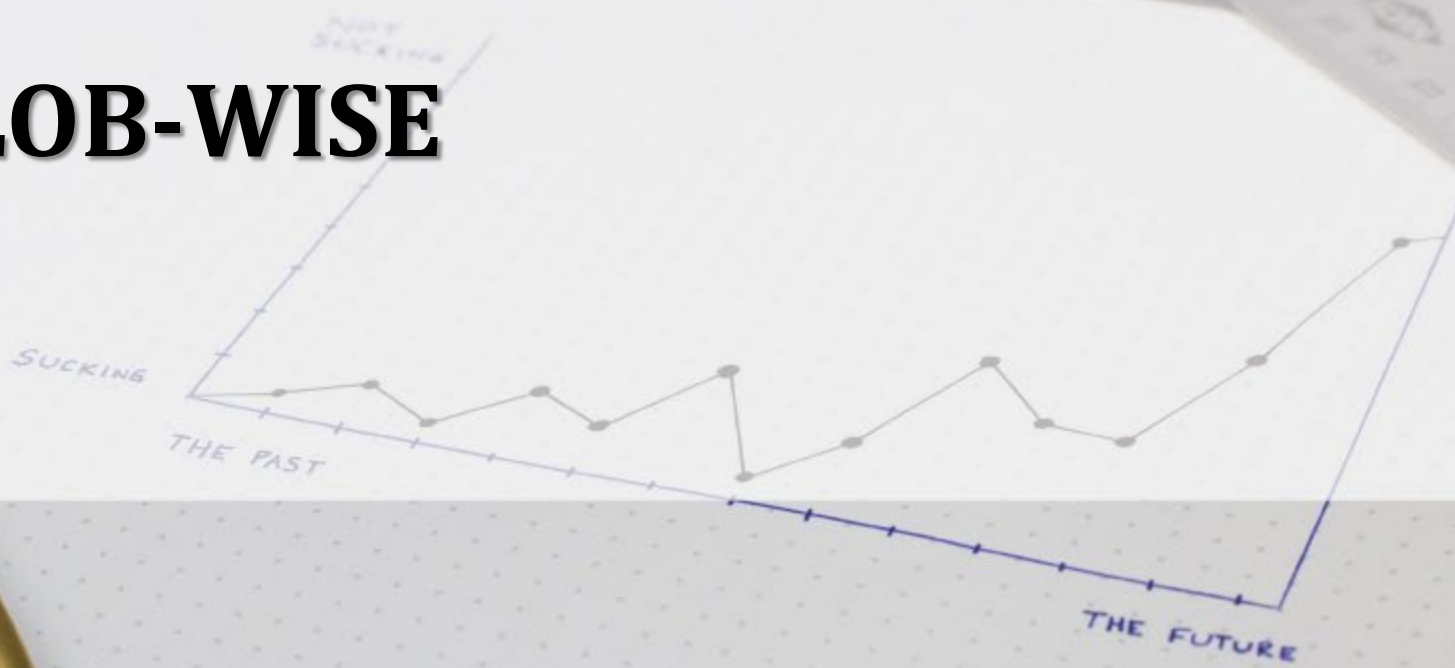
Market Share Proportion



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

04

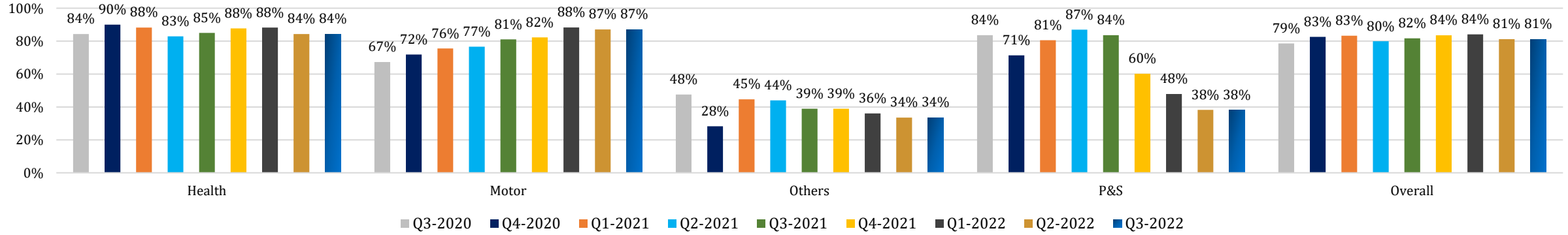
LOB-WISE



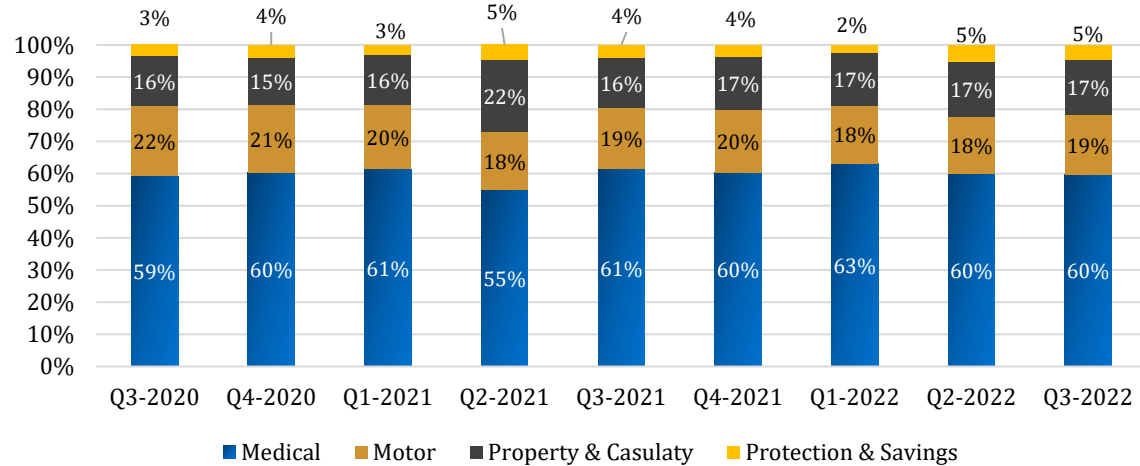


Overview

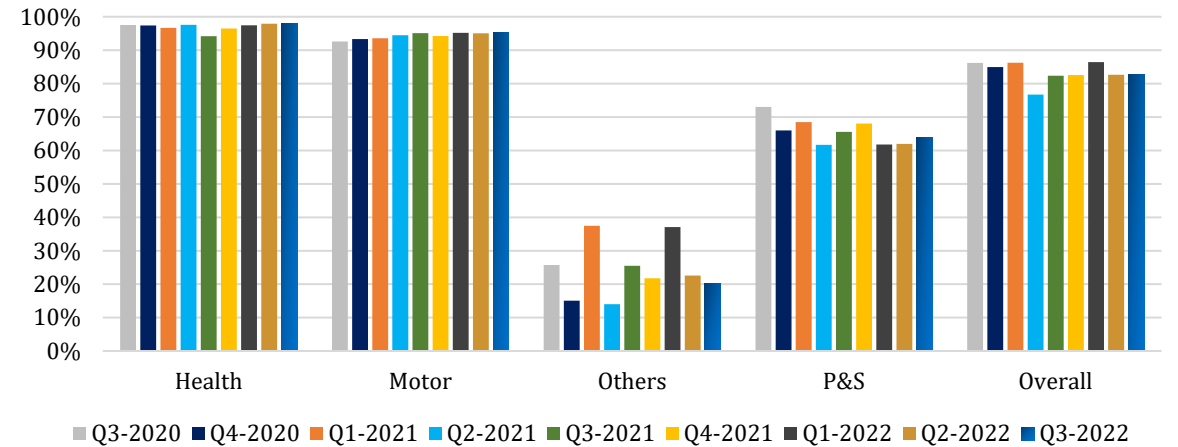
Loss Ratio (YTD)



% of Total GWP

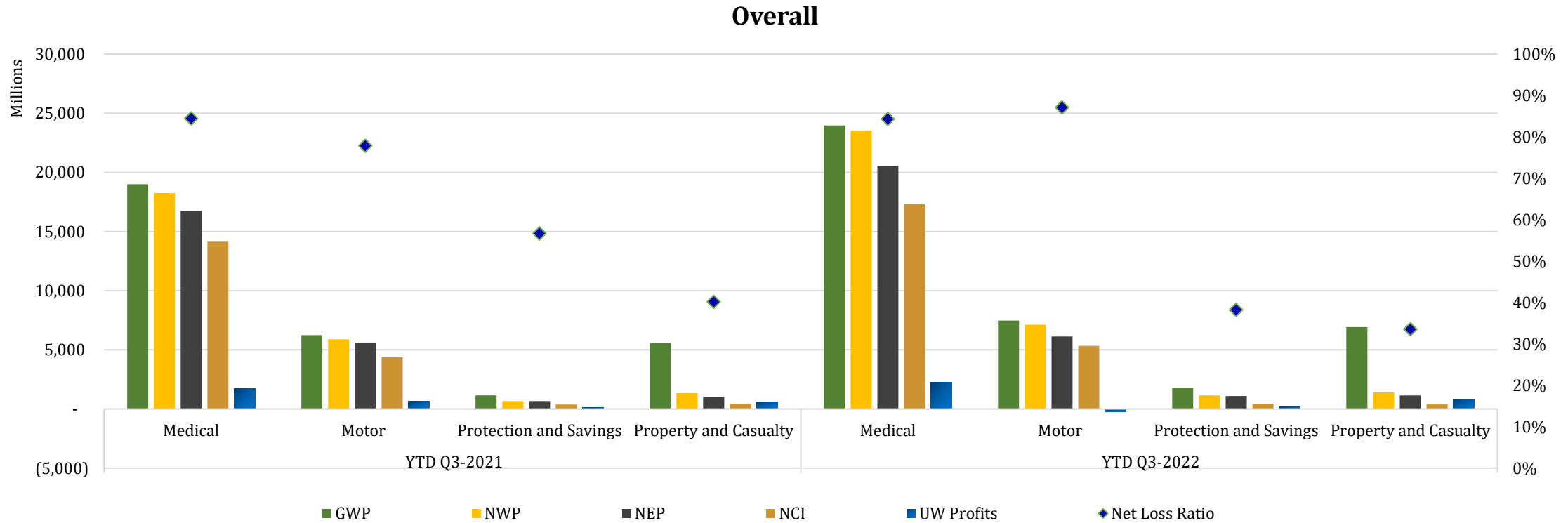


Retention Ratio (YTD)





Overall



Significant increase in Motor's Net loss ratio for Q3-2022 relative to Q3-2021 is witnessed. Motor, Medical, P&S and P&C Net Loss Ratio has changed by 9%, 0%, -18 % and -7% respectively compared to the same period of last year.

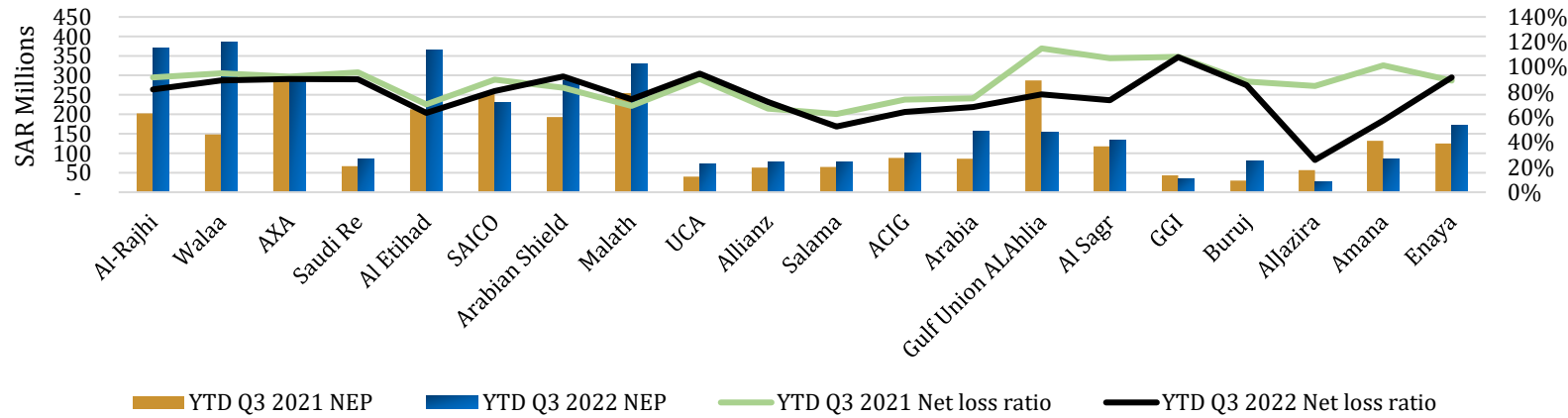
Net Claims Incurred are calculated as sum of Net Claims Paid in the respective period ,Change in IBNR reserve and Change in Outstanding reserve.

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



Net Earned Premium (NEP) & Loss Ratio

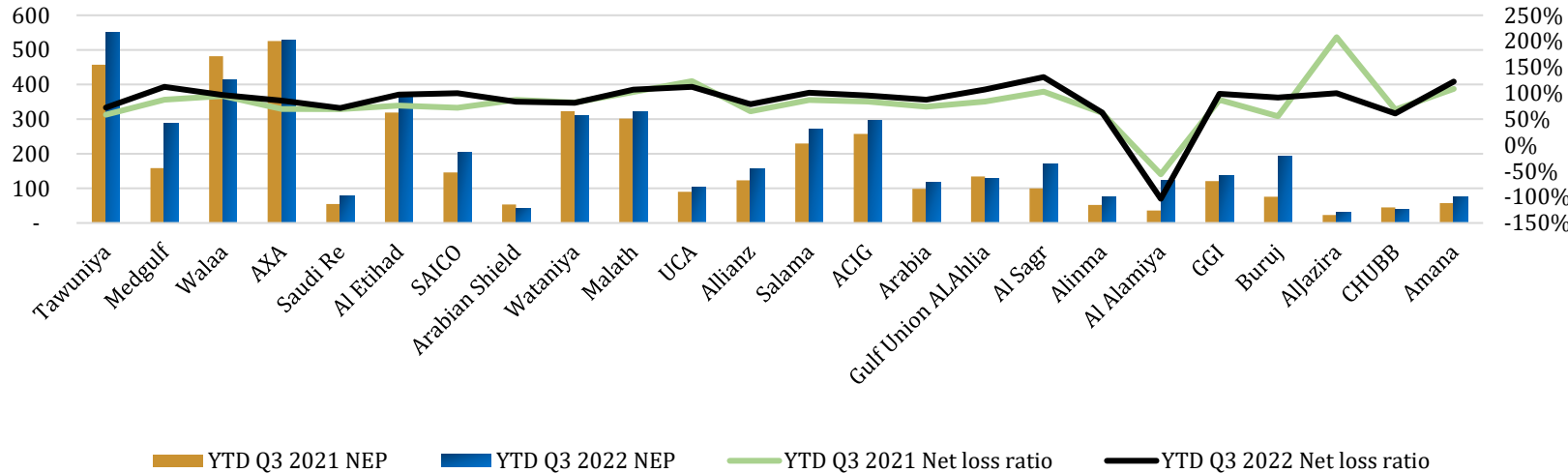
Medical



Bupa, Tawuniya, Medgulf and Alinma are excluded from the above graph. Bupa has NEP of SAR 9.4 billion for Q3-2022 and SAR 7.8 billion in Q3-2021 reflecting the Net loss ratio of 84% and 81%, respectively. Tawuniya has NEP worth SAR 6.4 billion for Q3-2022 and SAR 5.2 billion in Q3-2021 reflecting the Net loss ratio of 86% and 88%, respectively. Medgulf has NEP worth SAR 1.2 billion for Q3-2022 and SAR 993 million in Q3-2021 reflecting the Net loss ratio of 91% and 84%, respectively. Alinma has NEP of SAR 629,000 Q3-2022 and SAR 40,000 in Q3-2021 reflecting the Net loss ratio of 39% and 195%, respectively.

The weighted average of Loss Ratio for the top 5 Companies for Medical is 85% in Q3-2022 corresponding to 84% in Q3-2021. Moreover, the weighted average of loss ratio for Others is 78% in Q3-2022 corresponding to 88% in Q3-2021.

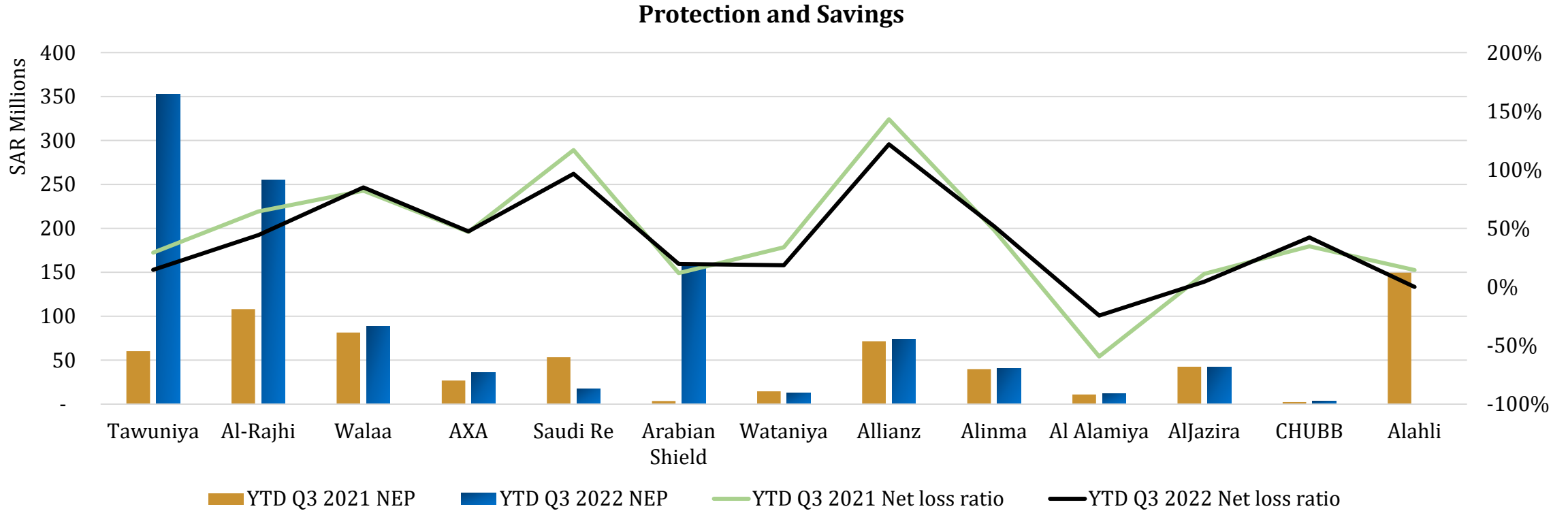
Motor



Al Rajhi is excluded from the below graph. It has NEP of SAR 1.1 billion for the period Q3-2022 and SAR 1.3 billion for Q3-2021 reflecting the Net loss ratio of 80% and 70% respectively. The weighted average loss ratio for top 5 companies is 85% for period Q3-2022 and 70% for Q3-2021, whereas the weighted average loss ratio for other companies is 89% for period Q3-2022 and 85% for Q3-2021.



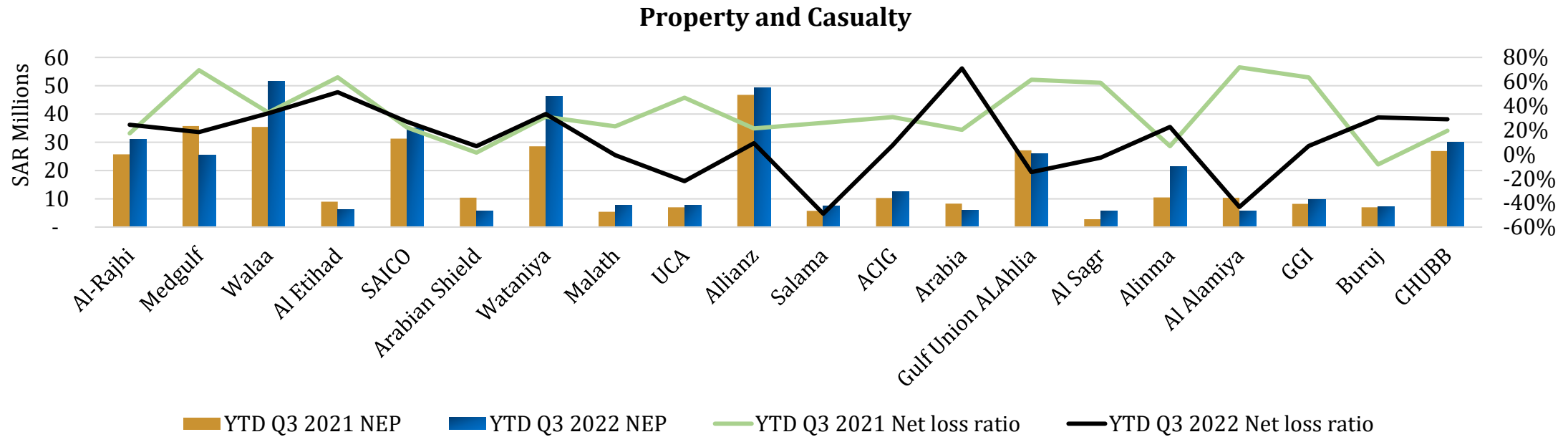
Net Earned Premium & Loss Ratio



The weighted average loss ratio for top 5 Companies in P&S is 33% and for others is 62% corresponding to 68% for top 5 companies and 70% for others in Q3-2021 respectively.



Net Earned Premium & Loss Ratio



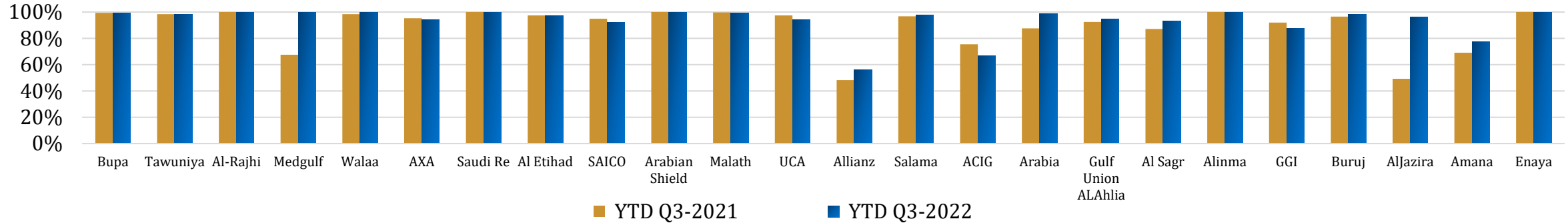
Tawuniya, Saudi Re, Amana, Al Jazira and AXA are excluded from the below graph. Tawuniya has NEP worth SAR 113 million for Q3-2022 and SAR 75 million for Q3-2021 reflecting the Net loss ratio of 29% and 23%, respectively. On the other hand, Saudi Re has NEP of SAR 490 million for Q3-2022 and SAR 459 million in the Q3-2021 reflecting the Net loss ratio of 55% and 55%, respectively. Amana has NEP of SAR 664,000 for Q3-2022 and SAR 570,000 million in the Q3-2021 reflecting the Net loss ratio of 2% and 32%, respectively. Al Jazira has NEP of SAR 1.4 million for Q3-2022 and SAR 1.4 million in the Q3-2021 reflecting the Net loss ratio of 46% and 23%, respectively. AXA recorded the NEP of SAR 141 million in Q3-2022 and SAR 121 million in corresponding period Q3-2021 with Net Loss ratio of 6% and 23% respectively,

For P&C, the weighted average loss ratio for Top 5 companies is 47% however in Q3-2021 the weighted average loss ratio was 48%. For companies other than top 5, the weighted average loss ratio is 10% in Q3-2022 and in Q3-2021 it stood at 32%.



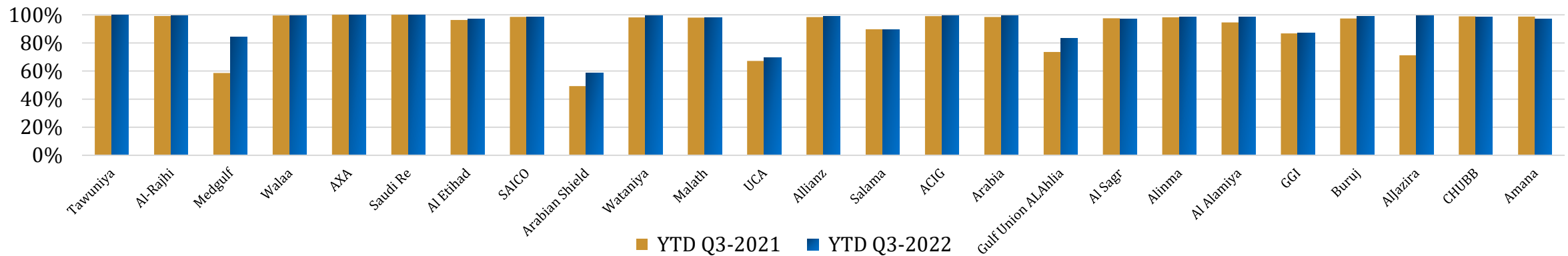
Retention Ratio

Medical



A significant increase in the retention ratio of Al Jazira for Medical is witnessed from 49% to 96% in Q3-2022

Motor

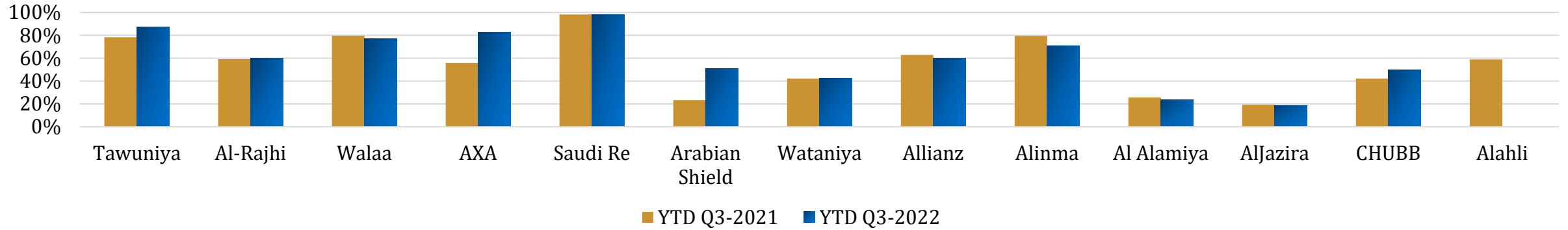


Medgulf's retention ratio shows a fairly significant increased from 59% to 84% in Q3-2022



Retention Ratio

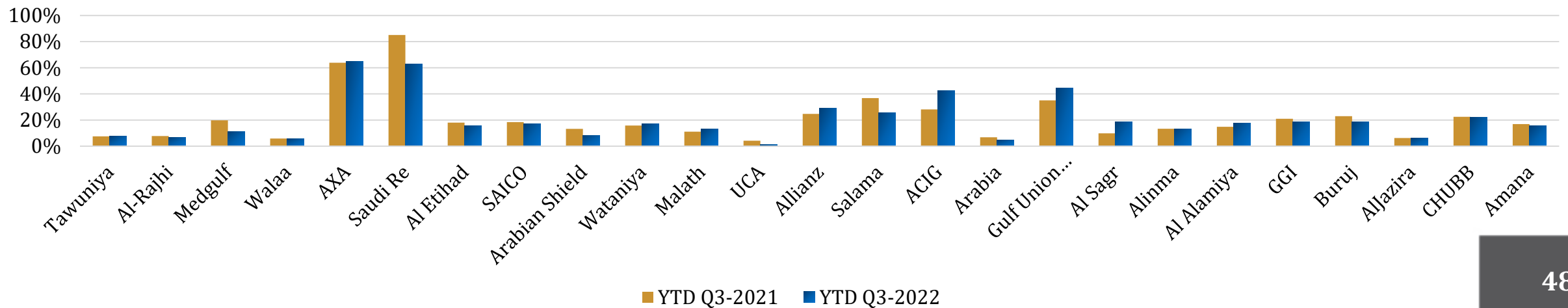
Protection and Savings



In Protection & Savings, Arabian Shield and AXA have significantly increased their retention from 23% to 51% and from 56% to 83% respectively in Q3-2022.

For Property & Casualty, Saudi Re has reduced its retention by 22% in Q3-2022.

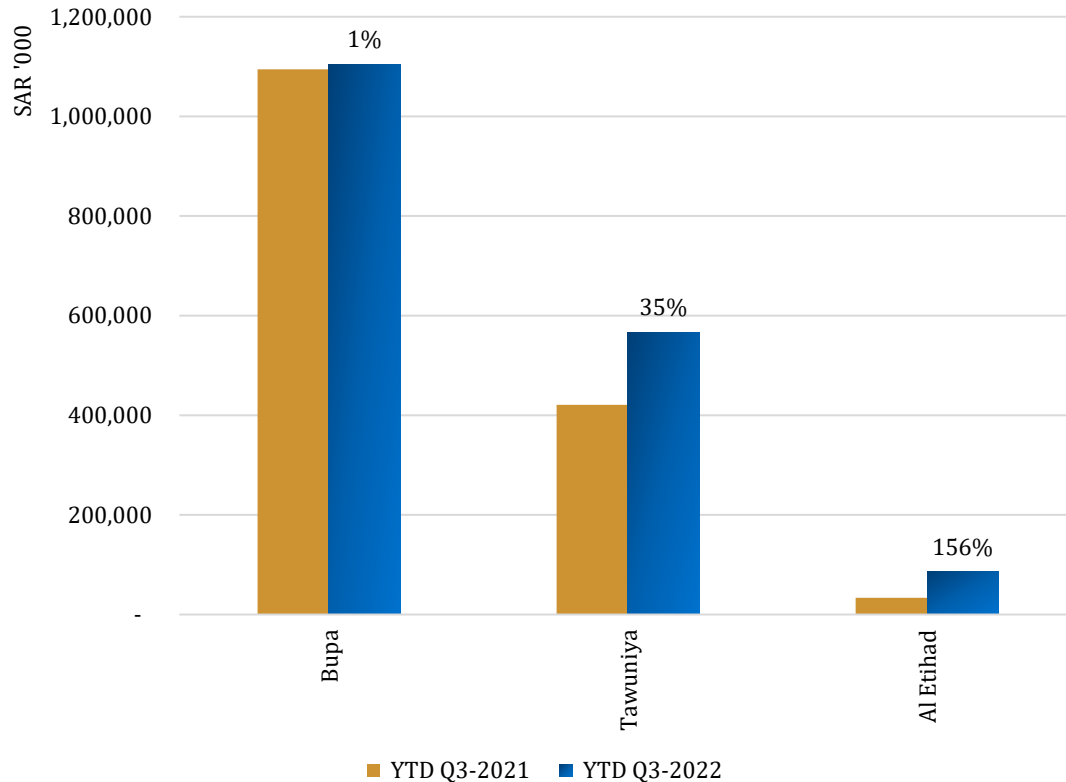
Property and Casualty



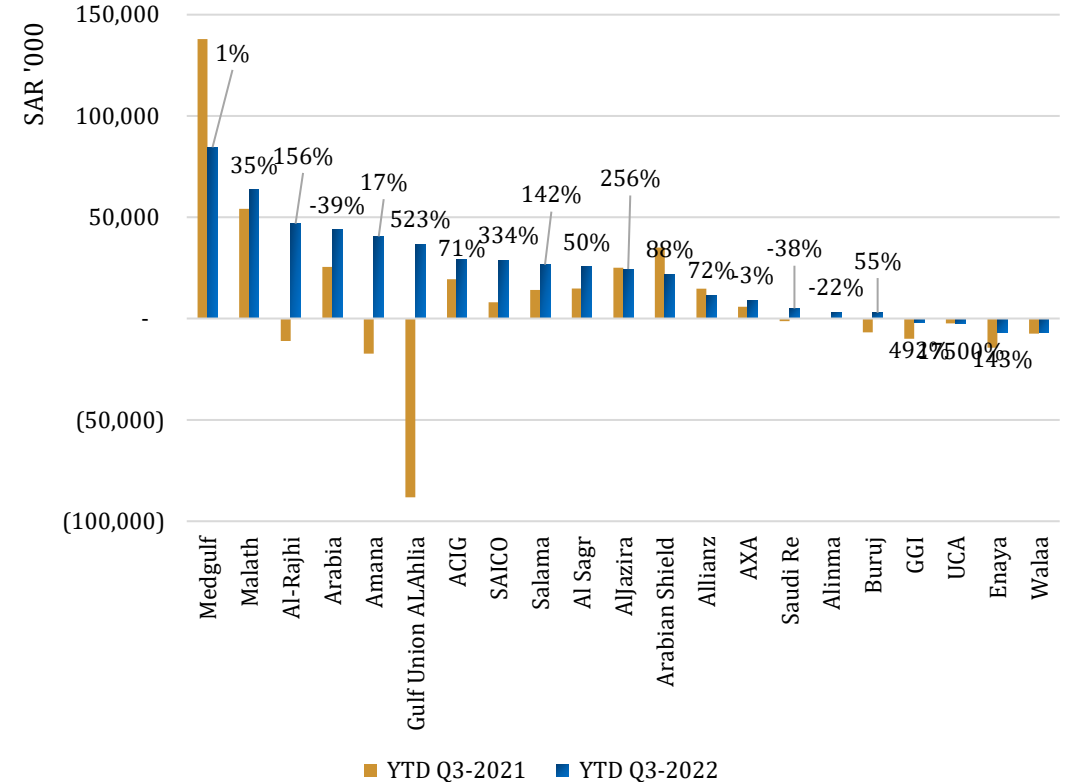


Underwriting Profit

Medical - Top 3



Medical - Others

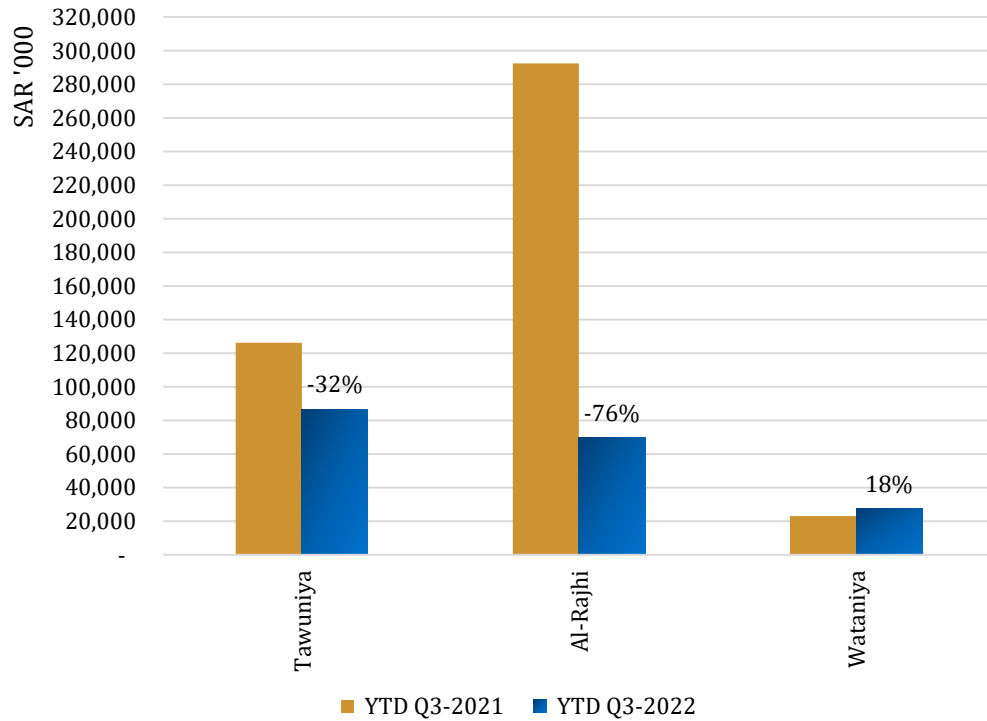


Total UW Profit in the Medical line is SAR 2.2 billion signifying an increase of 29% in the Q3-2022 compared to Q3-2021 when the total UW Profit recorded in Medical was SAR 1.7 billion.

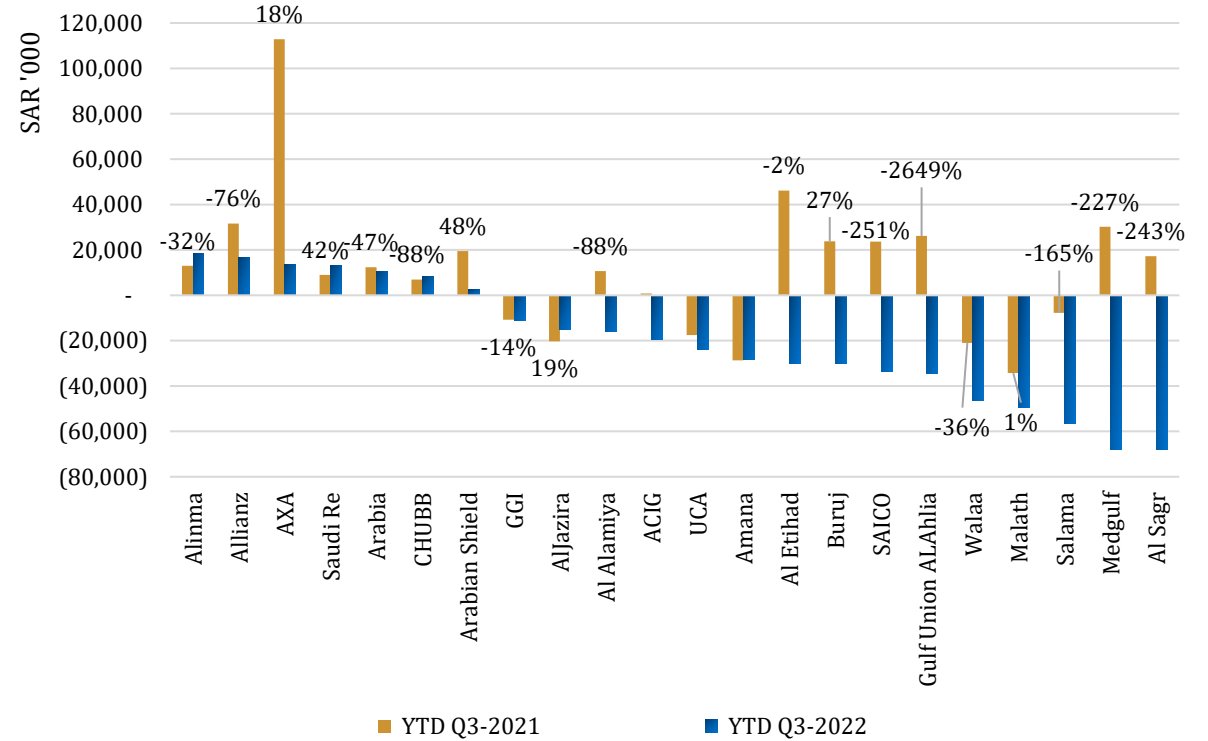


Underwriting Profit

Motor - Top 3



Motor - Others

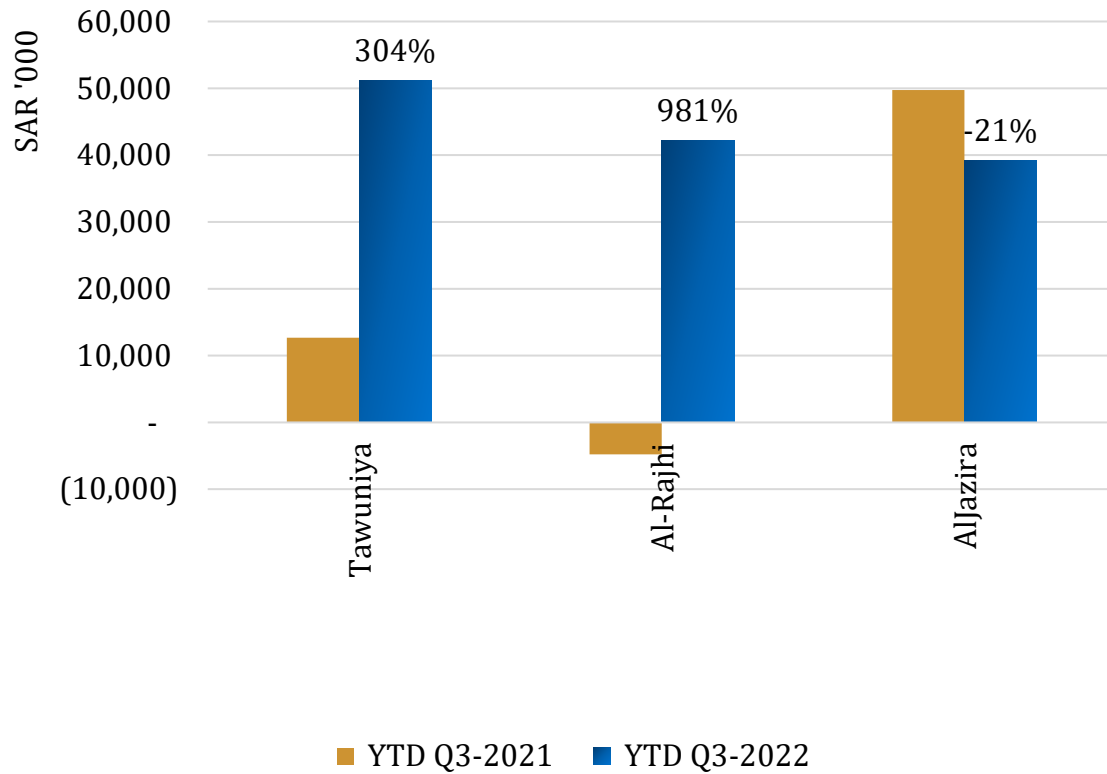


Total UW Profit in the Motor line is SAR -264 million signifying a decrease of 139% in the Q3-2022 compared to Q3-2021 when the total UW Profit recorded in Motor was SAR 685 million.

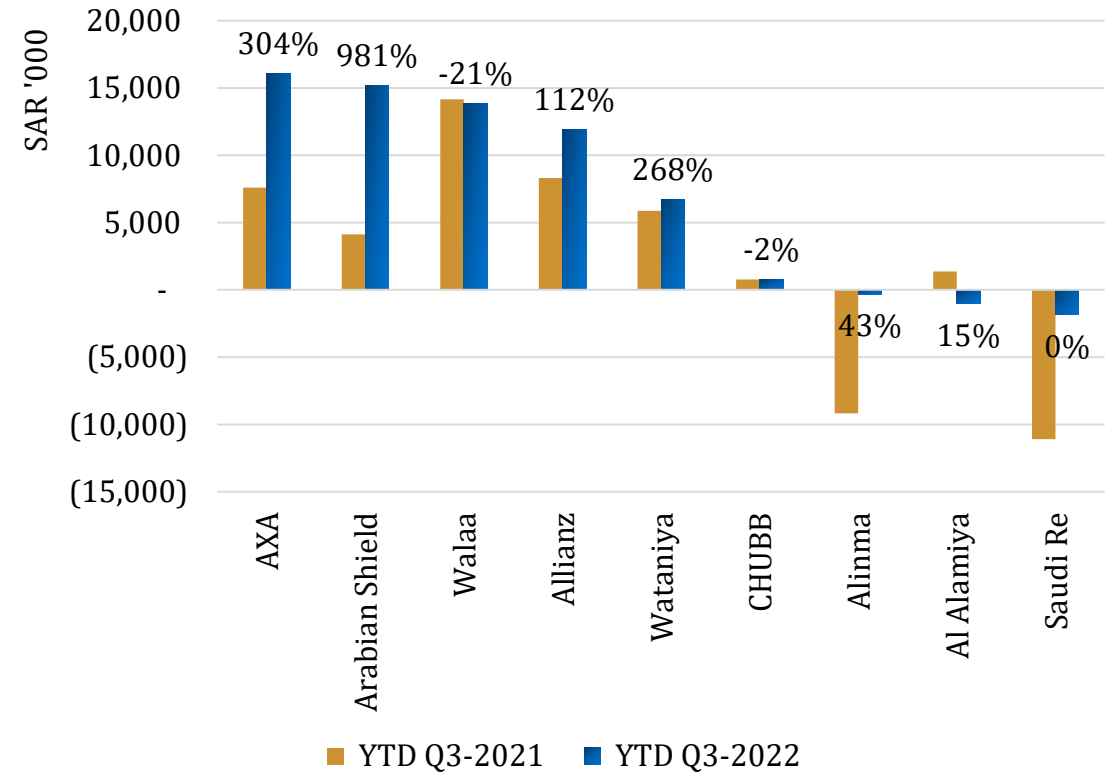


Underwriting Profit

Protection and Savings - Top 3



Protection and Savings - Others

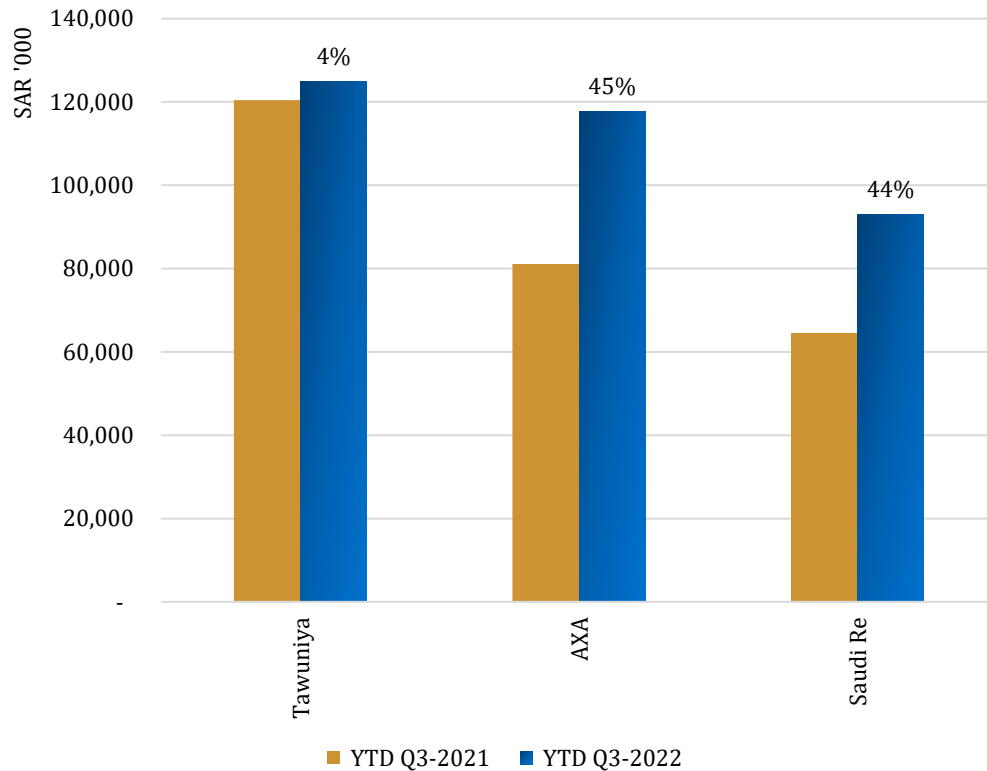


Total UW Profit in the P&S is SAR 194 million signifying an increase of 144% in Q3-2022 compared to Q3-2021 when the total UW Profit recorded in P&S was SAR 79 million.

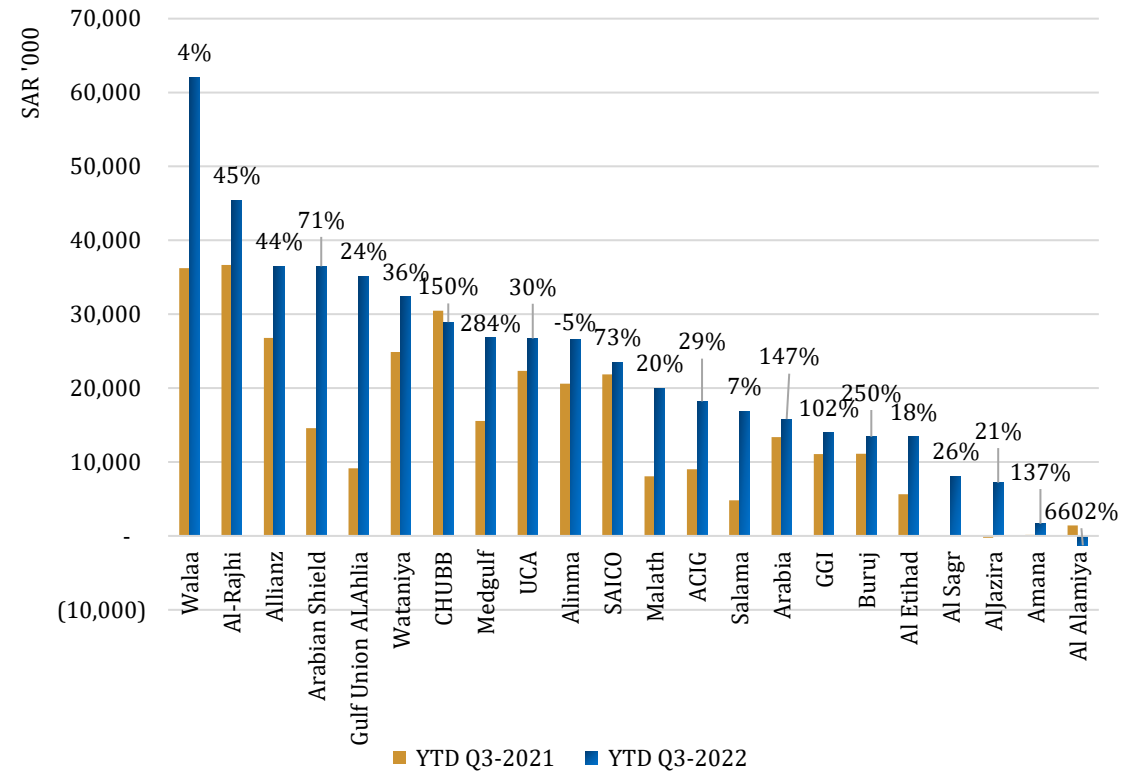


Underwriting Profit

Property and Casualty - Top 3



Property and Casualty - Others

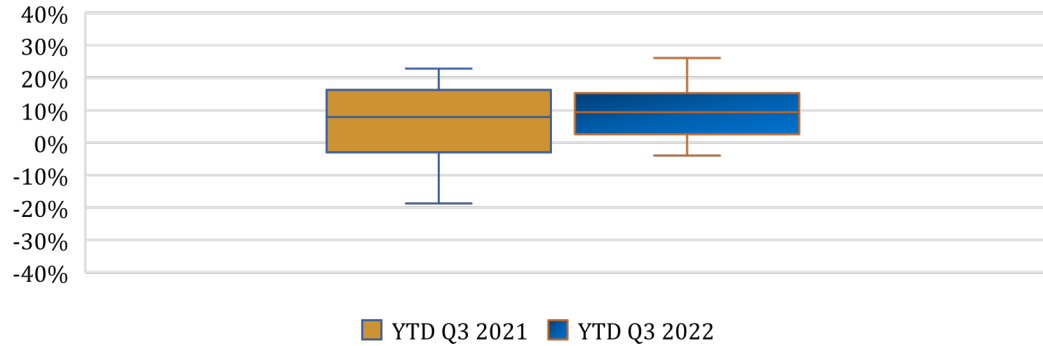


Total UW Profit in the P&C is SAR 843 million signifying an increase of 43% in Q3-2022 compared to Q3-2021 when the total UW Profit recorded in P&C was SAR 590 million.

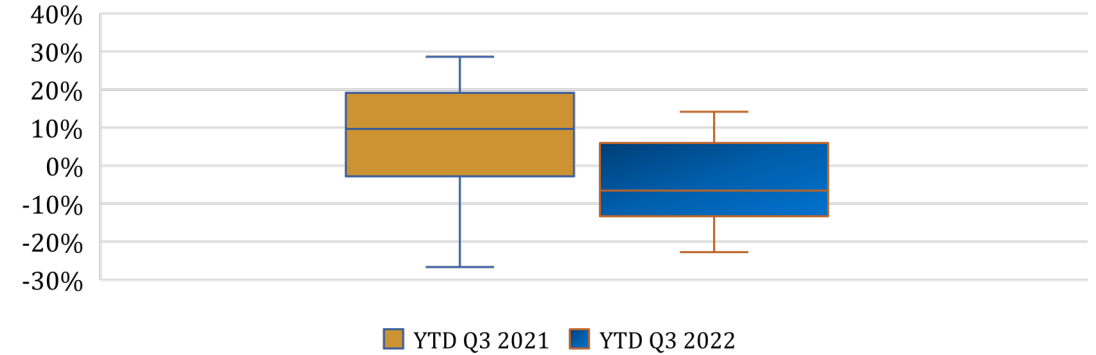


UW Profit Margin

Medical UW Profit

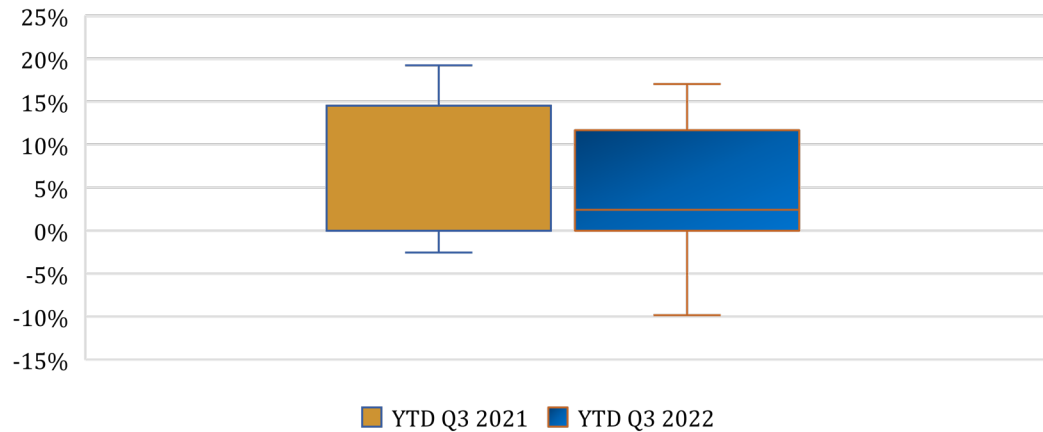


Motor UW Profit

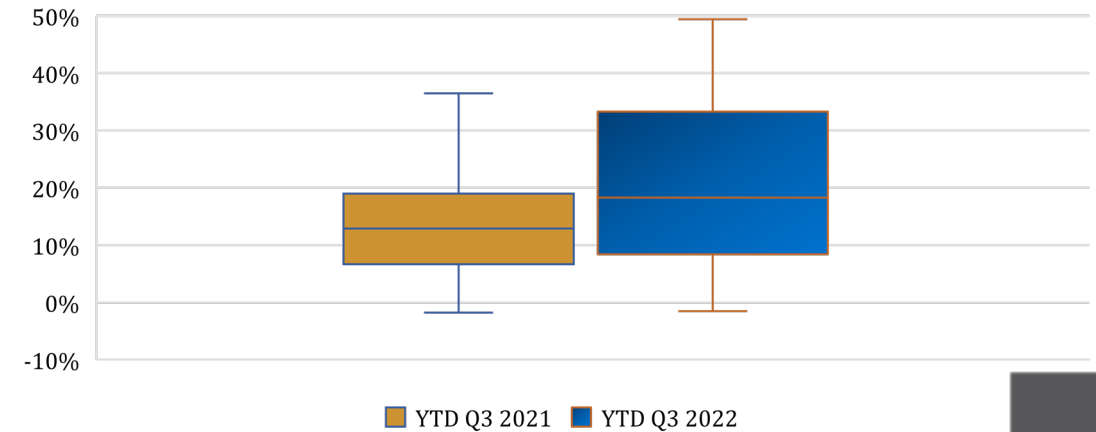


UW Profit Margin is calculated by dividing UW Profit to the Gross Written Premium.

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

	YTD Q3 2022	YTD Q3 2021	Variance
	SAR million	SAR million	SAR million
Medical UW Profit	2,243	1,745	498
Motor UW Profit	(264)	685	(950)
P&C UW Profit	844	590	254
P&S UW Profit	194	80	115
Total UW Profit	3,016	3,099	(83)
Investment Income	1,254	1,004	249
Others	(3,768)	(3,643)	(125)
Total Net Profit (After Zakat and Tax)	502	461	41





Conclusion

- The first nine months of 2022 saw overall gross written premiums increasing by 25.6% from SAR 32.0 billion to SAR 40.2 billion. A key factor behind this is increase in prices for Motor and Medical line of businesses as the insurers are suffering heavy losses during the current year.
- At an industry level, the profitability after zakat & tax has increased by 9% from a profit of SAR 461 million in Q3-2021 to a profit of SAR 502 million in Q3-2022. However, If we exclude BUPA and Tawuniya the industry is suffering a large fall in profitability with a loss of SAR 491 million in YTD 2022 compared with a SAR 412 million for the same period last year.
- Motor underwriters have struggled in very challenging market conditions, as underwriting profits have fallen by 139% compared with Q3-2021. 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 85% whereas the others had an average loss ratio of 89%. Based on the position at Q3-2022 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 29% compared with last year. This remains an extremely competitive line of business and the overall industry loss ratio remains high at around 84%.
- The Industry Combined Ratio has increased by 1% to 102%, compared with Q3-2021 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 Q3-2021.
- Commission expense ratio has increased by approximately 1% and same goes for the G&A expense ratio.
- 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 24%, however with an average retention ratio of 20% this continues to be heavily reinsured.
- As compared to last year, two companies are missing – SABB Takaful and Alahli Takaful. Since the merger between SABB Takaful and Walaa Cooperative Insurance was completed in October 2022, SABB Takaful is missing from both current and previous values. However, as the merger between Alahli Takaful and Arabian Shield Cooperative Insurance was completed in January 2022, we have shown Alhali Takaful's values for 2021 and in 2022 they are already part of Arabian Shield Cooperative Insurance.

الاستنتاج

- شهدت الأشهر التسعة الأولى من عام 2022 زيادة في إجمالي الأقساط المكتتبة الإجمالية بنسبة 25.6 % حيث ارتفعت من 32.0 مليار ريالاً سعودياً إلى 40.2 مليار ريالاً سعودياً. وتعد زيادة أسعار السيارات والقطاع الطبي للشركات من العوامل الرئيسية وراء ذلك حيث تعاني شركات التأمين من خسائر فادحة خلال العام الحالي.
- وعلى مستوى المجال، زادت الربحية بعد الزكاة والضرائب بنسبة 9 % من ربح 461 مليون ريالاً سعودياً في الربع الثالث من عام 2021 إلى ربح 502 مليون ريال سعودي في الربع الثالث من عام 2022. ومع ذلك، إذا استبعدنا بوبا والتعاونية، فإن المجال لا يزال يعاني من انخفاض كبير في الربحية مع خسارة 491 مليون ريالاً سعودياً في عام 2022 مقارنة بـ 412 مليون ريالاً سعودياً لنفس الفترة من العام الماضي.
- عانت شركات التأمين على السيارات في ظروف السوق الصعبة للغاية، حيث انخفضت أرباح الاكتتاب بنسبة 84 % مقارنة بالنصف الأول من عام 2021. ورغم أن هذا كان له تأثير كبير على السوق بأسره، إلا أن الفرق في الأداء بين أكبر اللاعبين وبقية السوق صارخ. بلغ متوسط خسارة أكبر 5 مكتتبين في قطاع السيارات 85 % بينما كان متوسط خسارة الآخرين 89 %. بناءً على الموقف في الربع الثالث - 2022، سيكون من الصعب تحقيق أرباح في الاكتتاب في قطاع السيارات للسنة المالية 2022 للعديد من شركات التأمين هذه. حققت الأعمال الإجمالية في مبيعات التجزئة لتأمين المسؤولية تجاه الغير خسائر ويجب أن تزيد الأقساط بشكل كبير في جميع أنحاء السوق لكثير من شركات التأمين لتكون مربحة في هذا القطاع.
- على النقيض من ذلك، حققت إجمالي الأقساط المكتتبة في المجال الطبي نموًا بشكل كبير بنسبة 26 % وزادت أرباح الاكتتاب بنسبة 29 % مقارنة بالعام الماضي. لا يزال هذا القطاع من الأعمال يعد تنافسيًا للغاية ولا تزال النسبة الإجمالية لخسائر المجال ككل مرتفعة تقف عند حدود 84 %.
- ارتفعت النسبة المجمعة للمجال بشكل حاد من 1 % إلى 102 %، مقارنة بالربع الثالث من عام 2021 ويُعزى ذلك في المقام الأول إلى زيادة نسبة خسارة المجال حيث تظل نسب النفقات عند مستويات مماثلة. وكانت المطالبات المتكبدة أعلى بكثير مما كان متوقعًا. وظلت عائدات الاستثمار إيجابية لتعويض بعض خسائر الاكتتاب. شهدت النسبة المجمعة تحسنًا متواضعًا مقارنة بالربع الأول من عام 2022 ولكن ما لم تتحسن نتائج قطاع السيارات بشكل كبير، فمن الصعب تصور انخفاض هذا المعدل إلى أقل من 100 % بحلول نهاية العام.
- ارتفعت نسبة الاحتفاظ الإجمالية للمجال البالغة 83 % بنسبة 1 % مقارنة بالربع الثالث من عام 2021.
- ارتفعت نسبة مصروفات العمولة بنحو 1 % ونفس الشيء ينطبق على نسبة المصروفات العامة والإدارية.
- تعتبر السيارات والخدمات الطبية العمود الفقري لمجال التأمين في المملكة العربية السعودية إذ يساهما إجمالاً بنسبة 78 % من إجمالي الأقساط في قطاع التأمين في المملكة العربية السعودية.
- تستمر قطاعات الحماية والادخار في إظهار نمو وربحية جيدة رغم أن ذلك على نطاقات أصغر. ولا يزال التأمين على الحماية والادخار ينمو وتضاعفت من حيث إجمالي الأقساط المكتتبة مقارنة بالفترة ذاتها من العام الماضي.
- شهدت قطاعات التأمين المربحة الممتلكات والإصابات زيادة بنسبة 24 %، ورغم أن نسبة الاحتفاظ بلغت 20 %، إلا أنها لا تزال تشهد عمليات إعادة تأمين.
- مقارنة بالعام الماضي، هناك شركتان غير موجودتين وهما - ساب تكافل والأهلي للتكافل. فمنذ اكتمال عملية الدمج بين ساب تكافل وولاء للتأمين التعاوني في أكتوبر 2022، فإن ساب تكافل غير موجودة في القيم الحالية والسابقة على حد سواء، ورغم اكتمال عملية الدمج بين الأهلي تكافل والدرع العربي للتأمين التعاوني في يناير 2022، أظهرنا قيم الأهلي تكافل لعام 2021 وفي عام 2022 أصبحت بالفعل جزءًا من الدرع العربي للتأمين التعاوني.



Disclaimer

- We have undertaken an analysis of the Key Performance Indicators (KPIs) of the listed insurance companies in KSA for the first 9 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	Abbreviation
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	8180	Al Sagr Cooperative Insurance Co.	ASCIC
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 Q3-2022 has been undertaken.



About Our Team

Directors 3 staff	UAE/Oman Actuarial 35 staff	KSA Actuarial 22 staff	Medical 5 staff	IFRS-17 15 staff
Business Intelligence 9 staff	End of Service 5 staff	HR Consulting 2 staff	Financial Services 1 staff	Support Functions 22 staff

Total Strength
119



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Feedback

Badri Management Consultancy is proud to present Saudi Arabia's Insurance Industry Performance analysis Q3 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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