



KSA INDUSTRY UPDATE 2022





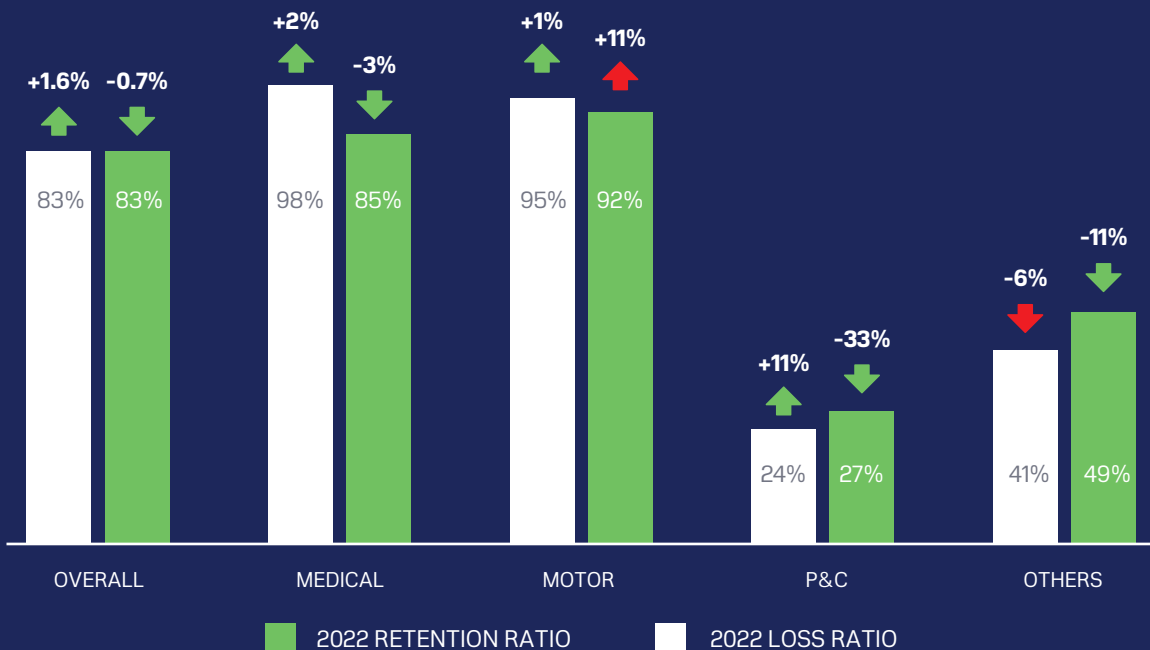
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KSA INSURANCE MARKET IN 2022, AT A GLANCE



Retention and Loss Ratios



Market Overview

The results shown in this report are based on 27 audited financial statements (referred herein as “the market”, “the companies” or “the industry”) of KSA insurance companies listed on Saudi Stock Exchange (Tadawul).

The Gross Written Premium (GWP) grew by 27.2% to SAR 53.4b during 2022 following an increase of 9.6% in 2021. Total assets of the companies were recorded at SAR 80.1b – an increase of 16.5% during 2022. Net profits of the companies have improved significantly, growing from a loss of SAR 43.7m in 2021 to a profit of SAR 731m in 2022.

2022 has been a year of remarkable growth for the insurance industry. There is a noticeable increase in the total gross written premium, which has resulted in higher profit margins than previous years. This could be attributed to factors such as better risk management, improved customer service, and increased demand for insurance products. Additionally, technological advancements have made it easier for customers to purchase insurance products online. These developments are expected to continue in 2023 and beyond, so we expect further growth in the insurance industry. Moreover, the per-person insurance spending rose to 1,564 in 2022 from 1,200 in 2021, amounting to a 30% increase.

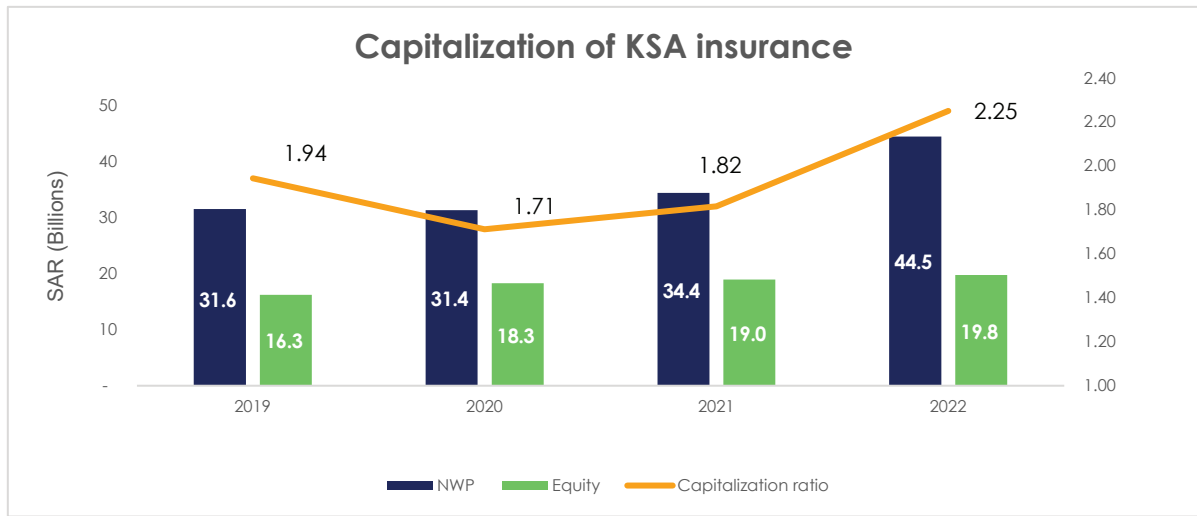
Overall market net loss ratio decreased from 83.1% in 2021 to 82.5% in 2022. Retention levels did not experience material change across the market and increased by only 1.65%. Apart from Others (Engineering, Life, Marine, Term life, and Protection & Savings), all lines of business (LOB) recorded increase in retention ratio. Gross Written Premium (GWP), market share of GWP and market rank by GWP are shown in Exhibit1. Net profit, net profit participation and market rank by net profit are shown in Exhibit2. Total assets and shareholders’ equity are shown in Exhibit3.

Where data for individual companies is shown, we have separated it into two categories of graphs: ‘Top 10’ in the main body of the report and ‘Remaining’ in the Appendix of this report. Each ‘Top 10’ graph includes the top 10 companies for a specific statistic only. It means that each ‘Top 10’ graph will have a different set of companies, depending on their ranking with respect to the particular statistic.

The remaining report will deep-dive in the market statistics to unveil the latest trends.

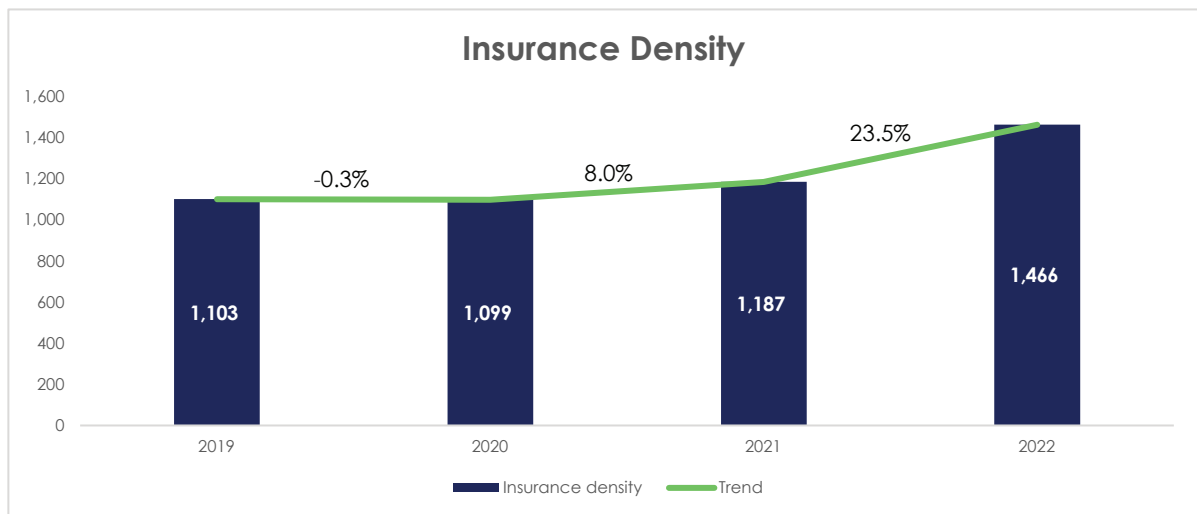


Graph 1 – Capitalization of KSA insurance companies



The chart above illustrates the capitalization of KSA insurance companies which has been calculated as a ratio of Net Written Premium (NWP) over the Equity. The capitalization of KSA insurance companies saw an increase from 1.82 to 2.25 in 2022, which is a significant increase compared to the previous years.

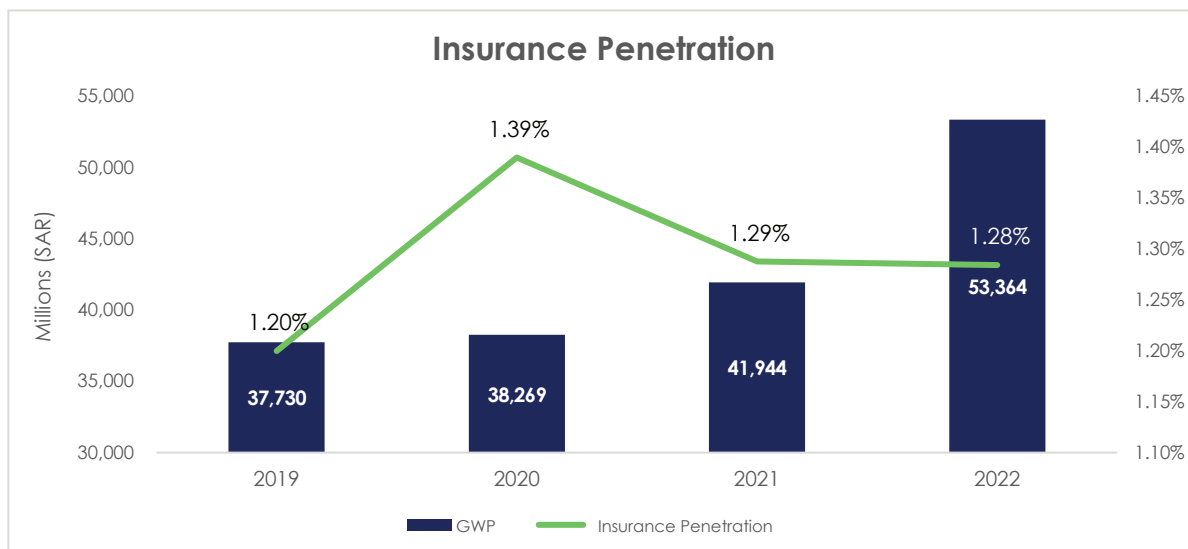
Graph 2 – Insurance density



Insurance density is calculated as a ratio of GWP to the KSA population¹. The ratio experienced a slight decrease of 0.3% in 2020. However, since 2020 it has been increasing. And in 2022 there was a significant increase of 23.5%. The growth observed in recent years is mainly due to economic advancements, leading to the emergence of more assets that can be insured and new coverage options that are mandatory. Additionally, in 2022, the Central Bank issued several rules and standard policies to accommodate the development of the sector and economy. These policies include the Comprehensive Motor Insurance Rules, the Domestic Workers' Contracts Standard Insurance Policy and Capital Market Authority's oversight of Professional Indemnity for Auditors of Entities Standard Insurance Policy.

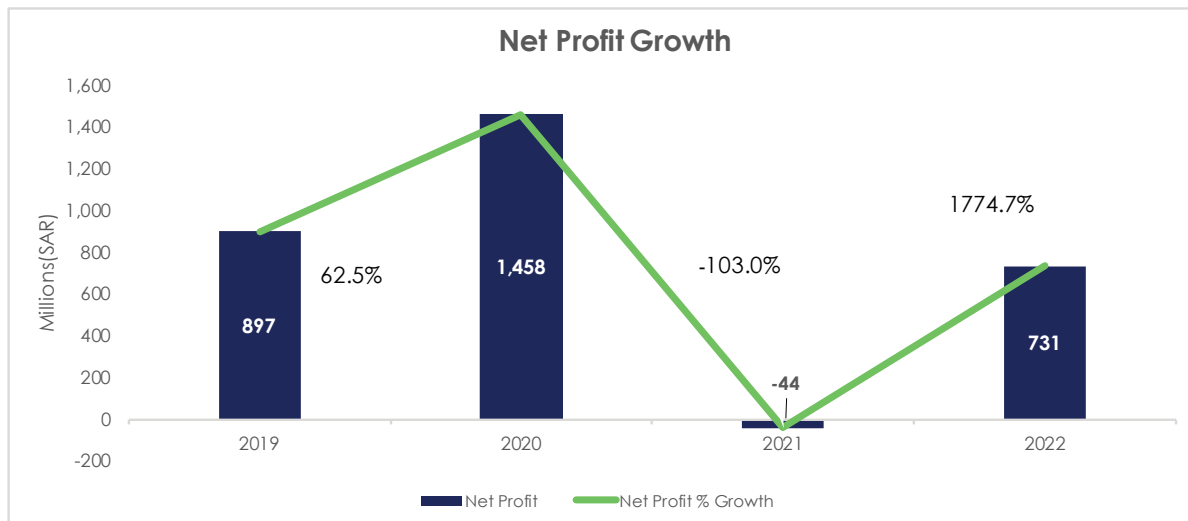
¹KSA population <https://www.macrotrends.net/countries/SAU/saudi-arabia/population>

Graph 3 – Insurance penetration



Insurance penetration is calculated as the ratio of GWP to GDP. It was impacted by substantial growth in GDP between 2019 and 2022. Since GWP increased at a lower rate than the growth of GDP, there was a decline in insurance penetration during this period.

Graph 4 – Net Profit



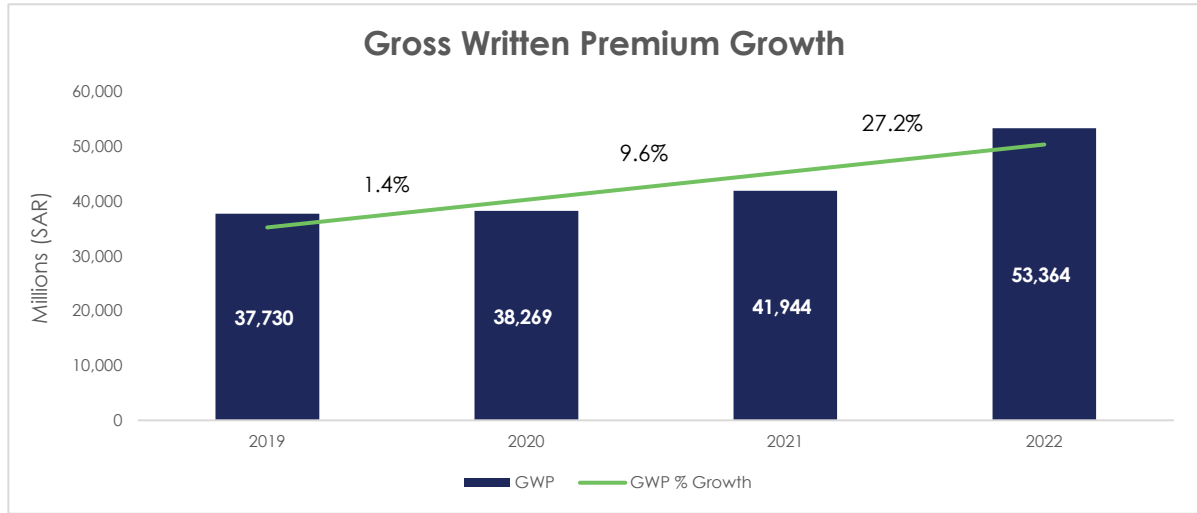
Net profits increased significantly for most companies compared to last year, primarily because the increase in premium rates was more than the increase in the claims during 2022.

The market, therefore, saw a movement from SAR (44m) loss in 2021 to net profit of SAR 731m in 2022. This translates into a movement of about 1,774.7% in net profit (after Zakat and tax).

Premium

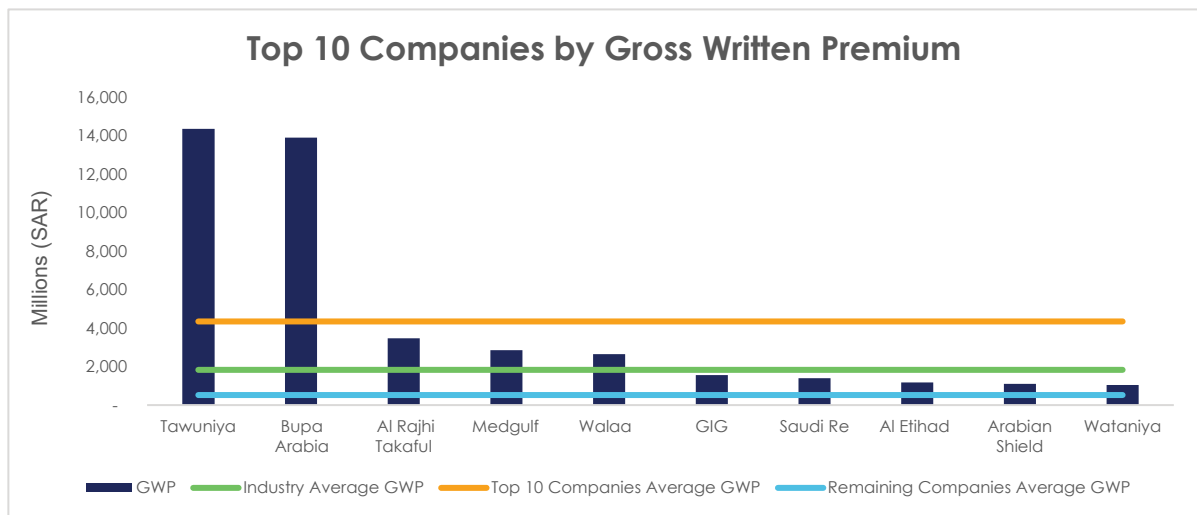
This section provides a detailed analysis of gross and net premium by companies as well as by lines of business.

Graph 5 – Gross Written Premium Growth



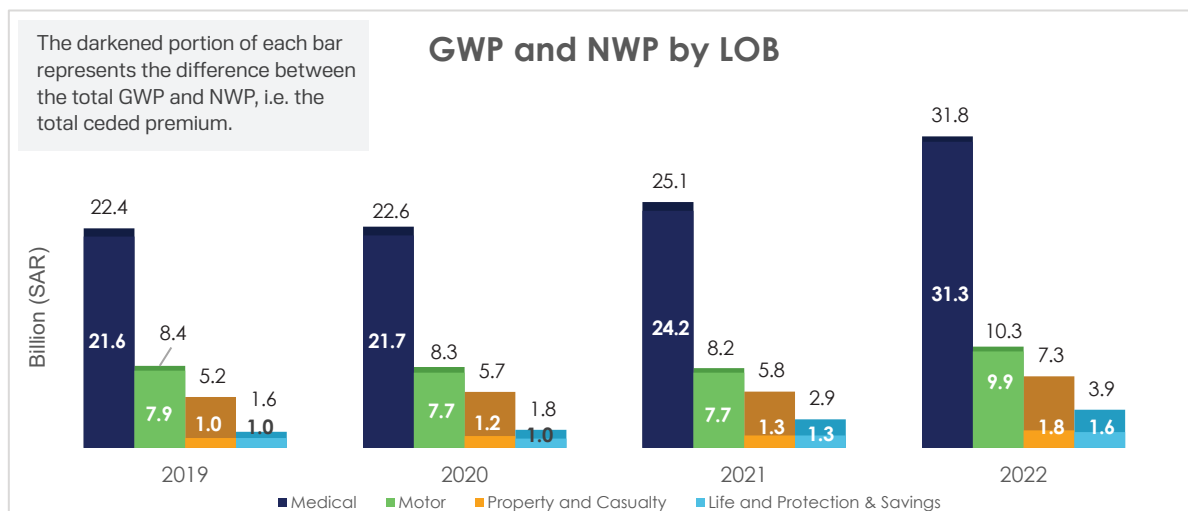
GWP in the KSA market has been increasing since 2019 – 2022. In 2022, the GWP growth experienced the highest increase during the last three years.

Graph 6 – 2022 Top 10 Companies by Gross Written Premium



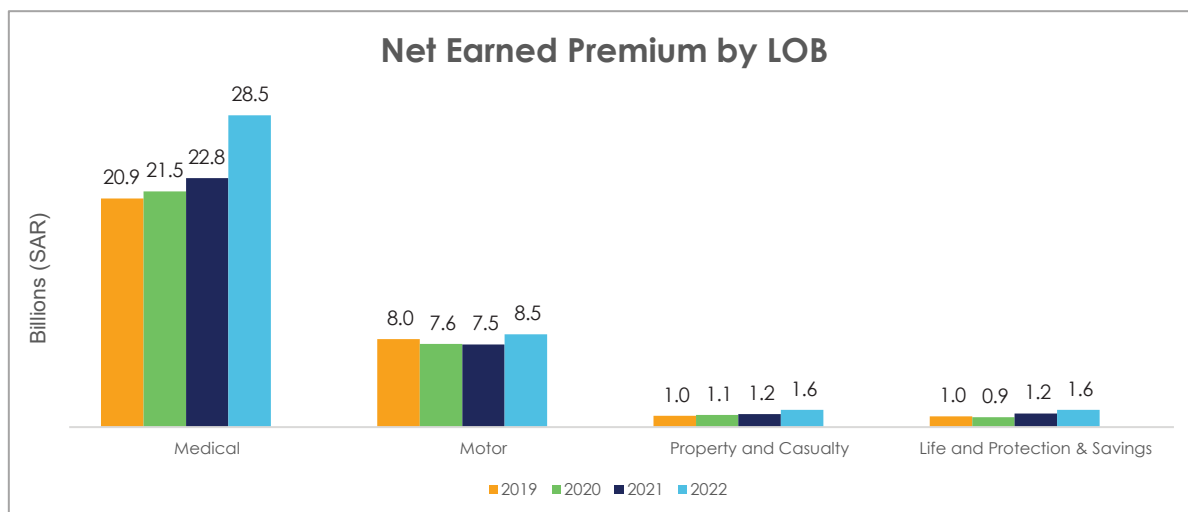
Tawuniya had the highest GWP followed by Bupa Arabia. Both dominate the market and had a combined GWP of over SAR 28b. The remaining top 10 companies wrote a combined GWP of 15b. Al Rajhi Takaful wrote GWP of more than 3b whereas Walaa and Medgulf wrote GWP of more than SAR 2b each. The combined Gross Written Premium of the other 22 firms (excluding the top five) equates to SAR 16.1 billion.

Graph 7 – 2022 Gross Written Premium and Net Written Premium by Line of Business



The chart above is a comprehensive snapshot of GWP and NWP by line of business (LOB). More than half of the premium in the market is attributed to medical LOB which has shown an increasing trend over FY 2019 -2022. The market is retaining most of Medical and Motor premium. Conversely, a big portion of Property and Casualty premium is ceded to reinsurers.

Graph 8 – 2022 NEP Earned Premium by LOBs

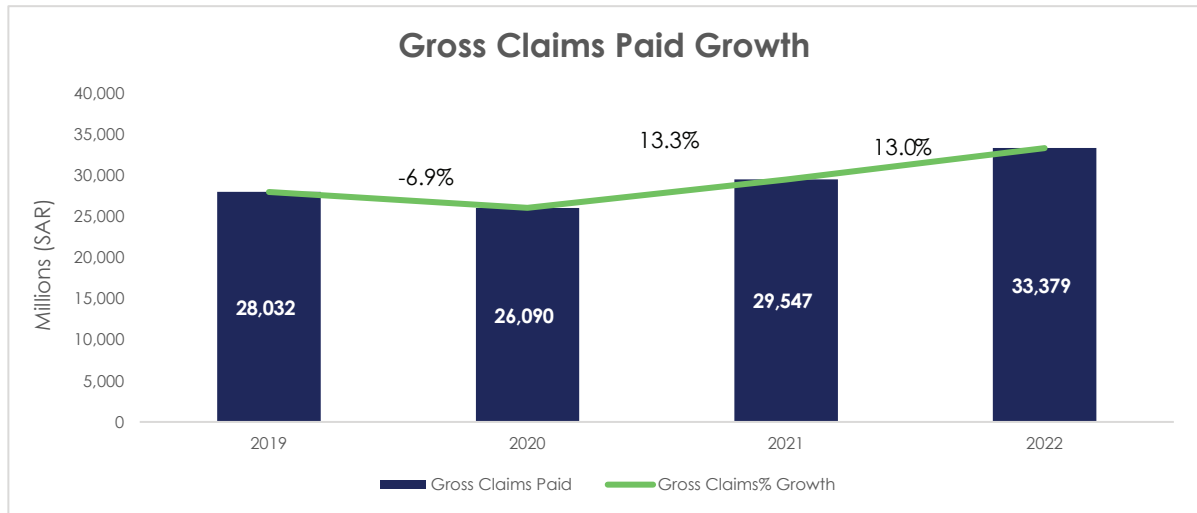


Overall, the NEP across all major LOBs increased in 2022. The highest net earned premium (NEP) for years 2019-22 attributed is on the medical LOB. The overall net earned premium for Medical for FY 2022 was SAR 28.5b. This is an increase of 25.2% compared to the 2021 NEP. NEP experienced a significant increase of 13.3% on Motor line of business for FY 2022. The NEP for Life and Protection & Savings LOB for FY 2022 is SAR 1.6b.

Claims

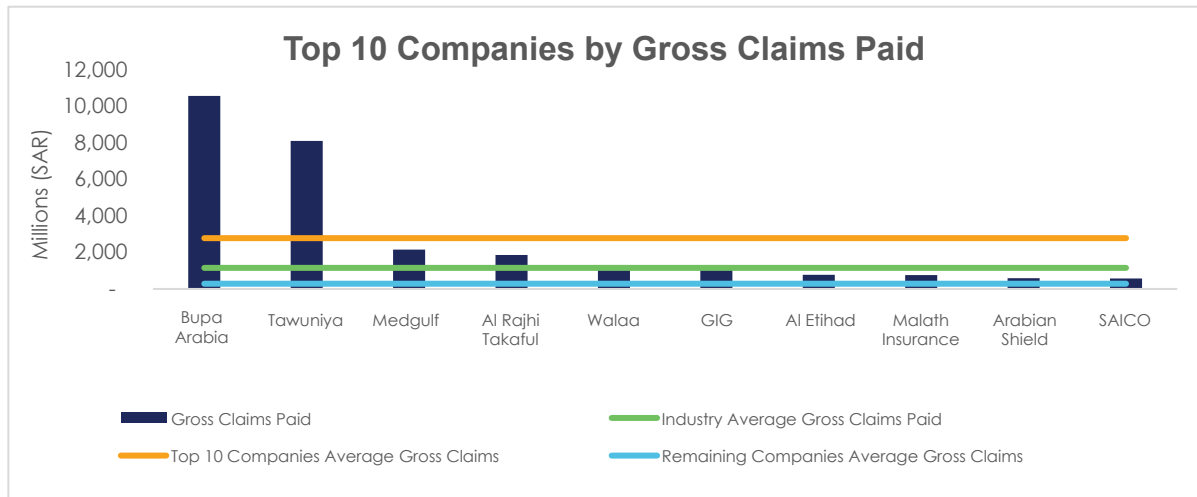
This section provides a detailed analysis of gross paid and net incurred claims by companies as well as by lines of business.

Graph 9 – Gross Claims Paid Growth



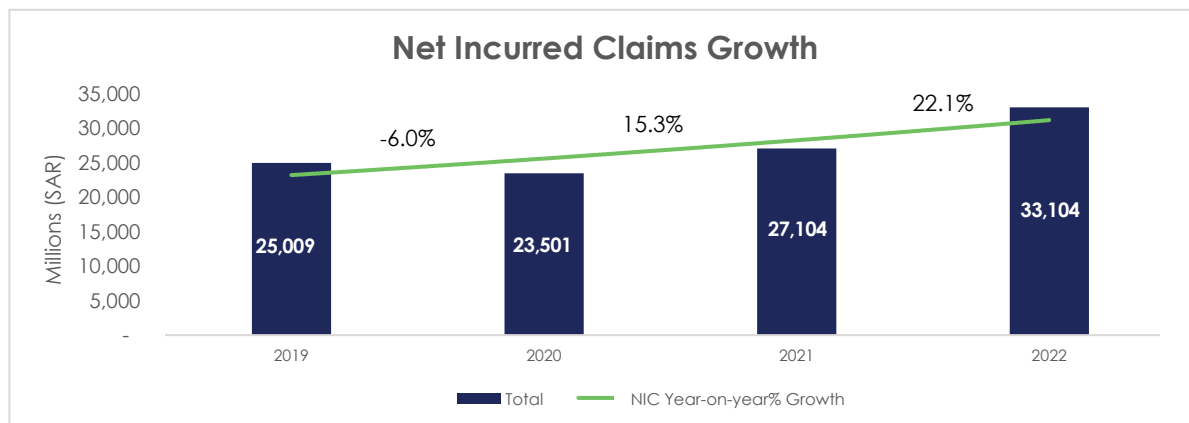
Gross claims paid took a dip in 2020 by 6.9% compared to 2019. This trend reversed during 2021 as the country was recovering from Covid-19 impacts and gross claims paid grew by 13.3%. In 2022, the industry saw the growth trend continue and the gross claims paid grew by 13.0% to read SAR 33.4b.

Graph 10 – 2022 Top 10 Companies by Gross Claims Paid



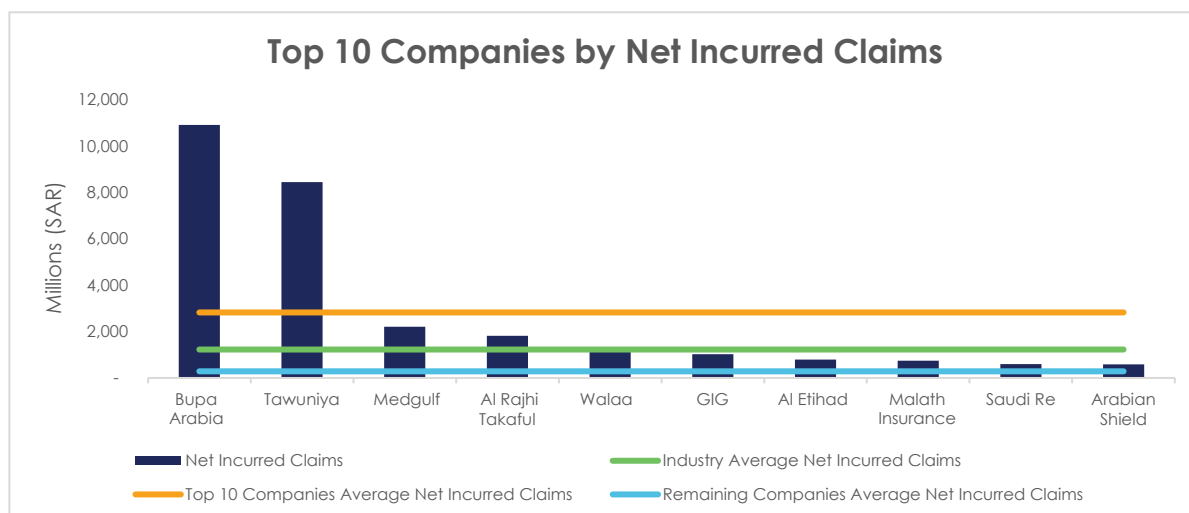
Similar to written premium, gross claims paid for Tawuniya, and Bupa Arabia far exceeded those for rest of companies. Gross claims paid by Tawuniya, and Bupa Arabia stood at SAR 18.7b. Medgulf has gross claims paid of more than 2.2b whereas Al Rajhi Takaful and Walaa have more than SAR 1.9b and 1.2b respectively. The gross claims paid of the other 22 firms (excluding the top five) equates to SAR 9.4 billion.

Graph 11 – Net Incurred Claims Growth



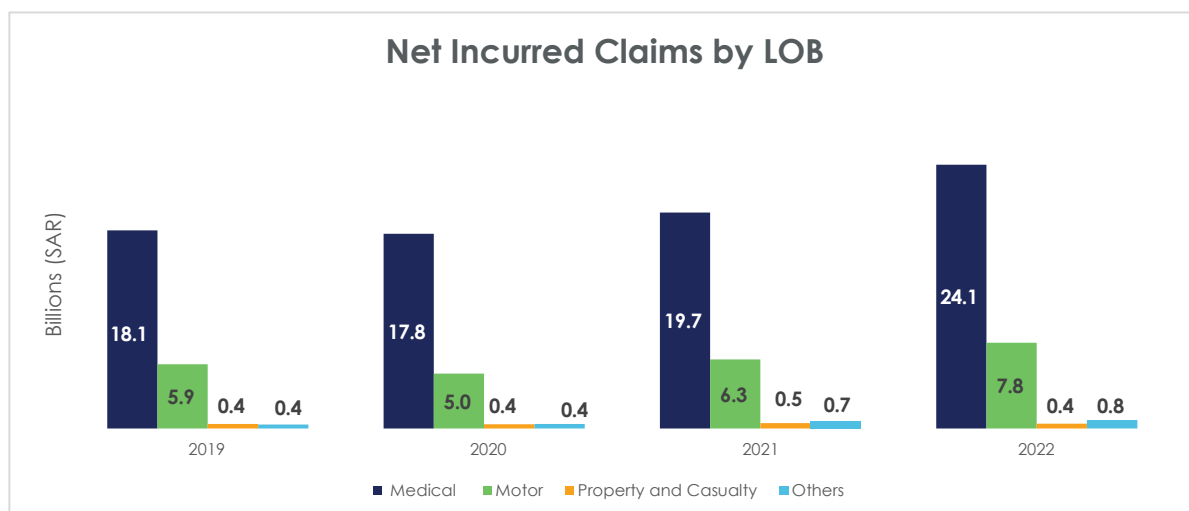
The NICs continued to increase and have gone above the pre-pandemic levels. In 2022, the industry saw an increase of 22.1% in NIC taking NIC to the highest level since 2019.

Graph 12 – 2022 Top 10 Companies by Net Incurred Claims



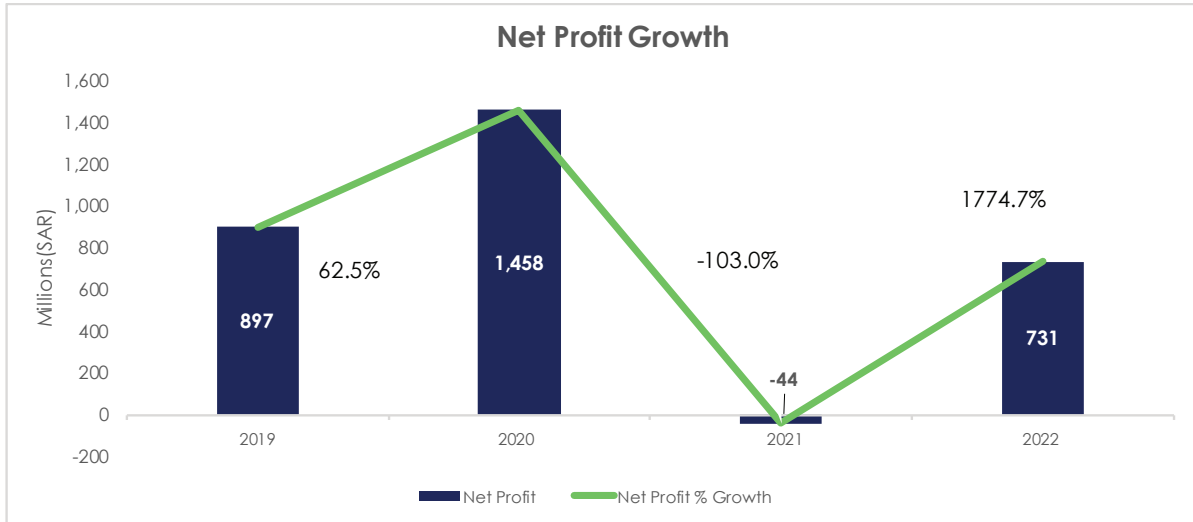
Industry average of net incurred claims (NIC) for top 10 companies by NIC is SAR 2.831m whereas for the remaining companies it is SAR 282m.

Graph 13 – 2022 Net Incurred Claims by LOB



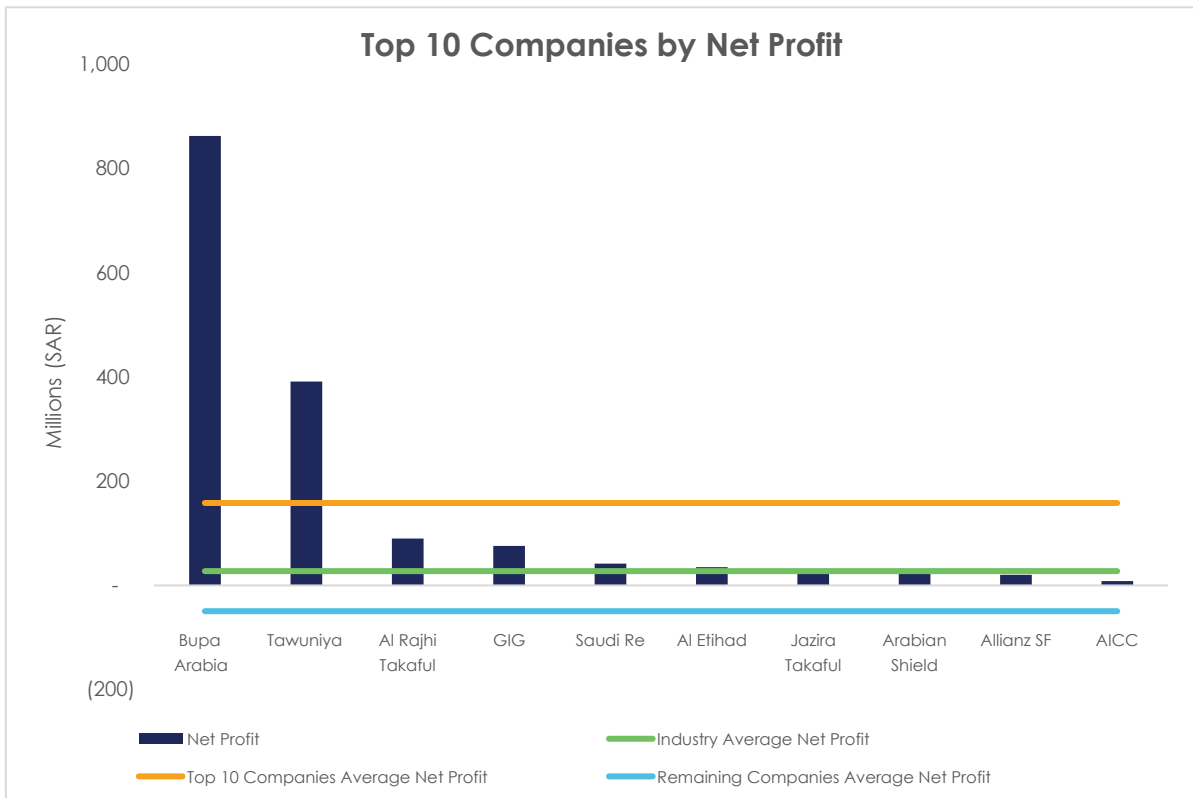
Net Profit

Graph 14 – Net Profit Growth



Companies saw a considerable growth in their profits between 2021 and 2022, the market recovered from a loss of SAR (44m) in 2021 to a profit of SAR 731m. It is evident that the primary factor behind this surge is higher gross written premiums and relatively lower incurred claims.

Graph 15 – 2022 Top 10 Companies by Net Profit

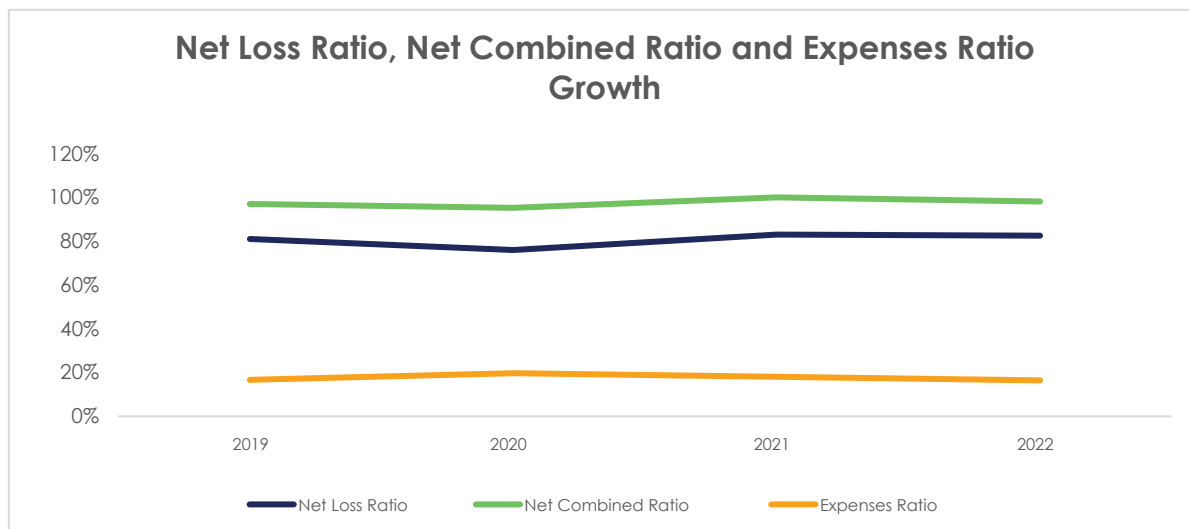


The graph above summarizes net profit of top 10 companies. The total net profit for the top 10 companies exceeds the total net profit for the industry. Total net profit for top 10 companies stood at SAR 1,580m while total net profit for the industry is reported as 731m. It is worth mentioning that 14 out of 27 companies included in this analysis reported losses for 2022. Figures for net profit for remaining companies are provided in Graph 50, later in the report.

Ratios

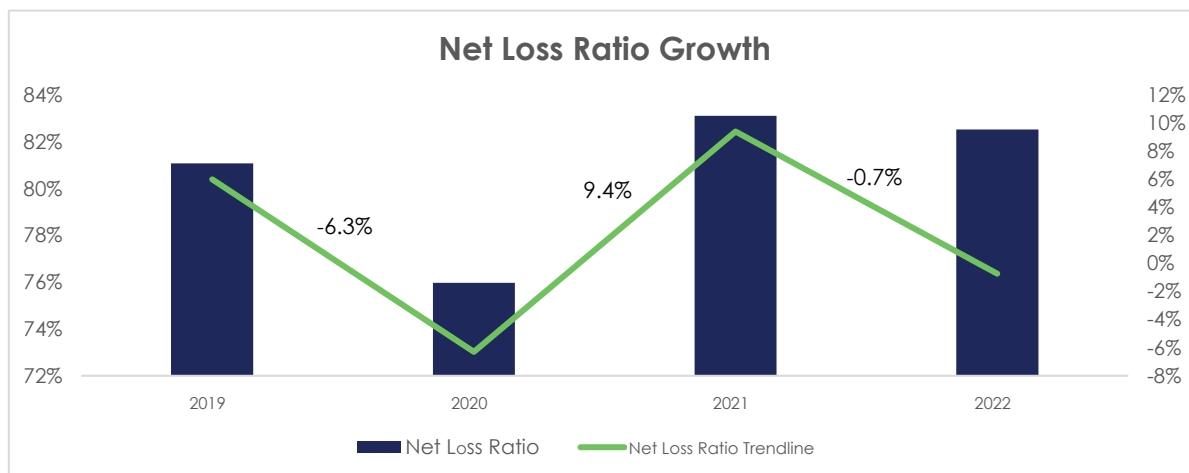
This section provides a detailed analysis of different ratios by companies as well as by lines of business.

Graph 16 – Net Loss Ratio, Net Combined Ratio and Expenses Ratio



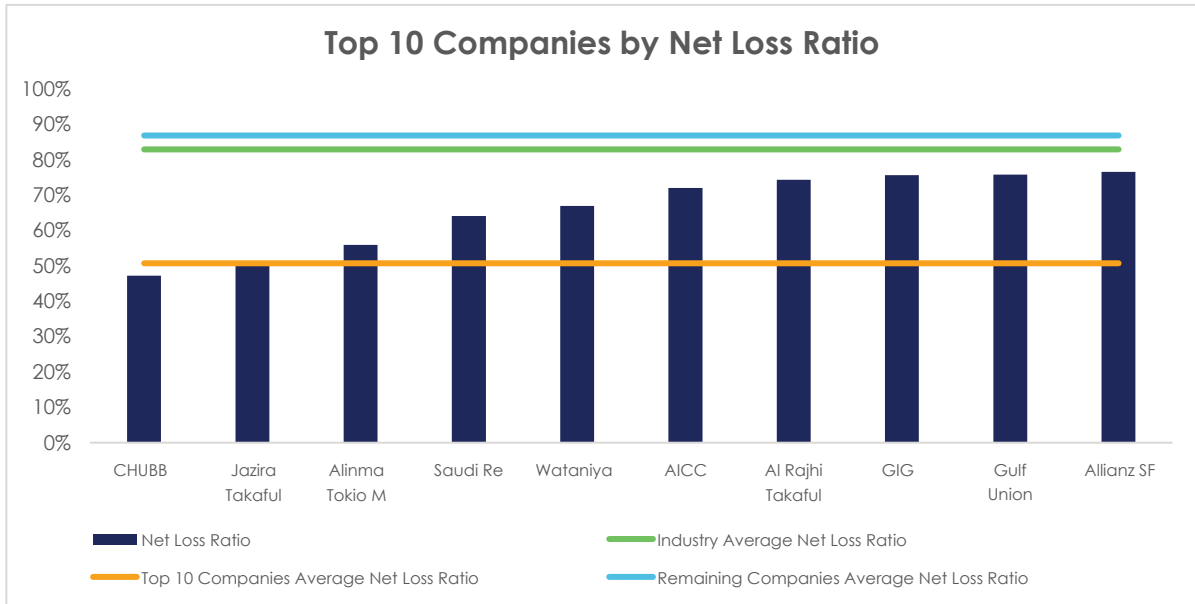
Both net loss ratio and net combined ratio decreased in 2022 after recording an increase in 2021. Expense ratio for the market decreased from 18% in 2021 to 17% in 2022.

Graph 17 – Net Loss Ratio (calculated as a ratio of net incurred claims to net earned premiums)



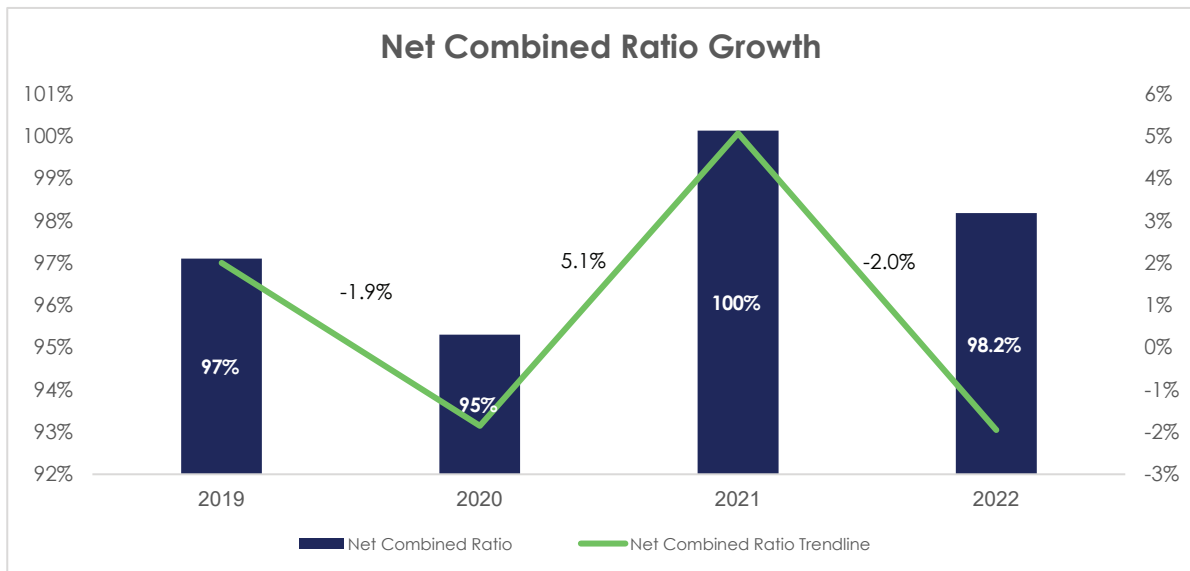
For FY 2022, the industry net loss ratio was 82.5%, a 0.7% decrease from 83.1% in FY 2021. This decrease was driven by a greater increase in the net earned premiums when compared with the net incurred claims. The net earned premium went from 32.7b in FY 2021 to 40.1b in FY 2022 (~22.6%) whereas the net incurred claims increased from 27.2b in FY 2021 to 33.1b in 2022 (~21.7%).

Graph 18 – 2022 Top 10 Companies by Net Loss Ratio



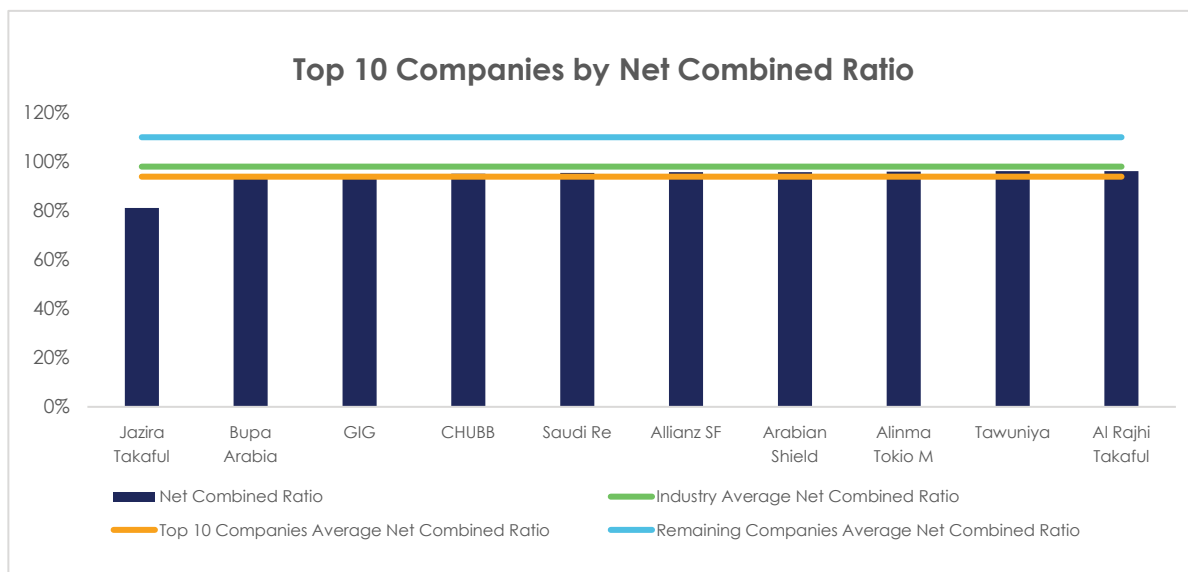
CHUBB registered the lowest loss ratio of 47%. It is worth noting that most of the top 10 companies by net loss ratio are relatively smaller companies in size. As given in Appendix, MedGulf reported the worst net loss ratio of 104%.

Graph 19 – Net Combined Ratio Growth (calculated as $\{1 - (\text{Net Underwriting income} - \text{General \& Admin Expenses}) / (\text{Net Earned Premiums})\}$)



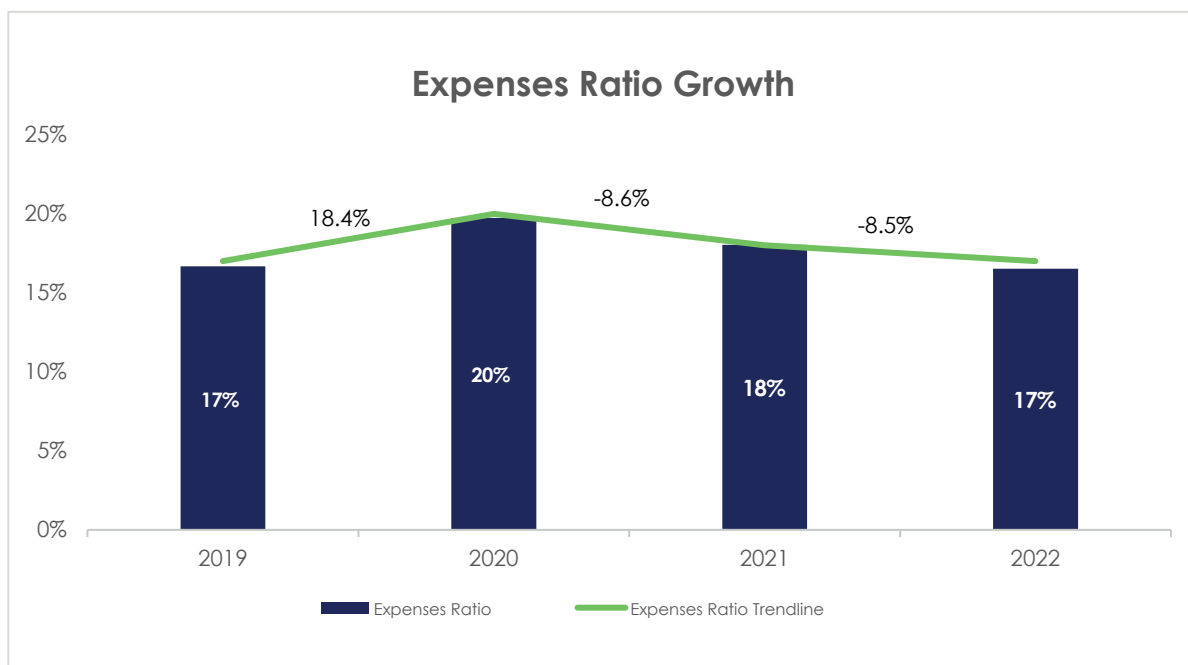
For FY 2022, the market’s net combined ratio was 98%, a decrease of 2% from 100% in FY 2021 resulting primarily from the decrease in net loss ratios.

Graph 20 – Top 10 Companies by Net Combined Ratio



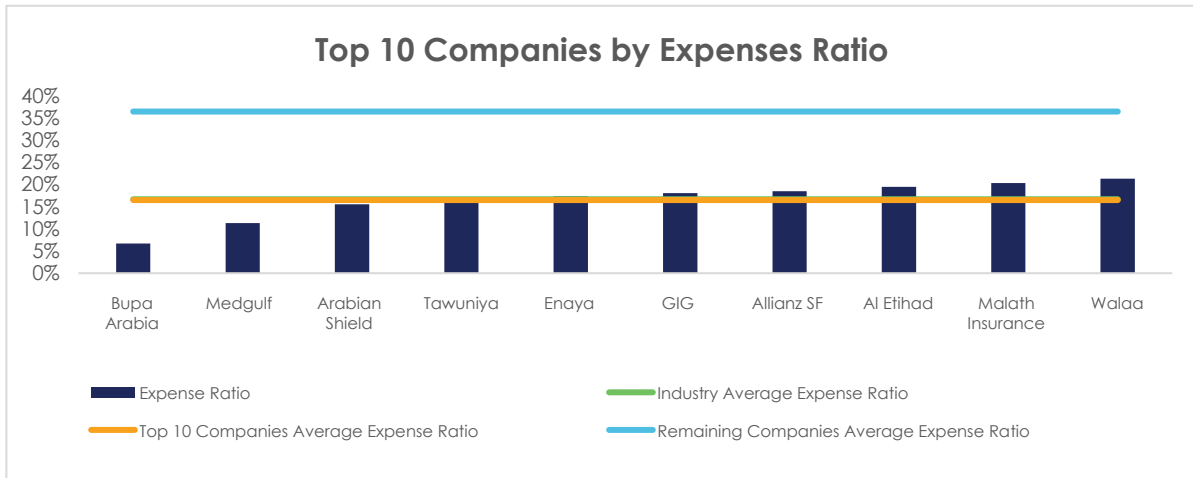
Gulf General had the highest net combined ratio 143% while the lowest net combined Ratio was shown by Jazira Takaful at 81%.

Graph 21 – Expenses Ratio Growth (calculated as a ratio of total expenses to net earned premiums)



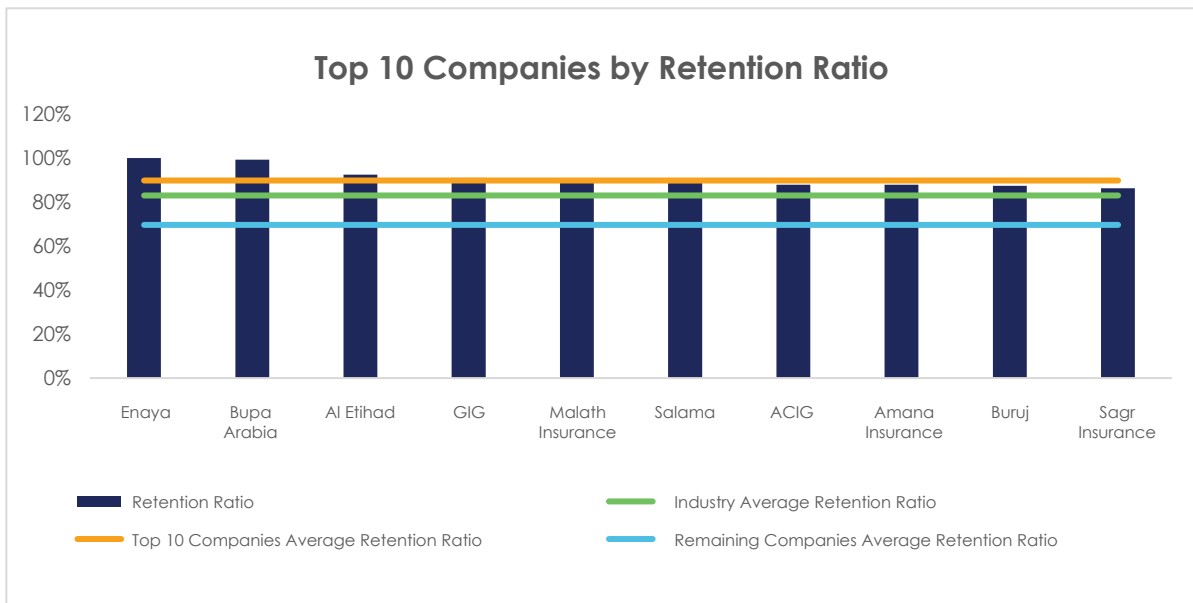
For FY 2022, the market's expense ratio was 17%, a 8.6% decrease from 18% in FY 2021.

Graph 22 – 2022 Top 10 Companies by Expenses Ratio



Companies of larger size typically have better expense ratios, as evidenced by the graph above. Bupa Arabia recorded the lowest expense ratio at 7% while the highest expense ratio was reported by CHUBB Company at 68%(see graph 53).

Graph 23 – 2022 Top 10 Companies by Retention Ratio (calculated as a ratio of net written premium (NWP) to gross written premium (GWP))

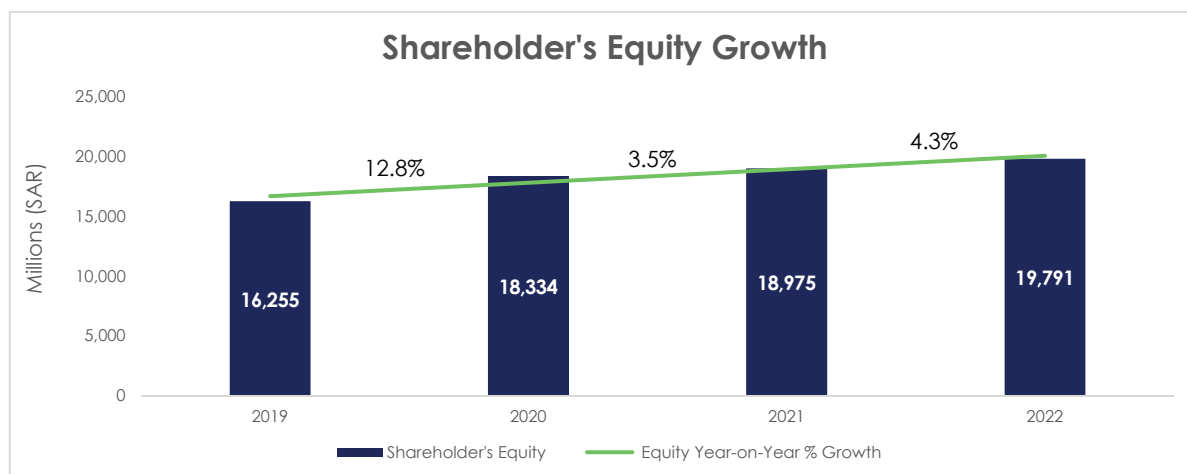


When compared with FY 2021, the market retention ratio for FY 2022 slightly increased to 83%.

Saudi Enaya Cooperative Insurance Company (Enaya) had the highest retention ratio at 100% while CHUBB had the lowest retention ratio at 34%. Enaya writes only medical insurance and retained the whole portfolio. On the other hand, the majority of CHUBB's portfolio revolves around Motor, Property, and Casualty, and Others (Engineering, Marine and Term life).

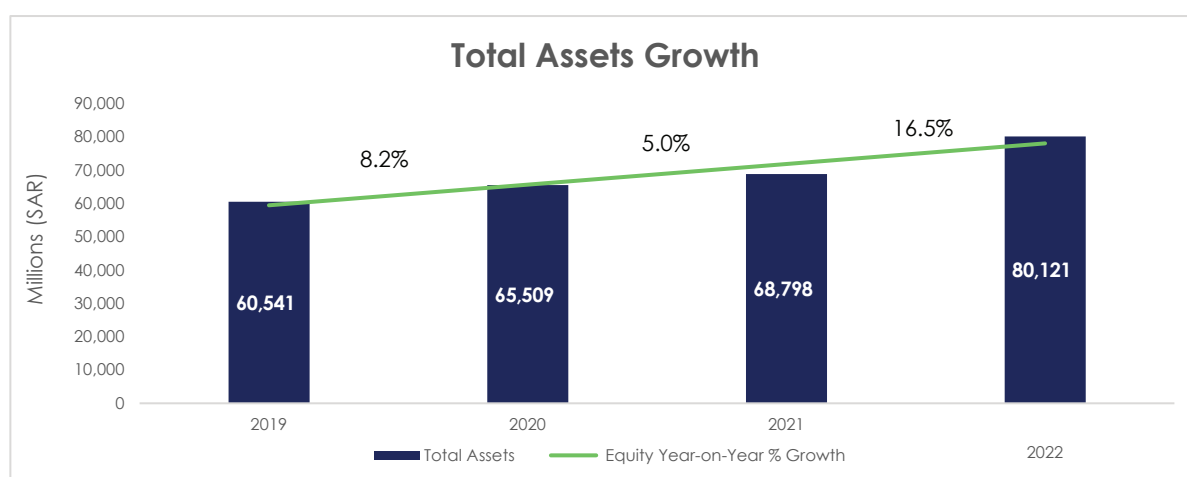
Medical and Motor lines of business generally have high retention ratios, while life insurance and commercial lines such as Property and Casualty tend to have lower retention ratios. LOB-wise retention ratios have been discussed in the subsequent sections of this report.

Graph 24 – Shareholder’s Equity



The overall shareholder’s equity at end of FY 2022 was SAR 19.8b. This is a 4.3% increase compared to 2021. 11 out of 27 companies experienced an increase in total equity.

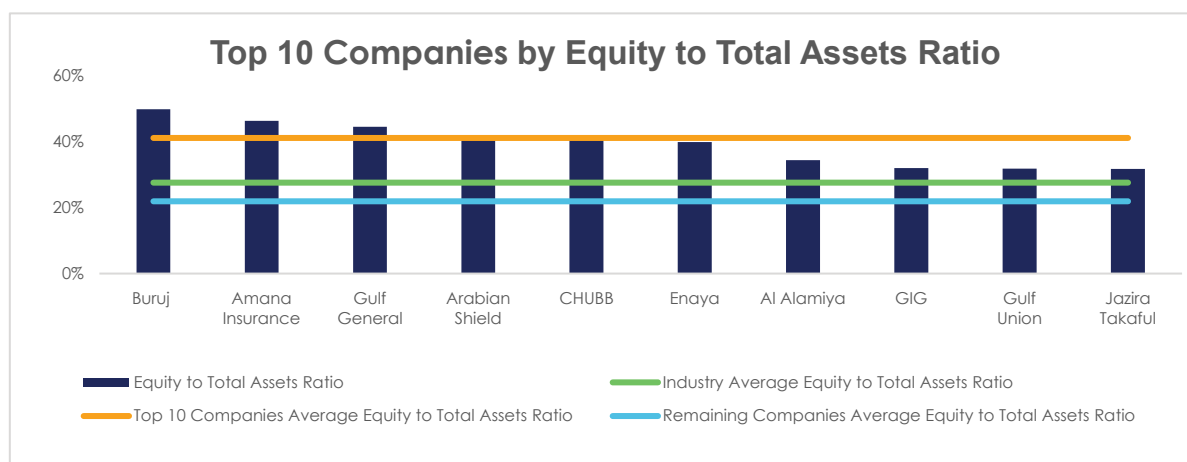
Graph 25 – Total Assets



The total assets* at end of FY 2022 were SAR 80.1b. This is an increase of 16.5% when compared to 2021. 20 out of 27 companies experienced an increase in total assets.

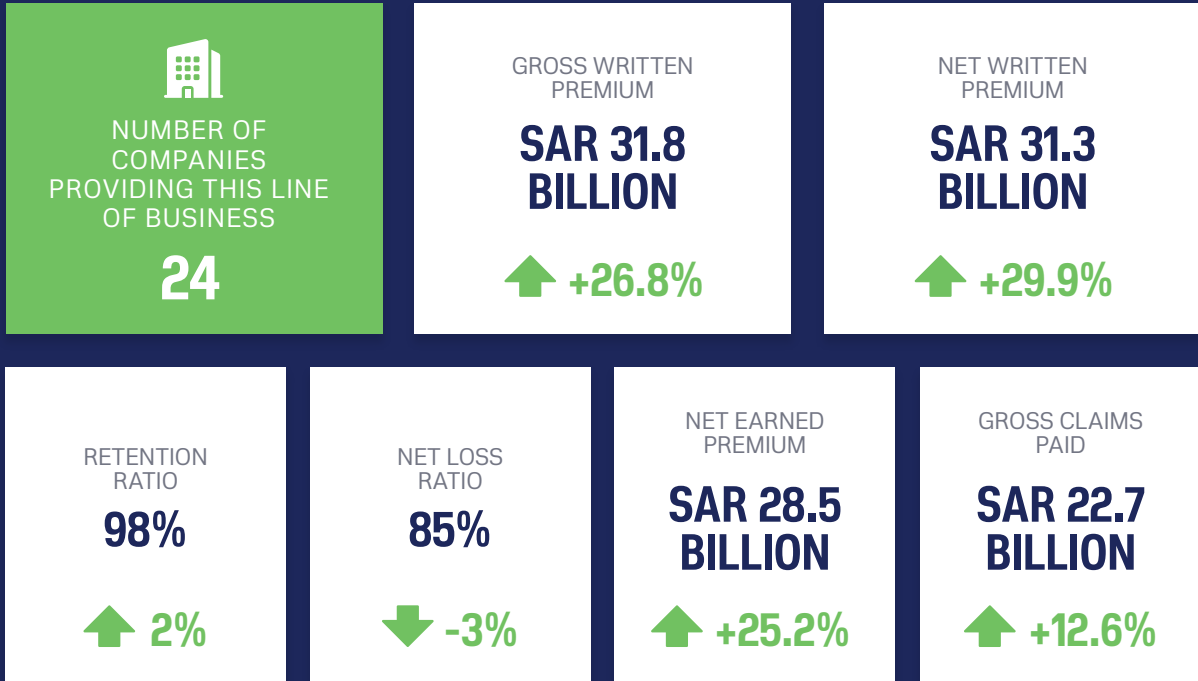
Graph 26 – Top 10 Companies by Equity to Total Assets Ratio

*Total assets do not include Other Shareholder Assets



For FY 2022, the industry equity to total assets ratio for the market was 25%. The highest equity to total assets ratio for FY 2022 was shown by Buruj Cooperative Insurance Company at 50%, and the lowest Equity to Total Assets ratio for FY 2022 was shown by Salama Cooperative Insurance Company at 5%.

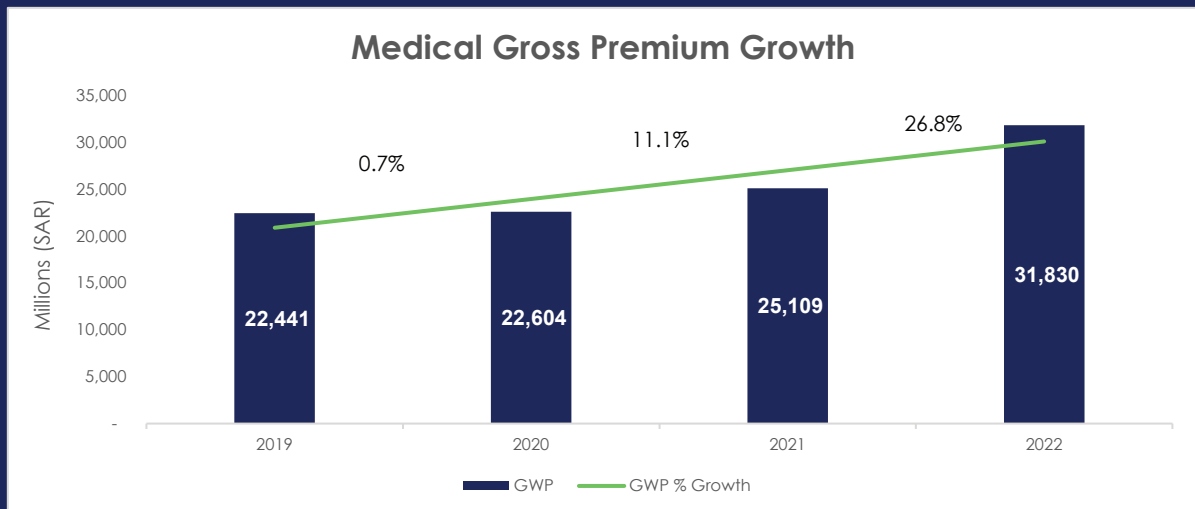
Medical



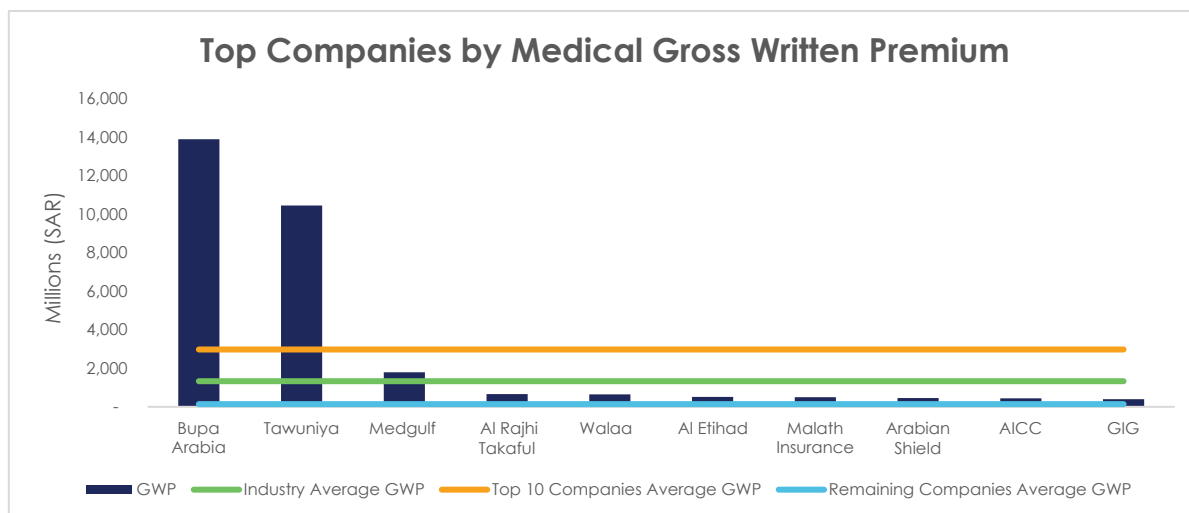
Medical GWP grew by 26.8% during FY 2022 to reach SAR 31.8b. Bupa Arabia and Tawuniya are leading the market by a big margin as their combined GWP is SAR 24.4b while the total GWP for the rest of the market is SAR 7.5b.

Gross claims paid during FY 2022 grew at 12.6% as the companies recorded SAR 22.7b of gross claims paid in total. Retention of medical business is very high in the market with the companies retaining more than 98% of this business on average.

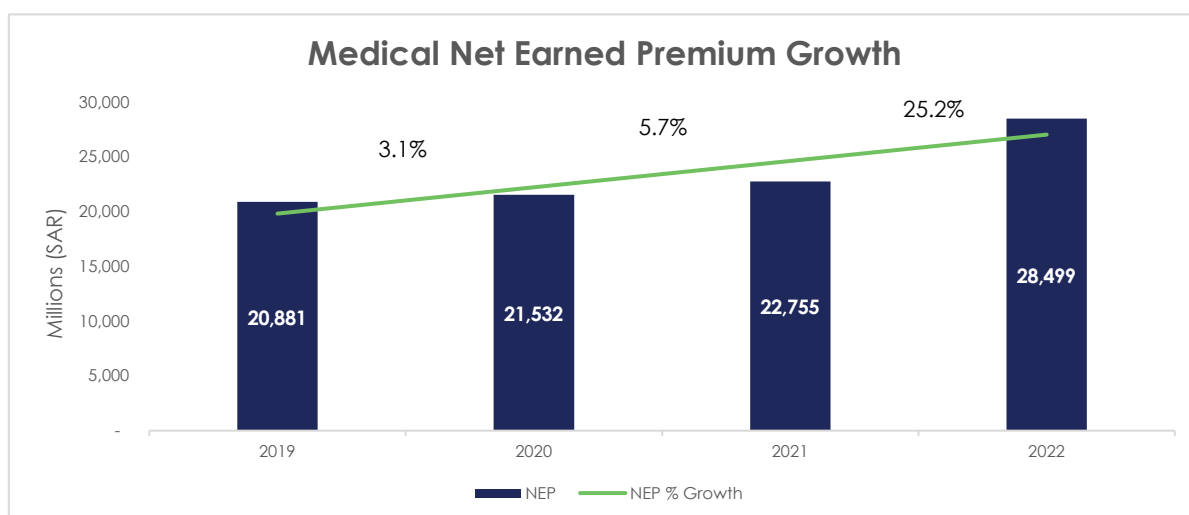
Graph 27 – Medical Gross Premium Growth



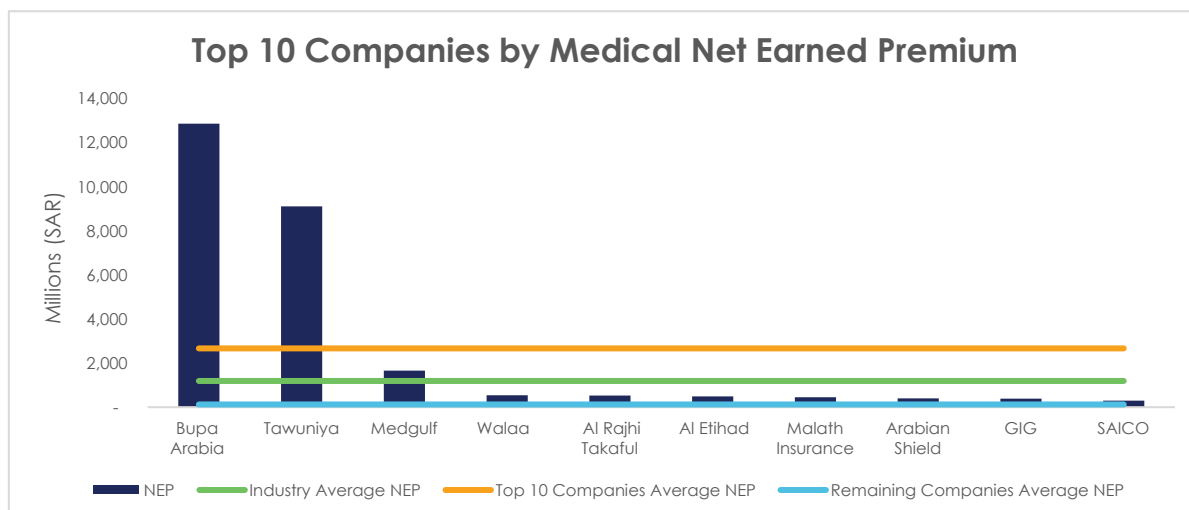
Graph 28 – Top 10 Companies by Medical Gross Written Premium



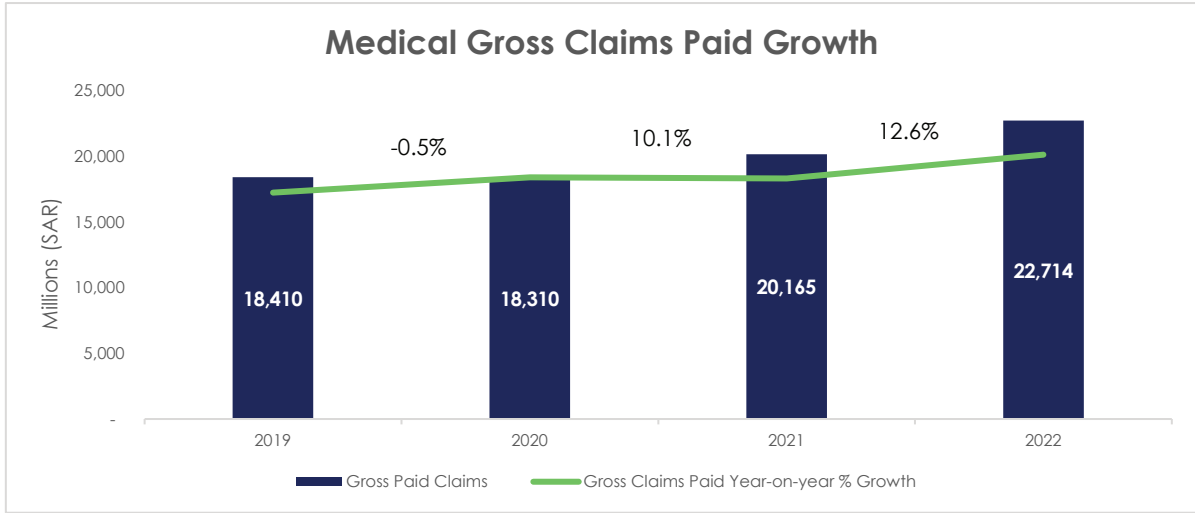
Graph 29 – Medical Net Earned Premium Growth



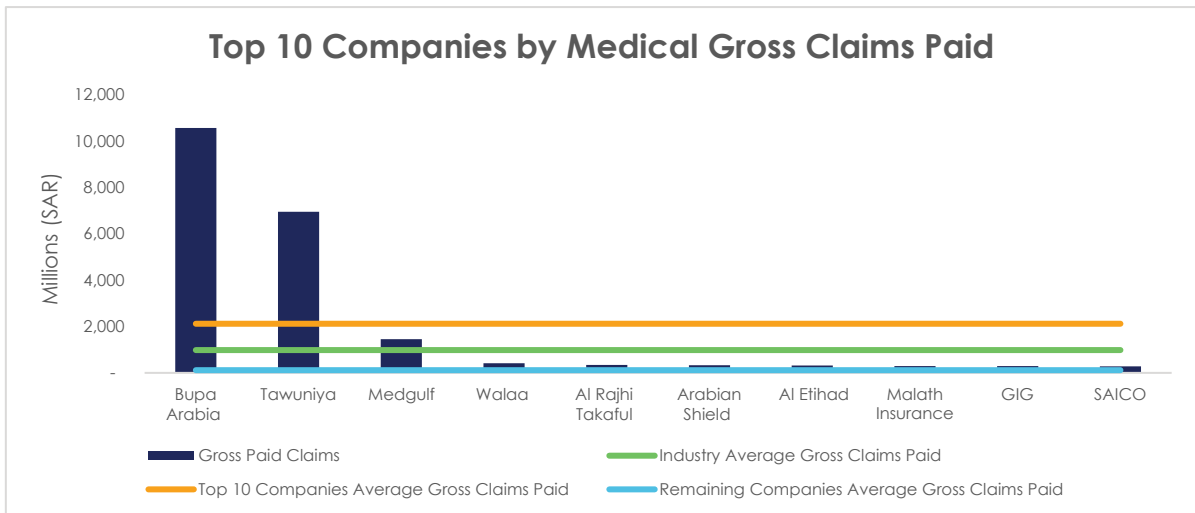
Graph 30 – Top 10 Companies by Medical Net Earned Premium by Company



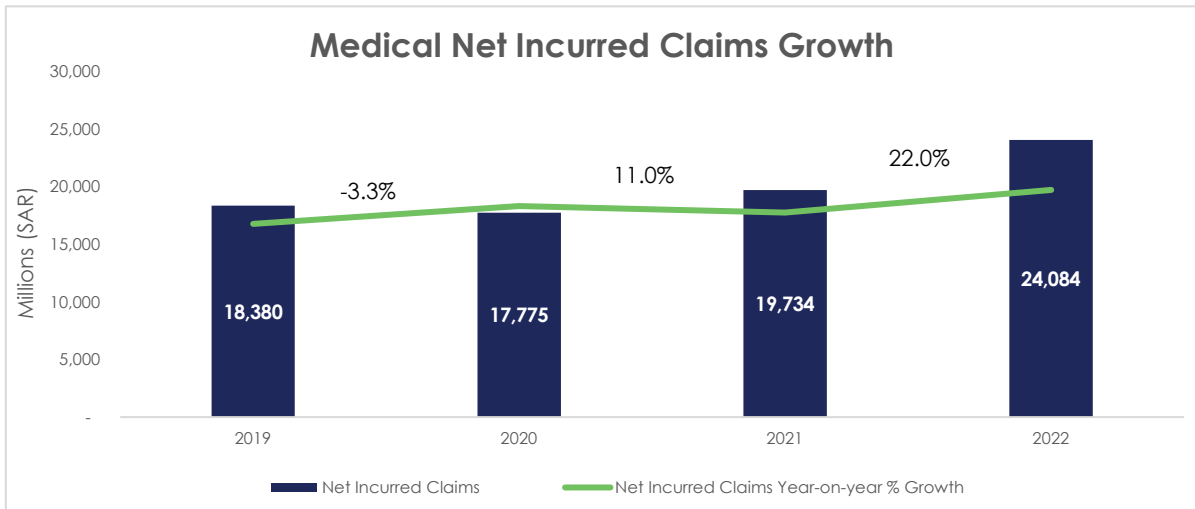
Graph 31 – Medical Gross Claims Paid Growth



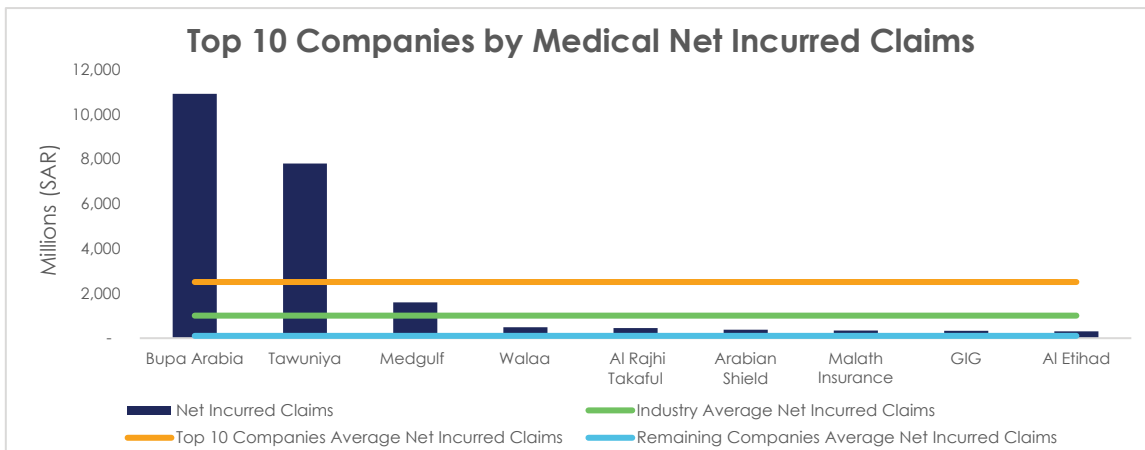
Graph 32 – Top 10 Companies by Medical Gross Claims Paid



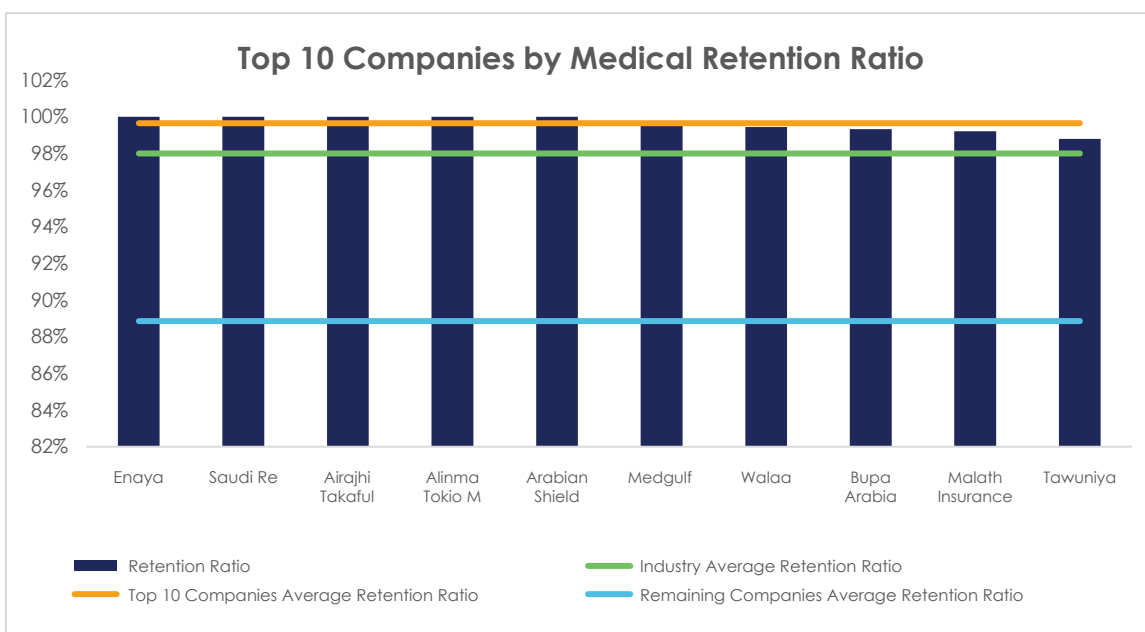
Graph 33 – Medical Net Incurred Claims Growth



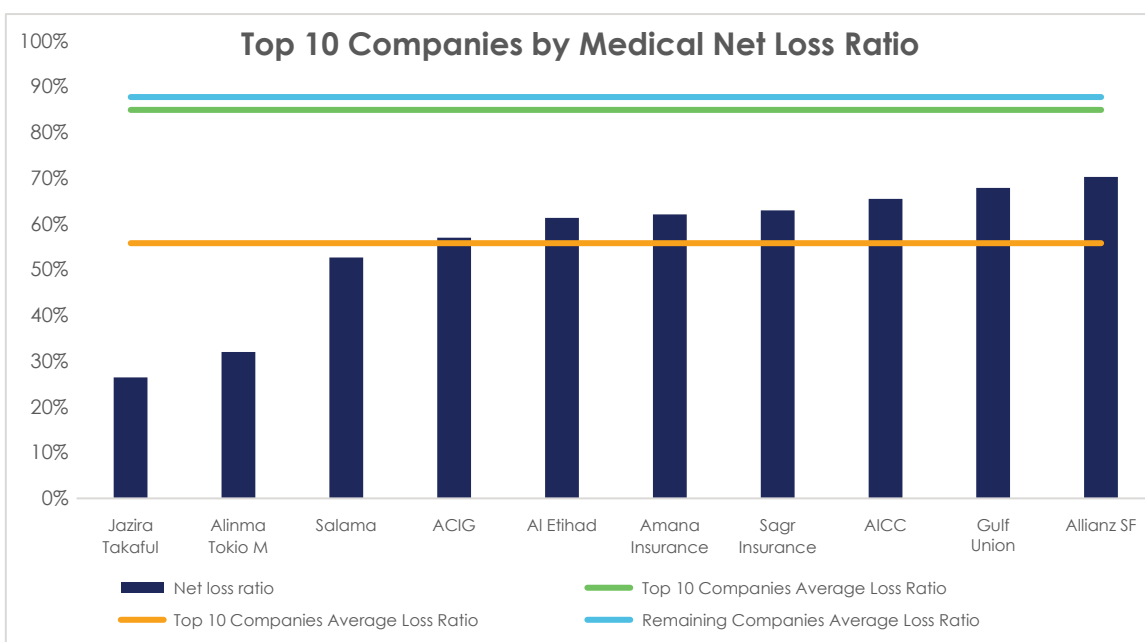
Graph 34 – Top 10 Companies by Medical Net Incurred Claims



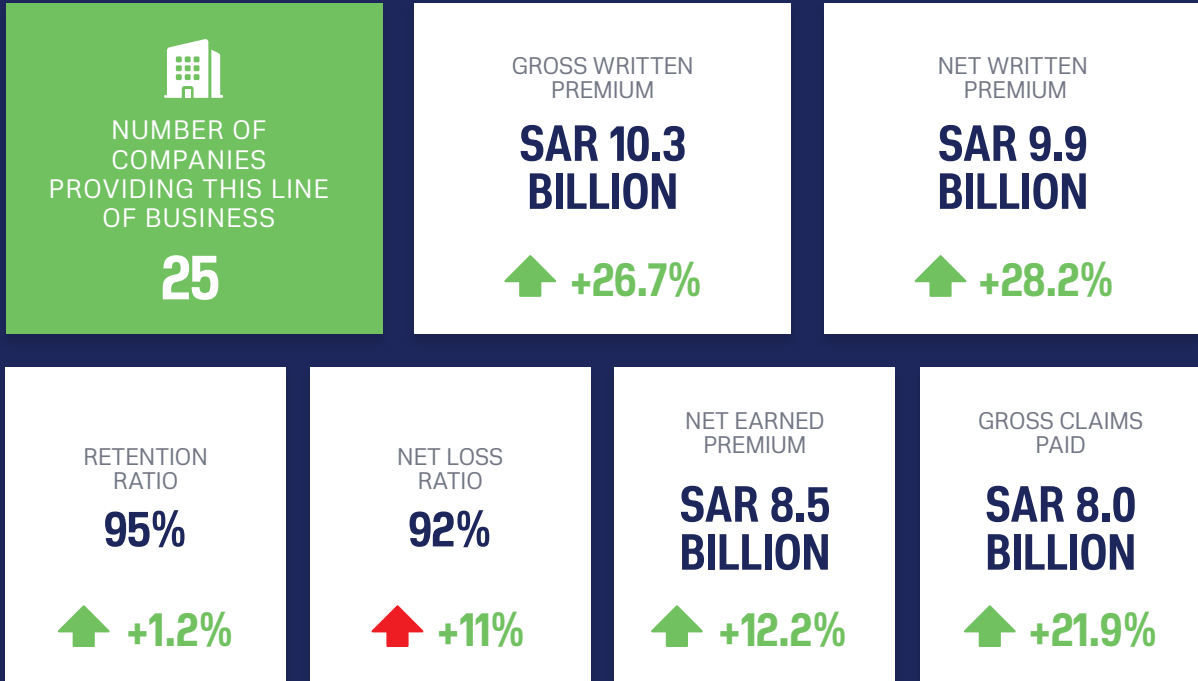
Graph 35 – Top 10 Companies by Medical Retention Ratio



Graph 36 – Top 10 Companies by Medical Loss Ratio



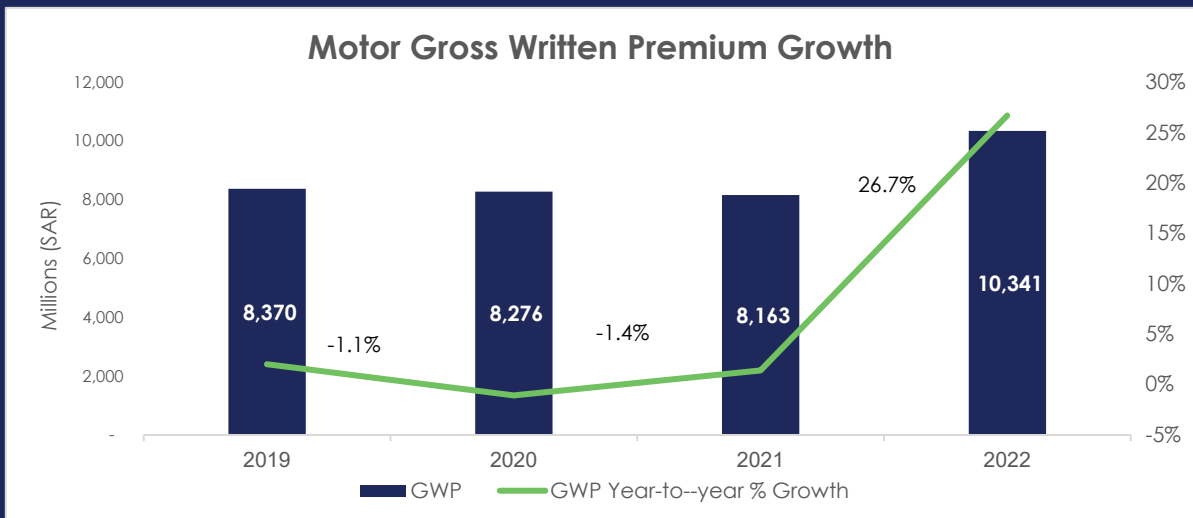
Motor



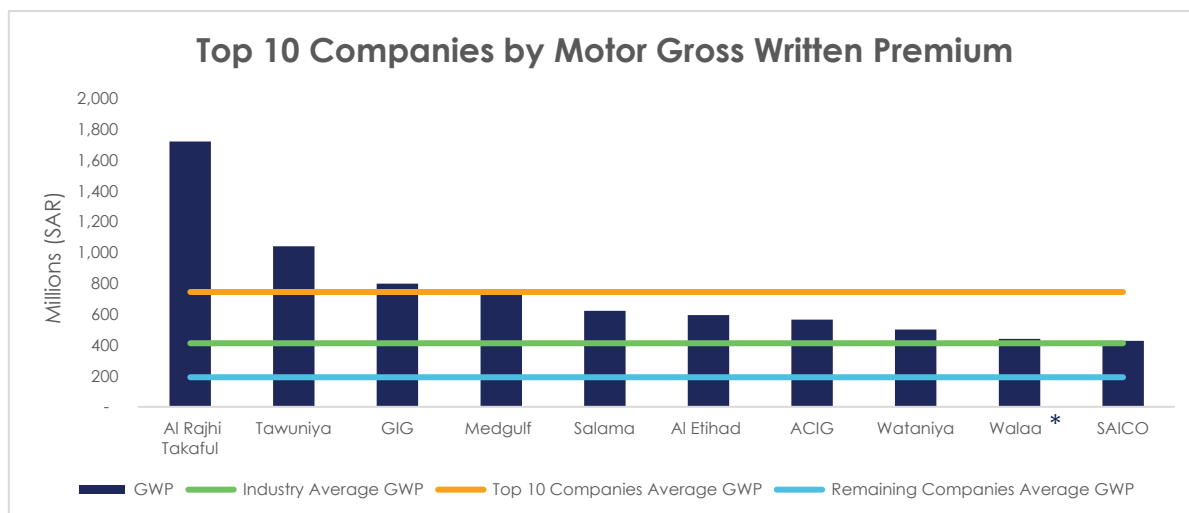
Motor GWP increased by 26.7% during FY 2022 to reach at SAR 10.3b. Al Rajhi Takaful is leading the market by a big margin as it recorded SAR 1.7b of GWP which represents 16.7% of market GWP. The combined premium of top 5 companies represents more than 47% of market GWP.

Gross claims paid during FY 2022 grew by 21.9% as the companies recorded SAR 8.0b of gross claims paid in total, compared to the figure of SAR 6.6b in FY 2021. Retention of motor business is also very high in the market as most of the companies are retaining more than 95% of this business and has increased by 1.2%.

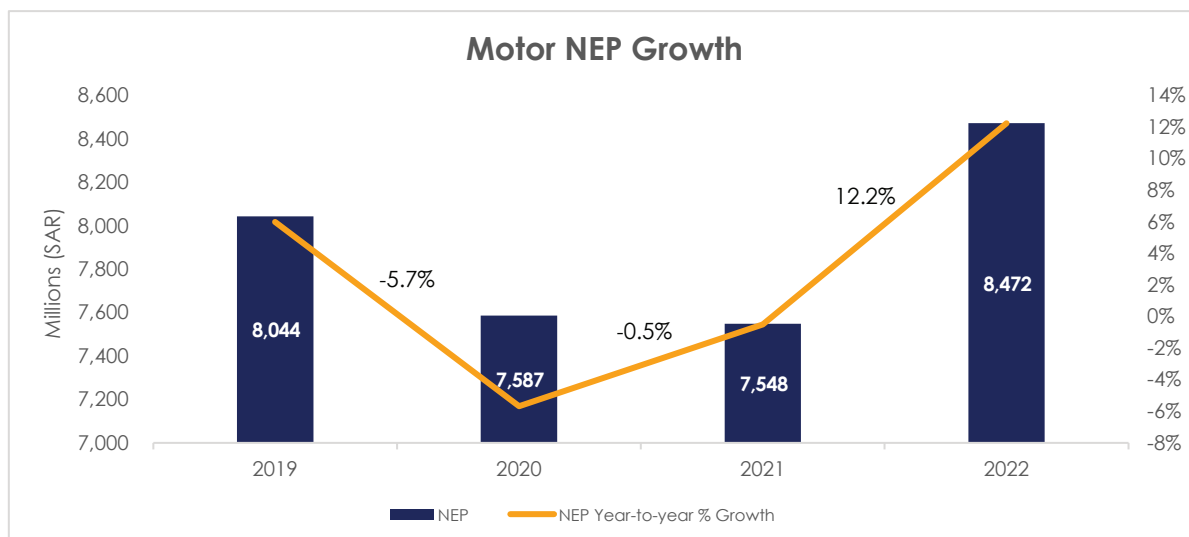
Graph 37 – Motor Gross Written Premium Growth



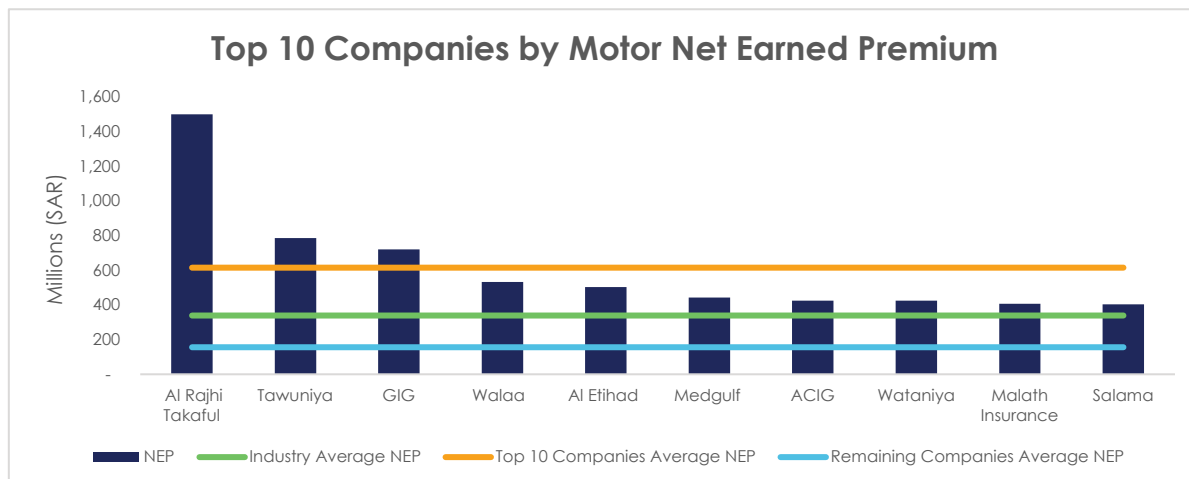
Graph 38 – Top 10 Companies by Motor Gross Written Premium



Graph 39 – Motor Net Earned Premium Growth

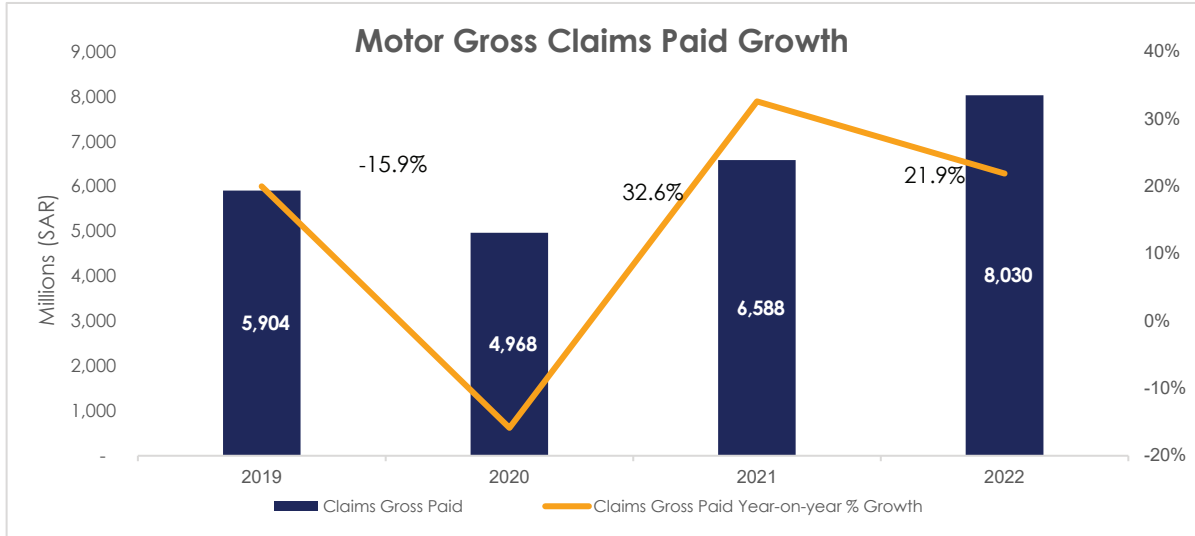


Graph 40 – Top 10 Companies by Motor Net Earned Premium

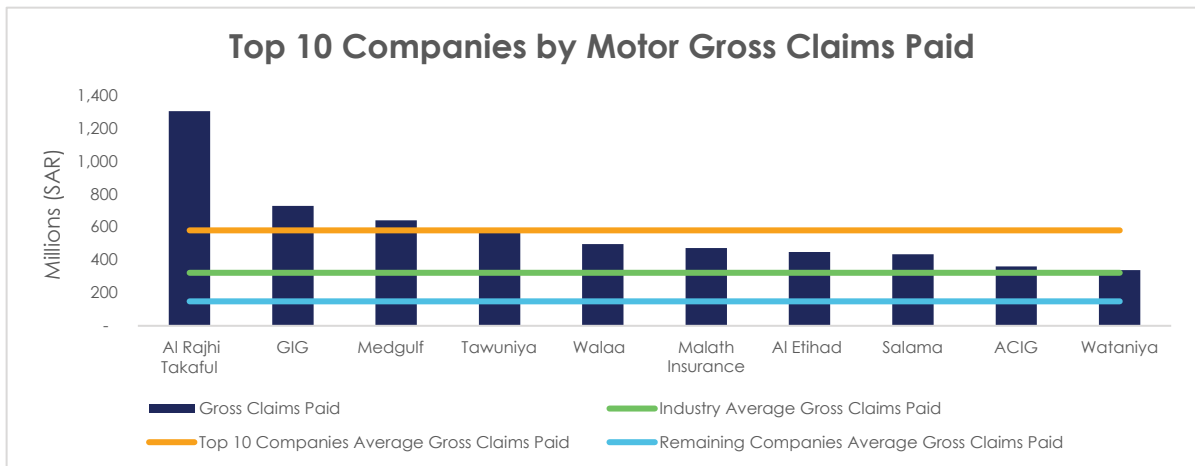


*The Net Earned Premium (NEP) of Walaa has exceeded its Gross Written Premium (GWP), this is because the company has released net Unearned Premium Reserve (UPR) worth 95 million.

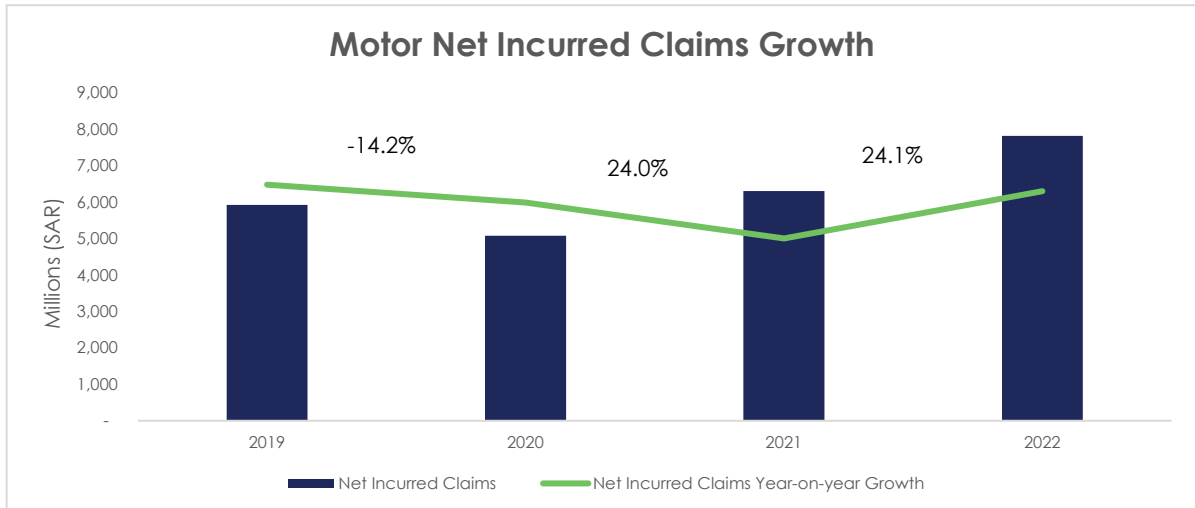
Graph 41 – Motor Gross Claims Paid Growth



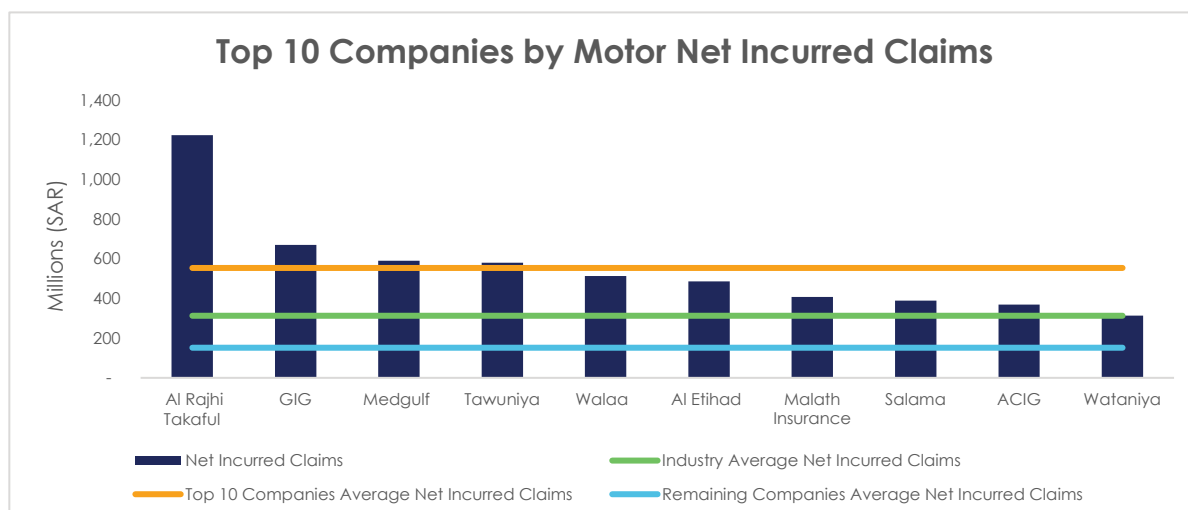
Graph 42 – Top 10 Companies by Motor Gross Claims Paid



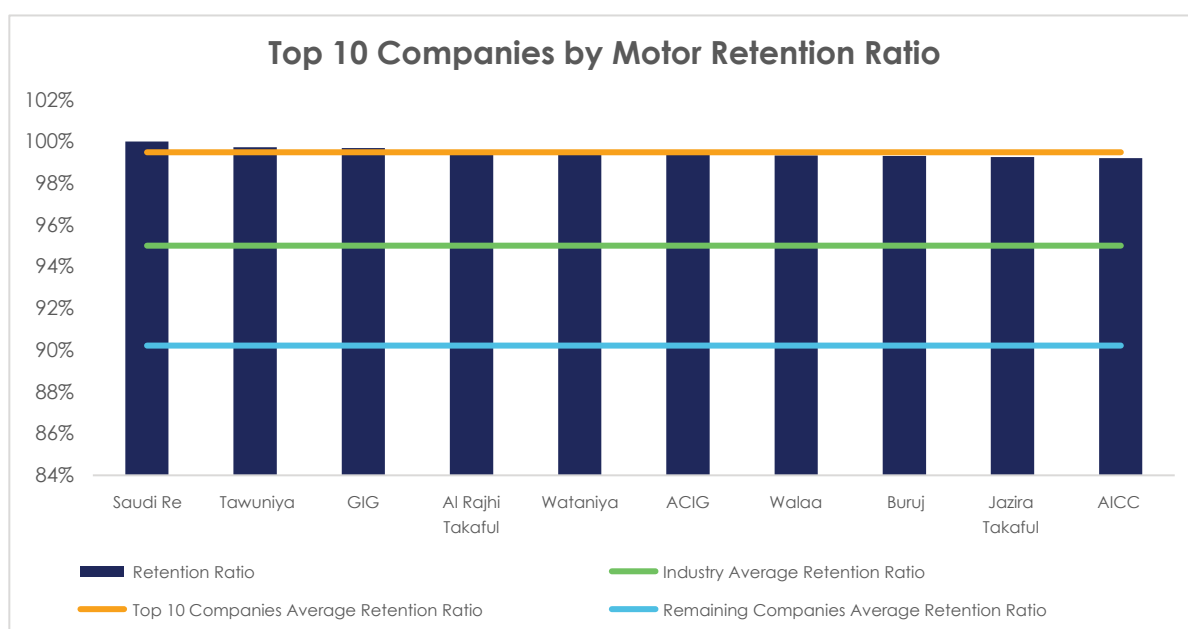
Graph 43 – Motor Net Incurred Claims Growth



Graph 44 – Top 10 Companies by Motor Net Incurred Claims



Graph 45 – Top 10 Companies by Motor Retention Ratio



Graph 46 – Top 10 Companies by Motor Loss Ratio

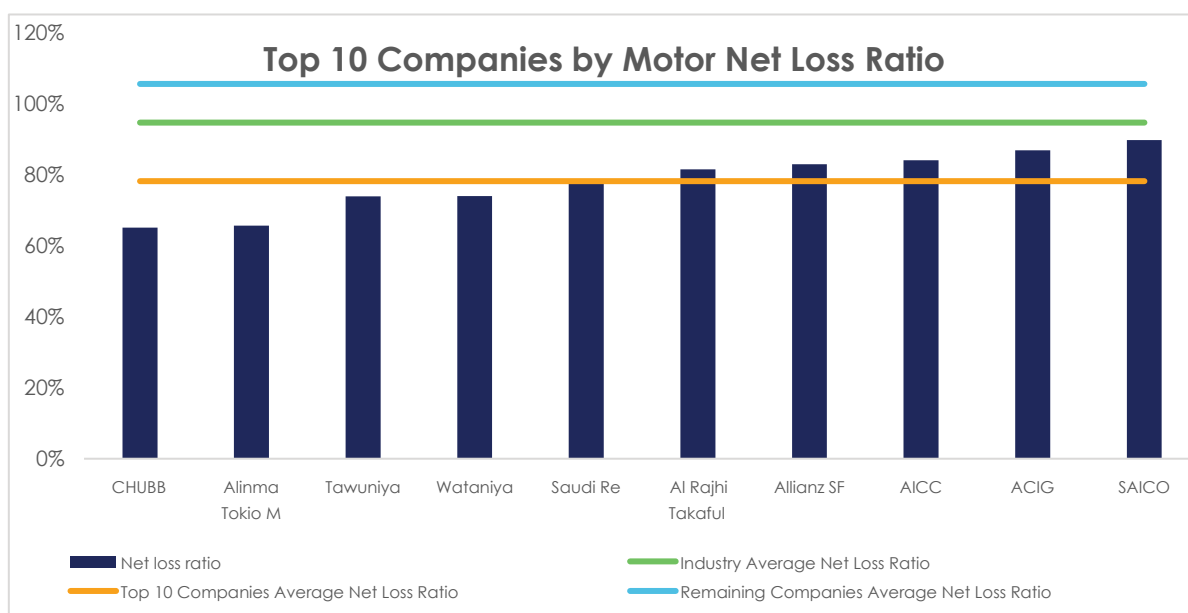


Exhibit 1

GWP (SAR Thousands)

INSURANCE COMPANY	GWP		MARKET SHARE BY GWP		MARKET RANK BY GWP		
	2022	2021	2022	2021	2022	2021	CHANGE
Tawuniya	14,355,406	10,223,072	26.90%	24.37%	1	2	-1
Bupa Arabia	13,896,883	11,382,194	26.04%	27.14%	2	1	1
Al Rajhi Takaful	3,470,070	2,759,590	6.50%	6.58%	3	3	0
Medgulf	2,854,602	2,236,222	5.35%	5.33%	4	5	-1
Walaa	2,641,932	2,338,834	4.95%	5.58%	5	4	1
GIG	1,567,251	1,454,470	2.94%	3.47%	6	6	0
Saudi Re	1,403,281	1,115,880	2.63%	2.66%	7	7	0
Al Etihad	1,176,701	865,478	2.21%	2.06%	8	10	-2
Arabian Shield	1,106,285	558,166	2.07%	1.33%	9	15	-6
Wataniya	1,042,418	902,100	1.95%	2.15%	10	9	1
SAICO	1,039,423	777,538	1.95%	1.85%	11	11	0
Malath Insurance	944,376	942,107	1.77%	2.25%	12	8	4
Allianz SF	849,755	764,490	1.59%	1.82%	13	12	1
ACIG	830,694	592,588	1.56%	1.41%	14	13	1
U C A	821,844	409,756	1.54%	0.98%	15	19	-4
Salama	792,108	467,531	1.48%	1.11%	16	16	0
AICC	733,193	422,323	1.37%	1.01%	17	18	-1
Gulf Union	548,431	572,523	1.03%	1.36%	18	14	4
Sagr Insurance	475,264	438,300	0.89%	1.04%	19	17	2
Al Alamiya	455,529	263,637	0.85%	0.63%	20	26	-6
Alinma Tokio M	438,660	305,598	0.82%	0.73%	21	20	1
Jazira Takaful	415,621	299,031	0.78%	0.71%	22	21	1
Gulf General	373,293	296,751	0.70%	0.71%	23	22	1
Buruj	368,839	290,712	0.69%	0.69%	24	23	1
CHUBB	303,677	290,582	0.57%	0.69%	25	24	1
Amana Insurance	230,515	275,487	0.43%	0.66%	26	25	1
Enaya	227,474	218,502	0.43%	0.52%	27	29	-2
ATC	0	252,527	0.00%	0.60%	28	27	1
SABB Takaful	0	227,946	0.00%	0.54%	28	28	0
TOTAL	53,363,525	41,943,933	100%	100%			

Exhibit 2

Net Profit (SAR Thousands)

INSURANCE COMPANY	NET PROFIT		MARKET RANK BY NET PROFIT		
	2022	2021	2022	2021	CHANGE
Bupa Arabia	862,569	625,570	1	29	-28
Tawuniya	391,003	266,560	2	28	-26
Al Rajhi Takaful	89,618	98,471	3	26	-23
GIG	75,802	138,523	4	27	-23
Saudi Re	41,479	38,309	5	25	-20
Al Etihad	35,024	35,941	6	24	-18
Jazira Takaful	28,354	21,420	7	22	-15
Arabian Shield	27,920	26,153	8	23	-15
Allianz SF	19,919	5,619	9	20	-11
AICC	8,278	(5,517)	10	17	-7
Alinma Tokio M	7,400	(14,403)	11	15	-4
CHUBB	4,697	7,162	12	21	-9
Gulf Union	2,524	(141,189)	13	1	12
SABB Takaful	-	(5,919)	14	16	-2
ATC	-	(858)	14	18	-4
Enaya	(9,581)	(61,972)	16	12	4
ACIG	(13,300)	(114,584)	17	5	12
Wataniya	(18,344)	(54,476)	18	13	5
Walaa	(27,364)	(122,054)	19	3	16
Malath Insurance	(28,315)	(85,660)	20	8	12
SAICO	(37,205)	(62,635)	21	11	10
Buruj	(39,293)	4,314	22	19	3
U C A	(42,861)	(73,671)	23	10	13
Amana Insurance	(47,245)	(119,136)	24	4	20
Al Alamiya	(48,775)	(35,377)	25	14	11
Salama	(58,327)	(112,410)	26	6	20
Sagr Insurance	(73,496)	(74,471)	27	9	18
Gulf General	(104,190)	(86,776)	28	7	21
Medgulf	(315,206)	(140,588)	29	2	27
TOTAL	731,084	(43,654)			

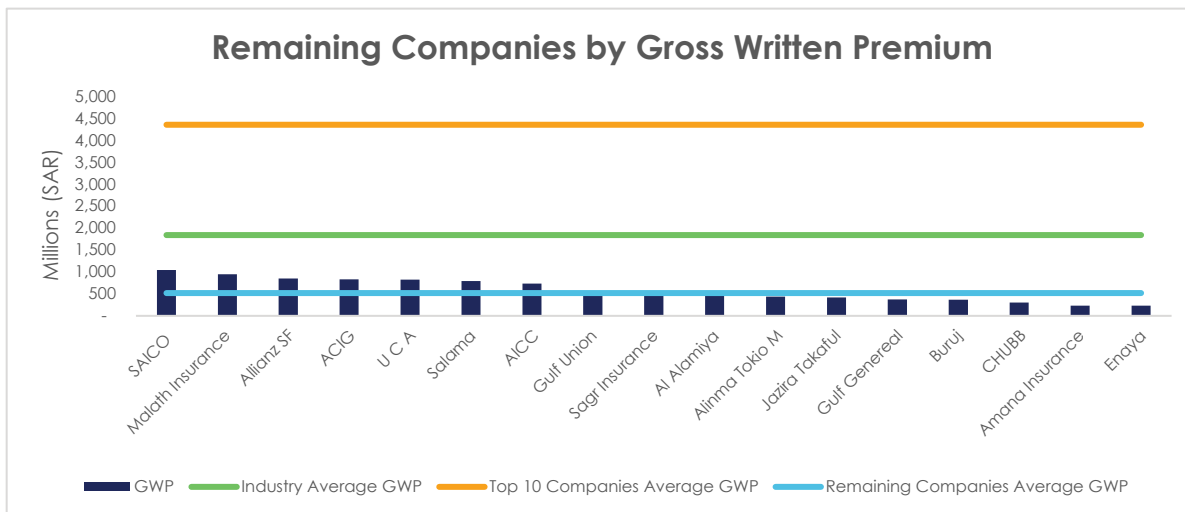
Exhibit 3

Total Assets and Shareholder's Equity (SAR Thousands)

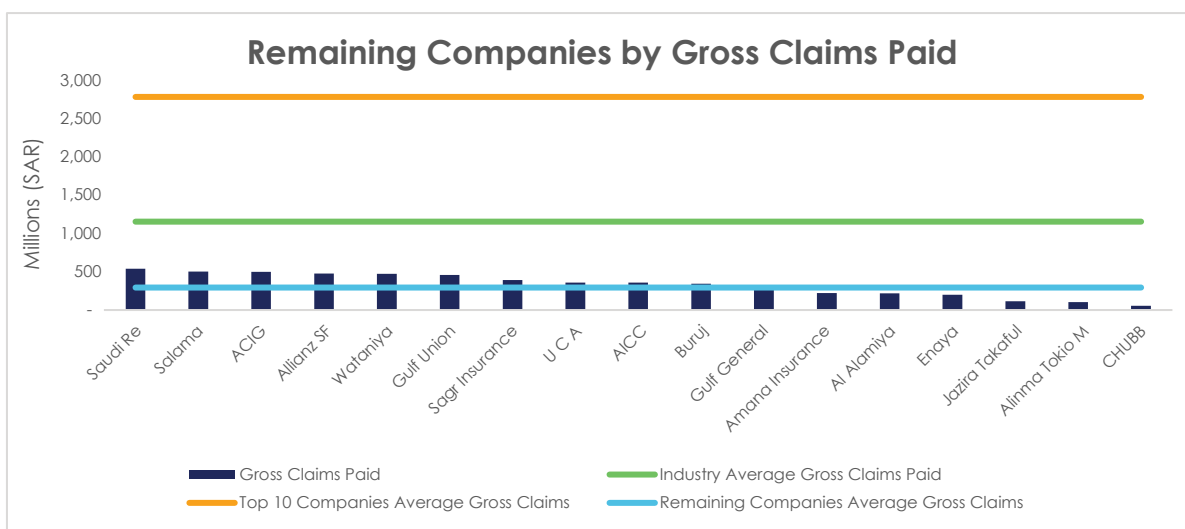
INSURANCE COMPANY	TOTAL ASSETS		SHAREHOLDER'S EQUITY	
	2022	2021	2022	2021
Tawuniya	18,914,997	14,718,253	3,365,142	3,039,064
Bupa Arabia	14,310,442	12,399,102	4,293,879	4,195,024
Al Rajhi Takaful	5,426,170	4,641,318	1,288,127	1,270,416
Walaa	4,882,428	3,447,181	1,059,450	810,626
Saudi Re	4,236,390	3,117,469	1,000,016	963,996
Medgulf	4,031,990	4,125,281	645,060	1,014,649
GIG	2,911,050	2,991,069	931,277	996,019
Arabian Shield	2,678,635	1,148,622	1,112,886	488,713
Jazira Takaful	2,652,046	2,788,718	841,477	813,972
Allianz SF	2,537,137	2,583,326	699,877	711,293
Wataniya	1,916,140	1,347,237	380,459	211,195
Al Etihad	1,810,632	1,629,021	565,258	554,361
AICC	1,544,343	652,158	222,193	215,639
SAICO	1,461,610	1,355,444	257,924	292,736
Malath Insurance	1,372,115	1,354,718	336,450	371,576
U C A	1,060,892	978,405	205,633	253,049
Gulf Union	1,053,695	930,757	334,592	132,025
Al Alamiya	913,730	847,613	314,019	366,831
ACIG	904,738	593,255	162,311	32,036
CHUBB	894,349	809,217	361,187	356,702
Alinma Tokio M	877,541	676,876	194,372	186,909
Buruj	793,815	889,952	394,779	442,421
Salama	765,970	614,541	37,768	96,484
Sagr Insurance	666,141	753,782	130,325	213,277
Gulf General	602,511	639,050	267,616	370,873
Amana Insurance	470,591	264,435	217,722	(26,084)
Enaya	430,987	345,925	171,577	59,688
ATC	-	1,126,660	-	248,965
SABB Takaful	-	1,028,271	-	292,277
TOTAL	80,121,084	67,769,385	19,791,377	18,682,455

Appendix

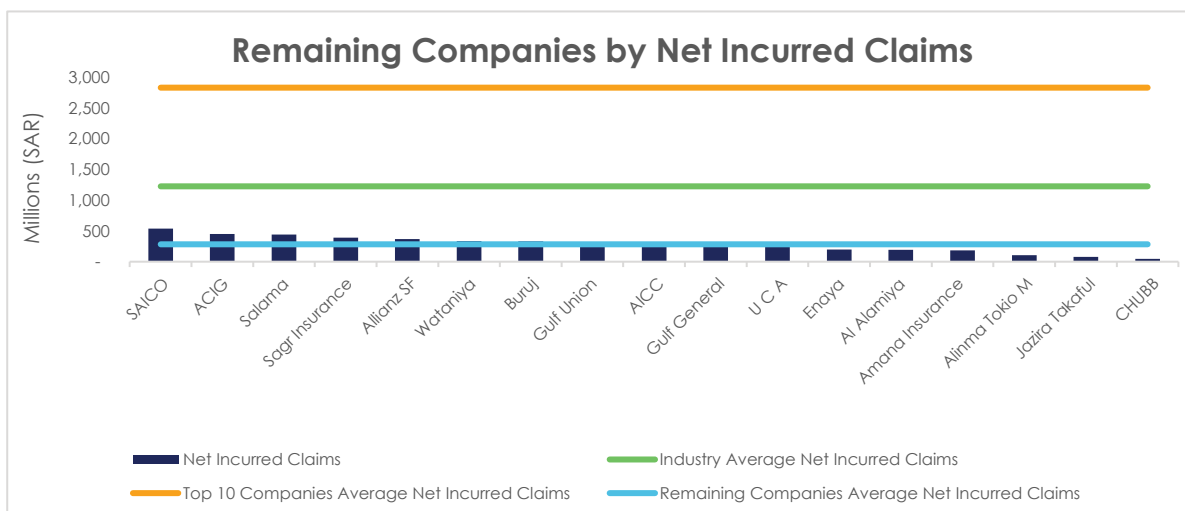
Graph 47 – Remaining Companies by Gross Written Premium



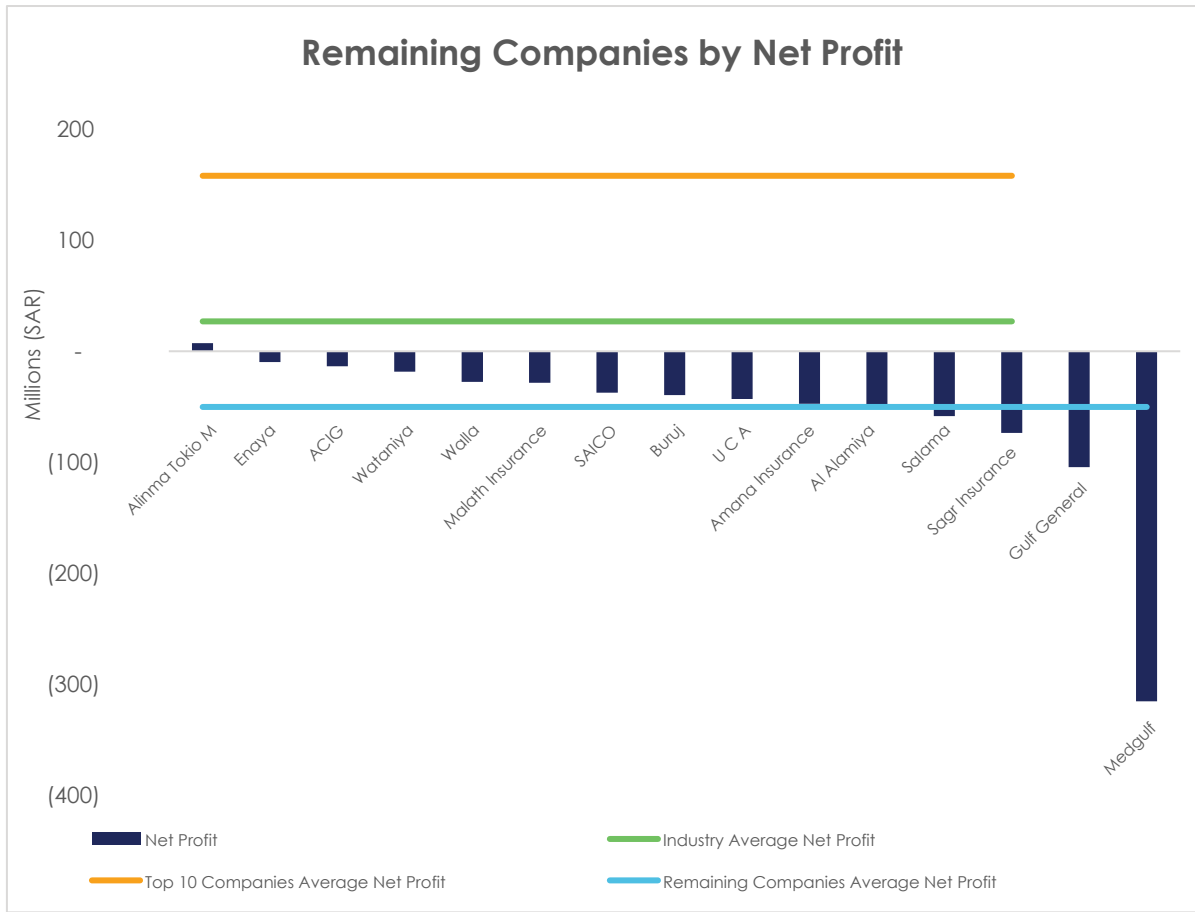
Graph 48 – Remaining Companies by Gross Claims Paid by Company



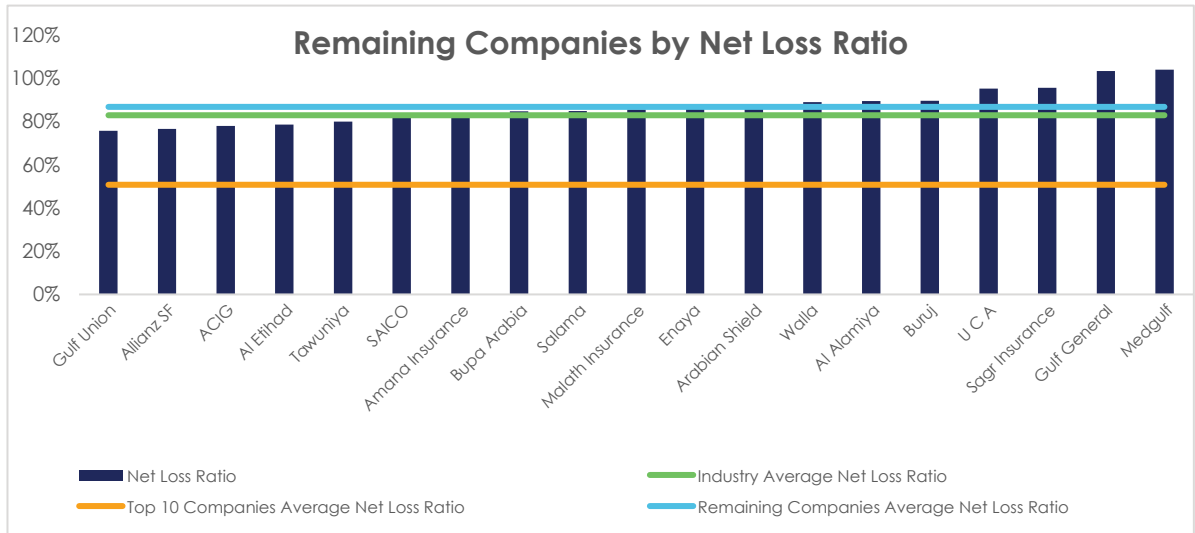
Graph 49 – Remaining Companies by Net Incurred Claims



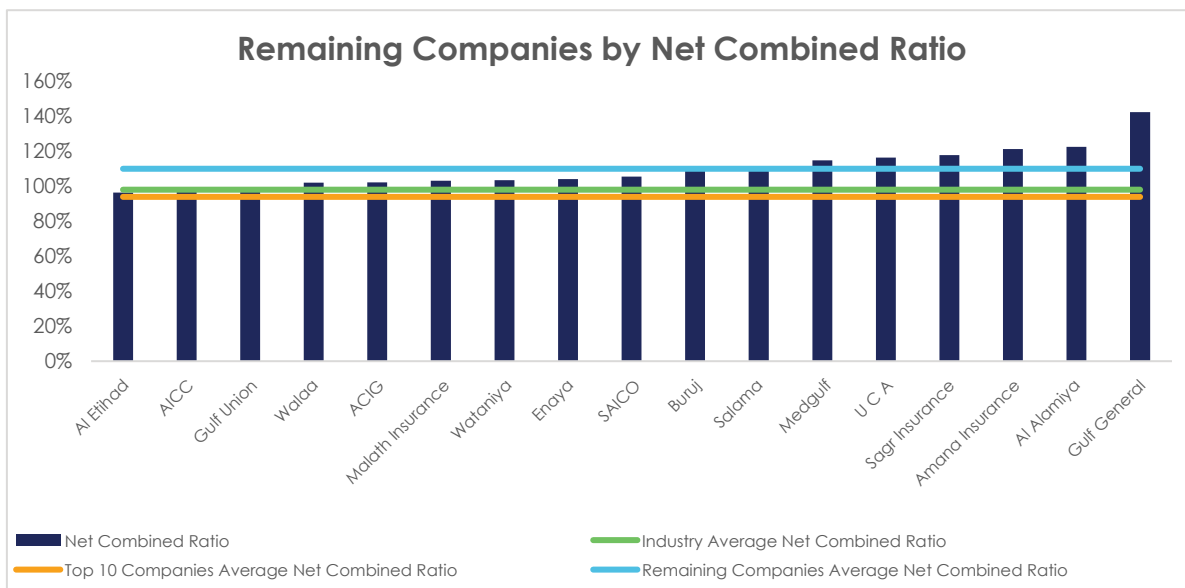
Graph 50 – Remaining Companies by Net Profit



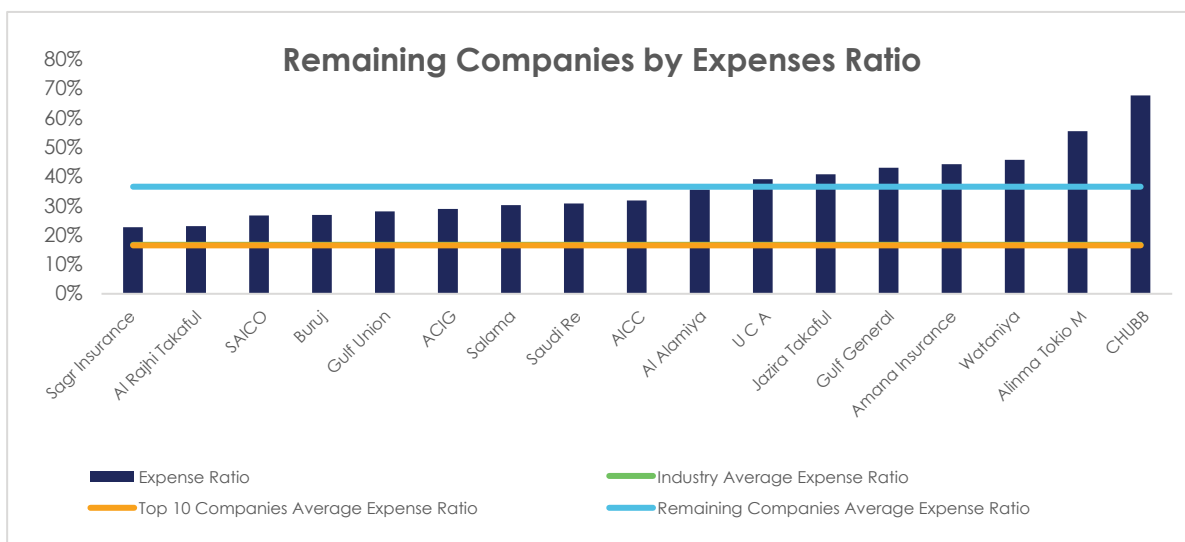
Graph 51 – Remaining Companies by Net Loss Ratio



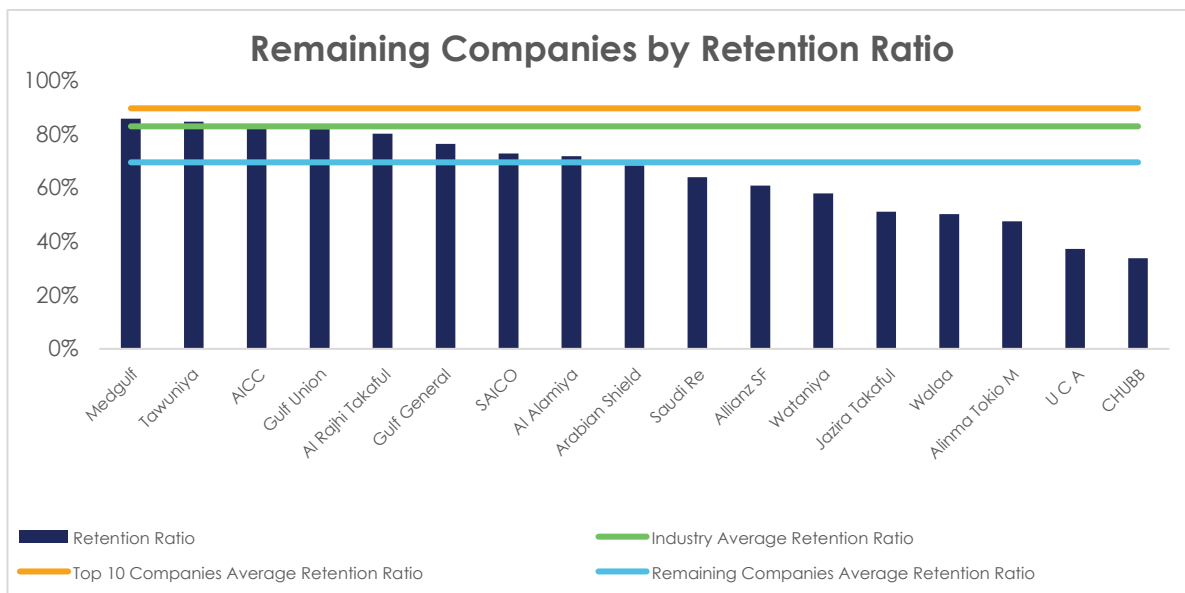
Graph 52 – Remaining Companies by Net Combined Ratio



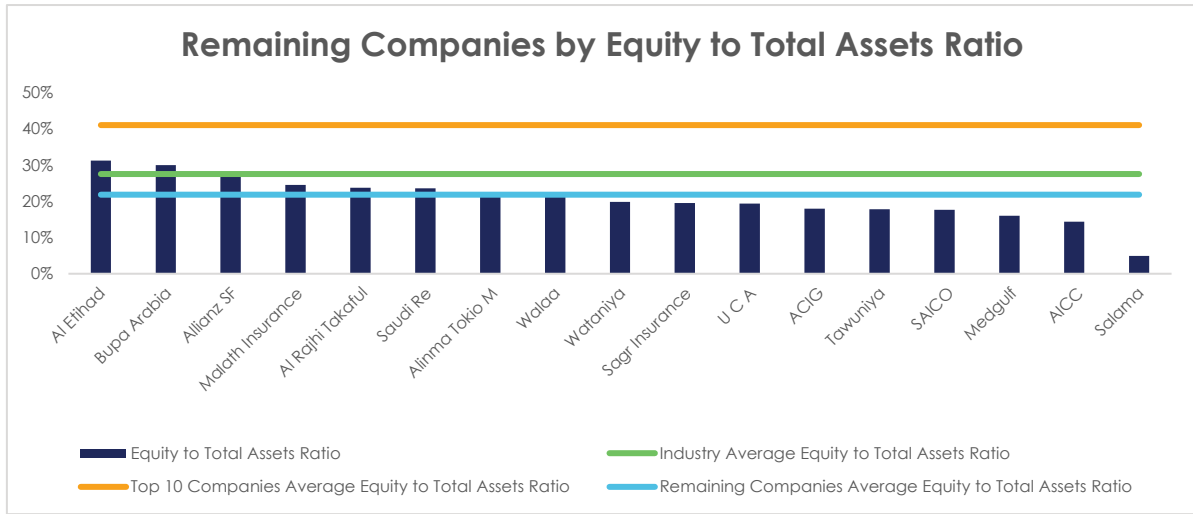
Graph 53 – Remaining Companies by Expenses Ratio



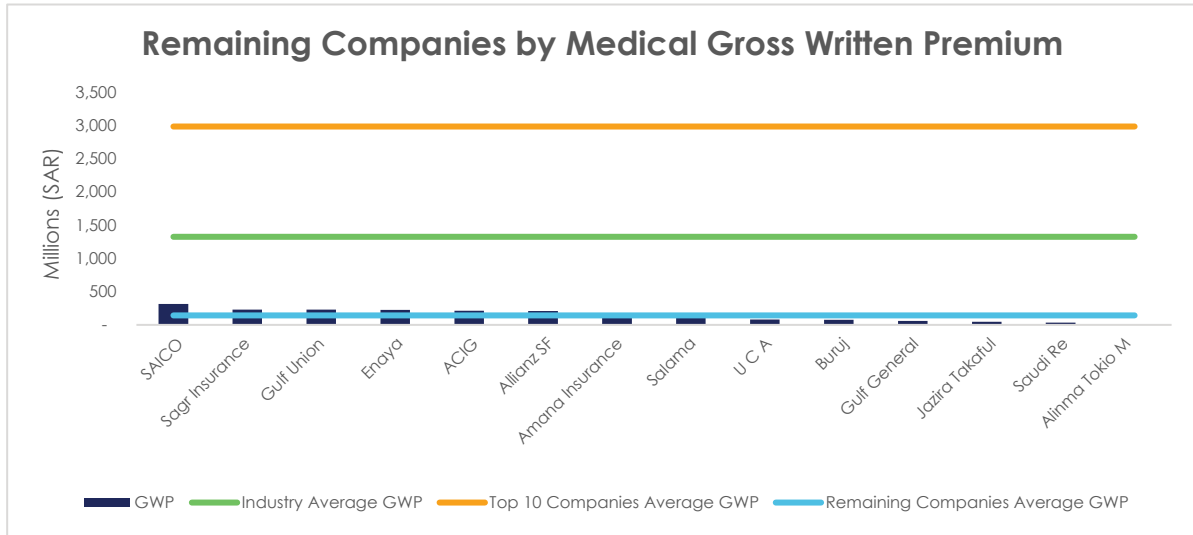
Graph 54 – Remaining Companies by Retention Ratio



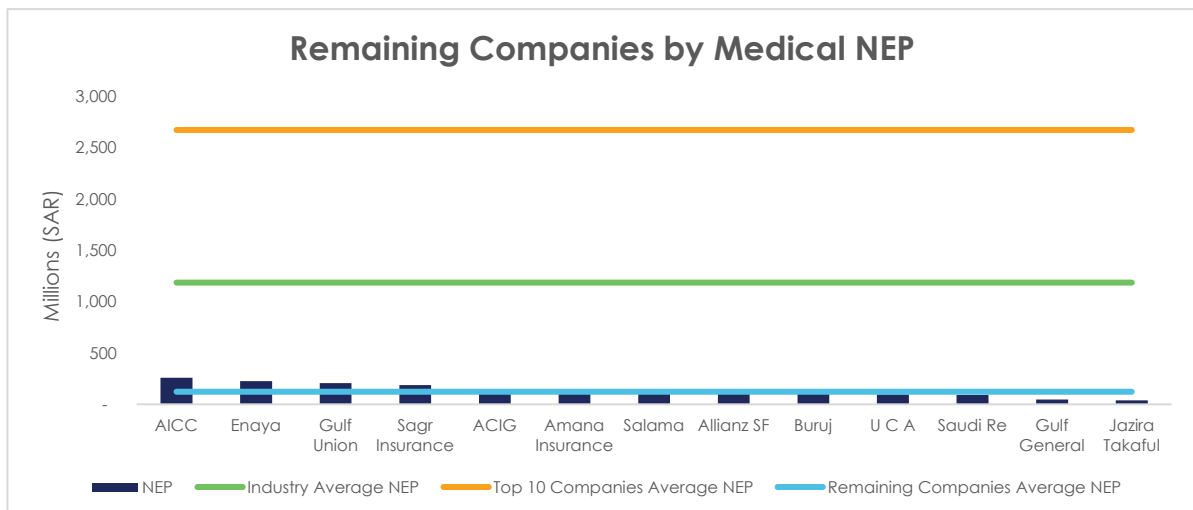
Graph 55 – Remaining Companies by Equity to Total Assets Ratio



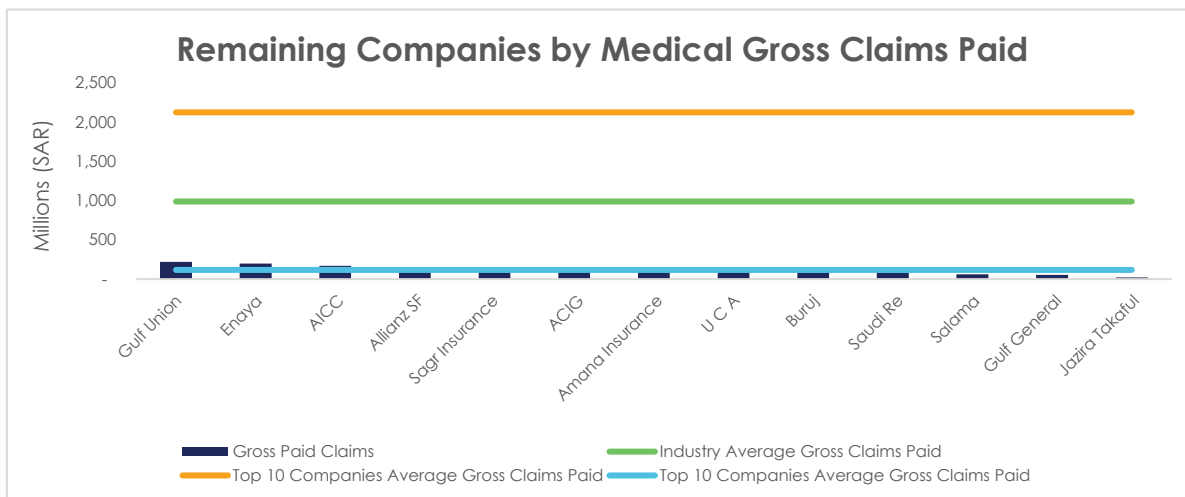
Graph 56 – Remaining Companies by Medical Gross Written Premium



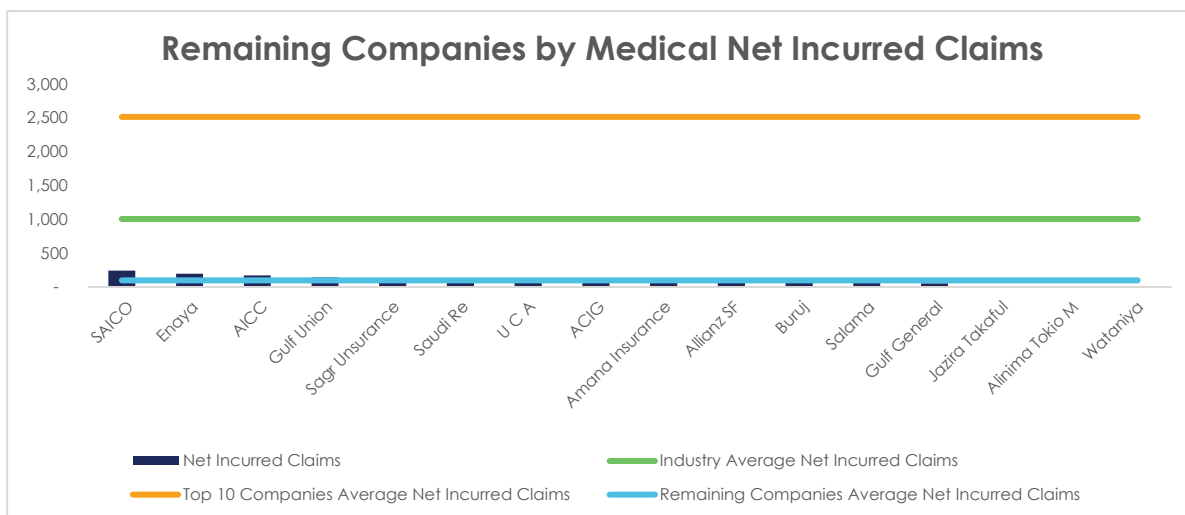
Graph 57 – Remaining Companies by Medical NEP



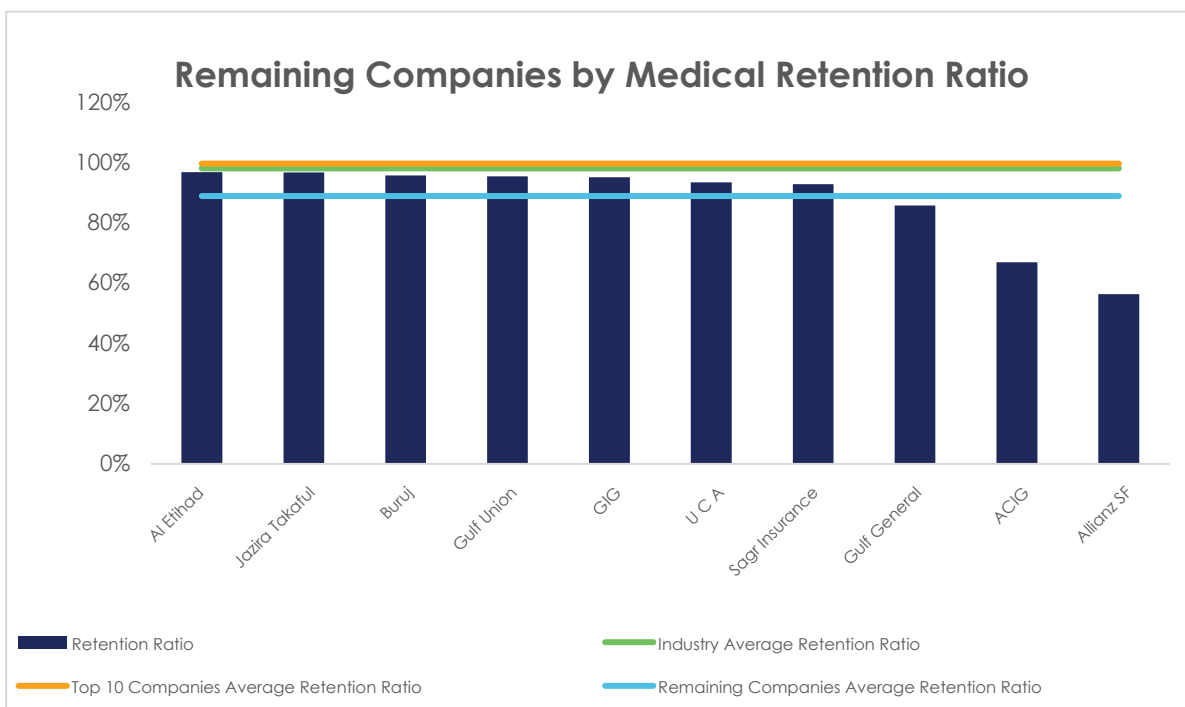
Graph 58 – Remaining Companies by Medical Gross Claims Paid



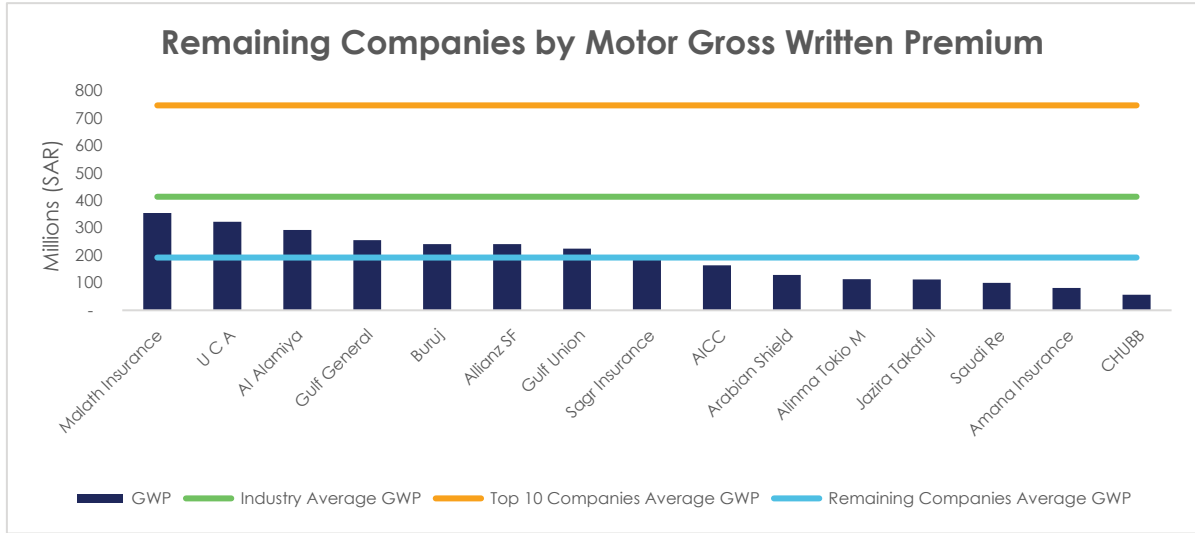
Graph 59 – Remaining Companies by Medical Net Incurred



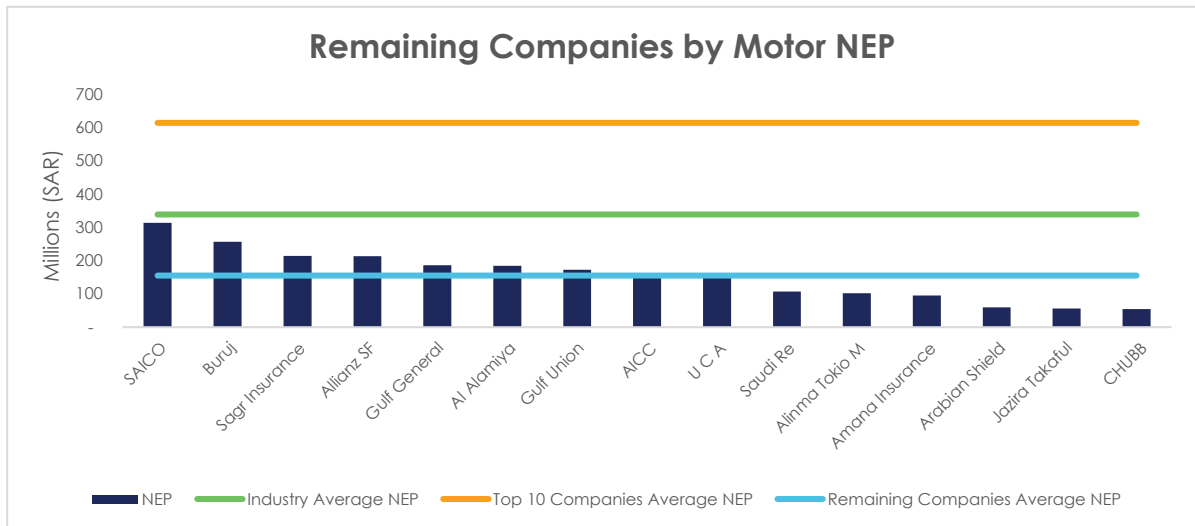
Graph 60 – Remaining Companies by Medical Retention Ratio



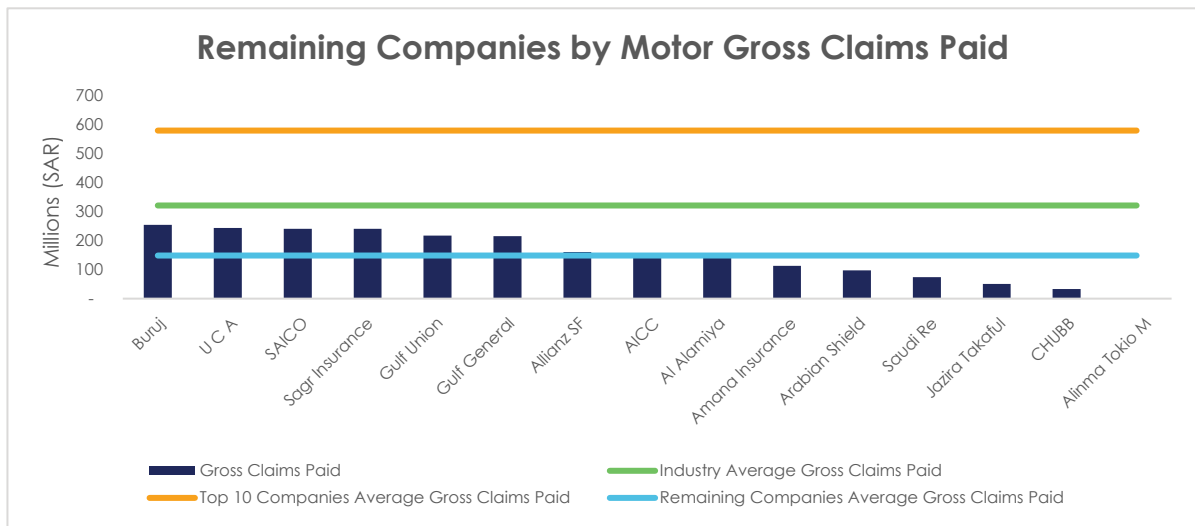
Graph 61 – Remaining Companies by Motor Gross Written Premium



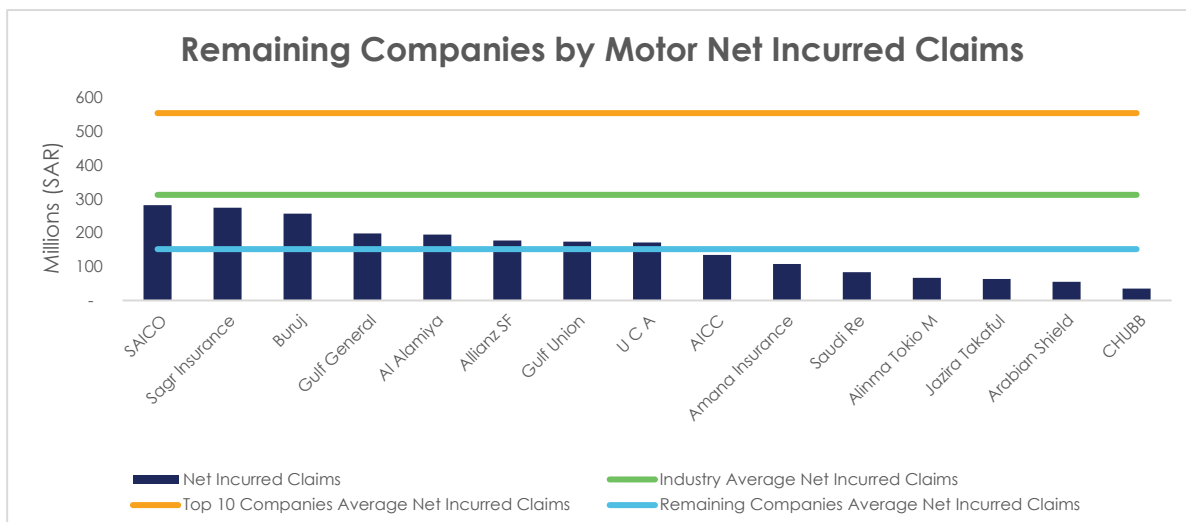
Graph 62 – 2021 Remaining Companies by Motor Net Earned Premium



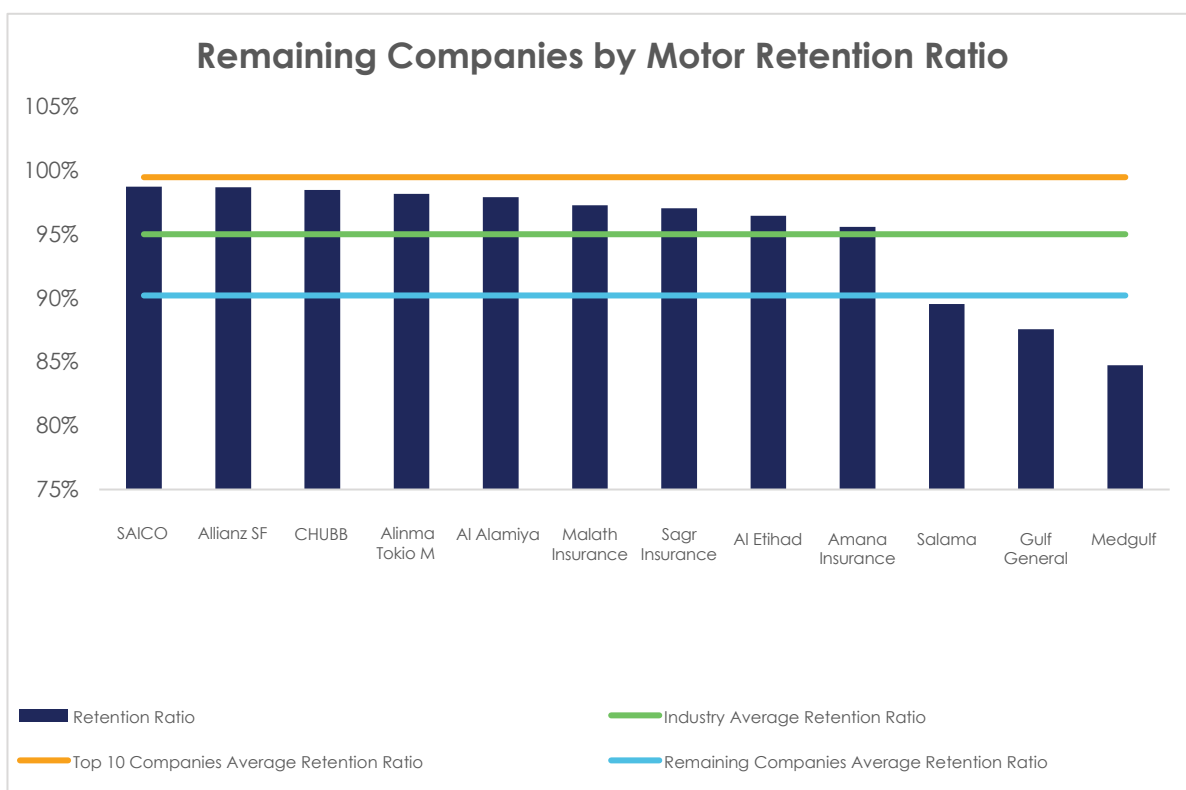
Graph 63 – Remaining Companies by Motor Gross Claims Paid



Graph 64 – Remaining Companies by Motor Net Incurred Claims



Graph 65 – Remaining Companies by Motor Retention Ratio



Regulatory Updates

The highlights of the Saudi Central Bank (SAMA) activities include the following:

- The Saudi Central Bank (SAMA) announced that the insurance sector in Saudi Arabia would officially adopt the International Financial Reporting Standard (IFRS 17) starting from 1st January 2023. SAMA emphasized the need for a smooth transition to IFRS 17, especially as Saudi Arabia is a G20 member. SAMA launched a four-phase transition plan in 2018, which has been successfully executed to facilitate this. This move towards adopting international financial reporting standards highlights the commitment of Saudi Arabia towards aligning with global financial regulations and standards, which will undoubtedly enhance transparency and increase investor confidence in the Saudi Arabian insurance sector.
- Saudi Central Bank announced on February 6, 2023, the licensing of the first branch of a foreign insurance company in the Kingdom, which is the American company Cigna Worldwide Insurance, which is specialized in practicing health insurance activity. The bank stated that licensing for such foreign companies would enable to transfer and exchange of experiences, enhancing the financial stability in the sector in light of the enormous capabilities and opportunities that the Kingdom possesses.
- The Saudi Central Bank published the Standard Insurance Policy on Domestic Workers Contracts on 10 February 2022. These actions achieve many gains, such as increasing the attractiveness of the Saudi labour market, facilitating bilateral negotiations with countries, improving the contractual relationship, and reducing risks in the domestic labour recruitment market, which will contribute to lowering prices and guaranteeing rights for all parties, in addition to the increasing commitment by stakeholders and will also bring many benefits to the employer and the worker. Accordingly, each Alinma Tokio Marine Insurance, Gulf Union National Insurance and Walaa Insurance obtained the approval of the Saudi Central Bank to offer the domestic labour insurance product in May 2022.



Market Developments & Updates

Insurance Market Mergers

- On 19 October 2022, Walaa Cooperative Insurance and SABB Takaful companies merged, which was the second merger in the insurance sector in 2022, following the combination of Arabian Shield Cooperative Insurance and Al Ahly Takaful, which occurred on 26 January 2022.
- In the upcoming years, we anticipate a merger between several companies, namely United Group for Cooperative Insurance "ACIG" and Amana Cooperative Insurance, Gulf Union Alahlia Cooperative Insurance and Al Sagr Cooperative Insurance, Saudi Enaya Cooperative Insurance and United Cooperative Insurance. Those signed a memorandum of understanding to evaluate the feasibility of their merger.
- The Saudi Cabinet Resolution No. 657, dated 5/11/1442H, was successfully implemented in August 2022, resulting in the merger of the Public Pension Agency and the General Organization for Social Insurance. The merger between the two organizations was a strategic move to make Saudi Arabia's social insurance system more efficient and significantly enhance the quality of services offered to the public.
- Moreover, one of the most significant acquisitions during 2022 was GIG's acquisition of AXA's operations in the Gulf region. This transaction is a crucial step for GIG to expand its portfolio. It will also contribute to the growth of the Saudi insurance market, which falls under the primary objectives of Saudi Vision 2030.



Insurance Authority

On September 28th and 29th of 2022, Minister of Finance Mohammed Al-Jadaan stated during the sixth Saudi Insurance Symposium (SIS) that a unified regulator for the insurance sector, independent of the Saudi Central Bank (SAMA), will be announced soon.

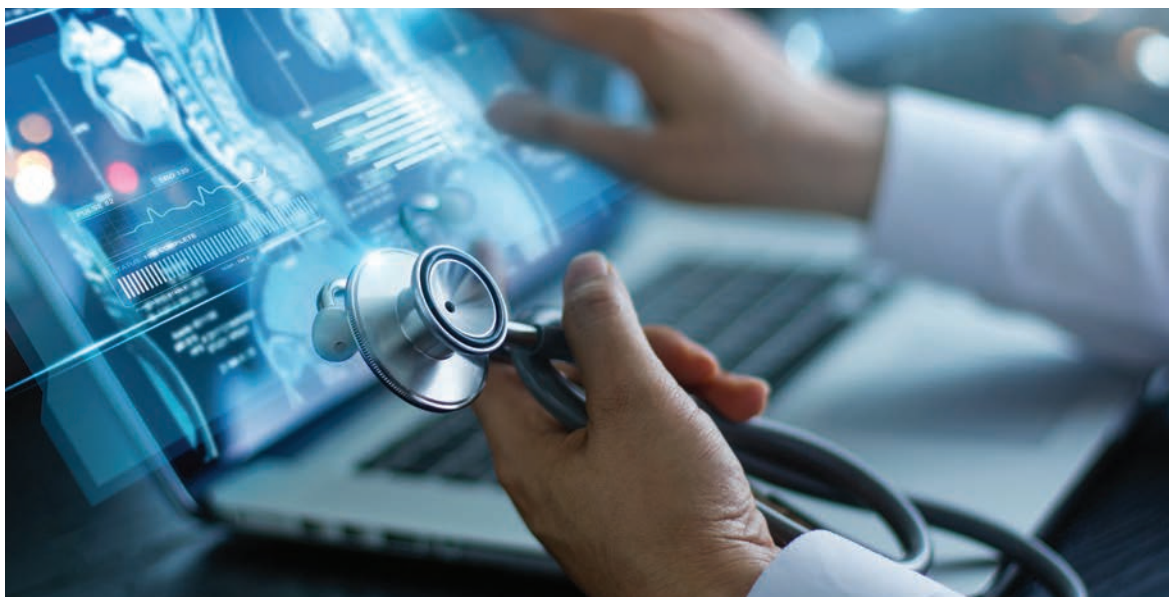
He further mentioned that the government had already consented to a proposal for forming an independent insurance regulator and had taken active steps to boost the industry's development in the near future.

The Minister commented on the formulation of the unified regulator by stating that its purpose is to promote growth in the sector and aid in simplifying the task of meeting compliance standards for existing regulatory bodies.

Medical Insurance

The Council for Health Insurance (CHI) issued a circular to both healthcare providers and health insurance companies notifying all entities that insurance companies are now required to cover the cost of all medical treatment related to both suspected and confirmed Covid-19 cases. Cover for Covid-19 will be in line with the existing limits of the policy.

In addition, CHI announced updates to the coverage of the Essential Benefit Plan with effect from 1 October 2022. The updates take into account a number of objectives defined by the regulator, including prevention and promotion of health, in line with their value-based healthcare initiatives. The changes to the minimum policy include new benefits for screening, vaccinations and contraceptives as well as an increase in the sub-limits for mental health services.



IFRS 17

The Saudi Central Bank (SAMA) announced that the Saudi insurance sector has officially adopted the International Financial Reporting Standards (IFRS 17) and (IFRS 9) on January 1, 2023. SAMA emphasized the significance of a structured transition to IFRS 17, particularly in light of Saudi Arabia's G20 membership. SAMA introduced a four-phase transition plan in 2018 to assist this transition, and it has been carried out successfully. A two-phase transition plan for IFRS 9 has also been implemented by SAMA and has been successful. This step toward implementing international financial reporting standards demonstrates Saudi Arabia's commitment to comply with international financial regulations and standards, which will undoubtedly improve transparency and boost investor confidence in Saudi Arabia's insurance industry.

The insurance market has experienced the IFRS 17 transition plan through four distinct stages: Gap Analysis, Financial Impact Assessment, Design of Implementation Plan, and Implementation and three Dry Runs. During the initial phase, a thorough assessment of existing gaps was conducted, as well as an evaluation of the costs associated with executing the subsequent stages. The second phase entailed an analysis of various implementation factors, such as discounting, methodology, risk adjustment, and onerosity determination. In the third phase, the optimal IFRS 17 implementation plan for each company was designed. Lastly, the fourth phase, which was concluded in Q4 2022, aimed to gauge the implementation's progress, and perform three dry runs. During 2022 the companies completed the 2nd and the 3rd dry run exercises. The results of the 2nd dry run were also audited by the external audited of the insurance company to ensure results were reliable and adhere to the standard.

One of the significant findings from the fourth stage was the necessity for both the Chief Financial Officer (CFO) and the Appointed Actuary (AA) to assume leading roles in order to establish an effective, reliable, and sustainable IFRS 17 reporting framework. In this context, it is anticipated that there will be a significant expansion of the responsibilities assigned to appointed actuaries in the Saudi market. SAMA has introduced new forms to the regulatory reporting requirements, encompassing uniform financial reporting templates at both portfolio and group of contract levels. A notable inclusion was a roll-forward template for insurance contracts, which mandates that insurance contract assets/liabilities to be approved/reviewed by the AA or the CFO.

Since the implementation has recently started, new financial, reporting, and information technology processes are initiated. It would be reasonable to expect that these processes are not yet fully established and will be refined over time to effectively facilitate reporting under IFRS 17. Furthermore, as a result of these contributing developments, the significance of the internal actuarial role is poised to increase substantially across all insurance companies.



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1. Regulatory Updates

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