



# Insurance pulse

Industry insights and  
latest available financial  
performance of the insurance  
sector in Saudi Arabia

# Digital imperative drives insurance industry

The experience of the last two years changed the perspective of the insurance industry for customers around the globe, both in terms of the available products and services. There was increased demand from the customers for digital solutions to cater to their needs in the face of challenges posed by the lockdown. These trends were also witnessed in Saudi Arabia where digitally advanced insurance companies were able to capitalize on their advantages as customers continue to expect more seamless and increase digital interactions with their service providers.

Insurance companies in the Kingdom have attained a continuous growth in the top line in recent years and the momentum continued in 2021 wherein the aggregate gross by the end of Q3,2021 amounted to SAR31.81 billion, showing an increase of 7.7% in gross written premium (GWP) as compared to Q3 2020. The growth was reported in most categories, with the motor and medical segments continuing to be the biggest contributors of GWPs, constituting in aggregate 79% and 81% of GWPs and net underwriting income of the insurance industry for the period ended 30 September 2021. The similar trend is expected for the full year of 2021.

The insurance industry observed a decline in loss ratios in the mid of 2020, which was primarily in a motor and medical heavy industry that experienced a steep decline in relevant claims due to lockdowns and delays in discretionary medical treatments. However, analysis shows that the loss ratios in 2021 have moved back to the pre-pandemic rates and stood at 80.9% as of Q3 2021 as compared to 73.7% as of Q3 2020.

The impact of increasing loss ratios had a direct effect on the net profit after and tax which witnessed a decline of 62.6% as compared to Q3 2020 and stood at SAR537.65 million as of Q3 2021 for the overall industry. The total assets and total equity of the insurance industry stood at SAR68.03 billion and SAR18.93 billion respectively, showing an increase of 5.4% and 4.9% as compared to 31 December 2020. This represented annualized return on equity of 3.8% as of Q3 2021 as compared to 7.9% as of 31 December 2020 and annualized return on assets of 1.1% as of Q3 2021 as compared to 2.2% as of 31 December 2020.

In today's environment, digitalization, new risks and new customer demands are fundamentally changing the insurance industry.

It is becoming imperative for insurance companies to consider data analytics, artificial intelligence (AI) and other means of digital transformation to stay ahead of the curve. The risks of falling behind is growing larger than other business risks, while companies also need to be aware of an evolving ESG perspective of stakeholders, whether those are regulators, investors or customers.

Overall, global insights from our recent CEO Outlook—with insights from 129 insurance CEOs from around the world—demonstrate an extensive and optimistic theme of growth, where prospects are over 60% for every sector over the next three years. It also indicates that insurance CEOs believe that half of the growth is initiated from organic growth strategies while the other half is dominated by mergers and acquisitions (M&A). On the other hand, regulatory and task risks come first in recognizing the greatest threats to organizational growth. Most of the survey respondents agree that increasing investment in disruption detection and innovation processes is the best action to take for pursuing growth.

On the IFRS front, when insurers apply IFRS 17 insurance contracts for the first time, they could face operational complexities and one-time accounting mismatches between insurance contracts and financial assets in the comparative information they need to present. The International Accounting Standards Board has published a narrow-scope amendment that aims to provide insurers with an option to present comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how IFRS 9 will be applied in future reporting periods.

This publication further includes a detailed analysis of the financial performance of 28 insurance companies in Saudi Arabia in the third quarter of 2021, divided under two sections, based on the size of GWP. We hope you find this edition insightful for your organization.



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# KPMG 2021 CEO Outlook

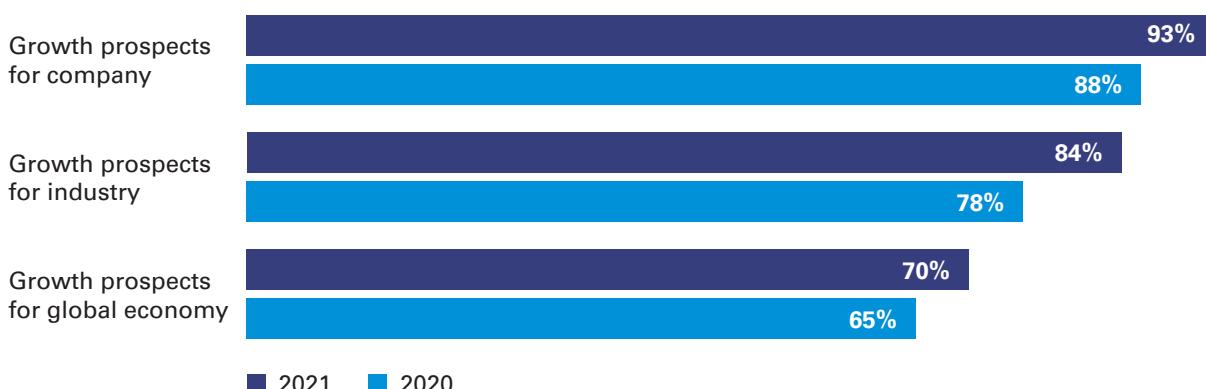
## Global insurance insights

Covid-19 has disrupted insurance industries across the globe, but there's an emerging optimism driven by a focus on innovation and a strong connection to organizational purpose, which is building confidence in the industry's growth. These themes emerged in our latest KPMG CEO Outlook, where we took perspectives from 129 insurance CEOs in total survey of 1,300.

### Growth prospects

Global insurance CEOs have a renewed confidence in the growth prospects of their organizations, the insurance sector and the global economy.

### Economic outlook over the next three years

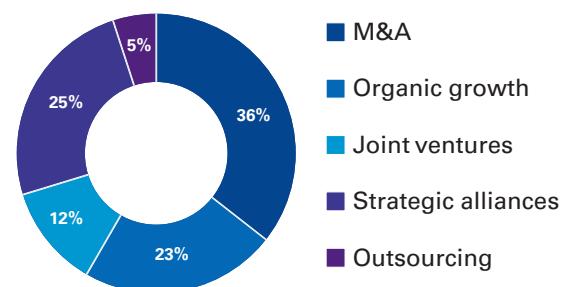


### Greatest threats to an organization's growth

#### 2021

- 1 **Regulatory risk**
- 2 **Tax risk**
- 3 **Reputational risk**
- 4 **Cybersecurity risk**
- 5 **Emerging technology risk**

### Insurance sector growth strategies



### Actions to be taken to pursue growth objectives



Increase investment in disruption detection and innovation processes



Collaborate with innovative start-ups



Assess organization's culture and values

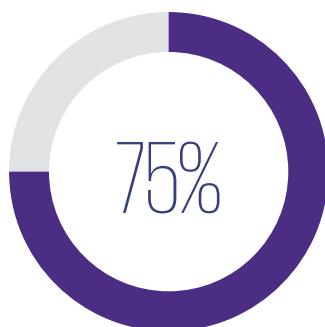


Join industry consortia focused on development of innovative technologies

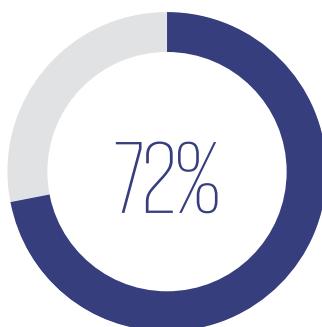
## Digital resilience

CEOs recognize that a digital-first approach lies at the heart of how organizations can avoid disruption.

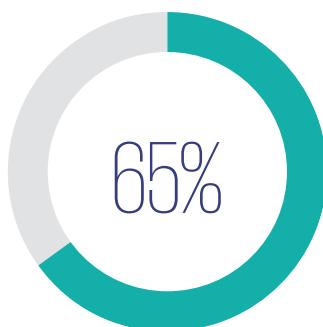
### Greatest threats to an organization's growth



Need to be quicker to shift investments and divest businesses that face digital obsolescence



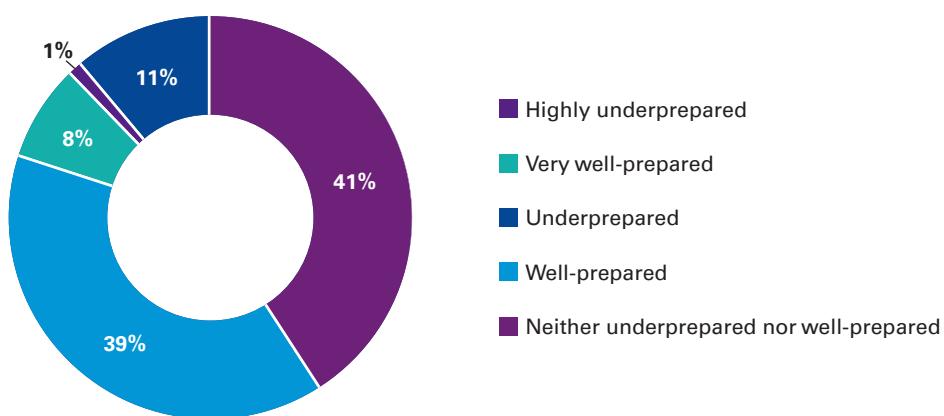
Believe their organization has an aggressive investment strategy



Feel new partnerships will be critical to continue with the pace of digital transformation

### Organization preparedness for cybersecurity

The need for cybersecurity has become crucial as a result of increased digitization and the broad recognition that cyber threats are major security issues, potentially restricting business growth.



### The future of work

Probable impact of Covid-19 on work culture in the next three years.



Looking at shared office space to allow employees more flexibility



Majority of employees working remotely at least two days a week



Will downsize or have already downsized their organization's physical footprint

# Industry performance

## Nine months financial performance - Q3 2021

### Net profit after zakat and tax



Q3 – 2021: SAR 537.65 million  
(Q3 – 2020: SAR 1,438.62 million)

### Gross written premiums



Q3 – 2021: SAR 31.81 billion  
(Q3 – 2020: SAR 29.53 billion)

### Total assets



As of Q3 – 2021 SAR 68.03 billion  
(YE – 2020: SAR 64.55 billion)

### Total investments



As of Q3 – 2021 SAR 32.97 billion  
(YE – 2020: SAR 30.74 billion)

### Loss ratio



Q3 – 2021: 80.9%  
(Q3 – 2020: 73.7%)

### Retention ratio



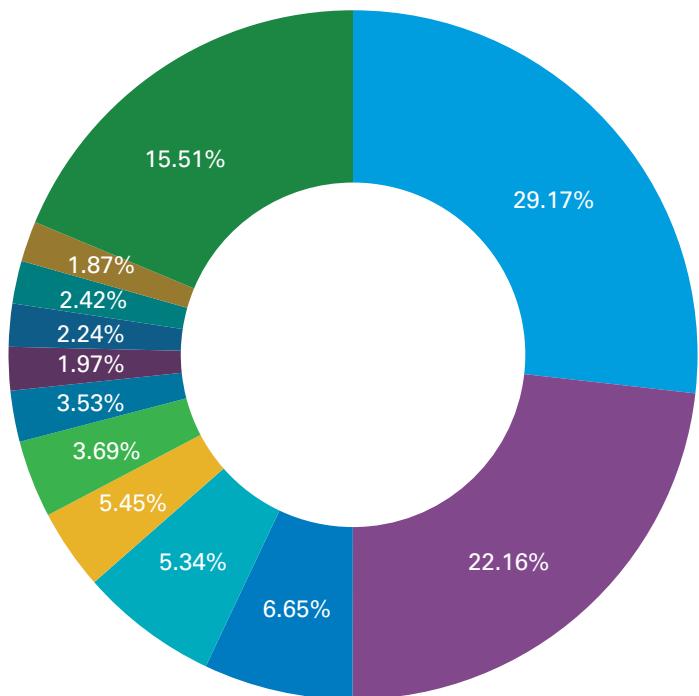
Q3 – 2021: 83.6%  
(Q3 – 2020: 83.9%)

# Financial performance

## Nine months financial performance - Q3 2021 Market share by gross written premiums

### GWP market share

- Bupa
- Tawuniya
- Rajhi
- Med Gulf
- Walaa
- AXA
- Saudi Re
- SACI
- Wataniya
- Malath
- Etihad
- Others

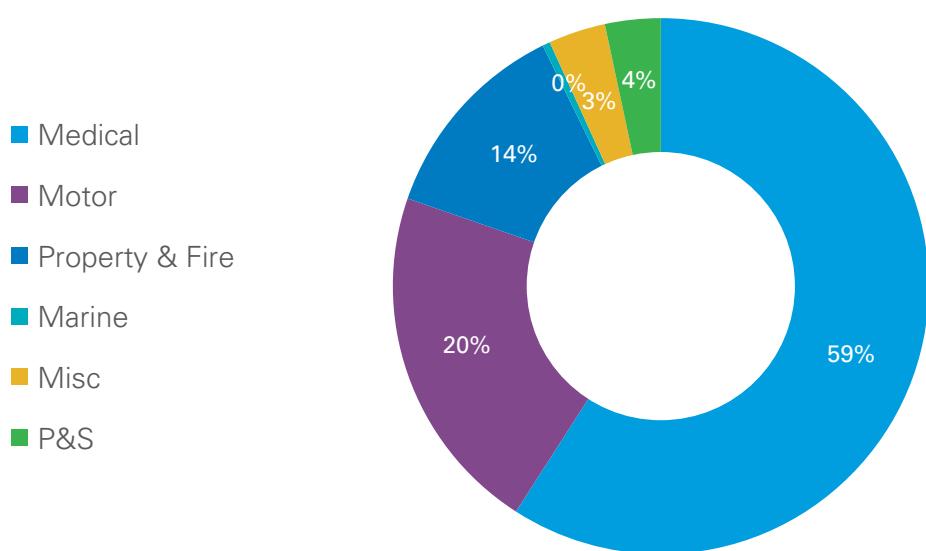


#### Others include:

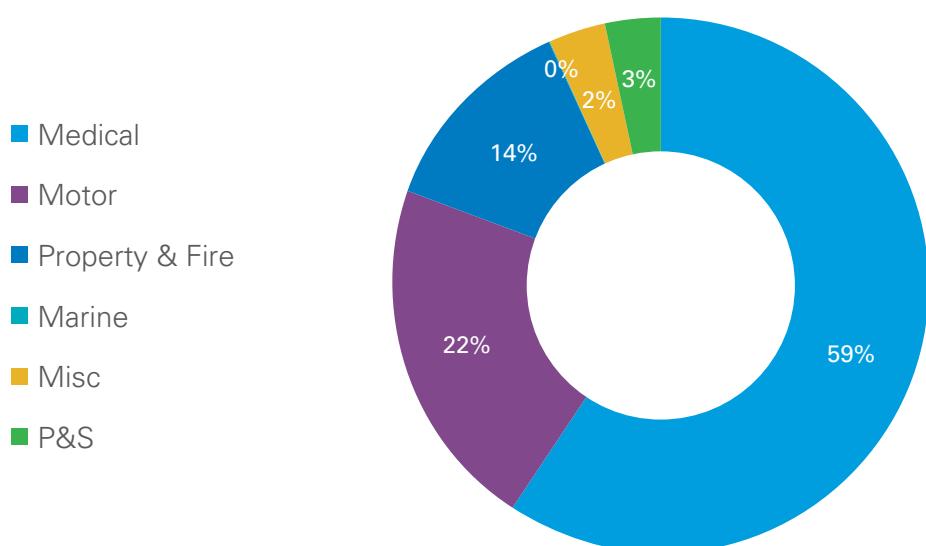
Allianz	1.85%
ACIG	1.40%
Arabian Shield	1.34%
Gulf Union	1.33%
Salama	1.13%
Arabia	1.04%
UCA	0.99%
Gulf General	0.79%
AlAhli	0.79%

Alinma	0.77%
Amana	0.73%
Al Alamiya	0.64%
Jazira	0.61%
Chubb	0.60%
Buruj	0.52%
Enaya	0.52%
SABB	0.46%

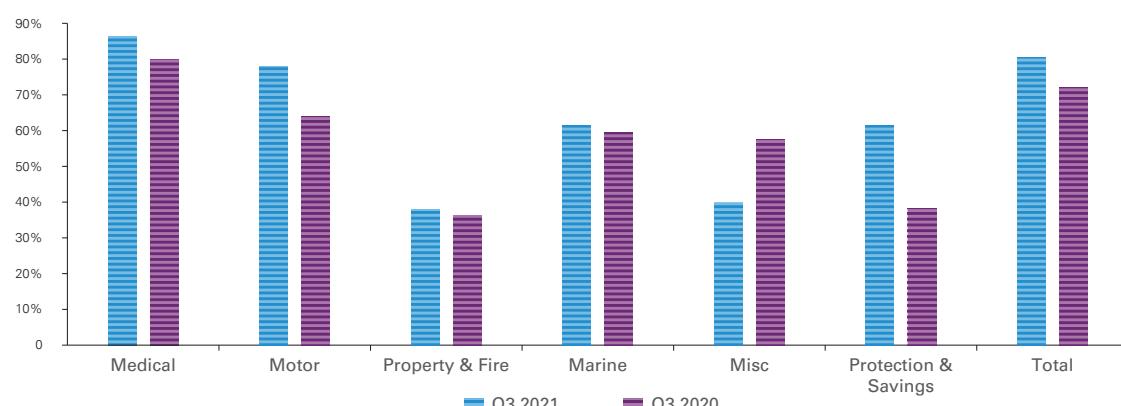
## GWP by segment - Q3 2021



## GWP by segment - Q3 2020



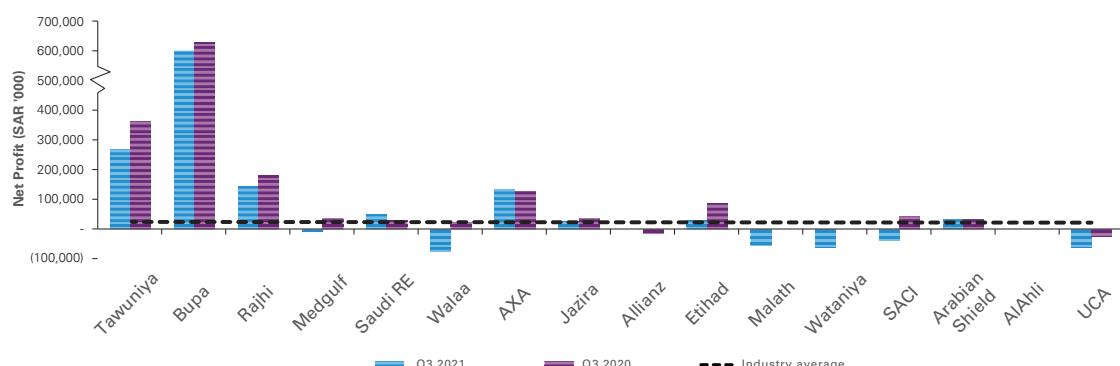
## Loss ratios by segment



# Nine months financial performance - Q3 2021

## TIER – I Insurance companies\*

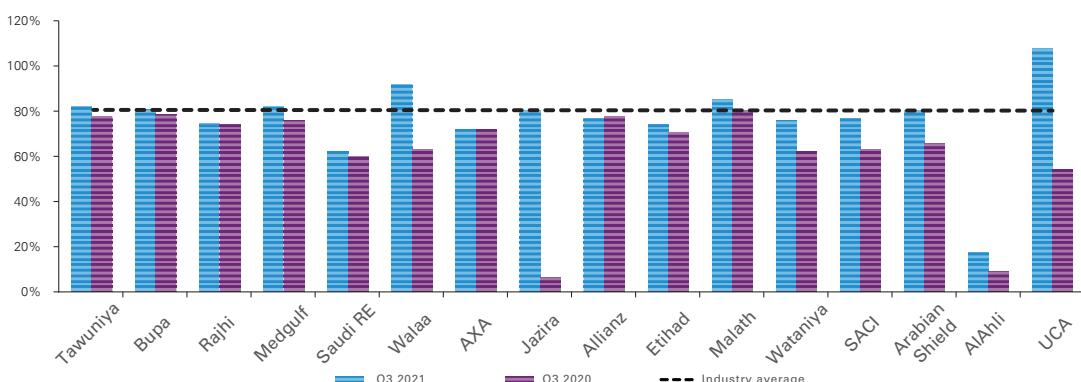
### Net income/loss



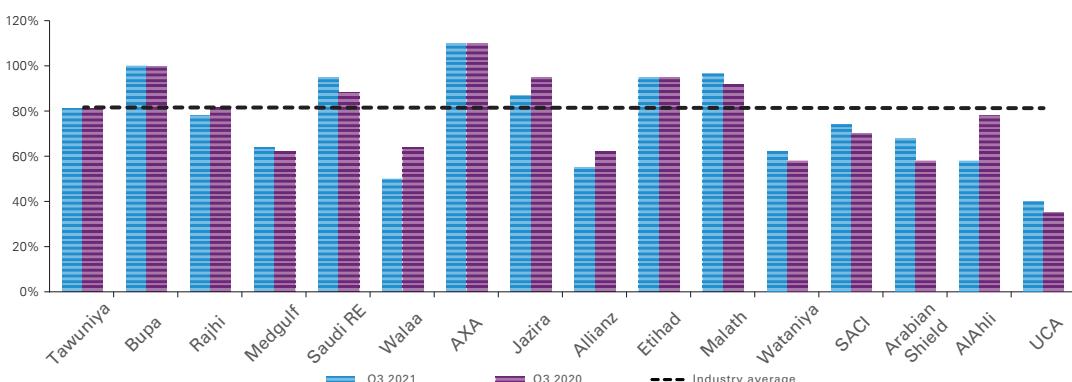
### ROE & ROA



### Loss ratio



### Retention ratio (%)



\*This report is reflective of the broad range of the insurance market, where information comparison is split between companies with total assets over SAR1 billion and total assets below SAR1 billion. The results are since the mergers or acquisitions of two companies combined in Q1 2021.

## Investments & ROI



## Total assets & Total equity



## Share price & Price/earning ratio



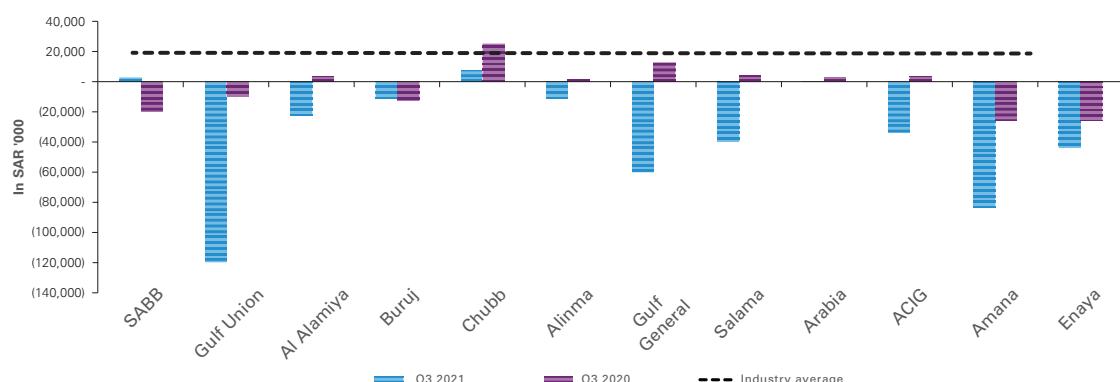
### Glossary

**Price/earnings ratio** is calculated as the closing share price as of 30 September 2021 quoted on Tadawul divided by the EPS. **ROE** is the ratio of net income after zakat and income tax to total equity as of 30 September 2021. **ROA** is the ratio of net income after zakat and income tax to total assets as of 30 September 2021. **Retention Ratio** is calculated netting reinsurance premium only from gross written premium. **Loss ratio** is calculated by dividing net claims incurred to net earned premium. **ROI** is the ratio of investment income to total investments as of 30 September 2021.

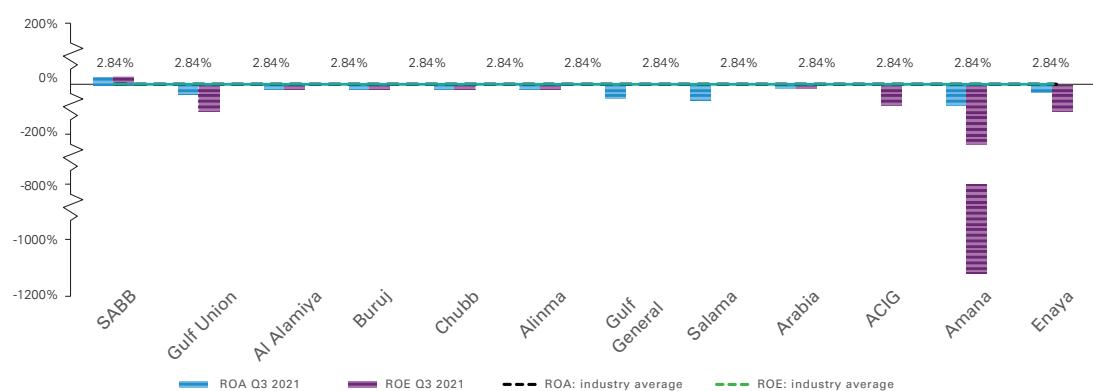
# Nine months financial performance - Q3 2021

## TIER – II Insurance companies

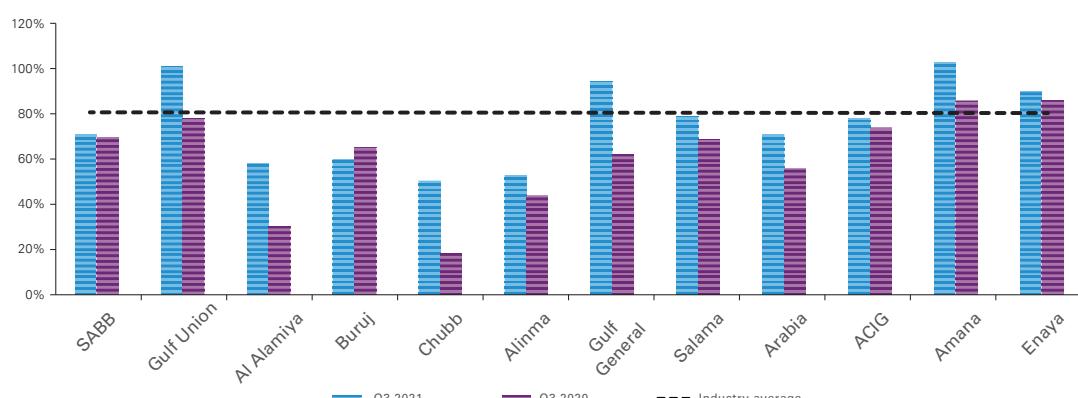
### Net income/loss



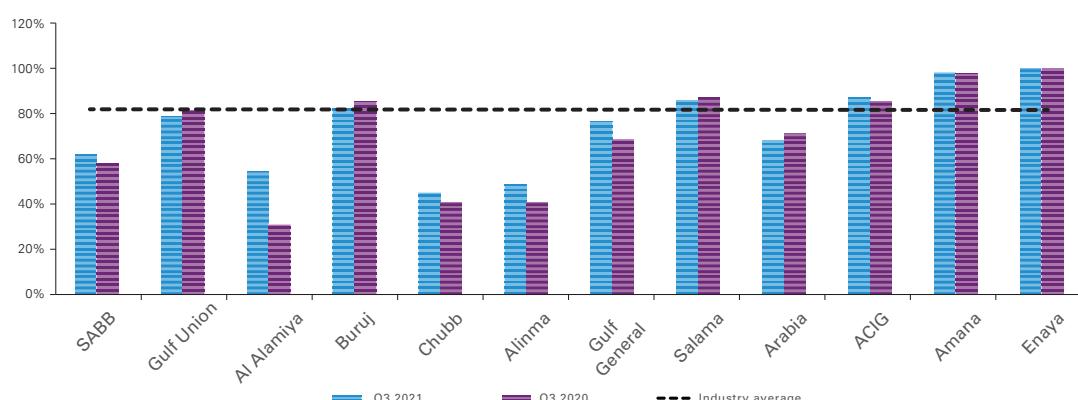
### ROE & ROA



### Loss ratio



### Retention ratio (%)



# Further reading

## In the spotlight

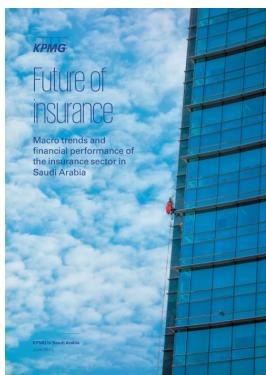


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*The KPMG Global Insurance CEO Outlook 2021 takes the perspective of 129 insurance CEOs from around the globe.*

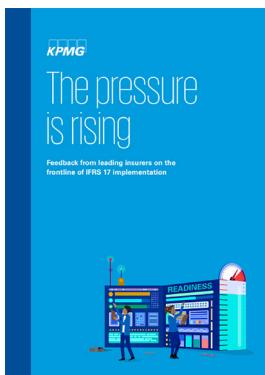
## Recent insurance publications

### Future of insurance



*Six global trends that are shaping the global insurance industry.*

### The pressure is rising



*On IFRS 17 transition for insurance firms.*

### IFRS 9 for insurers



*On IFRS 9, outlining key considerations for insurers to adapt in order understand the main implications.*

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### Disclaimer

The financial performance results of the analyzed insurance companies comes from published financial statements of the respective firms.

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