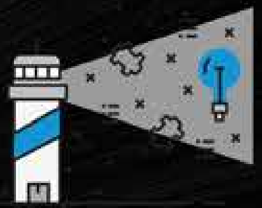
SHMACONSULTING

INSURANCE INDUSTRY

KINGDOM OF SAUDI ARABIA

Q2 - 2023

www.shmaconsulting.com



VISION

To nurture the lives of people everywhere and drive success by improving the decisions they make.

MISSION

To bring the future in favor of people by partnering, simplifying and improving more lives every day.

VALUES

People First | Learn & Grow | Excel & Innovate
Integrity & Trust | Belong & Inspire

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ABOUT US

SHMA Consulting first offered actuarial services relating to insurance in Saudi Arabia in 2003, and currently provides actuarial services to 8 companies in Saudi Arabia, 11 insurance companies in the UAE and other insurance companies in the GCC (Kuwait, Oman, Qatar and Bahrain).

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997. We are currently engaged with one of the biggest names in the UAE Insurance Sector, including, ADNIC, ADNTC, Orient, etc.

We provide a range of services to our valued business partners across the globe including Europe, the Middle East, Southeast Asia and the Far East. Our specialty services include financial reporting, product and business development and enterprise risk management. In addition, our firm provides expert personnel outsourcing to allow organizations to engage in full-time consulting for long-term cost effectiveness.

Our Services

LIFE INSURANCE

- IFRS, statutory & embedded valuations
- Product development, pricing & reserving
- Experience studies
- Advising on agency & broker compensation structures, reinsurance arrangements, underwriting policies and capital adequacy.

RETIREMENT BENEFITS

- Valuations for financial reporting
- Advise on benefit design and cost-benefit analysis
- Pension benefits administration
- Benefit communication material
- Provident fund maintenance software and audit of retirement schemes and funds

GENERAL INSURANCE

- Actuarial reserving and certifications
- Underwriting and pricing solutions
- Data and predictive analytics
- Advising on reinsurance arrangements, underwriting and claims practices
- Profitability and capital adequacy analysis

ERM AND CAPITAL MODELING

- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

LIMITATIONS AND DISCLAIMERS

- The data used to prepare this report has been collected from Tadawul.
- The information, materials, and opinions presented in this report are for general information purposes only.
- The information presented in this report is not intended to constitute legal or other professional advice and should not be relied on or treated as a substitute for specific advice relevant to particular circumstances. Although, we make reasonable efforts to update the information in this report.

INDUSTRY HIGHLIGHTS

- The Saudi Insurance Industry anticipates a reduction in motor insurance premiums shortly due to the General Department of Traffic's plan to introduce electronic monitoring of motor insurance violations. Commencing on October 1, 2023, individuals without insured vehicles will face fines ranging from 100 to 150 SAR (equivalent to 26.6 to 40 USD).

- The Saudi Council of Ministers has approved the establishment of an independent authority to regulate and supervise the insurance sector in the Kingdom. Called Saudi Insurance Authority, the new entity will continue to carry out the Saudi Central Bank (SAMA) missions in developing the insurance sector and protecting the policyholders' interests.

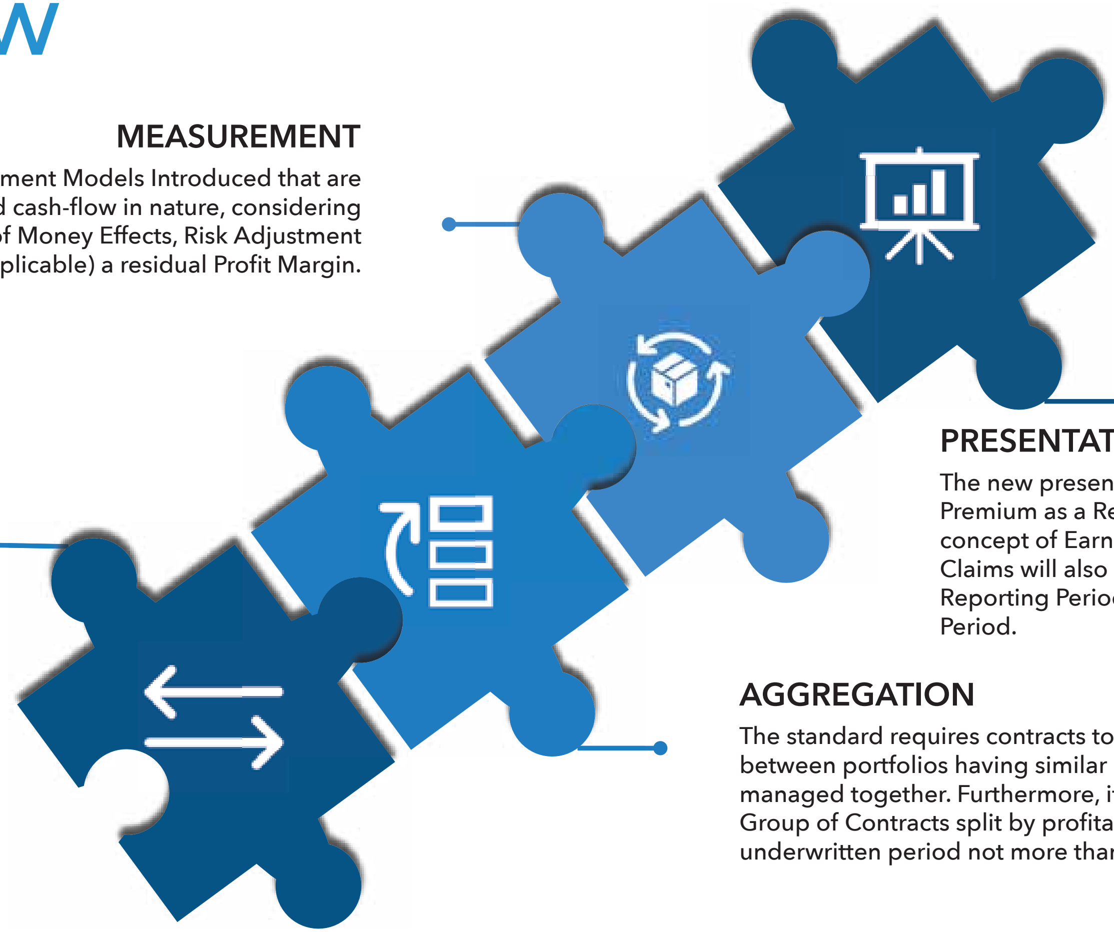
- Gulf Insurance Group (GIG) has received regulatory approval from the Saudi Arabian Central Bank (SAMA) to expand its business license in the country to include protection and savings insurance. The introduction of these new life insurance products is slated for the fourth quarter of 2023, and it is anticipated to bring about favorable effects on the company's financial performance.

- Moody's has upheld Walaa Cooperative Insurance's "A3" financial strength rating with a stable outlook. This rating reflects Walaa's prominent position as the fifth-largest insurer in the Saudi market, its robust asset quality, adequate capitalization, and financial flexibility. Remarkably, in Q1 2023, Walaa reported a net profit of 26.8 million SAR (7.1 million USD), a substantial improvement from the 15.1 million SAR (4 million USD) net loss recorded in the same period in 2022.

- Al Rajhi Takaful has signed a partnership agreement with Almosafer, a Saudi travel agency belonging to the Seera Group. The coverage will be automatically included in every international and domestic flight booking made via the travel agency's contact points: mobile app, website, call centers, WhatsApp, and sales outlets.

- Bupa Arabia has inaugurated its new head office in Riyadh. This move is part of the insurer's plan to expand its operations in the central region of the Kingdom.

IFRS 17 – OVERVIEW



MEASUREMENT

New Measurement Models Introduced that are largely projected cash-flow in nature, considering the Time Value of Money Effects, Risk Adjustment and (where applicable) a residual Profit Margin.

INSURANCE & NON-INSURANCE COMPONENTS

The standard has very specific definitions to segment between insurance and non-insurance components and requires separation in some cases.

PRESENTATION

The new presentation style removes the Written Premium as a Revenue item and goes with the concept of Earned Revenue. Other items as Incurred Claims will also distinguish Incurrence during the Reporting Period and those before the Reporting Period.

AGGREGATION

The standard requires contracts to be segmented between portfolios having similar risks and managed together. Furthermore, it also requires a Group of Contracts split by profitability and an underwritten period not more than 1 year apart.

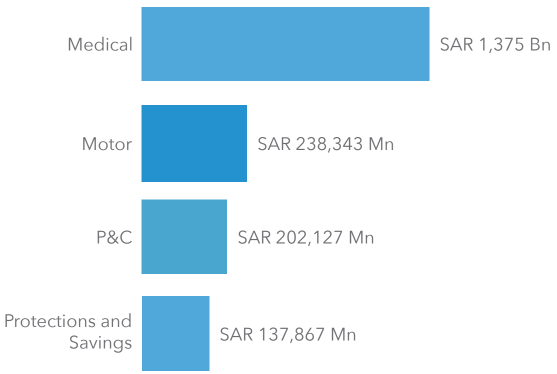
INCOME STATEMENT - ILLUSTRATION

IFRS-4 P&L	AMOUNT
Gross Premium	xx
Premiums Ceded to Reinsurers	(xx)
Change in NET UPR	(xx)
Net Earned Premium	xx
Investment Income	xx
Total Revenue	**xx**
Net Claims Benefits & Expenses	(xx)
Claims & Expenses Ceded to Reinsurers	(xx)
Acquisition Cost Amortization	(xx)
Change in Insurance Contract Liabilities (net)	(xx)
Total Expenses	**(xx)**
Profit Before Tax	**xx**

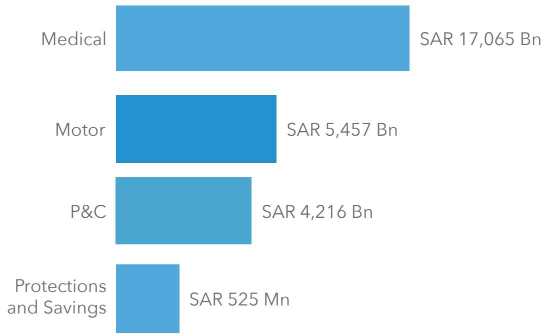
IFRS-17 P&L	AMOUNT	
Insurance Revenue	**xx**	GMM LFRC Release
Expected Claims & Expenses	xx	
Expected Acquisition Cost	xx	
CSM Release	xx	
Premium Experience Adjustments	xx	
Risk Adjustment Release from LFRC	xx	
PAA Revenue	xx	PAA Revenue Only (Earned Premium)
Insurance Expense	**(xx)**	
Actual Claims & Expenses	(xx)	Relating to Claims Incurred in Reporting Period Only
Actual Acquisition Cost	(xx)	
Changes in Prior Year Estimates	(xx)	Past Loss Estimate Changes (Loss Date Before Opening)
Insurance Service Result	**xx**	
Net Reinsurance Result	**xx**	Net Reinsurance Recoveries
Finance Expense from Insurance Contracts	(xx)	Movement in Liability due to Discount Rate Roll-forward
Finance Income from Rensurance Contracts	xx	
Total Finance Expense	**(xx)**	
Investment Income	**(xx)**	
Other Expenses	xx	Unattributable Expenses
Other Income		
Profit Before Tax	xx	

PERFORMANCE HIGHLIGHTS

Net Insurance Service Result



Insurance Revenue by Sector (Mn)

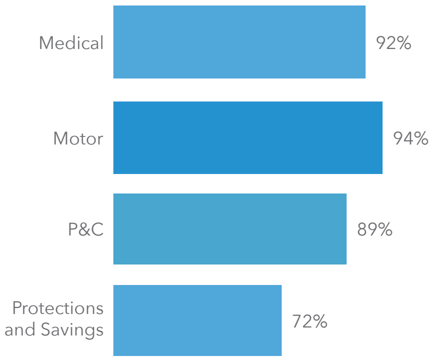


Total Insurance Revenue

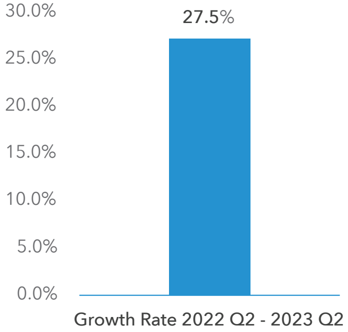
SAR 27.23 Bn

▲ 27.46%

Combined Ratios



Insurance Revenue Growth



Total Profit / (Loss)

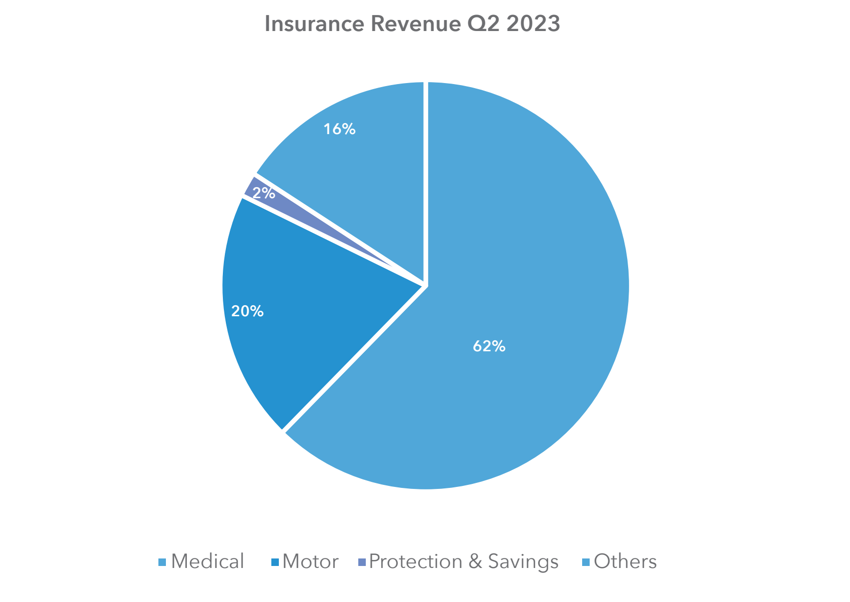
SAR 1.800 Bn

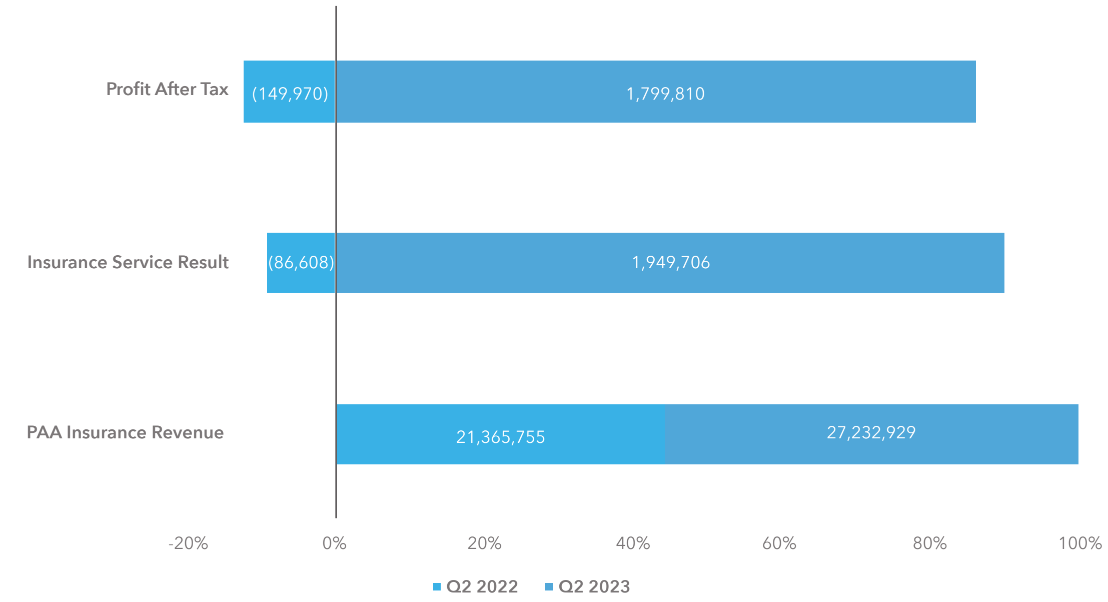
Total Assets

SAR 73.192 Bn

▲ 13.10%

AGGREGATE PERFORMANCE





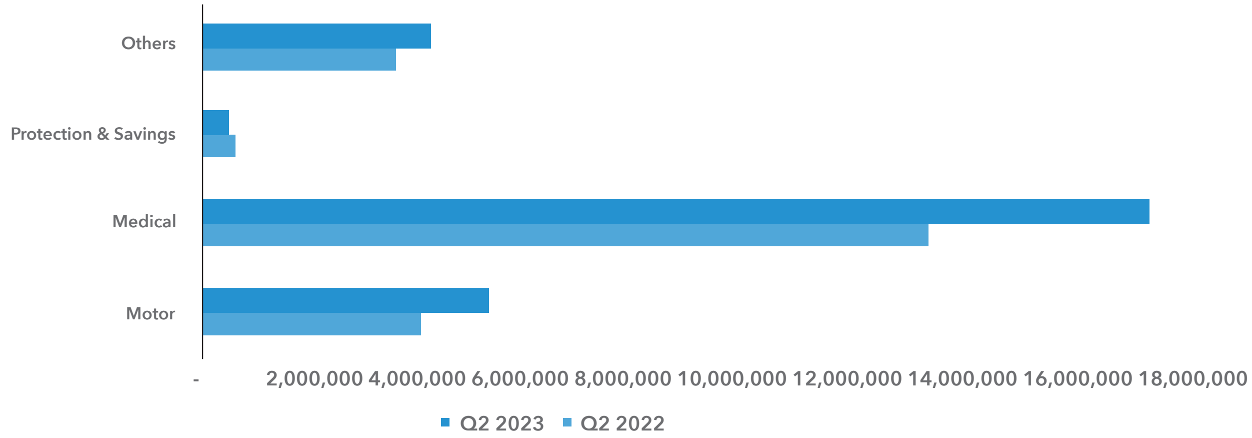
The Medical Line of Business (LOB) in the insurance sector of KSA experienced a notable 28.7% growth in its revenue. It now constitutes the largest portion of Insurance Revenue at 62%. Following closely is motor insurance, contributing 20% of the revenue, while Savings and Protections remain the smallest sector with a mere 2% share.

PAA Insurance's revenue increased from SAR 21.365 billion in Q2 2022 to SAR 27.232 billion in Q2 2023. This suggests that they successfully acquired new customers, increased sales of insurance products, or potentially raised their premiums. This remarkable transformation led to a positive insurance service result of SAR 1.949 billion, signifying a significant enhancement in the efficiency and profitability of their insurance operations. Moreover, Profit After Tax saw substantial improvement, reaching SAR 1.799 billion, indicating a noteworthy recovery and positive shift in the industry's performance during Q2 2023.

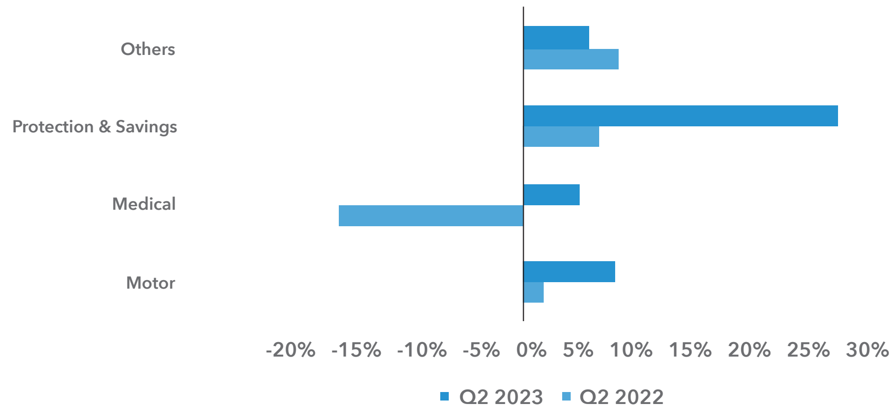
MARKET SHARE PROPORTION

INSURANCE REVENUE & RANKINGS

Insurance Revenue by Sector (Mn)



Insurance Service Ratio By Sector (Mn)

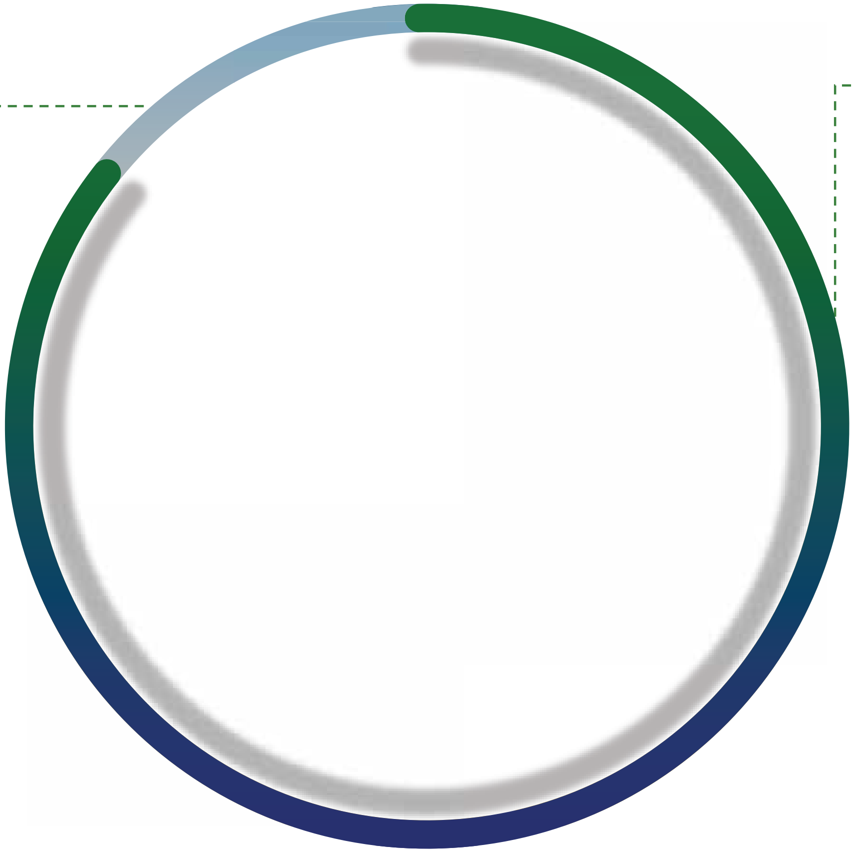


1. Bupa Arabia
2. Tawuniya
3. Al Rajhi
4. MedGulf
5. Walaa
6. GIG
7. Wataniya
8. Al Etihad
9. Arabian Shield
10. SAICO
11. Malath
12. Allied Cooperative
13. United Cooperative
14. AICC
15. Salama
16. Allianz Saudi
17. Saudi Re
18. Gulf Union
19. Al Alamiya
20. Al Sagr
21. Buruj
21. Gulf General
22. Alinma Tokio
24. CHUBB
25 Al Jazira
26 Saudi Enaya
27 Amana Insurance

INSURANCE REVENUE COMPOSITION TOP 10 VS. REMAINING COMPANIES

Remaining Companies

The remaining companies make up 17.31% of the market share.

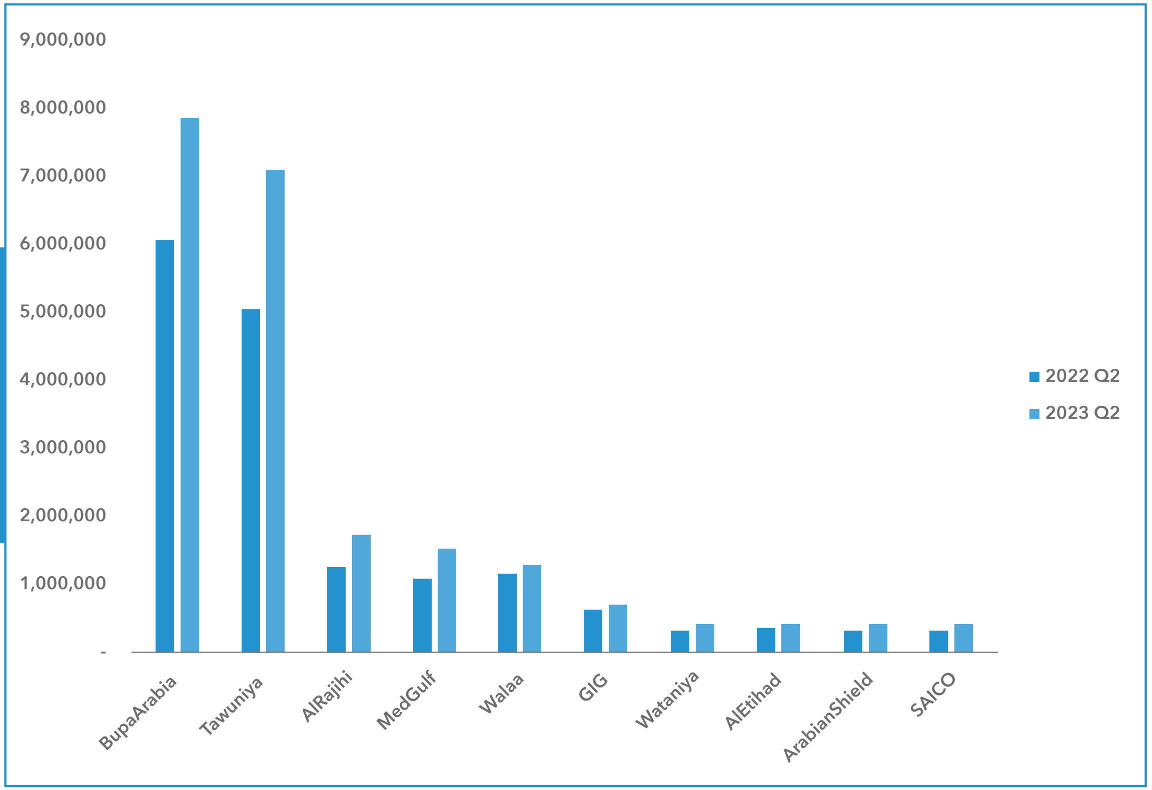


Top 10 Companies

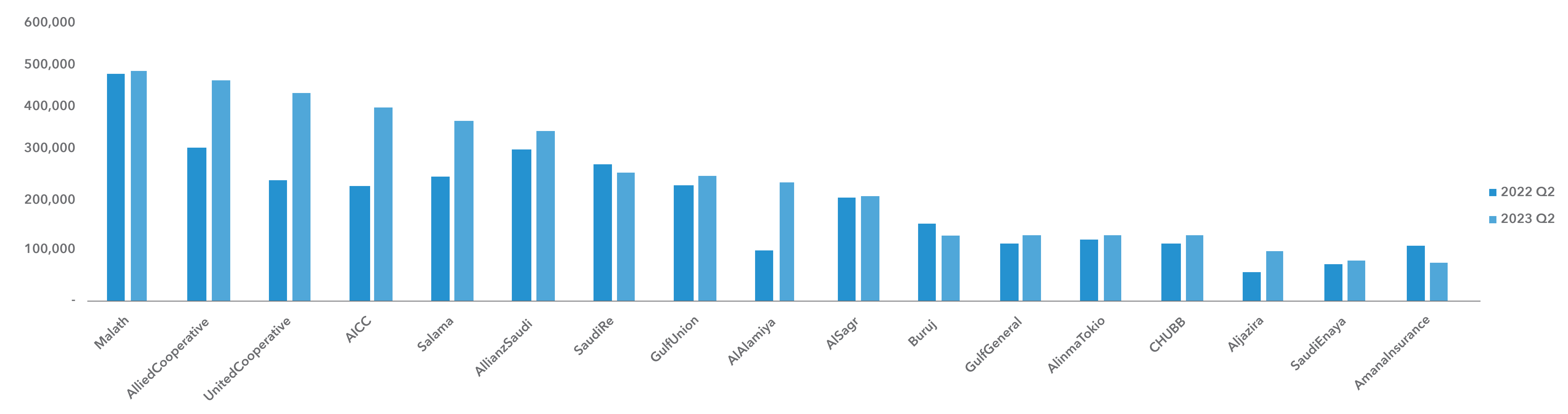
The top 10 companies make up an overwhelming 82.69% of the market share.

INSURANCE REVENUE – TOP 10 COMPANIES

The top 10 insurance companies in KSA have shown substantial growth in their insurance revenue from 2022 Q2 to 2023 Q2. The total revenue increased significantly, indicating a positive trend in the insurance sector in the country possibly due to factors such as increased awareness of insurance, economic development, and regulatory changes. The positive growth seen across these companies may encourage further investments and expansion in the KSA insurance market. Bupa Arabia and Tawuniya appear to be the leading companies in terms of revenue. However, other companies, such as MedGulf, Wataniya, and AlRajhi, have also demonstrated substantial growth and competitiveness. MedGulf recorded the highest substantial revenue growth of approximately 41%, indicating its success in the market.

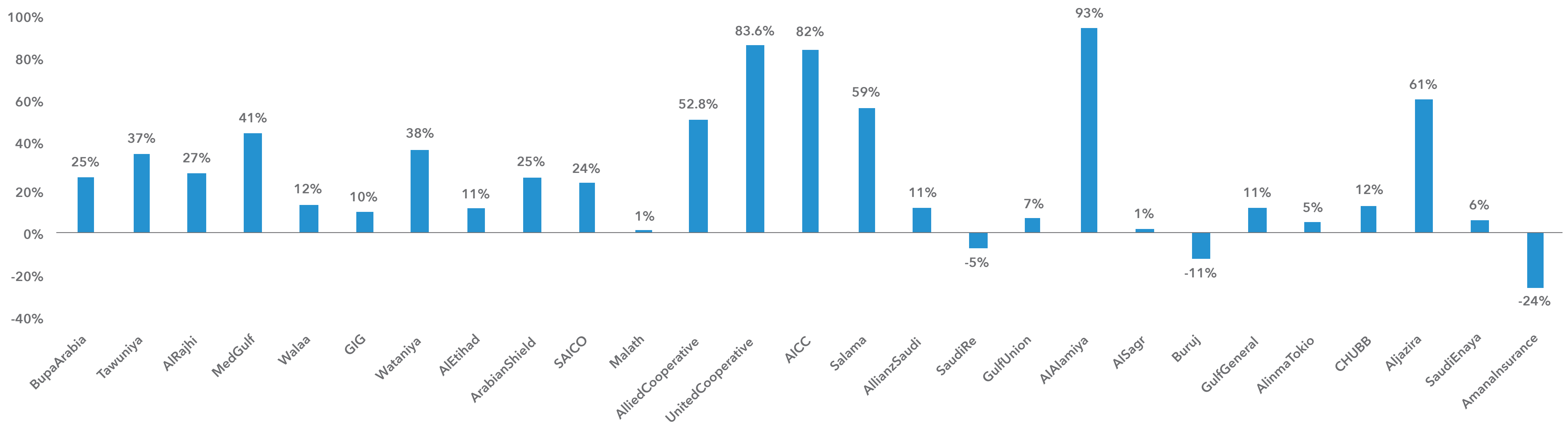


INSURANCE REVENUE – OTHER COMPANIES



The insurance market in KSA appears to be competitive and dynamic, with companies experiencing varying levels of success. There seems to be a mixed trend among these companies. Some have experienced revenue growth, while others have seen a decrease. Companies with strong growth may have implemented effective strategies or tapped into growing insurance segments. The highest growth rate is observed in Al Alamiya, with a significant increase of SAR 139,164 million to SAR 269,250 million from 2022 Q2 to 2023 Q2. Malath and Al Sagr have maintained relatively stable revenue levels, indicating a degree of consistency in their operations. On the other hand, some companies, such as Saudi Re, Buruj, and Amana Insurance, have seen a decline in revenue during this period.

INSURANCE REVENUE – MOVEMENT

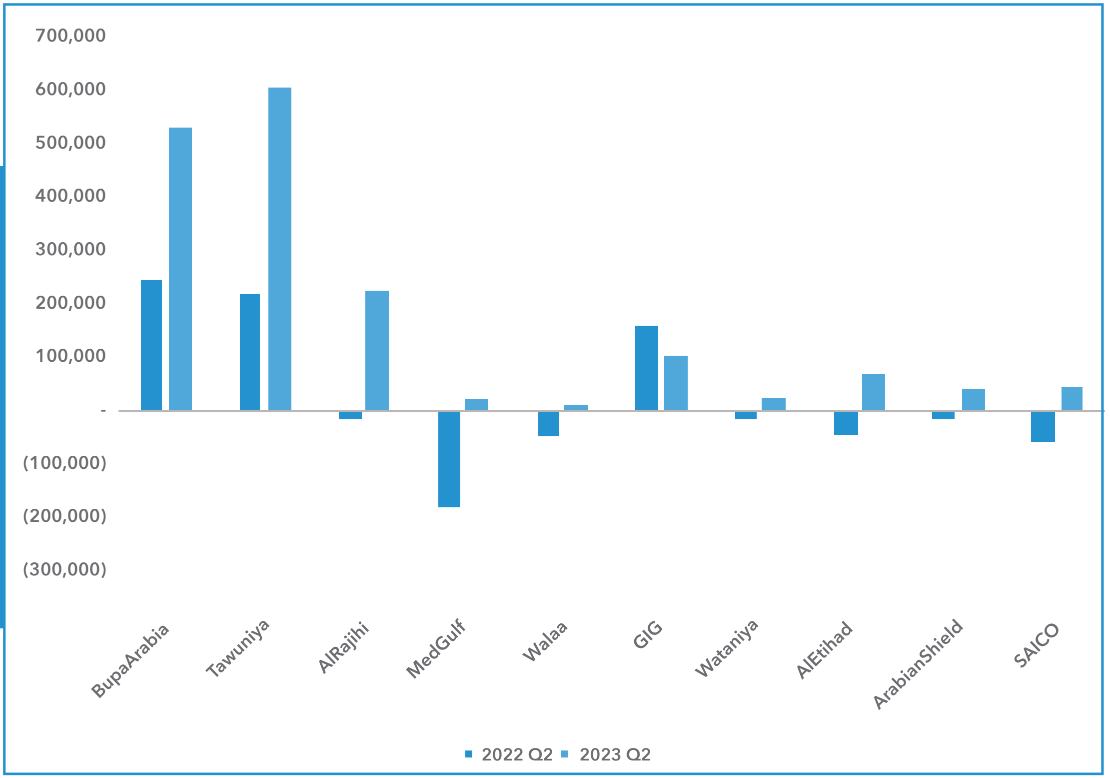


Al Alamiya Insurance experienced the highest growth rate at 93%. This substantial growth suggests effective strategies and a strong market presence. AICC and United Cooperative also demonstrated exceptional growth, with growth rates of 82% and 83.6%, respectively. This indicates their success in capturing market opportunities. Malath, Al Sagr, Gulf Union, Alinma Tokio, Saudi Enaya, Saudi Re, and Buruj all showed minimal growth or a slight decline in revenue. Amana Insurance saw a significant decline in revenue, with a growth rate of -24%. This indicates challenges within the company.

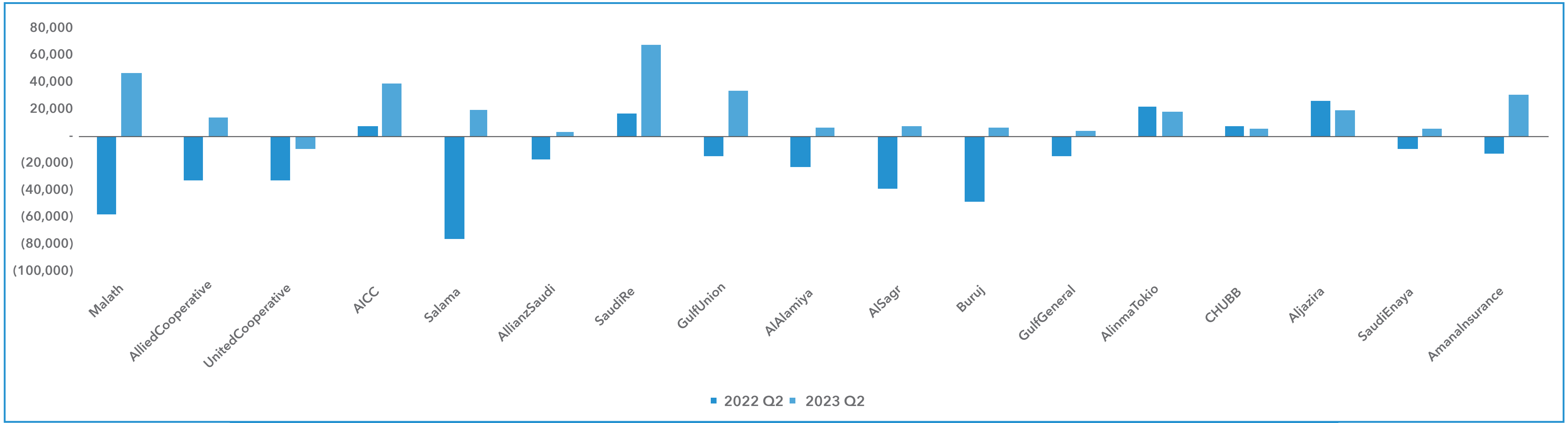
NET INSURANCE SERVICE RESULTS – TOP 10 COMPANIES

The net insurance service results of the top 10 insurance companies in Saudi reveal a significant shift in their financial performance over the course of a year. Notably, most of these companies have experienced substantial growth in their net income, with a few exceptions. Tawuniya and BupaArabia, for instance, have seen remarkable increases, with BupaArabia nearly doubling its performance. Conversely, AlRajhi, MedGulf, Al Etihad, SAICO, and Arabian Shield have managed to reverse their losses into substantial gains. It is evident that the insurance industry in Saudi Arabia has demonstrated resilience and adaptability in the face of economic challenges, potentially driven by evolving market conditions or strategic shifts within these companies.

Insurance Service Result is computed as (Revenue - Insurance Service Expense + Net Expenses from Reinsurance Contracts Held)

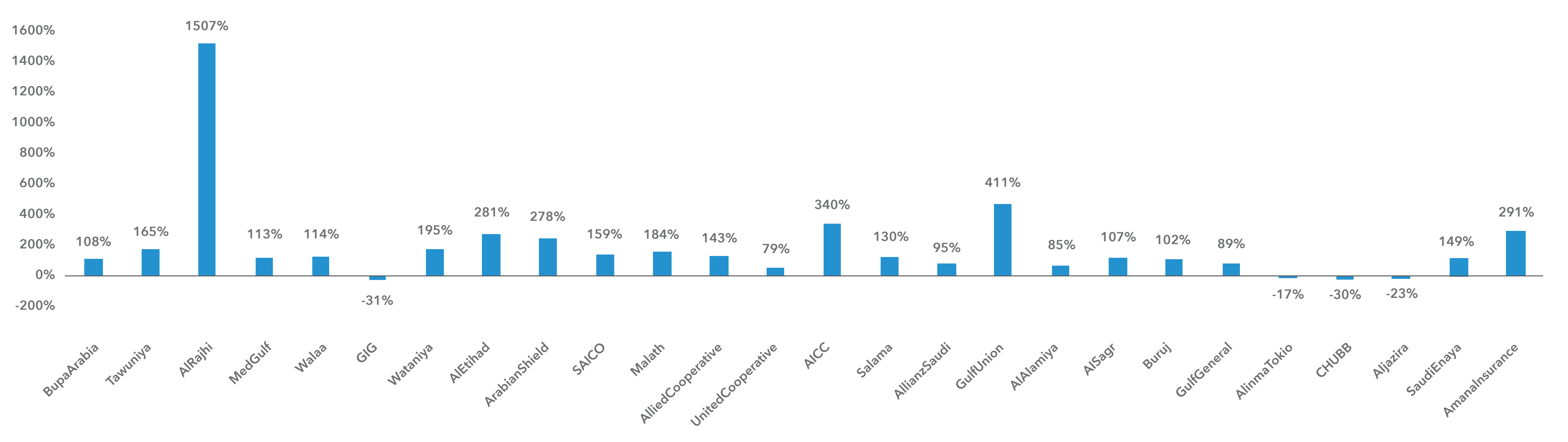


NET INSURANCE SERVICE RESULTS – OTHER COMPANIES



The net insurance service results of companies outside the top 10 in Saudi Arabia for the second quarters of 2022 and 2023 reveal a mixed picture. Notably, several companies have managed to turn losses into profits, indicating a degree of resilience and adaptability within the sector. For instance, AICC, Saudi Re, and Gulf Union have shown significant improvements in their net income over the year. However, there are still companies grappling with challenges, as reflected in their negative figures, including United Cooperative, Al Alamiya, Allianz Saudi, and Gulf General. These disparities may be attributed to factors such as shifts in market dynamics, regulatory changes, or variations in individual company strategies.

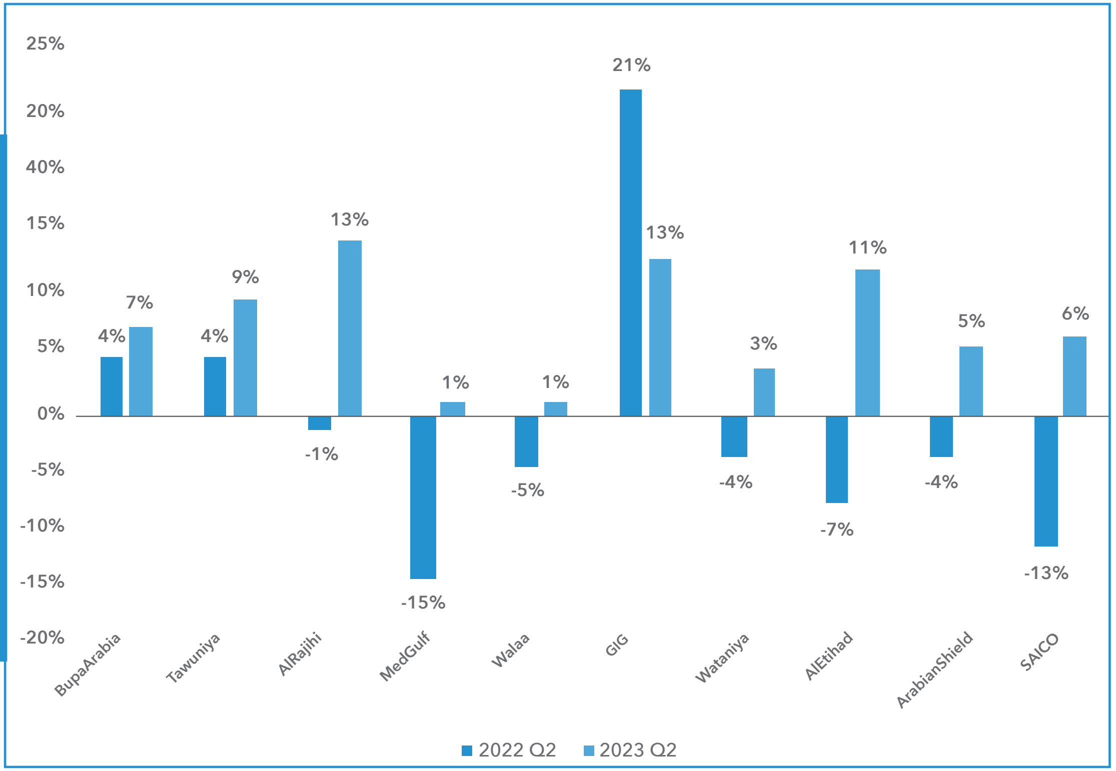
NET INSURANCE SERVICE RESULTS – MOVEMENT



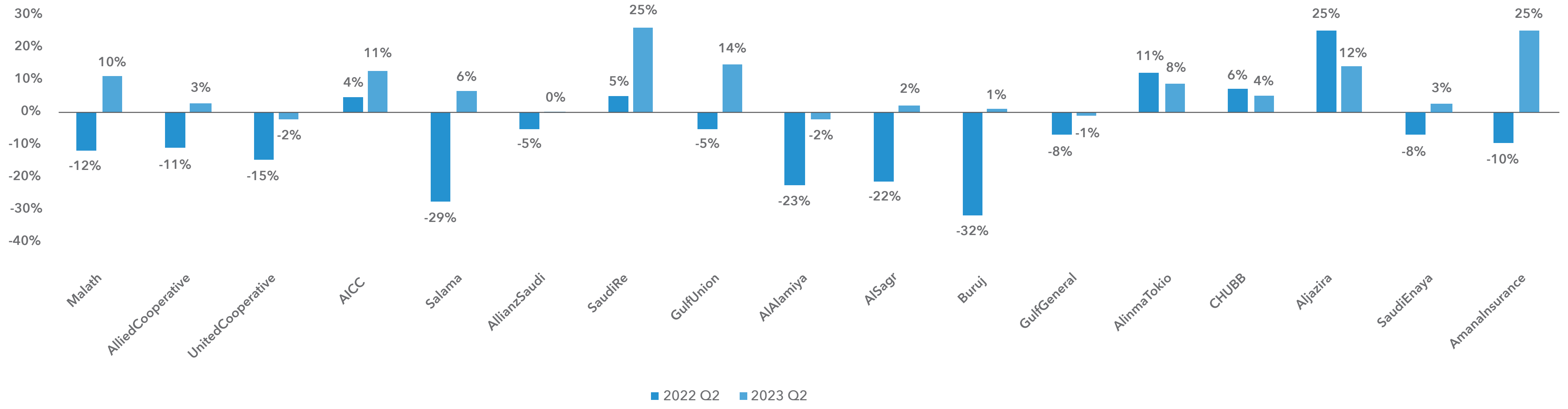
The change in net insurance service results for Saudi Arabian insurance companies between Q2 2022 and Q2 2023 reveals a mixed landscape of growth and challenges within the sector. Several companies, such as AICC, AlRajhi, and GulfUnion, have witnessed substantial percentage increases, signifying remarkable improvements in their financial performance. This growth may be attributed to factors like increased market demand, effective risk management, or strategic initiatives. However, it's important to note that some companies, like GIG, AlinmaTokio, CHUBB, and AlJazira have experienced negative percentage changes, reflecting a decline in their results. These differences suggest that the Saudi Arabian insurance industry is dynamic, with companies facing varying degrees of success and adversity.

INSURANCE SERVICE RATIO - TOP 10 COMPANIES

The insurance service ratio for the top 10 insurance companies in Saudi Arabia during Q2 2022 and Q2 2023 provides insights into the efficiency and performance of these firms in delivering insurance services. Notably, most of these companies have shown improvement in their Insurance Service ratio from Q2 2022 to Q2 2023, with several of them experiencing significant growth. Companies like Tawuniya and Bupa Arabia have demonstrated impressive gains, indicating that they are effectively managing their expenses while increasing their premium income. Al Rajhi, Al Etihad, and SAICO have transitioned from negative figures in Q2 2022 to positive ones in Q2 2023, indicating a notable improvement in their respective performance. However, it's important to highlight that some companies, like MedGulf, Walaa, and Wataniya, have a lower Insurance Service ratio, which could suggest a need for operational efficiencies to enhance their profitability. Overall, these Insurance Service ratios' values reflect the industry's dynamic nature, with companies adapting to market conditions, regulatory changes, and customer expectations to maintain competitiveness and financial stability.



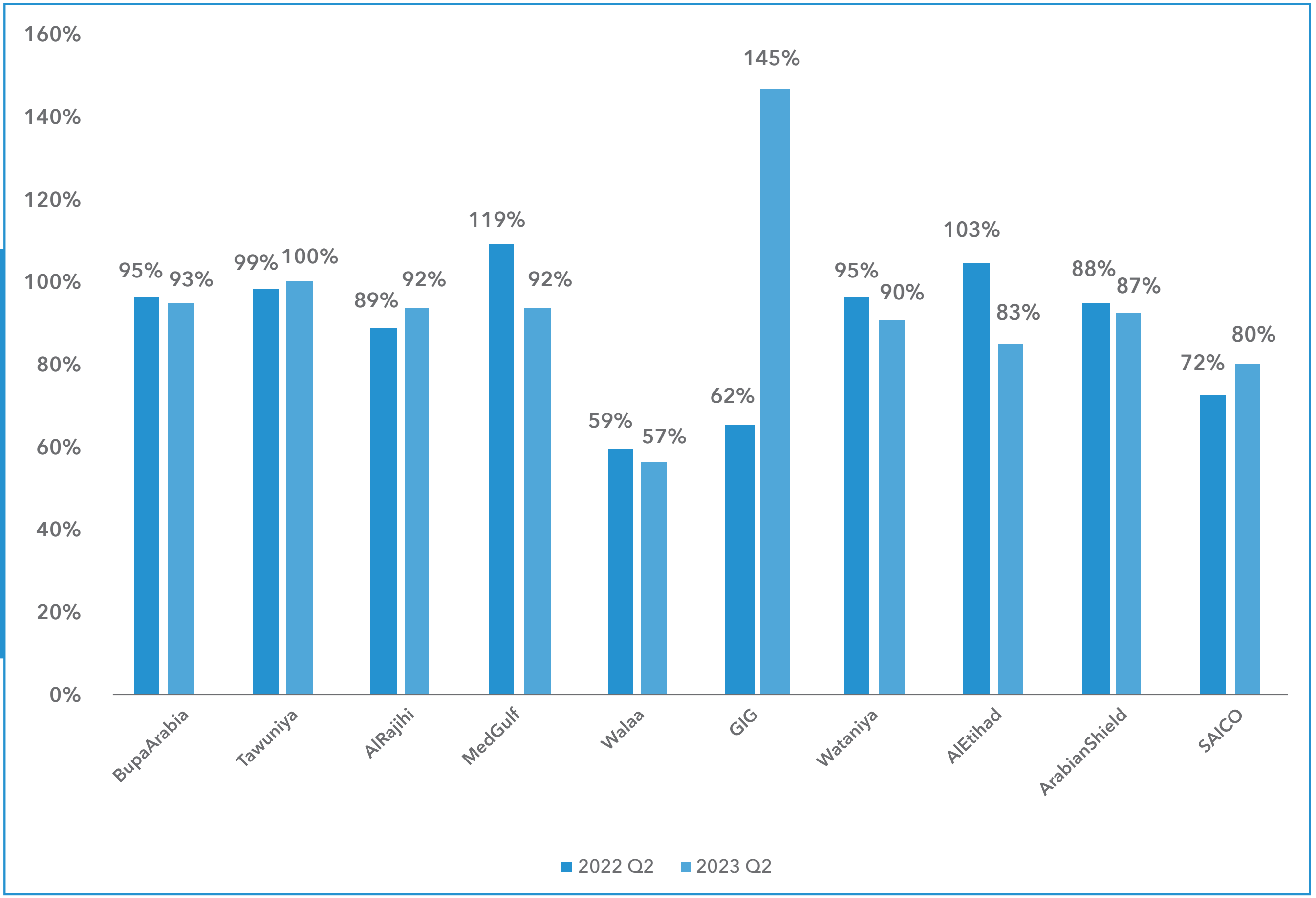
INSURANCE SERVICE RATIO – OTHER COMPANIES



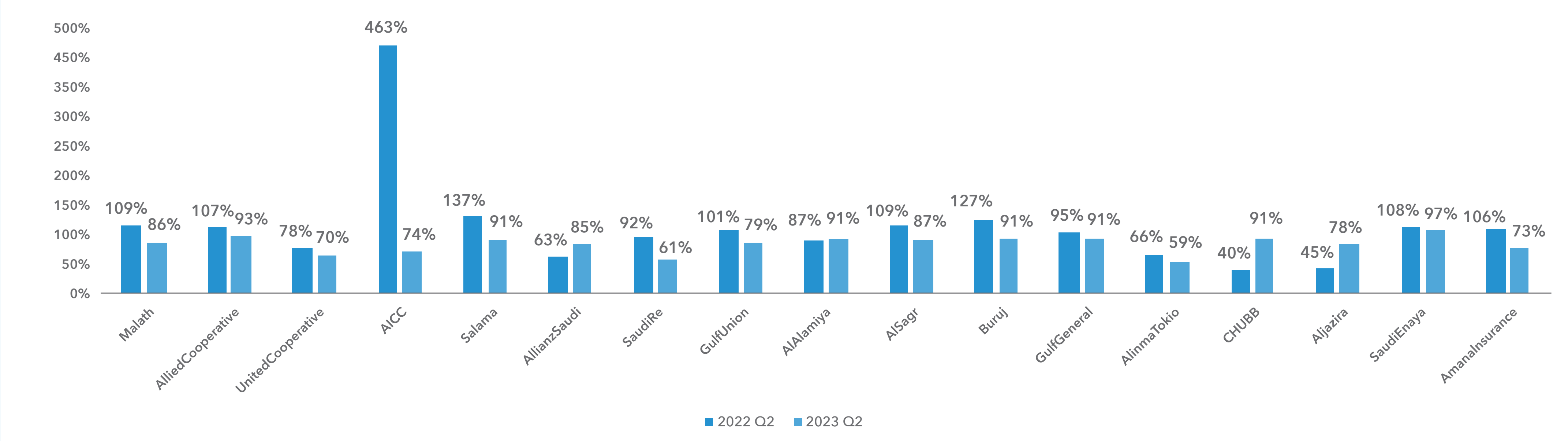
The insurance service ratio data for non-top 10 insurance companies in Saudi Arabia during Q2 2022 and Q2 2023 portrays a diverse spectrum of changes in operational efficiency. A majority of companies have shown positive changes in their Insurance Service ratio, indicating an overall improvement in their ability to manage expenses relative to their premium income. This suggests a trend towards better operational efficiency within the sector, as insurers are effectively controlling their costs while delivering insurance services. Companies like Malath, Allied Cooperative, AICC, Saudi Re, Gulf Union, and Amana Insurance have demonstrated notable gains in their Insurance Service Ratio, showcasing their commitment to optimizing their operations. However, it's essential to acknowledge that a few companies like United Cooperative, Al Alamiya, and Gulf General, still face challenges in this regard, with negative Insurance Service ratio changes suggesting potential areas for improvement.

COMBINED RATIO - TOP 10 COMPANIES

The combined ratio of the top 10 insurance companies in Saudi Arabia for Q2 2022 and Q2 2023 offers valuable insights into their underwriting and operational performance. A combined ratio below 100% typically indicates profitability, as it suggests that the companies are collecting more in premiums than they are paying out in claims and expenses. It's encouraging to note that several companies have maintained or improved their combined ratios from Q2 2022 to Q2 2023, signifying prudent underwriting practices and cost management. Tawuniya, Al Rajhi, and Arabian Shield, for instance, have shown consistent performance in this regard. However, a few companies, such as Med Gulf and Al Etihad, have seen their combined ratios decrease, potentially indicating lower claim costs or operational challenges. The increase in GIG's combined ratio to 145% in Q2 2023 suggests a notable deterioration in its underwriting performance during this quarter.



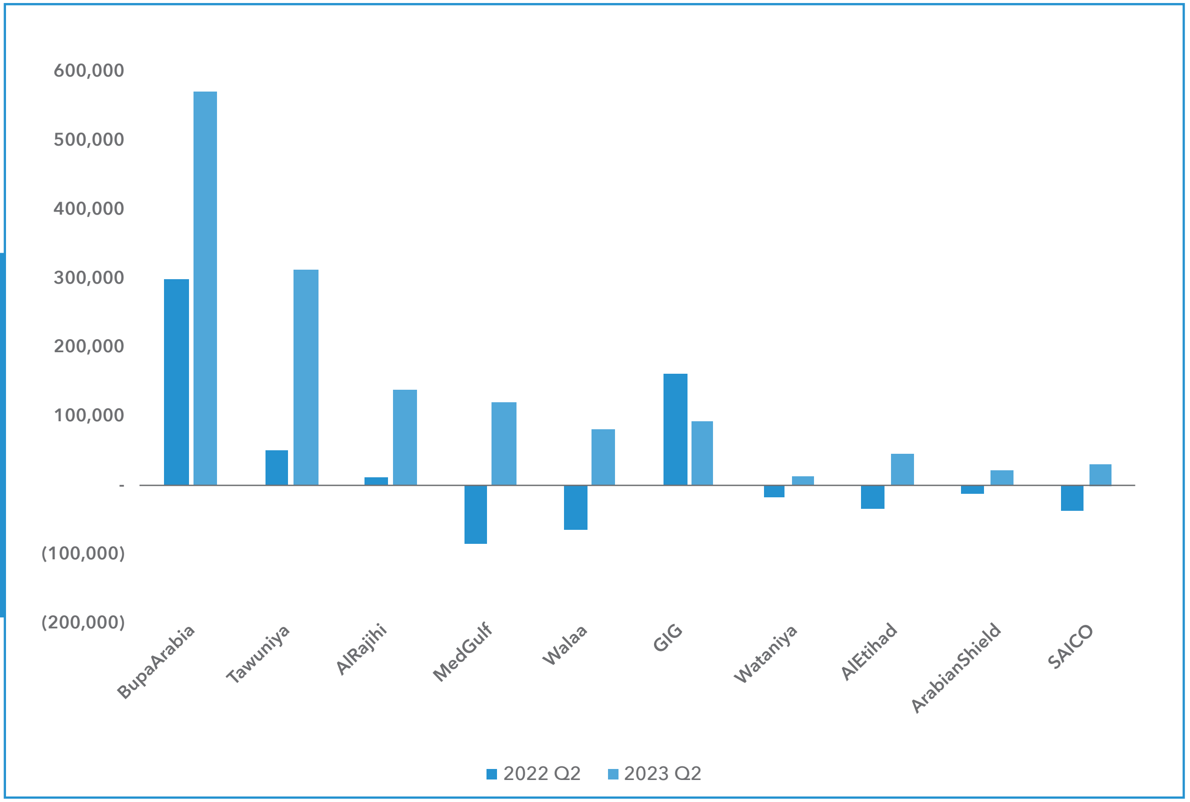
COMBINED RATIO – OTHER COMPANIES



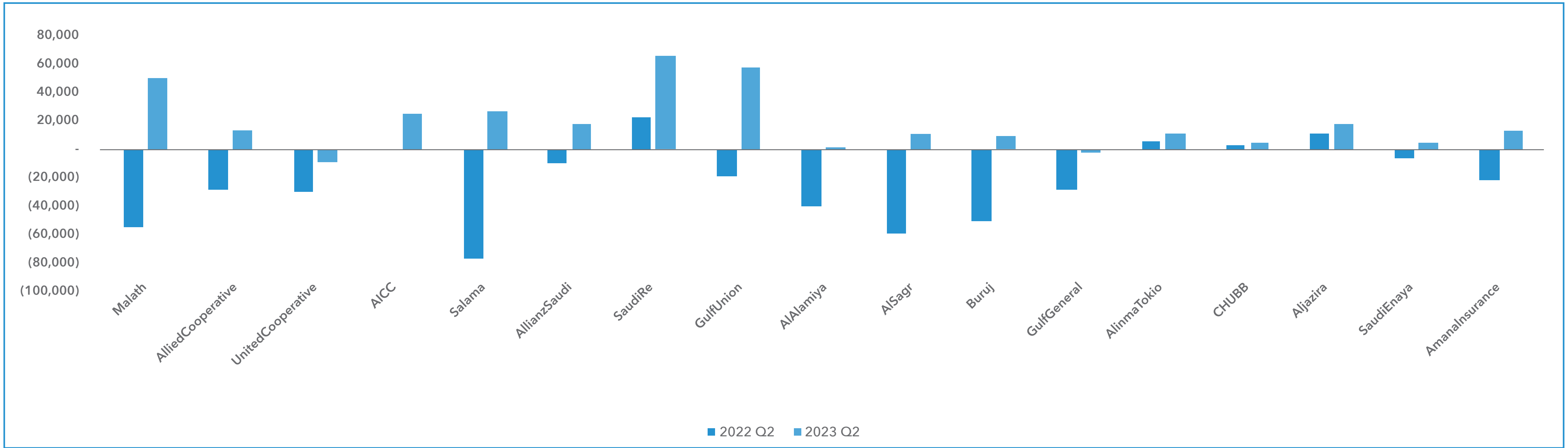
The combined ratio data for non-top 10 insurance companies in Saudi Arabia during Q2 2022 and Q2 2023 reveals insights into their underwriting and operational efficiency. Overall, it appears that many of these insurers have made improvements in their combined ratios, a positive indication of their underwriting profitability. Companies like Allied Cooperative, Salama, Buruj, AlSagr, Gulf Union, and SaudiEnaya have demonstrated favorable changes in their combined ratios, suggesting more effective cost management and potentially better risk selection. In Q2 2023, AICC's combined ratio improved significantly to 74%. The sharp improvement in AICC's combined ratio from Q2 2022 to Q2 2023 indicates that the company took steps to enhance its operational efficiency and control its underwriting costs.

PROFIT AFTER TAX - TOP 10 COMPANIES

The data portraying the financial performance of the top 10 insurance companies in Saudi Arabia for Q2 2022 and Q2 2023 demonstrates a noteworthy positive trajectory in the sector. Most prominently, several companies have experienced substantial growth in their profit figures, reflecting a robust recovery and financial resilience. Companies like Bupa Arabia, Tawuniya, and Al Rajhi have notably excelled, demonstrating significant improvements in their financial positions. Moreover, insurers such as Med Gulf and Walaa have managed to turn their losses into profits, indicating successful strategic shifts. Despite these positive trends, some companies like GIG have reported a decrease in profitability. Nonetheless, the overall picture suggests that the Saudi Arabian insurance industry is dynamic and adaptable, with companies demonstrating resilience in the face of challenges, resulting in a positive trajectory towards stronger financial performance and growth.

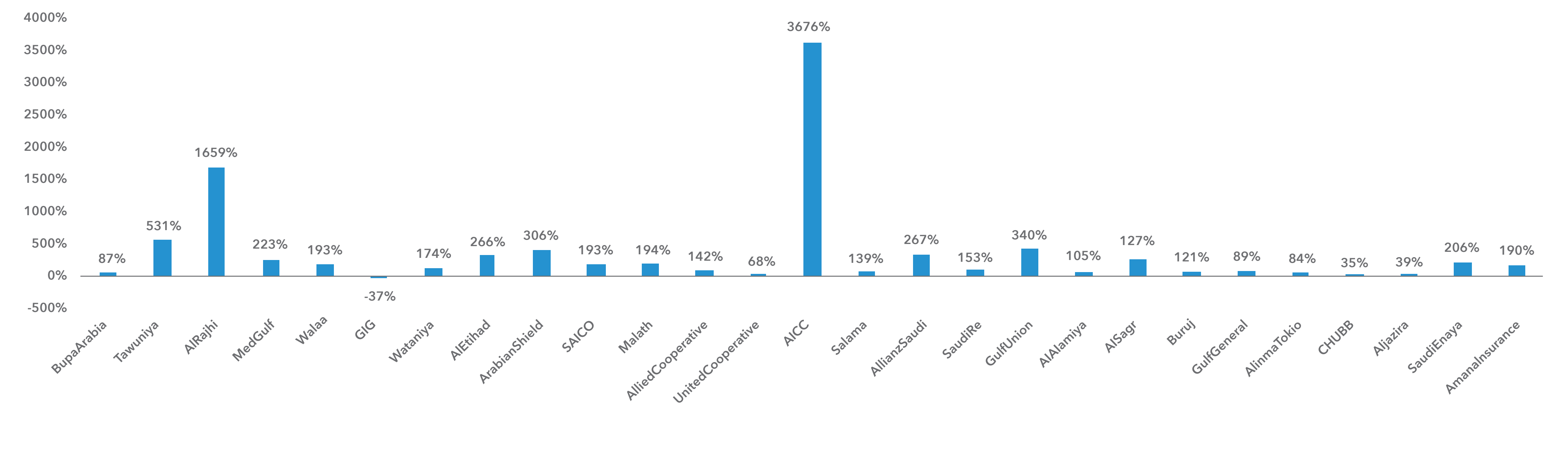


PROFIT AFTER TAX - OTHER COMPANIES



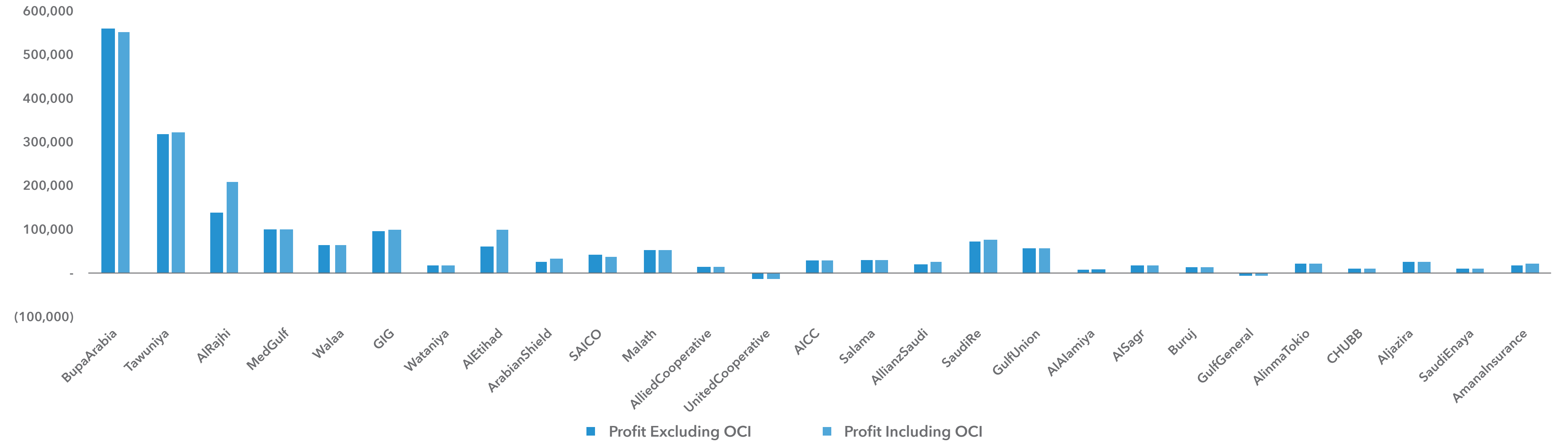
The profit after tax for non-top 10 insurance companies in Saudi Arabia for Q2 2022 and Q2 2023 illustrates a diverse landscape of performance. Notably, several companies have displayed significant improvements in their profit figures, with AICC, Gulf Union, Allianz Saudi, Salama, and Saudi Enaya notably standing out as they transitioned from losses to profits or significantly increased their earnings. This suggests successful strategic initiatives, better risk management, and adaptability in a competitive market. However, it's essential to acknowledge that some companies, like United Cooperative, and Gulf General, have experienced fluctuations or continued losses, highlighting ongoing challenges in the industry. Overall, the graph underscores the dynamic nature of the Saudi Arabian insurance sector, with companies striving for financial stability and profitability while navigating various market dynamics and operational hurdles.

PROFIT AFTER TAX - MOVEMENT



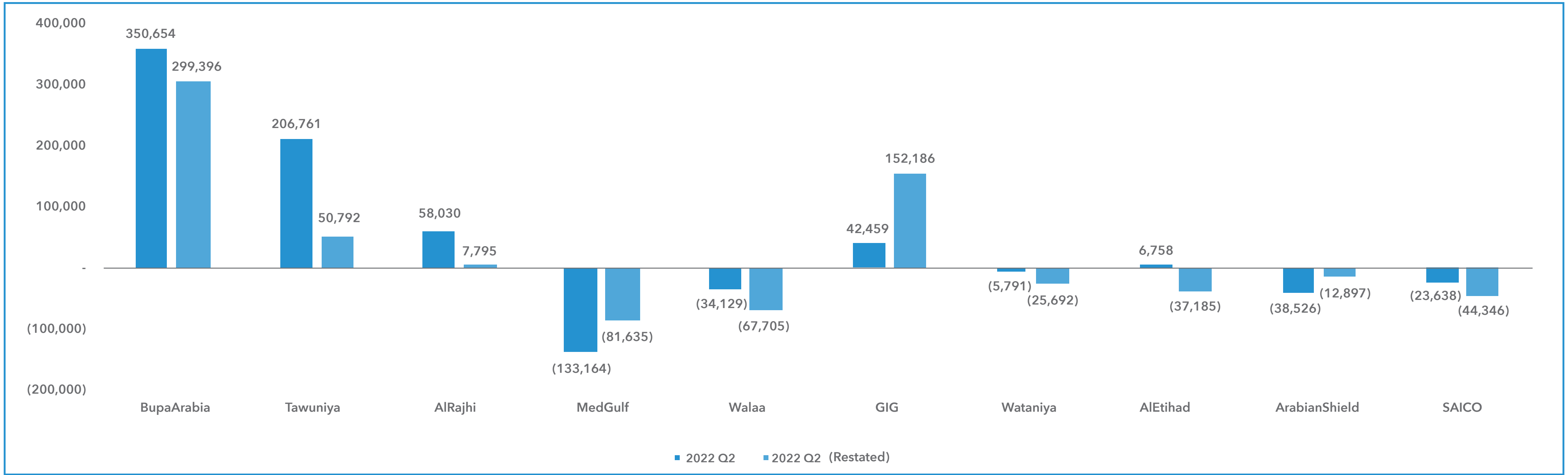
The change in profit after tax data for Saudi Arabian insurance companies during Q2 2022 and Q2 2023 reveals a dynamic and evolving industry landscape. Several companies have shown remarkable growth, with standout performers like AICC, Tawuniya, and Al Rajhi experiencing substantial percentage increases, indicating robust financial recoveries or exceptional performances in the latter quarter. The positive momentum extends across the sector, with a majority of companies reporting positive changes in profit. However, it's important to note that GIG has reported a negative percentage change, signifying potential challenges or adjustments required to enhance profitability. Overall, the graph underscores the resilience and adaptability of the Saudi Arabian insurance industry, with companies navigating various market forces to achieve improved financial performance and maintain competitiveness.

OTHER COMPREHENSIVE INCOME



The graph comparing the profit figures of insurance companies in Saudi Arabia for Q2 2023, both excluding and including Other Comprehensive Income (OCI), reveals interesting financial insights. Most companies report profits with Bupa Arabia, Tawuniya, and Al Rajhi emerging as significant earners in both categories. Including OCI, some companies, such as Al Etihad, Arabian Shield, AICC, Allianz Saudi, and Saudi Re, exhibit notable increases in profit, signifying the impact of comprehensive income on their financial results. However, it's essential to note that a few companies like United Cooperative and Gulf General report losses in both scenarios. Overall, the graph highlights the diversity of financial strategies and performances within the insurance sector, emphasizing the importance of comprehensive income in assessing a company's overall financial health and performance.

PROFIT TRANSITION (2022 Q2) – TOP 10 COMPANIES

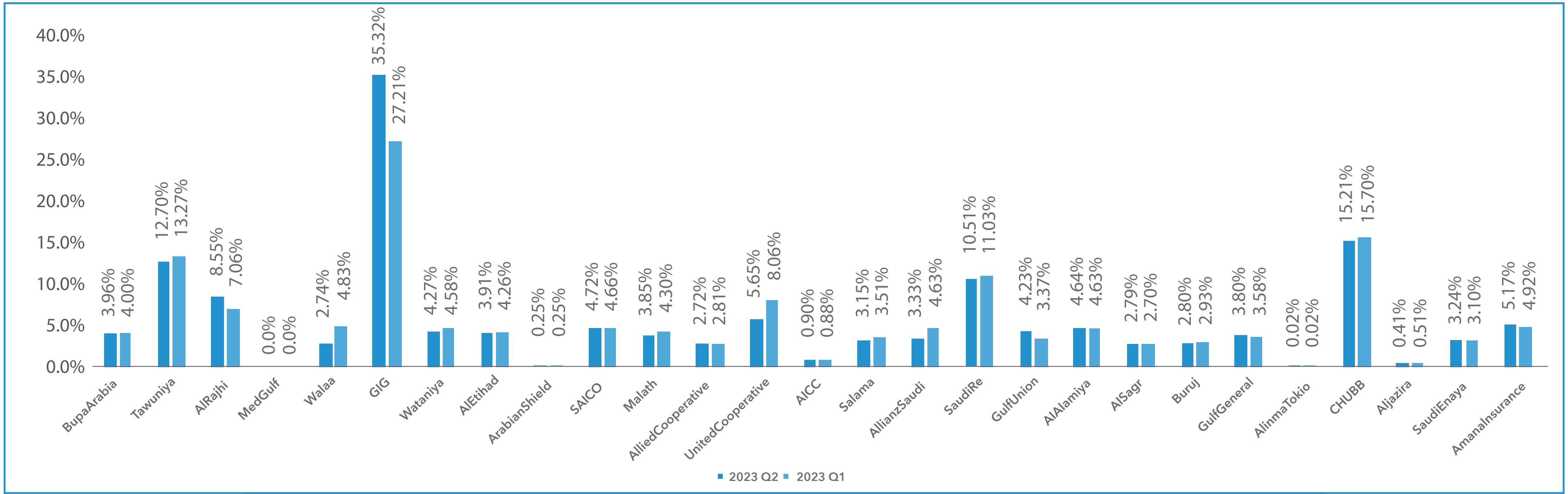


The graph comparing the profit of the top 10 insurance companies in Saudi Arabia for Q2 2022 without the implementation of IFRS 17 to the restated values of profit for Q2 2022 with the implementation of IFRS 17, sheds light on the significant impact of this accounting standard on financial reporting. IFRS 17, aimed at improving transparency and consistency in insurance contracts, has led to adjustments in reported profits. Some companies have experienced a decrease in their restated profits, as seen with Bupa Arabia, Tawuniya, and Al Rajhi indicating that the new standard may have resulted in a more conservative approach to recognizing profits. Conversely, companies like GIG, MedGulf, and Arabian Shield have shown increases in restated profits, potentially due to revised accounting methods or the reclassification of certain items.

PROFIT TRANSITION (Q2 2022) - OTHER COMPANIES

The data comparing the profit of insurance companies outside the top 10 in Saudi Arabia for Q2 2022 without the implementation of IFRS 17 to the restated values of profit for the same period in this year with the implementation of IFRS 17, underscores the significant impact of this accounting standard on financial reporting. The implementation of IFRS 17 has led to adjustments in reported profits for several companies, exemplified by AICC, Allianz Saudi, AlAlamiya, Saudi Re, AlJazira, and CHUBB. These companies have experienced notable changes in their profit figures, with some showing significant decreases while others have turned losses into profits. It's evident that IFRS 17 has brought about a more standardized and transparent approach to accounting for insurance contracts, but it has also necessitated adaptations and corrections for many entities.

RISK ADJUSTMENT AS % OF LIC



The graph on Risk Adjustment as a percentage of LIC for Q1 and Q2 of 2023 among insurance companies in Saudi Arabia provides valuable insights into the risk management practices within the industry. Notable observations include varying levels of risk adjustment percentages across companies, with some experiencing fluctuations between Q1 and Q2. Companies like GIG, CHUBB, and Tawuniya show higher percentages, indicating a more cautious approach to estimating liabilities for claims. Arabian Shield and Alinma Tokio maintain a stable but conservative approach to risk assessment and liability provisioning for incurred claims These fluctuations can be attributed to changing market conditions, claims experience, and adjustments in risk assessment methodologies.

The analysis reveals that the weighted average proportion of Risk Adjustment in LIC as of 30 June, 2023 is calculated to be 5.44%.

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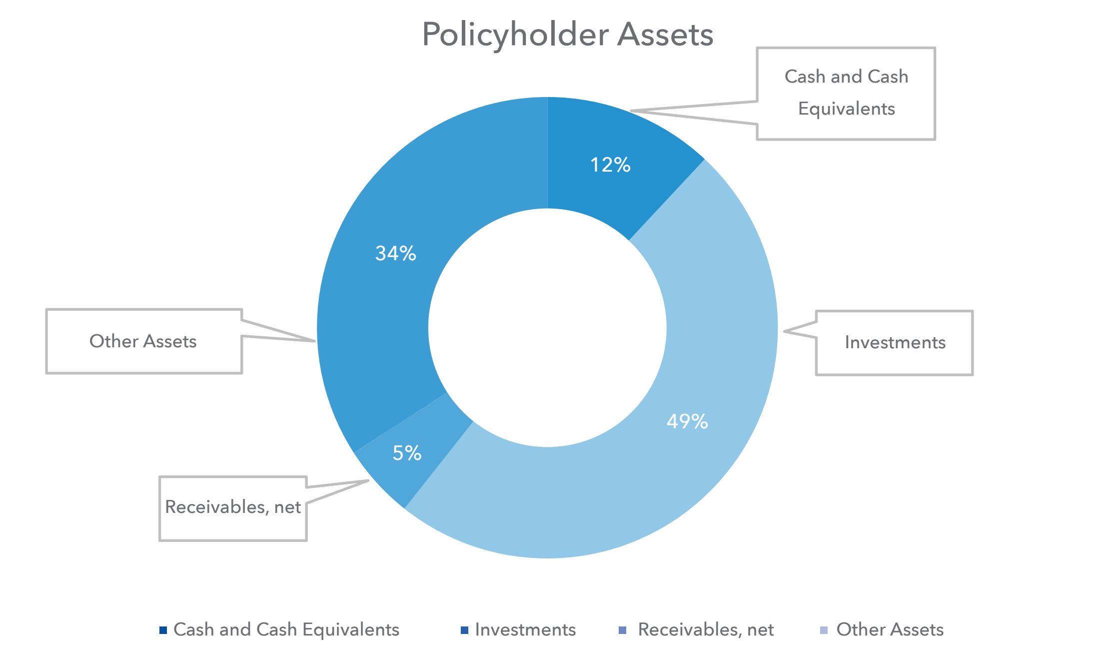
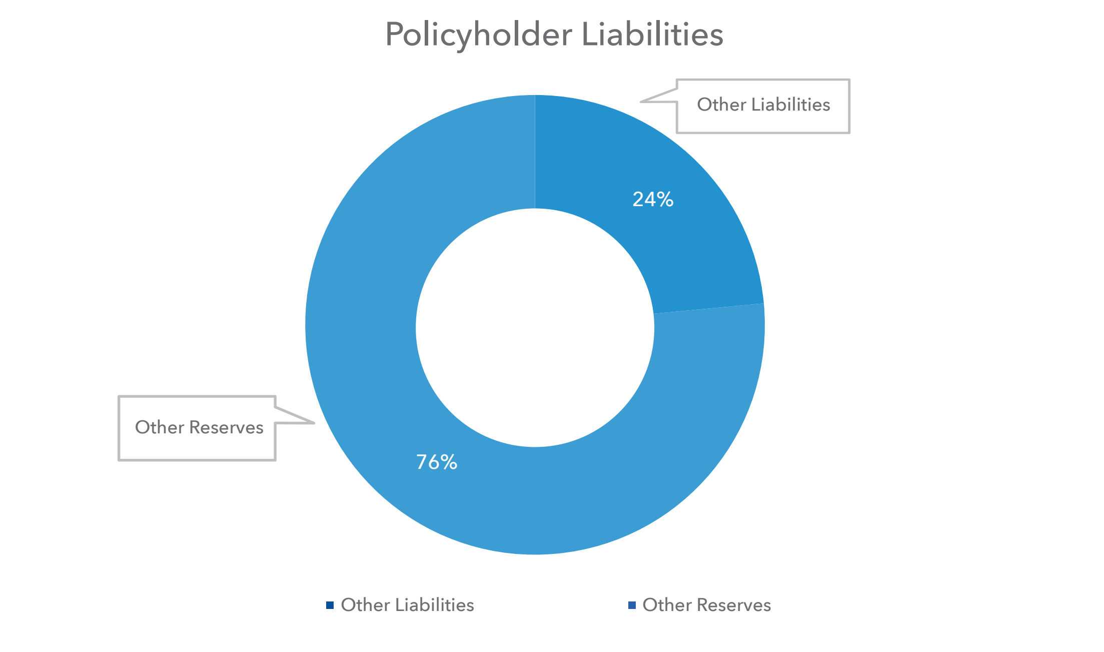
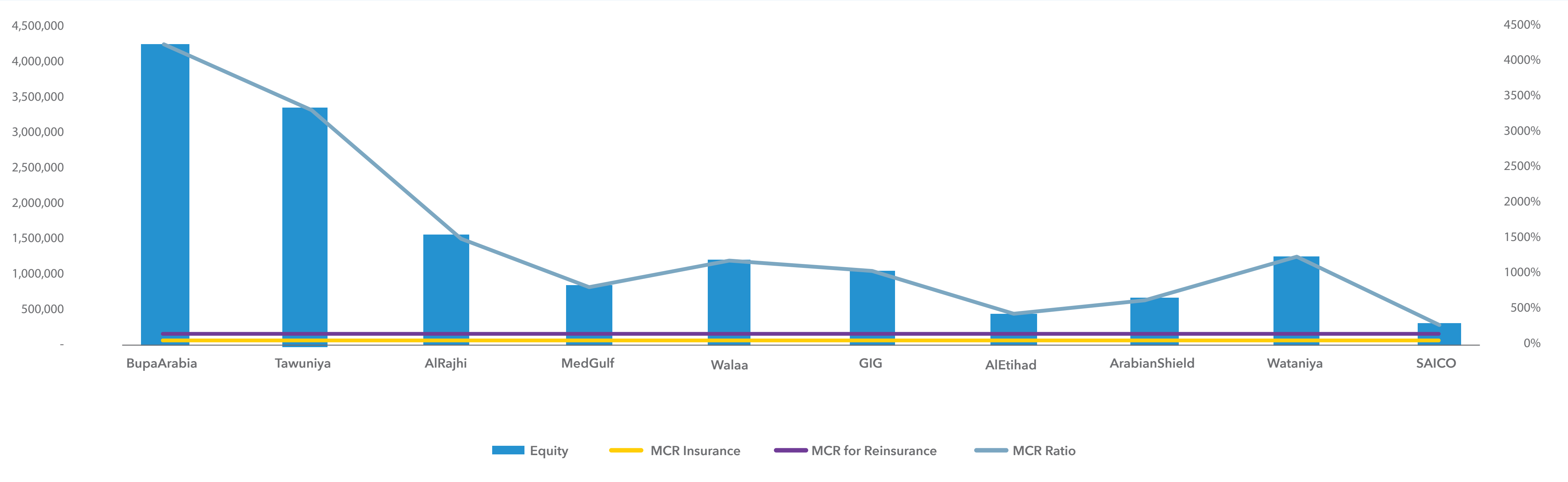
ASSET & LIABILITIES CLASSIFICATION - AGGREGATE





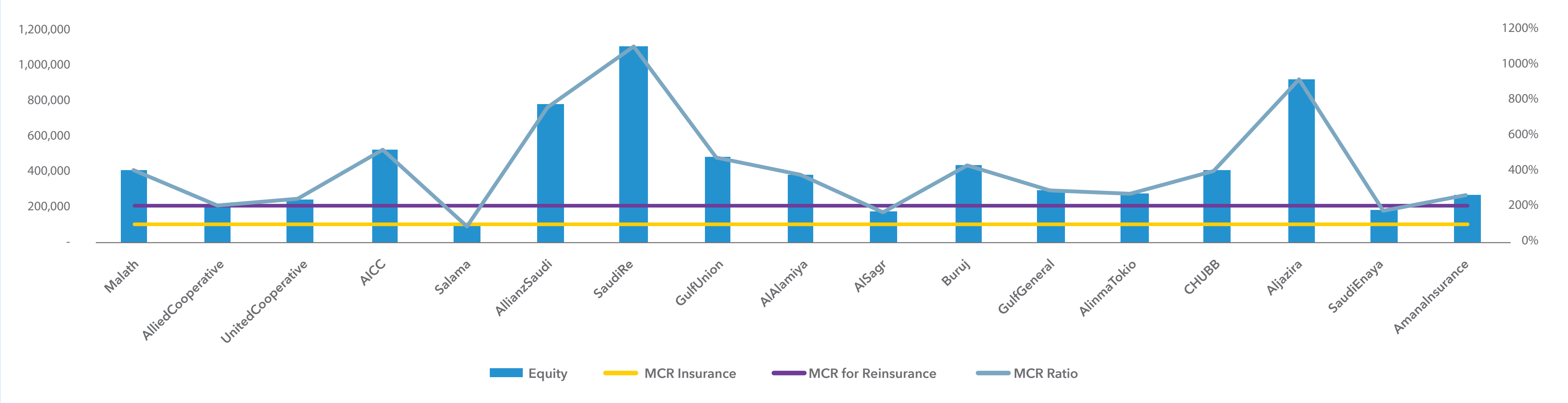
The majority of policyholder assets were allocated as follows: 49% in investments and 34% in other assets. In contrast, 76% of the total policyholder liabilities were designated as reserves, with the remaining 24% categorized as other liabilities.

SOLVENCY ANALYSIS – TOP 10 COMPANIES



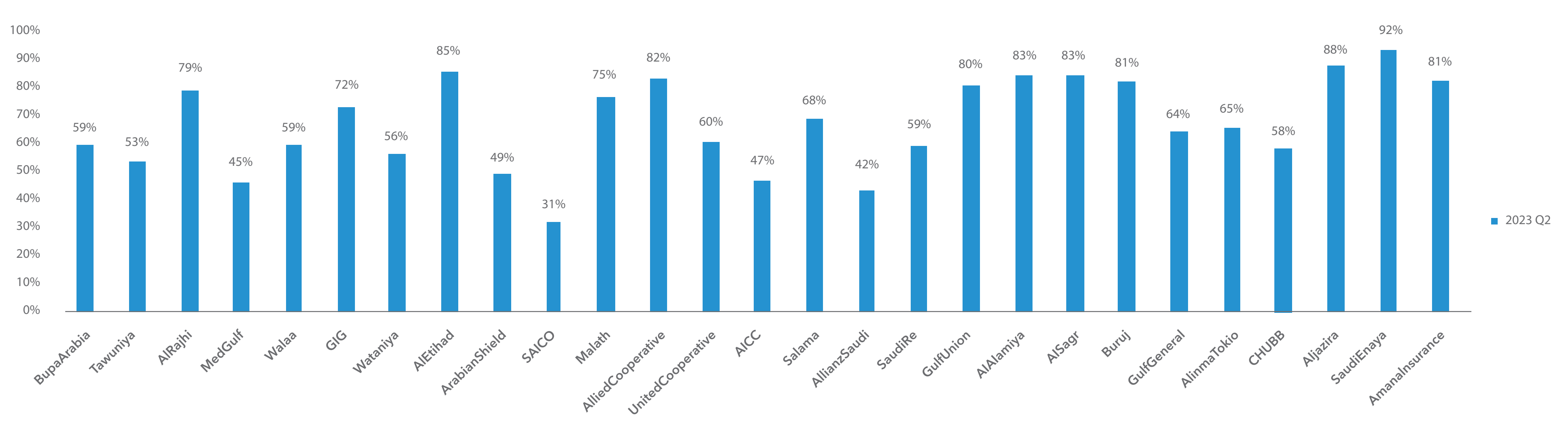
The graph for solvency analysis of the top 10 insurance companies in Saudi Arabia for Q2 2023 is indicative of the financial health and stability of these insurers. The Solvency Ratio, represented as a percentage, reflects the ability of these companies to meet their financial obligations and liabilities. Notably, all the top 10 insurance companies exhibit robust solvency positions, with Solvency Ratios well above 100%, indicating a surplus of assets over liabilities. This surplus demonstrates their ability to absorb unexpected losses and maintain financial stability. It's particularly reassuring to see that these insurers have not only met but exceeded the minimum required capital (MCR) for insurance and reinsurance, underscoring their commitment to financial prudence and regulatory compliance.

SOLVENCY ANALYSIS – REMAINING COMPANIES



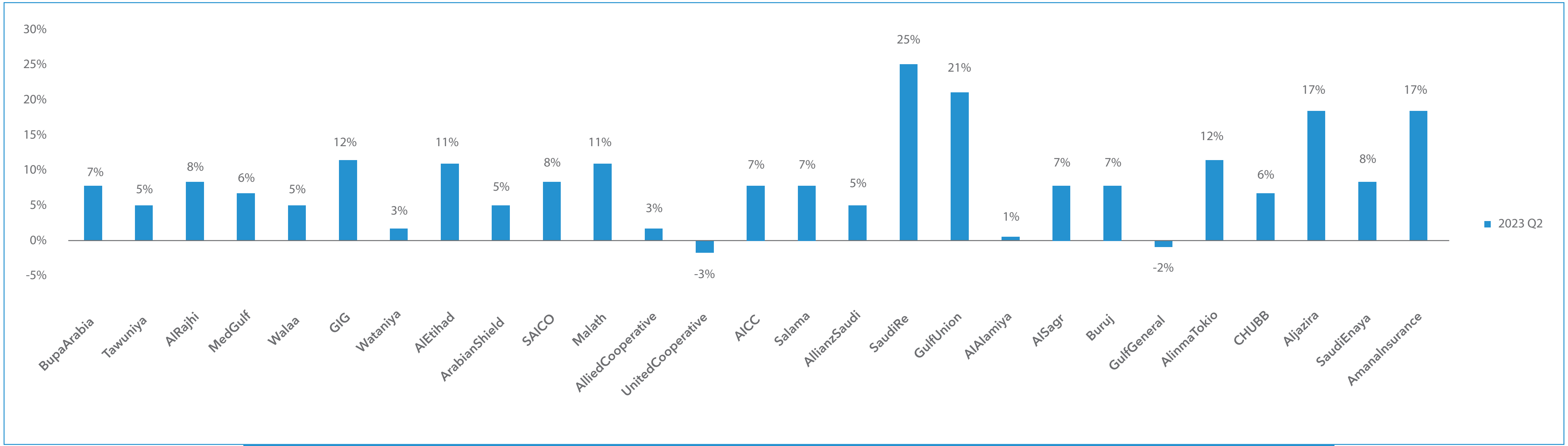
The graph for solvency analysis of insurance companies outside the top 10 in KSA for Q2 2023 reflects a generally healthy financial position across these insurers. All of the companies except Salama exhibit Solvency Ratios well above 100%, indicating strong capital adequacy and the ability to meet their financial obligations comfortably. This surplus of assets over liabilities provides a buffer against unexpected losses, contributing to financial stability. The companies have not only met but significantly exceeded the minimum required capital (MCR) for insurance and reinsurance, demonstrating their commitment to prudent financial management and regulatory compliance. This data underscores the overall soundness of these insurers, which are well-prepared to navigate the challenges and uncertainties of the insurance industry, ensuring the protection of policyholders and the sustainability of their businesses.

PROPORTION OF INVESTED ASSETS



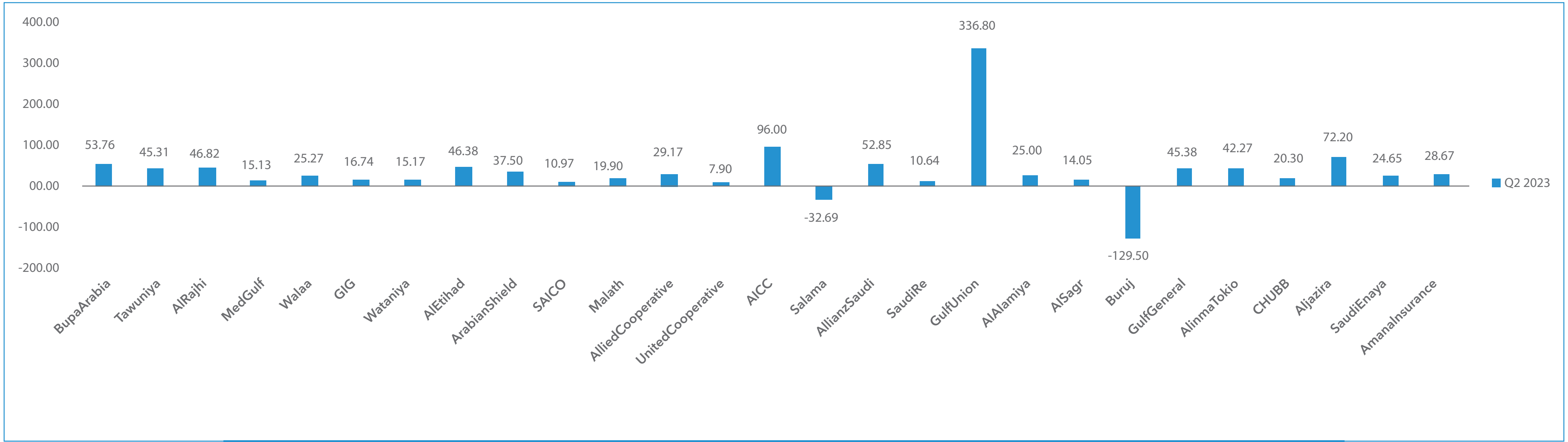
The graph representing the proportion of invested assets of insurance companies in KSA for Q2 2023 provides insight into how these insurers allocate their financial resources. The figures range from approximately 31% to 92%, reflecting the varying strategies employed by different companies. Some companies, such as Saudi Enaya and Al Jazira, allocate a significant portion of their assets to investments, at 92% and 88% respectively, possibly indicating a more aggressive investment approach. Conversely, SAICO has the lowest proportion at 31%, suggesting a more conservative investment strategy or a focus on maintaining a larger liquidity buffer. The diversity in these asset allocation percentages reflects the varying risk appetites and investment objectives of insurance companies, each tailored to their specific business models and market conditions.

NET MARGIN



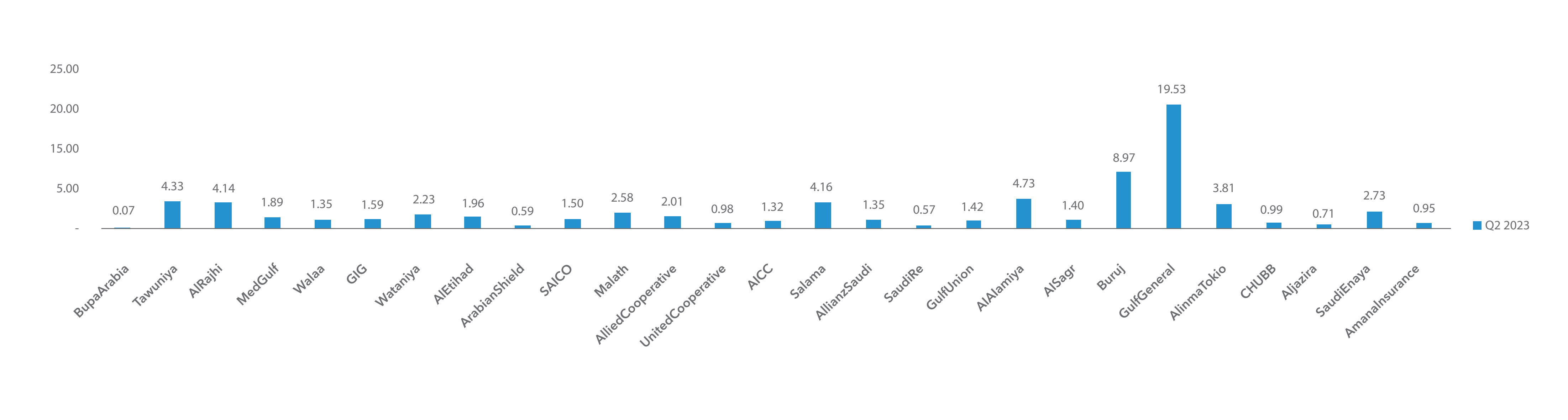
The net margins of insurance companies in KSA for Q2 2023 reveal a wide spectrum of profitability within the industry. Several companies, such as Saudi Re and Gulf Union, stand out with exceptionally high net margins at 25% and 21% respectively, indicating robust underwriting performance and efficient cost management. Conversely, United Cooperative and Gulf General appear to face challenges, reporting negative net margins of -3% and -2% respectively, suggesting potential issues with their operating expenses and underwriting profitability. Most other companies fall within the 3% to 17% range, showcasing moderate to healthy profitability levels.

PRICE TO EARNINGS (P/E)



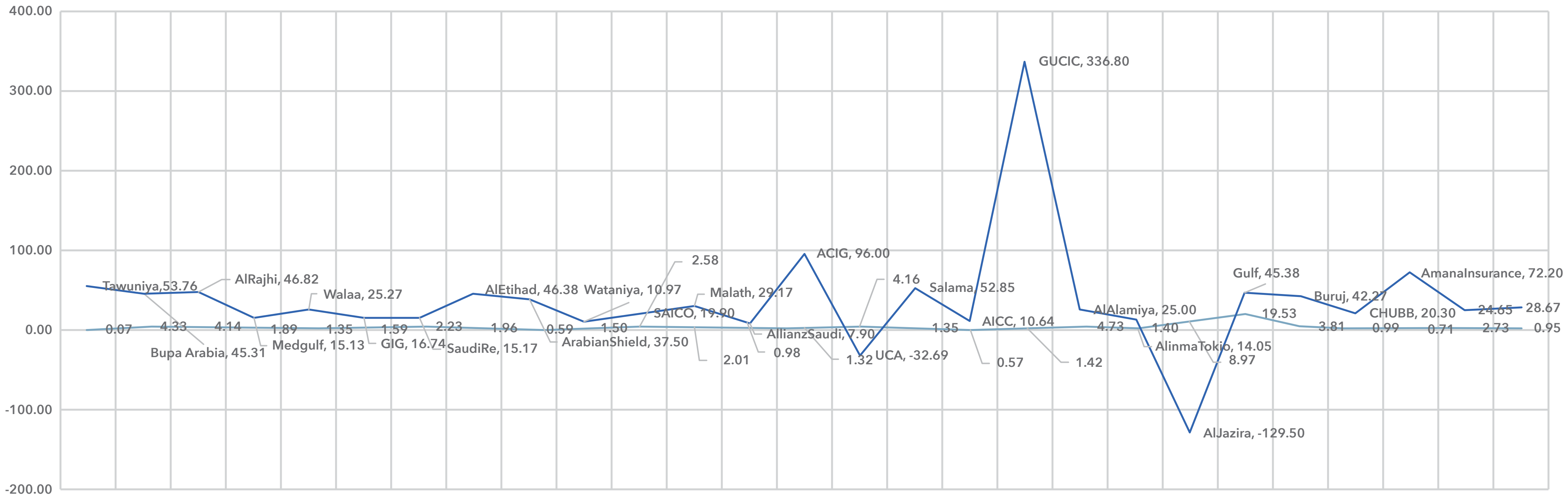
The Price/Earnings (P/E) ratios for insurance companies in KSA for Q2 2023 reflect the market's perception of these companies' earnings potential and valuation. The range of P/E ratios is quite wide, indicating varying levels of investor confidence and expectations within the sector. Companies like Gulf Union and AICC stand out with exceptionally high P/E ratios of 337 and 96, respectively, suggesting that investors have high expectations for their future earnings growth. Conversely, a few companies, such as Salama and Buruj, have negative P/E ratios, which could be attributed to recent financial challenges or market sentiments. Most other insurers fall within a moderate P/E range, with values between 8 and 72, indicating a balanced view of their earnings potential.

PRICE TO BOOK VALUE (P/B)



The Price/Book Value (P/B) ratios for insurance companies in KSA for Q2 2023 provide insights into how the market values these firms relative to their book value or net asset value. The range of P/B ratios varies significantly across the industry, indicating divergent investor sentiments. Companies like Gulf General, with a P/B ratio of 19.53, are trading significantly above their book value, suggesting strong market confidence and potentially high growth expectations. On the other hand, Buruj stands out with a remarkably high P/B ratio of 8.97, indicating substantial market optimism. Conversely, companies like Bupa Arabia and Saudi Re have lower P/B ratios, suggesting that their stocks are trading below their book values. These ratios reflect investors' perceptions of the companies' financial health, growth prospects, and overall market sentiment.

PRICE TO BOOK AND EARNING RATIO



APPENDIX A: LISTED INSURANCE COMPANIES IN KSA USED IN OUR REPORT

Sr. No.	Company Name	Symbol
1	Bupa Arabia for Cooperative Insurance Co	BACIC
2	The Company for Cooperative Insurance	TCCI
3	Aljazira Takaful Taawuni Co.	AJTTC
4	Malath Cooperative Insurance Co.	MCIC
5	The Mediterranean and Gulf Insurance and Reinsurance Co.	TMGIRC
6	Allianz Saudi Fransi Cooperative Insurance Co.	ASFCIC
7	Salama Cooperative Insurance Co.	SCIC
8	Walaa Cooperative Insurance Co.	WCIC
9	Arabian Shield Cooperative Insurance Co.	AICC
10	Saudi Arabian Cooperative Insurance Co.	SAICO
11	Gulf Union Al Ahlia Cooperative Insurance Co.	GUCIC
12	Allied Cooperative Insurance Group	ACIG
13	Arabia Insurance Cooperative Co.	AICC
14	Al Etihad Cooperative Insurance Co.	ATCIC

Sr. No.	Company Name	Symbol
15	Al Sagr Cooperative Insurance Co.	ASCIC
16	United Cooperative Assurance Co.	UCA
17	Al-Rajhi Company for Cooperative Insurance	ARCCI
18	CHUBB Arabia Cooperative Insurance Co.	CACIC
19	Gulf Insurance Group.	GIG
20	Gulf General Cooperative Insurance Co.	GGCIC
21	Buruj Cooperative Insurance Co.	BCIC
22	Al Alamiya for Cooperative Insurance Co.	AACIC
23	Wataniya Insurance Co.	WIC
24	Amana Cooperative Insurance Co.	ACIC
25	Saudi Enaya Cooperative Insurance Co.	SECIC
26	Alinma Tokio Marine Co.	ATMC
27	Saudi Reinsurance Company	SaudiRe

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Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Kingdom of Saudi Arabia for the quarter two of 2023. We have a dedicated and talented pool of individuals to bring you industry insights in the form of this report.

We welcome your feedback on the analysis presented in this report.

About Us

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997.

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THANK YOU