

# Insurance Pulse Quarterly Saudi Arabia

**KPMG in Saudi Arabia**  
**September 2020**

## **Market Analysis**

Implications of Covid-19 on business performance and resilience of insurers against dynamic risk environment; changing priorities and aptness of relief measures

## **1H 2020 Financial Performance**

Analysis of the financial performance indicators of the listed companies in Saudi Arabia in the first half of 2020

## **Volume 1**

*The Insurance Pulse Quarterly provides an overview of the major developments shaping the insurance industry in Saudi Arabia– an engaging compilation of performance metrics and key trends from the industry*

# Insurance Pulse Quarterly

## Market Analysis

### Government actions helped in boosting insurers' confidence and fostering growth

*Looking back to the first half of 2020, while most of the industries have shown slowdown in growth and declining profits amid Covid-19 pandemic, the insurance industry in Saudi Arabia sustained its performance, and in fact reported a marginal growth. This was possible for a healthcare and motor heavy insurance sector, where the government stepped in at the very early stage of the pandemic to relieve insurers of their obligations. The government paid for the treatment of all Covid-19 patients including citizens, residents and even violators of residency laws. Moreover, an extended lockdown in major cities had restricted the mobility of most citizens and residents, resulting in a sharp decline in the motor claims during the second quarter of the financial period. Consequently, insurers have seen an overall growth of 5.9% in gross premiums in first six months of 2020 compared to the same period in 2019 with a drop (improvement) of 12.4% in loss ratios being reflected in the net income, despite a regulatory extension of two months in motor policies endowed by SAMA.*

Looking ahead, the focus of the Saudi insurance market is consistent with the global one; pursuing the journey of regulatory and accounting change, product innovation, and enhancing distribution channels and efficiencies in the conduct of business. The implementation of IFRS 17 is at the core of harmonizing the accounting rules where the effective date has recently been pushed out by a year to 1 January 2023. This delay has been largely welcomed by market players as it gives an opportunity to clarify and implement the rules without a haste and business interruption. It also allows the insurance companies to refine their systems and educate investors on the expected changes in the financial results.

IFRS 17 brings new levels of transparency, giving users more insight into an insurer's financial health than ever before.

#### **Khalil Ibrahim Al Sedais**

Office Managing Partner – Riyadh,  
KPMG in Saudi Arabia

While global regulators keep pushing the paddle to ensure readiness by 1 January 2023, SAMA has been exceptionally active in monitoring the progress of the insurers and sharing its feedback on their readiness. As a result of this close coordination, SAMA has recently reverted with its feedback on the IFRS 17 phase 2 submissions from all insurance companies. This feedback shall further help insurance companies navigate the rest of IFRS 17 journey.

The demand for the insurance in Saudi Arabia is still primarily driven by government legislation and consumer penetration strategies of major insurance players. Recently, the digital platforms through which products and services are provided are on the rise. We see many more motor insurance policies sold online. However, so far we have seen this agility more with the larger insurance players. Digital platforms, when adequately designed and when taking into account target market's needs, are certainly beneficial; they allow insurers to easily access large pools of new customers, whose demands and needs are aligned with the relevant product offer. They can also lower the costs of distribution. From a consumer perspective, digital platforms allow consumers to access more targeted and tailored products. However, competition is still limited and there are possibilities of over and under insurance risks coverage.

As we emerge from this crisis into a new reality with varied challenges and opportunities— agility and financial resilience will be the new intonation for the insurance sector.

#### **Ovais Shahab**

Head of Financial Services  
KPMG in Saudi Arabia

Considering the overall performance in 1H 2020; the industry's net profit after zakat and tax of SAR 1.03 billion and return on equity of 3.58 per cent were higher during the first six months of 2020 compared to same period last year. This was due to better than expected underwriting results from the motor and medical lines which represent major share of the insurance business in Saudi Arabia.

Within the underwriting results, insurers reported increases in gross earned premium in most classes of business during the six month period.

- Gross incurred claims costs were lower due to limited number of motor claims originating during the Covid-19 lockdown and potential postponement of the elective medical procedures in the first six months.
- Investment income fell during the six month period up to end of June compared to same period in 2019 due to reduced interest rate environment and lower returns in equities.

With the foregoing themes in perspective, we wish you an insightful read of the first edition of our Insurance Pulse and we look forward to receiving your feedback.

# Insurance Pulse Quarterly

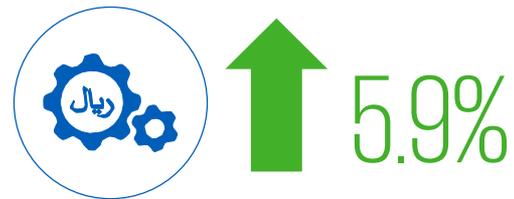
1H 2020 Financial Performance

## Net Profit after zakat and tax



1H – 2020 net income SAR 1,026 million  
(1H – 2019: SR 343.19 million)

## Gross Written Premiums



1H – 2020 SAR 21.41 billion  
(1H – 2019: SAR 20.21 billion)

## Total assets



As of 1H – 2020 SAR 65.87 billion  
(YE – 2019: SAR 60.52 billion)

## Total Investments



As of 1H – 2020 SAR 30.29 billion  
(YE – 2019: SAR 29.26 billion)

## Loss Ratio



1H – 2020 61.3%  
(1H – 2019: 73.7%)

## Retention Ratio



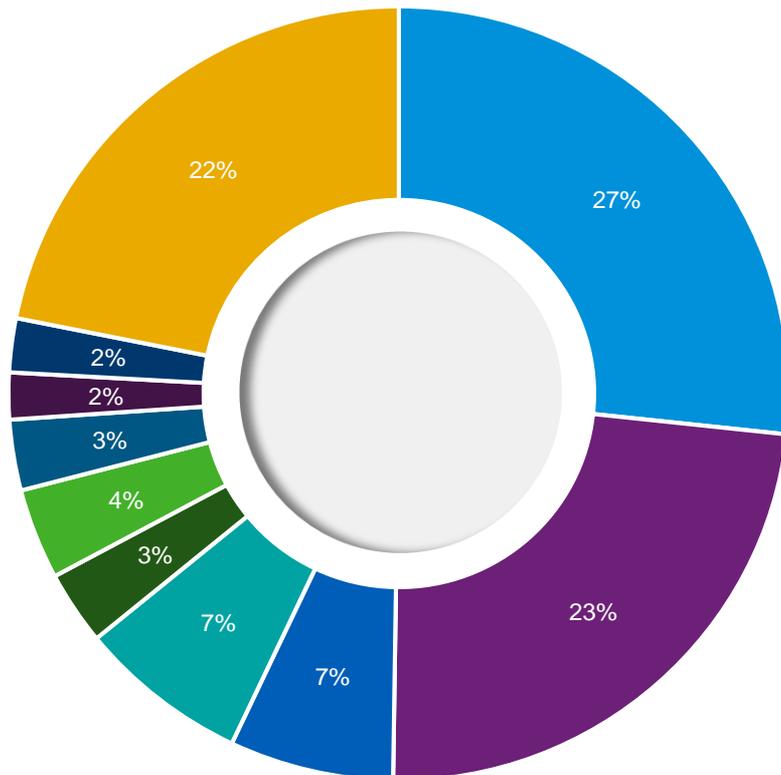
1H – 2020 75.3%  
(1H – 2019: 78.0%)

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## 1H 2020 Financial Performance Gross Written Premium (GWP) Market Share

### GWP Market Share 1H 2020

- Bupa
- Tawuniya
- Rajhi
- Med Gulf
- Saudi Re
- AXA
- Walaa
- Allianz
- Wataniya
- Others



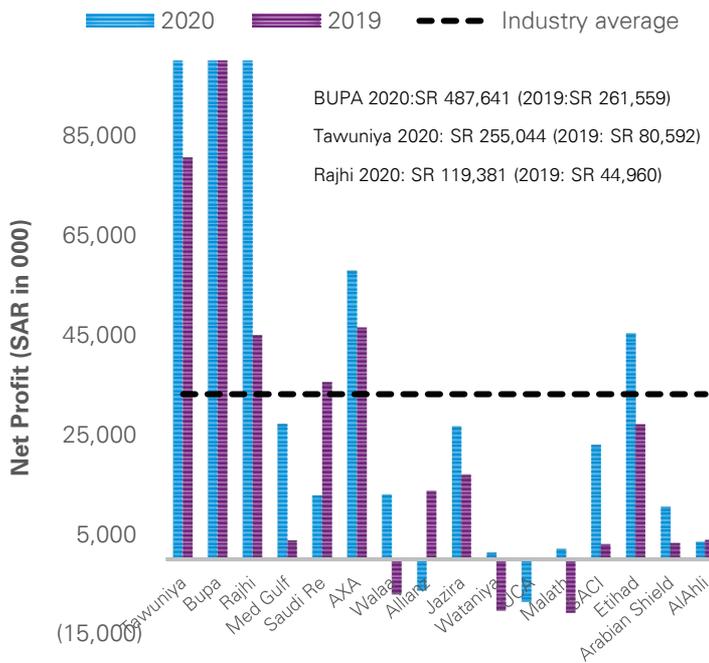
SACI	2.45%
Malath	2.16%
UCA	1.82%
Arabian Shield	1.54%
Etihad	1.44%
ACIG	1.25%
Gulf Union	1.06%
Alinma	1.00%
Arabia	0.99%
Solidarity	0.92%
Sagr	0.91%

Salama	0.85%
Gulf General	0.83%
Amana	0.79%
Chubb	0.68%
AlAhli	0.58%
Buruj	0.51%
AlAhlia	0.46%
SABB	0.43%
Enaya	0.41%
Jazira	0.40%
Al Alamiya	0.39%

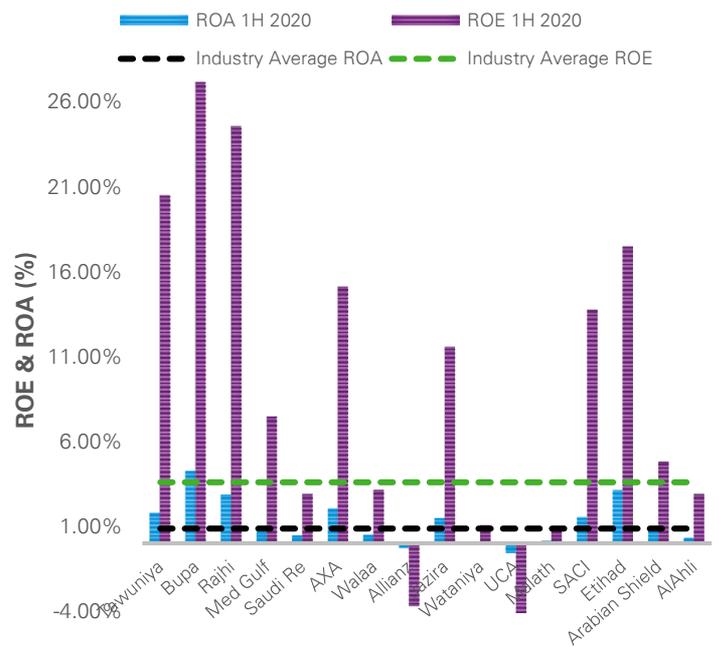
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## 1H 2020 Financial Performance TIER – I Insurance Companies

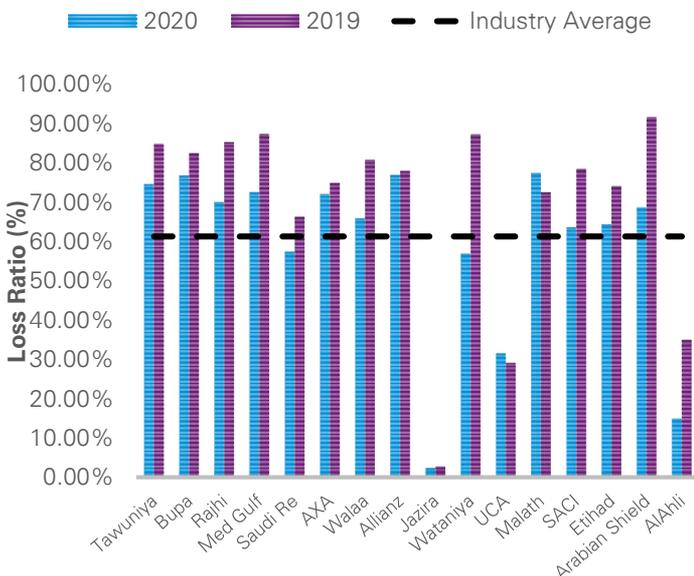
### Net income/ (loss) (in SR '000)



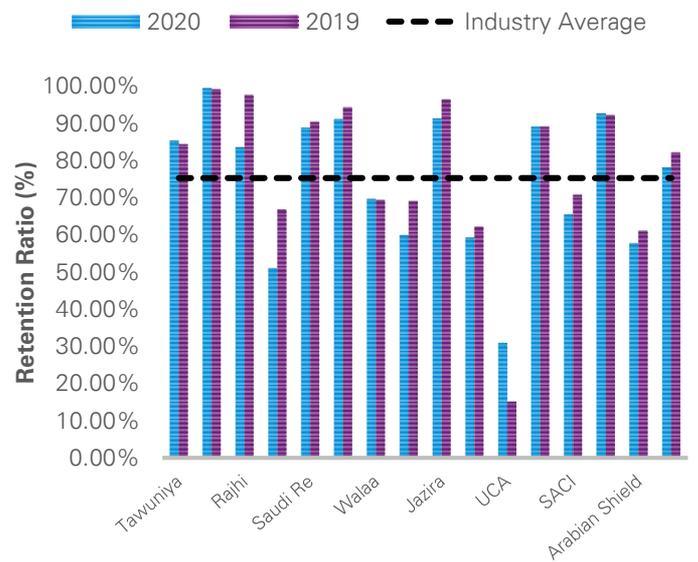
### ROE\* & ROA\* (%)



### Loss Ratio (%)



### Retention Ratio (%)

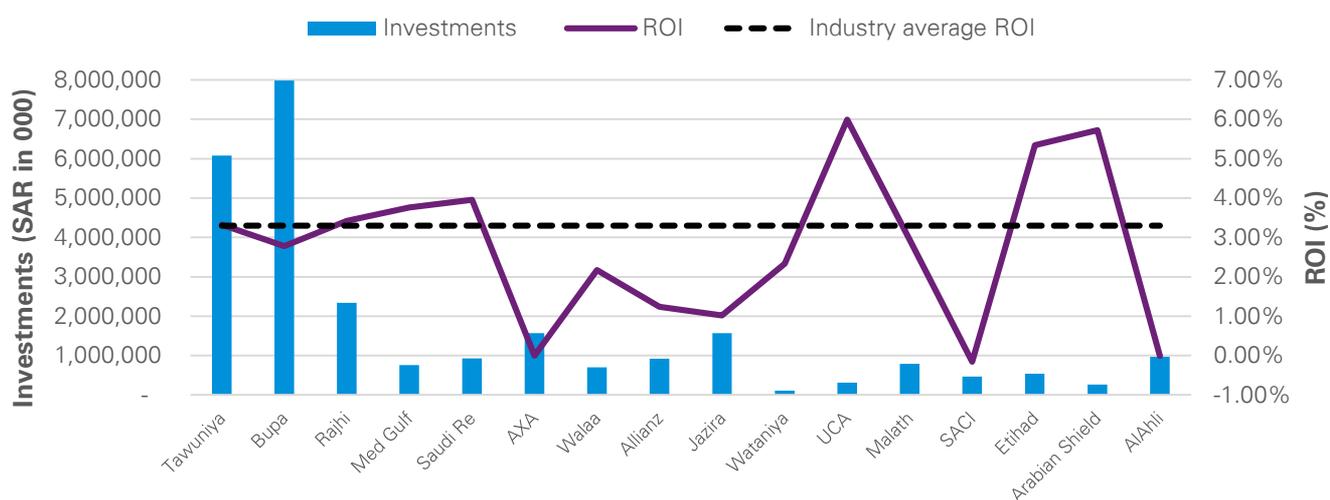


**\* This report is reflective of the broad range of the insurance market, where information comparison is split between companies with total assets over SR 1 billion and total assets below SR 1 billion.**

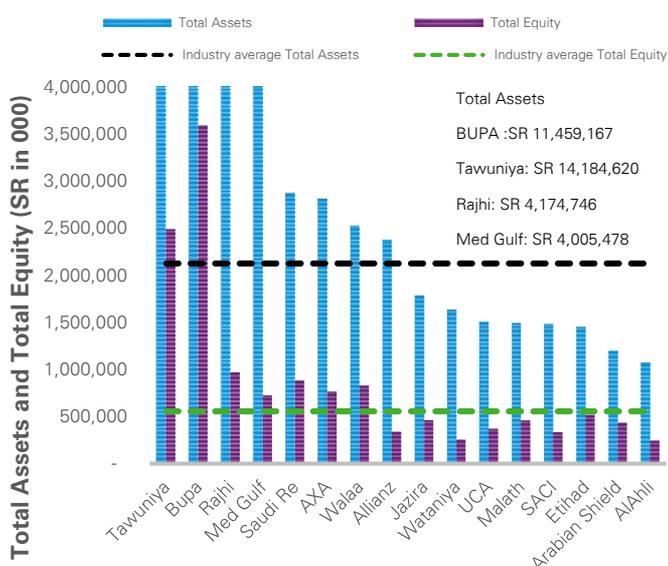
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1H 2020 Financial Performance  
TIER – I Insurance Companies

## Investments (in SR '000) & ROI\* (%)



## Total Assets & Total Equity (in SR '000)



## Share price\* & P/E\*



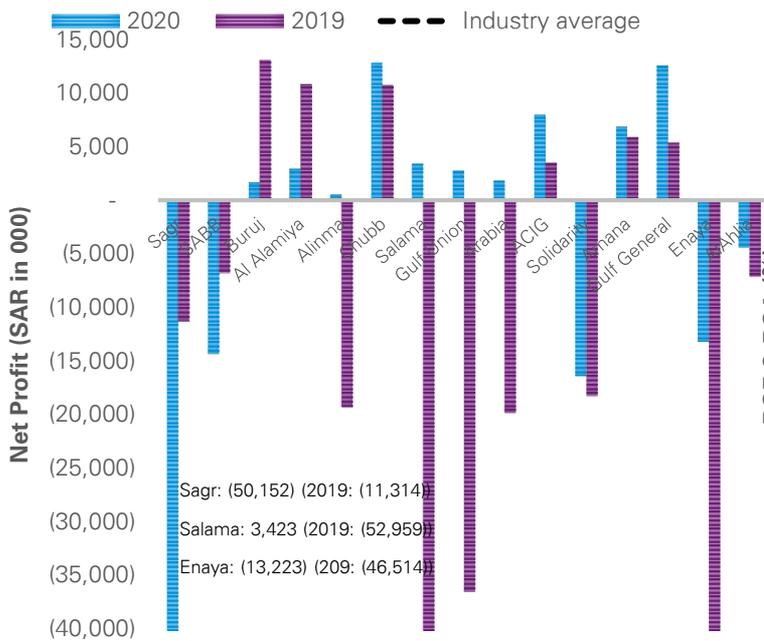
### Glossary:

**PE ratio** is calculated as the closing share price as of 30 June 2020 quoted on Tadawul divided by the EPS. **ROE** is the ratio of net income after zakat and income tax prorated to twelve months to total equity as of 30 June 2020. **ROA** is the ratio of net income after zakat and income tax prorated to twelve months to total assets as of 30 June 2020. **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 tax prorated to twelve months to total investments as of 30 June 2020.

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1H 2020 Financial Performance  
TIER – II Insurance Companies

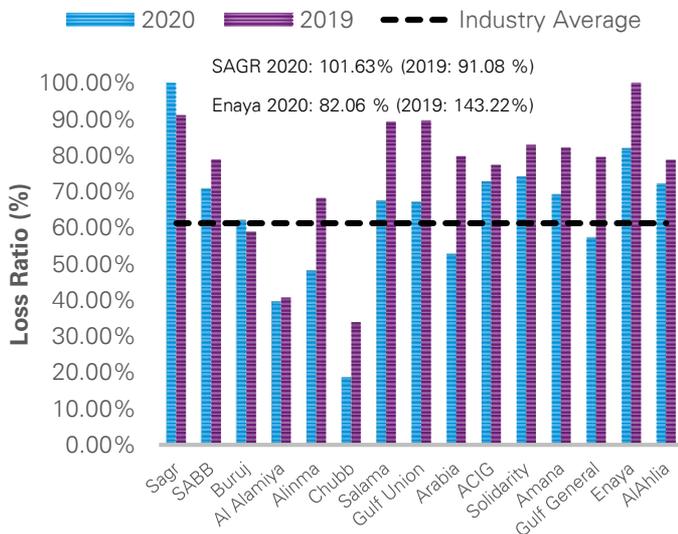
## Net income / (loss) (in SR '000)



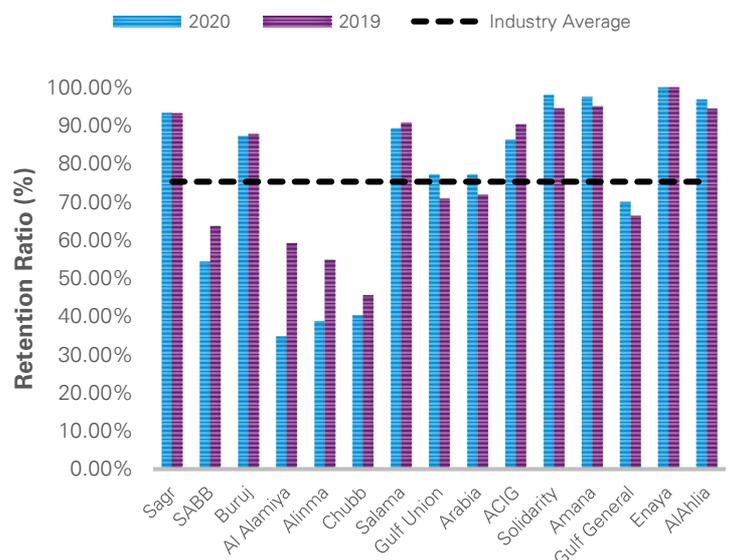
## ROE\* & ROA\* (%)



## Loss Ratio (%)



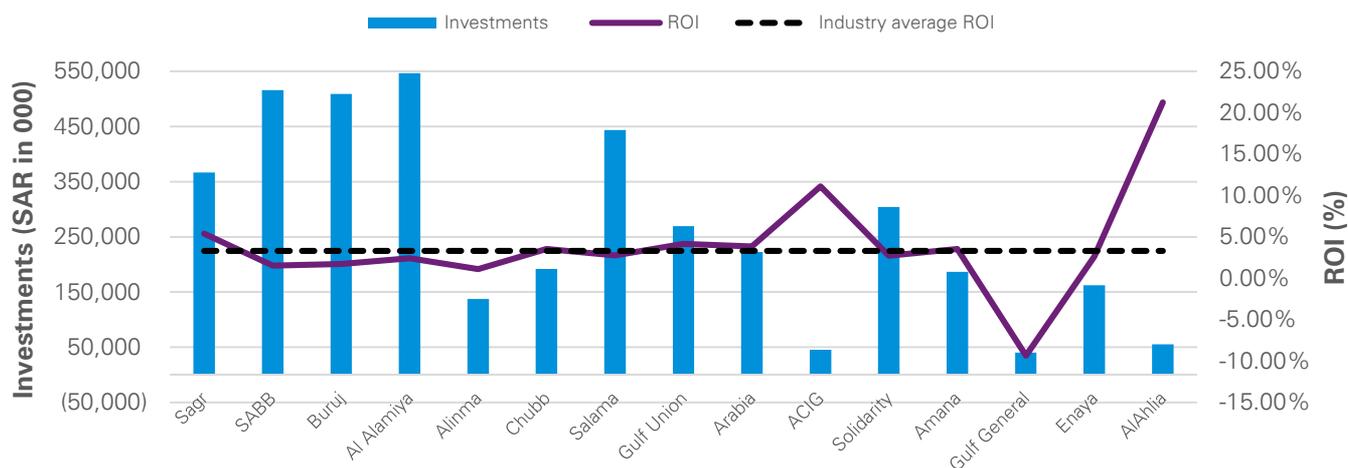
## Retention Ratio (%)



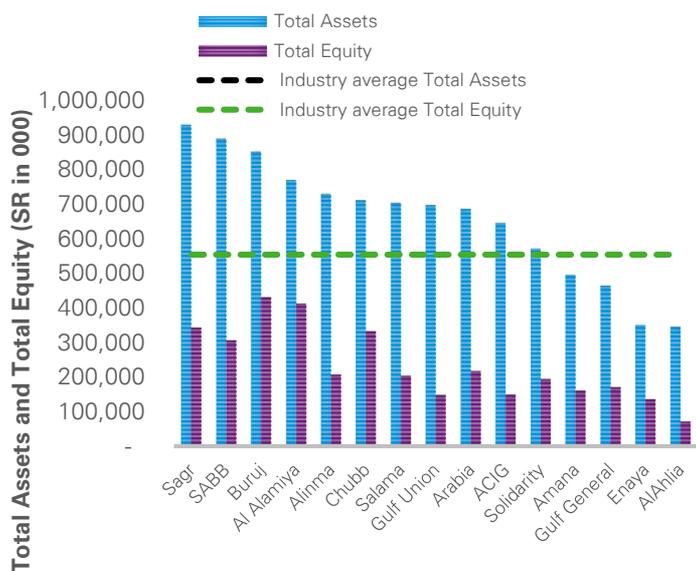
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1H 2020 Financial Performance  
TIER – II Insurance Companies

## Investments (in SR '000) & ROI\* (%)



## Total Assets & Total Equity (in SR '000)



## Share price\* & P/E\*



### Glossary:

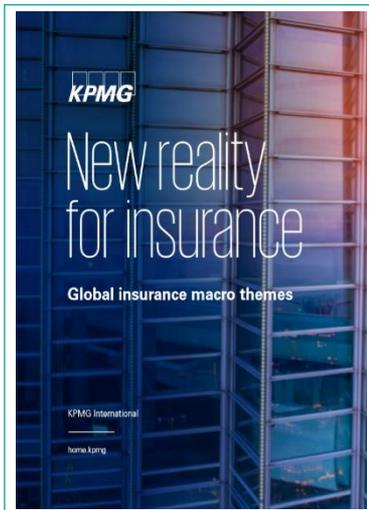
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# Insurance Pulse Quarterly

Further reading

## In the spotlight

### New reality for insurance



Stay tuned for our regular thought leadership on the financial services industry. Aside from publication, you can find a selection of publications on insurance, asset management and Islamic Finance.

We explore forward-looking perspectives, including post Covid-19 scenarios around fintech and reporting priorities

Seven macro trends that are shaping the insurance industry

## From the global desk

### Frontiers in Finance



Market insights and forward-looking perspectives for financial services leaders and professionals

### Asset Atlas: The 2019 financial services landscape



Broad-ranging picture of deal activity and future opportunities across the financial services sector



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