



**Insurance Supervision Department**

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# **The Saudi Insurance Market Survey Report**

**2007**

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# Introduction

# Introduction

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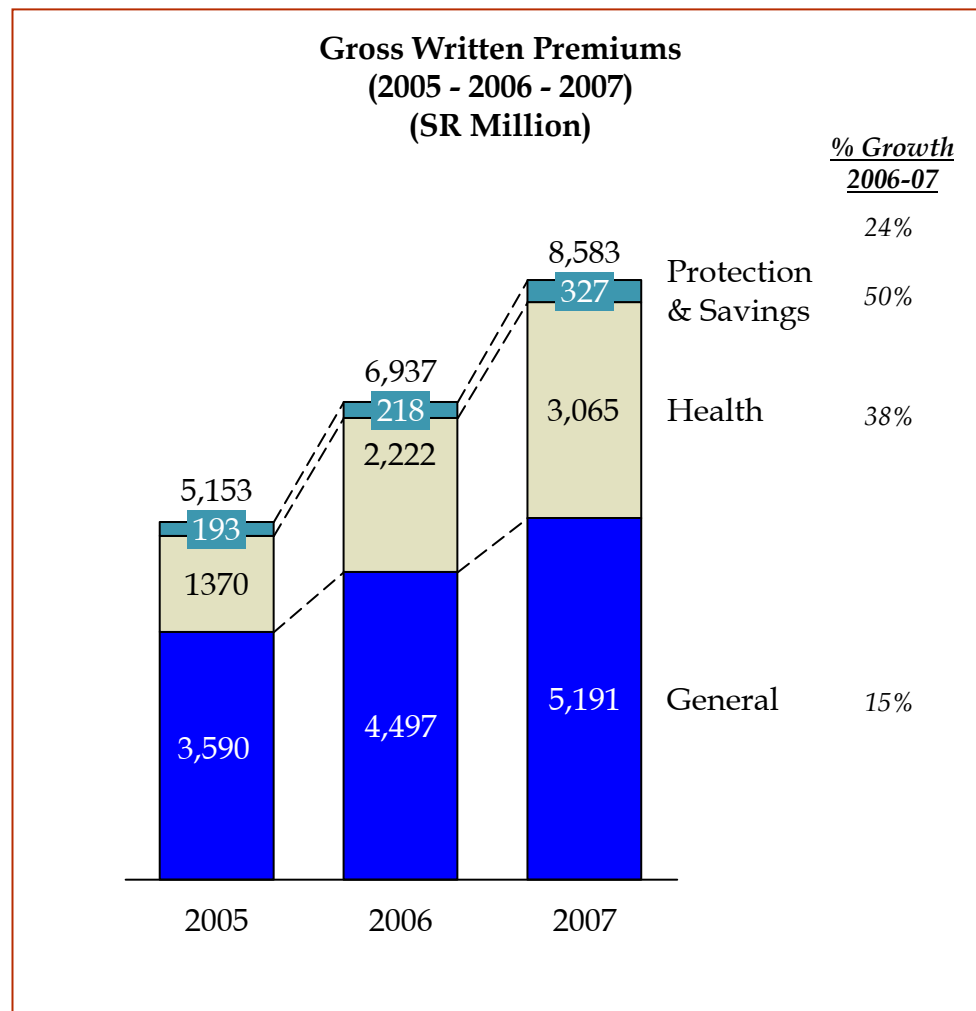
- ▶ In 2007, the insurance market witnessed a substantial growth of 24%, with gross written premiums reaching SR 8.6 Billion compared to SR 6.9 Billion in 2006. The persisting favorable economic conditions, as well as the expansion of compulsory motor insurance and health insurance are driving the growth of the insurance industry.
  - General insurance gross written premiums, which represented 60% of the insurance market, increased by 15% to SR 5.2 Billion in 2007 compared to SR 4.5 Billion in 2006.
  - Health insurance gross written premiums, which represented 36% of the insurance market, increased by 38% to SR 3 Billion in 2007 compared to SR 2.2 Billion in 2006.
  - Protection & savings insurance gross written premiums, which represented 4% of the insurance market, increased by 50% to SR 0.33 Billion in 2007 compared to SR 0.22 Billion in 2006.
  
- ▶ In 2007, 42 insurance companies were operating in the Saudi market. In accordance with the Cooperative Insurance Companies Law (2003), existing companies that have not applied for a license are to exit the market, the grace period having ended April 9<sup>th</sup> 2008. Insurance companies and other insurance service providers that are in the process of obtaining a license from SAMA are granted an extension varying between 2 and 6 months, depending on their advancement in the licensing process.
  
- ▶ As of end of March 2008, 11 insurance companies are fully licensed to operate in the Kingdom, 9 of which have foreign participation. In addition, 10 insurance companies have obtained the approval from the Council of Ministers and 8 are under the process of licensing at the Ministry of Commerce and Industry. 18 insurance companies are listed in the Saudi stock market, and an additional 3 are to be listed soon.

# Overall Insurance Market Performance

# Gross Written Premiums - Overall

- ▶ The overall insurance GWP reached SR 8.6 Billion<sup>(1)</sup> in 2007, compared to SR 6.9 Billion in 2006. This translates into an overall growth rate of 24%.
- ▶ General and Health insurance accounted for 60% and 36% of total GWP in 2007, respectively. Protection and Savings insurance remained a small market reaching SR 327 Million in 2007.
- ▶ The market growth was driven by the demand growth for General insurance and Health insurance of 15% and 38%, respectively.

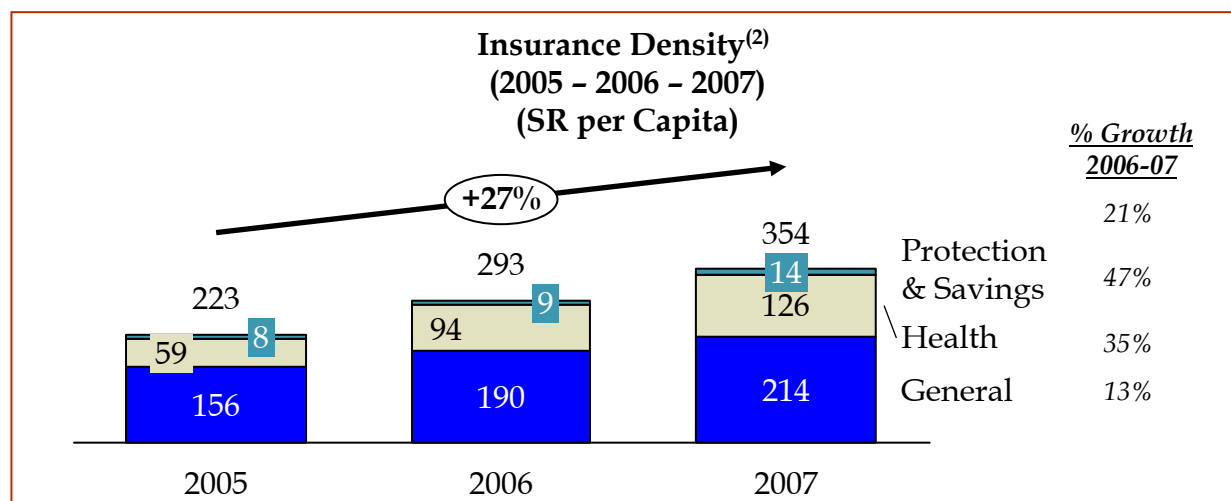
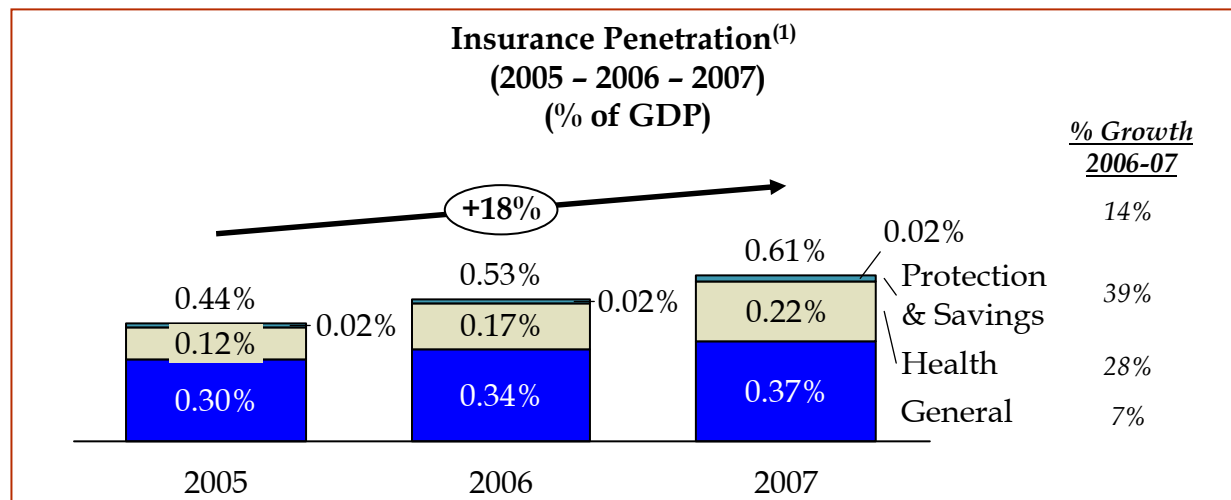
In SR Million	2005		2006		2007	
	SR (M)	% Total	SR (M)	% Total	SR (M)	% Total
Protection & Savings	193	4%	218	3%	327	4%
Health Insurance	1,370	26%	2,222	32%	3,065	36%
General Insurance	3,590	70%	4,497	65%	5,191	60%
<b>Total</b>	<b>5,153</b>	<b>100%</b>	<b>6,937</b>	<b>100%</b>	<b>8,583</b>	<b>100%</b>



(1) Note that the GWP is the total of accounted premiums. There may be double counting of facultative reinsurance premiums accepted from other Saudi Arabian insurers

# Insurance Penetration and Density

- ▶ Insurance penetration is defined as Gross Written Premium as a percentage of Gross Domestic Product (GDP). The level of insurance penetration in Saudi Arabia was 0.53% in 2006 and increased to 0.61% in 2007.
- ▶ Insurance density is defined as Gross Written Premium per Capita. The insurance density increased from SR 293 in 2006 to SR 354 in 2007, an increase of 21%.
- ▶ The penetration and density of Protection and Savings insurance remain particularly low in absolute terms, and relative to General and Health insurance, at 0.02% and SR 14 per Capita.



(1) Saudi GDP of SR 1,183, SR 1,308, and SR 1,414 Billion in 2005, 2006, and 2007 respectively; (2) Saudi population of 23.1, 23.7, and 24.2 Million in 2005, 2006, and 2007 respectively

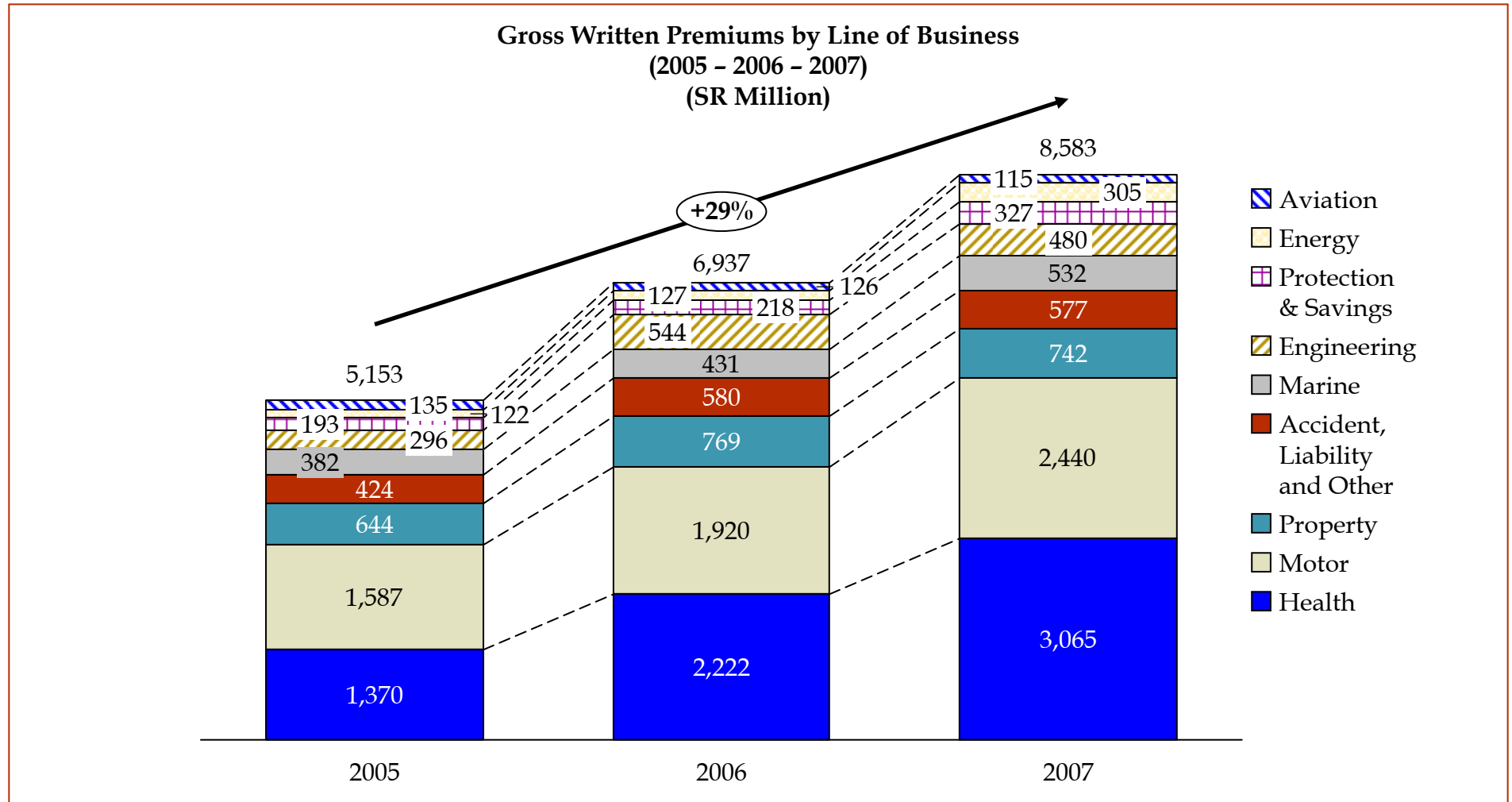
## Gross Written Premium – Breakdown by Line of Business

- ▶ In 2007 around 64% of total GWP were generated by compulsory lines of business, namely Motor and Health insurance.
- ▶ In 2007, Health insurance remained the largest line of business accounting for 36% of total GWP compared to 32% in 2006. Motor insurance remained in second place in 2007, accounting for 28% of GWP.
- ▶ The fastest growing lines of business were Energy insurance and Protection and Savings insurance, which realised a growth rate of 141% and 50%, respectively. For Energy insurance, the strong growth is due to a significant rise in the GWP of one of the top eight insurance companies operating in KSA. The slowest growing lines of business were Marine insurance and Motor insurance, which realised a growth rate of 23% and 27%, respectively, whilst Property, Aviation, and Engineering premiums fell by 4%, 9%, and 12%, respectively.

In SR Million	2005		2006		2007		Growth 2006-07
	SR (M)	% Total	SR (M)	% Total	SR (M)	% Total	%
Health	1,370	27%	2,222	32%	3,065	36%	38%
Motor	1,587	31%	1,920	28%	2,440	28%	27%
Property	644	12%	769	11%	742	9%	-4%
Accident, Liability & Other	424	8%	580	8%	577	7%	0%
Marine	382	7%	431	6%	532	6%	23%
Engineering	296	6%	544	8%	480	6%	-12%
Protection & Savings	193	4%	218	3%	327	4%	50%
Energy	122	2%	127	2%	305	4%	141%
Aviation	135	3%	126	2%	115	1%	-9%
<b>Total</b>	<b>5,153</b>	<b>100%</b>	<b>6,937</b>	<b>100%</b>	<b>8,583</b>	<b>100%</b>	<b>24%</b>

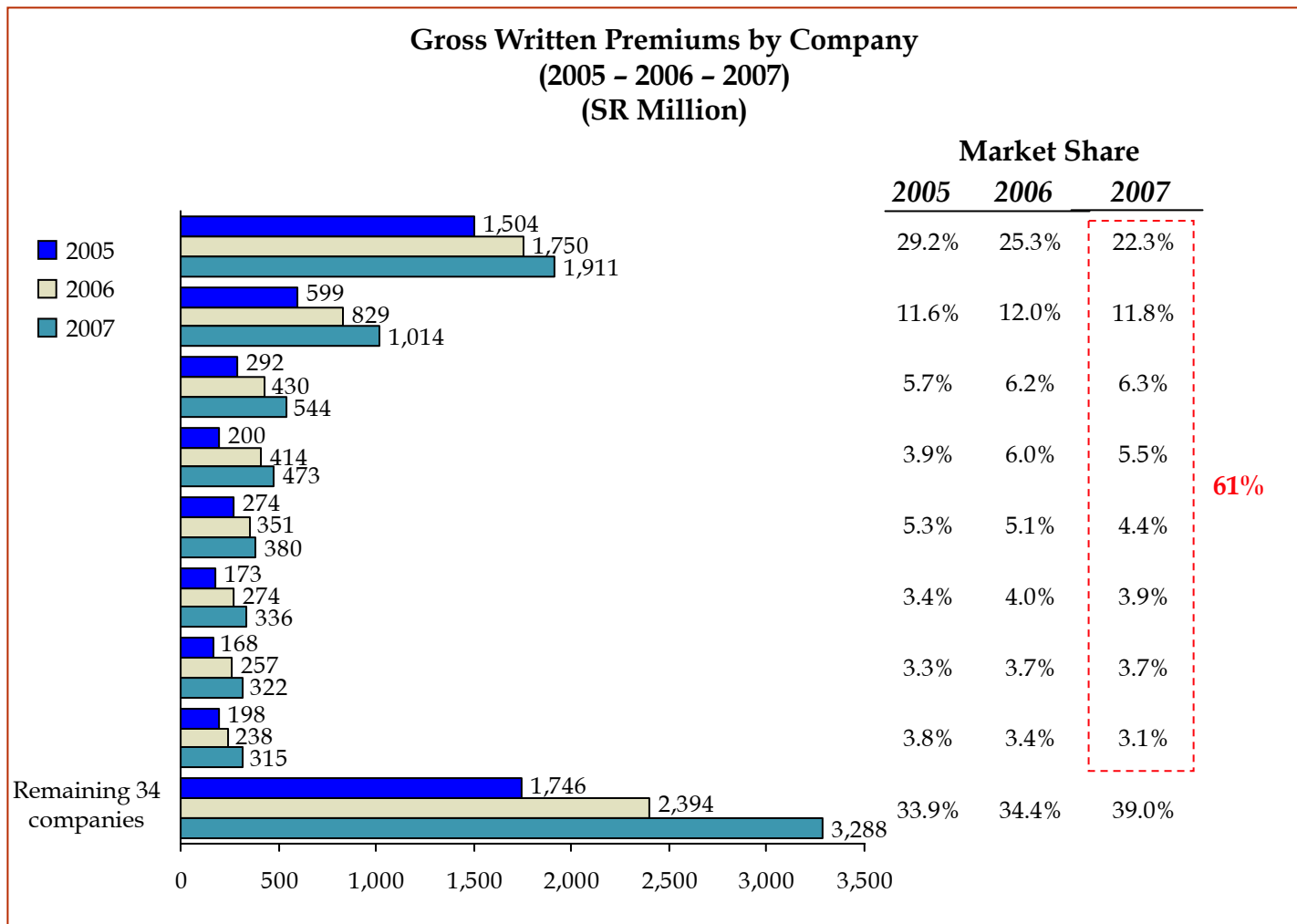


# Gross Written Premium - Breakdown by Line of Business (continued)



# Gross Written Premium - Market Share of Insurance Companies

- ▶ In 2007, the top 8 insurance companies generated around 61% of the insurance market's GWP, down from 65.6% in 2006.
- ▶ The remaining 34 insurance companies included in this survey accounted for the remaining 39% of total market premiums.



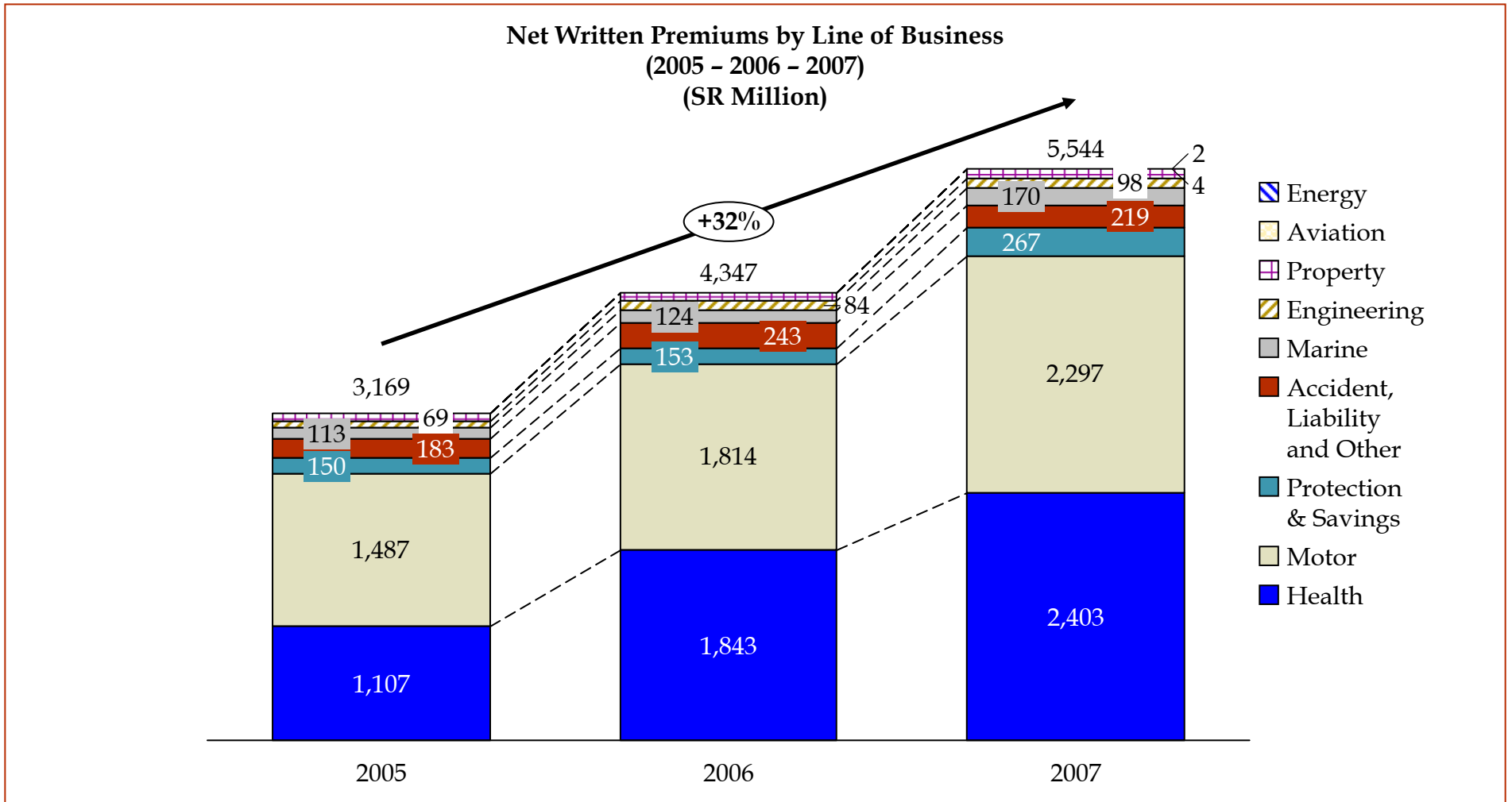
## Net Written Premiums by Line of Business

- ▶ Around 84% of total NWP in 2007 was generated by compulsory lines of business, namely Motor and Health insurance.
- ▶ In 2007, Health remained the largest line of business accounting for 43% of total NWP compared to 42% in 2006. Motor insurance remained in second place in 2007, accounting for 41% of NWP.
- ▶ In terms of NWP, the fastest growing line of business was Protection and Savings insurance which realized a growth rate of 74% in 2007.

In SR Million	2005		2006		2007		Growth 2006-07
	SR (M)	% Total	SR (M)	% Total	SR (M)	% Total	%
Health	1,107	35%	1,843	42%	2,403	43%	30%
Motor	1,487	47%	1,814	42%	2,297	41%	27%
Protection & Savings	150	5%	153	4%	267	5%	74%
Accident, Liability & Other	183	6%	243	6%	219	4%	-10%
Marine	113	4%	124	3%	170	3%	37%
Engineering	57	2%	84	2%	98	2%	16%
Property	69	2%	81	2%	84	2%	4%
Aviation	4	0%	4	0%	4	0%	-17%
Energy	0	0%	0	0%	2	0%	N/A <sup>(1)</sup>
<b>Total</b>	<b>3,169</b>	<b>100%</b>	<b>4,347</b>	<b>100%</b>	<b>5,544</b>	<b>100%</b>	<b>28%</b>

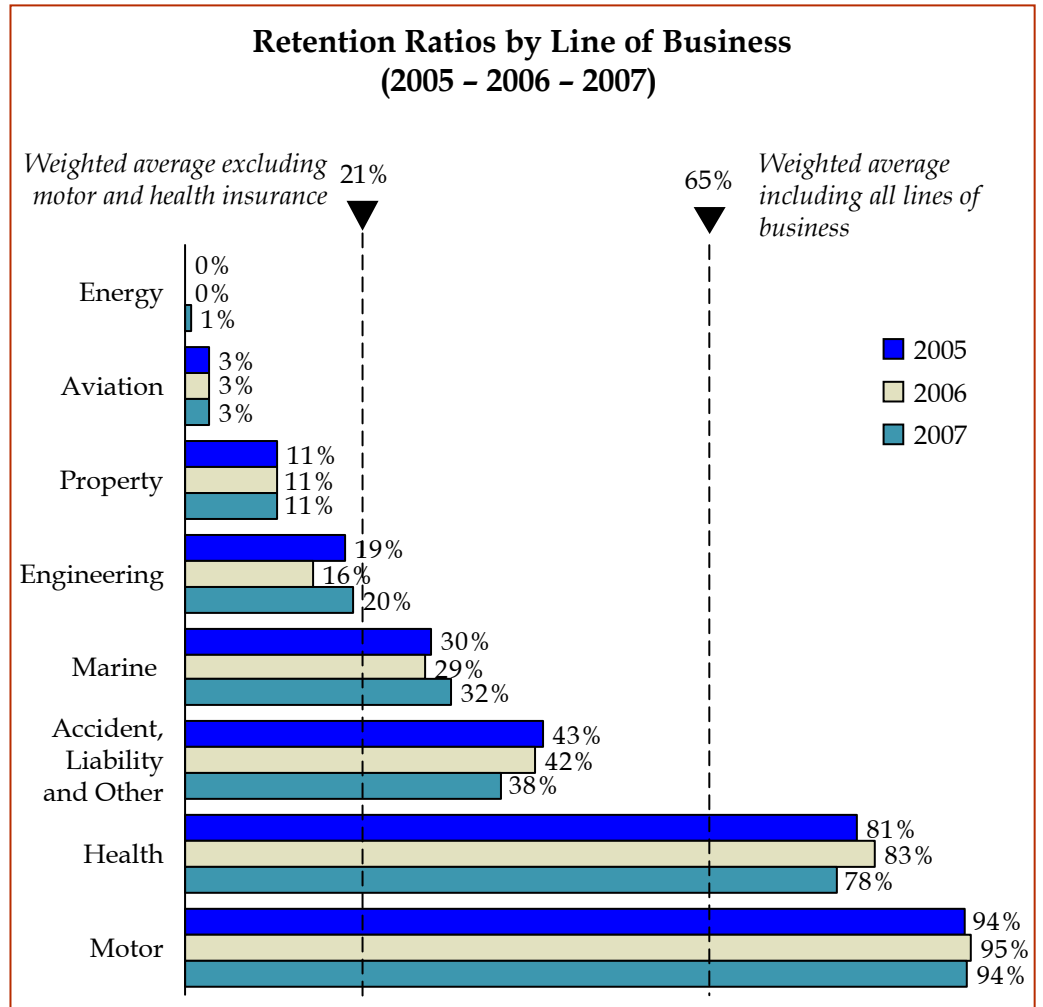
(1) Note that the growth of Energy insurance between 2006 and 2007 is not a reliable indicator since it is growing from a value close to zero in 2006

# Net Written Premiums by Line of Business (continued)



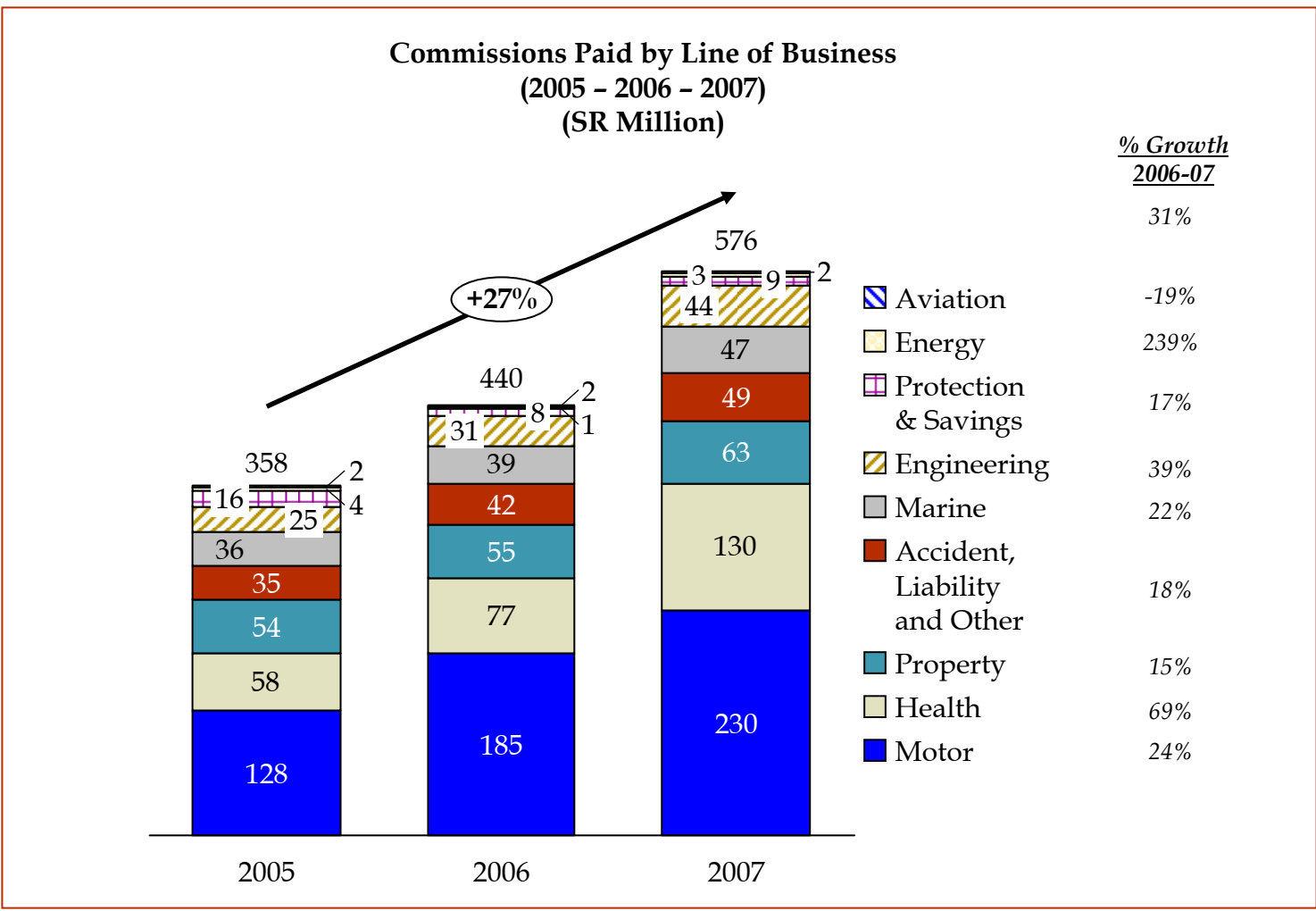
# Retention Ratio by Line of Business

- ▶ The retention ratio is a measure of the written risks retained by the insurance company. It is calculated by dividing the NWP by GWP.
- ▶ The overall retention ratio of insurance companies in the Saudi market was 65%. This ratio is largely skewed by the high retention ratio of motor and health insurance which collectively account for around 61% of total GWP. In 2007, the retention ratios for motor and health insurance were 94% and 78%, respectively.
- ▶ The weighted average retention ratio of other insurance lines of business (i.e., excluding motor and health insurance) was 21%.
- ▶ The lowest retention ratios were for aviation insurance and energy insurance of 3.1% and 0.8%, respectively.
- ▶ Note: the newly licensed companies are required to adhere to a minimum retention ratio of 30% (Article 40 of the insurance Implementing Regulations).
- ▶ Retention rates are not shown for Protection & Savings as the savings element of the contract must be retained in the Saudi Arabian company, so retentions are not directly comparable with other insurance contracts.



# Commissions Paid by Line of Business

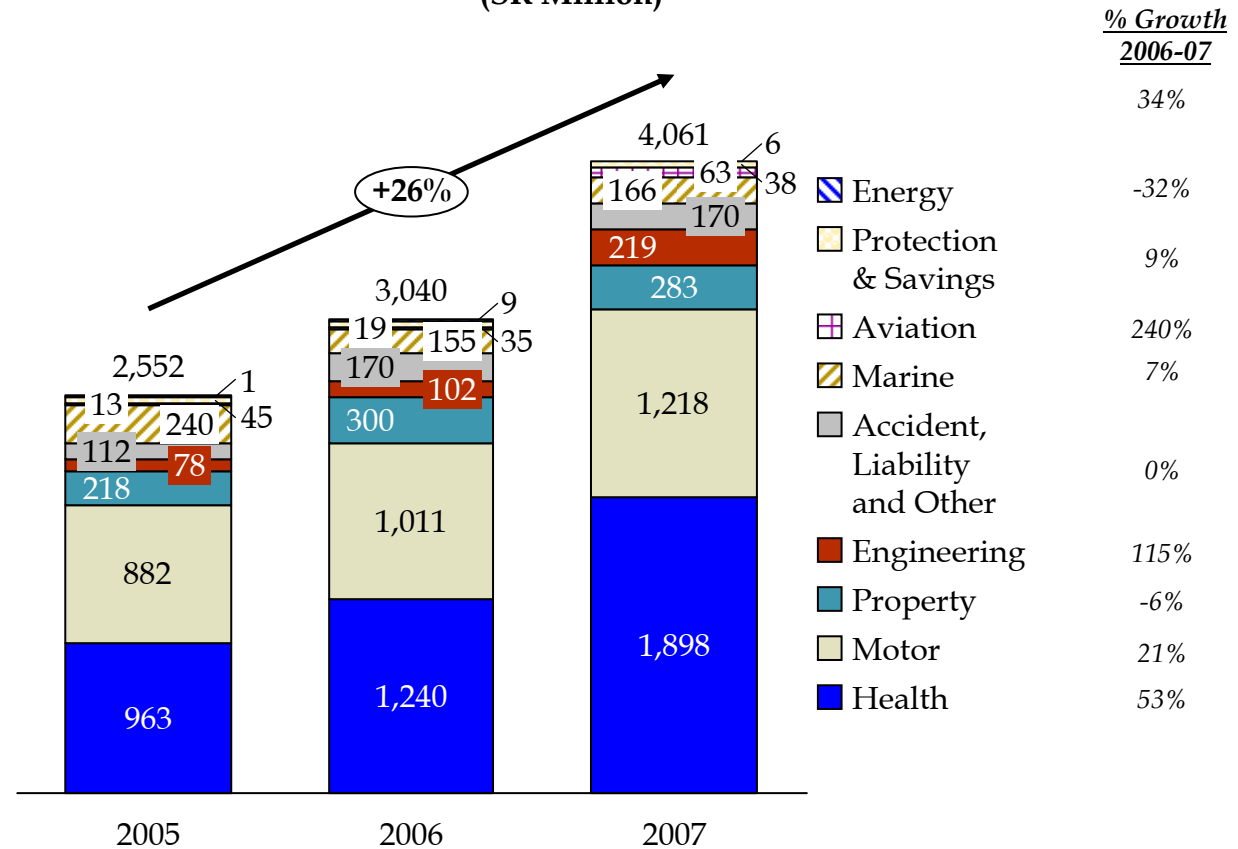
- ▶ Total commissions paid by insurance companies amounted to SR 576 Million in 2007, compared to SR 440 Million in 2006. This translates into a growth rate of 31%.
- ▶ General insurance related commissions accounted for 81% and 76% of total commission paid in 2006 and 2007, respectively.
- ▶ Energy insurance commissions paid witnessed the largest growth rate of 239% between 2006 and 2007.



# Gross Claims Paid by Line of Business

- ▶ Total gross claims paid increased by 34% from SR 3.0 Billion in 2006 to SR 4.0 Billion in 2007.
- ▶ Health and Motor insurance accounted for 74% and 77% of all gross claims paid in 2006 and 2007, respectively. These high percentages reflect the relatively high proportion of these lines of business of the total market premiums.
- ▶ In 2007, the highest growth rate in gross claims paid are related to Health insurance.

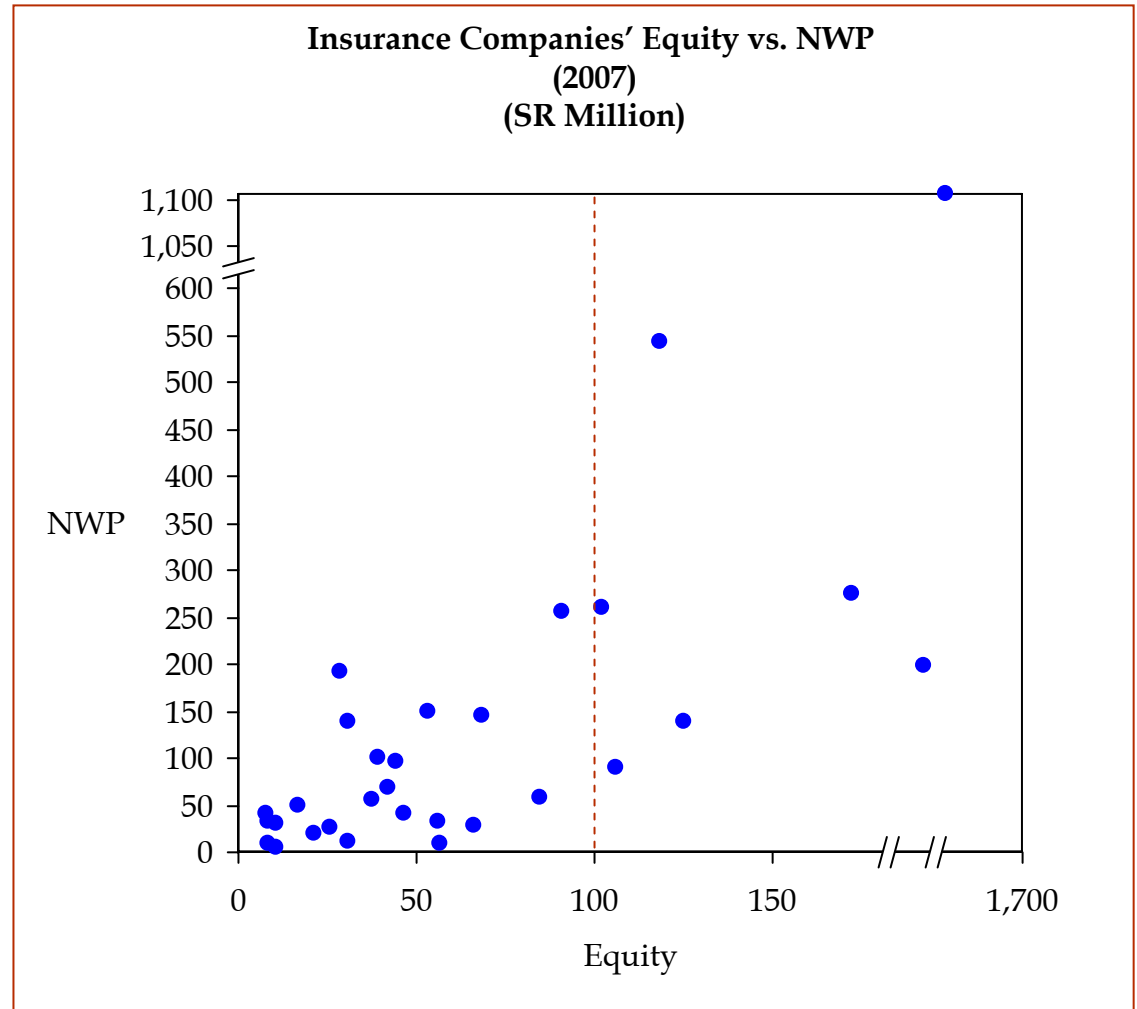
Gross Claims Paid by Line of Business  
(2005 - 2006 - 2007)  
(SR Million)



# Capitalization of Insurance Companies

- ▶ In 2007, the insurance market remains composed of a large number of companies, most of which have a capital below SR 100 Million. The largest company by capital is NCCI, with total equity of SR 1.7 Billion.
- ▶ Note: the Cooperative Insurance Companies Law stipulates a minimum capital of SR 100 Million for insurance companies and SR 200 Million for companies that will undertake insurance and reinsurance companies. The introduction of the licensed insurance market will lead to a significant financial strengthening of the Insurance companies in the market.

Shareholder Equity (2007)	Number of Companies
Up to SR 50 M	27
SR 50 M to SR 100 M	8
SR 100 M to SR 150 M	4
SR 150 M to SR 200 M	1
SR 200 M to SR 500 M	1
SR 1,500 M to SR 2,000 M	1



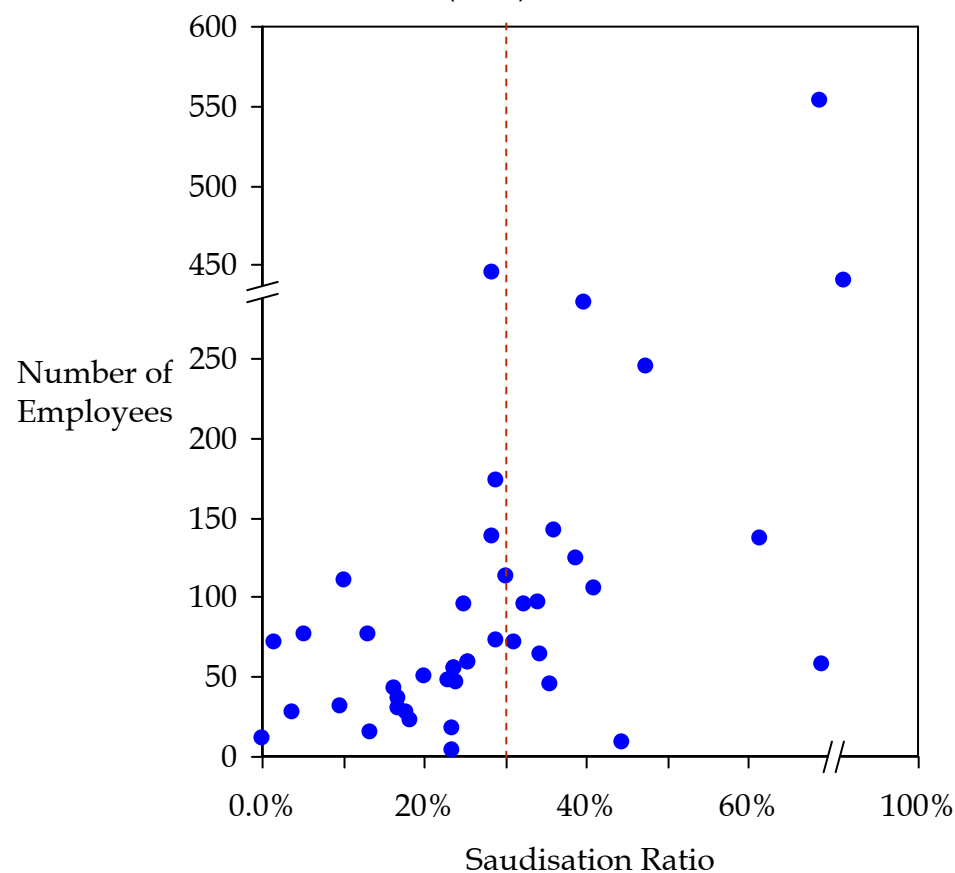


# Employees Breakdown by Nationality

- ▶ The total number of insurance companies' employees in Saudi Arabia reached 4,922 in 2007.
- ▶ Saudi nationals employed by insurance companies account for 40% of the total work force, and hold 25% of management positions. This ratio is skewed by the high Saudisation ratio of a few large companies, whereas the majority of smaller companies have a Saudisation ratio below 30%.
- ▶ Note: The newly licensed insurance companies are required to adhere to a Saudisation ratio of 30% during the first year of operations (Article 79 of the insurance Implementing Regulations).

Nationality (2007)	No. of Non-managerial Employees	%	No. of Managerial Employees	%	Total No. of Employees	%
Other Arab	1,135	27%	364	47%	1,499	30%
Other Non-Arab	1,227	30%	221	28%	1,448	30%
Saudi	1,784	43%	191	25%	1,975	40%
<b>Total</b>	<b>4,146</b>	<b>100%</b>	<b>776</b>	<b>100%</b>	<b>4,922</b>	<b>100%</b>

Number of Employees vs. Saudisation Ratio (2007)



## Appendix: Data Tables

## Table 1: Gross Written Premiums by Line of Business (2005-06-07)

Table 1: Gross Written Premiums by Line of Business (2005-06-07)							
Line of Business	2005		2006		2007		% Change
	SR Million	%	SR Million	%	SR Million	%	
<i>A&amp;L and Other</i>	424.0	8.2%	579.6	8.4%	577.3	6.7%	(0.4)%
<i>Motor</i>	1,587.3	30.8%	1,920.2	27.7%	2,440.2	28.4%	27.1%
<i>Property/ Fire</i>	643.5	12.5%	769.2	11.1%	742.2	8.6%	(3.5)%
<i>Marine</i>	382.0	7.4%	431.4	6.2%	531.6	6.2%	23.2%
<i>Aviation</i>	135.1	2.6%	126.1	1.8%	114.5	1.3%	(9.2)%
<i>Energy</i>	121.6	2.4%	126.7	1.8%	305.3	3.6%	140.9%
<i>Engineering</i>	296.4	5.8%	543.7	7.8%	479.7	5.6%	(11.8)%
<b>Total General Insurance</b>	<b>3,589.9</b>	<b>69.7%</b>	<b>4,497.1</b>	<b>64.8%</b>	<b>5,190.7</b>	<b>60.5%</b>	<b>15.4%</b>
<b>Total Health Insurance</b>	<b>1,370.3</b>	<b>26.6%</b>	<b>2,222.2</b>	<b>32.0%</b>	<b>3,065.0</b>	<b>35.7%</b>	<b>37.9%</b>
<b>Total P&amp;S Insurance</b>	<b>193.2</b>	<b>3.7%</b>	<b>217.9</b>	<b>3.1%</b>	<b>327.0</b>	<b>3.8%</b>	<b>50.1%</b>
<b>Total</b>	<b>5,153.4</b>	<b>100.0%</b>	<b>6,937.3</b>	<b>100.0%</b>	<b>8,582.7</b>	<b>100.0%</b>	<b>24%</b>

## Tables 2 & 3: Insurance Penetration and Density (2005-06-07)

**Table 2: Insurance Penetration (2005-06-07)**

Line of Business	2005	2006	2007	% Change
	%	%	%	
Total General Insurance	0.30%	0.34%	0.37%	6.7%
Total Health Insurance	0.12%	0.17%	0.22%	27.5%
Total P&S Insurance	0.02%	0.02%	0.02%	38.8%
<b>Total</b>	<b>0.44%</b>	<b>0.53%</b>	<b>0.61%</b>	<b>14.4%</b>

**Table 3: Insurance Density (2005-06-07)**

Line of Business	2005	2006	2007	% Change
	SR	SR	SR	
Total General Insurance	155.3	189.9	214.1	12.8%
Total Health Insurance	59.3	93.8	126.4	34.7%
Total P&S Insurance	8.4	9.2	13.5	46.6%
<b>Total</b>	<b>223.0</b>	<b>292.9</b>	<b>354.1</b>	<b>20.9%</b>

## Table 4: Net Written Premiums by Line of Business (2005-06-07)

Table 4: Net Written Premiums by Line of Business (2005-06-07)							
Line of Business	2005		2006		2007		% Change
	SR Million	%	SR Million	%	SR Million	%	
<i>A&amp;L and Other</i>	182.7	5.8%	243.4	5.6%	219.2	4.0%	(10.0)%
<i>Motor</i>	1,486.9	46.9%	1,814.1	41.7%	2,297.3	41.4%	26.6%
<i>Property/ Fire</i>	69.2	2.2%	80.8	1.9%	84.1	1.5%	4.1%
<i>Marine</i>	112.7	3.6%	124.4	2.9%	169.8	3.1%	36.5%
<i>Aviation</i>	4.0	0.1%	4.3	0.1%	3.6	0.1%	(16.6)%
<i>Energy</i>	0.1	0.0%	0.0	0.0%	2.4	0.0%	4797.2%
<i>Engineering</i>	56.8	1.8%	84.2	1.9%	97.6	1.8%	15.9%
<b>Total General Insurance</b>	<b>1,912.5</b>	<b>60.4%</b>	<b>2,351.2</b>	<b>54.1%</b>	<b>2,873.9</b>	<b>51.8%</b>	<b>22.2%</b>
<b>Total Health Insurance</b>	<b>1,106.6</b>	<b>34.9%</b>	<b>1,842.5</b>	<b>42.4%</b>	<b>2,403.1</b>	<b>43.3%</b>	<b>30.4%</b>
<b>Total P&amp;S Insurance</b>	<b>149.7</b>	<b>4.7%</b>	<b>153.2</b>	<b>3.5%</b>	<b>266.8</b>	<b>4.8%</b>	<b>74.2%</b>
<b>Total</b>	<b>3,168.8</b>	<b>100.0%</b>	<b>4,346.9</b>	<b>100.0%</b>	<b>5,543.8</b>	<b>100.0%</b>	<b>28%</b>

## Table 5: Retention Ratio by Line of Business (2005-06-07)

Table 5: Retention Ratio by Line of Business (2005-06-07)				
Line of Business	2005	2006	2007	% Change
	%	%	%	
<i>A&amp;L and Other</i>	43.1%	42.0%	38.0%	(9.6)%
<i>Motor</i>	93.7%	94.5%	94.1%	(0.3)%
<i>Property/ Fire</i>	10.8%	10.5%	11.3%	7.9%
<i>Marine</i>	29.5%	28.8%	31.9%	10.7%
<i>Aviation</i>	2.9%	3.4%	3.1%	(8.2)%
<i>Energy</i>	0.1%	0.0%	0.8%	1932.7%
<i>Engineering</i>	19.2%	15.5%	20.3%	31.4%
<b>Total General Insurance</b>	<b>53.3%</b>	<b>52.3%</b>	<b>55.4%</b>	<b>5.9%</b>
<b>Total Health Insurance</b>	<b>80.8%</b>	<b>82.9%</b>	<b>78.4%</b>	<b>(5.4)%</b>
<b>Total</b>	<b>60.9%</b>	<b>62.4%</b>	<b>64.6%</b>	<b>3.5%</b>

Retention ratios are not shown for Protection & Savings as the savings element of the contract must be retained in the Saudi Arabian company, so retentions are not directly comparable with other insurance contracts.

## Table 6: Commissions Paid by Line of Business (2005-06-07)

Table 6: Commissions Paid by Line of Business (2005-06-07)							
Line of Business	2005		2006		2007		% Change
	SR Million	%	SR Million	%	SR Million	%	
<i>A&amp;L and Other</i>	34.7	9.7%	41.8	9.5%	49.2	8.5%	17.7%
<i>Motor</i>	128.4	35.9%	185.2	42.1%	229.6	39.9%	24.0%
<i>Property/ Fire</i>	54.4	15.2%	54.8	12.5%	63.2	11.0%	15.4%
<i>Marine</i>	35.6	10.0%	38.5	8.8%	46.8	8.1%	21.5%
<i>Aviation</i>	2.0	0.6%	2.3	0.5%	1.9	0.3%	(18.9)%
<i>Energy</i>	3.9	1.1%	0.9	0.2%	2.9	0.5%	239.0%
<i>Engineering</i>	24.6	6.9%	31.4	7.1%	43.5	7.5%	38.5%
<b>Total General Insurance</b>	<b>283.7</b>	<b>79.3%</b>	<b>354.8</b>	<b>80.7%</b>	<b>437.1</b>	<b>75.9%</b>	<b>23.2%</b>
<b>Total Health Insurance</b>	<b>57.6</b>	<b>16.1%</b>	<b>76.9</b>	<b>17.5%</b>	<b>129.8</b>	<b>22.5%</b>	<b>68.8%</b>
<b>Total P&amp;S Insurance</b>	<b>16.4</b>	<b>4.6%</b>	<b>7.7</b>	<b>1.8%</b>	<b>9.0</b>	<b>1.6%</b>	<b>16.7%</b>
<b>Total</b>	<b>357.7</b>	<b>100.0%</b>	<b>439.4</b>	<b>100.0%</b>	<b>575.9</b>	<b>100.0%</b>	<b>31%</b>

## Table 7: Gross Claims Paid by Line of Business (2005-06-07)

Table 7: Gross Claims Paid by Line of Business (2005-06-07)							
Line of Business	2005		2006		2007		% Change
	SR Million	%	SR Million	%	SR Million	%	
<i>A&amp;L and Other</i>	111.7	4%	169.8	6%	170.2	4%	0.2%
<i>Motor</i>	882.0	35%	1,010.5	33%	1,217.9	30%	20.5%
<i>Property/ Fire</i>	217.7	9%	299.9	10%	283.0	7%	(5.6)%
<i>Marine</i>	240.2	9%	154.9	5%	165.9	4%	7.1%
<i>Aviation</i>	12.8	1%	18.5	1%	62.8	2%	239.6%
<i>Energy</i>	1.2	0%	9.0	0%	6.2	0%	(31.7)%
<i>Engineering</i>	78.1	3%	102.2	3%	219.2	5%	114.5%
<b>Total General</b>	<b>1,543.7</b>	<b>60%</b>	<b>1,764.9</b>	<b>58%</b>	<b>2,125.3</b>	<b>52%</b>	<b>20.4%</b>
<b>Total Health</b>	<b>963.0</b>	<b>38%</b>	<b>1,240.4</b>	<b>41%</b>	<b>1,897.9</b>	<b>47%</b>	<b>53.0%</b>
<b>Total P&amp;S</b>	<b>44.9</b>	<b>2%</b>	<b>34.9</b>	<b>1%</b>	<b>38.0</b>	<b>1%</b>	<b>9.0%</b>
<b>Total</b>	<b>2,551.6</b>	<b>100%</b>	<b>3,040.2</b>	<b>100%</b>	<b>4,061.2</b>	<b>100%</b>	<b>34%</b>