

Regulatory Digest Report

Saudi Arabia _____



**Expanding
Possibilities**

BRAXTONE

Overview

Over the past months, the Insurance Authority (formerly the Saudi Central Bank (SAMA)) has introduced several significant regulatory changes aimed at enhancing the stability, transparency, and competitiveness of the insurance sector in Saudi Arabia. These changes reflect Saudi Arabia's commitment to aligning with international standards and supporting the Kingdom's Vision 2030 objectives.

The Insurance Authority's regulatory changes have been instrumental in fostering a more robust and dynamic insurance market in Saudi Arabia. By aligning with global best practices, the IA has aimed to enhance the sector's efficiency, effectiveness, and overall governance.

One of the key reforms introduced by the IA (Insurance Authority) is the **implementation of stricter capital adequacy requirements for insurance companies.**

These requirements ensure that insurance companies maintain sufficient capital reserves to meet their obligations and safeguard policyholders' interests. By strengthening the financial position of insurers, **this measure enhances market stability and reinforces trust in the sector.**



Overview

Additionally, the IA has focused on improving transparency within the insurance industry. It has introduced new regulations that mandate enhanced disclosure and reporting requirements for insurers. These measures promote greater transparency in financial reporting, risk management, and corporate governance practices. **As a result, stakeholders, including investors and customers, can make more informed decisions and have increased confidence in the insurance sector.**

To foster competition and innovation, the IA has implemented measures to streamline licensing procedures for insurance companies. These changes have simplified the process of entry into the market, facilitating the establishment of new insurers and encouraging healthy competition. The IA's efforts to create a level playing field have stimulated innovation and product diversification, ultimately benefiting insurance customers.

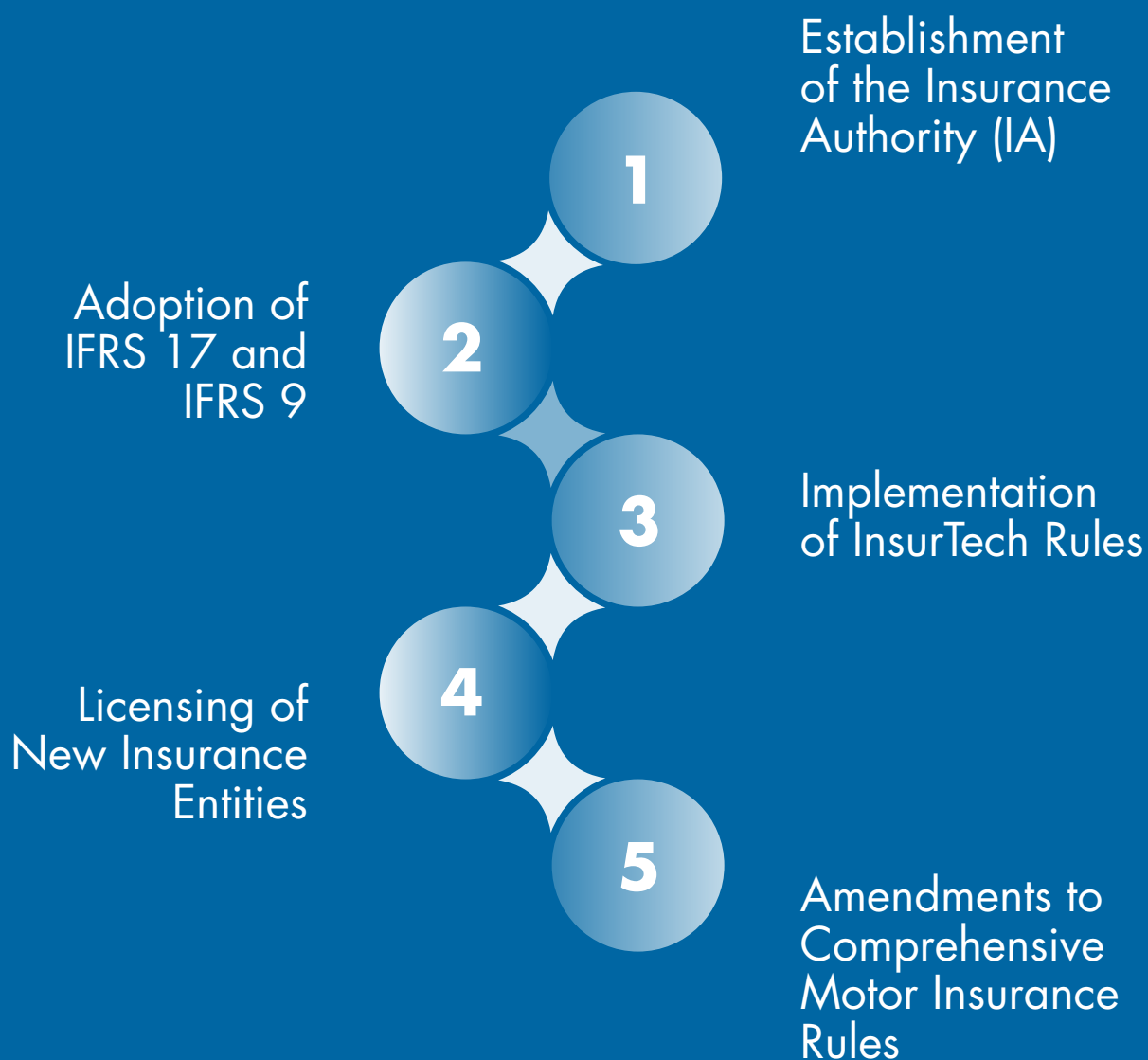
Furthermore, the IA has prioritized consumer protection by introducing regulations that enhance the rights and safeguards for policyholders. These measures ensure fair treatment, clarity in policy terms, and effective claims handling processes. By establishing a robust framework for consumer protection, the IA aims to build trust and maintain a high level of customer satisfaction in the insurance industry.

The regulatory changes implemented by the IA have attracted positive feedback from industry stakeholders. Market participants have recognized IA's commitment to creating a stable and competitive insurance sector that aligns with international standards. These reforms not only contribute to the realization of Vision 2030 objectives but also position Saudi Arabia as an attractive and reliable destination for insurance investments.

As the Insurance Authority continues to evolve the regulatory landscape, it is expected that the Saudi Arabian insurance sector will witness sustained growth, increased foreign investment, and enhanced customer experiences. The IA's dedication to fostering a favorable business environment, coupled with its emphasis on transparency and consumer protection, sets the stage for a vibrant and prosperous insurance industry in Saudi Arabia.



Regulatory Changes



1 ›

Establishment of the Insurance Authority (IA)

In November 2023, the Saudi Cabinet approved the establishment of the Insurance Authority (IA) a dedicated regulated to the insurance industry, which officially began operations. The establishment of the IA marks a significant milestone in the development of the insurance sector in Saudi Arabia. The IA is tasked with regulating and supervising the insurance sector, enhancing sector effectiveness, and safeguarding the rights of insured parties. This includes unifying the regulatory framework and providing streamlined oversight.

Under the IA's purview, the regulatory framework for insurance has been unified and streamlined, resulting in a more efficient and transparent oversight process. The IA's role includes setting and enforcing regulations, conducting inspections, and ensuring compliance with internationally recognized standards. By centralizing regulatory authority, the IA aims to enhance market confidence, attract investment, and promote fair competition within the insurance industry.



2 ›

Adoption of IFRS 17 and IFRS 9

Effective from January 1, 2023, the **IA adopted IFRS 17 (Insurance Contracts) and IFRS 9 (Financial Instruments)** for all insurance companies. These standards enhance transparency and accuracy in financial reporting, aligning Saudi Arabia with international accounting practices. **IFRS 17 focuses on the recognition, measurement, presentation, and disclosure of insurance contracts**, while **IFRS 9 addresses financial instruments**. In addition, the adoption of IFRS 9 addresses financial instruments and their classification, measurement, and impairment. This standard

ensures consistent accounting practices for financial instruments, enhancing the quality of financial reporting and risk management within the insurance sector. By aligning with these international accounting standards, Saudi Arabia demonstrates its commitment to adopting global best practices and facilitating cross-border financial transactions.



3 ›

Implementation of InsurTech Rules

In July 2023, the IA introduced a framework for InsurTech activities. The framework includes guidelines for licensing InsurTech companies, operational requirements, and consumer protection measures. It aims to support innovation and digital transformation within the insurance sector. Further details on the IA Initiatives are illustrated below:

A. Guidelines for licensing InsurTech companies:

For the purpose of practicing in the Insurtech Activities, the Insurtech Company must comply with the following:

Obtain a prior license to practice in Insurtech Activities according to the licensing stages and requirements set out by the IA. Upon obtaining the initial license, the Insurtech Company shall:

- Begin the licensed Insurtech activities within the timeframe and under the conditions specified by the IA.
- Refrain from marketing or advertising the licensed Insurtech activities without prior approval from the IA.
- Submit a monthly summary of Insurtech operations to the IA using the application form provided by the IA.
- Report any discovered, occurred, or anticipated risks related to Insurtech activities to the IA on a monthly basis.

Immediately notify the IA of any cyber incidents. Insurtech Activities shall be practiced by legal persons only.

Availability of sufficient knowledge and experience in the insurance and technological business





B. Consumer protection measures

The Insurtech Company must implement a fair, transparent, and accessible process for handling client complaints and inform clients of the complaint filing and handling procedures in accordance with laws and regulations.

The Insurtech Company must establish a clear mechanism for clients to cancel or withdraw from the service. This mechanism must be agreed upon by both parties before the service is provided. Additionally, the Insurtech Company must provide clear instructions for clients on how to cancel or withdraw from the service and facilitate electronic repayment to the client.

By establishing clear guidelines and regulations for InsurTech companies, the IA provides a conducive environment for startups and established insurers to leverage technology in their operations.

The rules ensure that InsurTech companies meet the necessary regulatory standards, maintain data privacy and security, and offer fair and transparent services to customers. This initiative promotes competition and encourages the creation of innovative insurance products and services that address evolving customer needs in a digital era.

4 ›

Licensing of New Insurance Entities

The IA granted licenses to several new entities including the first foreign-owned health insurance branch Cigna Worldwide Insurance Company and two insurance aggregators Al-Tizam for Electronic Insurance Brokers and Altheqa Insurance Brokers in 2023. The new licenses aim to increase market competition and introduce innovative insurance products and services.

The entry of foreign-owned branches and insurance aggregators introduces fresh perspectives, expertise, and products to the Saudi Arabian market. This increased competition stimulates innovation and drives the development of customer-centric insurance solutions. It also enhances the overall competitiveness of the insurance sector, benefits consumers through increased choice and improved service quality, and contributes to the growth and development of the national economy.



5 ›

Amendments to Comprehensive Motor Insurance Rules

In November 2023, the IA amended the Comprehensive Motor Insurance Rules. The amendments expand coverage to include relatives, domestic workers, and employees under labor laws. These changes provide more flexibility and strengthen beneficiary rights.

By broadening the coverage, the IA addresses emerging needs and aligns motor insurance with the changing dynamics of the workforce. This regulatory update provides greater flexibility, allowing policyholders to extend coverage to their immediate family members and domestic workers. It ensures that individuals and their dependents are adequately protected in the event of motor accidents, promoting a sense of security and peace of mind.



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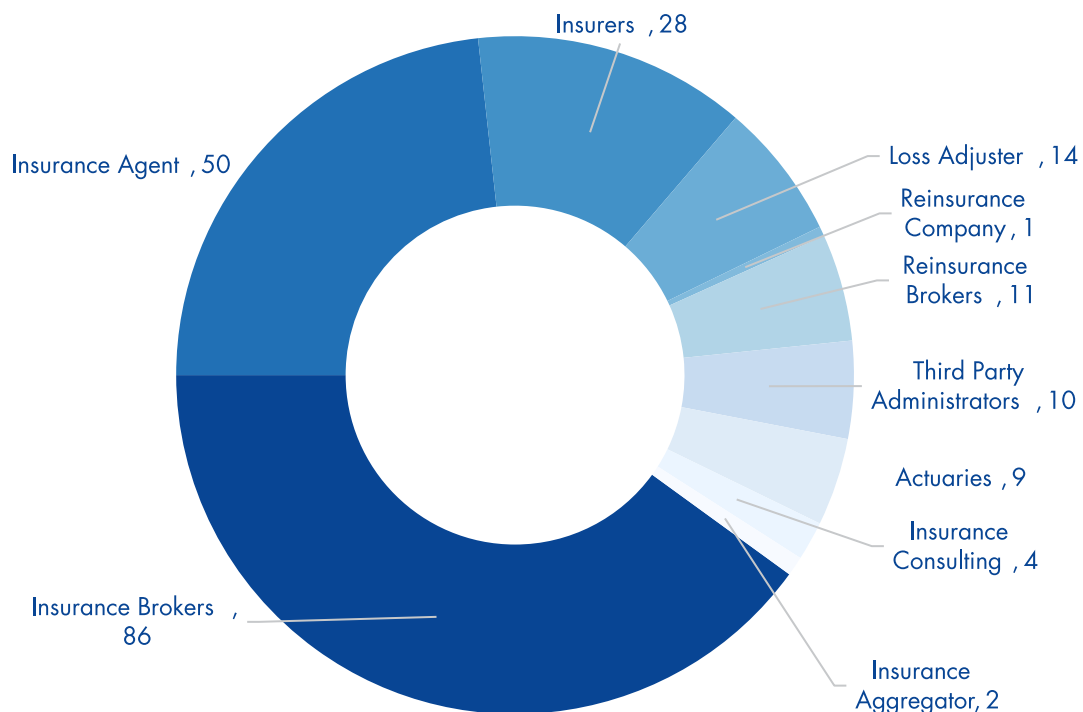
Saudi Insurance Market Snapshot

In 2023, the insurance sector experienced a 22.7% premium growth, with total gross written premiums reaching SR 65.5 billion. The major portion of growth was in motor and protection & savings insurance.

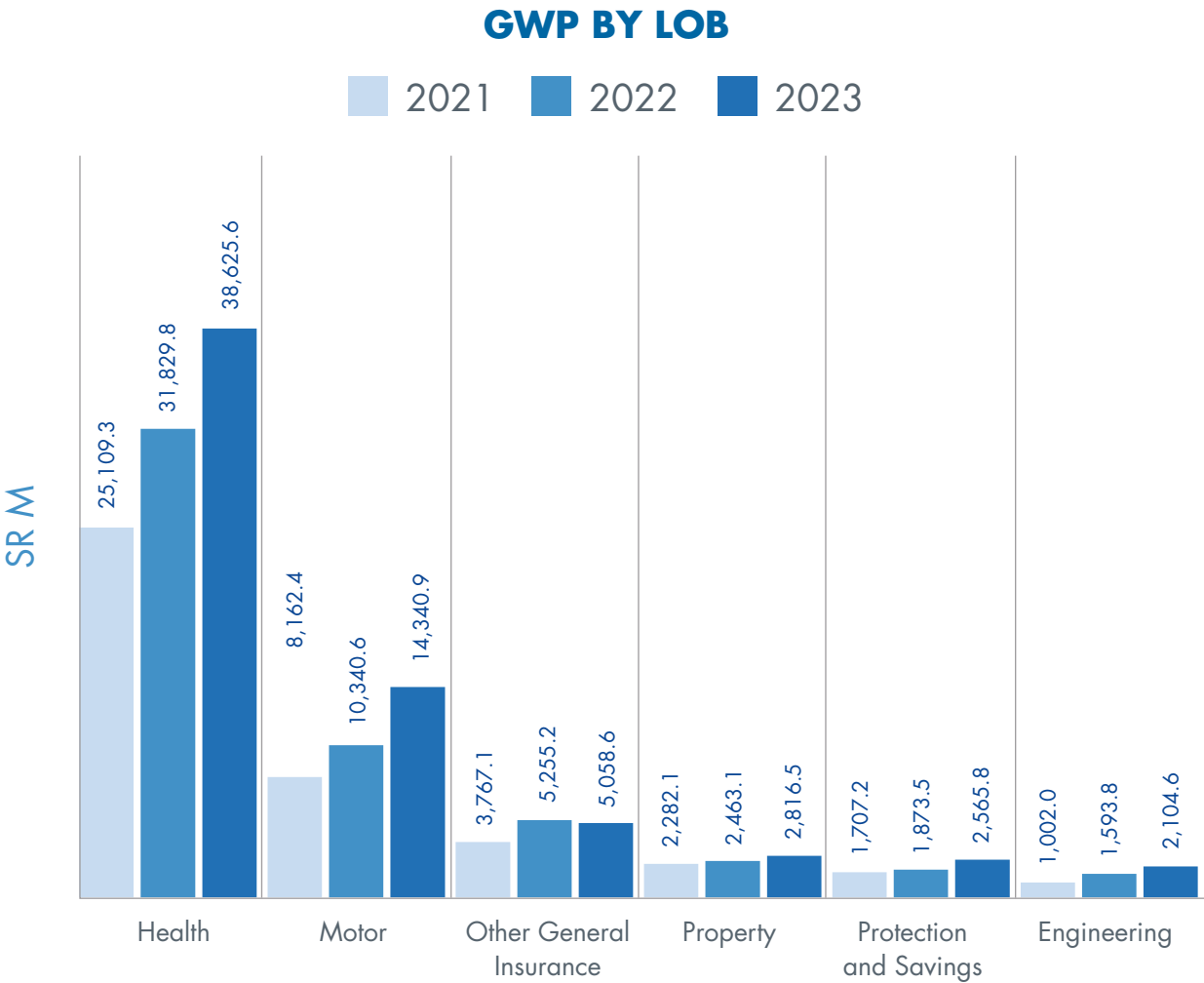
The insurance sector recorded an overall net income (after zakat and tax) of SR 3.2 billion in 2023 compared to 244 million in 2022.

Licensees Number and Type

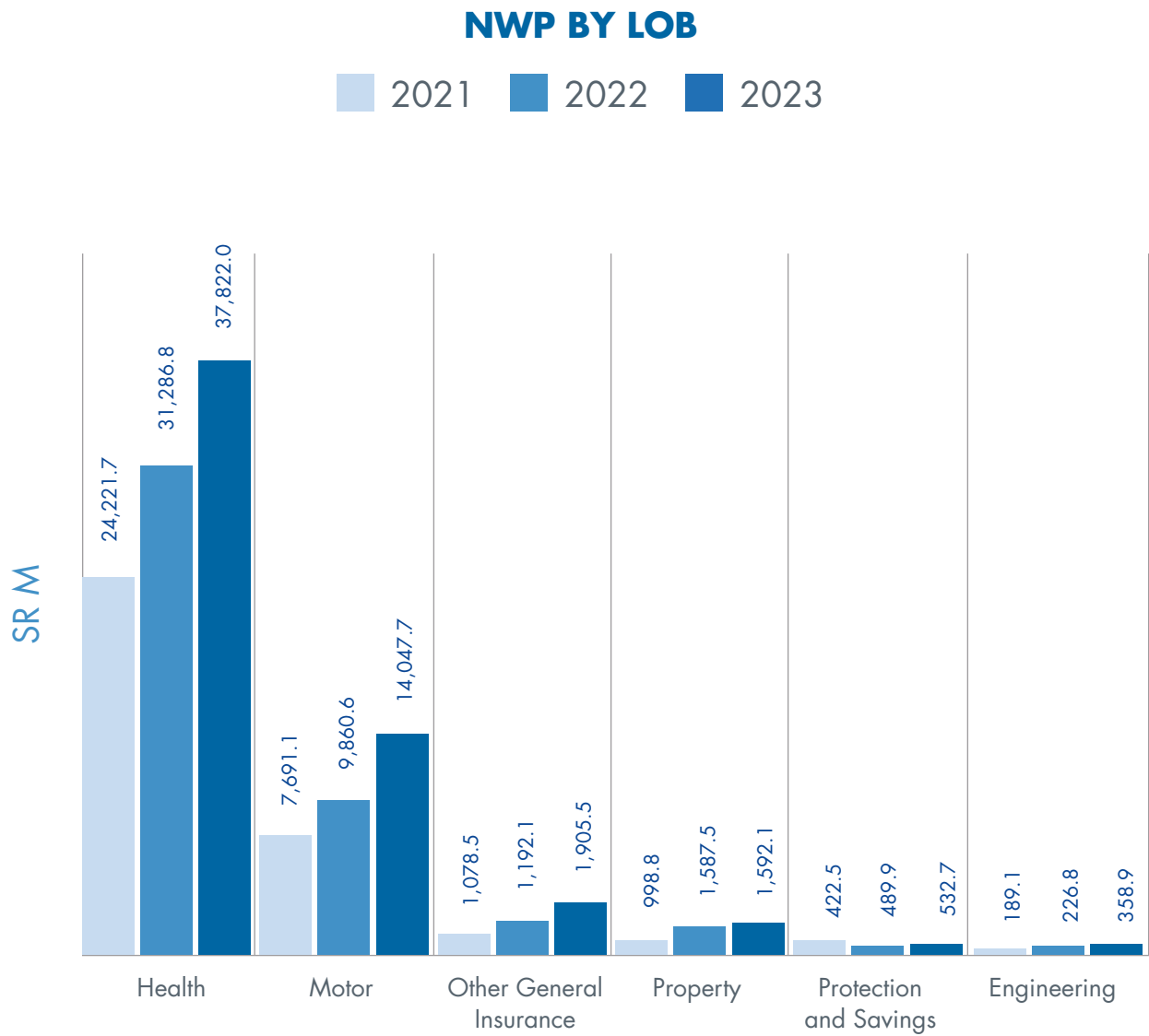
Number of Licensees



Insurance Market Performance
Gross Written Premium by Line of Business



Net Written Premium by Line of Business

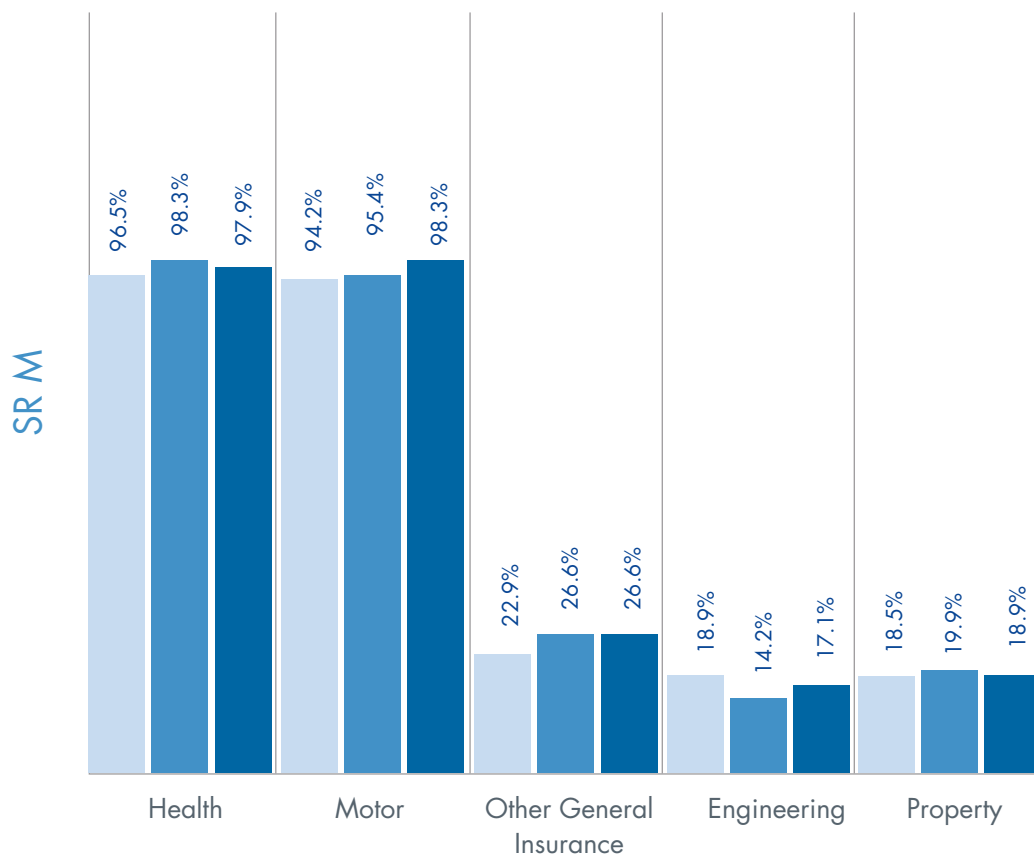


Retention Ratio by Line of Business

The overall retention ratio for general and health insurance reached 86.4% in 2023 compared to 84% in 2022. For health and motor insurance classes remained high, at 98%. For other general insurance classes in aggregate, the retention ratio reached 24.9% in 2023 compared to 24.7% in 2022.

RETENTION RATIO

2021 2022 2023



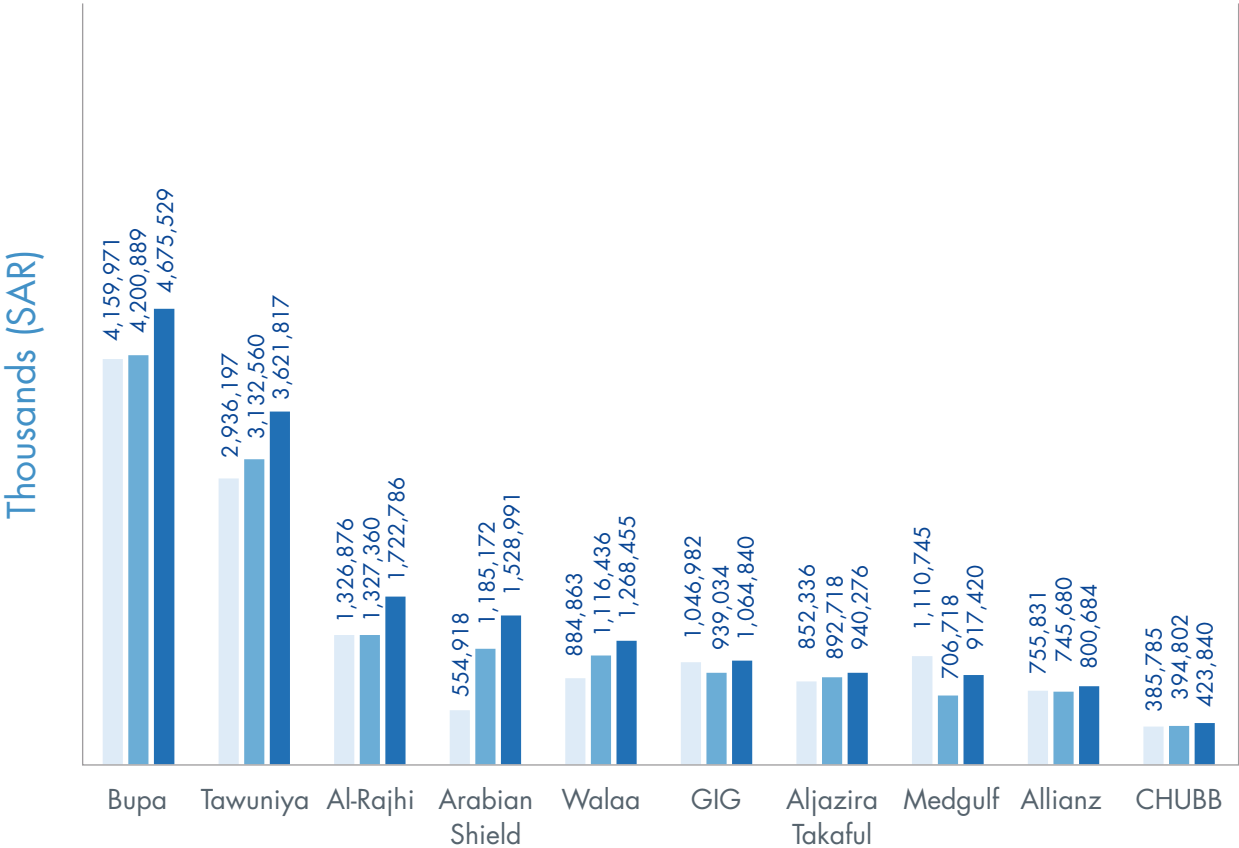
Industry Leaders

Top 10 companies by shareholder's equity

The Total Equity for the top 10 companies portrays a steady upward trajectory. The total market equity rose from SAR 20 billion in 2022 to SAR 23.6 billion in 2023.

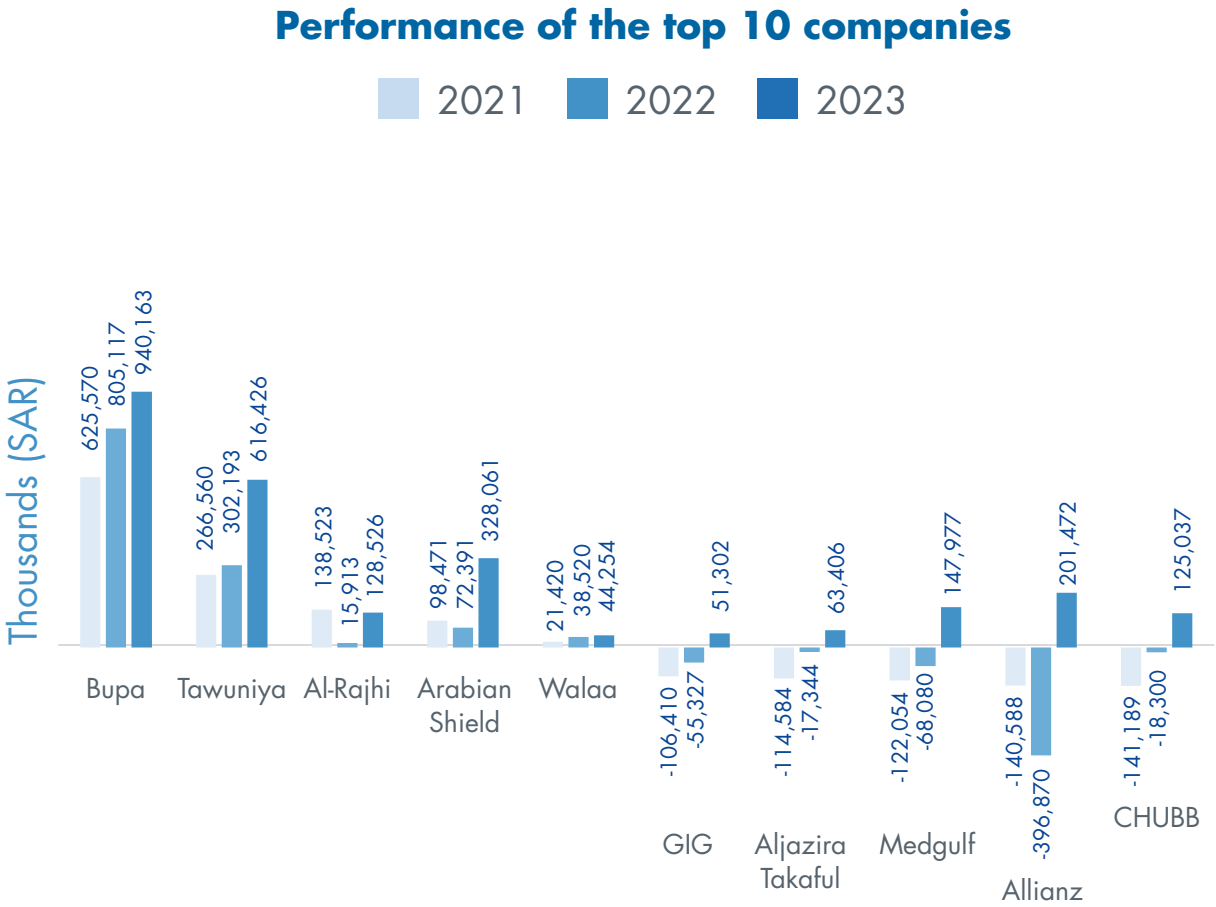
TOP 10 COMPANIES BY EQUITY

2021 2022 2023



Performance of the top 10 companies

In 2023, the Insurance Operators income (profit) reached SR 2.66 billion, compared to a loss of SR 203 million in 2022.



Conclusion

The regulatory changes introduced by the IA set a solid foundation for a modern and robust insurance sector in Saudi Arabia. These reforms promote transparency, sustainability, and innovation, positioning the country as an attractive destination for insurance investments and supporting the broader goals of Saudi Arabia's Vision 2030. With these changes, the insurance industry is poised to thrive and meet the evolving needs of consumers and businesses in the years to come.

How Braxtone Can Help

Braxtone can assist and support your organization by providing regular updates on regulatory changes and their interpretations. Additionally, we can help identify the impacts of these regulatory changes on your operation, internal controls, and the necessary actions required to ensure full compliance within the timeframe set by the regulators.

Braxtone Offers:



Regulatory Insights

A deeper understanding of emerging regulatory trends.



Resource Optimization

Enhanced resource efficiency and potential cost savings.



Integrity Assurance

Strengthened integrity and consistency.



Advanced Analytics

Improved data management and reporting through customized and advanced analytic capabilities.



Regulatory Impact

Greater focus on assessing the impact of regulatory changes on your organization's governance and operational framework, and timely escalation of relevant information to the governance team.

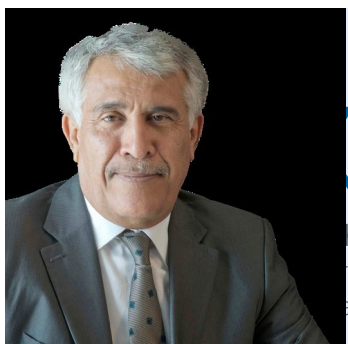
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Advisory and Consultancy

Mergers and Acquisitions
Strategy Development
Regulatory Compliance Support
Process Improvement
Digital Transformation

Insurance Brokerage and Captive Management

Insurance for Individuals
Insurance for Corporate
Reinsurance Brokerage
Captive Feasibility Study
Captive Management

Claims Management and Loss Adjusting

Consumer Lines:

Motor Survey
Market Value
Investigation Report

Technical Report

Commercial Lines:

Pre-Risk Inspection
Claim Adjustment

Outsourcing and Assistance

Roadside Assistance
Car Replacement
Home Assistance
Concierge Services
Employee Secondment/Outsourcing

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