ASSESSING PROFITABILITY AND GROWTH OF INSURANCE SECTOR IN SAUDI ARABIA: USING FINANCIALS AND TANGIBLES

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Abstract

The purpose: The purpose of this study to find out the contribution of internal (financial) and external (tangible & human resource) factors of growth and development of the Saudi insurance sector and facilitate suggestions.

Methodology: The study considers financial data of insurance companies of Saudi Arabia for the period 2013 to 2017 for internal analysis while data from 2010 to 2015 for external analysis. Trend indices (chain based index numbers & fixed base index numbers) from financial statements and insurance establishments and human resources of the insurance industry are prepared to know the internal and external factors responsible for growth and development. The averages of trend indices are obtained to get the results of the analysis.

Findings: The study finds that there is negativity in operational efficiency. It also finds that the internal liabilities or shareholders’ equities are decreasing continuously. Also, establishments engaged in insurance activities are not enough to cover all prospective customers.

Implications: The finding implies that the increase in revenues is not enough. The findings also imply a weak long term paying ability towards this the study recommends further investment in profitable options like securities and avoid excess liquidity and increase insurance penetration.

Novelty: This study is one of the few that assesses the performance of the insurance sector of Saudi Arabia. In the process, it performs internal analysis using operational and financial factors; and an external analysis using tangibles and intangibles.

Keywords: Insurance, Saudi Arabia, Financial Analysis, Profitability, Trend Analysis, Operational Analysis.

JEL Codes: G22, C43.

INTRODUCTION

Financial services in an economy depict its prosperity and sustainability. Financial services play the role of shield to protect the economy from unexpected downfall and contingencies. It facilitates inputs for the developmental schemes to accelerate the growth of Gross Domestic Product (GDP). Easy availability and accessibility of financial services hedge the economy against uncertainties. It also helps in the utilization of natural and non-natural resources that provides the base for the developmental growth of the economy. In individual existence, people generally consider the future more than the present and endeavor to attain security of imminent financial menace. Insurance, a financial service assures financial hedging against unexpected monetary losses arising due to the decimation of wealth or human life. Insured assets, properties and life of individuals reflect the level of assurance against contingencies that might affect financial aspects of the population. The Saudi insurance market is the second-largest market in the Gulf Cooperation Council (GCC). It is having a compound annual growth rate (CAGR) of 15% for the last five years (18). The reason for the growth in the insurance market of Saudi Arabia is the compulsion in health and vehicle insurance, awareness, increasing population and number of vehicles, etc.

The insurance sector of Saudi Arabia contributes 2.5% of non-oil GDP and an accounted compounded growth of 7.7% for the period 2013 to 2017 (18). There are three types of insurance in Saudi Arabia i.e. health insurance, protection and saving insurance, and general insurance. General insurance of Saudi Arabia includes seven activities of insurance i.e. aviation, accidents and responsibilities, energy, engineering, motor, property and fire insurance. Health and motor insurance is the compulsory sector and it collectively constitutes 84.3% of the insurance sector. According to a report of Albilad capital (2017), the insurance sector is witnessing an increase of 5.8% in net claims incurred (SR 733.7 million in 2017) (18). There are 32 listed companies operating their insurance services in Saudi Arabia but only four insurance service providers are capturing 62.1% of the total insurance market. As per data, health and motor insurance are capturing 53.7% and 30.7% (premium wise) of the insurance market of Saudi Arabia in 2017. Therefore, health insurance and motor insurance are the most assured activities in Saudi Arabia. General insurance, and protection and saving insurance are the most neglected activities in the insurance sector in Saudi Arabia.

In 2017, the first time there was a 0.9% decrement in the growth of demand for general motor insurance and motor insurance due to decreased ownership of cars in Saudi Arabia. The consolidated profit of the insurance sector decreased by 65.7%, from 2138 million SR in 2016 to 733.7 in 2017 (18). The overall profitability of the insurance sector of Saudi Arabia is down and
data reveals negativity in the 4th major sector of insurance i.e. motor insurance and general insurance. The penetration rates of insurance are lower in Saudi Arabia when compared to other countries of GCC. According to Argaam (2017), the penetration rate of Saudi Arabia is only 1.5% while the average for GCC is 1.9% leading by 2.9% penetration rates of UAE. Saudi insurance clients are not much aware and interested in life insurance policies (Al-Salih, Napier & John, 2012). Therefore, there is a possibility to increase the profitability of the insurance sector of Saudi Arabia by increasing the penetration rates. The density rates of the Saudi Insurance market also reveal negativity because it was 1173.75 SR for Saudi Arabia while for GCC the average was 1824.375 in 2016 (19). As Saudi Arabia is the oil-based economy, the current decline in oil prices requires a structural transformation of the economy (Haque, 2019). Therefore, there are an ample amount of possibilities of growth available in the Saudi insurance market.

LITERATURE REVIEW

The Saudi insurance sector is developing fast and witnessing high growth in insurance premiums due to the adoption of international regulatory standards since reform in 2004 (Ansari, 2011). Service quality needed to be focused upon to attract more and more insurance customers (Ishfaq, 2015). Health insurance needed more service quality concentration by the insurance provider companies to ensure there should not be geographical, ethnic or demographic disparities in the service provisions in the health insurance sector. It was identified that climatic change affected the economy of GCC countries and the insurance sector can be a factor to establish economic stability (Darwish, 2018). Customers buying insurance policies in Saudi Arabia due to statutory compulsion while provisions of Shariah are restricting to buy insurance (Ansari, 2012). The behavior of prospective customers is a determining factor to purchase an insurance (Toukabri and Ibrahim, 2016). Awareness about the benefits of insurance is necessary among the prospective and existing customers to increase the insurance turnover in Saudi Arabia (Saad & Islam, 2016). The insurance awareness program is beneficial to attract new customers and retain existing customers (Satty, 2012). Compensation, reward, and premium are the factors responsible to enhance the level of customers and indicated that policymakers should consider the need and requirements of the customers before providing them insurance services (Alharbi, 2017). The insurance organizations are working efficiently in GCC and still, there is scope available for improving the performance of the insurance corporations (Al-Amri, Gattoufi, & Al-Muharrami, 2012). In Saudi Arabia, insurance clients are more aware of General insurance than life insurance (Al-Salih, Napier & John, 2012).

Insurance companies in Saudi Arabia are facing the problems of accumulation of losses and risk of insolvency (Guendouz & Ouasaaf, 2018). Most of the companies are not performing well and there is a need to enhance the financial efficiency by the larger conventional insurance companies and Takaful insurance companies utilizing efficiently their inputs and to take the advantages of a larger scale. There is a need for mergers or acquisitions in this sector to get dynamism in the insurance sector. Also, Takaful insurance needs to launch new schemes to enhance financial performance by capturing more and customers (Akhtar, 2018). The insurance sector playing an important role in economic growth and there needs to consider the insurance sector in policy formulation in an economy (Oitsile, Galebotswe & Sekwati, 2018). Saudi insurance companies earn from mandatory medical and insurance sector which is dominated by a few insurance companies. Companies can improve service quality to get future growth and stability (Haque & Sultan, 2019). There is no impact of size on profitability or value of the business organization and working on equity is the might be one factor to enhance the profitability of the firm (Ebenezer, Islam, Zukime, Junoh, & Yousoff, 2019).

This paper is an extension of the previous research carried out by Ali & Tausif, 2018. The research found that service quality is not influencing the profitability of the insurance companies in Saudi Arabia. The reasons for buying insurance policy were the only statutory requirement in health and motor and vehicle sector in Saudi Arabia. The paper had identified studying the monetary factors other than service quality and customer satisfaction that may be affecting the profitability or financial performance of the insurance sector as the scope for further research. This current paper moves forward with the study of monetary factors as the objective of the research.

RESEARCH METHODOLOGY

This research is based upon the secondary data obtained from the website of the General Authority for Statistics (20), Albilad-Capital (18) and Argaam-available at amazonaws.com (19). The analysis is divided into two categories i.e. Internal-operational and financial, External-tangible and intangible analysis. Internal analysis (operational and financial analysis) includes trend analysis of the integrated financial statement of the insurance sector while External (tangible and intangible) analysis includes trend analysis of establishments and human resources engaged in the insurance sector of Saudi Arabia. The insurance data is used to get the consolidated trend of income, expenses, assets and liabilities of the insurance sector of Saudi Arabia. This study uses data of 2013(for internal analysis) and 2010(for external analysis) as a base to develop trend indices. The study plans to work on horizontal trend analysis applying averages of Fixed Base Indices (FBI) and Chain Base Indices (CBI) of all ingredients of the Consolidated Balance Sheet, Income Statement and insurance Establishments, Employees of the insurance sector to study long-term trend and short term fluctuations. Trend indices (chain based index numbers & fixed base index numbers) from financial statements and insurance establishments and human resources of the insurance industry are prepared.
to know the internal and external factors responsible for growth and development. The averages of trend indices are obtained to get the results of the analysis.

**DATA ANALYSIS AND INTERPRETATION**

Analysis and interpretation of the growth and development of the insurance sector of Saudi Arabia can be divided into two categories i.e. internal analysis and external analysis. Growth and development of internal factors (Operational and Financial) govern the External factors (Tangibles and Intangibles). Therefore, internal analysis is the primary analysis while external analysis is the secondary analysis and disparity is the reflection of unprogressive attitude or lack of developmental vision or resources.

**Internal Analysis**

Internal analysis of the insurance sector of Saudi Arabia will include operational and financial analysis and disclose the operational efficiency and financial soundness of the concern.

**Operational Analysis**

Operational analysis of a corporation or an industry refers to Income Statement analysis and reveals the operational efficiency of the concern. Trend indices of the income statement reveal the operational growth and efficiency of the corporation or the industry. The increasing trend of income or revenue and decreasing trend of the expenses or losses are the positive indication for the operational efficiency and growth.

| Table 1: Trend analysis of Income Statement of the insurance industry in Saudi Arabia |
|-----------------------------------------|----------|----------|----------|----------|----------|----------|
| Income Statement                        | 2013     | 2014     | 2015     | 2016     | 2017     | Average  |
| Gross Premiums Written                  | FBI      | CBI      | FBI      | CBI      | FBI      | CBI      | CBI      | CBI      |
| Net Premiums Written                    | 100      | 100      | 123.6    | 124      | 148      | 120      | 148.7    | 101      | 147.5    | 99.2     | 134      | 109      |
| Net Premiums earned                     | 100      | 100      | 129.9    | 130      | 161      | 124      | 163.8    | 101      | 165.3    | 101      | 144      | 111      |
| Gain (Loss) on Investments              | 100      | 100      | 125.5    | 126      | 158      | 126      | 175.1    | 111      | 176.5    | 101      | 147      | 113      |
| Gross claims paid                       | 100      | 100      | 121.9    | 122      | 148      | 121      | 152.8    | 103      | 159.4    | 104      | 136      | 110      |
| Net claims incurred                     | 100      | 100      | 110.6    | 111      | 138      | 125      | 148.3    | 107      | 157      | 106      | 131      | 110      |
| Surplus(deficit) from insurance operations | 100    | 100      | -63.2    | -63.2    | -92      | 145      | -218     | 238      | -79.04   | 36.2     | -70.5    | 91.2     |
| Shareholders appropriation from surplus(deficit) | 100 | 100     | -46.9   | -46.9   | -69      | 146      | -174     | 254      | -56.92   | 32.7     | -49.3    | 97.2     |
| Net income(loss) for the period         | 100      | 100      | -65.1    | -65.1    | -70      | 108      | -178     | 254      | -61.06   | 34.3     | -54.8    | 86.1     |

**Originating source:** Indices calculated from the data available [http://www.albiladcapital.com/Research_E_English_report/InsuranceSectorQ417EN.pdf](http://www.albiladcapital.com/Research_E_English_report/InsuranceSectorQ417EN.pdf)

From the above analysis, it is clear that there are downward average fluctuations in the surplus from the insurance operations (91.2%) and net income (86.2%) for the period 2013 to 2017. The negative trend in the surplus from insurance operation (-70.5%) and net income (-58.4%) reveals the negativity in the operational efficiency of the insurance industry of Saudi Arabia. There is short term positivity in the growth of net premium written and net premium earned reveals that excess of reinsurance over ceded and increased proportion of premiums collected over a period that has been earned based on the ratio between time passed on the policies and their effective life. Gains on investments are in increasing trend indicating the profitable investment in securities (144% and 147%). There is symmetry in gross claims paid and net claims incurred in the insurance industry of Saudi Arabia. It indicates a positive relationship between gross claims paid and reinsurance share. The negative trend of surplus from insurance operations and net income for the period reveals that there is weak control over the outstanding claims and reserves and other costs of the insurance. Trend analysis (long-term) also reveals the negativity and net income for the period. Although, fluctuations and trend study reveals that there is more positivity in the insurance revenues comparatively total cost of the insurance. But, the growth ratio of revenues is not sufficient to cover the negative absolute amount of the surplus from insurance operation or net loss for the period (Appendix 1).
Financial Analysis

Financial analysis of a corporation or an industry refers to the analysis of Balance-Sheet and reveals the financial soundness of the business concern. Trend indices reflect the growth and financial viability of the corporation or industry. The composition of total assets or total liabilities will reflect the financial stability and ability to pay it outsiders' liability as it becomes due. In the liability side of the balance sheet, the increasing trend of external liabilities reflects weak paying ability of the corporation or industry and the decreasing trend is the proof of financial soundness but blockage of funds. Therefore, there should be an optimum balance between the composition of the external and internal liabilities of the corporation. In the assets side of the balance sheet, current assets provide liquidity to pay current liability as well as liquidity to pay operational expenses.

Table 2: Trend analysis of Balance-Sheet of the insurance industry in Saudi Arabia

| Balance-Sheet | 2013 | 2014 | 2015 | 2016 | 2017 | Average |
|---------------|------|------|------|------|------|---------|
| Cash & cash equivalents | FBI | CBI | FBI | CBI | FBI | CBI | FBI | CBI | FBI | CBI |
| Cash and cash equivalents | 100 | 100 | 145 | 145 | 141 | 97 | 162 | 115 | 157 | 97 | 141 | 111 |
| Investments | 100 | 100 | 130 | 130 | 189 | 145 | 210 | 111 | 228 | 109 | 171 | 119 |
| Receivables, net | 100 | 100 | 107 | 107 | 125 | 117 | 128 | 102 | 114 | 89 | 115 | 103 |
| Reinsurers' share | 100 | 100 | 116 | 116 | 99 | 86 | 102 | 103 | 95 | 93 | 102 | 99 |
| Other assets | 100 | 100 | 99 | 99 | 116 | 116 | 100 | 86.9 | 105 | 105 | 104 | 102 |
| Total policyholders’ assets | 100 | 100 | 118 | 118 | 133 | 113 | 138 | 104 | 138 | 100 | 125 | 107 |
| Capital and Liabilities | FBI | CBI | FBI | CBI | FBI | CBI | FBI | CBI | FBI | CBI |
| Cash and cash equivalents | 100 | 100 | 86 | 86 | 103 | 119 | 126 | 123 | 110 | 87 | 105 | 103 |
| Investments | 100 | 100 | 117 | 117 | 155 | 132 | 152 | 97.7 | 191 | 126 | 143 | 115 |
| Other assets | 100 | 100 | 117 | 117 | 123 | 105 | 216 | 176 | 214 | 99 | 154 | 119 |
| Total Shareholders’ assets | 100 | 100 | 105 | 105 | 130 | 124 | 149 | 114 | 161 | 108 | 129 | 110 |
| Total Assets | 100 | 100 | 114 | 114 | 132 | 116 | 141 | 107 | 144 | 102 | 126 | 108 |
| Gross outstanding claims | 100 | 100 | 116 | 116 | 120 | 104 | 128 | 107 | 134 | 104 | 120 | 106 |
| Gross unearned premiums | 100 | 100 | 123 | 123 | 146 | 119 | 142 | 97.3 | 140 | 98 | 130 | 107 |
| Other liabilities | 100 | 100 | 112 | 112 | 131 | 116 | 146 | 111 | 140 | 96 | 126 | 107 |
| Total policyholders’ liabilities | 100 | 100 | 118 | 118 | 133 | 113 | 138 | 104 | 138 | 100 | 125 | 107 |
| Shareholders' liabilities | 100 | 100 | 79 | 79 | 91 | 116 | 87 | 95.8 | 129 | 148 | 97 | 108 |
| Share capital | 100 | 100 | 105 | 105 | 133 | 127 | 132 | 99.5 | 121 | 91 | 118 | 104 |
| Total reserves and others | 100 | 100 | -57 | -57 | -47 | 83 | 625 | 1317 | 980 | 157 | 322 | 320 |
| Total shareholders’ liabilities and equity | 100 | 100 | 105 | 105 | 130 | 124 | 149 | 114 | 161 | 108 | 129 | 110 |
| Total PH liabilities and SH liabilities & equity | 100 | 100 | 114 | 114 | 132 | 116 | 141 | 107 | 144 | 102 | 126 | 108 |

Originating source: Indices calculated from the data available on [http://www.albiladcapital.com/Research_EnglishReport/InsuranceSectorQ417EN.pdf](http://www.albiladcapital.com/Research_EnglishReport/InsuranceSectorQ417EN.pdf)

From the above analysis of capital and liabilities of the balance sheet, it reveals that there are negligible (106% and 107%) positive fluctuations in the external liabilities of the insurance industry of Saudi Arabia for the period 2013 to 2017. Internal liabilities are fluctuating positively but slowly (104% and 108%) while total reserves and other liabilities have been seen as extraordinary difficulties (320%) for the period 2013 to 2017. Total policyholders’ liabilities increased by 25% from 2013 to 2017 and all ingredients of total policyholders’ liabilities have noted average growth and no considerable fluctuations are seen among all external liabilities in the long term growth. In internal liabilities, there is an uncommon negative growth (97%) in the shareholders’ liabilities. It reflects the weak financial position of the industry to pay its long-term liabilities. There are notable fluctuations in the total reserves (322%) and other liabilities. On average, there are their time's long-term growth in the total reserves and other liabilities but the absolute amount of total reserves (SR 1181.4 thousand) is half of the shareholders’ liabilities (SR 2196.4 thousand) (Appendix 2). The assets side of the balance sheet of the insurance sector reflects that there are common positive fluctuations in the policyholders’ assets (107%) and shareholders’ assets (108%) too. The short-term
oscillations of policyholders’ assets (125%) and policyholder’s liabilities (125%), shareholders’ assets (129%) and shareholders’ liabilities (129%) are identical. Investments, cash and cash equivalents of shareholders’ assets (141%) and investment (147%), other assets of shareholders and policyholders (154%) are noted positive growth above the average (125% and 129%) and indicate the sufficiency to payout short term liabilities while another side this might be underutilization of the liquidity of the insurance industry of Saudi Arabia.

External Analysis

External analysis of the insurance industry comprises the tangible (establishments) and intangible (employees) resources of the organization and reveals the growth of infrastructure and workforce engaged in the business. The growing trend of the infrastructure and workforce will reveal the attitude of the top management and future of the industry in the nation.

Tangibles-Establishments

Establishments refer to the tangibles of the number of institutes engaged in the operation of the business. The increasing trend of business establishments refers to the positive or progressive approach of the industry for development and growth.

| Table 3: Trend analysis of Establishments engaged in insurance and related activities in the insurance industry of Saudi Arabia. |
|---------------------------------------------------------------|
| Establishments | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Average |
| Activities of insurance | CBI | FBl | CBI | FBl | CBI | FBl | CBI | FBl | CBI | FBl | CBI | FBl |
| Reinsurance | 100 | 100 | 103 | 103 | 107 | 109 | 105 | 115 | 115 | 132 | 102 | 136 | 105 | 116 |
| Activities of insurance agents and brokers | 100 | 100 | 100 | 100 | 119 | 119 | 112 | 133 | 118 | 157 | 103 | 162 | 109 | 129 |
| Other activities auxiliary to insurance | 100 | 100 | 100 | 100 | 111 | 111 | 120 | 133 | 117 | 156 | 107 | 167 | 109 | 128 |
| Average | 100 | 100 | 104 | 104 | 111 | 115 | 111 | 127 | 114 | 144 | 103 | 150 | 107 | 123 |

Originating source: Indices calculated from the data available on https://www.stats.gov.sa/en/488-0

From the above trend analysis, it can be concluded that there are short-term positive fluctuations in all areas of the insurance sector of 7% for the period 2010 to 2015. There are positive fluctuations in the activities of insurance agents (109%) and brokers and other activities auxiliary to insurance (109%) while activities of insurance (105%) and reinsurance (105%) fluctuations are positive but low. Therefore, there is a need to improve the growth rate of the establishments engaged in the activities of insurance and reinsurance in Saudi Arabia. The trend of establishments engaged in insurance activities in Saudi Arabia reveals that there is 23.1% increment in all establishments engaged. There is more than 20% increment in all establishments engaged in insurance activities in Saudi Arabia except insurance activities. But, the absolute figure of the establishments engaged in insurance activities reveals that establishment engaged in insurance activities is more than 22 times, 36 times and 81 times of establishments engaged in reinsurance. Activities of insurance agents and brokers and other activities auxiliary to insurance (Appendix 3). So, short term fluctuations and long term trends reveal that there is a need to enhance the growth rate of establishments engaged in activities of insurance and enhance a number of establishments engaged in reinsurance, enhance activities of insurance agents and brokers and other activities auxiliary to insurance. So, there is a need to enhance the number of establishments because the penetration rate of Saudi Arabia is only 1.5% while the average for GCC is 1.9% leading by 2.9% penetration rates of UAE.

Intangibles-Human Resource

Human resource refers to the workforce engaged and contributes to the operational activities of the business organization. The increasing trend of the human resource of any organization indicates the level of activities as well as the commitment of execution within the stipulated time.

| Table 4: Trend analysis of Employees engaged in insurance and related activities in the insurance industry of Saudi Arabia. |
|---------------------------------------------------------------|
| Economic Activity | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Average |
| Activities of insurance | CB | FB | CB | FB | CB | FB | CB | FB | CB | FB | CB | FB |
| | I | I | I | I | I | I | I | I | I | I | FBl |
| | 100 | 100 | 102 | 102 | 107 | 109 | 107 | 117 | 119 | 139 | 109 | 152 | 107 | 120 |
From the above analysis, it is clear that there is 8% and 24% positive short term and long term positive growth in the employees engaged in the economic activities of insurance in Saudi Arabia. The employee's growth rate in activities of insurance agents and brokers and other activities auxiliary to insurance is more (132% and 130%) than the employees engaged in activities of insurance and reinsurance (120% and 114%). Therefore, there is a need to improve the growth rate of employees engaged in the area of Activities of insurance and reinsurance. But, the total number of employees engaged in the activities of insurance and reinsurance is many more times in excess of the employees engaged in the activities of insurance agents and brokers and other activities auxiliary to insurance (Appendix 3). The density rates of the Saudi Insurance market also reveal negativity because it was 1173.75 SR for Saudi Arabia while for GCC the average was 1824.375 in 2016 (19). Therefore, there is a need to improve the growth rate of the employees engaged in the activities of insurance and reinsurance to get sustainable growth in the insurance sector of Saudi Arabia. Also, a number of employees engaged in the activities of insurance agents and brokers and other activities auxiliary needs to be increased to attract more and more customers of insurance policies.

RESULTS OF THE STUDY

The results of the study are summarized as follows:

1. There is negativity in operational efficiency, positivity on gains on investments while growth ratios are not sufficient to cover the net loss for the period.
2. Negative trends in internal liabilities reflect the weak paying ability for long term liabilities while the positivity of other assets of policyholders and shareholders reflects the strong short term paying ability.
3. The number and growth rate of establishments engaged in insurance activities are not enough to cover all prospective customers.
4. The employees engaged in activities of insurance and reinsurance is lower than the employees’ growth rate in activities of insurance agents and brokers and other activities auxiliary to insurance.

CONCLUSION AND SUGGESTION

Based on the above discussions, the study concludes that there is negativity in the net income of the insurance of Saudi Arabia due to the excessive amount of net claims incurred. It reveals negativity in the operational efficiency of the insurance industry of Saudi Arabia due to growth and a huge amount of gross claims paid and net claims incurred. There is a need to focus upon efficient management of gross claims paid and net claims incurred by formulating new strategy and effective schemes to minimize the number of outflows (expenses) as well as to enhance the insurance premiums of the policies. Growth ratios of revenues are not sufficient to cover the negative absolute amount of the surplus from insurance operation or net loss for the period. There is a need to make more and more investment in securities as it is a profitable option and is witnessing an evident growth rate. The internal liabilities or shareholders’ equities are decreasing continuously. It is an indication of weak long term paying ability of the corporation or industry. Therefore, the shareholders’ equities should be increased by issuing share or retaining profits. Excess liquidity should be avoided as it is underutilization and leads to poor profitability. There is a need to increase establishments and employees engaged in activities of insurance and enhance a number of establishments engaged in reinsurance, activities of insurance agents and brokers and other activities auxiliary to insurance for capturing more and more prospective customers to get average insurance penetration rate of GCC.

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APPENDICES

1. Consolidated and comparative income statement of insurance sector of Saudi Arabia (Figures in Thousands SAR)

| Income Statement | 2013       | 2014       | 2015       | 2016       | 2017       | Average  |
|------------------|------------|------------|------------|------------|------------|----------|
| Gross premiums written | 24,047    | 29,723    | 35,564    | 35,758    | 35,459    | 32,110   |
| Net premiums written   | 18,079    | 23,477    | 29,190    | 29,608    | 29,886    | 26,048   |
| Net premiums earned    | 16,900    | 21,213    | 26,748    | 29,587    | 29,823    | 24,854   |
| Gain (loss) on investments | 374      | 328       | 408       | 637       | 795       | 508      |
| Gross claims paid       | 16,429    | 20,028    | 24,313    | 25,098    | 26,194    | 22,412   |
| Net claims incurred     | 15,347    | 16,973    | 21,235    | 22,766    | 24,091    | 20,082   |
| Surplus (deficit) from insurance operations | -1,164 | 736       | 1,069     | 2,542     | 920       | 821      |
| Shareholder's appropriation from surplus (deficit) | -1,300 | 610 | 892 | 2,265 | 740 | 641 |
| Net income (loss) for the period | -1,202 | 783 | 842 | 2,139 | 734 | 659 |

**Originating source:** [http://www.albiladcapital.com/Research_EnglishReport/InsuranceSectorQ417EN.pdf](http://www.albiladcapital.com/Research_EnglishReport/InsuranceSectorQ417EN.pdf)

2. **Consolidated and comparative Balance Sheet of insurance sector of Saudi Arabia**  
(Figures in Thousands SR)

| Balance Sheet | 2013 | 2014 | 2015 | 2016 | 2017 | Average |
|----------------|-------|-------|-------|-------|-------|---------|
| Cash & cash equivalents | 4436  | 6437  | 6251  | 7171  | 6965  | 6252    |
| Investments | 5529  | 7215  | 10426 | 11624 | 12614 | 9481.6  |
| Receivables, net | 6032  | 6449  | 7524  | 7702  | 6880  | 6917.4  |
| Reinsurers’ share | 5542  | 6439  | 5507  | 5648  | 5263  | 5679.8  |
| Other assets | 6463  | 6417  | 7472  | 6492  | 6818  | 6732.4  |
| **Total policyholders’ assets** | **28002** | **32957** | **37181** | **38637** | **38540** | **35063** |
| Cash and cash equivalents | 4211  | 3621  | 4325  | 5311  | 4643  | 4422.2  |
| Investments | 5013  | 5884  | 7787  | 7605  | 9563  | 7170.4  |
| Other assets | 1250  | 1463  | 1537  | 2705  | 2671  | 1925.2  |
| **Total Shareholders’ assets** | **10474** | **10969** | **13649** | **15621** | **16877** | **13518** |
| **Total Assets** | **38476** | **43925** | **50830** | **54258** | **55418** | **48581** |
| Gross outstanding claims | 10353 | 11976 | 12418 | 13281 | 13835 | 12373 |
| Gross unearned premiums | 10842 | 13329 | 15868 | 15440 | 15155 | 14127 |
| Other liabilities | 6807  | 7652  | 8896  | 9916  | 9550  | 8564.2  |
| **Total policyholders’ liabilities** | **28002** | **32957** | **37181** | **38637** | **38540** | **35063** |
| Shareholders’ liabilities | 2255  | 1777  | 2058  | 1972  | 2920  | 2196.4  |
| Share capital | 8587  | 8982  | 11417 | 11357 | 10359 | 10140 |
| Total reserves and others | -367  | 210   | 174   | 2292  | 3598  | 1181.4  |
| **Total shareholders’ liabilities and equity** | **10474** | **10969** | **13649** | **15621** | **16877** | **13518** |
| **Total PH liabilities and SH liabilities & equity** | **38476** | **43925** | **50830** | **54258** | **55418** | **48581** |

**Originating source:** [http://www.albiladcapital.com/Research_EnglishReport/InsuranceSectorQ417EN.pdf](http://www.albiladcapital.com/Research_EnglishReport/InsuranceSectorQ417EN.pdf)

3. **Establishment sand employees engaged in different activities in insurance industry in Saudi Arabia**

| Economic Activities | Establishments engaged in economic activities | Employees engaged in economic activities |
|---------------------|---------------------------------------------|------------------------------------------|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Average | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | Average |
| Activities of insurance | 84 | 86 | 92 | 97 | 11 | 11 | 52 | 981 | 102 | 105 | 112 | 120 | 143 | 156 | 1235 | 1235 | 1235 | 1235 | 1235 |
| Reinsurance | 32 | 36 | 38 | 40 | 42 | 43 | 39 | 929 | 979 | 103 | 6 | 107 | 112 | 122 | 122 | 1061 | 1061 | 1061 | 1061 | 1061 |
| Activities of insurance agents & brokers | 21 | 21 | 25 | 28 | 33 | 34 | 27 | 156 | 166 | 184 | 209 | 250 | 273 | 206 | | | | | |
| Other activities auxiliary to insurance | 9 | 9 | 10 | 12 | 14 | 15 | 12 | 155 | 167 | 191 | 210 | 233 | 252 | 201 | | | | | |
| Average | 22 | 23 | 25 | 26 | 30 | 31 | 265 | 288 | 296 | 317 | 338 | 398 | 435 | 3457 | | | | | |