

Abdulrahman A Al-Hamidy: Brief overview of the Saudi Arabian insurance industry

Speech by His Excellency Dr Abdulrahman A Al-Hamidy, Vice Governor of the Saudi Arabian Monetary Agency (SAMA), at the First Symposium on Insurance, held at the Institute of Banking, Riyadh, 22–23 March 2011.

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It gives me pleasure to welcome you all to the first symposium that the Saudi insurance industry has organized in collaboration with the Institute of Banking. I hope more such events will be organized to discuss future plans to expand insurance activities, and to set up mechanisms to improve the working environment of the insurance industry to enable it to serve better.

Dear Audience,

Thanks to Allah, that the Saudi economy has witnessed considerable economic and social development since the turn of the century. This has largely resulted from the restructuring of the economy and improvement in the regulatory apparatus that has greatly facilitated domestic and foreign investment and thereby has helped enhance the efficiency and competitiveness of the economy. The non-oil real GDP has grown by an annual average of 4.4 percent in the past five years. The private sector production went up by 4.5 percent and its contribution to real GDP increased to 48.8 percent in 2010 from 45.5 percent in 2006. Other key developments that took place during the last five years included: yearly state expenditure rising up to RIs 2.6 trillion; decline in public debt to RIs 167 billion (10.2 percent of GDP); annual current account surplus averaging \$75 billion and increase of more than RIs 550 billion in bank assets.

According to the World Bank Group report, the Kingdom has been ranked eleventh in the world and first in the East region in terms of doing business and provision of competitive environment in 2010. The development witnessed by the Kingdom during previous years has been comprehensive and broad-based. Vast number of development projects to modernize infrastructure, and improve facilities to provide water, electricity, health and educational services have been approved. Therefore, it is expected that strong growth of the Saudi economy will continue unabated and this will expand the financial sector in general and the insurance sector in particular.

Dear Audience,

Insurance companies play a key role for the development and stability of public and private sectors by providing opportunities to individuals and firms to improve their risk profiles and obtain compensation for losses incurred. It is for this reason that SAMA has been keen in regulating the insurance sector in accordance with the national and international standards and practices. SAMA ensures that all companies operating in the insurance industry comply with such standards and practices and work according to prescribed rules and regulations.

Dear Audience,

SAMA undertakes annual supervisory visits to insurance companies to make sure that they operate efficiently and professionally and that they fulfill technical and regulatory requirements to ensure better profitability and customers' satisfaction. SAMA also regularly monitors soundness of insurance companies' financial positions to ensure that they are able to meet their contractual obligations. SAMA will continue to exert supervisory and control efforts using all means to ensure the optimality of insurance operations.

Dear Audience,

Insurance industry has progressed well in recent years as its contribution has grown equivalent to one percent of GDP in 2010. Total estimated written premiums have increased by 12.4 percent to RIs 16.41 in 2010 from RIs 14.6 percent in 2009. This clearly indicates growing awareness about various insurance products including public insurance products, health insurance and protection and savings insurance by individuals and various organizations operating in the Kingdom.

Insurance claims are projected to have reached RIs 4.7 billion in 2010 compared to RIs 5.8 billion in 2009. Insurance claims that are made against damages are integral part of insurance activities. They contribute to reassuring, stabilizing, and securing individuals and organizations. Recent rainfalls that had caused substantial losses in the city of Jeddah have proved the importance of insurance and its benefits and compensations for property losses. SAMA has directed all insurance entities to promptly compensate customers according to their insurance policies, and facilitate procedures for receiving claims and processing them. I also emphasize that SAMA will follow up this matter and take legal actions against insurers that are proven to be negligent. I am sure that you all are aware of the significance of handling such claims promptly and efficiently since this will enhance insurance companies' reputation and attractiveness to those averse to taking risks.

Dear Audience,

During the past few years, the insurance sector has not only achieved good results in terms of services provided, diversity of products, and establishing trust with beneficiaries, but also in terms of compliance with laws, regulations, and instructions issued. However, there is a lot more that remains to be done to modernize the insurance industry to enhance its soundness, capabilities and performance to make it comparable to regional and global insurance industries. Such a situation calls for considerable attention to professionalism in application of technical aspects of pricing policies, management of claims, provision of technological infrastructure consistent with the size and nature of the work, investment policy, compliance with the financial solvency standards, and allocations of necessary technical provisions to ensure health and soundness of the companies' financial positions. It is imperative that the insurance industry remains competitive by developing and providing insurance products and services to the satisfaction of customers at all times.

Dear Audience,

We expect the insurance industry to continue to improve its performance and achieve balanced growth in accordance with corporate objectives and available resources. We also anticipate the industry to meet the needs of the market and beneficiaries to increase their confidence in the insurance activities. It is important that insurance companies strike a balance between the size of business and geographic expansion, and human and financial resources and operating infrastructure.

I would like to conclude the speech by emphasizing the importance of the insurance sector with respect to employment and training of male and female citizens through paying more attention to the development of human resources and training policies and increasing Saudization. SAMA has designed a compulsory exam on the basics of insurance activities to measure employees' competence and insurance providers' awareness of insurance fundamentals including laws, regulations and standards. Companies are required to organize vocational and technical development programs to raise insurance awareness and help provide qualified manpower to serve the insurance sector and the country well.

Thank you for your attention.

I wish you all a successful symposium.