

5. Chief Executive Officer's Review

Our refreshed strategic direction, Strategy Towards 2028, will strengthen Saudi Re's position as a leading reinsurer in the Middle East.



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In 2023, the global landscape witnessed a confluence of geopolitical shifts, macroeconomic challenges, and natural disasters, which introduced further volatility and uncertainty across markets. Despite these complexities, the Kingdom of Saudi Arabia demonstrated resilience and adaptability, remaining steadfast in its pursuit of strategic initiatives aligned with Vision 2030.

Regionally, the insurance market experienced fragmentation, rising claims inflation, and tax rates, as well as intense competition, making securing business more challenging, particularly in business lines like motor and medical insurance, which constitute a significant portion of Gross Written Premiums (GWP) in the region. The new International Financial Reporting Standard 17 (IFRS 17), which was adopted in January 2023, required insurers to significantly overhaul existing frameworks and processes.

A notable theme in both the insurance and reinsurance sectors was the reversal of pricing cycles. The reinsurance sector, in particular, experienced a rapid escalation in pricing dynamics, as reinsurers prioritized capital preservation and made adjustments to reinsurance arrangements and structures. Despite the persistent challenges and market losses, the sector showed significant improvement.

During the year, our strong domestic position and formidable brand presence proved to be a solid foundation. With unwavering commitment to our strategic vision and dedication to creating value for our shareholders, we navigated challenges with resilience and agility. We delivered yet another commendable performance, marked by 14% growth in Gross Written Premium (GWP) and a notable increase in total assets by SR 433 million. Shareholder equity also grew by 14%, reflecting the Company's profitability improvement.

5.1 OUR FINANCIAL PERFORMANCE →

Retaining our growth momentum, GWP reached SR 1.5 billion by the end of 2023 recording a 14% increase in gross written premiums. Reinsurance revenue in 2023 amounted to SR 627 million, reflecting a 10% reduction YoY. Despite this, most business lines showed growth and witnessed improved results and positive performance.

Leveraging the national initiatives including the regulatory local cessions and Inherent Defects Insurance (IDI) program, Saudi Re has invested in strengthening its competitive position in its primary market in the Kingdom. Contributing to these initiatives will enable us strengthen our presence in the local markets and play a pivotal role in developing the insurance and reinsurance sectors.

The profits after Zakat and Tax increased by 64% to SR 124.4 million, compared to SR 76.1 million in the previous year achieving a balanced performance between investment and technical operations. Success of our underwriting strategy resulted in a 43% increase in the Reinsurance Service Result, and improvement across most business lines.

The results of 2023 come in the context of a consistent profitable growth trajectory for the Company. Saudi Re achieved a CAGR exceeding 18% for written premiums from 2019 to 2023, and a net profit CAGR of 28% for the same period, confirming the Company's competitiveness and its ability to maintain a rapid growth pace while achieving substantial profitability rates.

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5.2 STRATEGIC FOCUS →

Central to our success has been a forward-looking and growth-focused strategy. After carefully evaluating market trends and analyzing both local and international growth opportunities, we embarked on refreshing our strategy – Strategy Towards 2028 – through which we aim to expand the company's operations, capabilities, and enhance scale. Our direction remains rooted in both organic and inorganic growth, ensuring diversification and sustainability. We are confident that making steady progress against our strategy will reinforce our position as one of the leading reinsurers in the Middle East region, and ensure we serve the interests of all our stakeholders diligently.

5.3 OUR ACHIEVEMENTS →

After diligent efforts throughout the year to ensure a seamless transition, we successfully adopted IFRS 17 and IFRS 9, as per regulatory requirements in the Kingdom. With the material change to presentation of financial results, we have restated comparative financial data under the new standards.

In 2023, Saudi Re sustained its “A-” rating for both long-term issuer credit and insurer financial strength. The company also maintained a “gcAAA” regional scale rating with a stable outlook, as evaluated by Standard & Poor's Global Ratings (S&P). Additionally, its capital adequacy levels remained above the “AAA” threshold within S&P's assessment model. Moody's reaffirmed Saudi Re's rating at A3 for Insurance Financial Strength Rating (IFSR) on the international scale and at A1.sa on the national scale IFSR, with a positive outlook.

These achievements serve as indicators of solvency, creditworthiness, and the capacity to fulfill obligations to policyholders and creditors. Comprehensive evaluations of strategy, governance, financial performance, and risk management further inform investment decisions. Furthermore, it reflects our strong brand and market leadership in Saudi Arabia, alongside our expanding footprint in targeted regions such as Asia and Africa. Moreover, it solidifies Saudi Re's advantageous position, bolstered by the right of first refusal on a portion of premiums from primary insurers. The recognition of our conservative investment portfolio highlights our commitment to maintaining strong asset quality, which in turn strengthens our competitive stance through profitable expansion, diversification, and growth in both local and international markets.

Saudi Re received several prestigious accolades in 2023. For the third consecutive year, the Middle East Insurance Review honored us with the title of General Reinsurance Company of the year. Additionally, our commitment to transparency and excellence in corporate reporting was acknowledged at the Middle East Investor Relations (MEIRA) IR Awards, where we received recognition for the second consecutive year. Notably, our annual reports were awarded 2nd place in the Digital category and 3rd place in the Print category. Saudi Re also joined the MSCI small cap index in 2023.

Throughout the year, Saudi Re continued efforts to further human resource development and upgrade technological infrastructure. Our initiatives aimed to streamline operations and advance digital transformation. As the only regional reinsurer with analytical and actuarial capabilities to comprehend uncertainties through risk – and region-specific catastrophe modeling, we solidified our position as a leader in the industry.

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5.4 REACHING A MILESTONE →

In 2023, Saudi Re celebrates its 15th year of remarkable success. Established in 2008 and listed on the Saudi Exchange Market, we emerged as the pioneering reinsurance company catering to the local insurance market.

Guided by strong foundational pillars, strategic foresight, and growing financial strength, we not only achieved a market-leading position but also embarked on a journey of international expansion in 2010. Our steadfast commitment to maintaining a strong credit rating, has positioned us to capitalize on global market opportunities and broaden our reach.

Our ability to thrive amidst evolving industry dynamics stems from our adaptability and responsiveness. Throughout our journey, we have strategically expanded across the Middle East, Africa, Asia, and beyond, solidifying our presence on the global stage and emphasizing our commitment to achieving global prominence.

5.5 IN CONCLUSION →

I extend my sincere appreciation to our dedicated team for their outstanding performance this year, their contribution has been instrumental in driving our growth. We also commend the efforts of regulatory bodies, particularly the Insurance Authority, in driving industry advancement and improving market practices, which not only fortify the domestic landscape but also provide Saudi Re with opportunities for global expansion, aligning with our vision to rank among the top 50 reinsurers worldwide.

I extend my sincere gratitude to our shareholders for their continued support and trust in our vision. I would also like to take this opportunity to express appreciation to our valued customers and business partners, whose contributions have been instrumental to our success. As we look ahead, we are confident that our commitment to our stakeholders, combined with our agile and strategic approach, will empower us to navigate challenges and capitalize on opportunities in the dynamic global landscape. As we commence 2024, we remain dedicated to pursuing shared goals and delivering exceptional value.

Fahad Al-Hesni

Chief Executive Officer