SECTOR PROFILE
31 August 2026

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Insurance – Saudi Arabia

H1 2026 update: Profitability rebounds with improved underwriting and investment income

Saudi Arabia's listed insurance sector reported a significant improvement in profitability in the first half of 2026 compared with H1 2025. On a consolidated basis, insurance revenue reported by 24 companies increased by around 14% to nearly SAR38.5 billion, driven by continued growth in motor and medical insurance volumes. Aggregate net profit attributable to shareholders rose by around 13% to SAR1.5 billion (Exhibit 1), reflecting stronger underwriting performance and higher investment income.

Underwriting results benefited from premium growth, improved claims experience, tighter underwriting discipline, and more favourable pricing conditions, particularly in the motor segment. However, recovery remained uneven across the sector. The improvement in H1 2026 was driven primarily by mid-sized and smaller insurers that narrowed losses or returned to profitability, while the five largest insurers reported broadly stable aggregate earnings.

Capitalisation continued to strengthen at the sector level, largely supported by the largest insurers. In contrast, shareholders' equity among smaller insurers declined modestly, with several companies experiencing capital erosion in the double digits in percentage terms, highlighting ongoing profitability challenges, regulatory capital pressures, and, in some cases, continuing uncertainties related to going concern.

Improved underwriting and investment income boosted earnings

Sectorwide profitability strengthened substantially in H1 2026 following an exceptionally weak H1 2025, with 12 out of 24 insurers reporting higher net profit than the year-earlier period. However, nine companies continued to record net losses, underscoring persistent pressure across parts of the market.

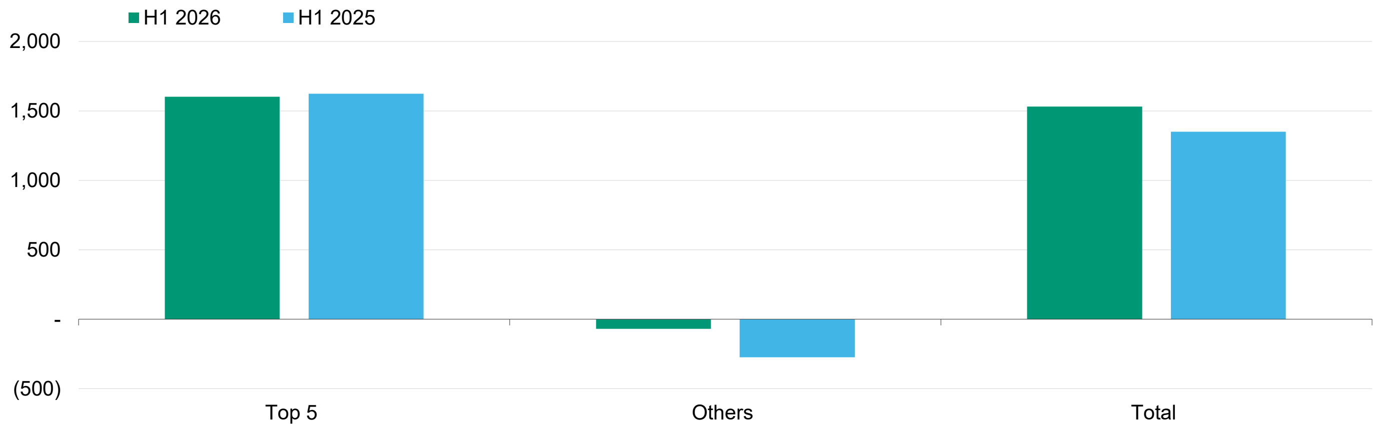
Aggregate net profit attributable to shareholders rose by around 13% to around SAR1.5 billion from SAR1.3 billion in H1 2025 (Exhibit 1), driven by improvement in both underwriting performance, with net insurance results rising by around 13% (Exhibit 2), and investment income, which surged by around 17% (Exhibit 3).

The improvement was highly concentrated among insurers outside the top five by insurance revenue. However, the Saudi insurance market remains highly concentrated, with the five largest insurers by insurance revenue, namely Cooperative Insurance Company (Tawuniya), Bupa Arabia Cooperative Insurance Company, Al Rajhi Company for Cooperative Insurance (Insurance Financial Strength A3 stable), Mediterranean and Gulf Cooperative Insurance and Reinsurance Company (Medgulf), and Wataniya (National Insurance Company), accounting for around 77% of sector insurance revenue as of 30 June 2026, with Tawuniya and Bupa Arabia alone representing approximately 59%.

Exhibit 1

Aggregate net profit increased by around 13% in H1 2026

Net profit (SAR million)



Sources: KSA Listed Insurance Companies – 6M2026 Preliminary Report and Moody's Ratings

The five largest insurers reported broadly stable aggregate earnings, maintaining combined net profit of approximately SAR 1.6 billion in H1 2026, broadly unchanged from H1 2025. However, performance within the group was uneven. Medgulf reported the strongest improvement, while Tawuniya's lower net profit offset the earnings growth reported by the other four insurers, leaving aggregate profits for the top five broadly unchanged year over year. In contrast, the remaining 19 insurers reduced their combined net loss to around SAR 0.1 billion in H1 2026, from approximately SAR 0.3 billion a year earlier, as several companies either returned to profitability or significantly reduced losses.

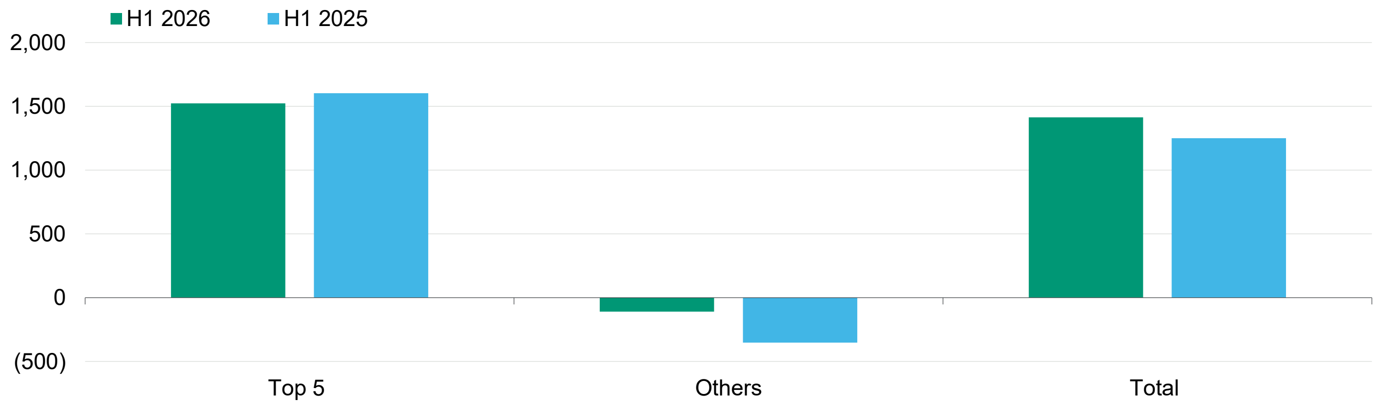
Among insurers outside the top five, the improvement was driven primarily by a small group of companies, particularly Walaa Cooperative Insurance Company (Insurance Financial Strength A3 stable), which reported a profit of around SAR43 million in H1 2026, compared with a loss of around SAR117 million in H1 2025, representing the largest year-on-year earnings improvement in the sector.

Underwriting performance across Saudi insurers improved in H1 2026, supported by premium growth, improved claims experience, tighter underwriting discipline, and more favourable pricing conditions, particularly in the motor segment. Although 13 insurers reported year-on-year improvements in insurance results, reflecting stronger technical performance and enhanced pricing, 12 insurers reported underwriting losses, underscoring the persistent profitability challenges faced by smaller market participants and the uneven nature of the sector's recovery.

Exhibit 2

Large insurers demonstrated stronger underwriting performance

Net insurance result (SAR million)



Sources: KSA Listed Insurance Companies – 6M2026 Preliminary Report and Moody's Ratings

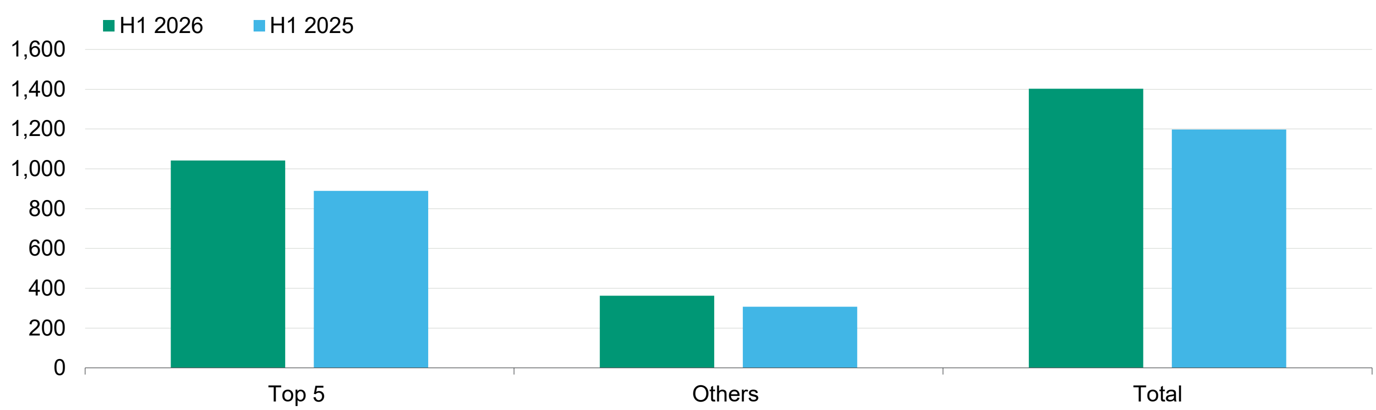
Investment income rebounded in H1 2026

Investment performance across Saudi insurers strengthened in H1 2026, with aggregate investment income, excluding unit-linked investment results, increasing by 17% to SAR 1.4 billion from SAR 1.2 billion a year earlier (Exhibit 3). Most insurers reported higher investment income, benefiting from growth in invested assets, higher portfolio yields. Notably, all of the sector's largest insurers reported year-on-year growth in investment income. In contrast, performance was more mixed among smaller insurers, with nine of the remaining 19 companies reporting lower investment income than in H1 2025. Overall, stronger investment earnings provided an important offset to underwriting volatility and supported sector profitability during the period.

Exhibit 3

Aggregate investment income, excluding unit-linked results increased by around 17%

Net investment results (SAR million)



Sources: KSA Listed Insurance Companies – 6M2026 Preliminary Report and Moody's Ratings

Capital buffers strengthened for larger insurers, while weaker insurers lagged

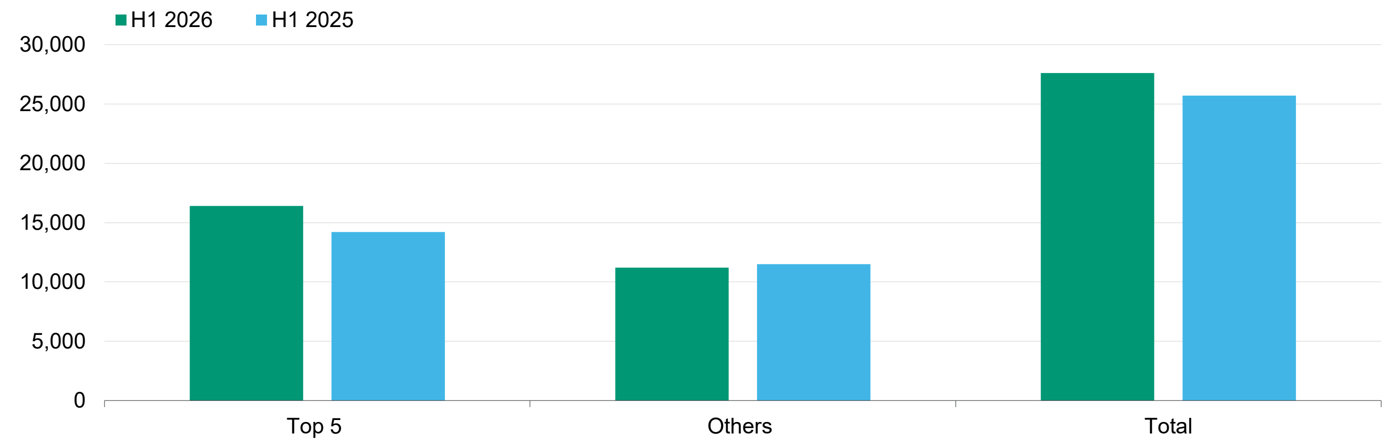
Aggregate sector equity increased by 7.4% to around SAR28 billion as of June 2026, compared with about SAR26 billion a year earlier (Exhibit 4). Ongoing regulatory pressure has driven recapitalization and market consolidation. However, the improvement in capitalisation remained highly uneven and was driven largely by large insurers through retained earnings generation, capital injections and balance-sheet expansion associated with mergers and consolidation activity. In contrast, several smaller insurers reported shareholders' equity declines in the double digits in percentage terms. In addition, several companies disclosed substantial uncertainties related to going concern, reflecting accumulated losses that exceeded regulatory thresholds and solvency ratios that remained below required levels. Solvency pressures are likely to increase further as the sector transitions to a risk-based capital and economic solvency framework from January 2027.

Larger insurers continue to benefit from more diversified underwriting and investment portfolios, stronger earnings and greater capital efficiency. In contrast, smaller insurers tend to be more capital intensive, maintaining higher relative capital buffers to offset business concentration, earnings volatility and limited scale. Consequently, large insurers continue to strengthen their balance-sheet resilience and regulatory capital buffers, while weaker insurers remain vulnerable to sustained underwriting losses, solvency pressures and regulatory intervention. These dynamics reinforce sector consolidation as a key medium-term theme for the Saudi insurance market.

Exhibit 4

Aggregate shareholders equity increased by 7.4% in H1 2026

Total shareholders equity (SAR million)



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REPORT NUMBER 1494644

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