SECTOR COMMENT
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Reinsurance – Saudi Arabia

Higher local reinsurance cessions are credit positive for Saudi reinsurers

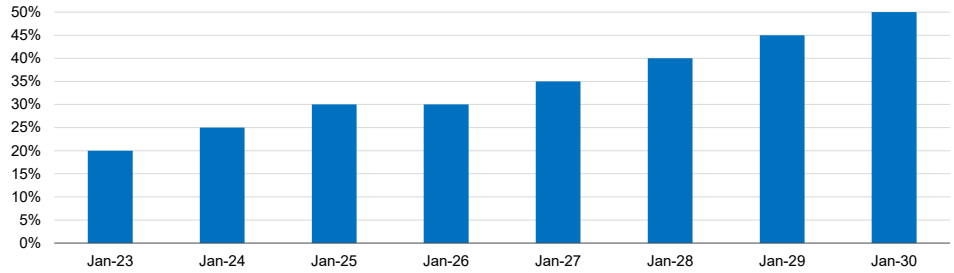
On 15 November, Saudi Arabia's Insurance Authority announced a phased increase in the minimum share of reinsurance premiums that domestic primary insurers must offer to the local market. The measure reflects credit positive efforts to expand the domestic reinsurance market and strengthen local insurance and reinsurance capacity.

The phased increase builds on an earlier initiative that required primary insurers to offer 30% of their reinsurance business to local reinsurers by 2025 (up from 20% in 2023), and raises the share to 35% in 2027, 40% in 2028, 45% in 2029 and 50% in 2030 (see Exhibit 1). Domestic reinsurers will retain the right of first refusal.

Exhibit 1

Local reinsurance offer requirement will reach 50% by 2030

Minimum share of reinsurance business Saudi primary insurers must offer to domestic reinsurers



Source: Insurance Authority

The phased increase in local cessions is credit positive for established Saudi reinsurers because higher local cessions will increase the amount of business available to them. It should also help them broaden their exposure to commercial and specialty lines beyond Motor and Health, which dominate the domestic primary insurance market but generate relatively little reinsurance demand. Greater diversification across business lines should support more balanced underwriting portfolios and reduce earnings volatility, particularly given the weaker and more cyclical underwriting performance of Motor and narrowing underwriting margins in Health. The larger pool of locally offered business could also encourage insurers with reinsurance licences to expand their participation in the domestic reinsurance market.

Saudi Reinsurance Company (Insurance Financial Strength (IFR), A2 stable) and Riyadh Reinsurance Company will be the main beneficiaries. As dedicated domestic reinsurers, the companies are directly exposed to the growing pool of business that primary insurers must offer locally, while the right of first refusal gives them greater ability to select risks that fit their underwriting appetite and risk-return targets, supporting underwriting discipline as

volumes increase. Higher business volumes should also support premium growth, improve operating scale and strengthen their positions in Saudi Arabia's expanding insurance market.

Other Saudi insurers holding reinsurance licences, including Tawuniya Co., Mediterranean & Gulf Insurance & Reinsurance Co., Walaa Cooperative Insurance Company (IFR A3 stable), GIG and Liva Insurance Company (IFR Baa2 positive), could also benefit from the larger volume of reinsurance business available locally.

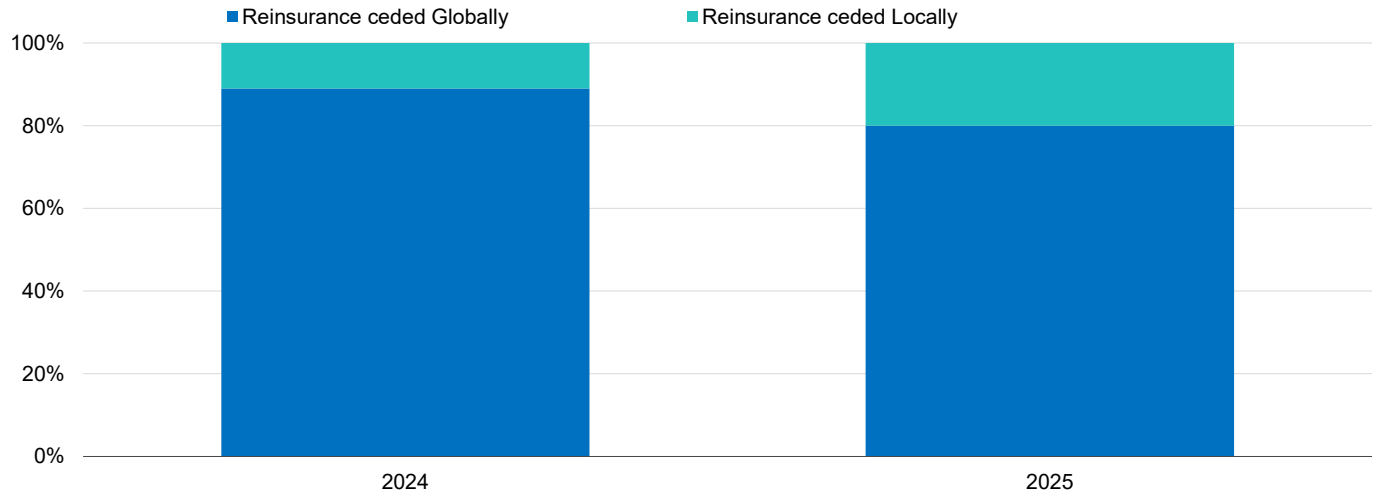
According to the Insurance Authority, Saudi insurers ceded around SAR11 billion of premiums to reinsurers in 2025, broadly unchanged from 2024, while the domestic share of ceded premiums increased to around 20% from 11% in 2024 (see Exhibit 2). The overall market cession ratio was around 13% in 2025, but varied significantly by business line.

Motor and health cession ratios were just 0.9% and 1.5%, respectively, while property and casualty (P&C) exceeded 70% in 2025, reflecting the greater reinsurance needs for commercial, engineering, energy and catastrophe risks. The higher local cession requirements therefore create particularly significant growth opportunities in reinsurance-intensive commercial and specialty lines.

Exhibit 2

Domestic reinsurers' share of ceded premiums nearly doubled in 2025

Share of Saudi insurers' ceded premiums by domestic and international reinsurers



Source: Insurance Authority

However, higher domestic cessions will also increase the concentration of reinsurance risk in Saudi Arabia's insurance market. Domestic reinsurers will need sufficient capital, underwriting capacity and retrocession protection to absorb the additional business without weakening their credit profiles, particularly as they expand into large commercial, industrial and catastrophe risks.

While we expect domestic reinsurance capacity to expand, large global reinsurers will retain an important role in the Saudi market, particularly for large commercial, industrial and catastrophe risks that require substantial capacity and specialist underwriting expertise. Their continued participation will also provide retrocession capacity to domestic reinsurers and support risk diversification as more business is retained locally.

While the measure is credit positive for domestic reinsurers, it is credit negative for primary insurers because it reduces their flexibility in selecting reinsurance counterparties and could increase counterparty concentration as more business is placed with a smaller pool of domestic reinsurers.

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