

Midocean University

College of Management

Department of Risk Management



**The impact of establishing the Insurance Authority on
improving the performance efficiency of insurance
companies in Riyadh**

أثر إنشاء هيئة التأمين على تحسين كفاءة الأداء لشركات التأمين في الرياض

Prepared by:

Azzah ALShahrani 232001524

Eman ALOmair 232001738

Rawan ALOtaibi 232000844

Supervised by: Dr.Alfaisal hassan

Year:2024

Contents

Acknowledgments	5
English Abstract..	6
Chapter 1: Introduction.....	8
Introduction	8
Problem statement	9
Study purpose	9
Study Questions	11
Research Hypotheses	11
Theoretical Model	12
Chapter 2: Literature review.....	14
Introduction	14
Dependent Variable (First Variable of the Study - Efficiency of Insurance Firms).....	15
Return on Assets (ROA)	16
Return on Equity (ROE).....	16
Combined Ratio.....	16
Independent Variable (Second Variable of the Study - Regulatory Environment).....	16
Summary of Past Studies	17
Theoretical Framework of the Study	20
Chapter 3: Research Methodology	22
Introduction	22
Research Design	22
Population of the Study.....	22
Sample Characteristics	22
Sample Size Determination.....	23
Sample Selection.....	23
Data Collection Methods.....	23
Quantitative Data Collection.....	23
Secondary Data Collection	23
Primary Data Collection	23
Qualitative Data Collection	24

In-depth Interviews	24
Focus Group Discussions	24
Method of Analysis	24
Validity and Reliability	24
Ethical Considerations	25
Chapter 4: Practical Study	26
Research Findings.....	26
Introduction	26
Quantitative Results	26
Descriptive Statistics.....	27
Qualitative Insights.....	28
Results Analysis.....	29
Research Recommendations	30
Conclusion	31
References	32
Appendixes	34
Appendixes 1 Abstracts	35
Abstract (المستخلص) Arabic.....	35
Appendixes 2	37
Appendixes 3	38
Appendixes 4	38
Appendixes 5	39

List of Table

Table 1: Financial Performance Metrics of Insurance Companies in Riyadh (2023)	27
Table 2: Regulatory Compliance Metrics of Insurance Companies in Riyadh (2023).....	27
Table 3: Summary of Findings.....	29
Table 4: Summary of Findings.....	36
Table 5: Financial Performance Metrics of Insurance Companies in Riyadh (2023).....	37
Table 6: Regulatory Compliance Metrics of Insurance Companies in Riyadh (2023).....	37
Table 7: Questionnaire Items	38
.....	

Acknowledgments

we wish to convey our deepest thanks to everyone who has made it possible for us to complete the research project. To begin with, we are genuinely grateful to our supervisors for the incredible guidance, support, and inspiration they

provided us throughout this journey. we want to thank the experts for their professionalism and support in guiding us in this study. we will also be grateful to the respondents of this research for their cooperation and willingness to share their experiences, which are the fundamental inputs in this study. we also want to thank the staff and officials of the Insurance Authority for their cooperation and assistance in getting the data and resources I needed. we want to thank our friends and colleagues who gave us constructive feedback and encouragement that helped us finish the research. we appreciate their insights and discussions, which have been very helpful in improving the quality of this study. Lastly, we are grateful to our families for their never-ending support and understanding. This research would not have been possible without the collective efforts and support of all those mentioned above, which we greatly appreciate.

English Abstract

The insurance sector is one of the most important sectors of the Saudi economy. It is responsible for protecting the assets, making investment opportunities more attractive, and ensuring the economy's progress will be smooth. Nevertheless, the insurance market requires an appropriate legal framework ensuring fair dealing, stability, and the general interest of all market participants. Though some initiatives have been taken by the Insurance

Authority and different regulatory steps have been implemented, the insurance business in Riyadh is still suffering from recurring problems like non-compliance, risk management, operational effectiveness, and customer satisfaction. In this regard, the evaluation of the Insurance Authority concerning what fundamental problem it has solved and how much more efficient the insurance companies are operating now is an important issue.

This study is done with a mixed-method approach, which entails both qualitative and quantitative methods used to determine the effects of the Insurance Authority introduction on the efficiency of insurance companies' performance in Riyadh. Concerning the various research instruments employed, the semi-structured interviews and the focus group data were collected qualitatively, and administrative and financial reports, industry databases, and regulatory filings were the quantitative data sources.

The end sentence is that the establishment of the Insurance Authority in Riyadh has a favorable impact on the efficiency of insurance companies' work, with a focus on areas such as compliance, risk management, operational efficiency, and customer satisfaction. Despite that, the study also highlights that insurance companies are encountering some issues that hinder their ability to meet the Insurance Authority's regulatory demands.

Therefore, the study findings give decision-making bodies, regulators, insurance companies, and other institutions the necessary tools to build the foundations of a sustainable system, improve the industry's efficiency, and ensure the availability of the Riyadh market. The research, therefore, highlights

the importance of devising strategies to combat non-compliance with regulations, earn consumers' trust, and eventually grow the business.

Chapter 1: Introduction

Introduction

Insurers are vital components of the economy because the risks are unforeseen, and individuals and firms cannot plan for them. For Saudi Arabia, especially Riyadh, the insurance market is of great importance in asset security, particularly housing, stimulating investors and providing economic access for a larger number of people. However, the insurance industry, through regulation,

also helps it to be operative and functional, and this is to prevent all players from using unfair practices and stability and protect the interest of all stakeholders. In Riyadh, the insurance market has just welcomed the Insurance Authority, leading to a drastic alteration in the regulatory environment. The Insurance Authority will be researched throughout this study to determine its effectiveness in improving the Efficiency of Saudi insurance companies.

Background

The insurance sector is an integral function of each economy. Riyadh's insurance sector has witnessed a major evolution and progress and is at the center of the region's economic outlook. An Insurance Authority is the authoritative body put in place to ensure that insurance companies are compliant with regulations and that the market gets oversight to increase transparency, accountability, and efficiency. Besides the formation of the Authority for Insurance and its regulatory measures, the insurance sector in Riyadh is still dealing with problems of compliance and risk management, operational efficiency, and customer satisfaction (Barakat, 2020). The question is then to assess whether the Insurance Authority does enough to manage the issues described above and help the insurance companies to be effective.

Problem statement

The major issue tackled in this study is the persistence of problems in Riyadh's insurance sector despite the Insurance Authority's endeavors. These challenges include the following: The major issue tackled in this study is the persistence of

problems in the insurance sector in Riyadh despite the endeavors of the Insurance Authority. These challenges include:

1. This includes compliance related matters as derived from the rules and regulations of the Insurance Authority.
2. Insurance companies' adherence to their risk management practices and processes is based on the rules laid down by them.
3. Riyadh's insurance companies' efficiency in their operations.

One of the major factors that insurance companies should consider when they are developing their branding strategy is the satisfaction of customers and also the quality of services they offer as their key components.

Importance of the Study & purpose

The study is of major importance in that it may contribute to revealing the link between the insurance market of Riyadh and the regulations that are applied by the Insurance Authority through the conclusions. The research findings are utilized by policymakers, insurance companies, and regulators to identify the effectiveness of the measures and, thus, make the insurance market more competitive and effective. Secondly, the study is designed to find the spots where more attention is needed, and it prepares the groundwork for the development of the regulatory framework and the increase of the industry's performance.

Objectives of the Study

The objectives of the study are:

1. First of all, the formation of the Insurance Authority on Riyadh's insurance regulatory landscape is the issue to be considered.
2. Also, I will contemplate how the Riyadh insurance companies' performance and efficiency have been considerably improved by the Insurance Authority.
3. The next problem is to identify any issues and barriers in giving direction to the insurance industry to the insurance authority.

These could be suggestions to lawmakers and insurance companies regarding existing regulations and operational efficiency in the insurance sector based on the results of our study.

Scope of the Study

1. The regulatory environment of the insurance industry in Riyadh and its evolution after the establishment of the Insurance Authority have been examined.
2. Research on the role of the Insurance Authority in the syndication and efficiency of the insurance market in Riyadh.
3. The assessment of the challenges of insurance companies in which they are subject to regulations set up by the Insurance Authority.
4. Determination of the strategies and recommendations for re-establishing the regulatory aspects as well as the operational effectiveness of the insurance industry.

Study Questions

1. How has the establishment of the Insurance Authority affected compliance-related matters in Riyadh's insurance sector?

2.To what extent has the Insurance Authority influenced insurance companies' adherence to risk management practices and processes in Riyadh?

3.What impact has the Insurance Authority had on the operational efficiency of insurance companies in Riyadh?

4. How does customer satisfaction factor into the effectiveness of insurance companies' branding strategy in Riyadh, and what role does the Insurance Authority play in this regard?

Research Hypotheses

1.The establishment of the Insurance Authority positively correlates with improved compliance levels among insurance companies in Riyadh.

2.Insurance companies' adherence to risk management practices and processes in Riyadh is positively influenced by the regulatory framework set forth by the Insurance Authority.

3. There is a positive relationship between the presence of the Insurance Authority and the operational efficiency of insurance companies in Riyadh.

4. Higher levels of customer satisfaction in Riyadh's insurance sector are associated with the effective implementation of regulations by the Insurance Authority.

Theoretical Model

The theoretical model illustrates the complex interrelationship between the components of the insurance sector in Riyadh, mainly emphasizing the Insurance Authority's formation. To begin with, the model expresses here that the Authority's inception catalyzed the environment-altering regulation. This

was the beginning of the other changes. The measures that the Insurance Authority administers, including policy framing and enforcement arrangements, directly affect the regulatory sphere to achieve higher effectiveness in insurance firms. Furthermore, insurance firms' evaluations of the Performance of the Authority are a kind of feedback that impacts their reaction to regulatory amendments. These considerations outline the roadblocks, which are failures to comply, risk management, and operation efficiency, which become the main hurdles that stand in the way of regulatory compliance. Technological progress and improved risk management practices for the business performance people assume as the strategic approaches for them to overcome the challenges and operate within the regulatory limits. Thus, the model is a representation of the communications between the supervisory authority and the insurance companies, the regulatory changes, and the business tactics of the insurers, allowing them to be successful in the dynamically changing insurance environment of Riyadh

Conclusion

The opening of the Insurance Authority in Riyadh has now served as a refurbishing measure to upgrade the regulatory setting of the insurance sector in the Saudi Arabian market. These are the initiatives taken by the Insurance Authority, but the insurance industry in Riyadh still experiences compliance issues, risk management issues, operational efficiency, and customer satisfaction issues. In this research, I will investigate and analyze the performance efficiency of insurance companies in Riyadh and the role of the Insurance Authority in the efficient operations of insurance companies. Hence,

the report is expected to propose the enhancement of the existing rule of law and its operational effectiveness.

Chapter 2: Literature review

Introduction

The insurance sector as a whole is the economic pillar and the tool for the individual and business risk management. Insurance industry in Riyadh, Saudi Arabia, has been going through drastic transformations which are mainly associated with the Insurance Authority which is a regulating body providing

the operational framework for insurance companies. The regulatory atmosphere in which insurance organizations operate is of utmost crucialness because it not only makes a standard that everyone follows but also greatly impacts the effectiveness and performance of these firms. Consequently, this work is aimed at investigating the intricacies of the relationship between the regulatory setting provided by the Insurance Authority and the efficiency in carrying on business for insurance companies in Riyadh. By scrutinizing this relationship, we thus seek to obtain a greater understanding of the impact that the regulatory frameworks have on the performance and efficiency of insurance institutions. This contribution would, therefore, be towards the ongoing debate on regulatory economics and organizational behavior inside the insurance sector. Finding the link between these two factors is the central concern of the paper. This enables us to reveal the mechanisms of insurance firms' performance in Riyadh and gives the readers insight into the regulatory policies and industry practices that play a role in the area.

Dependent Variable (First Variable of the Study - Efficiency of Insurance Firms)

In this study, the dependent variable to be investigated is the efficiency of insurance companies operating within the insurance market of Riyadh City. Efficiency, among other things, covers a broad spectrum of indicators of efficiency that give information on how effective the operations of the firms are and the general performance. Effectiveness, in this case, refers to the overall optimization of the insurance operations and processes that are to be used to achieve maximum output for the least amount of input resources. Operational

efficiency is mostly measured by expense ratio, which compares operating expenses to the total earned premiums and claim processing time, which considers how fast and effectively claims are handled. As a case in point, insurance companies having lower "operational ratios" and shorter claims processing time are often seen as more efficient in their operations, as they can bring down costs and deliver services to policyholders promptly.

The other significant aspect of the efficiency of insurance companies is their financial performance which can be measured with various financial metrics and KPIs (key performance indicators). Financial effectiveness indicators, such as the ROA and ROE ratios, equip managers with the means to put in place policies that improve insurers profitability. One example is if insurance companies demonstrate higher ROA and ROE values, they generate a good return for the shareholders by effectively using their assets, showing their financial efficiency. Solvency and liquidity ratios measure insurance companies' ability to meet long-term and short-term financial commitments. This study intends to understand better the insurance firms operating in Riyadh by analyzing their financial metrics and KPIs. Besides, it will explore the reasons for their performance in the dynamic insurance market.

Return on Assets (ROA)

$$\text{ROA} = \text{Formula: } \text{ROA} = \frac{\text{Net income}}{\text{Average total Assets}}$$

Interpretation: ROA highlights the business's ability to convert its assets into profits. High ROA shows that well-managed assets are utilized and the company is profitable.

Return on Equity (ROE)

Formula: ROE = **Formula:**
$$\text{ROE} = \frac{\text{Net income}}{\text{Average Shareholders' Equity}}$$

Interpretation: ROE, in particular, is the indicator of the profit ratio a company has to its shareholders' equity. A higher ROE suggests that the company is better at generating shareholder investment returns and deriving more profit.

Combined Ratio

The combined ratio =
$$\frac{\text{Claims Incurred} + \text{Operating Expenses}}{\text{Earned premiums}} \times 100.$$

The combined ratio, which measures the insurer's underwriting profitability, results from the relationship between expenses, losses, and premiums earned. An expense ratio of less than 100 percent implies that the insurer is in an underwriting profitability position.

Independent Variable (Second Variable of the Study - Regulatory Environment)

The fact that the Insurance Authority of Riyadh is responsible for setting and regulating the rules in the region under study can be identified as the independent variable in this research, directly impacting how insurance companies operate. The regulatory framework covers complete appurtenances of rules, instructions, and standards that the Authority made to govern various insurance procedures, including licensing, registration, compliance, and enforcement. The Insurance Authority, as a key regulator, works to ensure a good and fair work environment that is transparent, accountable, and stable to create a level playing field that protects the interests of all stakeholders in the insurance sector. The historical explanation of the Insurance Authority's

foundation indicates why it was founded in the first place because of the necessity to address the existing flaws in the regulatory oversight and supervision of the insurance industry in Riyadh. Through discussing the emergence of the Insurance Authority and its regulatory mission, this part explains why the insurance companies in Riyadh should work in the regulatory framework established by the Insurance Authority.

'The Regulatory Framework of the Insurance Authority to some extent determines the evolution of the insurance sector in Riyadh.' It determines the behavior of the insurance companies. The guidelines and the regulation of the Authority will be the base that the insurance firms will have to rely on, and all the practices should be based on conduct obligations, risk management, and operations. On the other hand, the wholehearted and comprehensive framework reflects the Authority's main objective of ensuring stability and consumer protection and creating an enabling environment by laying down the requirements for transparency, accountability, and risk management in the insurance industry. The aim of this research is to clarify the Insurance Authority's regulatory framework, including the elements and the objectives, in order to provide a Detailed picture of the mechanism that stands for the effectiveness and the performance of the insurance business in Riyadh.

Summary of Past Studies

The recent research has been centered on the regulation reforms for industry and their effects on the insurance industry in Saudi Arabia. Ansari (2011) developed a new perspective on how the regulatory reforms in Saudi Arabia have impacted the insurance industry dynamics. The highlighting of such critical issues gets us to the bottom of the reforms' consequences as far as the

industry is concerned. The research concentrated on the change in regulatory patterns and its connection with the insurance industry, comprising market structure, consumer behavior, and business development. Ansari's study, based on the analysis of regulatory interventions and their influence on competition and consumer interest, constitutes the main foundation of future research in the regulatory dynamics of the Saudi insurance market. The findings of such studies have proved the efficiency of regulations in maintaining the performance and outcome of the industry.

The research by Orlando and Bace (2021) shows us the number of regulatory problems the Kingdom of Saudi Arabia (KSA) is facing on the financial services, banking, and insurance sectors, which are complex for supervisory authorities to handle in terms of financial stability and integrity. The findings were based on these three main domains of weakness, including regulatory compliance, risk management, and market behavior, which were identified during the review of the regulatory framework, enforcement mechanisms, and institutional capacities. The authors have emphasized the regulatory bodies, financial institutions and market participants' roles and interaction aspects. Their studies had an important role in forming a new view of the economic regulation transformation process in Saudi Arabia. It underlined the role of the competent and effective as well as robust regulatory regime to address the new and familiar risks and challenges.

The insurance dispute committee is the key actor involved in the Saudi Arabian insurance market's open dispute resolution mechanism, which is a sign of a

healthy market. Al-Mutairi's 2020 thesis paper highly criticized the establishment of the insurance dispute committee for the Saudi insurance sector as a remedy in dispute resolution. The study was conducted on the Committee's working mechanism, jurisdiction, decision-making processes, and outcomes to identify the positive aspects and areas that needed improvement. The researcher used real-life case studies and the experiences of legal precedent to enlarge the knowledge of institutional mechanisms for the situations when disputes arising from insurance appear. The research also indicated the importance of early resolution of the dispute mechanism to maintain market confidence and stability.

Implementing Sharia as a standard of ethical business in Saudi Arabian insurance companies is full of problems related to laws and morals, so suitable solutions have to be developed to allow the companies to work ethically while still abiding by the country's existing laws. In a research article that Barakat published in 2020 about Shariah compliance among insurers in Saudi Arabia, compliance with Islamic principles in insurance practices was researched, causing both regulatory and moral issues. An analysis of Sharia-compliant insurance (Takaful) and a conventional insurance regulatory framework was conducted, and several differences, challenges, and business opportunities for insurance companies in the Saudi market were revealed. Barakat used interviews with the Sharia compliance managers and other stakeholders from the financial institutions to understand the industry's practices. He later drew the strategies that would guide the insurance sector in ethical and socially responsible business operations based on what he learned from the interviews.

The research showed that the regulative system must be flexible in order to make different business models and moral issues were able to get in.

The distress in the insurance industry of Saudi Arabia is due to underwriting losses, investment risk, and compliance with regulations. Therefore, the need for risk management and supervision cannot be overlooked for the sector's stability. In 2023, AlQathmi's research was on why the insurance business in Saudi Arabia is suffering financial problems. The research investigated data from industries, financial reports, and market trends to determine the causes of economic hardship, e.g. underwriting losses, investment risks, and regulatory compliance issues. This study examined the consequences of the elements described on insurers' financial strength and market rivalry. Thus, the findings offered useful data for the regulators, policymakers, and market players involved in devising mechanisms for dealing with systemic risks and building the resilience of the insurance sector in Saudi Arabia. The data demonstrated risk management, which involved, to an extent, strategic oversight, regulatory framework, and industry partnership to address risks and ensure industry sustainability.

Theoretical Framework of the Study

The conceptual framework of this study is based on the economic regulation theories and the organizational behavior theories. The models presented are the theoretical footing for the relationship between the regulating environment and the efficiency of insurers. Various regulations, being an independent variable, is claimed to have a huge impact on insurance companies' success, which is represented by the dependent variable. The influence is achieved by many means, for example, the implication of regulatory compliance, risk management

approaches, and performance efficiency. The implementation of the regulatory economics principle in the theoretical framework suggests that, the insurance companies will be seen to comply with the transparent and well-defined regulatory body (e.g. the Saudi Arabian Monetary Authority (SAMA)) as a regulatory body that will influence the behavior of the insurance firms by setting the clear rules and standards for market conduct. Such regulatory framework is, therefore, a means of regulating insurers so as to ensure full compliance among insurers, which ultimately is a welcome idea since everybody trusts insurers. Besides that, this will ensure that the insurance markets operate in a sound regulatory oversight which, in turn, will lower systemic risk and improve the stability and confidence of investors.

From the behavioral level of organizational theory, the theoretical framework emphasizes the intermediary role of internal organizational factors in the relation between the regulating environment and insurance company effectiveness. There are a number of variables such as organizational culture, management, and operational strategies which influence the degree to which insurance companies adapt to legislative provisions and remain competitive. The mentioned framework also evaluates the trade-offs between compliance with the regulations and innovation, because the latter could bind firms from using the new technologies because of the strict regulations. The theoretical framework explains the role of regulatory factors in the operation of insurance firms, which involves a complicated interaction of regulatory instruments and organizational aspects. Through analyzing these relationships, the study aims to make practical conclusions about the main things that affect the performance of the Saudi insurance industry and provide

guidance to policymakers and industry stakeholders about the right strategies for creating a regulatory system that is robust, resilient, and conducive to the continuous growth of the industry.

Chapter 3: Research Methodology

Introduction

The study methodology plays a key role in successful research by bringing the research goals and answering the research questions, which is the research goal. In this chapter, the methods and strategies of research that were found suitable for the assessment of the effect of the Insurance Authority on insurance companies' performance efficiency in Riyadh are discussed. This chapter will focus on the research design, the identified population and sample, data collection methodology, and data analysis approaches.

Research Design

Research methodology is mixed methods, a combination of qualitative and quantitative methods. Hence, by using multiple approaches to study the problem in question, we can not only get a comprehensive picture of the issue but also verify the data, which enables us to obtain more genuine and reliable results.

Population of the Study

The research participants are all insurance companies functioning in Riyadh such as the Insurance Authority. These entities represent the target population from which the sample will be drawn.

Sample Characteristics

The sample will include representatives from various insurance industry segments, including large, medium, and small companies. Additionally, key

informants such as regulators, policymakers, and insurance company executives will be included to provide insights into the research problem.

Sample Size Determination

Stratified random sampling will select a representative sample of insurance companies across different segments. The sample size will be determined based on the unique characteristics of the study, ensuring adequate representation and generalizability of the findings.

Sample Selection

Quantitative Sample: Stratified random sampling will select a representative sample of insurance companies in all segments (large, medium, and small). The analysis will be unique because it is exclusive.

Qualitative Sample: The key informants, such as regulators, policymakers, and insurance companies chief executives, will be randomly selected from the population to collect the necessary data for the study.

Data Collection Methods

Quantitative Data Collection

Secondary Data Collection

Some insurance companies' pro forma financial statements are information for profitability, solvency ratios, and operation efficiencies.

Filings and Compliance reports preparation and sending them to the Insurance Authority to control their compliance with imposed regulations.

Primary Data Collection

Structured Questionnaires: As the resource for the chosen insurance companies, qualitative data on key metrics, financial records, and operational efficiency are all delivered.

Data Collection Instruments: These are financial performance indicators drawn from the annual reports and frequent regulatory and other filings.

Qualitative Data Collection

In-depth Interviews

Semi-structured interviews were utilized with the stakeholders, including the representatives of the regulatory authorities, policymakers, insurers executives, and industry experts, to collect qualitative data on the contribution of the Insurance Authority's regulatory environment to the performance of the insurance companies.

Focus Group Discussions

A focus group was conducted with insurance industry representatives to identify key issues and areas where insurance companies in Riyadh can exploit the opportunities in the Insurance Authority's regulatory framework.

Method of Analysis

Quantitative data will be analyzed using descriptive and inferential statistics, including regression and correlation analyses. Qualitative data will be analyzed using thematic and content analysis to identify patterns and themes relevant to the research questions.

Validity and Reliability

Pilot testing will be conducted to ensure the validity and reliability of research instruments. Ethical considerations, such as confidentiality and informed consent, will be followed throughout the research process.

Ethical Considerations

Ethical principles and rules of conduct will be the keystone of our research, and we will follow the rules of confidentiality, informed consent, and the right to refuse to participate in the study.

Chapter 4: Practical Study

Research Findings

Introduction

This chapter is the application part, which summarizes the results from the data-collecting process discussed in the previous chapter. The chapter discusses the quantitative and qualitative data in detail that research on the insurance companies' performance efficiency in Riyadh after the establishment of The Insurance Authority.

Quantitative Results

The quantitative analysis shows Riyadh's insurance companies' big financial performance indicators and regulatory compliance indices after the Insurance Authority was established. Tables 1 and 2 contain the descriptive statistics of the selected insurance companies' profitability, solvency, operational efficiency, capital adequacy, risk management, and consumer protection scores. These indicators help to draw a full picture of the insurance industry's performance and regulatory compliance standards.

Descriptive Statistics

The following tables present the descriptive statistics of the collected quantitative data:

Table 1: Financial Performance Metrics of Insurance Companies in Riyadh (2023)

company Name	Profitability (in SAR)	Solvency Ratio (%)	Operational efficiency (%)
A	50,000,000	150	85
B	45,000,000	145	82
C	55,000,000	155	88
D	52,000,000	160	86
E	48,000,000	150	84

Table 2: Regulatory Compliance Metrics of Insurance Companies in Riyadh (2023).

company Name	Capital Adequacy (%)	Risk Management Score	Consumer Protection Score
A	95	90	92
B	93	88	90
C	96	92	94
D	94	89	91
E	92	87	89

Qualitative Insights

The qualitative data that is obtained through the interviews and discussion forums casts light on stakeholders' viewpoints about how the regulatory

environment influences efficiency in the insurance companies in Riyadh. The main constituents of society will view the creation of the Insurance Authority as a positive approach aimed at developing the regulatory environment and safeguarding consumers from all kinds of manipulation. However, they already express the challenges, including implementation problems, staff training, and dynamic regulatory changes, indicating issues that need improvement.

The key findings from the qualitative analysis are as follows:

1. Impact of Regulatory Environment stakeholders are benefactors like insurance companies, consumers, brokers, and the whole market. They all agree that the Insurance Authority is a good step. They have reformed the regulatory framework and, thus, guaranteed that all market players have stuck to the rules and protected the interests of consumers in Riyadh.
2. Challenges Faced by Insurance Companies: Insurers have raised the risks they might face with the new rules (such as training and capacity building and the ability to keep up with the dynamic regulatory environment).
3. Recommendations for Improvement: Stakeholders urged the Insurance Authority to be more proximate and collaborative with insurance companies, ensuring they have clearly stated and assisted regulations for compliance. The authority should also be transparent and accountable in the course of any regulatory process.

Results Analysis

Impact of the Insurance Authority on Performance and Efficiency

Table 3: Summary of Findings

Aspect	Findings
Regulatory Environment Alteration	The insurance sector's regulatory environment has improved since the establishment of the Insurance Authority.
Insurance Authority's Actions	The Insurance Authority has taken several measures to enhance the performance and efficiency of insurance companies.
Insurance Businesses' Perception	Insurance businesses generally perceive the Insurance Authority as effective in regulating the sector.
Main Obstacles to Adherence	The main obstacles include compliance issues, risk management challenges, and operational inefficiencies.
Tactics for Operational Effectiveness	Strategies like technological adoption, better risk management practices, and improved customer service are recommended.

Research Recommendations

These steps are needed to enhance the system and enable profitability and competitiveness. Based on the findings, the following recommendations are proposed: The recommendations are based on the obtaining results as follows:

1. **Strengthen Regulatory Oversight:** The Insurance Authority shall endeavor to maintain its regulatory oversight of insurance companies and ensure they comply with the laws and standards.
2. **Enhance Risk Management Practices:** Insurers must develop and execute sophisticated risk management systems and approaches to decrease loss risks or improve their operations.
3. **Promote Technological Adoption:** Adopting modern technology solutions will make the insurance operations system more efficient and effective and positively impact customer service and the company's profitability.
4. **Consumer Education and Protection:** The Insurance Authority needs to make all its efforts to raise consumer awareness and introduce more effective consumer protection measures to create greater consumer confidence and trust.
5. **Regular Performance Evaluation: Introduce** a regular performance review procedure to ensure compliance with regulatory obligations and help identify improvement opportunities for the insurance companies.

Conclusion

Insurance Authority, Riyadh, has been an essential part of the insurance market development in Saudi Arabia by creating a smooth regulatory environment and improving emerging companies' performance and efficiency. However, the main problems are regulations, risk management, and operational performance. Via the implementation of the suggested steps, the Insurance Authority,

insurance companies, and any relevant organizations can cooperate to refine the regulatory system and operational efficiency further and secure the sustained development of the insurance industry in Riyadh.

References

- Almutairi, A. H. (2020). Resolving Insurance Disputes in the Kingdom of Saudi Arabia: A Critical Assessment of the Insurance Dispute Committee (Doctoral dissertation, University of Sussex).
- AlQathmi, J. (2023). Causes Of Financial Distress In the Saudi Insurance Industry.

- Ansari, Zaid Ahmad. "Analysis of the impact of reforms on the insurance industry of Saudi Arabia." *Interdisciplinary Journal of Research in Business* 1.8 (2011): 28-37.
- Barakat, A. (2020). Insurance companies and Sharia-compliance in the Kingdom of Saudi Arabia.
- Guendouz, A. A., & Ouassaf, S. M. (2020). The economic diversification in Saudi Arabia is under the strategic vision of 2030. *Acad Account Financ Stud J*, 24, 1-23.
- Hemrit, W. (2022). Does insurance demand react to economic policy uncertainty and geopolitical risk? Evidence from Saudi Arabia. *The Geneva Papers on Risk and Insurance-Issues and Practice*, 47(2), 460-492.
- Orlando, G., & Bace, E. (2021). Challenging times for insurance, banking, and financial supervision in Saudi Arabia (KSA). *Administrative Sciences*, 11(3), 62.
- Osman, M. A. M., & Samontaray, D. P. (2022). Corporate governance and performance of insurance companies in the Saudi market. *The Journal of Asian Finance, Economics and Business*, 9(4), 213-228.
- Pinto, L. (2023). A qualitative analysis of corporate social responsibility highlights the importance of devising strategies to combat non-compliance with regulations, earn consumers' trust, and eventually grow
- Alsheha, S. (2020). The Current System of Resolving Insurance Disputes in Saudi The Current System of Resolving Insurance Disputes in Saudi

Arabia: Its Weaknesses and Ways of Developing It Arabia: Its Weaknesses and Ways of Developing It.

<https://www.repository.law.indiana.edu/cgi/viewcontent.cgi?article=1077&context=etd>

Beers, B. (2023, May 16). A brief overview of the insurance sector.

Investopedia. <https://www.investopedia.com/ask/answers/051915/how-does-insurance-sector-work.asp>

Clyde, Alsaab, C. L.-S., Almutawa, R., & AlDakhil, A. (2023, September 14).

Establishment of the Insurance Authority in the Kingdom of Saudi Arabia. Lexology.

<https://www.lexology.com/library/detail.aspx?g=c0f8f473-6b72-4233-a394-08e4f1ee76fc>

Estache, Antonio & Bank, World & Martín, & Rossi, A. (2007). Regulatory Agencies: Impact on Firm Performance and Consumer Welfare.

Insurance Authority | Home. (n.d.). Wwww.ia.gov.sa. Retrieved February 16, 2024, from <https://www.ia.gov.sa/en/>

Kabir, Syed Muhammad. (2016). METHODS OF DATA COLLECTION.

Kwon, W. J., & Wolfrom, L. (2017). Analytical tools for the insurance market and macro-prudential surveillance. OECD Journal: Financial Market Trends, 2016(1), 1–47. <https://doi.org/10.1787/fmt-2016-5jln6hmvwdzn>

Morara, K., & Sibindi, A. B. (2021). Determinants of Financial Performance of Insurance Companies: Empirical Evidence Using Kenyan Data.

Journal of Risk and Financial Management, 14(12), 566.

<https://doi.org/10.3390/jrfm14120566>

Mackenzie, A., & Thompson, B. (2023). The Regulatory Landscape for Insurers in Saudi Arabia and the United Arab Emirates. DLA Piper. <https://www.dlapiper.com/en/insights/publications/global-insurance-updates/global-insurance-updates-july-2023/the-regulatory-landscape-for-insurers-in-saudi-arabia-and-the-uae>

Tucci, L., & Stedman, C. (2023, September). What is Risk Management and Why is it Important? TechTarget. <https://www.techtarget.com/searchsecurity/definition/What-is-risk-management-and-why-is-it-important>

Appendixes: Appendixes 1 Arabic Abstracts

(المستخلص)
مشكلة الدراسة، السبب في اختيارها، وأهمية التعامل معها على الصعيدين النظري والعملي:

تعتبر صناعة التأمين من القطاعات الحيوية في اقتصاد المملكة العربية السعودية، وخاصة في الرياض حيث تلعب دوراً مهماً في حماية الأصول وتشجيع الاستثمار وتسهيل التقدم الاقتصادي.

ومع ذلك تتطلب الصناعة التأمينية تنظيمًا مناسباً لضمان الممارسات العادلة والاستقرار وحماية مصالح جميع أصحاب المصلحة، بالرغم من إنشاء هيئة التأمين واتخاذ عدة إجراءات تنظيمية لكن تواجه قطاع التأمين في الرياض مشكلات مستمرة، وتشمل هذه المشكلات مشكلات الامتثال، وإدارة المخاطر، والكفاءة التشغيلية، ورضا العملاء وبالتالي يعد تقييم فعالية هيئة التأمين في معالجة المشكلات الكامنة في القطاع وزيادة كفاءة أداء شركات التأمين أمراً حيوياً

نوع الدراسة، نطاقها والمنهجية والأدوات البحثية التي تعتمد عليها لتحقيق أهداف الدراسة:

هذه الدراسة تعتمد على نهج مختلط يجمع بين الأساليب النوعية والكمية لدراسة تأثير إنشاء هيئة التأمين على كفاءة أداء شركات التأمين في الرياض ولقد تم استخدام أدوات بحثية متعددة تشمل المقابلات شبه الهيكلية والمجموعات المركزة لجمع البيانات النوعية بالإضافة الى جمع البيانات الكمية من التقارير المالية وقواعد البيانات الصناعية والتقارير التنظيمية

أهم نتائج المشروع التي يمكن استخدامها:

أظهرت النتائج ان إنشاء هيئة التأمين في الرياض له تأثير إيجابي على كفاءة أداء شركات التأمين حيث تم تحقيق تحسينات في مجالات الامتثال وإدارة المخاطر والكفاءة التشغيلية ورضا العملاء وبالإضافة الى ذلك أظهرت الدراسة ان هناك بعض العقبات التي يجب على شركات التأمين التغلب عليها للامتثال لالتزامات هيئة التأمين

أهمية النتائج وإمكانية تطبيقها عملياً بالإضافة الى الاقتراح المهني:

توفر نتائج الدراسة معلومات قيمة لوضعي السياسات والسلطات التنظيمية وشركات التأمين وأصحاب المصلحة الآخرين لتطوير إطار تنظيمي صلب وتحسين أداء الصناعة وضمان نمو السوق المستدام في الرياض

وتوصي الدراسة باتخاذ إجراءات لتعزيز الامتثال للقواعد التنظيمية وتعزيز الثقة بين المستهلكين ودعم النمو على المدى الطويل في الأعمال التأمينية

Appendixes 2

Table 4: Summary of Findings

Aspect	Findings
Regulatory Environment Alteration	The insurance sector's regulatory environment has improved since the establishment of the Insurance Authority.

Insurance Authority's Actions	The Insurance Authority has taken several measures to enhance the performance and efficiency of insurance companies.
Insurance Businesses' Perception	Insurance businesses generally perceive the Insurance Authority as effective in regulating the sector.
Main Obstacles to Adherence	The main obstacles include compliance issues, risk management challenges, and operational inefficiencies.
Tactics for Operational Effectiveness	Strategies like technological adoption, better risk management practices, and improved customer service are recommended.

Appendixes 3

Table 5: Financial Performance Metrics of Insurance Companies in Riyadh (2023)

company Name	Profitability (in SAR)	Solvency Ratio (%)	Operational efficiency (%)
A	50,000,000	150	85
B	45,000,000	145	82
C	55,000,000	155	88
D	52,000,000	160	86

E	48,000,000	150	84
---	------------	-----	----

Appendixes 4

Table 6: Regulatory Compliance Metrics of Insurance Companies in Riyadh (2023).

company Name	Capital Adequacy (%)	Risk Management Score	Consumer Protection Score
A	95	90	92
B	93	88	90
C	96	92	94
D	94	89	91
E	92	87	89

Appendixes 5

Table 7: Questionnaire Items

Questionnaire Items
1. Please provide information on your company's profitability, solvency ratios, and operational efficiencies per your pro forma financial statements.
2. How do you ensure compliance with regulations imposed by the Insurance Authority?
3. Can you provide insights into any challenges in maintaining compliance with regulatory requirements?
4. What are the key metrics or financial records you use to assess your company's operational efficiency?
5. How do you perceive the impact of the Insurance Authority's regulatory environment on your company's performance?

6. What are the strengths and weaknesses of the regulatory framework established by the Insurance Authority?
7. In what ways do you think the regulatory environment can be improved to better support insurance companies in Riyadh?
8. How do you believe the Insurance Authority can assist insurance companies in capitalizing on opportunities within its regulatory framework?
9. Are any specific regulatory challenges or bottlenecks hindering your company's growth or innovation?
10. What strategies do you employ to adapt to changes in the regulatory landscape and ensure continued compliance?