

Saudi Arabian Monetary Authority

HEAD OFFICE

General Department of Insurance Control

ت.ع.م./201807/162 No.

Date: 1439/11/10 هـ

23/7/2018

Circular

Attachments: Appendix1

Chief Executive Officer

Subject: Medical Expenses Insurance – Pricing Adequacy Report

With reference to SAMA Circular number (122) 'Medical Expenses Insurance- Actuarial Pricing 2017' dated 14 August 2017 and to SAMA Circular number (142) 'Medical Expense Insurance – Pricing Adequacy Report 2017' dated 14 December 2017, wherein SAMA required all insurance companies writing Medical Insurance Business to submit a 'Pricing Adequacy Report' for the business written in year 2017. Going forward, SAMA requires each insurance company to submit a 'Pricing Adequacy Report' at least twice every year.

The first pricing adequacy report for the year to cover the period from 1st January to 30th June and will be due by 15th Aug. The second pricing adequacy report for the year to cover the period from 1st January to 31st December and will be due by 25th January of the following year.

At a minimum, the report should meet the following requirements:

- The analysis must cover all policies issued/renewed during the period covered in the year with the policy effective date in that year.
- Companies must provide the Appointed Actuary with all data and relevant information required by the Actuary in order to produce the report. Data must be provided in the format required by the Actuary.
- In his report, the Appointed Actuary must highlight if any data deficiencies were observed, discussions held with the Company management to address those deficiencies, remedial action taken or planned to be taken in the future along with clear timelines.
- The granularity of analysis must be commensurate with the nature of business written by each company. At a minimum, the policies underwritten shall be segmented as follows:
 - Experience-rated Group business

Saudi Arabian Monetary Authority


HEAD OFFICE

General Department of Insurance Control

- Book-rated Group business (including SMEs)
 - Family (including parents and newly-wed couples)
 - Domestic workers (driver, maid, etc.)
 - Visitors' visa
 - Others
-
- For the purpose of this report, 'technical price' is defined as the price for a policy determined using the actuarial basis applicable at the time of issuing/renewing the policy, whereas 'selling price' represents the actual price at which the policy is sold. Both prices must include the same components, i.e. risk premium, commissions, expenses, profit margin, etc. in order to avoid any distortions to the comparison made.
 - Assumptions (if any) used in the above analysis should be clearly mentioned in the report, along with their justification.
 - The report should be signed jointly by the Chief Underwriting Officer (or equivalent) and the Appointed Actuary.

The Excel template attached at Appendix 1 to this Circular must be submitted along with the above reports. SAMA may update the template from time to time and share the updated template in advance of the deadline.

Moreover, since SAMA will require periodic submission of the pricing adequacy reports, it is expected that each company will automate the production of future reports in order to minimize the time and effort required for submission.

 Yours sincerely,



Hesham A. Tashkandi
Director General of Insurance Control