

Islamic Protection and Savings Insurance in Saudi Arabia: A Review of the Current Context

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Abstract

Insurance plays an important role in economic stability, risk management, and household financial protection. Within Islamic finance, Islamic insurance has developed as a Shari'ah-compliant alternative to conventional insurance and has gradually expanded across different regions. However, despite its growth, Islamic insurance continues to represent the smallest segment within the global Islamic finance industry. Within this sector, Islamic protection and savings (P&S) insurance is particularly important because it combines financial protection with long-term savings and retirement planning. In Saudi Arabia, this segment is receiving increasing policy attention under Vision 2030 and the Financial Sector Development Program due to its potential to support household financial planning, increase savings, and contribute to long-term capital accumulation. Nevertheless, its market share remains limited compared with health and motor insurance, and individual participation continues to lag behind corporate and group business. This review paper examines the position of Islamic P&S insurance within the broader Islamic finance and Saudi insurance landscape. It discusses the current market and policy context and highlights the main structural, operational, and demand-side issues affecting the sector. The review further identifies an important gap between national financial planning ambitions and the actual uptake of Islamic P&S insurance in Saudi Arabia. It argues that Islamic P&S insurance remains underexamined as a distinct long-term financial product and that more focused research is needed to understand its role, challenges, and potential within the Saudi context.

Keywords: Islamic Protection and Savings Insurance, Islamic Insurance, Saudi Arabia, Islamic Finance, Vision 2030, Financial Planning, Household Savings

Introduction

As the world becomes more unpredictable, the need for insurance is becoming increasingly important for both the global economy and households. Insurance plays an important role in the real economy by providing long-term capital for managing risk. Insurance is one of the biggest major investors, holding around USD 40 trillion in financial assets at year-end 2023 (International Association of Insurance Supervisors, 2024, p. 7). The long investment horizon

of insurance companies can allow them to function as a stabilising force in financial markets. Studies show the value of a comprehensive insurance system for mass economic growth and development (Dawd, & Benlagha, 2023; Tasdemir & Alsu, 2024).

However, conventional insurance has long been disputed among some Muslim consumers who view it as contrary to God's will and in violation of Islamic law, commonly referred to as Shari'ah law. This dispute gave rise to a new form of insurance that complies with the Shari'ah, popularly known as Islamic insurance. Accounting and Auditing Organization for Islamic Financial Institutions (2015) describes Islamic insurance as an agreement among participants who face risk, where each person contributes on a donation basis so that losses can be covered collectively. Under this form of insurance, the insurer will operate on the basis of unity and cooperation principles (IFSB, 2023) with a strong distinction between the client and the contractor (Alamasi, 2010). In fact, the purpose of this system is not to generate profit. One of the values of Islamic insurance is that policyholders work together for a collective good, where each one makes a financial contribution to support those in need of assistance. Therefore, group pooling distributes losses and shares liabilities. Gharar (uncertainty) is excluded because it impacts neither donation contracts (Tabarru) nor benefits one party at another's expense. Islamic insurance and traditional insurance vary in several ways. The main difference, however, is the method of dealing with profits. Islamic insurance profit is earmarked for insurers and shareholders based on either Mudharaba, Wakalah, or Waqf (Society of Actuaries Research Institute, 2024; Zuki et al., 2024).

Islamic finance is mainly built around four core areas: Islamic banking, sukuk, Islamic insurance, and Islamic investment funds. Among these, Islamic banking clearly dominates in size. The IFSB Stability Report (2025, p. 13) shows that it contributes about 71.62% of total global Islamic finance assets. Islamic banking is followed by sukuk at a 23.29% share and Islamic funds at a 3.7% share. Islamic insurance contributes the least share in the Islamic finance industry, with just 1.4%. Since its formal establishment in the late 20th century, the Islamic insurance sector has evolved from a niche solution to a steadily expanding segment of the global Islamic finance industry. The Islamic Financial Services Industry Stability Report (IFSB, 2025, p. 13) states that Islamic insurance assets reached USD 54.4 billion by the third quarter of 2024. Islamic insurance is projected to reach USD 57.86 billion by 2029, growing at a 12% CAGR (AlHuda CIBE, 2025), which indicates strong future potential.

Regional patterns also show clear differences in Islamic insurance development. According to IFSB (2025, p. 12), the Gulf Cooperation Council (GCC) region made up 59.9% of the overall global written contributions, mainly because of consolidation activities and strong regulatory frameworks in major countries. The Middle East and North Africa excluding the GCC, and East Asia and the Pacific, made up 19.3% and 17.0% of the world's contributions, respectively. Markets in South Asia and Sub-Saharan Africa are still at an early stage of growth, with greater attention being given to regulatory development and market infrastructure. Across the GCC, non-GCC MENA, and Europe–Central Asia, the portfolio is dominated by general (non-life) business, accounting for over 89.9% of aggregate contributions. This is mainly because of strong demand for health and motor insurance. In contrast, Islamic protection and savings (P&S) insurance is especially strong in East Asia and the Pacific, as well as South Asia, where it makes up more than 70.2% of contributions (IFSB, 2025, p. 34). This differs clearly from the GCC, where general business lines continue to dominate.

Recent Saudi study further suggest that the environment surrounding long-term financial decision-making is still developing. Al Rahahleh (2022), based on 887 survey responses, found that financial literacy among Saudi citizens was uneven across budgeting, saving, investment, debt, and insurance dimensions, with relatively weaker literacy in insurance and investment. Despite its growing policy relevance, Islamic protection and savings insurance in Saudi Arabia remains underexamined in the literature as a distinct long-term household financial product. Existing discussion has more often focused on Islamic banking and Islamic insurance in general, while less attention has been given to Islamic protection and savings insurance as a separate long-term household financial product in Saudi Arabia. This is in line with review studies showing that takaful research has mostly discussed broad themes, while Saudi studies on protection and savings insurance are still limited (Alam, 2023; Ansari, 2022; AlNemer & Ansari, 2016). Accordingly, this review examines the current position of Islamic P&S insurance within the broader Saudi insurance and Islamic finance landscape. Specifically, it reviews the market and policy context surrounding the segment, discusses the main structural, operational, and demand-side issues affecting its development, and highlights the gap between national financial planning ambitions and the actual uptake of Islamic P&S insurance. The review is therefore limited to the Saudi context and to Islamic P&S insurance as a distinct voluntary protection and long-term savings product.

Islamic Protection and Savings Insurance in Saudi Arabia: Current Context

As one of the biggest insurance markets in the GCC (KPMG, 2025, p. 3), Saudi Arabia's insurance sector has long been a major force in the region. In Q2 2025, gross written premiums were SAR 18.5 billion, up from SAR 17.2 billion in Q2 2024 (Insurance Authority, 2025, p. 3). With the support of a stronger regulatory framework, mandatory insurance, technology developments, and rising travel and pilgrimage activity, Saudi Arabia's insurance sector has seen a period of strong growth in recent years (KPMG, 2025, p. 4).

A vibrant society, a thriving economy, and an ambitious nation are the three main pillars of Saudi Vision 2030 for development and national transformation, and the insurance industry is viewed as an important component within this agenda (Saudi Vision 2030, 2016). The Financial Sector Development Program (FSDP), which was established to support the Vision 2030 objectives, has contributed to the changes taking place in the insurance sector (Ministry of Finance, Saudi Arabia, n.d.). The FSDP aims to empower financial institutions to support private sector growth, ensure the development of a sophisticated capital market, enhance financial planning, and foster a competitive and globally recognised fintech ecosystem (FSDP, 2025, p. 33). These goals are meant to reduce systemic risk and improve the overall performance of the financial services sector. The total gross written premiums (GWP) to non-oil GDP ratio, which reflects the insurance sector's contribution to the economy, exceeded the FSDP's 2025 target. By Q4 2024, the ratio had risen to 2.59%, above the FSDP's initial target of 2.4% (FSDP, 2024, p. 40). This result reflects the increasing strategic importance of the insurance sector in supporting Vision 2030 and economic diversification.

The insurance sector in the Kingdom is supported through the roles of two main governmental entities: the Saudi Central Bank and the Insurance Authority. The Saudi Central Bank focuses on the stability of the entire financial system and ensures that the insurance sector does not pose systemic risk to the broader banking and financial economy. It is also responsible for managing the Kingdom's foreign exchange reserves and establishing

monetary policy to maintain price and exchange-rate stability (SAMA, n.d.). The Insurance Authority, established in 2023, is the only body in the Kingdom responsible for regulating, supervising, and overseeing the insurance sector (Clyde & Co., 2023; Insurance Authority, n.d.). Its main purpose is to support insurance sector growth, increase the sector's contribution to GDP, attract investment, and create employment opportunities.

There are 26 insurance companies in the Kingdom's insurance market (Argaam, 2024). Five of these companies are also licensed to conduct reinsurance business, while one Saudi reinsurance company operates solely in reinsurance (KPMG, 2025, p. 7). In 2024, two companies accounted for more than 55% of the Kingdom's insurance market revenue (RBSA Advisors, 2025, p. 11). In Saudi Arabia, the major insurance business lines include health, general, and P&S insurance. The GWP distribution by line of business for Q2 2025 shows that health insurance accounted for 57.6%, motor insurance for 18.7%, property and casualty insurance for 14.4%, and P&S insurance for 9.3% (Insurance Authority, 2025, p. 9). The dominance of health and motor insurance is mainly related to mandatory regulations, while the growth of property and casualty insurance has been supported by infrastructure development, investment momentum, and greater awareness of catastrophe risks under Vision 2030 (RBSA Advisors, 2025, p. 11). With retention ratios of 97.3% for health insurance and 99% for motor insurance, both lines continue to hold a large share of business in the Saudi market (Insurance Authority, 2025, p. 4).

To improve accessibility and market penetration, the Saudi insurance sector has also adopted bancassurance. A new regulation governing bancassurance was introduced in 2020 to stimulate the Saudi insurance market (Saudi Central Bank, 2020). Some Saudi banks, such as Alahli and Alinma, have strategic partnerships with insurers to provide insurance services through digital channels and branch networks (Alinma Bank, 2025; Alahli, n.d.). According to KPMG (2025, p. 9), one of the Insurance Authority's priorities is to regulate bancassurance in the Kingdom by clarifying how banks and insurers should work together and by widening insurance distribution through banking channels. This approach supports client access by allowing them to fulfil several financial needs through a single provider.

Despite its steady growth and the opportunities created by Vision 2030, the Saudi insurance sector continues to face important structural and operational challenges. One major issue is the increasing complexity of regulation. Insurers must deal with evolving solvency requirements, newly mandated rules, and higher digital governance standards. These continuing changes increase compliance costs and place pressure on operations, especially for smaller insurers (KPMG, 2025, p. 5; RBSA Advisors, 2025, p. 13). Financially, the industry is also constrained by strong competition. The rise of digital distribution channels has intensified price wars, especially in the medical and motor segments, resulting in lower profitability and margin pressure (KPMG, 2025, p. 5; RBSA Advisors, 2025, p. 13). The growth of the sector is also slowed by operational issues. Many insurance companies continue to struggle with Insurtech solutions, fraud, and claims management problems, while a shortage of specialised skills affects innovation and service quality (KPMG, 2025, p. 4, p. 24; RBSA Advisors, 2025, p. 13). On the demand side, low customer trust and limited financial literacy continue to hinder the uptake of both traditional and long-term products, including P&S plans (RBSA Advisors, 2025, p. 13). The sector also remains vulnerable to broader economic and

political risks, including changes in oil prices and regional instability (KPMG, 2025, p. 5; RBSA Advisors, 2025, p. 13).

Within this wider insurance landscape, Islamic P&S insurance occupies a distinct position in Saudi Arabia. Unlike health and motor insurance, which are supported by mandatory regulations, Islamic P&S insurance remains voluntary and represents the smallest segment of the Saudi insurance market. This is consistent with the broader GCC pattern, where general Islamic insurance lines dominate, unlike some East Asian markets where Islamic P&S insurance is more developed (IFSB, 2025, p. 34). Even so, the Saudi P&S segment has shown noticeable growth. Its market share rose from 3.9% in 2023 to 10.1% in 2024 (KPMG, 2025, p. 8). In absolute terms, P&S GWP reached SAR 1.8 billion in Q2 2025, up from SAR 1.7 billion in Q2 2024 (Insurance Authority, 2025, p. 3). However, the segment continues to be dominated by corporate and group business. In Q2 2025, corporate or group contracts accounted for approximately 80% of total P&S GWP, while individual policyholders accounted for only 20% (Insurance Authority, 2025, p. 20; ANB Capital, 2025, p. 19).

This issue is particularly important in light of Saudi Arabia's broader financial development agenda. One of the concerns highlighted in the Financial Sector Development Program is the low level of household savings. Among its four key goals is the promotion and enabling of financial planning (FSDP, 2025, p. 33). To achieve this, the programme seeks to improve financial literacy, increase access to financial products and services, and encourage a stronger culture of saving (FSDP, 2025, p. 64). Within this agenda, Islamic P&S insurance is considered an important long-term financial planning tool. At the same time, regulatory reforms, digital distribution channels, and Insurtech developments are making these products more accessible. Expanding this segment also matters economically because, unlike short-term compulsory lines such as health and motor insurance, Islamic P&S insurance can support long-term capital accumulation and household financial security (Swiss Re Institute, 2022, pp. 4, 19–20; Schanz, 2025, p. 28). Nevertheless, the continued low uptake of Islamic P&S insurance, together with low household savings, highlights an important gap between national financial planning ambitions and actual consumer participation (Alnemer & Ansari, 2016; El Habachi, 2024; Insurance Authority, 2025).

Discussion

The reviewed evidence shows that Islamic insurance is an expanding component of the global Islamic finance industry, yet it continues to account for the smallest share compared with Islamic banking, sukuk, and Islamic investment funds. Within this sector, important regional differences can be observed. In the GCC, Islamic insurance remains concentrated in general business lines, especially health and motor insurance, while Islamic P&S insurance is much more developed in East Asia and South Asia. This suggests that the growth of Islamic insurance does not necessarily translate into balanced development across all business lines, particularly those linked to long-term household financial planning.

In the Saudi Arabian context, the sector has made clear progress under Vision 2030 and the Financial Sector Development Program. The insurance market has benefited from stronger regulation, digitalisation, mandatory coverage, and institutional reforms. However, this growth remains uneven across lines of business. Health and motor insurance continue to dominate the market because they are supported by mandatory requirements, whereas

Islamic P&S insurance remains voluntary and relatively small. Although the segment has shown recent growth, its uptake is still limited, especially at the individual level, as most business continues to come from corporate and group contracts.

This imbalance points to an important issue in the Saudi insurance market. On the one hand, national policy encourages financial planning, household saving, and wider use of long-term financial products. On the other hand, actual participation in Islamic P&S insurance remains limited. This suggests that regulatory support and market availability alone may not be sufficient to encourage stronger adoption among households. The gap between policy ambition and actual participation indicates the need to better understand the factors that shape household willingness to participate in Islamic P&S insurance.

A further gap can be observed in the literature itself. Much of the existing discussion on Islamic finance has focused more heavily on Islamic banking, sukuk, and general Islamic insurance than on Islamic P&S insurance as a long-term household financial product. Even when Islamic insurance is examined, many studies do not sufficiently distinguish between compulsory and voluntary lines, despite the fact that they are shaped by different consumer motives and decision-making processes. Islamic P&S insurance is not merely a protection product, but also a savings- and retirement-related financial instrument. This gives it a different behavioural and financial logic that deserves more specific attention.

The Saudi context makes this gap even more important. Saudi Arabia is one of the largest insurance markets in the GCC, and its policy direction clearly emphasises long-term financial planning and stronger household financial preparedness. Yet the low penetration of Islamic P&S insurance suggests that the segment remains underused despite its strategic relevance. This creates a need for more focused research on Islamic P&S insurance in Saudi Arabia, particularly research that moves beyond market description and examines why individual participation remains limited.

Accordingly, the literature points to a gap in understanding Islamic P&S insurance not only as a Shari'ah-compliant product, but also as a behavioural, financial, and policy-relevant mechanism for strengthening long-term household security. More review and empirical work is needed to examine how this segment is positioned within the wider insurance market, why participation remains low despite policy support, and how future research can better explain adoption in the Saudi setting.

Conclusion

This review highlights the growing importance of insurance for economic stability and household financial protection, as well as the distinct role of Islamic insurance within the wider Islamic finance industry. Although Islamic insurance has expanded steadily over time, it still accounts for the smallest share of total Islamic finance assets. Within the sector, major regional differences remain, with general insurance dominating in the GCC while Islamic P&S insurance is more developed in parts of East and South Asia. In Saudi Arabia, the insurance sector has progressed considerably under Vision 2030 and the Financial Sector Development Program through stronger regulation, market reforms, digital transformation, and wider insurance distribution. However, this progress has not been evenly reflected across all lines of business. Islamic P&S insurance remains a relatively small and largely voluntary segment,

despite its relevance to long-term financial planning, household savings, and capital accumulation. The dominance of corporate and group contracts further suggests that individual participation remains limited. Overall, the review points to an important gap between national financial planning ambitions and the actual uptake of Islamic P&S insurance in Saudi Arabia. This indicates the need for greater scholarly attention to this segment, particularly in understanding the factors that can explain and strengthen household participation. Future research should therefore give more focused attention to Islamic P&S insurance as a distinct area within Islamic finance and insurance studies, especially in the Saudi context.

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