Evaluation of the Financial Performance of Reinsurance Companies Using Financial Ratios: A Case Study of the Saudi Reinsurance Cooperative Company "Saudi Re" (2013–2022)

Dr. Najla Fath Al-Rahman Al-Qadi
Associate Professor, Department of Economics and Finance
Taif University - College of Business Administration

Dr. Hebatullah Abdelsabour Amin
Assistant Professor, Department of Economics and Finance
Taif University - College of Business Administration

Abstract:

Reinsurance companies constitute a vital component of the financial industry, driven by the significant recent growth in insurance operations and engagements with insurance companies. These entities play a key role in risk distribution. This study primarily aims to evaluate the financial performance of reinsurance companies in Saudi Arabia using financial analysis tools to assess their financial stability and strength. It also seeks to determine their ability to meet financial obligations to their creditors—insurance companies—and identify suitable financial indicators proposed for evaluating the financial performance of reinsurance companies in line with the unique characteristics of the Saudi insurance market. The study focused on analyzing the financial performance of the Saudi Reinsurance Cooperative Company "Saudi Re" during the period from 2013 to 2022, as it is the only company operating in this sector within Saudi Arabia. A variety of financial indicators were utilized in the analysis, including return on assets (ROA), profitability ratios, liquidity ratios, solvency and leverage ratios, operational efficiency, retention rates, and underwriting risks. The study's key findings indicate that the factors significantly influencing the financial performance of "Saudi Re" include financial leverage, liquidity ratio, operational efficiency, solvency risks, and return on assets. These factors demonstrate a positive relationship with the company's financial performance, meaning that an increase in these factors leads to improved financial performance. Conversely, retention rates and underwriting risks were found to have an insignificant impact on the company's financial performance. The primary recommendations of the study are as follows: reinsurance companies should adopt financial ratios as a key tool for evaluating financial performance to ensure precise and transparent assessments , efforts should be made to increase financial leverage and improve return on assets to enhance financial performance, also additional performance indicators could be introduced to refine the applied analytical model enabling a more comprehensive evaluation of the financial performance of reinsurance companies. These improvements would aid in understanding how various factors influence the financial health and overall stability of reinsurance firms.

Keywords: Financial performance- Reinsurance - Insurance companies

1/1 Introduction:

Reinsurance companies play a vital role in supporting and stabilizing the insurance sector by contributing to risk distribution and reducing the financial burdens on direct insurance companies. They are also a critical part of the financial industry. The significant growth witnessed in the financial sector has led to the expansion of insurance and reinsurance activities in Saudi Arabia, in line with the Saudi Vision 2030.

Evaluating the financial performance of these companies serves as a fundamental tool to determine their efficiency, analyze their ability to face significant economic challenges, and achieve their long-term objectives. Reinsurance companies are considered a strategic tool for ensuring the sustainability of the insurance sector and enhancing its role in the national economy. They also represent an important economic sector, heavily relied upon to achieve sustainable economic growth and economic development. Despite this vital role, gaps persist in the literature regarding the evaluation of the financial performance of these companies. Previous research, particularly in the Saudi context, has often focused on insurance companies in general, overlooking the structural differences between direct insurance and reinsurance.

This study aims to address this gap by analyzing the case of the Saudi Reinsurance Company "Saudi Re," focusing on a set of financial ratios to evaluate its financial performance. It is worth noting that "Saudi Re" is the only company in this sector in Saudi Arabia.

The financial performance of reinsurance companies is influenced by several factors, including company size, company age, financial leverage, liquidity, profitability, return on assets, underwriting risks, and retention rates. To measure these factors, this study employs financial analysis—a key method that enables reinsurance companies to assess their ability to meet future obligations and achieve financial solvency. Additionally, statistical analysis is conducted using the SPSS software, incorporating the stepwise regression method to evaluate financial performance indicators.

Undoubtedly, evaluating the financial performance of this sector contributes to revealing the financial health of reinsurance companies, highlighting their strengths and weaknesses. This is particularly crucial for affiliated insurance companies and regulatory bodies in preserving the rights of these companies and ensuring their continued stability.

2. Research Problem

Insurance companies rely on reinsurance companies to protect capital, safeguard financial surpluses, and maintain the stability of underwriting results. Consequently, evaluating the financial performance of reinsurance companies has become a necessity. From this perspective, the research problem lies in assessing the financial performance of the Saudi Reinsurance Company "Saudi Re" using selected financial ratios.

This problem can be investigated through the following seven research questions:

1. Is there a relationship between the financial performance of the reinsurance company and its return on assets?
2. Is there a relationship between the financial performance of the reinsurance company and its liquidity?
3. Is there a relationship between the financial performance of the reinsurance company and underwriting risks?
4. Is there a relationship between the financial performance of the reinsurance company and its retention rate?
5. Is there a relationship between the financial performance of the reinsurance company and solvency risks?
6. Is there a relationship between the financial performance of the reinsurance company and operational efficiency?
7. Is there a relationship between the financial performance of the reinsurance company and financial leverage?

3. Significance of the Research

Saudi Arabia is an emerging market in the reinsurance sector, experiencing significant developments aligned with Vision 2030. This vision aims to enhance the role of the financial sector and improve the efficiency of financial services. Analyzing the financial performance of reinsurance companies in the Kingdom provides critical insights into their ability to grow and sustain operations

amidst local and global challenges. Moreover, it helps in developing strategies that strengthen their role in supporting the national economy and achieving sustainable economic growth and economic development.

The reinsurance sector plays a complementary role to the banking sector. It also aids in evaluating reinsurance companies for their partner insurance firms and provides regulatory bodies with essential reports that assist in fulfilling their oversight responsibilities. Continuous monitoring and evaluation of these companies through financial assessments are crucial to safeguarding the rights of participating insurance companies.

4. Need for the Research

Given the scarcity of studies focusing on the performance of reinsurance companies in Saudi Arabia, this research seeks to fill a gap in the existing literature by analyzing the financial performance of these companies using financial ratios and building a scientific model. The results of this research can assist decision-makers and investors in making informed decisions that support the growth and sustainability of this sector.

5. Research Objectives

This research aims to:

1. Evaluate the financial performance of reinsurance companies in Saudi Arabia using financial ratios by conducting an applied study based on the financial reports of the Saudi Reinsurance Company "Saudi Re" for the period from 2013 to 2022.
2. Compare the performance of these companies with their counterparts in regional and international markets.
3. Assist in identifying solutions to address weaknesses and challenges highlighted by the study results, thereby supporting decision-makers in making sound administrative and financial decisions and improving the performance of reinsurance companies.

6. Research Hypotheses

To achieve the study objectives and answer the research problem's questions, the main hypothesis of the study is as follows:

There is a statistically significant relationship between certain financial ratios and the financial performance of the Saudi Reinsurance Company "Saudi Re".

This hypothesis will be tested through the following sub-hypotheses:

(Insert individual hypotheses related to specific financial ratios and performance outcomes, if applicable.)

Table (1): Statistical Description of the Study Variables and Hypotheses

Symbol	Variable	Hypothesis
H1	Return on Assets	There is a statistically significant relationship between financial performance and return on assets.
H2	Liquidity Ratio	There is a statistically significant relationship between financial performance and liquidity.
H3	Underwriting Risk	There is a statistically significant relationship between financial performance and underwriting risks.
H4	Retention Ratio	There is a statistically significant relationship between financial performance and retention ratio.
H5	Solvency Risk	There is a statistically significant relationship between financial performance and solvency risks.
H6	Operational Efficiency	There is a statistically significant relationship between financial performance and operational efficiency.
H7	Financial Leverage	There is a statistically significant relationship between financial performance and financial leverage.

2/ Theoretical Framework

2.1 Definition and Importance of Reinsurance

Reinsurance is a process where an insurance company (known as the primary or ceding company) transfers a portion of its risks to another insurance company (known as the reinsurer) in exchange for premiums. The goal of this process is to reduce the financial burden resulting from exposure to large risks or significant losses that may exceed the primary company's capacity to bear (Klaus Gerathewohl, 2013).

Benefits of Reinsurance

Reinsurance plays a vital role in the insurance industry, and its primary benefits include (Swiss Re, 2015).

Risk Management

Helps insurance companies distribute large risks and minimize the financial impact of significant losses.

Prevents financial collapse of the primary company in the event of catastrophic events.

Increased Underwriting Capacity

Enables primary companies to accept larger risks or a higher number of insurance policies without exceeding their financial capacity.

Enhancing Financial Stability Reduces fluctuations in the financial results of the primary insurance company, ensuring greater financial stability.

Protecting Reserves: Safeguards the primary company’s capital and financial reserves from excessive use in case of substantial losses.

Access to Technical Expertise Reinsurance companies often possess extensive expertise in risk analysis and provide valuable advisory services, helping the primary company improve its policies.

Handling Natural Disasters and Major Catastrophes In the event of significant incidents, such as earthquakes or hurricanes, reinsurance alleviates the financial burden by sharing the losses.

2.2 Types of Reinsurance Treaty Reinsurance: This involves a continuous agreement between the primary insurance company and the reinsurer to cover a group of policies.

Facultative Reinsurance: This is negotiated on a case-by-case basis for individual insurance policies.

Reinsurance is a fundamental factor in ensuring the sustainability of insurance companies and stabilizing the financial markets associated with them.

2.3 The Difference Between Direct Insurance and Reinsurance (Klaus Grathwohl, 2013)

Aspect	Direct Insurance	Reinsurance
Definition	A direct relationship between the insurance company (provider of coverage) and the insured (the individual or entity purchasing the insurance policy).	The process by which the primary insurance company transfers a portion of its assumed risks to another company (reinsurer) in exchange for a premium.
Purpose	To cover individuals or businesses against specific risks outlined in the insurance policy, such as life, property, or automobile insurance.	To distribute large risks to reinsurance companies and reduce the financial burden on the primary insurance company.
Involved Parties	The insured interacts directly with the insurance company.	The relationship exists between the primary insurance company and the reinsurer (the insured has no direct interaction).
Examples	Health insurance, car insurance, fire insurance.	A primary insurance company reinsures its portfolio against natural disasters like earthquakes.
Risk	The insurance company	The reinsurer shares large

Aspect	Direct Insurance	Reinsurance
Responsibility	bears full financial responsibility for any valid claims.	losses with the primary company according to the terms of the reinsurance contract.

Table (2): Key Differences Between Direct Insurance and Reinsurance

Element	Direct Insurance	Reinsurance
Nature	Relationship between the insurance company and the insured.	Relationship between the insurance company and the reinsurance company.
Purpose	Direct coverage of the insured.	Protecting the insurance company from major losses.
Involved Parties	Individuals or companies.	Insurance companies.
Risk Responsibility	Fully borne by the insurance company alone.	Shared between both companies.

Source: (Klaus Gerathewohl, 2013)

2/4 Financial Performance Indicators and Related Literature

Evaluating financial performance in reinsurance companies is a multi-faceted process that combines various financial indicators and models. This framework is essential for stakeholders to make informed decisions regarding investments and risk management. Financial ratios are among the most commonly used and precise tools for analyzing companies' financial performance. By measuring aspects such as profitability, operational efficiency, liquidity, and solvency, these ratios provide a comprehensive view of a company’s financial condition. The key ratios used include: (Ruhenda, 2023)

Liquidity Ratios: These ratios measure the company's ability to meet short-term obligations, such as the current ratio and the quick ratio.

Profitability Ratios: Metrics like Return on Assets (ROA) provide insights into how effectively a company generates profits from its assets. ROA is considered one of the strongest indicators of financial performance, where higher ROA values signify robust performance.

Solvency Ratios: These ratios assess long-term financial stability. The debt-to-equity ratio is a critical indicator, with lower ratios generally reflecting greater financial security. Additionally, the reserves-to-written-premiums ratio demonstrates the company's ability to meet future liabilities.

Operational Efficiency Ratios: Ratios such as expenses-to-earned-premiums reflect how efficiently operational costs are managed. (Lee & Lee, 2012)

2/5 The Reinsurance Sector in Saudi Arabia

The Impact of Vision 2030 and Regulatory Policies on Financial Companies (Vision 2030 – Official Website: vision2030.gov.sa) Saudi Vision 2030 has had a significant impact on the financial sector in general and on the insurance and reinsurance sector in particular " Saudi Vision 2030 seeks to enhance the role of the insurance and reinsurance sector as a critical contributor to the national economy. The vision aims to increase the sector's share in the non-oil gross domestic product (GDP) from 1.9% in 2019 to 2.4% by 2025, with projections reaching 4.3% by 2030". Key effects include:

Promoting Growth and Diversification: Vision 2030 aims to reduce reliance on oil and diversify the economy, which promotes growth in non-oil sectors such as insurance. This has created new investment opportunities for insurance and reinsurance companies, especially with the development of the regulatory environment and increased market transparency and competitiveness.

Supporting Local Entities: The Saudi Insurance Authority has directed companies to increase the percentage of reinsurance activities within the local market. This supports the growth of Saudi reinsurance companies and enhances their ability to manage risks while reducing dependence on foreign markets.

Encouraging Mergers and Acquisitions: The government has promoted the creation of larger and more efficient entities through mergers among insurance companies. This helps improve services and enhances competitiveness.

Technology and Financial Development: Vision 2030 emphasizes the adoption of financial technology (FinTech) across various sectors, leading to improvements in reinsurance operations and increased efficiency in services provided to customers.

2/6 Current Status of Reinsurance Companies in Saudi Arabia: The Case of "Saudi Re"

Saudi Arabia has launched several initiatives to enhance the business environment and improve the efficiency of the financial sector. One of the leading companies in the Saudi reinsurance market is Saudi Reinsurance Company (Saudi Re), the only reinsurance company in the Kingdom, Founded in 2008, Saudi Re is the first reinsurance company in Saudi Arabia. It operates entirely under the cooperative insurance system and is licensed by the Saudi Insurance Authority. The company has a capital of SAR 891,000,000 (eight hundred ninety-one million Saudi Riyals).

The primary objective of Saudi Re is to engage in cooperative reinsurance activities, providing comprehensive reinsurance solutions. The company operates in compliance with the Cooperative Insurance Companies Control Law, its executive regulations, and directives issued by the Saudi Central Bank (SAMA), along with all applicable laws and regulations in Saudi Arabia. Saudi Re specializes in facultative and treaty reinsurance solutions across multiple areas, including: Property, Engineering, Liability, Marine, Motor, Life, and Health.

By adhering to international standards and local regulations, Saudi Re plays a significant role in supporting the Saudi insurance sector and ensuring financial stability.

2/7 Brief Review of Previous Literature

Abd Al-Rasheed (2023), "Insurance Company Financial Performance Analysis" This study examined the financial performance of insurance companies listed on the Indonesia Stock Exchange (IDX) from 2016 to 2019. The researchers used liquidity ratios, profitability ratios, and solvency ratios as indicators of financial performance. However, the focus was on insurance companies, not reinsurance companies, and it did not provide a conceptual framework specifically tailored to reinsurance companies.

Bokhbaza, Sarah; Shami, Fatima; and Zahra (2023), "Theoretical Modeling of Financial Performance of Insurance Companies" This study focused on a theoretical model for evaluating the financial performance of insurance companies. However, it did not specifically address a conceptual framework for assessing the financial performance of reinsurance companies in Algeria. Additionally, it concentrated on identifying the factors influencing financial performance within the insurance sector and the related variables.

Janka, Katarina; and Dagmar (2022), "Interrelation Between Reinsurance and Financial Performance in Slovak Insurance Companies" The researchers in this study measured and analyzed the relationship between reinsurance and selected financial performance indicators in Slovak insurance companies. These relationships were evaluated using regression coefficients derived from regression analysis results. The study concluded that reinsurance can influence the financial performance of insurance companies.

Bakari Emmanuel Bamidele et al. (2022), "The Evaluation of Reinsurance Mechanisms on Nigerian Insurance Companies: Its Performance and Sustainability" This study assessed the impact of reinsurance mechanisms on the performance and sustainability of Nigerian insurance companies listed on the stock exchange. The authors concluded that reinsurance mechanisms do not have a significant impact on the listed insurance companies. The study showed no statistically significant relationship between Return on Assets (ROA) and Net Retention Ratio (NRR), Net Claims Ratio (NCR), Net Commissions Ratio (NCoR), and Ceded Reinsurance Ratio (CRR), as the p-value (0.481) in the ANOVA table exceeded 0.05. Thus, the study suggested accepting the null hypotheses, concluding that reinsurance mechanisms have no effect on the performance and sustainability of listed Nigerian insurance companies.

Talal Sijini (2022), "The Impact of Financial Analysis on the Performance Evaluation of Saudi Insurance Companies: An Applied Study" This study aimed to evaluate the performance of Saudi insurance companies using financial analysis through profitability indicators, reinsurance indicators, technical reserves, portfolio growth indicators, liquidity ratios, solvency ratios, and underwriting capacity. The study applied financial analysis on Saudi insurance companies during the period 2019–2020. The findings revealed that some indicators, such as loss ratio, combined ratio, and the adequacy ratio of outstanding claims provisions, were below acceptable levels. However, other indicators, such as liquidity ratios, solvency ratios, and underwriting capacity, were within acceptable ranges.

Najla Abdulrahman and Alaa Al-Shuraimi (2020), "The Factors Affecting Financial Performance in Saudi Insurance Companies: An Applied Study on the Largest Three Insurance Companies in Saudi Arabia" This study aimed to identify the impact of independent factors (company size, company age, financial leverage ratio, and current ratio) on the financial performance (Return on Assets and Return on Equity) of Saudi insurance companies for the period 2009–2019. The findings indicated a positive effect of the independent factors on financial performance, measured by Return on Assets (ROA), in Saudi insurance companies. However, no effect was found on financial performance measured by Return on Equity (ROE).

Yassine Qatoufi and Mohammed Baraq (2020), "The Impact of Financial Risks on the Financial Performance of Saudi Takaful Insurance Companies: An Econometric Study for the Period 2010–2018" This study aimed to identify the major financial risks for Takaful insurance companies and determine the relationship between financial risk variables and financial performance in the Saudi Takaful insurance sector. The study analyzed the relationship between Return on Assets (ROA) as a measure of performance and financial risk variables, including market risk, liquidity risk, underwriting risk, reinsurance risk, solvency risk, and company size. The findings revealed a strong relationship between financial risks and the financial performance of Saudi Takaful insurance companies. The key risks affecting ROA were liquidity risk, underwriting risk, company size, and solvency risk.

Commentary on Previous Studies

The reviewed studies explored financial performance in insurance companies at both the global level and within Saudi Arabia. While some studies examined the financial performance of insurance companies, none focused on evaluating the financial performance of reinsurance companies in Saudi Arabia. Consequently, the current study represents the first attempt to evaluate the reinsurance sector in Saudi Arabia.

This study establishes a theoretical model for assessing the performance of reinsurance companies, identifying the key determinants of financial performance within the insurance sector. By analyzing these factors and their related variables, it offers insights into a set of indicators that contribute to successfully evaluating reinsurance companies financially.

For example, Janka and Dagmar's study utilized regression analysis to measure the relationship between reinsurance and financial performance in Slovak insurance companies. Meanwhile, Bakari Emmanuel Bamidele et al. evaluated reinsurance mechanisms' performance and sustainability in Nigerian insurance companies using the ANOVA analysis model.

In contrast, this study incorporates variables into the SPSS program and employs regression analysis to measure the impact of seven financial performance indicators on the financial performance of the Saudi Reinsurance Company (Saudi Re). This model lays the groundwork for future applied studies on the reinsurance sector, including testing the model using real-world data to validate its effectiveness and enhance the understanding of factors influencing financial performance in the reinsurance sector.

3. Methodology

3.1 Research Type and Design

This study was designed to achieve its objectives and address its research questions by employing two primary approaches:

Theoretical Framework: The theoretical aspect utilizes an inductive methodology to define the core concepts and terminologies related to the research topic. This approach involved reviewing foundational studies, academic journals, and available published research to establish a solid scientific basis for the study.

Practical Framework: The practical aspect adopts a descriptive-analytical methodology to analyze the data using SPSS software. Descriptive statistical techniques, such as regression analysis, were used to describe the study variables. Additionally, a stepwise regression approach was employed to address the research questions and examine the relationships between variables.

3.2 Data Collection: The study population comprises data from the Saudi Reinsurance Company (Tawuniya) for the period from 2013 to 2022. The financial data used in the analysis were collected from the company's published financial statements and were utilized to calculate specific financial ratios necessary for the analysis.

Table (3): Study Variables and Their Measurement

Variable	Symbol	Variable Description
Independent Variable	Y	Company's Financial Performance (Dependent Variable).
First Independent Variable	X1	Asset Return Ratio. Calculated as: Net Profit / Total Assets.
Second Independent Variable	X2	Financial Leverage Ratio. Calculated as: Total Liabilities / Total Equity.
Third Independent Variable	X3	Liquidity Ratio. Calculated as: Current Assets / Current Liabilities.
Fourth Independent Variable	X4	Solvency Ratio. Calculated as: Total Assets / Total Liabilities.
Fifth Independent Variable	X5	Earnings per Share (EPS). Calculated as: Net Profit / Number of Shares Outstanding.
Sixth Independent Variable	X6	Dividend Distribution Ratio. Calculated as: Dividends / Net Profit.

Source of Data: Researchers' Calculations

The financial statements of the Saudi Reinsurance Company "Tawuniya" were used, covering the period from 2013 to 2022.

Presentation and Analysis of Study Results: The results were analyzed using the SPSS statistical package, with consideration given to the application of the stepwise regression method.

Table (4): Coefficients and Excluded Variables Coefficients

Model	**Unstandardized Coefficients**	**Standardized Coefficients**	**t**	**Sig.**
	B	Std. Error	Beta	
(Constant)	1.273	.217	-	5.860
Financial Leverage Ratio	.144	.041	.192	3.522
Asset Return Ratio	.441	.038	.591	11.724
Liquidity Ratio	.125	.041	.172	3.054

Source: Researchers' Calculations

Excluded Variables:

Model	Beta In	t	Sig.	Partial Correlation	Collinearity Statistics (Tolerance)
Dividend Distribution Ratio	-.015	-.259	.797	-.017	.381
Solvency Ratio	-.090	-1.636	.111	-.111	.579
Earnings per Share (EPS)	.019	.364	.718	.024	.347

Source: Researchers' Calculations

Notes:

a. **Dependent Variable**: Financial Performance

f. Model Predictions: Financial Leverage Ratio, Asset Return Ratio, Liquidity Ratio

As shown in Table (4), the regression equation is: Y (Financial Performance) = 1.722 + 0.836 X7 + 0.998 X2 + 16.192 X6 + 0.376 X5 + 2.056 X1

Model Summary (5)

Model	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.944	0.941	0.2146

Source: Researchers' Calculations

Analysis and Interpretation: The table results show that the coefficient of determination (R^2) equals 0.944, indicating that 94.4% of the variation in the dependent variable (financial performance) can be explained by the independent variables included in the model. The adjusted R Square is 0.941, which confirms the robustness of the model after accounting for the number of predictors. The Standard Error of the Estimate (0.2146) reflects a minimal deviation, which supports the accuracy of the model's predictions.

ANOVA Table (6)

Model	Sum of Squares	DF	Mean Square	F	Sig.
Regression	20.482	3	6.827	148.766	0.000
Residual	1.208	29	0.042		
Total	21.690	32			

Source: Researchers' Calculations

Notes: The significance level (Sig. = 0.000) confirms that the regression model is statistically significant at the 1% level.

Predictors: Financial Leverage Ratio, Asset Return Ratio, and Liquidity Ratio.

Dependent Variable: Financial Performance.

4. Results and Hypothesis Testing:

4.1 Model Significance: It is evident from Table (6) that the computed F value indicates the significance of the model at the 5% significance level. The computed value is considerably higher than the tabulated value F(5, 4, 0.05), which is 5.19. Additionally, the Sig. F value equals 0, which is less than 0.05, further confirming the model's statistical significance.

4.2 Hypothesis Testing:

Based on the data presented in Table (4), the following conclusions are drawn for the research hypotheses:

First Hypothesis: There is a statistically significant relationship between financial performance and the return on assets. The statistical analysis indicates a significant impact of the return on assets on financial performance, with a P-value = 0.036. The positive relationship is supported by the coefficient of the return on assets (2.056), highlighting its importance in financial performance.

Second Hypothesis: There is a statistically significant relationship between financial performance and liquidity ratio. The statistical analysis reveals a significant effect of the liquidity ratio on financial performance, with a P-value = 0.00. The positive relationship is indicated by the coefficient of the liquidity ratio (0.998), meaning that as liquidity increases, the financial performance of the Saudi reinsurance company improves.

Third Hypothesis: There is a statistically significant relationship between financial performance and underwriting risk. The statistical analysis shows no significant effect of underwriting risk on financial performance, with a P-value = 0.315, indicating that changes in underwriting risk do not affect the financial performance of the Saudi reinsurance company.

Fourth Hypothesis: There is a statistically significant relationship between financial performance and retention ratio. The statistical analysis reveals no significant effect of the retention ratio on financial performance, with a P-value = 0.444, suggesting that changes in the retention ratio do not impact the financial performance of the Saudi reinsurance company.

Fifth Hypothesis: There is a statistically significant relationship between financial performance and solvency risk.
The statistical analysis demonstrates a significant impact of solvency risk on financial performance, with a P-value = 0.005. The positive relationship is confirmed by the coefficient of solvency risk (0.376), indicating that as solvency risk increases, the financial performance of the Saudi reinsurance company improves.

Sixth Hypothesis: There is a statistically significant relationship between financial performance and operational efficiency.
The statistical analysis indicates a significant effect of operational efficiency on financial performance, with a P-value = 0.001. The positive relationship is reflected in the coefficient of operational efficiency (16.192), underscoring its importance in the financial performance of the Saudi reinsurance company.

Seventh Hypothesis: There is a statistically significant relationship between financial performance and financial leverage.
The statistical analysis shows a significant effect of financial leverage on financial performance, with a P-value = 0.000. The positive relationship is evidenced by the coefficient of financial leverage (0.836), indicating that as financial leverage increases, the financial performance of the Saudi reinsurance company improves.

Results:

The regression equation is:
Y (Financial Performance) = 1.722 + 0.836 X7 + 0.998 X2 + 16.192 X6 + 0.376 X5 + 2.056 X1

-The computed F value shows the significance of the model at the 5% significance level. This value is high compared to the tabulated value F(5, 4, 0.05) = 5.19, and the Sig. F value is 0, which is less than 0.05.

-The factors influencing the evaluation of financial performance for the Saudi Reinsurance Company ("Tawuniya") are: financial leverage, liquidity ratio, operational efficiency, solvency risk, and return on assets.

-Financial leverage, liquidity ratio, operational efficiency, solvency risk, and return on assets all exhibit positive relationships with the financial performance of the Saudi reinsurance company. As these factors increase, the financial performance improves.

-The retention ratio and underwriting risk are non-significant factors influencing the financial performance of the Saudi Reinsurance Company ("Tawuniya").

- Retention Ratio and Underwriting Risk as Non-Significant Factors:

It is concluded that the retention ratio and underwriting risk are non-significant factors in influencing the financial performance of the Saudi Reinsurance Company ("Tawuniya").

4. Summary and Conclusion:

This research provides several key conclusions regarding the financial performance of reinsurance companies, which are essential for stakeholders in this sector. Below are the main points derived from the applied study:

- The research focused on identifying the factors influencing financial performance within the reinsurance sector. Through analyzing these factors and their associated variables, the study provides insights into the indicators that contribute to the successful financial evaluation of reinsurance companies.

-The analysis of factors influencing the financial performance evaluation of the Saudi Reinsurance Company ("Tawuniya") revealed that financial leverage, liquidity ratio, operational efficiency, solvency risk, and return on assets have a positive impact on the company's financial performance.

-The analysis results also reflected that the retention ratio and underwriting risk are non-significant factors in influencing the financial performance of the Saudi Reinsurance Company ("Tawuniya").

-For comparison with similar studies, it was found that some studies addressed this topic. For instance, the study by Janka, Katarina, and Dagmar examined the relationship between reinsurance and financial performance in Slovak insurance companies by using regression coefficients representing the results of regression analysis. Additionally, the study by Bakare Emmanuel Bamidele and others analyzed reinsurance mechanisms in Nigerian insurance companies: their performance and sustainability, using the Inova analysis model to evaluate the performance of a group of Nigerian reinsurance companies based on certain performance indicators. However, our study on reinsurance incorporated variables into the SPSS software and employed a regression analysis model that measures the impact of seven indicators on the financial performance of the Saudi Reinsurance Company ("Tawuniya").

5. Recommendations:

Studies of this type are of great importance to reinsurance companies, as they enable them to measure financial performance using the practical model of the study, which includes a set of financial indicators used in evaluating the financial performance of these companies. Several recommendations are presented as follows:

-Reinsurance companies should use financial ratios when evaluating financial performance to achieve an accurate and clear financial assessment.

-It is crucial to increase the financial leverage and work on improving the return on assets to enhance the financial performance of the reinsurance company.

- The study confirms that financial performance plays a crucial role in guiding decision-making processes among various stakeholders, including investors, shareholders, regulators, and managerial leaders. This justifies the need for a strong understanding of financial indicators in the reinsurance sector.

-The results derived from the practical model can serve as a guide for various stakeholders in the reinsurance industry. Investors and managerial leaders can use this information to make informed decisions, while regulators can better understand the factors contributing to the financial stability of reinsurance companies.

-The researchers suggest conducting future applied studies in the reinsurance sector, incorporating additional performance indicators not included in the current model, to contribute to the development of the practical model applied in this study. This would provide a broader and more comprehensive assessment of the financial performance of reinsurance companies, as well as a better understanding of how various factors influence the financial health of these companies.

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