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IMPACT OF CONTROL ON RISKS MANAGEMENT IN SAUDI INSURANCE COMPANIES

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ABSTRACT

The study aimed to identify the impact of control on risk management in Saudi insurance companies. The researcher used the descriptive and analytical method, and the problem of the study was the impact of the control policy on reducing risks and how insurance companies work correctly to avoid the risks they may be exposed to in order to maintain their competitiveness and ensure their continuity, where the statistical analysis reached many results, the most important of which are: There is an inverse relationship between control and risk management in insurance companies because there is no clear position for risk management in the company's organizational structure, and there is a direct relationship between the degree of risk hedging in companies. The most important recommendations of the study were the need to develop effective systems to measure and monitor the size of risks, and the need to rely on an inspection expert to assess risks in a scientific and deliberate manner.

KEYWORDS: Insurance, Risk - Company Insurance, Risk Management , Control Risk.

1. INTRODUCTION

Monitoring can be defined as a systematic process through which the extent of the implementation of plans and the achievement of goals is ascertained and using effective and highly efficient methods, it can be said that control is the process of making sure that what has been planned is what has been implemented and detecting and correcting deviations if any to reach predetermined goals. The risk that insurance companies may face is that at some point they will be required to meet obligations beyond their financial capacity, whether in the form of reserves or technical provisions, and the realization of the risk for the insurance company is different in its concept and effects from the realization of the original risk insured by the insurance policies included in the portfolio. However, these premiums are calculated and collected on the basis of past experience and the future results of the same risks do not necessarily match, but it may be difficult to achieve such a match as a result of the overlap of various factors that lead to fluctuations in the results.

1.1. First, The Study Methodology

1.1.1. Research Problem

The problem of the study can be formulated in the following questions:

The extent to which risk forecasting is reflected by economic changes.

1. Is the risk of insurance companies being affected by the lack of control ?
2. What is the degree of risk hedging in these companies.
3. What is the nature of its risk management strategy?.

1.2. Importance Of The Study

The importance of the study stems from the fact that it works to contribute to finding practical and realistic solutions to the problem under study due to the increasing role played by audit as an effective tool in reducing exposure to risks and following a strategy that contributes to managing it in an organized manner.

1.3. Objectives Of The Study

This study mainly aims to contribute to the development of a clear strategy for controlling risk management in insurance companies operating in the Kingdom of Saudi Arabia in order to enhance the competitiveness of these companies in the international financial and business environment that is witnessing many crises and successive

variables through.

1. Highlighting the various methods to contain and reduce risks in insurance companies.
2. Knowing the most important risks to which insurance companies are exposed.

1.4. Hypotheses Of The Study:

1. There is an inverse relationship between control and risk management in insurance companies.
2. There is a direct relationship between the degree of risk hedging in insurance companies and the control strategy.
3. There is a direct relationship between the financial position of insurance companies and the control strategy.

1.5. Study Methodology:

The researcher will use the statistical method using quantitative methods to process the data that will be collected through the questionnaire, and the researcher will use the analysis of statistical data by statistical software (SPSS) to find indicators of the results.

1.5.1. Data Collection Sources:

- Primary Resources by Questionnaire
- Secondary sources, including references, books, and scientific periodicals.
- Study Population:
- It consists of insurance companies in Riyadh

1.5.2. Second: Previous Studies: Ahmed Awadin Study (1980)(1)

The study aimed to establish an integrated theory of self-control of the public administration on its work based on the perspective of the development of the department's tasks from abstract implementation to participation in various administrative processes such as planning and drawing public policy in countries, and the researcher also tried to link the theory to the application in various procedures and organizations and determine what goals it should target, the study was based on a basic hypothesis, which is the lack of methods of practicing self-control for the public administration and the lack

of goals corresponding to the development of the administrative process. The study reached a number of results, the most important of which is the lack of an appropriate model of self-control that suits the stage of development of the public administration and its visible role in planning and formulating public policy, and the need for a presidential

authority at various administrative levels to supervise and control the performance of employees.

Mubarak's Study (1999) (2)

The study aimed to identify the role of the General Authority for Supervision and Control of Insurance Business in Sudan in monitoring the insurance activity and evaluating the performance of insurance companies in search of strengths and working to strengthen them and clarify the causes of shortcomings and work to avoid them.

The problem of the study was that insurance awareness in Sudan is weak when compared to the more developed countries, as most of the insured public do not have enough knowledge of the technical aspects of insurance and the terms of the contract, which may cause them serious harm, and many owners of institutions and establishments do not insure their properties and responsibilities with insurance companies, which makes a large part of the insurance companies. Risks and liabilities outside the insurance umbrella. The most important assumptions were the weak level of insurance awareness, the existence of a large sector outside the umbrella of insurance, the weak level of training for workers in the insurance sector, and the means used in evaluating the performance of insurance companies need to be upgraded and developed.

Ali Study (2005)(3)

The study aimed to know and explain performance control in improving the efficiency and effectiveness of management and determining the scientific foundations and standards for it, and the problem of the study was summarized in several questions, including: Does the application of performance in companies help in the flow of plans? Does control have an effect on controlling the actual performance of projects?

The most important hypotheses of the study were that performance control helps to improve the efficiency and effectiveness of management and achieve the goals of the organization, the lack of application of performance control negatively affects the achievement of the organization's goals and leads to the failure of the management to carry out the tasks assigned to it.

The most important results were that the application of performance control helps in improving the efficiency and effectiveness of management and achieving the goals of the facility, as it helps in improving operations and performance and reaching the targeted results at the lowest cost. One of the most important recommendations made by the researcher is the application of performance as a method and the performance of an objective

judgment on all economic projects with the aim of improving the efficiency and effectiveness of management and achieving the goals of the organizations, and that the company or the entity subject to the audit should set goals, indicators and standards for performance and establish an appropriate system that helps in evaluating performance.

Mohammad Bashir study (2008)(4)

The study aimed to evaluate the role of administrative control by identifying the negative and positive aspects of the realistic practice of control and identifying the impact of control on the development of performance efficiency through its ability to find feedback that contributes to directing plans and efforts to achieve the organization's goals, and the problem of the study was that the observer of the reality of administrative control in business establishments shows many shortcomings as many evidences appear on the absence of effective control, so the researcher sought to identify the reality of administrative control and the extent of Its effectiveness in supporting performance

efficiency and knowing the most important obstacles facing the audit process to overcome the shortcomings and activate the performance, the researcher wondered whether administrative control has a direct role in improving job performance?, what are the procedures and means followed in the audit process?

What are the most important obstacles faced by the audit process that directly affect performance?,The most important hypotheses were: there is a close relationship between administrative control and performance, there is a direct relationship between the efficiency of employees' performance and increasing the effectiveness of control, and the most important results reached by the researcher were the practice of administrative control through the follow-up of the implementation of programs, control is exercised in the Authority through surprise visits to branches, and the practice of administrative control through meetings.

Othman's Study (2009)(5)

The study aimed to reduce or prevent the occurrence of agricultural risks by monitoring their causes, which ultimately leads to reducing the amount of compensation paid by insurance companies, as well as achieving a degree of protection for the national economy and increasing the added value.

The research therefore seeks to find an alternative system that reduces these losses ,The most important hypotheses were: there is no clear administrative

policy or administrative system that ensures the protection of farms or agricultural production against the risks of seasonal fluctuations and nature fluctuations, there is a direct relationship between the method of practicing administrative control over agricultural activity and preventing agricultural risks, there is a direct relationship between the method of practicing administrative control over agricultural activity and preventing risks, and the most important results of the study were that the experience of Shikan Company in agricultural insurance helped to reduce the risks of agricultural production, the absence of any policy or system that ensures the protection of The study recommended several recommendations, the most important of which are: the generalization of the administrative control system on agricultural activity after it has been proven to be successful in the Al-Jazeera project, promoting the idea of administrative control and introducing it as an agricultural insurance system, encouraging the establishment of farmers' cooperative societies and their adoption of the administrative control system in preventing agricultural risks.

Sami Study (2010)(6)

The study aimed to identify the impact of risk management on the level of financial solvency of Sudanese insurance companies by knowing the risks to which insurance companies are exposed and how to manage these risks, in addition to the impact of risk management decisions on the level of the company as a whole, and the problem of the study was the impact of the risk management policy on the strength and weakness of the financial position of insurance companies, and how the insurance company works to manage these risks in a proper way to avoid the risk of financial shock or bankruptcy, and the study reached many The most important results were: The decisions made by the company in how to manage risks affect the financial solvency.

The most important recommendations were the need to study the risks presented to the company adequately and carefully to avoid the risks of financial hardship and bankruptcy, the establishment of an exploitative management department for risk management in insurance companies, and the development of efficient systems in insurance companies that work to provide the senior management with the necessary reports to monitor and control risks.

Abdullah Study (2012) (7)

This study is based on the existing situation represented by the existence of several agencies to

control public funds in Yemen, however, the results are not commensurate with the number of these agencies and the size of the capabilities harnessed to them.

The main purpose of the study was to try to answer several questions, the most important of which are: What is the role of internal control systems in the process of financial and administrative reform in the public sector in Yemen? To achieve this, several other objectives branched out, which is represented in an attempt to identify the concepts and scientific foundations of public fund control, and internal control, to achieve the research objectives, the researcher followed the integrative method, which is a combination of descriptive, inductive, analytical, deductive, statistical, and historical methods to answer the research questions, and the most important hypotheses were:

There is no interest on the part of public sector institutions in Yemen to avoid the weaknesses in the internal control systems, the study reached several results, the most important of which are: the control has become an integrated system that includes all aspects of the unit's activities and includes a set of procedures and methods that are used to verify the actual performance of all of the commitment, economy, effectiveness and efficiency on a continuous basis by relying on the internal audit, which is part of this control and suffers from weakness. Cadres and the lack of legislation to regulate and develop their work.

Third: Risk Management Policies and Measures

The spread of hazard and its presence in daily life has a reason to pay attention to its study and study its causes and try to reduce the losses that may result from the presence of the danger, which is known as risk control, and this is done by studying the natural and general risk factors, estimating the results of those causes in advance, and then confronting the financial losses that result from the realization of these accidents at the lowest possible cost.

2. RISK MANAGEMENT

By risk management, we mean the process of controlling risk by reducing its frequency on the one hand and minimizing the size of losses on the other hand with the lowest possible costs. (8)

To cover the risk with the least possible loss, the following steps must be followed:

1. Early detection and analysis of potential hazards to the facility.
2. Assess the potential losses if this risk materializes.
3. Making the appropriate decision by choosing

the best means to face the danger considering the efficiency of each method and the cost of alternative methods.

4. Implement decisions by following a policy of creating provisions to counter risks.
5. Evaluate and review the risk management programme annually to avoid the possibility of new threats. (9)

2.1. Methods Of Confront Risk

It is difficult to limit the methods of confronting and managing the risk, and these methods develop and increase day by day, and change from day to day and from one risk to another, and to know the best policies to manage a specific risk, it is necessary to analyze these policies and identify the nature of each of them, the basic characteristics and advantages achieved by each policy.

There are several ways to deal with the danger from it:

1. Prevention and prevention of risk)
2. Assuming the occurrence of the risk and bearing its consequences
3. Risk Transfer.
4. Retail and Diversification Policy.
5. Danger avoidance policy.
6. Collection Policy.
7. Insurance policy.

2.1.1. Quantifying Risk From The Insurance Company's Point Of View:

The measurement of risk for the insurance company is different from other individuals and establishments, because the insurance company has a large number of units at risk,

which can be used to estimate the loss rate more accurately, from the statistical data available at the insurance company, the expected loss rate can be calculated as follows:

Loss Rate = Total Actual Realized Losses.

Total Sums Insured

It is the net premium charged by the insurance company, and therefore the risk to the insurance company is the difference between the expected losses on the basis of which the net premium is calculated and the actual losses. (10)

5. How to manage risk:

Step One: Setting the Goal: Decision-making requires knowing the goal or objectives of this decision in advance, and the process of setting goals can be summarized as follows:

2.2. Define The General Goal Of The Organization.

Initial focus on the risk and its consequences, and the search for an alternative in the event of a decision is not made.

The trade-off between taking the risk and not taking the risk.

2.2.1. Second Step: Identifying The Hazard And Other Related Elements

Since there is a correlation between the hazard and another set of elements associated with it, and so that the risk manager in the facilities does not fall into confusion between the hazard and those elements, the second step is to identify the hazard and other concepts related to it, and the hazard and other elements related to it can be defined in three categories.

- Accidents.
- Objects that are exposed to dangers.
- Hazards.(11)

In order to identify these three categories, and the difference between them, risk management uses the following methods:

1. Advice for insurance agents and risk management consultants:

Sometimes we find that brokers neglect insurable risks, that is, they constantly tend to accept insurance on things without considering their insurability, which calls for the use of experts in this field who are interested in risk management and provide great services in the field of identifying, identifying and evaluating risks, which are what are known as insurance agents and risk management consultants. (12)

2. List of options attached to the insurance policy:

This list lists the types of insurance desired by individuals and bodies in the form of items, and in these lists only the items that are insured and at risk and can be insured, and the (13)

losses that may result when the risk occurs.

3. Financial Statement Analysis:

Analyzing the balance sheet items helps the risk manager determine which assets should be covered against certain risks and which risks can be overlooked.

4. Inspection and follow-up

It means the process of examining and following up on the various activities of the facility through observation and through discussion with the employees and managers of the various departments in the facility, all of which can help the risk manager in discovering hazards that are not covered and should be covered in the future.

2.3. Review And Analysis Of Historical Data

The organization's data is reviewed and analyzed, where certain quantitative methods or methods such as calculating the probabilities of such risks in the past can be used to predict those risks in the future, which is now known as loss rates, on the basis of which the risk is assessed. (14)

Step Three: Hazard Assessment

After identifying the risks, the risk manager must assess these risks, and risk assessment means measuring the probability of a certain loss, and this requires prioritizing high-loss risks, these risks require high accuracy in measuring them in preparation for the search for the best ways to deal with them.

There are two characteristics of losses: the frequency of loss and the unit of loss, which help to determine the degree of risk and, in estimating the frequency of loss and the unit of loss generated. (15)

Step Four: Choosing the Right Means to Face the Risk. (16)

The risk manager must decide on the most appropriate way to deal with each risk individually.

Step Fifth: Implementation of the Decision:

If we assume that the decision on a certain risk is to keep the risk, and this decision must be accompanied by a financial reserve, and here it is necessary to put in place administrative procedures to implement the decision.

Step Six: Evaluation and Review:

The evaluation and review phase is considered a necessary stage of risk management for two reasons: the first reason is that risk management works in a mobile environment that changes and changes, and the second reason is that sometimes errors occur, so evaluating and reviewing the risk management program may lead to the discovery of errors, and thus those errors are corrected.

Fourth: Supervision and control of insurance

2.4. The Origin And Development Of Supervision And Control Of Insurance:

The Saudi Insurance Market is subject to the supervision of the Insurance Authority, which works to regulate the sector and guarantee the rights of policyholders, and the responsibility for supervision and control also lies with the Saudi Central Bank (SAMA), in accordance with the Cooperative Insurance Companies Control Law, by monitoring the solvency of financial companies, regulatory compliance, and settling claims. The insurance sector in the Kingdom of Saudi Arabia consists of the Insurance Authority as the first and supervisory body of the insurance sector and the Central Bank as the second entity, in addition to insurance and

reinsurance companies as the last party, where the Saudi insurance market includes many companies, most notably major companies that acquire large market shares such as Bupa Arabia, Tawuniya, Medgulf and Malath. Other companies include Al Rajhi Takaful, SAICO (Saudi Arabia Cooperative Insurance), Allianz Saudi Fransi, Arabian Shield, Salama, Walaa, Asij (United Group), AXA GIG, Gulf General, Alinma Tokyo Marine, Mediterranean and Gulf Cooperative Insurance & Reinsurance (MEDGULF), and the Saudi Reinsurance Company (Saudi Re).

Insurance Authority

1. Functions: Regulates the insurance sector, issues rules and regulations, and ensures corporate compliance, including protecting policyholders and ensuring fair pricing of products.
2. B.Control tools:
3. Issuing regulations, developing model formulas for insurance products, supervising the development of the sector, reviewing the financial position of companies, and assessing their ability to meet their obligations, ensuring the mechanisms for paying premiums fairly and clearly, imposing penalties or fines on violating companies, as well as requesting the necessary information and data from companies.

Supervision Measures in the Saudi Insurance Market

3. ARTICLE THIRTY-ONE

The company and the self-employed persons shall cooperate fully with those assigned by the Corporation to inspect, in particular in the following:

- Inform the inspector of the company's records and accounts and the documents he deems necessary to review in order to perform his task.
- Provide the information and clarifications requested by the person in charge of inspection.
- Declare any excesses or violations in the company's work to the inspector immediately upon commencement of his mission.
- The Company, the self-employed persons or any of their employees are prohibited from hiding or attempting to conceal any information or excesses or not to respond to any clarifications requested by the person in charge of inspection. .
- Adhering to the implementation of the

recommendations and instructions directed by the Corporation to the company and the self-employed to address the observations that unfold during the inspection rounds.

3.1. Article Thirty-Four

- The Board of Directors of the Company shall form an audit committee whose number shall not be less than three and not more than five non-executive directors, provided that the majority of them shall be from outside the Board of Directors.
- The company shall establish the following: Establish an internal audit department that is directly linked to the audit committee, and the person in charge of it shall have a professional certificate in this field, Establish a regulatory control department or appoint a regulatory controller to verify compliance with the application of the regulations and instructions, either of which shall be directly linked to the audit committee, and shall communicate directly with the institution and provide it with information in accordance with the procedures it determines, and submit a report to the audit committee on all paid
 - compensation and claims that do not meet the technical criteria for the payment of claims.
 - Article Thirty-Seven:

The company and the self-employed shall develop and apply written procedures for internal control, and their effectiveness shall be evaluated by the internal auditor and external auditors.

3.2. Article Forty:

The company shall:

- Retain at least (30%) thirty percent of the total amounts of contributions.
- Commit to reinsure (30%) thirty percent of the total contributions within the Kingdom upon reinsurance (1).
- If this is not possible, or the company wishes to retain a lower percentage, it must obtain the prior written approval of the corporation. The Corporation may oblige the Company to re-insure or not to reinsure a part of the direct insurance operations in which
 - it subscribes in the Kingdom to a local reinsurance company or companies inside or outside the Kingdom according to the situation of the insurance market and the company

3.3. Article Sixty

The Company shall have a written investment

policy approved by the Board of Directors for the distribution of investment assets, taking into account the risks surrounding the Company and the region in which it operates, and the Company shall, periodically, analyze and study the risks surrounding the Company and the region in which it operates, and the Company shall take appropriate measures to manage those risks, and be there, at a minimum.

Analysis of the following risks: Market Risk, Credit Risk, Interest Rate Risk, Currency Exchange Rate Risk, Liquidity Risk, Operational Risk, Country Risk, Legal Risk, Reinsurance Risk, Technology Risk. (1)

3.4. Article Sixty-Eight

The company must fill out the forms for calculating the actual and required solvency margin.

The Company shall be obliged to maintain the required solvency margin, and if it falls below that, the following shall be taken:) If the effective solvency margin becomes between 75% and 100% of the required solvency margin, the Company shall adjust this ratio to at least 100% during the following quarter. (b) If the effective solvency margin becomes between 50% and 75% of the required solvency margin, or if the provisions of paragraph (a) above are not complied with for two consecutive quarters, the Company shall submit to the Corporation a corrective plan explaining the steps that the Company will take to improve its solvency and the time required to do so. (c) If the effective solvency margin becomes between 25% and 50% of the required solvency margin, or if the provisions of paragraph (b) above are not complied with for two consecutive quarters, the Corporation shall Obliging the Company to take all or any of the following measures:

Increase the company's capital, Adjusting prices, Reduce costs, Cease accepting any new subscription, Liquidation of certain assets,. Any other action the Company deems appropriate and approved by the Corporation, If the effective solvency margin falls below 25%, or the company fails to correct its financial situation, the corporation may appoint a consultant to advise the company or request the withdrawal of the company's license, The Insurance Authority recently released the Saudi Insurance Market Report, which highlights the developments and financial results of the insurance sector for the year 2024, in addition to its contributions to the Kingdom's GDP, According to

the report, the insurance sector witnessed a growth in the total written premiums, as protection and savings insurance witnessed a significant increase in the total written premiums, and the report revealed that the depth of the insurance sector increased from the non-oil GDP to reach 2.59% in 2024, and the Authority's report showed that the profits of the insurance sector reached 3.6 billion riyals during the year 2024, compared to a net profit of 3.2 billion riyals in 2023, as a result of the improvement in the results of insurance services and investment income, and the report included a market report Saudi Insurance has highlighted the most prominent regulatory developments in the sector, including the issuance of a number of regulatory rules and the development of model formulas for a number of insurance

products, which is in line with the Authority's efforts to develop the sector and increase

its contribution to the economy further, with a focus on the protection of insurance policyholders and fair pricing of products.

3.5. Objectives And Systems Of Insurance Supervision And Control:

All countries intervene with their different economic and social systems to supervise the insurance sector, often through a body with a legal personality. In order to achieve a number of goals, the most important of which are:

1. Protecting the rights of policyholders and ensuring By following the following procedures:
 - Review the terms of the documents and ensure that they are not unfair to the insured, especially if these conditions are printed in precise letters, if we know that most of the insured are interested in reading this policy.
 - Ensuring the fairness and adequacy of the insurance premium, not exaggerating the determination of prices, and following the scientific foundations in determining the premium.
 - Ensure that the insured receive the benefits guaranteed to them by the policy and that the insurance companies do not procrastinate in paying the compensation under flimsy pretexts.
 - Ensuring the financial ability of insurance companies to fulfill their obligation towards the insured and beneficiaries and the integrity of their financial position.
 - Ensure that insurance companies retain technical provisions as determined by law.
- B. Protecting, supporting and developing the

insurance market by following the following:

- Spreading insurance awareness.
 - Paying attention to training and qualifying technical cadres internally and externally.
 - Imposing strict control over reinsurance operations.
 - Regulating the insurance market and preventing harmful competition.
 - Supervising the auxiliary agencies and working on their development.
 - Encouraging research and scientific studies in the field of insurance.
2. C. Rationalizing the investment policies of insurance companies and directing insurance savings in a way that serves the economic development plan of the State.
 3. D. Expanding the insurance umbrella by introducing new insurance coverages.

3.6. Reasons For The State's Intervention In The Supervision And Control Of Insurance:

Most countries intervene through the supervisory and control bodies to regulate insurance work for the following reasons:

The nature of the insurance process:

The insurance process is of a special technical nature that may not be familiar to most of the insured public, as determining premiums, calculating prices and the basis of reinsurance operations requires special expertise, so countries must intervene to guarantee the rights of policyholders and the bases of setting prices and settling claims. (17)

The influential role of insurance in economic activity:

The insurance sector affects and is affected by economic activity, as insurance absorbs a certain amount of income in a way that reduces the inflation

Also, the investment of insurance savings helps to advance the wheel of development, as the insurance sector absorbs a certain amount of labor, helps in protecting the means of production and increasing their effectiveness, and helps in driving the movement of foreign trade in a way that provides the guarantee of exports and imports.

Weak insurance awareness for the public:

The state intervenes to ensure that the insurance message is delivered to the general public without misleading or ambiguous with coverages that do not exist so that all community activities are subject to insurance.

3. Main systems of supervision and control:

A. Signal or Notification System:

This system is considered the most free and least intrusive system by the state and is based on obliging

insurance companies to publish the results of their business and some insurance data related to their activity, represented in the final accounts and the statement of financial position, as this system assumes that this will make the insurance applicant aware of the reality of the company's financial position and can judge it or her, One of the advantages of this system is that it gives freedom and flexibility to insurance companies in determining prices and calculating premiums, and encourages competition among insurance companies, One of the disadvantages of the system is that it reduces the supervisory role of the supervisory body and limits it to the formal aspect of ensuring that companies publish the required data and information, publish the statements of final accounts and the statement of financial position, and that the information and data match reality and represent the truth, The system detects the defect after it has occurred and does not prevent it from happening, This system is not suitable in developing countries where the level of insurance awareness is low, The insured may be harmed by demanding high premiums because the Authority does not intervene in the calculation of premiums and setting prices.

B. Standard Conditions System:

This regulation requires that certain rules be established when establishing an insurance company or during the commencement of its business The task of supervision is summarized in the formal implementation of the set rules, for example, determining the financial and legal conditions for the establishment of the insurance company and maintaining the technical provisions, but this system does not specify the technical bases of the account Therefore, the actual application of these rules may deviate from their content. The effectiveness of this system depends on the extent to which the state is strict or lenient in imposing these restrictions and controls, and one of the advantages of this system is that setting initial conditions for the establishment of insurance companies leads to the exclusion of non-serious companies.

D. Direct Supervision System:

This system exceeds the previous two systems in determining the scope of control, as it imposes continuous and permanent control over the performance of insurance companies from their inception until the end of their productive life, so it is required to obtain a license to practice the profession after meeting the financial, legal and technical conditions, and it follows up its daily work through the technical inspection teams and reviews the records, accounts and data of the company, and

extends to include determining the foundations on which the company follows to implement these rules, and works to detect and address errors first by one, and it is required to provide Annual accounts for review.

More than one system at the same time, for example, the advertising system can be applied with the direct supervision system. The Authority follows the system of standard conditions and the system of direct supervision at the same time in monitoring the activities of insurance companies. (18)

Fifth: Analytical Study:

In this analytical study, the researcher followed the survey methodology derived from the descriptive-analytical method, which works to arrange and organize the data, and is considered the most appropriate approach for this study, as this method is concerned with the collection, presentation and analysis of data and through which what exists in the research topic is described.

A. Limitations of the study:

Spatial limitations: This study was limited to the city of Riyadh because of the presence of all the presidencies of insurance companies within the city.

Time Limits: This study was applied in the period from 2015-2025.

B. Study Population:

The study population consists of insurance companies operating in the Saudi insurance market, depending on the data received from the Insurance Authority in Saudi Arabia, and it became clear through the geographical distribution of insurance companies that most of the companies are headed in the city of Riyadh, so the researcher in the field study relied on the city of Riyadh.

C. Study Sample:

Determining the number of sample vocabulary is a very important matter that the researcher should pay special attention to, which may make it unrepresentative of the original study population, and on the other hand, increasing the sample size significantly is costly and requires a lot of time and effort from the researcher.

To obtain the research sample, the researcher took the following steps:

The insurance companies targeted by the study were identified based on the reports received from the Saudi Insurance Authority Federation.

The researcher visited these companies for the purpose of providing a simple background about these companies and urged the heads of departments and departments in these companies to participate in this study.

The researcher made a field visit to insurance

companies, where the researcher did the following:

Sending the questionnaire lists to the insurance companies and their branches.

Contact the pre-selected companies to make sure that the questionnaire list reaches each company and then retrieve the questionnaire lists from each company.

One hundred and forty questionnaires were retrieved from the research sample out of one hundred and fifty questionnaire lists, of which one hundred and forty forms were valid by statistical analysis, i.e., 93%.

4. DATA COLLECTION TOOL: (19)

Within the framework of the study problem and its questions, the researcher designed a data collection tool, which is the questionnaire, and the questionnaire list is suitable for this type of study because it hides the personality of the participants in the study, which helps to give the participant full freedom in answering, and this is a type of data collection tool that provides the opportunity for the researcher to use statistical methods to prove the research hypotheses and achieve the desired research goals. (20)

Table 1: The Frequency Distribution Of The Responses Of The Study Sample To The Statement: Insurance Companies Do Not Abide By The Price Limits Set By The Insurance Supervisory Authority.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	41	29.3	29.3	53.6
Valid	34	24.3	24.3	29.3
Agree	31	22.1	22.1	75.7
Disagree	23	16.4	16.4	92.1
Strongly Disagree	11	7.9	7.9	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The 2025 Questionnaire.

This indicates that 53.6% of the respondents reported that insurance companies do not adhere to the price limits, while 38.5% of the participants in the research sample believe that the insurance companies adhere to the price limits set by the Supervisory Authority

and this indicates that the company does not adhere to the price limits announced by the Supervisory Board, which weakens the competitive process between companies and exposes them to the

risk of financial hardship.

Table 2: Frequency Distribution Of The Responses Of The Study Sample To The Statement: Insurance Companies Manage Risks In A Way That Lacks A Sound Methodology.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	25	17.9	17.9	17.9
Valid	42	30.0	30.0	47.9
Agree	43	30.7	30.7	78.6
Disagree	20	14.3	14.3	92.9
Strongly Disagree	10	7.1	7.1	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The 2025 Questionnaire.

The table above shows that 17.9% of the respondents strongly agreed, while 30% of them stated that they only agreed, while those who indicated their disapproval, we find that 30.7% of them expressed their disapproval, while 14.3% of them strongly disagreed, and we note that 7.1% of them were not aware of the required answer, This indicates that 47.9% of the respondents agree that insurance companies manage risks in a way that lacks proper methodology, while 45% do not agree with this, which means that the percentage is close between supporters and non-supporters of this opinion.

Table 3: The Frequency Distribution Of The Responses Of The Study Sample To The Statement : There Is No Independent Management For Risk Management In Insurance Companies.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	35	25.0	25.0	25.0
Valid	62	44.3	44.3	69.3
Agree	25	17.9	17.9	87.1
Disagree	13	9.3	9.3	96.4
Strongly Disagree	5	3.6	3.6	100.0
Neutral	40	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025

It is clear from the above table that 25% strongly agree, while 44.3% stated that they only agreed, while those who disagreed we found that 17.9% indicated their disagreement, while 9.3% indicated that their answers included strong disagreement, and we find that 3.6% indicated that they did not know the answer, insurance companies, which means that

It is clear from this that 69.3% confirmed that there is no independent risk management for insurance companies manage risks in a non-independent manner.

Table 4: Frequency Distribution Of The Responses Of The Study Sample To The Phrase: Mechanisms Of Risk Management Policy Vary According To The Type Of Risk.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	64	45.7	45.7	45.7
Valid	70	50.0	50.0	95.7
Agree	2	1.4	1.4	97.1
Disagree	4	2.9	2.9	100.0
Strongly Disagree	140	100.0	100.0	
Neutral				

Source: Prepared by the researcher from the questionnaire 2025

We can see through the above table that 45.7% of those whose answers strongly agreed with them, while 50% of them agreed only, and we find that those who indicated strong disagreement amounted to 1.4%, while those who did not know the answer to the meaning of this question reached 2.9% of the sample members with a consensus of 95.7%.

Table 5: Frequency Distribution Of The Responses Of The Study Sample To The Statement: Insurance Companies Do Not Rely On A Technical Inspection Expert To Assess The Risks.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	23	16.4	16.4	16.4
Valid	22	15.7	15.7	32.1
Agree	56	40.0	40.0	72.1
Disagree	36	25.7	25.7	97.9
Strongly Disagree	3	2.1	2.1	100.0
Neutral	100.0	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025

We can see from the above table that 16.4% strongly agree, while 15.7% only expressed their approval, and we note that 40% stated that they did not agree, while 25.7% indicated that they strongly disagreed, and for those who did not know the required answer, we find that their percentage reached 2.1%. From the above, we find that 65.7% do not agree that insurance companies do not rely on a technical inspection expert to assess the risks, which confirms that the insurance companies do not rely on a technical inspection expert in their assessment of the risks received.

Table 6: Frequency Distribution Of The Study Sample's Answers To The Phrase: Insurance Companies Are Exposed To Some Legal Risks Due To The Lack Of Insurance Awareness Among The Insured.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	52	37.1	37.1	37.1
Valid	57	40.7	40.7	77.9
Agree	22	15.7	15.7	93.6
Disagree	6	4.3	4.3	97.9
Strongly Disagree	3	2.1	2.1	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

It is clear from the above table that 37.1% of the respondents strongly agreed, while 40.7% indicated their agreement only, and we find that 15.7% expressed their disapproval, while 4.3% stated that they strongly disagreed, and we also found that 2.1% were unaware of the answer. From the above, we find that 77.9% of the study sample members reported that the lack of insurance awareness among the insured exposes the company to some legal risks resulting from the disappearance of the company's competitive reputation through lawsuits directed to the company.

Table 7: Frequency Distribution Of The Study Sample's Answers To The Phrase: Reinsurance Is Considered A Means Of Risk Management.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	77	55.0	55.0	55.0
Valid	57	40.7	40.7	95.7
Agree	4	2.9	2.9	98.6
Disagree	2	1.4	1.4	100.0
Strongly Disagree	140	100.0	100.0	
Neutral				

Source: Prepared By The Researcher From The Questionnaire 2025.

The above table indicates that 55% of the sampled members strongly agreed while 40.7% stated their agreement only, and we find that 2.9% indicated their disagreement only, while 1.4% confirmed their strong disagreement. From this, we note that those who unanimously considered reinsurance as a means of risk management were 95.7%, which indicates the need to use reinsurance to manage the risks to which the company is exposed in a scientific way.

Table 8: Frequency Distribution Of The Responses Of The Study Sample To The Statement: There Is No Clear Position Of Risk Management In The

Organizational Structure Of The Company.

Licard Scale Measurement	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	46	32.9	32.9	32.9
Valid	46	32.9	32.9	65.7
Agree	36	25.7	25.7	91.4
Disagree	4	2.9	2.9	94.3
Strongly Disagree	8	5.7	5.7	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

The table above indicates that 32.9% of the sampled members strongly agreed, which is the percentage of those who indicated their agreement only, and we find that 25.7% stated their disagreement while 2.9% strongly disagreed, and 5.7% of those who were not familiar with the answer were also 5.7%, This indicates that 65.7% of the respondents reported that there is no clear location for risk management in the company's organizational structure.

Table 9: Frequency Distribution Of The Responses Of The Study Sample To The Statement: Insurance Companies Accept All The Risks Received By Them Without Examining Them.

Licard Scale Measurement	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	7	5.0	5.0	5.0
Valid	12	8.6	8.6	13.6
Agree	81	57.9	57.9	71.4
Disagree	40	28.6	28.6	100.0
Strongly Disagree	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

It is clear from the above table that 5% of the sampled members strongly agree, while 8.6% stated their agreement only, while those who indicated their disapproval, we find that 57.9% of them agreed and 13% strongly disagreed. From this, it can be said that 86.5% of the members of the sample do not agree that insurance companies accept the notifications received by them without examining them, which proves that the insurance companies examine all the risks received by them before accepting them.

Table 10: Frequency Distribution Of The Study Sample's Answers To The Phrase: The Percentage Of Premiums Under Collection In Insurance Companies Increases

Licard Scale Measurement	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	54	38.6	38.6	38.6

Valid	76	54.3	54.3	92.9
Agree	6	4.3	4.3	97.1
Disagree	2	1.4	1.4	98.6
Strongly Disagree	2	1.4	1.4	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

We can see through the above table that 38.6% of the respondents strongly agreed while 54.3% indicated their agreement only, and we find that 4.3% of the participants expressed their disapproval, while for those who strongly disagree, we find 1.4% and 1.4% do not know the answer to the question.

Table 11: Frequency Distribution Of The Study Sample's Answers To The Statement: The Percentage Of Loss At The Insurance Company Is Affected By How It Manages The Risks.

Licard Scale Measurement	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	61	43.6	43.6	43.6
Valid	64	45.7	45.7	89.3
Agree	13	9.3	9.3	98.6
Disagree	2	1.4	1.4	100.0
Strongly Disagree	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

Through the above table, we find that 43.6% of the members of the research sample indicated their strong agreement while 45.7% of them stated that they only agreed, as for those who expressed disapproval, we find that 9.3% indicated their disagreement while 1.4% of them indicated only disapproval, and with the consensus of 89.3% of the members of the researched sample, the percentage of loss in the company is affected by how it manages the risks, which confirms that how the company manages the risks it deals with affects the percentage of loss. Increase and decrease.

Table 12: The Frequency Distribution Of The Responses Of The Study Sample To The Statement: There Is No Comprehensive Evaluation Of The General Performance Level Of The Company.

Licard Scale Measurement	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	26	18.6	18.6	18.6
Valid	42	30.0	30.0	48.6
Agree	49	35.0	35.0	83.6
Disagree	21	15.0	15.0	98.6
Strongly Disagree	2	1.4	1.4	100.0

Neutral	140	100.0	100.0	
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Source: Prepared By The Researcher From The Questionnaire 2025

The above table indicates that 18.6% of the respondents strongly agreed, while 30% of them stated that they only agreed, while those who indicated their disapproval, we find that 35% of them expressed their disapproval, while 15% of them strongly disagreed, and we note that 1.4% of them were not aware of the required answer, It is clear from this that 50% of the respondents do not agree that there is no comprehensive evaluation of the general performance level of the company, while 48.6% agree that there is no comprehensive evaluation of the general performance level of the company, which means that some insurance companies carry out a comprehensive evaluation of the general performance level periodically. In contrast to some other companies, they do not evaluate the overall performance of the company, and here we must point out the importance of evaluating the company's performance periodically so that the defects are identified and addressed before they affect the continuity of the company's activity.

Table 13: Frequency Distribution Of The Responses Of The Study Sample To The Statement: There Are No Systems Within The Insurance Company That Are Efficient In Measuring, Monitoring And Controlling The Size Of Risks.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	27	19.3	19.3	19.3
Valid	58	41.4	41.4	60.7
Agree	39	27.9	27.9	88.6
Disagree	13	9.3	9.3	97.9
Strongly Disagree	3	2.1	2.1	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

It is clear from the above table that 19.3% strongly agree, while 41.4% stated that they only agreed, while those who indicated their disagreement, we find that 27.9% indicated their disagreement, while 9.3% indicated that their answers included strong disagreement, and we find that 2.1% indicated that they did not know the answer.

Therefore, 60.7% of the respondents believe that there are no efficient systems within the company to measure, monitor and control the size of risks, which means that efficient systems are necessary to measure and control the size of risks.

Table 14: Frequency Distribution Of The Responses Of The Study Sample To The Statement: Insurance Companies Have An Information System That Provides The Senior Management And The Board Of Directors With The Necessary Reports To Carry Out Effective Control Of Risks.

	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	29	20.7	20.7	20.7
Valid	43	30.7	30.7	51.4
Agree	46	32.9	32.9	84.3
Disagree	15	10.7	10.7	95.0
Strongly Disagree	7	5.0	5.0	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

It is clear from the above table that 20.7% of the respondents strongly agree, while 30.7% stated their agreement only, while those who indicated their disapproval, we find that 32.9% do not agree, while we find that 10.7% strongly disagreed, while those who are not familiar with the answer reached 5%, of which we find that 51.4% of the members of the sample believe that there is no information system that provides the senior management with the necessary reports to control the dangers, compared to 43.6% who do not. This shows that insurance companies do not have an information system that helps to manage risks effectively.

Table 15: The Frequency Distribution Of The Responses Of The Study Sample To The Statement: Sound Decisions In Risk Management Lead To The Achievement Of Profits And Thus Provide A High Level Of Financial Solvency.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	93	66.4		66.4
Valid	38	27.1		93.6
Agree	9	6.4		100.0
Disagree	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

It is clear from the above table that 66.4% of the respondents strongly agree while 27.1% stated their agreement only, while those who indicated their disagreement find that 6.4% do not agree, and with a consensus of 93.6% of the respondents, we find that sound decisions in risk management work to provide a high level of solvency decisions in the company, which proves the clear relationship between risk management and the level of financial solvency of the company.

Table 16: The Frequency Distribution Of The Responses Of The Study Sample To The Phrase: Reliance On Reinsurance Leads To The Reduction Of The Risks That May Be Exposed To Insurance Companies.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	21	15.0	15.0	15.0
Valid	39	27.9	27.9	42.9
Agree	70	50.0	50.0	92.9
Disagree	8	5.7	5.7	98.6
Strongly Disagree	2	1.4	1.4	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

From the above table, we find that 15% of the samplers strongly agree, while 27.9% only expressed their agreement, and we find that 50% indicated that they did not agree only, 5.7% confirmed their strong disagreement, and we find that 1.4% did not know the answer.

It is clear from the above that 55.7% of the respondents do not agree that the company's reliance on reinsurance leads to its lack of interest in its solvency, while 42.9% agree with this, which indicates that the company's interest in its solvency is not affected by its reliance on reinsurance.

Table 17: The Frequency Distribution Of The Responses Of The Study Sample To The Phrase: Insurance Companies' Non-Compliance With The Laws Of The Insurance Authority Negatively Affects The Financial Position Of Insurance Companies.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	58	41.4	41.4	41.4
Valid	59	42.1	42.1	83.6
Agree	17	12.1	12.1	95.7
Disagree	3	2.1	2.1	97.9
Strongly Disagree	3	2.1	2.1	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

It is clear from the above table that 41.4% of the respondents strongly agree, while 42.1% stated their agreement only, while those who indicated their disapproval, we find that 12.1% disagreed, while we find that 2.1% strongly disagreed, I am the one who is not familiar with the answer, their percentage reached 2.1%, and accordingly, 83.6% of the members of the research sample indicated the importance of

the insurance companies' commitment to the laws issued by the Supervisory Authority, which works to maintain the financial position For these companies.

Table 18: The Frequency Distribution Of The Responses Of The Study Sample To The Phrase: The Insurance Authority Has An Effective Role In Preserving The Rights Of Policyholders.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	68	48.6	48.6	48.6
Valid	57	40.7	40.7	89.3
Agree	9	6.4	6.4	95.7
Disagree	6	4.3	4.3	100.0
Strongly Disagree	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

We can see from the above table that 84% of the respondents strongly agree, while 16% of them only expressed their approval, and we find that 6.4% of the sample members disagree while 4.3% strongly disagree.

From the above, we find that 89.3% acknowledge the great role of the Supervisory Authority in preserving the rights of the insured.

Table 19: The Frequency Distribution Of The Responses Of The Study Sample To The Phrase: Supervision And Control Laws Work To Ensure The Continuity Of The Performance Of Insurance Companies.

Licard Scale Measurment	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	61	43.6	43.6	43.6
Valid	75	53.6	53.6	97.1
Agree	2	1.4	1.4	98.6
Disagree	2	1.4	1.4	100.0
Strongly Disagree	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025

The table above indicates that 43.6% of the respondents strongly agreed, while 53.6% of them stated that they only agreed, while those who indicated their disapproval, we find that 1.4% of them strongly disagreed, while 1.4% of them strongly disagreed, and we note that 1.4% of them were not aware of the required answer, With a near-complete consensus of 97.1% of the members of the sample, we find that the supervision and control laws work to ensure the continuity of the performance of insurance companies and thus the continuity of insurance activity.

Table 20: Frequency Distribution Of The Answers Of The Study Sample To The Statement: The

Insurance Authority Conducts A Periodic Examination Of The Company For The Purpose Of Ascertaining The Soundness Of Its Financial Position.

Licard Scale Measurement	Frequency	Percent	Valid percent	Cumulative percent
Strongly Agree	56	40.0	40.0	40.0
Valid	69	49.3	49.3	89.3
Agree	8	5.7	5.7	95.0
Disagree	4	2.9	2.9	97.9
Strongly Disagree	3	2.1	2.1	100.0
Neutral	140	100.0	100.0	

Source: Prepared By The Researcher From The Questionnaire 2025.

It is clear from the above table that 40% of the respondents strongly agree, while 49.3% stated their agreement only, while those who indicated their disapproval, we find that 5.7% did not agree, while we found that 2.9% expressed strong disagreement, while those who did not know the answer amounted to 2.1%, and we note from the above that 89.9% of the respondents agreed that the Insurance Supervisory Authority should periodically examine insurance companies in order to ensure the soundness of their financial position. The previous opinion is confirmed by Table (21) which confirms the great role of the Supervisory Authority in preserving the rights of policyholders.

5. CONCLUSIONS AND RECOMMENDATIONS:

The study reached a number of results, the most

important of which are: the lack of a clear position for risk management in the organizational structure of most companies, as well as the lack of efficient systems within the companies to measure, monitor and control the size of risks, most insurance companies do not have an information system that helps to manage risks effectively, and many insurance companies do not rely on a technical inspection expert to assess the risks, the lack of insurance awareness among the insured, which exposes the companies to some legal risks resulting from the company's bad reputation. Competitiveness Through claims directed to the company, some insurance companies do not carry out a comprehensive evaluation of the overall performance level on a regular basis.

The study also recommended a number of recommendations, the most important of which are: the existence of an independent risk management that helps the company to manage risks properly, the need to have efficient systems to measure and monitor the size of risks, as well as the need to have an information system within each company that helps to manage risks effectively, the careful follow-up of the Insurance Supervisory Authority in the implementation of control laws and relying on an inspection expert to assess the risks in a scientific and studied manner, and the use of reinsurance as a means of managing the risks to which the company is exposed in a scientific and important way. Periodically evaluate the performance of companies so that deficiencies are identified and addressed before they affect the continuity of the company's activity.

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