

# Insurance Industry

KUWAIT

2022

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## SHMA CONSULTING



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## PROFITABILITY ANALYSIS

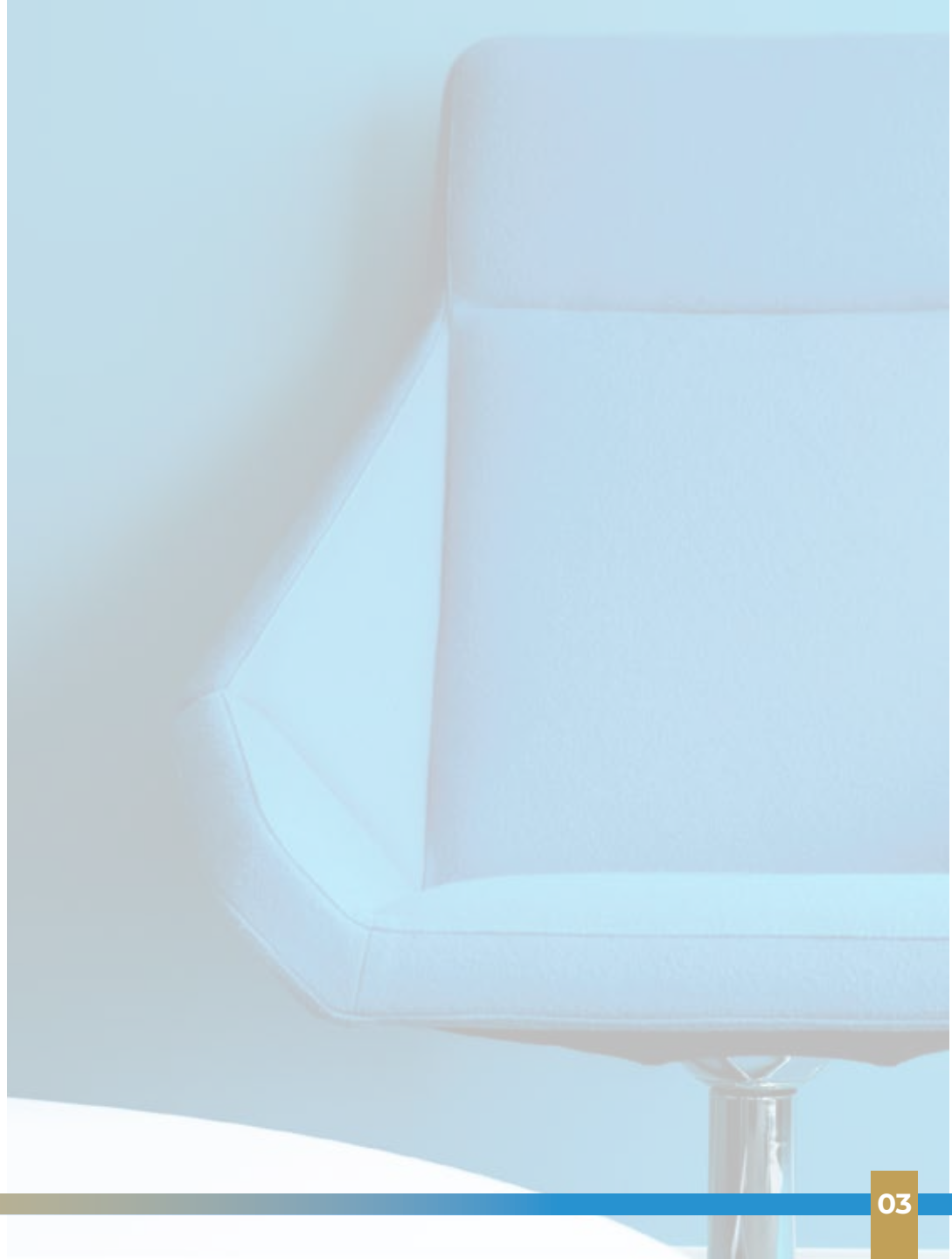


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# ABOUT US

SHMA Consulting first offered actuarial services relating to insurance in Saudi Arabia in 2003 and currently provides actuarial services to 08 companies in Saudi Arabia, 11 insurance companies in the UAE and other insurance companies in the GCC (Kuwait, Oman, Qatar and Bahrain).

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997. We are currently engaged with some of the biggest names in the UAE Insurance Sector, including ADNIC, ADNTC, Orient, etc.



We provide a range of services to our valued business partners across the globe, including Europe, the Middle East, Southeast Asia and the Far East. Our specialty services include financial reporting, product and business development and enterprise risk management. In addition, our firm provides expert personnel outsourcing for allowing organisations to engage in full-time consulting for long-term cost effectiveness.

**Life Insurance**

- IFRS, statutory & embedded valuations
- Product development, pricing & reserving
- Experience studies
- Advising on agency & broker compensation structures, reinsurance arrangements, underwriting policies and capital adequacy.

**Retirement Benefits**

- Valuations for financial reporting
- Advise on benefit design and cost benefit analysis
- Pension benefits administration
- Benefits communication material
- Provident Fund maintenance software and audit of retirement schemes and funds

**Our Services**

- Actuarial reserving and certifications
- Underwriting and pricing solutions
- Data and predictive analytics
- Advising on reinsurance arrangements, underwriting and claims practices
- Profitability and capital adequacy analysis

- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

**General Insurance**

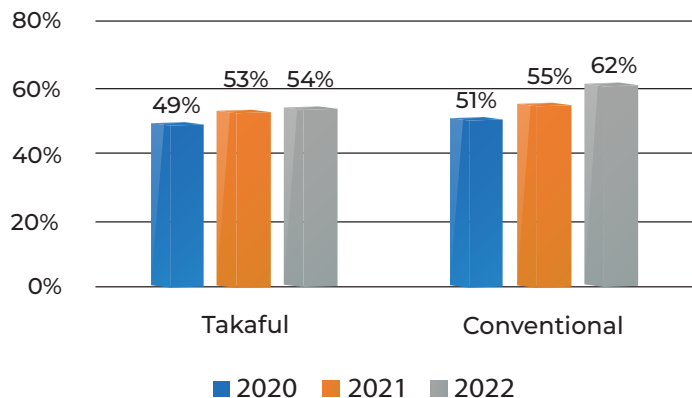
**ERM and Capital Modeling**

# LIMITATIONS & DISCLAIMERS

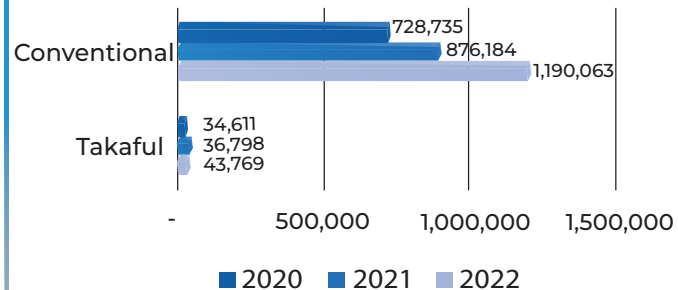
- ❖ The data used for the preparation of this report has been collected from Boursa, Kuwait. The data was extracted from the financial statements of the listed companies.
- ❖ Insurance Industry Kuwait has 08 insurance companies. We have included the 08 insurance companies in our analysis. 06 of the 08 companies write Conventional business, while 02 of the insurance companies write Takaful business.
- ❖ For the First Takaful Company, Kuwait Reinsurance and Wethaq Takaful Insurance, the Income Statement is slightly different from the amounts in the notes. However, the difference is immaterial and has no impact on our analysis.
- ❖ For Takaful companies, the net profit/(loss) shown in the report is related to the shareholder only.
- ❖ This Industry report is intended to provide general information only; we are not providing actuarial, investing, accounting, business, financial, legal, tax, or other professional advice or services through it. This research is not intended to replace professional advice or services, nor should it be used to make any decisions or take any actions that may damage your finances or business.
- ❖ The content of this Industry report published by SHMA Consulting provides information to the general public and insurance sector. The objective of this report is to use our professional's research and experience to bring compliance and information sharing to the industry.
- ❖ The information, materials and opinions presented in this report are for general information purposes only, are not intended to constitute legal or other professional advice and should not be relied on or treated as a substitute for specific advice relevant to particular circumstances. Although, we make reasonable efforts to update the information in this report.

# INSIGHTS FOR CEOs

## Retention Ratios



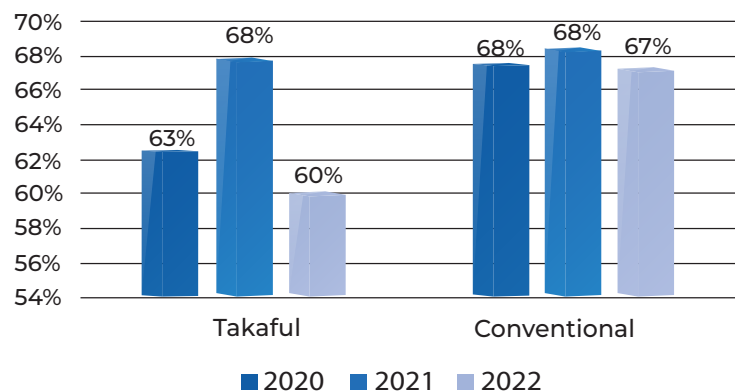
## Takaful vs Conventional Business



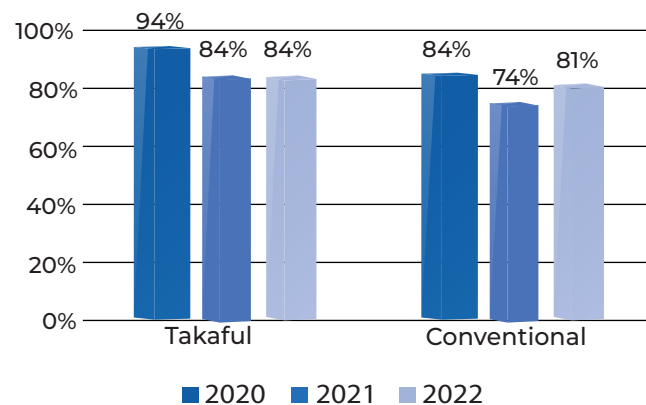
## Total Gross Written Premium

**KD 1,233 Mn**  
▲ 35.14%

## Loss Ratios



## Combined Ratio



## Total Assets



**KD 2,506 Mn**  
▼ -0.071%

## Total Profit / Loss

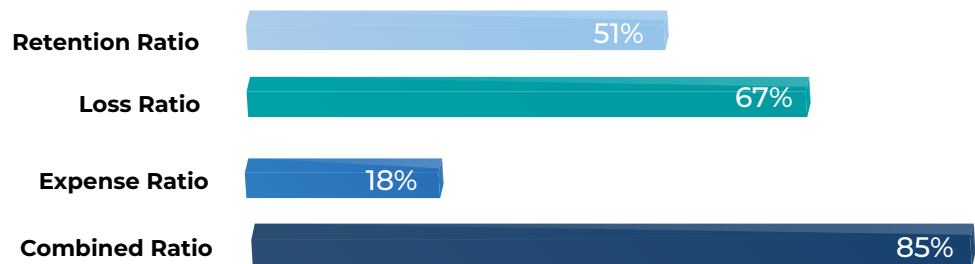
**KD 119.60 Mn**

# MARKET HIGHLIGHTS

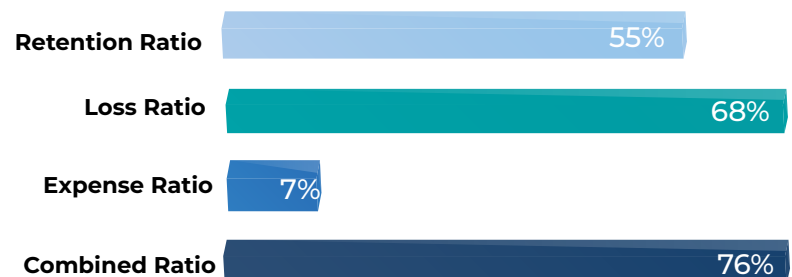
- ❖ All Insurers operating in Kuwait have recorded a 7.9% growth in their overall turnover in 2022. The non-life class of business has seen its turnover increase by 8.1% and life class of business generated 10.57% of the total premiums written in the country in 2022.
- ❖ The Kuwaiti Insurance Regulatory Unit (IRU) has published a list of penalties to be imposed on market players who fail to comply with the law. The decision is aimed at insurance companies, reinsurance companies, takaful, brokers and insurance pools found guilty of violation.
- ❖ Kuwait Insurance Company (KIC) has acquired a 74% stake in the capital of National Takaful Insurance Company. The transaction has been approved by the relevant authorities. The overall amount of the deal hasn't been disclosed. Both companies are working on finalizing the acquisition procedures.
- ❖ Kuwait's Insurance Regulatory Unit (IRU) is currently working on a project to digitize mandatory motor third party liability policies. Policyholders will thus have the opportunity to access insurance services via an electronic platform. This initiative would allow to improve the insurance activities in the Kuwaiti market and protect the rights of the insured.
- ❖ Standard and Poor's (S&P) has assigned an "A-" financial strength rating with a stable outlook to Kuwait Re. The rating agency has also given the Kuwaiti reinsurer a financial strength rating of "gcAAA". S&P based its decision on the company's strong operational performance and high level of capital adequacy.
- ❖ AM Best affirmed the "A-" (Excellent) financial strength and "a-" long-term credit ratings of Al Ahleia Insurance Company, parent company of Kuwait Re. The outlook for both ratings is stable. The rating reflects the Insurer's strong balance sheet, good operating performance and appropriate enterprise risk management.
- ❖ The Kuwaiti government has drafted a standardized contract that protects the legal rights of the parties involved in a car rental contract. A car rental agency can no longer charge renters for the cost of repairing an insured vehicle in the occurrence of an accident.
- ❖ The Kuwait Insurance Federation is proposing to set up a health insurance scheme for residents aged over 60. According to the project, the amount of coverage should be capped at 10 000 KWD (32 913 USD). The annual premium for the policy would be 500 KWD (1 645 USD).
- ❖ Abdallah Abdulatif Al-Ahmad has been appointed Chief Executive Officer (CEO) of Kuwait Qatar Insurance Company (KQIC). Established in 2004, KQIC is a subsidiary of Qatar Insurance Group (QIC).

# INDUSTRY BENCHMARK

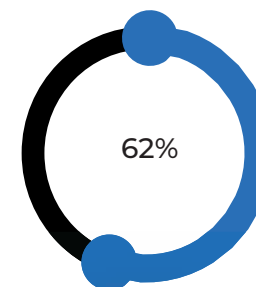
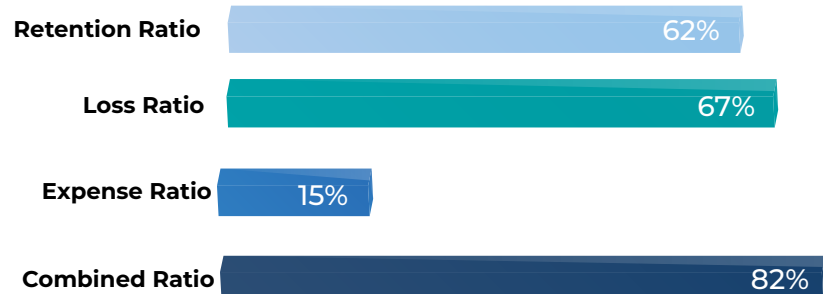
2020



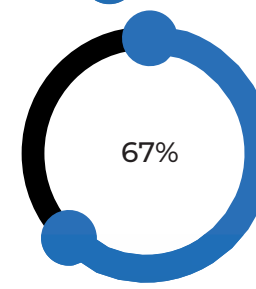
2021



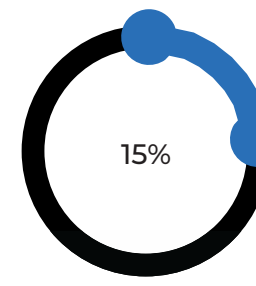
2022



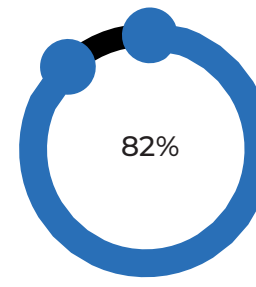
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio

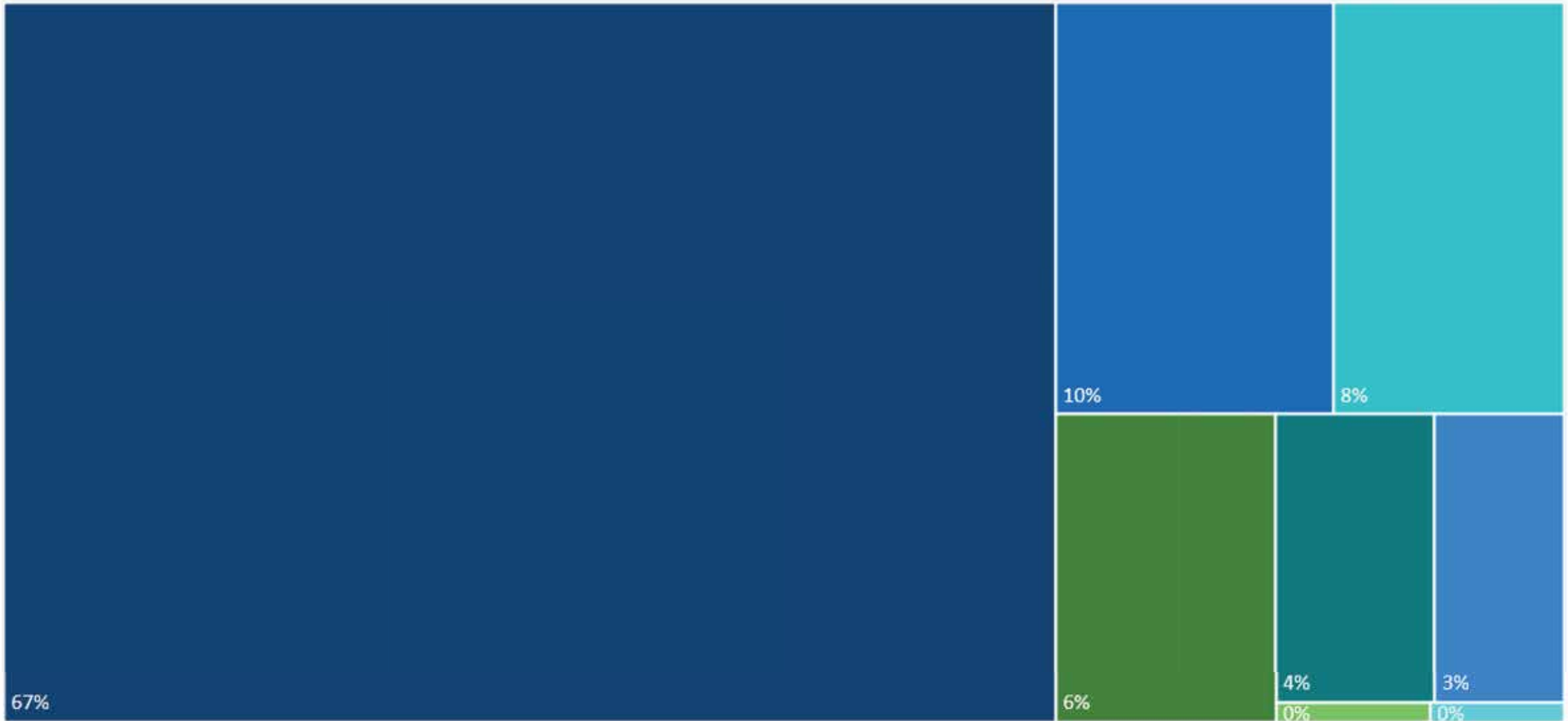


Weighted Average Combined Ratio



# MARKET SHARE PROPORTION

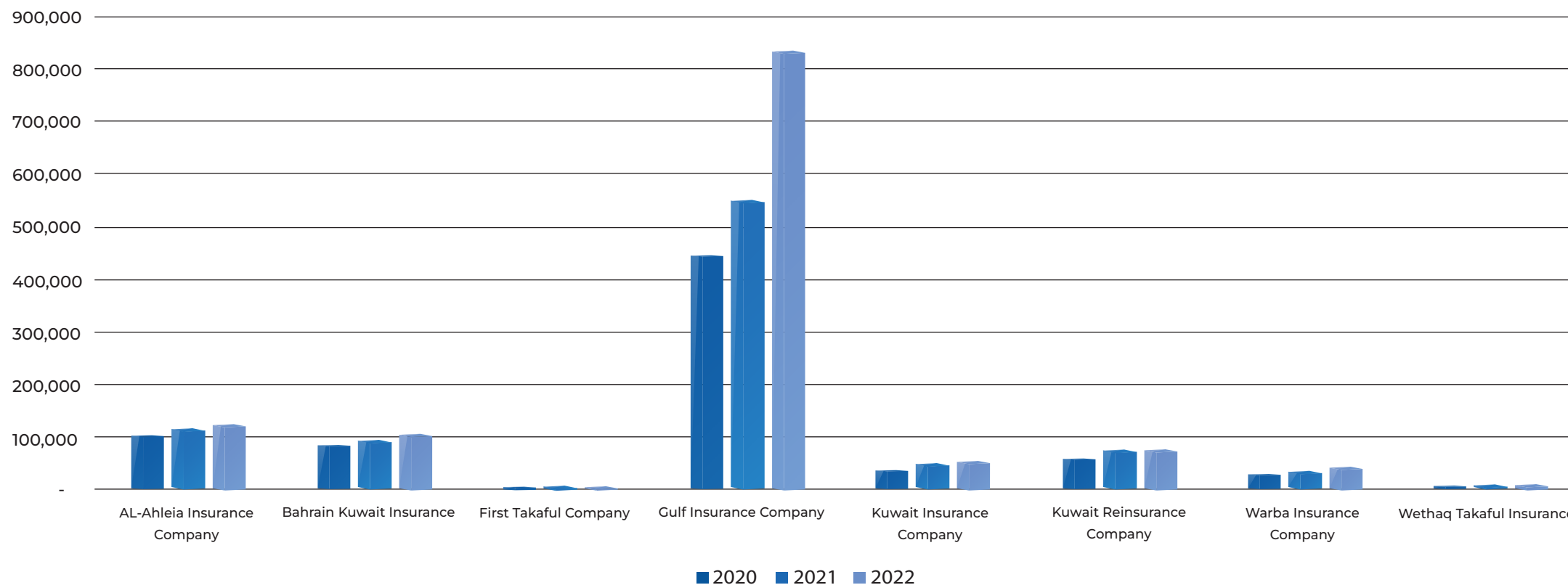
- Al-Ahleia Insurance Company
- Bahrain Kuwait Insurance
- First Takaful Company
- Gulf Insurance Company
- Kuwait Insurance Company
- Kuwait Reinsurance Company
- Warba Insurance Company
- Wethaq Takaful Insurance



# GROSS PREMIUM

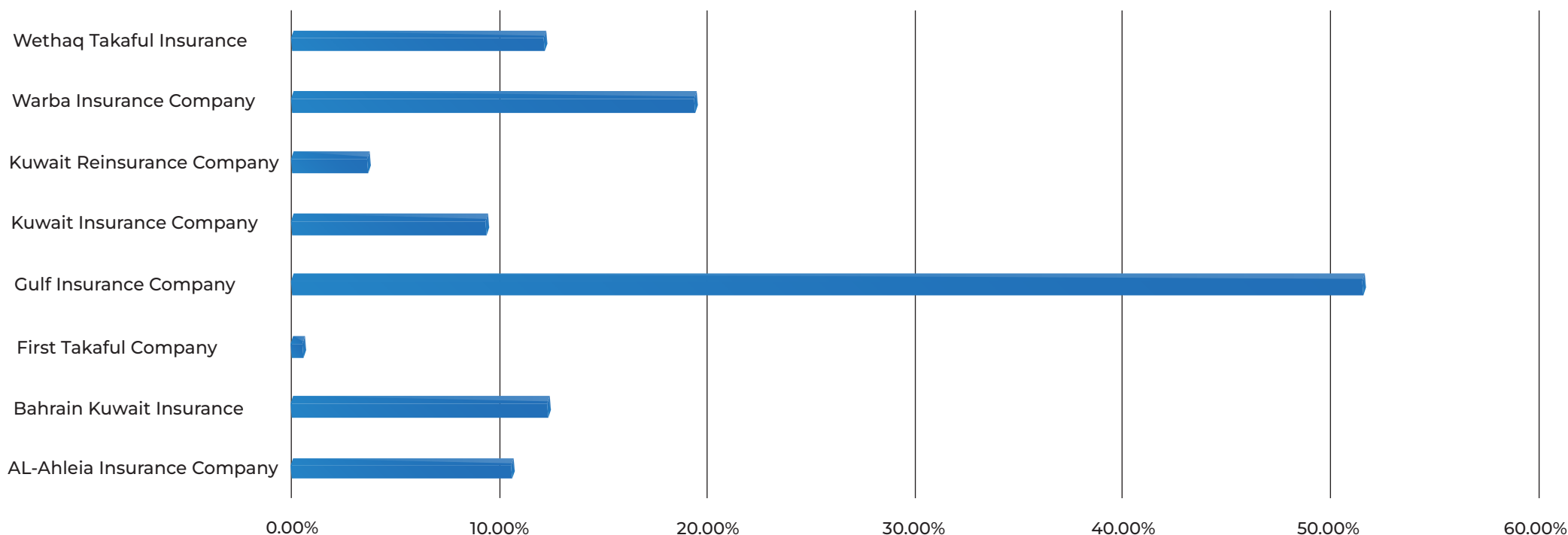
(KD 000's)

Overall, there is an increase in GWP for all the companies between 2021 and 2022. Gulf Insurance Company had the highest GWP in both 2021 and 2022, with a significant increase from 548,498 in 2021 to 831,667 in 2022. This indicates that the company is growing rapidly and dominating the market. The other companies had smaller GWPs in comparison, with Bahrain Kuwait Insurance and Al-Ahleia Insurance Company being the closest to Gulf Insurance Company in terms of GWP. First Takaful Company, Wethaq Takaful Insurance, and Kuwait Insurance Company had the smallest GWPs, indicating that they may be struggling to compete in the market. Warba Insurance Company had a significant increase in GWP from 34,212 in 2021 to 40,868 in 2022, indicating that the company is experiencing growth.



## GROSS PREMIUM – MOVEMENT

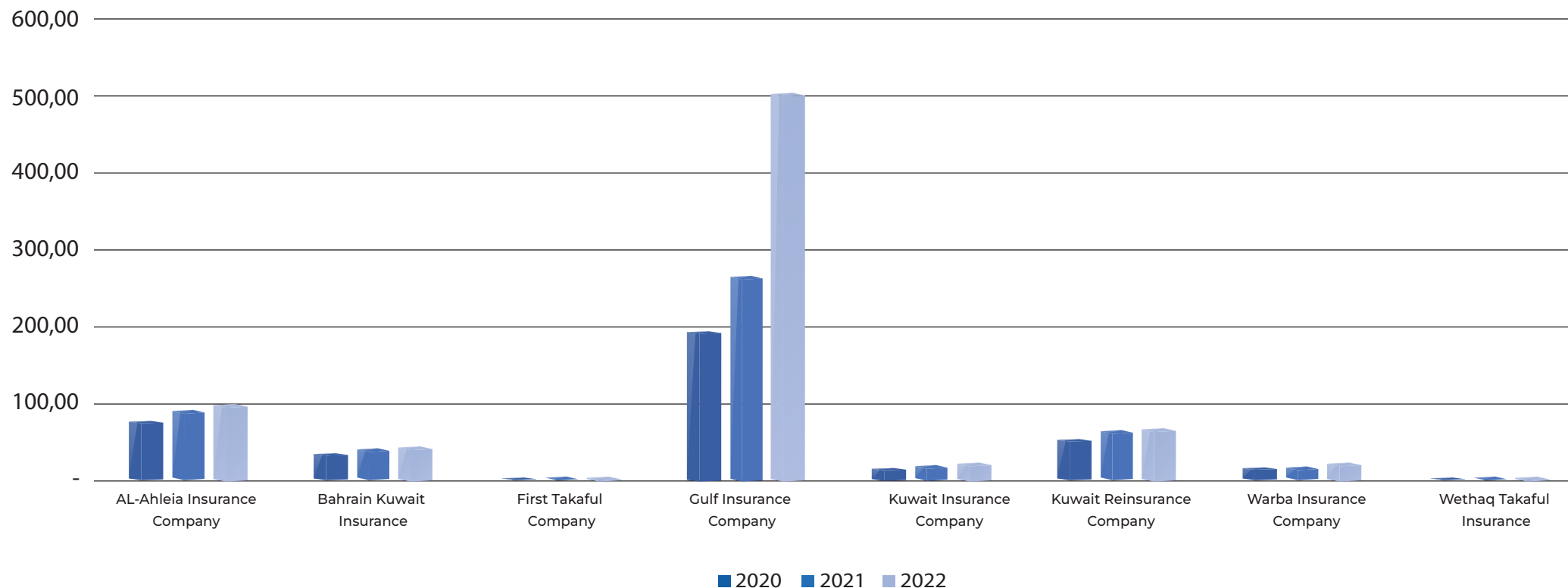
Gulf Insurance Company had the highest movement in GWP, with a significant increase of 51.63%. This indicates that the company is growing rapidly and dominating the market. Warba Insurance Company had the second-highest movement in GWP, with an increase of 19.45%. This suggests that the company is experiencing steady growth and may be worth keeping an eye on in the future. Wethaq Takaful Insurance and Bahrain Kuwait Insurance Company had moderate movement in GWP, with increases of 12.17% and 12.45% respectively. This suggests that they are also growing, but at a slower pace. First Takaful Company had the lowest movement in GWP, with an increase of only 0.68%. This suggests that the company is growing at a very slower pace than the others.



# NET PREMIUM

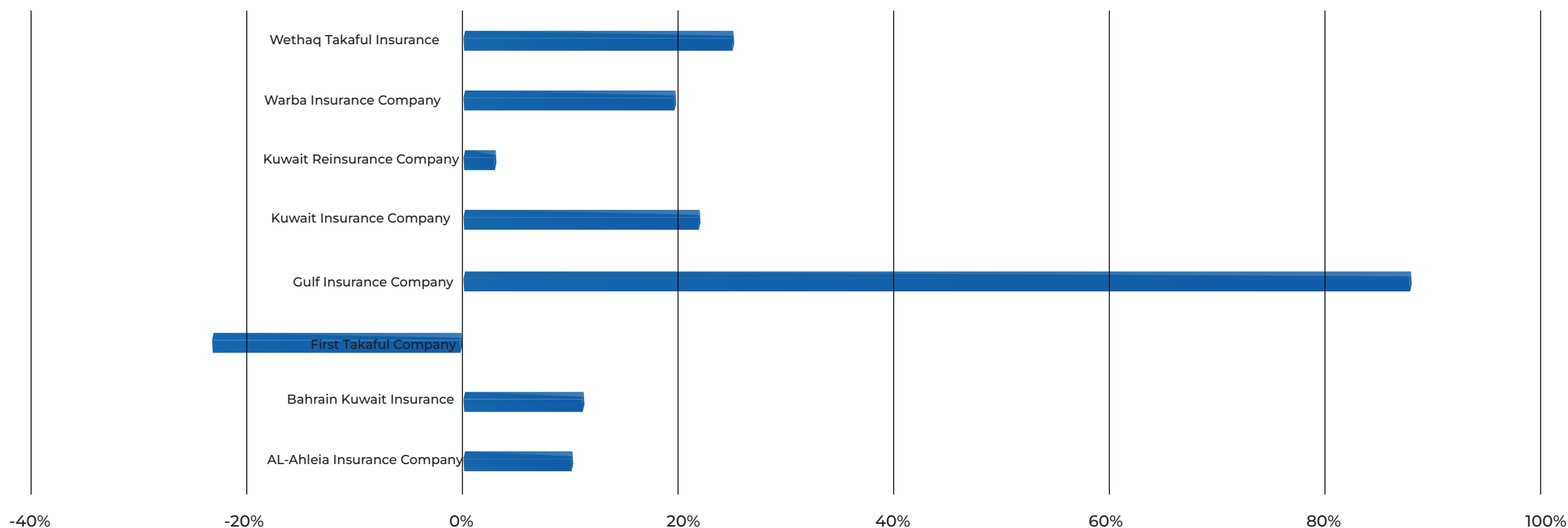
(KD 000's)

Overall, there is an upward trend in NWP for all companies between 2021 and 2022, which suggests that the insurance market in Kuwait is growing. We can see that the NWP for all companies has been increasing steadily, with the exception of First Takaful Company, which experienced a decline in NWP between 2021 and 2022. Gulf Insurance Company had the highest NWP in both 2021 and 2022, with a significant increase from 267,850 in 2021 to 503,205 in 2022. This indicates that the company is growing rapidly and dominating the market. Al-Ahleia Insurance Company and Kuwait Reinsurance Company had moderate NWP in comparison to Gulf Insurance Company. Warba Insurance Company and Wethaq Takaful Insurance had the smallest NWP, indicating that they may be struggling to compete in the market.



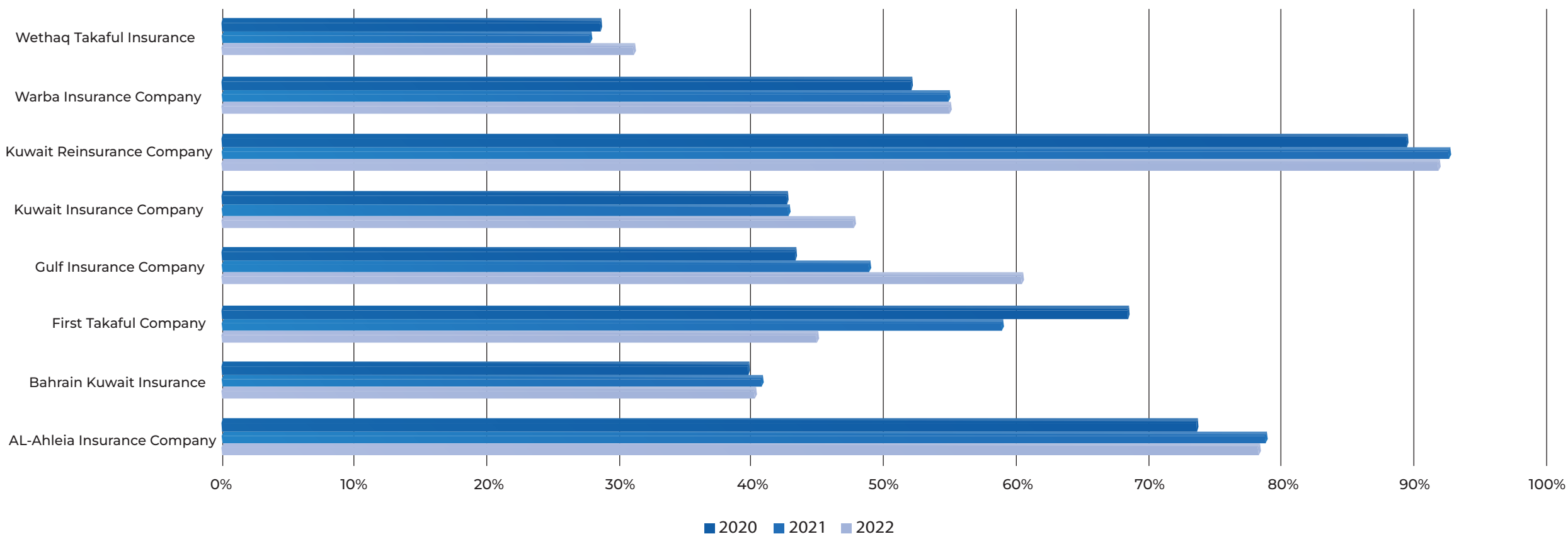
## NET PREMIUM – MOVEMENT

The movement data indicates an overall positive trend in NWP for all companies, with the exception of First Takaful Company which experienced a significant decline in NWP. The movement of Gulf Insurance Company stands out with a large increase of 88%. This suggests that the company had a successful year in 2022 and was able to capture a significant market share. Kuwait Reinsurance Company and Al-Ahleia Insurance Company had relatively low movement in NWP, suggesting they may be weaker performers compared to the other companies. The significant increase of 25.17% in NWP for Wethaq Takaful Insurance indicates that the company has had a strong year, potentially due to successful marketing campaigns or an increase in demand for takaful products. The negative movement of -23.10% for First Takaful Company is concerning and suggests that the company may be facing challenges in the market.



## RETENTION RATIOS

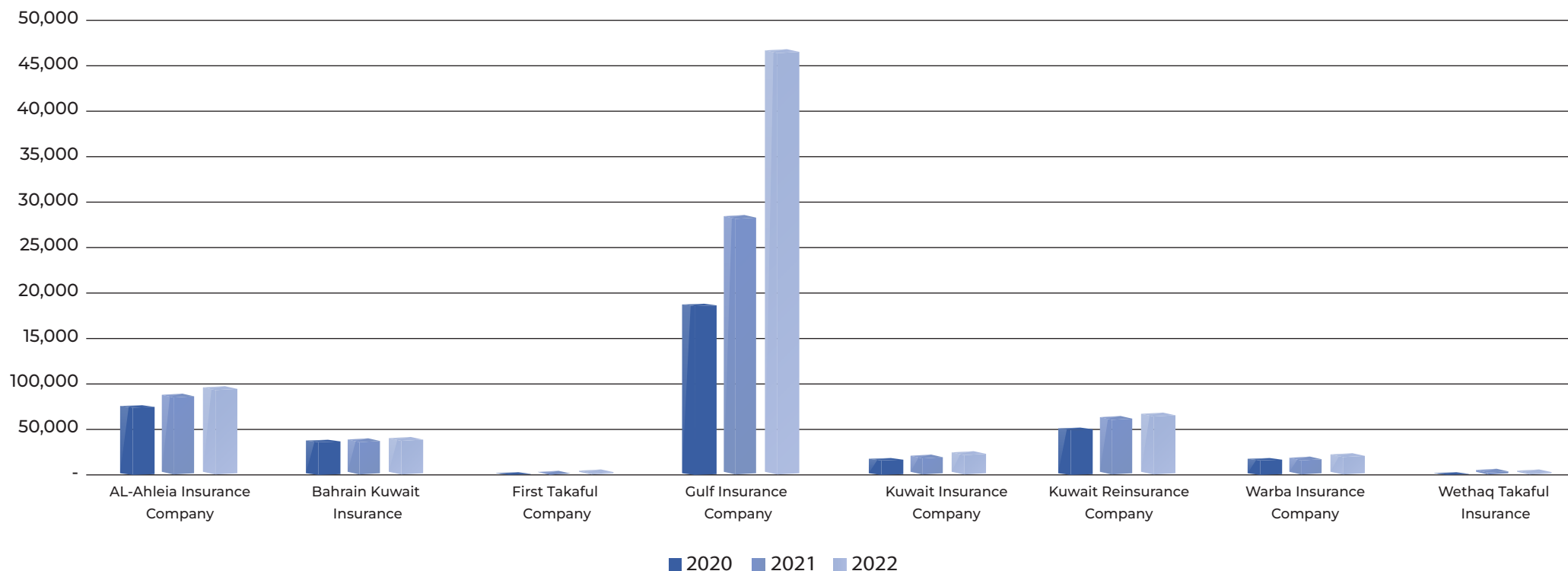
We can see that the retention ratios for most of the companies remained relatively stable between 2021 and 2022, with only small changes. Al-Ahleia Insurance Company had a retention ratio of 79% in 2021, which dropped slightly to 78% in 2022. Similarly, Bahrain Kuwait Insurance had a retention ratio of 41% in 2021, which dropped to 40% in 2022. On the other hand, there were some companies that showed an improvement in their retention ratios in 2022. Gulf Insurance Company had a retention ratio of 49% in 2021, which increased to 61% in 2022. Similarly, Kuwait Insurance Company had a retention ratio of 43% in 2021, which increased to 48% in 2022. First Takaful Company had the biggest drop in retention ratio, from 59% in 2021 to 45% in 2022. This could indicate that the company is facing some challenges in retaining its customers.



# NET EARNED PREMIUM

(KD 000's)

The NEP for most of the companies has increased from 2021 to 2022, indicating growth in the insurance industry in Kuwait. Gulf Insurance Company had the highest increase in NEP with a significant rise from 283,859 in 2021 to 466,228 in 2022, a growth rate of 64.3%. This could be due to the company's expansion, increased sales, or more favorable market conditions. Al-Ahleia Insurance Company, Bahrain Kuwait Insurance, Kuwait Insurance Company, Kuwait Reinsurance Company, and Warba Insurance Company also showed a growth in NEP in 2022, but at a relatively lower rate compared to Gulf Insurance Company. First Takaful Company and Wethaq Takaful Insurance had a decline in NEP in 2022, indicating a drop in their business activity. This could be due to several factors such as intense competition, lack of innovation, or unfavorable market conditions.

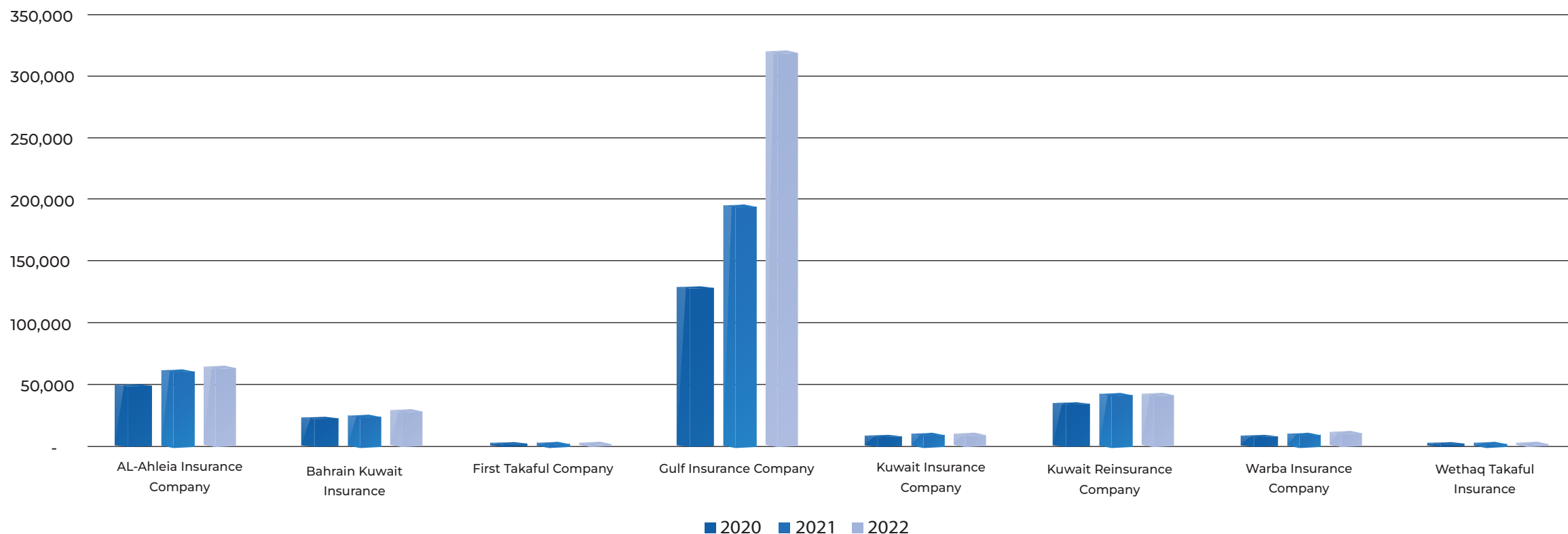


# NET INCURRED CLAIMS

(KD 000's)

Gulf Insurance Company showed a significant increase in Net Incurred Claims from 2021 to 2022, indicating that the company experienced more claims during the year. Al-Ahleia Insurance Company, Bahrain Kuwait Insurance, and Warba Insurance Company showed an increase in Net Incurred Claims from 2021 to 2022.

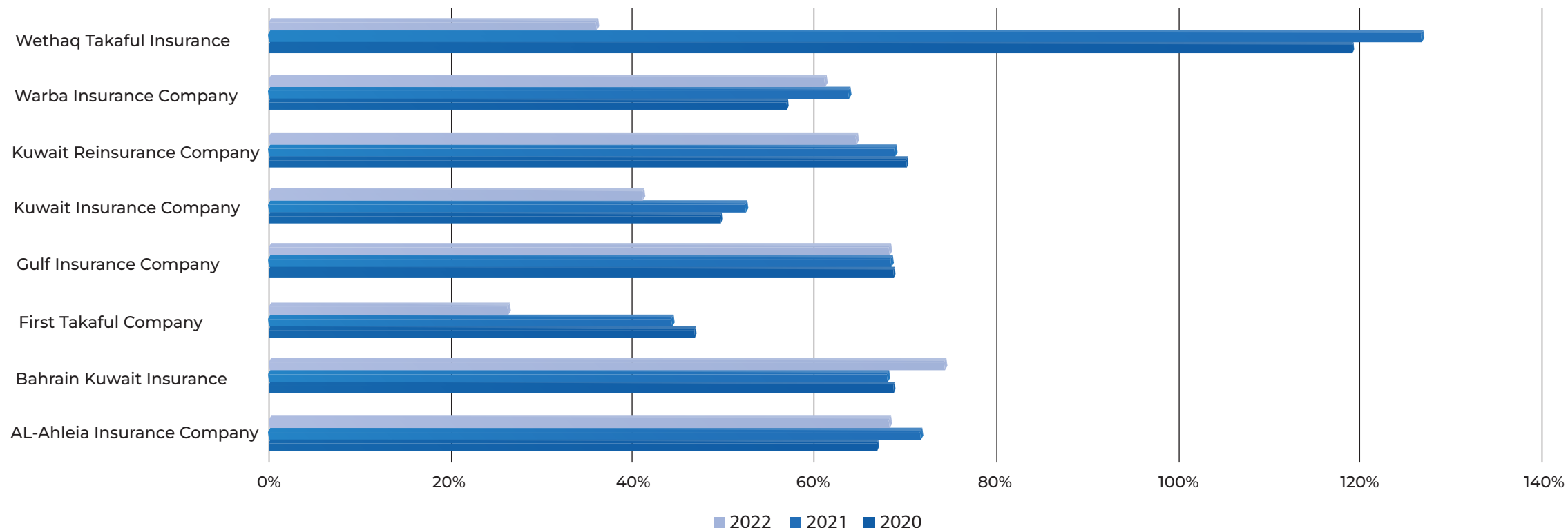
First Takaful Company and Wethaq Takaful Insurance showed a significant decrease in Net Incurred Claims from 2021 to 2022, indicating that these companies had fewer claims during the year. Kuwait Insurance Company and Kuwait Reinsurance Company showed a slight decrease in Net Incurred Claims from 2021 to 2022.





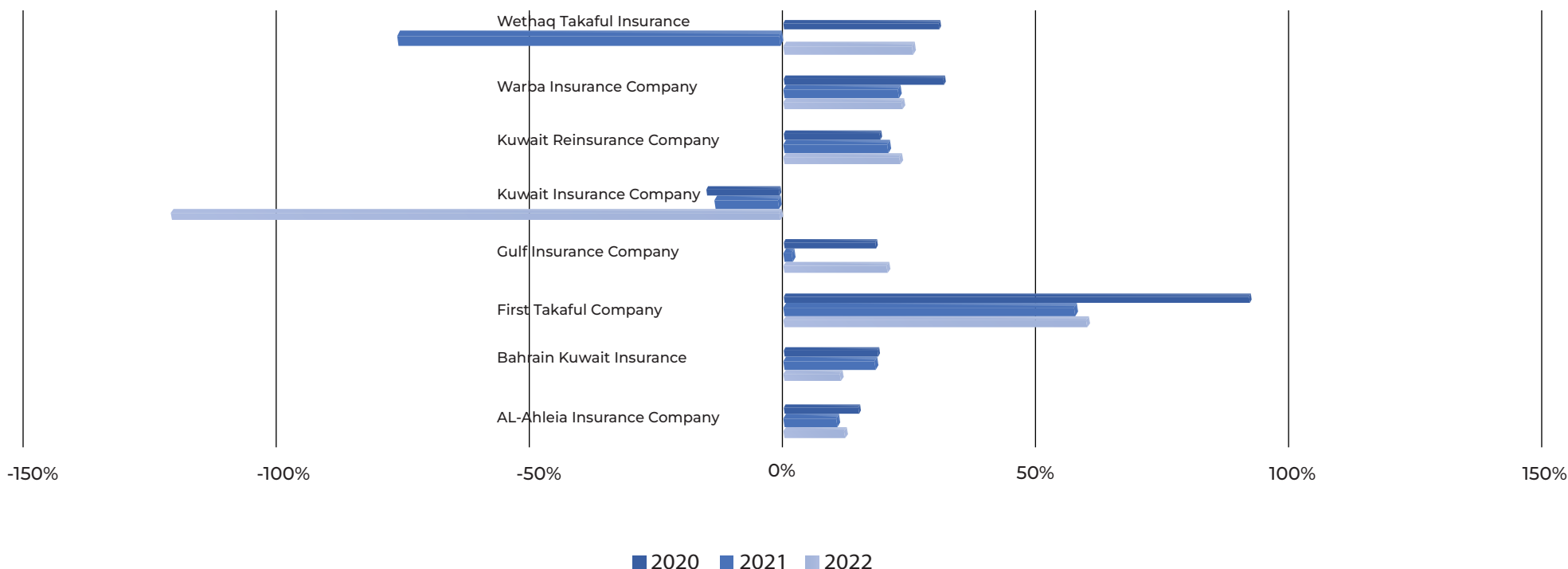
# LOSS RATIOS

Bahrain Kuwait Insurance had a significant increase in its loss ratio from 68% in 2021 to 74% in 2022. This indicates that the company may have experienced a higher number of claims or larger claim payouts, which could impact its financial stability. Gulf Insurance Company had a relatively stable loss ratio, with a slight decrease from 69% in 2021 to 68% in 2022. This suggests that the company is managing its claims well and maintaining its financial stability. First Takaful Company had a steep drop in its loss ratio from 44% in 2021 to 26% in 2022. While this may seem like a positive improvement, because a very low loss ratio can also indicate that the company is not paying out enough claims to policyholders. Wethaq Takaful Insurance had an unusually high loss ratio of 127% in 2021, which indicates that the company paid out more in claims than it earned in premiums. However, the loss ratio dropped significantly to 36% in 2022, which suggests that the company may have implemented measures to improve its financial stability.



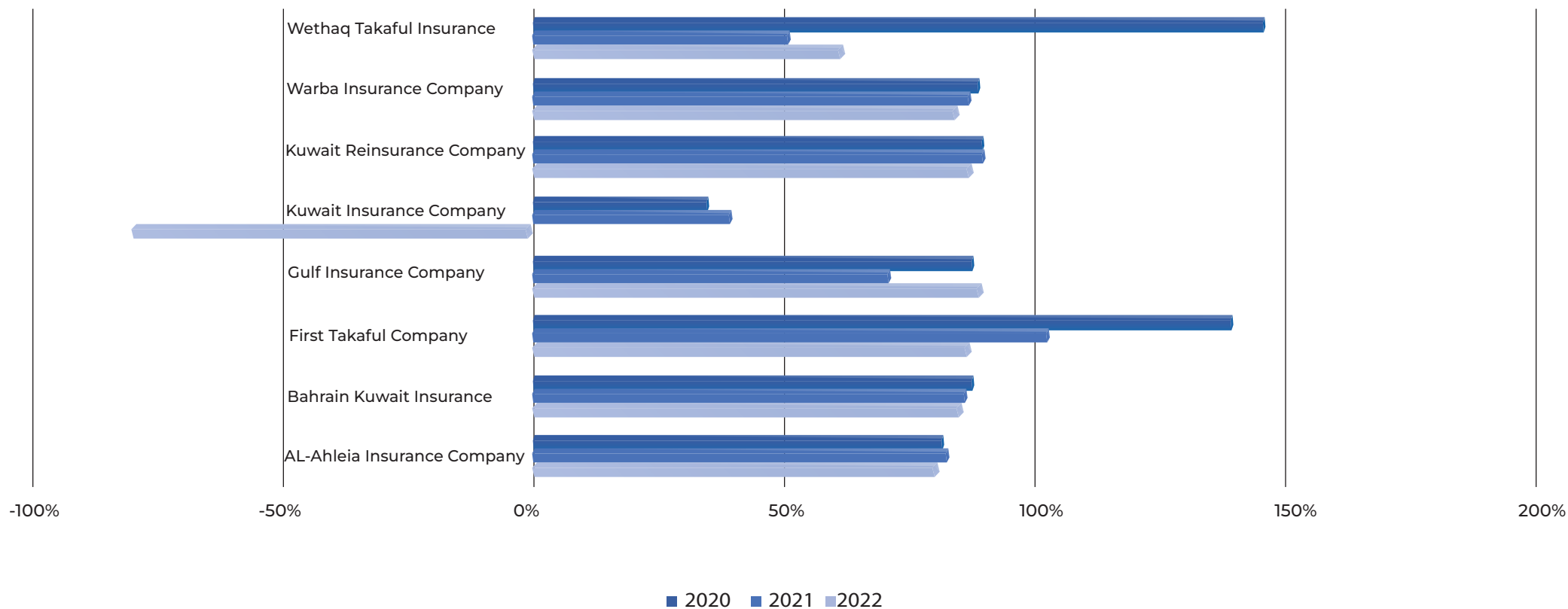
## EXPENSE RATIO

Gulf Insurance Company had a significant increase in its expense ratio from 10% in 2021 to 31% in 2022. This could be a sign that the company experienced a significant increase in operating expenses or a decrease in earned premiums, which could impact its profitability. Kuwait Insurance Company had an unusual negative expense ratio of -105% in 2022. This indicates that the company's expenses exceeded its earned premiums, which is a significant cause for concern as it suggests the company is operating at a loss. Warba Insurance Company had a stable expense ratio of 34% in both 2021 and 2022. This indicates that the company was able to maintain its operating efficiency and profitability. Wethaq Takaful Insurance had a significant improvement in its expense ratio from -64% in 2021 to 51% in 2022. This suggests that the company may have implemented measures to reduce its operating expenses or increase earned premiums, which is a positive sign for its profitability.



## COMBINED RATIO

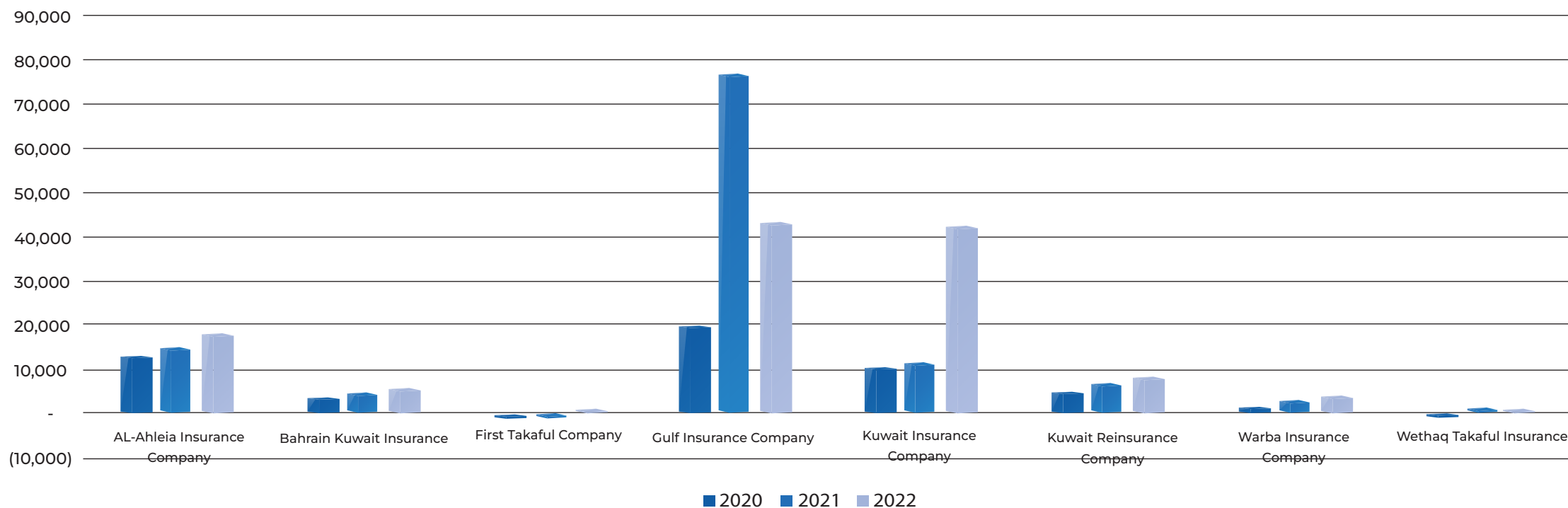
Gulf Insurance Company and Wethaq Takaful Company had a significant increase in their combined ratio from 71%, and 51% in 2021 to 90%, and 62% in 2022 respectively. This indicates that the company's underwriting profitability declined, likely due to an increase in its loss ratio or its expense ratio, or both. Kuwait Insurance Company had an unusual negative combined ratio of -79% in 2022. This suggests that the company's underwriting profitability suffered a significant decline and the company incurred an underwriting loss. Bahrain Kuwait Insurance had a stable combined ratio of 86% in both 2021 and 2022 respectively. This indicates that the company was able to maintain its underwriting profitability. First Takaful Company had a decline in its combined ratio from 103% in 2021 to 87% in 2022.



# NET PROFIT/(LOSS) (AFTER TAX)

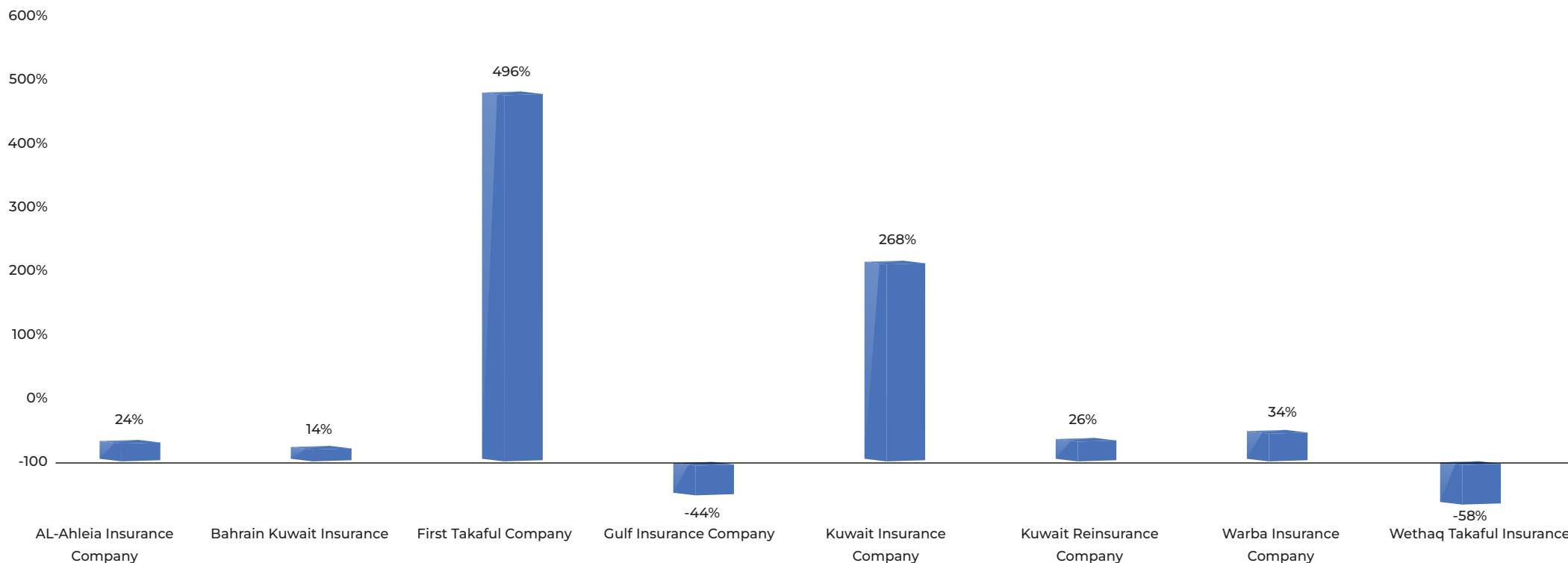
(KD 000's)

First Takaful Company had a significant improvement in net profit after tax from a loss of KWD 55 in 2021 to a profit of KWD 220 in 2022. This suggests that the Company was able to turn its profitability around, likely due to improved underwriting performance or cost management. Al-Ahleia Insurance Company also had a significant increase in net profit after tax from KWD 14,546 in 2021 to KWD 17,978 in 2022. Gulf Insurance Company and Wethaq Takaful Company had a significant decline in their net profit after tax from KWD 76,502, and KWD 618 in 2021 to KWD 43,047 and KWD 261 in 2022 respectively. This indicates that the companies' profitability suffered a significant decline, likely due to higher losses or expenses. Warba Insurance Company and Kuwait Reinsurance Company had moderate increase in their net profit after tax which means that the companies were able to improve their profitability, likely due to effective cost management.



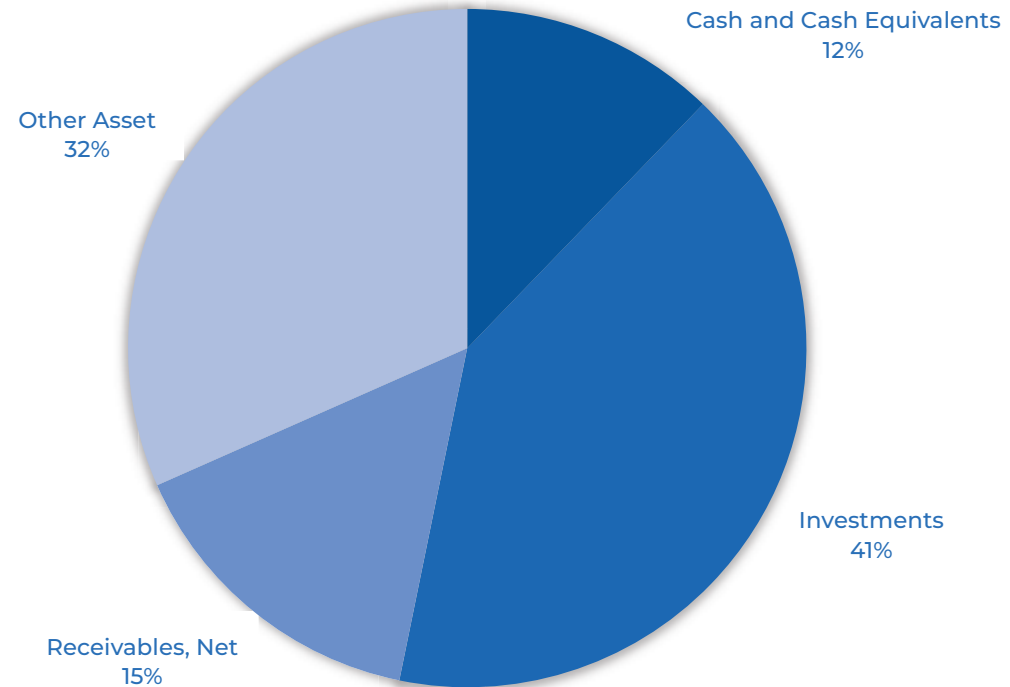
## NET PROFIT/(LOSS) (AFTER TAX) - MOVEMENT

First Takaful Company experienced a significant increase in net profit, reaching 496%. This substantial growth highlights the company's successful strategies, effective risk management, and potentially favorable market conditions. With a net profit of 268%, Kuwait Insurance Company achieved substantial growth in profitability. Wethaq Takaful and Gulf Insurance Company reported a net loss of -58% and -44% respectively. The negative performance of these companies suggests challenges or difficulties faced by the company, requiring further analysis to identify the underlying factors and potential strategies for improvement.

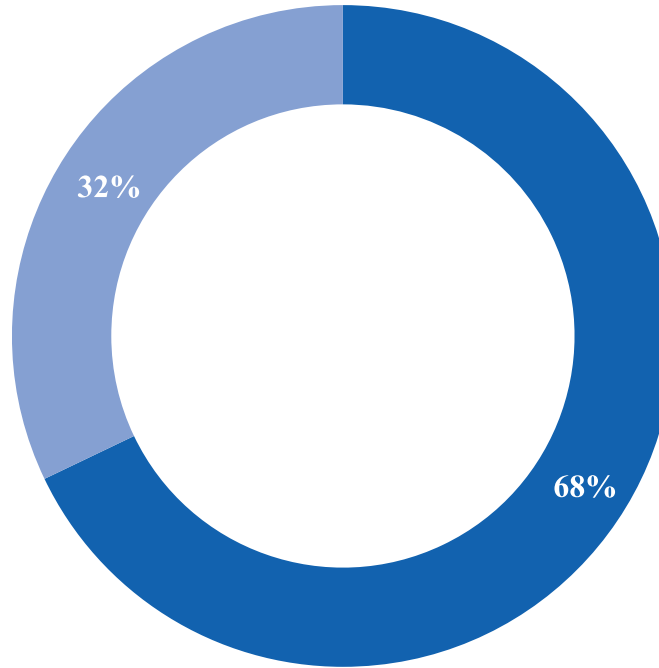


# ASSET CLASSIFICATION - AGGREGATE

Investments constitute about 41% of the total assets, while Net Receivables constitute about 15% and Other Assets constitute about 32% of the total assets.



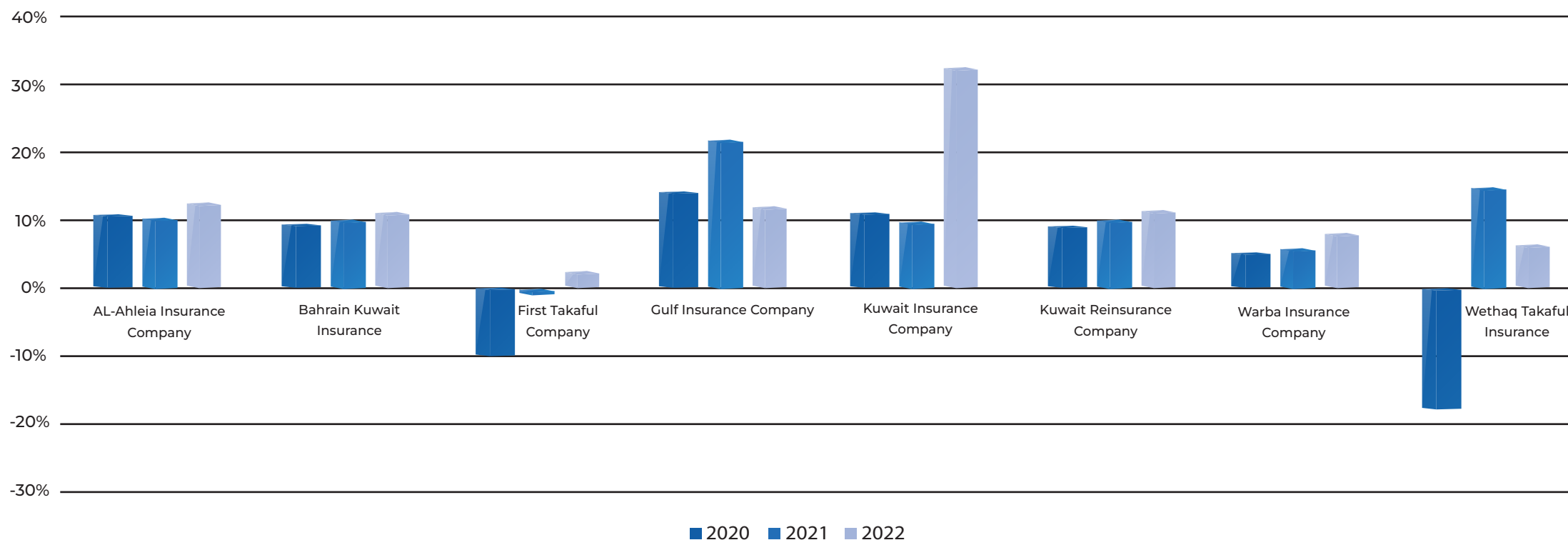
About 68% of the assets are financed by liabilities, and about 32% are financed by equity.



■ Total Liabilities ■ Total Equity

## RETURN ON EQUITY (ROE)

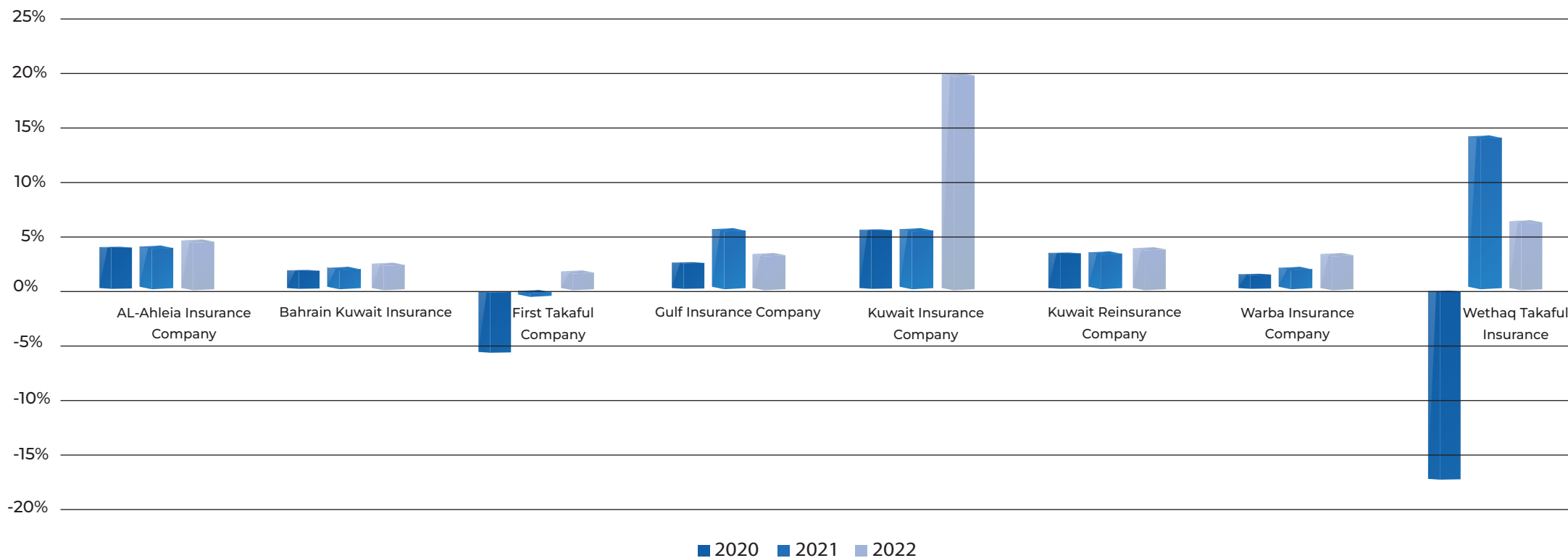
ROE is a critical metric to evaluate a company's profitability and efficiency, and investors can use it to assess the performance of companies and make informed investment decision. We can see that the ROE of Kuwait insurance companies is dynamic, with some companies showing significant improvements, while others showed a decrease. Companies such as Al-Ahleia Insurance Company and Warba Insurance Company have shown a moderate improvement in their ROE, while companies such as Gulf Insurance Company and Wethaq Takaful Insurance had a significant decrease in their ROE. Notably, Kuwait Insurance Company had a significant increase in their ROE which could be attributed to efficient management of assets and liabilities, increasing investment returns, or increased operational efficiency. First Takaful Company had a negative ROE of -1% in 2021, which improved to 2% in 2022.





# RETURN ON ASSETS (ROA)

Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. We can see that the ROA of Kuwait insurance companies is also dynamic, with some companies showing significant improvements, while others showed a decrease. Companies such as Kuwait Insurance Company, Warba Insurance Company, and First Takaful Company showed improvements in their ROA, while Gulf Insurance Company and Wethaq Takaful Insurance showed a significant decrease in their ROA. Notably, Kuwait Insurance Company had a significant increase in their ROA, which could be attributed to improved operational efficiency, cost-cutting measures, or increased investment returns.





## MEET THE TEAM

Noman Usman  
Assistant Manager

Khadija Naqvi  
Senior Actuarial Analyst

Rida Hanif  
Data & Research Analyst

# SHMACONSULTING

## Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – KUWAIT for the Year-End 2022. We have a dedicated and talented pool of individuals to bring you industry insights in the form of this report.

We welcome your feedback on the analysis presented in this report.



<https://www.linkedin.com/company/shma-consulting/>



[www.shmaconsulting.com](http://www.shmaconsulting.com)

## About Us

SHMA Consulting has been providing actuarial services to insurance companies since 1990 and to companies in the GCC (starting with the UAE) since early 1997



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