



Insurance Industry
KUWAIT

■
■
■
2020

SHMACONSULTING

TABLE OF CONTENTS



SHMA Consulting

- About Us.....3
- Our Services.....4
- Limitation and Disclaimers.....5



Performance Summary

- Insight for CEOs.....6
- Market Highlights.....7
- Industry Benchmark.....8
- Impact of COVID-19.....9



Market Share & Premium

- Market Share.....10
- Gross Written Premium.....11
- Net Written Premium.....13
- Premium Retention Ratio.....15
- Net Earned Premium.....16



Claims and Ratios

- Net Incurred Claims.....17
- Loss Ratio.....18
- Expense Ratio.....19
- Combined Ratio.....20



Profitability Analysis

- Net Profit/(Loss).....21
- Asset, Liability and Equity Classification.....23
- Return on Equity.....25
- Return on Assets.....26



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 organizations 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

- 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

General Insurance

Our Services

Retirement Benefits

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

- 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

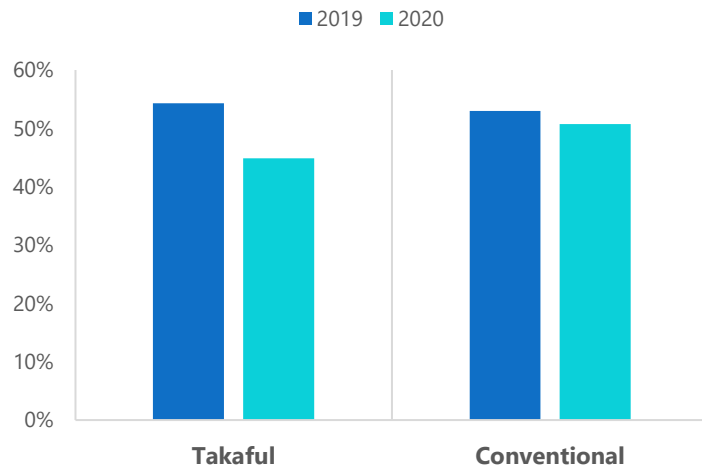
ERM and Capital Modeling

Limitations and Disclaimers

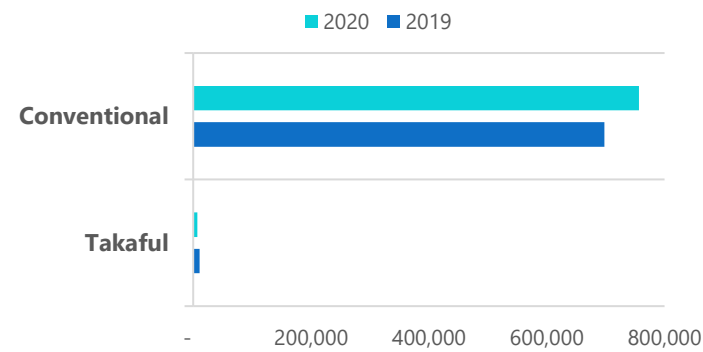
- ❖ The data used for the preparation of this report has been collected from Bursa Kuwait. The data was extracted from the financial statements of the listed companies.
- ❖ Insurance Industry Kuwait has 08 insurance companies. We have included the 08 insurance companies in our analysis. 06 of the 08 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 Ratio



Takaful vs Conventional Business



Total Profit / Loss

KD 47.9 Mn

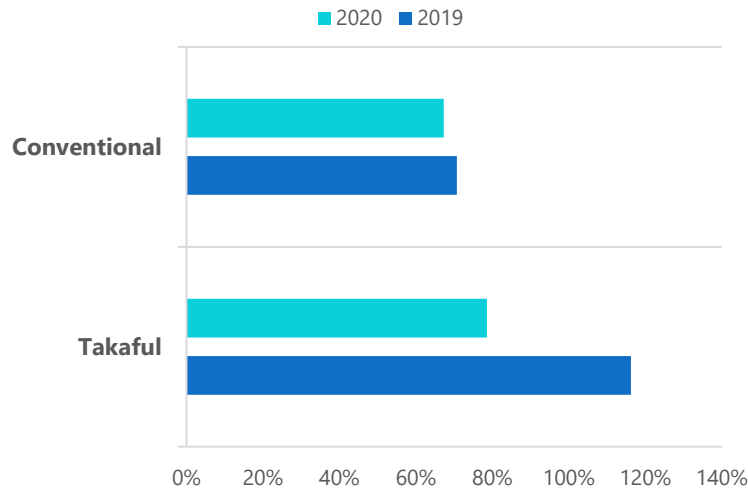
Total Gross Written Premium

KD 763 Mn

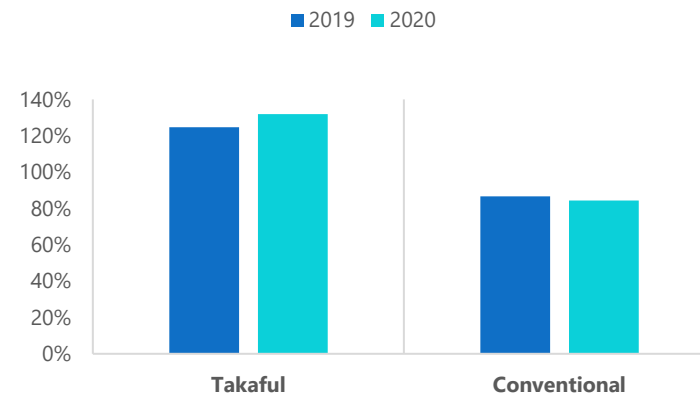
▲ 7.8%



Loss Ratio



Combined Ratio



Total Assets

KD 1,871 Mn

▲ 2.7%

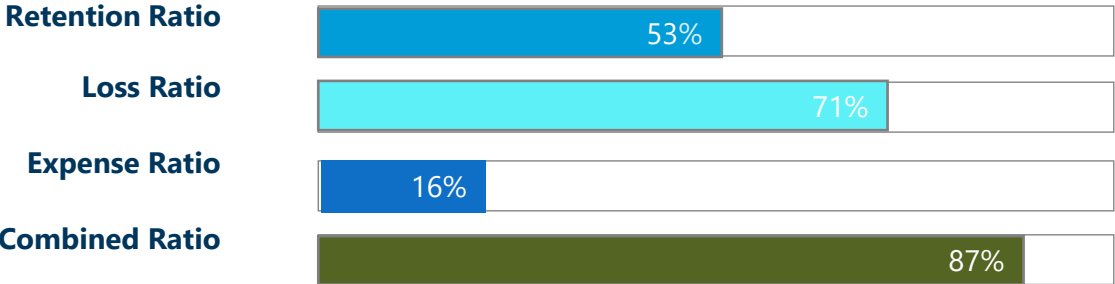


Market Highlights

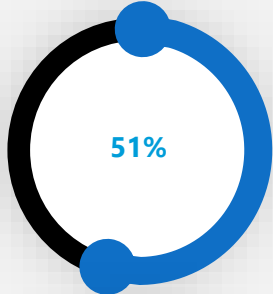
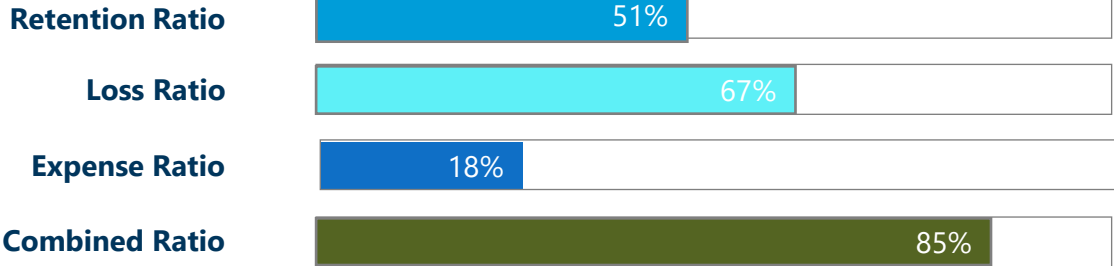
- ❖ Kuwait's insurance market is expected to generate nearly USD 2 billion in premium by 2024, which represents an annual growth rate of 8.2%. According to Alpen Capital, the life and non-life business are expected to grow by 5.8% and 8.5%, respectively between 2019 and 2024.
- ❖ First Takaful Insurance, owned at 53.447% by International Financial Advisors (IFA), is investing in an Islamic Insurance Company to be established in Pakistan. The amount of investment approved by the First Takaful Board of Directors was set at USD 3 million. The amount of the investment approved by First Takaful's board of directors was set at USD 3 million. The new Pakistani insurer will focus its activity on marketing a savings insurance product.
- ❖ The Board of Directors of Kuwait Insurance Company has approved the creation of a life insurance company in Egypt. The new entity share capital is set at EGP 100 million (USD 6.3 million).
- ❖ Insure & Secure group launches the mobile application "Saiyarti". This is a digital platform that provides access to users who can underwrite, track and renew their compulsory motor third-party liability insurance policy. Internet users can also get estimates and account statements.
- ❖ AM Best has confirmed its financial strength rating of "A-" (Excellent) and long-term credit "a-" of Kuwait Insurance Company (KIC). The outlook for ratings is stable.

Industry Benchmark

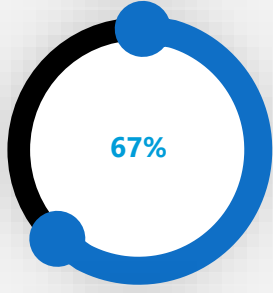
2019



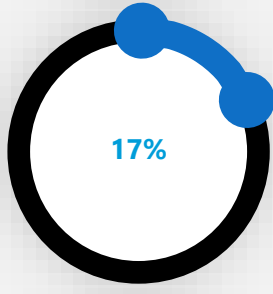
2020



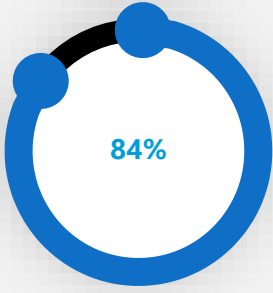
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio

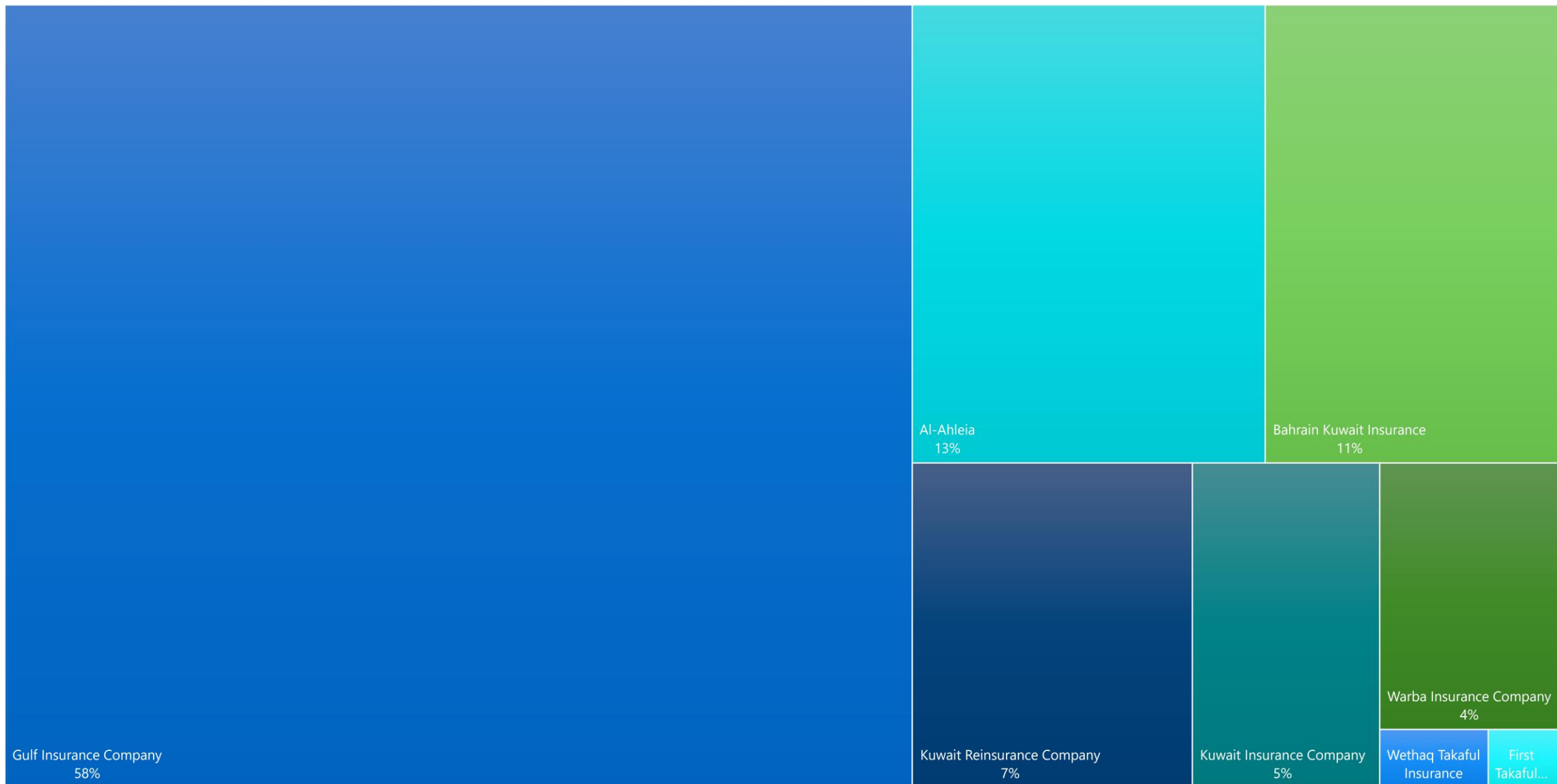


Weighted Average Combined Ratio

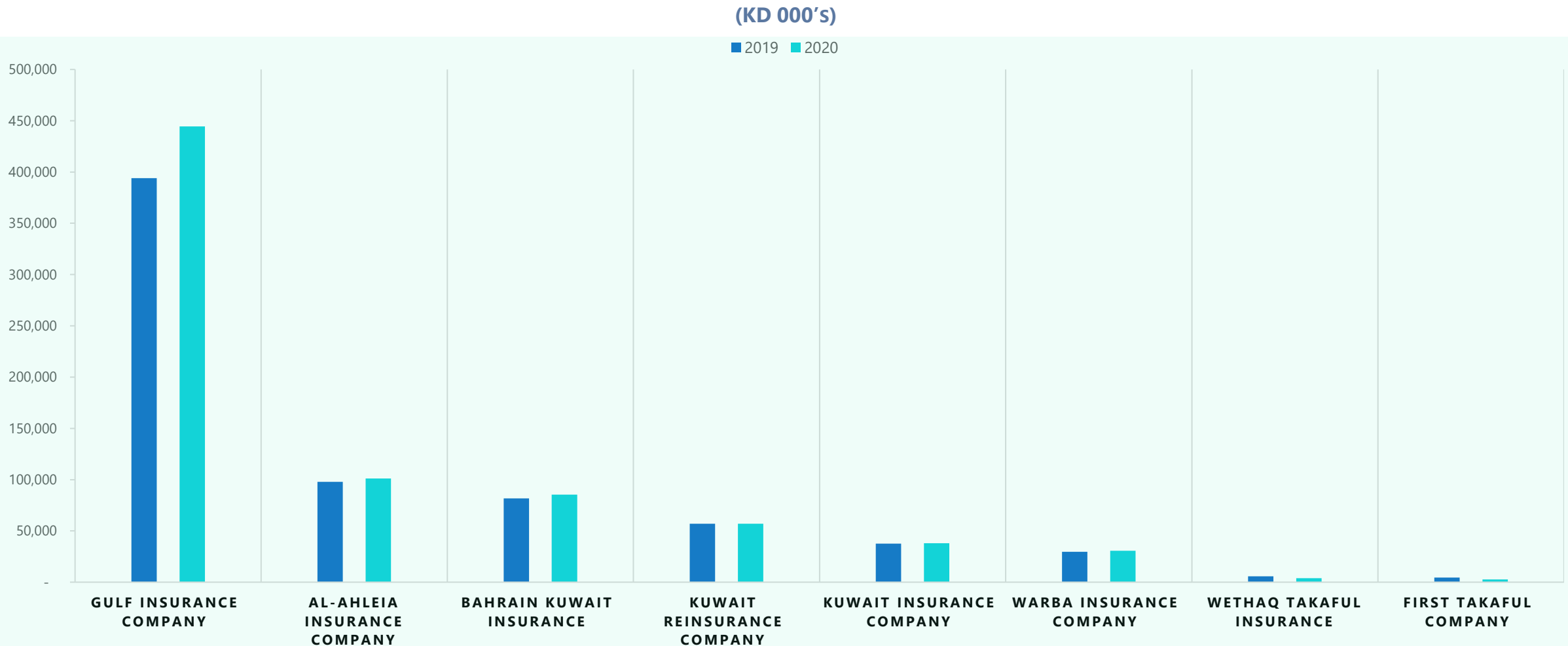
Impact of COVID-19

- ❖ The ongoing COVID-19 Pandemic has had a significant impact on the global economy and the ability of individuals, businesses, and governments to operate. Across the globe, travel, trade, business, working arrangements and consumption have been materially impacted by the pandemic.
- ❖ On 11 March 2020, the World Health Organization (WHO) declared the Coronavirus (COVID-19) outbreak as a pandemic in recognition of its rapid spread across the globe. Governments all over the world took steps to contain the spread of the virus. The insurer is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption the COVID-19 outbreak may have on its operations and financial performance.
- ❖ The insurer may be impacted by any policies, practices, laws, or regulations introduced by governments that require or compel insurers to defer insurance premiums, pay claims in relation to COVID-19 losses which would not otherwise be payable under the relevant policy, or in the normal course of business. The extent of the impact on our business and results of operations is largely dependent on the evolving future developments and the actions taken globally to address its impact.

Market Share Proportion



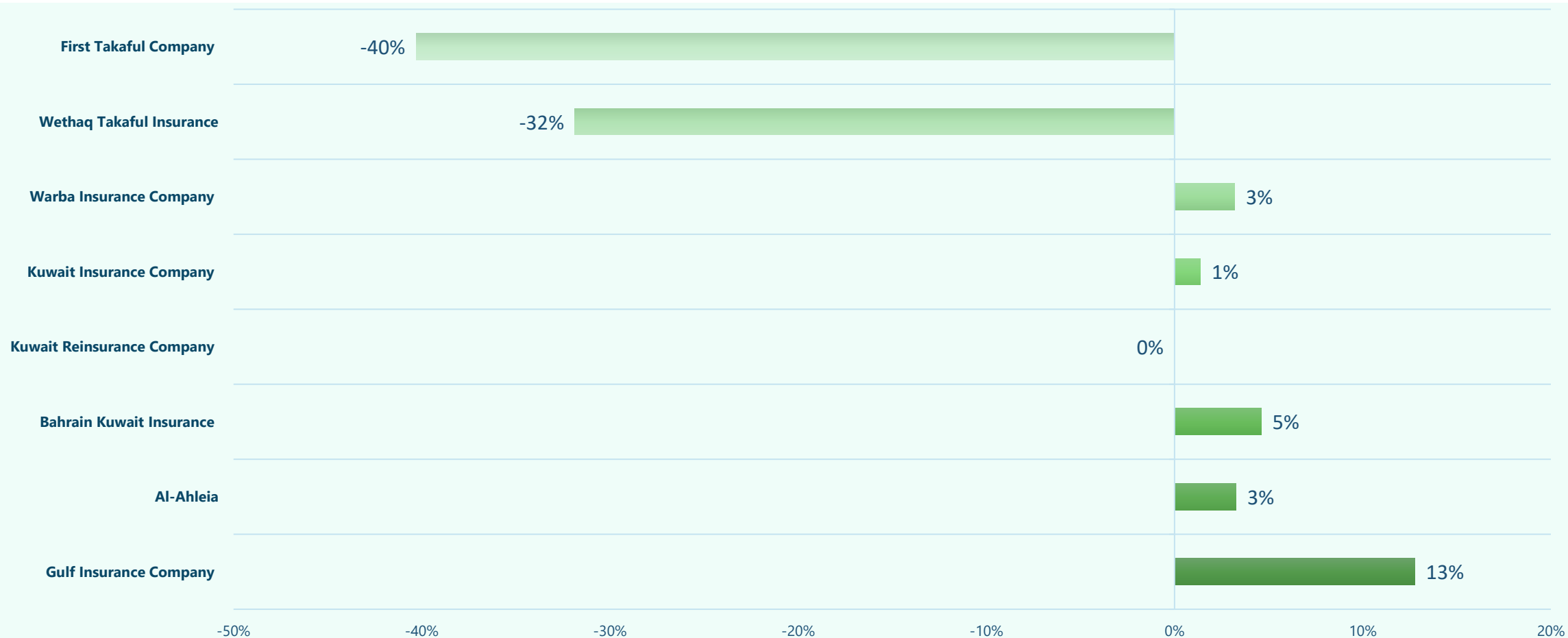
Gross Premium



Major Share of the total gross written premium in Kuwait's Insurance Industry belongs to Gulf Insurance Company and Al-Ahleia Insurance Company (69% in 2019 and 71% in 2020), followed by Bahrain Kuwait Insurance. In addition to this, Wethaq Takaful Insurance and First Takaful Insurance captured the smallest market share. Moreover, there was a significant change in Gulf Insurance Company's Gross Premium, which increased by KD 50 million while Gross Premium for other insurance companies did not vary much by year.



Gross Premium – Movement

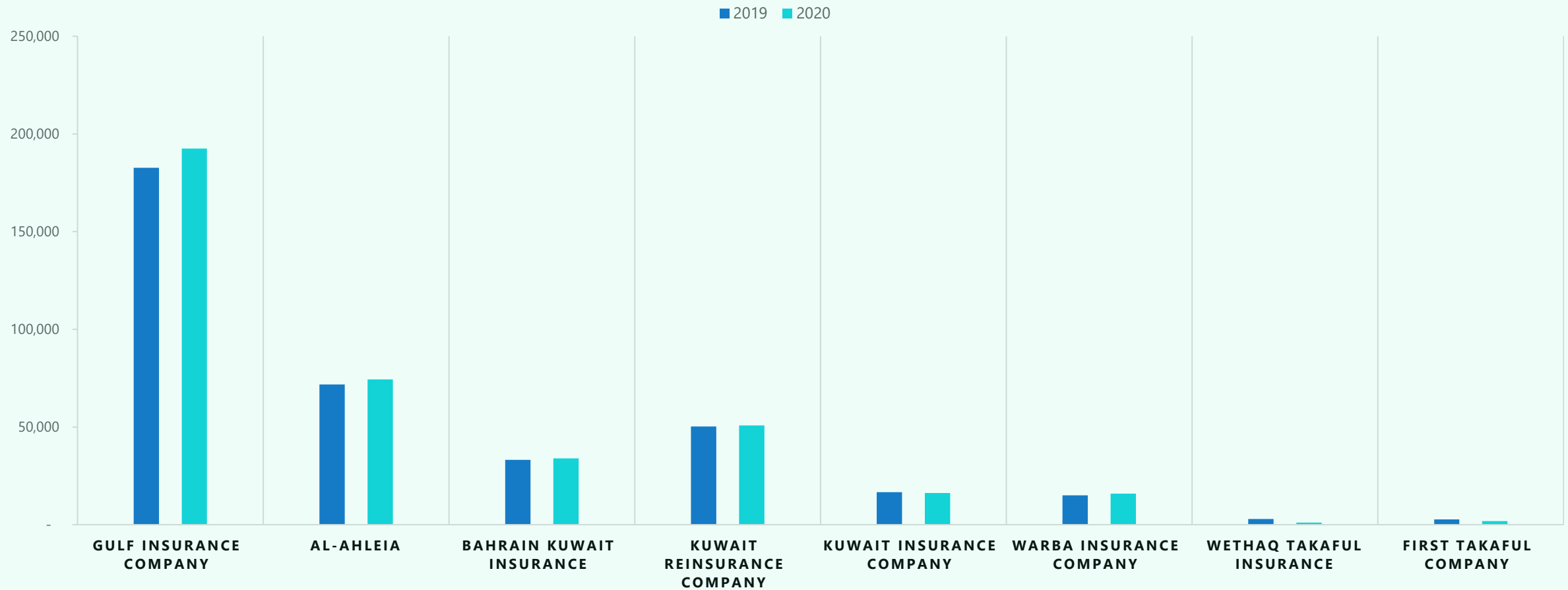


Gulf Insurance Company experienced the highest growth rate in its gross premium (12.78%), while First Takaful Company Insurance experienced the highest decline (-40.30%). On average, Kuwait's Market has seen a growth of 7.78% in the year 2020. Only the Takaful companies experienced a major decline in their gross premium.



Net Premium

(KD 000's)

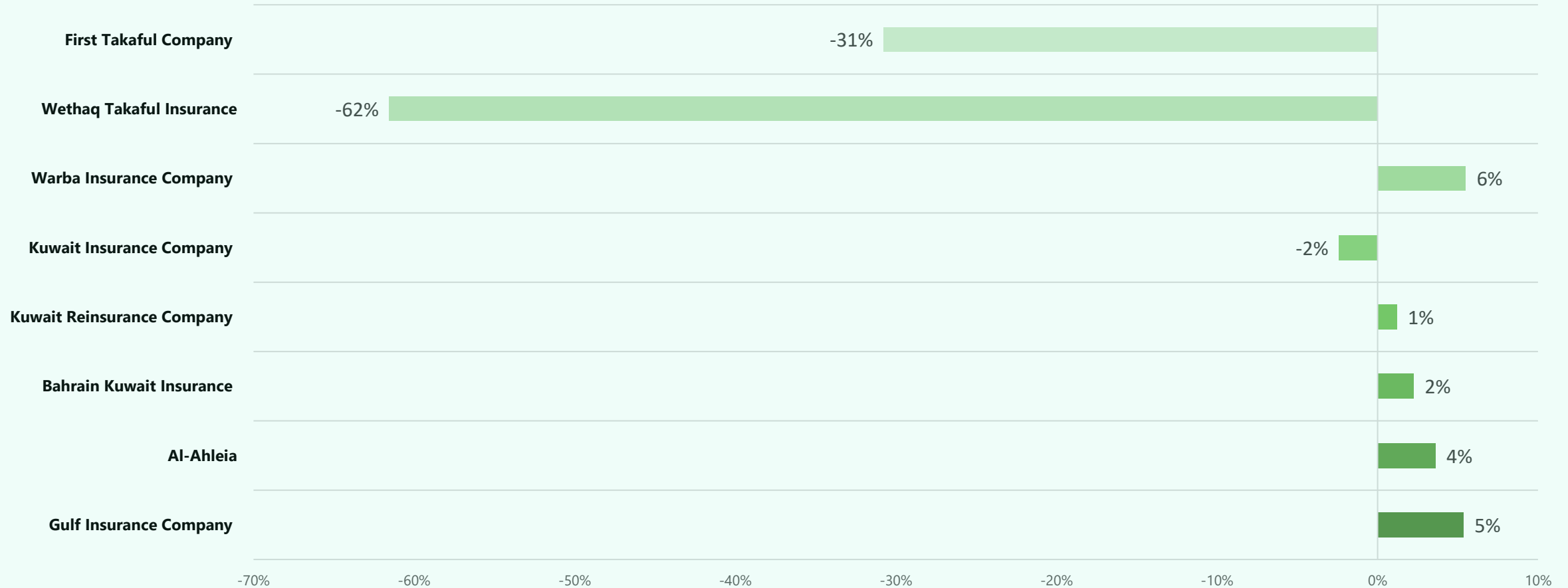


“

Like Gross Premium, Net Premium has not changed significantly in 2020, with the only significant change being an increase of KD 10 million in Gulf Insurance Company's Net Premium. The change in net premium of the Takaful companies, although significant for the individual companies, is not significant to the insurance market as a whole. This is because they comprise only 1% of the total net premium.

”

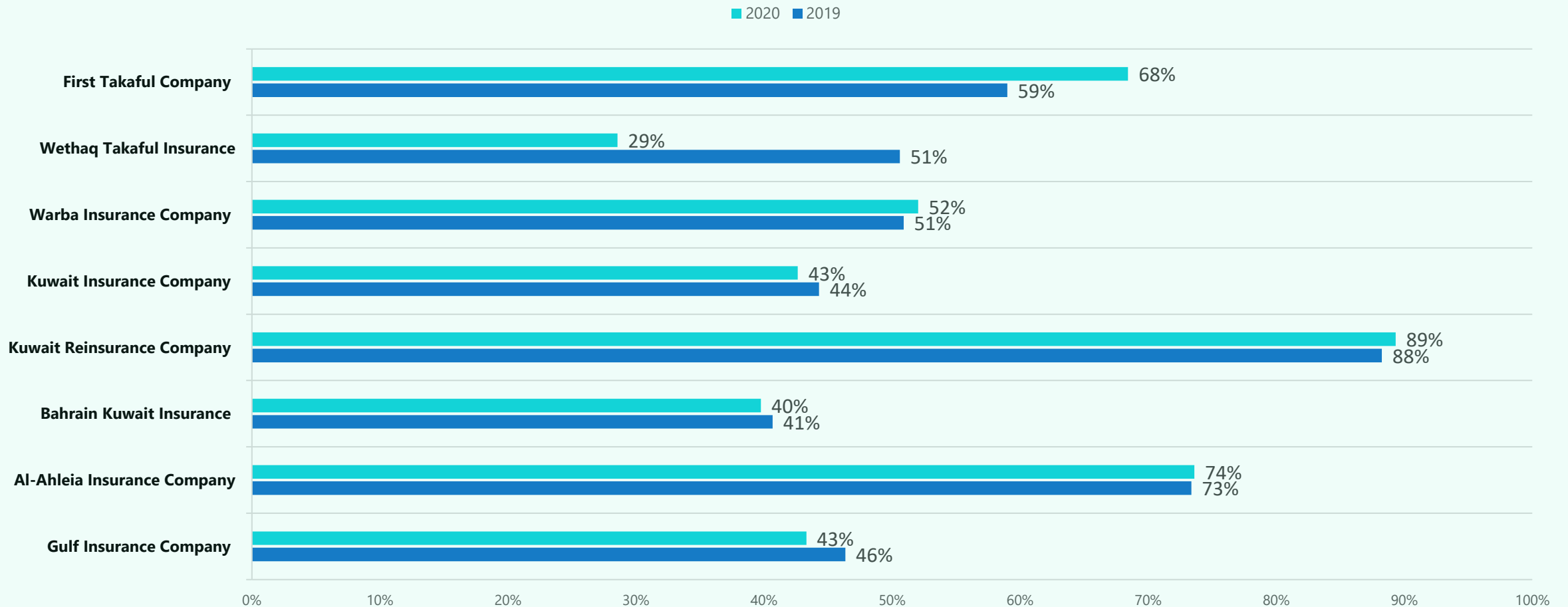
Net Premium – Movement



All the conventional companies except Kuwait Insurance Company saw their net premiums grow, with the highest growth being seen in Warba Insurance Company and Gulf Insurance Company (5.5% and 5.37% respectively). The net premium for Kuwait Insurance declined by 2.41%. As stated earlier, even though both Wethaq and First Takaful Company have shown negative movements in their net premiums (61.55% and 30.76% respectively), their contribution does not have any significant effect on the market. Overall, the insurance industry experienced an increase of 3% in the net premium.



Retention Ratios

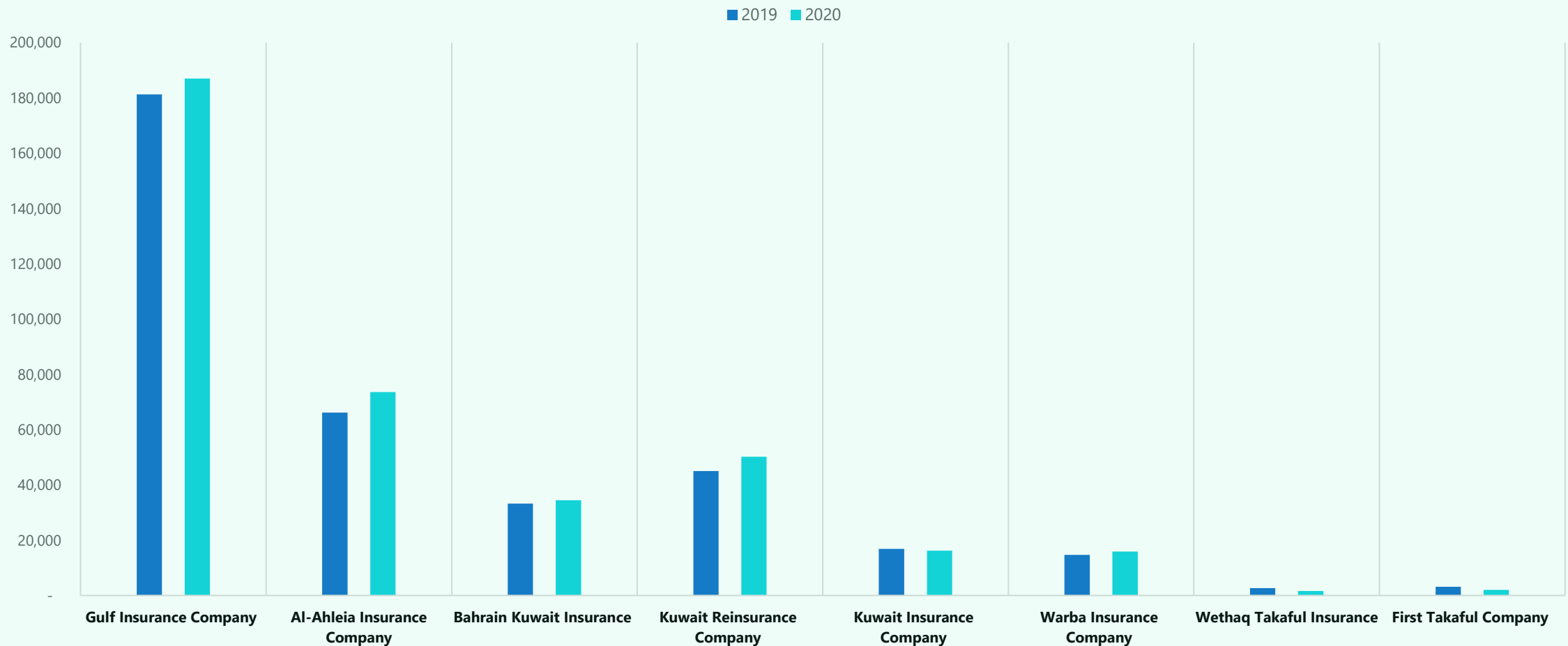


On average, the retention ratio for the industry in the year 2020 is 51%. Kuwait Reinsurance Company has retained most of its business in 2019 and 2020 (88% and 89% respectively), followed by Al-Ahleia Insurance Company, 73% in 2019 and 74% in 2020. The retention ratio increased by 9% for the First Takaful Company, while Wethaq Takaful Insurance experienced a decrease of 22% in its retention ratio. The conventional companies did not experience a major change in their retention ratios.



Net Earned Premium

(KD 000's)



“

Net earned premium was the highest for Gulf Insurance Company (181 million in 2019 and 187 million in 2020), followed by Al Ahleia Insurance Company (66 million in 2019 and 73 million in 2020), while the lowest net earned premium was for Wethaq Takaful Insurance of about 1.6 million in the year 2020. Moreover, it can be seen that net earned premium increased for all the conventional insurance companies while net earned premium decreased for the Takaful companies.

”

Net Incurred Claims

(KD 000's)

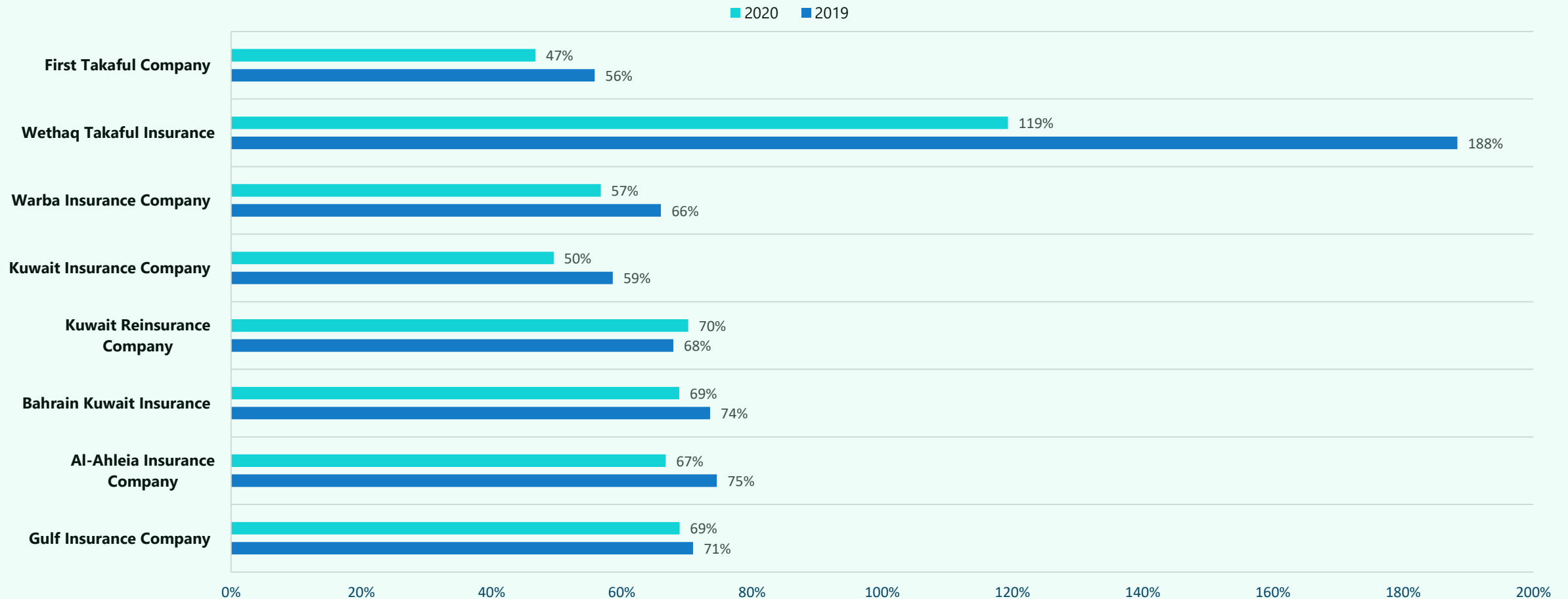
■ 2019 ■ 2020



“ Gulf Insurance Company had the highest net incurred claims of 129 million in 2019 and 2020. There was no significant change in net incurred claims for all six conventional companies, however, the net incurred claims decreased by 62% and 45% for Wethaq Takaful Insurance and First Takaful Insurance, respectively. ”

”

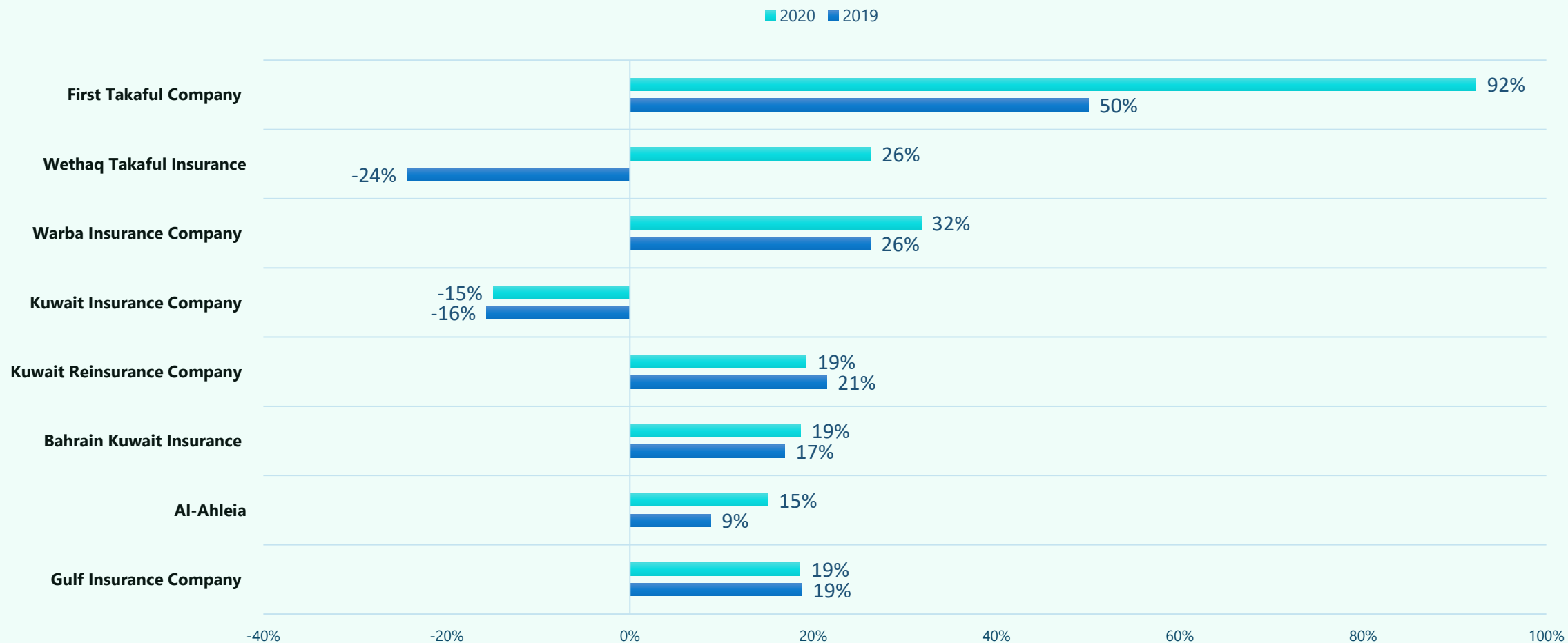
Loss Ratios



In 2019 and 2020, the highest loss ratio was for Wethaq Takaful Insurance (188% and 119% respectively), and the lowest was for First Takaful Company (56% and 47% respectively). All the companies, except for Kuwait Reinsurance Company, have shown an improvement in their loss ratios. Although Wethaq Takaful Insurance was able to reduce its loss ratio by 69%, it still has a loss ratio of more than 100%, while all the other companies have a loss ratio below 100%.



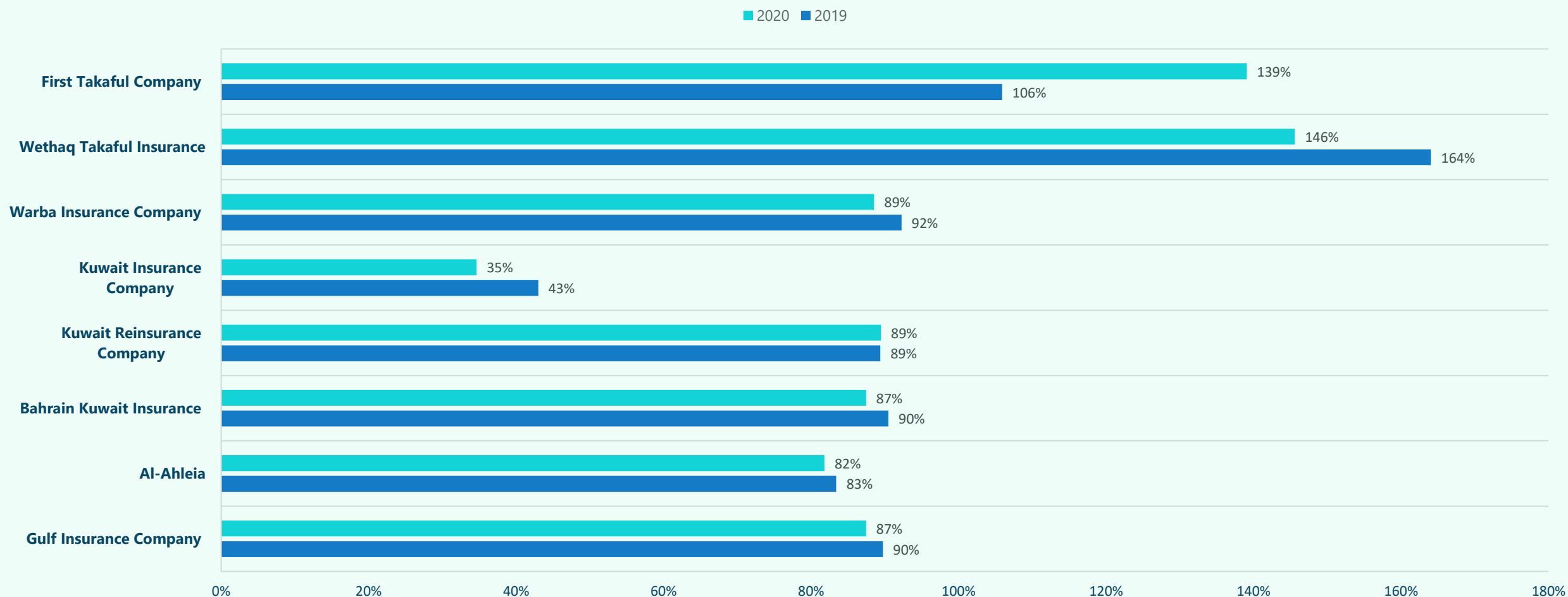
Expense Ratio



In 2019, where all companies had shown positive expense ratio, the expense ratio of Wethaq Takaful and Kuwait Insurance Company was in the opposite direction. In 2020, the highest expense ratio was incurred by First Takaful Insurance (92%), while the lowest expense ratio was for Kuwait Insurance Company (-15%). There was no change in the expense ratio of Gulf Insurance Company. Expense ratio increased for all the companies except Kuwait Reinsurance Company, with Wethaq Takaful Insurance experiencing a significant increase of 50% in its expense ratio.



Combined Ratios

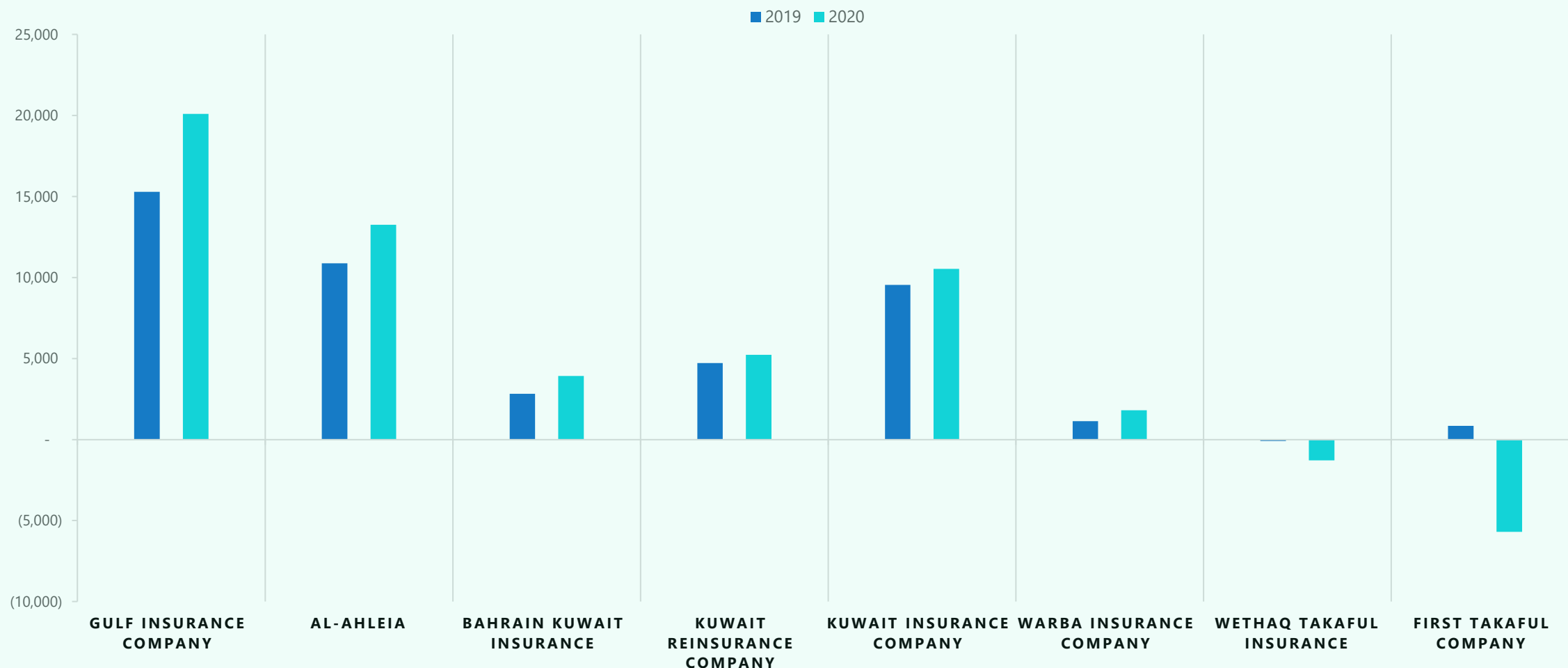


The highest combined ratio for 2019 and 2020 was for Wethaq Takaful (164% and 146% respectively), the lowest for 2019 and 2020 belongs to Kuwait Insurance Company (43% and 35%). Except for First Takaful Company and Kuwait Reinsurance Company, combined ratios for all the companies declined. Although Wethaq Takaful Insurance was able to improve its position by decreasing its combined ratio by 18%, the ratio is still greater than 100%. The combined ratio for Gulf decreased from 90% to 87% in 2020.



Net Profit/(Loss) (After Tax)

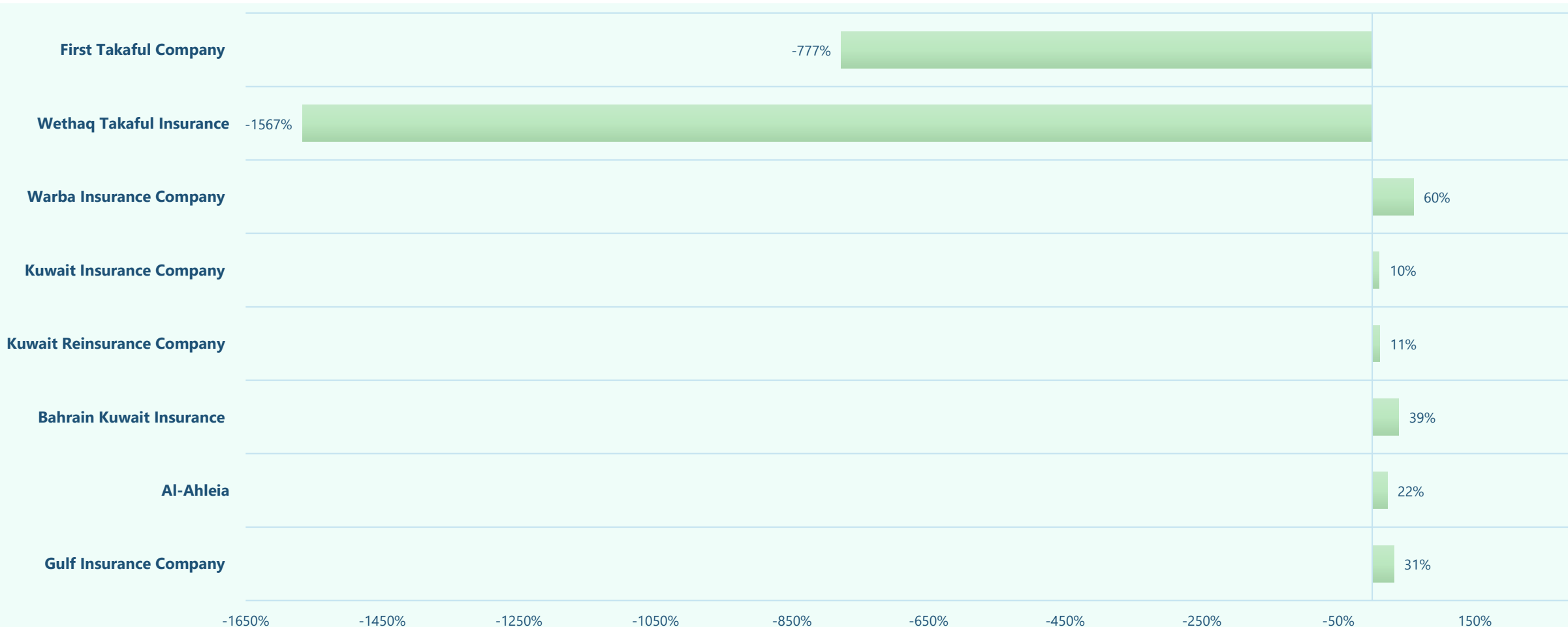
(KD 000's)



In 2020, all six conventional companies have shown an increase in their Net Profit, with Gulf Insurance Company earning the highest profit of 20.094 million. Both Wethaq and First Takaful Company have shown negative net earnings in the year 2020. The highest net loss was for Wethaq Takaful Insurance in 2019, but in 2020, First Takaful Insurance had the highest net loss.



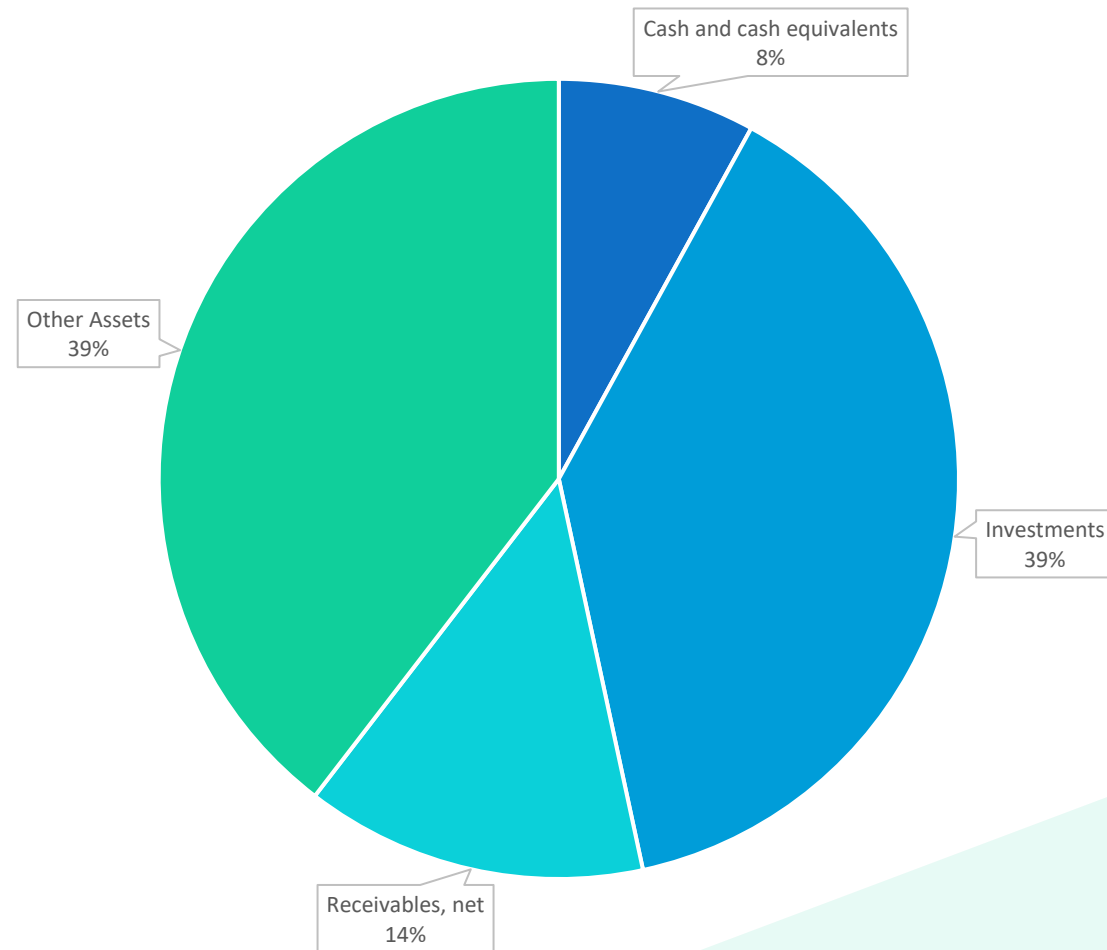
Net Profit/(Loss) (After Tax) - Movement



The highest movement in the net profit is of the Wethaq Takaful Insurance, which was experienced a further increase in its net loss by about 15.67 times. First, Takaful Company experienced a decrease in its net profit by about 7.77 times. All other companies have managed to increase their net profit for the year 2020 when compared with 2019, with the highest increase being 60% for Warba Insurance Company.



Asset Classification - Aggregate

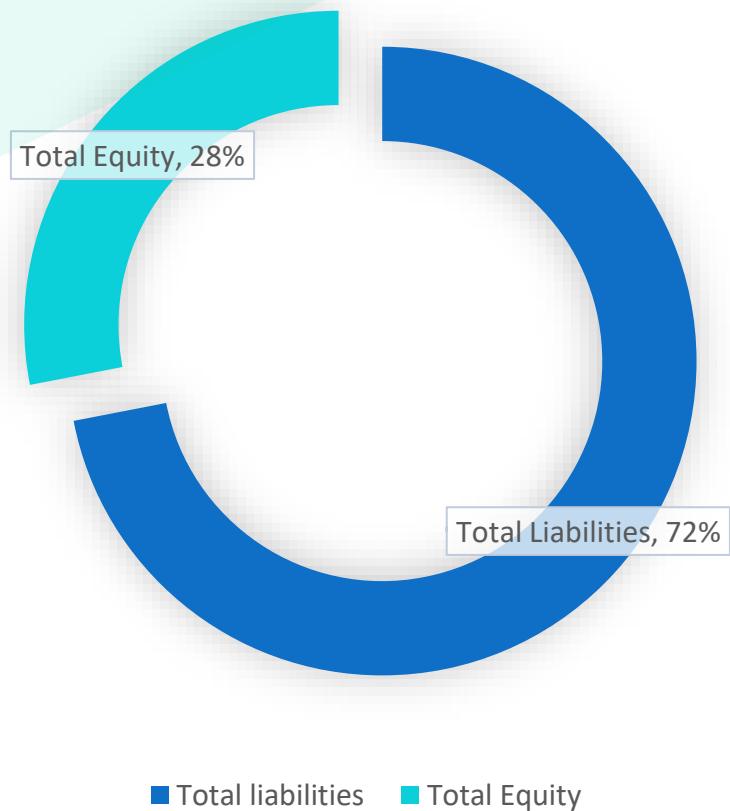


Investments constitute about 39% of the total assets, while Net Receivables constitute about 14% and Other Assets constitute about 39% of the total assets.



Liability and Equity Classification - Aggregate

2020



“

About 72% of the assets are financed by liabilities, and about 28% are financed by equity.

”

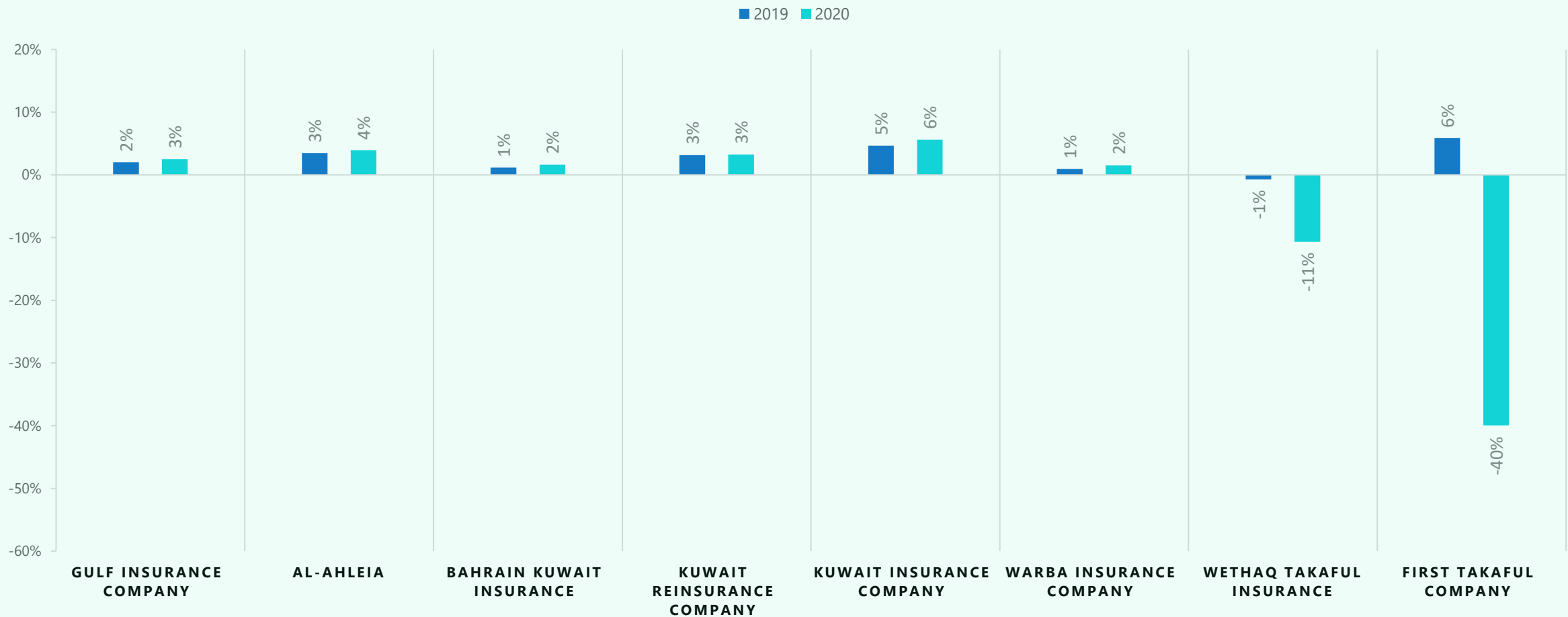
Return on Equity (ROE)



The Return on Equity ratio essentially measures the rate of return that the owners of common stock of a company receive on their shareholdings. Return on Equity signifies how good the company is in generating returns on the investment it received from its shareholders. Return on Equity for Kuwait Reinsurance remained constant at 9%. Except for First Takaful, Wethaq Takaful and Kuwait Reinsurance, all companies have been able to utilize their equity better in 2020. Wethaq Takaful Insurance experienced a further decline of 10% in its Return on Equity.



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. Return on Assets for all eight companies was under 10% for the years 2019 and 2020. ROA increased for all the companies except First Takaful Insurance and Wethaq Takaful Insurance.





Meet the Team

Zeeshan Ali ASA, AIA, APSA,
Manager

Zaid Muzammil
Senior Consultant

Muhammad Umar
Senior Actuarial Analyst

Kashmayen
Actuarial Analyst

Syed Ibrahim Hassan Jafary
Actuarial Analyst

SHMACONSULTING

Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – KUWAIT for the Year-End 2020. 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

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.



info@shmaconsulting.com
P.O. Box 340505, Dubai, UAE.



+971 56 183 1095, +971 52 831 4612