

# A KNOWLEDGE REVOLUTION

## INSURANCE INDUSTRY KUWAIT - 2021

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


SHMACONSULTING

# TABLE OF CONTENTS


## SHMA CONSULTING

	ABOUT US	03
	OUR SERVICES	04
	LIMITATIONS AND DISCLAIMERS	05

## PERFORMANCE SUMMARY

	INSIGHT FOR CEOS	06
	MARKET HIGHLIGHTS	07
	INDUSTRY BENCHMARK	08
	IMPACT OF COVID-19	09

## 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

**Retirement Benefits**

- Valuations for financial reporting
- Advice on benefit design and cost-benefit analysis
- Pension benefits administration
- Benefit 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**

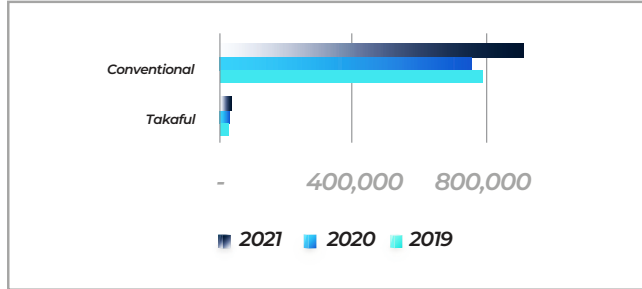
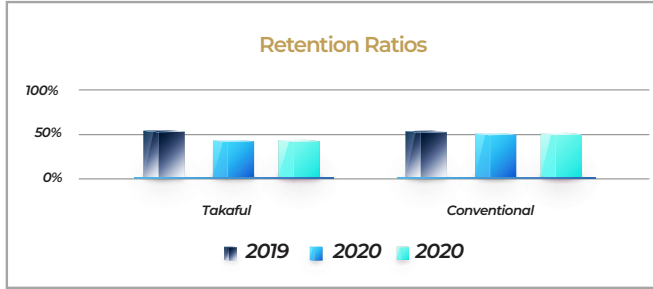
**ERM and Capital Modeling**

# LIMITATIONS AND DISCLAIMERS

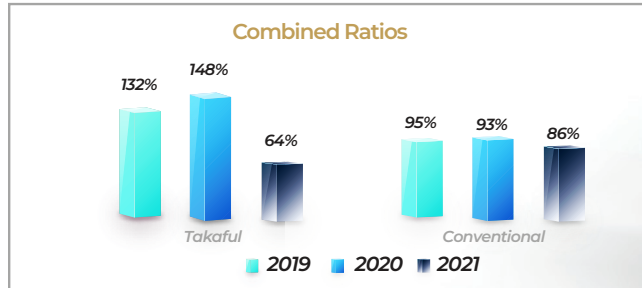
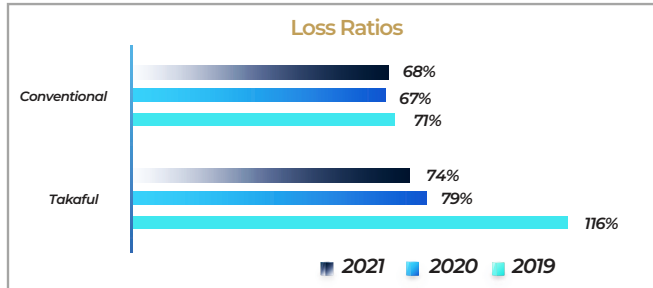
- The data used for the preparation of this report has been collected from Bursa Kuwait. The data was extracted from the financial statements of the listed companies.
- Insurance Industry Kuwait has 08 insurance companies. We have included the 08 insurance companies in our analysis. 06 of the 08 companies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

## TAKAFUL VS CONVENTIONAL BUSINESS



Total Gross Written Premium  
**KD 913 Mn**  
 ▲ 19.65%



Total Profit / Loss  
**KD 93.99 Mn**



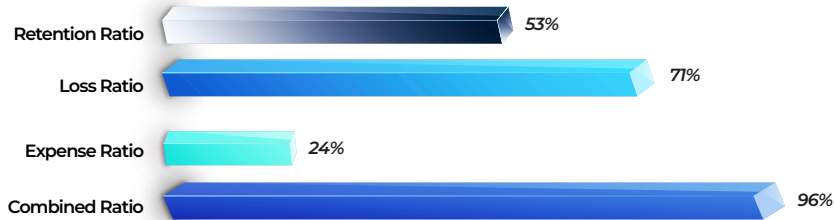
Total Assets  
**KD 2,499 Mn**  
 ▲ 33.56%

# MARKET HIGHLIGHTS

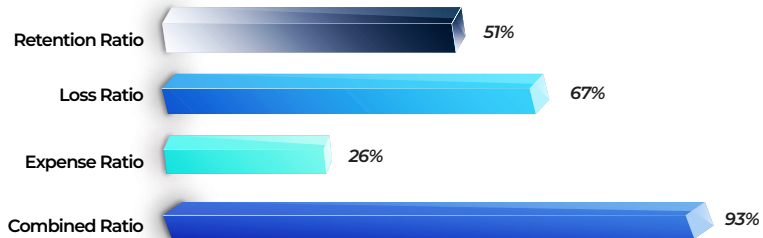
- According to the data published by the Kuwait Insurance Federation (KIF), the sector as a whole recorded a 4.3% increase in its overall turnover in 2021. Direct premiums went from KWD 527 million (USD 1.7 billion) in 2020 to KWD 549.7 million (USD 1.8 billion) a year later.
- Kuwait's insurance market is expected to generate nearly USD 2 billion in premiums 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).
- Standard & Poor's (S&P) has raised the long-term financial strength and credit ratings of Gulf Insurance Group (GIG) and its subsidiary Gulf Insurance and Reinsurance from "A-" to "A".
- 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)
- 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

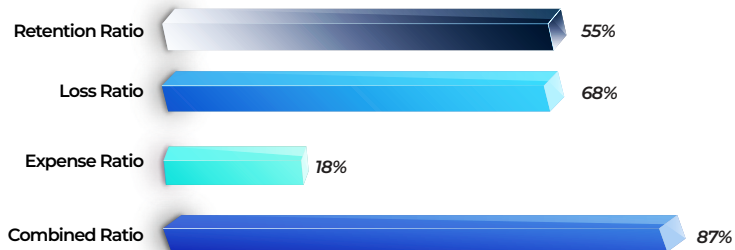
2019



2020



2021



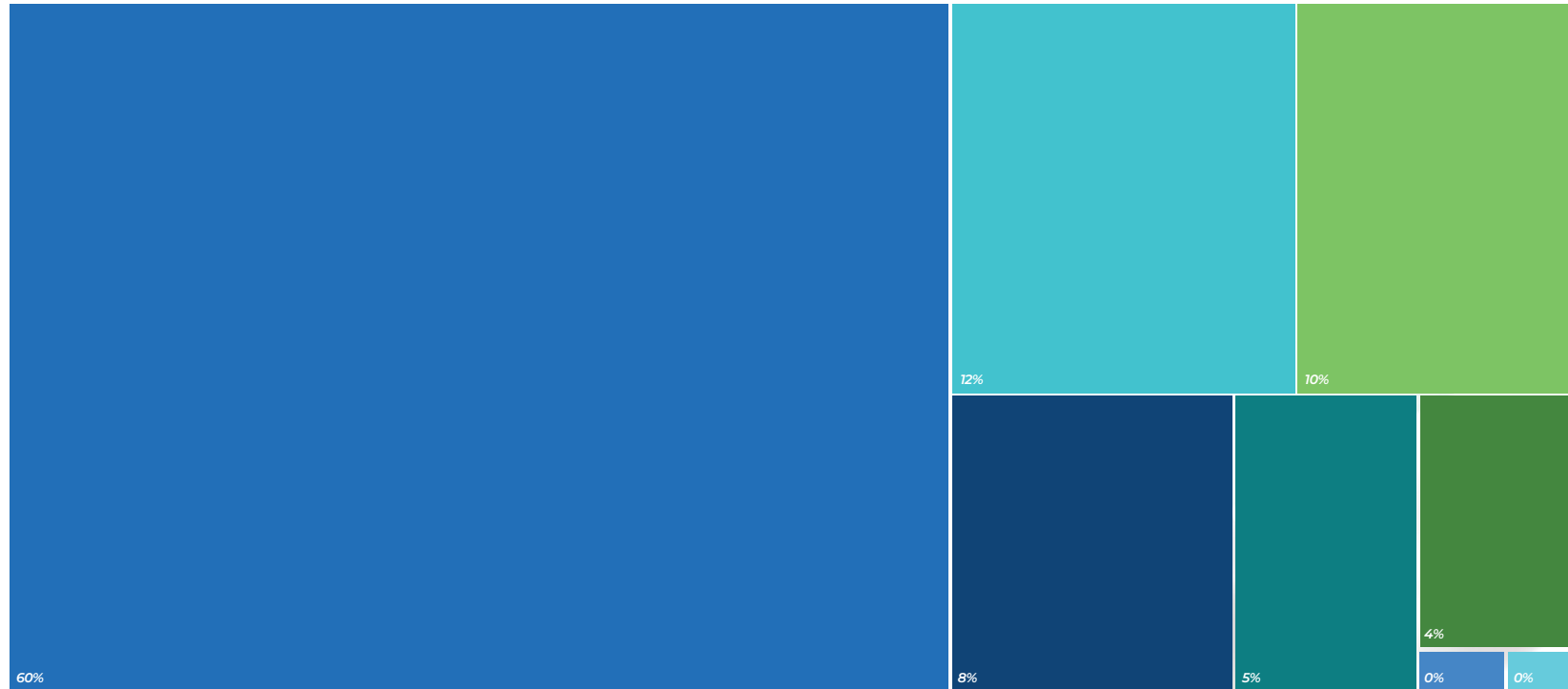


# IMPACT OF COVID-19

- 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.
- Like all countries in the Gulf region and elsewhere, Kuwait's economy has taken a major near-term hit from the spread of and required response to the COVID-19 Pandemic.
- The main impact has come from a combination of forced business closures, travel restrictions and supply chain disruptions that have hit the retail, hospitality, travel and transportation sectors hard.
- 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

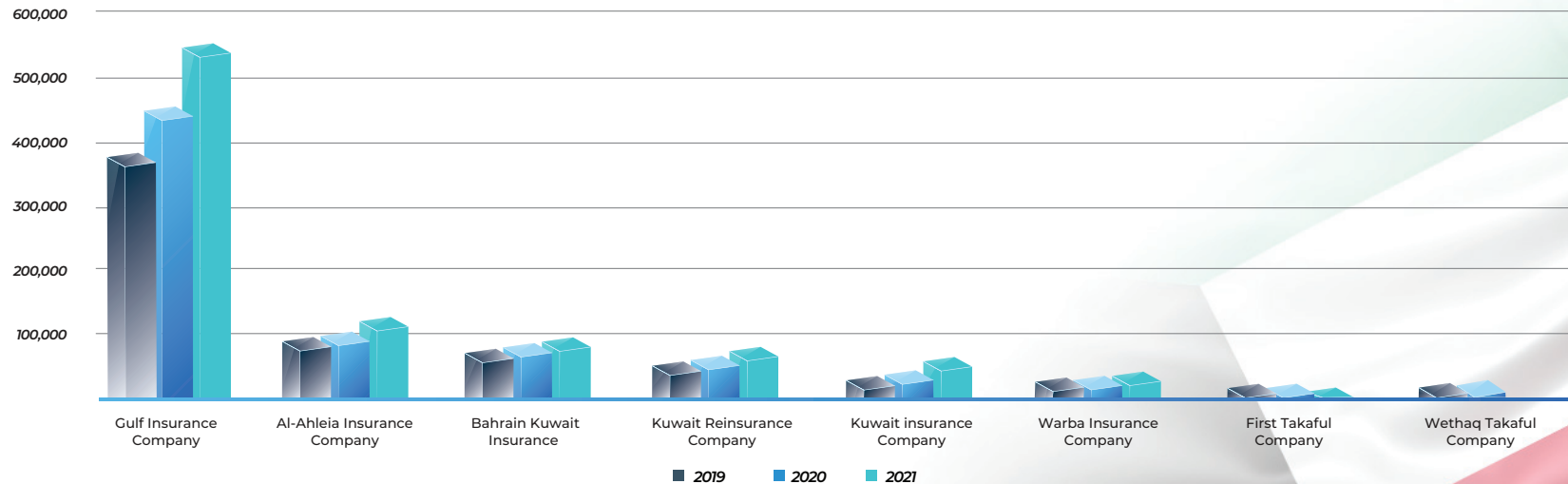
- Gulf Insurance Company
- Al- Ahleia Insurance Company
- Bahrain Kuwait Insurance
- Kuwait Reinsurance Comapny
- Kuwait Insurance Company
- Warba Insurance Company
- First Takaful Company
- Wethaq Takaful Insurance



## GROSS PREMIUM

(KD 000's)

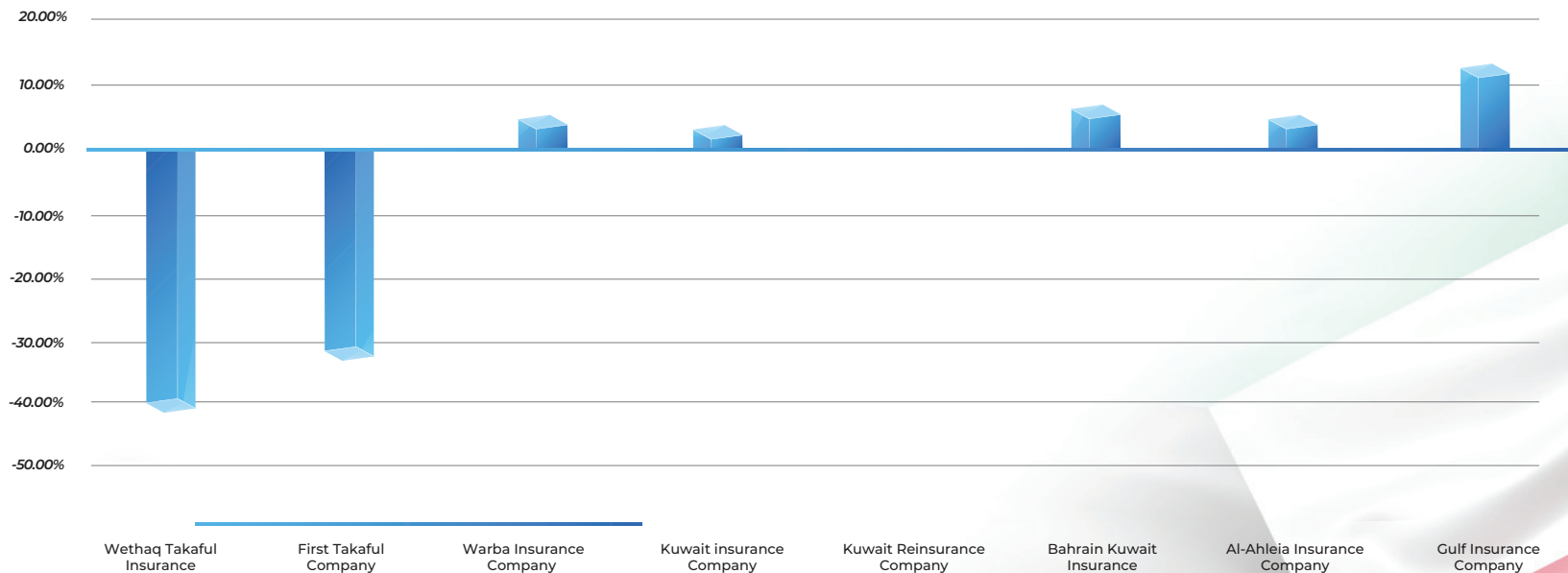
A major share of the total Gross Written Premium in Kuwait's Insurance Industry belongs to Gulf Insurance Company (58% in 2020 and 60% in 2021), followed by Al-Ahelia Insurance and Bahrain Kuwait Insurance. In addition to this, Wethaq Takaful Insurance and First Takaful Insurance captured the smallest market share. Moreover, there was a significant change in Gulf Insurance Company's Gross Premium, which increased by KD 104 million, while Gross Premiums for other insurance companies did not vary much by year.



## GROSS PREMIUM – MOVEMENT

(KD 000's)

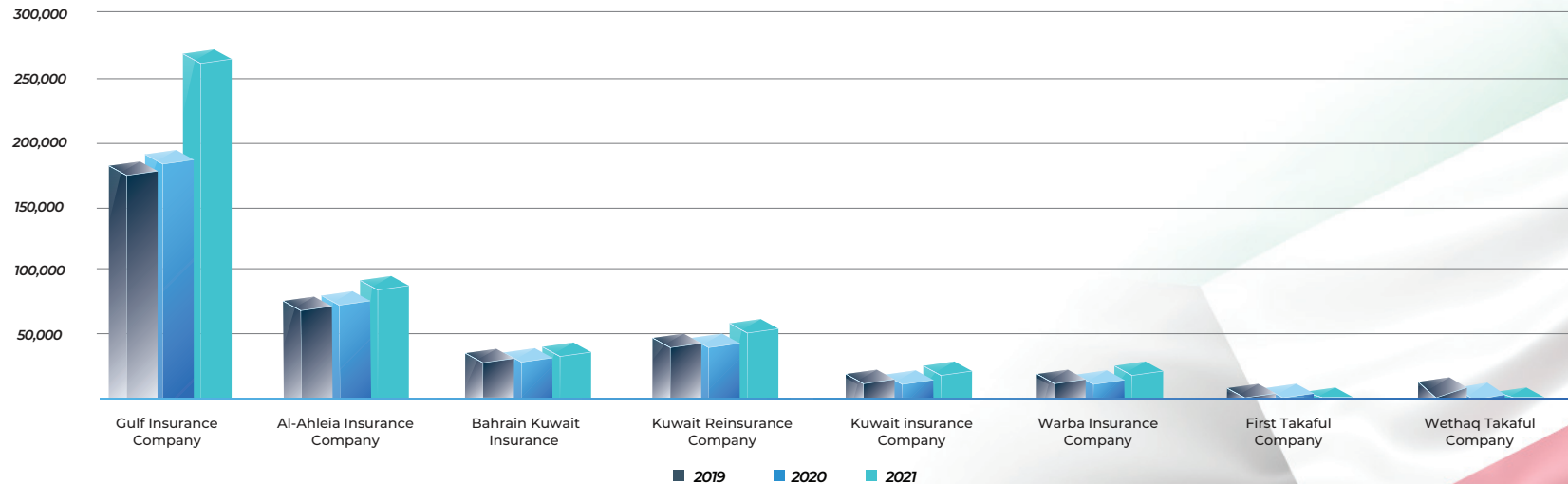
Gulf Insurance Company experienced the highest growth rate in its Gross Premium (23.41%), while Wethaq Takaful Insurance Company Insurance experienced the highest decline (-35.0%). On average, Kuwait's Market has seen a growth of 19.60% in the year 2021. Only Wethaq Takaful Insurance experienced a major decline in its Gross Premium, while all other companies shows an increase in their Gross Premium in 2021.



## NET PREMIUM

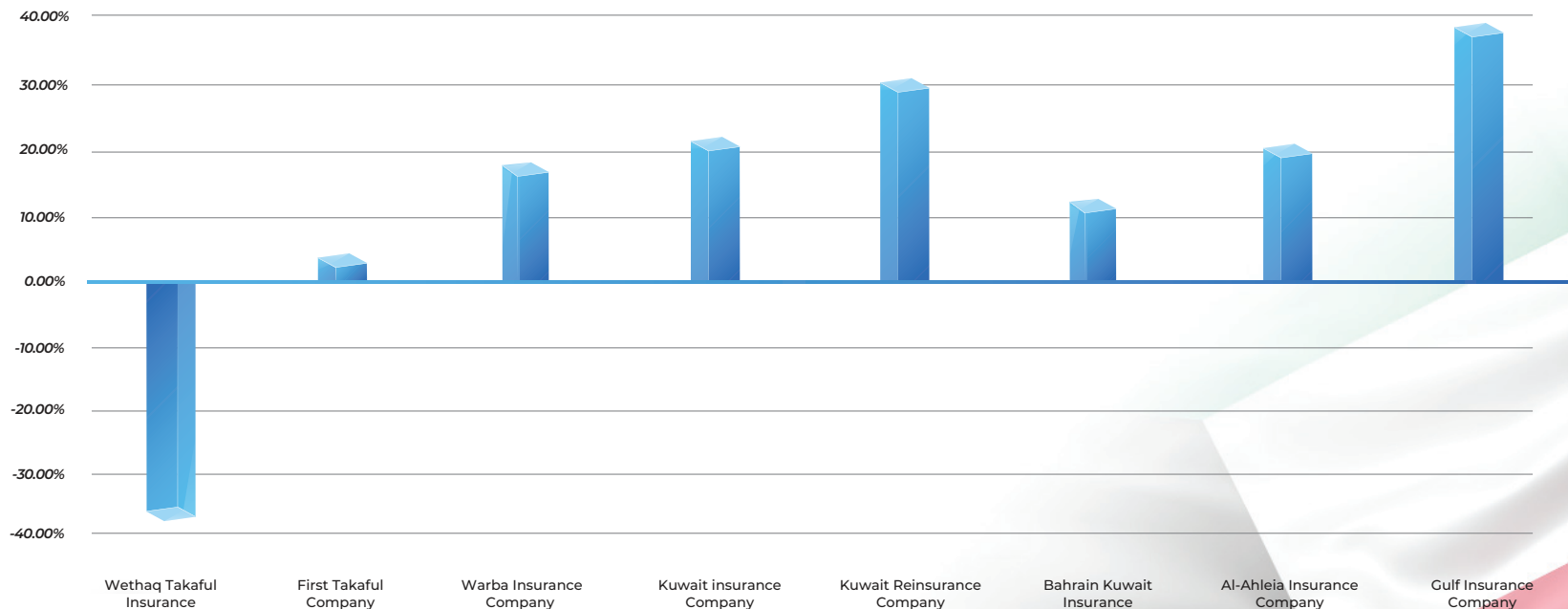
(KD 000's)

Like Gross Premium, Net Premium has changed significantly in 2021, with the major significant change being an increase of KD 75 million in Gulf Insurance Company's Net Premium. The change in Net Premium of First Takaful Company, although significant for the individual, is not significant to the insurance market as a whole. Wethaq Takaful Insurance shows a decrease in its Net Premium by (37%) in 2021.



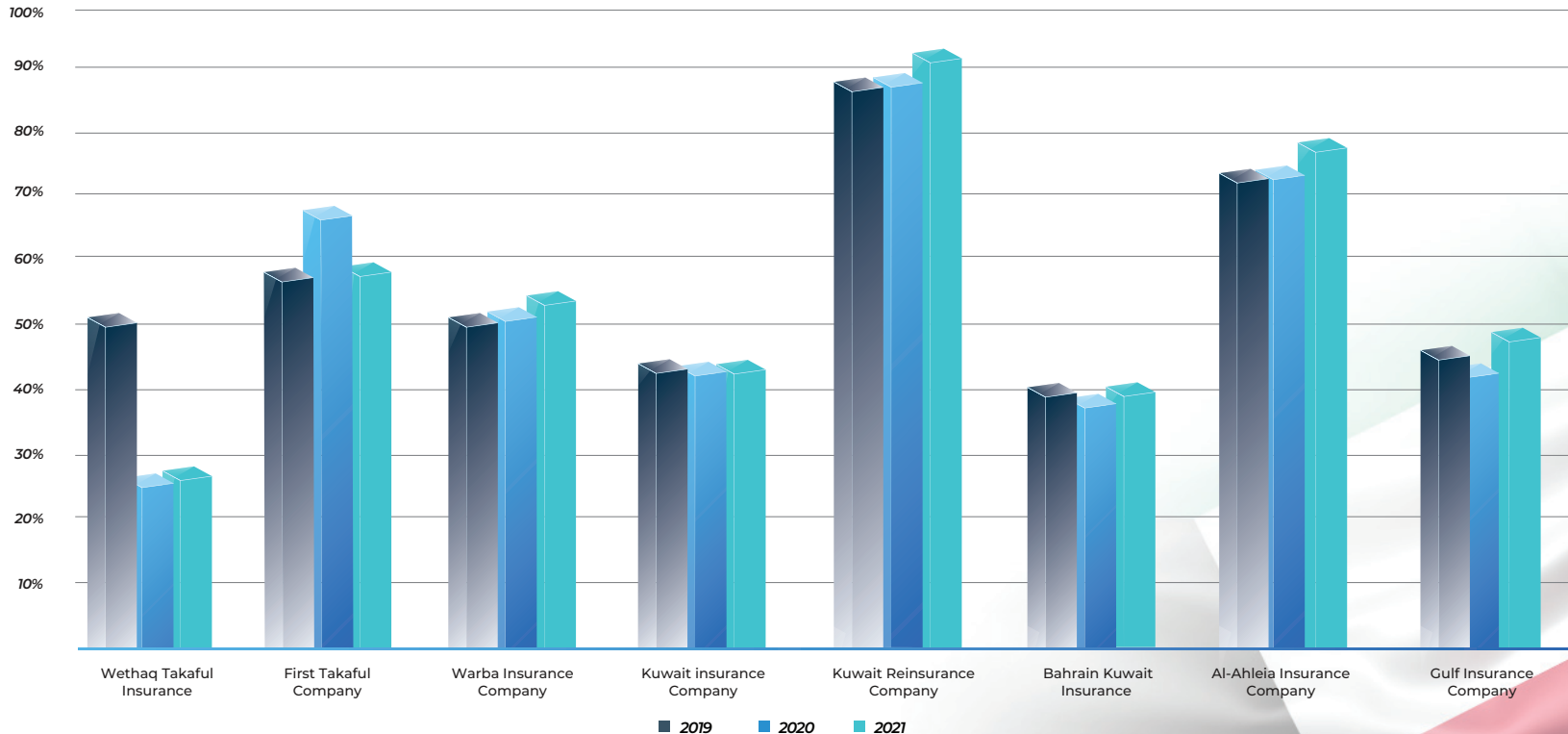
## NET PREMIUM – MOVEMENT

All the conventional companies saw their Net Premiums grow, with the highest growth being seen in Kuwait Reinsurance Company and Gulf Insurance Company (30% and 39%, respectively). The Net Premium for Wethaq Takaful Insurance declines by 37%. As stated earlier, even though First Takaful Company has shown negative movement in its Net Premium by 69 & in 2020, in 2021, it shows an improvement in its Net Premium by 4%. Overall, the insurance industry experienced an increase of 30% in the Net Premium.



## RETENTION RATIOS

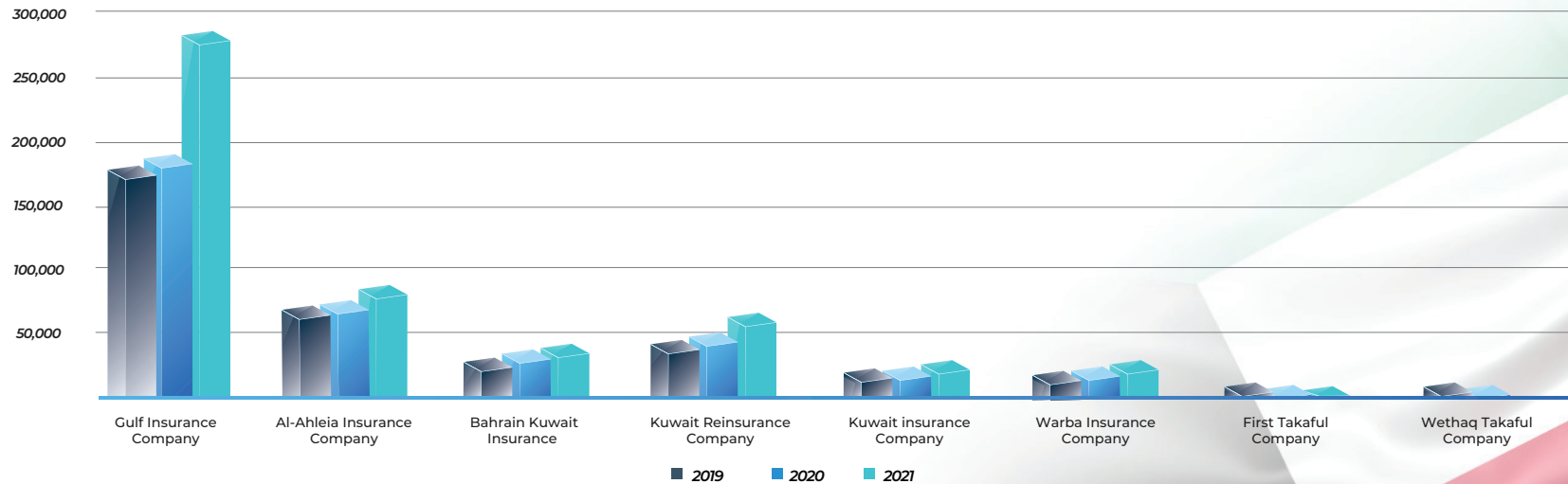
On average, the Retention Ratio for the industry in the year 2021 is 55%. Kuwait Reinsurance Company has retained most of its business in 2020 and 2021 (89% and 93%, respectively), followed by Al-Ahleia Insurance Company, 74% in 2020 and 79% in 2021. The Retention Ratio decreased by 9% for the First Takaful Company, while Wethaq Takaful Insurance experienced a decrease of 1% in its Retention Ratio. The other 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 (187 million in 2020 and 284 million in 2021), followed by Al Ahleia Insurance Company (73 million in 2020 and 86 million in 2021), while the lowest Net Earned Premium was for Wethaq Takaful Insurance of about 1.2 million in the year 2021. Moreover, it can be seen that the Net Earned Premium increased for all the insurance companies while decreasing only for Wethaq Takaful Insurance by (26%) in 2021.

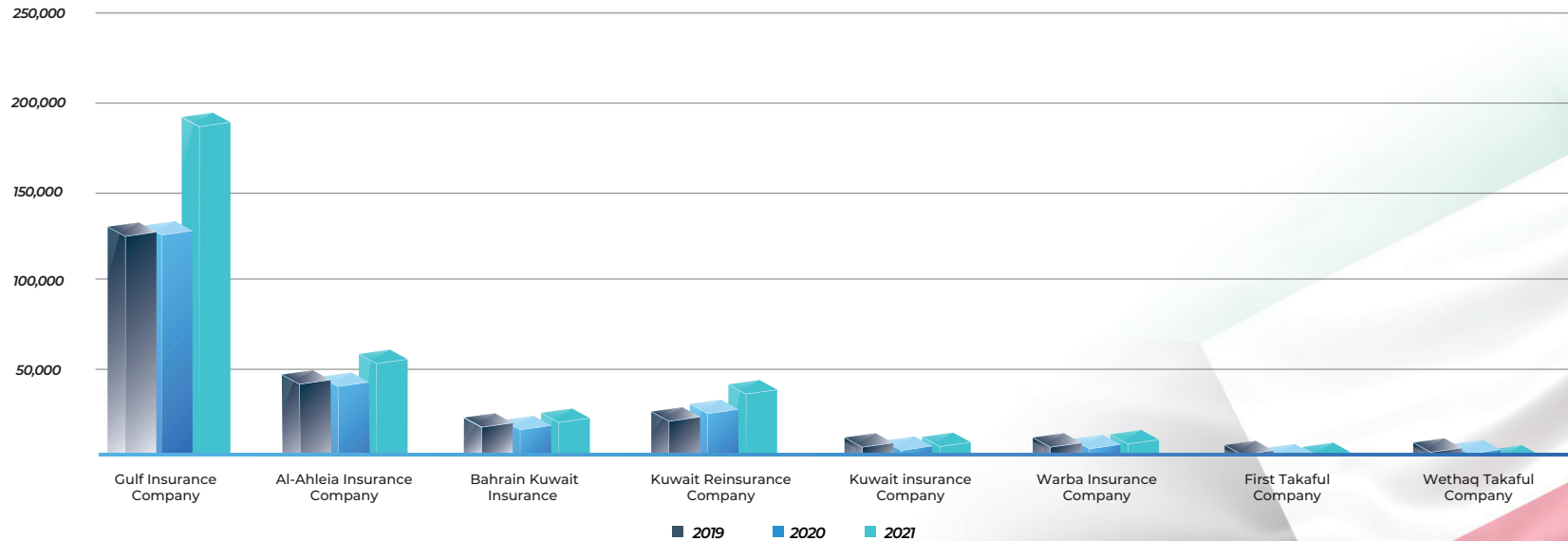




## NET INCURRED CLAIMS

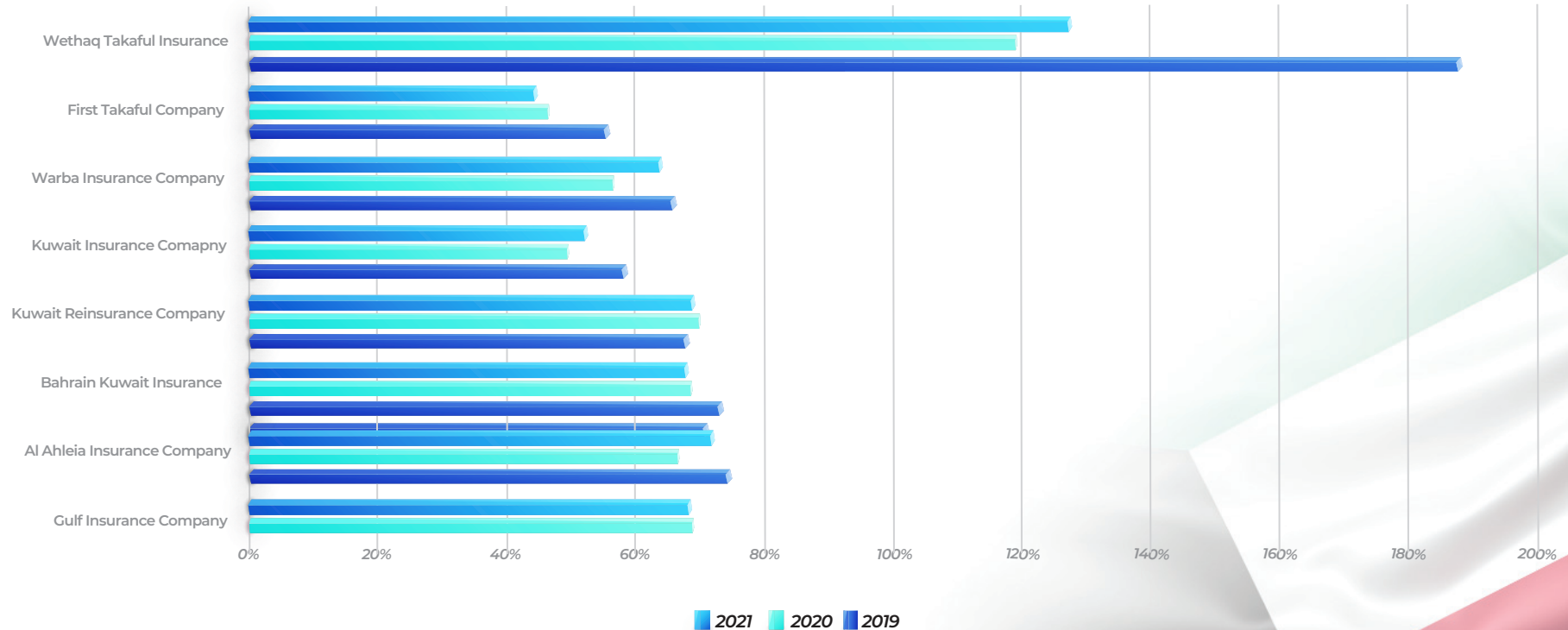
(KD 000's)

Gulf Insurance Company had the highest Net Incurred Claims of 129 million in 2020 and 194 million in 2021. There was no major significant change in Net Incurred Claims for all six conventional companies, however, the Net Incurred claims decreased by 1% and 21% for Wethaq Takaful Insurance and First Takaful Insurance, respectively.



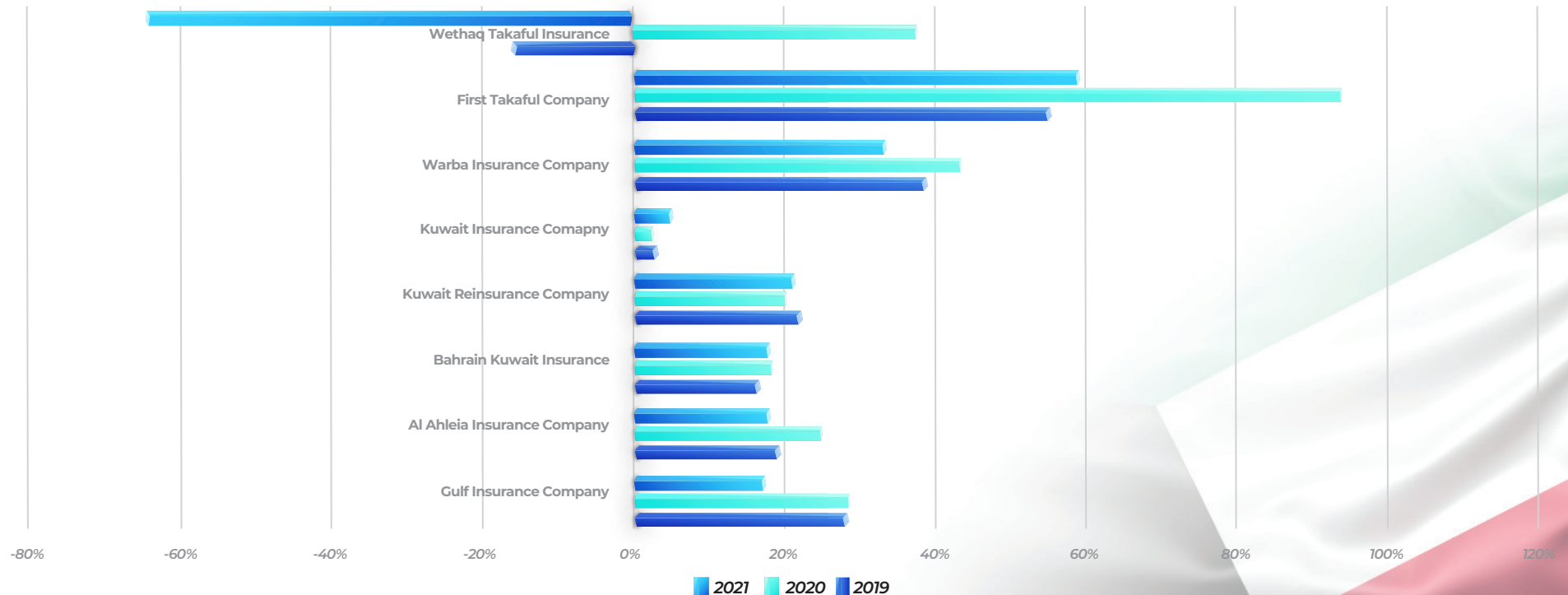
## LOSS RATIOS

In 2020 and 2021, the highest Loss Ratio was for Wethaq Takaful Insurance (119% and 127%, respectively), and the lowest was for First Takaful Company (47% and 44%, respectively), Bahrain Kuwait Insurance and Kuwait Reinsurance Company showed an improvement in their Loss Ratios only by 1% in 2021. The Loss Ratio of Gulf Insurance company remains constant at 69% in 2020 and 2021. Wethaq Takaful has a Loss Ratio of more than 100%, while all the other companies have a Loss Ratio below 100%.



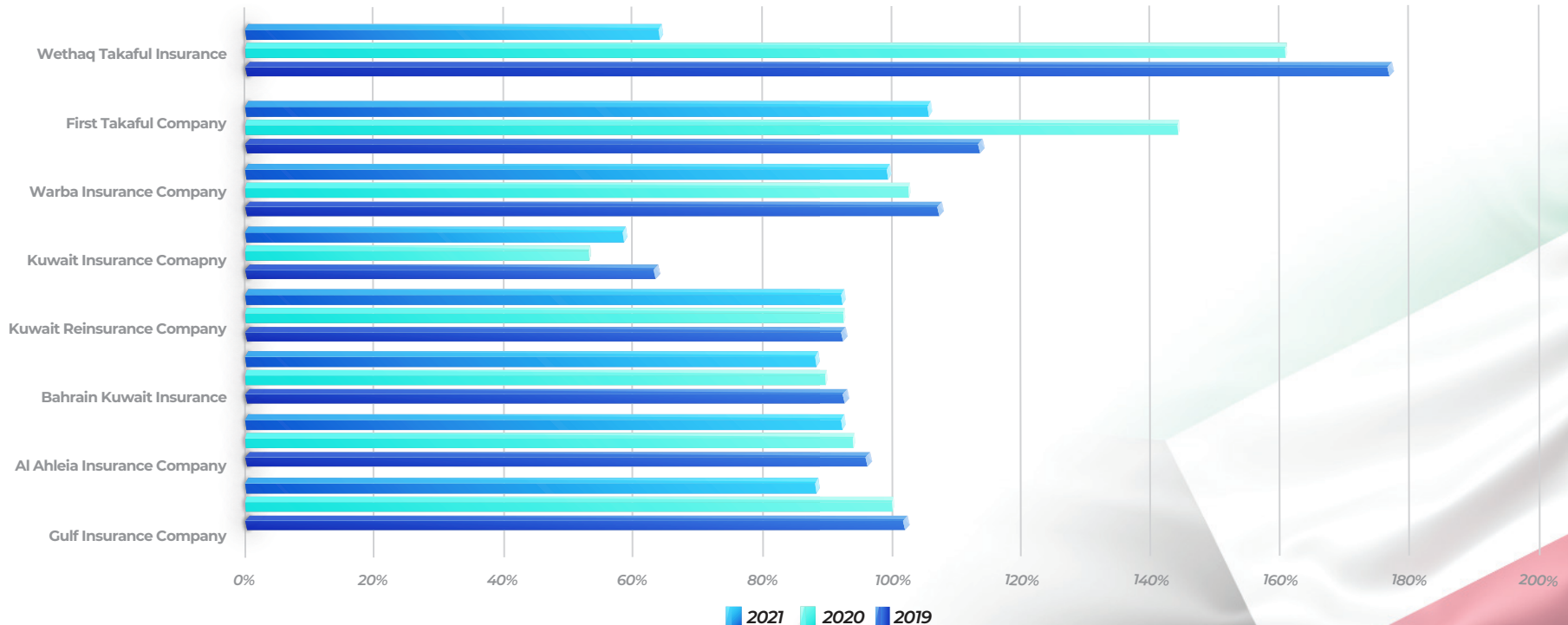
## EXPENSE RATIO

In 2020, all the companies had shown positive Expense Ratios. In 2021, the highest Expense Ratio was incurred by First Takaful Insurance (59%), while the lowest Expense Ratio was for Wethaq Takaful Insurance Company (-64%). The Expense Ratio decreased for all the companies except Kuwait Insurance and Kuwait Reinsurance Company which shows an increase in their Expense Ratio by 1% and 3% in 2021, while Wethaq Takaful Insurance experienced a significant decrease of 27% in its Expense Ratio.



## COMBINED RATIOS

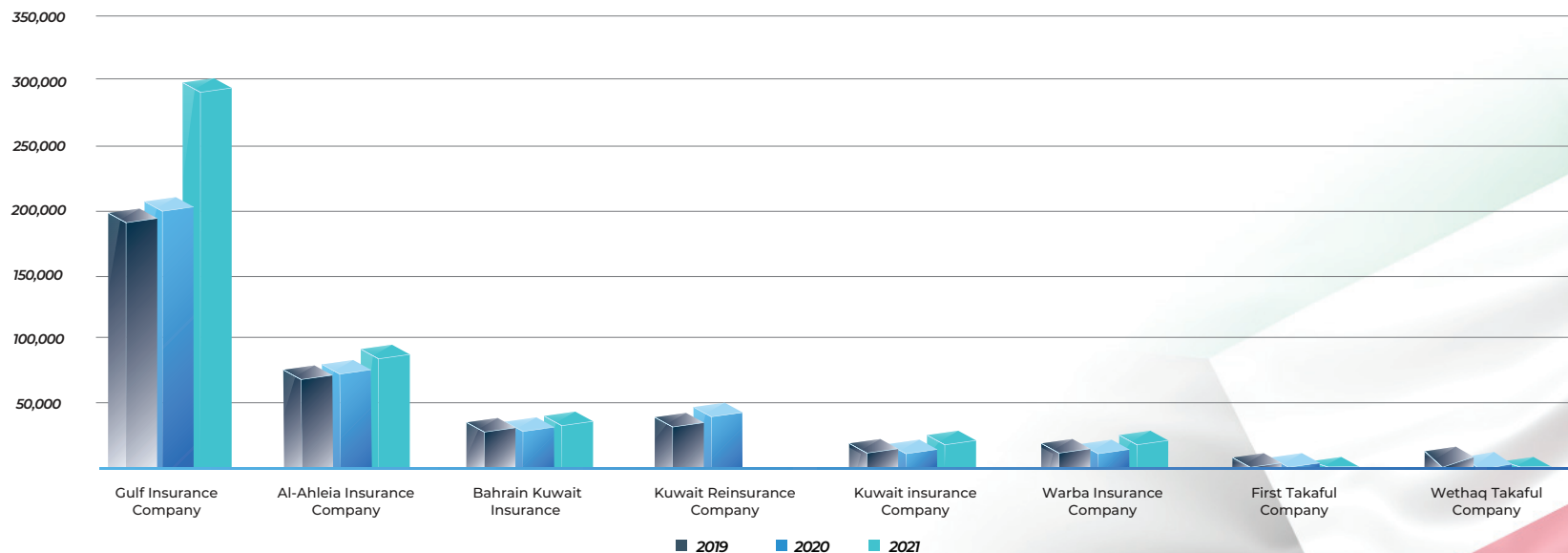
The highest Combined Ratio in 2021 was for First Takaful Insurance (103%), and the lowest belongs to Kuwait Insurance Company (58%). Except for Kuwait Insurance Company, Combined Ratios for all the companies declined. Although, Wethaq Takaful Insurance was able to improve its position by decreasing its Combined Ratio by 94%. The Combined Ratio for Gulf decreased from 98% to 86% in 2021.



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

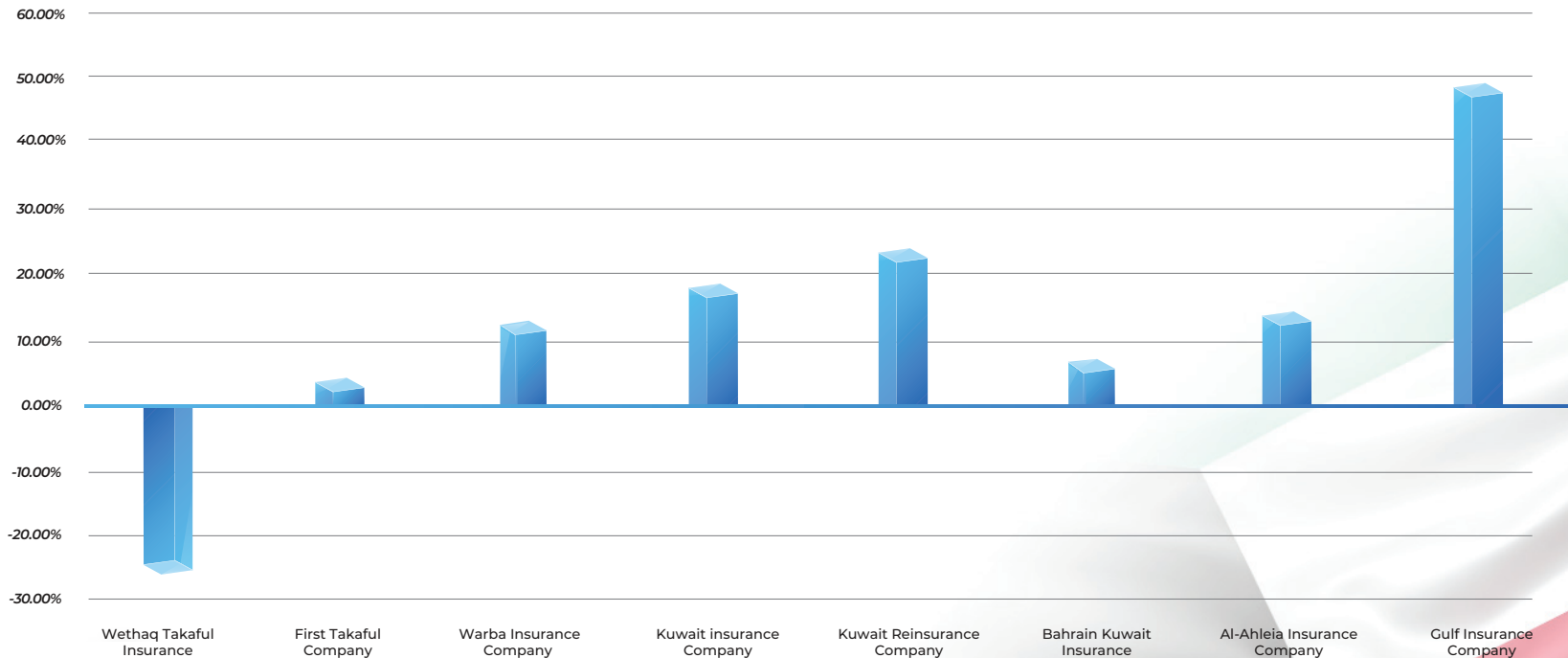
(KD 000's)

In 2021, all the companies have shown an increase in their Net Profit, except for Wethaq Takaful Insurance which shows a decrease in its Net Profit by 25%. Gulf Insurance Company earned the highest profit of 304.669 million. First Takaful Insurance shows a decrease in its profit in 2020 by 37%, but in 2021 First Takaful improved its performance and showed an increase in its Net Profit by 3%.

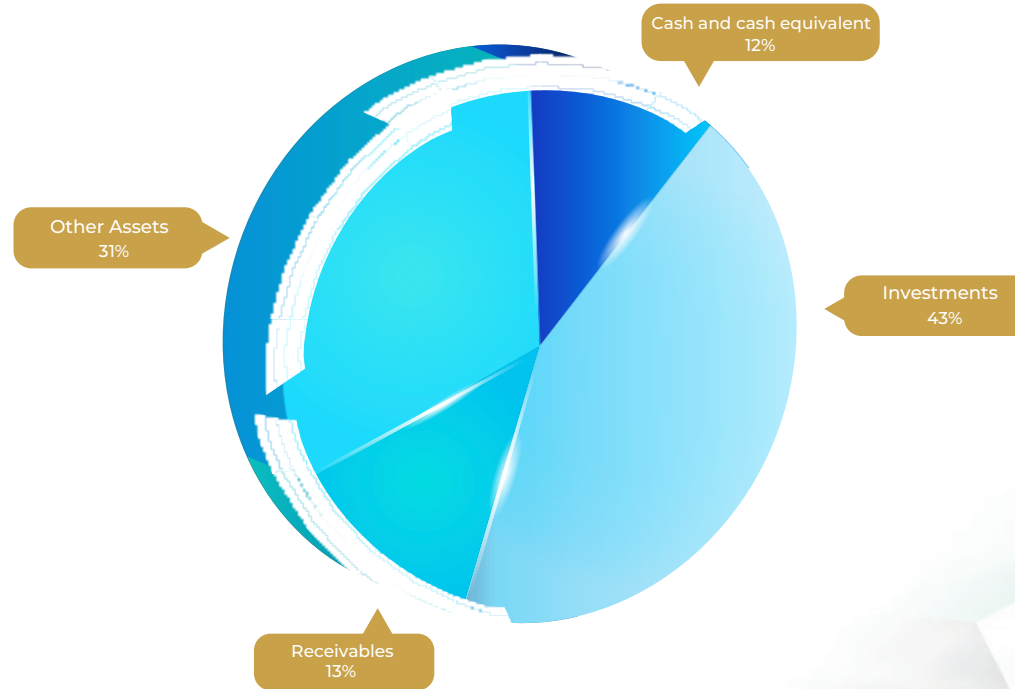


## NET PROFIT/(LOSS) (AFTER TAX) - MOVEMENT

Wethaq Takaful Insurance and First Takaful Insurance Company shows improvement in their performance and experienced a decrease in their net loss by 93% and 184%, respectively, for the year 2021. All other companies have managed to increase their Net profit for the year 2021, when compared with 2020, with the highest increase being 171%. For Gulf Insurance Company.



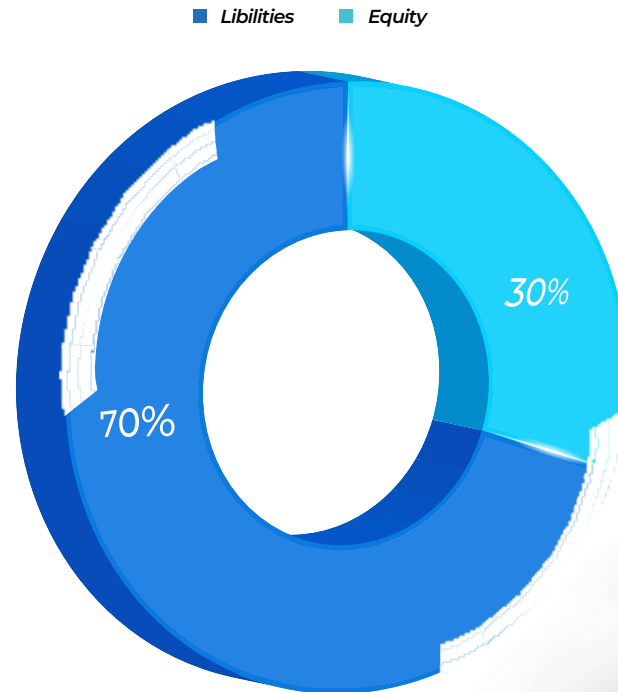
## ASSET CLASSIFICATION - AGGREGATE



Investments constitute about 43% of the total assets, while Net Receivables constitute about 13% and Other Assets constitute about 31% of the total assets.

## LIABILITY AND EQUITY CLASSIFICATION - AGGREGATE 2020

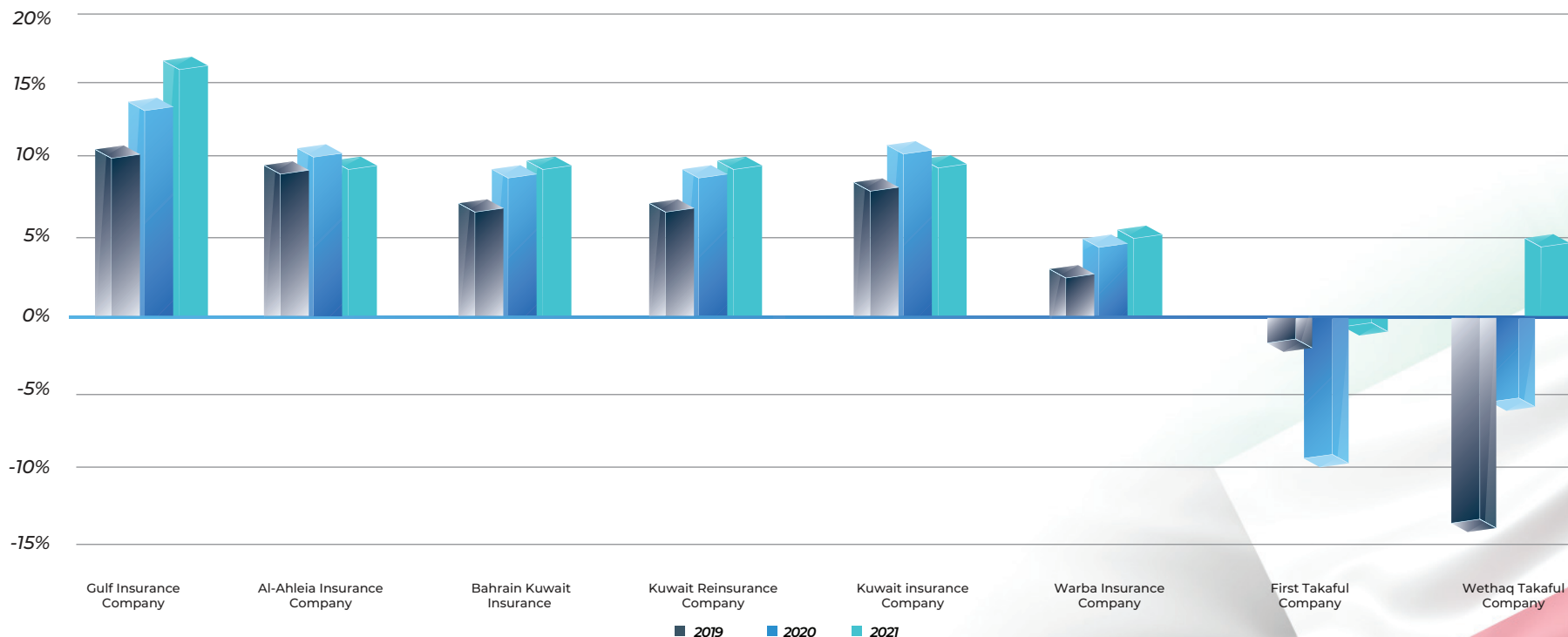
About 70% of the assets are financed by liabilities, and about 30% are financed by equity.





## 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. Al-Ahelia Insurance and Kuwait Insurance Company shows decrease in its ROE by 1%, while all other companies shows an increase in their ROE. Wethaq Takaful Insurance shows a major increase in ROE and comes at positive numbers from negative (-6% to 5%) in 2021.

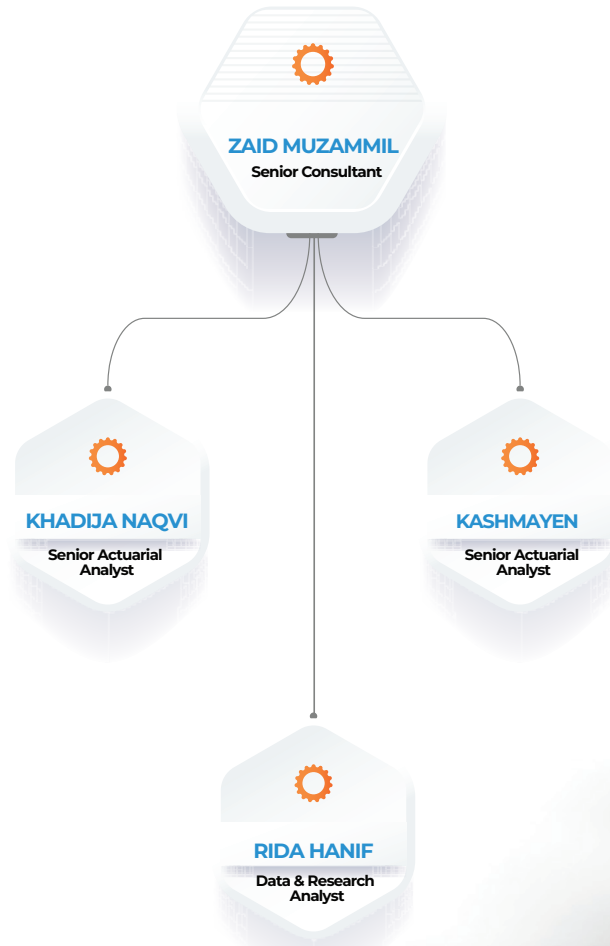


## RETURN ON ASSETS (ROA)

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 2020 and 2021. Except for Gulf Insurance, First Takaful Company, and Wethaq Takaful Insurance, ROA ratio remains constant for all companies in the year 2021.



# MEET THE TEAM



# SHMACONSULTING

## FEEDBACK

SHMA Consulting is proud to present Insurance Industry Analysis – KUWAIT for the Year-End 2021. 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.

 [info@shmaconsulting.com](mailto:info@shmaconsulting.com)

 P.O. Box 340505, Dubai, UAE.

 +971 56 183 1095, +971 52 831 4612