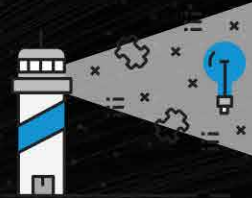


SHMACONSULTING

INSURANCE INDUSTRY BAHRAIN 2023

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VISION

To nurture the lives of people everywhere and drive success by improving the decisions they make.



MISSION

To bring the future in favor of people by partnering, simplifying and improving more lives every day.



VALUES

People First | Learn & Grow | Excel & Innovate
Integrity & Trust | Belong & Inspire

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ABOUT US

SHMA is the outcome of an initiative taken by a team of dedicated, young, and dynamic Actuarial professionals aiming to provide specialized and client-focused Actuarial and financial consulting services on insurance, retirement, enterprise risk and investment management matters.

Over time and through continued success, SHMA has grown to cover even more areas of specialty. We now operate through three offices, covering Pakistan, the U.A.E, and KSA.



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 to allow 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
- 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

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

GENERAL INSURANCE

- 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 Bahrain Bourse.
- ❖ The data represented in this report was gathered from publicly available information and the financial statement released by the company.
- ❖ Since Solidarity Bahrain has not yet implemented IFRS 17, it is not included in the analysis.
- ❖ 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.
- ❖ We have analyzed 4 listed companies in our analysis, which include 1 Takaful and 3 Conventional Insurance Companies.

INDUSTRY HIGHLIGHTS

- ❖ Gulf Tamin has raised its stake in ARIG to 13.85% by acquiring 30,466,862 shares previously held by the Emirates Investment Authority. This follows Gulf Tamin's earlier intention to buy a 10% stake in ARIG announced in October 2023.
- ❖ In 2021, Takaful International Company, one of the largest Islamic insurance companies in Bahrain, announced plans to merge with Al Ahlia Insurance Company, another leading insurance provider in the country. The merger is expected to create one of the largest insurance companies in Bahrain.
- ❖ The Bahrain Insurance Association (BIA) launched a new initiative called "InsurByte" in 2021, aimed at promoting innovation and digital transformation in the insurance industry.
- ❖ The Bahraini government continued to support the development of the insurance industry through various initiatives. In 2021, the Ministry of Industry, Commerce and Tourism introduced new regulations aimed at strengthening the governance and transparency of insurance companies.

IFRS 17 – OVERVIEW

MEASUREMENT

New Measurement Models introduced that are largely projected cash flow in nature, considering the Time Value of Money Effects, Risk Adjustment and (where applicable) a residual Profit Margin.

INSURANCE & NON-INSURANCE COMPONENTS

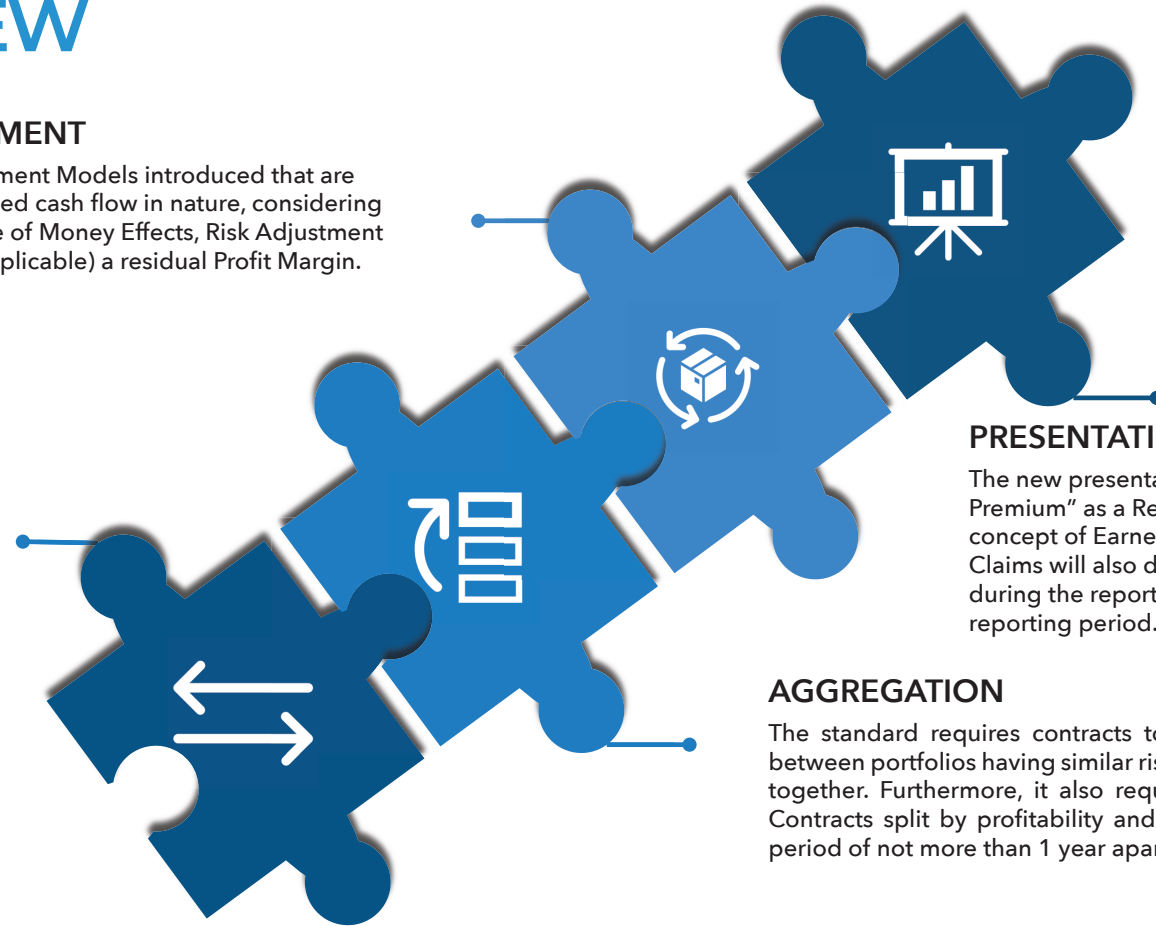
The standard has very specific definitions to segment between insurance and non-insurance components and requires separation in some cases.

PRESENTATION

The new presentation style removes “Written Premium” as a Revenue item and adopts the concept of Earned Revenue. Other items as Incurred Claims will also distinguish between those incurred during the reporting period and those before the reporting period.

AGGREGATION

The standard requires contracts to be segmented between portfolios having similar risks and managed together. Furthermore, it also requires a Group of Contracts split by profitability and an underwritten period of not more than 1 year apart.



INCOME STATEMENT - ILLUSTRATION

IFRS-4 P&L	AMOUNT
Gross Premium	xx
Premiums Ceded to Reinsurers	(xx)
Change in NET UPR	(xx)
Net Earned Premium	xx
Investment Income	xx
Total Revenue	xx
Net Claims Benefits & Expenses	(xx)
Claims and Expenses Ceded to Reinsurers	(xx)
Acquisition Cost Amortization	(xx)
Change in insurance contract liabilities (net)	(xx)
Total Expenses	(xx)
Profit Before Tax	xx

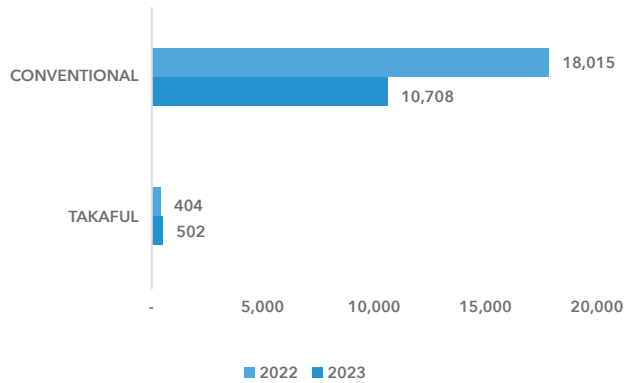
IFRS-17 P&L	AMOUNT
Insurance Revenue	xx
Expected Claims & Expenses	xx
Expected Acquisition Cost	xx
CSM Release	xx
Premium Experience Adjustments	xx
Risk Adjustment Release from LFRC	xx
PAA Revenue	xx
Insurance Expense	(xx)
Actual Claims & Expenses	(xx)
Actual Acquisition Cost	(xx)
Changes in Prior Year Estimates	(xx)
Onerous Contracts Impact and Reversal	(xx)
Insurance Service Result	xx
Net Reinsurance Result	xx
Finance Expense from Insurance Contracts	(xx)
Finance Income from Reinsurance Contracts	xx
Total Finance Expense	(xx)
Investment Income	xx
Other Expenses (Income)	xx
Profit Before Tax	xx

IFRS - 17 has revamped the way (Re)insurance results are presented in the income statement. Some of the notable features are the actual vs. expected style of presenting claims and expenses as well as separately presenting the effects of discount rate unwinding.

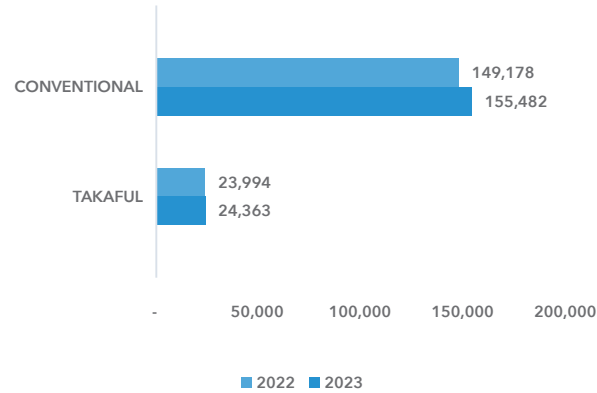
- GMM LFRC Release
- PAA Revenue Only (Earned Premium)
- Relating to Claims Incurred in Reporting Period Only
- Past Loss Estimate Changes (Loss Date Before Opening)
- Loss Component Movement
- Net Reinsurance Recoveries
- Movement in Liability due to Discount Rate Roll-forward
- Unattributable Expenses

PERFORMANCE HIGHLIGHTS

Net Insurance Service Result (Mn)



Insurance Revenue by Sector (Bn)



Insurance Revenue



BD 179.85 Mn

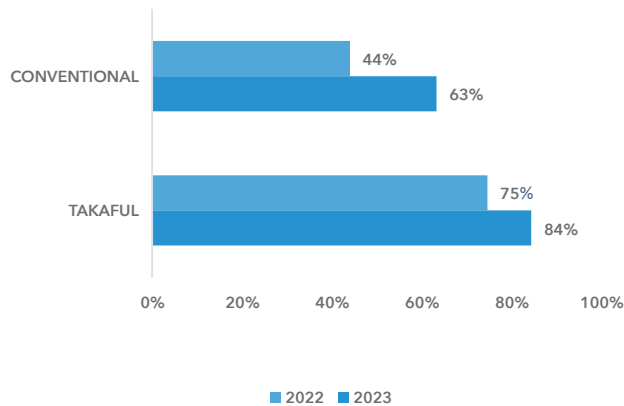
▲ +4%

Total Profit / Loss

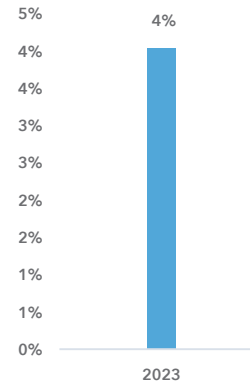


BD 19.32 Mn

Combine Ratios



Insurance Revenue Growth



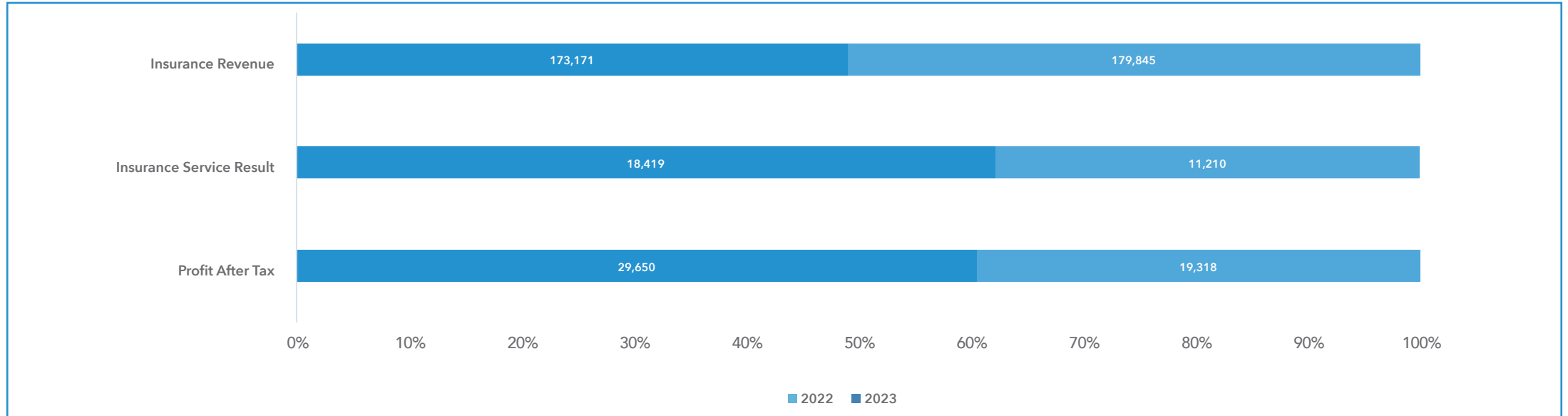
Total Assets



BD 479.60 Mn

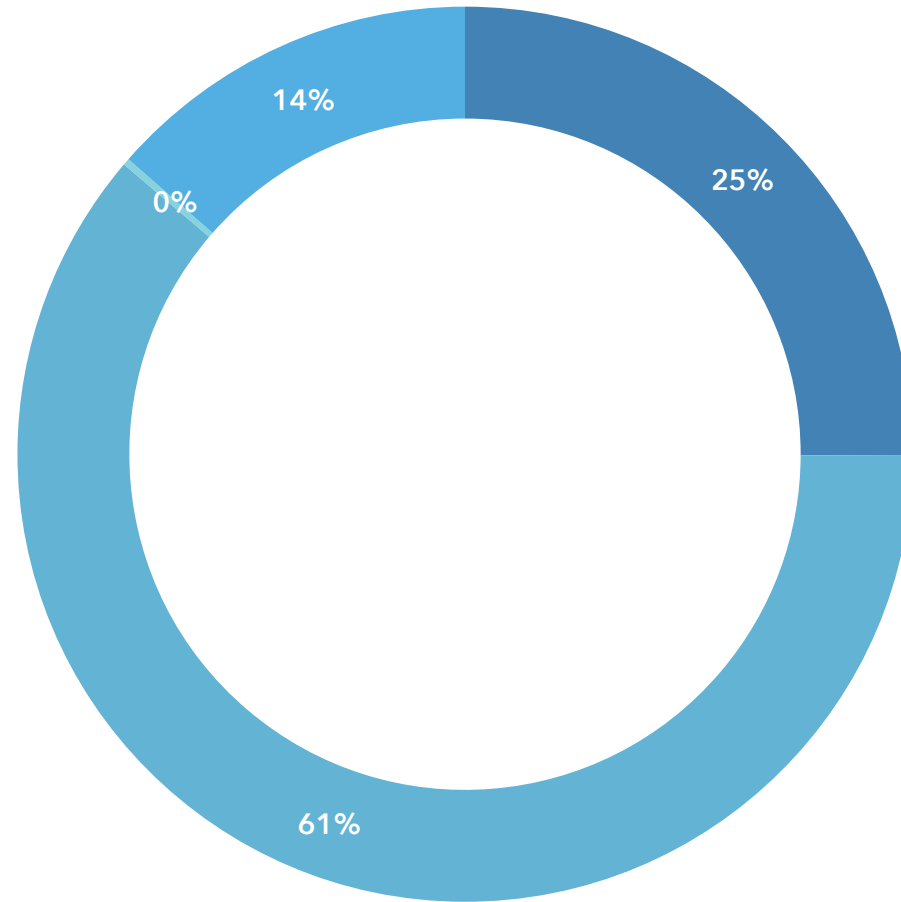
▲ +5%

AGGREGATE PERFORMANCE



The Insurance Revenue of 4 listed companies grew by 4% for the year 2023. Increased to BD 179,845 million in 2023, indicating growth in revenues collected. The Insurance Service results decreased from BD 18,419 million to BD 11,210 million, a drop of 39%, in the year 2023, indicating a decrease in revenue generated from premiums, indicating fewer policies sold or lower premiums charged. The profit after tax dropped by 35%, showing a decrease in net income, indicating lower profitability after accounting for all expenses and taxes.

MARKET SHARE PROPORTION



■ BNH ■ BKIC ■ ARIG ■ TIC

INSURANCE REVENUE AND RANKING



GIG Bahrain

Revenue: BD 109,988 Mn.

Growth: 8%

Rank: 1st



Bahrain National Holding

Revenue: BD 45,054 Mn.

Growth: -1%

Rank: 2nd



Takaful International

Revenue: BD 24,363 Mn.

Growth: 2%

Rank: 3rd



Arab Insurance Group

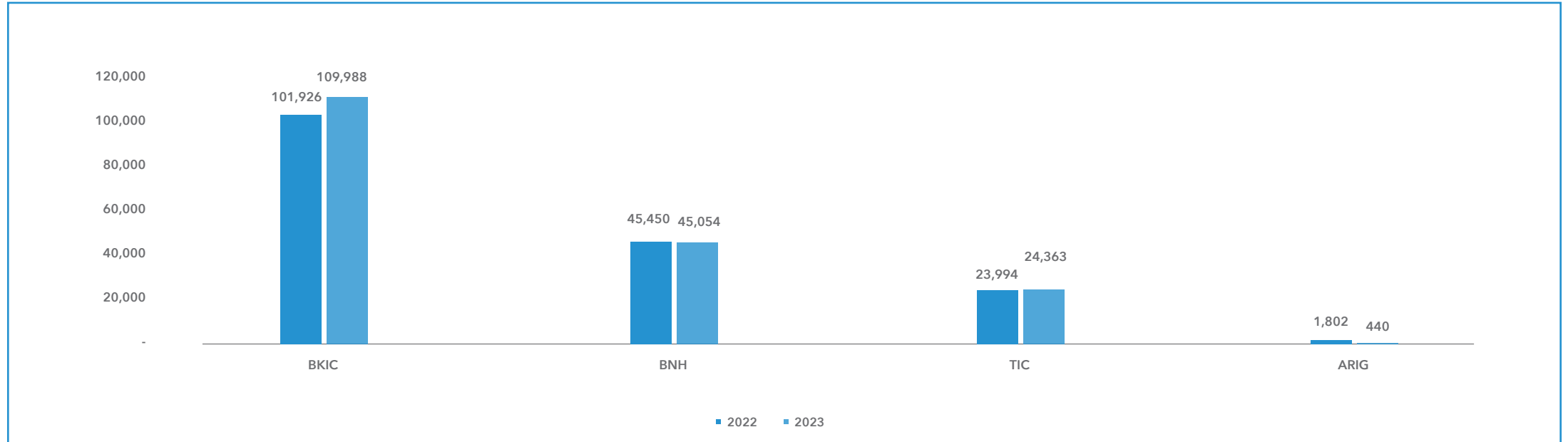
Revenue: BD 0.440 Mn.

Growth: -76%

Rank: 4th

INSURANCE REVENUE

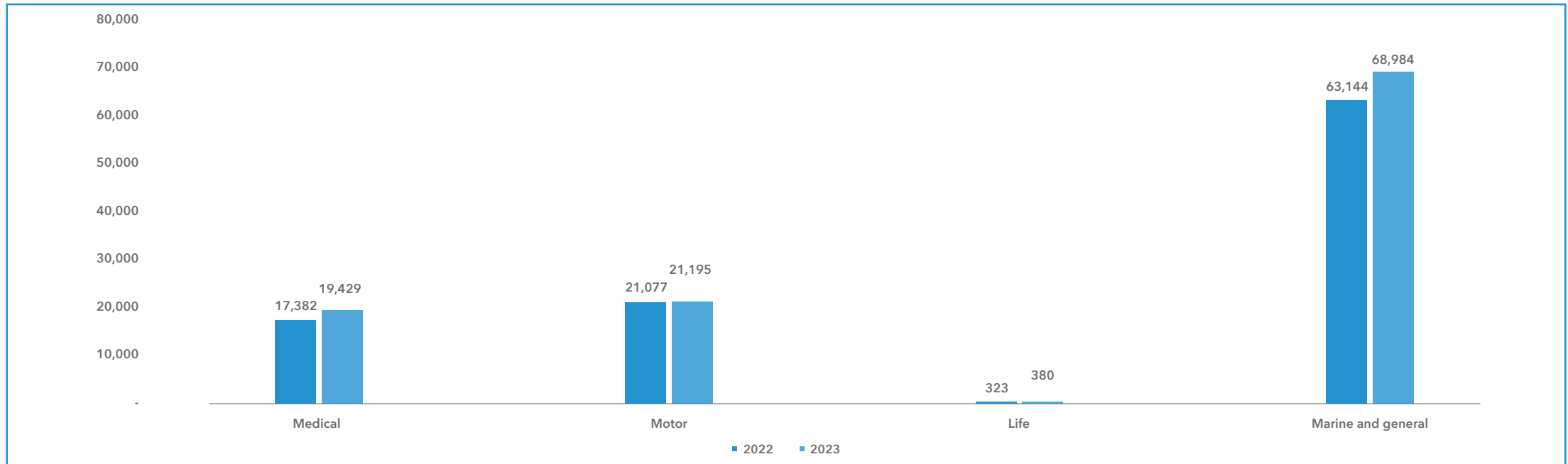
(BD 000's)



In 2023, Bahrain National Holding Company B.S.C. witnessed a slight decrease in revenue from BD 45,450 million to BD 45,054 million, indicating relatively stable performance. Bahrain Kuwait Insurance Company B.S.C. experienced significant revenue growth of about 8%, rising from BD 101,926 million to BD 109,988 million, reflecting an improved market position and potentially successful business strategies. In contrast, Arab Insurance Group B.S.C. saw a substantial 76% decline in revenue, plummeting from BD 1,802 million to BD 0.44 million, suggesting challenges or operational issues impacting its performance. Takaful International Company exhibited moderate growth, indicating a stable trajectory. Overall, while some companies demonstrated growth or stability, others experienced decline, highlighting the diverse landscape and competitive dynamics within the Bahrain insurance sector.

BREAKDOWN OF LINE OF BUSINESS – REVENUE

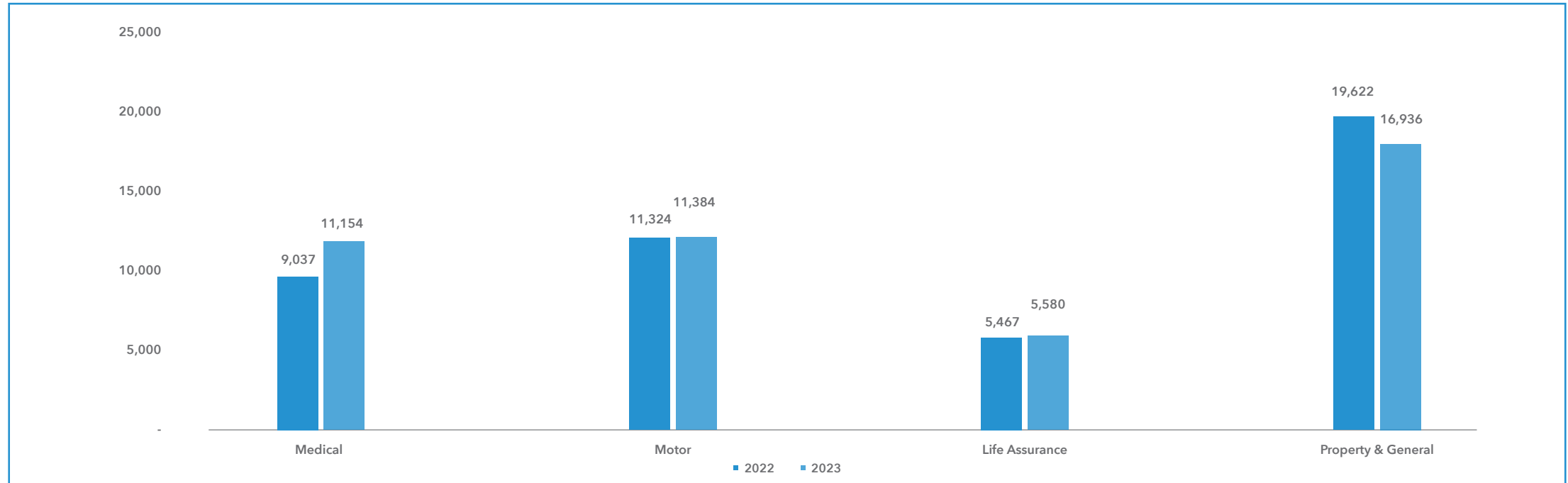
Bahrain Kuwait Insurance Company



In both 2022 and 2023, the Marine and General lines contributed the most to the company's revenue, with totals of BD 63,144 million and BD 68,984 million, respectively. This is followed by Motor, with totals of BD 21,077 million and BD 21,195 million, respectively. The Medical line also displayed a significant increase of about BD 2,047 million. In comparison to the previous year, we can see that all lines of business have shown an increase in revenue.

BREAKDOWN OF LINE OF BUSINESS – REVENUE

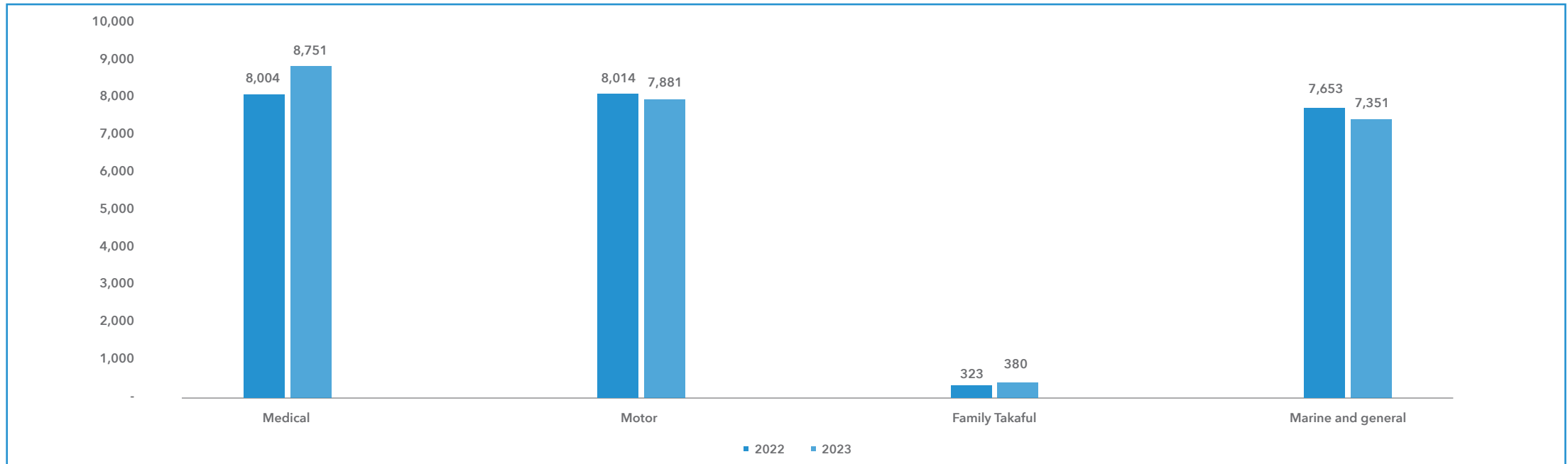
Bahrain National Holding B.S.C.



In both 2022 and 2023, the Property and General lines contributed the most to the company's revenue, with a total of BD 19,622 million and BD 16,936 million, respectively. This is followed by Motor, with a total of BD 11,324 million and BD 11,384 million, respectively. In comparison to the previous year, we can see that all lines of business except for Property and General have shown an increase in revenue. Property & General LOB show a significant drop of almost 14% in 2023.

BREAKDOWN OF LINE OF BUSINESS – REVENUE

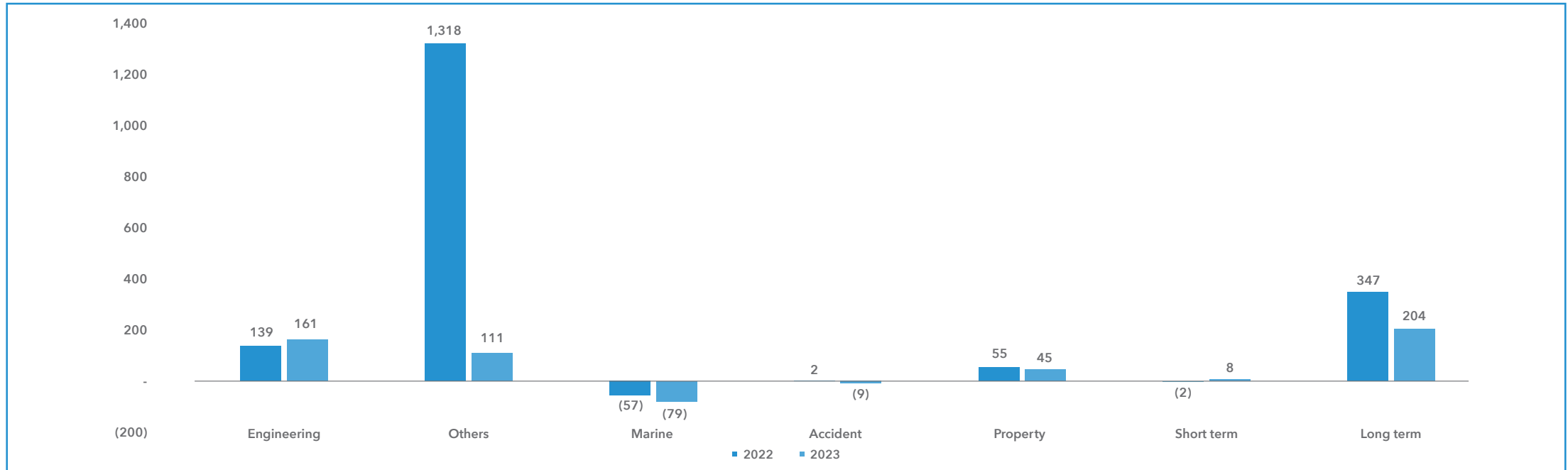
Takaful International Company



In 2023, the Medical line contributed the most to the company's revenue, with a total of BD 8,751 million. This is followed by Motor Line in 2023, with a total of BD 7,881 million. In 2022, the Motor line of business has the highest insurance revenue of BD 8,014 million. This is followed by the Medical line of business. Family Takaful contributed the least to the company's insurance revenue in both years. In comparison to the previous year, we can see that only Medical and Family Takaful have shown an increase in revenue.

BREAKDOWN OF LINE OF BUSINESS – REVENUE

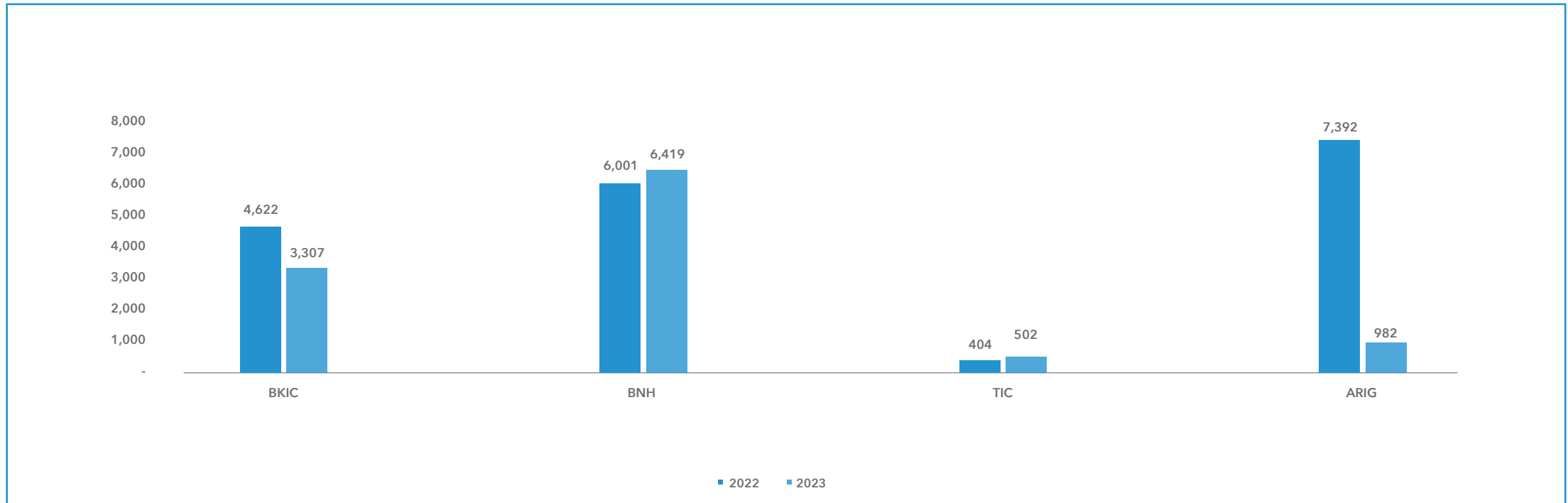
Arab Insurance Group



In 2023, the long-term line of business contributed the most, with a total of BD 0.204 million. This was followed by the Engineering line of business with a total of BD 0.161 million. In 2022, Other lines of business showed outstanding performance with a total revenue of BD 1,318 million. In comparison to the previous year, the Short-term line of business shows an increase in revenue during 2023. The Marine line of business contributed the least with negative insurance revenue figures in both years.

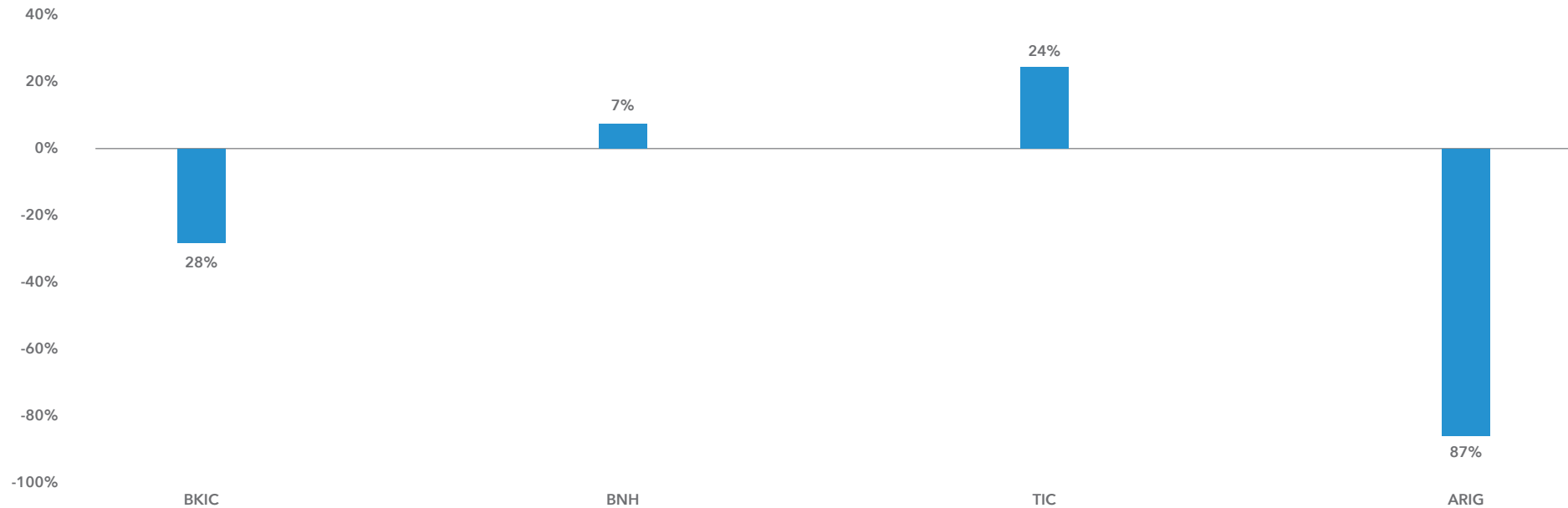
NET INSURANCE SERVICE RESULTS

(BD 000's)



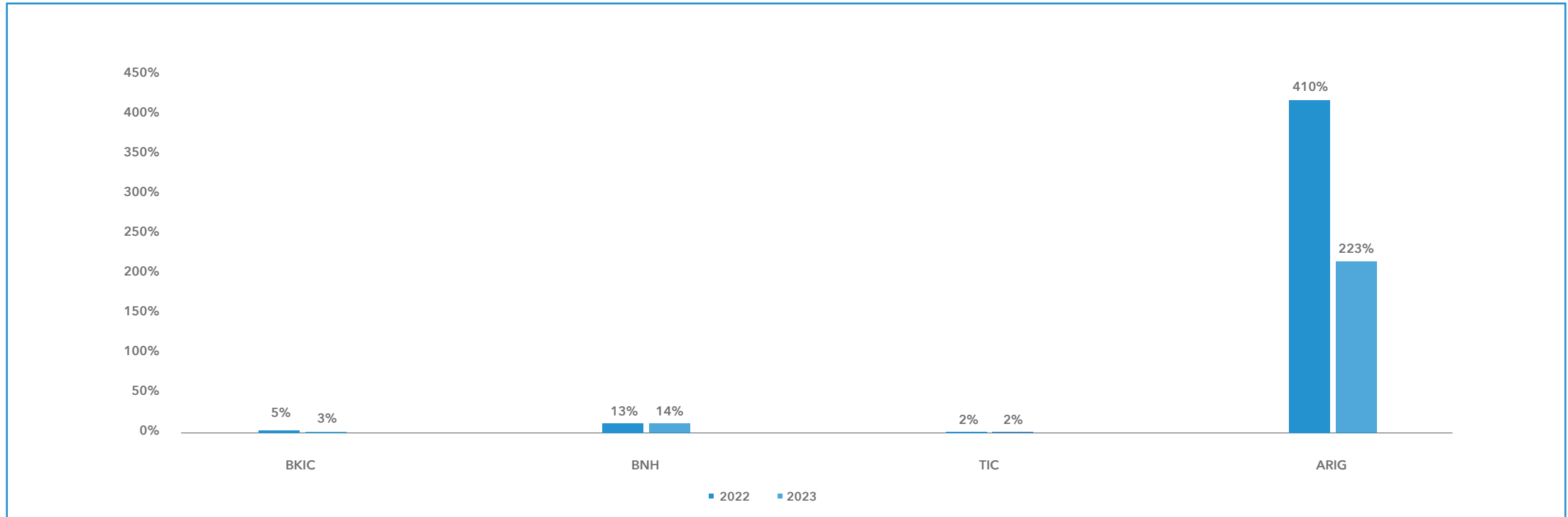
In 2023, Bahrain National Holding Company B.S.C. experienced a notable boost in its service result from BD 6,001 million to BD 6,419 million, indicating improved operational efficiency or potentially better risk management practices. In contrast, Bahrain Kuwait Insurance Company B.S.C. witnessed a significant decline in service results, dropping from BD 4,622 million to BD 3,307 million, suggesting challenges in underwriting profitability or increased operational costs. Arab Insurance Group B.S.C. saw a substantial decline in service results from BD 7,392 million to BD 0.982 million, indicating potential issues with claims management or operational inefficiencies impacting its performance. Takaful International Company exhibited moderate growth in service results, indicating stable operational performance.

INSURANCE SERVICE RESULTS – MOVEMENT



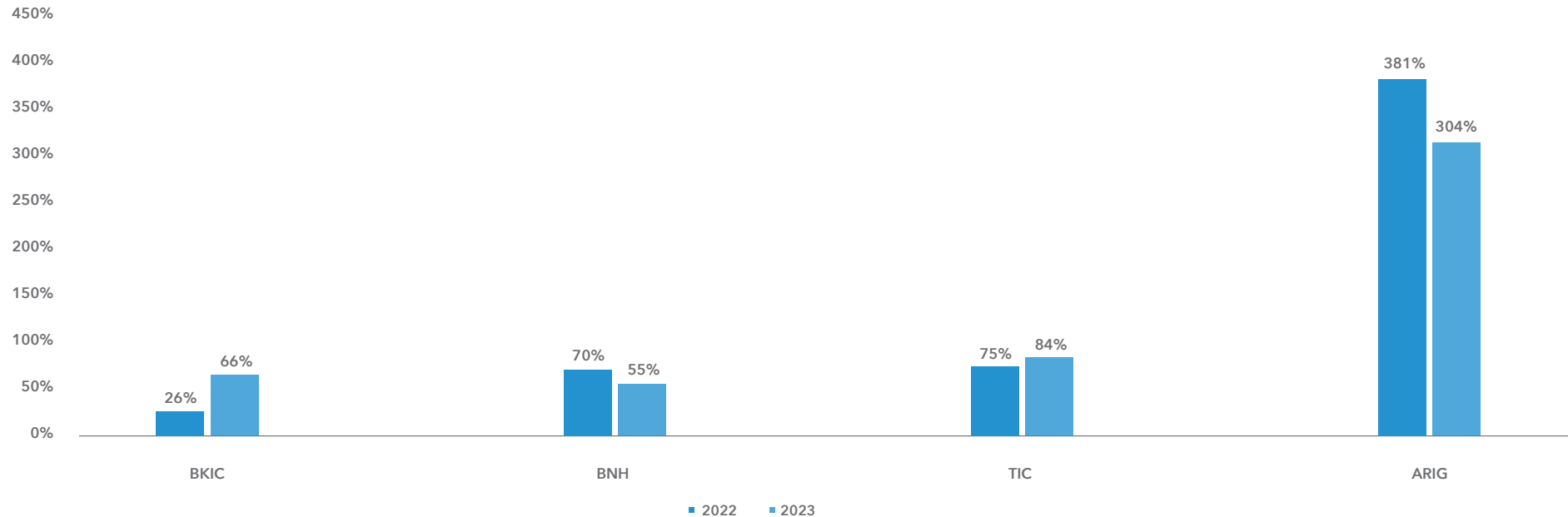
Takaful International Company leads the way in terms of percentage growth, with a 24% increase in net insurance service results in the year 2023. Bahrain National Holding also performed well, with net insurance service results rose by 7%, indicating significant improvement. Whereas Bahrain Kuwait Insurance and Arab Insurance Group showed a huge fall of 28% and 87%, respectively at the year-end of 2023.

INSURANCE SERVICE RATIOS



Bahrain National Holding Company B.S.C. demonstrated a slight increase of 1% in its insurance service ratio, indicating a modest improvement in the efficiency of its insurance services relative to its revenue. Conversely, Bahrain Kuwait Insurance Company B.S.C. experienced a slight decline of 2% in its service ratio, suggesting potential challenges in managing operational costs or underwriting profitability. Arab Insurance Group B.S.C. witnessed a significant fall of almost 46% in its service ratio from 410% to 223%, indicating a substantial shift in the relationship between its insurance services and revenue, possibly due to changes in claims management or operational efficiency. Takaful International Company maintained a steady service ratio of 2% across both years, reflecting consistency in its operational performance relative to revenue.

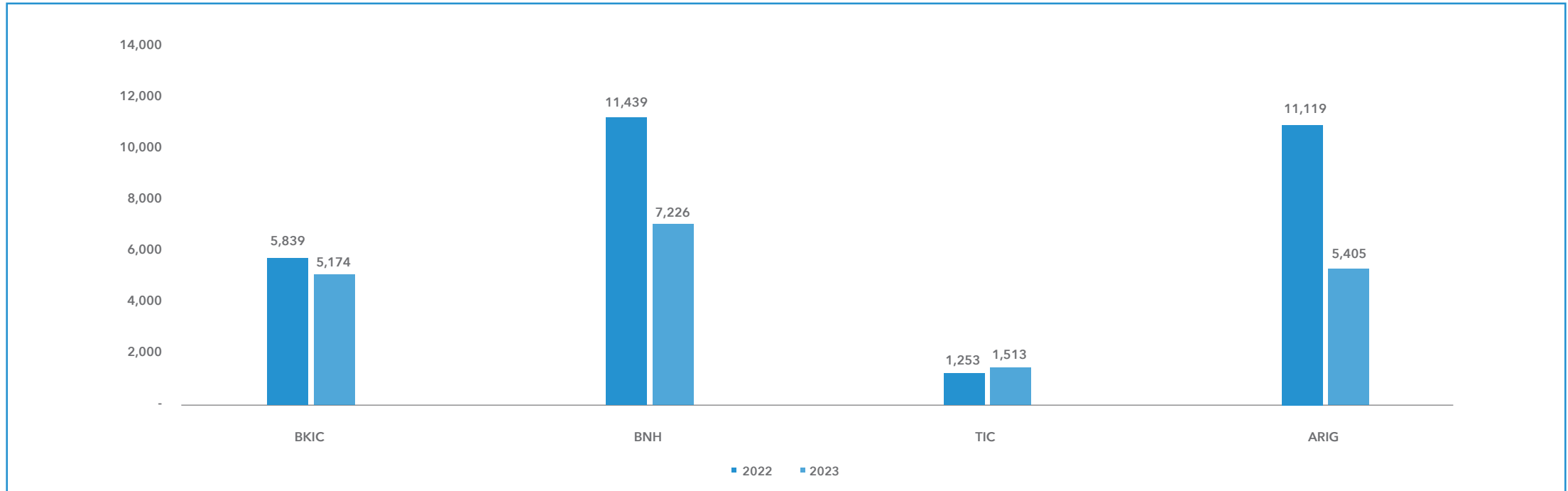
COMBINED RATIO



In 2023, Bahrain National Holding Company B.S.C. witnessed a notable decrease in its combined ratio from 70% to 55%, a drop of 21%, indicating improved profitability and more effective management of claims and operational expenses relative to premium revenue. In contrast, Bahrain Kuwait Insurance Company B.S.C. witnessed a substantial boost of 148% in its combined ratio from 26% to 66%, suggesting challenges in maintaining underwriting profitability or increased operational costs relative to premium income. Arab Insurance Group B.S.C. saw a significant fall of 20% in its combined ratio from 381% to 304%, potentially indicating efforts to enhance operational efficiency or claims management, albeit still facing significant challenges. Takaful International Company demonstrated a modest increase of 13% in its combined ratio from 75% to 84%, indicating slightly higher operational costs relative to premium revenue.

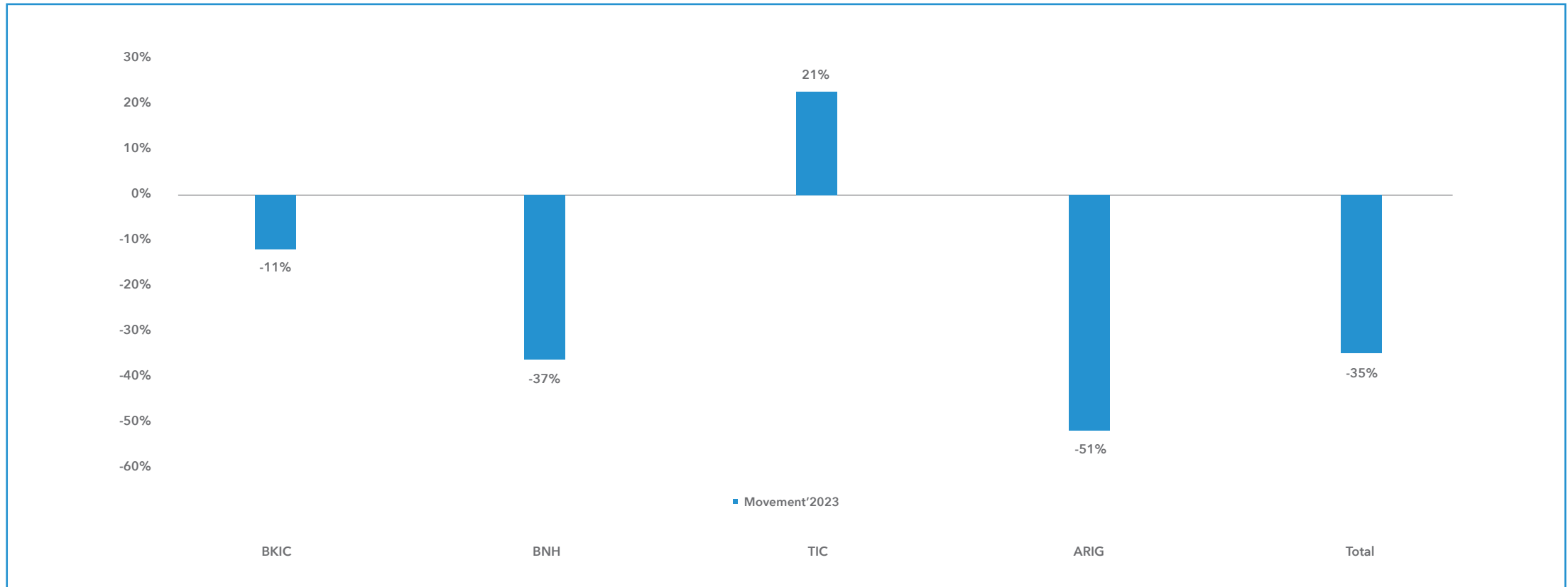
NET PROFIT/(LOSS) (AFTER TAX)

(BD 000's)



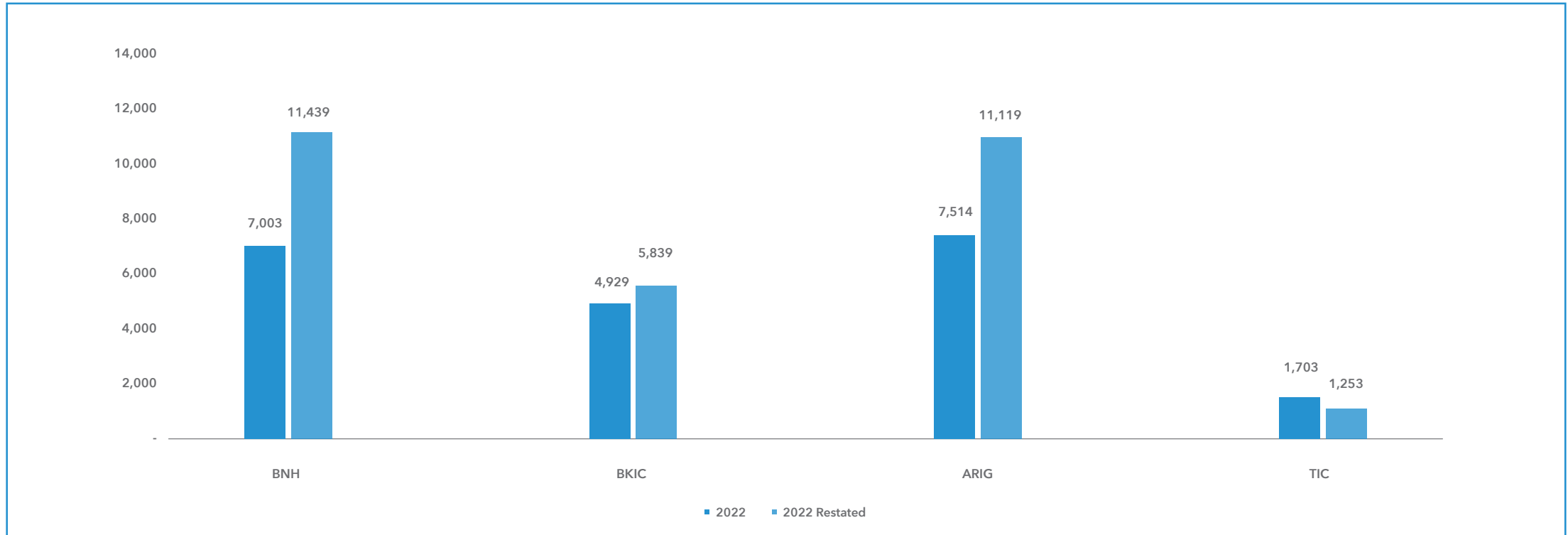
The total net profit of the four companies in Bahrain in 2022 was BD 29,650 million, which was further decreased by BD 10 million, reaching BD 19,318 million in 2023, with the Arab Insurance Group contributing a major decrease of BHD 5,714 million. In 2022 and 2023, the highest net profit was earned by Bahrain National Holding at BD 11,439 million and BD 7,226 million, respectively. The lowest net profit was earned by Takaful Insurance in both years. In 2023, only Takaful Insurance shows an increase in net profit from the previous year, with the latter increasing from BD 1,253 million in 2022 to BD 1,513 million in 2023. Overall, the insurance industry in Bahrain showed a major loss in 2023.

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



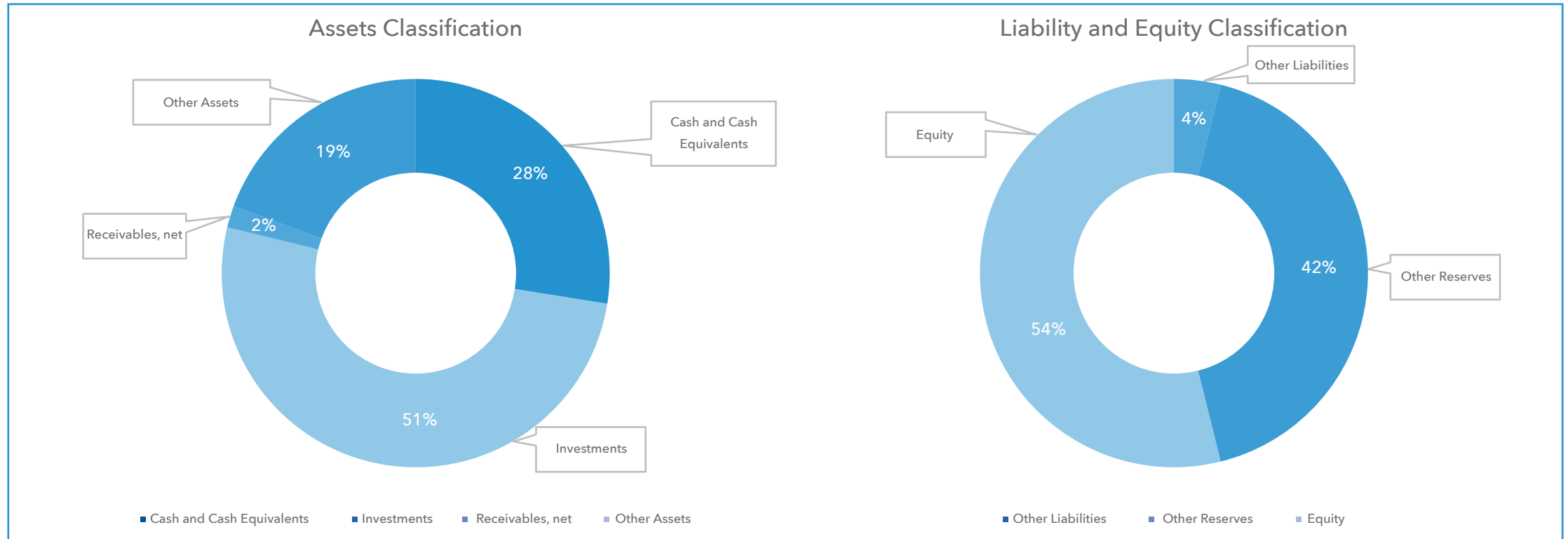
In 2023, Bahrain National Holding Company and Arab Insurance Group experienced significant decline in total profit, with Bahrain National Holding Company witnessing a substantial decrease of 37% and Arab Insurance Group facing a massive decline of 51%. Conversely, Takaful International Company saw a remarkable increase in total profit by 21%, while Bahrain Kuwait Insurance Company experienced a moderate decrease of 11%.

PROFIT TRANSITION



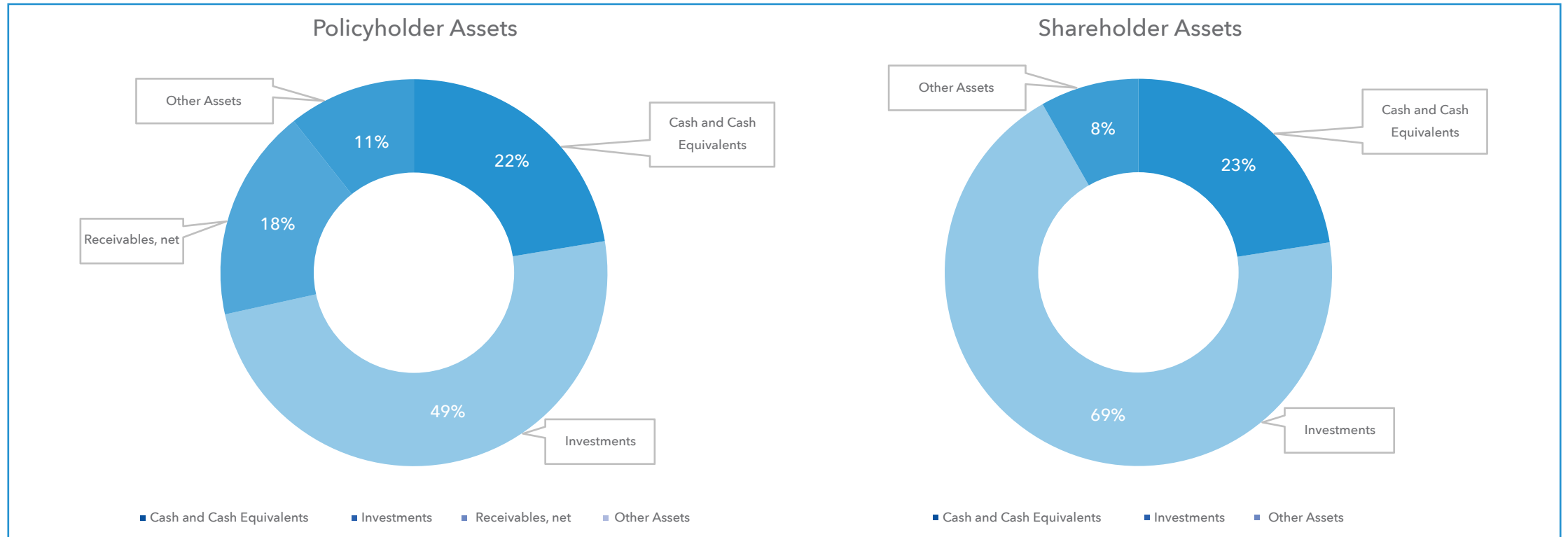
The Profit Transition analysis compares 2022 profits reported under IFRS4 last year with 2022 profits based on IFRS17 financials published in 2023, offering insights into the impact of the accounting standard transition on reported profits. Among the 4 companies, Bahrain National Holding had the highest transition ratio of 63%, while Takaful Insurance Company had the lowest ratio of about -26%. Arab Insurance Group also showed a notable ratio of 48% under IFRS 17.

ASSET/ LIABILITY AND EQUITY CLASSIFICATION - CONVENTIONAL



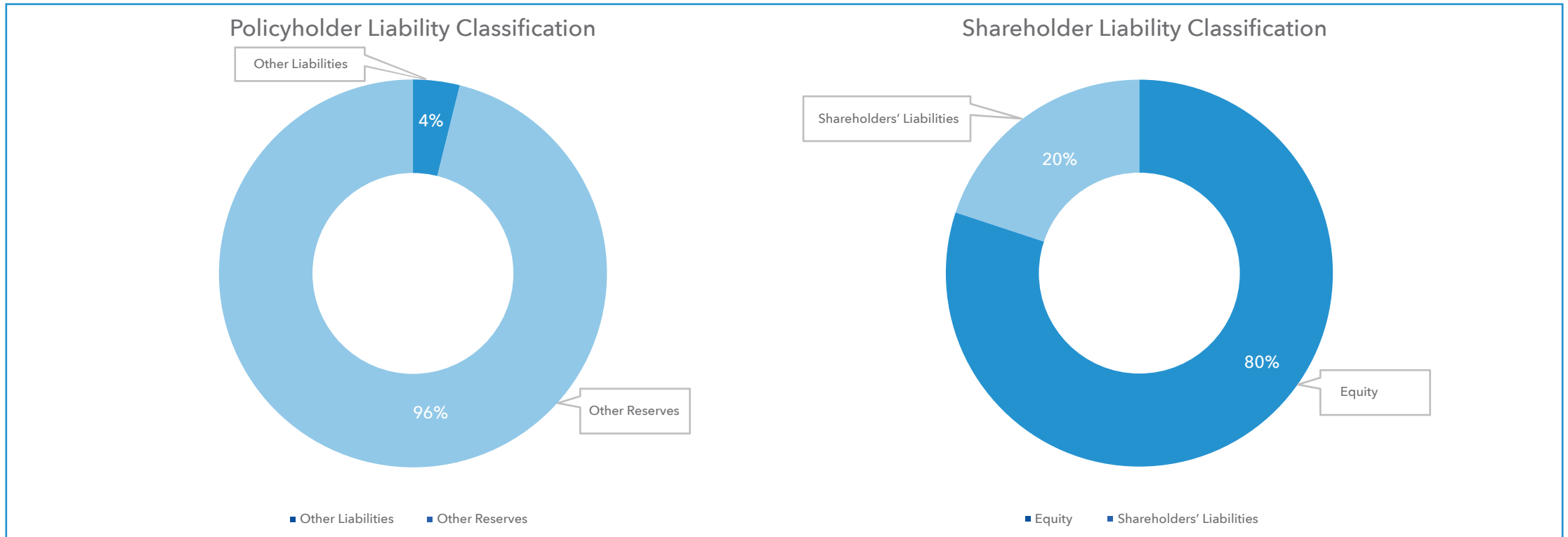
About 51% of conventional assets relate to Investments, 28% to Cash and Cash Equivalents, 2% to Receivables, and 19% to other assets. The liabilities of conventional companies consist of 4% of other liabilities, and 42% of other reserves, and the equity of total conventional business is about 54%.

ASSET CLASSIFICATION - TAKAFUL



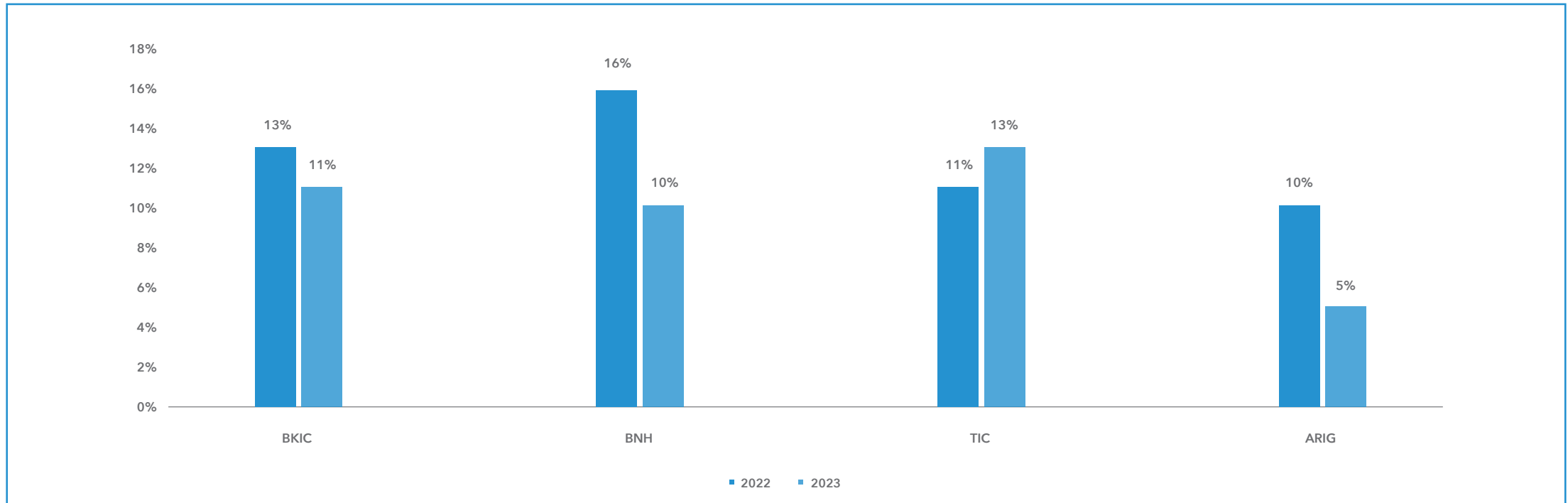
About 49% of policyholder assets relate to Investments, 18% to Receivables, 11% to Other Assets, and 22% to Cash and Cash equivalents. For Shareholder assets, 69% of the assets relate to Investments, 23% to Cash and Cash equivalents, and 8% to Other Assets. Investments constitute most of the shareholder assets and Cash and Cash equivalents constitute most of the policyholder assets.

LIABILITY AND EQUITY CLASSIFICATION - TAKAFUL



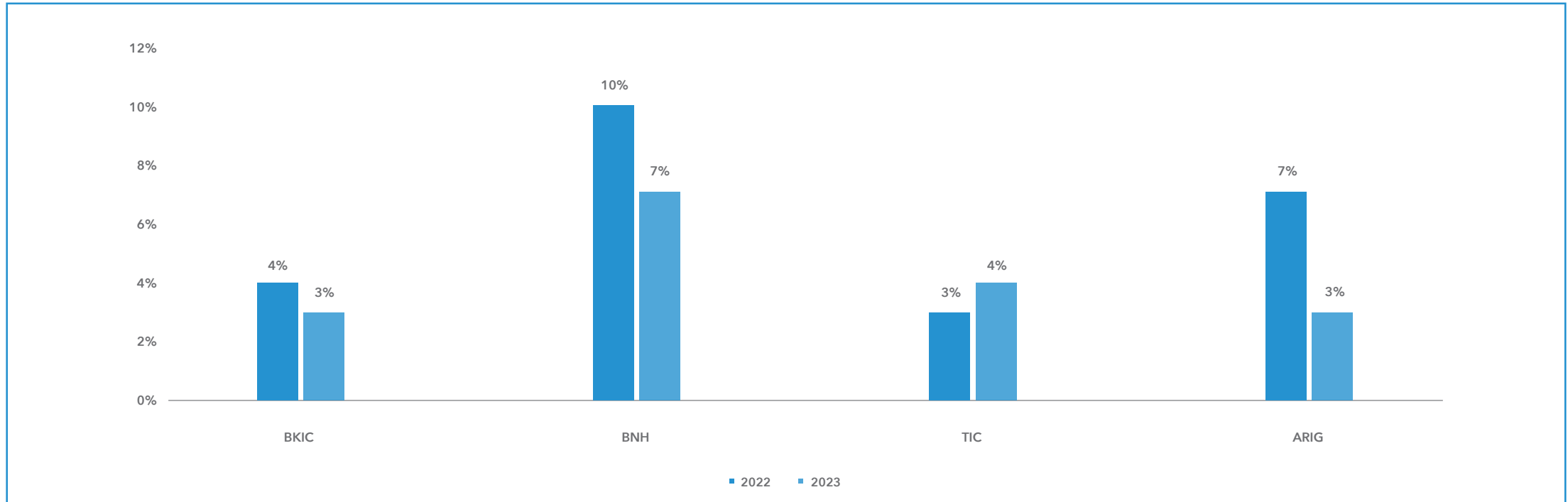
Policyholder liabilities consist of 96% of other reserves and 4% of other liabilities. In addition to this, equity as a percentage of total assets is about 80%, while Shareholders' liabilities consist of about 20%.

RETURN ON EQUITY (ROE)



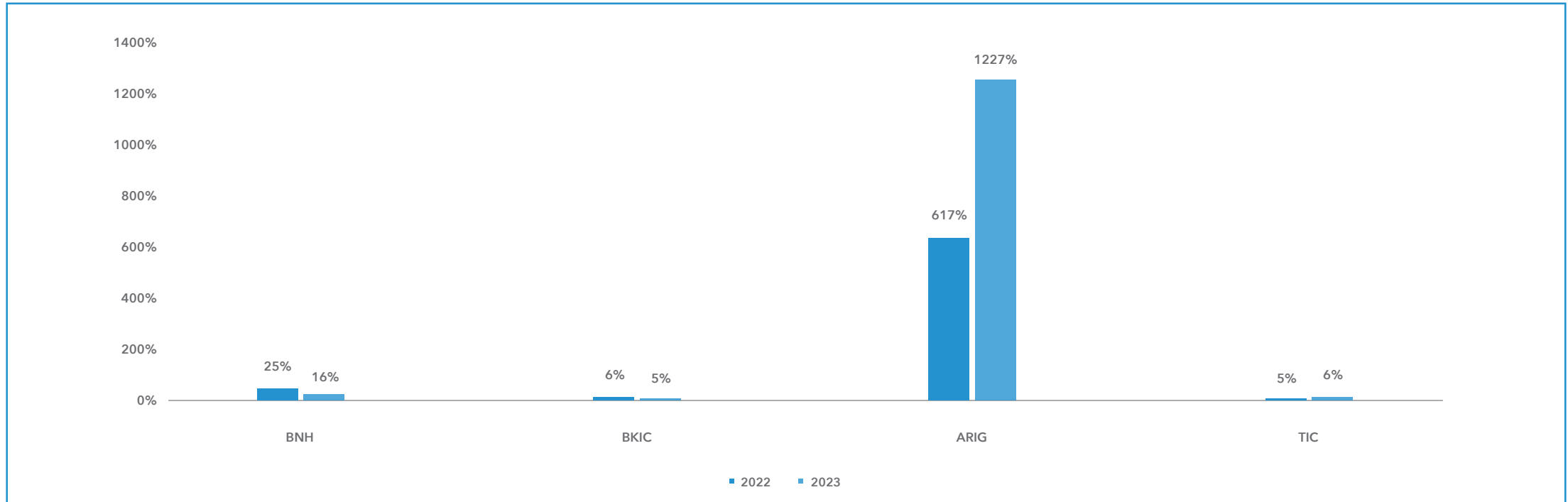
ROE is a financial ratio that measures the rate of return earned on the shareholder's equity investment in the company. It indicates how effectively a company is using its shareholders' equity to generate profits. Bahrain National Holding Company had the highest ROE in 2022 of about 16%, which further fell to 10% in 2023. Takaful International is the only company that displayed a slight increase and had the highest ROE of about 13% in 2023, indicating that it is more profitable and efficient in generating profits from shareholder equity, however, Arab Insurance Group has a relatively lower ROE compared to the other companies in both years. Overall, the total ROE of all the companies has decreased, which is an alarming sign for the overall performance of the companies.

RETURN ON ASSET (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. Bahrain's National Holding company was able to earn the highest Return on Assets of around 7% in 2023, while Arab Insurance and Bahrain Kuwait Insurance earned the lowest return on assets of 3% at the year-end of 2023.

NET PROFIT MARGINS



The Net Profit Margin measures how much net income or profit is generated as a percentage of revenue. Arab Insurance Group had the highest net margin (1227%), suggesting that claims and expenses were very low. The lowest net margin was for Bahrain Kuwait Insurance (5%).

MEET THE TEAM



NOMAN USMAN
Senior Actuarial Consultant



KASHMAYEN KARIM
Senior Actuarial Analyst



HIBA IBAD
Data and Research Analyst

SHMACONSULTING

Feedback

SHMA is proud to present Insurance Industry Analysis - Bahrain for the Year-End 2023. 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.shmaglobal.com

About Us

SHMA 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

A circular graphic with a dark background and a blue border, containing a cityscape at night with the Burj Khalifa and the text "THANK YOU".

THANK YOU