

Kuwait Insurance Company

Capital Standards Rating (CSR) assigns A- to Kuwait Insurance

Kuwait, July 10, 2011: Capital Standards Rating Co. (CSR) has assigned an Insurer Financial Strength Rating (IFSR) of “A-” and a national scale rating of “AA_{-kw}” to Kuwait Insurance Company (S.A.K). The outlook for the rating is stable. This is the first time that CSR rates Kuwait Insurance Company (KIC).

CSR’s rating reflects KIC’s well established and strong competitive position as a result of its dominance in the non-life segment in Kuwait. The rating is significantly supported by the company’s excellent capitalization, and strong liquidity position. The experienced management and the long standing relationship of the shareholders are also considered positive to the rating. These strengths are partially offset by KIC’s underwriting exposure to the Kuwaiti market, and equity-focused investment portfolio, making the operating and financial performance relatively volatile.

KIC is a market leader in the non-life insurance segment, underwriting 16.9% of the total premiums in Kuwait (as of 2010), and it is also a lead insurer of mega government projects. The company’s insurance activities are mainly concentrated in Kuwait. Nevertheless, KIC has a strong presence locally and a predominant direct distribution network. Even though in the last few years competition in the Kuwaiti market has intensified, CSR views KIC’s competitive position as excellent due to its strong brand recognition, and greater focus on relationship management of its clients to counter price focused competitors.

The underwriting performance, which has been strong in the last two years, has shown a volatile trend in the last 5 years. This is mainly attributed to the company’s concentrated exposures to the Kuwaiti market and large corporate contracts. This is however offset by KIC’s strong reinsurance program and, its excellent capitalization which is supported by the strong capital adequacy and conservative reserving practices.

KIC has a substantial investment portfolio with total invested assets accounting for 68.4% of the total assets (as of FY 2010). The company’s investment composition, which is in line with most of its regional peers and reflective of the underdeveloped capital markets in the region, drives the volatility in KIC’s profitability. KIC maintains a long term strategy, has diversified its portfolio geographically, and invested in sectors perceived as relatively stable, which to some extent reduces its exposure to significant market risk.

The outlook for KIC’s rating is stable. This reflects CSR’s expectation that the company will continue to be one of the dominant players in the Kuwaiti insurance market. Capitalization will most likely be maintained at strong levels over the rating horizon. CSR does not expect significant changes in the composition of the investment portfolio. Potential for rating upgrade depends upon KIC’s ability to consistently demonstrate strong and stable underwriting results. The rating could be downgraded if KIC’s financial strength and policies exhibit a weakening trend.

According to CSR’s national scale, the rating of ‘AA_{-kw}’ reflects KIC’s credit worthiness relative to its domestic peers. CSR developed the National Rating Scale to facilitate the assessment of rated entities in the country, giving local and foreign investors a tool to make finer credit distinctions between local issuers.

The Insurance methodology was used in rating Kuwait Insurance Company. This can be found at www.capstandards.com in the 'Methodologies Brief' sub-directory under the 'Rating' tab.

KIC, established in 1960, was the first insurance company in Kuwait and the GCC. The company underwrites all classes of life and non-life insurance, and also established a takaful window to cater to the growing demand for Islamic insurance products. With gross premiums amounting to KWD 30.38 mn, KIC is one of the leading insurance players and remains the largest non-life insurer in Kuwait.

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Additional information is available at www.capstandards.com

A detailed Credit Opinion Report, explaining the key rating considerations along with an in-depth financial analysis is available for CSR's subscribers.