Ratings On Kuwait-Based Warba Insurance Affirmed At 'BBB'; Outlook Positive

- Warba Insurance Co. K.S.C. (Warba) continues to enjoy a satisfactory business risk profile in its domestic market as the fourth largest insurer in Kuwait. We also assess its financial risk profile as moderately strong.
- We have revised our view of Warba's liquidity to exceptional from strong due to the increase in liquid short-term and readily marketable investment assets relative to insurance obligations.
- We are therefore affirming the 'BBB' counterparty credit and financial strength ratings on Warba.
- The positive outlook indicates that we could potentially raise the ratings within the next 12 months by one notch, if our view of Warba's enterprise risk management (ERM) improves, particularly in respect of investment risk controls.

LONDON (Standard & Poor's) April 19, 2016--Standard & Poor's Ratings Services today said it has affirmed its 'BBB' counterparty credit and financial strength ratings on Kuwait-based Warba Insurance Co. K.S.C. (Warba). The outlook remains positive.

We have affirmed the ratings on Warba given the company's satisfactory performance in 2015 and stable prospects for 2016. For these reasons, we continue to assess the company's business risk profile as satisfactory and its financial risk profile as moderately strong. Our conclusions are principally based on Warba's sustainable, profitable position in the Kuwait insurance sector, and its extremely strong risk-based capital adequacy outcomes in our models. As of year-end 2015, reported gross premiums totaled Kuwaiti dinar
(KWD) 37.1 million, shareholder's funds were KWD45.3 million, and net income reached KWD1.7 million.

Warba's satisfactory business risk and moderately strong financial risk profiles lead to an anchor of 'bbb+'. This anchor outcome is currently reduced by one notch to 'bbb' because of our view that

Warba's investment risk controls may be less than adequate. This is because the company's holdings, in what we define as high risk assets (principally equities and property exposure), have exceeded management's own internal guidelines for a protracted length of time. Other factors that could potentially affect the ratings currently remain neutral to our analysis, including management and governance, and liquidity, which we now view as exceptional given the increase in liquid short-term and readily marketable investment assets relative to insurance claims obligations.

The positive outlook on Warba indicates our view that we may raise the ratings by one notch within the next 12 months, if our view of the company's ERM--in particular its investment risk controls--improves to permit an adequate ERM assessment overall.

If other analytic factors remain unchanged, we could potentially raise the ratings on Warba if our view of its risk controls improves to an adequate level.

Although not expected, we could revise the outlook to stable if Warba's financial risk profile were to deteriorate. This could occur if significant growth in business exposure or investment risk occurs, thereby diluting capital adequacy to levels below those that we would regard as very strong.