S&P Global
Ratings

Kuwait-Based WARBA Insurance Co. K.S.C.P. Outlook Revised To Positive; 'BBB' Rating Affirmed

- In 2021, WARBA Insurance Co. K.S.C.P. (WARBA) reported 11.7% year-on-year growth in gross written premiums and maintained underwriting profitability, with a combined (loss and expense) ratio below 100%.
- At the same time, the company's capital adequacy remained at the 'AAA' level in our capital model.
- We therefore revised our outlook on WARBA to positive from stable and affirmed our 'BBB' issuer credit and financial strength ratings.
- The positive outlook indicates that we could raise the ratings over the next two years if the company continues to profitably expand its business, while maintaining capital adequacy at our 'AAA' benchmark.

DUBAI (S&P Global Ratings) April 26, 2022--S&P Global Ratings today revised its outlook on Kuwait-Based WARBA Insurance Co. K.S.C.P. (WARBA) to positive from stable. At the same time, we affirmed our 'BBB' long-term issuer credit and financial strength ratings.

The outlook revision reflects WARBA's improving competitive position after it continued to profitably expand its business in 2020 and 2021.

WARBA reported top-line growth of 11.7% to Kuwaiti dinar (KWD) 34.2 million ($111.9 million) in 2021, from KWD30.6 million in 2020, thanks to expansion across all lines of business. At the same time, it achieved a net combined ratio of 98.1% compared with 94.6% in 2020, when the insurer benefited from fewer claims due to lockdown measures in Kuwait. Although an increase in motor and medical claims led to a decline in the overall loss ratio to 64% from about 57% in 2020, we note that the insurer reduced its expense ratio to about 34% from 37% in 2020. This improvement primarily stemmed from corrective measures taken by management to control general expenses and acquisition costs.

We anticipate that WARBA's gross written premiums will increase about 5%-10% in 2022 and 2023, as the company continues to expand its medical insurance portfolio and other lines of business. We also expect the combined ratio and return on equity to remain at about 98% and 6% respectively in 2022 and 2023.

S&P Global Ratings

WARBA maintains robust capital adequacy, which is redundant at the 'AAA' level as per our risk-based capital model. In recent years, it has built a track record of steady improvements in net earnings, which reached KWD2.3 million in 2022 compared with KWD0.6 million in 2018. We expect capital adequacy will remain at our 'AAA' benchmark over the next two years, supported by net income of KWD1.8 million-KWD2.2 million.

The positive outlook indicates that we could raise the ratings on WARBA over the next two years if the company continues to profitably expand its business, while maintaining capital adequacy above our 'AAA' benchmark.

We could consider a positive rating action over the next 18-24 months if WARBA:

- Continues to expand its business while maintaining profitable operating performance and capital adequacy at our 'AAA' benchmark; and/or
- Substantially lowers its risk exposure by reducing single-counterparty concentration in its investment portfolio permanently.

We could revise the outlook to stable over the next two years if WARBA's:

- Underwriting or investment performance significantly weaken compared with our base-case scenario; or
- Capital and earnings become volatile, contrary to our expectations.