

# Insurance Industry Bahrain

2022

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# ABOUT US

SHMA Consulting first offered Actuarial services relating to Insurance in Saudi Arabia in 2003, and currently provides Actuarial services to 8 companies in Saudi Arabia, 11 Insurance companies in the UAE and others 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, ADNOC, 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 organisations 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
- Benefits 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 and Capital Modeling

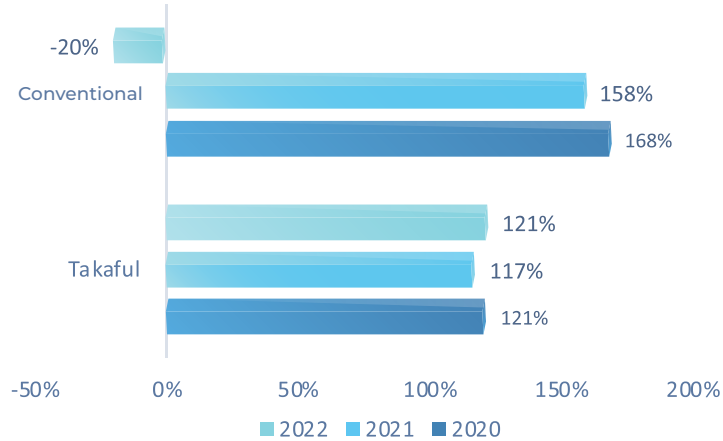
- ERM Framework and risk management policies and procedures
- Risk identification tools and training
- Risk measurement and quantification by using a capital model
- Asset liability management policy
- Advising on risk appetite and controls

## ***LIMITATIONS & DISCLAIMERS***

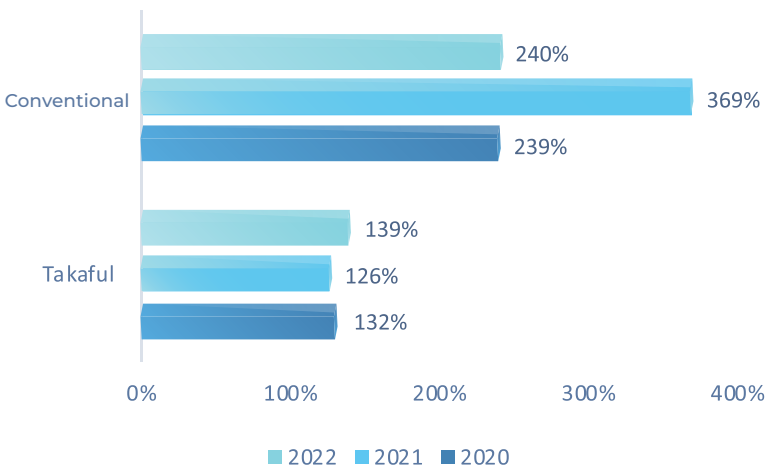
- ❖ The data used for the preparation of this Report has been collected from the Bahrain Bourse.
- ❖ The data represented in this Report has been gathered from publicly available information and the Financial Statement released by the Company.
- ❖ The information, materials and opinions presented in 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.

## Performance Highlight

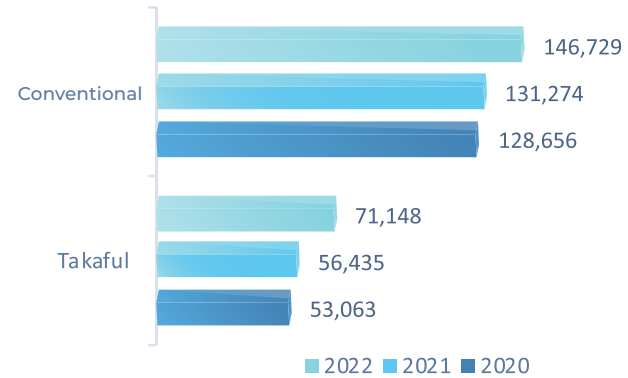
Retention Ratios



Loss Ratios



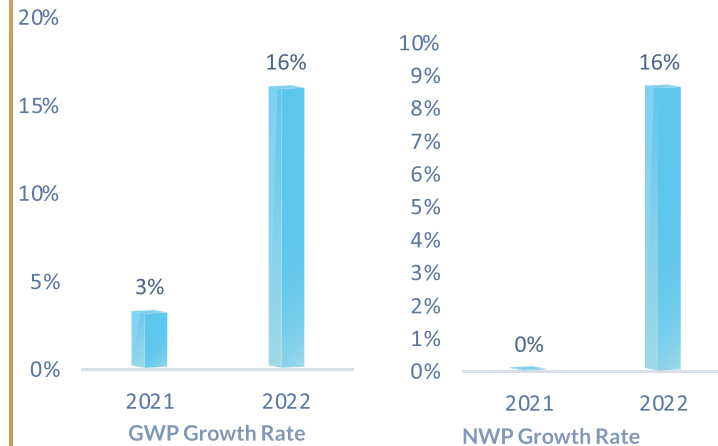
Gross Premium by Sector (Mn)



Total Profit / Loss

BD 25.71 Mn

Premium Growth Rate



Total Gross Written Premium

BD 217.87 Mn

▲ +16.07%

Total Assets

BD 652.88 Mn

▼ -7.00%

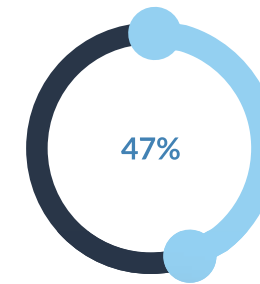
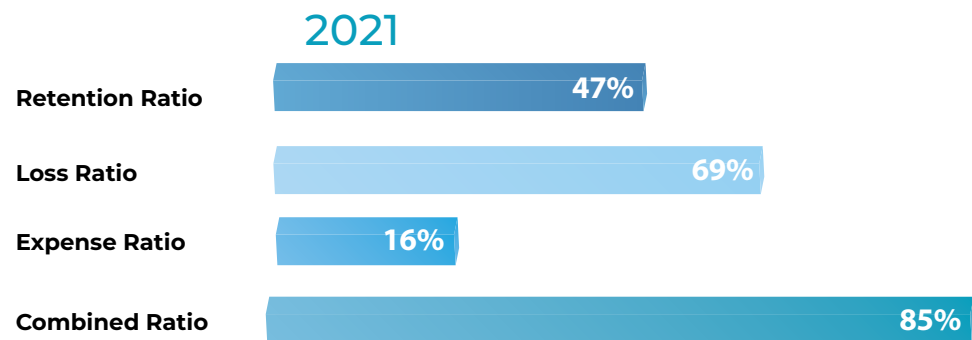
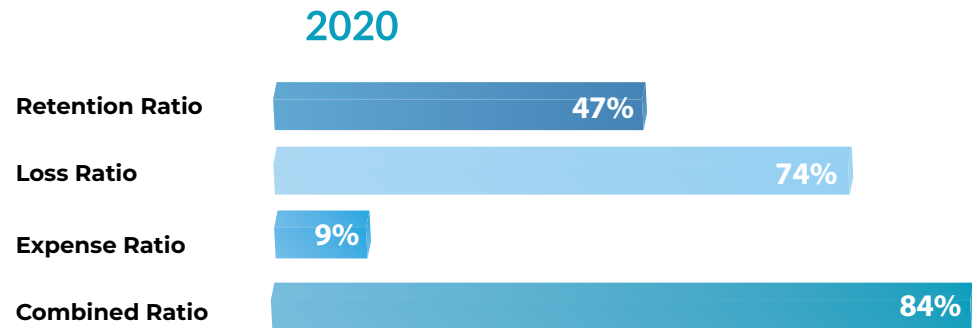
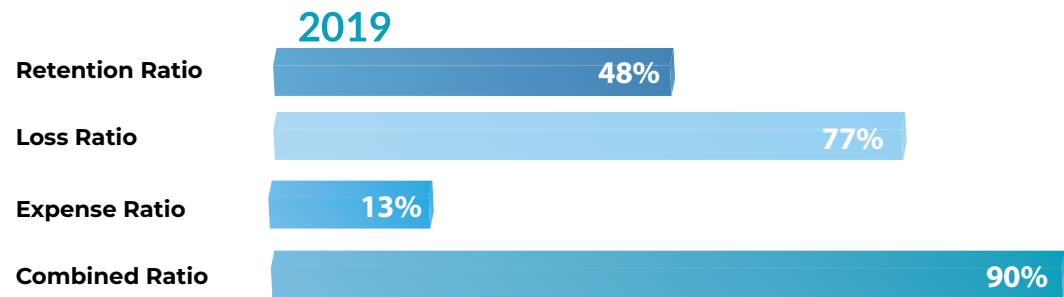




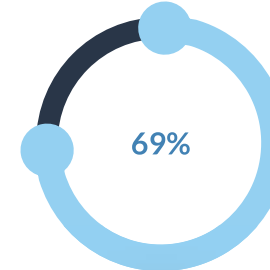
# INDUSTRY HIGHLIGHTS

- ❖ In January 2022 Solidarity Bahrain completed a deal with T'azur, marking the sector's second tie-up in three years. This came months after the acquisition of AXA Gulf by Gulf Insurance Group (GIG), which was completed in September 2021. According to regional media, the deal will enable GIG to reinforce its presence in Bahrain, as well as expand operations in the kingdom and other GCC markets.
- ❖ The FSDS 2022–26 aims to introduce new insurance products, such as electric vehicles and solar panel insurance. In November 2021, BNI launched the country's first electric vehicle policy, and in December 2021, Solidarity Bahrain launched a solar panel insurance product. Renewable energy insurance products could become a lucrative market for insurers in line with the country's net-zero emissions target. In April 2022, BNI partnered with the National Bank of Bahrain (NBB) to provide NBB motor finance customers with reduced rates for insurance coverage and other benefits. This move is designed to encourage customers to take out more comprehensive policies
- ❖ 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.
- ❖ According to a report by the Central Bank of Bahrain, the insurance industry in Bahrain grew by 1.7% in 2020, despite the challenges posed by the COVID-19 pandemic.
- ❖ In 2020, Gulf Insurance Group (GIG), one of the largest insurance companies in the Middle East, acquired AXA Insurance (Gulf) B.S.C. (c), which was previously a subsidiary of the global insurance company AXA. The acquisition included AXA's operations in Bahrain, Oman, and the UAE.
- ❖ In 2019, Bahrain Kuwait Insurance Company (BKIC) acquired Takaful Re, a Bahrain-based reinsurance company that specializes in Islamic insurance.

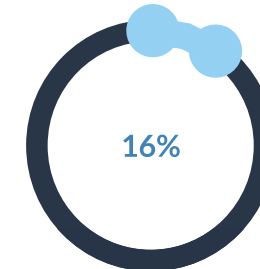
## INDUSTRY BENCHMARKS



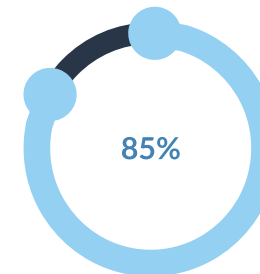
Weighted Average Retention Ratio



Weighted Average Loss Ratio



Weighted Average Expense Ratio

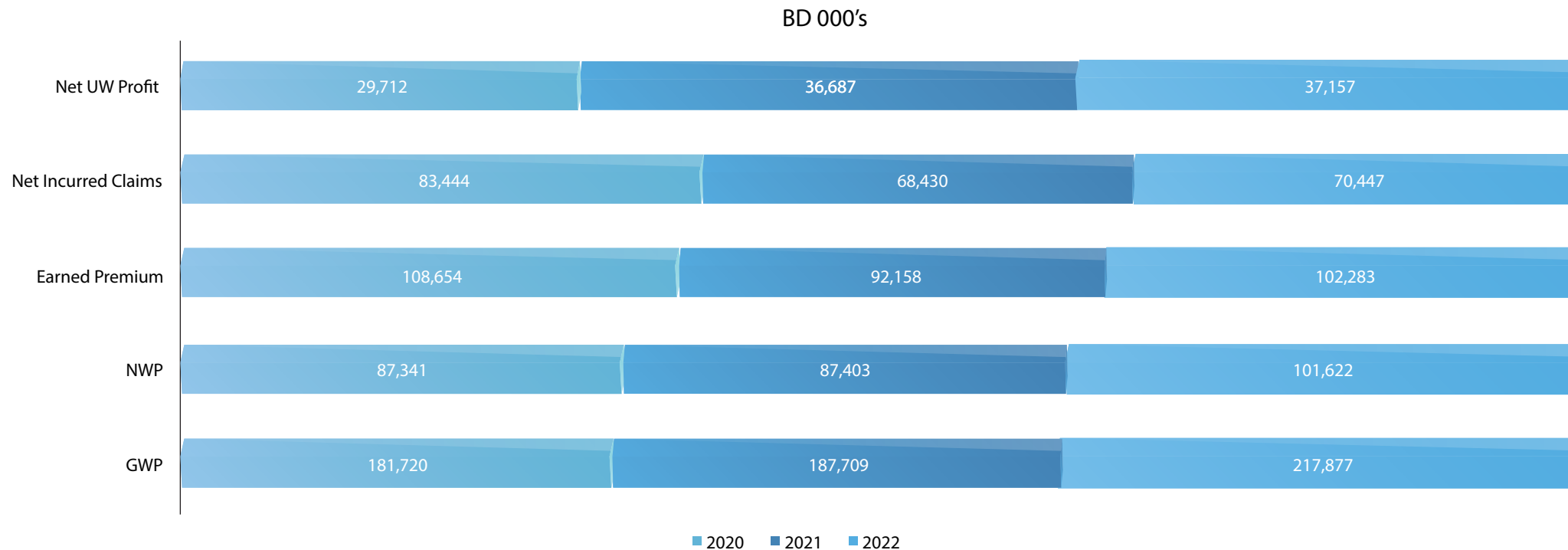


Weighted Average Combined Ratio



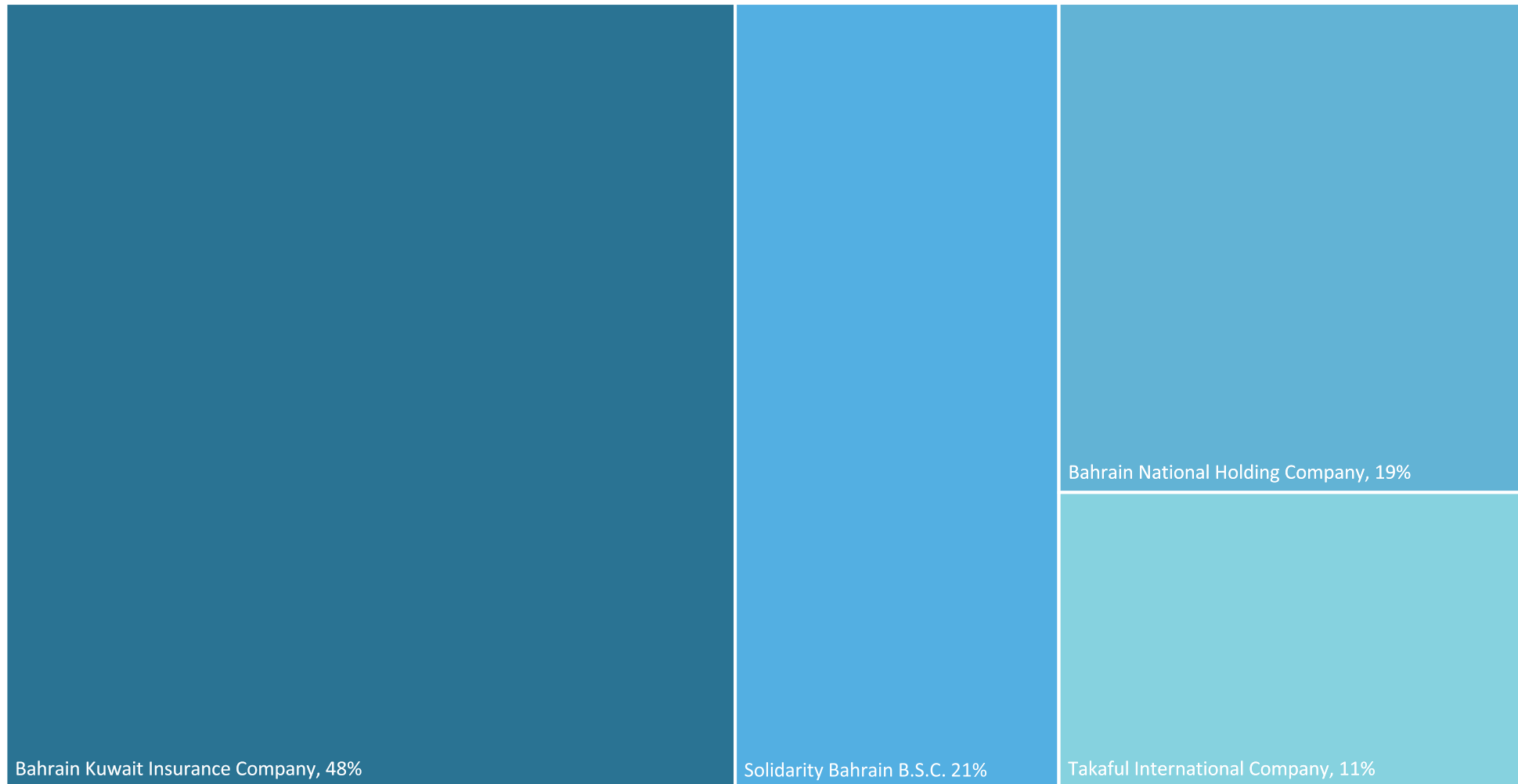
# AGGREGATE PERFORMANCE

The Gross Written Premium (GWP) by the listed companies grew by 16% for the year 2022. GWP increased to 217,877 in 2022, indicating growth in premiums collected. The 16% increase in NWP for the year 2022, indicates that the company is generating more income from its core business, the Net Earned Premium grew by 11%, indicating that the Company is generating more revenue from its insurance policies. Net Incurred Claims displayed 3% growth in 2022. Net UW Profit grew by 1%, indicating that the Company was able to generate a profit from its underwriting activities.

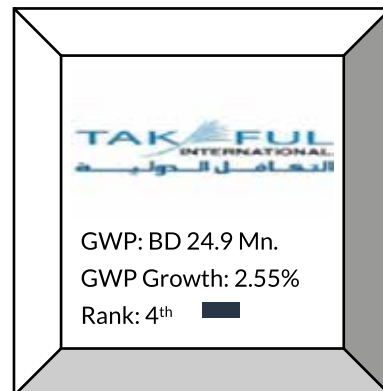
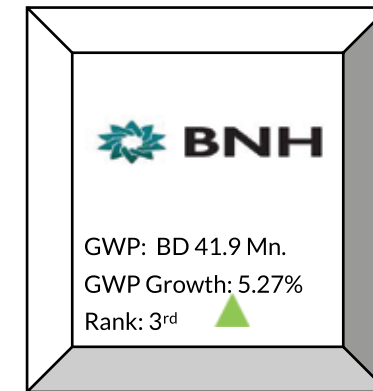
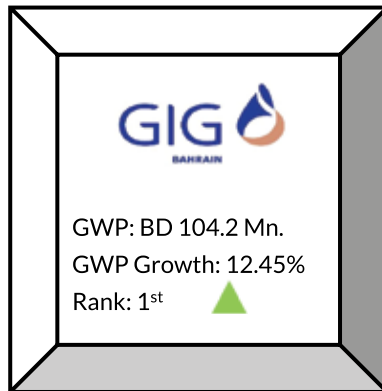


# MARKET SHARE PROPORTION

■ Bahrain National Holding Company ■ Solidarity Bahrain B.S.C. ■ Takaful International Company ■ Bahrain Kuwait Insurance Company ■ Arab Insurance Group



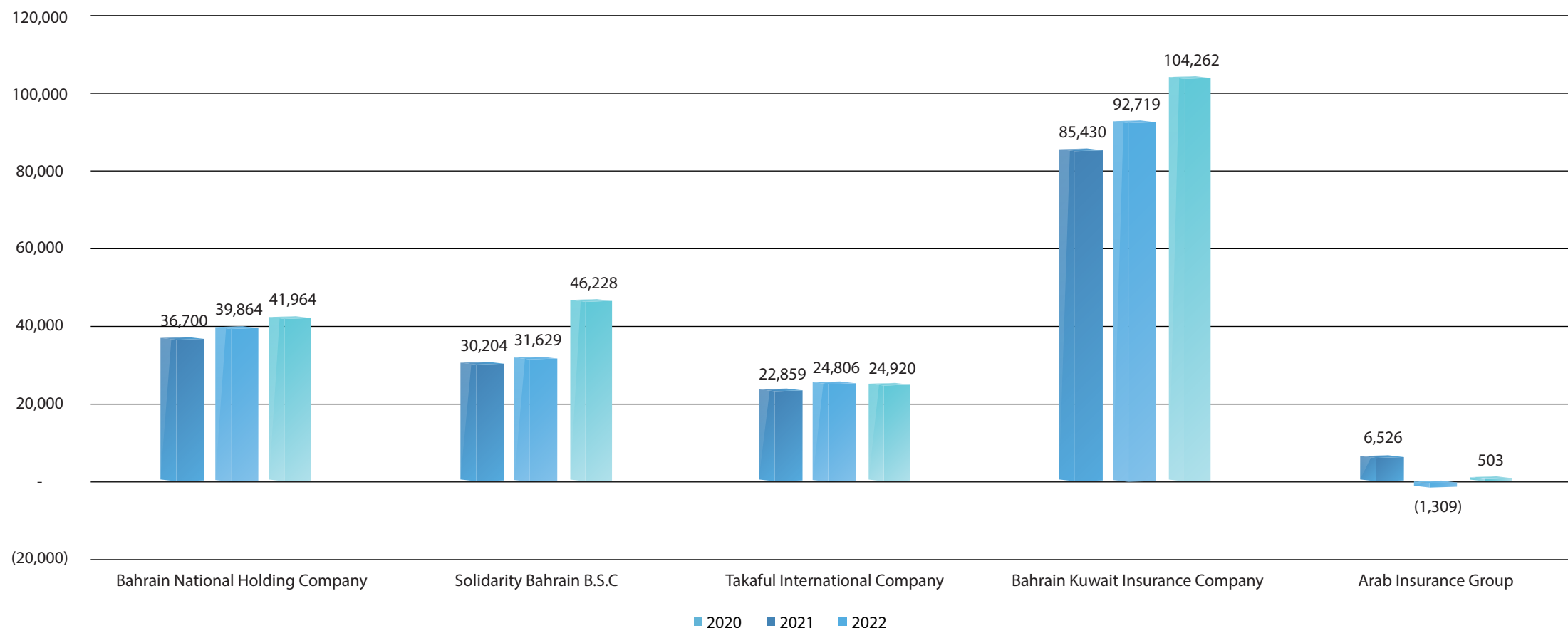
# GROSS PREMIUM AND RANKING



# GROSS PREMIUM

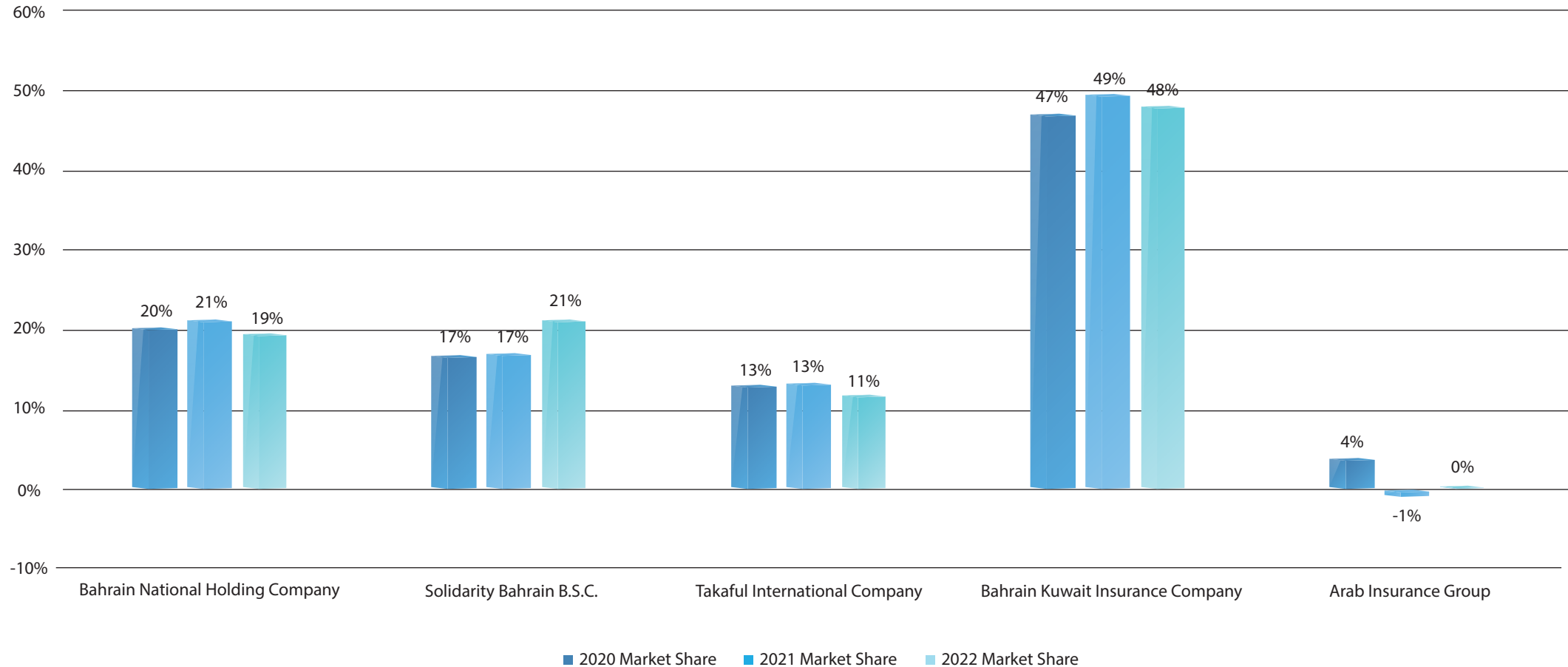
(BD 000's)

The gross written premium (GWP), excluding reinsurance and other deductions, is the total amount of premiums received by an insurance firm within a specific time period. Bahrain Kuwait Insurance reported the highest GWP for the years 2020, 2021 and 2022, totalling around BD 85,430 million, BD 92,719 million and BD 104,262 million, respectively. Arab insurance was able to turn it's GWP into positive for the year 2022, reaching a value of BD 503 thousand. Nonetheless, A negative GWP of 1,309 was registered by the Arab insurance group in 2021.



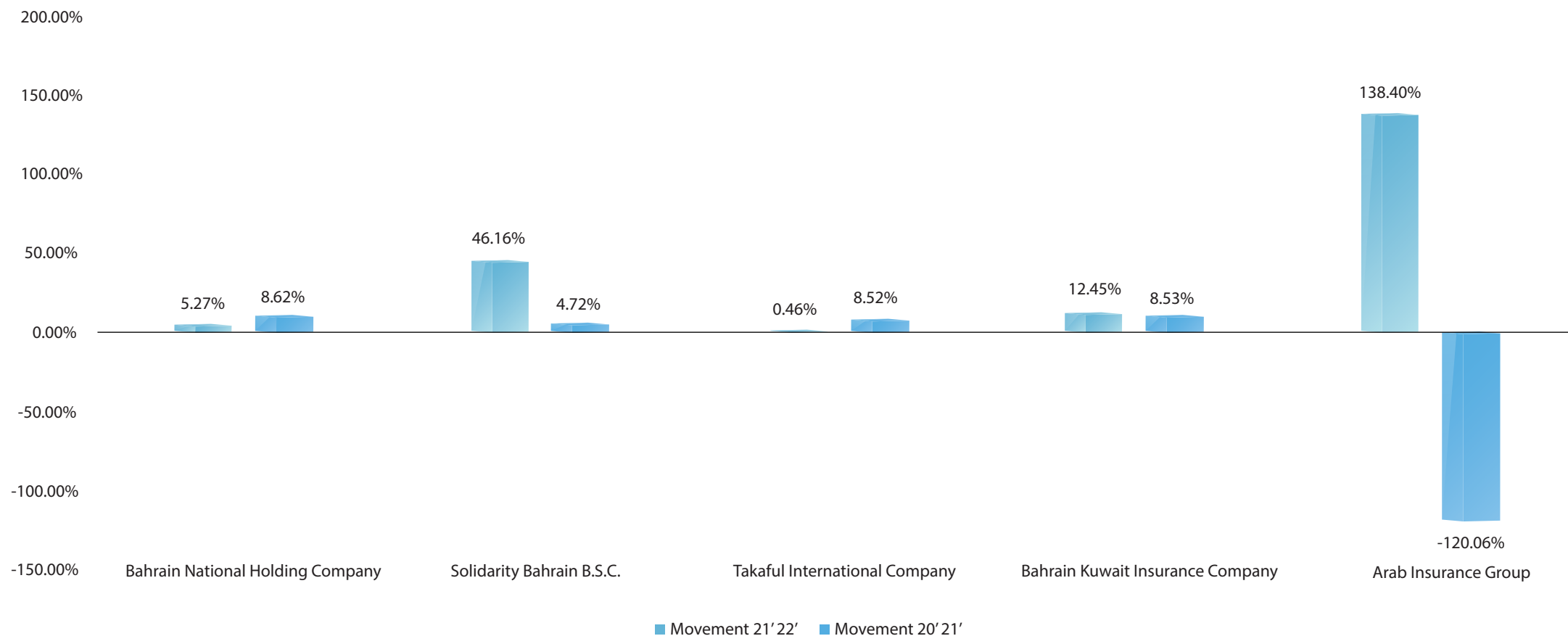
## GROSS PREMIUM – MARKET SHARE

For the period under review, Bahrain Kuwait insurance company has been on the top by capturing almost 50% of the market share. While Bahrain national holding company and Solidarity Bahrain company being the next two giants comprising almost 40% of the business together.



# GROSS PREMIUM – MOVEMENT

In 2022, Solidarity Bahrain and Arab insurance showed enormous growth in their gross written premiums of about (46% and 138%) respectively. There is also a significant movement in Bahrain Kuwait (BKIC) gross written premium of about 12%. In 2021, The gross premium for Arab Insurance Group dropped sharply whereas gross premium grew for all other companies

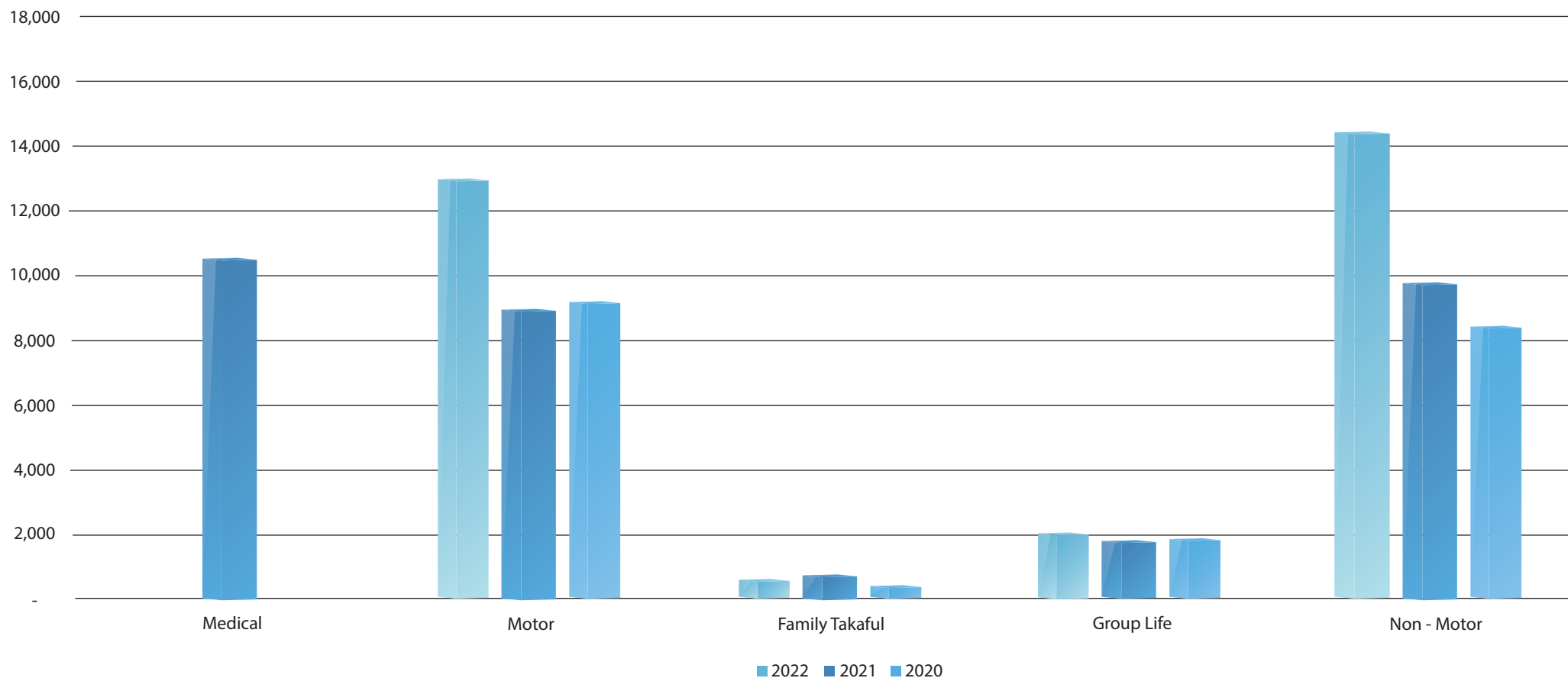




## BREAKDOWN OF LINES OF BUSINESS – GROSS WRITTEN PREMIUM

### Solidarity Bahrain B.S.C.

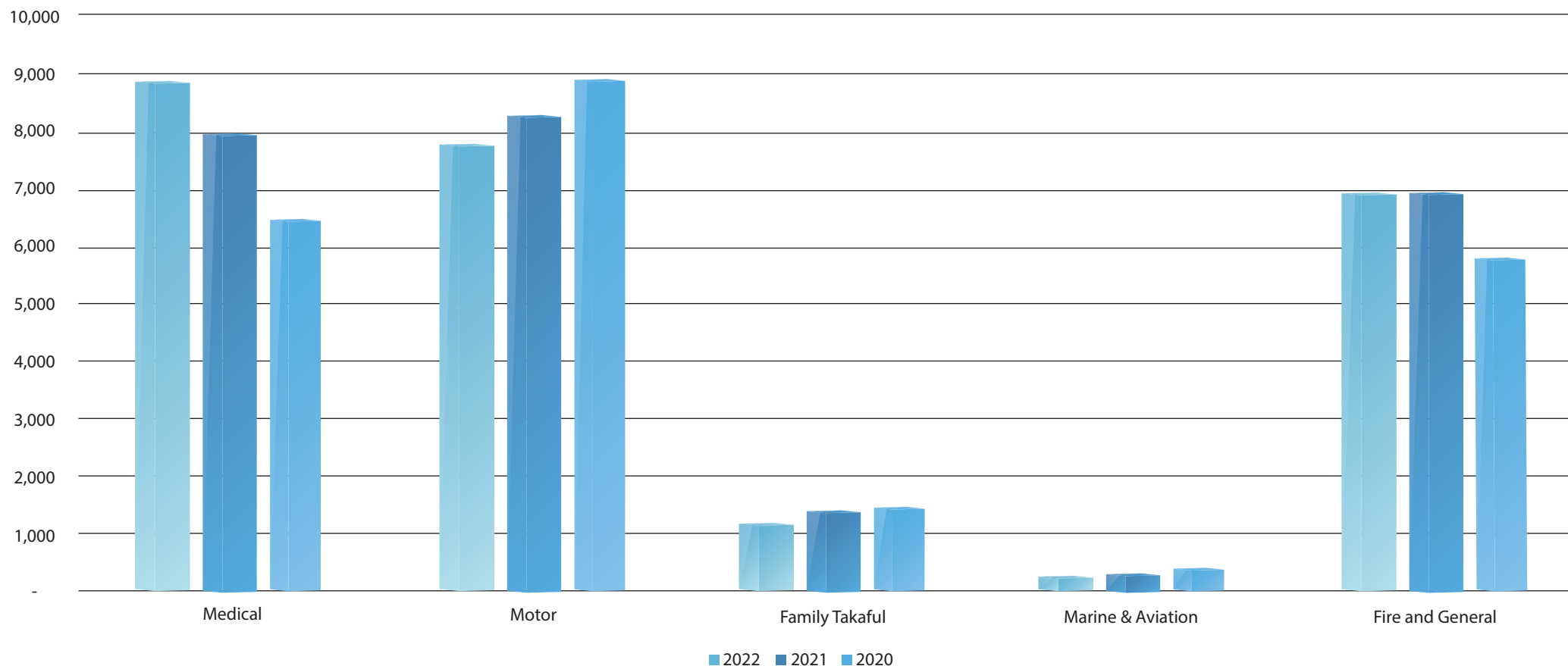
In both 2021 and 2022, the medical line contributed the most to the company's revenue, with totals of BD 10,568 million and BD 16,246 million, respectively. This is followed by non-motor, with totals of 9,748 and 14,281, respectively. Motor line also displayed significant increase of about 4,083 million. In comparison to the previous year, we can see that all lines of business except for family takaful have shown an increase in revenue.



## BREAKDOWN OF LINES OF BUSINESS – GROSS WRITTEN PREMIUM

### Takaful International Company

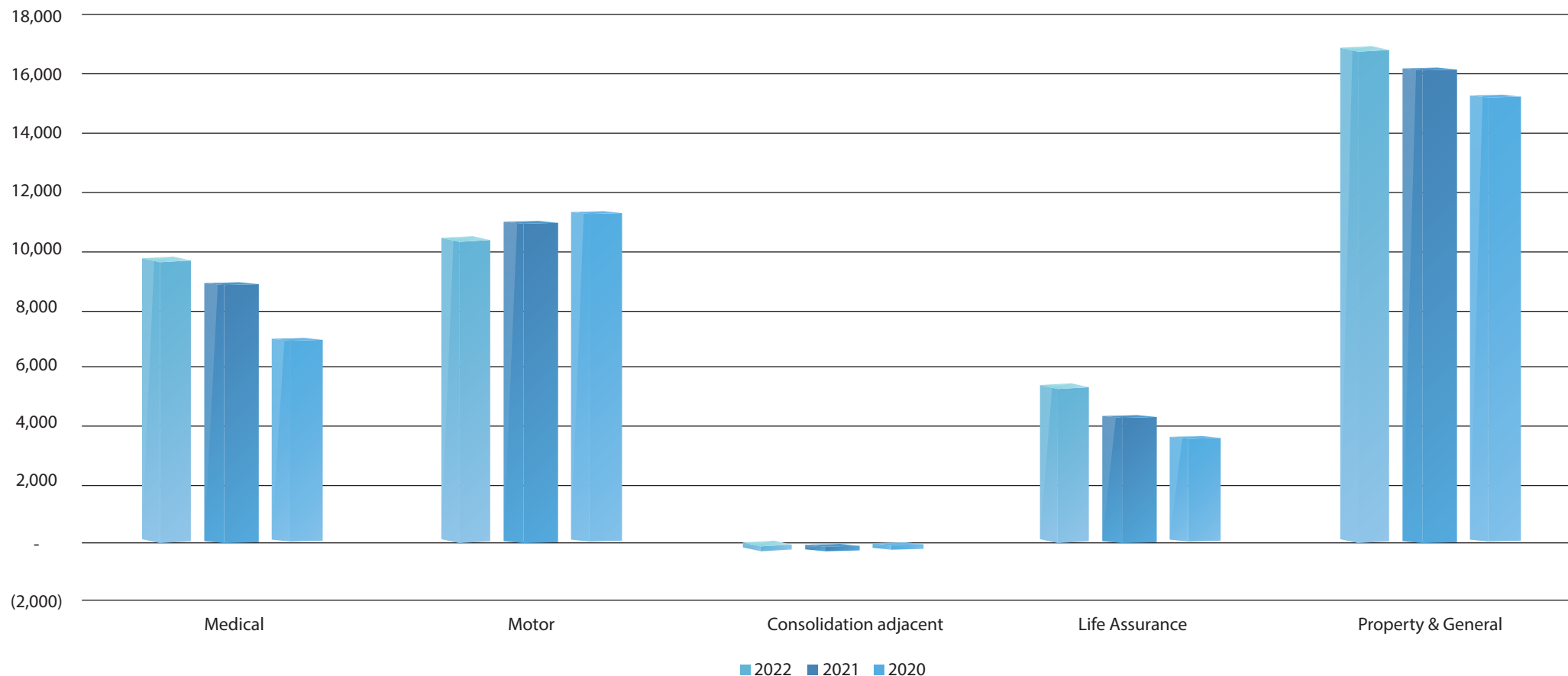
In 2021, the Motor line contributed the most to the Company's revenue, with total of BD 8,280 Million. This is followed by Medical, with total of BD 7,927 Million. In comparison to the previous year, we can see that all lines of business, except for Medical, have shown a decrease in revenue. In 2022, Medical contributed the most with total of BD 8,874 Million. This is followed by Motor with BD 7,753 Million.



## BREAKDOWN OF LINES OF BUSINESS – GROSS WRITTEN PREMIUM

### Bahrain National Holding Company

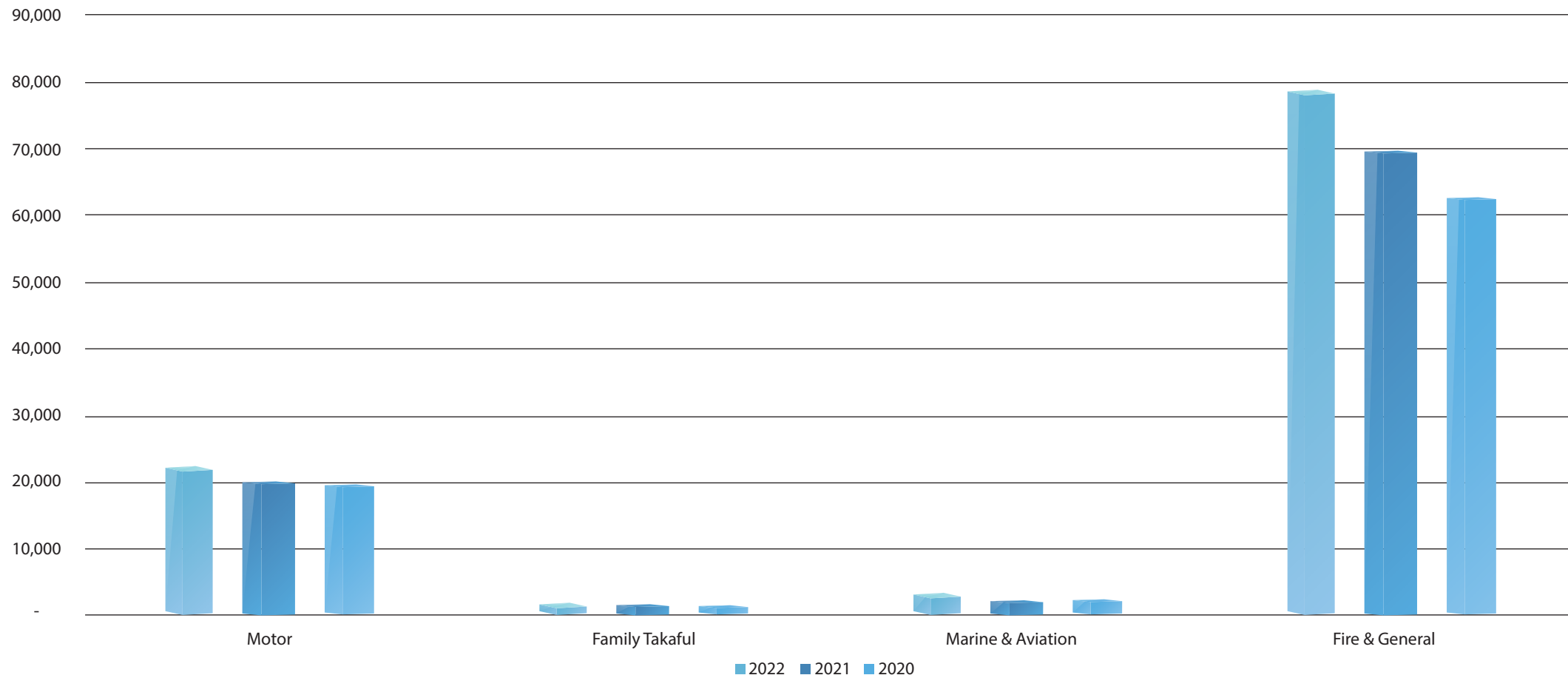
In both 2021 and 2022, the Property and General line contributed the most to the Company's revenue, with totals of BD 16,114 and BD 16,837 Million, respectively. This is followed by Motor, with totals of BD 10,886 and BD 10,342 Millions, respectively. In comparison to the previous year, we can see that all lines of business, except for Motor, have shown an increase in revenue.



## BREAKDOWN OF LINES OF BUSINESS – GROSS WRITTEN PREMIUM

### Bahrain Kuwait Insurance Company

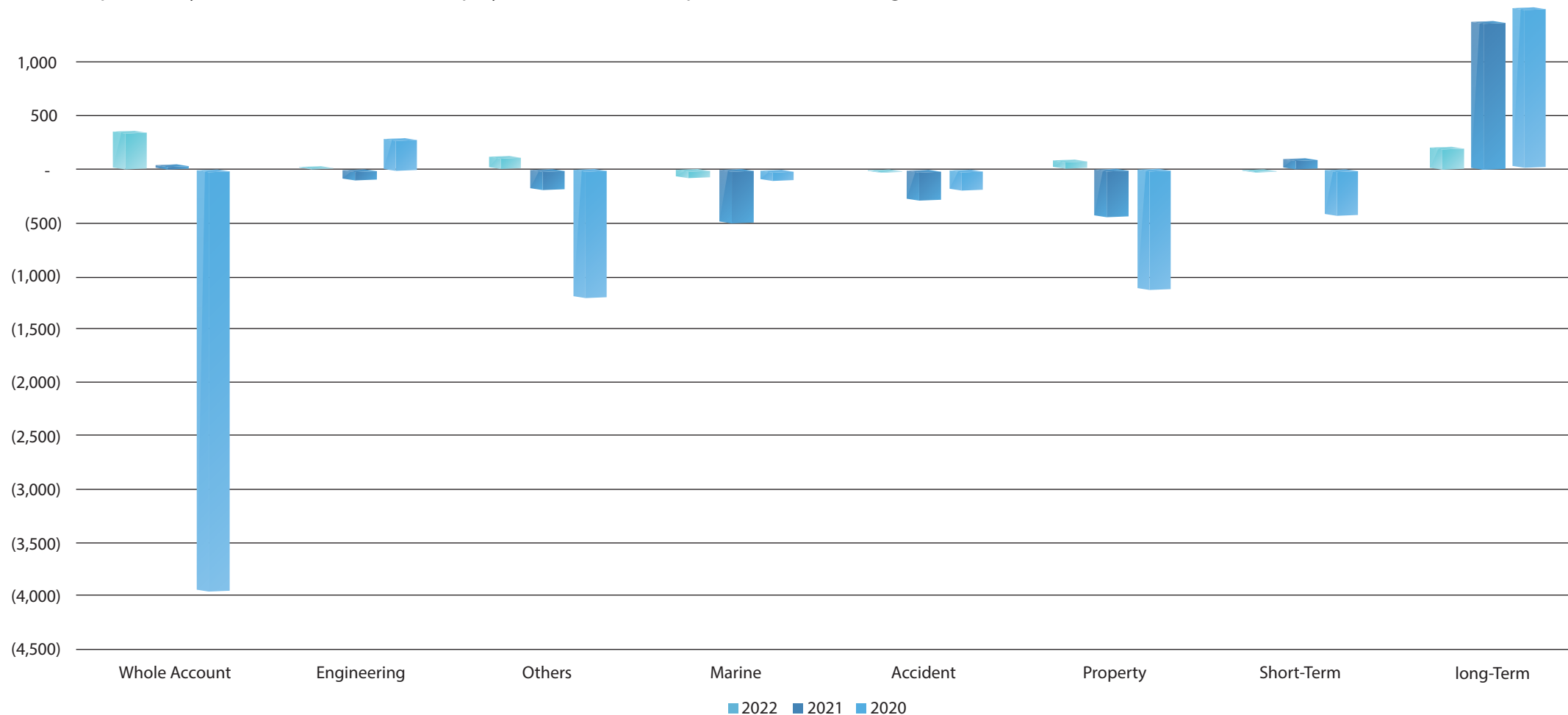
In 2021 and 2022, the Fire and General line of business contributed the most with BD 69,466 and BD 78,501 Million respectively. This followed by Motor with BD 19,913 and BD 21,721 Million respectively. In comparison to the previous year, we can see that all lines of business, except for Family Takaful, have shown an increase in revenue. The Family Takaful line of business contributed the least with BD 1,177 Million in 2021 and BD 1,344 million in 2022.



## BREAKDOWN OF LINES OF BUSINESS – GROSS WRITTEN PREMIUM

### Arab Insurance Group

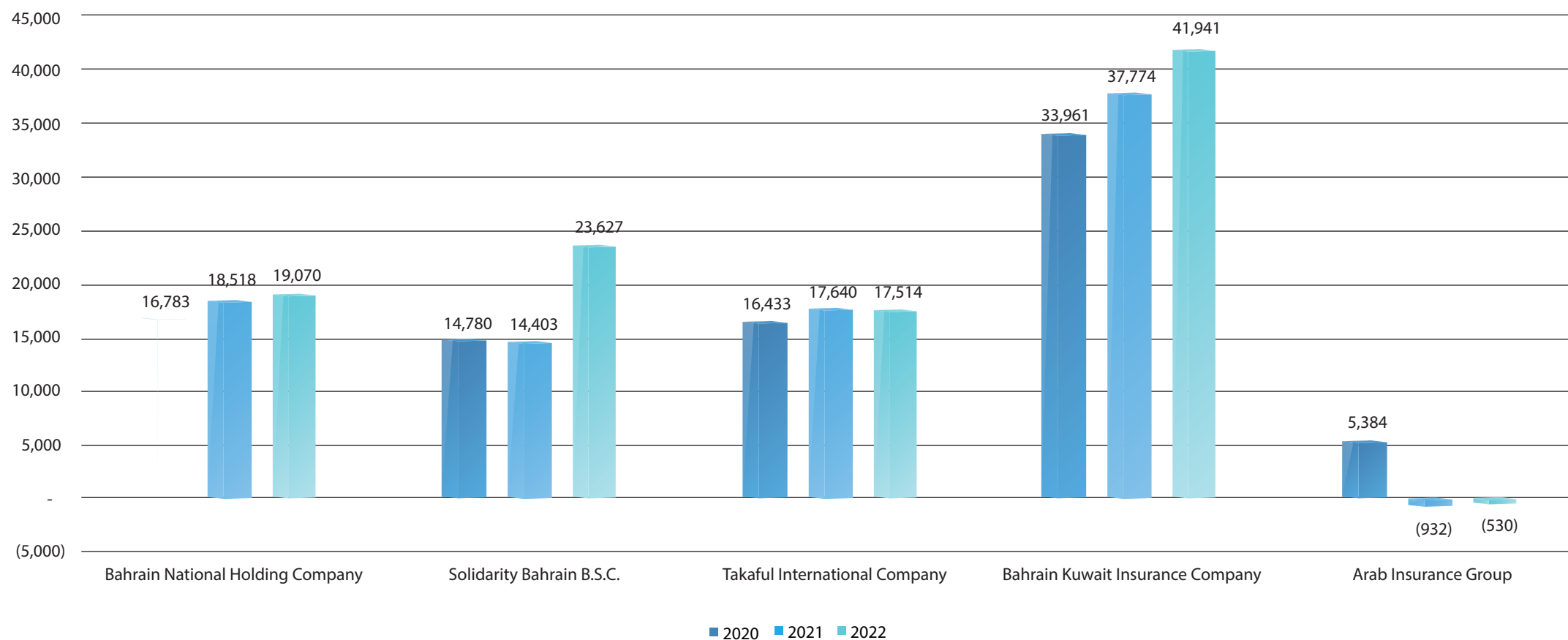
In 2021, the Short-Term line of business contributed the most to the Company's revenue with BD 84, and Marine contributed the least with BD 485. In 2022, Whole Account contributed the most with BD 347, and the least was contributed by Marine with BD -62. In comparison with the previous year, all lines of business displayed Decreased except for Short- and Long-Term lines.



# NET WRITTEN PREMIUM

(BD 000's)

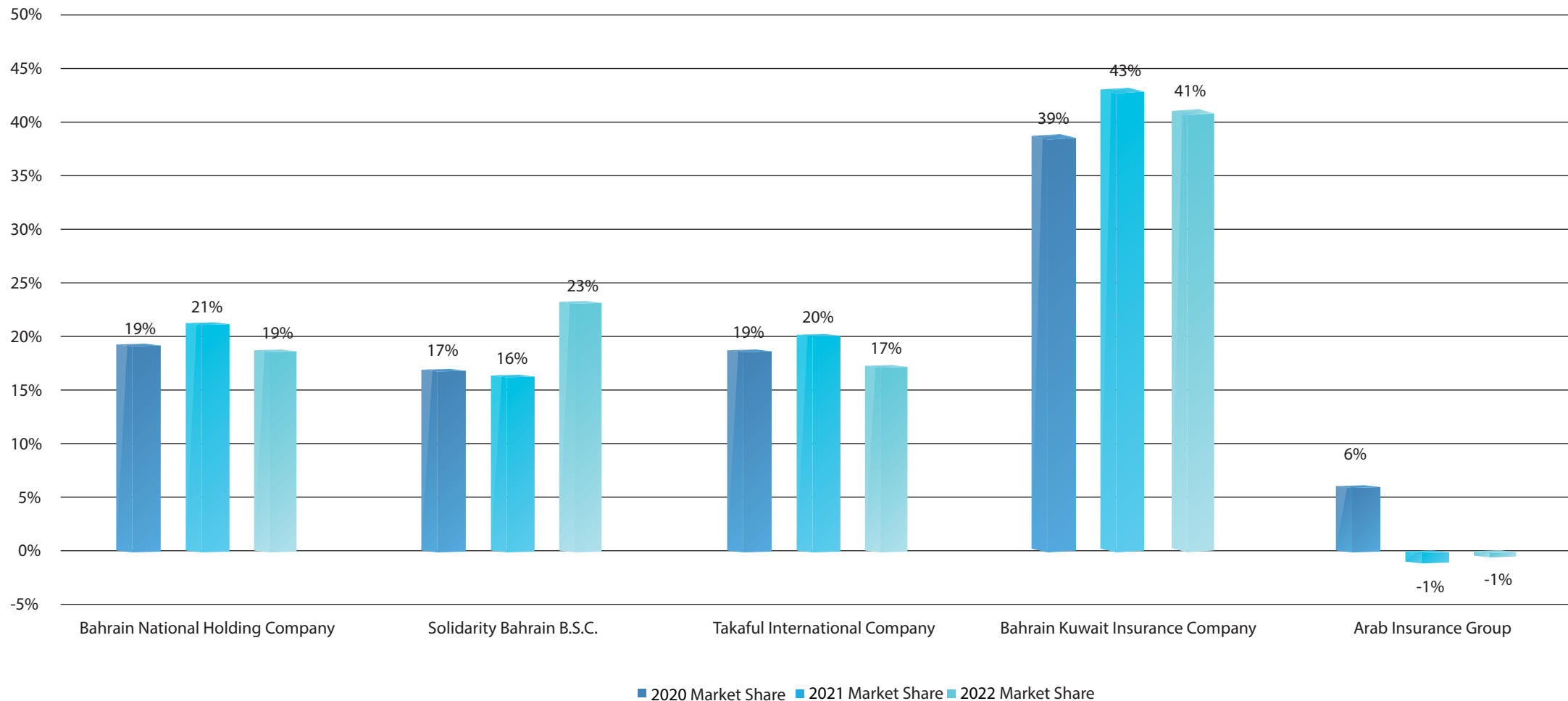
Just as in the case of the Gross Written Premium, the highest Net Written Premium was also for Bahrain Kuwait Insurance in both years. In 2022, Bahrain Kuwait Insurance Company experienced an 11% growth in Net Written Premium, from BD 37,774 Million in 2021 to BD 41,941 Million in 2022. While Takaful International Company maintained its position with relatively stable Net Written Premiums from BD 17,640 Million in 2021 to BD 17,514 Million in 2022. Arab Insurance Group had negative Net Written Premiums in both 2021 and 2022, with values of BD (932) Million and BD (530) Million, respectively, possibly due to reinsurance activities. However, overall, the Insurance Industry in Bahrain is growing, with a 16% increase in total Net Written Premiums, from BD 87,403 Million in 2021 to BD 101,622 Million in 2022.





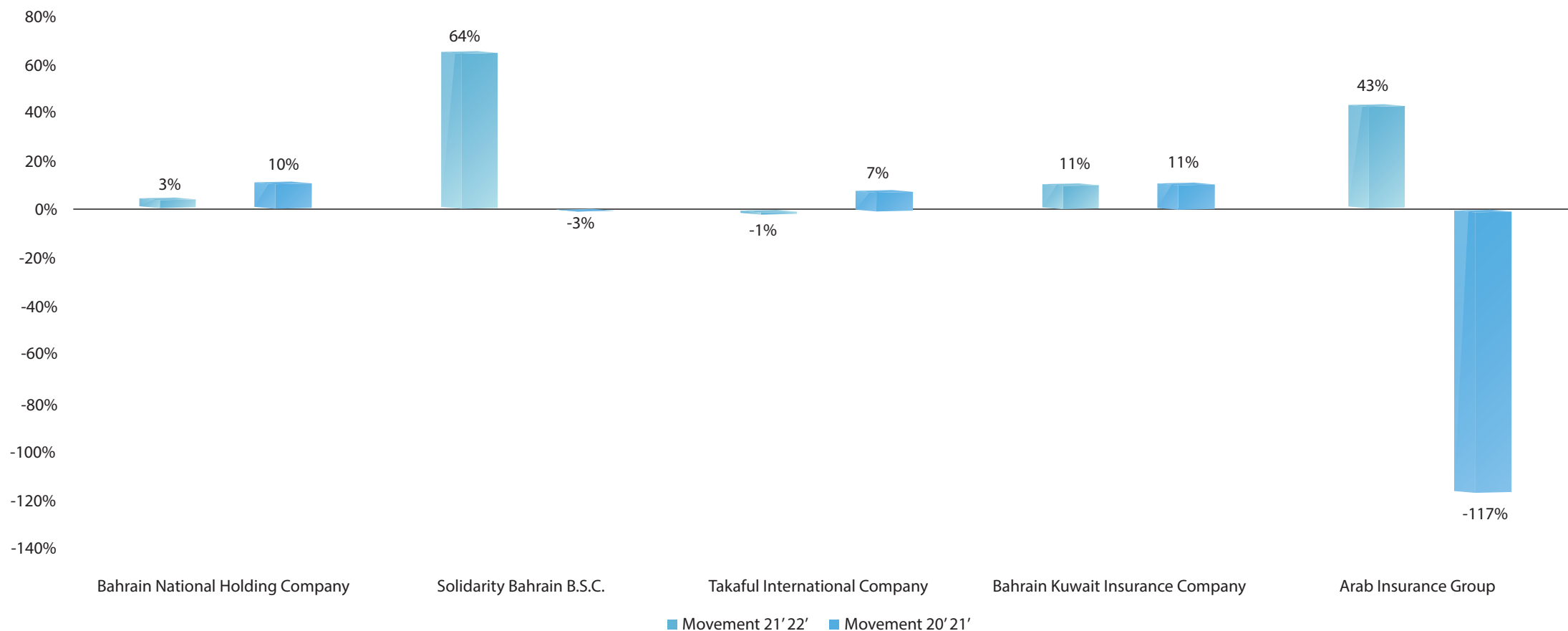
# NET WRITTEN PREMIUM – MARKET SHARE

Solidarity Bahrain B.S.C. experienced the most significant gain in market share, from 16% in 2021 to 23% in 2022. Arab Insurance Group's market share remained constant at -1% in 2021 and 2022, indicating no significant change. The remaining companies are displaying a slight reduction in their market share.



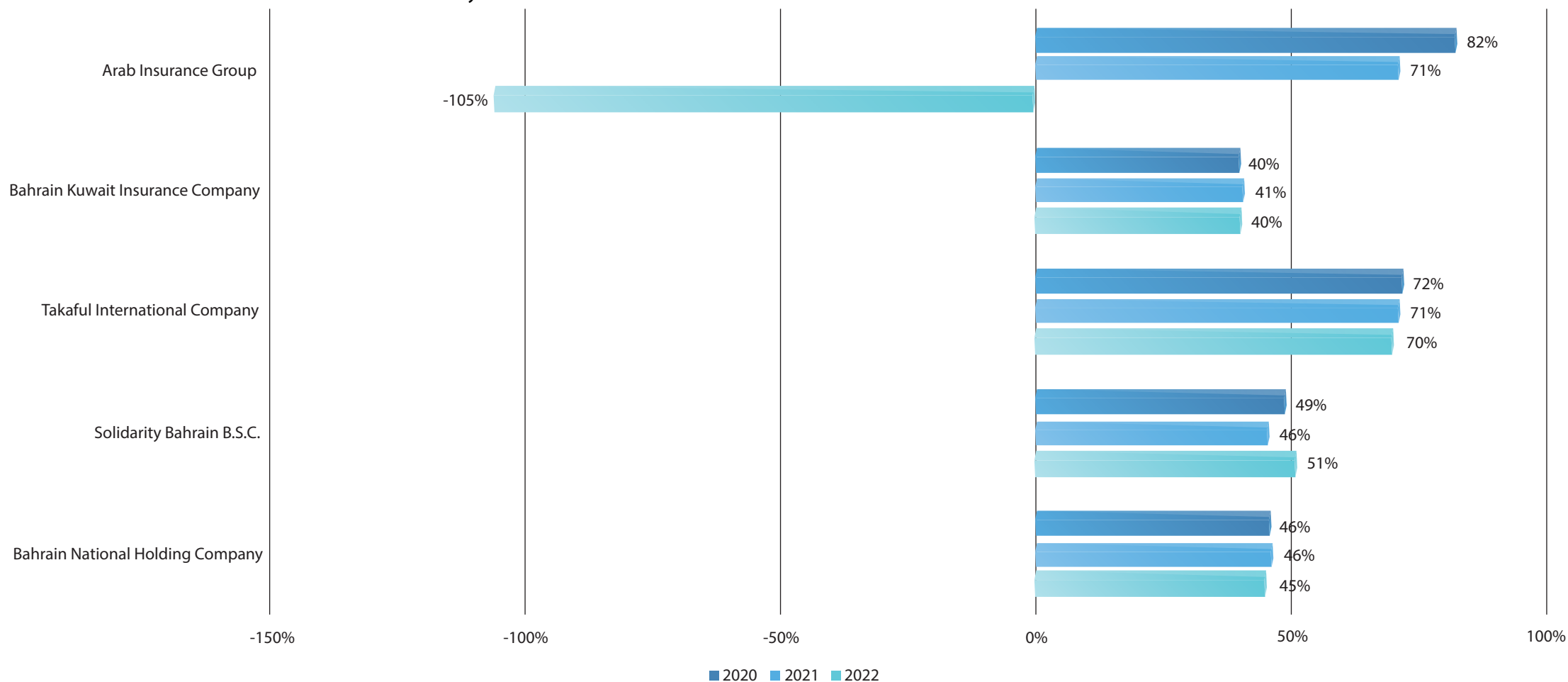
# NET PREMIUM – MOVEMENT

The Insurance market in Bahrain is witnessing significant changes, Solidarity Bahrain B.S.C. has the highest movement, with a 64% increase, while Takaful International Company saw a slight decrease of 1%. Arab Insurance Group saw a 43% increase in net written premium, indicating a potential turnaround in their business operations. All companies except Takaful International Company exhibited improvement for the year 2022. In 2021, Solidarity Bahrain experienced a slight decline in net written premium, while Arab Insurance Group experienced an immense drop. Net written premium increases were seen by all other companies. Overall, the industry is still in a growth phase, presenting opportunities for existing and new players to thrive.



## RETENTION RATIOS

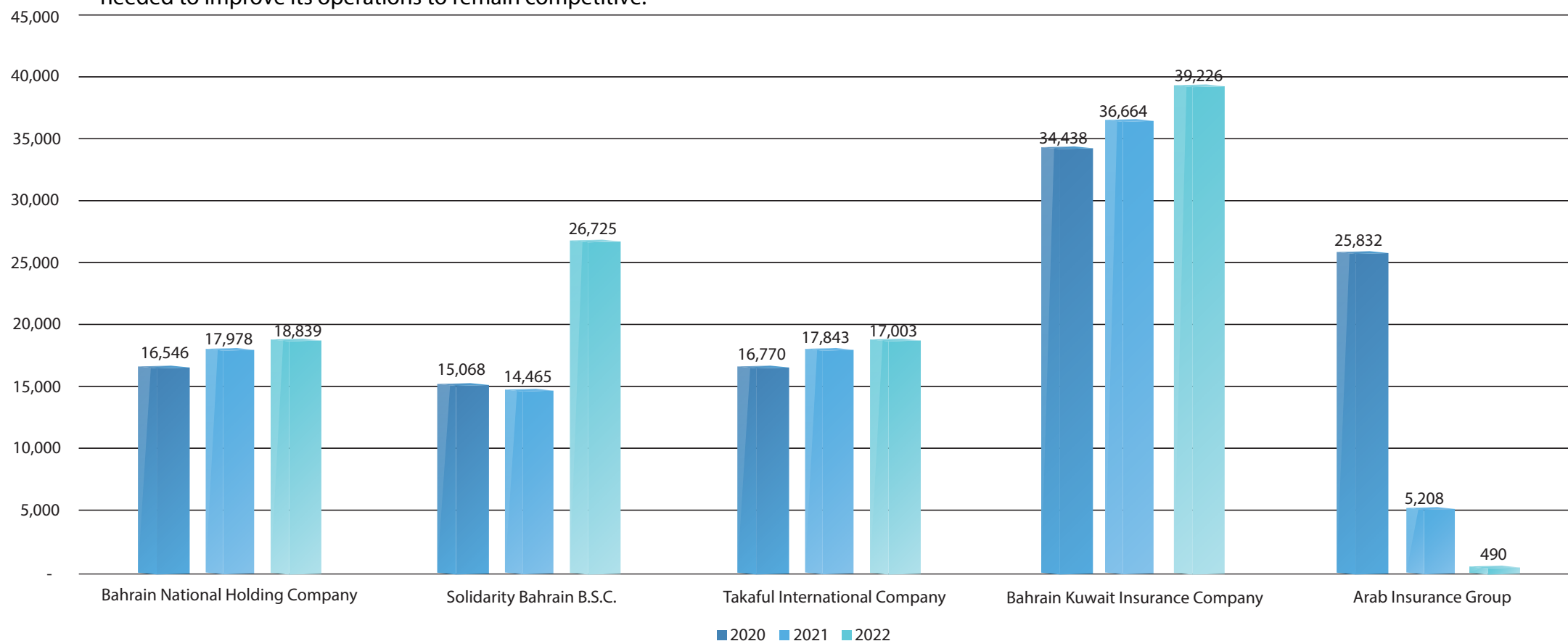
Solidarity Bahrain B.S.C. recorded the highest retention ratio in 2022 with 51%, up from 46% in 2021. Bahrain National Holding Company and Bahrain Kuwait Insurance Company had similar retention ratios in both years, at 45% and 40%, respectively. Takaful International Company had 70% retention ratio in 2022, down from 71% in 2021, indicating a slight decline in customer loyalty. Arab Insurance Group's retention ratio dropped significantly to -105% in 2022. Overall, customer retention is a key factor in maintaining market share and profitability. A negative customer retention ratio suggests that the company lost more customers than it retained. Customer retention rates in the Bahrain Insurance market remain stable at 47% in both years.



# NET EARNED PREMIUM

(BD 000's)

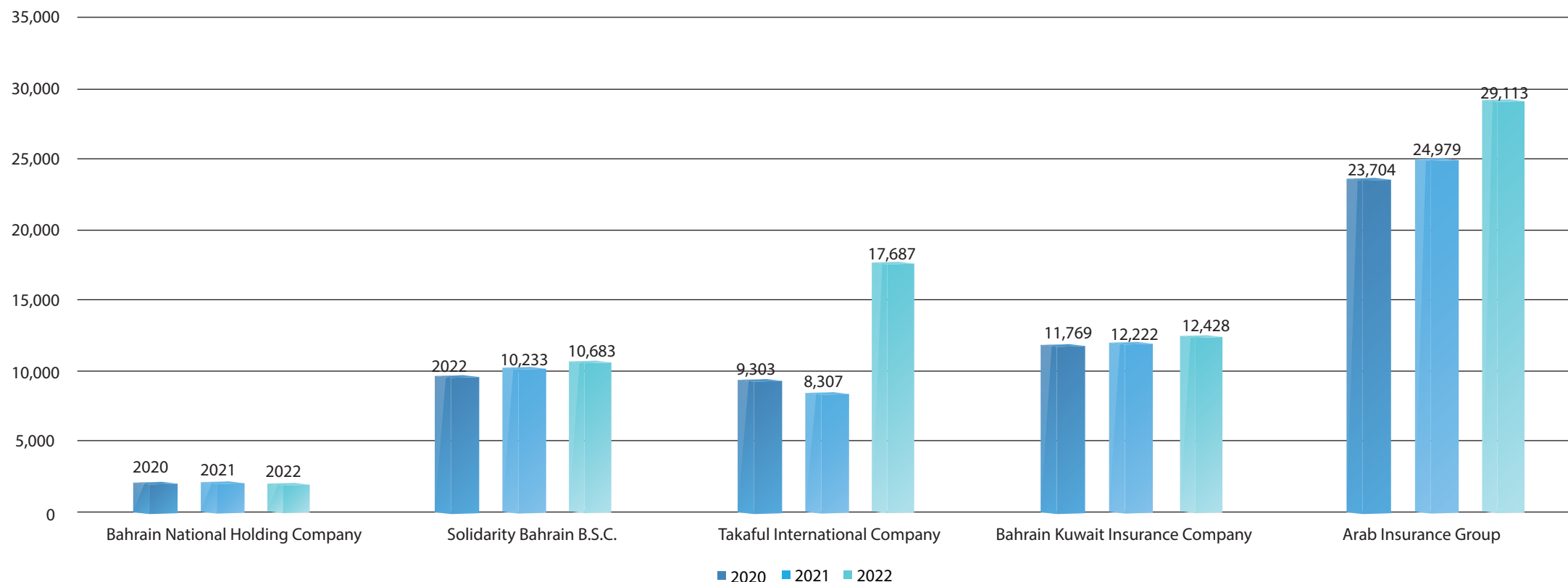
The total net-earned premiums increased from 92,158 in 2021 to 102,283 in 2022. Bahrain Kuwait Insurance Company had the highest net earned premiums in both years, with 36,664 in 2021 and 39,226 in 2022. Solidarity Bahrain B.S.C. recorded the highest increase in net earned premiums, from 14,465 in 2021 to 26,725 in 2022. Bahrain National Holding Company and Takaful International Company experienced a slight increase and decrease, respectively, indicating that these companies need to improve their business strategies to maintain their revenue growth. Arab Insurance Group saw a significant decrease, from 5,208 in 2021 to 490 in 2022, suggesting that the company faced significant challenges and needed to improve its operations to remain competitive.



# NET INCURRED CLAIMS

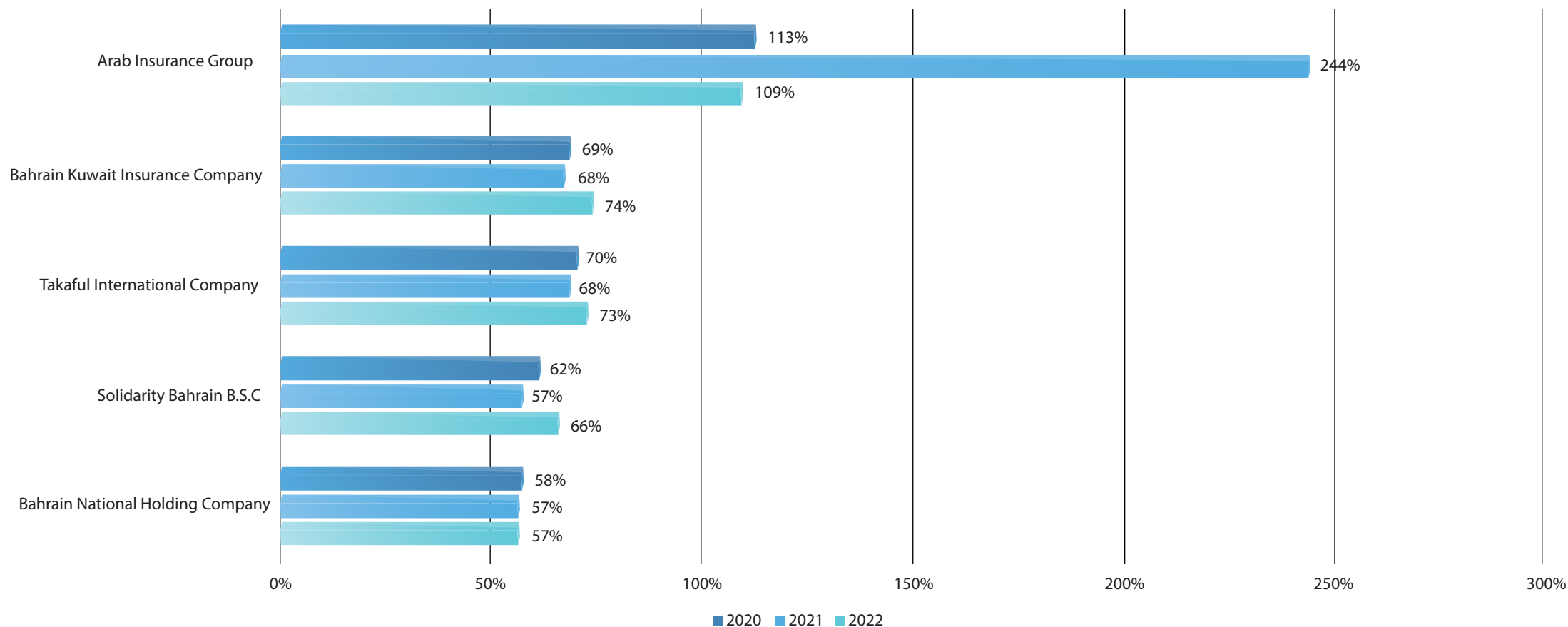
(BD 000's)

Net incurred claims are an important metric that reflects the performance and financial stability of insurance companies in Bahrain. Bahrain Kuwait Insurance Company had the highest net incurred claims in 2022, with 29,113, up from 24,979 in 2021. Solidarity Bahrain B.S.C had the largest increase in net incurred claims, with 17,687 in 2022, up from 8,307 in 2021. Arab Insurance Group had a sharp decrease, with a total of 536 in 2022, down from 12,689 in 2021. Overall, the total net incurred claims increased from 68,430 in 2021 to 70,447 in 2022, indicating moderate growth.



# LOSS RATIOS

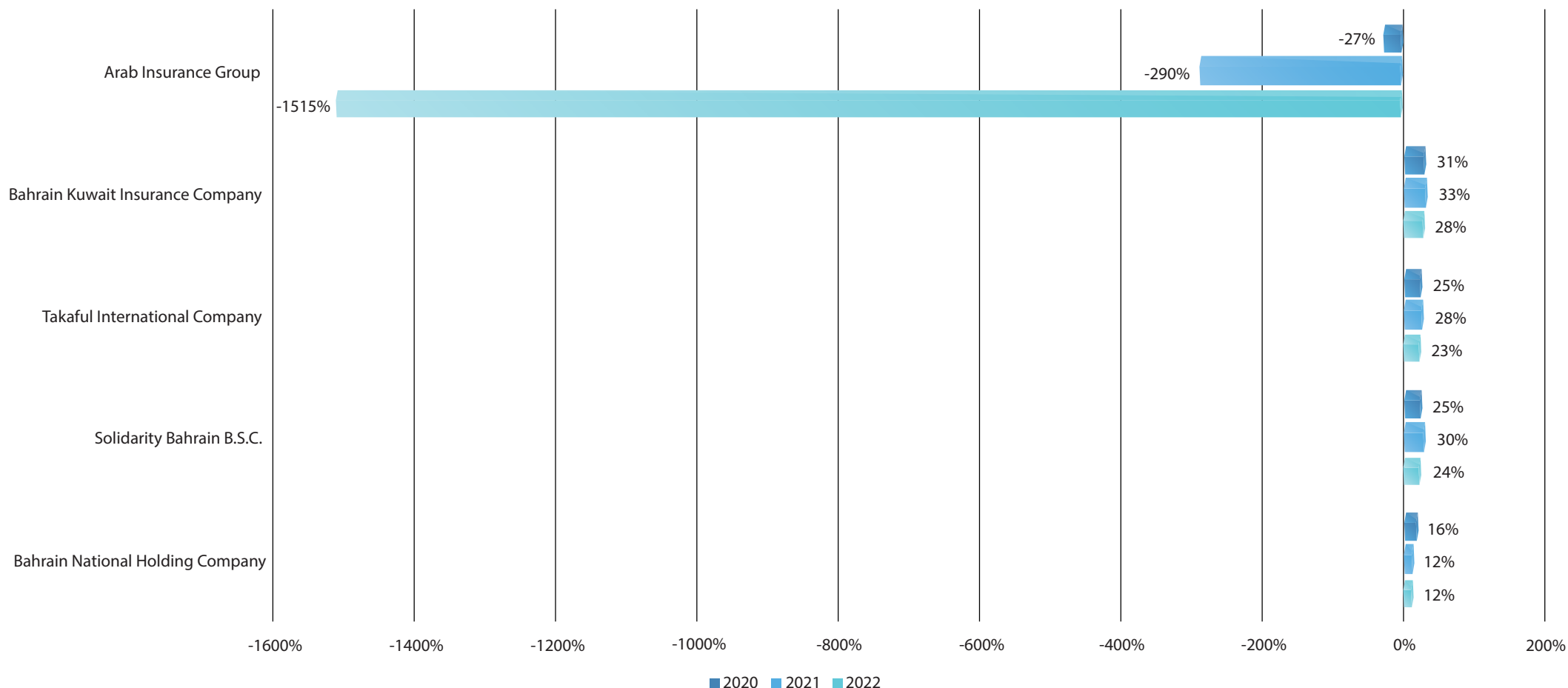
The five insurance companies in Bahrain had varying levels of profitability in 2021 and 2022, with Arab Insurance Group having the highest loss ratio. In 2022, the overall loss ratio decreased from 74% to 69%, suggesting that the companies may have improved their balance between claims paid out and premiums received. Arab Insurance Group had the most significant improvement in its loss ratio, decreasing from 244% in 2021 to 109% in 2022. This could indicate that the Company has taken measures to manage its claims and premiums more effectively.





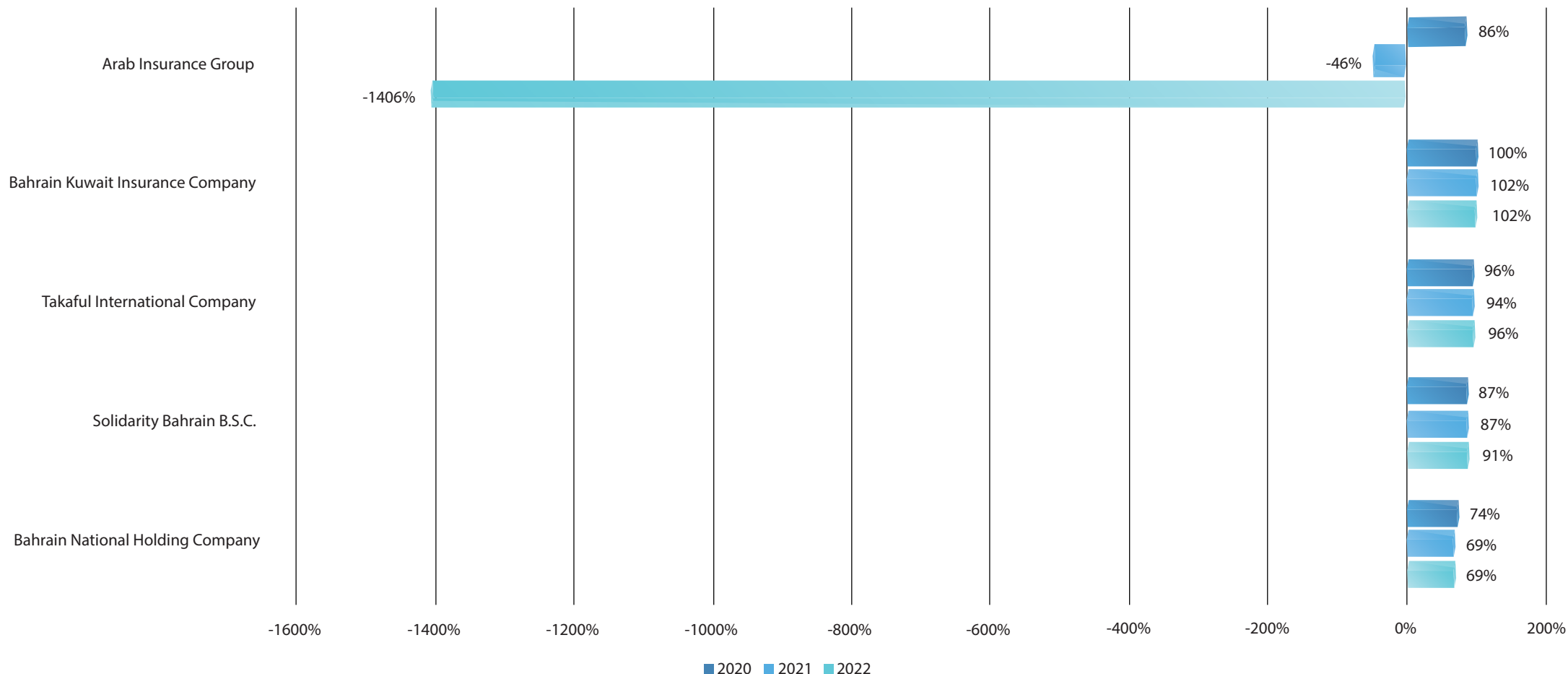
## EXPENSE RATIO

In 2021, five companies had expense ratios ranging from -290% to 33%. Arab Insurance Group had the lowest expense ratio of -290%, and Bahrain Kuwait Insurance Company had the highest expense ratio of 33%. In 2022, the overall expense ratio increased from 9% to 16%. This suggests that the companies may have spent more on expenses relative to their premiums. However, Solidarity Bahrain B.S.C., Takaful International Company, and Bahrain Kuwait Insurance Company were able to reduce their expense ratios, which could positively impact their profitability. In both years, they all had their expense ratios below 50%, which shows good performance.



# COMBINED RATIOS

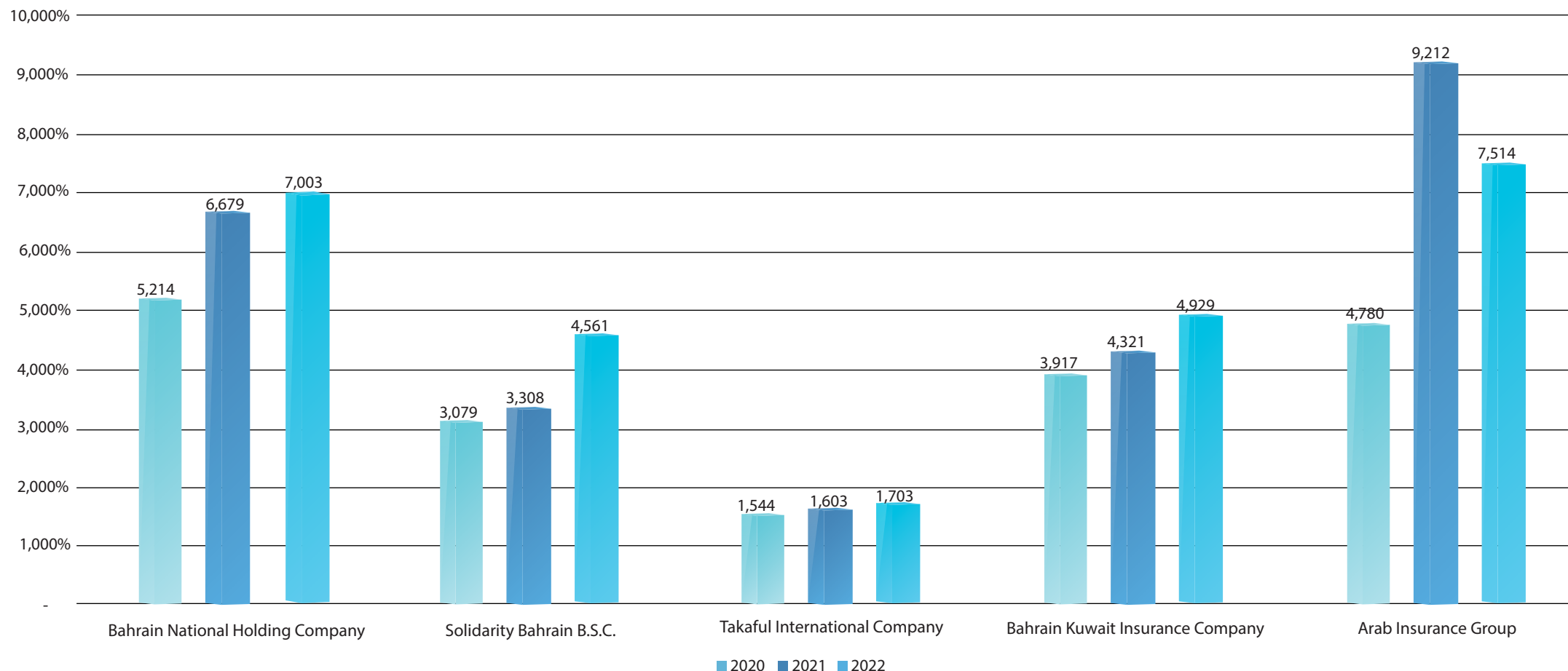
Bahrain National Holding Company and Bahrain Kuwait Insurance Company have a constant combined ratio of 69% and 102%, respectively, in both 2021 and 2022. Arab Insurance Group has a combined ratio of -46% in 2021 and an alarming -1406% in 2022. Solidarity Bahrain B.S.C. and Takaful International Company had a slight increase and decrease in their combined ratios. We can see that all of the companies except for one have a combined ratio of less than 100%, indicating that they are profitable.



# NET PROFIT/LOSS (AFTER TAX)

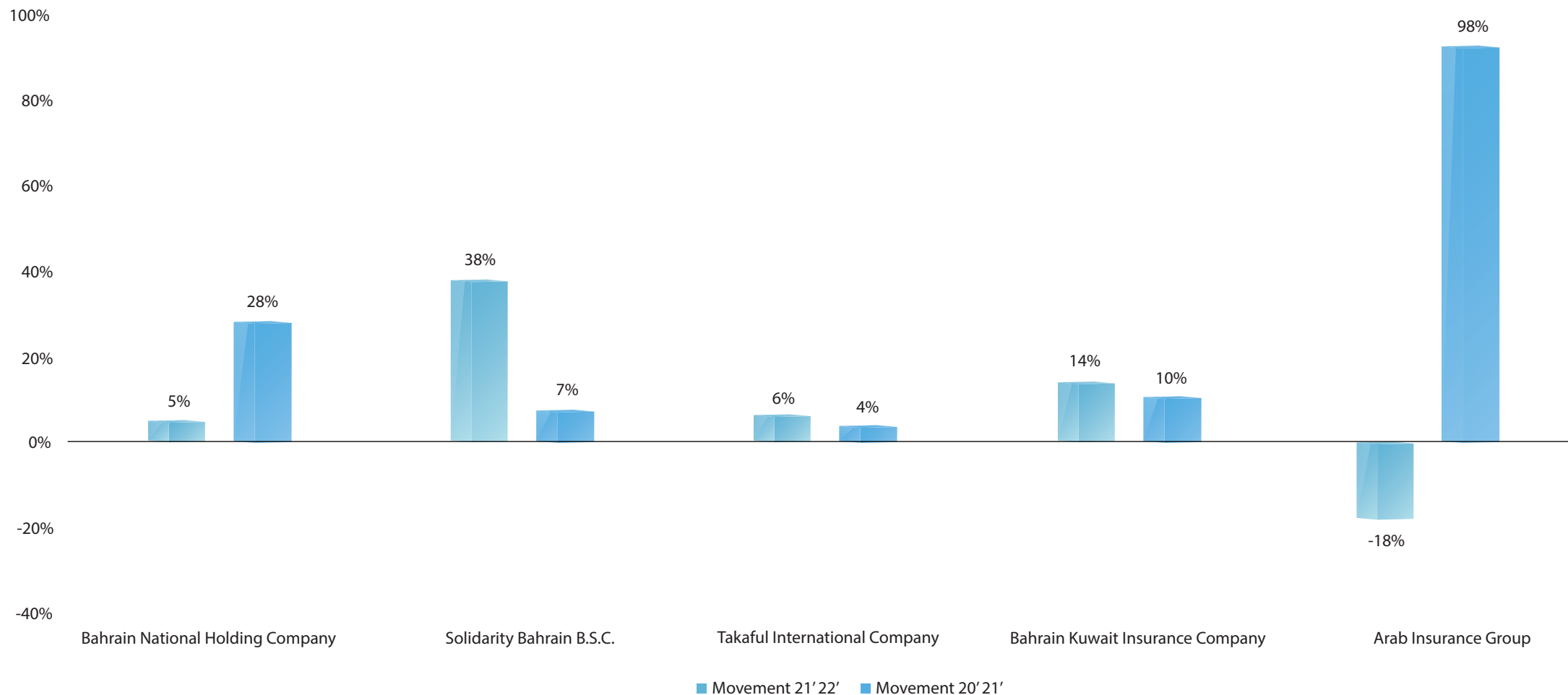
(BD 000'S)

In 2022, the total net profit increased by BHD 588 million, with the Arab Insurance Group contributing the most, about BHD 7,514 million. But the net profits of some of the companies changed in comparison to the previous year. Solidarity Bahrain B.S.C. showed a significant increase in their net profits from the previous year, with the latter increasing from BHD 3,308 million in 2021 to BHD 4,561 million in 2022. Overall, the insurance industry in Bahrain showed positive growth in 2022.



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

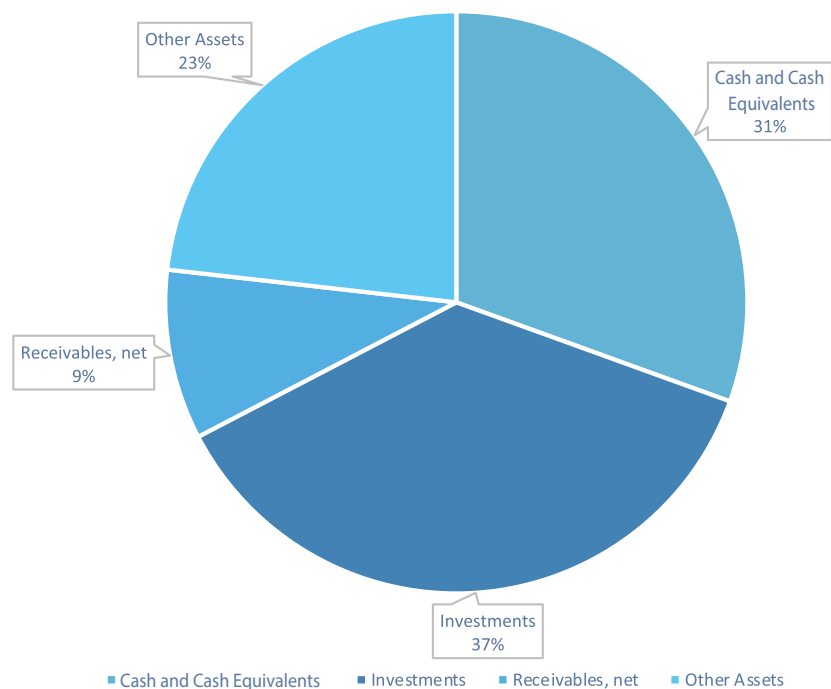
In 2022, the total net profit movement for all five companies was 2%. This indicates that the companies as a whole have made a slight improvement in their financial performance. Breaking down the data by individual companies, Solidarity Bahrain B.S.C. has seen the largest improvement, with a 38% increase. However, Arab Insurance Group has seen an 18% decrease. This may be due to increased claims or higher operating expenses. In 2021, Arab Insurance Group saw the largest movement, with a 93% increase, followed by Bahrain National Holding Company, with a 28% increase.



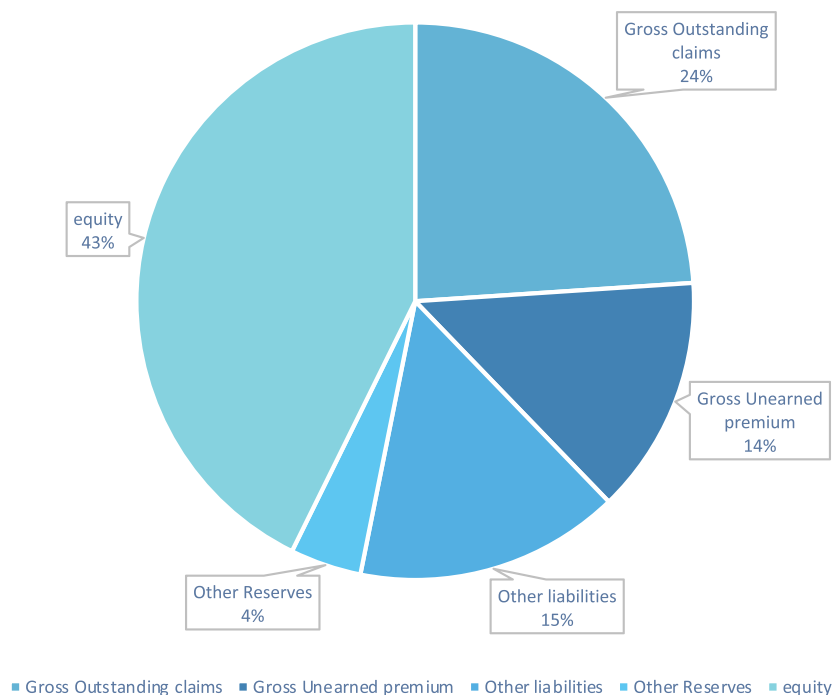
# ASSET / LIABILITY AND EQUITY - CONVENTIONAL

In 2022, about 37% of conventional assets relate to investments, 31% to Cash and Cash equivalents, 9% to Receivables and 23% to other assets. liabilities of conventional companies consist of a 24% gross outstanding claims, 14% of gross unearned premium, 15% of other liabilities, 4% of other reserves and equity of total conventional business is about 43%.

## Assets Classification



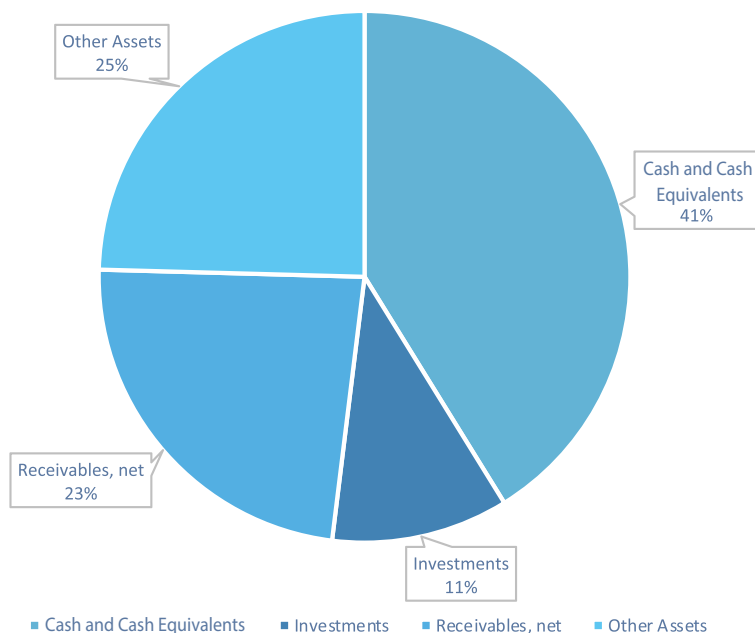
## Liability and equity Classification



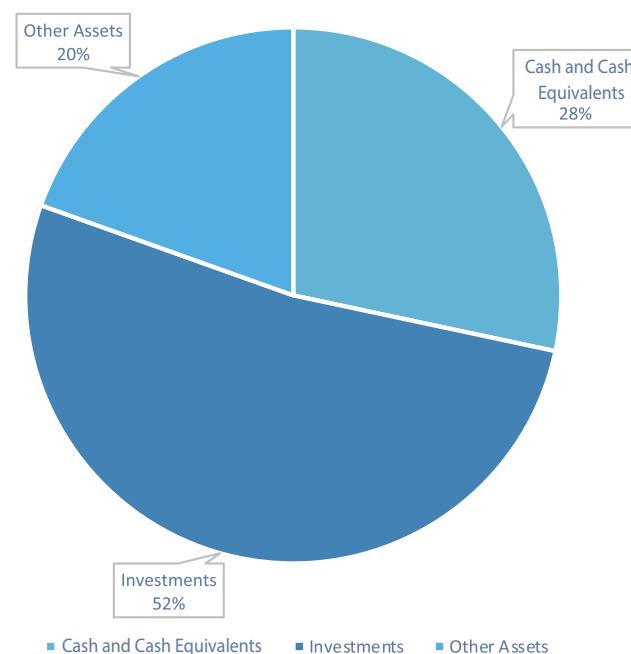
# ASSET CLASSIFICATION - TAKAFUL

In 2022, about 11% of policyholder assets relate to investments, 23% to Receivables, 25% to other assets and 41% to Cash and Cash equivalents. For Shareholder assets, 52% of the assets relate to investments, 28% to cash and cash equivalent, and 20% to Other Assets. Investments constitute most of the part of the shareholder assets and Cash and Cash equivalents constitute most of the part of the policyholder assets.

## Policyholder Assets



## Shareholder Assets

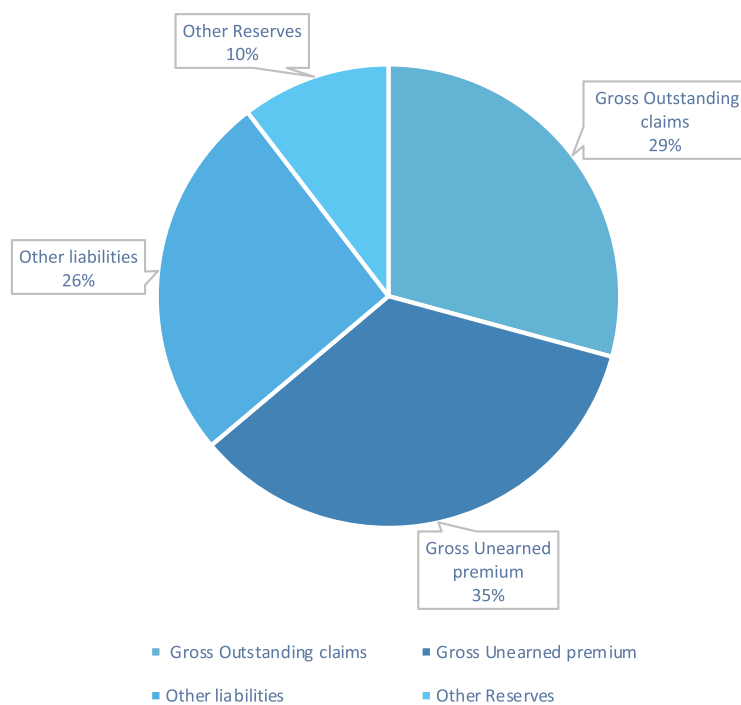




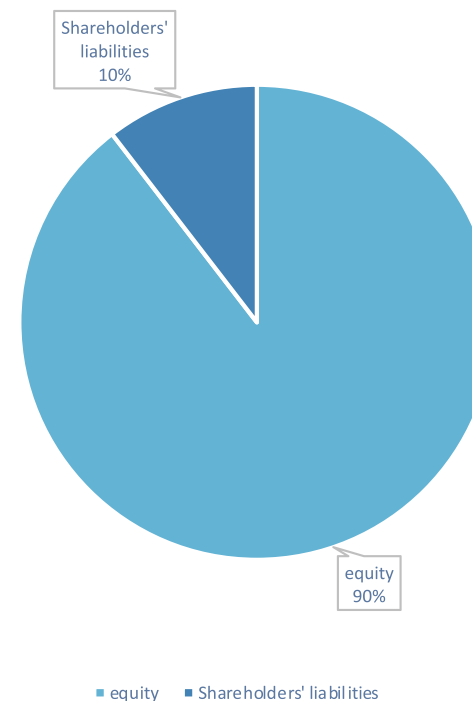
# LIABILITY AND EQUITY CLASSIFICATION - TAKAFUL

In 2022, policyholder liabilities consist of a 29% gross outstanding claims, 35% of gross unearned premium, 26% of other liabilities and 10% of other reserves. In addition to this, equity as a percentage of total assets is about 90%, while shareholders' liabilities consist of about 10%.

## Policyholder Liability Classification



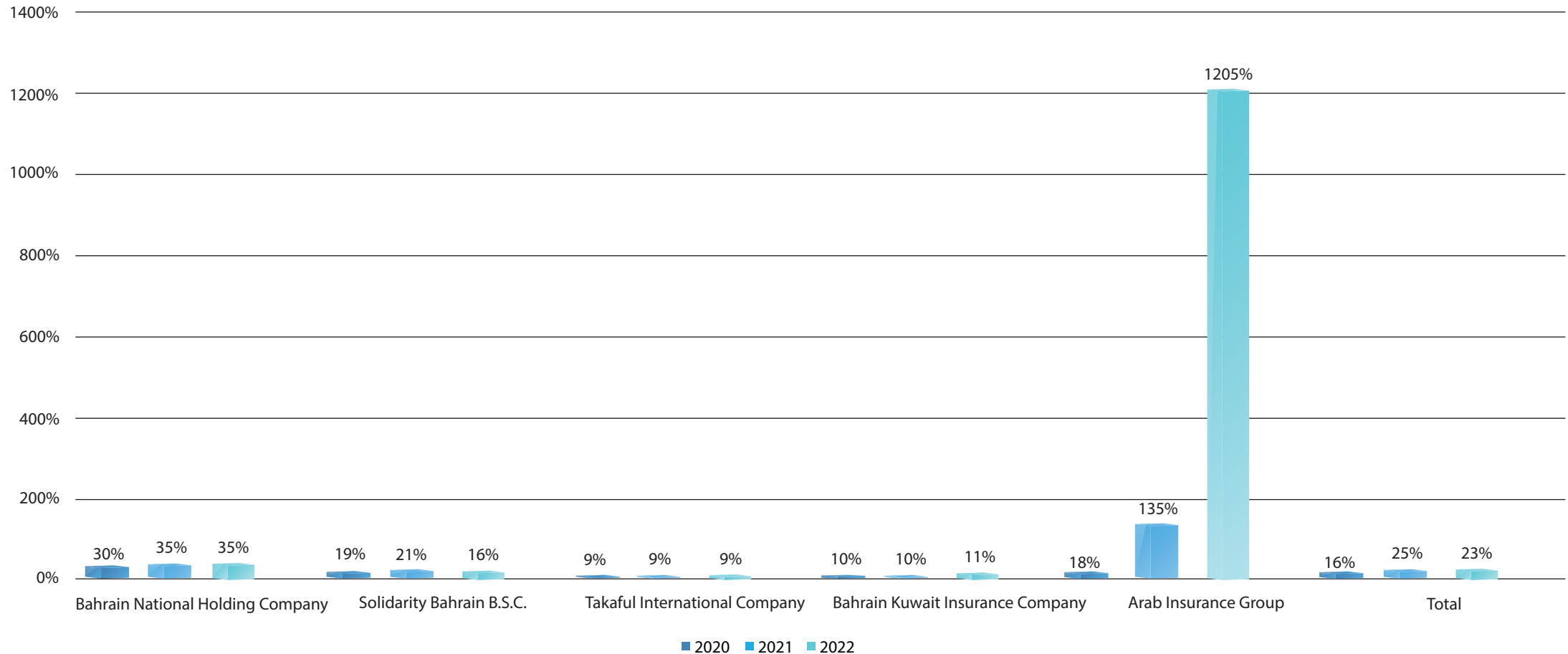
## Shareholder Liability Classification



# RATIO ANALYSIS

## Net Profit Margins

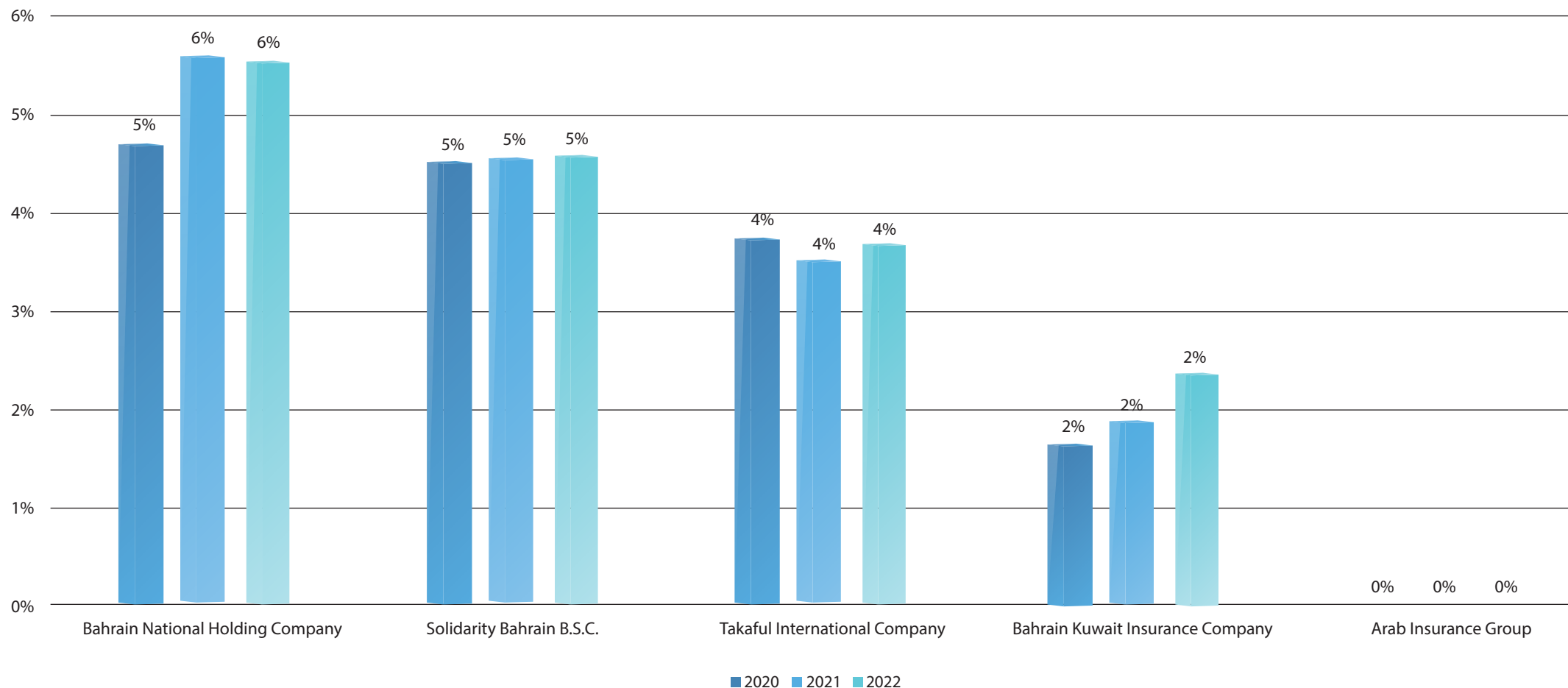
The net profit margin measures how much net income or profit is generated as a percentage of revenue. For the years 2022 and 2021, Arab ins group had the highest net margin 1205% and 135%, respectively, (suggesting that claims and expenses were very low). The lowest net margin was for Takaful international company 9% for all three years 2022, 2021 and 2020. In 2020, BNHC had the highest net margin 30%.



# RATIO ANALYSIS

## Return on Asset (ROA)

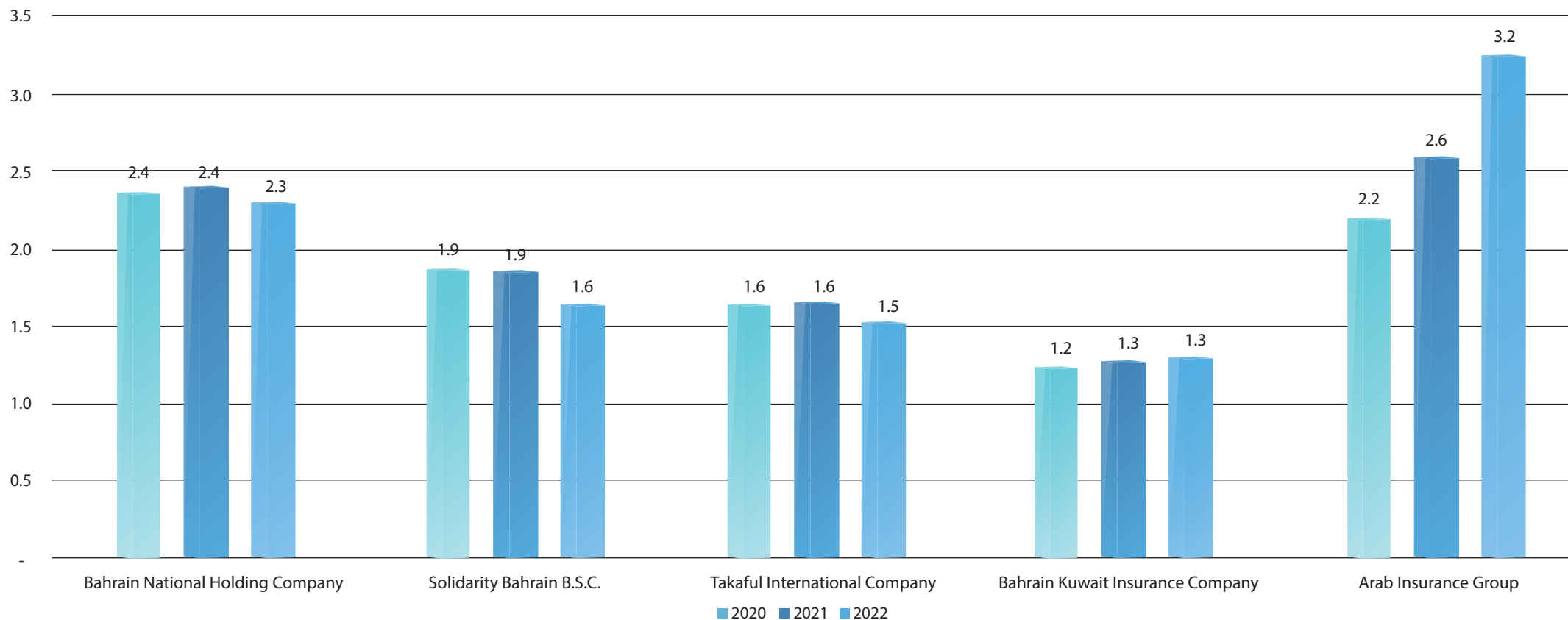
Return on Assets (ROA) is an indicator of how profitable a company is relative to its total assets. Comparing profits to revenue is a useful operational metric, but comparing them to the resources a company used to earn them cuts to the very feasibility of that company's existence. Bahrain National Holding Company was able to earn the highest return on assets of around 6% in both 2021 and 2022, while Arab Insurance Group earned the lowest return on assets of 0% in both years.



# RATIO ANALYSIS

## Overall Liquidity Ratio

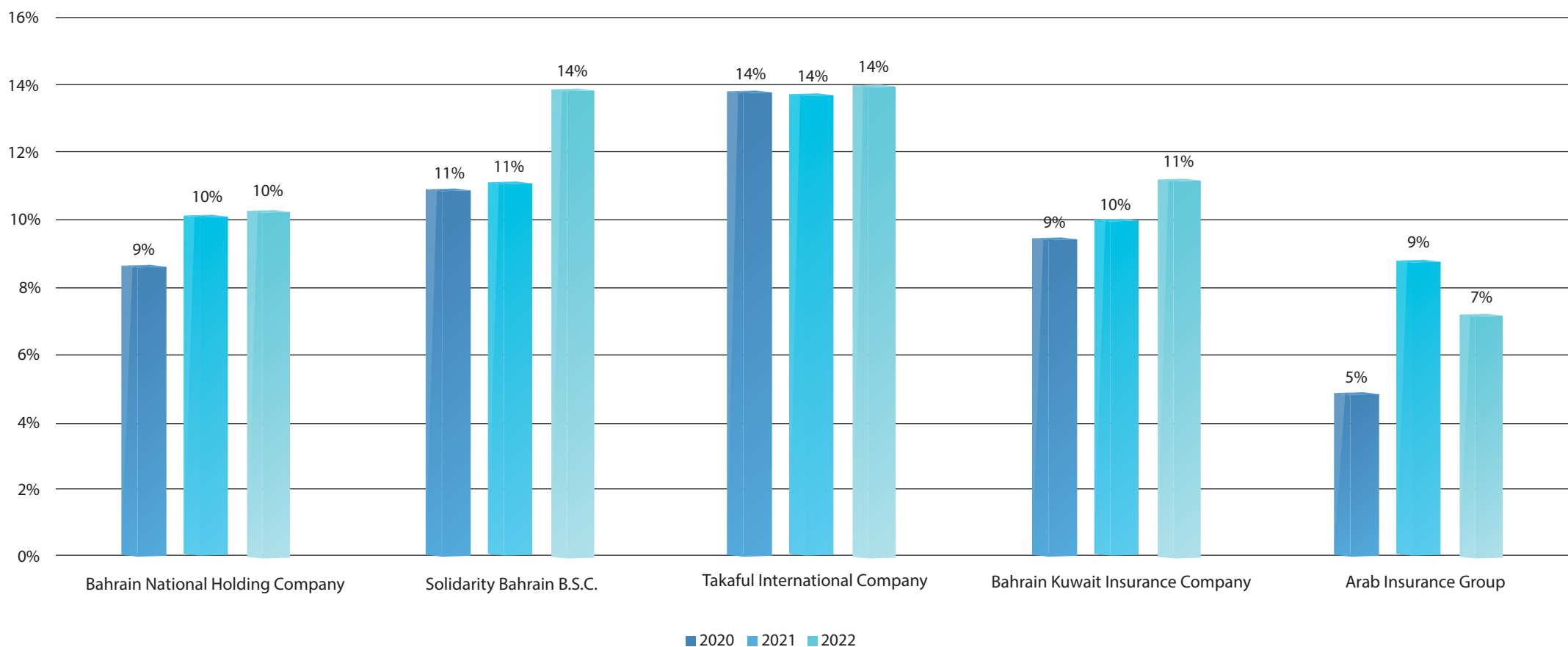
A Liquidity Ratio is a type of financial ratio used to determine a company's ability to pay its short-term debt obligations. The metric helps determine if a company can use its current, or liquid, assets to cover its current liabilities. All companies have a liquidity ratio greater than 1, which is generally considered to be the minimum acceptable level. However, for the last three years, Bahrain National Holding Company has maintained a constant liquidity ratio, showing that it has sufficient liquidity to satisfy its short-term obligations. Solidarity Bahrain B.S.C. and Takaful International Company, on the other hand, have seen their liquidity ratios drop over time. Bahrain Kuwait Insurance Company's liquidity ratio has also increased somewhat over the last year, and Arab Insurance Group has the highest liquidity ratio of all corporations and has witnessed a constant increase in its liquidity ratio over the last three years. This shows that it has a solid ability to satisfy its short-term obligations, which is a good sign for investors and creditors.



# RATIO ANALYSIS

## 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, Bahrain Kuwait Insurance Company, and Arab Insurance Group have a relatively lower ROE compared to the other companies. However, Takaful International Company displayed a higher ROE of about 14% in both years, and Solidarity Bahrain B.S.C. had a significant increase from 11% to 14% in 2022, indicating that they are more profitable and efficient in generating profits from shareholder equity. Overall, the total ROE of all the companies has increased from 54% in 2021 to 57% in 2022, which is a positive sign for the overall performance of the companies.





## MEET THE TEAM

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# SHMACONSULTING

## Feedback

SHMA Consulting is proud to present Insurance Industry Analysis – Bahrain for the Year-End 2022. 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.



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## 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.



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