

Oriental Insurance Company Limited – Kuwait Branch
Director's / Management's Report for the Year Ended 31 December 2024

1. Introduction and Company Overview

The Oriental Insurance Company Limited, Kuwait Branch (the "Company"), is pleased to present their report together with the audited financial statements for the financial year ended 31 December 2024.

The Company operates in the State of Kuwait as a branch of Oriental Insurance Company Limited, India, under the agency of **M/s. Bader Al Mulla & Bros. Co. Kuwait**, and is engaged in the business of general (non-life) insurance. Our portfolio covers a broad spectrum of insurance products including motor, fire & property, engineering, marine, liability, and others, catering to both retail and corporate clients.

Despite a challenging macroeconomic environment, the Company continued to strengthen its underwriting practices, prudently manage its investments, and uphold its commitments to policyholders, regulators, and stakeholders.

2. Business Review

2.1 Underwriting Performance

During the year ended 31 December 2024, the Company recorded the Total Insurance Revenue of KWD 4.16 million (FY 2023: KWD 3.58 million), reflecting an increase of 16%. However, the sharp increase in the Insurance Service Expenses amount to KWD 4.59 million as against KWD 2.73 million only in FY 2023, has resulted in an underwriting loss of KWD 0.65 million (FY 2023: KWD 0.93 million).

Business Line Commentary:

- **Motor Insurance:** Continued to represent the largest share of premiums, but profitability was impacted by competitive tariff structures and increased accident frequency.
- **Fire and Property Insurance:** Stable demand, though premiums were lower than in 2023 due to intense competition in the commercial and industrial segments.
- **Marine Insurance:** Performance remained modest but stable, supported by regional trade flows.

Overall, while premium volumes softened and claims ratios increased, the Company maintained strict control over expenses and strengthened its reinsurance protections. The underwriting results underscore the competitive nature of the Kuwaiti general insurance market in 2024.

2.2 Investment Performance

Investment income remained a vital source of support for overall profitability. The Company maintained a conservative investment strategy, with placements largely in fixed deposits and bank balances in

Kuwait. The Cash and Cash equivalents rose significantly to KWD 1.73 million (up from KWD 0.15 million at the end of FY 2023), ensuring strong liquidity, and, the Fixed deposits with banks stood at KWD 1.36 million, unchanged from 2023, reinforcing the Company's financial stability and claims-paying ability.

2.3 Key Financial Highlights

A summary of the Company's financial position as at 31 December 2024 is as follows:

- **Total Assets:** KWD 4.02 million (FY 2023: KWD 3.99 million)
- **Total Liabilities:** KWD 5.08 million (FY 2023: KWD 4.27 million)
- **Head Office funds:** The Head Office showed a balance of KWD 11.52 million as at December 31, 2024 (unchanged from FY 2023), but due to increased accumulated losses to KWD 12.58 million (FY2023: KWD 11.93 million), the net equity stood in negative of KWD 1.06 million as at December 31, 2024 as compared to KWD 0.41 million at the end previous financial year.

Though, the net deficit widened due to the underwriting environment, yet, the liquidity stands strengthened, and the Company continues to remain adequately capitalized to meet its obligations.

3. Strategic Vision and Future Outlook

3.1 Strategic Initiatives

In 2024, the Company pursued several initiatives to enhance operational and financial performance:

- Strengthening underwriting standards and risk selection.
- Improving customer engagement through digital platforms and efficient claims management processes.
- Expanding focus on health and liability insurance, given increasing demand from corporates and individuals.
- Reinforcing reinsurance arrangements with reputed international reinsurers, ensuring risk diversification and protection.

3.2 Market Outlook

The global economy is expected to grow moderately in 2024, reaching 3.2%, compared to 3.4% in the previous year even as it remains below its 20-years historical average of 3.8% which underscore continuance of the major obstacles hindering stronger economic momentum at the international level. Although global inflation is projected to decline to 5.8%, compared to 6.7% in 2023, indicating a relative improvement in inflationary pressures, the economic growth is likely to remain impacted by a range of ongoing global economic challenges, most notably, high public debt, persistently high interest rates, and geopolitical tensions.

In this backdrop of Global economic situation, the Kuwaiti economy witnessed a contraction in real GDP growth of 2.8% in FY 2024 largely due to the commitment to the OPEC+ oil production cuts, amidst significant volatility in the oil market. However, despite the economic recession, the non-oil sector grew by 3.5%, driven by the strong performance of the manufacturing sector, particularly the refining activities. Inflation remained relatively stable at around 3.0%, compared to 3.7% the previous year, as

excess demand pressures faded and imported food prices declined. In addition, the Central Bank of Kuwait cut its interest rate to 4.00%, in line with local economic conditions, maintaining macroeconomic stability, and promoting sustainable growth. This rate was lower than that of the US Federal Reserve during 2024. Furthermore, positive corporate financial results, the impact of new investment tools on liquidity, and lower interest rates have led to Boursa Kuwait ending FY 2024 with remarkable gains. The market capitalization grew by 8.2% to KWD 43.57 billion, compared to KWD 40.2 billion the previous year, placing the Boursa Kuwait General Index second rank in the Gulf in terms of performance. Liquidity flowing into the market also witnessed a significant 40% increase, reaching KWD 14.8 billion, compared to KWD 10.6 billion in 2023.

These factors are likely to support growth in insurance penetration, particularly in motor, property, medical, and liability lines.

3.3 Future Prospects

The Company will continue to:

- Enhance product innovation to meet evolving customer needs.
- Leverage digital technology for policy issuance, servicing, and claims settlement.
- Strengthen reinsurance partnerships and technical expertise.
- Focus on long-term profitability through disciplined underwriting and cost efficiency.

4. Corporate Governance

4.1 Risk Management

The Company maintains a robust risk management framework to identify, assess, and mitigate key risks including underwriting, operational, market, credit, and liquidity risks. Regular monitoring, stress testing, and compliance with head office guidelines ensure that risk exposures remain within acceptable thresholds.

4.2 Compliance

The Company reaffirms that it has complied with all applicable laws and regulations of the State of Kuwait, including those issued by the Ministry of Commerce & Industry, the Insurance Regulatory Unit (IRU), and other competent authorities.

The Company adopted the new International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), including **IFRS 17 – Insurance Contracts** and **IFRS 9 – Financial Instruments**, effective 1 January 2023, and continued their application in 2024. The auditors have confirmed that the Company's financial statements for the year ended 31 December 2024 have been prepared in accordance with these requirements, ensuring enhanced reliability and comparability of financial information.

4.3 Corporate Social Responsibility

Oriental Insurance Company Limited remains committed to contributing positively to society. The Kuwait Branch continues to support initiatives aimed at community welfare, financial awareness, and sustainable practices, in line with the Company's values and international standards.

5. Acknowledgement

The Company wish to express its humility & gratitude to the Government of Kuwait, the Insurance Regulatory Unit (IRU), the Kuwait Direct Investment Promotion Authority (KDIPA), and other Govt bodies their continued guidance and support.

We also extend our gratitude to our clients, reinsurers, agents, and employees for their trust, cooperation, and dedication, which remain the cornerstone of our operations in Kuwait.

Despite global and local challenges, the Company remains well-positioned to sustain growth, enhance profitability, and uphold its obligations to policyholders and stakeholders.

For and on behalf Oriental Insurance Company Limited – Kuwait Branch

Sd/-

Resident Manager

Date: _ _ _ _ _

Place: Kuwait