



Rating Action: Moody's Ratings assigns Ba2 IFSR to First Takaful Insurance Company; outlook stable

29 Jun 2026

DIFC - Dubai , June 29, 2026 - Moody's Ratings (Moody's) has today assigned a Ba2 insurance financial strength rating (IFSR) to First Takaful Insurance Company - KPSC (First Takaful). The outlook is stable. Based in Kuwait, First Takaful is a mid-tier property and casualty insurer, underwriting various commercial and personal lines products.

RATINGS RATIONALE

The assignment of a Ba2 IFSR to First Takaful reflects (i) the company's diversified product offering across retail and commercial lines of insurance business; (ii) adequate asset quality with an adequate quality of reinsurance assets and invested assets, albeit with sizeable exposure to equity investments; (iii) modest capital buffer above the regulatory requirement post the recent capital infusion of KD6 million by its shareholders; and (iv) financial flexibility demonstrated by the recent equity raise, its status as one of only a handful of insurers being listed on the Kuwait stock exchange and no current outstanding borrowings.

These strengths are moderated by First Takaful's recent return to underwriting profitability and uncertainty about its ability to continue improving its underwriting performance given its modest market position, as the 18th largest in the Kuwaiti insurance market in terms of premiums, which constrains its growth and diversification prospects amid intense competition, albeit that it has a better market position in motor insurance, which is its area of focus. The competitive pricing pressures of the Kuwaiti insurance market, alongside First Takaful's high expense base relative to its premium volume has resulted in weak underwriting profitability with the YE2025 five-year average combined ratio (COR) of 105%, albeit having recently improved with a YE2025 standalone COR of 99%.

The weak historical performance has resulted in volatile, often loss making results with return on capital (ROC) of -9.7% and -4.4% for YE2023 and YE2024 respectively, before the recent underwriting improvement in YE2025 resulting in a ROC of 1.1% for that year. The historic weak performance had pressured capital adequacy with the company unable to meet minimum regulatory capital requirements during YE2025.

More positively we note that the KD6 million capital injection by First Takaful's shareholders in February 2026, has increased its consolidated (policyholders' and shareholders') equity from KD5.9 million at YE2025 to KD11.7 million per the results reported at 31 March 2026. This has abated the risks related to the non-compliance with regulatory solvency requirements, however the company's post-capital infusion risk framework remains to be enhanced and actioned in terms of allocation of the capital into investments and underwriting risks.

The Ba2 rating also incorporates First Takaful's environmental, social and governance (ESG) considerations, as per our General Principles for Assessing Environmental, Social and Governance Risks methodology. Our assessment is that First Takaful's exposure to governance risks is moderate, reflected in a Governance Issuer Profile Score (IPS) of G-3, driven by the still evolving financial strategy and risk management, and the weak performance track record, albeit with recent signs of improvement.

OUTLOOK

The stable outlook reflects our expectation that First Takaful will maintain its recent improvements in underwriting profitability whilst maintaining its reinstated capital levels and regulatory compliance.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

The following factors could exert upward pressure on First Takaful's rating: (i) demonstrated ability to further improve and sustain underwriting profitability, and (ii) strengthened capital adequacy, with capital levels more comfortably maintained in excess of regulatory requirements.

Conversely, downward pressure on First Takaful's rating could result from: (i) deterioration in underwriting performance, including COR consistently above 100% or negative return on capital; and/or (ii) deterioration in capital adequacy; and/or (iii) asset quality deteriorates, with high risk assets (HRA) as a percentage of consolidated equity of over 90%; and/or (iv) a significant deterioration in the company's market share.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Property and Casualty Insurers published in April 2024 and available at <https://ratings.moodys.com/rmc-documents/418354>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

First Takaful's "Standalone Scorecard-indicated Outcome" of Ba2 is four notches below the "Preliminary Standalone Outcome" of Baa1. This reflects the smaller size and concentration of the Kuwaiti insurance market which constrains First Takaful's business profile compared to global peers and a more holistic assessment of the company's asset quality, profitability, capital adequacy, and financial flexibility, based on the quality of underlying assets, underwriting profitability metrics and regulatory solvency ratios.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1462204.

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