Company Report

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Qatar Insurance Company

QIC's turnaround triumph: Prudent UW drives path to a 12% RoE - Upgrade to Buy

- **Underwriting income is projected to increase significantly, driven by strategic risk selection, portfolio optimisation, and operational efficiencies.**
- **Long-term RoE is projected to reach 12%, underpinned by prudent underwriting measures and AI-driven initiatives.**
- **Investment income remains a key earnings contributor, even as yields normalise to 4.1%, supported by a diversified FI portfolio.**
- **Current valuations overlook QIC's earnings turnaround and underwriting improvements since FY 22, presenting a compelling entry point.**

Prudent underwriting measures solidify QIC's turnaround story and set its RoE trajectory toward 12%. With the exit from unprofitable UK motor insurance, a focus on direct insurance in the MENA region, and AI-driven improvements in pricing and claims handling, QIC is enhancing underwriting margins, projected to reach 8.8% by FY30e. Net income is expected to grow at an 6.6% CAGR, reaching QAR 1.0bn by FY30e. Efficiency gains from consolidating back-office functions and reduced CAT exposure further reinforce this profitability trajectory.

Underwriting income is poised for significant growth, elevating QIC to a margin-driven story. We forecast underwriting income to rise from a loss of QAR 1.2bn in FY22 to a gain of QAR 790m by FY27e, with margins improving from -10.5% to 8.1%. This growth is propelled by QIC's strategic focus on better risk selection, portfolio optimisation, and operational efficiencies, strengthening profitability with a renewed emphasis on underwriting direct insurance in regional markets.

Investment income remains a vital pillar of QIC's earnings, supported by a well-diversified portfolio managed by Epicure Investment Management. As yields stabilize, with expectations of normalizing to 4.1% by FY29e, QIC's portfolio is positioned to sustain strong earnings contributions, projected at 149%-108% from FY25 to FY30e. The portfolio's resilience is underscored by its track record of steady income generation, particularly from its fixed income holdings (74%), providing a reliable foundation for long-term growth.

QIC's turnaround story presents a compelling entry point: Upgrade to Buy. Despite past challenges, including the impacts of COVID-19 and unprofitable ventures in Gibraltar, QIC has implemented essential corrective actions since FY22 to enhance underwriting margins and target a long-term RoE of 12%. The company's stock has yet to return to its historical averages, currently trading at PE 25e of 8.9x and P/tNAV 24e of 1.1x while still offering an attractive dividend yield of 4.7% alongside improved earnings prospects.

BUY↑ **QAR 3.0**

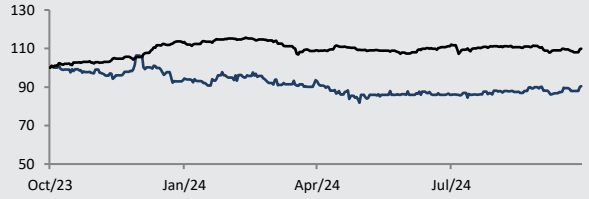
Insurance / QAR

Bloomberg code	QATI QD
Market index	QAR
Target Price	3.0
Upside (%)	38.8

Market data 11/5/2024	
Last closing price	2.1
52 Week range	2.0-2.6
Market cap (QAR m)	7,003
Market cap (USD m)	1,921
Average Daily Traded Value (QAR m)	1.0
Average Daily Traded Value (USD m)	0.00
Free float (%)	74%

Year-end (local m)	2023	2024e	2025e	2026e
Insurance Revenue	10,089	8,511	8,967	9,454
Underwriting Income	300	470	564	687
Net Income	615.3	704.5	784.8	869.6
EPS	0.14	0.17	0.19	0.22
P/E(x) (current price)	11.4	9.9	8.9	8.1
BVPS	1.91	1.98	2.06	2.16
Tangible BVPS	1.91	1.98	2.06	2.16
P/B(x) (current price)	1.1	1.1	1.0	1.0
P/TBVPS (x) (market price)	1.1	1.1	1.0	1.0
DPS	0.10	0.10	0.11	0.11
Dividend Yield	4.7	4.7	5.1	5.1
RoAA	2.1	2.5	2.7	3.0
RoAE	9.9	10.9	11.7	12.3
Investments/Assets (%)	50.6	51.5	51.8	52.1
Investment Yield	4.8	4.4	4.4	4.3
Service Expense Ratio	81.1	78.1	78.0	77.5
Combined Ratio (IFRS 17)	97.0	94.5	93.7	92.7
Underwriting Profit Margin	3.0	5.5	6.3	7.3
Net Profit Margin	6.1	8.3	8.8	9.2

Price Performance



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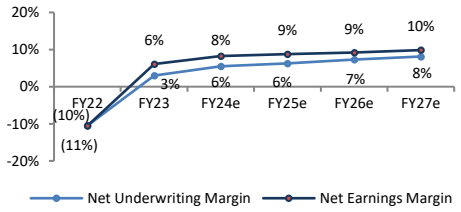
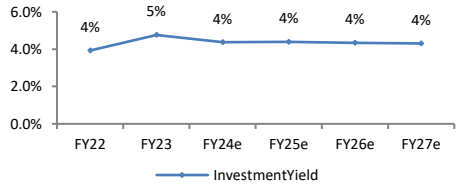
Abacus *Arqaam Capital Fundamental Data*

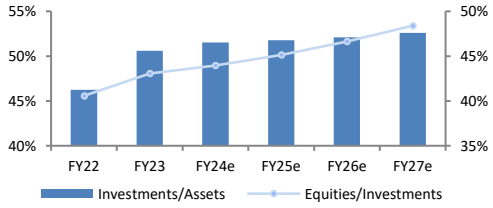
Profitability



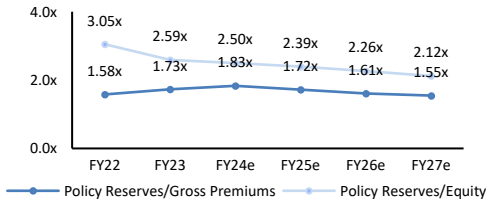
Investment Yield



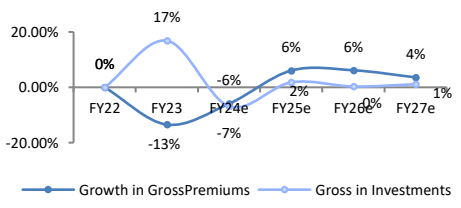
Investment Exposure



Solvency ratios & reserve adequacy



Growth



Qatar Insurance Company

Year-end	2022	2023	2024e	2025e	2026e	2027e
Performance analysis						
OpEx Margin	101.5	81.1	78.1	78.0	77.5	77.2
Combined Ratio	110.5	97.0	94.5	93.7	92.7	91.9
Underwriting Profit Margin	(10.5)	3.0	5.5	6.3	7.3	8.1
Investment Yield	3.9	4.8	4.4	4.4	4.3	4.3
Net Profit Margin	(10.5)	6.1	8.3	8.8	9.2	9.9
RoAE	(21.2)	9.9	10.9	11.7	12.3	12.8
RoAA	(4.0)	2.1	2.5	2.7	3.0	3.3
Revenue/Equity	2.0	1.6	1.3	1.3	1.3	1.3
Revenue/Assets	0.4	0.4	0.3	0.3	0.3	0.3
Contract Liabilities/Revenue	1.5	1.6	1.9	1.8	1.7	1.6
Investment Income/Total Income (%)	(70.2)	157.8	128.4	117.3	106.2	97.4

Year-end	2022	2023	2024e	2025e	2026e	2027e
Investment Exposure						
Investments/Assets (%)	46.2	50.6	51.5	51.8	52.1	52.6
Equities/Investments (%)	40.6	43.0	44.0	45.1	46.6	48.4
Equity/Assets	18.8	21.8	22.6	23.4	24.3	25.5

Year-end	2022	2023	2024e	2025e	2026e	2027e
Liquidity/Leverage						
Contract Liabilities/Gross Premiums	1.6	1.7	1.8	1.7	1.6	1.5
Contract Liabilities/Revenues	1.5	1.6	1.9	1.8	1.7	1.6
RA Reserves/Equity (x)	3.0	2.6	2.5	2.4	2.3	2.1
Debt/Capital	0.1	0.1	0.1	0.1	0.1	0.1
Debt/Equity	0.5	0.3	0.3	0.3	0.3	0.3

Year-end	2023	2024e	2025e	2026e	2027e
Growth					
Gross Premiums	(13.5)	(5.9)	6.1	6.2	3.6
Insurance Revenues	(10.1)	(15.6)	5.3	5.4	2.9
Investments	16.9	(6.8)	1.8	0.3	1.1
Assets	(3.8)	(0.6)	0.9	1.1	1.3
Total Reserves	(5.0)	(0.4)	(0.4)	(0.5)	(0.6)
Equity	11.7	3.4	4.0	5.1	6.2

Year-end	2022	2023	2024e	2025e	2026e	2027e
Valuation						
P/B(x) (current price)	1.3	1.1	1.1	1.0	1.0	0.9
P/B(x) (target price)	1.7	1.6	1.5	1.4	1.4	1.3
P/E(x) (current price)	(5.9)	11.4	9.9	8.9	8.1	7.3
P/E(x) (target price)	(8.2)	15.8	13.8	12.4	11.2	10.1

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Abacus *Arqaam Capital Fundamental Data*

Investment thesis

QIC is a diversified insurer with a two-tier growth strategy focused on insurance and reinsurance. Despite a challenging economic landscape, QIC returned to profitability in 2023 through disciplined risk management and operational efficiency. Antares, QIC's reinsurance arm, continues to align with Lloyd's growth profile, while its domestic P&C business reinforces its stronghold in Qatar, particularly in Energy, Marine, and Aviation. QIC's strategy now emphasises motor, life, and health lines, enhancing profitability. Solvency is robust, with a solvency ratio of 181% (end of H1 24A) as per QCB and 121% as per S&P model (vs 171% & 121% in FY 22A, respectively).

We upgrade our rating to Buy, as current valuations offer a compelling entry point, in our view.

Opportunities:

- QIC's strategic expansion in the Gulf through product innovation in personal lines and reinsurance, including products like Fixed Annuities and Terrorism coverages. This aligns with growing demand in life & health and wider margins.
- Acquisitive growth opportunities in key markets.
- Antares remains a solid platform for growth, especially in Marine & Energy.

Key risks:

- Regulatory risk from potential changes affecting BI exclusions, notably under pandemic scenarios.
- A focused shift to profitable segments may slightly reduce market share growth.
- Concentrated reinsurance exposure, particularly in London and Bermuda, could impact stability if adverse conditions persist in these markets.

Qatar Insurance Company

Year-end	2022	2023	2024e	2025e	2026e	2027e
Income statement (mn)						
Insurance Revenue	**11,222.1**	**10,088.8**	**8,511.3**	**8,966.6**	**9,454.2**	**9,727.7**
Insurance Expense	(11,387.6)	(8,182.5)	(6,643.2)	(6,996.9)	(7,328.2)	(7,509.3)
NI from retrocession	(1,012.7)	(1,606.2)	(1,397.7)	(1,405.7)	(1,439.0)	(1,428.2)
Insurance service result	**(1,178.1)**	**300.1**	**470.4**	**564.0**	**687.1**	**790.2**
Net investment income	758.1	869.8	815.7	812.0	812.9	816.1
Rental Income	31.6	45.7	58.8	59.6	60.6	62.0
Other Income	9.5	30.2	7.3	22.3	22.7	27.9
Net Investments	**830.9**	**970.9**	**904.5**	**920.7**	**923.5**	**933.8**
Net finance expenses from insurance	(728.2)	(364.2)	(312.7)	(329.7)	(347.8)	(358.2)
Net finance expenses from reinsurance	332.0	85.3	67.8	71.7	75.9	78.4
Net finance result	**(396.2)**	**(278.9)**	**(244.9)**	**(258.0)**	**(272.0)**	**(279.8)**
Net reinsurance & investment result	(743.4)	992.1	1,129.9	1,226.7	1,338.6	1,444.2
Other OpEx	(431.4)	(369.8)	(425.6)	(448.3)	(472.7)	(486.4)
Associate Income	34.3	32.7	22.0	30.7	30.7	30.6
Total income before tax	**(1,140.5)**	**655.0**	**726.3**	**809.1**	**896.5**	**988.4**
Net income before tax	**(1,140.5)**	**655.0**	**726.3**	**809.1**	**896.5**	**988.4**
Tax	(42.7)	(39.7)	(21.8)	(24.3)	(26.9)	(29.7)
Net income after tax	**(1,183.2)**	**615.3**	**704.5**	**784.8**	**869.6**	**958.8**
Perpetual debt charge	(165.0)	(165.0)	(165.0)	(165.0)	(165.0)	(165.0)
EPS	(0.41)	0.14	0.17	0.19	0.22	0.24

Year-end	2022	2023	2024e	2025e	2026e	2027e
Balance sheet (mn)						
Cash	7,363.8	5,888.3	5,998.0	6,055.6	6,122.9	6,175.4
Investments	13,788.4	14,512.1	14,695.8	14,894.3	15,157.2	15,496.4
Reinsurance Contract Assets	6,017.2	6,226.9	5,809.4	5,787.1	5,757.4	5,723.1
Retrocession Contract Assets	417.5	173.5	174.3	173.6	172.7	171.7
Other Receivables	586.9	259.1	218.6	230.3	242.8	249.8
Associates	457.1	440.7	439.8	438.9	438.0	437.2
Investment properties	636.2	634.6	634.6	634.6	634.6	634.6
PP&E	115.3	102.1	107.3	112.6	118.3	124.2
Good will & intangibles	444.9	444.9	444.9	444.9	444.9	444.9
Total Assets	**29,827.3**	**28,682.3**	**28,522.6**	**28,771.9**	**29,088.9**	**29,457.3**
Reinsurance contract liabilities	17,055.5	16,195.8	16,137.3	16,075.3	15,992.9	15,897.6
Reinsurance contract liabilities	287.7	336.4	335.2	333.9	332.2	330.2
Accrued expenses & other liabilities	1,190.8	1,153.3	973.0	1,025.0	1,080.7	1,112.0
ST Borrowings	3,054.1	2,097.2	2,097.2	2,097.2	2,097.2	2,097.2
Loans	124.8	132.5	-	-	-	-
Total Liabilities	**21,712.9**	**19,915.2**	**19,542.6**	**19,531.4**	**19,503.0**	**19,437.0**
Shareholders Equity	**5,593.6**	**6,246.2**	**6,459.1**	**6,719.6**	**7,064.9**	**7,499.4**
Perpetual Debt	2,520.9	2,520.9	2,520.9	2,520.9	2,520.9	2,520.9
Total Equity	**8,114.5**	**8,767.1**	**8,980.0**	**9,240.5**	**9,585.9**	**10,020.4**
BVPS	1.71	1.91	1.98	2.06	2.16	2.30

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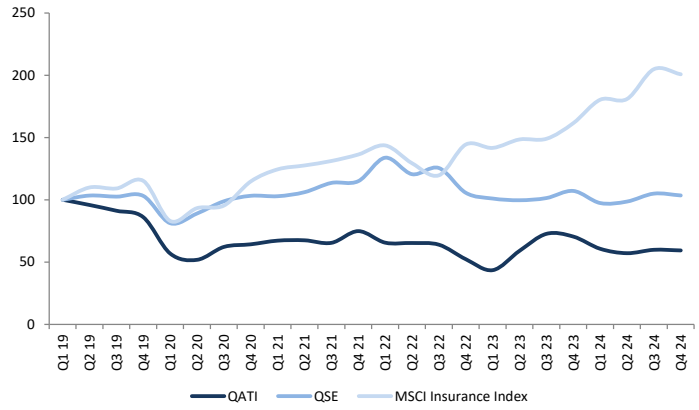
Upgrade to Buy – We find value in QIC's turnaround story.

- **The current valuation has not fully captured QIC's earnings turnaround and underwriting improvements since FY 22A. Despite challenges post-COVID-19 and unprofitable ventures in Gibraltar, QIC has implemented corrective actions to enhance margins and target a long-term RoE of 12% while maintaining an attractive dividend yield.**
- **Underwriting income is forecasted to increase from QAR 470m in FY 24 to QAR 790m by FY 27e, raising margins from 5.5% to 8.1%, driven by improved risk selection, portfolio optimisation, and operational efficiencies.**
- **Long-term RoE is modelled at 12%, supported by QIC's exit from unprofitable UK motor insurance, focus on MENA direct insurance, AI-driven policy pricing and claims handling, consolidated back-office operations, and reduced CAT exposure.**

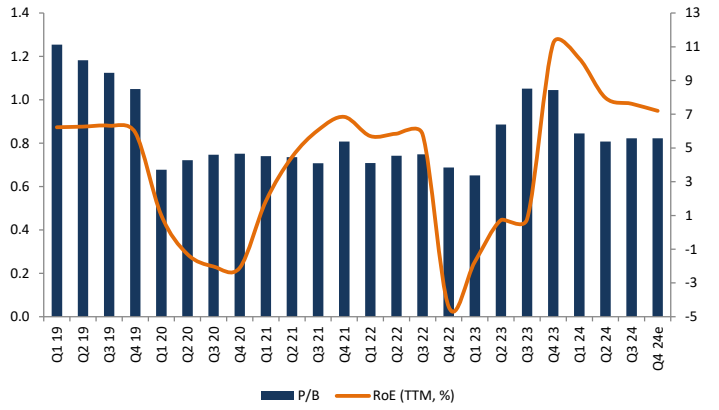
We see significant value in QIC, as the current valuation fails to capture its earnings turnaround and the prudent underwriting measures implemented since FY 22A. QIC's stock has not returned to its historical average since FY 19, impacted by challenges such as COVID-19 and unprofitable ventures from its Gibraltar-based subsidiaries. However, we believe QIC has undertaken essential corrective actions to enhance underwriting margins and target a long-term RoE of 12% while offering an attractive dividend yield of 4.7%.

Exhibit 1: QIC stock price vs S&P Insurance index



Source: Bloomberg, Company Data, Arqaam Capital Research

Exhibit 2: P/B vs RoE



Source: Bloomberg, Company Data, Arqaam Capital Research

The critical driver of QIC's value is the anticipated improvement in underwriting income, forecasted to rise from QAR 470m in FY 24 to QAR 790m by FY 27, pushing underwriting margins up from 5.5% to 8.1% over the period. This reflects the company's strategic focus on margin enhancement through better risk selection, portfolio optimisation, and operational efficiencies. By strengthening its underwriting performance, QIC aims to support profitability despite a flat premium outlook, positioning itself as a more margin-driven story in the coming years.

We model for an LT RoE of 12%, expecting UW margins to improve to 8.8% by FY 30e. We welcome QIC's corrective measures within its underwriting department after the group discontinued its unprofitable business of the UK motor insurance, increased its focus on direct

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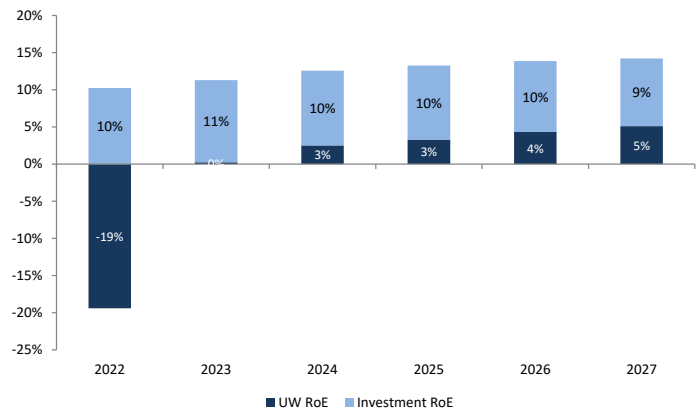
insurance within the MENA region, enhanced policy pricing and claims handling through AI initiatives, unified the back-office expenses of its international operations within a single department, and reduced CAT exposures within its domestic and international portfolios.

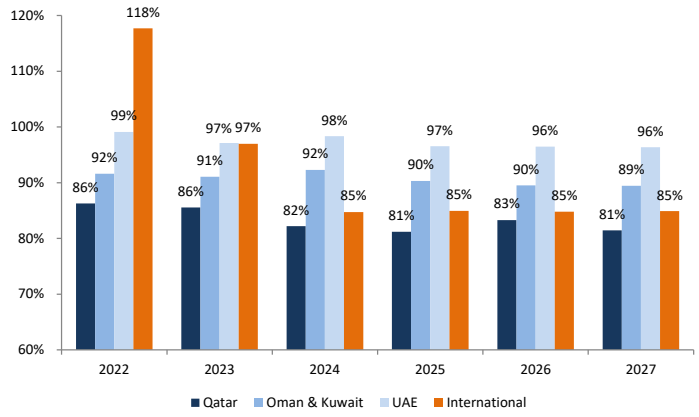
Investment income should remain a primary contributor to earnings at c.105% despite yields retracing by 80bps to 4.0% by FY 30e.

Exhibit 3: RoE Breakdown – UW vs Investment Income



Source: Bloomberg, Company Data, Arqaam Capital Research

Exhibit 4: Service Expense Ratio – Geographic Breakdown



Source: Bloomberg, Company Data, Arqaam Capital Research

Consolidated net profit for 9M 2024 increased by 16 % to QAR 525m, compared with QAR 453m for the previous year. Domestic and MENA operation's Gross Written Premiums rose by 43% in 9M 2024 to QAR 3.9bn even as the group GWP dropped from QAR 7,875m to QAR 7,166m as it reduced its international GWPs (now 46%, down from 62%). Motor exposure is now at 25% vs well over 50% in FY21/22, with energy being the main growth engine, now comprising 26% of GWPs from just 3% in FY21A.

Insurance service results increased by 62% to QAR 414m in 9M 2024 (and expanded 4x in Q3 to QAR 75.2m), compared to QAR 255m for the same period in 2023, mainly helped by better margins from its international operations (contributing 52%). The combined ratio improved to 98.2% vs 99.5%, as the loss ratio improved from 75.2% to 71.0%, even as acquisition and expense ratios slightly worsened during the first nine months.

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Qatar insurance sector – Navigating growth and market leadership

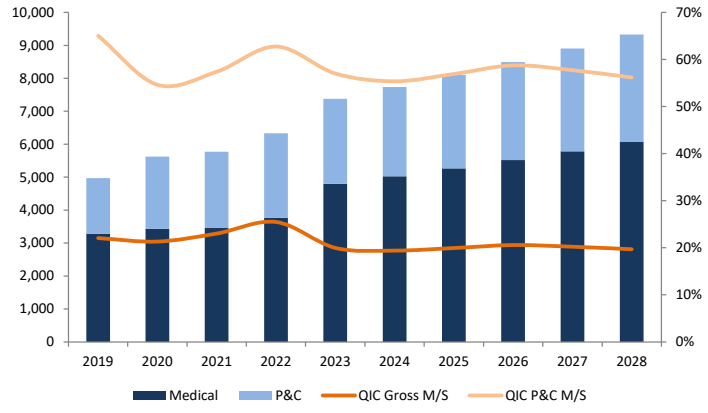
- **QIC maximises margins in its P&C segment, leveraging local ties and AI-driven pricing to enhance profitability, with service expense ratios expected to reach 81% by FY 27e.**
- **Qatar's insurance sector growth is fueled by economic expansion, a new healthcare system, and rising income, supporting steady GWP growth.**
- **National Vision 2030 and the Third Financial Sector Strategic Plan target a 3.8% GDP contribution from insurance by FY 30e, driven by market expansion and reinsurance hub initiatives.**
- **PMI Law No.22 enforcement is uncertain; we modelled three scenarios, including a base case assuming no enforcement until regulatory updates.**

Pivoting to profitability – QIC maximises margins in the dominant P&C segment.

QIC is leveraging its corporate connections in its home turf to optimise underwriting margins within its dominant P&C market share, where it underwrites c.50% of policies. Following the FY 20A listing of its subsidiary QLM, QIC has implemented dynamic pricing for retail businesses using AI tools and actuarial expertise while also focusing on its blue-chip customers to improve the profitability of its policies.

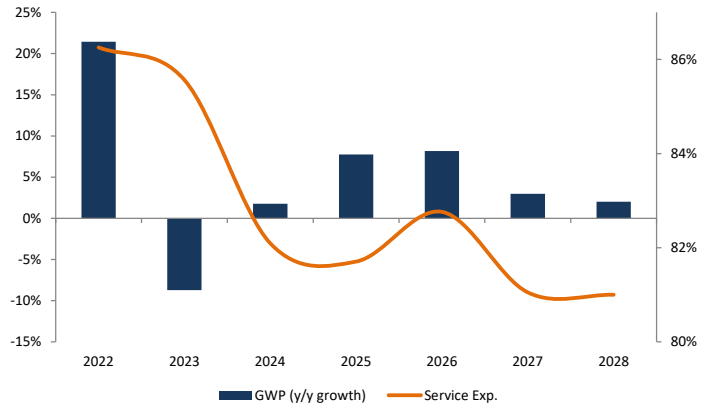
We expect service expense ratios in Qatar to improve to 81% (or 85% net of reinsurance) by FY 27e and beyond, after already improving to 82% in FY 24e from 86% in FY 22/23A. GWPs are projected to remain stable, growing moderately from QR 1.5bn in FY 24e to QR 1.8bn by FY 27e, with minimal domestic expansion expected.

Exhibit 5: GWPs Qatar Insurance Sector vs QIC M/S



Source: Company Data, Arqaam Capital Research

Exhibit 6: GWP Growth vs. Service Expense Ratio



Source: Company Data, Arqaam Capital Research

Market outlook – Strategic initiatives to drive 5.2% GWP CAGR for FY 24-28e

Qatar's insurance sector is experiencing a period of growth driven by an expanding economy and a new national strategy aimed at bolstering the industry and introducing a new healthcare system. Rising disposable incomes and anticipated demand for liquefied natural gas will fuel

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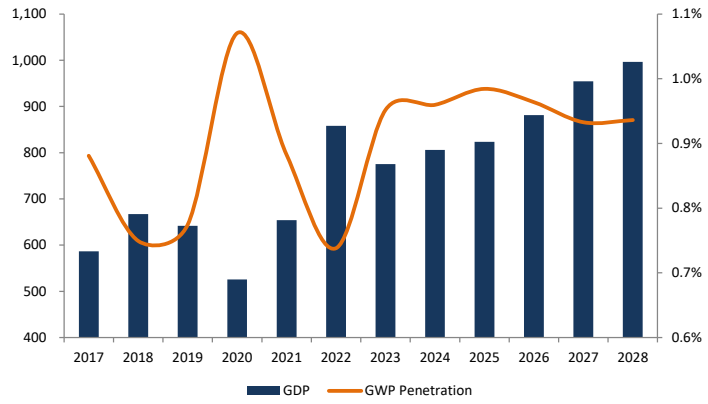
steady annual premiums and net profit growth. Furthermore, catalysts remain in the rollout of compulsory medical insurance and increased awareness of health and life products.

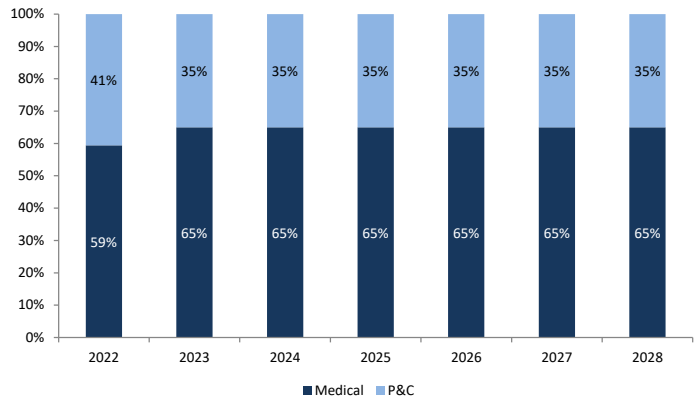
Qatar's National Vision 2030 focuses on diversifying the economy and strengthening the financial services sector, with insurance as a critical component. The Third Financial Sector Strategic Plan (2024-30) outlines key priorities: expanding the local market, enhancing capital management, fostering insurtech, and positioning Qatar as a reinsurance hub. These initiatives aim to boost GDP contribution from 0.9% in FY 24e to 3.8% of NHC GDP in FY 30e and align with GCC benchmarks.

Exhibit 7: GDP vs GWP Penetration



Source: Company Data, Arqaam Capital Research

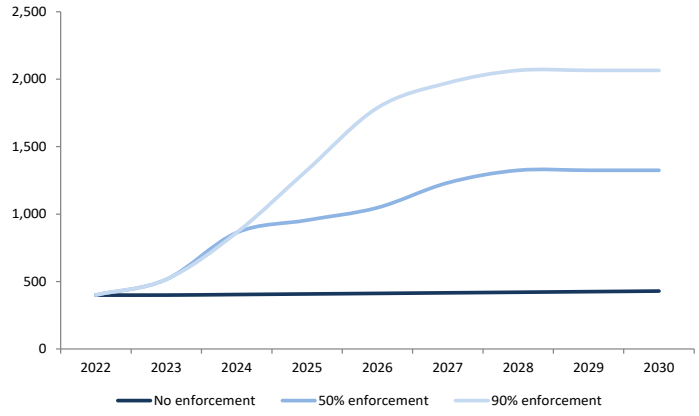
Exhibit 8: GWP Breakdown



Source: Company Data, Arqaam Capital Research

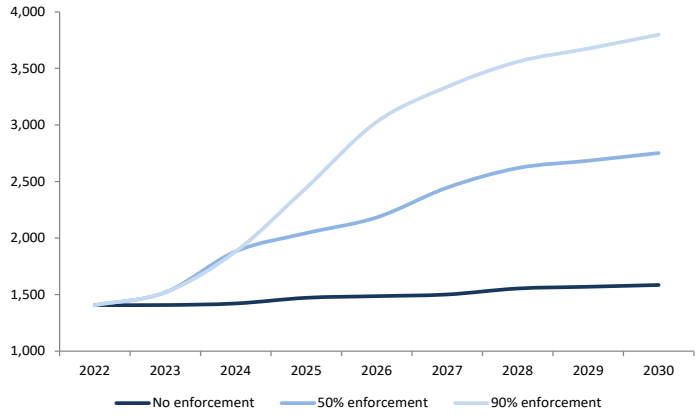
Enforcement of the Private Medical Insurance (PMI) mandate remains obscure despite the promulgation of the law last year. Given the uncertainty surrounding the i) enforcement mechanism, ii) Table of Benefits/pricing model, and iii) the number of participating insurers, we have derived three different valuation scenarios. Concomitantly, we have modelled for no enforcement (Scenario 1, *Ex. 11*), as we await official regulatory updates. Law No.22 is expected to cover 1.9 million expats working in private and public sectors (*link*, p.4).

Exhibit 9: Number of policyholders (000's)



Source: Company Data, Arqaam Capital Research

Exhibit 10: GWP Evolution (QAR 000's)



Source: Company Data, Arqaam Capital Research

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UAE Market – Enhancing UW margins with AI tools

- **CBUAE's regulatory actions in FY 23/24e, including the August 2023 ban on motor premium discounts, aim to drive premium growth and improve underwriting performance, especially in personal lines, amidst competition and profitability pressures in motor and medical segments.**
- **QIC is strategically enhancing its underwriting margins in medical insurance by deploying AI tools through its subsidiary, Anoud Technologies, to optimise policy pricing, claims adjudication, and customer experience.**
- **The UAE's nationwide healthcare mandate, effective Jan-25e, extends compulsory coverage to all private-sector employees and domestic staff. However, growth opportunities remain limited outside Dubai and Abu Dhabi due to smaller labour markets.**
- **We see QIC positioned to leverage AI in underwriting, claims adjudication, fraud detection, and CRM, securing a competitive edge and solidifying its UAE market position while maintaining a market share of approximately 3.5%.**

QIC enhances UW margins with AI tools while stabilising its M/S at c.3.5%

We believe QIC has significant potential to enhance margins in its core medical lines through the strategic integration of AI technologies. By leveraging its technical expertise and extensive data assets, QIC appears well-positioned to strengthen its UAE underwriting franchise and optimise the customer journey. Planned AI deployments are set to target four critical areas: Underwriting, using deep learning for historical claims analysis to support actuarial precision; Claims Adjudication, expediting validation with advanced algorithms; Fraud Detection, producing pre-emptive alerts for suspicious activities; and Customer Experience, improving CRM systems to keep clients updated on claim statuses. We believe these initiatives should enable QIC to build a more decisive competitive edge in the UAE market, drive margin improvements, and solidify its market position.

After FY24e, we expect QIC's UAE portfolio to exhibit minimal market share gains as it integrates AI tools to enhance its UW performance. Last year, QIC capitalised on market consolidation in the UAE by headhunting a medical UW team from a competitor, expanding its GWPs by 65% (or QAR 534m) and increasing the share of medical policies to 74% of total UAE GWPs. Moving forward, we anticipate QIC's UAE operations will sustain growth in line with sector averages, as expanding compulsory medical policies into new emirates does not align with QIC's primary market focus.

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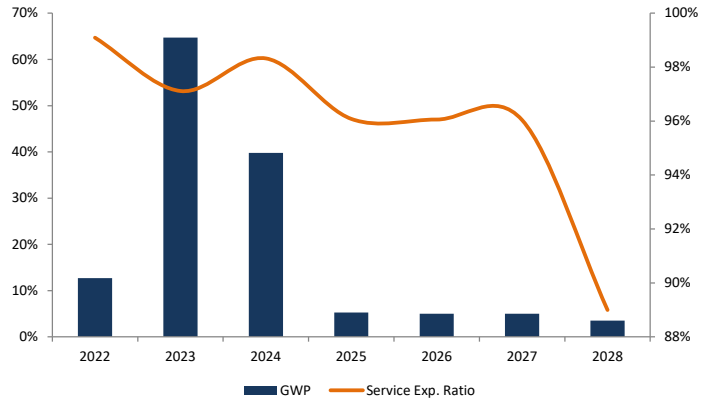
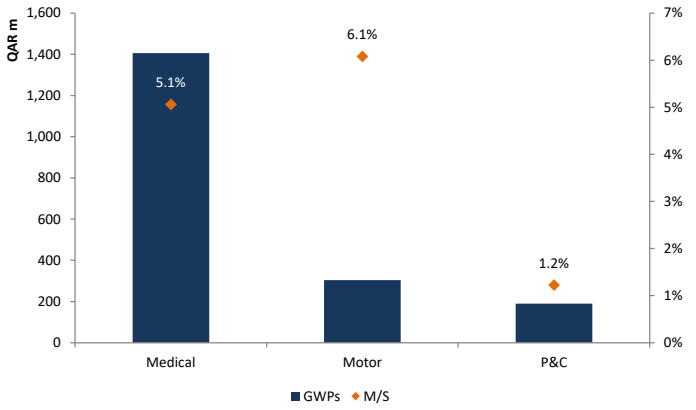
Exhibit 11: QIC Medical M/S – Stable throughout our forecasts



Source: Company Data, Arqaam Capital Research

Exhibit 12: Breakdown of UAE GWPs vs M/S (FY 23A)



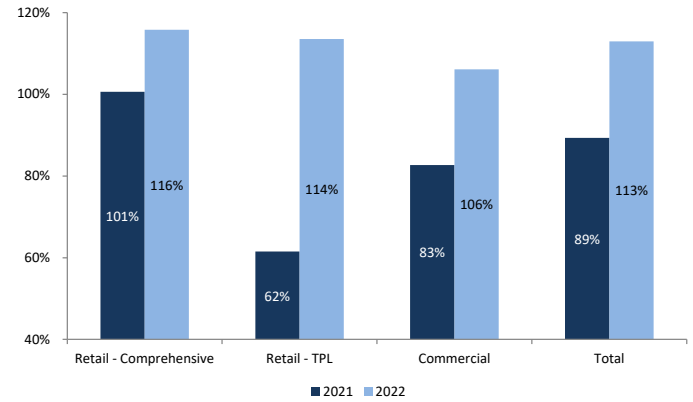
Source: Company Data, Arqaam Capital Research

Market outlook – Strategic initiatives to drive GWP CAGR at 4.9% in FY 23-28

CBUAE's regulatory interventions in FY 23/24e are expected to drive premium growth and improve underwriting performance in personal lines. Intense competition in the motor and medical segments has continued to weigh on underwriting profitability for UAE-listed insurers, with motor loss ratios worsening post-COVID-19 due to aggressive discounts and high intermediary commissions. In August 2023, the CBUAE addressed these issues by disallowing most motor premium discounts to promote underwriting discipline.

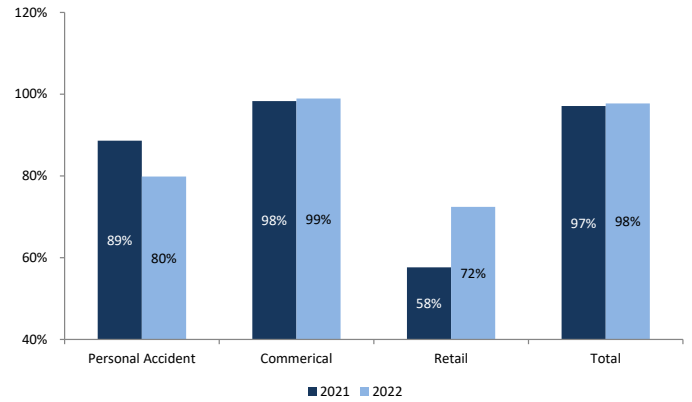
The medical insurance segment continues to face tight underwriting margins. While claims frequency has returned to pre-pandemic levels as backlogged procedures were absorbed, margins remain under pressure. To address this, QIC is enhancing policy pricing and claims adjudication by deploying AI tools and leveraging its subsidiary, Anoud Technologies, to strengthen its offerings.

Exhibit 13: Motor gross loss ratios



Source: Company Data, Arqaam Capital Research

Exhibit 14: Medical gross loss ratio



Source: Company Data, Arqaam Capital Research

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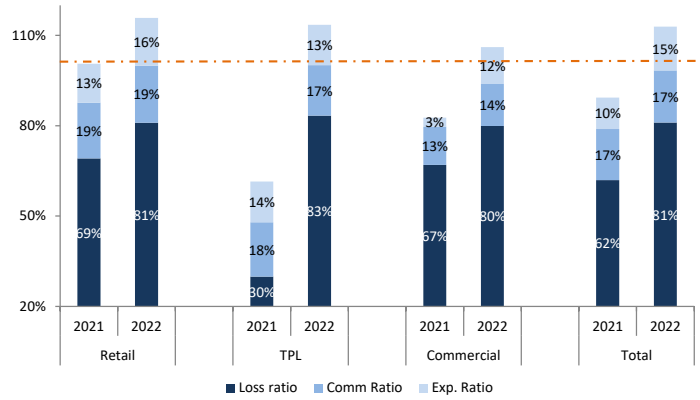
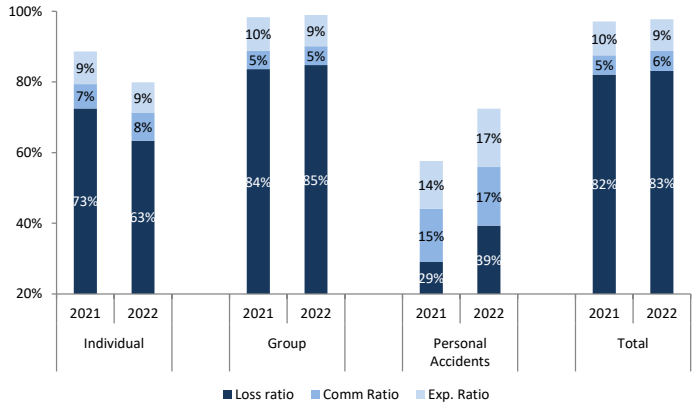
Exhibit 15: Motor loss ratio breakdown



Source: Company Data, Arqaam Capital Research

Exhibit 16: Medical loss ratio breakdown



Source: Company Data, Arqaam Capital Research

Nationwide Healthcare Mandate: Modest growth opportunities for QIC and the sector

Despite broadening coverage, the UAE's expanded healthcare mandate brings limited growth potential for insurers. Effective Jan-25e, compulsory healthcare will apply to all private-sector employees and domestic staff across all Emirates. While this extension increases the insured population, smaller labour markets outside Dubai and Abu Dhabi offer minimal GWP growth opportunities, keeping profitability challenges in focus.

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Kuwait & Oman Markets – Enhancing UW margins with AI tools

- **Regulatory reforms and mandatory insurance policies in Kuwait and Oman are expected to drive growth, with Kuwait's GWPs projected to grow to QAR 9.1bn by FY 27e and Oman's surpassing QAR 5.4bn by FY 26e.**
- **Medical and motor insurance lines are anticipated to be primary growth drivers in both markets, bolstered by compulsory health insurance mandates and increased economic activity**
- **Digital transformation and adoption of insurtech solutions in Kuwait and Oman are expected to enhance operational efficiency and product accessibility, supporting market growth.**

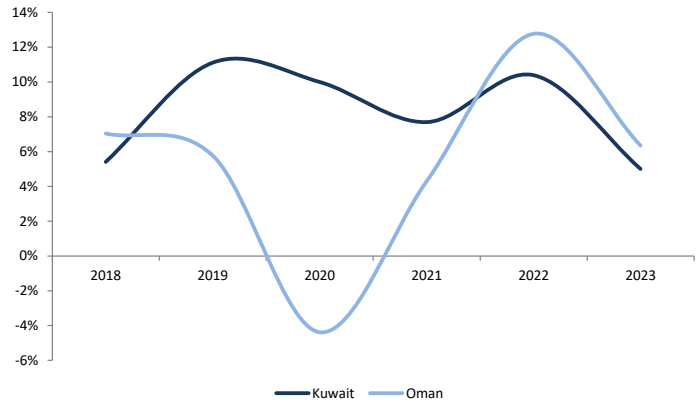
QIC's growth gambit: Boosting premiums and margins in Oman and Kuwait

Following its acquisition of Vision Insurance, QIC has become Oman's second-largest insurer, with GWPs in its Oman subsidiary increasing by 58% in FY 23A and securing a market share of 16%. QIC plans to expand its life insurance offerings in Oman, leveraging favourable regulatory reforms and growing awareness in life and personal lines. Nonetheless, we expect minimal M/S growth going forward as QIC focuses on margin enhancements.

In Kuwait, we model for a stable market share and a modest GWP CAGR of 2.3% through FY 30e. QIC aims to grow its presence in life and personal lines, pursuing acquisitions or organic expansion supported by regulatory mandates and economic diversification. The company also focuses on expanding its cyber insurance offerings to capture new opportunities from regional digitalisation.

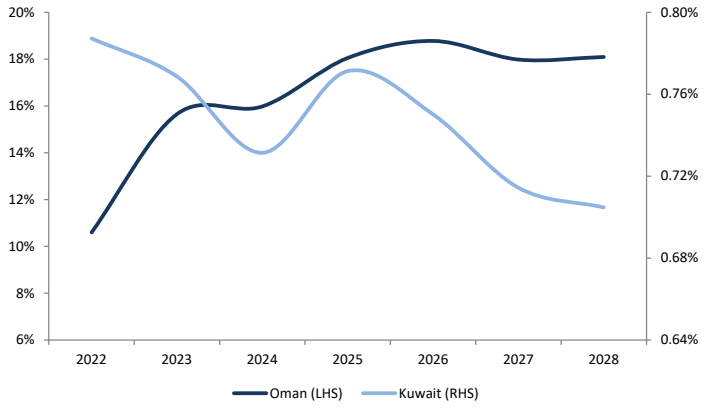
Underwriting margins are projected to improve, with service expense ratios expected to bottom out at 89% by FY 28e, compared to 92% in FY 22A. QIC enhances operational efficiencies through AI-driven claims handling and settlement automation, particularly in medical and motor insurance lines. This automation reduces processing times and human errors, improving underwriting efficiency and profitability.

Exhibit 17: GWP y/y Growth vs Service Ratio – Kuwait & Oman



Source: Company Data, Arqaam Capital Research

Exhibit 18: Market Share – Kuwait & Oman



Source: Company Data, Arqaam Capital Research

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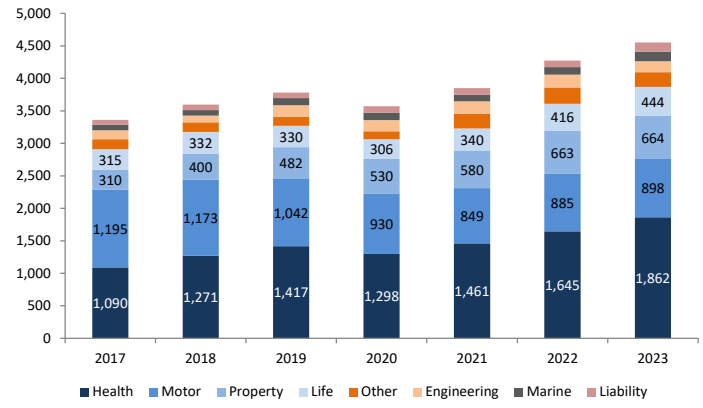
Kuwait & Oman market outlook – Medical and motor insurance propel growth

Oman's insurance sector is projected to exceed QAR 5.4bn by FY 26e, fuelled by economic recovery, regulatory reforms, and digitalisation efforts. We anticipate robust growth, assuming continued government support through initiatives like Dhamani—the compulsory national health insurance platform—and the CMA's push for digital transformation. Historically, despite global challenges, the sector's total premiums rose from QAR 4.4bn in FY 20A to QAR 4.5bn in FY 21A, with per capita insurance expenditure increasing from QAR 986 to QAR 1,003 over the same period. Market consolidation, evidenced by mergers like Oman Qatar Insurance's acquisition of Vision Insurance in FY 22A, is expected to enhance competitiveness and efficiency.

We project Kuwait's sector GWPs to exceed QAR 9.1bn by FY 27e, growing at a +5% CAGR, fuelled by regulatory reforms and economic diversification. Growth will be supported by initiatives like the FY 19A insurance law overhaul and New Kuwait 2035, aimed at reducing reliance on hydrocarbons. Mandatory policies, including travel health insurance from FY 19A, health coverage for expatriates over 60 from FY 22A, and proposed requirements for commercial visa holders, are set to drive demand. Population growth at a 1.7% CAGR to 5.8 million by FY 26e, alongside QAR 236.6bn in approved infrastructure projects as of FY 22A, further supports market expansion.

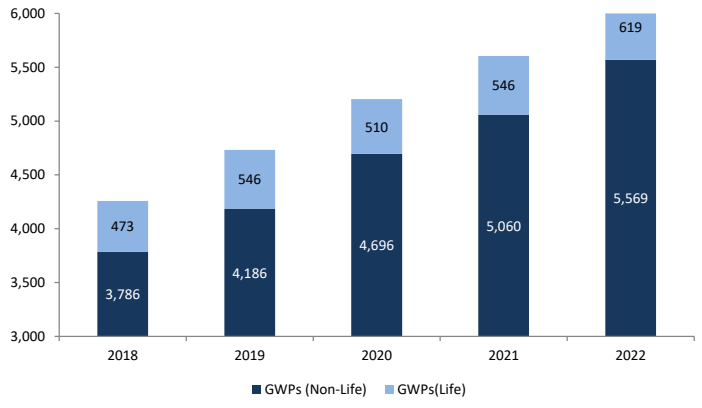
We expect medical and motor lines to lead growth driven by regulatory mandates and heightened public awareness. Medical GWPs should rise at a 3.7% CAGR between FY 23e and FY 28e to QAR 230m, reflecting compulsory coverage for expatriates and visitors and steady premium increases. Motor insurance, contributing 40% of direct written premiums in FY 22A, is also positioned for growth due to anticipated premium hikes and mandated electronic payment adoption.

Exhibit 19: Oman Sector GWPs - Breakdown



Source: Company Data, Arqaam Capital Research

Exhibit 20: Kuwait Sector GWPs - Breakdown



Source: Company Data, Arqaam Capital Research

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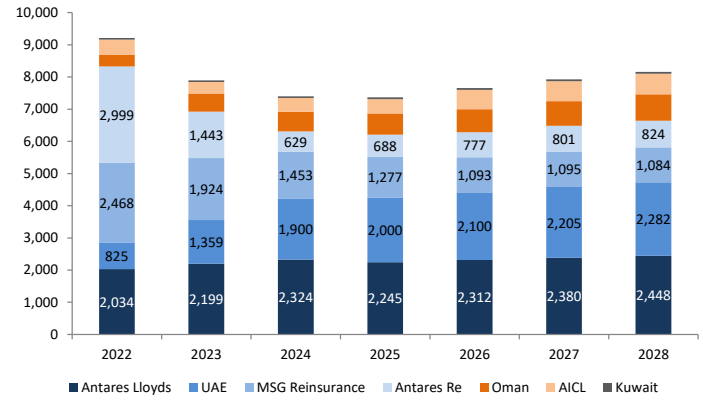
International Markets – Fine-tuning positions for contained risk

- **QIC has cancelled the sale of its Gibraltar-based subsidiaries due to regulatory issues. However, it mitigates exposure risk through a reinsurance contract and halts new business for these subsidiaries.**
- **We forecast improved UW margins at 10% by FY 24e, driven by reduced CAT exposure, restructured portfolios, and USD 10m in cost synergies through the integration of back-office systems.**
- **Antares Re restructured its portfolio to improve underwriting margins, trimming exposure in unprofitable lines, exiting high-risk contracts, and expanding into Energy and Marine Treaty, contributing USD 30m in FY 23A GWP with a 77% combined ratio.**

Due to regulatory reasons, QIC has cancelled the preannounced sale of its Gibraltar-based subsidiaries, West Bay Insurance Plc and Markerstudy Insurance Co. Ltd. The company has transitioned underwriting risk to Pollen Street Capital via a reinsurance contract and suspended the subsidiaries from underwriting new business. Both subsidiaries, which underwrite UK motor insurance, will continue to service existing customers, and QIC will no longer classify them as held for sale or discontinued operations.

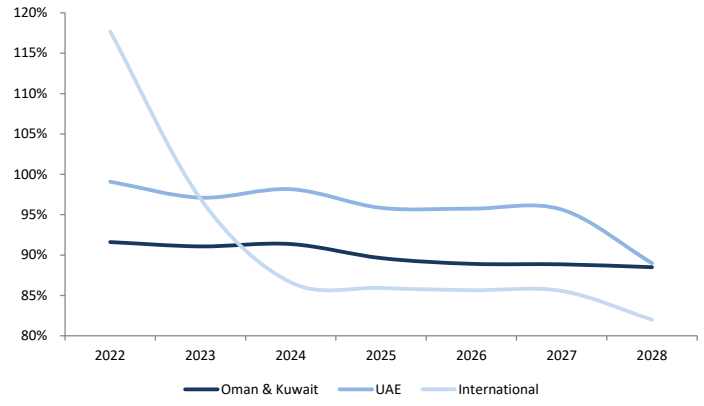
We expect underwriting margins to improve to 10% in FY 24e and beyond due to reduced CAT exposure, restructured insurance portfolios, and integrated back-office cost-saving measures. At the same time, it utilises Lloyd's knowledge and skills to support its international growth strategy. Moreover, we expect the group to achieve cost synergies of USD 10m through FY 28e as it invests in new systems and technology to integrate all international operations into a single, efficient back-office company.

Exhibit 21: QIC International GWPs – Breakdown



Source: Company Data, Arqaam Capital Research

Exhibit 22: QIC U/W margins - International



Source: Company Data, Arqaam Capital Research

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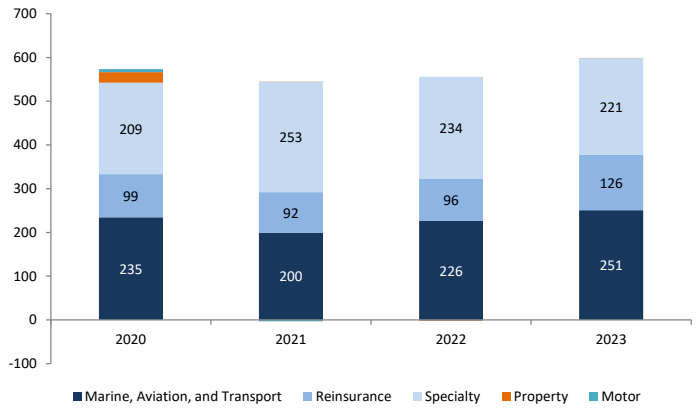
Lloyd's Market – QIC's crown jewel

General overview

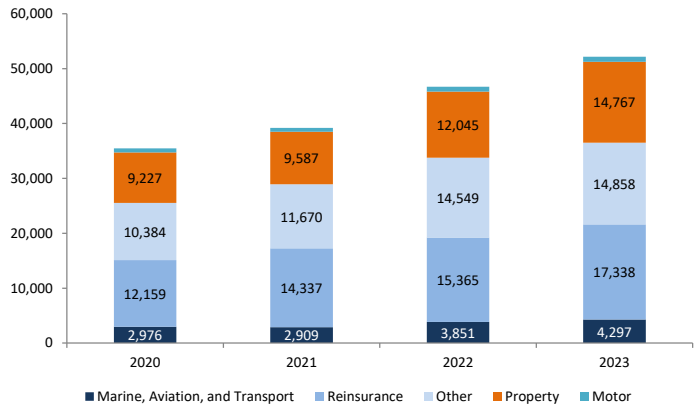
Lloyd's has recently focused on enhancing efficiency and oversight through its digital transformation initiative, Blueprint Two, aimed at modernising operations and reducing costs. The market's underwriting oversight has evolved with a principles-based framework that targets risk management and performance improvements. In FY 23A, Lloyd's maintained a solid financial position with a gross written premium (GWP) of QAR 252.1bn, supported by a central solvency ratio of 503% and robust credit ratings, positioning it well to weather market volatility. These factors provide a vital reference point for comparing QIC's syndicate to the overall market.

Exhibit 23: Antares 1274 – GWP Breakdown



Source: Company Data, Arqaam Capital Research

Exhibit 24: Lloyd's market – GWP Breakdown



Source: Company Data, Arqaam Capital Research

Performance of the Lloyd's Market

In FY 23A, Lloyd's delivered its best performance in recent years, with a combined ratio of 84.0% and an underwriting result of QAR 29.1bn, driven by lower-than-expected significant claims. Gross written premium grew by 11.6% to QAR 252.1bn, supported by rate increases of 7.2%. Investment returns were also strong, delivering QAR 28.7bn, contributing to a profit before tax of QAR 57.6bn. With an underlying combined ratio of 80.5%, Lloyd's demonstrated its ability to maintain profitable growth even in challenging market conditions, setting a high standard for QIC's performance evaluation.

Antares Syndicate 1274 steadily improved UW margins to align with Lloyd's market at c.10%. QIC has restructured its Lloyd's syndicate 1274 insurance portfolio to increase profitability by focusing on its cyber and travel insurance outperformers. Concomitantly, its syndicate's GWPs are predominantly concentrated on Marine, Aviation, and Transport (42%), followed by Specialty insurance (37%) and Reinsurance (21%). We expect UW margins to be maintained at c.10% through FY 24-30e.

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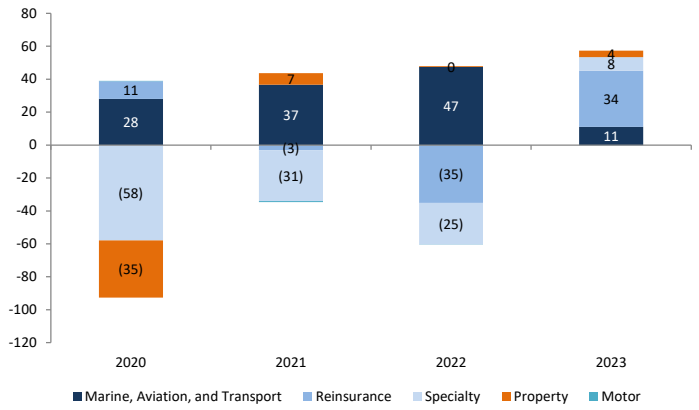
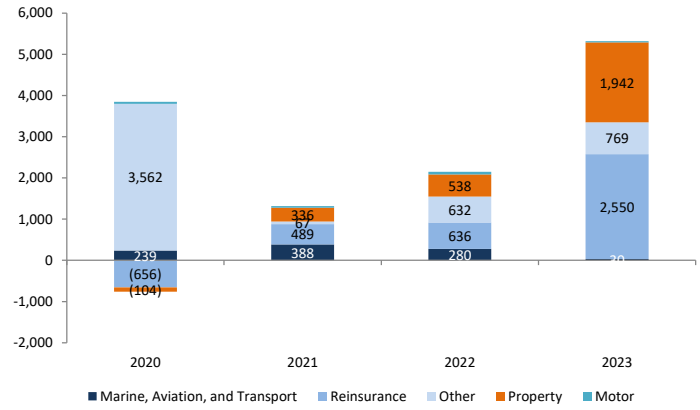
Exhibit 25: Antares 1274 – UW margin breakdown



Source: Company Data, Arqaam Capital Research

Exhibit 26: Lloyd's Market – UW margin breakdown



Source: Company Data, Arqaam Capital Research

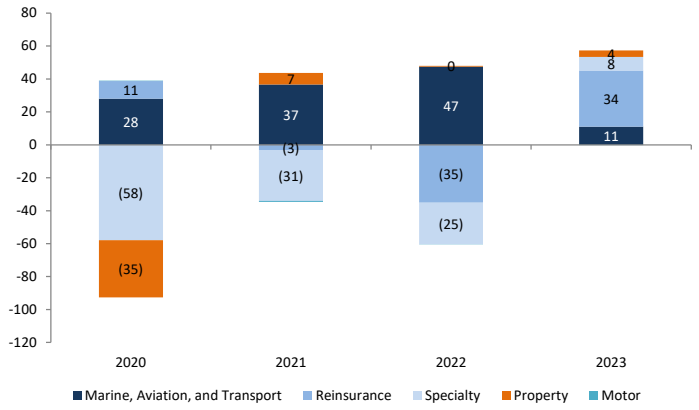
Antares Re – Truncated exposures improve UW profitability

General overview – Reduced UW in unprofitable motor & health LoBs

Antares Re trims its unprofitable motor, health, and aviation exposures and boosts its UW income to profitability. We expect Antares Re's portfolio to bottom out in FY 25e at QAR 2.4bn after QIC discontinued UW's unprofitable exposures in FY 22A, shrinking its portfolio by 37% in FY 23A and 33% in FY 24e. Primarily, Antares Re has exited unprofitable businesses in Aviation, Accident and Health while reducing its CAT exposures, resulting in its standalone GWPs dropping by 52% in FY 23A and 56% in FY 24e to QAR 630m.

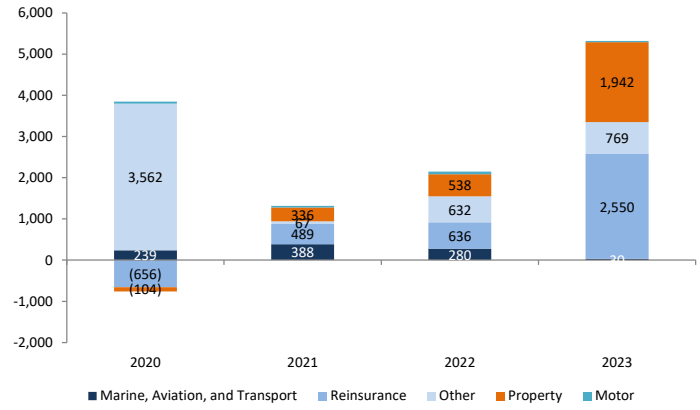
Marker Study Group's (MSG) portfolio is now in runoff and no longer underwriting new motor exposures, while losses remain capped after transitioning direct insurance risk to a reinsurance exposure. We expect MSG GWPs to drop to QAR 1.1bn by FY 26e from QAR 2.5bn in FY 22A as its motor portfolio goes into run-off. Moreover, we welcome QIC's decision to exit the UK motor market, as underwriting profitability remains mired by the increased competition on pricing, and higher accident frequency.

Exhibit 27: Antares Re Standalone GWPs



Source: Company Data, Arqaam Capital Research

Exhibit 28: Antares Re Consolidated GWPs



Source: Company Data, Arqaam Capital Research

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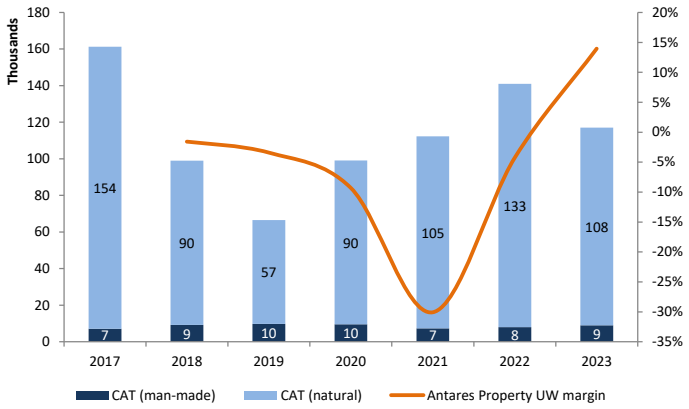
Performance at Antares Re

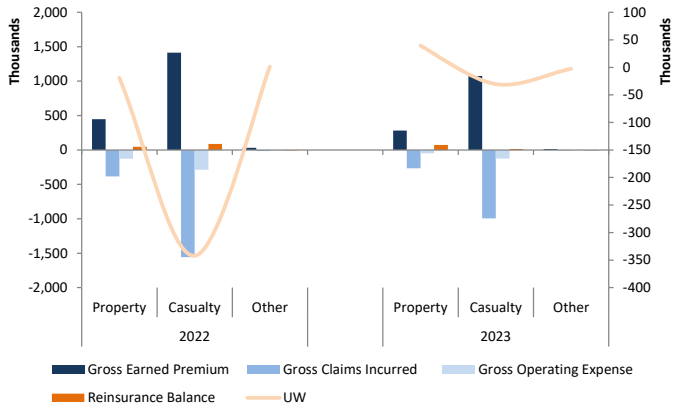
In FY 23A, Antares Re restructured its underwriting measures across its existing portfolio to reduce volatility and increase visibility on the bottom line. This initiative concentrated on contracts with catastrophe components and raised attachment points within Property, moving away from smaller, riskier regional programs toward more stable national carriers with higher retention. Antares Re also introduced a Specialty book in Energy and Marine Treaty as part of its diversification strategy, contributing around USD 30m in GWP for FY 23A (with a combined ratio of 77%). The company cancelled underperforming contracts to reduce volatility, realigned its catastrophe treaty portfolio to prioritise high-quality, balanced programs, and reduced exposure to Credit, Surety, and unbalanced agricultural treaties. Reflecting a refined risk approach, these adjustments have stabilised UW performance and boosted margins to the targeted 10%.

Exhibit 29: Antares Re Property UW margins vs NATCAT losses



Source: Swiss Re Sigma, Company Data, Arqaam Capital Research

Exhibit 30: Antares RE UW margins



Source: Company Data, Arqaam Capital Research

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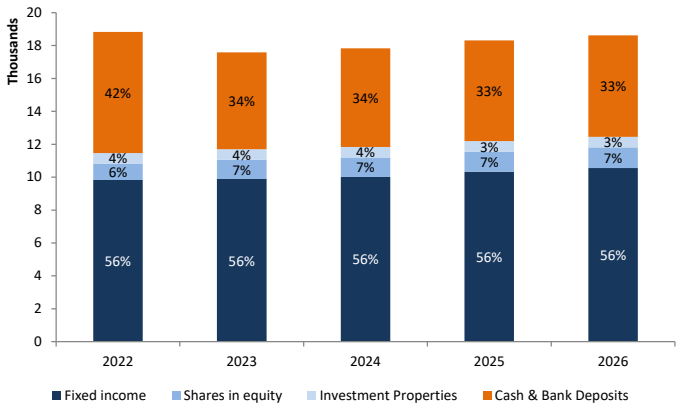
Investment Income – Fine-tuning positions for contained risk

- **Investment yields are projected to stabilize at 4.1% by FY 29e, with contribution to earnings remaining high at 148%-108% through FY 25-30e. QIC's portfolio is focused on fixed income (59% in MENA and Americas), alongside equity investments.**
- **Epicure Investment Management (EIM) allows QIC to diversify and manage costs efficiently, overseeing USD 5.8bn in AUM and managing USD 1.7bn in external assets.**
- **QIC's portfolio showed resilience in FY 23-24A, with net investment and other income at QAR 695m in 9M 24A vs QAR 723m in 9M 23A. As we expect yields to retrace by 40bps to 4.4% in FY 24e.**

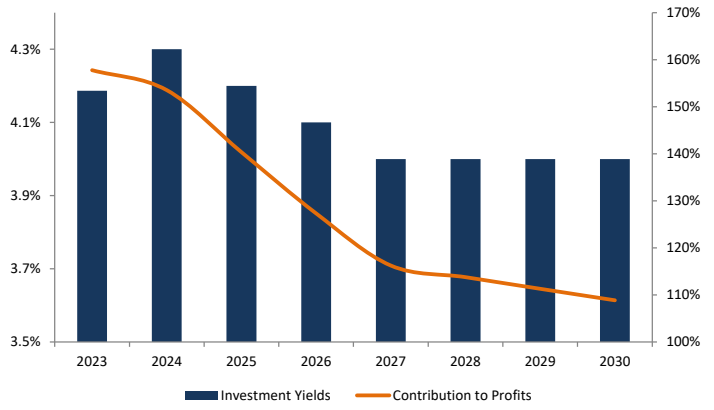
We expect investment yields to normalize to 4.1% by FY 29e and beyond with investment contribution to earnings remaining high at 148%-108% through FY 25-30e. QIC's investments are predominantly focused on interest income (74%) derived from its fixed income securities, with the lion's share (59%) originating from MENA and the Americas (ex LATAM). Moreover, QIC has an equity exposure of c.QAR 1.2bn (or 6% of total), which generates a healthy dividend yield of 3.6% on avg. Finally, QIC also generates rental income of QAR 59m (FY 24e) from its investment properties which are expected to maintain their yield at 7%.

Exhibit 31: Investment Book - Breakdown



*Percentages are computed on investment assets net of leverage
Source: Company Data, Arqaam Capital Research

Exhibit 32: Investment Yields vs. Contribution



Source: Company Data, Arqaam Capital Research

The development of QIC's investment arm into Epicure Investment Management (EIM) enabled QIC to diversify its portfolio and optimise its investment management expenses. EIM manages QIC's investments across equities, fixed income, and real estate. Moreover, it also manages external AUMs of USD 1.7bn, which it primarily uses to cover the operating costs of its AUMs of USD 5.8bn. Epicure Islamic Investment Management (EIIM), a Shari'a-compliant joint venture between QIC Group (51%) and QInvest LLC (49%), launched in 2022, further strengthens QIC's investment reach, providing regulated advisory and management services in the QFC.

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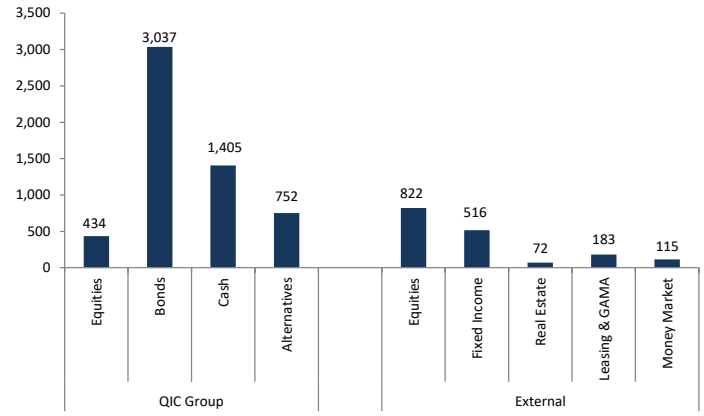
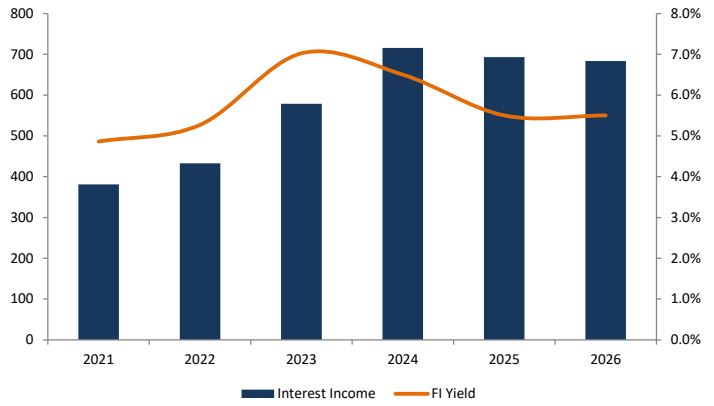
Exhibit 33: Assets Under Management (USD m)



Source: Swiss Re Sigma, Company Data, Arqaam Capital Research

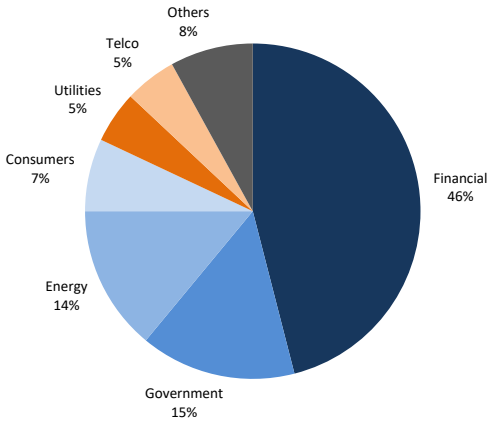
Exhibit 34: Interest Income vs FI yields



Source: Company Data, Arqaam Capital Research

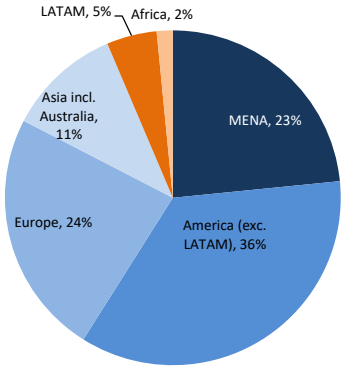
QIC's investment portfolio demonstrated resilience in FY 23-24A, outperforming despite challenging market conditions. QIC reported net investment and other income of QAR 695m in 9M 24A (vs QAR 723m in 9M 23A) after already improving by 17% to QAR 970 million in FY 23A. The portfolio's yields stabilised at 4.4% vs last year's 4.8%, revealing QIC's repositioned portfolio for the expected lower interest rates. Nonetheless, we expect the average yield to retrace by 10bps each year to 4.0% by FY 29e, as US policy rates are cut, with a deferred impact on blended investment yields, which more substantial underwriting margins should offset.

Exhibit 35: Composition FI Portfolio - Sector



Source: Swiss Re Sigma, Company Data, Arqaam Capital Research

Exhibit 36: Composition FI Portfolio - Geography



Source: Company Data, Arqaam Capital Research

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Valuations – A turnaround story at attractive multiples

- Our EVA model suggests a TP of QAR 3.0, offering a 39% upside.
- We use a Cost of Equity of 10%, a TGR of 2.5% and a sustainable RoE of 12%.
- The stock offers value at 1.1x P/tNAV and 8.9x, at the very low end of regional peers.

Exhibit 37: QIC Valuation Table (QAR m)

	2022	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	perp	subtotal	% of total
1. DCF												
Net profit	(1,183,188)	615,338	704,515	784,785	869,635	958,770	983,735	1,008,253	1,034,442	1,034,442		
Other adjustments (comprehensive income)	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000	165,000		
Minus: excess return excess capital	16,337	36,317	41,508	47,061	55,414	65,876	76,969	88,685	101,065	101,065		
Return on excess capital	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%		
Tax shelter	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%		
Adjusted net profit	(1,364,525)	414,021	498,006	572,724	649,222	727,894	741,766	754,569	768,377	768,377		
Capital requirements	4,434,427	3,887,002	3,872,954	3,858,071	3,838,296	3,815,419	3,789,945	3,761,762	3,730,703	3,730,703		
RoEcC	-30.8%	10.7%	12.9%	14.8%	16.9%	19.1%	19.6%	20.1%	20.6%	20.6%		
Cost of capital	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%		
Capital charge	439,008	384,813	383,422	381,949	379,991	377,727	375,205	372,414	369,340	369,340		
Economic profit	(1,803,533)	29,208	114,584	190,775	269,231	350,168	366,561	382,154	399,037	399,037		
Discount factor			1.00	0.91	0.83	0.75	0.69	0.62	0.57	0.57		
NPV of Economic Profit			114,584	173,590	222,910	263,805	251,279	238,369	226,479	399,037		
DCF EVA Forecast period										1,491,015		
Perpetual growth rate (GDP)										2.5%		
Terminal Value										5,392,394		
Terminal value discounted											3,060,522	
Required Capital											3,887,002	
Value of the bank operations											**8,438,539**	**87.0%**
2. Capital surplus/deficit												
Available capital:												
Shareholders equity	5,593,552	6,246,164	6,459,069	6,719,583	7,064,947	7,499,447	7,958,910	8,442,892	8,953,063			
Less Goodwill & intangibles	444,931	444,931	444,931	444,931	444,931	444,931	444,931	444,931	444,931			
Less dividends		326,610	326,610	359,271	359,271	359,271	359,271	359,271	359,271			
Tangible equity	5,148,621	5,474,623	5,687,528	5,915,381	6,260,745	6,695,244	7,154,708	7,638,690	8,148,861			
Capital needs												
Reinsurance Contract Liabilities	17,055,488	16,195,843	16,137,310	16,075,295	15,992,902	15,897,580	15,791,439	15,674,010	15,544,596			
Capital requirement %	26%	24%	24%	24%	24%	24%	24%	24%	24%			
Capital Requirements	4,434,427	3,887,002	3,872,954	3,858,071	3,838,296	3,815,419	3,789,945	3,761,762	3,730,703			
Surplus capital	**714,194**	**1,587,621**	**1,814,573**	**2,057,310**	**2,422,449**	**2,879,825**	**3,364,763**	**3,876,928**	**4,418,158**		**1,587,621**	**16.4%**
3. Other adjustments	116%	141%	147%	153%	163%	175%	189%	203%	218%			
Total adjustments												
4. Dividends											**(326,610)**	**-3.4%**
Total Fair Value											**9,699,550**	
Number of shares											3,266,101	
Capital increase												
Fully diluted number of shares											3,266,101	
Fair value per share											**3.0**	
Current share price											2.1	
Upside											**39%**	
Implied P/E	-8.2x	15.8x	13.8x	12.4x	11.2x	10.1x	9.9x	9.6x	9.4x			
Implied P/B	1.7x	1.6x	1.5x	1.4x	1.4x	1.3x	1.2x	1.1x	1.1x			

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