

Research Update:

Bahrain Kuwait Insurance Co. BSC Assigned 'gcAA-' Regional-Scale Rating; 'BBB' Global-Scale Ratings Unchanged

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Overview

- Following our introduction of the Gulf Cooperation Council (GCC) regional credit rating scale, we are assigning a 'gcAA-' GCC scale rating to Bahrain Kuwait Insurance Co. BSC (BKIC).
- The 'BBB' global ratings and stable outlook on BKIC remain unchanged.

Rating Action

On April 29, 2010, Standard & Poor's Ratings Services assigned its 'gcAA-' regional credit rating scale for the Gulf Cooperation Council (GCC) to Bahrain-based insurer Bahrain Kuwait Insurance Co. BSC (BKIC). The 'BBB' global long-term counterparty credit and insurer financial strength ratings on BKIC remain unchanged. The outlook is stable.

Rationale

The ratings on BKIC reflect the company's strategic importance to its parent Gulf Insurance Co. K.S.C. (Gulf Insurance; BBB+/Stable/--), strong operating performance, and strong capitalization. These positive factors are offset by BKIC's constrained competitive position and high reliance on reinsurers when assuming large risks.

Outlook

The stable outlook reflects Standard & Poor's view that BKIC will maintain its operating performance and capitalization at a strong level, as well as maintaining its market position, without materially compromising on profitability.

We believe that BKIC is likely to remain a strategically important subsidiary of Gulf Insurance. An upgrade of BKIC largely depends on the ratings on Gulf Insurance being raised. Although unlikely, a downward rating action on Gulf Insurance may result in a similar rating action on BKIC.

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