

# Insurer Financial Strength Ratings in the Middle East

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# A.M. Best Overview: The Company

- ✿ Established in 1899, A.M. Best has provided the public with comprehensive and unbiased financial information on insurance companies for more than 100 years
- ✿ Leading worldwide:
  - rating agency
  - data provider
  - publishing company
- ✿ Began rating:
  - property insurers in 1906
  - life insurers in 1928
- ✿ Is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (NRSRO)



# A.M. Best Ratings in the MENA region

as at 12 March 2008

Country	Company	FSR	ICR	Outlook
Bahrain	ARIG	B++	bbb	stable
Bahrain	LIC (Inter-national)	B++	bbb+	stable
Bahrain	Trust Inter-national	A-	a-	stable
Cyprus	Alliance International	B++	bbb+	positive
Egypt	Al Chark	B++ *	Bbb *	developing
Egypt	Egypt Re	B++ *	Bbb *	developing
Egypt	Misr	A- *	a- *	negative
Jordan	Arab Orient	B+	bbb-	stable
Lebanon	Arab Re	B+	bbb-	stable
Morocco	SCR	B++	bbb	stable
Oman	National Life & General	B++	bbb+	stable
Qatar	Qatar General	B++	bbb+	stable
Tunisia	B.E.S.T. Re	A-	a-	stable
Tunisia	Tunis Re	B+	bbb-	stable
UAE	Alliance	A-	a-	stable
UAE	SALAMA	A-	a-	stable



# Market Trends

1. Booming economy
  - Oil & Energy
  - Construction
  - Increase in GDP per capita
2. Increase in local venture capital
3. More start-ups:
  - Reinsurers
  - Takaful companies
4. Increasing interest from foreign players
5. More sophisticated regulatory environment



# Opportunities

1. Market continues to grow strongly (GWP growth >25% p.a.). Main drivers:
  - Oil and energy
  - Construction
  - Personal lines
2. Importance of regional mega funds
3. Significant inflow of new capital to the market
  - Local investments
  - Global players reassessing importance of M.E.



# Risks and Challenges

1. Continuing high cessions of large risks
2. Global reinsurance market softening
3. Reliance on non-underwriting profits
4. Enterprise Risk Management needs to be strengthened
5. Shortage of skilled human resources
6. Increasing competition among several local financial centres



# A.M. Best's Perspective on the Market

## 1. Capitalisation

- Significant new capital inflows
- Signs of underutilised capital – Equity / GWP = 1:1

## 2. Financial Performance

- Excessive dependence on reinsurance commissions and investment returns

## 3. Business Profile

- Generally acting more as intermediaries rather than insurers
- Increased capital needs to translate into higher capacity – but is there enough local expertise to support this?



# A.M. Best

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