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AM Best Assigns Credit Ratings to Al Dhafra Insurance Company P.S.C.

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AMB#	Company Name
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090007	Al Dhafra Insurance Company P.S.C.
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FOR IMMEDIATE RELEASE

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AM Best has assigned a Financial Strength Rating of B++ (Good) and a Long-Term Issuer Credit Rating of "bbb+" to Al Dhafra Insurance Company P.S.C. (ADIC) (United Arab Emirates) (UAE). The outlook assigned to these Credit Ratings (ratings) is stable.

The ratings reflect ADIC's balance sheet strength, which AM Best categorises as very strong, as well as its strong operating performance, limited business profile and appropriate enterprise risk management.

ADIC's balance sheet strength is underpinned by its risk-adjusted capitalisation being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), a history of good internal capital generation and excellent liquidity. Offsetting factors in the balance sheet strength assessment include concentrated exposure to investments in UAE equities, which increases the potential for capital volatility, and high reinsurance dependence, with a premium retention ratio of approximately 30% in 2019. The credit risk associated with the latter factor is mitigated partially by the good financial strength of ADIC's reinsurance panel.

The company has a track record of strong operating performance as demonstrated by its robust 10-year (2010-2019) weighted average combined ratio and return-on-equity of 89% and 11%, respectively (ratios as calculated by AM Best). The company's underwriting performance has seen a level of volatility over this period, with its combined ratio peaking at 140% in 2015 following significant reserve strengthening in its medical portfolio. Since 2016, management has taken a series of actions to enhance underwriting performance including portfolio rationalisation and increased usage of reinsurance coverages. As a result, ADIC's technical profitability has improved steadily. In 2019, ADIC reported a technical profit of AED 47 million, equating to a healthy combined ratio of 50%.

ADIC has a limited business profile as a mid-tier insurer in the UAE, and wrote AED 324 million of premium in 2019. AM Best views ADIC to have high geographical concentration with respect to the competitive UAE market. While the company benefits from a diversified underwriting profile on a gross basis, there is increased concentration to motor and medical business lines in its retained portfolio.

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