

A.M. Best Affirms Ratings of Emirates Retakaful Limited

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AMB#	Company Name
093190	Emirates Retakaful Limited

FOR IMMEDIATE RELEASE

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A.M. Best has affirmed the financial strength rating of B++ (Good) and the issuer credit rating of "bbb+" of **Emirates Retakaful Limited (ERL)** (United Arab Emirates). The outlook for each rating remains positive.

The ratings reflect ERL's strong risk-adjusted capitalisation and stable, yet modest technical performance. An offsetting rating factor is ERL's limited business profile, which has been affected by intense competition and the prevailing softening of the global reinsurance market.

During 2015, ERL saw a decline in gross written contributions to USD 63 million, stemming from the difficult operating environment in the company's core markets. Strong competition from established peers and a soft rating environment are factors that will continue to challenge the company's future growth and profitability. Nevertheless, ERL benefits from a niche, well-diversified business profile as one of the few remaining retakaful operations in the Middle East. Whilst the majority of the company's revenue is sourced from conventional insurers, ERL maintains a strong position amongst takaful cedants.

When substituting Wakala fees (a management fee charged by shareholders to policyholders) for actual expenses, the company's technical account generated a break-even level of profitability in 2015. Despite underwriting break-even, adverse fair value movements on equity investments resulted in the company returning a shareholders' loss of USD 4 million. Given the dominance of proportional business in ERL's insurance portfolio and management's risk-selection abilities, A.M. Best expects the company's prospective technical performance to be maintained at a stable but marginal level, chiefly hindered by a relatively large cost base. Unaudited statements for the first quarter of 2016 indicate that the company has achieved a combined ratio below 100%.

ERL maintains a strong level of risk-adjusted capitalisation, benefiting from low business leverage and a conservative investment portfolio. The company is expected to maintain a sufficient capital buffer from strong earnings retention to support its strategic initiatives. Furthermore, management factors risk-based capital requirements into its strategic forecasting and intends to retain capital in its policyholders' fund in the medium term to support underwriting risks. A.M. Best notes that ERL is one of the few takaful companies to have a policyholders' fund in a surplus position.

This press release relates to rating(s) that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's [Recent Rating Activity](#) web page.

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