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A.M. Best Assigns Ratings to Arab Misr Insurance Group S.A.E.

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A.M. Best Europe – Rating Services Limited has assigned a financial strength rating of B++ (Good) and issuer credit rating of "bbb+" to **Arab Misr Insurance Group S.A.E.** (AMIG) (Egypt). The outlook for both ratings is stable.

The ratings of AMIG reflect its good level of risk-adjusted capitalisation, good financial performance and improving business position in Egypt. Furthermore, the ratings receive enhancement from implicit support of the parent company, **Gulf Insurance Company K.S.C.** (GIC). An offsetting factor is AMIG's marginal risk management framework.

AMIG's capital position remains solid, benefiting from full earnings retention and low investment risk. Additionally, A.M. Best has given capital credit for its claims fluctuation reserves, which are deemed to be surplus to technical provisions, according to local regulation. AMIG's prospective capital position is sufficiently strong to support its growth plans of up to 10% per annum over the next two years, factoring full earnings retention. There are concerns on a stressed basis, given the high exposures relative to net retention levels on property and engineering. This is partially mitigated by a good quality reinsurance programme.

AMIG has seen a significant change in its performance and profile since being under the ownership of GIC, demonstrating improved profitability with pre-tax profits of EGY 25.7 million (USD 4.5 million) in 2010, compared to EGP 12.9 million (USD 2.9 million) in 2009. Despite growing faster than the market in recent years, the company has managed to maintain a prudent underwriting policy, take corrective measures on under-performing lines and identify suitable opportunities to improve profitability over the years. This has enabled AMIG to produce combined ratios between 85%-90% (excluding unallocated expenses) over the past two years and establish itself as the fourth-largest direct writer in Egypt, albeit with a 4.6% market share. Furthermore, AMIG's technical profitability is supported by a conservative investment policy mainly allocated to cash and bonds.

A.M. Best views AMIG's risk management on par with regional companies; however, the company requires further enhancement and development over the coming years in line with group strategy.

The principal methodology used in determining these ratings is [Best's Credit Rating Methodology - Global Life and Non-Life Insurance Edition](#), which provides a comprehensive explanation of A.M. Best's rating process and highlights the different rating criteria employed. Additional key criteria utilised include: "Risk Management and the Rating Process for Insurance Companies"; "Understanding BCAR for Property/Casualty Insurers"; and "Assessing Country Risk". Methodologies can be found at www.ambest.com/ratings/methodology.

In accordance with Regulation (EC) No. 1060/2009, the following is a link to required disclosures: [A.M. Best Europe - Rating Services Limited Supplementary Disclosure](#).

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