

Research Update:

# UAE-Based Emirates Insurance Co. (PSC) 'A-' Ratings Affirmed; Outlook Stable

September 5, 2019

## Overview

- Emirates Insurance Co. reported year-on-year growth in gross written premium of 11.5% and a very strong improvement in net profits of 53.4% in the first half of 2019.
- In addition to its strong operating performance, the insurer's 'AAA' risk-based capital adequacy continues to uphold its creditworthiness.
- We are therefore affirming our 'A-' long-term issuer credit and insurer financial strength ratings on Emirates Insurance Co.
- The stable outlook reflects our view that Emirates Insurance Co.'s capital adequacy will remain at our 'AAA' level, supporting the insurer's local and international expansion plans over the next two years.

## Rating Action

On Sept. 5, 2019, S&P Global Ratings affirmed its 'A-' issuer credit and insurer financial strength ratings on Emirates Insurance Co. (PSC), or EIC. The outlook is stable.

## Outlook

The stable outlook reflects our view that EIC's capital adequacy will remain at the 'AAA' level, as measured by our risk-based capital adequacy model, supporting the insurer's local and international expansion plans over the next two years.

## Upside scenario

We could raise the ratings over the next two years if EIC:

- Continues to grow its premium base, both domestically and internationally, while its operating performance exceeds that of its local peers; and
- Maintains its 'AAA' capital adequacy, measured by our model, and substantially reduces risk in

### PRIMARY CREDIT ANALYST

**Emir Mujkic**  
Dubai  
(971) 4-372-7179  
emir.mujkic  
@spglobal.com

### SECONDARY CONTACT

**Sachin Sahni**  
Dubai  
(971) 4-372-7190  
sachin.sahni  
@spglobal.com

### RESEARCH CONTRIBUTOR

**Ronak Chaplot**  
Mumbai  
02233428355  
ronak.chaplot  
@spglobal.com

### ADDITIONAL CONTACT

**Insurance Ratings Europe**  
insurance\_interactive\_europe  
@spglobal.com

its investment portfolio, steering away from high-risk assets.

## Downside scenario

We consider a downgrade unlikely over the next two years. However, we could lower the ratings if there was an unexpected and significant weakening in earnings, or we saw a marked shift toward high-risk assets, leading to a material decline in the company's risk-based capital adequacy.

## Rationale

Our ratings on EIC reflect the company's position as one of the leading national insurers in Abu Dhabi, with strong underwriting results. At mid-2019, EIC was the sixth-largest listed insurer (by gross written premiums [GWP]) in the market, writing all major lines of business within the United Arab Emirates (UAE). In addition to its local business, EIC writes reinsurance business internationally through its Dubai-based international division, which primarily accepts non-catastrophe risks from African and Asian markets. We also take into account the entity's 'AAA' level capital adequacy, which we expect will remain unchanged over 2019-2021.

In the first six months of 2019, EIC reported GWP growth of 11.5% to UAE dirham (AED) 645 million (US\$176 million) from AED578 million in the same period in 2018. The premium growth was supported by increased business across all lines. Also in the first half of 2019, the company's net profit improved by 53.4% to AED90 million from about AED59 million in the first six months of 2018. The strong increase in earnings was driven by both improvements in investment and underwriting results. We anticipate that the company's GWP will rise by around 10% per year in 2019 and 2020, while net earnings will exceed AED100 million and a material share of profits will be retained.

Despite strong operating results, our assessment of EIC's business risk profile is moderated by its still relatively small absolute size in terms of GWPs and capital base compared with some local and regional peers'.

## Ratings Score Snapshot

<b>Business Risk Profile</b>	Satisfactory
Competitive position	Satisfactory
IICRA	Intermediate risk
<b>Financial Risk Profile</b>	<b>Very Strong</b>
Capital and earnings	Very Strong
Risk exposure	Moderately low
Funding structure	Neutral
<b>Anchor*</b>	a-
<b>Modifiers</b>	
Governance	Neutral
Liquidity	Exceptional
Comparable ratings analysis	0

Financial Strength Rating

A-

\*Benefits from EIC's 'AAA' capital adequacy, but moderated by the company's still relatively small operations in terms of GWP and capital base.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Emirates Insurance Co. (PSC), Oct. 2, 2018

Ratings List

Ratings Affirmed

Emirates Insurance Co. (PSC)

Issuer Credit Rating	
Local Currency	A-/Stable/--
Financial Strength Rating	
Local Currency	A-/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, [www.standardandpoors.com](http://www.standardandpoors.com) (free of charge), and [www.ratingsdirect.com](http://www.ratingsdirect.com) (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at [www.standardandpoors.com/usratingsfees](http://www.standardandpoors.com/usratingsfees).

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.