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## AM Best Affirms Credit Ratings of Dubai National Insurance & Reinsurance P.S.C.

### CONTACTS:

Ben Diaz-Clegg  
Financial Analyst  
+44 20 7397 0293  
ben.diaz-  
clegg@ambest.com

Christopher Sharkey  
Manager, Public Relations  
+1 908 439 2200, ext. 5159  
christopher.sharkey@ambest.com

Alex Rafferty, ACA  
Associate Director,  
Analytics  
+44 20 7397 0312  
alex.rafferty@ambest.com

Jim Peavy  
Director, Communications  
+1 908 439 2200, ext. 5644  
james.peavy@ambest.com

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090716 Dubai National Insurance & Reins PSC

### FOR IMMEDIATE RELEASE

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**AM Best** has affirmed the Financial Strength Rating of B++ (Good) and the Long-Term Issuer Credit Rating (Long-Term ICR) of "bbb+" of Dubai National Insurance & Reinsurance P.S.C. (DNIR) (United Arab Emirates). The outlook of these Credit Ratings (ratings) is positive.

The ratings reflect DNIR'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. The positive outlooks reflect the expectation that DNIR's balance sheet will strengthen over the medium term. In particular, AM Best expects risk-adjusted capitalisation to improve and to be maintained at a more robust level.

DNIR's balance sheet strength assessment is underpinned by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), benefiting from low underwriting leverage. Although a dividend payment of AED 87 million in the first half of 2019 and unrealised losses of AED 91 million from the company's equity portfolio during the first nine months of 2020 have significantly reduced the company's available capital, BCAR scores are projected to recover in 2020 following the significant reduction of asset risk. Offsetting factors to the assessment include DNIR's exposure to higher-

risk asset classes and concentration in a small number of equity holdings, which expose the company's capital position to potential volatility. The ratings also consider the low economic and financial system risk and moderate political risk in the UAE.

DNIR has a track record of strong operating performance, as evidenced by a five-year (2015-2019) weighted average return on equity of 9.3%. Earnings are skewed moderately toward investment income, which accounted for over half of net income in 2019. Nevertheless, DNIR's underwriting results remain strong and stable, demonstrated by a five-year (2015-2019) weighted average non-life combined ratio of 85.9%, which ranged between 84.1% and 87.2% over the same period. In spite of the high levels of competition in the market, and economic uncertainty, AM Best expects DNIR to maintain its strong operating metrics through stringent underwriting controls and prudent risk selection.

DNIR's business profile as a midtier domestic insurer in the UAE is unlikely to change over the near term, as the company focuses on underwriting profitability in an increasingly competitive market. While DNIR has been successful in its current strategy to deliver strong financial metrics, the company will be challenged to broaden its distribution platforms and operating segments to find profitable growth opportunities.

**This press release relates to Credit Ratings that have been published on AM 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 AM Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Guide to Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases.**

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