دبي للتأمين
DUBAI INSURANCE
CARE & COMMITMENT SINCE 1970

Press release

8/12/2021

Dubai Insurance Company is delighted to announce to its shareholders and investors that Moody's Investment Services Middle East has assigned the Company as an A3 insurance financial strength with stable outlook.

Best regards,

Dubai Insurance Company

- Attached Moody's announcement.

Moody's
INVESTORS SERVICE

Rating Action: Moody's assigns an A3 insurance financial strength rating to Dubai Insurance Company; stable outlook

6 December 2021

DIFC - Dubai, December 6, 2021 – Moody's Investors Service ("Moody's") has today assigned an A3 insurance financial strength rating (IFSR) to Dubai Insurance Company (P.S.C.) (DIN). The outlook is stable. Based in United Arab Emirates (UAE), DIN is a mid-tier property and casualty insurer, underwriting motor, medical, general liability, property and engineering and various other personal lines products.

A list of assigned ratings can be found at the end of this press release.

RATINGS RATIONALE

The A3 IFSR of DIN reflects its: (i) good market position and brand, as the seventh largest player in the UAE insurance market, with a 3.8% market share in terms of gross premium written in 2020 and an established brand with good reputation for service; (ii) strong capital adequacy, with gross underwriting leverage (GUL) of 2.5x at YE 2020; (iii) strong profitability, with a five-year average return on capital (ROC 5yr) of 9.8% in 2020, supported by a good five-year average combined ratio (COR 5yr) of 71.9%; and (iv) strong reserve adequacy. DIN reported continued strong performance in 2021, with first nine months growth of 22.4% over the same period in 2020 in terms of gross written premium, profits of AED58.8 million, a COR of around 75% and a shareholders' equity growth of 15%.

However, these strengths are partially offset by DIN's concentration to the UAE insurance market. Furthermore, asset quality is constrained by the concentration to equity investments which together with real estate exposures drive an elevated high risk assets (HRA) ratio as a percentage of shareholders' equity to 73.3% at YE 2020. However, DIN has consistently maintained sufficient liquidity buffers and enabled the company to implement a long term hold strategy on these high risk assets to absorb any short term volatility.

More positively Moody's notes that DIN has secured and maintains a mandated workers protection program which aids its market position and brand whilst also aiding DIN product diversification profitably. Though the size of the program introduces some concentration risk, DIN's success and reputation of service to all stakeholders of the program counters the risk.

Moody's also notes the extensive use of reinsurance by DIN to protect its capital, thereby reducing DIN's retention. Though this exposes DIN to counterparty risk, the reinsurance panel is noted to be of high quality.

The rating also takes into account DIN's governance as part of Moody's environmental, social and governance considerations. Moody's expects DIN to maintain a financial strategy and risk management focused on underwriting profits and preservation of strong capital levels.

OUTLOOK

The stable rating outlook reflects Moody's expectation that DIN will grow its business while maintaining underwriting discipline, as well as maintain its strong capital adequacy.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATING

Moody's says that the following factors could exert upward pressure on DIN's rating: (i) if its market position improves with the company becoming a top-three insurer in the UAE market while maintaining similar levels of profitability and capital adequacy; and (ii) there is an improvement in asset quality either in terms of invested assets with HRA equating to below 50% of shareholders' equity along with a significant reduction in reinsurance recoverable equating to below 70% of shareholders' equity.

Conversely, downward pressure would arise in case of (i) a weakening in profitability with ROC's below 4% and combined ratios over 100% consistently; or (ii) its market position in UAE falling out of the top ten in terms of premiums; or (iii) a deterioration in asset quality with HRA as a percentage of consolidated equity of over 90%; or (iv) a weakening of capital adequacy with GUL over 3x.

AFFECTED RATING

..Issuer: Dubai Insurance Company (P.S.C.)

Assigned:

....Insurance Financial Strength Rating of A3

Outlook Action:

....Outlook assigned is Stable

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was Property and Casualty Insurers Methodology published in September 2021 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1254163. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

For any affected securities or rated entities receiving direct credit support from the primary entity(ies) of this credit rating action, and whose ratings may change as a result of this credit rating action, the associated regulatory disclosures will be those of the guarantor entity. Exceptions to this approach exist for the following disclosures, if applicable to jurisdiction: Ancillary Services, Disclosure to rated entity, Disclosure from rated entity.

The rating has been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

This rating is solicited. Please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website www.moodys.com.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

Please see www.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

Please see the ratings tab on the issuer/entity page on www.moodys.com for additional regulatory disclosures for each credit rating.

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