دبي للتأمين
DUBAI INSURANCE
CARE & COMMITMENT SINCE 1970

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Dubai Insurance Company (DIN) has received an 'A' rating from Fitch Ratings

Fitch Ratings - London - 19 Dec 2023: Fitch Ratings has assigned Dubai Insurance Company (P.S.C.) (DIN) an Insurer Financial Strength (IFS) Rating of 'A'. The Outlook is Stable.

DIN's rating reflects the company's strong company profile, very strong capitalisation and financial performance, strong reinsurance panel, prudent reserving but a fairly large exposure to equities in the investment portfolio.

KEY RATING DRIVERS

Strong Company Profile: DIN is a general insurance company writing AED1.5 billion of gross written premium (GWP) in 2022 (2021: AED1.3 billion) making it the fourth largest publicly listed insurer in the UAE by GWP, albeit much smaller than the three largest insurers, with a market share of 5% of the GWP written by publicly listed insurers in 2022. The company is well-diversified by business lines, writing a mix of personal and commercial lines business, including significant revenue from government contracts.

A large portion of GWP in 2022 came from government contracts through workers protection program (WPP) products. The company also launched the UAE's involuntary loss of employment (ILOE) scheme in January 2023. Both contracts are governed by multi-year master service agreements, which are subject to annual review.

Very Strong Capitalisation: Fitch views DIN's capitalisation and leverage as a rating strength. Based on Fitch's Prism Factor-Based Model (Prism FBM), capitalisation is assessed as 'Extremely Strong'. On a regulatory basis, under the Central Bank of the UAE's methodology, the company had a very strong regulatory capital ratio of 180% at end-2022, with investment risk making up the largest individual portion of the capital requirements. DIN has no financial leverage in its capital structure.

Very Strong Profitability: DIN has a strong record of underwriting profitability and reported underwriting profit of AED78 million in 2022 (2021: AED75 million) and a combined ratio of 81% (2021: 71%). The investment portfolio has also contributed to the overall result and DIN has reported a consistently strong return on equity (RoE) with a five-year average of 12.3%. DIN writes significant volumes through its expanding WPP scheme and the new ILOE scheme. Fitch expects both schemes to contribute significantly to DIN's profitability.

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Investments Exposed to Equities: DIN has a fairly large exposure to equity investments at 47% of its investment portfolio at end-2022. Cash and bank deposits make up a further 41% of the investment portfolio and hence the overall portfolio is highly liquid, although DIN also has a 9% exposure to real estate investments. The company's Fitch-calculated risky assets/capital ratio was 72% at end-2022 (end-2021 77%) with risky assets being made up almost entirely of equities.

Strong Reinsurance Panel: DIN makes significant use of reinsurance across all lines of business. The panel of reinsurers includes large globally diversified reinsurers, with a number of programmes led by large globally diversified reinsurance groups. Most reinsurers on the panels are of good credit quality, although DIN also has some exposure to lower rated local reinsurers in the region.

Prudent Reserving: DIN adopts a prudent reserving philosophy with reserves held in excess of actuarial valuation. DIN receives regular valuations of its reserves from an external appointed actuary, SHMA Consulting, and as at end-2022 it held a buffer above the actuarial best estimate. Reserves are generally running off favourably with a small release from prior-year reserves occurring in most years.

For more information about this announcement, please click on the below link:

https://www.fitchratings.com/research/insurance/fitch-rates-dubai-insurance-company-psc-ifs-a-outlook-stable-19-12-2023

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