

May 28, 2009

Research Update:

**Qatar Insurance Co. S.A.Q. 'A'
Long-Term Ratings Affirmed;
Outlook Stable**

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Research Update:

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Rationale

On May 28, 2009, Standard & Poor's Ratings Services affirmed its 'A' long-term counterparty credit and insurer financial strength ratings on Doha-based Qatar Insurance Co. S.A.Q. (QIC). The outlook is stable.

The company, like its peers, has not been immune to the deterioration in global investment markets and the global and regional macro-economic downturn. However, the major rating factors below reflect the affirmation and longer-term issues we believe will support the financial strength of the company.

Major Rating Factors:

- Very strong capitalization. Capitalization remains a relative strength for the ratings. However, Standard & Poor's recognizes the negative impact of recent global and local market dislocation on capital adequacy, resulting in unrealized investment losses and changes in fair-value reserves totaling about Qatari riyal (QAR) 1.6 billion to March 31, 2009. While markets have since recovered somewhat, we expect capital adequacy to moderate in the medium term as a result of continuing business growth.
- Strong competitive position. QIC has maintained its dominant domestic position with about a 50% share of the Qatari market. It is also seeking to exploit new opportunities such as medical, takaful, and life business. QIC also holds ambitions to further develop regionally and internationally.
- Very strong operating performance. The high quality of technical earnings was reflected in stable underwriting performance in 2008, with a three-year combined ratio of 86% and an increase of 30% in gross written premiums to QAR1.9 billion. Although return on revenue dipped gradually over the last four years, it remains relatively high at 33%.
- Good investments. QIC's investments are viewed as a relative weakness to the ratings. This reflects the high proportion of equities, particularly domestic stocks, within the portfolio and the resultant high volatility due to the relatively shallow Doha securities market.
- Reinsurance utilization. This remains relatively high at 51%. However, we recognize that it has consistently fallen over the past five years as QIC seeks to retain an increasing level of risk and reduces its previous dependence on the fronting of large local risks.
- Economic and industry risk. Although we believe QIC is better placed than many of its competitors, growing levels of competition within the Gulf Cooperation Council area remains an ongoing concern, as does the current downturn in the regional economy. (For information see "The Qatari Insurance Sector In 2009: Short-Term Weaknesses Offset By Long-Term Strengths," published on Jan. 26, 2009, on RatingsDirect.

Outlook

The stable outlook reflects Standard & Poor's expectation that QIC will maintain its risk-based capitalization at a very strong level with at least strong operating performance. We expect technical performance to remain strong, with a three-year average combined ratio of around 85%. Competitive position is likely to be enhanced in the medium term by introducing new lines of business domestically and the gradual development of QIC's regional and international operations.

An outlook revision to positive is unlikely within the next two years. An outlook revision to negative may occur if significant losses affect the investment portfolio, if the quality of earnings declines, or if market conditions significantly deteriorate.

Ratings List

Ratings Affirmed

Qatar Insurance Co. S.A.Q.

Counterparty Credit Rating A/Stable/--

Insurer Financial Strength Rating A/Stable

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