Best's Insurance News & Analysis
news.ambest.com

Press Release - NOVEMBER 26, 2012 Print This Page

A.M. Best Assigns Ratings to Qatar Insurance Co SAQ and Its Main Subsidiaries

CONTACTS:

Michael Dunckley
Associate Financial Analyst
+(44) 20 7397 0321
michael.dunckley@ambest.com

Rachelle Morrow
Senior Manager, Public Relations
+(1) 908 439 2200, ext. 5378
rachelle.morrow@ambest.com

Mahesh Mistry
Associate Director
+(44) 20 7397 0325
mahesh.mistry@ambest.com

Jim Peavy
Assistant Vice President, Public Relations
+(1) 908 439 2200, ext. 5644
james.peavy@ambest.com

FOR IMMEDIATE RELEASE

LONDON - NOVEMBER 26, 2012
A.M. Best Europe – Rating Services Limited has assigned a financial strength rating of A (Excellent) and issuer credit ratings of “a” to **Qatar Insurance Co SAQ** (QIC) and its main subsidiaries: **QIC International LLC** (QICI) and **Q-Re LLC** (Q-Re). The outlook for all ratings is stable. All companies are domiciled in Qatar.

The ratings for QIC reflect its excellent prospective risk-adjusted capitalization supported by good financial flexibility, robust underwriting performance and strong business diversification. Offsetting rating factors are QIC’s concentration in Qatari equities, the developing state of the company’s enterprise risk management (ERM) systems to support the company’s expansion and the execution risk of the Q-Re expansion plan.

The ratings for QICI and Q-Re incorporate a strong level of support from QIC as evidenced by a parental guarantee provided over both of these companies, capital injections to support business written at Q-Re, importance of the international businesses to QIC’s overall strategy and integration into the overall group.

QIC is the largest insurer in Qatar with a dominant position in its domestic market across commercial and personal lines of business. Its profile is enhanced through its subsidiaries, QICI and Q-Re, providing the company with a franchise accessing several markets. QICI is the international subsidiary of the QIC group, writing direct lines in United Arab Emirates, Oman, Kuwait and Malta, which represented 35% of group gross written premium in 2011. Q-Re, a reinsurance subsidiary of QIC (with indirect ownership through QICI also), is a reinsurer writing largely property and energy business on a global basis, representing 18% of QIC’s portfolio. The company is well diversified by line of business, underwriting all major lines of insurance and also generating advisory fee income through asset management subsidiary Qatar Economic Advisors (QEA) and rental income through the real estate subsidiary Qatar Insurance Company Real Estate (QICR). In A.M. Best’s opinion, this strategy provides strong protection against underwriting or investment market volatility.

In A.M. Best’s view, QIC’s prospective risk-adjusted capitalisation is expected to remain excellent, benefiting from the company’s diversified insurance profile and moderate retention levels supported by a well rated reinsurance panel. An offsetting factor is a locally concentrated exposure to Qatari equities within the investment

Related Companies

For information about each company, including the AMB Credit Reports, group members (w here applicable) and new s stories, click on the company name. An additional purchase may be required.

AMB#	Company Name
092611	Q-Re LLC
092612	QIC International LLC
078335	Qatar Insurance Company S.A.Q.

portfolio achieving consistently high returns; however, this represents a concentration risk and can create volatility in QIC's capital position. Despite this, A.M. Best considers QIC to have abundant capital to support any foreseeable growth over the coming years, with an imminent capital injection anticipated by the State of Qatar and its entities increasing its shareholding in the company from 12% to around 20%, demonstrating financial flexibility. Capital distribution within the group is sound, with the rated subsidiaries also being strongly capitalized. QICI and Q-Re's risk-adjusted capitalisation both benefit from more conservative, highly liquid investment portfolios and well-rated reinsurance counterparties.

QIC achieved overall earnings of QAR 603 million in 2011 (USD 166 million) (2010: QAR 623 million [USD 171 million]); operating performance was strong despite the effect of losses from catastrophe events at Q-Re, causing the group's overall loss ratio to deteriorate to 65% (2010: 52%). Very strong underwriting results in direct lines business both in Qatar and in regional subsidiaries, along with consistently good investment returns have balanced out this effect. In 2012, group results continue to be depressed following reserve deteriorations from catastrophe events at Q-Re. QIC is expected to produce a similar level of overall profit to 2011.

Q-Re is expected to undergo significant growth in 2013 and 2014 as the company is in the process of further expanding its reinsurance operations in Zurich and Bermuda by hiring a new underwriting team to write several new lines of treaty business. In A.M Best's view, Q-Re's expansion plans represent material execution risk; however, Q-Re has restructured its management to bolster its underwriting and risk management capabilities. Q-Re's underwriting results have been mainly depressed by catastrophe losses in 2011 and adverse development in 2012.

In A.M. Best's opinion, QIC benefits from a capable and experienced management team that has overseen a period of impressive expansion and profitability. The management has, in general, implemented good underwriting controls throughout the group. The ERM framework across the group for its current business has evolved over the years and is in a developing stage. QIC has invested heavily in improving group-wide risk-management, particularly at Q-Re. A.M. Best expects risk-management to further improve in the coming years, with a greater focus on capital modeling and risk aggregations particularly in the reinsurance segment of the business.

Positive or negative pressure on the ratings could be created by the success in execution of the expansion plans at Q-Re. Improvement of risk controls and capital modeling ability could create positive rating pressure. Deterioration in underwriting performance or shock to the Qatari market affecting the investment portfolio could result in negative rating pressure.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best's rating process and contains the different rating criteria employed in the rating process. Key criteria utilised include: "Evaluating Country Risk"; "Understanding Universal BCAR"; "Understanding BCAR for Property/Casualty Insurers"; "Rating Members of Insurance Groups"; and "Risk Management and the Rating Process for Insurance Companies". Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

In accordance with Regulation (EC) No. 1060/2009, the following is a link to required disclosures: A.M. Best Europe - Rating Services Limited Supplementary Disclosure.

A.M. Best Europe – Rating Services Limited is a subsidiary of A.M. Best Company. Founded in 1899, A.M. Best Company is the world's oldest and most authoritative insurance rating and information source.

A.M. Best receives compensation for interactive rating services provided to organizations that it rates. A.M. Best may also receive compensation from rated entities for non-rating related services or products offered by A.M. Best. A.M. Best does not offer consulting or advisory services. For more information regarding A.M. Best's rating process, including handling of confidential (non-public) information, independence, and avoidance of conflicts of interest, please read the A.M. Best Code of Conduct.

A.M. Best - European Rating Services Limited (AMBERS), a subsidiary of A.M. Best Company, is an External Credit Assessment Institutions (ECAI) in the European Union (EU). Therefore, credit ratings issued by AMBERS may be used for regulatory purposes in the EU as per Directive 2006/48/EC.
