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AM Best Affirms Credit Ratings of Misr Insurance Company

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AMB#	Company Name
085257	Misr Insurance Company
059351	Misr Insurance Holding Co

FOR IMMEDIATE RELEASE

LONDON - DECEMBER 14, 2018

AM Best has affirmed the Financial Strength Rating of B++ (Good) and the Long-Term Issuer Credit Rating of "bbb" of Misr Insurance Company (MIC) (Egypt). The outlook of these Credit Ratings (ratings) is stable. MIC and Misr Life Insurance Company are directly owned by Misr Insurance Holding Company, and form part of the consolidated Misr Group.

The ratings reflect MIC's balance sheet strength, which AM Best categorises as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

The ratings also factor in the financial strength of the Misr Group, and MIC's strategic importance and material contribution to the profile and earnings of the group.

The company's risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), is assessed as strongest, supported by its large capital base of EGP 22 billion (USD 1.2 billion). Whilst the company maintains a conservative investment portfolio with approximately 82% of invested assets held in cash and fixed income, regulatory restrictions in Egypt limit the company's investment options. Offsetting rating factors also include a moderate reliance on reinsurers and historical reserve volatility.

The company's operating performance is assessed as adequate, reflecting a five-year (2014-2018) average return on equity of 12% and a five-year average combined ratio of 92%. Operating profits declined by 5% to EGP 2.3 billion during the financial year ending 30 June 2018, with increases in non-technical earnings offsetting declines in underwriting returns. The majority of the company's operating profits can be attributed to investment income, indicative of the company's large asset base and Egypt's high interest rate environment. For the financial year ending 30 June 2018, the company delivered a combined ratio of 103% compared with 81% in the prior year. The poor technical performance was a result of large losses on property and aviation lines of business, as well as higher inflation-linked attritional losses in the motor line of business.

MIC has a market-leading position in its domestic insurance market. The company's gross written premium increased by 21% to EGP 8.6 billion for the financial year ending 30 June 2018, reinforcing its dominant position in Egypt's non-life insurance sector with a market share of 51%. Whilst business is concentrated in Egypt, the company benefits from geographical diversification stemming from its regional inwards facultative business, which accounted for approximately 20% of premium revenue.

The company has clear risk appetite and tolerances in place throughout the key areas of the business, which has contributed to the improving risk culture within MIC. Political and financial instability, as well as social unrest, have the potential to disrupt economic conditions in Egypt. Despite MIC's track record of successfully navigating these challenging market conditions, AM Best continues to monitor the impact these external factors may have on the company's operations, in particular the high inflationary environment.

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 Understanding Best's Credit Ratings. For

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