

AM Best

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AM Best Upgrades Credit Ratings of Dubai National Insurance & Reinsurance P.S.C.

CONTACTS:

Todor Kitin
Financial Analyst
+44 20 7397 0335
todor.kitin@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Alex Rafferty
Associate Director, Analytics
+44 20 7397 0312
alex.rafferty@ambest.com

Al Slavin
Senior Public Relations Specialist
+1 908 439 2200, ext. 5098
al.slavin@ambest.com

FOR IMMEDIATE RELEASE

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AM Best has upgraded the Financial Strength Rating to A- (Excellent) from B++ (Good) and the Long-Term Issuer Credit Rating to “a-” (Excellent) from “bbb+” (Good) of Dubai National Insurance & Reinsurance P.S.C. (DNI) (United Arab Emirates). The outlook of these Credit Ratings (ratings) has been revised to stable from positive.

The ratings reflect DNI’s balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, limited business profile and appropriate enterprise risk management.

The rating upgrades reflect a strengthening over recent periods of DNI’s balance sheet strength fundamentals. Notably, the company’s risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), has improved, primarily driven by the implementation of an enhanced and formalised capital management policy, which has supported capital and surplus growth through moderating dividend distributions to allow sufficient earnings retention. AM Best expects the company to maintain a robust buffer in excess of the threshold required for a strongest BCAR assessment. Furthermore, DNI has taken actions to lower the previously high level of asset risk its balance sheet is exposed to, through reducing the share of equity holdings. Lower asset risk has benefited DNI’s risk-adjusted capitalisation and is expected to reduce the potential volatility in surplus from changes in the value of DNI’s equity investments.

The balance sheet strength assessment also reflects DNI’s low underwriting leverage, sufficient liquidity and history of prudent reserving practices. An offsetting factor is the company’s high dependence on reinsurance, as evidenced by a retention ratio of 36% in 2021. The associated counterparty credit risk is mitigated partially by the use of a panel of international reinsurance partners of sound credit quality.

DNI has a track record of strong operating performance, as demonstrated by a five-year (2017-2021) weighted average return on equity of 9.1%. The balance of earnings remains skewed toward investment income, which accounted for over half of the company’s net profit in 2021. DNI’s underwriting results have been strong and stable, demonstrated by a five-year (2017-2021) weighted average non-life combined ratio of 82.5%. In 2021, DNI reported a non-life underwriting profit of AED 24.5 million, equating to a combined ratio of 75.2%. Although high levels of competition persist in the UAE insurance market, AM Best expects DNI to maintain its strong operating performance metrics through stringent underwriting controls and prudent risk selection.

DNI’s business profile assessment reflects its position as a mid-tier insurer in the UAE general insurance market. The company continues to focus on maintaining underwriting profitability in an increasingly competitive market. Following a change in management in early 2021, DNI has engaged in broadening its distribution platforms and has entered strategic partnerships to source underwriting growth.

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 [Guide to Best’s Credit Ratings](#). For information on the proper use of Best’s Credit Ratings, Best’s Performance Assessments, Best’s Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best’s Ratings & Assessments](#).

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