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A.M. Best Upgrades Ratings of Abu Dhabi National Takaful Company P.S.C.

LONDON, 19 August 2016—A.M. Best has upgraded the financial strength rating to A- (Excellent) from B++ (Good) and the issuer credit rating to “a-” from “bbb+” of **Abu Dhabi National Takaful Company P.S.C.** (ADNTC) (United Arab Emirates). The outlooks for each rating have been revised to stable from positive.

The rating upgrades reflect ADNTC’s excellent risk-adjusted capitalisation, consistently strong technical performance, and niche market profile as a leading takaful operator in the United Arab Emirates (UAE).

Given the regulatory environment in the UAE and the protection it provides to policyholders, ADNTC’s risk-adjusted capitalisation is assessed by A.M. Best on a combined basis (integrating both policyholders’ and shareholders’ funds). Based on this, ADNTC’s risk-adjusted capitalisation remains at an excellent level benefiting from conservative investment profile, low underwriting leverage, and a well-rated reinsurance panel. ADNTC’s capital position continues to strengthen with a prudent dividend policy enabling good earnings retention. The company’s risk-adjusted capitalisation is sufficiently strong to absorb its strategic initiatives over the next three years. Furthermore, the company’s conservative asset composition, with over 65% of investments held in cash and short term deposits, ensures an exceptional liquidity position, highlighted by a liquidity ratio (liquid assets to net technical reserves) of 371% at year end 2015.

ADNTC has a track record of excellent underwriting profitability, highlighted by a five-year average combined ratio of 72%. The strategic review conducted by management over 2014 and 2015 has enabled the company to report technical profits across all business segments, which served to boost operating earnings to



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AED 42 million (USD 11 million) in 2015, from AED 34 million (USD 9 million) in 2014. Although the company's low-risk investment portfolio translates into moderate investment yields of approximately 2%, ADNTC produced an excellent return on equity of 17% during 2015. The first half of 2016 indicates another strong start to the year, with profit for the period up by 70% to AED 30 million (USD 8 million) compared to AED 17.8 million (USD 5 million) for the first half of 2015.

Despite ADNTC's strong operating performance, the company maintained a deficit within the policyholders' fund at year end 2015. However, in recent years the policyholders' fund has been producing positive results, and consequently, the Qard Hassan has reduced from AED 24 million (USD 7 million) in 2013 to AED 15 million (USD 4 million) as of 30 June 2016. A.M. Best expects this trend to continue, and deficit to be eliminated in the near future.

Whilst ADNTC has a modest business profile in the UAE insurance market, the company benefits from a good reputation and strong presence in the niche takaful sector as the fourth largest provider of Islamic insurance products in the country. ADNTC has a well-diversified portfolio by line of business, although there is a focus on family takaful and medical business, driven mainly by strong relationships with local banks. ADNTC reported a relatively flat level of premiums in 2015 with gross written contributions of AED 297 million (USD 81 million).

A.M. Best finally notes that ADNTC's prudent management of its operation has meant that there has been no financial impact on the company from the new insurance regulations imposed by the Insurance Authority.

This press release relates to rating(s) that have been published on A.M. 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 A.M. Best's [Recent Rating Activity](#) web page.

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