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AM Best Affirms Credit Ratings of Abu Dhabi National Takaful Company P.S.C.

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AMB#	Company Name
090708	Abu Dhabi National Takaful Company PSC

FOR IMMEDIATE RELEASE

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AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of "a-" (Excellent) of Abu Dhabi National Takaful Company P.S.C. (ADNTC) (United Arab Emirates). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect ADNTC'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.

ADNTC's risk-adjusted capitalisation is at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR) on a combined policyholder and shareholder fund basis. AM Best expects the company's prospective risk-adjusted capitalisation to remain at the strongest level, as ADNTC's strong business growth is expected to be supported by internal capital generation. The company's risk-adjusted capitalisation benefits from its conservative investment strategy, with over 50% of invested assets held in cash and deposits as at year-end 2022, although its exposure to private equity assets attracts elevated risk charges. An offsetting factor in ADNTC's balance sheet strength assessment is its relatively high dependence on reinsurance. However, the associated credit risk is managed through the use of a reinsurance panel of sound financial strength.

ADNTC has a track record of strong operating performance with a five-year (2018-2022) weighted average return-on-equity (ROE) ratio of 13.9%, historically driven by solid underwriting performance within both its general and family (life) takaful portfolios. However, challenges in ADNTC's domestics market, including heightened competition and changes in legislation in recent years, have adversely affected its profitability. In 2022, ADNTC reported AED 18.2 million profit, equivalent to an ROE of 3.3%. The company's family takaful, motor and medical lines, which were the primary drivers of profitability until 2020, reported lower profits, with the company reporting a combined ratio of 113.8%, well above its historical five-year (2018-2022) weighted average of 83.4%. Management actions implemented since 2020, including the restructuring of the family takaful reinsurance programme and strategic diversification of the underwriting portfolio, are expected to contribute toward maintaining the company's strong underwriting performance over the coming years. Improvements in both technical and investment performance have already been observed as at 30 September 2023.

The company has a niche and established position in the UAE insurance market as a successful takaful operator, which is supported by strong and established distribution channels. ADNTC reported strong growth in revenue consecutively at year-end 2022 and as at 30 September 2023 as the company implements an ambitious strategic plan, where it plans to enhance its product and geographic diversification.

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