# Interim Results

3rd Quarter 2010

## Agenda

- Quarter Summary
- Key Data
- Reinsurance Performance
- Asset Management
- Technical Reserves
- Shareholders’ Equity
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## *Arig Swings Back Into Profit Zone On Strong Earnings In 3rd Quarter 2010*

Higher technical returns from reinsurance and a rally in the world financial markets firmly placed Arig back into profitability at the end of the third quarter following a dip in investment returns at the half-year point. At September 30th, the company's Technical Result stood at US$ 12.3 million (3Q 2009: US$ 11.2 million) based on a combined ratio of 98.4% for the general reinsurance business. Investments yielded US$ 20.5 million (3Q 2009: US$ 26.8 million) over the three quarters combined. Net Profit for the period amounted to US$ 11.5 million (Q3 2009: US$ 16.9 million) - a strong recovery following a US$ 2.8 million loss recorded at mid-year.

Greater pricing competition among insurance clients means that the company needs to apply increased scrutiny on its accepted reinsurance contracts. The combined effects of reduced demand for reinsurance, discontinuation of some under-performing contracts and deferred policy renewals led to a reduction in Gross Premium Written, which reached US$ 207 million at the end of the third quarter (3Q 2009: US$ 247.3 million). The company regards this drop as a temporary effect.

Shareholders Equity after the third quarter stood at US$ 258.5 million (Dec. 2009: 267.3 million) after consideration of the paid annual dividend and company's purchase of US$ 2.9 million in treasury shares. Book Value per share registered at US$ 1.26 on 30 September 2010 (Dec. 2009: US$ 1.27).

# Key Data

| (in million $) | Q3 2010 | Q3 2009 |
|---|---|---|
| Gross premiums written | 207.0 | 247.3 |
| Technical result * | 12.3 | 11.2 |
| Underwriting result ** | 6.1 | 7.4 |
| Investment income | 20.5 | 26.8 |
| **Net profit** | **11.5** | **16.9** |
| | | |
| **Non-life combined ratio *** ** | **98.4%** | **95.4%** |
| | | |
| | **Sep-2010** | **Dec-2009** |
| Shareholders Equity | 258.5 | 267.3 |

**   Technical result – returns from reinsurance operations before consideration of investment income and operating expenses*
***   Underwriting result – reinsurance results after investment income on insurance funds and related operating expenses*
**** Combined Ratio – aggregate of acquisition & operating cost over net premium written and claims over net earned premium*

# Reinsurance Performance

| **Gross written premiums** (in million $) | Q3 2010 | Q3 2009 |
|---|---|---|
| Non-life premiums | 190.6 | 217.1 |
| Life premiums | 16.4 | 30.2 |
| **Total** | **207.0** | **247.3** |

*Reduced Non-life premiums*

- *effects of the economic slowdown in Arig's core markets*
- *discontinuation of under-performing Medical accounts*

*Reduced Life premiums*

- *the accounts of late renewals of some larger accounts could not be captured under the 3rd quarter but will be reflected at year end*

| **Net earned premiums** (in million $) | Q3 2010 | Q3 2009 |
|---|---|---|
| **Earned premiums** | | |
| Non-life premiums | 150.3 | 166.3 |
| Life premiums | 15.3 | 30.0 |
| **Total** | **165.6** | **196.3** |

# Reinsurance Performance

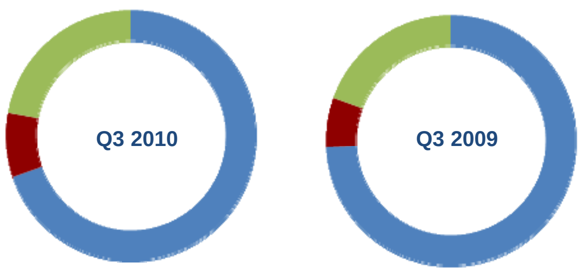
| **Technical results** (in million $) | Q3 2010 | Q3 2009 |
|---|---|---|
| Non-life technical profit | 11.8 | 9.5 |
| Life technical profit | 0.5 | 1.7 |
| **Total** | **12.3** | **11.2** |
| **Non-life combined ratio (%)** | **98.4%** | **95.4%** |

*Non-life technical result*

- *improved claims ratio producing higher technical result but higher management and acquisition cost ratios increased combined ratio*

*Life technical result*

- *claims reserve includes prudent margins to cater for unexpected developments of the long-term policy portfolio; typically a share of these reserves is released over time as the underlying policies mature*




| **Non-Life Combined ratio (%)** | Q3 2010 | Q3 2009 |
|---|---|---|
| Claims ratio | 68.5 | 70.7 |
| Management cost ratio | 8.1 | 6.0 |
| Acquisition cost ratio | 21.8 | 18.7 |
| **Total** | **98.4** | **95.4** |

*Changes in key ratios*

- *Improved claims ratio against expected levels also a result of discontinued Medical business*
- *Increase in management cost ratio the result of reduced net written premium*
- *Higher than budgeted acquisition cost ratio influenced by the reduced Medical portfolio, which is predominantly written net of commissions*

## Asset Management

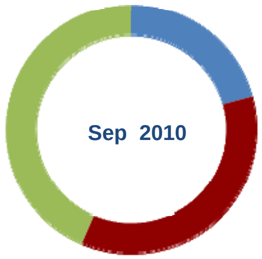
| **Investment Income** (in million $) | **Q3 2010** | **Q3 2009** |
|---|---|---|
| Cash & short term deposits | 5.0 | 5.4 |
| Fixed maturities | 7.2 | 11.1 |
| Equity | 4.5 | 11.7 |
| Alternative Investments | 3.8 | (1.4) |
| **Total** | **20.5** | **26.8** |
| Rate of return | 4.2% | 5.3% |

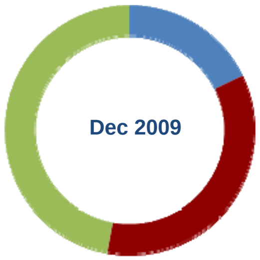
- *Earnings on cash & short-term deposits benefited from increased allocation to higher interest earning GCC currency deposits*
- *Fixed maturity earnings impacted by low yield environment*
- *Overall yield position still lower YOY following the dip in market performance during Q2 2010*

| **Investments** (in million $) | **Sep-2010** | **Dec-2009** |
|---|---|---|
| Cash & short term deposits | 310.6 | 355.4 |
| Fixed maturities | 197.7 | 211.6 |
| Equity | 111.8 | 75.1 |
| Alternative investments | 21.7 | 21.5 |
| **Total** | **641.8** | **663.7** |

- *High liquidity levels maintained; further allocation to other asset classes as opportunities arise*

## Technical Reserves

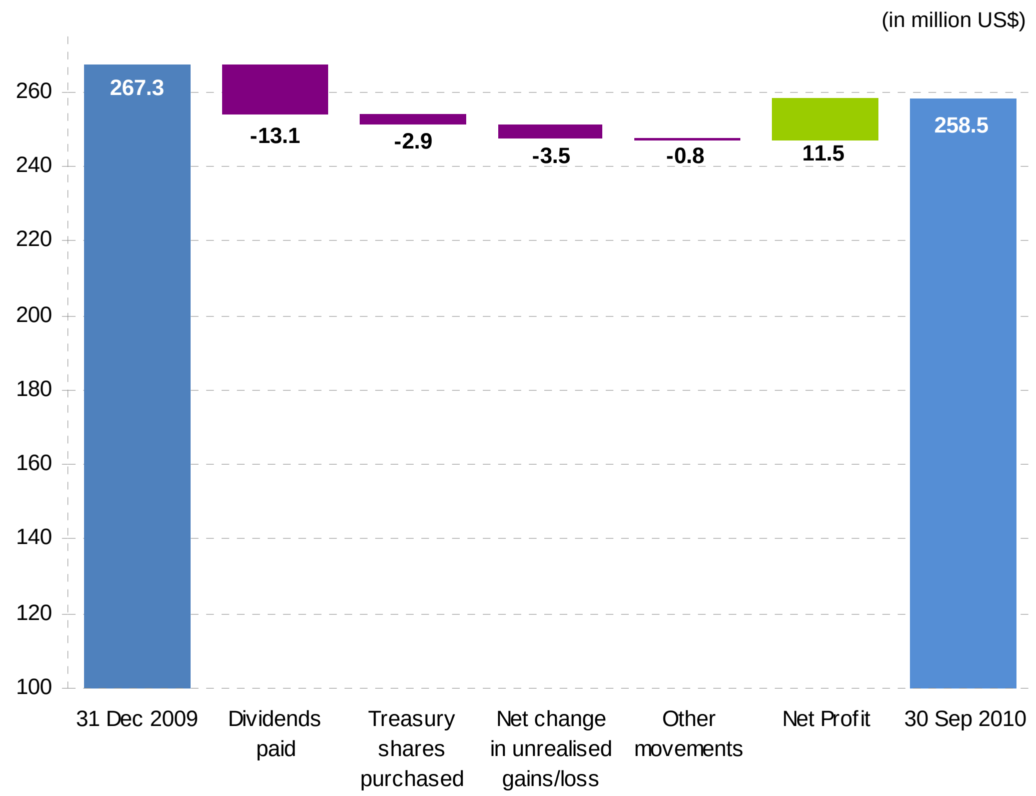



| (in million $) | Sep-2010 | Dec-2009 |
|---|---|---|
| Unearned premium | 136.8 | 116.3 |
| Unreported losses | 233.9 | 225.9 |
| Claims outstanding | 286.6 | 305.4 |
| **Total** | **657.3** | **647.6** |

- *Gross technical provisions higher by $ 9.7 m mainly as a result of the seasonal increase in unearned premium*
- *Non-life technical reserves assessed by independent external actuaries and found to be adequate*

## Shareholders' Equity



## Outlook

- Soft markets and low interest rate environment expected to continue throughout 2010
- Focus on writing quality reinsurance accounts as markets continue to be price competitive
- We expect to produce Technical Profit throughout the current underwriting year
- Cooperation with Hardy Underwriting Group continues to show positive effect on Arig's performance
- Premium estimates gradually increasing in tandem with economic recovery
- Life dynamics remain subdued in view of lower levels of employment and reduced home building in the Gulf
- Arig will manage expense levels through focusing on cost effective and efficient use of its resources