

# Interim Results Half Year 2017



## Arig Reports Improved Half-Year Profits from Underwriting and Investment

*13 August 2017*

Bahrain: Arig reported net profits of US\$ 4.1 million for the first half of the year 2017, an increase of 128% year-on-year (half-year 2016: US\$ 1.8 million). The company's technical result for the first half-year rose to US\$ 8.6 million (half-year 2016: US\$ 4.0 million), while investment income increased to US\$ 12.3 million (half-year 2016: US\$ 9.9 million). The Group's combined ratio for the first half of the year improved by 8.1 points to reach 79.1% (half-year 2016: 87.2%).

The Group's net result for the second quarter alone was US\$ 3.6 million (Q2 2016: US\$ 1.0 million) and its gross premiums was US\$ 16.8 million (Q2 2016: US\$ 3.5 million) during the quarter alone.

Group's half year gross premiums written declined to US\$ 189.6 million (half-year 2016: US\$ 206.2 million), reflecting voluntary non-renewal of underperforming and inadequately priced accounts coupled with downward premium adjustments of our Lloyd's portfolio.

Yassir Albaharna, CEO of Arig, commented: "We are pleased to report an improved positive result in the first half of 2017 driven by better reinsurance performance and good investment returns, despite the pricing pressure and challenging market environment during the period. With this positive trend, we will continue to streamline our efforts to maximize the Group's earnings."

Arig's shareholders' equity stood at US\$ 255.7 million on 30 June 2017 (end of 2016: US\$ 256.6 million) after payment of dividend of US\$ 9.9 million. Book value per share was US\$ 1.29 for the same period (end of 2016: US\$ 1.30).

## Key Results

(in million US\$)	HY 2017	HY 2016
Gross premiums written	189.6	206.2
Technical result *	8.6	4.0
Underwriting result **	8.4	1.1
Investment income	12.3	9.9
<b>Net profit</b>	<b>4.1</b>	<b>1.8</b>
<b>Combined ratio***</b>	<b>79.1%</b>	<b>87.2%</b>

	HY 2017	Dec 2016
Shareholders' equity	255.7	256.6

- \* *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* –  $\text{Incurred Losses/Earned Premium} + \text{Expenses} / \text{Written Premium}$

## Premium Development

Gross premiums written (in million US\$)	HY 2017	HY 2016
Non-life premiums	179.7	195.5
Life premiums	9.9	10.7
<b>Total</b>	<b>189.6</b>	<b>206.2</b>

- *Drop in non-life premiums compared to HY 2016 was mainly from Lloyd's due to downward revision of pipeline premium estimates by syndicates. Non-renewal of few pro-rata treaties and exchange rate effects also contributed to the decline. These were partly offset by growth in Medical and extended warranty lines.*

Net earned premiums (in million US\$)	HY 2017	HY 2016
Non-life premiums	76.6	79.9
Life premiums	9.8	10.1
<b>Total</b>	<b>86.4</b>	<b>90.0</b>

## Reinsurance Performance

Technical results (in million US\$)	HY 2017	HY 2016
Non-life technical profit	8.6	3.0
Life technical profit	0.0	1.0
<b>Total</b>	<b>8.6</b>	<b>4.0</b>

- *Non-Life business recorded higher technical profits mainly from engineering and medical lines of business*
- *Life business suffered one significant death claim leading to lower reported results*

Combined Ratio	HY 2017	HY 2016
Claims ratio	58.0%	69.0%
Operational cost ratio	4.5%	4.7%
Acquisition cost ratio	16.6%	13.5%
<b>Combined ratio</b>	<b>79.1%</b>	<b>87.2%</b>

- *Combined ratio improved due to lower losses reported, reflecting our prudent underwriting approach.*

## Technical Reserves

(in million US\$)	HY 2017	Dec 2016
Unearned premiums	240.9	160.9
Unreported losses	199.9	218.2
Claims outstanding	266.6	294.6
<b>Total</b>	<b>707.4</b>	<b>673.7</b>

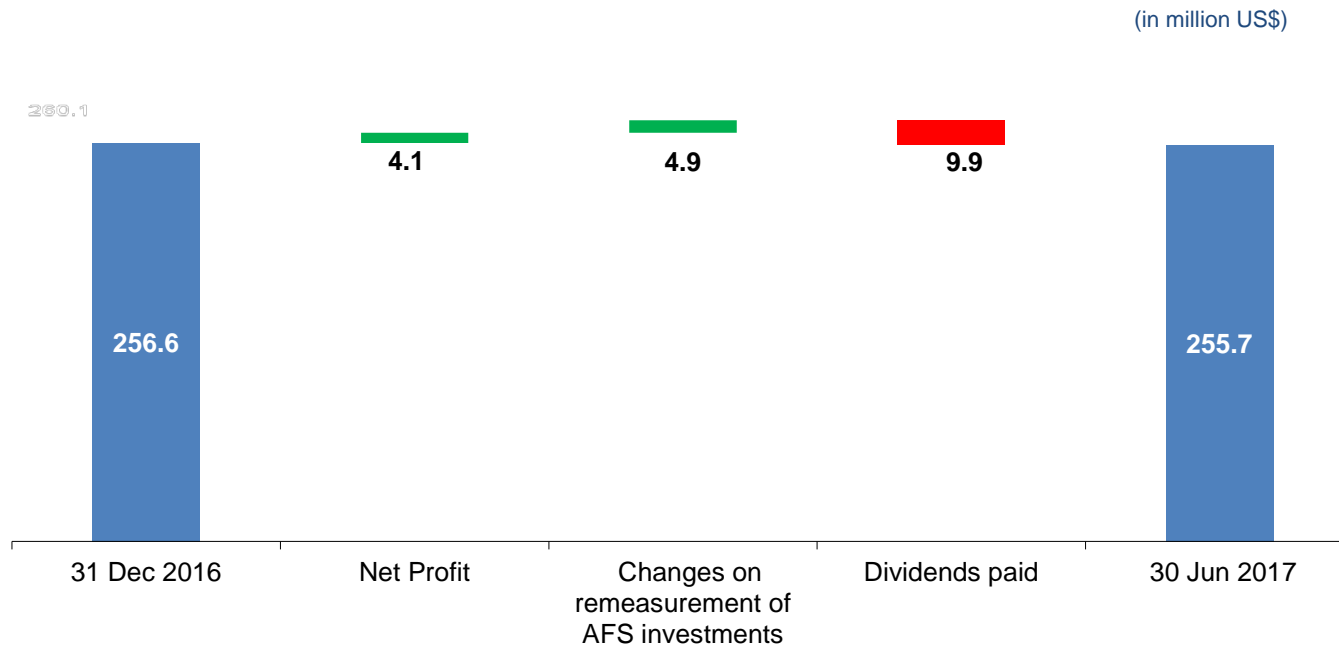
## Asset Management

<b>Investment income</b> (in million US\$)	<b>HY 2017</b>	<b>HY 2016</b>
Cash & bank deposits	0.9	0.8
Fixed maturities	5.5	8.2
Equities	5.5	0.2
Alternative Investments	0.4	0.7
<b>Total</b>	<b>12.3</b>	<b>9.9</b>
Rate of return on invested assets (annualised)	3.5%	2.7%

- *Our enhanced investment returns were a result of portfolio positioning and strong equity markets.*

<b>Investments</b> (in million US\$)	<b>HY 2017</b>	<b>Dec 2016</b>
Cash & bank deposits	152.7	180.9
Fixed maturities	441.3	477.8
Equities	66.1	60.6
Alternative investments	19.2	18.1
<b>Total</b>	<b>679.3</b>	<b>737.4</b>

## Shareholders' Equity





## Outlook

- *According to a recent IMF update, global growth is projected to be 3.5%, driven by accelerated economic activity in both advanced and developing economies, with growth forecasts of 2% and 4.6% respectively. Additionally, Equity prices remain strong in advanced economies, reflecting market optimism around corporate earnings. Emerging market prospects also remain robust, with equity markets continuing to strengthen and interest rate spreads reducing.*
- *In their recent Reinsurance Market Outlook update, Aon Benfield note that capital continued to grow in the first half of 2017. The overall level of demand has remained stable, although large buyers are increasingly seeking out sophisticated capacity. The issue of excess supply remains a dominant feature of the wider market .*
- *Arig will continue to further diversifying its book of business towards the more controllable and better performing facultative business, which are now more accessible with the Group's Financial Strength rating of 'A- (Excellent)' by A.M. Best, including Asian markets where 'A' rating is a prerequisite.*
- *Operational efficiencies will remain our main priority while expanding our profitable portfolio.*
- *Although our Investment strategy remains conservative, we will still target to benefit from market opportunities in opportunistic manner whenever reasonable.*