

# Interim Results First Quarter 2017



## Arig posts positive 1st Quarter results in 2017

14 May 2017

Bahrain: Arig Group recorded consolidated net profits of US\$ 0.5 million for the first quarter 2017 (Q1 2016: US\$ 0.8 million). The consolidated investment income went up by 40% to reach US\$ 6.3 million (Q1 2016: US\$ 4.5 million). While Arig's traditional reinsurance portfolio produced an improved technical result of US\$ 5.6 million (Q1 2016: US\$ 3.6 million) representing an increase of 56%, Lloyd's accounts generated a technical loss of US\$ 3.9 million (Q1 2016: loss US\$ 0.2 million) mainly due to higher natural catastrophe claims.

Gross premiums written during the first quarter decreased to US\$ 172.8 million for the Group (Q1 2016: US\$ 202.7 million), reflecting negative influence of exchange rate movements coupled with voluntary premium reductions in some under-performing accounts, mainly in the MENA region.

Yassir Albaharna, CEO of Arig, commented: "The challenging business environment and the effect of Brexit on the value of the British Pound have affected the Group's first quarter results. Although, we have seen improvements in important business segments, our ultimate aim remains the achievement of an increased profitability".

Arig's shareholders' equity reduced to US\$ 251.4 million at 31 March 2017 (end of 2016: US\$ 256.6 million) after payment of dividend of US\$ 9.9 million. The book value per share was US\$ 1.27 for the same period (end of 2016: US\$ 1.30).

## Key Results

(in million US\$)	Q1 2017	Q1 2016
Gross premiums written	172.8	202.7
Technical result *	1.7	3.4
Underwriting result **	0.7	1.5
Investment income	6.3	4.5
<b>Net profit</b>	<b>0.5</b>	<b>0.8</b>
<b>Combined ratio***</b>	<b>77.6%</b>	<b>74.9%</b>

	Q1 2017	Dec 2016
Shareholders' equity	251.4	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\$)	Q1 2017	Q1 2016
Non-life premiums	165.2	195.4
Life premiums	7.6	7.3
<b>Total</b>	<b>172.8</b>	<b>202.7</b>

- *Drop in non-life premiums compared to Q1 2016 was mainly from Lloyd's due to exchange rate effects following Brexit. Non-renewal of certain under priced policies also contributed to the decline.*

Net earned premiums (in million US\$)	Q1 2017	Q1 2016
Non-life premiums	36.2	39.5
Life premiums	5.1	4.8
<b>Total</b>	<b>41.3</b>	<b>44.3</b>

## Reinsurance Performance

Technical results (in million US\$)	Q1 2017	Q1 2016
Non-life technical profit	1.8	2.5
Life technical profit	(0.1)	0.9
<b>Total</b>	<b>1.7</b>	<b>3.4</b>

- Non-Lloyd's business recorded higher technical profits of \$ 5.6 m for the quarter (Q1 2016: \$ 3.6 m)
- Lloyd's business contributed a loss of \$ 3.9 m for the quarter (Q1 2016: loss \$ 0.2 m) mainly due higher natural catastrophe claims (Hurricane Matthew, the Louisiana floods and Texas hailstorms )

Combined Ratio	Q1 2017	Q1 2016
Claims ratio	66.4%	65.6%
Operational cost ratio	3.2%	2.5%
Acquisition cost ratio	8.0%	6.8%
<b>Combined ratio</b>	<b>77.6%</b>	<b>74.9%</b>

- Combined ratio was impacted by the higher losses reported by Lloyd's syndicates and lower net written premiums.

## Technical Reserves

(in million US\$)	Q1 2017	Dec 2016
Unearned premiums	287.1	160.9
Unreported losses	220.0	218.2
Claims outstanding	290.4	294.6
<b>Total</b>	<b>797.5</b>	<b>673.7</b>

## Asset Management

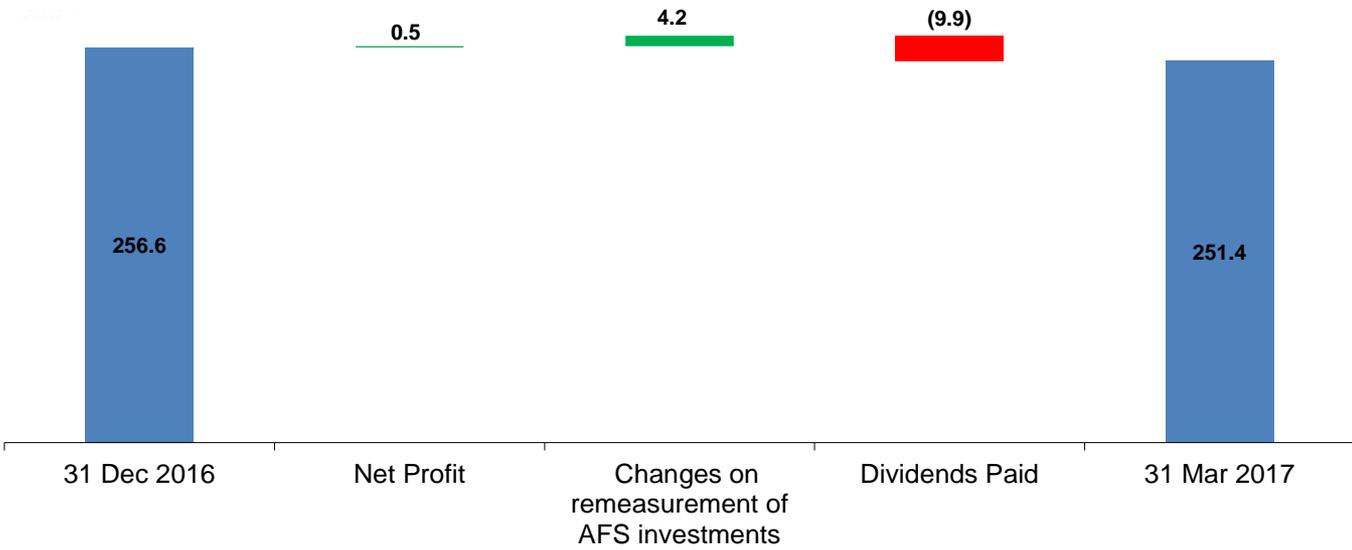
<b>Investment income</b> (in million US\$)	<b>Q1 2017</b>	<b>Q1 2016</b>
Cash & bank deposits	0.4	0.3
Fixed maturities	2.8	4.1
Equities	3.0	(0.5)
Alternative Investments	0.1	0.6
<b>Total</b>	<b>6.3</b>	<b>4.5</b>
Rate of return on invested assets (annualised)	3.5%	2.4%

- *Equity earnings benefited from the positive equity markets during the quarter*

<b>Investments</b> (in million US\$)	<b>Q1 2017</b>	<b>Dec 2016</b>
Cash & bank deposits	175.1	180.9
Fixed maturities	459.7	477.8
Equities	63.0	60.6
Alternative investments	19.2	18.1
<b>Total</b>	<b>717.0</b>	<b>737.4</b>

# Shareholders' Equity

(in million US\$)



## Outlook

- *According to The Global Economic Conditions recent Survey carried out jointly by ACCA and IMA, Economic confidence rebounded in the first quarter of 2017, and is now at its highest level since the second quarter of 2015. The boost has been driven by the US, where investors are hopeful that a combination of fiscal reform and deregulation will provide a boost to economic growth. The biggest concern was with rising headline inflation rates in many parts of both the developed and developing worlds. The negative impact of foreign-exchange movements, amid continued swings in the value of the dollar, are another big concern*
- *There are signs that the traditional reinsurance market may have reached its floor. It is also expected that Alternative capacity will turn to other investment options with rising interest rates.*
- *Arig will continue to balance its portfolio through diversification geographically and product wise, mainly between high severity and low frequency business and vice versa.*
- *Our main focus will remain to focus and streamline our operational efficiencies while expanding our profitable portfolio.*
- *Our conservative Investment strategy will support our aim to achieve the shareholders' expected returns.*