

# Interim Results Nine Months 2017

## Arig Posts Steady Nine Months Profits

*12<sup>th</sup> November 2017*

Bahrain: Arig (The Company) recorded consolidated net profits of US\$ 4.1 million attributable to shareholders for the first nine months of 2017 (nine months 2016: US\$ 3.4 million) backed by positive technical performance and higher investment earnings.

Income from investments over the nine months was higher year-on-year at US\$ 17.6 million (nine months 2016: US\$ 15.4 million) as a result of continuing positive equity returns. The Company's improved combined ratio of 90.6% for the first nine months (nine months 2016: 92.9%) highlights a stronger underwriting position as compared to the previous year.

Arig's net result for the third quarter alone attributable to shareholders was a loss of US\$ 0.03 million (Q3 2016: Profit US\$ 1.7 million) and the Company's gross premiums increased to US\$ 26.7 million (Q3 2016: US\$ 21.3 million) during the quarter alone.

The Company's nine months gross premiums written declined to US\$ 216.3 million (nine months 2016: US\$ 227.5 million), reflecting continued effort to strengthen bottom line results by 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: "Despite the likely impact of high level of catastrophe losses experienced in the third quarter on the industry's profitability, we continued to generate an improved positive result in the first nine months of 2017 against the same period of last year. We will continue our efforts to streamline Arig for better performance and enhance the Company's earnings."

Arig's shareholders' equity stood at US\$ 257.4 million as at 30 September 2017 (end of 2016: US\$ 256.6 million) after payment of dividend of US\$ 9.9 million. Book value per share was US\$ 1.30 for the same period (end of 2016: US\$ 1.30).

## Key Results

(in million US\$)	3Q 2017	3Q 2016
Gross premiums written	216.3	227.5
Technical result *	6.9	7.0
Underwriting result **	8.1	3.7
Investment income	17.6	15.4
<b>Net profit attributable to shareholders</b>	<b>4.1</b>	<b>3.4</b>
<b>Combined ratio***</b>	<b>90.6%</b>	<b>92.9%</b>

	3Q 2017	Dec 2016
Shareholders' equity	257.4	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\$)	3Q 2017	3Q 2016
Non-life premiums	199.0	210.5
Life premiums	17.3	17.0
<b>Total</b>	<b>216.3</b>	<b>227.5</b>

- *Drop in non-life premiums compared to nine months 2016 was mainly from Lloyd's due to downward revision of pipeline premium estimates by syndicates. Non-renewal of few prorata 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\$)	3Q 2017	3Q 2016
Non-life premiums	117.0	117.2
Life premiums	14.8	14.6
<b>Total</b>	<b>131.8</b>	<b>131.8</b>

## Reinsurance Performance

<b>Technical results</b> (in million US\$)	<b>3Q 2017</b>	<b>3Q 2016</b>
Non-life technical profit	6.7	6.8
Life technical profit	0.2	0.2
<b>Total</b>	<b>6.9</b>	<b>7.0</b>

- Both life and non-life technical results were in line with the previous year same period

<b>Combined Ratio</b>	<b>3Q 2017</b>	<b>3Q 2016</b>
Claims ratio	64.8%	68.0%
Operational cost ratio	4.9%	6.4%
Acquisition cost ratio	20.9%	18.5%
<b>Combined ratio</b>	<b>90.6%</b>	<b>92.9%</b>

- Combined ratio improved due to lower losses reported and lower operating expenses

## Technical Reserves

(in million US\$)	3Q 2017	Dec 2016
Unearned premiums	241.1	160.9
Unreported losses	206.4	218.2
Claims outstanding	263.4	294.6
<b>Total</b>	<b>710.9</b>	<b>673.7</b>

- *Increase of unearned premiums is inline with seasonal trends*



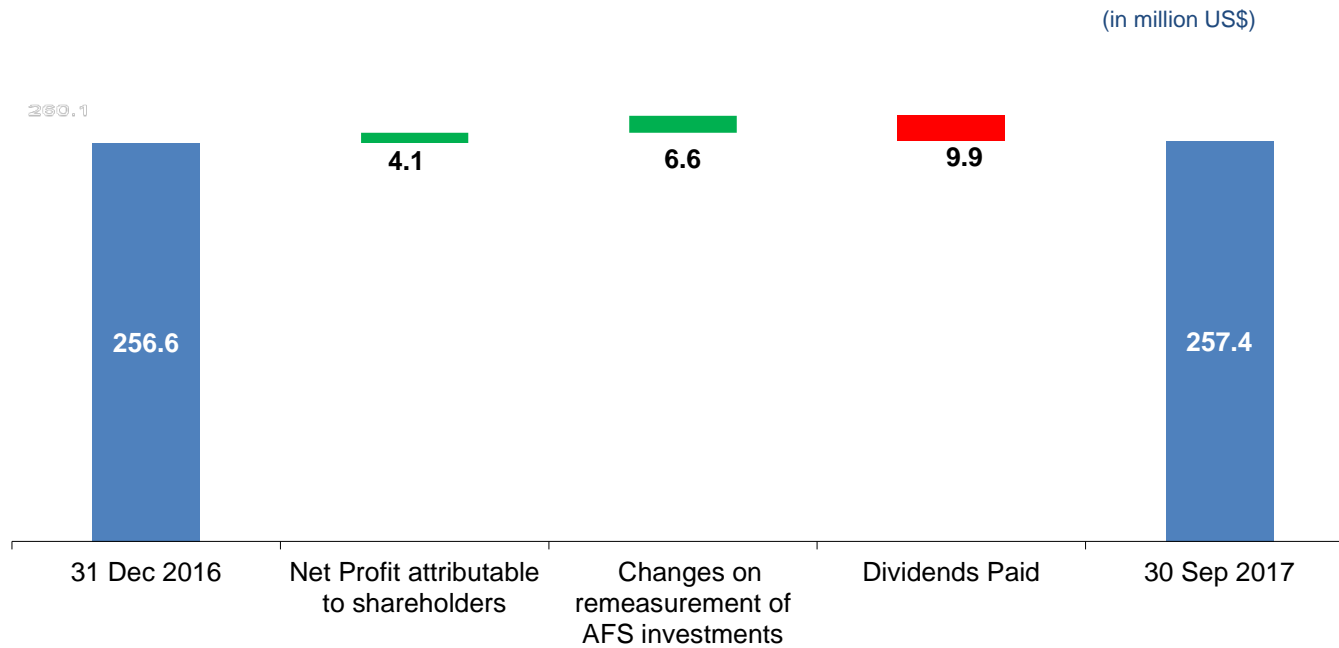
## Asset Management

<b>Investment income</b> (in million US\$)	<b>3Q 2017</b>	<b>3Q 2016</b>
Cash & bank deposits	1.3	1.3
Fixed maturities	8.2	10.8
Equities	8.2	3.0
Alternative Investments	(0.1)	0.3
<b>Total</b>	<b>17.6</b>	<b>15.4</b>
Rate of return on invested assets (annualised)	3.3%	2.8%

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

<b>Investments</b> (in million US\$)	<b>3Q 2017</b>	<b>Dec 2016</b>
Cash & bank deposits	133.1	180.9
Fixed maturities	464.7	477.8
Equities	75.0	60.6
Alternative investments	18.0	18.1
<b>Total</b>	<b>690.8</b>	<b>737.4</b>

## Shareholders' Equity





## Outlook

- *According to a recent IMF update, the global upswing in economic activity is strengthening. Global growth, which in 2016 was the weakest since the global financial crisis at 3.2 percent, is projected to rise to 3.6 percent in 2017 and to 3.7 percent in 2018. In addition, Financial market sentiment has generally been strong, with continued gains in equity markets in both advanced and emerging market economies*
- *Reinsurance Leaders are expecting pricing conditions to improve going forward – not only in reinsurance but also in commercial insurance in wake of recent severe catastrophe losses. The Broker, JLT Re said in its latest Viewpoint report the market will feel a considerable impact of the combined total losses for Harvey, Irma and Maria – after their widespread damage blew a hole through reinsurers' catastrophe budgets, hitting earnings and even absorbing a portion of excess market capital. This is expected to raise property catastrophe pricing as well as cause firms to more actively consider their exposures and increase reinsurance and retrocession purchase*
- *Arig will continue to follow its successful underwriting strategy focused on balancing its portfolio through geographically and product diversification. The Company is actively managing the exposures in its portfolio with its objective to deliver consistent returns to its shareholders.*
- *One of our main priority will remain to streamline our operational efficiencies while expanding our profitable portfolio*
- *Our conservative Investment strategy will support our aim to achieve the shareholders' expected returns*