Interim Results
Half Year 2018

Arab Insurance Group (B.S.C.) - a reinsurance firm regulated by the Central Bank of Bahrain

Arig discloses its financial results for half year ended 30th June 2018

15 August 2018

Bahrain: Arig reported consolidated net loss of US$ 22.4 million attributable to shareholders for the first half of the year 2018, (half-year 2017: net profit of US$ 4.1 million). The negative result is mainly due to the creation of a provision of US$ 21 million related to Arig's subsidiary, Gulf Warranties W.L.L.

Arig's technical result stood at US$ 2.7 million for the first half-year (half-year 2017: US$ 8.6 million), a decline of 68.6%. While Arig's traditional reinsurance portfolio reached a positive technical result of US$ 11.3 million (half-year 2017: US$ 13.9 million) representing a reduction of 18.7%, Lloyd's accounts incurred a technical loss of US$ 8.6 million (half-year 2017: a loss of US$ 5.3 million), an increase in loss by 62.3%. The consolidated investment income amounted to US$ 8.8 million (half-year 2017: US$ 12.5 million), a reduction of 29.6%.

Arig's net result for the second quarter alone was a net loss of US$ 22.9 million (Q2 2017: net profit of US$ 3.6 million) and its gross premiums written was US$ 18.4 million (Q2 2017: US$ 16.8 million), an increase of 9.5% during the quarter alone.

Gross premiums written during the first half-year amounted to US$ 187.5 million (half-year 2017: US$ 189.6 million), a decrease of 1.1% compared to the same period in previous year.

Earnings per share as at 30 June 2018 was a loss of US cents 11.3 as compared to a profit of US cents 2.1 as at 30 June 2017.

Samuel Verghese, Acting CEO of Arig, commented: "Following our practice of prudent reserving we have made a provision for some likely losses related to the subsidiary, Gulf Warranties W.L.L. The losses from our Lloyds' book are being addressed through withdrawal from the worst performing syndicate. Arig will continue efforts to maintain a well-balanced portfolio through territorial and product diversification, while benefitting from market opportunities in a controlled manner".

Key Results

(in million US$)	HY 2018	HY 2017
Gross premiums written	187.5	189.6
Technical result *	2.7	8.6
Underwriting result **	0.7	8.4
Investment income	8.8	12.5
Net (loss) / profit attributable to shareholders	**(22.4)**	**4.1**
Combined ratio* **	**104.0%**	**98.6%**

	HY 2018	Dec 2017
Shareholders' equity	228.5	256.9

** 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 – (Incurred losses + Operational cost + Acquisition cost) / Net earned premium*

Premium Development

Gross premiums written (in million US$)	**HY 2018**	**HY 2017**
Non-life premiums	180.2	179.7
Life premiums	7.3	9.9
Total	**187.5**	**189.6**

- *Downward premium adjustments of the Lloyd's portfolio were offset partly by the increase in the traditional reinsurance portfolio.*

Net earned premiums (in million US$)	**HY 2018**	**HY 2017**
Non-life premiums	95.7	76.5
Life premiums	8.9	9.9
Total	**104.6**	**86.4**

Reinsurance Performance

Technical results (in million US$)	**HY 2018**	**HY 2017**
Non-life technical (loss) / profit	(1.2)	8.6
Life technical profit	3.9	0.0
Total	**2.7**	**8.6**

- *Arig's traditional reinsurance business recorded lower technical profits of US$ 11.3 million (HY 2017: US$ 13.9 million).*
- *Lloyd's business contributed with a technical loss of US$ 8.6 million for the period (HY 2017: loss US$ 5.3 million)*

Combined Ratio	**HY 2018**	**HY 2017**
Claims ratio	71.3%	58.0%
Operational cost ratio	6.6%	8.6%
Acquisition cost ratio	26.1%	32.0%
Combined ratio	**104.0%**	**98.6%**

- *Combined ratio deteriorated due to higher loss ratio.*

Technical Reserves

(in million US$)	HY 2018	Dec 2017
Unearned premiums	232.8	193.1
Unreported losses	208.7	250.5
Claims outstanding	258.9	236.9
Total	**700.4**	**680.5**

Asset Management

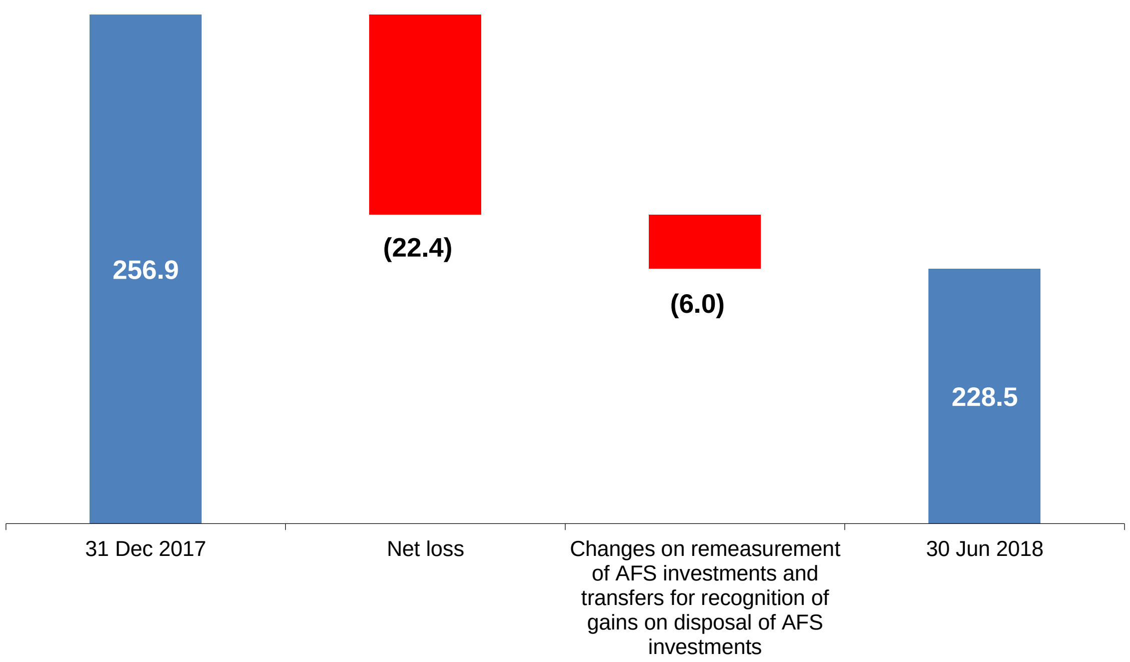
Investment income (in million US$)	HY 2018	HY 2017
Cash & bank deposits	0.5	1.0
Fixed maturities	4.2	5.5
Equities	3.1	5.5
Alternative Investments	1.0	0.5
Total	**8.8**	**12.5**
Rate of return on invested assets (annualised)	2.7%	3.5%

- *The drop in the investment income is reflecting the volatility of the global market.*

Investments (in million US$)	HY 2018	Dec 2017
Cash & bank deposits	103.0	83.2
Fixed maturities	459.4	489.3
Equities	68.2	73.9
Alternative investments	18.6	18.7
Total	**649.2**	**665.1**

Shareholders’ Equity

(in million US$)



Outlook

- *According to a recent IMF update, global growth is projected to reach 3.9% in 2018 and 2019, but the pace of expansion in some economies appears to have peaked and growth has become less synchronized across countries. Among advanced economies, the growth divergences between the United States on one side, and Europe and Japan on the other are widening. Growth is also becoming more uneven among emerging market and developing economies, reflecting the combined influences of rising oil prices, market pressures on the currencies of some economies with weaker fundamentals, higher yields in the United States, escalating trade tensions, and domestic political and policy uncertainty.*

- *In their recent Reinsurance Market Outlook update, Aon Benfield estimates that global reinsurer capital stood at USD 610 billion at March 31, 2018, an increase of 1% relative to the end of 2017. Traditional capital was flat at USD 515 billion, while alternative capital rose by 7% to reach USD 95 billion.*

- *Some major M&A deals have also been notable in the first half of 2018 such as AIG /Validus and Axa/XL Catlin. Further consolidations in the sector are expected.*

- *Arig will continue to balance its portfolio through territorial and product diversification, while benefitting from market opportunities in a controlled manner.*

- *Arig’s efforts will remain on streamlining its operational efficiencies while expanding its profitable portfolio .*