

Interim Results Nine Months 2018



Arig reported its financial results for nine months ended 30th September 2018

6 November 2018

Bahrain: Arig reported consolidated net loss of US\$ 22.2 million attributable to shareholders for the nine months of the year 2018, (nine months 2017: net profit of US\$ 4.1 million). The negative result is mainly due to a provision of US\$ 21 million created during second quarter 2018 for likely losses relating to Arig's subsidiary, Gulf Warranties W.L.L.

Arig's net result for the 2018 third quarter alone was a net profit of US\$ 0.3 million (Q3 2017: net loss of US\$ 0.03 million).

Arig's technical result stood at US\$ 5.4 million for the nine months 2018 (nine months 2017: US\$ 6.9 million), a decline of 21.7%. While Arig's traditional reinsurance portfolio produced a technical result of US\$ 15.3 million (nine months 2017: US\$ 17.0 million) representing a reduction of 10%, Lloyd's accounts incurred a technical loss of US\$ 9.9 million (nine months 2017: a loss of US\$ 10.1 million) representing a reduction of 2%.

Arig's underwriting result stood at US\$ 2.5 million for the nine months 2018 (nine months 2017: US\$ 8.1 million), a reduction of 69.1%. For the 2018 third quarter alone, the underwriting result was US\$ 1.8 million as compared to an underwriting loss of US\$ 0.2 million for the same period in 2017.

The consolidated investment income for the nine months period in 2018 amounted to US\$ 13.3 million (nine months 2017: US\$ 17.8 million), a reduction of 25.3%.

Gross premiums written during the nine months 2018 amounted to US\$ 239.9 million (nine months 2017: US\$ 216.3 million), an increase of 10.9% compared to the same period in previous year. For the 2018 third quarter alone, the gross premiums written reached US\$ 52.4 million (Q3 2017: US\$ 26.7 million), an increase of 96.3%.

Earnings per share as at 30 September 2018 was negative US cents 11.2 as compared to a positive earnings of US cents 2.0 as at 30 September 2017.

Samuel Verghese, Acting CEO of Arig, commented: "The positive technical result of the traditional reinsurance portfolio is the silver lining amidst the gloom of negative results for the three quarters".

Key Results

(in million US\$)	3Q 2018	3Q 2017
Gross premiums written	239.9	216.3
Technical result *	5.4	6.9
Underwriting result **	2.5	8.1
Investment income	13.3	17.8
Net (loss) / profit attributable to shareholders	(22.2)	4.1
Combined ratio***	103.1%	101.7%

	3Q 2018	Dec 2017
Shareholders' equity	229.6	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\$)	3Q 2018	3Q 2017
Non-life premiums	226.2	199.0
Life premiums	13.7	17.3
Total	239.9	216.3

- Increase in treaty and facultative portfolio and higher premiums Lloyd's syndicates partly offset by drop in life & medical as well as extended warranty

Net earned premiums (in million US\$)	3Q 2018	3Q 2017
Non-life premiums	142.5	117.0
Life premiums	13.3	14.8
Total	155.8	131.8

Reinsurance Performance

Technical results (in million US\$)	3Q 2018	3Q 2017
Non-life technical profit	1.0	6.7
Life technical profit	4.4	0.2
Total	5.4	6.9

- Arig's traditional reinsurance business recorded lower technical profits of US\$ 15.3 million (nine months 2017: US\$ 17.0 million).
- Lloyd's business contributed with a technical loss of US\$ 9.9 million for the period (nine months 2017: loss US\$ 10.1 million)

Combined Ratio	3Q 2018	3Q 2017
Claims ratio	69.4%	64.8%
Operational cost ratio	6.6%	6.9%
Acquisition cost ratio	27.1%	30.0%
Combined ratio	103.1%	101.7%

- Combined ratio deteriorated due to higher loss ratio.

Technical Reserves

(in million US\$)	3Q 2018	Dec 2017
Unearned premiums	223.1	193.1
Unreported losses	216.8	250.5
Claims outstanding	255.3	236.9
Total	695.2	680.5

Asset Management

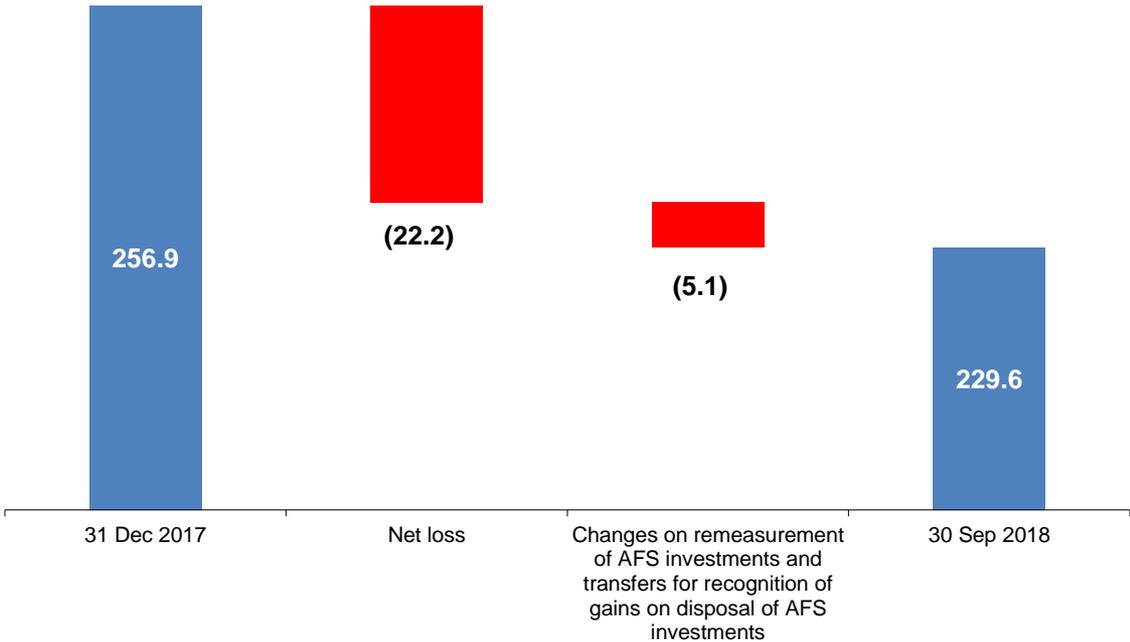
Investment income (in million US\$)	3Q 2018	3Q 2017
Cash & bank deposits	0.8	1.3
Fixed maturities	6.8	8.2
Equities	4.1	8.4
Alternative Investments	1.6	(0.1)
Total	13.3	17.8
Rate of return on invested assets (annualised)	2.7%	3.3%

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

Investments (in million US\$)	3Q 2018	Dec 2017
Cash & bank deposits	86.8	83.2
Fixed maturities	453.3	489.3
Equities	69.9	73.9
Alternative investments	18.0	18.7
Total	628.0	665.1

Shareholders' Equity

(in million US\$)



Outlook

- *S&P mentioned that reinsurance pricing is likely to stabilise as the market heads towards the 2019 renewal season and that alternative capital will persist and be a market feature for the future.*
- *Arig's prime focus will continue to be on achieving adequate returns from positive technical performance and prudent investments. The Company's strong capitalization and established client relationships will remain to support*
- *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.*