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## AM Best Upgrades Credit Ratings of Arab Reinsurance Company SAL

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### FOR IMMEDIATE RELEASE

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**AM Best** has upgraded the Financial Strength Rating to B (Fair) from B- (Fair) and the Long-Term Issuer Credit Rating to "bb" (Fair) from "bb-" (Fair) of Arab Reinsurance Company SAL (Arab Re) (Lebanon). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Arab Re's balance sheet strength, which AM Best assesses as strong, as well as its adequate operating performance, limited business profile and marginal enterprise risk management.

The rating upgrades reflect the strengthening of Arab Re's balance sheet strength fundamentals, notably through increased risk-adjusted capitalisation that has become more resilient to stresses at year-end 2023, as measured by Best's Capital Adequacy Ratio (BCAR). Improvement in the company's risk-adjusted capitalisation has been underpinned by good internal capital generation and growth of its offshore asset portfolio, which has improved the company's liquidity position and its ability to service non-domestic policyholder obligations.

In AM Best's view, economic, political and financial system risks in Lebanon are very high, with the country having to contend with hyperinflation and a significantly devalued currency. While Arab Re maintains a material exposure to Lebanon through its operations and part of its investment portfolio, the company has successfully diversified its asset base outside the country in recent years. At year-end 2023, Arab Re held over 65% of its investments outside Lebanon. This has made its balance sheet more resilient to asset-side stress tests, including full impairment of Lebanon-based assets.

Between 2019 and 2021, Arab Re's net income was impacted by a cumulative USD 27.5 million of impairments relating to holdings of Lebanese government bonds and deposits, as well as a USD 2.9 million net loss relating to the Beirut Port explosion. Despite this, Arab Re has recorded profitable operating results in four of the past five years, with a weighted average return-on-equity ratio of 3% (2019-2023), as calculated by AM Best. The company has reported positive annual underwriting results since 2021, which reflect portfolio remediation actions taken by Arab Re's management, including exiting under-performing risks and revision of underwriting guidelines.

Arab Re has a niche position in its core markets in the Middle East and North Africa region, built upon its original role as a reinsurer for Arab insurance markets and long-standing relationships with cedants. Despite the company's geographic reach, its growth potential is

limited, as reinsurance markets in the region remain highly competitive.

This press release relates to Credit Ratings that have been published on AM Best’s website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best’s [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best’s Credit Ratings](#). For information on the proper use of Best’s Credit Ratings, Best’s Performance Assessments, Best’s Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best’s Ratings & Assessments](#).

AM Best is a global credit rating agency, news publisher and data analytics provider specialising in the insurance industry. Headquartered in the United States, the company does business in over 100 countries with regional offices in London, Amsterdam, Dubai, Hong Kong, Singapore and Mexico City.

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### Related Companies

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AMB#	Company Name
089190	<a href="#">Arab Reinsurance Company SAL</a>

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