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AM Best Affirms Credit Ratings of Arab Reinsurance Company SAL

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AM Best has affirmed the Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of “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.

Arab Re’s balance sheet strength is underpinned by its risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), which was at the strongest level at year-end 2024. Arab Re’s balance sheet strength is supported by its low underwriting leverage and continued growth of its offshore asset portfolio, which has improved the company’s liquidity position and risk-adjusted capitalisation. Offsetting rating factors include the very high economic, political and financial system risks in Lebanon, where Arab Re is domiciled and holds just under 40% of its invested assets. Nevertheless, the company has increased its holdings of good quality foreign investments successfully in recent years, which has made its balance sheet more resilient to asset-side stress tests, including the full impairment of Lebanon-based assets.

Arab Re has recorded profitable operating results in all of the past five years (2020-2024) and generated a robust return-on-equity ratio of 4.7% in 2024. 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 the revision of underwriting guidelines. Investment income is expected to remain a strong contributor toward overall earnings, resulting from the company’s relatively low underwriting leverage and the favourable global interest rate environment.

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](#).

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