



Press Release - FEBRUARY 28, 2019

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## AM Best Affirms Credit Ratings of FAIR Oil & Energy Insurance Syndicate

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#### AMB# Company Name

094316	FAIR Oil & Energy Insurance Syndicate
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### FOR IMMEDIATE RELEASE

LONDON - FEBRUARY 28, 2019

**AM Best** has affirmed the Financial Strength Rating of B+ (Good) and the Long-Term Issuer Credit Rating of "bbb-" of FAIR Oil & Energy Insurance Syndicate (FOEIS) (Bahrain). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect FOEIS' balance sheet strength, which AM Best categorises as strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

FOEIS is one of four reinsurance vehicles formed by the Federation of Afro-Asian Insurers and Reinsurers (FAIR), with a remit to write energy business. The syndicate's members are drawn from participants of FAIR, who subscribe to FOEIS' units of capacity. Whilst unique in its legal structure, the syndicate operates like a traditional reinsurer, providing capacity and expertise to its cedants.

FOEIS' balance sheet strength is underpinned by its risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), which is assessed at the strongest level. Given the syndicate's small capital base, AM Best believes prospective risk-adjusted capitalisation is susceptible to volatility. The balance sheet strength assessment benefits from a conservative investment portfolio and prudent reserving strategy. The syndicate has demonstrated its financial flexibility through a revision to its capital strategy in 2016, which saw the syndicate successfully making cash calls to members for all outstanding subscribed units.

The syndicate has demonstrated healthy profit generation over the past five years (2013-2017), with a net result of USD 1.4 million reported in 2017 (2016: USD 3.1 million). Net earnings declined as a result of a single full limit loss, which increased the combined ratio to 98.5% in 2017 (2016:74.4%). Preliminary 2018 results indicate a return to historical profitability with net profits of USD 2.3 million. Operating profits are driven principally by the performance of technical operations, augmented by marginal returns from investment activities.

Although limited in size, FOEIS benefits from a defensible niche business profile. Members provide the syndicate with good access to energy risks across the Afro-Asian territories, supplemented by business written through the open market across the region. Whilst the syndicate is concentrated heavily by line of business, FOEIS benefits from diversification through the geographical spread of its business.

**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 Understanding Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases.**

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