



Press Release - FEBRUARY 21, 2020

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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 21, 2020

**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 (the Syndicate) (Bahrain). The outlook of these Credit Ratings (ratings) is stable.

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

The Syndicate 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 the Syndicate's units of capacity. Whilst unique in its legal structure, the Syndicate operates like a traditional reinsurer, providing capacity and expertise to its cedants.

The Syndicate's 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 by asset class and prudent reserving strategy. The Syndicate has demonstrated its financial

flexibility through a revision to its capital strategy in 2016, which resulted in it successfully making cash calls to members for outstanding subscribed units.

The Syndicate has demonstrated a healthy profit generation over the past five years (2014-2018), with an average combined ratio of 82.0%. A net profit of USD 2.3 million was reported in 2018, compared with USD 1.4 million in 2017, which was negatively impacted by a single full limit loss. Preliminary 2019 results indicate a loss of USD 3.4 million following reserve strengthening on two large losses incurred in 2014 and 2017. Operating profits are driven principally by the performance of technical operations, augmented by marginal but stable returns from investment activities.

Although limited in size, the Syndicate benefits from a defensible niche business profile. Members provide the Syndicate with good access to energy risks across the Afro-Asia territories, supplemented by business written through the open market across the region. Whilst the Syndicate is concentrated heavily by line of business, it 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 Guide to 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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