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CONTACTS: Algirdas Karvelis, ACA
Financial Analyst
+44 20 7397 0285
algirdas.karvelis@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Catherine Thomas, CFA
Senior Director, Analytics
+44 20 7626 6264
catherine.thomas@ambest.com

Jim Peavy
Director, Communications
+1 908 439 2200, ext. 5644
james.peavy@ambest.com

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

LONDON, 7 April 2022—AM Best has affirmed the Financial Strength Rating of B+ (Good) and the Long-Term Issuer Credit Rating of “bbb-” (Good) of FAIR Oil & Energy Insurance Syndicate (the Syndicate) (Bahrain). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect the Syndicate’s balance sheet strength, which AM Best assesses 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, prospective risk-adjusted capitalisation is susceptible to volatility. The balance sheet strength benefits from a conservative investment portfolio by asset class and prudent reserving strategy.

The Syndicate has demonstrated adequate profit generation over the past five years (2016-2020), with a weighted average combined ratio of 104.8%, negatively skewed by weak performance in 2019 when it reported a combined ratio of 171.1% and a net loss of USD 3.9 million. Results recovered in 2020, with pre-tax earnings of

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USD 1.3 million. Preliminary results for 2021 show continued positive earnings, with a net profit of USD 1.7 million. Operating profits are driven by the technical earnings, and are 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 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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