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# AM Best Affirms Credit Ratings and Assigns National Scale Rating to Suez Canal Insurance

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## FOR IMMEDIATE RELEASE

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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 Suez Canal Insurance (SCI) (Egypt). Additionally, AM Best has assigned the Egypt National Scale Rating (NSR) of aa.EG (Superior) to SCI. The outlook of these Credit Ratings (ratings) is negative.

The ratings reflect SCI’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 (ERM).

SCI’s balance sheet strength is underpinned by its risk-adjusted capitalisation at the very strong level, as measured by Best’s Capital Adequacy Ratio (BCAR), for the fiscal year-end 30 June 2022 (FY 2022). The company’s BCAR is expected to remain at the very strong level. Capital consumption is driven primarily by the company’s investment portfolio, which is weighted toward Egyptian fixed income securities and real estate. An increase in Egypt’s country risk could increase the company’s asset risk and negatively impact its BCAR assessment. The company has a relatively high reliance on reinsurance, evident by a premium

retention ratio of 47.0% in FY 2022. However, the associated credit risk is mitigated partially by the use of a financially strong reinsurance panel. The balance sheet strength assessment considers SCI's exposure to the high levels of economic, political, and financial system risks that are associated with operating in Egypt.

AM Best assesses SCI's operating performance as adequate, with the company having reported a five-year (FY 2018 - FY 2022) weighted average return on equity of 15.7%. Underwriting results have been constrained by SCI's very high expense ratio, which remained above 52.0% in each of the past five years. Whilst the company's overall earnings have been resilient, they should be viewed in the context of Egypt's relatively high interest rate environment.

The business profile assessment reflects SCI's position as a mid-tier insurer in Egypt, with a non-life market share of approximately 5% in FY 2022. The company's profile is limited to operating within Egypt.

The company has historically operated basic risk management practices; however, in recent years, SCI has undertaken steps to establish and formalise an enterprise-wide, risk-aware culture. AM Best expects that further improvements in SCI's ERM framework and practices, if implemented successfully, will allow the company to manage its risks reliably.

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