Ratings Review
February 17, 2026

Benchmarking EMEA Ratings – Improving Credit Quality, but Common Themes Highlighted as Weaknesses

The stability of macroeconomic conditions through 2024 and 2025, in addition to generally robust levels of profitability in many segments, underpinned the strengthening of key balance sheet strength fundamentals

Principal Takeaways:

- AM Best's ratings of (re)insurers in Europe, the Middle East and Africa (EMEA) have shown improvement in 2025
- Despite the uncertain global geopolitical environment, macroeconomic conditions have been relatively stable, which has underpinned robust results
- Effective risk management and governance practices continue to be important to ensure companies' keep pace with the changing risk landscape

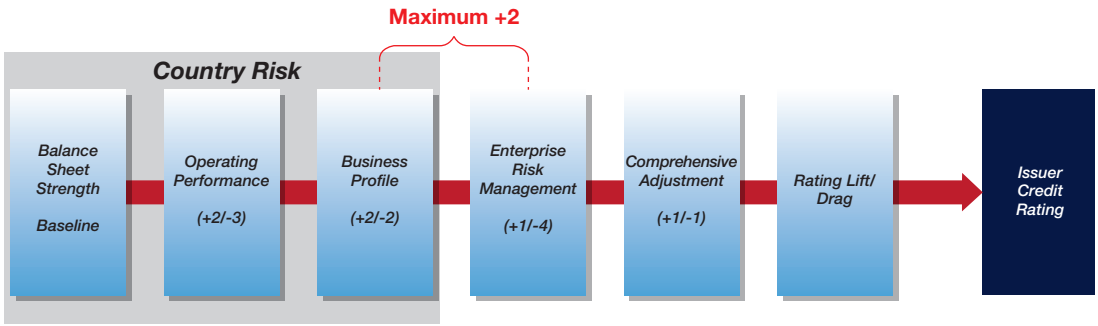
This report evaluates the composition of AM Best ratings in EMEA, and details the rating actions that took place between year-end 2024 and year-end 2025. It considers AM Best's broad geographical rating coverage across most rated (re)insurance groups in Europe, the Middle East and Africa.

The analysis in this report excludes ratings of subsidiaries that have group and reinsurance affiliated codes, branches of (re)insurance groups, and individual Lloyds syndicates.

Ratings Distribution

An AM Best Issuer Credit Rating (ICR) is an independent opinion of an entity's ability to meet its ongoing financial obligations[1]. The distribution of AM Best's ICRs for EMEA rating units as at December 31, 2025, is shown in **Exhibit 2**. Over the previous 12 months there were 14 new rating assignments in the region and nine ratings were either withdrawn or restructured.

Exhibit 1
AM Best's Rating Process



Source: Best's Credit Rating Methodology

[1]Full details of AM Best's rating process can be found in "Best's Credit Rating Methodology"

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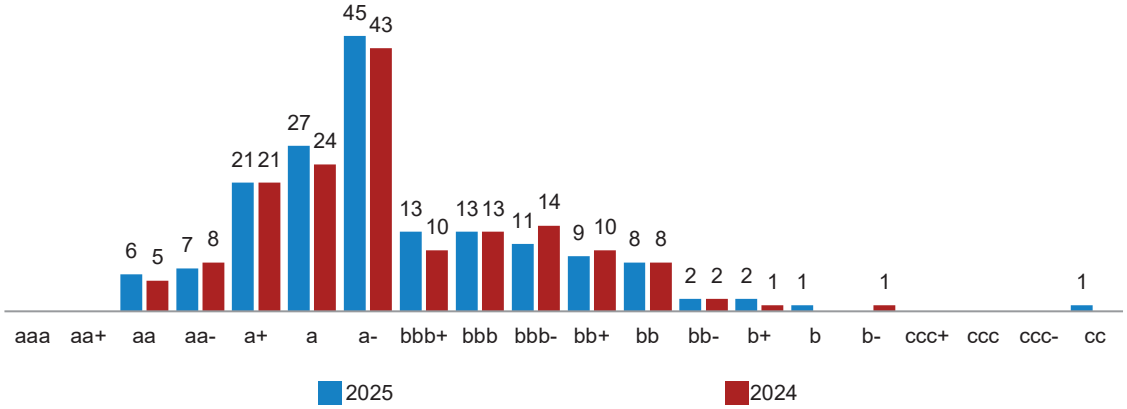
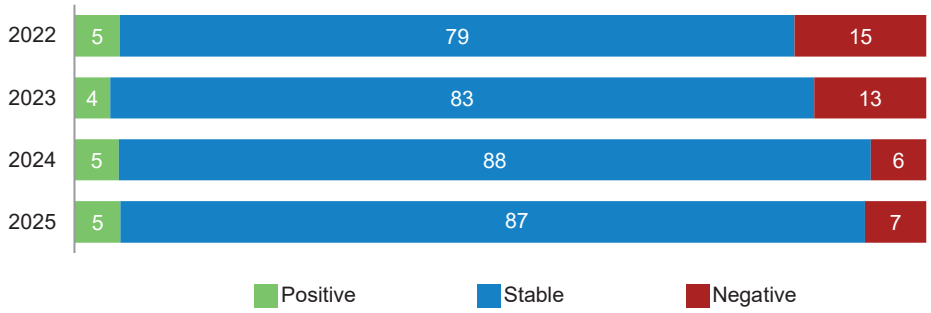
Exhibit 2
EMEA – Distribution of AM Best's Issuer Credit Ratings (ICR)
(By Number of Ratings as at December 31, 2025)



Source: AM Best data and research

Exhibit 3
EMEA – AM Best's Issuer Credit Rating Outlook Split, 2022-25
(%)



Source: AM Best data and research

In mature markets, issuer credit ratings cluster around the "a" and "a-" categories. For emerging markets, in which country risk often plays an important role in determining the overall rating assessment, the ratings distribution is more spread, averaging around the "bbb-" to "bbb+" categories.

The vast majority of rating units (87%) had stable outlooks at year-end 2025 (see **Exhibit 3**), with mature markets showing a higher proportion of stable outlooks (91%) than emerging markets (81%).

This variation is in line with expectations considering the generally more challenging economic conditions observed in certain emerging markets.

Negative outlooks were assigned to just 7% of ratings, a marked reduction against 2022 and 2023, years which were characterised by considerable macroeconomic volatility.

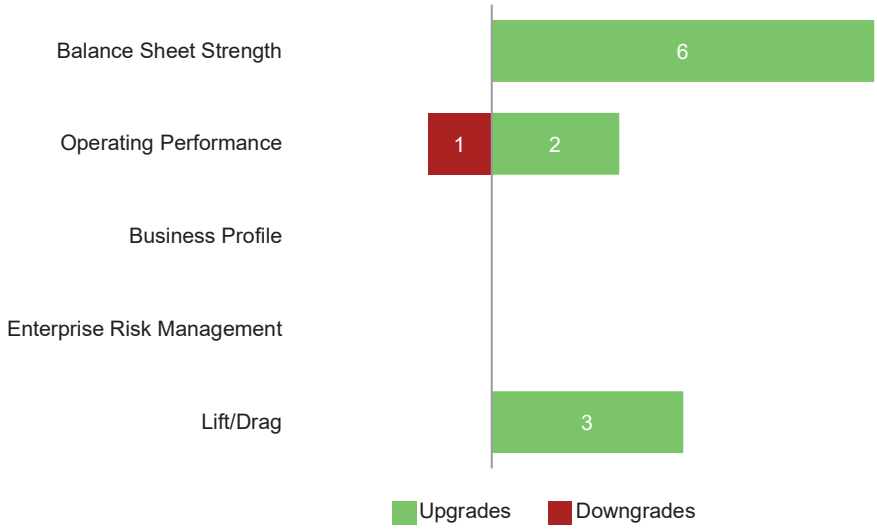
AM Best notes that in 2025 there were an above average number of rating changes, skewed heavily toward the positive and primarily centred on the balance sheet strength building block (see **Exhibit 4**).

A number of factors underpinned the strengthening of key balance sheet strength fundamentals. These included the stability of macroeconomic conditions and healthy organic capital generation supported by generally good underwriting margins, as well as continued strong investment returns thanks to

the higher global interest rate environment.

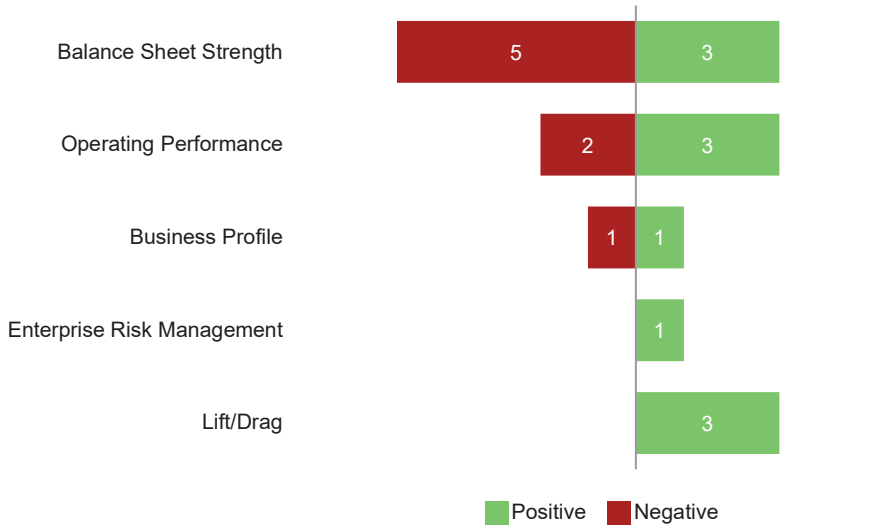
Between 2024 and 2025, outlook movements were fairly equally balanced between negative and positive, resulting in a stable distribution. The majority of outlook changes in 2025 focussed on the balance sheet strength building block (see **Exhibit 5**) and were typically driven by meaningful changes in risk-adjusted capitalisation and/or asset quality.

Exhibit 4
EMEA – AM Best Rating Changes by Building Block, 2025
(Count of Rating Changes)



Source: AM Best data and research

Exhibit 5
EMEA – AM Best Rating Outlook Changes by Building Block, 2025
(Count of Outlook Changes)



Source: AM Best data and research

AM Best's Country Risk Tiers

AM Best defines country risk as the risk that country-specific factors could adversely affect a (re)insurer's ability to meet its financial obligations. Country risk is evaluated and factored into all AM Best ratings.

As part of evaluating country risk, AM Best identifies the various factors within a country that may directly or indirectly affect a (re) insurance company.

Countries are placed into one of five tiers, ranging from CRT-1, denoting a stable environment with the least amount of risk, to CRT-5 for countries that pose the most risk and, therefore, the greatest challenge to a (re) insurer's financial stability, strength and performance.

AM Best closely monitors economic, political, and financial system risks in countries assigned a CRT assessment. In addition, AM Best also undertakes stress tests to assess how a company can absorb the key risks in its operating environment and how its balance sheet can withstand these stresses. Emerging markets generally have higher levels of volatility and uncertainty, and particularly

Exhibit 6

AM Best – Overall Balance Sheet Strength Assessment

Overall Balance Sheet Strength Assessment						
		Country Risk Tier				
Combined Balance Sheet Assessment (Rating Unit/ Holding Company)		CRT-1	CRT-2	CRT-3	CRT-4	CRT-5
	Strongest	a+/a	a+/a	a/a-	a-/bbb+	bbb+/bbb
	Very Strong	a/a-	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-
	Strong	a-/bbb+	a-/bbb+	bbb+/bbb/bbb-	bbb/bbb-/bb+	bbb-/bb+/bb
	Adequate	bbb+/bbb/bbb-	bbb+/bbb/bbb-	bbb-/bb+/bb	bb+/bb/bb-	bb/bb-/b+
	Weak	bb+/bb/bb-	bb+/bb/bb-	bb-/b+/b	b+/b/b-	b/b-/ccc+
	Very Weak	b+ and below	b+ and below	b- and below	ccc+ and below	ccc and below

Source: Best's Credit Rating Methodology

challenging macro-economic environments; hence, stress tests play a particularly important role in those ratings.

It is important to note that AM Best's determination of country risk is not directly comparable to a sovereign debt rating, which entails an evaluation of the ability and willingness of a government to service its debt obligations. Although country risk has a bearing on the overall rating assessment, particularly for companies operating in CRT-3 to 5 countries, there are many (re)insurers with higher ratings than their sovereign debt rating; these have demonstrated that they can absorb and mitigate risks arising from their operating environment—a key consideration when evaluating country risk in the assessment.

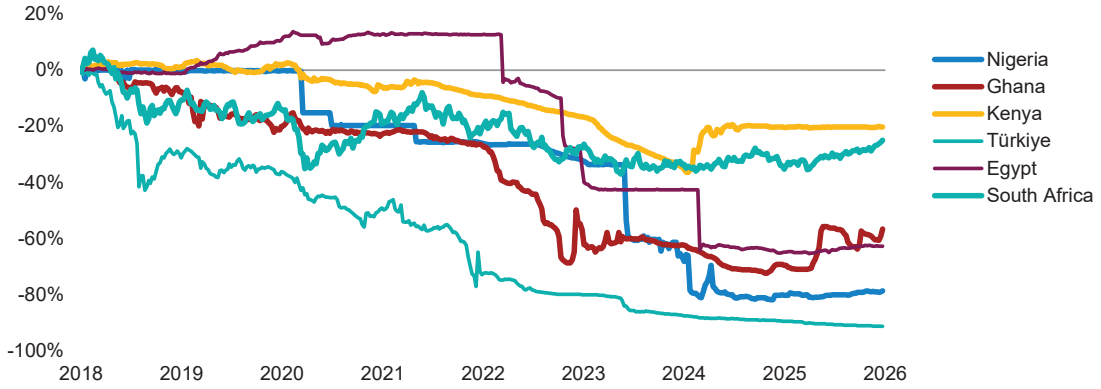
Approximately half of the rating units operate in CRT-3 to 5 countries, hence country risk is an important component of the rating assessment for EMEA (re)insurers. Country risk is considered in three of the building block components: balance sheet strength, operating performance, and business profile. Under balance sheet strength, the baseline assessment is determined by analysing an array of balance sheet factors and applying a transition table (see **Exhibit 6**).

Over the last five years, countries designated CRT-4 and CRT-5 have experienced heightened levels of economic, political and financial system risks. In recent years, these risks have been exacerbated by shocks, such as the COVID-19 pandemic, the Russia-Ukraine war, and more recently the Israel-Hamas conflict.

Despite those shocks, since 2023, commodity prices as well as the level of global inflation have eased, a marked improvement against the tough conditions that characterised the early 2020s.

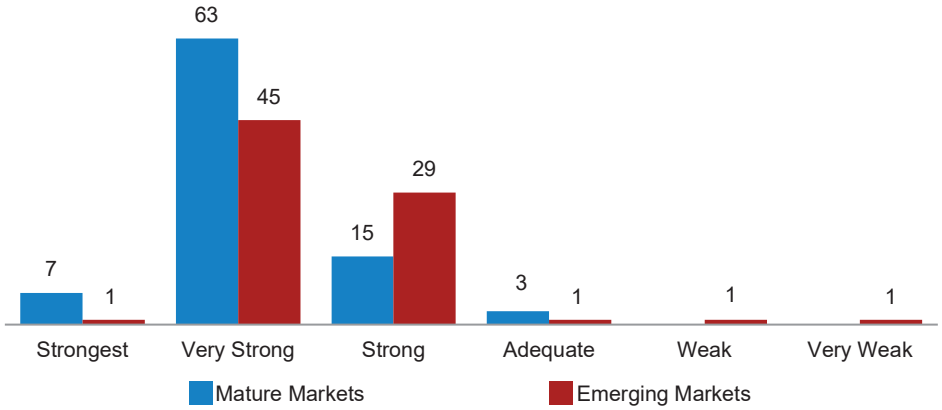
Declining global interest rates and a stabilisation of many emerging market local currencies over the course of 2024 and 2025 (see **Exhibit 7**) has steadily eased the burden of borrowing costs on national governments, which in 2022 and 2023 reached distressing levels in many countries. For example, four countries—all located in sub-Saharan Africa—formally applied for debt treatment under the G20 common framework between 2021 and 2023.

Exhibit 7
Devaluation of Selected Currencies Against the US Dollar from Jan 2018 to Jan 2026
(% using 1 Jan 2018 as the base reference rate)



Source: Investing.com

Exhibit 8
EMEA – AM Best Balance Sheet Strength Assessments, 2025
(Count of BSS Assessments)



Source: AM Best data and research

Balance Sheet Strength – Baseline Assessment

The distribution of AM Best's assessment of balance sheet strength for EMEA-rated entities is illustrated in **Exhibit 8**. The balance sheet strength assessments of (re)insurers operating in both mature and emerging markets are generally concentrated within the Very Strong category. This reflects the generally robust capital buffers of companies that seek ratings.

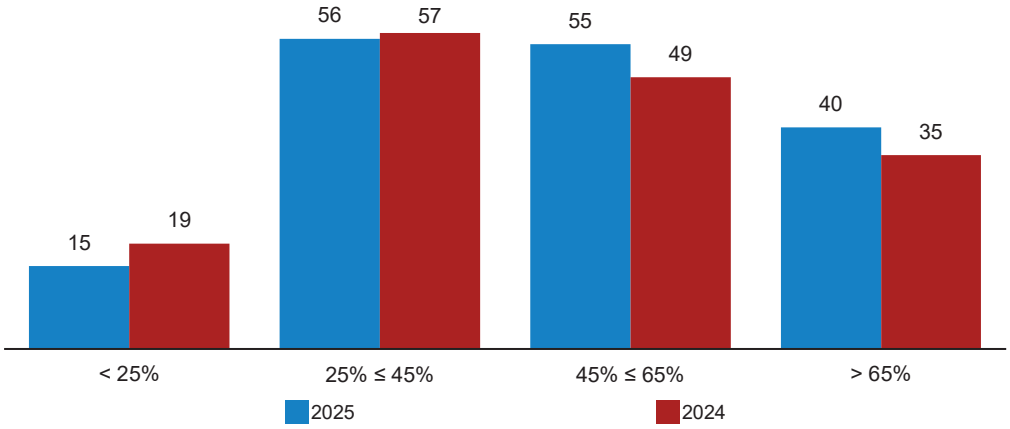
On average, Balance Sheet Strength assessments of emerging market companies tend to be skewed slightly further toward the Strong category, reflecting the generally higher levels of country risk in those countries, as well as the commonly higher investment risk appetite in certain regions such as the Middle East.

Risk-Adjusted Capitalisation – Best's Capital Adequacy Ratio (BCAR) Assessment

AM Best uses its proprietary capital adequacy model—BCAR—to measure risk-adjusted capitalisation across several confidence levels. Risk-adjusted capitalisation is assessed as Strongest when the BCAR score is above 25% at the 99.6% value at risk (VaR) confidence level, and Very Strong when the BCAR score is between 10% and 25%[2]. When assessing BCAR scores, AM Best typically uses the latest available year-end audited set of financial statements. For most companies analysed in calendar year 2025, this would involve a calculation of BCAR using financial year-end 2024 as the base year.

[2]Full details can be found in "Best's Credit Rating Methodology"

Exhibit 9
EMEA – Distribution of AM Best BCAR Scores, 2024 vs. 2025
(Count of BCAR Scores)



Source: AM Best data and research

Analysis shows more than 90% of EMEA rating units are within the Strongest assessment of risk-adjusted capitalisation, exceeding the 25% threshold. The mean BCAR for the universe of rated EMEA entities is in the 45% to 55% range.

Over the course of 2025 (based on financial year-end 2024 data), good earnings generation and prudent capital management resulted in modest improvements in average BCAR scores across all of the categories shown in **Exhibit 9**. In part, this reflects fairly strong equity market performance in the year. In addition, many companies experienced positive mark-to-market movements in their fixed income portfolios, representing the unwinding of unrealised losses that were experienced in 2022 and 2023 due to rapidly rising interest rates.

BCAR Assessment Versus Balance Sheet Strength

There is a common misconception that the BCAR assessment is equivalent to a company's overall balance sheet assessment. This is not the case; while BCAR is important to the analysis, there are also a number of other components that come into play.

The relationship between BCAR and balance sheet strength assessments for mature and emerging markets is illustrated in **Exhibit 10**. As noted previously, over 90% of EMEA rating units have BCAR scores within the Strongest category. However, only 5% of EMEA-rated companies have a balance sheet assessment at the Strongest category—showing that although BCAR is very important to AM Best's analysis, it is not the only consideration when looking at balance sheet strength.

The vast majority of EMEA-rated companies have a balance sheet strength assessment of Very Strong (65%). Very few companies have balance sheet strength assessments below the Strong category, as this is often—although not always—associated with (re)insurers that receive weaker credit ratings and have therefore decided not to accept the rating.

When examining the emerging markets' population, the balance sheet strength assessment is not quite as robust. A mere 1% (a single rating unit) of emerging market companies were assessed at the Strongest level, and this is partly due to several country-risk factors. More than one-third of emerging market rating units have balance sheet strength assessments of Strong or lower, comparing

Exhibit 10
EMEA – AM Best BCAR vs Balance Sheet Strength, 2025
(Count of BCAR Assessments vs Balance Sheet Strength)

Mature Markets

BCAR Assessment	Balance Sheet Strength: Strongest	Very Strong	Strong	Adequate	Weak	Very Weak
Strongest	7	61	12	1	0	0
Very Strong	0	2	3	1	0	0
Strong	0	0	0	1	0	0
Adequate	0	0	0	0	0	0
Weak	0	0	0	0	0	0
Very Weak	0	0	0	0	0	0

Emerging Markets

BCAR Assessment	Balance Sheet Strength: Strongest	Very Strong	Strong	Adequate	Weak	Very Weak
Strongest	1	45	22	1	0	0
Very Strong	0	0	6	0	0	0
Strong	0	0	1	0	0	0
Adequate	0	0	0	0	0	0
Weak	0	0	0	0	1	0
Very Weak	0	0	0	0	0	1

Source: AM Best data and research

unfavourably with the mature market population where the figure is less than 20%. Country risk considerations as well as other quantitative and qualitative factors result in this difference.

Beyond BCAR – Other Drivers of Balance Sheet Strength

Mature Markets

In mature markets, the balance sheet strength assessment is robust for most players, which in part is a consequence of the strong regulatory regimes adopted within these countries, supported by prudent capital management strategies from most market participants. Moreover, the majority of companies benefit from sound financial flexibility and strong liquidity profiles given the depth of capital markets in developed countries.

Access to capital/debt markets is generally viewed as a positive for financial flexibility. This, nevertheless, may be mitigated by some players showing financial leverage that is already deemed high, particularly compared to peers rated at the same level.

Emerging Markets

While the risk-adjusted capitalisation of emerging market players is generally robust, other balance sheet components often play an important role in reducing the balance sheet strength assessment. In particular, very high levels of reinsurance dependence is often a negative factor. While in most cases this risk is partly mitigated by the use of reinsurers of sound credit quality, there remains significant counter-party credit risk in the event of large losses. This is often amplified by the concentration among a single (or few) counterparties which exacerbates the potential impact that a reinsurance dispute could have on a (re)insurer's balance sheet.

Other offsetting factors include inadequate asset liability matching (ALM); particularly for companies operating in CRT-4 and CRT-5 domiciles where long-duration fixed income securities are sometimes scarce. Most companies are restricted—by regulation or in practice—to invest only in their domestic financial markets, which are often in the early stages of development.

Given the generally smaller size of economies in emerging markets, there is a limited number of banks and issuers for (re)insurers to invest in. This typically results in much more concentrated investment portfolios, often to the local sovereign or government-owned institutions, exposing (re)insurers to greater levels of concentration risk. Such concentration significantly increases the sensitivity of (re) insurers' balance sheet to default events.

In addition, the financial flexibility of emerging market companies is often weaker than mature market counterparts. Most emerging market companies do not issue hybrid debt and are reliant on their main shareholder(s) or private banks for financing—the latter of which is often on more onerous terms with much shorter maturities. Consequently, it is often the case that bank debt is used as a short-term solution to a longer-term problem, which is a negative consideration in the balance sheet strength assessment.

Operating Performance

Operating performance assessments for EMEA companies centre mainly around the Adequate and Strong categories (see **Exhibit 11**), with a relatively similar distribution between both mature and emerging markets. At present, there is only one company with an assessment of Very Strong.

Many of the companies assessed to have Strong operating performance are companies that are market leaders, or large multinational (re)insurers with stable profiles that benefit mostly from diversified earnings sources and economies of scale.

Exhibits 12 and 13 illustrate several three-year (2022-2024) average performance ratios split by the mature and emerging market cohorts. The underwriting performance and return on equity (ROE) for both segments show a trend—as expected—of improving profitability as there is a move from the Weak to the Very Strong category.

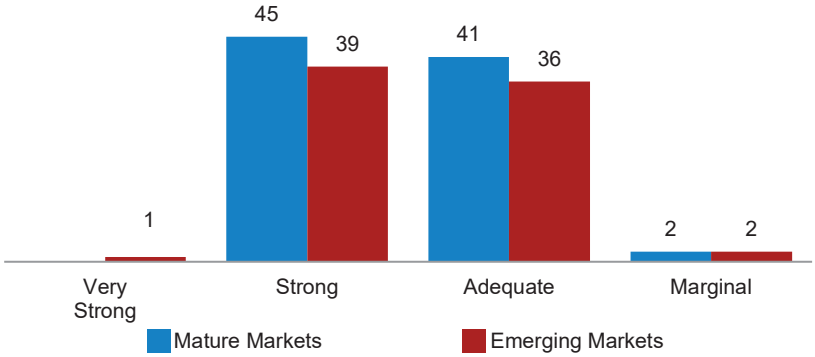
Companies with combined ratios of around 100% are often considered Adequate. For companies that are given a higher assessment (Strong or Very Strong), average combined ratios in most cases are well below the 100% level and the stability of their performance is generally better as indicated by a lower standard deviation.

When assessing operating performance, companies' profiles and exposures can differ vastly. For example, a catastrophe underwriter may have had exceptionally good results over a longer period of time with very low standard deviation. However, following a catastrophe

Exhibit 11

EMEA – Distribution of AM Best Operating Performance Assessments, 2025

(Count of Operating Performance Assessements)

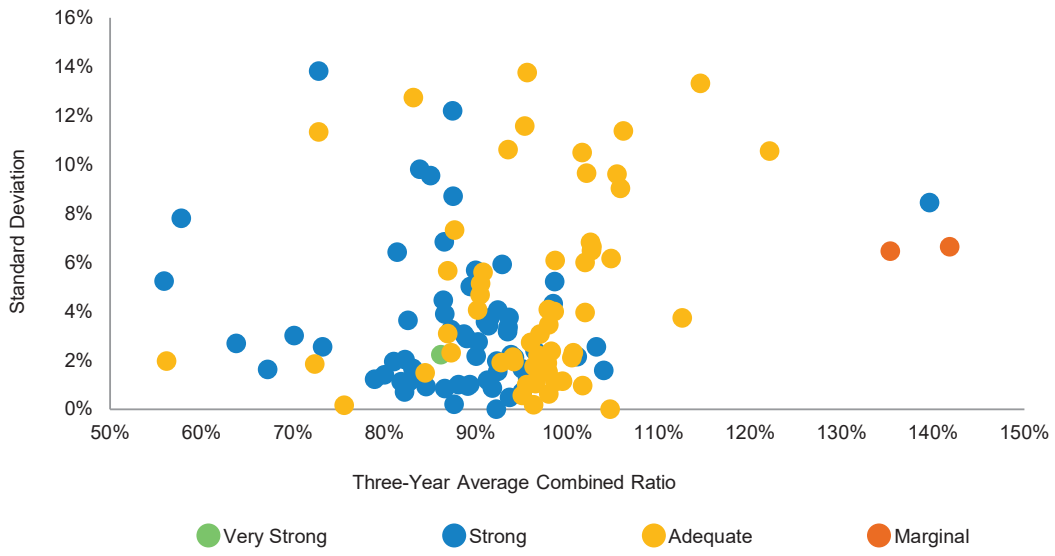


Not shown in exhibit – Weak and Very Weak (No entries) Source: AM Best data and research

Exhibit 12

EMEA – Three-Year (2022-2024) Average Combined Ratio Standard Deviation

(%)

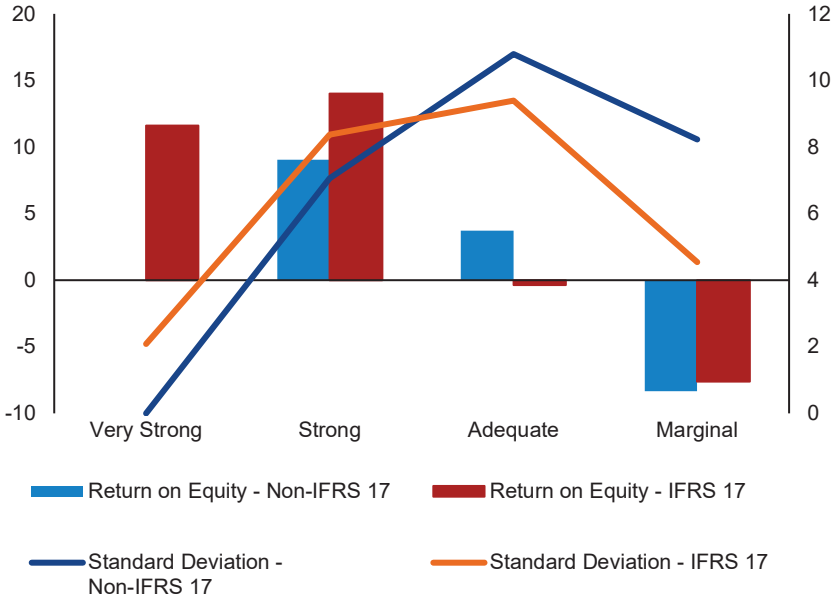


Not shown in exhibit – Weak and Very Weak (No entries) Source: AM Best data and research.

Exhibit 13

EMEA – Three-Year (2022-2024) Average Inflation-Adjusted Return on Equity

(%)



Not shown in exhibit – Weak and Very Weak (No entries) Source: AM Best data and research

such as the California Wildfires in 2025, companies exposed to the event experienced a material spike in claims, wiping out potentially many years of profits.

This emphasises that a longer track record of the company also needs to be evaluated, and the prospective view of market conditions needs to be considered in the assessment.

When considering return on equity (ROE) for the whole population (see **Exhibit 13**), the Strong category produces, on average, close to double-digit real returns with lower standard deviations. This illustrates the fact that more stable and highly performing companies benefit from higher operating performance assessments.

For companies that fail to make real returns, often with combined ratios running at levels in excess of 100% in both emerging and mature markets, the assessment tends to be Marginal or lower.

Mature Markets

The drivers of underwriting results tend to differ slightly between mature and emerging markets. Within the mature market cohort of companies, there is a more diverse set of company types.

For example, there is a large group of captives whose profiles are typically comprised of a smaller number of very large risks. For those companies, the combined ratio tends to be very low in benign loss years, and well over 100% in loss-affected years. Due to this greater inherent potential for volatility, it is common to see a more conservative operating performance assessment, even when combined ratios sometimes average well below 80%. Many of the companies that reside in the upper left corner of **Exhibit 12**—i.e. those with a higher standard deviation but low average combined ratio—are captives.

Other company types which sometimes skew average ratios in the mature market are start-ups, whose results tend to be unfavourable in the early years of operations, but then improve drastically, which leads to an elevated standard deviation. For those companies, AM Best places greater emphasis on the business plans, track record of the management team, and market conditions when assessing operating performance. Consequently, many of the companies that are in the upper right corner of **Exhibit 12** with an Adequate assessment are start-ups.

Emerging Markets

Operating performance metrics of emerging market companies need to be considered with caution. When taking into account returns in real terms, the performance may not be as good as the nominal figures seem to imply. In certain territories, inflation and interest rates may be particularly high—recent examples would be companies operating in Egypt, Türkiye and Nigeria. This implies that affected companies operate in volatile environments and are largely dependent on investment income to bolster earnings.

One particularly prevalent feature of emerging markets—typically those in the Middle East—is insurers' extensive reliance on profit commissions from their reinsurers.

These commissions are often generated from reinsurance cessions on high-value general insurance classes such as property, engineering and oil and gas. Insurers writing this business often benefit from negative acquisition costs (greater inward commissions from reinsurers over the direct commissions involved in sourcing the business) to bolster overall underwriting profits.

This model has served companies very well for many years. However, the reliance on a single source of income is of some concern. Any change to the reinsurance market that results in less support to local market participants can have major ramifications for the domestic market, with profits potentially wiped out overnight. Moreover, most insurers will be unable to accommodate high-value risks due to a

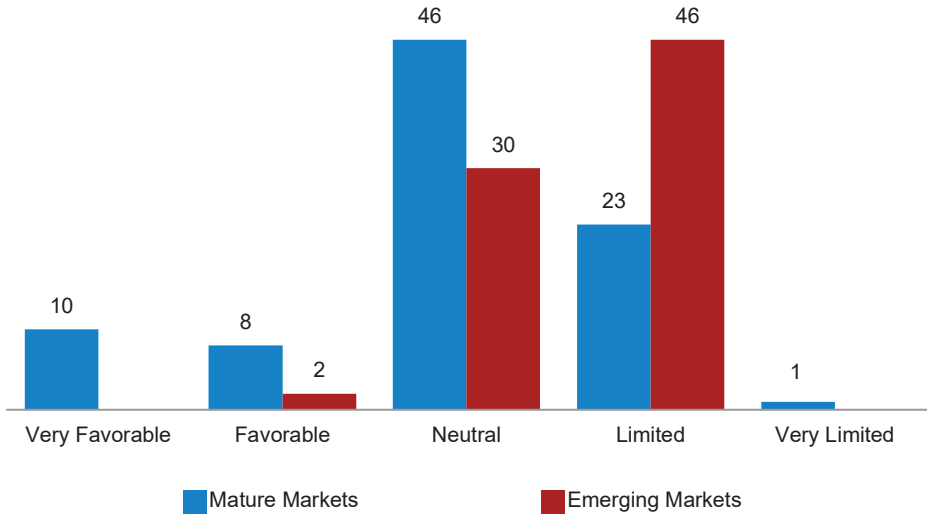
lack of technical know-how and relatively small capital bases.

Business Profile

Most assessments of business profile for (re) insurance companies fall within the Neutral to Limited categories (see **Exhibit 14**). Just 6% of the total EMEA population receive a Very Favorable assessment—these companies are global (re)insurance groups, that have well-diversified operations, both by geography and product line. They can rely on robust income streams and their profiles are supplemented by excellent distribution capabilities with multiple sources of revenues. These companies are market leaders that can dictate pricing and terms.

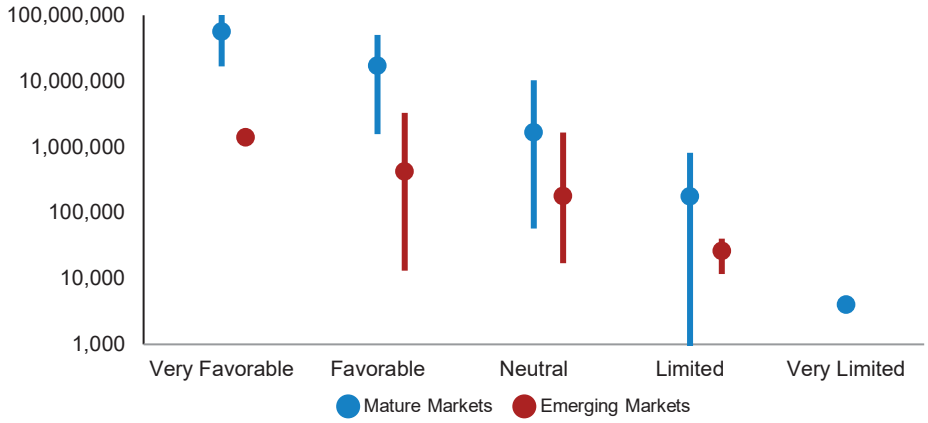
For companies that are assessed in the lower categories, there may be certain elements of their business profile that are lacking, such as diversification by product line or geography, or key business segments that are not performing as well as others.

Exhibit 14
EMEA – AM Best Business Profile Assessments, 2025
(Count of Business Profile Assessments)



Source: AM Best data and research

Exhibit 15
EMEA – Business Profile Assessment vs GWP/ISR
(USD 000)



GWP/ISR: Gross Written Premium/Insurance Services Revenue.
The marker represents the mean in the sample. The vertical lines represent the range.
Source: AM Best data and research

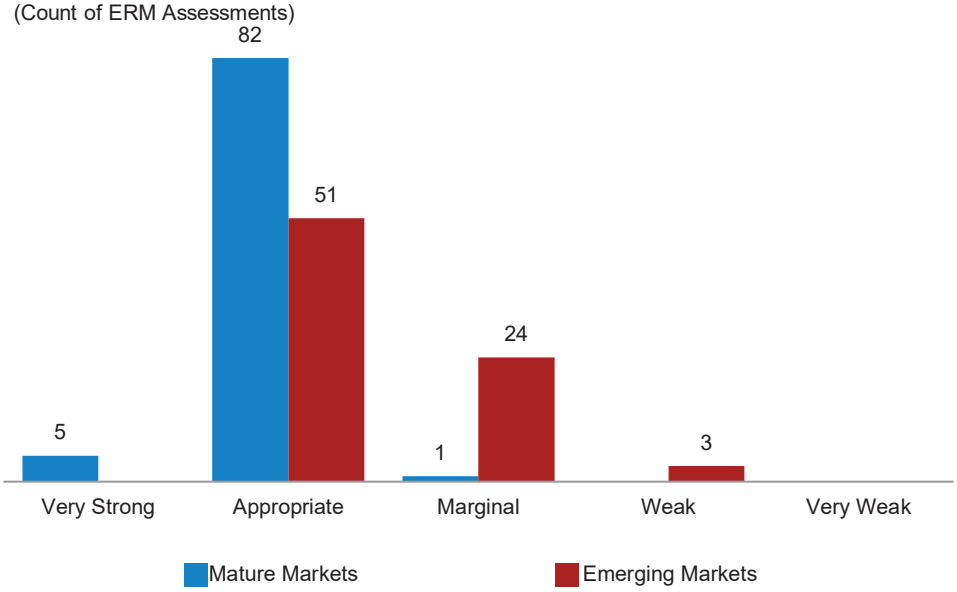
AM Best notes that insurance captives generally tend to be assessed as Neutral or Limited as they often show little diversification because of the role they play. In addition, captives potentially have less control over their premium distribution than traditional insurers. While certain captives may suffer from a lack of diversification, for example, where they are not able to diversify through access to third-party premium, captives generally are of strategic importance to their parent and tend to secure good and reliable access to premiums.

Analysis shows a positive correlation between a (re) insurers' Business Profile assessment and its scale (see **Exhibit 15**). While AM Best does not detail any size specific thresholds associated with the Business Profile assessment, unsurprisingly, larger companies tend to demonstrate certain key attributes which are important to the assessment. For example, larger (re) insurance groups often have diverse profiles, both by line of business and geography, as well as a much more dominant market share.

Exhibit 16

EMEA – AM Best Enterprise Risk Management Assessments, 2025

(Count of ERM Assessments)



Source: AM Best data and research

On the other hand, it is important to highlight that scale does not necessarily correlate with every component that AM Best considers when assessing the Business Profile.

When analysing **Exhibit 15**, the data supports this assertion, whereby the vertical lines—which denote the largest and smallest company in each keyword—overlap substantially across each of the categories. This would imply that other considerations that are not so correlated with size—such as management quality, product risk, and regulatory, event, market and country risks—have played a role in the final outcome.

Emerging market players may hold excellent positions in their respective domestic markets, with good control and leadership positions, but the overall size and level of diversification tend to be more limited. Furthermore, such companies generally have narrower profiles and are subject to greater levels of competition as their markets are opening up.

On a global scale, they can be relatively small with limited diversification, they are more likely to have a greater dependence on third parties to manage their business and to be subject to high levels of regulatory risk.

Enterprise Risk Management

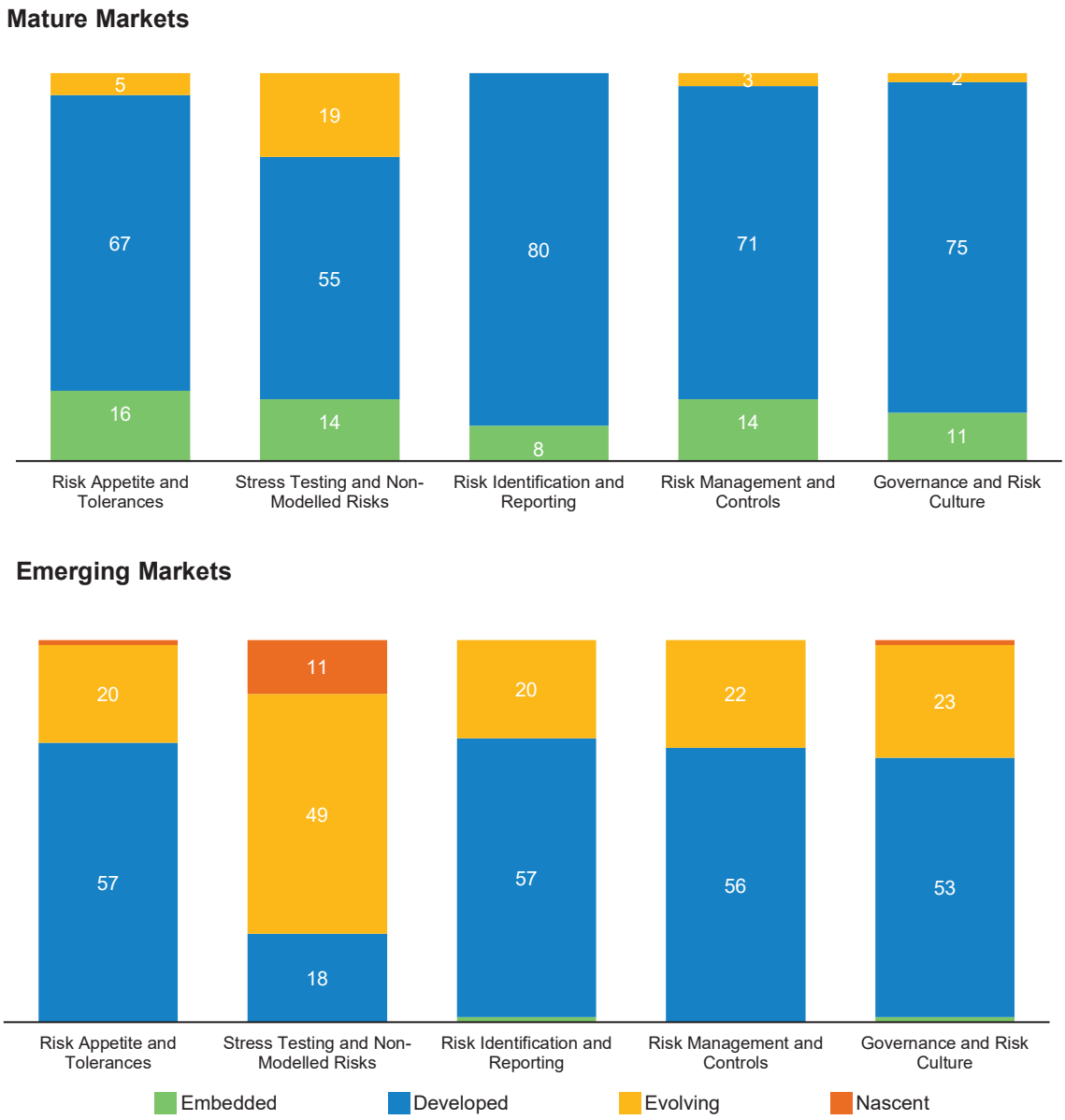
AM Best's ERM assessment is comprised of two main components—the risk framework evaluation and the risk profile evaluation. As **Exhibit 16** shows, most companies within mature markets have an Appropriate assessment, reflecting the sound ERM practices and robust regulatory regimes under which they tend to operate.

Overall, 3% of the rated population has a Very Strong ERM assessment.

In order to achieve the highest assessment, companies need to demonstrate that their risk management approach has been effectively utilised over the long term and is adding value to the organisation. A company needs to demonstrate that ERM is effective and embedded across its organisation.

Emerging market ERM assessments show a greater skew toward Marginal and Weak assessments, in part a consequence of the early stages of insurance and regulatory development in many of those markets, as well as generally elevated risks prevalent in those operating environments.

Exhibit 17
EMEA – AM Best Risk Framework Assessments, 2025
(%)



Not shown in exhibit – Unrecognized (No entries) Source: AM Best data and research

Risk Framework Evaluation

AM Best's ERM risk framework evaluation focuses on five key areas: risk appetite and tolerances, stress testing and non-modelled risks, risk identification and reporting, risk management and controls, and governance and risk culture (see **Exhibit 17).**

In mature markets, 14% of companies are deemed to have an assessment of Embedded across all of the risk framework evaluation components.

Most mature market companies have fairly robust risk management frameworks in place. However, the framework may not be fully embedded within the organisation and may fall short or show some weaknesses in approach.

Examples include breaching risk appetite tolerances, limited use of stress testing, or some shortcomings in risk controls and governance. Effective action can be taken by the company's management, but such instances are deemed reactive rather than proactive.

AM Best notes that especially larger and complex insurers may experience occasional shortcomings in governance or weakness of control processes in individual silos during challenging market environments. This can be despite the insurer having a conservative and prudent approach to risk management, strong risk capabilities relative to its profile and an embedded risk framework.

A complex entity that is growing inorganically might be especially prone to risk control shortcomings as it generally takes some time to fully establish a certain level of risk culture that interlinks to good governance and risk management controls.

Across the whole EMEA-rated population, a higher proportion of weaknesses are often found in stress testing and non-modelled risks. (Re)insurers that do not adequately stress test their organisation run the risk of over-exposing their company to a given risk. Such companies often have a long-term history of capital and performance volatility.

For emerging markets, no companies are viewed to have an Embedded risk management framework, which is largely reflective of the earlier stage of development in many of those markets, the small size of companies and desire to maintain silo risk practices. Most assessments are in the Evolving category, with a few companies in the Developed category.

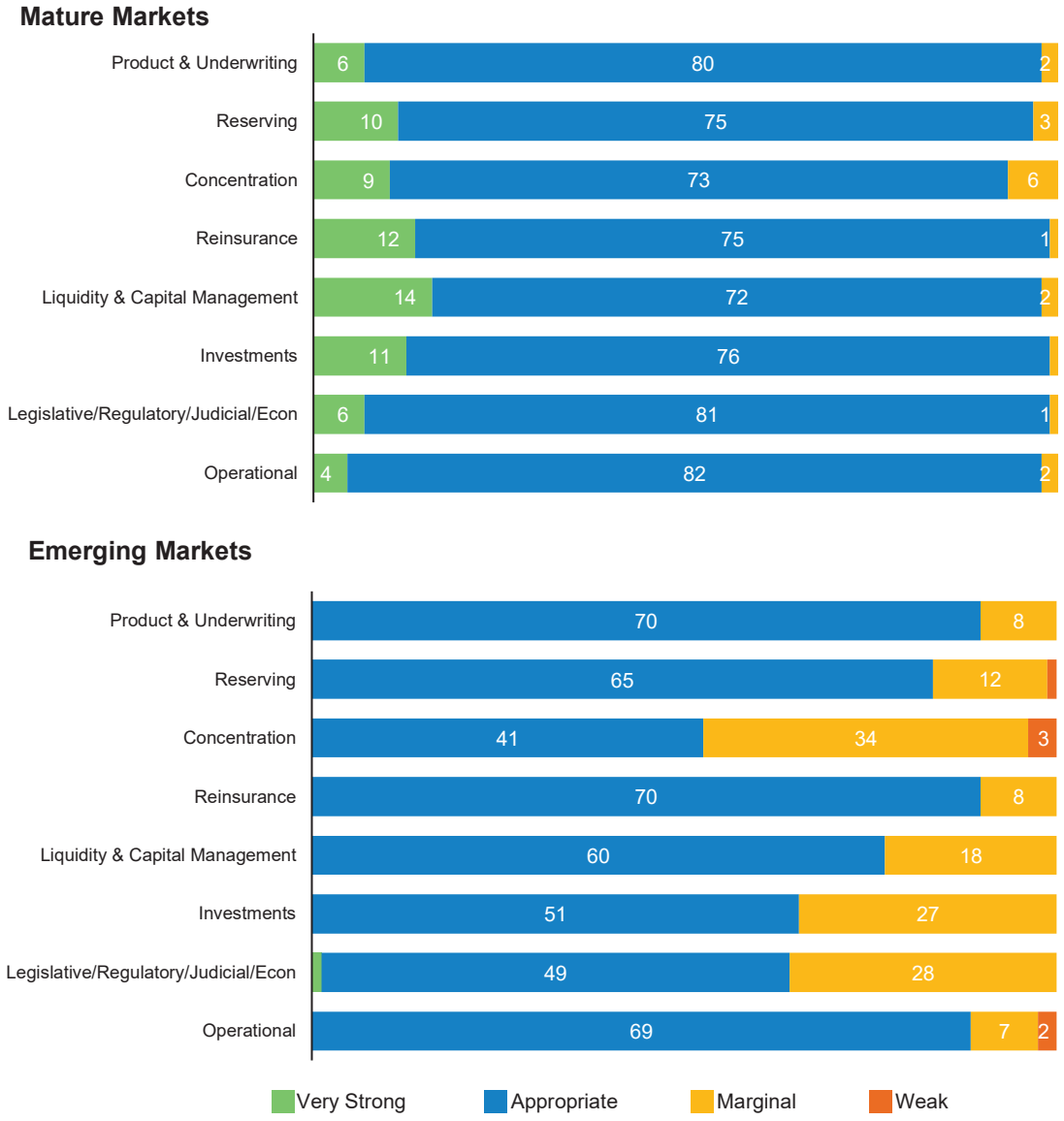
At times, emerging market companies have demonstrated good risk management structures on paper, but the utilisation of such models generally remains weak and untested or is highly reliant on third parties.

Risk Profile Evaluation

AM Best's ERM risk profile evaluation consists of eight components and assesses a company's risk management capability relative to its risk profile. AM Best examines risks related to product and underwriting, reserving, concentration, reinsurance, liquidity and capital management, investments, legislative/regulatory/judicial/economic, and operational.

More diverse and complex companies are viewed to have higher risk profiles. Such companies might include global (re)insurance groups, and enterprises that have substantial catastrophe exposures, long-tailed business, or high embedded life guarantees. Nevertheless, these companies tend to have the strongest risk management capabilities and tools at their disposal, and have demonstrated their effectiveness over time. For this group, their capability is viewed generally as Very Strong.

Exhibit 18
EMEA – AM Best Risk Capabilities, 2025
(%)



Not shown in exhibit – Very Weak (No entries) Source: AM Best data and research

AM Best expects companies to improve their ERM approach constantly, as markets and regulations develop; the benchmarks at each assessment level are likely to rise. A company's failure to keep pace with the changing landscape and evolving risks and challenges may, over time, exert pressure on its assessment. The litmus test for most companies are volatile market environments and emerging risks that test the adequacy of a company's risk capabilities relatively to their defined risk appetite.

Exhibit 18 illustrates the risk framework evaluation for the EMEA region. For mature market carriers, concentration risk is consistently the lowest scoring sub-component.

For emerging market companies, several categories are considered to be deficient, including: concentration, investment, and legal/regulatory/judicial/economic risks. This reflects the risk profile

of many emerging market (re)insurers being concentrated in a single market, product or counterparty, and the higher asset risk associated with those markets.

Prudent Risk Management Remains Crucial

Rating disclosures under the Best's Credit Rating Methodology (BCRM) allow for more straightforward and detailed benchmarking. Although this report highlights the main characteristics and differences among (re)insurers in the EMEA region, one should bear in mind that any generalisation always carries the risk of oversimplification, masking wide divergences at the individual level.

Additional challenges may also arise when trying to attribute separate rating impacts to specific factors that seem to be acting simultaneously, such as positive operating performance that an analyst may view as a direct result of both a strong business profile and ERM.

This analysis highlights some common themes as weaknesses, the most important of which is risk governance, with some (re)insurers, more so in emerging markets, adopting basic or minimum requirements to run their businesses. Some companies have only recently taken the initiative to adopt more prudent and sophisticated approaches to managing their operations. This has been highlighted by their significant adjustments with regard to re-stated financial statements, asset write-downs, reserve strengthening, and incidents of fraud.

In part, regulatory developments, which serve to strengthen the market, highlighted certain deficiencies. While the market is likely to endure some short-term pain for prolonged long-term stability, the impact of regulatory changes remains a challenge for a number of insurers with less developed risk governance frameworks.

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