

AM BEST

Présentation sur le marché de l'assurance d'AM Best - Alger

10 Avril 2025

Avec la collaboration de l'Union Algérienne des Sociétés d'Assurance et de Réassurance (UAR)



Remarques d 'introduction

Youcef Benmicia
Président de l'UAR - Union Algérienne des Sociétés
d'Assurance et de Réassurance (UAR)

Opening Introductory Remarks

Discours d'accueil par AM Best

Nick Charteris-Black
Managing Director, Développement du marché, EMEA,
AM Best

Welcome Remarks



Presenters

Avec la collaboration de UAR



**Nick
Charteris-Black**

Managing Director
Développement du
Marché - EMEA
AM Best



**Vasilis
Katsipis**

General Manager
Développement du
Marché – MENASCA
AM Best



**Ghislain
Le Cam**

Senior Director,
Analytique
AM Best



**Fleur
Ngassa**

Analyste Financière
AM Best



- 10:25** **Remarques d 'introduction / Opening Introductory Remarks**
Youcef Benmicia, Président de l'UAR - Union Algérienne des Sociétés d'Assurance et de Réassurance (UAR)
- 10:35** **Discours d'accueil par AM Best / Welcome Remarks**
Nick Charteris-Black, Managing Director, Développement du marché, EMEA, AM Best
- 10:45** **Points de vue et tendances des marchés mondiaux et régionaux de la réassurance /**
Global & Regional Reinsurance Markets Outlooks and Trends
Vasilis Katsipis, General Manager, développement des marchés MENA, Asie du Sud et centrale, AM Best
- 11:10** **Tendances du marché Algérien de l'assurance / Trends in the Algerian Insurance Market**
Fleur Ngassa, Analyste Financière, AM Best
- 11:40** **Introduction à la proposition de la nouvelle notation à l'échelle nationale pour le marché Algérien /**
Introduction to the Proposed National Scale Ratings for the Algerian (Re)Insurance Market
Ghislain Le Cam, Senior Director, Analytique – Londres, AM Best
- 12:10** **Questions & réponses et remarques de clôture / Q&A and Closing Remarks**
Nick Charteris-Black, Managing Director, Développement du marché, EMEA, AM Best
- 12:30** **Déjeuner et réseautage / Lunch & Networking**

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Disclaimer

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Any queries of a commercial nature should be directed to AM Best's Market Development function.

Points de vue et tendances des marchés mondiaux et régionaux de la réassurance

Vasilis Katsipis

**General Manager, développement des marchés MENA,
Asie du Sud et centrale, AM Best**

Global & MENA Reinsurance Update

Global Reinsurance

Global Reinsurance Market – Discussion Outline

Positive Outlook

Sustainable results, for longer than usual

Robust Operating Results – Two consecutive years

Despite heightened cat activity, casualty challenges

1/1/25 renewals

Plenty of capacity, some softening but healthy margins

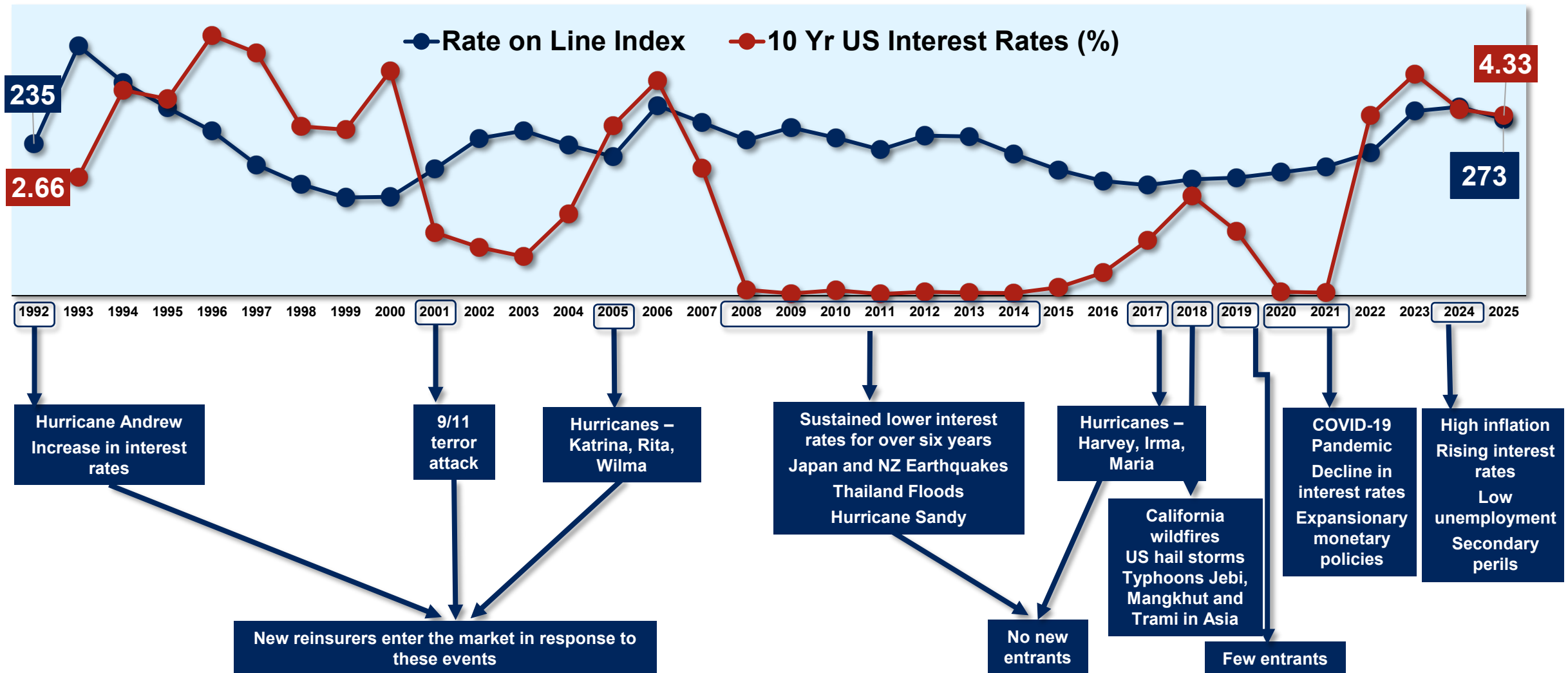
Expanding dedicated capital

Internal capital generation. Lack of new entrants.

Challenges ahead

CA wildfires, economic / geopolitical environment, social inflation

Why is this Cycle Different?



AM Best's 2024 Market Segment Outlook – Global Non-Life Reinsurance

Outlook – Revised to Positive

- Not just re-pricing but de-risking
- Sustainable underwriting margins
- Capital protection instead of earnings stabilisers
- No capital depletion
- Claims activity driven by secondary perils. Strong demand
- Investor pressure behind underwriting discipline for longer



BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage™

June 12, 2024

The outlook is moving to Positive from Stable, as reinsurers continue to reap the benefits of higher interest rates

Market Segment Outlook: Global Non-Life Reinsurance

AM Best is revising its outlook for the global non-life reinsurance segment to Positive from Stable, driven primarily by the following factors:

- Improved property reinsurance margins, driven by increased rates and attachment points achieved in 2023. These conditions are unlikely to soften through the 2024 cycle.
- More robust investment income, driven primarily by higher new money yields on fixed-income instruments. A slower drop in rates than originally anticipated should support returns over the short term.
- The segment remains well capitalized, with no new players expected to disrupt current market discipline. Consolidation and a flight to quality are more likely.
- Demand for coverage remains high due to elevated loss frequency in property lines and general economic uncertainty.
- Adverse development reported on US casualty business has been mitigated by strong underwriting gains and redundant property reserves.
- Top performers have been able to raise capital to support growth initiatives.

Margins Continue To Improve; Property Cat Risk Realigns with Primary Carriers

In 2023, non-life reinsurers reported their most favorable year of the past five. The realignment of attachment points in the property reinsurance market allowed reinsurers to limit their losses throughout the year, despite active weather patterns. When combined with healthy increases to rate-of-line, the result was an underwriting margin that hasn't been realized since 2014.

Improved and stabilized underwriting margins followed a strong result in 2023, despite heavy weather-related losses in the US. Hurricane Idalia and other events



Drivers

De-risking

- Realignment of interests
- Shift away from high-frequency layers
- Tighter terms and conditions

Robust Capitalisation

- Hard pricing to last longer
- More efficient capital management
- No capital depletion

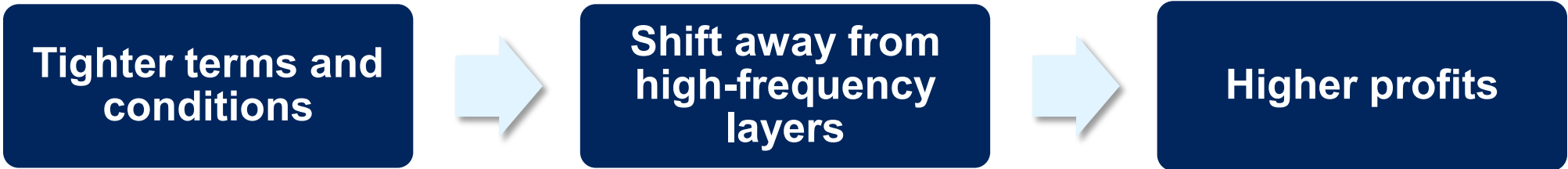
No New Class of 2024

- No new company formations despite attractive pricing
- Capital used for opportunistic use or in ILS

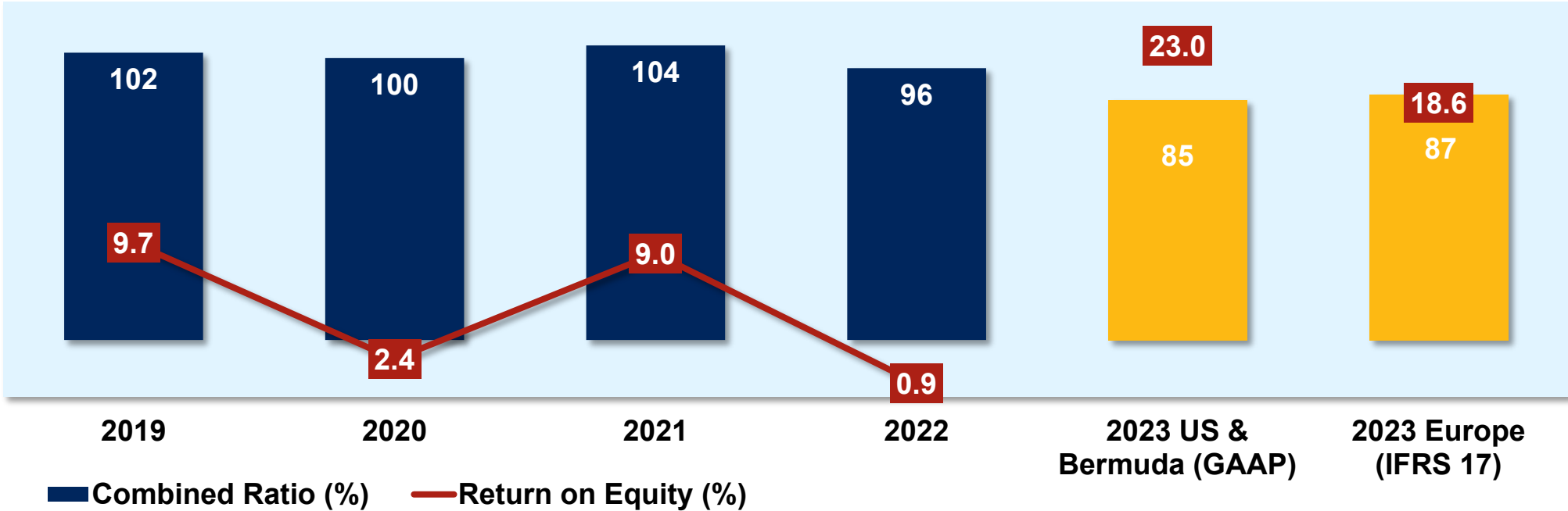
Demand for Complex Risk Role of Interest Rates

- Cedents looking to restore risk transfer
- Emerging risks, cyber and AI challenging risk transfer
- Not as impactful as in prior cycles

Return on Equity and Combined Ratio



Global Reinsurance Market 2019-2022 with 2023 Split – US & Bermuda (GAAP) and Europe (IFRS 17)

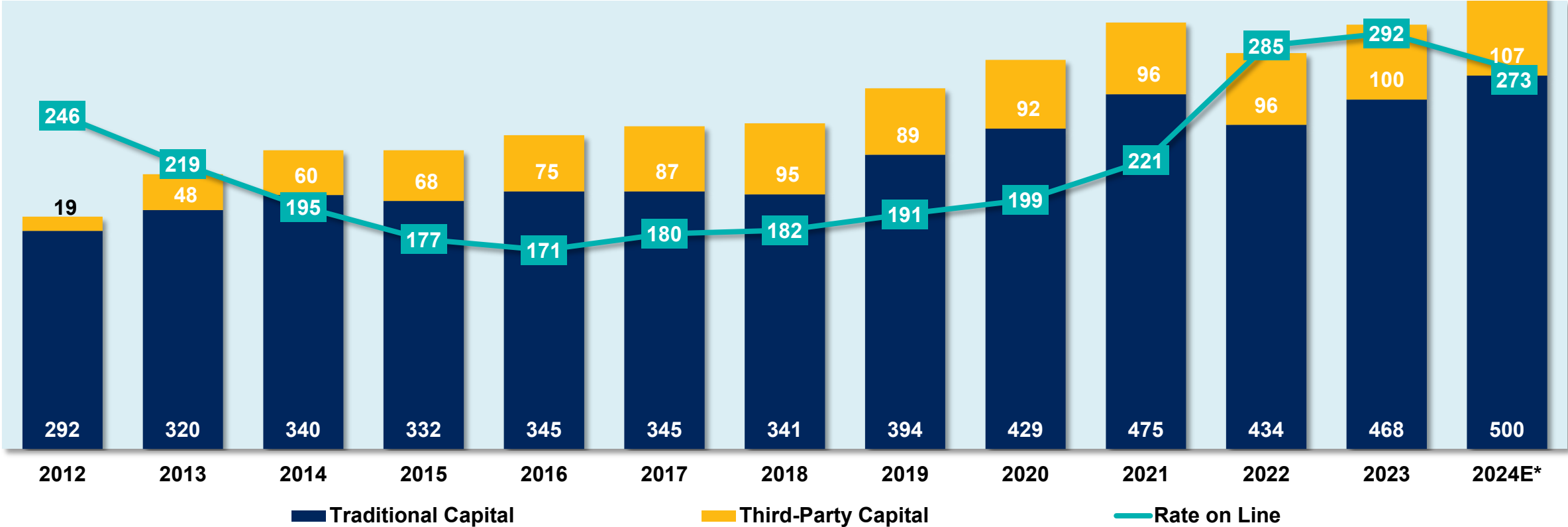


Return on equity and combined ratios are global through to 2022.
US & Bermuda represents a composite of seven large reinsurers.
Europe represents composite of large reinsurers that filed under IFRS 17 at year-end 2023.
Source: AM Best data and research



Global Reinsurance Market Capital

Estimated Dedicated Reinsurance Capital (USD billions)



* 2024 AM Best Estimation
Sources: Guy Carpenter and AM Best



Near Term – Potential Concerns



How will 2025 be impacted by early year events?



Economic and geopolitical issues



US casualty reserves and social inflation

Long Term – Emerging Issues



Scrutiny of catastrophe models

Cyber risks

Artificial intelligence

PFAS

Other risks

AM Best's Expectations – The Next 12 Months

**Underwriting profits –
slight reductions, but still strong**

**Rate movements –
modest declines in strong performing risks
and higher levels of cover**

**Retention levels –
minor movements into working layers**

**Closely monitoring casualty lines Inflationary
pressures (economic and social)**

**Significant new (disruptive) capital
unlikely**

**Increased use of Alternative Capital to flex
capital needs**

MENA Reinsurance

MENA Reinsurance

Headwinds

- Elevated country risk; high economic inflation in some countries
- Challenging geopolitical landscape
- Higher frequency and severity of losses

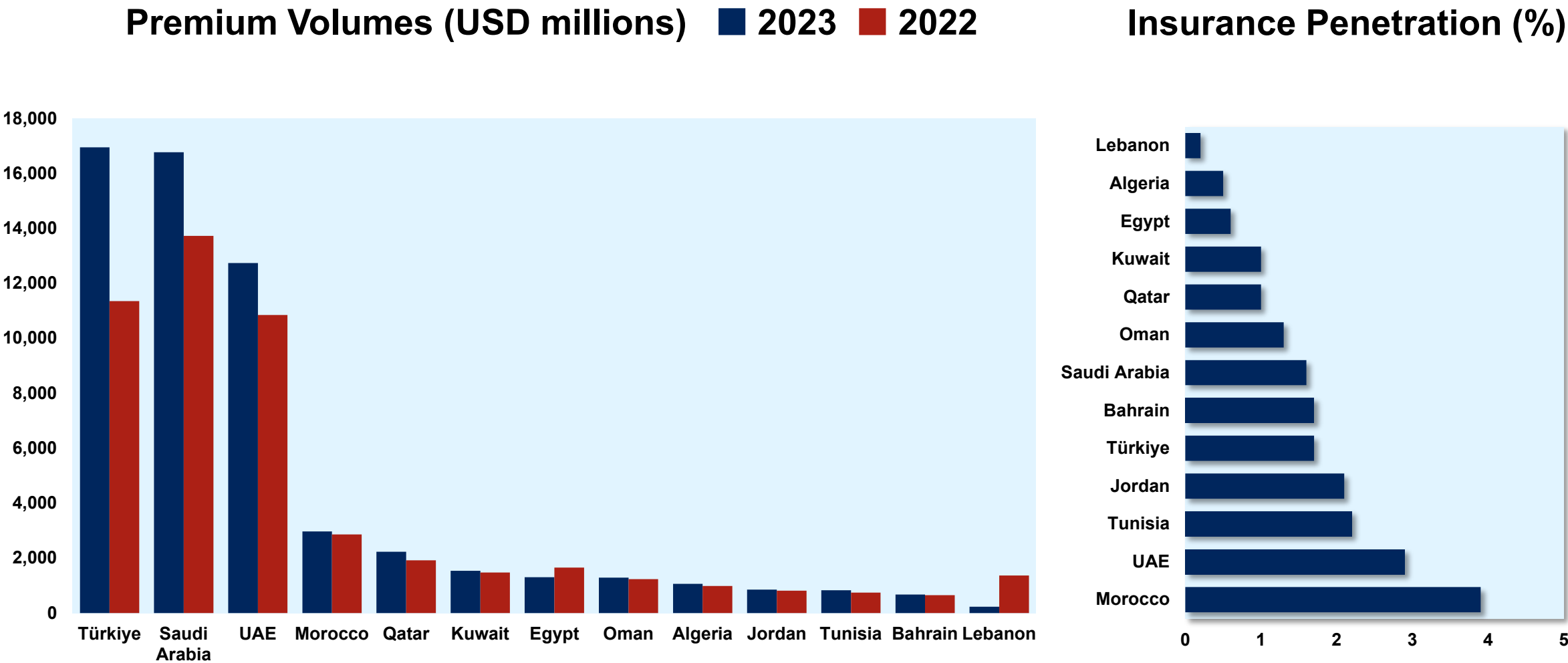
Tailwinds

- Benefitting from global pricing conditions and tighter terms and conditions
- No capacity constraints
- Steadily improving modelling capabilities

MENA Reinsurers – Steady Decline in Average Credit Quality

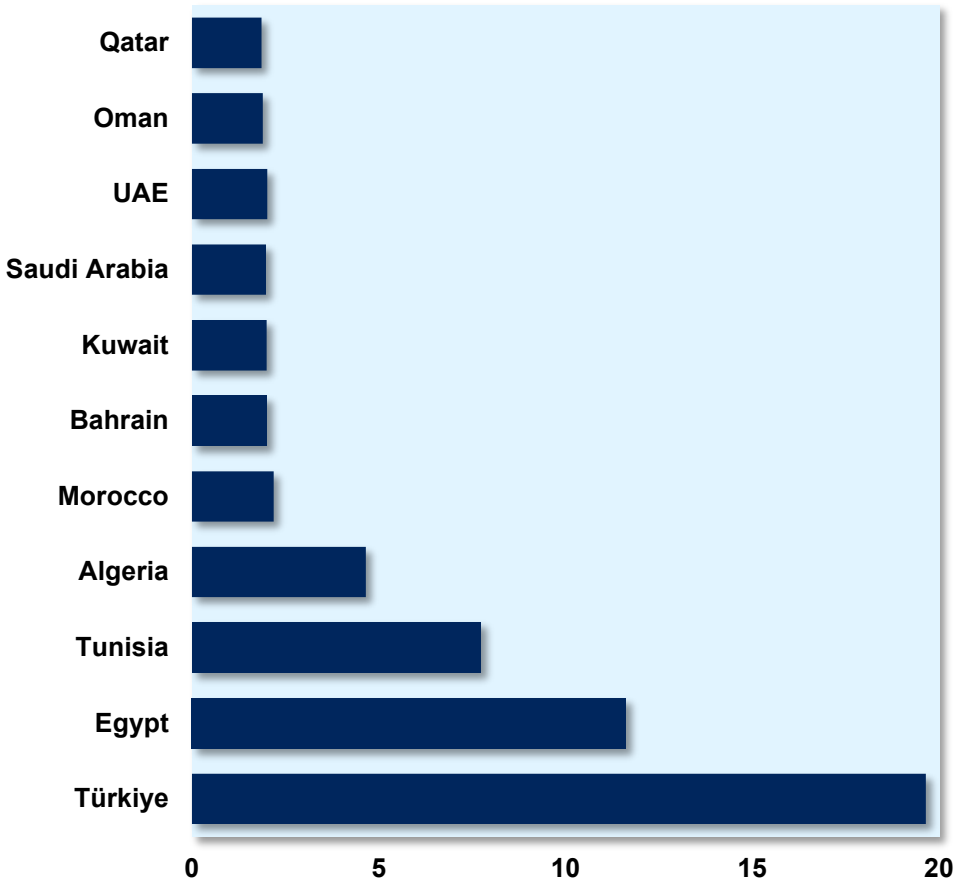
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
AM Best-Rated MENA Reinsurers	2	5	7	7	9	9	10	10	10	10	10	11	10	7	6	6	6	6	6
aa-																			
a+																			
a																			
a-		1	3	3	3	3	3	3	3	3	4	4	1	1	1	1	1	1	1
bbb+	1		1	1	2	2	2	2	2	2	1	1	2						
bbb	1	2	1	1	1	1	2	1	1	1	1	1	2	2	1	1	1	1	1
bbb-		2	2	2	3	3	3	4	4	4	4	5	5	4	3	2	1	1	1
bb+															1	1	1		
bb																	1	1	2
bb-																1	1	1	
below b+																		1	1

Market Growth and Penetration Offer Opportunities

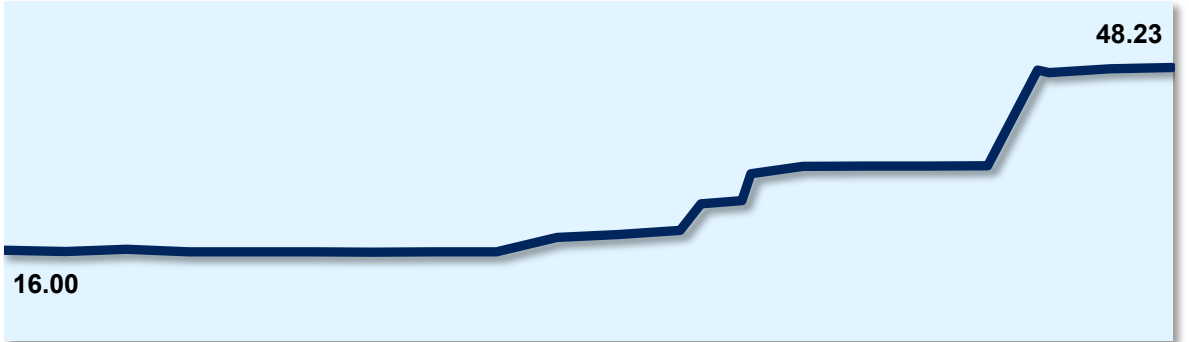


Inflation and Currency Depreciation – A Concern in Non-GCC Markets

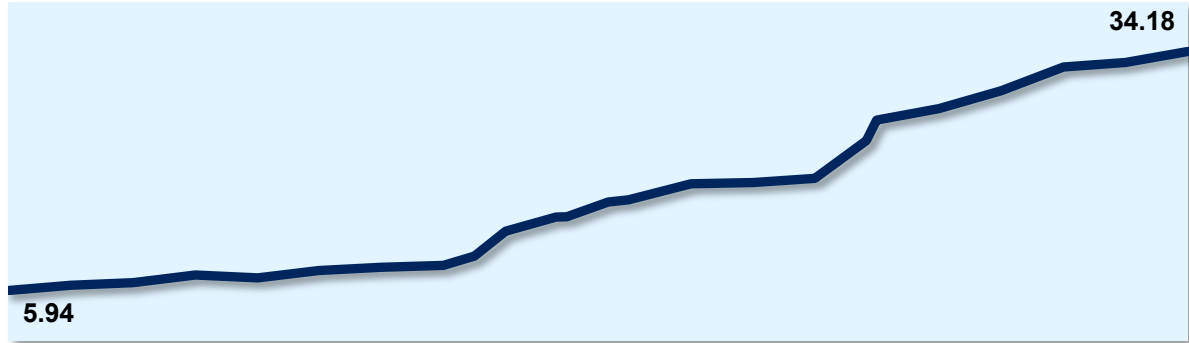
Five-Year Average Inflation (%)



US Dollar to Egyptian Pound (Dec 2019 to Sept 2024)



US Dollar to Turkish Lira (Dec 2019 to Sept 2024)

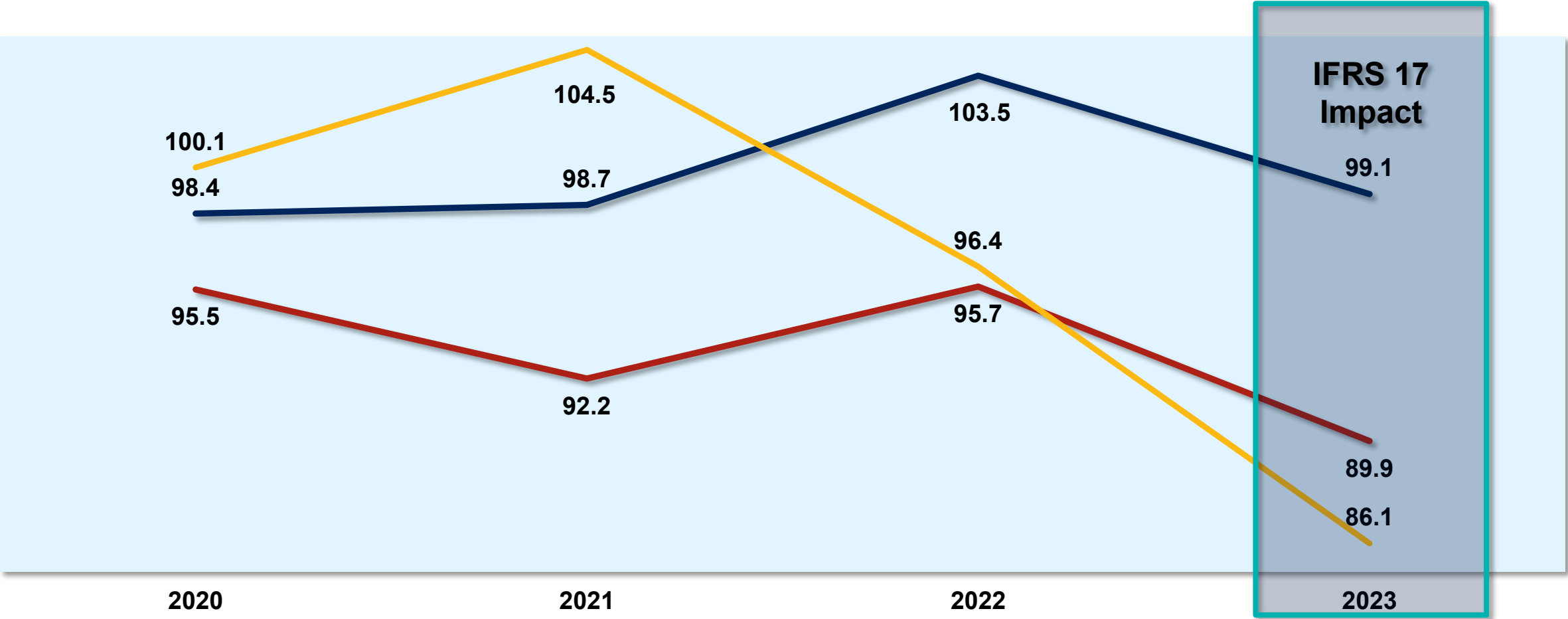


Market Highlights

- Plentiful capacity from global and regional reinsurers, continued interest from Asian and African insurers
 - Primary insurers increasingly writing inward fac
 - Improved pricing environment
 - Improved modelling availability
 - Increased weather-related activity
 - Challenging economic landscape, particularly in non-GCC countries
- Retention on large commercial risks remains low for primary insurers
 - Regional reinsurers act as “followers”
 - Government backed nat-cat schemes gain traction in North Africa
 - Growing Takaful sector supported by conventional reinsurance and “retakaful windows”
 - Elevated geopolitical tensions

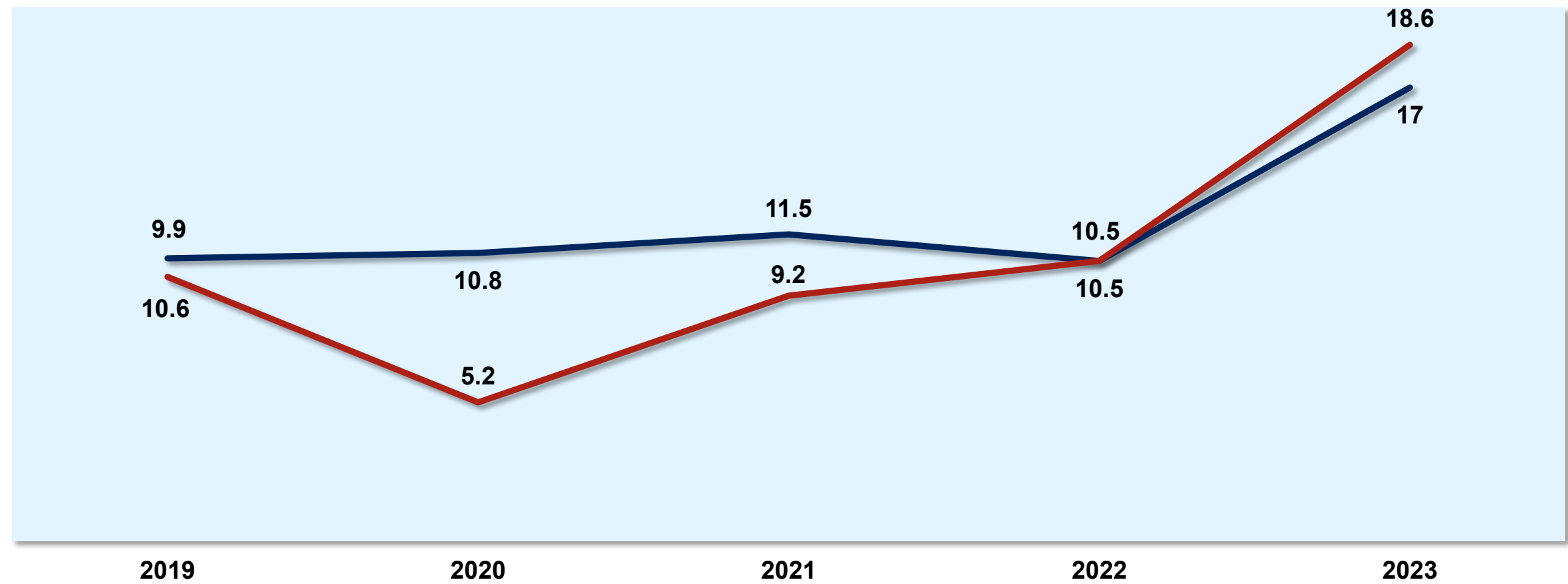
MENA Reinsurers – Combined Ratios (2020-2023) (%)

■ MENA Unadjusted ■ MENA Adjusted ■ Global Composite



MENA Reinsurers – Return on Equity Comparison (2019-2023) (%)

■ MENA Reinsurance Composite ■ European IFRS 17 Reinsurers Composite

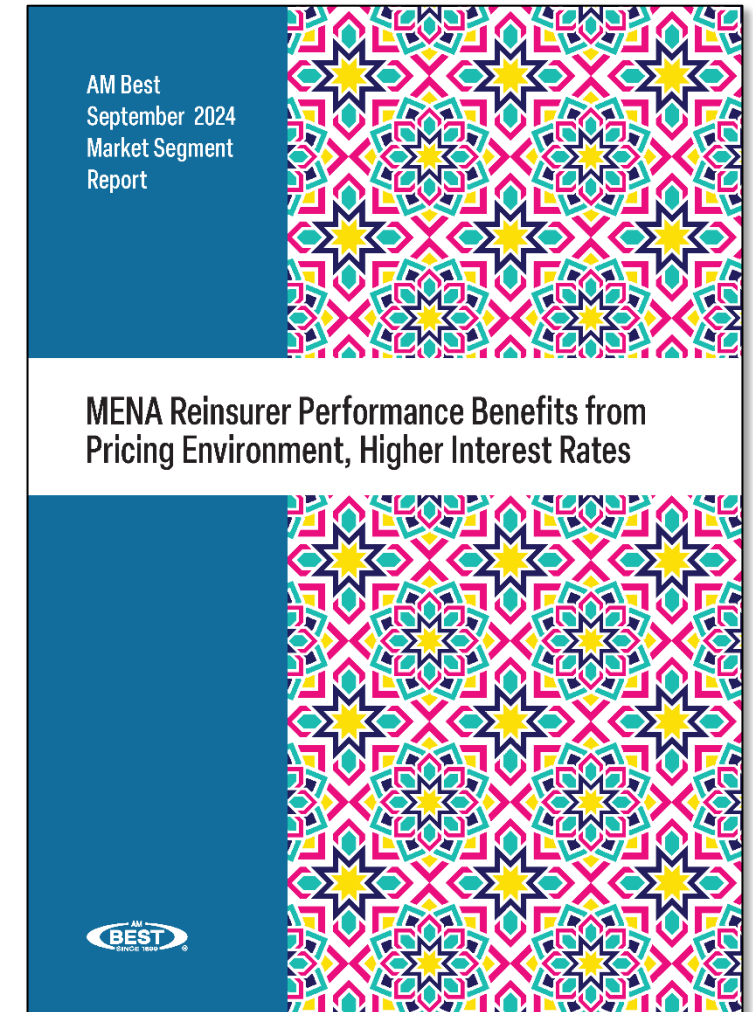


Key Takeaways

Global reinsurance pricing drives improved conditions in the market

Changing climate trends is an area of focus

Geopolitical tensions continue in the backdrop



Q&A

Tendances du marché Algérien de l'assurance

Fleur Ngassa
Analyste Financière, AM Best

**Algerian Insurance Market –
AM Best's View of Key Market Trends**



A Market With Significant Growth Potential

Emerging Markets – Insurance Penetration Rates, 2023

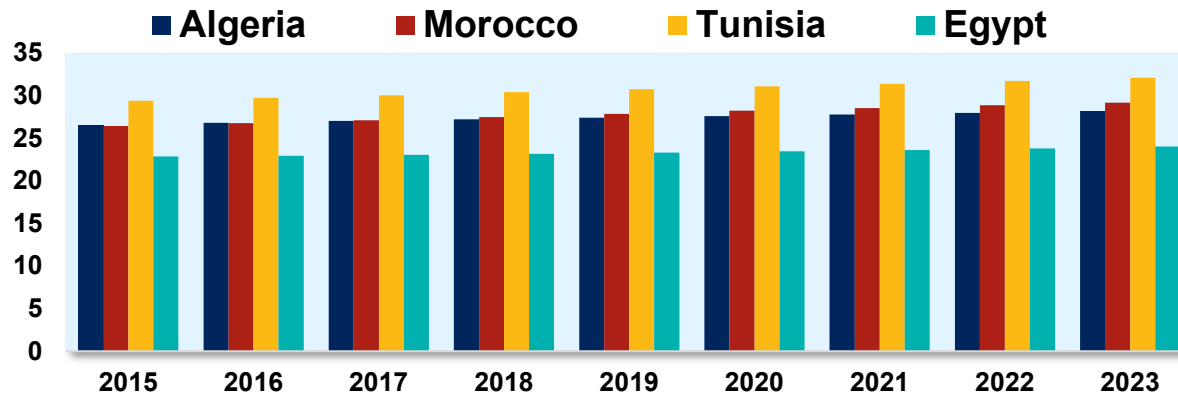
World Ranking	Country/ Territory	Total Penetration (%)	Life Penetration (%)	Non-life Penetration (%)
69	Algeria	0.5	0.1	0.5
30	Morocco	3.9	1.8	2.1
39	UAE	2.9	0.4	2.5
45	Tunisia	2.2	0.6	1.6
49	Jordan	2.1	0.4	1.7
55	Türkiye	1.7	0.2	1.5
60	Oman	1.3	0.2	1.2
64	Kuwait	1.0	0.1	0.9
67	Pakistan	0.7	0.5	0.3
68	Egypt	0.6	0.3	0.3
	Emerging EMEA	2.3	0.8	1.5
	Developed EMEA	7.1	4.0	3.1
	World	7.0	2.9	4.2

- The insurance market is recovering well from the premium contraction observed during the pandemic
- A low insurance penetration rate compared to peers indicates the significant growth potential of the Algerian insurance market

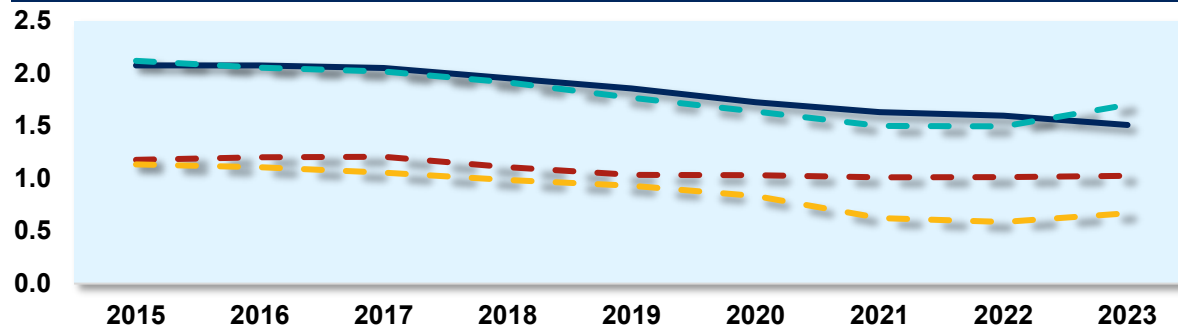
A Market With Significant Growth Potential

Maghreb Insurance Evolution of Demographic Indicators, 2015-2023

Median Population Age

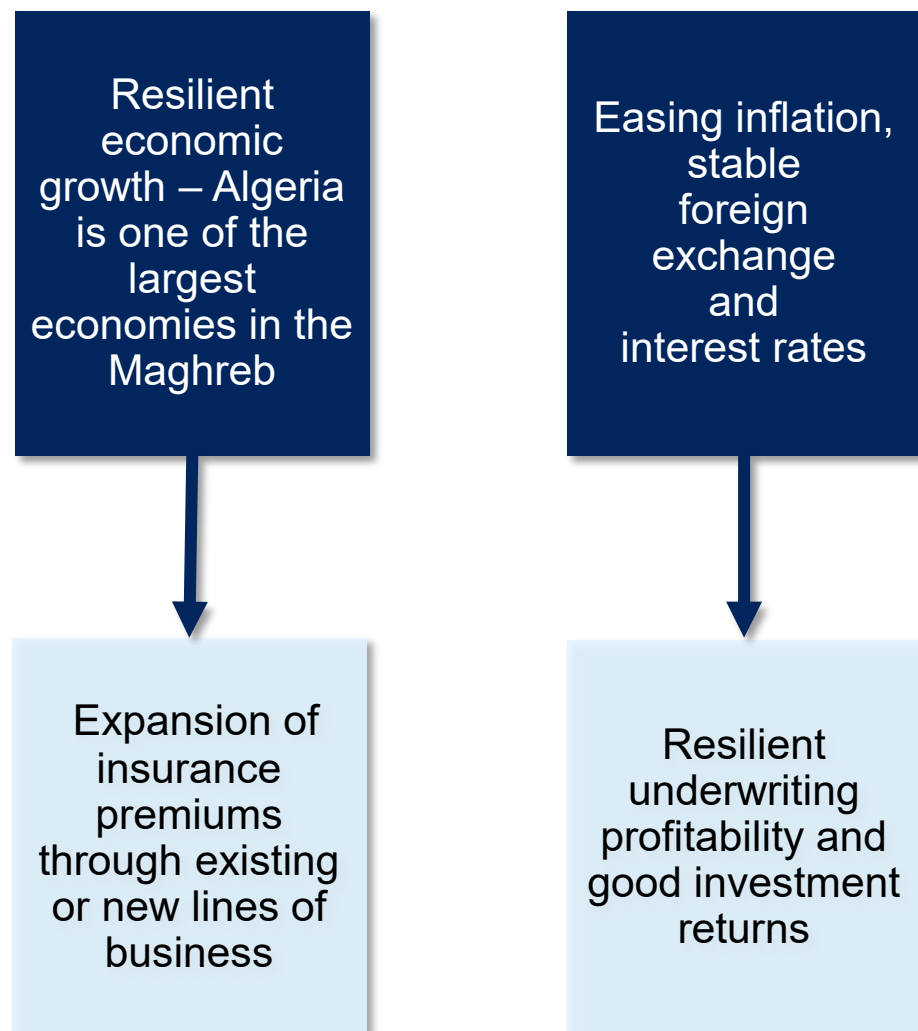


Population Growth (%)



- Demographic trends also emphasise that many untapped lines of business within the Algerian insurance market have the potential to grow and set Algeria's market growth apart from its regional peers
- A faster growing and younger population – Life insurance products, personal lines
- A predominantly Islamic population – Takaful products

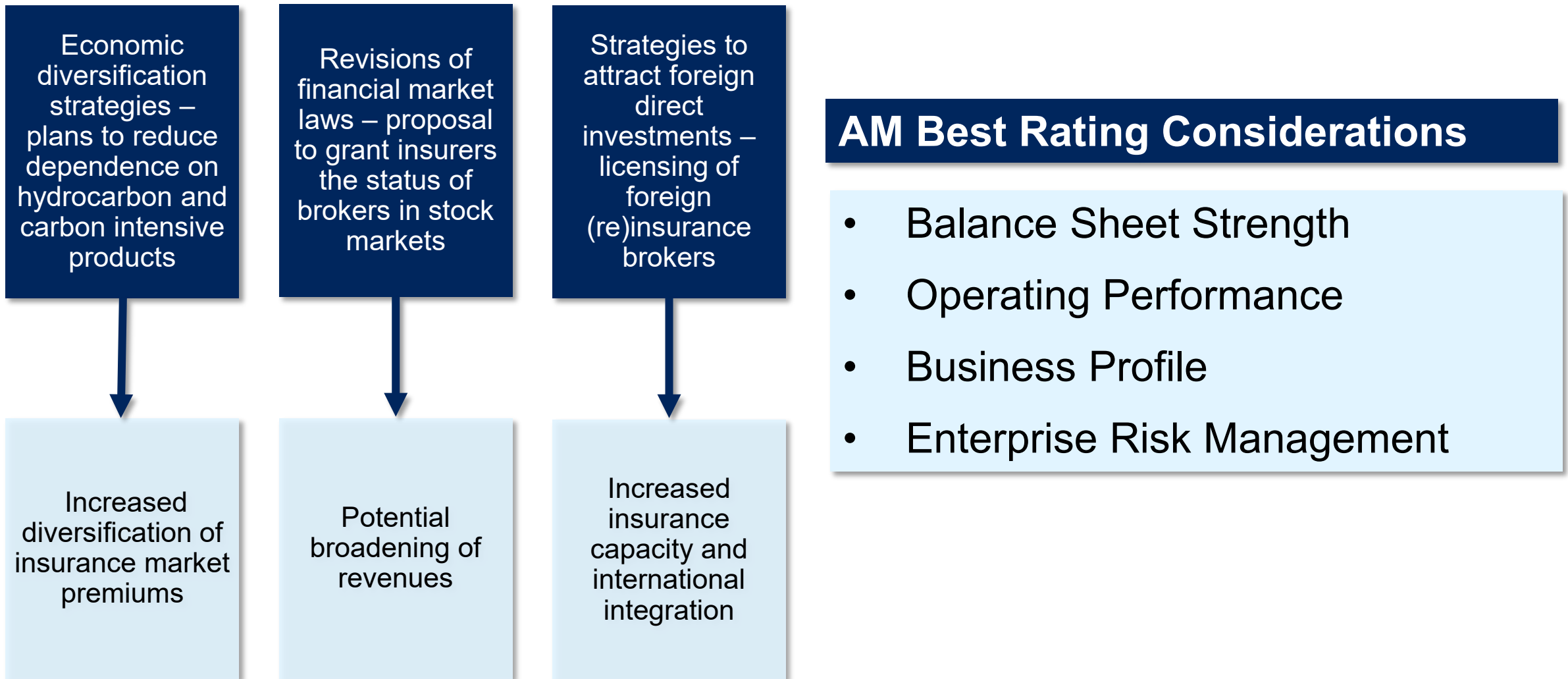
Opportunities for the Algerian Insurance Market – Economic Resilience



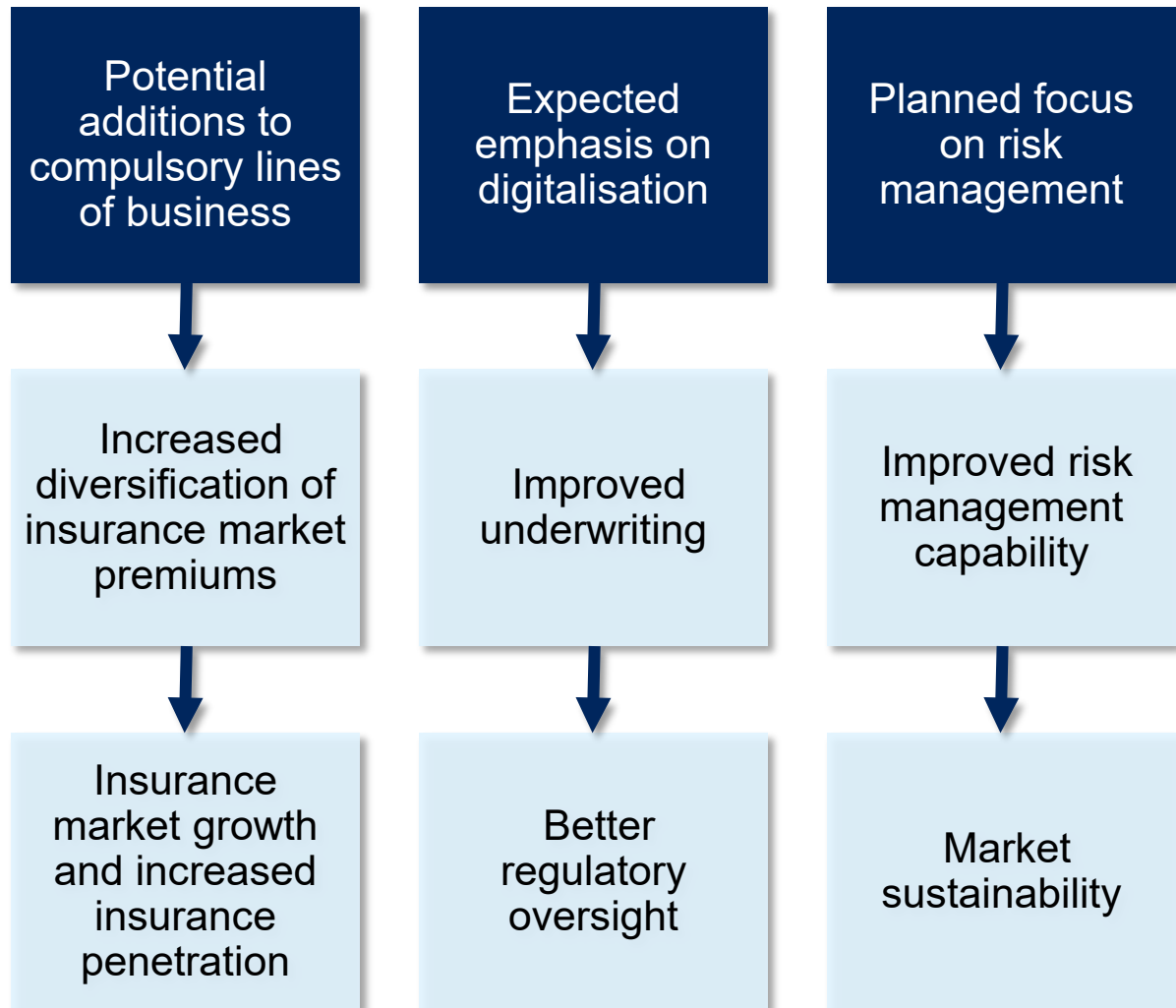
AM Best Rating Considerations

- Balance Sheet Strength
- Operating Performance
- Business Profile
- Enterprise Risk Management

Algeria's Economic and Financial Reforms



Algeria's Planned Insurance Bill



AM Best Rating Considerations

- Balance Sheet Strength
- Operating Performance
- Business Profile
- Enterprise Risk Management

Best's Market Segment Report – Algeria Insurance

Transition comes with challenges:

- The cultural perception of insurance in Algeria
- A history of delays in the implementation of the planned insurance law

The transformation of Algeria's insurance industry may take time



BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

Le 3 Avril 2025

Le Marché Algérien de l'Assurance Porteur de Croissance et d'Expansion

AM Best considère que le développement des branches d'activité dommages aux biens et santé peut réduire le déficit d'assurance et contribuer à la croissance du marché algérien de l'assurance.

Points à retenir :

- Malgré un faible taux de pénétration, le marché algérien de l'assurance poursuit son redressement après la contraction du volume de primes observée pendant la pandémie de COVID-19.
- AM Best estime que les réformes financières engagées par le gouvernement algérien pourraient favoriser davantage l'expansion à plus long terme du secteur local de l'assurance.
- La croissance du chiffre d'affaires enregistrée par les assureurs pourrait s'améliorer, le gouvernement algérien cherchant à réduire la dépendance économique du pays à l'égard des hydrocarbures et des produits à forte intensité de carbone.
- AM Best considère toutefois que les perceptions culturelles de l'assurance au sein de la région constituent un frein au développement à moyen terme du marché.

Les développements démographiques, économiques et réglementaires en Algérie sont de bon augure pour le marché de l'assurance du pays, dont le potentiel de croissance, d'expansion, d'investissements étrangers et de rentabilité semble prometteur, selon AM Best.

Plusieurs de ces développements permettent de distinguer le secteur de l'assurance en Algérie de ceux des autres pays de la région Moyen-Orient et Afrique du Nord (MENA), et présentent à la fois des avantages et des défis.



Q&A

Introduction à la proposition de la nouvelle notation à l'échelle nationale pour le marché Algérien

Ghislain Le Cam
Senior Director, Analytique - Londres

**Introduction to the Proposed National Scale
Ratings for the Algerian (Re)Insurance Market –
Approaches & Outcomes**

AM Best's National Scale Ratings – Highlights

Overview

- AM Best is planning to introduce National Scale Ratings (NSRs) for (re)insurers domiciled in Algeria
- Best's NSR criteria procedure went out for comment: **24 March 2025**
Comment period ends: **23 April 2025**
- Targeted to be released in the second half of 2025
- Revisions to criteria do not affect existing ratings

Assignments of NSRs

- Existing clients – can be assigned alongside a review of global ratings
- New clients – will need to go through the global rating process

AM Best's National Scale Ratings – Benefits

Benefits

- Soon to be available in Algeria, subject to necessary approvals
- Focuses on local market characteristics and its (re)insurers
- Allows greater comparison of (re)insurers in the market
- Significantly reduces Country Risk impact

Best's Ratings

Financial Strength Rating (FSR) – An independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations

Issuer Credit Rating (ICR) – An independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis

Issue Credit Ratings (IR) – An independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of obligations and can be issued on a long- or short-term basis

National Scale Ratings (NSR) – A relative measure of creditworthiness in a specific jurisdiction that is issued on a long-term basis and derived exclusively by mapping the NSR from the corresponding global Issuer Credit Rating (ICR) using a transition chart

Relationships Between AM Best's Rating Scales (ICRs to FSRs)

ICRs to FSRs

ICR	FSR
aaa	A++
aa+	
aa	A+
aa-	
a+	A
a	
a-	A-
bbb+	
bbb	B++
bbb-	
bb+	B+
bb	
bb-	B-
b+	
b	C++
b-	
ccc+	C+
ccc	
ccc-	C-
cc	
c	D

ICR: Issuer Credit Rating
FSR: Financial Strength Rating

Translating Ratings

- Analysis conducted on ICR scale
- FSR translated across

Company	ICR	FSR
Compagnie Centrale de Réassurance	bbb-	B+
Société Nationale d'Assurance	bb+	B

Algeria National Scale Mapping (ICRs to Algeria NSRs) – DRAFT

ICRs to NSRs

Global ICR	Algeria NSR (DRAFT)
bb- or above	aaa.DZ
b+	aa+.DZ to aa.DZ
b	aa-.DZ to a.DZ
b-	a-.DZ to bbb.DZ
ccc+	bbb-.DZ to bb.DZ
ccc	bb-.DZ to b.DZ
ccc-	b-.DZ to ccc.DZ
cc	ccc-.DZ to cc.DZ
c	c.DZ

ICR: Issuer Credit Rating

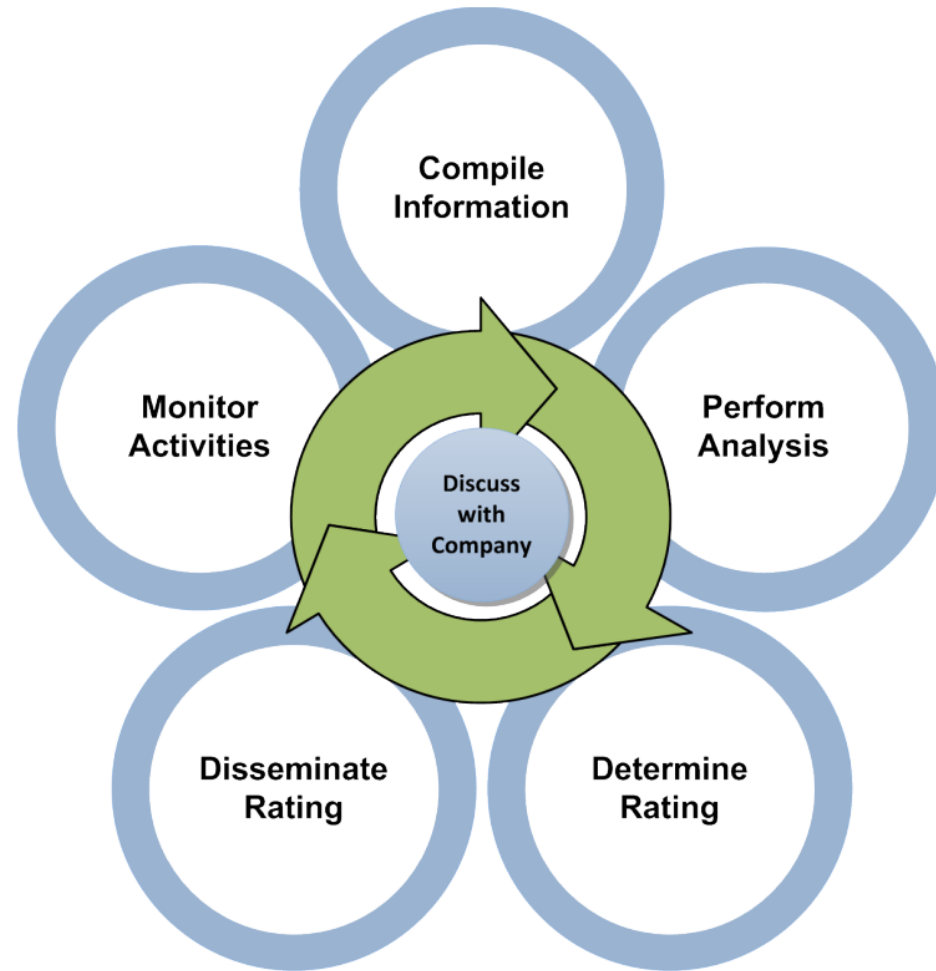
Algeria NSR: National Scale Rating for Algeria

Translating Ratings

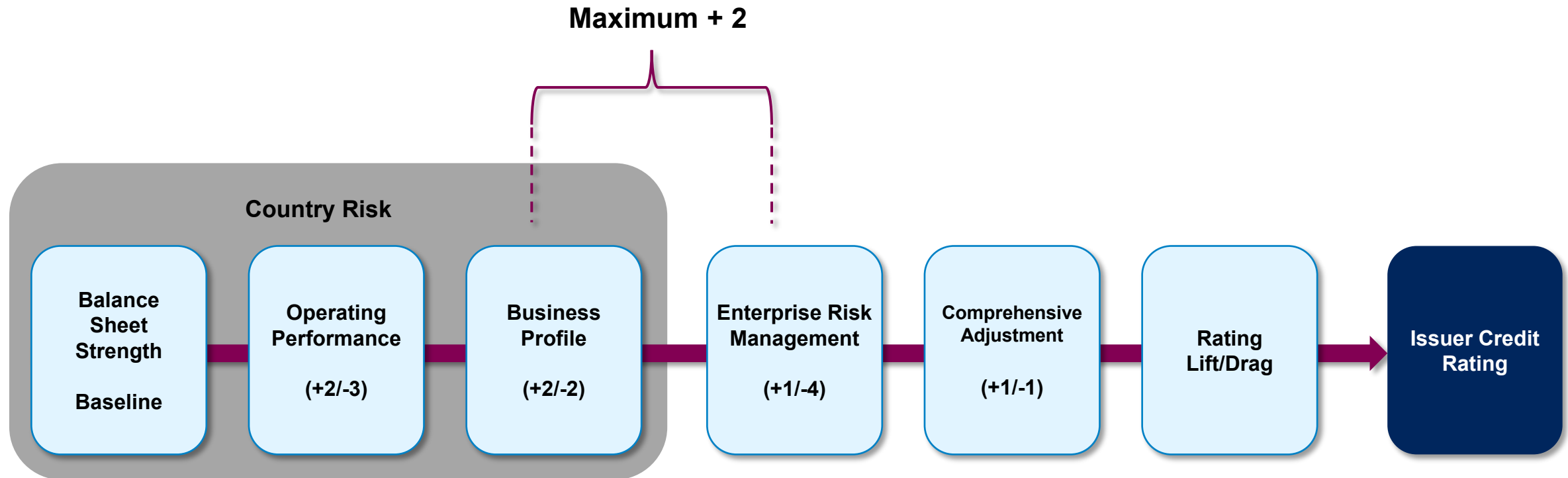
- Analysis conducted on ICR
- Algeria NSR would be translated across
- NSR more granular at lower levels

AM Best's Ratings – The Interactive Rating Process

- The foundation of the rating process is an ongoing dialogue with the rated company's management
- Ratings are determined by a rating committee, by simple majority vote
- Rating process outlined in Best's Credit Rating Methodology (BCRM)



BCRM – Building Block Approach – Determining the ICR



AM Best's National Scale Ratings – Best's NSRs (I)

- Relative opinion of an insurance company's financial strength within a single country
- NSRs are based on country-specific market characteristics:
 - Cannot be compared across Credit Rating Agencies
 - Cannot be compared to other Best's NSRs –
an NSR in Egypt would not be directly comparable to an NSR in Algeria
- Calibration is determined using financial data based on (re)insurers domiciled in that country. This may include business written outside of the country of domicile
- NSRs can only be assigned to (re)insurers domiciled in that country:
 - No NSRs can be assigned to (re)insurers domiciled outside of the country, even if they have business inside an NSR jurisdiction

AM Best's National Scale Ratings – Best's NSRs (II)

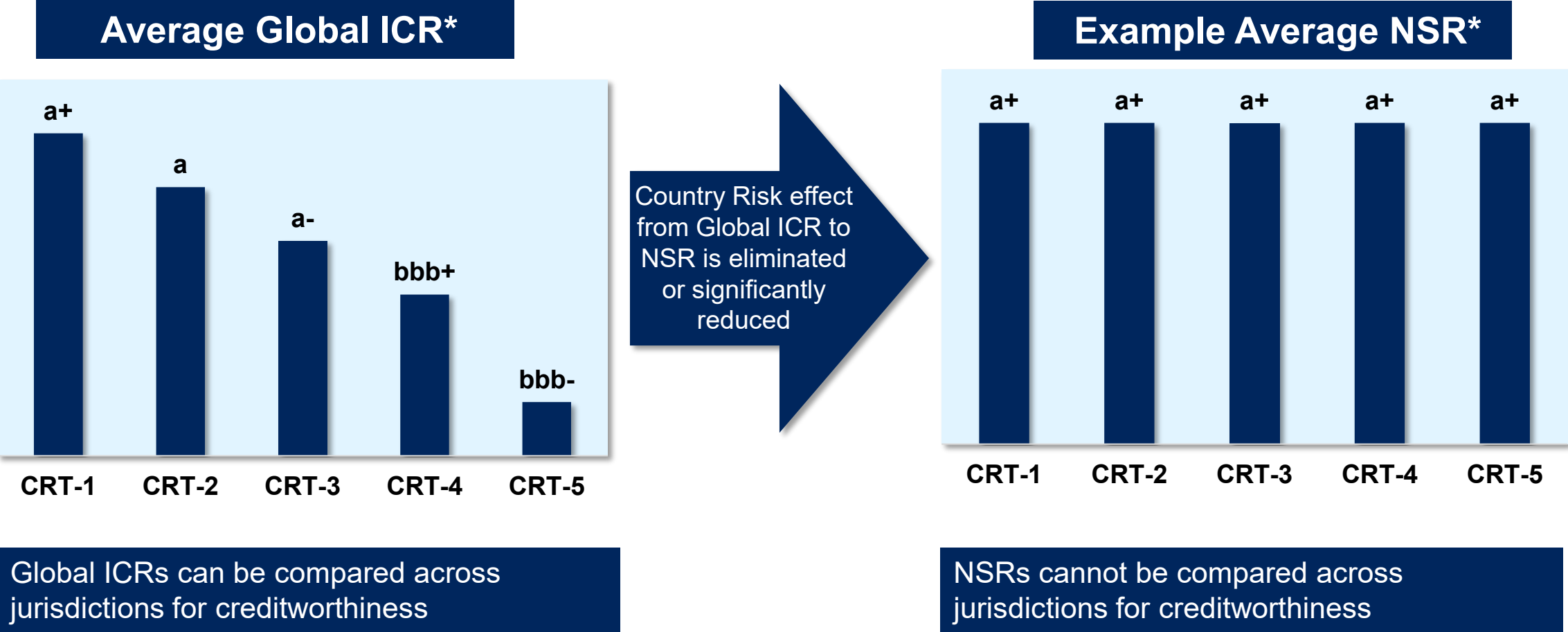
- A (re)insurer that enters Best's NSR process is first assigned a global ICR
- The global ICR is where the underlying analytics take place.
NSRs are based on a mapping from the global ICR:
 - For an NSR to be public, the global ICR must also be made public
 - Press release, credit report and rating disclosure form will reflect AM Best's determination of the global ICR
 - Press release and credit report will reference the NSR rating
 - Private global ICRs can also have NSRs that are also private
 - Mapping will be reviewed annually
 - AM Best does not expect much movement in the mappings

Relative Measure of Financial Strength of (Re)insurers Domiciled In That Country (I)

Country Risk is the risk that factors specific to a country could adversely affect the ability of an insurer operating in that country to meet its financial obligations. Three categories:

- **Economic Risk** – Risk that fundamental weaknesses in the country's economy will adversely affect an insurer
- **Political Risk** – Risk that governmental or bureaucratic inefficiencies, social tensions, an adequate legal system, or an international environment will adversely affect an insurer
- **Financial System Risk:**
 - Non insurance – Risk that financial volatility may be present due to weak banking systems or asset markets, poor regulatory structures or inadequate reporting standards, which can adversely affect an insurer
 - Insurance – Risk that the level of development of the country's insurance industry, as well as public awareness, transparency and effectiveness of regulation, reporting standards, and regulatory sophistication could contribute to financial volatility and compromise an insurer's ability to pay claims

Relative Measure of Financial Strength of (Re)insurers Domiciled In That Country (II)



Note:
* Example for illustrative purposes only.

Algeria – Best's NSR Mapping – DRAFT

Based on market characteristics an Algeria NSR would provide greater differentiation below a global ICR of bb-

Global ICR	Algeria NSR (DRAFT)
bb- or above	aaa.DZ
b+	aa+.DZ to aa.DZ
b	aa-.DZ to a.DZ
b-	a-.DZ to bbb.DZ
ccc+	bbb-.DZ to bb.DZ
ccc	bb-.DZ to b.DZ
ccc-	b-.DZ to ccc.DZ
cc	ccc-.DZ to cc.DZ
c	c.DZ

Global ICR of bb- or above would translate into an NSR of aaa.DZ

Groupings under the global ICR create one-to-many correspondences
Where there are one-to-many correspondences, an NSR is determined by rating committee based on the strength of rating fundamentals

At the lower end of both scales the ratings are similar

When Can a Best's NSR Change? Change in Global ICR

	Global ICR	Algeria NSR (DRAFT)	
	aaa	aaa.DZ	
	aa+	aaa.DZ	
	aa	aaa.DZ	
	aa-	aaa.DZ	
	a+	aaa.DZ	
	a	aaa.DZ	
	a-	aaa.DZ	
	bbb+	aaa.DZ	
	bbb	aaa.DZ	
	bbb-	aaa.DZ	
	bb+	aaa.DZ	
	bb	aaa.DZ	
	bb-	aaa.DZ	
	b+	aa+.DZ to aa.DZ	
	b	aa-.DZ to a.DZ	
	b-	a-.DZ to bbb.DZ	
	ccc+	bbb-.DZ to bb.DZ	
	ccc	bb-.DZ to b.DZ	
	ccc-	b-.DZ to ccc.DZ	
	cc	ccc-.DZ to cc.DZ	
	c	c.DZ	

Upgrades above bb- would have no impact on the Algeria NSR

An upgrade in global ICR from b+ to bb- would translate into an upgrade in the Algeria NSR to aaa.DZ

Downgrades down to bb- would have no impact on the Algeria NSR

A downgrade in global ICR from bb- to b+ would translate into a downgrade in the Algeria NSR to either aa+.DZ or aa.DZ

When Can a Best's NSR Change? Change in One-to-Many Correspondence

Global ICR	Algeria NSR (DRAFT)
aaa	aaa.DZ
aa+	aaa.DZ
aa	aaa.DZ
aa-	aaa.DZ
a+	aaa.DZ
a	aaa.DZ
a-	aaa.DZ
bbb+	aaa.DZ
bbb	aaa.DZ
bbb-	aaa.DZ
bb+	aaa.DZ
bb	aaa.DZ
bb-	aaa.DZ
b+	aa+.DZ to aa.DZ
b	aa-.DZ to a.DZ
b-	a-.DZ to bbb.DZ
ccc+	bbb-.DZ to bb.DZ
ccc	bb-.DZ to b.DZ
ccc-	b-.DZ to ccc.DZ
cc	ccc-.DZ to cc.DZ
c	c.DZ

The global ICR remains unchanged, however our view of the company within the NSR segment changes based on the rating fundamentals of the company

Global ICR	Algeria NSR (DRAFT)
b+	aa+.DZ
b+	aa.DZ

Global ICR	Algeria NSR (DRAFT)
ccc+	bbb-.DZ
ccc+	bb+.DZ
ccc+	bb.DZ

When can a Best's NSR change? Change in Mapping

Material shift in the underlying characteristics of the (re)insurance market

Current DRAFT Translation Table

Global ICR	Algeria NSR (DRAFT)
aaa	aaa.DZ
aa+	aaa.DZ
aa	aaa.DZ
aa-	aaa.DZ
a+	aaa.DZ
a	aaa.DZ
a-	aaa.DZ
bbb+	aaa.DZ
bbb	aaa.DZ
bbb-	aaa.DZ
bb+	aaa.DZ
bb	aaa.DZ
bb-	aaa.DZ
b+	aa+.DZ to aa.DZ
b	aa-.DZ to a.DZ
b-	a-.DZ to bbb.DZ
ccc+	bbb-.DZ to bb.DZ
ccc	bb-.DZ to b.DZ
ccc-	b-.DZ to ccc.DZ
cc	ccc-.DZ to cc.DZ
c	c.DZ

Example Change to Translation Table

Global ICR	Algeria NSR (DRAFT)
aaa	aaa.DZ
aa+	aaa.DZ
aa	aaa.DZ
aa-	aaa.DZ
a+	aaa.DZ
a	aaa.DZ
a-	aaa.DZ
bbb+	aaa.DZ
bbb	aaa.DZ
bbb-	aaa.DZ
bb+	aa+.DZ to aa.DZ
bb	aa-.DZ
bb-	a+.DZ to a.DZ
b+	a-.DZ to bbb+.DZ
b	bbb.DZ
b-	bbb-.DZ to bb+.DZ
ccc+	bb.DZ to bb-.DZ
ccc	b+.DZ to b.DZ
ccc-	b-.DZ to ccc.DZ
cc	ccc-.DZ to cc.DZ
c	c.DZ

Mapping would be reviewed annually and expected to remain stable

However, a shift in underlying characteristics of the market could change the NSR

Example: a company that has a global ICR of bb- would have an Algeria NSR moving from aaa.DZ to a+.DZ or a.DZ in this illustration

Final Remarks



- Soon to be available in Algeria, subject to necessary approvals
- Focuses on local market characteristics and its (re)insurers
- Allows greater comparison of (re)insurers in the markets
- Significantly reduces Country Risk impacts

Q&A

Questions & réponses et remarques de clôture

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Q&A and Closing Remarks

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AM BEST

Présentation sur le marché de l'assurance d'AM Best - Alger

10 Avril 2025

Avec la collaboration de l'Union Algérienne des Sociétés d'Assurance et de Réassurance (UAR)

