

RatingsDirect®

Research Update:

Doha Bank Assurance Co. Ratings Lowered To 'BBB' After Similar Action On Parent; Outlook Negative

Primary Credit Analyst:

Michael Dunckley, Dubai + 0097143727182; Michael.Dunckley@spglobal.com

Secondary Contact:

Emir Mujkic, Dubai (971) 4-372-7179; emir.mujkic@spglobal.com

Table Of Contents

Overview

Rating Action

Rationale

Outlook

Ratings Score Snapshot

Related Criteria

Related Research

Ratings List

Research Update:

Doha Bank Assurance Co. Ratings Lowered To 'BBB' After Similar Action On Parent; Outlook Negative

Overview

- On April 10, 2018, we downgraded Doha Bank Assurance's (DBAC's) parent, Doha Bank, to 'BBB+' and assigned a negative outlook.
- We continue to regard DBAC as a strategically important subsidiary of Doha Bank, due to its close operational ties with its parent.
- Therefore, we are lowering our rating on DBAC to 'BBB' from 'BBB+'.
- The negative outlook on DBAC reflects the negative outlook on Doha Bank.

Rating Action

On April 13, 2018, S&P Global Ratings lowered its long-term insurer financial strength and issuer credit ratings on Qatar-based insurer Doha Bank Assurance Co. LLC (DBAC) to 'BBB' from 'BBB+'. The outlook is negative.

Rationale

The downgrade reflects that on DBAC's parent, Doha Bank Q.S.C. (see "Research Update: Doha Bank Ratings Lowered To 'BBB+/A-2' On Weaker Asset Quality; Outlook Negative" published April 10, 2018, on RatingsDirect).

We continue to view DBAC as a strategically important subsidiary of Doha Bank, given its contribution to the bank's product offering, as well as integration of management and some operational functions. Our ratings on DBAC therefore benefit from one notch of support above its stand-alone credit profile.

During 2017, DBAC's gross written premiums did not show significant growth, primarily due to contractions in the company's casualty and marine lines of business. The company's net profit after tax reduced to about Qatari riyal (QAR)400,000 from QAR3 million in 2016. The reduction in net profit was mainly due to a significant increase in motor insurance claims during 2017.

We expect the high level of competition in motor and medical business in the Qatari market, combined with slower economic growth in Qatar than in previous years because of the boycott, will continue to constrain DBAC's underwriting growth and performance. We project that the company's return on equity will remain below 4% over the next two years.

DBAC's capital adequacy remains above our 'AAA' benchmark and its liquidity position is exceptional. In the event of a general tightening of liquidity and a slowdown in premium collections, these qualities would help to insulate the company and preserve its claims-paying ability, in our opinion.

Outlook

The negative outlook reflects that on Doha Bank. We could lower the rating on DBAC in the next 12-24 months if we lower the rating on Doha Bank. We expect that DBAC's capital adequacy will remain at the 'AAA' level (based on our model). We also anticipate that DBAC will continue to cooperate with its parent to maintain its market position and operate profitably.

Downside scenario

We could lower our ratings on DBAC if we lowered our rating on Doha Bank.

Upside scenario

We could revise our outlook on DBAC to stable if we similarly revised our outlook on Doha Bank.

Ratings Score Snapshot

	To	From
Financial Strength Rating	BBB/Negative/--	BBB+/Negative/--
Anchor	bbb	bbb
Business Risk Profile	Fair	Fair
IICRA	Intermediate risk	Intermediate risk
Competitive Position	Less than adequate	Less than adequate
Financial Risk Profile	Moderately strong	Moderately strong
Capital and Earnings	Moderately strong	Moderately strong
Risk Position	Intermediate risk	Intermediate risk
Financial Flexibility	Adequate	Adequate
Modifiers		
Holistic analysis	-1	-1
ERM and Management	0	0
ERM	Adequate	Adequate
Management and Governance	Fair	Fair
Liquidity	Exceptional	Exceptional
Support	+1	+2

Group Support	+1	+2
Government Support	0	0

IICRA--Insurance Industry And Country Risk Assessment. ERM--Enterprise risk management.

Related Criteria

- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management, May 7, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Research Update: Doha Bank Ratings Lowered To 'BBB+/A-2' On Weaker Asset Quality; Outlook Negative, April 10, 2018
- Qatar Ratings Affirmed At 'AA-/A-1+'; Outlook Negative, Feb. 9, 2018

Ratings List

Downgraded

	To	From
Doha Bank Assurance Co. LLC		
Issuer Credit Rating		
Local Currency	BBB/Negative/--	BBB+/Negative/--
Financial Strength Rating		
Local Currency	BBB/Negative/--	BBB+/Negative/--

Additional Contact:

Insurance Ratings Europe; insurance_interactive_europe@spglobal.com

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of

RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

Copyright © 2018 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.