المجموعة
العربية الأوروبية
EURO ARAB
INSURANCE
للتأمين

شركة المجموعة العربية الأوروبية للتأمين م.ع.م
Euro Arab Insurance Group L.t.d.

الرقم: 4717

التاريخ: 2009/11/23

DISCLOSURE - AMMI - 24/11/2009

السادة/هيئة الأوراق المالية المحترمين
معالي الدكتور بسام الساكت الأكرم
عمان – الأردن

الموضوع:التصنيف الائتماني للشركة

تحية طيبه وبعد،

بالإشارة إلى الموضوع أعلاه، و استنادا لأحكام المادة (8/أ-4) من تعليمات الإفصاح نود إعلامكم بتجديد التصنيف الائتماني للشركة من قبل شركة Standard and Poor's (**S&P**). و رغم الأزمة المالية العالمية استطعنا أن نحافظ على تصنيفنا (+Stable Outlook (BB " نظرة مستقبلية مستقرة".
مرفق طيه التصنيف و الشرح المفصل كما هو موجود على الصفحة الالكترونية لشركة (**S&P**).

و تفضلوا بقبول فائق الاحترام ،،،

عضو مجلس الإدارة/المدير العام

زهير عدلي العطعوط

هيئة الأوراق المالية
الدائرة الإدارية
الديوان
٢٤ تشرين الثاني ٢٠٠٩
الرقم المتسلسل ٤٢٩٦
رقم الملف
الجهة المختصة

Serve to ... to Serve

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Tel.: + 962-6-5518935 Fax : s+ 962-6-5518956 P.O.Box 1435 Amman 11953 Jordan
E-mail : info@euroarabins.com www.euroarabins.com

STANDARD & POOR'S

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November 19, 2009

Euro Arab Insurance Group P.S.C.

Primary Credit Analyst:
Ali Karakuyu, London (44) 20-7176-7301; ali_karakuyu@standardandpoors.com

Secondary Credit Analyst:
David Anthony, London (44) 20-7176-7010; david_anthony@standardandpoors.com

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Arab Insurance Group P.S.C.

Rating Factors

Strengths:

- Good competitive position in domestic Jordanian market.
- Good underwriting performance.
- Good capitalization relative to underwriting and investment risks.
- Good investment strategies and liquidity.

Operating Company Covered By This Report

Financial Strength Rating

Local Currency

BB+/Stable/--

Weaknesses:

- Industry risk in the competitive Jordanian insurance sector.
- Marginal financial flexibility given unquantified degree of future support from core shareholder group.
- Modest absolute size of the company by international standards.

Euro Arab Insurance Group P.S.C. is a listed insurer based in Amman, Jordan, which writes a composite book of general non-life, group health, and some life business in its domestic market. The ratings on the company reflect its good, still-developing competitive position, its extremely strong risk-based capital adequacy and good overall capitalization, its good investment strategies, and liquidity. Offsetting these strengths, however, are the increasingly competitive insurance environment in Jordan, Euro Arab's modest size by international standards and its marginal financial flexibility.

The insurance sector of the Hashemite Kingdom of Jordan (foreign currency BB/Stable/B, local currency BBB/Stable/A-3) is proving increasingly competitive, with 28 insurers currently chasing the Jordanian dinar (JOD) 333 million of primary gross premiums that were written in the country in 2008. Meanwhile, in Standard & Poor's Ratings Services' opinion, the prospects for local investment values remain uncertain in the current global economic climate, which potentially poses a threat to all insurers' investment values and yields, while the general economic downturn is also likely to exacerbate claims levels.

Euro Arab has leveraged its successful multidistribution strategies to rise rapidly up the Jordanian league tables for market share, and is now in the top-10. Genuinely differentiating quality of service has given the company a particularly good reputation for covers to small and midsize businesses, as well as in group medical and retail motor.

In our opinion, the company's bottom line earnings benefit from good underwriting performance. Despite the rapid growth in premium, Euro Arab posted a good five-year average combined ratio of 96% at year-end 2008 partly supported by issuing fees. However, bottom line earnings over the past five years proved to be volatile largely due to the actual and potential volatility of Jordanian equities and real estate.

We consider Euro Arab's capitalization as good, underpinned by its extremely strong risk-based capital. Historically, regular capital increases have helped Euro Arab's capitalization to keep pace with premium growth, which has in recent years exceeded 30% per year. However, in absolute terms, total capital (JOD9.6 million at September 2009) is small by international standards. Moreover, in our opinion it is not entirely clear to what extent shareholders will be willing to provide additional capital prospectively.

The stable outlook reflects our expectation that Euro Arab will continue to maintain a business and financial profile at least consistent with the current rating level, with technical ratios and results generally at or around Jordanian market averages.

Upward rating pressure may develop if Euro Arab's developing business position is matched by stable overall operating returns and if capitalization keeps pace with, or even anticipates, ongoing premium growth. Downward pressure could build up if either the sustainability of earnings or the adequacy of capital were to become uncertain.

Profile: One Of The Largest Jordanian Insurers By Gross Premiums Of The More Successful By Recent Rates Of Growth

Euro Arab is one of the 10-largest insurers in the competitive Jordanian market of 28 companies. It is a composite operating company active in nearly all lines, though motor, health, and accident predominate. As of Sept. 30, 2009, Euro Arab reported JOD9.6 million (approximately $13.4 million) of shareholders' funds, a gross premium of JOD14.4 million in 2008, and a net premium of JOD10.9 million. Given current economic uncertainties, we expect growth to moderate in 2010, and that Euro Arab will likely remain modestly sized by international standards.

The company is publicly listed, but 91.8% controlled by Cyprus-based COMSAL for Trade and Investment (itself controlled by Dr. Fouad Bajjali, the Chairman of Euro Arab) and by a small core group of other private investors. These shareholders successfully acquired, restructured, and rebranded the company in 2002, having formerly traded as Amman Insurance since its original incorporation in 1996.

Position: Good And Improving Franchise Based On Customer Focus Distribution Alliances

Table 1

Euro Arab Insurance Group, P.S.C.--Business Statistics

	--Year-ended Dec. 31--				
(Mil. JOD)	**2008**	**2007**	**2006**	**2005**	**2004**
Non-life gross premiums written	13.5	10.5	7.5	5.5	4.0
Non-life net premiums written	10.8	8.6	6.3	4.5	3.7
Non-life annual change in net premiums written (%)	26.0	36.0	41.1	22.1	(32.1)

JOD--Jordanian dinar.

Successfully employing multichannel distribution techniques, Euro Arab enjoys a good and still-developing business position in Jordan. The company is differentiated by competitive pricing and by strong customer focus in a marketplace where insurers can too often be perceived as expensive and bureaucratic. With JOD14.4 million of gross premium income in 2008, Euro Arab enjoyed an overall 4.3% market share relative to the leader's 9.7%, although it wrote over 23.8% of the country's premiums for local liability, and 5.9% of the total for medical.

Whereas revenues across the whole Jordanian market grew 14.1% during 2008 and 15.4% during 2007, Euro Arab's own gross premiums increased by 31.4% and 39.4%, respectively, over the same two years. The company's well-above-average levels of growth may reduce through the remainder of 2009 and into 2010, partly because of the general economic downturn, which is also likely to exacerbate claims levels.

Historical

Operating out of a main office in the capital, Amman, and regional branches in Aqaba, Irbid, and Marka, Euro Arab is licensed to write most lines of Jordanian insurance, including life. In addition to its own direct sales, Euro Arab has also proven successful in developing a number of distribution arrangements for its retail products with local and regional banks, and 10% of premium income was derived this way, a figure that we believe is likely to rise above 15% in 2009.

Further sales are achieved through local brokers and, uniquely, through mobile offices, notably computer-equipped vans that will, by prior arrangement, park outside a given office building--often a bank or similar enterprise--and offer policies to Euro Arab's preferred retail target market of middle class professionals. In the sprawling, congested capital, Amman, these mobile sales outlets give Euro Arab the benefits of low cost, highly targeted marketing while offering its customers an unaccustomed degree of convenience.

Franchise development is being focused on two main fronts: first, a specialization in insurance services to small and midsize Jordanian enterprises, and second, a targeted approach to the retail motor market--a sector that is very important in our view as it represents approximately one-half of the market's total premium volume. At Euro Arab, total non-life gross premiums of JOD13.4 million (inclusive of some extremely modest inwards reinsurance on local marine and fire) were broken down as 45.0% motor, 28.7% medical, 14.0% accident (liability), 4.2% marine, and 8.1% fire and other property. After reinsurance, the net book of retained business of JOD10.8 million comprised 56.5% motor, 36.1% medical, 4.5% accident, 1.8% marine, and 1.1% fire. Meanwhile, the new and heavily reinsured life business accounted for just JOD0.9 million of gross premiums and a minimal JOD0.16 million of net premiums. We expect a reasonably similar breakdown of premium income to continue in 2009 and beyond.

Prospective

Successful multichannel distribution, genuinely differentiating service quality, and competitive pricing will remain Euro Arab's principal competitive strengths prospectively. Additional growth is also likely, for example, given the introduction of innovative offerings, such as a suite of products tailored to the specific needs of women. Meanwhile, some potential exists to develop the amount of business written that relates to the commercial activities of the core shareholder group.

Management And Corporate Strategy: A Small, But Effective, Management Team With Strong Sales Focus

Euro Arab's small but energetic management team is technically proficient and professional, with a strong focus on sales and, at board level, on investment activities.

The administrative, finance, and other back-office functions also operate effectively, although ongoing growth and complexity of operations have already necessitated the recent recruitment of an additional five managers. As regards the pressing need for additional working space, there are currently well-advanced plans for the construction of a new, much larger main office building in a prime area of Amman.

Strategy

Strategy is expressed in purely domestic terms, although future cross-border activities are not excluded. However, the immediate--and attainable--goal remains to develop the company's market share toward 6% by becoming an industry benchmark for service quality. In this respect, Euro Arab is already on track to achieve a market share of about 5% at year-end 2009. Earnings targets, in particular the minimum return on equity (ROE) of 10% and return on paid up capital of between 12%-15%, are being promoted through the strict control of costs and of underwriting standards, but also by a reduced, although still persistent, appetite for potentially volatile equity investments.

Operational management

In the context of what is still a very close-knit workforce totalling just 95 management and staff, strategic direction and supervision comes initially from a board of directors that reflects the core group of shareholders, and which also includes the Euro Arab General Manager, Mr. Zuhair Atout. There is also a well-established operational management team comprising four general, deputy, and assistant general managers, six departmental managers, as well as the heads of reinsurance, financial control, and internal audit.

All managers and staff believe that quality of customer service is a key component in the company's success.

Financial management

By virtue of Euro Arab's relatively small size, management is able to maintain a clear and timely understanding of the company's financial as well as operational position. Routine accounting information is appropriately collected and monitored, although the systems and processes for developing a prospective view of the company's operations, its financial position, and consequent capital needs lack sophistication. Given historically rapid growth, increased complexity of operations, and new regulatory requirements, management has been enhancing the risk management functions of the company.

[illegible] Risk Management: Adequate Given Euro Arab's Size And Simple [illegible]

We consider Euro Arab's enterprise risk management (ERM) to be adequate, with adequate risk controls for its main risks that are underwriting, reserving, and investment risk. Our view is that ERM is of relatively low importance to the ratings given the company's size and relatively simple structure. We expect the club's ERM framework to improve as the company invests more resources in this function.

Although the company has an adequate risk-management culture, there is no clear evidence of how the ERM process affects the day-to-day decision-making process. Nevertheless, the risk awareness culture has been developing over the past year. This is demonstrated by the designation of a risk manager to improve its risk management framework.

The underwriting risk controls are adequate with clear underwriting and claims processes, including limits of authority and referral procedures. A pricing model exists for the motor business.

Reserve-related risk controls are adequate. In addition to the regular review by an actuary, the company's relatively small size enables regular feedback and communication between the claims and underwriting teams.

Investment-related risk controls are adequate. Target asset allocations are set in conjunction with the board, including asset allocation, credit quality, and concentrations.

We view the company's management of extreme and emerging risks as adequate. We believe the approach to such risks is relatively simplistic with the company placing emphasis on some extreme underwriting loss and investment loss scenarios. Nevertheless, we view this approach as just about adequate when set against the company's risk profile. Under the current structure, the company does not require the development of complex models and strategic risk management.

The Group Reports Appropriately And Transparently, To IFRS

The Euro Arab accounts are prepared according to local law and in accordance with International Financial Reporting Standards norms. The accounts are externally audited by Deloitte & Touche, public accountants.

Standard & Poor's has made only one significant adjustment to the company's published accounts: to add the issuing fees collected from policyholders (JOD1.1 million for Euro Arab in 2008) to premium income, which is a standard adjustment in our analysis of insurers in Jordan.

Performance: Good Supported By Underwriting Performance

Table 2

Euro Arab Insurance Group, P.S.C.--Operating Statistics

	--Year-ended Dec. 31--				
(Mil. JOD)	**2008**	**2007**	**2006**	**2005**	**2004**
Reported EBITDA	1.0	1.7	(1.1)	2.0	0.0
ROE (adjusted equity) (%)	9.7	23.4	(23.5)	64.8	1.2
Cons. Return on Revenue (%)	14.5	12.8	8.9	7.8	0.3
Non-life net loss ratio (%)	71.6	71.4	75.9	68.3	93.0
Non-life net expense ratio (%)	19.1	19.0	17.9	24.9	17.7
Non-life net combined ratio (%)	90.7	90.4	93.8	93.2	110.7
Direct yield on invested assets (%)	4.9	3.9	1.7	1.4	11.4

JOD--Jordanian dinar.

We assess operating performance at Euro Arab as good, but understand that this was subject to some volatility in the past. Management operates on a total return basis, so what can sometimes be slightly below average underwriting results are usually made good by normal investment income and by the routine realization of a proportion of outstanding capital gains. Historically, bottom-line earnings proved to be volatile largely due to the actual and potential volatility of Jordanian equities and real estate. This said, there are grounds to believe that performance is likely to be stable prospectively as operations grow and mature.

Historical

Despite the financial downturn, Euro Arab achieved an appropriate return on revenue of 14.5% (three-year average: 12%) in 2008. The calculation of combined ratios is made difficult by the mixing of life and non-life related expenses, but without other adjustments, we calculate that inclusive of issuing fee income, Euro Arab in 2008 achieved a net combined ratio of 90.7% (90.4% in 2007), with a three-year average of 91.7%.

Similarly, ROE has been good, although volatile, with a five-year average of 25.1%. ROE was negative 23.5% in 2006, but strongly positive in 2007 and 2005, at 23.4% and 64.8%, respectively. Periodic gains and losses on investments account for much of the volatility.

Prospective

The end-September 2009 numbers at Euro Arab suggest another year of rapid, profitable growth. Total gross premium income for the first nine months of 2009 reached JOD12.8 million, or JOD10.1 million net of premium ceded to reinsurers, up 12.2% and 13.5%, respectively, on the equivalent nine-month period in 2008. Meanwhile, issuing fees of JOD1.3 million were also earned in the first nine months, equivalent to the amount in the same period in 2008.

Net claims costs rose 17.9% over the period, total expenses (including investment losses) rose 19.5%, reducing the profit before tax by 21% on end-September 2009 at JOD 1.1 million.

We expect full-year gross premium income at the end of December 2009 to increase only slightly compared with the 2008 level, with a relatively low loss ratio permitting technical profits approaching JOD1.2 million.

[illegible]ents: Previously Aggressive Equity Exposures Have Given Way To More [illegible] Investment Strategies

Table 3

Euro Arab Insurance Group, P.S.C.--Investment Statistics

	--Year-ended Dec. 31--				
(Mil. JOD)	**2008**	**2007**	**2006**	**2005**	**2004**
Total Investments	13.4	11.8	7.4	8.6	5.8
Bonds and other fixed-interest securities (%)	4.3	0.3	1.7	2.5	0.0
Equities and other variable-interest securities (%)	6.8	18.0	47.1	61.8	0.0
Property (%)	8.5	9.2	14.8	9.3	0.0
Cash and bank deposits (%)	80.4	72.5	36.4	26.4	77.5
Other investments (%)	0.0	0.0	0.0	0.0	22.5
Total nonlinked investments (%)	100.0	100.0	100.0	100.0	100.0

JOD--Jordanian dinar.

We believe that Euro Arab is likely to enjoy a satisfactory investment position prospectively, while the current position is also satisfactory in credit quality terms given the weighting towards cash. As of Sept. 30, 2009, the overall investment portfolio of JOD13.6 million (up from JOD13.4 million as of end 2008) comprised 83% cash deposits, 5% equities, 8% property, and 4% bonds.

An earlier, more pronounced preference for equity investments led to losses during the regional downturn in 2006, but the company has been less exposed to equities since then, which has helped them to confront the 35% fall since the beginning of 2008 in the overall Jordanian stock market with relative equanimity.

Credit risk

In practice, most of the credit risk to which Euro Arab is currently exposed is in the form of its cash deposits with banks, though the funds are prudently spread across a number of well-known local and regional institutions.

Market risk

Market risk is low because of the company's reduced exposure to equities partly due to the management's decision to realize some of their equity gains in early 2008, selling a number of holdings.

Meanwhile, there is possibly a positive margin between the current market value of property holdings relative to the prudently stated book value. However, given the uncertainties surrounding future property valuations in the region, Standard & Poor's has not given explicit credit in its ratio analysis for any unrealized gains on real estate held by Euro Arab.

Should Remain Good Under All Realistic Scenarios

We believe that liquidity at Euro Arab is good, and we expect it to remain so prospectively. It derives initially from routine, positive cash-flows as indicated by an underwriting cash-flow ratio of 102.4% for 2008 (five-year average: 106.1%), and an overall operating cash-flow ratio (inclusive of investment income) of 1118.1% (five-year average: 124.4%), as well as sound and improving cash flow statements in the audited accounts.

However, although we do not consider it a major problem given deposits with banks of over JOD11 million, we note that that receivables rose by 24% over the nine months to Sept. 30, 2009, to reach JOD6.6 million, or 69% of reported shareholders' funds of JOD9.6 million.

Meanwhile, significant liquidity is also implicit in the ability to sell invested assets, where cash and readily marketable securities totalled JOD12.4 million as of end-September 2009. These liquid assets also represented a substantial 366.3% of the net outstanding non-life loss reserves. We expect these strong 2009 liquidity ratios to continue at robust, albeit possibly declining, levels at least into the medium term.

...ation: Current Capitalization Will Support The Group At An Adequate ... The Medium Term

Table 4

Euro Arab Insurance Group, P.S.C.--Capitalization Statistics

	--Year-ended Dec. 31--				
(Mil. JOD)	**2008**	**2007**	**2006**	**2005**	**2004**
Total capital	9.8	7.6	4.9	6.3	2.0
Reinsurance utilisation ratio (%)	23.8	20.8	18.9	21.0	9.6
Non-life loss reserves/net premiums written (%)	61.9	67.1	67.1	65.2	61.3

JOD--Jordanian dinar

Euro Arab enjoys good overall capitalization and quality of capital, with no use of long-term debt capital. When modeled, the 2008 year-end total adjusted capital of JOD9.1 million appears strong relative to both premium income and to a cash-orientated investment portfolio. As of September 2009, total shareholders' funds stood at JOD9.6 million, which we consider is sufficient to support the net risk exposure inherent in anticipated full-year revenues of about JOD15.0 million of net premium and issuing fee income.

Over the rating horizon, we expect overall capitalization to remain good with a stable premium growth.

Capital adequacy

The JOD9.6 million (approximately $13.4 million) of shareholders' funds reported as of Sept. 30, 2009 (Sept. 30, 2008: JOD9.5 million) permits extremely strong risk-based capital adequacy ratio outcomes relative to the reasonably low levels of net underwritten, reserving, and investment exposures that the company has to bear. The capital model includes a net aggregate 1-in-250-year property-line-only catastrophe charge, which in our opinion appears to be high.

Reserves

With a largely short-tail book of business, save for liability where the average life of the reserves is a slightly longer three years, we consider reserving at Euro Arab as adequate overall. Total net technical reserves represented 61.9% of 2008 net written premiums. Standard & Poor's has no reason to believe that there is any significant redundancy on the reserves, nor that reserve shortfalls may exist.

Reinsurance

Reinsurance usage appears appropriately prudent, with proportional covers extended principally by a pool of seven providers, all bar one of which carry secure ratings. At year-end 2008, 76% of the reinsurance recoverables were due from reinsurers rated 'A' or above. Euro Arab's use of reinsurance at just 23.8% of its 2008 gross premiums is somewhat below average for the overall Jordanian insurance market, but we nonetheless consider this adequate for the company's needs. Additional use of excess of loss and aggregate covers effectively cap maximum losses on the main underwriting accounts of motor and medical, while substantial proportional covers are also bought in respect of liability, marine, and fire. Given the generally low policy limits applied to policyholders, overall exposures at Euro Arab are deemed satisfactory relative to the company's capital resources.

Although its underwriting is not particularly prone to catastrophic losses, the company enjoys catastrophe cover such that its net aggregate exposure under a 1-in-250-year level of loss is calculated as not greater than JOD1 million.

Financial Flexibility: Marginal Given Unquantified Degree Of Shareholder Financial Support

Despite capital increases at Euro Arab of JOD2 million in both 2007 and 2008, Standard & Poor's has no formal knowledge of the future degree of financial support available from shareholders, nor of their prospective dividend requirements. Consequently, we prudently assess financial flexibility as marginal given the solvency demands of potential rapid growth and, additionally, the liquidity that may be required to fund the proposed new head office building.