

## FOR IMMEDIATE RELEASE

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### **A.M. Best Assigns Ratings to Tryggingamiðstöðin hf.**

**LONDON, 18 March 2015**—A.M. Best has assigned a financial strength rating of B++ (Good) and an issuer credit rating of “bbb+” to **Tryggingamiðstöðin hf.** (TM) (Iceland). The outlook assigned to both ratings is stable.

The ratings reflect TM’s excellent risk-adjusted capitalisation and good earnings track record. Partially offsetting these strengths are the company’s limited geographic diversification, with almost 90% of premium income written in the small Icelandic insurance market and the concentration of TM’s invested assets in Iceland. Risk-adjusted capitalisation is expected to remain excellent, supported by good internal capital generation and moderate net retention. A.M. Best’s assessment considers potential earnings volatility from the company’s predominately Icelandic investment portfolio.

TM has a track record of strong, albeit volatile, operating results. Technical earnings are highly correlated with market conditions in the company’s domestic market and have been positive in most years, with a five-year average combined ratio of 94%. The company’s investment earnings have made a material contribution to overall profits in each of the past six years following substantial losses in 2008.

In 2014, TM recorded a pre-tax profit of ISK 2,417 million (USD 18.95 million), which compares with ISK 2,593 million (USD 22.35 million) in 2013. Underwriting results were negatively affected by above average property losses, as well as strong price competition and higher claims frequency in the motor sector. The combined ratio deteriorated to 99.7 % from 92.5% in 2013. Investment earnings were bolstered by the strong performance of the company’s equity and fixed interest holdings (10% net investment return).

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TM has a strong competitive position within the Icelandic insurance market, with a market share of over 25%. Additionally, the company benefits from its dominant market position and expertise in the marine sector. This has been leveraged in recent years to write a growing share of marine business in other Northern European countries (2014: 13% of GWP).

Following the assignment of the current ratings, positive rating actions are unlikely. Negative rating actions may occur if TM produces poor operating results over a prolonged period. A material weakening in the company's risk-adjusted capitalisation or deterioration in its liquidity profile would also put negative pressure on the ratings. Improvement or deterioration in macro-economic conditions in Iceland would likely have an impact on the financial strength of TM.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

Key insurance criteria reports utilised:

- Catastrophe Analysis in A.M. Best Ratings
- Evaluating Country Risk
- Measuring Transfer and Convertibility Risk
- Risk Management and the Rating Process for Insurance Companies
- Understanding Universal BCAR

**In accordance with Regulation (EC) No. 1060/2009, the following is a link to required disclosures:** [A.M. Best Europe - Rating Services Limited Supplementary Disclosure](#).

**This press release relates to rating(s) that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please visit A.M. Best's**

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