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## Research Update:

# Icelandic Non-Life Insurer Tryggingamidstodin 'BBB' Ratings Affirmed, Then Withdrawn At The Company's Request

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## Research Update:

# Icelandic Non-Life Insurer Tryggingamidstodin 'BBB' Ratings Affirmed, Then Withdrawn At The Company's Request

## Overview

- We are affirming our 'BBB' ratings on Icelandic non-life insurer Tryggingamidstodin hf. (TM).
- We are subsequently withdrawing our ratings at TM's request.
- At the time of withdrawal, the outlook was stable.

## Rating Action

On May 3, 2016, S&P Global Ratings affirmed its 'BBB' long-term insurer financial strength and counterparty credit ratings on Icelandic non-life insurer Tryggingamidstodin hf (TM).

We subsequently withdrew all ratings at TM's request. At the time of withdrawal, the outlook was stable.

## Rationale

The affirmation reflected our view that TM has a fair business risk profile, with a market share in the Icelandic non-life insurance markets of approximately 25% and good operating performance, reflected in an average combined (loss and expense) ratio of 96% over 2011-2015. The combined ratio is the industry's leading underwriting profitability metric. The lower the combined ratio, the more profitable the insurer, and a ratio of more than 100% signifies an underwriting loss. TM reported weaker operating performance in 2015 than 2014, with a combined ratio of 103.3%, due to high weather-related claims in the first half of the year after several storms in Iceland. However, we believed that the group's conscious policy of writing profitable business and reducing costs, together with an easing in price competition, will result in improved earnings, with combined ratios of about 95% by year-end 2018. We considered that TM's limited geographic diversity beyond Iceland exposed it to moderate insurance industry and country risk, which constrained our view of TM's business risk profile.

The affirmation also reflected our view of TM's upper adequate financial risk profile with moderately strong capital and earnings and an increasingly shareholder focused capital management strategy. Moreover, in our view, the small absolute size of TM's capital--shareholder's equity of Icelandic krona 12 billion (about \$93 million) in 2015--made the company vulnerable to losses from single events. Another constraint was TM's underwriting and investment concentrations in Iceland, which exposed the company to further potential volatility in its capital base.

The outlook at the time of withdrawal was stable, which reflected our expectation that TM's management would continue to successfully implement its strategy, sustain the company's moderately strong capital and earnings, and preserve its investment risk profile over the next two years. We also expected TM's underwriting earnings to recover to levels commensurate with its competitive position.

## Related Criteria And Research

### Related Criteria

- General Criteria: Group Rating Methodology - November 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions - November 19, 2013
- Criteria - Insurance - General: Enterprise Risk Management - May 07, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology - May 07, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers - November 13, 2012
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009

## Ratings List

	Rating	
	To	From
Ratings Affirmed		
Tryggingamidstodin hf.		
Counterparty Credit Rating		
Local Currency	BBB/Stable/--	BBB/Stable/--
Financial Strength Rating		
Local Currency	BBB/Stable/--	BBB/Stable/--
Ratings Subsequently Withdrawn		
Tryggingamidstodin hf.		
Counterparty Credit Rating		
Local Currency	NR	BBB/Stable/--
Financial Strength Rating		
Local Currency	NR	BBB/Stable/--

NR--Not rated

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](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.globalcreditportal.com](http://www.globalcreditportal.com) and at [spcapitaliq.com](http://spcapitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public Web site at [www.standardandpoors.com](http://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.

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