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SEPTEMBER 17, 2025 11:26 AM (EDT)

AM Best Affirms Credit Ratings of Ethiopian Reinsurance S.C.

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FOR IMMEDIATE RELEASE

LONDON - SEPTEMBER 17, 2025 11:26 AM (EDT)
AM Best has affirmed the Financial Strength Rating of B (Fair) and the Long-Term Issuer Credit Rating of “bb” (Fair) of Ethiopian Reinsurance S.C. (Ethio Re) (Ethiopia). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Ethio Re’s balance sheet strength, which AM Best assesses as very strong, as well as its adequate operating performance, limited business profile and marginal enterprise risk management.

Ethio Re’s balance sheet strength is underpinned by its risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), which was comfortably at the strongest level at fiscal year-end June 2024. AM Best expects Ethio Re to maintain healthy capital buffers in excess of the strongest threshold as it continues to execute its strategic growth plans, benefitting from internal capital generation and capital injections from its shareholders. An offsetting rating factor is Ethio Re’s exposure to high levels of economic risk and very high levels of political and financial system risks in Ethiopia, where the majority of its business is sourced and all of its invested assets are located. In AM Best’s view, these risks are mitigated partially by the company’s conservative investment portfolio by asset class, which is weighted towards cash and deposits, therefore limiting Ethio Re’s exposure to market risks and the ongoing restructuring of Ethiopian sovereign bonds.

Ethio Re has a track record of adequate operating performance, generating a return on equity ratio (ROE) of 17.1% for year-end June 2024. AM Best notes that ROE should be viewed in the context of Ethiopia’s high National Bank Rate, which has stood at 15% since August 2024. Non-life underwriting performance has been robust, albeit subject to volatility, with the company generating a net/net combined ratio of 96.4% in 2024. Investment income is expected to remain the primary contributor toward overall earnings, reflecting Ethio Re’s low net underwriting leverage and the favourable interest rates offered by domestic issuers in Ethiopia.

Ethio Re is a small reinsurer by global standards, with insurance service revenue of USD 38 million at fiscal year-end June 2024. The company was established in 2016, and writes a portfolio of composite reinsurance business in Ethiopia and a select number of other African markets. The company benefits from privileged market access in Ethiopia, where over 95% of its revenue is generated, which includes mandatory cessions from local cedants and the first right of refusal on domestic business ceded.

This press release relates to Credit Ratings that have been published on AM 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 see AM Best's Recent Rating Activity web page. For additional information regarding the use and limitations of Credit Rating opinions, please view Guide to Best's Credit Ratings. For information on the proper use of Best's Credit Ratings (BCR), Best's Performance Assessments (PA), Best's Preliminary Credit Assessments (PCA) and AM Best press releases, please view Guide to Proper Use of Best's Ratings & Assessments.

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AMB#	Company Name
071489	Ethiopian Reinsurance S.C.