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A.M. Best Affirms Ratings of Tryggingamiðstöðin hf.

LONDON, 7 April 2016—**A.M. Best** has affirmed the financial strength rating of B++ (Good) and the issuer credit rating of “bbb+” of **Tryggingamiðstöðin hf. (TM)** (Iceland). The outlook for each rating remains stable.

The ratings reflect TM’s good risk-adjusted capitalisation and its strong competitive position within Iceland’s insurance market, with a market share of over 25%. The ratings also reflect the company’s strong earnings track record, which is, however, dependent on potentially volatile investment income.

Risk-adjusted capitalisation is expected to remain good, supported by internal capital generation and comprehensive outward reinsurance protection. Capitalisation is also enhanced by a subordinated bond of ISK 2,026 million issued in 2015. A.M. Best’s assessment considers potential earnings volatility from the company’s predominantly Icelandic investment portfolio that primarily consists of fixed-income securities, equities and real estate.

The company has a track record of strong operating results, as demonstrated by a five-year average operating ratio of 71% (2011-2015). However, operating performance has been increasingly dependent on investment returns due to deterioration in technical results. TM reported non-life combined ratios of 100% and 104% for 2014 and 2015, respectively. Technical performance is highly correlated to competitive conditions in the company’s domestic market, which accounts for approximately 90% of premium income. For 2016, A.M. Best expects TM to report a combined ratio below 100%, supported by modest rate increases for most personal lines business and assuming average large loss experience.

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The company continues to benefit from a good local market position as one of the leading insurers in Iceland. In addition, TM has expanded into foreign markets, writing primarily marine risks.

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 see A.M. Best's [Recent Rating Activity](#) web page.

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