المجموعة العربية للتأمين ش.م.ب
Arab Insurance Group B.S.C.

News Release

14 May 2002

ARIG set for turnaround in 2002

Manama ----: Arab Insurance Group (ARIG) announced its 1st quarter results for 2002 reporting a small profit of US$0.1 million compared with a net loss of US$0.3 million for the same period last year. Already in 2001 the Group was geared towards a break-even result until the terrorist attacks of September 11th triggered the largest insurance claim the international insurance industry has ever experienced. The direct and indirect consequences of these attacks affected ARIG as well and caused a temporary setback to realising its objectives.

The improved performance has come about in a reinsurance market that is experiencing strong hardening tendencies in all lines of business. ARIG has successfully and completely exited the unprofitable aviation insurance segment. The Arab and Afro-Asian markets remain the focus of ARIG's reinsurance operations, with the premium contributions from these markets increasing to 99.6 % as compared to the 93.7 % for the same period a year ago. Additionally, the loyalty and support of many regional clients has been instrumental for the Group's positive results during the period.

Reinsurance operations during the quarter contributed gross premiums of US$66.8 million compared to US$66.9 million for the first quarter of 2001. The new life portfolio, though still in its infancy, has already contributed gross premiums of US$0.5 million for the period.

Commenting on these results, Mr Udo Krueger, the Group's Chief Executive Officer said, "It is encouraging to see that we have succeeded to maintain the same premium level despite exiting aviation insurance entirely and reducing exposures to other volatile lines of business. This is an obvious and positive sign of support from our reinsurance clients who fully support the corrective measures introduced by the Group."

The Group's investment income of US$14.1 million for the quarter is developing according to the business plan and represents a marked improvement over the previous year. In general, however, the performance of international equity and fixed income markets still has room for improvement. Market performance is considered to be well below expectations of many corporate investors. The conservative investment portfolio mix of ARIG is ideally structured to benefit from future upward movements of the markets whilst at the same time limiting the risk of losses.

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The Group's Insurance Investments Division reported a loss of US$1.8 million during the period against the profit of US$4.6 million for the same quarter last year. The adverse results reflects adjustments to the technical provisions of CNIA, the Moroccan subsidiary of the Group for its accounting year ended 31 December 2001 and incorporated into the Group's first quarter 2002 results.

Due to the discontinued operation of Arig Life & General, being in voluntary liquidation, and the non-consolidation of ARIG's share in Arab Lebanese Insurance Group (ALIG) which is no longer a subsidiary, the non-life premium contribution from the Group's insurance subsidiaries declined to US$10.3 million for the 1st quarter 2002 (1st quarter 2001 - US$15.4 million). The shortfall was exacerbated by a further decline in currency values in both Egypt and Morocco. The life insurance and pension business continued to grow, with premiums from these lines amounting to US$12.4 million.

During the quarter under review, the Financial Services and Business Support Division of the Group has successfully launched ARIMA, a wholly-owned subsidiary selling and implementing insurance-related software solutions in the regional insurance markets.

Mr. Krueger emphasized, that the changes introduced are currently standing the test of a higher efficiency the Group is striving for. A tight rein on operating cost without sacrificing the service standards of the Group led to a reduction of the overall headcount of Bahrain-linked staff by more than 30 % of the headcount budgeted for in 2001.

He also revealed that ARIG has continued forging business partnerships in line with its strategy of strengthening its position in regional insurance and international reinsurance markets. In this context, the Group succeeded in concluding two agreements. The first was signed with Banque Populaire, the largest bank in Morocco, cementing the basis for a continuation of the successful partnership with CNIA in the joint development and marketing of life insurance products. The second agreement was signed with a large bank in Tunisia, to revive and refocus the operation of the Tunisian subsidiary, Arab Tunisian Insurance Group (ATIG).

In conclusion, Mr Krueger stated that in addition to these positive developments ARIG will continue to address the security concerns some of its clients have with the current level of the Group's capitalization. "To this end, we are continuing the discussion and evaluation of suitable options how to strengthen ARIG's balance sheet with our founding shareholders, the governments of Kuwait, Libya, and the UAE. The ultimate goal should be to identify a solution that will be supported by all our shareholders. It is envisaged that the financial restructure of the Group will be completed during this summer, when the General Assembly will elect the Board of Directors for the next three-year term," he said.

Financial Highlights at 31 March 2002

	US$'000		
	31st March		Year
	2002	2001	2001
Gross premiums written	90,085	94,227	206,533
Underwriting result	4,332	2,707	(86,102)
Investment income	14,064	9,034	36,843
Operating expenses	10,510	9,746	38,971
Net profit/(loss) after taxation and minority interests	**105**	**(313)**	**(88,323)**
Investment assets	839,786	916,205	853,936
Net technical provisions	796,536	852,652	786,181
Shareholders' equity	149,576	244,591	154,272
Total assets	1,449,482	1,539,820	1,443,127
Book value per share(US$)	**0.42**	**0.69**	**0.44**