

A.M. Best Affirms Credit Ratings of Caisse Centrale de Réassurance and CCR RE

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AMB#	Company Name
095025	CCR RE
085834	Caisse Centrale de Reassurance
088465	Caisse Centrale de Reassurance
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FOR IMMEDIATE RELEASE

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A.M. Best has affirmed the Financial Strength Rating (FSR) of A+ (Superior) and the Long-Term Issuer Credit Rating (Long-Term ICR) of "aa" of **Caisse Centrale de Réassurance** (CCR) (France). Concurrently, A.M. Best has affirmed the FSR of A (Excellent) and the Long-Term ICR of "a" of **CCR RE** (France). The outlook of these Credit Ratings (ratings) is stable.

The ratings of CCR reflect its strong risk-adjusted capitalisation, good operating performance, and excellent business profile in France. The ratings also factor in the explicit unlimited guarantee provided by the Republic of France to CCR's State-backed business.

CCR's risk-adjusted capitalisation remains strong, supported by a conservative earnings retention policy and the backing of the French State. CCR offers reinsurance coverage for natural catastrophe, terrorism and other exceptional risks with the explicit support of the French State, its sole shareholder, in the form of unlimited stop-loss reinsurance.

Losses associated with floods in France during May/June 2016 were the principal driver of CCR's technical and operating performance for 2016, with the combined ratio increasing to 103% in the year from 68% in 2015 (as calculated by A.M. Best). However, following a release of equalisation provisions, the group recorded a consolidated net profit of EUR 141 million in 2016, compared with EUR 218 million in 2015, with profitable operating performance across each of the group's segments in 2016. Several years of benign catastrophe experience in France have allowed CCR to build a track record of good technical and operating performance, although prospective results remain subject to volatility due to exposure to potentially large market losses.

CCR maintains a unique position as the main reinsurer of natural catastrophe risks underwritten in France with an estimated market share of around 90%. A.M. Best expects the company to retain its strategic importance to the French State as a provider of reinsurance for risks typically considered uninsurable.

In 2016, CCR created CCR RE, in order to segregate CCR's open-market reinsurance portfolio from its French State-backed reinsurance operations. The establishment of the subsidiary was followed by a portfolio transfer on 31 December 2016 of CCR's open-market reinsurance activities. CCR RE was established to underwrite the CCR group's open market business from January 2017, covering life, non-life and a number of speciality lines internationally.

The ratings of CCR RE factor in its strategic importance to the CCR group, both in terms of contributing material volumes of premium income to CCR on a consolidated basis, and as an outlet to keep abreast of market developments and to maintain an active presence in segments in which the need for State support may arise. CCR RE is strongly integrated into CCR, sharing resources and leveraging the organisation's existing governance and risk management frameworks.

The ratings of CCR RE also consider the company's solid standalone risk-adjusted capitalisation and good business profile, which benefits from the long-established CCR brand. A.M. Best expects CCR RE to generate robust earnings over the medium term, albeit driven by investment returns, as CCR's open-market portfolio, now underwritten by CCR RE, has produced underwriting losses over the last five years with a five-year average (2012-2016) non-life combined ratio of 110% (as calculated by A.M. Best). Weak non-life performance has, however, been partially offset by continued profitable returns on the life portfolio. While A.M. Best notes that CCR RE's immediate focus remains on rationalising its underwriting portfolio and diversifying its natural catastrophe exposures, this may prove challenging considering the prevailing weak market conditions, and A.M. Best will continue to monitor the company's progression against its business plan.

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