

Research Update:

Caisse Centrale de Reassurance Rating Lowered To 'AA-' Following Downgrade Of France; Outlook Stable

June 5, 2024

Overview

- Caisse Centrale de Reassurance (CCR) benefits from a state guarantee that enables it to provide unlimited reinsurance coverage for French natural catastrophe business. We consider that it plays a critical role for and has an integral link with the French government, given its public policy role.
- On May 31, 2024, we lowered to 'AA-' from 'AA' our unsolicited long-term sovereign credit rating on France.
- We therefore downgraded CCR to 'AA-' from 'AA', mirroring the rating action on France.
- The stable outlook also mirrors that on France.

Rating Action

On June 5, 2024, S&P Global Ratings lowered to 'AA-' from 'AA' its long-term issuer and financial strength ratings on Caisse Centrale de Réassurance (CCR). The outlook is stable.

Rationale

We equalize our long-term rating on CCR with our unsolicited long-term sovereign rating on France (AA-/Stable/A-1+). We believe the reinsurer shares an integral link with the French government and that there is an almost-certain likelihood of government support if CCR were to experience any financial distress.

CCR receives a government guarantee under French law (Insurance Code, Art. 431) that covers specific lines of business, including natural catastrophe, nuclear, terrorism, and other exceptional risks. The company and the French government reaffirmed the details of how this law is implemented in 2017. CCR maintains an equalization and special reserve, which it has built up to cover this type of business. The government has to provide financial assistance to CCR when

PRIMARY CREDIT ANALYST

Olivier J Karusisi
Paris
+ 44 20 7176 7248
olivier.karusisi
@spglobal.com

SECONDARY CONTACT

Simon Virmaux, CFA
Paris
+ (33) 1-4075-2519
simon.virmaux
@spglobal.com

ADDITIONAL CONTACT

Insurance Ratings EMEA
Insurance_Mailbox_EMEA
@spglobal.com

claims in one accounting year exceed 90% of the amount held in this reserve.

CCR benefits from France's credit-evaluative system, under which the government does not need parliamentary approval to provide CCR with financial assistance on its guaranteed business, and the amount of support that can be provided is unlimited.

Outlook

The stable outlook on CCR mirrors the outlook on France. We expect the company to maintain its critical role to and integral link with the French government for at least the next two years.

Downside scenario

We could lower our ratings on CCR if we were to lower our ratings on France again.

Although we consider it unlikely, we could consider lowering our long-term rating on CCR, potentially by several notches, if we see any indication that the company's critical role for or integral link with the French government was weakening.

Upside scenario

We could raise our ratings on CCR if we were to take a similar action on France and we still expected CCR to maintain its critical role for and integral link with the French government.

Ratings Score Snapshot

	To	From
Financial strength rating	AA-/Stable/--	AA/Negative/--
Anchor	a	a
Business risk	Strong	Strong
IICRA	Intermediate	Intermediate
Competitive position	Strong	Strong
Financial risk	Strong	Strong
Capital and earnings	Excellent	Excellent
Risk exposure	High	High
Funding structure	Neutral	Neutral
Modifiers	0	0
Governance	0	0
Liquidity	Adequate	Adequate
Comparable ratings analysis	0	0
Support	2	3
Group support	0	0
Government support	2	3

IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria

- Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions, Nov. 15, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions, March 2, 2022
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- France Long-Term Rating Lowered To 'AA-' From 'AA' On Deterioration Of Budgetary Position; Outlook Stable, May 31, 2024

Ratings List

Downgraded; Outlook Action

	To	From
Caisse Centrale de Reassurance		
Issuer Credit Rating		
Local Currency	AA-/Stable/--	AA/Negative/--
Financial Strength Rating		
Local Currency	AA-/Stable/--	AA/Negative/--

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