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

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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 balance sheet strength, which A.M. Best categorises as strongest, as well as its adequate operating performance, favourable business profile and appropriate enterprise risk management (ERM). The ratings also consider, in the form of rating enhancement, the explicit unlimited guarantee provided by the Republic of France to CCR's state-backed business.

CCR's balance sheet strength assessment reflects the company's very strong risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR). Substantial equalisation provisions provide capacity to absorb the company's peak exposures to natural catastrophe, terrorism and other exceptional risks. Furthermore, CCR benefits from a liquid investment portfolio of good quality assets and a track record of conservative reserving practices. The support of the Republic of France, CCR's ultimate shareholder, which provides the company with an unlimited guarantee for its public reinsurance activities, is reflected in the balance sheet strength assessment and in rating lift.

CCR's favourable business profile is underpinned by the role the company plays in the French public reinsurance regime and its unique position as the principal reinsurer of natural catastrophe risks underwritten in France with an estimated market share of approximately 90%. CCR's market offering of a 50% quota share, supplemented by an optional, unlimited stop loss treaty, is considered a competitive advantage.

Related Companies

For information about each company, including the Best's Credit Reports, group members (where applicable) and news stories, click on the company name. An additional purchase may be required.

AMB#	Company Name
095025	CCR RE
067534	CCR RE CAB
085834	Caisse Centrale de Reassurance
088465	Caisse Centrale de Reassurance
084294	Caisse Centrale de Reassurance CAB

Several years of benign catastrophe loss experience have allowed CCR to establish a track record of good operating performance and reinforce its balance sheet strength through earnings retention. In 2016 and 2017, CCR experienced some of the largest loss events since the creation of the French natural catastrophe regime. Notably, floods in France in 2016 and Hurricane Irma in the French Antilles in 2017, have driven non-life combined ratios of 103.5% and 196.3% in each year, respectively (as calculated by A.M. Best). However, the release of equalisation provisions, accumulated over the years to absorb such catastrophe losses, allowed the group to record a consolidated net profit of EUR 141 million in 2016 and EUR 45 million in 2017. Given the exposure of the company to potentially significant catastrophe losses, prospective results are likely to remain subject to volatility.

The ratings of CCR RE reflect its balance sheet strength, which A.M. Best categorises as strong, as well as its adequate operating performance, neutral business profile and appropriate ERM. The ratings also factor in CCR RE's strategic importance to the CCR group. The company contributes material volumes of premium income to CCR on a consolidated basis and is a means for the group to keep abreast of developments in the open reinsurance market. CCR RE is integrated strongly into CCR, sharing resources and leveraging the organisation's governance and risk management frameworks.

CCR RE's balance sheet strength assessment considers its very strong risk-adjusted capitalisation, as measured by BCAR, which benefits from significant unrealised gains on assets. The assessment also factors in CCR RE's liquid investment portfolio, low dependence on retrocession support and conservative reserving practices. A.M. Best considers CCR RE's financial flexibility to be limited, given the clear segregation of activities between CCR RE and its shareholder, CCR, which is considered a partially offsetting factor in the balance sheet strength assessment. Furthermore, A.M. Best expects CCR RE's financial leverage to increase over 2018 should the company successfully execute plans to issue subordinated debt to third-party investors, although it is expected to remain at a moderate level.

A.M. Best expects CCR RE to generate robust earnings over the medium term, driven by investment returns. The life portfolio has been profitable but the company's non-life portfolio has produced technical losses, and a five-year average (2013-2017) non-life combined ratio of 105.8% (as calculated by A.M. Best). Non-life performance improved over the past two years, as the company has rationalised its underwriting portfolio and diversified its natural catastrophe exposures, but in the absence of further improvements, there could be negative pressure on CCR RE's ratings.

This press release relates to Credit Ratings 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. For additional information regarding the use and limitations of Credit Rating opinions, please view Understanding Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and A.M. Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and A.M. Best Rating Action Press Releases.

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