

May 28, 2020

Lead analysts:

Alla Borisova, Associate Director
+7 (495) 139-0480, ext. 153
alla.borisova@acra-ratings.ru

Alexey Bredikhin, Director
+7 (495) 139-0483
alexey.bredikhin@acra-ratings.ru

Key rating assessment factors

ACRA upgrades JSC “Russian Reinsurance Company” to A+(RU), changes outlook to Stable

ACRA has upgraded the credit rating of [JSC “Russian Reinsurance Company”](#) (hereinafter, the Company) based on the strengthening of the Company’s financial profile via an improved capital adequacy assessment. The credit rating is based on the Company’s strong business and financial profile, as well as adequate management quality.

The Company is a specialized reinsurer of property, energy, and construction and installation risks. The Company has been operating since 1992 and has a strong position in the Russian reinsurance market. The Company’s largest shareholders are Chubb Russia Investments Limited (23.3%), Catlin Underwriting Agencies Limited (22.5%), Andrey Poliakov (22.03%) and Teymuraz Batiashvili (21.64%).

The Company’s strong business profile is based on its stable position in the insurance market and strong operating indicators, which are expected to continue in the short and medium terms. According to results for 2019, the Company ranks 8th in terms of accrued reinsurance premiums and is in the top ten in the corporate property insurance segment in the market as a whole.

ACRA assesses the diversification of the Company’s client base as average. The quality of the Company’s product range is solid due to high underwriting expertise in insurance types, which it provides reinsurance protection for within its specialization. The diversification of sales channels is average.

ACRA assesses the Company’s operating efficiency as high due to the forecasted value of the combined loss ratio (CLR) in the medium term at a level below 0.9. The CLR for 2019 was 0.84. At the same time, the Company’s forecasted growth rates in 2020-2022 are expected to be no lower than the market average.

The increase in the financial profile assessment is based on an improvement in the capital adequacy assessment. Additionally, ACRA notes an improvement in both of the indicators that make up this assessment.

The capitalization of profits, which is regularly carried out by the Company, provided an increase in the ratio of capital to minimum amount of capital (CMAC) in 2019, which amounted to 2.2 according to results for 2019. ACRA expects that the Company’s strategy in terms of capitalization will allow it to keep this figure at a sufficient level given the increase in regulatory requirements for CMAC over the next two years. The ratio of available capital to capital at risk, calculated using ACRA’s methodology, is 2.1. The increase in the Company’s capital has also helped to improve this ratio.

The asset quality assessment is high, which reflects the Company’s high capital to asset ratio (0.3 at the end of 2019) and low asset risk index (1.6). The high concentration of assets limits the assessment, which is currently the defining component of the financial profile.

The strong assessments of current (1.35) and long-term liquidity (1.2) are based on a sufficient amount of highly liquid assets on the Company’s balance sheet.

The Company’s management quality is assessed as adequate. ACRA has maintained its positive assessment of management experience and structure, as well as of the actuarial function. In addition, the assessment of the “risk management” sub-factor has been upgraded to positive. The other sub-factors received neutral assessments.

Key assumptions

- Implementing the Company's business plans within the 12 to 18-month horizon in accordance with its forecast.

Potential outlook or rating change factors

The **Stable outlook** assumes that the rating will most likely remain unchanged within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Significant decrease in the concentration of assets while maintaining the capital adequacy assessment.

A negative rating action may be prompted by:

- Lower capital adequacy;
- Significant decline in operating efficiency.

Rating components

SCA: a+.

Adjustments: none.

Issue ratings

No outstanding issues have been rated.

Regulatory disclosure

The credit rating has been assigned under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Insurance Organizations on the National Scale for the Russian Federation](#), and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#).

The credit rating of JSC "Russian Reinsurance Company" was published by ACRA for the first time on June 9, 2017. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on the data provided by JSC "Russian Reinsurance Company", information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the GAAP and IFRS financial statements of JSC "Russian Reinsurance Company". The credit rating is solicited, and JSC "Russian Reinsurance Company" participated in its assignment.

No material discrepancies between the provided data and the data officially disclosed by JSC "Russian Reinsurance Company" in its financial statements have been discovered.

ACRA provided additional services to JSC "Russian Reinsurance Company". No conflicts of interest were discovered in the course of credit rating assignment.

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Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)

75, Sadovnicheskaya embankment, Moscow, Russia

www.acra-ratings.com

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