S&P Global Ratings

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Research Update:

Outlook On French Reinsurer CCR RE Revised To Positive On Improving Technical Results; 'A-' Ratings Affirmed

May 27, 2019

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Overview

- CCR Re's technical results are gradually improving, and it has widened its geographical footprint.
- CCR Re is 100%-owned by the Caisse Centrale de Reassurance (CCR) group and we assess it as a highly strategic subsidiary. We rate highly strategic subsidiaries one notch below the unsupported group credit profile (GCP), which for the CCR group is 'a'
- We are revising our outlook on CCR Re to positive from stable and affirming our 'A-' issuer credit and financial strength ratings on the company. At the same time, are affirming our 'AA' ratings on CCR. The outlook on CCR is stable.
- The positive outlook on CCR Re indicates we could raise the ratings in the next 18-24 months if CCR Re maintains its improved operating performance while CCR group's stand-alone credit profile does not deteriorate.

Rating Action

On May 27, 2019, S&P Global Ratings revised its outlook to positive from stable on French insurer CCR Re and affirmed its 'A-' issuer credit and financial strength ratings on the company.

At the same time, we affirmed our 'AA' issuer credit and financial strength ratings on CCR Re's parent Caisse Centrale de Reassurance (CCR). The outlook is stable.

Rationale

The outlook revision stems from CCR Re's gradually improving technical results on the back of prudent underwriting, with its combined ratio continually decreasing over the past three years. Furthermore, CCR Re has progressively widened its geographical footprint, and is now present in in 72 countries compared with 62 in 2017.

We view CCR Re as a highly strategic subsidiary of CCR group, a view supported by CCR Re's importance to the group's overall strategy. CCR Re allows the group to strengthen its service offering and underwriting expertise in cases where the French state would contemplate adding new risks to the state-guaranteed business.

CCR Re's business produced approximately 34% of the group's gross premium written in 2018. The wide range of expertise contained in CCR Re enables the group to write market reinsurance in France when the markets close unexpectedly, as was the case in 2001 for airlines insurance, or in 2008 for credit protection. As a highly strategic subsidiary, CCR Re is therefore rated one notch below CCR's unsupported group credit profile (GCP) of 'a', before taking into account government support.

CCR Re is a 100%-owned subsidiary of the CCR group. It has been operating as a department within the group in the traditional reinsurance international market since 1979 in France (28%), Asia –Africa (27%), Europe (18%), and other (28%). About 67% of the traditional business consists of non-life reinsurance and 33% life reinsurance. We expect, given CCR Re's contribution to group strategy, that the CCR group will support the subsidiary in times of stress. This was demonstrated in 2011 when, in line with many peers, the market reinsurance division experienced significant losses following the floods in Thailand and earthquakes in New Zealand, resulting in a loss ratio of 149%. CCR Re is not state backed, so the group support came in the form of reassessment of exposures.

CCR Re's close operational and financial integration with the rest of the group supports our assessment of CCR Re's group status. CCR group's two entities share the same administrative functions, such as offices, management, technical account, human resources, and enterprise risk management. Costs are allocated across CCR Re and the state-guaranteed business. CCR Re also utilizes both the group's name and logo and is therefore closely linked to the reputation of the group. CCR Re has set an internal and regulatory target capital level consistent with the group's targets. In our own risk-based capital model, CCR Re's capital adequacy is commensurate with the overall CCR group rating of 'AA'. We expect the parent would downstream funds to CCR Re if the subsidiary fails to achieve regulatory or internal capital targets.

Outlook

The positive outlook on CCR Re indicates that we could raise the ratings in the next 18-24 months if CCR Re maintains its improved operating performance while CCR group's standalone credit profile does not deteriorate, prompting us to revise CCR Re's group status to core from highly strategic. We rate core subsidiaries at the same level of the groups unsupported GCP, which in this case is 'a'.

Downside scenario

We could revise the outlook to stable over the next two years if:

- If we saw prolonged deterioration of profitability as a result of stiffer competition, causing the company to miss its technical results targets (combined ratio below 100%) or;
- CCR group's stand-alone credit profile comes under pressure due to the claims' severity, since this could limit its financial flexibility to support CCR Re in adverse market conditions.

Related Criteria

- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Criteria | Insurance | Property/Casualty: Assessing Property/Casualty Insurers' Loss Reserves, Nov. 26, 2013
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology, May 7, 2013
- Criteria | Insurance | General: Enterprise Risk Management, May 7, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Outlook Action; Ratings Affirmed

	To	From
CCR RE		
Issuer Credit Rating	A-/Positive/--	A-/Stable/--
Financial Strength Rating	A-/Positive/--	A-/Stable/--
Ratings Affirmed		
Caisse Centrale de Reassurance		
Issuer Credit Rating	AA/Stable/--	
Financial Strength Rating	AA/Stable/--	