

AM Best Affirms Credit Ratings of Caisse Centrale de Réassurance and CCR RE

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FOR IMMEDIATE RELEASE

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AM 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, AM 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) remains stable.

The ratings of CCR reflect its balance sheet strength, which AM Best categorises as very strong, 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). CCR's capital position is reinforced by significant equalisation and special reserves, which provide capacity to absorb its peak exposures to natural catastrophe, terrorism, and other exceptional risks. The balance sheet strength assessment also reflects CCR's high quality, liquid investment portfolio and conservative reserving practices.

CCR's long-term operating performance track record is considered to be adequate. Results are subject to volatility given the nature of business written; however, the company has established significant equalisation reserves, which can be released in loss-heavy years, as was the case in 2016 and 2017. Technical results improved in 2018, driven by more benign catastrophe experience, leading to a non-life loss ratio of 91% (as calculated by AM Best before movement in equalisation reserve) compared with 186% for 2017.

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.

The ratings of CCR RE reflect its balance sheet strength, which AM Best categorises as very strong, as well as its adequate operating performance, neutral business profile and appropriate ERM. The ratings also consider, in the form of rating enhancement, the strategic importance of CCR RE to CCR.

CCR RE's balance sheet strength assessment reflects its very strong risk-adjusted capitalisation, as measured by BCAR. The assessment also factors in the company's low dependence on reinsurance, conservative reserving practices and its liquid and high

quality investment portfolio. AM Best considers CCR RE's financial flexibility to be limited, given the clear segregation of activities between CCR RE and CCR.

CCR RE has been profitable since its creation as a stand-alone company in 2016, driven by the strong performance of the company's life reinsurance portfolio and by investment results supported by realised gains. Non-life technical performance has improved steadily since 2016, as the company rationalised its underwriting portfolio. AM Best expects this improvement to be maintained despite the return to top-line growth in 2018.

CCR RE has an established presence in the international reinsurance market, writing a well-diversified underwriting portfolio and benefiting from the long-established CCR brand.

This press release relates to Credit Ratings that have been published on AM 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 AM 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 AM Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases.

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