

NEWS RELEASE

AM Best Affirms Credit Ratings of Compagnie Centrale de Réassurance

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LONDON--(BUSINESS WIRE)-- **AM Best** has affirmed the Financial Strength Rating of B+ (Good) and the Long-Term Issuer Credit Rating of "bbb-" (Good) of Compagnie Centrale de Réassurance (CCR) (Algeria). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect CCR's balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and marginal enterprise risk management.

CCR's balance sheet strength assessment reflects the company's strongest level of risk-adjusted capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR), supported by relatively low underwriting leverage and good internal capital generation. The balance sheet was also strengthened by a DZD 5 billion (USD 36.6 million) share capital increase in 2022. The company benefits from a state guarantee in the form of an interest-free loan facility, covering potential losses arising from Algeria's compulsory natural catastrophe scheme written by CCR, net of retrocession. A partially offsetting rating factor is CCR's moderate dependence on retrocession, which is used to protect peak exposures, notably domestically in Algeria. Reinsurance credit risk is managed through the use of a panel of financially sound retrocession partners. The balance sheet strength assessment also considers CCR's significant exposure to the elevated levels of economic, political and financial system risk associated with Algeria, where the company is domiciled, holds approximately 95% of its invested assets, and derives the majority of its business.

CCR has a long-term track record of strong operating performance, with a five-year (2018-2022) weighted average return-on-equity of 13.9% (as calculated by AM Best). Operating results have been underpinned by strong and stable technical results, highlighted by a five-year (2018-2022) weighted average combined ratio of 82.0% (as

calculated by AM Best). The company's underwriting profitability is driven by highly profitable domestic business, which compensates for the relatively weaker performance of its international portfolio. Results are supplemented by good investment returns, with a five-year average investment yield (including gains) of 5.1%. AM Best expects CCR's prospective underwriting profitability to remain robust, supported by relatively low net risk retention, a conservative underwriting approach and favorable domestic market conditions.

CCR's neutral business profile reflects its dominant position in Algeria's reinsurance market, where it benefits from compulsory reinsurance cessions and had an estimated market share of 65% in 2022, as measured by ceded premiums. The company's strong domestic market position, however, also creates a concentration within and reliance on the Algerian market, which remains a partially offsetting factor. In 2022, CCR wrote DZD 40 billion (USD 297 million) of gross written premium (GWP), of which 83% was generated in Algeria. The balance of GWP was represented by international business, the share of which has been gradually increasing in recent years.

CCR's risk management framework is considered to be at an early stage of development, although this has been an area of focus and development for the company in recent years. AM Best expects risk management capabilities to continue to develop with the continued integration and further development of an internal capital model to assist the company's strategic decision-making process.

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 **Guide to Best's Credit Ratings**. For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view **Guide to Proper Use of Best's Ratings & Assessments**.

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