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ACRA affirms **AAA(RU)** to **SCOR PERESTRAKHOVANIYE (SCOR P.O.)**, outlook **Stable**

The credit rating assigned to SCOR Perestrakhovaniye (SCOR P.O.) (hereinafter, SCOR P.O., the Company) is based on the very high likelihood of extraordinary support from the parent company with a high creditworthiness. The Company's standalone creditworthiness assessment (SCA) is moderately high in view of its strong business and financial profiles and adequate quality of corporate governance.

SCOR P.O. is a versatile reinsurance company, a 100% subsidiary of SCOR S.E., one of the world's largest reinsurers (hereinafter, the Group or the Supporting Organization). The Company provides reinsurance coverage to insurers in Russia, Ukraine, Georgia, Armenia, Kazakhstan, other CIS countries and Mongolia.

Key rating assessment factors

Very high likelihood of extraordinary support from the shareholder. ACRA is of the opinion that, in case of need, the Group will provide the Company with short-term and long-term funding and capital injections. ACRA assesses the country risk of the Supporting Organization's jurisdiction (France) against the country risk of Russia and the Supporting Organization's creditworthiness as strong.

The degree of integration between the Company and its shareholder is assessed as very strong in view of the following:

- High operational integration between the Company and the Group (Company management standards match the intragroup approaches of the Supporting Organization);
- The Group provides reinsurance coverage for all types of insurance risks within the Company's portfolio;
- The Company is a financially stable entity operating in the markets with a substantial growth potential.

Taking into account the small size of the Company against the Supporting Organization and significant reputational risks the Group may face in case of the Company's default, the credit rating of the Company is assigned on par with the Russian Federation.

Strong business profile is determined by the Company's stable market positions and strong operational performance expected in the short and medium term. According to ACRA criteria, the diversification of the Company's client base is below average due to the high proportion of large customers in the reinsurance portfolio, as the top five clients account for more than 43% of reinsurance premiums. The Agency assesses the quality of the Company's product line as high, because the Company may use the underwriting competencies of the Supporting Organization and offer its clients protection against a wide range of insurance risks. The diversification of sales channels is assessed as above average. The Company services a large number of brokers, which ensure about 72% of sales. Direct sales account for slightly more than a quarter of the total premiums.

Despite the fact that the operational efficiency of the Company is historically quite volatile, ACRA is of the opinion that the expected value of the combined loss ratio will be within a comfortable range in the medium term. The Agency also believes that the growth rate of the Company will match the market average in 2019–2021.

Strong financial profile is based on the high capital adequacy, high asset quality and strong liquidity. The ratio of available capital to risk capital, calculated as per the ACRA methodology, is 2.5, which, in combination with the estimates of the other indicators, results in the high assessment of the Company's capital adequacy.

The high assessment of assets quality is due to the fact that the Company invests mainly in assets with low risk levels and also maintains a high ratio of capital to assets (at the end of 2018, the ratio was 0.31). The resulting assessment of asset quality has been adjusted to reflect the high concentration of assets.

The strong liquidity stems from the liquidity ratios in the short and long term: 1.4 and 1.45, respectively, at the end of 2018.

Corporate governance quality is assessed as adequate due to the positive assessment of management's experience and structure and corporate governance standards. Other components of the factor are assessed neutrally.

Key assumptions

- The Company's status within the Group will remain unchanged.

Potential outlook or rating change factors

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

A negative rating action may be prompted by:

- a lower estimated likelihood of extraordinary support from the Group.

Rating components

SCA: a+.

Adjustments: none.

Support: on par with RF.

Issue ratings

There are no outstanding issues.

Regulatory disclosure

The credit rating has been assigned under the national scale for the Russian Federation and is based on the Methodology for Credit Ratings Assignment to Insurance Companies Under the National Scale for the Russian Federation, the Key Concepts Used by Analytical Credit Rating Agency within the Scope of Its Rating Activities, and the Methodology for Analyzing Relationships Between Rated Entities and Supporting Organizations Registered Outside the Russian Federation.

The credit rating of SCOR P.O. was published by ACRA for the first time on June 1, 2018. 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 has been assigned based on the data provided by SCOR P.O., information from publicly available sources, as well as ACRA’s own databases. The rating analysis was performed using the SSAS financial statements of SCOR P.O. and the IFRS financial statements of SCOR P.O. The credit rating is solicited, and SCOR P.O. participated in its assignment.

No material discrepancies between the provided information and the data officially disclosed by SCOR P.O. in its financial statements have been discovered.

ACRA provided no additional services to SCOR P.O. No conflicts of interest were discovered in the course of credit rating assignment.

Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bn. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with the Russian legislation and with regard to global rating industry best practices.

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