

## ACRA UPGRADES JOINT-STOCK COMPANY “SOLIDARNOST INSURANCE COMPANY” TO BBB(RU), OUTLOOK STABLE

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The credit rating of **Joint-Stock Company “SOLIDARNOST Insurance Company”** (hereinafter, the Company) has been upgraded based on the improvement of the assessment of the Company’s financial profile, which is due to higher capitalization and changes to ACRA’s methodological approaches to calculating capital adequacy.

The Company’s credit rating stems from its adequate business profile assessment, medium financial profile assessment and satisfactory management quality.

The Company is a small universal insurer that operates in several Russian regions. In 2023, its activities were focused on private medical insurance, with this area of business accounting for around 70% of insurance premiums over 9M 2023. The Company also provides insurance coverage for property and cargoes, against accidents and aviation risks, and develops programs to expand its range of insurance products.

### KEY ASSESSMENT FACTORS

**The Company’s adequate business profile** is determined by the combination of assessments of its standing in the insurance market and operating indicators. The Company holds limited positions in the insurance market — its market share accounted for less than 0.05% as of 9M 2023. The regional diversification of the Company’s client base was below medium in 2023. Diversification of sales channels is assessed as medium. Insurance products are sold by the Company and via brokers, individual agents, and banks. The quality of the product line is assessed as below medium due to the significant concentration of the portfolio on private health insurance.

ACRA has improved its assessment of the Company’s operating indicators, taking into account the reduced share of managerial expenses as the Company’s insurance portfolio grows, which has a positive impact on the combined loss ratio (CLR). As of 9M 2023, the CLR was 0.62 (in 2022 it was 0.83, and in 2023 it is expected to be no higher than 0.65). The Company continues to demonstrate low losses and acquisition costs. The size of insurance premiums collected over 9M 2023 exceeded the indicator for the same period last year by 73%. The Company’s growth outpaces the insurance market, which is typical for a small developing company. In the medium term, the Company plans to support growth of insurance premiums at no less than the market average.

**The medium financial profile** is determined taking into account the medium assessment of capital adequacy, moderately strong assessment of asset quality, and the high assessment of liquidity.

The ratio of available capital to capital at risk, assessed according to the **Methodology for Assigning Credit Ratings to Insurance Organizations on the National Scale for the Russian Federation**, was around 1.5 as of September 30, 2023. ACRA expects this indicator to decline to

1.1, given the Company's payment of dividends, as well as the higher requirement for minimum authorized capital in the future. The risks calculated as per the stress scenarios are considerably lower than the minimum authorized capital, and therefore its value is decisive when calculating the indicator. In 2023, in accordance with the regulatory requirements for minimum authorized capital, the Company increased its authorized capital using capitalized profits received in 2022, which in turn had a positive impact on the rating assessment.

The Company's assets have a low level of risk (the weighted average risk index is 2.1). The Company also maintains a rather high capital to assets ratio (0.57). Taking these factors into account, ACRA assesses the structure of the Company's assets as high. The final moderately strong assessment of asset quality stems from their high concentration (the ten largest investments account for 76% of all assets).

The Company's strong liquidity position is determined by the high current and long-term liquidity ratios, which stand at 2.1 and 1.9, respectively.

**The quality of corporate governance is assessed as satisfactory**, given the neutral assessments of all sub-factors.

### KEY ASSUMPTIONS

- Maintaining operational efficiency of insurance activities at the current level;
- Maintaining the current asset management and underwriting policies.

### POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

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

#### **A positive rating action may be prompted by:**

- Significant strengthening of the Company's financial profile due to improved capital adequacy and asset quality assessments due to lower asset concentration.

#### **A negative rating action may be prompted by:**

- Lower operational efficiency;
- Substantial decline in the assessment of asset quality;
- Substantial decline in capital adequacy.

### RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **bbb**.

Adjustments: none.

Support: none.

### ISSUE RATINGS

There are no outstanding issues.

### 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 Joint-Stock Company “SOLIDARNOST Insurance Company” was published by ACRA for the first time on July 13, 2022. 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 data provided by Joint-Stock Company “SOLIDARNOST Insurance Company”, information from publicly available sources, and ACRA’s own databases. The rating analysis was performed using the GAAP financial statements and the IFRS financial statements of Joint-Stock Company “SOLIDARNOST Insurance Company”. The credit rating is solicited and Joint-Stock Company “SOLIDARNOST Insurance Company” participated in its assignment.

In assigning the credit rating, ACRA used only information, the quality and reliability of which were, in ACRA’s opinion, appropriate and sufficient to apply the methodologies.

ACRA provided no additional services to Joint-Stock Company “SOLIDARNOST Insurance Company”. No conflicts of interest were discovered in the course of credit rating assignment.

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