

## ACRA AFFIRMS AA(RU) TO “GIC PERESTRAKHOVANIE” LLC, OUTLOOK STABLE

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The credit rating of “GIC Perestrahovanie” LLC (hereinafter, “GIC Perestrahovanie” LLC, or the Company) is based on the strong financial profile and moderately strong business profile coupled with adequate management and the very high likelihood of extraordinary support from the parent company, which has high creditworthiness (hereinafter, the Supporting Entity, or the SE).

GIC Perestrahovanie” LLC received a license and began carrying out reinsurance operations in 2020. The Company provides reinsurance coverage to insurance companies based in Russia and other FSU (former Soviet Union) countries.

### KEY ASSESSMENT FACTORS

**Moderately strong business profile.** The Supporting Entity has operated in the Russian market for more than 16 years. “GIC Perestrahovanie” LLC enters into reinsurance contracts using the existing client base and underwriting approaches approved by the Supporting Entity. The largest part of insurance risk is transferred to the Supporting Entity via a retrocession mechanism.

According to ACRA’s criteria, the concentration of the client base is sufficiently high due to the relatively high share of major assignors. The diversification of sales channels is assessed as average because the Company works with a large number of brokers and enters into contracts without resorting to intermediaries. ACRA views the quality of the range of products offered by the Company as high because “GIC Perestrahovanie” LLC can make use of the underwriting expertise of the SE and offer its clients coverage against a broad spectrum of insurance risks, excluding personal insurance.

In the near future, ACRA assumes that the rate of growth of the Company’s reinsurance premium will be at least at the average market values, taking into account a significant reduction in premiums transferred to reinsurance companies from ‘unfriendly’ countries. At the same time, a selective approach to the risks taken will restrain the growth rate. The Agency also expects the Company’s operating efficiency to be adequate given the comparatively low level of losses and heightened level of expenditures.

**The strong financial profile** stems from the high capital adequacy, high quality of assets, and strong liquidity. These estimates are determined taking into account the conservative policy of the Company with regard to insurance risks and asset risks.

The ratio of available capital to capital at risk, calculated according to ACRA’s methodology, is within the range for strong assessments, which contributes to the high capital adequacy of the Company. “GIC Perestrahovanie” LLC may receive a capital injection from the SE to maintain growth and its reinsurance capacity.

The high assessment of the quality of assets is related to the fact that the Company invests primarily in low-risk assets and maintains a high capital to asset ratio. The high concentration of

assets affects the final assessment of their quality. The strong liquidity stems from high assessments of the short-term and long-term liquidity ratios.

**The quality of management** of “GIC Perestrakhovanie” LLC is adequate, taking into account the positive assessment of the experience and structure of management, and also the risk management and corporate governance standards. Other components of the factor are assessed as neutral.

**Very high likelihood of extraordinary support from the parent company.** In ACRA’s opinion, the SE can provide sufficient long-term and short-term financing to the Company if necessary and perform capital injections, in view of the following:

- Deep operational integration between the Company and the SE (the Company’s corporate governance standards and risk management system are established in accordance with the intragroup approaches of the SE);
- The SE provides a full and unconditional guarantee to all the Company’s counterparties who have entered into reinsurance agreements;
- The SE provides reinsurance coverage for all the types of insurance risks in the Company’s portfolio;
- The Company operates under the SE’s strategy in the Russian and other FSU markets, which have significant growth potential.

Given the small size of the Company compared to the SE and the potential significant reputational risks for the SE should the Company go bankrupt, ACRA expresses its opinion on the level of support from the SE by adding three notches to the standalone creditworthiness assessment (SCA) of the Company.

## KEY ASSUMPTIONS

- Achieving the operating efficiency and balance sheet structure indicators set out by the Company’s business plan.

## POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

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

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

- Improved assessment of the SE’s creditworthiness.

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

- Lower assessment of the SE’s creditworthiness;
- Lower assessment of the SE’s propensity to provide extraordinary support.

## RATING COMPONENTS

SCA: **a**.

Adjustments: none.

Support: ACRA is of the opinion that if necessary, the SE would be able to provide the Company with extraordinary support in the form of capital and/or liquidity. Taking into account the support factors, the Bank’s rating is set at the SCA plus three notches.

## 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](#), [Methodology for Analyzing Rated Entities Associated with a State or a Group](#), and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#).

The credit rating of “GIC Perestrakhovanie” LLC was published by ACRA for the first time on July 22, 2020. 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 “GIC Perestrakhovanie” LLC, information from publicly available sources, and ACRA’s own databases. The rating analysis was performed using the GAAP statements of “GIC Perestrakhovanie” LLC. The credit rating is solicited, and “GIC Perestrakhovanie” LLC participated in its assignment.

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

ACRA provided no additional services to “GIC Perestrakhovanie” LLC. No conflicts of interest were discovered in the course of credit rating assignment.

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