



Press Release - OCTOBER 25, 2018

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## A.M. Best Affirms Credit Ratings of Nacional de Reaseguros, S.A.

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AMB#	Company Name
085481	Nacional de Reaseguros, S.A.

### FOR IMMEDIATE RELEASE

LONDON - OCTOBER 25, 2018

**A.M. Best** has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of "a" of Nacional de Reaseguros, S.A. (Nacional) (Spain). The outlook of these Credit Ratings (ratings) remains stable.

The ratings reflect Nacional's balance sheet strength, which A.M. Best categorises as very strong, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

Nacional's risk-adjusted capitalisation remains at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR), supported by strong internal earnings generation and modest underwriting leverage. The company's balance sheet also benefits from a prudent reserving approach and limited catastrophe exposure as most natural perils in Spain are covered by the Consorcio de Compensación de Seguros (CCS), the compulsory government natural catastrophe scheme covering physical damage. A.M. Best expects the company's prospective capital position to benefit from high earnings retention, underpinned by a prudent dividend policy that supports a pay-out ratio of approximately 30% of profit after tax.

Nacional's disciplined underwriting approach and limited exposure to natural catastrophes in its domestic market have contributed to consistently solid technical results, with five-year (2013-2017) combined ratios of 93.3%. In 2017, Nacional's performance was dampened by natural catastrophe events in Portugal, Italy and Central Europe, and by the Atlantic hurricane season's impact on

Spanish and European cedants. However, the company's profit after tax remained resilient at EUR 32 million (EUR 38 million in 2016).

Nacional maintains a strong competitive position as a leading independent reinsurer in Spain. Gross written premium increased by 4.4% to EUR 556 million during 2017, driven by the continued recovery in Spain's economy and Nacional's successful growth in European markets. Nacional has successfully expanded its international activities in recent years targeting small-to-medium sized insurers and mutual societies in Europe, with foreign business accounting for 32% of Nacional's total premiums in 2017. Nonetheless, uncertainties exist regarding the long-term profitability of the expansion outside of Spain, owing to persistent soft market conditions in the global reinsurance market. A.M. Best believes that Nacional's expansion outside of its domestic market represents a source of potential volatility to the company's performance on a gross basis; however, the company has shown the ability to manage its exposures through its comprehensive retrocession programme.

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

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