



Press Release - OCTOBER 16, 2019

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

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### AMB# Company Name

094960	Consortio Compensación Seguros
085481	Nacional de Reaseguros, S.A.

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### FOR IMMEDIATE RELEASE

AMSTERDAM - OCTOBER 16, 2019

**AM 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 AM 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 strength assessment also reflects its 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. AM 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 35% of profit after tax.

Nacional's disciplined underwriting approach and limited exposure to natural catastrophes in its domestic market have contributed to consistently strong technical results, demonstrated by a five-year (2014-2018) weighted average combined ratio of 93.2%. In 2018, Nacional's performance improved compared with 2017, when results were dampened by natural catastrophe losses in territories outside Spain. The company's loss ratio fell to 62.4% (versus 67.8% in 2017), and profit increased 15% to EUR 37.0 million.

Nacional maintains a strong competitive position as a leading independent reinsurer in Spain. Gross written premium increased by 2.1% to EUR 568 million during 2018, driven by the growth of Spain's insurance market and Nacional's steady growth in European markets outside of Spain. Nacional has expanded its international activities successfully in recent years, targeting small-to-medium sized insurers and mutual companies in Europe. In 2018, foreign business accounted for 33% of Nacional's total premium (compared to 27% in 2014), improving the geographical diversification of the portfolio. Nonetheless, uncertainties exist regarding the long-term profitability of business outside of Spain, owing to higher levels of competition from global reinsurers. AM 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 due to the exposure of this business to catastrophe losses. However, the company has demonstrated its ability to manage its catastrophe exposures through a comprehensive retrocession programme.

**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 Understanding Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases.**

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