

ACRA UPGRADES REPUBLICAN UNITARY ENTERPRISE “BELARUSIAN NATIONAL REINSURANCE ORGANIZATION” TO BB-, OUTLOOK STABLE

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The credit rating of **Republican Unitary Enterprise “Belarusian National Reinsurance Organization”** (hereinafter, BNRO or the Company) has been upgraded due to the change in the creditworthiness assessment of the Government of the Republic of Belarus (hereinafter, the Republic of Belarus, Belarus, the Republic, or the Supporting Entity). In addition, the liquidity assessment was improved based on 2024 financial reporting prepared in line with international standards, which led to a higher standalone creditworthiness assessment (SCA) of the Company.

The credit rating of BNRO is determined based on the business profile at b, strong capital adequacy assessment, strong liquidity, as well as a satisfactory assessment of the quality of assets. ACRA also notes the high degree of support provided by the Supporting Entity.

BNRO is a specialized reinsurance company established by Resolution of the Council of Ministers of the Republic of Belarus dated November 4, 2006 No. 1463 “On the incorporation of Belarusian National Reinsurance Organization” in accordance with Decree of the President of the Republic of Belarus dated August 25, 2006 No. 530 “On insurance activities”. The Company was established with the sole purpose of carrying out reinsurance business and supervising reinsurance contracts made by Belarusian insurance companies with other insurance organizations. Until 2020, Belarusian insurance companies were allowed to reinsure their risks solely with BNRO. In 2021, the reinsurance industry was partially liberalized in Belarus, and insurers were allowed to reinsure their risks with other Belarusian insurance companies and, subject to certain conditions, with foreign reinsurers. BNRO has remained in charge of supervising the terms of each reinsurance contract made by Belarusian insurers. In early January 2024, Law of the Republic of Belarus No. 344-Z “On insurance activities” was adopted, and it took effect on January 1, 2025. The law defines the status of BNRO as a state-owned reinsurance organization, while all of its key functions and powers have remained unchanged.

KEY ASSESSMENT FACTORS

The business profile score is b. The business profile has been assessed taking into account the operating environment and the Company’s position in the insurance market.

BNRO operates primarily in the jurisdiction of the Republic of Belarus, which is characterized by a relatively low baseline assessment of the operating environment by international standards. In addition, the final assessment of the operating environment is under pressure from the degree of development of the insurance market in the Republic: ACRA assesses it as weak, since the share of the total accrued premiums across all types of insurance in the GDP of Belarus over the past five years is about 1%.

The volume of the Company's reinsurance premium underwritten increased by 41.4% in 2024 compared to the previous year, including due to an increase in the number of contracts concluded with foreign organizations. In accordance with the Company's reports for 2024 per national standards, the combined loss ratio calculated taking into account administrative expenses amounted to 0.91 (vs. 1.26 a year earlier). At the end of last year, the Company's market share was around 6.6%, while, life insurance premiums excluded, the market share was 7.5%. The fairly high market share has a positive effect on the final assessment of BNRO's business profile. The Agency also notes the Company's leadership position in the Belarusian reinsurance market, as well as BNRO's presence in the international market since the Company received about 20% of premiums for 2024 under contracts with counterparties outside the Republic of Belarus.

Satisfactory asset quality assessment. The Company's assets mainly include investments in Belarusian government securities, as well as securities and deposits of Belarusian state-owned banks. As of December 31, 2024, the ratio of high-risk assets to equity exceeded 50%. Investments in equity financial instruments, the value of which, in accordance with the financial statements per international standards for 2024, amounts to 56% of the Company's equity, have a constraining effect on the assessment of the indicator. Asset concentration metrics are low and do not affect the asset quality assessment. The total share of assets in portfolios of ceded reinsurance contracts is just more than 10% of BNRO's capital.

The strong capital adequacy assessment is determined by the value of the regulatory ratio calculated in accordance with Belarusian regulations. As of December 31, 2024, the actual size of equity was more than four times higher than the regulatory minimum. Given BNRO's dividend policy, a strong capital adequacy assessment, in ACRA's opinion, will be typical for the Company in the long term. The results of capital adequacy stress testing do not affect the factor assessment.

The strong liquidity assessment is based on the current liquidity ratio as calculated based on international reporting standards in accordance with ACRA's methodology. As of December 31, 2024, this ratio exceeded 135%. The results of liquidity stress testing conducted by the Agency do not affect the factor assessment.

High assessment of the degree of support. BNRO is associated with the state: it was established by a special regulatory act and is owned and controlled by the state. The Company's CEO is appointed by approval from the Council of Ministers of the Republic of Belarus. The Republic supports BNRO with contributions to the authorized capital at the expense of both retained earnings and the republican budget. The Company's capital was significantly increased during the period from 2006 to 2023.

In ACRA's opinion, the Company will be provided, if necessary, with sufficient long-term and short-term funding, including capital injections, because:

- The Company is the leading reinsurer whose importance to the Belarusian economy is significant. BNRO is a supervisory and methodological organization for reinsurance business in the Republic. BNRO also acts as the priority reinsurer in all major projects implemented in Belarus;
- The state has a significant influence on the strategy and operating activities of the Company;
- The state has previously provided BNRO with capital support in the amount sufficient for the successful implementation of its development strategy.

The degree of dependence of the Company and the state on homogeneous risk factors is assessed as medium.

KEY ASSUMPTIONS

- The main provisions of Belarusian laws regulating the Company’s status remaining unchanged in the next three years;
- Timely provision of extraordinary support to the Company by the state, if needed;
- The Company’s business model, including risk management, investment and underwriting policies, remaining unchanged in the next three years.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Stable outlook** assumes that the rating will highly likely stay unchanged in the next 12–18 months.

A positive rating action may be prompted by:

- Higher capacity of the Republic of Belarus to provide support to associated entities.

A negative rating action may be prompted by:

- Lower capacity of the Republic of Belarus to provide support to associated entities;
- Lower assessments of the quality of assets or liquidity.

RATING COMPONENTS

SCA: **bb-**.

Adjustments: none.

Support: given the high degree of support from the Republic of Belarus, the Company’s international scale credit rating is determined at BB-.

ISSUE RATINGS

There are no outstanding issues.

REGULATORY DISCLOSURE

The credit rating has been assigned to Republican Unitary Enterprise “Belarusian National Reinsurance Organization” under the international scale based on the [Methodology for Assigning Credit Ratings to Insurance Companies under the International Scale](#), the [Methodology for Assigning Credit Ratings with External Support](#), and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating of Republican Unitary Enterprise “Belarusian National Reinsurance Organization” was published by ACRA for the first time on May 12, 2023. 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 Republican Unitary Enterprise “Belarusian National Reinsurance Organization”, information from publicly available sources, and ACRA’s own databases. The credit rating is solicited and Republican Unitary Enterprise “Belarusian National Reinsurance Organization” 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 Republican Unitary Enterprise “Belarusian National Reinsurance Organization”. No conflicts of interest were discovered in the course of credit rating assignment.

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