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FOR IMMEDIATE RELEASE

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AM Best Affirms Credit Ratings of Compagnie Centrale de Réassurance

LONDON, 6 October 2022—AM Best has affirmed the Financial Strength Rating of B+ (Good) and the Long-Term Issuer Credit Rating of “bbb-” (Good) of Compagnie Centrale de Réassurance (CCR) (Algeria). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect CCR’s balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, neutral business profile and marginal enterprise risk management.

CCR’s balance sheet strength assessment reflects the company’s strongest level of risk-adjusted capitalisation, as measured by Best’s Capital Adequacy Ratio (BCAR), supported by relatively low underwriting leverage and good internal capital generation. The company’s balance sheet strength benefits from a state guarantee in the form of an interest-free loan facility, covering potential losses arising from Algeria’s compulsory natural catastrophe, net of retrocession. A partially offsetting rating factor is CCR’s moderate dependence on retrocession, which is used to protect peak exposures, notably domestically in Algeria, although the associated credit risk is managed through the use of a panel of financially sound retrocession partners. The balance sheet strength assessment also considers CCR’s significant exposure to the elevated levels of economic, political and financial system risk associated with Algeria, where the company is domiciled, holds approximately 95% of its invested assets, and derives the majority of its business.

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CCR has a long-term track record of strong operating performance, with a five-year (2017-2021) weighted average return-on-equity of 13.4%. Operating results have been underpinned by strong and stable technical results, highlighted by a five-year (2017-2021) weighted average combined ratio of 82.5%. Underwriting profitability is driven by highly profitable domestic business, which compensates for the relatively weaker performance associated with the company's international portfolio. Results are supplemented by good investment returns, with a five-year average investment yield (including gains) of 5.2%. AM Best expects prospective underwriting profitability to remain robust, supported by relatively low net risk retention, a conservative underwriting approach and favorable domestic market conditions.

CCR's neutral business profile reflects its dominant position in Algeria's reinsurance market, where it had an estimated market share of 65% in 2021, as measured by ceded premium, and where it continues to benefit from compulsory reinsurance cessions. The company's strong domestic market position, however, also creates a concentration and reliance on the Algerian market, which remains a partially offsetting factor. In 2021, CCR wrote DZD 40 billion (USD 286 million) of gross written premium (GWP), of which 84.7% was generated in Algeria. The balance of GWP was represented by international business, the share of which has been gradually increasing in recent years.

CCR's risk management framework is considered to be at an early stage of development, although this has been an area of focus and development for the company in recent years. AM Best expects risk management capabilities to continue to develop with the integration of an internal capital model in the company's strategic decision-making process.

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

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