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AM Best Affirms Credit Ratings of Core Traditional Business Subsidiaries of Grupo Catalana Occidente, S.A.

AMSTERDAM, November 6, 2019—AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Ratings of “a+” of Seguros Catalana Occidente, S.A. de Seguros y Reaseguros (SCO) (Spain), Bilbao, Compañía Anónima de Seguros y Reaseguros, S.A. (SB) (Spain) and Plus Ultra Seguros Generales y Vida, S.A. de Seguros y Reaseguros (PU) (Spain). All three companies are wholly owned subsidiaries of Grupo Catalana Occidente, S.A. (GCO), the non-operating holding company of the GCO group, and are the traditional insurance business units of the group. The outlook of these Credit Ratings (ratings) remains stable.

SCO’s ratings reflect its 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. The ratings also reflect lift from GCO, which considers the strategic importance of the traditional insurance business to the GCO group, and the track record of financial and operational support from GCO.

SCO’s balance sheet strength is underpinned by risk-adjusted capitalisation at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR). SCO has significant exposure to Spanish bonds, which have the potential to introduce balance sheet volatility. Nevertheless, AM Best expects risk-adjusted capitalisation to be maintained at the strongest level prospectively, supported by robust retained earnings. The very strong balance sheet strength assessment also reflects SCO’s low reinsurance dependence and the absence of external

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borrowings. A partially offsetting factor is a lack of financial flexibility on a stand-alone basis, as capital is managed at the group level.

SCO's operating performance is strong, demonstrated by a five-year (2014-2018) weighted average return on equity and combined ratio of 20% and 86%, respectively (as calculated by AM Best). In 2018, the company delivered a net profit of EUR 159 million (2017: EUR 144 million), underpinned by robust underwriting profits and supplemented by moderate investment returns. The stability in technical earnings is supported by the company's extensive agency network, which has been in place for a number of years and allows SCO to tightly manage the underwriting process. AM Best expects SCO's operating performance to remain strong over the medium term, despite competitive market pressure from local and global insurers.

The traditional insurance business units of GCO operate exclusively in Spain and collectively maintain a top 10 position in several retail lines of business in the domestic market. SCO is the leading entity within GCO's traditional insurance business unit, writing approximately 26% of its consolidated gross written premium in 2018. SCO, SB and PU collectively form a solid and diversified franchise with presence in all of Spain's regions and the market's distribution channels. GCO continues to invest in homogenising systems and platforms to take advantage of potential synergies and promote future cost savings.

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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