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A.M. Best Upgrades Issuer Credit Ratings of Core Traditional Business Subsidiaries of Grupo Catalana Occidente, S.A.

LONDON, 6 June 2018—A.M. Best has upgraded the Long-Term Issuer Credit Ratings to “a+” from “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). At the same time, A.M. Best has affirmed the Financial Strength Rating of A (Excellent) of these entities. All three companies are wholly owned subsidiaries of **Grupo Catalana Occidente, S.A. (GCO)**, the non-operating holding company of the GCO group, and form the traditional insurance business units of the group. The outlooks of these Credit Ratings (ratings) remain stable.

The ratings of SCO reflect its 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. The ratings also factor in SCO’s strategic importance to GCO, as its leading insurer of traditional business. The track record of financial and operational support from GCO is a key factor for the ratings. Furthermore, the ratings of SB and PU reflect their strategic importance to the group.

The rating actions reflect GCO’s improved credit fundamentals, characterised by the strongest level of consolidated risk-adjusted capitalisation, supported by solid and sustainable earnings from traditional and credit insurance business in recent years. The ratings also incorporate GCO’s favourable business profile achieved through its traditional and credit insurance subsidiaries, which are among leaders in their respective markets.

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SCO's balance sheet strength is underpinned by risk-adjusted capitalisation at the strongest level as measured by Best's Capital Adequacy Ratio (BCAR). The assessment also factors in SCO's significant exposure to Spanish bonds, which have the potential to introduce volatility. Nonetheless, A.M. Best expects the company's balance sheet strength to remain resilient, supported by its strong earnings, excellent liquidity and the absence of external borrowings. Potential volatility introduced by catastrophe events is reduced significantly due to the protections afforded to the company through the Spanish national scheme, Consorcio de Compensación de Seguros, which covers the majority of catastrophic perils in Spain.

SCO has a track record of generating strong operating performance as evidenced by a five-year (2013-2017) weighted average combined ratio and return on equity of 86.4% and 19.4%, respectively. SCO's technical results were profitable across most non-life and life business segments, despite competitive market conditions, from local and global insurers in the company's domestic market of Spain. The stability in technical earnings is underpinned 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.

GCO's traditional business units maintain a strong position in its domestic market as a top six insurer by premium volumes. SCO is the leading insurance entity within GCO's traditional business unit, writing approximately 26% of GCO's consolidated written premium in 2017. SCO, SB and PU operate exclusively in Spain, and together form a solid and diversified franchise with presence in all of the regions and distribution channels of Spain's insurance market. GCO continues to invest in homogenising systems and platforms to take advantage of potential synergies and create future cost savings.

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

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