



# NEWS RELEASE

A.M. BEST EUROPE – RATING SERVICES LIMITED, LONDON

## FOR IMMEDIATE RELEASE

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### **A.M. Best Affirms Ratings of Continental Reinsurance Plc**

**LONDON, 27 July 2012—A.M. Best Europe – Rating Services Limited** has affirmed the financial strength rating of B+ (Good) and issuer credit rating of “bbb-” of **Continental Reinsurance Plc** (Continental Re) (Nigeria). The outlook for both ratings remains stable.

The ratings of Continental Re continue to reflect its strong risk-adjusted capitalisation and underwriting results as well as its established position as a local reinsurer in Nigeria. The ratings also consider Continental Re’s exposure to the high political, economic and financial system risks associated with its operation in Nigeria.

Continental Re’s risk-adjusted capitalisation is expected to remain supportive of its business plans in 2012 and 2013, despite its ongoing trend of strong premium growth and high dividend payments. The company’s strong risk-adjusted capitalisation is underpinned by a large capital base. At year-end 2011, Continental Re reported a modest rise in shareholders’ funds to NGN 12 billion (approximately USD 75 million). Annual growth of approximately 25% is anticipated in the near term as Continental Re seeks to benefit from growth opportunities mainly within Nigeria and through diversification in Francophone West Africa, East Africa and North Africa.

Continental Re continues to produce strong underwriting results, despite its rapid expansion in recent years. 2011’s pre-tax profit of NGN 1.6 billion was underpinned by a combined ratio of 83.8%, in line with the company’s five-year average combined ratio of 81.1%. Although prospective operating results are expected to remain strong and be supported by Continental Re’s improving risk management practices, A.M. Best remains

—MORE—

—2—

cautious about the potential impact of the company’s planned growth on underwriting profit margins going forward.

Continental Re benefits from a good business profile with approximately 50% market share of local life business and a 10% market share of local non-life business. Business derived from its core market accounted for 62% of gross written premiums in 2011. Additionally, the company continues to develop its profile outside of Nigeria, through the establishment of regional offices. In 2012, Continental Re turned its Nairobi branch into a fully-fledged subsidiary in order to support its operations in Southern Africa and East Africa.

In order to maintain its current ratings, Continental Re is expected to continue to profitably expand its underwriting portfolio while maintaining risk-adjusted capitalisation at a strong level. There are no current upward rating pressures.

Negative rating actions could occur if Continental Re’s operating performance were to deteriorate. Risk-adjusted capitalisation falling below a level considered supportive of its current rating level also would put negative pressure on the ratings. Additionally, deterioration in country risk factors associated with Continental Re’s operations in Africa could negatively impact the company’s ratings.

The methodology used in determining these ratings is Best’s Credit Rating Methodology<sup>2</sup>, which provides a comprehensive explanation of A.M. Best’s rating process and contains the different rating criteria employed in the rating process. Key criteria utilised include: “Catastrophe Analysis in A.M. Best Ratings”; “Risk Management and the Rating Process for Insurance Companies”; “Understanding Universal BCAR”; and “Evaluating Country Risk”. Best’s Credit Rating Methodology can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

**In accordance with Regulation (EC) No. 1060/2009, the following is a link to required disclosures:**

**[A.M. Best Europe - Rating Services Limited Supplementary Disclosure.](#)**

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—3—

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