FitchRatings

Insurance
Reinsurers
Bermuda

ASR Re Limited

Ratings

ASR Re Limited

Insurer Financial Strength	BBB+

Outlooks

Insurer Financial Strength	Positive

Financial Data

ASR Re LImited

(USDm)	End-2023	End-2022
Total assets	54.1	55.6
Total equity and reserves	50.1	49.8
Insurance revenue	41.9	16.8
Net income	0.3	1.9
ECR ratio (%)	317	606

Note: Reported under IFRS.
Source: Fitch Ratings, ASR Re Limited

Key Rating Drivers

Improving Business Profile: Fitch Ratings ranks ASR Re Limited's business profile as 'Less Favourable' than that of other global reinsurers due to its small scale and limited operational record. The Bermuda-domiciled reinsurer was founded in 2021 and underwrites corporate specialty reinsurance business in Africa and the Middle East.

Insurance revenue rose to USD42 million in 2023 from USD17 million in 2022. Fitch expects revenue to grow sharply in 2024 following the setting-up of a syndicate at Lloyd's of London and the opening of offices in Dubai and Morocco along with increased binder capacity.

Very Strong Capitalisation: We view ASR Re's capitalisation and leverage as very strong and a key rating strength. Based on 2023 results, the insurer scored 'Extremely Strong' in Fitch's Prism Global model. Its enhanced capital requirement (ECR) ratio, calculated using the base of the Bermuda solvency capital requirement for class 3A insurers, fell to 317% at end-2023 from 609% at end-2022. Fitch expects ASR Re's capitalisation to weaken due to new business growth, but to remain 'Very Strong' in 2024.

Strong Financial Performance: Fitch expects ASR Re's financial performance to improve in 2024 on business growth and lower negative impact of large losses. ASR Re generated a net profit of USD0.3 million out of insurance revenues totalling USD42 million in 2023.

The Fitch-calculated combined ratio deteriorated to 103.4% from 91.9% in 2022 due to a large loss in ASR Re's parametric line of business arising from the Moroccan earthquake in that year. As of end-2023, ASR Re had generated USD7.9 million of future profit since inception, which is embedded in the contractual service margin (end-of 2022: USD4 million since inception). Investment income made a meaningful contribution to earnings in 2023 from ASR Re's investment in highly rated US dollar-denominated bonds.

Strong Retro Cover: Fitch views ASR Re's reinsurance, risk mitigation and catastrophe risk management as strong and supportive of the rating. The company has various excess-of-loss covers in place for political violence and terror as well as property, energy and construction lines of business, for example.

Applicable Criteria

Insurance Rating Criteria (March 2024)

Related Research

Global Reinsurance Outlook 2025 (September 2024)

African Reinsurers' Risk Concentration Weakens Credit Profiles (September 2024)

Analysts

Robert Mazzuoli
+49 69 768076 167
robert.mazzuoli@fitchratings.com

Graham Coutts
+44 20 3530 1654
graham.coutts@fitchratings.com

Rating Sensitivities

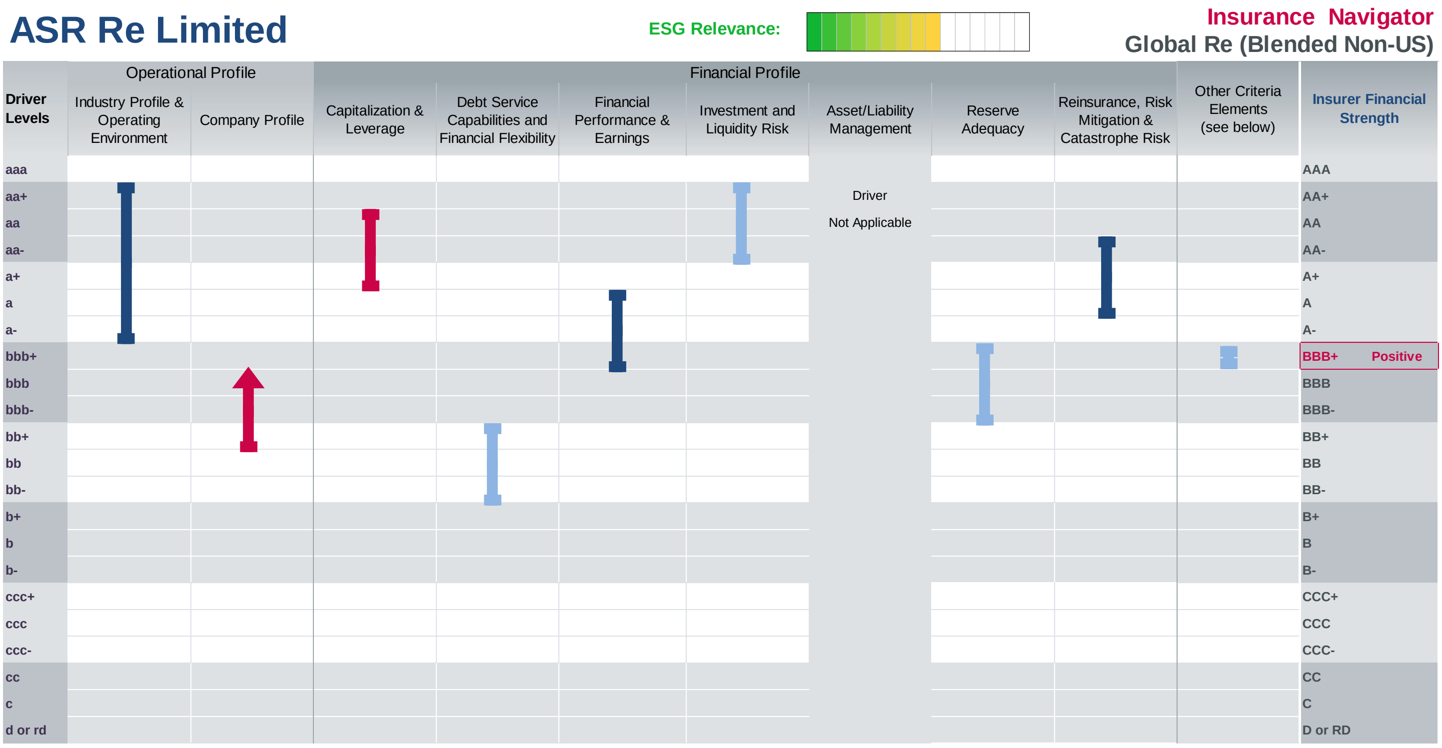
Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Failure to grow business profitably.
- Deterioration in ASR Re's Prism score to the upper end of 'Strong' for a sustained period.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- An improvement of ASR Re's company profile through sustainable profitable growth and the addition of new capacity providers over the next 12 to 24 months, while maintaining a very strong capital base.

Key Rating Drivers - Scoring Summary



Other Criteria Elements				
Provisional IFS				**BBB+**
Non-Insurance Attributes	Positive	**Neutral**	Negative	+0
Ownership / Group Support	Positive	**Neutral**	Negative	+0
Transfer & Convertibility / Country Ceiling	Yes	**No**	0	+0
Insurer Financial Strength Rating				**BBB+**

Bar Chart Legend:	
Vertical Bars = Range of Driver	
Bar Colors = Relative Importance	
	Higher Influence
	Moderate Influence
	Lower Influence
Bar Arrows = Driver Outlook	
⇧	Positive
⇩	Negative
⇳	Evolving
□	Stable

Company Profile

Improving Business Profile

Fitch ranks ASR Re's company profile as 'Less Favourable' compared with other global reinsurers due to its small operating scale and limited record, its 'Less Favourable' competitive positioning, its 'Moderate' business risk profile and diversification as well as a 'Neutral' corporate governance. Given this ranking, Fitch scores ASR Re's company profile at 'bbb-' under its credit factor scoring guidelines.

The Bermuda-domiciled reinsurer ASR Re was founded in 2021, is a wholly owned subsidiary of ASR Holdings (ASR) and the primary risk carrier within the ASR group. It underwrites corporate specialty reinsurance business in Africa and the Middle East, which is sourced by two affiliated managing general agents (MGAs) owned by the ASR group. In its initial years of operation, the group is reliant on third-party capacity providers to write business, which then pass on a fixed quota-share of the business to ASR Re. This allows the company to expand while limiting its risk exposure. As the business matures, we expect the group to diversify the panel of capacity providers and grow its direct book of business, reducing this dependence. At end-2023, total assets were USD54 million while shareholders' equity totalled USD50 million. Insurance revenue reached USD42 million in 2023.

In April 2024, ASR Re launched Syndicate 2454 at Lloyd's of London focused on underwriting business across Africa and the Middle East. Lloyd's global brand and licences will allow ASR Re to access new markets and client segment as well as launch new lines of business. In addition, ASR Re opened its first Middle East office in Dubai in July 2024. Both steps will give the company the opportunity to improve its competitive position as well as grow and diversify revenues.

The ASR group faces competition from well-established peers in its target markets. It relies on the long experience and well-established business network of senior management to attract new business. It has an underwriting team in place that has good experience in the targeted classes of business and operating environment. ASR Re's chief executive can build on his experience as former chief executive of AXA Africa Specialty Risks in 2016-2018. In Fitch's view, this increases the likelihood of market acceptance and successful execution of the group's business plan.

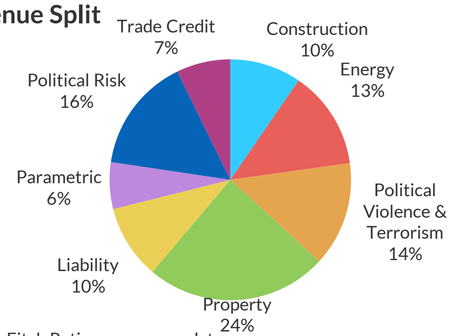
ASR Re is exposed to the high levels of economic, political and financial system risks that are associated with operating in the African specialty reinsurance market, although this is mitigated by good geographic diversification. It does business across 66 countries and nine lines of business.

Company Profile Scoring

Business profile assessment	Less Favourable
Business profile sub-factor score	bbb-
Corporate governance assessment	Neutral
Corporate governance impact (notches)	0
Company profile factor score	bbb-

Source: Fitch Ratings

Revenue Split
2023



Source: Fitch Ratings, company data

Ownership

Neutral Ownership

Fitch considers the ownership structure as neutral for the rating. The ASR group is majority-owned by an investor group led by private equity firm Helios Investment Partners, which have funded the group through the private equity fund Helios Investors IV, LP. Senior management including a majority of employees, also hold stakes in the group.

Capitalisation and Leverage

Very Strong Capitalisation and Leverage

Fitch views ASR Re's capitalisation and leverage as very strong and a key rating strength. Based on 2023 results, it scored 'Extremely Strong' in Fitch's Prism model. The ECR ratio, calculated on the base of the Bermuda Solvency Capital Requirement for Class 3A insurers, was 317% at end-2023 (end-2022: 609%). The company targets to maintain an ECR ratio of at least 200%, well above the regulatory minimum of 120%.

ASR Re is 100% equity funded, but may consider taking on debt in the medium term. The institutional investor group has the right to inject additional funding in case of an emergency to avoid a default or shortfall of regulatory capital, which could dilute the equity investment of ASR's management team.

Financial Highlights

(x)	End-2023	End-2022
TFC/total equity	0.0	0.0
Net leverage	0.6	0.3
Financial leverage (goodwill supported) (%)	0.0	0.0
Regulatory capital ratio (%)	317	606

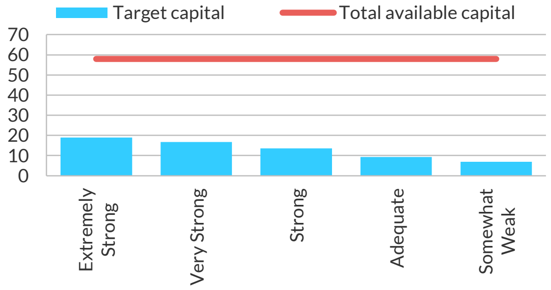
Net leverage: (Net premiums written + net insurance liabilities) / equity capital
Source: Fitch Ratings, ASR Re Limited

Fitch's Expectations

- Capital to weaken due to new business strain, but to remain 'Very Strong'.

Capitalisation Adequacy

Prism Global (USDm)



Source: Fitch Ratings

Financial Highlights

	2023	2022
Prism score	Extremely Strong	Extremely Strong
Prism total AC (USDm)	58.0	53.9
Prism AC/TC at Prism score (%)	307	486
Prism AC/TC at higher Prism score (%)	n.a.	n.a.

AC – Available capital. TC – Target capital
Source: Fitch Ratings, ASR Re Limited

Debt Service Capabilities and Financial Flexibility

Limited Financial Flexibility

Fitch views ASR Re's financial flexibility as limited. The group has received USD50 million of shareholder capital from Helios Investment Partners, a private equity investor and manager. A further commitment of USD12 million of capital, in the form of long-dated subordinated debt, has also been provided by the investor group. In addition, ASR has access to additional long-term capital from the current 10 plus two years' facility. However, as a non-listed company, the company's access to the capital markets is limited.

Excluding the back-to-back undrawn working capital facility for Syndicate 2454 at Lloyd's of London, ASR Re does not hold any debt and supports the group's MGAs via an intra-group loan of USD27 million as of end-2023.

Financial Highlights

	End-2023	End-2022
Fixed-charge coverage ratio (including gains and losses)	n.a.	n.a.

Source: Fitch Ratings, ASR Re Limited

Fitch's Expectations

- ASR Re to receive capital support from its investor base if needed.

Financial Performance and Earnings

Strong Financial Performance

Despite being in business for a short period, ASR Re was profitable in 2023 and 2022 based on IFRS 17 accounting results. The reinsurer generated a net profit of USD0.3 million out of insurance revenues totalling USD42 million. However, the company recorded an underwriting loss in 2023 with the Fitch-calculated combined ratio amounting to 103.4% (2022: 91.9%) and a negative pre-tax operating profit return on equity of 2.3%. An earthquake in Morocco in September 2023 caused a large loss in ASR Re's parametric line of business. As of end-2023, ASR Re had generated

USD7.9 million of future profit since inception, which is embedded in the contractual service margin (end-of 2022: USD4 million since inception).

Investment income made a meaningful contribution to earnings in 2023 as the company had invested parts of its liquidity in highly rated US dollar-denominated bonds.

The group's MGAs were profitable for the first time since inception in 2023 thanks to business growth. Fitch expects the MGAs should increasingly support group earnings as volumes continue to rise.

Financial Highlights

(%)	End-2023	End-2022
Net income return on equity	0.5	3.7
Pre-tax operating profit return on equity	-2.3	3.7
Net combined ratio	103.4	91.9
Operating ratio	100.0	91.6

Source: Fitch Ratings, ASR Re Limited

Investment and Asset Risk

Very Low Investment Risk

Fitch considers ASR Re's investment and asset risk to be very low. At end-2023, 90% were invested in US dollar-denominated sovereign (USA) and corporate bonds rated in the 'AA'-category. The remainder was held as cash with banks, which have ratings in the 'A' category.

ASR Re is exposed to foreign-exchange risk, but limits this by selling policies with premiums and claims denominated in US dollars where possible. Investments are also denominated in US dollars. Where there is significant exposure to a local currency, such as in South Africa, premiums will be held in that currency to match the payment of potential claims.

Financial Highlights

(%)	End-2023	End-2022
Risky-assets/capital (total)	0	0
Unaffiliated shares/capital (total)	0	0
Non-investment-grade bonds/capital (total)	0	0
Investments in affiliates/capital (total)	0	0

Source: Fitch Ratings, ASR Re Limited

Reserve Adequacy

Reserving Adequacy Still to Be Tested

Given the short period since its inception, ASR Re's reserve adequacy is yet to be tested. ASR Re is prone to adverse reserve developments due to its small size and rapid growth rate. For construction and liability lines, ASR Re can issue policies with a five- to seven-year claims discovery and reporting period, exposing it to long-term adverse reserve development risk. However, those lines represent only a small part of the reinsurer's portfolio, reducing the reserving risk. The company uses generally accepted actuarial methods for projecting ultimate losses and calculating reserves for claims incurred but not yet reported.

Financial Highlights

(%)	End-2023	End-2022
Reserve development/prior-year capital	n.a.	n.a.
Reserve development/prior-year loss reserve	n.a.	n.a.
Net technical reserves/net insurance revenue	0.08	0.29
Net loss reserves/incurred losses (x)	0.75	0.78

Source: Fitch Ratings, ASR Re Limited

Reinsurance, Risk Mitigation and Catastrophe Risk

Strong Retro Protection

Fitch views ASR Re's reinsurance, risk mitigation and catastrophe risk management as strong. ASR Re's Common Account Protection tower provides excess-of loss (XL) coverage for all lines of business with the exception of parametric which is covered by bespoke quota share protection. The same protection covers the capacity providers. ASR Re's Lloyd's syndicate has its own stand-alone retrocession programme. In 2023, ASR Re recovered about 10% of its gross losses from the retrocession partners, which are rated in the 'A' category or better.

Financial Highlights

(%)	End-2023	End-2022
Reinsurance recoverables/ non-life capital	0.0	2.5
Net insurance revenue/ insurance revenue	78.7	79.0

Source: Fitch Ratings; ASR Re Ltd

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key rating driver scoring

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarises the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Notching

Notching Summary

IFS ratings
A baseline recovery assumption of 'Good' applies to the IFS rating, and standard notching was used from the IFS anchor rating to the implied operating company IDR.
Operating company debt
Not applicable.
Holding company IDR
Not applicable.
Holding company debt
Not applicable.
Hybrids
Not applicable.

IFS – Insurer Financial Strength. IDR – Issuer Default Rating
Source: Fitch Ratings

Short-Term Ratings

Not applicable.

Recovery Analysis and Recovery Ratings

Not applicable.

Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Environmental, Social and Governance Considerations

FitchRatings **ASR Re Limited**

Insurance Navigator
Global Re (Blended Non-US)

Credit-Relevant ESG Derivation

ASR Re Limited has 7 ESG potential rating drivers

- ASR Re Limited has exposure to underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations but this has very low impact on the rating.
- ASR Re Limited has exposure to compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk but this has very low impact on the rating.
- ASR Re Limited has exposure to social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	7	issues	3
not a rating driver	2	issues	2
	5	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk	2
Exposure to Environmental Impacts	3	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment and Asset Risk	1

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Company Profile; Reserve Adequacy	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment and Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Company Profile	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Company Profile	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile	2
				1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.
The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.
The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.
Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

CREDIT-RELEVANT ESG SCALE
How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.