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A.M. Best Affirms Credit Ratings of Sirius International Group, Ltd. and Its Main Subsidiaries

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LONDON - JULY 21, 2017
A.M. Best has affirmed the Financial Strength Rating (FSR) of A (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) of “a” of **Sirius Bermuda Insurance Company Ltd.** (Sirius Bermuda) (Bermuda). Concurrently, A.M. Best has affirmed the FSR of A (Excellent) and the Long-Term ICR of “a” of **Sirius International Insurance Corporation (publ)** (Sirius International) (Sweden) and its subsidiary, **Sirius America Insurance Company** (Sirius America) (New York, NY). Additionally, A.M. Best has affirmed the Long-Term ICR of “bbb” of **Sirius International Group, Ltd.** (SIG) (Bermuda) and its Long Term Issue Credit Rating. The outlook of these Credit Ratings (ratings) is negative.

The ratings reflect SIG’s strong consolidated risk-adjusted capitalisation, robust operating performance and diversified market profile. An offsetting rating factor in A.M. Best’s opinion is the materially weaker credit profile of **China Minsheng Investment Group Corp., Ltd.** (CMIG), SIG’s ultimate parent company.

SIG has a solid business profile as an established midsize global reinsurer. The group benefits from good diversification by line of business and geographically, with strong global market access through branch offices, subsidiaries, long-standing client relationships and a **Lloyd’s** syndicate. SIG’s market profile is enhanced by its growing presence in direct specialty and accident and health (A&H) lines. This has been supported by the acquisitions earlier this year of ArmadaGlobal (Armada) and International Medical Group (IMG), two providers of medical insurance products and services, by SIG and its parent Sirius International Insurance Group, Ltd., (SIIG) respectively. Over the medium term, A.M. Best believes that SIG will benefit from access to new business opportunities in Asia, leveraging its strong distribution platforms and parent’s market profile.

SIG’s consolidated balance sheet strength remains solid, supported by strong risk-adjusted capitalisation, good liquidity and moderate financial leverage. Risk-adjusted capitalisation has improved over recent years, with solid operating results and prudent dividend policy enabling the strengthening of its capital base. The acquisitions of IMG and Armada were financed internally through cash and the issuance of convertible preferred stock, and will lead to higher levels of capital requirements for SIG. Given SIG’s excellent capital position, A.M. Best believes that these increased capital requirements will be comfortably absorbed by the company.

SIG has a track record of robust operating performance, supported by solid underwriting results, as illustrated by the five-year (2012-2016) average combined ratio of 85%. However, pre-tax profit deteriorated significantly in 2016, owing to higher-than-average catastrophe losses, a series of one-off expenses associated with the sale of SIIG to CMIG and a lower investment income. Technical performance is expected to improve in the next three years, as the loss experience is forecast to normalise, whilst the growth in the A&H segment is expected to have a positive effect on overall results, reflecting IMG’s and Armada’s track record of profitable and stable business.

The negative outlook of these ratings reflects A.M. Best's view of the materially weaker credit profile of CMIG, with concerns over its prospective financial flexibility driven by high financial leverage, and the impact this could have on the financial strength of SIG and its subsidiaries. Established in 2014, CMIG is a China-based private investment holding company that has interests in new energy, health care, aviation and real estate, in addition to financial services. While SIG's rating fundamentals remain strong, and some protection is afforded to the group's operation through regulation and corporate governance, A.M. Best expects SIG to demonstrate prospectively a high level of independence from CMIG.