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Research Update:

Captive Reinsurer Intreas Assigned 'A' Ratings On Core Status To Ageas Group; Outlook Stable

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Overview

- We view Intreas N.V., the Netherlands-based captive reinsurer of Belgian insurance group Ageas, as core to its parent group.
- By acting as an internal captive reinsurer for the group, Intreas supports the wider group strategy to optimize costs, risk protection, and capital management.
- We are therefore assigning an 'A' rating to Intreas, which is equal to the rating on the group's core operating entities.
- The stable outlook reflects that on the Ageas Group.

Rating Action

On Nov. 11, 2016, S&P Global Ratings assigned its 'A' long-term insurer financial strength rating to Netherlands-based Intreas N.V. (Intreas), the captive reinsurer for Belgian insurance group Ageas (core operating subsidiaries rated 'A/Stable'). The outlook is stable.

Rationale

We consider Intreas to be a core subsidiary of Ageas, owing to its role as a captive reinsurance company. Intreas is closely integrated with the group's risk management, and solely serves the group's reinsurance needs, enhancing protection and coordination. Based on our group rating methodology, we rate Intreas in line with the group rating profile and ratings on the group's core operating entities.

Intreas received regulatory authorization to start operating in 2015 from The Netherlands. It was incorporated to become the center of excellence for reinsurance within the Ageas group, and serves its agenda to optimize costs, risk protection, and capital management. The reinsurer is fully owned by the Ageas group and has close operational, strategic, and financial integration with the rest of the group.

Given Ageas group's international reach and business diversification, we expect it to obtain more effective reinsurance protection by centralizing external reinsurance through Netherlands-based Intreas, thus benefiting solvency levels and capital fungibility. The group has committed to Intreas by providing close management ties, capital injections, a liquidity facility, and higher solvency targets than direct insurance group companies.

Intreas participates in the reinsurance programs of the group's main operating entities, and aims to increase its share to above 25%. We expect Intreas' proportional reinsurance book to grow to account for the majority of its premiums by 2019. Intreas enhances costs and protection by retaining some risks and acquiring a global retrocession program in the external reinsurance market. Inward premiums from group joint ventures are expected to remain limited.

We estimate that Intreas' premiums will grow to over €100 million by 2019 with an average non-life combined (loss and expense) ratio of around 90%. Intreas remains a small entity within the Ageas group, accounting for less than 2% of group premiums and capital.

Ageas' group credit profile reflects its No. 1 position in its core market of Belgium, the broad diversity of the group in life and non-life insurance, and its solid presence in mature and developing markets. It also reflects our assessment of Ageas' capital and earnings as very strong, and the remaining uncertainty related to legacy issues inherited from the Fortis Group.

Outlook

The stable outlook on Intreas mirrors that on the core operating subsidiaries of Ageas.

As long as we continue to view Intreas as core to Ageas, the rating will move in lock-step with that on the core entities.

Although remote, we could revise the group status if the group's support of and commitment to Intreas were to weaken and/or Intreas' role evolved away from captive reinsurance, without a significant increase in its materiality within the group.

Related Criteria And Research

Related Criteria

- General Criteria: Group Rating Methodology - November 19, 2013
- Criteria - Insurance - General: Insurers: Rating Methodology - May 07, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers - November 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009
- Criteria - Insurance - General: Enterprise Risk Management - May 07, 2013
- Criteria - Insurance - General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model - June 07, 2010

Ratings List

New Rating; CreditWatch/Outlook Action

Intreas N.V.

Counterparty Credit Rating

Local Currency

A/Stable/--

Financial Strength Rating

Local Currency

A/Stable/--

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Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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