

FITCH RATES ONE RE IFS 'BBB-'; OUTLOOK STABLE

Fitch Ratings-London-01 November 2016: Fitch Ratings has assigned UK-based One Re Ltd (One Re) an Insurer Financial Strength (IFS) Rating of 'BBB-' with a Stable Outlook.

KEY RATING DRIVERS

The rating reflects One Re's strong capitalisation - which Fitch expects to be maintained - a strong regulatory environment in the UK and the company's experienced management team with a strong track record in the African insurance markets. The rating is limited by the company's start-up nature, small size and scale and weak profitability, which Fitch expects to improve as the company grows.

One Re is a small, specialised London-based reinsurer underwriting short-tail non-life risks in sub-Saharan-Africa. It began underwriting in 2015 following the approval of its licence in the UK. At end-8M16 the company reported gross written premiums (GWP) of just USD3.3m, shareholders' funds of USD38m and total assets (excluding reinsurance assets) of USD43m.

One Re targets a portfolio of 50% fire and engineering and 50% of all other lines, but at end-8M16 portfolio diversification was still low, with fire and engineering accounting for 83% and 13% of GWP respectively. Geographical diversification is limited; although One Re underwrites risks covering 25 countries, the top four account for 76% of GWP.

One Re's regulatory solvency is strong, with a Solvency II solvency capital requirement (SCR) coverage ratio (including a voluntary capital add-on) of 236% at end-8M16. Fitch expects capitalisation to decline as the company grows, but to remain resilient and a rating strength. One Re follows a capital policy of maintaining SCR (including the capital add-on) coverage of at least 125%, and Fitch expects net written premiums-to-equity to not exceed 2x.

At end-8M16 One Re's premium income was insufficient to cover costs. Although the company's GWP of USD3.3m exceeded administrative expenses of USD1.7m, net earned premiums were only USD0.8m, leading to a net loss of USD2.3m (2015: USD5.1m loss). Fitch expects that One Re will be able to increase its premium income by end-2018 to a level that will allow the company to break even.

Fitch regards One Re's investment risk as moderate. The company's investment portfolio is dominated by two real estate investments in the City of London (49% of invested assets at end-8M16), and cash (24%). The remainder consists of an investment mandate investing in a mix of short-term USD-denominated corporate investment-grade bonds, short-duration high-yield bonds and money market funds. Overall, the portfolio has an average rating of 'BBB'.

One Re limits its exchange rate risk by only underwriting USD-denominated policies and investing in assets backing insurance liabilities in USD. Its head office operating expenses are denominated in GBP, creating some exchange rate risk, but this is partly offset by the GBP income-generating potential of its London real estate investments.

RATING SENSITIVITIES

An upgrade is unlikely in the medium term given the company's start-up nature and small size and scale. However, profitable growth over time, demonstrating a proven business model, could lead to an upgrade, provided the company maintains strong capitalisation, with SCR (including the capital add-on) coverage of at least 125% and net written premiums-to-equity below 2x.

If One Re's business model proves to be unsustainable as evidenced by losses in 2018 and beyond, or significantly weaker-than-forecast premium growth, the rating would be downgraded. Additionally, SCR (including the capital add-on) coverage below 125% or net written premiums-to-equity above 2x could lead to a downgrade.

Contact:

Primary Analyst

Ralf Ehrhardt

Associate Director

+44 (0) 20 3530 1551

Fitch Ratings Limited

30 North Colonnade

London E14 5GN

Secondary Analyst

Willem Loots

Director

+44 (0) 20 3530 1808

Committee Chairperson

David Prowse

Senior Director

+44 (0) 20 3530 1250

Media Relations: Athos Larkou, London, Tel: +44 203 530 1549, Email: athos.larkou@fitchratings.com.

Date of relevant committee: 28 October 2016

Additional information is available on www.fitchratings.com

Applicable Criteria

Insurance Rating Methodology (pub. 15 Sep 2016)

<https://www.fitchratings.com/site/re/887191>

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: [HTTPS://WWW.FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](https://www.fitchratings.com/understandingcreditratings). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEB SITE AT WWW.FITCHRATINGS.COM. PUBLISHED RATINGS, CRITERIA, AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE, AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE CODE OF CONDUCT SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Copyright © 2016 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Fax: (212) 480-4435. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved. In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters. Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed.

The information in this report is provided “as is” without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001