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AM Best Downgrades Credit Ratings of Milli Reasurans Turk Anonim Sirketi

LONDON, 18 June 2020—AM Best has downgraded the Financial Strength Rating (FSR) to B (Fair) from B+ (Good) and the Long-Term Issuer Credit Rating (Long-Term ICR) to “bb+” from “bbb-” of Milli Reasurans Turk Anonim Sirketi (Milli Re) (Turkey). The outlook of these Credit Ratings (ratings) has been revised to stable from negative.

The ratings reflect Milli Re’s consolidated balance sheet strength, which AM Best categorises as strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management.

The rating downgrades reflect the deterioration in recent years of Milli Re’s balance sheet strength assessment, taking into consideration the increased levels of political and financial system risk in Turkey.

At year-end 2019, Milli Re’s consolidated risk-adjusted capitalisation was at the very strong level, as measured by Best’s Capital Adequacy Ratio (BCAR). Capital requirements relate largely to underwriting risk, driven by the business written by Milli Re’s subsidiary, Anadolu Anonim Turk Sigorta Sirketi (Anadolu). The balance sheet strength assessment benefits from Milli Re’s conservative investment portfolio by asset class, although investment quality is constrained by exposure to high levels of financial system risk in Turkey. The consolidated balance sheet is also subject to potential volatility from Milli Re and Anadolu’s domestic catastrophe exposure.

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Milli Re has a track record of strong investment earnings, which have underpinned a five-year weighted average return on equity of 16% (2015-2019) and reflect in part high inflation in Turkey. Underwriting results have been poor over the same period, demonstrated by a five-year weighted average combined ratio of 108%. AM Best expects Milli Re's prospective operating performance to remain adequate, despite pressure on overall earnings stemming from falling interest rates in Turkey.

Milli Re has a strong market position in Turkey as the only locally domiciled, privately owned reinsurer. In addition, the company's profile benefits from its ownership of Anadolu, which is a market leader in the country's direct insurance market.

This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper media use of Best's Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best's Credit Ratings and AM Best Rating Action Press Releases](#).

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