

Research Update:

Credendo - Single Risk Insurance AG Outlook Revised To Stable From Negative On Upcoming Merger With Sister Company

September 16, 2020

Overview

- On Sept. 15, Credendo announced its intention to merge Credendo - Single Risk Insurance AG (Credendo SR) with Credendo Excess & Surety NV.
- In our view, the merger will reinforce Credendo SR's integration within Credendo and signals the group's willingness and ability to support its subsidiary.
- We are revising our outlook on Credendo SR to stable from negative and affirming our 'A-' rating.
- The outlook is stable because we expect that support from the group--excluding the support Credendo Export Credit Agency (ECA) receives from the Belgian government through financial guarantees--will remain consistent over the next two years.

Rating Action

On Sept. 16, 2020, S&P Global Ratings revised its outlook on Austria-based Credendo - Single Risk Insurance AG (Credendo SR) to stable from negative. At the same time, we affirmed our 'A-' long-term insurer financial strength rating on Credendo SR.

Rationale

The planned merger of Credendo SR with its sister company Credendo Excess & Surety demonstrates Credendo's willingness and capacity to support its subsidiary, and ties Credendo SR more closely to the group's fortunes, in our view. After completion of the merger, Credendo SR will cease to exist and the merged entity will be renamed Credendo - Guarantees & Speciality Risks. Credendo's support of Credendo SR was demonstrated in 2018 by a €40 million capital increase to further strengthen Credendo SR's solvency and foster growth. Credendo SR's Solvency II ratio stood at 254% at year-end 2019. With the merger, and thanks to a capital increase of €50

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million at Credendo Excess & Surety at the end of 2019, the group continues to integrate and support its subsidiaries.

Additionally, the group provides nonfinancial support that helps Credendo SR in its operations. The continuous support highlights Credendo SR's key role in helping the group achieve its goal of diversifying its activities, thanks to the entity's specialized single-risk line of business. However, in our assessment, we do not assume any support from the government of Belgium, Credendo ECA's ultimate parent.

Credendo SR's underwriting results will likely be negative in 2020, due to the global recession caused by the COVID-19 pandemic and exposure to sectors such as oil and gas. Credendo SR has an established business position in the international single-risk credit insurance niche. Although the business profile benefits from the company's global scale, the overall size of operations remains small, which makes it more vulnerable to single large adverse claims. Moreover, in 2016-2019, Credendo SR did not make underwriting profits, with a combined (loss and expense) ratio averaging 163% over those three years. Losses and deterioration of the balance sheet are somewhat mitigated by the company's comprehensive reinsurance protection.

Outlook

The stable outlook reflects our view that the company will experience the same consistent level of support from Credendo over the next two years.

Downside scenario

We could lower the rating over the next two years if we were to foresee the group's reduced willingness or capacity to support its subsidiary.

Upside scenario

We could raise the rating over the next two years if we revise our assessment of Credendo SR's group status to core.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | Specialty: Trade Credit Insurance Capital Requirements Under S&P Global Ratings' Capital Adequacy Model, Dec. 6, 2013
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- Belgian Export Credit Agency Credendo ECA, Aug. 18, 2020
- Credendo - Single Risk Insurance Outlook Revised To Negative From Stable On Risks From Recession; 'A-' Rating Affirmed, June 17, 2020

Ratings List

Ratings Affirmed; Outlook Action

	To	From
Credendo - Single Risk Insurance AG		
Financial Strength Rating		
Local Currency	A-/Stable/--	A-/Negative/--

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. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on 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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