

Mock Rating Committee

5th November 2024

Mock Rating Committee Members

Greg Carter – Managing Director (Committee Chair)

Victoria Ohorodnyk – Director (Lead Analyst)

Christie Lee – Senior Director (Team Leader)

Yi Ding – Associate Director (Voting Member)

Sin Yee Chuah – Senior Financial Analyst (Voting Member)

**This Session has Live Q&A –
Please Submit your Questions
via the
QR Code**



Rating Committee Quorum & Voting

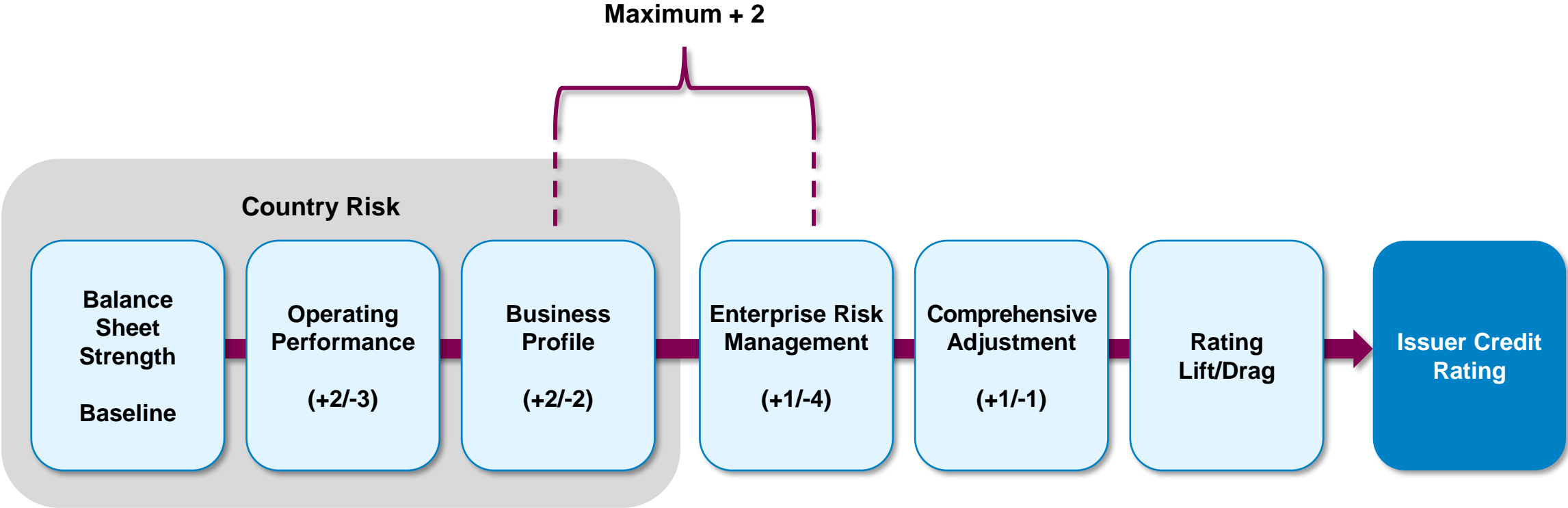
**Voting quorum –
minimum of six
members, including at
least two Directors or
higher**

**Simple majority vote is
acceptable for the
approval of any rating
action**

**Chair can break tie or
refer the decision to a
higher committee**

**Voting members must
have at least 6 months'
experience, passed
compliance requirements
and have no conflicts of
interest**

Best's Credit Rating Methodology – Building Block Assessments



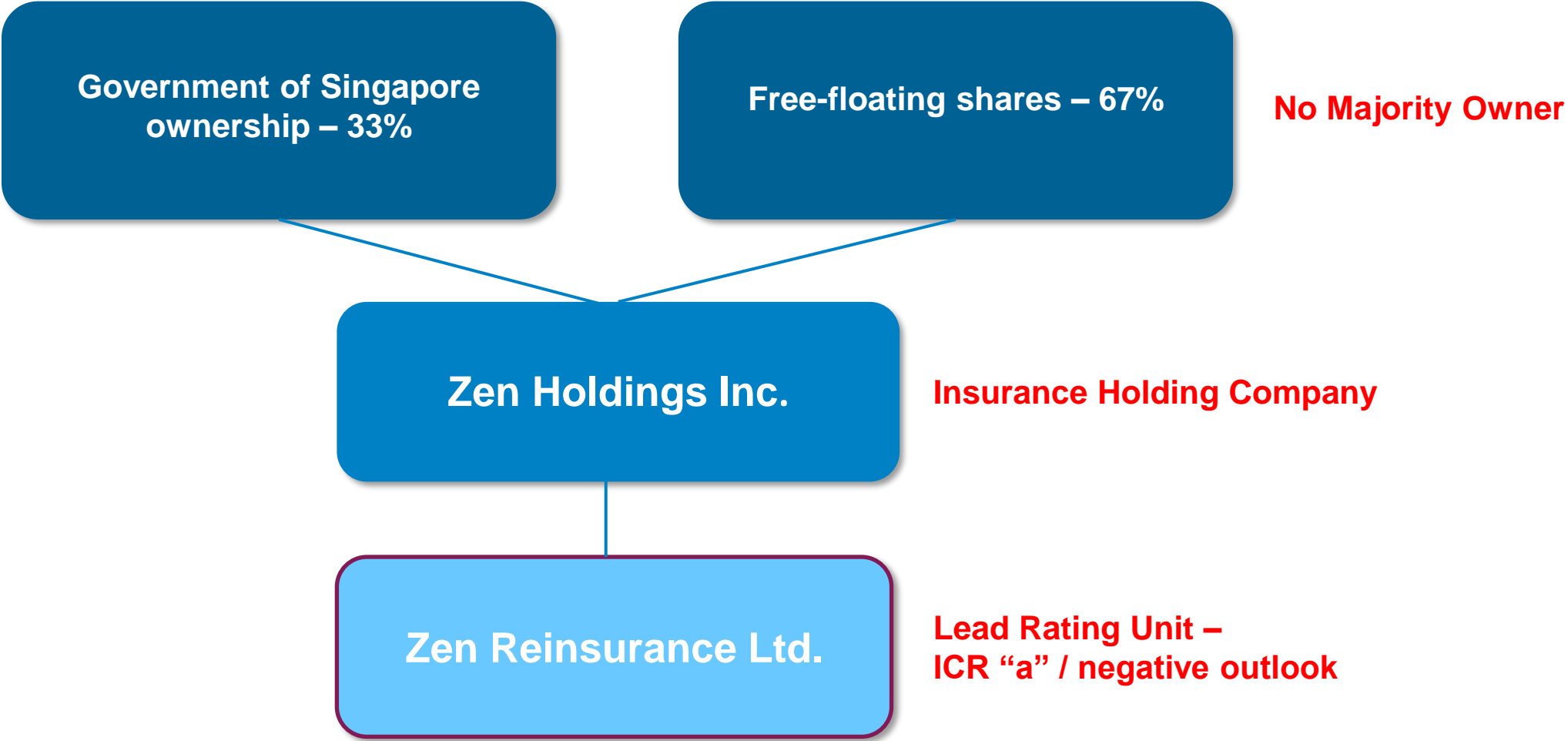
BCRM Rating Translation Table

Long-Term ICR	FSR
aaa, aa+	A++
aa, aa-	A+
a+, a	A
a-	A-
bbb+, bbb	B++
bbb-	B+
bb+, bb	B
bb-	B-
b+, b	C++
b-	C+
ccc+, ccc	C
ccc-, cc	C-
c	D

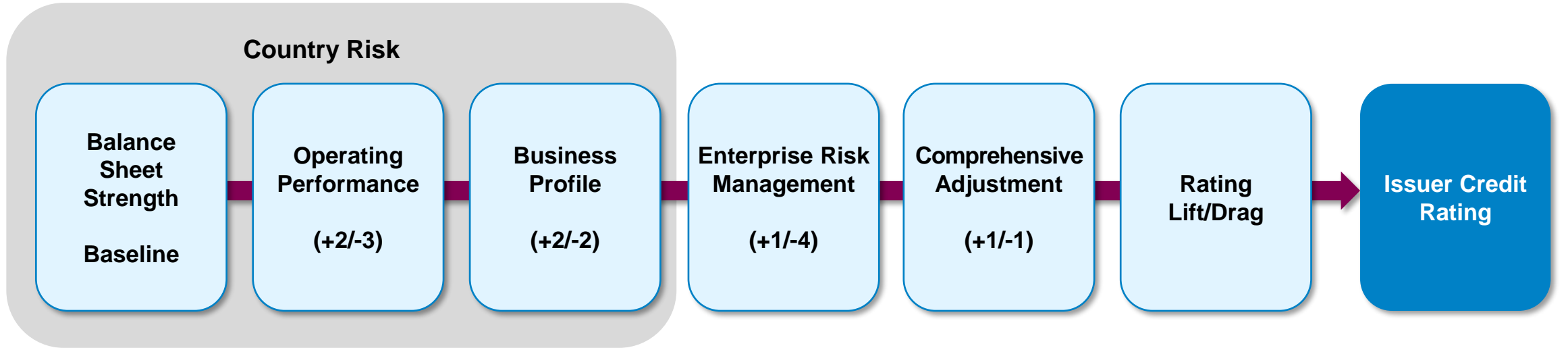


Mock Rating Committee

Organizational Structure



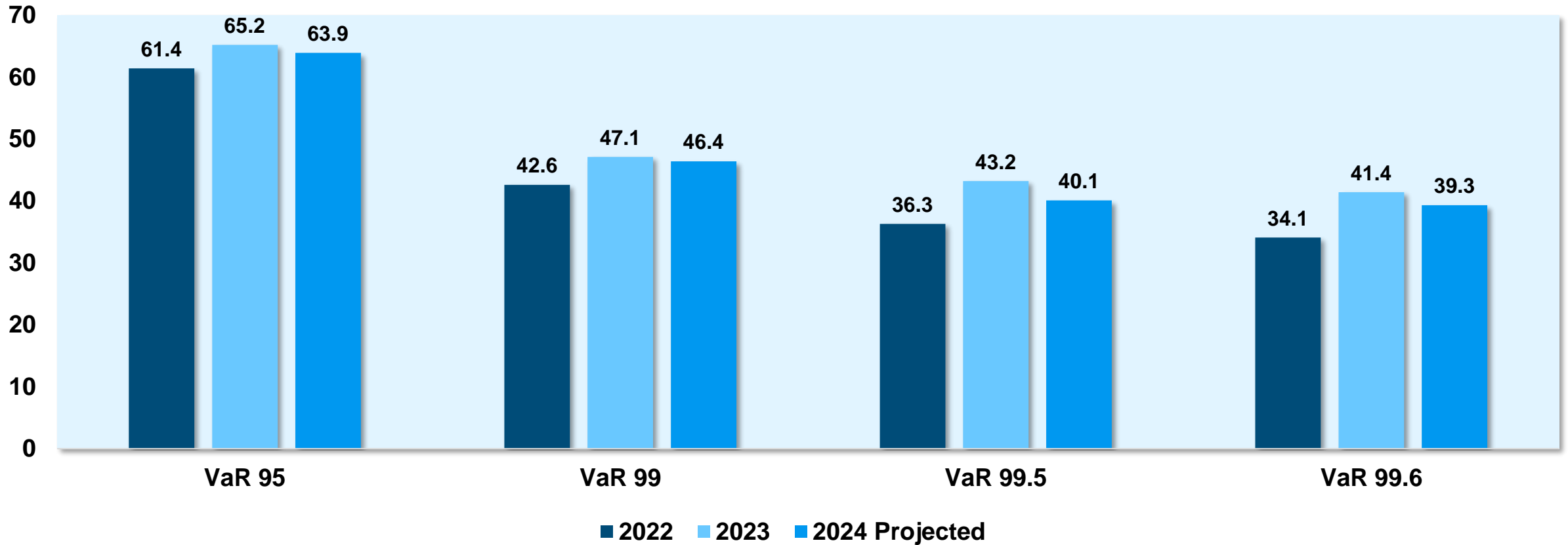
Building Blocks – Zen Re



Current	(a-) Very Strong	+1 (Strong)	0 (Neutral)	0 (Appropriate)	0 (None)	a (Negative)
Recommendation	(a-) Very Strong	0 (Adequate)	0 (Neutral)	0 (Appropriate)	0 (None)	a- (Stable)

Zen Re BCAR Summary

BCAR Scores



BCAR Guidelines

$$\text{BCAR} = \frac{(\text{Available Capital} - \text{Net Required Capital})}{\text{Available Capital}} \times 100$$

VaR Level (%)	BCAR	BCAR Assessment
99.6	> 25 at 99.6	Strongest
99.6	> 10 at 99.6 & ≤ 25 at 99.6	Very Strong
99.5	> 0 at 99.5 & ≤ 10 at 99.6	Strong
99	> 0 at 99 & ≤ 0 at 99.5	Adequate
95	> 0 at 95 & ≤ 0 at 99	Weak
95	≤ 0 at 95	Very Weak

* Companies with < 20 million USD in capital & surplus cannot qualify in strongest category

Balance Sheet Strength Sub-Component Assessments

Quantitative Components	Assessment
BCAR Assessment	Strongest
Volatility of BCAR	Positive
BCAR Stress Testing	Neutral
Liquidity	Positive
Asset Liability Management	Neutral
Internal Capital Models	Neutral
Financial Leverage	N/A
Operating Leverage	N/A

Qualitative Components	Assessment
Quality of Capital	Positive
Quality of Reinsurance	Positive
Reinsurance Dependence	Neutral
Appropriateness of Reins Program	Neutral
Fungibility of Capital	Neutral
Financial Flexibility	Positive
Quality of Assets	Positive
Strength of Reserves	Neutral
Regulatory Capital Position	Positive

Rating Unit BSS Assessment = Very Strong



Holding Company Analysis

- Insurance holding company does not have a majority owner
- Adjusted financial leverage is elevated at 27%
- Interest coverage is positive at 7x
- Debt is in the form of subordinated bonds
- No other revenue streams outside of insurance operations
- Dividends from operating company used to service the debt
- Consolidated BCAR is at the Strongest level

Holding Company Assessments

Holding Co Analysis	Assessment
Consolidated BCAR	Strongest
Financial Flexibility / Liquidity	Neutral
Unadjusted Financial Leverage	Neutral
Adjusted Financial Leverage	Neutral
Interest Coverage	Positive
Operating Leverage	N/A
Intangible Assets	Neutral

- Consolidated BCAR indicates risk-adjusted capitalization is at the “strongest” level
- Some pressure from elevated financial leverage, but coverage is strong
- Overall holding company impact assessed as “neutral”

Balance Sheet Strength Assessment

		Holding Company Impact			
		Positive	Neutral	Negative	Very Negative
Lead Rating Unit	Strongest	Strongest	Strongest	Very Strong	Adequate
	Very Strong	Strongest	Very Strong	Strong	Weak
	Strong	Very Strong	Strong	Adequate	Very Weak
	Adequate	Strong	Adequate	Weak	Very Weak
	Weak	Adequate	Weak	Very Weak	Very Weak
	Very Weak	Weak	Very Weak	Very Weak	Very Weak



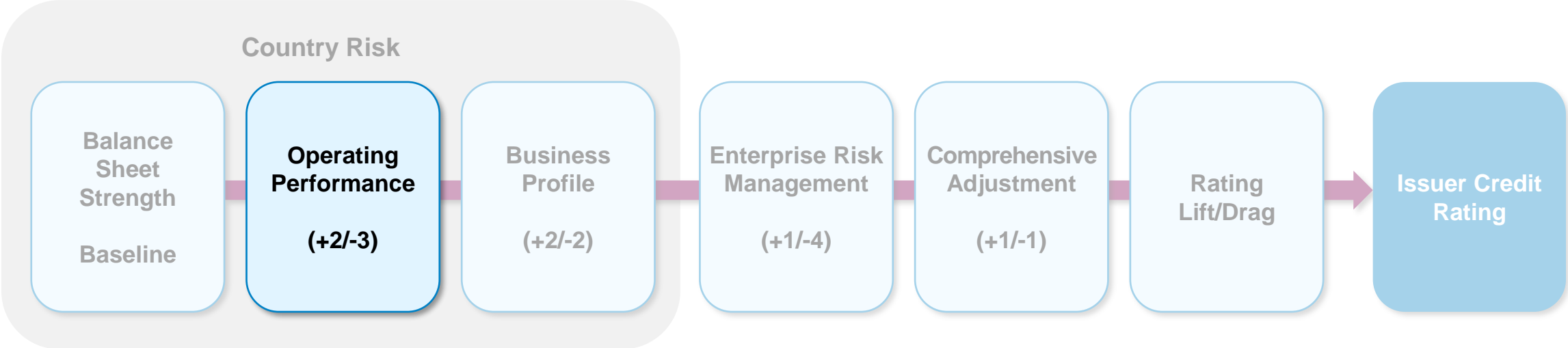
Balance Sheet Strength Assessment

Rating Unit Balance Sheet Assessment	Country Risk Tier					
	CRT-1	CRT-2	CRT-3	CRT-4	CRT-5	
	Strongest	a+/a	a+/a	a/a-	a-/bbb+	bbb+/bbb
	Very Strong	a/a-	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-
	Strong	a-/bbb+	a-/bbb+	bbb+/bbb/bbb-	bbb/bbb-/bb+	bbb-/bb+/bb
	Adequate	bbb+/bbb/bbb-	bbb+/bbb/bbb-	bbb-/bb+/bb	bb/bb-	bb/bb-/b+
	Weak	bb+/bb/bb-	bb+/bb/bb-	bb-/b+/b	b+/b/b-	b/b-/ccc+
Very Weak	b+ and below	b+ and below	b- and below	ccc+ and below	ccc and below	

Balance Sheet Strength Assessment = Very Strong (a-) ICR



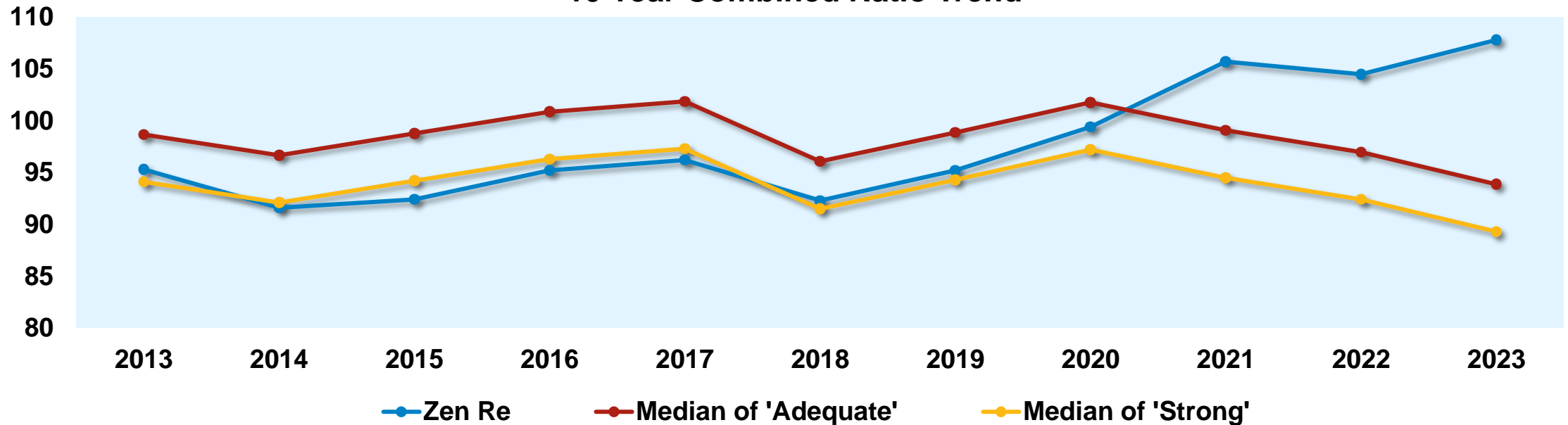
Building Blocks



a-
(Very Strong)

Operating Performance

10 Year Combined Ratio Trend



	Combined Ratio										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Zen Re	95.3	91.6	92.4	95.2	96.2	92.3	95.2	99.4	105.6	104.5	107.8
Median of 'Adequate'	98.7	96.7	98.8	100.9	101.9	96.1	98.9	101.8	99.1	97.0	93.9
Median of 'Strong'	94.1	92.1	94.2	96.3	97.3	91.5	94.3	97.2	94.5	92.4	89.3

Operating Performance

5-Year Operating Performance Averages as of YE 2023

	Investment Yield	Pretax ROR	Total ROR	Pretax ROE	Total ROE	Loss Ratio	Expense Ratio	Combined Ratio	Operating Ratio
Composite									
Strong	3.4	7.7	8.2	5.8	6.1	68.6	24.9	93.5	90.1
Adequate	2.0	2.8	4.0	3.5	4.0	69.1	30.6	98.1	96.1
Zen Re	1.4	4.2	5.4	3.7	4.9	76.1	26.4	102.5	101.1

Zen Re's Response to Operating Performance Pressure

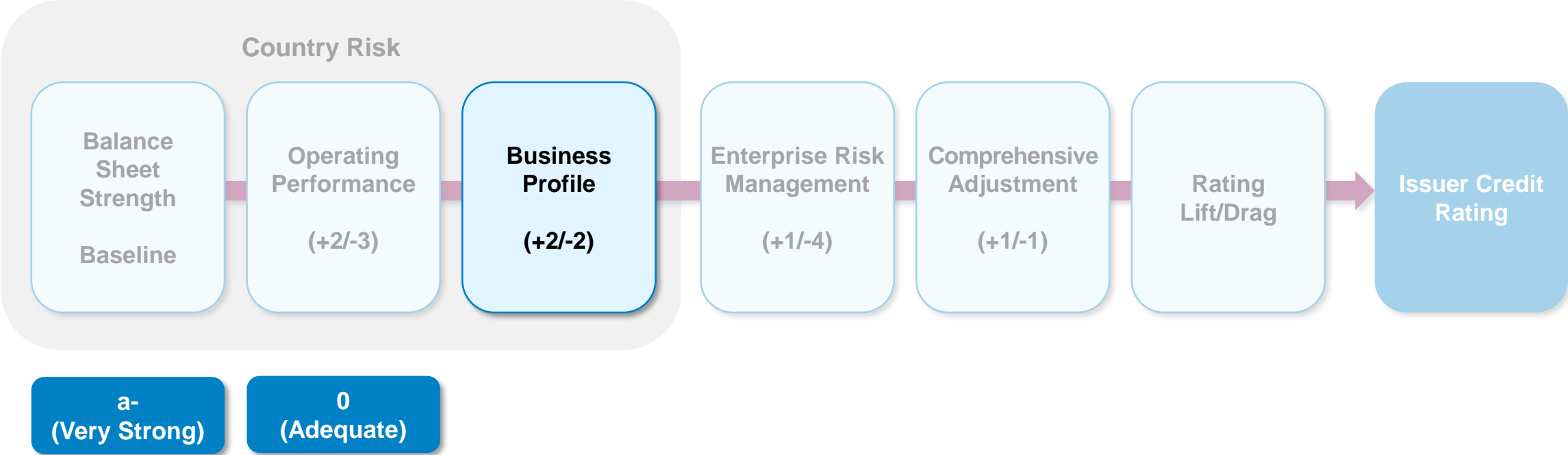
Rate Increases

Tightening Underwriting Guidelines & Reassessing Risk Appetite

Concentration/Exposure Refinement

Optimising retrocession programme

Building Blocks

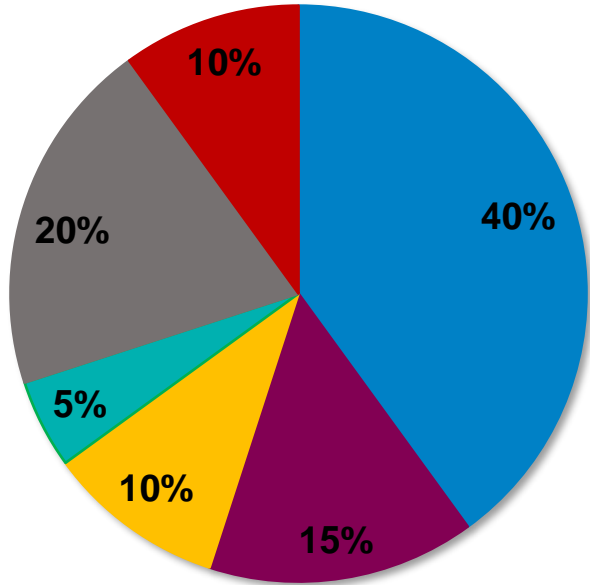


Business Profile

- Zen Re is a composite reinsurer, domiciled in Singapore
- Based on YE 2023 gross written premium (GWP), Property & Casualty reinsurance makes up 70% of the company's book of business, while Life & Health reinsurance accounts for 30%
- Proportional reinsurance accounts for 65% of the book of business, while non-proportional accounts for the remaining 35%
- Although well-diversified geographically, the company is exposed to severe weather-related events including typhoons, floods, hailstorms and severe convective storms
- Well-established presence in their chosen markets
- Strong long-term relationships with brokers and cedents
- Seasoned management team with extensive industry experience
- Targeting further product and geographic diversification prospectively (i.e. cyber cover to be launched in 2025)

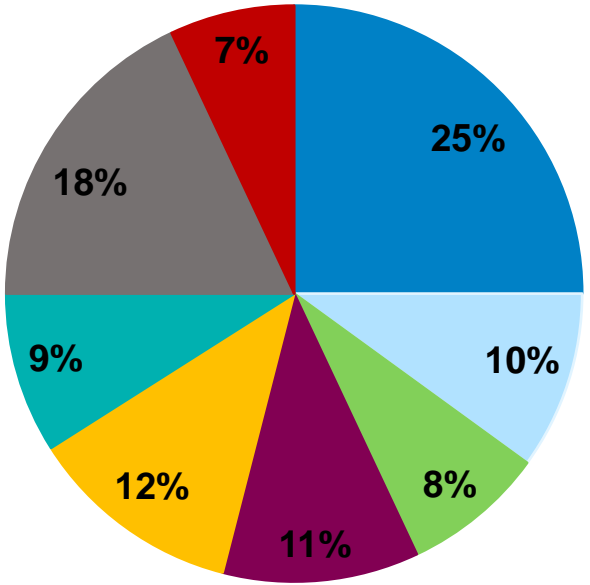
Business Profile

YE 2023 GWP Split by Line of Business



- Property
- Motor
- Marine & Aviation
- Liability
- Traditional Life
- Health

YE 2023 GWP Split by Geography



- Singapore
- Malaysia
- Thailand
- Vietnam
- EU
- Other
- Indonesia
- Philippines



Innovation

- Scored as:



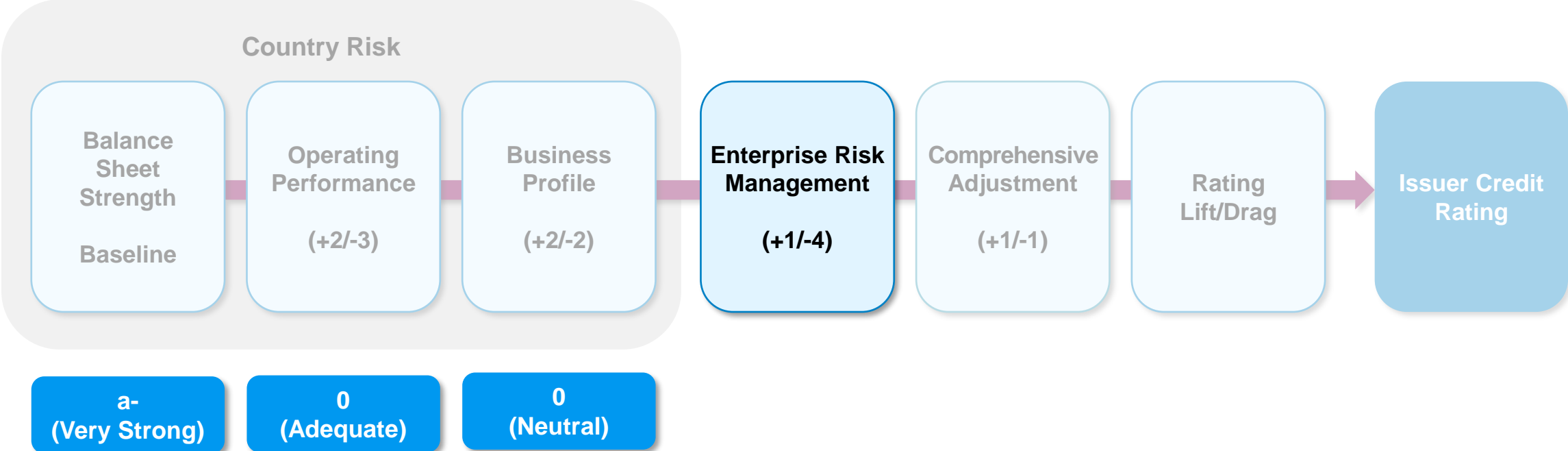
16 – Moderate

Business Profile Sub-Component Assessments

Evaluation	Assessment
Market Position	Neutral
Degree of Competition	Negative
Product/Geographic Concentration	Neutral
Distribution Channels	Positive
Pricing Sophistication/Data Quality	Neutral
Management Quality	Positive
Product Risk	Negative
Regulatory/Event/Market/Country Risks	Neutral
Innovation	Neutral



Building Blocks



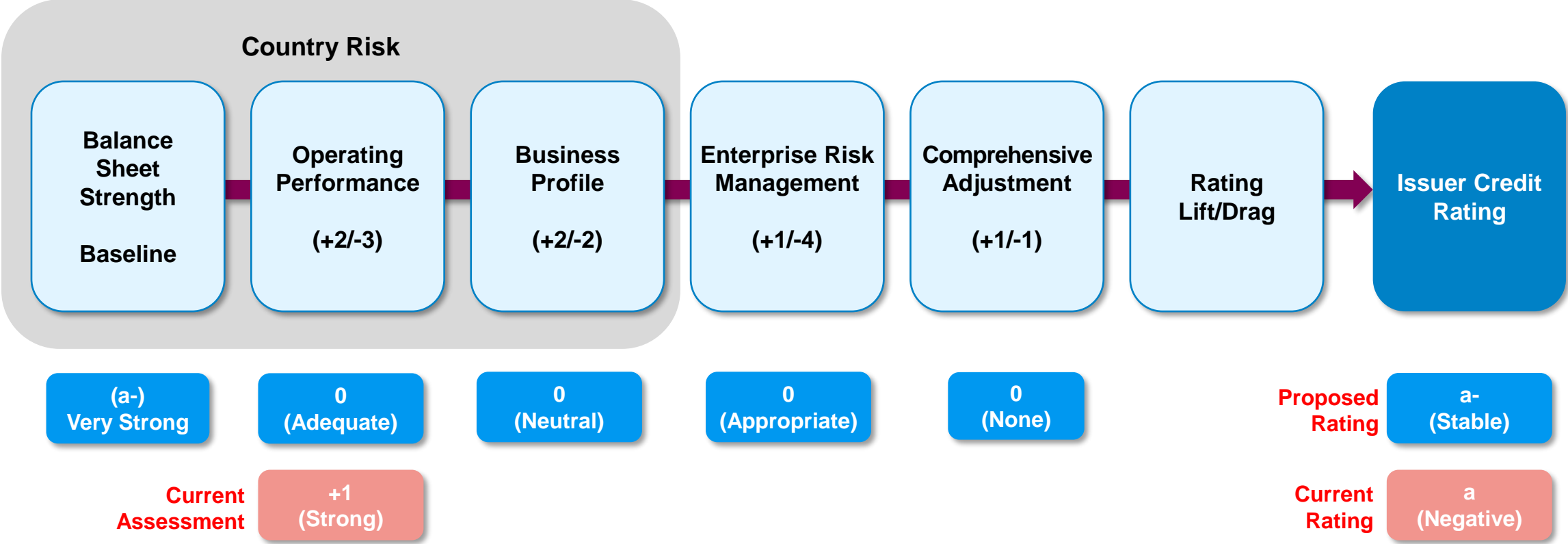
Enterprise Risk Management

Framework Evaluation	Assessment
Risk Appetite & Tolerances	Developed
Stress Testing & Non-Modeled Risk	Evolving
Risk Identification and Reporting	Developed
Risk Management & Controls	Developed
Governance & Risk Culture	Developed

Risk Evaluation (Capability)	Assessment
Product & Underwriting Risk	Appropriate
Reserving Risk	Appropriate
Concentration Risk	Appropriate
Reinsurance Risk	Appropriate
Liquidity & Capital Management	Appropriate
Investment Risk	Appropriate
Legislative/Regulatory/Judicial/Economic	Appropriate
Operational Risk	Appropriate



Building Blocks – Final Recommendation



The Committee Vote

	Balance Sheet	Operating Performance	Business Profile	ERM	
Victoria's vote:	a- (Very Strong)	0 (Adequate)	0 (Neutral)	0 (Appropriate)	a- Stable
Christie's vote:	a-	0	0	0	a- Stable
Sin Yee's vote:	a-	0	0	0	a- Negative
Yi's vote:	a-	0	0	0	a- Stable
Greg's vote:	a-	0	0	0	a- Negative



Audience Polling

Polling Question – Final Vote

What is your vote on the ICR and outlook for Zen Re?

- a) Affirm “a” and maintain the negative outlook
- b) Downgrade to “a-” via a change in the Operating Performance Assessment to “Adequate” with a stable outlook
- c) Downgrade to “a-” via a change in the Operating Performance Assessment to “Adequate” with a negative outlook



Decision and Summary

Rating Committee Outcome

- Chair confirms committee outcome based on voting count
- Chair directs committee's attention to outlook statement and rating drivers for any potential revisions
- Analytical team asks for clarifying comments from the committee before close
- Chair completes a vote sheet with comments to document the outcome of the vote and the key parts of the committee discussion

Q&A

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