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### **A.M. Best Affirms Credit Ratings of Milli Reasurans Turk Anonim Sirketi**

**LONDON, 14 July 2017**—A.M. Best has affirmed the Financial Strength Rating of B+ (Good) and the Long-Term Issuer Credit Rating of “bbb-” of **Milli Reasurans Turk Anonim Sirketi** (Milli Re) (Turkey). The outlook of these Credit Ratings (ratings) remains negative.

The ratings reflect Milli Re’s strong business profile in the Turkish market as well as its strong earnings track record which, however, remains highly reliant on investment income. The negative outlook of the ratings continues to reflect the marginal consolidated risk-adjusted capitalisation.

Milli Re has a strong business profile in its domestic market, operating as the only Turkish-domiciled reinsurer. In addition, Milli Re benefits from its association with its majority-owned insurance subsidiary, **Anadolu Anonim Turk Sigorta Sirketi** (Anadolu), which is a market leader in Turkey’s direct insurance market.

Milli Re benefits from strong consolidated operating results, as demonstrated by a five-year average operating ratio of 93% (2012-2016). However, profitability is dependent on investment income as consolidated technical performance has been poor, evidenced by a five-year average combined ratio of 103.5%. Milli Re has sought to address underperformance within segments of its stand-alone

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reinsurance portfolio; however, profitability continuous to be negatively affected by run-off accounts and persistent competitive conditions in Turkey. The underwriting performance of Milli Re's direct insurance subsidiary, Anadolu, which historically has contributed positively to Milli Re's technical performance, weakened during 2015 and 2016. This was largely due to reserve strengthening in the motor portfolio following regulatory and legal changes to motor liability compensation. Going forward, A.M. Best expects that Anadolu's technical performance will improve, as the company has now addressed the resultant reserve deficiencies. Additionally, strong rate increases for motor third party liability business are expected to support Anadolu's technical results.

Milli Re's consolidated risk-adjusted capitalisation remains marginal for the rating level. Capital and surplus grew by 12% during 2016, but this was fully offset by an increase in required capital due to significant growth in net premium and reserve risk. Over the medium term, A.M. Best expects capital adequacy to be supported by robust internal capital generation, assuming moderate premium growth. However, A.M. Best notes that capital requirements continue to be driven in part by the operations of Anadolu. Growth of Anadolu's business beyond A.M. Best's expectations would put further negative pressure on Milli Re's consolidated capital adequacy.

**This press release relates to Credit Ratings that have been published on A.M. 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 A.M. Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Understanding Best's Credit Ratings](#). For information on the proper media**

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