FitchRatings

Insurance
Reinsurers
Barbados

Ocean International Reinsurance Company Limited

Ratings

Insurer Financial Strength	A–

Outlook

Insurer Financial Strength	Stable

Financial Data

(USD Mil.)	2024	2023
Net Premiums Written	194.6	172.7
Total Equity	166.8	145.1
Net combined ratio (%)	84.1	84.7

Source: Fitch Ratings

Applicable Criteria

Insurance Rating Criteria (March 2024)

Related Research

Global Reinsurance Outlook (September 2024)

Latin American Reinsurance Market Update (September 2024)

Bermuda 2025 Market Update (January 2025)

Analysts

Victor Perez
+52 55 5955 1620
victor.perez@fitchratings.com

Fabian Juarez
+52 81 4161 7075
fabian.juarez@fitchratings.com

Key Rating Drivers

Growing Franchise, Small Operating Scale: Ocean International Reinsurance Company Limited (Ocean Re) is an open market reinsurance company with a growing business franchise offset by its relatively small operating scale compared to global reinsurer participants. The company has two types of business leveraged by its specialized subsidiaries: (i) a risk-bearing business; and (ii) a captive business that generates consistent income through fees. At YE 2024, the risk-bearing business accounted for 63% of Ocean Re's gross premium written (GPW) and the captives' segment accounted for 37%.

At YE 2024, the reinsurer's net premium written (NPW) was USD194.5 million and equity was UDS166.8 million. NPW was distributed 53.8% in property, 39.4% in life and health, 2.9% in surety, 2.8% in casualty and 1.1% in motor. Diversification in business lines and in geographies enhances its risk profile, while the types of business between risk-bearing and captives provide income source diversification. The overall company profile assessment is scored at 'bbb' with a higher influence on the rating.

Very Strong Capitalization: Ocean Re's capitalization and leverage is 'Very Strong' at 'aa-'. This is supported by its YE 2024 and YE 2023 risk-based Prism model score in the 'Extremely Strong' category and offset by strong operating leverage ratios. NPW capital scores are rated 'a+'. At YE 2024, the NPW-to-capital ratio was 1.2x, which is higher compared to its five-year-average of 1.0x as the NPW's growth pace is more accelerated than capital.

During 2020, new shareholders of the group capitalized USD60 million to support the company's growth. The reinsurer capitalized USD25 million of retained earnings in 2020, which allowed Ocean Re to reach new markets and continue its growth. Ocean Re has paid an average of 67% of net income on dividends between 2021 and 2024. This percentage may decrease depending on its solvency and leverage ratios.

Very Strong Financial Performance: Capitalizations supported accelerated premiums growth during the last five years, reporting a 30% NPW compound annual growth rate (CAGR) between 2020 and 2024. A stable and low combined ratio supports Ocean Re's ‘Very Strong’ financial performance. The company reported a five-year-average (2020-2024) combined ratio of 84.5%, which confirms the company's stability during an expansionary cycle and ability to remain profitable.

Solid Retro Program: Ocean Re's capital and earnings are adequately protected from large exposures by its retrocession program and good credit quality reinsurers. Ocean Re has excess of loss retrocession programs in place for catastrophe risks and other risks. The net annual aggregate catastrophe losses to capital ratio at YE 2024 was 9.8%.

Strong Asset and Liquidity Risk: Investment and liquidity risks are viewed as strong, although they have lower influence on the Insurer Financial Strength (IFS) rating. Ocean Re's liquid assets to technical reserves ratio is very strong at 163.1% as of YE 2024, down from 180.6% at YE 2023 (five-year-average: 179%). However, liquidity may be constrained in stress scenarios.

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- Perceived higher risk appetite that deteriorates company profile assessment;
- Prism score at 'Very Strong' from 'Extremely Strong' and NPW to capital above 1.3x, that deteriorates capitalization and assessment.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Improvement of the company profile to the 'Moderate' category, while maintaining very strong capitalization and leverage and financial performance.

Latest Developments

Not applicable for new ratings.

Key Rating Drivers - Scoring Summary

Other Criteria Elements

Provisional Insurer Financial Strength	**A-**
Non-Insurance Attributes	0
Ownership/Group Support	—
Transfer & Convertibility/Country Ceiling	—
Insurer Financial Strength	**A-**
IFS Recovery Assumption	0
Issuer Default Rating	**A-**

Company Profile

Growing Franchise

Ocean Re's company profile is 'Less Favorable' compared to other global reinsurers participants. This aligns with Fitch Ratings' 'bbb' credit factor score, which has a higher influence on Ocean Re's IFS rating. Its competitive positioning is 'Less Favorable', with a growing business franchise offset by its relatively small operating scale. Fitch considers Ocean Re's business risk profile 'Moderate' as underwriting risk are diversified, though the company has exposure to property catastrophe risks. Diversification is 'Moderate', considering business lines, markets operating in more than 100 countries and two different types of business leveraged by specialized subsidiaries: (i) a risk-bearing business; and (ii) a captive business that generates consistent income through fees.

At YE 2024, the reinsurer's NPW was USD194.5 million and equity was USD166.8 million. NPW was distributed 53.8% in property, 39.4% in life and health, 2.9% in surety, 2.8% in casualty and 1.1% in motor. Diversification in business lines and geographies enhances its risk profile, while the types of business between risk-bearing and captives provide income source diversification.

Corporate Governance is 'Neutral'

The corporate governance score is 'Neutral', so Fitch uses the unadjusted business profile score when scoring the company profile.

Company Profile Scoring

	FY 2024
Business profile assessment	Less Favorable
Business profile sub-factor score	bbb
Corporate governance assessment	Neutral
Corporate governance impact (notches)	0
Company profile factor score	bbb

Source: Fitch Ratings

Ownership

Neutral to Rating

Ocean Re was founded in 2006 and is currently registered under the Barbados Companies' Act and licensed under the Insurance Act. Since 2020, the company has been owned and controlled by QD Overseas Ventures S.A. and Marcussi Limited Partnership, registered in Luxembourg and Canada, respectively. The company has offices in Barbados, Panama, Mexico and London, operating in multiple regions such as the Americas, Europe, Middle East, North Africa and Asia.

Capitalization and Leverage

Very Strong Capitalization

Ocean Re's capitalization and leverage is very strong at 'aa-', supported by its risk-based Prism model score in the 'Extremely Strong' category and offset by strong operating leverage ratios.

Ocean Re's capital is supportive of the level of risks underwritten. According to Fitch's global capital model, its capital is 'Extremely Strong' at YE 2024 and YE 2023, offset by the company's parametric leverage ratios, such as NPW to capital at 'a+'. At YE 2024, NPW-to-capital was 1.2x, higher compared to its five-year-average of 1.0x. As the NPW's growth pace is more accelerated than capital, Fitch expects this ratio to range between 1.1x and 1.3x.

During 2020, new shareholders of the group capitalized USD60 million to reach USD78 million in share capital and support the company's growth. Then, in 2022, the reinsurer capitalized USD25 million of retained earnings, resulting in USD103 million in share capital which allowed Ocean Re to reach new markets and continue its growth. At YE 2024, total capital was USD166.8 million. Ocean Re has paid an average of 67% of net income on dividends between 2021 and 2024; this percentage may decrease depending on its solvency and leverage ratios.

Financial Highlights

(x)	FYE 2024	FYE 2023
Net financial leverage (%)	—	—
Net written premium/capital (%)	1.2	1.2
Net leverage	1.9	1.8
Gross leverage	4.8	4.1

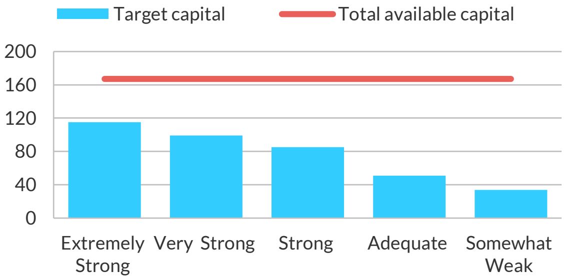
Source: Fitch Ratings, company data

Fitch's Expectations

- Prism Global capital model score at 'Extremely Strong'; although, pressure is anticipated to come from a higher participation in property-catastrophe risks and/or higher leverage ratios.

Capitalization Adequacy (Prism Global)

(USD Mil.)



Source: Fitch Ratings

Financial Highlights

(USD Mil.)	FYE 2024	FYE 2023
Prism score	Extremely Strong	Extremely Strong
Prism total AC	167	145
Prism AC/TC at Prism Score (%)	145	137
Prism AC/TC at Higher Prism Score (%)	Not Applicable	Not Applicable

AC – Available capital. TC – Target capital.
Source: Fitch Ratings, company data

Debt Service Capabilities and Financial Flexibility

Capital Funded

Ocean Re does not issue debt. Reinsurer's funding primarily derives from capital, although Fitch considers large funding options, which boost financial flexibility assessments similar to those of other global reinsurance players.

Financial Performance and Earnings

Very Strong Financial Performance

A stable and low combined ratio is supportive of Ocean Re's 'Very Strong' financial performance. The reinsurer reported 30% GPW and NPW CAGR between 2020 and 2024. Capitalizations in 2020 and 2022 supported the accelerated premiums growth during the last five years. Fitch expects moderate growth in the coming years.

At YE 2024, the company reported USD34.1 million in net income, with a five-year-average (2020-2024) return on equity of 17.7%, mainly driven by favorable underwriting results. Ocean Re reported a five-year-average (2020-2024) combined ratio of 84.5%. This demonstrates the company's stability during an expansionary cycle and its ability to remain profitable.

Financial Highlights

(%)	FYE 2024	FYE 2023
Net income return on equity	21.8	19.8
Pretax operating profit return on equity	22.7	20.6
Net combined ratio	84.1	84.7
Operating ratio	81.8	83.7

Source: Fitch Ratings, company data

Fitch's Expectations

- The agency expects 'Very Strong' combined ratio below 86%, based on historical results and under normal natural catastrophe activity. Volatility may arise in stressful market conditions that may deteriorate the company's financial performance.

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Investment and Asset Risk

Strong Asset and Liquidity Risk

Investment and liquidity risks are viewed as strong, although they have lower influence on the IFS rating. At YE 2024, Ocean Re's investment strategy is concentrated in cash and deposits at 55%, followed by equity at 21.3%, fixed income at 16.3% and other at 7%.

Ocean Re's liquid assets to technical reserves ratio is very strong at 163.1% at YE 2024, down from 180.6% at YE 2023 (five-year-average: 179%).

Financial Highlights

(%)	FYE 2024	FYE 2023
Risky assets/capital[a]	31.2	40.9
Unaffiliated shares/capital	31.2	40.9
Investments in affiliates/capital	—	—
Sovereign investments/capital	—	—
Liquid assets/net technical reserves – excluding unit linked (total)	163.1	180.6
Liquid assets/net technical reserves (total)	163.1	180.6

[a] Including sovereign exposure after loss sharing.
Source: Fitch Ratings, company data

Fitch's Expectations

- Risky assets to capital and liquid assets to reserves ratio are expected to be maintained at current rating level.

Reserve Adequacy

Adequate Reserves

Reserve adequacy in Barbados is classified at 'b'; nonetheless, Fitch considers Ocean Re to have better practices for reserving. The reserve amounts listed on Ocean Re's balance sheet adequately provide for the entity's policyholder obligations. When assessing these reserves, Fitch considers Ocean Re's growth trends and the best practices applied to ensure the robustness of claims reserves.

Ocean Re's net reserve leverage and net loss reserves-to-incurred losses ratios are below 1.0x, reflecting a 'low' reserve profile. Paid-to-incurred losses ratio is below 1.05x, which consistent with neutral assessment; thus, loss reserves are growing at a rate that is commensurate with growth in underwriting exposures.

Financial Highlights

(%)	FYE 2024	FYE 2023
Reserve development/prior-year capital	—	—
Reserve development/prior-year loss reserve	—	—
Net technical reserves/net written premiums	66.2	54.1
Net loss reserves/incurred losses	0.9	0.7

Source: Fitch Ratings, company data

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Reinsurance, Risk Mitigation and Catastrophe Risk

Good Risk Mitigation

Fitch believes Ocean Re's capital and earnings are adequately protected from large exposures by its retrocession program and good credit quality reinsurers. Ocean Re has in place USD17 million in excess of USD3 million retrocession program for catastrophe risks and USD8 million in excess of USD2 million program for other risks. The net annual aggregate catastrophe losses to capital ratio was 9.8% at YE 2024.

Despite GWP growth, Ocean Re's retention levels follow a downward trend as the company constrains retained risk to its capital.

Financial Highlights

(%)	FYE 2024	FYE 2023
Reinsurance recoverables/capital	8.4	7.9
Net written premiums/gross written premiums	28.6	33.5
Reinsurers' share of earned premiums	71.4	66.5

Source: Fitch Ratings, company data

Fitch's Expectations

- Fitch expects very strong net annual aggregate catastrophe losses to capital ratio in line with the retrocession program in place.
- Changes in the NWP/GPW ratio might respond to changes in GPW growth and capital. Given moderate GPW growth, the agency does not expect volatility in this ratio.

Appendix A: Peer Analysis

Peer Comparison

Click here for a report that shows a comparative peer analysis of key rating driver scoring.

Appendix B: Industry Profile and Operating Environment

Industry Profile and Operating Environment (IPOE)

Click here for a link to a report that summarizes the main factors driving the above IPOE score.

Appendix C: Other Rating Considerations

Below is a summary of additional ratings considerations that are part of Fitch's *Insurance Rating Criteria*.

Short-Term Ratings

Not applicable.

Recovery Analysis and Recovery Ratings

Not applicable.

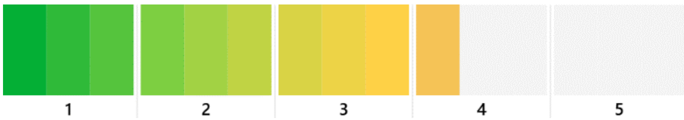
Transfer and Convertibility Risk (Country Ceiling)

None.

Criteria Variations

None.

Appendix D: Environmental, Social and Governance Considerations



Environmental Relevance Scores

General issues	Score	Sector-specific issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	3	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	2	Underwriting/reserving exposed to asbestos/hazardous materials risks	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk
Exposure to Environmental Impacts	4	Underwriting/reserving exposed to environmental and natural catastrophe risks; impact of catastrophes on own operations or asset quality; credit concentrations	Capitalization & Leverage; Financial Performance & Earnings; Reserve Adequacy; Reinsurance, Risk Mitigation & Catastrophe Risk; Investment and Asset Risk

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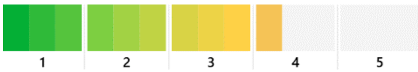
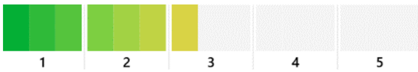


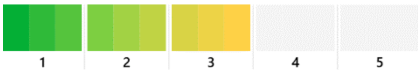
Social Relevance Scores

General issues	Score	Sector-specific issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risk; treating customers fairly; pricing transparency; privacy/data security; legal/regulatory fines; exposure to insured and own cyber risk	Industry Profile & Operating Environment; Company Profile; Reserve Adequacy
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	3	Social responsibility and its effect on brand strength; increased vulnerability due to credit concentrations	Company Profile; Investment and Asset Risk; Financial Performance & Earnings; Reinsurance, Risk Mitigation & Catastrophe Risk



Governance Relevance Scores

General issues	Score	Sector-specific issues	Reference
Management Strategy	3	Operational implementation of strategy	Company Profile
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Company Profile
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile; Ownership
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Company Profile



ESG Scoring

ESG relevance scores range from '1' to '5' based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the general and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit relevance of the sector-specific issues to an issuer's overall credit rating. The Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The panels underneath the relevance scores tables are visualizations of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The Score columns summarize rating relevance and impact to credit from ESG issues. The column on the far left identifies any ESG relevance sub-factor issues that are drivers or potential drivers of an issuer's credit rating (corresponding with scores of '3', '4' or '5'). All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The general and sector-specific issues draw on the classification standards published by the UN Principles for Responsible Investing, the Sustainability Accounting Standards Board and the World Bank.

Credit-Relevant ESG Scale

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to 'Higher' relative importance within the Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to 'Moderate' relative importance within the Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to 'Lower' relative importance within the Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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