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## Research Update:

# Marine Insurer Gard Group Ratings Affirmed At 'A+' Following Growth Of Capital Base; Outlook Stable

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## Research Update:

# Marine Insurer Gard Group Ratings Affirmed At 'A+' Following Growth Of Capital Base; Outlook Stable

## Overview

- Norwegian mutual marine insurer Gard Group has significantly grown its capital base in recent years, making it more stable and less vulnerable to one-off losses, in our view. We consider that its financial risk profile has improved as a result.
- We are affirming our 'A+' financial strength and issuer credit ratings on Gard's core operating entities.
- The stable outlook reflects our view that the group's earnings are likely to support its capital adequacy, such that our assessment of its capital and earnings does not fall below strong, and that the group will maintain the strength of its brand.

## Rating Action

On Nov. 18, 2016, S&P Global Ratings affirmed its 'A+' long-term insurer financial strength and counterparty credit ratings on the core operating entities of Norwegian mutual marine insurer Gard Group. The outlook is stable.

## Rationale

Gard's capital base has grown significantly in recent years, with the contingency reserve rising to \$1,114 million by August 2016. We consider that this growth makes the group more stable and less vulnerable to one-off losses. At the same time, Gard's record of continued profitability and the shrinkage of its premiums in 2015-2016 have enhanced its capitalization in our model. Combined with Gard's competitive strength, diversification, and capital securely in the very strong range, our stronger assessment of the group's financial risk profile has led us to revise upward Gard's anchor to 'a+' from 'a'.

The higher anchor establishes the rating more securely at 'A+'. When the anchor was 'a', the rating incorporated one notch of uplift to reflect the combination of Gard's strong enterprise risk management and satisfactory management and governance. Our view of these factors remains unchanged, but at the higher anchor level these assessments provide no further uplift. The rating therefore remains 'A+'.

## Outlook

The stable outlook reflects our view that the group's earnings are likely to support its capital adequacy such that our assessment of its capital and earnings does not fall below strong. Furthermore, we expect the group to maintain its strong business risk profile through the strength of its brand.

### Downside scenario

We do not expect to lower the ratings in the next two years. However, we could do so if the group's risk-based capital adequacy falls below the 'AA' (very strong) range, or if operating performance materially deteriorates below our expectations during the next two years. This could result from Gard suffering substantial investment losses outside its risk tolerance.

### Upside scenario

We do not anticipate raising the ratings during the next two years. Gard already enjoys an extremely strong financial risk profile, our highest assessment, and a stronger business risk profile would require considerable diversification away from the marine sector.

## Ratings Score Snapshot

	To	From
Financial Strength Rating	A+/Stable	A+/Stable
Anchor	a+	a
Business Risk Profile	Strong	Strong
IICRA	Intermediate Risk	Intermediate Risk
Competitive Position	Strong	Strong
Financial Risk Profile	Extremely Strong	Strong
Capital and Earnings	Extremely Strong	Strong
Risk Position	Intermediate Risk	Intermediate Risk
Financial Flexibility	Strong	Strong
Modifiers	0	1
ERM and Management	0	1
Enterprise Risk Management	Strong	Strong
Management and Governance	Satisfactory	Satisfactory
Holistic Analysis	0	0
Liquidity	Strong	Strong
Support	0	0
Group Support	0	0
Government Support	0	0

IICRA--Insurance Industry And Country Risk Assessment.

## Related Criteria And Research

- Group Rating Methodology, Nov. 19, 2013
- Enterprise Risk Management, May 7, 2013
- Insurers: Rating Methodology, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- A New Level Of Enterprise Risk Management Analysis: Methodology For Assessing Insurers' Economic Capital Models, Jan. 24, 2011
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- Use Of CreditWatch And Outlooks, Sept. 14, 2009

## Ratings List

Ratings Affirmed

Gard P&I (Bermuda) Ltd.

Gard Marine & Energy Ltd.

Gard Marine & Energy Insurance (Europe) AS

Assuranceforeningen Gard - gjensidig -

Counterparty Credit Rating A+/Stable/--

Financial Strength Rating A+/Stable/--

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