

## Corporate Credit & Issue Rating

New  Update

Sector: Insurance

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### RATINGS

		Long Term	Short Term	
International	Foreign Currency	B	B	
	Local Currency	B	B	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
Issue Rating	-	-		
National	Local Rating	BBB+ (Trk)	A-2 (Trk)	
	Outlook	Stable	Stable	
	Issue Rating	-	-	
Sponsor Support		2	-	
Stand-Alone		BC	-	
Sovereign*	Foreign Currency	BB+	-	
	Local Currency	BB+	-	
	Outlook	FC	Negative	-
		LC	Negative	-

\*Assigned by JCR on April 10, 2020



## Trust Capital Reinsurance LTD.

JCR Eurasia Rating, in its periodic review, has evaluated **Trust Capital Reinsurance LTD.** in investment-level category on the national scale and affirmed the ratings on the Long Term National Scale as **'BBB+ (Trk)'** and the Short Term National Scale as **'A-2 (Trk)'** with **'Stable'** outlooks.

**Trust Capital Reinsurance LTD.** (referred to as 'the Company') was founded in August 18, 2017 and became operational in January 1, 2018 to carry out all kinds of proportional / non-proportional reinsurance transactions in the **Turkish Republic of Northern Cyprus (TRNC)** and foreign countries regarding all types of insurances within the Life and Non-Life major insurance classes. The Company reached TRY 6,6mn in written premium and TRY 18.6mn in total assets as of FYE 2019, which were TRY 5.5mn and TRY 15.2mn as of FYE 2018, respectively.

The main sectors of small island economies are tourism and finance. The small size of the country, and therefore the limited size of raw materials and human resources, is a major obstacle to producing competitive products with world markets, considering the production-based sectors. As the insurance sector in TRNC is not sizable and contained, a significant amount of the premium revenues collected annually is transferred to reinsurance companies in accordance with the Insurance Services Regulation and Supervision Law No. 60/2010 and at the same time due to the need to protect the limited capital from risk exposure.

Key rating drivers, as strengths and constraints, are provided below.

#### Strengths

- Ratio of non-technical income structure that fully covers the non-technical expenses
- Equity level well above legal requirements and significantly supported by cash inflows
- Predominantly equity and profit-based liquid asset-weighted asset structure
- Advantages of being the first nationally capitalized reinsurance company in TRNC
- Agreements with reinsurers abroad by increasing international risk acceptance experience
- Loss ratios well below the sector averages

#### Constraints

- Restricted trade volume of island economies and limitation on TRNC's international recognition, restraining sector growth
- Sector's written premium is a small scale in direct population to the TRNC's national scale
- Fierce competition due to the presence of a ceding company among group companies

Considering the aforementioned points, the Company's the Long Term National Rating has been affirmed as **'BBB+ (Trk)'**. Growth in the Company's written premium and non-technical income, being recognized in the sector have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short Term National ratings are determined as **'Stable'**. The Company's market share, written premium production level are closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators at national and international markets, as well as market conditions and legal frame about the sector will be monitored as well.

Sponsor Support grades and associated risk assessments reflect the level of possibility and propensity of external support to provide financial and operational support to the Company should such a need arise, and concluded within the considerations of the financial and non-financial positions of the controlling shareholders (Tekin Arhun and family) of the Company. In this respect, it is believed that the controlling shareholder have the willingness and financial strength to ensure long-term liquidity and equity within its financial capacity and to provide operational support to the Company if required. Accordingly, the Company's Sponsor Support Grade has been affirmed as **(2)**, indicating a 'moderate' level in JCR Eurasia Rating's notation system.

The Stand Alone grade reflects the Company's capacity to meet its obligations and manage the financial and other risks on its balance sheet through its internal means and resources without resorting to its shareholders. The Company was established in 2017, became operational at January 1, 2018 and completed its first underwriting year in 2018. Moreover, the Company succeeded to record equity supportive profit since the first year of contracting. Although there is an increasing trend regarding financial indicators and ratios yet, within the context of above stated issues, the Stand Alone grade of the Company has been affirmed as **(BC)** in JCR Eurasia Rating's notation system.