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Outlook For Asia-Pacific Reinsurers Is Negative

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SINGAPORE (Standard & Poor's) Nov. 3, 2015--Asia-Pacific reinsurers will continue to face fierce competition with little respite in sight, according to a report, titled "Asia-Pacific Reinsurers Face An Earnings And Growth Crunch," that Standard & Poor's Ratings Services published today.

"Credit conditions for the Asia-Pacific reinsurance sector will remain negative over the next 12-24 months," said Standard & Poor's credit analyst Philip Chung. "We expect weakening prices to continue to affect operating performance well into 2016 and possibly erode capitalization."

According to the report, Asia-Pacific reinsurers' performance has been more volatile because of weaker prices in most markets. Capitalization levels have also come down due to growth and higher risks. In addition, the regulatory burden could weigh on reinsurers.

The operating performance of the larger reinsurers in Asia-Pacific is modest compared with that of global players. However, some regional reinsurers' relatively large volume and dominant market positions in their respective markets benefit their business risk profile, offsetting the modest underwriting performance. Also, Asia-Pacific reinsurers' understanding and knowledge of the local market and access to data enables better selection of risks. However, the concentration of risk geographically remains a potential hazard.

"Capital remains a key factor upholding reinsurers' credit profile," said Mr.

Chung. "The strong to extremely strong market positions of some Asia-Pacific reinsurers offsets their lower capitalization levels. Market risk continues to be the highest risk factor. Credit risk ascertained by our risk-based capital analysis comes in second, followed by business and catastrophe risks."

Standard & Poor's believes that most reinsurers are taking actions to remain competitive and absorb the strain from tough conditions. Consolidation, increased retrocession, and diversifying into other lines and regions are the general trends it sees as the sector reacts to pricing declines and excess capital.

The report is available to subscribers of RatingsDirect at www.globalcreditportal.com and at www.spcapitaliq.com. If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-7280 or sending an e-mail to research_request@standardandpoors.com. Ratings information can also be found on Standard & Poor's public Web site by using the Ratings search box located in the left column at www.standardandpoors.com. Members of the media may request a copy of this report by contacting the media representative provided.

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