

Rating Action: Centras Insurance

Moody's upgrades Kazakhstan based Centras Insurance to B2. Stable outlook

London, 01 February 2011 -- Moody's has today announced that it has upgraded its global scale insurer financial strength rating on Kazakhstan based Centras Insurance to B2 from B3. The outlook is stable.

RATING RATIONALE

The upgrade is driven by the strengthening market position of Centras within the Kazakhstan Insurance market during the past 2 years. Gross premium written at Q3 2010 was KZT 3,893 million (US\$ 26.0mn) compared to KZT 2,221mn for full year 2008. Centras is the 10th largest insurer in Kazakhstan with a market share of about 3.3%, and has continued to grow profitably in a market which has seen significant reductions in volume during the financial crisis with a net income of KZT 1,157 million for 9 months 2010. Centras' growth has been supported by an increased capital base through retained earnings and an investment portfolio focused on fixed income instruments

Centras Insurance is a key component of the Centras Capital group, which also has fund management, securities trading and leasing businesses. Centras group is also the majority shareholder in Kommesk Omir Insurance (rated Ba3 Stable). Centras Insurance has been operating in its current form since 2005 and focuses on providing retail insurance while introducing more advanced Western insurance products into the Kazakhstan market via a heavily reinsured commercial insurance risk department. Unlike many insurers in Kazakhstan, Centras is not a captive insurer affiliated to large commercial or banking group.

More negatively, Moody's notes that despite the strong growth recorded in recent years Centras remains a small insurer by global standards with premium of about USD26mn as of Q3 2010 and total assets of KZT 5,287 (US\$ 35.3mn). In addition although its investment strategy is restricted to fixed income instruments (a strategy which ensured Centras did not suffer from losses during recent falls in the Kazakh equity markets), those instruments are not highly rated by global standards.

Gross underwriting leverage, at 3.2x is high in comparison to other rated insurers in the CIS, but Moody's notes the extensive use of reinsurance placed with strong Western reinsurers. However, while this strategy reduces net exposure to insurance risk it does mean that Centras is somewhat reliant on these reinsurers continuing to write business in the Kazakhstan market at reasonable rates.

The outlook is stable, as Moody's expectations for growth over the next few years are reflected in the B2 rating. The rating could be reviewed positively if the capital position relative to premium and reserves strengthens, or if Centras reaches a top tier position in the Kazakh insurance market. Conversely, the rating could come under negative pressure if Centras fails to maintain the current level of profitability or capital levels weaken.

The following ratings were upgraded to B2 with a stable outlook:

Centras Insurance Insurance Financial Strength

The principal methodology used in this rating was Moody's Global Rating Methodology for Property and Casualty Insurers published in May 2010.

The last rating action on Centras was on 16th June 2008 when the rating was assigned at B3 with a positive outlook

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