

Research Update:

Hudson Excess Insurance Co. Assigned 'A-' Ratings; Outlook Is Positive

February 3, 2022

Overview

- We view Hudson Excess Insurance Co. (HEIC) as a core subsidiary of Odyssey Reinsurance Co. (A-/Positive/--), which is the main operating company within Odyssey Group Holdings Inc. (BBB-/Positive/--).
- As a result, we are assigning our 'A-' financial strength and issuer credit ratings to HEIC.
- The positive outlook on HEIC reflects the outlook on Odyssey Reinsurance Co., its immediate holding company, Odyssey Group Holdings Inc.; and its ultimate holding company, Toronto-based Fairfax Financial Holdings Ltd. (TSX:FFH; BBB-/Positive/--).

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Rating Action

On Feb. 3, 2022, S&P Global Ratings assigned its 'A-' financial strength and issuer credit ratings to Delaware-based Hudson Excess Insurance Co. (HEIC). The outlook is positive.

Rationale

The 'A-' ratings reflect HEIC's core status as a subsidiary of Odyssey Reinsurance Co. HEIC is an established and profitable property and casualty (P/C) excess and surplus (E&S) lines insurer that has been part of Odyssey since its formation in 2012. The company provides primary coverage for a variety of risks, including other liability, medical professional liability, commercial auto, and special liability. As a P/C E&S carrier, HEIC has been expanding and diversifying Odyssey's business and risk profiles closely aligned with its U.S. strategy.

HEIC has a strong underwriting track record as demonstrated by solid statutory combined ratios in the low-80% area during the past couple of years. In 2021, HEIC's gross premiums written jumped more than 120% to \$569 million compared with 2020, capitalizing on favorable pricing in the U.S. E&S market, which will continue to influence top line growth.

HEIC benefits from an intragroup quota share reinsurance arrangement from Odyssey Reinsurance Co., to whom it cedes a significant amount of its business. We believe that HEIC is

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fully integrated within the group while leveraging Odyssey's administrative, operational, and risk management infrastructure. We also believe if HEIC has capital needs in the future, they will be met by the group.

Outlook

The positive outlook mirrors the outlook on the group. The ratings and outlook on HEIC will move in tandem with those on the group.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- Fairfax Financial Holdings Ltd., Dec. 10, 2021
- Fairfax Financial Holdings Ltd. Outlook Revised To Positive On Improving Earnings And Capitalization; Ratings Affirmed, May 25, 2021

Ratings List

New Rating; CreditWatch/Outlook Action

Hudson Excess Insurance Company

Issuer Credit Rating	A-/Positive/--
Financial Strength Rating	A-/Positive/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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