

Research Update:

Convex Group Entities Upgraded To 'A'; Outlook Stable

June 25, 2025

Overview

- Convex Re Ltd. recorded its third year of underwriting profit with more than \$5 billion of gross premiums in 2024, along with a positive net income, and we expect that the group will report strong underwriting and operating performance over the next two years.
- We have therefore revised our assessment of Convex's competitive position and business risk profile to strong from satisfactory and raised to 'A' from 'A-' our financial strength ratings on Convex Re and its core operating entities Convex Insurance UK Ltd., Convex Guernsey Ltd., and Convex Europe S.A.
- The stable outlook reflects our expectation that Convex will maintain its strong competitive position with sound underwriting and bottom-line profitability in line with our base case and we anticipate capitalization with a material buffer over our highest confidence interval according to our S&P capital model.

Rating Action

On June 25, 2025, S&P Global Ratings raised to 'A' from 'A-' its financial strength ratings on the Convex group's operating companies: [Convex Re Ltd.](#), [Convex Insurance UK Ltd.](#), [Convex Guernsey Ltd.](#), and [Convex Europe S.A.](#) The outlook on the ratings is stable.

Rationale

Since launching late in 2019, Convex has quickly built significant scale, while achieving its underwriting profitability goals in the past two years. At the end of 2024, the group reached the \$5.2 billion gross premium written mark, and we expect significant growth to continue. The group is also diversifying into new lines and markets, notably through a Lloyd's syndicate. We expect Convex's portfolio to remain balanced between property, casualty, and specialty business. We estimate its market share of its chosen fields to be around 3%.

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Convex has also grown its market presence. It leads on around a third of its direct book. Its reinsurance utilization reduced to around 32% at year-end 2024 and is expected to gradually reduce to around 30% in the next few years.

As a result, we have changed our competitive position assessment to strong from satisfactory because Convex has coupled its growth with strong technical profitability. The company has produced the third consecutive year of underwriting profit and its second net profit as of Dec. 31, 2024. The combined ratio was a strong 87.6% with an underwriting profit of \$381 million and net income of \$506 million, which was supported by robust net investment return of \$272 million, resulting in an overall return on equity that we assess at 17%. Similar to reinsurers' peers operating in large property and specialist lines in the US, Convex was exposed to losses from the California wildfires in the first quarter 2025. Potential underwriting volatility from natural catastrophe events and exposure to this type of losses are in the course of the group's business and are captured in our high risk exposure score.

Under our base case, we assume Convex will report a net combined ratio of 94%-97% in 2025 which reflects a cat load (the additional premium charged to cover the potential for large, unexpected losses from catastrophic events like hurricanes, earthquakes, or floods) of 6%-8% in addition to the first-quarter wildfire losses. For 2026 and 2027, we assume a combined ratio of 90%-92% if major losses remain within the annual budget. We expect \$300 million-\$400 million net income for 2025, \$500 million-\$700 million for 2026 and 2027, with a return on equity of 11%-16%.

Considering the balance sheet, capital according to S&P Global Ratings' model has remained well in excess of the 99.99% level. Reserving is prudent and reserve development stable.

Convex is currently majority owned by Onex, which we view as a financial sponsor and which we expect to be supportive of the group's growth strategy.

Outlook

The stable outlook reflects our expectation that Convex will maintain its strong competitive position with sound underwriting and bottom-line profitability in line with our base case. We also anticipate capitalization with a material buffer over our highest confidence interval according to our capital model.

Downside scenario

We could take a negative rating action if:

- The resilience of Convex's capital adequacy to potential volatility materially weakened; for instance, if we thought that Convex could not sustainably maintain reasonable capital levels above our extreme stress benchmark (99.99% confidence level); or
- The group's underwriting results deteriorate and are consistently below our expectations and worse than that of its peers.

Upside scenario

We regard the possibility of a positive rating action as remote over the next 24 months. Over the longer term, a positive action would require significant growth and diversification of Convex's book, while operating performance remained strong.

Rating Component Scores

	To	From
Business Risk Profile	Strong	Satisfactory
Competitive position	Strong	Satisfactory
IICRA	Intermediate risk	Intermediate risk
Financial Risk Profile	Strong	Strong
Capital and earnings	Excellent	Excellent
Risk exposure	High	High
Funding structure	Neutral	Neutral
Anchor	a	a-
Modifiers		
Governance	Neutral	Neutral
Liquidity	Adequate	Adequate
Comparable rating analysis	0	0
Current Credit Rating		
Local currency financial strength rating	A/Stable/--	A-/Positive/--

Related Criteria

- [General Criteria: Hybrid Capital: Methodology And Assumptions](#), Feb. 10, 2025
- [Criteria | Insurance | General: Insurer Risk-Based Capital Adequacy--Methodology And Assumptions](#), Nov. 15, 2023
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [Criteria | Insurance | General: Insurers Rating Methodology](#), July 1, 2019
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

Ratings List

Ratings list

Upgraded; Outlook Action

	To	From
Convex Re Ltd.		
Convex Europe S.A.		
Convex Guernsey Ltd.		
Convex Insurance UK Ltd.		
Financial Strength Rating		
Local Currency	A/Stable/--	A-/Positive/--

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