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A.M. Best Upgrades Credit Ratings of Active Capital Reinsurance, Ltd.

MEXICO CITY, June 22, 2018—A.M. Best has upgraded the Financial Strength Rating to A- (Excellent) from B++ (Good) and the Long-Term Issuer Credit Rating to “a-” from “bbb+” of **Active Capital Reinsurance, Ltd.** (AC Re) (Barbados). The outlook of these Credit Ratings (ratings) remains stable.

The ratings reflect AC Re’s balance sheet strength, which A.M. Best categorizes as strongest, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management (ERM).

The rating upgrades reflect AC Re’s balance sheet strength underpinned by risk-adjusted capitalization at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR), improving operating performance, adequate reinsurance program and supporting risk management framework for its risk profile. An offsetting rating factor is the strong competitive environment in its target geographic markets the company faces through its global expansion, more recently in Europe.

AC Re is a Barbados-based reinsurer established in 2007. The company operates mainly in the Latin America market, with net premiums written comprised of surety (72.1%), affinity (20.3%), and property/casualty (7.6%) as of 2017. The company has a diversified geographic footprint in Central, South America and Europe and focuses its underwriting efforts on short-term non-catastrophe risks.

The company increased its paid capital by 66% in 2016, which coupled with an increased reinvestment of earnings through 2017, has maintained AC Re’s risk-adjusted capitalization at the strongest level. The company’s

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expansion strategy has been reinforced adequately by its reinsurance program, placed among a diversified group of reinsurers with good security levels, consequently minimizing counterparty credit risk exposures. Moreover, the company is characterized by a conservative underwriting leverage as reflected by a net premiums written to surplus of 1.09x. Nevertheless, the ratings could be susceptible to uncertainty over future underwriting performance, as the company expands its business into new geographic markets.

In 2017, while expanding into new geographies, AC Re improved positive bottom line results through reduced acquisition expenses and improved operating efficiencies, and despite higher claims expenses derived from its affinity line of business, AC Re managed to generate a return on earned premium and return on equity of 15.4% and 16.9%, respectively.

The continuous improvement in the company's ERM framework has allowed AC Re to better identify and manage its risks. As a result, related party transactions continue to be reduced significantly, improving its financial flexibility.

Positive rating actions could occur if the company continues to strengthen its capital adequacy position and successfully continues to grow with good operating performance. Conversely, negative rating actions could result from deterioration in risk-adjusted capital due to an aggressive dividend policy or a sharp deterioration in underwriting principles, or from negative operating performance that renders the strategy and BCAR model scores non-supportive of the ratings.

The methodology used in determining these ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at www.ambest.com/ratings/methodology.

Key insurance criteria reports utilized:

- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)

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- Catastrophe Analysis in A.M. Best Ratings (Version Oct. 13, 2017)
- Evaluating Country Risk (Version Oct. 13, 2017)
- Understanding Universal BCAR (Version May 14, 2018)

View a general description of the [policies and procedures](#) used to determine credit ratings. For information on the meaning of ratings, structure, voting and the committee process for determining the ratings and monitoring activities, please refer to [Understanding Best's Credit Ratings](#).

- Previous Rating Date: Sept. 14, 2017
- Date of Financial Data Used: April 30, 2018

This press release relates to rating(s) that have been published on A.M. Best's website. For additional rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's [Recent Rating Activity](#) web page.

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