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FOR IMMEDIATE RELEASE

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AM Best Affirms Credit Ratings of Active Capital Reinsurance, Ltd.

MEXICO CITY, July 2, 2020—AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of “a-” of Active Capital Reinsurance, Ltd. (AC Re) (Barbados). The outlook for these Credit Ratings (ratings) is stable.

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

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

AC Re is a Barbados-based reinsurer established in 2007. The company operates mainly in the Latin America market, with net premiums written composed of affinity (68%), property/casualty (22%) and surety (10%), as of 2019. The company has a diversified geographic footprint in Mexico, Central and South America, the Middle East, Europe and Asia Pacific, and focuses its underwriting efforts on short-term non-catastrophe risks.

The company’s capital base, consistently grown through reinvestment of earnings and capital

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contributions, has helped maintain AC Re's risk-adjusted capitalization at the strongest level. The company's expansion strategy continues to be reinforced adequately through consistent improvements to 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 0.95x. Nevertheless, the ratings could be susceptible to uncertainty over future underwriting performance, as the company expands its business into new geographic markets.

In 2019, while expanding into new geographies, AC Re continued to improve its bottom-line results through lower acquisition expenses derived from its affinity line of business and continued operating efficiencies. Despite increased claims expenses, AC Re has continued to improve profitability as reflected by a return on earned premium and return on equity of 22.8% and 23.2%, respectively.

The continuous improvement in AC Re's ERM framework has allowed the company 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 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 AM 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.

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Key insurance criteria reports utilized:

- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)
- Catastrophe Analysis in A.M. Best Ratings (Version Oct. 13, 2017)
- Evaluating Country Risk (Version Oct. 13, 2017)
- Scoring and Assessing Innovation (Version March 5, 2020)
- Understanding Universal BCAR (Version June 11, 2020)

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 [Guide to Best's Credit Ratings](#).

- Previous Rating Date: July 11, 2019
- Date Range of Financial Data Used: Dec. 31, 2015- Dec 31, 2019

This press release relates to rating(s) that have been published on AM 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 AM Best's [Recent Rating Activity](#) web page.

AM Best does not validate or certify the information provided by the client in order to issue a credit rating.

While the information obtained from the material source(s) is believed to be reliable, its accuracy is not guaranteed. AM Best does not audit the company's financial records or statements, or otherwise independently verify the accuracy and reliability of the information; therefore, AM Best cannot attest as to the accuracy of the information provided.

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