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## FOR IMMEDIATE RELEASE

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### **AM Best Affirms Credit Ratings of Barents Re Reinsurance Company, Inc. and Its Affiliate**

**MEXICO CITY, December 19, 2018**—AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of “a” of Barents Re Reinsurance Company, Inc. (Barents Re) (Cayman Islands) and its affiliate, Barents Reinsurance S.A. (Barents RE Lux) (Luxembourg). The outlook of these Credit Ratings (ratings) remains stable.

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

The ratings of Barents Re Lux reflect its strategic importance to and the support it receives from Barents Re. Barents Re Lux is part of the Barents Re rating unit and it is fundamental for the group's overall strategy. Barents Re provides a parental guarantee and reinsurance support to Barents Re Lux.

The rating affirmations reflect the company’s consistent risk-adjusted capitalization, profitability and geographical diversification. The ratings also recognize the company’s good ERM practices. Limiting the ratings is the still evolving regional composition of Barents Re’s portfolio and the uncertainty regarding the impact on the company’s level of profitability.

During 2017, Barents Re increased its business by less than 5%, and continued its focus in Europe. The company maintains good profitability metrics, despite unfavorable underwriting performance in its Americas

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business. As of December 2017, by gross written premium, European business represented 80%, Middle East and North Africa 12% and Latin America 8%. The company is supported by its diversified and comprehensive reinsurance program placed among reinsurers with a good level of security, a key characteristic that Barents Re has adopted in order to prudently enter new business lines and regions.

During 2017, results were also impacted by an increased loss ratio on its Latin American business, while European business, especially energy, continued to post strong performance. As of September 2018, underwriting performance has returned to historical levels. For year-end 2017, the company posted net income of USD 17.3 million with a return on equity of 2%. These results were influenced by higher administrative expenses related to re-domiciling to Cayman Island and other non-recurring expenses designed to improve company operations.

The company's risk-adjusted capitalization is categorized as strongest, still reflecting capital contributions in 2016 and 2017 along with positive bottom line results in the past five years. Its reinsurance program adequately covers exposures and the company's net exposures to catastrophe events do not represent a significant portion of its reported surplus. This strengthens AM Best's view of the company's ERM practices, as it has been able to balance its risk appetite with risk-bearing capabilities, which is also reflected in a conservative investment portfolio.

The ratings are limited by the uncertainty of future underwriting income in markets where the company has expanded operations in previous years and plans to expand in the medium term.

Positive rating actions could take place if the company continues to further develop its business profile while sustaining a positive trend in bottom line results, while strengthening its risk-adjusted capitalization. ERM capabilities provide sufficient support in its capital decisions while the company maintains a positive operating performance guided by underwriting performance and strong risk-adjusted capitalization, as measured by Best's

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Capital Adequacy Model.

Negative rating actions could occur if the regional shifting of the portfolio consistently produces negative results that affect the company's overall profitability, resulting in deterioration of its capital base, or if by any other means risk-adjusted capital becomes non-supportive of current ratings.

The ratings of Barents Re Lux will mirror those rating actions on its parent company, Barents Re.

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](http://www.ambest.com/ratings/methodology).

Key insurance criteria reports utilized:

- Evaluating Country Risk (Version Oct. 13, 2017)
- Understanding Universal BCAR (Version May 14, 2018)
- Catastrophe Analysis in AM Best Ratings (Version Oct. 13, 2017)
- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)

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: Dec. 20, 2017, Barents Re; April 6, 2018, Barents Re Lux
- Date of Financial Data Used: Sept. 30, 2018, Barents Re and Barents Re Lux

**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**

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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.

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