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1. Introduction

A.M. Best has been producing credit ratings and opinions on the insurance market for over 100 years. In recent years, A.M. Best has expanded its geographical coverage from its principal market in the United States to cover the Americas, Europe, Middle East, Africa and the Asia-Pacific region.

A.M. Best remains a privately owned company and as at the date of this report has credit rating operations based in Oldwick (New Jersey), London, Amsterdam, Hong Kong, Singapore and Mexico City.

As at the date of this report, A.M. Best currently has regulatory registrations in:

- The USA (A.M. Best Rating Services, Inc. – “AMBRS”)
- Brazil (AMBRS)
- The European Union – (A.M. Best (EU) Rating Services B.V. – “AMB-EU” and A.M. Best Europe – Rating Services Limited “AMBERS”)
- Dubai (AMBERS) - Representative Office only
- Sultanate of Oman (AMBERS)
- Hong Kong (A.M. Best Asia-Pacific Limited – “AMBAP”)
- New Zealand (AMBAP)
- Australia (AMBAP)
- Singapore (A.M. Best Asia-Pacific (Singapore) Pte. Limited – “AMBAPS”)
- Mexico (A.M. Best América Latina, S.A. de C.V – “AMBAL”)

A.M. Best is renowned for its experience and knowledge of the insurance sector and currently provides ratings to circa 3,500 entities in that market.

A.M. Best Europe – Rating Services Limited (AMBERS) submitted its application for registration as a Credit Rating Agency in the European Union in September 2010 and AMBERS was subsequently registered on the 7th September 2011 by the European Securities and Markets Authority (ESMA) as a Credit Rating Agency under the applicable European legislation. Further to the UK’s decision to exit the European Union (“Brexit”) it is anticipated that AMBERS will become subject to supervision by the UK Financial Conduct Authority (FCA). As at the date of this report, it remained unclear whether this would take effect from 29 March 2019.

The credit ratings issued by A.M. Best are independent opinions regarding the creditworthiness of an obligor, issuer, or security issued by entities rated by A.M. Best; the ratings are based on a quantitative and qualitative evaluation of a company’s balance sheet strength, operating performance and business profile, or, where appropriate, the specific nature and details of a security. In common with most other rating agencies, A.M. Best operates on an issuer pays model, which allows the public to gain free access to the published rating opinions.

The credit rating opinions are forward-looking opinions, rather than a backwards verification of facts. A.M. Best’s credit ratings are assigned using a number of simple, straight-forward scales, with each scale representing a rank ordering of our opinion of the relative creditworthiness of an insurer, issuer or financial instrument. For example, insurers that are assigned higher credit ratings are deemed to be less likely, in our opinion, to become financially impaired than insurers that are assigned lower credit ratings. While ratings reflect

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1 AMB-EU received its ESMA registration in December 2018 to provide Credit Rating Services within the European Union.
our opinions of relative creditworthiness at the time they are assigned, they are not indicators or predictors of defined impairment or default probabilities with respect to any specific insurer, issuer or financial obligation. The ratings themselves are opinions of relative credit risk. Therefore, users of ratings should consider the rating assigned to an entity alongside other information in order to reach an informed opinion.

AMBERS assigns three types of ratings:

- **Financial Strength Ratings (FSRs)** – These are an independent opinion of an insurer’s financial strength and ability to meet its ongoing insurance obligations. This type of rating is assigned to insurance companies.

- **Issuer Credit Ratings (ICR)** – These are an independent opinion of the ability of an issuer or entity to meet its ongoing senior financial obligations. This rating is assigned to insurance companies and their related holding companies as well as other legal entities authorised to issue financial obligations.

- **Issue Credit Ratings (IR)** – These are an independent opinion of an issuer’s ability to meet its ongoing financial obligations to security holders when due. This type of rating is assigned to the securities issued by entities rated by A.M. Best.

Pursuant to EU Regulation governing the activities of Credit Rating Agencies operating in the EU, a CRA established and registered in the EU may “endorse” ratings from non-EU CRAs that are part of the same Group and where the third-country CRA fulfils requirements that are at least “as stringent as” requirements in the EU CRA Regulation. AMBERS currently endorses selected credit ratings issued by the following affiliated non-EU CRA group companies:

- A.M. Best Rating Services, Inc. (Parent company: An NRSRO domiciled in the United States of America)
- A.M. Best Asia-Pacific Limited (Affiliate company: A licensed entity permitted to provide Credit Rating Services domiciled in Hong Kong)
- A.M. Best Asia-Pacific (Singapore) Pte. Limited (Affiliate company: A licensed entity permitted to provide Credit Rating Services domiciled in Singapore)
- A.M. Best America Latina S.A. de C.V. (Affiliate company: A licensed entity permitted to provide Credit Rating Services domiciled in Mexico).

Our credit ratings are not a warranty, nor are they a recommendation to buy, sell, hold or trade any securities or insurance related products. They do not address the suitability of any particular financial obligation for specific purposes or for potential purchasers.

**Contact Information:**

Any comments or questions regarding this Report should be directed to:

**Michael Mawdsley** (Compliance Officer, AMBERS)
**Email:** Michael.Mawdsley@ambest.com
2. Legal Structure & Ownership

2.1 Legal Structure
A.M. Best Europe - Rating Services Limited (AMBERS) is a wholly owned subsidiary of A.M. Best Rating Services, Inc. (AMBRS). AMBRS is, in turn, a subsidiary of A.M. Best Company, Inc.

A.M. Best Company, Inc. is a privately owned company based in New Jersey, USA and, as such, the shares of A.M. Best Company, Inc. are not admitted for trading on a regulated market.

AMBERS is incorporated in accordance with the laws of England and Wales.

2.2 Board of Directors
As at the date of this report, the Directors of AMBERS are:

- Mr Larry Mayewski (Chairman)
- Dr Roger Sellek (CEO)
- Mr Nick Charteris-Black (Executive Director)
- Mrs Suzanne Pool (Executive Director)
- Mr Christopher Hopton (Independent Non-Executive Director)
- Mr John Bromfield (Independent Non-Executive Director)

The Board of Directors currently meets on an approximately quarterly basis, although ad hoc meetings are scheduled as required.

Please note that on the 19th of February 2019, A.M. Best announced a series of Senior Management Changes and Organisational Restructuring, which will be captured in the 2020 Transparency Report. A copy of the press release has been attached below:

3. **Description of Internal Control Mechanisms**

A.M. Best strives to ensure that credit ratings are free from conflicts of interest, are consistent and are not subject to geographical variations. AMBERS is a separate legal entity based in the United Kingdom. However, as part of A.M. Best, it shares common methodologies and processes.

At a high level, AMBERS internal control mechanisms ensure the quality of its credit rating activities and can be grouped into seven broad headings;

- Ownership and Management Structure
- Code of Conduct and Policies and Procedures
- The Credit Rating Process
- The Management of Conflicts of Interest
- Performance of Credit Ratings
- Endorsement Assurance Mechanisms
- Internal Control Functions and Frameworks.

3.1 **Ownership and Management Structure**

All of the Directors of AMBERS have extensive experience in the insurance industry supplemented in most instances with credit rating specific experience gained within the A.M. Best Group. Moreover, as a privately owned company, A.M. Best is free from many potential conflicts of interest and influence from external shareholders.

3.2 **Code of Conduct and Policies and Procedures**

AMBERS adheres to the AMBRS’ Code of Conduct which is based on the IOSCO Code of Conduct. The AMBRS’ Code sets out the principles under which all AMBERS Directors (Including Independent Non-Executive Directors), Senior Managers and Employees are expected to operate. The Code is regularly reviewed to take account of changes in legislation on a global basis.

The AMBRS' Code of Conduct is viewed as the high level standards and principles against which the company operates. A.M. Best also has a range of other policies and procedures which provide detailed interpretations of the laws, rules and regulations which govern the ways in which the business operates.

A summary of the policies and procedures used to determine credit ratings can be found at exhibit 2 within the attached link:


The above document provides an overview of the critical quality control role played by Rating Committees and outlines the high level processes for reviewing methodologies and maintaining ongoing surveillance of published ratings. Within the EU all ratings are subject to review on at least an annual basis.

More detailed information on rating methodology/criteria for the types of ratings issued by A.M. Best is available on our website at:

http://www.ambest.com/ratings/methodology.asp

Employees are provided with training and testing on compliance and ratings policies including the management of conflicts of interest. All policies are made available to employees through A.M. Best’s intranet pages and training is provided regarding new or amended requirements.
Analysts are provided with training and are tested on A.M. Best’s credit rating methodology used in the credit rating process.

With the exception of the changes identified in this report, there were no other material changes to the systems and procedures during 2018 that require disclosure under point 6 of Section E.I of Annex I of Regulation (EC) No 1060/2009.

3.3 The Credit Rating Process

The foundation of the interactive credit rating process is an ongoing dialogue with the rated company’s management, which is facilitated by A.M. Best’s credit analysts. Each interactively rated entity is assigned to a lead analyst who is supervised by a team leader. The lead analyst is charged with managing the ongoing relationship with company management and performing the fundamental credit analysis prescribed in AMBRS’ rating criteria. It is the lead analyst’s responsibility to monitor the financial and non-financial results and significant developments for each rated entity in their portfolio. A rating evaluation can be considered whenever A.M. Best becomes aware of a significant development, regardless of the annual review cycle.

This ongoing monitoring and dialogue with management occurs through formal annual rating meetings, as well as interim discussions on key trends and emerging issues as needed. Management meetings afford analysts the opportunity to review with the company factors that may affect its rating, including strategic goals, financial objectives and management practices. It is during these interactive meetings that a company typically will share information that may be extremely sensitive or proprietary in nature.

The dialogue with management continues throughout the rating process which is described in more detail below.

1. Compile Information. The rating assessment begins with the compilation of detailed public and proprietary financial information, including annual and quarterly financial statements, regulatory filings, certified actuarial and loss-reserve reports, investment details and guidelines, reinsurance transactions, annual business plans and Best’s Supplemental Rating Questionnaire. The primary credit analyst uses this information to develop a tailored meeting agenda for the annual rating meeting. The annual meeting is a key source of quantitative and qualitative information.

2. Perform Analysis. A.M. Best’s analytical process incorporates a host of quantitative and qualitative measures that evaluate various sources of risk to an organisation’s financial health, including underwriting, credit, interest rate, country and market risks, as well as economic and regulatory factors. The analysis includes comparisons with peers, industry standards and proprietary benchmarks, as well as assessments of operating plans, philosophy, management, risk appetite, and the implicit or explicit support of a parent or affiliate.

3. Determine Best's Credit Rating. An initial rating recommendation is developed based on the analytical process outlined above. Each rating recommendation is reviewed and modified, as appropriate, through a rigorous committee process that involves analysts and senior rating officers who possess relevant expertise. This committee approach ensures consistency of ratings across different business segments and maintains the integrity of the rating process and methodology. The final rating outcome is determined by one or more rating committees after a robust discussion of the pertinent rating issues and financial data.

Before public dissemination, the rating outcome as well as the principal grounds on which the rating is based is communicated to the company to which it is being assigned. If the company
disagrees with the rating and believes that the information on which it was based was incomplete or misunderstood, then the rating can be appealed. If material new information is forthcoming in a timely manner, then the rating committee may reconsider the rating.

4. Disseminate Best’s Credit Rating. A.M. Best’s Credit Ratings are disseminated as soon as practicable once the rating process is finalised. The ratings are made available to the public via A.M. Best’s website and through a number of different data providers and news vendors.

5. Monitor Best’s Credit Rating. Once an interactive credit rating is published, A.M. Best monitors and updates the rating by regularly analysing the company’s creditworthiness. Analysts continually monitor current developments (e.g. financial statements, public documents, news events) to evaluate the potential impact on a company’s rating. Significant developments can result in an interim rating evaluation, as well as modification of the rating or outlook. The primary analyst will typically initiate an evaluation of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action.

3.4 The Management of Conflicts of Interest

AMBERS operates an “issuer pays” business model in respect of the fees collected in return for the provision of a credit rating. The other recognised business model is termed “investor pays” which is where the general investors or users of the ratings pay a subscription to access company ratings. It is A.M. Best’s belief that whilst both methods have an inherent potential conflict of interest risk, the issuer pays model is the better method for making sure that the maximum exposure is given to any specific rating.

AMBERS has initiated a number of processes to manage potential conflicts of interest. These include:

- The adoption of the Code of Conduct based on the IOSCO principles. The code is regularly updated to keep it current and address evolving risks.
- The adoption of policies and procedures which address and manage conflicts of interest. Every quarter, employees affirm that they are aware of the details contained within the Code of Conduct and that they follow the policies and procedures, particularly with respect to gifts and entertainment, securities trading and ownership and other situations that could cause a real or potential conflict of interest.
- The business model operated by AMBERS separates the commercial aspects of providing a rating from the analytical process. The Code of Conduct expressly prohibits analytical employees from any knowledge of the commercial terms between the company and a rated entity.
- The working environment of AMBERS’ analytical staff is physically separated from that of all other employees.
- AMBERS only provides ratings services to its clients and does not operate any ancillary or other business which raises revenue from its clients.
- The rating process ensures that any potential conflicts of interest are declared at the outset of the ratings determination and analysts declare whether or not they have any potential conflicts of interest before joining any rating committee.
- The rating decision reached is that of a committee rather than the judgment of any single individual.
- When an analyst leaves the employ of A.M. Best to work for a rated entity a look-back review is conducted to make sure that the analyst did not exert any undue influence on the decision of the rating committee for that entity.
The compensation for analysts does not contain any element for the retention or acquisition of business.

The Compliance Officer actively monitors the potential and actual conflicts of interest that may occur within the business and reports his findings to the AMBERS’ Board.

3.5 Performance of Credit Ratings
With effect from the 1 of January 2019, A.M. Best updated the definition of financial impairment. The updated definition has been used in this section.

A.M. Best provides annual performance measurement statistics associated with Financial Strength Ratings, Issuer Credit Ratings, and Issue Credit Ratings. The performance measurement statistics are based on public and private ratings associated with individual US and non-US operating insurance companies. Consequently, AMBERS believes the results are applicable to its rated population given the consistent global application of rating criteria. The applicable periods for the performance statistics are the most recent 1-year, 3-year and 10-year periods all ending on December 31 in the prior calendar year.

Performance measurement statistics are updated annually at the end of the first quarter and these are made available on A.M. Best’s website. These performance measurement statistics display the following ratings transition data for the various rating types:

a) 1-year ratings transition matrix and 1-year impairment/default rate for each rating level;

b) 3-year ratings transition matrix and 3-year impairment/default rate for each rating level,

c) 10-year ratings transition matrix and 10-year impairment/default rate for each rating level.

The most recently available performance measurement statistics can be found at:


A.M. Best, along with credit markets in general, deems a non-insurer issuer default as having occurred when an issuer misses interest or principal payments on its obligations, restructures its debt in a way that is deleterious to investors, or files for bankruptcy.

For the purposes of presenting credit ratings performance measurement statistics consisting of credit rating transition and default rates “Form NRSRO: Exhibit 1Rating Performance Measurement Statistics”(Exhibit 1), A.M. Best classifies an entity as in default if the entity was assigned any of the following non-rating designation symbols: ("d"); ("e" or "E"); or ("f" or “F”).

For the purpose of tabulating impairment rates for insurers, A.M. Best designates an insurer as a Financially Impaired Company (FIC) upon the public placement of a company, via public court order or other international equivalent, into conservation, rehabilitation and/or insolvent liquidation. Supervisory actions undertaken by Insurance Department regulators without court order are not considered impairments for purposes of compiling Exhibit 1 statistics unless clear direction is given by the regulator to delay or limit policy or contract payments.

There are a number of regulatory oversight actions that may be taken with respect to troubled insurers in which court orders are not sought, such as required company action plans, various forms and levels of supervision, and licensure actions. Companies may be subject to these insurance department orders and actions on multiple occasions, particularly in certain jurisdictions, and while these regulatory actions suggest concern and impose constraints, they...
are not necessarily indicative of an insurer’s inability to meet its ongoing policy and contract obligations.

Additionally, companies that enter voluntary dissolution and are not under financial duress at that time are not counted as financially impaired.

3.6 Endorsement Assurance Mechanisms:

As mentioned above, A.M. Best operates using a single global policy framework. However, further to the publication of ESMA’s revised endorsement guidelines in July 2018, a gap analysis exercise was undertaken to identify where the requirements of the EU Credit Rating Agency Regulation (CRAR) were different from A.M. Best’s policies and procedures. As a result, some policies and procedures were updated to ensure that ratings being endorsed by AMBERS into the EU are issued in line with standards that either directly reflect the requirements of the CRAR regulation or are “as stringent as” such requirements.

Additionally, AMBERS issued an Endorsement Procedure that captures ongoing assurance mechanisms aiming at ensuring that the endorsed ratings comply with the required standards. This is delivered through three key steps:

- Verification that the Policies and Procedures employed by the third country CRA meet appropriate standards;
- Analysis of a range of Management Information to enable the AMBERS Compliance Officer to monitor compliance on an ongoing basis; and
- Specific Assurance testing by both the AMBRS and AMBERS Compliance function

On an annual basis, the AMBERS Compliance Officer will produce a report for the AMBERS Board that provides an overview of the activity performed to demonstrate compliance with ESMA’s endorsement guidelines.

3.7 Internal Control Functions and Frameworks

Cross Jurisdictional Management Support Functions

In the interests of consistency A.M. Best looks to utilise centralised functions wherever it is most appropriate to do so. The function responsible for the production of methodologies and models is centralised in A.M. Best’s Head Office in Oldwick, New Jersey.

Credit Rating Policy Committee

The Credit Rating Policy Committee (CRPC) is the global function which is responsible for overseeing the establishment, maintenance, appropriateness and documentation of A.M. Best’s global credit rating criteria, models and methodology. CRPC serves as A.M. Best’s independent internal review function globally. The committee is independent of the business lines that are responsible for the determination of credit ratings, sales/marketing activities and compliance. Members of the CRPC possess appropriate expertise in the credit rating process (and/or related disciplines) as to be able to provide sufficient knowledge to execute their duties. Under the terms of reference of the CRPC, the credit rating criteria, models and methodologies are subject to a continuous assessment and review process. This ongoing global review provides the appropriate degree of rigour which is paramount to the integrity of the credit rating process and allows the models and methodologies to be used with a high degree of confidence. The models and methodologies used in the sector have been developed and refined over a long period of time which gives the market confidence in the reliability of the overall rating process.
Risk Management Advisory Committee (RMACo)
The RMACo is a global oversight body charged with monitoring risks relative to A.M. Best’s CRA activities and the related development and evaluation of control systems and other mechanisms to mitigate A.M. Best’s exposure to these risks. The committee is comprised of members of the Risk function and senior management from the Ratings Division and INEDS.

The purpose of the Risk Management Advisory Committee (“RMACo”) is to assist AMBERS and its subsidiaries in the oversight of:

a) Compliance with global legal and regulatory requirements;
b) The adequacy of the internal control framework within RMACo’s authority and responsibility;
c) The adequacy of risk management systems including current risk exposures and risk strategy; and
d) The embedding and maintenance of a supportive culture in relation to the management of risk.

AMBERS Audit and Risk Management Committee (ARMCO)
In accordance with the AMBERS Governance Manual, the Audit & Risk Management Committee (ARMCO) assists the Board in the oversight of the financial statements, the qualifications and performance of the audit function, the compliance with legal and regulatory requirements, and the embedding and maintenance of a supportive culture in relation to the management of risk. ARMCO reviews the reports and other output from Risk Management, Finance, External and Internal Auditors and Compliance, and provides to the AMBERS Board a consolidated view of risk and control related topics so as to inform strategic decision making.

Methodology Advisory Committee (MAC)
The Methodology Advisory Committee is the global forum which reviews and provides independent oversight of the establishment, maintenance and appropriateness of the Company’s global credit rating methodology, procedures and models. The A.M. Best Rating Services (AMBRS) Board, is the approving authority for global credit rating methodology, procedures and models, and as such, takes into account comments from MAC. This Committee also provides independent oversight to the work of the Credit Rating Policy Committee (CRPC). The membership of MAC includes the two AMBERS’ INEDS.

Compliance
The Compliance Officer for AMBERS operates independently of business management and provides regular reports to the AMBERS Board in order to apprise the Directors of the efficacy of compliance arrangements in accordance with the Annual Compliance Plan. This includes, but is not limited to, providing updates on:

- Compliance monitoring activity;
- Any identified compliance issues;
- Any regulatory interactions in the reporting period;
- Changes to policies and procedures; and
- Progress being made to deliver the Annual Compliance Plan.
4. **Statistics regarding Staff Allocation**

The table below lists the number of Full-Time staff employed by AMBERS as at 31st December 2018.

<table>
<thead>
<tr>
<th>Staff Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating Analysts</td>
<td>27²</td>
</tr>
<tr>
<td>Credit Rating Support Staff</td>
<td>4</td>
</tr>
<tr>
<td>Other Support Staff (e.g. HR, Market Development, Finance, Compliance etc.)</td>
<td>24</td>
</tr>
<tr>
<td>Senior Management (CEO, Managing Director Analytics, Finance Director, HR and Operations Director, Managing Director Market Development and Compliance Officer)</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>61</strong></td>
</tr>
</tbody>
</table>

As outlined earlier in this report, methodology and model appraisal is undertaken by A.M. Best’s Credit Rating Policy Committee based in A.M. Best’s US Head Office.

All AMBERS analysts are involved in both new and existing ratings and are solely allocated to corporate ratings (and associated securities) of insurance companies. AMBERS does not issue either structured finance or sovereign ratings.

There were no material changes to resources during 2018 that require disclosure under point 6 of Section E.I of Annex I of Regulation (EC) No 1060/2009. However, as previously noted, AMB-EU received its ESMA registration with effect from 3 December 2018. Consequently, a number of analytical roles will be transferred to Amsterdam in 2019. These changes will be reflected in the 2020 Transparency Report.

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² One member of the UK Ratings Division has been seconded to the US based CRPC to support the roll out of the revisions to BRM and related criteria procedures. The secondment is scheduled to end in August 2019.
5. **Record Keeping Policy**

The record keeping requirements for AMBERS are governed by A.M. Best’s globally applicable record keeping and retention policy. The purpose of having a centrally administered policy is to allow A.M. Best to present a single standard which is understood by all employees.

The policy classifies documents according to whether the documents themselves are central to the procedures and determinations of rating decisions refer to the commercial relationships with our clients or are documents that A.M. Best keeps to satisfy its legal and regulatory obligations.

Details of A.M. Best’s Credit Rating Division record keeping policy can be found at exhibit 3 within the attached link:

6. **Review of the Compliance Function**

The AMBERS Board has conducted an internal review of its compliance function and has concluded that the company’s compliance arrangements are operating effectively and with the appropriate degree of independence. In helping to form this opinion, the AMBERS Board commissioned Mazars LLP to undertake a review of the AMBERS compliance function.

Mazars’ audit focused on the following areas:

- The development and coverage of the Compliance Monitoring Plan (CMP), including coverage of higher risk areas;
- Completion of compliance activities (including the depth in which these are performed and documented) in line with the CMP;
- Review of the Endorsement Readiness Paper and associated plans in relation to incoming endorsement regime for non-EU credit ratings; and
- The process for horizon scanning and capturing future changes in regulatory landscape (in particular ESMA requirements).

This review did not identify any material weaknesses in processes or procedures.

Please note, given that ESMA’s revised endorsement guidelines did not come into effect until 1 January 2019, the 2018 review did not include an assessment of the role of the AMBERS’ compliance function with respect to endorsed ratings.
7. Description of the Management and Analyst Rotation Policy

7.1 Management
A.M. Best ratings cover approximately 3,500 insurance companies globally throughout the Americas, Europe, Middle East and the Asia-Pacific region, with offices in the U.S., London, Amsterdam, Hong Kong, Dubai, Mexico City and Singapore.

AMBERS’ Chief Executive Officer (CEO), Dr. Roger Sellek, is also the CEO of A.M. Best’s Asia-Pacific businesses and AMB-EU. Dr Sellek is responsible for leading the development and execution of the AMBERS strategy and setting the appropriate “tone from the top” to help ensure AMBERS operates effectively, consistently and in line with the expectations of key stakeholders including, but not limited to regulatory authorities and the users of ratings. Dr. Sellek reports to Mr Larry Mayewski who is the President and Chairman of AMBRS and who is also the Chairman of AMBERS.

Reporting to Dr. Sellek, are a number of Senior Managers responsible for areas including Analytical Services, Market Development, Finance, Operations and Compliance. Where appropriate, these reports have dotted reporting lines into equivalent Group personnel based in the US, which enables potential issues / conflicts of interest to be escalated and mitigated.

7.2 Rotation Policy
Further to guidelines published by ESMA in November 2017, A.M. Best made a number of changes to its rotation policy with effect from May 2018. The updated policy captures the following requirements:

a) The lead Rating Analyst will have a maximum of four consecutive years’ interaction with an assigned rating entity/issuer or its related third parties at which time the rating will be reassigned;

b) For AMBERS based employees, the four consecutive year time frame begins on January 1, 2016. Any time a lead Rating Analyst accumulated with an assigned entity prior to this date will not count toward the four consecutive years of interaction.

c) The required cooling off period for any employee who reaches the maximum interaction time frame is two consecutive years.

It is the responsibility of the AMBERS Analytical function to track and enforce compliance with the above requirements.

With respect to endorsed ratings, the headcount of AMB-EU, AMBAP, AMBAPS and AMBAL, per individual entity, is significantly lower than the 50 FTE threshold set in the CRAR. As such, those entities are exempt from the analytical rotation requirements, but still aspire to comply, where possible, with the rotational benchmarks captured in the internal Rotation Procedure.

For AMBRS (US), FTE is above the 50 FTE threshold. As such, AMBRS is covered by the requirements below as outlined in the Rotation Procedure:

a) the lead Rating Analyst will have a maximum of six consecutive years’ interaction with an assigned rated entity/issuer or its related third parties at which time the rating will be reassigned.
b) the Reviewer will have a maximum of seven consecutive years’ interaction with an assigned rated entity/issuer or its related third parties at which time the rating will be reassigned.
8. Financial Information

Revenue of AMBERS
In 2018, AMBERS total turnover was £10,758,034. Turnover represents the total value of fees earned in the year, excluding value added tax. Revenue is earned by recognising fees throughout the period of service under the rating service agreement. Any billed fees unearned at the year-end are held in the balance sheet as deferred revenue. AMBERS did not generate any income from ancillary services and its revenue was 100% attributable to the provision of solicited credit rating services.

As outlined earlier in this report, AMBERS does not provide sovereign or structured finance ratings. As such all of its ratings revenue is attributable to corporate ratings related to the insurance sector.

No single rated entity or related third party was accountable for more than 5% of AMBERS’ revenue.

AMBERS provides ratings to organisations based within the European Union and also to organisations based within wider Europe, the Middle East and Africa. Based on the location of the entity billed, AMBERS’ revenue can be assigned as follows:

European Union – 55%
Non-European Union – 45%

Please note that AMBERS does not receive any revenue with respect to the ratings it endorses into the EU and so the above figures do not include any revenue generated from endorsed ratings.
9. Corporate Governance Statement


However, in the interests of transparency, AMBERS makes the following disclosures:

Corporate Code of Conduct
As a privately owned company, AMBERS is not subject to any mandatory corporate governance code in the United Kingdom. However, as outlined in section 3.2 of this report, AMBERS adheres to the AMBRS Code of Conduct based on the IOSCO Code of Conduct. The Code sets out the principles under which all AMBERS Directors (Including Independent Non-Executive Directors), Senior Managers and Employees are expected to operate. The Code is regularly reviewed to take account of changes in legislation on a global basis.

A.M Best’s Code of Conduct can be accessed via the following link:


In addition, AMBERS has implemented a Governance Manual setting out the various roles and responsibilities within the company. The AMBERS Board is committed to reviewing its governance processes and updating the Governance manual on at least an annual basis.

Financial Reporting (Internal Control and Risk Management)
The annual financial statements of the Company are produced by the Finance Director and are submitted for review to the Board’s Audit and Risk Management Committee (ARMCO). This review includes consideration of the appropriateness of the accounting policies that are followed in the preparation of the financial statements. ARMCO also receives a report from the Company’s appointed external auditors, including any comments they wish to bring to the attention of the Committee following their audit of the financial statements. ARMCO makes a recommendation to the Board regarding the approval of the annual financial statements.

Responsibility for the design and maintenance of an appropriate and proportionate internal control environment for the finance function is delegated by the Board to the Finance Director. ARMCO has oversight responsibility for this internal control system. Further, ARMCO agrees the work plan of the internal audit function and can thereby direct work in relation to any particular aspects of the internal controls over finance, as considered appropriate.

Share Ownership
As described in Section 2.1 above, AMBERS is a privately owned company with all of its shares held by A.M. Best Rating Services, Inc. (AMBRS). AMBRS is in turn 100% owned by A.M. Best Company, Inc. a privately owned company based in New Jersey, United States of America.

As at the date of this report, the AMBERS Board consists of three executive directors; two Independent Non-Executive Directors (INED) and a member of the AMBRS Executive Committee who acts as Chairman.

The Chairman of the Board is also the ‘Nominated Director’. Under the Company’s Memorandum and Articles of Association, the Nominated Director is appointed by the

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3 Article 46a was subsequently introduced through Council Directive 2006/46/EC.
shareholder and carries additional voting powers in the Board process. Specifically, no Board resolution is valid unless the Nominated Director supports the Board’s majority decision. Whilst the Nominated Director is unable to mandate a particular course of action without the backing of the Board as a whole, his voting rights do enable him to veto any proposal supported by the other members of the AMBERS Board. To date, there has been no instance where the Nominated Director has exercised this right of veto.

Directors of the Company can be appointed by the shareholders or by the Board when casual vacancies arise. Executive Directors have no fixed term of office and there is no retirement and re-appointment by rotation. AMBERS’ INEDs are appointed for a fixed five year time period with no renewal.

Names of the current Board members are included within Section 2.2, above.

END