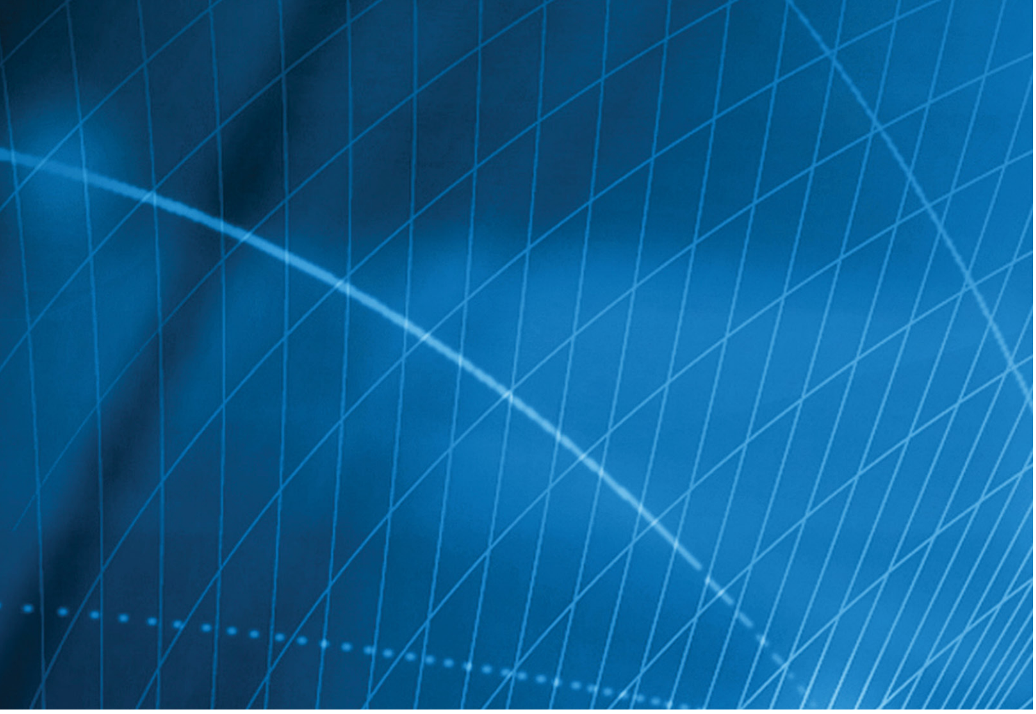


A.M. Best's Global Captive Highlights

The World of Captive Ratings

November 2014

www.ambest.com

Captives rated by A.M. Best demonstrate a variety of features, which suggests that the benefits of being rated are widely achievable.

The World of Captive Ratings — What type of captive seeks a rating?

A.M. Best currently rates over 200 captive ventures, representing a wide range of risk financing structures. We have focused on this niche sector of the insurance industry for about 30 years, continually expanding our coverage in response to growing interest in ratings by captive practitioners. This report looks at this portfolio of ratings to discern common features and to understand better the reasons why captives might seek a rating.

The questions we will answer are:

- How large must a captive be for it to be eligible to be rated?
- Will the rating merely reflect the status of the parent?
- How mature must the captive be to be suitable to be rated?
- Is the industry sector of the parent or the group the captive serves important?
- Do particular lines of business make a captive more suitable to being rated?
- Is domicile a relevant factor?
- Will the rating be determined by the quality of the captive's reinsurance?
- Does how the captive is managed make a difference?

Although 200 is a substantive sample from which worthwhile conclusions can be drawn, it does nevertheless represent a small fraction of the worldwide captive sector, which in 2013 totalled 6,342 [Marsh 2014 Captive Benchmarking Report]. Whilst we expect the number of rated captives to continue to grow it is unlikely to reach a substantial portion of the global captive population. This is because there will be insufficient stakeholder pressure on most captives to contemplate a rating, or their operations will be too modest to warrant such an initiative. Nevertheless, corporate governance considerations and regulatory developments will, we anticipate, make this a more common captive management agenda item.

In terms of market share, A.M. Best is the leading credit rating agency for captives (as it is in other sectors of the insurance market), with the great majority of rated captives carrying a Best's Financial Strength Rating. A few have a second rating. The reasons a captive might

Writer
Clive Thursby, London

Researcher
Róisín Gallagher, London

Is there a special rating scale for captives?

No. All Best's Financial Strength Ratings are presented on the same scale, and the analysis on which our opinion is based will be consistent whatever the type of insurer or wherever it is located. But we do recognise that captives are different from conventional insurers, for example in their objectives and their methods of operation, and this is taken into account in their appraisal.

want a rating are various but typically relate to its interface with the conventional market, both through fronting and reinsurance, and the requirements of regulators and business partners.

Market Comparison

As captives have a preferential relationship with their insureds, understanding the risks better and typically not having to compete aggressively for business as if in the open market, it may be anticipated that the performance of rated captives will reflect this. Captives can be more selective

Exhibit 1a
A.M. Best's Current Captive Financial Strength Ratings Distribution

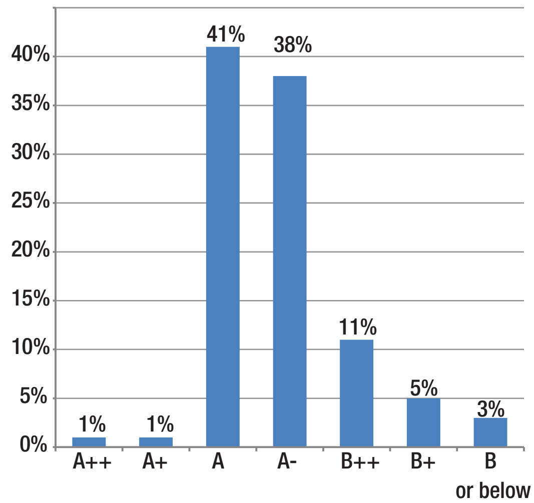
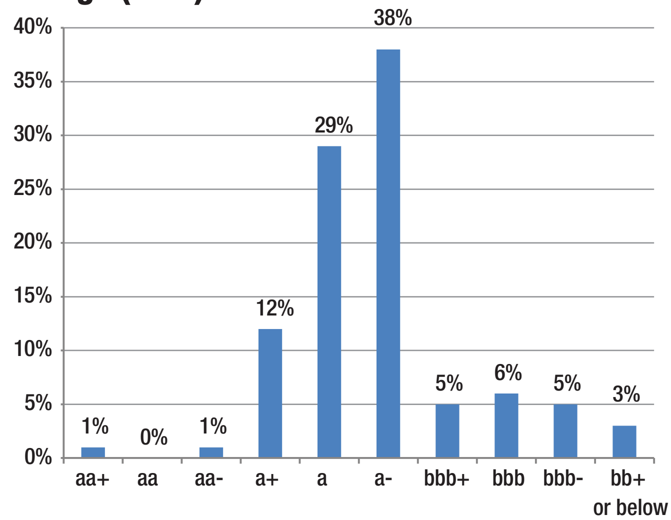


Exhibit 1b
A.M. Best's Current Captive Issuer Credit Ratings (ICRs) Distribution



Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

Exhibit 1c
Rating Translation Table

	Financial Strength Rating	Issuer Credit Rating	
Secure	A++	aaa, aa+	Investment Grade
	A+	aa, aa-	
	A	a+, a	
	A-	a-	
	B++	bbb+, bbb	
	B+	bbb-	
Vulnerable	B	bb+, bb	Non-Investment Grade
	B-	bb-	
	C++	b+, b	
	C+	b-	
	C	ccc+, ccc	
	C-	ccc-, cc	
	D	c	
	E & F	rs	
	S	s	

and better informed in their underwriting, and groups that establish captives may be expected to have above average risk management systems. On the other hand, captives can seldom achieve the level of diversification that most conventional insurers do, a diverse mix of business often being seen to be a positive influence on ratings.

The profile of Best's captive ratings, which are expressed on a global industry wide scale, is shown in **Exhibit 1**. As with other types of insurers, captives are assigned both a Financial Strength Rating (FSR) on Best's traditional insurance market scale and an Issuer Credit Rating (ICR) on the capital markets scale. The alignment of the two scales is shown in **Exhibit 1c.**

80% of Best's ratings of captives fall within the A range (designated "Superior" or "Excellent"). Over 95% are categorised as Secure. This distribution is broadly in line with the overall insurance industry, where A.M. Best rates approximately 3,400 companies in over 80 countries. However, in the case of rated single parent captives (37% of the total portfolio), 93% have ratings in the A range (see **Exhibit 2**). This superiority is a measure of the success of these ventures as risk management tools, reducing the total cost of risk of the groups they serve and resulting in high levels of captive capitalisation (as measured by Best's Capital Adequacy Ratio (BCAR)).

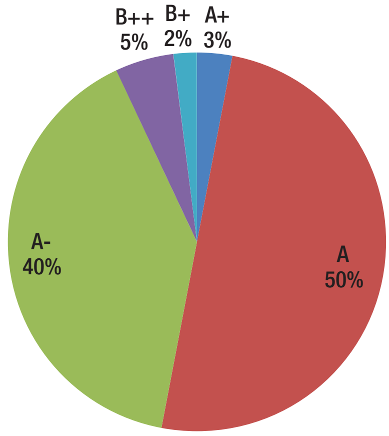
Looking back to the time when these ratings were first assigned (63% in the A range), it may be concluded that, as a group, the financial strength of these captives has improved; on average these ratings have been in issue for 11 years and 42% are now rated higher than originally. 10% are at a lower level than when first rated and, also, over the years some ratings have been withdrawn for various reasons. Generally, rating changes are infrequent, with these captives demonstrating their resilience and ensuing risk mitigation in the event of adverse loss experience.

Each year, A.M. Best issues a report on those captives based in the USA that it rates, making comparisons with a composite of conventional insurers. Under many headings, rated captives can be seen to be out-performing their conventional peers (see **Exhibit 3**).

By these criteria, captives achieve better than average underwriting results and are operated more efficiently than the market from which they are capturing premium, and have done so consistently. The contrast is more apparent in the case of single parent captives where the Combined and Operating 5 year average ratios are 64% and 52.5% respectively, reflecting the enterprise risk management role performed by captives and what typically is a lower cost-base than for much of the industry.

Conclusion:
Although captives can rarely compare with most insurers in terms of both business mix and resources, and may serve wider risk management purposes, this need not undermine their rating prospects.

Exhibit 2
Financial Strength Ratings (FSRs) Distribution of
Single Parent Captives



Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

Exhibit 3
Financial Performance of US Captives v. Commercial Insurers

Financial Indicator	US Captive Composite	US Commercial Composite
5 year average Combined Ratio to 2013	85.2%	103.2%
10 year average Combined Ratio to 2013	89.6%	101.2%
5 year average Operating Ratio to 2013	69.7%	88.3%
10 year average Operating Ratio	71.9%	86.6%
Premium to Surplus Ratio (2013)	0.3-to-1	0.8-to-1
Liquidity Ratio (2013)	187.5%	109.5%
Capital Adequacy (BCAR score 2013)	479.8	241.2

Source: A.M. Best Special Report "Rated U.S. Captives' Results Still Outperform Commercial Insurers". Published 4 August 2014.

Size

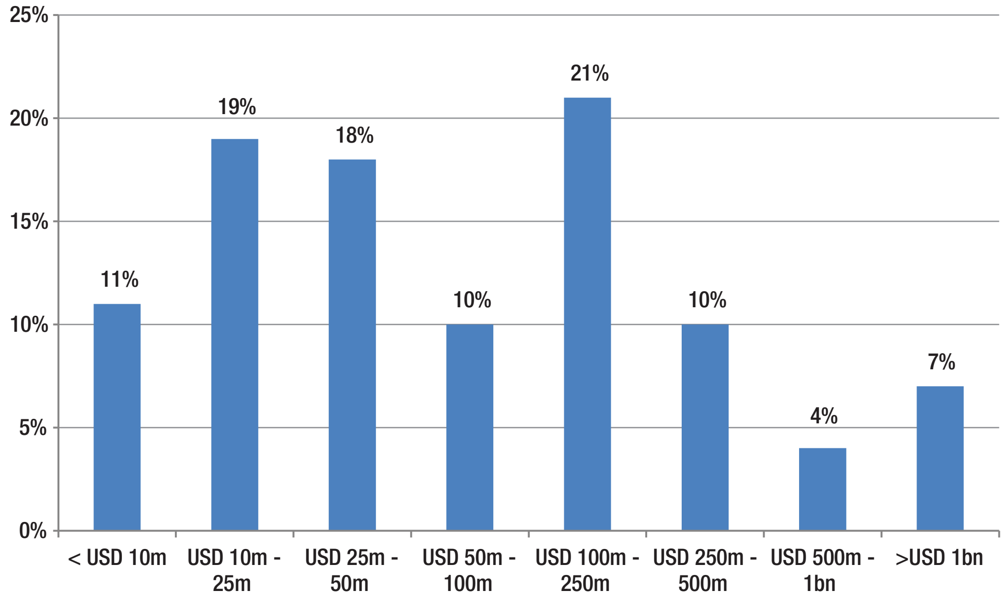
Ratings penetration of insurance markets tends to increase as insurance companies get bigger. This is true both generally and in the captive sector. Larger entities are more likely to have a scope and scale of operations to which a rating can bring benefit. However, that does not mean that size is the overriding factor in determining rating outcome. So, whilst a very large captive such as BP's Jupiter in Guernsey (with capital and surplus measured in USD billions) carries a rating of A, a more modest captive such as Micronesia based Marble (the captive of the Marubeni Corporation of Japan)) can still achieve a rating of A- with a capital base of less than USD 20 million. This is because Best's rating methodology takes into account a wide range of features under the general headings of financial strength, operating performance, business profile and enterprise risk management. No single aspect will determine the rating outcome.

Nearly one-third of rated captives have a capital and surplus of less than USD 25 million, with the lowest value being less than USD 1 million. Importantly, in the rating process the assessment of capital adequacy is risk based and not some arbitrary minimum requirement. Judged in terms of size by net worth and by premium income, captives rated by A.M. Best are summarised in **Exhibit 4**.

Conclusion:

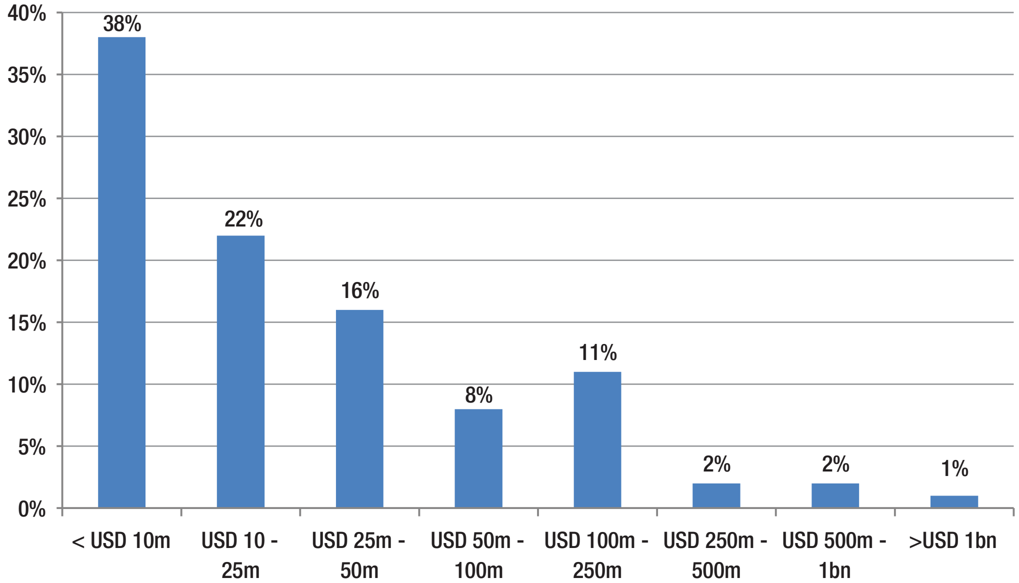
Although capitalisation is the first consideration, much of the quantitative analysis on which ratings are based concerns financial ratios where size is not the main element. Size can provide greater financial flexibility (a positive rating factor) but it is not a dominant feature of rated captives.

Exhibit 4a
Rated Captives by Size (Capital & Surplus)



Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

Exhibit 4b
Rated Captives by Size (Net Written Premium)



Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

Reflected Glory?

Of course, it may be argued that groups such as BP are major corporations and therefore the ratings on their captives simply mirror that. In fact, like all entities rated by A.M. Best, a captive will in the first instance be rated on a stand-alone basis and only then will group context be added. Clearly, a captive's rationale derives from the group it serves and the risk management programme it is a part of, so group context is fundamental. Certainly, many rated captives are part of large successful groups, the support of which will reinforce the captive's status.

However, this does not mean that a captive's rating is tied to that of its parent; a parental rating may move for reasons that have no bearing on the performance of the captive. As A.M. Best only rates insurance entities it will not be rating the parent (unless an insurance group) and therefore

Exhibit 5
Parental v Captive Ratings
(Ratings as of September 24, 2014)

Parent	Country	Rating	Credit Rating Agency	Captive	Domicile	Best's Captive Rating FSR	Best's Captive Rating ICR
AES Corp	USA	BB-	S&P	AES Global Insurance Company	USA (VT)	B+	bbb-
Deutsche Lufthansa-AG	Germany	BBB-	S&P	Delvag Luftfahrtversicherungs-AG	Germany	A	a
Marubeni Corp	Japan	BBB	S&P	Marble Reinsurance Corporation	Micronesia	A-	a-
National Grid	UK	BBB	Fitch	National Grid Insurance Company (Isle of Man) Limited (NGIC)	Isle of Man	A	a
Telefonica SA	Spain	BBB+	Fitch	Casiopea Re S.A.	Luxembourg	A-	a-

Sources: BESTLINK – Best's Statement File – Global, S&P Global Credit Portal and Fitch Ratings.

its opinions need not be constrained by such ratings. So, under A.M. Best's methodology whereby a captive is judged on its own merits, it is possible for a captive to achieve a higher rating than its parent (as issued by another rating agency). Although this would be unusual in practice, it is not unknown (see **Exhibit 5**).

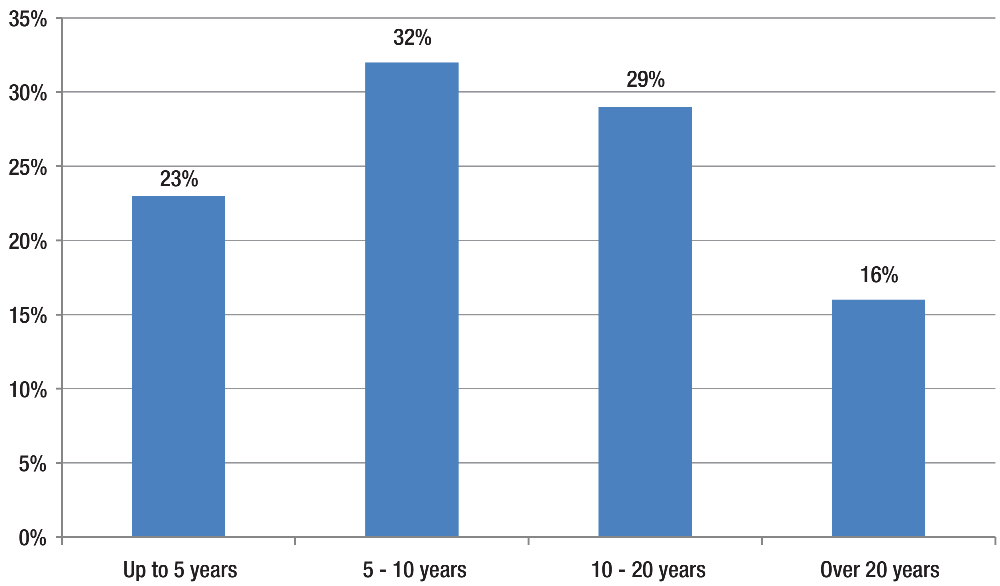
Also, although A.M. Best only rates (re)insurance companies, a captive can be rated by A.M. Best without its parent having been rated by another agency.

Conclusion:

When it rates a captive, A.M. Best expresses an opinion on the performance and prospects of the captive, not its parent or sponsors. Group context is important but unless the rating relates specifically to the captive, its usefulness to other parties may be doubted.

Maturity
Lufthansa's captive, Delvag (rated by A.M. Best since 2007), was formed in 1924 but such longevity is exceptional for a captive, whether rated or not. The age at which a captive is first rated does not seem to be a major factor, ranging as it has from a captive's inception to over 80 years. Half these captives were assigned a rating when less than 10 years old. (see **Exhibit 6**). This suggests it is business need rather than maturity that will prompt a captive to be rated. Of course, however old the captive, its participation in group insurance arrangements will

Exhibit 6
Age of Captive at First Rating



Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

typically be based on many years' experience of a risk profile that is well understood and well recorded. Hence, although many captives are not that mature when a rating is first assigned, the analysis on which that rating is founded can look back over a longer period.

Conclusion:

Whatever the stage of development of a captive, the benefits of being rated can be achieved.

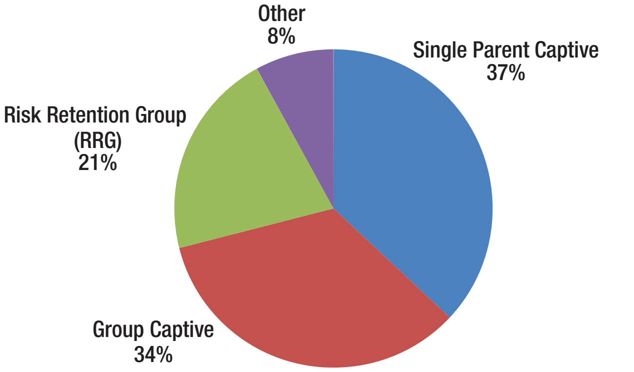
Ownership, Scope of Coverage and Industry Sector

If business need is the main driver for a captive to be rated, a supplementary question is whether captives underwriting certain lines of business or those operating in a particular industry sector may be more likely to see value in being rated.

The major US focus of the rated captive population (see Geographical Orientation below) is significant in this regard in that US captive usage is skewed towards liability covers, as compared with other parts of the world in which property is often the main class of captive underwriting. Cover for liability exposures, which are inherently more uncertain in quantum and where claims can take many years to settle, poses greater questions about insurer security. Hence the need for a captive to be rated.

Captives supporting groups that operate through joint ventures or which cover third-party risks (including those related to employees and customers) might be expected to face greater external interest in their financial strength or creditworthiness, which a rating can serve to address. In some cases there are commercial requirements to use rated paper. In fact, A.M. Best's experience suggests that such a more expansive use of a captive is not in most cases the major factor in the decision to seek a rating.

Exhibit 7
Rated Captives by Category



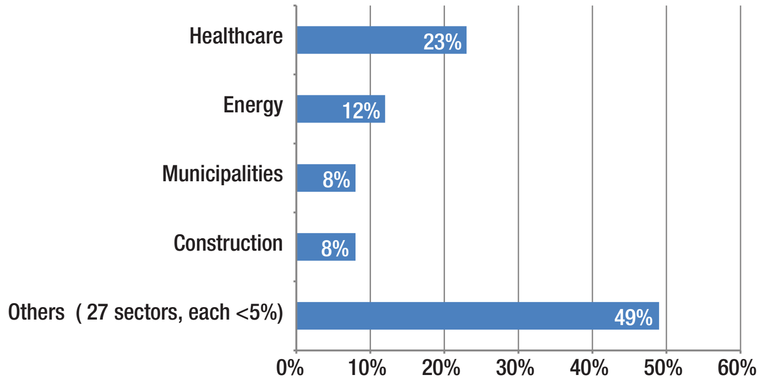
Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

On the other hand, captives that have multiple ownership or sponsorship are more inclined to be rated. Risk Retention Groups and Group Captives make up 55% of the rated population (see **Exhibit 7**) whereas, according to the 2013 Captive Insurance Directory published by Captive Review, these categories represent only 16% of all captives and in the Marsh survey (possibly less representative as it is based on Marsh managed captives only (less than 20% of the global total)) their share is just 7%. Where the ownership of a captive is more dispersed, participants are more likely to seek a rating (being as it is an informed and independent opinion of the captive's status) as a means of protecting their interests. In the case of Risk Retention Groups (a particular US structure with membership based on common liability exposures) 17% are now rated by A.M. Best. Here, both sponsorship and the long-tail nature of the business underwritten contribute to the demand for ratings.

In the case of rated single parent captives, an interesting distinction can be made between those located in the US and elsewhere. For US-based rated captives, only 25% are single parent captives, whereas in all other domiciles the proportion is 68%. Again, this reflects how captive structures have developed differently around the world.

The industry sector distribution of rated captives (see **Exhibit 8**) shows that healthcare and oil & gas/energy are the main sources. That healthcare is the largest individual sector from which rated captives are drawn (23%) is partly a measure of its role in the US economy and the fact that most captives worldwide are of US ownership. The US healthcare industry has traditionally faced conventional insurance challenges which captives have been used to overcome. 38% of the net premium of the US rated captives composite referred to related to medical professional liability in 2013 (52% in 2012). These arrangements need to be acceptable to various stakeholders, which a rating may help achieve.

Exhibit 8
Rated Captives by Industry Sector



Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

Major energy companies are characterised by their size and geographical reach, are subject to regulation and often operate through joint ventures, all of which point to the need for ratings. These companies, with stronger balance sheets than most insurers, prefer to self-insure their risks, making active use of their captives.

Focusing on single parent captives, oil & gas/energy is the leading sector (28% of rated captives) followed by financial institutions (10%) for which credit sensitivity is a major consideration.

A more recent trend is for insurance groups to establish captives to optimise retention capacity and coordinate the purchase of reinsurance protection. Increasingly, these facilities are being rated to achieve regulatory recognition. There is a certain irony in insurers utilising a risk financing facility originally developed to compete with the conventional market.

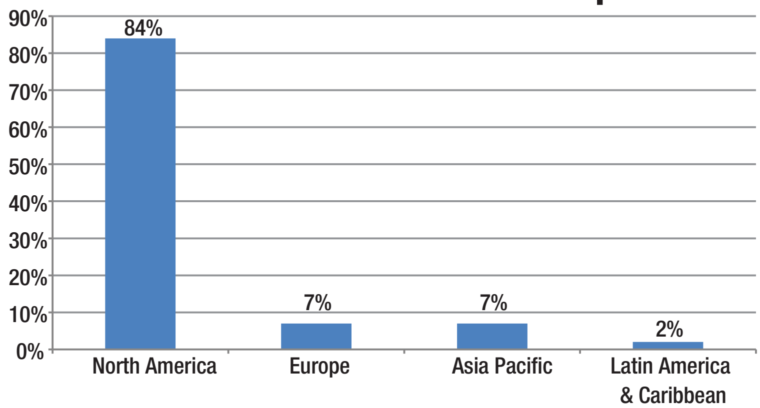
Conclusion:
Rated captives are active in diverse industry sectors, with some showing a greater propensity to seek ratings, but it will be the underlying risk management purpose of the captive that will determine whether it does so.

Geographical Orientation

Although the origins of the insurance industry in Europe had a discernible captive dimension, in its modern formulation captive usage has been and remains a predominantly US phenomenon. Indeed, in recent years the US share of the global captive population, both by ownership or location, has increased (to 58% according to the Marsh survey). Given also that ratings coverage of the US insurance market in general is more extensive than in any other part of the world, a contrast that dates back decades, it is not surprising that over 80% of rated captives have a US connection (see **Exhibit 9**).

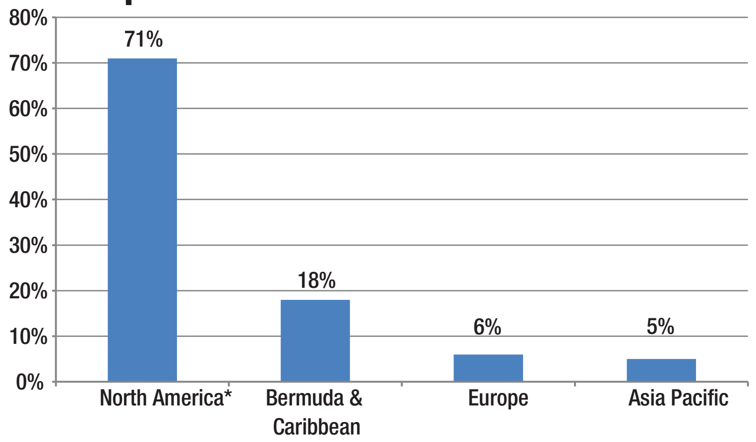
The continued formation of US captives, at a faster rate than in any other region (increasingly domiciled onshore as most States have now passed legislation promoting such ventures), suggests this picture will not change much in the near term.

Exhibit 9a
Parental Location of A.M. Best's Rated Captives



Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

Exhibit 9b
Rated Captives Domiciles



Notes: * Of those located in USA, 24% are in Vermont, in a total of 37 states with rated captives.
Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

Nevertheless, in the past three years, A.M. Best has issued new ratings on captives domiciled in such widespread locations as Ireland, Luxembourg, Malta, Russia, Malaysia (Labuan), Micronesia and New Zealand.

Various commentators have expressed the expectation that greater captive usage will develop in Europe and Asia in line with economic growth and evolving insurance market practice. This in turn should lead to more captives in those regions being rated, which Solvency II and other regulatory initiatives can also be seen to be encouraging.

As previously mentioned, rated single parent captives have a lesser US orientation. As this captive type is the most widespread globally (56% or 66% according to Captive Insurance Directory and Marsh survey respectively) it likewise points to further expansion of rating coverage in other regions.

Conclusion:
The benefits of a captive rating will generally not be determined by the location of the captive.

Reinsurance
As one of the textbook rationales for forming a captive is to gain access to the reinsurance market, are ratings on captives going to be derived from the quality of their reinsurance? This is certainly a rating factor but in practice the retention ratio of these captives (the proportion of gross premium they hold on to) is relatively high. In A.M. Best's US study, the ceded leverage ratio for captives (0.3 to 1) demonstrates a lower dependence upon the security provided by reinsurers than the commercial composite (0.8 to 1).

Most rated captives may be seen primarily as risk financing facilities rather than a mechanism for risk transfer, often with the higher value exposures of the parent being placed directly into the (re)insurance market, access to which in the modern era does not require captive participation. Rated captives are likely to adopt a more explicit risk-taking stance in pursuit of a reduction in the total cost of risk, rather than depending on reinsurance to obtain what effectively is a saving in acquisition costs in securing cover.

The quality of a captive's reinsurers will be reflected in the assessment of its capital adequacy. Reinsurance entails credit risk which impacts risk-based capitalisation requirements, with the rating of reinsurers being expressed in the capital charges that apply. But even where there is, unusually for rated captives, a dependence on reinsurance, this will be just one of several factors determining the rating outcome.

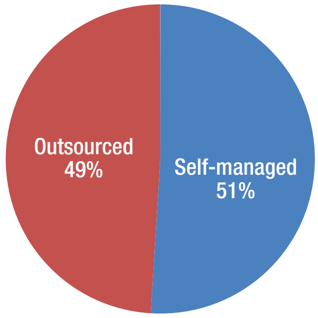
Conclusion:
Rated captives will typically maximise retained premium and look to reinsurance protection for more extreme exposures.

Management
Using a rating as a proxy quality mark for captive performance may also be seen in the management structures adopted by rated captives. The normal arrangement for the sector in

general is for a captive to outsource management services to a specialist firm, whether part of a broker-owned network or an independent. It is relatively unusual for these functions to be handled in-house. However, this is much less true in the case of captives rated by A.M. Best (see **Exhibit 10**).

It may be surmised that self-managed captives can face greater scrutiny of their arrangements than where specialist service providers with an established market reputation are retained, and therefore a rating might be used by a risk manager to demonstrate that a captive operated in this manner is achieving international best practice. Also, a self-managed captive could be better placed to play a more integral and strategic part in its group risk management infrastructure, which a rating might support.

Exhibit 10
Manager Types of Rated Captives



Sources: BESTLINK – Best's Statement File – Global, A.M. Best research.

Conclusion:
Rated captives tend to have a more active operational style.

The Demand for Captive Ratings

This report has shown that A.M. Best currently rates a wide range of captives. A.M. Best's recent experience suggests that this range will continue to expand, particularly in terms of geographical spread. Distilling the record of rated captives so far, the following conclusions can be drawn about the type of captive that could benefit from being rated. Such a captive is likely to be seen as a positive risk management tool, interacting confidently both with the operations of its wider group and the insurance market, demonstrating to stakeholders that it has clear objectives and is appropriately resourced to pursue them.

As noted, only a minority of captives is likely to seek a rating. However, the range of currently rated captives suggests there are many comparable captives that might also benefit from being rated. Indeed, a survey undertaken by Captive Review and published in its February 2014 edition indicated that 60% of the captives surveyed which were not already rated were considering being rated in the next five years, with 40% likely to seek a rating. This may have been an unusual sample (for example 29% were currently rated, as compared with a global average of about 3%), but the results point to ratings moving towards the mainstream of captive practice. A major element of the interest in being rated expressed in this survey was related to fronting and collateral requirements, which might be eased with an appropriate rating. Certainly, there are cases where a rating has helped a captive gain improvements in this area, and recently a leading provider of fronting facilities has started to encourage cedant captives to be rated.

General trends in the international insurance market include the more widespread requirement that rated security be used and it may be anticipated that this will also be evident in the captive sector. Regulatory pressures in many countries will also have the same effect. In addition, corporate governance considerations are having greater significance in the oversight of captive usage. Boards of groups with captives that have no other insurance operations are sensitive to the responsibility to understand such ventures and be assured that they are under control. Likewise, as groups disclose more in their statutory reporting about the risks they face and how these are being managed, reference to the use of a captive may raise further questions from external interested parties. In both respects by being rated a captive can be better placed to withstand such scrutiny.

Conclusion:

As captives become more complex and operate in an environment demanding greater transparency and accountability, A.M. Best expects to expand its rating coverage of the sector. Similarly, as captive usage becomes decoupled from general market cycles and is less opportunistic, an observed trend, demonstrating the value of a captive will become more important. Consequently, captive practitioners and wider stakeholders will need to become more familiar with the process by which ratings are assigned, the insight that they provide and the use to which they can be put.

Circumstances in which captives and their owners have benefited from a rating include:

- A demand for increased accountability and transparency (e.g. as driven by corporate governance and capital efficiency considerations).
- Questions are raised about the captive's rationale following some major change (e.g. a merger or new Chief Financial Officer).
- Third-party business is planned.
- Joint ventures involve risks suitable for the captive.
- Fronting is required but it is inefficient.
- Reinsurance availability is problematic.
- Leasing and other financial constraints restrict captive participation.
- Heightened regulatory oversight.

For further information about A.M. Best's captive ratings or to request a rating, please contact:

Global Headquarters	Corporate Offices			
Americas (Regional Centre)	**Europe, Middle East & Africa** (Regional Centre)	**Asia-Pacific** (Regional Centres)	**MENA, South & Central Asia** (Representative office)	**Latin America Region** (Regional Centre)
A.M. Best Company, Inc. Ambest Road Oldwick, New Jersey 08858 United States Phone: +1 (908) 439-2200 Fax: +1 (908) 439-3296 *ratings@ambest.com*	**A.M. Best Europe – Rating Services Ltd.** **A.M. Best Europe – Information Services Ltd.** 12 Arthur Street, 6th Floor London, UK EC4R 9AB Phone: +44 (0)20 7626-6264 Fax: +44 (0)20 7626-6265 *europe.ratings@ambest.com*	**A.M. Best Asia-Pacific Ltd.** Unit 4004 Central Plaza 18 Harbour Road Wanchai, Hong Kong Phone: +852 2827-3400 Fax: +852 2824-1833 *asia.ratings@ambest.com* **A.M. Best Asia-Pacific (Singapore) Pte. Ltd.** 6 Battery Road #40-02B Singapore	**A.M. Best – MENA, South & Central Asia** Office 102, Tower 2 Currency House, DIFC PO Box 506617 Dubai, UAE Phone: +971 (0) 43 752 780 *emea.ratings@ambest.com*	**A.M. Best América Latina, S.A. de C.V.** Paseo de la Reforma 412, Piso 23 Col. Juárez, Del Cuauhtémoc México, DF 06600 Phone: +52-55-5514-1727

Published by A.M. Best Company

CHAIRMAN & PRESIDENT **Arthur Snyder III**

EXECUTIVE VICE PRESIDENT **Larry G. Mayewski**

EXECUTIVE VICE PRESIDENT **Paul C. Tinnirello**

SENIOR VICE PRESIDENTS **Douglas A. Collett, Karen B. Heine, Matthew C. Mosher, Rita L. Tedesco**

A.M. BEST COMPANY
WORLD HEADQUARTERS
Ambest Road, Oldwick, NJ 08858
Phone: +1 (908) 439-2200

WASHINGTON OFFICE
830 National Press Building
529 14th Street N.W., Washington, DC 20045
Phone: +1 (202) 347-3090

A.M. BEST AMÉRICA LATINA, S.A. de C.V.
Paseo de la Reforma 412
Piso 23
Mexico City, Mexico
Phone: +52-55-5208-1264

A.M. BEST EUROPE RATING SERVICES LTD.
A.M. BEST EUROPE INFORMATION SERVICES LTD.
12 Arthur Street, 6th Floor, London, UK EC4R 9AB
Phone: +44 (0)20 7626-6264

A.M. BEST ASIA-PACIFIC LTD.
Unit 4004 Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Phone: +852 2827-3400

A.M. BEST ASIA-PACIFIC (SINGAPORE) PTE. LTD.
6 Battery Road
#40-02B
Singapore

DUBAI OFFICE (MENA, SOUTH & CENTRAL ASIA)
Office 102, Tower 2
Currency House, DIFC
PO Box 506617, Dubai, UAE
Phone: +971 43 752 780

A Best's Financial Strength Rating is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile. The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. These ratings are not a warranty of an insurer's current or future ability to meet contractual obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Debt/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security. It is based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance and business profile and, where appropriate, the specific nature and details of a rated debt security. Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

Any and all ratings, opinions and information contained herein are provided "as is," without any expressed or implied warranty. A rating may be changed, suspended or withdrawn at any time for any reason at the sole discretion of A.M. Best.

In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information.

A.M. Best does not offer consulting or advisory services. A.M. Best is not an Investment Adviser and does not offer investment advice of any kind, nor does the company or its Rating Analysts offer any form of structuring or financial advice. A.M. Best does not sell securities. A.M. Best is compensated for its interactive rating services. These rating fees can vary from US$ 5,000 to US$ 500,000. In addition, A.M. Best may receive compensation from rated entities for non-rating related services or products offered.

A.M. Best's Special Reports and any associated spreadsheet data are available, free of charge, to all *Best's Insurance News & Analysis* subscribers. Nonsubscribers can purchase the full report and spreadsheet data. Special Reports are available through our Web site at *www.ambest.com/research* or by calling Customer Service at (908) 439-2200, ext. 5742. Briefings and some Special Reports are offered to the general public at no cost.

For press inquiries or to contact the authors, please contact James Peavy at (908) 439-2200, ext. 5644.

Founded in 1899, A.M. Best Company is the world's oldest and most authoritative insurance rating and information source. For more information, visit *www.ambest.com.*

A.M. BEST COMPANY
WORLD HEADQUARTERS
Ambest Road, Oldwick, NJ 08858
Phone: +1 (908) 439-2200

WASHINGTON OFFICE
830 National Press Building
529 14th Street N.W., Washington, DC 20045
Phone: +1 (202) 347-3090

A.M. BEST AMÉRICA LATINA, S.A. DE C.V.
Paseo de la Reforma 412
Piso 23
Mexico City, Mexico
Phone: +52-55-5208-1264

A.M. BEST EUROPE RATING SERVICES LTD.
A.M. BEST EUROPE INFORMATION SERVICES LTD.
12 Arthur Street, 6th Floor, London, UK EC4R 9AB
Phone: +44 (0)20 7626-6264

A.M. BEST ASIA-PACIFIC LTD.
Unit 4004 Central Plaza, 18 Harbour Road,
Wanchai, Hong Kong
Phone: +852 2827-3400

A.M. BEST ASIA-PACIFIC (SINGAPORE) PTE. LTD.
6 Battery Road
#40-02B
Singapore

A.M. BEST MENA, SOUTH & CENTRAL ASIA
Office 102, Tower 2
Currency House, DIFC
PO Box 506617, Dubai, UAE
Phone: +971 43 752 780

14.0740