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FOR IMMEDIATE RELEASE

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AM Best Revises Outlooks to Negative for Barents Re Reinsurance Company, Inc. and Its Affiliate

MEXICO CITY, December 13, 2019—AM Best has revised the outlooks to negative from stable and 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 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 to the group’s overall strategy. Barents Re provides a parental guarantee and reinsurance support to Barents Re Lux.

The negative outlooks reflect the decline in Barents Re’s profitability with respect to past years, which has resulted from negative trends in premium sufficiency. AM Best will remain attentive to Barents Re’s performance through its different business cycles. Any further deterioration in operating performance could lead to negative rating actions.

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

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In 2018, Barents Re decreased its business by 11.8% and continued its focus in Europe. As of December 2018, European business represented 80%, Middle East and North Africa 13% and Latin America 7%. 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.

An important component of the company's current operating performance metrics are the management expenses related to the redomicile to Cayman Island and other non-recurrent expenses designed to improve company operations. Results also were impacted by an increased loss ratio on specific life and property businesses. For June 2019, the company posted net income of USD 10.3 million, with a return on equity of 4.3%.

Barent Re'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.

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.

Negative rating actions could occur if the business strategy produces negative results that continue to affect the company's overall profitability, adverse scenarios caused by operational risk, or, if by any other means, risk-adjusted capitalization becomes non-supportive of the current ratings. AM Best does not expect positive rating actions in the short term; however, key factors that could lead to positive rating actions for Barents Re include a consistently favorable development of business strategy, risk-adjusted capitalization, ERM capabilities, and significant improvements in operating performance.

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

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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.

Key insurance criteria reports utilized:

- Evaluating Country Risk (Version Oct. 13, 2017)
- Understanding Universal BCAR (Version May 23, 2019)
- Catastrophe Analysis in A.M. 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. 19, 2018
- Date Range of Financial Data Used: Dec. 31, 2013-June 30, 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.

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