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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 10, 2020**—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) is negative.

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. As of 2020, Barents Re has taken action to relocate Barents Lux to the United Kingdom. The planned relocation involves establishing a new licensed reinsurance carrier domiciled in the United Kingdom, which will acquire all of the assets and liabilities of Barents Re Lux pursuant to a merger by absorption and a portfolio transfer.

The negative outlooks reflect the decline in Barents Re’s profitability with respect to past years. AM Best will continue to monitor Barents Re’s performance through its different business cycles. While AM Best expects improvement over 2020, failure to execute strategic plans successfully is likely to result in negative rating actions.

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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.

In 2019, Barents Re increased its business portfolio by 9.7%, reducing its exposures in Latin America and MENA. As of December 2019, European business represented 82%, the Middle East and North Africa region generated 12% and Latin America held the balance of 6%. 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.

Although the group’s combined ratio has increased over time, its five-year average still compares favorably with the market. Changes in the accounting methodology and expenses related to the Cayman Island redomicile are an important component of the company’s current metrics. As of September 2020, the company demonstrated an improved claims level and acquisition costs, showing resilience to the current market conditions.

Barents 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 nonsupportive of the current ratings. AM Best does not expect positive rating

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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.

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 June 11, 2020)
- Catastrophe Analysis in A.M. Best Ratings (Version Oct. 13, 2017)
- Available Capital & Holding Company Analysis (Version Oct. 13, 2017)
- Scoring and Assessing Innovation (Version March 5, 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: Dec. 13, 2019
- Date Range of Financial Data Used: Dec. 31, 2013-Sept. 30, 2020

**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.

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