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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 17, 2021**—AM Best has affirmed the Financial Strength Rating of A (Excellent) and the Long-Term Issuer Credit Rating of “a” (Excellent) 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 assesses as strongest, as well as its strong operating performance, neutral business profile and appropriate enterprise risk management.

The negative outlooks reflect volatility in the company’s operating performance metrics over the past several years, as well as the uncertainty of its global business expansion. AM Best will remain attentive to Barents Re’s performance through its expansion initiatives. While stability is expected, failure to execute strategic plans successfully is likely to result in negative rating actions.

The rating affirmations reflect Barents Re’s risk-adjusted capitalization at the strongest level, as measured by Best’s Capital Adequacy Ratio (BCAR), and geographical diversification. Limiting the ratings is the shifting regional composition of Barents Re’s portfolio and the uncertainty regarding the impact on the company’s level of profitability.

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.

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Barents Re provides a parental guarantee and reinsurance support to Barents Re Lux. There were plans to relocate Barents Re Lux to London, but as of June 2021, Barents Re withdrew the application. According to the company, this was mainly due to the delay in the process, and the negative implications this would have on Barents Re's operations. The company is in the course of obtaining their U.K. branch license to operate under the temporary permissions regime until the end of 2023. Failure to obtain the U.K. branch license would put operational pressure on the company.

Business volume in 2020 expanded year over year by 66%, mainly driven by a quota share treaty on motor third-party liability business in Romania and Bulgaria. Overall, Europe-sourced business represents 88% of its portfolio, with the Middle East and North Africa region generating 10% and Latin America holding the rest. 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 operating performance have shifted over time toward a different structure, its current metrics still compare favorably with the market. As of June 2021, the company demonstrated an improved claims level and administration costs, showing resilience to the current market conditions. Although there is volatility present in the company's premium volume and the composition of the business portfolio, Barents Re has been able to produce consistently positive operating earnings across multiple underwriting cycles.

Barents Re's risk-adjusted capitalization still reflects capital contributions in 2016 and 2017, along with positive bottom-line results in the past years. The company's reinsurance program adequately covers exposures, and its net exposures to catastrophe events do not represent a significant portion of its reported surplus.

Positive rating actions are not expected in the medium term. Factors that could lead to negative rating actions are the deterioration in the expected performance of the company in terms of profitability and capital

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generation. Negative rating actions could also occur as a result of an unfavorable development of the company's global business expansion that impacts its business profile, or due to the breakdown in its corporate governance due to regulatory issues or a breach in controlling its operational risks.

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](#) (Version Nov. 13, 2020), 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 Global BCAR (Version July 22, 2021)
- 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. 10, 2020
- Date Range of Financial Data Used: Dec. 31, 2014-Jun. 30, 2021

**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.**

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