



# NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • WASHINGTON, D.C. • MEXICO CITY • LONDON • DUBAI • SINGAPORE • HONG KONG

## FOR IMMEDIATE RELEASE

**CONTACTS: Yuhmei Chen**  
Senior Financial Analyst  
Insurance-Linked Securities  
(908) 439-2200, ext. 5236  
[yuhmei.chen@ambest.com](mailto:yuhmei.chen@ambest.com)

**Christopher Sharkey**  
Manager, Public Relations  
(908) 439-2200, ext. 5159  
[christopher.sharkey@ambest.com](mailto:christopher.sharkey@ambest.com)

**Elmo W. Chin**  
Assistant Vice President,  
Insurance-Linked Securities  
(908) 439-2200, ext. 5227  
[elmo.chin@ambest.com](mailto:elmo.chin@ambest.com)

**Jim Peavy**  
Assistant Vice President, Public Relations  
(908) 439-2200, ext. 5644  
[james.peavy@ambest.com](mailto:james.peavy@ambest.com)

### **A.M. Best Upgrades Ratings of R.V.I. Guaranty Co., Ltd. and R.V.I. America Insurance Company**

**OLDWICK, NEW JERSEY, U.S.A., July 1, 2015**—A.M. Best has upgraded the financial strength rating to A- (Excellent) from B++ (Good) and the issuer credit ratings (ICR) to “a-” from “bbb+” of **R.V.I. Guaranty Co., Ltd.** (RVI Guaranty) (Bermuda) and its Connecticut-domiciled subsidiary, **R.V.I. America Insurance Company** (RVI America) (collectively known as RVI). The outlook for all ratings has been revised to stable from positive.

RVI is one of the largest insurance companies that specializes in underwriting and marketing of residual value insurance for clients engaged in asset-based financing. Coverage is purchased by participants in asset-based financing transactions for protection against the unexpected decline in the market value of an asset. This coverage also provides third-party financial support to satisfy either regulatory or certain accounting requirements.

The ratings reflect RVI’s improved operating and underwriting results, conservative investment portfolio and improvement in the market value of its insured assets, business profile and risk-adjusted capital. After a 2008 downturn in the economy that resulted in a significant decline in the market values of certain insured assets, operating results and demand for RVI’s primary insurance product, residual value insurance, the company took actions to stabilize and improve operating results and expand its narrowly focused business and concentrated client base. Specific actions included the de-risking of its insured portfolio through the commutation of certain

—MORE—



# NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • WASHINGTON, D.C. • MEXICO CITY • LONDON • DUBAI • SINGAPORE • HONG KONG

—2—

passenger vehicle policies and/or pools of policies of higher risk assets and RVI's entire \$4.2 billion financial guaranty reinsurance portfolio. In addition, RVI has developed new passenger vehicle programs that expand the use of residual value insurance beyond vehicle leases into vehicle financings; expanded its fee-based advisory services, which not only directly contribute to RVI's profitability but also provide opportunities for generating organic growth of its insurance product; and formed NxGen 360, LLC to launch and distribute certain insurance products to automobile dealers and wholesalers.

The outlook reflects RVI's operating results, risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio, and its continued leading market position in providing residual value insurance. Positive or negative rating actions could occur should substantial changes occur in the following areas: financial market or economic conditions; demand for RVI's residual value insurance product; risk-adjusted capital position; or operating performance.

These positive rating factors are tempered by RVI's narrowed business profile as its primary business segments – passenger vehicle, commercial equipment and real estate – are highly dependent upon the performance and cyclicity of the asset-based financing/lending industry where RVI now predominately provides lower levels of risk coverage and catastrophe risk transfer. A less robust asset-based lending environment may constrain premium growth in the near future. In addition, there is an element of uncertainty that may potentially impact RVI's operations and financial condition as a result of proposed changes to lease accounting standards. Even though the impact to RVI appears to be minimal, based on the latest tentative board decisions by the Financial Accounting Standards Board and the International Accounting Standards Board, there still exists an element of uncertainty because the decisions become final only after a formal written ballot to issue a financial standards update occurs. Additionally, the tax court resolution of an Internal Revenue Service issue regarding its public release (Dec. 9, 2011) of a technical advice memorandum (2011 TAM), which concluded that a contract

—MORE—



# NEWS RELEASE

A.M. BEST COMPANY, INC., OLDWICK, NJ • WASHINGTON, D.C. • MEXICO CITY • LONDON • DUBAI • SINGAPORE • HONG KONG

—3—

labeled “residual value insurance” that “insures” against market decline is not a contract of insurance for federal income tax purposes, still needs to be resolved.

**This press release relates to ratings that have been published on A.M. Best's website. For all 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 visit A.M. Best's [Ratings & Criteria Center](#).**

**A.M. Best Company is the world's oldest and most authoritative insurance rating and information source. For more information, visit [www.ambest.com](http://www.ambest.com).**

**Copyright © 2015 by A.M. Best Company, Inc. ALL RIGHTS RESERVED.**