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## FOR IMMEDIATE RELEASE

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### **AM Best Affirms Credit Ratings of R.V.I. Guaranty Co., Ltd. and R.V.I. America Insurance Company**

**OLDWICK, N.J., September 27, 2019**—AM Best has affirmed the Financial Strength Rating of A- (Excellent) and the Long-Term Issuer Credit Rating of “a-” of R.V.I. Guaranty Co., Ltd. (RVI Guaranty) (Bermuda) and its subsidiary, R.V.I. America Insurance Company (RVI America) (Stamford, CT) (collectively known as RVI). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect RVI’s balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management (ERM).

RVI’s risk-adjusted capitalization, as measured by Best’s Capital Adequacy Ratio (BCAR), is currently at the strongest level. The company has low financial flexibility despite maintaining a \$15 million external line of credit. RVI started paying dividends to its shareholders in 2011; in recent years, its dividend payout is approximately equal to its annual net income, which has led to no increase in surplus. The company’s BCAR level, conservative investment portfolio and strong liquidity position provide support to the balance sheet assessment of very strong.

RVI’s adequate operating performance assessment is based on its stable long-term earnings, and low historical loss and combined ratios. Earnings have been driven primarily by its controlled risk exposure and stable net premium written. The company had earnings of \$9.1 million in 2018 after its first loss in 2017 since its

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incorporation, and a five-year average combined ratio is 79%. However, RVI's 2018 net premium written dropped 32% from 2017. This was affected primarily by the low interest rate environment and the 2017 Tax Cuts and Jobs Act, which lowered leasing industry activities by allowing 100% depreciation in the first year on purchased assets. An additional \$5.2 million net loss provision was added due to the soft market on small capacity regional aircraft.

RVI's limited business profile assessment is driven by its narrow line of business and high product risk. Despite the company's leading market position and little competition in the residual value insurance sector, its product risk is highly correlated with the performance and cyclical nature of the broader economy. The company typically has low frequency, high severity claims. RVI's client and premium concentration is high; however, this is offset partially by its high client retention rate. The company continues to expand its client base and is developing business opportunities in China.

RVI's overall ERM assessment is appropriate, as the company has a formal ERM process that is commensurate with its business size, nature and complexity. The company's risk assessment capability is aligned, in general, with its risk profile. Management closely monitors its risk profile and adjusts risk management goals to improve its risk exposure. It has corrected the categorization on commercial equipment data and resolved the data management issue.

RVI managed to turn its operating performance to positive after its first loss in 2017. However, RVI's net premium written dropped significantly and its loss reserves continued to increase due to the decline in the market values of small capacity regional aircraft.

The ratings and/or outlooks will likely be impacted negatively if there is further adverse development in the company's written premium and loss reserves affecting its operating performance.

**This press release relates to Credit Ratings that have been published on AM Best's website. For all**

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