

Research Update:

R.V.I. Guaranty Co., Ltd. 'BBB+' Ratings Affirmed; Outlook Stable

September 19, 2019

Overview

- RVI is a leading player in the residual value insurance market with very strong capital adequacy.
- We are affirming our ratings on RVI.
- The stable outlook reflects our expectation that RVI will maintain its competitive position and very strong capital adequacy.

PRIMARY CREDIT ANALYST

David S Veno
Princeton
(1) 212-438-2108
david.veno
@spglobal.com

SECONDARY CONTACT

John Iten
Hightstown
(1) 212-438-1757
john.iten
@spglobal.com

Rating Action

On Sept. 19, 2019, S&P Global Ratings affirmed its 'BBB+' long-term issuer credit and financial strength ratings on R.V.I. Guaranty Co., Ltd. and its subsidiary R.V.I. America Insurance Co. (collectively RVI). The outlook is stable.

Outlook

We expect RVI to maintain its competitive position in the residual value insurance market and continue to explore opportunities to grow its franchise. We also expect its capital adequacy to remain very strong.

Downside scenario

We may lower our ratings if RVI cannot sustain its already constrained competitive position, or if any individual exposure or group of similar exposures becomes outsize relative to its capital position, or if it significantly changes its capital-management strategy.

Upside scenario

Although we are unlikely to raise our rating in the next two years, we may raise our ratings if the group's sources of revenue and earnings become more diverse in terms of geography, customer,

and product, and we view the level of diversification as sustainable.

Rationale

Our affirmations follow the implementation of our revised "Group Rating Methodology," "Hybrid Capital: Methodology and Assumptions," and "Insurers Rating Methodology," all published July 1, 2019.

RVI has been able to build on its competitive advantage given its favorable brand name, extensive knowledge in the residual value market, and strong and consistent operating performance over the past several years. Its combined ratio improved to 87.4% for 2018 from 108.12% in 2017; its five-year average remains 78.6% for 2014-2018. The company strives to diversify its sources of revenue by expanding into Chinese markets. Another source of diversification is its consulting services offered in asset valuation to assist its clients in managing their portfolios. This, however, is unlikely to become a significant revenue generator in the next few years. Its competitive advantage is somewhat offset by its monoline business focus and concentration of premiums.

Capital adequacy is significantly redundant at the 'AAA' level per our capital model. However, similar to other insurers, RVI's small capital base limits our financial risk profile score. With continuous monitoring of risks to which it is exposed, and its frequent re-estimation of maximum liability of its insured portfolio, we believe significant risk controls that are in place will protect the company's capital position.

Ratings Score Snapshot

Business Risk Profile	Satisfactory
Competitive position	Satisfactory
IICRA	Intermediate risk
Financial Risk Profile	Strong
Capital and earnings	Very Strong
Risk exposure	Moderately Low
Funding structure	Moderately Negative
Anchor*	bbb+
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable ratings analysis	0
Financial Strength Rating	BBB+

*The lower anchor is chosen given the monoline nature of business, concentration of clients, and volatility of earnings.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019

Research Update: R.V.I. Guaranty Co., Ltd. 'BBB+' Ratings Affirmed; Outlook Stable

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Ratings List

Ratings Affirmed

R.V.I. Guaranty Co., Ltd.

R.V.I. America Insurance Co.

Issuer Credit Rating	
Local Currency	BBB+/Stable/--

Financial Strength Rating	
Local Currency	BBB+/Stable/--

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.