

Research Update:

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

November 28, 2022

Overview

- RVI has a strong position in the niche residual value leasing market with a stable, loyal customer base.
- We affirmed our ratings on RVI.
- We updated our assessment of RVI's funding structure to neutral from moderately negative.
- The stable outlook reflects our expectation that RVI will maintain its competitive position and very strong capital and earnings.

Rating Action

On Nov. 28, 2022, 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 remains stable.

Rationale

RVI has an established competitive advantage given its favorable brand name, extensive knowledge in the residual value and leasing business, and strong and consistent operating performance in recent years. This is somewhat offset, however, by its narrow business focus and concentration of premiums from its top five clients. As the company continues to strive to diversify and grow its customer base in the U.S., it has also started to expand its business internationally.

In addition to expanding its business in the global residual value market, the company has begun to transition into more traditional property and casualty lines and other specialty lines of business as a direct writer and reinsurer. This business expansion is a benefit stemming from Group1001 acquiring RVI in 2020. Although these initiatives will help diversify the company's revenue, they present new underwriting risk to the company and the success of management's strategy can only be judged over time.

RVI's 'AAA' capital adequacy remains a key strength to the overall ratings. However, the company's

PRIMARY CREDIT ANALYST

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

SECONDARY CONTACT

Brian Suozzo
New York
1 (212) 438 0525
brian.suozzo
@spglobal.com

RESEARCH ASSISTANT

Pragati R Chaudhari
Mumbai

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

relatively small shareholders equity of \$166 million at Sept. 30, 2022, is a limiting factor, in our view, of the company's capital and earnings assessment and limits our view of the financial risk profile. We expect the company to maintain its current level of capital adequacy over the forecast horizon. Our forecast includes the earnings from the non-residual value business expansion initiatives and the risk this business may present to our capital and earnings assessment. However, overall performance is still weighted heavily towards the residual value business. As more non-residual value business is written, we will be able to better judge the quality, earnings power, and its impact on capital adequacy.

We updated our assessment of RVI funding structure to neutral from moderately negative. Group1001 represents a source of capital to support RVI's business growth. RVI has not paid dividends to Group1001 following the acquisition which represents Group1001's commitment to RVI's capital and business growth.

We applied an adjustment of a negative notch to determine the standalone credit profile based on a comparable ratings analysis. The absolute amount and diversity of RVI's premiums written lag peers in the 'A' category.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that RVI will maintain capital adequacy at 'AAA', maintain its competitive position in the residual value insurance market, and continue to explore opportunities to grow. We also expect that management will continue to prudently review new opportunities to ensure the risk profile of the company does not change significantly.

Downside scenario

We may lower our ratings if RVI cannot sustain its already constrained competitive position, 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 ratings in the next two years, an upgrade would depend on meaningful, sustainable growth in total capital and the group's sources of revenue and earnings becoming more diverse in terms of geography, customer, and product.

Environmental, Social, And Governance

ESG credit indicators: E-2, S-2, G-2

ESG factors have no material influence on our credit rating analysis of RVI.

Ratings Score Snapshot

Financial strength rating	BBB+
Anchor*	a-

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

Business risk	Satisfactory
IICRA	Intermediate
Competitive position	Satisfactory
Financial risk	Very Strong
Capital and earnings	Very Strong
Risk exposure	Moderately low
Funding structure	Neutral
Modifiers	
Governance	Neutral
Liquidity	Adequate
Comparable ratings analysis	(1)

*We choose the lower of the two given the mono-line nature of RVI's business, its concentration of clients, and the volatility of its earnings.
IICRA--Insurance Industry And Country Risk Assessment.

Related Criteria

- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Insurers Rating Methodology, July 1, 2019
- Group Rating Methodology, July 1, 2019
- Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Principles Of Credit Ratings, Feb. 16, 2011
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

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 © 2022 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.