



# 013313 - Argo Re Ltd.

**Report Revision Date:** 09/20/2017

| Rating and Commentary <sup>1</sup>   | Financial <sup>2</sup>   | General Information <sup>3</sup>  |
|--|--|---|
| <b>Best's Credit Rating:</b> 09/20/2017<br><b>Rating Rationale:</b> 09/20/2017<br><b>Report Commentary:</b> 11/28/2016             | <b>Time Period:</b> Annual - 2016<br><b>Last Updated:</b> 06/28/2017<br><b>Status:</b> Quality Cross Checked | <b>Corporate Structure:</b> N/A<br><b>States Licensed:</b> N/A<br><b>Officers and Directors:</b> 04/10/2017             |
|  <a href="#">Best's Credit Rating Methodology</a> | <a href="#">Disclaimer</a>   |  <a href="#">Best's Rating Guide</a> |

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<sup>1</sup> The **Rating and Commentary** dates outline the most recent updates to the company's Best's Credit Rating, Rating Rationale, and Report Commentary for key rating and business changes. Report Commentary may include significant changes to the Business Profile, Risk Management, Operating Performance, Balance Sheet Strength, or Reinsurance sections of the report.

<sup>2</sup> The **Financial** dates reflect the current status of the financial tables and charts found within the AMB Credit Report, including whether the data was loaded "As Received" or had been run through A.M. Best "Quality Cross Checks".

<sup>3</sup> The **General Information** dates cover key changes made to Corporate Structure, States Licensed, or Officers and Directors.

Operating Company Non-Life

Ultimate Parent: [Argo Group International Holdings, Ltd](#)

## Argo Re Ltd.

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AMB #: 013313

Ultimate Parent #: [058448](#)

NAIC #: N/A

AIIN#: AA-3190932

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## Best's Credit Ratings

Best's Financial Strength Rating: A

Outlook: Stable

Best's Issuer Credit Rating: a

Outlook: Stable

Rating Effective Date: 09/20/2017

Financial Size Category: XIII

Report Revision Date: 09/20/2017

## Rating Rationale

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**Rating Rationale:** The ratings reflect Argo Re's solid capitalization, historically strong operating performance and an enterprise risk management program that is supportive of its risks. The ratings also reflect the diversified insurance and reinsurance platforms within the Argo group of companies and the financial flexibility afforded by its publicly traded parent, Argo Group. These ratings also take into consideration management's preliminary views that loss potential from hurricanes Harvey and Irma should remain within Argo's risk tolerance. This view integrates consideration of Maybrooke Holdings Limited (Ariel Re), which the Argo Group acquired in February 2017.

Argo Re benefits from its demonstrated product expertise in niche focus areas and proven solid underwriting fundamentals that span numerous lines of business and territories. Argo Re also maintains a business profile with broad global reach that complements Argo's longstanding U.S. presence in the excess and surplus lines sector and specialty admitted markets. These are managed holistically with respect to capital, investment strategy and market presence. The acquisition of Ariel Re is another example of Argo's desire to broaden its business profile and enhance the group's presence in the Lloyd's and Bermuda markets.

These positive rating factors are offset partially by the potential earnings volatility inherent in the group's underwriting operations (via catastrophe exposure), competitive pressures in and outside of the U. S. and the effects from sluggish economic conditions worldwide. Argo's desire to grow through acquisitions could introduce new risks and add to this volatility.

Key drivers that could lead to upward rating movement over the long term would be the ability to further enhance the underwriting and operating results of Argo Re with an accompanying increase in risk-adjusted capital.

Downward rating pressure or a revision of the rating outlooks to negative could result if there is material deterioration in the organization's underwriting performance due to material adverse loss reserve development or outsized losses in relation to its peer group that result in a material decline in risk-adjusted capital.

## Five Year Rating History

| Date       | BEST'S |     |
|------------|--------|-----|
|            | FSR    | ICR |
| 09/20/2017 | A      | a   |
| 11/16/2016 | A      | a   |
| 10/22/2015 | A      | a   |
| 10/02/2014 | A      | a   |
| 08/26/2013 | A      | a   |

## Rating Unit Members

Argo Re Ltd. ( AMB# 013313 )

| AMB#   | Company  | BEST'S |     | Pool % |
|--------|--|--------|-----|--------|
|        |  | FSR    | ICR |        |
| 002723 | <a href="#">Rockwood Casualty Insurance Co</a> | A      | a   | 85.0   |
| 012126 | <a href="#">Somerset Casualty Insurance</a>    | A      | a   | 15.0   |
| 002219 | <a href="#">Argonaut Great Central Ins Co</a>  | A      | a   |        |
| 002056 | <a href="#">Argonaut Insurance Company</a>     | A      | a   |        |
| 003540 | <a href="#">Argonaut Limited Risk Ins Co</a>   | A      | a   |        |
| 003078 | <a href="#">Argonaut-Midwest Ins Co</a>        | A      | a   |        |
| 002058 | <a href="#">Argonaut-Southwest Ins Co</a>      | A      | a   |        |
| 003283 | <a href="#">Colony Insurance Company</a>       | A      | a   |        |
| 002619 | <a href="#">Colony Specialty Insurance Co</a>  | A      | a   |        |
| 011035 | <a href="#">Peleus Insurance Company</a>       | A      | a   |        |
| 002057 | <a href="#">Select Markets Insurance Co</a>    | A      | a   |        |
| 014152 | <a href="#">ARIS Title Insurance Corp</a>      | A      | a   |        |
| 091791 | <a href="#">ArgoGlobal SE</a>                  | A      | a   |        |

## Business Profile

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Argo Re is a Bermuda based specialty reinsurer that underwrites short-tail reinsurance lines exposed to property catastrophe risks. Argo Re focuses on underwriting property catastrophe excess of loss reinsurance for a relatively small number of cedents whose accounts are well known to Argo Re underwriters. Argo Re will also underwrite property per risk and pro rata reinsurance on a select basis. Reinsurance underwritten by Argo Re covers underlying exposures that are located throughout the world, including the United States. In addition to its primary location of Bermuda, Argo Re originates business through affiliates worldwide: Argo Solutions, S.A., in Belgium; ArgoGlobal Underwriting Limited in Dubai, U.A.E. to serve the Middle East and North African insurance community; Argo Seguros, in Brazil; and ArgoGlobal SE, in Malta to serve markets in Continental Europe. Argo Re provides quota share reinsurance to its U.S., U.K. and Maltese subsidiaries.

Argo Re's parent is Argo Group International Holdings, Ltd. (NASDAQ: AGII), an international underwriter of specialty insurance and reinsurance products in areas of the property and casualty market.

In addition to its underwriting operations, Argo Re also owns a number of subsidiaries, including all of the group's insurance operations. Insurance operations are divided into four business segments by the parent: Excess and Surplus Lines, Commercial Specialty, International Specialty and Syndicate 1200.

The Excess and Surplus Lines (E&S) segment focuses on risks typically not written by the standard market due to risk characteristics such as the perils involved, the nature of the business, and/or the insured's loss experience. The E&S segment's approach to these risks is generally to offer more flexible policy terms on an admitted and non-admitted basis. The E&S segment consists of Colony Specialty. While focused primarily on non-admitted business, certain classes of business may be underwritten on an admitted basis for risks that otherwise meet Argo Group's underwriting standards.

The Commercial Specialty segment provides property, casualty and surety coverages designed to meet the specialized insurance needs of businesses within certain well-defined markets. It targets business classes and industries with distinct risk profiles that can benefit from specially designed insurance programs, tailored loss control and expert claims handling. This segment serves its targeted niche markets with a narrowly focused underwriting profile and an understanding of the businesses it serves. The Commercial Specialty segment consists of the following risk-bearing business units: Argo Insurance, Rockwood Casualty Insurance Company (Rockwood), Commercial Programs, Argo Surety, Trident, Argo Pro and ARIS Title Insurance Corporation (ARIS). In addition, the segment operates a variety of non-risk-bearing agency and brokerage operations that generate fee income under the Alteris brand. Most of the Alteris businesses operate as managing general agents. Alteris units have underwriting authority for third party carriers as well as for certain Argo Group companies.

The International Specialty segment includes business units that underwrite insurance and reinsurance risks worldwide from offices in Bermuda, Dubai and Malta, specializing in specialty property catastrophe reinsurance, excess casualty and professional insurance. These businesses operate as Argo Re, the Excess Casualty and Professional Lines units of Argo Insurance in Bermuda and Argo Seguros in Brazil.

The Syndicate 1200 segment is focused on underwriting worldwide property, specialty and non-U.S. liability insurance on behalf of one underwriting syndicate, under the Lloyd's of London global franchise. The segment's business platform is based in London. Syndicate 1200 obtains its underwriting capital from a variety of sources and seeks to maintain a balance between capital managed on behalf of Argo Group and capital managed on behalf of third parties. Syndicate 1200's worldwide property division concentrates mainly on underwriting short-tail risks, with an emphasis on commercial properties that are also exposed to catastrophes and other man-made or natural disasters. Syndicate 1200's liability division underwrites non-U.S. professional indemnity, international general liability, financial institutions and legal expense, medical malpractice, international casualty treaty, and directors and officers insurance. The aerospace division was placed in runoff in August, 2016.

Argo Group announced its acquisition of Ariel Re (Holdings) Limited (Ariel Re) on November 13, 2016, for \$235 million in cash. Ariel Re writes insurance and reinsurance globally through Lloyd's Syndicate 1910. The transaction is expected to close in the first quarter of 2017.

Effective December 31, 2007, Argo Re merged with PXRE Reinsurance Ltd. (PXRE), which had been effectively in run-off since the fourth quarter 2006 following substantial losses in 2005 from Hurricanes Katrina, Rita and Wilma. The merger provided Argo Re with an existing infrastructure via PXRE's offices, and underwriting platforms in Bermuda and Europe. In addition, Argo Re continues to manage the run-off of PXRE's reserves, which amounted to approximately \$3 million at the end of 2015.

## Risk Management

Argo Group has a well developed Enterprise Risk Management (ERM) framework that is focused on three major objectives: 1) Ensure that all reasonably foreseeable material risks, including financial and non-financial, on and off-balance sheet, and current and contingent exposures are identified; 2) Ensure that the potential impact of such material risks, including material risks affecting capital requirements and capital management, short-term and long-term liquidity requirements, policyholder obligations, and operational strategies and objectives are assessed; 3) Ensure policies and strategies are developed and maintained to manage, mitigate, and report material risks effectively.

Argo Group's risk management framework, which consists of three lines of defense, begins at the group level.

The first line of defense consists of line management in each business department that is tasked with identifying, assessing, measuring, monitoring, reporting, and mitigating risks associated with the department's respective functions and responsibilities.

The second line of defense is made up of the Group ERM and Compliance functions. The ERM function is the custodian of the overall risk management framework and all risk management processes such as risk assessment, loss event reporting, emerging risk assessment, stress & scenario testing and Own Risk & Solvency Assessment (ORSA). This level, which is closely aligned with group level Compliance and Internal Audit functions, involves a team of ERM specialists, risk modelers, and actuaries that comprise the ERM function. These individuals and their activities are aligned with risk management professionals embedded within each business unit or department.

Working closely with the ERM function, the Compliance function is tasked with ensuring that business departments adhere to Group Policies and meet international compliance regulations and best practice standards related to for example Ethics, Sanctions, Finance Crime and Data Protection standards. They are charged with policy development and implementation including group-wide compliance training programs.

The third line of defense is the Group-level independent Internal Audit function with reporting responsibility to Executive Management and the Board. This level involves a risk-based approach by assessing the effectiveness of Argo Group's risk management processes and practices including the risks associated with the group's compensation plans and by providing timely feedback and assurances to the Board on the effectiveness of Argo Group's risk management framework. The Head of Internal Audit reports on issues of risk management, including the internal control framework, and communicates them directly to the Audit Committee of the Board.

The Chief Risk Officer, who reports on issues of risk management directly to the Risk & Capital Committee of Argo Group's Board, plays a key role in risk management by coordinating, facilitating, and overseeing the effectiveness and integrity of Argo's risk management activities. This function is also charged with establishing, maintaining, and enhancing the methodology and tools used to identify and evaluate risks and, where risks are outside Argo Group's risk appetite or tolerance, ensuring that there is an appropriate response applied by the respective risk owner.

Argo Group's "Risk Strategy" encompasses risk appetite, risk tolerance levels and strategy for addressing and managing risk. The organization has defined overall risk appetite measure based on the available capital and liquidity as well as on the Board approved earnings target within certain volatility ranges. This is supported by a series of qualitative risk appetite statements that clearly articulate the organization's attitude and preference for risk taking. Specific and measurable risk tolerances are defined and monitored in order to manage risk exposures within acceptable ranges, and this provides a term of reference for the operational segments of Argo Group. Risk limits encompassed in the group's risk strategy include: 1) Primary company-wide portfolio limits, which are based on Argo Group's overall portfolio and designed to protect the capital and liquidity position and to limit the likelihood of an economic loss for the year; 2) Secondary, supplementary limits, which serve to limit losses that can arise out of individual risk types or accumulations, such as natural catastrophes and terrorism, and to limit market and credit risks that could materially impact Argo Group's survival were they to materialize; 3) Other limits, which are designed to protect and preserve the Argo Group's reputation and strategic agility and thus protect Argo Group's future business potential. These limits include parameters for individual risks that could cause permanent damage to how customers, clients, shareholders, and staff perceive Argo Group.

**Catastrophe Exposure & Management:** Argo Group's Catastrophe Modeling team consists of a 11 experienced in-house analysts, supplemented by 19-26 offshore employees responsible for data capture and individual account modeling. The number of offshore analysts fluctuate based on volumes and time of the year. Argo has moved during 2016 towards using RMS as its single view of risk for catastrophe modeling for Exposure Management purposes. Where a catastrophe model either does not exist, or Argo elects not to license a catastrophe model, detailed quantitative techniques are employed to analyze Non-Modelled risk and formulate Probable Maximum Losses (PMLs). Argo Group also employs a variety of bespoke portfolio optimization tools.

## Risk Management (Continued...)

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With regards to Exposure Management, Argo Group maintains target maximum catastrophe exposure thresholds at Group and at business unit levels. Under the leadership of the Chief Underwriting Officer, Argo manages all operating entities as one with regard to catastrophe exposure. Decisions on catastrophe aggregate allocation are centralized; the functions of catastrophe modeling, determining adequate return on capital, aggregate management and risk selection are decided from a group perspective rather than by individual operating entity. Furthermore, Argo sets thresholds for aggregate catastrophe risk at specific return periods, which are approved at a Board-level.

Individuals from each of the operating entities communicate regularly with, and come under the common scrutiny of, the Group Property Underwriting Committee, a decision making team which is made up of the most senior members of staff, including the leading Property Underwriters and Portfolio Manager. The committee is chaired by the Group Chief Underwriting Officer and responsible for alignment on strategy, outwards reinsurance, pricing and the allocation of catastrophe aggregate to the operating entities with the objective of producing the maximum risk adjusted return on capital. In addition, Argo employs a dedicated portfolio manager or analyst at each operating entity, who works in conjunction with underwriting teams to build optimal capacity deployment strategies.

## Operating Performance

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**Operating Results:** Over the five year period ended December 31, 2015, Argo Re demonstrated improved results year over year. In 2011, had losses relating to a series of natural events, including the Japan and New Zealand earthquakes, the Thailand and Australia floods, as well as storms in the United States that impacted the company's operations. Results improved in 2012, however, a small net loss was generated primarily as a result of catastrophe losses from storm activity, including Hurricanes Sandy and Isaac in the United States. Profitability was restored in 2013 as catastrophe losses decreased while written and earned premium levels increased, supplemented by net investment income. Overall profitability continues to date.

## Balance Sheet Strength

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### Capitalization

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**Capitalization:** Argo Re maintains an excellent level of capitalization as measured by Best's Capital Adequacy Ratio (BCAR). Underwriting leverage is manageable, with net premiums written representing approximately 55% of total surplus. Loss reserve leverage is higher but is still manageable at approximately 75% of surplus. Unaffiliated equity investment leverage is also relatively low, which helps preserve the company's strong capital position. An analysis of current and pro-forma cash flows indicates that sufficient capital exists to support existing financial obligations. A.M. Best expects management to keep its risk exposures within planned tolerances. Moreover, A.M. Best will continue to evaluate capitalization to ensure capital and surplus are commensurate with the current rating.

In 2015, Argo Re paid cash dividends of \$41.0 million to Argo Group. Over the five year period ended December 31, 2015, Argo Re paid dividends totaling \$266.4 million. No dividends were paid by Argo Re to Argo Group in 2012.



## Balance Sheet

### Summarized Accounts as of December 31, 2016

Data reflected within all tables of this report has been compiled from the financial statements of this company (Source: Company Financial Statement). An independent audit of the company's affairs through December 31, 2016, was conducted by Ernst & Young Ltd.

#### Assets

|                                      | 12/31/2016 | 12/31/2016 | 12/31/2015 |
|--------------------------------------|------------|------------|------------|
|                                      | USD(000)   | % of total | USD(000)   |
| Cash and equivalents                 | 129,181    | 4.3        | 60,773     |
| Long term fixed maturity investments | 551,947    | 18.3       | 517,326    |
| Equity investments                   | 176,580    | 5.9        | 126,739    |
| Invested assets                      | 728,527    | 24.2       | 644,065    |
| Receivables                          | 73,358     | 2.4        | 83,636     |
| Reinsurance recoverable              | 199,943    | 6.6        | 168,577    |
| Deferred policy acquisition cost     | 39,801     | 1.3        | ...        |
| Equity in unconsolidated subsidiary  | 801,024    | 26.6       | 737,069    |
| Other assets                         | 1,040,940  | 34.6       | 988,639    |
| Total assets                         | 3,012,774  | 100.0      | 2,682,759  |

#### Liabilities & Surplus

|  | 12/31/2016 | 12/31/2016 | 12/31/2015 |
|--|------------|------------|------------|
|  | USD(000)   | % of total | USD(000)   |
| Property / Casualty reserves           | 1,193,566  | 39.6       | 1,106,224  |
| Unearned premium reserves              | 227,629    | 7.6        | 231,106    |
| Total policy reserves                  | 1,421,195  | 47.2       | 1,337,330  |
| Other liabilities                      | 111,433    | 3.7        | 102,243    |
| Total liabilities                      | 1,532,628  | 50.9       | 1,439,573  |
| Equity - common stock                  | 1,120      | ...        | 1,120      |
| Paid-in capital                        | 1,177,884  | 39.1       | 1,177,884  |
| Accumulated other comprehensive income | -168,778   | -5.6       | -288,534   |
| Retained earnings                      | 469,920    | 15.6       | 352,716    |
| Total equity                           | 1,480,146  | 49.1       | 1,243,186  |
| Total liabilities & equity             | 3,012,774  | 100.0      | 2,682,759  |

## Summary Of Operations

### Statement of Income

|  | 12/31/2016 | 12/31/2015 |
|--|------------|------------|
|  | USD(000)   | USD(000)   |
| Direct premiums written                          | 92,438     | 84,113     |
| Reins assumed                                    | 744,307    | 720,594    |
| Gross premiums written                           | 836,745    | 804,707    |
| Reins ceded                                      | 112,477    | 112,811    |
| Net premiums written                             | 724,268    | 691,896    |
| Change in unearned premiums                      | -6,421     | 10,740     |
| Net premiums earned                              | 730,689    | 681,156    |
| Net investment income                            | 67,771     | 85,831     |
| Net realized gains/(losses)                      | 5,265      | -3,464     |
| Total revenue                                    | 803,725    | 763,523    |
| Benefits & reserves                              | 414,719    | 352,545    |
| Operating expenses                               | 230,802    | 228,807    |
| Total benefits & expenses                        | 645,521    | 581,352    |
| Earnings before interest & taxes (EBIT)          | 158,204    | 182,171    |
| Pre-tax income/(loss) from continuing operations | 158,204    | 182,171    |
| Net income/(loss) before minority interest       | 158,204    | 182,171    |
| Net income/(loss) from continuing operations     | 158,204    | 182,171    |
| Net income/(loss)                                | 158,204    | 182,171    |

## Summary Of Operations (Continued...)

### Statement of Changes In Equity

|   | 12/31/2016 | 12/31/2015 |
|---|------------|------------|
|   | USD(000)   | USD(000)   |
| Common shares, beginning balance                        | 1,120      | 1,120      |
| Common shares, ending balance                           | 1,120      | 1,120      |
| Paid-in capital - Beg bal                               | 1,177,884  | 1,177,884  |
| Paid-in capital - End bal                               | 1,177,884  | 1,177,884  |
| AOCI - beginning balance                                | -288,534   | -129,470   |
| AOCI - change in unrealized gains/losses on investments | 8,306      | -5,068     |
| AOCI - change in unrealized gains/losses - other        | 42,104     | 8,468      |
| AOCI - other  | 69,346     | -162,464   |
| AOCI - ending balance                                   | -168,778   | -288,534   |
| Retained earnings, beginning balance                    | 352,716    | 211,545    |
| Retained earnings, net income                           | 158,204    | 182,171    |
| Retained earnings, common dividends                     | 41,000     | 41,000     |
| Retained earnings, ending balance                       | 469,920    | 352,716    |
| Total shareholder equity                                | 1,480,146  | 1,243,186  |

### Premiums By Line Of Business

|                              | 12/31/2016 | 12/31/2016 | 12/31/2015 |
|------------------------------|------------|------------|------------|
|                              | USD(000)   | % of total | USD(000)   |
| GPW-Accident & health        | 27,998     | 3.4        | 31,358     |
| GPW-Automobile               | 4,195      | 0.5        | 5,153      |
| GPW-Aviation                 | 4,545      | 0.5        | 10,813     |
| GPW-Casualty                 | 454,092    | 54.3       | 453,001    |
| GPW-Catastrophe / earthquake | 127,024    | 15.2       | 129,930    |
| GPW-Credit                   | 21,892     | 2.6        | 807        |
| GPW-Liability                | 24,725     | 3.0        | 20,929     |
| GPW-Marine                   | 26,755     | 3.2        | 64,099     |
| GPW-Other classes            | 2,511      | 0.3        | 3,307      |
| GPW-Property                 | 143,008    | 17.1       | 85,310     |
| GPW-Total non-life           | 836,745    | 100.0      | 804,707    |
| GPW-Total business           | 836,745    | 100.0      | 804,707    |

## History

**Date Incorporated:** N/A

**Date Commenced:** N/A

**Domicile:** Bermuda

Effective December 31, 2007, Argo Group amalgamated its two Bermuda reinsurers, Peleus Reinsurance Ltd. ("Peleus Re") and PXRE Reinsurance Ltd. (PXRE), with Peleus Re as the continuing company. Peleus Re, prior to the amalgamation, was a Class 3 general business insurer, and PXRE was a Class 4 general business insurer. As a result of the amalgamation, Peleus Re was granted a Class 4 license under the Insurance Act. Effective April 7, 2008, the name of Peleus Re was changed to Argo Re Ltd.

Capital stock consists of total authorized share capital of \$1,120,000 consisting of 112,000 common shares authorized and issued at \$10 per share. All of the common shares of Argo Re Ltd. are held by Argo Group International Holdings, Ltd., a publicly-traded Bermuda insurance holding company listed on the NASDAQ under the symbol AGII. The affairs of Argo Re are handled by the officers listed below.

## Management

All of the common shares of Argo Re are held by Argo Group, a publicly-traded Bermuda insurance holding company listed on the NASDAQ under the symbol AGII.

## Officers And Directors

### Officers

**President:** Matthew Wilken

**Appointed Actuary:** Ronald Swanstrom

**Chief Underwriting Officer:** Nigel Mortimer (Excess Casualty, Emerging Markets)

**Chief Underwriting Officer:** Axel Schmidt

**Vice President:** Rudy Bogaerts (Underwriting & Marketing)

**Vice President:** Craig Roberts (Underwriting & Marketing)

**Assistant Vice President:** Martin Russell (Principal Representative)

**Secretary:** Codan Services Limited

### Directors

Jay S. Bullock

Jose A. Hernandez

Nigel Mortimer

Axel Schmidt

Mark E. Watson III (Chairman)

Matthew Wilken

## Reinsurance

Much of the group's reinsurance is purchased on an excess of loss basis. Retentions are typically \$2.0 to \$3.0 million per occurrence for casualty and per risk for property. In addition, the company purchases a combined excess of loss property catastrophe reinsurance treaty for the business segments exposed to severe property loss occurrences. Effective January 1, 2016, Argo Group's Property Cat Treaty provides occurrence protection of \$528.0 million excess of \$25.0 million for US, Canadian and Caribbean risks. In addition, the Group purchased occurrence protection of \$75.0m xs \$12.5m for ex-USA, Canada and Caribbean risks. A variety of other reinsurance products are also utilized to reduce catastrophe risk including quota share treaties for specific elements of Argo Re's portfolio.

Under affiliated quota share reinsurance agreements, Argo Re reinsures 30% of the ultimate net losses of Rockwood Casualty Group, and of Argonaut Insurance Group, while reinsuring 50% of Colony Insurance Group's ultimate net losses.

## Balance Sheet Items

## Balance Sheet Items (Continued...)

|                   | USD<br>(000)<br>2016 | USD<br>(000)<br>2015 | USD<br>(000)<br>2014 | USD<br>(000)<br>2013 | USD<br>(000)<br>2012 |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Invested assets   | 728,527              | 644,065              | 515,467              | 460,050              | 484,179              |
| Total assets      | 3,012,774            | 2,682,759            | 2,539,148            | 2,450,462            | 2,279,745            |
| Total liabilities | 1,532,628            | 1,439,573            | 1,278,069            | 1,232,288            | 1,099,289            |
| Total equity      | 1,480,146            | 1,243,186            | 1,261,079            | 1,218,174            | 1,180,456            |
| Total capital     | 1,480,146            | 1,243,186            | 1,261,079            | 1,218,174            | 1,180,456            |

## Income Statement Items

|                             | USD<br>(000)<br>2016 | USD<br>(000)<br>2015 | USD<br>(000)<br>2014 | USD<br>(000)<br>2013 | USD<br>(000)<br>2012 |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Gross premiums written      | 836,745              | 804,707              | 786,751              | 826,599              | 731,757              |
| Net premiums written        | 724,268              | 691,896              | 664,289              | 697,642              | 624,988              |
| Net investment income       | 67,771               | 85,831               | 36,310               | 18,048               | 18,382               |
| Net realized gains/(losses) | 5,265                | -3,464               | 7,780                | 7,717                | 3,640                |
| Net income/(loss)           | 158,204              | 182,171              | 128,189              | 124,167              | -4,221               |

## Liquidity Ratios (%)

|  | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|------|------|------|------|------|
| Total investments to total reserves    | 60.4 | 52.7 | 48.1 | 47.4 | 51.2 |
| Liquid assets to total liabilities     | 56.0 | 49.0 | 44.5 | 43.6 | 46.7 |
| Total investments to total liabilities | 56.0 | 49.0 | 44.5 | 43.6 | 46.7 |
| Bonds to total reserves                | 38.8 | 38.7 | 34.5 | 31.4 | 40.7 |

## Profitability Ratios (%)

|                         | 2016 | 2015 | 2014 | 2013 | 2012 |
|-------------------------|------|------|------|------|------|
| Loss ratio              | 56.8 | 51.8 | 52.8 | 54.4 | 63.6 |
| Expense ratio           | 31.6 | 33.6 | 35.4 | 35.6 | 34.0 |
| Combined ratio          | 88.3 | 85.4 | 88.2 | 90.0 | 97.6 |
| Investment income ratio | 9.3  | 12.6 | 5.5  | 2.7  | 3.4  |
| Return on assets        | 5.6  | 7.0  | 5.1  | 5.3  | -0.2 |
| Return on revenues      | 21.7 | 26.7 | 19.6 | 18.8 | -0.8 |
| Return on equity        | 11.6 | 14.6 | 10.3 | 10.4 | -0.4 |

## Leverage & Debt Ratios (%)

|                                      | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------------------------|------|------|------|------|------|
| Net premiums written to equity       | 48.9 | 55.7 | 52.7 | 57.3 | 52.9 |
| Cash and equivalents to total assets | 4.3  | 2.3  | 2.1  | 3.2  | 1.3  |

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. A Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

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Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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