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A.M. BEST COMPANY, INC., OLDWICK, NJ • A.M. BEST EUROPE, LTD., LONDON
A.M. BEST ASIA-PACIFIC, LTD., HONG KONG

FOR IMMEDIATE RELEASE

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A.M. Best Affirms Ratings of Asian Reinsurance Corporation

OLDWICK, NEW JERSEY, U.S.A., Sept. 16, 2009—A.M. Best Co. has affirmed the financial strength rating of B++ (Good) and issuer credit rating of “bbb” of **Asian Reinsurance Corporation** (Asian Re or the Corporation) (Thailand). The outlook for both ratings is stable.

The ratings reflect Asian Re’s adequate risk-adjusted capitalization, conservative and liquid investment portfolio and improved expense ratio. The ratings also recognize the unique organizational structure and the immunities and privileges granted by its country members to the Corporation.

Asian Re has strengthened its capitalization since 2006 when the Corporation reformed its membership structure and invited new associate members to inject new capital. The Corporation’s capital and surplus increased by 3.7 times over the past three years to USD 50.4 million as at December 31, 2008. The Corporation’s risk-adjusted capitalization, as demonstrated by Best’s Capital Adequacy Ratio, deteriorated slightly due to an increase in underwriting risks in 2008, although it is adequate to support the current ratings.

Asian Re has a conservative investment portfolio. As at December 31, 2008, the Corporation invested 97% of its invested assets in cash and deposits.

Asian Re’s expense ratio has consistently improved over the past five years, as a result of a lower commission ratio and a decrease in underwriting management expenses. The expense

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ratio improved to 38.1% in 2008 from 44.8% in 2004.

Offsetting factors include Asian Re's relatively small underwriting capacity, intense competition in the Asian reinsurance market and unfavorable loss reserve development.

Although Asian Re's capital level has strengthened in recent years, its underwriting capacity remains relatively small as compared to other regional reinsurers in Asia. Regardless, Asian Re's aim to achieve 15% premium growth in the coming three years, along with its ability to secure profitable new business outside its core markets, remains to be seen.

Asian Re relied on the reported claim amounts from its ceding companies to set aside the outstanding reserves and added 5% of the outstanding reserves as incurred but not reported (IBNR). A.M. Best notes that the estimated loss ratio over the loss development years had exhibited an increasing trend, and the increases were, in general, more than the 5% IBNR. A.M. Best is of the opinion that adverse development for previous underwriting years could negatively impact Asian Re's capitalization in the future.

For Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit www.ambest.com/ratings.

The principal methodologies used in determining these ratings, including any additional methodologies and factors that may have been considered, can be found at www.ambest.com/ratings/methodology.

Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers. For more information, visit www.ambest.com.

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