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A.M. Best Affirms Ratings of Asian Reinsurance Corporation

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FOR IMMEDIATE RELEASE

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A.M. Best Co. has affirmed the financial strength rating of B++ (Good) and the 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, superior liquidity and the management efforts to reduce the Corporation's risk exposure by non-renewing its participation in unprofitable accounts. The ratings also recognize the unique organizational structure and the immunities and privileges granted by country members to the Corporation.

Asian Re's risk-adjusted capitalization, as demonstrated by Best's Capital Adequacy Ratio (BCAR), has remained adequate in 2010 and is expected to remain almost stable for the current fiscal year ending in December 2011. This is attributable to the capital infused during 2011 which greatly offset part of the currently known losses from Thai flooding. However, if the losses from Thai flooding deteriorate significantly, A.M. Best may revise its view on the financial strength and the ratings of Asian Re.

Asian Re continues to have a conservative investment portfolio with 72% of its assets constituted of cash and cash deposits in 2010. The adopted prudent investment strategy provides a strong liquidity to the Corporation.

The management decision to withdraw participation from unprofitable accounts and fewer large catastrophe losses had contributed to the turn-around of the underwriting income in 2010 after two consecutive years of losses. However, Asian Re's exposure to natural catastrophes could erode the Corporation's underwriting performance as in 2008 and 2009.

Offsetting factors include the uncertainty over the development of the losses from Thai flooding, Asian Re's relatively smaller capital base, management of natural catastrophe exposure, high expense ratio as compared to its competitors in Asia and claims reserving practice.

Asian Re's expense ratio is at the high range compared to its peers in Asia, primarily driven by the portfolio composition for which 94% is constituted of proportional arrangements and the terms set out in the reinsurance agreements with the ceding companies.

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). Regarding Asian Re's reserving practice, A.M. Best is of the opinion that any adverse development of the reported claims and any large catastrophe loss could negatively impact Asian Re's capitalization in the future.

The principal methodology used in determining these ratings is [Best's Credit Rating Methodology -- Global Life and Non-Life Insurance Edition](#), which provides a comprehensive explanation of A.M. Best's rating process and highlights the different rating criteria employed. Additional key criteria utilized include: "Understanding Universal BCAR"; "Catastrophe Analysis in A.M. Best Ratings"; "Assessing Country Risk" and "Risk Management and the Rating Process for Insurance Companies." Methodologies can be found at www.ambest.com/ratings/methodology.

Founded in 1899, A.M. Best Company is the world's oldest and most authoritative insurance rating and information source.

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