



# NEWS RELEASE

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## FOR IMMEDIATE RELEASE

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### **A.M. Best Affirms Ratings of National Reinsurance Corporation of the Philippines**

**HONG KONG, April 4, 2014**—A.M. Best has affirmed the financial strength rating of B++ (Good) and issuer credit rating of “bbb” of **National Reinsurance Corporation of the Philippines** (PhilNaRe) (Philippines). The outlook for both ratings is stable.

The ratings reflect PhilNaRe’s solid risk-based capitalization, established market presence in the Philippines and favorable investment results.

PhilNaRe's risk-adjusted capitalization level, as measured by Best's Capital Adequacy Ratio (BCAR), remains strong and supportive of the current ratings. As the sole domestic professional reinsurer in the Philippines, PhilNaRe enjoys a compulsory cession as all direct insurance companies are required to offer PhilNaRe at least 10% of their foreign outward reinsurance. With over 30 years of operation in the country, the company has established a strong local market presence in that domestic market. In addition, PhilNaRe has a conservative investment portfolio, which has enabled it to post favorable and stable investment results in the past five years.

These positive rating factors are partially offset by PhilNaRe's unsatisfactory underwriting performance and significant catastrophe exposures.

PhilNaRe's underwriting performance had been volatile and remained unsatisfactory in recent years. The poor combined ratio over the period was driven by the large claims amount of the 2011 Thailand flooding and

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several other catastrophe losses. Furthermore, the company is exposed to earthquake, flooding and typhoon risks as the majority of its business is generated from the domestic market. Unexpected large catastrophe losses that exceed the limit of catastrophe retrocession coverage, or multiple occurrences of medium-to-large-sized catastrophes in a single year could impact the company's overall performance.

Future upward rating actions could occur if PhilNaRe can demonstrate notable improvement in its underwriting profitability, maintain its solid risk-based capitalization and strengthen its risk management capability. Conversely, downward rating actions could occur if the company's underwriting performance further deteriorates or there is a material decline in its risk-based capitalization level.

The methodology used in determining these interactive ratings is Best's Credit Rating Methodology, which provides a comprehensive explanation of A.M. Best's rating process and contains the different rating criteria employed in the rating process. Best's Credit Rating Methodology can be found at [www.ambest.com/ratings/methodology](http://www.ambest.com/ratings/methodology).

Ratings are communicated to rated entities prior to publication, and unless stated otherwise, the ratings were not amended subsequent to that communication.

**This rating announcement has been issued by A.M. Best Asia-Pacific Limited, which is a subsidiary of A.M. Best Company. A.M. Best Company is the world's oldest and most authoritative insurance rating and information source. For more information, visit [www.ambest.com](http://www.ambest.com).**

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