



CANADIAN LAWYERS LIABILITY ASSURANCE SOCIETY

Report on Reinsurance Security

Date: October 23, 2019



TABLE OF CONTENTS

1. Reinsurance Security Considerations	2
1.1 Status Update	2
1.2 Reinsurance Security	2
1.3 Level I Monitoring.....	2
1.4 Level II Monitoring Triggers.....	3
1.5 Level II Monitoring.....	3
2. Level II Monitoring	5
2.1 Reinsurers Requiring Level II Monitoring	5
2.2 Allied World Assurance Company Limited	6
2.3 Colchester Reinsurance Limited.....	7
2.4 Argo Group International Holdings, Ltd.	8
2.5 Vibe 5678 (Vibe Syndicate).....	10

Appendices

A	Axxima Letter on its Reinsurance Security Practices
B	Miller Services LLP Letter on its Reinsurance Security Practices
C	Current A.M. Best and S&P Ratings Compared to the Five Previous Years
C-PF	A.M. Best and S&P Ratings for commercial excess layers and CLLAS international program
D	CLLAS Reinsurance – Top 25 Reinsurers by % of Current Liability – All Years
E	CLLAS Reinsurance – Reinsurers by % of Current Liability – Current Year (2019/20)
F	CLLAS Reinsurance – Reinsurers by % of Single Claim Exposure – Current Year (2019/20)
F-PF	CLLAS Reinsurance – Reinsurers by % of Single Claim Exposure – Current Year (2019/20, including Pro-Form Insurers)
G	A.M. Best Credit Report – Allied World Assurance Company Limited
H	Draft Financial Statements – Colchester Reinsurance Limited, June 30, 2019
I	A.M. Best Credit Report – Argo Group International Holdings, Ltd.

1. REINSURANCE SECURITY CONSIDERATIONS

1.1 Status Update

The purpose of this report is to provide the CLLAS Audit Committee with a status review of the current CLLAS reinsurance security consistent with CLLAS' Reinsurance Security Policy.

1.2 Reinsurance Security

One of the responsibilities of the Audit Committee is to monitor CLLAS' reinsurers and to recommend changes to the Board based on any number of factors including, but not limited to:

- Downgrading of the security rating;
- A rating agency placing a reinsurer on a "watch" list;
- Exposure to any one reinsurer exceeding an agreed percentage;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Use of unregistered (in Canada) security; and
- Any other matters that may threaten the security of a reinsurer.

The Committee acknowledges that reinsurance intermediaries cannot guarantee the solvency of any reinsurer and that they rely on the rating agencies to evaluate reinsurers' financial strength. The Audit Committee is not meant to substitute the expert advice provided by CLLAS' intermediaries. Its purpose is to use this advice to assist the Advisory Board in its due diligence process. Included in Appendices A and B are letters from Axxima (including Alternative Risk Services) and Miller Insurance Services LLP, respectively, which provide information on the reinsurance security practices of these firms.

1.3 Level I Monitoring

Level I monitoring of CLLAS reinsurance consists of the following:

- Current A.M. Best and S&P 5-year rating chart comparison – see Appendix C;
- Current claims liability exposure (i.e. case reserves and IBNR) to each reinsurer from all policy years combined – see Appendix D;
- Current claims liability exposure to each reinsurer for the prior policy year– see Appendix E; and
- Single claim limit exposure to each reinsurer for the current year – see Appendix F.

CLLAS reinsurers should be rated A- or better by A.M. Best and S&P, except for special circumstances agreed to by the Board.

For the committee's convenience we have also included the A.M. Best and S&P ratings for insurers participating on the commercial excess program placed by Pro-Form for CLLAS' subscribers, including the ratings for the "CLLAS International" program, as provided by Pro-Form, under Appendix C-PF. For completeness, the commercial excess and CLLAS International insurers have also been included in the analysis of claim limit exposure to each reinsurer for the current year, which is found under Appendix F-PF.

1.4 Level II Monitoring Triggers

Should any of the following events occur, a Level II monitoring would take place:

- Downgrading of the financial strength rating;
- A rating agency placing a reinsurer on a "watch" list;
- Difficulties collecting reinsurance proceeds after a claim is settled;
- Use of a reinsurer that is unregistered in Canada; and
- Any other events deemed material by the Audit Committee or its advisors.

Additionally, for a particular reinsurer, Level II monitoring will be triggered in the event the following takes place and the reinsurer's exposure to CLLAS is significant relative to the its total assets and/or capital and surplus:

- Current claims liability exposure (i.e. case reserves and IBNR) for all policy years combined exceeds 10% of the total;
- Current claims liability exposure for the prior policy year exceeds 10% of the total; and
- Claim limit exposure to each reinsurer for the current year exceeds 10% of the total limits provided by CLLAS.

CLLAS' exposure is considered significant to the reinsurer if its share of CLLAS' total current liabilities or claim limit exposure exceeds 0.1% of the reinsurer's assets or 0.5% of the reinsurer's capital and surplus.

1.5 Level II Monitoring

The following Level II monitoring should take place for any reinsurer that requires it due to events identified above:

- Additional information should be reviewed by the Audit Committee, including a review of:
 - Stock performance relative to the remainder of the market;
 - Early warning signals/ratios (as provided by A.M. Best or equivalent agency);

- Balance sheet and income statement highlights (as provided by A.M. Best or equivalent agency);
- Meetings or direct correspondence with such reinsurers as necessary to discuss the financial health of the reinsurer.

The Audit Committee should make recommendations to the Board based on such reviews.

2. LEVEL II MONITORING

2.1 Reinsurers Requiring Level II Monitoring

As the first step in our reinsurance security monitoring process, Level I tests were performed on all CLLAS reinsurers. The following identifies the reinsurers subject to Level II monitoring and which Level II monitoring criteria was triggered:

	AWAC	Colchester	Lloyd's	Swiss Re (incl. Westport)	AMA 1200 (Argo)	AML 2001 (MS Amlin)	Vibe 5678 (Vibe Syndicate)	Allianz Global Risks
Unregistered in Canada	✓	✓						
Difficulty collecting reinsurance proceeds after claim settlement								
Rating downgrade / "watch" list								
Current claims liability exposure (all years) exceeds 10%		✓	✓		✓			
Current claims liability exposure (prior year) exceeds 10%		✓	✓		✓	✓	✓	✓
Claim limit exposure (current year) exceeds 10%		✓	✓	✓				
CLLAS exposure exceeds 0.1% of total assets	n/a	n/a					u/k*	
CLLAS exposure exceeds 0.5% of total capital & surplus	n/a	n/a			✓		u/k*	
Level II Monitoring Required	✓	✓			✓		u/k*	

* It was not possible to obtain consolidated financials for the Vibe Syndicate's parent companies; additional information is provided within this report

2.2 Allied World Assurance Company Limited (“AWAC”)

General

Allied World Assurance Company Limited is a global specialty insurance and reinsurance company with offices in Bermuda, Europe and the United States. Launched in 2001, AWAC originally consisted of four employees located in a small office in Bermuda. Today, AWAC has offices in Atlanta, Bermuda, Boston, Chicago, Dublin, Farmington (CT), London, New York, San Francisco and Zug.

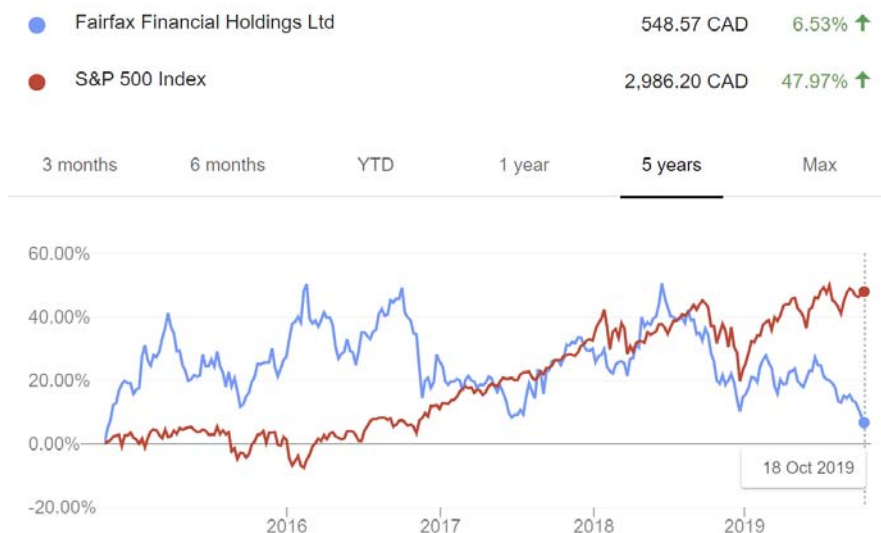
AWAC has been a participant in the CLLAS Program since 2002. Currently, AWAC participates in the highest levels of the CLLAS Program – the Optional Excess and Umbrella layers.

The CLLAS/AWAC reinsurance agreement includes a provision for outstanding claims advances by AWAC in favour of CLLAS.

On July 5, 2017 AWAC was acquired by Fairfax Financial Holdings. Stock information is no longer available for AWAC, so we have included the stock performance of their ultimate parent company, Fairfax Financial Holdings Ltd., which is outlined below.

Stock Performance

The following is the 5-year stock performance as of October 18, 2019 for Fairfax Financial Holdings (ticker: FFH, Toronto Stock Exchange) with the S&P 500 Index for comparison.



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix G.

- Current financial strength rating is A (Excellent) Stable from A.M. Best
- Following a sizable decline in 2017, the group's equity position improved in 2018 benefiting from the capital received for debt repayment. Additionally, loss reserve development returned to a favorable level and accident year underwriting performance improved through year-end 2018, following larger than average catastrophe-related underwriting losses incurred in 2017.
- A.M. Best report was updated on February 15, 2019

2.3 Colchester Reinsurance Limited (“Colchester”)

General

Colchester is a captive reinsurer for CLLAS and is wholly owned by the current and past subscriber firms of CLLAS, or their affiliates. Colchester is domiciled in Barbados.

Stock Performance

Colchester is not publicly traded.

Highlights of A.M. Best Report

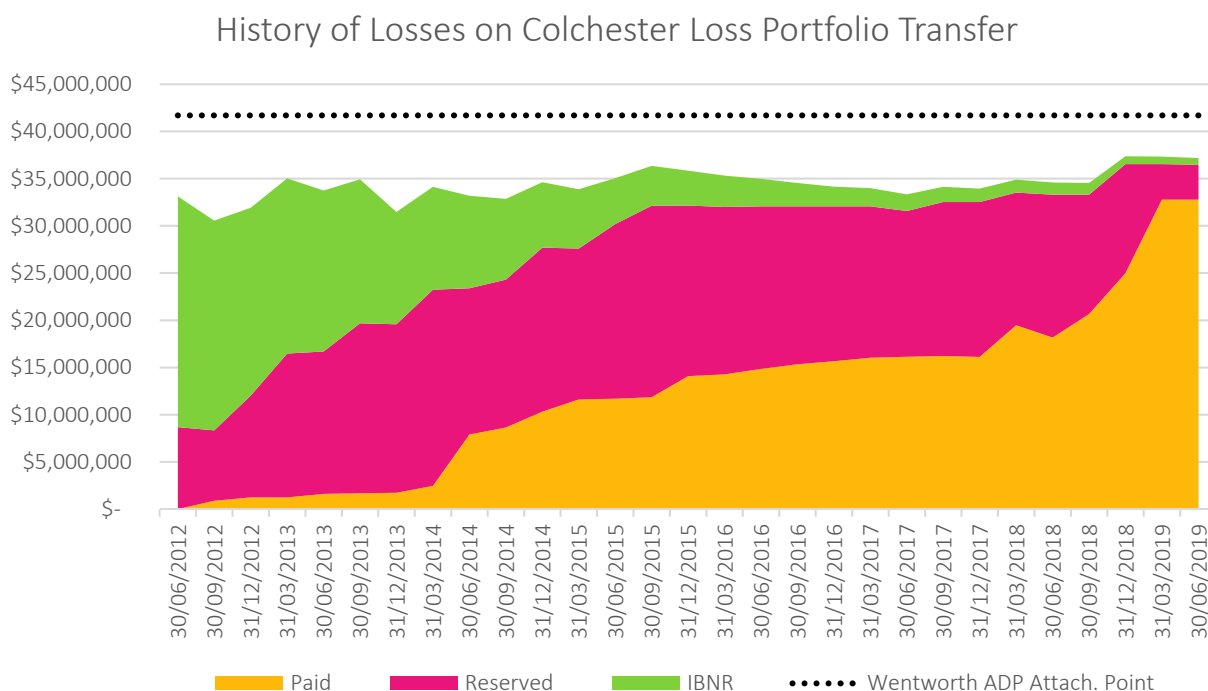
Colchester is not rated by any ratings agencies.

Financial Highlights

Please see Appendix H for a copy of the most recent financial draft statements (as of June 30, 2019). The following are some of the highlights from these financials:

- Retained earnings decreased from \$31,647,641 in 2018 to \$25,732,920 in 2019
- Income for the year, after taxation, decreased from \$6,463,974 in 2018 to \$5,258,378 in 2019
 - Reinsurance premiums written and earned increased from \$209,798 in 2018 to \$428,717 in 2019
 - Retrocession premiums increased modestly from \$1,039,022 in 2017 to \$1,069,010
- Colchester has been deliberately distributing surplus via premium reductions (as seen above in the level of premiums written), and losses are expected to emerge over time as a result

- All the assets supporting the claims liabilities of Colchester are held in trust in a custodial account in favour of CLLAS, subject to a reinsurance security agreement as outlined by the Office of the Superintendent of Financial Institutions (Canadian federal regulator) and approved by the Alberta Superintendent of Insurance (the regulator in CLLAS' home jurisdiction)
- On June 30, 2012 Colchester and CLLAS affected a Loss Portfolio Transfer, which transferred approximately \$33.1 million of CLLAS' liabilities to Colchester for all prior years of account. Since that time, those liabilities have remained relatively stable, as can be seen in the chart below. Colchester also purchased 10% quota share adverse development retrocession protection on the Loss Portfolio, which attaches at \$41.7 million, also shown below as a dotted line for reference.



2.4 Argo Group International Holdings, Ltd.

General

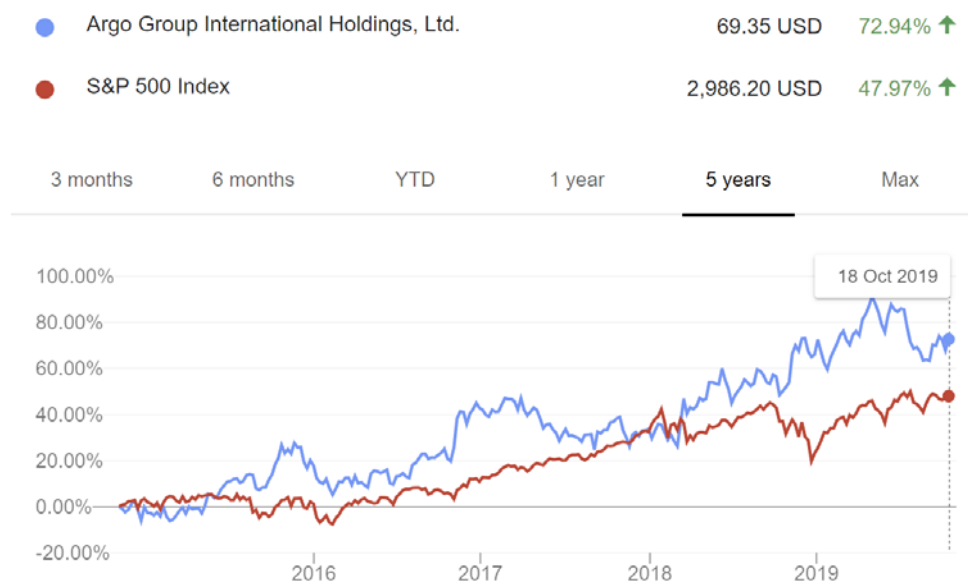
Argo Group's operating companies provide primary and excess insurance, reinsurance products and tailored risk solutions for the managing general agency market. Argo Group underwrites on an international platform.

The segment's business platform, Argo International Holdings Ltd. (Argo International) based in London, is comprised of four principal components:

- Argo Managing Agency, which underwrites insurance risks on behalf of the syndicate for the providers of capital;
- Syndicate 1200, which bears the insurance risk;
- Argo Underwriting Agency, which participates with other capital providers on the syndicate via its subsidiary corporate member companies; and,
- Argo Direct Limited, a wholly owned service company, which enters into insurance contracts on behalf of Syndicate 1200 from both the U.K. and a branch based in Paris (Argo Assurances, Argo International's worldwide property division).

Stock Performance

The following is a 5-year stock performance as of October 18, 2019 for Argo Group International Holdings (ticker: AGII) with the S&P 500 Index for comparison.



Highlights of A.M. Best Report

The complete A.M. Best report is set forth in Appendix I.

- Current financial strength rating is A (Excellent) Stable from A.M. Best
- The group's five-year average combined ratio is in line with the commercial casualty composite while a few points higher than the global re/insurers composite. The 2018 and 2019 (year-to-date second quarter) loss and combined ratios are much improved from 2017 even while encountering catastrophe events of similar magnitudes.

- Being a large U.S. wholesale insurer and an active participant in the Lloyd's market, Argo's expense ratio is high compared to its peers. Argo is taking multiple approaches to lower its expense ratio including optimizing business mix and potentially lowering acquisition costs, improving operational efficiency and effective use of third-party capital.
- Overall favorable prior year reserve development in past years although the group had some adverse reserve development in the first half of 2019 from its international segment.
- A.M. Best report was updated on October 9, 2019

2.5 Vibe 5678 (Vibe Syndicate)

Vibe began as a the RITC Syndicate Management Ltd, formed by Soros Fund Management LLC and the private equity house, Pine Brook Partners. Combined with Syndicate 5678, they were established to meet a growing demand for capital efficient run-off solutions

In May 2014, RITC Syndicate Management Limited changed its name to Vibe Syndicate Management Limited, and in July 2014, Vibe received permission from Lloyd's to begin underwriting live business as the Group plans to replicate the success of its legacy business by diversifying into new insurance and reinsurance markets.

A.M. Best Reports and financial statements are not available for Vibe's parent companies, and we are therefore unable to evaluate whether CLLAS' current claims liabilities are significant to Vibe's parent companies. However, Vibe does benefit, as all Syndicates do, from Lloyd's' "Chain of Security" which provides additional layers of funds to service policy holders in the event of a syndicate's failure. The "Chain of Security" mitigates the risk associated with syndicate default.

Lloyd's Chain of Security

Several assets		
First Link	Syndicate level assets £53,451m	
Second Link	Members funds at Lloyd's £26,483m	
Mutual assets		
Third Link	Central Fund £2,185m	Callable layer £927m
	Corporation £232m	
	Subordinated Debt £794m	

However, we do encourage CLLAS to consider the lack of additional financial strength information when setting reinsurance placement objectives for upcoming years.



Actuaries and Insurance Management Advisors

September 23, 2014

Mr. Nick Leblovic
Chairman, CLLAS
c/o Davies Ward Phillips & Vineberg LLP
40th Floor, 155 Wellington Street West
Toronto, Ontario M5V 3J7

Dear Nick,

This is in response to a previous request to provide a letter regarding the reinsurance that is placed on behalf of CLLAS. We are reissuing this letter under Axxima cover to confirm that the previous letter, dated June 9, 2009 under Dion, Durrell + Associates Inc. cover, remains accurate under Axxima's management.

As you know, we work closely with Miller Insurance Services Ltd. (Miller) on all CLLAS reinsurance matters, with Miller being responsible for the London placement (including Lloyd's and certain European companies) and the Colchester retrocession placement. Axxima, via its subsidiary, Alternative Risk Services, a division of 3303128 Canada Inc. ("AR Services"), prepares the reinsurance submission that goes out to all markets and specifically places the domestic and Bermuda reinsurance as well as the aggregate stop-loss reinsurance placed through Colchester.

In the past, a minimum reinsurance security rating standard of no less than A-, as determined by A.M. Best and Standard & Poor's, had been established with CLLAS. Any deviation from such standard is to be referred to the CLLAS Advisory Board. Thoughtful and deliberate monitoring preserves the important relationships that CLLAS has developed over the years with its reinsurers.

Please be advised that neither Axxima, nor AR Services, carries out its own assessment of the solvency of any insurer or reinsurer and do not guarantee the solvency or continuing solvency of any insurer or reinsurer. You should note that the financial solvency of any insurer or reinsurer could change after the reinsurance protection has been placed. We are committed to providing CLLAS with up-to-date information on any material changes in the financial status or the security ratings of CLLAS reinsurers. To this end, we carry out CLLAS' adopted reinsurance security process.

In general, we are prepared to provide CLLAS with updates from A.M. Best and S&P based on our monitoring of the security ratings of each of the participating reinsurers. We will advise CLLAS on any adverse developments which may require CLLAS to replace a certain reinsurer mid-term or to decide to monitor and continue to use a certain reinsurer for a prescribed period of time.

We hope that the foregoing is satisfactory, however, should you have any questions, please do not hesitate to contact the undersigned.

Yours sincerely,

A handwritten signature in black ink, appearing to read "J. Tontini".

Joseph D. Tontini
Consultant



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Canada

5th June 2009

Dear Nick

**CLLAS Reinsurance Programme
Renewal effective 1st July 2009**

In accordance with your request and in conjunction with Dion, Durrell + Associates, Inc., we have compiled various material relating to the reinsurers we use who participate on the CLLAS reinsurance programme. We have collated this information with the underwriters' responses given during our meetings to the set of questions posed during your recent visit to London. A copy of the matrix with reinsurers' feedback is enclosed.

You have asked us to comment on the appropriateness of the reinsurers who are involved as well as give our views on possible new markets. Miller does not assess or guarantee the solvency of any (re)insurer, however we check the financial strength ratings provided by specialist agencies (such as Standard & Poor's and A.M. Best) for each participating market and each must be authorised internally at Miller for us to use. Any markets which do not meet a minimum criteria may still be used but only with specific client approval. In practice the current specialist agency financial strength ratings of all the reinsurers used by us on your programme are in excess of our minimum criteria for authorisation.

On an ongoing basis we monitor these ratings as well as developments in the market and will advise you in the event there are circumstances which lead a market to fall out of our authorised classification. Taking into consideration reinsurers' feedback from our meetings, the Miller authorisations of each of the markets we use on the CLLAS programme are unaffected.

For 2009 we will be approaching the current participants for their support and many of these have had long term relationships with CLLAS. As outlined in London, we and Dion, Durrell work closely together to strategically manage the size and layering of participations offered by each reinsurer to ensure that the most optimal result is achieved for CLLAS, in line with its objectives for renewal. At present there are no new reinsurance companies which we wish to approach with your programme this year, but there are several new Lloyd's syndicates which may be interested in supporting your account and we will be approaching them for their views in due course. The current Lloyd's rating by Standard & Poor's is A+ (strong) with a stable outlook.

Please don't hesitate to let me know if you have any questions or comments.

Yours sincerely

A handwritten signature in black ink, appearing to read "Mark Pople".

Mark Pople
Director – Professional Risks

Encl.

CLLAS Reinsurance

A.M Best Ratings

October 2019

Appendix C

Reinsurers	Registered Status		2012	2013	2014	2015	2016	2017	2018	2019
Lloyd's	Registered	Rating	A	A	A	A	A	A	A	A
		Outlook	Stable	Stable	Positive	Stable	Stable	Stable	Stable	Stable
Aspen Re	Registered	Rating	A	A	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Hannover Rueck	Registered	Rating	A	A+	A+	A+	A+	A+	A+	A+
		Outlook	Positive	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Registered	Rating	A	A	A	A	A+	A+	A+	A+
		Outlook	Stable	Stable	Positive	Positive	Positive	Stable	Stable	Stable
Arch Insurance Company (Canada Branch)	Registered	Rating	A+	A+	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Negative	Negative	Stable
Allied World Assurance Company Ltd.	Unregistered	Rating	A	A	A	A	A	A	A	A
		Outlook	Positive	Stable	Stable	Stable	Stable	Negative	Stable	Stable
CRC (Bermuda) Reinsurance Ltd.	Unregistered	Rating	A	A-	N/A	N/A	N/A	N/A	N/A	N/A
		Outlook	Stable	Stable	N/A	N/A	N/A	N/A	N/A	N/A
RSA Insurance Group(formerly GCAN Insurance Company)	Registered	Rating	A	A	N/A	N/A	N/A	N/A	N/A	N/A
		Outlook	Stable	Stable	N/A	N/A	N/A	N/A	N/A	N/A
SCOR Canada Reinsurance Company	Registered	Rating	A	A	A	A	A	A+	A+	A+
		Outlook	Stable	Stable	Stable	Positive	Positive	Positive	Stable	Stable
Swiss Reinsurance Company Ltd. (Canada Branch)	Registered	Rating	A+	A+	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Toa Reinsurance Company of America	Registered	Rating	A+	A+	A+	A+	A+	A	A	A
		Outlook	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Registered	Rating	N/A	bbb+	bbb+	bbb+	A-	A-	A-	A-
		Outlook	N/A	N/A	N/A	Positive	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Registered	Rating	A	A	A	A	A+	A+	A+	A+
		Outlook	Stable	Stable	Positive	Positive	Stable	Stable	Stable	Stable
Colchester Reinsurance Ltd.	Unregistered	Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		Outlook	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Munich Re	Registered	Rating	A+	A+	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (AMA 1200 Parent)	Registered	Rating	A	A	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Axis Reinsurance Company	Registered	Rating	A	A	A+	A+	A+	A+	A+	A+
		Outlook	Positive	Positive	Stable	Stable	Stable	Stable	Negative	Negative
Continental Casualty Company (CNA)	Registered	Rating	A	A	A	A	A	A	A	A
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Allianz Global Risks	Registered	Rating	A+	A+	A+	A+	A+	A+	A+	A+
		Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
CNA Canada	Registered	Rating	N/A	N/A	N/A	A*	A*	A*	A*	A*
		Outlook	N/A	N/A	N/A	Stable*	Stable*	Stable*	Stable*	Stable*

CLLAS Reinsurance

S&P Ratings
October 2019

Appendix C

Reinsurers		2012	2013	2014	2015	2016	2017	2018	2019
Lloyd's	Rating	A+	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Negative
Aspen Re	Rating	A	A	A	A	A	A	A	A
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Negative	Negative
Hannover Rueck	Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (UK)	Rating	A+	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Arch Insurance Company (Canada Branch)	Rating	A+	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Negative	Negative	Stable	Stable
Allied World Assurance Company Ltd.	Rating	A	A	A	A	A	A-	A-	A-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Positive	Positive
CRC (Bermuda) Reinsurance Ltd.	Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Outlook	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
RSA Insurance Group(formerly GCAN Insurance Company)	Rating	A+	A	A	A	A	A	A	A
	Outlook	Negative	Negative	Stable	Stable	Stable	Stable	Stable	Stable
SCOR Canada Reinsurance Company	Rating	A+	A+	A+	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Positive	Stable	Stable	Stable	Stable	Stable
Swiss Reinsurance Company Ltd. (Canada Branch)	Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Toa Reinsurance Company of America	Rating	A+	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Alleghany Corporation (formerly Transatlantic Reinsurance Company) (Parent)	Rating	BBB	BBB	BBB+	BBB+	BBB+	BBB+	BBB+	BBB+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Transatlantic Reinsurance Company (Canada)	Rating	A+	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Colchester Reinsurance Ltd.	Rating	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	Outlook	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Munich Re	Rating	AA-	AA-	AA-	AA-	AA-	AA-	AA-	AA-
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Argo Group Operating Subsidiaries (AMA 1200 Parent)	Rating	A-	A-	A-	A-	A-	A-	A-	A-
	Outlook	Stable	Negative	Stable	Stable	Stable	Stable	Stable	Stable
Axis Reinsurance Company	Rating	A+	A+	A+	A+	A+	A+	A+	A+
	Outlook	Stable	Stable	Stable	Stable	Stable	Negative	Negative	Stable
Continental Casualty Company (CNA)	Rating	A-	A	A	A	A	A	A	A
	Outlook	Positive	Positive	Stable	Stable	Stable	Stable	Stable	Positive
Allianz Global Risks	Rating	AA	AA	AA	AA	AA	AA	AA	AA
	Outlook	Negative	Stable	Stable	Stable	Stable	Stable	Stable	Stable
CNA Canada	Rating	N/A	N/A	N/A	A	A	A	A	A
	Outlook	N/A	N/A	N/A	Stable	Stable	Stable	Stable	Positive

Insurer Financial Ratings

CLLAS Canadian Excess Program

INSURANCE COMPANY		COUNTRY	BEST'S RATING	S&P RATING
LIBERTY INTERNATIONAL UNDERWRITERS CANADA, A DIVISION OF LIBERTY MUTUAL INSURANCE COMPANY		U.S.A.	A	A
TRAVELERS COMMERCIAL INSURANCE COMPANY OF CANADA		Canada	A++	AA
SOVEREIGN GENERAL INSURANCE COMPANY		Canada	A-	
NORTHBRIDGE COMMERCIAL INSURANCE CORP.		Canada	A	A-
ROYAL & SUN ALLIANCE INS CO OF CANADA		Canada	NR	A
QBE INSURANCE (INTERNATIONAL) LTD.		U.S.A.	A	A+
AXIS Reinsurance Company		Canada	A+	A+
XL Specialty Insurance Company		U.S.A.	A+	AA-
ENCON GROUP INC. - Participants				
1	Continental Casualty Company	U.S.A.	A	A
2.	XL/Catlin Reinsurance America Inc.	U.S.A.	A+	AA-
3.	Temple Insurance Company	Canada	A+	A+
4.	Aviva Insurance Company of Canada	Canada	A	A+

Ratings reflect the most recent issue, update or change communicated by the rating agency. Effective dates on S&P interactive ratings above do not reflect affirmations. Ratings do not necessarily correspond to a specific data year. "Secure" scales are described below. Refer to A.M. Best's (Best's) and Standard and Poor's (S&P) definitions for details. Conversions to U.S. Dollars are subject to exchange rate differences. Sources of financial data (company accounts or regulatory returns) for non-US companies are indicated on the individual company reports

Best's Ratings		S&P Ratings	
A++, A+ Superior	Best's rating modifiers may be assigned based on group affiliation: (r=Reinsured, p=Pooled, or g=Group) FPR ratings range from 1-9, where 1=Poor and 9=Very Strong	AAA Extremely Strong	S & P Financial Strength ratings may be modified by the use of a "+" or "-" sign to show relative standing within a category. The "pi" indicates a "public information" rating. A "pos", "neg", or "dev" indicates a positive, negative, or developing CreditWatch implication
A, A- Excellent		AA Very Strong	
B++, B+ Very Good		A Strong	
U Under review		BBB Good	

Insurer Financial Ratings

CLLAS International Program

INSURANCE COMPANY	COUNTRY	BEST'S RATING	S&P RATING
CONTINENTAL CASUALTY COMPANY	U.S.A.	A	A
AXA XL	U.S.A.	A+	AA-
BERKSHIRE	U.S.A.	A++	AA+
ASPEN RE	U.S.A.	A	A
LLOYDS - IRONSHORE	UNITED KINGDOM	A	A

CLLAS Reinsurance

Appendix D

Top 25 Reinsurers by % of Current Liability

ALL YEARS

Watch	Name	Jurisdiction	Reg'd?	LAYERS									TOTAL	All-time Percent of Total	Prev. Year Percent of Total	Move- ment?
				\$.975MM	\$4/\$49MM	\$7.5MM	\$12.5MM	\$10MM	\$30/60MM	\$20MM	\$10-60MM	\$15-				
				XS \$0.25MM	XS \$1MM	XS \$5MM	XS \$12.5MM	XS \$25MM	XS \$65MM	XS \$140MM	XS \$160MM	XS 110MM				
➔	Underwriters at Lloyd's	London	Yes	0	30,509,991	142,390	93,970	166,379	69,851	570	102,733	0	31,085,884	52.5%	41.6%	Up
➔	AMA 1200	Lloyd's	Yes	0	11,615,549	0	0	0	70	0	0	0	11,615,619	19.6%	12.7%	Up
➔	Colchester	Barbados	No	0	10,490,741	0	0	0	0	0	17,725	0	10,508,465	17.7%	11.1%	Up
	PPI 9969	Lloyd's	Yes	0	5,692,544	0	0	0	0	0	5,628	0	5,698,172	9.6%	5.7%	Up
➔	AML 2001	Lloyd's	Yes	0	4,883,332	0	12,135	17,839	0	44	0	0	4,913,350	8.3%	5.6%	Up
➔	Allianz Global Risks	London	Yes	0	3,495,592	0	0	0	0	0	0	0	3,495,592	5.9%	3.2%	Up
	AUL 1274	Lloyd's	Yes	0	3,355,037	0	0	0	0	0	0	0	3,355,037	5.7%	3.1%	Up
➔	Vibe 5678	Lloyd's	Yes	0	2,485,156	0	0	0	0	0	0	0	2,485,156	4.2%	1.4%	Up
	AXIS Re	Canada	Yes	0	2,282,950	0	0	0	0	0	14,666	0	2,297,617	3.9%	2.2%	Up
	CNA (Combined)	Combined	Mixed	0	1,829,202	0	0	0	0	0	0	0	1,829,202	3.1%	2.3%	Up
	CNA (Canada)	Canada	Yes	0	1,788,141	0	0	0	0	0	0	0	1,788,141	3.0%	2.3%	Up
	AGD 2526	Lloyd's	Yes	0	1,094,719	1,565	0	0	88	0	557	0	1,096,928	1.9%	1.9%	Down
	Hamilton 3334	Lloyd's	Yes	0	923,001	0	0	0	1,534	0	3,952	0	928,487	1.6%	0.7%	Up
➔	Swiss Re (Combined)	Combined	Mixed	0	0	0	0	104,036	47,018	1,296	82,357	204,498	439,205	0.7%	2.9%	Down
➔	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	0	0	0	43,183	0	81,382	204,498	329,063	0.6%	0.3%	Up
	Transatlantic Reinsurance Company (Combined)	Combined	Yes	0	68,435	51,738	60,227	0	0	0	0	0	180,400	0.3%	2.5%	Down
	Acappella 2014	Lloyd's	Yes	0	152,840	0	0	0	5,450	0	18,439	0	176,729	0.3%	0.2%	Up
	Liberty (Combined)	Combined	Yes	0	111,303	0	14,872	0	4,594	289	9,755	0	140,813	0.2%	1.1%	Down
	PEM 4000	Lloyd's	Yes	0	111,303	0	14,872	0	4,169	55	9,644	0	140,044	0.2%	1.1%	Down
	Aspen Re	London	Yes	0	0	53,670	39,536	34,035	0	0	0	0	127,241	0.2%	3.0%	Down
	AFB 623/2623	Lloyd's	Yes	0	0	122,620	0	0	4,364	0	0	0	126,984	0.2%	2.6%	Down
	Transatlantic Reinsurance Company (Canada)	Canada	Yes	0	68,435	14,294	35,351	0	0	0	0	0	118,081	0.2%	2.4%	Down
	MKL 3000	Lloyd's	Yes	0	0	0	25,527	61,712	7,726	0	22,011	0	116,977	0.2%	2.5%	Down
	AmTrust 1206	Lloyd's	Yes	0	98,597	0	0	0	4,318	0	7,397	0	110,311	0.2%	0.2%	Up
➔	Swiss Re (Canada)	Canada	Yes	0	0	0	0	104,036	3,835	1,296	976	0	110,143	0.2%	2.6%	Down
	Barbican 1955	Lloyd's	Yes	0	97,913	0	0	0	148	0	332	0	98,392	0.2%	0.1%	Up
	Scor Re.	Canada	Yes	0	0	12,740	36,612	47,343	1,333	0	0	0	98,027	0.2%	3.2%	Down
	MFM 2468	Lloyd's	Yes	0	0	0	33,937	62,224	0	0	404	0	96,565	0.2%	2.4%	Down
	Hannover Ruck	London	Yes	0	0	0	69,189	0	0	0	0	0	69,189	0.1%	2.6%	Down

Total Current Liabilities				1,835,674	55,346,260	561,054	432,967	427,534	134,338	5,183	297,055	204,498	59,244,564			
Proportional Reinsurance:																
	London			0	34,005,583	233,503	227,571	200,414	69,851	570	102,733	0	34,840,225	58.8%	50.5%	Up
	Canada			0	4,180,588	97,088	83,754	151,379	54,358	1,296	154,643	204,498	4,927,603	8.3%	15.1%	Down
	Bermuda			0	0	22,438	17,762	0	10,129	3,317	21,955	0	75,601	0.1%	1.0%	Down
	Barbados			0	10,490,741	0	0	0	0	0	17,725	0	10,508,465	17.7%	11.1%	Up
	Total			0	48,676,912	353,029	329,087	351,793	134,338	5,183	297,055	204,498	50,351,895	85.0%	77.6%	Up
CLLAS Proportional Retention				1,835,674	6,669,349	208,025	103,880	75,742	0	0	0	0	8,892,670	15.0%	22.4%	Down
➔	Colchester Loss Portfolio Transfer & Stop Loss			86,757	6,669,349	208,025	103,880	75,742	0	0	0	0	7,143,753	12.1%	20.3%	Down
CLLAS Net Retention													1,748,917	3.0%	2.0%	Up

CLLAS Reinsurance

Appendix E

Reinsurers by % of Current Liability

CURRENT YEAR (2019/2020)

Watch	Name	Jurisdiction	Reg'd?	LAYERS					TOTAL	Percent of Total	Prev. Year Percent of Total	Movement?
				\$0.025MM XS	\$0.025MM XS	\$0.025MM XS	\$0.025MM XS	\$0.025MM XS				
				\$0.025MM	\$0.025MM	\$0.025MM	\$0.025MM	\$0.025MM				
➡	Underwriters at Lloyd's	London	Yes	0	1,995,952	4,972	13,744	0	2,014,667	50.4%	64.3%	Down
➡	Colchester	Barbados	No	0	798,381	0	2,499	0	800,880	20.1%	19.1%	Up
➡	AMA 1200	Lloyd's	Yes	0	694,244	0	0	0	694,244	17.4%	19.1%	Down
➡	Vibe 5678	Lloyd's	Yes	0	520,683	0	0	0	520,683	13.0%	9.0%	Up
➡	Allianz Global Risks	London	Yes	0	433,903	0	0	0	433,903	10.9%	7.5%	Up
➡	AML 2001	Lloyd's	Yes	0	433,903	0	0	0	433,903	10.9%	10.3%	Up
	AUL 1274	Lloyd's	Yes	0	347,122	0	0	0	347,122	8.7%	7.5%	Up
	AXIS Re	Canada	Yes	0	242,985	0	1,249	0	244,235	6.1%	4.8%	Up
➡	Swiss Re (Combined)	Combined	Mixed	0	0	3,164	1,249	29,192	33,606	0.8%	1.0%	Down
➡	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	3,164	1,249	29,192	33,606	0.8%	1.0%	Down
	MKL 3000	Lloyd's	Yes	0	0	776	3,496	0	4,272	0.1%	0.1%	Up
	BRT 2987	Lloyd's	Yes	0	0	2,079	935	0	3,014	0.1%	0.1%	Up
	Gerling Global Re	Canada	Yes	0	0	362	2,499	0	2,860	0.1%	0.1%	Up
	AmTrust 1206	Lloyd's	Yes	0	0	597	2,232	0	2,828	0.1%	0.0%	Up
➡	AWAC	Bermuda	No	0	0	542	1,749	0	2,292	0.1%	0.1%	Up
	RSA (Combined)	Combined	Yes	0	0	0	1,999	0	1,999	0.1%	0.0%	Up
	Royal & Sun Alliance Co. of Canada	Canada	Yes	0	0	0	1,999	0	1,999	0.1%	0.0%	Up
	Endurance 5151	Lloyd's	Yes	0	0	0	1,874	0	1,874	0.0%	0.0%	Up
	Liberty (Combined)	Combined	Yes	0	0	447	1,387	0	1,834	0.0%	0.0%	Up
	PEM 4000	Lloyd's	Yes	0	0	447	1,387	0	1,834	0.0%	0.0%	Up
	Acappella 2014	Lloyd's	Yes	0	0	0	1,797	0	1,797	0.0%	0.1%	Down
	FDY 435	Lloyd's	Yes	0	0	379	1,025	0	1,403	0.0%	0.0%	Up
	Probitas 1492	Lloyd's	Yes	0	0	0	1,000	0	1,000	0.0%	0.0%	Up
	AFB 623/2623	Lloyd's	Yes	0	0	360	0	0	360	0.0%	0.0%	Down
	Catlin (Combined)	Combined	Yes	0	0	334	0	0	334	0.0%	0.0%	Down
	SJC 2003	Lloyd's	Yes	0	0	334	0	0	334	0.0%	0.0%	Down

Total Current Liabilities	458,966	3,471,220	9,039	24,989	29,192	3,993,407			
Proportional Reinsurance:									
London	0	2,429,854	4,972	13,744	0	2,448,570	61.3%	71.8%	Down
Canada	0	242,985	3,525	6,997	29,192	282,700	7.1%	5.9%	Up
Bermuda	0	0	542	1,749	0	2,292	0.1%	0.1%	Up
Barbados	0	798,381	0	2,499	0	800,880	20.1%	19.1%	Up
Total	0	3,471,220	9,039	24,989	29,192	3,534,441	88.5%	96.8%	Down
CLLAS Proportional Retention	458,966	0	0	0	0	458,966	11.5%	3.2%	Up
➡ Colchester Aggregate						0	0.0%	0.0%	Zero
CLLAS Net Retention						458,966	11.5%	3.2%	Up

CLLAS Reinsurance

Appendix F

Reinsurers by % of Single Claim Exposure

CURRENT YEAR (2019/2020)

Watch	Name	Jurisdiction	Reg'd?	LAYERS					TOTAL	Percent of Total	Prev. Year Percent of Total	Move-ment?
				\$.975MM XS	\$49MM XS	\$30/60MM XS	\$10-60MM XS	\$110MM XS				
				\$.025MM	\$1MM	\$65MM	\$160MM	\$50MM				
➔	Underwriters at Lloyd's	London	Yes	0	28,175,000	16,500,000	33,000,000	0	77,675,000	53.4%	44.5%	Up
➔	Swiss Re (Combined)	Combined	Mixed	0	0	10,500,000	3,000,000	5,500,000	19,000,000	13.1%	23.4%	Down
➔	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	10,500,000	3,000,000	5,500,000	19,000,000	13.1%	23.4%	Down
➔	Colchester	Barbados	No	0	11,270,000	0	6,000,000	0	17,270,000	11.9%	9.8%	Up
	MKL 3000	Lloyd's	Yes	0	0	2,577,000	8,394,000	0	10,971,000	7.5%	4.0%	Up
➔	AMA 1200	Lloyd's	Yes	0	9,800,000	0	0	0	9,800,000	6.7%	6.7%	Unchanged
	BRT 2987	Lloyd's	Yes	0	0	6,900,000	2,244,000	0	9,144,000	6.3%	5.4%	Up
➔	Vibe 5678	Lloyd's	Yes	0	7,350,000	0	0	0	7,350,000	5.1%	2.0%	Up
	AmTrust 1206	Lloyd's	Yes	0	0	1,980,000	5,358,000	0	7,338,000	5.0%	0.0%	Up
	Gerling Global Re	Canada	Yes	0	0	1,200,000	6,000,000	0	7,200,000	4.9%	4.9%	Unchanged
	AXIS Re	Canada	Yes	0	3,430,000	0	3,000,000	0	6,430,000	4.4%	3.7%	Up
➔	Allianz Global Risks	London	Yes	0	6,125,000	0	0	0	6,125,000	4.2%	2.2%	Up
➔	AML 2001	Lloyd's	Yes	0	6,125,000	0	0	0	6,125,000	4.2%	3.3%	Up
➔	AWAC	Bermuda	No	0	0	1,800,000	4,200,000	0	6,000,000	4.1%	4.1%	Unchanged
	AUL 1274	Lloyd's	Yes	0	4,900,000	0	0	0	4,900,000	3.4%	2.2%	Up
	Liberty (Combined)	Combined	Yes	0	0	1,485,000	3,330,000	0	4,815,000	3.3%	2.0%	Up
	PEM 4000	Lloyd's	Yes	0	0	1,485,000	3,330,000	0	4,815,000	3.3%	2.0%	Up
	RSA (Combined)	Combined	Yes	0	0	0	4,800,000	0	4,800,000	3.3%	3.3%	Unchanged
	Royal & Sun Alliance Co. of Canada	Canada	Yes	0	0	0	4,800,000	0	4,800,000	3.3%	3.3%	Unchanged
	Endurance 5151	Lloyd's	Yes	0	0	0	4,500,000	0	4,500,000	3.1%	1.3%	Up
	Acappella 2014	Lloyd's	Yes	0	0	0	4,314,000	0	4,314,000	3.0%	4.3%	Down
	FDY 435	Lloyd's	Yes	0	0	1,257,000	2,460,000	0	3,717,000	2.6%	2.0%	Up
	Probitas 1492	Lloyd's	Yes	0	0	0	2,400,000	0	2,400,000	1.6%	0.0%	Up
	AFB 623/2623	Lloyd's	Yes	0	0	1,194,000	0	0	1,194,000	0.8%	0.8%	Unchanged
	Catlin (Combined)	Combined	Yes	0	0	1,107,000	0	0	1,107,000	0.8%	0.7%	Up
	SJC 2003	Lloyd's	Yes	0	0	1,107,000	0	0	1,107,000	0.8%	0.7%	Up

Maximum Exposure Any One Claim

975,000 49,000,000 30,000,000 60,000,000 5,500,000 145,475,000

Proportional Reinsurance:

London	0	6,125,000	0	0	0	6,125,000	4.2%	51.8%	Down
Canada	0	3,430,000	11,700,000	16,800,000	5,500,000	37,430,000	25.7%	34.9%	Down
Bermuda	0	0	1,800,000	4,200,000	0	6,000,000	4.1%	5.6%	Down
Barbados	0	11,270,000	0	6,000,000	0	17,270,000	11.9%	7.0%	Up
Total	0	20,825,000	13,500,000	27,000,000	5,500,000	66,825,000	45.9%	99.3%	Down

CLLAS Proportional Retention

975,000 28,175,000 16,500,000 33,000,000 0 78,650,000 54.1% 0.7% Up

➔ Colchester Aggregate

n/a n/a n/a

CLLAS Net Retention

78,650,000 54.1% 0.7% Up

Reinsurers by % of Single Claim Exposure
CURRENT YEAR (2019/2020)

CURRENT YEAR (2019/2020)		LAYERS										US\$30MM* (\$39MM)	TOTAL	Percent of Total
Watch	Name	Jurisdiction	Reg'd?	\$0.975MM XS \$0.025MM	\$49MM XS \$1MM	\$30/60MM XS \$65MM	\$10-60MM XS \$160MM	\$15-50MM XS \$50MM	\$60MM XS \$100MM					
➡	Underwriters at Lloyd's	London	Yes	0	28,175,000	16,500,000	33,000,000	0	0	6,630,000	84,305,000	29.2%		
	Liberty (Combined)	Combined	Yes	0	6,125,000	10,500,000	3,000,000	2,500,000	3,000,000	0	25,125,000	8.7%		
	RSA (Combined)	Combined	Yes	0	6,125,000	0	0	10,000,000	5,700,000	0	21,825,000	7.6%		
	Encon Group Inc. (PF)	Canada	Yes	0	0	0	0	5,000,000	15,000,000	0	20,000,000	6.9%		
➡	Swiss Re (Combined)	Combined	Mixed	0	0	0	0	10,000,000	5,700,000	0	15,700,000	5.4%		
➡	Westport Insurance Corp. (Swiss Re)	Canada	Yes	0	0	10,500,000	3,000,000	2,500,000	3,000,000	0	19,000,000	6.6%		
➡	Colchester	Barbados	No	0	11,270,000	0	6,000,000	0	0	0	17,270,000	6.0%		
	Royal & Sun Alliance Co. of Canada (PF)	Canada	Yes	0	0	0	0	10,000,000	5,700,000	0	15,700,000	5.4%		
	Liberty International Canada (PF)	Canada	Yes	0	0	0	0	10,000,000	5,700,000	0	15,700,000	5.4%		
	Travelers Insurance Company of Canada (PF)	Canada	Yes	0	0	0	0	5,000,000	9,900,000	0	14,900,000	5.2%		
	Catlin (Combined)	Combined	Yes	0	0	2,577,000	8,394,000	0	0	0	10,971,000	3.8%		
	AXA XL (PF)	Canada	Yes	0	0	0	0	5,000,000	0	6,435,000	11,435,000	4.0%		
	MKL 3000	Lloyd's	Yes	0	0	2,577,000	8,394,000	0	0	0	10,971,000	3.8%		
	The Sovereign General Insurance Company (PF)	Canada	Yes	0	0	0	0	0	9,900,000	0	9,900,000	3.4%		
	QBE Insurance Group (PF)	Canada	Yes	0	0	0	0	5,000,000	4,800,000	0	9,800,000	3.4%		
➡	AMA 1200	Lloyd's	Yes	0	9,800,000	0	0	0	0	0	9,800,000	3.4%		
	Bershire (PF)	US	Yes	0	0	0	0	0	0	9,750,000	9,750,000	3.4%		
	CNA (US)	Canada	Yes	0	0	0	0	0	0	9,750,000	9,750,000	3.4%		
	BRT 2987	Lloyd's	Yes	0	0	6,900,000	2,244,000	0	0	0	9,144,000	3.2%		
	Northbridge Insurance Company (PF)	Canada	Yes	0	0	0	0	2,500,000	6,000,000	0	8,500,000	2.9%		
	Vibe 5678	Lloyd's	Yes	0	7,350,000	0	0	0	0	0	7,350,000	2.5%		
	AmTrust 1206	Lloyd's	Yes	0	0	1,980,000	5,358,000	0	0	0	7,338,000	2.5%		
	Gerling Global Re	Canada	Yes	0	0	1,200,000	6,000,000	0	0	0	7,200,000	2.5%		
	Aspen Re (PF)	Canada	Yes	0	0	0	0	0	0	6,435,000	6,435,000	2.2%		
	AXIS Re	Canada	Yes	0	3,430,000	0	3,000,000	0	0	0	6,430,000	2.2%		
➡	AML 2001	Lloyd's	Yes	0	6,125,000	0	0	0	0	0	6,125,000	2.1%		
➡	Allianz Global Risks	London	Yes	0	6,125,000	0	0	0	0	0	6,125,000	2.1%		
➡	AWAC	Bermuda	No	0	0	1,800,000	4,200,000	0	0	0	6,000,000	2.1%		
	Axis Reinsurance Company (PF)	Canada	Yes	0	0	0	0	5,000,000	0	0	5,000,000	1.7%		
	AUL 1274	Lloyd's	Yes	0	4,900,000	0	0	0	0	0	4,900,000	1.7%		
	PEM 4000	Lloyd's	Yes	0	0	1,485,000	3,330,000	0	0	0	4,815,000	1.7%		
	Royal & Sun Alliance Co. of Canada	Canada	Yes	0	0	0	4,800,000	0	0	0	4,800,000	1.7%		
	Endurance 5151	Lloyd's	Yes	0	0	0	4,500,000	0	0	0	4,500,000	1.6%		
	Acappella 2014	Lloyd's	Yes	0	0	0	4,314,000	0	0	0	4,314,000	1.5%		
	FDY 435	Lloyd's	Yes											

Maximum Exposure Any One Claim	975,000	49,000,000	30,000,000	60,000,000	50,000,000	60,000,000	39,000,000	288,975,000	
Proportional Reinsurance:									
London	0	34,300,000	16,500,000	33,000,000	0	0	6,630,000	90,430,000	31.3%
Canada	0	3,430,000	11,700,000	16,800,000	50,000,000	60,000,000	22,620,000	164,550,000	56.9%
US	0	0	0	0	0	0	9,750,000	9,750,000	3.4%
Bermuda	0	0	1,800,000	4,200,000	0	0	0	6,000,000	2.1%
Barbados	0	11,270,000	0	6,000,000	0	0	0	17,270,000	6.0%
Total	0	49,000,000	30,000,000	60,000,000	50,000,000	60,000,000	39,000,000	288,000,000	99.7%
CLLAS Proportional Retention	975,000	0	0	0	0	0	0	975,000	0.3%
➡ Colchester Aggregate								n/a	n/a
CLLAS Net Retention								975,000	0.3%



Best's Credit Rating Effective Date

February 15, 2019

Analytical Contacts

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Information

[Best's Credit Rating Methodology](#)

[Understanding Best's Credit Ratings](#)

[Market Segment Outlooks](#)

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Allied World Assurance Company Holdings, GmbH

AMB #: 058218

Ultimate Parent: AMB # 058364 - Fairfax Financial Holdings Limited

Best's Credit Ratings – for the Rating Unit Members

Financial Strength Rating (FSR)

A
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a
Excellent
Outlook: Stable
Action: Downgraded

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members

Rating Unit: Allied World Asr Co Hldgs GmbH | **AMB #:** 058218

AMB #	Rating Unit Members
083090	Allied World Asr (Europe) DAC
012525	Allied World Asr Co (US) Inc
084808	Allied World Assurance Company
013865	Allied World Insurance Co
012526	Allied World National Assur Co

AMB #	Rating Unit Members
012699	Allied World Specialty Ins Co
011719	Allied World Surplus Lines Ins
011219	Vantapro Specialty Ins Co
020586	Vault E&S Insurance Company

Best's Credit Rating - for the Holding Company

Issuer Credit Rating (ICR)

bbb	Outlook: Stable
Good	Action: Downgraded

Rating Rationale – for the Rating Unit Members

The Issuer Credit Ratings and Financial Strength Ratings of the member operating companies of the rating unit are determined in accordance with Best's building block rating methodology as applied to the consolidated group's financial statements, and the supporting analytics and results are described in the following sections of this report.

Balance Sheet Strength: **Strongest**

- Allied World Assurance Company Holdings, GmbH (Allied World), currently maintains the strongest balance sheet strength, supported by generally favorable calendar year reserve development, diversified investment profile and controlled growth.
- Liquidity measures are sound and supported by relatively short-term holdings, predominantly high quality fixed income securities and cash.
- Allied World guarantees the long-term debt of its subsidiary, Allied World Assurance Company Holdings (Bermuda). Financial leverage and coverage measures are favorable and benefited from the 2018 capital contribution received from Fairfax Financial Holdings (Fairfax), which was used to pay down a portion of the long-term debt.
- Following a sizable decline in 2017, the group's equity position improved in 2018 benefiting from the capital received for debt repayment. Additionally, loss reserve development returned to a favorable level and accident year underwriting performance improved through year-end 2018, following larger than average catastrophe-related underwriting losses incurred in 2017.

Operating Performance: **Adequate**

- The group's operating performance is categorized as adequate. Following the 2017 acquisition by Fairfax, the group should benefit from a somewhat reduced expense structure and enhanced reinsurance protection.
- The group has historically recorded very strong operating performance; however, over the past two years the group's operating performance has been negatively impacted by its North American casualty business and US property losses. Additionally, investment returns have been dampened by losses relating to the group's private equity portfolio.
- The California wildfires and hurricane losses of the past two years have significantly impacted the group's underwriting results. In 2017, losses totaled \$558 million. In 2018, the group did benefit from \$96.6 million in prior year reserve releases.
- Investment returns over the past few years have been negatively impacted by unrealized losses in the group's bond portfolio and private equity securities. In addition, the group has recorded below average investment income levels relative to peers as it maintains shorter-term maturities on its invested asset base.
- Although the group has begun to shift its portfolio composition in line with the total return approach of its ultimate parent, Fairfax, a significant change in earnings potential in the short term is not expected.

Business Profile: **Neutral**

- The group is a specialty insurance and reinsurance entity that underwrites a diversified portfolio of property and casualty business.
- Growth in the group's insurance business in recent years has benefited from expanded branch networks as well as strong local broker relationships. The group has a successful track record of expansion in terms of geography with operations in Bermuda, Canada, Europe, Hong Kong, Lloyd's, and Singapore.
- Two-thirds of the group's premium is generated in the United States.
- Reinsurance business has been reduced over the past few years in response to competitive market conditions.

Enterprise Risk Management: **Appropriate**

- Allied World's risk management capabilities are viewed as appropriately aligned with its risk profile. Comprehensive enterprise risk management framework with specific risk tolerances and risk appetites discussed and monitored both formally and informally. The group maintains a diversified portfolio of insurance products designed to limit volatility of earnings and equity. Despite the focus, the group incurred significant catastrophe losses in 2017 and has since increased its enterprise aggregate protection, which has reduced its 1-in-250-year aggregate and occurrence PMLs.
- The group monitors and estimates each of its anticipated risks as a percentage of capital. Stress and scenario tests are performed on the significant risks. Additionally, the group actively manages its cyber risks.

- The group also participates in risk management at the Fairfax group level under the direction of a chief risk officer. Risks are reviewed on a quarterly basis with risk managers at the subsidiary level. This practice allows the group to share information, resources and best practices with the other operating entities.

Outlook

- The rating outlooks reflect AM Best's expectation that the group's strongest balance sheet strength will continue to be supported by adequate operating performance, although experiencing a deteriorating trend due in large part to lower levels of favorable reserve development, increased storm losses and competitive market conditions; diverse business profile, both geographically and by line of business; and well-defined enterprise risk management guidelines and controls.

Rating Drivers

- The ratings could be negatively impacted by a deterioration in the investment performance of the main insurance operating units.
- The ratings could be negatively impacted by a material increase in financial leverage of this intermediate holding company or at the ultimate parent level.
- The ratings could be negatively impacted by underwriting losses associated with the group's commercial casualty business, property catastrophe business, or adverse development recorded on prior accident years.

Rating Rationale - for the Holding Company

The rating of the holding company is determined by reference to the Issuer Credit Rating (ICR) of the operating insurance company members. It reflects consideration of holding company sources and uses of cash, the competing demands placed upon holding company resources and normal subordination of holding company creditors to claims of the policyholders of the operating insurance companies. In general, therefore, the holding company's Issuer Credit Rating is notched from those assigned to the operating companies of the rating unit.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	57.5	37.3	29.0	26.3

Source: Best's Capital Adequacy Ratio Model - Universal

Key Financial Indicators	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)	2014 USD (000)
Net Premium Written:					
Non-Life	2,368,800	2,238,800	2,255,900	2,448,000	2,322,000
Composite	2,368,800	2,238,800	2,255,800	2,448,000	2,322,000
Net Income	-91,200	-521,500	255,300	83,900	490,300
Total Assets	13,245,400	13,445,400	13,179,000	13,511,900	12,418,800
Total Capital and Surplus	2,817,100	2,523,600	3,551,800	3,532,500	3,778,200

Source: BestLink® - Best's Financial Suite

Key Financial Ratios (%)	2018	2017	2016	2015	2014	Weighted 5 Year Average
Profitability:						
Net Income Return on Revenue	-4.0	-21.4	9.9	3.3	20.0	1.8
Net Income Return on Capital and Surplus	-3.4	-17.2	7.2	2.3	13.4	1.3
Balance on Non-Life Technical Account (USD 000)	42,500	-585,900	91,000	120,400	322,700	...
Non-Life Combined Ratio	98.2	126.4	96.1	95.2	85.2	100.1
Net Investment Yield	2.1	2.1	2.4	2.1	2.1	2.2
Leverage:						
Net Premium Written to Capital and Surplus	84.1	88.7	63.5	69.3	61.5	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Allied World Assurance Company Holdings's risk-adjusted capital is supportive of its current loss reserve position, which has shown some variability in recent accident years; premium growth; and catastrophe loss exposure. Additionally the company benefits from its position as a member of the Fairfax Financial Holdings (Fairfax) group of companies given Fairfax's favorable financial flexibility and historical support of its insurance operations. The company also long term debt with manageable interest coverage.

Loss reserve development has been variable over the past several accident years given development on the group's commercial casualty coverage and property losses. Allied World's exposure to property catastrophe losses has increased over the past few years due in part to its increased exposure to North American catastrophe losses as its direct book of business which is more catastrophe exposed has grown relative to its reinsurance business.

The company maintains a diversified investment strategy with a long term value oriented approach, which provides adequate liquidity for the prompt payment of claims. The investment portfolio consists primarily of investment-grade, fixed-maturity securities of short-to medium-term duration. The average duration of the portfolio is relatively short when compared with the company's casualty insurance focus. This is due to the company's defensive posture regarding interest rates.

Capitalization

Capital Generation Analysis	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)	2014 USD (000)
Beginning Capital and Surplus	2,523,600	3,551,800	3,532,500	3,778,200	3,519,800
Net Income after Non-Controlling Interests	-91,200	-521,500	255,300	83,900	490,300
Currency Exchange Gains (Losses)	-5,300	3,000	-2,300	-9,300	...
Change in Paid-In Capital	390,000	3,051,100	-86,600	-33,300	-74,100
Stockholder Dividends	...	438,000	91,500	92,400	81,700
Other Changes in Capital and Surplus	...	-3,122,800	-55,600	-194,600	-76,100
Net Change in Capital and Surplus	293,500	-1,028,200	19,300	-245,700	258,374
Ending Capital and Surplus	2,817,100	2,523,600	3,551,800	3,532,500	3,778,200
Net Change in Capital and Surplus (%)	11.6	-29.0	0.6	-6.5	7.3

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	2018	2017	2016	2015	2014
Net Operating Cash Flow (USD 000)	-265,800	63,300	399,300	512,800	416,900
Liquid Assets to Total Liabilities (%)	68.7	70.1	80.8	82.9	87.8

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Composition of Cash and Invested Assets	2018	2017	2016	2015	2014
Total Cash and Invested Assets (USD 000)	7,865,500	8,199,600	8,739,700	9,239,800	8,539,000
Composition Percentages (%):					
Unaffiliated:					
Cash and Short Term Investments	10.8	14.4	9.1	7.2	7.9
Bonds	69.6	68.6	77.1	77.9	71.1
Stocks	10.7	10.4	2.8	4.4	9.9
Other Invested Assets	9.0	6.6	11.0	10.5	11.2
Total Unaffiliated Cash and Invested Assets	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Balance Sheet Strength (Continued...)

Holding Company Assessment

Financial Leverage Summary - Holding Company

Financial Leverage Ratio (%)	15.30
Adjusted Financial Leverage Ratio (%)	15.30
Interest Coverage (x)	6.00

Holding Company Analytics	2018	2017	2016	2015	2014
Debt to Capital and Surplus (%)	19.0	36.8	23.0	37.3	21.6
Liquid Assets to Total Liabilities (%)	68.7	70.1	80.8	82.9	87.8
Interest Expense (USD 000)	32,900	43,600	63,700	61,400	57,800

Source: BestLink® - Best's Financial Suite

Operating Performance

On average the group's operating performance has been strong since the company's inception in 2001. Beginning in 2015 the group's overall results underperformed historical results, in part due to investment losses and weaker underwriting results.

Over the past two years the group's underwriting performance has been negatively impacted by its competitive North American casualty business and US property losses. Additionally, investment returns have been dampened by losses relating to the group's equity portfolio.

The California wildfires and Hurricane losses of the past two years have significantly impacted the group's underwriting results. In 2017, losses totaled \$558 million. In 2018, the group did benefit from \$96.6 million in prior year reserve releases.

Investment returns over the past few years have been negatively impacted by unrealized losses in the group's bond portfolio and private equity securities. In addition, the group records below average investment income levels relative to peers due in part to the shorter term maturities on its invested asset base.

Financial Performance Summary	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)	2014 USD (000)
Pre-Tax Income	-98,700	-528,200	246,200	89,700	520,800
Net Income (after Non-Controlling Interests)	-91,200	-521,500	255,300	83,900	490,300

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2018	2017	2016	2015	2014
Overall Performance:					
Return on Assets	-0.7	-3.9	1.9	0.7	4.0
Return on Capital and Surplus	-3.4	-17.2	7.2	2.3	13.4
Non-Life Performance:					
Loss and LAE Ratio	70.5	94.8	64.1	63.8	54.9
Expense Ratio	27.7	31.6	32.1	31.4	30.3
Combined Ratio	98.2	126.4	96.1	95.2	85.2

Source: BestLink® - Best's Financial Suite

Business Profile

Allied World, has established itself as a specialty insurance and reinsurance group that underwrites a diversified portfolio of property and casualty insurance and reinsurance lines of business. The group writes direct property and casualty insurance as well as reinsurance through operations in Australia, Bermuda, Canada, Europe, Hong Kong, Lloyd's, Singapore and the United States. The group's intermediate parent, Allied World Assurance Company Holdings, GMBH is domiciled in Switzerland. Fairfax Financial Holdings is the ultimate parent of the group.

Business Profile (Continued...)

Management monitors the performance of its direct underwriting operations based on the geographic location of the group's offices, the markets, and customers served and the type of accounts written. The group's two operating segments are Insurance and Reinsurance. The Insurance Segment includes the group's North America and Global Markets Operations. The North American Operation includes the group's direct specialty insurance operations in the United States, Bermuda and Canada. The Bermuda office underwrite primarily larger, Fortune 1000 casualty and property risks for accounts domiciled in North America, while the U.S. and Canada operations generally write small- and middle-market, non-Fortune 1000 accounts domiciled in North America, including public entities, private companies, and non-profit organizations. The North America Operation has established offices in Atlanta, Bermuda, Boston, Chicago, Costa Mesa (CA), Dallas, Farmington (CT), Los Angeles, Miami, New York City, Philadelphia, San Francisco, and Toronto. The Global Markets Operation includes the group's direct insurance business outside of North America operating primarily out of Europe, Asia, and Australia. The European offices focus on mid-sized to large European and multi-national companies domiciled outside of North America and continue diversifying into products for small and middle-market accounts. This segment also underwrites a variety of professional liability, general casualty, and healthcare liability products from its offices in Asia. The group's Asian business increased with its April 2015 acquisition of RSA's Hong Kong and Singapore operations. In June 2010, the company formed Syndicate 2232 at Lloyd's of London. Effective April 1, 2014, the syndicate is managed by Allied World Managing Agency Limited which is authorized by the Prudential Regulation Authority in the United Kingdom. The syndicate offers select product lines, which include international property, general casualty, and professional liability lines targeted at key territories such as countries in Latin America and the Asia-Pacific region.

The Reinsurance Segment includes the group's operations in the United States, Bermuda, Europe and Singapore. This segment currently writes reinsurance on both a treaty and a facultative basis, targeting several niche reinsurance markets, including property coverages, general casualty, professional liability, and specialty lines. The group's U.S. operations operate out of New York City and focus on general casualty, professional liability, property coverages, and specialty lines including marine, aerospace, and crop. The group's Bermuda operation focuses on property catastrophe, property treaty, and specialty casualty coverages. The group operates an office in Zug, Switzerland, that offers property, general casualty and professional liability products throughout Europe. Syndicate 2232 also offers international treaty reinsurance. The group operates in Asia with its Singapore office which serves as the company's hub for all classes of treaty reinsurance for the region. The group operates a Miami office to act as a Lloyd's coverholder, underwriting treaty business in Latin America and the Caribbean. Responsibility and accountability for the results of underwriting operations are assigned by major line of business within each of the operating segments.

The group markets its insurance and reinsurance products worldwide through selected third-party intermediaries. Direct insurance policies are written through various intermediaries, including excess and surplus lines wholesalers and regional and national retail brokerage firms. Reinsurance is mostly placed through a small group of globally known reinsurance brokers although the group continues to build relationships with smaller distribution partners.

Geographical Breakdown of Gross Premiums Written	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)	2014 USD (000)
GPW-Other Asia	379,400	370,600	352,200	313,100	167,300
GPW-Total Asia	379,400	370,600	352,200	313,100	167,300
GPW-Other Europe	371,900	311,900	296,300	326,900	318,600
GPW-Total Europe	371,900	311,900	296,300	326,900	318,600
GPW-Canada	30,800	24,900	18,500	16,000	13,000
GPW-United States	2,026,300	1,922,100	1,903,400	1,893,400	1,795,600
GPW-Total North America	2,057,100	1,947,000	1,921,900	1,909,400	1,808,600
GPW-Bermuda	560,500	469,000	495,400	543,600	640,900
GPW-Total Caribbean	560,500	469,000	495,400	543,600	640,900
GPW-Total World-Wide	3,368,900	3,098,500	3,065,800	3,093,000	2,935,400

Source: BestLink® - Best's Financial Suite

Enterprise Risk Management

Allied World maintains a comprehensive risk management program, which is viewed as appropriate for the complexity of its operations. Allied World's enterprise risk management ("ERM") consists of numerous formalized processes and controls that have been designed by senior management, with oversight by the Board of Directors, and implemented by employees across the organization. The economic capital model is a key element to the company's risk management. The company's ERM supports the firm-wide decision making process



Enterprise Risk Management (Continued...)

by aiming to provide reliable and timely risk information. The risk governance structure includes committees comprised of senior underwriting, actuarial, finance, legal, investment and operations staff that identify, monitor and help manage each of these risks. The management-based Risk Management Committee, chaired by the Chief Risk Officer, focuses primarily on identifying correlations among the primary categories of risk, developing metrics to assess the overall risk position, performing an annual risk assessment and reviewing continually factors that may impact organizational risk. This risk governance structure is complemented by the company's internal audit department.

Insurance companies in Bermuda are regulated by the Insurance Division of the Bermuda Monetary Authority. In Bermuda, there are no taxes on profits, income, dividends or capital gains. There is only a licensing fee which is dependent upon the level of authorized capital. Exempted companies are able to enter an agreement with the government whereby any such taxes imposed in the future would not be applicable until March 31, 2035. Allied World has entered into such an agreement with the Bermudian government. The Insurance Act provides that the statutory assets of an insurer must exceed its statutory liabilities by an amount greater than the prescribed minimum solvency margin, which for a Class 4 insurer such as Allied World is the greatest of \$100 million, 50% of net premiums written or 15% of net losses and loss expense reserves.



Financial Statements

	12/31/2018		12/31/2017
	USD (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	847,900	6.4	1,179,600
Bonds	5,471,900	41.3	5,620,800
Equity Securities	840,500	6.4	856,300
Other Invested Assets	705,200	5.3	542,900
Total Cash and Invested Assets	7,865,500	59.4	8,199,600
Reinsurers' Share of Reserves	2,939,700	22.2	2,736,200
Debtors / Amounts Receivable	1,008,400	7.6	1,232,100
Other Assets	1,431,800	10.8	1,277,500
Total Assets	13,245,400	100.0	13,445,400
Unearned Premiums	1,840,900	13.9	1,748,300
Non-Life Reserves	7,653,500	57.8	7,787,900
Total Gross Technical Reserves	9,494,400	71.7	9,536,200
Debt / Borrowings	536,400	4.0	928,200
Other Liabilities	397,500	3.0	457,400
Total Liabilities	10,428,300	78.7	10,921,800
Paid-in Capital	3,586,100	27.1	3,196,100
Retained Earnings	-764,000	-5.8	-676,500
Other Capital and Surplus	-5,000	...	4,000
Total Capital and Surplus	2,817,100	21.3	2,523,600
Total Liabilities, Mezzanine Items and Surplus	13,245,400	100.0	13,445,400

Source: BestLink® - Best's Financial Suite

	12/31/2018			12/31/2017
	Non-Life USD (000)	Life USD (000)	Other USD (000)	Total USD (000)
Income Statement				
Gross premiums written	3,368,900	...	...	3,368,900
Net Premiums Earned	2,330,100	...	...	2,330,100
Net Investment Income	...	...	165,500	165,500
Net realized gains/(losses)	...	...	-223,200	-223,200
Other income	...	...	...	12,300
Total Revenue	2,330,100	...	-45,400	2,284,700
Losses and Benefits	1,642,600	...	...	1,642,600
Net Operating Expense	645,000	...	...	685,500
Other Expense	...	...	22,400	22,400
Total Losses, Benefits, and Expenses	2,287,600	...	22,400	2,350,500
Earnings before interest & taxes (EBIT)	42,500	...	-108,300	-65,800
Interest Expense	...	...	...	32,900
Income Taxes Incurred	...	...	...	-7,500
Net income before Non-Controlling interests	...	...	...	-91,200
Net income/(loss) from continuing operations	...	...	...	-91,200
Net Income	...	...	...	-91,200

Source: BestLink® - Best's Financial Suite



BEST'S CREDIT REPORT

AMB #: 058218 - Allied World Assurance Co Hldgs GmbH

	12/31/2018	12/31/2017
	USD (000)	USD (000)
Statement of Cash Flows		
Net cash provided/(used) in Operating Activities	-265,800	63,300
Net cash provided/(used) in Investing Activities	-18,800	639,800
Net cash provided/(used) in Financing Activities	-37,900	-327,300
Effect of Exchange Rates/Discontinued Operations on Cash	-9,200	6,400
Total increase (decrease) in cash	-331,700	382,200
Cash, beginning balance	1,179,600	797,400
Cash, ending balance	847,900	1,179,600

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

[Best's Credit Rating Methodology, 12/20/2018](#)

[Catastrophe Analysis in A.M. Best Ratings, 10/13/2017](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

[Understanding Universal BCAR, 05/23/2019](#)

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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

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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COLCHESTER REINSURANCE LIMITED

PERIODIC REPORTING PACKAGE

FOR THE TWELVE MONTHS ENDED JUNE 30, 2019

INDEX TO CONTENTS

2. STATEMENTS OF INCOME & RETAINED EARNINGS

3. NOTES TO THE FINANCIAL STATEMENTS

PREPARED BY: AON INSURANCE MANAGERS (BARBADOS) LTD

ACCOUNT EXECUTIVE: WINSTON HAMPDEN

COLCHESTER REINSURANCE LIMITED
UNAUDITED BALANCE SHEET AS AT JUNE 30, 2019
(EXPRESSED IN CANADIAN \$)

		JUNE 30, 2019	JUNE 30, 2018
ASSETS			
Cash at bank - premier accounts		2,349,059.79	9,231,988.63
Cash & cash equivalents	1	<u>2,349,059.79</u>	<u>9,231,988.63</u>
Royal Bank of Canada-Investments	2	35,828,293.88	50,395,006.04
Accrued interest receivable	3	184,891.24	210,181.89
Provision for Losses Recoverable	4	6,424,000.00	6,082,000.00
Deferred Reinsurance Premiums	5	0.00	0.00
Prepaid expenses	6	5,066.88	6,171.95
		<u>42,442,252.00</u>	<u>56,693,359.86</u>
TOTAL ASSETS		<u><u>44,791,311.79</u></u>	<u><u>65,925,348.51</u></u>
Insurance balances payable		0.00	0.00
Accrued expenses	7	79,059.50	130,612.84
Claims payable		60,331.84	27,094.27
		<u>139,391.34</u>	<u>157,707.11</u>
RESERVES			
Unearned Premium Reserve	9	0.00	0.00
Outstanding losses	8	7,567,000.00	23,231,000.00
Outstanding losses - I.B.N.R.	8	11,352,000.00	10,889,000.00
		<u>18,919,000.00</u>	<u>34,120,000.00</u>
SHAREHOLDERS EQUITY			
Share capital-common shares		1,100.00	1,100.00
Class A preference shares		3,314,000.00	3,314,000.00
Earned surplus at start of year		28,514,484.81	31,772,862.64
Net profit/(loss) for the period		(6,463,973.82)	(3,258,377.81)
		<u>25,365,610.99</u>	<u>31,829,584.83</u>
Accum. Other Comprehensive Income		367,309.46	(181,943.43)
TOTAL SHAREHOLDERS EQUITY		<u><u>25,732,920.45</u></u>	<u><u>31,647,641.40</u></u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		<u><u>44,791,311.79</u></u>	<u><u>65,925,348.51</u></u>

COLCHESTER REINSURANCE LIMITED
UNAUDITED STATEMENT OF INCOME
FOR THE PERIOD JULY 1 2018 TO JUNE 30, 2019
(EXPRESSED IN CANADIAN \$)

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30, 2019	12 MONTHS TO JUNE 30 2018
UNDERWRITING INCOME			
Premiums written	0.00	428,717.05	209,797.60
Unearned premium transfer	107,179.26	0.00	0.00
GROSS EARNED PREMIUMS	107,179.26	428,717.05	209,797.60
Reinsurers' ceded premiums	0.00	(1,068,609.99)	(1,039,021.99)
Deferred ceded premiums	(267,152.50)	0.00	0.00
Reinsurers' ceded premiums earned	(267,152.50)	(1,068,609.99)	(1,039,021.99)
	(159,973.24)	(639,892.94)	(829,224.39)
TOTAL UNDERWRITING INCOME	(159,973.24)	(639,892.94)	(829,224.39)
UNDERWRITING EXPENSES			
Net losses paid	25,616.00	22,085,234.30	2,329,254.00
Outstanding losses adjustment	(186,000.00)	(15,664,000.00)	480,000.00
Transfer to IBNR	739,000.00	463,000.00	(1,904,000.00)
Transfer to prov. for losses recoverable	(316,000.00)	(342,000.00)	347,000.00
NET INCURRED LOSSES	262,616.00	6,542,234.30	1,252,254.00
OTHER UNDERWRITING EXPENSES (see schedule)	19,312.50	75,562.50	75,000.00
TOTAL UNDERWRITING EXPENSES	281,928.50	6,617,796.80	1,327,254.00
UNDERWRITING PROFIT / (LOSS)	(441,901.74)	(7,257,689.74)	(2,156,478.39)
GENERAL AND ADMIN EXPENSES (see schedule)	48,661.27	193,704.47	184,579.84
	(490,563.01)	(7,451,394.21)	(2,341,058.23)
INTEREST INCOME & EXCEPTIONAL ITEMS			
Interest income	419,125.62	1,278,798.65	1,604,455.10
Profit/(loss) on sale of invts	104,864.31	104,864.31	0.00
Profit/(loss) on exchange	0.00	0.00	0.00
Amortisation of investments	(227,893.54)	(247,222.31)	(343,183.52)
Investment management fees	(22,449.48)	(111,796.33)	(138,187.92)
Investment Custody Fees	(4,774.23)	(22,711.99)	(27,669.37)
	268,872.68	1,001,932.33	1,095,414.29
NET PROFIT/(LOSS) BEFORE TAX	(221,690.33)	(6,449,461.88)	(1,245,643.94)
INCOME TAX	4,988.29	14,511.94	12,733.87
DIVIDEND PAID	0.00	0.00	2,000,000.00
NET PROFIT/(LOSS) AFTER TAX	(226,678.62)	(6,463,973.82)	(3,258,377.81)

COLCHESTER REINSURANCE LIMITED

ANALYSIS OF EXPENSES AS AT JUNE 30, 2019 FOR THE PERIOD JULY 1 2018 TO JUNE 30, 2019

	MOVEMENT DURING QTR	12 MONTHS TO JUNE 30, 2019	12 MONTHS TO JUNE 30 2018
UNDERWRITING EXPENSES			
Brokerage commission	19,312.50	75,562.50	75,000.00
	<u>19,312.50</u>	<u>75,562.50</u>	<u>75,000.00</u>
GENERAL & ADMIN EXPENSES			
Management fees	23,000.00	87,500.00	86,000.00
Directors fees	14,480.60	19,070.60	7,650.00
Audit fees	6,250.00	31,848.58	33,610.00
Actuarial fees	880.83	30,876.15	35,307.00
Legal fees	0.00	0.00	1,498.00
Insurance Costs - D&O	1,996.88	7,987.50	7,988.00
Secretarial fees	0.00	6,827.34	6,527.00
Bank and L.O.C charges	311.60	1,030.31	751.84
Communication expenses	1,741.36	3,772.35	2,260.00
Travel	0.00	4,791.64	2,988.00
	<u>48,661.27</u>	<u>193,704.47</u>	<u>184,579.84</u>

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

1. CASH ON DEPOSIT

Royal Bank - Canadian Dollar Call Account	26,503.37
Royal Bank - Premier Canadian Dollar Account	2,322,556.42
Royal Bank - Time Deposit Account	0.00
	<u>2,349,059.79</u>

2. INVESTMENTS

Investment at cost	35,953,159.93
Amortization	(492,175.51)
Portfolio at amortized cost	<u>35,460,984.42</u>
Unrealized gain / (loss)	367,309.46
Portfolio at market value	<u>35,828,293.88</u>

3. ACCRUED INTEREST RECEIVABLE

Investments - RBC	184,891.24
	<u>184,891.24</u>

4. PROVISION FOR LOSS RECOVERABLES (DISCOUNTED)

Canadian Lawyers Liability Assurance Society

U/W Year	CASE RESERVES	IBNR	TOTAL
2004/2005	0.00	0.00	0.00
2005/2006	0.00	10,000.00	10,000.00
2006/2007	0.00	55,000.00	55,000.00
2007/2008	0.00	66,000.00	66,000.00
2008/2009	0.00	66,000.00	66,000.00
2009/2010	0.00	0.00	0.00
2010/2011	0.00	0.00	0.00
2011/2012	0.00	168,000.00	168,000.00
2012/2013	0.00	144,000.00	144,000.00
2013/2014	0.00	242,000.00	242,000.00
2014/2015	0.00	480,000.00	480,000.00
2015/2016	0.00	787,000.00	787,000.00
2016/2017	0.00	1,130,000.00	1,130,000.00
2017/2018	0.00	1,492,000.00	1,492,000.00
2018/2019	0.00	1,784,000.00	1,784,000.00
	<u>0.00</u>	<u>6,424,000.00</u>	<u>6,424,000.00</u>

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

5. DEFERRED REINSURANCE PREMIUMS

Reinsurers' Premium to be earned	(\$1,068,609.99*12/0)	0.00
		<u>0.00</u>

6. PREPAID EXPENSES

Annual Government Tax	US\$12,500 p.a.	5,066.88
		<u>5,066.88</u>

7. ACCOUNTS PAYABLE/ACCRUED EXPENSES

Audit fees	25,000.00
Investment Fees	28,058.00
Investment Custody Fees	3,610.00
Brokerage Commission	19,312.50
Actuarial Fees	3,079.00
	<u>79,059.50</u>

8. OUTSTANDING LOSSES (DISCOUNTED)

Canadian Lawyers Liability Assurance Society

U/W Year	CASE RESERVES	IBNR	TOTAL
2004/2005	0.00	0.00	0.00
2005/2006	0.00	50,000.00	50,000.00
2006/2007	0.00	182,000.00	182,000.00
2007/2008	3,500,000.00	535,000.00	4,035,000.00
2008/2009	0.00	220,000.00	220,000.00
2009/2010	2,000,000.00	424,000.00	2,424,000.00
2010/2011	176,000.00	359,000.00	535,000.00
2011/2012	375,000.00	391,000.00	766,000.00
2012/2013	0.00	271,000.00	271,000.00
2013/2014	940,000.00	474,000.00	1,414,000.00
2014/2015	0.00	735,000.00	735,000.00
2015/2016	444,000.00	1,242,000.00	1,686,000.00
2016/2017	132,000.00	1,719,000.00	1,851,000.00
2017/2018	0.00	2,137,000.00	2,137,000.00
2018/2019	0.00	2,613,000.00	2,613,000.00
	<u>7,567,000.00</u>	<u>11,352,000.00</u>	<u>18,919,000.00</u>

9. UNEARNED PREMIUM RESERVE

Premiums	(\$428,717.05/12*0)	0.00
		<u>0.00</u>

COLCHESTER REINSURANCE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2019

10. LOSS/EQUITY RATIO

Loss Reserves	18,919,000.00
Shareholder Equity	25,365,610.99
Ratio	75%

An actuarial report is required to be submitted to the Supervisor of Insurance when the Loss Reserve/Equity Ratio exceeds 200%.

11. MARGIN OF SOLVENCY

Assets must exceed liabilities by:

- (1) (US\$125,000 in the first year of operation)
- (2) (US\$125,000, if premium Income of the previous year < US\$750,000)
- (3) (20% of premium income of the previous year, if premium income > US\$750,000 but < US\$5,000,000)
- (4) (US\$1,000,000 + 1/10 of premium income of the previous year, if premium income > US\$5,000,000)

Premiums Earned at December 31, 2018	234,161.40
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Minimum Solvency Margin re (2) above	164,162.50
--------------------------------------	------------

Total Assets	44,791,311.79	
Less: Non-admitted Assets		
Long Term Investments	0.00	
Prepayments	5,066.88	
Total Admitted Assets	44,786,244.91	
Total Liabilities	19,058,391.34	
Solvency Margin (Excess of Assets over Liabilities)		25,727,853.57
Excess over Minimum Solvency Margin		<u>25,563,691.07</u>

COLCHESTER REINSURANCE LIMITED
UNDERWRITING ANALYSIS AS AT JUNE 30, 2019
FOR THE PERIOD APRIL 1, 2019 TO JUNE 30, 2019

	Inward Reinsurance of CLLAS EOL 49Mx1M-20%	Inward Reinsurance of CLLAS Agg. Stop Loss 10Mx5M-100%	Inward Reinsurance of CLLAS Excess Layers 40Mx160M-7.5% 60Mx160M-7.5%	Outward Retro. of Colchester EOL 5Mx5M-20%	Outward Retro. of Colchester EOL 40Mx10M-20%	Outward Retro. of Colchester Agg. Stop Loss 15Mx2.5M-100%	Outward Retro. of Colchester Excess Layers 40Mx160M-5% 60Mx160M-5%	Total
Limits								
Policy No.	CLLAS00117	ADD 47 to 89-011	CLLAS00217	PCOLC000116	PCOLC000216	PCOLC000316	PCOLC000816	
Policy Period	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	
Premiums Written	-	-	-	-	-	-	-	-
Trfd from Unearned Prem. Reserv	76,437.26	21,147.75	9,594.25					107,179.26
Premiums Earned	<u>76,437.26</u>	<u>21,147.75</u>	<u>9,594.25</u>					<u>107,179.26</u>
Reinsurance Premiums Ceded				-	-	-	-	-
Trfd from Deferred Reins. Prem.		-		(206,400.52)	-	(51,637.50)	(9,114.48)	(267,152.50)
Reinsurance Premiums Earned		<u>-</u>		<u>(206,400.52)</u>	<u>-</u>	<u>(51,637.50)</u>	<u>(9,114.48)</u>	<u>(267,152.50)</u>
Net Premiums Earned								<u>(159,973.24)</u>

App. 1a

COLCHESTER REINSURANCE LIMITED
UNDERWRITING ANALYSIS AS AT JUNE 30, 2019
FOR THE PERIOD JULY 1, 2018 TO JUNE 30, 2019

	Inward Reinsurance of CLLAS EOL 49Mx1M-20%	Inward Reinsurance of CLLAS Agg. Stop Loss 10Mx5M-100%	Inward Reinsurance of CLLAS Excess Layers 40Mx160M-5% 60Mx160M-5%	Outward Retro. of Colchester EOL 5Mx5M-20%	Outward Retro. of Colchester EOL 40Mx10M-20%	Outward Retro. of Colchester Agg. Stop Loss 15Mx2.5M-100%	Outward Retro. of Colchester Excess Layers 40Mx160M-5% 60Mx160M-5%	Total
Limits								
Policy No.	CLLAS00116	ADD 46 to 89-011	CLLAS00216	PCOLC000116	PCOLC00021	PCOLC000316	PCOLC000816	
Policy Period	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	1-Jul-18 to 30-Jun-19	
Premiums Written	305,749.05	84,591.00	38,377.00			-		428,717.05
Trfd from Unearned Prem. Reserve	-	-	-					-
Premiums Earned	<u>305,749.05</u>	<u>84,591.00</u>	<u>38,377.00</u>					<u>428,717.05</u>
Reinsurance Premiums Ceded				(825,602.08)	-	(206,550.00)	(36,457.91)	(1,068,609.99)
Trfd from Deferred Reins. Prem.		-		-		-	-	-
Reinsurance Premiums Earned		<u>-</u>		<u>(825,602.08)</u>	<u>-</u>	<u>(206,550.00)</u>	<u>(36,457.91)</u>	<u>(1,068,609.99)</u>
Net Premiums Earned								<u>(639,892.94)</u>

App. 1b

COLCHESTER REINSURANCE LIMITED

SCHEDULE OF SHORT-TERM DEPOSITS & ACCRUED INVESTMENT INCOME

AS AT JUNE 30, 2019

(Expressed in CAD)

(Base days = 365)

Bank	Value Date	Maturity Date	Original Currency	|----- Principal -----| Original Currency	CAD	Interest Rate	Days Accrued	| - Accrued Interest - | Original Currency	US\$
<u>Interest Bearing Instruments - Deposits</u>									
Royal Bank of Canada			CAD	0.00	0.00	3.915%	2738	0.00	0.00
				<u>0.00</u>	<u>0.00</u>			<u>0.00</u>	<u>0.00</u>

TOTAL SHORT TERM DEPOSITS - CAD

\$0.00

ACCRUED INVESTMENT INCOME - CAD

\$0.00

To NOTE 2.

To NOTE 3.

**Best's Credit Rating Effective Date**

October 09, 2019

Analytical Contacts

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Information[Best's Credit Rating Methodology](#)[Understanding Best's Credit Ratings](#)[Market Segment Outlooks](#)**Financial Data Presented**

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Argo Group International Holdings, Ltd**AMB #:** 058448 | **FEIN#:** 98-0214719**Ultimate Parent:** AMB # 058448 - Argo Group International Holdings, Ltd**Best's Credit Ratings – for the Rating Unit Members****Financial Strength Rating
(FSR)**

A
Excellent
Outlook: Stable
Action: Affirmed

**Issuer Credit Rating
(ICR)**

a
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strongest
Operating Performance	Adequate
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Unit - Members**Rating Unit:** Argo Group Intern Hldgs, Ltd | **AMB #:** 058448

AMB #	Rating Unit Members
014152	ARIS Title Insurance Corp
013313	Argo Re Ltd.
091791	ArgoGlobal SE
002219	Argonaut Great Central Ins Co
002056	Argonaut Insurance Company
003540	Argonaut Limited Risk Ins Co
003078	Argonaut-Midwest Ins Co

AMB #	Rating Unit Members
002058	Argonaut-Southwest Ins Co
003283	Colony Insurance Company
002619	Colony Specialty Insurance Co
011035	Peleus Insurance Company
002723	Rockwood Casualty Insurance Co
002057	Select Markets Insurance Co
012126	Somerset Casualty Insurance

Best's Credit Rating - for the Holding Company**Issuer Credit Rating (ICR)**

bbb	Outlook: Stable
Good	Action: Affirmed

Rating Rationale – for the Rating Unit Members

The Issuer Credit Ratings and Financial Strength Ratings of the member operating companies of the rating unit are determined in accordance with Best's building block rating methodology as applied to the consolidated group's financial statements, and the supporting analytics and results are described in the following sections of this report.

Balance Sheet Strength: **Strongest**

- Argo Group International Holdings, Limited, is a publicly traded company listed on the New York Stock Exchange (NYSE) under the ticker symbol ARGO. Financial flexibility of the group is enhanced by its ready access to the global capital markets, if necessary.
- Strongest level of risk-adjusted capitalization for the consolidated group, including both U.S. and non-U.S. operations, based on Best's Capital Adequacy Ratio (BCAR) at the 99.6% VaR confidence level.
- Effective use of third-party capital via Lloyd's Syndicates 1910 and 1200, and the Harambee special purpose vehicle.
- Financial leverage and coverage ratios are in accordance with Best's guidelines. Earnings before interest and taxes (EBIT) coverage has recovered to a normal level in 2018 from 2017 results that were impacted by catastrophe losses. It is expected that 2019 coverage ratios will be at a similar level as 2018.

Operating Performance: **Adequate**

- The group's five-year average combined ratio is in line with the commercial casualty composite while a few points higher than the global re/insurers composite. The 2018 and 2019 (year-to-date second quarter) loss and combined ratios are much improved from 2017 even while encountering catastrophe events of similar magnitudes.
- ROEs were lower than its historical average in 2017 due to the impact of catastrophe losses and also in 2018 due to stock market volatility in the fourth quarter of 2018.
- Being a large U.S. wholesale insurer and an active participant in the Lloyd's market, Argo's expense ratio is high compared to its peers. Argo is taking multiple approaches to lower its expense ratio including optimizing business mix and potentially lowering acquisition costs, improving operational efficiency and effective use of third-party capital.
- Overall favorable prior year reserve development in past years although the group had some adverse reserve development in the first half of 2019 from its international segment.

Business Profile: **Neutral**

- Argo Group is based in Bermuda and is an international underwriter of specialty insurance and reinsurance products.
- The US business is written on an excess and surplus (E&S) lines basis through its Colony platform as well as on an admitted basis where Argo operates as a commercial specialty insurer serving narrowly focused niche markets under a variety of distinct (re)insurance platforms and private labels including Argo Insurance, Rockwood, Trident, Commercial Programs, Argo Pro and Argo Surety.
- The international business is written mainly in two Lloyd's Syndicates, 1200 and 1910, and on the Argo Re platform based in Bermuda. Argo Seguros in Brazil, ArgoGlobal SE in Malta, and ArgoGlobal Assicurazioni in Italy leverage Argo's underwriting expertise through local presence.
- The 2017 acquisition of Ariel Re broadened Argo's capability in specialty reinsurance and enhanced cross-selling in Bermuda insurance products that include property, casualty and professional as well as adopting Ariel Re's unique risk analysis tools to improve underwriting and risk selection.
- Investments in technology and initiatives to innovate and optimize efficiency are underway.

Enterprise Risk Management: **Appropriate**

- As a global organization whose reach has expanded over the years, Argo maintains a well-developed enterprise risk management (ERM) framework that is focused on three major objectives including the identification of contingent exposures, gauging and assessing the potential impact of such material risks / exposures and ensuring that policies and strategies are in place to effectively manage and mitigate these risks.
- The board Risk & Capital Committee has oversight of group-wide ERM policy and framework implementation.

- The group maintains an active chief risk officer (CRO), who reports on issues of risk management directly to the Risk & Capital Committee of Argo Group's board and plays a key role in risk management by coordinating, facilitating, and overseeing the effectiveness and integrity of Argo's risk management activities.
- The activities of the CRO are 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 appropriate actions are taken by the respective risk owner(s) or business unit(s).
- Management uses various risk dashboards and scorecards to drive discussion on opportunities and threats and influence decision-making at the various business units.
- Internal economic capital model regularly used for portfolio management and to optimize risk and reward trade-offs and analyze new strategic opportunities.

Outlook

- The stable outlooks reflect AM Best's expectation that the group will maintain at the strongest level its balance sheet strength, adequate operating performance, neutral business profile and appropriate ERM.

Rating Drivers

- Key drivers that could lead to upward movement in the ratings 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 pressure on the ratings or a negative change in the rating outlooks 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.

Rating Rationale - for the Holding Company

The rating of the holding company is determined by reference to the Issuer Credit Rating (ICR) of the operating insurance company members. It reflects consideration of holding company sources and uses of cash, the competing demands placed upon holding company resources and normal subordination of holding company creditors to claims of the policyholders of the operating insurance companies. In general, therefore, the holding company's Issuer Credit Rating is notched from those assigned to the operating companies of the rating unit.

Key Financial Indicators

Best's Capital Adequacy Ratio (BCAR) Scores (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	61.3	43.8	35.9	33.1

Source: Best's Capital Adequacy Ratio Model - Universal

Key Financial Indicators	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)	2014 USD (000)
Net Premium Written:					
Non-Life	1,765,500	1,653,500	1,440,200	1,402,100	1,367,900
Composite	1,765,500	1,653,500	1,440,200	1,402,100	1,367,900
Net Income	63,600	50,300	146,700	163,200	183,200
Total Assets	9,558,200	8,764,000	7,205,000	6,625,600	6,356,300
Total Capital and Surplus	1,746,700	1,819,700	1,792,700	1,668,100	1,646,700

Source: BestLink® - Best's Financial Suite



BEST'S CREDIT REPORT

AMB #: 058448 - Argo Group International Holdings, Ltd

Key Financial Ratios (%)	2018	2017	2016	2015	2014	Weighted 5 Year Average
Profitability:						
Net Income Return on Revenue	3.5	2.8	9.3	10.7	11.8	7.4
Net Income Return on Capital and Surplus	3.6	2.8	8.5	9.9	11.4	7.0
Balance on Non-Life Technical Account (USD 000)	38,100	-105,400	55,800	65,500	50,900	...
Non-Life Combined Ratio	98.3	108.1	97.8	96.8	97.7	99.9
Net Investment Yield	2.7	3.0	2.7	2.1	2.5	2.6
Leverage:						
Net Premium Written to Capital and Surplus	101.1	90.9	80.3	84.1	83.1	...

Source: BestLink® - Best's Financial Suite

Credit Analysis

Balance Sheet Strength

Argo Group's balance sheet strength is assessed as strongest reflecting its risk-adjusted capitalization being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR) at 99.6 VaR. It also takes into consideration the strength of Argo's reserves, the effective use of third-party capital, and enhanced financial flexibility as a publicly traded company listed on the New York Stock Exchange with ready access to global capital markets.

Capitalization

The current level of risk-adjusted capitalization supports the group's underwriting, investment and credit risks based on Best's Capital Adequacy Ratio (BCAR) analysis. Underwriting leverage is manageable, with net premiums written representing approximately 101% of total surplus. Loss reserve leverage is higher yet still manageable at less than 148% of surplus.

Capital Generation Analysis	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)	2014 USD (000)
Beginning Capital and Surplus	1,819,700	1,792,700	1,668,100	1,646,700	1,563,000
Net Income after Non-Controlling Interests	63,600	50,300	146,700	163,200	183,200
Unrealized Capital Gains (Losses)	-74,500	50,300	32,200	-90,600	-35,600
Currency Exchange Gains (Losses)	-3,400	-1,400	4,000	-6,000	-4,100
Change in Paid-In Capital	216,100	-39,000	114,200	101,700	-41,600
Stockholder Dividends	274,800	33,200	172,500	146,900	18,200
Net Change in Capital and Surplus	-73,000	27,000	124,600	21,400	83,700
Ending Capital and Surplus	1,746,700	1,819,700	1,792,700	1,668,100	1,646,700
Net Change in Capital and Surplus (%)	-4.0	1.5	7.5	1.3	5.4

Source: BestLink® - Best's Financial Suite

Liquidity Analysis	2018	2017	2016	2015	2014
Net Operating Cash Flow (USD 000)	301,300	165,000	182,000	282,600	130,500
Liquid Assets to Total Liabilities (%)	56.8	63.0	71.5	75.1	78.2

Source: BestLink® - Best's Financial Suite

Asset Liability Management - Investments

Management maintains a conservative investment strategy. The principal objective is the preservation of capital and to maximize after-tax investment income while generating competitive after-tax total rates of return. On a consolidated basis: approximately 70% of invested assets are in fixed maturities, 7% in equities, 13% in short-term investments and cash, and 10% in other. The average credit rating of the investment portfolio is "A+".

**Balance Sheet Strength (Continued...)**

Composition of Cash and Invested Assets	2018	2017	2016	2015	2014
Total Cash and Invested Assets (USD 000)	4,926,200	4,919,500	4,406,300	4,237,400	4,178,900
Composition Percentages (%):					
Unaffiliated:					
Cash and Short Term Investments	12.6	11.1	11.2	7.9	8.1
Bonds	70.2	68.0	66.6	69.1	68.0
Stocks	7.2	9.9	10.2	11.0	12.1
Other Invested Assets	9.9	11.0	12.1	12.1	11.8
Total Unaffiliated Cash and Invested Assets	100.0	100.0	100.0	100.0	100.0
Total Cash and Invested Assets	100.0	100.0	100.0	100.0	100.0

Source: BestLink® - Best's Financial Suite

Reserve Adequacy

Argo has exhibited favorable development in each calendar year since 2005. However, loss reserve development has been inconsistent quarter to quarter, across its US and international operations. The company had net unfavorable prior-year reserve development of \$19.8 million in the first half of 2019, primarily from its international operations. Argo's reserve base also includes reserves from discontinued lines, which include exposure to claims for asbestos and environmental (A&E) policies and workers compensation policies, written in past years. At year-end 2018, net reserves in the run-off lines represented 7% of the total net reserve base.

Holding Company Assessment

Argo Group International Holdings Ltd is publicly traded on NYSE under the symbol ARGO. As of YE 2018, unadjusted leverage stood at 26.9% and adjusted leverage was 21.0%. The group's \$580.2 million debt includes \$172.7 million in trust preferreds, which matures in 2033 and 2034, \$84.3 million subordinated debt acquired from the Ariel Re acquisition that matures in 2037 and \$139.8 million senior debt. From a coverage perspective, its 2018 interest coverage ratio was 5.4X, much improved from the 1.0X in 2017 due to heightened catastrophe losses during the year (Hurricanes Harvey, Irma and Maria, and the California Wildfire). In 2015 & 2016, its interest coverage ratio was around 9X.

The group returned \$78 million and \$69 million in 2017 and 2018 respectively to investors through common stock dividends and share repurchases. As of June 30, 2019, Argo has paid \$22.7 million cash dividends to common shareholders, and has not repurchased any common shares. In May 2016, the board of directors authorized the repurchase of up to \$150 million common shares outstanding. As of June 30, 2019, availability under this authorization for future repurchases was \$53.3 million.

Financial Leverage Summary - Holding Company

Financial Leverage Ratio (%)	26.90
Adjusted Financial Leverage Ratio (%)	21.00
Interest Coverage (x)	5.40

Holding Company Analytics	2018	2017	2016	2015	2014
Debt to Capital and Surplus (%)	33.2	31.9	20.5	22.0	23.0
Liquid Assets to Total Liabilities (%)	56.8	63.0	71.5	75.1	78.2
Interest Expense (USD 000)	31,600	27,700	19,600	19,000	19,900

Source: BestLink® - Best's Financial Suite

Corporate Overview

Argo Group International Holdings, Ltd. (Argo Group), through its subsidiaries, is an international underwriter of specialty insurance and reinsurance products in the property and casualty market. Argo Group offers a full line of products and services designed to meet the

**Balance Sheet Strength (Continued...)**

unique coverage and claims handling needs of its customers. Argo Group's common shares are listed on the New York Stock Exchange and trade under the symbol "ARGO". The company was originally founded in 1948 and is headquartered in Pembroke, Bermuda.

Argo Group's US operations is leader in the Excess and Surplus Lines (E&S) focusing on US based risks that the standard (admitted) market is unwilling or unable to underwrite. The E&S business is sold through one operating platform: Colony Specialty. The US operations also underwrite admitted business including professional, property, casualty and surety coverages designed to meet the specialized insurance needs of US based businesses within certain well-defined markets, in the following risk-bearing business units: Argo Pro, Argo Insurance, Rockwood, US Commercial Programs, Argo Surety and Trident Public Risk Solutions.

Argo Group's international operations specializes in insurance and reinsurance risks worldwide through the broker market, focusing on specialty property insurance, property catastrophe reinsurance, primary/excess casualty and professional liability insurance. This segment includes two Lloyd's Syndicates, Syndicate 1200 (under ArgoGlobal brand, focused on multi-class insurance), Syndicate 1910 (trading under the Ariel Re brand and focused on Reinsurance). Argo has two growing platforms in Continental Europe, ArgoGlobal Assicurazioni SpA focused on the Italian market and ArgoGlobal SE operating across Europe and based in Malta. The remaining international specialty business consists of a strong Bermuda trading platform using Argo Re to write excess Casualty and Professional Lines, as well as Argo Seguros Brazil S.A. operating in Brazil.

Operating Performance

We view Argo's overall operating performance to be adequate and its 5 year average combined ratio is in line with its peers. As a global (re)insurer, Argo Re's earnings are susceptible to a greater degree of variability due to weather related events, as was demonstrated in 2011 and 2017. Its 2017 results were affected by Hurricanes Harvey, Irma and Maria, the California wildfires and other storms. Its 2018 results were affected by Hurricanes Florence and Michael, the California wildfires and other storms, although the impact from catastrophe events was much smaller in 2018 than in 2017.

The group generated positive net income in each of the past 5 years despite incurring catastrophe losses.

Argo's expense ratio has been consistently higher than its peers, partially reflecting the cost of doing business and maintaining regulatory compliance in the Lloyd's market, and partially due to fixed costs required to maintain or grow in various markets including investing in digital platforms. Argo is taking multiple approaches to lower its expense ratio including optimizing business mix and potentially lowering acquisition costs, improving operational efficiency and effective use of third-party capital.

Financial Performance Summary	2018 USD (000)	2017 USD (000)	2016 USD (000)	2015 USD (000)	2014 USD (000)
Pre-Tax Income	67,700	39,900	181,900	177,500	216,000
Net Income (after Non-Controlling Interests)	63,600	50,300	146,700	163,200	183,200

Source: BestLink® - Best's Financial Suite

Operating and Performance Ratios (%)	2018	2017	2016	2015	2014
Overall Performance:					
Return on Assets	0.7	0.6	2.1	2.5	2.8
Return on Capital and Surplus	3.6	2.8	8.5	9.9	11.4
Non-Life Performance:					
Loss and LAE Ratio	60.1	66.8	57.4	55.8	55.9
Expense Ratio	38.2	41.3	40.4	41.0	41.9
Combined Ratio	98.3	108.1	97.8	96.8	97.7

Source: BestLink® - Best's Financial Suite

Business Profile

Argo Group International Holdings, Ltd. (NYSE: ARGO) is an international underwriter of specialty insurance and reinsurance products in the property and casualty market. Argo Re, the primary direct subsidiary, is based in Bermuda and underwrites excess casualty, property and professional lines insurance as well as property reinsurance. It writes property cat, short tail per risk and proportional reinsurance worldwide and excess casualty, professional liability and property insurance for Fortune 1000 accounts. In addition to its

Business Profile (Continued...)

primary location of Bermuda, Argo Re originates business through affiliates worldwide: Argo Solutions, S.A., in Belgium; Argo Re (DIFC) 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.

In addition to its underwriting operations, Argo Re also owns a number of subsidiaries, including all of the group's insurance operations. In May 2017, Argo consolidated its reporting into two segments: U.S. Operations and International Operations. The U.S. Operations include the Excess & Surplus Lines and Commercial Specialty businesses. The International Operations include Argo's business in the London market (including Syndicate 1200), Europe, Middle East, Asia and Brazil, and the Ariel Re business (Syndicate 1910).

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 primarily the Colony Specialty platform. While focused primarily on non-admitted business, each of these operations may also underwrite certain classes of business 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 Construction, Argo Insurance, Rockwood Casualty Insurance Company (Rockwood), Commercial Programs, Argo Pro, Argo Surety, Trident and ARIS Title Insurance Corporation (ARIS).

Syndicate 1200 is focused on underwriting worldwide property, non-US liability, marine and energy and specialty insurance. The property division of Syndicate 1200 concentrates mainly on North American commercial properties. A portion of the business is underwritten through the use of binding authorities whereby Argo delegates underwriting authority to another party, usually a broker or underwriting agent. The liability division underwrites professional indemnity, general liability, directors and officers and cyber insurance with emphasis on Canada, Australia and the UK. The marine and energy division underwrites cargo and energy, and marine liability insurance. The specialty division underwrites personal accident, credit and political risks, livestock and contingency insurance.

Syndicate 1910 underwrites reinsurance through Argo's reinsurance division, Ariel Re acquired in February, 2017, which operates in treaty property and specialty. Treaty property reinsurance is predominantly catastrophe focused. Specialty reinsurance encompasses marine, energy, aviation, terrorism, and property.

The additional international businesses include Argo Insurance Bermuda, ArgoGlobal SE, ArgoGlobal Assicurazioni in Italy and Argo Seguros business in Brazil. Argo Insurance Bermuda serves the needs of global clients by providing coverage in property, general and products liability, D&O, E&O liability and employment practice liability, with particular focus on a seasoned book of mid/large account professional lines and excess casualty business.

ArgoGlobal SE is based in Malta and underwrites professional liability, surety, and property and casualty business in continental Europe. ArgoGlobal Assicurazioni is a specialty underwriter of property, marine, accident & health and liability insurance in the European market with a focus on Italy and southern Europe. Argo Seguros is based in Brazil and provides a broad range of commercial property, casualty and specialty coverages to the country's domestic commercial insurance market. A growing portion of the Brazil business is being distributed via digital channels through the in-house Protector platform.

Enterprise 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.

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



Enterprise Risk Management (Continued...)

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.

The Board Risk & Capital Committee has oversight of group-wide enterprise risk management policy and framework implementation. The ERM framework is consistently used across all entities via regular ORSA reporting. Capital analysis, operational loss events, emerging risk and stress testing is incorporated into regular risk committee reports.

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. The group's ERM framework is actively and consistently used at group and entity levels for both managing risk and setting business strategies.

Argo regularly uses its internal economic capital model (ECM) to optimize risk and reward tradeoffs, such as to analyze various strategic opportunities (e.g. M&A and new ventures), optimize external and internal reinsurance structure, and other risk-based decisions such as managing the group's cyber exposure using corporate insurance solutions. Return on Allocated Capital (ROAC) derived from the ECM is also at the heart of Argo's internal portfolio management reports which drives segment performance reviews.

As a demonstration of Argo's ERM capabilities, the group materially reduced its catastrophe risk exposures through 2017-2018 after the Ariel Re acquisition by making a number of movements including restructuring its reinsurance protections, substantial reduction in London D&F portfolios, and restructuring the US Inland marine portfolio, resulting in Argo's 2018 catastrophe losses much reduced from its 2017 levels.



Financial Statements

	12/31/2018		12/31/2017
	USD (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	621,500	6.5	545,100
Bonds	3,460,400	36.2	3,343,400
Equity Securities	354,500	3.7	487,400
Other Invested Assets	489,800	5.1	543,600
Total Cash and Invested Assets	4,926,200	51.5	4,919,500
Reinsurers' Share of Reserves	2,549,400	26.7	2,112,500
Debtors / Amounts Receivable	1,254,700	13.1	980,300
Other Assets	827,900	8.7	751,700
Total Assets	9,558,200	100.0	8,764,000
Unearned Premiums	1,300,900	13.6	1,207,700
Non-Life Reserves	4,654,600	48.7	4,201,000
Total Gross Technical Reserves	5,955,500	62.3	5,408,700
Debt / Borrowings	580,200	6.1	580,700
Other Liabilities	1,275,800	13.4	954,900
Total Liabilities	7,811,500	81.7	6,944,300
Capital Stock	45,300	0.5	40,400
Paid-in Capital	1,372,000	14.4	1,129,100
Retained Earnings	862,600	9.0	977,000
Treasury Stock	-455,100	-4.8	-423,400
Other Capital and Surplus	-78,100	-0.8	96,600
Total Capital and Surplus	1,746,700	18.3	1,819,700
Total Liabilities, Mezzanine Items and Surplus	9,558,200	100.0	8,764,000

Source: BestLink® - Best's Financial Suite



BEST'S CREDIT REPORT

AMB #: 058448 - Argo Group International Holdings, Ltd

				12/31/2018	12/31/2017
	Non-Life	Life	Other	Total	Total
Income Statement	USD (000)	USD (000)	USD (000)	USD (000)	USD (000)
Gross premiums written	2,955,200	...	...	2,955,200	2,697,200
Net Premiums Earned	1,731,700	...	...	1,731,700	1,572,300
Net Investment Income	...	...	133,100	133,100	140,000
Net realized gains/(losses)	...	...	33,100	33,100	39,300
Net unrealized gains/(losses)	...	...	-105,100	-105,100	...
Other income	9,000	...	...	9,000	22,500
Non-operating revenue	...	...	100	100	...
Total Revenue	1,740,700	...	61,200	1,801,900	1,774,100
Losses and Benefits	1,040,800	...	...	1,040,800	1,050,200
Net Operating Expense	661,800	...	...	661,800	650,000
Total Losses, Benefits, and Expenses	1,702,600	...	...	1,702,600	1,706,500
Earnings before interest & taxes (EBIT)	38,100	...	61,200	99,300	67,600
Interest Expense	...	...	...	31,600	27,700
Income Taxes Incurred	...	...	...	4,100	-10,400
Net income before Non-Controlling interests	...	...	...	63,600	50,300
Net income/(loss) from continuing operations	...	...	...	63,600	50,300
Net Income	...	...	...	63,600	50,300

Source: BestLink® - Best's Financial Suite

	12/31/2018	12/31/2017
Statement of Cash Flows	USD (000)	USD (000)
Net cash provided/(used) in Operating Activities	301,300	165,000
Net cash provided/(used) in Investing Activities	-268,300	-121,300
Net cash provided/(used) in Financing Activities	-67,600	48,000
Effect of Exchange Rates/Discontinued Operations on Cash	-2,800	-1,100
Total increase (decrease) in cash	-37,400	90,600
Cash, beginning balance	176,600	86,000
Cash, ending balance	139,200	176,600

Source: BestLink® - Best's Financial Suite

Related Methodology and Criteria

[Best's Credit Rating Methodology, 12/20/2018](#)

[Catastrophe Analysis in A.M. Best Ratings, 10/13/2017](#)

[Available Capital & Holding Company Analysis, 10/13/2017](#)

[Understanding Universal BCAR, 05/23/2019](#)

Additional Rating Types

AM Best assigns Best's Issue Credit Ratings. Refer to the profile page to view current Issue Ratings for [Argo Group Intern Hldgs, Ltd \(AMB#058448\)](#)



BEST'S CREDIT REPORT

AMB #: 058448 - Argo Group International Holdings, Ltd

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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

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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