



# NEWS RELEASE

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## FOR IMMEDIATE RELEASE

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## A.M. Best Affirms Ratings of Central Reinsurance Corporation

**HONG KONG, July 8, 2011**—A.M. Best Co. has affirmed the financial strength rating of A (Excellent) and issuer credit rating of “a” of **Central Reinsurance Corporation** (Central Re) (Taiwan). The outlook for both ratings is stable.

The rating affirmations reflect Central Re’s strong risk-adjusted capitalization, historically profitable operating performance and solid business profile as the sole domestic reinsurer in Taiwan.

Central Re’s risk-adjusted capitalization (including equalization reserve), as measured by Best’s Capital Adequacy Ratio (BCAR), remains strong, and is supported by the consistent generation of net income and favorable investment profile. The company’s cash and bond investment portfolio represented nearly 80% of the total invested assets for 2010. In A.M. Best’s view, Central Re’s risk-adjusted capitalization is expected to remain sound and supportive of the company’s projected business growth and investment portfolio mix.

Central Re’s operating results have been supported by its sustainable and profitable underwriting performance (despite a higher combined ratio in 2010 compared with its 2009 level), as well as favorable investment earnings in most of the past five years. The combined ratio averaged 91.6% during 2006-2010, and was 95.2% in 2010. In addition, the company’s relatively conservative investment strategy allows it to have stable streams of income, albeit modest, which could ease pressure on underwriting performance in the future.

Partially offsetting these positive rating factors are the increased loss ratio and the continuing impact

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—2—

of challenging market conditions in Taiwan and Central Re’s domestic and core overseas reinsurance markets. With continuous unprofitable underwriting results in the company’s overseas portfolio, A.M. Best is strongly concerned about Central Re’s profitability going forward as the overseas business is likely to increase further.

Despite no significant catastrophe losses in 2010, Central Re’s loss ratio deteriorated to 63.4% in 2010 from 57.8% in 2009, due mainly to a series of major fire and engineering losses. In addition, the risk profile of the company’s overseas portfolio increased, resulting in an additional reserve of NTD 200 million (approximately USD 6.8 million). In light of Central Re’s higher property exposure in catastrophe-prone regions overseas due to its growth initiatives, a strengthening in risk management is imperative for Central Re to improve the underwriting performance of its overseas portfolio.

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

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