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## A.M. Best Affirms Ratings of Unity Reinsurance Company, Ltd.

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### FOR IMMEDIATE RELEASE

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**A.M. Best Europe – Rating Services Limited** has affirmed the financial strength rating of B+ (Good) and issuer credit rating of “bbb-” of **Unity Reinsurance Company, Ltd.** (Unity Re) (Russia). The outlook for both ratings remains positive.

The positive outlook continues to reflect Unity Re’s ability to generate strong technical results and maintain its risk-adjusted capitalisation at a strong level, despite its rapid expansion strategy in recent years. Additionally, the ratings reflect the company’s good business profile in the Russian reinsurance market. A partly offsetting rating factor is Unity Re’s increased concentration in a small number of cedants and its high growth plans.

Unity Re’s technical results remain at a strong level as demonstrated by a combined ratio of 77% in 2012 (2011: 76%). Performance in this period reflects the generally favourable loss environment of the commercial property and construction segment (accounting for around 60% of gross written premium [GWP]). During 2013, Unity Re entered into a new reinsurance arrangement with its sister company, Reso Garantia, providing capacity for its commercial property and construction business. Reso Garantia is a leading retail insurer operating in the local domestic market. A.M. Best does not expect this business to generate negative pressure on Unity Re’s prospective technical earnings, given its historically strong performance.

The planned investment by a major banking institution, through a 20% stake in Unity Re, did not materialise in 2012 as previously anticipated. Nevertheless, Unity Re’s risk-adjusted capitalisation is expected to remain supportive of the company’s planned premium growth, which is targeted at around 20% per annum in the near term. Although uncertainty remains with Unity Re’s expansion strategy, which is considered to be rapid by international standards, A.M. Best notes the significant margins inherent within its technical profitability and risk-adjusted capitalisation to cushion against unexpected loss exposure.

Unity Re maintains a good business profile in Russia and the Commonwealth of Independent States, writing mainly short-tailed risks. Gross premium volumes are expected to grow by approximately 90% in 2013 (2012: RUB 1.5 billion [USD 50 million]), largely due to the reinsurance agreement with Reso Garantia.

Unity Re reduced its exposure to a small number of cedants in 2012, with the top 10 (non-affiliated) cedants representing 37% of GWP (2011: 52%). The company’s concentration to cedants increased substantially in 2013, as a result of the assumption of business derived from Reso Garantia.

Positive rating actions are likely to occur if Unity Re continues to produce strong technical results whilst maintaining risk-adjusted capitalisation at a supportive level. A reduction in concentrations to cedants would also be viewed positively.

Negative rating actions could occur if Unity Re's premium growth or a sustained deterioration in operating performance results in the erosion to its risk-adjusted capitalisation. Additionally, a decline in the quality of investments or a deterioration in country risk factors could negatively affect Unity Re's ratings.

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

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