



www.ambest.com

PRESS RELEASE

OLDWICK, N.J. • WASHINGTON, D.C. • MEXICO CITY • LONDON • DUBAI • SINGAPORE • HONG KONG

FOR IMMEDIATE RELEASE

CONTACTS: Filippo Novella
Financial Analyst
+1 908 439 2200, ext. 5486
filippo.novella@ambest.com

Mariza Costa
Senior Financial Analyst
+1 908 439 2200, ext. 5154
mariza.costa@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Jim Peavy
Director, Public Relations
+1 908 439 2200, ext. 5644
james.peavy@ambest.com

AM Best Removes from Under Review with Developing Implications and Upgrades Credit Ratings of XL Group Ltd, Its Main Property/Casualty Subsidiaries and XLIT Ltd.

OLDWICK, December 6, 2018—AM Best has removed from under review with developing implications and upgraded the Financial Strength Rating (FSR) to A+ (Superior) from A (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) to “aa-” from “a+” of the property/casualty subsidiaries of XL Group Ltd (XL) (Bermuda). Concurrently, the Credit Ratings (ratings) of AXA Insurance Company (New York, NY) have been aligned with the entities of the XL group and, as such, have been removed from under review with developing implications and its FSR upgraded to A+ (Superior) from A (Excellent) and its Long-Term ICR to “aa-” from “a+”. In addition, AM Best has removed from under review with developing implications and upgraded the Long-Term ICR to “a-” from “bbb+” and the Long-Term Issue Credit Ratings (Long-Term IR) of XLIT Ltd. (Cayman Islands). AM Best also has removed from under review with developing implications and upgraded the Long-Term ICR to “a-” from “bbb+” of XL. Additionally, AM Best has removed from under review with developing implications and upgraded to “a-” from “bbb+” the Long-Term IR of the preference share issues of Catlin Insurance Company Ltd. (Bermuda). The outlooks assigned to these ratings is stable (See below for a detailed listing of the companies and ratings).

AM Best also has removed from under review with developing implications and affirmed the FSR of B++ (Good) and the Long-Term ICR of “bbb+” of XL Life Ltd (Bermuda). The outlook assigned to these ratings is stable.

—MORE—



PRESS RELEASE

OLDWICK, N.J. • WASHINGTON, D.C. • MEXICO CITY • LONDON • DUBAI • SINGAPORE • HONG KONG

—2—

In addition, AM Best has removed from under review with developing implications and affirmed the FSR of A (Excellent) and the Long-Term ICR of “a+” of Lloyd’s Syndicate 2003 (United Kingdom). The outlook assigned to these ratings is stable. The syndicate’s ratings reflect Lloyd’s financial strength, which underpins the security of all Lloyd’s syndicates.

In addition, the FSR of A- (Excellent) and the Long-Term ICR of “a-” of T.H.E. Insurance Company (New Orleans, LA) remain under review with developing implications.

In March 2018, the ratings of XL were placed under review with developing implications following AXA S.A.’s (AXA or the group) announcement that it had entered into an agreement to acquire 100% of XL for a cash consideration of USD 15.3 billion (EUR 12.4 billion). The latest rating actions follow the completion of this transaction on Sept. 12, 2018, and the conclusion of AM Best’s assessment of its impact on the credit fundamentals of the group and its rated subsidiaries. In AM Best’s opinion, the execution risk associated with the acquisition has been partially alleviated, as completion of the transaction and integration to date has been in line with expectations. Furthermore, although the transaction has resulted in an increase in financial leverage for AXA, AM Best expects this situation to be temporary, as the group has presented a clear plan to reduce leverage over the coming years. AXA is expected to maintain a very strong balance sheet, strong operating performance, although the XL business has the potential to introduce some volatility, a very favorable business profile and very strong enterprise risk management (ERM).

The ratings of XL reflect the organization’s balance sheet strength, which AM Best categorizes as very strong, as well as its adequate operating performance, favorable business profile and appropriate ERM. The rating upgrades reflect XL’s strategic importance to, and strategic alignment with, AXA, in enhancing the group’s position in the commercial global property & casualty (P&C) insurance sector, with the company receiving rating enhancement as a result. XL is considered well-integrated within the AXA group, and AM Best expects that

—MORE—



PRESS RELEASE

OLDWICK, N.J. • WASHINGTON, D.C. • MEXICO CITY • LONDON • DUBAI • SINGAPORE • HONG KONG

—3—

prompt and sufficient operational and financial support will be made available from the AXA group to XL should it be required.

XL's risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is categorized as strongest and AM Best expects it to remain at a similar level in prospective years. Balance sheet strength also considers the company's good liquidity profile, conservative investment strategy and disciplined reserving approach.

XL's operating earnings have been somewhat volatile and marginally adequate over the past five years (2013-2017), resulting in a five-year average return on equity (ROE) of 4.4%. In 2017, natural catastrophe losses amounting to approximately USD 2 billion, after reinsurance, led to a negative annual ROE of -4.6%. Although XL recorded a combined ratio of 95.5% as of June 30, 2018, AM Best expects these results to deteriorate due to the company's exposure to catastrophic events during the second half of the year.

XL maintains a favorable business profile due to its extensive distribution network, strong franchise and well-diversified book of business by both product type and geography. In 2019, businesses from AXA are anticipated to contribute approximately USD 3 billion in gross written premiums to the new AXA XL division. The company continues to operate in challenging competitive conditions that consistently drive negative pressure on pricing. XL's risk management capabilities are viewed as appropriately aligned with its risk profile.

The FSRs have been removed from under review with developing implications and upgraded to A+ (Superior) from A (Excellent), and the Long-Term ICRs upgraded to "aa-" from "a+", with stable outlooks assigned for the following subsidiaries of XL Group Ltd:

- XL Bermuda Ltd
- AXA Insurance Company
- Catlin Indemnity Company
- XL Catlin Insurance Company UK Limited
- Catlin Insurance Company Ltd.
- Catlin Insurance Company, Inc.

—MORE—

—4—

- Catlin Re Switzerland Ltd
- Catlin Specialty Insurance Company
- Greenwich Insurance Company
- Indian Harbor Insurance Company
- XL Insurance America, Inc.
- XL Insurance Company SE
- XL Insurance Company of New York, Inc.
- XL Insurance Switzerland Ltd
- XL Re Europe SE
- XL Reinsurance America Inc.
- XL Seguros Mexico, S.A. de C.V.
- XL Select Insurance Company
- XL Specialty Insurance Company

The following Long-Term IRs have been removed from under review with developing implications, upgraded and assigned stable outlooks:

XLIT Ltd.

- to “a-” from “bbb+” on \$300 million 2.30% senior unsecured notes, due 2018
- to “a-” from “bbb+” on \$400 million 5.75% senior unsecured notes, due 2021
- to “a-” from “bbb+” on \$350 million 6.375% senior unsecured notes, due 2024
- to “a-” from “bbb+” on \$325 million 6.25% senior unsecured notes, due 2027
- to “a-” from “bbb+” on \$300 million 5.25% senior unsecured notes, due 2043
- to “bbb+” from “bbb” on \$500 million 4.45% subordinated notes, due 2025
- to “bbb+” from “bbb” on \$500 million 5.5% subordinated notes, due 2045
- to “bbb” from “bbb-” on \$350 million Series D non-cumulative preferred securities (\$287 million outstanding)
- to “bbb” from “bbb-” on \$1,000 million Series E non-cumulative preferred securities (\$670 million outstanding)

The following indicative Long-Term IRs have been withdrawn at the company’s request:

- “bbb+” on senior unsecured debt
- “bbb” on subordinated debt
- “bbb-” on preferred stock

The following Long-Term IR has been removed from under review with developing implications, upgraded and assigned with stable outlooks for the following securities of Catlin Insurance Company Ltd.

- to “a-” from “bbb+” on \$600 million non-cumulative preferred stock (\$519 million outstanding)

—MORE—



www.ambest.com

PRESS RELEASE

OLDWICK, N.J. • WASHINGTON, D.C. • MEXICO CITY • LONDON • DUBAI • SINGAPORE • HONG KONG

—5—

This press release relates to Credit Ratings that have been published on AM Best’s website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best’s [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Understanding Best’s Credit Ratings](#). For information on the proper media use of Best’s Credit Ratings and AM Best press releases, please view [Guide for Media - Proper Use of Best’s Credit Ratings and AM Best Rating Action Press Releases](#).

AM Best is a global rating agency and information provider with a unique focus on the insurance industry. Visit www.ambest.com for more information.

Copyright © 2018 by A.M. Best Rating Services, Inc. and/or its affiliates. ALL RIGHTS RESERVED.

####