Best's Rating Report

Nationale Borg Reinsurance N.V.

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Financial Strength Rating
AM BEST
A- Excellent

Nationale Borg Reinsurance N.V.

Disclosure Information: View A.M. Best's Rating Disclosure Form

Ultimate Parent: 051002 - AmTrust Financial Services, Inc.

A.M. Best Rating Unit: 018533 - AmTrust Group

Best's Credit Ratings:

Rating Effective Date: July 3, 2018

Best's Financial Strength Rating:	A-	**Outlook:**	Stable	**Action:**	Downgraded
Best's Issuer Credit Rating:	a-	**Outlook:**	Stable	**Action:**	Downgraded

Five Year Credit Rating History:

	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
Date	**Rating**	**Outlook**	**Action**	**Rating**	**Outlook**	**Action**
07/03/2018	A-	Stable	Downgraded	a-	Stable	Downgraded
11/06/2017	A u	Negative	Under Review	a u	Negative	Under Review
02/27/2017	A	Negative	Affirmed	a	Negative	Affirmed
10/28/2016	A	Stable	First	a	Stable	Assigned

Rating Rationale:

The ratings of the property/casualty operations of AmTrust Financial Services, Inc. (AFSI), have been extended to the company as a result of a significant quota share reinsurance agreement between AmTrust International Insurance, Ltd., and the company, and other implicit benefits the company receives as a member of the AFSI enterprise.

The following text is derived from Best's Credit Report on AmTrust Group (AMB# 018533):

Balance Sheet Strength: Very Strong

- Risk-adjusted capitalization measures in the very strong category and has improved since year-end 2016.
- The group has modest exposure to natural catastrophe and terrorism losses, reflected in favorable performance of stress tests of its risk-adjusted capital.
- The group maintains a panel of quality reinsurers and has substantial security in the form of a trust account from its largest reinsurer.
- Adverse development of loss reserves caused a sharp increase in the loss ratio in 2017. While the effect of the reserve actions on the balance sheet was muted by the adverse development cover the group had entered into earlier in the year, the degree of variability of certain accident years beginning in calendar year 2013 has been material. A.M. Best maintains factors to account for potential future adverse development in its assessment of the group's risk-adjusted capital. However, continued volatility of loss reserves could drive a change in the assessment of the balance sheet strength.

Operating Performance: Adequate

- The group's overall average underwriting performance over the most recent five-year period remains in line with that of its peers, despite the significant increase in the combined ratio in 2017 as a result of adverse development of loss reserves. The group outperformed the composite averages on an underwriting basis in the 2012 - 2016 time period.
- Operating performance in the statutory insurance entities has historically lagged the peer group, due in part to the above-average allocation of assets to investments in affiliates, which did not contribute to investment income. As a result, while underwriting

performance was in-line with or better than peers, operating earnings and metrics such as pre-tax return on revenue and total return on equity are below average.

- The group's performance has historically been relatively stable, although 2017's results were unusually poor. A return to more stable and profitable performance is expected.

Business Profile: Neutral

- The group has maintained a strong position within the workers' compensation market, ranking tenth in terms of net premiums written in 2017 and first among workers' compensation specialists other than state funds.
- The group's business is well diversified on a geographical basis. While it is concentrated in the workers' compensation line of business, approximately 50% of its writings are in other lines, including non-correlated lines such as warranty.
- Steps to enhance the capabilities and quality of management have been taken since the beginning of 2017, but the impact of the changes has not been fully realized to date.

Enterprise Risk Management: Marginal

- The group has developed a risk management framework that should address corporate risk effectively. With changes made during 2017 to bolster management capabilities, the framework is continuing to develop and become embedded throughout the organization. Given the organization's size and scope, a fully embedded ERM framework is expected.
- The group's risk management capabilities are generally in-line with its exposures. However, there are two key areas -- reserving risk and operational risk -- where recent changes made to improve the group's ability to manage risk have yet to be proven. Greater stability in loss reserves and resolution of issues with respect to financial controls will demonstrate better alignment of risk profile and capabilities in these areas.

Outlook

The stable outlooks reflect improved risk-adjusted capitalization and strengthened balance sheet at both the operating and holding companies, which provide a more secure foundation and, as described below, expectation of stabilization and improvement in other key rating areas in 2018.

While performance in 2017 deteriorated from prior years, improved performance was demonstrated in the first quarter of 2018. Management is expected to have the ability to take a longer-term view of the organization's business, with performance returning to profitable underwriting in the near term and continuing to improve to be in-line with historical results over the next three to five years.

Although A.M. Best perceives that there has been some negative impact on the insurance operations from the issues related to the holding company, a stabilization of the business profile is anticipated. Program business written through managing general agents and underwriters is expected to have a smaller role in the overall book going forward.

Rating Drivers

Although positive action on the ratings is unlikely in the near term, a return to performance that is consistently in-line with historical levels over a period of time, in combination with continued strengthening of the balance sheet, could drive future positive rating actions over the longer term.

Negative rating action could result if there is deterioration in the financial condition of the parent company or if there are further issues raised with respect to financial controls.

Negative actions on the ratings could be taken if underwriting and/or operating performance do not return to levels in-line with historical performance over the near to intermediate term.

Negative action could be taken if there is further deterioration in loss reserves outside of A.M. Best's assumed deficiency.

Negative rating action could result from a deterioration in risk-adjusted capitalization below its current very strong level.

Financial Statements:

Balance Sheet:

Balance Sheet:

Assets	12/31/2016 EUR(000)	12/31/2016 % of total	12/31/2016 USD(000)
Cash And Equivalents	6,022	3.4	6,346
Short Term Investments	35,833	20.3	37,758
Invested Assets	35,833	20.3	37,758
Receivables	42,815	24.2	45,115
Deferred Policy Acquisition Cost	5,555	3.1	5,853
Goodwill & Other Intangibles	143	0.1	151
Other Assets	86,460	48.9	91,106
Total Assets	176,828	100.0	186,329

Liabilities & Surplus	12/31/2016 EUR(000)	12/31/2016 % of total	12/31/2016 USD(000)
Property / Casualty Reserves	63,233	35.8	66,631
Unearned Premium Reserves	18,084	10.2	19,056
Total Policy Reserves	81,317	46.0	85,686
Other Liabilities	4,377	2.5	4,612
Total Liabilities	85,694	48.5	90,298
Equity - Common Stock	2,000	1.1	2,107
Paid-In Capital	2,000	1.1	2,107
Retained Earnings	87,134	49.3	91,816
Total Equity	91,134	51.5	96,031
Total Liabilities & Equity	176,828	100.0	186,329

Source: Bestlink - Best's Statement File - Global
Local Currency: Euro
US $ per Local Currency Unit 1.05373 = 1 Euro (EUR)

Company History:

Date Incorporated: N/A **Date Commenced:** N/A **Domicile:** Curaçao

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.

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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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