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1. Introduction

AM Best has been producing credit ratings and opinions on the insurance market for over 100 years. AM Best is renowned for its experience and knowledge of the insurance sector and currently provides ratings to circa 3,500 entities in that market.

AM Best remains a privately owned company and as at the date of this report has credit rating operations based in Oldwick (New Jersey), London, Amsterdam, Hong Kong, Singapore and Mexico City.

As at the date of this report, AM Best has regulatory registrations in:

- The USA (A.M. Best Rating Services, Inc. – AMBRS)
- Brazil (AMBRS)
- Guatemala (AMBAL)
- The European Union – (A.M. Best (EU) Rating Services B.V. – AMB-EU)
- The United Kingdom (A.M. Best Europe – Rating Services Limited - AMBERS)
- Dubai (AMBERS) - Representative Office only
- Switzerland (AMBRS)
- Hong Kong (A.M. Best Asia-Pacific Limited – AMBAP)
- New Zealand (AMBAP)
- Australia (AMBAP)
- Singapore (A.M. Best Asia-Pacific (Singapore) Pte. Limited – AMBAPS)
- Mexico (A.M. Best América Latina, S.A. de C.V –AMBAL)
- Kenya (AMBERS)
- Panama (AMBAL)

A.M. Best (EU) Rating Services B.V. (AMB-EU) formally became registered with, and supervised by, the European Securities and Markets Authority (ESMA) as a Credit Rating Agency (CRA) under the applicable European legislation with effect from 3 December 2018. Previously, A.M. Best’s London-based subsidiary, A.M. Best Europe – Rating Services Limited (AMBERS) was subject to ESMA supervision up until the 1 January 2021 when, further to the end of the Brexit transition period, the Financial Conduct Authority (FCA) assumed supervisory and regulatory oversight of UK registered CRAs including AMBERS.

The credit ratings issued by AM Best are independent and objective opinions regarding an insurer’s, issuer’s or financial obligation’s relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance, business profile, and enterprise risk management or, where appropriate, the specific nature and details of a security. In common with most other rating agencies, AM Best operates on an issuer pays model which allows the public to gain free access to the published rating opinions.

The credit rating opinions are forward-looking opinions, rather than a backwards verification of facts. AM Best’s credit ratings are assigned using a number of simple, straight-forward scales, with each scale representing a rank ordering of our opinion of the relative creditworthiness of an insurer, issuer or financial obligation. For example, insurers that are assigned higher credit ratings are deemed to be less likely, in our opinion, to become financially impaired than insurers that are assigned lower credit ratings. While ratings reflect our opinions of relative creditworthiness at the time they are assigned, they are not indicators or predictors of defined impairment or default probabilities with respect to any specific insurer, issuer or financial obligation. The ratings themselves are opinions of relative credit risk. Therefore, users of ratings should consider the rating assigned to an entity alongside other information in order to reach an informed opinion. AMB-EU assigns three types of ratings:

- Financial Strength Ratings (FSRs) – These are an independent opinion of an insurer’s financial strength and ability to meet its ongoing insurance policy and contract obligations. This type of rating is assigned to insurance companies.
- Issuer Credit Ratings (ICR) – These are an independent opinion of the ability of an issuer or entity to meet its ongoing financial obligations and can be issued on either a long or short-term basis. This
rating is assigned to insurance companies and their related holding companies as well as other legal entities authorised to issue financial obligations.

- Issue Credit Ratings (IR) – These are an independent opinion of credit quality assigned to issues that gauges the ability to meet the terms of the obligation and can be issued on a long or short-term basis. An Issue Credit Rating assigned to a specific issue is an opinion of the ability to meet the ongoing financial obligations to security holders when due. This type of rating is assigned to the securities issued by entities rated by AM Best.

Pursuant to EU Regulation governing the activities of Credit Rating Agencies operating in the EU, a CRA established and registered in the EU may “endorse” ratings from non-EU CRAs that are part of the same Group and where the third-country CRA fulfils requirements that are at least “as stringent as” requirements in the EU CRA Regulation. AMB-EU endorses selected credit ratings issued by the following affiliated non-EU CRA group companies:

- A.M. Best Rating Services, Inc. (Parent company: A Nationally Recognized Statistical Rating Organization domiciled in the United States of America)
- A.M. Best Asia-Pacific Limited (Affiliate company: A licensed entity permitted to provide Credit Rating Services domiciled in Hong Kong)
- A.M. Best Asia-Pacific (Singapore) Pte. Limited (Affiliate company: A licensed entity permitted to provide Credit Rating Services domiciled in Singapore)
- A.M. Best America Latina S.A. de C.V. (Affiliate company: A licensed entity permitted to provide Credit Rating Services domiciled in Mexico)
- A.M. Best Europe – Rating Services Limited (Affiliate company: an FCA registered entity permitted to provide Credit Rating Services domiciled in the UK)

Our credit ratings are not a warranty, nor are they a recommendation to buy, sell, hold or trade any securities or insurance related products. They do not address the suitability of any particular financial obligation for specific purposes or for potential purchasers.

**Contact Information:**

Any comments or questions regarding this Report should be directed to:

Corina Ungureanu (Compliance Officer, AMB-EU)

Email: Corina.Ungureanu@ambest.com
2. Legal Structure & Ownership

2.1 Legal Structure

A.M. Best (EU) Rating Services B.V. (AMB-EU) is a wholly owned subsidiary of A.M. Best Rating Services, Inc. (AMBRS). AMBRS is, in turn, a subsidiary of A.M. Best Company, Inc. A.M. Best Company, Inc. is a privately owned company incorporated in Delaware, USA and physically based in New Jersey, USA. The shares of A.M. Best Company, Inc. are not admitted for trading on a regulated market. AMB-EU is incorporated in accordance with the laws of The Netherlands.

2.2 Board of Directors

As at 31 December 2021, the Directors of AMB-EU were:

- Mr. Matthew Mosher (CEO)
- Mr. James Gillard (Executive Director)
- Mr. Nick Charteris-Black (Executive Director)
- Mrs. Suzanne Pool (Executive Director)
- Mr. Stephen Wilson (Independent Non-Executive Director)
- Mr. John Bromfield (Independent Non-Executive Director)

The Board of Directors currently meets on an approximately quarterly basis, although ad hoc meetings are scheduled as required.
3. Description of Internal Control Mechanisms

AM Best strives to ensure that credit ratings are free from conflicts of interest, are consistent and are not subject to geographical variations. AMB-EU is a separate legal entity based in the Netherlands and subject to European credit rating agency legislation and regulation. However, as part of AM Best, it shares common methodologies and processes.

At a high level, AMB-EU’s internal control mechanisms ensure the quality of its credit rating activities and can be grouped into seven broad headings:

- Management Structure
- Code of Conduct and Policies and Procedures
- The Credit Rating Process
- The Management of Conflicts of Interest
- Performance of Credit Ratings
- Endorsement Assurance Mechanisms
- Internal Control Functions and Frameworks.

3.1 Management Structure

All of the Directors of AMB-EU have extensive experience in the insurance industry supplemented in most instances with credit rating specific experience gained within the AM Best Group.

3.2 Code of Conduct and Policies and Procedures

AMB-EU adheres to the AMBRS’ Code of Conduct which is based on the IOSCO Code of Conduct. The AMBRS’ Code sets out the principles under which all AMB-EU Directors (Including INEDs), Senior Managers and Employees are expected to operate. The Code is regularly reviewed to take account of changes in legislation on a global basis.

The AMBRS’ Code of Conduct is viewed as the high-level standards and principles against which the company operates. AM Best also has a range of other policies and procedures which provide detailed interpretations of the laws, rules and regulations which govern the ways in which the business operates.

A summary of the policies and procedures used to determine credit ratings can be found in the attached link:

2022 Exhibit 2 (ambest.com)

The above document provides an overview of the critical quality control role played by Rating Committees and outlines the high-level processes for reviewing methodologies and maintaining ongoing surveillance of published ratings. Within the EU all ratings are subject to review on at least an annual basis.

The rating process is regulated by the CRPC Policy Framework, which consists of a set of Global Policies and Procedures that seek to ensure that the process is rigorous, properly documented, systematically and consistently applied, and subject to regular review and validation.

More detailed information on rating methodology/criteria for the types of ratings issued by AM Best is available on our website at:

http://www.ambest.com/ratings/methodology.asp

Employees are provided with training and testing on compliance and ratings policies including the management of conflicts of interest. All policies are made available to employees through AM Best’s intranet pages and training is provided regarding new or amended requirements.

Analysts are provided with training and are tested on AM Best’s credit rating methodology used in the credit rating process.
With the exception of the changes identified in this report, there were no other material changes to the systems, procedures and/or resources during 2021 that require disclosure under point 6 of Section E.I of Annex I of Regulation (EC) No 1060/2009.

3.3 The Credit Rating Process

The foundation of the interactive credit rating process is an ongoing dialogue with the rated company's management, which is facilitated by AM Best's rating analysts. Each interactively rated entity is assigned to a lead analyst who is supervised by a team leader. The lead analyst is charged with managing the ongoing relationship with company management and performing the fundamental credit analysis prescribed in AM Best's rating criteria. It is the lead analyst's responsibility to monitor the financial and non-financial results and significant developments for each rated entity or issue in their portfolio. While ratings are generally updated on an annual basis, a rating review can take place any time AM Best becomes aware of a significant development that may have an impact on the rating.

This ongoing monitoring and dialogue with management occurs through formal annual rating meetings, as well as interim discussions on key trends and emerging issues as needed. Management meetings afford analysts the opportunity to review factors that may affect the company's rating(s), including strategic goals, financial objectives and management practices.

The dialogue with management continues throughout the rating process which is described in more detail below.

1. Compile Information. The rating assessment begins with the compilation of detailed public and proprietary financial information, including audited annual and quarterly financial statements, regulatory filings, certified actuarial and loss-reserve reports, investment details and guidelines, internal capital models, Own Risk and Solvency Assessment (ORSA) reports, annual business plans and Best's Supplemental Rating Questionnaire (SRQ). The primary rating analyst uses this information to develop a tailored meeting agenda for the annual rating meeting. The annual meeting is a key source of quantitative and qualitative information.

2. Perform Analysis. AM Best's analytical process incorporates a host of quantitative and qualitative measures that evaluate various sources of risk to an organisation's financial health, including underwriting, credit, interest rate, country and market risks, as well as economic and regulatory factors. The analysis includes comparisons with peers, industry standards and proprietary benchmarks, as well as assessments of operating plans, philosophy, management, risk appetite, and the implicit or explicit support of a parent or affiliate.

3. Determine Best's Credit Rating. An initial rating recommendation is developed and subsequently updated by a rating committee. Each rating recommendation is reviewed and modified, as appropriate, through a rigorous committee process that involves analysts and senior rating officers who possess relevant expertise. This committee approach ensures consistency of ratings across different business segments and maintains the integrity of the rating process and methodology. The final rating outcome is determined by one or more rating committees after a robust discussion of the pertinent rating issues and financial data.

Before public dissemination, the rating outcome as well as the principal grounds on which the rating is based is communicated to the company to which it is being assigned. If the company disagrees with the rating and believes that the information on which it was based was incomplete or misunderstood, then the rating can be appealed. If material new information is forthcoming in a timely manner, then the rating committee may reconsider the rating.

4. Disseminate Best's Credit Rating. AM Best's Credit Ratings are disseminated as soon as practicable once the rating process is finalised. The ratings are made available to the public via AM Best's website and through a number of different data providers and news vendors.

5. Monitor Best's Credit Rating. Once an interactive credit rating is published, AM Best monitors and updates the rating by regularly analysing the company's creditworthiness. Analysts continually monitor current developments (e.g. financial statements, public documents, news events) to evaluate the potential impact on a company's rating. Significant developments can result in an interim rating evaluation, as well as modification of the
rating or outlook. The primary analyst will typically initiate an evaluation of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action.

Due to the COVID-19 pandemic, for the majority of 2021 all analytical staff worked remotely, with the annual rating meetings and all interaction with entities being held on an online basis. All Policies and Procedures and analytical standards continued to be followed and there was no material interruption to AM Best's operations.

3.4 The Management of Conflicts of Interest

AMB-EU operates an “issuer pays” business model in respect of the fees collected in return for the provision of a credit rating. The other recognised business model is termed “investor pays” which is where the general investors or users of the ratings pay a subscription to access company ratings. It is AM Best's belief that whilst both methods have an inherent potential conflict of interest risk, the issuer pays model is the better method for making sure that the maximum exposure is given to any specific rating.

AMB-EU has initiated a number of processes to manage potential conflicts of interest. These include:

- The adoption of the Code of Conduct based on the IOSCO principles. The code is regularly updated to keep it current and address evolving risks.
- The adoption of policies and procedures which address and manage conflicts of interest. Every quarter, employees affirm that they are aware of the details contained within the Code of Conduct and that they follow the policies and procedures, particularly with respect to gifts and entertainment, securities trading and ownership and other situations that could cause a real or potential conflict of interest.
- The business model operated by AMB-EU separates the commercial aspects of providing a rating from the analytical process. The Code of Conduct expressly prohibits analytical employees from any knowledge of the commercial terms between the company and a rated entity.
- The working environment of AMB-EU's analytical staff is physically separated from that of all other employees. There is no commercial staff operating from the Amsterdam office.
- The rating process ensures that any potential conflicts of interest are declared at the outset of the ratings determination and analysts declare whether or not they have any potential conflicts of interest before joining any rating committee.
- The rating decision reached is that of a committee rather than the judgment of any single individual.
- When an analyst leaves the employment of AM Best to work for a rated entity a look-back review is conducted to make sure that the analyst did not exert any undue influence on the decision of the rating committee for that entity.
- The compensation for analysts does not contain any element for the retention or acquisition of business.

The Compliance Officer actively monitors the potential and actual conflicts of interest that may occur within the business and reports her findings to the AMB-EU' Board.

3.5 Performance of Credit Ratings

AM Best provides annual performance measurement statistics associated with Financial Strength Ratings, Issuer Credit Ratings, and Issue Credit Ratings. The performance measurement statistics are based on public and private ratings associated with individual US and non-US operating insurance companies. Consequently, AMB-EU believes the results are applicable to its rated population given the consistent global application of rating criteria. The applicable periods for the performance statistics are the most recent 1-year, 3-year and 10-year periods all ending on 31 December in the prior calendar year.

Performance measurement statistics are updated annually at the end of the first quarter and these are made available on AM Best's website. These performance measurement statistics display the following ratings transition data for the various rating types:

a) 1-year ratings transition matrix and 1-year impairment/default rate for each rating level;
b) 3-year ratings transition matrix and 3-year impairment/default rate for each rating level,

c) 10-year ratings transition matrix and 10-year impairment/default rate for each rating level.

The most recently available performance measurement statistics can be found at:

2022 Exhibit 1 (ambest.com)

AM Best, along with credit markets in general, deems a non-insurer issuer default as having occurred when an issuer misses interest or principal payments on its obligations, restructures its debt in a way that is deleterious to investors, or files for bankruptcy.

For the purposes of presenting credit ratings performance measurement statistics consisting of credit rating transition and default rates “Form NRSRO: Exhibit 1 Rating Performance Measurement Statistics” (Exhibit 1), AM Best classifies an entity as in default if the entity was assigned any of the following non-rating designation symbols: (“d”); (“e” or “E”); or (“f” or “F”).

For the purpose of tabulating impairment rates for insurers, AM Best designates an insurer as a Financially Impaired Company (FIC) upon the public placement of a company, via public court order or other international equivalent, into conservation, rehabilitation and/or insolvent liquidation. Supervisory actions undertaken by Insurance Department regulators without court order are not considered impairments for purposes of compiling Exhibit 1 statistics unless clear direction is given by the regulator to delay or limit policy or contract payments.

There are a number of regulatory oversight actions that may be taken with respect to troubled insurers in which court orders are not sought, such as required company action plans, various forms and levels of supervision, and licensure actions. Companies may be subject to these insurance department orders and actions on multiple occasions, particularly in certain jurisdictions, and while these regulatory actions suggest concern and impose constraints, they are not necessarily indicative of an insurer’s inability to meet its ongoing policy and contract obligations.

Additionally, companies that enter voluntary dissolution and are not under financial duress at that time are not counted as financially impaired.

### 3.6 Endorsement Assurance Mechanisms

As mentioned above, AM Best operates using a single global policy framework. However, further to the publication of ESMA’s revised endorsement guidelines in July 2018, a gap analysis exercise was undertaken to identify where the requirements of the EU Credit Rating Agency Regulation were different from AM Bests’ policies and procedures. As a result, some policies and procedures were updated to ensure that ratings endorsed by AMB-EU into the EU are issued in line with standards that either directly reflect the requirements of the CRAR regulation or are “as stringent as” such requirements.

Additionally, AMB-EU has developed an Endorsement Procedure that captures ongoing assurance mechanisms aimed at ensuring that the endorsed ratings comply with the required standards. This is planned to be delivered through three key steps:

- Ongoing verification that the Policies and Procedures employed by the third country CRA meet appropriate standards;
- Analysis of a range of Management Information to enable the AMB-EU Compliance Officer to monitor compliance on an ongoing basis; and
- Specific assurance testing by both the AMBRS and AMB-EU Compliance function.

On an annual basis, the AMB-EU Compliance Officer will produce a report for the AMB-EU Board that provides an overview of the activity performed to demonstrate compliance with ESMA’s endorsement guidelines. The report for 2021 was completed in January 2022 and did not identify any material concerns.

In 2021, AMB-EU completed a licensing process with ESMA to be able to endorse Structured Finance Instruments (SFI) into the EU. As part of this process, AM Best updated a series of Policies and Procedures in order to
accommodate SFI endorsement. It is anticipated for AMB-EU to start endorsing SFI in 2022, once the EBA publishes its updated ECAI mapping for SFI ratings.

3.7 Internal Control Functions and Frameworks

Cross Jurisdictional Management Support Functions

In the interests of consistency AM Best looks to utilise centralised functions wherever it is most appropriate to do so. The function responsible for the production of methodologies and models is centralised in AM Best’s Head Office in Oldwick, New Jersey.

Credit Rating Policy Committee

The Credit Rating Policy Committee (CRPC) is the global function responsible for overseeing the establishment, maintenance, appropriateness and documentation of AM Best’s global policy, procedures, methodology, criteria procedures and models. CRPC serves as AM Best’s independent internal review function globally. The committee is independent of the business lines that are responsible for the determination of credit ratings, sales/marketing activities and compliance. Members of the CRPC possess appropriate expertise in the credit rating process (and/or related disciplines) as to be able to provide sufficient knowledge to execute their duties. Under the terms of reference of the CRPC, the credit rating criteria, models and methodologies are subject to a continuous assessment and review process. This ongoing global review provides the appropriate degree of rigour which is paramount to the integrity of the credit rating process and allows the models and methodologies to be used with a high degree of confidence. The models and methodologies used in the sector have been developed and refined over a long period of time, which gives the market confidence in the reliability of the overall rating process.

Methodology Advisory Committee (MAC)

The Methodology Advisory Committee is the global forum which reviews and provides independent oversight of the establishment, maintenance and appropriateness of the Company’s global credit rating methodology, procedures and models. The AM Best Rating Services (AMBRS) Board, is the approving authority for global credit rating methodology, procedures and models, and as such, takes into account comments from MAC. This Committee also provides independent oversight to the work of the Credit Rating Policy Committee (CRPC). The membership of MAC includes the two AMB-EU INEDS.

Audit and Risk Committee (ARC)

In November 2021 the decision was made for the previous Risk Management Advisory Committee (RMACo) to assume additional responsibilities related to AM Bests’ internal audit program and for it to shift from an advisory committee to a committee with delegated authority. As part of this change in responsibility, its name was changed from (RMACo) to the Audit and Risk Committee (ARC).

ARC is a global oversight body that assists the AM Best Boards of Directors with the oversight of the Group’s internal controls framework, which includes the Group’s internal audit and risk management programs. The Committee ensures these programs are reasonable and effective for the identification and management of risk and the oversight of internal controls. While each Board of Directors retains ultimate responsibility for ensuring effective internal controls and the management of risk within that entity, the Committee provides advice and perspective to the Boards by adopting a holistic and group wide view of the firm and its material risks. Each local Board reserves the right to commission an independent review of internal controls, including Committee activities.

Compliance

The Compliance function is responsible for assessing the Group’s compliance with AMBRS Code of Conduct, and policies and procedures on a global basis. The Group’s Compliance Officers are responsible for identifying potential and actual conflicts of interest, and assisting the Group in managing and, where possible, eliminating these conflicts.
The Chief Compliance Officer operates from the Group’s Head Office in Oldwick, New Jersey, USA. Compliance for the Netherlands office is handled by the AMB-EU Compliance Officer who operates independently of business management and provides regular reports to the AMB-EU Board in order to apprise the Directors of the efficacy of compliance arrangements in accordance with the Annual Compliance Plan. This includes, but is not limited to, providing updates on:

- Compliance monitoring activity conducted on a global and local basis where necessary.
- Any identified compliance issues;
- Any regulatory interactions in the reporting period;
- Changes to policies and procedures; and
- Progress being made to deliver the Annual Compliance Plan.

AMB-EU has a whistle-blowing policy in place and it is responsibility of the Compliance Department to investigate any issues raised through this channel.
4. Statistics regarding Staff Allocation

The table below lists the number of staff employed by AMB-EU as at 31 December 2021.

<table>
<thead>
<tr>
<th>Staff Type</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating Analysts</td>
<td>8</td>
</tr>
<tr>
<td>Credit Rating Support Staff</td>
<td>1</td>
</tr>
<tr>
<td>Other Support Staff (e.g. HR, Market Development, Finance, Compliance etc.)</td>
<td>3</td>
</tr>
<tr>
<td>Senior Management(^1)</td>
<td>2</td>
</tr>
<tr>
<td>(Senior Director Analytics &amp; Head of Operations, and Compliance Officer)</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14</strong></td>
</tr>
</tbody>
</table>

As outlined earlier in this report, methodology and model appraisal is undertaken by AM Best’s Credit Rating Policy Committee based in AM Best’s US Head Office.

All AMB-EU analysts are involved in both new and existing ratings and are solely allocated to corporate ratings (and associated securities) of insurance companies. AMB-EU does not issue either structured finance or sovereign ratings. However, as referred to in section 3.6, AMB-EU will start endorsing SFI ratings once the EBA concludes the ongoing process to update the ECAI mapping for SFI ratings.

\(^1\) Excludes AMB-EU CEO who is a Director of AMB-EU but is employed by an affiliate AM Best Rating Services Company.
5. Record Keeping Policy

The record keeping requirements for AMB-EU are governed by AM Best’s globally applicable record keeping and retention policy. The purpose of having a centrally administered policy is to allow AM Best to present a single standard which is understood by all employees.

The policy classifies documents according to whether the documents themselves are central to the procedures and determinations of rating decisions, refer to the commercial relationships with our clients, or are documents that AM Best keeps to satisfy its legal and regulatory obligations.

Details of AM Best’s Credit Rating Division record keeping policy and procedures can be found within the attached link:

2022 Exhibit 3 (ambest.com)
6. Review of the Compliance Function

The AMB-EU Board has conducted an internal review of its compliance function and has concluded that the company’s compliance arrangements are operating effectively and with the appropriate degree of independence. In helping to form this opinion, the AMB-EU Board commissioned Mazars LLP to undertake a review of the AMB-EU compliance function in 2021.

Mazars’ audit returned a positive assurance opinion and focused on the following areas:

- The independence of the function;
- Establishment of adequate policies and procedures, including the compliance framework;
- Compliance staff skillsets and the allocation of roles and responsibilities;
- A review of the design and implementation of the Compliance Monitoring Plan (CMP);
- Methodologies for completing compliance related activities (including the depth in which these are performed and documented) in line with the CMP;
- The process for horizon scanning and capturing future changes in regulatory landscape;
- Reporting to relevant committees, including compliance related MI and KPIs; and
- The processes for incident investigation, regulatory reporting and communications with regulators.

This review did not identify any material weaknesses in processes or procedures.
7. Description of Management and Analyst Rotation Policy

7.1 Management
AM Best ratings cover approximately 3,500 insurance companies globally throughout the Americas, Europe, Middle East and the Asia-Pacific region, with offices in the U.S., London, Amsterdam, Hong Kong, Dubai, Mexico City and Singapore.

AMB-EU’s Chief Executive Officer (CEO), Mr. Matthew Mosher, is also the CEO of AMBERS and A.M. Best Rating Services, Inc. Mr. Mosher is responsible for leading the development and execution of the AMB-EU strategy and setting the appropriate “tone from the top” to help ensure AMB-EU operates effectively, consistently and in line with the expectations of key stakeholders including, but not limited to regulatory authorities and the users of ratings.

Reporting to Mr. Mosher, are a number of Senior Managers responsible for areas including Analytical Services, Market Development, Finance, Operations and Compliance. Where appropriate, these reports have dotted reporting lines into equivalent Group personnel based in the UK and / or US, which enables potential issues / conflicts of interest to be escalated and mitigated.

7.2 Rotation Policy
AMB-EU has an exemption from regulatory requirements regarding the rotation of management and analysts by virtue of its current employee headcount.

With respect to ratings endorsed into the European Union (EU), the headcount of AMBAP, AMBAPS and AMBAL, per individual entity, is significantly lower than the 50 FTE threshold set in the CRAR. As such, those entities are exempt from the analytical rotation requirements, but still aspire to comply, where possible and practical, with the rotational benchmarks captured in AM Best Global Rotation Procedure (CRPC Control Procedure 2A: READ Function Staffing & Rotation).

AM Best Global Rotation Procedure (CRPC Control Procedure 2A: READ Function Staffing & Rotation) captures the following requirements for AMBERS (UK):

a) The lead Rating Analyst will have a maximum of four years’ interaction with an assigned rating entity / issuer or its related third parties at which time the rating will be reassigned;

b) For AMBERS based employees, the four consecutive year time frame begins on January 1, 2016. Any time a lead Rating Analyst accumulated with an assigned entity prior to this date will not count toward the four consecutive years of interaction.

c) The required cooling off period for any employee who reaches the maximum interaction time frame is two consecutive years. During the cooling-off period, analysts cannot be involved in credit rating activities, meaning they cannot be assigned as a Rating Analyst or Reviewer, are not to conduct surveillance, and cannot vote in rating committees for the entity.

It is the responsibility of the AMBERS Analytical function to track and enforce compliance with the above requirements.

For AMBRS (US), FTE is above the 50 FTE threshold. As such, AMBRS is covered by the requirements below as outlined in the Rotation Procedure:

a) The lead Rating Analyst will have a maximum of six consecutive years’ interaction with an assigned rated entity/issuer or its related third parties at which time the rating will be reassigned.

b) The Reviewer will have a maximum of seven consecutive years’ interaction with an assigned rated entity/issuer or its related third parties at which time the rating will be reassigned.
8. Financial Information

Revenue of AMB-EU

In 2021, AMB-EU total turnover was €5,035,804. Turnover represents the total value of fees earned in the year, excluding value added tax. Revenue is earned by recognising fees throughout the period of service under the rating service agreement. Any billed fees unearned at the year-end are held in the balance sheet as deferred revenue. AMB-EU did not generate any income from ancillary services and its revenue was 100% attributable to the provision of solicited credit rating services. Please note that in February 2022, AM Best launched its new Performance Assessment for Delegated Underwriting Authority Enterprises. Consequently, revenue figures disclosed in the Transparency Report for 2022 should include ancillary income.

As outlined earlier in this report, AMB-EU does not provide sovereign or structured finance ratings. As such all of its ratings revenue is attributable to corporate ratings related to the insurance sector.

AMB-EU provides ratings to organisations based within the European Union and also to organisations based within wider Europe. Based on the location of the entity billed, AMB EU’s revenue can be assigned as follows:

European Union: 97%
Non - European Union: 3%

The following Company Groups accounted for more than 5% of AMB-EU annual revenue:

- Allianz SE
- Generali S.p.A
- Talanx AG
- Hannover Rück SE
- SCOR SE
9. Corporate Governance Statement


However, in the interests of transparency, AMB-EU makes the following disclosures:

Corporate Code of Conduct

As a privately owned company, AMB-EU is not subject to any mandatory corporate governance code in the Netherlands. However, as outlined in section 3.2 of this report, AMB-EU adheres to the AMBRS Code of Conduct based on the IOSCO Code of Conduct. The Code sets out the principles under which all AMB-EU Directors (Including INEDs), Senior Managers and Employees are expected to operate. The Code is regularly reviewed to take account of changes in legislation on a global basis.

AM Best’s Code of Conduct can be accessed via the following link:

2022 Exhibit 5 (ambest.com)

In addition, AMB-EU has implemented a Governance Manual setting out the various roles and responsibilities within the company. The AMB-EU Board is committed to reviewing its governance processes and updating the Governance manual on at least an annual basis.

Share Ownership

As described in Section 2.1 above, AMB-EU is a privately owned company with all of its shares held by A.M. Best Rating Services, Inc. (AMBRS). AMBRS is in turn 100% owned by A.M. Best Company, Inc. a privately owned company incorporated in Delaware, USA but physically based in New Jersey, USA.

As at the date of this report, the AMB-EU Board consists of four executive directors and two INEDs.

One of the Executive Directors is also the ‘Nominated Director’. Under the Company’s Memorandum and Articles of Association, the Nominated Director is appointed by the shareholder and carries additional voting powers in the Board process. Specifically, no Board resolution is valid unless the Nominated Director supports the Board’s majority decision. Whilst the Nominated Director is unable to mandate a particular course of action without the backing of the Board as a whole, his voting rights do enable him to veto any proposal supported by the other members of the AMB-EU Board. To date, there has been no instance where the Nominated Director has exercised this right of veto.

Directors of the Company can be appointed by the shareholders or by the Board when casual vacancies arise. Executive Directors have no fixed term of office and there is no retirement and re-appointment by rotation. AMB-EU’s INEDs are appointed for a fixed five year time period with no renewal.

Names of the current Board members are included within Section 2.2, above.

END

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2 Article 46a was subsequently introduced through Council Directive 2006/46/EC.