

## A.M. Best Downgrades Ratings of R.V.I. Guaranty Company Limited and Its Operating Subsidiaries

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### FOR IMMEDIATE RELEASE

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**A.M. Best Co.** has downgraded the financial strength rating to B++ (Good) from A- (Excellent) and issuer credit ratings (ICR) to "bbb+" from "a-" of **R.V.I. Guaranty Company Limited** (RVI Guaranty) (Bermuda) and its Connecticut-domiciled subsidiaries, **R.V.I. America Insurance Company** (RVI America) and **R.V.I. National Insurance Company** (RVI National) (collectively known as RVI). The ratings have been removed from under review with negative implications and assigned a negative outlook.

RVI is a specialty insurance group that primarily writes residual value insurance. It is one of the largest insurance companies that specializes in underwriting and marketing of residual value insurance risk for clients engaged in asset-based financing. Most often, coverage is purchased by clients in order to comply with certain regulatory and financial accounting requirements.

The rating actions reflect A.M. Best's concerns regarding (1) operating performance in 2008 on an insurance basis, (2) the narrowing scope of RVI's business model, (3) the operating challenges going forward in a weak economic environment and (4) the lack of financial flexibility in an increasingly difficult operating environment. RVI's operating loss for the nine months ended September 30, 2008 was driven primarily by losses resulting from the decline in used car prices in its largest business segment—passenger vehicles. A.M. Best remains concerned that a continued decline in used car values could constrain profitability in 2009. RVI's principal product lines are the passenger vehicle and commercial equipment segments, and the operating results are highly dependent upon the performance and cyclicity of the asset-based financing industry. The duration and severity of the current macroeconomic downturn may have a significant impact upon future business as growth of new leases on passenger vehicles and commercial equipment may be negatively impacted.

RVI's business profile has narrowed in scope as a result of steps taken by management over the last 12-18 months to address profitability and reduce risk. RVI no longer underwrites primary asset-risk coverage on passenger vehicles, opting to only provide lower risk (FASB) coverage going forward—likely further constraining premium growth. Additionally, RVI has ceased underwriting fidelity and crime business and placed into run-off its financial guaranty reinsurance businesses. There is the potential for increased risk and future losses associated with the run-off financial guaranty business as much of the book consists of senior tranches of collateralized debt obligations.

The negative outlook reflects uncertainty regarding near-term financial performance and the significant challenges the company faces because of the weak economy; as such, RVI's ratings may be subject to further review and potential negative adjustments.

For access to special reports, analytical methodologies and transactions relating to structured finance, please visit [Best's Structured Finance Center](#).

The principal methodologies used in determining these ratings, including any additional methodologies and factors, which may have been considered, can be found at [Best's Rating Methodology](#).

**Founded in 1899, A.M. Best Company is a global full-service credit rating organization dedicated to serving the financial and health care service industries, including insurance companies, banks, hospitals and health care system providers.**