



A.M. Best Upgrades Ratings of American Strategic Insurance Corp and Its Affiliates!

A.M. Best Co. has upgraded the financial strength rating (FSR) to A (Excellent) from A- (Excellent) and the issuer credit ratings (ICR) to “a” from “a-” of American Strategic Insurance Corp (American Strategic) and its affiliates, ASI Assurance Corp, ASI Preferred Insurance Corp and ASI Lloyds (Dallas, TX).

A.M. Best also has upgraded the FSR to A (Excellent) from B++ (Good) and the ICRs to “a” from “bbb+” of American Strategic’s other affiliates, American Capital Assurance Corp and ACA Home Insurance Corp. (collectively referred to as ASI). The outlook for all ratings has been revised to stable from positive. All companies are domiciled in St. Petersburg, FL, except where specified.

The rating upgrades reflect ASI’s long-term underwriting profitability and solid risk-adjusted capitalization resulting from prudent underwriting, pricing sophistication and an effective enterprise risk management process. As a result, significant surplus growth has occurred over several years from operations as well as support from the group’s parent company, ARX Holding Corp.

The upgrades further contemplate that ASI’s operating performance and risk-adjusted capitalization will continue to trend favorably going forward, as the organization begins to further diversify its geographical footprint. Furthermore, ASI’s diversification strategy benefits from strong partnerships with several leading personal automobile writers.

These positive rating factors are somewhat offset by ASI’s current geographic concentration of risk in Gulf coast states, which carries with it exposure to weather-related events and significant dependence on reinsurance. However, ASI’s sound overall

risk management focus, strong operating performance and capital strength have enabled it to reduce its dependence on quota share reinsurance. In addition, ASI continues to maintain a robust level of catastrophe reinsurance coverage.

The upgrading of the ratings for American Capital Assurance Corporation and ACA Home Insurance Corp. recognize the full rating enhancement each receives from its affiliation with American Strategic.

In addition, A.M. Best has assigned an FSR of A- (Excellent) and ICR of “a-” to ASI Select Insurance Corp. (ASI Select) (headquartered in St. Petersburg, FL). The outlook assigned to both ratings is stable.

The ratings for ASI Select reflect its low underwriting leverage, internal reinsurance through American Strategic and management’s track record for operating new companies under the ASI brand with prudent growth and favorable underwriting performance. In addition, the ratings contemplate the implicit and explicit financial support ASI Select will receive from ASI in the future.

Negative rating actions could occur if ASI’s operating results were to significantly deteriorate and cause a material decline in the organization’s risk-adjusted capitalization.

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. Key criteria utilized include: “Risk Management and the Rating Process for Insurance Companies”; “Catastrophe Analysis in A.M. Best Ratings”; “Understanding BCAR for Property/Casualty Insurers”; and “Rating Members of Insurance Groups.” Best’s Credit Rating Methodology can be found at <http://www.ambest.com/ratings/methodology>.

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