



Broker License



**Department of
Financial Services**

CHAUDARY ZAMBRANO, VALOY DEL CARMEN

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New York, NY 106033120

LICENSE NUMBER: BR-1509275

PRODUCER IS LICENSED AS AN INSURANCE BROKER FOR:

Casualty Property

EFFECTIVE DATE: August 25, 2021

EXPIRATION DATE: August 24, 2023

UNLESS SOONER CANCELLED, SUSPENDED OR REVOKED

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In Witness Whereof,
I have caused my official seal to
be affixed at the city of Albany

Linda A. Lacewell
Superintendent



2-1,2-072921-3528132



Insurance Agent License



**Department of
Financial Services**

CHAUDARY ZAMBRANO, VALOY DEL CARMEN

**CHAUDARY ZAMBRANO, VALOY DEL CARMEN
305 PARK RIDGE LANE
WHITE PLAINS, NY 10603**

LICENSE NUMBER: LA-1509275

PRODUCER IS LICENSED AS AN INSURANCE AGENT FOR:

Accident and Health Life

EFFECTIVE DATE: August 25, 2021

EXPIRATION DATE: August 24, 2023

UNLESS SOONER CANCELLED, SUSPENDED OR REVOKED



In Witness Whereof,
I have caused my official seal to
be affixed at the city of Albany

**Linda A. Lacewell
Superintendent**



7-18,19-080321-3531990



Ratings

Rating Action: Moody's assigns Caa3 IFS ratings to Klaption Reinsurance; outlook stable

30 June 2022

London, June 30, 2022 – Moody's Investors Service ("Moody's") has today assigned Caa3 Insurance Financial Strength (IFS) ratings to Klaption Reinsurance Limited (KlaptionRe). The outlook is stable.

KlaptionRe is a new reinsurer, based in Zambia, with a focus on treaty and facultative reinsurance business across Africa, Asia, the Middle East and Latin America. KlaptionRe is affiliated with – through common ultimate ownership - Klaption Insurance Company (KIC), an insurer and reinsurer registered in the Autonomous Island of Anjouan, Union of Comoros and formed in 2005.

RATINGS RATIONALE

KlaptionRe's Caa3 IFS ratings reflect its standalone credit profile as well as the constraint deriving from its linkages to the credit profile of the Government of Zambia (Zambia, Ca stable) as a result of its domicile and its significant cash and investment holdings in banks and government debt in Zambia.

KlaptionRe's standalone credit profile reflects its good business profile, with exposures that are well diversified by cedant and geography, and a market position that benefits from long-standing relationships with cedants and brokers in its regions of operation. Albeit KlaptionRe is a new entity, it benefits from its association with KIC and an agreement to transfer KIC's existing reinsurance business to KlaptionRe on a renewal basis. The business being transferred to KlaptionRe has performed well, with 5 year average combined ratio of 51.5% from 2016 to 2020, and Moody's expects KlaptionRe's profitability to benefit from the good performance of this business.

KlaptionRe's capitalisation is good and it has benefited from capital infusions from its shareholders as it has built its platform and assumed an increasing amount of business. That said, Moody's expects that capital levels will need to be strengthened further to comfortably comply with the risk based capital requirements expected to be introduced in Zambia.

Moody's stated that the strengths reflected in KlaptionRe's standalone credit profile are offset by its small size in the context of the global reinsurance market and lack of track record as a new reinsurer operating from Zambia. Asset quality is weakened by the concentrated exposure of its cash and invested assets to Zambia, and its panel of reinsurers which are largely unrated, albeit that it has longstanding relationships and a history of claim recoveries with these reinsurers (via KIC). While KlaptionRe benefits from assuming KIC's existing reinsurance book, it is exposed to the risk that not all this business will renew with KlaptionRe, which could have a negative impact on profitability. Furthermore, the company plans to grow its premium volume quite significantly, which gives rise to higher underwriting risk, particularly to the extent that it expands into new geographic regions. While KlaptionRe does not currently have any financial debt outstanding, its financial flexibility is limited by lack of direct access to capital markets, and private ownership.

KlaptionRe's Caa3 IFS ratings are one notch higher than the Zambian sovereign rating, reflecting: (i) KlaptionRe's good capital buffers, based on current regulatory capital requirements, that allow it to absorb stress at the sovereign level, (ii) the significant portion of US Dollar based reinsurance premiums that are received from countries outside of Zambia which moderate the risk related to its

local cash and assets, and (iii) its expectation of ongoing capital support from its owners, albeit that no formal guarantees or capital support agreements are in place. Moody's believes that KlaptionRe is strategically important to the shareholders of KIC because it is the entity that they will use to continue serving their existing reinsurance clients as business is transferred out of KIC on renewal.

The rating takes into account KlaptionRe's governance as part of Moody's environmental, social and governance considerations. The company benefits from regulatory oversight in Zambia and an experienced management team, however its enterprise risk management framework is still developing and governance risk is negatively impacted by concentrated ownership.

OUTLOOK

The stable outlook for KlaptionRe reflects the stable outlook for Zambia, and our expectation that the company will successfully transfer renewing reinsurance business from KIC, and maintain good capitalisation sufficient to help it absorb potential stress at the sovereign level.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Moody's stated that the following factors could lead to upward pressure on the ratings: (i) an upgrade of Zambia sovereign debt rating, and/or (ii) significant diversification of KlaptionRe's cash and invested assets to those not linked to Zambia and held in countries outside of Zambia, with stronger credit profiles, while continuing to source a significant majority of its reinsurance premium revenue from outside of Zambia.

Conversely, Moody's stated that the following factors could lead to a downgrade of KlaptionRe's ratings: (i) a downgrade of the sovereign debt rating, (ii) weakening of capitalisation relative to in-force business and reserves that reduces KlaptionRe's ability to absorb potential stress at the sovereign level, (iii) inability to successfully transfer a significant portion of the KIC business on renewal, leading to pressure on profitability and market position, and (iv) significant weakening of the operating environment in Zambia, including our assessment of the country's fiscal, institutional and economic strength.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Reinsurers Methodology published in November 2019 and available at <https://ratings.moody.com/api/rmc-documents/65391>. Alternatively, please see the Rating Methodologies page on <https://ratings.moody.com> for a copy of this methodology.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moody.com/rating-definitions>.

For ratings issued on a program, series, category/class of debt or security this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series, category/class of debt, security or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the

provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the issuer/deal page for the respective issuer on <https://ratings.moodys.com>.

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The ratings have been disclosed to the rated entity or its designated agent(s) and issued with no amendment resulting from that disclosure.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/documents/PBC_1288235.

At least one ESG consideration was material to the credit rating action(s) announced and described above.

The Global Scale Credit Rating on this Credit Rating Announcement was issued by one of Moody's affiliates outside the EU and is endorsed by Moody's Deutschland GmbH, An der Welle 5, Frankfurt am Main 60322, Germany, in accordance with Art.4 paragraph 3 of the Regulation (EC) No 1060/2009 on Credit Rating Agencies. Further information on the EU endorsement status and on the Moody's office that issued the credit rating is available on <https://ratings.moodys.com>.

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