

# BEST'S RATING REPORT

## BF&M LIMITED

Insurance Building, 112 Pitts Bay Road, PO Box 1007, Hamilton HM DX, Bermuda

AMB #: 084104

NAIC #: N/A

AIIN #: N/A

Phone: 441-295-5566

Fax: 441-292-8831

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BF&M General Insurance Co Ltd	A
BF&M Life Insurance Co Ltd	A
Island Heritage Ins Co, Ltd.	A



# BF&M Limited

**Disclosure Information:** View A.M. Best's [Rating Disclosure Form](#)

**Ultimate Parent:** [084104 - BF&M Limited](#)

**A.M. Best Rating Unit:** 084104 - BF&M Limited

## Best's Credit Ratings:

Rating Effective Date: September 6, 2018

**Best's Long-Term Issuer Credit Rating:** bbb      **Outlook:** Stable      **Action:** Affirmed

## Five Year Credit Rating History:

Date	Best's Issuer Credit Ratings		
	Long-Term		
	Rating	Outlook	Action
09/06/2018	bbb	Stable	Affirmed
10/27/2017	bbb	Stable	Affirmed
09/22/2016	bbb	Stable	Affirmed
09/04/2015	bbb	Stable	Affirmed
09/10/2014	bbb	Stable	Affirmed
09/11/2013	bbb	Stable	Affirmed

## RATING RATIONALE:

The rating of the holding company is determined by reference to the Issuer Credit Rating (ICR) of the operating company members and reflects analysis of both the credit implications of the insurance holding company (IHC) being a separate legal entity from the operating insurers, and the normal subordination of IHC creditors to operating company policyholders. As a result, the ICR is notched from the operating companies.

## Best's Credit Ratings for Group Members:

Rating Effective Date: September 6, 2018

AMB#	Company	Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
		Rating	Outlook	Action	Rating	Outlook	Action
<b>084104</b>	<b><a href="#">BF&amp;M Limited</a></b>	<b>Rating Unit</b>			bbb	Stable	Affirmed
084739	<a href="#">BF&amp;M General Insurance Co Ltd</a>	A	Stable	Affirmed	a	Stable	Affirmed
084740	<a href="#">BF&amp;M Life Insurance Co Ltd</a>	A	Stable	Affirmed	a	Stable	Affirmed
086644	<a href="#">Island Heritage Ins Co, Ltd.</a>	A	Stable	Affirmed	a	Stable	Affirmed

## Corporate Overview:

BF&M Limited (BF&M) is a publicly traded investment holding company domiciled in Bermuda and traded on the Bermuda Stock Exchange. The organization is actively engaged in property, casualty, motor, marine, life, annuities, health and long-term disability insurance, as well as pension fund management, investment advisory services, property ownership and health reinsurance. The

## Corporate Overview: (Continued...)

group's principal business is insurance. BF&M is comprised of several insurance companies, led by its lead property/casualty insurer, BF&M General Insurance Company Limited (BF&M General) and its flagship life and health insurer, BF&M Life Insurance Company Limited (BF&M Life). Other owned entities include Island Heritage Insurance Company Ltd (Island Heritage), a Cayman property/casualty carrier, acquired in 2012. In 2017 BF&M Life established Island Heritage Retirement Trust Company Ltd, a wholly owned subsidiary formed to develop and administer pension related business in the Cayman Islands. Additionally, BF&M Limited is also the majority owner (51.3%) of Insurance Corporation of Barbados Limited (ICBL).

The group writes the majority of its business in Bermuda and ranks among the three largest Bermudian direct insurers that serve this local market. Competition is primarily with the other Bermudian companies, though the group also competes in certain lines with the local operations of foreign insurers. The largest line of business in the Bermudian domestic/direct market is the health market, primarily group health.

BF&M General provides a broad range of property/casualty products, including property, casualty, motor, homeowners and marine. Distribution is primarily direct to the insured. BF&M Life, the organization's flagship company, provides individuals and businesses with a full array of programs for life, health, and pension. Products include ordinary, term and universal life, disability income, defined benefit and defined contribution pensions, and health coverage. BF&M administers certain pension plans where the management of the assets and trustee oversight is provided by an affiliate of a Bermuda financial institution. Island Heritage is a leading Cayman Islands based company that writes property and casualty insurance in the Caribbean region. ICBL is the largest property/casualty writer in Barbados.

BF&M Limited's strategy includes closer integration of its subsidiaries in order to realize the economies of scale and enhance operational efficiencies. In addition, the company intends to expand its life and health products beyond Bermuda partially through utilizing market channels of its other Caribbean subsidiaries.

## Corporate Structure

AMB#	Company Name	Domicile	Percentage Own (%)
084104	<a href="#">BF&amp;M Limited</a>	Bermuda	
084739	<a href="#">BF&amp;M General Insurance Co Ltd</a>	Bermuda	100
086644	<a href="#">Island Heritage Ins Co, Ltd.</a>	Cayman Islands	100
088901	<a href="#">Island Heritage Ins Co NV</a>	Curaçao	100
084740	<a href="#">BF&amp;M Life Insurance Co Ltd</a>	Bermuda	100
055593	<a href="#">Hamilton Financial Limited</a>	St. Lucia	100
086555	<a href="#">Ins Corp of Barbados Ltd</a>	Barbados	51.3
088685	<a href="#">Hamilton Reinsurance Co Ltd</a>	Bermuda	100

## Rating Rationale:

### Balance Sheet Strength: Very Strong

- BF&M Limited's risk-adjusted capitalization measures are strongest as measured by A.M. Best's Universal BCAR.
- Total shareholder equity has displayed a trend of steady growth over the last five years.
- The investment portfolio is diversified and conservatively managed; however, there is some exposure to commercial mortgage property valuation.

### Operating Performance: Adequate

- History of positive results primarily supported BF&M's diversified lines of service and risk business that include pension administration (group and individual), group life, residential property, casualty, motor and marine coverage.
- The decrease in life earnings in 2017 is reflective of an investment write-down; however, the core life results follow a trend of stable net operating results over the past few years.

- Total property & casualty business has historically reported profitable operating results, even in catastrophic event years.

## Business Profile: Neutral

- Business is well diversified by product lines and geographically through its property/casualty, life, health and pension products through BF&M Life Insurance Company and BF&M General Insurance Co. (BF&M General).
- BF&M General is one of the top three leading insurers in its domestic market of Bermuda and a leading provider of P&C insurance products. BF&M General is a leading provider of property and marine insurance in Bermuda.
- BF&M's reinsurance strategy was effective in 2017 to minimize potential storm impact to operating results. Bermuda has strong building codes and storm preparation mechanisms to mitigate risk from storms.
- The Bermuda market is limited; the island population is approximately sixty-three thousand. BF&M Life competes with two other local health insurers in Bermuda in this space. In the health lines of business, all three companies write the same lines and pricing is transparent (online); as a result, they mainly compete on service and quality.

## Enterprise Risk Management: Appropriate

- BF&M has a well-documented risk management framework that identifies risk management principles, risk governance, risk profile and tolerance, material risk and outlines/defines a risk register.
- Risk governance clearly defines the roles of senior management and the board for developing, monitoring and reporting on the risk management of the organization.
- There is appropriate information and reporting systems to support decision making, policies and procedures are well maintained, risk mitigation strategies are established and actively managed risks are regularly reviewed.

## Outlook

The stable outlooks are based on BF&M's very strong balance sheet assessment.

## Rating Drivers

The following may result in a negative change in the ratings:

A trend of sustained operating losses in BF&M's core lines of business may result in a negative change in the ratings.

A trend of decreased risk-adjusted capitalization measures.

## Financial Statements:

### Balance Sheet:

#### Balance Sheet:

Assets	12/31/2017	12/31/2017	12/31/2017
	BMD(000)	% of total	USD(000)
Cash And Equivalents	224,130	8.6	224,130
Long Term Fixed Maturity Investments	535,009	20.4	535,009
Equity Investments	41,576	1.6	41,576
Short Term Investments	24,667	0.9	24,667
Mortgage Loans	67,896	2.6	67,896
Real Estate Owned	39,239	1.5	39,239
Life Policy Loans	3,366	0.1	3,366
Invested Assets	711,753	27.2	711,753
Receivables	144,404	5.5	144,404
Reinsurance Recoverable	569,283	21.7	569,283
Deferred Policy Acquisition Cost	9,577	0.4	9,577
Goodwill & Other Intangibles	53,123	2.0	53,123
Other Assets	79,482	3.0	79,482
Segregated Account Assets	828,567	31.6	828,567
Total Assets	2,620,319	100.0	2,620,319
<b>Liabilities &amp; Surplus</b>	<b>12/31/2017</b>	<b>12/31/2017</b>	<b>12/31/2017</b>
	<b>BMD(000)</b>	<b>% of total</b>	<b>USD(000)</b>
Life / Health Reserves	543,361	20.7	543,361
Property / Casualty Reserves	624,667	23.8	624,667
Unearned Premium Reserves	83,362	3.2	83,362
Total Policy Reserves	1,251,390	47.8	1,251,390
Other Liabilities	235,634	9.0	235,634
Segregated Account Liabilities	828,567	31.6	828,567
Total Liabilities	2,315,591	88.4	2,315,591
Equity - Common Stock	8,847	0.3	8,847
Paid-In Capital	64,731	2.5	64,731
Accumulated Other Comprehensive Income	-6,959	-0.3	-6,959
Retained Earnings	196,558	7.5	196,558
Other Equity	43,582	1.7	43,582
Common Stock In Treasury	-2,031	-0.1	-2,031
Total Equity	304,728	11.6	304,728
Total Liabilities & Equity	2,620,319	100.0	2,620,319

Source: Bestlink - Best's Statement File - Global

Local Currency: Bermudian Dollar

US \$ per Local Currency Unit 1 = 1 Bermudian Dollar (BMD)

## Company History:

Date Incorporated: N/A

Date Commenced: 08/05/1991

Domicile: Bermuda

## Company Management:

Last significant update on 06/08/2018

### Officers

**Chairman:** Gavin R. Arton

**Deputy Chairman:** L. Anthony Joaquin

**President and CEO:** R. John Wight

**CFO:** Michael White

**Company Secretary:** Stephanie Hanson

### Directors

Gavin R. Arton (Chairman)

Nancy L. Gosling

Gregory D. Haycock

Gordon Henderson

L. Anthony Joaquin (Deputy Chairman)

Stephen W. Kempe

Catherine S. Lord

Garry Madeiros

Paul C. J. Markey

Richard D. Spurling

C. L. F. Watchorn

R. John Wight

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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