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7 February 2018

## **CBL UPDATES THE MARKET ON RBNZ REVIEW, CBI, AND AM BEST CREDIT RATING DOWNGRADE**

Further to CBL Corporation Limited (**CBL**)'s market announcement of 5 February 2018 included in which it advised the market of an independent report commissioned by the RBNZ, CBL is now at liberty to advise further details.

RBNZ has been reviewing CBL Insurance Limited (**CBL Insurance**)'s information in order to assess the adequacy of its reserving for the French construction business. CBL Group has co-operated with the RBNZ in respect of this process. This review has been in addition to the usual six-monthly Valuation Reports and annual Financial Conditions Report, issued by CBL Insurance's Appointed Actuary and filed by all insurance companies in New Zealand. The review was triggered by the concerns raised by the Gibraltar regulator with respect to Elite Insurance's reserves, and a report commissioned by its regulator. Since then, Elite Insurance has gone into voluntary run-off and recently sold. CBL Insurance had announced a strategic decision to transition the majority of its European business away from Elite Insurance to CBL Insurance Europe (**CBLIE**) in February 2016.

In accordance with this, the RBNZ has commissioned an independent expert review and also issued a number of directions to CBL Insurance. This includes a direction on 27 July 2017 setting CBL Insurance's minimum solvency at 170%, by reference to the actual solvency that CBL Insurance reported at that time, and on 22 November 2017, directions to CBL Insurance, CBL Corporation and its subsidiaries, requiring them to consult on any non-BAU transactions greater than \$5m.

These directions and discussions that CBL Insurance has had with RBNZ have been occurring under strict confidentiality orders prohibiting CBL from making any announcement to the market while those orders remained in place. These orders have now been lifted.

Further, in the same context, the Central Bank of Ireland (**CBI**) also commenced a similar supervisory engagement process in respect of CBLIE given the exposure that CBLIE has to CBL Insurance as a major reinsurer to CBLIE. As a result, the CBI has issued a number of directions and conditions on CBLIE intended to strengthen its capital base, reserves, and reinsurance security, and has asked CBLIE to commission an independent skilled persons report into CBL's French construction business.

CBL Insurance has been supported in its position by its independent actuary, PwC NZ. However, with a view to putting these matters behind it with RBNZ and other regulators, and to allow the business to move forward CBL is looking to increase its capital (and therefore its solvency margins).

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**AM Best Credit Rating Downgrade**

CBL is expecting a downgrade in its AM Best ratings which will be announced once notice has been received.

CBL expects to continue to update the market soon on its proposed capital raising decisions.

**ENDS****About CBL**

*CBL Corporation Limited (CBL) is a specialist insurer and reinsurer focused on credit and financial risk. CBL has eight offices spread across 25 countries and almost 550 employees. The company has been operating since for 44 years, and is listed on the ASX and the NZX Main Board. CBL's main operating subsidiary is CBL Insurance Limited, which is a New Zealand licensed non-life insurer supervised and regulated by the Reserve Bank of New Zealand.*

*CBL also has a number of wholly owned subsidiary companies including CBL Insurance Europe, which is a regulated insurer in Ireland, Assetinsure, an Australian licensed non-life insurer supervised and regulated by Australian Prudential Regulation Authority, European Insurance Services Limited, a managing general agency (MGA) in Tunbridge Wells in the United Kingdom, Securities & Financial Solutions a managing general agency (MGA) in France and Professional Fee Protection, UKs leading fee protection provider offering expertise and market-leading support to help accountancy practices strengthen their client relationships and grow their revenue.*

*CBL specialises in writing building and construction related credit and financial surety insurance, bonding and reinsurance.*

*To know more about CBL Group, visit our corporate website [www.cblcorporation.com](http://www.cblcorporation.com)*

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