

AM Best affirms ratings of Black Gold Re

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AM Best has affirmed the financial strength rating of B++ and the long-term issuer credit rating of “bbb+” of Bermuda-based Black Gold Re (BGRé). The outlook of these credit ratings is stable.

BGRé is a captive reinsurer of **Ecopetrol**, a Colombia-based oil and gas company that is 88.49% owned by the Colombian government.

According to AM Best the ratings reflect BGRé’s balance sheet strength, which it assesses as very strong, as well as its adequate operating performance, neutral business profile and appropriate enterprise risk management (ERM). The ratings also recognise the importance of the company within **Ecopetrol**’s strategy.

BGRé’s very strong balance sheet recognises the capital management strategy of the company and its ability to build up capital. The company has low net underwriting leverage, creating a dependence on reinsurance; however, the associated risks are mitigated partly by a diversified mix of well-rated reinsurers. AM Best expects BGRé to maintain a capital buffer as it continues to adjust its risk appetite to the reinsurance needs of its parent company and navigate current reinsurance market conditions.

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BGR's operating performance is characterised by profitable technical results backed by well-established underwriting principles and considerable revenue from ceding commissions and premium from company retentions. Historically, the company has had very few and minor retained claims due to the appropriateness of its reinsurance program. Investment income dependence is low, and because of accounting changes, shows volatility that has not materialised in realised results. AM Best expects the company to continue backing its results with its technical capabilities.

AM Best considers the company's business profile as neutral. BGR has access to a wide scope of insured risks given the relevance of **Ecopetrol** to the oil and gas industry in the Americas. However, the company's underwriting risks are concentrated in Colombia. BGR's ERM is well-integrated within **Ecopetrol** and is important to the group as a cost-effective risk management tool.

AM best said that positive rating actions could result if there is a sustained favourable trend in operating performance as the company's strategy continues to adapt to the reinsurance market. Negative rating actions could occur if business flow is limited by any change in its holding company or if the financial situation of the parent company is compromised by any sociopolitical or economic event. Negative rating actions could also take place if the balance sheet strength of the company is stressed by the materialisation of any risk exposure.

AM Best, Finance, Ratings, BGR, Credit, Captive

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Captive International

Newton Media Ltd
Kingfisher House
21-23 Elmfield Road
Bromley
BR1 1LT
United Kingdom

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