

BEST'S RATING REPORT

Investors Trust[®] Assurance SPC

Suite 4210, 2nd Floor, Canella Court, Camana Bay, Grand Cayman KY1-1208, Cayman Islands

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AMB #: 075811

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Best's Credit Rating Effective Date

November 21, 2019

Best's Country Risk Reports Utilized

- [China - CRT - 3](#)
- [Russia - CRT - 4](#)
- [Brazil - CRT - 4](#)

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Information

- [Best's Credit Rating Methodology](#)
- [Understanding Best's Credit Ratings](#)
- [Market Segment Outlooks](#)

Financial Data Presented

The financial data in this report reflects the most current data available to the Analytical Team at the time of the rating. Updates to the financial exhibits in this report are available here: [Best's Financial Report](#).

Investors Trust Assurance SPC

AMB #: 075811

Ultimate Parent: AMB # 052809 - ITA International Holdings LLC

Best's Credit Ratings

Financial Strength Rating (FSR)

A-
Excellent
Outlook: Stable
Action: Affirmed

Issuer Credit Rating (ICR)

a-
Excellent
Outlook: Stable
Action: Affirmed

Assessment Descriptors

Balance Sheet Strength	Strong
Operating Performance	Strong
Business Profile	Neutral
Enterprise Risk Management	Appropriate

Rating Rationale

Balance Sheet Strength: **Strong**

- Strong risk-adjusted capitalization with limited mortality risk held on the balance sheet.
- No dependence on outside credit facilities or debt to manage the balance sheet.
- General account assets are concentrated in CLOs, CDOs, and commercial mortgage-backed securities.

Operating Performance: **Strong**

- Continued trend of profitable operations driven by positive investment and fee income.
- Further development of existing distribution lines and separate account offerings continue to drive new sale volumes.
- Country risk attributes can impede growth initiatives in the foreign countries as regulatory changes can occur creating distribution and sales disruption.

Business Profile: **Neutral**

- Focuses on selling unit-linked insurance/savings products to middle-market clients in various countries in Latin America, Asia-Pacific and EMEA (Europe, Middle East and Africa) providing diversification with limited company risk.
- Distribution is through a network of independent financial advisors, which is improving geographical diversification, partially offset by a high degree of competition.
- Small amount of mortality risk under each policy with limited insurance underwriting risk related to low-risk insurance products reduces the risk of high claim exposure from any single policyholder exposure.

Enterprise Risk Management: **Appropriate**

- Implemented an ERM dashboard management tool to assess and mitigate primary risks, along with a detailed risk register with proper controls fully integrated into daily operations at various levels of the company.
- Associated risks have mitigation factors along with strategic plans including enhanced anti-money laundering program.
- Challenges posed by regulatory and/or economic uncertainty risk from revenue streams in higher-risk countries are a material risk to the company.

Outlook

- The stable outlooks reflect the company's strong balance sheet assessment and strong operating performance.

Rating Drivers

- The ratings could be negatively impacted by material negative changes in the company's risk-adjusted capitalization.
- A downward rating action could result from deterioration in the company's operating performance.

Credit Analysis

Balance Sheet Strength

Capitalization

As a privately held company ITA has limited access to external capital. However, ITA's capital base has steadily grown year-over-year through retained earnings. The total capital significantly increased another 17.8% in 2018 versus prior year related to strong earnings but slightly tempered by continuous annual dividend payment of \$7m. Additionally, there was an extraordinary dividend payout of \$73M during the 1st half of 2018, related to capital now held at the parent company. Future expected dividend payouts expected to be around \$7M annually. The company had paid a \$16 million dividend back in 2016 which was filed as an extraordinary dividend payment. Additionally, the owners have also invested \$15 million over the last ten years bringing total capital, as of year-end 2018 to \$193M, including \$73.4M at the holding company. Prior capital contributions established a basis for organic growth. While dividends are part of the company's capital management plan, it is not expected to materially dampen the capital profile of the company.

A.M. Best expects that Investors Trust Assurance (ITA's) risk-adjusted capitalization and financial strength will remain strong going forward, supported by profitable and expanding new contract placements. Risk-adjusted capital, as measured by A.M. Best's Universal

Balance Sheet Strength (Continued...)

BCAR model, currently continues to remain at the strongest level, mainly due to capital growth and the limited insurance risks associated with the company's unit-linked products. ITA has no dependence on outside credit or debt to manage the balance sheet.

Acquisition costs for unit-linked insurance policies are high partially because of the high sales commissions. However, net deferred acquisition costs are relatively small because surrender charges in case of lapsed or surrendered contracts offset most of the unamortized acquisition costs. A large intangible asset is largely offset by a deferred income liability and therefore has a small net impact on capital. The company has enough excess capital to finance growth in more capital-intensive lines of business and if forced into a run-off mode, no additional capital would be required.

Asset Liability Management - Investments

The assets of the Company can either be General or Segregated portfolio assets. The segregated portfolio assets are comprised of contributed capital from outside clients. There is significant cash generation & interest collection coming from the fixed income portfolio in the short & medium term. Some offsetting factors include no meaningful regulatory capital requirements, and general account assets that are predominately supported by structured securities including CMBS and CDO's. Fixed Income portfolio investments have continued to have some additional ratings upgrades over the last twelve months and have now significantly been reduced to 7% rated CCC or below of the portfolio as of June 2019 versus 87.7% back in 2014. Since 2012 the Fixed Income policies as a % of total assets have been decreasing as well and are now around 5.6% versus 10.8% back in 2013 and should continue to stabilize as policies mature.

Holding Company Assessment

Investors Trust Assurance SPC ("ITA") is wholly-owned by ITA International Holdings LLC. ITA International Holdings LLC is a Delaware limited company owned by a family trust controlled by John and William Zelaya. Effective January 1, 2010, ITA reorganized into a holding company structure. The Board of Directors is currently comprised of insiders as well as three outside independent members. ITA was founded in 2002 and now has roughly around 160 employees. Currently ITA does not have a credit facility or debt outstanding as none is needed. All the securities held are marketable and are potential sources of liquidity. It is a privately-owned organization that is offshore in the Cayman Islands, with limited capital requirements. The holding company assessment does not show any additional strain on the lead operating unit at this time.

In 2018, a new intermediary insurance holdings company was formed (ITA Insurance Holdings), which is a Delaware limited company, and wholly-owned by ITA International Holdings LLC. The newly formed insurance holding company will now have three distinct insurance operating companies under it as part of the multi-jurisdictional approach. Investors Trust Assurance SPC located in the Cayman Islands as of June 2002, ITA International Insurer located in Puerto Rico as of February 2018, and ITA Asia Limited located in Kuala Lumpur, Malaysia as of January 2019.

Operating Performance

Revenue is generated by an initial sales load and an ongoing percentage of assets under management. Given that most of the assets are held in a segregated portfolio and invested to match plan participants' allocations, investment income received by the company is a small proportion of overall revenue. In 2018, earnings decreased somewhat primarily due to extraordinary gains in the fixed income portfolio in prior year, unfavorable market environment, as well as much lower investment income as a result of higher yielding securities being transferred out to the Holding Company. New business volumes have been mostly flat driven by weaknesses in emerging markets currencies due to higher US rates, along with political and economic instability, offset by continued diversification growth in Europe. A very strong Return on Equity has been reported at 27.2% in 2018 and 43.9% in 2017, but an overall decrease in new business sales forecasted for 2019 as compared to prior year mainly as a result of the launch of new jurisdictions within the company to align for a better growth within new distribution lines in EMEA and Asia. Premium based fee income that is not dependent on market conditions continues to account for a significant portion of overall fee income in 2018. Assets under administration continue to grow along with new contributions and market gains which have more than offset any withdrawals or fees for the year. ITA's revenue stream is coming from higher risk countries with uncertain elevated political environments, and about a third of revenue from assets under management is offset by fees directly deducted from investment returns that are then rebated to ITA. A.M. Best believes that there is a growing demand for savings and investment solutions for middle market consumers outside of the U.S. Policies in force are expected to grow as ITA further expands into emerging markets globally.

Business Profile

Investors Trust Assurance, SPC (ITA) has experience in long-term savings products focused on selling unit-linked and index-linked insurance plans, as well as traditional fixed and variable annuities. The group has profitably established itself among middle-class clientele, with the ability to expand geographically due to its strong profile. ITA's core product portfolio is comprised of unit-linked insurance policies distributed through a network of independent financial advisors in markets such as Latin America, Asia-Pacific, and EMEA. The unit-linked policies are characterized by regular contributions over many years with sales loads, surrender charges, and other fees designed to be lower than those of its competitors while providing strong shareholder returns. ITA does compete with several large international insurance companies that offer life insurance as well as similar asset management products. The company does deal with individuals from politically volatile countries with high risk and different regulations. The company currently has limited insurance risk, with mortality risk arising only from the return-of-premium if the policyholder dies within five years of policy inception. Revenue is generated by initial policy load and then an ongoing percentage of assets under management, both from the policyholder and as a rebate from the mutual fund. Besides the on-going personnel costs, major expenses are coming from sales commissions as well as investment contract benefits. Unit-linked plans are set-up to give policyholders access to name brand investment products in stable currencies, while accumulating assets over the long term. In 2018 as part of its continued diversification strategy ITA was granted a license in Puerto Rico for additional business growth, providing U.S. jurisdictions overview on products, and changing license to a full-fledged insurance company in Malaysia. ITA continues to scale down on agencies and retaining more qualified agencies as a result of additional due diligence on the company's part. Company keeps strong relationships with distributors and have advanced technology, and website access for distributors as well as clients. In 2019 the company decided to have a Multi-Jurisdictional approach to their business with three distinct independent insurance companies located in the Cayman Islands, Puerto Rico, and Malaysia. The company is anticipating a launch of their private placement life insurance product through the Puerto Rico jurisdiction sometime in mid-2020 on a trial basis for additional growth.

Enterprise Risk Management

Investors Trust Assurance SPC employs a comprehensive enterprise risk management strategy in line with the risks inherent in its balance sheet, scope of operations, and business profile. The Company's risk management discipline focuses on assessing and addressing company-wide risks such as credit, liquidity, market product, and operational risks. There is a Risk Committee that has been established, which meets independently on a quarterly basis to review and manage the ERM dashboard. Semi-annual risk rating evaluations are conducted with risk owners as well. All the trending issues are reported to the Board of Directors at their quarterly meetings, with the Board approving risk management framework annually. ITA has continued with enhanced annual online training programs with all employees, and a board culture of doing the right thing. Additional two-year assessment plan to be conducted by KPMG on certain compliance functions within the company including IT, AML, Business Continuity, Outsourcing, Corporate Governance, and complaint process. The KPMG auditors will also assist in development of new risk rating methodology on plan participants, as well as an overall review of the entire ERM process within ITA. The Cayman Islands has also issued new Monetary Authority guidance on market conduct, business continuity management, corporate governance, and outsourcing. ITA also has recently hired Grant Thornton as Risk Manager to enhance the overall ERM framework process including the development of a risk register and additional policies and procedures. The ERM register recently developed will serve as a management tool used to assess and mitigate the Company's primary risks and their controls.

Financial Statements

	12/31/2018		12/31/2017
	USD (000)	%	USD (000)
Balance Sheet			
Cash and Short Term Investments	48,821	3.3	62,126
Bonds	533,214	36.3	541,723
Equity Securities	557,706	38.0	542,452
Total Cash and Invested Assets	1,139,741	77.6	1,146,301
Debtors / Amounts Receivable	17,446	1.2	20,902
Other Assets	310,731	21.2	282,897
Total Assets	1,467,918	100.0	1,450,100
Gross Technical Reserves:			
Life Reserves	967,406	65.9	924,121
Total Gross Technical Reserves	967,406	65.9	924,121
Other Liabilities	380,870	26.0	362,211
Total Liabilities	1,348,276	91.9	1,286,332
Capital Stock	15,202	1.0	16,602
Paid-in Capital	239	...	239
Retained Earnings	104,201	7.1	146,927
Total Capital and Surplus	119,642	8.2	163,768
Total Liabilities, Mezzanine Items and Surplus	1,467,918	100.0	1,450,100

Source: BestLink® - Best's Financial Suite

Investors Trust Assurance SPC

Operations

Last Update

November 21, 2019

Identifiers

AMB #: 075811

LEI #: 2549009KJR2YUM1ZSQ74

Contact Information

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Financial Data Presented

The financial data in this report reflects the most current data available at the time the report was printed.

Date Incorporated: June 07, 2002

Domiciled: Cayman Islands

Business Type: Life, Annuity, and Accident

Organization Type: Stock

Marketing Type: Independent Agency

Financial Size: VIII (\$100 Million to \$250 Million)

Best's Credit Ratings

Rating Relationship

AM Best Rating Unit: 075811 - Investors Trust Assurance SPC

Refer to the [Best's Credit Report for AMB# 075811 - Investors Trust Assurance SPC](#) for details regarding the rating rationale, credit analysis, and financial exhibits available at the time the credit analysis was performed.

Best's Credit Rating History

AM Best has assigned ratings on this company since 2009. In our opinion, the company has an Excellent ability to meet their ongoing insurance obligations and an Excellent ability to meet their ongoing senior financial obligations.

The following are the most recent rating events, for longer history refer to [Rating History](#) in BestLink:

Best's Financial Strength Ratings				Best's Long-Term Issuer Credit Ratings		
Effective Date	Rating	Outlook	Action	Rating	Outlook	Action
Current -						
Nov 21, 2019	A-	Stable	Affirmed	a-	Stable	Affirmed
Nov 16, 2018	A-	Stable	Upgraded	a-	Stable	Upgraded
Nov 8, 2017	B++	Positive	Affirmed	bbb+	Positive	Affirmed
Oct 6, 2016	B++	Stable	Affirmed	bbb+	Stable	Affirmed
Sep 17, 2015	B++	Stable	Affirmed	bbb+	Stable	Affirmed

Management

Officers

Secretary and Chief Compliance Officer: Barbara Oosterwyk

Controller: Francois Bezuidenhout

Directors

Steve Christopher (Independent Director)

Dara Keogh (Independent Director)

Bryan Murphy (Independent Director)

John Zelaya (Executive Director)

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.

A Best's Issue/Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security.

Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

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