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**Research Update:**

# RAM Holdings Ltd. And RAM Reinsurance Co. Ratings Lowered, Taken Off Credit Watch, And Withdrawn

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## Research Update:

# RAM Holdings Ltd. And RAM Reinsurance Co. Ratings Lowered, Taken Off CreditWatch, And Withdrawn

## Overview

- Although Bermuda monoline bond reinsurer RAM Holdings Ltd. has successfully commuted outstanding exposure with several of its ceding companies as it runs off, the remaining exposure is less diversified, and individual remaining exposure sizes relative to capital have increased significantly, heightening risk.
- Our assessment of RAM Re's capital adequacy has declined, as the benefits of reductions in overall exposure have been offset by increased loss estimates on the remaining exposure, particularly for nonprime RMBS.
- As a result we have lowered our ratings on both companies, removed the ratings from CreditWatch negative, and assigned a negative outlook.
- We subsequently withdrew the ratings at the company's request.

## Rating Action

On Aug. 31, 2009, Standard & Poor's Ratings Services lowered its counterparty credit, financial strength, and financial enhancement ratings on RAM Reinsurance Co. Ltd. (RAM Re) to 'BB' from 'BBB-' and its rating on RAM Re's preference stock to 'C' from 'CC'. At the same time, Standard & Poor's lowered its senior unsecured debt rating on holding company RAM Holdings Ltd. to 'B' from 'BB-'. In addition, Standard & Poor's removed the ratings on both of these companies from CreditWatch with negative implications and assigned a negative outlook. Subsequently, Standard & Poor's withdrew the ratings at the company's request.

## Rationale

The downgrade of RAM Re reflects our assessment that its risk profile has increased, as its current exposure is less diversified and individual exposure sizes relative to the current capital have increased. The decline in portfolio diversity and the deterioration in the relationship between individual exposure sizes and capital is the result of significant commutations with its ceding companies, which reduced exposure to some but not all credits and reduced capital. Capital also decreased because of losses incurred. In addition, our assessment of RAM Re's capital adequacy has declined, as increased loss estimates on the remaining exposure, particularly for nonprime RMBS transactions, have offset the benefits of reductions in overall exposure.

We lowered the rating on RAM Holdings to maintain the traditional rating differential between a key operating company and the holding company. We also lowered the rating on RAM Re's preference stock to reflect the company's

announcement that it will cease paying dividends on this security.

## Outlook

The negative outlooks on RAM Holdings and RAM Re reflect the continued exposure key operating subsidiary RAM Re has to adverse loss development in its nonprime RMBS exposure and the risks associated with an insured portfolio that is increasingly less diversified.

## Related Research

- "Enhanced Evaluation For Rating Insurers and Reinsurers In Run-Off," May 28, 2004.

## Ratings List

Downgraded; CreditWatch/Outlook Action

	To	From
RAM Reinsurance Co Ltd.		
Counterparty Credit Rating		
Local Currency	BB/Negative/--	BBB-/Watch Neg/--
Financial Enhancement Rating		
Local Currency	BB	BBB-/Watch Neg/--
Financial Strength Rating		
Local Currency	BB/Negative/--	BBB-/Watch Neg/--
Preference Stock	C	CC/Watch Neg
RAM Holdings Ltd		
Senior Unsecured	B/Negative	BB-/Watch Neg
Preference Stock	C	

Downgraded; CreditWatch/Outlook Action

	To	From
RAM Reinsurance Co Ltd.		
Counterparty Credit Rating		
Local Currency	NR	BB/Negative/--
Financial Enhancement Rating		
Local Currency	NR	BB
Financial Strength Rating		
Local Currency	NR	BB/Negative/--
Preference Stock	NR	C
RAM Holdings Ltd		
Senior Unsecured	NR	B/Negative
Preference Stock	NR	C

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