

How We Rate Insurers

August 30, 2019

Key Takeaways

- S&P Global Ratings' global framework for rating insurance companies is outlined in "Insurers Rating Methodology."
- The methodology describes how we assess an insurer's stand-alone credit profile, which, together with the support framework, determine the issuer credit rating.
- Our analysis is forward-looking and typically uses projections for the current and upcoming two years, as informed by the past five years.

Here we provide an overview of S&P Global Ratings' insurers rating methodology. For full details on how we rate insurers and apply the criteria, see "Insurers Rating Methodology" published July 1, 2019.

The insurers rating methodology applies to all global-scale foreign and local currency, long-term issuer credit, financial strength, and financial enhancement ratings on insurers in the life, health, property/casualty, mortgage, title, and bond insurance and reinsurance sectors (including start-up and run-off entities). The criteria also apply to ratings on obligations other than hybrid instruments. The criteria do not apply to ratings on insurance brokers.

The insurance criteria describe how we assess the stand-alone credit profile (SACP) of an insurer. The SACP, together with the support framework, determine the issuer credit rating (ICR) on an insurer. For most companies, the financial strength rating (FSR) and financial enhancement rating (FER), if any, are identical to the ICR.

The methodology for analyzing the creditworthiness of insurers is forward-looking. Our analysis typically uses projections for the current and upcoming two years, as informed by the past five years, unless otherwise stated, and takes into consideration:

- Developments since the most recent financial statements; and
- Developments that have a reasonably high degree of certainty of occurring.

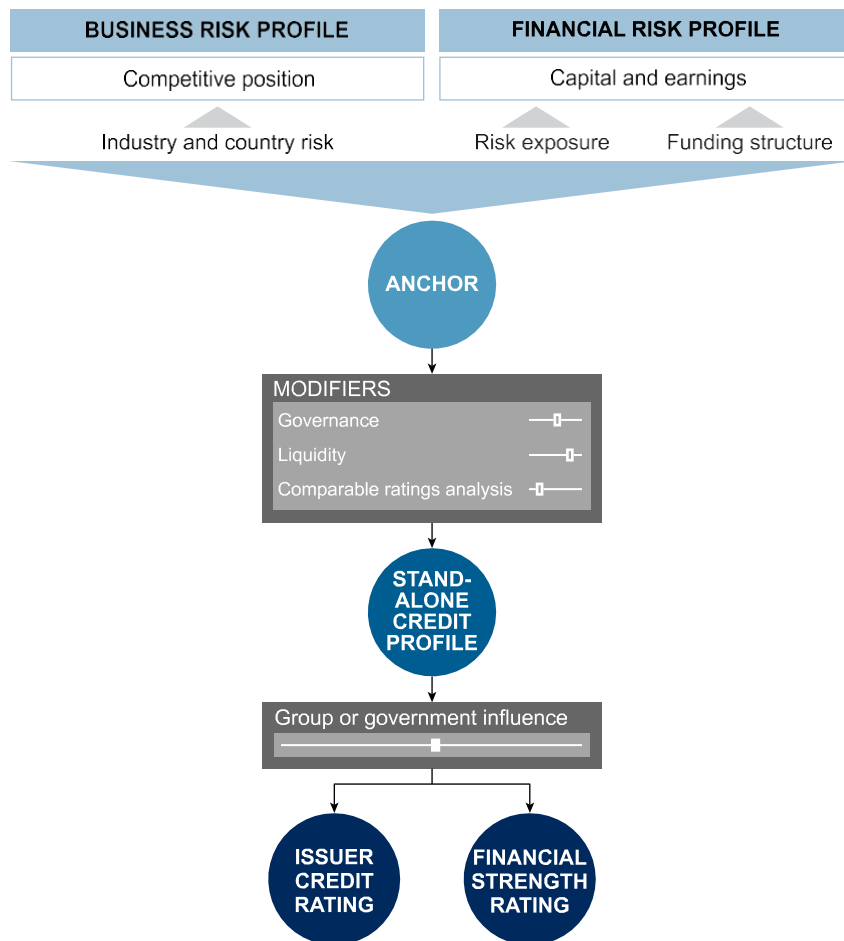
The assessment of the SACP is based on the following key factors (see chart):

- Competitive position,
- Insurance Industry And Country Risk Assessment (IICRA),
- Capital and earnings,

How We Rate Insurers

- Risk exposure,
- Funding structure,
- Governance, and
- Liquidity.

Insurance Ratings Framework



Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

We determine the long-term ICR on an insurer as follows:

- The business risk profile (BRP) is based on our analysis of an insurer's competitive position, modified by the IICRA.
- We assess competitive position based on our analysis of competitive advantage (including assessing market or niche position, scale or efficiency of operations, brand name recognition or reputation, and strength of distribution), business diversity, and profitability.
- The financial risk profile (FRP) is based on our analysis of an insurer's capital and earnings, modified by risk exposure and funding structure.

How We Rate Insurers

- We derive the anchor from the combination of the BRP and the FRP (see table 1).
- We then modify the anchor by our assessment of governance, liquidity, and any adjustment due to our comparable ratings analysis to determine the SACP (see table 2).
- We derive the ICR by combining the SACP and the support framework, which determines the extent of uplift, if any, for group or government support, or the risk of extraordinary negative intervention or sovereign-related risks.
- The FSR equals the ICR unless the present default risk leads to a rating conclusion of 'CCC+' or lower, or unless policyholder obligations, but not other financial obligations, are supported by a more creditworthy counterparty.

Table 1

Anchor

Business risk profile	--Financial risk profile--							
	1.Excellent	2.Very Strong	3.Strong	4.Satisfactory	5.Fair	6.Marginal	7.Weak	8.Vulnerable
1.Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
2.Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
3.Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
4.Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
5.Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
6.Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
7.Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Where table 1 indicates two possible outcomes, we determine the anchor as follows:

- For FRPs that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the key factors of the BRP and FRP.
- For FRPs that we assess as fair or weaker, we typically place more weight on the relative strength of the key factors of the FRP.

Table 2

Determining The SACP

Anchor	'aa+' to 'b-'
--	
Governance	
Neutral	0 notches
Moderately negative	-1 notch
Negative	-2 or more notches
--	

Table 2

Determining The SACP (cont.)

Liquidity

Exceptional	0 notches
Adequate	0 notches
Less than adequate	Capped at 'bb+'
Weak	Capped at 'b-'
--	
Comparable ratings analysis§	+1, 0, -1 notch

*The cumulative impact of modifiers does not lower the anchor below 'b-'. §The comparable ratings analysis cannot be used to raise the SACP above the caps imposed by less than adequate and weak liquidity.

We may apply an adjustment, to determine the SACP, of up to one notch in either direction based on our comparable ratings analysis to capture a more holistic view of creditworthiness. Our comparable ratings analysis incorporates additional credit factors, which the criteria do not separately identify, as well as existing credit factors not fully captured that may be informed by peer analysis.

Related Criteria

Insurers Rating Methodology, July 1, 2019

This report does not constitute a rating action.

Copyright © 2019 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.