Prism U.S. Life Insurance Capital Model

Model Summary Document (MSD)

1. Model Purpose and Description

The Prism U.S. Life model is developed to assess the capital adequacy of U.S. life insurers as measured by a Prism score (extremely strong, very strong, etc.). Capital adequacy is analyzed for Capitalization and Leverage, which is one of the ten key Rating Drivers used to construct a credit rating opinion, per the Insurance Rating Criteria.

The risk factors include product charges, diversification benefits, portfolio scaling adjustment and operational risk. The product charges are static charges that assess the interplay between assets and liabilities on various insurance products. The diversification benefit only applies to the product charges. The portfolio scaling adjustment is a factor-based process that differentiates between the generic asset portfolio assumed in the product charges and the actual assets held by the insurer.

2. Model Assumptions

The assumptions in the model are described in the Model Definition Document in Fitch's criteria

- Insurance Rating Criteria

3. Model Inputs

- Full balance sheet information
- Available Capital adjustment
- Book values by asset class
- Statutory reserves by insurance product
- Reserve redundancies for certain insurance product

4. Model Development Data

Not applicable to this rating model as it does not use historical data for its development and calibration, and it only uses issuer specific data and other related data as described in the RAC or the respective Model Definition Document.

5. Model Limitations

The model is intended only to analyse U.S. life insurance issuers within the scope of Fitch's "Insurance Rating Criteria".

6. Material Changes

The current model version is 1.3.x. Any future material changes will be disclosed in this section.

Contact Information

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