保險評等準則

主要準則

範圍

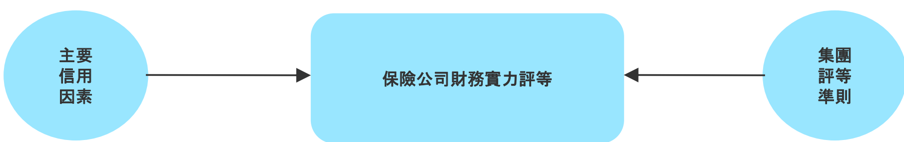
本報告主要規定惠譽國際信用評等公司在全球保險及再保險業中，授予新的及受追蹤的國際及本國保險公司財務實力（IFS）評等、發行人違約評等（IDR）和債務／混合證券評等之準則。這些評等包括非人壽（即財產／意外或一般保險）、人壽／年金、健康／管理式醫療險、財務保證，抵押貸款和回教保險等部門的評等。

評等架構

本準則首先涵蓋授予保險營運公司的各項評等，其中最常見的是 IFS 評等。IFS 評等反映出保險公司就索賠義務準時全額支付的能力，並作為大多數其他保險評等的初始錨點。

惠譽基本信用分析主要聚焦於 IFS 評等，此分析根據本報告中所定義的多達 11 項主要信用因素，進行評估。此外，由於許多營運公司隸屬大型集團，因此本報告納入說明某些集團成員的 IFS 評等對於其他集團成員的 IFS 評等影響程度的指導原則。

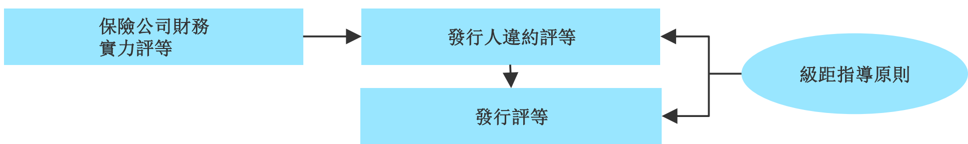
保險公司財務實力評等驅動因素



來源：惠譽國際信用評等公司。

這些準則也涵蓋授予保險實體（包括控股及營運公司）所發行債務／混合投資工具的評等。這些評等受到每一發行實體首次確認的 IDR 所驅動，且源自於各自適用的 IFS 評等。各類源自於 IDR 的債務／混合發行相關評等，均以發行實體的IDR 作為其錨點評等。IDR 及各類發行評等均是由適用準則中所定義評等級距指導原則所驅動。

評等架構 — 級距



來源：惠譽國際信用評等公司。

這些準則包括用以擴充上述評等架構的其他因素。這些因素包括下列指導原則：發展中市場匯兌風險為基礎的國家評等上限；用於較低非投資等級水準評等級距的定制回收率評等，以及衍生的短期評等。

本報告包含中文摘譯與英文全文，譯文若與英文有出入，請以英文為準。
This report contains of summary Chinese translation and English full report. In the event of any dispute / misinterpretation, the English version shall prevail.

Insurance
Global

本報告更新並取代 2020 年 8 月 25 日
保險評等準則

適用準則

Sukuk Rating Criteria (February 2021)
Country-Specific Treatment of Recovery Ratings Criteria (January 2021)
National Scale Ratings Criteria (December 2020)
Country Ceilings Criteria (July 2020)
Insurance-Linked Securities Rating Criteria (July 2020)

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主要信用因素 — 概述及權重

下表為構成惠譽保險組織基本信用分析基礎的主要信用因素，用以進行營運公司的 IFS 評等。

主要信用因素 — 摘要

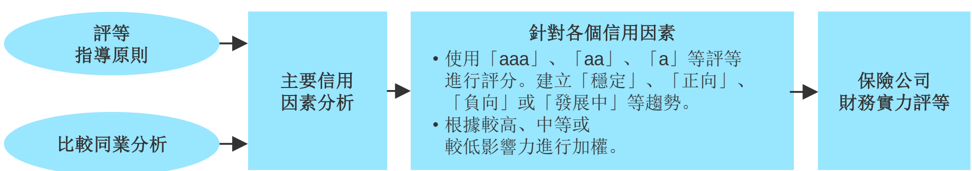
定性因素	定量因素
產業情況和營運環境	資本和槓桿
業務情況業務情況	償債能力及財務彈性
所有權	財務表現和盈餘
公司治理和管理	投資和資產風險[a] 資產／負債和流動性管理[a] 準備金適足性[a] 再保險、風險降低及巨災風險管理[a]

[a]信用因素在某些部門並非完全適用，或須適度修正其定義。
資料來源：惠譽國際信用評等公司

每一項主要信用因素之評估，係以這些準則中所建立評等類別各自適用的指導原則為基礎，並與同業分析比較。本評等指導原則中定義的財務比率及指標可分為核心及補充二類，核心比率通常較重要。

如下頁圖表所述，主要信用因素 — 評等起點權重，評等委員會將針對保險組織的每一項主要信用因素進行評分，並授予指示性前瞻趨勢。評等委員會也會決定各項因素分數之權重，以達至IFS 評等。

主要信用因素：評等委員會分析過程（簡化說明[a]）



[a]所有權及公司治理和管理等信用因素所依循的評分方式不同。
來源：惠譽國際信用評等公司。

上述簡化說明未納入本報告其後討論有關集團評等準則及其他考量因素的影響。

主要信用因素的權重

每一項主要信用因素的權重均係由評等委員會決定，且其判斷結果可能因發行人而有不同。主要信用因素的加權是依據其對評等的相對重要性而定，其可分為中等、較低或較高影響力。最常見的權重或稱為評等「起點」權重，將於下列表格中討論。

惠譽針對最能定義特定保險公司基本信用情況的主要信用因素給予較高的影響力，此通常包括業務情況、資本和槓桿及財務表現和盈餘；以及／或當其他信用因素中出現不尋常強勁或疲軟表現時，則比照上述主要信用因素處理。

一般而言，較低的影響力適用於未能替特定保險組織提供區別點的信用因素。例如，若業務組合沒有自然巨災風險或可能引致其他大型損失的風險極小，在此情況下時再保險、風險緩釋及巨災風險管理此項信用因素則可能不太重要。

目錄

主要信用因素 — 評等起點權重[a]

信用因素（CF）	評等起點權重	註解
產業情況和 營運環境	中等	針對全體保險部門／地區建立廣泛的基準評等範圍，且其加權權重通常為中等。該權重在非投資級別國家中可能較高。
業務情況	較高	當其他信用因素特別重要時，權重可能為中度。可具有較低影響力，但此情形較為少見。
所有權	較低[b]	在大多數情形下不具影響，但當所有者相較於接受評等子公司在實質上居於重大優勢或弱勢時，該信用因素可具有影響力。
公司治理和管理	較低[c]	在大多數情形下均有效。若這項信用因素表現弱化，其則具有影響力。
資本和槓桿	較高	當有其他重要信用因素時，起點權重可能為中等。可具有較低影響力，但此情形較為少見。
償債能力及財務彈性	較低	若這項信用因素表現為強勁或疲弱，起點權重可能為中等。可具有較高影響力，但此情形較為少見。
財務表現和盈餘	較高	通常在較高評等的已開發市場中扮演重要角色，但當有其他重要信用因素時，則可能影響力較小。在較低評等的開發中市場，若有其他經顯著的風險（例如資產品質），表現強勁可獲得的加權較少。
投資和資產風險	較低，若評分為強健 較高，若評分為弱化	當資產品質強健（此情形在已開發市場較為常見），此項信用因素的影響力通常較低。當資產品質弱化／具有風險（此情形在開發中市場較為常見），此項信用因素的影響力可能較高。當有其他重要信用因素時，此項信用因素權重可能為中等。
資產／負債和流動性管理	較低，若評分為強健 較高，若評分為弱化	當流動性及／或資產／負債管理（ALM）強健（此情形在已開發市場較為常見），此項信用因素的影響力較低。當流動性及／或資產／負債管理（ALM）弱化／具有風險（此情形在開發中市場較為常見），此項信用因素的影響力則可能較高。當有其他重要信用因素時，此項信用因素權重可能為中等。
準備金適足性	中等	當信用因素表現弱化時，其權重可能較高。當業務（例如非常短尾的險種）不易受準備金問題影響時，其權重可能較低。
再保險、風險降低及巨災風險	中等	當業務集中在易於遭受巨大損失的險種（即財產巨災）時，且／或與同業相較之下，再保險使用明顯不尋常較高或低時，其權重可能較高。基於特定的業務重心，倘風險降低不具極大重要性時，其權重可能較低。

[a]權重可分為較高、中等或較低。[b]中性評分最常用，暗示較低的權重。[c]有效評分最常用，暗示較低的權重。
資料來源：惠譽國際信用評等公司

前瞻性信用因素評分

主要信用因素評分雖然主要依據大量的歷史財務資訊回顧，惠譽在其分析中仍致力於保持前瞻性。儘管這主要是藉由針對每一信用因素評分授予指示性趨勢，但惠譽也會採取預測及壓力測試技術。這些技術的使用對於每一次委員會判斷信用因素評分具有重大影響。

前瞻性分析技術

預測	壓力測試
涉及預測財報和相關比率之發展或評估。也可以是較不正式的型態，即基於相關趨勢判斷，針對一項比率或指標所發展的一般性預期。 • 例如，惠譽預期一項比率不會落在特定範圍外。	設計用來找出保險業者對特定經濟環境或事件的中近期弱點，可能包括： • 股權市場下跌造成的投資損失。 • 重要違約或發行人的債券組合評級調降。 • 保險週期降至低點時可能出現準備金不足之風險。 壓力測試根據特設或「視需要」基礎進行，通常是在得知經濟變動初期和中期為之。 當惠譽擔心壓力測試所設情境在評等範圍內有可能發生，惠譽會依壓力結果來相應調整信用因素評分。

資料來源：惠譽國際信用評等公司

預測相關的分析旨在輔助多數評等評估，且其多半基於檢視及測試管理預測，及／或針對特定關鍵指標預期趨勢所做出的判斷。壓力測試較不普遍，且「視需要」進行。其最常在察覺經濟衰退、市場轉壞初期時使用，或是當特定公司的曝險明顯可見，評等委員會認為準則內指導原則無法完全涵蓋的情形時，才進行壓力測試。

非保險風險／業務

保險公司有時會有非保險業務曝險或經營非保險業務。當有前述情形且其具有一定重要性時，惠譽將依據可適用的惠譽評等準則，評估任何非保險相關的風險、曝險或業務，並根據判斷，考慮將非保險風險因素納入評等。

綜合保險公司／替代性部門分類

這些準則中制定的多數指導原則是依據不同的保險部門（例如壽險、產險及健康險）來定義和區隔。然而，有些保險公司和集團是橫跨不同保險部門的結合體。在美國等司法管轄區中，一個集團通常需要透過不同實體來營運不同的業務項目，因此會有個別的法定財務報表。而在一些司法管轄區中，僅有合併財務報表。

若是後者的情形，在以準則指導原則進行比較時會比較困難。最後，惠譽針對合併結合體所使用的財務比率指導原則，與用於僅在單一部門營運的集團或公司之財務比率指導原則相同。然而，針對某些主要信用因素，惠譽會以估測法來分派業務部門間的財務項目（例如資本或流動型投資），以便在比較指導原則時呈現更具意義的結果。

除此之外，在某些案例中，當地法律可能將一家保險業者歸類為業內某個部門，但在準則的觀點中，其特性應該使用其他部門的指導原則進行評量。舉例來說，在拉丁美洲許多地區，有保險業者銷售短期壽險的商品，然而此類保險業者的財務特性卻更加符合惠譽的非壽險指導原則。基於這些準則，評等委員會根可以根據受評保險業者或集團的風險狀況，採用其認為最適合的部門指導原則。

產業情況和營運環境（IPOE）

惠譽評估保險業者所處保險市場及部門的相對優劣勢，並從數個面向衡量整體營運環境。

監管

- 建立相對於全球標準的監管措施，包括資本監督的性質與監管／監督流程。
- 有關保險法規及監管措施的相對透明度，包括保險業者報告要求的透明度。
- 監管機關具備的權限和資源、執法記錄，以及執法過程是否具有明確性及一致性。
- 聚焦於定價和商品特點，以及其是否有益於保險業者賺取高於資本成本的風險調整後報酬率。
- 當地法律規定的商品，可增加市場需求的穩定性。

保險市場的技術成熟度；多元化及廣度

- 商品面向及準備金面向的承保和精算實務做法。
- 投資分析技術。
- 企業風險管理的系統性能與市場使用程度。
- 整體技術能力及商品成熟度。
- 市場滲透率。

競爭情況

- 競爭水平，以及其是否有益於保險業者賺取適當報酬並達到合理的業務成長。
- 進入門檻及來自傳統保險市場外或國外市場的競爭程度。

金融市場發展

- 該國股票及債券市場的深度及流動性，包括其發展狀況和公司募集資本的難易度。
- 該國銀行系統及其他民間資本提供者的健全性和穩定度。
- 資本市場有能力支持保險業者的需求，協助其取得適合資產負債管理面向的投資資產。

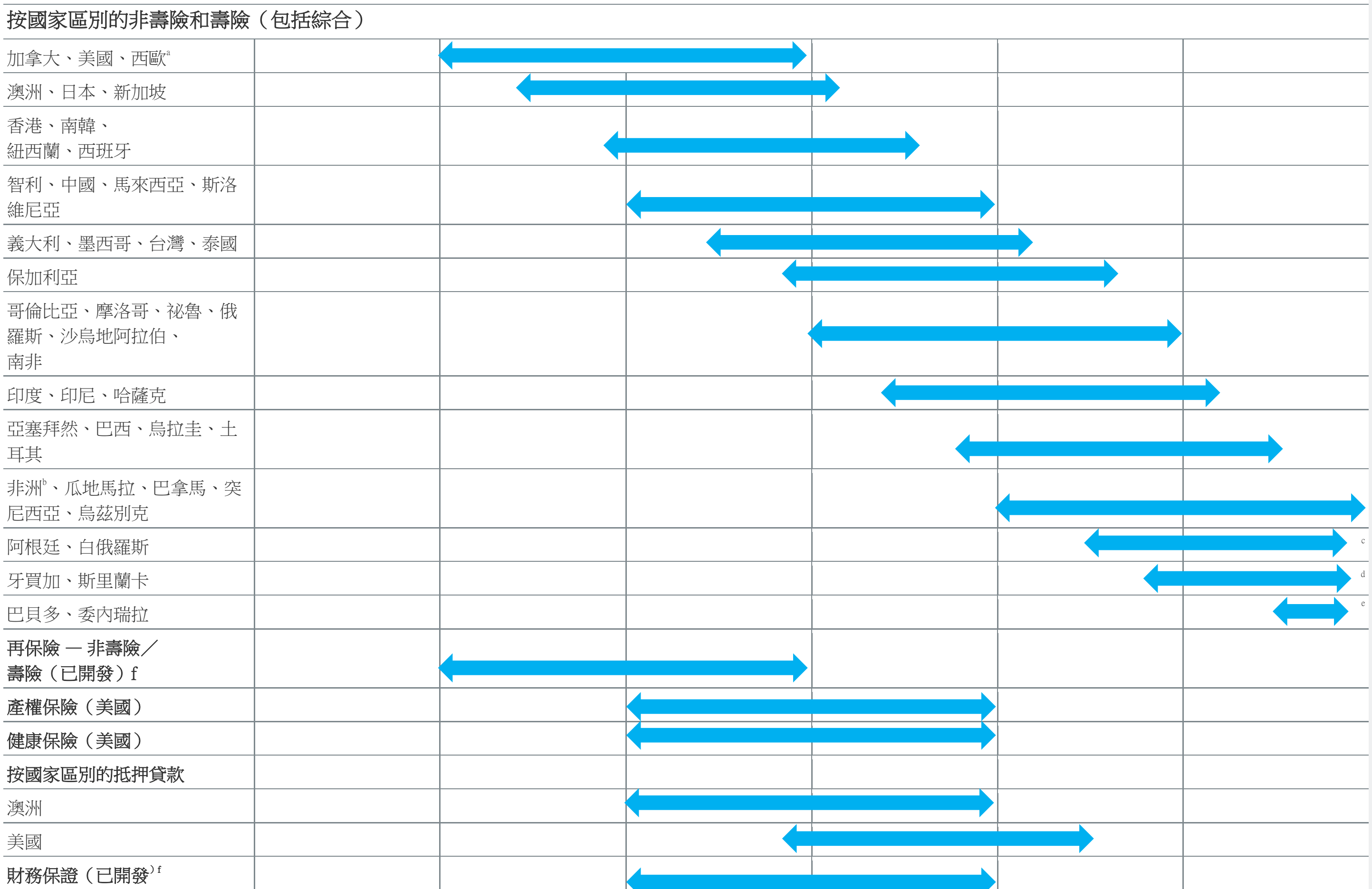
國家風險

- 儘管沒有可代表國家風險的完美指標，但如下表所述，本地貨幣主權評等對於 IPOE 的評分具有抑制作用。

信用因素評等／評分指導原則

	AAA	AA	A	BBB	BB	B
監管	高度發展 透明 執法活動非常有效	充分發展 透明 執法活動有效	已發展 透明 定期執法	發展程度較低 中度透明 執法活動較不一致	發展中 透明度有限 執法活動有限	低度發展 透明度最低 執法活動最少
保險市場的技術成熟度；多元化及廣度	高度成熟 具多元化，商品深度極深	非常成熟 具多元化，商品深度非常深	成熟 合理的商品多元化及深度	成熟度中等 商品多元化及深度中等 滲透率中等	成熟度正在發展 主要提供簡單商品 滲透率中等	不成熟 有限及簡單的商品 滲透率低
競爭情況	合理的 非過度激烈 或非難以控制	多數情況下具有合理的競爭程度 面臨週期性挑戰	有時候競爭程度尚稱合理 有些困難時期	時常處於不合理的競爭程度 時常面臨嚴峻挑戰	市場競爭長期激烈且不合理 嚴峻的挑戰	多數情況下競爭激烈且不合理 極度嚴峻的挑戰
金融市場發展	深度及流動性極高	具有深度且流動性高	相對具有深度及流動性	已發展但不具深度	尚未完全發展	發展程度有限
國家風險	六評等級距評分的中點值以本國貨幣主權評等為上限（即評等級距位於三或四）。 因此，評分上限將設定為不高於上述主權評等二或三個評等級距。 針對下列投資級別國家中的保險業者，這項信用因素的權重常常是中度至高度。					

國家／部門信用因素評分



[a]西歐地區包括較高評等的國家，例如奧地利、比利時、丹麥、法國、德國、盧森堡、荷蘭、挪威、瑞典、瑞士和英國。[b]非洲地區不包括摩洛哥、南非和突尼西亞，這些國家將個別評分。[c]評等較低部分擴及「CCC」。[d]評等較低部分擴及「CCC+」。[e]評等較低部分擴及「CC」。[f]針對已開發市場中的（再）保險業者和財務保證人顯示的評分，其可能會在開發中市場向下調整，以反映當地國家和其他風險。針對再保險業者，上述評分適用於大多數在百慕達成立且有實質再保險營運的公司。
資料來源：惠譽國際信用評等公司

定制的 IPOE 評分／具有地理位置多元化的實體

對於橫跨不同部門或地域的保險公司或集團，委員會將妥善綜合各項 IPOE 評分的要素市場／部門，以確立定制的 IPOE 評分。這將包括任何在控管範圍廣泛的營運時已知的多元化利益和風險。

更新 IPOE 評分

針對前一頁表格中所含國家，惠譽在本報告發布時均已有國際規模保險信用評等。若惠譽就位於非該表格中所列國家的保險業者授予國際規模評等，則評等委員會可針對該國家進行 IPOE 評分，以作為該評等分析的一部分。

此外，若表格中所列任何國家的本國貨幣主權評等有所變動，如有必要，評等委員會將依據上述詳述的設定上限法更新該國的評分。更新後評分將用於輔助評等評估。

在上述各種情況中，將會在表格中增加新的／更新後評分，並於本報告排定之定期更新日發布。惠譽至少每年一次檢視現行評分指導原則並進行年度準則審查。

業務情況

業務情況主要驅動因素為競爭定位、業務風險和多元化。針對特定公司，評估亦將受到經營期間影響，當其經營期間短於五年時，評等可能會受到限制。

事業概況主要驅動因素

來源：惠譽國際信用評等公司。

競爭定位：考量經營規模、品牌實力、經營價值、市場占有率、服務和經銷能力。經營規模可直接影響經營效率、經濟規模、風險分散，以及再投資業務的能力。

業務風險狀況：考量商品廣度；商品是否已成熟穩固或為新開發商品；定價變異性；經銷管道的穩定性／誘因；以及監管機關介入商品設計／功能和定價的程度。

多元化：考量業務項目、市場、地理位置及經銷管道的多樣性。儘管多元化通常對於評等具有正向影響，但在極端情形下不同的商品可能會變得相互影響。同時，缺乏對於多元化入市的專業知識可能造成未來績效的嚴重弱化，多元化將因此視為具有負面影響。

業務情況排名：

排名乃依據下列指導原則，針對特定 IPOE 限定之保險業者進行相互比較的結果。這群保險業者包括經惠譽授予評等及未獲評等者。例如美國醫療責任保險承保人的 IPOE 為美國非壽險，其排名將與所有美國非壽險保險業者相比，而非僅限於其他醫療責任保險承保人。排名「中等」暗示在限定範圍的 IPOE 內的平均或一般水準。

業務情況 — 整體排名指導原則

	最有利	有利	中等	較不利	最不利
競爭定位					
一般性描述 • 經營優勢 • 競爭優勢	領先經營 競爭優勢極大	實在經營 具有若干競爭優勢	適度經營 有限的競爭優勢	有限的經營 競爭優勢極小	最低限度的經營 無競爭優勢
經營規模			**查看下一頁附表**		
業務風險狀況 • 風險胃納 • 業務重心 • 波動程度	風險胃納極低 業務重心穩定 由強健穩固且較不具波動性的業務項目主導	風險胃納較低 業務重心堪稱穩定 著重在強健穩固且較不具波動性的業務項目	風險胃納程度一般 業務重心略不穩定 有較不強健穩固或較具波動性的業務項目	風險胃納略為偏高 業務重心不穩定 偏好具有波動性或較不強健穩固的業務項目	風險胃納較高 業務重心非常不穩定 著重具有波動性或較不強健穩固的業務項目
多元化[a] • 業務範圍 • 市場 • 經銷	多元化程度極高	多元化程度高	略具多元化	多元化程度有限 可能包括具有若干市場多樣性的單一險種保險業者 可能包括具有複數業務項目，但地理位置多樣性有限的保險業者。	多元化程度非常有限。 可能包括僅在十分狹小地理範圍中經營的單一險種保險業者 可能包括受到其他重要限制的保險業者

[a]針對單一險種部門，例如產權、抵押貸款保險及財務保證，主要以地理位置及經銷多元化為重心。業務項目的單一險種特性已反映在產業情況和營運環境信用因素評分中。然而，透過輔助業務所達成的業務項目多元化將考量在內。
資料來源：惠譽國際信用評等公司

經營規模 — 排名指導原則

		最有利	有利	中等	較不利	最不利
非壽險						
美國和加拿大	NPW，美元 PHS，美元 按承保人排名	>230 億 >200 億 前 5 名	50 億 – 230 億 66 億 – 200 億 前 6-20 名	10 億 – 49 億 12 億 – 65 億 前 21-75 名	2 億 – 10 億 2 億 – 11 億 前 75-200 名	<2 億 <2 億 200 名以外
歐洲	GPW，歐元 權益，歐元	>150 億 >120 億	50 億 – 150 億 40 億 – 120 億	10 億 – 50 億 7.5 億 – 40 億	2 億 – 10 億 1 億 – 7.5 億	<2 億 <1 億
俄羅斯／獨立國協	GPW，美元 權益，美元 市場占有率	>10 億 >5 億 >15%	2 億 – 10 億 3 億 – 5 億 5-15%	1 億 – 2 億 5000 萬 – 3 億 2-5%	5000 萬 – 1 億 1000 萬 – 5000 萬 0.5-2%	<5000 萬 <1000 萬 <0.5%
亞洲（不包括日本）	NPW，美元 權益，美元 市場占有率	>35 億 >45 億 >9%	7.5 億 – 35 億 7.5 億 – 45 億 4%-9%	1 億 – 7.5 億 1 億 – 7.5 億 1%-4%	1000 萬 – 1 億 1000 萬 – 1 億 0.1%-1%	<1000 萬 <1000 萬 <0.1%
日本	NPW，日元 權益，日元	>2.3 兆 >2.0 兆	5000 億 – 2.3 兆 6600 億 – 2 兆	1000 億 – 4990 億 1200 億 – 6590 億	200 億 – 900 億 200 億 – 1100 億	<200 億 <200 億
非洲／中東	GPW，美元 權益，美元	>10 億 >8 億	4 億 – 10 億 2 億 – 8 億	1 億 – 4 億 8000 萬 – 2 億	2000 萬 – 1 億 1000 萬 – 8000 萬	<2000 萬 <1000 萬
拉丁美洲（不包括巴西）	NPW，美元 權益，美元	>10 億 >8 億	2 億 – 10 億 1.5 億 – 8 億	5000 萬 – 2 億 5000 萬 – 1.5 億	1000 萬 – 5000 萬 1000 萬 – 5000 萬	<1000 萬 <1000 萬
巴西	NPW，美元 權益，美元	>35 億 >13 億	7.5 億 – 35 億 5 億 – 13 億	1 億 – 7.5 億 1 億 – 5 億	1000 萬 – 1 億 1000 萬 – 1 億	<1000 萬 <1000 萬
壽險						
美國和加拿大[a]	資產，美元 TAC，美元 按承保人排名	>1750 億 >200 億 前 5 名	600 億 – 1750 億 60 億 – 200 億 前 6-20 名	130 億 – 600 億 13 億 – 59 億 前 21-60 名	12 億 – 130 億 2 億 – 12 億 前 61-125 名	<12 億 <2 億 125 名以外
歐洲	資產，歐元 權益，歐元	>1500 億 >150 億	500 億 – 1500 億 50 億 – 150 億	100 億 – 500 億 7.5 億 – 50 億	10 億 – 100 億 1 億 – 7.5 億	<10 億 <1 億
俄羅斯／獨立國協	GPW，美元 資產，美元	>5 億 >50 億	2 億 – 5 億 10 億 – 50 億	5000 萬 – 2 億 2 億 – 10 億	1000 萬 – 5000 萬 1 億 – 2 億	<1000 萬 <1 億
亞洲（不包括日本）	資產，美元 權益，美元 市場占有率	>1000 億 >110 億 >12%	300 億 – 1000 億 30 億 – 110 億 4%-12%	10 億 – 300 億 1 億 – 30 億 1%-4%	1 億 – 10 億 1000 萬 – 1 億 0.1%-1%	<1 億 <1000 萬 <0.1%
日本	資產，日元 權益，日元 市場占有率	>17.5 兆 >1 兆 >10%	6 兆 – 17.5 兆 3000 億 – 1 兆 5%-10%	1.3 兆 – 5.9 兆 650 億 – 2990 億 1%-5%	1200 億 – 1.29 兆 100 億 – 640 億 0.2%-1%	<1200 億 <100 億 <0.2%
非洲／中東	資產，美元 權益，美元	>80 億 >20 億	15 億 – 80 億 5 億 – 20 億	5 億 – 25 億 1.5 億 – 5 億	1 億 – 5 億 2000 萬 – 1.5 億	<1 億 <2000 萬
拉丁美洲（不包括巴西）	資產，美元 權益，美元	>50 億 >6 億	25 億 – 50 億 3 億 – 6 億	8 億 – 25 億 1 億 – 3 億	1 億 – 8 億 1000 萬 – 1 億	<1 億 <1000 萬
巴西	資產，美元 權益，美元	>120 億 >13 億	30 億 – 120 億 5 億 – 13 億	8 億 – 30 億 1 億 – 5 億	1 億 – 8 億 1000 萬 – 1 億	<1 億 <1000 萬
再保險 非壽險／壽險	NPW，美元 權益，美元	>250 億 >300 億	150 億 – 250 億 100 億 – 300 億	50 億 – 150 億 70 億 – 100 億	20 億 – 50 億 20 億 – 70 億	<20 億 <20 億
產權（美國）[b]	收益，美元		>8 億	3 億 – 8 億	5000 萬 – 2.99 億	<5000 萬
健康保險（美國）	MM，美元 收益，美元 按承保人排名	>1000 萬 >400 億美元 前 5 名	350 萬 – 1000 萬 100 億 – 400 億 前 6-15 名	140 萬 – 340 萬 32 億 – 99 億 前 16-40 名	36 萬 – 130 萬 10 億 – 31 億 前 41-100 名	<36 萬 <10 億 100 名以外
抵押貸款	資本，美元 市場占有率	>50 億 >30%	20 億 – 50 億 20%-30%	7.5 億 – 20 億 5%-20%	1 億 – 7.5 億 2%-5%	<1 億 <2%
財務保證	資本，美元 收益，美元	>50 億 >20 億	7.5 億 – 50 億 3 億 – 20 億	5 億 – 7.5 億 2 億 – 3 億	2.5 億 – 5 億 1 億 – 2 億	<2.5 億 <1 億

[a]僅包括總分類帳資產科目。[b]由於美國值得注意的產權保險業者數目有限，經營規模評分的差異限於「有利」及以下。NPW 為淨簽單保費。PHS 為保單持有人盈餘。GPW 為總簽單保費。MM 為醫療會員。TAC – 調整後資本總額（保單持有人盈餘、資產估價準備金、半數的保單持有人紅利義務）。
資料來源：惠譽國際信用評等公司

每年重新檢視前一頁的*經營規模 — 排名指導原則表*。本指導原則內的數值源自於惠譽針對所述地區及部門內市場層級經銷評估之結果。

業務情況評分

依據上述所述指導原則，惠譽將於「最有利」及「最不利」範圍間授予公司業務情況最終排名。此評分將在惠譽評估並加權每項要素特性後進行。在下一頁表格中計分。儘管指導原則展現於評等類別層級，但委員會將在評等類別指導原則內的評等級距層級給予分數。

- 「有利」及「中等」排名直接對應兩類別的 IPOE 範圍，評分在 IPOE 範圍前半部為「有利」，後半部則為「中等」。
- 「最有利」評分超過 IPOE 範圍前端。
- 「較不利」和「最不利」則低於 IPOE 範圍後半部一項和兩項評等類別之評分。

業務經營年期／期滿自然流失：保險業者積極經營業務期間長短，及／或倘公司未積極從事新業務（即期滿自然流失），對於該公司可達評等水準具有重大影響。此類評等限制定義如上。惠譽將紀錄有限視為業務風險上升，其反映出執行未經驗證業務計畫、培養營運能力及建立有效風險管控系統的挑戰。對於具有短尾型業務、較多投機客戶並可提供重要資料進行風險評估的部門（如巨災再保險業者），這些通常是暫時性的挑戰。評估新成立公司時，公司治理及所有權因素在評估上也扮演了較為重要的角色。所有人掌握資源有限、過於積極的退場策略和高報酬期望，這些通常視為評等分析中較為不利的因素。

公司向第三方保險業者收購綜合保險業務，其後該業務自然流失者，依據這些標準將不會視為期滿自然流失公司。

信用因素評分指導原則 — 相對於 IPOE 信用因素評分

	IPOE 評分前半部加計一項評等類別	IPOE 評分前半部[a]	IPOE 評分後半部[a]	IPOE 評分後半部扣除一項評等類別	IPOE 評分後半部扣除兩項評等類別
業務情況排名					
最有利[b]					
有利					
中等					
較不利					
最不利					
額外調整					
業務經營期間限制	當 IPOE 信用因素評分範圍為投資級別時，若保險業者營業歷史短於五年，或其處於期滿自然流失期間，除有任何降低影響因素外（例如母公司或集團支援），其評等通常不會高於「BBB」評等類別。若保險公司位於橫跨或落入非投資級別，具有較低 IPOE 評分且屬已開發程度較低或主權評等較低的市場，對於該保險公司的評等限制會是 IPOE 評分範圍的後半段。				
降低國家風險潛在因素	由於 IPOE 評分範圍中點值所適用的主權上限，主權評等將在部分情形下造成 IPOE 評分受到限制。 委員會將考量是否存在顯著降低事業暴露於當地國家風險的因素，例如主要營業所在國家以外實質上多元化的程度。 在上述上述情形，業務情況評分可高於上述指導原則表示者，以適度移除國家風險評分內含之調降比例。				

[a]前半部／後半部產業情況和營運環境（IPOE）評分意思如下：若 IPOE 評分在「AA」至「A」評等類別，則前半部為「AA」評等，後半段為「A」評等。若 IPOE 分數的前端／底端橫跨兩個評等類別，前半部為六等級 IPOE 評分的前三個評等級距，後半部則為後三個評等級距。例如，評等級距上所規定的 IPOE 分數為「A－」至「BB」，前半部為「A－」、「BBB+」、「BBB」，而後半部為「BBB－」、「BB+」、「BB」。[b]在全球保險產業公認保險業高度競爭之下，任何保險業者的業務情況信用因素評分，均不得高於「AA+」。附註：上述指導原則展現於評等類別（三個評等級距）層級。委員會採用的實際業務情況信用評分乃是指導性評等類別內的特定評等級距。
資料來源：惠譽國際信用評等公司

國家風險緩解：如上所述，當針對主要營業區域在較高風險國家的保險業者業務情況進行評分時，委員會將考量是否已存在顯著降低暴露於當地國家風險的因素。相反地，主要營業區域在較低風險國家的保險業者，其卻於較高風險國家經營重要業務，這可能會對其業務情況評分具有負面影響。

回教（Takaful）保險 — 業務情況評估

回教保險業者的業務情況評分將採用本節列出的指導原則，按照其與所處市場中其他回教保險競爭對手及傳統保險公司的比較結果進行排名。由於回教保險業者沒有標準全球營運模式，每一營運架構均須個別審核，內容包括可轉讓性、資金可取得性、損失承擔特性與回教保險基金間的盈餘分享。

與傳統保險不同，回教保險公司必須遵守伊斯蘭教原則。惠譽不會核准、認證或評估回教保險公司是否遵循伊斯蘭律法，也不會針對回教保險義務是否具有適用法律之執行力表示意見。但惠譽會考量回教保險協助支持自身義務的意圖。因此，回教保險的評等乃反映惠譽對回教保險業者就其各自保險義務條款規定義務可能提供支持的評估。

所有權

所有權對於保險業者的評等可能有中性、有利或不利影響。惠譽進行評估時，會分別考量其形式（包括互助所有或股份制／上市）以及所有人型態（包括銀行／金融、產業集團、主權或超國家）。

依據這些準則的目的，惠譽是從控股公司或整體保險組織內居於上層的保險營運公司觀點來看所有權。對於保險業者評等具有潛在影響的所有權，所有權人須可加以控制。這在具有100% 所有權的情況下幾乎沒有例外。若所有權人持有少於 100% 的所有權，但其與受評公司在經營、治理或財務上仍有十分強烈連結時，仍可能構成控制。持有少數股權者間的協定倘經法律承認或受監管機關監督亦可構成控制。對於惠譽而言，股東間非緊密的結合型態不足以假設其構成控制。

評分指導原則重點如下。若評分結果為正向或負向，評等委員會將依據其他主要信用因素綜合顯示評等，判斷是否調高或拉低評等。評等委員會得採用本報告其後所述集團評等準則列出的概念，或適用於母公司產業的支持標準，以協助進行有關提升/降低評等水準的判斷。

所有權 — 信用因素評分指導原則

	正向	中性	負向
上市及互助持有[a]		評分結果為中性者，不影響評等。	
私人持有			
一般性描述	所有人較保險業者擁有較佳的信用情況，並期待所有權人支持該保險業者。評等上升水準依據個案可能有很大差異。	所有人的信用情況可與保險業者相提並論，但不期待所有人針對保險業者採取任何實質上正向或負向的行動。不影響評等。	所有人較保險業者擁有較差的信用情況，且／或期待以不利方式治理公司。評等調降水準依據個案可能有很大差異。
主權持有	採用集團評等準則等面向進行評估。此類所有權多數不認為具有策略上重要性，且最常給予中性的評分。在有些情況下可認定有策略重要性的存在，且可給予正向評分，提升若干評等。提升評等較有可能發生在投資級別主權國家。		
超國家持有	分析師採用超國家評等準則中的支持標準。		
公司法人持有	分析師亦可能考量適用於母公司產業準則中所列的支持標準。		
銀行／金融集團持有	分析師亦可能會考量銀行評等準則中所列的制度性支持方法。		
「AAA」IFS 評等限制	只有所有權為互助型態者，才能授予「AAA」水準的 IFS 評等。此會在最終評等中考量，但並非作為此類互助保險公司所有權信用因素評分中的「提升」要素。然而，若上市公司原可評為「AAA」，但因股份所有權而被評等為「AA+」，則此將在其所有權評分中作為調降要素。		

[a]互助型態所有權可透過適用不同的信用因素或次級因素計分來影響評等，上述因素包括業務情況、資本和槓桿和償債能力及財務彈性。IFS 是指保險公司財務實力。
資料來源：惠譽國際信用評等公司

所有權類型的其他討論如下。

未經評等的所有人

若惠譽無法完整評估母公司，則可依據該保險組織自身信用狀況進行評等。然而，若惠譽有理由相信該保險公司與母公司之關係對其有害，例如母公司在高風險產業部門營業或展現出高風險策略，惠譽得在該保險公司評等加上限制。在此情形下，惠譽亦將考量監管圍欄限制程度。若母公司相關資訊過少，且惠譽不確定保險業者是否透過圍欄有效隔絕在母公司之外，惠譽將不對該保險業者進行評等。

銀行持有／金融集團

在適用銀行支持標準時，惠譽通常假設母銀行較傾向支持銀行子公司，而非支持保險子公司，尤其是面對規模較大的銀行。這是由於不支持銀行對其融資及流動性的影響相對較為嚴重。惠譽將適當調整銀行支持標準於上述情形的使用。

主權持有

保險公司可能是由主權直接擁有所有權，例如由財政部持有，或是間接擁有所有權，例如透過控股公司或財政部轄下的其他政府機構持有。所有權形式的重要性較已存在的支持因素低。主權持有概念不適用於暫時性政府支持和相關持有（例如緊急救助），而是適用於期望能有長久的所有權持有關係。其他觀察及指導原則如下：

- 當政府資助保險業者以保障可負擔價格下的市場容量，且／或協助確保整體經濟穩定時，可能會有主權支持的情形發生。
- 當主權支持假設來自投資級主權，IFS 評等可與主權的 IDR 評等一致。在非投資等級，最終如果認為適合向上調升，當主權支持意願及能力非常強勁時，結果可能造成評等的一致性調整，或倘提供的支持有所限制，則透過調降主權評等級距為之。
- 針對非投資等級主權，惠譽通常假設主權在提供支持時有較高的針對性。支持可能性是以保險公司相較於主權國家／地區中其他有可能受到政府支持的機構，其對於該主權的策略重要程度作為評估依據。
- 當從主權評等調降評等級距時，主權國家／地區的本國貨幣 IDR 將用來設定保險公司的本國貨幣 IDR，而該主權國家／地區的外國貨幣 IDR 則確立該保險公司的外國貨幣 IDR。本國或外國貨幣 IFS 評等與營運公司 IDR 間的評等級距，將依據惠譽基於復原假設的通常評等級距方式及任何適用的國家上限。

超國家持有

本主要保險準則報告中詳載的準則將用來提供保險業者自身信用狀況，在超國家術語中也稱為「固有評等」（請見 *Supranationals Rating Criteria*）。在適用超國家支持標準時，惠譽注意到由超國家持有的保險公司，與互助保險公司相似，其較無壓力動用資本部位，或增加財務槓桿，以達成資本報酬率目標。同時，在部分情況下，超國家持有的保險業者可能享有資助政府的外匯管制豁免，此可減輕其後討論的匯兌性風險（還有國家上限規定）。

公司治理和管理

保險組織的治理和管理可影響本節討論的其他所有主要信用因素。因此，惠譽對管理和治理的評估可能會與其對公司整體基本信用狀況的評估重疊。

在所有其他因素相同的情況下，良好的治理實務並不會提高評等。然而，當治理實務受到越多限制，無論是因司法管轄權或發行人個別問題，均可能較其他通常定量和定性信用因素更易使評等降低，且成為影響整體評等的主導性因素。

公司治理和管理 —
信用因素評分指導原則

	評等影響
成效顯著	不影響評等，無論是正向或負向。
具有成效，但仍有部分缺點	視問題程度而定，評等可向下調降至多三個評等級距。
成效不彰	視問題程度而定，評等可向下調降至少四個評等級距，且評等以「BB+」為上限。若有嚴重的治理或管理問題，在若干情形下，惠譽可能無法對於該保險業者進行評等。

資料來源：惠譽國際信用評等公司

可能對於評等造成負面影響的要素包括：

- 董事會缺乏實質獨立性或欠缺活動規畫。
- 管理團隊經認定效能不彰；管理階層主要成員有工作相關之民事或刑事違法行為，或多次公然忽視董事會對風險之容忍度。
- 重大稽核相關問題，例如內控環境出現多重顯著缺點、無查核意見或不利查核意見、財務報表慣性遲交，或稽核人員因在實質會計處理上有重大分歧意見而遭更換。惠譽通常是在附有查核不利意見之財報公布時，或於發行人無法如期公布財報時，知悉這些查核相關問題。
- 關連交易高度可疑。

惠譽認為及預期管理完善的公司應具備有效的風險管理流程：

- 限定管理階層的風險胃納並向整個組織溝通傳達。
- 風險管理部門獨立，以及高級管理層瞭解和參與風險管理議題。
- 監督及管理風險流程及／或工具有效。
- 所有風險集中管理，或易於彙整，可建立企業全面性風險檢視。

惠譽不會對風險管理系統進行稽核。若在管理階層與惠譽沒有互動的情形下，該評估依據通常是歷史績效、同業比較及／或市場情報。

資本和槓桿

惠譽分析所依據的觀點有三：資本適足性、財務槓桿及融資和承諾總額。

資本適足率（CAR）

在此評等分析內考量的 CAR 型態包括：

- 惠譽用於壽險及非壽險保險公司的風險調整 Prism 資本模型，以及惠譽以風險為基礎的美國產權保險資本模型。
- 營運槓桿比率，例如淨簽單保費對資本比率，其不作風險調整。
- 法定資本比率，例如 Solvency II 標準資本要求（SCR）和 NAIC RBC 比率。

無論係因監管干預，或在銀行／借貸契約或其他協議中納入上述規定所引起之風險，在受到壓力的情況下，法定資本比率可成為尤其重要的考量因素。

在惠譽尚未發展 Prism 資本模型的開發中市場（例如拉丁美洲），惠譽將納入投資及資產風險因素所討論的投資風險評估，針對營運槓桿比率進行評估。相對於資本來看，若投資風險為高，此情形常見於非投資級別主權評等的國家，則惠譽將降低資本適足性的評估。

由於可得資訊有限且保險業者間相互比較的困難度，保險業者的內部模型對於惠譽的評估影響程度極小。

財務槓桿比率（FLR）

主要 FLR 是指調整後的債務資本比率：

$$\frac{\text{債務}+\text{混合性證券之債務部分}}{\text{權益資本}+\text{債務}+\text{混合型證券總額}}$$

債務不包括匹配募資形式的債務（通常稱為「營運債務」），此是由於 FLR 之目的僅著重於籌措長期資本或支持流動資金所生債務。匹配募資形式債務包括附賣回交易、證券化或其他針對特定債務所持有可辨識或可追蹤的金融資產集合。

當商譽非常重要時，惠譽可能會計算兩種財務槓桿比率版本，一種是將商譽 100 ％ 包含於權益資本中，另一種則是將其排除於權益資本之外。當利潤率強勁，且權益資本市價（針對上市公司） 等於或高於帳面價值時，惠譽會以第一種計算比率為主。商譽價值無法證實時，重點就會放在第二種計算比率。

在部分部門，則強調可替代的槓桿比率。例如，在美國健康醫療部門，惠譽會著重在債務對稅前息前利潤（EBIT）的比率。

混合型證券的債務及權益部分計算則在後續本節中說明。

CAR 和 FLR 評等／評分指導原則

CAR、FLR 和相關槓桿比率評分標準如下。在授予整體信用因素評分時，由評等委員會依據主觀判斷各種核心及補充比率的權重。

信用因素評分指導原則 — CAR 和 FLR：核心比率

		保險公司財務實力評等					
	部門／地區	AAA	AA	A	BBB	BB	B
財務槓桿比率（%）	所有部門／地區	<10	10 – 23	24 – 31	32 – 42	43 – 59	60 – 80
惠譽 Prism 模型評分	非壽險、壽險、再保險（不包括拉丁美洲）	極強健	非常強健	強健	充足	稍弱	疲弱
淨簽單保費對資本之比率（倍數）	非壽險（拉丁美洲，無 Prism 模型）[a]	<0.7	0.7 – 1.4	1.5 – 2.1	2.2 – 2.8	2.9 – 3.5	3.6 – 4.4
營運槓桿（倍數）	壽險（拉丁美洲，無 Prism 模型）[a]	<8	8 – 12	13 – 19	20 – 29	30 – 39	40 – 50
惠譽風險調整資本（RAC）模型評分（%）	產權	>300	300 – 188	187 – 130	129 – 100	99 – 80	79 – 50
債務對息前稅前折舊攤銷前利潤（EBITDA）之比率（倍數）	健康	<0.8	0.8 – 1.7	1.8 – 2.4	2.5 – 3.4	3.5 – 4.5	4.6 – 5.7
保費對法定資本（倍數）	健康	<1.9	1.9 – 5.0	5.1 – 8.4	8.5 – 11.0	11.1 – 13.9	14.0 – 19.0
規定的資本比率（倍數）	抵押貸款（澳洲）a	>1.75	1.75 – 1.50	1.49 – 1.30	1.29 – 1.15	1.14 – 1.07	1.06 – 1.00
風險對資本比率（倍數）	抵押貸款（美國）	<3	3 – 9	10 – 15	16 – 21	22 – 27	28 – 34
面值對資本比率（倍數）	財務保證						
業務組合風險非常低（無貨幣風險）		<35	35 – 69	70 – 119	120 – 164	165 – 224	225 – 315
業務組合風險低（無貨幣風險）		<23	23 – 37	38 – 57	58 – 79	80 – 112	113 – 155
業務組合風險中等（無貨幣風險）		<8	8 – 12	13 – 17	18 – 24	25 – 37	38 – 50
業務組合風險中等（有貨幣風險）		<5.5	5.5 – 8.4	8.5 – 13.2	13.3 – 18.2	18.3 – 24.9	25.0 – 35.0
業務組合風險高（無貨幣風險）		<2.8	2.8 – 3.9	4.0 – 5.2	5.3 – 7.4	7.5 – 11.2	11.3 – 15.0
業務組合風險高（有貨幣風險）		<2.1	2.1 – 2.9	3.0 – 4.2	4.3 – 5.9	6.0 – 8.7	8.8 – 12.0
業務組合風險非常高（無貨幣風險）		<1.6	1.6 – 2.2	2.3 – 2.9	3.0 – 4.2	4.3 – 6.2	6.3 – 8.5
業務組合風險非常高（有貨幣風險）		<1.1	1.1 – 1.7	1.8 – 2.4	2.5 – 3.4	3.5 – 4.9	5.0 – 7.0

[a]對於惠譽並未使用 Prism 模型評估的公司，淨簽單保費對資本之比率和營運槓桿比率均各自可作為核心資本適足率。當採用 Prism 模型評估時，則前開比率則僅為補充比率。同樣的，當其作為澳洲非壽險公司的補充比率時，澳洲按揭保險公司是以法規明訂的資本比率作為核心比率。[b]關下列業務組合分類的基準投資組合可在*附錄*的*財務比率定義*區段找到。CAR 是指資本適足率。FLR 是指財務槓桿比率。NPW 是指淨簽單保費。PMIERS 是指私人按揭保險公司資格要求

來源：惠譽國際信用評等公司。

信用因素評分指導原則 — CAR 和 FLR：補充比率

		保險公司財務實力評等					
	部門／地區	AAA	AA	A	BBB	BB	B
淨簽單保費對資本之比率（倍數）	非壽險	<0.7	0.7 – 1.4	1.5 – 2.1	2.2 – 2.8	2.9 – 3.5	3.6 – 4.4
替代比率	再保險 – 混合	<0.5	0.5 – 1.1	1.2 – 1.7	1.8 – 2.3	2.4 – 3.0	3.1 – 4.3
	再保險 – 財產巨災	<0.4	0.4 – 0.6	0.7 – 0.9	1.0 – 1.4	1.5 – 1.9	2.0 – 3.1
	產權	<1.8	1.8 – 3.3	3.4 – 4.7	4.8 – 6.4	6.5 – 8.2	8.3 – 11.0
淨槓桿率（倍數）	非壽險	<2.4	2.4 – 4.2	4.3 – 5.9	6.0 – 7.9	8.0 – 9.9	10.0 – 12.0
替代比率	再保險 – 混合	<2.0	2.0 – 3.5	3.6 – 5.0	5.1 – 6.9	7.0 – 8.9	9.0 – 11.0
	再保險 – 財產巨災	<1.2	1.2 – 1.9	2.0 – 2.8	2.9 – 3.9	4.0 – 5.2	5.3 – 7.0
	產權	<3.4	3.4 – 5.1	5.2 – 6.7	6.8 – 8.4	8.5 – 10.2	10.3 – 13.0
總槓桿率（倍數）	非壽險	<2.9	2.9 – 5.0	5.1 – 7.3	7.4 – 9.4	9.5 – 11.7	11.8 – 14.0
替代比率	再保險 – 混合	<2.4	2.4 – 4.2	4.3 – 6.1	6.2 – 8.3	8.4 – 10.7	10.8 – 13.0
	再保險 – 財產巨災	<1.4	1.4 – 2.2	2.3 – 3.3	3.4 – 4.9	5.0 – 6.9	7.0 – 9.0
美國 NAIC RBC 比率（%）	非壽險（美國）	>350	350 – 250	249 – 188	187 – 125	124 – 88	87 – 60
法定清償邊際 – 營運公司（%）	非壽險（日本）	>763	763 – 575	574 – 435	434 – 328	327 – 243	242 – 115
法定清償邊際 – 集團（%）	非壽險（日本）	>813	813 – 625	624 – 475	474 – 350	349 – 255	254 – 125
C-Ross 償付能力充足比率（%）	非壽險（中國）、壽險（中國）	>400	400 – 285	284 – 200	199 – 150	149 – 115	114 – 80
Solvency II SCR 涵蓋率（%）	非壽險（歐洲），壽險（歐洲）	>210	210 – 161	160 – 131	130 – 101	100 – 76	75 – 45
規定的資本比率（倍數）	非壽險（澳洲），抵押貸款（澳洲）	>1.75	1.75 – 1.50	1.49 – 1.30	1.29 – 1.15	1.14 – 1.07	1.06 – 1.00
營運槓桿（倍數）	壽險	<8	8 – 12	13 – 19	20 – 29	30 – 39	40 – 50
替代比率	壽險（日本）	<9	9 – 14	15 – 21	22 – 31	32 – 42	43 – 53
資產槓桿（倍數）	壽險	<11	11 – 17	18 – 25	26 – 35	36 – 48	49 – 65
替代比率	壽險（日本）	<12	12 – 19	20 – 27	28 – 37	38 – 49	50 – 62
美國 NAIC RBC 比率（%）	壽險（美國）	>431	431 – 323	322 – 235	234 – 175	174 – 125	124 – 60
法定清償邊際率（%）	壽險（日本）	>1,125	1,125 – 800	799 – 600	599 – 425	424 – 275	274 – 120
美國 NAIC RBC 比率（%）	再保險 – 非壽險（美國）	>288	288 – 225	224 – 175	174 – 125	124 – 88	87 – 60
美國 NAIC RBC 比率（%）	再保險 – 壽險（美國）	>431	431 – 323	322 – 235	234 – 175	174 – 125	124 – 60
美國 NAIC RBC 比率（%）	健康	>375	375 – 275	274 – 213	212 – 150	149 – 113	112 – 85
PMIERS 覆蓋率（%）	抵押貸款（美國）	>175	175 – 150	149 – 130	129 – 110	109 – 90	89 – 70

[a]在拉丁美洲，以及其他惠譽並未使用 Prism 模型評估的非壽險及壽險公司，淨簽單保費對資本之比率和營運槓桿比率均各自可作為核心資本適足率。當採用 Prism 模型評估時，則上述比率則僅具互補性質。同樣的，當其作為澳洲非壽險公司的補充比率時，澳洲抵押保險公司係以法規明訂的資本比率作為核心資本適足率。 CAR 是指資本適足率。FLR 是指財務槓桿比率。NPW 是指淨簽單保費。 PMIERS 是指私人抵押保險公司資格要求
資料來源：惠譽國際信用評等公司

融資和承諾總額比率（TFC）

TFC 比率包括財務及營運債務、證券化資產、未動用之信用狀 額度及各種承諾，例如與信用違約交換銷售相關義務的名目價值。在市場混亂且失去資本市場融資期間，上述營運承諾和資產負債表以外之承諾可能會成為組織易受直接影響的弱項。這些價值經加總後再除以權益資本。評分指導原則如下。警示指標可調降信用因素分數。

信用因素評分指導原則 — TFC

(x)	低（中性）	中等（中性）	高（警示）	非常高（高度警示）
所有部門[a]	<0.4	0.4 – 0.8	0.8 – 1.5	>1.5

[a]針對財務保證，融資和承諾總額（TFC）比率不包括資本適足率所納入的保險票面價值。
資料來源：惠譽國際信用評等公司

惠譽專屬資本適足性模型

惠譽採用稱為「Prism」的三種資本模型，以協助分析壽險及非壽險保險公司的資本適足性：

- 用於歐非中東、亞太地區及百慕達且以 Prism 因素為基礎的模型（FBM）。
- 美國 Prism 非壽險模型。
- 美國 Prism 壽險模型。

如同前一頁表格中所強調，每一個 Prism 模型均會產出一項資本評分，其範圍從「極強健」（「AAA」）至「疲弱」（「B」評等以下）。不同 Prism 資本模型所包含以風險為基礎之組成要素，或為隨機，或根據某因素，此端視保險業者的住所或業務項目而定。各司法管轄區究竟採用何種方式，很大程度地受到資料可得性的影響。

如需瞭解*Prism U.S. Non-Life Insurance Capital Model*, *Prism U.S. Life Insurance Capital Model*, 模型定義文件及 *Prism Factor-Based Capital Model* ，請查閱惠譽公開網站。針對*Reserve Adequacy and Volatility Estimator (RAVE) Model*, 亦有一份模型定義文件，除支持準備金分析信用因素的評估，並同時提供美國 Prism 非壽險模型所需資料。

如需瞭解惠譽用於美國產權保險業者有關*Title Risk-Adjusted Capital (RAC) Model* 的詳細資料，請見其模型定義文件。

混合型 — 債務及權益部分

基於評估 CAR 及 FLR 的目的，惠譽依據其對於壓力下混合型證券有助存活性及虧損吸收特性的看法，來評估具有債務或權益相近性質的證券。當定義混合型證券的債務或權益部分，惠譽將之分為三個類別等級：100%、50% 和 0%。詳細定義請參考下一頁 CAR 和 FLR 中有關數種常見混合型證券處理表。

複雜的混合型證券特性，使得判斷混合型證券可能如何表現變得困難，且可造成惠譽降低原本適用的權益信用數額。複雜特性包括回顧條款、同性質證券的表達方式，附帶優惠附加條款、受質疑的遞延特性、契約和相互違約條款，更包括集團間混合型證券的發行。

CAR 和 FLR 中混合型證券的處理

混合類型	在 CAR 中的處理	在 FLR 中的處理
永久性優先		
非累積型[a]	100% 股東權益	0% 債務
累積型	100% 股東權益	50% 債務
附到期日可延後付息證券	0% 股東權益	100% 債務
強制轉換證券（純正）[b]		
三年期以下的次級證券	100% 股東權益	0% 債務
三年到五年期的次級證券	50% 股東權益	50% 債務
一年期以下優先證券	50% 股東權益	50% 債務
強制轉換證券（合成）		
標的債務[a]	0% 股東權益	100% 債務
遠期契約	發行時0%股東權益	0% 債務
	募資時100%股東權益	0% 債務
選擇性可轉換證券	0% 股東權益	100% 債務
應急可轉換證券[a]		
高度觸發	50% 股東權益	50% 債務
低度觸發	0% 股東權益	100% 債務

[a]包括互助憑證，例如法國的「certificats mutualistes」。[b]例外情況：若標的證券符合資格，則會採用較有利的處理方式。
CAR –是指資本適足率。FLR –是指財務槓桿比率。資料來源：惠譽國際信用評等公司

其他闡述性細節內容如下：

- 永久性優先證券：在部分情況下，由於當地法令或法規禁止純正永久性證券的發行，公司改為發行到期期間非常長的證券，包括發行人有權選擇一直延長到期日（最常見的是初始到期期限為 30 年以上，後續自動再延長 30 年以上而使其成為永久性證券）。除非惠譽認定該證券發行意圖有意使其到期，否則惠譽將依據上述規定將其視為永久性證券。
- 附到期日可延後付息證券：此包括各種附有指定到期日的次級／低順位次級債務及信託優先證券，其有能力將利息／股利支付延後一段時間（通常為三到五年）。惠譽將此類證券視為帶有「信號風險」，也就是管理階層選擇性（或依據明確觸發因素）向市場發送該公司面臨壓力的延後信號。信號風險給予管理階層避免延後付息的強烈動機，無論此延後是由管理階層自行決定或依據強制觸發因素所為。
- 強制轉換證券：純正強制轉換證券屬於次順位且可延後付息（或零利息）證券，轉換時並無過分稀釋的情形（每次轉換價格／比率），且將依據轉換期間獲得不同程度的權益信用。合成單位視為兩種個別不同的證券，如上詳述，一種為標的債務證券，一種則為權益遠期契約。
- 選擇性可轉換證券：除實際上已轉換為權益資本，否則惠譽會將此類證券認定為不具權益特性。
- 應急可轉換證券：當違反設定壓力的特定明確觸發因素時，這些混合型證券會永久降低面值或轉換為普通股。觸發機率高意謂著他們會在壓力初期指標時調降面值，而惠譽將授予部分權益信用。此類證券可忽略轉換特性，有資格取得以該證券其他基本特性為基礎的權益信用。

資本適足率中混合型證券的監管優先性

當存有嚴格的資本規定，且惠譽將其視為有助於壓力下存活可能性時，惠譽通常會讓監管取代其自身在惠譽資本適足率中的處理。這項監管優先性適用在當監管機關的處理相較惠譽自身觀點更為有利，以及更為不利兩種情形。
監管優先性不適用於財務槓桿比率。

資本結構中混合型證券數量之限制

惠譽不會就保險組織資本結構中所存在的混合型證券最大數量設定絕對上限。但是，若混合型證券在資本總額比例開始超過 20%（即混合型證券／混合型證券 + 債務 + 權益資本之百分比）時，就會在資本適足率及財務槓桿比率中捨棄或減少有利的混合型證券處理方式。

應急資本處理

惠譽將應急資本定義為基於提供資助的保險公司利益，限於尚未動用的事前融資額度。上述資金存在於分離出的實體（通常為特殊目的機構，簡稱「SPV」），且通常未被併入提供資助保險公司的財務報表。該保險公司動用資本的能力可能會受限於特定觸發事件，也有可能是一般性選擇。

下列概述惠譽如何處理應急資本：

- 融資額度內發行的任何債務均應納入融資和承諾總額。
- 融資額度內發行的任何債務只要不是該提供資助保險公司的義務，該債務將被排除在財務槓桿比率之外。然而，若資助者對此類債務提供保證，或以其他方式得以解釋為該資助者的經濟義務，則此類債務應納入財務槓桿比率計算。
- 無論是財務槓桿比率或是資本適足率，只要是在額度內募集的資本尚未動用之前，資助者的權益資本均不會加計該資本（若資本適足率適用於上述監管優先性的情形，則會加計）。
- 當針對本報告後續所討論償債能力及財務彈性主要信用因素內的財務彈性次級因素進行評分時，將會考量任何因該融資而擴大的財務彈性。
- 在惠譽進行任何基於可觸發動用情境的壓力或前向分析範圍內，所有或部分融資額度均會在那些情境下計入形式財務槓桿比率及資本適足率中的權益資本。

償債能力及財務彈性

固定費用涵蓋率

固定費用涵蓋比率為本信用因素評分的主要驅動因素。異常低／高的涵蓋水準也可影響營運公司及控股公司間的評等級距（請見本報告中評等級距一節）。

涵蓋比率指導原則明列如下。

涵蓋率指導原則

		保險公司財務實力評等					
(x)	部門／地區	AAA	AA	A	BBB	BB	B
核心比率							
固定費用涵蓋比率	所有部門	>16.5	16.5 – 9.5	9.4 – 5.0	4.9 – 2.0	1.9 – (1.0)	(1.1) – (5.0)
補充比率							
法定涵蓋率	非壽險（美國）、壽險（美國）	>9.3	9.3 – 5.8	5.7 – 3.3	3.2 – 1.4	1.3 – 0.1	0.0 – 0.0
現金涵蓋率	非壽險（美國）、壽險（美國）	>11.1	11.1 – 6.6	6.5 – 3.6	3.5 – 1.6	1.5 – 0.1	0.0 – 0.0

資料來源：惠譽國際信用評等公司

涵蓋比率指導原則

針對混合型證券，除非實際發生延後付款的情形外，惠譽不會調整可延後付款涵蓋比率（此即表示納入完整價值）。

涵蓋比率通常是以不包括已實現和未實現收益與損失在內的營業收益為計算基礎。但當此類項目金額龐大，特別是指壓力期間內的損失，惠譽也可能會檢視包含這些項目在內的涵蓋比率。惠譽也可能納入已實現及／或未實現收益或損失，以符合會計處理的其他面向。例如，若是採用國際財務報導準則或英國一般公認會計準則報告的英國壽險公司，則惠譽會為了反映負債處理方式而納入未實現及已實現收益與損失，藉由損益表重估負債以反映現行利率。

貨幣錯配問題

若有任何增加發行人支付利息或本金困難度的貨幣錯配，均會在評估涵蓋率時納入考量。若貨幣錯配經合理避險，債務支付將因此依上述方式進行評估。若未經合理避險，惠譽將考量涵蓋率受到持續不利匯率變化影響的壓力情境。

惠譽亦將考量其營運大多位於高通膨並借入強勢貨幣（例如美元或歐元）新興市場中的未避險發行人狀況。長期而言，相較於通膨較低的經濟體，貨幣在通膨較高經濟體中具有貶值的傾向。

- 若有這些情形，我們也將考量強勢貨幣固定費用涵蓋（HC-FCC）比率。分子是以適用強勢貨幣表示的稅前盈餘減去強勢貨幣固定費用，上述稅前盈餘包括已註記債務及來自其他穩定低通膨貨幣者。分母則是以適用強勢貨幣表示的固定費用。
- 當 HC-FCC 低於 2x 時，我們的評估可能低於跟據標準指導原則所得出的結果；涵蓋率 2.0x – 4.9x 對評估的影響則通常為中性，至於涵蓋率 5x 以上，則可能提高我們的評估。

舉例說明計算方式，若新興市場發行人發行年息總計 1000 萬的美元債，並賺取美國或歐盟子公司稅前息前盈餘 3000 萬，則 HC-FCC 為 3x，其評估為中性。

財務彈性 — 次級信用因素評分指導原則

	AAA	AA	A	BBB	BB	B
一般性描述 • 市場進入 • 資金取得歷史 • 多元性 • 票期 • 固定與浮動利率 • 應急能力	異常穩定的市場進入 資金取得歷史非常長 高度多元的資金來源（可能來自國際） 各種不同的籌資方式 固定利率，且票期較長 非常健全的應急資金	非常穩定的市場進入 取得資金歷史長 多元的資金來源 各種不同的籌資方式 固定利率，且多數票期較長 健全的應急資金	穩定的市場進入 資金取得的歷史 合理多樣的資源來源 混合若干不同的籌資方式 部分浮動利率，可能有點偏向中間票期 應急資金	一般情況下具有穩定的市場進入 市場壓力下可能面臨一些資金取得的挑戰。 資金來源及籌資方式稍嫌集中 較為偏重較短或中間票期，或注重浮動利率 有限的應急資金	特別在市場壓力期間內，市場進入變化不定。 相當有限的資金來源及籌資方式。 偏向中間或較短的票期，或 大幅採用浮動利率 即使有應急資金，金額可能極小	市場進入十分不穩定且／或非常有限 資金來源非常有限 低於最少應急資金
國家風險	排除位於公司住所國家以外已存在的市場進入，保險業者財務彈性次級因素得分通常不會超過該保險業者所屬國家整體 IPOE 評分中所考量金融市場發展程度顯示的分數。					
股權重點						
開發中市場	在未開發金融市場中，資金取得主要受到自身普通股的限制。由於資金選項有限，使用上述參數通常會導致較低的評分。					
已開發市場	相對來說，在已開發金融市場中的部分保險業者僅須著重於股權融資。這類公司通常具有非常有利的財務槓桿及固定費用涵蓋率，但缺乏市場進入記錄。若這類公司的管理階層可在短期內找到更廣泛的資金，其在下列緊接每一項指導原則的評分將落於「A」與「B」之間，並以評等委員會對該公司的期待為評分重點。					
已開發市場相關指導原則			容易取得進入市場的高度信心	可能取得進入市場的合理信心	有可能進入市場。但仍有明顯可見的不確定性	非常不可能在近期內進入市場
加權	當資金來源只有股權，財務彈性次級因素評分會在整體償債能力及財務彈性信用因素評分中占有支配性地位。					
母公司為單一資金來源	部分私募保險業者取得資金的主要或唯一來源即為母公司。在這樣的情形下，償債能力及財務彈性的評分在整體評等評估中通常所占權重較低，而與母公司正面／負面的關係則主要是透過所有權信用因素的評估反映在評等結果。 更具體來說，若保險業者僅自母公司取得資金，此項信用因素將不會計分，繫諸於母公司融資的利益或風險將納入所有權因素進行評估。若保險業者有部分依賴外部資金來源，這項信用因素將會被記入，並以外部融資所規定該保險業者償還能力和彈性作為加權的基礎。					

資料來源：惠譽國際信用評等公司

財務彈性

財務彈性係指保險公司因應需求產生額外資金之能力，具備財務彈性的保險業者較能取得發展所需資本、策略性重新定位或填補損失。若公司能運用低槓桿搭配均衡多元且到期日各有不同的資金來源，通常便是最具財務彈性的範例。

惠譽也承認縱使是歷年來具有強健財務彈性的公司，在壓力下仍可能會迅速消失。因此，惠譽不會假設處於壓力情境中的公司一定會存在財務彈性。

下一頁是財務表現和盈餘比指導原則表，其列出評等類別所描述財務彈性的特徵概要。

整體信用因素評分

償債能力及財務彈性信用因素的整體評分乃是上述財務彈性評估與涵蓋率評估的綜合分數。

財務表現和盈餘

財務表現決定了實體創造資金的能力、吸收逆境變動的能力並可影響財務彈性。惠譽會在評估中以價值計算與趨勢面向考量財務表現，以及：

- **盈餘質量：**獲利若來自於可靠、可重複之來源，例如持續的承保獲利能力，即屬於高質量盈餘。「一次性」項目，例如資產出售利得或異常釋出的技術準備金，與高度集中風險性資產投資所得盈餘與通膨驅動盈餘相同，均視為質量較差的盈餘。
- **盈餘相對業務風險：**承擔較高風險之保險公司會被期待擁有可較高水準之獲利能力，以作為提供資金的補償。根據此觀點，低風險汽車保險公司的預期報酬率將低於高風險巨災再保險公司。
- **盈餘相對槓桿：**惠譽會在營運和財務槓桿的脈絡內詮釋獲利能力，也就是純粹因高槓桿所生的高報酬具有負向影響。
- **多元化盈餘：**惠譽針對市場和商品盈餘多元化，以及新銷售和現有業務所生風險及費用基礎收益進行評估，在所有其他條件相同之情況下，多樣化盈餘通常具有較低的波動性。

財務表現和盈餘比指導原則

		保險公司財務實力評等					
(%)	部門／地區	AAA	AA	A	BBB	BB	B
核心比率							
股東權益報酬率	非壽險、抵押貸款、財務保證	>15	15 – 10	9 – 6	5 – 2	1 – (2)	(3) – (10)
替代比率	再保險	>15	15 – 12	11 – 8	7 – 3	2 – (2)	(3) – (10)
	產權	>19	19 – 14	13 – 10	9 – 4	3 – (3)	(4) – (15)
綜合比率	非壽險、財務保證（發生頻率高／嚴重性高）	<84	84 – 98	99 – 106	107 – 114	115 – 124	125 – 135
替代比率	再保險 – 混合	<86	86 – 96	97 – 102	103 – 110	111 – 120	121 – 136
	再保險 – 財產巨災	<78	78 – 87	88 – 93	94 – 102	103 – 112	113 – 128
	產權	<81	81 – 91	92 – 98	99 – 108	109 – 119	120 – 135
	抵押貸款	<29	29 – 49	50 – 74	75 – 107	108 – 142	143 – 177
	財務保證（發生頻率低／嚴重性低）	<38	38 – 52	53 – 67	68 – 82	83 – 97	98 – 110
營運比率	非壽險	<71	71 – 85	86 – 93	94 – 103	104 – 114	115 – 125
替代比率	再保險 – 混合	<76	76 – 86	87 – 92	93 – 100	101 – 110	111 – 126
	再保險 – 財產巨災	<65	65 – 74	75 – 80	81 – 89	90 – 99	100 – 115
股東權益報酬率	壽險	>17	17 – 11	10 – 7	6 – 3	2 – (2)	(3) – (7)
替代比率（核心利潤率）	壽險（日本）	>11.5	11.5 – 9.0	8.9 – 7.0	6.9 – 4.0	3.9 – (0.5)	(0.6) – (5.0)
資產報酬率（稅前）	壽險	>1.33	1.33 – 1.00	0.99 – 0.65	0.64 – 0.20	0.19 – (0.25)	(0.26) – (0.75)
替代比率	壽險（日本）	>1.0	1.0 – 0.7	0.6 – 0.4	0.3 – (0.1)	(0.2) – (0.5)	(0.6) – (1.0)
EBITDA 對營收比率	健康	>10.5	10.5 – 8.0	7.9 – 5.0	4.9 – 2.3	2.2 – 1.1	1.0 – 0.3
補充比率							
營運比率	產權	<73	73 – 85	86 – 94	95 – 103	104 – 115	116 – 125
GAAP 資本報酬率	健康	>14.8	14.8 – 9.0	8.9 – 5.0	4.9 – 2.0	1.9 – 0.9	0.8 – 0.5
醫療給付比率	健康	<81	81 – 83	84 – 86	87 – 88	89 – 92	93 – 98

資料來源：惠譽國際信用評等公司

增長

惠譽對於高於市場或同業的增長率，一般採取審慎評估的觀點，尤其是在定價存在競爭壓力期間。惠譽將過度增長視為保險公司未來面臨財務困難之領先指標，倘此疑慮已達重要程度，且降低了其他有利表現指標的權重，則過度增長可占評等相當高的權重。無論是因組織自然擴張或收購所造成, 過度增長可能是一個問題。瞭解增長原因對於評等分析相當重要。

增長 — 評分指導原則[a]

	高度（警示）
[illegible]	
[illegible]	>15
[illegible]	>15
[illegible]	>10
[illegible]	>8

[illegible]	>5
[illegible]	>5
[illegible]	>15
[illegible]	>10

[a]指導原則會考量絕對增長水準與相較於部門平均水準／基準的相對增長水準。[b]除日本以外的所有已開發壽險地區。[c]包括日本在內的所有已開發壽險地區。[d]包括非壽險、再保險、產權、抵押貸款及財務保證。
資料來源：惠譽國際信用評等公司

相反地，保費收入或資產急劇下降，可能是保險規模快速消逝之指標，亦備受關注。

除了已經提及的財務比率之外，惠譽評估財務表現時也將考量下列許多定性要素。

定性考量因素

非壽險

承保獲利能力是在檢視非壽險（再）保險業者財務表現時十分重要的因素。惠譽之目的是在評估業務的健全度，以及管理階層對於承保風險的瞭解程度和控制能力。考量的關鍵範圍包括：

- 財務表現與定價利差，包括投資收入對定價決策之影響。
- 與市場同業的財務表現比較。
- 承保結果隨時間之波動率。
- 費用效率和分保佣金對費用比率之影響。

為衡量上頁財務表現和盈餘利比指導原則表中可適用的比率，惠譽會考量保險公司的業務組合、定價策略、會計實務、經銷方式和準備金提存方法。若可取得上述資訊，惠譽將從公司整體角度觀之，並按商品和市場區隔測試這些比率。此外，在可取得資訊的情形下，惠譽亦會按日曆年和事故年度檢視承保結果。

壽險

惠譽盡可能在產品線層級與合併計算基礎評估盈餘。儘管壽險公司擁有強大獲利能力一般可視作正向評等，但惠譽承認，強勢的近期獲利可能是承擔風險的結果，例如避險不足等，而這可能對評等造成負面影響。

惠譽將因應不同市場採取不同的定量措施以補充其評等分析。例如，針對基於「隱含價值」提供補充性財務報告的保險業者，使用內含價值報酬率（ROEV）、新業務利潤率和內含價值變數。

成長趨勢應配合市場條件及公司具體策略一併考量。由於壽險在許多已開發市場中乃是一成熟產業，若壽險公司具有與市場平均水準相符的溫和銷售成長，惠譽一般會將此視為健康的象徵。

投資和資產風險

投資風險最常來自四種風險的混合：信用風險、市場風險、利率風險和流動性風險。若可取得資訊，惠譽將檢視投資指導原則，以瞭解風險承受能力，此包括當投資管理外包給第三方管理者時的監督管理程序。

標準比率廣泛用於評估投資風險程度，但在部份涉及投資組合中特定證券評估的情形，會再透過其他分析方式補充之。

固定收益

對於許多保險業者而言，固定收益往往是最大資產類別，且保險業者會在權衡收益和違約風險後作出不同之選擇。惠譽會考量保險公司固定收益組合的混合程度、組合成分和信用品質（評等）。收益過度分散或集中於特定市場或評等，特別是屬於非投資級別者，均視為具有負向影響。

投資和資產風險比率指導原則

		保險公司財務實力評等					
(%)	部門／地區	AAA	AA	A	BBB	BB	B
核心比率							
風險資產比率	非壽險、再保險（非壽險）、抵押貸款	<31	31 – 62	63 – 87	88 – 124	125 – 179	180 – 240
替代比率	產權	<19	19 – 52	53 – 87	88 – 112	113 – 127	128 – 175
	健康	<23	23 – 34	35 – 44	45 – 54	55 – 64	65 – 75
	財務保證	<6	6 – 12	13 – 17	18 – 22	23 – 27	28 – 33
風險資產比率	壽險、再保險（壽險）	<38	38 – 74	75 – 109	110 – 159	160 – 224	225 – 295
補充比率							
權益投資對資本的比率	非壽險、再保險	<21	21 – 52	53 – 82	83 – 112	113 – 137	138 – 165
低於投資級別債券對資本的比率	壽險	<25	25 – 47	48 – 62	63 – 84	85 – 119	120 – 160

資料來源：惠譽國際信用評等公司

權益和不動產

儘管固定收益投資是保險業者投資組合中的大宗標的，但投資組合內包括權益或不動產的情況並不罕見，因為這些投資可提供較高的預期收益，卻也伴隨較高的波動性。由於這類投資在估價和流動性方面具有較大的不確定性，惠譽會更為謹慎地研究這類投資的集中度。

另類／隱密投資

惠譽將依名稱或產業注意不尋常之投資策略，尤其是涉及隱密投資、流動性較差之投資或集中度使用。例子包括避險基金、私募股權和有限合夥，其中，部份可能會在內部增加槓桿。這些皆被視為可能大幅增加投資組合之風險，特別是在尾端情境中。

對大多數保險業者而言，隱密投資僅代表他們總體投資組合的一小部分。但有些公司，例如所謂之「避險基金再保險公司」，在隱密資產上承擔了非常龐大之集中曝險。在這種情況下，惠譽之標準風險資產比率可能較無法詳實以對，因此可能採用為特定投資策略定制之技術，以評估相關投資組合之風險。

發展中市場

位在發展中市場國家的保險業者，其投資組合中的風險資產比例可能大幅高於位在投資級別國家中的保險業者。這有部分是因為投資本國發行人證券乃屬投機等級，因此會被認為是風險資產。另一個原因也是因為資本市場已開發程度較低，特別是某些情形下的固定收益市場，例如，較長到期日固定收益投資工具不易取得。因此，保險業者更加仰賴權益、不動產及另類投資。縱使惠譽承認投資這類資產可能並非管理階層的偏好，而是由於相較安全的投資選項較難取得，惠譽在評估時將此類投資視為風險投資。

主權

惠譽透過研究主權投資對資本之比率，來評估投資組合中的主權（公司住所及／或主要營業所在國家）曝險程度。分子包括本國主權發行的債券和本國實體發行的證券，上述實體包括違約記錄與政府高度相關的國內銀行（限於可找出該銀行所發行之證券者）。主權及相關證券的大筆投資最常見於開發中市場，因為開發中市場的監管要求及當地資本市場相對落後，會對保險業者的投資選擇造成限制。下表包括有可能用來限制這項信用因素分數的指導原則，其是以主權投資對資本比率矩陣圖，以及主權國家的本國貨幣評等作為基礎。另外，風險資產比率（請見附錄中的計算細節）乃是基於「BBB+」及以下的主權評等水準來衡量主權投資。

主權投資集中風險 — 評分處理原則

	主權投資對資本比率[a]（%）								
主權債務評等水準[b]	<15	15 – 40	41 – 80	81 – 100	101 – 150	150 – 200	200 – 300	300 – 500	>500
AAA	無影響								
AA	無 影響			Cap +1		Cap			
A	無影響	Cap +2	Cap +1		Cap	Cap	Cap	Cap -1	Cap -2
BBB	無影響	Cap +2	Cap + 1		Cap	Cap -1	Cap -2	Cap -3	Cap -4
BB/B/CCC	Cap +3[c]	Cap +2	Cap +1	Cap	Cap -1	Cap -3	Cap -4	Cap -5	

[a]包括直接主權投資和主權相關投資。由惠譽估計此比率水準。[b]以本國貨幣主權評等為基礎。[c]適用比率為 10% – 14%。附註：在級距特定的本國貨幣主權評等相關評等級距中所規定的 +/- 值。
資料來源：惠譽國際信用評等公司

貨幣匯率風險

部分保險業者投資外國資產，目的在增加投資組合的多元化且／或增加收益。資產和負債間存在顯著的貨幣錯配，這可能會大幅增加保險業者盈餘和資本的波動性，在這種情況下，惠譽因此會就避險策略進行評估。這包括檢視貨幣變動對於盈餘的影響，並依據可以取得資料，檢視使用的避險工具類型（例如，貨幣交換、代理避險）、避險成本及避險績效。

分紅壽險保單調整

惠譽認為投資績效可取決於由保單持有人承擔或與保單持有人共享的程度。舉例而言，針對投資績效直接歸於保單持有人的產品，例如單位連結型商品或變額年金、連結至這些商品的風險資產等，惠譽通常不會將這些商品納入分析（僅考量其對於任何從屬保證的影響）。

針對具有分紅性質的壽險產品，例如其投資損失／利潤可用於影響未來的宣告利率水準的商品，惠譽在評估投資風險時，會將此類損失分攤特性視為降低潛在風險的因素。儘管惠譽採用的比率仍然會納入相關風險資產，但可能會主觀地節制這些比率及指導原則相關信用因素的評分。但是，惠譽注意到這類產品特性在壓力下的表現如何可能難以確認。例如，有鑑於

保單失效會限制調降宣告利率的能力，管理階層實施未來調降宣告利率的能力，將視資產損失為系統性或獨特性而定。

資產／負債和流動性管理

資產／負債和流動性管理（ALM）在壽險公司乃是值得注意的重要風險因素，但對非壽險公司通常重要性較低。對壽險公司而言，為達到持久的獲利能力目標，特別是針對利差商品的利率風險管理，並同時在支持去中介化期間支持流動性，資產／負債和流動性管理過程變得十分重要。在此意義上來說，針對非壽險部門適用這些準則時，這個信用因素的流動性面向則會與投資和資產風險信用因素結合，且資產／負債和流動性管理僅作附帶性考量。

惠譽對於資產／負債和流動性管理與流動性風險的評估，時常是依據公開財務報表及附註上有限揭露的資訊。這強調出惠譽的分析主要仰賴管理階層所提供的資訊（依據惠譽分析加以調整）或市場層級基準。

惠譽對於營運公司及控股公司的流動性及資產／負債和流動性管理會有不同的評估。

營運公司

流動性

此評估著重在投資的市場流通性，以及流動性資產負債比。 惠譽亦考量應收帳款和其他結餘金額，以及資產（例如關係持股或不動產）水準。關於滿足非預期現金需求，惠譽將依據其金額及取得可能性，針對流動性資金的替代來源進行評估。

久期缺口

若可取得相關資料，惠譽會考量估計資產與負債之期間缺口，以協助判斷利率曝險，特別是針對壽險公司的情況。惠譽偏好衡量利率敏感性負債，此不包括單位連結和無擔保獨立帳目類型的商品。當可獲得此資訊時，惠譽對期間缺口的評估將考量避險情形。如欠缺保險業者特定期間缺口的資訊時，惠譽通常會考量以一般市場資訊作為合理替代。

在評估久期缺口時，從配合長期利率敏感性負債的角度觀之，惠譽認為相較於傳統固定收益資產，權益和不動產屬於較劣質的資產類型。因兩者皆無法在指定到期時支付確切金額。這類資產的運用會使其期間難以確定。因此，當權益和不動產構成資產重要成分時，惠譽將針對權益和不動產採用期間範圍假設，其範圍通常會在 2 到 15 年之間。

資產／負債和流動性管理比率指導原則

		保險公司財務實力評等					
	部門地區	AAA	AA	A	BBB	BB	B
核心比率							
流動資產對準備金比率（損失／技術，%）	非壽險、再保險、產權、抵押貸款、財務	>188	188 – 138	137 – 113	112 – 88	87 – 63	62 – 35

	保證						
流動性資產比率（%）	壽險	>83	83 – 68	67 – 53	52 – 39	38 – 29	28 – 21
期間缺口（以絕對數值表示的年數）	壽險	<0.5	0.5 – 1.4	1.5 – 2.9	3.0 – 4.9	5.0 – 7.9	8.0 – 12.0
補充比率							
現金和約當現金對保單持有人負債比（%）	壽險（亞洲，不包括日本）	>11.3	11.3 – 7.5	7.4 – 4.5	4.4 – 2.0	1.9 – 0.5	0.4 – 0.0
營業現金流比率（倍數）	壽險（美國）	>1.28	1.28 – 1.15	1.14 – 1.05	1.04 – 0.90	0.89 – 0.65	0.64 – 0.10
現金及所投資資產對醫療理賠責任比（倍數）	健康	>5.5	5.5 – 3.5	3.4 – 2.5	2.4 – 1.8	1.7 – 1.4	1.3 – 1.1

資料來源：惠譽國際信用評等公司

一般來說，由於非壽險公司具有充足現金流、高品質投資和買入持有投資的方法，惠譽不會將資產／負債和流動性管理視為重要評等考量因素。

情境測試

惠譽承認久期缺口作為風險評估方式有其限制，因此當可取得相關資料時，會考量其他的分析形式。這包括透過保險業者為遵守監管標準或其他視為相關內部分析所完成的情境分析。

利率風險／市場觀點

多數市場中的財務報表僅揭露有限的利率風險相關洞察意見。因此，惠譽依據市場、公司在不同利率條件下的整體及相對歷史績效，針對特定商品固有利率風險的一般性認識，會在惠譽進行高層級評估利率風險時具有一定的重要性。

控股公司

控股公司的流動性分析與營運公司不同，特別是當控股公司的設立僅為持有多家營運子公司。由於控股公司通常並未持有大量流動性資產組合，且多仰賴現金流作為流動資金的主要來源，若保險組織整體產生流動性問題時，最有可能發生在控股公司層面。

現金

依控股公司年度現金需求（例如償債需求）維持保守倍數的現金餘額，通常被視為審慎作風。

再融資／到期

對許多控股公司而言，再融資到期債務是流動性風險之主因。因此，惠譽將一併檢視當年到期債務和當前短期債務餘額。因契約觸發的非預期到期債務或付款，及/或正在履行的保證，對於惠譽財務彈性的評估均有負面影響。

現金流

下表顯示惠譽在評估控股公司流動性時，可能考量的現金流重要來源和用途。

控股公司流動性—來源／用途

來源	用途
控股公司投資資產的盈餘	支付營業費用
子公司支付的法定股利	股東股利
子公司支付的非法定股利	優先股利
長期債務發行	利息費用
商業本票發行	出資子公司
股票發行	長期債務到期
銀行額度提領	商業本票到期

動用現金或出售投資	股份購回
其他資金來源	銀行額度到期（包括契約觸發者） 退休金計畫資金 偶發事件 其他用途

資料來源：惠譽國際信用評等公司

準備金適足性

損失準備金適足性是針對非壽險（再）保險公司進行分析時，關鍵但也同時具有挑戰性的部分。除了長期照護保險等業務項目外，損失準備金適足性在評估壽險業者時的重要性極低。因此，壽險部門通常不會針對這項信用因素進行評分。

無論是來自法定申報（例如，美國保險公司的 P 表）或管理階層所提供的資訊，資料有限和難以判讀是評估損失準備金適足性時的最大挑戰。當資料有限時，惠譽的評估是依據簽單業務的一般風險性和準備金相關問題的弱項，以及歷史承保績效的穩定度／波動性，包括任何經報告的準備金發展影響。

惠譽會參考利用準備金貼現、財務或有限再保險，或是採用降低準備金提存或可能掩蓋或扭曲可比性的會計技巧。

準備金情況

檢視準備金情況時，惠譽首先針對準備金風險對於整體評等的影響進行判斷。準備金相對於資本和已發生損失的槓桿比率是進行評估之首要考量因素。長尾之承保人通常傾向有較高的準備金槓桿，此對於整體評等具有較高的影響力。

準備金 占評等之權重

		淨準備金槓桿 (x)	
淨損失準備金／已發生損失 (x)	<1.0	1.0 – 1.5	>1.5
>2.0	中	高	高
1.0 – 2.0	中	中	高
<1.0	低	中	中

資料來源：惠譽國際信用評等公司

增長

惠譽會評估損失準備金是否依承保風險增加的速度相應增長。準備金增長率若低於承保風險成長速度，則代表警示程度升高。在此情形下，惠譽會更謹慎評估該成長，以判定指標是否確實為負向。在評估財務表現和盈餘時，惠譽也會考量保費收入相對於市場平均值的整體增長率。

準備金增長

比率	持平	警示	高警示
已付金額／已產生之損失（倍數）	<1.05	>1.05	>1.50
準備金／已賺保費比率變動（%）	>(5)	<(5)	<(15)

資料來源：惠譽國際信用評等公司

經驗

評估準備金發展趨勢，可瞭解公司設定準備金提存適足度之能力。一致良好的準備金發展趨勢會受到正向評價，而逆向發展或增加準備金，則會受到負面評價。

準備金發展對盈餘／權益

比率 (%)	<0	0 – 5	5 – 10	>10
一年之發展比率	持平	稍微警示	警示	高警示
五年之發展比率	正向	稍微警示	警示	高警示

資料來源：惠譽國際信用評等公司

適足性

若可取得資訊，惠譽將評估目前提存準備金的整體適足性。這項評估的依據通常是精算報告檢討的綜合性意見；管理階層的內部揭露或獨立精算預估之準備金點估計值或範圍值，以及惠譽本身的損失經驗數據分析。這包括使用惠譽準備金適足性及波動性預估者模型，主要適用於美國實體。當準備金提存量低於中點值或最佳預估值時，這意謂警示程度的逐漸上升，而在準備金超過預估值時，則視為信用正向，詳見下表。

記載的準備金／預估中點值

比率 (%)	意義
>105	正向
100 – 105	持平
90 – 100	中度警示
80 – 90	警示
<80	高警示

資料來源：惠譽國際信用評等公司

信用因素評分

在大多數已開發市場中，上述因素綜合評等倘為「持平」，即符合保險公司財務實力評分指導原則的「A」等級。針對特定開發中國家，當惠譽認定其準備金的成熟度低於已開發中市場，惠譽將修正此持平評等的指導原則。

低於「A」等級獲得持平評價的國家

BBB 等級類別	BB 等級類別	B 等級類別
巴西、保加利亞、哥倫比亞、印度、馬來西亞、摩洛哥、祕魯、俄羅斯、沙烏地阿拉伯、泰國、土耳其	阿根廷、印尼、哈薩克、巴拿馬、斯里蘭卡、烏拉圭	非洲[a]、巴貝多、白俄羅斯、牙買加、烏茲別克、委內瑞拉

[a]非洲地區不包括南非和摩洛哥。
資料來源：惠譽國際信用評等公司

依據下列適用持平評等指導原則所採計分：

- 數項「警示」指標將會把等級類別的評分降低至持平以下。
- 一項以上的「高警示」指標則通常會較持平水準，再降低評分至兩個以上的等級類別。
- 針對持平以上評等者，成長指標須為持平，且公司在準備金經驗和適足性兩方面，必須能持續呈現正向指標。
- 準備金適足性取得「AAA」等級很罕見。

上述指導原則主要是用於財產／意外領域的非壽險業者。下表為針對健康、抵押貸款保險、財務保證保險業者的選擇性指導原則比率。

保險金適足性 — 健康、抵押貸款、財務保證

(%)		保險公司財務實力評等					
補充比率	部門／地區	AAA	AA	A	BBB	BB	B
損失準備金發展對 BOP 醫療理賠責任（MCL）比	健康	<(9)	(9) – (3)	(2) – 2	3 – 7	8 – 14	15 – 22
MCL 中的給付日數（天數）	健康	>58	58 – 45	44 – 35	34 – 25	24 – 17	16 – 11
損失準備金發展對資本比	抵押貸款	<(4)	(4) – (2)	(1) – 2	3 – 7	8 – 12	13 – 18
損失準備金發展對已賺保費比	財務保證	<(4)	(4) – (2)	(1) – 1	2 – 4	5 – 7	8 – 11

BOP – 期間開始。
資料來源：惠譽國際信用評等公司

再保險、風險降低及巨災風險

惠譽認為再保險為保險業者合理避免資本和盈餘暴露於龐大損失風險的最常見技巧。其他降低風險的方式則有風險證券化、產業損失擔保（ILW）或選擇權、期權或期貨等資本市場商品。當然，惠譽認為通過嚴格的產品設計來限制及分散風險，均可作為風險防禦之第一道防線。

主要量化指標及相關指導原則如下表所列。

再保險、風險降低及巨災風險

		保險公司財務實力評等					
(%)	部門／地區	AAA	AA	A	BBB	BB	B
核心比率							
再保攤回對資本之比率	非壽險、財務保證、按揭保險	<30	30 – 54	55 – 82	83 – 117	118 – 154	155 – 195
替代比率	再保險	<18	18 – 34	35 – 62	63 – 97	98 – 132	133 – 175
巨災損失年度總淨額對資本的比率[a]	非壽險、再保險 – 混合型	<8	8 – 21	22 – 38	39 – 59	60 – 85	86 – 115
替代比率	再保險 – 財產巨災	<11	11 – 27	28 – 46	47 – 65	66 – 92	93 – 130
補充比率							
淨簽單保費對總簽單保費比率	非壽險、再保險、按揭保險	>86	86 – 68	67 – 55	54 – 40	39 – 25	24 – 10
巨災損失年度總毛額對資本的比率[a]	非壽險、再保險 – 混合型	<10	10 – 32	33 – 65	66 – 185	186 – 420	421 – 960
最大淨單一風險限額對盈餘比率	產權	<14	14 – 37	38 – 62	63 – 87	88 – 112	113 – 150
單一風險面值對資本比率（倍數）	財務保證	<6	6 – 14	15 – 27	28 – 42	43 – 59	60 – 80
名義面值淨額對被保險之名義面值總額比率	財務保證	>96	96 – 78	77 – 65	64 – 55	54 – 45	44 – 35

[a]適用於範圍為 200 至 250 年的回歸期。針對其他回歸期，其指導原則可用下列公式計算：淨額：（比率指導原則）x（（225/回歸期年數）^0.353），毛額：（比率指導原則）x（（225/回歸期年數）^0.278）。
來源：惠譽國際信用評等公司。

導出信用因素評分之各個比率權重會根據發行人而有所不同。非壽險和再保險的部門最常見的權重（或「評等起點」）如下。

評等起點權重比率權重（非壽險、再保險）[a]

比率	評等起點權重	註解
巨災損失年度總淨額對資本的比率	若評分為弱化則較高；若評分為強健則中等	若損失年度總淨額和總毛額差距較大，表現強勁的權重可能較低，代表對再保險的依賴性過高。
巨災損失年度總毛額對資本的比率	若評分為弱化則較高；若評分為強健則較低	當評分弱化時，此影響通常較高，然而其他可能影響權重的定性因素還包含察覺到爭議風險；巨災模型的保守主義；多元化（若風險完全交予母公司）和過去紀錄。

再保攤回對資本之比率	中等	當資訊指出可收回部分明顯逾期，及/或關鍵再保險公司的信用品質較低時，可能變得較高。當可收回部分有關聯時，可能變得較低。
淨簽單保費對總簽單保費比率	較低	若保留程度非常低時，會變得更具影響，特別是在常見的保留業務項目；或是保留程度非常高時，表示購入的再保險不足。

[a]權重為較高、中等，或較低。來源：惠譽國際信用評等公司。

再保險

惠譽對於再保險的評估重點是：

- 備有充分的再保險金額和類型，以限制特定險種產生之淨損失曝險。
- 再保險方案中無明顯財務短缺漏洞。
- 再保險購買成本不會過度壓低分保公司的獲利能力，使該分保公司獲利能力不足並削弱其競爭態勢。
- 再保險公司的財務實力雄厚，因再保險公司無力償債所生未收回結餘風險較低。
- 與再保險公司可能發生收款爭議的風險並未過高。

惠譽用以評估再保險方案的資料，其可得性會因為再保險方案的不同而有很大差異。當可取得的資訊有限時，惠譽更偏重上述比率和指標，也會觀察跡象，找出標示風險性變更的再保險方案變動。這些跡象包括再保險業者分保保費金額的變化、再保險業者承擔已發生損失比例的變動，或是再保攤回金額的改變。

證券化

保險公司可能會支持風險證券化，例如巨災債券。風險證券化的交易對手信用風險通常極低或是沒有，因為他們通常已有充分的擔保。然而，分保公司的保障受到基差風險影響而不夠完整的情況並不罕見，尤其是當付款連結產業損失指數或定義參數時。

財務再保險

保險業者可使用財務再保險來增加獲利，此種作法實際上可提高整體風險。利用財務再保險案例包括：

- 依據比率合約再保險的超額分保，目的僅在賺取分保佣金。
- 有限風險再保險，較少用來達成風險移轉，多是受到財務目標驅動所為，例如抵銷當期收益費用、平滑收益，以及在現值基礎上貼現準備金。

惠譽通常認為透過財務再保險創造的收益和資本，其品質低於蘊含較高程度風險移轉的傳統再保險形式所取得的收益和資本。此類再保方案的分析需要層次更高的判斷力。

巨災風險

惠譽針對非壽險保險業者進行巨災風險評估，除傳統風險分析外，在某些地區，也會同時評估巨災風險模型輸出結果。惠譽首先評估保險公司的業務組合、地理集中度、保費成長率、過去巨災風險發生結果，以瞭解該公司的整體巨災風險管理情況。此類評估是從保險業者在司法管轄區內市場整體範圍，以及保險業者的市場損失特定比例兩方面，考量巨災風險之性質。

惠譽也會在保險業者提供其內部經授權的巨災模型時，檢視該模型運作結果。惠譽檢視各期間不同的信心水準，包括 100 年期、250 年期、500 年期和 1,000 年期或然率，如有可能，也包括較上述期間更長的或然率。惠譽認為完整評估「尾端」最終結果是非常有用的，在部分程度上，惠譽承認實際巨災事件的發生頻率似乎較許多模型所顯示者更高。惠譽擁有 AIR Worldwide Corporation（AIR）授權的 CATRADER 自然巨災模型工具（主要用於美國），在適當可行的情況下，將利用此模型提供損失分布曲線預測。

惠譽認為以年度加總為基礎（包括再保險總額和淨額二者）的巨災模型結果，最能提供有用的資料。同時，在可取得資料的前提下，惠譽偏好採用的作法是尾端風險值（T-VaR），而非最大可能損失（PML）。惠譽承認，任何由模型驅動的分析皆可能有不足之處，不應過度依賴任一種模型的結果而未運用判斷能力去判讀模型輸出結果。

壽險業者風險緩解

針對部分壽險業者，除再保險外，風險**緩解**策略也扮演十分重要的角色，其包括：

- 運用衍生性避險工具，以限制變額年金或單位連結型產品的市場擔保風險。
- 在美國，業者使用各種不同的策略，「摒棄」壽險險種受到包含從屬保證在內的超額準備金監管規範，以藉此達到監管資本寬減目的。
- 在美國境外，則是透過特定產品「內含價值」的證券化，以提供資本流動性。

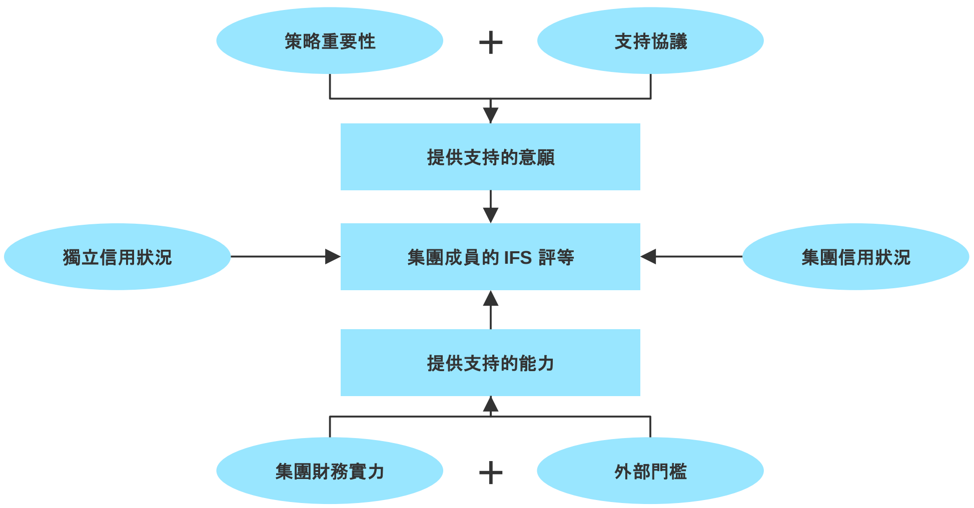
惠譽對衍生避險商品所做的評估，與「再保險」評估類似，但若可取得相關資訊，惠譽也會考量基差風險、管理策略、避險計畫相關的管控措施。惠譽在評估某些公司時，會以該公司避險業務的歷史績效作為評估的主要部分.

集團評等準則

針對保險集團成員的保險公司財務實力（IFS）評等如何造成其他集團成員 IFS 評等的影響，本節說明其所適用的指導原則。惠譽最終採取下列三項方法之一來判斷特定集團成員的 IFS 評等：

- 獨立方法：基於集團成員自身財務狀況授予評等，不受集團隸屬關係的影響。
- 部分屬性方法：評等乃是以集團成員自身財務狀況為依據，並考量其他集團成員的優劣勢影響。
- 集團方法：僅以集團信用情況為評等依據。

集團評等概述



IFS 是指保險公司財務實力。
來源：惠譽國際信用評等公司。

可適用的評等方法是核心集團成員提供支持的能力與意願因素，請見下一頁圖表所述。

提供支持的意願

集團對於特定集團成員的支持意願因素為：

- 集團成員的策略重要性。
- 訂有支持協議。

對於集團整體策略重要性越高的成員，惠譽就較有可能採用集團方法或部分屬性方法。即使成員缺乏足夠的策略重要性，但若有正式支持協議時，惠譽也會採用集團方法或部分屬性方法。

支持協議

支持協議會對集團支持意願的評估造成影響，尤其是當評估較非核心的集團成員時。通常正式支持協議會提高集團成員的策略性評估和 IFS 評等。正式支持協議對於策略性等級類別的提升程度，是由惠譽自行主觀判斷。非正式支持協議通常對於評估並無影響。以下為正式支持協議的主要類型。

債務擔保：確保債務會由另一集團成員及時支付，且通常不可撤回，縱使該保險業者自集團中分割出售（但對於新債務的擔保則可隨時終止）。

「財富分享」再保險：該再保險方案的架構，可使參與其中的關係企業共享財富起落。例子包括擁有整體業務超過 80% 的份額；累計止損保險至最高 70% 賠付率；累計巨災涵蓋超過 100 年期至 500 年期一遇最高可能損失，或是公司間的共保協議。如果毫無關聯的第三方輕易可依據相似條款提供再保險服務，且／或不允許財富分享，則不會將該再保險視為一種支持形式。

集團成員的策略重要性

參數	核心	非常重要	重要	重要程度有限
支援集團目標的成功紀錄與展望	非常強	強	有成功紀錄與展望，但存在若干不確定性	有好有壞；不明朗
集團整體綜效	關鍵且必須	具有綜效，但與核心重要性的差距小 可能是規模或新穎性的因素	無法證實或綜效不明 相較集團其他成員可能具有相對較小的規模、新穎性或具有較高風險的業務	不具綜效關係 得（有可能）提供若干程度的多元化
品牌	驅動集團品牌	時常共享	可能不會共享	可能不會共享同
相對於集團預期的財務結果	具有一致性 時常用以決定集團的財務預期	一般而言具有一致性	有時候一致，有時則不一致	可能未達預期
相對規模	相對於整體及／或按絕對價值計算，具有重要規模 規模可以較小 （更多說明如下）	與核心重要性的保險業者規模有一定差距	與核心重要性的保險業者規模有顯著差距 管理重要成員常帶有成長的意圖，使其成為更具重要性的公司	通常規模相對較小 處於期滿自然流失狀態
評等期間的拆售可能性	高度不可能 僅長期持有後才會進行分割	不可能 僅長期持有後才會進行分割	合理可能發生，但並無預期	合理可能發生 可能出售的公司，其重要性通常有限
假設性分割對於惠譽看待集團或其成員的影響	重新評估其他核心關係企業的策略重要性 檢視是否集團信用狀況受到影響	重新評估其他非常重要關係企業的策略重要性	影響有限	無

對於核心集團成員的其他意見：如果小型集團成員在組織策略中扮演關鍵角色，例如延伸的核心業務位於較小規模但重要的市場，而且在市場占有一席之地，或是作為重要地區市場的營運中心。小型核心保險業者，其設定目的可能只是為了取得關鍵司法管轄區中的營業執照，以作為公司間再保險合併安排的成員，或作為外國子公司，其主要策略目的是向母公司所投保公司當地的分支機提供保險。

主要在已開發市場中營運的集團，核心實體通常不會是該集團在新興市場中所挑選的事業。

部分組織可能有二種以上核心業務。例如，藉由最小程度的整合而由重要壽險及非壽險事業組成的美國保險組織。惠譽可能針對每一核心業務集團進行專屬該集團的信用狀況評估。

資料來源：惠譽國際信用評等公司

資本支持協議：由董事會或高階管理階層授權成員所簽訂，以維持集團成員資本高於最低門檻（通常是以絕對價值或監管所需資本百分比的方式確定）。資本支持協議生效時通常會有法律上的約束力，但當該保險公司被分割出售，則可撤銷並退出協議。

管理階層出具的支持信函及策略聲明視為非正式支持。

提供支持的能力

集團對於特定集團成員提供支持的能力因數為：

- 集團的財務實力。
- 限制資本／資源移動的外部門檻。

財務實力

從監管的角度來看，當集團財務實力強勁時，關係企業間的資本或其他資產移轉能力很少構成問題。但當信用基礎薄弱時，保險監管機關對此會採取較為謹慎的態度，另外像是評等機構、債權人、經銷商和客戶等其他成員則是對偏離他們期待的資本移動抱持負面看法。

策略重要性變動 — 趨勢 / 分拆

趨勢：惠譽可能會調整特定實體評等的「展望」，接著再變更該實體的評等，藉此反映出策略性等级類別的未來可能變動（若其以最近趨勢為依據）。

分拆：若集團宣布出售、首次公開上市或拆分其支持實體的協議（或宣布正在探討策略性替代方案），惠譽通常會調降其策略性等級類別至「重要程度有限」，且採取下列相關行動：

- 已確認買家 / 信用狀況優於賣方：惠譽可能會使用發展中的評等觀察名單，在重要程度有限的情況下，反映出評等在交易完成時的升級可能性，或是交易未完成時的降級可能性（若惠譽對該交易完成具有高度信心，則可能會列入正面評等觀察名單）。
- 已確認買家 / 信用狀況與賣方相近：惠譽可能會使用負面評等觀察名單，若賣方信用狀況較差，惠譽可能會調降評等，以反映新的「重要程度有限」等級類別。若惠譽認定該實體將如同未分割前一樣持續受到支持，前開評等調降程度可能會因此減少。
  - 若惠譽先前對於即將分割保險業者未評估其獨立信用狀況，且 / 或無法建立該評估，則使用發展中的評等觀察名單。
- 未確認買家：惠譽通常會在該實體對外公布消息時調降評等，因消息宣布本身即表示已發生策略重要性的變動。.
  - 若管理階層表示僅出售給具有相似評等的新母公司，且最終如未出售，該公司仍將受到支持，惠譽會考量此類聲明，但其可能會或可能不會影響判斷結果。另外，惠譽也可能會把該實體評等置於發展中的評等觀察名單。

惠譽通常會假設已開發市場中保險公司財務實力評等「A」的集團，具有提供支持的能力。對於評等敏感度高的公司，會使用較高的評等標準。相反的，如果在評等低於「A」的市場，且資本流動相關監管限制預期不高，則會在開發中市場使用較低標準。

外部壁壘

外部壁壘可限制集團成員間的相互支持，縱使他們有意願且有能力提供支持。這些壁壘包括監管或法令限制、潛在的政府干預、不利的課稅結果及債務協議。越能明顯察覺的外部壁壘，惠譽越有可能對其獨立進行評估。

在幾乎所有司法管轄區中，法定資本比率及／或清償邊際要求會對上繳股利支付和其他資本調動設限。各司法管轄區的監管程度和外部壁壘大小程度具有偌大差異。

在開發中市場中，當壓力出現時，政府施加的外部壁壘會變得十分明顯，這包括外國關係企業支持本地子公司的能力。

信用情況 —獨立信用狀況和集團信用狀況

獨立信用狀況（SACP）和集團信用狀況（GCP）在集團評等準則適用中扮演重要角色。

獨立信用狀況當策略分類低於核心，或對集團提供支持能力有所疑慮時，惠譽即會展開特定集團成員的獨立信用狀況評估。在其他大多數 情形下，包括最核心的關係企業，惠譽不會進行獨立信用狀況評估（針對少數挑選出的核心集團成員，SACP 可作為集團信用狀況評估的輸入項）。

由於資訊上的限制，或是集團成員沒有真實獨立的概況可供瞭解，惠譽有時未必能形成獨立信用狀況評估。在這種情形下，若現有的 SACP 對評等結果很重要，惠譽將不會對該關係企業進行評等。

當信用因素的確無法在獨立基礎上進行評估，但仍可合理推測時，則會適用下列假設情況：

- 業務情況：通常假設關係企業是透過集團品牌重塑形象。
- 償債能力及財務彈性：除非關係企業擁有自身外部資本取得管道，通常不會對此進行評估。
- 關係企業提供的再保險在分析中排除，或假設其是由不相關的第三方以關係企業相似評等水準所提供的再保險。

- 假設關係企業提供的服務（投資管理、理賠程序等）均具有相同水準，並由不相關的第三方所提供。

集團信用狀況無論何時採用這項集團評等原則，均會形成集團信用狀況。集團信用狀況通常是以合併集團後的整體財務狀況為基礎。在相同組織內如有超過一個核心集團時，集團信用狀況會以每一核心集團（近似）的整體狀況作為判斷基礎。

評等指導原則

下列表格中的指導原則，可看出相對於集團信用狀況 每一策略性等級類別，集團成員最高可達到的 IFS 評等。調升可能性受到集團信用狀況和獨立信用狀況（欄 1）差距的影響，以及財務實力相關門檻是否存在而可限制支持能力。欄 2 則用於門檻不存在的時候，欄 3 則是額外用於門檻存在時。

核心

	集團信用狀況水準	
集團信用狀況優於獨立信用狀況	**無財務實力門檻：相對於集團信用狀況 的最高 IFS**	**財務實力門檻：從獨立信用狀況調高級距上限**
0 – 2[a]	GCP	無上限
3 – 5 級距	GCP	3 以上
6+ 級距	GCP	4 以上

[a]許多核心子公司在多數情形下不會發展出 SACP。在這類情形下，則適用此行。
IFS 是指保險公司財務實力。GCP 是指集團信用狀況。SACP 是指獨立信用狀況。
資料來源：惠譽國際信用評等公司

非常重要

	集團信用狀況水準	
集團信用狀況獨立信用狀況[a]	**無財務實力門檻：相對於集團信用狀況的最高 IFS**	**財務實力門檻：從獨立信用狀況調高級距上限**
0-2	GCP	無上限
3 – 5 級距	低於 1	2 以上
6+ 級距	低於 3	3 以上

[a]若正式支持協議存在於步驟 3，則最高 IFS 評等為集團評等，無論
GCP 和 SACP 間的差距如何。IFS 是指保險公司財務實力。GCP 是指集團信用狀況。
SACP 是指獨立信用狀況。
資料來源：惠譽國際信用評等公司

重要

	集團信用狀況水準	
集團信用狀況 優於獨立信用狀況[a]	**無財務實力門檻：相對於集團信用狀況的最高 IFS**	**財務實力門檻：從獨立信用狀況調高級距上限**
0-2	GCP	無上限
3 – 5 級距	低於 2	1 以上
6+ 級距	低於 4	2 以上

[a]若正式支持協議存在於步驟 3，則最高 IFS 評等為集團評等，無論GCP 和 SACP 間的差距如何。IFS 是指保險公司財務實力。GCP 是指集團信用狀況。
SACP 是指獨立信用狀況。
資料來源：惠譽國際信用評等公司

重要程度有限 — 有正式支持協議[a]

	集團信用狀況水準	
集團信用狀況 優於獨立信用狀況a	無財務實力門檻：相對於集團信用狀況的最高 IFS	財務實力門檻：從獨立信用狀況調高級距上限
0-2	GCP	GCP
3 – 5 級距	低於 1	2 以上
6+ 級距	低於 2	3 以上

[a]若無正式支持協議，重要程度有限的公司會依據其 SACP 進行評等。
IFS 是指保險公司財務實力。GCP 是指集團信用狀況。SACP 是指獨立信用狀況。
資料來源：惠譽國際信用評等公司

核心

惠譽通常會把集團信用狀況 歸因於核心成員的 IFS 評等。若惠譽對於支持能力產生疑慮，則可能不會完全適用集團信用狀況，而基於獨立信用狀況與集團信用狀況之間的評等級距數進行考量。

非常重要／重要

惠譽通常依據集團信用狀況，或者在集團信用狀況與獨立信用狀況之間進行評等。依據上述表格使用特定最高評等基準，以及集團提供支持能力的限制，均會進一步影響評等提高的程度。這些基準在「非常重要」與「重要」之間會有若干差異。

重要程度有限

除非有正式支持協議的存在，且集團成員 IFS 評等可能提升至集團信用狀況水準，否則通常是依據其獨立信用狀況進行評等。提升程度是基於該成員在策略評等類別具有多重要的地位。依據稍早提及的表格，惠譽通常也會針對提升程度訂定上限。

其他集團評等的考量因素

參照弱點

雖然本節主要重點放在因得到支持而使原本可能獲得較低評等的集團成員評等提高，但惠譽亦會考量表現差的關係企業拉低集團中其他成員評等的情形。這反映出大多數集團偏好避免「離開」問題關係企業，因為它會對經營`權產生負面印象。在這些情況下，惠譽將考量集團預估須要提供較弱關係企業的支持量和可能性。惠譽可能會調降可能提供支持的保險業者評等，並調高獲得支持者的評等。

分行評等

分行通常與總公司為同一法人實體，無論其為本國或外國分行，因此，通常授予分行與總公司相同的 IDR 評等。授予每家分行的 IFS 評等，是以住所地國家所適用的基準回收率假設為依據，此將在稍後評等級距一節中加以說明。因此，若在每一國家具有優先權的保單持有人義務並不相同，則分行與總公司二者可能或可能不會獲得相同級距水準的 IDR 評等。

若特定司法管轄區中的分行相關法規，未將分行視為與總公司具有同一法人格，惠譽將依據子公司評等方式來評估分行，並適用上述的集團評等準則。針對轉讓及可兌性風險採用的國家上限評等法，在其適用範圍內，亦適用於分行評等。

少數股東權益的影響

若特定集團成員存在具有決定性少數股東（亦即 20% 以上），惠譽較不可能依據原本所欲調升的水準來完全提高評等。少數股東權益會影響其增資本的能力。

評等高於集團信用狀況

這雖是罕見情況，但在某些情況下，全資集團成員之評估仍有可能高於集團評估。惠譽一般會猶豫給予高於集團信用狀況的評等，主要顧慮在於，若是集團出現財務壓力時，會從擁有較高評等之集團成員處取得資本或其他資源以確保集團之財務地位。惠譽在這些標準下考量給予高於集團評估之評等時，需思考以下這些內容：

- 由於集團成員抽走的財務資源遠大於抽走該財務資源所產生經濟利益，降低集團成員評等對於集團具有顯著不利的經濟影響。
- 集團成員本身擁有獨立營業和財務基礎架構，且其業務與集團業務無關。

- 集團成員會在評等敏感度高的業務中競爭，且集團成員在該經營業務中的評等無法有效與集團信用狀況水準比較。
- 依靠集團全體給予融資的程度非常有限。

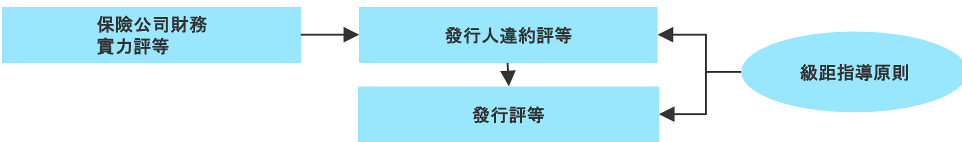
若特定集團成員獨立信用狀況本質上高於集團信用狀況評等，少數股東權益的存在也可能提高惠譽給予高於集團信用狀況評等的可能性。少數股東權益使集團較難抽走獲得較高評等集團成員的資本。

理論上雖未對集團信用狀況與獨立信用狀況間的評等級距加以設限，但集團成員獲得超過集團信用狀況兩個以上級距的評等，仍是極為罕見之情況。惠譽不會對用來限制抽走資本能力的結構性保護措施給予正面評價，因為大多數結構性保護措施在壓力期間均可能反轉。

債務／混合型證券發行和級距

級距係指建立相對於已訂定之「錨點」評等做法，並用於債務和混合型證券發行評等。級距適用的初始錨點為保險公司財務實力評等，以建立一個或多個發行人違約評等。債務／混合型證券發行便以發行人違約評等作為級距基準。依據此指導原則的評等級距水準如下。

級距概述



來源：惠譽國際信用評等公司。

直接債務的評等級距是以違約發生時的假設回收率為依據。回收率較高的債務會從發行人違約評等調高級距，而回收率較低的債務則從發行人違約評等調低級距。混合型證券評等級距也會受到違約前即表現不佳的風險影響。

惠譽對於具有「BB－」以上發行人違約評等的發行機構，通常會對其不同義務等級及類別的債務使用一般回收率假設。針對發行人違約評等「B+」以下的評等，惠譽會研訂定制回收率預估，且將回收率評等（RR）分為「RR1」至「RR6」，與下表中所列六項回收率範圍相符。

相對於發行人違約評等的一般級距（限回收率）

	級距程度	
回收率前景	投資等級	非投資等級
傑出（91%－100%）	+2	+3（有擔保），+2（無擔保）
優秀（71%－90%）	+1	+2
良好（51%－70%）	+1	+1
平均（31%－50%）	0	0
低於平均（11%－30%）	－1	－1
不佳（0%－10%）	－2	－2 或 －3

資料來源：惠譽國際信用評等公司

監管對於級距的影響

監管之形式在這些級距標準中建立起一個理論基礎。惠譽將監管分類為「集團償付能力」、「圍欄限制」或「其他」。

集團償付能力

在保險經營公司與整併集團持股層級提出健全之資本需求，擁有可保障保單持有人利益之法令和規定。備有集團監管機關或監管協會制度，且期望重要集團成員與地方監管機關參與。無重要集團成員（含持股公司）具備明確之破產保障法定能力，或是其他法定補救措施，讓它能置身於集團監管機關之決議權外。

圍欄限制

監管意圖從根本上將保險經營公司隔離於其他集團成員（含持股公司與非保險關係企業）之風險外，以保障保單持有人利益。圍欄限制時常透過下列方式為之：在個別經營公司層級提出健全資本和其他標準，及／或透過限制性財務方案管制從經營保險公司到集團關係企業／股東之資本或資金流，要求監管機關或其他方式事先核准。

其他

償付制度在某些離岸地點或開發中市場是最常見之情況，由於其在規模上受到限制，因此被認為效果不彰。

當監管機制具備集團償付能力與圍欄限制兩者的要件時，惠譽使用圍欄限制分類。

監管分類（國家別）

國家	分類	國家	分類
阿根廷	其他	哈薩克	其他
澳洲	集團償付能力	馬來西亞	圍欄限制[a]
亞塞拜然	其他	墨西哥	圍欄限制
巴貝多	其他	摩洛哥	其他
白俄羅斯	其他	紐西蘭	圍欄限制
百慕達	集團償付能力	尼加拉瓜	其他
巴西	圍欄限制	巴拿馬	其他
加拿大	圍欄限制／集團償付能力[b]	祕魯	圍欄限制
開曼群島	圍欄限制[c]	俄羅斯	其他
智利	圍欄限制	沙烏地阿拉伯	圍欄限制
中國	集團償付能力	新加坡	圍欄限制[a]
哥倫比亞	圍欄限制	南非	集團償付能力
哥斯大黎加	圍欄限制	南韓	圍欄限制
多明尼加共和國	其他	斯里蘭卡	圍欄限制
薩爾瓦多	其他	瑞士	集團償付能力
歐洲經濟區	集團償付能力	台灣	集團償付能力
瓜地馬拉	其他	泰國	圍欄限制
宏都拉斯	其他	突尼西亞	其他
香港	圍欄限制	土耳其	圍欄限制
印度	圍欄限制	美國	圍欄限制
印尼	圍欄限制	烏茲別克	圍欄限制
牙買加	其他	烏拉圭	圍欄限制
日本	集團償付能力	委內瑞拉	其他

[a]若馬來西亞和新加坡保險監管規定提高母公司／持股公司層級的資本標準，則該國監管分類屆時將可能變為「集團償付能力」。在那之前，評等委員會會依監管機關在整併後母公司／持股公司層級對特定集團提出之特定資本標準本質所提供之圍欄限制或集團償付能力假設，視各集團決定級距。[b]加拿大並未正式規範持股公司，不過，過去有多家最大之共同壽險業者註冊持股公司，而部分股票公司有與監管機關簽定協議，以建立一些加強版之直接持股公司法規。因此加拿大採用之監管分配內容會因情況而對各公司採取不同之內容。[c]依開曼群島之規定僅用於 Class D 再保險業者。所有其他等級的分類則屬「其他」。
資料來源：惠譽國際信用評等公司

保險公司財務實力評等對照營運公司發行人違約評等級距

營運公司發行人違約評等的級距是從保險公司財務實力評等而來，其基於保險公司財務實力評等內含的保單持有人／再保險義務的假設回收率為基礎。

當監管分類為集團償付能力或圍欄限制時，惠譽假定保險公司財務實力評等假設回收率「良好」，此是基於對於監管機構的信賴，相信監管機構會在不良情境中及早介入，確保資產保留在企業中。無論是否正式享有優先權，我們假設作為最大負債的保單持有人／再保險義務，會在企業整體回收率占有很大的比例。

當監管分類為「其他」時，則是將低於「良好」的回收率用適用在保險公司財務實力評等。由評等委員會依據主觀判斷認定適當的回收率假設。重要的是，這項較低的回收率假設通常與較低的產業情況和營運環境（和相關信用因素）評分互相影響，此將造成相對於監管環境較健全的司法管轄區，其他地區集團成員的保險公司財務實力評等會較低。

發行人違約評等向來被設定為「回收率中立」，符合「平均」回收率之假設。基於保險公司財務實力評等回收率「良好」的假設，惠譽因此會將發行人違約等級設定為比保險公司財務實力評等低一個級距。當保險公司財務實力回收率低於「平均」或「不佳」時，發行人違約評等將會較保險公司財務實力評等為高。

惠譽之跨產業標準報告《國家回收率評等具體處理方式》也與回收率假設密切相關的保險公司財務實力評等水準具有關聯性。此報告討論了在信用保障執行力受限或可疑之司法管轄範圍中可對回收率假設施加之上限。

營運公司發行人違約評等級距指導原則

	針對保險公司財務實力評等的回收率假設			
	良好／RR3	平均／RR4	低於平均／RR5	不佳／RR6
發行人違約評等 相對於保險公司財務實力	－1	0	1	2

IDR 是指發行人違約評等。IFS 是指保險公司財務實力。
資料來源：惠譽國際信用評等公司

營運公司發行人違約評等相對於控股公司發行人違約評等級距

營運公司發行人違約評等與其控股母公司發行人違約評等間的級距，乃是以這兩個實體所認知的違約風險差異為評估依據。這項評估受到其所採用的監管方式大幅影響：

部分全球集團的營運地，是在同時具有「集團償付能力」及「圍欄限制」兩類監管形式的司法管轄區。針對 30% 以上盈餘或資本來自於預期採取圍欄限制國家的全球集團而言，通常會採用「圍欄限制」評等級距。惠譽最有可能對僅在歐盟內經營的集團，基於控股公司發行人違約評等目的，假設跨國「集團償付能力」。

發行人違約評等級距指導原則 — 保險公司至控股公司

	監管環境		
	圍欄限制	集團償付能力[a]	其他
投資等級[b]	－1	0	0
非投資等級	－2	－1	－1

[a]外國子公司占 30% 以上的盈餘／資本，則可能採用圍欄限制。[b]以營運公司發行人違約評等為依據。
資料來源：惠譽國際信用評等公司

其他的級距考量因素 — 受圍欄限制的控股公司

控股公司發行人違約評等在圍欄限制環境內亦受下列因素影響：

- 財務槓桿程度。
- 固定費用涵蓋率。
- 控股公司現金水位。

下表為額外壓縮或延展的級距，其使用是由評等委員會主觀判斷所為，且將大幅考量現行財務指標及這些指標在評等期間內的預期表現。

經圍欄限制的持股公司 — 其他指導原則

	壓縮發行人違約評等 1 個級距	延展發行人違約評等 1 個級距
財務槓桿比率（FLR）（%）	低於 16	高於 30
固定費用涵蓋率[a]（倍數）	高於 12 倍	低於 3 倍
控股公司現金	過去五年中的每一年，現金／流動資產均超過債務／混合型證券義務的 75% 有意至少在中期內將控股公司現金狀況維持在高水位（即無使用現金挹注併購活動或買回股份）。 保險公司財務實力評等在「A」等級以上。	—

[a]通常適用於財務槓桿比率為 16%－30% 範圍之間。IDR 是指發行人違約評等。IFS 是指保險公司財務實力。
資料來源：惠譽國際信用評等公司

非保險業務對於控股公司發行人違約評等的影響

在控股公司旗下擁有非保險子公司的高度複雜組織中，使用上述僅針對保險公司發行人違約評等和持股公司發行人違約評等級距指導原則，可能不夠全面。在這樣的情形下，惠譽也將考量經營非保險業務子公司的相對規模、信譽度和資本／流動性需求，以及其對於控股公司償債能力及流動性的貢獻度。控股公司發行人違約評等將介於可適當平衡保險及非保險業務的水準。

債務發行級距相對於發行人違約債務評等

有關相對於發行人違約評等的發行實體評等級距，首先是以違約發生時所預期的回收率作為評估基礎。如上所述，當發行人違約評等為「BB−」以上時，這些級距皆以下表所示的一般性假設為依據。定制回收率通常用於發行人違約評等「B+」及以下者。

一般保險回收率假設

	監管環境		
義務類型	**圍欄限制**	**集團償付能力**	**其他**
保險公司			
無擔保優先債務	平均	平均	平均或低於平均
次級	低於平均	低於平均	低於平均或不佳
深次級	不佳	不佳	不佳
控股公司			
無擔保優先債務	低於平均	低於平均	低於平均或不佳
次級	不佳	不佳	不佳
深次級	不佳	不佳	不佳

資料來源：惠譽國際信用評等公司

無擔保優先債務及次級／深次級債務級距指導原則請見下表。

無擔保優先債務—級距指導原則

	監管環境		
發行人類型	**圍欄限制**	**集團償付能力**	**其他**
保險公司			
回收率	平均	平均	平均或低於平均
相對於發行人違約評等之級距	0	0	0 或 －1
控股公司			
回收率	低於平均	低於平均	不佳
相對於發行人違約評等之級距	－1	－1	－2 IG, -3 BIG

IDR – 發行人違約評等。IG 是指投資等級。BIG 是指低於投資等級。
資料來源：惠譽國際信用評等公司

次級和深次級債務[a]—級距指導原則

	監管環境		
發行人類型	圍欄限制	集團償付能力	其他
保險公司（次級）			
基線回收率	低於平均	低於平均	低於平均或不佳
相對於發行人違約評等之級距	–1	–1	–1 or –2
保險公司（深次級）			
基線回收率	不佳	不佳	不佳
相對於發行人違約評等之級距	–2 IG, -3 BIG	–2 IG, -3 BIG	–2 IG, -3 BIG
控股公司（次級和深次級）			
基線回收率	不佳	不佳	不佳
相對於發行人違約評等之級距	–2 IG, -3 BIG	–2 IG, -3 BIG	–2 IG, -3 BIG

[a]表格針對未有不履行特點的次級債務加以說明。請見具有不履行特點次級債務的混合型證券級距。次級是指次級債務。IDR 是指發行人違約評等。IG 是指投資等級。 BIG 是指低於投資等級. 資料來源：惠譽國際信用評等公司

有擔保債務級距

擔保債務級距是以惠譽定制分析為依據所得出的回收率假設，不考慮發行人違約評等水準（除非發行人違約評等低於「BB・」，否則不會公布回收率）。此外，若有擔保債務數量龐大且會對大部分違約後資產有著首次理賠，則惠譽會對較低順位之證券使用較低之一般回收率假設。有擔保債務級距指導原則如下：

- **傑出：**投資等級者可較發行人違約評等高兩個級距，而低於投資等級者則可高三個級距，但非投資等級者的上限則為「BBB–」）。
- **優秀：**投資等級者可較發行人違約評等高一個級距，而低於投資等級者則可高兩個級距，但非投資等級者的上限則為「BBB–」）。
- **良好：**較發行人違約評等高一個級距。
- **平均：**適用無擔保債務級距指導原則。
- **低於平均／不佳：**適用次級／深次級債務指導原則。

融資協議擔保票據（FABN）方案級距

融資協議擔保票據方案中為特殊目的機構（SPV）發行壽險公司融資協議所擔保的票據。由於壽險公司發行的融資協議與其他保單持有人理賠具有同等位次，因此融資協議擔保票據的利率級距將由壽險公司的保險公司財務實力評等水準加以決定。

保證債務

相較於依據發行機構的發行人違約評等相關級距準則，或是基於保證等級適用的保證人發行評等（可能是優先無擔保、次級或其他）所授予的評等，完全保證債務獲得的評等會較高。

銀行保險業回收率假設

惠譽對於銀行保險業集團，通常採用上述回收率假設判斷該集團內各種保險營運與控股公司之債務。但是，若評等委員會認定控股公司可能會受到銀行般破產清理影響時，評等委員會可能會將銀行般回收率假設用於保險控股公司的債務和混合型義務。只是，銀行般回收率假設極少適用於保險營運公司層級。

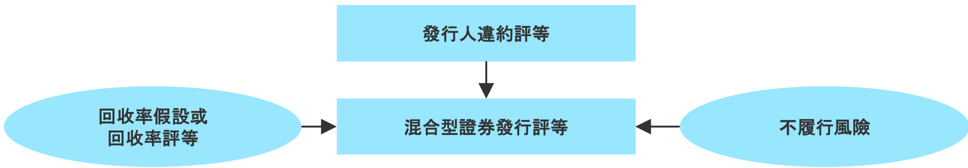
保險收益債券

針對其負債具有市政收益債券某些元素，且由政府資助／組織成立的美國保險實體，債券評等將會與發行機構的發行人違約評等一致，而不使用假設性回收率級距。在這類情形下，與美國市政收益債券類似，評等主要受到估算（收益）來源的強度和穩定性影響。舉例來說，政府資助的巨災風險保險業者，其資金主要來源為產業保費估算收入。

混合型證券級距

在察覺混合型債務特點可能導致不履行（例如票息遞延或本金降值）的風險時，混合型債務應受到額外級距的規範。在評等混合型證券時，首先適用的是以回收率為基礎的評等級距.

混合型證券級距概述



來源：惠譽國際信用評等公司。

混合型證券帶有全然由管理層級認定較不可能的觸發點，一般都較少有額外的級距。但混合型證券帶有根據監管機關之判斷或保守之財務量表強制觸點時，一般認為更有可能觸發，因此帶有較多的級距。

在使用集團償付能力措施之司法管轄範圍中較常會見到監管機關對混合型證券特點有所判斷和影響，其中可能在法定資本納入混合型證券。在圍欄限制環境中則較不普遍，例如美國控股公司。

不履行風險級別

最小：此項特點在公司因其破產或違約前，預期不會觸發，例如一觸發因子與監管介入時的資本率一致且緊密相關時。最小風險適用於觸發與否留待管理階層裁量的情況，且無監管機關施加的預期壓力。最小風險也適用於具有回顧特點的高度複雜觸發因子，因而令人質疑其觸發能力。

中等：此用在介於最小風險與高風險之間的情況。

高：此項特點預期會在破產前觸發。這包括高於監管最小水準、與資本比率水準有關之觸發（且僅略低於被視為非常安全目標的水準）。高風險也適用在選擇性或裁量特性，其認定監管機關對於觸發有著顯著之影響力，且預期監管機關發揮 這樣的影響力（若正當）。大多數的狀況下，混合型證券條款內並無明確之監管權，而是預期監管機關在其一般性職權範圍內施加壓力，例如威脅若不觸發該特點，將因資本考量禁止混合型證券。這些對監管機構行為之期望常具備了高度判斷性，且會隨著司法管轄範圍、發行人及特定發行人之混合型證券工具而改變。

混合型證券不履行風險— 級距指導原則

風險水準	額外級距	案例
最小	0 或 1[a]	許多舊有的混合型證券，例如以管理階層認定為依據，且未具有或僅具有少數強制遞延觸發因子，或具有限制回顧特點者。資本率觸發因子包括 100% 美國 NAIC RBC ACL、120% 加拿大 LICAT 及 200% 日本 SMR，以及其他亞太地區國家所適用 100% 的最低邊際清償能力。
中等	1 或 2[a]	Solvency II 三級和二級混合型證券，例如有著相當保守的強制觸發因子，但有著某些限制之證券。例如：100% Solvency II SCR（票息及／或一次性到期贖回債券）、150% 美國 NAIC RBC ACL 及 150% 加拿大 LICAT 等資本觸發因子。
	2	具有完整債券判斷力且期望監管壓力的新式 Solvency II 一級混合型證券。
高	3 或以上	新式 Solvency II 一級混合型證券具有非常容易啟動的觸發因子，例如資本率觸發因子設定高於監管最低資本規定，且無其他限制。

[a]針對最小，使用 0 作為大多數情況之基線；1 作為圍欄限制環境中控股公司之基線。針對中等，1 是大多數情況之基線；2 是圍欄限制環境中控股公司之基線。這項區分是以在採用集團償付能力之國家中的所有營運及控股公司具有較高流動性為依據，其是由管理階層通過的混合型證券特點（例如票息遞延），相對於流動性可能受限（多為受圍欄限制的控股公司）時較不可能發生。即使根據「30% 外資／盈餘」指導原則將圍欄限制用於持股公司級距，但是依混合型證券發行人之國家來訂定監管環境，即採用集團償付能力之國家中將集團償付能力作為混合型證券級距。ACL 是指授權控制水準。LICAT 是指壽險資本適足性測試。SMR 是清償邊際率。SCR 是指償付能力資本要求。
資料來源：惠譽國際信用評等公司

美國盈餘票據與日本 Kikin 混合型證券級距

假設低於平均回收率（1 級距）與最小不履行風險（0 級距），則會從保險公司之發行機構違約評等對美國保險公司發行之混合型盈餘票據與日本保險公司發行之 kikin 調低一個級距。除非是在相對龐大之壓力下，否則監管機關過去會對這些工具實施遞延一事有所猶豫。

但若保險公司之財務槓桿比率（視盈餘票據或 kikin 為債務）超過 15%，於此情況時，假設遞延風險會升高到中等評等，則會調低盈餘票據或 kikin 兩個級距。

無保險公司財務實力評等作為錨點的級距

雖然保險公司財務實力評等為典型起點錨點，但有特定個案並未發展出保險公司財務實力評等，其錨點評等乃是控股公司的發行人違約評等。這可能會發生在發行人業務不適合建立保險公司財務實力評等時，例如沒有核心集團，且無單一營運實體占整體集團曝險達足夠大的比例（例如，控股公司業務是收購及管理各種不具相關性並處於業務自然流失狀態的營運公司）。

在這樣的情形下，主要信用因素可適用於持股公司發行人違約評等。但比率指導原則會在較低水準下進行評估，以反映出級距指導原則定義的控股公司層級風險。例如，在保險公司財務實力評等與控股公司發行人違約評等間具有兩個級距差距的情況，信用因素評分指導原則範圍會移動約兩個級距。

不良債務交易（DDE）

當重整債務時，如有下列情況，債務可能會被視為違約：1）相較於原始條款，重整帶來實質條款削減，且 2）重整或替換是為避免破產、付款違約及／或監管介入。當宣布進行不良替換時，發行人違約評等通常會降為「C」等級。執行不良債務交易時，發行人違約評等則通常會降為「RD」（限制性違約），且受影響發行評等將因此依據以上指導原則而改變。完成不良債務交易後，發行人違約評等很快會基於進展狀況再次進行評等，且通常會提升至履行水準，但常常仍是低投機等級。

綜合發行機構發行人違約評等及回收率評等的財務工具評等

	長期 發行人違約評等							
				不良及違約發行機構				
	B+	B	B－	CCC+	CCC	CCC-	CC	C/RD/D
RR1	BB+	BB	BB－	B+	B	B－	CCC+	CCC
RR2	BB	BB－	B+	B	B－	CCC+	CCC	CCC－
RR3	BB－	B+	B	B－	CCC+	CCC	CCC－	CC
RR4	B+	B	B－	CCC+	CCC	CCC－	CC	C
RR5	B	B－	CCC+	CCC	CCC－	CC	C	C
RR6	B－	CCC+	CCC	CCC－	CC	C	C	C

IDR 是指發行人違約評等。RR 是指回收率評等。附註：假設發行人違約評等相關財務工具評等的不履行風險並無遞增情形。
資料來源：惠譽國際信用評等公司

不良／低評等債務及不履行混合型證券級距

惠譽使用下表中的指導原則，針對違約及不良債務、混合型證券以及評等為「B+」以下的履行債務授予發行評等。此表概要說明低投機等級義務評等在公司財務中的意義， 其是以履行義務和不履行義務或是依據發行人加以區分。這項違約債務發行評等是以授予此發行的回收率評等為依據。

此表接續說明惠譽如何對不履行的混合型證券授予評等（即吸收損失特點），例如已通過的利息／票息遞延。

不履行混合型義務評等

義務評等	不履行義務
CCC	已觸發損失吸收，所蒙受的經濟損失非常低且與「RR1」相符時，受評義務預期回復至履行狀態。
CCC－	已觸發損失吸收，僅蒙受中度經濟損失且與「RR2」相符時，受評義務預期回復至履行狀態。
CC	已觸發損失吸收，蒙受高度經濟損失且與「RR3」相符時，受評義務預期回復至履行狀態。
C	已觸發損失吸收，蒙受鉅額經濟損失且與「RR4」至「RR6」相符時，受評義務預期回復至履行狀態。

資料來源：惠譽國際信用評等公司

定制回收率評等分析

對於發行人違約評等「B+」及以下的發行機構，惠譽通常會進行定制回收率分析，並就每一發行評等授予回收率評等。在部份情況下，惠譽可能會因為資訊不充分、時間不足（即發行人違約評等因非預期事件遭到調降時）或其他複雜原因，而決定不能給予回收率評等。在這類情況下，惠譽將適用一般回收率假設，且將註記為因欠缺回收率評等所造成的評等限制。

惠譽通常不會將回收率評等設定超過加減一個不同於一般回收率假設所表示的回收率評等水準。例如，若針對某類負債的一般假設是「RR4」，惠譽通常會將回收率評等設定在不高於「RR3」且不低於「RR5」。然而，如有違約發生，惠譽則不會將此限制套用在這項回收率等級水準上。

估值方法

回收率評等將以清算價值（LV）法或繼續經營（GC）法為依據，此取決於評等是針對營運公司或控股公司為之。

估值方法和主要假設

	營運公司	控股公司[a]	
方法	清算價值	清算價值或	繼續經營
無償付能力的假設性原因	資本顯著衰退至監管標準以下，或特定個案出現的嚴重流動性不足。	營運公司中根深蒂固的壓力	控股公司層級中根深蒂固的壓力。
其他假設	監管介入後不久，營運公司隨即發生債務違約，且／或在監管機關採取行動保護保單持有人之後，營運公司不履行混合型義務。	營運公司暫停付款給上游持股公司，造成控股公司須以自身流動性／財務彈性去履行義務，且最終未能持續履行其義務。營運公司和持股公司二者最終均遭清算。	營運公司仍具有償付能力，且可提供資金予上游控股公司，但最終證實上述資金不足。接著假設控股公司申請破產保護（若允許），且企圖出售全部／部分的營運公司子公司。

[a]基於假設性壓力的原因，可使用清算價值或繼續經營方法。在組織架構較複雜的部分情況下中，控股公司回收率分析將納入清算價值法和繼續經營法的要素。在這類情形時，回收率分析會依據架構複雜程度量身打造。
資料來源：惠譽國際信用評等公司

清算價值法 — 營運公司

營運公司的清算價值法須：1）在無力清償／監管介入時編列假設性預估資產負債表，且 2）施加額外壓力以反映清算過程中可能發生的問題。

預估資產負債表通常將法定資本設為零，但若假設該無力清償為突然發生且情況嚴重，則法定資本可設為負值。在資本負債表中重申關鍵資產和負債價值，以反映無力清償的假設性原因，例如，若無力清償主因為準備金的問題，則會藉由增加準備金來重設資本。

清算價值法 —控股公司

這方法是以現行控股公司本身的資產負債表作為分析起點，並可加以調整以反映下列情形：1）營運公司無力清償，2）短期內控股公司義務到期支付和提供營運公司資本融資的兩項假設性流動性支出，3）動用承諾信用額度，以及 4）適用下格中的附加壓力。控股公司的清算價值以零為最低值。

- 惠譽通常假設在壓力下出售營運公司，不會有殘餘價值可提供控股公司，且這些子公司將會完全結束營業。
- 回收資金將來自現存持股公司的流動資產及／或任何子公司或其他投資在非壓力狀態下的殘餘價值。

代表性附加壓力

類別	典型壓力範圍（%）
投資等級固定收益 — 上市	5 – 25
非投資等級固定收益 — 上市	10 – 50
普通股	25 – 75
非流動投資資產	25 – 100
應收帳款	5 – 50
無形資產	50 – 100
理賠／責任準備金	5 – 20 非壽險，0 – 10 壽險
超支費用	總資產 2 – 5

附註：這些範圍僅供參考。採用定制分析時，評等機構可能會使用其他經認定更為適當的資產估價方法。
資料來源：惠譽國際信用評等公司

惠譽將假設控股公司的流動資產中至少有一部分必須在清算前支出。

- 惠譽將降低針對控股公司一至兩年內所有到期義務所準備的現有流動資產，上述義務包括利息支付、償還到期債務本金（包括短期借貸）或控股公司層級支出。分析通常假設普通股、優先及混合型證券股利將暫停發放，因此不會納入減項金額
- 惠譽通常會假設在營運公司陷入無力清償前，為了協助避免這樣的情況發生，控股公司通常會向營運公司挹注一部分流動資產作為資本投入。針對這項調整並沒有嚴格標準，但通常範圍會落在現有營運公司資本的 10% – 20%。
- 惠譽通常會假設任何承諾信用額度的動用皆是為提供上述付款所需資金（如有必要）。這會同等增加控股公司在調整後預估資產負債表上的流動資產及債務義務。

若惠譽相信控股公司持有的重要保險或非保險子公司未處於壓力之下，且最終可藉此套現以支持回收，將會使用繼續經營法計算投資價值。

繼續經營估價 —控股公司

預期控股公司持有的營運子公司仍具有償付能力且控股公司違約主要是控股公司風險所驅動，例如超額使用財務槓桿時，將使用繼續經營法。惠譽假設：

- 有關控股公司義務回收所需資金將由出售營運子公司所獲價值支應。
- 所有控股公司流動資產（除支持有擔保債務的質押資產外）將在違約前完全用盡，因此無法用來支持回收。
- 倍數將因個別情況而有不同，但通常會介於下列範圍內。

倍數可能受到當地市場條件、監管條件和近期同業經驗的影響。在市場處於高位／低位時，倍數應依據穩健原則來限制／大幅調降倍數。實際市場價值可作為倍數判斷起點，但通常會因承認賣方飽受壓力而降低。受觀察的現行市場價值所適用的折價，將與上述討論的多重折扣有關。

估價倍數—圖解

估價法	通常倍數（倍數）
市盈率倍數	3.0–10.0
賬面價值	0.8–1.1
內含價值	0.7–0.95

附註：這些範圍僅供說明之用。極端市場或經濟情況期間，合理倍數會落在上述範圍外。
資料來源：惠譽國際信用評等公司

預估債權人債權

惠譽通常依照先後順序對債權人進行分類，例如同等優先清償債權人即分為同一組。通常的先後順序請見下表。

債權人的先後等級

營運公司	控股公司
優先保單持有人債務	有擔保債務
非優先保單持有人債務	無擔保優先債務
有擔保債務	次級債務
無擔保優先債務	混合型證券
次級債務	
混合型證券	

資料來源：惠譽國際信用評等公司

在若干司法管轄區中，壽險保單持有人債務的優先順位高於非壽險債務，而主要債務的優先順位則是比假設的再保險債務更高。其他可能存在但較少見的債務包括養老金債務，保證債務、衍生性工具（經常視為與無擔保優先債務具有相同地位，但在其他情形可有擔保務提供擔保）及或有求償。

惠譽將針對信用概況進行調整，以反映任何預估資產負債表上的變動，例如較高的理賠／責任準備金水準（因壓力值適用導致），任何信用額度的動用或假設償還控股公司一至兩年內所有到期債務。在特定個案中，惠譽也可能會因為會計問題進行調整，例如確保債務反映欠下之金額，而非公允價值（即減記以反映發行人本身之信用風險）。

決定價值和回收率評等分配

惠譽在一開始扣除 10% 以支付行政費用請求後，通常會假設這項價值將依據嚴謹的法定分配順序分配給各類別債權人。

按照法定順序分配是十分直接的計算過程，也就是先完全清償優先順位較高債務，再將多餘的金錢分配給順位較低的債權人。重要的例外情形則是發生在有擔保債務，當資產確保債務不受法定分配順序的拘束，且其壓力值適用於與有擔保債務相關聯的信用債權。在某些情況下，有擔保債務持有人也可能對於法定分配順序中的一般性資產具有請求權。

算出預估回收率後，惠譽將與回收率範圍帶進行比較以決定回收率比率評等。

儘管如此，在回收率評等最終確定前，惠譽會依據協商式和解考量順位在後債權人的假設性優惠待遇。一種方法是稍早提到的加減一個回收率評等的範圍內限制回收率評等的單向作法，且其與該類別的基線回收率假設所指相關。若算出的回收率在回收率範圍帶轉折處，惠譽也可能會授予相對於法定分配順序所表示者再高一級或再低一級的回收評等。

某些市場中，會透過「軟上限」（soft cap）來表示惠譽可能會給予的典型最大回收率值。這存在於若干對債務人友善且／或債權人權利強制執行力弱的司法管轄區。若要瞭解更多資訊，請見*惠譽的Country-Specific Treatment of Recovery Ratings Criteria.*

短期評等

使用右側對應表格授予短期評等。當長期評等與兩項短期評等中任一項相符時，適當的短期評等通常是基於發行人流動性及財務彈性情況的實力而決定，此是依據用來建立保險公司財務實力評等錨點的償債能力及財務彈性（DSCFF）與資產／負債和流動性管理（ALLM）信用因素計算而來。除非流動性及財務彈性情況相對於該評等水準指導原則表現良好，否則通常會使用兩個短期評等中較低者。短期評等也可受到結構面與監管面因素的影響。

控股公司短期債務評等

惠譽在評等控股公司短期債務之際，會在評等轉折處使用兩項短期評等中較低者。這反映出控股公司在結構面與監管面的從屬性，此造成流動資金取得更有限。短期債務評等乃是 映射自控股公司長期發行人違約評等的結果。

營運公司短期債務評等和保險公司財務實力評等

當惠譽評等營運公司發行或保證的短期債券，或是授予短期保險公司財務實力評等時，惠譽會使用這兩項短期評等中較高者，前提是如果短期償債能力及財務彈性（DSCFF）與短期資產／負債和流動性管理（ALLM）評分等於或超過下表所列門檻。否則，惠譽則會使用兩者中較低評等者。

最低短期 DSCFF 和 ALLM[a] 評分

短期評等	ST 信用因素評分[b]
F1+	aa 或以上
F1	a+ 或以上
F2	a－ 或以上

[a]對於非壽險公司的，資產／負債和流動性管理（ALLM）因素與「投資和流動性風險」合併觀之。[b]短期評等分析中的評分將採取不同的次要素權重，相較用於支持長期保險公司財務實力評等者，更強調流動性及財務彈性。DSCFF 是指償債能力及財務彈性。ST 是指短期。
資料來源：惠譽國際信用評等公司

為短期評等考量而取得短期償債能力及財務彈性與短期資產／負債和流動性管理評分時，儘管整體分析方式相同，但與長期保險公司財務實力分析所使用的加權權重相比較，惠譽在短期評等中會更偏重財務彈性和流動性兩項次要素。當償債及／或資產與資產／債務管理風險本質上具有較長期限，或主要位於營運公司之外（例如位於控股公司）時，短期評等會進行微調，以求在評等中更加承認這種情形的存在。此類特定短期評分方式的使用會在惠譽研究及評等行動評論意見中加以說明。

營運公司的短期負債評等則是相較營運公司長期發行人違約評等所得的映射結果。短期保險公司財務實力評等是相較長期保險公司財務實力評等所得的映射結果。

流動性備援

惠譽決定已發行商業票據和其他短期債務是否存在完整（100%）流動性備援。當備援低於 100% 且無其他降低風險因子時，惠譽可能不會針對該商業票據或短期債務授予評等。低流動性備援也可能會影響發行人的長期評等。備援包括承諾之銀行授信額度、現金／約當現金（對於控股公司，營運公司子公司的現金不適用）、母公司流動性的正式支持或其他替代的正式項目。銀行提供備援設施之「重大不利變動」（MAC）條款與協議，讓分析流動性變得複雜。評等委員會會依個案來解決。

在一般流動性較少的較低評等市場中，評等委員會可能會視獨有環境來判斷調整這些指導原則。

評等對照表

長期評等	短期評等
AAA to AA–	F1+
A+	F1 or F1+
A	F1 or F1+
A–	F2 or F1
BBB+	F2 or F1
BBB	F3 or F2
BBB–	F3
BB+ to B–	B
CCC+ to C	C
RD/D	RD/D

資料來源：惠譽國際信用評等公司

國家上限 — 轉讓及匯兌性風險

惠譽可能限制外幣評等，以反映發行人所在地政府將限制本地公司取得外幣能力的風險。惠譽發布國家上限協助進行轉讓及匯兌性（T&C）風險的評估。國家上限是由惠譽主權評等團隊所訂定。

國家上限應用、設定上限和級距的影響

國家上限可作為國際外幣評等的上限。例如，若是在開發中的拉丁美洲市場中的發行人發行以歐元結算的債務，其國際評等即有可能受到拉丁美洲國家的國家上限所限制。國家上限的適用如下表中的範例說明。

假設一個國家的國家上限為「A－」，而本地貨幣保險公司財務實力評等「A+」則是針對特定發行機構所為。現在假設惠譽以其級距指導原則來建立營運公司發行人違約評等，其依據有：保險公司財務實力評等「良好」回收率假設；在使用集團償付能力措施國家中的控股公司發行人違約評等；回收率「低於平均」之控股公司的外幣無擔保優先債務評等，以及使用「不佳」及「中等」（二級距）不履約風險假設的外幣持股公司混合評等。

下表舉例說明兩階段級距評等過程。首先，適用標準級距。第二步驟則是適用國家上限。重要的是，只有那些高於國家上限的評等才會透過這項上限而向下調整。適用國家上限會造成評等級距壓縮的結果。

兩步驟級距評等過程範例／國家上限

	步驟 1	步驟 2
評等類型	設限前	設限後
保險公司財務實力評等	A+	A－
營運公司發行人違約評等	A	A－
持股公司發行人違約評等	A	A－
無擔保優先債務	A－	A－
混合型證券	BBB－	BBB－

IDR –是指發行人違約評等。
資料來源：惠譽國際信用評等公司

突破國家上限

當採取具體保護措施，大多數是指發行機構在其所在國境外取得重要的流動資產，此時則可能不會完全適用國家上限。關鍵是這類國外流動資產必須是直接用來支持償債，而不得用來支持保險債務，且不可欠缺可替代性。

若外國流動資產在評等期間（約五年）內大於外國債務清償債務（利息費用及到期金額），發行人違約評等可超過國家上限，其情形如下：

- 若超過 1倍者，可超過一個級距。
- 若超過 1.5 倍者，可超過最多兩個級距。
- 若超過 2 倍以上者，可超過最多三個級距。

跨國

針對跨國控股公司，可適用的國家上限可能不一定都很明確，特別是盈餘和資本中有一定比例來自於多個較低評等的國家。

在這樣的情況下，可適用的國家上限是透過下列方式決定：依據國家上限以遞減方式由高至低按照國家組合排序，並按照國家分析盈餘和現金流量。當盈餘／現金流量總額在該國且在那些具有較高國家上限的國家中足以支付該保險公司利息費用時，則可適用國家上限將會是最高。

保險公司財務實力評等和國家上限

國際量表保險公司財務實力評等通常不會被指定作為本國或外國貨幣評等，而以保險公司類別來說，例如全球再保險業者、多國貨幣計算的保單持有人責任，這項評等也並非不常見。當外幣結算債務持續高於總保單債務的 25% 時，國際量表保險公司財務實力評等將視為外國貨幣評等，而會受到國家上限的限制。

與上述債務發行人的討論相近，若保險營運公司是以位於其住所地國家境外的資產來支應外幣保單持有人債務，且可使用那些資產來滿足保單持有人債務，而無政府或監管機構干預貨幣的風險時，則可能突破國家上限。

附錄

- 財務比率定義
- 專屬保險公司
- 國家級評等
- 資料來源、準則變動和限制

財務比率定義 — 資本和槓桿

比率名稱	基本公式
財務槓桿比率（FLR） （所有部門） **概述** 分子包括所有長期和短期債務及混合型證券（考量權益信用後的債務比率）的指定帳面價值（名目）。匹配募資形式的營業債務則排除在外。當債務／混合型證券的帳面價值明顯不同於票面價值時（例如，因顯著「自有風險」調整或保費／票面折扣所造成），在可取得資訊的前提下，為使其接近票面價值，惠譽通常會反轉此類影響。 分母包括權益資本、全部非營業債務及全部混合型證券（債務及權益信用兩項要素）。權益資本不包括固定收益證券實際（或預估）的稅後未實現損益，這個前提是上述金額的刪除為適當（即債務是以帳面金額而非公允價值估算時），且可取得這些資訊。若有使用商譽，權益資本也會扣除任何由同一實體共同控制的商譽（也就是內部產生的商譽）。 當使用合併財務報表，且有少數股東權益的時候，計算方式有下列兩種：1）將過半數股份子公司的債務納入分子，且將少數股東權益作為分母中的權益資本一部份，或是 2）分別從分子即分母中減去這兩項金額。	債務 + 混合性證券之債務部分 ――――― 權益資本 + 債務 + 混合型證券總額 *地區性和會計註記* **國際財務報告準則國際財務報告準則：**權益資本是指全數股東資金加上壽險商品未分配的可分紅盈餘（即為未來所提撥的資金、RfB [Rückstellung für Beitragsrückerstattungen] 或保險費退還準備金等），加上平衡準備（巨災、索賠平衡基金、應急、價格波動）。基於負債會計本質，將在適當時針對固定收益投資未實現損益進行調整。 **美國一般公認會計準則：**權益資本是指股東權益。扣除納入股東權益「其他綜合收入」要素中的未實現固定收益證券的損益。 **美國法律規定：**除壽險外的多數業務部門別，均是以保單持有人盈餘作為權益資本，至於壽險則採調整後資本總額（保單持有人盈餘加上資產估價準備金，再加上一半的保單持有人紅利義務）。 針對未實現固定收益損益並無任何調整，因為固定收益投資通常是以攤銷成本計算。 **納入資本的混合型證券：**當混合型證券的價值納入所指的股東資金（或其他權益資本財務報表價值）時，例如美國的盈餘債券或日本的 kikin，混合型證券或是從分母中扣除，或是未加入分母作為混合型證券總額的一部份，以避免重複計算。
比率名稱	*基本公式*
融資和承諾總額（TFC）比率 （所有部門） **概述** 衡量一家公司債務和融資活動的槓桿比率，並指出其對於持續進入資本市場及／或取得其他資金來源融資的整體依賴度。偏好較低數值。 分子基本上包括所有融資活動，例如融資債券、營業債務、混合型證券、有追索權和無追索權證券、銀行提供給第三方受益人的 信用狀額度（大部分是由國外或離岸再保險公司採用）、債務保證和其他融資相關承諾。分母為權益資本，其定義與在財務槓桿比率中所使用者相同。	債務 + 其他融資 ――――― 權益資本 *地區性和會計註記* **財務保證：**納入票面價值對資本比率的債務保證價值，將會從融資和承諾總額的分子中扣除。 **亞太地區和拉丁美洲：**不扣除固定收益投資的未實現損益以調整資本權益。
比率名稱	*基本公式*
淨簽單保費對資本比 （非壽險、再保險、產權保險） **概述** 衡量公司淨簽單業務的槓桿程度，並指出暴露在定價錯誤風險中的資本。由於淨簽單保費收入受到業務量及費率充分性兩項因素的影響，因此解讀時必須特別小心，這是因為費率充分性下降時可能會導致這個比例的明顯上升。偏好較低數值。 分子為總簽單保費減去分出簽單保費。分母為權益資本，如融資和承諾總額比率中所定義。	淨簽單保費 ――――― 權益資本 *地區性和會計註記* 國際財務報告準則：不扣除固定收益投資的未實現損益以調整資本權益。若報告公布的股東資金是提供給銀行保險業集團，將扣除歸屬於銀行營運的權益（實際或預估）。

續下頁。

財務比率定義 — 資本和槓桿（續）

比率名稱	基本公式
營運槓桿 （壽險） **概述** 衡量公司保險負債的槓桿程度，並指出暴露在商品錯誤定價／準備金問題風險中的資本。 偏好較低數值。 分子包括總保險負債，扣除分離帳戶或單位連結負債。分子也將扣除融資和承諾總額比率中所涵蓋某些債務及類債務之負債。分母為權益資本，使用融資和承諾總額比率中的定義。	$\frac{\text{總保險負債}}{\text{權益資本}}$ ***地區性和會計註記*** **國際財務報告準則：**不扣除固定收益投資的未實現損益以調整資本權益。若報告公布的股東資金是提供給銀行保險業集團，將扣除歸屬於銀行營運的權益（實際或預估）。
比率名稱 **資產槓桿** （壽險） **概述** 衡量公司總資產的槓桿程度，並指出暴露在商品錯誤定價／準備金問題和資產風險等綜合性風險中的資本。偏好較低數值。 分子包括總資產。分母為權益資本，其定義與在營運槓桿中所使用者相同。	*基本公式* $\frac{\text{總資產}}{\text{權益資本}}$ ***地區性和會計註記*** **歐非中東和亞太地區：**分子代入壽險技術準備金（包括單位連結部分）以及營業債務總和。
比率名稱 **淨槓桿** （非壽險、再保險、產權保險） **概述** 衡量公司淨保費和淨保險負債的槓桿程度，並指出暴露在定價／準備金錯誤風險中的資本。偏好較低數值。 分子是淨簽單保費及總保險負債（即技術準備金總額）總和減去任何分出準備金。分母為權益資本，其定義為上述淨簽單保費對資本比中的分母所使用者。	*基本公式* $\frac{\text{淨簽單保費} + \text{淨保險負債}}{\text{權益資本}}$ ***地區性和會計註記*** 無。
比率名稱 **總槓桿率** （非壽險、再保險、產權保險） **概述** 衡量公司總簽單保費和淨保險負債的槓桿程度，並指出暴露在定價／準備金錯誤風險中的資本。偏好較低數值。 分子是總簽單保費及總保險負債（即技術準備金總額）總和減去任何分出準備金。分母為權益資本，其定義為上述淨簽單保費對資本比中的分母所使用者。	*基本公式* $\frac{\text{總簽單保費} + \text{總保險負債}}{\text{權益資本}}$ ***地區性和會計註記*** 無。
比率名稱 **保費對法定資本比率** （健康險－美國） **概述** 上述非壽險公司的淨簽單保費對資本比定義，將依據美國健康保險業者狀況加以調整修正。偏好較低數值。 分子為健康險淨簽單保費。分母為法定保單持有人盈餘。	*基本公式* $\frac{\text{健康險簽單保費}}{\text{保單持有人盈餘（法定）}}$ ***地區性和會計註記*** 無。

續下頁。

財務比率定義 — 資本和槓桿（續）

比率名稱 **債務對息前稅前折舊攤銷前利潤（EBITDA）之比率** （健康險－美國） **概述** 美國健康保險業者所使用財務槓桿比率的替代性財務槓桿計算，考量相對於年度現金流量（而非總資本）的債務槓桿比率。偏好較低數值。 分子與財務槓桿比率中所使用的分子相同。分母為按 EBITDA 計算的全年度（最近四個連續季度）現金流量。	*基本公式* $\frac{\text{債務 + 混合性證券之債務部分}}{\text{息前稅前折舊攤銷前利潤}}$ *地區性和會計註記* 無。
比率名稱 **風險對資本比率** （抵押貸款保險－美國） **概述** 衡量公司已投保抵押貸款價值的槓桿程度，並指出暴露在抵押貸款績效下跌風險中的資本。偏好較低數值。有效風險是被保險抵押貸款未付本金乘以保險涵蓋的貸款成數。 分子為有效淨風險，即有效風險總值（直接風險加上預估風險）減去分出的有效信用風險和已備有損失準備金時的有效風險。權益資本為法定保單持有人盈餘加上法定保費準備金（因一般公認會計準則保費不足準備金規定而會受到向下調整的影響）。	*基本公式* $\frac{\text{有效淨風險}}{\text{權益資本}}$ *地區性和會計註記* 無。
比率名稱 **面值對資本比率** （財務保證） **概述** 衡量公司擔保債券／債務價值的槓桿程度，並指出不利的違約經驗中的資本曝險。偏好較低數值。 分子包括透過發行傳統財務保證保單及銷售信用衍生性商品擔保的面值總額，扣除分給再保險業者後的淨值。權益資本等於業主權益加上惠譽預估未到期保費準備金中的權益（如有）。	*基本公式* $\frac{\text{名義被保險淨面值}}{\text{權益資本}}$ *地區性和會計註記* 無。
比率名稱 **監管資本比率** （不同部門／地區） **概述** 右側為保險監管機構規定且惠譽已訂有評分指導原則的各種比率 以私人抵押貸款保險公司資格要求（PMIERS） 覆蓋率而言，這項比率並非由保險監管機構規定，而是美國政府資助實體的規定。	**比率清單（使用的部門／地區）** • 美國 NAIC RBC 比率（非壽險、壽險、再保險、美國健康險）；C-Ross • 償債能力比率（非壽險、中國壽險） • Solvency II 標準資本要求覆蓋率（非壽險、歐洲壽險／其他）；規定的資本比率（非壽險、澳洲抵押貸款保險） • 法定清償邊際率（非壽險、日本壽險） • PMIERS 覆蓋率（美國抵押貸款保險）

財務比率定義 — 償債能力及財務彈性

比率名稱

固定費用涵蓋比率

（所有部門）

基本公式

$$\frac{\text{稅前營業盈餘} + \text{稅前固定費用}}{\text{稅前固定費用}}$$

概述

計算用以支持債務、混合型證券與優先股利息和股利支付的營業盈餘金額，並指出當盈餘下跌時具備的緩衝程度。偏好較高數值。

分子為稅前營業盈餘（不包括已實現和未實現投資損益與其他非營業項目在內的稅前收益），加計下列定義的稅前固定費用。分母為下列所定義的稅前固定費用。

固定費用的定義包括債務、混合型證券的稅前利息和優先股利。但上述項目僅限於財務槓桿比率分子中所納入的證券產生者（因此，會從分子中的固定費用加回及分母中，排除匹配募資的營業債務利息）。不可抵稅的固定費用，例如許多優先股利一樣，通常是藉由一個假設性課稅因子增加數值。如可取得相關資料，固定費用會包括租借／租賃費用利息部分的預估值。

分子內的固定費用加回，僅適用於損益表中列為支出，且有稅前營業收入減少情形的固定費用。但尚未支出的固定費用仍會納入分母當中。

以混合型證券及優先股而言，其並未將「類權益信用」調整方式適用於利息費用或優先股利。

地區性和會計註記

無。

比率名稱

法定涵蓋率

（所有部門－僅限美國）

基本公式

$$\frac{\text{最高法定股利}}{\text{固定費用}}$$

概述

計算用以支持債務、混合型證券與優先股利息支付的營業子公司最高法定股利金額，並指出當法定股利發放能力下降時具備的緩衝程度。偏好較高數值。

分子為保險營運子公司可支付的最高法定股利總額（依據監管公式計算），其用來直接提供給債務清償義務繫屬的控股公司（此意謂不包括「堆疊」式最高股利）。分母為固定費用，其定義依據固定費用涵蓋比率規定。

地區性和會計註記

無。

比率名稱

現金涵蓋率

（僅限美國非壽險和壽險）

基本公式

$$\frac{\text{最高法定股利} + \text{已承諾的控股公司現金}}{\text{固定費用}}$$

概述

計算用以支持持股母公司債務、混合型證券與優先股利息支付的營運子公司最高法定股利金額與已承諾控股公司現金餘額，並指出當法定股利發放能力下降時具備的緩衝程度。偏好較高數值。

此計算方式與法定涵蓋率相同，但在分子中加計已承諾控股公司現金，承諾現金包括控股公司層級當前持有的現金，以及惠譽相信管理階層依據策略性理由與意圖維持用以協助持續償債的現金。

地區性和會計註記

無。

財務比率定義 — 財務表現和盈餘

比率名稱	基本公式
股東權益報酬率（ROE） （除健康險外的所有部門） **概述** 計算相較於權益資本的淨利潤，並指出整體獲利能力及公司業務自然提高權益資本的能力。偏好較高數值。這項比率的意義與可適用的資本和槓桿比率評估有關，因為股東權益報酬率受到獲利能力及槓桿運用的影響。 分子為淨利潤。分母為報告期間的平均權益資本，其使用融資和承諾總額比率中的權益資本定義。	$\frac{\text{淨利潤}}{\text{平均權益資本}}$ *地區性和會計註記* **國際財務報告準則：**平均權益資本包括股東資金總額加上平衡準備金（巨災、索賠平衡基金、應急、價格波動），再減去少數股東權益。
綜合比率 （非壽險、再保險、產權、抵押貸款、財務保證） **概述** 衡量承保獲利能力。偏好較低數值，且數值低於 100% 者表示具有承保利潤。 綜合比率結合損失率及費用率。損失率為當前日曆年度已發生損失（包括損失調整費用）除以淨已賺保費。費用率為已發生的承保及取得費用（例如佣金、薪水及經常性費用，再加上保單持有人紅利）除以右側註解的淨保費。	$\frac{\text{已發生損失}}{\text{淨已賺保費}} + \frac{\text{承保及取得成本}}{\text{淨保費}}$ *地區性和會計註記* 在費用率分母中的淨保費可能是已賺或簽單保費，目的是在依據當地會計慣例，並基於費用發生方式的前提下，使成本與交易量相符。在若干會計方法中，費用發生是指在支付費用之際，而在其他方法，則是指在賺取保費時發生者。
營運比率 （非壽險、再保險、產權保險） **概述** 衡量包含稅前承保及投資表現的營運獲利能力。偏好較低數值。 營運比率為綜合比率減去投資收入比率。投資收入比率為稅前投資收入除以淨已賺保費，且不包括已實現與未實現資本損益。	$\text{綜合比率} - \frac{\text{稅前投資收入}}{\text{淨已賺保費}}$ *地區性和會計註記* 在費用率分母中的淨保費可能是已賺或簽單保費，目的是在依據當地會計慣例，並基於費用發生方式的前提下，使成本與交易量相符。在若干會計方法中，費用發生是指在支付費用之際，而在其他方法，則是指在賺取保費時發生者。
稅前資產報酬率（ROA） （壽險） **概述** 衡量相對於總資產的營運獲利能力，且該獲利能力指標提供方式對槓桿差異敏感度低於股東權益報酬率，並對業務組合（及公司業務商品的相對資產密集度）的敏感度較高。偏好較高數值。 分子為稅前營業利潤（不包括已實現和未實現的投資損益）。分母為報告期間內的平均總資產（包括分離帳戶和單位連結型資產）。	$\frac{\text{稅前營業利潤}}{\text{平均總資產}}$ *地區性和會計註記* 無。

續下頁

財務比率定義 — 財務表現和盈餘（續）

比率名稱

核心利潤率

（壽險，僅限日本）

概述

衡量日本壽險公司一般業務活動之獲利能力。偏好較高數值。

分子為核心利潤，其包括死亡率和致病率損益、費用損益及投資損益（即負利差）。分母為總簽單保費。

基本公式

$$\frac{\text{核心利潤}}{\text{總簽單保費}}$$

地區性和會計註記

無。

比率名稱

一般公認會計準則 資本報酬率

（健康險 – 美國）

概述

計算相較於資本的收入比率，並指出整體獲利能力及公司業務自然提高資本的能力，此與股東權益獲利率相似。偏好較高數值。

分子為淨利潤加上稅後利息費用。分母為平均總資本，此處的總資本是指權益資本加上財務槓桿比率中納入的債務價值。

基本公式

$$\frac{\text{淨利潤 + 稅後利息}}{\text{平均總資本}}$$

地區性和會計註記

美國一般公認會計準則：權益資本是指股東權益
美國法律規定：權益資本是指保單持有人盈餘。

比率名稱

息前稅前折舊攤銷前利潤 對營收比率

（健康險 – 美國）

概述

衡量相對於總收益的現金流（近似值），並提供獲利率水準及企業現金流生成能力指標。偏好較高數值。

分子為息前稅前折舊攤銷前利潤（EBITDA），其定義如債務對 息前稅前折舊攤銷前利潤比率中所規定者。分母為總營業收入。

基本公式

$$\frac{\text{息前稅前折舊攤銷前利潤}}{\text{總營業收入}}$$

地區性和會計註記

無。

比率名稱

醫療給付比率

（健康險 – 美國）

概述

衡量承保獲利能力。偏好較低比率。

分子為已發生的理賠（及相關費用）。分母為淨已賺保費。

基本公式

$$\frac{\text{已發生理賠}}{\text{淨已賺保費}}$$

地區性和會計註記

無。

財務比率定義 — 投資和資產風險

比率名稱

風險資產比率
（所有部門）

概述

衡量公司在其投資組合內所含風險資產的槓桿程度，並指出若風險資產表現不佳時，權益資本在損失風險中的曝險程度。偏好較低數值。

分子為包含低於投資等級債券的風險資產、無關聯普通股及其他風險資產。在各個司法管轄區，「其他風險資產」基於報告慣例及本地投資實務做法而有不同的定義，但皆傾向於透過市場估價波動性及／或限制流動性，以涵蓋特定市場中最常見的投資。

風險資產包括所有支持不分紅險種的此類資產，但可包含僅有一部分可支援分紅險種，且擁有重大保單持有人損失分攤特性的該等類資產，如下所示。

類別	商品類型[a]	包括金額 (%)
最低	無重大損失分享	100
低	分紅終生壽險（美國）[b]、Fonds Euros（法國）、獨立帳戶（義大利）	75
中等	在亞太區、南非銷售的英式分紅商品[c]	50
高	在英國銷售的英式分紅商品[c]	25
完全	單位連結型（全球）、獨立帳戶變額年金（美國）	0

[a]與下方所示者擁有類似功能的其他產品將以類似方式分類。[b]每次從評等公司收到 Prism 調查資料時，惠譽假定支援此商品準備金的 15% 資產為風險性資產。[c]當商品結構包含經圍欄限制的盈餘（通常針對分紅英國風格商品）時，分紅基金盈餘的信用在此比率的分母將會是 100%；除了當風險性資產採用 25% 乘數時，則包括金額比率將會是 75%。

分母為權益資本，除右側算式附註中另有說明外，其使用融資和承諾總額比率中的權益資本定義，並用來作為計算的起點。若有可得／可適用的附註內容時，依據算式附註加入權益資本者，乃是用來協助吸收分紅險種投資損失的準備金。

若公司住所地及／或主要營業地所在國評等等級在「BBB+」以下，針對該國主權債務所為的投資，則應依據下列比例調整後納入其他風險資產：

評等	比例金額（%）
BBB+/BBB/BBB－	15/30/50
BB+/BB/BB－	100/125/150
B+/B/B－	175/215/255
CCC+/CCC/CCC－	300/350/400
CC 等級類別	450
C 等級類別	750

下列低於投資等級債券對資本比率並與國家評等分析相關的附註，亦同時適用於這項比率。

（續下頁。）

基本公式

$$\frac{\text{風險資產}}{\text{權益資本}}$$

「其他風險資產」和「權益資本」的地區性／會計註記

美國非壽險：另類投資、不動產及 BA 表資產。

美國壽險法律規定：較低品質的抵押借款、問題不動產投資及某些 BA 表資產。

歐非中東非壽險：關聯投資。當相關資訊對外揭露／可得時，其他風險資產也包括未受評等證券及惠譽認為低品質的交易對手借款。此處使用的權益資本，與淨簽單保費對資本比中所定義者相同。

歐非中東壽險：關聯投資。當相關資訊對外揭露／可得時，其他風險資產也包括未受評等證券及惠譽認為低品質的交易對手借款。權益資本定義與營運槓桿比率所使用者相同，並加計為吸收或緩和投資損失所設計分紅保單中的超額準備金／盈餘。

亞太地區（除日本外）非壽險和壽險：關聯投資、私募股權、投資基金／受益憑證，且其標的資產主要與權益相關，並投資於開發中國家的不動產。加計的壽險業者權益資本為分紅基金未分配盈餘。

日本壽險和非壽險：關聯投資。納入壽險業者權益資本者為分紅基金的未分配盈餘。

再保險：關聯投資及另類投資，其中包括但不限於巨災債券、避險基金及私募股權投資。權益資本定義因公司所屬司法管轄區而有不同，但通常會與上述討論各地區的不同算式附註相符。

美國產權保險法律規定：抵押貸款、不動產及 BA 表資產。

抵押貸款：抵押借款、不動產及包括投資等級與低於投資等級的住宅房貸擔保證券。後者會在預期與抵押貸款保險險種損失產生關聯後納入。

美國健康險：不動產（非由公司占有）、喪失回贖權的抵押貸款及 BA 表第 1 部分資產。若使用法定會計基礎編製財務報表，權益資本等於保單持有人盈餘，但若使用美國一般公認會計準則編製財務報表，則權益資本為股東權益。

財務保證：另類投資、不動產 BA 表資產。權益資本在美國是指保單持有人盈餘。

財務比率定義 — 投資和資產風險（續）

比率名稱

低於投資等級債券對資本的比率

（壽險）

概述

衡量公司在其投資組合內所含風險較高債券的槓桿程度，並指出權益資本在違約及價值減損機率提高風險中的曝險程度。偏好較低數值。

分子為評等低於「BBB」等級類別的債券投資資產，通常是以報表價值表示，此價值基於會計慣例可以是市場價值、攤銷成本或部分混合型態。分母為權益資本，其定義與在風險資產比中所使用者相同。

基本公式

$$\frac{\text{低於投資等級債券}}{\text{權益資本}}$$

國家評等分析中的用法

針對國家量表評等，此比率可能以兩種方式計算：第一是使用國際量表評等計算低於投資等級債券，第二則是使用本國國家量表評等計算低於投資等級債券，此須視資訊可得性而定。

比率名稱

權益投資對資本的比率

（非壽險、再保險）

概述

衡量公司在其投資組合內所含權益（即普通股）的槓桿程度，並指出權益資本在權益市場績效波動性風險中的曝險程度。偏好較低數值。

分子為普通股投資的資產，通常是以市場價值表示。分母為權益資本，其定義與在風險資產比中所使用者相同。

基本公式

$$\frac{\text{普通股}}{\text{權益資本}}$$

地區性和會計註記

依據上述風險資產比，將關聯投資加入分子。

比率名稱

主權投資對資本的比率

（所有部門）

概述

衡量公司在其投資組合內所含主權及相關債券的槓桿程度，並指出權益資本在此類投資違約及價值減損機率提高風險中的曝險程度。通常偏好較低數值。

分子為住所地及／或主要營業地（以及任何高度相關當地實體的營業地，例如由於受到政府支持，附有主權評等的銀行）所在主權國家的債券投資資產，通常是以報表價值表示，此價值基於會計慣例可以是市場價值、攤銷成本或部分混合型態。分母為權益資本，其定義與在風險資產比中所使用者相同。

基本公式

$$\frac{\text{主權債券}}{\text{權益資本}}$$

地區性和會計註記

無。

財務比率定義 — 資產／負債和流動性管理

比率名稱

流動資產對準備金比率

（非壽險、再保險、產權、抵押貸款、財務保證）

概述

衡量較高品質流動資產涵蓋損失／技術準備金的範圍。偏好較高數值。

分子為現金及短期投資的資產、無關聯投資等級債券、50% 的無關聯非投資等級短期債券／存款及普通股。分母為淨損失和損失調整，或是不包括未到期保費淨準備金在內的技術準備金，其定義依據當地會計／報告標準而定。

基本公式

$$\frac{\text{流動資產}}{\text{損失／技術準備金}}$$

地區性和會計註記

無。

比率名稱

流動資本比率

（壽險）

概述

衡量較高品質流動資產涵蓋保單持有人負債範圍。偏好較高數值。

分子為現金及短期投資的資產、無關聯投資等級債券、50% 的無關聯非投資等級短期債券／存款及普通股（限公開上市者）。分母為保單持有人準備金。

基本公式

$$\frac{\text{現金和短期投資}}{\text{保單持有人準備金}}$$

地區性和會計註記

美國法律規定：保單持有人準備金包括一般帳戶保單持有人負債減去保單借款及不可解約保單持有人負債。

比率名稱

加權風險性流動比率

（非壽險和壽險，僅限美國）

概述

衡量資產償還負債的狀況，雙方均以其流動特性作為加權風險性的根據。偏好較高數值。

分子為加權風險性資產。非壽險的分母為損失和損失調整費用準備金，而壽險的分母為加權風險性負債。根據以下六個分類採用風險權重：

類別	**資產（非壽險和壽險）**
最具流動性 — 100%	現金／約當現金、美國政府證券、短期投資、無關聯公開普通股
極具流動性 — 75%	投資等級公募債券以及優先股、聯邦住宅放款銀行股票
稍具流動性 — 50%	低於投資等級公募債券以及優先股、投資等級私募債券、融券再投資擔保品
低流動性 — 25%	商用不動產抵押貸款（CM[a] 1 至 3）;低於投資等級私募債券；投資等級 BA 表債券／優先股，以及交易所交易的衍生性產品
流動性極低 — 10%	為產生收益和以供出售的房地產、私人無關聯普通股
無流動性 — 0%	商用不動產抵押貸款（CM 4 至 7，包括第一留置權）；其他所有普通股、其他所有 BA 表資產以及衍生性商品、關聯投資、契約放款；記名總投資；證券應收帳款；住宅辦公室不動產

基本公式

$$\frac{\text{加權風險性資產}}{\text{加權風險性負債}}$$

地區性和會計註記

比率使用美國法定會計資料。

類別	**負債（壽險）**
最具流動性 — 100%	壽險理賠、意外和健康理賠、應付再保險、取消合約的退保價值、稅金、執照、手續費、未授權再保險負債、證券和融券應付款項、代理人應付帳款／存款
極具流動性 — 75%	存款／帳面價值年金
稍具流動性 — 50%	存款／公允價值且以市場價值調整年金、保單持有人紅利／票息、衍生性商品、借款
低流動性 — 25%	存款和退保收費 > 5% 之年金、壽險保險準備金淨額
流動性極低 — 10%	失能殘疾生活準備金、附錄 6 理賠準備金、記名負債
無流動性 — 0%	利息維持準備金、資產估價準備金、未遭撤銷的存款和年金、延後課稅、分出的存款和年金再保險、資金留存，以及各種其他無流動性負債。

[a]CM 為 NAIC 所用的風險類別。*續下頁。*

財務比率定義 — 資產／負債和流動性管理 (續)

比率名稱

現金和約當現金對保單持有人負債比

（壽險－ 亞太地區，僅排除日本）

概述

衡量現金和類現金資產涵蓋保單持有人負債的範圍。偏好較高數值。

分子為現金和其他的類現金投資資產（排除 50% 的低於投資等級投資資產）。分母為保單持有人準備金。

基本公式

$$\frac{\text{現金和其他的類現金投資}}{\text{保單持有人準備金}}$$

地區性和會計註記

無。

比率名稱

營業現金流比率

（壽險，僅限美國）

概述

衡量公司現金流生成強度，並指出公司在不依賴外部現金來源時可獨立經營的程度。偏好較高數值。

分子為營運現金流入。分母為營運現金流出。

基本公式

$$\frac{\text{營業現金流}}{\text{現金流出}}$$

地區性和會計註記

無。

比率名稱

現金及所投資資產對醫療理賠責任比

（健康險－美國）

概述

衡量投資資產涵蓋醫療理賠的範圍。
偏好較高數值。

分子為現金和投資資產總和。分母為醫療理賠責任／準備金。

基本公式

$$\frac{\text{現金和投資資產總和}}{\text{醫療理賠責任／準備金}}$$

地區性和會計註記

無。

財務比率定義 — 準備金適足率

比率名稱

損失準備金發展對期間開始醫療理賠責任比

（健康險－美國）

概述

衡量先前準備金估值在該年度的變化程度，並指出準備金發展為反覆變動或呈現穩定。偏好較低或負數數值。

分子為每年準備金發展（報告準備金過多為負值，準備金不足為正值）。分母為期間開始（BOP）醫療理賠責任（MCL）。

基本公式

$$\frac{\text{準備金發展（年度）}}{\text{期間開始醫療理賠責任}}$$

地區性和會計註記

無。

比率名稱

醫療理賠責任中的理賠天數

（健康險－美國）

概述

衡量理賠準備金相較於已發生理賠的金額，並指出相關準備金實力。偏好較高數值。

分子為醫療理賠責任。分母為以發生的年度醫療給付除以 365 天的比率。結果是以天數表示。

基本公式

$$\frac{\text{醫療給付責任}}{\text{（年度醫療給付／365）}}$$

地區性和會計註記

無。

比率名稱

損失準備金發展對資本比

（抵押貸款）

概述

衡量先前準備金估值在該年度的變化程度，並指出暴露在準備金反覆變動風險的資本金額。偏好較低或負數數值。

分子為每年準備金發展（報告準備金過多為負值，準備金不足為正值）。分母為期間開始權益資本。

基本公式

$$\frac{\text{準備金發展（年度）}}{\text{權益資本（期間開始）}}$$

地區性和會計註記

澳洲：權益資本包括符合資格的混合型證券
美國：權益資本為法定保單持有人盈餘。

比率名稱

損失準備金發展對已賺保費比

（財務保證）

概述

衡量先前準備金估值在該年度的變化程度，並指出準備金變化度對於損失率的影響。偏好較低或負數數值。

分子為每年準備金發展（報告準備金過多為負值，準備金不足為正值）。分母為淨已賺保費。

基本公式

$$\frac{\text{準備金發展（年度）}}{\text{淨已賺保費}}$$

地區性和會計註記

無。

財務比率定義 — 再保險、風險降低及巨災風險

比率名稱	基本公式
再保攤回對資本之比率 （非壽險、再保險、抵押貸款、財務保證）	分出損失、損失調整費用 和 未到期保費準備金 / 權益資本
概述 衡量利用分出再保攤回的槓桿程度，並指出資本在無法回收餘額損失風險中的曝險程度。偏好較低數值。 分子包括分出損失／ 損失調整費用（LAE）及未到期保費準備金。分母為權益資本，其如淨簽單保費對資本比中所定義。應根據再保險人之信用品質、保險公司和再保險公司之間之關係穩定度、過去之收款模式，以及包括信用狀、信託帳戶或資金留存等任何形式之擔保，說明本比率之意義。	***地區性和會計註記*** 無。

比率名稱	基本公式
巨災損失年度總額對資本的比率 （非壽險、再保險）	模型最大可能損失 / 權益資本
概述 衡量相對於大規模財務巨災損失的資本槓桿，並指出若上述損失發生時（採取任何有助減少損失行動前），其對資本的稅前影響。包括和不包括分出再保險版本的毛額及淨額兩項都已評估。偏好較低數值。 分子使用扣除再保險／轉再保險的模型年度稅前加總最大可能損失（PML）。依據可得性與報告習慣，分子使用 250 年（0.4% 的發生或然率）或 200 年（0.5% 的發生或然率）最大可能損失。分子的值通常由受評實體的管理層計算和提供，他們可能使用第三方模型或是自身的內部模型得出。分母為淨簽單保費對資本比中所定義的權益資本。	***地區性和會計註記*** **美國：**惠譽可能會另外使用經授權的模型預估最大可能損失。

比率名稱	基本公式
淨簽單保費對總簽單保費比率 （非壽險、再保險、抵押貸款、產權）	淨簽單保費 / 總簽單保費
概述 計算保留且未分出給再保險業者的保費比例，並指出分出再保能力的整體利用情況。一般偏好較低數值，但當保單或總和限制／曝險相對於權益資本規模為大，意圖保護資本及盈餘的再保險不足採購也可造成風險。 分子為淨簽單保費。分母為總簽單保費。	***地區性和會計註記*** 無。

比率名稱	基本公式
最大淨單一風險限額對盈餘比率 （產權）	最大單一風險（票面價值） / 保單持有人盈餘
概述 衡量暴露在單一投保潛在損失風險的資本弱點。此並未反映任何從屬保單曝險。偏好較低數值。 分子為法定財務報表監管申報內「一般提問」第 2 部分第 2 行中所說明的最大單一風險面值。分母為保單持有人盈餘。	***地區性和會計註記*** 無。

續下頁。

財務比率定義 — 再保險、風險降低及巨災風險（續）

比率名稱	基本公式
單一風險面值對資本比率 （財務保證）	最大單一風險（票面價值）／權益資本
概述	**地區性和會計註記**
衡量暴露在單一投保潛在損失風險的資本弱點。偏好較低數值。 分子為最大單一風險面值，定義為公司證券的個別發行機構、結構金融商品個別賣方，或是美國市政金融商品（例如州內所有一般性債務綜合商品、每個特定收益債券等）的個別收益流。當惠譽可取得上述資訊時，惠譽將加總對於被保險及投資組合常見的單一曝險。 分母為融資和承諾總額比率中所定義的權益資本。	**美國：**權益資本為保單持有人盈餘加上意外準備金，再加上惠譽對於未到期保費中的預估權益。

比率名稱	基本公式
名義面值淨額對被保險之名義面值總額比率 （財務保證）	名義面值淨額／名義面值總額
概述	**地區性和會計註記**
計算保留且未分出給再保險業者的面值比例，並指出分出再保能力的整體利用情況。一般偏好較低數值，但意圖保護資本及盈餘的再保險不足採購也可增加風險。 被保險名義面值淨額包括以傳統財務保證擔保的債券面值，以及藉由信用違約交換加上任何透過再保險所承擔名義面值形式簽核的保險名義價值。分子為再保險分保後的名義面值淨額。分母為再保險分保前的名義面值總額。	無。

專屬保險公司

專屬保險公司的評等是以本報告上述說明的主要信用因素及集團評等準則面向作為評等基礎。但鑒於專屬保險公司業務著重範圍狹窄，且其與母公司／資助者具有特殊的連結關係，因此專屬保險公司的某些評等原則可能會與傳統保險公司有所不同：

- 核心專屬保險公司的財務實力評等通常會提高至其資助者的評等水準。
- 相反地，即使專屬保險公司的獨立信用狀況優於資助者，專屬保險公司通常會以母公司／資助者的評等作為其評等上限。
- 定義專屬保險公司是否為核心的參數與傳統保險業者並不相同
- 資本適足性的評估更注重淨自留風險限制與分出再保險計劃。
- 專屬保險公司的資本可能包括信用狀的大量使用。
- 若是非母公司／資助者有著龐大之業務額，則惠譽會將專屬保險公司視為傳統保險業者進行評等，而非專屬保險公司。

何謂專屬保險公司？

基於本準則規範目的，專屬保險公司是指由贊助組織建立的保險公司，其專門／主要業務為銷售保險或再保險給贊助組織。專屬保險公司向來是由有意針對特定風險自保，且原本即有投保義務的贊助組織所採用。專屬保險公司為經核准且受監管的實體，符合保險業務提供的法律規定。專屬保險公司通常會分出贊助者視為不受歡迎的風險，例如巨災事件的高額損失，專屬保險公司通常備有現行有效的再保險方案。

部分產業專屬保險公司的所有權人／贊助者，有相當多數是以傳統保險公司而非專屬保險公司進行評等。當專屬保險公司為一法律組織架構成員之一時，如其資本有效地透過圍欄限制而與所有權人／贊助者加以隔離，惠譽此時可能會採用保險連結型證券評等準則。

核心專屬保險公司的定義

由於專屬保險公司業務具有獨特性，集團評等原則下所定義「核心」專屬保險公司的參數會與傳統保險業者有所不同。

- 專屬保險公司的使命與策略目標與母公司風險管理及風險融資策略有著錯綜複雜的緊密關係。
- 專屬保險公司必須具備明確能節約費用之目的，讓母公司能透過相較於使用第三方保險或再保險之方式，以更具效率或成效之方式去管理風險及／或成本。這包括提供一致之產能。
- 絕大多數之專屬保險公司業務源自於母公司之業務，且母公司不視專屬保險公司為利潤中心或業務線。提供保險給母公司客戶之專屬保險公司會視為非母公司之業務。
- 母公司對專屬保險公司提出合理之財務承諾，以支持其持續下去之償付能力和生存能力。

授予核心專屬保險公司評等

授予核心專屬保險公司的保險公司財務實力評等通常會等同該專屬保險公司的母公司發行人違約評等。母公司為保險公司者，核心專屬保險公司的保險公司財務實力評等通常與該母公司的保險公司財務實力評等一致。在這類情形下，除惠譽（公開或私下）對於母公司進行評等外，不得向核心專屬保險公司授予保險公司財務實力評等.

因為專屬保險公司的保險公司財務實力評等與母公司評等相關聯，惠譽通常不會形成核心專屬保險公司的完整獨立信用狀況。但有某些屬性會在獨立的基礎上進行評估，以判斷任何偏離母公司的評等是否正當。

資本適足性

當計算出的專屬保險公司比率與模型評分水準低於母公司評等時，可能會造成惠譽針對核心專屬保險公司所為評等低於母公司評等。

淨自留風險限制與分出再保險

在評估資本適足性時，惠譽會依風險及綜合基礎注意專屬保險公司之資本淨自留情況。由於專屬保險公司之重要角色之一即為塑造風險，在淨自留與分出再保險之間取得適當之平衡相當重要。大規模之自留情況可顯示缺乏資助者那一方之承諾或違反整體風險管理。此外，相較於傳統保險公司，再保險計劃內出現差距亦會對專屬保險公司之評等有著更顯著之影響。

信用狀作為資本

有時某部分之專屬保險公司資本會以銀行信用狀之形式來提供。母公司會安排及／或擔保信用狀以限制其股權投資及管理資本成本。而在某些情況下，會授權給專屬保險公司之監管機關來使用信用狀。在這兩種情況中，提供信用狀之銀行評等會成為評等專屬保險公司之要素，尤其是在有壓力之情況下，銀行對信用狀之履行又對專屬保險公司之生存能力事關重要之際。於此情況時，銀行之評等會成為專屬保險公司評等之上限，但不會像財務保證一樣「提高」評等（除非信用狀設計為仿效財務保證）。

非母公司／資助者業務

若專屬保險公司業務包括少量的第三方業務（通常低於 20%），則惠譽評等專屬保險公司之方式會較像傳統保險業者，不太可能將專屬保險公司之評等提高到母公司／資助者之評等水準。惠譽會依個案考量大部分第三方業務具適當性之異常情況。當計算專屬保險公司的第三方業務比例時，惠譽可能使用簽單保費（總額或淨額）或損失準備金之一，端看惠譽相信何種方式最能反映專屬保險公司的經濟重要性。

母公司／資助者評等上限

縱使專屬保險公司獨立信用狀況優於母公司，但因下列原因，專屬保險公司評等通常是以資助者評等為上限：

- 若無母公司資助，專屬保險公司便無法存在。
- 僅從母公司取得資本以資助成長或虧損補充，並取得財務彈性。
- 專屬保險公司之帳目和留存策略係源自於母公司及母公司之風險承受度。
- 基本上所有影響專屬保險公司財務狀況之決定皆來自母公司，或者母公司對其有重大影響力。
- 母公司設定專屬保險公司上繳股利政策（專屬保險公司監管機關可能會對此設限，各司法管轄範圍會有不同之作法）。

評等高於母公司之專屬保險公司需以大幅高於母公司評等，以及財務狀況其他方面所意指之水準進行資本化，如同獨立信用狀況評估所意指之，能夠支持較高之評等。此外，需要具有「評等高於集團信用狀況（GCP）」一節中討論的概念。惠譽認為，在專屬保險公司之案例中極少會出現這些情況。

母公司為非保險公司者，母公司發行人違約評等通常作為專屬保險公司的財務實力評等及發行人違約評等上限，這導致相對於許多司法管轄區中傳統保險公司的標準級距而言，專屬保險公司財務實力評等／發行人違約評等遭到壓縮。此壓縮是基於下列預期：由於專屬保險公司和其母公司間具有非常強烈的連結性，在發生違約情形時，專屬保險公司的保險債權人回收率不會超過母公司優先順位債權人。但在不尋常的情況下，當資助者財務狀況不佳，而專屬保險公司仍維持健全保障及高水準資本時，惠譽得選擇定制回收率分析，此可能會導致專屬保險公司財務實力評等設定為高於資助者發行人違約評等一個級距以上。

母公司為保險公司者，專屬保險公司財務實力評等通常是以母公司保險公司財務實力評等為上限。

以保險連結型證券對專屬保險公司進行評等

惠譽指出保險公司建立專屬保險公司作為資本融資交易機構，例如 XXX 準備金風險在美國境內的移轉。另在部份情況，專屬保險公司也會在保險連結型證券（ILS）中作為事實上的特殊目的機構（SPV）。在這些情況下，專屬保險公司可能會作為特定業務帳目或風險類別的再保險公司，其後再將此風險移轉給第三方，此處的第三方可以是債權投資人或銀行／其他交易對手。

當專屬保險公司在保險連結型證券交易中作為特殊目的機構時，將依據惠譽針對保險連接型準則加以規範的保險連接型證券評等準則，將其債務視為結構性金融債務進行評等。若未將專屬保險公司視為結構性金融特殊目的機構時，則適用本節中討論之專屬保險公司評等方法。

未公開評等 — 特殊考量

針對上述所述受保險公司資助的專屬保險公司，惠譽可能會被銀行或其他交易對手要求提供專屬保險公司的未公開評等或信用評價。銀行或交易對手通常利用此類未公開評等／信用評價來判斷資本可以承擔交易對手風險的程度。

由於惠譽將其評等法對應至該評等信用評價所欲使用目的，此類未公開評等或信用評價可能不會反映惠譽評等方法的所有面向。

例如，銀行信用狀用於保證專屬保險公司履行母公司到期義務，銀行將承擔專屬保險公司無法履行義務的被保險風險。銀行可能會尋求信用狀額度相關的未公開評等，以判斷依據銀行法規規定資本要求下的額度動用風險。在這類情況，惠譽將提供最符合銀行或交易對手具體假設風險的評等。這可能是專屬保險公司的獨立評等，未能反映母公司支持而提升評等的狀況。

資料來源、準則變動、限制和敏感性

資料來源

惠譽的分析與評等決定是以其分析可取得的相關資訊為依據。本資訊來源為發行機構及／或公眾領域。後者包括相關公眾可取得與發行機構相關的資訊，例如稽核後及未經稽核（例如期中）財務報表及監管申報資料。評等過程亦可納入其他第三方來源提供的資訊。

這些準則的主要假設是經由與外部當事人討論及惠譽財務和非財務資訊分析所形成，前者所稱外部當事人是指發行機構、法人擁有者、監管機構和政府，後者則包括發行機構財務報表及年報，債券證明文件、金融市場、產業及經濟數據和歷史表現。

評估充分性和完整性

多數公開上市公司均會提供充分完整的資訊，以達到惠譽要求的標準。監管數據在多數情況下也會被認為充分完整，而可支持評等的進行。若惠譽認為資訊不夠充分完整時，便不會授予新的評等或是撤銷現有評等。

惠譽亦會考量下列情形：

- 若有可能使用取得的資訊去評估這些準則所定義的主要風險，則該資訊即屬充分。
- 通常可取得其他受評公司的資訊程度也是一項考量因素。
- 惠譽得採取合理預估，以協助填補些微的資訊缺口。
- 財務資訊通常應包括過去五年或是從開始經營業務（若此時間較短）的期間範圍。
- 合併／收購等情況可能會要求提供少於五年的資料。
- 惠譽雖仰賴稽核人員對財務報表健全性的檢查，但也可能檢視其他專家（顧問、風險模型機構和法律顧問）的意見。
- 惠譽也經常會利用各種第三方資訊來源和受評組織直接提供的資訊。

準則變動

評等委員會可能調整這些準則的適用，以反映特定交易或實體的風險。此類調整稱為準則變動。所有變動均會在各自評等行動評論中揭露，包括揭露其對於評等的影響（如適用）。

當與評等授予相關的風險、特性或其他因素及其適用方法皆納入於準則範疇內，但為強調特定交易或實體的特定因素，而有修改準則所述分析的必要時，評等委員會有權核准準則的變動。

限制

惠譽所授予的評等，包括評等觀察名單和展望，均應遵守惠譽評等定義中規定的限制，請見 https://www.fitchratings.com/site/definitions.

評等假設敏感度

惠譽之意見皆屬前瞻性意見，並且包含惠譽對未來績效的觀點。我們會根據實際或預測的財務與營運績效，對保險評等進行正向或負向的調整。以下為可能影響評等和／或展望之主要敏感度項目的非詳盡清單。

營運環境風險：保險公司的產業特徵或營運環境劣化情形；造成劣化的原因包括經濟環境普遍走弱、主權風險、金融市場健全度（包括利率與通膨的變化）、監管／立法／侵權之要求或條件變更，以及保險公司營運所在國家的系統性治理（包括實施外匯控管的風險）。

業務風險：保險公司承受競爭壓力之能力發展情形；從該公司於主要市場的地位／規模、其商業模型／多元化、訂價能力水準與營運效率，即可看出其發展。

財務風險：保險公司財務狀況的變化，即營運發展變化影響到：會計和／或各項資本標準與政策、保險公司的財務政策或風險胃納，或是發生市場混亂時的融資取得可能性或再保能力。

事件風險：無法預見的事件，且在該事件能明確確認並定義前，現有評等均不會將之納入。事件風險可能為外部觸發，例如法律變更、自然災害、政治衝擊、流行病或所有權變更等事

件；或是可能為內部觸發，例如資本政策變更、大型收購案、詐欺或管理或策略性重整，或是重要對手遭遇非預期的困境等。

支援改變風險：預期保險公司會發生的支援改變，例如因所有權或集團隸屬關係變更，或是所有權人或集團關係企業的策略性方向或財富變更。

財務工具特定風險：就發行層級的評等而言，可能容易受到下列項目影響：公司的發行人層級評等改變、與發行人層級評等（例如混合型證券）涵蓋之風險相關的履行風險，以及財務工具的違約風險或回收率前景改變，例如優先順位、同等負債量或其他的層級負債的量與相關評等的因素。

Insurance Rating Criteria

Master Criteria

This report updates and replaces the *Insurance Rating Criteria* dated August 25, 2020.

Applicable Criteria

- Sukuk Rating Criteria (February 2021)
- Country-Specific Treatment of Recovery Ratings Criteria (January 2021)
- National Scale Ratings Criteria (December 2020)
- Country Ceilings Criteria (July 2020)
- Insurance-Linked Securities Rating Criteria (July 2020)

Scope

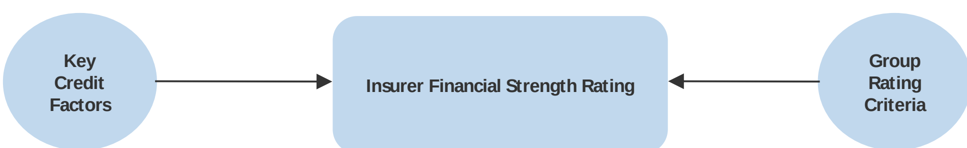
This report specifies Fitch Ratings' criteria for assigning new and monitored international scale Insurer Financial Strength (IFS) ratings, Issuer Default Ratings (IDRs) and debt/hybrid security ratings, within the global insurance and reinsurance industries. This includes ratings in the non-life (i.e. property/casualty or general insurance), life/annuity, health/managed care, financial guaranty, mortgage and takaful insurance sectors. Derivation of national scale ratings is discussed in the cross-sector criteria denoted to the right.

Rating Framework

The criteria first covers ratings assigned to insurance operating companies, the most common of which is the IFS rating. IFS ratings cover the ability of the insurer to pay claim obligations in a full and timely manner, and serve as the initial "anchor" against which most other insurance ratings are derived.

IFS ratings are the primary focus of Fitch's fundamental credit analysis, which is driven by review of up to 11 key credit factors defined in this report. In addition, since many operating companies are a part of larger groups, this report includes guidelines describing how the IFS ratings of certain group members influence the IFS ratings of other group members.

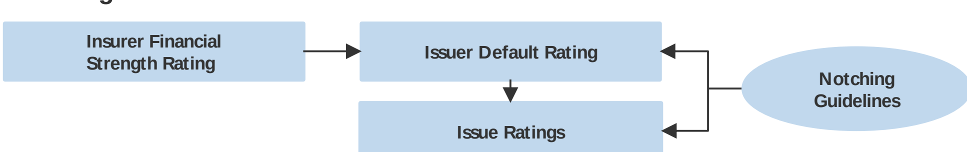
Drivers of Insurer Financial Strength Ratings



Source: Fitch Ratings.

These criteria also cover ratings assigned to debt and hybrid instruments issued by insurance entities, including both holding and operating companies. These are driven by first establishing an IDR for each issuing entity, which are derived from an applicable IFS rating. IDRs then serve as the anchor rating relative to which various classes of debt and hybrid issue ratings are derived. Both the IDR and the various issue ratings are driven by applying notching guidelines defined in these criteria.

Notching Overview



Source: Fitch Ratings.

These criteria include additional factors that serve to augment the above ratings framework. These include guidelines for Country Ceiling based on transfer and convertibility risk in developing markets, bespoke recovery ratings used to support notching at a lower non-investment-grade level and derivation of short-term ratings.

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Key Credit Factors — Overview and Weighting

The key credit factors listed in the table below form the basis of Fitch's fundamental credit analysis of an insurance organization, and are used to develop operating company IFS ratings.

Key Credit Factors — Summary

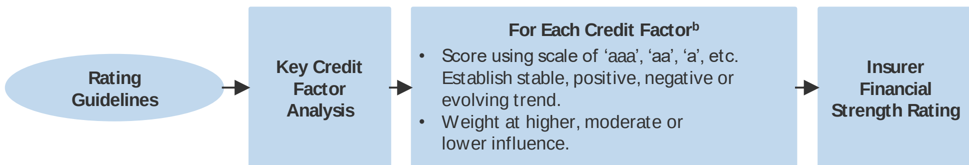
Qualitative	Quantitative
Industry Profile and Operating Environment	Capitalization and Leverage
Business Profile	Debt Service Capabilities and Financial Flexibility
Ownership	Financial Performance and Earnings
Corporate Governance and Management	Investment and Asset Risk[a] Asset/Liability and Liquidity Management[a] Reserve Adequacy[a] Reinsurance, Risk Mitigation and Catastrophe Management[a]

[a]Factor does not fully apply or is modestly redefined for some sectors.
Source: Fitch Ratings.

Each key credit factor is evaluated based on application of guidelines by rating category that were established within these criteria. Financial ratios and metrics defined within the rating guidelines are differentiated as core and complementary, with core ratios typically receiving greater emphasis.

As depicted in the figure on the next page, Key Credit Factors — Starting Point Weightings, for a given insurance organization, each key credit factor is scored by a rating committee and assigned an indicated forward trend. The weighting of the various factor scores to arrive at the IFS rating is also done by the rating committee.

Key Credit Factors: Rating Committee Analytical Process (Simplified Depiction[a])



[a]Ownership and Corporate Governance and Management credit factors follow a different scoring approach. [b]Peer analysis is also considered.
Source: Fitch Ratings.

The above simplified depiction excludes the impact of group rating criteria and additional considerations, discussed later in this report.

Weighting of Key Credit Factors

The weighting of each key credit factor is determined by rating committees, and such judgments can vary by issuer. Most credit factors are weighted by defining their relative importance to the rating as moderate, lower or higher influence. The most common, or "starting point" weightings, are discussed in the exhibit that follows.

Higher influence is most often used for key credit factors that Fitch believes most define the fundamental credit profile of the given insurer, which often includes Business Profile, Capitalization and Leverage, and Financial Performance and Earnings; and/or cases of unusually strong or weak performance in any of the other credit factor, per above.

Generally, Lower influence is used for credit factors that do not provide a point of distinction for the given insurance organization. For example, Reinsurance, Risk Mitigation and Catastrophe Risk may not be overly important if the mix of business is not exposed to natural catastrophes or other large losses.

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Key Credit Factors — Starting Point Weightings[a]

Credit Factor (CF)	Starting Point Weighting	Comments
Industry Profile and Operating Environment	Moderate	Establishes a broad, baseline rating range for the insurance sector/region as a whole, and typically receives Moderate weighting. Can be Higher in below-investment-grade countries.
Business Profile	Higher	May be Moderate when other CFs are particularly important. Use of Lower is possible, but less common.
Ownership	Lower[b]	Impact is neutral in most cases, but CF can become influential in cases when owner is materially stronger or weaker than the rated subsidiary.
Corporate Governance and Management	Lower[c]	Impact is effective in most cases. Becomes influential if performance on this CF is weak.
Capitalization and Leverage	Higher	May be Moderate when other CFs are important. Use of Lower is possible, but less common.
Debt Service Capabilities and Financial Flexibility	Lower	May be Moderate if performance on this CF is strong or weak. Use of Higher is less common.
Financial Performance and Earnings	Higher	Often plays a key role in higher rated, developed markets, but may be less influential when other CFs are important. In lower rated, developing markets, strong performance may receive less weighting if other risks, such as asset quality, are considered dominant.
Investment and Asset Risk	Lower, if Strong Score Higher, if Weak Score	When asset quality is strong, which is more common in developed markets, the influence of this CF is typically Lower. When asset quality is weak/risky, which is more common in developing markets; the influence of this CF may be Higher. This CF may be Moderate when other CFs are important.
Asset/Liability and Liquidity Management	Lower, if Strong Score Higher, if Weak Score	When liquidity and/or asset/liability management (ALM) is strong, which is more common in developed markets, the influence of this CF is Lower. When liquidity and/or ALM is low/risky (more common in developing markets); the influence of this CF may be Higher. This CF may be Moderate when other CFs are important.
Reserve Adequacy	Moderate	May be Higher when performance on CF is weak. May be Lower when lines of business are not prone to reserving issues (i.e. very short tail).
Reinsurance, Risk Mitigation and Catastrophe Risk	Moderate	May be Higher when business is focused on lines subject to large losses (i.e. property catastrophe), and/or cases when reinsurance usage is unusually high or low compared with peers. May be Lower if risk mitigation is not overly important given business focus.

[a]Weightings are Higher, Moderate or Lower. [b]Most common use of neutral scoring suggests Lower weighting. [c]Most common use of effective scoring suggests Lower weighting.
Source: Fitch Ratings.

Forward-Looking Credit Factor Scoring

Though the scoring of key credit factors relies heavily upon review of historic financial information, Fitch strives to be forward-looking in its analysis. While this is mainly achieved by assigning indicated trends for each credit factor score, Fitch may also employ forecasting and stress testing techniques. Use of these techniques can materially influence credit factor scoring, per committee judgment.

Forward-Looking Techniques

Forecasting	Stress Testing
Involves development or review of predicted financial statements and related ratios. Can also be less formal and involve development of general expectations for a ratio or metric based on judgment surrounding trends. • An example would be a Fitch expectation that a ratio will likely not fall outside of a given range.	Designed to identify the near- to intermediate-term vulnerability of an insurer to specific economic circumstances or events, and may include: • Investment losses from declining equity markets. • Heightened defaults or downward ratings migration of an insurer's bond portfolio. • Potential exposure to reserve deficiencies as the insurance cycle troughs. Done on an ad hoc or "as needed" basis, typically at the beginning of, and during, a period of perceived economic variability. When Fitch is concerned that the scenario defined by a stress test may reasonably occur within the rating horizon, Fitch will adjust credit factors scores to appropriately consider stress test results.

Source: Fitch Ratings.

Forecasting-related analysis is conducted in support of most ratings reviews, and is most often based on reviewing and testing management forecasts, and/or coming to judgments on the expected trend in certain key metrics. Stress testing is less common, and is done on an "as needed" basis. It is most commonly used at the perceived start of an economic slowdown, adverse market turn, or cases when a given company has a particularly notable exposure that a rating committee believes is not otherwise being fully captured by the criteria guidelines.

Non-Insurance Risks/Businesses

At times insurance companies have exposure to or own non-insurance businesses. When applicable and material, Fitch will evaluate any non-insurance-related risks, exposures or businesses based on the applicable Fitch rating criteria, and weigh considerations for non-insurance risks into the ratings on a judgmental basis.

Composite Insurers/Alternate Sector Classifications

Most of the guidelines established throughout these criteria are defined and differentiated in terms of the various insurance sectors, such as life, non-life and health. However, some insurance companies and groups are composites that straddle the various sectors. In jurisdictions, such as the U.S., separate entities are generally required for a group to operate in the various lines of business, and, as a result, separate statutory financial statements are available. In other jurisdictions, only consolidated financial statement are available.

This latter case creates some challenges in making comparisons to criteria guidelines. Ultimately, Fitch uses the same guidelines for financial ratios for consolidated composites as for groups or companies operating in one segment only. However, for certain key credit factors, Fitch will employ estimation methods for allocating financial items, such as capital or liquid investments, between the business segments to allow for more meaningful comparisons to the guidelines.

In addition, in some cases under local regulation, an insurer may be classified under one sector, but its characteristics from the perspective of these criteria suggest it should be evaluated using the guidelines for another sector. For example, in many parts of Latin America, insurers sell short-term life insurance products, and such insurers' financial characteristics are more appropriately aligned with Fitch's non-life guidelines. A rating committee has discretion under these criteria to use what it believes to be the most appropriate sector guidelines given the risk profile of any given insurer or group.

Industry Profile and Operating Environment (IPOE)

Fitch evaluates the relative strengths and weaknesses of an insurer's insurance markets and sectors, and overall operating environment from several perspectives.

Regulatory Oversight

- Development of regulatory practices relative to global standards, including the nature of capital oversight and the supervision/oversight process.
- Relative transparency with respect insurance laws and regulatory practices, including transparency from the perspective of insurer reporting requirements.
- Power and resources afforded the regulator, the enforcement track record, and if there is clarity and consistency in how the enforcement process is executed.
- Focus on pricing and product features, and if it is conducive to insurers being able to earn risk-adjusted returns that exceed their cost of capital.
- Products that are mandated under local laws can add stability to market demand.

Technical Sophistication of Insurance Market; Diversity and Breadth

- Underwriting and actuarial practices from a product and reserving perspective.
- Investment analysis skills.
- System capabilities and market use of enterprise risk management.
- Overall technical capabilities and product sophistication.
- Market penetration rates.

Competitive Profile

- Level of competition, and if conducive to insurers earning adequate returns and achieving reasonable business growth.
- Barriers to entry and the degree of competition from outside the traditional market, or from international sources.

Financial Markets Development

- Depth and liquidity of a country's equity and debt markets, including how well they are developed and the ease by which companies can raise capital.
- Robustness and stability of a country's banking system as well as other private providers of capital.
- The capital market's ability to support an insurer's needs to obtain suitable invested assets from an asset-liability management perspective.

Country Risks

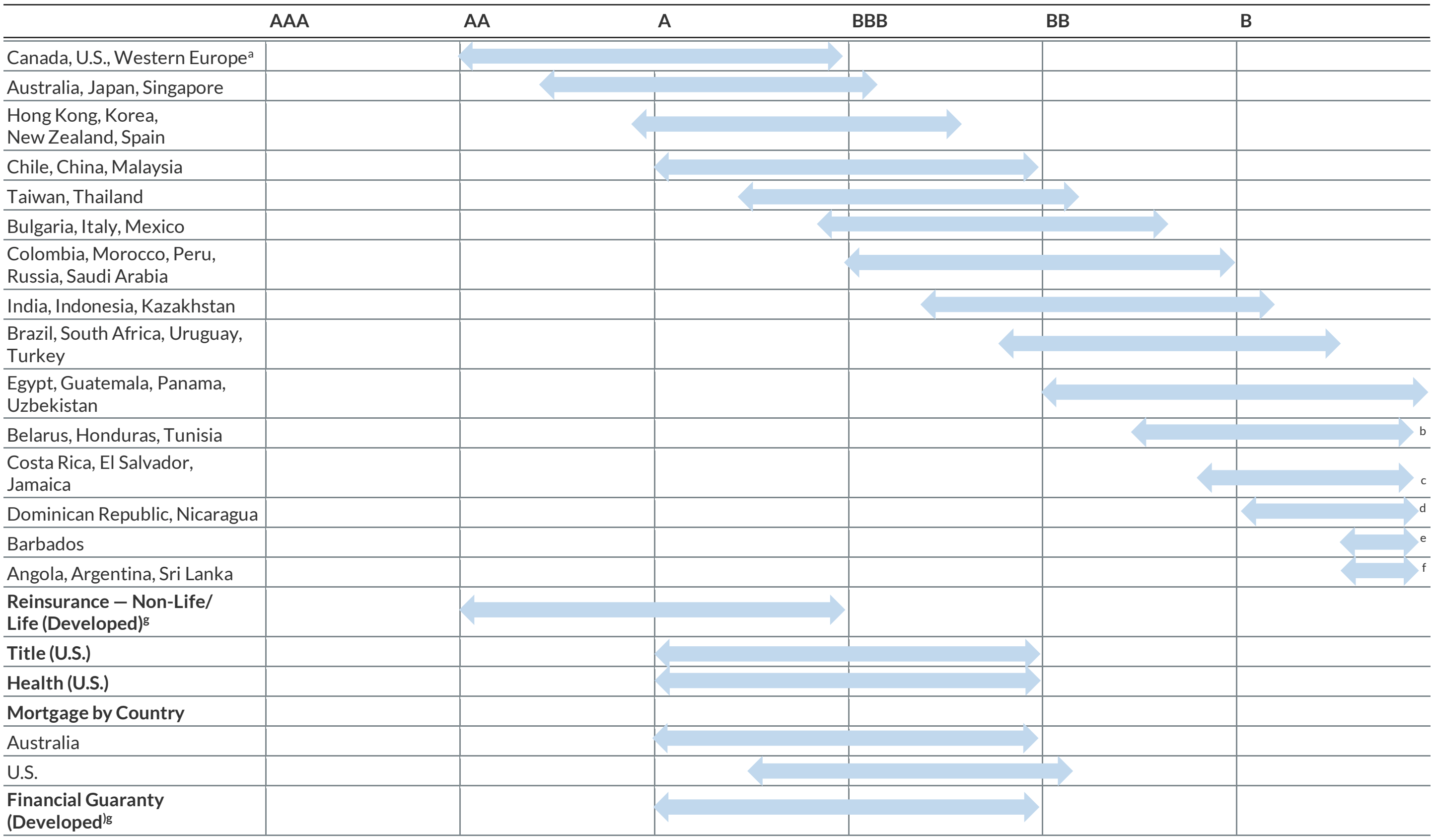
- While not a perfect proxy for country risk, the local currency sovereign rating can constrain the score assigned to IPOE, as described in the following table.

Credit Factor Rating/Scoring Guidelines

	AAA	AA	A	BBB	BB	B
Regulatory Oversight	Highly developed Transparent Very effective enforcement	Very developed Transparent Effective enforcement	Developed Transparent Regular enforcement	Less developed Modest transparency Less consistent enforcement	Developing Limited transparency Limited enforcement	Underdeveloped Minimal transparency Minimal enforcement
Technical Sophistication of Insurance Market; Diversity and Breadth	Highly sophisticated Diverse, extremely deep products	Very sophisticated Diverse, very deep products	Sophisticated Reasonably diverse and deep products	Moderate sophistication Moderately diversity and deep products Moderate penetration	Developing sophistication Mainly simple products Modest penetration	Lacking sophistication Limited, simple products Weak penetration
Competitive Profile	Rational Not overly intense or unmanageable	Mostly rational Some periodic challenges	Rational at times Some challenging periods	Often not rational Often very challenging	Extreme and irrational for extended periods Very challenging	Mostly extreme and irrational Extremely challenging
Financial Market Development	Very deep and highly liquid	Deep and very liquid	Relatively deep and liquid	Developed but not deep	Not fully developed	Development is quite limited
Country Risk	Midpoint of the six-notch score typically capped at the Local Currency Sovereign Rating (i.e. at notch position three or four). As a result, the upper end of the score will be set no higher than two or three notches above the sovereign. This Credit Factor often receives moderate to high weighting for insurers in countries with below investment-grade ratings.					

Country/Sector Credit Factor Scores (as of Publication Date)

Non-Life and Life (Including Composite) by Country, Territory or Jurisdiction



[a]Western Europe includes higher rated countries, including Austria, Belgium, Denmark, France, Germany, Luxembourg, Netherlands, Norway, Sweden, Switzerland and the UK. [b]Lower end of range extends to 'CCC+'. [c]Lower end of range extends to 'CCC'. [d]Lower end extends to 'CCC–'. [e]Lower end of range extends to 'CC'. [f]Lower end of range extends to 'C'. [g]Scoring is shown for (re)insurers and financial guarantors in developed markets and could be pulled down in developing markets to reflect local country and other risks. For reinsurers, the noted score applies to most Bermuda-based companies with notable reinsurance operations.
Source: Fitch Ratings.

Bespoke IPOE Scores/Geographically Diverse Entities

For insurance companies or groups operating across various sectors or geographies, committees will establish a bespoke IPOE score by appropriately combining the various component market/sector IPOE scores. This will include any perceived diversification benefits as well as any risks in controlling wide-spread operations.

Updates to IPOE Scores

The countries, territories and jurisdictions included in the exhibit on the previous page are those for which Fitch has international scale insurance credit ratings in place as of the publication date of this report. If Fitch were to assign an international scale rating to an insurer in a country not appearing in the exhibit, the rating committee would develop an IPOE score for that country as part of the ratings analysis.

Additionally, if the local currency sovereign rating of any country, territory or jurisdiction included in the exhibit changes, and/or Fitch updates its assessment of respective IPOE subcomponents based on market developments, the rating committee would review and, if appropriate, update the applicable IPOE score. The updated scores would then be used in support of any ratings review.

In each of the above cases, the new/updated scores would be noted by Fitch in Rating Action Commentaries of any insurers in which Fitch takes rating actions where the IPOE score was material to the rating outcome, and added to the exhibit and published at the time of the next scheduled routine update to this criteria report. Fitch will also review the current scoring guidelines at least annually in conjunction with its annual criteria review.

Business Profile

The main drivers of business profile are competitive positioning, business risk and diversification. For select companies, the evaluation is also affected for time in business — when less than five years old — in which case the rating can be constrained.

Business Profile Main Drivers

Source: Fitch Ratings.

Competitive Positioning: Considers operating scale, brand strength, franchise value, market share, service and distribution capabilities. Operating scale can directly affect operating efficiency, economies of scale, spread of risk and the ability to reinvest in the business.

Business Risk Profile: Considers the breadth of product offerings; whether products are well established or newly developed; variability of pricing; the stability/incentives of distribution channels; and the extent regulators intervene in product design/features and pricing.

Diversification: Considers variety of business lines, markets, geographies and distribution channels. While diversification is typically a credit positive, seemingly diverse businesses can become correlated in extreme events. Also, diversification into markets without sufficient expertise can lead to severely weaker future performance, and thus be viewed negatively.

Ranking Business Profile

Rankings are done on a relative basis within the cohort of insurers defined by the selected IPOE, based on the guidelines below. The cohort includes insurers both rated and unrated by Fitch. For example, a U.S. medical malpractice writer whose IPOE is U.S. non-life will be ranked relative to all U.S. non-life insurers, not just other medical malpractice writers. A ranking of "moderate" implies an average or typical level within the defined IPOE cohort.

Business Profile — Overall Ranking Guidelines

	Most Favorable	Favorable	Moderate	Less Favorable	Least Favorable
Competitive Positioning					
General • Franchise Strength • Competitive Advantage	Leading franchise Strong competitive advantages	Substantive franchise Some competitive advantages	Adequate franchise Limited competitive advantages	Limited franchise Minimal competitive advantages	Minimal franchise No competitive advantages
Operating Scale			**See Accompanying Exhibit on Next Page**		
Business Risk Profile • Risk Appetite • Business Focus • Level of Volatility	Much lower risk appetite Stable business focus Established, less volatile lines dominate	Lower risk appetite Reasonably stable business focus Established, less volatile lines emphasized	Average risk appetite Somewhat less stable business focus Less established or more volatile lines present	Somewhat higher risk appetite Unstable business focus Volatile or less established lines favored	Higher risk appetite Very unstable business focus Volatile or less established lines emphasized
Diversification[a] • Business Lines • Markets • Distribution	Very highly diversified	Well diversified	Somewhat diversified	Limited diversification May include monoline insurers with some market diversity May include insurers with multiple lines but limited geographic diversity.	Very limited diversification. May Include monoline insurers in very narrow geography May include insurers with other significant limitations

[a]For monoline sectors, such as title, mortgage insurance and financial guaranty, the primary focus is on geographic and distribution-based diversification. The monoline nature of the business lines is already reflected in the Industry Profile and Operating Environment credit factor score. Some consideration will be given, however, for business line diversification achieved through ancillary businesses.
Source: Fitch Ratings.

Operating Scale — Ranking Guidelines

		Most Favorable	Favorable	Moderate	Less Favorable	Least Favorable
Non-Life						
U.S. and Canada	NPW, USD	>23 Bil.	5 Bil.–23 Bil.	1Bil.–4.9 Bil.	200 Mil.–1 Bil.	<200 Mil.
	PHS, USD	>20 Bil.	6.6 Bil.–20 Bil.	1.2 Bil.–6.5 Bil.	200 Mil.–1.1 Bil.	<200 Mil.
	Rank as Writer	Top 5	Top 6-20	Top 21–75	Top 75–200	<Top 200
Europe	GPW, EUR	>15 Bil.	5 Bil.–15 Bil.	1 Bil.–5 Bil.	200 Mil.–1 Bil.	<200 Mil.
	Equity, EUR.	>12 Bil.	4 Bil.–12 Bil.	750 Mil.–4 Bil.	100 Mil.–750 Mil.	<100 Mil.
Russia/Commonwealth of Independent States	GPW, USD	>1 Bil.	200 Mil.–1 Bil.	100 Mil.–200 Mil.	50 Mil.–100 Mil.	<50 Mil.
	Equity, USD	>500 Mil.	300 Mil.–500 Mil.	50 Mil.–300 Mil.	10 Mil.–50 Mil.	<10 Mil.
	Market Share	>15%	5–15%	2–5%	0.5–2%	<0.5%
Asia-Pacific (Excl. Japan)	NPW, USD	>3.5 Bil.	750 Mil.–3.5 Bil.	100 Mil.–750 Mil.	10 Mil.–100 Mil.	<10 Mil.
	Equity, USD	>4.5 Bil.	750 Mil.–4.5 Bil.	100 Mil.–750 Mil.	10 Mil.–100 Mil.	<10 Mil.
	Market Share	>9%	4%–9%	1%–4%	0.1%–1%	<0.1%
Japan	NPW, JPY	>2.3 Tril.	500 Bil.–2.3 Tril.	100 Bil.–499 Bil.	20 Bil.–99 Bil.	<20 Bil.
	Equity, JPY	>2.0 Tril.	660 Bil.–2 Tril.	120 Bil.–659 Bil.	20 Bil.–119 Bil.	<20 Bil.
Africa/Middle East	GPW, USD	>1 Bil.	400 Mil.–1 Bil.	100 Mil.–400 Mil.	20 Mil.–100 Mil.	<20 Mil.
	Equity, USD	>800 Mil.	200 Mil.–800 Mil.	80 Mil.–200 Mil.	10 Mil.–80 Mil.	<10 Mil.
Latin America (Excl. Brazil)	NPW, USD	>1 Bil.	200 Mil.–1 Bil.	50 Mil.–200 Mil.	10 Mil.–50 Mil.	<10 Mil.
	Equity, USD	>800 Mil.	150 Mil.–800 Mil.	50 Mil.–150 Mil.	10 Mil.–50 Mil.	<10 Mil.
Brazil	NPW, USD	>3.5 Bil.	750 Mil.–3.5 Bil.	100 Mil.–750 Mil.	10 Mil.–100 Mil.	<10 Mil.
	Equity, USD	>1.3 Bil.	500 Mil.–1.3 Bil.	100 Mil.–500 Mil.	10 Mil.–100 Mil.	<10 Mil.
Life						
U.S. and Canada[a]	Assets, USD	>175 Bil.	60 Bil.–175 Bil.	13 Bil.–60 Bil.	1.2 Bil.–13 Bil.	<1.2 Bil.
	TAC, USD	>20 Bil.	6 Bil.–20 Bil.	1.3 Bil.–5.9 Bil.	200 Mil.–1.2 Bil.	<200 Mil.
	Rank as Writer	Top 5	Top 6–20	Top 21–60	Top 61–125	<Top 125
Europe	Assets, EUR	>150 Bil.	50 Bil.–150 Bil.	10 Bil.–50 Bil.	1 Bil.–10 Bil.	<1 Bil.
	Equity, EUR.	>15 Bil.	5 Bil.–15 Bil.	750 Mil.–5 Bil.	100 Mil.–750 Mil.	<100 Mil.
Russia/Commonwealth of Independent States	GPW, USD	>500 Mil.	200 Mil.–500 Mil.	50 Mil.–200 Mil.	10 Mil.–50 Mil.	<10 Mil.
	Assets, USD	>5 Bil.	1 Bil.–5 Bil.	200 Mil.–1 Bil.	100 Mil.–200 Mil.	<100 Mil.
Asia-Pacific (Excl. Japan)	Assets, USD	>100 Bil.	30 Bil.–100 Bil.	1 Bil.–30 Bil.	100 Mil.–1 Bil.	<100 Mil.
	Equity, USD	>11 Bil.	3 Bil.–11 Bil.	100 Mil.–3 Bil.	10 Mil.–100 Mil.	<10 Mil.
	Market Share	>12%	4%–12%	1%–4%	0.1%–1%	<0.1%
Japan	Assets, JPY	>17.5 Tril.	6 Tril.–17.5 Tril.	1.3 Tril.–5.9 Tril.	120 Bil.–1.29 Tril.	<120 Bil.
	Equity, JPY	>1 Tril.	300 Bil.–1t	65 Bil.–299 Bil.	10 Bil.–64 Bil.	<10 Bil.
	Market Share	>10%	5%–10%	1%–5%	0.2%–1%	<0.2%
Africa/Middle East	Assets, USD	>8 Bil.	2.5 Bil.–8 Bil.	500 Mil.–2.5 Bil.	100 Mil.–500 Mil.	<100 Mil.
	Equity, USD	>2 Bil.	500 Mil.–2 Bil.	150 Mil.–500 Mil.	20 Mil.–150 Mil.	<20 Mil.
Latin America (Excl. Brazil)	Assets, USD	>5 Bil.	2.5 Bil.–5 Bil.	800 Mil.–2.5 Bil.	100 Mil.–800 Mil.	<100 Mil.
	Equity, USD	>600 Mil.	300Mil.–600 Mil.	100Mil.–300 Mil.	10 Mil.–100 Mil.	<10 Mil.
Brazil	Assets, USD	>12 Bil.	3 Bil.–12 Bil.	800 Mil.–3 Bil.	100 Mil.–800 Mil.	<100 Mil.
	Equity, USD	>1.3 Bil.	500 Mil.–1.3 Bil.	100 Mil.–500 Mil.	10 Mil.–100 Mil.	<10 Mil.
Reinsurance Non-Life/Life	NPW, USD	>25 Bil.	15 Bil.–25 Bil.	5 Bil.–15 Bil.	2 Bil.–5 Bil.	<2 Bil.
	Equity, USD	>30 Bil.	10 Bil.–30 Bil.	7 Bil.–10 Bil.	2 Bil.–7 Bil.	<2 Bil.
Title (U.S.)[b]	Revenue, USD		>800 Mil.	300 Mil.–800 Mil.	50 Mil.–299 Mil.	<50 Mil.
Health (U.S.)	MM, USD	>10 Mil.	3.5 Mil.–10 Mil.	1.4 Mil.–3.4 Mil.	360,000–1.3 Mil.	<360,000
	Revenue, USD.	>USD40 Bil.	10 Bil.–40 Bil.	3.2 Bil.–9.9 Bil.	1 Bil.–3.1 Bil.	<1 Bil.
	Rank as Writer	Top 5	Top 6–15	Top 16–40	Top 41–100	<Top 100
Mortgage	Capital, USD	>5 Bil.	2 Bil.–5 Bil.	750 Mil.–2 Bil.	100m–750m	<100 Mil.
	Market Share	>30%	20%–30%	5%–20%	2%–5%	<2%
Financial Guaranty	Capital, USD	>5 Bil.	750 Mil.–5 Bil.	500 Mil.–750 Mil.	250 Mil.–500 Mil.	<250 Mil.
	Revenue, USD	>2 Bil.	300 Mil.–2 Bil.	200 Mil.–300 Mil.	100Mil.–200 Mil.	<100 Mil.

[a]Includes only general account assets. [b]Due to the limited number of notable title insurers in the U.S., differentiation of scoring for operating scale is limited to "Favorable" and below. NPW – Net premiums written. PHS – Policyholders' surplus. GPW – Gross premiums written. MM – Medical membership. TAC – Total adjusted capital (policyholders' surplus, asset valuation reserve, half of policyholder dividend obligation).
Source: Fitch Ratings.

The *Operating Scale — Ranking Guidelines* table on the prior page are reviewed annually. The guideline values are derived by Fitch after evaluating market-level distributions within the noted regions and sectors.

Scoring Business Profile

Companies are assigned a final Business Profile ranking between "most favorable" and "least favorable" per the noted guidelines. This is done after Fitch evaluates and weighs each component characteristic. Scoring is per the table on the next page. While guidelines are shown at the rating category level, committees will set scores at the notch level within the rating category guideline.

- Rankings of "favorable" and "moderate" directly aligned with the two-category IPOE range, with "favorable" at the upper half of the range, and "moderate" at the lower half.
- "Most favorable" scores above the upper end of the IPOE range.
- "Less favorable" and "least favorable" score one and two categories below the lower half of the IPOE range.

Time in Business/Runoff: The number of years an insurer actively has been in business, and/or if a company is not actively pursuing new business (i.e. in runoff), can have a material impact on the achievable rating level. Such ratings constraints are defined above. Fitch views a limited track record as elevating business risk profile, reflecting the challenges of executing an unproven business plan, developing operating capabilities and establishing an effective risk control system. These challenges are often more temporary for segments where business is short-tailed, customers are more opportunistic, and significant data is available to evaluate risks (e.g. catastrophe reinsurers.) Corporate governance and ownership factors also play a more important role in the evaluation of a newly formed company. Owners that have limited resources, an aggressive exit strategy, and high return expectations are viewed less favorable in the ratings analysis.

Active companies whose business profile involves buying and then running off blocks of business from third-party insurers are not treated as runoff companies under these criteria.

Credit Factor Scoring Guidelines — Relative to IPOE Credit Factor Score

	Upper Half of IPOE Score Plus One Category	Upper Half of IPOE Score[a]	Lower Half of IPOE Score[a]	Lower Half of IPOE Score Less One Category	Lower Half of IPOE Score Less Two Categories
Business Profile Rankings					
Most Favorable[b]	↔				
Favorable		↔			
Moderate			↔		
Less Favorable				↔	
Least Favorable					↔
Additional Adjustments					
Time in Business Constraint	Insurers with less than five years of operating history, or those in runoff, will typically be rated no higher than the 'BBB' rating category barring any mitigants, such as parent or group support, when the IPOE Credit Factor Score range is investment grade. In less developed or lower sovereign-rated markets with lower IPOE scores that straddle or fall within non-investment grade, the ratings constraint will be at the lower half of the IPOE score range.				
Potential Mitigation of Country Risk	In some cases the sovereign rating will cause the IPOE score to be constrained due to a sovereign cap applied to the midpoint of the IPOE score range. The committees will consider if there are mitigants that materially reduce the exposure of the business to local country risks, such as material diversification outside of the primary country. In such cases, the Business Profile Score could be set above that implied by the guidelines above to remove an appropriate portion of the pull down embedded in the score for country risk.				

[a]Upper/Lower Half of Industry Profile and Operating Environment (IPOE) Score means the following: if IPOE is scored across the 'AA' to 'A' categories, the upper half is the 'AA' category and lower half is 'A'. If the upper/lower end of the IPOE score straddles two rating categories, then the upper half is the top three notches within the six-notch IPOE score, and the lower half is the bottom three notches. For example, if the IPOE score stated on a notch basis is 'A−' to 'BB', the upper half is 'A−', 'BBB+', 'BBB' and the lower half is 'BBB−', 'BB+', 'BB'. [b]Business Profile Credit Factor Scoring for any insurer is limited to no higher than 'AA+' across the global insurance industry recognizing the highly competitive nature of the insurance industry. Note: Guidelines above are shown at the rating category (three notches) level. Actual Business Profile Credit Factor Score applied by a committee will be notch-specific within the guideline rating category.
Source: Fitch Ratings.

Mitigation of Country Risk: As noted, in scoring the Business Profile for insurers primarily operating in higher risk countries, territories or jurisdictions committees will consider if there are mitigants in place that materially reduce the exposure to local country risks. Conversely, in cases when an insurer primarily operating in a lower risk country, territory or jurisdiction has material operations in a higher risk local(s) this could negatively affect its Business Profile score.

Takaful — Evaluation of the Business Profile

Business Profile scores for takaful operators use the guidelines outlined in this section, and rankings are made relative to other takaful players and traditional insurance companies in their markets. Since takaful operators do not have a standard global operating model, each structure is reviewed individually, including transferability, accessibility of funds, loss bearing features, fees and split of surplus between the Takaful fund(s).

Unlike conventional insurance, takaful companies must comply with Islamic principles. Fitch does not approve, certify or evaluate Shari'ah compliance, nor does Fitch express an opinion on whether the obligations of a takaful are enforceable under any applicable law. However, Fitch considers the takaful's intention to support its obligations. Hence, Fitch's rating of a takaful reflects the agency's evaluation that the takaful operators would stand behind its respective obligations under the terms of its insurance obligations.

Ownership

Ownership can be neutral, favorable or unfavorable to the insurer's ratings. In its evaluations, Fitch looks at ownership from the perspective of form, including mutual or stock/public, as well as profile, including bank/financial, industrial corporate, sovereign or supranational.

For purposes of these criteria, ownership is considered from the perspective of the holding company, or top-level insurance operating company within the overall insurance organization. For ownership to potentially influence the insurer's ratings, the owner has to exercise control. This is almost always the case for 100% ownership, and can exist at less than 100% if there are very strong operational, governance or financial ties. Pacts among minority shareholders can constitute control if recognized legally or overseen by a regulator. Looser associations of shareholders are not sufficient for Fitch to assume control.

Scoring guidelines are highlighted below. If scored at Positive or Negative, a rating committee will judgmentally pull a rating up or down from that implied by the combination of all of the other key credit factors. Rating committees may employ concepts outlined under group rating criteria described later in this report, or support criteria applicable to the parent's industry, to help inform their judgments on the degree of uplift/pull down.

Ownership — Credit Factor Scoring Guidelines

	Positive	Neutral	Negative
Public and Mutual Ownership[a]		Scored at Neutral; no rating impact.	
Private Ownership			
General	Owner's credit profile is stronger than the insurer's and the owner is expected to be supportive of the insurer; degree of rating uplift can vary greatly from case to case.	Owner's credit profile is comparable with the insurer's, and owner is not expected to take any materially positive or negative actions toward the insurer; no rating impact.	Owner's credit profile is lower than the insurer's rated and/or owner is expected to govern in adverse manner; degree of ratings pull down can vary greatly from case to case.
Sovereign Ownership	Evaluation employs aspects of Group Rating Criteria. Most often sovereign ownership is not considered strategically important and is scored as Neutral. In some cases strategic importance is believed to exist, and is scored Positive with some ratings uplift possible. Uplift is more likely for investment-grade sovereigns.		
Supranational Ownership	Analysts apply the support criteria in Supranationals Rating Criteria.		
Corporate Ownership	Analysts may also consider the support criteria outlined in the criteria applicable to the parent's industry.		
Bank/Financial Ownership	Analysts may also consider the institutional support approach outlined in Bank Rating Criteria.		
'AAA' IFS Rating Limitation	IFS ratings at the 'AAA' level are only available under the mutual form of ownership. This is considered in the final rating but is not reflected as an "uplift" in the scoring of the Ownership credit factor for such mutual insurers. However, if a publicly owned stock company would otherwise score as 'AAA' but is rated 'AA+' due to stock ownership, this will be reflected as a pull-down in its Ownership score.		

[a]Mutual ownership can affect a rating via scoring applied to various credit factors or subfactors, including Business Profile, Capitalization and Leverage, and Debt Service Capabilities and Financial Flexibility. IFS – Insurer Financial Strength.
Source: Fitch Ratings.

Additional discussion of types of ownership follows.

Unrated Owner

If Fitch is unable to fully evaluate the parent company, the insurance organization may be rated based on its Standalone Credit Profile. However, if Fitch has reason to believe the parent relationship could be detrimental to the insurer, such as by operating in a high-risk industry sector or by demonstrating a high-risk strategy, Fitch may impose some constraints on the insurer ratings. In such cases, Fitch will also consider the extent of any regulatory ring-fencing. If information on the parent is too limited, and Fitch is unsure if the insurer will be strongly ring-fenced from the parent, Fitch will not rate the insurer.

Bank Ownership/Financial Conglomerates

In applying the bank support criteria, Fitch will typically assume that a parent bank would have higher propensity to support a bank subsidiary than an insurance subsidiary, especially if the bank is larger. This is due to the relatively more severe consequences on its funding and liquidity from not supporting the bank. Application of bank support criteria will be tempered in such cases, when appropriate.

Sovereign Ownership

An insurer can be owned directly by a sovereign, such as by the ministry of finance, or indirectly, such as by a holding company or other government body owned by the ministry of finance. The form of ownership is less important than support factors being in place. Sovereign ownership concepts do not apply to cases of temporary government support and related ownership (such as a bailout), but rather when the ownership relationship is expected to be enduring. Additional observations and guidelines follow:

- Sovereign support may exist when a government sponsors the insurer to assure capacity in the market at affordable prices, and/or to help assure overall economic stability.
- When sovereign support is assumed for investment-grade sovereigns, the IFS rating can be aligned with the IDR of the sovereign. At non-investment grade, if uplift is ultimately considered appropriate, it could result in either in the alignment of ratings if the willingness and ability to support is viewed as very strong, or by notching down from the sovereign ratings if there may be some limitations to support.
- For non-investment-grade sovereigns, Fitch generally assumes the sovereign will be more selective in providing support. Support potential will be evaluated based on the insurer's strategic importance to the sovereign compared with other institutions in the country potentially subject to government support.
- When notching down from the rating of the sovereign, the sovereign's local currency IDR is used to set the insurer's local currency IDR, and the sovereign's foreign currency IDR establishes the insurer's foreign currency IDR. Notching between the local or foreign currency IFS rating and operating company IDRs would follow Fitch's typical notching methodology based on recovery assumptions, and any applicable country ceilings.

Supranational Ownership

Criteria detailed in this master insurance criteria report are used to provide the insurer's Standalone Credit Profile, which is also known as the "intrinsic rating" under supranational nomenclature (see *Supranationals Rating Criteria*). In applying the supranational support criteria, Fitch notes insurers with supranational ownership, similar to mutual insurers, may feel less pressure to run lean capital positions or add financial leverage in order to meet return on capital targets. Also, in some cases, an insurer owned by a supranational may be exempt from currency exchange controls by its sponsoring governments, which could relieve transfer and convertibility risks (and country ceilings) discussed later.

Corporate Governance and Management

The governance and management of an insurance organization can influence all of the other key credit factors discussed in this section. Accordingly, Fitch's evaluation of management and governance overlaps with its evaluation of a company's overall fundamental credit profile.

Good governance practices will not increase a rating, all other factors being equal. However, more limited governance practices, including either jurisdictional or issuer-specific issues, can result in lower ratings than typical quantitative and qualitative credit factors otherwise imply, and can become a dominate factor influencing the overall rating.

Corporate Governance and Management — Credit Factor Scoring Guidelines

	Rating Implications
Effective	There is no rating impact, positive or negative.
Some Weakness	Depending on degree of problems, rating will be pulled down by up to three notches.
Ineffective	Depending on degree of problems, rating will be pulled down at least four notches, and the rating will be capped at 'BB+'. In some cases, if governance or management problems are severe, Fitch may not be able to rate an insurer.

Source: Fitch Ratings.

Elements of governance that would negatively affect ratings include:

- A substantive lack of board independence or planning activities by the board.
- A management team that is viewed as ineffective, key members of management that are guilty of work-related civil or criminal offenses, or management that has blatantly ignored board risk tolerances on multiple occasions.
- Major audit-related issues, such as multiple material weaknesses in the internal control environment, no audit opinion or unfavorable opinion, financial statements are consistently late, or there is a change in the auditor due exclusively to major disagreements on material accounting treatments. Fitch tends to become aware of audit-related issues when financial statements with unfavorable opinions are published, or when issuers are unable to publish financial statements as scheduled.
- Related-party transactions appear to be highly suspect.

Fitch expects well-managed companies to have effective risk management processes, including:

- Management's risk appetite is defined and communicated through the organization.
- Independence of any risk management function; senior management has an understanding and involvement in risk management issues.
- Effectiveness of processes and/or tools to monitor and control risks.
- Risks are managed centrally or are easily compiled to establish an enterprise wide view.

Fitch is not in a position to audit risk management systems. In situations where management does not interact with Fitch, the evaluation is typically based on historic performance, peer comparisons and/or market intelligence.

Capitalization and Leverage

Fitch's analysis is done from three perspectives: capital adequacy, financial leverage, and total financing and commitments.

Capital Adequacy Ratios (CAR)

Forms of CARs considered within the ratings analysis include:

- Fitch's risk-adjusted Prism capital models used for life and non-life insurers, and Fitch's risk-based U.S. title insurance capital model.
- Operating leverage, such as net written premium to capital, which are not risk adjusted.
- Regulatory capital, such as the Solvency II Standard Capital Requirement (SCR) and NAIC RBC ratio.

In stressed circumstances, regulatory capital ratios can become an especially important consideration due to both the risk of regulatory intervention, or inclusion of such measures in bank/loan covenants or other agreements.

In developing markets where a Fitch proprietary Prism capital model (see details on p. 18) is not yet deployed (such as most of Latin America), Fitch will evaluate operating leverage ratios in concert with the evaluation of investment risk discussed under Investment and Asset Risk. If investment risks relative to capital are high, as is common in countries with non-investment-grade sovereign ratings, this will pull down the capital adequacy evaluation.

Insurers' internal models have minimal impact on Fitch's evaluation, due to limitations in available information, and difficulties with respect to comparisons among insurers.

Financial Leverage Ratio (FLR)

The primary FLR is the adjusted debt-to-capital ratio:

$$\frac{\text{Debt + Debt Portion of Hybrids}}{\text{Equity Capital + Debt + Total Hybrids}}$$

Debt excludes match-funded forms commonly referenced as "operating debt," as the intent of the FLR is to only focus on debt that finances long-term capital or supports liquidity. Match-funded debt includes repos, securitizations, or other identifiable or traceable pools of financial assets held against specified liabilities.

When goodwill is material, Fitch will calculate two versions of the FLR, one that includes 100% of goodwill as part of equity capital, and one that excludes goodwill. Fitch will place primary emphasis on the first calculation when profit margins are strong, and the market value of equity capital (for publicly traded companies) is at or above book value. The second calculation will receive additional weighting when the goodwill value is less supportable.

In some sectors alternate leverage ratios are emphasized. For example in the U.S. health sector, Fitch focuses on the ratio of debt to EBIT.

The derivation of the debt and equity portion of hybrids follows later in this section.

Rating/Scoring Guidelines for CARs and FLR

Scoring guidelines for the CARs, FLR and related leverage ratios follow. The weighting of the various core and complementary ratios in arriving at the overall credit factor score is done judgmentally by the rating committee.

Credit Factor Scoring Guidelines — CARs and FLR: Core Ratios

		Insurer Financial Strength Rating					
	Sectors/Regions	AAA	AA	A	BBB	BB	B
Financial Leverage Ratio (%)	All Sectors/Regions	<10	10–23	24–31	32–42	43–59	60–80
Fitch Prism Model Score	Non-Life, Life, Reinsurance (Excl. most of LatAm)	Extremely Strong	Very Strong	Strong	Adequate	Somewhat Weak	Weak
NPW to Capital (x)	Non-Life (LatAm, Without Prism)[a]	<0.7	0.7–1.4	1.5–2.1	2.2–2.8	2.9–3.5	3.6–4.4
Operating Leverage (x)	Life (LatAm, Without Prism)[a]	<8	8–12	13–19	20–29	30–39	40–50
Fitch Risk-Adjusted Capital (RAC) Model Score (%)	Title	>300	300–188	187–130	129–100	99–80	79–50
Debt to EBITDA (x)	Health	<0.8	0.8–1.7	1.8–2.4	2.5–3.4	3.5–4.5	4.6–5.7
Premiums to Statutory Capital (x)	Health	<1.9	1.9–5.0	5.1–8.4	8.5–11.0	11.1–13.9	14.0–19.0
Prescribed Capital Ratio (x)	Mortgage (Australia)[a]	>1.75	1.75–1.50	1.49–1.30	1.29–1.15	1.14–1.07	1.06–1.00
Risk-to-Capital Ratio (x)	Mortgage (U.S.)	<3	3–9	10–15	16–21	22–27	28–34
Par-to-Capital Ratio (x)[b]	Financial Guaranty						
Very Low Risk Portfolio (Without Currency Risk)		<35	35–69	70–119	120–164	165–224	225–315
Low Risk Portfolio (Without Currency Risk)		<23	23–37	38–57	58–79	80–112	113–155
Medium Risk Portfolio (Without Currency Risk)		<8	8–12	13–17	18–24	25–37	38–50
Medium Risk Portfolio (With Currency Risk)		<5.5	5.5–8.4	8.5–13.2	13.3–18.2	18.3–24.9	25.0–35.0
High Risk Portfolio (Without Currency Risk)		<2.8	2.8–3.9	4.0–5.2	5.3–7.4	7.5–11.2	11.3–15.0
High Risk Portfolio (With Currency Risk)		<2.1	2.1–2.9	3.0–4.2	4.3–5.9	6.0–8.7	8.8–12.0
Very High Risk Portfolio (Without Currency Risk)		<1.6	1.6–2.2	2.3–2.9	3.0–4.2	4.3–6.2	6.3–8.5
Very High Risk Portfolio (With Currency Risk)		<1.1	1.1–1.7	1.8–2.4	2.5–3.4	3.5–4.9	5.0–7.0

[a]For companies for which Fitch does not use Prism, the NPW-to-capital and operating leverage ratios, respectively, act as core capital adequacy ratios. Where Prism is used, these ratios are complementary. Similarly, in Australia for mortgage insurers, the regulatory prescribed capital ratio acts as the core capital adequacy ratio, where it is a complementary ratio for Australian non-life companies. [b]Benchmark portfolios to support the portfolio categorizations listed below this can be found in the *Appendix* under *Financial Ratio Definitions*. CARs – Capital adequacy ratio. FLR – Financial leverage ratio. NPW – Net premiums written. PMIERS – Private mortgage insurer eligibility requirements
Source: Fitch Ratings.

Credit Factor Scoring Guidelines — CARs and FLR: Complementary Ratios

		Insurer Financial Strength Rating					
	Sectors/Regions	AAA	AA	A	BBB	BB	B
NPW to Capital (x)	Non-Life	<0.7	0.7–1.4	1.5–2.1	2.2–2.8	2.9–3.5	3.6–4.4
Substitute	Reinsurance – Blended	<0.5	0.5–1.1	1.2–1.7	1.8–2.3	2.4–3.0	3.1–4.3
	Reinsurance – Property Catastrophe	<0.4	0.4–0.6	0.7–0.9	1.0–1.4	1.5–1.9	2.0–3.1
	Title	<1.8	1.8–3.3	3.4–4.7	4.8–6.4	6.5–8.2	8.3–11.0
Net Leverage (x)	Non-Life	<2.4	2.4–4.2	4.3–5.9	6.0–7.9	8.0–9.9	10.0–12.0
Substitute	Reinsurance – Blended	<2.0	2.0–3.5	3.6–5.0	5.1–6.9	7.0–8.9	9.0–11.0
	Reinsurance – Property Catastrophe	<1.2	1.2–1.9	2.0–2.8	2.9–3.9	4.0–5.2	5.3–7.0
	Title	<3.4	3.4–5.1	5.2–6.7	6.8–8.4	8.5–10.2	10.3–13.0
Gross Leverage (x)	Non-Life	<2.9	2.9–5.0	5.1–7.3	7.4–9.4	9.5–11.7	11.8–14.0
Substitute	Reinsurance – Blended	<2.4	2.4–4.2	4.3–6.1	6.2–8.3	8.4–10.7	10.8–13.0
	Reinsurance – Property Catastrophe	<1.4	1.4–2.2	2.3–3.3	3.4–4.9	5.0–6.9	7.0–9.0
U.S. NAIC RBC Ratio (%)	Non-Life (U.S)	>350	350–250	249–188	187–125	124–88	87–60
Statutory Solvency Margin – Operating Company (%)	Non-Life (Japan)	>763	763–575	574–435	434–328	327–243	242–115
Statutory Solvency Margin – Group (%)	Non-Life (Japan)	>813	813–625	624–475	474–350	349–255	254–125
C-Ross Solvency Ratio (%)	Non-Life (China), Life (China)	>400	400–285	284–200	199–150	149–115	114–80
Solvency II SCR Coverage Ratio (%)	Non-Life (Europe), Life (Europe)	>210	210–161	160–131	130–101	100–76	75–45
Prescribed Capital Ratio (x)	Non-Life (Australia), Mortgage (Australia)	>1.75	1.75–1.50	1.49–1.30	1.29–1.15	1.14–1.07	1.06–1.00
Operating Leverage (x)	Life	<8	8–12	13–19	20–29	30–39	40–50
Substitute	Life (Japan)	<9	9–14	15–21	22–31	32–42	43–53
Asset Leverage (x)	Life	<11	11–17	18–25	26–35	36–48	49–65
Substitute	Life (Japan)	<12	12–19	20–27	28–37	38–49	50–62
U.S. NAIC RBC Ratio (%)	Life (U.S)	>431	431–323	322–235	234–175	174–125	124–60
Statutory Solvency Margin Ratio (%)	Life (Japan)	>1,125	1,125–800	799–600	599–425	424–275	274–120
U.S. NAIC RBC Ratio (%)	Reinsurance – Non-Life (U.S.)	>288	288–225	224–175	174–125	124–88	87–60
U.S. NAIC RBC Ratio (%)	Reinsurance – Life (U.S.)	>431	431–323	322–235	234–175	174–125	124–60
U.S. NAIC RBC Ratio (%)	Health	>375	375–275	274–213	212–150	149–113	112–85
PMIERS Coverage Ratio (%)	Mortgage (U.S.)	>175	175–150	149–130	129–110	109–90	89–70

[a]In LatAm, and for other non-life and life companies for which Fitch does not use Prism, the NPW-to-capital and operating leverage ratios, respectively, act as core capital adequacy ratios. Where Prism is used, these ratios are complementary. Similarly, in Australia for mortgage insurers, the regulatory prescribed capital ratio acts as the core capital adequacy ratio, where it is a complementary ratio for Australian non-life companies. CARs – Capital adequacy ratio. FLR – Financial leverage ratio. NPW – Net premiums written. PMIERS – Private mortgage insurer eligibility requirements
Source: Fitch Ratings.

Total Financing and Commitments Ratio (TFC)

The TFC ratio includes both financial and operating debt, securitizations, undrawn LOC facilities, and various commitments, such as the notional value of obligations related to the sale of credit default swaps. During periods of market disruptions, and lost access to capital markets financings, such operational and off-balance sheet commitments can become a direct source of vulnerability to an organization. These various values are summed and divided by equity capital. Scoring guidelines follow. Cautionary indications can pull down the credit factor score.

Credit Factor Scoring Guidelines — TFC

(x)	Low (Neutral)	Medium (Neutral)	High (Caution)	Very High (High Caution)
All Sectors[a]	<0.4	0.4–0.8	0.8–1.5	>1.5

[a]For financial guaranty, total financing and commitments (TFC) ratio excludes insured par values, which are captured in capital adequacy ratios.
Source: Fitch Ratings.

Fitch's Proprietary Capital Adequacy Models

Fitch employs three capital models called "Prism" to assist in the analysis of capital adequacy for life and non-life insurers:

- Prism Factor-Based Model (FBM), used in EMEA, Asia-Pacific and Bermuda.
- Prism U.S. Non-Life Model.
- Prism U.S. Life Model.

Each Prism model produces a capital score ranging from 'Exceptionally Strong' ('AAA') to 'Weak' ('B' and below), as highlighted in the table on the prior page. The different Prism capital models contain risk-based components that are either stochastic-based or factor-based, depending on the domicile and line of business. The approach used in each jurisdiction is influenced heavily by data availability.

Model definition documents for the *Prism U.S. Non-Life Insurance Capital Model*, *Prism U.S. Life Insurance Capital Model*, and *Prism Factor-Based Capital Model* are available on Fitch's public website. There is also a model definition document available for the *Reserve Adequacy and Volatility Estimator (RAVE) Model*, which both supports evaluation of the Reserve Analysis credit factor, and provides inputs for the Prism U.S. Non-Life model.

Details on Fitch's *Title Risk-Adjusted Capital (RAC) Model* used for U.S. title insurers can be found in its model definition document.

Hybrids — Debt and Equity Portion

The debt or equity-like aspects of hybrids for purposes of CARs and the FLRs are evaluated based on Fitch's view of how the features of the hybrid support viability and loss absorption under stress. Fitch employs three categories when defining the debt or equity portions of a hybrid: 100%, 50% and 0%. These are defined in the Hybrid Treatment in CAR and FLR exhibit on the next page for several common types of hybrids.

Complex hybrid features can make it difficult to judge how a hybrid may perform and can cause Fitch to reduce the amount of equity credit otherwise applied. Complex features include look-back provisions, parity security language, coupon step-ups, questionable deferral features, covenants and cross-default provisions, among others, including cases of intergroup hybrid issuance.

Hybrid Treatment in CAR and FLR

Hybrid Type	CAR Treatment	FLR Treatment
Perpetual Preferred		
Noncumulative[a]	100% Equity	0% Debt
Cumulative	100% Equity	50% Debt
Dated Deferrable Securities	0% Equity	100% Debt
Mandatory Convertible (True)[b]		
Sub Under Three Years	100% Equity	0% Debt
Sub Three to Five Years	50% Equity	50% Debt
Senior Under One Year	50% Equity	50% Debt
Mandatory Convertible (Synthetic)		
Underlying Debt[a]	0% Equity	100% Debt
Forward Contract	0% Equity at Issuance	0% Debt
	100% Equity Upon Funding	0% Debt
Optionally Convertible	0% Equity	100% Debt
Contingent Convertible[a]		
High Trigger	50% Equity	50% Debt
Low Trigger	0% Equity	100% Debt

[a]Includes mutual certificates such as "certificats mutualistes" in France. [b]As an exception, favorable treatment will be used if underlying security would otherwise qualify. CAR – Capital adequacy ratio. FLR – Financial leverage ratio.
Source: Fitch Ratings.

Additional interpretive details follow:

- Perpetual Preferred Securities: In some cases, local laws or regulations prohibit issuance of true perpetual securities, and instead companies issue very long maturing securities that include an option by the issuer to perpetually extend the maturity (most commonly an initial maturity of 30-plus years, with successive automatic extensions into perpetuity by additional periods of 30-plus years). Unless Fitch believes the intent is to let the securities mature, Fitch will treat such securities as perpetual, per above.

- Dated Deferrable Securities: These encompass various subordinated/junior subordinated debt and trust preferred securities with a stated maturity that include an ability to defer interest/dividend payments for a period of time (typically three to five years). Fitch views such securities as carrying "signaling risk," meaning management's optional (or a defined trigger's) initiation of a deferral signals to the market that the firm is under stress. Signaling risks provide strong incentives for management to avoid deferral, whether optional or per a mandatory trigger.

- Mandatory Convertible Securities: True mandatory convertible securities that are subordinated and deferrable (or zero coupon), not excessively dilutive on conversion (per exchange price/ratio), and will receive varying degrees of equity credit based on the conversion period. Synthetic units are treated as two separate securities, with treatment of the underlying debt security and the equity forward contract detailed above.

- Optionally Convertible: Fitch believes these provide no equity characteristics unless actually converted to equity capital.

- Contingent Convertible Securities: These hybrids permanently write down or convert to common equity as certain defined triggers are breached as stress sets in. Where triggers are high, meaning they would be written down or converted at early signs of stress, Fitch will afford partial equity credit. Such securities may also qualify for equity credit based on their other underlying features, ignoring the conversion feature.

Hybrid Regulatory Override in CARs

When rigorous capital regulation is in place that Fitch views as supporting viability under stress, Fitch will typically allow regulatory treatment of hybrids to override its own treatment in Fitch's CARs. This regulatory override applies both when a regulator has a more favorable treatment than Fitch's own view, and when a regulator has a less favorable treatment. The regulatory override does not apply to FLRs.

Limits on Amount of Hybrids in Capital Structure

Fitch does not employ an absolute cap on the maximum amount of hybrids that reside in a capital structure of an insurance organization. However, when hybrids begin to exceed 20% of total capitalization (i.e. the ratio of hybrids divided by the sum of hybrids plus debt plus equity capital), favorable hybrid treatment may be negated or reduced in both CARs and FLRs.

Contingent Capital Treatment

Fitch defines contingent capital as a prefunded facility for the benefit of the sponsoring insurance company, but for which funds have not yet been drawn. Such funds reside in a segregated entity (often a special-purpose vehicle [SPV]) and are typically not consolidated into the sponsoring insurer's financial statements. The ability of the insurance company to draw on the capital may be defined by a specific triggering event, or it may be a general option.

The following outlines how Fitch treats contingent capital:

- Any debt issued by the facility is included in the TFC.
- As long as any debt issued by the facility is not an obligation of the sponsoring insurance company, it is excluded from the FLR. However, if such debt is guaranteed by the sponsor, or could otherwise be construed as an economic obligation of the sponsor, it would be included in the FLR.
- The capital funding held within the facility would not be added to the sponsor's equity capital in either the FLR or CARs until it was drawn (unless, in the case of CARs, it qualifies for the regulatory override described above).
- Any enhanced financial flexibility provided by the facility would be considered when scoring the Financial Flexibility subfactor within the key credit factor Debt Service Capabilities and Financial Flexibility discussed later in this report.
- To the extent Fitch conducts any stress or forward analysis based on scenarios that could trigger a draw, in those scenarios, all or a portion of the facility would be added to equity capital in both the pro forma FLRs and CARs.

Debt Service Capabilities and Financial Flexibility

Fixed-Charge Coverage

Fixed-charge coverage ratios are key drivers for the scoring of this credit factor. Unusually low/high levels of coverage can also influence notching between the operating company and holding company (see notching section later in this report).

The coverage ratio guidelines are listed below.

Coverage Guidelines

		Insurer Financial Strength Rating					
(x)	Sectors/Regions	AAA	AA	A	BBB	BB	B
Core Ratios							
Fixed-Charge Coverage Ratio	All Sectors	>16.5	16.5–9.5	9.4–5.0	4.9–2.0	1.9–(1.0)	(1.1)–(5.0)
Complementary Ratios							
Statutory Coverage Ratio	Non-Life (U.S.), Life (U.S.)	>9.3	9.3–5.8	5.7–3.3	3.2–1.4	1.3–0.1	0.0–0.0
Cash Coverage Ratio	Non-Life (U.S.), Life (U.S.)	>11.1	11.1–6.6	6.5–3.6	3.5–1.6	1.5–0.1	0.0–0.0

Source: Fitch Ratings.

Coverage Ratio Guidelines

For hybrids, Fitch makes no adjustments in coverage ratios for deferrable payments (i.e. full value is included), unless deferral has actually occurred.

Coverage ratios are typically based on operating earnings that exclude realized and unrealized gains and losses. However, when such items are large, especially losses during times of stress, Fitch may also look at coverage ratios including these items. Fitch may also include realized and/or unrealized gains or losses to match other aspects of accounting treatment. For example, for UK life insurers under IFRS or UK GAAP, Fitch includes unrealized and realized gains and losses to reflect the treatment of liabilities, which are revalued through the income statement to reflect prevailing interest rates.

Currency Mismatch Issues

Our evaluation of coverage considers any currency mismatch that may make it more difficult for an issuer to service interest or principal payments. If the currency mismatch is reasonably hedged, then debt servicing is evaluated as described above. If not, Fitch will consider a stress scenario in which coverage is affected by enduring adverse exchange rate movements.

Fitch will also consider the case of an unhedged insurer with the bulk of its operations in an emerging market with high inflation, but that borrows in a hard currency (for instance U.S. dollars or euros). Over the long term, currencies in higher inflation economies tend to devalue relative to currencies in lower inflation economies.

- In these cases, we will also consider a hard currency fixed-charge coverage (HC-FCC) ratio. The numerator is pretax earnings derived in applicable hard currency, including that of the noted debt and from other stable, low inflation currencies, less hard currency fixed charges. The denominator is fixed charges in the applicable hard currency.
- HC-FCC below 2x would weaken our evaluation relative to that implied by the standard guidelines, 2.0x–4.9x would typically be neutral, and 5x or greater may uplift our evaluation.

To illustrate the calculation, if an emerging markets insurer issues U.S. dollar debt with annual interest of $10 million, and produces pretax, pre-interest earnings from a U.S dollar- or euro-based subsidiary of $30 million, the HC-FCC is 3x, which is neutral.

Financial Flexibility — Subcredit Factor Scoring Guidelines

	AAA	AA	A	BBB	BB	B
General • Market Access • Funding History • Diversity • Tenor • Fixed Versus Variable • Contingency	Exceptionally stable market access Very long funding history Highly diverse sources (potentially international) Varied instruments Longer tenors with fixed rates Very robust contingent funding	Very stable market access. Long funding history Diverse sources Varied instruments Longer tenors mainly with fixed rates Robust contingent funding	Stable market access History of funding Reasonably varied sources Some mix of instruments May be somewhat skewed to inter-mediate tenors with some floating rates Contingency funding	Generally stable market access Some possible funding challenges during market stress. Somewhat concentrated sources and instruments More focused on shorter or inter-mediate tenors, or emphasis on floating rates Modest contingency funding	Mixed market access especially in stressful market periods. Fairly narrow sources and instruments. Skewed to intermediate and shorter tenors, or Heavy use of floating rates Contingency funding, if present, is likely de minimus	Market access quite unstable and/or very limited Funding sources very limited No to minimal contingent funding
Country Risk	Barring demonstrated market access outside of the country of domicile, typically an insurer's Financial Flexibility sub-score will not exceed that implied by the degree of financial market development considered in the overall IPOE Score for that insurer's country.					
Equity Focus						
Developing Markets	In underdeveloped financial markets, funding may be limited primarily to its common equity. Using the above parameters, this typically results in a lower score since funding options are narrow.					
Developed Markets	In contrast, some insurers in developed financial markets simply decide to focus on equity financing. Such companies will typically have very favorable financial leverage and fixed-charge coverage, but no history of market access. Such companies will be scored between 'A' and 'B' per the guidelines immediately below, which focus on the rating committee's expectations if broader funding was sought by management in the near term.					
Guidelines for Developed Markets			High confidence market access would be readily available	Reasonable confidence market access would likely be available	Market access possible, but there are notable uncertainties	Near-term market access very likely unavailable
Weighting	When funding is only equity, the Financial Flexibility sub-score dominates the overall Debt Service Capabilities and Financial Flexibility Credit Factor Score.					
Parent as Sole Source of Funding	Some privately owned insurers will obtain funding primarily or exclusively from a parent company. In this case, the score for Debt Service Capabilities and Financial Flexibility will typically be weighted low in the overall rating evaluation, and the positives/negatives of the parent relationship will primarily be reflected in the rating via the evaluation of the Ownership credit factor. More specifically, if the insurer obtains its funding exclusively from the parent, this credit factor will not be scored, and the benefits or risks tied to such parent funding will be considered in the Ownership evaluation. If the insurer is reliant on some funding from outside sources, then this credit factor will be scored and weighed based on the insurer's servicing capabilities and flexibility with respect those outside funding requirements, and their importance.					

Source: Fitch Ratings.

Financial Flexibility

Defined as the ability of an insurer to generate additional funds relative to needs, an insurer with financial flexibility is more able to access capital required for growth, strategic repositioning or for the replenishment of losses. Companies with low leverage, coupled with well-balanced and diverse financing sources of varying maturities, are typically most financially flexible.

Fitch recognizes that under stress, financial flexibility of even historically strong companies can vanish quickly. As a result, the agency does not assume that financial flexibility will necessarily exist for companies in stressful scenarios.

On the next page, the Financial Performance and Earnings Ratio Guidelines exhibit provides a summary of the characteristics of financial flexibility delineated by rating category.

Overall Credit Factor Scoring

The above financial flexibility evaluation is combined with the evaluation of coverage to arrive at the overall score for the Debt Service Capabilities and Financial Flexibility credit factor.

Financial Performance and Earnings

Financial performance determines the entity's ability to generate capital, the ability to absorb adverse deviations and can affect financial flexibility. In its evaluations, Fitch considers financial performance in absolute terms and in terms of trend, as well as:

- **Quality of Earnings:** Earnings are high quality if from reliable and repeatable sources, such as consistent underwriting profitability. "One-off" items such as gains on asset sales or unusual releases from technical reserves are viewed less favorably, as are earnings derived from highly concentrated investments in risky assets and inflation-driven earnings,
- **Relative to Business Risk:** Insurers that take on a higher degree of risk are expected to obtain a higher level of profitability as an offset. On this basis, the return expected from a low-risk auto insurer would be lower than that from a higher-risk catastrophe reinsurer.
- **Relative to Leverage:** Fitch interprets profitability within the context of operating and financial leverage, as high returns resulting exclusively from high leverage are a negative.
- **Diversification:** Fitch evaluates the diversification of earnings across market and product, as well as risk and fee-based from new sales versus in-force profit, as all else equal, earnings that are well diversified tend to be less volatile.

Financial Performance and Earnings Ratio Guidelines

		Insurer Financial Strength Rating					
(%)	Sectors/Regions	AAA	AA	A	BBB	BB	B
Core Ratios							
Return on Equity	Non-Life, Mortgage, Financial Guaranty	>15	15–10	9–6	5–2	1–(2)	(3)–(10)
Substitute	Reinsurance	>15	15–12	11–8	7–3	2–(2)	(3)–(10)
	Title	>19	19–14	13–10	9–4	3–(3)	(4)–(15)
Combined Ratio	Non-Life, Financial Guaranty (High Frequency/High Severity)	<84	84–98	99–106	107–114	115–124	125–135
Substitute	Reinsurance – Blended	<86	86–96	97–102	103–110	111–120	121–136
	Reinsurance – Property Catastrophe	<78	78–87	88–93	94–102	103–112	113–128
	Title	<81	81–91	92–98	99–108	109–119	120–135
	Mortgage	<29	29–49	50–74	75–107	108–142	143–177
	Financial Guaranty (Low Frequency/Low Severity)	<38	38–52	53–67	68–82	83–97	98–110
Operating Ratio	Non-Life	<71	71–85	86–93	94–103	104–114	115–125
Substitute	Reinsurance – Blended	<76	76–86	87–92	93–100	101–110	111–126
	Reinsurance – Property Catastrophe	<65	65–74	75–80	81–89	90–99	100–115
Return on Equity	Life	>17	17–11	10–7	6–3	2–(2)	(3)–(7)
Substitute (Core Profit Margin)	Life (Japan)	>11.5	11.5–9.0	8.9–7.0	6.9–4.0	3.9–(0.5)	(0.6)–(5.0)
Return on Assets (Pretax)	Life	>1.33	1.33–1.00	0.99–0.65	0.64–0.20	0.19–(0.25)	(0.26)–(0.75)
Substitute	Life (Japan)	>1.0	1.0–0.7	0.6–0.4	0.3–(0.1)	(0.2)–(0.5)	(0.6)–(1.0)
EBITDA to Revenues	Health	>10.5	10.5–8.0	7.9–5.0	4.9–2.3	2.2–1.1	1.0–0.3
Complementary Ratios							
Operating Ratio	Title	<73	73–85	86–94	95–103	104–115	116–125
GAAP Return on Capital	Health	>14.8	14.8–9.0	8.9–5.0	4.9–2.0	1.9–0.9	0.8–0.5
Medical Benefit Ratio	Health	<81	81–83	84–86	87–88	89–92	93–98

Source: Fitch Ratings.

Growth

Fitch generally views growth cautiously if it is at a rate greater than the market or peers, especially during periods of competitive pricing pressures. Excessive growth is considered to be a leading indicator of future financial difficulties, and can take on very high weighting when concerns are significant and cause the reduction of weighting assigned to other favorable performance metrics. Excessive growth can be a concern regardless of whether it is organic or via acquisitions. Understanding the cause of growth is important.

Growth —Scoring Guidelines[a]

(%)	Low (Caution)	Moderate (Neutral)	High (Caution)
Developed Markets			
Life[b] (Asset) — Absolute	<5	5–15	>15
Life/Japan (Asset) — Absolute	<0	0–15	>15
Life[c] (Asset) — Relative	<(10)	(10)–10	>10
Non-Life[d] (Premium) — Absolute	<(10)	(10)–8	>8
Non-Life[d] (Premium) — Relative	<(5)	(5)–5	>5
Health (Membership) — Relative	<(5)	(5)–5	>5
Emerging Markets			
Life (Asset) — Relative	<(15)	(15)–15	>15
Non-Life (Premium) — Relative	<(10)	(10)–10	>10

[a]Guidelines consider both absolute growth levels and growth levels relative to sector averages/norms. [b]All developed life regions other than Japan. [c]All developed life regions, including Japan. [d]Includes non-life, reinsurance, title, mortgage and financial guaranty.
Source: Fitch Ratings.

Conversely, sharp drops in premiums or assets that can be indicative of a quickly eroding franchise and are also a concern.

In addition to the noted financial ratios, Fitch's evaluation of financial performance will consider numerous qualitative elements, which can include the following.

Qualitative Considerations

Non-Life

Underwriting profitability is very important when reviewing the performance of non-life (re)insurers. Fitch's goal is to evaluate the health of the book of business, and management's understanding of underwriting risks and ability to control them. Key areas considered include:

- Performance versus pricing margins, including impact of investment income on pricing decisions.
- Performance relative to market peers.
- Volatility of underwriting results over time.
- Expense efficiencies and impact of ceding commissions on expense ratios.

To assess the applicable ratios in the Financial Performance and Earnings Ratio Guidelines exhibit on the prior page, Fitch considers business mix, pricing strategy, accounting practices, distribution approach and reserving approach. Fitch examines these ratios for the company as a whole, and by product and market segment when such information is available. Fitch also considers underwriting results on a calendar and accident year when such information is available.

Life

Fitch evaluates earnings at the product line level and consolidated basis, when possible. While strong profitability is generally viewed positively, Fitch recognizes that strong near-term profit may be the result of risk taking, such as inadequate hedging, which would be negative.

Fitch supplements its analysis with quantitative measures that vary by market. For example, return on embedded value (ROEV), new business margin and embedded value variances are used for insurers that provide supplementary financial reporting on an "embedded value" basis.

Growth trends are considered in the context of market conditions and company-specific strategic initiatives. Since in many developed markets life insurance is a mature industry, Fitch generally views modest growth in sales, consistent with market averages, as a sign of health.

Investment and Asset Risk

Investment risks most commonly emanate from varying combinations of credit risk, market risk, interest rate risk and liquidity risk. When available, Fitch reviews investment guidelines to understand risk tolerances, including oversight and control procedures when investment management is outsourced to third-party managers.

Standard ratios are used to evaluate the level of investment risk broadly, but these are supplemented with additional analyses, which in some cases could involve evaluation of specific securities in the portfolio.

Fixed Income

This tends to be the largest asset class for many insurers, and insurers make different choices regarding the trade-off between yield and default risk. Fitch considers the mix, composition and credit quality (ratings) of the fixed-income portfolio. Disproportionately large allocations or concentrations for a given market or rating level, especially those at non-investment grade, are viewed negatively.

Investment and Asset Risk Ratio Guidelines

		Insurer Financial Strength Rating					
(%)	Sectors/Regions	AAA	AA	A	BBB	BB	B
Core Ratios							
Risky Assets Ratio	Non-Life, Reinsurance (Non-Life), Mortgage	<31	31–62	63–87	88–124	125–179	180–240
Substitute	Title	<19	19–52	53–87	88–112	113–127	128–175
	Health	<23	23–34	35–44	45–54	55–64	65–75
	Financial Guaranty	<6	6–12	13–17	18–22	23–27	28–33
Risky Assets Ratio	Life, Reinsurance (Life)	<38	38–74	75–109	110–159	160–224	225–295
Complementary Ratios							
Equity Investments to Capital	Non-Life, Reinsurance	<21	21–52	53–82	83–112	113–137	138–165
Below-Investment-Grade Bonds to Capital	Life	<25	25–47	48–62	63–84	85–119	120–160

Source: Fitch Ratings.

Equities and Real Estate

While fixed-income investments dominate most insurer portfolios, an allocation to equity or real estate is not uncommon since such investments provide higher expected returns, albeit with more volatility. Concentrations in these types of investments are viewed more cautiously as they have greater uncertainty in terms of valuation and liquidity.

Alternative/Esoteric

Fitch pays close attention to unusual investment strategies, especially those involving esoteric investments, less liquid investments or use of concentrations by name or sector. Examples include hedge funds, private equity and limited partnerships, some of which may be internally leveraged. These are all viewed as adding portfolio risk that can be potentially significant, especially in tail scenarios.

For most insurers, esoteric investments represent a small portion of their total portfolio. However some companies, such as so-called "hedge fund reinsurers," take on very large, concentrated exposures in esoteric assets. In such cases, Fitch's standard risky asset ratios may become less informative, and bespoke techniques tailored to the specific investment strategy may be used to evaluate relative portfolio risk.

Developing Markets

For insurers located in developing market countries, the portion of risky assets in the investment portfolio is likely to be materially higher than for insurers located in investment-grade countries. This is partly because investments in securities of local issuers would be speculative-grade and thus considered a risky asset. It is also due to less developed capital markets, especially fixed-income markets in some cases, including availability of longer maturing fixed-income instruments. Thus, insurers turn more heavily to equities, real estate and alternative investments. All such investments are treated as risky by Fitch in its evaluation, though Fitch recognizes investing in such assets may not be management's preference were safer alternatives more readily available.

Sovereign

Fitch evaluates the level of exposure to the sovereign (country of domicile and/or major operations) within the investment portfolio, by looking at the ratio of sovereign investments to capital. The numerator includes bonds issued by the local sovereign as well as securities of entities, such as domestic banks whose default experience would be highly correlated to the government (to the extent such securities can be identified). Large investments in sovereign and related securities is often most prevalent in developing markets where regulatory requirements, and the relative under-development of local capital markets, limit insurers' investment choices. The exhibit below includes guidelines used to potentially cap the score for this credit factor based on a matrix of the level of the sovereign investments to capital ratio and the local currency rating of the sovereign. Additionally, the Risky Asset Ratio (see calculation details in Appendix) scales sovereign investments based on rating at sovereign rating levels of 'BBB+' and below.

Sovereign Investment Concentration Risk — Scoring Guidelines

	Sovereign Investments-to-Capital Ratio[a] (%)								
Sovereign Debt Rating Level[b]	**<15**	**15–40**	**41–80**	**81–100**	**101–150**	**150–200**	**200–300**	**300–500**	**>500**
AAA	No Impact								
AA	No Impact			Cap +1		Cap			
A	No Impact	Cap +2	Cap +1		Cap	Cap	Cap	Cap -1	Cap -2
BBB	No Impact	Cap +2	Cap + 1		Cap	Cap -1	Cap -2	Cap -3	Cap -4
BB/B/CCC	Cap +3[c]	Cap +2	Cap +1	Cap	Cap -1	Cap -3	Cap -4	Cap -5	

[a]Includes direct sovereign investments and sovereign-related investments. Ratio level may be estimated by Fitch. [b]Based on local currency sovereign rating. [c]Applies between 10%–14%. Note: +/- values are stated in notches relative to notch-specific local currency sovereign rating.
Source: Fitch Ratings.

Currency Risk

Some insurers invest in foreign assets, aiming to increase the diversification of their investment portfolio and/or to enhance yield. A significant currency mismatch between assets and liabilities could increase the volatility of earnings and capital, so in such a case Fitch evaluates the hedging strategy. This includes reviewing of the impact of currency movements on earnings, and subject to data availability, reviewing the types of hedging instruments used (e.g. currency swaps, proxy hedging), hedging cost and hedge performance.

Participating Life Policies Adjustment

Fitch considers the extent investment performance may be borne by, or potentially shared, with policyholders. For example, for products where investment performance is directly passed through to the policyholder, such as unit-linked products or variable annuities, risky assets linked to these products are typically excluded from our analysis (other than consideration of their impact on any secondary guarantees).

For life products of a participating nature, for example, where investment losses/profits can be used to influence the level of future crediting rates, Fitch will view such loss sharing features as a potential risk mitigant in the evaluation of investment risk.

In particular, and as described in more detail in the *Appendix* under *Financial Ratio Definitions* (Risky Assts Ratio), for certain product types, Fitch will scale down risky assets to reflect the expected degree of loss sharing. Before applying any such scaling, Fitch will consider the materiality of the loss-sharing products (~>20% of total liabilities) and if sufficiently robust information is available to estimate the assets that can be allocated to the loss-sharing product(s) in question. When such determinations cannot be made, no scaling will be performed.

Asset/Liability and Liquidity Management

Asset/liability management (ALM) is a notable risk factor for life insurers, but generally less so for non-life insurers. For life companies, ALM processes are important in achieving durable profitability objectives, especially in managing interest rate risk on spread-based products and also to support liquidity in periods of disintermediation. As such, for non-life sectors, the liquidity aspects of this credit factor are combined with the Investment and Asset Risk credit factor when applying these criteria, and ALM is only peripherally considered.

Fitch's evaluation of ALM and liquidity risks is often conducted with limited disclosures in published financial statements and notes. This heightens Fitch's reliance on management-provided information (subject to Fitch analytical adjustments) or market-level benchmarking.

Fitch evaluates liquidity and ALM differently at the operating and holding company levels

Operating Company

Liquidity

The evaluation focuses on the marketability of investments, as well as liquid assets relative to liabilities. Fitch also considers the amount of receivable and other balances, as well as the levels of other assets, such as affiliated holdings or real estate. Alternative sources of liquidity to fund unexpected cash needs are evaluated based on their amount and availability.

Duration Gap

When available, Fitch reviews estimates of the duration gap between assets and liabilities to help judge exposure to interest rate risk, especially for life insurers. Fitch prefers calculations that focus only on interest-sensitive insurance liabilities that exclude unit-linked and nonguaranteed separate accounts type products. When possible, Fitch's evaluation will consider hedging. When insurer-specific duration gap information is not available, Fitch considers market average information to be a reasonable proxy.

When evaluating the duration gap, Fitch believes equities and real estate are inferior asset types to match against longer-term interest-sensitive liabilities, compared with traditional fixed-income assets, since neither equities nor real estate offer a defined payment upon a stated maturity. Use of these assets makes their duration difficult to define. Thus, when equities and real estate make up a material portion of assets, Fitch uses a range of duration assumptions for equities and real estate that typically varies between two and 15 years.

Asset/Liability and Liquidity Management Ratio Guidelines

		Insurer Financial Strength Rating					
	Sectors Regions	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**
Core Ratios							
Liquid Assets to Reserves (Loss/Technical, %)	Non-Life (Excl. U.S.), Reinsurance, Title, Mortgage, Financial Guaranty	>188	188–138	137–113	112–88	87–63	62–35
Liquid Asset Ratio (%)	Life (Excl. U.S.)	>83	83–68	67–53	52–39	38–29	28–21
Risk-Weighted Liquidity Ratio (%)	Non-Life (U.S.)	>210	210–156	155–116	115–86	85–64	63–47
Risk-Weighted Liquidity Ratio (%)	Life (U.S.)	>250	250–185	184–137	136–101	100–75	74–56
Duration Gap (Years in Absolute Value)	Life	<0.5	0.5–1.4	1.5–2.9	3.0–4.9	5.0–7.9	8.0–12.0
Complementary Ratios							
Cash and Equivalents to Policyholder Liabilities (%)	Life (Asia, Excl. Japan)	>11.3	11.3–7.5	7.4–4.5	4.4–2.0	1.9–0.5	0.4–0.0
Operating Cash Flow Ratio (x)	Life (U.S.)	>1.28	1.28–1.15	1.14–1.05	1.04–0.90	0.89–0.65	0.64–0.10
Cash and Invested Assets to Medical Claim Liabilities (x)	Health	>5.5	5.5–3.5	3.4–2.5	2.4–1.8	1.7–1.4	1.3–1.1

Source: Fitch Ratings.

Generally, for a non-life insurers with adequate cash flow, high-quality investments, and a buy and hold investment approach, Fitch does not view ALM as an important rating consideration.

Scenario Testing

Recognizing that the duration gap has limitations as a risk measure, when available, Fitch considers additional forms of analysis. These include scenario analysis completed by the insurer to comply with regulatory standards, or other internal analysis deemed relevant.

Interest Rate Risk/Market Perspective

Financial statement disclosures in most markets provide only limited insights into relative interest rate risk. Thus, Fitch's general understanding of interest rate risks inherent in certain product types by market, as well as a company's overall and relative historical performance under different rate conditions, play a role in a high level evaluation of interest rate risk.

Holding Companies

Holding company liquidity analysis differs from that at an operating company, especially when the holding company exists solely to own various operating subsidiaries. Because holding companies typically do not hold large liquid investment portfolios and are much more reliant on cash flow generation as a key liquidity source, if liquidity problems were to develop in an insurance organization overall, they are most likely to occur at the holding company level.

Cash

Maintaining cash balances at a conservative multiple of annual cash needs by a holding company, such as debt service requirements, is viewed as prudent.

Refinancing/Maturities

Refinancing maturing debt is a key source of liquidity risk at many holding companies. Thus, Fitch reviews debt maturities by year together with current short-term debt balances. Unexpected maturities or payments due to covenant triggers and/or guarantees being enacted negatively affect Fitch's evaluation of financial flexibility.

Cash Flow

The key sources and uses of cash flow that Fitch considers in evaluating holding company liquidity are displayed in the following table.

Holding Company Liquidity — Sources/Uses

Sources	Uses
Earnings on Holding Company Invested Assets	Cash Operating Expenses
Regulated Dividends from Subsidiaries	Shareholder Dividends
Nonregulated Dividends from Subsidiaries	Preferred Dividends
Long-Term Debt Issuance	Interest Expense
CP Issuance	Capital Contributions to Subsidiaries
Equity Issuance	Long-Term Debt Maturity
Bank Lines Drawn	CP Maturity
Tapping Cash or Liquidating Investments	Share Repurchases
Other Sources	Bank Lines Due (Including Covenant Triggers) Pension Plan Funding Contingencies Other Uses

Source: Fitch Ratings.

Reserve Adequacy

Loss reserve adequacy is an important yet challenging area of analysis for non-life (re)insurers. It plays a minimal role in the assessment of life insurers other than for lines of business, such as long-term care insurance. Thus, this credit factor is typically not scored in the life sector.

The greatest challenge in evaluating loss reserve adequacy is that data may be limited and difficult to interpret, whether from regulatory filings such as Schedule P for U.S. insurers, or provided by management. When information is limited, Fitch's evaluation relies on the general riskiness of the lines of business written and their susceptibility to reserving issues, as well as the stability/volatility of historical underwriting performance, including the impact of any reported reserve development.

Fitch looks for uses of reserve discounting, financial or finite reinsurance, or accounting techniques that reduce carried reserves and potentially mask or distort comparability.

Reserve Profile

In reviewing the reserve profile, first Fitch judges influence of reserve risk on the overall rating. Reserve leverage relative to both capital and incurred losses are primary considerations. Higher reserve leverage tends to be common with longer-tail writers and implies a higher influence.

Implied Weighting of Reserves in Rating

	Net Reserve Leverage (x)		
Net Loss Reserves/Incurred Losses (x)	**<1.0**	**1.0–1.5**	**>1.5**
>2.0	Medium	High	High
1.0– 2.0	Medium	Medium	High
<1.0	Low	Medium	Medium

Source: Fitch Ratings.

Growth

Fitch evaluates whether loss reserves are growing at a rate that is commensurate with growth in underwriting exposures. Reserve growth that falls short of growth in underwriting exposures indicates increasing degrees of caution. In such a case, the nature of such growth will be evaluated more closely to determine if the indication is indeed negative. Fitch also considers the rate of overall growth in premiums, relative to market averages, in its evaluation of Financial Performance and Earnings.

Reserve Growth

Ratio	Neutral	Caution	High Caution
Paid/Incurred Losses (x)	<1.05	>1.05	>1.50
Change in Ratio of Reserves/ Earned Premium (%)	>(5)	<(5)	<(15)

Source: Fitch Ratings.

Experience

Evaluating development trends in reserves provides an indication of a company's reserve setting proficiency. Consistent favorable development is viewed positively, whereas adverse development, or reserve strengthening, is viewed negatively.

Reserve Development to Surplus/Equity

Ratio (%)	<0	0–5	5–10	>10
One-Year Development Ratios	Neutral	Slight Caution	Caution	High Caution
Five-Year Development Ratios	Positive	Slight Caution	Caution	High Caution

Source: Fitch Ratings.

Adequacy

When information is available, Fitch evaluates the overall adequacy of current carried reserves. This evaluation is typically based on any combination of actuarial report reviews, disclosures by management of internal or independent actuarial estimates of reserving point estimates or ranges, and Fitch's own analysis of loss experience data. This includes the use of Fitch's Reserve Adequacy and Volatility Estimator model, primarily for U.S. entities. When reserves are carried below midpoint or best estimates, this implies increasing levels of caution, whereas reserving at levels above these estimates is a credit positive, per the table below.

Carried Reserves/Estimated Midpoint

Ratio (%)	Implication
>105	Positive
100–105	Neutral
90–100	Moderate Caution
80–90	Caution
<80	High Caution

Source: Fitch Ratings.

Credit Factor Scoring

In most developed markets, a combined ranking of "neutral" above meets a 'A' IFS scoring guideline. For certain developing market countries, Fitch revises this neutral guideline when the agency believes reserving sophistication is below that of developed markets, as per below.

Countries With Neutral Evaluation Below 'A'

BBB Category	BB Category	B Category
Brazil, Bulgaria, Colombia, Costa Rica, India, Malaysia, Morocco, Peru, Russia, Saudi Arabia, Thailand, Turkey	Argentina, El Salvador, Indonesia, Guatemala, Honduras, Kazakhstan, Panama, Sri Lanka, Uruguay	Angola, Barbados, Belarus, Dominican Republic, Egypt, Jamaica, Nicaragua, Tunisia, Uzbekistan

Source: Fitch Ratings.

Scoring is applied as follows relative to the applicable neutral guideline level:

- Several "cautionary" indications will be scored up to a category lower than neutral
- One or more "high cautionary" indications would typically be scored two or more categories lower than neutral.
- For a score above neutral, the growth indication would need to be neutral, and the company would need to show enduring positive indications with respect to both experience and adequacy indicators.
- 'AAA' level reserve adequacy is uncommon.

The above guidelines mainly apply to non-life insurers in the property/casualty area. Select guideline ratios for health, mortgage insurance and financial guaranty insurers are in the table below.

Reserve Adequacy — Health, Mortgage, Financial Guaranty

(%)		Insurer Financial Strength Rating					
Complementary Ratios	Sector/Regions	AAA	AA	A	BBB	BB	B
Loss Reserve Development to BOP Medical Claim Liabilities (MCL)	Health	<(9)	(9)–(3)	(2)–2	3–7	8–14	15–22
Number of Days Claims in MCL (Days)	Health	>58	58–45	44–35	34–25	24–17	16–11
Loss Reserve Development to Capital	Mortgage	<(4)	(4)–(2)	(1)–2	3–7	8–12	13–18
Loss Reserve Development to Earned Premium	Financial Guaranty	<(4)	(4)–(2)	(1)–1	2–4	5–7	8–11

BOP – Beginning of the period.
Source: Fitch Ratings.

Reinsurance, Risk Mitigation and Catastrophe Risk

Fitch's evaluates if capital and earnings are reasonably protected from large loss exposures via mitigation techniques, the most common of which is reinsurance. Other forms of mitigation include securitizations, industry loss warranties (ILWs), or capital markets products, such as options, forwards or futures. Fitch conducts its evaluation recognizing that tight product designs that limit risks, together with diversification, act as an important first line of defense.

Key quantitative measurements, and related guidelines, are listed in the table below.

Reinsurance, Risk Mitigation and Catastrophe Risk

		Insurer Financial Strength Rating					
(%)	Sectors/Regions	AAA	AA	A	BBB	BB	B
Core Ratios							
Reinsurance Recoverables to Capital	Non-Life, Financial Guaranty, Mortgage	<30	30–54	55–82	83–117	118–154	155–195
Substitute	Reinsurance	<18	18–34	35–62	63–97	98–132	133–175
Net Annual Aggregate Catastrophe Losses to Capital[a]	Non-Life, Reinsurance –Blended	<8	8–21	22–38	39–59	60–85	86–115
Substitute	Reinsurance – Property Catastrophe	<11	11–27	28–46	47–65	66–92	93–130
Complementary Ratios							
Net Premium Written to Gross Premium Written	Non-Life, Reinsurance, Mortgage	>86	86–68	67–55	54–40	39–25	24–10
Gross Annual Aggregate Catastrophe Losses to Capital[a]	Non-Life, Reinsurance –Blended	<10	10–32	33–65	66–185	186–420	421–960
Largest Net Single Risk Limit to Surplus	Title	<14	14–37	38–62	63–87	88–112	113–150
Single Risk Par to Capital (x)	Financial Guaranty	<6	6–14	15–27	28–42	43–59	60–80
Net Notional Par to Gross Notional Par Insured	Financial Guaranty	>96	96–78	77–65	64–55	54–45	44–35

[a]Applicable for return periods in the range of 200–250 years. For other return periods, the guidelines can be scaled using the following formula: Net: (ratio guideline) x ((225/years of return period)^ 0.353), and Gross: (ratio guideline) x ((225/years return period)^ 0.278).
Source: Fitch Ratings.

The weighting of each ratio to derive the credit factor score varies by issuer. The most common, or "starting point," weightings for the non-life and reinsurance sectors follow.

Starting Point Ratio Weightings (Non-Life, Reinsurance)[a]

Ratio	Starting Point Weighting	Comments
Net Annual Aggregate Catastrophe Losses to Capital	Higher if Weak Score; or Moderate if Strong Score	Strong performance may receive less weighting if the difference between the net and gross annual aggregate losses is large, implying an excessive reliance on reinsurance.
Gross Annual Aggregate Catastrophe Losses to Capital	Higher if Weak Score; or Lower if Strong Score	While the influence is typically Higher when the score is Weak, other qualitative factors that could influence the weighting include perceived dispute risks; conservatism of catastrophe model; diversification, if risk is fully ceded to the parent company; and track record.
Reinsurance Recoverables to Capital	Moderate	May be Higher when information suggests recoverables are materially past due, and/or the credit quality of key reinsurers is low. May be Lower when recoverables are affiliated.
Net Premium Written to Gross Premium Written	Lower	Becomes more influential if retentions levels are very low, especially in commonly retained business lines; or retentions are very high, implying insufficient reinsurance was purchased.

[a]Weightings are Higher, Moderate or Lower.
Source: Fitch Ratings.

Since risk mitigation is typically tailored to each insurer's unique needs, review of standard ratios only reveals so much. The following are additional qualitative considerations.

Reinsurance

Fitch's evaluation focus on whether:

- Sufficient amounts and types of reinsurance are in place to limit net loss exposures given the unique characteristics of the book.
- There are no apparent holes in the reinsurance program.

- Reinsurance cost does not excessively drive down the ceding company's profitability to inadequate levels and weaken its competitive posture.
- Financial strength of reinsurers is strong, limiting the risk of uncollectible balances due to insolvency of the reinsurer.
- Exposure to possible collection disputes with reinsurers is not excessive.

Data available to Fitch to evaluate reinsurance programs can vary greatly by. When information is limited, Fitch relies more heavily on the ratios and metrics noted above, and also looks for signs of changes in reinsurance programs that could flag a change in risk. These include a shift in the amount of premiums ceded to reinsurers, changes in reinsurers' share of incurred losses or changes in the amount of reinsurance recoverables.

Securitizations

Insurance companies may sponsor risk securitizations, such as catastrophe bonds. Securitizations usually pose minimal to no counterparty credit risk, since they are typically fully collateralized. However, the protection provided to the ceding company may not be complete due to basis risk, especially if the payout is linked to industry loss indexes or a defined parameter.

Financial Reinsurance

Insurers can use financial reinsurance to augment earnings, which can actually add to overall risks. Examples include:

- Excessive cessions under quota-share treaties simply to earn ceding commissions.
- Finite risk reinsurance that is driven less to achieve risk transfer and more by financial objectives, such as offsetting a current period earnings charge, smoothing earnings and effectively discounting reserves on a present value basis.

Fitch typically views the quality of earnings and capital created through financial reinsurance to be less than that obtained through the use of traditional reinsurance containing higher levels of risk transfer. Analysis of such programs requires high levels of judgment.

Catastrophe Risk

Fitch's analysis of catastrophe risk for non-life insurers involves traditional ratio analysis and, in some regions, a review of the output of catastrophe risk models. The starting point is a review of business mix, geographic concentration, premium growth rate and past results in order to understand the company's overall catastrophe risk management profile. This review considers the nature of catastrophe risk on both a marketwide basis within a jurisdiction as well as the insurer's specific share of market losses, both gross and net of reinsurance.

When provided, Fitch reviews results generated by insurers' internal and licensed catastrophe models. Fitch reviews various confidence levels, including 100-year, 250-year, 500-year, 1,000-year probabilities, and beyond, when possible. Fitch believes a full evaluation of the extreme ends of the "tail" is useful, in part recognizing that actual catastrophe events seem to occur at frequencies greater than implied by many models. Fitch has licensed a third-party model known as CATRADER natural catastrophe modeling tool from AIR Worldwide Corporation (AIR) (primarily used for the U.S.) and, where appropriate and feasible, uses this model to produce loss distribution curve estimates.

Fitch believes modeled results are most informative on an annual aggregate basis (both gross and net of reinsurance). Fitch's also prefers use of tail value-at-risk (T-VaR) measures rather than a probable maximum loss (PML) approach, where available. Fitch recognizes the potential shortfalls in any model-driven analysis and also attempts to not be overly reliant on the results of any one model without also applying judgment in interpretation of the model outputs.

Life Insurer Risk Mitigation

For some life insurers, risk mitigation strategies other than reinsurance can play a significant role, including:

- Derivative hedging to limit market risks on guarantees on variable annuity or unit-linked type products.
- In the U.S., use of various strategies to "cede" excess reserves of life insurance lines subject to regulations covering secondary guarantees to provide for regulatory capital relief.
- Outside the U.S., securitization of the "embedded value" of certain product blocks, in order to enhance capital or liquidity.

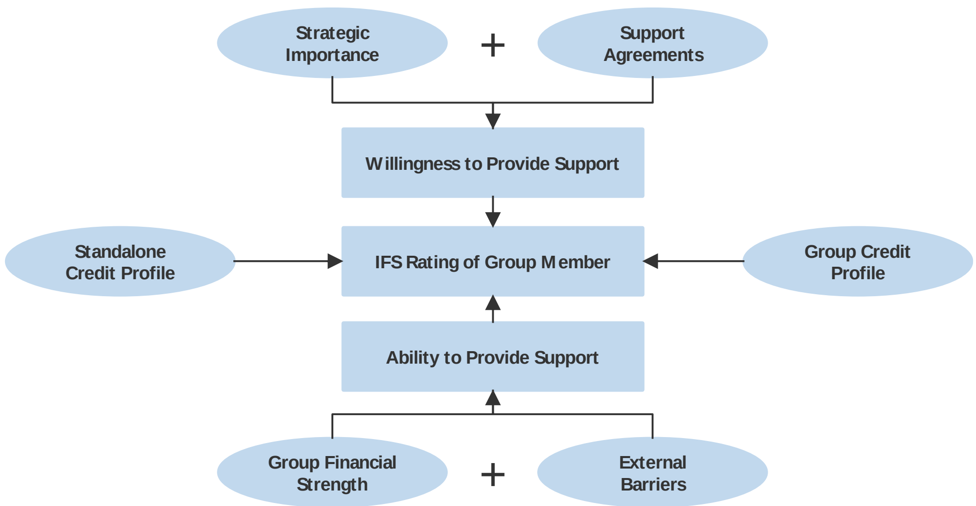
Fitch's evaluation of derivative hedging is similar to that done for reinsurance, but it also considers basis risk, management strategy and any controls related to the hedging program, where such information is available. For some companies, review of historic performance of the hedged business is the primary part of Fitch's evaluation.

Group Rating Criteria

This section defines guidelines for how the IFS ratings of members of an insurance group influence the IFS ratings of other group members. Fitch ultimately takes one of three approaches for a given group member's IFS rating:

- Standalone: Based on group member's own financial profile, with no impact from group affiliations.
- Partial Attribution: Based on group member's own financial profile, plus some impact of the strengths or weaknesses of other group members.
- Group: Based exclusively on the group credit profile.

Group Rating Overview



IFS – Insurer Financial Strength.
Source: Fitch Ratings.

The applicable approach is a function of the ability and willingness of the core group members to provide support, as depicted in the figure on the next page.

Willingness to Provide Support

Willingness of a group to support specific members is a function of:

- Strategic importance of group member.
- Support agreements being in place.

The more strategically important members are to the group as a whole, the more likely Fitch is to use a group or partial attribution approach. Absent sufficient strategic importance, use of formal support agreements can also result in a group or partial attribution approach.

Support Agreements

Support agreements can affect Fitch's evaluation of a group's willingness to support, especially when a group member is less than core. Formal support agreements often result in uplift in a group member's strategic assessment and IFS rating. The degree a formal support agreement can enhance the strategic category is judgmental. Informal support agreements typically have no impact. The following are the primary types of formal support agreements.

Liability Guarantee: Assures the timely payment of a group member's liabilities by another group member(s), and is typically irrevocable even if the insurer is divested (though the guarantee can often be terminated with respect to new liabilities at any time).

"Fortune-Sharing" Reinsurance: Reinsurance programs that are structured to allow the financial fortunes of the participating affiliates to rise and fall together. Examples include a quota share of 80% or more of an entire book, an aggregate stop loss to a maximum 70% loss ratio, aggregate catastrophe cover that extends beyond a typical 100-year–500-year probable maximum loss, or intercompany pooling arrangements. If the reinsurance can be easily provided on similar terms by an unrelated third-party, and/or does not allow for fortune sharing, it would not be viewed as a form of support.

Strategic Importance of Member

Parameter	Core	Very Important	Important	Limited Importance
History and outlook for success in supporting group objectives	Very strong	Strong	Present, but with some uncertainties	Varied; unclear
Synergies with group as a whole	Key and integral	Synergistic, but short of core by small margin Possibly due to size or newness	Unproven or unclear Possibly due to small relative size, newness or more risky focus than rest of group	No synergistic relationship May (possibly) provide some diversification
Branding	Driver of group branding	Often shares	May not share	May not share
Financial results relative to group expectations	In line Often defines group financial expectations	Generally in line	At times in line, but inconsistent	May fall short
Relative size	Material relative to whole, and/or in absolute terms Can be smaller (see more below)	Modestly short of core	Notably short of core Often managed with the intent to grow to become a more important operation	Typically relatively small May be in runoff
Likelihood of divestiture over ratings horizon	Highly unlikely Any divestiture only after long holding period	Unlikely Any divestiture only after long holding period	Plausible, but not expected	Plausible If likely to be sold, is typically of Limited Importance
Impact of a theoretical divestiture on Fitch's view of group or its members	Reevaluate strategic importance of other core affiliates Review if the group credit profile is affected	Reevaluate strategic importance of other very important affiliates	Limited	None

Additional Comments on Core Group Members: A small member may be core if it plays a key role in the organization's strategy such as an extension of a core business within a smaller, yet important, market coupled with meaningful market share, or acting as an operational hub for an important region markets. Smaller core insurers can also be set up solely to obtain a license in a key jurisdiction, as members of intercompany reinsurance pooling arrangements, or as foreign subsidiaries whose primary strategic purpose is to sell coverage to local affiliates of insureds of the parent insurer.

Core entities are typically not select ventures in emerging markets of groups primarily operating in developed markets.

Some organizations may have two or more core businesses. An example would be a U.S. insurance organization composed of significant life and non-life operations with minimal integration. Fitch would typically develop a unique group credit profile for each of the Core business groups.

Source: Fitch Ratings.

Capital Support Agreement: An agreement signed by the board or an empowered member of executive management to maintain capital of a group member above a minimum threshold (usually defined in either absolute terms or as a percentage of regulatory required capital). Capital support agreements are typically legally binding while in force, but they are usually revocable and can be withdrawn if the insurer is divested.

Letters from management and strategic statements of support are viewed as informal.

Ability to Provide Support

Ability of a group to support specific members is a function of:

- Financial strength of the group.
- External barriers that restrict movement of capital/resources.

Financial Strength

The ability to move capital or other assets between affiliated companies is seldom an issue from a regulatory perspective when a group is financially strong. When credit fundamentals are weak, insurance regulators are more cautious, plus other constituents, such as rating agencies, creditors, distributors and customers may take a negative view of capital movements that diverge from their expectations.

Changes in Strategic Importance — Trend/Divestiture

Trend: Fitch may change a given entity's rating Outlook, and subsequently its rating, to reflect a possible future change in strategic category if based on emerging trends.

Divestiture: If a group announces an agreement to sell, IPO or spin off a supported entity (or that it is exploring strategic alternatives), Fitch would typically change its strategic category to as low as Limited Importance and take other related actions:

- Buyer identified/stronger credit profile than seller: Fitch would likely use Rating Watch Evolving to reflect a potential upgrade if the transaction is completed, or a potential downgrade if it is not completed, reflecting Limited Importance (if Fitch is highly confident in the deal will close the Rating Watch may be Positive).
- Buyer identified/similar credit profile as seller: Fitch would likely use Rating Watch Negative, and if the buyer is weaker, Fitch would likely downgrade the rating to reflect the new Limited Importance category. Any downgrade in this case may be tempered if Fitch believes the entity will continue to be supported while it is owned.
    - Rating Watch Evolving would be used if Fitch has not previously maintained a Standalone Credit Profile on the to-be divested insurer and/or cannot formulate one.
- No buyer identified: Fitch will typically downgrade the entity since the announcement, in and of itself, would indicate a change in strategic importance has already occurred.
    - If management indicates it will only sell to a similarly rated new parent, and that if ultimately not sold, the company will be supported, such statements would be considered by Fitch and may or may not affect the outcome. In addition, Fitch would likely also place the entity's rating on Rating Watch Evolving.

Fitch typically assumes ability to support exists at an IFS rating of 'A–' in developed markets. In highly ratings-sensitive businesses, a higher rating standard may be used. Alternatively, a lower standard may be used in developing markets if ratings in the market are generally below 'A–' and regulatory restrictions on capital flows are expected to be low.

External Barriers

External barriers can restrict group members from supporting each other, even if they are otherwise willing and able. Such barriers include regulatory or legal restrictions, potential government intervention, adverse tax consequences and debt covenants. The more significant the perceived external barrier, the more likely Fitch will take a stand alone approach.

In almost all jurisdictions, regulatory capital ratios, and/or solvency margin requirements place some restriction on upstream dividend payments and other capital movements. The degree of regulation, and thus the degree of external barriers, can vary greatly based on jurisdiction.

In developing markets, external barriers imposed by governments can become quite pronounced during times of stress, including government interference as to the ability of foreign affiliates to support local subsidiaries.

Credit Profiles — SACP and GCP

Standalone Credit Profiles (SACP) and Group Credit Profiles (GCP) play an important role in group rating criteria application.

SACP

An SACP for a given group member is developed when its strategic categorization is less than core, or concerns exist related to the ability of the group to provide support. In most other cases, which include most core affiliates, SACPs are not developed (for select core group members, an SACP may be developed as input to the group credit profile).

At times, Fitch may not be able to develop an SACP due to informational constraints or a group member not possessing a true independent profile. In this case, if having an SACP in place is material to the ratings outcome, Fitch will not rate that affiliate.

Assumptions are used when a credit factor truly cannot be evaluated on a standalone basis, but can be reasonably estimated, including:

- Business Profile: typically assumes the affiliate is rebranded from the group brand.
- Debt Service Capabilities and Financial Flexibility: typically not evaluated unless the affiliate has its own existing external capital access.
- Reinsurance provided by affiliates is either unwound in the analysis, or assumed to be provided by unrelated third parties at similar rating levels as the affiliates.
- Services provided by affiliates (investment management, claims processing, etc.) are assumed to be of the same quality, but are provided by unrelated third parties.

GCP

A GCP will be developed whenever this group rating criteria is employed. The GCP is typically based on the financial profile of the consolidated group as a whole. When there is more than one core group within the same organization, a GCP will be developed based on each core group's (approximated) consolidated profile.

Rating Guidelines

The following guidelines in the tables below demonstrate the highest attainable IFS rating a group member can achieve relative to the GCP, for each strategic category. Potential uplift is influenced by the distance between the GCP and SACP (column 1), and whether financial strength-related barriers are in place than can limit the ability to support. Column 2 is used when there are no barriers, and column 3 is additionally used when there are barriers.

Core

	Level of GCP	
GCP Superior to SACP	**No Financial Strength Barriers: Maximum IFS Relative to GCP**	**Financial Strength Barriers: Cap Based on Notching Up from SACP**
0–2[a]	GCP	No Cap
3–5 Notches	GCP	3 Above
6+ Notches	GCP	4 Above

[a]In many cases for Core subsidiaries, there is no SACP developed. In such cases, this row applies. IFS – Insurer Financial Strength. GCP – Group Credit Profile. SACP – Standalone Credit Profile.
Source: Fitch Ratings.

Very Important

	Level of GCP	
GCP Superior to SACP[a]	**No Financial Strength Barriers: Maximum IFS Relative to GCP**	**Financial Strength Barriers: Cap Based on Notching Up from SACP**
0–2	GCP	No Cap
3–5 Notches	1 Below	2 Above
6+ Notches	3 Below	3 Above

[a]If a formal support agreement exists per step 3, the maximum IFS rating is the group rating, regardless of the distance between the GCP and SACP. IFS – Insurer Financial Strength. GCP – Group credit profile.
SACP – Standalone credit profile.
Source: Fitch Ratings.

Important

	Level of GCP	
GCP Superior to SACP[a]	No Financial Strength Barriers: Maximum IFS Relative to GCP	Financial Strength Barriers: Cap Based on Notching Up from SACP
0–2	GCP	No Cap
3–5 Notches	2 Below	1 Above
6+ Notches	4 Below	2 Above

[a]If a formal support agreement exists per step 3, the maximum IFS rating is the group rating, regardless of the distance between the GCP and SACP. IFS – Insurer Financial Strength. GCP – Group Credit Profile.
SACP – Standalone Credit Profile.
Source: Fitch Ratings.

Limited Importance — When Formal Support[a]

	Level of GCP	
GCP Superior to SACP[a]	No Financial Strength Barriers: Maximum IFS Relative to GCP	Financial Strength Barriers: Cap Based on Notching Up from SACP
0–2	GCP	GCP
3–5 Notches	1 Below	2 Above
6+ Notches	2 Below	3 Above

[a]If no formal support agreement Limited Importance Companies are rated at their SACP. IFS – Insurer Financial Strength. GCP – Group Credit Profile. SACP – Standalone Credit Profile.
Source: Fitch Ratings.

Core

Fitch typically assigns the GCP to the IFS ratings of core members. If Fitch has concerns related to the ability to support, Fitch may limit full application of the GCP based on the number of notches between the SACP and GCP.

Very Important/Important

Fitch typically rates at the GCP, or between the GCP and SACP. Certain maximum rating benchmarks are used per the tables above, and limitation on the ability of the group to provide support can further affect the degree of ratings uplift. These benchmarks differ somewhat for Very Important and Important.

Limited Importance

Typically rated based on SACP unless a formal support agreement is in place in which case a group member can potentially have its IFS rating uplifted as high as the GCP. The extent of any uplift is based on how strongly it sits within the strategic category. Fitch also typically places some caps on the degree of uplift, as per the earlier exhibit.

Other Group Rating Considerations

Referral of Weakness

Although this section's primary focus is on uplifting ratings of otherwise lower rated group members due to support, Fitch also considers the case of a weak affiliate pulling down the ratings of other group members. This reflects most groups' preference to avoid "walking away" from a problem affiliate due to the negative perceptions it could bring to its franchise. In these cases, Fitch will consider an estimate of support the group may need to provide the ailing affiliate and its likelihood. Fitch may adjust the ratings of the insurers potentially providing the support downward and the ratings of those receiving it upward.

Branch Ratings

Typically, branches are the same legal entity as the home office, whether domestic or foreign, and, as a result, are typically assigned the same IDR ratings as the home office. The IFS rating assigned to each will be based on the baseline recovery assumptions applicable for each country of domicile, as outlined in the later section on notching. Thus, the IFS ratings of the two may or may not be notched to the same degree relative to the IDR if priority-afforded policyholder obligations in each country are different.

If branch regulation in a given jurisdiction does not treat the branch as the same legal entity as the home office, Fitch will rate the branch as if it was a subsidiary, and apply its group rating criteria as per above. The Country Ceiling methodology for transfer and convertibility risks will be applied to branch ratings, when applicable.

Impact of Minority Interests

If a material minority shareholder exists for a given group member (i.e. 20% or greater), Fitch may be less likely to apply a full rating uplift as otherwise implied. The existence of minority interests can affect the ability to inject capital.

Rating Above the GCP

While rare, it is possible for a wholly owned group member to be rated higher than the GCP under a narrow set of circumstances. Fitch's general hesitation to rate above the GCP is based on concerns that if a group came under financial stress, it may seek to extract capital or other resources from the higher rated group member to help assure the group's financial position. For Fitch to consider a rating above the GCP, all of the following would need to be in place:

- Material adverse economic impact to the group would result from a downgrade of the group member due to the extraction of its financial resources that far outweighs any economic benefit from extracting the financial resources.
- The group member possesses its own independent operational and financial infrastructure and its business is unrelated to that of the group.
- Group member competes in a highly ratings-sensitive business in which the group member could not effectively operate with a rating at the level of the GCP.
- Reliance on the group as a whole for financing Is very limited.

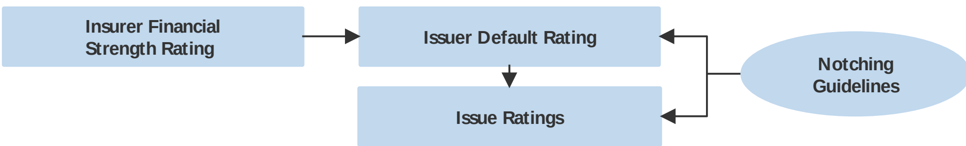
The existence of minority interests may also make Fitch more likely to rate a given group member above the GCP if its SACP is naturally higher than the GCP. The minority interest makes it more difficult to extract capital from the higher rated group member.

While there are no theoretical limits on the notching between the GCP and SACP, it would be extremely rare for the group member to be rated more than two notches above the GCP. Fitch does not give credit for structural protections designed to limit the ability to extract capital, since under stress it is likely that most structural protections could be reversed.

Debt/Hybrid Issue Ratings and Notching

Notching is the practice of establishing a rating relative to an “anchor” and is used to develop debt and hybrid issue ratings. The initial anchor is the IFS rating, from which notching is applied to establish one or more IDRs. Debt/hybrid issue ratings are notched from the IDRs. The degree of notching is based on the guidelines that follow.

Notching Overview



Source: Fitch Ratings.

Straight debt notching is based on assumed recoveries in the event of default. Issues with higher recoveries are notched up from the IDR, and those with lower recoveries are notched down. For hybrids, notching is also influenced by the risk that the hybrid would become nonperforming prior to default.

Fitch typically uses general recovery assumptions for different classes and types of obligations for issuers with IDRs of ‘BB–’ and above. For IDRs of ‘B+’ and below, Fitch develops bespoke recovery estimates, and assigns Recovery Ratings (RR) between RR1 to RR6, in alignment with the six recovery ranges listed in the table below.

Typical Notching Relative to IDR (for Recovery Only)

	Degree of Notching	
Recovery Prospects	Investment Grade	Non-Investment Grade
Outstanding (91%–100%)	+2	+3 (Secured), +2 (Unsecured)
Superior (71%–90%)	+1	+2
Good (51%–70%)	+1	+1
Average (31%–50%)	0	0
Below Average (11%–30%)	–1	–1
Poor (0%–10%)	–2	–2 or –3

IDR – Issuer Default Rating.
Source: Fitch Ratings.

Regulatory Impact on Notching

The form of regulation establishes a theoretical foundation throughout these notching criteria. Fitch classifies regulation as being either “Group Solvency,” “Ring Fencing” or “Other.”

Group Solvency

Laws/rules protect policyholder interests via robust capital requirements at both the operating and consolidated group holdings levels. A group regulator or college system is in place in which key group members and local regulators would be expected to participate. No material group member, including the holding company, has a clear legal ability to seek bankruptcy protection or legal remedies outside the group regulator’s resolution authority.

Ring Fencing

Regulatory intent is to protect policyholder interests by isolating insurance operating companies from the risks of other group members, including both holding companies and non-insurance affiliates. Ring fencing is often attained by imposing robust capital and other standards at the individual operating company level and/or limiting the flow of capital or funds from the operating company to group affiliates via restrictive financial formulas, required pre-approvals by regulators or other means.

Other

Solvency regime is limited in scope and thus considered ineffective, which would be most common in certain offshore locales or some developing markets.

When a regulatory regime shares elements of both Group Solvency and Ring Fencing, Fitch uses a Ring-Fencing classification.

Regulatory Classifications by Country, Territory or Jurisdiction

Location	Classification	Location	Classification
Angola	Other	Japan	Group Solvency
Argentina	Other	Kazakhstan	Other
Australia	Group Solvency	Malaysia	Ring Fencing[a]
Barbados	Other	Mexico	Ring Fencing
Belarus	Other	Morocco	Other
Bermuda	Group Solvency	New Zealand	Ring Fencing
Brazil	Ring Fencing	Nicaragua	Other
Canada	Ring Fencing/Group Solvency[b]	Panama	Other
Cayman Islands	Ring Fencing[c]	Peru	Ring Fencing
Chile	Ring Fencing	Russia	Other
China	Group Solvency	Saudi Arabia	Ring Fencing
Colombia	Ring Fencing	Singapore	Ring Fencing[a]
Costa Rica	Ring Fencing	South Africa	Group Solvency
Dominican Republic	Other	South Korea	Ring Fencing
Egypt	Other	Sri Lanka	Ring Fencing
El Salvador	Other	Switzerland	Group Solvency
European Economic Area	Group Solvency	Taiwan	Group Solvency
Guatemala	Other	Thailand	Ring Fencing
Honduras	Other	Tunisia	Other
Hong Kong	Ring Fencing	Turkey	Ring Fencing
India	Ring Fencing	United States	Ring Fencing
Indonesia	Ring Fencing	Uzbekistan	Other
Jamaica	Other	Uruguay	Ring Fencing

[a]If enhanced capital standards at the parent/holding company level are implemented within Malaysia's and Singapore's insurance regulations, the country regulatory classification will likely change to Group Solvency at that time. Prior to that, rating committees will determine on a group by group basis whether notching should be based on Ring Fencing or Group Solvency assumptions based on the nature of any specific capital standards currently put into place by the regulator for a specific group at the consolidated parent/holding company level. [b]Typically, holding companies are not formally regulated in Canada, though several of the largest formerly mutual life insurers have regulated holding companies and some stock companies have entered into an agreement with the regulator creating some heightened direct holding company regulation. Thus, the regulatory designation used in Canada will differ from company to company depending on circumstance. [c]Applies only to Class D reinsurers as defined by Cayman Islands regulations. All other classes are Other.
Source: Fitch Ratings.

IFS Rating to Operating Company IDR Notching

The IDR of the operating company is notched from the IFS rating based on the assumed recovery for policyholder/reinsurance obligations embedded in the IFS rating.

When regulation is classified as either Group Solvency or Ring Fencing, Fitch assumes an IFS rating recovery of Good, based on a belief that regulators will intervene early enough to assure assets will be preserved enterprise wide in a distressed scenario. We assume policyholder/reinsurance obligations, as the largest liability, will share in the strong recoveries of the enterprise as a whole, whether formally afforded priority or not.

When the regulatory classification is Other, a recovery below Good is used for the IFS rating. The appropriate recovery assumption is established by a rating committee based on judgment. Importantly, this lower recovery assumption will typically correlate with lower IPOE (and related credit factor) scores, resulting in lower IFS ratings compared to those in more robustly regulated jurisdictions.

IDRs are always set at a "recovery neutral" assumption of Average. Thus, at the IFS recovery of Good, the IDR is set one notch lower than the IFS rating. When IFS recoveries are Below Average or Poor, the IDR will be established above the IFS Rating.

Fitch's cross-sector criteria report, Country Specific Treatment of Recovery Ratings Criteria, also has relevance to the level of the IFS rating tied to recovery assumptions. This report discusses caps that can be placed on recovery assumptions in jurisdictions where enforceability of credit protections is limited or questionable.

Operating Company IDR Notching Guidelines

	Recovery Assumption for IFS Rating			
	Good/RR3	Average/RR4	Below Average/RR5	Poor/RR6
IDR Relative to IFS	–1	0	1	2

IDR – Issuer Default Rating. IFS – Insurance Financial Strength.
Source: Fitch Ratings.

Operating Company IDR to Holding Company IDR Notching

The notching between the operating company IDR and its parent holding company IDR is based on the perceived difference in default risk between the two entities. This evaluation is heavily influenced by the style of regulation employed:

Some global groups operate in jurisdictions where both Group Solvency and Ring-Fencing forms of regulation are in place. When more than 30% of earnings or capital comes from countries that are expected to ring fence, Ring-Fencing-based notching will typically be applied. Fitch is most likely to assume cross-border Group Solvency for holding company IDR notching purposes for groups operating only within the European Union.

IDR Notching Guidelines — Insurance Company to Holding Company

	Regulatory Environment		
	Ring Fencing	Group Solvency[a]	Other
Investment Grade[b]	–1	0	0
Non-Investment Grade	–2	–1	–1

[a]If foreign subsidiaries make up 30% or more of earnings/capital, ring fencing may be employed. [b]Based on operating company Issuer Default Rating.
Source: Fitch Ratings.

Additional Notching Considerations — Ring-Fenced Holding Companies

For Ring-Fencing environments only, holding company IDR notching is also influenced by:

- The degree of financial leverage.
- Fixed-charge coverage.
- Holding company cash levels.

The use of additionally compressed or expanded notching as per the table below is done judgmentally by a rating committee and will heavily consider the current financial metrics and expectations for these metrics over the ratings horizon.

Ring-Fenced Holding Companies — Additional Guidelines

	Compress IDR Notching by 1	Expand IDR Notching by 1
Financial Leverage (FLR) (%)	Under 16	Over 30
Fixed Charge Coverage[a] (x)	Over 12	Under 3
Holding Company Cash	Cash/liquid assets exceeded 75% of debt/hybrid obligations in each of past five years Intention to maintain high levels of holding company cash in at least the intermediate term (i.e. no plans to use to fund merger and acquisition activities or repurchase shares). IFS ratings are in the 'A' category or higher.	—

[a]Applies if FLR is in typical 16%–30% range. IDR – Issuer Default Rating. IFS – Insurer Financial Strength.
Source: Fitch Ratings.

Impact of Non-Insurance Operations on Holding Company IDR

In more complex organizations where a holding company owns non-insurance subsidiaries, the use of the above notching guidelines between only the insurance company IDR(s) and holding company IDR may not be comprehensive. In such cases, Fitch will also consider the relative size, creditworthiness and capital/liquidity needs of the various non-insurance operating subsidiaries, as well as the contribution of each to holding company debt service and liquidity. The holding company IDR will be established at a level that appropriately balances the insurance and non-insurance operations.

Debt Issue Notching Relative to IDR

The notching of issue ratings relative to the IDR of the issuing entity is first based on expected recoveries in the event of a default. As previously noted, these are based on general assumptions shown in the table below when the IDR is 'BB−' and above. Bespoke RRs are typically used at IDRs of 'B+' and below.

General Insurance Recovery Assumptions

	Regulatory Environment		
Obligation Type	**Ring Fencing**	**Group Solvency**	**Other**
Insurance Company			
Unsecured Senior Debt	Average	Average	Average or Below Average
Subordinated	Below Average	Below Average	Below Average or Poor
Deeply Subordinated	Poor	Poor	Poor
Holding Company			
Unsecured Senior Debt	Below Average	Below Average	Below Average or Poor
Subordinated	Poor	Poor	Poor
Deeply Subordinated	Poor	Poor	Poor

Source: Fitch Ratings.

Notching guidelines for unsecured senior and subordinated/deeply subordinated debt follow in the tables below.

Unsecured Senior Debt — Notching Guidelines

	Regulatory Environment		
Issuer Type	**Ring Fencing**	**Group Solvency**	**Other**
Insurance Company			
Recovery	Average	Average	Average or Below Average
Notching Relative to IDR	0	0	0 or −1
Holding Company			
Recovery	Below Average	Below Average	Poor
Notching Relative to IDR	−1	−1	−2 IG, -3 BIG

IDR – Issuer Default Rating. IG – Investment grade. BIG – Below investment grade.
Source: Fitch Ratings.

Subordinated and Deeply Subordinated Debt[a] — Notching Guidelines

	Regulatory Environment		
Issuer Type	**Ring Fencing**	**Group Solvency**	**Other**
Insurance Company (Sub.)			
Baseline Recovery	Below Average	Below Average	Below Average or Poor
Notching Relative to IDR	−1	−1	−1 or −2
Insurance Company (Deeply Sub.)			
Baseline Recovery	Poor	Poor	Poor
Notching Relative to IDR	−2 IG, -3 BIG	−2 IG, -3 BIG	−2 IG, -3 BIG
Holding Company (Sub. and Deeply Sub.)			
Baseline Recovery	Poor	Poor	Poor
Notching Relative to IDR	−2 IG, -3 BIG	−2 IG, -3 BIG	−2 IG, -3 BIG

[a]Table illustrates subordinated debt that does not contain nonperformance features. See Hybrid Notching for subordinated debt with nonperformance features. Sub. – Subordinated. IDR – Issuer Default Rating. IG – Investment grade. BIG – Below investment grade.
Source: Fitch Ratings.

Secured Debt Notching

Secured debt is notched based on a bespoke analysis to arrive at the recovery assumption regardless of IDR level (however, no RR will be published unless the IDR is below 'BB–'). In addition, if the secured debt is large and could have the first claim on a material portion of post-default assets, Fitch may judgmentally use lower general recovery assumptions for more junior securities than shown earlier. Guidelines for secured debt notching follow:

- **Outstanding:** Two notches above the IDR at investment grade; three notches at below investment grade, but also capped at 'BBB–' for non-investment grade.
- **Superior:** One notch above the IDR at investment grade; two notches at below investment grade, but also capped at 'BBB–' for non-investment grade.
- **Good:** One notch above the IDR.
- **Average:** Unsecured debt notching guidelines are used.
- **Below Average/Poor:** Subordinated/deeply subordinated debt guidelines are used.

Funding Agreement-Backed Note (FABN) Program Notching

FABN programs consist of a SPV that issues notes secured by funding agreement(s) issued by a life insurer. Since the funding agreements issued by the life insurer are pari passu with other policyholder claims, the rating of the FABN is notched at the level of the IFS rating of the life insurer.

Guaranteed Debt

Fully guaranteed debt is rated at the higher of that implied by application of these notching criteria relative to the issuer's IDR, or the applicable issue rating of the guarantor based on the ranking of the guarantee, be it senior unsecured, subordinated or other.

Bancassurance Recovery Assumptions

Fitch typically uses the above recovery assumptions when notching the various insurance operating and holding company liabilities for a bancassurance group. However, rating committees may instead use bank-like recovery assumptions for debt and hybrid obligations of an insurance holding company if the committee concludes the holding company would be subject to a bank-like insolvency resolution. However, bank-like recovery assumption would rarely, if ever, be applied to the insurance operating company level.

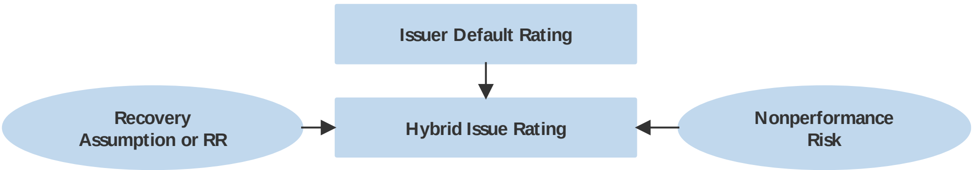
Insurance Revenue Bonds

For government-sponsored/organized U.S. insurance entities whose debt has certain elements of a municipal revenue bond, the bond rating will align with the issuer's IDR without use of notching for assumed recovery. In such cases, similar to a U.S. municipal, the rating is mainly influenced by the strength and stability of the assessment (revenue) stream. An example is a government-sponsored provider of catastrophic risk cover for which a key source of funding is industry premium assessments.

Hybrid Notching

Hybrids are subject to additional notching based on the perceived risk that the hybrid's features could leads to nonperformance, such as a coupon being deferred, or occurrence of principal write-down. In rating hybrids, recovery-based notching is always first applied.

Hybrid Notching Overview



Source: Fitch Ratings.

Hybrid features that are based purely on management discretion are considered to be less likely to be triggered, and thus carry less additional notching for nonperformance risk. Those where discretion is given to regulators, or where triggering is mandatory based on a conservative financial metric, are generally considered more likely to be triggered and carry greater notching.

Regulatory discretion and influence over hybrids is more present under Group Solvency, where hybrids can be included in regulatory capital calculations. It is less prevalent in Ring-Fencing environments, such as for U.S. holding companies.

Nonperformance Risk Classifications

Minimal: This feature is not expected to trigger until the company would otherwise fail or default, such as a trigger tied to a capital ratio that aligns with regulatory intervention. Minimal applies when a trigger is left to the discretion of management, with no expectation of pressure applied by a regulator. Minimal also applies when triggers are highly complex with look-back features, etc., that make the ability to trigger questionable.

Moderate: This designation is used for cases that fall between Minimal and High.

High: This feature is expected to trigger well in advance of failure. This includes mandatory triggers linked to a capital ratio level well above a regulatory minimum (and only modestly below a level that would be very safe). High also applies to optional or discretionary features where the regulator is believed to have significant influence and would be expected to exert such influence if warranted. Most often there is no explicit regulatory authority within the terms of the hybrid itself, but instead the regulator would be expected to exert pressure within the context of its general authorities, for example, by threatening to remove a hybrid for capital consideration if not triggered. Such expectations of regulatory behavior are often highly judgmental and can vary by jurisdiction, issuer and hybrid of a given issuer.

Hybrid Nonperformance Risk — Notching Guidelines

Risk Levels	Additional Notching	Examples
Minimal	0 or 1[a]	Many legacy hybrids, such as those based on management discretion, and with no or low mandatory deferral triggers, or with constraining look-back features. Capital ratio triggers include 100% of U.S. NAIC RBC ACL, 90% of Canada LICAT, 200% of Japan SMR and, for other Asia-Pacific countries, 100% of minimum statutory solvency margin.
Moderate	1 or 2[a]	Solvency II Tier 3 and Tier 2 hybrids, such as those with mandatory triggers that are fairly conservative, but may include some constraints. Example: capital triggers include 100% of Solvency II SCR (for coupons and/or bullet maturity redemptions), 150% of U.S. NAIC RBC ACL and 100% of Canada LICAT.
	2	New-style Solvency II Tier 1 hybrids with full coupon discretion and some expectation of regulatory pressure to exercise.
High	3 or More	New-style Solvency II Tier 1 hybrids with very easily activated trigger such as a capital ratio trigger set well above regulatory minimums and without other constraints.

[a]For Minimal, 0 is used as the baseline in most cases, with 1 used as the baseline for holding companies in Ring-Fencing environments. For Moderate, 1 is the baseline in most cases and 2 is used as the baseline for holding companies in Ring Fencing environments. The differentiation is based on greater liquidity typically available at all operating and holding companies under Group Solvency, which make enactment of a hybrid feature by management, such as coupon deferral, less likely than when liquidity may become strained, which is more likely at a Ring-Fenced holding company. Accordingly, regulatory environment is defined based on country of hybrid issuer, and Group Solvency will be used for hybrid notching in a country employing Group Solvency, even if Ring Fencing is employed for holding company notching due to the "30% foreign capital/earnings" guideline. ACL – Authorized control level. LICAT – Life insurance capital adequacy test. SMR – Solvency margin ratio. SCR – Solvency capital requirement.
Source: Fitch Ratings.

U.S. Surplus Notes and Japanese Kikin Hybrid Notching

Hybrid surplus notes issued by U.S. insurance companies, and kikin issued by Japanese insurance companies, are typically notched down by one from the operating company IDR on a recovery assumption of Below Average (one notch) and Minimal nonperformance risk (zero notches). Regulators historically appeared hesitant to impose deferrals on these instruments, except under relatively severe stress.

However, if the financial leverage ratio of the insurance company (counting surplus notes or kikin as debt) exceeds 15%, the surplus notes or kikin will typically be notched down by two, as in such a case deferral risk is assumed to increase to the Moderate category.

Notching Without an IFS Rating as the Anchor

Although the IFS rating is the typical starting point anchor, there may be select cases where no IFS rating is developed, and the anchor rating is the holding company IDR. This could occur when the issuer's business does not lend itself to establishing an IFS rating, such as when there is no core group, and no single operating entity(ies) whose footprint comprises a large enough proportion of overall group exposure (for example, a holding company whose business is buying and managing various, unrelated runoff operating companies).

In this case, the key credit factors would be applied to the holding company IDR. However, the ratio guidelines would be evaluated at a lower level to reflect holding company level risk, as defined by notching guidelines. For example, in the case where typically there is a two-notch difference between IFS rating and the holding company IDR, the credit factor scoring guideline ranges would be shifted by approximately two notches.

Distressed Debt Exchanges (DDE)

When debt is restructured, it may be treated as a default if: 1) the restructuring imposes a material reduction in terms compared with the original terms, and 2) the restructuring or exchange is conducted to avoid bankruptcy, a payment default and/or regulatory intervention. When a distressed exchange is announced, the IDR will typically be downgraded to 'C'. Upon execution of the DDE, the IDR will typically be downgraded to "RD" (Restricted Default), and affected issue ratings will be accordingly changed per the guidelines above. Shortly after a DDE is completed, the IDR will be re-rated based on the go-forward profile and typically raised to a performing level, but often still low speculative grade.

Instrument Ratings for Combinations of Issuer IDRs and RRs

	Long-Term IDR							
				Distressed and Defaulted Issuers				
	B+	**B**	**B–**	**CCC+**	**CCC**	**CCC–**	**CC**	**C/RD/D**
RR1	BB+	BB	BB–	B+	B	B–	CCC+	CCC
RR2	BB	BB–	B+	B	B–	CCC+	CCC	CCC–
RR3	BB–	B+	B	B–	CCC+	CCC	CCC–	CC
RR4	B+	B	B–	CCC+	CCC	CCC–	CC	C
RR5	B	B–	CCC+	CCC	CCC–	CC	C	C
RR6	B–	CCC+	CCC	CCC–	CC	C	C	C

IDR – Issuer Default Rating. RR – Recovery Rating. Note: Assumes no incremental nonperformance risk in instrument rating relative to the IDR.
Source: Fitch Ratings.

Distressed/Low-Rated Debt and Nonperforming Hybrid Notching

Fitch uses the guidelines in the table below to assign issue ratings to defaulted and distressed debt and hybrid issues, as well as performing debt rated ‘B+’ and below. The table provides a summary of the possible interpretations of low speculative-grade obligations ratings in corporate finance, differentiated by performing obligations and nonperforming obligations or issuers. The issue rating for defaulted debt is based on the RR assigned to the issue.

The table that follows demonstrates how Fitch assigns ratings to hybrid securities that are nonperforming, i.e. a loss absorption feature, such as an interest/coupon deferral has been enacted.

Ratings of Nonperforming Hybrid Obligations

Obligation Rating	Nonperforming Obligation
CCC	Loss absorption has been triggered, but the rated obligation is expected to return to performing status with only very low economic losses being sustained that are consistent with ‘RR1’.
CCC–	Loss absorption has been triggered, but the rated obligation is expected to return to performing status with only moderate economic losses being sustained that are consistent with ‘RR2’.
CC	Loss absorption has been triggered, and the rated obligation is only expected to return to performing status with high economic losses being sustained that are consistent with ‘RR3’.
C	Loss absorption has been triggered, and the rated obligation is only expected to return to performing status with severe economic losses being sustained that are consistent with ‘RR4’ to ‘RR6’.

Source: Fitch Ratings.

Bespoke Recovery Rating Analysis

For issuers with IDRs at 'B+' and below, Fitch typically performs a bespoke recovery analysis and assigns an RR to each issue rating. In some cases, Fitch may determine that it cannot assign an RR due to inadequate information, not having sufficient time (i.e. at the time of an IDR downgrade due to an unexpected event), or other complexities. In such cases, Fitch will apply a general recovery assumption and will cite lack of a RR as a ratings limitation.

Fitch typically will not set an RR more than plus or minus one RR level different than that implied by a general recovery assumption. For example, if the general assumption for a class of debt implies 'RR4', Fitch would typically set the RR no higher than 'RR3' and no lower than 'RR5'. However, if a default occurs, Fitch will not impose this limitation on the RR level.

Valuation Approaches

RRs will be based on a liquidation value (LV) approach or going-concern (GC) approach, depending on whether done for an operating or holding company.

Valuation Approach and Key Assumptions

	Operating Company	Holding Company[a]	
Approach	**Liquidation Value**	**Liquidation Value Or**	**Going Concern**
Assumed Cause of Insolvency	Material decline in capital below regulatory standards, or in select cases, a significant liquidity shortfall.	Stress rooted at the operating company	Stress rooted at the holding company level.
Other Assumptions	Soon after regulatory intervention, the operating company would default on its debt and/or hybrid obligations after regulators take actions to protect policyholders.	Operating company halts upstream payments to holding company, causing holding company to expend its own liquidity/financial flexibility to service its obligations; ultimately fails to continue to meet its obligations. Both the operating and holding company are ultimately liquidated.	Operating companies remain solvent and able to upstream some funds, but such funds ultimately prove to be insufficient. We then assume holding company seeks bankruptcy protection (if allowed), and attempts to sell all/some operating company subsidiaries.

[a]Can use liquidation value or going concern based on cause of assumed stress. In some situations in which the organization structure is more complex, a holding company recovery analysis will combine elements of the liquidation value and going concern approaches. In such cases, the recovery analysis will be tailored to the noted complexity of the structure.
Source: Fitch Ratings.

LV Approach — Operating Company

The LV approach for an operating company involves: 1) defining the hypothetical pro forma balance sheet at the time of insolvency/regulatory intervention, and 2) applying additional stresses to reflect issues that may develop as part of a liquidation process.

The pro forma balance sheet typically sets regulatory capital to zero, but could be negative if the insolvency is assumed to be sudden and severe. Within the balance sheet, key asset and liability values are restated to reflect the hypothetical cause of the insolvency, for example, if the insolvency is based on reserving issues, capital will be reset by increasing reserves.

LV Approach — Holding Company

The analysis starts with a current holding company-only balance sheet, which is adjusted to reflect: 1) operating company insolvency, 2) assumed expenditure of liquidity for both payment of near-term holding company obligations coming due and funding capital contributions to the operating company, 3) draws on committed credit facilities, and 4) application of supplemental stresses as per the table on the next page. The holding company LV is floored at zero.

- Fitch typically assumes no residual value will be available to the holding company from the sale of operating companies under stress, and these subsidiaries will be fully written off.
- Funds available for recoveries will come from existing holding company liquid assets and/or the residual value of any subsidiary or other investments not under stress.

Representative Supplemental Stresses

Category	Typical Stress Range (%)
Investment-Grade Fixed Income — Traded	5–25
Non-Investment-Grade Fixed Income — Traded	10–50
Common Stocks	25–75
Illiquid Invested Assets	25–100
Receivables	5–50
Intangibles	50–100
Claim/Benefit Reserves	5–20 non-life, 0–10 life
Expense Overruns	2–5 of total assets

Note: These ranges are provided for indicative purposes only. As a bespoke analysis, the agency may use other asset valuations where considered more appropriate.
Source: Fitch Ratings.

Fitch will assume that at least a portion of liquid assets of the holding company will need to be expended prior to its liquidation.

- Fitch will reduce current liquid assets for all holding company obligations due within one to two years, including interest payments, principal repayments on maturing debt (including short-term borrowings) or holding company level expenses. Analysis typically assumes common stock, preferred and hybrid dividends will be suspended and thus not included in the subtracted amounts
- Fitch will typically assume that prior to the operating company insolvency, a portion of liquid assets at the holding company will be paid down into the operating company as a capital contribution in a (failed) attempt to help the operating company avoid insolvency. There is no rigid standard for this adjustment, but a typical range would be 10%–20% of current operating company capital.
- Fitch will typically assume that any committed credit facilities are drawn upon to fund any of the above payments, if necessary. This would equally increase holding company liquid assets and debt obligations on the adjusted pro forma balance sheet.

If the holding company holds material insurance or non-insurance subsidiaries that Fitch believes are not under stress and could ultimately be monetized to support recoveries, a GC approach would be used to derive a value for those investments.

GC Valuation — Holding Companies

The GC approach is used when a holding company's operating subsidiaries are expected to remain solvent, and where default at the holding company is mainly driven by holding company risks, such as excessive use of financial leverage. Fitch assumes:

- Recoveries on holding company obligations will be funded by the value derived from the sale of operating subsidiaries.
- All holding company liquid assets (other than pledged assets supporting secured debt) will be fully expended prior to default, and thus unavailable to support recoveries.
- Multiples will vary from case to case, but will commonly fall within the below ranges.

Multiples may be influenced by local market conditions, regulatory conditions and recent experience of peers. Multiples are subject to a prudence principle that acts to limit/collapse the multiple during periods of market peak/troughs. Actual market values can serve as a starting point, but typically will be reduced to recognize a stressed seller. Discounts applied to observed current market values will correlate with multiple discounts discussed above.

Valuation Multiples — Illustrations

Valuation Method	Typical Multiples (x)
Price/Earnings Multiple	3.0–10.0
Book Value	0.8–1.1
Embedded Values	0.7–0.95

Note: These ranges are provided for illustrative purposes only. Periods of extreme market or economic conditions, or reasonable multiples could fall outside of the above ranges.
Source: Fitch Ratings.

Estimating Creditor Claims

Fitch's general approach is to classify the creditors according to their seniority such that pari passu creditors are grouped together. The typical order of seniority can be found in the table below.

Creditor Rankings by Seniority

Operating Company	Holding Company
Policyholder Obligations with Seniority	Secured debt
Policyholder Obligations Without Seniority	Unsecured senior debt
Secured Debt	Subordinated debt
Unsecured Senior Debt	Hybrids
Subordinated Debt	
Hybrids	

Source: Fitch Ratings.

In certain jurisdictions, life policyholder obligations have seniority over non-life obligations and primary obligations have seniority over assumed reinsurance obligations. Other obligations that may be present but are less common include pension obligations, obligations under guarantees, derivatives (usually treated pari passu with unsecured senior debt, but in other cases can be collateralized), and contingent claims.

Fitch will make adjustments to the creditor profile to reflect any changes made to the pro forma balance sheets, such as higher claim/benefit reserve levels (due to application of stress values), any draw downs on credit facilities, or assumed repayments of holding company obligations due within one to two years. In select cases, Fitch may also make adjustments for accounting issues, such as adjustments to ensure liabilities reflect the amount owed rather than a fair value (i.e. if a liability was written down to reflect the issuer's own credit risk).

Determining the Distribution of Value and RR

Fitch typically assumes that this value is distributed to the various classes of creditor according to a legal waterfall after first applying a 10% haircut to cover administrative claims.

Application of the waterfall is a fairly straight forward set of calculations in which no monies are allocated to a more junior class until the more senior class is first paid off in full. One important exception is for secured debt, where the assets securing the debt are removed from the waterfall and their stressed value applied to the credit claims associated with the secured debt. In some cases, secured debt holders may also have a claim on general assets in the waterfall.

Once the estimated recovery ratios are calculated, these are compared with Fitch's recovery bands to determine the RR.

That said, before the RR is finalized, some consideration is given for hypothetical concessions to junior creditors under negotiated settlements. The earlier noted practice to limit RRs to a range within plus or minus one RR rating related to that implied by the baseline recovery assumption for that class is one way this is achieved. Fitch may also assign the next higher or lower RR relative to that implied by the waterfall if the calculated recovery is at the cusp of a recovery band.

In certain markets, "soft caps" are used that state a typical maximum recovery value that Fitch may assign. These exist in certain jurisdictions that are debtor-friendly and/or have weak enforceability of creditor's rights. For more information, see *Fitch's Country-Specific Treatment of Recovery Ratings Criteria*.

Short-Term Ratings

Short-term ratings are assigned using the corresponding table to the left. Where the long-term rating corresponds with either of two short-term ratings, the appropriate short-term rating will usually be determined based on the strength of the issuer's liquidity and financial flexibility profile, as measured by the Debt Service Capabilities and Financial Flexibility (DSCFF) and Asset/Liability and Liquidity Management (ALLM) credit factors used to establish the anchor IFS rating. Unless the liquidity and financial flexibility profile is strong relative to guidelines for the rating level, the lower of the two short-term ratings will typically be used. The short-term rating can also be influenced by structural and regulatory issues.

Rating Correspondence

Long-Term Rating	Short-Term Rating
AAA to AA–	F1+
A+	F1 or F1+
A	F1 or F1+
A–	F2 or F1
BBB+	F2 or F1
BBB	F3 or F2
BBB–	F3
BB+ to B–	B
CCC+ to C	C
RD/D	RD/D

Source: Fitch Ratings.

Holding Company Short-Term Debt Ratings

Fitch uses the lower of the two short-term ratings at the cusps when rating the short-term debt of holding companies. This reflects the structural and regulatory subordination of holding companies, which results in more limited access to liquidity. Short-term debt ratings are mapped from the holding company's long-term IDR.

Operating Company Short-Term Debt and IFS Ratings

When Fitch rates short-term debt issued or guaranteed by an operating company, or when Fitch assigns a short-term IFS rating, Fitch uses the higher of the two short-term ratings if both the Short-Term (ST) DSCFF and ST ALLM scores equal or exceed the thresholds in the table below. Otherwise, the lower rating will be used.

Minimum Short-Term DSCFF and ALLM[a] Scores

Short-Term Rating	ST Credit Factor Scores[b]
F1+	aa or Higher
F1	a+ or Higher
F2	a– or Higher

[a]The Asset/Liability and Liquidity Management (ALLM) factor is combined with the "Investment and Liquidity Risk' factor for non-life companies. [b]Scores used in short-term rating analysis will employ different subcomponent weightings, compared with those used in scores supporting long-term Insurer Financial Strength ratings to emphasize liquidity and financial flexibility. DSCFF – Debt service capabilities and financial flexibility. ST – Short-term.
Source: Fitch Ratings.

When deriving ST DSCFF and ST ALLM scores for purposes of short-term ratings considerations, while the overall analysis will be the same, Fitch will more heavily weight the Financial Flexibility and Liquidity subcomponents compared with the weightings used in support of long-term IFS ratings analysis. This fine-tuning would be done in order to better recognize situations when debt-servicing and/or asset and asset/liability management risks are longer-term in nature or reside primarily outside the operating company (i.e. at a holding company). Use of such specific short-term scores would be described in Fitch research and rating action commentaries.

Short-term debt ratings of operating companies are mapped relative to the operating company's long-term IDR. Short-term IFS ratings are mapped relative to the long-term IFS rating.

Liquidity Backup

Fitch determines if full (100%) liquidity backup exists for outstanding CP and other short-term obligations. When backup is less than 100%, and there are no mitigants, Fitch may not assign a rating to the CP or short-term obligation. Weak liquidity backup may also affect the issuer's long-term ratings. Backup includes bank commitments, cash/cash equivalents (for a holding company, cash at an operating company subsidiary would not apply), formal parental liquidity support or other alternative formal forms. Material adverse change (MAC) clauses and covenants in bank backup commitments complicate the liquidity analysis and are addressed by the rating committee on a case by case basis.

In lower-rated markets that are generally less liquid, rating committees may adjust these guidelines based on judgment related to unique circumstances.

Country Ceilings — Transfer and Convertibility Risk

Fitch may constrain a foreign currency rating to reflect the risk that an issuer's government of domicile will place restrictions on the ability of local companies to obtain foreign currency. Fitch publishes Country Ceilings to assist in this evaluation of transfer and convertibility risk (T&C). Country Ceilings are developed by Fitch's sovereign ratings group.

Country Ceiling Application, Capping and Notching Impact

Country Ceilings can act as a cap on international foreign currency ratings. For example, if an issuer in a developing Latin American market issues euro-denominated debt, its international rating would potentially be subject to the Country Ceiling for that Latin American country. The Country Ceiling is applied as illustrated in the table below.

Assume a country where the Country Ceiling is 'A–', and that a local currency IFS rating of 'A+' was developed for a given insurer. Now assume Fitch applies its notching guidelines to establish an operating company IDR based on a Good recovery assumption for the IFS, a holding company IDR under Group Solvency, a foreign currency unsecured senior debt rating of the holding company based on a Below Average recovery, and a foreign currency holding company hybrid rating using a Poor recovery and Moderate (two notch) nonperformance risk assumption.

The following table illustrates the two-step notching process. First, standard notching is applied. Then, as a second step, the Country Ceiling is applied. Importantly, only those ratings higher than the Country Ceiling are brought down via the cap. This results in a compression of notching.

Example of Two-Step Notching Process/Country Ceilings

	Step 1	Step 2
Rating Type	Before Ceiling	Apply Ceiling
IFS Rating	A+	A–
Operating Company IDR	A	A–
Holding Company IDR	A	A–
Unsecured Senior	A–	A–
Hybrid	BBB–	BBB–

IDR – Issuer Default Rating.
Source: Fitch Ratings.

Piercing the Country Ceiling

Country Ceilings may not be fully applicable when specific protections are in place, which most commonly would be access by the issuer to significant liquid assets outside of its country. Key is that such foreign liquid assets must be directly available to support debt service, must not otherwise be supporting insurance liabilities and must not lack fungibility.

If foreign liquid assets are greater than foreign debt service obligations (interest expense and maturities) over the ratings horizon (approximately five years), the IDR could exceed the country ceiling as follows:

- One notch if greater than 1x.
- Up to two notches if greater by 1.5x.
- Up to three notches if greater by 2x or more.

Multinationals

For multinational holding companies, the applicable Country Ceiling may not always be obvious, especially when material portions of earnings and capital are derived from multiple, lower-rated countries.

In such cases, the applicable Country Ceiling is determined by ranking the group of countries in descending order from higher to lower by Country Ceiling, and analyzing earnings and cash flow generation by country. The applicable Country Ceiling will be the highest one where the sum of the earnings/cash flows in that country, and in those countries with higher country ceilings, is sufficient to cover the insurer's interest expense.

IFS Ratings and Country Ceilings

International scale IFS ratings are typically not designated as local or foreign currency ratings, and it is not uncommon for types of insurers, such as global reinsurers, policyholder obligations to be in multiple currencies. When foreign currencies are consistently greater than 25% of total policy obligations, international IFS ratings will be treated as foreign currency ratings, and thus potentially subject to the Country Ceiling.

Similar to the discussion above for debt issuers, if an insurance operating company matches its foreign currency policyholder obligations with assets located outside the country of domicile, and can use those assets to satisfy policyholder obligations without risk of currency intervention by the government or regulator, the Country Ceiling may be pierced.

Appendix

- Financial Ratio Definitions
- Captive Insurance Companies
- Data Sources, Variations from Criteria and Limitations

Financial Ratio Definitions — Capitalization and Leverage

Ratio Name

Financial Leverage Ratio (FLR)

(All Sectors)

Basic Formula

$$\frac{\text{Debt + Debt Portion of Hybrids}}{\text{Equity Capital + Debt + Total Hybrids}}$$

Overview

Numerator includes all long- and short-term debt and hybrids (debt portion after consideration of equity credit) typically at stated book values (nominal). Match-funded operating debt is excluded. When the book value of debt/hybrids significantly differs from par values (for example, due to material "own risk" adjustments or material premiums/discounts to par), when information is available, Fitch will typically reverse such impacts to approximate par values.

Denominator includes equity capital, total non-operating debt and total hybrids (both debt and equity credit components). Equity capital removes actual (or estimated) after-tax unrealized gains and losses on fixed-income securities when appropriate (i.e. when liabilities are at book, not fair value) and when such information is available. If present, equity capital also removes any common controlled goodwill (i.e. internally generated goodwill).

When consolidated financial statements are used and there are minority interests, the calculation will either: 1) include debt of majority-owned subsidiaries in the numerator and minority interests as a part of equity capital in the denominator, or 2) exclude both amounts from the numerator and denominator, respectively.

Regional and Accounting Notes

IFRS: Total shareholders' funds, plus unallocated divisible surplus for life products (i.e. fund for future appropriations, RfB [Rückstellung für Beitragsrückerstattungen] or reserves for premium refunds, etc.) plus equalization reserves (catastrophe, claims equalization, contingency, price fluctuation), are together used for equity capital. Based on the nature of liability accounting, an adjustment for unrealized gains and losses on fixed-income investments will also be made when appropriate.

U.S. GAAP: Shareholders' equity is used for equity capital. Unrealized fixed-income securities gains and losses included in the "other comprehensive income" component of shareholders' equity are removed.

U.S. Statutory: Policyholders' surplus is used for equity capital for most sectors other than life, for which total adjusted capital is used (policyholders' surplus, plus asset valuation reserve, plus one-half policyholder dividend obligation).
No adjustments are made for unrealized fixed-income gains and losses since fixed-income investment are typically carried at amortized cost.

Hybrids Included in Capital: When the value of a hybrid is included in stated shareholders' funds (or other equity capital financial statement values), such as surplus notes in the U.S. or kikin in Japan, hybrids are either removed from or not added to the denominator as part of total hybrids, to avoid double counting.

Ratio Name

Total Financing and Commitments (TFC) Ratio

(All Sectors)

Basic Formula

$$\frac{\text{Debt + Other Financings}}{\text{Equity Capital}}$$

Overview

Measures a company's leveraging of its debt and financing activities, and indicates its overall reliance on ongoing access to capital markets and/or other funding sources. A lower value is more favorable.

Numerator includes essentially all financing activities, including financial debt, operating debt, hybrids, both recourse and nonrecourse securitizations, LOC facilities with banks provided to third-party beneficiaries (largely used by alien or offshore reinsurers), debt guarantees and other financing-related commitments. The denominator is equity capital, using the same definition as used in the FLR.

Regional and Accounting Notes

Financial Guaranty: The value of debt guarantees included in the par to capital ratio is excluded from the numerator of TFC.

Asia-Pacific and Latin America: No adjustment is made to equity capital to remove unrealized gains and losses on fixed-income investments.

Ratio Name

Net Premium Written to Capital

(Non-Life, Reinsurance, Title)

Basic Formula

$$\frac{\text{Net Premium Written}}{\text{Equity Capital}}$$

Overview

Measures the degree a company is leveraging its net business writings, and indicates the capital exposure to pricing errors. Since net premiums written are influenced by both business volume and rate adequacy, interpretations must be made carefully since an adverse decline in rate adequacy could lead to apparent improvements in this ratio. A lower value is more favorable.

Numerator is gross premium written minus ceded premium written. The denominator is equity capital, as defined per the TFC ratio.

Regional and Accounting Notes

IFRS: No adjustment is made to equity capital to remove unrealized gains and losses on fixed-income investments. If reported shareholders' funds are for a bancassurance group, equity attributable to banking operations will be removed (actual or estimated).

Continued on next page.

Financial Ratio Definitions — Capitalization and Leverage (Continued)

Ratio Name	Basic Formula
Operating Leverage (Life)	$\frac{\text{Total Insurance Liabilities}}{\text{Equity Capital}}$
Overview	**Regional and Accounting Notes**
Measures the degree a company is leveraging its insurance liabilities, and indicates the exposure of capital to product mispricing/reserving issues. A lower value is more favorable. Numerator includes total insurance liabilities, excluding separate account or unit-linked liabilities. It also excludes certain debt and debt-like liabilities captured in the TFC ratio. The denominator is equity capital, using the TFC ratio definition.	**IFRS:** No adjustment is made to equity capital to remove unrealized gains and losses on fixed-income investments. If reported shareholders' funds are for a bancassurance group, equity attributable to banking operations will be removed (actual or estimated).

Ratio Name	Basic Formula
Asset Leverage (Life)	$\frac{\text{Total Assets}}{\text{Equity Capital}}$
Overview	**Regional and Accounting Notes**
Measures the degree a company is leveraging its total assets, and indicates the exposure of capital to the combination of product mispricing/reserving issues and asset risk. A lower value is more favorable. The numerator includes total assets. The denominator is equity capital, using the same definition as used in the Operating Leverage ratio.	**EMEA and APAC:** The numerator substitutes the sum of life technical provisions (including unit-linked) and operational debt.

Ratio Name	Basic Formula
Net Leverage (Non-Life, Reinsurance, Title)	$\frac{\text{Net Premium Written + Net Insurance Liabilities}}{\text{Equity Capital}}$
Overview	**Regional and Accounting Notes**
Measures the degree a company is leveraging its net premiums and net insurance liabilities, and indicates the exposure of capital to both pricing and reserving errors. A lower value is more favorable. The numerator is the sum of net premiums written and total insurance liabilities (i.e. gross technical provision or gross technical reserves) less any ceded reserves. The denominator is equity capital, using the same definition used for the denominator of the net premiums written to capital ratio above.	None.

Ratio Name	Basic Formula
Gross Leverage (Non-Life, Reinsurance, Title)	$\frac{\text{Gross Premium Written + Gross Insurance Liabilities}}{\text{Equity Capital}}$
Overview	**Regional and Accounting Notes**
Measures the degree a company is leveraging its gross premiums and gross insurance liabilities, and indicates the exposure of capital to pricing and reserving errors, as well as uncollectible ceded reinsurance. A lower value is more favorable. Numerator is the sum of gross premiums written and gross total insurance liabilities (i.e. gross technical provision or gross technical reserves), or alternatively, the sum of net and ceded written premium and insurance liability/reserve values. The denominator is equity capital, using the same definition used for the net leverage ratio.	None.

Ratio Name	Basic Formula
Premiums to Statutory Capital (Health – U.S.)	$\frac{\text{Health Premium Written}}{\text{Policyholders' Surplus (Statutory)}}$
Overview	**Regional and Accounting Notes**
A version of the net premium written to capital ratio discussed above for non-life companies, tailored to U.S. health insurers. A lower value is more favorable. The numerator is net health premium written. The denominator is statutory policyholders' surplus.	None.

Continued on next page.

Financial Ratio Definitions — Capitalization and Leverage (Continued)

Ratio Name
Debt to EBITDA
(Health – U.S.)

Basic Formula

$$\frac{\text{Debt + Debt Portion of Hybrids}}{\text{EBITDA}}$$

Overview

An alternate financial leverage measurement to the FLR used for U.S. health insurers considers debt leverage relative to annual cash flow as opposed to total capital. A lower value is more favorable.

The numerator is the same as that used in the FLR. The denominator is a full year (four quarters rolling) of cash flow calculated as EBITDA.

Regional and Accounting Notes

None.

Ratio Name
Risk-to-Capital Ratio
(Mortgage – U.S.)

Basic Formula

$$\frac{\text{Net Risk In Force}}{\text{Equity Capital}}$$

Overview

Measures the degree a company is leveraging its insured mortgage loan values and indicates the exposure of capital to downturns in mortgage performance. A lower value is more favorable. Risk in force is the unpaid principal of the insured mortgage loans, multiplied by the percentage of the loan covered by insurance.

Numerator, net risk in force, is calculated as gross risk in force (direct plus assumed), less both ceded risk in force and risk in force for which loss reserves have already been established. Equity capital is statutory policyholders' surplus, plus the statutory premium reserve (subject to downward adjustment for GAAP premium deficiency reserves).

Regional and Accounting Notes

None.

Ratio Name
Par-to-Capital Ratio
(Financial Guaranty)

Basic Formula

$$\frac{\text{Net Notional Insured Par}}{\text{Equity Capital}}$$

Overview

Measures the degree a company is leveraging the value of insured bonds/debt and indicates the exposure of capital to adverse default experience. A lower value is more favorable.

The numerator includes the sum of the par amount of all guarantees outstanding, minus the value of any par ceded to reinsurers/counterparties, and minus any loss reserves. Equity capital equals owners' equity, and depending on the features of each instrument, can include callable capital, counter-guarantee facilities and subordinated debt.

The ratio is compared with the applicable ratio guidelines by rating category as shown in the exhibit Credit Factor Scoring Guidelines — CARs and FLR: Core Ratios. The portfolio risk categorization is decided by a rating committee based on the characteristics of the portfolio with respect credit quality and loss (severity) given default, as well as the impact of material covenants, risk mitigation (such as reinsurance) and overall portfolio diversity or concentration risks. Examples of benchmark portfolios are shown to the right. These benchmarks provide only a general indication.

Portfolio Categorization Benchmark Examples[a]

Very Low-Risk Portfolio: Investment-grade essential services; 98% investment grade/majority 'A'; all securities have low severity loss given default (LGD).

Low-Risk Portfolio: Diversified portfolio, primarily investment grade; 95% investment grade/majority 'A'; 80% low and 20% medium severity LGD.

Medium-Risk Portfolio: Majority investment grade but material non-investment grade; 80% investment grade / majority 'A' and 'BBB'. LGD mix is 50% low, 25% medium and 25% high severity. Can either be medium frequency/mixed severity, high frequency/low severity or low frequency/high severity.

High-Risk Portfolio[b]: Mix of non-investment grade and low investment-grade; 60% investment grade/majority 'BBB'; LGD 25% medium and 75% high severity.

Very High-Risk Portfolio[c]: Non-investment-grade credits with high LGDs; 100% non-investment grade. All securities have high-severity LGDs.

Ratio Name
Regulatory Capital Ratios
(Various Sectors/Regions)

Overview

To the right are various ratios prescribed by insurance regulators for which Fitch has established scoring guidelines

In the case of the private mortgage insurer eligibility requirements (PMIERS) coverage ratio, the ratio is not prescribed by insurance regulators, but instead a U.S. government-sponsored entity.

Listing of Ratios (Sectors/Regions Used)

- U.S. NAIC RBC Ratio (Non-Life, Life, Reinsurance, U.S. Health) C-Ross
- Solvency Ratio (Non-Life, Chinese Life)
- Solvency II Standard Capital Ratio Coverage (Non-Life, European Life/Others) Prescribed Capital Ratio (Non-Life, Australian Mortgage)
- Statutory Solvency Margin Ratio (Non-Life, Japanese Life)
- PMIERS Coverage Ratio (U.S. Mortgage)

[a]Covenants attached to guarantees and underlying bonds/loans can also influence the selection of the appropriate portfolio type. [b]May be regarded as Medium-Risk Portfolio if extensive nonproportional reinsurance protection is in place. [c]May be regarded as High-Risk Portfolio in case of mitigating factors, such as high granularity/diversification in combination with low correlations.

Financial Ratio Definitions — Debt Service Capabilities and Financial Flexibility

Ratio Name

Fixed-Charge Coverage Ratio

(All Sectors)

Basic Formula

$$\frac{\text{Pretax Operating Earnings + Pretax Fixed Charges}}{\text{Pretax Fixed Charges}}$$

Overview

Measures the amount by which operating earnings can support interest and dividend payments on debt, hybrids and preferred stock, and indicates the degree of cushion should earnings decline. A higher value is more favorable.

Numerator is pretax operating earnings (i.e. pretax income exclusive of realized and unrealized gains and losses on investments and other non-operating items) plus pretax fixed charges as defined below. The denominator is pretax fixed charges, also as defined below.

Fixed charges are defined to include pretax interest on debt and hybrids, and preferred dividends. However, fixed charges only include such items for securities that are included in the numerator of the FLR (thus, interest on match-funded operating debt is excluded from the add-back in the numerator, and from the denominator). Fixed charges that are not tax deductible, such as many preferred dividends, are typically grossed up by an assumed tax factor. When available and material, fixed charges include an estimate of the interest portion of rental/lease expense.

The add-back of fixed charges within the numerator is only done for fixed charges that are expensed in the income statement, and have reduced pretax operating income. However, fixed charges that have not been expensed are still included in the denominator.

In the case of hybrids and preferred stock, there is no "equity credit-like" adjustment applied to interest expense or preferred dividends.

Regional and Accounting Notes

None.

Ratio Name

Statutory Coverage Ratio

(All Sectors – U.S. Only)

Basic Formula

$$\frac{\text{Maximum Statutory Dividends}}{\text{Fixed Charges}}$$

Overview

Measures the amount by which maximum statutory dividends of an operating subsidiary(ies) can support interest payments on debt, hybrids and preferred stock of a parent holding company, and indicates the degree of cushion should statutory dividend capacity decline. A higher value is more favorable.

The numerator is the sum of maximum statutory dividends (based on regulatory formulas) that can be paid by the insurance operating subsidiaries that directly feed the holding company in which the debt obligations are housed (i.e. "stacked" maximum dividends are excluded). The denominator is fixed charges as defined under the fixed-charge coverage ratio.

Regional and Accounting Notes

None.

Ratio Name

Cash Coverage Ratio

(U.S. Non-Life and Life Only)

Basic Formula

$$\frac{\text{Maximum Statutory Dividends + Committed Holding Company Cash}}{\text{Fixed Charges}}$$

Overview

Measures the amount by which maximum statutory dividends of an operating subsidiary(ies), together with committed holding company cash balances, can support interest payments on debt, hybrids and preferred stock of a parent holding company, and indicates the degree of cushion should statutory dividend capacity decline. A higher value is more favorable.

The calculation is the same as the statutory coverage ratio, but also adds committed holding company cash to the numerator, where committed cash includes cash currently held at the holding company level, and for which Fitch believes that management has a strategic rationale and intent to maintain such cash to support ongoing debt service.

Regional and Accounting Notes

None.

Financial Ratio Definitions — Financial Performance and Earnings

Ratio Name

Return on Equity (ROE)

(All Sectors, Except Health)

Basic Formula

$$\frac{\text{Net Income}}{\text{Mean Equity Capital}}$$

Overview

Measures net income relative to equity capital, and indicates both overall profitability and the ability of a company's business to grow equity capital organically. A higher value is more favorable. This ratio is interpreted in concert with the evaluation of applicable capitalization and leverage ratios, since the ROE is influenced by both profitability and leverage.

The numerator is net income. The denominator is mean equity capital for the reporting period, using the same definition of equity capital used in the TFC ratio.

Regional and Accounting Notes

IFRS: Mean equity capital includes total shareholders' funds, plus equalization reserves (catastrophe, claims equalization, contingency, price fluctuation), less minority interests.

Ratio Name

Combined Ratio

(Non-Life, Reinsurance, Title, Mortgage, Financial Guaranty)

Basic Formula

$$\frac{\text{Incurred Loses}}{\text{Net Earned Premium}} + \frac{\text{Underwriting and Acquisition Costs}}{\text{Net Premiums}}$$

Overview

Measures underwriting profitability. A lower value is more favorable, and a value below 100% indicates an underwriting profit.

The combined ratio is the combination of the loss ratio and expense ratio. The loss ratio is incurred losses (including loss adjustment expenses) for the current calendar year divided by net premiums earned. The expense ratio is underwriting and acquisition expenses incurred (such as commissions, salaries and overhead, plus policyholder dividends) divided by net premiums, per comments to the right.

Regional and Accounting Notes

Net premiums in the denominator of the expense ratio may be earned or written premiums, with the goal being to match costs to volume, based on the local accounting convention and how expenses are incurred. In certain accounting methods, expenses are incurred as paid, and in others they are incurred as premiums are earned.

Ratio Name

Operating Ratio

(Non-Life, Reinsurance, Title)

Basic Formula

$$\text{Combined Ratio} - \frac{\text{Pretax Investment Income}}{\text{Net Earned Premium}}$$

Overview

Measures operating profitability, which incorporates pretax underwriting and investment performance. A lower value is more favorable.

The operating ratio is the combined ratio less the Investment Income Ratio. The Investment Income Ratio is pretax investment income divided by net premiums earned, and excludes realized and unrealized capital gains and losses.

Regional and Accounting Notes

Net premiums in the denominator of the expense ratio may be earned or written premiums, with the goal being to match costs to volume, based on the local accounting convention and how expenses are incurred. In certain accounting methods, expenses are incurred as paid, and in others they are incurred as premiums are earned.

Ratio Name

Pretax Return on Assets (ROA)

(Life)

Basic Formula

$$\frac{\text{Pretax Operating Income}}{\text{Mean Total Assets}}$$

Overview

Measures operating profitability relative to total assets, and provides an indication of profitability in a manner that is less sensitive to leverage differences than the ROE ratio, but is more sensitive to business mix (and the relative asset intensity of a company's business products). A higher value is more favorable.

The numerator is pretax operating income excluding realized and unrealized investment gains and losses. The denominator is mean total assets (including separate account and unit-linked) for the reporting period.

Regional and Accounting Notes

None.

Continued on next page.

Financial Ratio Definitions — Financial Performance and Earnings (Continued)

Ratio Name	Basic Formula
Core Profit Margin	$\frac{\text{Core Profits}}{\text{Gross Premium Written}}$
(Life – Japan Only)	
Overview	**Regional and Accounting Notes**
Measures profitability derived from a Japanese life insurer's ordinary business activities. A higher value is more favorable. The numerator is core profits, which include mortality and morbidity gain or loss, expense gain or loss, and investment gain or loss (i.e. negative spread). The denominator is gross premium written.	None.
Ratio Name	**Basic Formula**
GAAP Return on Capital	$\frac{\text{Net Income + After-tax Interest}}{\text{Mean Total Capital}}$
(Health – U.S.)	
Overview	**Regional and Accounting Notes**
Measures income relative to capital and indicates both overall profitability and the ability of a company's business to grow capital organically, similar to ROE. A higher value is more favorable. The numerator is net income plus after-tax interest expense. The denominator is mean total capital, where total capital is equity capital plus the value of debt included in the FLR.	**U.S. GAAP:** Equity capital is shareholders' equity **U.S. Statutory:** Equity capital is policyholders' surplus.
Ratio Name	**Basic Formula**
EBITDA to Revenues	$\frac{\text{EBITDA}}{\text{Total Revenues}}$
(Health – U.S.)	
Overview	**Regional and Accounting Notes**
Measures cash flow generation (approximated) relative to total revenue, and provides an indication of profit margin levels and the business' ability to generate cash flow. A higher value is more favorable. The numerator is EBITDA as defined in the debt-to-EBITDA ratio. The denominator is total revenues.	None.
Ratio Name	**Basic Formula**
Medical Benefits Ratio	$\frac{\text{Incurred Claims}}{\text{Net Premiums Earned}}$
(Health – U.S.)	
Overview	**Regional and Accounting Notes**
Measures underwriting profitability. A lower ratio is more favorable. The numerator is incurred claim (and related expenses). The denominator is net premiums earned.	None.

Financial Ratio Definitions — Investment and Asset Risk

Ratio Name

Risky Assets Ratio

(All Sectors)

Overview

Measures the degree a company is leveraging risky assets within its investment portfolio, and indicates the exposure of equity capital to losses if risky assets perform poorly. A lower value is more favorable.

Numerator is risky assets that encompass below-investment-grade bonds, unaffiliated common stock and other risky assets. The definition of "other risky assets" varies among jurisdictions based on reporting conventions and local investing practices, but is intended to capture those investments most common to a given market with market valuation volatility and/or limited liquidity.

Risky assets include all such assets supporting nonparticipating business, but can include only a portion of such assets that support participating business with material policyholder loss-sharing features, as per below.

Category	Product Type [a]	Amount Included (%)
Minimal	No material loss sharing	100
Low	Par Whole Life (U.S.)[b], Fonds Euros (France), Segregated Accounts (Italy)	75
Medium	UK-Style with Profits Sold in APAC, South Africa[c]	50
High	UK-Style with Profits Sold in UK[c]	25
Full	Unit-Linked (Global), Separate Account Variable Annuity (U.S.)	0

[a]Other products with similar features to those shown below will be similarly categorized. [b]Fitch assumes 15% of assets backing this product's reserves are risky assets, as per Prism survey data received from rated companies. [c]Where the product structure includes ring-fenced surplus (typical for UK-style with profits) credit for the surplus with-profits funds in the ratio's denominator will be 100%, except where the risky assets multiplier of 25% is applied, in which case credit will be 75%.

Denominator is equity capital, and uses as its starting point the same definition as used in the TFC ratio, unless otherwise stated in the calculation notes to the right. Per these calculation notes, when available/applicable, added to equity capital are reserves designed to help absorb investment losses on participating business.

Investments in sovereign debt of a country of domicile and/or major operations (as well as sovereign-related investments) rated 'BBB+' and below is added to other risky assets, subject to the following scaling adjustments:

Rating	Scaling Amount (%)
BBB+/BBB/BBB–	15/30/50
BB+/BB/BB–	100/125/150
B+/B/B–	175/215/255
CCC+/CCC/CCC–	300/350/400
CC Category	450
C Category	750

The note under the Below-Investment-Grade Bond-to-Capital Ratio listed below, with respect to national ratings analysis, also applies to this ratio.

Basic Formula

$$\frac{\text{Risky Assets}}{\text{Equity Capital}}$$

Regional/Accounting Notes for "Other Risky Assets" and "Equity Capital"

U.S. Non-Life: Alternative investments, real estate and Schedule BA assets.

U.S. Life Statutory: Lower quality mortgage loans, troubled real estate investments and certain Schedule BA assets.

EMEA Non-Life: Affiliated investments. When disclosed/available, other risky assets also include unrated securities and loans to counterparties that Fitch views as being of low quality. Equity capital uses the same definition as for the net premiums written-to-capital ratio.

EMEA Life: Affiliated investments. When disclosed/available, other risky assets also include unrated securities and loans to counterparties that Fitch views as being of low quality. Equity capital uses the same definition as the operating leverage ratio, plus excess reserves/surplus for participating policies designed to absorb or smooth investment losses.

APAC (Excluding Japan) Non-Life and Life: Affiliated investments, private equity, investment funds/beneficial certificates where the underlying assets are primarily linked to equities, and in developing countries, property investments. Added life insurers' equity capital is unallocated surplus for participating funds.

Japan Life and Non-Life: Affiliated investments. Added to life insurers' equity capital is unallocated surplus for participating funds.

Reinsurance: Affiliated investments and alternate investments, including but not limited to catastrophe bonds, hedge funds and private equity investments. Equity capital varies depending on the jurisdiction of the company, but typically aligns with the various regional calculation notes discussed previously.

U.S. Title Statutory: Mortgages, real estate and Schedule BA assets.

Mortgage: Mortgage loans, real estate, and both investment-grade and below-investment-grade residential mortgage-backed securities. The latter are included since they are expected to correlate with losses in the mortgage insurance business.

U.S. Health: Real estate (not occupied by company), mortgages in foreclosure and Schedule BA, Part 1 assets. Equity capital equals policyholders' surplus if statutory accounting basis financial statements are used, and shareholders' equity if U.S. GAAP financial statements are used.

Financial Guaranty: Alternative investments, real estate and Schedule BA assets. Equity capital in the U.S. is policyholders' surplus.

(Continued on next page.)

Financial Ratio Definitions — Investment and Asset Risk (Continued)

Ratio Name	Basic Formula
Below Investment Grade Bond to Capital	Below Investment Grade Bonds / Equity Capital
(Life)	
Overview	**Use in National Ratings Analysis**
Measures the degree a company is leveraging the riskier bonds within its investment portfolio, and indicates the exposure of equity capital to a rise in defaults and impairments. A lower value is more favorable. The numerator is bond invested assets rated below the 'BBB' category, typically stated at statement value, which based on the accounting convention can be market value, amortized cost or some combination (subject loss-sharing product scaling). The denominator is equity capital, using the same definition as in the risky assets ratio.	For national scale ratings, the ratio may be calculated two ways — first measuring below investment-grade bonds using international scale ratings, and second measuring below investment grade-bonds using the local national scale, subject to information availability.
Ratio Name	**Basic Formula**
Equity Investments to Capital	Common Stocks / Equity Capital
(Non-Life, Reinsurance)	
Overview	**Regional and Accounting Notes**
Measures the degree a company is leveraging equities (i.e. common stocks) within its investment portfolio, and indicates the exposure of equity capital to volatility in equity market performance. A lower value is more favorable. Numerator is common stock invested assets, typically stated at market value (subject to loss sharing-product scaling). Denominator is equity capital, using the same definition as in the risky assets ratio.	Affiliated investments are added to the numerator as per the Risky Assets Ratio above.
Ratio Name	**Basic Formula**
Sovereign Investments to Capital	Sovereign Bonds / Equity Capital
(All Sectors)	
Overview	**Regional and Accounting Notes**
Measures the degree a company is leveraging sovereign and related bonds within its investment portfolio, and indicates the exposure of equity capital to a rise in defaults and impairments on such. A lower value is typically more favorable. The numerator is bond invested assets of the sovereign of domicile and/or major operations (as well as those of any highly correlated local entities, such as a bank carrying the sovereign's rating due to support), typically stated at statement value, which based on the accounting convention can be market value, amortized cost or some combination (subject to loss-sharing product scaling). The denominator is equity capital, using the same definition as in the risky assets ratio.	None.

Financial Ratio Definitions — Asset/Liability and Liquidity Management

Ratio Name

Liquid Assets to Reserves

(Non-Life, Reinsurance, Title, Mortgage, Financial Guaranty)

Basic Formula

$$\frac{\text{Liquid Assets}}{\text{Loss/Technical Reserves}}$$

Overview

Measures how strongly loss/technical reserves are covered by higher quality, liquid assets. A higher value is more favorable.

The numerator is cash and short-term invested assets, unaffiliated investment-grade bonds, 50% of unaffiliated non-investment-grade short-term bonds/deposits and common stocks. The denominator is net loss and loss adjustments, or technical reserves excluding net unearned premium reserves, as defined per local accounting/reporting standards.

Regional and Accounting Notes

None.

Ratio Name

Liquid Assets Ratio

(Life)

Basic Formula

$$\frac{\text{Liquid Assets}}{\text{Policyholder Reserves}}$$

Overview

Measures how strongly policyholder liabilities are covered by higher-quality liquid assets. A higher value is more favorable.

The numerator is cash and short-term invested assets, unaffiliated investment-grade bonds, 50% of unaffiliated non-investment-grade short-term bonds/deposits and common stocks (publicly traded only). The denominator is policyholder reserves.

Regional and Accounting Notes

U.S. Statutory: Numerator is cash and short-term investments, unaffiliated investment-grade public bonds, preferred stocks and common stocks. Policyholder reserves include general account policyholder liabilities, less policy loans and nonsurrenderable policyholder liabilities.

Ratio Name

Risk-Weighted Liquidity Ratio

(Non-Life and Life – U.S. Only)

Basic Formula

$$\frac{\text{Risk-Weighted Assets}}{\text{Risk-Weighted Liabilities}}$$

Overview

Measures how strong assets cover liabilities, with both risk-weighted based on their liquidity characteristics. A higher value is more favorable.

The numerator is risk-weighted assets. The denominator for non-life is loss and loss adjustment expense reserves and for life is risk weighted liabilities. Risk weightings are applied based on six categorizations, as follows:

Category	Assets (Non-Life and Life)
Most Liquid — 100%	Cash/equivalents, U.S. government securities, short-term investment, unaffiliated public common stocks
Very Liquid — 75%	Investment grade public bonds and preferred stock, Federal Home Loan Bank stock
Somewhat Liquid — 50%	Below-investment-grade public bonds and preferred stock, investment-grade private bonds, securities lending reinvested collateral
Less Liquid — 25%	Commercial mortgage loans (CM[a] 1–3); below-investment-grade private bonds; investment-grade Schedule BA bonds/preferred stock and exchange-traded derivatives
Very Illiquid — 10%	Properties held for production of income and for sale, private unaffiliated common stock
Illiquid — 0%	Commercial mortgage loans (CM 4–7, including first liens); all other common stock, all other Schedule BA assets and derivatives, affiliated investments; contract loans; aggregate investment write-ins; receivables for securities; home office real estate

Regional and Accounting Notes

Ratio uses U.S. statutory accounting data.

Category	Liabilities (Life)
Most Liquid — 100%	Life claims, accident and health claims, reinsurance payable, surrender values on cancelled contracts; taxes, licenses, fees, liability for unauthorized reinsurance, payable for securities and securities lending, agent payables/deposits
Very Liquid — 75%	Deposits/annuities at book value
Somewhat Liquid — 50%	Deposits/annuities at fair value and with market value adjustments, policyholder dividends/coupons, derivatives, borrowed monies
Less Liquid — 25%	Deposits and annuities with surrender charges >5%, net life insurance reserves
Very Illiquid — 10%	Disability disabled lives reserves, Exhibit 6 claim reserves, liability write-ins
Illiquid — 0%	Interest maintenance reserve, asset valuation reserve, deposits and annuities not subject to withdrawal, deferred taxes, deposit and annuity reinsurance ceded, funds withheld, and various other illiquid liabilities.

[a]CM is a risk category designation used by the NAIC. *Continued on next page.*

Financial Ratio Definitions — Asset/Liability and Liquidity Management (Continued)

Ratio Name	Basic Formula
Cash and Equivalents to Policyholder Liabilities (Life – APAC, Excluding Japan Only)	$\frac{\text{Cash and Other Cash-Like Investments}}{\text{Policyholder Reserves}}$
Overview	**Regional and Accounting Notes**
Measures how strongly policyholder liabilities are covered by cash and cash-like assets. A higher value is more favorable. The numerator is cash and other cash-like invested assets (excluding 50% of below investment grade). The denominator is policyholder reserves.	None.

Ratio Name	Basic Formula
Operating Cash Flow Ratio (Life – U.S. Only)	$\frac{\text{Operating Cash Flow}}{\text{Cash Outflows}}$
Overview	**Regional and Accounting Notes**
Measures the strength of a company's cash flow generation and indicates the degree a company operates independently of external cash sources. A higher value is more favorable. The numerator is operating cash inflows. The denominator is operating cash outflows.	None.

Ratio Name	Basic Formula
Cash and Invested Assets to Medical Claims Liabilities (Health – U.S.)	$\frac{\text{Total Cash and Invested Assets}}{\text{Medical Claims Liabilities/Reserves}}$
Overview	**Regional and Accounting Notes**
Measures how strongly medical claims are covered by invested assets. A higher value is more favorable. The numerator is total cash and invested assets. The denominator is the medical claims liability/reserves.	None.

Financial Ratio Definitions — Reserve Adequacy Ratios

Ratio Name	Basic Formula
Loss Reserve Development to BOP MCL	$\frac{\text{Reserve Development (Annual)}}{\text{BOP MCL}}$
(Health – U.S.)	
Overview	**Regional and Accounting Notes**
Measures the degree prior reserve estimates changed in the year and indicates how variable or stable reserves have been. A lower or negative value is more favorable. The numerator is annual reserve development (a reported redundancy is a negative value; a deficiency is a positive value). The denominator is the beginning of period (BOP) medical claim liability (MCL).	None.
Ratio Name	**Basic Formula**
Number of Days Claims in MCL	$\frac{\text{Medical Claim Liability}}{\text{(Annual Medical Benefits/365)}}$
(Health – U.S.)	
Overview	**Regional and Accounting Notes**
Measures the amount of claim reserves relative to claims incurred and indicates relative reserve strength. A higher value is more favorable. The numerator is the MCL. The denominator is the ratio of annual medical benefits incurred divided by 365. The outcome is stated in days.	None.
Ratio Name	**Basic Formula**
Loss Reserve Development to Capital	$\frac{\text{Reserve Development (Annual)}}{\text{Equity Capital (BOP)}}$
(Mortgage)	
Overview	**Regional and Accounting Notes**
Measures the degree prior reserve estimates changed in the year and indicates how much capital is exposed to the variable of reserves. A lower or negative value is more favorable. The numerator is annual reserve development (a reported redundancy is a negative value; a deficiency is a positive value). The denominator is BOP equity capital.	**Australia:** Equity capital includes eligible hybrids **U.S.:** Equity capital is statutory policyholders' surplus.
Ratio Name	**Basic Formula**
Loss Reserve Development to Earned Premium	$\frac{\text{Reserve Development (Annual)}}{\text{Net Premiums Earned}}$
(Financial Guaranty)	
Overview	**Regional and Accounting Notes**
Measures the degree prior reserve estimates changed in the year, and indicates the impact of reserve variability on the loss ratio. A lower or negative value is more favorable. The numerator is annual reserve development (a reported redundancy is a negative value; a deficiency is a positive value). The denominator is net premiums earned.	None.

Financial Ratio Definitions — Reinsurance, Risk Mitigation and Catastrophe Risk

Ratio Name

Reinsurance Recoverables to Capital

(Non-Life, Reinsurance, Mortgage, Financial Guaranty)

Basic Formula

$$\frac{\text{Ceded Loss, LAE and UPR Reserves}}{\text{Equity Capital}}$$

Overview

Measures the leveraging of ceded reinsurance recoverables and indicates the exposure of capital to losses on uncollectible balances. A lower value is more favorable.

The numerator includes ceded loss/loss adjustment expenses (LAE) and unearned premium reserves. The denominator is equity capital, as defined for the net premiums written–to-capital ratio. The ratio is interpreted in light of the credit quality of reinsurers, the stability of the relationship between insurer and reinsurer, historical collection patterns, and any security held in the form of LOCs, trust accounts or funds withheld.

Regional and Accounting Notes

None.

Ratio Name

Annual Aggregate Catastrophe Losses to Capital

(Non-Life, Reinsurance)

Basic Formula

$$\frac{\text{Modeled Probable Maximum Loss}}{\text{Equity Capital}}$$

Overview

Measures the leveraging of capital to a large property catastrophe loss and indicates the pretax impact on capital if such a loss occurred (prior to any mitigating actions). Both gross and net of ceded reinsurance version are evaluated. A lower value is more favorable.

The numerator uses a modeled annual aggregate pretax probable maximum loss (PML) value net of reinsurance/retrocessions. Subject to availability and reporting customs, the numerator uses either a 250-year (0.4% occurrence probability) or a 200-year (0.5% occurrence probability) PML. The value of the numerator is typically calculated and provided by the rated entity's management and may be derived by them using either third-party models or their own internal models. The denominator is equity capital as defined above for the net premiums written-to-capital ratio.

Regional and Accounting Notes

U.S.: Fitch may alternatively estimate the PML using a licensed model.

Ratio Name

Net Premium Written to Gross Premium Written

(Non-Life, Reinsurance, Mortgage, Title)

Basic Formula

$$\frac{\text{Net Premium Written}}{\text{Gross Premium Written}}$$

Overview

Measures the portion of premiums that are retained and not ceded to reinsurers and indicates the overall use of ceded reinsurance capacity. A lower value is generally more favorable, though under-purchasing reinsurance intended to protect capital and earnings can also to risks when policy or aggregate limits/exposures are large relative to equity capital.

The numerator is net premiums written. The denominator is gross premiums written.

Regional and Accounting Notes

None.

Ratio Name

Largest Net Single Risk Limit to Surplus

Basic Formula

$$\frac{\text{Largest Single Risk (Par Value)}}{\text{Policyholders' Surplus}}$$

Overview

Measures the vulnerability of capital to a potential loss from a single insured exposure. It does not reflect secondary policy exposures. A lower value is more favorable.

The numerator is the par value of the largest single risk, as reported in Part 2, Line 2 of the General Interrogatories within the statutory financial statement regulatory filings. The denominator is policyholders' surplus.

Regional and Accounting Notes

None.

Continued on next page.

Financial Ratio Definitions — Reinsurance, Risk Mitigation and Catastrophe Risk (Continued)

Ratio Name	Basic Formula
Single Risk Par to Capital	$\frac{\text{Largest Single Risk (Par Value)}}{\text{Equity Capital}}$
(Financial Guaranty)	
Overview	**Regional and Accounting Notes**
Measures the vulnerability of capital to a potential loss from a single insured exposure. A lower value is more favorable. The numerator is the par value of the largest single risk, defined as an individual issuer for corporate securities, an individual seller for structured finance or an individual revenue stream for U.S. municipal finance (e.g. all state general obligations combined, each specific revenue bond, etc.). When such information is available to Fitch, Fitch will combine single risk exposures that are common to the insured and investment portfolios. The denominator is equity capital as defined for the TFC ratio.	**U.S.:** Equity capital includes policyholders' surplus plus contingency reserves, plus Fitch's estimate of any equity in unearned premiums.

Ratio Name	Basic Formula
Net Notional Par to Gross Notional Par Insured	$\frac{\text{Net Notional Par}}{\text{Gross Notional Par}}$
(Financial Guaranty)	
Overview	**Regional and Accounting Notes**
Measures the portion of par that is retained and not ceded to reinsurers and indicates the overall use of ceded reinsurance capacity. A lower value is generally more favorable, though under-purchasing reinsurance intended to protect capital and earnings can add to risks. Net notional par insured includes the par value of bonds insured by traditional financial guarantees and the notional value of insurance issued in the form of credit default swaps plus any notional par value assumed through reinsurance. The numerator is net notional par after reinsurance cessions. The denominator is gross notional par prior to reinsurance cessions.	None.

Captive Insurance Companies

The rating of a captive insurer is based on the key credit factors outlined earlier in this report, as well as aspects of group ratings criteria. However, given the narrow business focus of a captive, and extraordinary linkages to its parent/sponsor(s), certain rating principles differ for a captive compared with a traditional insurance company:

- A Core captive's IFS rating is usually uplifted to that of its sponsor.
- Conversely, even if the captive's standalone profile is above that of the sponsor, captives' ratings are typically capped at the rating of the parent/sponsor.
- Parameters for defining a captive as Core differ from that of a traditional insurer
- Capital adequacy assessments place greater emphasis on net retained risk limits and ceded reinsurance programs.
- Capital of a captive may include material use of LOCs.
- Nonparent/sponsor business written may cause Fitch to rate the captive as a traditional insurer, as opposed to a captive, if significant.

What Is a Captive Insurer?

For purposes of these criteria, a captive is an insurance company established by a sponsoring organization to exclusively/primarily sell insurance or reinsurance to the sponsoring organization. Captives historically have been used by sponsoring organizations that desire to self-insure certain risks, but for which they are obligated to have insurance in place. As a licensed and regulated entity, the captive meets the legal requirement for provision of insurance. A captive will also typically cede some risks that the sponsor would view as undesirable for self-insurance, such as large losses from catastrophic events. Thus, captives typically have active reinsurance programs.

Certain industry captives that have a significant number of owners/sponsors are typically rated as traditional insurance companies, not as captives. In cases where a captive is part of a legal structure where its capital is effectively ring-fenced from the owner/sponsor, Fitch may apply its insurance-linked securities rating criteria.

Definition of a Core Captive

Because of the unique nature of a captive's business, the parameters in defining a captive as Core under group rating criteria differ from those of traditional insurers.

- Mission and strategic goals of the captive are intricately tied to the parent's risk management and risk financing strategy.
- Captive serves a clear economic purposes in allowing the parent to manage risk and/or costs in a more efficient or effective manner than via use of third-party insurance or reinsurance. This can include providing consistent capacity.
- Vast majority of captive's business is derived from that of the parent and the parent does not view the captive as a profit center or line of business. Cases of a captive providing insurance to customers of the parent would be viewed as nonparent business.
- Parent has made a reasonable financial commitment to the captive and appears supportive of its ongoing solvency and viability.

Rating Core Captives

Core captives are typically assigned an IFS rating equal to the IDR of the captive's parent. For an insurance company parent, the IFS rating of the Core captive is typically aligned to the IFS rating of the parent. In such cases, Fitch cannot assign an IFS rating to a Core captive unless Fitch rates (publicly or privately) the parent.

Because the captive's IFS rating is linked to the parent's rating, Fitch does not normally develop a full SACP for a Core captive. However, certain attributes will be evaluated on a standalone basis to determine if any deviations from the parent's rating are warranted.

Capital Adequacy

Ratio and model scores for a captive that come out at levels lower than the parent's rating may cause Fitch to rate even a Core captive lower than that of the parent.

Net Retained Limits and Ceded Reinsurance

In evaluating capital adequacy, Fitch focuses on net retentions relative to capital, both on a per risk basis and in aggregate. Since a key role of a captive is to shape risk, an appropriate balance between net retentions and ceded reinsurance is important. Unusually large retentions may show lack of commitment on the part of the sponsor or a breach in overall risk management. Additionally, any gaps in placement of a reinsurance program may have a more pronounced impact on a captive's rating than that of a traditional insurer.

LOCs as Capital

A portion of a captive's capital may be provided in the form of a bank LOC. LOCs may be arranged and/or guaranteed by a parent to limit its equity investment and to manage its cost of capital. In some cases, the right to draw on the LOC is given to the regulator of the captive. In either case, the rating of the bank providing the LOC may take on a heightened role in the rating of the captive, especially if performance by the bank on the LOC under stress is critical to the viability of the captive. In such a case, the bank's rating may cap the rating of the captive, but would never "uplift" the rating as would a financial guaranty (unless the LOC was designed to mimic a financial guaranty).

Nonparent/Sponsor Business

If the captive's business includes more than a very small amount of third-party business (i.e. typically under 20%), Fitch will typically rate the captive more as a traditional insurer, and would be less likely to uplift the captive rating to that of the parent/sponsor. Fitch may consider unusual circumstances when a larger portion of third-party business may be appropriate on a case by case basis. When calculating the proportion of a captive's third-party business, Fitch may use either written premium (gross or net) or loss reserves based on which measure Fitch believes best reflects the economic substance of the captive.

Parent/Sponsor Ratings Cap

Even when the captive's standalone profile is above that of the parent, captive ratings are typically capped at the rating of the sponsor for the following reasons:

- Captive would not exist without the sponsorship of the parent.
- Financial flexibility, including access to capital to fund growth or replenish for losses, is derived exclusively from that of the parent.
- The book of business and retention strategy is derived from the parent and the parent's risk appetite.
- Essentially all decisions affecting the financial profile of the captive are set by, or can be heavily influenced by, the parent.
- The parent typically sets upstream dividend policy of the captive, though this may be subject to restrictions of the captive's regulator, which can vary greatly by jurisdiction.

For a captive to be rated higher than the parent, the captive would need to be capitalized at a level significantly higher than that implied by the parent's rating and other aspects of the financial profile, as implied by a SACP, would need to be supportive of a higher rating. In addition, the concepts discussed in the section Rating Above the Group Credit Profile (GCP) within Group Rating Criteria would need to be in place. Fitch believes it would be extremely rare for such conditions to be met in the case of a captive.

For a non-insurance company parent, the parent's IDR typically serves as the cap for both the IFS rating and IDR of the captive, resulting in compression of the captive's IFS/IDR ratings relative to standard notching in many jurisdictions for traditional insurance companies. Such compression is based on the expectation that insurance creditors of the captive would not recover more than senior creditors of the parent in the case of default, due to the very strong linkages between a captive and its parent. However, in unusual circumstances, where the sponsor is weak and the captive maintains strongly protected and high levels of capital, Fitch may choose to conduct a bespoke recovery analysis, which may result in the captive IFS rating being set one notch above the sponsor's IDR.

For an insurance company parent, the IFS rating of the captive is typically capped at the IFS rating of the parent.

Captives Rated as Insurance-Linked Securitizations

Fitch notes insurance companies form captives as vehicles for capital financing transactions, such as transfer of XXX reserving risks in the U.S. In some cases too, captives serve as defacto SPV in insurance-linked securitizations (ILS). In these cases, the captive may act as a reinsurer of a specific book of business or risk class, and then, transfer the risk to third parties, be it debt investors or banks/other counterparties.

When a captive acts as a SPV in an ILS transaction, its obligations may be rated as a structured finance obligation under Fitch criteria governing ILS entitled Insurance-Linked Securities Rating Criteria. In cases when the captive is not deemed a structured finance SPV, the captive rating methodology discussed in this section may apply.

Private Ratings — Special Considerations

In certain cases of insurance company-sponsored captives as just described, Fitch may be asked to provide a private rating or credit opinion on a captive to a bank or other counterparty. Typically, the private rating/credit opinion is used by the bank or counterparty to judge how much capital to hold against its counterparty risks.

Such private ratings or credit opinions may not reflect all aspects of Fitch's methodology, as Fitch aligns its rating approach to the intended use of the rating or credit opinion.

For example, when a bank LOC is used to guaranty performance of a captive for its obligations due its parent insurance company, the bank is bearing the insured risk if the captive would otherwise fail. The bank may seek a private rating on the LOC facility to judge the risk of a draw for purposes of its capital requirements under bank regulations. In such cases, Fitch's goal would be to provide a rating that best matches the risks specifically assumed by the bank or counterparty. This may be a stand-alone rating of the captive that does not reflect uplift due to parent support.

Data Sources, Variations, Limitations and Sensitivities

Data Sources

Fitch's analysis and rating decisions are based on relevant information available to its analysts. The sources of this information are the issuer and the public domain. The latter includes relevant publicly available information on the issuer, such as audited and unaudited (e.g. interim) financial statements and regulatory filings. The rating process can also incorporate information provided by other third-party sources.

Key assumptions for these criteria are informed by discussions with external parties — such as issuers, institutional owners, regulators and governments — and Fitch's analysis of financial and nonfinancial information, such as issuer financial statements and annual reports; bond documentation; and financial market, industry and economic data and history.

Evaluating Sufficiency and Robustness

Most publicly traded companies would be deemed to provide sufficient and robust information to meet Fitch's standards. In most cases too, regulatory data is considered sufficient and robust to support a rating. Whenever Fitch believes information is neither sufficient nor robust, it will not assign a new rating or it will take steps to withdraw an existing rating.

Fitch will also consider the following:

- Information is sufficient if it is possible to evaluate the key risks defined by these criteria.
- Extent of information typically available for other rated companies is a consideration.
- Fitch may employ reasonable estimations to help fill modest information gaps.
- Typically financial information should cover the last five years, or from the start of business operations (if shorter).
- Circumstances such as mergers/acquisitions may require use of less than five years.
- Although Fitch places reliance on auditors in its review of the robustness of financial statements, Fitch may also review the work of other experts including consultants, risk modeling agencies, and legal advisers.
- Fitch also makes use of a variety of third-party information sources, as well as data provided directly by the rated organization.

Variations from Criteria

A rating committee may adjust the application of these criteria to reflect the risks of a specific transaction or entity. Such adjustments are called variations. All variations will be disclosed in the respective rating action commentaries, including their impact on the rating where appropriate.

A variation can be approved by a ratings committee where the risk, feature, or other factor relevant to the assignment of a rating and the methodology applied to it are both included within the scope of the criteria, but where the analysis described in the criteria requires modification to address factors specific to the particular transaction or entity.

Limitations

Ratings, including Rating Watches and Outlooks, assigned by Fitch are subject to the limitations specified in Fitch's Ratings Definitions and available at https://www.fitchratings.com/site/definitions.

Rating Assumption Sensitivity

Fitch's opinions are forward-looking and include Fitch's views of future performance. Insurance ratings are subject to positive or negative adjustment based on actual or projected financial and operational performance. A non-exhaustive list of the primary sensitivities that can influence the ratings and/or Outlook is listed below.

Operating Environment Risk: Deterioration in an insurer's industry characteristics or operating environment due to weakening of the general economic environment, sovereign risks, financial market health (including changes in interest rates and inflation), changes in regulatory/legislative/tort requirements or conditions, and systemic governance in the countries where the insurer is operating, including risk of imposition of foreign-exchange controls.

Business Risk: Developments in an insurer's ability to withstand competitive pressures as shown in its position/franchise in key markets, its business model/diversification, its level of pricing power and its operating efficiency.

Financial Risk: Changes in an insurer's financial profile due to the impact of operational developments, changes in accounting and/or capital standards and policies, the insurer's financial policy or risk appetite, or the availability of funding or reinsurance capacity in case of market disruption.

Event Risk: An unforeseen event that, until it is explicit and defined, is excluded from existing ratings. Event risks can be externally triggered — such as a change in law, a natural disaster, a political shock, a pandemic or an ownership change — or internally trigger — such as a change in policy on capitalization, a major acquisition, fraud or a management or strategic restructuring, or unexpected distress of a significant counterparty.

Support Change Risk: A change in support expected to be available to an insurer, for example due to a change in ownership or group affiliation, or a change in strategic direction or the financial fortunes of an owner or group affiliate.

Instrument-Specific Risks: In the case of issue-level ratings, these may be sensitive to changes in a company's issuer-level ratings, performance risk relative to the risk captured in issuer-level ratings (e.g. for hybrids) and changes in default risk or recovery prospects for the instrument, for example as a function of its seniority, volume of pari passu liabilities or the volume and relative ranking of other liability layers.