

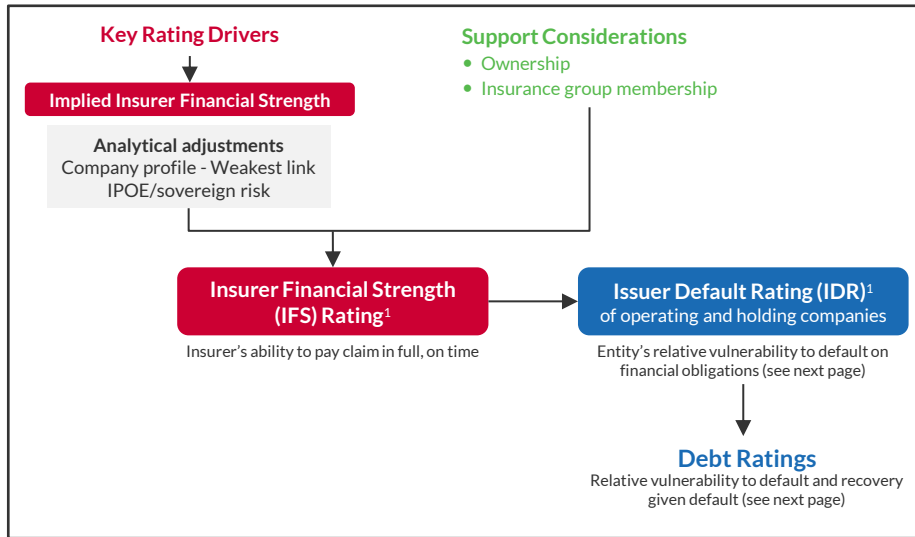


## Criteria Essentials – Insurance Ratings (1/2)

Scan QR code or visit <https://www.fitchratings.com/criteria/insurance> to view detailed Insurance Rating Criteria

**Key Rating Drivers (KRDs) - scored on 'aaa' scale**

	Weighting (%)		
Company profile	30		
Capitalisation & leverage	35		
Financial performance & earnings	15		
Investment & asset risk	10		
Asset/liability & liquidity management	Life	Non-life	Health
	10	0	0
Reserve adequacy	0	5	10
Reinsurance, risk mitigation & catastrophe risk	0	5	0



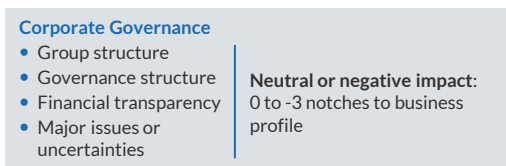
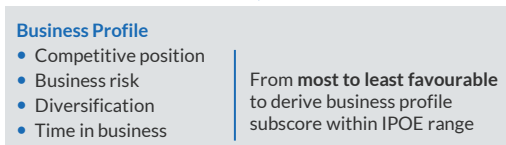
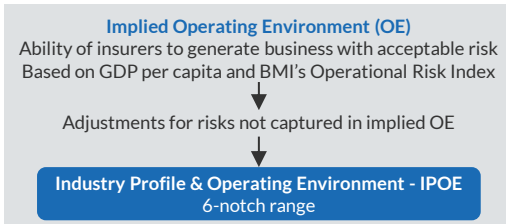
### Insurance Group Membership

- 3 approaches for insurance group members' IFS ratings
- Informed by willingness and ability to support, and distance between group and member standalone credit profile

- 1 Standalone**  
No impact from group affiliation
- 2 Partial**  
standalone + some group impact
- 3 Group**  
based on group credit quality

### Maximum IFS of Member

Member strategic importance	Distance between group and member's standalone credit profile (in notches)		
	0 to 2	3 to 5	6+
Core	Group	Group	Group
Very important	Group	Group -1	Group -2
Important	Group	Group -2	Group -3
No strategic importance	Standalone	Standalone	Standalone



**Company Profile KRD**

### Financial Profile KRDs Key Metrics - Complementary metrics and analytical judgment also inform KRD score

Capitalisation & leverage	Financial performance & earnings	Investment & asset risk	Asset/liability & liquidity management <sup>2</sup>
<ul style="list-style-type: none"> <li>Capital adequacy ratios               <ul style="list-style-type: none"> <li>Fitch's Prism capital model score</li> <li>Operating leverage ratios</li> <li>Regulatory capital ratios</li> </ul> </li> <li>Financial leverage ratios</li> <li>Total financing and commitments ratio</li> <li>Financial flexibility</li> </ul>	Absolute ratios and trends <ul style="list-style-type: none"> <li>Return on equity</li> <li>Combined and operating ratios (non-life)</li> <li>ROA (life)</li> <li>EBITDA to revenues (health)</li> <li>Fixed-charged coverage ratio</li> </ul>	<ul style="list-style-type: none"> <li>Risky assets ratio - may be scaled down to reflect participating life policies</li> <li>Sovereign investments to capital ratio</li> <li>Currency mismatch and hedging</li> </ul>	<ul style="list-style-type: none"> <li>Liquid assets to reserve</li> <li>Liquid assets ratio (life)</li> <li>Risk-weighted liquidity ratio</li> <li>Duration gap (life)</li> </ul>
Reserve adequacy <sup>3</sup>	Reinsurance, risk mitigation, catastrophe risk		
<ul style="list-style-type: none"> <li>Net loss reserves / incurred losses</li> <li>Net reserve leverage</li> <li>Paid/incurred losses</li> <li>Change in reserves / earned premium ratio</li> <li>Reserve development / prior year equity</li> <li>Carried reserve / estimated midpoint</li> </ul>	<ul style="list-style-type: none"> <li>Reinsurance recoverables to capital</li> <li>Net annual aggregate catastrophe losses to capital</li> </ul>		

### Hybrids Treatment in Capitalisation and Leverage Ratios

- Hybrids assigned 0%, 50%, or 100% equity credit
- Based on how hybrids support viability and loss absorption under stress

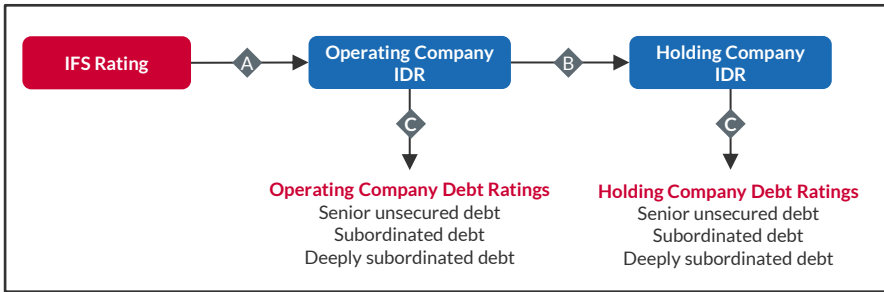
Hybrid type	Equity credit (%)	
Perpetual preferred (no step-up)	Non-cumulative	100
	Cumulative	50
Dated deferrable Securities		0
Contingent convertible	High trigger	50
	Low trigger	0

<sup>1</sup> May be constrained by risks related to an issuer's government of domicile placing restrictions on the ability of local companies to obtain foreign currency. <sup>2</sup> Asset/liability risks are mostly relevant to life insurers. For non-life insurers, liquidity ratios looked at jointly with the investment and asset risk KRD. <sup>3</sup> Typically not relevant for life insurers. This document is a summary of, and complementary material to, our current Insurance Rating Criteria report available on Fitch Ratings' public website. It does not replace our criteria and should be used in conjunction with it.



# Criteria Essentials – Insurance Ratings (2/2)

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### Regulatory Environment Assessment

Informs notching from IFS rating for insurance entity IDR and for debt obligation ratings

- Group solvency**  
Robust capital requirements at operating and group holding levels; material group entities governed by group resolution authority
- Ring fencing**  
Insurance operating companies isolated from risks of other group members, including holding company
- Other**  
Solvency framework limited in scope, thus considered ineffective

## Derivation of Issuer Default Ratings (IDRs)

**A Operating Company (OpCo) IDR notched from IFS rating**  
Based on IFS recovery assumptions, since IFS ratings include recoveries while IDRs don't

IFS Recovery Assumption	Regulatory Environment		
	Group solvency	Ring fencing	Other
OpCo IDR notching from IFS	-1	-1	0 to +2

**B Holding Company (HoldCo) IDR notched from OpCo IDR**  
Based on default risk difference between the 2 entities, heavily influenced by regulatory environment

HoldCo IDR notching from OpCo	Regulatory Environment		
	Group solvency <sup>4</sup>	Ring fencing	Other
If OpCo investment grade	0	-1	0
If OpCo non-investment grade	-1	-2	-1

## Derivation of Debt Instrument Ratings

- C** Debt instrument ratings notched from the issuing entity IDR based on
- Expected recoveries**
    - For entities IDR ≥ BB-: general recovery assumptions applied for each debt class
    - For entities IDRs < BB-: bespoke recovery estimates drive Recovery Ratings and debt notching
  - Non-performance risk for hybrids** (subordinated and deeply subordinated). Reflects hybrid's ability to be a cushion against unexpected losses in a going concern scenario
    - Minimal risk: 0 to -1 notching
    - Moderate risk: -1 to -2
    - High risk: -2 or more

### Debt notching guidelines

In group solvency and ring-fencing regulatory environments, when entities IDR are investment grade

IFS Rating → OpCo IDR = IFS Rating - 1 → HoldCo IDR = OpCo IDR (group solvency)<sup>4</sup> / OpCo IDR - 1 (ring fencing)

Debt class	OpCo debt Notching from OpCo IDR			HoldCo debt in group solvency <sup>4</sup> Notching from HoldCo IDR			HoldCo debt in ring fencing Notching from HoldCo IDR		
	Recovery	Non-performance risk	Total notching	Recovery	Non-performance risk	Total notching	Recovery	Non-performance risk	Total notching
Senior unsecured	0		0	-1		-1	-1		-1
Subordinated minimal performance risk (Example instruments)	-1	0	-1	-2	0	-2	-2	-1	-3
Subordinated moderate performance risk (Example instruments)	-1	-1	-2	-2	-1	-3	-2	-2	-4
Deeply Subordinated moderate performance risk (Example instruments)	-2	-1	-3	-2	-1	-3	-2	-2	-4

<sup>4</sup> If 30% or more of earnings or capital may be restricted at the same time, ring fencing may be employed. This document is a summary of, and complementary material to, our current Insurance Rating Criteria report available on Fitch Ratings' public website. It does not replace our criteria and should be used in conjunction with it.