

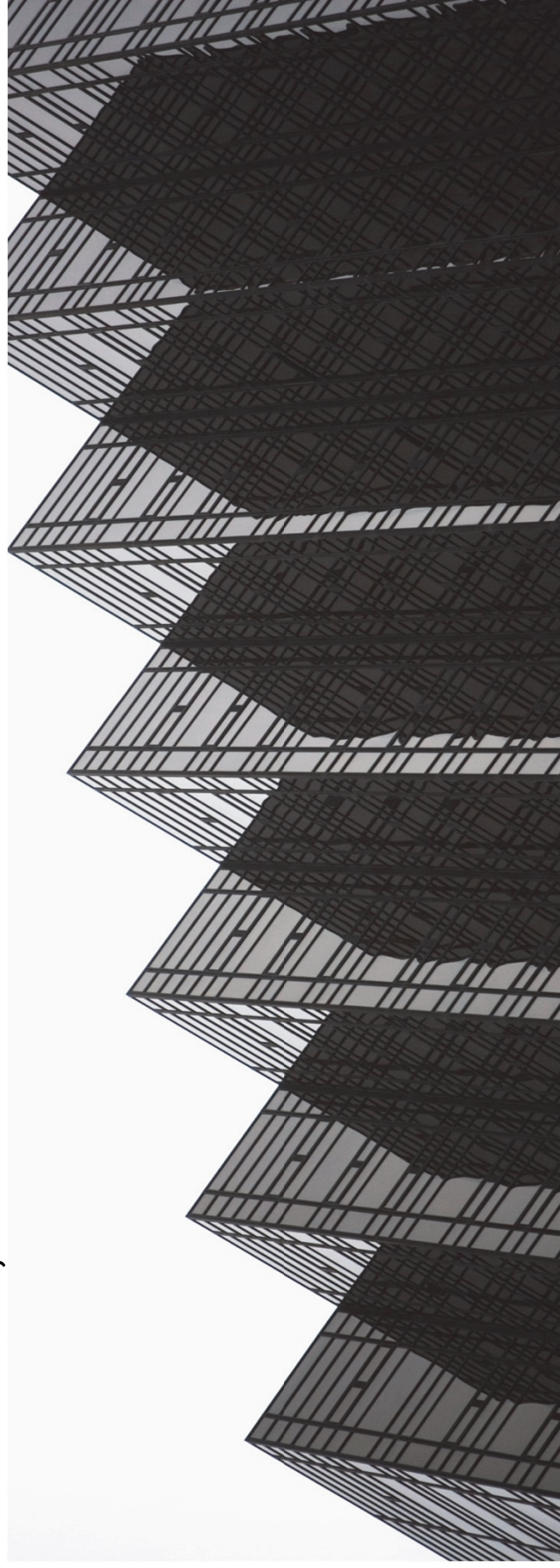
S&P Global Ratings: Insurance Ratings History, Methodology and Process

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Agenda

- **S&P's Ratings History in the Insurance Industry**
- **Global Insurance Ratings Coverage**
- **Ratings Process**
- **S&P Financial Strength Ratings Scale**
- **Insurance Ratings Framework**
- **Ratings Distribution**

- **Appendix**
 - **Capital Analysis**
 - **Ratings Performance**
 - **Assessment of Enterprise Risk Management**

S&P Global Ratings' Growing Insurance Presence

1860: Henry Varnum Poor's "*History of Railroads and Canals in the U.S.*"

1916: Credit ratings on corporate bonds and sovereign debt

1941: Ratings on Municipal bonds

1971: Financial Strength Ratings on insurance companies

1993: Global Insurance Advanced Analytics team established

-- to assess complex risks such as insurance linked securitizations

2004: Global Enterprise Risk Management team formed

-- to assess risk management practices of complex issuers

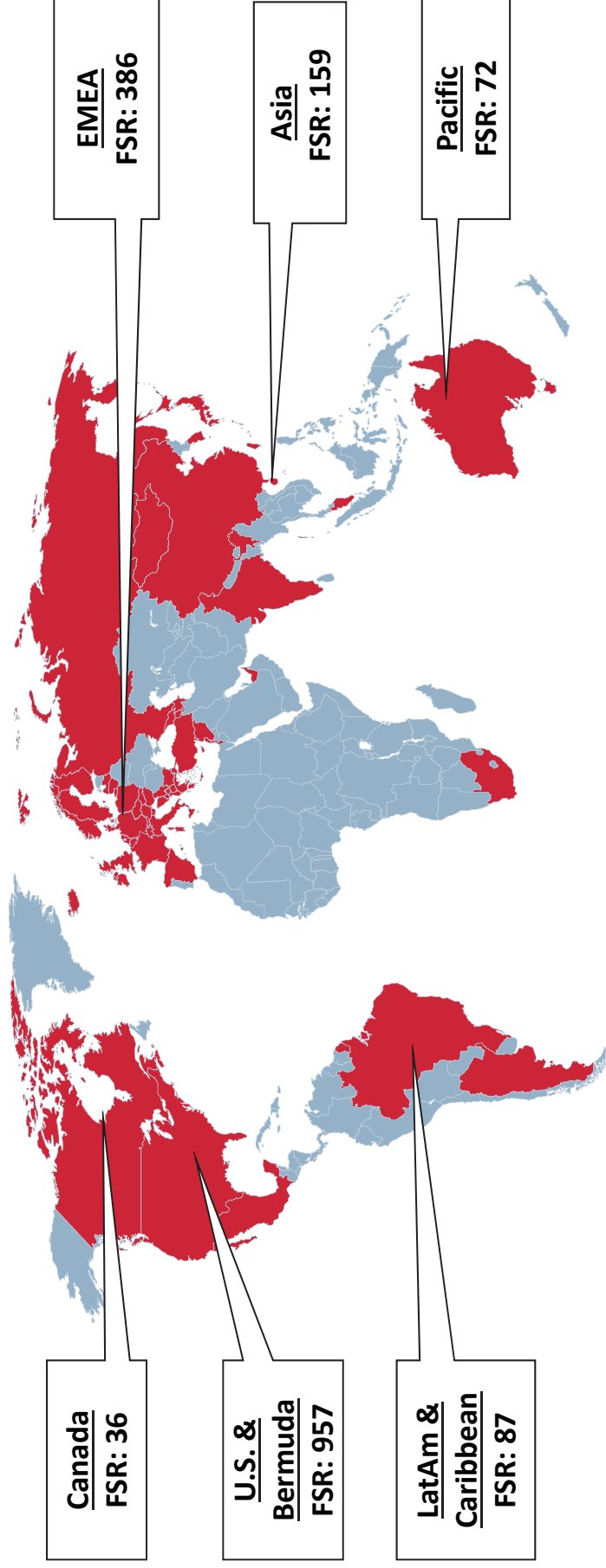
2013: Insurance ratings criteria updated

Today: Strong global insurance analytics presence

-- in Asia, Europe, and South/Central/North America

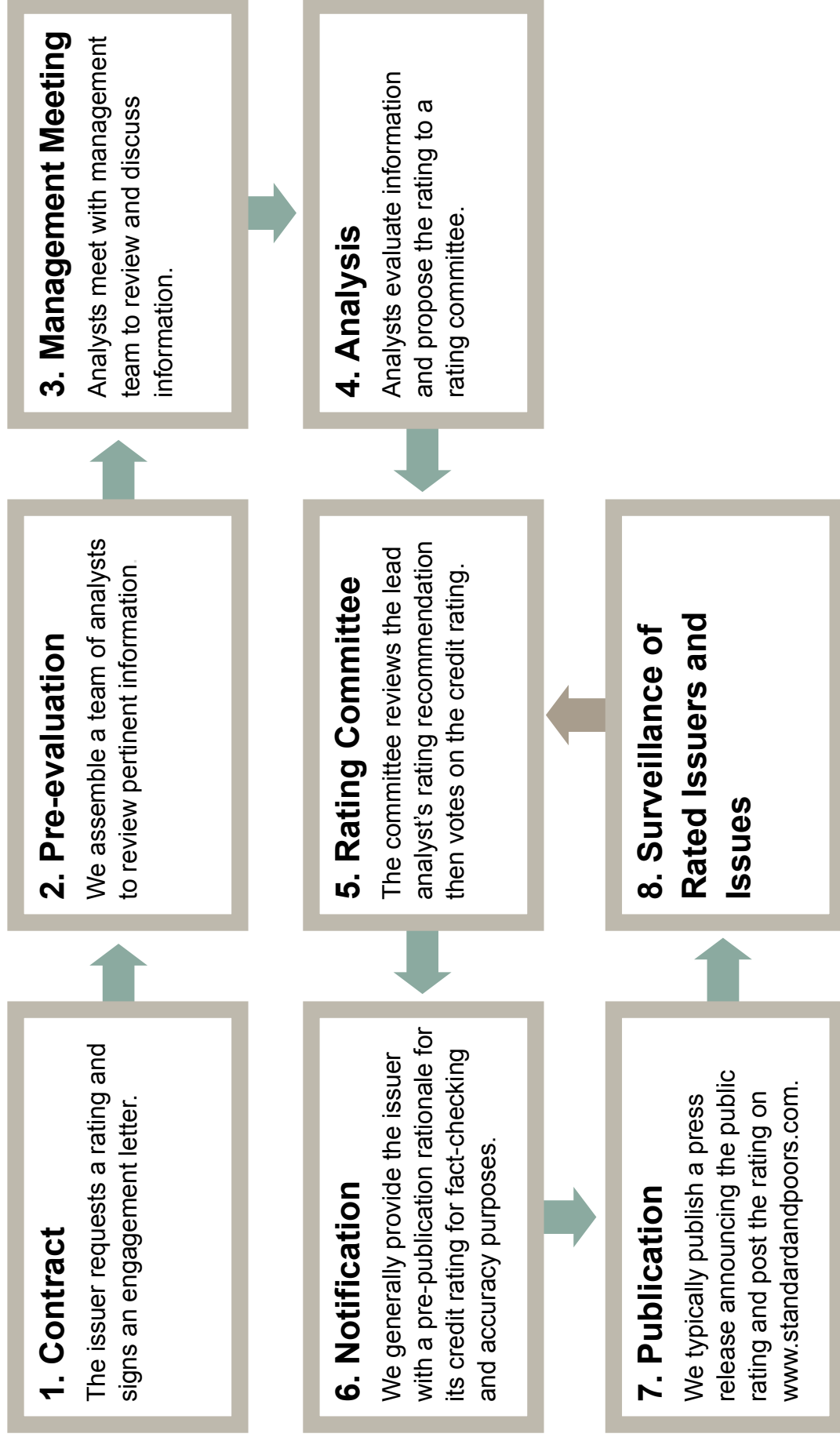
Our insurance practice has grown globally in size and sophistication; our analytical team is further supported by specialists throughout S&P.

S&P Global Ratings' Insurance Presence



FSR Ratings as of October 2016

Our Rating Process



Our Insurer Financial Strength Rating Categories

AAA

Extremely strong financial security characteristics. Highest rating.

AA

Very strong financial security characteristics.

A

Strong financial security characteristics, but somewhat more likely to be affected by adverse business conditions than are insurers with higher ratings.

BBB

Good financial security characteristics, but more subject to adverse economic conditions.

**BB; B;
CCC;
and CC**

An insurer rated 'BB' or lower is regarded as having **vulnerable characteristics** that may outweigh its strengths. 'BB' indicates the least degree of vulnerability within the range, and 'CC' the highest.

BB

Marginal financial security characteristics. Positive attributes exist, but adverse business conditions could lead to insufficient ability to meet financial commitments.

B

Weak financial security characteristics. Adverse business conditions will likely impair its ability to meet financial commitments.

CCC

Very weak financial security characteristics; is dependent on favorable business conditions to meet financial commitments.

CC

Extremely weak financial security characteristics; is likely not to meet some of its financial commitments.

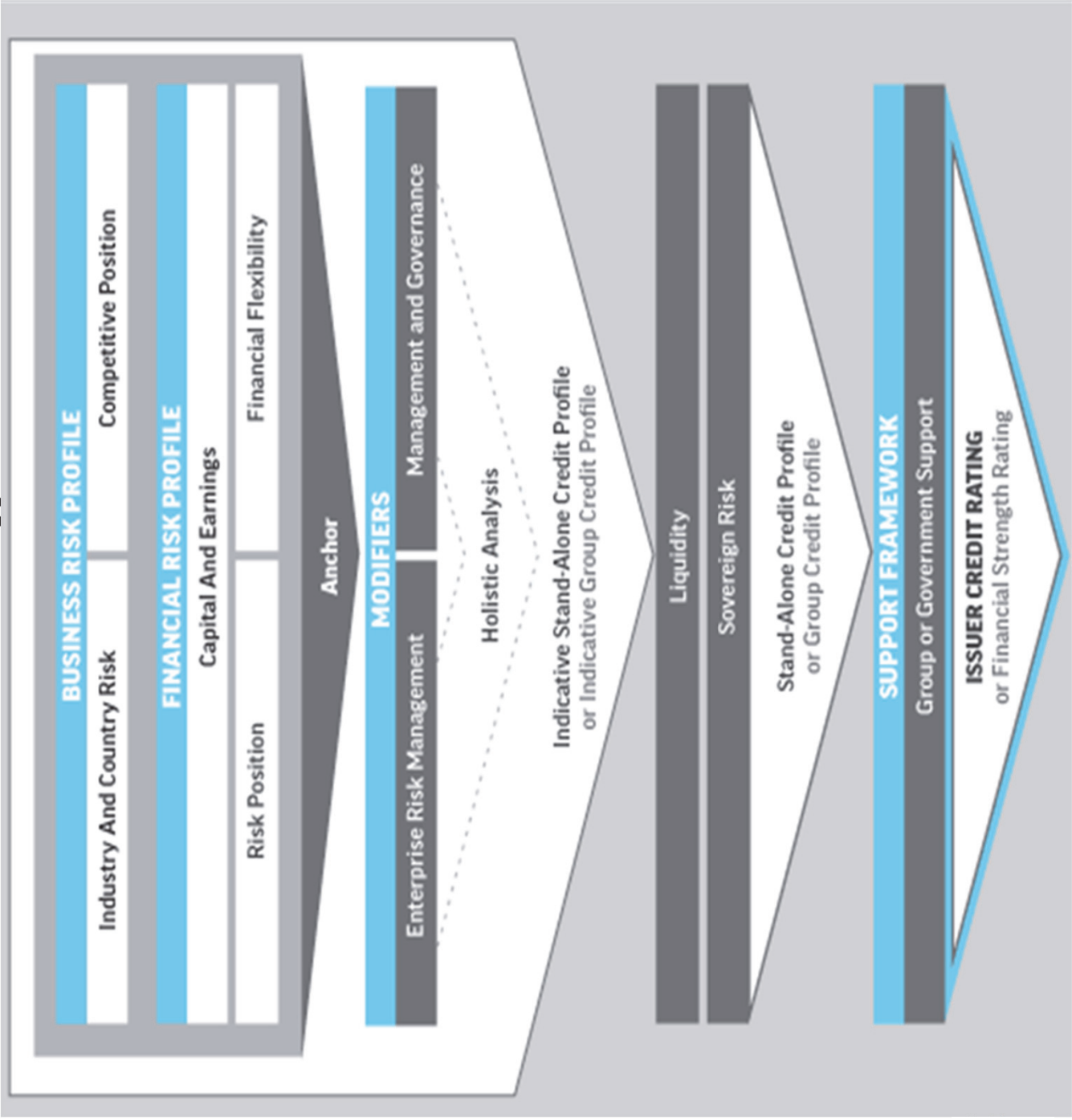
R

Under regulatory supervision owing to its financial condition.

D / SD

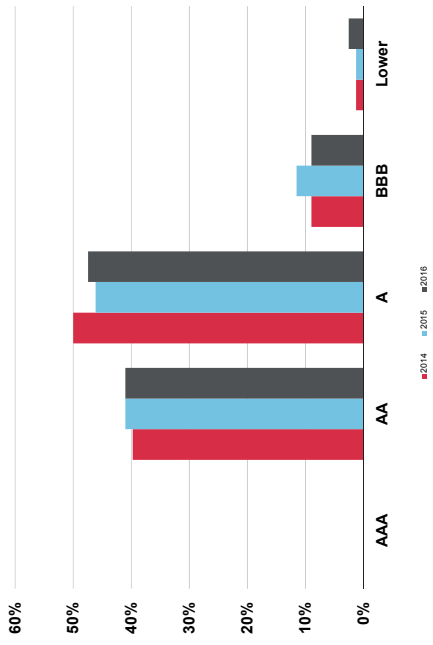
In default on one or more of its insurance policy obligations but is not under regulatory supervision that would involve a rating of 'R'.

Insurance Ratings Framework

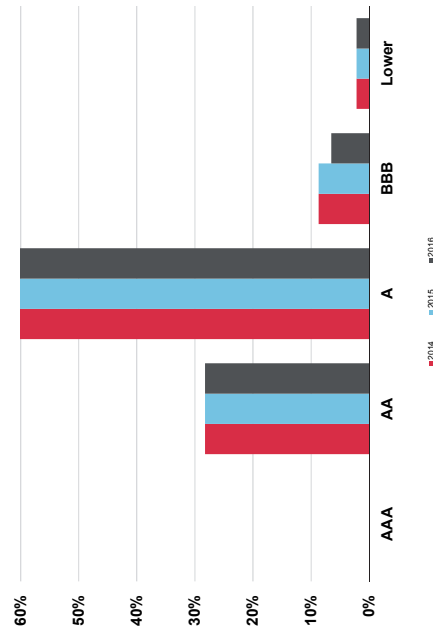


S&P's Financial Strength Rating Distributions

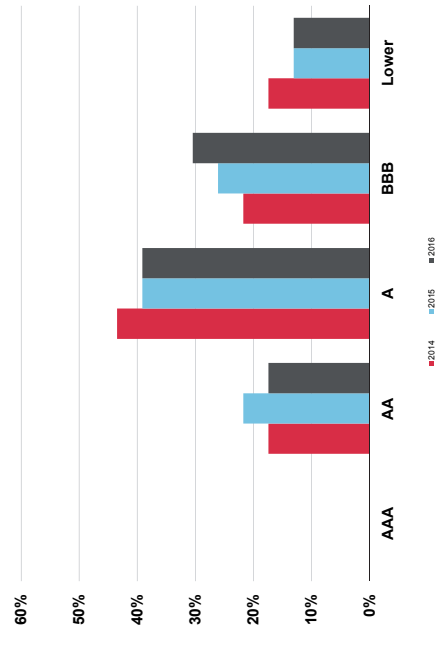
Life Insurance



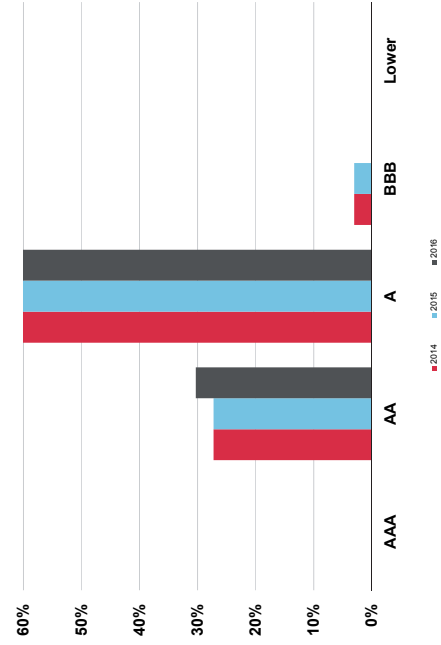
Property & Casualty Insurance



Health Insurance



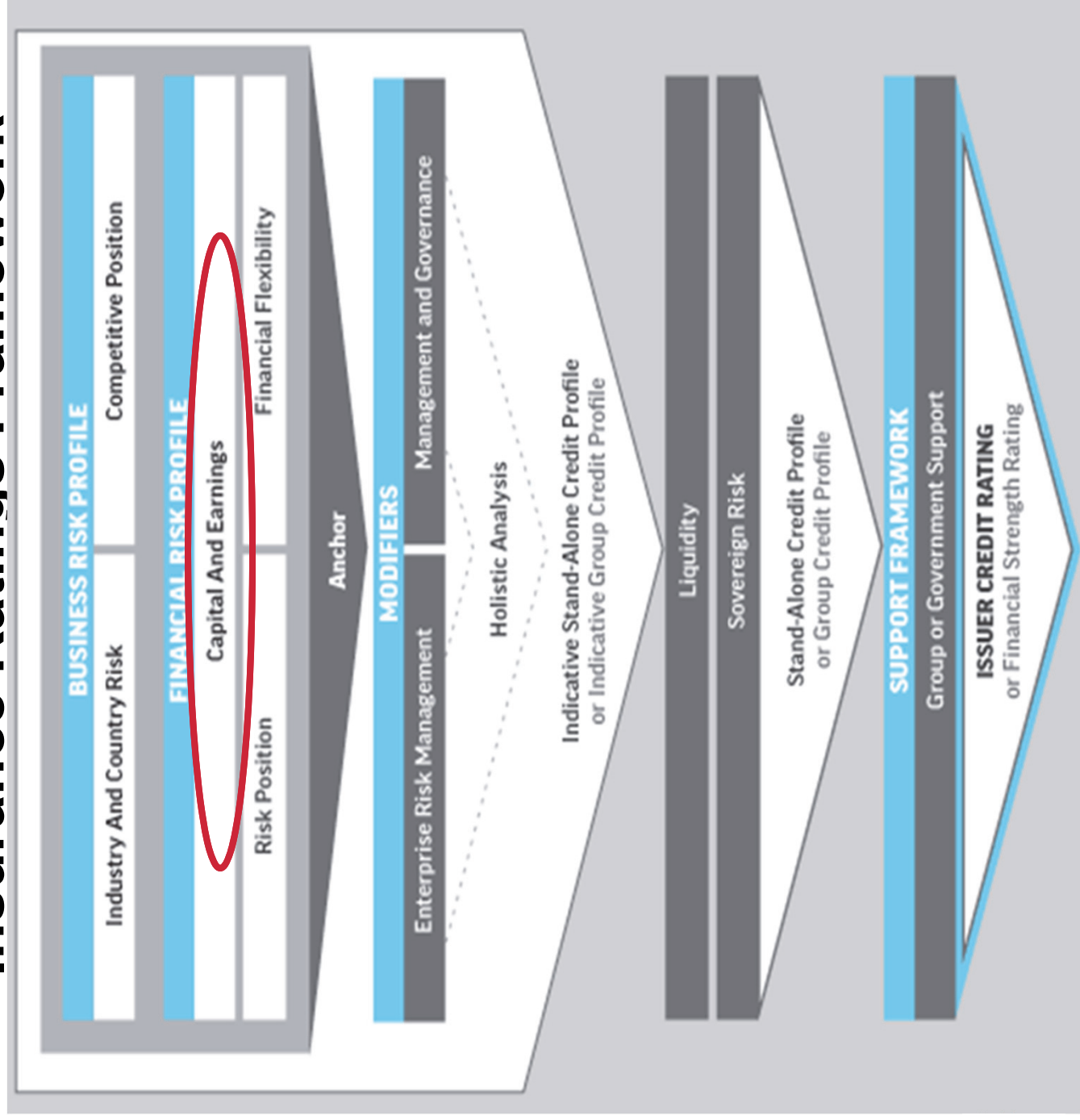
Reinsurance



Appendix



Insurance Ratings Framework

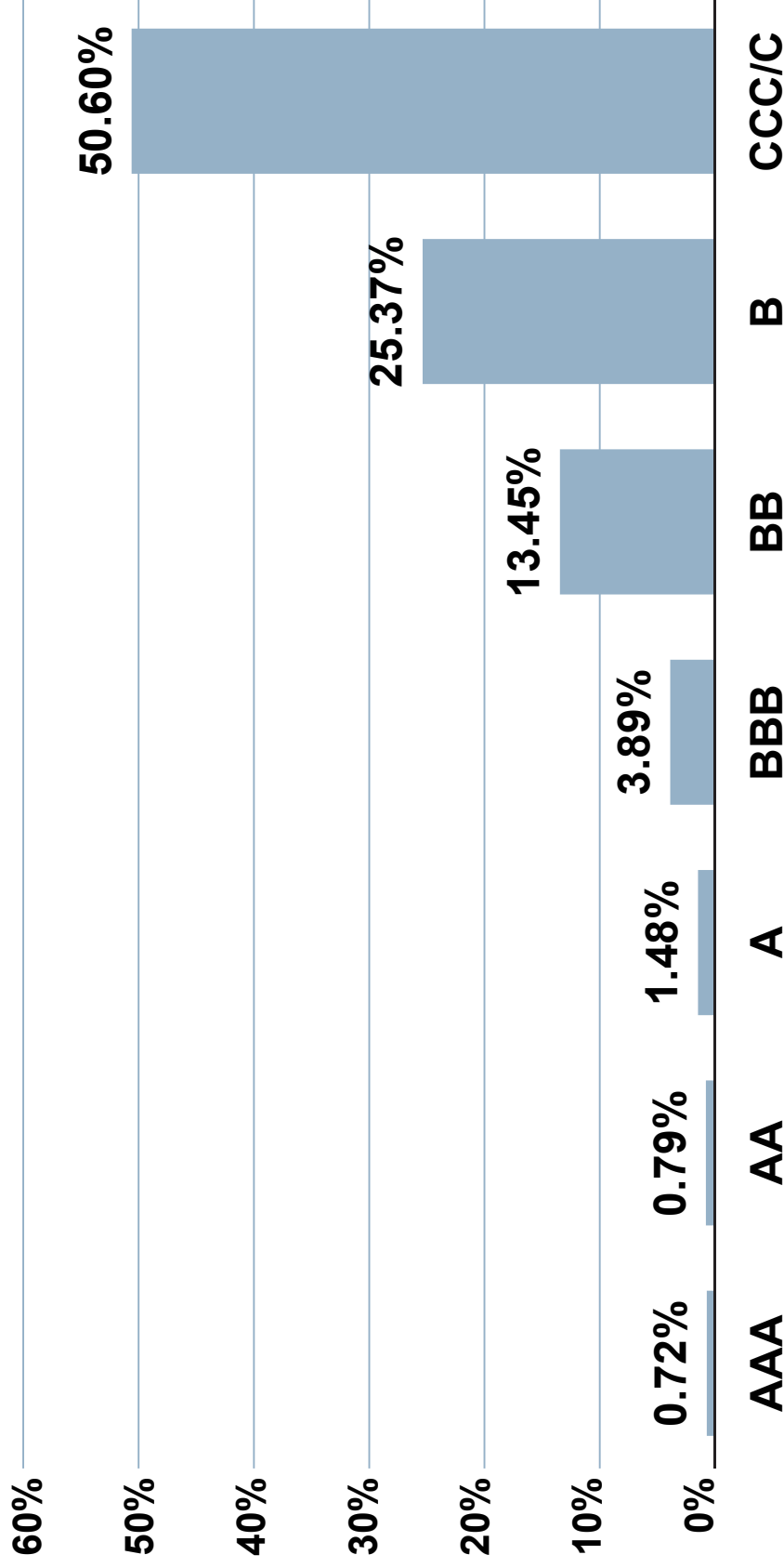


S&P's Insurance Capital Analysis

- **Investment Risk – C-1 Analysis**
 - **Corporate Bonds**
 - Assumptions
 - 5 yr. cumulative average loss given default over 30 years
 - Different charges based on bond maturity
 - **RMBS & Callable Bonds**
 - Risk charges based on interest rate risk sensitivity
 - **Input from S&P asset specialists across most sectors**
 - Corp./Structured Finance/Private Equity/Public Finance
- **Capital and Earnings Forecast**
 - **Our view of earnings & retention of capital**
 - Over three years (current and next two years)
 - **Forecast informed by**
 - Knowledge of company
 - Sector level judgment
 - Macro-economic assumptions

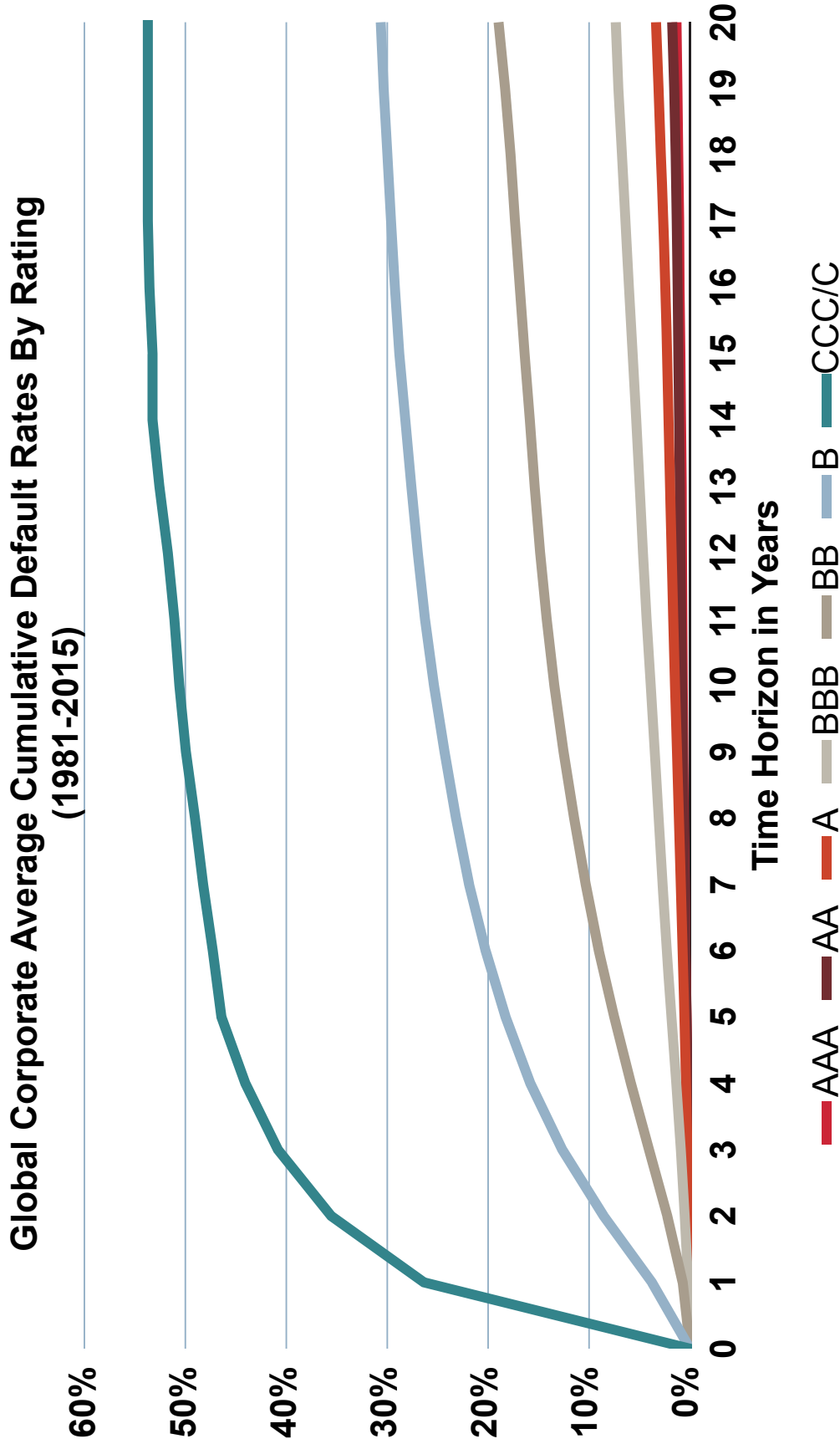
Our Track Record Over Time

Ratings Performance: Global Corporate Cumulative Default Rates Over 10 Years



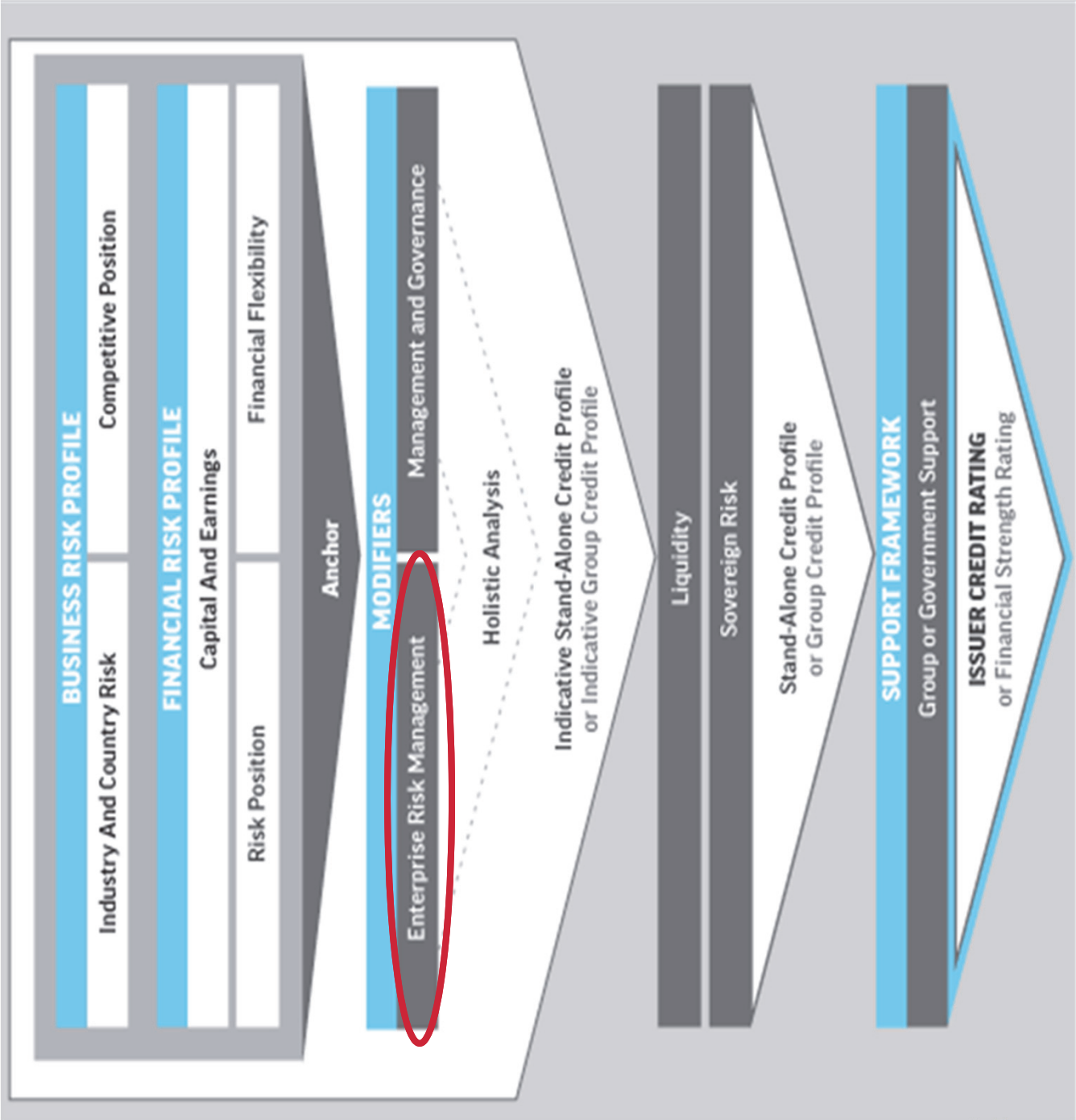
Source: Default, Transition, and Recovery: 2015 Annual Global Corporate Default Study And Rating Transitions, May 2, 2016, S&P Global Fixed Income Research. Table 24.

Global Default Risk By Ratings Categories



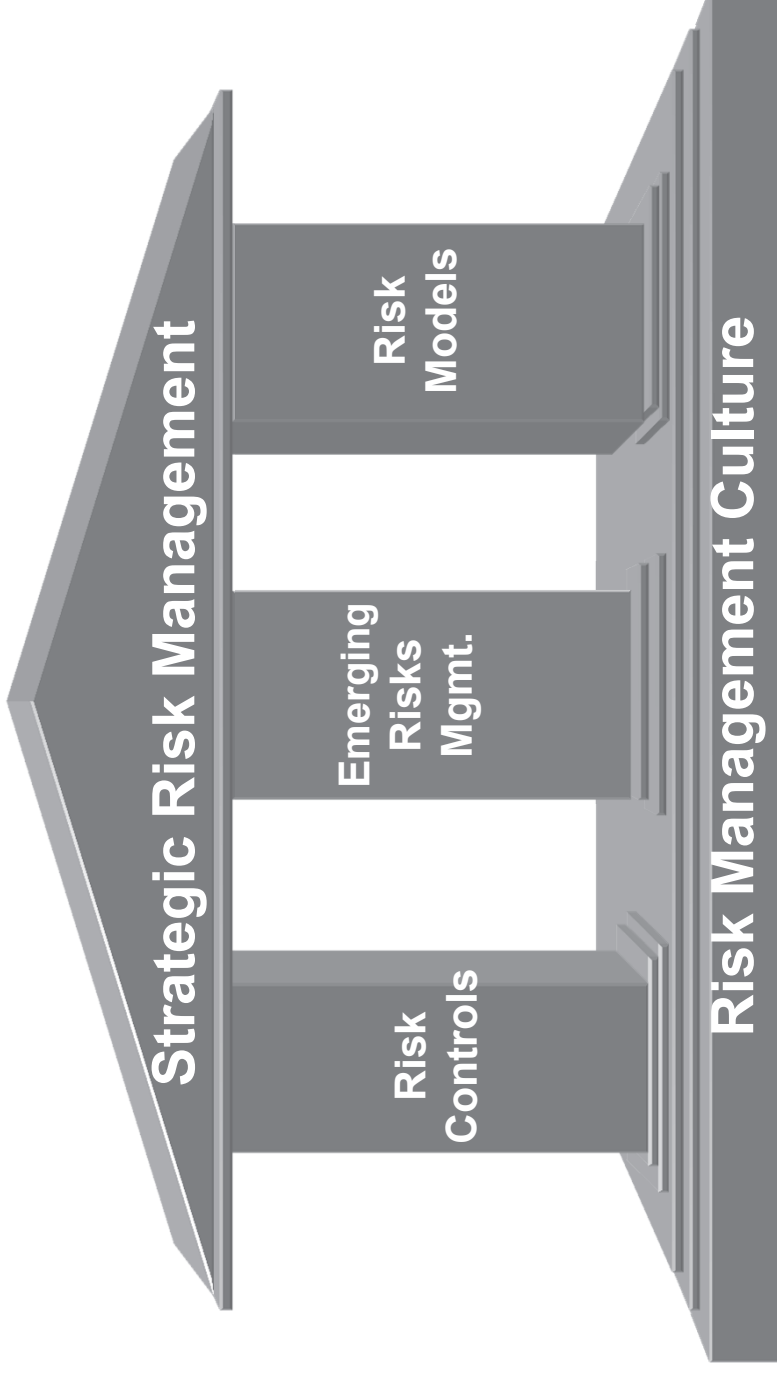
Source: Default, Transition, and Recovery: 2015 Annual Global Corporate Default Study And Rating Transitions, May 2, 2016, S&P Global Fixed Income Research. Chart 4.

Insurance Ratings Framework



S&P's ERM Evaluation Framework

- ERM reviews consist of five sub-factors
- Provide prospective view of risk profiles and capital needs



Financial strength ratings can be influenced by our ERM opinion & its relative importance to rating

**For more information on S&P Global Ratings,
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