

Discussion of Uniform Regulation of Insurer Investing

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AM Best Overview

Established in 1899

Only Global Insurance Focused Rating Agency

- 135 analysts in 5 offices
- Rating over 3,300 insurance companies worldwide
- Rating over 2,650 US insurance companies

Over 600 Employees Focused on Insurance

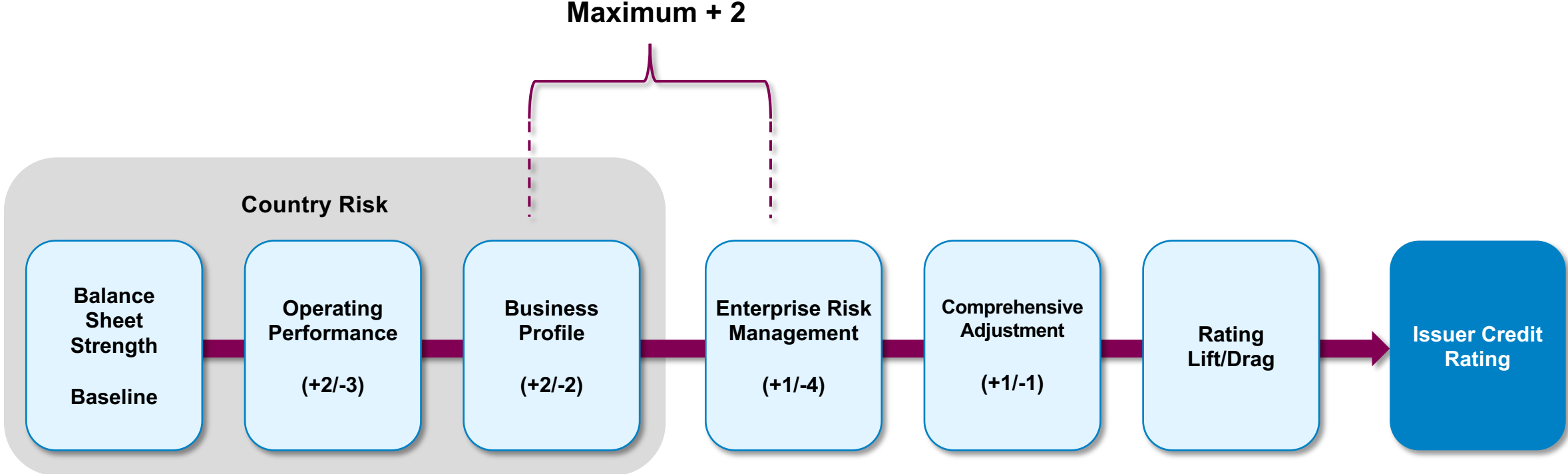
Updated Rating Methodology in 2017

- Capital model update
- Focus of the analysis remains the same

What We Rate

- Insurance companies, health maintenance organizations, holding companies of these organizations, and debt and debt-like instruments issued by these organizations:
 - **Financial Strength Ratings** – an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. This rating is assigned to insurance companies.
 - **Issuer Credit Ratings** – an independent opinion of an issuer/entity's ability to meet its ongoing senior financial obligations. This rating is assigned to insurance companies and related holding companies and other legal entities authorized to issue financial obligations.
 - **Debt Ratings** – an independent opinion of an issuer's ability to meet its ongoing financial obligations to security holders when due. This rating is assigned to the debt securities and insurance-linked securities transactions of the entities rated by AM Best.

BCRM Building Block Approach



BCRM Building Blocks Components

Balance Sheet Strength Components	
• BCAR	• Quality of Capital
• Stress Tests and Liquidity	• Quality of Reinsurance
• Holding Company Strength	• Reinsurance Dependence
• Asset Liability Management	• Appropriateness of Reinsurance Program
• Internal Capital Models	• Financial Flexibility

Business Profile Components	
• Market Position	• Management Quality
• Pricing Sophistication & Data Quality	• Regulatory, Event, and Country Risks
• Product Risk	• Distribution Channels
• Degree of Competition	• Product/Geographic Concentration
• Innovation	

Operating Performance Components	
• Change in NPW	• Pre-Tax Total Return
• Change in Total Reserves	• Pre-Tax Operating ROR
• Financial Forecasts/Plans	• Operating ROE
• Combined Ratio	

Enterprise Risk Management Framework Components	
• Risk Identification and Reporting	• Governance and Risk Culture
• Risk Management and Controls	• Stress Testing
• Risk Appetite and Tolerances	



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