

Criteria | Insurance | General:

Insurers Rating Methodology

July 1, 2019

(Editor's Note: On Feb. 14, 2023, we republished this criteria article to make nonmaterial changes. See the "Revisions And Updates" section for details.)

OVERVIEW AND SCOPE

1. These criteria comprise S&P Global Ratings' global framework for rating insurance companies, as well as the methodology for assessing their stand-alone creditworthiness. The criteria should be read in conjunction with the related guidance document (see "Guidance: Insurers Rating Methodology").
2. The criteria apply to all global-scale foreign and local currency, long-term issuer credit, financial strength, and financial enhancement ratings on insurers in the life, health, property/casualty, mortgage, title, and bond insurance and reinsurance sectors (including start-up and run-off entities). The criteria also apply to ratings on obligations other than hybrid instruments. The criteria do not apply to ratings on insurance brokers. They also do not apply to any company with unsustainable financial commitments or that has obligations vulnerable to nonpayment; instead, we would use our 'CCC' rating criteria (see Related Criteria).

Key Publication Information

- Original publication date: July 1, 2019
- This article is related to: "Guidance: Insurers Rating Methodology," July 1, 2019.
- These criteria address the fundamentals set out in "Principles Of Credit Ratings," published on Feb. 16, 2011.

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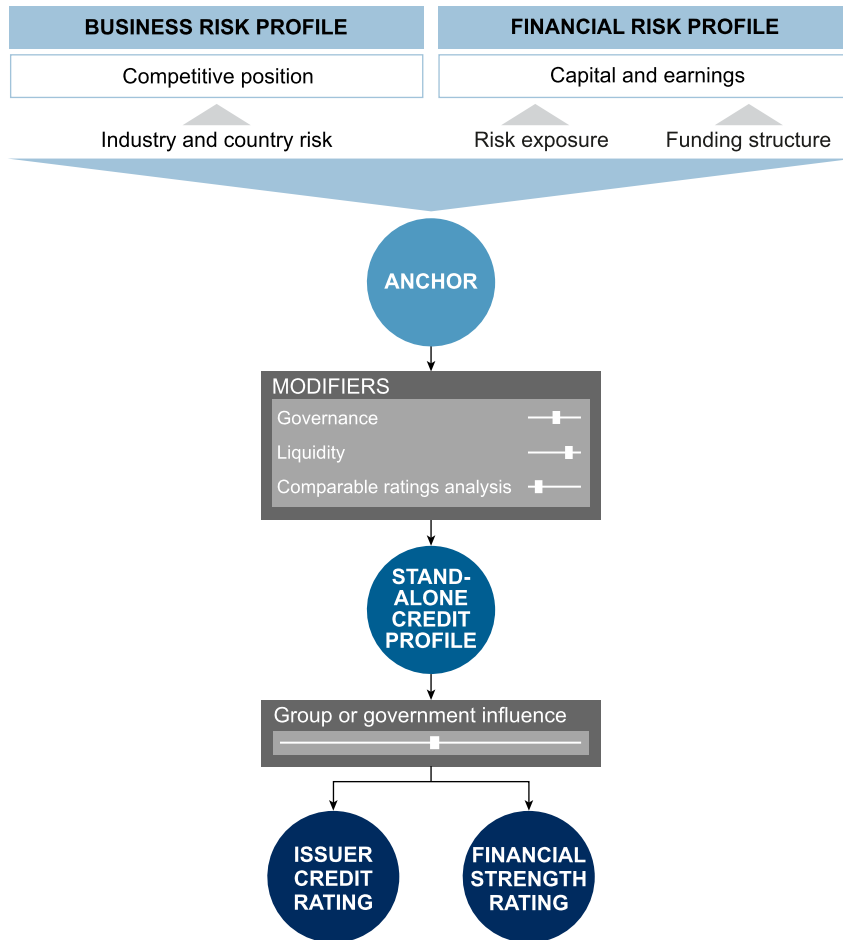
METHODOLOGY

3. The criteria describe how we assess the stand-alone credit profile (SACP) of an insurer. The SACP, together with the support framework, determine the issuer credit rating (ICR) on an insurer. For most companies, the financial strength rating (FSR) and financial enhancement rating (FER), if any, are identical to the ICR.

Determining The Rating: Key Steps

4. The methodology for analyzing the creditworthiness of insurers is forward-looking. Our analysis typically uses projections for the current and upcoming two years, as informed by the past five years, unless otherwise stated, and takes into consideration:
 - Developments since the most recent financial statements; and
 - Developments that have a reasonably high degree of certainty of occurring.
5. The assessment of the SACP is based on the following key factors (see chart):
 - Competitive position,
 - Insurance Industry And Country Risk Assessment (IICRA),
 - Capital and earnings,
 - Risk exposure,
 - Funding structure,
 - Governance, and
 - Liquidity.

Insurance Ratings Framework



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6. We determine the long-term issuer credit rating on an insurer as follows:
 - The business risk profile (BRP) is based on our analysis of an insurer's competitive position, modified by the IICRA.
 - The financial risk profile (FRP) is based on our analysis of an insurer's capital and earnings, modified by risk exposure and funding structure.
 - We derive the anchor from the combination of the BRP and the FRP (see table 1).
 - We then modify the anchor by our assessment of governance, liquidity, and any adjustment due to our comparable ratings analysis to determine the SACP (see table 2).
 - We derive the ICR by combining the SACP and the support framework, which determines the extent of uplift, if any, for group or government support, or the risk of extraordinary negative intervention or sovereign-related risks (see Related Criteria).
 - The FSR, if any, equals the ICR unless the present default risk leads to a rating conclusion of 'CCC+' or lower, or unless policyholder obligations, but not other financial obligations, are supported by a more creditworthy counterparty.

Table 1

Anchor

--Financial risk profile--

**Business risk
profile**

	1.Excellent	2.Very Strong	3.Strong	4.Satisfactory	5.Fair	6.Marginal	7.Weak	8.Vulnerable
1.Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
2.Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
3.Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
4.Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
5.Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
6.Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
7.Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

7. Where table 1 indicates two possible outcomes, we determine the anchor as follows:
- For FRPs that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the key factors of the BRP and FRP.
 - For FRPs that we assess as fair or weaker, we typically place more weight on the relative strength of the key factors of the FRP.

Table 2

Determining The SACP

Anchor	'aa+' to 'b-'
--	
Governance	
Neutral	0 notches
Moderately negative	-1 notch
Negative	-2 or more notches
--	
Liquidity	
Exceptional	0 notches
Adequate	0 notches
Less than adequate	Capped at 'bb+'
Weak	Capped at 'b-'
--	
Comparable ratings analysis§	+1, 0, -1 notch

*The cumulative impact of modifiers does not lower the anchor below 'b-'. §The comparable ratings analysis cannot be used to raise the SACP above the caps imposed by less than adequate and weak liquidity.

8. We may apply an adjustment, to determine the SACP, of up to one notch in either direction based

on our comparable ratings analysis to capture a more holistic view of creditworthiness. Our comparable ratings analysis incorporates additional credit factors, which may include additional environmental, social, and governance (ESG) credit factors, which the criteria do not separately identify, as well as existing credit factors not fully captured that may be informed by peer analysis.

Assessing The Business Risk Profile

9. We assess the BRP on a scale from '1' (excellent) to '7' (vulnerable) (see table 1) based on our analysis of an insurer's competitive position, modified by the IICRA specific to the insurer (see table 3). For instance, a competitive position of '2' (very strong), combined with an IICRA of moderately high, would lead to a +1 modifier, resulting in an overall BRP assessment of '3' (strong), unless otherwise adjusted.

Table 3

Business Risk Profile*

IICRA	--Competitive position--					
	1.Excellent	2.Very strong	3.Strong	4.Satisfactory	5. Fair	6. Weak
1. Very low or 2. Low	0	0	0	0	0	0
3. Intermediate	+1	0	0	0	0	0
4. Moderately high	+2	+1	+1	+1	+1	+1
5. High	+4	+3	+2	+2	+1	+1
6. Very high	+5	+4	+4	+3	+2	+1

IICRA--Insurance Industry And Country Risk Assessment. *Adjustments may apply.

10. The impact of the IICRA modifier for a given insurer from applying table 3 (represented by +1 to +5) may be mitigated by one or more categories if we determine that the IICRA materially overstates the specific industry and country risk exposures of the insurer. The IICRA modifier for a given insurer is increased by one or more categories (for example, from +1 to +2) if we determine that the IICRA materially understates the specific industry and country risk exposures of the insurer.
11. We typically limit an insurer's BRP as follows when its reinsurance utilization ratio exceeds:
 - 20%: '2' (very strong);
 - 40%: '3' (strong); or
 - 60%: '4' (satisfactory).

Competitive position

12. We assess an insurer's competitive position on a scale from '1' (excellent) to '6' (weak) (see table 4) based on our analysis of the following factors:
 - Competitive advantage,
 - Business diversity, and
 - Profitability.

Table 4

Competitive Position Assessment

Assessment	What it typically means
Excellent	An insurer's competitive strengths make it highly resilient to adverse operating conditions. It has no material competitive weaknesses and substantial business diversity.
Very strong	An insurer's competitive strengths make it resilient to adverse operating conditions. It has no or very few material competitive weaknesses and broad business diversity.
Strong	An insurer's competitive strengths outweigh its weaknesses and make it somewhat resilient to adverse operating conditions.
Satisfactory	An insurer's competitive strengths and weaknesses are balanced and make it somewhat vulnerable to adverse operating conditions.
Fair	An insurer's competitive weaknesses somewhat outweigh its strengths and make it vulnerable to adverse operating conditions.
Weak	An insurer's competitive weaknesses outweigh its strengths and make it highly vulnerable to adverse operating conditions.

Note: We typically limit the competitive position assessment to strong if we determine an insurer lacks broad business diversity, or its profitability is consistently weak. We typically limit the competitive position assessment to fair if we determine an insurer lacks competitive advantage.

13. **Competitive advantage.** We typically consider the following sources of competitive advantage when assessing the sustainability of an insurer's profitability:
 - Market or niche position,
 - Scale or efficiency of operations,
 - Brand name recognition or reputation, and
 - Strength of distribution.
14. **Business diversity.** We assess business diversity to identify insurers that are likely to benefit from greater business stability and resilience to stress. We do not typically consider businesses or lines of business (see Glossary) that add significant risk or that are unprofitable as contributing to an insurer's diversity.
15. **Profitability.** We consider the level, sustainability, and volatility of an insurer's profitability, including contributions from non-insurance businesses. We also consider the insurer's approach to risk-return optimization and methods for evaluating and prioritizing strategic options.
16. If an insurer is less focused on maximizing profits or its related profitability ratios owing to its business model or ownership structure (such as a mutual), but these factors generate a material and sustainable competitive advantage, we will typically not view profitability as a weakness or a constraining factor in competitive position.

Insurance Industry And Country Risk Assessment

17. The IICRA addresses the risks typically faced by insurers operating in specific industries and countries. We may also analyze industry and country risk on a global basis for specific sectors. We assess the IICRA on a scale from '1' (very low) to '6' (very high).
18. To determine the IICRA for each country and sector, we assess the country risk and then modify this with our assessment of industry risk (see table 5). For instance, a country risk of '4'

(moderately high) combined with an industry risk of low would result in a –1 modifier, resulting in an overall IICRA of '3' (intermediate), unless otherwise adjusted.

Table 5

Insurance Industry And Country Risk*

Industry risk	--Country risk--					
	1. Very low	2. Low	3. Intermediate	4. Moderately high	5. High	6. Very high
Low	+1	0	0	-1	-1	-1
Moderately low	+1	+1	0	0	0	0
Moderately high	+2	+1	+1	0	0	0
High	+3	+2	+2	+1	0	0

Note: A negative modifier mitigates country risk whereas a positive modifier adds to country risk. *Adjustments may apply.

19. In cases where we determine that the balance of industry and country risks from applying table 5 materially understates or overstates the risks for the insurance sector of operating in a given country, the IICRA will be one category higher or lower, respectively, than indicated in table 5.
20. We assess country risk from strongest to weakest on a scale from very low risk to very high risk. Our analysis of country risk addresses the major factors that affect the country where the company operates--including economic, institutional and governance effectiveness, financial system, and payment culture and rule of law risks. We apply country risk criteria to determine our country risk assessment (see Related Criteria).
21. We assess industry risk as low, moderately low, moderately high, or high. The analysis of industry risk addresses the level, volatility, and sustainability of profitability in a given industry sector, which may be affected by a range of financial and nonfinancial factors, including, for example, ESG considerations. The primary factor is an assessment of prospective profitability, supplemented by a holistic analysis of factors that in combination are likely to either support or threaten industry profitability prospects, such as barriers to entry, market growth prospects, product risk, and the institutional framework (see table 6).

Table 6

Industry Risk Assessment

Descriptor	What it typically means
Low	Strong prospective profitability with low potential impact of competition and product risk, and supportive institutional framework.
Moderately low	Satisfactory prospective profitability with low potential impact of competition or product risk and supportive institutional framework; or strong prospective profitability with modest potential impact of competition or product risk and supportive institutional framework.
Moderately high	Weak prospective profitability; or satisfactory prospective profitability with potentially material impact of competition or product risk.
High	Weak prospective profitability and either high potential impact of competition or product risk, or an unsupportive institutional framework.

22. For insurers operating in more than one country or sector, we assign a combined IICRA. We may adjust up or down by one category the combined relevant IICRAs for a given insurer:
 - To capture the directional trend of the overall IICRA, or

- If the combination does not fully represent the relative exposure to industry and country risks.

Assessing The Financial Risk Profile

23. We assess the FRP on a scale from '1' (excellent) to '8' (vulnerable) based on our analysis of the insurer's capital and earnings, modified by risk exposure and funding structure (see table 7).

Table 7

Determining The Financial Risk Profile

Capital and earnings assessment	'1' to '8'
--	
Risk exposure	
Low	-1*
Moderately low	0
Moderately high	+1
High	+2
Very high	+3 or more
--	
Funding structure	
Neutral	0
Moderately negative	+1
Negative	+2 or more

*Does not apply if capital and earnings is '8'. The cumulative impact of modifiers does not improve the assessment below '1' or weaken the assessment above '8'.

Capital and earnings

24. We assess an insurer's capital and earnings on a scale of '1' (excellent) to '8' (vulnerable) (see table 8). If we determine the insurer is at significant risk of regulatory intervention, then we assess capital and earnings as '8' (vulnerable).

Table 8

Capital And Earnings Assessment

Score	Assessment	Description
1	Excellent	Projected capital and earnings are able to withstand an extreme stress.
2	Very strong	Projected capital and earnings are able to withstand a severe stress.
3	Strong	Projected capital and earnings are able to withstand a substantial stress.
4	Satisfactory	Projected capital and earnings are able to withstand a moderate stress.
5	Fair	Projected capital and earnings are able to withstand a modest stress.
6	Marginal	Projected capital and earnings are able to withstand a mild stress.
7	Weak	Projected capital and earnings are not able to withstand a mild stress, but we determine there is no significant risk of breaching the minimum regulatory capital requirements.

Table 8

Capital And Earnings Assessment (cont.)

Score	Assessment	Description
8	Vulnerable	Significant risk of breaching the minimum regulatory capital requirements.

25. In the absence of significant regulatory intervention risk, we assess capital and earnings on a forward-looking basis at the end of the forecast period. The projection does not typically raise the assessment by more than two categories. This is to reflect the inherent uncertainties in projecting a sustainable improvement in capital and earnings.
26. We may adjust the capital and earnings assessment from applying table 8, typically by one category stronger or up to two categories weaker, if we determine the capital and earnings assessment for a given insurer is materially understated or overstated, respectively. We do not modify the capital and earnings assessment if we have assessed it as '8' (vulnerable).
27. Since a smaller insurer is likely to be more susceptible to an exogenous shock impairing capitalization, we typically limit the capital and earnings assessment (after applying table 8 and any adjustment) to '3' (strong) if we expect capital to be below approximately \$100 million or equivalent, and to '4' (satisfactory) if we expect capital to be below approximately \$25 million or equivalent.

Risk exposure

28. We assess risk exposure on a scale of low risk ('1') to very high risk ('5') (see table 9) based on an analysis of the following:
- Risk controls,
 - Risks not captured in our capital and earnings analysis,
 - Risk concentrations or risk diversification, and
 - Complexity of products and risks.

Table 9

Risk Exposure Assessment

Score	Descriptor	What it typically means
1	Low	The insurer's prospective capital and earnings have low volatility risk; there are high capital or earnings buffers that are likely to limit the impact of any potential adverse developments; there are no material risks that are not incorporated in the capital analysis; and the insurer has no material risk concentrations.
2	Moderately low	The insurer's prospective capital and earnings have moderately low volatility risk, there are no material risks that are not incorporated in the capital analysis, and the insurer has no material risk concentrations.
3	Moderately high	The insurer's prospective capital and earnings have moderately high volatility risk, certain risks are not incorporated in the capital analysis, or risk concentrations exist and these may be material.
4	High	The insurer's prospective capital and earnings has high volatility risk or certain risks are not incorporated in the capital analysis, and material risk concentrations exist.
5	Very high	The insurer's prospective capital and earnings have very high volatility risk, or certain risks are not incorporated in the capital analysis and significant risk concentrations exist, or some risk characteristics exist that could cause severe capital stress.

29. The risk exposure assessment considers material risks that the capital and earnings analysis does not incorporate and specific risks that it captures but that could make an insurer's capital and earnings significantly more or less volatile. We consider a risk to be material when it could affect our capital and earnings assessment when the risk materializes or when volatility increases. The assessment is prospective and considers an insurer's risk appetite utilization. We also assess the effectiveness of the insurer's risk controls in limiting losses to levels within its risk appetite.
30. **Risk controls.** Our assessment of an insurer's risk exposure considers the effectiveness of risk controls in:
- Limiting (or exacerbating) losses across all risk categories to levels materially below (or above) the assumptions in our capital and earnings assessment, and
 - Managing exposures that would typically lead to at least high volatility.
31. **Risks not captured in our capital and earnings analysis.** The typical risks that the capital and earnings assessment does not capture are items such as an insurer's exposure to postemployment defined-benefit obligations (including pension and retiree health care benefits), foreign exchange risk, and contingent liabilities not otherwise captured. These risks are material when we determine they may affect our capital and earnings assessment. In our assessment, we determine the aggregate impact of all risks not captured in our capital and earnings analysis.
32. **Risk concentrations or risk diversification.** We analyze an insurer's risk exposures to identify concentrations or diversification of risks that may lead to greater or less volatility in the capital and earnings assessment. A company that has highly diverse risk exposures is likely to exhibit less volatility. Conversely, risk concentrations can lead to volatility in capital and earnings. Examples may include risk concentrations in sectors where ESG credit factors could result in significant asset devaluations, including industries exposed to climate transition risks or to changes in policy or market demand driven by ESG considerations.
33. **Complexity of products and risks.** We assess the likelihood that complex products and risks could introduce additional sources of capital and earnings volatility. These risks can also arise, for example, as an insurer innovates in new product areas, enters new markets or risk segments, or competes by offering more generous product features.

Funding structure

34. We consider the risks posed by use of financial leverage and a significant amount of intangibles on the balance sheet. A company with high leverage and a low fixed-charge coverage ratio is likely to have less capacity and flexibility to withstand a stress scenario.
35. We assess an insurer's funding structure as neutral, moderately negative, or negative. We assess an insurer's funding structure as moderately negative when we determine the use of leverage materially increases the insurer's risk. If we believe this risk is significantly higher, we assess an insurer's funding structure as negative. Otherwise, the assessment is neutral.

Modifiers

Governance

36. The analysis of governance covers a number of risks relating to an enterprise's risk culture and

how it is governed; its relationship with shareholders, creditors, and other stakeholders; and how its internal procedures, policies, and practices can create or mitigate risk.

37. Our assessment of an insurer's risk culture focuses on the insurer's approach to managing its risk appetite framework, risk governance, risk communications and reporting, and the embedding of risk metrics in its compensation structure. The analysis also evaluates the degree to which there is a broad understanding and participation in risk management throughout an organization.
38. We assess governance as neutral, moderately negative, or negative to address certain governance-related risks not otherwise captured. We assess governance as moderately negative when we identify some material shortcomings in an organization's governance structures and as negative when we consider governance structures pose a severe risk to an insurer. Otherwise, it is neutral. A governance deficiency is severe when it has the potential to impair an enterprise's ability to execute strategy or manage its risks.

Liquidity

39. The liquidity analysis addresses an insurer's ability to cover its liquidity needs on a stressed basis.
40. The analysis is absolute, rather than relative to peers. When assessing liquidity for a group, our analysis is based on a consolidated view including the holding company. We therefore do not assign a liquidity assessment to nonoperating holding companies (NOHCs). To determine a short-term rating on an NOHC, we apply the standard mapping in "Methodology For Linking Long-Term And Short-Term Ratings" (see Related Criteria).
41. We assess an insurer's liquidity on a scale of '1' to '4', where '1' is the strongest (see table 10). The two strongest assessments (of '1' and '2') do not affect an insurer's SACP or long-term ICR.

Table 10

Liquidity Assessment

Score	Descriptor	What it typically means
1	Exceptional	The liquidity ratio is favorable and there are no material liquidity risks.
2	Adequate	The liquidity ratio is adequate and there are no material liquidity risks.
3	Less than adequate	The liquidity ratio is unfavorable or there are factors that raise concerns over liquidity.
4	Weak	There is a severe risk to the insurer's liquidity.

42. We may adjust the liquidity assessment (from table 10), typically by one category, when we believe the risk is materially over- or understated.
43. Without external support, less than adequate ('3') liquidity limits the SACP to 'bb+' and the ICR to 'BB+'. And, without external support, weak ('4') liquidity limits the SACP to 'b-' and the ICR to 'B-'.
44. We limit the liquidity assessment to weak ('4') if we determine there is an appreciable likelihood that, incorporating a significant, but not extreme, downside, liquidity risk factors render the insurer unable to entirely service all its financial and policyholder obligations in a timely manner over the next 12 months.
45. We limit the liquidity assessment to adequate ('2') if we determine an insurer's maturities beyond 12 months may not be manageable.
46. We analyze liquidity based on the following liquidity assumptions and considerations:
 - Assets and liabilities typically exclude segregated funds and separate (or unit-linked) accounts.
 - An insurer experiences immediate and unforeseen stress from withdrawals, surrenders, and

lapses on life insurance policies over the next 12 months.

- Refinancing is unavailable for 12 months. Short-term debt is thus the sum of all debt and hybrid maturities over the next 12 months.
- Available liquid assets exclude posted collateral, or collateral that is otherwise encumbered or pledged (other than those related to insurance policyholder obligations).
- An analysis of committed credit facilities available for general financing or for backing up debt obligations (up to the issued amount), with a maturity sufficient to cover liquidity needs.
- An analysis of an insurer's exposure to rating triggers, collateral posting, and covenant requirements, restricted to material instruments and facilities to third parties (not group affiliates) where they may be cancelled or repriced with no stated and reasonably conservative cap.

47. **Liquidity ratio.** We assess the liquidity ratio as favorable, adequate, or unfavorable (see "Guidance: Insurers Rating Methodology"). The liquidity ratio is calculated based on our forward-looking view over the next 12 months, and it assesses the extent an insurer can cover its short-term debt and stressed insurance liability outflows over a one-year period with backup facilities and by converting assets to cash on a stressed basis. We may also include our expectations of net cash flows to the extent they are material and have a reasonably high certainty of occurring.

Rating An Insurer Above The Sovereign Rating

48. The application of these criteria may result in an SACP on a domestic unsupported insurer that is above the rating on the sovereign where the company has operations (see our ratings above the sovereign criteria for further detail on when an insurer is assigned a rating above the sovereign rating).

Assigning Issue Ratings To Instruments Other Than Hybrid Instruments

49. This section addresses how we assign ratings to long-term nonpolicyholder obligations that are not deferrable or mandatorily convertible.
50. If an issuer is a holding company, we rate its senior unsecured debt at the same level as the ICR. If the ICR is 'BBB-' or higher, we rate debt that we consider to be subordinated one notch below the ICR. If the ICR is 'BB+' or lower, we rate debt that we consider to be subordinated two notches below the ICR.
51. If an issuer is an operating company, we rate senior debt at a lower level than the ICR when policyholders are senior to financial creditors. If the ICR on a company is 'BBB-' or higher, we rate the company's subordinated and senior unsecured debts one notch below the ICR. If the ICR is 'BB+' or lower, we rate the company's subordinated and senior unsecured debts two notches below the ICR. When policyholders are not senior to financial creditors, we rate senior debt at the same level as the ICR, and we rate debt that we consider to be subordinated either one or two notches below the ICR as described above.

Glossary

52. We typically define the ratios and terms as referenced in the Glossary, and may reflect analytical adjustments for nonrecurring items or to otherwise take into consideration issuer-specific reporting conventions.
53. **Bond insurers.** In these criteria, this includes bond insurers, financial guarantors, and companies with similar product offerings.
54. **Covenant requirement.** Refers to the most-stringent level that, if breached, is defined as an event of default under the documentation. The level of ratio-based covenants is that calculated from the insurer's most recent financial statements.
55. **Insurance or insurers.** In these criteria, unless otherwise stated, these terms include reinsurance and reinsurers.
56. **Life insurance.** We define insurance sectors broadly as life and non-life, as well as primary and reinsurance segments within those sectors. We typically consider life insurance to encompass individual life protection, individual long-term health protection, group life and health protection, group pension, unit-linked or separate account savings (including U.S. variable annuities), non-unitized savings (including with-profit and U.S. fixed annuities), and annuities (or pensions) in payment.
57. **Non-life insurance.** We define insurance sectors broadly as life and non-life, as well as primary and reinsurance segments within those sectors. We typically consider non-life insurance to encompass auto or motor (liability and property); personal property; commercial property; ships, aircraft, and cargo (liability and property); workers' compensation or employers' liability; other liability; personal accident and short-term health; and credit, surety, financial lines, or pecuniary.
58. **Reinsurance utilization ratio.** For life insurers, the ratio is ceded reserves over gross reserves. For property and casualty insurers, the ratio is ceded premiums written over gross premiums written. We typically exclude captives and other forms of nonrisk transfer reinsurance (e.g., financial, block divestitures, and acquisitions executed as reinsurance).
59. **Risk appetite.** We define risk appetite as an expression of the amount and type of risks an insurer is willing to assume to meet its planned objectives, and it's a measure of an insurer's inclination for volatility and uncertainty.
60. **Risk appetite utilization.** An insurer's current exposure relative to its risk appetite.
61. This paragraph has been deleted.
62. This paragraph has been deleted.

REVISIONS AND UPDATES

We originally published this criteria article on July 1, 2019.

Changes introduced after original publication:

- On Aug. 25, 2020, we republished this criteria article to make nonmaterial changes. We updated the contact information and deleted the section "Criteria Changes And Impact On Outstanding Ratings" (paragraphs 61-62), which was related to the initial publication of the criteria and no

longer relevant.

- On Oct. 11, 2021, we republished this criteria article to make nonmaterial changes. We updated paragraphs 8, 21, and 32 to include examples describing how we incorporate environmental, social, and governance credit factors in our criteria framework. We also updated the "Related Publications" section.
- On Jan. 13, 2022, we republished this criteria article to make nonmaterial changes to the contact information.
- On Feb. 14, 2023, we republished this criteria article to make nonmaterial changes. Specifically, we deleted the "Fully Superseded Criteria" and "Partly Superseded Criteria" sections, which were related to the initial publication of the criteria and no longer relevant.

RELATED PUBLICATIONS

Related Criteria

- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Methodology And Assumptions For Analyzing Bond Insurance Capital Adequacy, July 1, 2019
- Group Rating Methodology, July 1, 2019
- Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- Methodology: Treatment Of U.S. Life Insurance Reserves And Reserve Financing Transactions, March 12, 2015
- Methodology: Mortgage Insurer Capital Adequacy, March 2, 2015
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Principles Of Credit Ratings, Feb. 16, 2011
- A New Level Of Enterprise Risk Management Analysis: Methodology For Assessing Insurers' Economic Capital Models, Jan. 24, 2011
- Stand-Alone Credit Profiles: One Component Of A Rating, Oct. 1, 2010
- Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Guidance

- Guidance: Insurers Rating Methodology, July 1, 2019

Related Research

- S&P Global Ratings Definitions, Jan. 5, 2021

This article is a Criteria article. Criteria are the published analytic framework for determining Credit Ratings. Criteria include fundamental factors, analytical principles, methodologies, and /or key assumptions that we use in the ratings process to produce our Credit Ratings. Criteria, like our Credit Ratings, are forward-looking in nature. Criteria are intended to help users of our Credit Ratings understand how S&P Global Ratings analysts generally approach the analysis of Issuers or Issues in a given sector. Criteria include those material methodological elements identified by S&P Global Ratings as being relevant to credit analysis. However, S&P Global Ratings recognizes that there are many unique factors / facts and circumstances that may potentially apply to the analysis of a given Issuer or Issue. Accordingly, S&P Global Ratings Criteria is not designed to provide an exhaustive list of all factors applied in our rating analyses. Analysts exercise analytic judgement in the application of Criteria through the Rating Committee process to arrive at rating determinations.

This report does not constitute a rating action.

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