Appendix
Insurance Ratings Framework

BUSINESS RISK PROFILE
- Industry And Country Risk
- Competitive Position

FINANCIAL RISK PROFILE
- Capital And Earnings
- Risk Position
- Financial Flexibility

Anchor

MODIFIERS
- Enterprise Risk Management
- Management and Governance

Holistic Analysis

Indicative Stand-Alone Credit Profile
or Indicative Group Credit Profile

Liquidity

Sovereign Risk

Stand-Alone Credit Profile
or Group Credit Profile

SUPPORT FRAMEWORK
- Group or Government Support

ISSUER CREDIT RATING
or Financial Strength Rating
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
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Indicative Stand-Alone Credit Profile or Indicative Group Credit Profile

Liquidity
- Sovereign Risk

Stand-Alone Credit Profile or Group Credit Profile

SUPPORT FRAMEWORK
- Group or Government Support

ISSUER CREDIT RATING
- or Financial Strength Rating
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
Our Track Record Over Time

Ratings Performance:
Global Corporate Cumulative Default Rates Over 10 Years

Global Default Risk By Ratings Categories

Global Corporate Average Cumulative Default Rates By Rating (1981-2015)

Time Horizon in Years

0% 10% 20% 30% 40% 50% 60%

0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20

AAA AA A BBB BB B CCC/C

For more information on S&P Global Ratings, go to
www.UnderstandingRatings.com