



A.M. Best Market Briefing at the SIRC 2017



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Any queries of a commercial nature should be directed to A.M. Best's Market Development function.

Agenda



Agenda	Speaker
Opening Remarks	<i>Roger Sellek</i> Chief Executive Officer, EMEA & Asia Pacific
A.M. Best's Methodology Update	<i>Matthew Mosher</i> Executive Vice President & Chief Operating Officer
Global Reinsurance Market Update	<i>Greg Reisner</i> Director
Asia Reinsurance Market Update	<i>Chi-Yeung Lok</i> Associate Director, Asia Pacific
Q&A	<i>Jose Ribeiro</i> Managing Director, Asia Pacific

Opening Remarks

Dr Roger Sellek

Chief Executive Officer

A.M. Best – EMEA & Asia Pacific



A.M. Best – an overview



- Established in 1899, pioneered the concept of insurer “Financial Strength Ratings (FSR)” in 1906
- Worldwide headquarters in New Jersey, USA. Regional centres in London, Hong Kong, Singapore, Mexico City and Dubai
- Rating clients in 87 countries. 176 ratings released across 22 countries in Asia Pacific¹
- Provider of international ratings, financial data and news relating to the insurance industry
- Financial data and research covering 16,000 (re)insurance companies worldwide

¹ As of 30th September 2017

Best's Insurance News & Analysis



Best's Insurance News & Analysis

Access research, analysis and news from A.M. Best's unique perspective as the leading provider of insurance industry information. The *Best's Insurance News & Analysis* website is a single streamlined portal for all of the components that make up this comprehensive service.

- **Best's Journal:** This compendium of insurance research and commentary is available exclusively to *Best's Insurance News & Analysis* subscribers.



- **Best's Statistical Studies:** These studies provide a data-oriented picture of a subject. Rankings are drawn from insurer statement filings, which include data on assets, liabilities, capital and surplus, and other typical balance sheet items.



- **BestWeek®:** Our weekly newsletter, available in print and digital formats, provides a recap of the top stories for the global insurance industry.



- **Breaking News:** Find the latest news on the *Best's Insurance News & Analysis* home page at <http://news.ambest.com>, with key articles highlighted at the top of the page.

- **BestDay:** A.M. Best's news digest delivers 24 hours of insurance news and Best's Credit Rating actions in formats that suit your needs (see page 33):
 - Email: Receive insurance industry highlights in your in-box each morning.
 - Web: View daily news digest on the *Best's Insurance News & Analysis* website.



- **Best's Special Reports:** These in-depth analytical reports focus on larger industry issues, establishing and communicating A.M. Best's opinion or position. Emphasis is placed on interpreting the data and identifying important developments and trends.



- **Best's Review:** The insurance industry's premier news magazine offers insightful monthly coverage of the worldwide insurance industry, giving you the information you need to make informed decisions (see page 32).



- **Best's Regulatory Week:** This special publication offers a review of insurance-related regulatory and legislative actions around the globe.



- **A.M. BestRadio®:** Listen to streaming audio or download our podcasts.

- **A.M. BestTV:** Watch interviews with key industry leaders and get a snapshot of industry news and developments (see page 35).

- **Customizable News Feed:** Subscribers can create their own custom news feed on the *Best's Insurance News & Analysis* website—select the topics you need to know about, and we'll show you the relevant news articles.

- **BestAlert Service:** Use A.M. Best's company-tracking and notification system to monitor the latest news, ratings, press releases and reports for the companies you select (see page 43).



- **Best's Credit Rating Actions:** Our interactive online listing of recent rating actions lets you search and sort by company name, domicile, financial strength rating, issuer credit rating and more. Available separately, in *BestDay* and as part of *Best's Journal*.

- **Best's Briefings:** Read short reports issued by A.M. Best analysts in response to breaking news, emerging issues or important industry developments.

- **Searchable Archive:** Search for archived news dating back to 1993.

- **Best's Asia-Pacific Weekly:** This online newsletter covers topics impacting the insurance industry in the Asia-Pacific region.



▲ A.M. Best's complete news and research service is accessible online at <http://news.ambest.com>. Set your view to a specific topic to automatically limit the news and information you see to the industry segment of interest to you.

One-Year Online Subscription: \$920

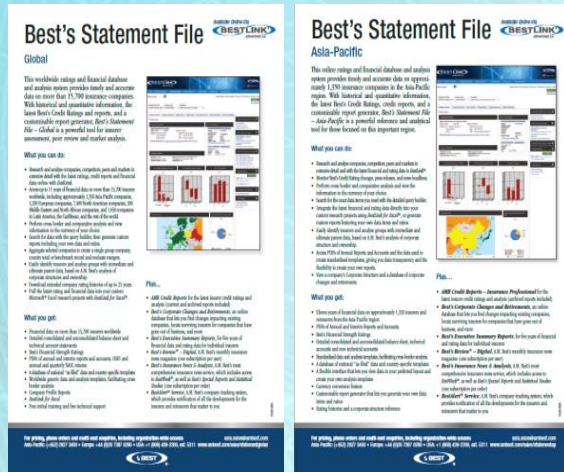
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Advertising opportunities are available; call +1 908 438 2200, ext. 5390.

Best's Statement File / A.M. Best products



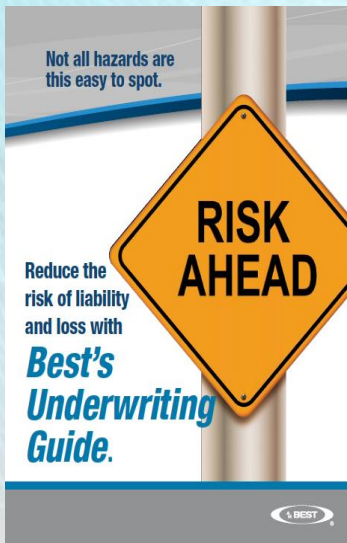
Best's Statement File - Global is a powerful tool for insurer assessment, peer review and market analysis which

- provides timely and accurate data on more than 16,000 insurance companies,
- facilitates research and detailed analysis of companies, competitors, peers and markets, and
- aids the identification of insurers and group members based on A.M. Best's analysis of corporate structures and ownership.

For more information please visit: <http://www.ambest.com/sales/StatementGlobal/>

Best's Underwriting Guide provides detailed reports for nearly 600 industries, business and municipal services – from small businesses like restaurants and antique stores to global industries like pharmaceutical manufacturing. The *BUG* also covers emerging “green” industries like solar panel installers and biofuel producers.

For more information, please contact Bryan Martyn based in London, United Kingdom at Bryan.martyn@ambest.com, or call him on +44 207 397 0292



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- Rating clients in 87 countries. 176 ratings released across 22 countries in Asia Pacific¹
- Provider of international ratings, financial data and news relating to the insurance industry
- Financial data and research covering 16,000 (re)insurance companies worldwide
- Insurance Specialisation – Only international rating agency dedicated to the insurance industry
- Interactive ratings coverage exceeding 3,500 companies, including 200+ captives, in 87 countries
- Published market research through a broad range of Special Reports and Market Briefings

Competitive Strength – Insurance Specialisation

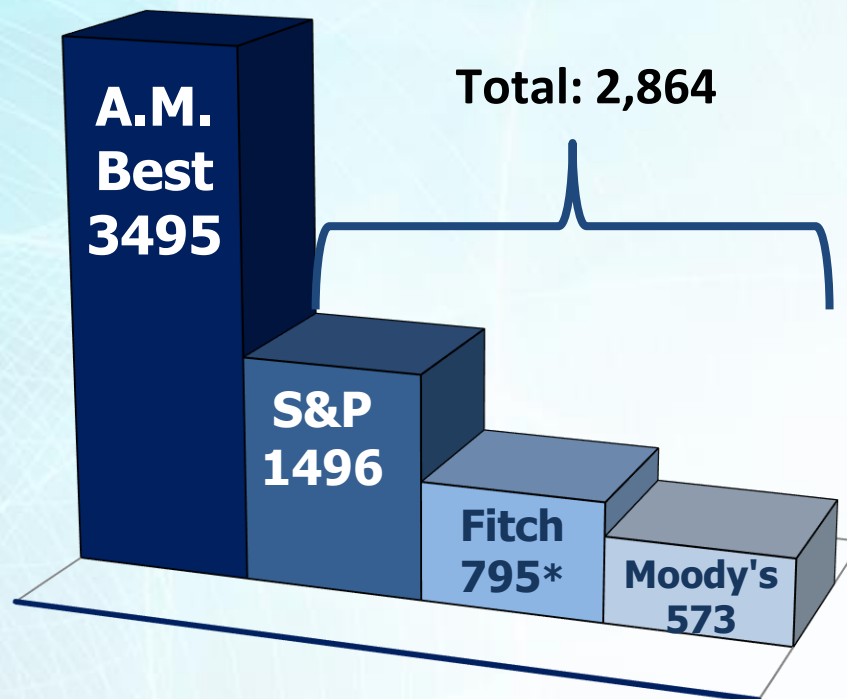


- Only international rating agency focused on the insurance industry
- Analytical expertise on all key insurance industry segments, including:
 - ❑ Start-ups
 - ❑ Captives
 - ❑ Mutuels and (re)takaful entities
 - ❑ Run-off companies
- Focused on the company, and not capped by the host country's sovereign rating
- Analysts who are insurance specialists and only work with insurance companies

Leading coverage in insurance ratings



Global insurer interactive Financial Strength Ratings (FSRs)



Source: A.M. Best, Moody's and Fitch's websites and S&P's Capital IQ. Data as of July 2017.

Rating count does not include NR ratings, "National" ratings.

*Includes their unsolicited ratings

Recent Examples of Special Reports & Briefings



Special Reports

Special Report: Special Report: How Chinese Life Insurers Need to Adjust to the New Regulatory Reality

In early 2016, the CIRC fully implemented the China Risk-Oriented Solvency System (C-ROSS), which measures and supervises insurers from a risk-based capital perspective and which encompasses both quantitative capital requirements and qualitative supervisory requirements. The assessment of quantitative capital requirements focuses on the core risk components that insurers need to undertake: insurance, market, and credit risk.

October 18, 2017 – 7 Pages

Special Report: Controlled Acquisition Costs Provide Insurers a Competitive Advantage

As increases in paid and incurred losses strain the ability to generate underwriting profits, insurers are striving to outperform competitors

September 08, 2017 – 5 Pages

Special Report: Down But Not Out: Reinsurers Look to Reposition Amid Market Disruption

A.M. Best continues to hold its outlook for the reinsurance sector at negative, citing the significant ongoing market challenges that will hinder the potential for positive rating actions over time and may eventually translate into negative rating pressures. The market is in the later stages of a soft market.

September 05, 2017 - 56 Pages

Recent Examples of Special Reports & Briefings



Briefings

Briefing: Enterprise Risk Management to the Fore as Catalonia's Sovereign Status Remains Unclear

The political uncertainty created by events following Catalonia's independence referendum has created volatility in Spanish insurers' investment portfolios and raised concerns about future access to business.

October 13, 2017 – 4 Pages

Briefing: A.M. Best Comments on Hurricane Irma's Potential Impact on U.S. Property/Casualty & Global Reinsurance Industry

With Hurricane Irma having already impacted the Caribbean and threatening the southeast coast of the United States, A.M. Best has begun to assess the potential financial effect of this event on the U.S.

property/casualty (P/C) and global reinsurance industry.

September 8, 2017 – 3 Pages

Briefing: The Challenges of Balancing Growth With Profitability

The Philippine non-life market has enjoyed solid premium growth in recent years.

April 19, 2017 – 5 Pages

Briefing: A.M. Best's Insight on the Asia-Pacific (Re)insurance Market

Asia is a very diverse region with varying levels of capitalization, regulations, tariffs, and enterprise risk management awareness.

October 21, 2016 – 5 Pages

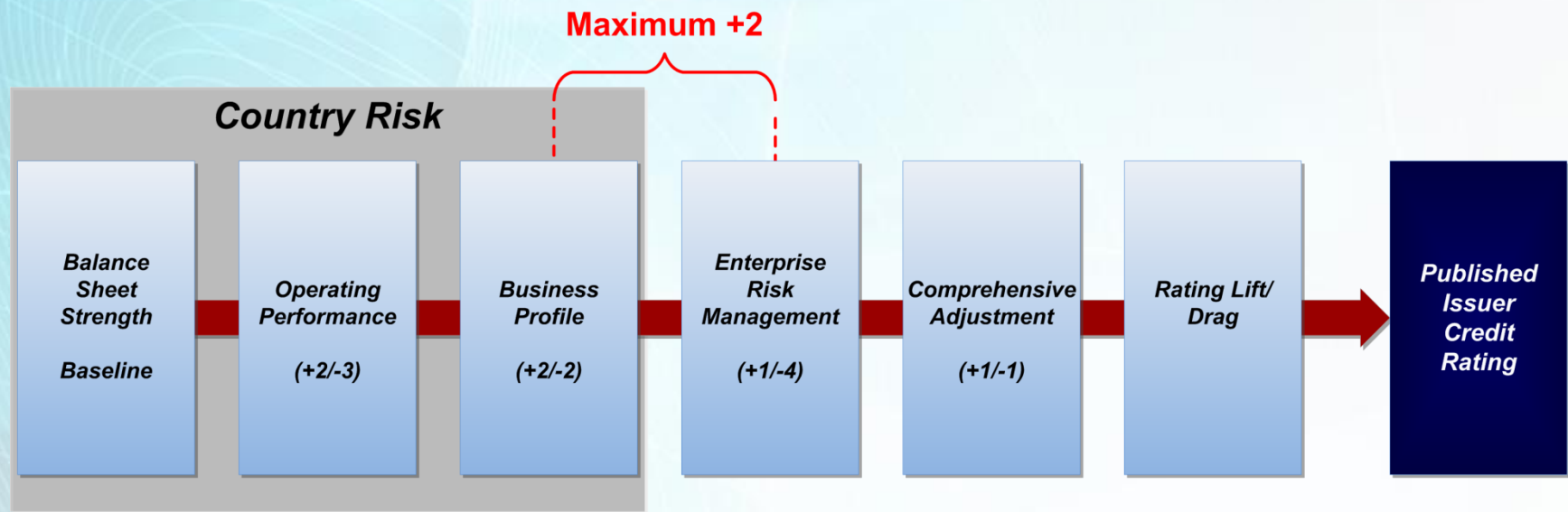
A.M. Best's Methodology Update

Matthew Mosher

Executive Vice President & Chief Operating Officer



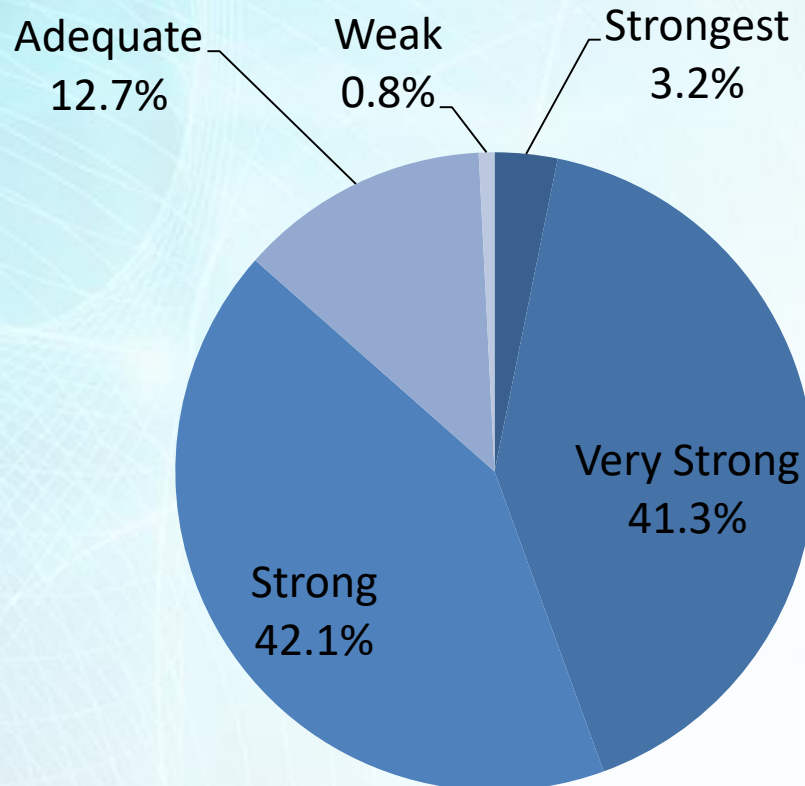
An Updated BCRM: Building Blocks



AMBAP & AMBAPS



Balance Sheet Strength Distribution

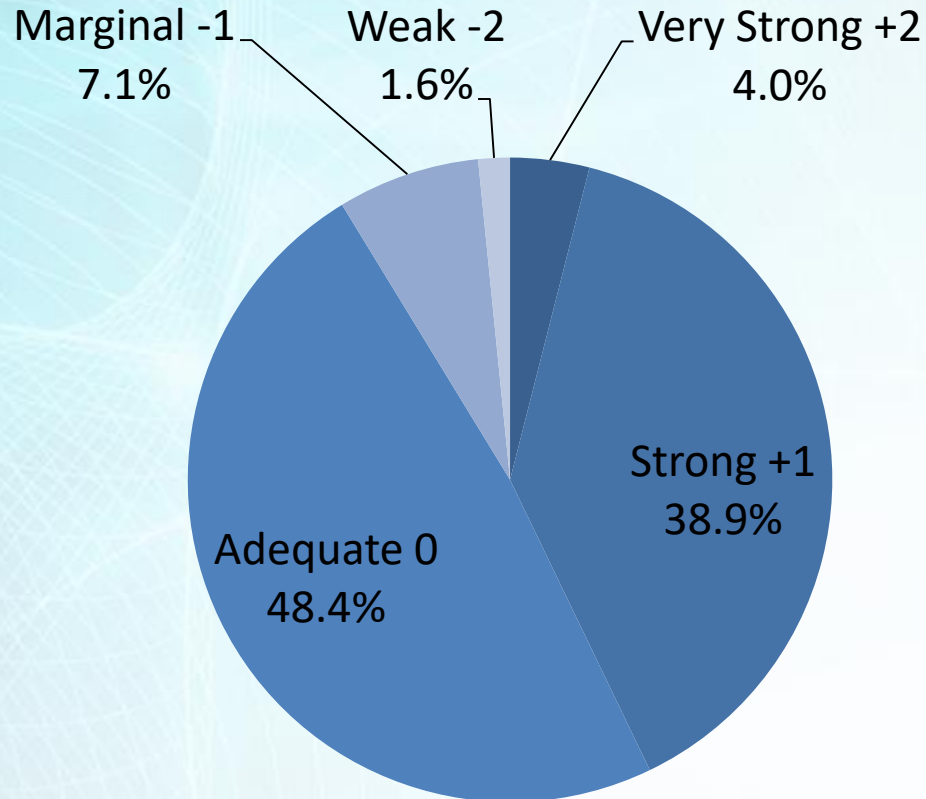


Source: A.M. Best data and research

AMBAP & AMBAPS



Operating Performance Notch Distribution

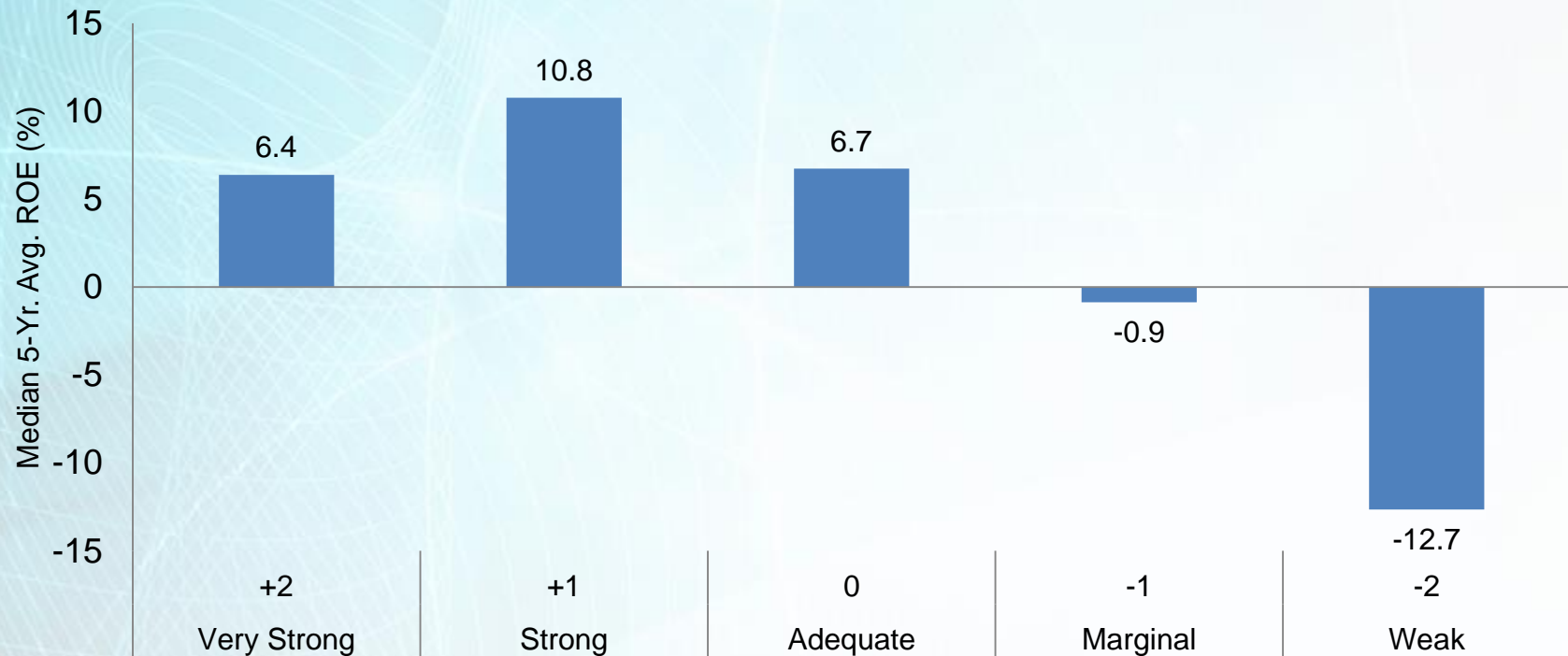


Source: A.M. Best data and research

AMBAP & AMBAPS



Median 5-Year Average ROE by Operating Performance Notch

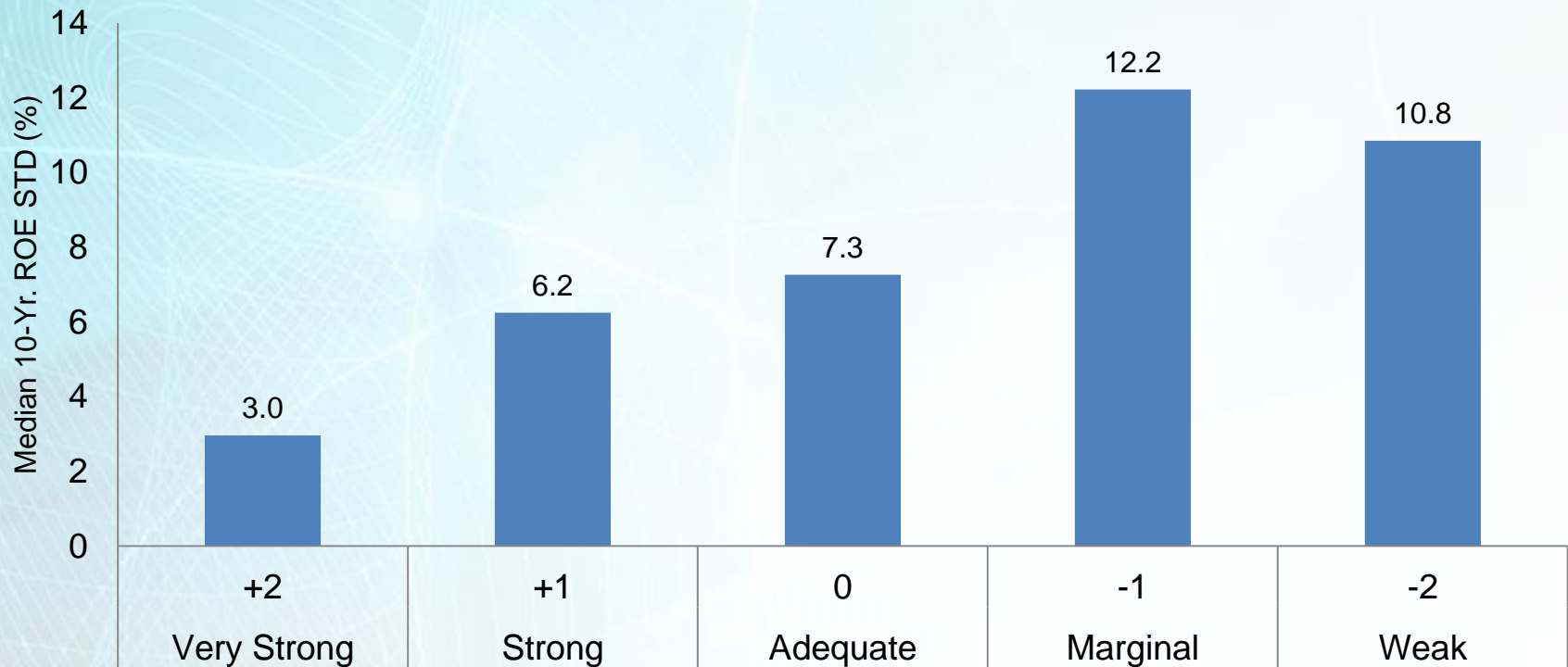


Source: A.M. Best data and research

AMBAP & AMBAPS



Median 10-Year ROE Standard Deviation by Operating Performance Notch

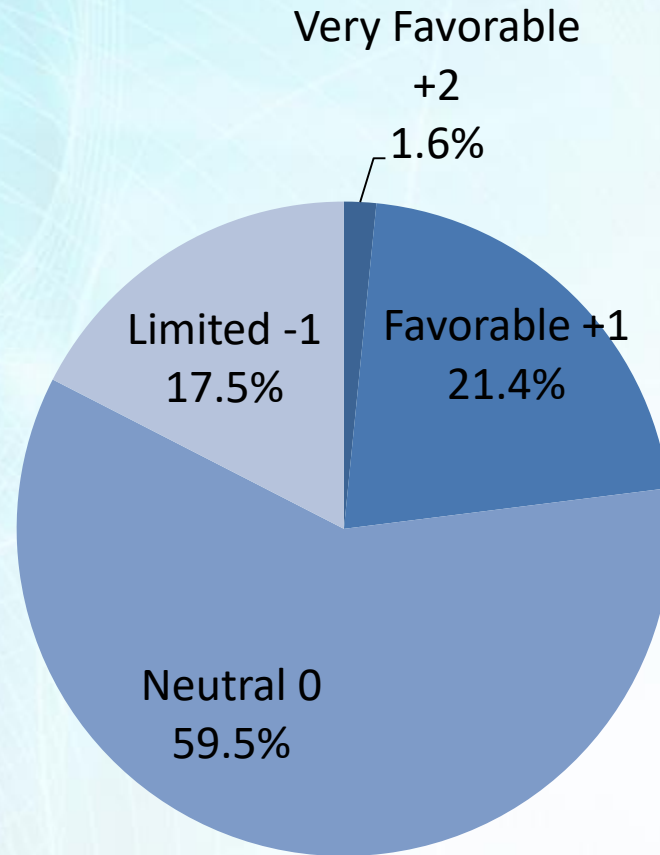


Source: A.M. Best data and research

AMBAP & AMBAPS



Business Profile Notch Distribution

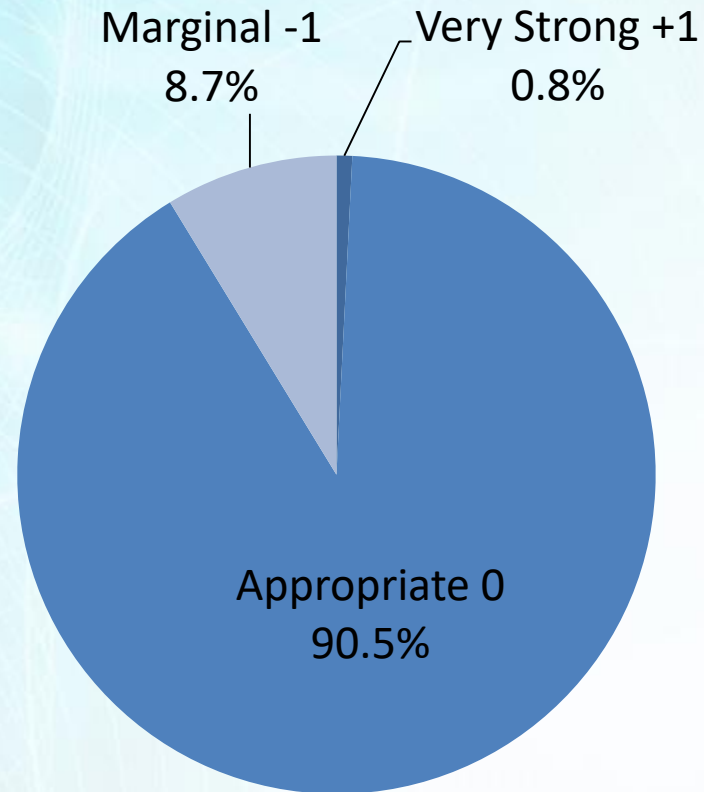


Source: A.M. Best data and research

AMBAP & AMBAPS



Enterprise Risk Management Notch Distribution



Source: A.M. Best data and research

Summary



Long Process,
right spot

Improves
communication

Individual
company rollout
process

Continual process
to improve
methodology and
criteria
procedures

Global Reinsurance Market Update

Greg Reisner
Director



Discussion Outline



Global Reinsurance Results

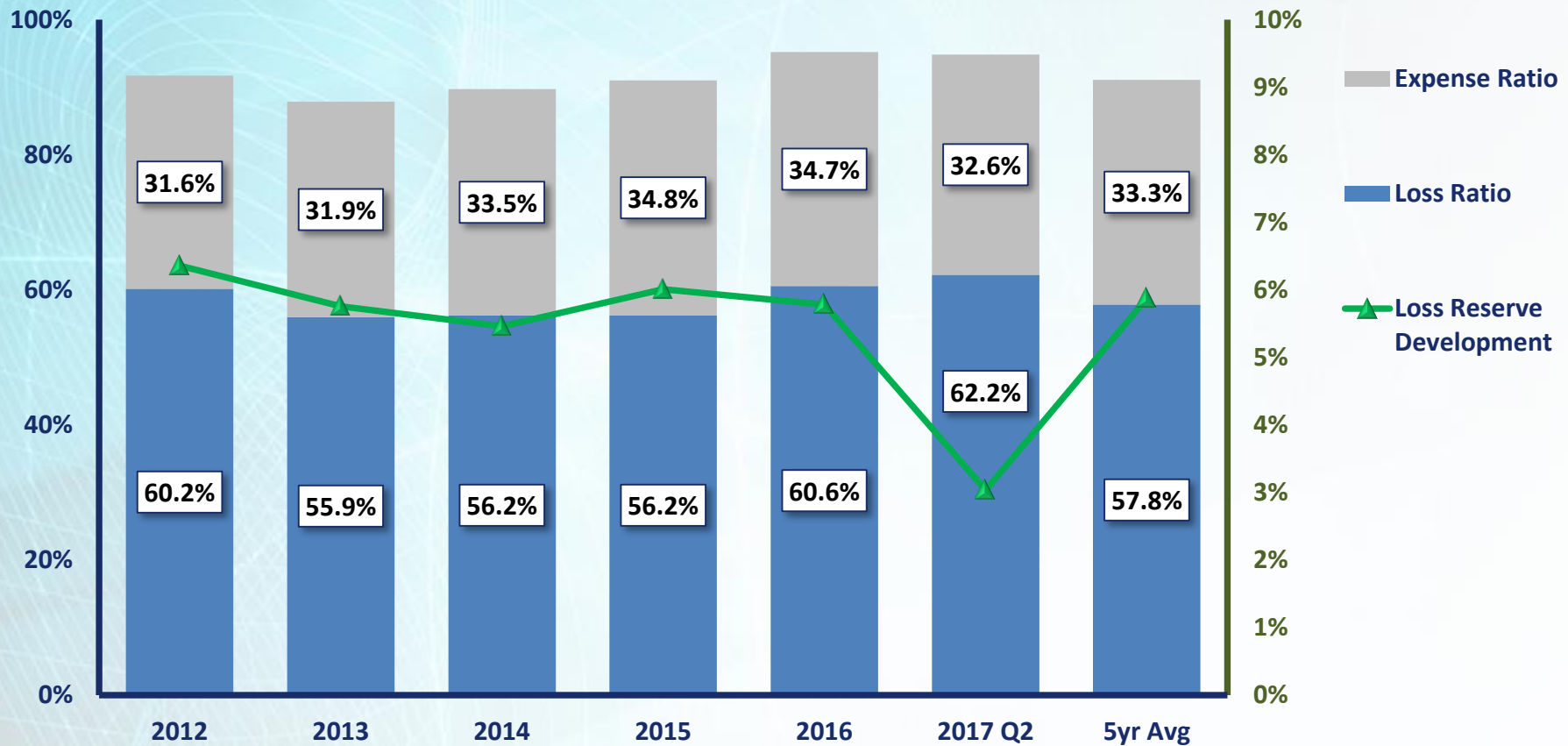
Market Capacity

Global Market Trends

Reinsurance Sector Outlook

Global Reinsurance Results

Global Market Trends



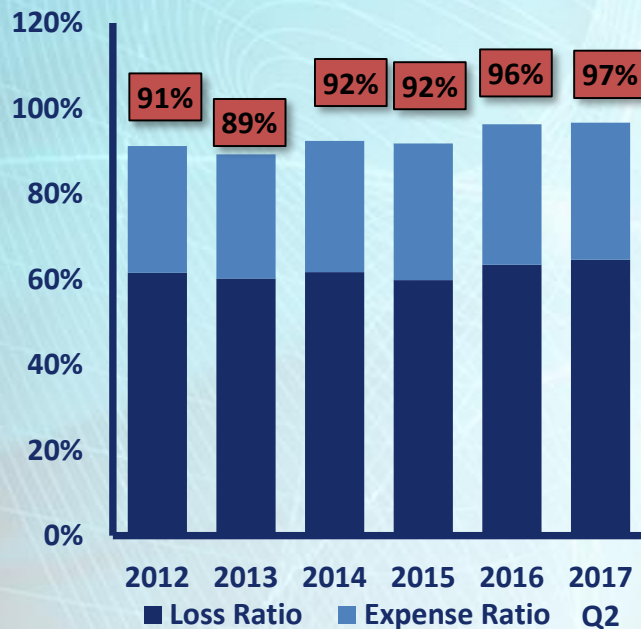
Source: A.M. Best data and research

Global Market Trends

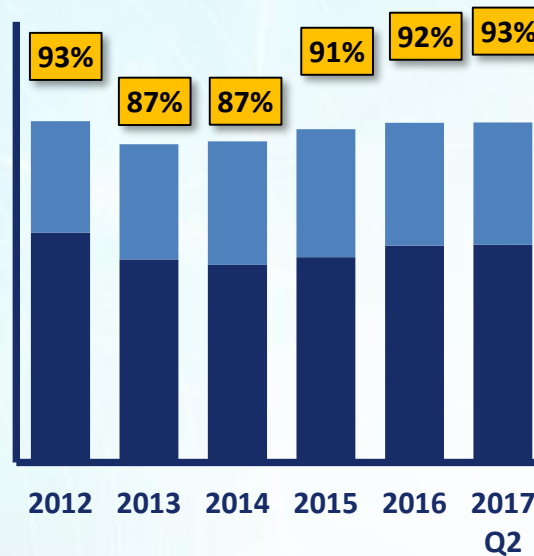


Combined Ratios by Reinsurance Sector

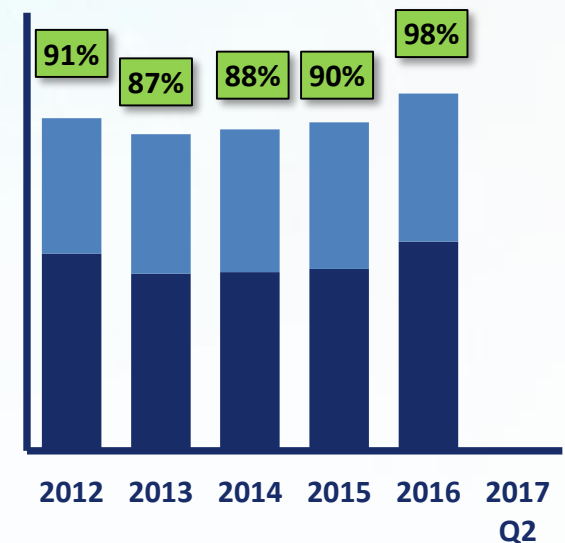
European "Big Four"



U.S. & Bermuda



Lloyd's

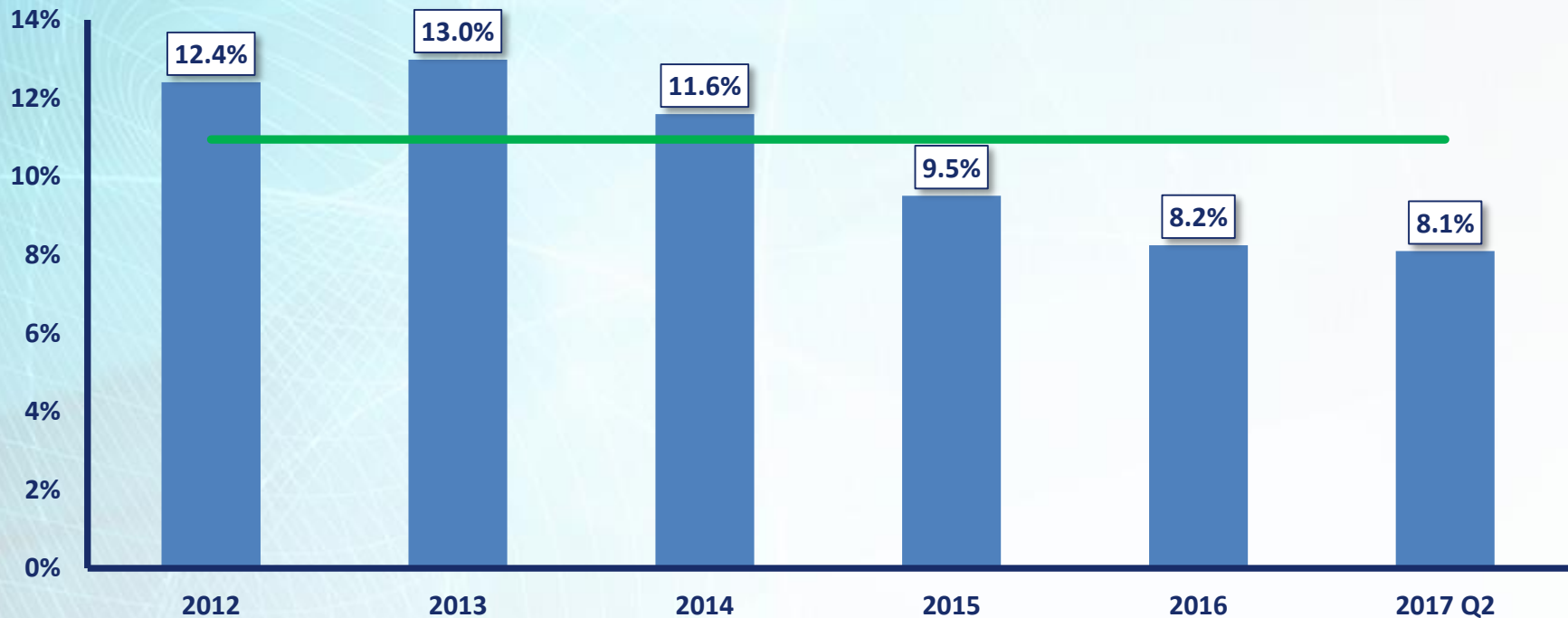


Source: A.M. Best data and research

Global Market Trends



Return on Equity (2012 to present) and Five-Year Average



Source: A.M. Best data and research

Return on Equity Five-Year Average

Global Market Trends

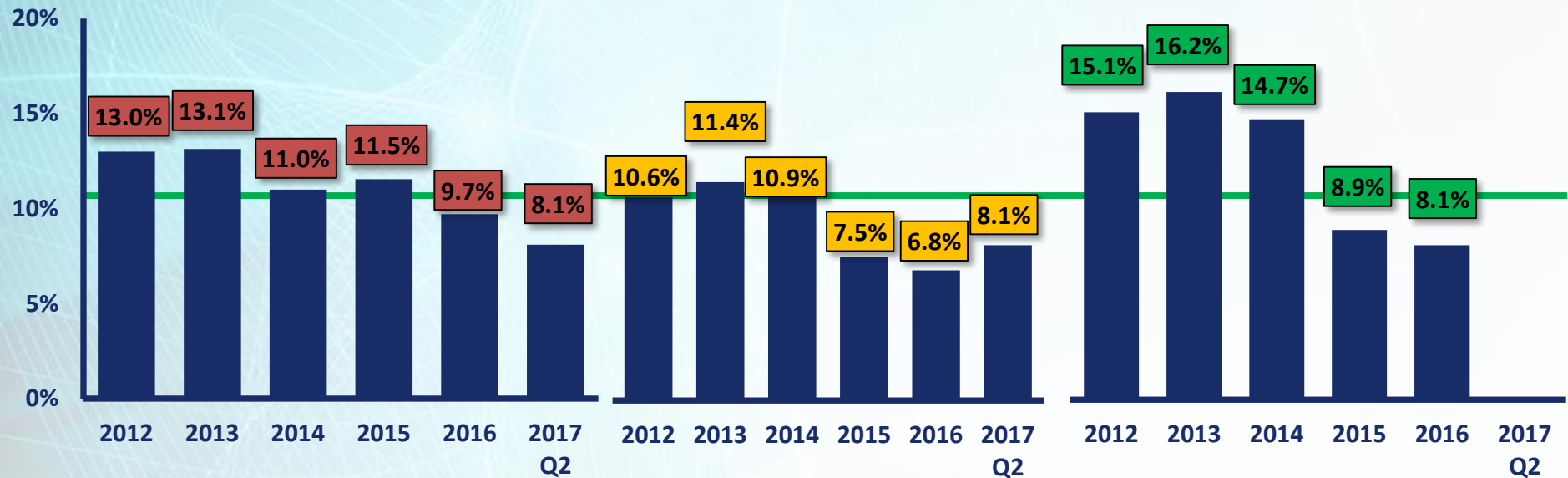


Return on Equity by Reinsurance Sector

European "Big Four"

U.S. & Bermuda

Lloyd's



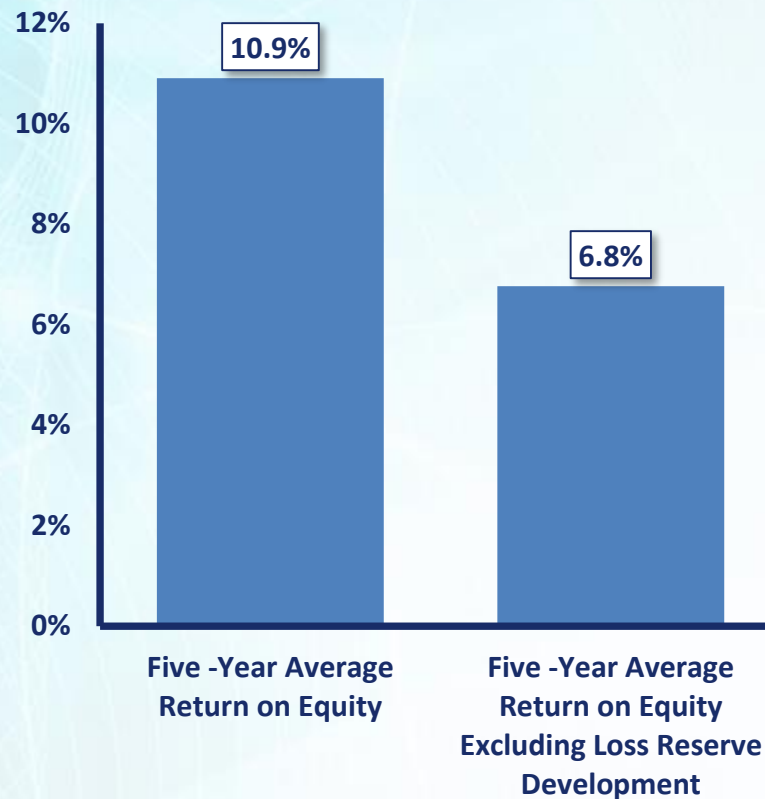
Source: A.M. Best data and research

Five-Year Average

Global Market Trends



Global Reinsurance Market

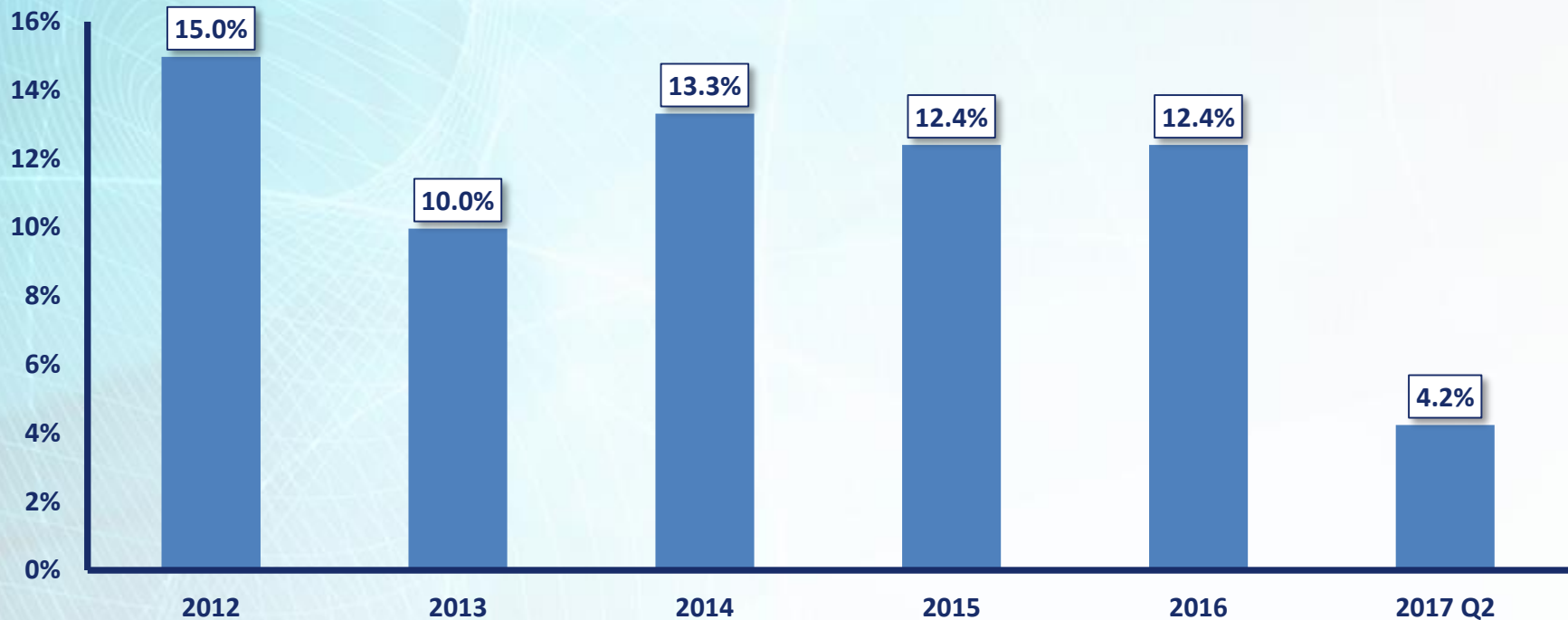


Source: A.M. Best data and research

Global Market Trends



Operating Cash Flow as a Percentage of Equity



Source: A.M. Best data and research

Global Market Trends

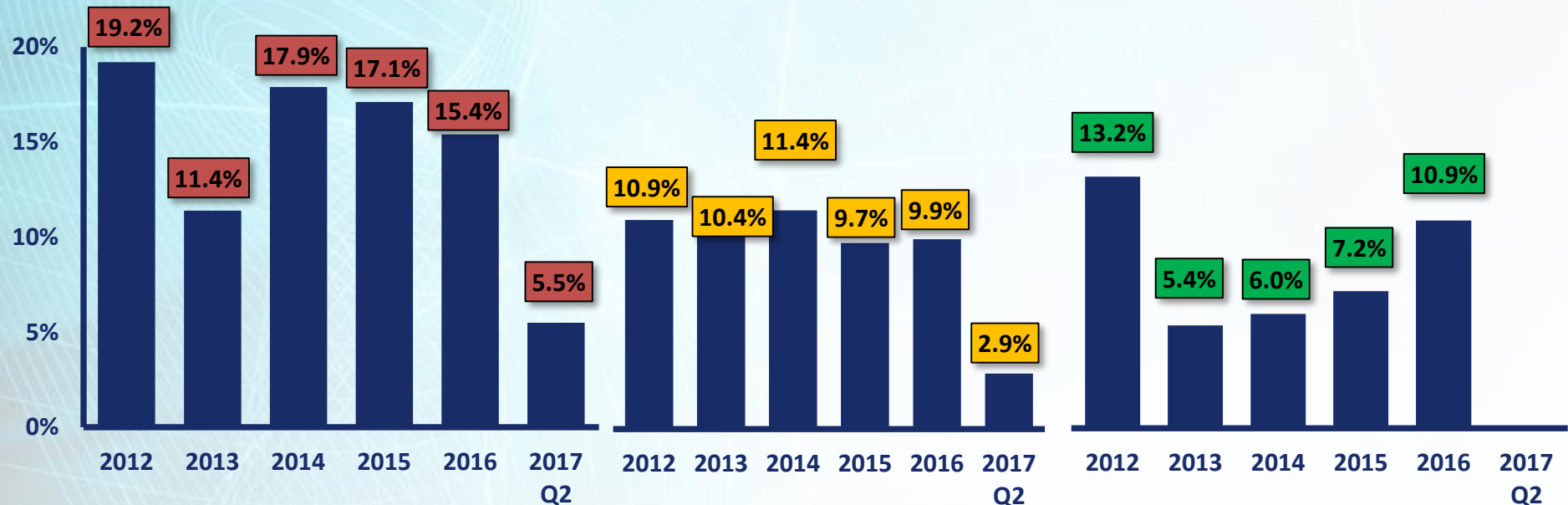


Operating Cash Flow as a Percentage of Equity by Reinsurance Sector

European "Big Four"

U.S. & Bermuda

Lloyd's



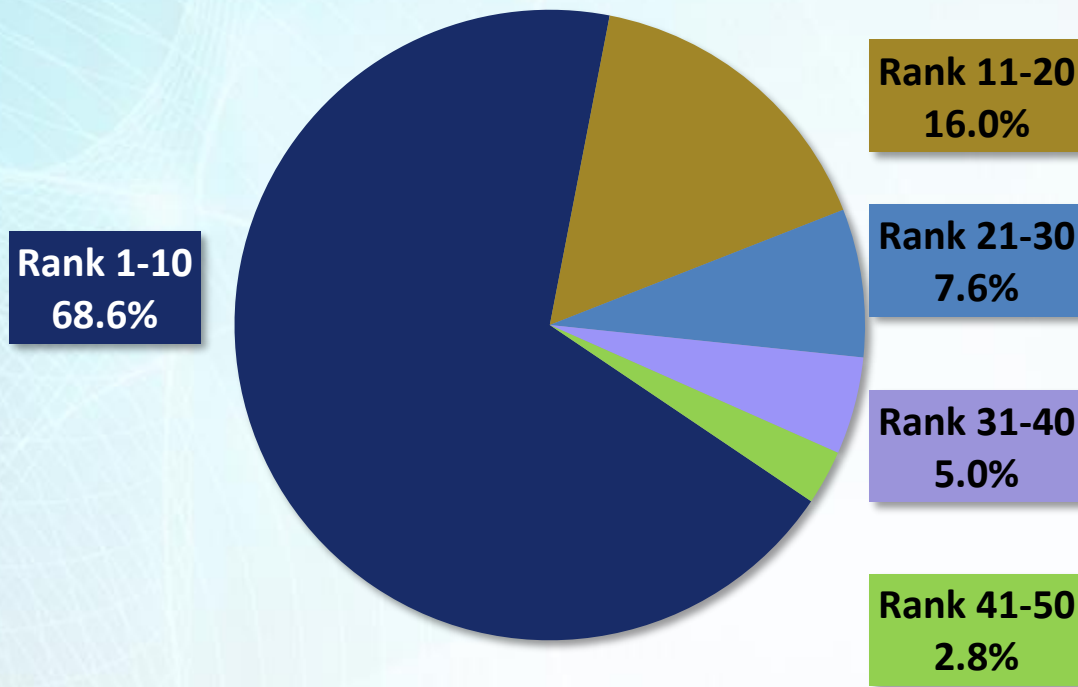
Source: A.M. Best data and research

Market Capacity

Global Market Trends



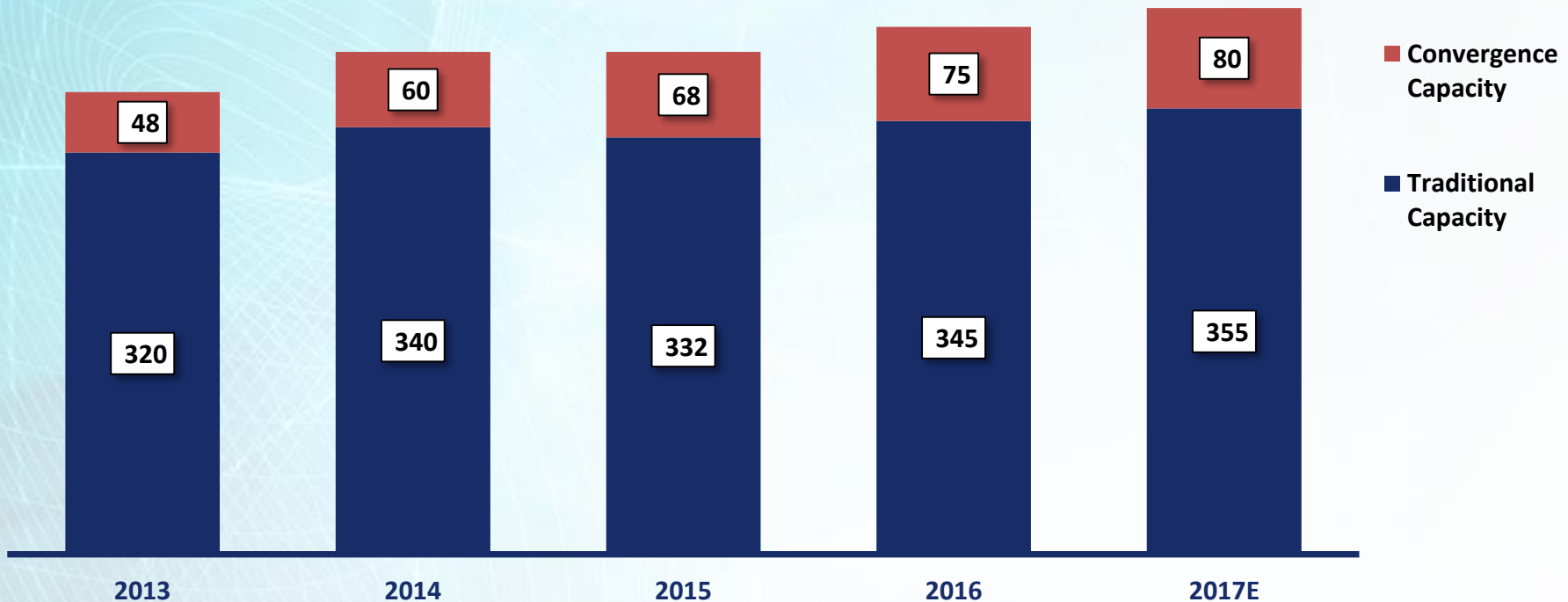
Life and Non-Life Reinsurance GPW Distribution by Ranking



Global Market Trends



Estimate for Total Dedicated Reinsurance Capacity (USD billions)

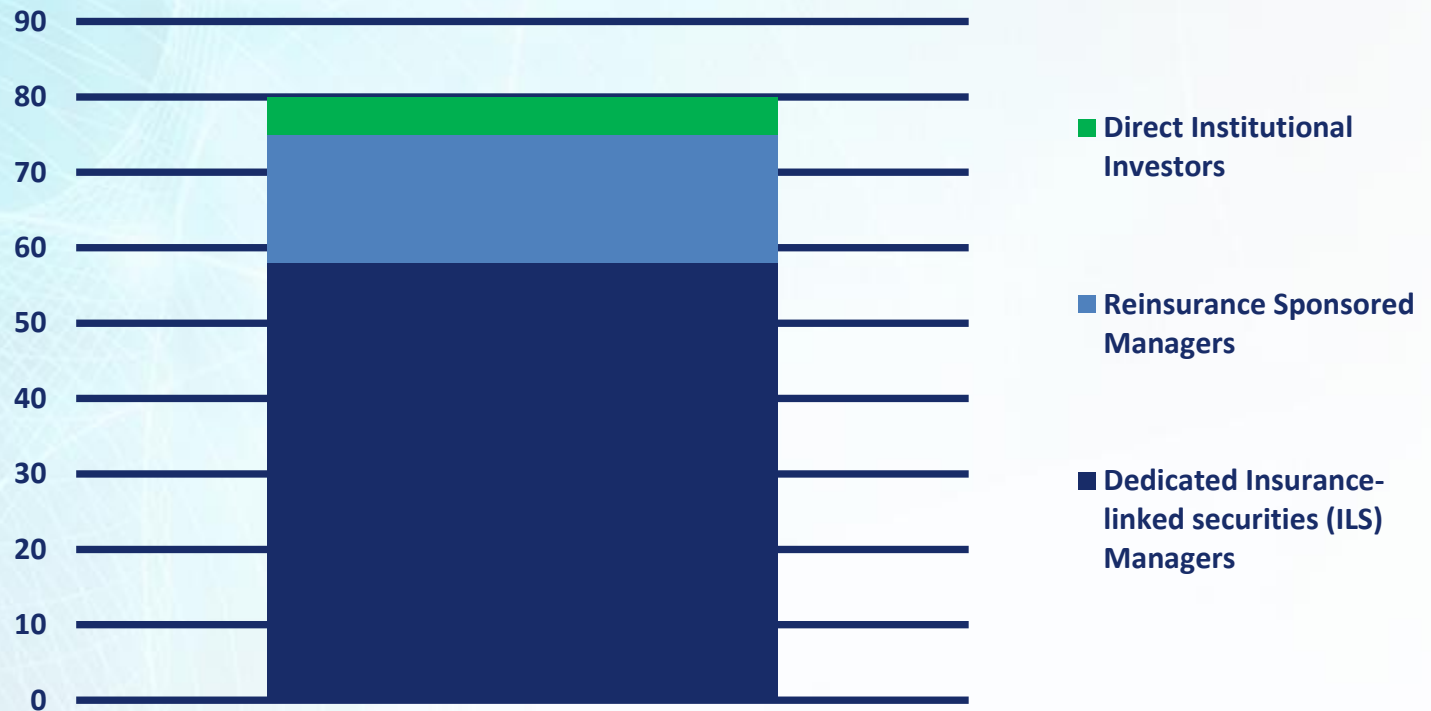


Notes and Sources: Estimates by Guy Carpenter and A.M. Best

Global Market Trends



Convergence Capacity
(2017 estimated) (USD billions)



Notes and Sources: Estimates by Guy Carpenter and A.M. Best

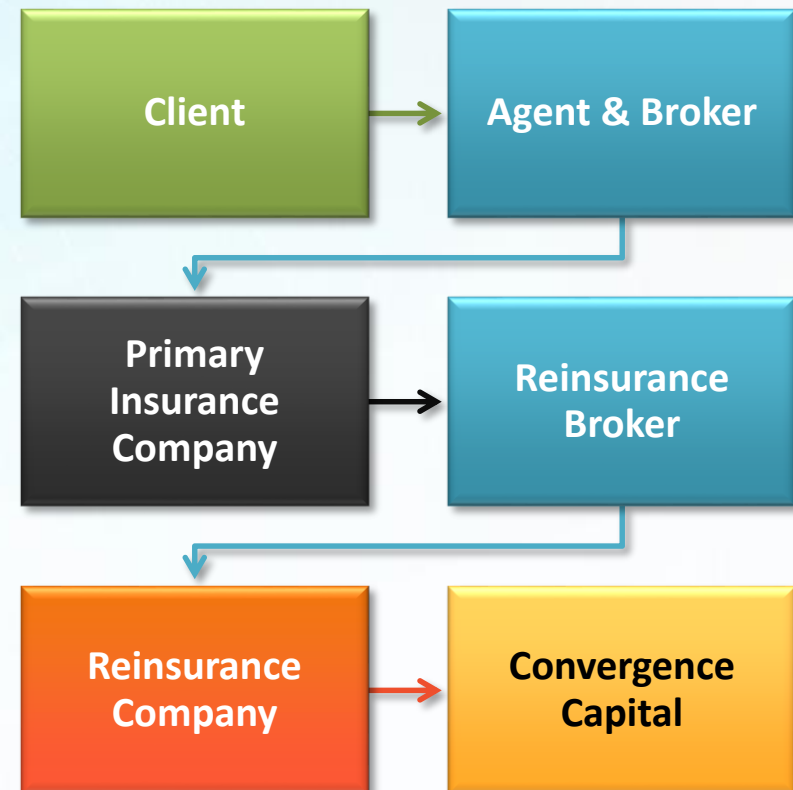
Global Market Trends

Global Market Trends



In A.M. Best's opinion...

The market will continue to become more efficient as all players strive to become closer to the client



Global Market Trends



Strategy Evolution

Traditional Dual Platform

Control the client

Build primary business

Alternative Capital Platform

Manage or have a relationship with alternative capital

Build fee income stream

Mergers & Acquisitions

Relevance and size

Ability to be small and nimble with parental protection

Global Market Trends



Potential Opportunities

**Cyber
Insurance**

Flood

Mortgage

Terrorism

InsurTech



Reinsurance Sector Outlook



Capitalization remains strong but...

Performance has been deteriorating and pressure on margins continues to mount

Returns for some reinsurance companies will fall short on a risk-adjusted basis

A.M. Best Maintains Negative Outlook

Headwinds

**Convergence
capital pressure**

**Intense
competition**

**Earnings under
pressure**

**Slippage in terms
& conditions**

Tailwinds

**Favorable
reserve
development**

**Benign
catastrophes**

**Increased
cessions**

Q&A

Asia Reinsurance Market Update

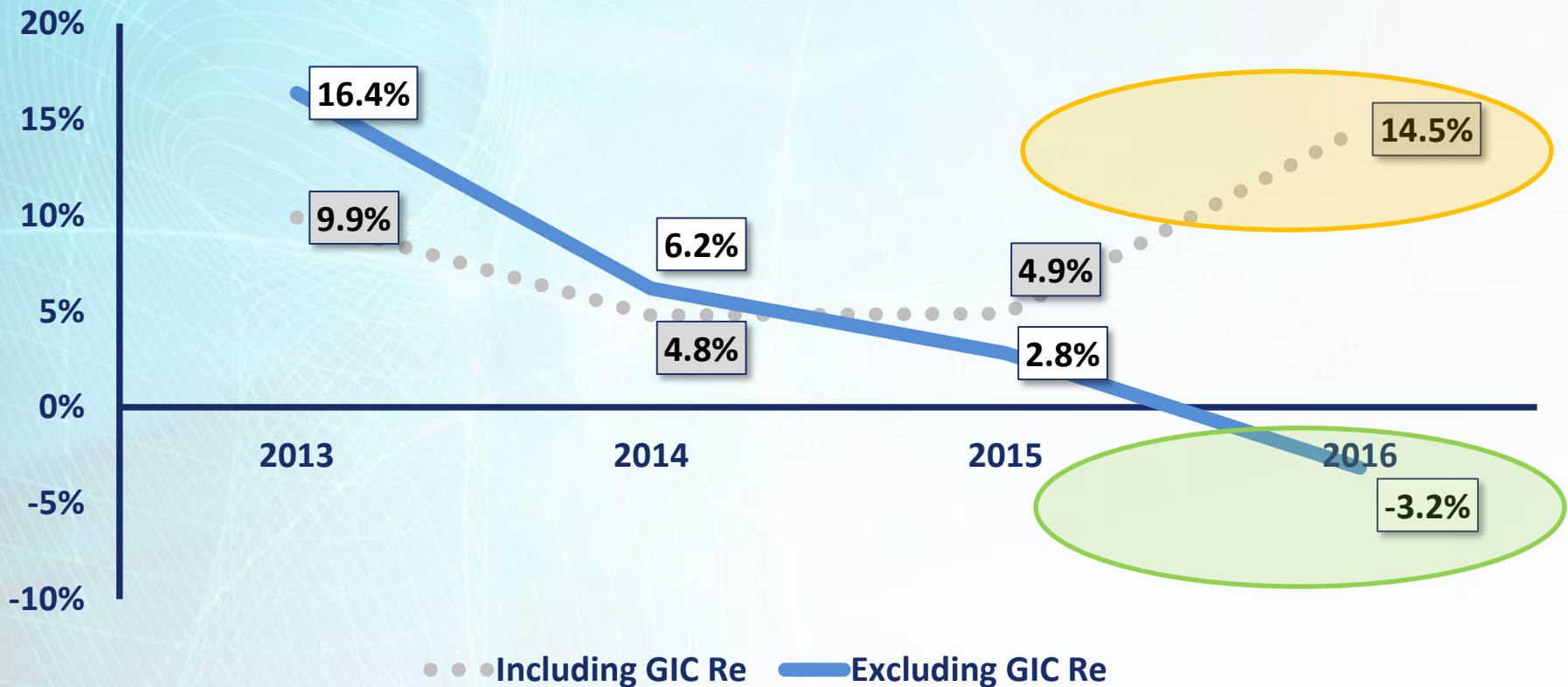
Chi-Yeung Lok

Associate Director



Growth slowdown

Aggregated GPW Growth Rates of Non-Life Reinsurers in Asia



Source: A.M. Best data and research
Aggregate consists of 13 Asian reinsurers rated by A.M. Best

Stability in C/R



Combined Ratio (2012 to present) and Five-Year Average



Source: A.M. Best data and research

Lower returns



Return on Equity (2012 to present) and Five-Year Average

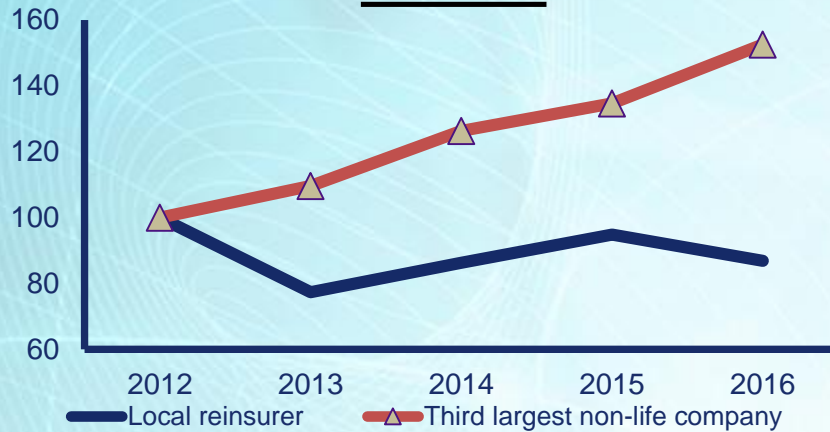


Source: A.M. Best data and research

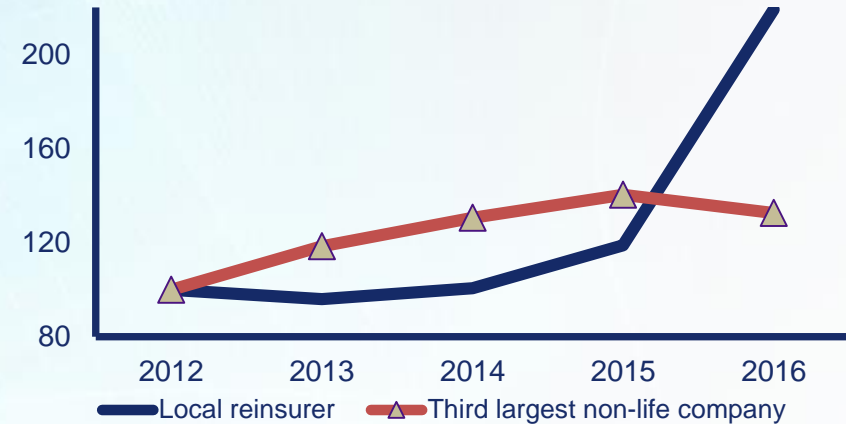
Competitive landscape – NPW Growth (2012 set as 100)



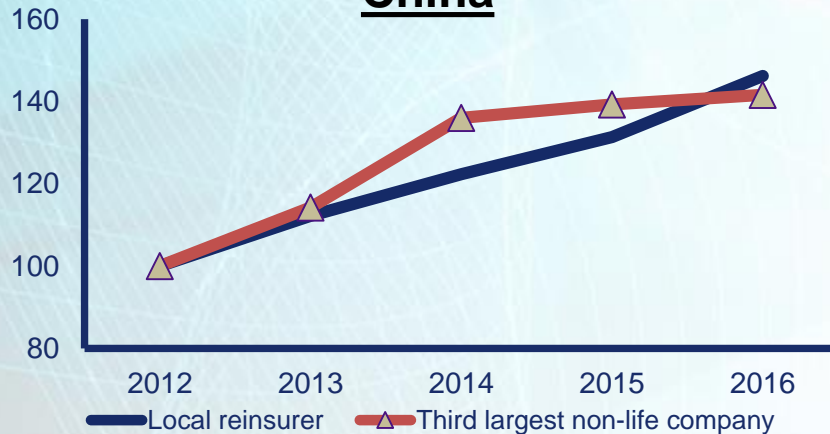
Vietnam



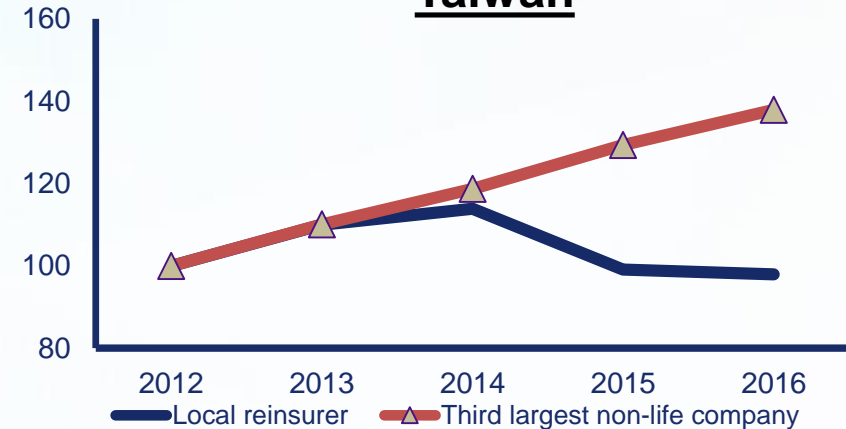
India



China



Taiwan



Source: A.M. Best data and research

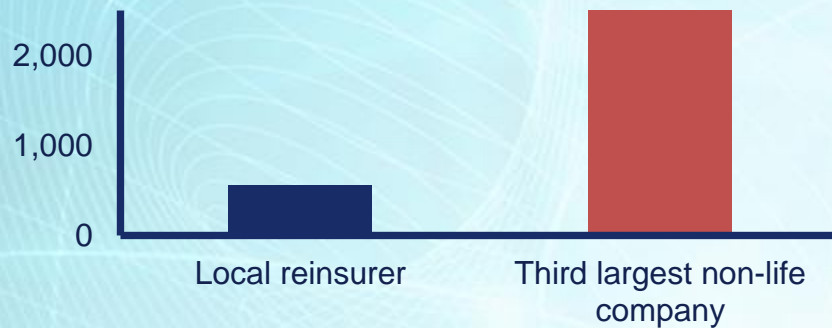
Note: In local currency terms; financial year includes all year ends between 1 July and 30 June, hence 30 June 2017 data will appear under 2016

Competitive landscape – NPW 2016



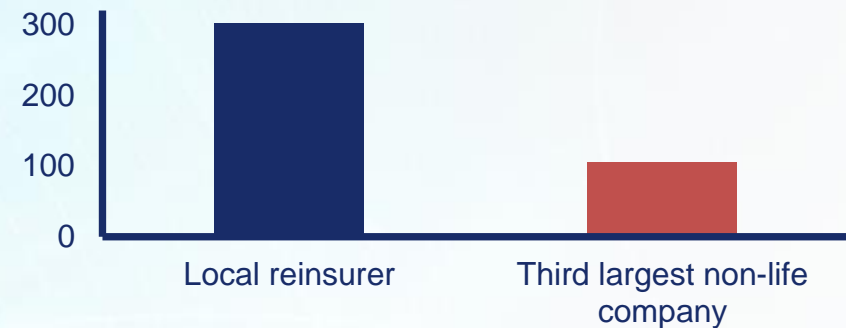
Vietnam

VND billion



India

INR billion



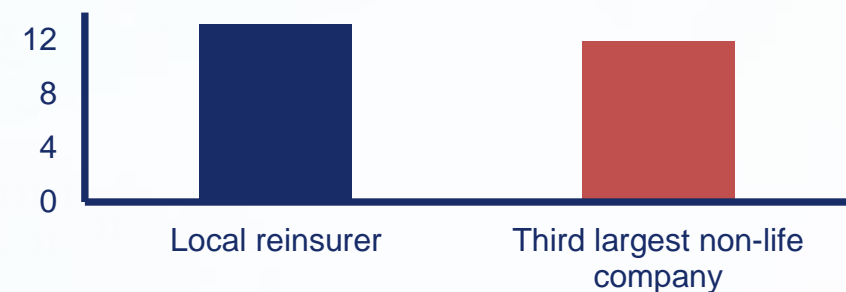
China

CNY billion



Taiwan

TWD billion



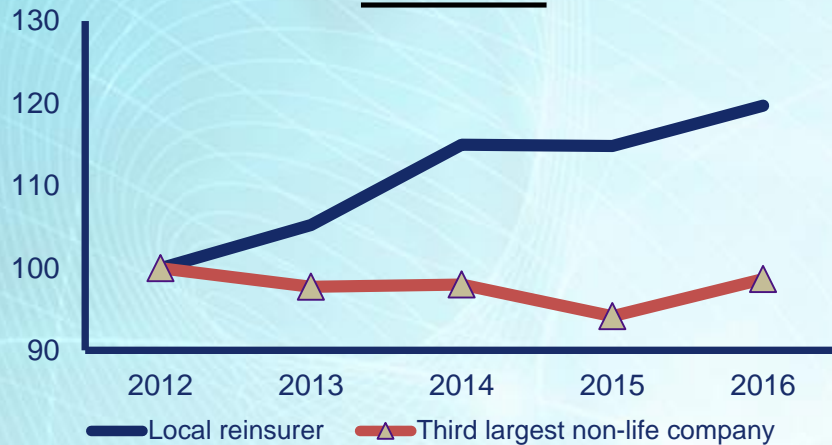
Source: A.M. Best data and research

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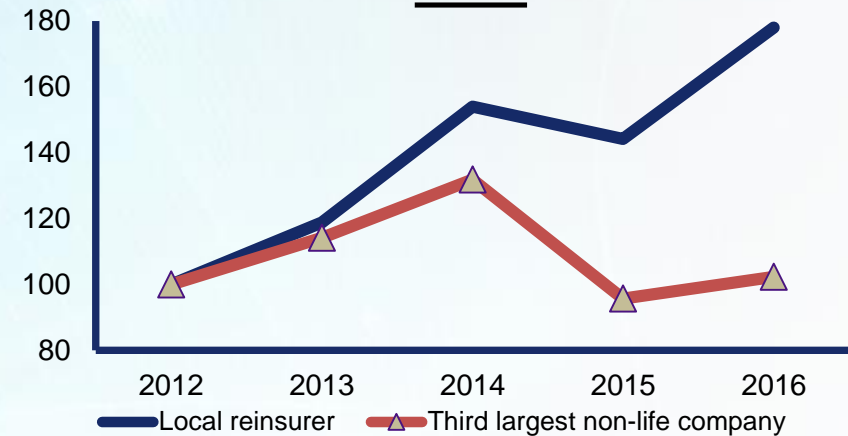
Competitive landscape – Capital Growth (2012 set as 100)



Vietnam



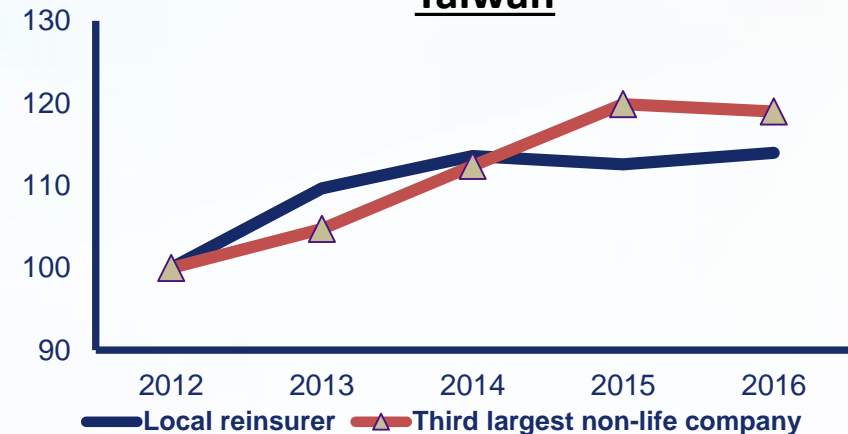
India



China



Taiwan



Source: A.M. Best data and research

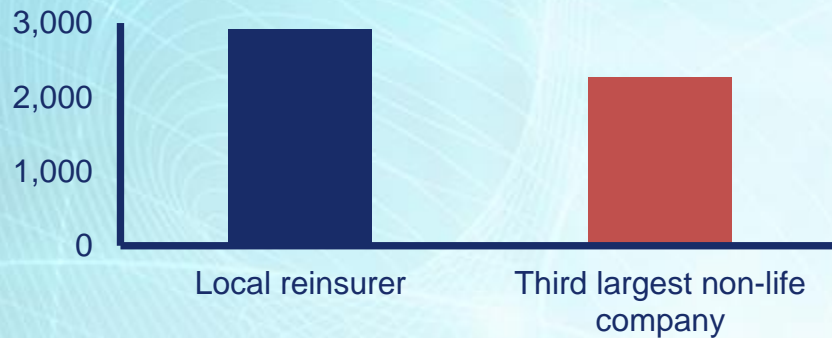
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Competitive landscape – Capital 2016



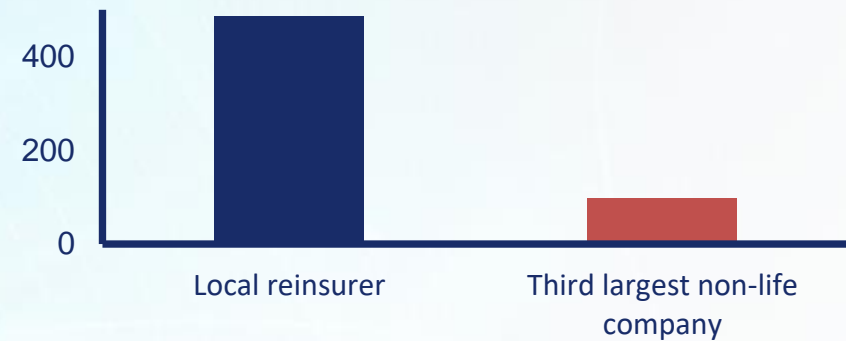
Vietnam

VND billion



India

INR billion



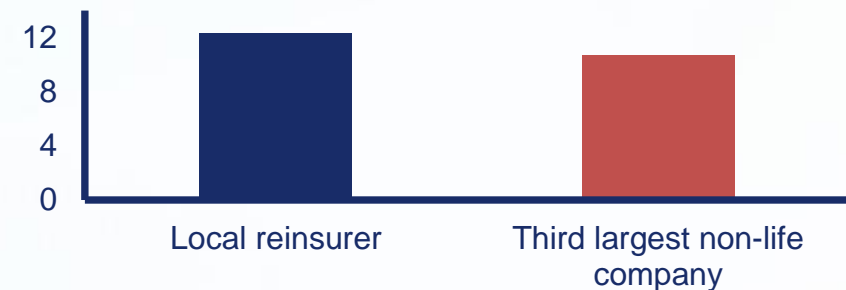
China

CNY billion



Taiwan

TWD billion



Source: A.M. Best data and research

Note: In local currency terms; financial year includes all year ends between 1 July and 30 June, hence 30 June 2017 data will appear under 2016

Asian Reinsurance Sector Outlook



Capitalization remains strong but...

Performance is lower than global reinsurance players

Capital size in home market remains relevant, partly due to raising fresh capital, but capital advantage is narrowing

Under tremendous pressure to keep top line stable and in line with primary writers in domestic market

A.M. Best Maintains Negative Outlook

Headwinds

Intense competition

Low investment returns

Hardening may compress the home market size

Innovation among major cedents is accelerating

Tailwinds

Benign catastrophe experience

Market hardening

Untapped markets

Value proposition for M&A

Q&A



A.M. Best Market Briefing at SIRC 2017

