

Overview of A.M. Best's Stochastic Based BCAR for U.S. P/C Insurers

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Agenda



- Overview of BCAR
- Summary of Changes
- Treatment of Risks in BCAR
- Observations/Analyst Views
- Applying BCAR Output in Rating Process

Overview



- ***Best's Capital Adequacy Ratio (BCAR)*** is a comprehensive quantitative tool that evaluates many of the risks to the balance sheet simultaneously and generates an overall estimate of the required level of capital to support those risks and compares it with available capital
- BCAR is a key tool in the assessment of balance sheet strength
 - Not the sole determinant of Balance Sheet Strength
 - Not the sole determinant of the rating

Summary of Changes

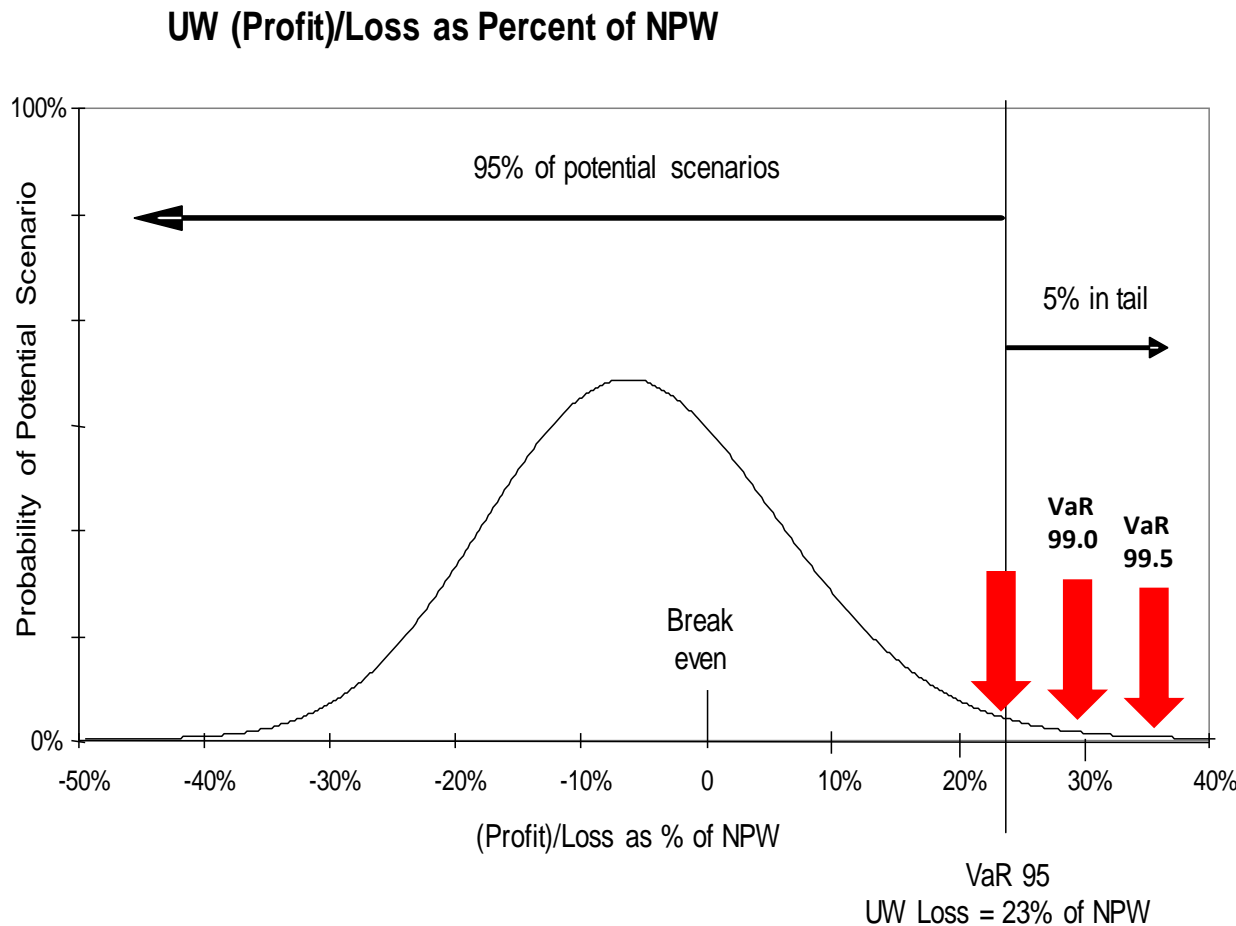
- Do not intend to change underlying view of the risks
- Do not intend to change the main risk categories of the models
- Goals are to:
 - Generate risk factors using stochastic simulations from probability curves & ESG
 - Incorporate company specific detailed data from SRQ & statutory financial statements

Summary of Changes

- More sophisticated and faster software available now
 - Simulations / probability curves
 - Correlations / diversification
 - Company specific detail
 - Economic scenario generators (ESGs)
 - A computer model that randomly simulates thousands of possible values for a variety of economic and financial variables over a series of selected timeframes
 - An ESG does not predict a path the economy will follow but instead produces a collection of possible paths including some that have not yet been observed

Summary of Changes

- New Metric – VaR (Value at Risk)



VaR does not tell us about what's in the tail so we need to look at more than one VaR

Summary of Changes

- 5 scores calculated and published – instead of 1
 - 95%, 99%, 99.5%, 99.8%, and 99.9% confidence levels
- New Calculation of BCAR
 - Formula change
 - Difference between Available Capital and Required Capital, as a ratio to Available Capital
 - Better alignment with risk appetite/tolerance statements

Summary of Changes

- Bond Defaults (PC&LH)
- Publicly Traded Common Stocks (PC&LH)
- Other Asset Classes (PC&LH)
- Interest Rate Risk (PC&LH)
- Credit Risk – Reinsurance Recoverables (PC&LH)
- Premium Risk (PC)
- Reserve Risk (PC)

New Structure – PC BCAR



$$\text{BCAR Ratio} = (\text{Available Capital} - \text{Net Required Capital}) / \text{Available Capital}$$



Available Capital (AC)

Reported Capital (PHS)

Equity Adjustments:

Unearned Premiums (DAC)

Equalization/Contingency Reserves

Loss Reserves

Assets

Debt Adjustments:

Surplus Notes

Debt Service Requirements

Other Adjustments:

Future Operating Losses

Potential Loss

Future Dividends

Goodwill & Other Intangible Assets

Minority Interests, etc.

Net Required Capital

Gross Required Capital (GRC):

(B1) Fixed Income Securities

(B2) Equity Securities

(B3) Interest Rate

(B4) Credit

(B5) Loss and LAE Reserves

(B6) Net Premiums Written

(B7) Business Risk

(B8) Potential Catastrophe Loss



Covariance Adjustment

Net Required Capital (NRC)*

$$*NRC = \text{SQRT} [(B1)^2 + (B2)^2 + (B3)^2 + (0.5 * B4)^2 + [(0.5 * B4) + B5]^2 + (B6)^2] + B7 + B8$$



Example of Impact to PC Score

Current PC BCAR Calculation (ratio to NRC)

APHS (ex Potential Cat Losses) = \$150M

Potential Cat Losses = \$30M

NRC (ex Potential Cat Losses) = \$80M

$$\text{BCAR} = (150 - 30) / 80 = 120/80 = 150.0$$

Planned PC BCAR Calculation (ratio to Available Capital)

Available Capital (ex Potential Cat Losses) = \$150M

Potential cat Losses = \$30M

NRC (ex Potential Cat Losses) = \$80M

NRC (incl Potential Cat Losses) = \$110M

$$\text{BCAR} = (150 - 110) / 150 = 40/150 = 26.7$$

Example of Impact to PC Model



Current PC BCAR Calculation (ratio to NRC)

Potential Scores:

Low of 0.0 to Max of 999.9

Wanted BCAR > 100.0

New PC BCAR Calculation (ratio to Available Capital)

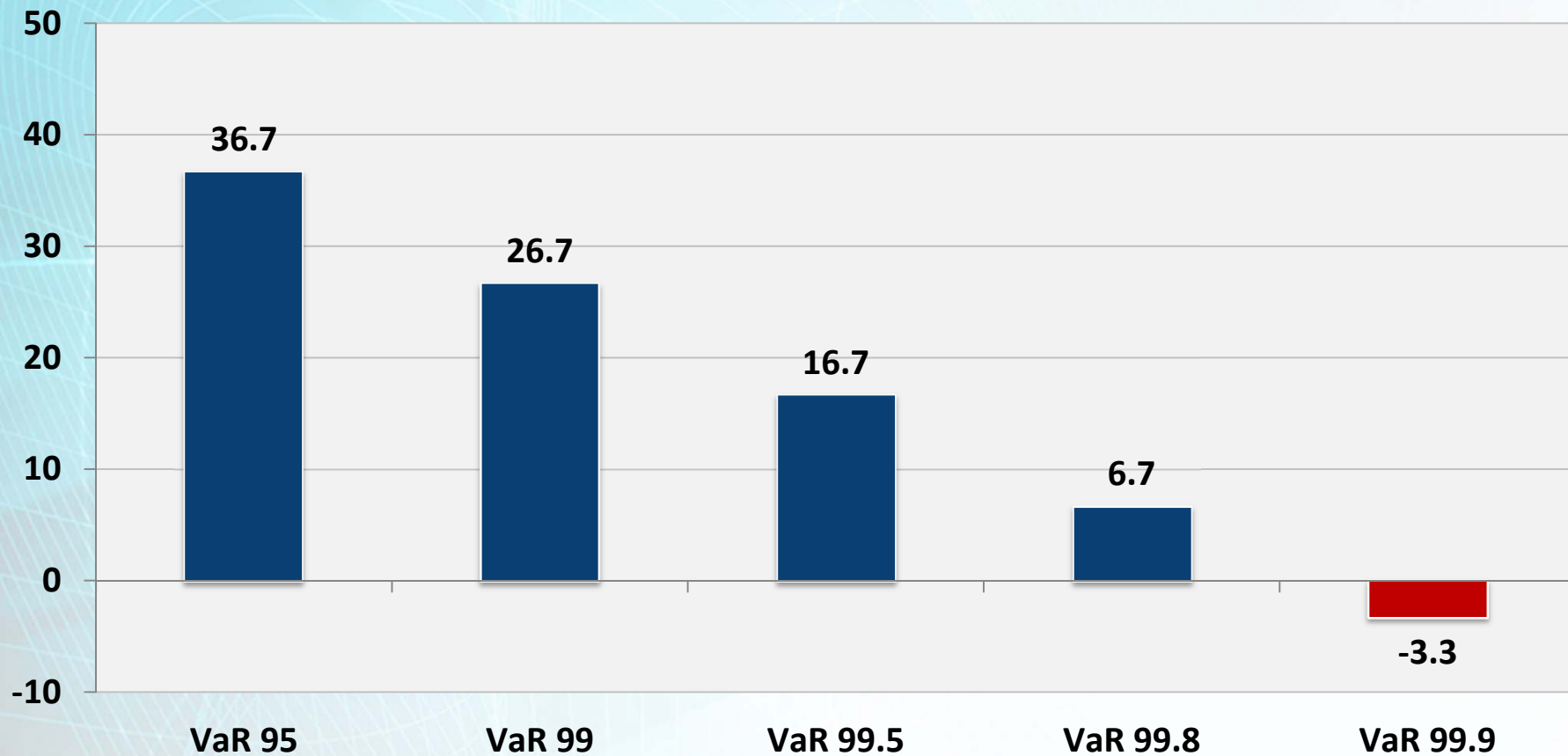
Potential Scores:

Low of -999.9 to Max of 100.0

Want BCAR > 0.0

Display of BCAR Scores

BCAR



Investment Risk (PC & LH)

- Fixed Income Securities – Default Risk
 - Bonds
 - Mortgage Loans
 - Preferred Stocks
- Equities – Market Value Volatility
 - Publicly Traded Common Stocks
 - Real Estate
 - Schedule BA assets
- Affiliated and Private investments receive 100% risk charge

Investment Risk (PC & LH)

- Bonds – Default Risk
 - Based on ESG
 - Update **bond default** risk factors
 - Reflect maturity of company's bond portfolio (SRQ)
 - Reflect asset quality of company's bond portfolio (SRQ)
 - Only defaults occurring in first 10 years are considered
 - Offset default with recovery on defaults (vary by rating)
 - Net defaulted amounts are present valued

PC SRQ



Bond Quality & Maturity SRQ question:

3b.FIXED INCOME PORTFOLIO ANALYSIS: Please complete the following Quality and Maturity Distribution of All Bonds Owned as of December 31, 2013. Please show US Governments on line 18, and show Parents, Subsidiaries, and Affiliates on line 19. Dollar amounts should be stated at Book/Adjusted carrying values (in \$000s). Number of Issuers should be provided in whole numbers and represents the number of bond issuers associated with the dollar amount of bonds expiring at that maturity date and rating.

(01) Rating (or equivalent to rating)	Maturing in 1 Year of Less		Maturing in Over 1 Year Through 3 Years		Maturing in Over 3 Years Through 5 Years		Maturing in Over 5 Years Through 10 Years		Maturing in Over 10 Years Through 20 Years		Maturing in Over 20 Years		Total
	(02) Amount (\$000)	(03) Number of Issuers	(04) Amount (\$000)	(05) Number of Issuers	(06) Amount (\$000)	(07) Number of Issuers	(08) Amount (\$000)	(09) Number of Issuers	(10) Amount (\$000)	(11) Number of Issuers	(12) Amount (\$000)	(13) Number of Issuers	(14) Amount (\$000)
1. AAA													
2. AA+													
3. AA													
4. AA-													
5. A+													
6. A													
7. A-													
8. BBB+													
9. BBB													
10. BBB-													
11. BB+													
12. BB													
13. BB-													
14. B+ to B-													
15. CCC+ to CCC-													
16. CC to C													
17. D (in or near default)													
18. U.S. Governments*		X X X		X X X		X X X		X X X		X X X		X X X	
19. Parents, Subsidiaries, & Affiliates**													
20. All Other													
21. TOTAL (Lines 1 through 20)***													

*Row 18 Column 14 Total should match NAIC annual statement Schedule D Part 1A Section 1 Line 1.7 Column 6 (divided by 1000).

**Row 19 Column 14 Total should match NAIC annual statement Schedule D Part 1A Section 1 Line 8.7 Column 6 (divided by 1000).

***Row 21 Column 14 Total should match NAIC annual statement Schedule D Part 1A Section 1 Line 9.7 Column 6 (divided by 1000).

Investment Risk – PC Analyst View

Observation:

- Model reacts to bond quality and maturity

<u>YE 2014 Bond Risk Factors</u>							
Using P/C Industry's Bond Mix							
	Percent of Total	Current BCAR	VaR 95	VaR 99	VaR 99.5	VaR 99.8	VaR 99.9
NAIC 1	82.2%	1.0%	0.7%	1.1%	1.3%	1.5%	1.7%
NAIC 2	13.7%	2.0%	4.1%	5.4%	5.9%	6.4%	6.9%
NAIC 3	2.2%	4.0%	11.5%	13.2%	13.7%	14.2%	14.7%
NAIC 4	1.4%	4.5%	21.0%	23.0%	24.0%	24.5%	25.0%
NAIC 5	0.3%	10.0%	48.0%	48.5%	49.0%	49.5%	50.0%
NAIC 6	0.2%	30.0%	63.0%	64.0%	65.0%	66.0%	67.0%
Total (ex US Govt)	100.0%	1.3%	1.9%	2.5%	2.8%	3.0%	3.3%

Investment Risk – PC Analyst View

Observation:

- Model reacts to bond quality and maturity

<u>P/C industry allocation</u>						
	<u>Bond Maturity</u>					
	<u>m<1yr</u>	<u>1yr<m<3</u>	<u>3yr<m<5</u>	<u>5yr<m<10</u>	<u>10yr<m<20</u>	<u>20yr<m</u>
AAA	4.6%	4.8%	5.0%	7.6%	4.0%	2.5%
AA+	1.5%	2.2%	2.6%	4.8%	3.3%	1.6%
AA	1.0%	2.9%	2.5%	5.0%	2.3%	0.6%
AA-	0.8%	1.9%	2.1%	3.6%	1.8%	0.6%
A+	0.7%	1.8%	2.1%	3.3%	1.1%	0.4%
A	1.2%	2.8%	2.9%	4.4%	1.1%	0.4%
A-	0.6%	1.7%	1.9%	3.1%	0.6%	0.3%
BBB+	3.3%	8.5%	8.5%	16.0%	1.9%	1.6%
BBB	3.0%	8.0%	8.6%	18.0%	1.7%	1.3%
BBB-	1.5%	3.0%	4.2%	9.0%	1.0%	0.9%

Avg
Maturity
for:
naic 1
7.3

Avg
Quality
for:
naic 1
AA/AA-

Investment Risk (PC & LH)

- Mortgage Loans – Default Risk
 - Based on NAIC RBC study of commercial mortgage loans
 - RBC study produced factors at VaR 92 level for various classes
 - Update **Mortgage Loans** risk factors
 - Reviewed NAIC RBC factors for CM1 thru CM5
 - Not a material asset class for PC
 - 98% of commercial mortgages held by Life insurers were CM3 or better
 - Selected baseline risk factor based on CM3 and used real estate tail to get to factors for higher confidence levels
 - Companies can share greater details of portfolio for potential reduction in factors

Investment Risk – Analyst Views

Observation:

- New model has higher risk factors for Mortgage Loans

Industry Baseline Risk Factors

	PC Current BCAR	LH Current BCAR	VaR 95	VaR 99	VaR 99.5	VaR 99.8	VaR 99.9	
Mortgage Loans	5.0%	Various	3.3%	4.9%	5.4%	6.2%	6.9%	
			VaR 95	VaR 99	VaR 99.5	VaR 99.8	VaR 99.9	
			CM1	1.0%	1.5%	1.7%	2.0%	2.2%
			CM2	2.3%	3.4%	3.8%	4.4%	4.8%
			CM3	3.3%	4.9%	5.4%	6.2%	6.9%
			CM4	6.3%	9.3%	10.3%	11.9%	13.1%
			CM5	8.5%	12.5%	13.8%	16.0%	17.6%

Investment Risk (PC & LH)

- Preferred Stocks – Default Risk
 - Based on bond defaults from ESG
 - Update ***preferred stock default*** risk factors
 - Assumes debt like features
 - Assumes ability and willingness to hold to maturity
 - Uses industry bond distribution risk factors
 - Use common stock risk factors when
 - Actively trading preferred stocks
 - Unable to hold to maturity (exposure to shock events)
 - Materiality

Investment Risk (PC & LH)

- Common Stocks – Market Value Volatility
 - Based on ESG
 - Update publicly traded **common stock** risk factors
 - Reflect volatility of stock market (stochastic portion – S&P 500)
 - Reflect type of stocks held by company (SRQ – Beta)
 - Credibility of company Beta based on degree of fit (R-squared)
 - Using 1 year time period

	Industry Baseline Risk Factors						
	PC Current BCAR	LH Current BCAR	VaR 95	VaR 99	VaR 99.5	VaR 99.8	VaR 99.9
Publicly Traded Common Stock	15.0%	30.0%	25.0%	38.0%	43.0%	48.0%	50.0%

PC SRQ



Common Stock Beta SRQ Question:

I. ASSET SECTION (Continued)

3c. COMMON STOCK PORTFOLIO ANALYSIS: Please enter the "Beta" and the associated "R-Squared" of your company's publicly traded common stock portfolio as of December 31, 2013 (including publicly traded Parent, Subsidiary, and Affiliated common stock). The "Beta" represents the level of movement in the market value of common stocks owned relative to the stock market as a whole over a specified period of time. "R-Squared" measures how reliable the calculated "Beta" is.

The stock portfolio should be separated based upon the country of the exchange in which the stock is traded. If a stock is traded on exchanges in multiple countries, only include it in one of the countries. If the total market value of the common stocks that are traded in a particular country is less than 5% of the rating unit's total publicly traded common stock portfolio market value, then a response for that country is not required.

Please use the Aggregate Method to calculate the portfolio Beta based upon the specified index shown. The Aggregate Method portfolio Beta at year end is determined by a simple linear regression using 52 weeks of time weighted rates of return for the entire portfolio. When using the value of the publicly traded common stock portfolio in the calculation of the Beta, do not include the effects of any hedging on the portfolio. For companies that do not want the administrative expense of calculating the portfolio Beta, please enter a Beta of 1.50 and R-Squared of 1.00 along with the market value of the common stocks in that portfolio.

Publicly Traded Common Stocks

(01) Location of Domestic Exchange on which Common Stocks are Traded	(02) Market Value @12/31/2013 (in \$000s)	(03) Beta	(04) R-Squared	(05) Index Used to Calculate Beta & R-Squared
1. United States of America				S&P 500
2. Canada				S&P/TSX Composite
3. United Kingdom				FT All Shares
4. Japan				TOPIX
5. Other (please specify)				Please specify:
6. Other (please specify)				Please specify:
7. Other (please specify)				Please specify:
8. TOTAL (Lines 1 through 7)		X X X	X X X	X X X

Investment Risk (PC & LH)

- Real Estate – Market Value Volatility
 - Based on ESG
 - Update **Real Estate** risk factors
 - Uses real estate index in ESG
 - Use same factors for Company Occupied and Investment real estate
 - Using 1 year time period

	Industry Baseline Risk Factors						
	PC	LH					
	Current BCAR	Current BCAR	VaR 95	VaR 99	VaR 99.5	VaR 99.8	VaR 99.9
Company Occupied Real Estate	10.0%	10.0%	12.6%	18.5%	20.5%	23.7%	26.1%
Investment Real Estate	20.0%	15.0%	12.6%	18.5%	20.5%	23.7%	26.1%

Investment Risk (PC & LH)

- Schedule BA Assets – Market Value Volatility
 - Based on ESG
 - Update **Other Invested Assets** risk factors
 - Reviewed volatility in over 30 different hedge fund indices in ESG
 - Selected baseline risk factors = 1.10 times S&P 500 factors
 - Companies can share greater details of portfolio for potential reduction in factors
 - Using 1 year time period

Industry Baseline Risk Factors

	PC	LH					
	Current	Current	VaR	VaR	VaR	VaR	VaR
	BCAR	BCAR	95	99	99.5	99.8	99.9
Other Invested Assets (Unaffiliated)	20.0%	Various	27.5%	41.8%	47.3%	52.8%	55.0%

Interest Rate Risk (PC)

- Interest Rate Risk
 - Risk of having to sell fixed income assets when market values are lower
 - Exposure to a rise in interest rates over next one year
 - Liquidity risk during the upcoming year
 - Risk is driven by sudden shock event
 - PC - Usually natural catastrophe, or man-made, could be economic

Interest Rate Risk (PC)

- Interest Rate Movements

- Based on ESG
- Simulated 10,000 potential one year changes in interest rates
- Reflects duration of company's fixed income asset portfolio (bonds-SRQ)
- Reflects liquidity need using Greater of Gross PML or 10% of surplus

Proposed One Year Rise in Interest Rate

Current	VaR 95	VaR 99	VaR 99.5	VaR 99.8	VaR 99.9
120 BP	170 BP	240 BP	270 BP	290 BP	310 BP

Credit Risk (PC & LH)

- Credit Risk
 - Risk of default on:
 - Reinsurance recoverables (recov on pd & unpd, ceded UPR)
 - Reinsurance Recoverable Charge:
 - Credit risk charge (ability to pay)
 - Reinsurer AMB issuer credit rating
 - Duration of recoverables
 - Uses stochastic simulation software and impairment table
 - Credit Risk Charges reduced for:
 - Recovery on default (50%)
 - Funds Held (100%)
 - Acceptable LOCs & Trusts (up to 90%)
 - Discounted to present value
 - Dispute Risk calculation remains

Credit Risk (PC & LH)

Cumulative Impairment Rates and Assumed Recovery Rate on Impairment

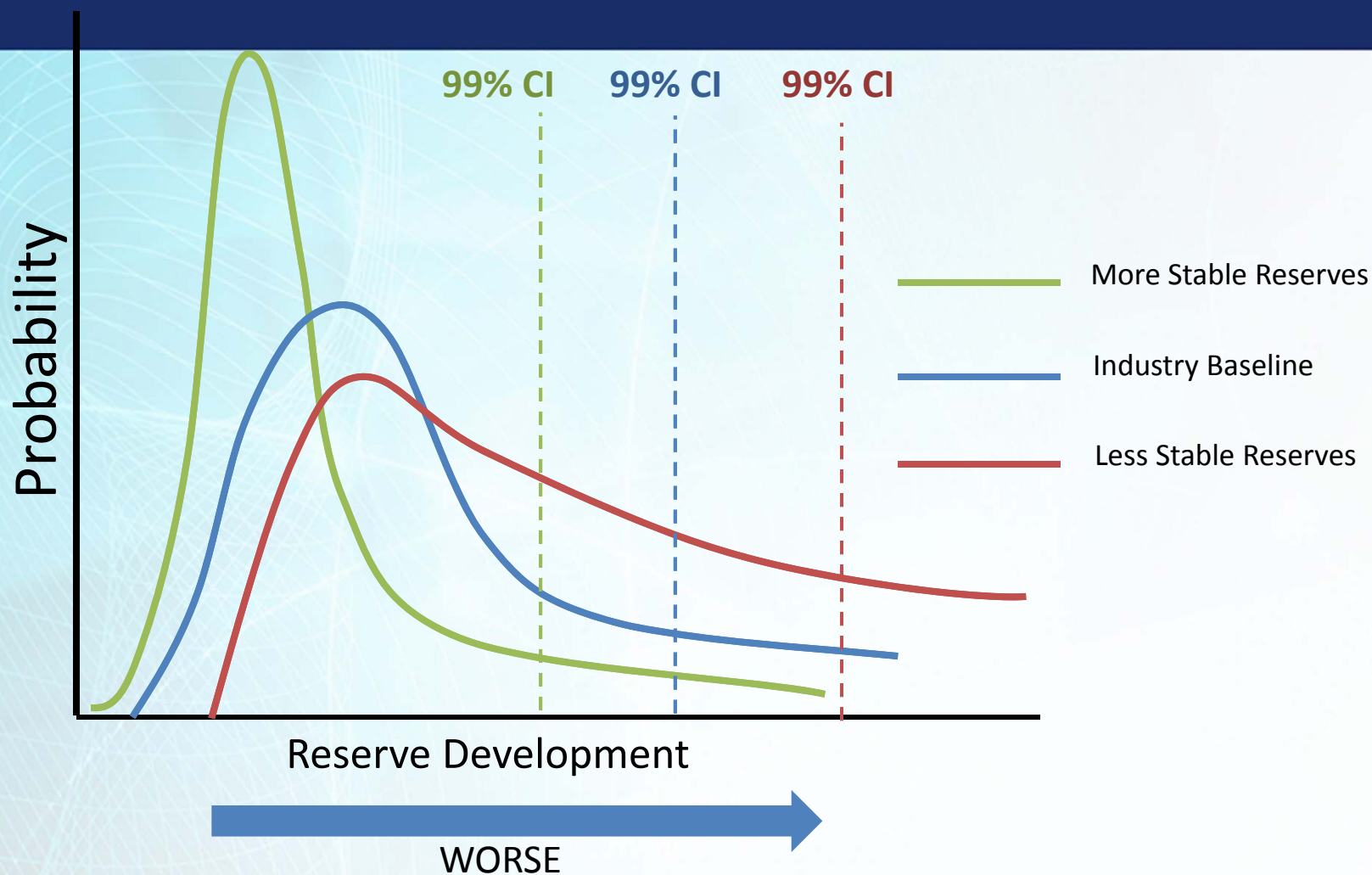
Best's ICR of Reinsurer	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Recovery Rate
aaa	0.08%	0.11%	0.14%	0.18%	0.23%	0.29%	0.35%	0.42%	0.50%	0.58%	50%
aa+	0.14%	0.21%	0.28%	0.35%	0.43%	0.51%	0.60%	0.69%	0.78%	0.88%	50%
aa	0.20%	0.30%	0.41%	0.52%	0.64%	0.76%	0.89%	1.02%	1.16%	1.31%	50%
aa-	0.22%	0.42%	0.62%	0.82%	1.04%	1.26%	1.50%	1.74%	1.98%	2.24%	50%
a+	0.28%	0.62%	0.96%	1.30%	1.65%	2.00%	2.36%	2.72%	3.08%	3.45%	50%
a	0.35%	0.80%	1.26%	1.72%	2.18%	2.64%	3.10%	3.56%	4.03%	4.50%	50%
a-	0.45%	1.00%	1.56%	2.11%	2.67%	3.23%	3.79%	4.35%	4.91%	5.48%	50%
bbb+	0.84%	1.87%	2.90%	3.92%	4.94%	5.95%	6.97%	7.98%	8.99%	10.00%	50%
bbb	1.23%	2.97%	4.68%	6.34%	7.98%	9.57%	11.14%	12.67%	14.18%	15.65%	50%
bbb-	1.56%	3.83%	6.02%	8.13%	10.18%	12.15%	14.07%	15.93%	17.74%	19.50%	50%
bb+	3.73%	7.30%	10.80%	14.23%	17.60%	20.90%	24.15%	27.35%	30.49%	33.58%	50%
bb	4.77%	9.03%	13.08%	16.99%	20.77%	24.44%	28.02%	31.50%	34.91%	38.23%	50%
bb-	10.33%	15.53%	20.41%	25.05%	29.50%	33.79%	37.91%	41.90%	45.75%	49.46%	50%
b+	13.85%	18.59%	23.11%	27.47%	31.69%	35.79%	39.77%	43.65%	47.41%	51.07%	50%
b	19.53%	24.28%	28.87%	33.32%	37.65%	41.85%	45.93%	49.89%	53.73%	57.44%	50%
b-	23.30%	27.55%	31.74%	35.87%	39.94%	43.93%	47.84%	51.67%	55.40%	59.04%	50%
ccc+ and Lower	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	50%
Not Rated	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	50%

Model responds to credit quality, duration, and concentration in recoverables

Reserve Risk (PC)

- Risk of unanticipated adverse development on net loss & loss-adjustment expense (LAE) reserves
- Reserve Risk Factors
 - Uses stochastic simulation software
 - probability distributions
 - correlation matrix
- Further adjustment to required capital for Excessive Growth

Company Adjusted Curve (PC)



Reserve Risk Size Categories (PC)



Line of Business Thresholds

Net Loss and LAE Reserve Risk Size Category

Schedule P Line	Very Small	Small	Medium	Large
Homeowners/Farmowners	Under \$2M	\$2M to \$5M	\$5M to \$15M	Over \$15M
Personal Auto Liability	Under \$5M	\$5M to \$15M	\$15M to \$50M	Over \$50M
Commercial Auto Liability	Under \$3M	\$3M to \$7M	\$7M to \$20M	Over \$20M
Workers Compensation	Under \$5M	\$5M to \$20M	\$20M to \$75M	Over \$75M
Commercial Multiperil	Under \$4M	\$4M to \$10M	\$10M to \$20M	Over \$20M
Medical Prof Liab - Occurrence	Under \$3M	\$3M to \$7M	\$7M to \$30M	Over \$30M
Medical Prof Liab - Claims Made	Under \$4M	\$4M to \$15M	\$15M to \$50M	Over \$50M
Special Liability	Under \$2M	\$2M to \$10M	\$10M to \$60M	Over \$60M
Other Liability - Occurrence	Under \$4M	\$4M to \$12M	\$12M to \$40M	Over \$40M
Other Liability - Claims Made	Under \$3M	\$3M to \$8M	\$8M to \$30M	Over \$30M
Products Liability - Occurrence	Under \$3M	\$3M to \$7M	\$7M to \$20M	Over \$20M
Products Liability - Claims Made	Under \$3M	\$3M to \$7M	\$7M to \$20M	Over \$20M
Property	Under \$2M	\$2M to \$5M	\$5M to \$17M	Over \$17M
Auto Physical Damage	Under \$2M	\$2M to \$5M	\$5M to \$17M	Over \$17M
Fidelity & Surety / Guaranty	Under \$2M	\$2M to \$5M	\$5M to \$17M	Over \$17M
Other	Under \$2M	\$2M to \$5M	\$5M to \$17M	Over \$17M
International	Under \$4M	\$4M to \$10M	\$10M to \$20M	Over \$20M
Reinsurance A	Under \$2M	\$2M to \$10M	\$10M to \$25M	Over \$25M
Reinsurance B	Under \$5M	\$5M to \$20M	\$20M to \$100M	Over \$100M
Reinsurance C	Under \$2M	\$2M to \$5M	\$5M to \$15M	Over \$15M
Warranty	Under \$2M	\$2M to \$5M	\$5M to \$17M	Over \$17M

Reserve Risk Correlation (PC)

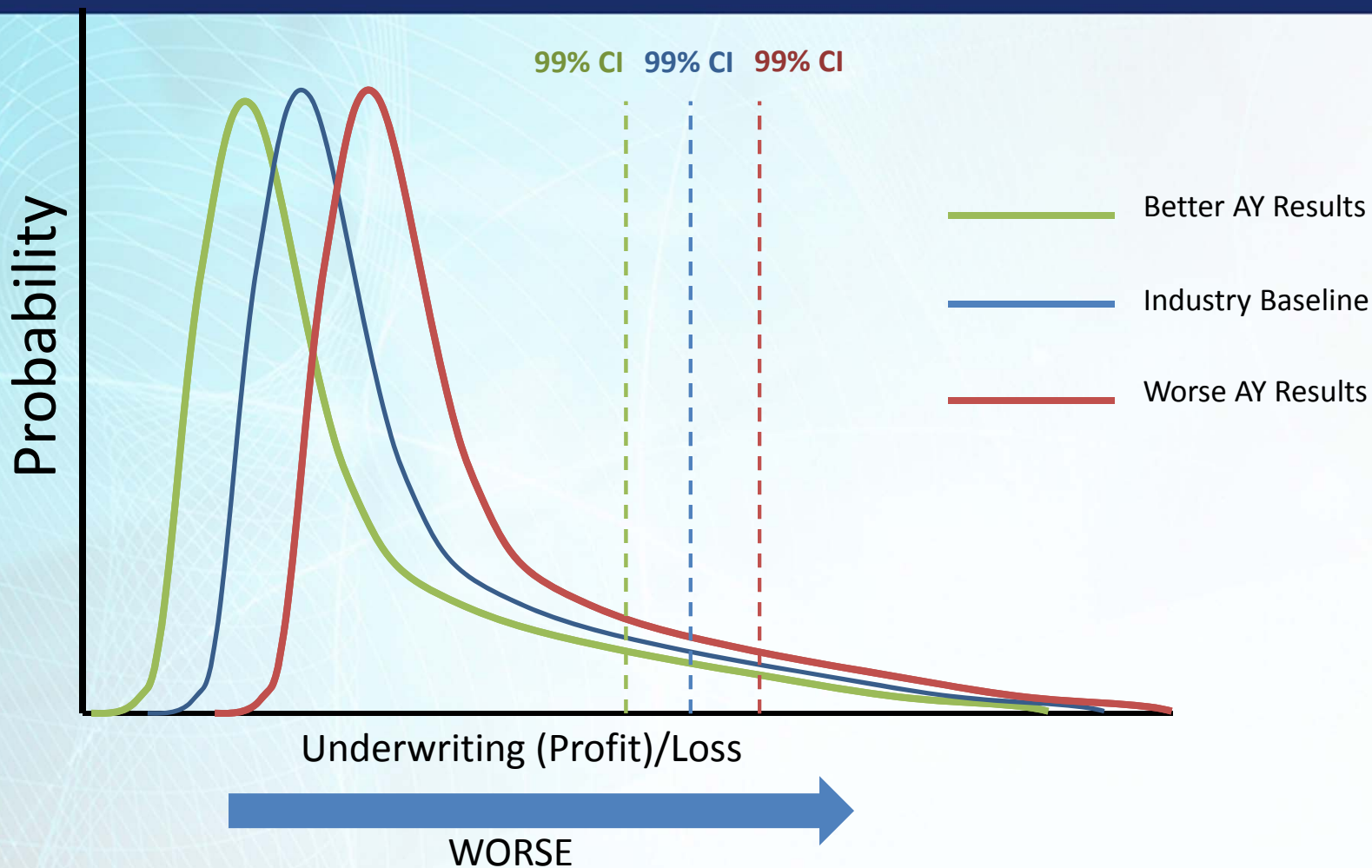
Industry Reserve Development Correlation Matrix

	HO	PAL	CAL	WC	CMP	MPL OCC	MPL CM	SPEC LIAB	OL OCC	OL CM	PROD OCC	PROD CM	PROP	PHYS DAM	F&S	OTHER	INTL	REIN A	REIN B	REIN C	WTY
HO	1.00	0.70	0.50	0.25	0.70	0.25	0.25	0.70	0.25	0.25	0.25	0.25	0.70	0.50	0.00	0.25	0.00	0.70	0.25	0.25	0.00
PAL	0.70	1.00	0.85	0.80	0.85	0.85	0.85	0.85	0.80	0.80	0.80	0.50	0.85	0.85	0.00	0.00	0.00	0.50	0.90	0.50	0.00
CAL	0.50	0.85	1.00	0.70	0.95	0.90	0.95	0.95	0.70	0.70	0.90	0.25	0.85	0.80	0.00	0.00	0.00	0.50	0.80	0.50	0.00
WC	0.25	0.80	0.70	1.00	0.90	0.90	0.90	0.70	0.95	0.95	0.85	0.50	0.80	0.70	0.50	0.00	0.00	0.00	0.95	0.50	0.00
CMP	0.70	0.85	0.95	0.90	1.00	0.95	0.95	0.90	0.85	0.85	0.90	0.50	0.90	0.80	0.25	0.00	0.00	0.50	0.90	0.50	0.00
MPL-OCC	0.25	0.85	0.90	0.90	0.95	1.00	0.95	0.85	0.90	0.85	0.90	0.25	0.85	0.80	0.25	0.00	0.00	0.50	0.90	0.50	0.00
MPL-CM	0.25	0.85	0.95	0.90	0.95	0.95	1.00	0.90	0.90	0.80	0.90	0.25	0.85	0.80	0.25	0.00	0.00	0.50	0.90	0.50	0.00
SPEC LIAB	0.70	0.85	0.95	0.70	0.90	0.85	0.90	1.00	0.50	0.50	0.85	0.25	0.90	0.80	0.00	0.00	0.00	0.70	0.70	0.50	0.00
OL-OCC	0.25	0.80	0.70	0.95	0.85	0.90	0.90	0.50	1.00	0.95	0.90	0.25	0.80	0.70	0.50	0.00	0.00	0.00	0.95	0.25	0.00
OL-CM	0.25	0.80	0.70	0.95	0.85	0.85	0.80	0.50	0.95	1.00	0.80	0.50	0.70	0.70	0.50	0.00	0.00	0.00	0.90	0.25	0.00
PROD-OCC	0.25	0.80	0.90	0.85	0.90	0.90	0.90	0.85	0.90	0.80	1.00	0.25	0.85	0.80	0.25	0.00	0.00	0.25	0.90	0.50	0.00
PROD-CM	0.25	0.50	0.25	0.50	0.50	0.25	0.25	0.25	0.25	0.50	0.25	1.00	0.25	0.25	0.25	0.00	0.00	0.00	0.50	0.00	0.00
PROP	0.70	0.85	0.85	0.80	0.90	0.85	0.85	0.90	0.80	0.70	0.85	0.25	1.00	0.90	0.25	0.00	0.00	0.70	0.50	0.25	0.00
PHYS DAM	0.50	0.85	0.80	0.70	0.80	0.80	0.80	0.80	0.70	0.70	0.80	0.25	0.90	1.00	0.25	0.00	0.00	0.25	0.50	0.25	0.00
FID & SURETY	0.00	0.00	0.00	0.50	0.25	0.25	0.25	0.00	0.50	0.50	0.25	0.25	0.25	0.25	1.00	0.00	0.00	0.00	0.50	0.00	0.00
OTHER	0.25	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00
INTL	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00
REIN A	0.70	0.50	0.50	0.00	0.50	0.50	0.50	0.70	0.00	0.00	0.25	0.00	0.70	0.25	0.00	0.00	0.00	1.00	0.25	0.50	0.00
REIN B	0.25	0.90	0.80	0.95	0.90	0.90	0.90	0.70	0.95	0.90	0.90	0.50	0.50	0.50	0.50	0.00	0.00	0.25	1.00	0.50	0.00
REIN C	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.25	0.25	0.50	0.00	0.25	0.25	0.00	0.00	0.00	0.50	0.50	1.00	0.00
WTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00

Premium Risk (PC)

- Risk that pricing of business written next year will be inadequate
 - Potential for Underwriting Loss on one more year's worth of business
 - This is the one-year look forward in terms of adding additional exposure
 - Current year's NWP used as proxy for next year
- Premium Risk Factors
 - Uses stochastic simulation software
 - probability distributions
 - correlation matrix
- Further adjustment to required capital for Excessive Growth

Company Adjusted Curve (PC)



Premium Risk Size Categories (PC)



Schedule P Line	Net Premium Written Risk Size Category							
	Very Small	Small			Medium		Large	
Homeowners/Farmowners	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Personal Auto Liability	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Commercial Auto Liability	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Workers Compensation	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Commercial Multiperil	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Medical Prof Liab - Occurrence	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Medical Prof Liab - Claims Made	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Special Liability	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Other Liability - Occurrence	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Other Liability - Claims Made	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Products Liability - Occurrence	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Products Liability - Claims Made	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Property	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Auto Physical Damage	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Fidelity & Surety / Guaranty	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Other	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
International	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Reinsurance A	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Reinsurance B	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Reinsurance C	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M
Warranty	Under \$2M	\$2M	to	\$10M	\$10M	to	\$30M	Over \$30M

Premium Risk Correlation (PC)

Industry Premium Correlation Matrix

	HO	PAL	CAL	WC	CMP	MPL OCC	MPL CM	SPEC LIAB	OL OCC	OL CM	PROD OCC	PROD CM	PROP	PHYS DAM	F&S	OTHER	INTL	REIN A	REIN B	REIN C	WTY
HO	1.00	0.70	0.70	0.70	0.70	0.50	0.50	0.70	0.70	0.70	0.50	0.50	0.70	0.70	0.00	0.50	0.25	0.50	0.50	0.50	0.00
PAL	0.70	1.00	0.85	0.70	0.50	0.25	0.25	0.50	0.50	0.50	0.70	0.70	0.25	0.80	0.00	0.50	0.50	0.00	0.70	0.50	0.00
CAL	0.70	0.85	1.00	0.95	0.90	0.90	0.90	0.80	0.90	0.85	0.85	0.80	0.50	0.85	0.00	0.50	0.25	0.25	0.90	0.80	0.00
WC	0.70	0.70	0.95	1.00	0.85	0.85	0.85	0.80	0.95	0.90	0.90	0.90	0.50	0.80	0.00	0.70	0.25	0.00	0.85	0.70	0.00
CMP	0.70	0.50	0.90	0.85	1.00	0.80	0.80	0.85	0.85	0.80	0.70	0.70	0.70	0.80	0.00	0.50	0.25	0.25	0.80	0.70	0.00
MPL-OCC	0.50	0.25	0.90	0.85	0.80	1.00	0.95	0.50	0.85	0.80	0.90	0.70	0.50	0.70	0.00	0.50	0.25	0.00	0.85	0.85	0.00
MPL-CM	0.50	0.25	0.90	0.85	0.80	0.95	1.00	0.50	0.90	0.85	0.90	0.80	0.50	0.70	0.00	0.50	0.25	0.00	0.95	0.85	0.00
SPEC LIAB	0.70	0.50	0.80	0.80	0.85	0.50	0.50	1.00	0.70	0.70	0.50	0.50	0.85	0.85	0.00	0.50	0.50	0.25	0.70	0.70	0.00
OL-OCC	0.70	0.50	0.90	0.95	0.85	0.85	0.90	0.70	1.00	0.95	0.90	0.85	0.50	0.80	0.00	0.70	0.50	0.00	0.90	0.85	0.00
OL-CM	0.70	0.50	0.85	0.90	0.80	0.80	0.85	0.70	0.95	1.00	0.85	0.80	0.50	0.85	0.00	0.70	0.25	0.00	0.85	0.85	0.00
PROD-OCC	0.50	0.70	0.85	0.90	0.70	0.90	0.90	0.50	0.90	0.85	1.00	0.80	0.25	0.80	0.00	0.50	0.25	0.00	0.85	0.80	0.00
PROD-CM	0.50	0.70	0.80	0.90	0.70	0.70	0.80	0.50	0.85	0.80	0.80	1.00	0.25	0.70	0.00	0.70	0.50	0.00	0.85	0.70	0.00
PROP	0.70	0.25	0.50	0.50	0.70	0.50	0.50	0.85	0.50	0.50	0.25	0.25	1.00	0.50	0.00	0.25	0.25	0.70	0.25	0.70	0.00
PHYS DAM	0.70	0.80	0.85	0.80	0.80	0.70	0.70	0.85	0.80	0.85	0.80	0.70	0.50	1.00	0.00	0.50	0.25	0.00	0.70	0.85	0.00
FID & SURETY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00
OTHER	0.50	0.50	0.50	0.70	0.50	0.50	0.50	0.50	0.70	0.70	0.50	0.70	0.25	0.50	0.00	1.00	0.25	0.00	0.70	0.50	0.00
INTL	0.25	0.50	0.25	0.25	0.25	0.25	0.25	0.50	0.50	0.25	0.25	0.50	0.25	0.25	0.00	0.25	1.00	0.00	0.25	0.25	0.00
REIN A	0.50	0.00	0.25	0.00	0.25	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.70	0.00	0.00	0.00	0.00	1.00	0.00	0.25	0.00
REIN B	0.50	0.70	0.90	0.85	0.80	0.85	0.95	0.70	0.90	0.85	0.85	0.85	0.25	0.70	0.00	0.70	0.25	0.00	1.00	0.80	0.00
REIN C	0.50	0.50	0.80	0.70	0.70	0.85	0.85	0.70	0.85	0.85	0.80	0.70	0.70	0.85	0.00	0.50	0.25	0.25	0.80	1.00	0.00
WTY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00

Business Risk (PC & LH)

- Risks not reflected in balance sheet that may affect surplus
 - Contingent Liabilities
 - Non-controlled assets
 - Unfunded Pension & other post employment/ retirement benefits
 - Separate Account Assets
 - Etc.
- Risk factors determined by analyst
- Use same required capital at all VaRs

Potential Catastrophe Loss (PC)



- Natural Catastrophe
 - Update *natural catastrophe* approach –
 - Per Occurrence
 - **Total all perils**
 - Measured at various VaR levels
 - **Risk added to Net Required Capital**
 - Will continue stress test approach
 - Reinstatement premium and Tax adjustments remain
- Terrorism and other stress tests remain

PC SRQ



Natural Catastrophe SRQ Question:

IV. OPERATIONS SECTION (Continued)

CATASTROPHE EXPOSURE (Cont.): (19a)

(Hurricane, Earthquake (incl. Fire), Tornado/Hail, Winter Storm/Freeze, Other, or All Perils Combined)

CATASTROPHE LOSS ANALYSIS METHODOLOGY: (19b)

(Computer Model #1, Computer Model #2, Computer Model #3, Other Estimate, or Management View)

If Computer Model, please list Catastrophe Model Vendor Name: _____

Model Version: _____

Modeling performed by: _____

If "Other Estimate" please explain: _____

20a. QUANTIFICATION OF POTENTIAL CATASTROPHE LOSS: In the table below, please state the estimated losses to your rating unit from the catastrophe risk exposure indicated within question 19 and its impact on your rating unit's 2014 year-end policyholders' surplus. We have requested probable maximum losses on both a per occurrence basis and on an aggregate basis for loss return periods of 20, 50, 100, 200, 250, 500, and 1,000 years in order to gauge your rating unit's relative exposure. A 50 year return period coincides with a 2% annual probability that such a loss will occur; a 100 year return period represents a 1% annual probability; and so forth. This should include your company's worldwide exposure. Please supply data for all loss return periods. Responses should exclude the benefits from catastrophe bonds, industry loss warranties, and other non-traditional risk mitigation transactions.

Indicated CAT Risk Based upon Worldwide Exposures	2014 GROSS LOSSES* (I)				2014 PRE-TAX NET LOSSES* (II)			
	PER OCCURRENCE		AGGREGATE**		PER OCCURRENCE		AGGREGATE**	
	(01) Probable Maximum Loss (PML) (\$000s)	(02) TVAR or TCE*** (\$000s)	(03) Probable Maximum Loss (PML) (\$000s)	(04) TVAR or TCE*** (\$000s)	(05) PML (Including Reinstatement Costs) (\$000s)	(06) TVAR or TCE*** (Excluding Reinstatement Costs) (\$000s)	(07) PML (excluding Reinstatement Costs) (\$000s)	(08) TVAR or TCE*** (Excluding Reinstatement Costs) (\$000s)
Loss Return Period (Annual Probability)								
1. 20 Years (5.0%)								
2. 50 Years (2.0%)								
3. 100 Years (1.0%)								
4. 200 Years (0.5%)								
5. 250 Years (0.4%)								
6. 500 Years (0.2%)								
7. 1,000 Years (0.1%)								

*Assume that events are equally likely to occur at any time in a 24 hour day (i.e. Random time).

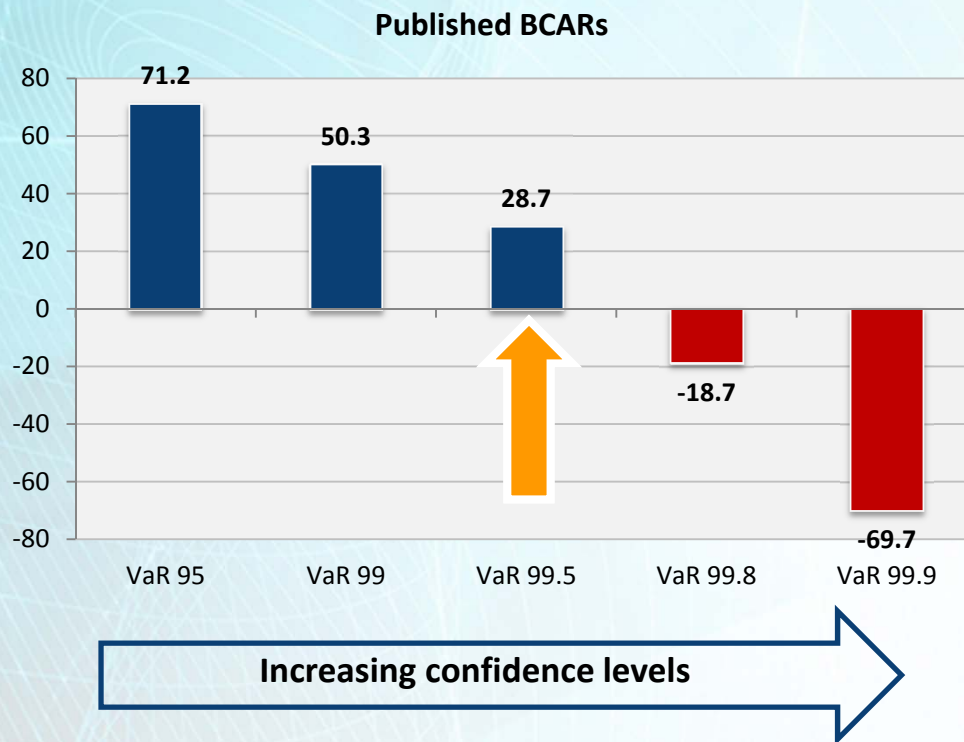
**Reflects the impact of multiple events in a given year or season.

***TVAR (Tail Value at Risk) or TCE (Tail Conditional Expectation)



Applying BCAR Scores


- Using the 5 BCARs below, find the highest confidence level where the BCAR is still Greater than Zero
- Then, use that confidence level in BCAR guidance table to determine initial Balance Sheet Strength assessment



Highest Confidence Level where BCAR is still positive = **99.5**

Applying BCAR Scores

- Key for rating unit evaluation
- BCAR run at the rating unit
- Confidence level results tie in to assessment

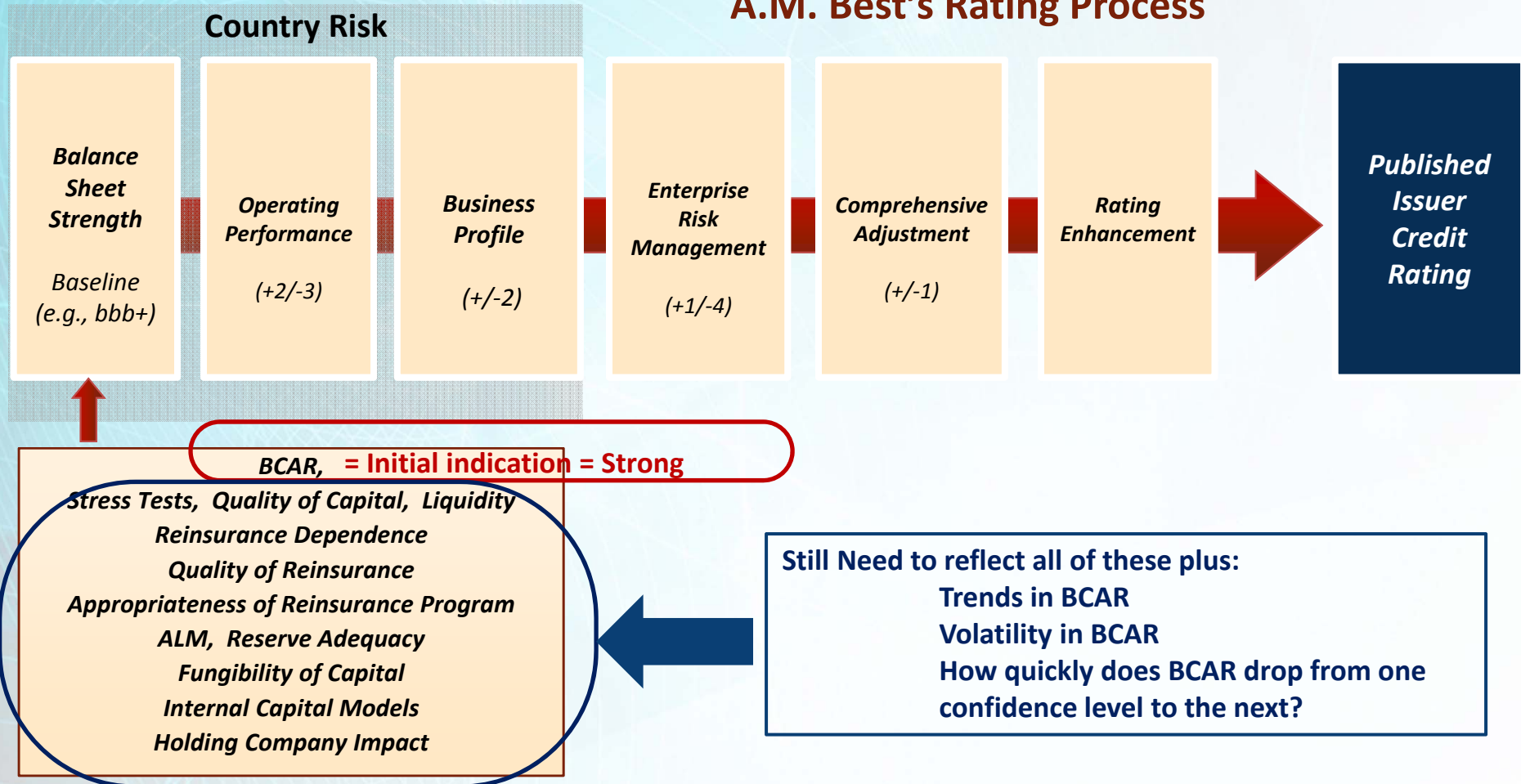
Metric	Confidence Level (%)	BCAR	Implied Consolidated Balance Sheet Strength
VaR	99.9	Greater than zero	Strongest
VaR	99.8	Greater than zero	Very Strong
VaR 	99.5	Greater than zero	Strong = Initial indication
VaR	99	Greater than zero	Adequate
VaR	95	Greater than zero	Weak
VaR	95	Less than zero	Very Weak

The key characteristics described for each assessment category are ideal scenarios and are not intended to be prescriptive.

Applying BCAR Scores



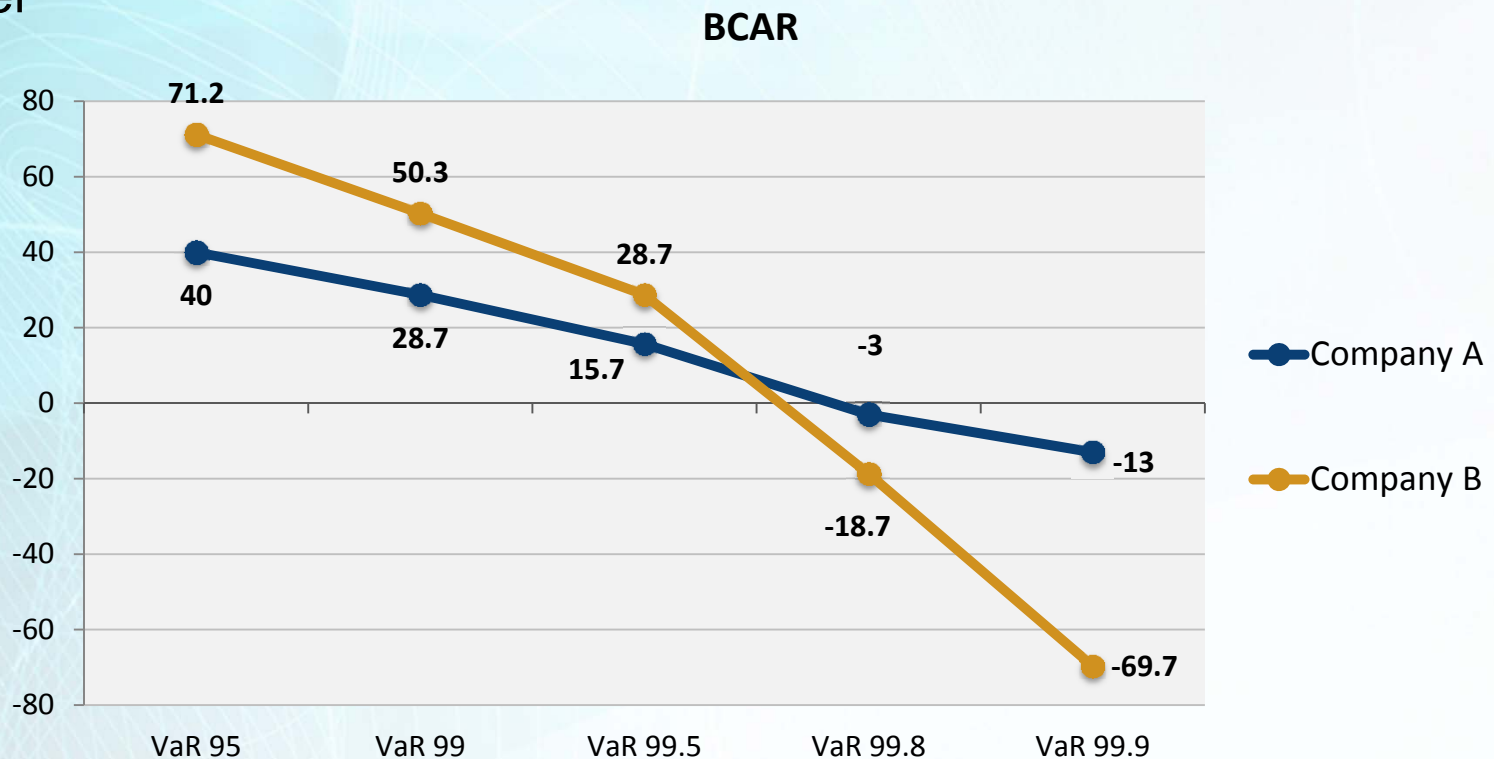
A.M. Best's Rating Process



Drop in BCAR – Analyst Views

Observation:

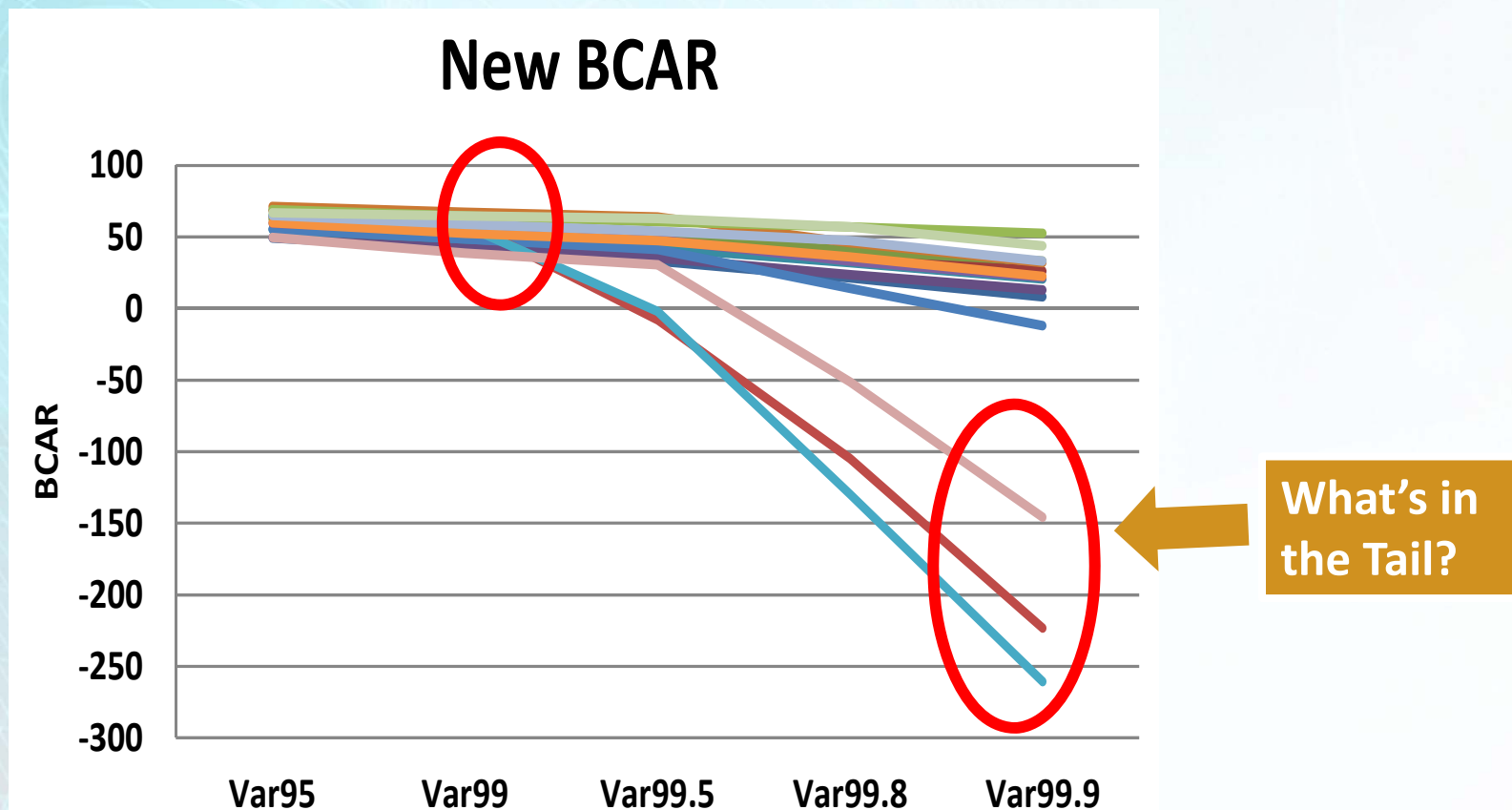
- Two companies pass at the 99.5 VaR but one company's scores drop much quicker



Drop in BCAR – Analyst Views

Observation:

- Concentrated property writer shows steep slope after VaR99

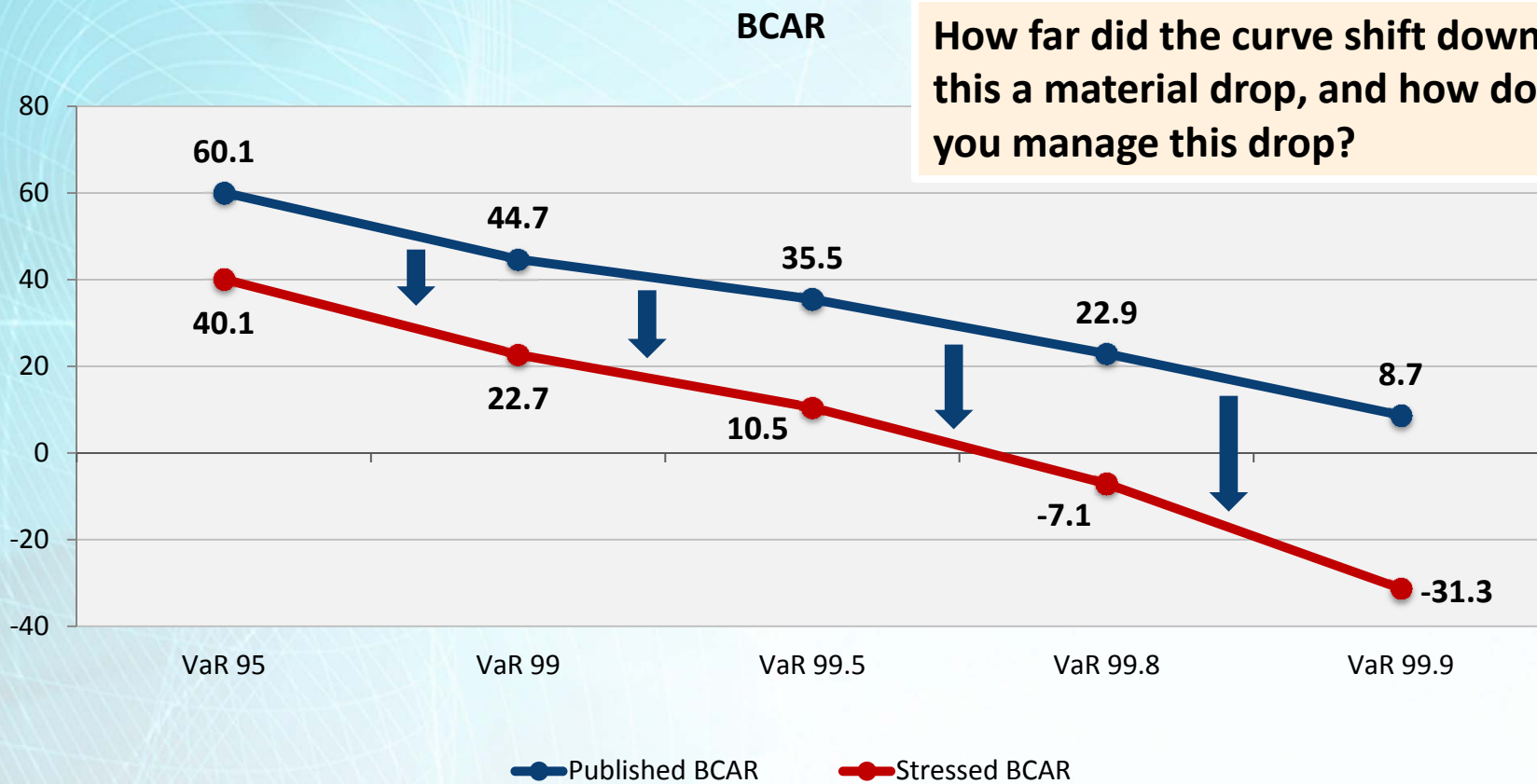


Catastrophe Stress Test

If a cat loss occurs, what would the BCAR scores look like?

1. Reduce Available Capital
 - 1-in-100 year Net PML from Per occurrence, Total all perils
 - Reinstatement premium and tax adjustments remain
2. Increase Recoverables by 40% of ceded loss
 - From 1-in-100 year PML from Per occurrence, Total all perils
 - Adjust credit risk factors if needed
3. Increase Net loss reserves by 40% of pretax net PML
 - From 1-in-100 year PML from Per occurrence, Total all perils
4. See how far BCAR scores drop at all confidence levels

Catastrophe Stress Test



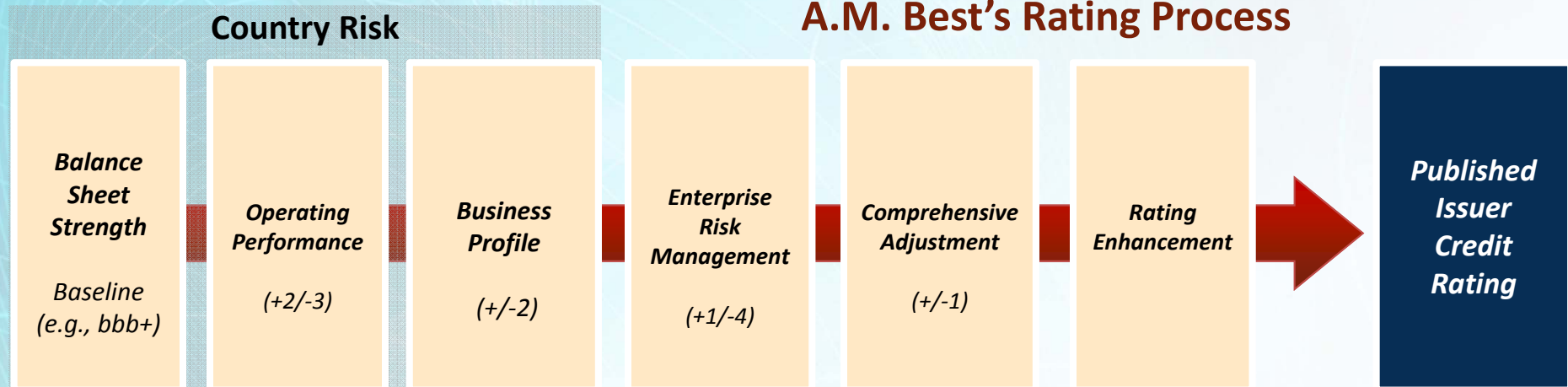
How far did the curve shift down, is this a material drop, and how do you manage this drop?

Need to assess Financial Flexibility to determine impact.

Applying BCAR Scores



A.M. Best's Rating Process



BCAR, = Initial indication = Strong

Stress Tests, Quality of Capital, Liquidity
 Reinsurance Dependence
 Quality of Reinsurance
 Appropriateness of Reinsurance Program
 ALM, Reserve Adequacy
 Fungibility of Capital
 Internal Capital Models
 Holding Company Impact

Reflected all of these plus:
 Trends in BCAR
 Volatility in BCAR
 How quickly does BCAR drop from one confidence level to the next?

Example: new assessment changes to ADEQUATE

Applying BCAR Scores



Overall Balance Sheet Strength Assessment

Combined Balance Sheet Assessment (Rating Unit/Holding Company)	Country Risk Tier				
	CRT-1	CRT-2	CRT-3	CRT-4	CRT-5
Strongest	a+/a	a+/a	a/a-	a-/bbb+	bbb+/bbb
Very Strong	a/a-	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-
Strong	a-/bbb+	a-/bbb+	bbb+/bbb/bbb-	bbb/bbb-/bb+	bbb-/bb+/bb
Adequate	bbb+/bbb/bbb-	bbb+/bbb/bbb-	bbb-/bb+/bb	bb/bb-	bb-/b+/b
Weak	bb+/bb/bb-	bb+/bb/bb-	<div style="border: 2px solid black; background-color: yellow; padding: 5px;"> Baseline Assessment based on All Balance Sheet Factors will then be adjusted for Operating Performance, Business Profile, ERM, Comprehensive adjustment, and Lift/Drag to get to the Published Issuer Credit Rating. </div>		
Very Weak	b+ and below	b+ and below			

Thank You!



Questions?

methodology.commentary@ambest.com

Appendix

Reserve Risk Typical Factors (PC)



Typical Reserve Risk Capital Factors

	Confidence Level				
	95	99	99.5	99.8	99.9
	Size Category: Very Small				
HO	0.320	0.492	0.560	0.651	0.718
PAL	0.202	0.302	0.341	0.389	0.425
CAL	0.242	0.365	0.413	0.475	0.520
WC	0.292	0.444	0.504	0.579	0.635
CMP	0.342	0.526	0.599	0.696	0.770
MPL OCC	0.383	0.595	0.681	0.791	0.877
MPL CM	0.348	0.539	0.617	0.717	0.791
SP Liab	0.240	0.362	0.410	0.471	0.517
OL OCC	0.379	0.587	0.671	0.778	0.862
OL CM	0.364	0.563	0.642	0.747	0.821
PROD OCC	0.460	0.717	0.819	0.956	1.054
PROD CM	0.359	0.557	0.637	0.739	0.821
Prop	0.322	0.495	0.565	0.651	0.717
PHYS	0.226	0.339	0.383	0.437	0.477
F&S	0.312	0.479	0.546	0.630	0.694
OTHER	0.283	0.430	0.488	0.563	0.620
INTL	0.342	0.525	0.599	0.693	0.770
REIN A	0.344	0.531	0.607	0.705	0.775
REIN B	0.423	0.660	0.755	0.879	0.971
REIN C	0.332	0.512	0.585	0.676	0.748
WTY	0.226	0.339	0.383	0.438	0.481

	Confidence Level				
	95	99	99.5	99.8	99.9
	Size Category: Small				
HO	0.281	0.427	0.485	0.561	0.617
PAL	0.184	0.274	0.309	0.352	0.384
CAL	0.215	0.321	0.363	0.416	0.455
WC	0.244	0.366	0.414	0.474	0.517
CMP	0.288	0.439	0.498	0.575	0.634
MPL OCC	0.329	0.506	0.578	0.668	0.739
MPL CM	0.294	0.450	0.513	0.593	0.652
SP Liab	0.225	0.338	0.382	0.438	0.480
OL OCC	0.310	0.474	0.539	0.621	0.685
OL CM	0.321	0.492	0.559	0.647	0.710
PROD OCC	0.414	0.639	0.728	0.846	0.930
PROD CM	0.327	0.503	0.573	0.662	0.734
Prop	0.280	0.425	0.484	0.556	0.610
PHYS	0.205	0.306	0.345	0.393	0.429
F&S	0.270	0.410	0.466	0.536	0.589
OTHER	0.242	0.364	0.412	0.473	0.520
INTL	0.288	0.438	0.497	0.573	0.634
REIN A	0.299	0.457	0.521	0.603	0.661
REIN B	0.381	0.589	0.672	0.779	0.858
REIN C	0.303	0.464	0.529	0.609	0.673
WTY	0.205	0.306	0.345	0.395	0.433

Reserve Risk Typical Factors (PC)



Typical Reserve Risk Capital Factors

Size Category: Medium					
	Confidence Level				
	<u>95</u>	<u>99</u>	<u>99.5</u>	<u>99.8</u>	<u>99.9</u>
HO	0.242	0.364	0.412	0.475	0.521
PAL	0.169	0.250	0.281	0.320	0.349
CAL	0.194	0.289	0.326	0.373	0.407
WC	0.223	0.334	0.377	0.430	0.469
CMP	0.239	0.360	0.406	0.467	0.513
MPL OCC	0.299	0.456	0.520	0.599	0.661
MPL CM	0.251	0.381	0.432	0.497	0.545
SP Liab	0.200	0.299	0.338	0.386	0.423
OL OCC	0.283	0.430	0.487	0.560	0.617
OL CM	0.288	0.438	0.497	0.573	0.628
PROD OCC	0.365	0.558	0.634	0.733	0.804
PROD CM	0.289	0.441	0.501	0.578	0.638
Prop	0.243	0.366	0.415	0.475	0.520
PHYS	0.188	0.279	0.314	0.357	0.389
F&S	0.252	0.381	0.433	0.496	0.545
OTHER	0.206	0.307	0.346	0.396	0.434
INTL	0.239	0.359	0.406	0.465	0.513
REIN A	0.256	0.387	0.440	0.507	0.555
REIN B	0.332	0.508	0.577	0.667	0.732
REIN C	0.274	0.417	0.474	0.545	0.600
WTY	0.188	0.279	0.314	0.358	0.392

Size Category: Large					
	Confidence Level				
	<u>95</u>	<u>99</u>	<u>99.5</u>	<u>99.8</u>	<u>99.9</u>
HO	0.205	0.306	0.346	0.397	0.434
PAL	0.151	0.223	0.250	0.284	0.310
CAL	0.178	0.264	0.297	0.339	0.370
WC	0.207	0.308	0.347	0.395	0.431
CMP	0.209	0.312	0.352	0.403	0.442
MPL OCC	0.267	0.406	0.461	0.530	0.583
MPL CM	0.211	0.318	0.360	0.413	0.451
SP Liab	0.186	0.277	0.312	0.356	0.389
OL OCC	0.279	0.422	0.478	0.549	0.604
OL CM	0.262	0.396	0.448	0.515	0.563
PROD OCC	0.325	0.493	0.559	0.645	0.706
PROD CM	0.252	0.381	0.432	0.497	0.548
Prop	0.207	0.308	0.348	0.397	0.434
PHYS	0.170	0.252	0.283	0.322	0.350
F&S	0.234	0.353	0.399	0.457	0.501
OTHER	0.188	0.280	0.315	0.359	0.393
INTL	0.209	0.312	0.352	0.402	0.442
REIN A	0.218	0.326	0.369	0.424	0.463
REIN B	0.298	0.452	0.512	0.589	0.645
REIN C	0.246	0.372	0.422	0.484	0.531
WTY	0.170	0.252	0.283	0.322	0.353

Premium Risk Typical Factors (PC)



Typical Premium Risk Capital Factors

Size Category: Very Small					
	Confidence Level				
	<u>95</u>	<u>99</u>	<u>99.5</u>	<u>99.8</u>	<u>99.9</u>
HO	0.323	0.496	0.566	0.654	0.726
PAL	0.267	0.404	0.459	0.526	0.579
CAL	0.275	0.418	0.476	0.550	0.606
WC	0.300	0.459	0.522	0.605	0.662
CMP	0.314	0.481	0.549	0.636	0.700
MPL OCC	0.349	0.543	0.619	0.723	0.793
MPL CM	0.321	0.496	0.566	0.653	0.719
SP Liab	0.289	0.445	0.506	0.587	0.643
OL OCC	0.330	0.511	0.583	0.678	0.745
OL CM	0.342	0.530	0.604	0.703	0.772
PROD OC	0.357	0.554	0.632	0.734	0.816
PROD CM	0.328	0.508	0.580	0.672	0.743
Prop	0.303	0.466	0.530	0.615	0.673
PHYS	0.239	0.361	0.409	0.470	0.518
F&S	0.303	0.466	0.530	0.616	0.673
OTHER	0.303	0.466	0.531	0.614	0.675
INTL	0.314	0.481	0.549	0.637	0.696
REIN A	0.326	0.503	0.572	0.663	0.737
REIN B	0.326	0.505	0.577	0.667	0.743
REIN C	0.321	0.496	0.567	0.660	0.732
WTY	0.248	0.376	0.427	0.490	0.540

Size Category: Small					
	Confidence Level				
	<u>95</u>	<u>99</u>	<u>99.5</u>	<u>99.8</u>	<u>99.9</u>
HO	0.281	0.427	0.485	0.559	0.618
PAL	0.239	0.359	0.406	0.464	0.510
CAL	0.248	0.374	0.425	0.490	0.539
WC	0.270	0.409	0.464	0.536	0.586
CMP	0.267	0.406	0.461	0.532	0.584
MPL OCC	0.324	0.500	0.569	0.663	0.725
MPL CM	0.307	0.471	0.537	0.620	0.680
SP Liab	0.266	0.405	0.460	0.533	0.582
OL OCC	0.286	0.438	0.498	0.578	0.633
OL CM	0.311	0.477	0.543	0.630	0.691
PROD OC	0.335	0.517	0.589	0.682	0.758
PROD CM	0.315	0.485	0.553	0.639	0.705
Prop	0.266	0.404	0.459	0.530	0.579
PHYS	0.212	0.318	0.359	0.412	0.453
FS	0.266	0.404	0.459	0.531	0.579
OTHER	0.257	0.390	0.443	0.509	0.558
INT	0.267	0.406	0.461	0.533	0.581
REIN A	0.282	0.431	0.489	0.564	0.625
REIN B	0.300	0.461	0.525	0.605	0.673
REIN C	0.261	0.400	0.455	0.528	0.585
WTY	0.221	0.332	0.376	0.431	0.474

Premium Risk Typical Factors (PC)



Typical Premium Risk Capital Factors

Size Category: Medium					
	Confidence Level				
	95	99	99.5	99.8	99.9
HO	0.263	0.398	0.452	0.520	0.574
PAL	0.210	0.314	0.354	0.404	0.443
CAL	0.235	0.354	0.401	0.461	0.506
WC	0.251	0.379	0.429	0.495	0.540
CMP	0.245	0.369	0.419	0.482	0.528
MPL OCC	0.295	0.452	0.513	0.596	0.650
MPL CM	0.279	0.427	0.486	0.559	0.613
SP Liab	0.242	0.367	0.416	0.480	0.523
OL OCC	0.259	0.394	0.447	0.516	0.565
OL CM	0.285	0.435	0.494	0.571	0.625
PROD OCC	0.321	0.493	0.562	0.649	0.720
PROD CM	0.297	0.455	0.519	0.598	0.659
Prop	0.246	0.373	0.423	0.487	0.531
PHYS	0.185	0.276	0.310	0.355	0.389
FS	0.238	0.359	0.406	0.469	0.510
OTHER	0.229	0.345	0.390	0.447	0.489
INT	0.245	0.369	0.419	0.483	0.525
REIN A	0.258	0.391	0.444	0.511	0.565
REIN B	0.274	0.420	0.478	0.549	0.610
REIN C	0.230	0.351	0.399	0.462	0.511
WTY	0.194	0.289	0.327	0.373	0.409

Size Category: Large					
	Confidence Level				
	95	99	99.5	99.8	99.9
HO	0.257	0.388	0.440	0.505	0.558
PAL	0.189	0.282	0.318	0.361	0.396
CAL	0.214	0.320	0.362	0.416	0.456
WC	0.232	0.349	0.394	0.454	0.495
CMP	0.235	0.353	0.400	0.460	0.503
MPL OCC	0.273	0.416	0.472	0.546	0.596
MPL CM	0.260	0.396	0.450	0.516	0.566
SP Liab	0.221	0.333	0.377	0.434	0.473
OL OCC	0.242	0.366	0.414	0.478	0.522
OL CM	0.247	0.375	0.424	0.489	0.534
PROD OCC	0.293	0.448	0.509	0.588	0.650
PROD CM	0.279	0.426	0.485	0.558	0.614
Prop	0.237	0.358	0.406	0.467	0.509
PHYS	0.168	0.249	0.280	0.319	0.349
FS	0.220	0.330	0.373	0.430	0.467
OTHER	0.211	0.316	0.357	0.409	0.447
INT	0.234	0.353	0.400	0.461	0.501
REIN A	0.242	0.367	0.416	0.478	0.529
REIN B	0.258	0.393	0.447	0.513	0.568
REIN C	0.231	0.351	0.399	0.461	0.509
WTY	0.176	0.262	0.296	0.336	0.369

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