



Bancassurance and the Rating Process

Vasilis Katsipis

General Manager - MENA, South & Central Asia, AM Best

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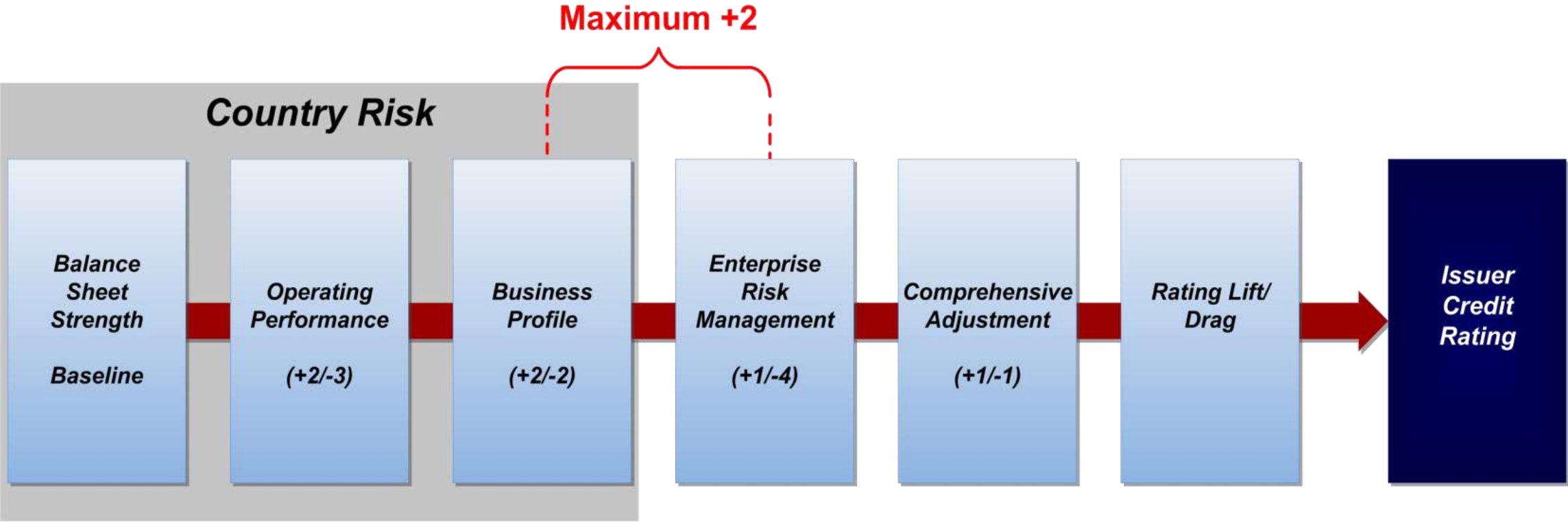
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Best's Credit Rating Methodology – Building Block Approach

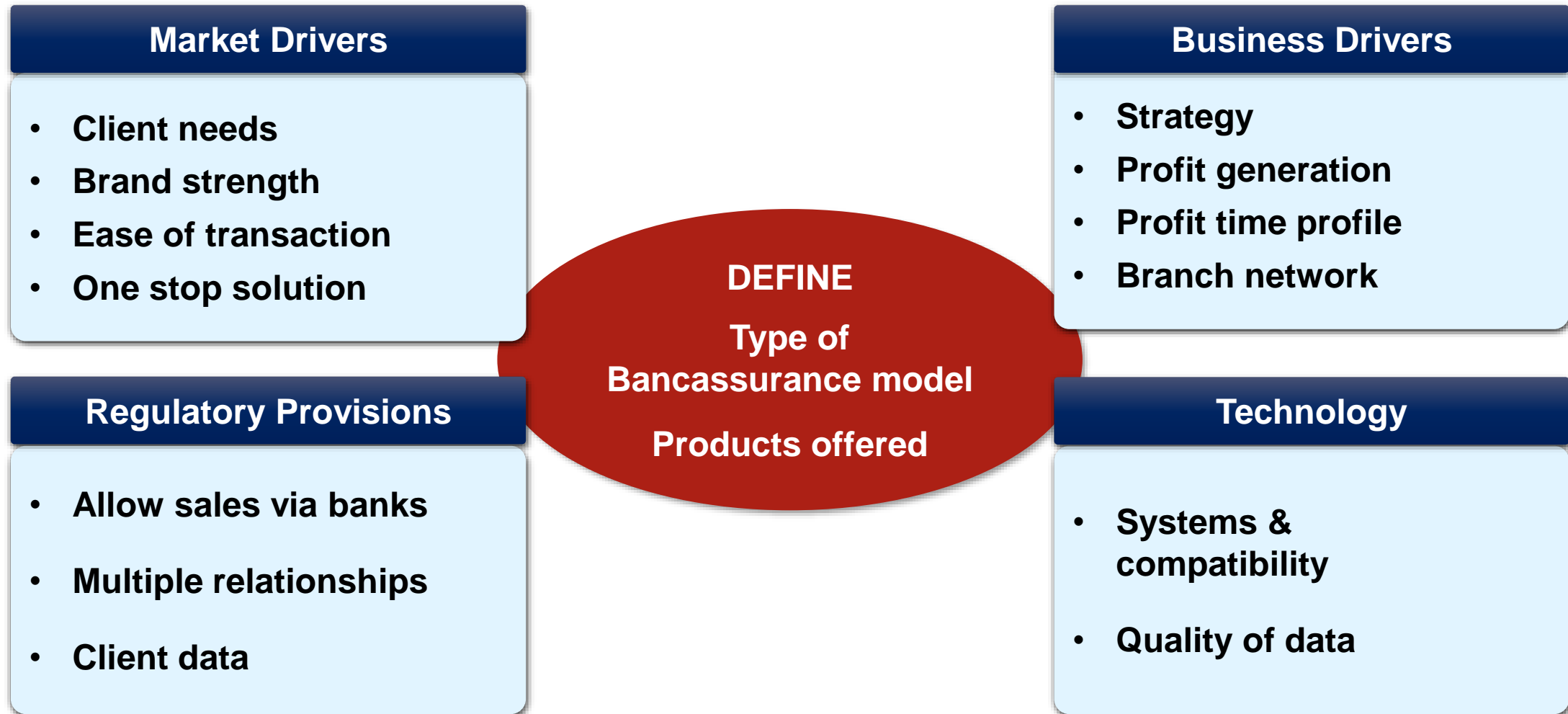


BCRM Building Blocks

Balance Sheet Strength <i>Baseline</i>	Operating Performance <i>(+2/-3)</i>	Business Profile <i>(+2/-2)</i>	Enterprise Risk Management <i>(+1/-4)</i>
Assessment	Assessment	Assessment	Assessment
Strongest	Very Strong +2	Very Favorable +2	Very Strong +1
Very Strong	Strong +1	Favorable +1	Appropriate 0
Strong	Adequate 0	Neutral 0	Marginal -1
Adequate	Marginal -1	Limited -1	Weak -2
Weak	Weak -2	Very Limited -2	Very Weak -3/4
Very Weak	Very Weak -3		



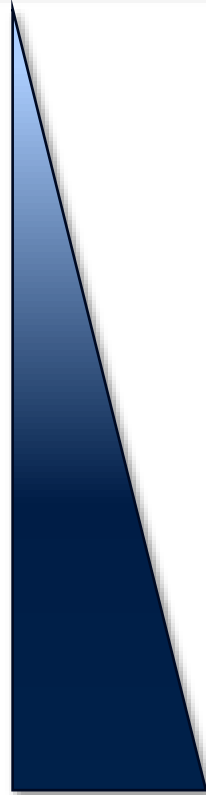
Drivers Shaping Bancassurance Offerings



Types of Bancassurance Models

1. Pure distributor
2. Exclusive partnership
3. Joint venture
4. Financial holding

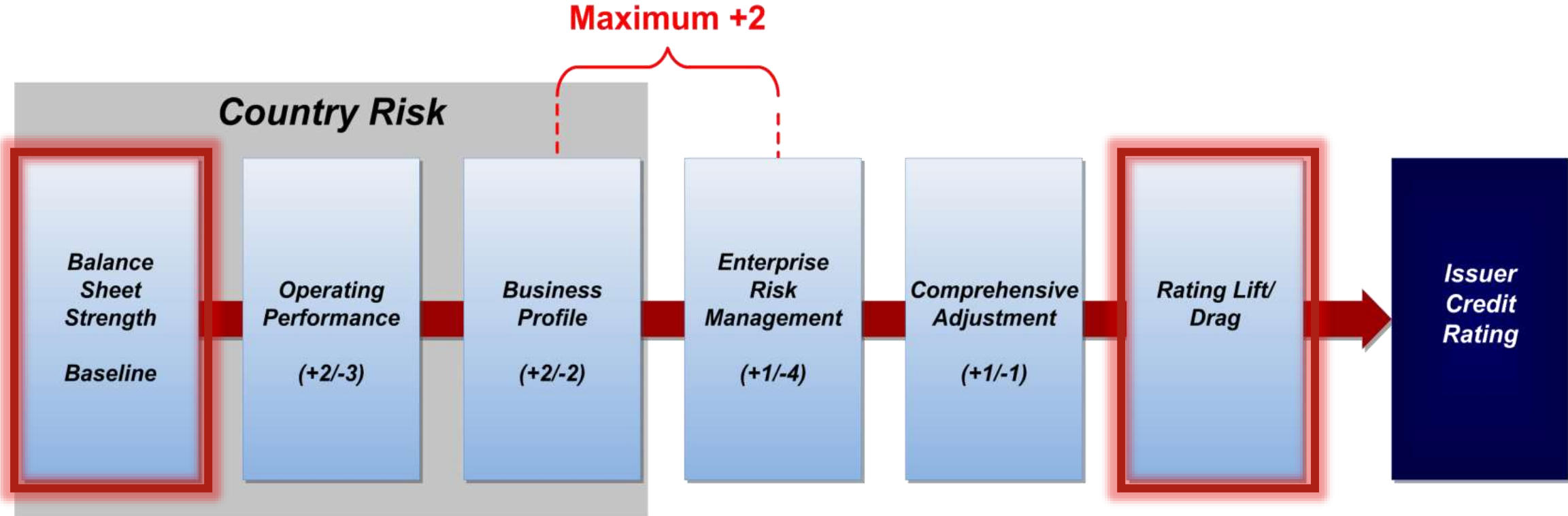
Bank control



Complexity



Main Areas Impacted by Type of Bancassurance Agreement



Balance Sheet Strength Assessment



Risk-Adjusted Capitalisation, as measured by Best's Capital Adequacy Ratio (BCAR)

Other Quantitative & Qualitative Considerations

- Level
- Trend
- Volatility
- Slope over confidence levels

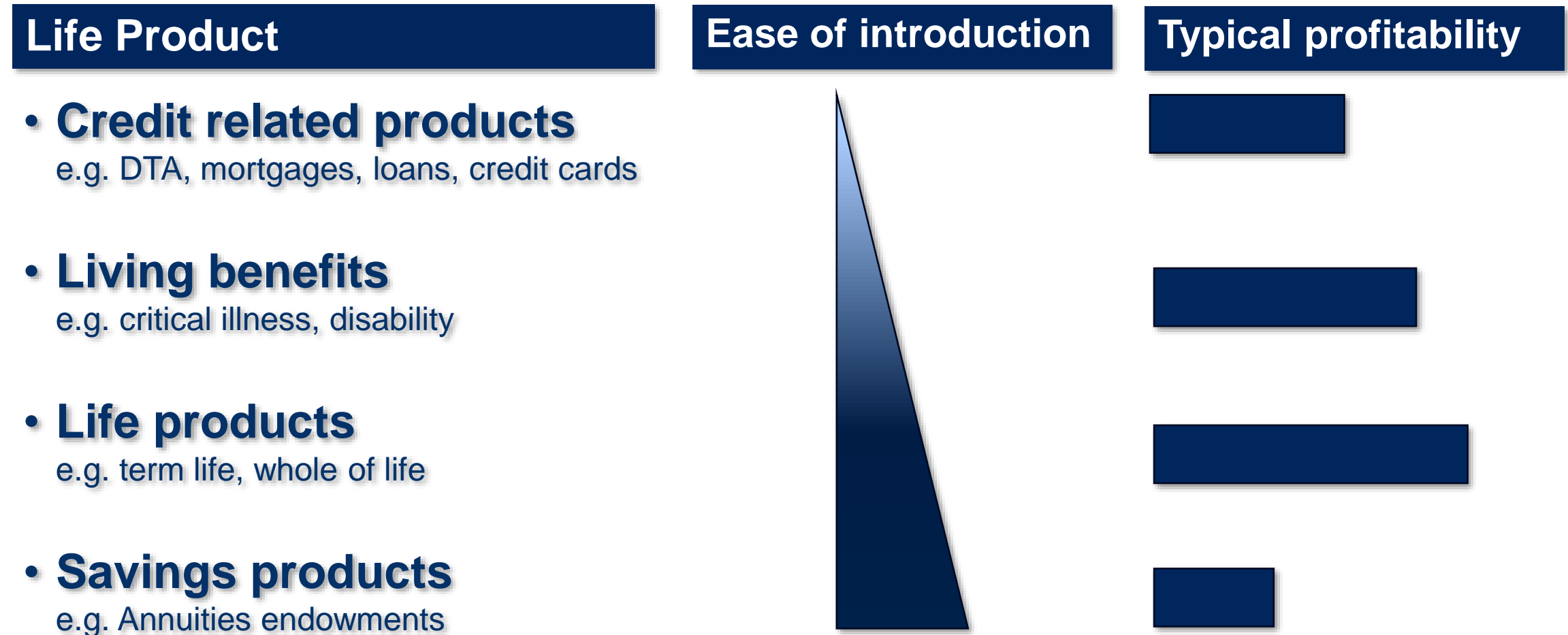
- Stress Tests
- Liquidity & ALM
- Quality of Capital
- Quality of Assets
- Fungibility of Capital
- Internal Capital Models
- Reinsurance Dependence and Appropriateness



Bancassurance – Life Insurance vs Non-Life Insurance

- Life products can generate greater volumes through bancassurance channels
- Life products often cover the same needs as those catered for by banking products
- Life has higher profits but longer time for the profit recognition
- Typically, non-life products sold through bancassurance have lower average prices and commissions
- Several banks do not want to be associated with conflicts arising from claims settlement of non-life products

Typical Life Products Offered



Typical Non-Life Products Offered

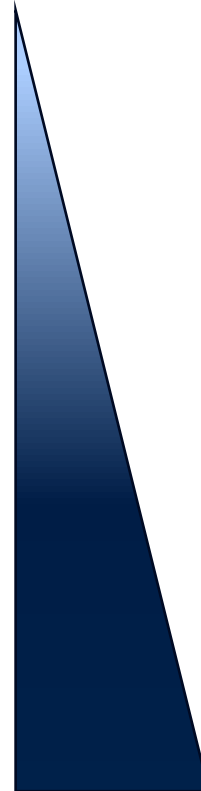
Non-Life Product

- **Credit related products**
e.g. motor, property

- **Commercial risks**

- **Stand alone**
e.g. motor, property, home contents, unemployment

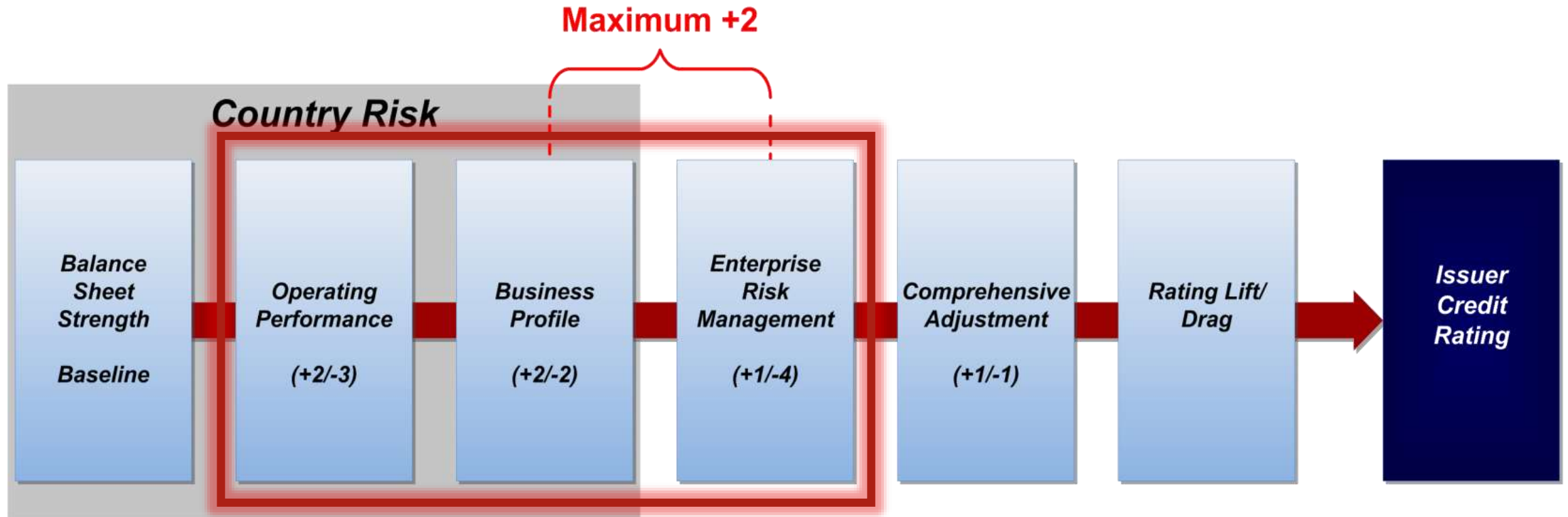
Ease of introduction



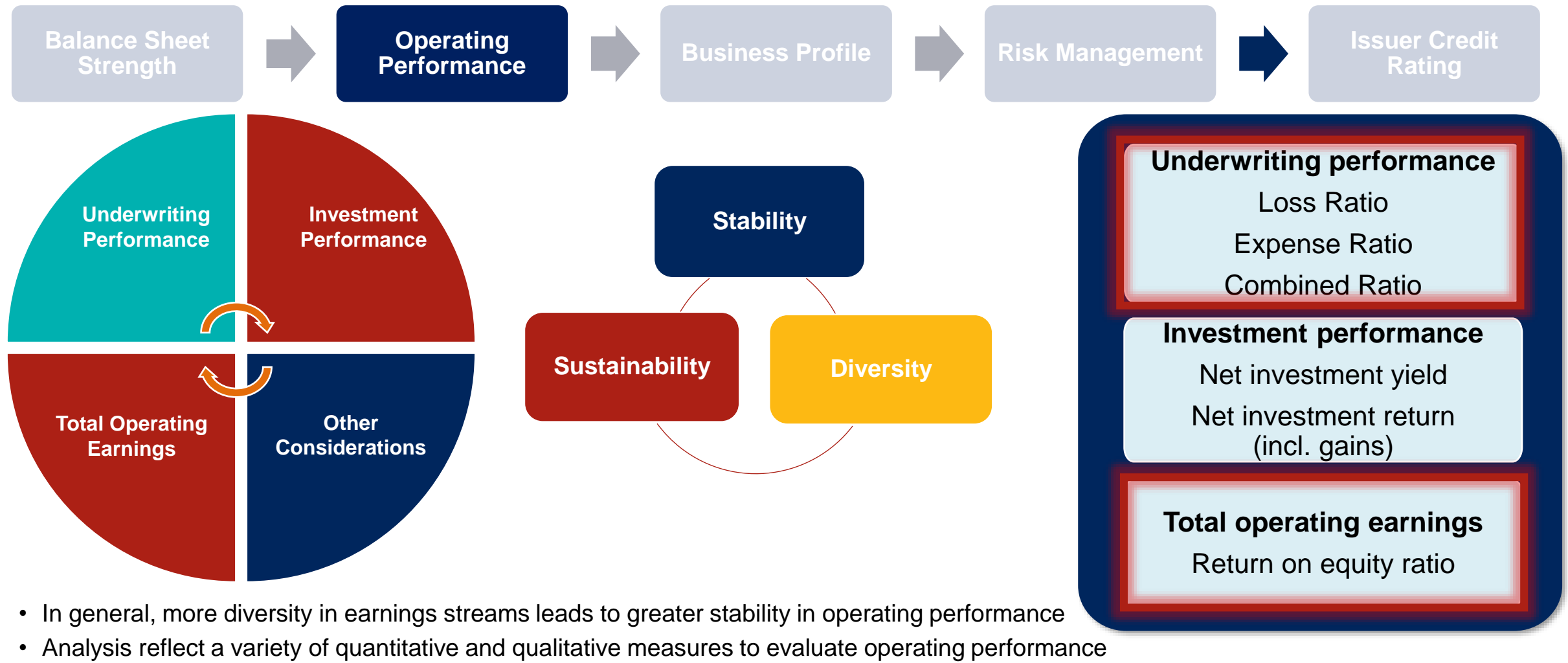
Typical profitability



Main Areas Impacted by Type of Bancassurance Agreement



Operating Performance Assessment



Business Profile

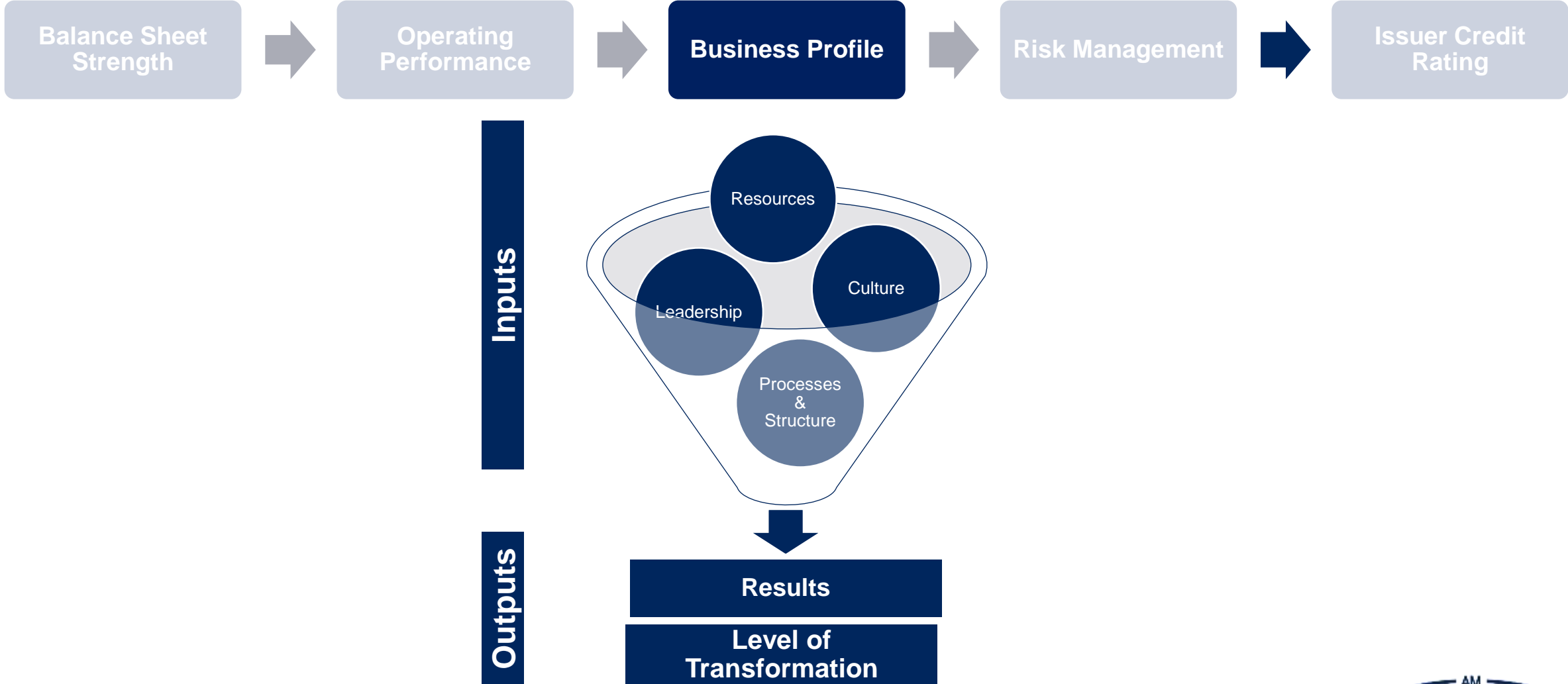


Business profile is a qualitative component that directly affects the quantitative measures

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



Business Profile – Scoring and Assessing Innovation



Enterprise Risk Management (ERM)



Holistic evaluation of ERM

- Assessment of the risk management framework and the insurer's risk management capability relative to its risk profile

Risk Impact Worksheet (RIW)

- Part I: Framework Evaluation
- Part II: Risk Evaluation
- Part III: Overall ERM Assessment



Assessment of Capabilities Relative to Profile

- Product and Underwriting Risk
- Reserving Risk
- Concentration Risk
- Reinsurance Risk
- Investment Risk
- Legislative/Regulatory/Judicial/Economic Risk
- Operational Risk
- Liquidity and Capital Management Risk



Q&A



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