

Fitch Ratings Definitions

The following rating scale applies to foreign currency and local currency ratings. Ratings of 'BBB-' and higher are considered to be "secure", and those of 'BB+' and lower are considered to be "vulnerable."

AAA

Exceptionally strong. 'AAA' IFS ratings denote the lowest expectation of ceased or interrupted payments. They are assigned only in the case of exceptionally strong capacity to meet policyholder and contract obligations on a timely basis. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA

Very strong. 'AA' IFS ratings denote a very low expectation of ceased or interrupted payments. They indicate very strong capacity to meet policyholder and contract obligations on a timely basis. This capacity is not significantly vulnerable to foreseeable events.

A

Strong. 'A' IFS ratings denote a low expectation of ceased or interrupted payments. They indicate strong capacity to meet policyholder and contract obligations on a timely basis. This capacity may, nonetheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

BBB

Good. 'BBB' IFS ratings indicate that there is currently a low expectation of ceased or interrupted payments. The capacity to meet policyholder and contract obligations on a timely basis is considered adequate, but adverse changes in circumstances and economic conditions are more likely to impact this capacity. This is the lowest "secure" rating category.

BB

Moderately weak. 'BB' IFS ratings indicate that there is a possibility that ceased or interrupted payments could occur, particularly as the result of adverse economic or market changes over time. However, business or financial alternatives may be available to allow for policyholder and contract obligations to be met in a timely manner. Obligations rated in this and lower categories are considered "vulnerable".

B

Weak. 'B' IFS ratings indicate two possible conditions. If obligations are still being met on a timely basis, there is significant risk that ceased or interrupted payments could occur in the future, but a limited margin of safety remains. Capacity for continued timely payments is contingent upon a sustained, favorable business and economic environment, and favorable market conditions. Alternatively, a 'B' IFS rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for extremely high recoveries. Such obligations would possess a recovery assessment of 'RR1' (Outstanding).

CCC

Very Weak. 'CCC' IFS ratings indicate two possible conditions. If obligations are still being met on a timely basis, there is a real possibility that ceased or interrupted payments could occur in the future. Capacity for continued timely payments is solely reliant upon a sustained, favorable business and economic environment, and favorable market conditions. Alternatively, a 'CCC' IFS rating is assigned to obligations that have experienced ceased or interrupted payments, and

with the potential for average to superior recoveries. Such obligations would possess a recovery assessment of 'RR2' (Superior), 'RR3' (Good), and 'RR4' (Average).

CC

'CC' IFS ratings indicate two possible conditions. If obligations are still being met on a timely basis, it is probable that ceased or interrupted payments will occur in the future. Alternatively, a 'CC' IFS rating is assigned to obligations that have experienced ceased or interrupted payments, with the potential for average to below-average recoveries. Such obligations would possess a recovery assessment of 'RR4' (Average) or 'RR5' (Below Average).

C

'C' IFS ratings indicate two possible conditions. If obligations are still being met on a timely basis, ceased or interrupted payments are imminent. Alternatively, a 'C' IFS rating is assigned to obligations that have experienced ceased or interrupted payments, and with the potential for below average to poor recoveries. Such obligations would possess a recovery assessment of 'RR5' (Below Average) or 'RR6' (Poor).

Notes

"+" or "-" may be appended to a rating to indicate the relative position of a credit within the rating category. Such suffixes are not added to ratings in the "AAA" category or to ratings below the 'CCC' category.

National Long-term IFS Rating Scale

National IFS Ratings serve the needs of local insurance markets. National IFS Ratings are assigned to an insurer's policyholder obligations, and are an assessment of relative financial strength. Consistent with other forms of National Ratings assigned by Fitch, National IFS Ratings assess the ability of an insurer to meet policyholder and related obligations, relative to the "best" credit risk in a given country across all industries and obligation types. Comparisons between different countries' National IFS rating scales, or between an individual country's National IFS rating scale and the International IFS rating scale, are inappropriate.

AAA(xxx)

'AAA' national IFS ratings denote the highest rating assigned within the national scale for that country. The rating is assigned to the policyholder obligations of the "best" insurance entities relative to all other issues or issuers in the same country, across all industries and obligation types.

AA(xxx)

'AA' national IFS ratings denote a very strong capacity to meet policyholder obligations relative to all other issues or issuers in the same country, across all industries and obligation types. The risk of ceased or interrupted payments differs only slightly from the country's highest rated issues or issuers.

A(xxx)

'A' national IFS ratings denote a strong capacity to meet policyholder obligations relative to all other issues or issuers in the same country, across all industries and obligation types. However, changes in circumstances or economic conditions may affect the capacity for timely payment of policyholder obligations to a greater degree than for financial commitments denoted by a higher rated category.

BBB(xxx)

'BBB' national IFS ratings denote an adequate capacity to meet policyholder obligations relative to all other issues or issuers in the same country, across all industries and obligation types. However, changes in circumstances or economic conditions are more likely to affect the capacity for timely payment of policyholder obligations than for financial commitments denoted by a higher rated category.

BB(xxx)

'BB' national IFS ratings denote a fairly weak capacity to meet policyholder obligations relative to all other issues or issuers in the same country, across all industries and obligation types. Within the context of the country, payment of these policyholder obligations is uncertain to some degree and capacity for timely payment remains more vulnerable to adverse economic change over time.

B(xxx)

'B' national IFS ratings denote two possible outcomes. If policyholder obligations are still being met on a timely basis, the rating implies a significantly weak capacity to continue to meet policyholder obligations relative to all other issues or issuers in the same country, across all industries and obligation types. A limited margin of safety remains and capacity for continued payments is contingent upon a sustained, favorable business and economic environment. Alternatively, a 'B' national IFS rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for extremely high recoveries.

CCC(xxx)

'CCC' national IFS ratings denote two possible outcomes. If policyholder obligations are still being met on a timely basis, the rating implies ceased or interrupted payments are a real possibility. Capacity for continued payments is contingent upon a sustained, favorable business and economic environment. Alternatively, a 'CCC' national IFS rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for very high recoveries.

CC(xxx)

'CC' national IFS ratings denote two possible outcomes. If policyholder obligations are still being met on a timely basis, the rating implies ceased or interrupted payments appear probable. Alternatively, a 'CC' national IFS rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for average to below-average recoveries.

'C'(xxx)

'C' national IFS ratings denote two possible outcomes. If policyholder obligations are still being met on a timely basis, the rating implies ceased or interrupted payments are imminent. Alternatively, a 'C' national IFS rating is assigned to obligations that have experienced ceased or interrupted payments, but with the potential for below-average to poor recoveries.

Notes:

"+" or "-" are used with a rating symbol to indicate the relative position of a credit within the rating category. They are not used for the 'AAA' category or for ratings below the 'CCC' category.

The ISO International Code Suffix is placed in parentheses immediately following the rating letters to indicate the identity of the National market within which the rating applies. For

illustrative purposes, (xxx) has been used.

International Short-term IFS Rating Scale

An International Short-term IFS Rating (ST-IFS Rating) provides an assessment of the intrinsic liquidity profile of an insurance company's short-term policyholder obligations that are contractually due for payment within one year from the date of issuance. Fitch will only assign a ST-IFS Rating to insurers that have also been assigned a Long-term IFS Rating.

Ratings of 'F1', 'F2' and 'F3' are considered to be "secure," while those of 'B' and below are viewed as "vulnerable." The following ratings scale applies to foreign and local currency ratings.

F1

Strong. Indicates the strongest intrinsic liquidity and capacity for timely payment of short-term policyholder obligations; may have an added "+" to denote any exceptionally strong credit feature.

F2

Moderately Strong. Indicates a satisfactory level of intrinsic liquidity and capacity for timely payment of short-term policyholder obligations, but the margin of safety is not as great as in the case of the higher ratings.

F3

Moderate. The capacity for the timely payment of short-term policyholder obligations is adequate; however, near-term adverse changes could result in a reduction to "vulnerable."

B

Weak. Minimal capacity to meet short-term policyholder obligations, plus vulnerability to near term adverse changes in financial and economic conditions.

C

Very Weak. Ceased or interrupted payment of short-term policyholder obligations is a real possibility. Capacity to meet short-term policyholder obligations is solely reliant upon a sustained, favorable business and economic environment.

RD

Indicates an insurance company that has ceased or interrupted payments on a portion of its policyholder obligations, although it continues to meet other obligations.

D

Indicates an insurance company that has ceased or interrupted payments on all of its obligations. This includes insurance companies that have continued to make payments but at less than full contractual amounts.