

Methodology

*Rating Canadian Property and
Casualty Insurance Companies*

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Insight beyond the rating.

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The DBRS rating methodology for Canadian property and casualty (P&C) insurance companies applies primarily to regulated operating insurance companies and, by extension, to the respective insurance holding companies. Note that while DBRS rates Canadian insurance groups, many of these companies have subsidiaries and affiliates with U.S. or international operations. The financial and operating performance of affiliates in these non-Canadian markets is equally important to the analysis of the group.

Industry Structure

The Canadian property and casualty insurance industry is fragmented, with the top ten competitors representing about 60% of gross written premiums. The largest competitor has just 12% of the market. A notable feature of the Canadian insurance market is that approximately 50% of all premiums are written by foreign-owned companies. DBRS provides ratings on companies whose subsidiaries account for approximately 37% of the gross written premium in the Canadian P&C industry.

Rating Approach

Both quantitative and qualitative rating criteria are evaluated by DBRS prior to assigning a credit rating. Quantitative analysis focuses primarily on the consolidated financial results of the insurance group. It is generally assumed that a well-integrated affiliated operating subsidiary would be supported either explicitly or implicitly, depending on the subsidiary's overall financial or strategic importance. Nevertheless, DBRS attempts to appreciate each operating subsidiary in terms of product offering, target market and prospective financial contribution to the larger group.

Without a high degree of integration, it is more appropriate to focus on the results of the specific operating subsidiary, even though as part of the larger group, it is unlikely that an operating subsidiary would be able to achieve a rating higher than that of its group. In addition, holding company capital structure must be looked at on an unconsolidated basis in order to better capture the impact of corporate structure, liquidity and double leverage on the rating of holding company obligations.

Where there are substantial minority interests, it is more important to examine each operating subsidiary on a stand-alone basis, taking into account appropriate synergies. In this case, the rating for the holding company obligations would be closer to a composite rating of the individual operating subsidiaries, which would be notionally assigned. The final holding company rating would be a function of the unique characteristics of the holding company as measured by its business strategy, its earnings diversification and its capitalization on an unconsolidated basis. This treatment would be consistent with the published DBRS holding company methodology, [*Rating Parent-Holding Companies*](#) (March 23, 2005).



Rating Criteria

DBRS examines core rating criteria and assesses the rated company's strengths and weaknesses in the context of those criteria, thereby establishing an objective and transparent decision with respect to the assigned rating. A review of the rated company's operations and financial results is completed by the DBRS analytical team at least annually. This consists of a review of operating results and financial results as reported to shareholders and regulators. Annual reviews with senior representatives of each rated entity provide especially useful insight into the way the company is managed and the attitudes and perspective of senior managers on the industry, competitors and the company's specific prospects and challenges. From time to time, DBRS may be in possession of insider information such as forward-looking budgets or strategic plans.

DBRS Rating Criteria for the P&C Insurance Industry

Credit Rating Criteria	Illustrative Elements
Franchise strength	Market segments, market shares, distribution channels, customer service quality
Earnings	Combined ratios, underwriting results, efficiency, investment returns, diversification
Capital adequacy	Regulatory capital ratios, underwriting capacity, use of reinsurance
Financial condition	Debt-to-capital ratios, coverage ratios, liquidity, financial flexibility
Investment portfolio quality	Asset mix, investment policy, liquidity, diversification, investment strategy
Management, governance and regulation	Management experience, enterprise risk management, regulatory environment, organizational structure, strategy

No single criteria listed above is of paramount importance in assigning a rating to a P&C company or holding company, though consistent profitability is probably the best predictor of financial strength and is at the core of every rating decision. There is a high degree of interrelationship between the listed criteria. For example, the company's market position is a major determinant of its profitability, which in turn supports its capital adequacy, its financial flexibility and its strategic plan. Good management, good governance and an amenable regulatory environment in turn provide the context in which operating and strategic decisions are made; this may support or impair the company's franchise strength and its long-term financial performance.

FRANCHISE STRENGTH

The ability of an insurance company to succeed depends largely on its franchise value, which is in turn a function of its product line segments, its market presence and its scale economies – especially as they pertain to its ability to efficiently and effectively meet the needs of its chosen distribution channels and customers.

Product Line Segments

Property and casualty insurance companies describe their business as being either personal lines or commercial lines. Personal lines include automobile and property protection policies. In Canada, personal automobile insurance is generally regulated by the provincial financial service authorities in those markets where it is not supplied by government agencies (Alberta, Ontario and the Maritime provinces). In Québec, personal automobile insurance is offered by the private sector for collision coverage only, with liability and bodily injury coverage provided by the government on a no-fault basis. Commercial lines consist of both property and casualty coverage on workplaces, commercial property and equipment, automobile fleets and truck fleets, with the accompanying general liability coverage as well as specialized niche products. Some Canadian insurance companies also provide reinsurance products as either third parties or as captives to their own insurance operations, most often based in tax-advantaged offshore locations.



Personal lines involve generally “short-tailed” insurance risks such as those which result from accidents and natural occurrences. Aside from the occasional episode of bad weather or catastrophic loss, claims related to personal lines are generally predictable and in any event are, over time, priced into the product. The greatest source of uncertainty in this line of business is often the regulator, which must approve auto insurance rates and is subject to political considerations. Catastrophic events also can hurt insurance company financial performance, especially if an effective reinsurance program has not been put in place. DBRS is aware that changing environmental conditions are a growing source of concern to insurance companies and have the potential to increase the frequency and severity of natural catastrophic occurrences.

Commercial lines are generally unregulated and, because of the relatively large size of individual claims, are more exposed to the global insurance market through the insurance company’s need to reduce its larger overall risk exposures through the purchase of reinsurance from global providers. As such, the market for commercial lines is distinctly more cyclical than that for personal lines. Moreover, commercial risks can involve casualty or general liability risks such as product or environmental liability, which can be “long-tailed” risks that may only be recognized and settled after many years of litigation. This exposes the insurance company to greater claim uncertainty, including the cumulative effects of inflation.

All other things being the same, a company with a concentration in personal lines is therefore likely to be more highly rated than one with a concentration in commercial lines, even though over time, commercial insurance should prove to be more profitable. This does not, however, alter the strategic advantage of having a diversified portfolio of risks and business lines.

Market Presence and Economies of Scale

As in every industry, a recognizable brand in the P&C industry contributes greatly to franchise strength. Brands are generally established through market presence in the form of advertising and locations, as well as through word of mouth. In the P&C industry, one of the most important criteria by which an insurance provider is chosen is how easy brokers, agents or insured customers find it to do business with the provider in question. Ease of doing business is in turn measured by the ease of submitting insurance applications – which today means a user-friendly electronic interface – the speed with which quotes are provided and the responsiveness of the insurance company’s claims management process. These latter performance metrics have traditionally been enhanced by spending on information technology. A strongly rated insurance company would be expected to excel in terms of technological interface. Because technology spending is also a source of significant scale economies, the larger company benefits for this reason alone.

Distribution Channels

Insurance companies distribute their products through a variety of channels including independent brokers, exclusive agents and direct channels such as mail, affinity programs and the Internet. Within the independent broker category are smaller-scale ‘Mom & Pop’ operations that tend to have a strong presence in specific locations, serving the insurance needs of a particular community. In the same category are large national managing general agents (MGAs), which deal in complicated commercial risk programs, often charged with underwriting and pricing risks according to the insurance company’s delegated criteria.

No one distribution channel is regarded as being inherently superior to another. Each is employed to target a different customer segment with correspondingly different needs. A complicated commercial account requiring multiple layers and categories of risk protection will not be successfully served through a direct channel such as the Internet. The less sophisticated insurance customer is similarly likely to take great comfort from buying their insurance protection from someone who will advise them about the best product for them and who knows their personal circumstances, rather than purchasing a generic policy from an anonymous stranger over the telephone or Internet – even if this alternative might be less expensive.

However, it is important that, given a target customer base, the insurance company has the most effective distribution channel for that market. Similarly, a diversified distribution strategy generally complements a diversified market strategy.



Relationships with Distribution Agents

Having the appropriate distribution channels for the ultimate target customer base and being seen to service those channels responsively and efficiently is a key success factor for an insurance company. Except in those cases where the insurance company sells through its own exclusive agency sales force or provides very specific niche products to targeted customers, insurance companies are in broad competition with each other to win shelf space from independent brokers. Success in this capacity largely comes down to building relationships, which is generally a function of having well-priced, well-designed products and being easy to work with from an administrative perspective. It is important to note that the primary sales relationships in the insurance industry are between the company and the broker and the broker and the customer. With the exception of a growing direct sales effort in personal lines and the small and the shrinking exclusive sales force channel, there is little relationship between the company itself and the ultimate customer.

The successful insurance company will ensure that its exclusive distribution sales force and direct channels are being supported by the company's product offerings and its technical infrastructure. However, it is also important that the distribution channel is serving the needs of the insurance company through negotiated volume targets and profitable underwriting as is often captured through contingent commissions. Where the insurance company has delegated underwriting authorities to an MGA, it is critical that these processes are audited to ensure compliance with company policies. Many insurance companies have been undermined by their distribution channels operating without adequate oversight.

In this way, ready access to sales capacity has become the key determinant of an insurance company's success and good relationships across all distribution channels distinguish the best insurance companies in their ability to maintain high persistency with existing sales agents and distribution channels.

EARNINGS

Earnings are the primary source of new capital for an insurance company. Correspondingly, a profitable insurance company not only reflects good underwriting discipline but is also better prepared to finance its organic growth and to support its capital adequacy.

Insurance Cycle

The property and casualty insurance industry is noted for the cyclicity of its earnings as it moves through alternating periods of "hard" and "soft" markets which reflects the low barriers to entry and the corresponding competitive nature of the industry. Generally speaking, years of good financial performance causes capital to build up in the industry which then puts downward pressure on premium rates, a period often referred to as a "soft" market. Ultimately, these falling premium rates are insufficient to cover the cost of insurance claims and the industry enters into a "hard" market characterized by firming premium rates; this then translates into higher earnings and the accumulation of capital.

The need for most insurance companies to manage risk exposures forces them to reinsure at least some of their risk. Canadian insurance rates will therefore reflect global reinsurance rates, which are vulnerable to catastrophic loss episodes related to weather and natural disasters, as well as to the flow of capital into the insurance industry on a world scale, which is in turn a function of the industry's relative profitability at any point in time. There are few barriers to entry in the extremely competitive and unregulated reinsurance industry, though minimum credit ratings are generally necessary. Capital flows into the industry are complicated by the interest rate environment, which makes the collecting and investing of insurance premiums more or less attractive relative to the risk of having to pay out claims. This gives rise to the concept of cash flow underwriting, whereby an insurance operation becomes merely a vehicle by which to raise investible funds that can be invested in relatively risk-free investments. Low interest rates tend to discourage cash flow underwriting and put more emphasis on underwriting profitability.



In rating an insurance company or an insurance holding company, DBRS will look through the cycle so that the assigned rating is never jostled by industry conditions that are beyond the control of the rated company. However, it is also true that the industry's volatility is responsible for keeping industry ratings generally below where they would otherwise be in a less cyclical industry.

Underwriting Results

Against this cyclical industry background, an insurance company measures its core profitability by its Combined Ratio, which is the sum of two ratios: the Loss Ratio and the Expense Ratio. An insurance company's loss ratio reflects its claim payments, its loss adjustment expenses and its actuarial reserve development for anticipated claims based on current cases and incurred but not yet reported (IBNR) cases as a percentage of its earned premiums. The Expense Ratio is the ratio of administrative expenses and distribution costs to net written premiums (though some companies measure expenses against earned premiums), a measure of new business being written. If the Combined Ratio is less than 100%, the insurance company can be said to have earned an underwriting profit for the period. This means that the company allocated less in the amount of claims, expenses and claim reserves than it received in insurance premiums. While a Combined Ratio consistently below 100% is the sign of effective underwriting and an efficient insurance operation, in a low interest rate environment, the targeted combined ratio is closer to 95%. The main challenge for an insurance company is to price its products so that its premium income is sufficient to cover its actual claims costs over time. These claims can only be estimated, which adds an element of uncertainty to reported financial results.

For analytical clarity, DBRS also looks at the Combined Ratio on an accident year basis. Because claims and reserve development often occur over time, it is important to attribute such claim costs correctly to the accident years to which they rightfully pertain. In this way, the true cost of underwriting is assessed over time. For example, a company with a plan to improve underwriting performance can thereby show its progress unsullied by the residual losses related to earlier underwriting periods reflected in current results. A downward trend in accident year Combined Ratios, while not necessarily reflecting the development of reported profitability, does reflect important shifts in the underlying effectiveness of the company's underwriting.

Underwriting capability is a function of understanding risks and is often very data intensive. Having good historical data by customer and market segments is the key to successful risk underwriting. It follows that the company with the most comprehensive data and best data management is positioned to be the most profitable underwriter. Again, scale becomes a favourable consideration in the rating of a P&C company.

Investment Income

Beyond underwriting results, which may or may not be profitable, insurance companies invest the excess of written premiums over claims paid in generally high-quality investments, though each company will have its own relative weighting in different asset classes such as cash, bonds and equities. The successful investment of this positive "float" is the basis of many insurance company strategic business models. When risk-free interest rates are high, there is a tendency for capital to enter the industry and put downward pressure on premiums and therefore on underwriting results. When interest rates are low, capital leaves the industry and underwriting profitability tends to be restored. This phenomenon only adds to the inherent cyclical nature of the P&C industry.

Investment returns take several forms. Current income is earned through interest on fixed income investments and dividends earned on preferred and common share investments. This return can be expressed as a current yield on the company's investment portfolio and tracked for reasonableness. Realized gains on equity investments are a more volatile component of investment income but can be substantial. DBRS tracks financial margins, both including and excluding realized gains, to maintain comparability since there can be no predictability to realized gains. Sound investment decisions are inevitably important to the long-term financial performance of an insurance company. However, it is also important that the earnings primarily reflect underwriting and stable returns on conservative investments in fixed income securities and that less weight is given to discretionary investment income such as realized gains.



The resulting financial performance of the company is best expressed as the core return on shareholders' equity (ROE), excluding non-recurring items. ROE is an effective measure of both profitability and efficient capital utilization. The industry average ROE tends to be volatile over the life of the insurance industry cycle, with targets in the 12% to 15% range. Holding company ROE is especially volatile, given that most holding companies also have some financial leverage as a result of having made debt-financed acquisitions of operating subsidiaries. Regulations prevent Canadian operating P&C companies from having more than 2% of their capitalization in the form of debt, making financial leverage less of a concern at the operating company level.

Other Income

Since operating insurance companies are licensed to sell only insurance products, other income is generally only a consideration for holding companies. Other income in the P&C industry generally takes the form of broker income as insurance holding companies start to vertically integrate their distribution activities.

Risk Diversification

The success of the insurance industry is built on the concept of risk pooling. Within each class of risk, many insured parties will generally ensure that no one event results in a claim by all of them at once. In fact, weather-related events often result in multiple claims from the same geographic region – a phenomenon that the industry anticipates will only get worse. It is therefore increasingly important to maintain a diversified portfolio of risk exposures both geographically and by type, while remaining within the underwriting capability of the company. DBRS monitors the diversification of each related group of companies' risk exposures by type and geography. A highly-rated insurance company would be expected to have a well-diversified risk portfolio so that it is not vulnerable to a single risk event. However, to achieve the critical scale in each of these market segments, it follows that a well-diversified risk portfolio is most consistent with a very large insurance company. Even the largest insurance company in Canada is small relative to a truly diversified global competitor and accordingly would have difficulty achieving the highest rating for the sector.

Reinsurance is a tool that an insurance company can use to absorb extraordinary risk exposures that could otherwise result in large underwriting losses and the erosion of capital. However, in diversifying risk exposure through the purchase of reinsurance, the company is assuming counterparty risk which must also be managed to limit credit exposure to any one reinsurance company. DBRS reviews reinsurance counterparty exposure for each insurance company by reviewing its reinsurance programs, the size of its exposure to reinsurance counterparties, the quality of those reinsurance counterparties and any available collateral supporting their obligations.

CAPITAL ADEQUACY

Static Portfolio Analysis

An insurance company's capital adequacy is one of the most important quantitative measures of its financial health and its ongoing ability to meet its liabilities to pay claims. Both regulators and DBRS tend to focus on this measure in monitoring the financial strength of insurance companies. Regulators generally employ a factor model which assigns different capital factors to certain classes of risk exposures and assets. For example, a different factor is attached to each risk, with higher quality assets requiring a lower capital charge, different factors for unearned premiums and unpaid claims in different product lines depending on historical volatility of earnings and claims in those lines of business, catastrophic reserve exposures and reinsurance counterparty exposure (i.e., exposure to reinsurance recoverables from both a credit and an actuarial perspective). Regulators measure capital adequacy by comparing required capital calculated by the factor model to the company's available capital which is scaled in importance and relevance depending on its degree of permanence, subordination and whether it bears a mandatory debt service payment.

DBRS recognizes that capital adequacy is an important, albeit static, measure of financial health for an insurance company. DBRS focuses on the factor models employed by the financial service regulators inasmuch as the solvency of an insurance company is ultimately determined by the regulator. Consequently,



DBRS incorporates regulatory capital adequacy benchmarks as part of its credit analysis without attempting to recreate a capital adequacy model using either a stochastic or deterministic basis.

The Office of the Superintendent of Financial Institutions (OSFI) calculates a minimum capital test (MCT) for each regulated insurance company which is expected to be at least 150% coverage of required capital with available capital including equity, preferred shares and subordinated debt, less goodwill. Under the MCT framework, the incremental 50% in excess of 100% coverage is expected to cover off risk exposures otherwise not measured by the factor model, such as market volatility and operational and business risks. DBRS would generally expect an investment-grade operating insurance company to maintain an MCT ratio of at least 200%, though capital adequacy is only one of many criteria that factor into a rating opinion.

Most financial institutions and regulators are presently developing deterministic-stochastic prediction models for the purpose of assessing capital adequacy. Economic capital models draw on stochastic models similar to those used in structuring and rating securitization transactions. These stochastic models simulate multiple economic scenarios to create a distribution of possible loss experiences. Within these models is the ability to incorporate the advantages of risk diversification, which may in fact lower required capital. DBRS will continue to monitor the development of company economic capital models and incorporate the results into its own capital adequacy assessment, having reviewed the models for reasonableness.

Capacity Ratios

Another relevant aspect of capital adequacy for a P&C insurance company is the capacity for writing new business that capital affords. There are operating guidelines in the industry that limit the amount of new premium which can or should be written relative to existing capital or surplus, so as to limit the ability of an insurance company to overextend itself. The more premium written on a fixed amount of surplus corresponds to a higher probability of incurring an underwriting loss. DBRS generally believes that annual new premium should not be written in excess of two times capital and surplus. Other measures of capital adequacy include the ratio of insurance liabilities to surplus and capital, which measures the degree to which capital is exposed to on-balance sheet insurance risks.

It should be noted that, if operating insurance companies are feeling capital-constrained, capital has traditionally been released through the use of reinsurance. DBRS monitors the quantity and quality of the company's credit exposure to its reinsurance counterparties. It is important to recognize that the purchase of reinsurance, even though it may free up regulatory capital, is effectively the replacement of insurance risk with counterparty credit risk, though offshore reinsurance company obligations are most often collateralized with bank lines of credit or assets held in trust.

FINANCIAL CONDITION

Debt Capacity

As operating insurance companies are generally not permitted to issue debt (OSFI limits debt to 2% of regulatory capitalization), most groups employ financial leverage at the holding company level. For the purpose of analyzing the holding company's capital structure, DBRS focuses on its unconsolidated financial statements. Ratios of debt and debt plus preferred shares to total capital give a sense of the holding company's use of financial leverage. Where hybrid securities might be used as a form of capital, the specific terms of each instrument must be weighed in order to assign a respective debt weighting that is incorporated into the DBRS-adjusted debt-to-capital ratio. This treatment follows from the published DBRS methodology concerning the Treatment of Preferred Shares and Hybrids. DBRS regards total financial leverage in excess of 35% at the holding company level as close to the acceptable line for an investment-grade company, though debt service coverage ratios are probably a more important measure of financial leverage.

The holding company issuer must nevertheless rely on the upstream flow of dividends or interest payments to service its own obligations. Unconsolidated interest and fixed charge coverage ratios are calculated and capture the holding company's ability to service its financial obligations. The rating on these obligations



is coloured both by their structural subordination to the obligations of the operating subsidiaries as well as by the potential for regulators to limit upstream payments.

To the degree that a holding company has available cash resources in the form of unencumbered investments, or additional debt capacity in the form of credit lines or capital market access, financial flexibility is enhanced and is reflected in the rating. Where an insurance company continues to adhere to the mutual ownership model, DBRS would expect a more conservative capital structure reflecting reduced access to equity capital markets, specifically.

LIQUIDITY

Insurance operating companies pay claims out of received premiums, with the excess cash being invested. As long as an insurance company is writing new business, it is quite possible that the investment portfolio will continue to grow in size. Only when claims payments spike is it likely that the investment portfolio will have to be liquidated in order to meet claims payments. In this event, it is important that there be a measurable degree of liquidity in the insurance industry's investment portfolio. Such liquidity is generally in line with the insurance company's desire to take most of its risk on the liability side of the balance sheet. It is not generally expected that an operating P&C insurance company will try to match the term of its assets and liabilities as a life insurance company would, since the operating assumption is that most claims will pay out in relatively short order.

At the holding company level, the concern for liquidity is greater since its obligations can generally only be served through the receipt of dividends from its regulated subsidiaries. Dividends paid to the holding company are implicitly subject to the approval of the regulator who determines each operating company's capital adequacy. A more diversified holding company portfolio that includes unregulated operating subsidiaries and alternative sources of liquidity – such as an unencumbered investment portfolio – will generally be regarded favourably in the rating decision. Correspondingly, DBRS will want to be comfortable that the holding company's dividend policy is set prudently, subject to the potential volatility of earnings from the insurance operations.

With respect to the rated company's financial condition, DBRS attaches great importance to the company's financial strategy and its execution by management.

INVESTMENT PORTFOLIO

The investment portfolio of a P&C company is generally invested in highly liquid and conservative fixed income securities. The duration of the assets in the portfolio is generally fixed at a term which optimizes investment income without impairing the liquidity of the portfolio, since there are few asset liability management (ALM) considerations, as there are for life insurance companies.

Certain insurance companies actively manage their investment portfolios, whereas others outsource their investment management. For some active investment managers, writing insurance premiums is little more than a source of investible funds or "float," with investment management capability being the key source of added value. DBRS does not necessarily favour one approach over the other but does expect that each company is mindful of its assumed level of investment risks and liquidity requirements given the expected payout on account of claims. In addition, a larger component of the self-managed portfolio can be made up of strategic investments, which generally adds to the volatility of the realized investment gains income item.



MANAGEMENT, REGULATION AND GOVERNANCE

As with all corporate credits, the quality of management is assessed and monitored through face-to-face interviews as part of the annual review. The strategic vision of the company or the group is identified and the consistent successful execution of that vision is evaluated as a measure of management quality, effectiveness and focus.

In the P&C insurance industry, there are three relatively distinct corporate cultures determined largely by the industry experience and training of the CEO: marketing, risk underwriting and investments. While each culture is equally capable of producing a successful insurance organization, each manifests itself differently in the operations and corresponding risk profile of the rated company.

Because insurance companies are acknowledged experts in the management of specific claim risks, DBRS has especially high expectations that there will be an explicit framework governing the appetite, recognition, assessment and evaluation, and mitigation of risk at an enterprise level, including operating risks that have historically been a source of losses for P&C companies. Compliance with risk management policies such as diversification is monitored. DBRS expects insurance claim reserves and unearned premium reserves to be established using conservative independent actuarial estimates. A measure of conservatism is whether or not excess reserves are released into income over time. Alternatively, a pattern of having to increase reserves on account of the pre-existing book of business is generally regarded unfavourably.

Governance by the Board of Directors is generally assumed to be capable and knowledgeable. Independent directors are expected to be accountable for the audit function. Where there is any concern or where a majority shareholder is represented on the board, DBRS increases its focuses on governance and strategic management issues.

The regulation of insurance companies by the federal and provincial government financial authorities provides additional support to the DBRS assessment of capital adequacy and solvency. In addition, the long-term viability of a P&C operating insurance company can be dependent on assigned ratings from rating agencies. DBRS observes that insurance companies will go to extreme limits to maintain an acceptable financial strength rating or risk losing their ability to write new business.

On the other hand, insurance is also a highly regulated product, subject to political and legislative interference. The regulation of auto insurance, for example, has played a formative role in the Canadian P&C industry. Where private insurance is available, the regulators control premium rates and require that all drivers are insured, whether or not they are acceptable risks, through the mechanism of the provincial Facility Associations. Insurance claims are also subject to the judicial interpretation of tort law, which can assign liability to insurers for which they had not originally priced their products. The industry regards regulatory risk as one of its most serious challenges.

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