

ICRA CREDIT RATING METHODOLOGIES

ICRA Insurance Credit Rating Methodology

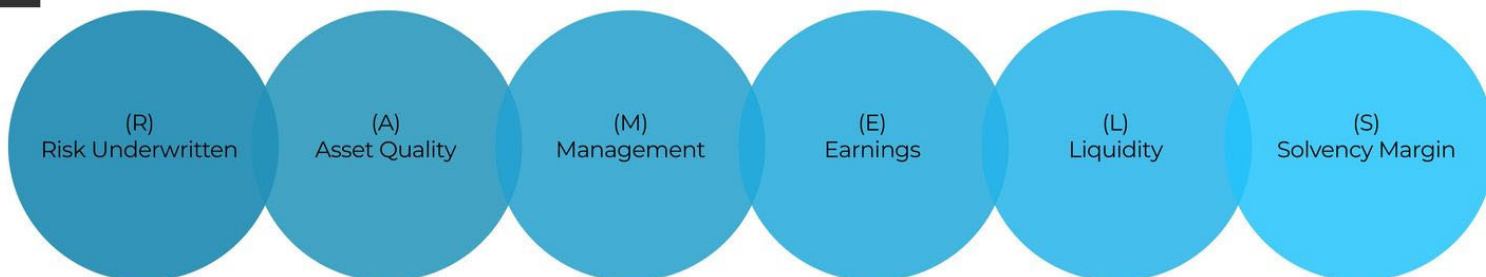
The ICRA Insurance Credit Rating Methodology is designed following the foundational principles of RAMELS Framework. This combination of globally recognized standards in ICRA approach underscores the commitment to elevating local credit assessments to international benchmarks. By integrating these frameworks, we ensure a meticulous evaluation of insurance, aligning with global best practices while catering to the unique nuances of the local financial landscape. This reflects our dedication to delivering precise, transparent, and globally competitive credit ratings.

ICRA INSURANCE CREDIT RATING METHODOLOGY

COMPONENTS	WEIGHTAGE
Business Model/Profile Review Size of the Business Competitive Advantages Uncertainty (Future Revenues & Profitability) Concentration Risk	15%
Management Quality Governance Regulatory, and Legal Compliance Board of Directors Management Team Ownership	10%
Industry Risk Country Risk with Economic, Political, and Social Stability Industry Risk	15%
Financial Analysis Performance Financial Position Cash Flows	20%
Ratio Analysis Risk Underwritten Earnings Asset Quality Liquidity/Solvency Margin	40%

RAMELS FRAMEWORK

The RAMELS Framework is a widely accepted supervisory tool used by regulatory authorities and insurance to assess the overall health and stability of insurance. The acronym "RAMELS" stands for six key components:



RATING ASSIGNMENT CRITERIA

Insurance Ratings

ICRA Insurance Rating Methodology is designed to cater to small to large insurances in the country. The rating assignment calculation has been designed in a way that appeals to a wide audience in the insurance industry. Based on the in dept analysis, the risk team would assign the respective scores or select the desired classifications for each factor when arriving at the final score based on the "ICRA Weighted Average Credit Scoring Model for Financial Institutions" (WACS).

COMPONENTS	WEIGHTAGE	MAXIMUM SCORE	ASSIGNED SCORE (OUT OF 10)
Business Model/Profile Review Size of Business Competitive Advantages Uncertainty (Future Revenues & Profitability) Concentration Risk	15.0% 7.5% 2.5% 2.5% 2.5%	10 10 10 10	E F G H
Management Quality Governance Regulatory and Legal Compliance Board of Directors Management Team Ownership	10.0% 2.0% 2.0% 4.0% 2.0%	10 10 10 10	I J K L
Industry Risk Country Risk with Economic, Political and Social Stability Industry Risk	15.0% 7.5% 7.5%	10 10	M N
Financial Analysis Performance Financial Position Cash Flows	20.0% 7.5% 7.5% 5.0%	10 10 10	O P Q
Ratio Analysis Risk Underwritten Earnings Asset Quality Liquidity/Solvency Margin	40.0% 10.0% 10.0% 10.0% 10.0%	10 10 10 10	R S T U

RATING ASSIGNMENT CRITERIA

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SCORING CHART		
9	10	STRONG
7	8	GOOD
5	6	MODERATE
3	4	WEAK
1	2	BAD

Final Score (ICRA WACS Model for Fis) =

$$[(7.5\% E) + (2.5\% F) + (2.5\% G) + (2.5\% H) + (2.0\% I) + (2.0\% J) + (4.0\% K) + (20\% L) + (7.5\% M) + (7.5\% N) + (7.5\% O) + (7.5\% P) + (5.0\% Q) + (10.0\% R) + (10.0\% S) + (10.0\% T) + (10.0\% U)] * 10$$