ICRA CREDIT RATING METHODOLOGIES
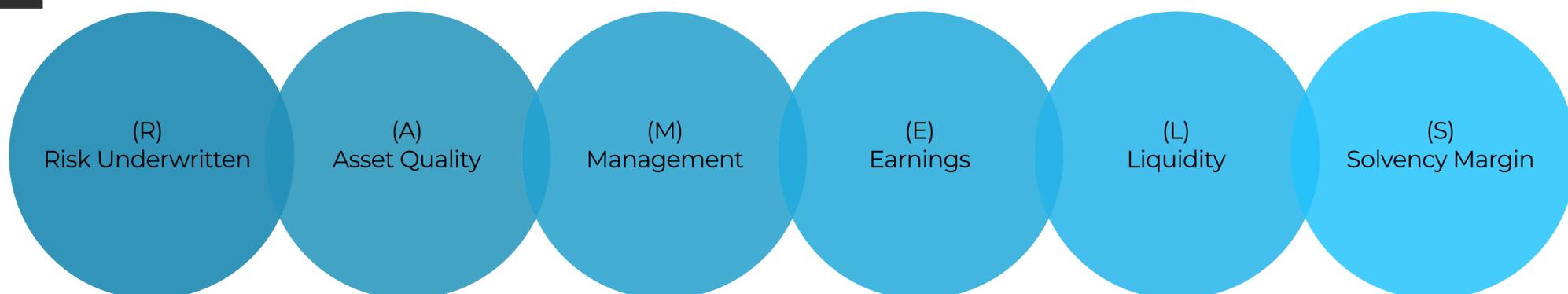
ICRA Insurance Credit Rating Methodology

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	**25.0%**
Market Share/Size of the business	10.0%
Product and Geographic Diversification	7.5%
Distribution Channels	7.5%
Management Quality & Ownership	**7.5%**
Leadership Team Board of directors and Governance	5.0%
Ownership	2.5%
Country and Industry Risk	**7.5%**
Economic Conditions, Natural Disasters, Political and Social Stability	2.5%
Industry Risk (Incl. Subsector Risks)	5.0%
Financial Statements Analysis (Standalone Basis)	**25.0%**
Performance	10.0%
Financial Position	10.0%
Cash Flows	5.0%
Ratio Analysis (Compared to Regulatory requirements, Peers and Industry Average)	**35.0%**
Profitability/Earnings quality	10.0%
Solvency/Capital Adequacy	10.0%
Asset Quality	7.5%
Liquidity	7.5%

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:

| (R) Risk Underwritten | (A) Asset Quality | (M) Management | (E) Earnings | (L) Liquidity | (S) Solvency Margin |

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	SUGGESTED WEIGHTAGE	MAXIMUM SCORE	ASSIGNED SCORE (OUT OF 10)
Business Model/Profile Review	**25.0%**	10	E
Market Share/Size of the business	10.0%	10	F
Product and Geographic Diversification	7.5%	10	G
Distribution Channels	7.5%	10	H
Management Quality & Ownership	**7.5%**	10	I
Leadership Team Board of directors and	5.0%	10	J
Governance Ownership	2.5%	10	K
Country and Industry Risk	**7.5%**	10	L
Economic Conditions, Natural Disasters, Political and Social Stability	5.0%	10	M
Industry Risk (Incl. Subsector Risks)	5.0%	10	N
Financial Statements Analysis (Standalone Basis)	**25.0%**	10	O
Performance	10.0%	10	P
Financial Position	10.0%	10	Q
Cash Flows	5.0%	10	R
Ratio Analysis (Compared to Regulatory requirements, Peers and Industry Average)	**35.0%**	10	S
Profitability/Earnings quality	10.0%	10	T
Solvency/Capital Adequacy	10.0%	10	U
Asset Quality	7.5%	10	V
Liquidity	7.5%	10	W

RATING ASSIGNMENT CRITERIA
Insurance Ratings

ICRA Non-Depository FI Rating Methodology is designed to cater to small to large non depository FI Ratings in the country. The rating assignment calculation has been designed in a way that appeals to a wide audience in the Non-Depository FI 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).

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%*1) + (2.0%*J) + (4.0%*K) + (20%*L) + (7.5%*M) + (7,5%*N) + (7.5%*0)+(7.5% P) + (5.0%*Q) + (10.0%*R) + (10.0%*s) + (10.0%*T) + (10.0%*U)] *10