

Rating Agency Advisory

Aon Benfield Analytics

As business dynamics and rating agency criteria continue to evolve, clients need to stay abreast of the metrics that matter most to ratings. Aon Benfield's Rating Agency Advisory group has substantial experience with the financial strength rating processes used by A.M. Best, Standard & Poor's, Moody's, and Fitch. As the foremost experts in this field, we help clients develop a thorough understanding of the financial, operational, and strategic issues that influence long-term viability and financial strength ratings.

Currently, the rating agencies' outlooks are divided across lines with approximately half maintaining a stable outlook while the other half view the industry with a negative outlook. Capital adequacy is not the leading driver of recent downgrades, but rather companies' continued difficulty to generate sufficient operating profitability driven by persisting soft market conditions and frequency of significant losses. Companies that are performing weaker compared to their peers and/or expectations are feeling the brunt of this ratings pressure.

How We Can Assist

For every client, Aon Benfield's Rating Agency Advisory group fully considers the capital, income, and ultimately rating agency, implications of all reinsurance transactions. We work with our clients to thoroughly evaluate the impact and trade-offs between the following:

- Cost of reinsurance
- Reduction in earnings and/or loss volatility
- Amount of capital relief provided

This is performed in accordance with the company's strategic plans and corporate goals. In addition to evaluating the efficacy of reinsurance using the rating agency metrics, our team has been successful in assisting many clients obtain their initial targeted ratings, maintain current ratings, achieve ratings upgrades and manage overall rating agency relationships. In light of the current environment, most notable is our success rate in dealing with the undercurrent of negative rating pressures. We work with clients so they understand the rating agency criteria and explain the impact of new or modified criteria, often before such changes are made public.

The goal of the Rating Agency Advisory group is not simply the delivery of a series of analytics, nor is it solely a conceptual discussion of the rating agencies concerns. Our aim is to provide clients with a thorough understanding of the key factors impacting their financial strength ratings, focusing on the metrics that matter most to a company's ratings.

The team's expertise positions our clients to better understand their current rating position and requirements to achieve rating movements and proactively be aware of likely rating actions. As both company dynamics and rating agency criteria continue to evolve, we provide ongoing advice with respect to how rating agencies view our clients' business plans and developments.

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