

# AM BEST

**Conferenza Italia di AM Best sul mercato assicurativo -  
Milano**

**18 Giugno 2025**

The Westin Palace, Milan

# Presenters

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**Riccardo  
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**Dr. Angela  
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Amsterdam



**Jose  
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Analytics



**Andrea  
Porta**  
Financial  
Analyst

# Agenda

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**10:30 Welcome and Introductory Comments**

*Riccardo Ciccozzi, Director, Market Development – Europe, AM Best*

**10:45 The Global Reinsurance Market: Perspectives & Outlook (in English)**

*Dr. Angela Yeo, Senior Director, Head of Analytics – Amsterdam, AM Best*

**11:15 Cyber Considerations in the Rating Process**

*Jose Berenguer, Associate Director, Analytics – Amsterdam, AM Best*

**11:45 AM Best's Hot Topics**

*Jose Berenguer, Associate Director, Analytics – Amsterdam, AM Best*

*Andrea Porta, Financial Analyst – Amsterdam, AM Best*

**12:30 Closing Comments and Networking Lunch**



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# Disclaimer

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# **The Global Reinsurance Market: Perspectives & Outlook**

**Dr. Angela Yeo**  
**Senior Director, Head of Analytics - Amsterdam**

# Global Reinsurance Market – Discussion Outline

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**Positive Outlook –**

**Sustainable results, for longer than usual**

**Robust operating results for two consecutive years –**

**Despite heightened cat activity, casualty challenges**

**1/1/25 renewals –**

**Plenty of capacity, some softening but healthy margins**

**Expanding dedicated capital –**

**Internal capital generation, lack of new entrants**

**Challenges ahead –**

**CA wildfires, economic / geopolitical environment, social inflation**

# AM Best's 2024 Market Segment Outlook – Global Non-Life Reinsurance

## Outlook – Revised to Positive

- Not just re-pricing but de-risking
- Sustainable underwriting margins
- Capital protection instead of earnings stabilisers
- No capital depletion
- Claims activity driven by secondary perils. Strong demand
- Investor pressure behind underwriting discipline for longer



## BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage™

June 12, 2024

The outlook is moving to Positive from Stable, as reinsurers continue to reap the benefits of higher interest rates

### Market Segment Outlook: Global Non-Life Reinsurance

AM Best is revising its outlook for the global non-life reinsurance segment to Positive from Stable, driven primarily by the following factors:

- Improved property reinsurance margins, driven by increased rates and attachment points achieved in 2023. These conditions are unlikely to soften through the 2024 cycle.
- More robust investment income, driven primarily by higher new money yields on fixed-income instruments. A slower drop in rates than originally anticipated should support returns over the short term.
- The segment remains well capitalized, with no new players expected to disrupt current market discipline. Consolidation and a flight to quality are more likely.
- Demand for coverage remains high due to elevated loss frequency in property lines and general economic uncertainty.
- Adverse development reported on US casualty business has been mitigated by strong underwriting gains and redundant property reserves.
- Top performers have been able to raise capital to support growth initiatives.

#### Margins Continue To Improve; Property Cat Risk Realigns with Primary Carriers

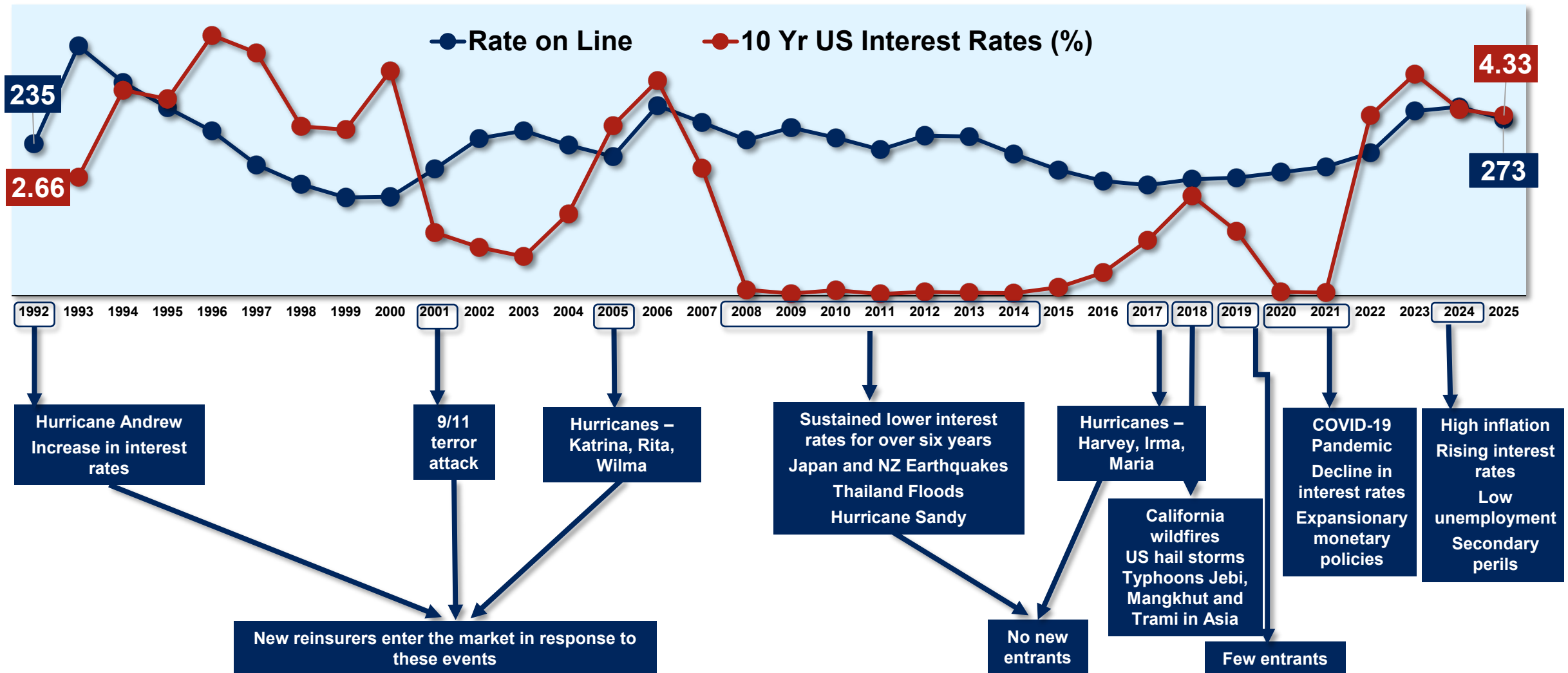
In 2023, non-life reinsurers reported their most favorable year of the past five. The realignment of attachment points in the property reinsurance market allowed reinsurers to limit their losses throughout the year, despite active weather patterns. When combined with healthy increases to rate-of-line, the result was an underwriting margin that hasn't been realized since 2014.

Improved and stabilized underwriting margins followed a strong result in 2023, despite heavy weather-related losses in the US. Hurricane season was also a factor.

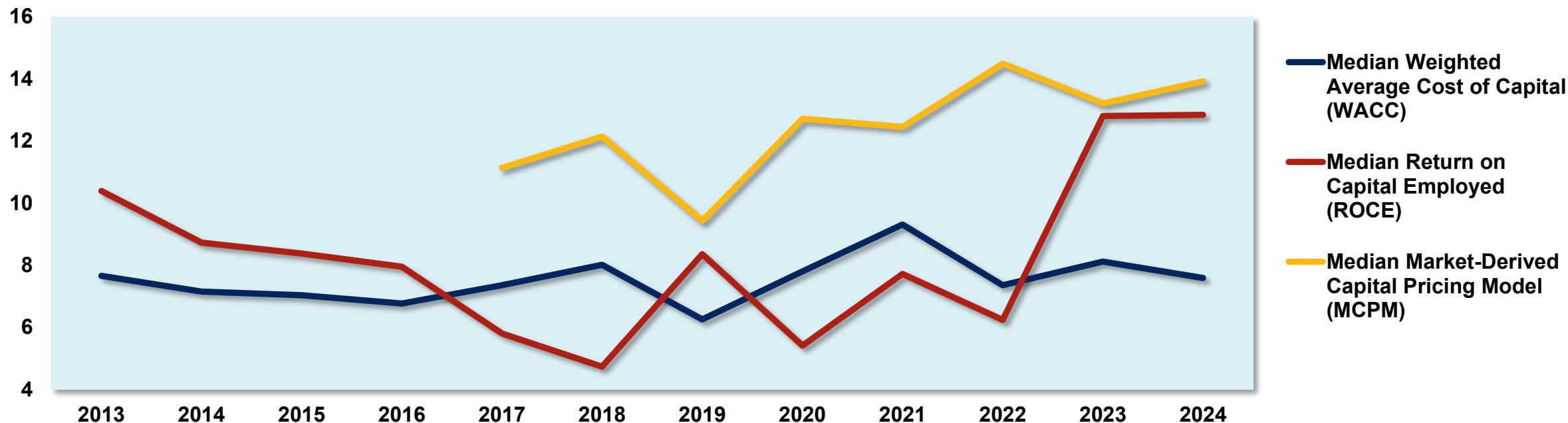




# Why is this Cycle Different?



# Cost of Capital and Realignment of Risk

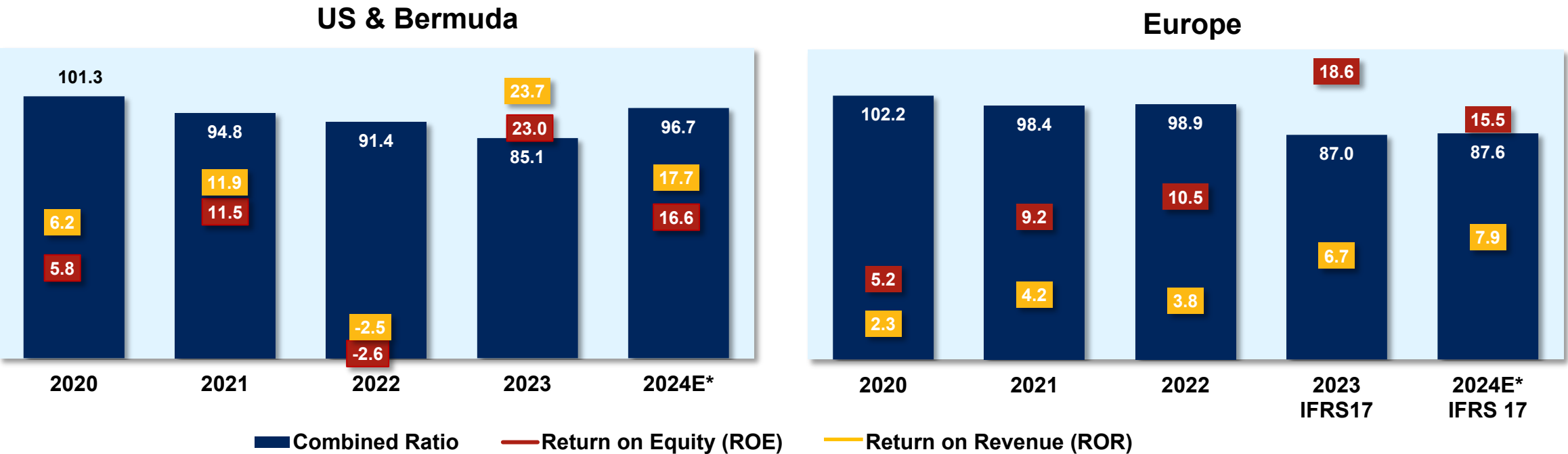


## Reinsurers meeting cost of capital



Market-Derived Capital Pricing Model (MCPM) is based on a smaller sample size and has limited years due to availability of data  
Source: Bloomberg

# Reinsurers – US & Bermuda, and Europe



- Expected profitability through 2024, despite Hurricane Helene’s impact
- Combined ratio poised to remain below 100

Notes:  
\* 2024 AM Best Estimation.  
Europe IFRS 17 comprises Munich Re, Hannover Re and SCOR.



# 1/1/25 Renewals

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- Property reinsurance has started to soften, but margins remain strong
- Casualty – while being more scrutinized – was renewed without any capacity constraints
- Traditional reinsurance capital reached an all time high, mostly due to strong operating earnings and lessened investment volatility
- Third-party capital momentum led by reinvestment of gains by investors

# Impact of California Wildfires

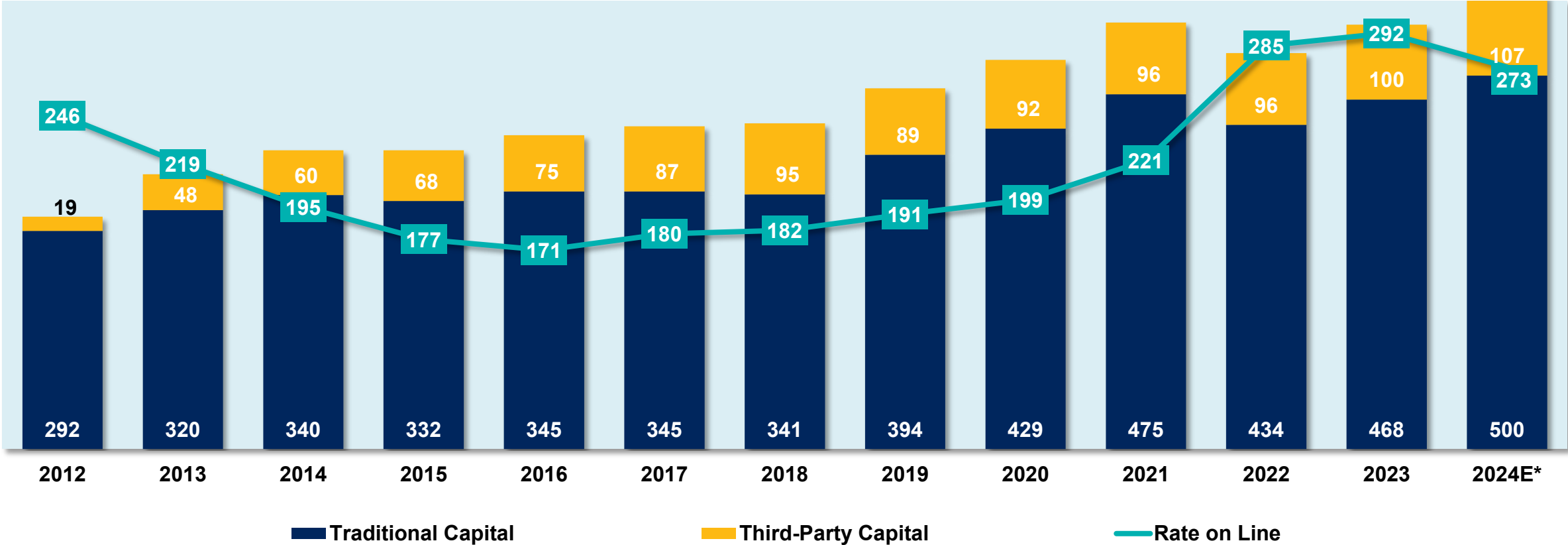
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- Magnitude similar to that of a major hurricane, but in Q1 (USD 30 – USD 50 billion?)
- Uncertainty as to how the costs will be shared:
  - FAIR Plan/assessments
  - CA Wildfire Fund
  - Subrogation
  - 1 or 2 Events?
- Split between admitted and non-admitted markets
- Reinsurers' share of natural catastrophe risks has declined in recent years (from 20% to 14% in the last two years)
- But major reinsurers have exhausted their catastrophe budgets for Q1 (approximately 40% for the full year)
- Mid-year renewals: geographically localised changes, still plenty of capacity and healthy margins expected. All in all, firm pricing



# Global Reinsurance Market Capital

Estimated Dedicated Reinsurance Capital (USD billions)

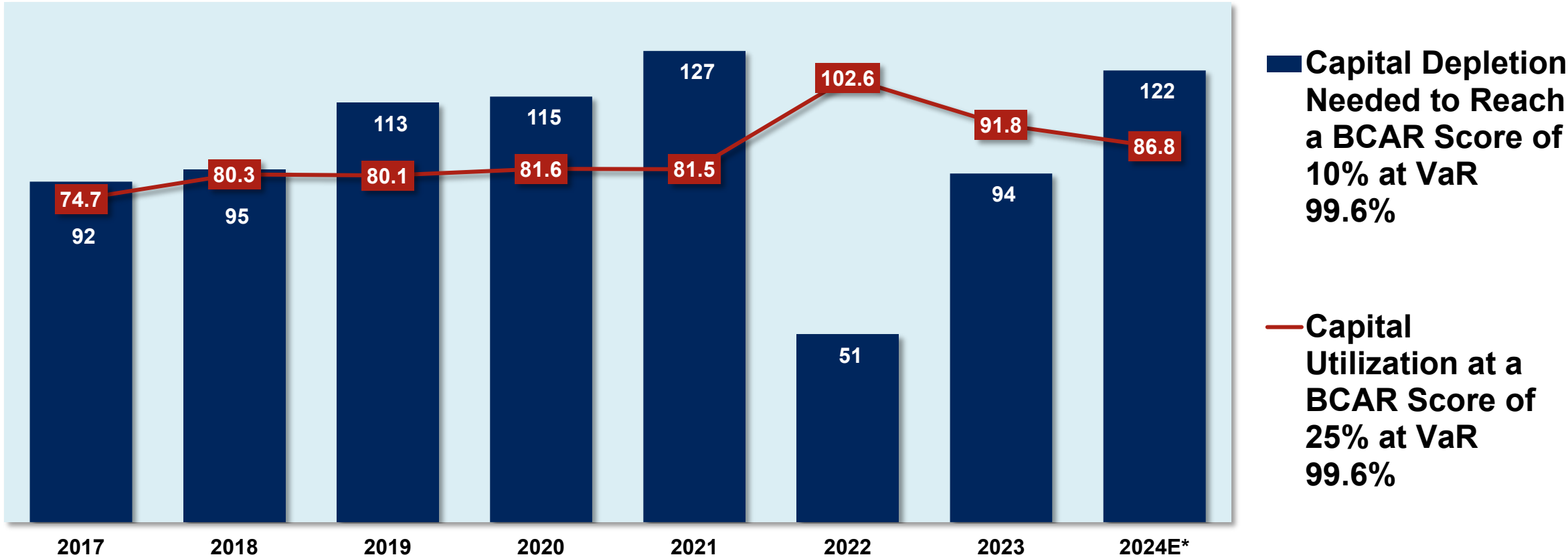


\* 2024 AM Best Estimate  
Sources: Guy Carpenter and AM Best



# A Hard Cycle With Excess Capital

Global Reinsurance – Capital Utilization (USD billions)



\* 2024 AM Best Estimate  
Source: AM Best data and research



## Near Term – Potential Concerns

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**How will 2025 be impacted by early year events**



**Economic and geopolitical issues**



**US casualty reserves and social inflation**

## Long Term – Emerging Issues

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**Scrutiny of catastrophe models**

**Cyber risks**

**Artificial intelligence**

**PFAS**

**Other risks**

# AM Best's Expectations – The Next 12 Months

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**Underwriting profits –  
stabilisation at robust levels**

**Rate movements –  
more differentiation, broader cover**

**Retention levels –  
differentiation, discipline maintained**

**Inflationary pressures and interest rates –  
political uncertainty**

**Significant new capital /  
internal generation / established players**

**Increased use of alternative capital to meet  
capital needs**



# Q&A

# **Considerazione dei rischi cyber nel processo di Rating**

**Jose Berenguer**  
**Direttore Associato – Analytics**

# Global Cyber Insurance Market Outlook – Stable

## Tailwinds



Greater demand and geographical expansion



Continual improvements in cyber hygiene



Improved sophistication among product offering

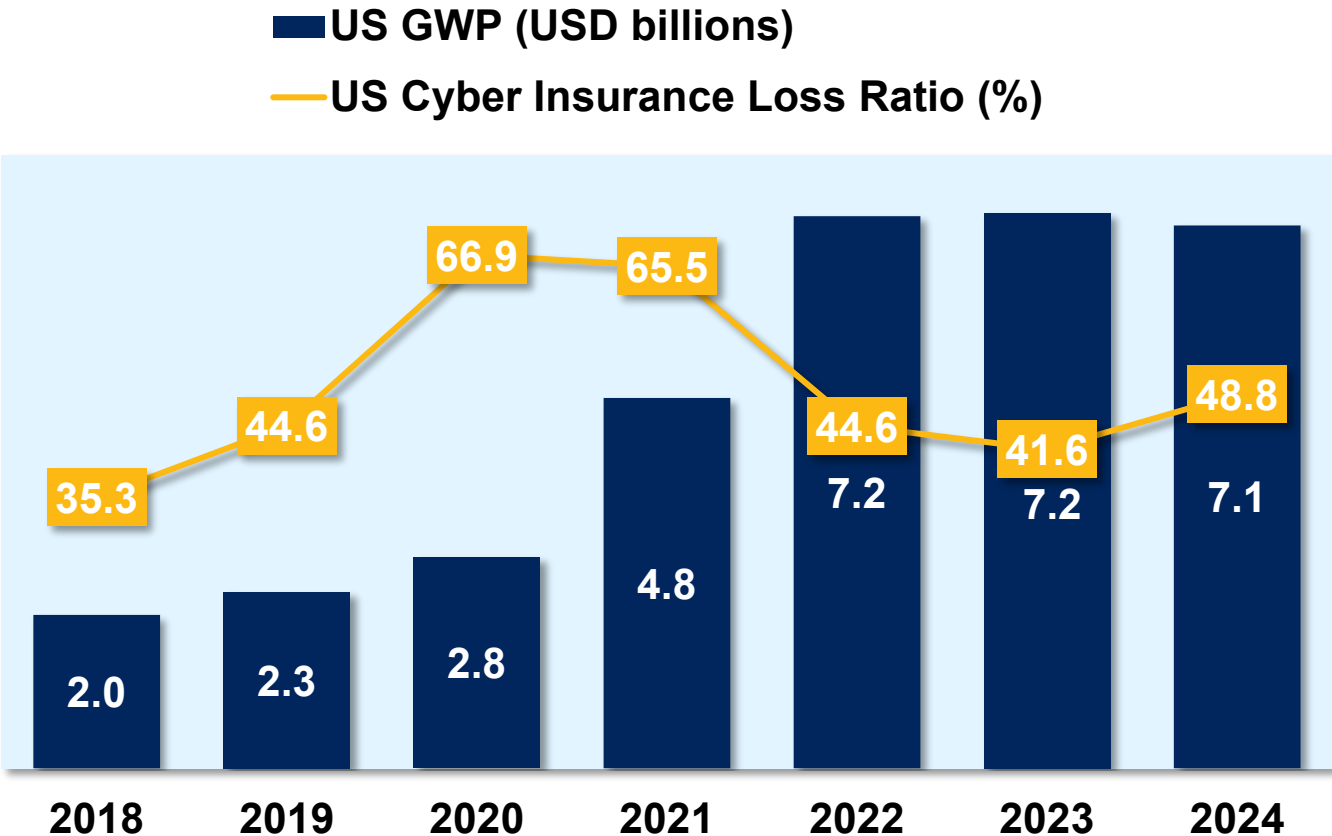


Improvements in underwriting practices and policy language



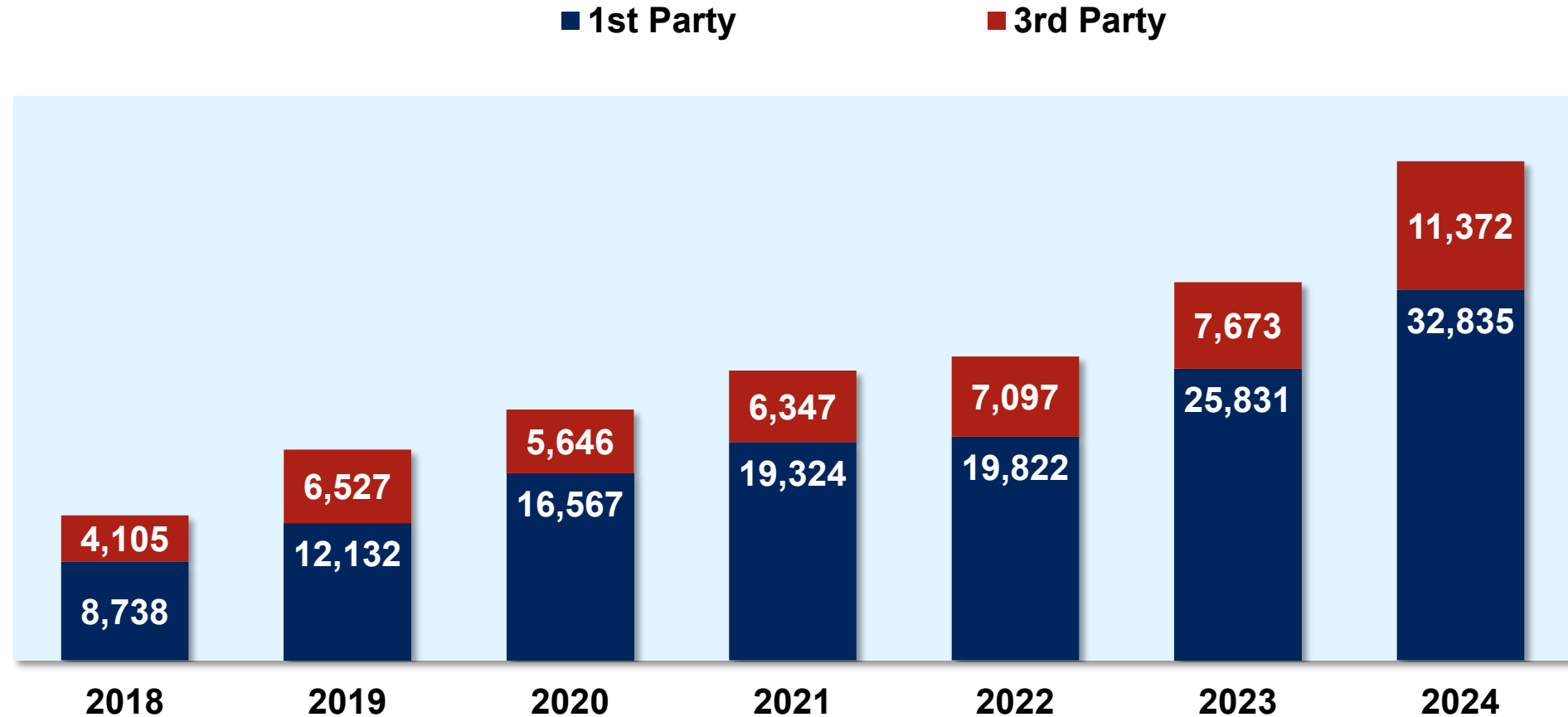
Traditional reinsurance and alternative capital markets to support growth

## Estimated US Cyber GWP with Incurred Loss Ratios



# Global Cyber Insurance Market Outlook – Stable

## Number of US Cyber Claims by Policy Type



# Global Cyber Insurance Market Outlook – Stable

## Headwinds



Increased competition and rates moderation



Growing sophistication of attacks using AI



Aggregation risks

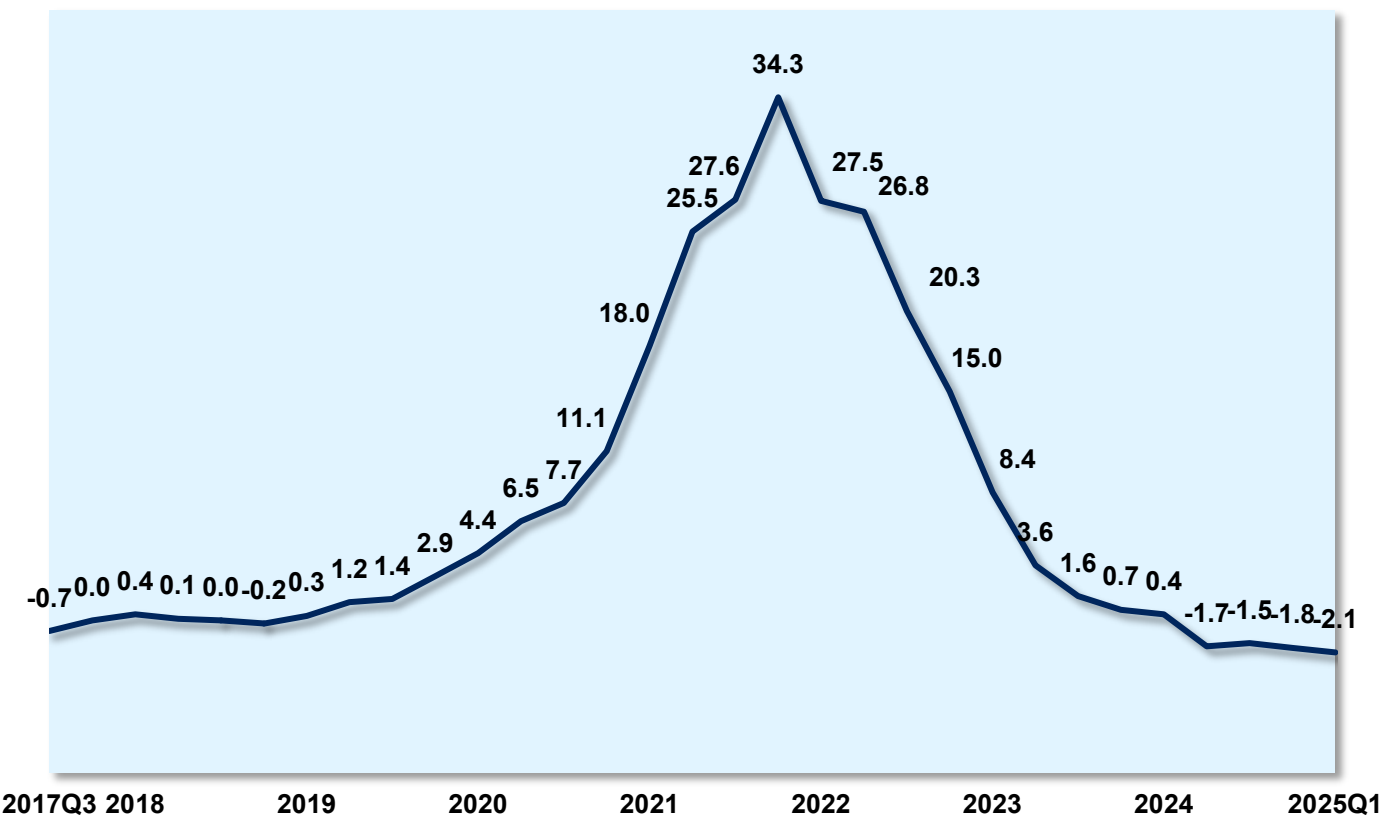


Model risk and divergence among models



Heavy dependence on reinsurance

## US Cyber Insurance Pricing Changes by Quarter (%)





# **AM Best's Rating Process & Rating Considerations for Cyber**

# Rating Considerations for Cyber

## Balance Sheet Strength

- Risk-adjusted capitalization
- Aggregation management
- Cyber modelling
- Stress testing
- Reinsurance
- Reserve adequacy
- Liquidity

## Operating Performance

- Underwriting & earnings volatility
- Business plans and assumptions
- Track record

## Business Profile

- Product concentration risk
- High product risk
- Limits offered
- Industries covered
- Size of Insured
- Management expertise

## Enterprise Risk Management

- Risk appetite & tolerances
- Risk aggregation
- Risk management capabilities
- Stress testing

# **Incorporating Catastrophe Risk & Stress Testing into the Rating Process**

# Why Incorporating Catastrophe Risk & Stress Testing is Necessary?

**Catastrophes – both natural and man-made – can abruptly impair (re)insurance companies**

**Effectively managing exposure to catastrophe events is essential to protect and preserve balance sheet strength**

**Stress Testing allows AM Best to capture the uncertainties inherent in an insurer's operations and business plans**

## **Rating Considerations**

**Aggregate exposure**

**Concentration of exposures**

**Historical losses**

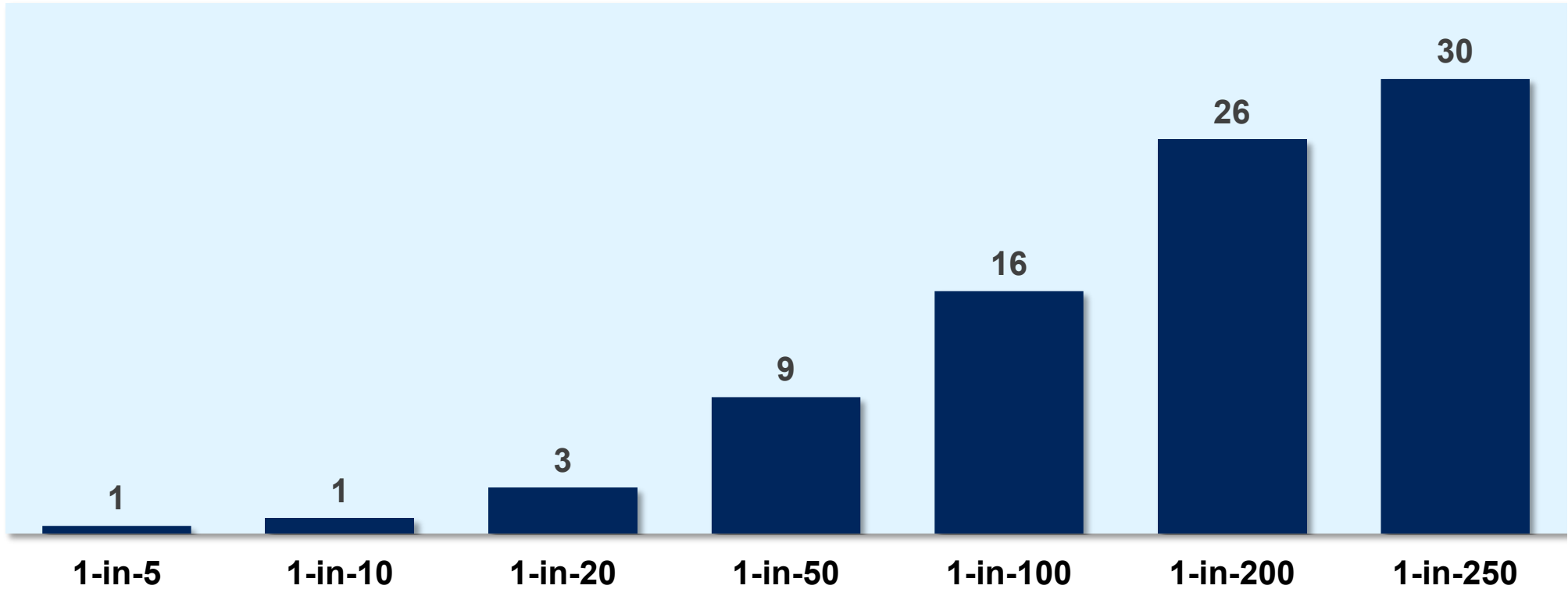
**Deterministic scenarios**

**Modelled PMLs**

**Management's view**

# Cyber – Probable Maximum Losses

## Simulated Financial Loss to Entire US Economy by Return Period (USD bn)





# Q&A

# **AM Best's Hot Topics**

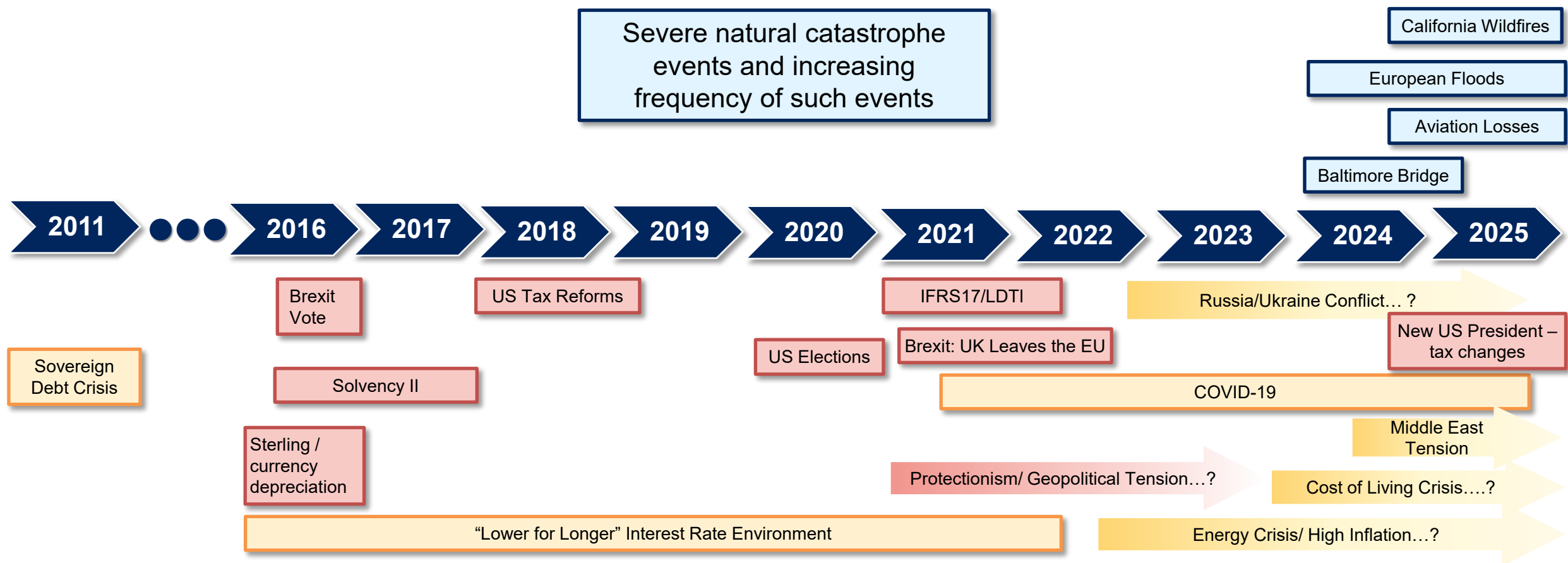
**Jose Berenguer, Direttore Associato, Analytics -  
Amsterdam**

**Andrea Porta, Analista Finanziario - Amsterdam**

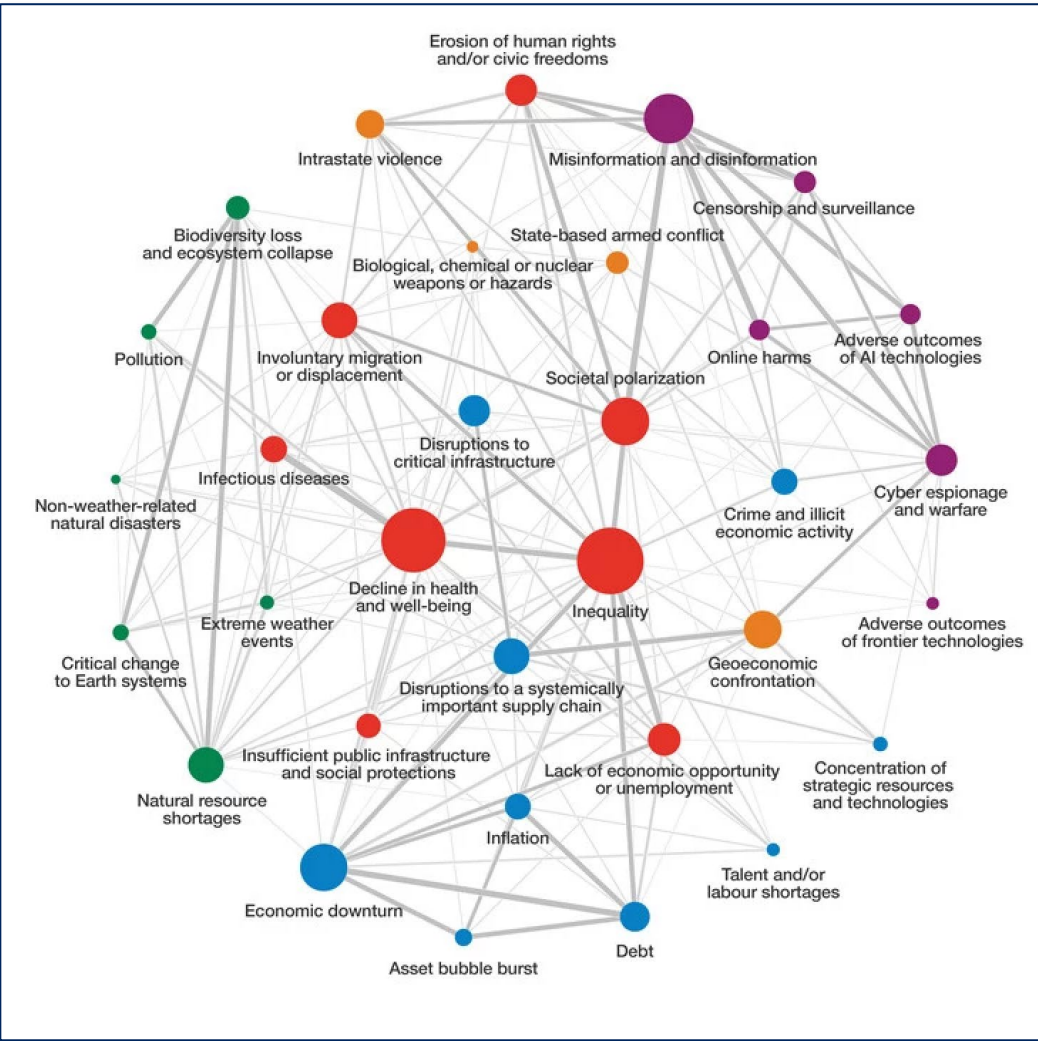
# **Il panorama dei rischi e gli Stress Testing**

**Andrea Porta, Analista Finanziario**

# Recent Market Events



# Interconnectivity of Risks 2025



## Market Environment –

Increasingly interconnected between risk categories, with a higher degree of contagion

### Relative Influences – Edges

— High  
— Medium  
— Low

- Economic
- Environmental
- Geopolitical
- Societal
- Technological

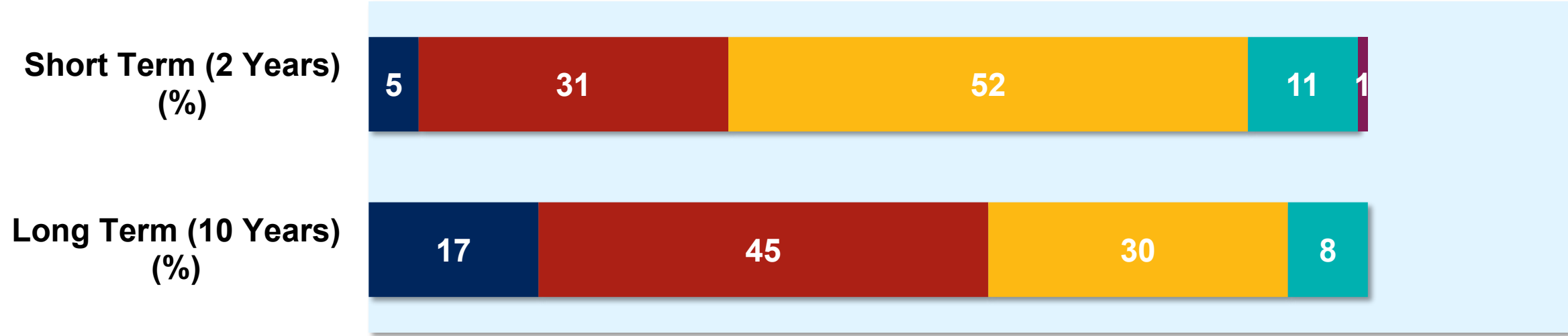
### Risk Influence – Nodes

● High  
● Medium  
● Low

# Global Outlook – Risks

## Short and Long-Term Global Outlook

“Which of the following best characterizes your outlook for the world over the following time periods?”



- **Stormy:** Global catastrophic risks looming
- **Turbulent:** Upheavals and elevated risk of global catastrophes
- **Unsettled:** Some instability, moderate risk of global catastrophes
- **Stable:** Isolated disruptions, low risk of global catastrophes
- **Calm:** Negligible risk of global catastrophes



# Change in Risk Priorities 2025

2014	2018	2022	2023	2024	2025
BI - Supply Chain Disruptions	BI - Supply Chain Disruptions	Cyber	Cyber	Cyber	Cyber
Natural Catastrophes	Cyber	BI - Supply Chain Disruptions	BI - Supply Chain Disruptions	BI - Supply Chain Disruptions	BI - Supply Chain Disruptions
Fire, Explosion	Natural Catastrophes	Natural Catastrophes	Macroeconomic Developments	Natural Catastrophes	Natural Catastrophes
Changes in Regulation and Legislation	Market Developments	Pandemic Outbreak	Energy Crisis	Changes in Regulation and Legislation	Changes in Regulation and Legislation
Market Stagnation or Decline	Changes in Regulation and Legislation	Changes in Regulation and Legislation	Changes in Regulation and Legislation	Macroeconomic Developments	Climate Change
Loss of Reputation and Brand Value	Fire, Explosion	Climate Change	Natural Catastrophes	Fire, Explosion	Fire, Explosion
Intensified Competition	New Technologies	Fire, Explosion	Climate Change	Climate Change	Macroeconomic Developments
Cyber	Loss of Reputation and Brand Value	Market Developments	Shortage of Skilled Workforce	Political Risk and Violence	Market Developments
Theft, fraud corruption	Political Risks and Violence	Shortage of Skilled Workforce	Fire, Explosion	Shortage of Skilled Workforce	Political Risk and Violence
Quality deficiencies / defects	Climate Change	Macroeconomic Developments	Political Risk and Violence	Energy Crisis	New Technologies

# Resilience to Events is Important to Financial Strength

## Some big industry events...

**Financial  
Crisis**

**US  
Hurricanes**

**WTC**

**COVID-19**

**Asbestos**

## Increased frequency and severity of risks

**Wildfires**

**Floods**

**Secondary  
Perils**

## Man-made risks / Human error

**Baltimore  
Bridge**

**Cyber  
Attacks**

**Riots**

**Single Risk  
Explosions/Fires**

**Aviation Losses**



# Why Should Companies Stress Test?

**Understand interaction with  
market complexities**

**Determine balance sheet  
resilience and ability to absorb  
shocks**

**Identify risks/scenarios that may  
cause insolvency**

**Determine need for financial  
flexibility and reinsurance**

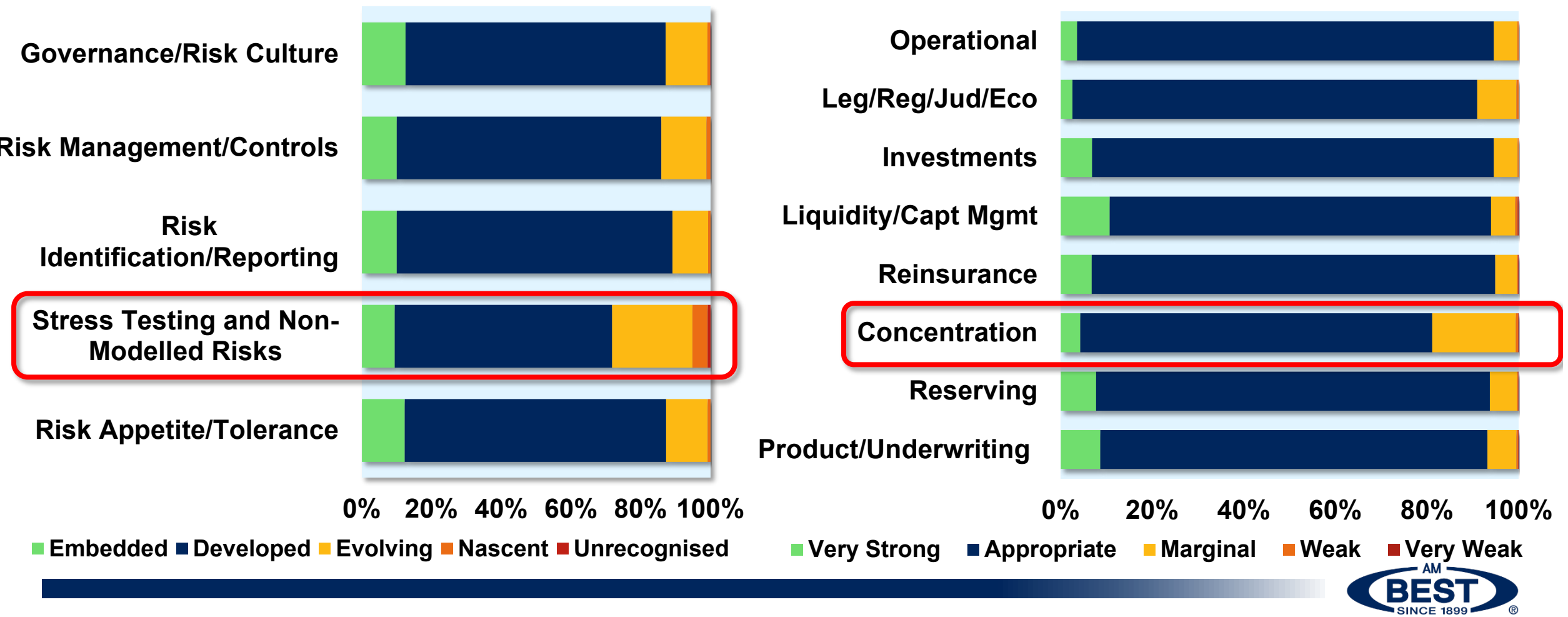
**To be proactive about emerging  
risks and to develop action plans**

**Regulatory requirements**

**Important component of Enterprise Risk Management –  
Manage capital and earnings volatility relative to risk appetite**

# AM Best's ERM Assessment – Global Risk Framework & Profile Evaluation

Stress Testing and Concentration are key elements within risk evaluation



# Key Takeaways

## Uncertainty Remains

Increased frequency and severity of events; higher levels of contagion and interconnectedness

## Strong Balance Sheets

Needed to cope with heightened cost of doing business and absorbing unforeseen events

## Insurance Industry has Shown Resilience to Market Events

Effective and adaptable ERM remains key to manage unknown events

## Uncertainty and Volatility also

Create opportunities

# **Prospettive sulle Responsabilità Civili Emergenti**

**Andrea Porta, Analista Finanziario**

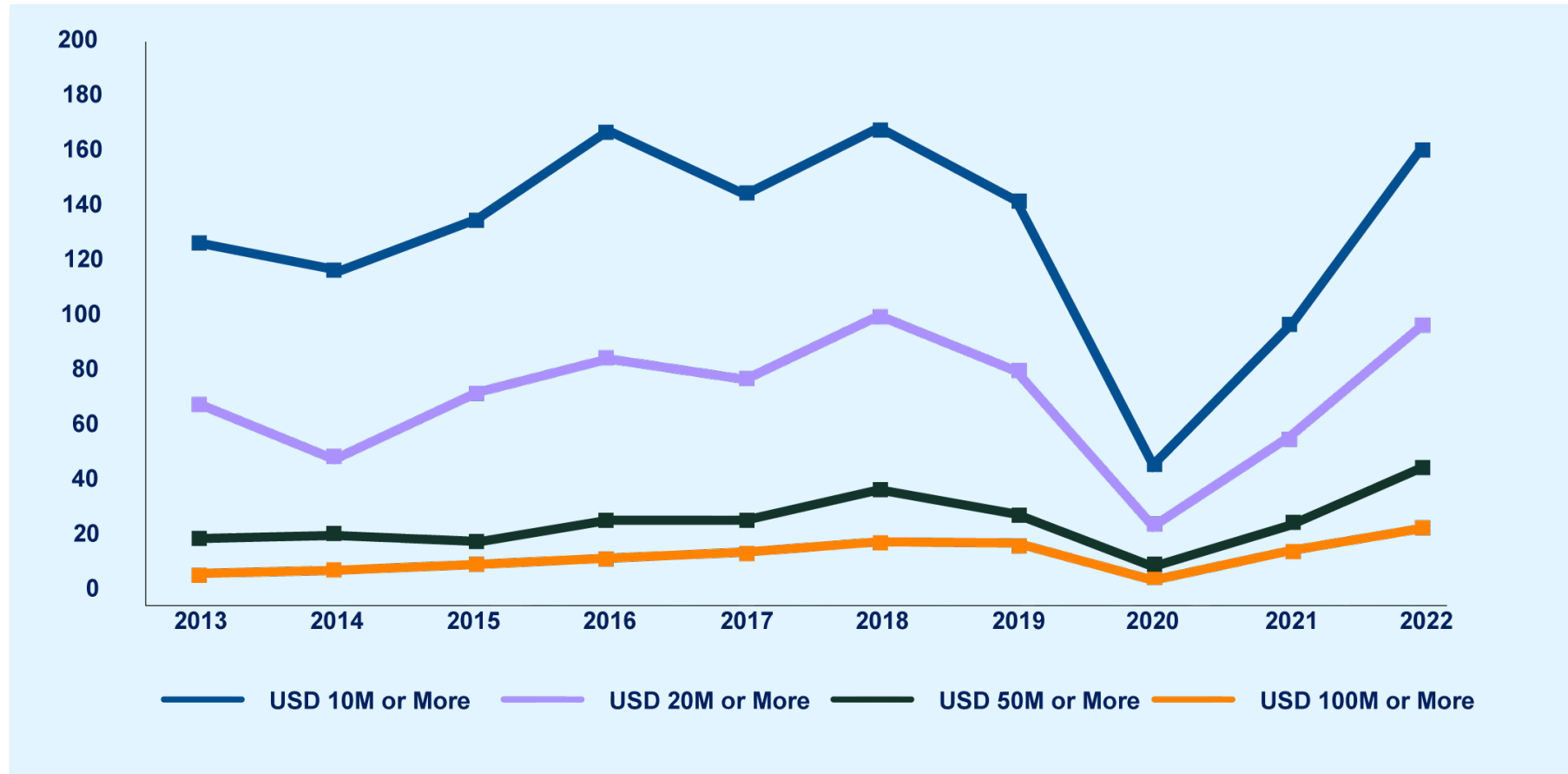
# The State of the US Casualty Market

# The State of the US Casualty Market

Headwinds	Tailwinds
<ul style="list-style-type: none"><li>• Worsening social inflation, medical expenses, and litigation financing</li><li>• Emerging classes of litigation exposure, with the potential for large-scale class action lawsuits</li></ul>	<ul style="list-style-type: none"><li>• Consistent rate increases and tightening of underwriting standards</li><li>• The high interest rate environment, which will favourably influence total profitability</li><li>• Muted pace of harassment litigations, even with the erosion of state statutes of limitations re-opening prior year policy exposure</li></ul>

# The State of the US Casualty Market

## Number of Reported Nuclear Verdicts (2013 – 2022)

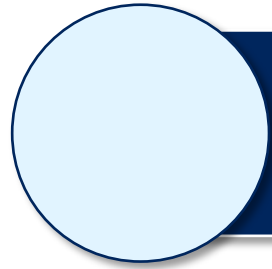


# The Market's Response

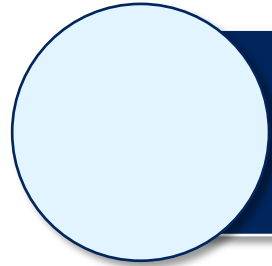


# The Market's Response – New Business

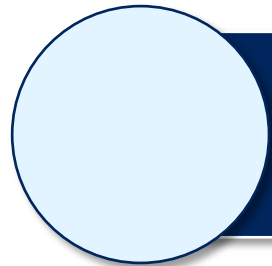
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**Rate Increases**



**Tightening of Underwriting Standards**



**Product Segmentation**

# The Market's Response – Existing Business

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**Reserve Strengthening**



**Out of Court Settlements**



**Loss Portfolio Transfers & Adverse Development Covers**

# Emerging Risks – PFAS

# Emerging Risks – PFAS



- **Potential for harm**
- **Exposure across time & space**
- **Plaintiff bar interest in mass tort**
- **Challenges for claims handling & reserving**
- **Potential to impact many lines of business**

# Emerging Risks – PFAS

## Balance Sheet Strength

- Challenging to reserve for mass torts, long latency and development lag
- Potential for accumulation / correlation risk in tail

## Operating Performance

- Adverse reserve development may be a drag on earnings

## Business Profile

- Increase in product risk

## Enterprise Risk Management

- Complex coverage issues might increase risk of reinsurance disputes
- Risk identification, reporting and modelling challenges

# Looking Ahead

# Looking Ahead

## Challenges are here to stay

- Social inflation
- Increased interconnectivity of risks
- Interest rates coming down
- Wage inflation, healthcare costs and service inflation remain elevated

## But all is not doom and gloom

- Some profitable sub-segments
- Ability to “underwrite” around the risk
- Growing interest from capital markets

# Italian Market Segment Outlooks

Andrea Porta, Analista Finanziario



# What is a Best's Market Segment Outlook?

## AM Best's Market Segment Outlooks:

- Examine the current trends in particular segments of the insurance industry over the next 12 months
- Typical factors considered include:
  - Current and forecast economic conditions
  - The regulatory environment and potential changes
  - Emerging product developments
  - Competitive pressures
- AM Best's Market Segment Outlook can be Positive, Negative, or Stable, like a Best's Credit Rating Outlook for a company
- Many segments covered internationally
- AM Best ratings take into account how companies manage these factors and trends
- Not an indicator of rating movements

# AM Best's 2025 Market Segment Outlook – Italy Non-Life Insurance

## Outlook – Maintained at Stable

- Natural catastrophe risks gaining relevance due to compulsory coverage for enterprises
- Profitability expected to be maintained despite recent updates of bodily injury compensation tables
- Stable growth sustained by underwriting discipline



## BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

May 27, 2025

### Market Segment Outlook: Italy Non-Life Insurance

AM Best is maintaining its Stable outlook on Italy's non-life insurance segment, owing to the following factors:

- Natural catastrophe risks gaining relevance due to compulsory coverage for enterprises.
- Profitability expected to be maintained despite recent updates of bodily injury compensation tables.
- Stable growth sustained by underwriting discipline.

#### Natural Catastrophe Risks Gaining Relevance due to Compulsory Coverage for Enterprises

Laws requiring corporate entities to buy coverage against earthquakes, floods, inundations and landslides came into force for large enterprises on March 31, 2025. Medium and small enterprises will come under the measures later in 2025.

The new rules impose on insurers the duty to underwrite cover for these exposures although with provisions to stay within their risk appetite and access reinsurance support from government-owned reinsurer, SACE S.p.A. The total reinsurance capacity for these risks is set at EUR 5 billion per year until 2026 and is guaranteed by the state.

Once fully effective, this new natural catastrophe scheme is expected to drive a low-single-digit percentage increase in gross written premium (GWP) within the non-life Italian segment.

The law will increase coverage for risks historically poorly penetrated, benefitting risk diversification. However, it will also bring with it a spike in exposure to natural catastrophe risks. Given the lack record of natural catastrophe losses in Italy, the appropriateness of reinsurance will play a vital role in limiting volatility in insurers' underwriting results that is

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andrea.p...



# AM Best's 2025 Market Segment Outlook – Italy Life Insurance

## Outlook – Maintained at Negative

- Net volumes remain under pressure due to surrenders
- Concentrated market with high competition from domestic investment opportunities
- Segment exposure to economic uncertainty



## BEST'S MARKET SEGMENT REPORT

Our Insight, Your Advantage®

May 27, 2025

### Market Segment Outlook: Italy Life Insurance

**Surrenders are expected to continue exerting pressure on net volumes in 2025, in a segment exposed to economic uncertainty.**

AM Best is maintaining its Negative outlook on the Italian life insurance segment, owing to the following factors:

- Net volumes remain under pressure due to surrenders.
- Concentrated market with high competition from domestic investment opportunities.
- Segment exposure to economic uncertainty.

Partially offsetting factors are:

- Stable regulatory environment.

#### Net Volumes Remain Under Pressure due to Surrenders

AM Best expects life insurance premium growth momentum in Italy to continue in 2025, albeit at a slower pace, following the recovery trend seen in 2024. The segment's top line is correlated to wider economic-financial conditions, particularly an interest rate environment that remains attractive.

Italy's life insurance segment is dominated by traditional savings policies, posing a challenge for Italian life insurers' product mix diversification.

Sales of unit-linked products are recovering slowly, although volumes are still materially lower than in 2021 and 2022. Additionally, pressure on net inflows is expected to continue throughout 2025, as global geopolitical risks provoke financial markets' volatility, which in turn has the potential to trigger another spike in surrenders.

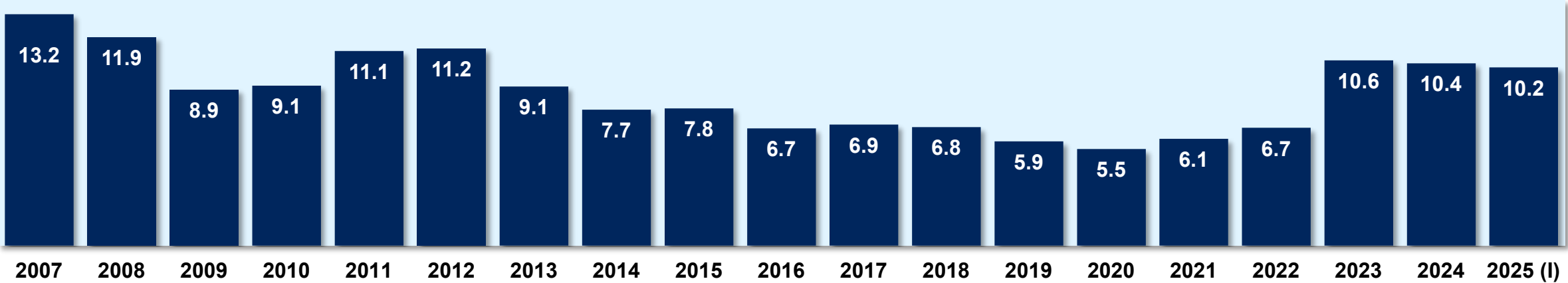
Analytical Contacts:  
Andrea Portoghera  
Tel: +31 20 312 3123  
andrea.p@ambest.com

es that, in con to other European markets, life insurance is facing  
of surrender with a scaled back. due to  
net flows

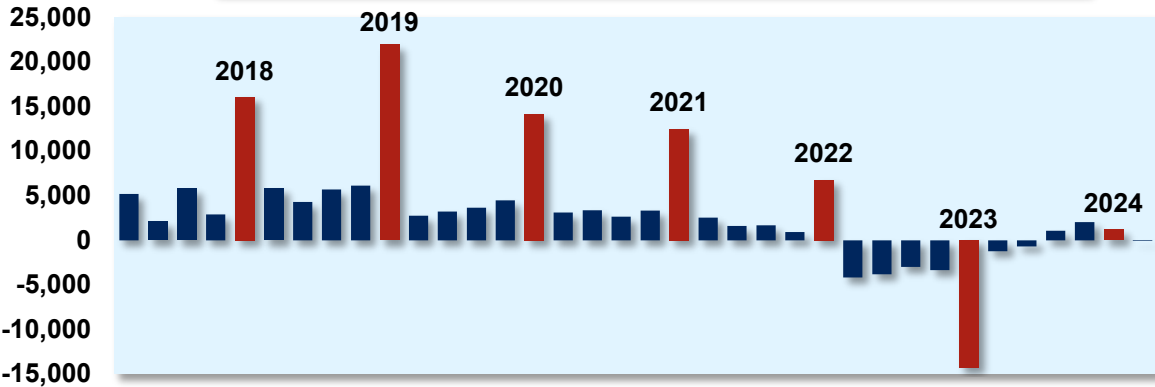


# Italy Life Insurance – Negative Outlook

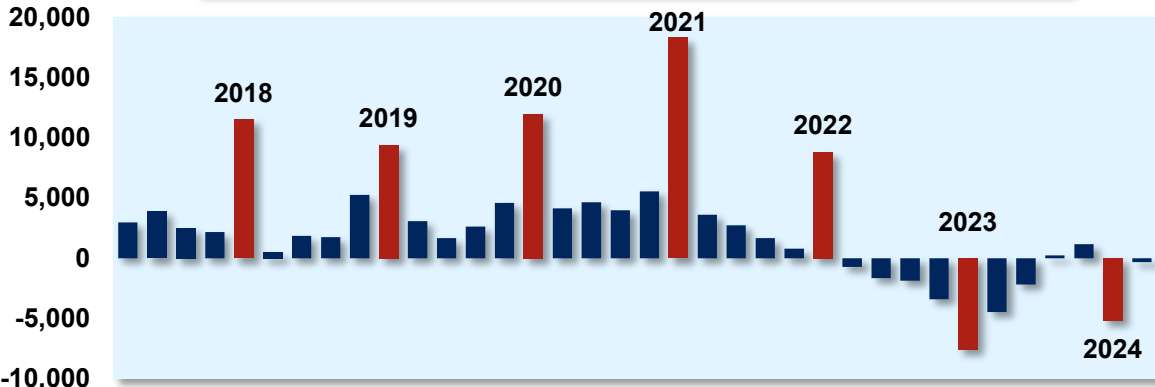
Lapse Ratio (%)



Net Inflows Class I (EUR m)



Net Inflows Class III (EUR m)



# AM Best's European Market Segment Outlooks

## France Life

**Negative**  
(Maintained)

May 22, 2024

## France Non-Life

**Negative**  
(Maintained)

May 22, 2024

## Germany Life

**Negative**  
(Maintained)

Jan 21, 2025

## Germany Non-Life

**Negative**  
(Maintained)

Dec 17, 2024

## Italy Life

**Negative**  
(Maintained)

May 27, 2025

## Italy Non-Life

**Stable**  
(Maintained)

May 27, 2025

## Spain Life

**Stable**  
(Maintained)

May 23, 2025

## Spain Non-Life

**Stable**  
(Maintained)

May 23, 2025

## UK Life

**Stable**  
(Maintained)

Jun 03, 2025

## UK Non-Life

**Stable**  
(Maintained)

Apr 14, 2025

## London Market

**Stable**  
(Revised from Positive)

Apr 08, 2025

[Click here to download AM Best's Market Segment Outlooks](#)

# **IFRS 17 – Aggiornamenti**

**Jose Berenguer, Direttore Associato – Analytics**

# IFRS 17 and AM Best

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## Where does AM Best stand after the first year of IFRS 17 reporting?

- AM Best strives for transparency and consistency – from implementation to improving and refining IFRS17 infrastructure:
  - Credit Reports/Financial Reports
  - Supplementary Rating Questionnaire (SRQ)
  - Internal data capture tables and benchmark tools
- IFRS 17 reporting – further evolution expected

# Working with IFRS 17



# IFRS 17 – Observations

## AM Best's current assessment is:

- Evolution still to come on content and presentation
- Will be viewed more favourably over time
- Complexity to remain a challenge

## Some early subjects for discussion:

- Segment reporting
- Expenses
- Contractual Service Margin (CSM)

**AM Best's focus is to implement methodology consistently**

## Segment Reporting

- Primarily referring to life/non-life
- Different level of detail in some cases
- P&L data set requires segment roll-forward tables
- Analysis is generally separate
- Expenses allocation is a long-standing subject

## Expenses

- Practice varies on expenses in roll-forward tables
- Translation from roll-forward tables to management expense data can be unclear
- Composites' non-operating costs segment allocation
- Identification of central costs

# Contractual Service Margin (CSM) – A Ratings Perspective

## Local GAAP reporters with supplementary value reporting and/or SII

## IFRS 17 reporters

## US GAAP reporters

- In general, audited quantities are included within available capital calculation in the range of 0 - 100%
- CSM obviously is “loss absorbing”, but are CSM movements the same losses that are absorbed by equity?
  - Scaled up for impact on profit over policy duration
  - Assumption changes
- Early experience suggests volatility comparable to VIF in embedded value reporting

- Typically, AM Best’s Net Economic Value due to Long-term Business applies to life segment
- Haircut for volatility and fungibility supports level playing field across ratings universe
- Cohort composition of CSM amortization in reporting period would show delivery of new business profit

# Wrap Up

- Combination of value-oriented balance sheet with run-rate profit reporting is a welcome innovation
  - RoEs with IFRS 17 equity denominator may be characterised as an achieved return on investment. Enhances role of RoE, at expense of estimated new business IRR
  - Complexity remains a challenge. Roll-forward tables likely to have an increased profile over time
- AM Best's IFRS 17 2025 SRQ for clarity on data requirements
  - AM Best expects expenses reporting to evolve
  - Scope for more informative reporting relating to:
    - OCI movements
    - VFA business impact on CSM
    - Cohort composition of CSM amortization in reporting period

# Q&A

# AM BEST

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