

## AMBERS / AMB-EU FEES FACTSHEET

A.M. Best Rating Services, Inc. and its subsidiaries (AM Best Group) receive credit rating related services fees from the organisations / issuers that it rates. This “*issuer pays model*”, which is common to the major credit rating agencies, allows the public to gain free access to the published rating opinions.

The EU CRA Regulation (CRA 3) and the UK CRA Regulation (Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019) require that fees charged by CRAs are not discriminatory and are cost-based. Therefore, differences in fees charged for the same type of service should only be justifiable by a difference in the cost in providing the service. To embed these principles, A.M. Best Europe – Rating Services Ltd (AMBERS) and A.M. Best (EU) Rating Services B.V. (AMB-EU) have implemented pricing policies and procedures that incorporate these regulatory principles and the internal controls in place to ensure they are adhered to, and detail the process followed by Market Development personnel when setting fees.

Due to regulatory requirements that seek to protect the independence of the analytical staff, AM Best employees who approve or participate in the determination or monitoring of credit ratings / performance assessments, or are involved in developing or approving rating models and methodologies, are not allowed to receive any information about fees or to engage in any commercial discussions. This document seeks to summarise for stakeholders the principles and high-level criteria in the policies and procedures without disclosing any sensitive information that could compromise the independence of the analytical staff.

- AMBERS / AMB-EU pricing policies and procedures reinforce the responsibility of both entities to comply with UK and EU regulation respectively and to adhere to the non-discriminatory and cost-based principles. Both entities operate their own pricing policy for clients with whom they contract, independent of the pricing policies of other AMB entities.
- All fee proposals are generated by Market Development personnel and subject to an internal approval process. No rating analysts are involved in this process other than to provide estimates of time and complexity of the rating.
- AMBERS / AMB-EU only generate revenue from the provision of credit rating services and performance assessments. Other parts of the AM Best Group generate revenue from data-related products and news services. There is no relationship or link between the fees charged for credit rating services or performance assessments and any other services provided to the clients by any other AM Best entity.
- All new fees are set in accordance with the AMBERS / AMB-EU Fee Schedules which are derived from time-cost estimates relating to clients of similar complexity, size and type and the degree of cost and margin recovery. The model provides a description of the fee range and criteria applicable to the different client categories. Clients are assigned to a fee category based on a range of factors including but not limited to: size and structural complexity of the organisation, whether the entity issues debt requiring additional entity-level analysis, nature of the organisation (e.g. insurer / reinsurer), translation / language issues, anticipated quality of information submitted to support the rating process, and anticipated level of analytical interaction.
- Additional charges may be applied on a case-by-case basis to reflect additional anticipated complexity and related time cost.
- Fees once set are fixed for the duration of the contract, subject to an annual review and inflation based adjustment unless there has been a material change.
- To promote transparency, when Market Development staff make a fee proposal to a prospective client, this includes a summary of the principal factors that determined the categorisation of the company in accordance with the Fee Schedule.
- Although deviations to the Fee Schedules are extremely rare, an internal procedure is in place in the event that fees are charged outside the parameters of the Fee Schedules.
- In addition to Market Development, The Finance Department is also involved in the fee setting and approval process providing additional oversight. The process is also subject to periodic internal audit review