Financial Analysis Solvency Tools

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Agenda

- **Overview of Financial Analysis Solvency Tools (FAST) Ratios**
- **Explanation and calculation of ratios**
- **Financial Analysis scoring system and implications**
- **Supervisory Measures**
**DuPont Formula**

*Return on Equity (RoE)*

\[
\text{Net income / Equity (NI/E)} = \left( \frac{\text{Net income}}{\text{sales}} \right) \left( \frac{\text{sales}}{\text{assets}} \right) \left( \frac{\text{assets}}{\text{equity}} \right)
\]

\[
= \text{Net profit margin} \times \text{asset turnover} \times \text{finance leverage multiplier}
\]
Sustainable Growth Rate = \( g \)

*Risk Based approach*

- **Very basic risk assessment factor**
  \[ g = RR \times RoE \]

- **RR is the retention rate**
  \[ RR = 1 - \frac{\text{Dividend declared}}{\text{NI}} \]

- **RoE is the return on equity**
  \[ RoE = \frac{\text{NI}}{E} \]
Financial Analysis of a Company

Four Major Areas of Financial Analysis

- **Internal liquidity**: company’s ability to pay its short-term liabilities
  - Current ratio = current assets / current liabilities
- **Operating performance**: management performance
  - Equity turnover = Net sales / average equity
  - Gross profit margin = gross profit / net sales
  - Return on equity = net income / average total equity
Financial Analysis of a Company (continued)

- **Risk**: uncertainty of company’s income and profit
  - Sales variability = \( \Delta \text{sales} / \text{average sales} \)
  - Business variability = \( \Delta \text{operating income} / \text{mean operating income} \)
  - Debt-equity ratio = long-term debt / total equity
  - Operating leverage = % \( \Delta \text{operating earnings} / \% \Delta \text{sales} \)

- **Growth analysis**: sustainable growth
  - \( G = RR \times \text{RoE} \), where \( RR \) is retention ratio and \( \text{RoE} \) is return on equity
Overview of Financial Analysis Solvency Tools – Insurance

- Helps regulators target resources on more risky companies
- To be supplemented by in-depth financial analysis and/or on-site examinations
- 22 ratios: within “normal range”- no score
  - Outside normal range: graduated score from 0 to 175 (mostly to 100)
  - The higher the score, the more risky the company
- Ratios may be used to compare a company against national averages (peer to peer comparison)
  - Detailed annual or 5-year analysis
  - Simplified quarterly comparisons
Ratios (Indicators)

• Grouped into four areas
  – Profitability ratios
  – Leverage ratios
  – Asset and Liquidity ratios
  – Miscellaneous ratios
Profitability Ratios

• *Ratio P1 – Investment yield deviation*
• *Ratio P2 – Change in combined ratios*
• *Ratio P3 – Gross expenses and commissions to gross premium written*
• *Ratio P4 – Change in gross expenses and commissions*
Leverage Ratios

- **Ratio L1A** – Gross premiums written to Equity
- **Ratio L1B** – Net premiums written to Equity
- **Ratio L2A** – Change in gross premiums written
- **Ratio L2B** – Change in net premiums written
Leverage Ratios (continued)

- *Ratio L3 – Surplus aid to Equity*
- *Ratio L4 – Reinsurance recoverable on paid losses to Equity*
- *Ratio L5 – Reinsurance recoverable on unpaid losses to Equity*
- *Ratio L6 - Reserves to Equity*
- *Ratio L7 – Two-year reserve development to Equity*
Asset and Liquidity Ratios

- **Ratio A1A** – Affiliated investment to Equity
- **Ratio A1B** – Affiliated receivables to Equity
- **Ratio A2** – Miscellaneous receivables to Equity
- **Ratio A3** – Non-investment grade bond/debt exposure
- **Ratio A4** – Other invested assets to Equity
- **Ratio A5** – Change in liquid assets
- **Ratio A6** – Change in gross agents’ balance
Miscellaneous Ratios

- *Ratio M1 – Cash flow from operations*
- *Ratio M2 – Change in Equity (Capital & Surplus)*
Ratio P1 – Investment Yield Deviation

- Compares the investment yield of insurance assets to industry average
- Investment yield = Net investment income / average cash and invested assets
- Too much deviation from the industry average may mean:
  - Low yield: non-investment grade, non-performing assets, investment management needs improvement, home/branch/sales offices are recorded as invested assets, etc.
  - High yield: non-investment grade, extraordinary dividend payments from parents, affiliate and subsidiaries; huge realized capital gains, booking income that are not yet realized, windfall profit from highly speculative investments, etc.
Calculation of Ratio P1

Investment Yield Deviation from Industry Average

A – Net Investment Income
B – Cash and Invested Asset
C – Prior year Cash and Invested Asset

\[ D = \text{Investment Yield} = 100A[(B+C)/2] \]

E – Average Industry Average (source: market)

\[ F = \text{Investment Yield Deviation} = D-E \]
Ratio P2 - Change in Combined Ratio

- The combined ratio measures underwriting profitability
- Combined ratio = loss & LAE ratio + expense ratio + policyholder dividend ratio
- Change in combined ratio is % increase of current (this) year’s ratio over the prior (last) year’s ratio
- Combined ratio < 100% indicates underwriting profit
- Decline in combined ratio indicates improvement in underwriting results
- Increasing trend of changes in combined ratio signals deterioration of profitability
Calculation of Ratio P2

Change in Combined Ratio = CCR
A – Earned Premium; H – Prior Year’s
B – Incurred Losses; I – Prior Year’s
C – Incurred Loss Expenses; J – Prior Year’s
D – Other Underwriting Expenses Incurred; K – Prior Year’s
E – Aggregate Write-in for Underwriting Deductions; L – Prior Year’s
F – Dividend to Policyholders; M – Prior Year’s
G – Net Premium Written; N – Prior Year’s

1 – Current year’s Combined Ratio = 100[(B+C+F)/A+(D+E)/G]
2 – Prior year’s Combined Ratio = 100[(I+J+M)/H+(K+L)/N]

CCR = 1-2 (1 minus 2)
Ratio P3 – Gross Expenses and Commissions to Gross Premium Written

- **Gross expenses and commissions**: costs of acquiring and underwriting business
- **This ratio is expense ratio relative to gross premium written**
- **Normal range is 15% – 35%**
- **High ratio indicates some degree of inefficiency in managing and controlling cost**
- **High ratio may also indicate inadequacy of premium rates (deficient pricing)**
Calculation of Ratio P3

Gross Expense and Commission/Gross Premium Written

A – Direct Commission
B – Reinsurance Assumed Commission
C – Contingent Commission, Direct and Indirect
D – Membership fees
E – General Expenses
F – A & H Reimbursements
G – Aggregate Write – ins
H - Rent Expenses (Sales/underwriting Offices)
I – Direct Premiums Written
J – Reinsurance Premium (Assumed from Affiliated companies)
K – Reinsurance Premium (Assumed from unaffiliated companies)
L – Gross Expenses = A+B+C+D+E+F+G+H
M – Gross Premium Written = I+J+K
N – Gross Expense/Gross Premium Written (P3) = 100 L/M

Normal range: 15% – 35%
Ratio P4 – Change in Gross Expenses and Commissions

- This ratio is % increase in a company’s gross expenses and commissions
- Too big an increase is cause of concern; may indicate:
  - Inefficient cost management
  - Premium rates (pricing) are no longer adequate/competitive
  - Cash-flow underwriting
  - Abnormal management cost and service fees
  - Sales campaign, expansion & promotion
  - Other non-recurring costs
Calculation of Ratio P4

Change in Gross Expenses & Commissions

A – Direct Commission; I – Prior Year’s
B – Reinsurance Assumed Commission; J – Prior Year’s
C – Contingent Commission, Direct and Indirect; K – Prior Year’s
D – Membership fees; L – Prior Year’s
E – Other Insurance Business Expenses; M – Prior Year’s
F – A & H Reimbursements; N – Prior Year’s
G – Aggregate Write – ins; O – Prior Year’s
H - Rent Expenses (Own Offices); P – Prior Year’s

Q – This Year’s Gross Exp & Commissions = A+B+C+D+E+F+G+H
R – Prior Year’s Gross Exp & Commissions = I+J+K+L+M+N+O+P

S – Change in Gross Expenses & Commissions = 100 (Q-R)/R
Ratio L1A – Gross Premium Written to Equity

- **Equity = Capital and Surplus**
- Gross and net premium written: measures of the marketing & sales efficiency of the insurance company
- **Ratios: measure asset turnover**
  - Reflective of management effectiveness in using capital
  - Also reflect on the quantum of risk management is willing to take (one of the ratios to consider in determining prudent level of the company’s risk tolerance)
Calculation of Ratio L1A

Gross Premium Written to Equity

A – Direct Premium
B – Reinsurance Assumed (Indirect) Premium, Affiliated Companies
C – Reinsurance Assumed (Indirect) Premium, Unaffiliated Companies
D – Capital and Surplus (Equity)
E – Gross Premium Written = A+B+C
F – Gross Premium Written/Equity = 100 (E/D)

• It is prudent to separate business done with affiliates from unaffiliated companies because the risks inherent between these types of business activities are different.
Ratio L1B – Net Premium Written to Equity

- **Net premium written =**
  
gross premium written – reinsurance ceded

- **Ratio L1B also reflects on management’s willingness to leverage its C & S to generate sales revenue**

- **It is important that Ratio L1A does not exceed Ratio L1B by a wide margin**
  
  - This would indicate that an abnormal (large) amount of the company’s capital and surplus comes from reinsurance
Calculation of Ratio L1B

Net Premium Written to Equity

A – Net Premium Written
B – Capital and Surplus
C = Net Premium Written/Equity = 100 A/B
Ratio L2A – Change in Gross Premium Written

- **The change is expressed as a percentage of gross premium written in the prior year**
- **It measures sales variability**
- **Significant increase or decrease indicates instability in the company’s operation**
- **It is normal to observe large increases during the first few years of introduction and marketing of a product**
  - Such variability is covered by the surplus of the company
Calculation of Ratio L2A

Change in Gross Premium Written

A – Gross Premium Written, Current Year (Period)
B - Gross Premium Written, Prior Year (Period)
C – Change in Gross Premium Written =
\[100 \times \frac{(A-B)}{B}\]
Ratio L2B – Change in Net Premium Written

- The change is expressed as a percentage of net premium written in the prior year
- Similar to the L2A ratio, it measures sales variability
- Significant increase or decrease indicates instability in the company’s operation
- In addition, significant increases may indicate that the company entered into unfamiliar territories
  - Thus, ceding more and more insurance to reduce net premiums (and risk retention)
  - Watch also for possible cash-flow underwriting practice
Calculation of L2B

Change in Net Premium Written

\[ C = \frac{100 \times (A - B)}{B} \]

- \( A \) – Net Premium Written, Current Year (Period)
- \( B \) – Net Premium Written, Prior Year (Period)
- \( C \) – Change in Net Premium Written
Ratio L3 – Surplus Aid to Equity

• Surplus aid is the estimated amount of commissions on unearned ceded reinsurance premiums

• Technically, this amount belongs to the reinsurer
  – But it may be retained by primary (ceding) insurer according to the terms of cession (Reinsurance)

• If a large portion of Capital & Surplus depend on surplus aid
  – Continued solvency of primary (ceding) insurer depends on the continued accommodation and co-operation of the reinsurer
  – Financial distress of the reinsurer seriously threatens the solvency of the primary (ceding) insurer
Calculation of Ratio L3

Surplus Aid to Equity

A – Ceded Reinsurance Commission
B – Reinsurance Ceded Premium
C – Total Ceded Unearned Premium
D – Capital and Surplus

\[ E = \text{Surplus Aid} = A \times \left( \frac{C}{B} \right) \]
\[ F = \text{Surplus Aid to Equity} = 100 \frac{E}{D} \]
Ratio L4 – Reinsurance Recoverable on Paid Losses to Equity

- Reinsurance recoverables on paid losses and paid LAE include
  - **Current balances:** arise due to timing difference between billing and settlement dates
  - **Aged (past due) balances indicate reinsurer’s**
    - poor operating performance
    - lack of credit worthiness
    - differences in the evaluation of, or disputed, losses
- **High ratio raises concern of reinsurer’s credibility**
Calculation of Ratio L4

RI Recoverables for Paid Losses to Equity

A – RI Recoverable for Paid Losses from Affiliated Companies
B – RI Recoverable for Paid Losses from Unaffiliated Companies
C – Capital and Surplus
D – RI Recoverable for Paid Losses = A+B
E – RI Recoverable for Paid Losses to Capital & Surplus = 100 (D/C)

- You may need to separately calculate the ratios applicable to affiliates and non affiliates in which case the formulae would be: 100 (A/C) for affiliates and 100 (B/C) for non affiliates, then add (combine) the 2 ratios to arrive at ratio E, above. (Reason: risks in collections differ)
Ratio L5 – Reinsurance Recoverable on Unpaid Losses to Equity

• This ratio is another measure of the level of risk of primary (ceding) insurer related to reinsurance
• High ratio raises credibility concern of reinsurer
• Relatively higher level of this ratio may be acceptable for long-tail writer
• For short-tail writer, high ratios indicate a build-up of ceded loss reserves
Calculation of Ratio L5

RI Recoverable for Unpaid Losses to Equity
A – RI Recoverable for Unpaid Losses from Affiliated Companies
B – RI Recoverable for Unpaid Losses from Unaffiliated Companies
C – Capital and Surplus
D – RI Recoverable for Unpaid Losses = A+B
E – Reinsurance Recoverable for Unpaid Losses to Equity = 100 (D/C)

• Again separate calculation of ratio for affiliates and non affiliated reinsurers is suggested
Ratio L6 – Reserve to Capital & Surplus

• *This ratio concentrates on Reserves for losses and LAE in relation to capital & surplus*

• *It measures the company’s exposure to errors in estimation of liabilities for losses and LAE*

• *Especially critical if significant amount of net premium written is attributable to long-tailed business*
  – *Due to long or prolonged time to settle claims*
Calculation of Ratio L6

A – Net Premium Written on Long-tailed lines
B – Total Net Premium Written
C - % of net long-tailed line = 100 (A/B)
D – Loss Reserves
E – Reserve for Loss Adjustment Expenses
F – Capital & Surplus
G – Reserve to Capital & Surplus = 100 (D+E)/F
H – Ratio for long tailed products = (G x C)

- Note: Ratio H (relates to long tailed products) = G*C. Ratio H will indicate the extent of leveraging reserves for long-tailed products to capital & surplus.
Ratio L7 – Two-year Reserve Development to Capital & Surplus

• **Losses outstanding for two years prior and up to the current statement date is the sum of**
  – Current reserves outstanding for losses incurred two years ago
  – Loss payments made during last two year

• **Two-year reserve development is difference**
  – Updated loss estimate above, minus
  – Reserve at the end of prior year

• **If two-year reserve development is**
  – Positive: reserves were deficient
  – Negative: reserves were redundant
Calculation of Ratio L7

First, calculate the 2 yr loss development; then Ratio L7

“2 year Reserve Development to Equity”

- A – Current reserves outstanding for losses incurred two years ago (last 2 years)
- B - Loss payments made during last two year
- C – Updated 2 year loss estimate = A + B
- D - Reserve at the end of prior year
- E - 2 Year Reserve Development = C – D
- F – Capital & Surplus
- G - 2 year Reserve Development to Capital & Surplus = 100 (E/F)
Ratio A1A – Affiliated Investments to Capital & Surplus

- This ratio measures the company’s investment in parent, subsidiaries, affiliates
- Too high ratios indicate extra risk of the company due to risks faced by the parent, subsidiaries and affiliates
- Measures the extent to which the capital & surplus of the insurance company is exposed or threatened by the solvency risks faced its parent, subsidiaries and affiliates companies
- Calculation of ratio: 100 (A/B) where:
  - A – Total investment in parent, subsidiaries or affiliates
  - B – Capital & Surplus
Ratio A1B – Affiliated receivables to Capital & Surplus

- **If Receivables are unsecured:** risk of collection is high
- **This ratio measures the company’s risk due to large amount of unsecured collectibles from company’s parent, subsidiaries, affiliates**
- **It measures the extent to which capital & surplus is leveraged in case of default by parent, affiliates and subsidiaries**
- **Calculation: 100 (A+B)/C, where:**
  - A = Receivables from parent, affiliates and subsidiaries
  - B = Reinsurance recoverable from parent, affiliates, subsidiaries
  - C = Capital & Surplus
Ratio A2 – Miscellaneous Recoverables to Capital & Surplus

- Recoverables from creditors other than reinsurers cause major risks to the financial stability of an insurance company
  - Illiquid and non-income producing
  - Include write-ins which may not be permitted or admissible assets
- The higher the ratios = the higher is the risk of collection = the higher is the (potential) threat to C & S
- Calculation: 100 \( \frac{(A+B+C)}{D} \), where:
  - A – Aggregate asset write-in other than invested assets
  - B – Income tax and other taxes recoverable plus accrued interest
  - C – Other non-trade related recoverables
  - D – Capital & Surplus
Ratio A3 – Non-Investment Grade Bond to Capital and Surplus

- This is commonly referred to as “Non Investment Grade Bond Exposure”
- Non-investment grade bonds may be inadmissible or partially admissible assets
- The ratio measures the extent to which C & S is exposed or leveraged to the credit risks of the bond and the issuer making payment of bond obligations as they fall due
- Credit risk and liquidity risk are the major concerns associated with holding such bonds
- The higher the ratios, the higher is the indication of management’s decision to take more credit and liquidity risks, thus: higher risk exposure of C & S to credit risk of the bond issuer and the insurance company’s own liquidity risk.
- Calculation: 100 (A/B) where:
  - A = Total of non investment grade bonds
  - B = Capital & Surplus
Ratio A4 – Other Invested Assets to Capital & Surplus

- Other assets include real estate, mortgage loans, shares in joint-ventures, partnerships, resource development or the like
- Characterized with illiquidity and highly vulnerable to market risks
- High ratios indicate potential asset risks; high level of risk to stable company’s capital and surplus
- Calculation: $100 \times \frac{(A+B+C)}{D}$, where:
  - $A$ – Real Estate
  - $B$ – Mortgage Loans on Real Estate
  - $C$ – Other Invested Assets
  - $D$ – Capital and Surplus
Ratio A5 – Change in Liquid Assets

- **Liquid assets include**
  - Cash and tradable securities
  - Receivables for securities plus accrued interest/dividends
  - Investment in cash and tradable securities of affiliates

- **Insurer need liquid assets to meet obligations**
  - Poor liquidity: risk of forced sale of assets below market
  - Excessive liquidity: poor investment performance

- **Stable, low ratios are ideal**
Calculation of Ratio A5

Change in Liquid Assets

A - Bank and Cash Fund; F - Prior Year’s
B - Bank Deposits; G - Prior Year’s
C - Government Bonds; H - Prior Year’s
D - Shares (available for sale); I - Prior Year’s
E - Investment Certificates; J - Prior Year’s
K - This year’s Liquid Assets = A+B+C+D+E
L - Last Year’s Liquid Assets = F+G+H+I+J
M - Change in Liquid Asset = 100 [(K – L)/L]
Ratio A6 – Change in Gross Agents’ Balances

• **Agents’ balances are not easily converted to cash even in time of liquidation**

• **Significant increase in gross agents’ balance spells liquidity problem**

• **Measures the extent by which C & S is leveraged to Agent’s Balances**

• **Calculation: 100 (A-B)/B, where:**
  – **A** – Agents’ balances at end of current year
  – **B** – Agents’ balances at end of previous year
Ratio M1 – Cash Flow from Operation

- This is a ratio of the net cash flow from operation to net premium collected
  - Measures the insurer’s ability to generate cash from normal operation of the company
  - Test of the profitability of the operation of the company
- Cash flow is stated as outgoes - incomes
Calculation of Ratio M1

Cash Flow from Operations

A – Loss and LAE paid; I – Prior Year’s
B – Underwriting (Commission and Acquisition Cost) Expense paid; J – Prior Year’s
C – Dividends paid to Policyholders; K – Prior Year’s
D – General and Administrative Expense; L – Prior Year’s
E – Net Investment Income (loss); M – Prior Year’s
F – Other Income (expense); N – Prior Year’s
G – Recoverable taxes Received (Paid); O – Prior Year’s

H – Net Premium Collected; P – Prior Year’s

Q – Cash Flow from Operations, Current Year = 100 \([(A+B+C+D) – (E+F+G)/H]\)
R – Cash Flow from Operations, Previous Year = 100\([(I+J+K+L) – (M+N+O)/P]\)
Ratio PM2 – Change in Capital & Surplus

- This is the ultimate measure of the financial condition of the company
- A negative change shows deterioration: bad
- Drastic increase shows instability
  - It is sometimes related to a change of ownership
  - Many insolvent companies have high surplus increases prior to insolvency of the company
Calculation of Ratio M2

A – Capital & Surplus End of Current Year
B – Capital & Surplus End of Previous Year 1 (Last Year)
C – Capital & Surplus End of Previous Year 2 (Year before Last Year)

\[ D = \frac{100}{B} (A-B) \]
\[ E = \frac{100}{C} (B-C) \]

- This is a 3-year calculation. Changes to C & S for the lasts five (5) years or longer period gives you better idea about the developments (growth, stability or deterioration) of the company’s financial condition.
<table>
<thead>
<tr>
<th>Factor Description</th>
<th>Normal Range</th>
<th>Outermost Range</th>
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</thead>
<tbody>
<tr>
<td><strong>PP1</strong> Investment Yield Deviation from Industry Average</td>
<td>Low: -1.5</td>
<td>High: 1.5</td>
</tr>
<tr>
<td><strong>PP2</strong> Change in Combined Ratio</td>
<td>Low: -5</td>
<td>High: 5</td>
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<tr>
<td><strong>PP3</strong> Gross Expenses and Commissions / Gross Premium Written</td>
<td>Low: 5</td>
<td>High: 70</td>
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<tr>
<td><strong>PP4</strong> Change in Gross Expenses and Commissions</td>
<td>Low: -20</td>
<td>High: 100</td>
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<tr>
<td><strong>PL1A</strong> Gross Premiums Written / Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 900</td>
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<tr>
<td><strong>PL1B</strong> Net Premiums Written to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 675</td>
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<td><strong>PL2A</strong> Change in Gross Premium Written</td>
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<td>High: 100</td>
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<td><strong>PL2B</strong> Change in Net Premiums Written</td>
<td>Low: -15</td>
<td>High: 100</td>
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<td><strong>PL3</strong> Surplus Aid to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 25</td>
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<td><strong>PL4</strong> Reinsurance Recoverable on Paid Losses to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 25</td>
</tr>
<tr>
<td><strong>PL5</strong> Reinsurance Recoverables on Unpaid Losses to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 75</td>
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<td><strong>PL6</strong> Reserve to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 525</td>
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<tr>
<td><strong>PL7</strong> Two-Year Reserve Development to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 25</td>
</tr>
<tr>
<td><strong>PA1A</strong> Affiliated Investment to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 60</td>
</tr>
<tr>
<td><strong>PA1B</strong> Affiliated Receivables to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 30</td>
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<td><strong>PA2</strong> Miscellaneous Recoverables to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 25</td>
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<td><strong>PA3</strong> Non-Investment Grade Bond Exposure</td>
<td>Low: 0</td>
<td>High: 25</td>
</tr>
<tr>
<td><strong>PA4</strong> Other Invested Assets to Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 25</td>
</tr>
<tr>
<td><strong>PA5</strong> Change in Liquid Assets</td>
<td>Low: -5</td>
<td>High: 125</td>
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<td><strong>PA6</strong> Change in Gross Agents’ Balances</td>
<td>Low: -2.5</td>
<td>High: 50</td>
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<td><strong>PM1</strong> CashFlow from Operation</td>
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<td>High: 142.5</td>
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<tr>
<td><strong>PM2</strong> Change in Policyholders’ Surplus</td>
<td>Low: 0</td>
<td>High: 50</td>
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FAST SCORES

• No score is given inside the normal range
• Graduated score is given outside the normal range
  – From 0 to 100 at or beyond the maximum range
  – Some items have extra points up to another 70
• Average for each group is calculated and added together
• High FAST scores indicate need of more regulatory attention
Thank you!

Discussions
Appendix 5

Exit Report of Edgar P Balbin
TAPR II – Component B, Insurance
May 29, 2008