FitchRatings

Structured Finance
Residential Mortgage
Global

RMBS Lenders' Mortgage Insurance Rating Criteria

Cross-Sector

Scope

This report addresses Fitch Ratings' criteria approach and assumptions for analysing the use of lenders' mortgage insurance (LMI) in RMBS transactions for both new issuance and surveillance, and assigning and monitoring ratings in both the international and national rating scales. The published criteria assumptions are used in conjunction with applicable RMBS criteria for rating RMBS transactions where LMI is present. The criteria also apply to covered bond programmes where the cover pool collateral includes residential mortgages with LMI.

Credit to LMI policies is only given where an insurer has an Insurer Financial Strength (IFS) Rating. Credit is not given to guarantors that are non-insurers or that do not have an IFS Rating.

These criteria are not applicable to certain types of insurance products; for example, Netherlands Nationale Hypotheek Garantie and French Caution guarantees, the treatment of which is specified in the relevant sector-specific criteria reports. Both key ratings drivers listed below are equally important for analysis purposes.

Key Rating Drivers

Ability to Pay: Fitch gives credit to LMI through an adjustment to loss severity within RMBS transactions on the basis of the insurer's ability to pay, which is indicated by its IFS Rating. Credit given to LMI is dependent on the ratings of the insurer and RMBS notes. The IFS Rating takes into account aspects of the LMI business to assess credit risk for policy holders. Fitch expects better recovery assumptions if LMI is present.

Policy Quality, Operational Risk: Fitch expects insurers to pay all valid claims. However, due to various factors, including, but not limited to, policy exclusions, invalid claims or operational risk within the claims process, there may be claim denials, reductions or rescissions. Fitch uses a quality adjustment (QA) to address the risk that any given policy may not cover all claims for a given RMBS transaction.

Table of Contents

This criteria report replaces the RMBS Lenders' Mortgage Insurance Rating Criteria, published 12 March 2020.

Related Criteria

Global Structured Finance Rating Criteria (June 2020)
European RMBS Rating Criteria (December 2020)
UK RMBS Rating Criteria (July 2020)
U.S. RMBS Loan Loss Model Criteria (October 2020)
APAC Residential Mortgage Rating Criteria (November 2020)
Latin America RMBS Rating Criteria (January 2021)
Insurance Rating Criteria (August 2020)

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Background

LMI protects lenders from principal and interest losses in the event that a borrower defaults and the property held as security is sold for less than the amount owed. Where loans are securitised, existing LMI policies are generally assigned to the issuing trust or a pool policy may be purchased for the benefit of the trust. In these cases, LMI policies are an asset of the trust for the benefit of investors.

The insurer needs to have an IFS Rating for Fitch to provide credit to the LMI policies.

Policy Terms

Fitch reviews policy terms to determine if they are drafted with clarity and assumes that the insurer, lender and servicer will comply with their contractual obligations.

Fitch determines whether the following are in place:

- Clear policy eligibility criteria.
- Clear policy exclusions.
- Clear statements about the information necessary to process a claim.
- Clear policy issuer claim-payment timing obligations after receipt of full claim documentation.
- The lender and/or servicer take responsibility for the insurance policies to remain in force.
- Commitment from the lender and/or servicer to undertake all necessary steps to pursue all valid insured claim amounts under the policy.
- Appropriate representations and warranties from the seller and servicer that insured loans are compliant with the requirements of the LMI policy attached to the loans.
- Assignment by the seller of its entire rights and interest under the LMI policies to the special-purpose vehicle or trust and evidence that the insurer has consented to the assignment.
- Permission under the LMI policy for the then current servicer to process and submit claims to the insurer in the event that the original lender or servicer has been replaced.

Calculation of Loss

When calculating credit for LMI coverage, Fitch first calculates the outstanding loan amount at foreclosure and subsequently subtracts recoveries to arrive at the loss on each loan. The amount outstanding at foreclosure is determined by adding foreclosure and carry costs to unpaid principal (for details, see the respective country's or region's residential mortgage criteria reports at www.fitchratings.com). In some cases, the amount outstanding after sale will differ from the amount that can be claimed from the insurer due to policy exclusions or limits.

The gross claim amount to be paid by LMI is the lower of the maximum coverage according to the LMI policy and the actual loss on the loan. When assigning credit for the LMI policy, Fitch adjusts the expected claim amount by the IFS Rating – which measures the insurer's ability to pay – and the QA to account for the risk of the policy not covering all losses; this could occur due to the policy's text or a differential between contractual and actual coverage, which may be affected by denied or lowered claims and rescissions. See Appendix 4: Worked Example of Credit to LMI for a sample calculation.

Ability to Pay

The IFS Rating adjustment aims to capture the insurer's ability to pay a claim and is therefore related directly to the IFS Rating and the rating of the notes. Full credit is given whenever the IFS Rating is higher than or equal to the note rating. Limited or no credit is given if the IFS Rating is below the note rating. No credit is given for insurers rated 'BBB' or below in a 'AAAsf' or 'AAsf' scenario (and, similarly, for insurers rated 'BB' or below in a 'Asf' scenario and for insurers rated 'B' in a 'BBBsf' scenario). Fitch gives no credit for unrated insurers.

The level of credit given for LMI is shown in the table below.

IFS Rating Adjustment[a] (%)

	Note rating					
Insurer's IFS Rating	AAAsf	AAsf	Asf	BBBsf	BBsf	Bsf
AAA	100	100	100	100	100	100
AA	75	100	100	100	100	100
A	50	75	100	100	100	100
BBB	0	0	50	100	100	100
BB	0	0	0	50	100	100
B[b]	0	0	0	0	25	100

[a] Notch-specific ratings are interpolated between IFS Rating adjustments. As there are usually two notches between rating categories, the steps between notches are one-third of the distance between the categories. The same applies for the 'AA+' level: it would be a third of the distance between 'AA' and 'AAA'.
[b] No credit is given at the 'B' IFS Rating level if the insurer is on Rating Watch Negative or Negative Outlook, indicating a deteriorating financial position. No credit is given for a 'B-' IFS rated insurer
Source: Fitch Ratings

The rationale for the IFS Rating adjustment matrix is that in any given rating scenario, only insurers that are rated as highly as the notes are likely to survive a full stress and be able to pay claims for the entire stress period. Fitch therefore gives the full benefit of the IFS Rating credit to a 'AAA' insurer in a 'AAAsf' rating scenario and below. Where the note rating is higher than the insurer's rating, the insurer may survive to pay a certain amount of claims before exhausting its resources. Highly rated insurers have more claim-paying resources than lower-rated insurers. As a result, the lower the insurer's IFS Rating, the lower is the credit given in higher-rating scenarios.

Policy Quality, Operational Risk

Fitch expects insurers to pay all valid claims. The QA aims to capture the risk from non-payment of claims due to various factors, including exclusions within a particular policy as well as denied and lowered claims and rescissions. A QA is determined for each lender. If a lender has multiple policies with significantly differing conditions or exclusions, multiple QAs are applied to reflect the differences. QAs are applied at the individual loan level depending on the loan's policy. The QA adjustment is an additional adjustment to the IFS Rating adjustment.

Quality Adjustment

QA level	Minimum (%)	Maximum (%)
QA1	95.0	97.5
QA2	90.0	94.9
QA3	80.0	89.9
QA4	50.0	79.9
QA5	0.0	49.9

Source: Fitch Ratings

The QA levels shown in the above table represent the range of adjustments given, with the actual adjustment reflecting policy and jurisdiction-specific issues and historical data where available. Fitch determines an individual QA within the range by analysing the lender's historical LMI claims and claim payments and reviewing these against peers' historical claims. Fitch requests that at least five years of data be provided. QAs are reviewed through the credit committee process. A lender's QA level is disclosed in Fitch's presale and new issue rating reports. Where multiple insurers are present in an RMBS transaction, one QA is assigned for each lender. If the lender has policies in place with different conditions, multiple QAs may be applied.

Unpaid LMI claims depend on the overall relationship between the insurer and lender or servicer, as well as exclusions within the LMI policy. Fitch assesses the quality of the relationship and policies, leading to assessments ranging from very good quality grade (QA1) to low quality (QA5). QA definitions can be found in Appendix 2: Quality Adjustment Definitions.

The following key components determine the QA, with more weight applied to the operational quality of the insurer, lender and servicer:

- The operational quality of the insurer.
- The operational quality of the lender and servicer.
- Historical evidence of unsatisfied claims.
- The policy's quality, including the range and breadth of exclusions.

The QA reflects that claim denials and rescissions are minimised if the lender or servicer has a well-established process of credit assessment, monitoring, portfolio audit and claim submission and if the policy's terms show transparent underwriting guidelines and exclusions. A QA1 level would reflect best practice in these areas, with minimal policy exclusions and a long record of minimal claim denials, reductions or rescissions.

If serious process or policy deficiencies raise questions about the potential success of claiming insurance, a QA5 level is more probable, reflecting increased risk of higher claim adjustments, denials and rescissions. A QA3 level signifies an established and smooth relationship in processing LMI claims between an experienced insurer and established lender that has strong underwriting procedures and at least five years' experience working with LMI. See Appendix 4: Worked Example of Credit to LMI for an illustrative example of a QA assessment.

Single or multiple QAs applied to one or more RMBS transactions from the same lender may vary over time due to improvement or deterioration in the factors considered within the QA. The QA level is determined on an individual-lender basis and may be affected where there is a lack of historical data or where historical data do not encompass a period of economic stress and do not therefore provide an insight into the extent of unsatisfied claims that may arise in a stressed environment. Fitch may use comparable peer data to determine the QA in such cases.

Fitch does not give credit to the presence of LMI if the level of cover is for an immaterial amount within the overall transaction or if no claims data are provided.

Recovery Timing

The lender or servicer can file a claim with the insurer as soon as the foreclosure process is completed and the loss is determined. It takes time for the insurer to check the claim and make payment. The time between the end of foreclosure and claim payment depends on several factors, such as the servicer's and LMI provider's claim management processes, systems and policy terms. Claim timing is generally specified in policy documents. Fitch relies solely on our individual RMBS criteria for recovery timing if the LMI claim payment timing is short. Historical policy-claim timing data from LMI providers is reviewed by Fitch to determine if the recovery timing under the relevant RMBS criteria is sufficient or if a specific LMI claim timing must be estimated and added on top of the RMBS recovery timing.

Fitch does not differentiate recovery timing between mortgages with or without LMI in markets where policy-claim timing is short, such as Australia and New Zealand.

Sensitivity to LMI Provider Downgrades

A downgrade of an insurer may cause a downgrade to one or more tranches within a transaction if the transaction contains significant LMI support. A subordinate tranche is more likely to bear the effect of an insurer downgrade because its rating is often heavily based on the insurer's rating. The senior tranche may not be downgraded, depending on the degree of cushion to the rating from credit enhancement from the subordinate tranche or reserve funds in addition to that provided by LMI.

For senior and subordinate tranches, the effect of an LMI downgrade is the result of the:

- rating of the insurer and the magnitude of the insurer downgrade;
- proportion of the pool and which loans are insured by the downgraded insurer;
- rating of each individual tranche; and
- transaction structure at the time of the insurer downgrade.

Fitch provides investors with sensitivity analysis showing the effect on tranche ratings within a transaction if the LMI insurer's IFS Rating is downgraded or removed. Sensitivity analysis is not undertaken and models are not run where ratings are capped under a respective country's or region's residential mortgage criteria reports.

Data Sources

Fitch uses the following data to derive our key assumptions.

Ability to Pay

Fitch assesses an insurer's ability to pay via the IFS Rating.

Quality Adjustments

Fitch uses the following information to derive lenders' QAs:

- The insurer's IFS Rating and market position.
- Operational reviews of the lender, including its risk management and operational procedures for LMI claims.
- Review of existing LMI policies.
- Aggregate information on losses and related LMI claim amounts as well as LMI claim payments or claim denials, and adjustments and rescissions for Fitch-rated RMBS transactions and covered bond programmes in the relevant jurisdiction.

Variations from Criteria

Fitch's criteria are designed to be used in conjunction with experienced analytical judgment exercised through a committee process. The combination of transparent criteria, analytical judgment applied on a transaction-by-transaction or issuer-by-issuer basis and full disclosure via rating commentary strengthens Fitch's rating process, while helping market participants understand the analysis behind our ratings.

A rating committee may adjust the application of these criteria to reflect the risks of a specific transaction or entity. These adjustments are called variations. All variations are disclosed in the respective rating action commentaries, including their impact on the rating, where appropriate.

A variation can be approved by a rating committee where the risk, feature or other factor relevant to the assignment of a rating and the methodology applied to it are both included within the scope of the criteria, but where the analysis described in the criteria requires modification to address factors specific to the particular transaction or entity.

Transaction Specific Disclosures

- The QA level for a lender is disclosed in Fitch's presale and new issue rating report.
- A sensitivity table showing at least the effect of i) one downgrade in the insurer's rating and ii) the total removal of LMI.

Limitations

Ratings assigned by Fitch, including Rating Watches and Outlooks, are subject to the limitations specified in Fitch's ratings definitions.

In addition, ratings within the scope of these criteria are subject to the limitations listed in Fitch's Global Structured Finance Rating Criteria.

Appendix 1: LMI Product Description

LMI policies are structured so loss coverage is a certain portion of each individual loan. LMI policies cover not only losses from unpaid principal, but also unpaid interest, normal property maintenance costs and foreclosure costs up to pre-defined limits.

LMI policies pay any claimable losses incurred on a loan after the lender has foreclosed on the property and any recoveries have been realised. Coverage differs in each market where LMI is present; in many markets cover provides for any losses "down to" a certain proportion of the property's market value at origination (the attachment point). The term "down to" reflects the fact that LMI can be considered additional equity.

For example, a defaulted loan with an 80% original loan/value (LTV) ratio covered by LMI "down to" a 60% LTV ratio attachment point should experience a recovery amount equivalent to a 60% LTV ratio loan. The portion covered remains fixed over the life of the loan and does not amortise with the outstanding balance. In some markets, such as Australia, LMI policies provide up to 100% cover; they cover all losses (subject to exclusions), not just a layered-loss approach as described above.

Policies are tailored to specific lender needs and therefore entail particular product features or coverage limitations. For example, a first-loss position on the loan is sometimes kept by the lender so the LMI policy will only begin to pay if the loss exceeds a certain portion of the property value. The cover on the loan may amortise together with the outstanding balance or in proportion to the outstanding balance. Some policies also define maximum coverage on a portfolio level, called "stop loss", up to which insurance is provided, especially under bulk or pool LMI (see the Underwriting section below). Losses beyond the "stop loss" for the portfolio as a whole would not be covered. Fitch assesses the potential risks and benefits of these characteristics on a lender basis and incorporates them into the QA assessment.

Underwriting

Underwriting practices differ in each market, but the most common form of LMI follows an underwriting procedure called "delegated lending authority". This means any loan originated within the guidelines of master LMI policy is automatically covered. The insurer does not fully review or assess the documentation or underwriting decision for each loan, but relies on the fact that the lender has accurately represented that the loan complies with policy guidelines.

In some markets eligibility is checked quarterly on a sample basis during regular audits or, at the latest, when a claim is submitted. This differs from individual assessment on the eligibility of each loan by the insurer at the underwriting stage. The investor may be exposed to increased risk of the claim being denied or lowered if the insurer subsequently discovers the loan was originated outside agreed guidelines. This risk is taken into account in the QA assessment for operational risk and policy quality.

The insurer and lender work closely together to mitigate this risk, with the insurer regularly auditing the pool, providing reports to the lender and assisting in the review of origination guidelines and foreclosure procedures. Insurers do not have direct contact with the borrower at any stage; neither at the point of underwriting the individual insurance policy nor acting as an intervening party during the foreclosure process. However, the insurer may require additional procedures in the foreclosure process, which can result in lower loan losses.

Insurance can be provided for all new loans on an ongoing basis as originations are generated (flow or primary LMI). LMI can also be provided for an existing pool of loans (bulk or pool LMI). Fitch does not make a distinction in our analysis between the two forms, as long as the cover under the insurance policies is otherwise identical. In addition, no distinction is made between borrower-paid or lender-paid LMI, as long as the policies do not differ in other respects.

In the US, LMI premiums are paid on an ongoing basis from transaction cash flow until the policy is cancelled. This occurs when the current LTV ratio falls below 80% or an automatic cancellation occurs at a 78% LTV ratio. Most other markets pay the LMI premium upfront before the point of securitisation, with some lenders allowing it to be capitalised to the loan balance and form part of the securitised pool. In the event that premiums are paid on an ongoing basis, credit is only given to the LMI policies if Fitch expects ongoing premiums to be paid in the relevant rating scenario. Furthermore, credit for LMI is only given if the insurance policy is not cancellable until the maturity date of the relevant loan.

LMI Versus Financial Guarantees

There is a major difference between LMI policies and financial guarantees. The former are drafted as insurance contracts, with payment pre-conditions and coverage exclusions (see Exclusions and Procedural Requirements below), which allow insurers to avail themselves of insurance contract defences to claim payments. This may be permitted by law in the relevant jurisdiction or by the contract; for example, the insured not disclosing material facts or not complying with LMI policy terms.

The terms of LMI policies Fitch sees are not financial guarantees. Financial guarantees, which may be issued by insurance companies, such as monoline insurers, are drafted as “pay first/sue later” documents and expressly exclude insurance contract defences to payment. Financial guarantees are considered more valuable as credit enhancement for these reasons.

Exclusions

The insurer is exempt from paying losses resulting from specific policy exclusion events, as is common among insurance policies. The list of such events varies between insurers and policies. The following is a list of typical exemptions seen in past LMI policies.

Losses arising from:

- earthquakes, floods, fires, lightning, explosions, storms, aircraft accidents or any act of God;
- war, terrorism, invasion and similar events of hostile forces;
- misrepresentation and fraud;
- commotion or malicious damage;
- contamination by toxic or hazardous waste, chemical, pollutant or other substances;
- properties where construction has not been completed; and
- any defects in the construction of the property not identified in the application.

Claims may be lowered or adjusted if negligence of the insured, the lender or servicer can be proven to have contributed to the loss amount claimed.

In addition, adjustments may be made to claims for amounts such as:

- default interest;
- fees and charges added to loan accounts;
- cost of property restoration following damage or destruction;
- cost of removal and clean-up of contamination;
- additional funds provided to a borrower without the LMI provider’s written consent;
- legal fees above a specified cap;
- fixed-rate loan-break costs;
- amounts owing by a borrower but voided due to non-compliance with legislated credit codes in the relevant market; and
- where a loss has been increased by the lender due to the making of a false or misleading statement or representation to a borrower.

Fitch reviews the extent of exclusions and lowers the credit given to LMI for any supplementary risk deemed to arise from particular exclusions. This is incorporated in the QA assessment for operational risk and policy quality. Fitch will give no credit to the LMI policy if the exclusions bring the general enforceability of the insurance into question.

Procedural Requirements

Insurers require the lender and/or servicer to provide a regular performance report for loans in arrears. The insurer uses this report to make necessary provisions and detect risk concentrations that could trigger special audits. The insurer assists in the management of delinquent loans and can be actively involved in mitigating potential losses arising from foreclosures.

A claim on the insurance policy cannot be submitted until the foreclosure process has finished and any recoveries and losses have crystallised. There are exceptions to this in some countries with particularly long and inefficient foreclosure proceedings. The expected date of claim payment for policies that have different definitions for the date of loss is subject to the lender's and servicer's servicing practices.

The lender must submit a claim form to the insurer within an agreed period of one to 12 months to keep its insurance cover. The insurer, in turn, must pay, lower or deny the claimed amount within a certain period from receiving the complete claim documentation – generally a few days to several months, depending on practices in each market.

Appendix 2: Quality Adjustment Definitions

Quality Adjustment Scale

The QA aims to capture risk arising from denied and lowered claims and rescissions. A QA is assigned on a scale of one to five, with one being the highest.

QA1 – Reflects Best Practice in All of the Following Areas:

- a sound relationship between the insurer and lender or servicer.
- the insurer has a long and consistent claim payment record, particularly through stressed economic periods.
- the lender/servicer has a strong negotiating position.
- the lender/servicer has extensive experience in administering loans with LMI and claim preparation.
- strong loan underwriting procedures are in place, with a history of very low claim denials, reductions and rescissions, resulting in a very high level of LMI claim payments.
- the LMI policy has limited exclusions.
- claim procedures and payment timelines are clear.
- the insurer is likely to be a sovereign or near-sovereign entity.

QA2 – Demonstrates:

- a high level of performance in all the above QA1 factors;
- historical claim payments with a higher level of denials, reductions and rescissions than a QA1, but remaining low and within the QA2 level; and
- a strong negotiating position for the lender/servicer, with the organisation likely to be a large major financial institution.

QA3 – Demonstrates:

- a satisfactory level of performance in all the above QA1 factors;
- an established and smooth-running relationship in processing LMI between an experienced insurer and established lender, which has at least five years' experience working with LMI;
- historical claim payments with a higher level of claim denials, reductions and rescissions than a QA2, but remaining low and within the QA3 level; and
- a negotiating position for the lender/servicer that is not as strong as that of a QA2.

QA4 – Demonstrates:

- that a weakening of the relationship between the LMI provider and the lender/servicer has occurred;
- that the negotiating position of the lender/servicer is biased towards the insurer; and
- historical claim payments with a significant level of claim denials, reductions and rescissions within the QA4 level.

QA5 – Demonstrates:

- that a significant breakdown in the relationship between the insurer and the lender/servicer has occurred;
- a poor negotiating position of the lender/servicer, resulting in a significant level of unsatisfied claims and a low level of credit not exceeding 50%; and
- that the level of unsatisfied claims and poor relationship could heighten litigation risk between the parties, which will likely result in a further deterioration in the relationship.

Appendix 3: QA Assessment Example

Example 1

Insurer

An active monoline LMI insurer with a long record; established operations and several clients in the market in which it operates; a dedicated local team and established risk-management process; frequent contact with lenders; and that performs regular audits and reports results to lenders.

Lender/Servicer

An established major prime lender with a strong investment-grade rating. Origination is mainly using a branch network with established risk management and monitoring systems and not less than five years' experience in underwriting loans with LMI. An experienced servicer, with established operations and developed processes for filing LMI claims; with not less than five years' experience of actually filing claims; and a claim payment rate from its insurer of approximately 92%.

Policy

Standard insurance policy with a clear definition of loan eligibility, accomplishable procedural requirements for filing claims (even in stress scenarios), a strict timeline for paying claims and standard exclusions.

Result

QA2.

Example 2

Insurer

An active monoline LMI insurer with a long record; established operations and several clients in the market in which it operates; a dedicated local team and established risk-management process; frequent contact with lenders; and that performs regular audits and reports results to lenders.

Lender/Servicer

An established smaller regional lender that is unrated. Origination is via a combination of branch and broker networks, with established risk management and monitoring systems; and not less than five years' experience of underwriting loans with LMI. An experienced servicer, with established operations and developed processes for filing LMI claims; not less than five years' experience of actually filing claims; and a claim payment rate from its insurer of approximately 87%.

Policy

Standard insurance policy with a clear definition of loan eligibility, accomplishable procedural requirements for filing claims (even in stress scenarios), a strict timeline for paying claims and standard exclusions.

Result

QA3.

Appendix 4: Worked Example of Credit to LMI

Assumptions

- An RMBS transaction with an expected loss at the 'AAAsf' scenario of 12%, excluding any consideration regarding the presence of LMI in the pool.
- The arranger has structured the transaction with 6% credit enhancement.
- All loans have 100% individual LMI coverage from a 'AA'/Stable rated insurer.
- The lender is evaluated as QA3, with a QA credit of 85%.
- Credit to LMI is calculated on a loan-by-loan basis.

Both tables below indicate the credit given based on the note rating, the insurer's IFS Rating and QA.

Credit Based on IFS Rating and Note Rating (%) – Initial and Subsequent Ratings

	Note rating					
Insurer's IFS Rating[a]	AAAsf	AAsf	Asf	BBBsf	BBsf	Bsf[b]
AAA	100.0	100.0	100.0	100.0	100.0	100.0
AA	75.0	100.0	100.0	100.0	100.0	100.0
A	50.0	75.0	100.0	100.0	100.0	100.0
BBB	0.0	0.0	50.0	100.0	100.0	100.0
BB	0.0	0.0	0.0	50.0	100.0	100.0
B[b]	0.0	0.0	0.0	0.0	25.0	100.0

[a] Notch-specific ratings are interpolated between IFS Rating adjustments. As there are usually two notches between rating categories, the steps between notches are one-third of the distance between the categories. The same applies for the 'AA+' level: it would be a third of the distance between 'AA' and 'AAA'.
[b] No credit is given at the 'B' IFS Rating level if the insurer is on Rating Watch Negative or Negative Outlook, indicating a deteriorating financial position. No credit is given for a 'B-' IFS rated insurer
Source: Fitch Ratings

QA

QA level	Credit range (%)
QA1	95.0-97.5
QA2	90.0-94.9
QA3	80.0-89.9
QA4	50.0-79.9
QA5	0.0-49.9

Source: Fitch Ratings

Result

- Credit for the 'AA' rated LMI provider at 'AAAsf' is 75.0% (see Credit Based on IFS Rating and Note Rating (%) – Initial and Subsequent Ratings), multiplied by a QA credit of 85.0% = 63.8%.
- The LMI-dependent credit enhancement to 'AAAsf' is 4.4%; [12.0%*(1-(75.0%*85%))].