Article Title: ARCHIVE | Criteria | Insurance | General: What Makes An Insurance Or Reinsurance Subsidiary 'Core' Under Group Rating Methodology? Data: (EDITOR'S NOTE: —This criteria article is no longer current. It has been superseded by the article titled "Group Methodology," published April 22, 2009.) 1. Introduction As described in a series of criteria publications--one of the more recent of which was "FI Criteria: Group Methodology For Financial Services Companies"--it is the long-established practice of Standard & Poor's Ratings Services to review the strategic status of all rated companies within the financial services groups to which they belong. In essence, each group company is classified relative to the rating committee's understanding of the group's strategic objectives and then, as discussed in Section 2 of this article, defined as either (1) Core, and rated at the notional group level, (2) Strategically Important (SI), and rated usually one grade (three notches) above its intrinsic, stand-alone level of financial strength, or (3) Nonstrategic, and rated at its stand-alone level, with usually no additional credit for implicit group support. As companies are usually keen to obtain the highest ratings possible, it does arise that managements will argue that a given operation is core to group strategy and that the legal entity should, therefore, be assessed as Core by Standard & Poor's and assigned the notional group financial strength rating. This is a notional rating because Standard & Poor's only assigns ratings to legal entities, not to groups. The notional group rating is determined by analyzing the group as if it were a single legal operating insurance entity. As noncore--that is, SI or Nonstrategic--companies are, at best, capped one notch below the Core group rating level, acknowledgement of Core status by Standard & Poor's can provide the passport to the highest possible rating for an entity within a group. The aim of this article, therefore, is to supplement previous criteria publications on the subject of group rating methodology by helping to clarify exactly what rating committees mean when using the terms 'Core', 'Strategically Important', and 'Nonstrategic'. At the same time, it seeks to explain why many subsidiaries that are legitimately described as core by their own managers may, in practice, be more appropriately classified as SI when assessed against the definitions used by Standard & Poor's (see Section 2). In addition, the subject of remote, high-risk subsidiaries is raised in Section 3, and the question addressed of whether a remote, high-risk subsidiary can ever be truly Core if likely to be let go should the group ever fall on seriously hard times. Section 4 covers the degree of rating flexibility allowed under the group methodology, while Section 5 addresses the role of explicit support in potentially raising the public rating on noncore entities. 2. What Does Standard & Poor's Mean When It Defines Companies As 'Core', 'Strategically Important', Or 'Nonstrategic'? In practice, the great majority of a group's operating insurance subsidiaries fall comfortably into one of the three possible categories already discussed. Nevertheless, some are sufficiently borderline in their characteristics to necessitate extended discussion with group management. Ultimately, the watchword is that if doubts persist about the group status of a subsidiary, then it almost certainly will not achieve the 'gold standard' status of Core, at least not in the very specific sense that Standard & Poor's uses the word. At best, where doubts remain, SI status would most likely be assigned. In its earlier publications, Standard & Poor's described Core companies as those whose existence and operations are considered wholly integral to the group's current identity and future strategy. In addition, Standard & Poor's believes that the rest of the group would support the entity in question under any foreseeable circumstances. In other words, a truly Core entity is so central to current and likely prospective group strategies that its loss, either through sale or collapse, would wreak such profound change on the residual group's identity as to make it all but inconceivable that senior management would willingly allow such a sale or collapse to occur. Moreover, the high degree of strategic importance of these entities to the group must be such that even periodic changes within the senior group management team would be unlikely to lead to redefinitions of strategy that could marginalize the importance of an operation previously designated as Core. Admittedly, many management teams half-jokingly concede that, on this basis, nothing can be Core, as any of their operations could be sold if they received an offer that was sufficiently attractive. The point is a valid one, but Standard & Poor's knows that, in reality, such unconditionally generous offers are extremely rare. Consequently, even an unsolicited offer to buy a major subsidiary will usually have been prompted by a belief that the current parent has clear reason to be amenable to an approach from the would-be buyer, implying that forces--such as persistent underperformance--were already at work to cause the subsidiary to cease to be Core either for management or for Standard & Poor's well in advance of receipt of the actual offer. Although a sale may potentially have a number of positive long-term commercial implications, it is unlikely to be seen as unequivocally positive in credit terms, for a change of ownership implies uncertainty. On being informed of the possible sale of a rated subsidiary, any credit analyst will immediately ask a series of questions: What is the financial strength of the acquiring entity? How will commercial, financial, and risk strategies alter under the new management team? Will the acquisition be funded by debt and, if so, how much and on whose balance sheet? What is the likelihood of a culture clash occurring that may cause key managers and clients to leave in favor of competitors? Who is responsible for existing liabilities of the acquired company, for how long, and to what limit? Indeed, unless Standard & Poor's has been exceptionally well briefed by all parties in advance of the acquisition announcement and provided with satisfactory answers across the whole spectrum of concerns, the reflex action will at the very least be to consider an immediate CreditWatch action, until these questions can be thoroughly addressed. In addition to being unexpectedly put up for sale or being sold out of the original parent group, an operation previously described as Core by Standard & Poor's can also be displaced in its status by being put into run-off, whether orderly or otherwise. Similarly, a change in de facto status can become apparent when expected capital support fails to materialize, leaving the subsidiary constrained and, at best, aware that it must now consider itself more peripheral to group strategy than may previously have been believed. At worst, of course, a once Core subsidiary may have suffered a setback that leaves it in urgent need of immediate recapitalization in order to satisfy local regulators, auditors, or counterparties. Failure by the parent group to provide the necessary solvency capital under such circumstances is tantamount to an admission that the subsidiary, far from being Core, is now essentially on its own and must defend itself against regulators and creditors as best it can. The task confronting Standard & Poor's is therefore to listen to what both group and subsidiary management say about strategy and group status, but to reach beyond what may be the sincere beliefs of management and to consider the possibility of situations occurring that could force group management to renege on its former undertakings and curtail its previously implicit support. By trying to anticipate what may go wrong and by drawing reasonably conservative conclusions, Standard & Poor's is trying to protect the stability of its ratings by reducing the likelihood of having to realign its ratings to reflect a rated entity's diminished status within its group. Given the considerations and subtleties discussed above, no short definition of Core or SI status can ever be sufficient to provide the clarity and transparency required to understand and implement the group rating methodology in a fair and consistent manner in all situations. Previous criteria publications have, therefore, also sought to explain the subjective nature of the criteria by means of nuanced checklists of the factors that may prove decisive in establishing the group status of any given operation. These checklists are summarized and explained below. Core subsidiaries According to Standard & Poor's definitions, truly Core subsidiaries display most or all of the following eight broad characteristics: Materiality. Core subsidiaries must be of material size within their group, indicatively constituting at least 5%-10% of total group capitalization, as well as ideally contributing an equivalent share of total group revenues and income. Flexibility will be shown when a subsidiary falls short of these size requirements but is nevertheless a leader in its marketplace and could not realistically be expected at the current time to be any larger or to make a more substantial contribution. Activity integral to group strategy. Core subsidiaries must be active in markets that are integral in terms of geography and lines of business to stated group strategy. However, they should not normally be engaged in an activity that is of significantly higher risk than the principal business being written elsewhere within the group. Particular comfort will be derived when the company under review is operating within the same country, regulatory jurisdiction, or marketplace, or with the same clientele as other Core operations of the group, given the degree of integration with the rest of the group that this implies. Additional comfort may possibly be taken when a subsidiary is active in retail market sectors, as the levels of major losses are likely to be lower and the sense of responsibility higher when policyholders are private individuals rather than counterparties in the wholesale markets comprising professional and corporate risks. Common branding. Core subsidiaries must usually share the same name or brand with other Core operations of the main parent group, unless there is a clear sales incentive to use a different name. When a different name or brand is used, comfort will be derived when stationery, publicity, and so forth makes conspicuous reference to the company being a member of the main parent group. Strong integration.

Core subsidiaries must most likely be strongly integrated into the wider group management structure, systems, and procedures, with separate incorporation having been effected only for general purposes of legal, regulatory, fiscal, accounting, or reporting efficiency. Separate incorporation must not be seen as motivated by a desire to render the operation more easily severable. In practice, a Core subsidiary will likely operate more as a divisional or departmental profit center within the group than as an autonomous, independent enterprise. Additional comfort will be derived from evidence that the subsidiary is closely and physically integrated into the rest of the parent group through use of shared staff, administration, systems, distribution, and investment management services. Majority ownership. The ultimate parent group must own Core subsidiaries at least 51% in terms of voting rights. Generally, it must appear inconceivable that a Core subsidiary would ever be abandoned or sold, with additional comfort gained when it is apparent that the subsidiary is so closely integrated into the parent group (see Integration above) that an outright divestment would be almost as impossible physically as commercially. Meanwhile, an entity should normally be deemed Core to the ultimate parent group and not merely to its immediate subgroup in order to achieve Core group status. Success. Core subsidiaries must be reasonably successful in meeting the goals set for them by group management, or must have the realistic prospect of achieving those goals in the near future. Although success can be defined in many ways, an operation that consistently underperforms relative to group management's goals or against normal, peer group performance expectations is unlikely to achieve or maintain Core status unless an early, sustainable improvement can reasonably be expected. Robust financial strength. Core subsidiaries must themselves display reasonably robust financial strength characteristics relative to consolidated group norms, and should not be significantly out of line with those displayed by other Core operations. In particular, Standard & Poor's would normally expect a Core subsidiary to maintain a level of solvency and risk-based capitalization that is not substantially inconsistent with the levels apparent in a group's consolidated assessment. Long track record. Core subsidiaries will tend to have been long established and, as such, will likely be able to provide evidence of tangible group support in the form of additional capital and/or liquidity and/or internal reinsurance protection in both good times (to support growth) and bad (to help repair a damaged balance sheet). Strategically Important subsidiaries SI subsidiaries display most or all of the following eight broad characteristics: A degree of strategic integration. SI subsidiaries should display many, if not most, of the characteristics of a truly Core operation, but, for whatever reason, fall short of explicit Core status. In practice, the failure to achieve Core status will most likely have been caused by lack of materiality (that is, constituting less than 5% of total group capitalization) or lack of solvency (that is, having capital characteristics that are significantly weaker than those of the consolidated parent group or those displayed by other Core group subsidiaries). Strategic autonomy. SI subsidiaries that display very strong autonomy or independent management and operational cultures may be considered more susceptible to facilitating or even promoting sale out of the parent group. When the autonomous subsidiary is also operating in a line of business or a country or region that is deemed not to be central to group strategy, this may further suggest that SI, rather than Core, is the more appropriate classification. Different name. SI subsidiaries may operate under a different name or brand from the main parent group for no apparent reason other than to distance the subsidiary from the rest of the group in the minds of customers and counterparties. Such distancing through branding may cause a subsidiary to be assessed as SI rather than Core. Reasonable financial strength. SI subsidiaries may have failed to achieve Core status because their overall risk profile appeared out of line with the norms established by other, clearly Core operations within the parent group. Nevertheless, even though the stand-alone financial strength of the subsidiary may prove insufficient to justify Core status (most notably as regards the level of risk-based capitalization discussed above), an SI subsidiary must nevertheless display a general level of financial strength that is not entirely inconsistent with that of Core group members Higher risk profile. SI subsidiaries may be active in high-risk or geographically remote regions relative to the principal operations of the parent group. The higher risk profile that such activities would likely represent may prove sufficient to raise questions concerning the long-term 'strategic fit' of the operation, and cause it to be classified as SI rather than Core. Questionable future prospects. SI subsidiaries may currently display all the characteristics of a Core operation, but may, for whatever reason, fail to convince Standard & Poor's that they have the ability to maintain these Core characteristics into the medium term. In particular, if operating performance is feared likely to fall and remain consistently below group management's reasonable expectations as regards return on capital employed, it is likely that the subsidiary will be assessed as SI at best. Meanwhile, rating committees often find that SI implies a dynamic status, with subsidiaries so classified often either performing their way up toward Core status or gradually slipping down toward Nonstrategic status, and the potential for sale out of the group that such status implies. It is rare for SI subsidiaries to remain strategically static over the long term. Parent group support. SI subsidiaries may lack the track record of tangible parent group support that would be consistent with Core status. If this lack of support were to be interpreted as a relative lack of commitment on the part of the parent, then this may give rise to doubts about the long-term future of the subsidiary within the group. To the extent that sale of the company out of the group begins to appear increasingly conceivable even if not immediately likely, the current group status would probably be set at SI at best. Sale impossible. Very occasionally, some weak, grossly underperforming subsidiary operations may nevertheless be assessed as SI to their parent group because, for better or for worse, the parent group is effectively compelled to provide ongoing support. Such support may be unavoidably forthcoming because the financial state of the subsidiary is too uncertain to allow an outright sale, while a combination of regulatory, reputational, market, customer, and even moral considerations leads group management to the conclusion that it has no choice but to support the ailing subsidiary through its difficulties to a satisfactory long-term conclusion for all counterparties. Crucially, the expectation in such circumstances must be that the sums involved in supporting the weak subsidiary will not be so large relative to total group resources that the whole group will be financially compromised by this support. Nonstrategic subsdidiaries Nonstrategic subsidiaries display most or all of the following four broad characteristics: Questionable strategic profile. By default, Nonstrategic subsidiaries are those that do not clearly qualify for either Core or SI group status as defined above. Questionable financial strength. Subsidiaries that display a stand-alone risk profile that is significantly below that of other principal members of the group are likely to be assessed as Nonstrategic, particularly when that weakness is in respect of solvency and risk-based capitalization appears inconsistent with a secure-grade rating when capitalization elsewhere within the group is secure grade. Questionable commitment from the group. If there is any reason to believe that the subsidiary is or soon could be put up for sale by the parent group, then Nonstrategic status will almost certainly be assigned. Experimental, start-up, or peripheral activities. Operations that are considered to be 'experimental' or start-up subsidiaries with less than five full years of consistent track record are highly likely to be treated as Nonstrategic. Similarly, even long-established or profitable operations may well be defined as Nonstrategic if they are essentially active only in countries or lines of business that appear to be outside the group's own definitions of strategy. 3. Can Remote, Relatively High-Risk Subsidiaries Ever Be Genuinely 'Core'? In good times, when everything is going well, it is common for management honestly to insist that all its group's operations are core, and that head office will always 'do its duty' and support any subsidiary that is for any reason unable to meet its obligations. Fast forward to a crisis, however, and the declarations of support may become more muted once group management finds itself called to pay away very large amounts of real cash to help settle unexpected claims in remote markets, particularly when some of those payments may subconsciously be considered the unjust reward for litigiousness on the part of certain policyholders and their agents. Is group management doing its duty by paying remote and possibly inflated claims without quibble, or is its duty the rather different one of ring fencing the problems of the remote subsidiary's losses in order to protect the financial strength and general claims-paying ability of what are now realized to be the group's truly Core companies and customer bases much closer to home? It is Standard & Poor's experience that when the going becomes so tough as to threaten the independence or future of the whole group, then former definitions of core and noncore are set aside as management instead comes only to distinguish in very black and white terms between those subsidiaries that it can sell or walk away from, and those that it cannot. As an example, in 1995, the old Trygg-Hansa Insurance of Sweden bit the bullet and walked away from its ailing U.S. subsidiary, Home Insurance Co. Home had previously been a leading and respected player in the U.S. professional indemnity liability markets and had often been perceived as the largest and brightest jewel in the Trygg-Hansa group crown. Initially, as concerns over long-tail reserve deficiencies began to be voiced, group management in Sweden was quick to provide both moral and tangible support. However, as the estimation of incurred losses continued to escalate, the ongoing rhetoric of group support ceased to be backed up by continued financial aid. Given the uncertainties surrounding the ultimate level of losses, no buyer could be found, and it gradually became apparent that Trygg-Hansa was preparing to wash its hands of its erstwhile star performer. It may be apocryphal, but it is said that at this time the U.S. regulators indicated to the Swedish management team that if it failed to support Home, then it would never again be allowed to do business in the U.S. It is reported that the reaction to this message in Stockholm was one of bemusement because the last thing that management wanted to consider was a continuation of its activities in what, for Trygg-Hansa, had proven to be the ruinous U.S. marketplace--just as the U.S. has proven ruinous for certain other European insurers, reinsurers, banks, and corporations, both before and since. What is important in the Trygg-Hansa example is that neither the reputational damage nor the regulatory threat in the U.S. carried any sting for the group back in Sweden. The moral to be learned, therefore, is that a remote, potentially high-risk-of-loss subsidiary may appear core to its distant owners when all is going well, but when the pendulum turns too sharply and losses grow to levels that risk impoverishing the whole group, then that apparent strategic integration will often evaporate as group seniors abandon a strategy of support in favor of the tactic of damage limitation, turning their energies away from the increasingly insolvent subsidiary and toward the protection of the still viable elements of the group. Inevitably, it is interesting to speculate whether Trygg-Hansa would have been equally prepared or even able to cast Home adrift had it carried the group name, or had its operations been in Sweden, the Nordic region, or the wider EU, rather than solely in the distant U.S. At the very least, it is reasonable to suppose that local regulatory, market, and media pressures on the surviving elements of the group would have been very much greater had Home's policyholders been Swedish or European. Consequently, although Trygg-Hansa's managements were mortified at having to walk away from their U.S. obligations, they did at least have this option. In other words, the closer the subsidiary is to the group's core home markets, the less this option is available and the more the whole group will either sink or swim together. A possible exception to this general tendency may, arguably, be when a group is a truly global player and cannot be said to have a local 'home' market. Few such examples exist, but in the reinsurance sector, for instance, there remain a number of players who can reasonably claim to have a global strategy and who therefore believe that they cannot be opportunistic, but must instead be continually present and active in all of the major reinsurance markets of the world. For such entities, their distinguishing feature and competitive advantage lies in the combination of their financial strength with the depth and breadth of their expertise, all of which derive from a global presence that provides diversification between major regional exposures, as well as economies of scale and insights into market trends and risk transfer techniques across the globe. A further subjective overlay concerning the potential high degree of strategic importance of remote subsidiaries is one of political geography. A question periodically raised is why do so many Anglo-Saxon insurers and reinsurers fail relative to those in, for example, Continental Europe. Is it because European institutions are inherently stronger, or are Anglo-Saxon companies simply more prepared to take risks and, if things go wrong, more prepared (or forced) to admit to failure and to cease trading? Clearly, cultural forces may be at play. If a corporatist, mutually supportive ethic exists in parts of the world and if bankruptcy implies a level of stigma attaching to companies, regulators, accountants, managers, shareholders, and politicians alike, then there is an implicit agreement for all these counterparties to 'pull together' to avoid the embarrassment of insolvency. Where such a culture exists, it constitutes a rating factor that the analyst cannot ignore. Meanwhile, if Anglo-Saxon--and particularly U.S.--markets do not display these traits to the same extent, or if an economic Darwinism of survival of the fittest is believed to prevail, then this too can become a legitimate analytical consideration. In broad terms, the analyst may conclude that for a variety of cultural, market, regulatory, and political reasons, the EU may appropriately be viewed as a single market for an EU-based group, and a subsidiary would only be deemed 'remote' if incorporated and active outside the EU. With this qualification concerning the EU still in mind, the analytical maxim nevertheless remains that, in the context of group ratings, it is unlikely that remote, high-risk subsidiaries will be found to be truly Core, and even less likely still when these remote subsidiaries are based in Anglo-Saxon markets, particularly the U.S., where there is a perceived greater tolerance of both risk and failure. Yet even here a further qualification may be required. True, it may be particularly tempting and easy for a remote parent group to walk away from or sell a significant but grossly underperforming subsidiary in, say, the U.S. or the U.K. However, to return to the reinsurance example above, when the U.S. market constitutes more than 40% of the global premiums in the sector, is it possible for a global reinsurer to remain global if it is not also a leading player in the U.S. reinsurance markets? Needless to say, Standard & Poor's is alert to all these arguments and reaches appropriate conclusions on a case-by-case basis. It will nevertheless always err on the side of prudence when no amount of discussion or analysis proves able to dispel the residual doubts that may exist concerning even a major subsidiary's group status. 4. How Flexible Can Rating Committees Be When Attributing Additional Notches To The Stand-Alone Rating To Denote Degrees Of Group Support? In the interests both of transparency and consistency, rating committees attempt to apply a standard number of notches to the underlying, stand-alone ratings of SI and Nonstrategic group subsidiaries. Core operations, meanwhile, are all invariably rated at the same level, notably at the notional, consolidated group level. This said, the stand-alone level of Core entities is nevertheless assessed for internal reference within Standard & Poor's, and for a genuinely Core operation, it is unlikely to be too far removed from the level of the notional group rating itself. SI subsidiaries are separately analyzed and their stand-alone level of financial strength established. To this stand-alone rating, a norm of three notches (that is, one grade) are added to reflect a significant but finite degree of implicit group support. Consequently, the public rating assigned to an SI subsidiary with an intrinsic, stand-alone financial strength of, say 'BBB+', would be 'A+', representing the stand-alone level plus one full grade, to indicate a degree of group support. Very occasionally, on a one-off, case-by-case basis, either less or more than three notches may be added in light of what would have to be exceptional circumstances. However, whatever such circumstances may be, the public rating on an SI subsidiary is almost invariably capped at a maximum of one notch below the level of the group rating applied to Core entities, and may only be set at the group level if the stand-alone rating is itself at least equal to the notional group rating before any credit is added for group support. Nonstrategic subsidiaries, for their part, will normally be publicly rated at their separately assessed, stand-alone level. At best, an additional notch may occasionally be added to reflect the existence of a strong letter of comfort from group management on behalf of the subsidiary or when, for example, Standard & Poor's is satisfied that the group will continue to support the Nonstrategic entity, even if only to facilitate its eventual sale at an optimum price. 5. What Is The Role Of Explicit Support In Deciding Group Status? If a subsidiary is guaranteed by a Core operating member of its parent group, and if the guarantee is appropriately worded and the guarantor's support is deemed long-term, then the guaranteed subsidiary will normally be publicly rated at the same level as the guarantor, which in effect means at the same level as Core members of the group. However, being rated at the group level applying to Core companies does not in itself make the guaranteed subsidiary Core. Indeed, the very fact that it requires a guarantee suggests that it is not itself Core and almost certainly SI at best. Meanwhile, Standard & Poor's is aware that no matter how strongly worded, a guarantee is only a piece of paper if the intent of the guarantor is only to honor calls that are then pursued through the courts. Furthermore, if the noncore guaranteed subsidiary is sold, then the guarantee will lapse and the rating will most likely fall. As the objective for ratings is that they be as stable as reasonably possible, a long-term insurer financial strength rating would not normally be based upon a guarantee that was not itself also expected to be long-term. The term 'explicit support' is not restricted exclusively to guarantees. It can also encompass long-term stop-loss reinsurance protection of the subsidiary by the parent group or, in jurisdictions where insurers are unable by law to issue guarantees, then an appropriately strong net worth maintenance agreement may prove an acceptable substitute to a full guarantee. This said, net worth maintenance agreements are considered very much second best to guarantees given their often questionable status in law. Stop-loss agreements would normally rank behind net worth maintenance agreements. Both are nevertheless usually deemed stronger than letters of comfort. A final, occasional role for support documents comes when a subsidiary is considered by Standard & Poor's to be very strong within the range of the SI classification, but not quite strong enough to merit explicit Core status. In these borderline cases, provision of an appropriately worded net worth maintenance agreement may prove sufficient to allow the SI subsidiary to be rated up to one notch below the level of the support provider. Similarly, when a strongly worded and effective net worth maintenance agreement is provided in respect of a

Nonstrategic subsidiary, the public rating on that subsidiary may be assigned at one grade above its stand-alone level of financial strength, in practice at a level similar to what the rating would have been had the subsidiary been classified as SI. 6. Conclusions Standard & Poor's accepts that it is often misleading to analyze and rate a group subsidiary solely on the basis of its own intrinsic, stand-alone strengths and weaknesses, as these will often be offset by compensating strengths and weaknesses elsewhere within the parent group. Dependent upon the degree of group support believed to underpin the financial strength of a group subsidiary, it will be designated by Standard & Poor's as one of Core, SI, or Nonstrategic, and rated accordingly, as detailed in this article. Both SI and Nonstrategic subsidiaries are rated on the basis of a 'bottom-up' analysis, starting with an assessment of their intrinsic, stand-alone position, to which additional notches of credit are added to denote degrees of group support. Core subsidiaries, on the other hand, are all rated at the notional consolidated group level of financial strength, their public rating potentially being significantly higher than their stand-alone profile as a result of the 'top-down' group analysis. Given the high ratings within their group that Core companies enjoy, Standard & Poor's believes it essential to ensure that only subsidiaries that genuinely merit such high status are described and rated as Core. In their concern to prevent Core status being wrongly assigned, rating committees at Standard & Poor's have increasingly come to believe that, almost irrespective of size, it is extremely hard to believe that remote, potentially high-risk subsidiaries can be genuinely Core to their parent groups. In times of crisis, group management will tend to retrench upon key, traditional franchises and remote operations will either be sold off or abandoned, with the latter being almost certainly the case when it is the remote subsidiary that lies at the heart of the group's difficulties, as was the case with Trygg-Hansa and Home in the mid-1990s or, much more recently, with the Converium group of Switzerland and its catastrophically underperforming U.S. reinsurance operations. Implicitly, there is also a sense that subsidiaries operating in Anglo-Saxon--and particularly U.S.--markets are possibly at a somewhat higher risk of being abandoned by their parent groups. This is because of the widespread perception that the Anglo-Saxons have a business culture that is more tolerant of risk taking, with the obverse of this attitude being a greater willingness to walk away from a failing operation when things go seriously wrong. Note The commentary, "FI Criteria: Group Methodology For Financial Services Companies", was published on March 19, 2004, on RatingsDirect, Standard & Poor's Web-based credit analysis system. Group E-Mail Address InsuranceInteractive_Europe@standardandpoors.com