
Help AM Best Create Metrics for 'Innovation'

By Kerry Pechter Thu, Mar 28, 2019

AM Best's evaluation of a company's innovation level will be based on two elements: innovation inputs (the components of a company's innovation process), and innovation outputs (the impact of the company's innovation efforts).



AM Best is creating a new procedure for “Scoring and Assessing Innovation” and wants your help (in the form of email comments) in drafting it. This draft criteria procedure is available [here](#). Commenters should submit e-mails no later than May 13, 2019, to methodology.commentary@ambest.com.

Innovation means different things to different people. AM Best describes it as:

“A multistage process whereby an organization transforms ideas into new or significantly improved products, processes, services or business models that have a measurable positive impact over time and enable the organization to remain relevant and successful. These products, processes, services or business models can be created organically or adopted from external sources.”

Historically, AM Best has captured innovation indirectly through its rating process. Going forward, AM Best's evaluation of a company's innovation level, as outlined in the draft criteria procedure, will be based on two elements:

- Innovation inputs: The components of a company's innovation process, and
- Innovation outputs: The impact of the company's innovation efforts.

The resulting innovation score will be the sum of these two evaluations.

Within its business profile building block, AM Best explicitly will consider whether a company's innovation efforts, or lack thereof, have positively or negatively affected its long-term financial strength. AM Best expects eventually to score all rated companies and assign each a published innovation assessment.

“Innovation always has been important for the success of an insurance company, but with the increased pace of change in society, climate and technology, it is becoming increasingly

critical to the long-term success of all insurers,” AM Best said in a release.

“While AM Best believes that the pace of innovation in the insurance industry is accelerating and that an insurer’s ability to innovate is becoming an increasingly important indicator of a company’s long-term financial strength, AM Best does not expect any changes to ratings as a result of the release of this criteria procedure.”

Commenters may request anonymity, but not confidentiality. All comments received through the methodology in-box that do not request anonymous treatment generally will be published in their entirety, with attribution to the author/sender at the time of implementation of the criteria procedure.

For a brief overview about the draft criteria procedure, please use the link below to watch a video interview with James Gillard, senior managing director, Credit Rating Criteria, Research and Analytics.

<http://www.ambest.com/v.asp?v=innovationcriteria319>

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