



ICMR (Re)Insurance Specialty Index Rules for Construction and Methodology

Version 1.3

Change History

Version Number	Editor	Date	Comments
1.0	Gareth Parker	04/05/2021	Live document
1.1	Shaun Buhre / Markus Gesmann	08/06/2021	Clarification to capping / weight redistribution process.
1.2	Markus Gesmann	23/05/2022	Section 3.4.4: The geometric mean formula for the weight had disappeared and was reinstated
1.3	Andrea Masnata	05/06/2023	Inclusion of the Morningstar Index Services Methodology & Administration Committee; minor content and stylistic changes; ESG disclosure.

Distribution

Name	Firm/Department	Location
Public		

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1. Product definition

1.1. The ICMR (Re)Insurance Specialty Index

1.1.1. "Economic Reality"

1.1.2. The ICMR (Re)Insurance Specialty Index is an equity benchmark based on publicly listed companies with underwriting subsidiaries in the Lloyd's of London insurance market (Lloyd's). It measures their aggregate equity performance, weighted by their premiums written both at Lloyd's and globally.

1.1.3. The ICMR (Re)Insurance Specialty Index is owned and provided by Insurance Capital Markets Research, the trading name of IC Markets Research Ltd., and is administered, calculated and distributed by Morningstar Indexes Limited.

2. Governance

2.1. General

2.1.1 The index is designed to be compliant with both the IOSCO Principles for Financial Benchmarks (the “Principles”)¹ and the UK & EU Benchmarks Regulations².

2.2. ICMR

2.2.1 Insurance Capital Markets Research (“ICMR”) is the index sponsor and owner of the ICMR (Re)Insurance Specialty Index.

2.3. Morningstar Indexes Limited

2.3.1 Morningstar Indexes Limited (“Morningstar Indexes”) is the administrator of the index. Morningstar Indexes is regulated by the Financial Conduct Authority as a registered benchmark administrator under the UK Benchmarks Regulation and by BaFin as a registered benchmark administrator under the EU Benchmarks Regulation.

2.3.2. The calculator and distributor of the index is Morningstar Indexes.

2.4. Morningstar Index Services Methodology & Administration Committee

2.4.1. The Morningstar Index Services Methodology & Administration Committee (hereinafter, in some cases, the “Index Services Methodology & Administration Committee” or “ISM”) supervises Morningstar Indexes Limited’s Index services calculation activities.

2.4.2. The ISM is composed of at least six voting members (including the chair) each of whom must be employed in the index team and have significant experience in index governance, regulations, research, methodology or calculations.

2.4.3. The ISM will meet at least monthly in person or by telephone.

2.5. Morningstar Index Operations Committee

2.5.1. The Morningstar Index Operations Committee (the “Index Operations Committee”) governs the processes, systems and exception handling of the day-to-day management of the index, including index rebalancing and reconstitution, restatements, market classification and contingency management. The Index Operations Committee oversees the annual review of index methodology.

2.5.2. The committee will consist of at least six voting members (including the chair) each of whom must be employed in the index team and have significant experience in index operations, methodology or calculations.

2.5.3. The Index Operations Committee will meet at least monthly in person or by telephone.

2.6. ICMR Index Oversight Group

2.6.1. The ICMR Index Oversight Group comprises members drawn from Morningstar Indexes and ICMR, and may also include members drawn from licensees, stakeholders and Morningstar Indexes GmbH. Its Chair is appointed by Morningstar Indexes.

¹ A statement of compliance with the Principles can be found at <https://indexes.morningstar.com>.

² Information and documentation published in compliance with the benchmarks regulations can be found at <https://indexes.morningstar.com>.

- 2.6.2.** The Group convenes on a quarterly basis, or more often if required.
- 2.6.3.** Where conflicts of interest may exist, these are carefully managed.
- 2.6.4.** The Group's powers are delegated to it by the Administrator, Morningstar Indexes Limited, and its exercise of them overseen by the ISM.
- 2.6.5.** All actions of the Group are subject to review and approval of the Administrator.
- 2.6.6.** Full details of its responsibilities are detailed within the Group's terms of reference.

2.7. Index Methodology Changes

- 2.7.1.** Members of the ICMR Index Oversight Group, Index Services Methodology & Administration Committee and stakeholders may at any time recommend changes to these rules (including the Index construction criteria) by submitting any proposed changes for consideration and approval in advance of the Index Services Methodology & Administration Committee's next meeting.
- 2.7.2.** Proposed changes that the ISM deems material will be publicly consulted on, according to the policy detailed within the Morningstar Indexes Methodology Change Policy and Morningstar Indexes Cessation Process, available from <https://indexes.morningstar.com/>.
- 2.7.3.** Following approval by the Index Services Methodology & Administration Committee, such changes shall be implemented by way of an update to these rules, which shall be published on <https://indexes.morningstar.com/>.
- 2.7.4.** Except in exceptional circumstances, new rules and rules adjustments will become effective after the following review.

3. Index construction

3.1. Eligible Universe

3.1.1. Potentially eligible common ordinary and preference shares are identified to create an Eligible Universe for the index.

3.1.2. Geographic Eligibility

Constituents are drawn from developed and emerging markets. Within each country, constituents must trade on one of the eligible exchanges listed in Appendix A.

3.1.3. Where a potential constituent that meets the above criteria trades in Global Depository Receipt (GDR) or American Depository Receipt (ADR) form on an eligible exchange, the ADTV of the ordinary shares and the GDR or ADR will be compared and only the security with the higher ADTV will be eligible for the index.

3.1.4. Size eligibility

Shares must have a minimum market capitalisation of \$100m.

3.1.5. Liquidity

Shares with a three-month average daily traded value lower than \$1m are removed from the eligible universe.

Shares above with a price above \$50,000 are ineligible for inclusion.

3.1.6. Free float

Shares must have a minimum free float of 20%.

3.2. Exposure to Lloyd’s syndicate premiums

3.2.1. The index provider screens all remaining potential constituents to identify those that control Lloyd’s syndicates through their related parties’ disclosures in their respective published annual accounts.

3.2.2. Shares are eligible only if their Relevant Syndicates report Net Premiums greater than \$25m.

3.2.3. The index comprises all remaining shares.

3.3. Quantifying trailing net premium exposure

3.3.1. On each determination date each constituent’s weighting is determined according to the weighting table derived from the trailing Net Premium as disclosed in the latest relevant published annual accounts of each constituent and of the Relevant Syndicates they control.

3.4. Calculating constituent weights

3.4.1. Net Premium figures from the latest relevant income (or profit & loss) statement of the Index Components and Relevant Syndicates are required to derive the Index weights.

3.4.2. To calculate the weights the following items are defined:

- i : Constituent i
- J : Total number of constituents
- $i(s)$: Syndicate s of constituent i
- S_i : Total number of syndicates controlled by constituent i

$NP_{i(s)}$:	Net Premium of syndicate $i(s)$
NP_i :	Net Premium of constituent i
$Share_i$:	Relevant Syndicate(s) Net Premium share of constituent i capped at 100%
$Share_{i(s)}$	Relevant Syndicate $i(s)$ Net Premium share of syndicates controlled by all constituents
:	
$CompShare_i$	Net Premium share of constituent i across all constituents
:	
f_i :	Average foreign exchange rate over the financial year of constituent i to convert Net Premium into the Index Currency
h_s :	Average foreign exchange rate over the financial year of syndicate $i(s)$ to convert Net Premium into the Index Currency

3.4.3. The weight $w_{i,t}$ for constituent i on Trading Day t in Index Year Y is defined as $w_{i,t} = Weight_i$, with Net Premium from the latest available Financial Statements.

3.4.4. The Index weight $Weight_i$ of constituent i is calculated as follows:

$$Weight_i = \frac{(CompShare_i Share_i (\sum_{i=1}^{S_i} Share_{i(s)}))^{1/3}}{\sum_{i=1}^J (CompShare_i Share_i (\sum_{s=1}^{S_i} Share_{i(s)}))^{1/3}}$$

where:

$$Share_i = \frac{\sum_{s=1}^{S_i} NP_{i(s)} \times h_s}{NP_i \times f_i}, \text{ capped at 100\%}$$

$$Share_{i(s)} = \frac{(NP_{i(s)} \times h_s)}{\sum_{i=1}^J \sum_{s=1}^{S_i} (NP_{i(s)} \times h_s)}$$

$$CompShare_i = \frac{(NP_i \times f_i)}{\sum_{i=1}^J (NP_i \times f_i)}$$

3.5. Constituent Capping

3.5.1. The index is designed to allow the creation of UCITS-compliant index-based products. Therefore, constituent weight limits are applied.

3.5.2. Constituents are ranked in reverse order of index weight.

3.5.3. Where any constituent meets the weight criteria detailed below, its weight within the index is capped if it exceeds the "action" column, i.e. its weight can be less than the "Action" amount but will be capped to that amount if it exceeds it.

Rank	Weight	Action
1	>5%	Capped at 10%
2	>5%	Capped to 10%
3	>5%	Capped to 10%
4	>5%	Capped to 10%
5th or lower	>5%	Capped to 5%

3.5.4. The cumulative weight removed from capped constituents is redistributed pro-rata across the remaining uncapped constituents that have a weight of less than 5%.

Following the application of the process above, if any constituent still breaches the criteria, the process is repeated, until no constituent breaches the criteria.

4. Annual review of the ICMR (Re)Insurance Specialty Index

4.1. Timings

4.1.1. The ICMR (Re)Insurance Specialty Index is reviewed annually, using the process described below.

4.1.2. Dates applicable to reviews are detailed below:

Date	Name	
Last business day of May	Determination date	Date on which data is collected for use in the index review.
On or before the second Friday of June	Review release date	Date on which the results of the review are published.
Third Friday of June	Implementation date	Date on which the results of the review are implemented in the index.

4.2. Review process

4.2.1. As of the determination date, share prices, shares in issue, premium and any other required data are captured.

4.2.2. The index is recreated from first principles, as described in section 2 above, other than that otherwise eligible existing constituents whose Relevant Syndicate Net Premiums remain above \$15m will remain eligible.

4.2.3. Changes will therefore result from weighting changes, and from existing constituents becoming ineligible or new constituents becoming eligible, arising amongst other reasons from:

- Acquisitions:
 - The merger or takeover of an existing constituent by a separate, eligible company.
 - The acquisition of a Lloyd's business from an existing constituent by an eligible company.
 - The acquisition by an eligible company of a privately held Lloyd's business.
- Initial Public Offering:
 - The IPO of a privately held Lloyd's business.
- New Syndicate start-up:
 - A new aligned Lloyd's Syndicate(s) starting under the ownership of an eligible company.

4.2.4. The results of the review process are published on the review release date.

4.2.5. The results of the review process are implemented at the close of business on the implementation date.

5. Quarterly review of the ICMR (Re)Insurance Specialty Index

5.1. Timings

5.1.1. The ICMR (Re)Insurance Specialty Index is reviewed quarterly, using the process described below.

5.1.2. Dates applicable to reviews are detailed below:

Date	Name	
Last business day of February, November, and August	Determination date	Date on which data is collected for use in the index review.
On or before the second Friday of March, December and September	Review release date	Date on which the results of the review are published.
Third Friday of March, December, and September	Implementation date	Date on which the results of the review are implemented in the index.

5.2. Review process

5.2.1. As of the determination date, share prices, shares in issue and related data is captured.

5.2.2. Constituents that no longer control Lloyd's syndicates are removed.

5.2.3. Constituent weights are recalculated, using the Net Premium from the latest available financial statements.

5.2.4. The results of the quarterly review process are published on the review release date.

5.2.5. The results of the quarterly review process are implemented at the close of business on the implementation date.

6. Calculation of the ICMR (Re)Insurance Specialty Index

6.1. Index versions calculated

- 6.1.1.** Price and net total return versions of the index are calculated.
- 6.1.2.** The index is calculated on an end of day basis on all US business days.
- 6.1.3.** Closing index values are published shortly after the close of US markets.
- 6.1.4.** The index is calculated in USD.

6.2. Index formula & divisor calculations

- 6.2.1.** For details of the index calculation formula and related processes, please refer to the “Morningstar Index Services Equity Index Calculation Guide”. The ICMR (Re)Insurance Specialty Index is treated as a non-market capitalisation weighted index.

6.3. Errors

- 6.3.1.** If an error is discovered in an index value Morningstar Indexes will follow the process outlined in the “Morningstar Indexes Recalculation Guidelines”, available at <https://indexes.morningstar.com/>.

6.4. Corporate Actions and Events

- 6.4.1.** The constituents of the ICMR (Re)Insurance Specialty Index are proactively maintained to reflect changes that may result from corporate actions.
- 6.4.2.** The management of corporate events follows the processes and procedures outlined in the Morningstar Index Services Equity Index Calculation Guide. The ICMR (Re)Insurance Specialty Index is treated as a non-Market Capitalisation Weighted Index.
- 6.4.3.** Constituents removed from the indices will not be replaced between reviews.

6.5. Distribution

- 6.5.1.** The index is published via various data vendors. Each vendor determines whether they will distribute/display the index data via their respective information systems.

7. Exceptions and amendments to these Rules

7.1. Exceptions

- 7.1.1.** Morningstar Indexes shall apply the method described above for the composition and calculation of the indices. However, it cannot be excluded that the market environment, supervisory, legal, financial or tax reasons may require unforeseen changes to be made to the ICMR (Re)Insurance Specialty Index. Where possible, such changes will be made in conjunction with the Index Services Methodology & Administration Committee and ICMR Index Oversight Group, and in all instances, reported to both.
- 7.1.2.** Wherever exceptions are required, Morningstar Indexes will endeavour to ensure a calculation method is applied that is consistent with the method described in this document.

7.2. Amendments

- 7.2.1** Morningstar Indexes Limited and ICMR notify users of the benchmarks that whilst it is the policy of Morningstar Indexes as administrator to consult fully on any possible change to a benchmark, it is possible that circumstances, particularly external events beyond the control of Morningstar Indexes and ICMR, may necessitate immediate changes to, or the cessation of, a benchmark and therefore, any financial contracts or other financial instruments that reference the benchmarks, or any market participants that use the benchmarks in valuations should plan to be able to manage the possibility of changes to, or cessation of, the benchmarks. Please consult the Morningstar Indexes Methodology Change Policy and Morningstar Indexes Cessation Process for further details.
- 7.2.2.** The Index Services Methodology & Administration Committee may prescribe changes to the selection criteria and other rules governing the indices and the method applied to calculate the indices, which it deems to be necessary and desirable in order to prevent material errors or to remedy, correct or supplement the rules currently described in this methodology document and related documents.
- 7.2.3.** Morningstar Indexes shall ensure that any amendments to the methodology are updated and published as soon as possible after any changes to the indices are implemented and shall notify all persons who have licensed the use of the indices as far in advance of such implementation as reasonably practicable.

8. Data publication

- 8.1.1.** The composition of the index, as well as the respective weightings of index constituents, which shall be published on a retrospective basis in respect of each review date on the business day immediately before the next review date, is made available on <https://indexes.morningstar.com/>.

9. Contact details

- 9.1.1.** The index provider, ICMR, can be contacted at info@insurancecapitalmarkets.com. More information is available at <https://insurancecapitalmarkets.com>, <https://www.risxindex.com> and <https://indexes.morningstar.com/>.
- 9.1.2.** The index administrator, Morningstar Indexes Ltd, can be contacted at indexes@morningstar.com. More information is available at <https://indexes.morningstar.com/>.

10. Legal

- 10.1.1.** ICMR or any successor thereto (the "Index Owner") owns intellectual property rights in the ICMR (Re)insurance Specialty Index and its methodology (excluding methodological elements not developed specifically for the creation of the ICMR Indices). Any use or publication of such intellectual property, as well as of the ICMR trademark or any other ICMR related methodologies, provisions or values must be with the prior written consent of the Index Owner.
- 10.1.2.** The Index Owner assumes no obligation, duty or liability to any person in relation to the Index save as provided in any written agreement with such person. The Index Owner makes no express or implied warranty as to:
- a) the advisability of purchasing or assuming any risk in connection with any transaction related to the index;
 - b) the levels at which the Index stands at any particular time on any particular date;
 - c) the results to be obtained by any party from the use of the Index or any data included in it for the purposes of issuing securities or carrying out any financial transaction;
 - d) any other matter.
- 10.1.3.** The Index Owner may assign the proprietary rights in the Index to a third party in its reasonable discretion.

10.2 Licensing

- 10.2.1.** Licenses to use the indices as the underlying value for investment products and derivative instruments may be issued to stock exchanges, banks, financial services providers and investment houses by the Index Provider.

Appendix A: Eligible Exchanges

Country	Exchange Name	MIC
USA	New York SE Floor Equities	XNYS
USA	NYSE AMERICAN Floor Equities	XASE
USA	NASDAQ Capital Market	XNCM
USA	NASDAQ Global Select Market Equities	XNGS
USA	Cboe BZX trading NYSE/NYSE AMRCN Eq	BATS
USA	NASDAQ Global Market Equities	XNMS
Australia	Australian Securities Exchange	XASX
Austria	Wiener Boerse AG	WBAH
Belgium	Euronext Brussels	XBRU
Canada	Toronto Stock Exchange	XTSE
Canada	NEO Exchange	NEOE
Denmark	Nasdaq Copenhagen	XCSE
Finland	Nasdaq Helsinki Ltd	XHEL
France	Euronext Paris	XPAR
Germany	XETRA	XETR
Hong Kong	Hong Kong Stock Exchange and Clearing Ltd	XHKG
Ireland	Euronext Dublin	XDUB
Israel	Tel Aviv Stock Exchange	XTAE
Italy	Borsa Italia	MTAA
Japan	Tokyo Stock Exchange	XTKS
Netherlands	Euronext Amsterdam	XAMS
New Zealand	New Zealand Exchange	XNZE
Norway	Oslo Bors	XOSL
Portugal	Euronext Lisbon	XLIS
Qatar	Qatar Stock Exchange	
Singapore	Singapore Exchange	XSES
Spain	Bolsa De Madrid	XMAD
Sweden	Nasdaq Stockholm AB	XSTO
Switzerland	SIX Swiss Exchange AG	XSWX
United Kingdom	London Stock Exchange	XLON

Appendix B: Index Information

Index	Index code	Price return ticker	Net return ticker	Gross return ticker	Base date	Base value
ICMR (Re)Insurance Specialty Index	RISX	RISX	RISXNTR		16/06/2006	1000

All performance shown prior to the live date has been retrospectively calculated by application of this Index Methodology.

Appendix C: Definitions

Syndicate

A member or group of members underwriting insurance business at Lloyd's through the agency of a managing agent or a substitute agent to which a syndicate number is assigned by the Council.

The list of current Lloyd's managing agents and syndicates is available from the Lloyd's Market Directory: <https://ldc.lloyds.com/market-directory>. In addition, Lloyd's publishes a list of syndicates in the notes to the pro-forma annual report: <https://www.lloyds.com/about-lloyds/investor-relations>

Relevant Syndicate

A syndicate associated with an Index Component either through the Index Component's control of underwriting activity through majority ownership of the syndicate's Lloyd's managing agency or commencement of the Index Component's own start-up syndicate through a recognised turnkey managing agency arrangement. The syndicate must report Net Premium (defined below) in its annual financial statement greater than US\$ 15m (or US\$25m for new syndicates). For the avoidance of doubt, this includes Special Purpose Arrangement syndicates.

Net Premium

The Net Premium means Net Written Premium, i.e. premiums written less ceded reinsurance, from the annual financial statements of syndicates and Index Components. If that number is not disclosed in the annual financial statements, Net Earned Premium from the annual financial statements is used instead.

If an Index Component's annual financial statements shows Net Premium as defined above to be less than 67% of its total revenues, Net Premium is then defined as that Index Component's total revenues.

Exchange

"Exchange" is, in respect of the Selection Pool and every Index Component, the respective primary exchange where the Index Component has its primary listing. The Committee may decide to declare a different stock exchange the "Exchange" for liquidity reasons.

Trading Day

A "Trading Day" is in relation to the Index or an Index Component, a Trading Day on the Exchange (or a day that would have been such a day if a market disruption had not occurred), excluding days on which trading may have ceased prior to the normal Exchange closing time. The Index Calculator is ultimately responsible as to whether a certain day is a Trading Day with regard to the Index or an Index Component or in any other connection relating to this document.

Business Day

"Business Day" is every US business day.

Appendix D: ESG Disclosure

Explanation of how ESG factors are reflected in the key elements of the benchmark methodology³	
Item 1. Name of the benchmark administrator	Morningstar Indexes Limited
Item 2. Type of benchmark or family of benchmarks	Equity
Item 3. Name of the benchmark or family of benchmarks	ICMR (Re)Insurance Specialty Index
Item 4. Does the benchmark methodology for the benchmark or family of benchmarks take into account ESG factors?	No
Date on which information has last been updated	05/06/2023
The reason why the information has been updated	Annual review

³ The information herein contained is provided in accordance with the Commission Delegated Regulation (EU) 2020/1817 of 17 July 2020 supplementing Regulation (EU) 2016/1011 of the European Parliament and of the Council as regards the minimum content of the explanation on how environmental, social and governance factors are reflected in the benchmark methodology.



About Morningstar Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors — and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers, and advisors in navigating investment opportunities across major asset classes, styles, and strategies. From traditional benchmarks and unique IP-driven indexes to index design, calculation, and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Morningstar Index Methodology Committee

The Morningstar Index Methodology Committee oversees all new index development, index methodology changes, and cessation of indexes for any indexes where Morningstar owns the intellectual property. This committee is also charged with ensuring that indexes align with Morningstar Research principles and values. The group comprises members of the index team with index research, product development, product management, client service, index implementation, and operation expertise who provide the first layer of governance over index design and methodology.

Morningstar Index Services Methodology & Administration Committee

The purpose of the Morningstar Index Services Methodology & Administration Committee (the “ISM”) is to oversee all new index development, index methodology changes, and cessation of indexes for any indexes where Morningstar provides calculation and administration services but does not own the Intellectual Property of the indexes. This committee will also oversee the adequacy and effectiveness of the operational interactions between Morningstar and its calculation services clients, and of client governing committees, where relevant.

Morningstar Index Operations Committee

The Morningstar Index Operations Committee governs the processes, systems, and exception handling of the day-to-day management of all live indexes, including index rebalancing and reconstitution, restatements, market classification, and contingency management. The committee oversees the annual review of index methodology (as required by UK and EU BMRs), ensuring that methodologies remain fit for purpose and continue to achieve their stated investment objectives. The Index Operations Committee is responsible for governing the operations of both Morningstar branded indexes as well as indexes where Morningstar only provides calculation services.

Morningstar Index Oversight Committee

The Morningstar Index Oversight Committee is responsible for the index oversight function as per the requirements of the UK and European BMRs, providing independent oversight of all aspects of the governance of benchmark administration as required by the relevant BMR. Its remit extends to all calculation and administration-related business activities of Morningstar Indexes, including administration of Morningstar-owned benchmarks as well as client-owned benchmarks and index calculation. The oversight function is part of the organizational structure of Morningstar but is separate and independent from the index business, index management, and the other index committees.

indexes.morningstar.com

Contact Us

indexes@morningstar.com

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