



A.M. BEST COMPANY, INC.

Form NRSRO: Exhibit 1

2013 Ratings Performance Measurement Statistics

NRSRO CLASS: Insurance Companies – Financial Strength Ratings (Tables 1, 2, & 3)

A Best’s Financial Strength Rating (FSR) is an independent opinion of an insurer’s financial strength and ability to meet its ongoing insurance policy and contract obligations. The rating is based on a comprehensive quantitative and qualitative evaluation of a company’s balance sheet strength, operating performance and business profile.

FSRs are not assigned to specific insurance policies or contracts and do not address any other risk, including, but not limited to, an insurer’s claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. An FSR is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information. For additional details, see A.M. Best’s Terms of Use at <http://www.ambest.com/terms.html>.

Rating Categories

A definition of each FSR category is shown in the table below.

Financial Strength Ratings Descriptors			
	Rating	Descriptor	Definition
Secure	A++, A+	Superior	Assigned to companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
	A, A-	Excellent	Assigned to companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
	B++, B+	Good	Assigned to companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
Vulnerable	B, B-	Fair	Assigned to companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
	C++, C+	Marginal	Assigned to companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
	C, C-	Weak	Assigned to companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
	D	Poor	Assigned to companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.
	E	Under Regulatory Supervision	Assigned to companies (and possibly their subsidiaries/affiliates) placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation, but not liquidation - that prevents conduct of normal, ongoing insurance operations.
	F	In Liquidation	Assigned to companies placed in liquidation by a court of law or by a forced liquidation.
	S	Suspended	Assigned to rated companies when sudden and significant events affect their balance sheet strength or operating performance and rating implications cannot be evaluated due to a lack of timely or adequate information.





A.M. BEST COMPANY, INC.

Rating Methodology/Criteria Reports

Best's Credit Rating Methodology – Global Life & Non-Life Insurance Edition provides a comprehensive explanation of Best's rating process, including highlights of the rating criteria employed by A.M. Best Company in determining Best's Credit Ratings, which include Best's Financial Strength, Issuer Credit and Debt Ratings within the insurance industry. Major criteria reports used to assign this class of credit ratings include, but are not limited to, the following:

- *Insurance Holding Company and Debt Ratings*
- *Understanding BCAR for Property/Casualty Insurers*
- *Understanding BCAR for Life/Health Insurers*
- *Analyzing Contingent Capital Facilities*
- *A.M. Best's Perspective on Operating Leverage*
- *Alternative Risk Transfer*
- *Evaluating Non-Insurance Ultimate Parents*
- *Rating New Company Formations*
- *Rating Members of Insurance Groups*
- *Risk Management and the Rating Process for Insurance Companies*
- *Evaluating Country Risk*
- *Catastrophe Analysis in A.M. Best Ratings*

The methodology may be found at: <http://www.ambest.com/ratings/methodology.asp>.

Definition of a Financially Impaired Company

A.M. Best designates an insurer as a Financially Impaired Company (FIC) as of the first action taken by an insurance department or regulatory body, whereby the insurer's a) ability to conduct normal insurance operations is adversely affected, b) capital and surplus have been deemed inadequate to meet regulatory requirements, or c) general financial condition has triggered regulatory concern. The actions include supervision, rehabilitation, liquidation, receivership, conservatorship, cease-and-desist orders, suspension, license revocation and certain administrative orders. Companies that enter voluntary dissolution and are not under financial duress at that time are not counted as financially impaired. In the performance statistics, A.M. Best provides impairments as a proxy for defaults.

Financial Impairments vs. Defaults

The credit markets broadly deem an issuer default as having occurred when an issuer misses interest or principal payments on its obligations; restructures its debt in a way that is deleterious to investors; or files for bankruptcy. Financial impairment of insurance companies, by contrast, often occurs even if an insurance company has not formally been declared insolvent. For instance, an FIC's capital and surplus could have been deemed inadequate to meet risk-based capital requirements, or there might have been regulatory concern regarding its general financial condition. Thus, at any given rating level, more insurers would be impaired, according to the A.M. Best definition, than actually would default on insurance policy and contract obligations.

Rating Universe & Performance Statistics Period

The performance measurement statistics provided in this class of credit ratings cover individual U.S. and non-U.S. operating insurance companies with public and private FSRs. The performance statistics cover the 1-year, 3-year and 10-year periods all ended Dec. 31, 2013.



A.M. BEST COMPANY, INC.

Ratings Transitions & Treatment of Withdrawals

The performance measurement statistics provided for this class of credit ratings can be found in Tables 1, 2 and 3, which display 1-year, 3-year and 10-year ratings transition matrices along with their associated cumulative impairment rates. FSRs at year-end 2012 are compared with those at year-end 2013 to produce a 1-year ratings transition matrix and the 1-year impairment rate for each rating category. FSRs at year-end 2010 are compared with those at year-end 2013 to produce a 3-year ratings transition matrix and a 3-year impairment rate for each rating category. FSRs at year-end 2003 are compared with those at year-end 2013 to produce a 10-year ratings transition matrix and a 10-year impairment rate for each rating category.

Ratings that have been withdrawn are also shown in Tables 1 to 3. Reasons for withdrawing ratings include: insufficiency of data; insufficiency of size or operating experience; inapplicability of the rating procedure; company request; and company not formally followed. It is important to emphasize that the impairment rate statistics for insurers include known impairments that occur long after such insurers have ceased being rated by A.M. Best. For example, if a rated insurer requests that A.M. Best withdraw its rating and subsequently becomes impaired three years later, that impairment is tabulated in the impairment rate, although A.M. Best had not rated the company for three years.

A Note on Revisions

As a result of ongoing research efforts, A.M. Best's Impairment Database is updated continually to reflect the incorporation of new data or adjustments to existing data. Ongoing historical research occasionally leads to the restatement of certain data, primarily a company's initial year of impairment or the addition of new impairments. From time to time, A.M. Best discovers that insurers that were under confidential supervision have been released from such supervision and allowed to operate normally. If such confidential supervisions are made public, A.M. Best will add the insurers to the impairment list.



A.M. BEST COMPANY, INC.

NRSRO CLASS: Insurance Companies – Issuer Credit Ratings (Tables 4, 5, & 6)

A Best’s Long-Term Issuer Credit Rating is an independent opinion of an insurer’s financial strength and ability to meet its ongoing senior financial obligations. The rating is based on a comprehensive quantitative and qualitative evaluation of a company’s balance sheet strength, operating performance and business profile.

These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser. In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information. For additional details, see A.M. Best’s Terms of Use at <http://www.ambest.com/terms.html>.

Rating Categories

A definition of each Best’s Long-Term Issuer Credit Rating category is shown in the table below.

Long-Term Issuer Credit Rating Descriptors (Applied to an Insurance Company)			
	Rating	Descriptor	Definition
Investment Grade	aaa	Exceptional	Assigned to insurance companies that have, in our opinion, an exceptional ability to meet their ongoing senior financial obligations.
	aa	Superior	Assigned to insurance companies that have, in our opinion, a superior ability to meet their ongoing senior financial obligations.
	a	Excellent	Assigned to insurance companies that have, in our opinion, an excellent ability to meet their ongoing senior financial obligations.
	bbb	Good	Assigned to insurance companies that have, in our opinion, a good ability to meet their ongoing senior financial obligations.
Non-Investment Grade	bb	Fair	Assigned to insurance companies that have, in our opinion, a fair ability to meet their ongoing senior financial obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
	b	Marginal	Assigned to insurance companies that have, in our opinion, a marginal ability to meet their ongoing senior financial obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
	ccc, cc	Weak	Assigned to insurance companies that have, in our opinion, a weak ability to meet their ongoing senior financial obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
	c	Poor	Assigned to insurance companies that have, in our opinion, a poor ability to meet their ongoing senior financial obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.
	rs	Regulatory Supervision/ Liquidation	Assigned to insurers placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation that prevents conduct of normal, ongoing insurance operations or in liquidation by a court of law or by a forced liquidation.



A.M. BEST COMPANY, INC.

Rating Methodology/Criteria Reports

Best's Credit Rating Methodology – Global Life & Non-Life Insurance Edition provides a comprehensive explanation of Best's rating process, including highlights of the rating criteria employed by A.M. Best Company in determining Best's Credit Ratings, which include Best's Financial Strength, Issuer Credit and Debt Ratings within the insurance industry. Major criteria reports used to rate this class of credit ratings includes, but is not limited to, the following:

- *Insurance Holding Company and Debt Ratings*
- *Understanding BCAR for Property/Casualty Insurers*
- *Understanding BCAR for Life/Health Insurers*
- *Analyzing Contingent Capital Facilities*
- *A.M. Best's Perspective on Operating Leverage*
- *Alternative Risk Transfer*
- *Evaluating Non-Insurance Ultimate Parents*
- *Rating New Company Formations*
- *Rating Members of Insurance Groups*
- *Risk Management and the Rating Process for Insurance Companies*
- *Evaluating Country Risk*
- *Catastrophe Analysis in A.M. Best Ratings*

The methodology may be found at: <http://www.ambest.com/ratings/methodology.asp>.

Definition of a Financially Impaired Company

A.M. Best designates an insurer as a Financially Impaired Company (FIC) as of the first action taken by an insurance department or regulatory body, whereby the insurer's a) ability to conduct normal insurance operations is adversely affected, b) capital and surplus have been deemed inadequate to meet regulatory requirements, or c) general financial condition has triggered regulatory concern. The actions include supervision, rehabilitation, liquidation, receivership, conservatorship, cease-and-desist orders, suspension, license revocation and certain administrative orders. Companies that enter voluntary dissolution and are not under financial duress at that time are not counted as financially impaired. In the performance statistics, A.M. Best provides impairments as a proxy for defaults.

Financial Impairments vs. Defaults

The credit markets broadly deem an issuer default as having occurred when an issuer misses interest or principal payments on its obligations; restructures its debt in a way that is deleterious to investors; or files for bankruptcy. Financial impairment of insurance companies, by contrast, often occurs even if an insurance company has not formally been declared insolvent. For instance, an FIC's capital and surplus could have been deemed inadequate to meet risk-based capital requirements, or there might have been regulatory concern regarding its general financial condition. Thus, at any given rating level, more insurers would be impaired, according to the A.M. Best definition, than actually would default on insurance policy and contract obligations.

Rating Universe & Performance Statistics Period

The performance measurement statistics provided in this class of credit ratings cover individual U.S. and non-U.S. operating insurance companies with public and private Long-Term Issuer Credit Ratings. The performance statistics cover the 1-year, 3-year and 10-year periods all ended Dec. 31, 2013.



A.M. BEST COMPANY, INC.

Ratings Transitions & Treatment of Withdrawals

The performance measurement statistics provided for this class of credit ratings can be found in Tables 4, 5 and 6, which display 1-year, 3-year, and 10-year ratings transition matrices along with their associated cumulative impairment rates. ICRs at year-end 2012 are compared with those at year-end 2013 to produce a 1-year ratings transition matrix and the 1-year impairment rate for each rating category. ICRs at year-end 2010 are compared with those at year-end 2013 to produce a 3-year ratings transition matrix and a 3-year impairment rate for each rating category. ICRs at year-end 2003 are compared with those at year-end 2013 to produce a 10-year ratings transition matrix and a 10-year impairment rate for each rating category.

Ratings that have been withdrawn are also shown in Tables 4 to 6. Reasons for withdrawing ratings include: insufficiency of data; insufficiency of size or operating experience; inapplicability of the rating procedure; company request; and company not formally followed. It is important to emphasize that the impairment rate statistics for insurers include known impairments that occur long after such insurers have ceased being rated by A.M. Best. For example, if a rated insurer requests that A.M. Best withdraw its rating and subsequently becomes impaired three years later, that impairment is tabulated in the impairment rate, although A.M. Best had not rated the company for three years.

A Note on Revisions

As a result of ongoing research efforts, A.M. Best's Impairment Database is updated continually to reflect the incorporation of new data or adjustments to existing data. Ongoing historical research occasionally leads to the restatement of certain data, primarily a company's initial year of impairment or the addition of new impairments. From time to time, A.M. Best discovers that insurers that were under confidential supervision have been released from such supervision and allowed to operate normally. If such confidential supervisions are made public, A.M. Best will add the insurers to the impairment list.



A.M. BEST COMPANY, INC.

NRSRO CLASS: Issuers of Asset-Backed Securities –Long-Term Debt Rating (Tables 7, 8, & 9)

A Best’s Long-Term Debt Rating, assigned to specific issues such as debt and preferred stock, is an independent opinion of an issuer’s ability to meet its ongoing financial obligations to security holders when due. When applied to certain asset-backed securities, the rating generally considers the probability of default of the securities derived from stochastic simulations of the transactions (where possible) and/or deterministic scenarios designed to test the robustness of the transaction and adequacy of the support levels provided by equity or unrated tranches. In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided by organizations such as actuarial consultants. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information. For additional details, see A.M. Best’s Terms of Use at <http://www.ambest.com/terms.html>.

These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

Rating Categories

A definition of each Best’s Long-Term Debt Rating category is shown in the table below.

Long-Term Debt Ratings			
	Rating	Descriptor	Definition
Investment Grade	aaa	Exceptional	Assigned to issues where, in our opinion, the issuer has an exceptional ability to meet the terms of the obligation.
	aa	Very Strong	Assigned to issues where, in our opinion, the issuer has a very strong ability to meet the terms of the obligation.
	a	Strong	Assigned to issues where, in our opinion, the issuer has a strong ability to meet the terms of the obligation.
	bbb	Adequate	Assigned to issues where, in our opinion, the issuer has an adequate ability to meet the terms of the obligation; however, the issue is more susceptible to changes in economic or other conditions.
Non-Investment Grade	bb	Speculative	Assigned to issues where, in our opinion, the issuer has speculative credit characteristics, generally due to a moderate margin of principal and interest payment protection and vulnerability to economic changes.
	b	Very Speculative	Assigned to issues where, in our opinion, the issuer has very speculative credit characteristics, generally due to a modest margin of principal and interest payment protection and extreme vulnerability to economic changes.
	ccc, cc, c	Extremely Speculative	Assigned to issues where, in our opinion, the issuer has extremely speculative credit characteristics, generally due to a minimal margin of principal and interest payment protection and/or limited ability to withstand adverse changes in economic or other conditions.
	d	In Default	Assigned to issues in default on payment of principal, interest or other terms and conditions, or when a bankruptcy petition or similar action has been filed.



A.M. BEST COMPANY, INC.

Rating Methodology/Criteria Reports

Best's Credit Rating Methodology – Global Life & Non-Life Insurance Edition provides a comprehensive explanation of Best's rating process, including highlights of the rating criteria employed by A.M. Best Company in determining Best's Credit Ratings, which include Best's Financial Strength, Issuer Credit and Debt Ratings within the insurance industry. In cases where A.M. Best and/or third parties perform stochastic modeling of the transaction and the probability of timely payment of interest and principal are calculated, A.M. Best gives consideration to the ratings published in the special report, *Best's Idealized Default Matrix*. The matrix correlates the stochastically generated default probabilities to debt ratings before incorporating other considerations that may affect the ultimate ratings of the asset-backed securities. Major criteria reports, special reports and studies used to rate this class of credit ratings includes, but is not limited to, the following:

- *Securitization of Period-Certain and Life-Contingent Structured Settlements*
- *Rating Surplus Note and Insurance Trust-Preferred CDOs*
- *Life Settlement Securitization*
- *Securitization of Annuities*
- *Securitization of Reinsurance Recoverables*
- *Best's Impairment Rate and Rating Transition Study*
- *Best's Idealized Default Matrix*
- *Rating Natural Catastrophe Bonds*
- *Rating Sidecars*
- *Rating Closed-Block Monetizations*
- *Rating Life-Related Premium Financing Loan Securitizations*

The methodology may be found at: <http://www.ambest.com/ratings/methodology.asp>.

Definition & Treatment of Default

The credit markets broadly deem an issuer default as having occurred when an issuer misses interest or principal payments on its obligations; restructures its debt in a way that is deleterious to investors; or files for bankruptcy. There are currently no defaults associated with this class of credit ratings. As defaults arise in the future, A.M. Best will designate asset-backed securities as defaulted based upon the same criteria as the credit markets noted above.

For the performance measurement statistics associated with asset-backed securities, A.M. Best will include, as defaults arise, the following non-insurance entities in the default category:

- Asset-backed securities assigned a "d" Best's Long-Term Issuer Credit Rating to indicate that the issuer is "in default on payment of principal, interest or other terms and conditions, or when a bankruptcy petition or similar action has been filed."

Rating Universe & Performance Statistics Period

The performance measurement statistics provided in this class of credit ratings cover each tranche of asset-backed securities associated with both publicly and privately rated transactions. The performance statistics cover the 1-year, 3-year and 10-year periods all ended Dec. 31, 2013. The securities in the performance statistics for this class of credit ratings generally are collateralized by insurance debt or contractual obligations such as trust-preferred securities, surplus notes, death benefits and annuity payments.



A.M. BEST COMPANY, INC.

Ratings Transitions & Treatment of Withdrawals or Payoffs

The performance measurement statistics provided for this class of credit ratings can be found in Tables 7, 8, and 9, which display 1-year, 3-year and 10-year ratings transition matrices along with their associated cumulative default rates. Long-Term Debt Ratings at year-end 2012 are compared with those at year-end 2013 to produce a 1-year ratings transition matrix and the 1-year default rate for each rating category. Long-Term Debt Ratings at year-end 2010 are compared with those at year-end 2013 to produce a 3-year ratings transition matrix and a 3-year default rate for each rating category. Long-Term Debt Ratings at year-end 2003 are compared with those at year-end 2013 to produce a 10-year ratings transition matrix and a 10-year default rate for each rating category.

Ratings that have been withdrawn are also shown in Tables 7 to 9. Reasons for withdrawing ratings include: insufficiency of data; inapplicability of the rating procedure; issuer request; and issuer not formally followed. It is important to emphasize that the default rate statistics for asset-backed securities includes known defaults that occur long after securities have ceased being rated by A.M. Best. At the time of this writing, A.M. Best has not withdrawn any ratings on asset-backed securities that later defaulted.

The paid-off columns in Tables 7 to 9 represent the percent of asset-backed securities that were either redeemed or that matured in the applicable ratings transition periods.



A.M. BEST COMPANY, INC.

NRSRO CLASS: Corporate Issuers – Issuer Credit Ratings (Tables 10, 11 & 12)

A Best’s Long-Term Issuer Credit Rating is an independent opinion of an issuer’s ability to meet its ongoing senior financial obligations. A Best’s Long-Term Issuer Credit Rating is based on a comprehensive quantitative and qualitative evaluation of an issuer’s balance sheet strength, operating performance and business profile and, where appropriate, the specific nature and details of a rated debt security.

A Best’s Long-Term Issuer Credit Rating is an opinion regarding the relative future credit risk of an entity, a credit commitment or a debt or debt-like security. Credit risk is the risk that an entity may not meet its contractual, financial obligations as they come due. These credit ratings do not address any other risk, including but not limited to liquidity risk, market value risk or price volatility of rated securities. The rating is not a recommendation to buy, sell or hold any securities, insurance policies, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser. In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided by organizations such as professional peril modelers and/or actuarial consultants. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information. For additional details, see A.M. Best’s Terms of Use at <http://www.ambest.com/terms.html>.

The holding companies with Best’s Long-Term Issuer Credit Ratings in this class of credit ratings may not have issued debt. In some cases, where there are simple holding company/insurance operating company structures, the Long-Term Issuer Credit Ratings of such holding companies are derived from the ratings of insurance operating subsidiaries using A.M. Best’s notching algorithms described in the criteria report *Insurance Holding Company and Debt Ratings*. In other cases, where there are more elaborate holding company/insurance operating company structures, A.M. Best incorporates the credit quality of the various operating subsidiaries of the holding companies in deriving an Issuer Credit Rating for the holding companies. Furthermore, the notching algorithm in the aforementioned criteria report also is used to determine the Long-Term Issuer Credit Ratings of some holding companies that have not issued senior debt but have issued subordinated debt or preferred securities.

Rating Categories

A definition of each Best’s Long-Term Issuer Credit Rating category is shown in the table below.

Long-Term Credit Rating Descriptors (Applied to Non-Insurance Entities)			
	Rating	Descriptor	Definition
Investment Grade	aaa	Exceptional	Assigned to an issuer where, in our opinion, the issuer has an exceptional ability to meet the terms of its obligations.
	aa	Very Strong	Assigned to an issuer where, in our opinion, the issuer has a very strong ability to meet the terms of its obligations.
	a	Strong	Assigned to an issuer where, in our opinion, the issuer has a strong ability to meet the terms of its obligations.
	bbb	Adequate	Assigned to an issuer where, in our opinion, the issuer has an adequate ability to meet the terms of its obligations; however, the issuer is more susceptible to changes in economic or other conditions.
Non-Investment Grade	bb	Speculative	Assigned to an issuer where, in our opinion, the issuer has speculative credit characteristics, generally due to a moderate margin of principal and interest payment protection and vulnerability to economic changes.
	b	Very Speculative	Assigned to an issuer where, in our opinion, the issuer has very speculative credit characteristics, generally due to a modest margin of principal and interest payment protection and extreme vulnerability to economic changes.
	ccc, cc, c	Extremely Speculative	Assigned to an issuer where, in our opinion, the issuer has extremely speculative credit characteristics, generally due to a minimal margin of principal and interest payment protection and/or limited ability to withstand adverse changes in economic or other conditions.
	d	In Default	Assigned to an issuer in default on payment of principal, interest or other terms and conditions, or when a bankruptcy petition or similar action has been filed.



A.M. BEST COMPANY, INC.

Rating Methodology / Criteria Reports

Best's Credit Rating Methodology – Global & Non-Life Insurance Edition provides a comprehensive explanation of Best's rating process, including highlights of the rating criteria employed by A.M. Best Company in determining Best's Credit Ratings, which include Best's Financial Strength, Issuer Credit and Debt Ratings within the insurance industry. In some cases where third parties provide peril modeling attachment probabilities, A.M. Best gives consideration to the ratings published in the special report, *Best's Idealized Default Matrix*. The matrix correlates the stochastically generated attachment probabilities to debt ratings before incorporating other considerations that may affect the ultimate ratings of the securities. Major criteria and special reports used to assign this class of credit ratings include, but are not limited to, the following:

- *Insurance Holding Company and Debt Ratings*
- *Understanding BCAR for Property/Casualty Insurers*
- *Understanding BCAR for Life/Health Insurers*
- *Analyzing Contingent Capital Facilities*
- *A.M. Best's Perspective on Operating Leverage*
- *Alternative Risk Transfer*
- *Evaluating Non-Insurance Ultimate Parents*
- *Rating New Company Formations*
- *Rating Members of Insurance Groups*
- *Risk Management and the Rating Process for Insurance Companies*
- *Catastrophe Analysis in A.M. Best Ratings*
- *Best's Idealized Default Matrix*
- *Rating Natural Catastrophe Bonds*
- *Rating Sidecars*

The methodology may be found at: <http://www.ambest.com/ratings/methodology.asp>.

Definition & Treatment of Default

The credit markets broadly deem an issuer default as having occurred when an issuer misses interest or principal payments on its obligations; restructures its debt in a way that is deleterious to investors; or files for bankruptcy. For the performance measurement statistics associated with the class of credit ratings, A.M. Best will include, as defaults arise, the following in the default category:

- Holding companies assigned a "d" Best's Long-Term Issuer Credit Rating to indicate that the issuer is "in default on payment of principal, interest or other terms and conditions, or when a bankruptcy petition or similar action has been filed."
- Debt issuances assigned a "d" Best's Long-Term Issuer Credit Rating to indicate that the issuer is "in default on payment of principal, interest or other terms and conditions, or when a bankruptcy petition or similar action has been filed."

Rating Universe & Performance Statistics Period

The performance measurement statistics provided in this class of credit ratings cover publicly and privately rated U.S. and non-U.S. non-insurance holding companies. Also included in the performance statistics for this class of credit ratings are insurance-linked securities that provide reinsurance coverage and capital relief to their sponsors. The performance statistics cover the 1-year, 3-year and 10-year periods all ended Dec. 31, 2013.



A.M. BEST COMPANY, INC.

Rating Transitions & Treatment of Withdrawals or Payoffs

The performance measurement statistics provided for this class of credit ratings can be found in Tables 10, 11 and 12, which display 1-year, 3-year and 10-year ratings transition matrices along with their associated cumulative default rates. ICRs at year-end 2012 are compared with those at year-end 2013 to produce a 1-year ratings transition matrix and the 1-year default rate for each rating category. ICRs at year-end 2010 are compared with those at year-end 2013 to produce a 3-year ratings transition matrix and the 3-year default rate for each rating category. ICRs at year-end 2003 are compared with those at year-end 2013 to produce a 10-year ratings transition matrix and the 10-year default rate for each rating category.

Ratings that have been withdrawn are also shown in Tables 10 to 12. Reasons for withdrawing ratings include: insufficiency of data; inapplicability of the rating procedure; issuer request; and issuer not formally followed. It is important to emphasize that the default rate statistics for corporate issuers includes known defaults that occur long after such issuers have ceased being rated by A.M. Best. At the time of this writing, A.M. Best has not withdrawn any ratings on corporate issuers that later defaulted.

The paid-off columns in Tables 7 to 9 relate only to maturities or redemptions of insurance-linked securities that provide reinsurance coverage and capital relief to their sponsors.



A.M. BEST COMPANY, INC.

APPENDIX

Table 1

Insurance Companies (Financial Strength Ratings) – 1-Year Transition and Impairment Rates

(December 31, 2012 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2012	A++	A+	A	A-	B++	B+	B	B-	C++	C+	C	C-	D	Impaired	Paid Off *	Withdrawn (Other)
A++	119	99.2%															0.8%
A+	560	0.2%	97.3%	0.4%													2.1%
A	1302		3.5%	92.2%	1.5%	0.1%											2.6%
A-	860		0.5%	7.9%	85.8%	2.1%		1.4%							0.1%		2.2%
B++	311			0.3%	8.4%	78.8%	4.2%	0.6%	0.3%								7.4%
B+	176			0.6%	4.5%	4.0%	74.4%	8.0%	0.6%								8.0%
B	73			1.4%			5.5%	83.6%	2.7%						2.7%		4.1%
B-	24						4.2%	20.8%	58.3%								16.7%
C++	7									57.1%	14.3%	14.3%					14.3%
C+	7				14.3%		14.3%				57.1%						14.3%
C	5											40.0%					60.0%
C-	3												66.7%				33.3%
D	1													100.0%			
Total	3,448																

*Category Not Applicable to Insurance Companies

Table 2

Insurance Companies (Financial Strength Ratings) – 3-Year Transition and Impairment Rates

(December 31, 2010 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2010	A++	A+	A	A-	B++	B+	B	B-	C++	C+	C	C-	D	Impaired	Paid Off *	Withdrawn (Other)
A++	110	95.5%	1.8%														2.7%
A+	585	1.5%	82.7%	10.6%	0.3%												4.8%
A	1226	0.1%	7.3%	79.0%	3.7%	0.5%	0.1%	0.1%									9.3%
A-	917		0.8%	17.8%	67.2%	4.0%	0.2%	1.7%							0.2%		8.1%
B++	315		1.3%	4.1%	17.5%	52.1%	7.6%	1.0%	1.0%						0.6%		14.9%
B+	212			1.4%	5.2%	16.0%	42.5%	9.9%	1.4%						2.8%		20.8%
B	65				6.2%		21.5%	46.2%	3.1%						1.5%		21.5%
B-	48				2.1%	2.1%	4.2%	29.2%	16.7%	2.1%	4.2%	4.2%			2.1%		33.3%
C++	13						15.4%	15.4%		15.4%					15.4%		38.5%
C+	7						14.3%		14.3%	14.3%	28.6%				14.3%		14.3%
C	4										25.0%	25.0%					50.0%
C-	1												100.0%				
D	1														100.0%		
Total	3,504																

*Category Not Applicable to Insurance Companies



A.M. BEST COMPANY, INC.

Table 3

Insurance Companies (Financial Strength Ratings) – 10-Year Transition and Impairment Rates
(December 31, 2003 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2003	A++	A+	A	A-	B++	B+	B	B-	C++	C+	C	C-	D	Impaired	Paid Off *	Withdrawn (Other)
A++	220	41.4%	21.4%	18.2%	1.4%												17.7%
A+	569	3.0%	51.7%	18.5%	3.9%	0.4%	0.4%	0.2%							1.8%		20.4%
A	1076	0.3%	14.9%	47.0%	11.6%	2.5%	0.3%	0.8%							0.5%		22.1%
A-	896		3.6%	27.7%	30.0%	5.2%	1.1%	0.7%	0.4%						1.7%		29.6%
B++	433		1.6%	17.1%	21.5%	11.3%	5.1%	1.6%	0.5%						2.1%		39.3%
B+	320			7.5%	12.5%	10.6%	11.3%	3.4%	0.6%	0.9%	0.3%	0.3%			4.4%		48.1%
B	221		0.9%	4.5%	5.4%	10.0%	5.4%	6.8%	0.9%		0.5%				9.0%		56.6%
B-	98	1.0%		3.1%	9.2%	3.1%	6.1%	3.1%	1.0%		1.0%				11.2%		61.2%
C++	77			1.3%	6.5%		2.6%	3.9%		1.3%	1.3%		1.3%		15.6%		66.2%
C+	60				8.3%	5.0%	3.3%	3.3%				1.7%	1.7%		13.3%		63.3%
C	33				3.0%			3.0%							24.2%		69.7%
C-	10				40.0%										10.0%		50.0%
D	26			3.8%										7.7%	53.8%		34.6%
Total	4,039																

*Category Not Applicable to Insurance Companies

Table 4

Insurance Companies (Issuer Credit Ratings) – 1-Year Transition and Impairment Rates
(December 31, 2012 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2012	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	Impaired	Paid Off *	Withdrawn (Other)	
aaa	31	96.8%																							3.2%	
aa+	88		100.0%																							
aa	150		0.7%	98.7%																						0.7%
aa-	410				96.8%	0.5%																				2.7%
a+	377			0.8%	10.9%	76.1%	9.5%	1.3%																		1.3%
a	925				0.2%	2.7%	92.2%	1.6%	0.1%																	3.1%
a-	860				0.5%	0.2%	7.7%	85.8%	1.6%	0.5%			1.4%										0.1%			2.2%
bbb+	150							15.3%	73.3%	4.0%	0.7%															6.7%
bbb	161						0.6%	1.9%	6.8%	73.3%	7.5%	1.2%		0.6%												8.1%
bbb-	176					0.6%		4.5%	1.7%	2.3%	74.4%	5.1%	2.8%	0.6%												8.0%
bb+	41					2.4%					9.8%	82.9%	2.4%													2.4%
bb	32											6.3%	75.0%	6.3%									6.3%			6.3%
bb-	24									4.2%	4.2%	16.7%	58.3%													16.7%
b+	1														100.0%											
b	6															50.0%	16.7%		16.7%							16.7%
b-	7							14.3%			14.3%						57.1%									14.3%
ccc+	0																									
ccc	5																									60.0%
ccc-	0																									
cc	3																					66.7%				33.3%
c	1																						100.0%			
Total	3,448																									

*Category Not Applicable to Insurance Companies



A.M. BEST COMPANY, INC.

Table 5

Insurance Companies (Issuer Credit Ratings) – 3-Year Transition and Impairment Rates
(December 31, 2010 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2010	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	Impaired	Paid Off *	Withdrawn (Other)
aaa	28	96.4%																							3.6%
aa+	82		95.1%	2.4%																					2.4%
aa	146		2.7%	76.7%	13.0%			1.4%																	6.2%
aa-	439		1.1%	7.3%	73.1%	5.9%	8.2%																		4.3%
a+	366			0.8%	16.7%	54.4%	15.0%	1.9%	0.8%																10.4%
a	860		0.1%	0.1%	2.8%	8.5%	74.7%	4.4%	0.3%		0.1%	0.1%													8.8%
a-	917			0.1%	0.7%	0.4%	17.3%	67.2%	2.3%	1.7%	0.2%	0.2%	1.5%										0.2%		8.1%
bbb+	132						5.3%	25.8%	44.7%	9.1%	2.3%	0.8%													12.1%
bbb	183				2.2%	0.5%	2.7%	11.5%	12.6%	38.3%	11.5%	0.5%	0.5%	1.6%									1.1%		16.9%
bbb-	212						1.4%	5.2%	6.1%	9.9%	42.5%	7.1%	2.8%	1.4%									2.8%		20.8%
bb+	42							7.1%			26.2%	45.2%	7.1%										2.4%		11.9%
bb	23							4.3%			13.0%	4.3%	30.4%	8.7%											39.1%
bb-	48							2.1%		2.1%	4.2%	4.2%	25.0%	16.7%		2.1%	4.2%			4.2%			2.1%		33.3%
b+	4											25.0%	25.0%		25.0%										25.0%
b	9										22.2%					11.1%							22.2%		44.4%
b-	7										14.3%			14.3%		14.3%	28.6%						14.3%		14.3%
ccc+	1																								100.0%
ccc	3																33.3%		33.3%						33.3%
ccc-	0																								
cc	1																				100.0%				
c	1																						100.0%		
Total	3,504																								

*Category Not Applicable to Insurance Companies

Table 6

Insurance Companies (Issuer Credit Ratings) – 10-Year Transition and Impairment Rates
(December 31, 2003 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2003	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	Impaired	Paid Off *	Withdrawn (Other)
aaa	0																								
aa+	1					100.0%																			
aa	2					100.0%																			
aa-	4			25.0%	25.0%																				50.0%
a+	0																								
a	2				50.0%	50.0%																			
a-	1																								100.0%
bbb+	0																								
bbb	2					50.0%																			50.0%
bbb-	0																								
bb+	0																								
bb	1																								100.0%
bb-	0																								
b+	0																								
b	0																								
b-	0																								
ccc+	0																								
ccc	0																								
ccc-	0																								
cc	0																								
c	0																								
Total	13																								

*Category Not Applicable to Insurance Companies



A.M. BEST COMPANY, INC.

Table 7
Asset-Backed Securities – 1-Year Transition and Default Rates
 (December 31, 2012 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2012	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	d	Paid Off	Withdrawn (Other)
aaa	15	100.0%																							
aa+	4		100.0%																						
aa	1			100.0%																					
aa-	0																								
a+	0																								
a	1				100.0%																				
a-	1							100.0%																	
bbb+	0																								
bbb	0																								
bbb-	4												75.0%											25.0%	
bb+	9								55.6%		44.4%														
bb	1											100.0%													
bb-	1												100.0%												
b+	1													100.0%											
b	4												25.0%		75.0%										
b-	3															100.0%									
ccc+	0																								
ccc	0																								
ccc-	3																		100.0%						
cc	0																								
c	7																					100.0%			
Total	55																								

Table 8
Asset-Backed Securities – 3-Year Transition and Default Rates
 (December 31, 2010 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2010	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	d	Paid Off	Withdrawn (Other)
aaa	16	93.8%																						6.3%	
aa+	4		100.0%																						
aa	1			100.0%																					
aa-	1							100.0%																	
a+	1				100.0%																				
a	2								100.0%																
a-	4												75.0%												25.0%
bbb+	0																								
bbb	0																								
bbb-	0																								
bb+	9									33.3%		44.4%	11.1%		11.1%										
bb	1												100.0%												
bb-	0																								
b+	0																								
b	6												16.7%		50.0%								33.3%		
b-	3															100.0%									
ccc+	1																						100.0%		
ccc	2																						100.0%		
ccc-	3																		100.0%						
cc	0																								
c	2																						100.0%		
Total	56																								



A.M. BEST COMPANY, INC.

Table 9
Asset-Backed Securities – 10-Year Transition and Default Rates
 (December 31, 2003 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2003	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	d	Paid Off	Withdrawn (Other)
aaa	15	73.3%	20.0%																					6.7%	
aa+	0																								
aa	1							100.0%																	
aa-	0																								
a+	0																								
a	0																								
a-	11								27.3%		27.3%						27.3%							18.2%	
bbb+	0																								
bbb	4													25.0%		25.0%				25.0%			25.0%		
bbb-	0																								
bb+	0																								
bb	0																								
bb-	0																								
b+	0																								
b	0																								
b-	0																								
ccc+	0																								
ccc	0																								
ccc-	0																								
cc	0																								
c	0																								
Total	31																								

Table 10
Corporate Issuers – 1-Year Transition and Default Rates
 (December 31, 2012 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2012	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	d	Paid Off *	Withdrawn (Other)
aaa	2	100.0%																							
aa+	1		100.0%																						
aa	2			100.0%																					
aa-	2				100.0%																				
a+	3					100.0%																			
a	14						100.0%																		
a-	39							92.3%																2.6%	5.1%
bbb+	26							11.5%	69.2%	3.8%	3.8%													11.5%	
bbb	49								6.1%	91.8%														2.0%	
bbb-	35								8.6%	82.9%	2.9%						2.9%							2.9%	
bb+	6									16.7%	83.3%														
bb	7											85.7%													14.3%
bb-	3												66.7%			33.3%									
b+	1													100.0%											
b	1														100.0%										
b-	1															100.0%									
ccc+	0																								
ccc	0																								
ccc-	0																								
cc	0																								
c	1																								100.0%
Total	193																								

*Category Applicable to Insurance-Linked Securities



A.M. BEST COMPANY, INC.

Table 11
Corporate Issuers – 3-Year Transition and Default Rates
 (December 31, 2010 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2010	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	d	Paid Off *	Withdrawn (Other)
aaa	2	100.0%																							
aa+	1		100.0%																						
aa	3			66.7%																					33.3%
aa-	4				25.0%	50.0%																			25.0%
a+	4				25.0%	25.0%																			50.0%
a	14						71.4%	21.4%																	7.1%
a-	37						8.1%	78.4%	2.7%	8.1%														2.7%	
bbb+	29							13.8%	48.3%	6.9%	3.4%														27.6%
bbb	50							4.0%	10.0%	58.0%															28.0%
bbb-	45									24.4%	46.7%	2.2%	2.2%												22.2%
bb+	6											50.0%												33.3%	16.7%
bb	10										20.0%		40.0%											30.0%	10.0%
bb-	8											12.5%	12.5%	12.5%	12.5%									37.5%	12.5%
b+	1														100.0%										
b	5															20.0%								40.0%	40.0%
b-	0																								
ccc+	1																								100.0%
ccc	1																								100.0%
ccc-	0																								
cc	0																								
c	1																						100.0%		
Total	222																								

*Category Applicable to Insurance-Linked Securities

Table 12
Corporate Issuers – 10-Year Transition and Default Rates
 (December 31, 2003 through December 31, 2013)

Credit Rating Scale	Number of Ratings Outstanding as of 12/31/2003	aaa	aa+	aa	aa-	a+	a	a-	bbb+	bbb	bbb-	bb+	bb	bb-	b+	b	b-	ccc+	ccc	ccc-	cc	c	d	Paid off *	Withdrawn (other)
aaa	2	100.0%																							
aa+	1		100.0%																						
aa	4					25.0%	50.0%																		25.0%
aa-	6				16.7%		33.3%	16.7%																	33.3%
a+	2					50.0%	50.0%																		
a	14						21.4%	64.3%	7.1%	7.1%															
a-	24				4.2%	4.2%	4.2%	41.7%	12.5%	12.5%	4.2%														16.7%
bbb+	10						30.0%	10.0%		20.0%						10.0%									30.0%
bbb	16							6.3%	18.8%	43.8%	18.8%														12.5%
bbb-	12							25.0%		33.3%	8.3%		8.3%												25.0%
bb+	4								25.0%	50.0%															25.0%
bb	3									33.3%															66.7%
bb-	3											33.3%													66.7%
b+	0																								
b	1													100.0%											
b-	1																								100.0%
ccc+	0																								
ccc	0																								
ccc-	0																								
cc	0																								
c	0																								
Total	103																								

*Category Applicable to Insurance-Linked Securities



A.M. BEST COMPANY, INC.