

FREQUENTLY ASKED QUESTIONS

1. Who is the A.M. Best Company?

A.M. Best Company is the world's oldest credit rating agency. Founded more than 100 years ago in 1899 by Alfred M. Best, the company today is a widely recognized, independent provider of insurance company ratings. For more information, see [About A.M. Best](#).

2. Where is the A.M. Best Company located?

A.M. Best is headquartered in Oldwick, New Jersey, with affiliated companies in London (A.M. Best Europe) and Hong Kong (A.M. Best Asia-Pacific). For more information, see [About A.M. Best](#).

3. Who was Alfred M. Best?

Alfred M. Best founded the A.M. Best Company in 1899. Many of the publications introduced during his presidency remain in production today. *Best's Insurance Reports*, which has long been recognized as the definitive source of information on the financial condition of different insurance industry business segments, has been continually published for more than 100 years.

Alfred M. Best died in 1958 at the age of 81. Shortly before his death, Alfred M. Best was appointed the Insurance Man of 1958 by the Federation of Insurance Counsels. He was inducted into the Insurance Hall of Fame posthumously in 1962 for his leadership, innovation, integrity and vision ([Hall of Fame Citation](#)). For more information on Alfred M. Best, read his [Biography](#).

4. What is a Best's Credit Rating?

A Best's Credit Rating is an independent opinion based on a comprehensive quantitative and qualitative evaluation of an insurance company's balance sheet strength, operating performance and business profile. Best's Credit Ratings include Financial Strength, Issuer Credit and Debt Ratings. These ratings are not a warranty of an insurer's current or future ability to meet its contractual obligations, nor are they a recommendation to buy, sell or hold any security.

5. What is a Best's Financial Strength Rating?

Best's Financial Strength Rating is an opinion on the creditworthiness of an insurer and focuses on the insurer's ability to meet its obligations to policyholders. A Best's Financial Strength Rating is assigned only to operating insurance companies and uses a proprietary rating scale. This scale ranges from the highest, "A++" (Superior), to the lowest, "F" (In Liquidation), and is divided into two broad categories—*Secure* and *Vulnerable*. For more information, see [Best's Financial Strength Rating Guide](#).

6. What is a Best's Issuer Credit Rating?

Best's Issuer Credit Rating is an opinion on the general creditworthiness of an insurance-related issuer with regard to its senior financial obligations. The Issuer Credit Rating does not apply to any specific financial obligation; however, when assigned to an insurance holding

company, the Issuer Credit Rating is a proxy for that entity’s senior unsecured Debt Rating. For more information, see [Best's Issuer Credit Rating Guide](#).

In certain markets or product lines, an Issuer Credit Rating also may be assigned to an operating insurer. In such cases, the Issuer Credit Rating serves as a proxy for the insurer’s Financial Strength Rating, thereby providing an essential *bridge* between Best’s Financial Strength Rating scale and the credit market scale. This is important to accommodate users of Best’s Ratings where the credit market scale is more familiar. (See Exhibit 1, Translation of Financial Strength Rating to Credit Market Scale in [A.M. Best's Ratings & the Treatment of Debt](#).)

7. What is a Best’s Debt Rating?

Best’s Debt Rating is an opinion on the creditworthiness of an insurance-related entity with respect to specific financial obligations, such as senior debt and surplus notes. These ratings take into account the nature, provisions and degree of subordination of a particular issue. For more information, visit [Best's Debt Rating Guide](#).

8. How are different Best’s Ratings assigned?

Best’s Issuer Credit Ratings and Debt Ratings use a credit market scale and can be assigned to any insurance-related organization. The credit market scale ranges from the highest, “aaa” (Exceptional) to the lowest, “d” (In Default), and is divided into two broad categories—*Investment Grade* and *Non-Investment Grade*. Both ratings also can be either long-term or short-term, the latter focusing on financial commitments or obligations maturing in less than one year. The short-term credit market scale ranges from AMB-1+ (Strongest) to d (In Default) and is divided into two broad categories—*Investment Grade* and *Non-Investment Grade*.

Best’s Credit Ratings		
Financial Strength Rating	Debt Rating	Issuer Credit Rating
An opinion as to an insurer’s ability to meet its obligations to policyholders.	An opinion as to an issuer’s ability to meet its financial obligations to security holders when due.	An opinion as to the ability of the rated entity to meet its senior obligations.
Assigned to:		
Operating insurance companies.	Securities issued by insurance-related entities, including: long- and short-term debt, hybrid instruments and securitizations.	Non-operating insurance-related entities (e.g., insurance holding company) and insurance operating companies.
Rating scale used:		
Financial Strength Scale.	Long- & Short-Term Credit Market Scales.	Long- & Short-Term Credit Market Scales.

For more information on Best’s Credit Ratings and the rating process, please visit [Best's Rating Center](#). The criteria summarizing the relationship between Best’s Financial Strength

Rating, Issuer Credit Rating and Debt Rating can be found in [A.M. Best's Ratings & the Treatment of Debt](#).

9. What organizations or instruments does A.M. Best rate?

A.M. Best assigns ratings to insurance companies operating in various markets, including:

- Property/casualty insurers (aka Nonlife outside of the United States);
- Life insurers;
- Health insurers (including managed care and Blue Cross/Blue Shield organizations);
- Reinsurers;
- Title insurers;
- Lloyd's and its syndicates; and
- Alternative Risk Transfer vehicles (including captives, pools and risk retention groups).

A.M. Best also assigns ratings to insurance-related organizations (non-operating) and financial instruments issued by those entities, both public and private, including:

- Corporate debt;
- Preferred stock and hybrid securities;
- Commercial paper;
- Insurance-based liability or asset-backed securitizations;
- Closed block monetizations; and
- Other institutional investment products.

Currently, A.M. Best has Financial Strength Ratings on more than 4,500 global insurance and reinsurance companies operating in approximately 65 countries. It also has assigned more than 150 Issuer Credit Ratings since that rating was introduced in 2004. Best's Debt Ratings include over 600 outstanding ratings on securities issued by 129 insurance and reinsurance entities. In addition, A.M. Best has more than 250 indicative shelf ratings on potential securities issues. For more information, visit [Best's Rating Center](#).

10. Who uses Best's Credit Ratings?

Best's Credit Ratings are widely used. For instance:

- Insurance companies use their Best's Credit Ratings to demonstrate their stability to policyholders and consumers. Insurers also use ratings to gauge the financial strength of reinsurers.
- Agents and brokers rely upon Best's Credit Ratings to determine which insurers to conduct business with or to represent in the market. Consumers look at Best's Credit Ratings to determine which company's plans to purchase.
- Insurance regulators use Best's Credit Ratings in evaluating the financial health of individual insurers and the well being of the local and aggregate insurance markets.

- Institutional and individual investors and lenders depend on Best's Credit Ratings to determine the financial strength of specific insurers, evaluate prospective reinsurance accounts, compare company performance and financial condition, and more.
- Government agencies, such as the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), Department of Housing & Urban Development and various state organizations rely upon Best's Credit Ratings as a benchmark for insurer participation in agency programs.

11. How are Best's Credit Ratings communicated?

Best's Credit Ratings are broadly disseminated in print and electronic media. Once updated, a Best's Credit Rating is available to the public immediately via A.M. Best's Web site and through BestWire, its real-time news wire. Concurrently, it is disseminated for broadcast to a number of different data providers/news vendors, including the Associated Press, Bloomberg LLP, Comtex Scientific Corp., Dialog Corp., Factiva, Financial Times, Gale Group (RDS), InfoDesk, Lexis/Nexis, News Edge and NewsStand.

Best's Credit Ratings also are available in print and/or digital format through its daily newspaper, *BestDay*, its weekly newsletter, *BestWeek* and its monthly news magazine, *Best's Review*. Ratings also can be found in a number of other print and on-line services offered by A.M. Best, which include *Best's Insurance Reports*, *Best's Key Rating Guide*, Best's Web Centers, on-line credit reports and BestDirect, a real-time company tracking service. Many of these products also are available through more than 85 library subscription agencies, located in 19 different countries worldwide. (For more information, please visit [A.M. Best's Products](#).)

Data feeds provide another option for obtaining Best's Credit Ratings. These feeds can be delivered via email, CD or through a file transfer, in a standard or customized format, at a frequency determined by the user.

12. What other organizations are designated as NRSROs?

Four other organizations are designated as Nationally Recognized Statistical Rating Organizations:

- Dominion Bond Rating Services (began rating in 1976);
- Fitch (began rating in 1924);
- Moody's Investors Service (began rating in 1909); and
- Standard & Poor's (began rating in 1916).

For information about the NRSRO concept, visit the Securities & Exchange Commission's Web site at [S.E.C.](#)

13. What are the other aspects of the A.M. Best Company?

In addition to being a global rating agency, A.M. Best is the world's leading publisher of insurance industry news, data, software and research. A.M. Best's proprietary database of insurance industry financial data is the largest and most comprehensive in the world. For more information, visit [A.M. Best's Products](#).