
A.M. BEST

FREQUENTLY ASKED QUESTIONS ABOUT THE RATING PROCESS

What types of credit ratings does A.M. Best assign?

A.M. Best assigns four types of Best's Credit Ratings. All are independent opinions based on a comprehensive quantitative and qualitative evaluation of a company's balance sheet strength, operating performance, business profile and, where appropriate, the specific nature and details of a rated debt security. They are **not a warranty** of a company's financial strength and ability to meet its obligations to policyholders or other financial obligations. The four types of Best's Credit Ratings are as follows:

- **Best's Financial Strength Ratings (FSR)** provide an independent opinion of an **insurer's** financial strength and ability to meet its ongoing insurance policy and contract obligations.
- **Best's Issuer Credit Ratings (ICR)** provide an independent opinion of an entity's ability to meet its ongoing **financial obligations** and can be issued on a long- or short-term basis.
- **Best's Issue Ratings (IR)** provide an independent opinion of credit quality assigned to **issues** that gauges the ability to meet the terms of the obligation and can be issued on a long- or short-term basis.
- **Best's National Scale Rating (NSR)** is a relative measure of creditworthiness in a specific, **local jurisdiction** that is issued on a long-term basis and derived exclusively by mapping the NSR from a corresponding global ICR using a transition chart.

A.M. Best's interactive credit rating process incorporates a host of quantitative and qualitative measures, including comparisons to peers and industry standards as well as assessments of an insurer's operating plans, philosophy and management.

What is the value of a Best's Credit Rating for my organization?

A Best's Credit Rating serves as a business transaction tool to help market your company. It can be used to help attract new customers. It communicates your company's financial strength, helping retain existing clients by boosting customer confidence. It also can demonstrate transparency and promote worldwide acceptance: A Best's Credit Rating can be used as a public display of credibility, which may lead to more economical access to capital and reinsurance markets.

What are the initial steps in obtaining a Best's Credit Rating?

To get started in obtaining a Best's Credit Rating, contact the Business Development Manager who handles your company type and location. Please have corporate structure, domicile, and premiums/asset information available. This will enable an initial fee quote to be developed.

Additionally, the following three items are required to proceed with the interactive rating process:

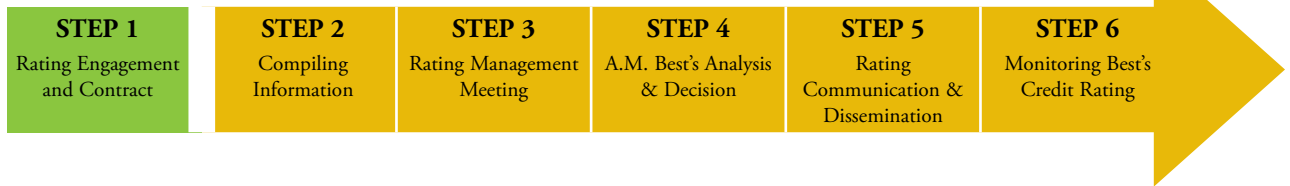
1. A Signed Rating Service Agreement
2. Completed Sanctions Questionnaire
3. Payment of Fee

How much does a Best's Credit Rating cost?

Rating fees (initial and annual) for insurers are typically based on a series of factors, among them size (Gross Written Premiums or Assets), type(s) of business written, and complexity (structure) of the organization to be rated (including holding companies, affiliates, subsidiaries, etc.). For more specific pricing information, or to obtain a fee quote, please contact a Business Development Manager.

How much time does a Best's Credit Rating take to complete?

The rating process typically takes 11-14 weeks depending on the time of year a company enters the queue and how quickly the required data is submitted to the analyst.



Is there a requirement for company size/years in business to obtain a Best's Credit Rating?

There is no minimum company size/number of years in business for a company to be considered for a rating. However, given the additional degree of uncertainty and lack of a track record involved with new companies, additional rigor in certain areas of the rating process, including review and analysis of business plans and the assumptions underlying the company's projections and operational controls, will be required with new company ratings. In addition, considering the heightened level of uncertainty inherent in reviewing a newly formed entity, more stringent quantitative and qualitative metrics will be applied to the rating of a new company formation.

Can a captive insurer be rated higher than its parent?

A.M. Best employs a top-down and bottom-up approach to its analysis. The captive is first reviewed on its own merits on a stand-alone basis. The parent's relationship with and support of the captive may be a benefit to or drag on the captive's rating. Subsequently, in some cases, a captive can be rated higher than its parent.

Can a company be rated higher than its country's sovereign rating?

Yes. A.M. Best's country risk evaluation does not impose a ceiling on individual company ratings in a given domicile.

What information is required during the credit rating process?

A.M. Best is very sensitive to your time and will utilize public information and internet research when applicable. Documents that your company compiles for regulators and auditors will go a long way in helping A.M. Best rate your company, as will the filing of back-year financial statements with A.M. Best in preparation for the rating. For more information on documents typically requested, please visit www.ambest.com/ratings/obtainarating.asp. Additional documentation needed for the rating process will be communicated to you by the A.M. Best analytical team prior to the initial rating meeting.

What options does a company have after the Best's Financial Strength Rating process is completed?

A company may accept, decline or appeal an initial rating. Once the company has accepted the initial rating, review of the rating becomes part of an annual process, and the only option is to withdraw the rating if the company no longer wishes to participate.

How are Best's Credit Ratings communicated?

A Best's Credit Rating is first communicated to the rated entity via a President's Letter. Once a rating is accepted by the rated entity, A.M. Best issues a press release through BusinessWire to major internet portals, search engines, newspaper websites, financial services and database systems, as well as to hundreds of editors and correspondents and through select social media outlets. Best's Credit Ratings can be accessed at www.ambest.com/home/ratings.aspx and are also published in many of A.M. Best's print and electronic products.

The A.M. Best website provides customers and potential clients with a direct link to the rated entity's company Rating Profile, which contains the latest Best's Credit Rating and Financial Size Category, among other key information. The A.M. Best website is frequently referred to by users around the world, such as brokers, agents, regulators and members of the financial community.

Best's Credit Ratings are used by insurers themselves in their marketing plans and collateral.

NOTE: It is important to note, we must keep fees and analytics separate. Analysts are never privy to the fees charged to companies. Business Development is responsible for the initial process, fees, and contracts. Analysts handle strictly analytics. There is a strong "fire wall" between Analytics and Business Development by design. All contract and fee discussions must stay within the Business Development group. If a company should mention contracts or fees to an Analyst at any time, it will likely result in the Analyst being reassigned or removed from working with the company.

A Best's Credit Rating (BCR) is a forward-looking independent and objective opinion regarding an insurer's, issuer's or financial obligation's relative creditworthiness. The opinion represents a comprehensive analysis consisting of a quantitative and qualitative evaluation of balance sheet strength, operating performance and business profile or, where appropriate, the specific nature and details of a security. Because a BCR is a forward-looking opinion as of the date it is released, it cannot be considered as a fact or guarantee of future credit quality and therefore cannot be described as accurate or inaccurate. A BCR is a relative measure of risk that implies credit quality and is assigned using a scale with a defined population of categories and notches. Entities or obligations assigned the same BCR symbol developed using the same scale, should not be viewed as completely identical in terms of credit quality. Alternatively, they are alike in category (or notches within a category), but given there is a prescribed progression of categories (and notches) used in assigning the ratings of a much larger population of entities or obligations, the categories (notches) cannot mirror the precise subtleties of risk that are inherent within similarly rated entities or obligations. While a BCR reflects the opinion of A.M. Best Rating Services, Inc. (AMB) of relative creditworthiness, it is not an indicator or predictor of defined impairment or default probability with respect to any specific insurer, issuer or financial obligation. A BCR is not investment advice, nor should it be construed as a consulting or advisory service, as such; it is not intended to be utilized as a recommendation to purchase, hold or terminate any insurance policy, contract, security or any other financial obligation, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser. Users of a BCR should not rely on it in making any investment decision; however, if used, the BCR must be considered as only one factor. Users must make their own evaluation of each investment decision. A BCR opinion is provided on an "as is" basis without any expressed or implied warranty. In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AMB. For additional details, see A.M. Best's Terms of Use at www.ambest.com/terms.html.

