

# Best's Key Rating Guide® Presentation Report

September 12, 2011

An A.M. Best Publication

*This A.M. Best report is provided compliments of:*

**Sample Broker**

1 Anyroad  
Anytown, NJ 12345

**Contact: John Smith**

Sr. Insurance Agent

John.Smith@insurance.com

## Sample Insurance Company AMB# 000000



### Best's Rating

**A+ g**  
12/15/2010

**Sample Insurance Company**, an insurance company domiciled in **Illinois**, is rated **A+ g (Superior)** by the A.M. Best Company. The outlook is **Stable**.

#### Five Year Rating History

12/15/10 A+  
11/20/09 A+  
10/23/08 A+  
01/09/08 A+  
02/06/07 A+

**Rating Explanation: A+ g (Superior):** Assigned to companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.

**Financial Size Category: XV (\$2 billion or more):** The Financial Size Category is an indicator of the size of an insurer, and is based on reported Policyholders' Surplus plus conditional or technical reserve funds, such as the asset valuation reserve, other investment and operating contingency funds and/or miscellaneous voluntary reserves reported as liabilities.

**History:** Sample Insurance Company began business in **1973**.

**Organization Type:** Stock

**Identification Numbers:** Sample Insurance Company's A.M. Best number is **000000**, its NAIC number is 12345, and its FEIN number is 00-12345678.

**Corporate Structure:** "000000 - Sample Insurance Company" is ultimately owned by "123456 - Sample Corporation", which is the AMB Ultimate Parent and identifies the topmost entity of the corporate structure based on A.M. Best's analysis.

#### Company Leadership and Location:

- Senior Executive: Jane Doe, Chairman & President
- Address: 123 Anyroad, Northbrook, IL 60062
- Phone: 123-456-7890

**States & Territories Licensed:** The company is licensed in the District of Columbia and all states.

**Marketing Type:** Exclusive/Captive Agent

**Specialty Lines of Business:** Fin Guaranty**Principal states or territories**

TX	21.4%
FL	13.3%
PA	10.3%
GA	9.5%
IL	6.8%

**Key Financial Data (Annual Reporting)****Balance Sheet**

	2010	2009	2008	2007	2006
<b>Cash &amp; Short Term Invest: (%)</b>	19.9	5.2	1.0	13.1	7.7
This field represents cash and all unaffiliated investments whose maturities (or repurchase dates under repurchase agreements) at the time of acquisition were one year or less, as a percentage of total admitted assets.					
<b>Stocks and Bonds: (%)</b>	79.0	93.5	95.7	85.1	90.5
This field represents investments in common stocks, preferred stocks and bonds as a percentage of Total Admitted Assets.					
<b>All other Assets: (%)</b>	1.1	1.3	3.3	1.8	1.8
This field represents total assets excluding cash, short-term investments, and stocks and bonds as a percentage of total admitted assets.					
<b>Total Admitted Assets: (\$000)</b>	91,625	74,592	59,111	16,819	16,143
This field represents the sum of all admitted assets. These assets are valued in accordance with state laws and regulations, as reported by the company in its financial statements filed with state insurance regulatory authorities. This item is reported net as to encumbrances on real estate (the amount of any encumbrances on real estate is deducted from the value of the real estate), and net as to amounts recoverable from reinsurers (which are deducted from the corresponding liabilities for unpaid losses and unearned premiums).					
<b>All Other Liabilities: (%)</b>	100.0	100.0	100.0	100.0	100.0
This field represents total liabilities excluding loss reserves and unearned premiums as a percentage of total liabilities.					
<b>Total Liabilities: (\$000)</b>	992	967	1,802	243	238

This field represents the sum of all liabilities of the company valued in accordance with state laws and regulations, as reported by the company in its financial statements filed with state insurance regulatory authorities.

<b>Policyholders' Surplus: (\$000)</b>	90,633	73,625	57,308	16,575	15,906
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This field represents the sum of paid in capital, paid in and contributed surplus, and net earned surplus, including voluntary contingency reserves. It can also be described as the difference between Total Admitted Assets and Total Liabilities.

## Operations

	2010	2009	2008	2007	2006
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<b>Direct Premiums Written: (\$000)</b>	3,532,521	2,897,652	2,206,971	1,586,628	729,309
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This field represents the aggregate amount of recorded originated premiums, other than reinsurance, written during the year whether collected or not at the close of the year (plus retrospective audit premium collections), after deducting all return premiums.

<b>Net Investment Income: (\$000)</b>	1,966	1,702	944	885	870
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This field represents investment income earned during the year less investment expenses and depreciation on real estate. Investment expenses are the expenses related to generating investment income and capital gains excluding income taxes.

<b>Pretax Operating Income: (\$000)</b>	1,966	1,702	944	885	870
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This field represents pretax operating earnings, before any capital gains, generated from underwriting, investment, and other miscellaneous operating sources.

<b>Net Income: (\$000)</b>	2,007	1,317	737	670	686
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This field represents the total after-tax earnings generated from operations and realized capital gains.

## Profitability Tests

	2010	2009	2008	2007	2006
<b>Yield on Invested Assets: (%)</b>	2.4	2.6	2.6	5.5	5.7

measures the average return on a company's invested assets by dividing annual net investment income, after expenses by the mean of net invested assets. This return measure is before capital gains/losses and income taxes. The normal range for this test for all types of insurers is from 4% to 6%.

<b>Return on PHS: (%)</b>	2.4	2.0	2.0	4.1	4.4
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measures a company's overall after-tax profitability from underwriting and investment activity, divided by the mean of prior and current year-end surplus. This measure is calculated after income taxes and includes capital gains/losses. The normal range for this test is from 5% to 15%.

## Leverage Tests

	2010	2009	2008	2007	2006
<b>Net Leverage: (X)</b>	0.0	0.0	0.0	0.0	0.0

represents the sum of a company's Net Premiums Written and Net Liability Ratios. This ratio measures the combination of a company's exposure to pricing errors and errors of estimation in its liabilities, after reinsurance, in relation to policyholders' surplus. Generally, the acceptable range for this test is below 4.0 for property carriers and below 6.0 for long-tailed casualty carriers.

<b>Gross Leverage: (X)</b>	0.3	0.3	0.3	0.2	0.0
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represents the sum of Net Leverage and Ceded Reinsurance Leverage (reinsurance recoverables, ceded balances payable and ceded premiums written, less funds held divided by policyholders' surplus) Ratios. This ratio measures a company's gross exposure to pricing errors in the current book of business, errors of estimating its liabilities, and exposure to its reinsurers. Generally, the acceptable range for this test is below 5.0 for property insurers and below 7.0 for long-tailed liability insurers.

<b>Reinsurance Recoverables to PHS: (%)</b>	0.9	3.1	7.9	...	...
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Measures a company's dependence upon its reinsurers and the potential exposure to reinsurance collectibility problems. This ratio represents total ceded reinsurance recoverables due from non-affiliated reinsurers expressed as a percentage of surplus. Total ceded reinsurance recoverables is calculated as the sum of non-affiliated ceded paid losses, ceded unpaid losses, ceded IBNR losses, ceded unearned premiums and ceded commissions, less funds held from reinsurers. The normal range for this test is 50% to 150% for all types of insurers.

**Current BCAR: 181.6**

This absolute measure compares an insurer's economic surplus position relative to the required capital necessary to support its business risks. Companies deemed to have "adequate" capital strength normally generate a BCAR score of over 100 and will usually carry a Secure Best's Rating.

**Liquidity Tests**

	2010	2009	2008	2007	2006
<b>Quick Liquidity: (%)</b>	999.9	999.9	36.9	999.9	530.5
is an indicator of a company's short term liquidity and measures the proportion of net liabilities covered by cash and investments which can be quickly converted to cash. This ratio may indicate a company's ability to settle its liabilities without prematurely selling long-term investments or to borrow money. It represents quick assets divided by net liabilities, plus ceded reinsurance balances payable, expressed as a percent. The normal range for this test is from 30% to 50% for property insurers and from 20% to 30% for long-tailed liability insurers.					
<b>Current Liquidity: (%)</b>	999.9	999.9	999.9	999.9	999.9
represents current assets divided by net liabilities plus ceded reinsurance balances payable, expressed as a percent. This ratio measures the proportion of liabilities covered by unencumbered cash and unaffiliated investments. If this ratio is less than 100, the company's overall liquidity is dependent on the collectibility or marketability of premium balances and investments in affiliates. The normal range for this test is 120% to 140% for property insurers and 100% to 120% for long-tailed liability insurers.					
<b>Overall Liquidity: (%)</b>	999.9	999.9	999.9	999.9	999.9
represents total admitted assets divided by total liabilities less conditional reserves, expressed as a percent. This ratio indicates a company's ability to cover net liabilities with total assets. The ratio does not address the quality and marketability of premium balances, affiliated investments and other uninvested assets. The normal range is from 140% to 180% for property insurers and 110% to 150% for long-tailed liability insurers.					
<b>Operating Cash Flow: (\$000)</b>	1,663	1,672	679	726	723
represents funds generated from insurance operations, which includes the change in cash and invested assets attributable to underwriting activities, net investment income and federal income taxes. Negative amounts may indicate unprofitable underwriting results or lowyielding assets.					

A Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings 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. A Best's Financial Strength Rating is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor do they address the suitability of any particular policy or contract for a specific purpose or purchaser.

A Best's Debt/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 do they 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. Any and all ratings, opinions and information contained herein are provided "as is," without any express or implied warranty.

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