

BEST'S PUBLIC DATA 'PD' RATINGS



Frequently Asked Questions

What are A.M. Best's Public Data ('pd') ratings?

A 'pd' rating is an A.M. Best opinion of the long term financial strength of an insurer or reinsurer. They are expressed using the same rating scale and definitions as A.M. Best's interactive ratings of long-term financial strength but have a 'pd' rating modifier applied to ensure the user is aware of the more limited information basis for the rating (see below and other references).

How does the 'pd' ratings process differ from the process used for A.M. Best's interactive ratings of insurer financial strength?

An interactive A.M. Best rating is produced at the request of the insurer. The rating process includes detailed interviews of senior management and, typically, access to non-public data and other information. Information on issues on which there would typically be only limited information in the public domain play a significant part in the interactive rating analysis. (E.g. detailed information on management strategy, earnings forecasts, reinsurance protections, reserving methodology, etc.)*

A 'pd' rating, however, is produced at A.M. Best's initiative in those markets where our customers are keen to see our rating coverage extend beyond those companies that are interactively rated. The ratings are based on the publicly available data and other public information on the company, i.e. The information that is typically available to policyholders, brokers and other parties with a vital interest in an insurer's financial strength. The assignment of a 'pd' rating is dependent on A.M. Best's view as to the adequacy of the information available.

What parts of the 'pd' rating process are the same as the interactive rating process?

The 'pd' rating analysis reflects those parts of the interactive rating process supported by the publicly available information. Capital adequacy, earnings quality, reinsurance utilisation, asset quality and reserving will all be reviewed based on the available information. In addition, A.M. Best's 'pd' rating analysis will reflect our knowledge of the company's peers, the market sector(s) in which it operates and the strategic and financial outlook for those sectors, just as with an interactive rating analysis.

Also, as with an interactive rating, 'pd' ratings are decided

by a rating committee made up of senior A.M. Best analysts with experience relevant to the company concerned.

How is the fact that less information is available to A.M. Best when producing 'pd' ratings factored into the rating opinion?

The lower levels of information available to A.M. Best lead, overall, to a degree of conservatism in 'pd' ratings. It should be noted however, that in any given case, the application of this conservatism is a question of analytical judgment. For example, the significance of a lack of substantial detail in the public domain on reinsurance protections could be judged more or less important dependent upon how reliant on this protection the company appears to be.

It should also be noted that A.M. Best seeks to take a reasonable view of how much conservatism should be applied to reflect the more limited information. There may be instances, therefore, where the information in the public domain leads to more positive view of the company than the one we would have reached had we had access to the non-public data.

Consequently, while most insurers assigned a 'pd' rating would be expected to be able to achieve an interactive rating of the same level or, in some cases, higher, a small minority would be likely to receive a lower interactive rating if they were to go through the process.

Would an insurer be assigned both an interactive and a 'pd' rating?

No. An interactive rating represents A. M. Best's most informed view of an insurer's financial strength.

If a 'pd' rated insurer goes through the interactive rating process then the interactive rating would replace the 'pd' rating.

An interactively rated insurer may choose to withdraw from the process (the interactive rating process is voluntary and requires an ongoing commitment from the company to share information with A.M. Best). Under these circumstances a decision will be made whether to introduce 'pd' rating coverage on the company. This would reflect both the demand of our customers for rating coverage of the company, and the availability of the necessary information in the public domain. To ensure the subsequent 'pd' rating is clearly based on public data it is likely that coverage would only be introduced after publication of a

new set of audited annual accounts and/or regulatory returns.

How is an insurer's membership of a larger group factored into a 'pd' rating?

A 'pd' rating is a specific view of the financial strength of the rated company based on information in the public domain. I.e. The rated company is being evaluated on the basis of its own apparent strengths and weaknesses.

Since membership of a group is a public piece of information, tangible benefits relevant to its financial strength that the subsidiary gains from group membership (e.g. clearly enhanced market position) would be considered. Equally, any concerns we have about a group which we believe could impact the subsidiary would also be considered.

However, it is very important to note that this is not the same process as assigning a rating to an insurer based on the overall strength of the group. A judgement on whether, and to what extent, a group's strength can be viewed as supporting an individual subsidiary can only be made via the interactive rating process (see A.M. Best group rating methodology **)

How frequently are 'pd' ratings reviewed?

Annually, after receipt of the audited accounts and/or regulatory statements. Substantive changes that are in the public domain can also lead to a review. For this to lead to a positive rating change, however, we would typically need to review a new set of audited accounts. Public information that supports a negative rating change would not need to wait for new accounts.

* See 'About our Ratings'

** See 'Group Rating Methodology'

Rating Definitions

Financial Strength Ratings	
Secure Ratings	
A++ and A+	Superior
A and A-	Excellent
B++ and B+	Very Good
Vulnerable Ratings	
B and B-	Fair
C++ and C+	Marginal
C and C-	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation
S	Rating Suspended

Rating Modifiers and Affiliation Codes	
Rating Modifiers	Affiliation Codes
u - Under Review	g - Group
q - Qualified	p - Pooled
s - Syndicate	r - Reinsured
pd - Public Data	



The Insurance Information Source

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