

A. M. BEST

The A. M. Best (Best) Company is a widely recognized, and highly regarded firm that analyzes and rates insurance companies. Best has been publishing ratings of insurance companies since 1906.

Independent ratings are an important indicator of company solvency and financial condition. Best’s ratings provide an independent opinion of an insurance company’s ability to meet policyholder obligations (claim payments). Those evaluating a company or marketing relationship can use these ratings to identify concerns of a financial nature.

Best’s information, consistent with state insurance regulation, is on an individual insurance company basis. The ratings do consider the impact of other companies in the structure, and the impact the holding company may have on the rated company.

Best ratings are available to the general public free of charge. The easiest way to obtain these ratings is through the Company’s website www.ambest.com. Ratings can be obtained by entering the company name. Ratings for other companies in the group are also available.

There are 16 major letter ratings divided between the following two broad categories:

Secure – (strong ability to meet ongoing obligation to policyholders)

A++ and A+	Superior
A and A-	Excellent
B++ and B+	Very Good

Vulnerable – (good ability to meet ongoing obligations to policyholders)

B and B-	Fair
C++ and C+	Marginal
C and C-	Weak
D	Poor
E	Under Regulatory Supervision
F	In Liquidation

To obtain an alphabetical Best’s rating, an insurance company must have a minimum of five consecutive years of operating results, be of a certain size, provide the required financial and operating information and pay a fee.

In addition to the letter rating, Best assigns a rating outlook to most companies. The outlook provides a sense of potential future direction for the company over the next 2 to 24 months. The indicators can be described as positive, negative or stable based upon expected business trends.

The process employed by Best is based on analysis of Statutory Accounting Principles (SAP) financial statements. This is supplemented with Generally Accepted Accounting Principles (GAAP) audited financial statements and SEC filings (where available), and other information. In order to receive a letter rating, Best must have the ability to conduct ongoing discussions with managements.

Best reviews and updates the ratings of each company at least annually. Reviews outside of the annual cycle are triggered by events that may materially impact the company. Examples of these events include: acquisitions, mergers and sales, major changes in reinsurance programs, demutualization, catastrophes, significant financial concerns regarding an affiliate, parent or subsidiary, significant changes in regulations or legislation, or unexpected changes in earnings.

OBTAINING INFORMATION

To facilitate your understanding of insurance enterprises with thrifts within the structure, you should review the Best rating. A review of the Best rating and the supporting analysis will aid you in identifying potential areas of concern in the examination process. It will also provide perspective on the current state of the insurance operation and its outlook in the near term.

Best ratings can be supplemented by obtaining a detailed company profile. These profiles contain a history and analysis of each company. Profiles can be ordered through the Best website. The profile is delivered to you through e-mail in a matter of minutes.

Individual company profiles cost \$35 per company. Most insurance structures are comprised of several, sometimes, many, individual insurance companies. Requesting profiles for all the companies is typically not necessary and may be cost prohibitive.

In order to make the best use of funds, you may want to obtain profiles initially only for the largest companies in the structure. Going forward you should then consider obtaining profiles for any company in the enterprise with a rating in the vulnerable category or for any company with a significant rating decline.

OTS has established a prefunded account for staff to obtain these reports. The Manager of Information Services Branch in Washington administers the OTS account. Your region can forward the names of authorized users to Washington so that access can be established.

SUMMARY

Best's has a long history and is highly regarded in its ability to evaluate insurance companies. Your use of Best information can help you in identifying areas of concern and in developing the scope of holding company examinations.