

# Understanding Best's Credit Ratings

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## I. General Comments

### a. **Use and Limitations of Ratings**

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 Company 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 In addition, a BCR may be changed, suspended or withdrawn at any time for any reason at the sole discretion of AMB.

### b. **Assignment of Interactive Ratings**

A BCR incorporates interactive communications with the management team requesting the rating opinion to complete a comprehensive analysis. In general, the information provided during interactive management meetings provides additional clarity to rating analysts regarding key factors that may affect the BCR. In addition, the information provided may not be known by the general public or may otherwise be considered sensitive or proprietary in nature. If a BCR does not include interactive communications with the entity, the rating is displayed with a rating identifier to indicate that there is limited or no interactive company participation in the development of the rating opinion. *See Section IV: Opinion Characteristics and Identifiers for additional information on Non-Participating Credit Ratings and Public Data Credit Ratings.*

A BCR is assigned globally using a number of simple, straight-forward scales, differentiated by rating category (and notches within the category) with each scale representing a rank ordering (rating level) of AMB's opinion of an insurer's, issuer's or financial obligation's relative creditworthiness. For example, insurers that are assigned higher BCRs are deemed to be less likely, in the opinion of AMB, to become financially impaired than insurers that are assigned lower BCRs. Additionally, in many cases a BCR incorporates the assignment of an outlook, and as appropriate, other rating identifiers, modifiers or affiliation codes. Users should refer to the rating level definition (i.e., the rating category or notch within the category on the applicable scale) for additional guidance regarding each individually assigned BCR. *See Section VIII: Best's Credit Rating Scales: Categories & Symbols.*

**c. Collective Opinion**

The initial determination of or future update to a BCR, including associated outlooks, modifiers, affiliation codes, identifiers and comments, is determined by a rating committee and undergoes ongoing surveillance once published. In determining the opinion, rating committees must consider relevant operational policy and procedure, Best's Credit Rating Methodology (BCRM) criteria procedures and models as part of their deliberations.

The development of operational policy and procedure, BCRM criteria procedures and models, which govern the rating process used by rating committees during their deliberations, is overseen and approved by individuals who are independent from those who are responsible for the production of BCRs. These individuals do not participate in rating committee deliberations. For a comprehensive list of rating criteria procedures employed in determining a BCR, please refer to [BCRM](#).

A BCR is an opinion of AMB and not of any particular individual.

**d. Not an Investment Advisor or Consultant**

AMB is not an investment advisor and does not offer consulting or advisory services, nor does the company or its rating analysts offer any form of structuring or financial advice. However, AMB is compensated for its Solicited Credit Ratings from the entities/issuers that it rates and may receive compensation from rated entities for non-rating-related services or product offers. For additional information regarding compensation, please refer to [A.M. Best's Compensation Disclosure](#). AMB operates under a Code of Conduct that explicitly prohibits the company, employees and directors from engaging in or otherwise providing consultancy or advisory services.

**e. Credit Rating Default/Recovery/Impairment**

**Default or Recovery**

AMB maintains a general impairment database and historical rating records from which long-term impairment rate and one-, three-, and ten-year rating transition studies are performed annually aimed at estimating the relative default risk (i.e., impaired) of insurers that have had interactive Best's Financial Strength Ratings (FSR) and Issuer Credit Ratings (ICR) — ["Form NRSRO: Exhibit 1 Rating Performance Measurement Statistics."](#)

AMB, along with credit markets in general, deems a non-insurer issuer default as having occurred when an issuer misses interest or principal payments on its obligations, restructures its debt in a way that is deleterious to investors, or files for bankruptcy. Within the European Union, historical default rates are published by European Securities Market Authority (ESMA) in its central repository on the Internet.

For the purposes of estimating the relative default risk of insurers "Form NRSRO: Exhibit 1 Rating Performance Measurement Statistics" considers an entity as defaulted in this study if the entity was assigned a "d" ICR default status, "rs" ICR regulatory supervision / liquidation status, an "E" FSR regulatory supervision status or "F" FSR liquidation status. Beginning with the 2016 version of this study, the new ICR status symbols for regulatory supervision and liquidation, "e" and "f" respectively, are captured. No new "rs" symbols are available.

Note: As part of the June 15, 2015, revisions to Best's Issuer Credit Rating Guide, the "rs" classification status symbol was eliminated and replaced with the following two distinct classification symbols: "e" and "f". This was completed to both provide flexibility in terms of the status assignment and to provide clarity for the viewer/user of the status assignment. Prior to the change, an "rs" was

assigned in the case of either regulatory supervision or liquidation. The separation of these statuses as either “e” for regulatory supervision or “f” for liquidation now provides added flexibility in terms of the specific status to be assigned based on the condition of the insurer. Regarding clarity for the viewer/user, the assignment of the “rs” was only applicable to insurers and was the corresponding equivalent to either the “E” (regulatory supervision) or “F” (liquidation) symbols assigned to insurers using the Best’s Financial Strength Rating Guide; each insurer is assigned both an ICR and FSR. Therefore, when viewing the “rs” independently of the “E” or “F” the viewer/user of the “rs” status would not know if the insurer was in regulatory supervision or liquidation, which was evident when viewing the corresponding “E” or “F” FSR independently of the ICR. The change in the ICR symbol now permits the viewer/user to recognize whether an insurer is in regulatory supervision “e”/“E” (ICR/FSR) or in liquidation “f”/“F” (ICR/FSR), regardless if the viewer/user is referencing the ICR or FSR status designation

### **Definition of Impairment**

For purposes of its long-term impairment rate and one-year rating transition studies, AMB designates an insurer as a Financially Impaired Company (FIC) upon the first official public regulatory action taken by an insurance department, whereby the insurer’s:

- Ability to conduct normal insurance operations is adversely affected;
- Capital and surplus has been deemed inadequate to meet legal requirements; and/or
- General financial condition has triggered regulatory concern.

Such publicly disseminated regulatory actions include involuntary liquidation because of insolvency, as well as other regulatory processes and procedures such as supervision, rehabilitation, receivership, conservatorship, a cease-and-desist order, suspension, license revocation, administrative order and any other action that restricts a company’s freedom to conduct its insurance business as normal. Companies that enter voluntary dissolution and are not under financial duress at that time are not counted as financially impaired.

### **Impairments vs. Defaults**

The definition of financial impairment is different from that of issuer defaults generally used in the credit markets. As mentioned above, the credit markets broadly deem an issuer default as having occurred when an issuer misses interest or principal payments on its obligations, restructures its debt in a way that is deleterious to investors, or files for bankruptcy.

Financial impairment of insurance companies, by contrast, often occurs even if an insurance company has not formally been declared insolvent. For instance, an FIC’s capital and surplus could have been deemed inadequate to meet risk-based capital requirements, or there might have been regulatory concern regarding its general financial condition. Thus, at any given rating level, more insurers would be impaired, according to the A.M. Best definition, than actually would default on policyholder obligations.

Another important reason for focusing on impairment rates, rather than defaults on policyholder obligations, is the difficulty in defining what constitutes the latter. In particular, the common practice of commutation means that it often is unclear whether default, as normally defined in the credit markets, has taken place or not. This is because, while the policyholder might be agreeing to a commutation to avoid the risk of the insurer becoming insolvent in the future, other factors, such as the liquidity value of receiving payment now or the future uncertainty of the ultimate size of the claim, often influence commutation agreements.

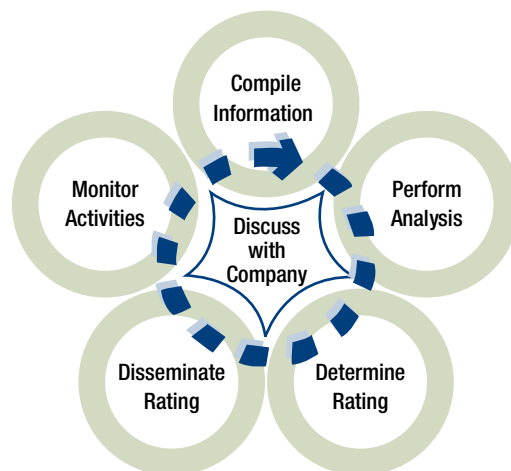
## II. Rating Process

### a. General Information

The foundation of AMB’s interactive Credit Rating process is an ongoing dialogue with the rated company’s management, which is facilitated by AMB’s primary credit analysts. Each interactively rated entity is assigned to a primary analyst, who works with a team leader on the rating(s). The primary analyst is charged with managing the ongoing relationship with company management and performing the fundamental credit analysis prescribed in AMB’s rating criteria that is further deliberated upon at a rating committee, when required. Once the rating is issued, it is the primary analyst’s responsibility to monitor the financial and non-financial results and significant developments for each rated entity/issue in their portfolio. Monitoring activities may uncover the need to complete a rating action at any time if AMB becomes aware of a significant development that could impact the outstanding rating, regardless of when the rating was last updated.

This ongoing monitoring and dialogue with management occurs through scheduled rating meetings, as well as interim discussions on key trends and emerging issues as needed. Management meetings afford AMB analysts the opportunity to review with the company factors that may affect its rating(s), including strategic goals, financial objectives and management practices. It is during these interactive meetings that a company typically will share information that may be sensitive or proprietary in nature. For more information on rating meetings, please see [Preparing for a Rating Meeting](#).

BCRs are initially developed and periodically updated through a defined rating committee process that consists of analytical staff and is generally chaired by senior officers. This committee approach ensures rating consistency across different business segments and maintains the integrity of the rating process and methodology. The rating process is composed of the following broad components pictured in the space below.



### b. Compile Information

In preparation for the development of an initial Credit Rating, or to update an existing Credit Rating, the primary credit analyst will gather detailed public and proprietary financial information and will use this information to develop a tailored meeting agenda for a scheduled rating meeting. The scheduled rating meeting is a key source of additional quantitative and qualitative information including the clarification of information previously received/obtained. For a more detailed list of typical information requirements that are requested during, or in preparation of, a scheduled rating meeting, please see [Preparing for a Rating Meeting](#) section on the AMB website. This page includes several general information lists itemized by sector.

**i. Material Sources of Information**

In arriving at a rating decision, AMB relies primarily on information provided by the rated entity. As such, for the types of Credit Ratings produced by AMB, the rated entity is typically deemed to be the only substantially material source of information. In cases where another source of information is deemed to be a significant material source, this fact will be disclosed in the public rating dissemination.

Typical information provided may include a company's annual and quarterly (if available) financial statements presented in accordance with customs or regulatory requirements of the country of domicile. Other information and documents obtained include, but are not limited to, the following sources: interim management reports on emerging issues; regulatory filings, certified actuarial and loss reserve reports, investment guidelines, reinsurance security, annual business plans and Best's Supplemental Rating Questionnaire (SRQ) or other supplemental information requested by AMB; information provided through scheduled rating meetings and other discussions with management; and information available in the public domain.

AMB adheres to policies and procedures that define the minimum documentation and recordkeeping requirements for all rating actions. Beyond those minimum requirements, it is the responsibility of the members of each rating committee to determine the information required to address the factors material to the specific rated entity on a case-by-case basis. In recognition of this task, the responsibilities of the chair of each rating committee include ensuring that there is sufficient information for the rating committee to come to a decision. Sufficient detail to permit an after-the-fact review is retained. If there is insufficient information, the chair will defer the vote until all requirements are met.

Ultimately, if AMB is not able to obtain information deemed necessary to appropriately review and analyze the rated entity (before or after the initial rating release / subsequent rating update), or if the quality of the information is not deemed to be satisfactory, AMB reserves the right to take a rating action or withdraw any existing interactive ratings, or cease the initiation of any new Credit Rating engagement. It is a requirement of the AMB Code of Conduct to not issue or maintain a BCR that is based on insufficient information or information of questionable quality.

**ii. Quality of Information**

While the information obtained from material source(s) is believed to be reliable, its accuracy is not guaranteed. AMB does not audit the company's financial records or statements, or otherwise independently verify the accuracy and reliability of the information and therefore cannot attest as to the accuracy of the information provided. Consequently, no representations or warranties are made or given as to the accuracy or completeness of the information and no responsibility can be accepted for any error, omission or inaccuracy in AMB's BCRs or rating reports.

**c. Perform Analysis**

AMB's analytical process incorporates a host of quantitative and qualitative measures that evaluate sources of risk to an organization's financial health, which can include underwriting, credit, interest rate, country and market risks, as well as economic and regulatory factors.

The analysis may include comparisons to peers, industry standards and proprietary benchmarks, as well as assessment of operating plans, philosophy, management, risk appetite and the implicit or explicit support of a parent or affiliate. The analysis is completed considering applicable [BCRM](#) criteria procedures or models.



#### **d. Determine Rating**

All Credit Ratings are initially determined and subsequently updated by a rating committee. The primary analyst will prepare a rating recommendation for rating committee review and deliberation based on the analytical process outlined above for each rating action. Each rating recommendation is reviewed and modified, as appropriate, through a rigorous committee process that involves the primary analyst or team leader presenting information and findings to committee members who are all rating analysts that possess the relevant experience and skill to develop the type of rating opinion being discussed. Rating opinions shall reflect a thorough analysis of all information known by AMB and believed to be relevant to the rating process, consistent with AMB's published rating methodologies and its practices and procedures.

In general, the rating committees consist of senior members of the Rating Division. This committee approach ensures rating consistency across different business segments and maintains the integrity of the rating process and methodologies. The rating determination (outcome) is made by one or more rating committees after a robust discussion of the pertinent rating issues and financial data.

For Credit Ratings intended to be made public, before the public dissemination, the rating committee determination is communicated to the entity (or its representatives) to which it is being assigned. Private Credit Ratings are disseminated directly to the company following the conclusion of the rating committee. If the company disagrees with the committee determination and believes that the information on which the determination was based is incomplete or misunderstood, the committee determination (i.e., the rating/assessment opinion) can be appealed or a withdrawal request can be made.

#### **i. Committee Process**

AMB holds two types of rating committees (Rating Committee and Corporate Rating Committee). All analysts with at least six months of credit rating agency experience along with the appropriate knowledge and experience to formulate an opinion for the rating action being discussed are considered standing members of a Rating Committee (RC). Generally, in order to hold an RC there must be a minimum of at least six standing members of which two must be at the assistant vice president (AVP) / director level or higher. The senior rating person with voting privileges that is present in the office where the RC is taking place will serve as chair and must possess the title of AVP or higher. For a Corporate Rating Committee, all members of the ratings analytics group who possess a title of vice president / senior director or higher are considered standing members. There must be five members in attendance to constitute a quorum and only the defined chair or co-chair may serve at the chair. For both committees, members consider the information contained in the rating committee packet. Decisions are based on a simple majority vote of all members in attendance at the committee with the chair breaking all ties by casting an additional vote.

#### **ii. Rating Notification Standards**

Unless otherwise indicated, all BCRs are interactive in that they include communications with the entity being rated. This interactive communication is used to gather information to be considered at a rating committee that will determine the rating opinion on the entity. As such, AMB informs the rated entity of the rating committee determinations associated with the entity following the conclusion of the rating committee meeting as soon as practicable. However, at A.M. Best Europe - Rating Services Limited (AMBERS), the notification to the rated entity will occur during its working hours and at least a full working day before publication of the rating/outlook by AMBERS. In all cases, the rating notification communication informs the rated entity of the Credit Rating, rating outlook as well as the principal grounds on which the rating/outlook is based in order to give the entity an opportunity to draw attention to any factual errors and/or to appeal the rating committee decision.

### iii. **Rating Appeal Process**

The rated entity, or entity seeking a rating, may appeal a rating committee determination. In these cases, the entity must present additional information shortly after the rating notification that offers substantial clarification on the principal considerations on which the rating/outlook is based, or, material new information that could reasonably be expected to influence the rating committee's decision. Such information is forwarded to the chair of the appropriate rating committee, and if deemed sufficient, the chair shall withhold the release of such ratings until the rating committee can be reconvened. As stipulated by certain regulatory requirements, if the rating committee decision is amended based on the rated entity's appeal, this fact will be disclosed in the public dissemination of the Credit Rating/outlook.

### e. **Disseminate Rating**

BCRs are disseminated as soon as practicable following the finalization of the notification process. The primary distribution method for the public dissemination of BCRs is the AMB website, which in some cases may be republished by a press release. Further republication can be made through a number of different data providers and news vendors. In addition, BCRs are also released in a number of publications available in print and/or digital format. BCRs solicited on a private basis (i.e., the solicitation of an opinion not intended to be made public) are not made public by AMB in any medium. The notification of the rating committee determination to the requesting party serves as the private Credit Rating opinion dissemination.

### f. **Monitor Activities**

Once an interactive BCR is published (disseminated on a public or private basis), AMB monitors and updates the rating by regularly analyzing the company's creditworthiness. AMB analysts continually monitor current entity-specific developments (e.g., financial statements, public documents, and/or news events) and trending industry conditions to evaluate the potential impact on the outstanding rating. Significant developments can result in an interim rating evaluation, as well as modification of the rating or outlook. The primary analyst typically will initiate an evaluation of the rating upon becoming aware of any information that might reasonably be expected to result in a rating action.

### g. **Rating Withdrawal Process**

AMB reserves the right to withdraw any rating at any time for any reason. A rating on an entity, issuer or security may be withdrawn at the request of the company or as a result of a rating committee decision to no longer produce rating coverage. The AMB decision to withdraw a rating may, for example, be due to lack of reliable information available to AMB or non-participation by company management with AMB that hinders the interactive rating process. Alternatively, the rated entity may also request AMB to withdraw the publicly disseminated rating opinion for any reason. In either instance and in accordance with regulatory requirements, the analytical team will prepare and submit a final rating update to a rating committee using standard processes to determine the final Credit Rating opinion. This final rating opinion along with an indication of which party has initiated the rating withdrawal will be publicly disseminated as part of the final rating disclosure.

## III. **Opinion Type Definitions**

### a. **Credit Rating:**

An independent forward-looking opinion, not a statement of fact, regarding an issuer, obligor or security's relative creditworthiness that may be issued on either a public or private basis. When issued on a public basis, a Credit Rating is disseminated to the general public. When issued on a private basis, a Credit Rating is disseminated directly to the rated entity, or entity seeking the Credit Rating, which

may be further disseminated at their discretion or on a limited basis as outlined in accordance with its contractual agreement with AMB (if applicable); however, the private opinion is not disseminated to the general public by AMB.

A Credit Rating incorporates 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. Excluding “Non-Participating Credit Ratings and Public Data Credit Ratings,” all Credit Ratings incorporate interactive communications with management to complete the comprehensive analysis.

A Credit Rating is expressed using a symbol representing a category (or notch within a category) of the accompanying rating scale and incorporates the assignment of an outlook or, as appropriate, other rating identifiers, modifiers or affiliation codes. A Credit Rating is assigned considering relevant methodologies, policies and procedures and must include the rating committee process and undergo ongoing surveillance.

A Credit Rating may be produced at the discretion of AMB (i.e., unsolicited) or as a request made by an outside party (i.e., solicited). When solicited by an outside party, the solicitation must be made by the management (or management’s appointed representatives) of the entity, scenario or structure to be rated. Credit Ratings are not produced on third-party requests.

**b. Rating Evaluation Service - RES:**

A service solicited by currently rated entities (no third parties) that provides a confidential, unpublished, unmonitored point-in-time opinion of the impact of one or more hypothetical scenarios based on an interactive quantitative and qualitative analysis of the information, including financial projections and other related financial information on the company’s creditworthiness, communicated by the client to AMB. All hypothetical scenarios must be presented to AMB at the same time.

The RES opinion is expressed using a symbol representing a category (or a notch within a category) of existing Credit Rating scales and is disseminated via letter directly to the soliciting entity. The RES is not a Credit Rating and should not be considered as such. AMB considers an RES opinion to be material non-public information and does not authorize the dissemination of an RES opinion by the soliciting entity outside of its operating structure.

**c. Preliminary Credit Assessment – PCA:**

An independent opinion, not a statement of fact, on the relative general credit strengths and weaknesses of an issuer, obligor, security, or a proposed transaction or financing structure primarily based on business plans, term sheets, and AMB’s expectations relative to the execution of such business plans. Items to be executed at the time of the assignment of a Preliminary Credit Assessment (PCA) may include the following aspects: finalization of the corporate structure and management team; development of products, internal systems and processes; and the raising of capital. A PCA may also pertain to a credit analysis that is limited in scope relative to the overall creditworthiness of an issuer, obligor, or security. A PCA is not a Credit Rating; however, it is expressed using a symbol representing a category (or a notch within a category) of existing Credit Rating scales. A PCA is generally a one-time evaluation that does not undergo surveillance following dissemination.

A PCA is generally not made public by AMB following the opinion dissemination made directly to the requesting entity; however, the PCA may be further disseminated by the requesting entity on a limited basis as outlined in accordance with its contractual agreement with AMB. A PCA is based on elements of relevant Credit Rating methodologies, policies and procedures deemed appropriate given the nature of the information provided and scope of the evaluation and must include the rating committee process. Should the entity request a formal Credit Rating following the development of a PCA, this distinct

request for a Credit Rating opinion will be determined by a new rating committee. There is no stated or implied guaranty that the Credit Rating will be the same outcome as the previously developed PCA.

A PCA may be produced at the discretion of AMB (i.e., unsolicited) or as a request made by an outside party (i.e., solicited). When solicited by an outside party, the solicitation must be made by the management (or management's appointed representatives) of the entity, scenario or structure to be assessed. PCAs are not produced on third-party requests.

**d. Rating Assessment Service - RAS:**

A service solicited by non-rated entities (no third parties) that provides a confidential, unpublished, unmonitored point-in-time opinion of a company's rating prospects based on a quantitative analysis of a company's financial statements and other related financial information communicated by the client to AMB and its subsidiaries. The opinion is expressed as a range of outcomes (three consecutive symbols/notches using an existing Credit Rating scale) that is an indication of a potential BCR, based primarily on key financial indicators and other data provided. The provided information is used by AMB to run its proprietary capital model, Best's Capital Adequacy Ratio (BCAR), and perform other quantitative analysis. The analytics performed are heavily quantitative in nature, and as a result, the assessment does not include any interaction between company management and analytical personnel following the initial RAS request. The RAS opinion is disseminated via letter directly to the soliciting entity.

**e. Shadow Credit Assessment (Internal Use Only):**

An independent forward-looking opinion, not a statement of fact, regarding the relative general credit strengths and weaknesses of a rated entity's affiliate or parent/holding company (primarily engaged in a business that AMB rates) or of a consolidation of several entities. A Shadow Credit Assessment is performed for internal analytical purposes only, in support of the assignment of an associated Credit Rating(s). A Shadow Credit Assessment is not a Credit Rating; however, it is expressed using a symbol representing a category (or notch within a category) of an existing Credit Rating scale and incorporates the assignment of an outlook. A Shadow Credit Assessment is not made public by AMB.

The minimum data requirement for a Shadow Credit Assessment is the most recent consolidated financial statements (balance sheet, income statement, and statement of cash flows audited if available); however, typically the evaluation incorporates a wide variety of information, ranging from information in the public domain to non-public information obtained through interactions with management. A Shadow Credit Assessment is assigned considering relevant Credit Rating methodologies, policies and procedures, and it must include the rating committee process and undergo ongoing surveillance.

**f. Stand-Alone Credit Assessment (Internal Use Only):**

An independent forward-looking opinion, not a statement of fact, on the relative general credit strengths and weaknesses of an issuer or obligor, without consideration of any benefit or drag from its affiliation with a larger organization. Completing a Stand-Alone Credit Assessment allows AMB to gauge an entity's level of creditworthiness with no benefit from parental support. A Stand-Alone Credit Assessment is performed for internal analytical purposes only, in support of the assignment of any type of Credit Rating on the entity.

A Stand-Alone Credit Assessment is not made public by AMB; however, a Stand-Alone Credit Assessment is typically disseminated to the rated entity, and may be disclosed to the parent/holding company, as part of a broader discussion on the development of the associated published Credit Rating. A Stand-Alone Credit Assessment is not a Credit Rating; however, it is expressed using a symbol representing a category (or notch within a category) of an existing Credit Rating scale, and it incorporates the assignment of an outlook. A Stand-Alone Credit Assessment is assigned considering relevant Credit Rating methodologies, policies and procedures, and it must include the rating committee process and undergo ongoing surveillance.

## IV. Opinion Characteristics and Identifiers

### a. **Solicited Credit Rating:**

A Credit Rating meeting one or more of the following criteria:

- The entity/issuer requests the BCR and signs an engagement letter or other agreement with AMB for the BCR opinion;
- The entity/issuer pays a fee for Credit Rating services (not applicable to BCRs where the primary rating analyst is an employee of an AMB subsidiary);
- Consistent with prior representations in an engagement letter or other agreement, ratings letter, or terms and conditions sent to the issuer, AMB assigns a BCR opinion to a subsequent issue of that issuer, and the issuer has not made a request in writing for AMB to either not assign or withdraw the BCR.

### b. **Unsolicited Credit Rating:**

A Credit Rating assigned that is not a Solicited Credit Rating. AMB does not currently produce Unsolicited Credit Ratings.

### c. **Participating Credit Rating:**

A Credit Rating that is produced on an entity or security that includes unencumbered interactions with the management of the entity/issuer.

### d. **Non-Participating Credit Rating:**

A Credit Rating developed with limited or no interactive communications with company management as part of the most recent analysis; however, relevant historical information gathered via past interactive communications with company management may be available, and this historical information is considered in the rating committee deliberation of the Non-Participating Credit Rating opinion.

Note: While AMB reserves the right to issue a Non-Participating Credit Rating due to the potential market benefit of the continued production of the rating, currently, **AMB does not issue Non-Participating Credit Ratings.**

### e. **Public Data Credit Rating (“pd”) – (Discontinued Production in 2010)**

An Unsolicited Non-Participating Credit Rating developed with no interactive communications with company management. The qualitative and quantitative analysis was solely based on publicly available information with limited or no ongoing surveillance. A Public Data Credit Rating was distinguished from a Credit Rating by the assignment of a “pd” identifier. The production of Public Data Credit Ratings was discontinued in 2010 and will only be visible in applicable rating histories.

### f. **European Union Endorsed Credit Rating**

A Credit Rating issued by an AMB operating company outside of the EU that is endorsed for use within the EU by an AMB subsidiary operating within the EU. See the following [Endorsement Disclosure Statement](#) for additional information.

## V. Opinion Modifiers

A symbol added to a BCR to denote that the opinion considers one or more of the following distinct traits, which appear as a lowercase suffix to the BCR, for example, aa+.i or A- u.

a. **Syndicate Credit Rating Modifier – (“s”):**

A Credit Rating assigned to a syndicate operating at Lloyd’s that meets AMB’s minimum size and operating experience requirements for a BCR and participates in the interactive analysis process. A Syndicate Credit Rating is distinguished from a Credit Rating by the assignment of an “s” modifier.

b. **Indicative Credit Rating Modifier – (“i”):**

A Credit Rating on a financial obligation that reflects its relative creditworthiness prior to its issuance, rather than on an existing (i.e., issued) financial obligation, that incorporates a comprehensive analysis of the specific nature and details of the security. An Indicative Credit Rating is distinguished from a Credit Rating by the assignment of an “i” modifier. An Indicative Credit Rating is typically assigned to shelf registrations and other securities shortly before an established close date.

c. **Under Review – (“u”):**

Indicates that a previously published BCR has the potential for a near-term change (typically within six months) due to a recent event or abrupt change in the financial condition of the entity/issuer to which the BCR applies. The Under Review modifier is clarified in the rating dissemination by a Positive, Developing, or Negative implication (see below) based on the specific circumstances of the Under Review status. The BCR remains Under Review until AMB is able to determine the implications of the circumstances that facilitated the Under Review status, before making its final opinion.

- **Under Review with Positive Implications** indicates that, based on information currently available, there is a **reasonable likelihood the BCR will be raised** as a result of AMB’s opinion of the recent event.
- **Under Review with Negative Implications** indicates that, based on information currently available, there is a **reasonable likelihood the BCR will be lowered** as a result of AMB’s opinion of the recent event.
- **Under Review with Developing Implications** indicates that, based on information currently available, there is uncertainty as to the final outcome of the BCR, and **further analysis is required before determining the final opinion.**

d. **Structured Finance – (“sf”):**

An “sf” modifier denotes an issue as a security or money market instrument that is issued by an asset pool or as part of any asset-backed securities transaction and broadly includes transactions collateralized by actively managed pools of loans or receivables (e.g., commercial and residential mortgages, corporate loans, auto loans, education loans, credit card receivables, and leases), collateralized debt obligations, collateralized loan obligations, collateralized mortgage obligations, structured investment vehicles, synthetic collateralized debt obligations that reference debt securities or indexes (including catastrophe-related indexes or activities), and hybrid collateralized debt obligations (Note: this definition is broader than the definition of asset-backed securities pursuant to Form NRSRO).

In general, the “sf” modifier is applied to issues using the IR scale; however, in some cases the “sf” modifier is applied to an entity that is assigned an ICR using the ICR scale. This is completed in cases where the primary purpose of the entity is the issuance of an issue that would be assigned an “sf” modifier.

## VI. Opinion Outlooks

A “Positive,” “Negative” or “Stable” outlook determination is assigned in tandem with a BCR to supplement the BCR opinion by providing an indication of the potential future direction of the BCR over an intermediate

period, generally defined as 36 months. Note: Positive and Negative Outlooks do not necessarily lead to a change in a BCR. Similarly, a Stable Outlook does not preclude an upgrade or downgrade of a BCR. Outlooks are denoted with the following symbols:

**Positive Outlook:**

Indicates that the entity/issuer or security is experiencing favorable financial and market trends, relative to its current BCR. If these trends continue, the entity/issuer or security has a good possibility of having its BCR upgraded.

**Negative Outlook:**

Indicates that the entity/issuer or security is experiencing unfavorable financial and market trends, relative to its current BCR. If these trends continue, the entity/issuer or security has a good possibility of having its BCR downgraded.

**Stable Outlook:**

Indicates that the entity/issuer or security is experiencing stable financial and market trends, and that there is a low likelihood the entity/issuer or security's BCR will change over an intermediate period.

## VII. Opinion Affiliation Codes

A symbol to denote that the FSR is based on the consolidated performance of the insurance company and its association with one or more affiliated insurers, which collectively operate, in AMB's opinion, as one coordinated insurance group and meet our criteria for the same BCR. Accordingly, the Financial Size Category of these member companies usually equals that of the group. The affiliation code symbol appears as a lowercase suffix to the FSR and can include the following designations: g = Group Affiliation, p = Pooled Affiliation, r = Reinsured Affiliation.

**Group Affiliation ("g"):**

Applied to indicate that a subsidiary is assigned its parent's FSR (i.e., given full rating enhancement). Indicates that A.M. Best views the company to be integral to the group's primary business through its financial, operational and/or strategic importance and expects that under almost any scenario the parent would continue to support the subsidiary to the extent of its financial ability. The sale or closure of such a subsidiary would imply an unexpected shift in the group's strategy. As a result, these subsidiaries are assigned the parent's FSR and Financial Size Category.

Subsidiaries with a Group affiliation code ("g") typically demonstrate a combination of the following characteristics: common management that is fully integrated into the group's strategic plan; carry the group name or are easily identified with the group; are material to the business profile of the group; are significant contributors to the group's earnings; currently benefit from some form of explicit parental support and have a history of receiving explicit support when needed.

As a matter of course, it is very unlikely that a newly started or acquired entity would be eligible for its parent's FSR based on implicit support until it had demonstrated its contribution to the group's earnings. Therefore, a start-up entity would need explicit parental support (i.e., affiliated reinsurance, financial guarantee, etc.) to achieve substantial rating lift.

A Stand-Alone Credit Assessment is conducted on all insurance subsidiaries to evaluate each legal entity's stand-alone operating performance and capitalization before consideration is given to any group letter-rating enhancement.

### **Pooled Affiliation (“p”):**

Applied to members of a group where the companies have pooled assets, liabilities and operating results, and in theory, maintain the same operating performance and balance sheet strength as other companies within the pool. Pooling is viewed as explicit financial support. The assets of each pool participant are available for the protection of all pool members’ policyholders. In many cases, pooled affiliates market under a common brand name and generally operate under common management and/or ownership.

The Pooled affiliation code (“p”) is typically assigned if the pooling agreement is joint and several; pure/net; stand-alone capitalization supports the assigned rating/assessment after the pool is considered; includes coverage for any prior year loss reserve development and the runoff of all liabilities incurred on policies incepted prior to termination; ownership or board control exceeds 50% and includes a 12-month notice of termination.

### **Reinsured Affiliation (“r”):**

Assigned to a company with a significant quota share agreement (in-line with applicable methodology) of all gross premiums, losses and expenses (unless regulatory restrictions apply). Reinsurance is viewed as explicit financial support. In many cases, reinsured affiliates market under a common brand name and generally operate under common management and/or ownership.

The Reinsured affiliation code (“r”) is typically applied if stand-alone capitalization supports the rating/assessment after the reinsurance is considered; the contract contains no loss caps or loss corridors; and includes coverage for any prior year loss reserve development and the runoff of all liabilities incurred on policies incepted prior to termination.

## **VIII. Best’s Credit Rating Scales: Categories & Symbols**

### **Best’s Issuer Credit Rating – ICR**

A Best’s Issuer Credit Rating (ICR) is an independent opinion of an entity’s ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis. A long-term ICR is an opinion of an entity’s ability to meet its ongoing senior financial obligations, while a short-term ICR is an opinion of an entity’s ability to meet its ongoing financial obligations with original maturities generally less than one year. An ICR is an opinion regarding the relative future credit risk of an entity. Credit risk is the risk that an entity may not meet its contractual financial obligations as they come due. An ICR does not address any other risk. In addition, an ICR is not a recommendation to buy, sell or hold any securities, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

A long-term ICR, which is an opinion of an entity’s ability to meet its ongoing senior financial obligations, is depicted using a lowercase letter naming convention. The long-term ICR scale has nine Rating Categories, each with a unique symbol. Six of the nine Rating Categories include additional Rating Notches that permit further gradation within the Rating Categories to indicate whether credit quality is near the top or bottom of a particular Rating Category. A short-term ICR, which is an opinion of an entity’s ability to meet its ongoing financial obligations with original maturities generally less than one year, is depicted using a numerical naming convention with an “AMB” prefix. There are five short-term Rating Categories, each with a unique symbol. An ICR may be assigned to insurance companies, insurance operating holding companies and holding companies as well as special purpose entities established for the issuance of a security or other financial purpose. In addition, an ICR may be displayed with a rating identifier or modifier that denotes a unique aspect of the opinion.



## **Best's Long-Term Issuer Credit Rating (ICR) Scale:**

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Exceptional	aaa	-	Assigned to entities that have, in our opinion, an exceptional ability to meet their ongoing senior financial obligations.
Superior	aa	aa+ / aa-	Assigned to entities that have, in our opinion, a superior ability to meet their ongoing senior financial obligations.
Excellent	a	a+ / a-	Assigned to entities that have, in our opinion, an excellent ability to meet their ongoing senior financial obligations.
Good	bbb	bbb+ / bbb-	Assigned to entities that have, in our opinion, a good ability to meet their ongoing senior financial obligations.
Fair	bb	bb+ / bb-	Assigned to entities that have, in our opinion, a fair ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Marginal	b	b+ / b-	Assigned to entities that have, in our opinion, a marginal ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Weak	ccc	ccc+ / ccc-	Assigned to entities that have, in our opinion, a weak ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Very Weak	cc	-	Assigned to entities that have, in our opinion, a very weak ability to meet their ongoing senior financial obligations. Credit quality is very vulnerable to adverse changes in industry and economic conditions.
Poor	c	-	Assigned to entities that have, in our opinion, a poor ability to meet their ongoing senior financial obligations. Credit quality is extremely vulnerable to adverse changes in industry and economic conditions.

\* Best's Long-Term Issuer Credit Rating Categories from "aa" to "ccc" include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a "+" (plus) or "-" (minus).

## **Best's Short-Term Issuer Credit Rating (ICR) Scale:**

Rating Categories	Rating Symbols	Category Definitions
Strongest	AMB-1+	Assigned to entities that have, in our opinion, the strongest ability to repay their short-term financial obligations.
Outstanding	AMB-1	Assigned to entities that have, in our opinion, an outstanding ability to repay their short-term financial obligations.
Satisfactory	AMB-2	Assigned to entities that have, in our opinion, a satisfactory ability to repay their short-term financial obligations.
Adequate	AMB-3	Assigned to entities that have, in our opinion, an adequate ability to repay their short-term financial obligations; however, adverse industry or economic conditions likely will reduce their capacity to meet their financial commitments.
Questionable	AMB-4	Assigned to entities that have, in our opinion, questionable credit quality and are vulnerable to adverse economic or other external changes, which could have a marked impact on their ability to meet their financial commitments.

## **Long- and Short-Term ICR Non-Rating Designations:**

Designation Symbols	Designation Definitions
d	Status assigned to entities (excluding insurers) that are in default or when a bankruptcy petition or similar action has been filed and made public.
e	Status assigned to insurers that are publicly placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation, but not liquidation - that prevents conduct of normal ongoing operations; an impaired entity.
f	Status assigned to insurers that are publicly placed in liquidation by a court of law or by a forced liquidation; an impaired entity.
s	Status assigned to rated entities to suspend the outstanding ICR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
nr	Status assigned to entities that are not rated; may include previously rated entities or entities that have never been rated by AMB.

## **Best's Financial Strength Rating – FSR**

A Best's Financial Strength Rating (FSR) is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts and does 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. An FSR is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

An FSR is depicted using an uppercase letter naming convention, which may include a plus “+” or minus “-“. The FSR scale has seven Rating Categories, each with a unique symbol. Six of the seven Rating Categories include Rating Notches that are expressed using an additional plus “+” or a minus “-“ to permit a further gradation of financial strength within a particular Rating Category. In addition, an FSR may be displayed with a rating identifier, modifier or affiliation code that denotes a unique aspect of the opinion. An FSR may be assigned to insurance companies and insurance operating holding companies.

### **Best’s Financial Strength Rating (FSR) Scale:**

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Superior	A+	A++	Assigned to insurance companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
Excellent	A	A-	Assigned to insurance companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
Good	B+	B++	Assigned to insurance companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
Fair	B	B-	Assigned to insurance companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Marginal	C+	C++	Assigned to insurance companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Weak	C	C-	Assigned to insurance companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
Poor	D	-	Assigned to insurance companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.

\* Each Best’s Financial Strength Rating Category from “A+” to “C” includes a Rating Notch to reflect a gradation of financial strength within the category. A Rating Notch is expressed with either a second plus “+” or a minus “-“.

### **FSR Non-Rating Designations:**

Designation Symbols	Designation Definitions
E	Status assigned to insurance companies that are publicly placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation, but not liquidation - that prevents conduct of normal ongoing insurance operations; an impaired insurer.
F	Status assigned to insurance companies that are publicly placed in liquidation by a court of law or by a forced liquidation; an impaired insurer.
S	Status assigned to rated insurance companies to suspend the outstanding FSR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
NR	Status assigned to insurance companies that are not rated; may include previously rated insurance companies or insurance companies that have never been rated by AMB.

## **Best’s Issue Rating - IR**

A Best’s Issue Rating (IR) is 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 (obligations with original maturities generally less than one year). An IR assigned to a specific issue is an opinion of the ability to meet the ongoing

financial obligations to security holders when due. As such, an IR is an opinion regarding the relative future credit risk. Credit risk is the risk that an issue may not meet its contractual financial obligations as they come due. The rating does not address any other risk, including, but not limited to, liquidity risk, market value risk or price volatility of rated obligations. The rating is not a recommendation to buy, sell or hold any securities, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

A long-term IR, which gauges the ability to meet the terms of an obligation, is depicted using a lowercase letter naming convention. The IR scale has nine Rating Categories, each with a unique symbol. Six of the nine Rating Categories include additional Rating Notches that permit further gradation within the Rating Categories to indicate whether credit quality is near the top or bottom of a particular Rating Category. A short-term IR, which as previously mentioned gauges the ability to meet the terms of an obligation with a maturity generally less than one year, is depicted using a numerical naming convention with an “AMB” prefix. There are five short-term Rating Categories, each with a unique symbol.

An IR may be assigned to specific issues, such as forms of debt, preferred stock, trust preferred securities, commercial paper, insurance-linked securities or other structured finance products or vehicles that are issued by insurance companies, insurance operating holding companies and holding companies as well as special purpose entities established for the issuance of a security or other financial purpose.

In cases where an IR is assigned to a structured finance product or vehicle that is issued by a traditional insurer or special purpose entity, the IR is displayed with a Structured Finance rating modifier (“sf” – [See Section V: Opinion Modifiers for additional information and potential applications](#)) to differentiate a structured finance IR from an IR assigned to more traditional forms of debt, preferred stock or trust preferred securities issued by insurance companies, insurance operating holding companies and holding companies. In addition, an IR may be displayed with a rating identifier or other modifier that denotes a unique aspect of the opinion.

### **Best’s Long-Term Issue Rating (IR) Scale:**

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Exceptional	aaa	-	Assigned to issues where, in our opinion, there is an exceptional ability to meet the terms of the obligation.
Superior	aa	aa+ / aa-	Assigned to issues where, in our opinion, there is a superior ability to meet the terms of the obligation.
Excellent	a	a+ / a-	Assigned to issues where, in our opinion, there is an excellent ability to meet the terms of the obligation.
Good	bbb	bbb+ / bbb-	Assigned to issues where, in our opinion, there is a good ability to meet the terms of the obligation; however, the issue is more susceptible to changes in economic or other conditions.
Fair	bb	bb+ / bb-	Assigned to issues where, in our opinion, fair credit characteristics exist, generally due to a moderate margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by a vulnerability to economic changes or other conditions.
Marginal	b	b+ / b-	Assigned to issues where, in our opinion, marginal credit characteristics exist, generally due to a modest margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by an enhanced vulnerability to economic changes or other conditions.
Weak	ccc	ccc+ / ccc-	Assigned to issues where, in our opinion, weak credit characteristics exist, generally due to a minimal margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by a limited ability to withstand adverse changes in economic or other conditions.
Very Weak	cc	-	Assigned to issues where, in our opinion, very weak credit characteristics exist, generally due to an extremely minimal margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by a limited ability to withstand adverse changes in economic or other conditions.
Poor	c	-	Assigned to issues where, in our opinion, poor credit characteristics exist, generally due to an extremely minimal margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by an extremely limited ability to withstand adverse changes in economic or other conditions.

\* Best’s Long-Term Issue Rating Categories from “aa” to “ccc” include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a “+” (plus) or “-” (minus).

### **Best's Short-Term Issue Rating (IR) Scale:**

<b>Rating Categories</b>	<b>Rating Symbols</b>	<b>Category Definitions</b>
Strongest	AMB-1+	Assigned to issues where, in our opinion, the strongest ability to repay short-term debt obligations exists.
Outstanding	AMB-1	Assigned to issues where, in our opinion, an outstanding ability to repay short-term debt obligations exists.
Satisfactory	AMB-2	Assigned to issues where, in our opinion, a satisfactory ability to repay short-term debt obligations exists.
Adequate	AMB-3	Assigned to issues where, in our opinion, an adequate ability to repay short-term debt obligations exists; however, adverse economic conditions likely will reduce the capacity to meet financial commitments.
Questionable	AMB-4	Assigned to issues that, in our opinion, contain questionable credit characteristics and are vulnerable to adverse economic or other external changes, which could have a marked impact on the ability to meet financial commitments.

### **Long- and Short-Term IR Non-Rating Designations:**

<b>Designation Symbols</b>	<b>Designation Definitions</b>
d	Status assigned to issues in default on payment of principal, interest or other terms and conditions, or when a bankruptcy petition or similar action has been filed and made public; or where the issuing entity has been designated as impaired (e/f [ICR] or E/F [FSR] designations) or in default (d [ICR] designation).
s	Status assigned to rated issues to suspend the outstanding IR when sudden and significant events have occurred and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
nr	Status assigned to issues that are not rated; may include previously rated issues or issues that have never been rated by AMB.

## **Best's National Scale Rating – NSR**

A 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 Issuer Credit Rating (ICR) using a transition chart. An NSR is only comparable to other NSRs within the same country, as denoted by the specific country code suffix (".XX") attached to each NSR, and not across countries; therefore, impairment statistics cannot be compared directly to a national rating. However, since the global rating is assigned as the base for the national rating, impairment rates can be inferred. In cases where one global ICR level maps to more than one NSR level, a rating committee will determine which level, in accordance with the mapping, is appropriate given the relative financial strength of the entity to meet senior financial obligations. The ICR to NSR mapping chart and other relevant information can be found in the corresponding criteria titled "[A.M. Best Ratings on a National Scale](#)" available on the A.M. Best website.

An NSR is depicted using a lowercase letter naming convention with an abbreviated uppercase country code suffix (e.g., bbb+.XX). The NSR scale has nine Rating Categories, each with a unique symbol. Six of the nine Rating Categories include additional Rating Notches that permit further gradation within the Rating Categories to indicate whether credit quality is near the top or bottom of a particular Rating Category. An NSR may be assigned to insurance companies, insurance operating holding companies and holding companies as well as special purpose entities established for the issuance of a security or other financial purpose. In addition, an NSR may be displayed with a rating identifier or modifier that denotes a unique aspect of the opinion.

### **Best's National Scale Rating (NSR) Scale:**

<b>Rating Categories</b>	<b>Rating Symbols</b>	<b>Rating Notches*</b>	<b>Category Definitions</b>
Exceptional	aaa.XX	-	Assigned to entities that have, in our opinion, an exceptional ability to meet their ongoing senior financial obligations relative to other national entities.
Superior	aa.XX	aa+.XX / aa-.XX	Assigned to entities that have, in our opinion, a superior ability to meet their ongoing senior financial obligations relative to other national entities.
Excellent	a.XX	a+.XX / a-.XX	Assigned to entities that have, in our opinion, an excellent ability to meet their ongoing senior financial obligations relative to other national entities.
Good	bbb.XX	bbb+.XX / bbb-.XX	Assigned to entities that have, in our opinion, a good ability to meet their ongoing senior financial obligations relative to other national entities.
Fair	bb.XX	bb+.XX / bb-.XX	Assigned to entities that have, in our opinion, a fair ability to meet their ongoing senior financial obligations relative to other national entities.
Marginal	b.XX	b+.XX / b-.XX	Assigned to entities that have, in our opinion, a marginal ability to meet their ongoing senior financial obligations relative to other national entities.
Weak	ccc.XX	ccc+.XX / ccc-.XX	Assigned to entities that have, in our opinion, a weak ability to meet their ongoing senior financial obligations relative to other national entities.
Very Weak	cc.XX	-	Assigned to entities that have, in our opinion, a very weak ability to meet their ongoing senior financial obligations relative to other national entities.
Poor	c.XX	-	Assigned to entities that have, in our opinion, a poor ability to meet their ongoing senior financial obligations relative to other national entities.

*\* Best's National Scale Rating Categories from "aa" to "ccc" include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a "+" (plus) or "-" (minus).*

## IX. Annex

<b>BEST'S ISSUER CREDIT RATING GUIDE</b>			
<p>A Best's Issuer Credit Rating (ICR) is an independent opinion of an entity's ability to meet its ongoing financial obligations and can be issued on either a long- or short-term basis. A long-term ICR is an opinion of an entity's ability to meet its ongoing senior financial obligations, while a short-term ICR is an opinion of an entity's ability to meet its ongoing financial obligations with original maturities generally less than one year. An ICR is an opinion regarding the relative future credit risk of an entity. Credit risk is the risk that an entity may not meet its contractual financial obligations as they come due. An ICR does not address any other risk. In addition, an ICR is not a recommendation to buy, sell or hold any securities, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.</p>			
<b>Best's Long-Term Issuer Credit Rating (ICR) Scale</b>			
<b>Rating Categories</b>	<b>Rating Symbols</b>	<b>Rating Notches*</b>	<b>Category Definitions</b>
Exceptional	aaa	-	Assigned to entities that have, in our opinion, an exceptional ability to meet their ongoing senior financial obligations.
Superior	aa	aa+ / aa-	Assigned to entities that have, in our opinion, a superior ability to meet their ongoing senior financial obligations.
Excellent	a	a+ / a-	Assigned to entities that have, in our opinion, an excellent ability to meet their ongoing senior financial obligations.
Good	bbb	bbb+ / bbb-	Assigned to entities that have, in our opinion, a good ability to meet their ongoing senior financial obligations.
Fair	bb	bb+ / bb-	Assigned to entities that have, in our opinion, a fair ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Marginal	b	b+ / b-	Assigned to entities that have, in our opinion, a marginal ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Weak	ccc	ccc+ / ccc-	Assigned to entities that have, in our opinion, a weak ability to meet their ongoing senior financial obligations. Credit quality is vulnerable to adverse changes in industry and economic conditions.
Very Weak	cc	-	Assigned to entities that have, in our opinion, a very weak ability to meet their ongoing senior financial obligations. Credit quality is very vulnerable to adverse changes in industry and economic conditions.
Poor	c	-	Assigned to entities that have, in our opinion, a poor ability to meet their ongoing senior financial obligations. Credit quality is extremely vulnerable to adverse changes in industry and economic conditions.
<p><i>*Best's Long-Term Issuer Credit Rating Categories from "aa" to "ccc" include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a "+" (plus) or "-" (minus).</i></p>			
<b>Best's Short-Term Issuer Credit Rating (ICR) Scale</b>			
<b>Rating Categories</b>	<b>Rating Symbols</b>	<b>Category Definitions</b>	
Strongest	AMB-1+	Assigned to entities that have, in our opinion, the strongest ability to repay their short-term financial obligations.	
Outstanding	AMB-1	Assigned to entities that have, in our opinion, an outstanding ability to repay their short-term financial obligations.	
Satisfactory	AMB-2	Assigned to entities that have, in our opinion, a satisfactory ability to repay their short-term financial obligations.	
Adequate	AMB-3	Assigned to entities that have, in our opinion, an adequate ability to repay their short-term financial obligations; however, adverse industry or economic conditions likely will reduce their capacity to meet their financial commitments.	
Questionable	AMB-4	Assigned to entities that have, in our opinion, questionable credit quality and are vulnerable to adverse economic or other external changes, which could have a marked impact on their ability to meet their financial commitments.	
<b>Long- and Short-Term ICR Non-Rating Designations</b>			
<b>Designation Symbols</b>	<b>Designation Definitions</b>		
d	Status assigned to entities (excluding insurers) that are in default or when a bankruptcy petition or similar action has been filed and made public.		
e	Status assigned to insurers that are publicly placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation, but not liquidation - that prevents conduct of normal ongoing operations; an impaired entity.		
f	Status assigned to insurers that are publicly placed in liquidation by a court of law or by a forced liquidation; an impaired entity.		
s	Status assigned to rated entities to suspend the outstanding ICR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.		
nr	Status assigned to entities that are not rated; may include previously rated entities or entities that have never been rated by AMB.		
<b>Rating Disclosure: Use and Limitations</b>			
<p>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 Company 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.</p>			
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## BEST'S FINANCIAL STRENGTH RATING GUIDE

A Best's Financial Strength Rating (FSR) is an independent opinion of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations. An FSR is not assigned to specific insurance policies or contracts and does 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. An FSR is not a recommendation to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

### Best's Financial Strength Rating (FSR) Scale

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Superior	A+	A++	Assigned to insurance companies that have, in our opinion, a superior ability to meet their ongoing insurance obligations.
Excellent	A	A-	Assigned to insurance companies that have, in our opinion, an excellent ability to meet their ongoing insurance obligations.
Good	B+	B++	Assigned to insurance companies that have, in our opinion, a good ability to meet their ongoing insurance obligations.
Fair	B	B-	Assigned to insurance companies that have, in our opinion, a fair ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Marginal	C+	C++	Assigned to insurance companies that have, in our opinion, a marginal ability to meet their ongoing insurance obligations. Financial strength is vulnerable to adverse changes in underwriting and economic conditions.
Weak	C	C-	Assigned to insurance companies that have, in our opinion, a weak ability to meet their ongoing insurance obligations. Financial strength is very vulnerable to adverse changes in underwriting and economic conditions.
Poor	D	-	Assigned to insurance companies that have, in our opinion, a poor ability to meet their ongoing insurance obligations. Financial strength is extremely vulnerable to adverse changes in underwriting and economic conditions.

\*Each Best's Financial Strength Rating Category from "A+" to "C" includes a Rating Notch to reflect a gradation of financial strength within the category. A Rating Notch is expressed with either a second plus "+" or a minus "-".

### FSR Non-Rating Designations

Designation Symbols	Designation Definitions
E	Status assigned to insurance companies that are publicly placed under a significant form of regulatory supervision, control or restraint - including cease and desist orders, conservatorship or rehabilitation, but not liquidation - that prevents conduct of normal ongoing insurance operations; an impaired insurer.
F	Status assigned to insurance companies that are publicly placed in liquidation by a court of law or by a forced liquidation; an impaired insurer.
S	Status assigned to rated insurance companies to suspend the outstanding FSR when sudden and significant events impact operations and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
NR	Status assigned to insurance companies that are not rated; may include previously rated insurance companies or insurance companies that have never been rated by AMB.

### Rating Disclosure: Use and Limitations

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 Company 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.

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## BEST'S ISSUE RATING GUIDE

A Best's Issue Rating (IR) is 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 (obligations with original maturities generally less than one year). An IR assigned to a specific issue is an opinion of the ability to meet the ongoing financial obligations to security holders when due. As such, an IR is an opinion regarding the relative future credit risk. Credit risk is the risk that an issue may not meet its contractual financial obligations as they come due. The rating does not address any other risk, including, but not limited to, liquidity risk, market value risk or price volatility of rated obligations. The rating is not a recommendation to buy, sell or hold any securities, contracts or any other financial obligations, nor does it address the suitability of any particular financial obligation for a specific purpose or purchaser.

### Best's Long-Term Issue Rating (IR) Scale

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Exceptional	aaa	-	Assigned to issues where, in our opinion, there is an exceptional ability to meet the terms of the obligation.
Superior	aa	aa+ / aa-	Assigned to issues where, in our opinion, there is a superior ability to meet the terms of the obligation.
Excellent	a	a+ / a-	Assigned to issues where, in our opinion, there is an excellent ability to meet the terms of the obligation.
Good	bbb	bbb+ / bbb-	Assigned to issues where, in our opinion, there is a good ability to meet the terms of the obligation; however, the issue is more susceptible to changes in economic or other conditions.
Fair	bb	bb+ / bb-	Assigned to issues where, in our opinion, fair credit characteristics exist, generally due to a moderate margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by a vulnerability to economic changes or other conditions.
Marginal	b	b+ / b-	Assigned to issues where, in our opinion, marginal credit characteristics exist, generally due to a modest margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by an enhanced vulnerability to economic changes or other conditions.
Weak	ccc	ccc+ / ccc-	Assigned to issues where, in our opinion, weak credit characteristics exist, generally due to a minimal margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by a limited ability to withstand adverse changes in economic or other conditions.
Very Weak	cc	-	Assigned to issues where, in our opinion, very weak credit characteristics exist, generally due to an extremely minimal margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by a limited ability to withstand adverse changes in economic or other conditions.
Poor	c	-	Assigned to issues where, in our opinion, poor credit characteristics exist, generally due to an extremely minimal margin of principal and interest payment protection or other issue-specific concerns that may be exacerbated by an extremely limited ability to withstand adverse changes in economic or other conditions.

\*Best's Long-Term Issue Rating Categories from "aa" to "ccc" include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a "+" (plus) or "-" (minus).

### Best's Short-Term Issue Rating (IR) Scale

Rating Categories	Rating Symbols	Category Definitions
Strongest	AMB-1+	Assigned to issues where, in our opinion, the strongest ability to repay short-term debt obligations exists.
Outstanding	AMB-1	Assigned to issues where, in our opinion, an outstanding ability to repay short-term debt obligations exists.
Satisfactory	AMB-2	Assigned to issues where, in our opinion, a satisfactory ability to repay short-term debt obligations exists.
Adequate	AMB-3	Assigned to issues where, in our opinion, an adequate ability to repay short-term debt obligations exists; however, adverse economic conditions likely will reduce the capacity to meet financial commitments.
Questionable	AMB-4	Assigned to issues that, in our opinion, contain questionable credit characteristics and are vulnerable to adverse economic or other external changes, which could have a marked impact on the ability to meet financial commitments.

### Long- and Short-Term IR Non-Rating Designations

Designation Symbols	Designation Definitions
d	Status assigned to issues in default on payment of principal, interest or other terms and conditions, or when a bankruptcy petition or similar action has been filed and made public; or where the issuing entity has been designated as impaired ( <u>e/f</u> [ICR] or <u>E/F</u> [FSR] designations) or in default ( <u>d</u> [ICR] designation).
s	Status assigned to rated issues to suspend the outstanding IR when sudden and significant events have occurred and rating implications cannot be evaluated due to a lack of timely or adequate information; or in cases where continued maintenance of the previously published rating opinion is in violation of evolving regulatory requirements.
nr	Status assigned to issues that are not rated; may include previously rated issues or issues that have never been rated by AMB.

### Rating Disclosure: Use and Limitations

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## BEST'S NATIONAL SCALE RATING GUIDE

A 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 Issuer Credit Rating (ICR) using a transition chart. An NSR is only comparable to other NSRs within the same country, as denoted by the specific country code suffix (".XX") attached to each NSR, and not across countries; therefore, impairment statistics cannot be compared directly to a national rating. However, since the global rating is assigned as the base for the national rating, impairment rates can be inferred. In cases where one global ICR level maps to more than one NSR level, a rating committee will determine which level, in accordance with the mapping, is appropriate given the relative financial strength of the entity to meet senior financial obligations. The ICR to NSR mapping chart and other relevant information can be found in the corresponding criteria titled "[A.M. Best Ratings on a National Scale](#)" available on the A.M. Best website.

### Best's National Scale Rating (NSR) Scale

Rating Categories	Rating Symbols	Rating Notches*	Category Definitions
Exceptional	aaa.XX	-	Assigned to entities that have, in our opinion, an exceptional ability to meet their ongoing senior financial obligations relative to other national entities.
Superior	aa.XX	aa+.XX / aa-.XX	Assigned to entities that have, in our opinion, a superior ability to meet their ongoing senior financial obligations relative to other national entities.
Excellent	a.XX	a+.XX / a-.XX	Assigned to entities that have, in our opinion, an excellent ability to meet their ongoing senior financial obligations relative to other national entities.
Good	bbb.XX	bbb+.XX / bbb-.XX	Assigned to entities that have, in our opinion, a good ability to meet their ongoing senior financial obligations relative to other national entities.
Fair	bb.XX	bb+.XX / bb-.XX	Assigned to entities that have, in our opinion, a fair ability to meet their ongoing senior financial obligations relative to other national entities.
Marginal	b.XX	b+.XX / b-.XX	Assigned to entities that have, in our opinion, a marginal ability to meet their ongoing senior financial obligations relative to other national entities.
Weak	ccc.XX	ccc+.XX / ccc-.XX	Assigned to entities that have, in our opinion, a weak ability to meet their ongoing senior financial obligations relative to other national entities.
Very Weak	cc.XX	-	Assigned to entities that have, in our opinion, a very weak ability to meet their ongoing senior financial obligations relative to other national entities.
Poor	c.XX	-	Assigned to entities that have, in our opinion, a poor ability to meet their ongoing senior financial obligations relative to other national entities.

\*Best's National Scale Rating Categories from "aa" to "ccc" include Rating Notches to reflect a gradation within the category to indicate whether credit quality is near the top or bottom of a particular Rating Category. Rating Notches are expressed with a "+" (plus) or "-" (minus).

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